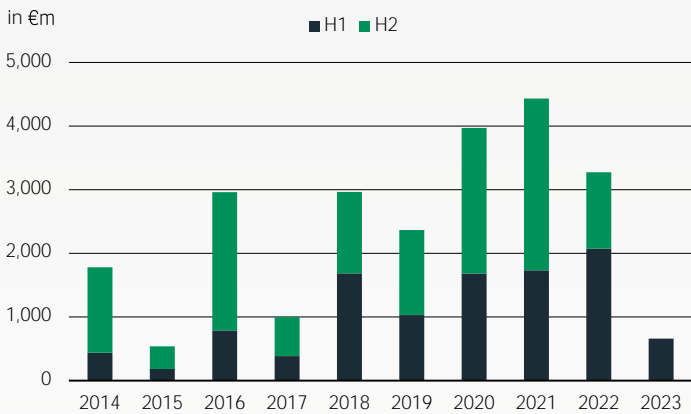




At a Glance **Q2 2023**

HEALTHCARE INVESTMENT MARKET GERMANY

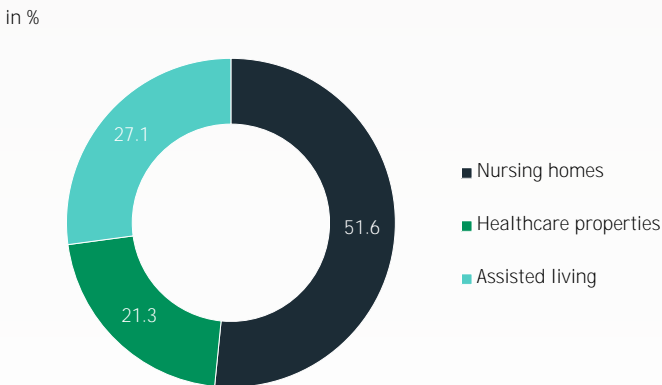
Healthcare investment volume



SHARP DECLINE AFTER RECORD YEARS

After years of record volumes due to an increasing importance of the healthcare asset class driven by the increased demand for corresponding facilities, the first half of 2023 is significantly below average. With an investment volume of € 660 million, the 10-year average was undercut by -38% and the strong result of the previous year was even missed by -68%. Several major insolvencies of well-known operators are currently affecting the healthcare investment market and leading to increasing caution on the part of risk-averse investors. Where for many years no or hardly any operator risks were perceived, there is now growing focus on the stability of operators. The further development on that side will therefore be closely observed and will influence the further transaction activities to a large extent.

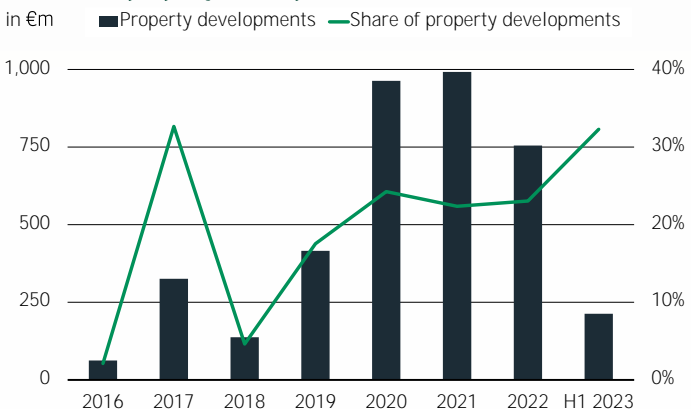
Investments by type of property H1



OPERATOR RISKS DOMINATE MARKET ACTIVITY

Looking at the transaction volumes by type of use, the picture is very mixed. Although nursing homes continue to make up the bulk of the market with around 52%, their share is -28% below the long-term average. Assisted living facilities (27%), on the other hand, with a more differentiated risk profile, have been able to significantly increase their share over the past 10 years and for the first time are well ahead of healthcare properties (21%), which mainly include medical centres and hospitals. Considering the structural problems that nursing home operators have to face this is not a surprising development. Several major bankruptcies of these operators continue to increase the risk. Both hospitals and medical centres are in a comparatively more stable position, since they are better able to recoup the increased costs through reimbursement by statutory health insurances and, in particular, by privately insured persons.

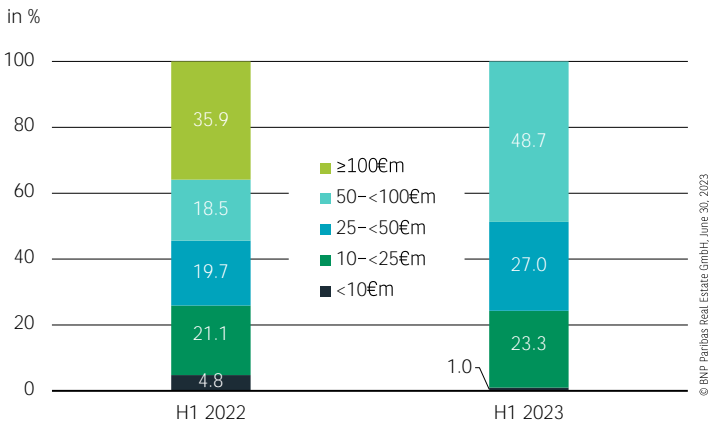
Healthcare property developments



ADEQUATE PRODUCT OFTEN ONLY AS NEW BUILDING

The increased risk aversion of investors is reflected in the current supply-demand situation. Although the supply is dominated by properties with higher risk profiles, the demand side currently prefers modern properties with state-of-the-art building standards and reliable operators. While this has led to an increased share of property developments in the total market to around one third, the transaction volume, at around €213 million, is roughly at the level of the first half of 2019. Given the decline in construction activity, the supply shortage is expected to persist.

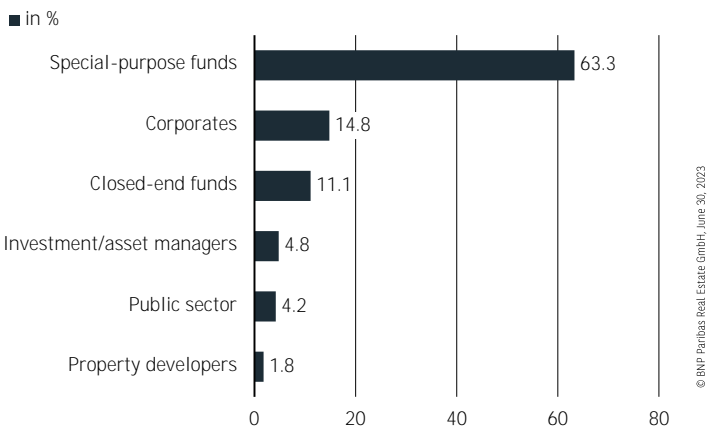
Investments by size category



MID-SIZED DEALS FAVOURED

With € 321 million and a share of 48.7%, deals between € 50-<100 million clearly dominate current market activity. Small portfolios and two single transactions were the main contributors. Transactions between €25-<50m come in second place with 27% and € 178 million. This is more than half the previous year's figure. Smaller deals in the €10-<25 million range rank third with 23.3%. The € 154 million registered here are almost two thirds lower than in the corresponding period of the previous year. Transactions below the € 10 million mark account for a share of just 1%. Small properties, especially in the periphery, often complicate operators' ability to reach a critical size that allows them to run profitable businesses. Therefore, transaction volumes in this segment are expected to remain low for the time being.

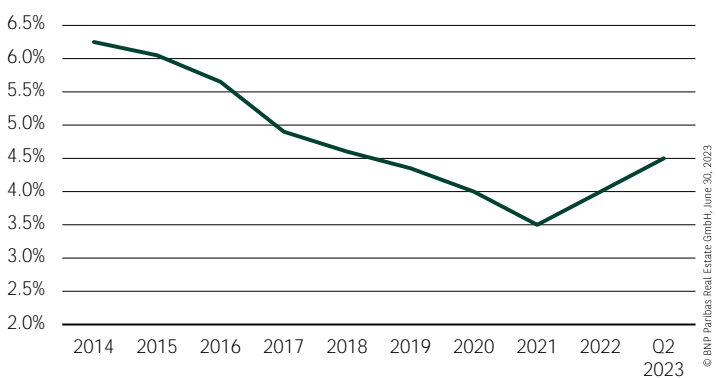
Investments by buyer groups H1 2023



SPECIAL-PURPOSE FUNDS STILL LEADING THE FIELD

Special-purpose funds are once again in first place by a wide margin. The € 418 million generated here account for around 63% of the total transaction activity H1 2023. Second place is currently occupied by corporates, which stand for operators who have been able to secure promising properties for the long term. The almost € 100 million placed here account for 14.8% of the half-year result. Closed-end funds (11%) reach third place due to two sale-and-lease-back transactions. Listed real estate companies/REITs, which have usually had a strong presence in recent years, have not yet been active at all. This impressively reflects the new financial landscape.

Net prime yield for nursing home real estate



YIELDS EXPANDING AGAIN

Prime yields are under pressure from increased financing costs as well as operator risks and stand now at 4.50% (+50 bps vs. Q4 2022). At the moment we cannot say when the bottom will be reached, as the expectations of buyers and sellers still diverge, often considerably. However, tight supply in the new-build core segment could be a stabilizing factor.

OUTLOOK

The healthcare investment market faces a variety of challenging factors as a result of structural problems in the medical and nursing care sector. Investors will remain selective for now and examine acquisitions closely, especially nursing home properties. Medical centres and hospitals, on the other hand, will probably come more into focus and contribute to an ever larger share of the overall market. Despite the current difficult environment, the healthcare segment is a huge growth market with outstanding perspectives in the long run.

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