



German care home market: record bed numbers reached in operator deals

Cologne, 9 March 2018. Last year, more beds were sold in the German care home market than ever. More than 40,000 care places changed ownership, nearly twice as many as in the previous record year of 2015. A striking number of investors have a private equity background.

“The German care market continues to be in a major state of flux,” says Markus Bienentreu, CEO of the care property specialist TERRANUS Real Estate. “While the transaction activities on the property market have been normalising again after the exceptional year of 2016, new record figures were reached with regard to operator takeovers.”

According to calculations made by TERRANUS, investors have bought a total of more than 40,000 care beds in 2017. This corresponds to 5 percent of all stationary care places in Germany. And the actual proportion is probably even slightly higher, as smaller takeovers, for example of individual houses, are not always made public. In the previous record year of 2015, around 22,000 care places had been acquired by investors.

Of particular note is that private equity companies are behind all of the larger transactions, mainly from abroad. “The demographic situation and stable macroeconomic conditions in Germany make the German care market interesting for foreign private equity investors,” Bienentreu adds. “In addition, the markets in the other European countries are largely saturated.”

With the increase in demand, purchase prices have also risen further: while investors used to pay four to six times the EBITDA not so long ago, prices have nearly doubled since then, depending on the quality of the assets. Since demand and investment pressure continue to be high, TERRANUS still expects further growth in the coming years. However, it is important to thoroughly review the opportunities in terms of location, building structure and operator concept as well as with regard to the different legal provisions in the individual German states, especially for foreign investors. “The care market in Germany is highly regulated, and legal and economic conditions vary greatly between regions,” Bienentreu explains. “The increase in prices leaves a much smaller margin for error.”

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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