



Press release

Just 30 percent of German care homes suitable for investment

Cologne, 27 September 2017. Purchase prices of care homes in Germany have risen massively in recent years. This is not only driven by high demand on the part of investors. On the supply side, the number of houses which are actually investment-compatible has fallen due to stricter legal requirements. According to an analysis provided by care property consultants TERRANUS, this share amounts to only 30 percent.

Out of 13,600 inpatient care homes in Germany, merely 40 percent are managed based on an investor model. In all other cases, the owner is also the operator; and these homes are therefore not available for property investors. But even the 5,500 homes in the investor model segment are not all fungible on the market: a basic prerequisite is a clearly delimited property, which can be transferred. This is often difficult, as other premises may be located on the same property, and a separation may not be possible or very difficult to realise, especially if there is more than one owner.

Above all, however, the homes need to meet sustainable investment criteria. These include the new building regulations of the individual German federal states: minimum requirements across Germany are a size of not more than 80 residents, single bedrooms only, with an en-suite bathroom for just one resident, a care bath on each floor as well as a barrier-free structure in accordance with DIN 18040 R. In addition, the remaining term of the rental contract with the operator must be longer than 10 years. At present, it is only 30 percent of all care homes in Germany that meet these criteria.

“In view of the small number of existing properties that are actually suitable for an investment, investors should look very carefully when selecting a property,” emphasised TERRANUS CEO Hermann Josef Thiel. “Even properties that do not meet these criteria sometimes achieve purchase prices of 18 times the annual rent. This is a multiple which is only justifiable for core properties, if at all. Constructing a new home is often the better alternative.” Because of the high average age of nursing homes, investment needs for their replacement are currently high and pertain to about 20,000 care places per year, i.e. around 250 homes with an average size of 80 places.

The data this analysis is based on originates from the TERRANUS Care Atlas. It contains comprehensive key figures for all nursing homes in Germany and, in contrast to official care statistics, is constantly being updated. In addition to using the Care Atlas for its consulting work, TERRANUS also provides this data to scientific institutes such as the health research group at the RWI Leibniz Institute for Economic Research.



About Terranus:

TERRANUS is one of the leading specialist estate agents and consultancy firms for social properties in Germany. For more than 20 years now, the company has advised investors on all issues relating to the efficient operation of social properties.

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