



Press Release

German healthcare real estate: transaction volume significantly above 1.5 billion

Cologne, 27 September 2016. Nursing home portfolios worth more than 1.5 billion euro have already changed owners in Germany in the course of the current year. This is the result of calculations made by the real estate agent and healthcare real estate specialist TERRANUS. The overall transaction volume is expected to be even higher, since a large number of individual transactions and divestments in the non-profit sector as well as the so called "retailer" business are not included in this number.

"The total of around EUR 1.5 billion is purely based on large portfolio transactions since the beginning of the year, which are known in the market," says Markus Bienentreu, managing director of TERRANUS Real Estate. It does not even include the so called "retailers" marketing homes in part-ownership as well as a considerable volume of individual transactions and divestments in the non-profit sector, which are not disclosed to the public. "Adding these divestments in a conservative calculation, based on average market prices, the total transaction volume in the market is likely to be above EUR 2 billion," the TERRANUS manager adds.

The number shows clearly the strong growth trend in this asset class. However, the extreme dynamics are also driven by one-off effects. "Several large portfolios were sold this year," Bienentreu mentions. "We usually just see a major portfolio being sold every few years." Nevertheless, the demand for healthcare real estate is generally on the increase. More and more investors appreciate the rise in demand, which is driven by demographic trends and resistant to macroeconomic cycles, and the comparably high level of security in this asset class.

Because of the strong increase in demand, purchase prices for care facilities have also increased: for a long time, institutional investors have been stating 13.5x the annual rent as the upper limit, but in the meanwhile some of the purchase multiples have already exceeded 16x the annual rent. "If you are comparing this with the residential or commercial segments, where purchase price multiples for core products can reach 20x or higher, the increase for healthcare real estate is not excessive," Bienentreu says. Looking at the last five years, this is equivalent to a price increase of around 20 per cent compared to 30 per cent and more in other real estate segments. However, investors should check carefully whether the return is high enough in view of this assets class's risk profile.

This makes it even more important to select the object carefully and be sure of its quality. "The supply of core objects is becoming scarcer and not all objects that are offered for 16x the annual rent are also core objects," Bienentreu stresses. A building's location, its structure and management concept are key factors for a successful investment. Especially since competition is increasing and people expect higher and higher standards of care. However, if these factors are strong, long-term and stable annual returns of more than 6 per cent are feasible.



About Terranus:

TERRANUS is one of the leading estate agents and consulting companies for healthcare real estate in Germany. The company has been providing comprehensive support to investors and banks for more than 20 years. TERRANUS also advises operators of care facilities with regard to analysis, strategy development and operations. By combining real estate and operational know-how, TERRANUS is able to cover all questions around the profitable management of healthcare facilities.

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