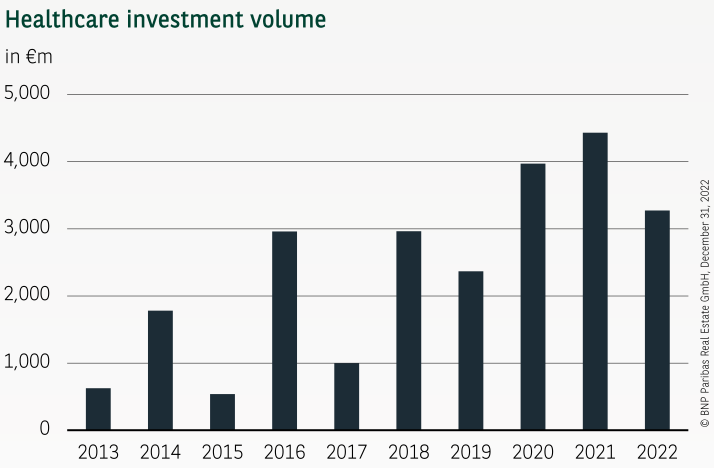
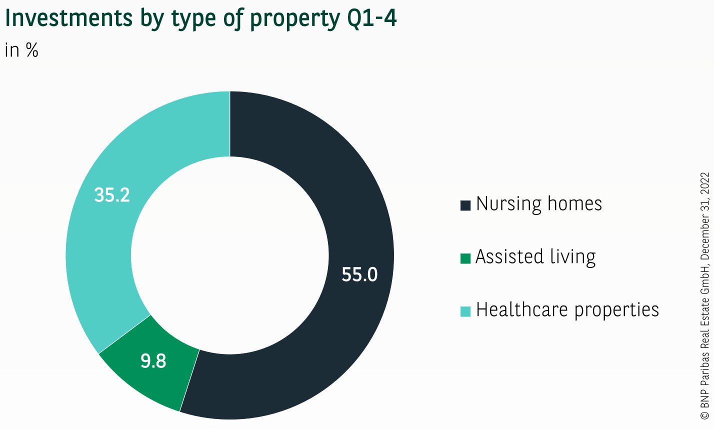
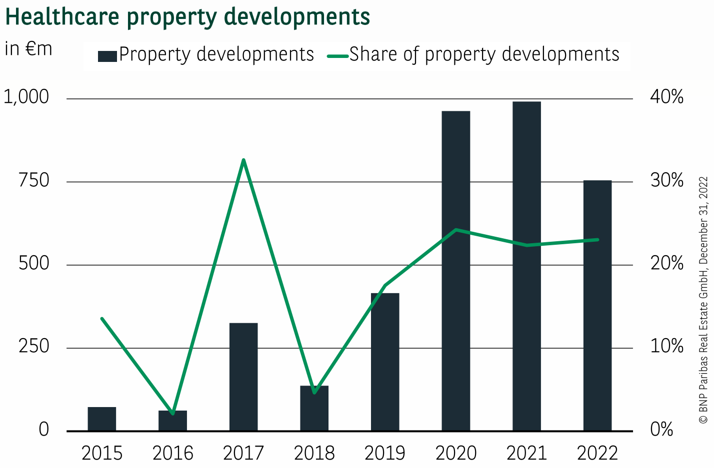
At a Glance Q4 2022

HEALTHCARE INVESTMENT MARKET GERMANY







GOOD RESULT DESPITE WEAK FOURTH QUARTER

With a transaction volume of €3.3 billion, the healthcare investment market is about a quarter below last year's record, but exceeds the long-term average by more than a third. It is remarkable that the portfolio share is relatively low at 43% despite the good result. This can be seen as evidence that the market is now penetrated by a broader investor base that also invests selectively in single properties. The healthcare market that was formerly described as a niche market and dominated by a few specialised investors is thus developing more and more into an asset class in its own right. The changed interest rate environment and the resulting pricing phase between buyers and sellers has nevertheless left its mark. The solid result is largely based on the strong first half of the year. Both the third (-22 %) and the fourth quarter (-37 %) were below the quarterly average of the past five years. In addition, the record inflation and the pandemic, which has not yet been fully overcome, are still putting pressure on the operators' costs. This situation gives the evaluation of the respective operator risk more importance than it had in the past. Accordingly, the lack of adequate supply with attractive operator contracts is also a limiting factor for the transaction volume.

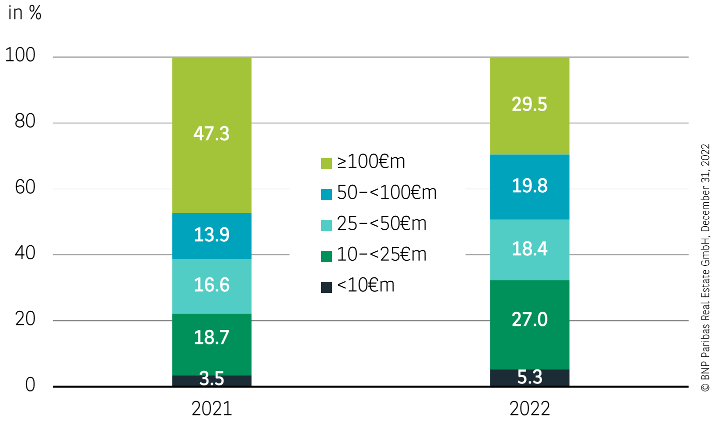
HEALTHCARE PROPERTIES WITH RECORD

As usual, nursing homes contribute more than half of the transaction volume in 2022. However, the currently registered €1.8 billion is around 21% below the average of the last five years. The record result from the previous year is even missed by 42%. While the assisted living segment, at €321 million, is also significantly below the previous year, a new record can be reported for healthcare properties. Driven by a large number of individual transactions, the volume totals around €1.15 billion.

PROPERTY DEVELOPMENTS AT A CONSTANT HIGH LEVEL

Forward deals offer investors access to properties that meet current legal requirements and also have up-to-date lease modalities. Against this background, it is not surprising that the share of project developments is around 23% and has thus remained at a consistently high level since 2020. However, since both financing and construction costs rose significantly over the course of the year, the share declined slightly at the end of the year.

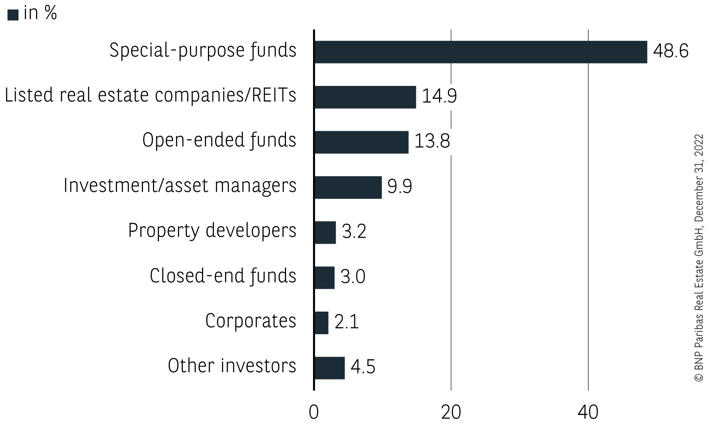
Investments by size category



BALANCED DISTRIBUTION ACROSS THE SIZE CATEGORIES

The transaction volume in 2022 is distributed comparatively homogeneously across the individual size categories. Although deals in the three-digit million range account for the largest share with 29.5%, the registered €965 million is more than half lower than in the two previous years. In contrast, a high number of individual transactions were registered in the segment up to €25 million, bringing the transaction volume here to €1.06 billion, a new record. Meanwhile, the medium size classes accounted for a total of €1.25 billion of the volume, which is only slightly below the value of the previous years.

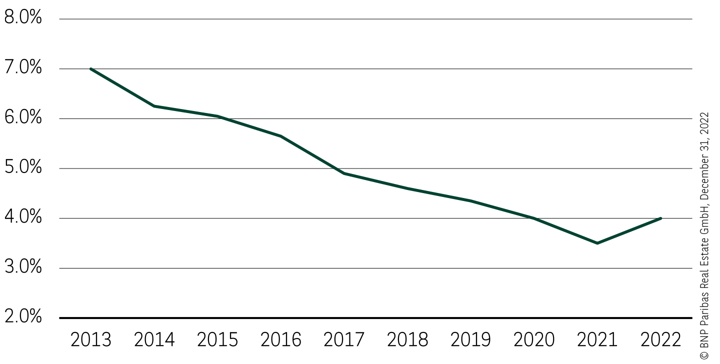
Investments by buyer groups Q1-4 2022



SPECIAL-PURPOSE FUNDS STILL WITH LARGEST SHARE

As in the previous year, the distribution of the investment volume is dominated by special-purpose funds. They contribute around 49% or €1.59 billion to the result and are thus far ahead of the second-placed listed real estate companies/REITs, which account for around 15% of the turnover. The fact that healthcare investments have meanwhile moved noticeably into the focus of a broad investor community is illustrated not least by the fact that open-ended funds also achieve a strong result with a share of 14% or €454 million. In addition, investment/asset managers (10%), property developers (3%), closed-end funds (3%) and corporates (2%) also account for significant shares.

Net prime yield for nursing home real estate



YIELDS EXPANDING

Due to the several interest rate increases by the major central banks, the financing costs for real estate have also become significantly more expensive over the course of the year. Accordingly, the yields for nursing homes have expanded again for the first time since the financial crisis. The net prime yield has risen by 50 basis points since the middle of the year to 4.00%.

OUTLOOK

The healthcare investment market was comparatively resilient in the past year. Nevertheless, from the second half of the year onwards, many investors acted much more cautiously due to the significant rise in interest rates. Against the background that further slight interest rate steps are to be expected at the beginning of the year, this situation is likely to continue for some months. A further slight rise in yields can therefore not be ruled out. From today's perspective, however, there is much to suggest that an end to the interest rate increases will become foreseeable in the course of the second quarter and that the current pricing phase is nearing its end. As a result, transaction activity should also gain momentum again, so that a two-part investment year in 2023 currently appears to be the most realistic scenario.

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