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SHHA

Senior Housing & Healthcare Association

Headlines

Record investment in European care-home market

Q3 transaction volumes boom in German healthcare

'Changing the way we look at ageing'

Octopus joint venture to develop retirement community

realasset MEDIA

Changing the way we look at ageing

Ron van Bloois,
Chair,
SHHA

We are at a turning point, both from a societal and economic perspective. Uncertainties in the current market (such as the Ukraine war, energy crisis, building costs and inflation) are putting pressure on solidarity, business cases and vital transitions. A lot of initiatives have been put on hold, operator balance sheets are at risk and deal flow is slowing down. Next to these macro challenges, the scarcity of skilled personnel remains an issue.

From an SHHA perspective, our call to action is aimed at reinforcing collaboration, trust and focus over the long term. Close and successful cooperation between operators and their residents, investors and stakeholders, such as local governments, is the mission of the SHHA.

Creating alignment in the value chain is the only way to tackle the biggest residential and healthcare challenges of the coming decades. We need to change the way we look at ageing (cultural mindset), adapt consumerism and develop a smart infrastructure with formal and informal care.

> **'Alignment in the value chain is the only way to tackle residential and healthcare challenges.'**

Governments are encouraging elderly people to live at home for as long as possible. New concepts of senior living as part of integrated city and rural developments are needed to empower inclusivity, increase independence/mobility and mitigate loneliness and psychological vulnerability.

For investors, senior living is an interesting sector because there is a focus on trying to reshape it into a more residential market. This has social and health benefits for residents, but also for society at large.

Also, technologies such as AI, wearables and robotics can help create smart, user-centric assistance.

This movement can also contribute positively to the scarcity of suitable healthcare personnel and build a future-proof system.

SHHA www.SHHA.international

Some of the leading lights in the SHHA provide their perspective on the current state of the market in the latest report from the association

Yeliz Bicici, chief operating officer for offices and real estate development, Cofinimmo

There is, without a doubt, more to come from European healthcare as an overall market. Countries such as Spain, Italy and Finland are lagging behind in terms of quality as well as quantity of stock, relative to their ageing demographics. Where there is such low capacity, we see a long-term opportunity, both in terms of development projects and the potential to repurpose or upgrade current stock. There is still the need for a huge volume of investment to bring such submarkets into line with more mature ones, such as France and Belgium.

Nikolai Schmidt, head of transaction healthcare, Swiss Life Asset Managers

Healthcare real estate has been one of the most attractive and resilient assets for private and institutional investors, not only since the Covid-19 pandemic. Demographic change and the associated increase in demand for healthcare and senior housing properties make this asset class relatively independent of other trends – or so it was thought.

Healthcare real estate is not spared when construction prices for new developments become significantly more expensive. The market for qualified care staff continues to thin out and financing interest rates for investors continue to rise.

Nevertheless, the asset class remains extremely attractive for investors.

Frédéric Durousseau, chief real estate and development officer, Korian

Nursing homes accommodate or provide accommodation for people with severe clinical or neurodegenerative disease. The demand is growing. This means we have to increase our capacity in all our nursing homes. That's the first trend, because people get older, but they don't age better. That means they will unfortunately have many diseases and other things that impede them from being completely autonomous and living at home.

Of course, it's clear that they can stay at home and benefit from home-care services, but the solutions needed to help them stay at home longer than they would otherwise have done, are not sufficient.

We are working on other solutions. Assisted living is one, a kind of solution between home and care services.

At Korian we are also developing co-living solutions. We develop them especially in rural areas in France, because that is typically where you will not find nursing homes or assisted living.

Investment in the European care-home market reaches record €5.7bn in 2021

Recent research from Savills underlines that care homes are a countercyclical real estate asset class which performs strongly in economic downturns. The research, published in the latest Senior Housing and Healthcare Association report, points out that the degree of consolidation in Europe's component markets is wide-ranging, so there is no single solution for investors in the sector.

Investment in the European care-home market has increased over the past decade, reaching a record €5.7 billion in 2021.

Major operators such as Korian, Orpea, Aedifica, Cofinimmo and Swiss Life are becoming more pan-European in their focus. However, care-home markets are still fragmented in terms of providers, operators and owners. The proportion of the market comprised by the top five operators in each of England, France, Spain and Germany is 11% to 13%. Belgium, where this figure is 25%, is the most consolidated.

The senior housing and healthcare real estate market

SHHA

A multi-stakeholder perspective on investment opportunities across Europe

EXPO REAL REPORT 2022

The private care-home market is worth €46 billion across the 'Big 7' European countries. Across Europe, it was worth €115 billion in 2022. This sector comprises 40% of the market, 70% of which (€32 billion) is in the UK and Germany. Germany is the largest European market in terms of value (€35.8 billion) and bed numbers (900,000).

Jan-Bastian Knod, partner and head of healthcare advisory capital markets, Cushman & Wakefield

Amongst all asset classes, healthcare real estate has shown high crisis resilience, with continuous growth in demand and potentially a low-risk profile with long-term inflation-indexed secured rental income. Operator quality and sustainability of rents have become more important in the context of rising inflation, yet the overall market is stable with a positive outlook due to expected growth in demand and shortage in adequate supply.

Raoul Thomassen, chief operating officer, Aedifica

The future needs of the elderly will increase significantly from 2025, when the baby-boomer generation will be over 80. In particular, we are actively working with operators and developers to see how we can anticipate this increased demand. At Aedifica, we have a three-party agreement: we work with both developers and operators – the future tenants of our buildings. They will rent and operate that building for the next 20 to 30 years, so we want to make sure that when something is built, it meets their requirements fully. This is one of the most tangible ways in which these three elements work closely together from the start.

Local authorities also play an important role in zoning, because of specific local needs.

Dr Stefan Voss, partner, CMS

In terms of the nursing facilities across Europe and from a legal perspective, easy access is possible where the healthcare system has already reached a certain level of regulation, such as France, Germany, the UK, the Netherlands or Belgium. But Spain, Italy and the Nordics also seem to be attracting more and more international investors.

Referring to our CMS European Care Homes Study, we identified quite significant differences, in particular regarding the regulatory environment and refinancing possibilities, in the countries we reviewed.

Copies of the SHHA report can be downloaded at https://shha.international/shha-annual-reports

Q3 transaction volumes boom in German healthcare real estate

Transaction volumes in Germany's healthcare real estate market reached €660 million in the third quarter of 2022, up from €450 million in the corresponding period last year.

This brings the volume for the year so far to €1.66 billion, according to Cushman & Wakefield.

Most (€410 million) of the deal volume in the past three months comprised nursing care property sales and acquisitions.

Portfolio transactions accounted for around 77% of total investment volume.

During the third quarter, there was a particularly high transaction volume among medical centres and medical care centres, at more than €243 million, where buyers were exclusively domestic investors.

In total, more than 60% of the capital invested in the country's healthcare properties originated in Germany.

Prime yields for nursing homes rose slightly compared with the previous quarter, to 4% (Q2 2022: 3.9%). In the assisted living segment, where there is also a slight upward trend, with yields between 3% and 3.5%. Medical centres and medical care centres range between 3.5% and 4%.

"The interest of institutional investors in German healthcare real estate remains high. The structure of the long-term value-secured cash flows and the systemic relevance of healthcare provision in Germany contribute to market stability," said Jan-Bastian Knod, partner and head of healthcare advisory capital markets at Cushman & Wakefield.

Developer BayernCare has topped out its Köferinger Höhe senior citizens residential centre in Amberg, Upper Palatinate. The five-storey senior-living centre will have 72 care apartments and 40 senior-friendly apartments.

Octopus joint venture to develop retirement community

Senior Living Investment Partners, a partnership between the Pension Insurance Corporation and Octopus Real Estate, will develop its first integrated retirement community via a joint venture (JV) with Elysian Residences.

The joint venture has acquired a nine-acre site in St Albans, north of London, with planning consent for a 124-residence integrated retirement community (IRC). It has a total gross development value of £115 million.

The project will be Elysian Residences' sixth IRC and will include 80 apartments, 44 two-bedroom bungalows and facilities including a restaurant, cafe/bar, library, well-being and therapy centre, cinema, village green and orchard gardens.

The JV said St Albans has a high proportion of owner-occupier households aged over 65, making it an ideal location.

The St Albans integrated retirement community will include orchard gardens

SHHA

driving the senior housing and healthcare sector forward

There is real momentum behind the senior living and healthcare sectors, as ageing demographics is leading to growing demand and supply is limited. What used to be an alternative asset class has become mainstream and opportunities in Europe are impactful to residents, operators and investors.

JOIN US TO SHAPE THE VOICE OF THE INDUSTRY AND FOLLOW THE OPPORTUNITIES THAT ARE AHEAD!

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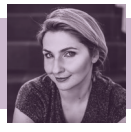

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