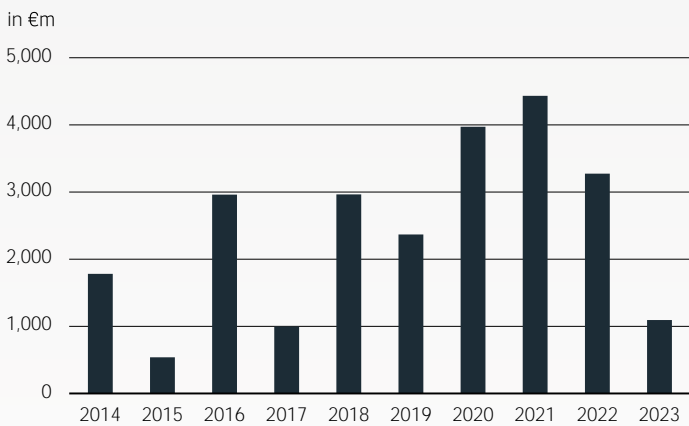




At a Glance **Q4 2023**

HEALTHCARE INVESTMENT MARKET GERMANY

Healthcare investment volume

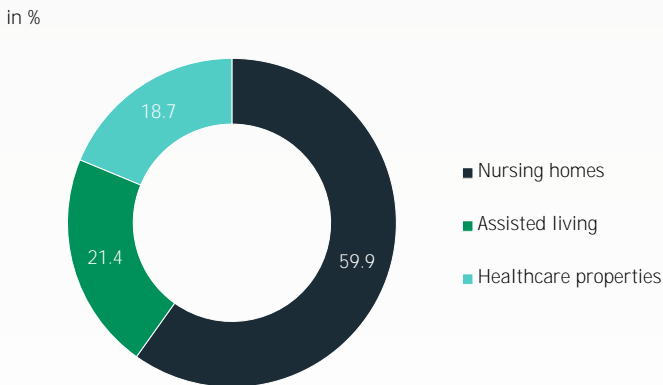


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WEAKEST RESULT SINCE 2017

The healthcare investment market performed poorly in 2023, with a transaction volume of only €1.1 billion, missing the long-term average of €2.4 billion by approximately 55%. Currently, due to the sharp rise in interest rates, the healthcare investment market is in a consolidation and pricing phase. The after-effects of the pandemic and high price inflation are negatively impacting operator risk. Operators are unable to pass on the costs incurred to the customer, resulting in a lack of new products with attractive operator contracts. The German healthcare investment market is experiencing weak investment activity due to difficult access to debt capital and worsened financing conditions. Additionally, structural problems have resulted in major insolvencies in the sector, causing risk-averse investors to exercise restraint. The portfolio deals have been low in volume, amounting to €458 million, which is a 70% decrease from the long-term average.

Investments by type of property 2023

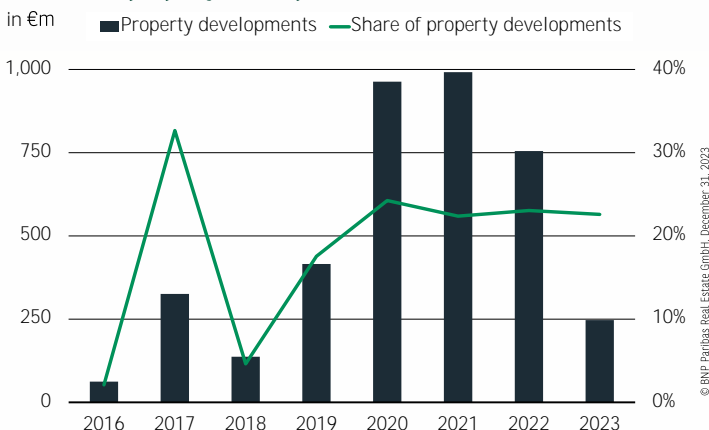


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ASSISTED LIVING COMPARATIVELY STRONG

Nursing homes accounted for just under 60% (€655 million) of the transaction volume, as usual (average 10 years: 69%). Healthcare properties, mainly medical centres, clinics, and medical care centres, accounted for around 19% of transaction volume. However, the long-term average of €205 million was missed by around 65%. The record result for this segment from the previous year was undercut by around 82%. In contrast, assisted living recorded a comparatively solid figure of €234 million. This segment has the highest share of turnover in the last ten years at 21% (average over 10 years: 7%).

Healthcare property developments

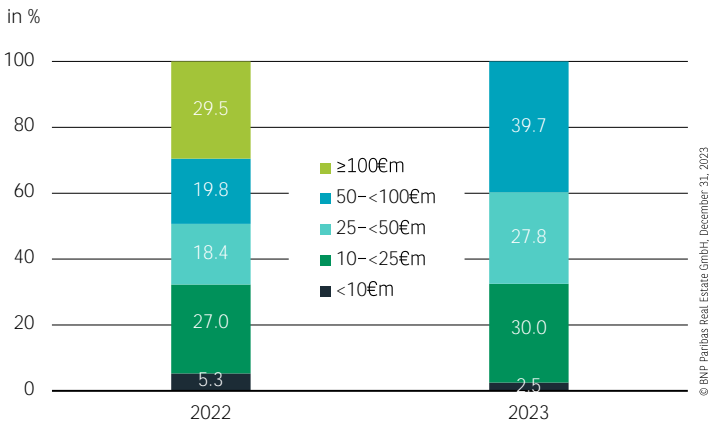


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SIGNIFICANT DECLINE IN PROJECT DEVELOPMENTS

The amount of project developments decreased significantly from €755 million in the previous year to approximately €247 million. Despite the low investment volume, the proportion of project developments remained relatively stable at just under 23%. Due to the significant deterioration in financing conditions and the sharp increase in acquisition costs, fewer forward deals were initiated.

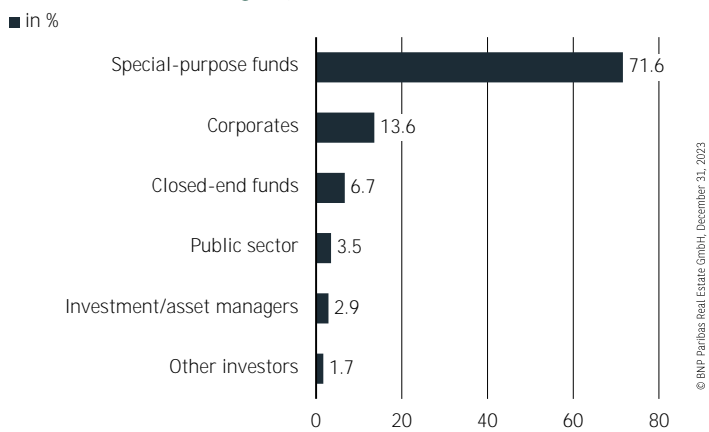
Investments by size category



➤ SEGMENT €50-100 MILLION COMPARATIVELY SOLID

The weak investment activity is partly due to the absence of large-volume portfolio sales. In 2023, no deals exceeding €100 million were recorded in this segment. However, the segment of medium-sized transactions, ranging between €50 million and €100 million, accounted for just under 40% of the total. This segment recorded the smallest decline compared to the previous year, with an investment volume of €434 million. The categories of €25-50 million and €10-25 million each accounted for approximately one-third of investment turnover, at 28% and 30%, respectively. However, the smallest deals, up to €10 million, experienced the sharpest decline. Only €28 million can be attributed to this segment.

Investments by buyer groups 2023



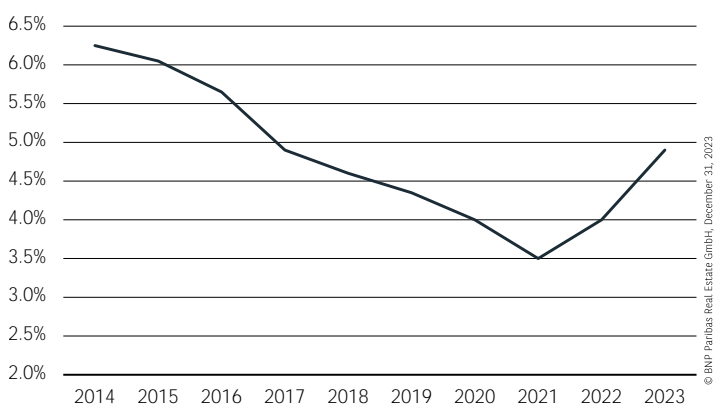
➤ SPECIAL-PURPOSE FUNDS CLEARLY DOMINATE

Similar to the previous two years, special-purpose funds dominated the distribution of the investment volume by buyer groups, contributing almost 72% or €783 million to the result. Corporates came in second place, accounting for just under 14% of turnover. Closed-end funds, the public sector, and investment/asset managers only accounted for a single-digit percentage of turnover.

➤ FURTHER YIELD COMPRESSION

Against the backdrop of the rapid and significant increase in European key interest rates, financing costs for real estate also rose significantly over the course of the year. As in the previous year, yields on healthcare properties continued their upward trend. The net prime yield has risen by 40 basis points since the middle of the year to 4.90%. Nevertheless, the prime yield is still well below the level of 2014, when the prime yield was 6.25%.

Net prime yield for nursing home real estate



➤ OUTLOOK

The German real estate markets are being impacted by a combination of significantly more difficult access to debt capital, sharply higher financing costs and structural problems. Despite continued high demand for care facilities against the backdrop of an ageing society, these factors are currently having a negative impact on the German healthcare investment market. In anticipation of a further decline in prices, institutional investors have largely adopted a cautious stance over the course of 2023, resulting in hardly any major transactions. However, there is currently an indication that interest rates will remain stable or fall slightly in 2024. In combination with healthy fundamentals on the demand side and in anticipation of a significant decline in construction completions, a gradual increase in investment activity over the course of the year is expected again in 2024.

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