



Press release

European healthcare real estate in 2018

Strong increase notably in Northern European countries

Results of the Your Care Consult annual study

- **Volume of transactions reached record €7,6Bn in 2018, increasing by 70% vs. 2017**
- **Strong increase in Germany (+140%), Italy (+108%), Netherlands (+82%) and UK (+80%)**
- **Investment outlook for 2019: €6Bn due to unfavourable base line**

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- Annual analysis of real estate acquisitions and disposals by private operators and specialist real estate investors in the Western European healthcare real estate sector
 - Eight countries covered: France, Germany, the United Kingdom, Belgium, Netherlands, Italy, Spain and Portugal
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Paris, March 11th, 2019 - Your Care Consult, a financial and real-estate investment advisor with a focus on healthcare, today announced the results of 2019 study of the European healthcare real estate markets.

Stéphane Pichon, Managing Partner at Your Care Consult, commented:

“Volume of transactions in European healthcare real estate increased by 70% to a record 7.6 billion euros in 2018, with a fantastic performance in Northern countries. Due to this unfavourable base effect, Your Care Consult thus forecasts a decrease of investment volume to 6 billion euros in 2019 and a further compression of cap rates, given the continuing low interest rate environment.”

Increase of transaction volumes in Western Europe of 70% in 2018

In 2018, European investors mostly turned towards the German market (+140%), Italy (+108%), Netherlands (+82%) and UK (+80%), which over compensated subdued activity in the rest of Western Europe countries.

€7.6 Bn investment in 2018

European real estate investment volume achieved a record year in 2018, as did healthcare real estate investment volumes, with almost 50% of transactions generated by foreign capital. Alternative assets such as healthcare (incl. hospitals, care & nursing homes) are an increasingly popular investment class in Europe.

Internationalisation of investors and market consolidation are expected with investment volume up to €6Bn in 2019

Cross-border investment strategy should drive the market as a large range of alternative investors implement Pan-European healthcare real estate investment mandates. Development of technology and latest years record investment volumes should support the growth of this kind of assets.

A dynamic role of operators can be expected in 2019. Market consolidation and internationalisation of main market players should drive the 2019 M&A market.

Alternative investments should keep attracting additional investors in 2019. The unfavourable base-line and the lack of quality assets should however result in an investment volume decrease and drive the development of newbuild.

2019 Outlook of healthcare real estate market by country

France: stable market below €1Bn expected in 2019

A mix of primary & secondary portfolios as well as new build in both acute and nursing homes should keep the French market steady, at its historical level, in 2019. Given strong competition among institutional investors, prime yields should continue to fall, dropping below 4,5% for Nursing Homes.

Germany: market expected below €2Bn, down because of unfavourable base-line effect

Germany should remain a very liquid market, driven both by existing and newbuild facilities in the nursing home and rehab clinics sectors, with cap rates still under downward pressure.

United Kingdom: expected below £2Bn, down due to unfavourable base-line effect but still attractive market for foreign capital

After another record year for investment volumes in 2018, investment volumes are expected to be slightly down in 2019. UK market should still represent an attractive market for foreign capital (specially from Europe, Middle East & Asia), despite the current political uncertainty linked to Brexit. A wide range of cap rates depending on asset quality should remain.

Belgium: market could reach €200m in 2019

Given the low Belgian healthcare real estate investment base-line, a single portfolio trade could change the game and help the market reach the €200M mark again, with downward pressure on yields.

Netherlands: another record year expected in 2019, above €1Bn

Transparency is increasing and healthcare real estate is on its way to becoming a mature investment category. With favourable market conditions, it is expected that even more healthcare operators will sell their real estate in 2019, so transaction volume should represent another record year, with yields decreasing from a comparatively high level.

Italy: good expectations for 2019, above the €500M mark

The Italian market should continue to attract local & international investors for greenfield and also existing investments in both nursing homes and hospitals. An important role of secondary market can be forecast in 2019. A moderated yield compression is expected.

Spain: market should increase to €300M

Leaving behind the political crisis in Catalonia, one of the growth engines of the economy, Spain should grow at more than 2% in 2019. As the number and appetite of both local and international investors is increasing, sellers should bring more products to the market. The investment volume could reach up to €300M, with cap rates still compressing.

Portugal: investment volume should grow in 2019, from a very small base

Increasing appetite from foreign operators for both existing and greenfield nursing homes & rehab clinics should lead to investment opportunities for healthcare real estate investors.

NOTE TO THE EDITOR

Additional analysis of European healthcare real estate market Results of 2018 study by country

France: back to the historical average investment volume

- Healthcare real estate accounted for 3% of total commercial real estate volume (estimated €30Bn in 2018).
- Investment volume: €800M.
- Low penetration rate of foreign investors (<15% of the amount invested). Mainly institutional investors.
- Average observed yield 5.3% in Acute and 4.5% in Nursing Homes.

Germany: investment volume reaches €2,4Bn

- Healthcare real estate represented 4% of total commercial real estate volume (estimated €60Bn in 2018).
- Investment volume: €2.4Bn.
- 67% foreign penetration rate. Domestic investors were also active.
- The average yield observed was 6.1% in 2018 (vs. 7% in 2017). The most dynamic Länder were Lower Saxony and Saxony, NorthRhineWestphalia and Schleswig Holstein. Premium yields fell below 5.0%, although significantly lower returns were observed this year for top center-city locations.

United Kingdom: record investment volume, domestic & international investors

- Healthcare real estate represented 3% of total commercial real estate volume (estimated at £64Bn in 2018).
- Investment volume of £2.3Bn (equals to €2.7Bn), a 80% increase over last year. Major transactions took place in the second semester, especially with the entry of new continental European investors into the United Kingdom.
- However, the leading investors remained the British. This year again, England was the most dynamic region, with some transactions in Scotland and Wales. NH were the main investments. Few portfolios in the MOB/Acute sector.
- A wide yield range depending on asset quality, with the premium yield at 4.0% and expected to be lower in 2019.

Belgium: a down year in 2018

- Healthcare real estate represented 2% of total commercial real estate volume (estimated at €4.8Bn in 2018).
- Investment volume: €130M in 2018, down vs 2017.
- Only 2 local investors. Deals in Flanders for a value of €87M and in the Brussels region (€40M).
- Yields below 4.7%.

Netherlands: record investment volume

- Healthcare real estate represented 4% of total commercial real estate volume (estimated at €20Bn in 2018).
- Investment volume: just shy of €1Bn, including €500M in off-market transactions. 56% penetration rate of international investors (vs. 45% in 2017), mainly Belgian investors. Lower average yields observed (6.8% in 2017 vs. 6.4% in 2018).
- Premium yields: 4.7% in Nursing Homes, 5.4% in Medical Office Buildings, 6.2% in Acute (a decrease of 25-50 bp). In 2019, volume expected to increase.

Italy: record investment volume, €500M in 2018

- Healthcare real estate represented 7% of total commercial real estate volume (estimated at €6.7Bn in 2018).
- Investment volume: €500M.
- Foreign investors have represented around 2/3 of total real estate investment in 2018, notably acquiring to be built nursing homes portfolios. The most common asset class is the Nursing Home (RSA).
- Some projects to redevelop former public hospitals and convert them into rehab facilities. Estimated premium yields at 5.7%.

Spain: stable market in 2018, investment volume should increase in 2019

- Healthcare real estate represents 2% of total commercial real estate volume, estimated €10.2Bn in 2018.
- Investment volume: €200M, with both local and international investors.

Portugal: a developing market offering good yield

- Total commercial real estate volume estimated €3.5Bn in 2018
- No significant healthcare transactions in 2018.
- Strong development activity in the main cities.

About Your Care Consult: www.yourcare.eu

Founded in 2009 by Stéphane Pichon, Your Care Consult is a financial and real estate investment advisor specialised in the healthcare sector. Having advised on more than €6Bbn of transactions at the end of 2018, Your Care Consult provides strategic, technological, real-estate and financial advice to healthcare services companies (operators of clinics, long-term care homes, laboratories, health centres, etc.) as well as to financial and real-estate investors. Your Care Consult maintains offices in Paris, Berlin, Milan, Brussels and Madrid.

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