The senior housing and healthcare real estate market

SHHA

A multi-stakeholder perspective on investment opportunities across Europe

ANNUAL REPORT 2022

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CONTENTS

Front cover: "Seniorenzentrum Alte Zwirnerei" in Gersdorf, Germany/Aedifica

SHHA is a multi-stakeholder platform that brings together industry leaders – operators, developers, financial institutionsand "investors". Established in 2020, it aims to promote, drive and encourage the maturity of the international senior housing and healthcare real estate investment markets and to help address post-COVID changes and the significant growth in demand.

INTRODUCTION

There is real momentum behind the senior living and healthcare sectors, as aging demographics are leading to growing demand, while supply remains limited. What used to be an alternative asset class has become mainstream and the opportunities in Europe are driving domestic and foreign investors' interest.

THIS PREVIEW PUBLICATION COMBINES THOUGHT LEADERSHIP CONTENT, COMPANY PROFILES AND RESEARCH THAT REFLECT THE POTENTIAL OF THIS ASSET CLASS. IT AIMS TO MAKE THE MARKET MORE TRANSPARENT AND INVESTABLE.

RON VAN BLOOIS
CHAIR
SHHA

RICHARD BETTS
CO-FOUNDER
SHHA

THORSTEN HERBERT
CO-FOUNDER
SHHA

SYLWIA ZIEMACKA
HEAD OF MEMBERSHIP
SHHA

"NEW CONCEPTS OF SENIOR LIVING AS PART OF INTEGRATED CITY AND RURAL DEVELOPMENTS ARE NEEDED TO EMPOWER INCLUSIVITY"

note from the SHHA chair

INTERVIEW WITH RON VAN BLOOIS
Chair of the SHHA

HOW WOULD YOU SUMMARIZE 2021?

Senior housing and healthcare real estate is transforming from an alternative to a mainstream operational asset class. Measured on the three pillars of ESG, we see increased appetite from investors to create a long-term impact. In 2021, the sector was dealing with unprecedented times of COVID. Hospitals and nursing homes were hit massively, operational performance was under pressure, personnel was suffering due to massive workload and the balance sheets of operators were affected. Nevertheless, the pandemic has underlined the importance for society of a solid and best-in-class healthcare system, and state-of-the-art facilities. The awareness and willingness to invest in healthcare is at a record level. The availability of capital and geographical explorations into emerging markets like CEE and some of the Mediterranean countries has sped up significantly.

WHAT CAN WE EXPECT IN 2022?

From a societal perspective, we are dealing with a boom in aging demographics, rising healthcare costs versus GDP and changing consumer

behavior. Governments are stimulating elderly people to live as long as possible at home. 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. Secondly, we need state-of-the-art nursing home facilities, including hospices. Quality of life is key and therefore operational excellence with high standards of services, care and personal attention should be in place. The real estate sector needs to facilitate these operational processes in an optimal way. Next to this, affordability of rent is of importance. Because elderly people are in general critical consumers, due to limited wealth or low existing costs. From an investors' perspective, active management -from individual rent to double net-master leases - and asset/geographical diversification are paying off.

WHICH TRENDS HAVE A POSITIVE IMPACT ON THIS ASSET CLASS?

The focus on the social impact of asset classes and decarbonization that followed COP26 are both positive. We need to measure and value the social impact of operational real estate. This requires new measurement methods and valuation of items like prevention. The sustainability goal up to 2030 and 2050 is a big challenge because we have enormous existing stock which is mostly outdated so it will take considerable capex (and a long-term focus!) to redevelop and upgrade. But from a future-proof perspective, the only way is to go green.

WHAT ARE THE CHALLENGES THAT THE SECTOR IS FACING?

One major challenge that the sector faces in 2022 is the scarcity of suitable healthcare personnel. It is a tough one because we do need a lot of personnel due to the aging demographics. But rising costs is really one of the topics for our board members. Therefore, smart real estate should be an energizing the working environment and facilitating smoothly run operations. Opco and propco must be a positive business case. Above all, state-of-the-art senior living should downsize demand for care. Invisible smart homes facilities, using wearables to communicate with family and GPs, and mobilities services should be integrated in the living environment.

LOOKING BACK AT 2021, WHAT HAS GIVEN YOU THE GREATEST INSPIRATION FOR THE YEAR AHEAD?

While 2021 was a tough year for the healthcare sector a clear positive was the close harmony between stakeholders. The close cooperation between operators and investors was hearth-warming. Investors were truly aligned with the operators and residents. This alignment is representative for professionals working in this asset class. The financial and human performance are connected in a single hand. This fundamental fact gives me energy for the biggest, residential challenge we face in the coming decades. In 2040/2050, approximately 25% of all our population will be in the age group 65+. We need to change the way we look at aging, we need to

THOUGHT LEADERSHIP

"AGING POPULATION, CONSOLIDATION OF THE MARKET AND PUBLIC FINANCING ARE THE KEY DRIVERS"

INTERVIEW WITH RAOUL THOMASSEN
CHIEF OPERATING OFFICER, AEDIFICA

WHAT IS YOUR COMPANY'S GROWTH STRATEGY?

Aedifica invests in European healthcare real estate, focusing particularly on housing for the elderly with care needs. Aedifica's strategy relies on four main pillars: growth potential, expertise, diversification and Corporate Social Responsibility. By investing in a sector with a demographically driven growth potential, leveraging our expertise and diversifying our investments along three axes (geography, tenant and asset types), Aedifica sets the stage for continued growth in the years to come.

The fundamental characteristics of the market are related to 3 drivers: the aging of the population, the consolidation of the market and public financing of care.

Aedifica develops its activities in Europe and is active in 8 countries (Belgium, Germany, the Netherlands, the United Kingdom, Finland, Sweden, Ireland and Spain).

WHAT IS THE TOP SOURCE OF FINANCING YOUR COMPANY IS SEEKING?

We look at diversifying the sources of financing of the company. As of 31/12/2021, about half of our financing was related to bank facilities and the other half to the debt market (sustainable bonds, private placements, medium term notes). We also raise capital via ABB (private placement for institutional investors) and capital increases (accessible to both institutional and retail investors).

WHAT'S YOUR STRATEGY TOWARD WORKING WITH OPERATORS? ANY LESSONS LEARNT FROM YOUR EXPERIENCE?

Consolidation among operators is one of the drivers of the market. Operators often own the real estate of their operations. As they grow, they'll look for financing, notably by selling the real estate. Our tenants are both large private operators and small local heroes, either from the public, not-for-profit or private segments. When analysing potential investment or development cases and when managing its portfolio of standing assets, Aedifica monitors both financial and non-financial KPIs of its assets to the extent permitted by local market regulations and practices. The main financial KPI is the rent cover ratio allowing us to assess the sustainability of the rent based on normal revenue and cost assumptions. Regarding non-financial KPIs, Aedifica takes into account a tenant's quality and reputation based on publicly available information such as healthcare inspection reports, which are discussed with the operator.

The maturity of a market is related to the level of consolidation among operators resulting in yield compression in the market. A mature market will offer less opportunities than a market where consolidation hasn't kicked in yet.

The occupancy of Aedifica's portfolio is approximately 100%.

WHAT ARE YOUR CRITERIA FOR SELECTING THE COUNTRIES TO EXPAND YOUR BUSINESS?

The long term potential of a country is based on the 3 drivers mentioned above (aging population, consolidation of the market and public financing). We also factor in the robustness of the country (e.g. the level of public debt).

WHO IS YOUR CLIENT?

Our clients are healthcare operators, from local heroes to large listed private companies, from the public, not-for-profit or private segments. The portfolio is predominantly leased to private operators (approx. 90%), but public and non-profit segment shares are growing (respectively approx. 3% and 7% at the end of 2021).

WHAT ARE THE BIGGEST CHALLENGES YOU SEE IN 2022?

Sustainability, particularly the environmental and the social aspects, are growing topics and moving targets. Buildings have to be in line with the requirements. Therefore, our strategy of turning to newly built assets, notably via the development activity that we have in Finland and Sweden, makes sense.

Aside from a resurgence of the COVID virus, the current volatility of the equity markets on the back of the war in Ukraine will be an important factor this year.

WHAT ARE THE BIGGEST OPPORTUNITIES IN UPCOMING YEARS?

Beginning in 2021, we stepped into Ireland and have developed a portfolio of almost €100 million as of end 2021. We see long-term investment potential in Ireland as the care home market is highly fragmented and part of the care home stock is outdated. At the end of 2021, we announced a new partnership with a Spanish operator where up to 5 projects are expected within the framework starting in 2022.

Our development activity in the Nordics is supported by the experienced in-house development team of Hoivatilat. We see strong long-term growth potential and a growing share of public tenants in Finland.

Germany is a market where consolidation has kicked in and yields are compressing. Our pipeline of developments amounts to more than €350 million. Germany will face one of the fastest growth rates in elderly people in Europe.

WHAT WOULD HELP YOU TO GROW FASTER?

As we continue to expand and grow into (new) countries, the group has implemented an operating model to efficiently interweave Aedifica's core business activities at the HQ and local teams while maximising local responsiveness and knowledge sharing. The group's growth is heavily dependent on access to financing. We aim to keep the debt-to-assets ratio below 50% (it could be, exceptionally and temporarily, above that). As the group grows, the need for capital increases will also rise, but will depend on market conditions. We are also looking at further developing our collaboration with public operators.

WHAT WILL BE THE MOST ATTRACTIVE CATEGORY OF SENIOR HOUSING IN THE UPCOMING YEAR?

Our strategy focuses on senior housing for care-dependent people based on the demographic trends in Europe (the 80+ population is expected to double by 2050). This will lead to a rise in demand for healthcare real estate. Furthermore, this segment is backed by public funding, [providing comfort on recurring cash flows.]

"WHEN YOU LOOK AT A HEALTHCARE BUILDING, FIRST YOU HAVE TO UNDERSTAND THE BUSINESS MODEL OF THE OPERATOR"

INTERVIEW WITH SÉBASTIEN BERDEN
CHIEF OPERATING OFFICER, COFINIMMO

THE SENIOR HOUSING AND HEALTHCARE REAL ESTATE MARKET IS OPERATOR-DRIVEN. WHAT DOES THAT MEAN EXACTLY?

Understanding the operator's business model is critical as this is probably the main value driver of this asset class. Experts usually say that the three main features of a real estate investment are location, location and location. That's probably true for traditional asset classes, but when it comes to healthcare real estate, I would say it's location, operator, operator.

The reason for this is that there is probably no single variable that most influences the value of your building than the demographics in a specific location, the quality of the care offered to residents and the know-how and expertise of your operator. What I mean is that the dynamic of the healthcare real estate market has its own logic, which is very different from the supply and demand behavior in the retail, logistics or residential segments. Here, demand is driven by demographics and also by unpredictable life events like an unfortunate fall, a broken hip or a dementia episode.

Therefore, pricing elasticity and consumption decisions are very different from the decision to rent an apartment or opening a new store.

In short, when you look at nursing homes or healthcare buildings, it's very important to understand the sustainability of the business model of your operator: what kind of income will s/he receive from his/her residents, which margin would s/he need to be profitable and keep his/her group in financial balance.

It's only when you really understand these features that you can underwrite the rental level of a nursing home building or a healthcare building in general. This level can be completely different from the level that a similar building would be able to pay in residential use or retail use, even if they are adjacent to each other.

COFINIMMO IS GROWING FAST. YOU HAVE EXTENDED YOUR PORTFOLIO IN MANY EUROPEAN COUNTRIES. IS IT A CHALLENGE TO FIND A GOOD OPERATOR AND HOW DOES THIS REFER TO THE STAGE OF CONSOLIDATION ON THE OPERATORS' SIDE IN DIFFERENT COUNTRIES?

Every country has a different maturity level. In some countries, the private segment has been thriving for years and the level of consolidation among operators is high. As a consequence, the quality of the real estate is also relatively good and the legal environment tends to be stable. It's not so evident for us to grow in these geographies, because basically most of the good locations have been taken. Of course, new projects are still coming to market, but they are in lesser amounts than in newer countries. In countries where healthcare real estate is less developed, the quality of the existing stock tends to lag behind and the average nursing home is still a relatively small company likely to be tight on financing. In this landscape, the chances are high that the operator didn't spend too much money on the building or that the building is not future proof. If, at the same time, purchasing power is high this is likely an interesting country with high demand for new facilities or capex for upgrading existing facilities.

At Cofinimmo, we have the know-how to develop new healthcare buildings and there's definitely a demand for new accommodations.

Let me give you two examples of these two extremes. Take a country like Ireland: the average nursing home is usually a building of around 60 beds, with mostly double bedrooms, probably 20 years old. As the purchasing power is high, there is high demand for new modern buildings equipped with today's comfort standards. As a consequence the Irish healthcare real estate market has been growing rapidly in recent years, because there's a renewal program going on. For us, that is fantastic because we have a lot of demands for renovations or new buildings.

In a country like France, the situation is very different. The market is bigger, the average quality of infrastructure is relatively good and there is little room for new nursing homes. That means we have some projects there, but in smaller amounts than in countries like Ireland or Italy. As you can see, each country has a very different dynamic.

WHAT IS THE MOST ATTRACTIVE CATEGORY OF SENIOR HOUSING?

Nursing homes are only one example of a healthcare segment. There are plenty of new concepts, new needs and new types of buildings for different healthcare needs. Take for example primary care: this segment is well developed in the UK, but not yet in continental Europe. We observe that this trend is, however, rising in different countries like the Netherlands, Germany and France.

Primary care offers interesting perspectives as it fills the gap between general practitioner and hospital care, which is not addressed today.

In essence, primary care is a building where you'll find general practitioners, a pharmacy, paramedics, maybe some consultancies from a hospital - so basically different types of healthcare under one roof, but closing at six in the evening and opening at eight in the morning. It's not a hospital, so it's unlikely one will find surgical equipment there or people staying overnight. Primary care is just an example, as you have plenty of other segments that are rising. Very sadly, demand for mental care accommodation is also growing rapidly all over Europe. Ambulatory care as well. Basically, every segment of healthcare has an underlying real estate need. There might be potential in every segment and therefore Cofinimmo is interested in every segment. Saying that, we must acknowledge that nursing homes are the most evident segment at the moment, because it is the best documented. So for an investor setting foot into the healthcare market, it's easier to understand the nursing home component, because you have people who write about it, you have brokers, you have statisticians.

Our job is to try to find segments that are probably a bit less documented, but still as interesting as nursing homes.

MOVING TO A NURSING HOME IS NOT THE PREFERRED CHOICE FOR ELDERLY PEOPLE. DO YOU THINK THAT IN DUE COURSE, THIS TYPE OF SEGMENT WILL REGAIN SOME POSITIVE REPUTATION?

No, I don't think so. I think we will see a clear distinction between assisted living and nursing homes.

So I think what could happen in the future is that people will stay longer in assisted living, and then move to a nursing home, which would then become a very acute facility, almost like a geriatric hospital. In the past, the nursing home had various types of residents. Today that's less the case. What we see is that most governments and public authorities are pushing people to stay as long as they can at home or in assisted living. They reserve nursing home places for the most dependent residents, for example those who are the least mobile, or suffering from dementia, Alzheimer's, etc.

From a quality of life perspective, this is not really the best news, because the nursing home will welcome even more people who are very care dependent. But probably the good news is that they will try to stay as long as they can in assisted living. And this type of facility might also be developed towards wellness.

"RETIREMENT LIVING NEXT TO THE ELDERLY CARE CONTINUES TO ATTRACT THE MOST INTEREST FROM INVESTORS"

INTERVIEW WITH STEPHEN MILES

EXECUTIVE DIRECTOR – HEAD OF OPERATIONAL REAL ESTATE INVESTMENT, CONTINENTAL EUROPE, CBRE

HOW TO ENCOURAGE INVESTORS FROM OTHER ASSET CLASSES TO CONSIDER SENIOR HOUSING AND HEALTHCARE AS AN OPTION?

Firstly, I would like to emphasize the growing interest already from investors in moving into the sectors covered by SHHA. An aging demographic leaves us no doubt that demand for these types of assets is and will continue to grow. This trend is an encouraging factor and drives investors to diversify their real estate portfolios. In addition to these factors we know that we will be living longer and therefore we need to focus on the type of accommodation and services that will help people to live longer in good health. Additionally, we are witnessing today a situation where ESG criteria impact the long-term strategy of investors and social impact has become increasingly important alongside the obvious environmental situation.

DO YOU THINK THE FACT THAT THIS ASSET CLASS IS SO DEPENDENT ON OPERATORS MIGHT RAISE THE RISK PROFILE?

Let's remember that 'senior housing and healthcare' covers a very broad spectrum of accommodation. Care and cure concepts are just two of the options, and because these formats are very much dependent on the operators, there is potentially

a greater risk than when investing in other traditional asset classes where not much counts beyond location and the quality of the building. We have been asked by a number of clients to undertake reviews of the market and we definitely see growing interest in healthcare. However, it's a slow process and investors take their time coming into the sector as there is an educational element that needs to occur on top of the necessary due diligence. So what we observe is an easier step for investors moving into retirement living. The more we can expand available stock in that later living part of the market - people between 75 and, say, 85, have appropriate accommodation in communities where they can live active lives - the more we are delaying them going into a care facility. I think it's sort of a natural logical progression. If the real estate sector can provide the right accommodation, we will draw people into these communities – in turn releasing typically larger houses back into the housing stock.

SO THIS WOULD BE THE EASIEST CATEGORY TO START WITH?

Yes, I think in terms of the investable universe for some of these new investors that are considering the space, the first step will be in that expanded later living. The care piece is very specialist and you are naturally responsible for some of the most vulnerable people in society and that's where most of the reputational risk exists. In retirement living we still need strong operators, but it's not as intensive around assisted and later living. I would also add that different categories of senior housing and healthcare have different business cases. The fact that independent living is much easier to start with, doesn't mean that other parts of the spectrum are not attractive investments. But coming back to retirement living, almost every government will need to keep the elderly independent for longer - as a way to relieve some capacity constraints in the elderly care sector or the nursing home sector. That will have an enormous positive social impact, as the elderly are able to lead more active lives for longer. Many of these observations were confirmed by our UK Healthcare Market Sentiment Survey 2021 conducted at the end of last year. Retirement Living next to the Elderly Care continues to attract the most interest from investors. Respondents of our survey – private equity, healthcare REITs and institutional investors, foresee significant demand in those subsectors. Today, Elderly Care is the most active investable sub sector of UK healthcare real estate, accounting for 43% of investment volumes in the last five years. But investors predict that the maturing Retirement Living sector will attract the same level of demand as the Elderly Care sector. This will follow the success of Retirement Living sectors seen in other countries with similar demographic characteristics to the UK, e.g. US, New Zealand and Australia, as well as the benefits of retirement living to wellbeing, social interaction and combating age related disease.

WHEN LOOKING AT THE UK, DO YOU SEE MANY NEW INVESTORS ENGAGED IN THE HEALTHCARE MARKET?

From the private equity, REITs and institutional real estate worlds, investors have been attracted into the UK healthcare sector due to its constrained supply and robust demand and this has strengthened pricing. In 2021, overseas REITS and UK healthcare specialist managers dominated the investment activity within the sector deploying over £1.2 billion in capital. Despite the increase in the number of institutions being active within the market, this investor group remains underweight in healthcare, but their interest is growing and we anticipate materially greater weighting to the sector from institutional investors.

"CAREHOME ASSETS ATTRACT FUNDS DESPITE COMPLEXITY OF RULES"

INSIGHTS FROM CANDICE BLACKWOOD & STEFAN VOSS
PARTNERS AT CMS

CMS analyses the legal framework in the nursing facilities industry across Europe - available subsidies, possible restrictions and supervising models applicable for nursing facilities. Candice Blackwood and Stefan Voss, partners from the law firm emphasize both the complexity and diversity of the care home markets across Europe and the UK. They highlight the growing demand for the sector both from the consumer and investor perspective.

"Over the next 50 years it looks like we're going to have 50% of our population being supported by fewer numbers of working adults, so care homes are critical for our future," said Blackwood.

Voss said that in Germany the baby boomer generation is likely to retire over the next 10 to 15 years and until 2030 at least 200-250 care homes will have to be developed to maintain quality.

Nevertheless, strength of demand and stability of its income, which is effectively underwritten by the social security system, makes the sector an attractive investment.

It's been interesting to see the growth in interest in the sector. The US REITs started investing in UK HealthCare about eight, nine years ago. They were the first and they've been followed by all the big pension funds, Belgian and UK REITs, as well. However, the complexity of the regulations which apply to care homes can be a challenge for both investors and operators. "In Germany in particular, we have a specific care home regulation in all 16 federal states that makes it quite different for investing in portfolios which cover properties which are located in more than one federal state. It is a very complex issue which needs to be observed by all investors," said Voss.

Although, as Blackwood pointed out, the situation is not as complex in the UK, there are different regulators in England, Scotland and Wales which operate slightly varied regulations.

Funding is also diverse but ultimately, it is government backed, which is an attraction for investors. Similarly, the sector's ESG characteristics are attractive because the healthcare sector "ticks all the boxes", Blackwood explained. "It's environmentally sustainable, it's got regulatory governance so it's a very important asset class on that front."

The pandemic has placed a strain on operators and more consolidation can be expected in the market, Blackwood added. The covenant strength of the operators that investors partner with is critical, she said.

"GROWTH STRATEGIES IN THE SENIOR HOUSING AND HEALTHCARE SECTOR"

INTERVIEW WITH JAN-BASTIAN KNOD
PARTNER AND HEAD OF THE HEALTHCARE & RESIDENTIAL ADVISORY TEAMS, CUSHMAN & WAKEFIELD

WHAT ARE COMPANIES' MOST COMMON GROWTH STRATEGIES IN THE SENIOR HOUSING AND HEALTHCARE SECTOR?

Operators of senior housing most commonly strive for growth by expanding their region of operation, taking over non-performing or small local operators, anchoring as tenant for new real estate developments and partnering with senior housing developers. Operators may benefit from clustering effects thus driving financial performance and boosting further growth. Economies of scale and knowledge transfer between countries and regions in Europe support operators in generating value. Yet they distinguish themselves by the type(s) of care their operations cover. Some follow a pureplay strategy, others try to operate along the entire value chain and offer all types of care services. Ambulatory care services are much less personnel-intensive and better adjustable to individual needs, thus increasing operational efficiency. A personnel shortage is hindering the growth of operators,

however, and thus attempts are being made to reduce the number of skilled workers and to acquire personnel from countries outside Europe. Operators aim to digitize and automate processes and use so-called tele-medicine, predominantly used in the medical care sector to overcome distance and time costs. Acute clinics in particular are switching to more ambulatory care structures to connect to more patients.

Senior housing real estate investors aim to diversify their portfolios across various asset classes and especially in senior housing they benefit from a plannable long-term cashflow. A common strategy is to build up a European platform with an international investment strategy. Focusing not only on single properties but integrating portfolios into their investment strategy plays an important role for growth. Investors seek to grow together with operators who are also expanding Europe-wide and aim to build a large platform across markets.

WHAT IS THE TOP SOURCE OF FINANCING NEW INVESTMENT IN THE SECTOR?

Core institutional capital is the largest source of equity in the market; market participants are either investing directly into this asset class or via special funds. European capital is dominating the markets, with investors from Belgium, France, Germany, and the Nordics all quite active. Foreign capital from Asia is seeking to enter the European senior housing market, yet some of these investors already have some assets under management while others still need to adjust to the complex regulatory environment, especially regarding inpatient nursing homes and the clinic sector. North American capital tends to be directed to large portfolio or platform deals instead of building up a portfolio from scratch. The US market pioneered the professional medical and nursing asset class. For them the European market has now developed to a very interesting state of maturity, as the investment market has grown strongly in recent years and justifies European-wide investment strategies. Middle-Eastern capital sources tend rather to pursue a value added / opportunistic investment strategy in the European senior housing market, by stabilizing non-performing operators and building up a core investment platform.

The core investors in healthcare real estate are pension funds, insurance firms and sovereign wealth funds looking for low investment risk and return requirements. REITS and Investment and Asset Managers are also quite active in the market, considering their investment strategy is to buy and hold assets for 10 years plus. The focus lies in the stable and plannable cash flow for the coming years, paired with a fairly low asset management intensity.

On the debt side, in recent years the banks have become quite comfortable with financing healthcare and senior living investment opportunities. Competition between lenders is increasingly significant. Thus the debt market is becoming more and more professional. Additionally there are many private equity investors acting as mezzanine capital partners to institutional investors on both OpCo and PropCo sides.

WHAT IS YOUR OUTLOOK OVER THE NEXT 12 MONTHS FOR THE OCCUPANCY RATES IN EUROPE?

The demographic shift is a mega-trend affecting all European countries without exception, and increasing multi-morbidity emphasizes the need for adequate medical and nursing care places and services. There is a general increase in demand for care places in nursing homes and facilities with ambulatory care services, and it will increase further in the years to come. Developers aim to satisfy increasing demand by cooperating closely with professional operators and build to suit the care concept of the operator. Yet, demand is growing at an even faster pace and often the waiting lists of modern facilities that meet the needs of people requiring care are full. Occupancy rates may have been hit by the COVID pandemic, yet in the medium- and long-term the supply of appropriate care places and services will not be enough. Individual care concepts from professional and efficient operators will see a great growth in demand in the coming years.

WHAT ARE THE CRITERIA FOR SELECTING COUNTRIES IN WHICH TO EXPAND THE SENIOR HOUSING BUSINESS?

Several factors play major roles in this: The regulatory environment, the economic stability of the country, its socio-economic fundamentals, and forecasts for the next 10 to 20 years. The healthcare insurance/funding system, its stability with regards to the proportions of contributors and people requiring care is fundamental to the security of care services payments. Although the forecast increase in demand for care services is generally considered a positive criterion for a growing market, there must be a balance between contributors and recipients. Movements between countries and regions by people requiring various types of care is also an interesting phenomena that is now being seen between European countries. Southern European countries attract foreigners to live in old age, pushing demand for care services to support them. Yet, residents wish to remain self-sufficient and benefit from the best level of service, such as a 24/7 availability. Demand for senior housing with ambulatory care services will continue to grow in the coming years, thus operators need to analyze the labor market on both a national and also a regional level. The healthcare and senior housing markets in Europe have not yet fully developed, thus increasing efficiency to lower operational costs, and decreasing the need for skilled labor may be a high priority for operators. Mature markets are seemingly more competitive with a higher barriers to entry than markets that are just starting to grow. Nevertheless, more mature markets offer a higher stability regarding regulatory change and it is less difficult to implement an operator's care concept.

A MATURE MARKET – WHAT DOES THIS MEAN WHEN IT COMES TO INVESTMENT IN THE SENIOR HOUSING AND HEALTHCARE SECTOR?

The maturity of the market is strongly indicated by investment activity – transaction volumes, yield environment and demand coming from institutional capital. The healthcare and senior housing market has developed greatly over recent years and become much more professional – in both an investor and operator sense. Investors who pursued a pureplay strategy in any other asset class in the past are increasingly showing interest in investigating the healthcare market in general. As part of their portfolio diversification strategies

senior housing and medical services have had a tremendous impact on annual performance and proven their insensitivity to economic cycles.

WHY IS IT WORTH INVESTING IN SENIOR HOUSING AND HEALTHCARE?

The demographic mega-trend will impact not only today's care landscape but also in the coming years, having an overall impact on society and the economy. Increasing demand for senior housing places and services is already manifesting itself in the current supply shortage and growth of the market. The healthcare market is system-relevant and secures the functioning of society. As the COVID pandemic has shown, investments in healthcare real estate are resistant to economic cycles and secure a long-term cashflow with a stable positive outlook. Finally, senior housing and healthcare investments are very in line with ESG-compliant investment strategies.

"TOP FIVE LESSONS LEARNT FROM THE US MARKET"

ARTICLE BY CARYN DONAHUE
HEAD OF SENIOR HOUSING TRANSACTIONS, SAVILLS, UNITED KINGDOM

TOP FIVE LESSONS LEARNT FROM THE US MARKET

- Rental model – older people see the merits of renting at retirement age
- Full continuum of care is desirable and drives efficiencies – larger assets with more amenities and choices for care
- Urban locations near local community amenities are desired by seniors
- Strong operator is key - hospitality services are a major demand driver, and Covid-19 has made care and safety crucial factors in the operator value proposition too
- Institutional acceptance and understanding of the product has helped drive growth

RENTAL MODEL – OLDER PEOPLE SEE THE MERITS OF RENTING AT RETIREMENT AGE

Global average life expectancies are increasing at a remarkable rate, and so demand for senior housing is, understandably, on a long-term upward trend. As people are living longer, and living healthier for longer, there is also a need for more variety in senior housing models.

Over the past decade, the US has seen a rise in the number of retirement-age people who are still renting. Living in a senior housing facility is seen as aspirational across the US, where the array of amenities, quality of staff, and level of care are all of a high standard, and many more people are willing to rent into their later life in order to have this level of support.

The rental model has yet to become as popular across the UK and Europe, meaning there is a compelling investment opportunity in providing specialist senior living rental units and developments. One of the main challenges of the rental model is bringing about a change of mindset amongst those entering the senior living demographic. The US has led the way in this regard, with a large number of older people there accepting and even welcoming the option of renting into later life. We believe this trend will be mirrored globally as the demand for more affordable senior living continues to grow.

FULL CONTINUUM OF CARE IS DESIRABLE AND DRIVES EFFICIENCIES – LARGER ASSETS WITH MORE AMENITIES AND CHOICES FOR CARE

The global senior demographic, which will soon largely be made up of the baby boomer generation, is starting to embrace new ways of living, increasingly demanding high-quality accommodation, access to amenities and a sense of community living. The US is a prime example of this, where many people now view entering Senior Housing as a positive change, given the aspirational nature of the communities.

The US has always provided strong 'continuing care retirement communities,' featuring large senior living schemes that offer seniors independent living, but with the bonus of added amenities and the option of care. This model of care has become popular across the US for a reason – the current generation of older people clearly wants greater choice from their senior living options.

Savills believes that independent and assisted living show great promise in 2022 and beyond. In markets where historically care homes or nursing homes have been the only option available for the elderly, as the acuity spectrum now shifts, we believe there will be much more demand for independent and assisted living across the UK and Europe.

URBAN LOCATIONS NEAR LOCAL COMMUNITY AMENITIES ARE DESIRED BY SENIORS

Just like other age groups, many older people want to live in schemes in urban locations that are well connected and close to an array of local amenities. We have seen this trend evolve in the US with large-scale developments being built in urban epicentres including New York, San Francisco, Boston, Chicago and LA, amongst others.

But finding and securing the right urban locations for larger senior living developments can pose a challenge, due to a scarcity of sites, the cost of land, local regulations, planning requirements and other factors.

Many older people also want to live in facilities that are close to their (adult) children. A lot of working adults lack the skills or work in busy jobs that mean they don't have the time to provide care for their elderly parents, but they still wish to be physically close, in order to visit regularly and provide support whenever needed. Urban and town center schemes help facilitate this as (adult) children can visit their parents on their way to or from work, if they're located along their commute, for example.

A STRONG OPERATOR IS KEY - HOSPITALITY SERVICES ARE A MAJOR DEMAND DRIVER, AND COVID-19 HAS MADE CARE AND SAFETY STANDARDS A CRUCIAL PART OF THE OPERATOR VALUE PROPOSITION TOO

One of the key lessons learned from the US is the value added by experienced operators. Senior housing in the US is an evolving product type, and one that provides a mixture of real estate, care services and hospitality. Strong operators are able to deliver the required range of age-appropriate senior housing options, meeting all industry regulations, offering independent living but with suitable care available and with high-quality amenities.

Operators in the sector require professional, educated teams, which are trained to manage the properties and also offer the residents the levels of care and safety that they require. Qualified operational teams are paramount to attract and retain staff, a difficult task in the current environment, and to decrease risk for investors.

Savills sees growth opportunities across continental Europe, for example in Southern Europe, where the extremely fragmented market and lack of quality operators provide a great opportunity for a strong existing operator to expand cross-border.

INSTITUTIONAL ACCEPTANCE AND UNDERSTANDING OF THE PRODUCT HAS HELPED DRIVE GROWTH

There are several different accommodation offerings that fall under the 'Senior Housing' banner. The sector's terminology is often inconsistent in different geographies, and the number of acronyms doesn't help either! The resulting lack of clarity only adds to the challenge of encouraging large-scale and cross-border investment into the sector.

The US has clearly defined the sub-sectors of senior housing into 5 main categories starting with the lowest care dependency and moving down the acuity spectrum: Active Adult Living, Independent Living, Assisted Living, Dementia Care, Skilled Nursing Facilities. This terminology is widely used and understood across the sector to avoid any confusion about the product types.

Senior Living is still quite scarce in many European countries – for instance, there is no real senior living product in Germany. The fragmented nature of the markets creates significant opportunities

for established UK and pan-European investors, lenders, developers and operators.

If we look at what happened previously in the US, as the market matures and scales the sector will increasingly become seen as an institutional product, attracting more diverse investment and resulting in a wider variety of options for residents to increase product acceptance.

Another factor that would help to support growth is the availability of more benchmarks, guides to underwriting assumptions, and data resources on key deal metrics for new entrants. These forms of data are more widely aggregated and clearer in the US, and if replicated globally they will provide transparency and confidence to draw more investors into the sector.

CONCLUSION

Following the trends in the US, we believe that professionally managed rental senior living will become much more common in the UK and Europe in the coming years. This, combined with an increasing provision of mid-market products and changing societal perceptions, will broaden the demand pool and contribute to significant growth in the sector.

As international mobility recovers after the Covid-19 pandemic, we may see more international movement in the Senior Living sector, with established and skilled operators crossing borders and bringing their operational expertise to new geographies.

Senior Housing in the UK and Europe will attract huge investor attention and increase institutional acceptance if the sector is able to meet the demand for scalable platforms made up of larger schemes, with a full continuum care and high-quality amenities, in or close to well-connected urban locations.

"THERE IS AN URGENT NEED TO BUILD MORE SENIOR HOUSING FACILITIES TO MEET THE DEMAND"

INTERVIEW WITH NIKOLAI SCHMIDT
MANAGING DIRECTOR - TRANSACTION HEALTH CARE, SWISS LIFE ASSET MANAGERS

WHAT IS YOUR COMPANY'S GROWTH STRATEGY?

We are a well-known, ambitious and reliable European asset manager and a leading institutional real estate asset manager in Switzerland, France, Germany, Luxembourg, UK and the Nordic countries. More than 2500 employees work for Swiss Life Asset Managers in Europe. They provide services and develop tailored investment strategies for our own insurance companies as well as for third-party clients, such as pension funds, investment foundations, asset managers and private clients. As at 31 December 2021 assets under management for third-party clients amount to EUR 99.1 billion. Together with insurance assets for the Swiss Life Group, total assets under management at Swiss Life Asset Managers stood at EUR 266.3 billion.

We have over 165 years of successful experience in risk management. We have experienced various economic cycles and a number of financial crises. Our ability to adapt and the fact that our strategies

always have a long-term focus make us a reliable partner for our clients. We operate and intend to grow from excellent market positions and advisory networks, with a resilient business model based on strong earnings quality and disciplined local execution.

WHAT'S YOUR STRATEGY TOWARD WORKING WITH OPERATORS?

It has been known for a long time that the market for senior living is operator-driven, and this development has become even more pronounced in recent years. The reasons for this are manifold. On the one hand, the choice of location for a new nursing home or also assisted living is very much dependent on whether the operator sees the need for the use at the respective location. On the other hand, an operator can only open a new facility if she or he is able to acquire sufficient qualified staff at the location. Thus, the availability of new assets is largely dependent on whether the operator can run the location economically. This dependence of the investor on the operator also results in an improved position of the operator, e.g. in lease negotiations, etc.

WHAT IS YOUR OUTLOOK OVER THE NEXT 12 MONTHS FOR? THE OCCUPANCY RATES IN THE COUNTRIES IN WHICH YOU HAVE YOUR OPERATIONS?

Currently, we prefer to invest in senior housing in Central, Western and Southern Europe. The demographic development foresees a further aging of the population in these countries, so that the demand for corresponding assets will continue to increase. Due to regulatory influences in the care sector and a lack of qualified staff, occupancy rates will continue to rise, further increasing the pressure on the asset class. There is an urgent need to build more senior housing facilities to meet the demand in the medium to long term.

WHAT ARE YOUR CRITERIA FOR SELECTING THE COUNTRIES TO EXPAND YOUR BUSINESS?

We only invest in countries where we see a long-term need for senior housing and where the refinancing of the health system is on a solid basis, enabling us to offer sustainable investment solutions for our clients. We also assume a corresponding demographic development.

A MATURE MARKET – WHAT DOES IT MEAN WHEN IT COMES TO INVESTMENT IN THE SENIOR HOUSING AND HEALTHCARE SECTOR?

Unlike retail or office assets, for example, the criteria for selecting a location do not necessarily depend on the size of the city or the centrality of the location, but to a large extent on the respective need for senior housing and the availability of qualified personnel. In addition to full inpatient care and assisted living, we also invest in Medical Office Buildings, where the need for medical care is generated not only by the elderly, but by a large part of the overall population.

WHO IS YOUR CLIENT?

Our clients include a wide range of investors such as large institutional investors (insurance companies, pension funds, etc.), but also private investors.

THE BIGGEST CHALLENGES YOU SEE IN 2022?

The biggest challenge - not only for 2022, but also for the following years - will be the availability of new sustainable investments in senior housing. As already described, the choice of location is determined by construction activity and, in particular, by the supply of qualified personnel. Without corresponding impulses in these areas, the supply of new assets will become increasingly scarce and prices will continue to rise.

THE BIGGEST OPPORTUNITIES IN UPCOMING YEARS?

We see opportunities for investment in senior housing and health care in particular if governments provide appropriate incentives or subsidies for the construction of health care assets and the promotion of the nursing profession. These aspects have been neglected in the past - especially in Germany.

Due to current global developments, rising interest rates and stable high prices, we expect competition between different investors to increase further. Buyers who have an established network, good contacts to sellers and project developers, and a very good reputation will have a particular advantage. New competitors with low yield promises will further intensify the current situation, but we will have to wait and see whether these new investors can survive on the market in the long term.

WHAT WILL BE THE MOST ATTRACTIVE CATEGORY OF SENIOR HOUSING IN THE UPCOMING YEAR?

We think that in the upcoming year and beyond, service housing for older people will continue to move into the focus of operators and investors. In contrast to full inpatient care, this form of housing requires fewer staff and is less heavily regulated in terms of construction. However, such assets are also more expensive than full inpatient care, as the pricing is more closely aligned with residential.

WHY IS IT WORTH INVESTING IN SENIOR HOUSING AND HEALTHCARE?

Even though the investment market for health care assets is becoming increasingly competitive, it is still worth investing in senior housing and medical office buildings. The asset class continues to offer stable and rising demand and thus sustainable yield prospects. This development is also somewhat independent of macroeconomic developments. However, it will be crucial that construction activity and the promotion of new personnel come into focus in order to meet future demand.

"ATTENTION SHIFTS TO UK COMMUNITY-BASED RETIREMENT PROVISION"

INSIGHTS FROM FRÉDÉRIC DIB
PRÉSIDENT, MOZAÏC ASSET MANAGEMENT

Many older people want to stay active in their retirement and senior housing provision is now reflecting this trend. Senior housing investors and operators are focusing on more than just buildings as the demands of elderly people change. The arrival of the Baby Boomer generation will transform the senior housing market. MoZaïC Asset Management did in-depth research with Bonard on the UK market and made comparisons with other European markets. Frederic Dib outlines its most important insights.

Senior housing in the UK offers huge opportunities to investors, but it is important to understand the market as it differs from other European countries. The UK has one of the largest elderly populations in Europe and life expectancy at birth is 81.5 years, above the EU average. The total provision rate of housing with care for the population aged 75+ in the UK is 2.2%, which is very low compared to France or Germany. "We estimate that five to six times more stock is needed to cover demand, so the growth potential is significant," says Dib.

In the UK, care homes have a 50% share of the market with 450,000 places, while housing with support has 410,000 places. Housing with care is third with only 80,000 places, less than half of what

is available in France and less than a fifth of what the German market offers. The idea is to keep people in their homes for as long as possible. The research shows that investors are waking up to the demand and intensive construction of housing with care establishments is expected across the UK.

"The UK has reacted well to the imbalance and is catching up, performing better than France or Germany. We're focusing on housing with care but the definition issue is very important, as there are many different descriptions," says Dib. "Authorities, banks and investors all need clarity, so the new suggestion is the all-encompassing term integrated retirement community."

"The Baby Boomer generation is coming to the market and they want to downsize but they want bigger unit sizes. They are also driving bigger schemes with more communal spaces, which makes more sense from an investor perspective, but it's also what consumers want for lifestyle reasons. Supply will be geared towards more services, more diversity and more of a social life on site, so people can avoid loneliness and isolation and to fulfil the sector's social purpose. There will be more choice on offer in the market because Baby Boomers will be more selective and more assertive and they will focus more on services, amenities and quality of life in their retirement homes," he says.

"The segmentation of the market will be even more pronounced with the Baby Boomer generation coming on board," says Dib. "There will also be more cross-fertilisation between different markets. Integrated retirement communities are the right answer for a large part of the population, but there will be different answers and different models," Dib concludes.

SHHA

RESEARCH & DEFINITIONS

Research & definitions

From an asset class perspective, the SHHA motivation is to help accelerate the maturity of the senior 's housing and healthcare investment market and create and share market insights.
What we observe is the lack of unbiased data and confusion of terminology.
The SHHA is working on a mix of qualitative and quantitative research - on a European level - covering country-by-country insights and thought leadership.
We focus on mature healthcare investment markets and emerging countries.

THIS WILL INCLUDE:

- Definitions, sub-asset classes and transitions
- Sentiment surveys market flows (operator, investor and developer): flow of markets and points of attention
- Governmental and legal
- Demographics (now and 2050, household composition and socio-economics (e.g. wealth and disposable income)
- Consumer behavior (e.g. ownership, family traditions towards elderly and willingness to move)
- Operator perspective: existing stock (on balance and off-balance), real estate ownership and personnel
- Dealflow per asset class (now)
- Outlook per asset class (1-5yrs)
- Innovations: like proptech

THIS WILL SHOW THE DRIVERS AND HURDLES OF MARKETS

DRIVERS

- Aging demographics driving investors' interest:
  - Elderly (Baby Boomers) population (20-25% is 65+)
  - Increase in disease (e.g. 1 in 5t suffers from dementia)
- Senior living: residential product for the self-sufficient elderly (biggest residential market in real estate)
- Specialized long-term care, operator perspective and investment demand:
  - Outdated existing stock, large scale portfolios
  - Sustainability performance/climate targets - Paris Agreement
  - Limited balance sheet opportunities - therefore more Sale-and-Lease-Backs and off-balance finance with investors
  - Competitive asset to attract 'customers' and expand their business cross-border
- Changing consumer behavior with variety focus on affordability and senior expats and luxurious,

all-inclusive, resort-style retirement communities

- More focus on healthcare (extra due to Covid). Prevention is better than cure – vision to live well for longer

- Asset class characteristics:
  - Satisfying ESG and socially responsible (SRI) criteria
  - No correlation to political tensions and economic cycles (diversification for investors with mixed portfolios)
  - Volume, long-term cashflows and yields: steady switch of investors to alternative assets
  - Rising investment volume/ deal flow across Europe
  - Proven track record of present investors
  - Increase of ticket sizes: single asset to portfolio deals
  - Long and stable lease contracts (guarantee of cashflow due to aging demographics and disease)
  - Good potential for alternative use
  - Advantageous risk/income ratio

- Impact investing / ESG outperformance
  - Environmental: positive performance on sustainability (Paris Agreement)
  - Social: positive impact on quality of life (mabyc security, health and happiness)
  - Governance: compliance with relevant regulations, related to values, ethics and "doing the right thing"

HURDLES

- Scarcity of care workers, both in numbers and skills.

- Senior consumer behavior:
  - low existing costs, not willing to pay rents (affordability is key)
  - limited (or disposable) wealth
  - difficult (cultural) transition from ownership to renting
  - lower willingness to move (very important, see graphic)
  - search for residential living product instead of care related

- Knowledge intensive: operational real estate

- Limited benchmark (especially for capital flows like pension funds)

- Financial performance of operators: low EBIT/ margins and balance sheets (risk cause of master leases)

- Master leases conflicting perspectives: investors prefer triple net, but operators are more keen on single/double

- Existing stock is outdated and requires lot of a CAPEX (positive regarding SLB but PROPCO risk e.g. vacancy)

- Regulations: on healthcare and built environment

- Image: some operators are negative in news with issue and during COVID extra exposure

- Political instability: in several countries politicians are changing their views on healthcare and removing securities

- Bankruptcy risk: some countries drop down governmental guarantees (both positive and negative)

The intertwined senior housing and healthcare investment market

As stated, the SHHA is determined to move the senior housing and healthcare investment market forward and speed up its maturity. A mix of quantitative data and qualitative knowledge and views is required, because of the complex and intertwined drivers and behavior of this operational asset class.

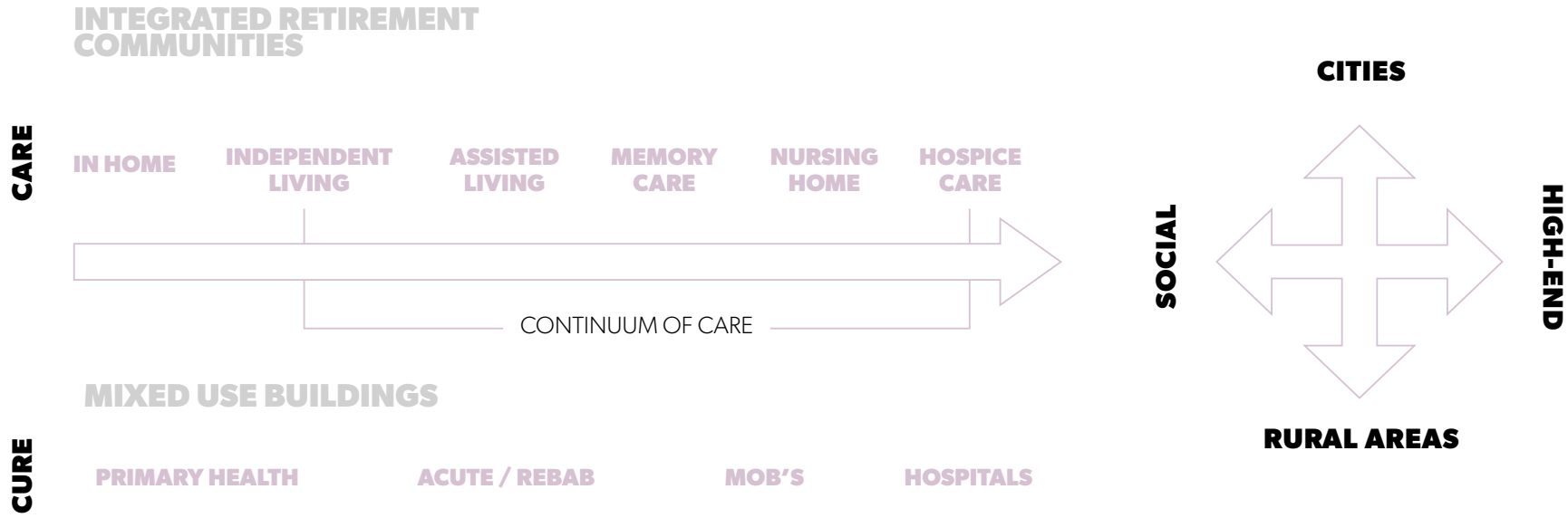
For example, when we analyze the data from the Netherlands, we could see the country as a first class healthcare market - both cure and cure - with massive spending (app. €116 billion per year) but quite a young asset class. In 2008/2009, the first institutional investors founded a healthcare fund and in recent years we have noted deal flow of roughly €1 billion. Nevertheless, the market consists of roughly 55 millions sq. m. of existing healthcare real estate. Also, when we take booming demographics and their forecasts into consideration (2022: 19% / 2040: 26% is 65+), this market has much more potential, based on simple data.

Or does it take a more thorough analysis to get a grip on this investment market?

When we take a closer look at the governmental drivers of controlling healthcare costs / GDP, stimulate living as long as possible at home (even aging-in-place is an alternative to nursing home admission) and senior consumerism (low existing cost of living, increase in single-person households (up to 2 million), low willingness to move and from owning a dwelling to critical views on renting). And very important to mention: the operational perspective of healthcare operators (favor owning real estate on their balance sheet to enhance profit on PROPCO, their outdated real estate stock with misfit on functionality, difficulties in running a successful operational business case and extreme scarcity in care workers (2022: 1.4 with 80,000 shortage / 2040: 2.0 million). We are facing a complex, multi-stakeholder situation, which will affect our entire society in the near future and towards 2050.

We should cooperate towards inclusive urban and rural planning with our seniors as a respected part of this multi-generational society (working on best practices like Integrated Retirement Communities). We have to focus on prevention, create state-of-the-art residential living facilities for seniors, single-person households and groups, facilitate independence and quality of life with innovations like invisible proptech and having best-in-class, user-oriented nursing homes and hospices in place for vulnerable people. This should empower healthcare workers to focus on their complex care tasks and tackle a part of the scarcity issue. Next to this, our investors should assess their impact-investing position as active investment managers with a mix of independent, affordable senior housing and master leases for complex care. The measurement and valuation of this asset class on ESG should provide long-term guarantees and impactful the performance of their portfolios.

SPECTRUM


INTEGRATED RETIREMENT COMMUNITIES
CARE
IN HOME
INDEPENDENT LIVING
ASSISTED LIVING
MEMORY CARE
NURSING HOME
HOSPICE CARE
CONTINUUM OF CARE
MIXED USE BUILDINGS
CURE
PRIMARY HEALTH
ACUTE / REBAB
MOB'S
HOSPITALS
CITIES
SOCIAL
HIGH-END
RURAL AREAS

INSPIRATION AND KNOWLEDGE

COMPANY PROFILES

AEDIFICA - How to succeed in a fast-evolving sector?

Aedifica is a Regulated Real Estate Company under Belgian law specialized in European healthcare real estate, particularly in senior housing. Aedifica has developed a portfolio of approx. 590 sites in Belgium, Germany, the Netherlands, the United Kingdom, Finland, Sweden, Ireland and Spain worth approx.€4.9 billion.

Thanks to its strategy over the past fifteen years, the Group has established itself as a market reference in listed healthcare real estate and aims to reinforce this position further in the coming years. Aedifica aims to offer its shareholders a reliable real estate investment with an attractive return. In addition, social sustainability is a fundamental driver for Aedifica, creating added value for society at large by developing innovative real estate concepts that are tailored to the needs of residents and that improve their quality of life. Next to social sustainability, our care concepts need to contribute to achieving (net) carbon emission neutrality by 2050. Our sustainable development framework takes into account both the ecological aspects as well as the wellbeing and comfort of the residents.

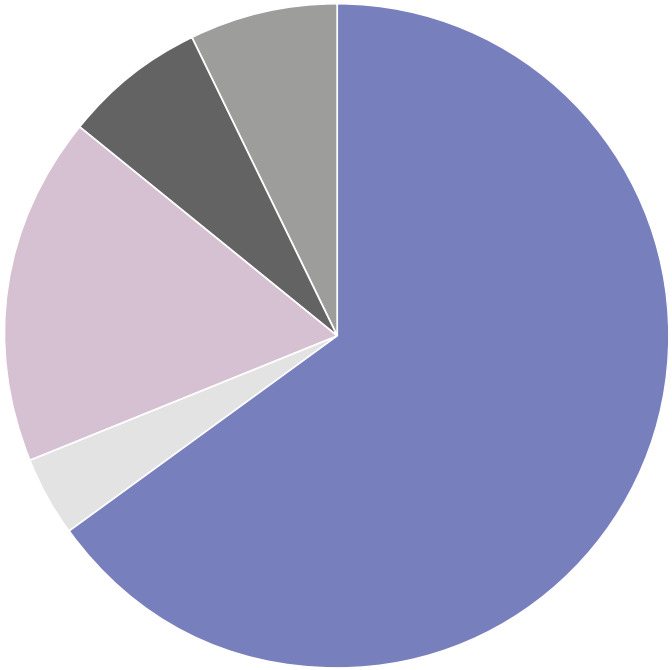
Aedifica is listed on Euronext Brussels (2006) and Euronext Amsterdam (2019) and is identified by the following ticker symbols: AED; AED:BB (Bloomberg); AOO.BR (Reuters). Since March 2020, Aedifica has been part of the BEL 20, the leading share index of Euronext Brussels. Aedifica's market capitalization was approx. €3.5 billion as of 22 February 2022. Aedifica is included in the EPRA, Stoxx Europe 600 and GPR indices.

KEY FACTS ON 31.12.2021
Number of countries: **8**
Number of sites: **587**
Number of users: **44,000**
Number of operators: **140**
Fair value of the portfolio: **€4.9 billion**
WAULT: **20 years**
GRESB: **66****

Healthcare real estate portfolio

GROWTH STRATEGY

By carrying out environmentally and socially responsible investments in a sector with a demographically driven growth potential, leveraging our expertise and diversifying our investments, Aedifica sets the stage for continued growth in the years to come.



Track record of entering new markets

Germany
Current portfolio:
€1,058m (101 assets)
Committed pipeline
€352m
2013

Netherlands
Current portfolio:
€564m (72 assets)
Committed pipeline
€75m
2014

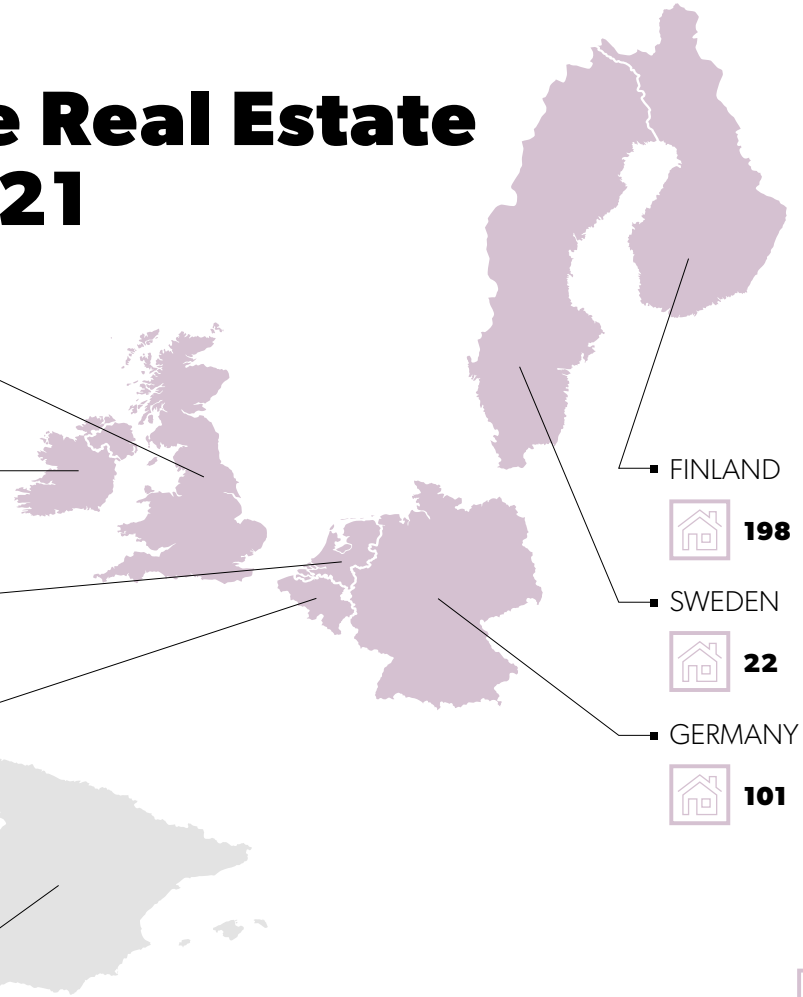
United Kingdom
Current portfolio:
€822m (102 assets)
Committed pipeline
€66m
2019

Finland & Sweden
Current portfolio:
€938m (220 assets)
Committed pipeline
€109m
2020

Ireland
Current portfolio:
€92m (9 assets)
Committed pipeline
€89m
2021

Spain
Framework agreement announced in Dec 2021t
2021

Aedifica's Healthcare Real Estate portfolio at 31.12.2021



UNITED KINGDOM

102 **822** million EUR

IRELAND

9 **92** million EUR

NETHERLANDS

72 **564** million EUR

BELGIUM

83 **1,213** million EUR

FINLAND

198 **860** million EUR

SWEDEN

22 **78** million EUR

GERMANY

101 **1,058** million EUR

SPAIN

5 Up to 5 projects will break ground in 2022

SITES IN OPERATION

CURRENT PORTFOLIO

About Cofinimmo

Cofinimmo
together in real estate

Cofinimmo has been acquiring, developing and managing rental properties for almost 40 years. The company has a portfolio of healthcare real estate, offices and property of distribution networks spread across Belgium, France, the Netherlands, Germany, Spain, Finland, Ireland, Italy and the United Kingdom with a value of approximately € 5.7 billion.

Its healthcare real estate portfolio amounts for approximately € 3.8 billion in Europe which is 67% of the group's consolidated portfolio.

Cofinimmo is listed on Euronext Brussels (BEL20) and benefits from the REIT system in Belgium (RREC), France (SIIC) and the Netherlands (FBI). Its activities are supervised by the Financial Services and Markets Authority (FSMA), the Belgian regulator. On 23.02.2021, Cofinimmo's total market capitalization stood at approximately € 3.7 billion. The company applies an investment policy aimed at offering a socially responsible, long-term, low-risk investment that generates a regular, predictable and growing dividend.

KEY FACTS (HEALTHCARE) ON 31.12.2021
Number of countries: **9**
Number of sites: **266**
Number of users: **25,600**
Number of operators: **about 60**
Fair value of the portfolio: **€3.8 billion**
WAULT: **16 years**
GRESB: **70% (Green Star)**

Healthcare real estate portfolio

As at **31.12.2021**, the Cofinimmo group had a diversified customer base including about **60 operators in healthcare real estate**.

12%

CURE CENTERS

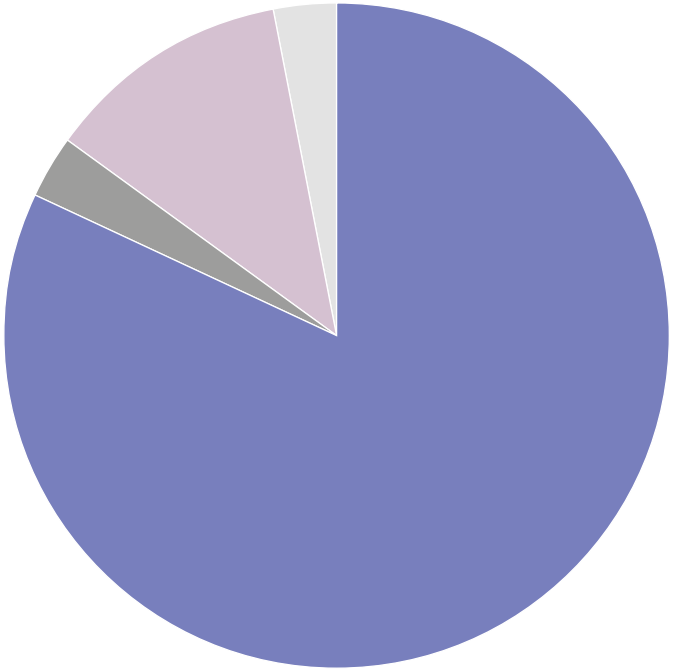
2,600 beds

specialised acute care clinics, rehabilitation clinics and psychiatric clinics

3%

OTHERS

sports & wellness center



82%

CARE CENTERS

23,000 beds

nursing and care homes, assisted living tand disabled care

3%

PRIMARY CARE

medical office buildings

Track record of entering new markets

2005 — Belgium
First investment in healthcare real estate

2008 — France
First investment in healthcare real estate

2009-2011 — France, Belgium
Reinforcement of the health-care portfolio

2012 — Netherlands
First investment in healthcare real estate

2014 — Germany
First investment in healthcare real estate

2015-2016 — Netherlands, Germany
Reinforcement of the health-care portfolio

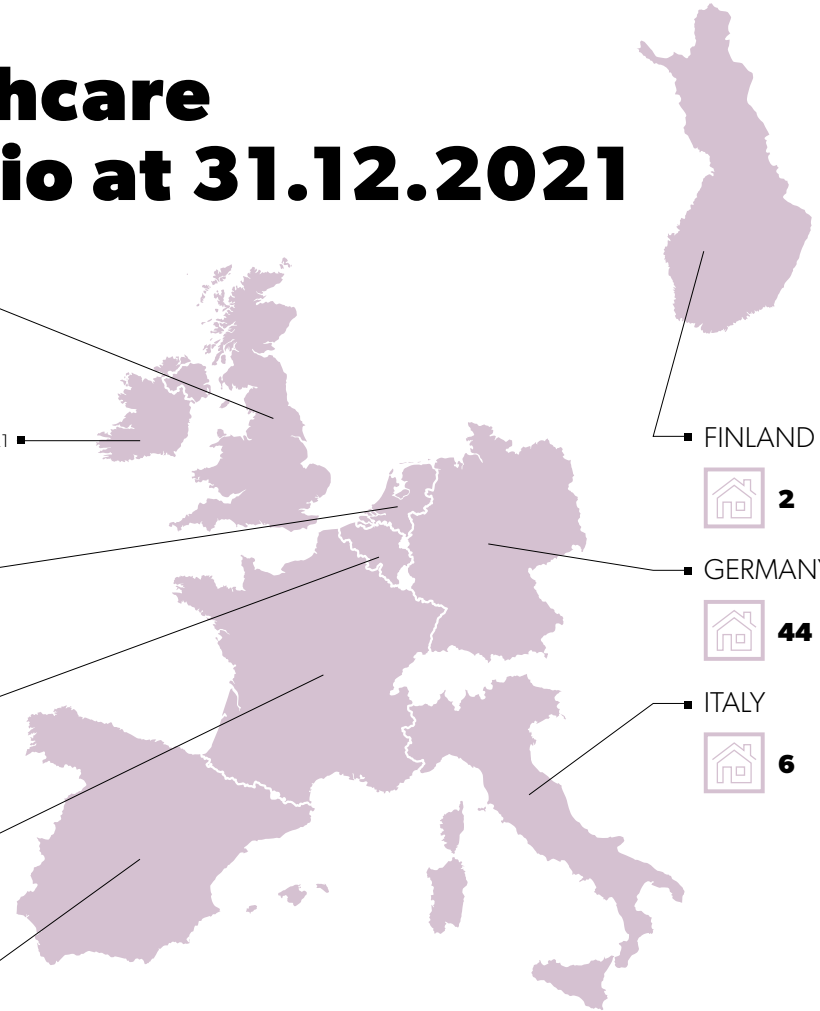
2018 — Germany
Acquisition of a German portfolio of 17 nursing and care homes, valued at more than 170 million EUR

2019 — Spain
First investment in healthcare real estate

2020 — Finland
First investment in healthcare real estate

2021 — Ireland, Italy, United Kingdom
First investment in healthcare real estate

Cofinimmo's Healthcare Real Estate portfolio at 31.12.2021



UNITED KINGDOM — Start of the operations: July 2021
3 — **69** million EUR

IRELAND — Start of the operations: January 2021
7 — **89** million EUR

NETHERLANDS
46 — **434** million EUR

BELGIUM
88 — **1,601** billion EUR

FRANCE
53 — **456** million EUR

SPAIN — Start of the operations: September 2019
17 — **240** million EUR

FINLAND — Start of the operations: November 2020
2 — **67** million EUR

GERMANY
44 — **654** million EUR

ITALY — Start of the operations: May 2021
6 — **190** million EUR

SITES IN OPERATION

CURRENT PORTFOLIO

INSPIRATION AND KNOWLEDGE

BEST PRACTICES

aedifica
housing with care

Innovative residential care concept in Geel

BELGIUM

Investment: **approx. €39 million**
Total capacity: **132**
Net rental yield: approx. **4.5 %**
Operator: **Astor VZW**

The Klein Veldekens care campus is a pilot project supported by the Flemish Ministry of Welfare, aiming to develop a state-of-the-art residential care concept and an innovative vision of care for the future. Care and wellbeing are approached differently in Klein Veldekens than in traditional care homes.

The underlying philosophy of the project is that the quality of life of older people can be improved by offering them a comfortable home in which they can live as independently as possible. When the residents' care needs increase, the care offer will adapt accordingly. The care campus comprises 132 residential units for elderly people with different care needs. 52 residential units are located in small-scale hubs for 8 to 12 residents and are tailored to the needs of elderly people requiring continuous care. The remaining 80 residential units are care apartments intended for elderly people who want to live independently with care and services available on request. The operator is authorized to operate 90 residential units as care home units and can assign this label in a flexible manner according to the care needs of the residents, regardless of the type of accommodation in which they live. This way, residents no longer have to move when their demand for care increases.

Klein Veldekens was designed as a social project. The care campus aims to involve and activate the local community as much as possible.

"With this project, we show that Aedifica is investing in the development of new, innovative residential care concepts that meet the evolving expectations of the elderly and the current challenges in the care sector with a focus on flexibility and small-scale care hubs."

Stefaan Gielens
CEO, Aedifica

aedifica
housing with care

The Lohja Sahapiha service community

FINLAND

Investment: **approx. €8 million**	
Total capacity: **110 units**	50 elderly residents & 60 children
Net rental yield: approx. **4,5 %**	
Operator: **Attendo**	

This service community in Lohja is the perfect example of what the future of healthcare real estate in Finland looks like: a state-of-the-art care campus combining elderly care and child day-care, perfectly integrated in its neigborhood. It can accommodate up to 50 elderly people and 60 children. The building was specifically designed to enrich the lives of the users by creating opportunities for them to meet and share experiences.

The Lohja Sahapiha service community in Lohja (46,000 inhabitants) was completed on 30 June 2021. The care home is operated by Attendo, the largest private care service provider in the Nordics benefiting from almost 40 years of experience and currently operating approx. 13,000 beds. The group already operates 25 Aedifica sites. The day-care centre is operated by Pilke, a day-care operator that offers innovative early childhood education and care services to over 10,000 children in more than 170 day-care centers across Finland. Pilke already operates 23 Aedifica sites. Aedifica's investment amounts to approx. €8 million.

The property is let on the basis of a new irrevocable 15-year double net lease.

Cofinimmo
together in real estate

9 ECO-FRIENDLY CAMPUSES IN GERMANY

State of the art development

GERMANY
Investment: **270 million EUR**
Total capacity: **1.200 units**
Gross rental yield: approx. **4,5%**
Operator: **Schönes Leben Gruppe**

Two years ago, Cofinimmo took an important step forward in Germany when it signed an agreement to acquire, under certain conditions, the companies that are currently developing 9 eco-friendly healthcare campuses in the Land of North Rhine-Westphalia. This development of 9 innovative healthcare sites was made for € 270 million, and the sites are let to Schönes Leben Gruppe. In addition, an exclusive cooperation was signed with the design and project management office responsible for the project's design as well as work follow-up. This exclusive and state-of the art real estate development is energy-efficient and all new constructions fit within the KfW programme. The 9 projects, to be delivered in 2022, have a total of about 1,200 units. Schönes Leben Gruppe has developed its own residential care concept. In this integrated model, different complementary care services are provided to residents with very different care needs. Residents who live on campus receive a range of care services that evolves with their care dependency. Thanks to the excellent coordination and integration of these services, most residents can stay in their own home environment for a very long time. The campus often also provides residential care centers for those residents who can no longer be cared for through home or day care.

Cofinimmo
together in real estate

NURSING AND CARE COMPLEX IN THE NETHERLANDS

Innovative healthcare real estate

THE NETHERLANDS
Investment: **23 million EUR**
Total capacity: **135 units**
Gross rental yield (after works): approx. **6%**
Operator: **Fundis**

In Rotterdam, Cofinimmo acquired 'De State', an outdated rehabilitation center, for €23 million (incl. works). Together with Fundis, we (re)developed this project into a modern and sustainable care campus of approximately 11,000 sq. m., with various care functions: care pension, medical rehabilitation center, general practice, physio exercise room, day care centre and a place for residents with dementia or somatic disorders. All that with a nice grand café that is also open to the neighborhood. Because of all these functions, there is sufficient care volume to keep it affordable, but the resident has the idea that he or she lives on a small scale. Not a home for the elderly, tucked away somewhere far away, but a care campus, on a grand scale, in the heart of society.

There is a trend towards small-scale and the pursuit of clustering in order to keep healthcare affordable. De State Hillegersberg in Rotterdam proves that these seem to go very well together. The solution lies in bringing together different forms of care.

Residential care centre in Elche (Spain)

The new residential care centre will be built in a recently developed area of Elche, the second most populated city in the region of Valencia. The building will have a total of 128 rooms, distributed over 6 floors (a basement, a ground floor and 4 upper floors). It will be equipped with, among other things, a private doctor's office, a fitness and rehabilitation room and a hairdressing salon.

The completion of the entire project is foreseen at the latest in Q2of 2025. For the operation of this project, a new long-term lease agreement of the 'triple net' type (renewable and annually indexable) with a minimum duration of 20 years will be entered into with Solimar, part of the Vivalto Group.

Heidelberg: Center for Healthcare

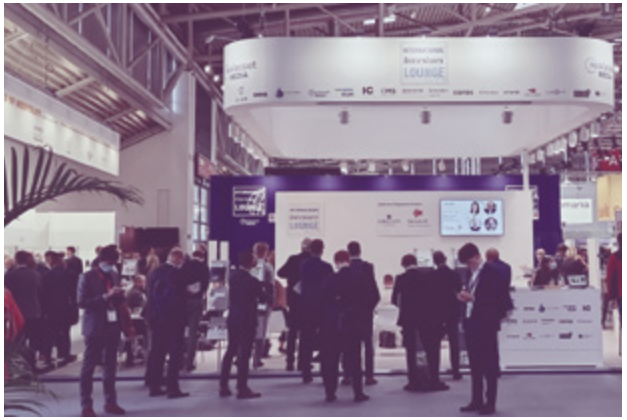
With the interdisciplinary salutem practice clinic in Heidelberg, a place is being created in cooperation with the local project developer Erhard & Stern, where everything revolves around health on around 9,700 m² and four floors. At one of the leading medical locations, in the middle of Heidelberg's new district Bahnstadt, various medical services, health-related services as well as a pharmacy and a café will be provided.

Thanks to timeless architecture and the highest standards, the property, which will be completed as a passive house, not only meets the requirements of an outpatient surgery center, but also satisfies sustainability expectations. In addition, it fits perfectly into the attractive living and working environment, which is characterized by mixed-use assets and clear lines in the urban design. The property is well connected to public transport and offers 115 barrier-free parking spaces as well as an in-house underground car park.

ABOUT Senior Housing & Healthcare Association

The Senior Housing & Healthcare Association was established in 2020 as an industry initiative to help create alignment between operators, investors and stakeholders including banks and governments. Our members and partners operate across Europe ensuring that the SHHA is well-positioned to support the transition within the sector and help prepare the market for the significant increases in future demand.

We promote, drive and encourage the maturity of the international senior housing and healthcare real estate investment markets, to help address the post-Covid changes and make it future-proof.



OUR GOALS

PROVIDING RESEARCH THAT COVERS KEY EUROPEAN MARKETS

There is a lack of unbiased research, in terms of data and in-depth qualitative analysis. The SHHA will establish a source of reliable, readily accessible, headline research covering key European markets.

CONSISTENT INDUSTRY TERMINOLOGY

There is a lack of consistency in terminology, creating confusion within the market. The aim is to define a consistent set of industry terminology to support operators, service providers and investors.

LEARNING & SHARING BEST PRACTICES

Sharing best practices - companies and projects - throughout the real estate chain and learning from one another within international markets, in both opco and propco.

DRIVING DEALFLOW

Facilitate underwriting by articulating the resilience and defensive character of the asset class through clear KPI analysis and comparison with other asset classes.

ENCOURAGE IMPACT INVESTING

Measurement and valuation on performance of ESG and SDG criteria.

CLARIFYING REGULATIONS AND POLITICS

Sharing insights on changing regulations, both at a national and European level. Next to this, we develop thought leadership on multi-stake, political tasks.

HOW

- We organise first-class events, including expert panels at MIPIM, EXPO Real and Provada
- SHHA special section in every issue of the Real Asset Insight magazine that reaches 30,000 global readers
- Publish up-to-date content at Real Asset Insight (print & online) and SHHA website
- Share knowledge and experience of our members through webinars and masterclasses
- Offer networking opportunities to bring industry experts together

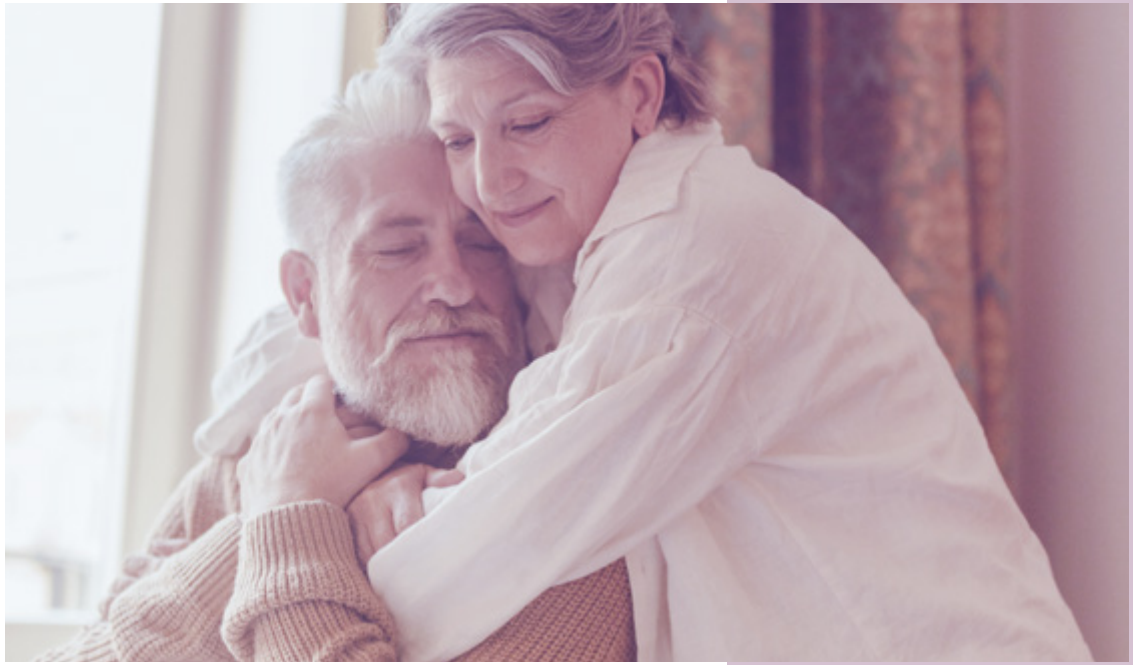
63

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!

www.SHHA.international



Join Us

Sylwia Ziemacka
sylwia.ziemacka@shha.international

SHHA