

A photograph of an elderly woman with short, wavy grey hair, wearing a light purple t-shirt and teal leggings, sitting in a meditative pose on a blue mat. Her hands are pressed together in a prayer position, and her eyes are closed. The background is dimly lit, featuring a large, colorful mandala on the wall. The overall mood is peaceful and contemplative.

REPORT

IMMOTISS

Senior Living in Germany

Overview of types
of housing for
senior citizens

The total care
ratio ensures
transparency

Senior housing as an
investment product

Expert interviews
with investors and
operators

**Senior living
in Germany –**
A full
overview
for all
federal
states

p. 52 - 87

Version as of 2023

S E N I O R
L I V I N G
R e p o r t
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This report on “Senior living in Germany in 2023” highlights one of the most promising sectors of our time.

How do we want to live in old age? In what ways are the lives of senior citizens in Germany changing? What facilities are there currently, and how is demand for such evolving? With the help of a detailed analysis by the data service provider Trasenix – a company of **IMMOTISS** Group – a total of 550,000 apartments for senior citizens was investigated and the relevant data compiled and analyzed. This endeavour has resulted in this report, which makes a significant contribution to increased transparency involving the market for nursing care and senior housing. As a result, this report serves as a guide, a new work of reference on this sector for use by politicians and investors, as well as the operators themselves, and the residents.



“We believe it is our mission to ensure transparency and provide information to establish trust among investors and security among the market participants. Thereby, this enables us to live up to our responsibility to society across the generations – and facilitate a dignified life in old age for everyone.”



The challenges on the real estate markets are bigger than they have been in a long time – and this also has effects on the senior housing, which is a growing segment.

Dear Readers,

Investing in senior living, developing and managing facilities have all become much more complex than before the Covid-19 pandemic. The current uncertainties, such as the turnaround in interest rates, the increase in construction costs, inflation, the energy crisis, and operator insolvencies have caused uncertainty in the market.

Yet volatile construction costs and increased operating costs are only a part of the challenges. Demographic change also has an effect: Shortage of skilled workers, waiting times at security checkpoints, and trains not running – the shortage of skilled workers has been felt in many fields for several years. The German Federal Statistical Office forecasts that by 2030 more people aged 65 or over will be working than people under 20 years of age. The consequences we can already feel today provide only a foretaste of what is to come; bigger problems will emerge in the coming years.

For this reason, we must profitably operate nursing care and senior living facilities. After all, in times of demographic change, a company does not only compete for the best employees but has to consider how to plan facilities effectively and preserve resources at the same time. How can we design buildings so that the lowest possible number of staff can operate them efficiently?

The good news is that, while the challen-

ges are considerable, they are manageable. Working together as an industry, we can turn these challenges into opportunities. If we get on the right track today, we can make life in old age in Germany a success story.

However, doing this requires detailed data, in-depth analyses and the right conclusions. This report offers to increased transparency in one of the most fascinating and dynamic sectors in the real estate industry: senior living.

At the same time, we also want to contribute to ensuring that the housing situation for senior citizens will cover the growing demand (at least in part) in the future – also based on our own interest because we will all need care and support at some point.

We hope that you will enjoy reading this insightful report – and look forward to your questions, comments, and remarks.

Please get in touch!

Best regards

Jochen Zeeh
Managing Partner

Executive summary

The share of older age groups in the overall population in Germany will continue to grow over the coming years – along with the demand for types of housing and care which permit a self-determined and, concurrently, a supported life in old age.

Today, demand for additional residential units in senior housing already exceeds supply. At present, there are approximately 550,000 residential units with a care infrastructure aimed at senior citizens that are available. This corresponds to a share of 3% of the demand among those aged 65 and over – albeit with considerable regional differences. If we assume that the minimum share is 4% and consider the development in this age group, it is obvious that the demand cannot be met even today and that this situation will worsen over time.

In addition, even in spite of high demand for senior housing facilities among both users and investors, their development has become challenging due to higher construction costs, higher interest rates, and the end of funding from KfW, the government-owned development bank. Moreover, senior housing competes with the higher-profit conventional housing development industry for building land. Plus, at present, insolvencies put a strain on the industry, which, together with the general uncertainty on the real estate market, leads to restraint on the part of investors.

However, in spite of the current difficulties, senior housing is in high demand with institutional investors. This is due to the stable basis of this asset class, its resilience and its unparalleled ability to combine both social and ecological sustainability aspects.

The offer of senior housing types is very differentiated – with more and more providers and concepts entering the market. Therefore, it is all the more important that we establish a uniform classification system to be able to define and compare the different offers. Moreover, we need to consider the market for senior housing in its entirety. This increases transparency and helps both users and investors in finding the right real estate property for them.



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General market environment

**A society, in
which old people
will form the
majority**



To understand the senior property market, it is worthwhile to look at some society-specific key figures. Because the question of how we want to live and reside in old age is shaped by demographic factors – and political decisions.

The market for senior and care properties is under enormous pressure: a growing demand for apartments for senior citizens with services and places in nursing homes is met with a stagnating supply – and this will remain so in the coming years. This pressure is not only home-made, but also due to societal developments: Research into demographic trends have long pointed to significant changes in the population structure, especially with regard to ageing on the one hand and the available nursing staff on the other. The general market environment for senior living is largely determined by three socio-political megatrends.

Trend 1: Senior citizens will shape Germany in the future

The number of senior citizens will grow by 2050 from 18.4 million (as of 2021) to around 23 million. Demographic change is already one of the biggest societal challenges of our time. In Germany, over a fifth of the population is already

aged 65 or older. In the coming years, this situation will only intensify: thanks to the baby boomer generation from the 1960s, the proportion of people who are 65 years and older will continue to grow strongly over the next few decades. In 2050, according to the Federal Statistical Office the proportion of over 65-year-olds of the total population will be around 28 % – almost one in three people will therefore be older than 65 and will probably not be available for the workforce. According to calculations of the Federal Statistical Office around 10 % of the population in 2050 will be very old – 80 years or older. The need for care will grow accordingly and with it the demand for senior-friendly living space.

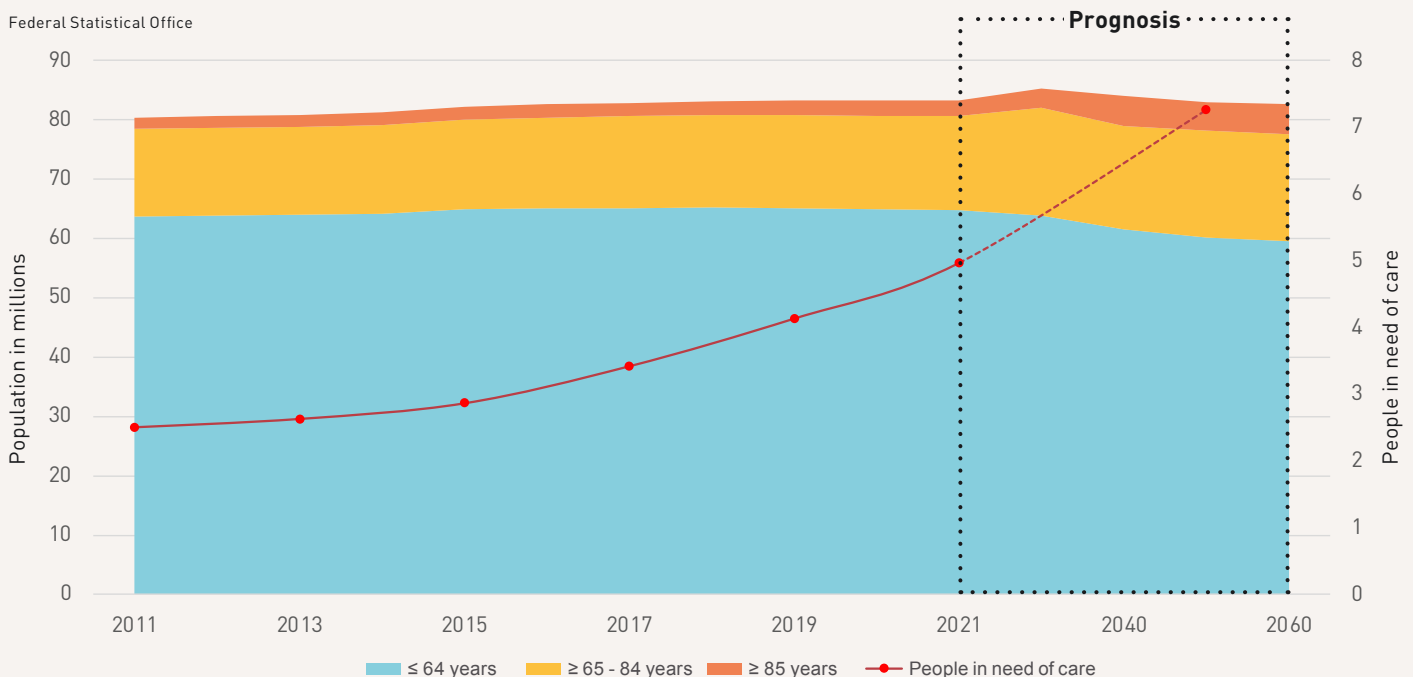
Trend 2: People are getting older and in increasing need of care

Life expectancy is increasing, the population in Germany is getting older – and with it the number of people in need of

care and with multimorbidities. Based on the latest care statistics of the Federal Statistical Office, there are currently around 5 million people, of whom the vast majority are cared for as outpatients and around 16 % receive inpatient care. Comparing this with the figures from the year 2011, this means an increase in the number of people in need of care by 2.6 million – a virtual doubling of the number of recipients of care services according to SGB XI within the last 10 years. Due to the demographic change, a further increase in the number of people in need of care by around 40 % is predicted. This means that the number of people in need of care in Germany would then be more than 7 million. This indicates an immense additional need for care and support services, both in the outpatient and inpatient area. This rapid increase of people who are dependent on care services is an impressive illustration of the demographic change in this country.

Development of the age structure and need for care in Germany

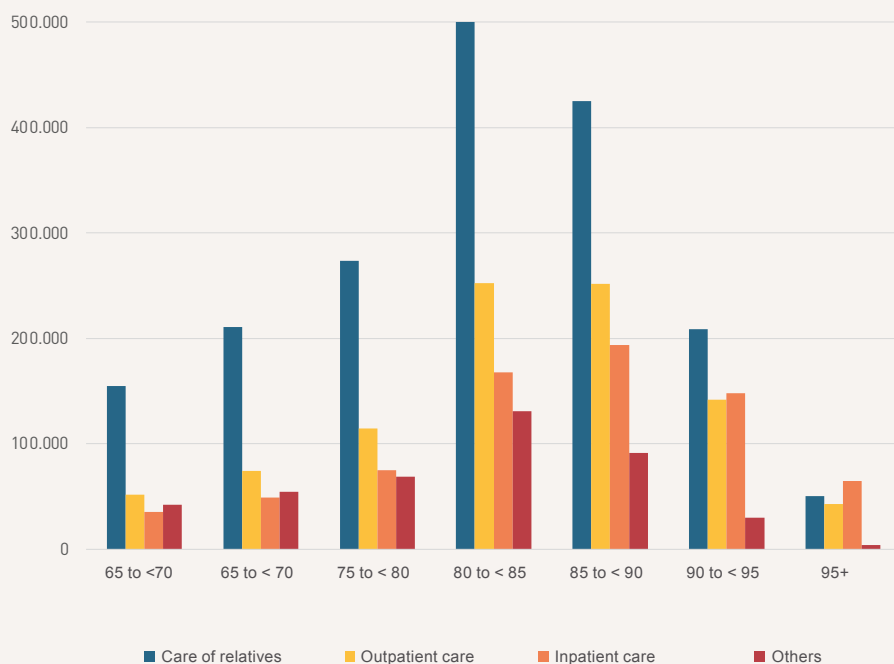
Federal Statistical Office



A society in which older people will form the majority

Type of care according to age group

Source: Federal Statistical Office



Trend 3: Government is pushing for outpatient before inpatient care

Since 2015 a shift in political thinking took place with the introduction of the Care Strengthening Act I which significantly influenced the care market and with the subsequent Care Strengthening Acts II and III lead to a realignment of the care market. The principle according for these Care Strengthening Acts: People should be cared for at home for as long as possible. The motto is: outpatient before inpatient care.

This has noticeable effects on the way in which the care market works in Germany. Because the legislation promotes and favors outpatient care significantly and for care facilities, outpatient care offerings can be extremely financially attractive.

The Care Strengthening Acts result

in living and care concepts, in which people live in their own barrier-free and senior-friendly apartment, but at the same time they receive through the selection of various care, nursing and other services an almost full-package attention like in inpatient care. This means more individuality, flexibility and resources with a less restrictive corset. Individual providers have specialized in this kind of offering.

Anyone who analyzes these trends and links them, realizes that the senior property market will be almost endlessly growing in the future. All underlying factors promote unbridled growth and lead to a need for further professional forms of senior living.

The next question is: What is the composition of the market in Germany and what concepts already exist?

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Living options for senior citizens

A growing need for care meets diversified offers



The market for professional care services in Germany – and therefore also for care properties – is developing both rapidly and diversely, but at the same time not fast enough. The driving forces are primarily senior living offers that do not fall under inpatient care, i.e. including the various forms of senior living.



The demographic development already has a big impact on the health networks and the care infrastructure, and will influence them even more in the coming years.

For the near future, a significant shortage of supply options is forecast. In addition to the ageing population and the growing need for care the industry is faced with even more challenges. Besides general cost increases the shortage of skilled workers is the biggest issue. According to recent estimates, Germany has a shortage of 500,000 nursing professionals – and the number is rising. Despite significant salary increases the prevailing working conditions in the care sector are making the profession unattractive. As a result, the number of numbers of trainees are decreasing and existing nursing staff are switching to other professional sectors.

In addition, there is a considerable shortage in inpatient care. Based on a

sustainable minimum care ratio in the inpatient sector of an average of 5 % on average in relation to the over 65s, there is already an additional need of around 45,000 fully inpatient care places. This will increase to over 100,000 additional fully inpatient care places by 2030 due to the predicted increase in the group of over 65 year-olds.

What types of living exist?

Since outpatient care according to SGB XI and SGB XII is preferable to inpatient care, the care market needs to undergo a transformation towards facilities that operate according to the basic idea “outpatient before inpatient”. For for this reason, alternative living concepts are emerging that are alternatives to the classic nursing home and cater to the individual needs of elderly people and where the focus is on living. Because self-determined living means for a large part of the population not only se-

curing their livelihood, but quality of life. Empirical studies show that many older people wish to maintain this quality of self-determined living in a similar context like their own home or a suitable alternative – complemented by the aspects of security, social life and fun.

You can choose from:

- » Outpatient assisted living communities,
- » multi-generational residential homes,
- » residential homes or senior residences,
- » residential complexes for senior citizens with on-site care service or
- » residential complexes for senior citizens without on-site infrastructure.

The second-last option in particular is suited for largely independent older people with the prospect of care, as the other forms of housing either lack care services or the desired independence is restricted by given or obligatory services. The importance of the individual living environment becomes more important as the range of movement is reduced due to age and with an increasing need for support. For older generations in particular living – alongside with food – is one of the main indicators of quality of life.

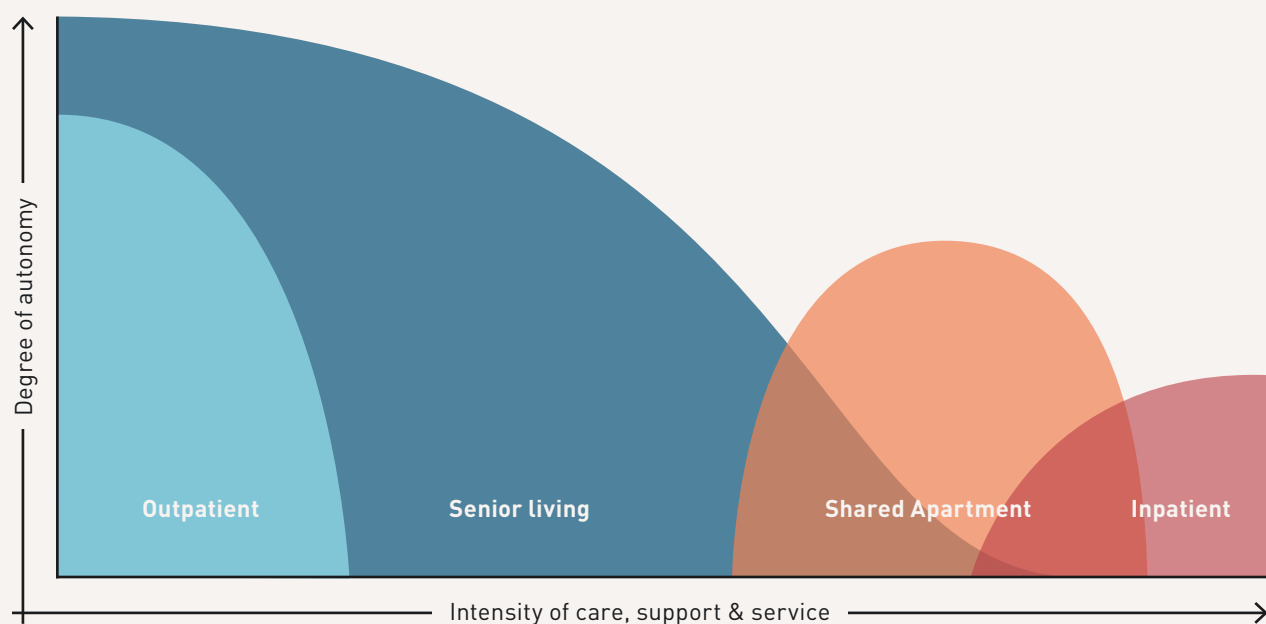
What senior citizens want

The wishes of older people range from living alone to living together with their own children to living in a retirement home. The option of moving into

a care facility when the need for care emerges is, however, rejected by the majority. The main reason for this is a fear of losing independence and privacy. However, among the relatively young the idea of retirement has changed. The study Global Increases in Individualism by the University of Waterloo states that the tendency towards individualism has increased worldwide by 12 % over the past 57 years. This also applies to older people: They are more active than previous generations and want to spend the last phase of their life according to their own wishes. This is another reason why new living and care concepts in old age are demanded: while the retirement or nursing home as a classic care institution has a largely fixed care structure in which older people occupy a single or

double room and usually live a certain daily routine, alternative forms of living such as assisted living enable a more independent but at the same time secure way of life into old age, even if in need of care. This coincides with the desire of many senior citizens to live independently, but also as age-appropriate as possible and only to revert to support if in need.

Spectrum of housing and care models – Focus on degree of autonomy and intensity of care



Outpatient care:

- » By relatives and/or outpatient care service in familiar surroundings
- » Suitable for low care and support needs
- » No 24-hour care possible and living space often not optimal for extensive care

Senior living:

- » Personal, barrier-free apartment (1 -2 persons)
- » Free choice of care and service offers
- » Proximity to outpatient care services enables security of care when assistance is needed

Shared apartments:

- » Focus on the care of small groups (max. 12 people) in a family atmosphere
- » More intensive support with higher care level possible
- » Residents have their own room and share a common living and dining area


Inpatient care:

- » Institutional environment with fixed processes and structures
- » Package deal with limited customization
- » High level of care security in case of high need of care

A photograph of an elderly woman with short, light-colored hair and glasses, smiling broadly while driving a car. She is wearing a brown quilted jacket over a red turtleneck. The car's interior and steering wheel are visible. The background shows a blurred street scene through the windshield.

Senior living in Germany

A multifaceted asset class with considerable growth potential

A photograph of an elderly man with white hair, wearing a brown leather jacket over a plaid shirt and a brown flat cap. He is sitting in the driver's seat of a car, smiling broadly while looking out the window. His hands are on the steering wheel. The background outside the car shows a blurred green landscape, suggesting he is driving through a park or a suburban area. The lighting is warm and natural, coming from the side window.

The market for senior living is both fragmented and complex. The classification attempts made so far do not sufficiently take into account the individual care and support requirements of residents. Both consumers and investors are looking for a standardized market classification to provide clarity.

Today's housing market for seniors is very differentiated. Senior housing with a service infrastructure - also referred to as assisted living - is forming an important and growing market.. These are types of housing with a high level of autonomy and include a multitude of offers ranging from simple barrier-free properties with optional or mandatory supply and care services to premium facilities where services available exceed the level of support usually necessary. Here, it is important to differentiate between nursing homes which, as inpatient care facilities, offer mandatory and comprehensive support and care services and senior housing properties falling under the housing and service-oriented asset class - with an optional service offer that the resident can choose to book specifically.

Current definition

Looking at the current offer of assisted living facilities, it is obvious that this term is not clearly defined legally. The DIN 77800 certification for the requirements of assisted living and ensures a certain level of transparency. However, this service standard is not legally binding and, in combination with DIN 18040, it refers to barrier-free housing in line with seniors' needs and with possible care services in general terms.

According to this, the terms "assisted living", "serviced housing", and "senior housing" can refer to various living concepts which differ considerably in terms of the furnishings of the apartment or facility as well as in terms of the services available.

Often, such terms are also used for marketing purposes – as is highlighted by the term "senior residence", which conveys a certain quality. However, this term does not necessarily refer to an offer for senior housing, it can also include a full-time inpatient care facility.

Categorization like in the hotel industry?

In May 2018, the German association for real estate research (Gesellschaft für Immobilienwirtschaftliche Forschung (gif) e.V.) developed a classification system for assessing serviced housing offers for seniors. The aim pursued by gif e.V. was to ensure transparency in the serviced housing market for seniors. The "serviced real estate" competence group within gif e.V. looked to related classification systems – and eventually used the hotel classification of the German hotel and restaurant association, DEHOGA, as the basis for its system.

At first glance, the gif e.V. classification system is simple to understand: Based on the degree to which the three main criteria (location, building and furnishings, or service offer) are fulfilled, the classification is made with up to five stars – with one star representing the lowest and five stars representing the highest quality and service level. For consumers, the five-star rating system corresponds to the common assessment system for hotels and to the rating system often used on online platforms.

However, upon closer examination, this substantial simplification is somewhat problematic. This is because many services in the field of care and specifically tailored to seniors are not considered in the gif e.V. classification system. Moreover, in the case of the facilities in the lower segment of this market, the star rating system involves the risk of misinterpretation resulting in a lower rating. In this context, the following rule applies: A simple standard does not automatically mean low quality.

Extensive fragmentation ...

The multitude of terms used and attempts at defining what these mean highlight that the field of senior living is very fragmented in Germany. There

is a lack of transparency and uniform criteria which enable the consumer group and investors to compare offers and identify the right concept for them.

... requires transparency

If the categorization is based on the offer, senior housing can be divided into two superior categories:

1. offers that provide the consumers with living space in line with the needs of seniors and
2. offers that also provide different service and support offers, in addition to living space in line with the needs of seniors.

The table below highlights the two main categories and their most important characteristics which will be specified in detail subsequently.



The most important characteristics of senior housing

	Housing in line with seniors' needs	Assisted living (Served living, assisted living, and assisted living PLUS)
Living space & variability	Independent, self-contained housing units	Independent, self-contained housing units
	Barrier-free/low-barrier	Barrier-free/low-barrier Joint use of available communal spaces
Autonomy & freedom of choice	Fully autonomous lifestyle	Fully autonomous lifestyle possible
	No service and support structure on site; therefore, no contractual obligation	In part, basic services (e.g. emergency service) based on a mandatory basic support contract (connected to operator), basic service available, contract to be concluded) on a voluntary or, in part, a mandatory basis
Support & care services	No support	Service and care infrastructure available and can be booked individually
	Outpatient care possible within the residents' own household	Outpatient care possible, often with a cooperating care service on site - with advantages for residents with care needs
Cost structure	Basic rent or purchase price	Basic rent or purchase price, plus flat care service fee for the basic service (mandatory in some cases)
		Additional service and care options as well as outpatient care services can be selected based on individual needs (the care service can be selected freely)



Together with other experts from the industry, **IMMOTISS** is developing a classification for senior living based on the offer structures which are considered from the perspective of both consumers and investors.

- » **Residents** are provided with a precise and easy-to-understand classification in line with their individual needs. This enables them to take better decisions for their future. Moreover, misunderstandings regarding the quality and scope of the offer, which might happen with a five-star rating system, are avoided.
- » **Investors** are given a tool ensuring comparability across the sector and, as a result, transparency for the first time ever. Subsequently, they can assess the risks and opportunities much better since they can rely on clear and exact criteria regarding the business model of the property or facilities concerned.

The four categories of senior living

The four categories are derived from the structure of the offer for the residents and they are based on the offer-specific obligation to use care and/or support

services. Its highly practical relevance permits a market-oriented classification of the existing offers:

1. If the housing unit can be classified as **barrier-free or in line with seniors' needs**, it cannot be called assisted living in the narrower sense of the term because there are no additional services involved.
2. The housing unit only falls into the category of **"serviced-living"** if support or care services are offered on site. This category is relevant for seniors who do not yet live in a barrier-free home but plan ahead and want to ensure that their new home environment is barrier-free. Therefore, the facility must offer a home emergency system or the required outlet for such a system. However, there is no obligation to conclude a service contract when residents move in. In addition, the facility must also have communal spaces, such as a coffee lounge or a day care facility located in the immediate vicinity.
3. In contrast, **"assisted living"** includes a monthly care fee for basic services which is agreed separately from the tenancy agreement. As a rule, these basic services include a home emer-

gency system and support, such as advisory services and care support. Other services can be booked as needed. These usually include household services, e.g., cleaning and laundry services and optional full catering.

4. If a contract regarding other services, such as catering, must be concluded, in addition to basic care, when the resident moves into the facility – with the use of the services always being optional – the category is called **"Assisted living PLUS"**. In this case, the service exceeds the standard basic services and can have various levels depending on the respective facility. Moreover, an outpatient care service is usually available directly at the facility.

In addition to the different scope of the service and care offering in the four categories, if necessary, the residents always have the right to choose either the care service based at the facility or an external care service.



Inventory in the four categories

In addition to the classification of the offer based on the four distinct categories, comprehensive stocktaking contributes to transparency. **IMMOTISS**

has comprehensively taken stock of the entire senior housing segment in Germany. The results of this stocktaking will be provided at a later point of this report broken down according to federal states. This has shown that there is a

shortage of facilities – with pronounced regional differences. In addition, this survey shows that the current pipeline is far from sufficient to cover the growing demand over the coming years.


Categories of senior living

	SFL Senior friendly living	SL Serviced living	AL Assisted living	AL+ Assisted living PLUS
	Real-estate property	Real-estate property	Real-estate property	Real-estate property
Living space	Low-barrier/barrier-free	Barrier-free	Barrier-free	Barrier-free
Available communal spaces	No communal area	Communal area	Managed communal, (optional) restaurant and outdoor areas	Communal, restaurant, (optional) spa and outdoor areas
	Contract structure	Contract structure	Contract structure	Contract structure
Lease structure	Individual lease	Individual lease General tenant	Individual lease General tenant	General tenant
Service	No on-site offer	Available as an option	Mandatory service contract Optional services available	Mandatory
	Services	Services	Services	Services
Service/support	No offer on-site	On-site services: Home emergency system, contact person External services: Cleaning, catering	Home emergency system, contact on site, events Household services, catering	Full range of services (home emergency system, contact on site, events, household services, catering)
Care service	External	External	External On site	External On-site



The total care ratio (TCR)

Demand for professional service offers in relation to the supply



At present, there is often a lack of transparency regarding the development of supply and demand in the care and senior living sector. This requires an up-to-date approach for establishing comprehensive parameters to permit an adequate response to the growing demand and prevent potential supply shortfalls.

How are supply and demand for housing, support and care offers developing in Germany at the moment – and what will the situation look like in the future? This is one of the central questions facing politicians and stakeholders regarding the German care market. After all, reliable numbers are needed to establish the demand and identify or forecast regional differences in supply and demand – and close gaps, if needed.

To this end, all senior living forms have to be recorded by using the so-called total care ratio (TCR) as a central indicator for the supply situation, or the offers available in a market. The TCR is calculated based on the share of the 65+ age group in proportion to the available living and care offers.

While, in the past, only the offers of inpatient full-time care places was considered in proportion to the 65+ age group, a broader consideration including senior living forms with optional outpatient care is appropriate today because of the change in the supply and

demand structure.

Senior living as an important care component

The demand for senior housing forms with a professional supply infrastructure, in particular, is gaining in importance and makes an vital contribution to a stable supply. This is because, in view of demographic change and the accompanying changes in demand for housing and care in line with the needs of the elderly, senior living will establish itself as a buffer between service-oriented senior housing for the quite healthy seniors with some support needs en route to full-time in-patient care.

A TCR of 10 % as a benchmark

The analysis and assessment of all senior living forms for seniors in different markets and bigger regions yields the following benchmark: A TCR with an adequately sized offering which provides space in various senior living forms for, at least, 10% of those aged

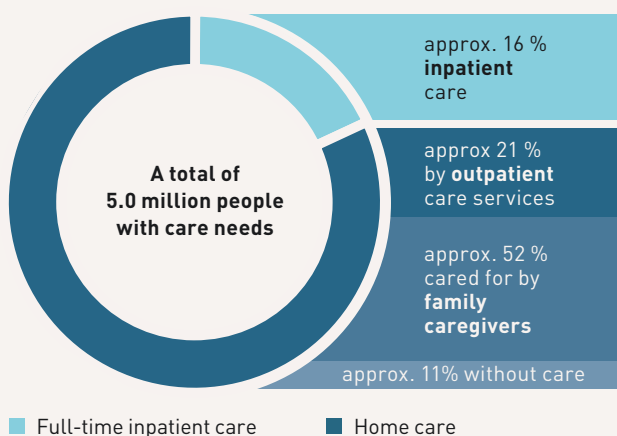
65 or over. The TCR includes full-time inpatient care, senior living and alternative care forms, such as shared apartments for seniors.

At this point, it has to be emphasized that the benchmark is a minimum value which can vary considerably depending on the social and structural, economic and local conditions.

In determining a sufficient degree of market coverage, i.e. the TCR for a given local or regional market, specific local conditions and influencing factors have to be included with a high level of precision. In addition, it has to be considered that it does not only matter whether there is an available offer but also whether adequate offers are available in the different price segments. Therefore, as a rule, a thorough site analysis will identify any need for additions.

Level of care for those with care needs

Source: Federal Statistical Office, Trasenix



Inventory of care and living offers



Nursing homes (only long-term care)

- » approx. 898,000 beds
- » approx. 11,000 facilities



Senior living/assisted living

- » approx. 550,000 apartments
- » approx. 14,000 facilities

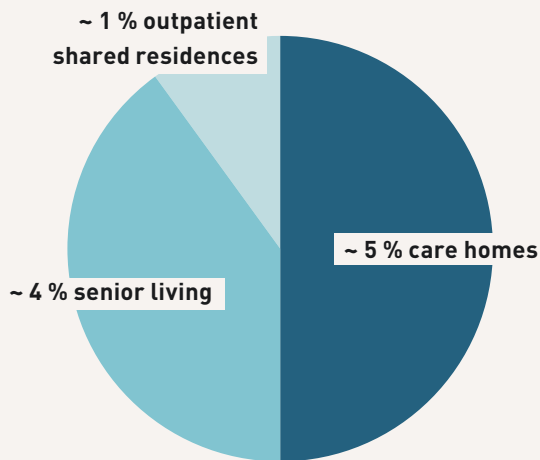


Shared apartments with outpatient care

- » approx. 60,000 apartments
- » approx. 6,000 facilities

The total care ratio (TCR)

Elements of the total care ratio (TCR 10 %)



Factors influencing the total demand

> Share of family caregivers

» The higher this share is, the lower the required TCR will be because of the lower demand for "professional" offers.

> Availability of barrier-free or low-barrier living space

» The higher this is, the lower the required TCR will be because of a lower need to re-locate.

> Purchasing power at the site

» The higher the purchasing power, the higher the required TCR will be because housing types with a professional supply infrastructure are chosen in spite of the comparatively high prices.

> Local support for senior housing infrastructure

» The higher this is, the higher the required TCR will be since offers requiring a confirmed claim to supported housing address an additional target group.

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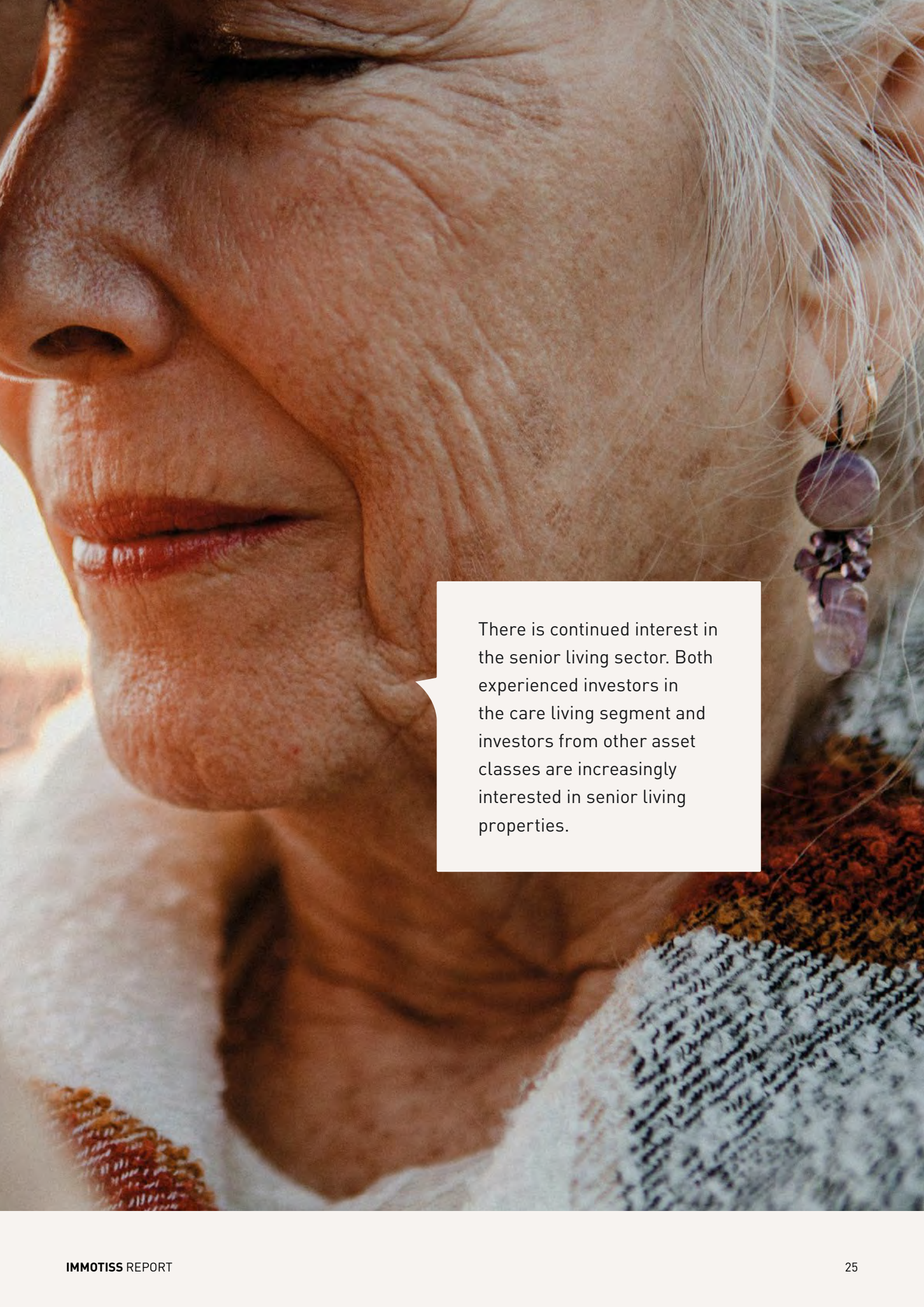
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Senior living as an investment product

A young market with rapid growth and conceptual challenges



There is continued interest in the senior living sector. Both experienced investors in the care living segment and investors from other asset classes are increasingly interested in senior living properties.

Growing interest among investors

More and more investors are interested in senior living. This is due to several factors: These include a shortage of current investment products in this field, such as full-time inpatient nursing homes or conventional residential real estate, less (construction) regulation by the legislator, and lower risk for the operator.

From an addition to existing portfolios to an independent product

While, until recently, senior living was only seen as an addition to the core product in the segment, i.e. nursing homes, the first real estate investors with experience in nursing homes, Aachener Grundvermögen and Corpus Sireo (from 2021 Swiss Life Asset Managers), began to issue fund products investing specifically in senior living. The reasons they cited included demographic change, growing demand for autonomous and

barrier-free living concepts for seniors which included outpatient care and other services while ensuring the highest-possible level of privacy for the residents.

Continued interest in senior living

Since then, most stakeholders in the market have developed an enormous interest in senior living. However, it is not just well-established market players that are expanding their scope by investing in senior living – developers and investors from other asset classes are also interested in this former niche product.

Operators specialising in senior living have emerged, operators of conventional nursing homes are rounding out their portfolio with senior living offers or even establishing their own brands in this field. Asset managers have set up new healthcare funds. Players from the

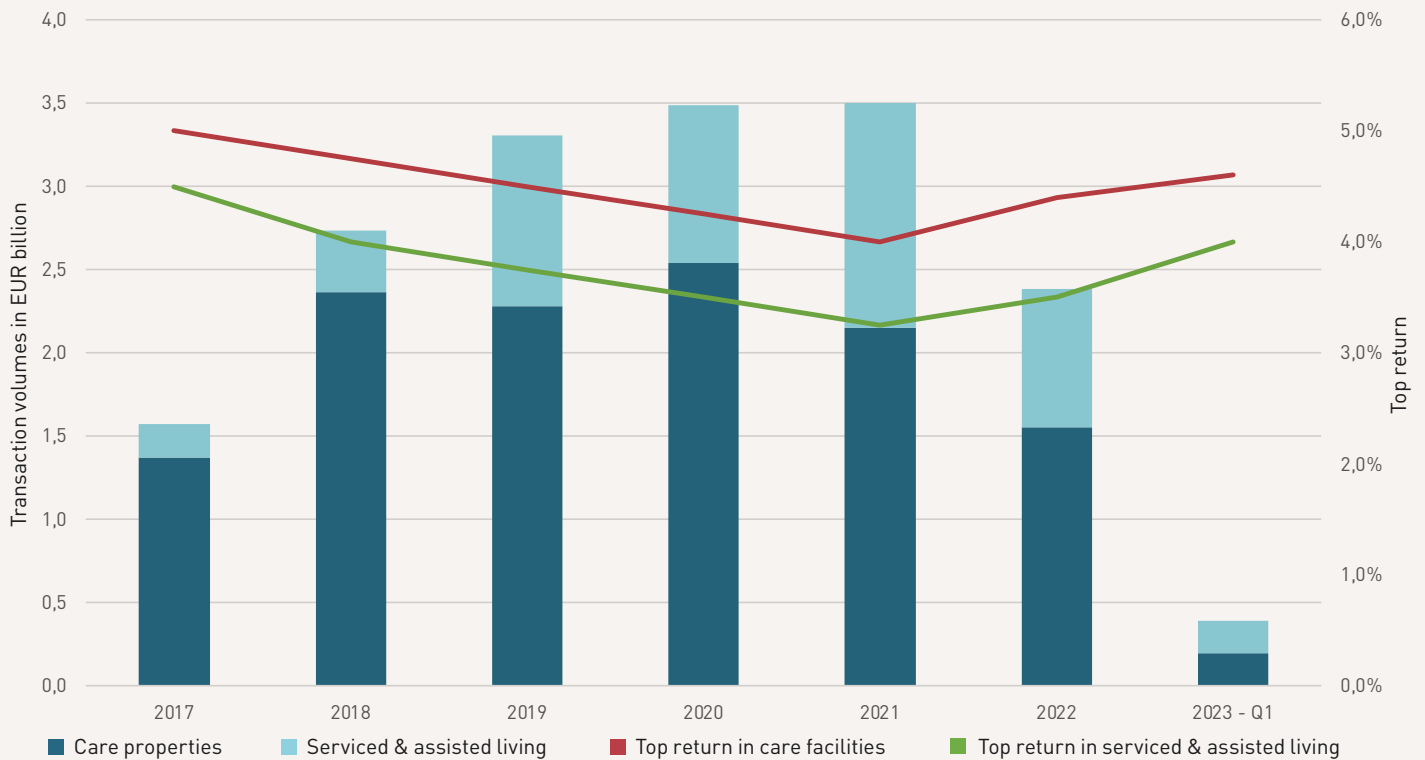
real estate sector are expanding their offering to include serviced properties for seniors. Moreover, ESG criteria also add to the appeal of care, senior and healthcare properties because this asset class automatically fulfils many of these requirements.

All of this highlights that senior housing has developed and evolved into an asset class of its own. The transaction volume clearly underlines the interest this segment has generated. The growing interest in investment-grade products used for senior living and, in particular, the users' high demand for this product has attracted numerous real estate investors. The analysis of the **IMMOTISS** transaction database also shows a considerable increase in transaction volumes regarding senior living facilities.



Transaction volumes & top returns, 2017 – Q1 2023

Source: Trasenix



Development of the transaction market

While the transaction volume was still in the low three-digit million range in the first reporting year (2017) and the year after (2018), almost 700 million euros were invested in care and senior living properties in 2019. In 2021, the transaction volume reached a record of EUR 3.5 billion before a decline to 2.4 billion euros in 2022, which was significantly lower than in previous years.

Since 2019, the share of senior living in the transaction market has increased significantly. Last year, senior living accounted for a transaction volume of around EUR 830 million.

This year, there was a considerable break-in in transaction volumes; however, senior housing continues to be an attractive asset class and was almost at the same level as nursing homes in terms of its transaction volume.

Senior living as an investment product

– A young market with rapid growth and conceptual challenges

Asset class-specific returns

In addition, an analysis of the transaction data has confirmed that a certain rate of return has developed for senior living. This means the rate of return for senior living is not a reflection of the rates of return for full inpatient care facilities or for conventional residential real estate. Compared to inpatient care homes, senior living has a lower rate of return, while its returns are higher than those of conventional living facilities. In other words, senior living is positioned between conventional housing and full inpatient care not only in terms of the facilities' use but also in terms of its rates of return.

In 2022, an increase in the top rates of return was observed in parallel with the decline in the transaction volume. Whereas, in 2021, the top rate of return was 4.0 % for nursing homes and 3.25 % for senior living, those figures increased to 4.4 % and 3.5 % respectively last year. This development continued throughout 2023 and, as a result, by the middle of the year, the top rates of return rose to 4.7 % for care homes and to 4.3 % for senior housing.

An asset class with specific risks

In summary, we can conclude that, as an asset class, senior living has matured and become well established on the real estate market. Yet these properties have special characteristics which have to be analysed critically before being purchased and monitored on an ongoing basis in the context of asset management. For example, there is the risk that, depending on the real estate structure and the operating concept, senior living might be subject to rent control according to current legal provisions.

Moreover, in some cases, senior living is closely based on the construction and commercial structures of full inpatient care facilities, thus making a clear differentiation between housing and care homes challenging – with corresponding results for both the operator and the owner. For this reason, an exact analysis of the conditions regarding the structure, the concept and the applicable legal provisions is indispensable.





The investors' perspective

A crisis-proof asset class

”

How do investors assess the current market for housing for senior citizens – and how is this market developing under the current pressure? We have asked three investors.



● Daniel Wolf
AIF



● Sebastian Schlansky
HAMBURG TEAM



● Martin Hölscher
Aachener Grundvermögen

Already in the past, AIF has fully invested in two funds. The follow-up fund invests in both residential nursing homes and in senior living. In your opinion, what is the advantage of investing in both segments and, in particular, what is your advantage compared to investors who only invest in residential concepts with outpatient care?

● **Daniel Wolf, AIF:** The indispensable role of adequate care offers in our society should not be underestimated. In view of limited options for outpatient care, a thorough analysis of the overall situation is of the utmost importance. The sites and locations of the respective properties require a careful evaluation to identify the right form of senior living – whether it be assisted living, a hybrid solution or full-time inpatient care. However, inevitably, certain care levels require full-time inpatient care as this is needed to fully cover the patients' or residents' needs. For this reason, this form of care remains a fundamental pillar of our investment strategy – as being both functional and indispensable.

The current insolvency cases should not convey the impression that well-working facilities are rare. The care landscape is diverse and, while the challenges of the present should not be ignored, they should also not distort the overall impression. This is illustrated by a short glance at our own portfolio of 35 facilities. Like all operators, our partners are

facing challenging times. Nonetheless, there are facilities that generate a positive economic development because the correct strategic decisions were taken in the past.

With your “HAMBURG TEAM Wohnen 70+” fund, you at HAMBURG TEAM have recognized the needs of an ageing population and have already established the second art. 8 fund vehicle specialising in living concepts for senior citizens. What requirements do you have for properties for senior living for the future?

● **Sebastian Schlansky, HAMBURG TEAM:** At HAMBURG TEAM, we have worked in this field for around 15 years. We began our work with inpatient nursing homes in 2007. After all, full inpatient care is immensely important to support senior citizens in Germany. Up until around five years ago, this was our typical approach: Facilities with 80 beds, largely in single rooms, focusing on reliable nursing care and an efficient layout design. These types of nursing homes are important because they focus on patients requiring high levels of care.

At the same time, a new trend towards outpatient care in the patients' own homes began. After all, people want to stay at home. However, this also leads to a problem at the societal level: In most cases, those homes are not barrier-free, and

the nursing staff's route planning can become absolutely inefficient if they have to travel long distances to look after patients. In addition to this, staff is already a limiting factor today. So, our aim must be to create modern and energy-efficient buildings with layouts tailored to the provision of optimal care – while also ensuring the best homely atmosphere possible. Care offers, such as day care or shared apartments with outpatient care are also available on a flexible and optional basis.

“Today, what matters is not just care, but living comfort, a positive attitude and a sense of community.”

It is becoming increasingly important that we do not focus on care alone but also consider living comfort, a cheerful environment and a sense of community. This is what we like to call the “crisp factor”. People should be moving into a retirement home by positive choice, rather than feeling that they have no other option.

Aachener Grundvermögen is one of the pioneers in the market, with the first special fund focussing exclusively on senior residences with outpatient care offers. What was the motivating factor for this or, in other words, what motivated you to take up this asset class?

● **Martin Hölscher, Aachener Grundvermögen:** We identified this trend in the care market early: While full inpatient care will always remain an essential component of the care system for care-dependent persons, relatives as well as patients also need a lower-threshold care offering – which focuses on giving patients the highest-possible level of normalcy in their living arrangements.

At the same time, there are around 16 million pensioners in Germany who are not care-dependent within the meaning of vol. XI of the German social security code (SGB XI). A large majority of these people want to remain in an assisted setting in old age to ensure that they can still have a social life, while enjoying the reassurance of a care offering or making precautions for such – should their health deteriorate or should they develop physical disabilities. This kind of arrangement is

possible in senior residences with an outpatient care offering. As a rule, full inpatient care facilities are required for the last part of life, when exacerbated by physical and/or cognitive multimorbidity. Moreover, this form of care requires considerable personnel resources and is strongly regulated by the supervisory authorities. As a result of the patchwork of different rules in the various German federal states regarding funding and the building design of full inpatient care facilities (as well as the problem of the exponential increases in staff shortage, which was identified early on), we have realised that, in many respects, the asset class of assisted senior residences with outpatient care better meets the fundamental needs of senior citizens than purely inpatient nursing homes. This is also due to the fact that the government regulation of this segment is much lower (while, in contrast, it is almost stifling in the inpatient care segment today). This also directly affects investors, especially, as regards refinancing of rents and the dependence on the regulations currently in force.

How important is the option of using the real estate property as a conventional residence in your decision regarding an investment?

● **Wolf:** The third-party usability of real estate properties is always considered; however, depending on the specific use, options vary. In the context of full inpatient care, these options are often limited because the focus is less on a possible housing use but on looking for alternative use concepts in the health and care sector. In contrast, assisted living facilities tend to have more options for third-party use. In many cases, this is also due to the requirements under building law.

Without doubt, however, recognizing and adequately fulfilling the specific requirements of each site constitutes a fundamental challenge. The diversity of the nursing and care landscape requires a tailor-made approach to ensure the best-possible use of the respective facility. This is not just about building aspects but also about considering the social and demographic conditions at the location.

● **Schlansky:** Ideally, the specific facility should closely correspond to conventional housing – with aspects of efficiency for care support added on top. Outpatient care services should be easily available – and they should also be easy to replace if necessary. In terms of building arrangements, accessibility from a central hall, several lifts, barrier-free bathrooms, and communal areas, etc. are needed. But: The focus is on living at the residence – and care is of secondary importance. The flexibility regarding the operator is a major advantage compared to nursing homes and has proved itself an advantage in the current situation – involving an increased number in operators facing financial woes.

● **Hölscher:** Generally speaking, such properties can also be used by younger people. Even in conventional living concepts, accessibility is already standard according to the building regulations in the different federal states and is in demand from various user groups. The question of whether the property can be integrated into an overall neighbourhood concept is decisive. For example, is it suitable for a possible urban planning concept for the area with daycare facilities, shops for everyday needs, cafes, multi-generational housing concepts or community offers for joint activities?

Many investors avoid full inpatient care facilities because of the strict regulation in this field. In your view, how high is the risk that the legislators might impose stricter regulations on other forms of senior living because of the growing interest?

● **Schlansky:** Generally, the market is developing positively in terms of the quality of the offering but less so in terms of quantity: Housing for senior citizens is becoming increasingly scarce. At this point, the political sector should not obstruct the current growth by imposing new regulations. All stakeholders need to give the different concepts for senior housing room to develop. Plus, although there is a considerable overlap, senior housing must not be mistaken for conventional housing. After all, the former is used by a substantial number of people with mobility restrictions. Topics, such as fire protection, escape routes, and accessibility, have to be considered. Many of these things might seem to be a matter of course but if these aspects are not observed, the political sector often feels obliged to impose rules which, in turn, frequently do not work everywhere and, as a result, impede the development. Overall, we are confident about the overall situation especially because we have been involved in the market for quite some time.

● **Wolf:** In the segment of purely serviced living, we are expecting only minor legal restrictions and changes at the moment. However, the importance of the regulations increases, the more specific the framework conditions for care support become. Shared apartments for dementia patients is one example of facilities which lean towards full inpatient care and are subject to government supervision, at least, in part. Therefore, the precise classification of the different types of use is becoming increasingly important.

● **Hölscher:** As seen from our perspective, the scope of regulation is more of a risk than a benefit for the full inpatient care sector. The strict requirement of a 50-percent share of qualified nurses which is still upheld by many supervisory authorities certainly constitutes the biggest problem for the market. On the one hand, the operators cannot find sufficient numbers of qualified staff – even with recruitment from abroad, which often involves multiple bureaucratic obstacles –

for their facilities and, on the other hand, they have to reduce occupancy – causing financial losses.

On the other hand, we do not see any risk of excessive regulation for the outpatient sector at the moment. After all, the German constitution states “The home is inviolable” in art. 13 section (1). In other words: The state has no right to interfere here.

“The increasing competition confirms that this is a promising market for the future.”

A number of new providers for senior living are entering the market at the moment. What is your opinion about this development? Is this an opportunity, or a risk, for the senior real estate market?

● **Hölscher:** Well, first of all, increasing competition is always a reliable indicator for a future market with good prospects for a high demand and adequate rates of return. At the same time, the increase in the number of market participants increases the chances for improvements in transparency and the quality of the products. These are aspects which are needed to increase investors' trust in the asset class and in convincing them that these products can generate long-term and sustainable returns.

Of course, new market players have to be examined in detail with regard to their business model and its sustainability. This examination needs to look at whether the aim is to benefit from the hype in the short run or whether there is a long-term strategy aimed at satisfying customer demands.

● **Wolf:** We consider this development as positive. It provides a reinvigorating and much needed change in the sector. A look at the facilities from the 1990s and 2000s shows that, so far, an up-to-date approach has not been established. But it is now time to make the residential facilities more attractive for their residents and to emphasise the added value which these offer. However, in many older residential facilities, this clarity is still lacking.

For example, a simple emergency call button which only puts a call through to an outpatient care service does not fulfil current requirements. Our ideas of a safe and fulfilled life in

old age have evolved. In an era in which social offers, such as yoga or cooking courses are normal, senior citizens also expect more than simply a roof over their heads. They want an active and rewarding life as part of a community which fulfills their interests and needs.

“Our industry is facing unprecedented challenges – but there are also opportunities which we have to use.”

● **Schlansky:** We must pursue one common aim: creating living space for older people. Ultimately, this also serves our own interest: After all, at some point, we will all have to ask ourselves how we want to live when we are older. This includes leisure offers and integration with other age groups, as well as social interaction. The new providers focus on this integrated concept, which, in our opinion, is an excellent addition to the current landscape. They provide important new impulses which the conventional providers have, perhaps, not considered to this extent.

In addition, we see an increasing number of new letting models. As part of this, there are not only general lease agreements regarding the entire property but individual apartments can also be let directly to final users, while the service areas are let to care providers. Have you also adopted such models? If yes, what are the advantages and disadvantages compared to a general lease agreement?

● **Schlansky:** Generally, we focus on both individual letting and general letting. At two facilities, we let individual units and have hired an outpatient service. This is more demanding in terms of asset management as well as in the coordination with the operator. But: The risk is distributed across several tenants rather than concentrated on one operator. This also means that we have more influence.

At the right sites (i.e. in an urban environment or in suburbs of big cities with a generally high demand for housing), the individual letting concept offers many advantages. Moreover, with this concept, we are moving away from strict rules and regulations and we do not depend on one operator alone.

So, we are more flexible in the design and in finding third-party operators. In addition, we can also let units to people with care needs and align the rent closer to the market, at least in theory.

In the case of general lease agreements, we are less likely to benefit from rent increases or the operator benefits from these, although the operators should focus on their core business, i.e. the provision of services. In the current situation with increasing construction costs, considering free letting can be a very sensible option.

● **Wolf:** While we are less likely to consider direct marketing in home-like facilities, this option is extremely sensible in conventional housing. To investors from the housing sector, this is a tried and tested model. In contrast to this, investors from the field of full inpatient care are far less familiar with direct marketing.

● **Hölscher:** We see an increasing number of projects offering this model. This has the advantage that the assessment and, consequently, the financing is ranked higher because the operator model is not applicable.

Ultimately, this can only work at sites where we also have residential properties so that we can use an existing infrastructure in the field of property management topics. Nonetheless, the general lease agreement is still the aim we pursue.

What development do you expect to see in the investment market for care and senior real estate properties over the next twelve months? And what is your view regarding the operators' situation or do you expect further major bankruptcies as a threat for the sector?

● **Wolf:** Without doubt, the next twelve months will be shaped by considerable restraint on the transaction market. The results achieved in previous years will hardly be repeated – with the records of 2021 remaining firmly out of reach. We expect to see individual cases of comprehensive portfolio transactions. In contrast, individual transactions will still be carried out to a restricted degree. However, at present, only few investors are actively looking for the coveted prime properties. As part of this development, we will also see opportunities resulting from the transformation crisis, especially in the field of assisted living. In the short term, it is unlikely that the operators' burden will be eased – for this reason, further insolvencies cannot be excluded. Without doubt, this will adversely affect the sector. We are already witnessing a considerably decline in the new building segment and the closure of facilities. At the same time, the demand for nursing and care places is growing unabated.

In view of this situation, adopting a strategy and future-

oriented line of action will be of fundamental importance. The coming months will be a period of adjustment and transformation from which we as the nursing and care sector can only emerge stronger and continue to meet the demand for high-quality care facilities if we adopt an intelligent approach.

● **Schlansky:** The market is clearly in a critical phase for the operators of care facilities. We regularly prepare in-depth analyses, which, in turn, can only be snapshots. We have to bear in mind: It is not only solvency which matters but, first and foremost, whether the specific concept works at a given site. Because if it does, the concept is also suitable for a third party or for free letting on the housing market.

One thing is clear: The multiple shock resulting from Covid, staff shortages, temporary workers and energy price increases because of the war in Ukraine have put pressure on the entire industry in the recent past. If the political sector does not adopt countermeasures in time, there might be a wave of insolvencies soon.

As far as the long-term market is concerned, we continue to consider senior housing a crisis-proof asset class. What is currently happening in the market is only a minor downturn after which the market will realign. The sector will definitely regain momentum. There is still enormous demand in this segment which has not been satisfied even by the boom over the past years. Now, there is stagnation on top of that: The investor market has declined by around one half, which means that many construction projects have been stopped. As a result, a backlog has emerged. Therefore, the political sector, investors and operators have to find ways to cover the huge demand in the future. And one thing is certain: This is not going to work without a suitable property infrastructure.

● **Hölscher:** As far as the investment market is concerned, we expect market regulation along with declining prices for senior living, while higher energetic requirements will have to be fulfilled at the same time. This will involve insolvency risks for some project developers, which is, however, a consequence of the rally on the real estate market which lasted for almost a decade. In turn, this will temporarily lead to a scarcer

supply – in the case of the full inpatient care facilities due to the reasons outlined, such as excessive regulation and the shortage of skilled workers. In the case of outpatient serviced senior living facilities, the reasons are more multifaceted: Those who can afford it, postpone projects and wait for better times or they buy plots of land at lower prices if the opportunity presents itself – without starting development right away. Those who are already in the construction phase are trying to complete their projects anxiously asking themselves whether the revenue will be sufficient to cover the costs. The margins once hoped for will certainly not be reached.

We think the risk of operator insolvencies is still real – although the problems are often of the operators' own doing. The overall situation is quite simple: Many operators offer all care forms and refinancing negotiations with the funding institutions have not yet been concluded. As a result, the financial situation is difficult. This fact has been exacerbated by external factors, such as the increase in interest rates, energy costs and staff remuneration as well as the lack of revenue because of vacancies caused by the small number of skilled care staff available.

In addition, some operators have expanded quite aggressively and opened or taken over facilities which they should not have from a commercial perspective without sufficient due diligence investigations.

We do not think that other large insolvencies – you were alluding to the Convivo Group insolvency here – automatically translate into a risk for the entire sector. In the above-mentioned case many factors (not all of which were external) interacted and resulted in this situation. But, with very few exceptions, most of the facilities are still in operation. It is not the large insolvencies which pose a threat to the sector – it is political inaction and obsessive regulation by the authorities. One thing that we dislike are the “knock-on effects” of some of the major, capital-driven operator chains. As seen from our perspective, they are trying to exploit the difficult situation on the care market to use the “self-administered insolvency” vehicle to get rid of the “sins” (bad investments) of their past at the expense of the taxpayers and the social welfare system.

A person with long curly hair, wearing a brown jacket and dark pants, is captured mid-jump over a gap between two large, dark, textured rock formations. The person's arms are outstretched and legs are spread wide in a jumping pose. The background is a clear sky with a hint of sunset or sunrise light.

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**We provide advice and solutions for
healthcare and senior living facilities.**

T

TRANSPARENCY

Fair advice, open communication – these are important factors for us. After all, trust is the precondition for the success of every project.

I

INNOVATION

Current rules, opportunities, and risks of the market are the material which we use to develop innovative concepts for you.

S

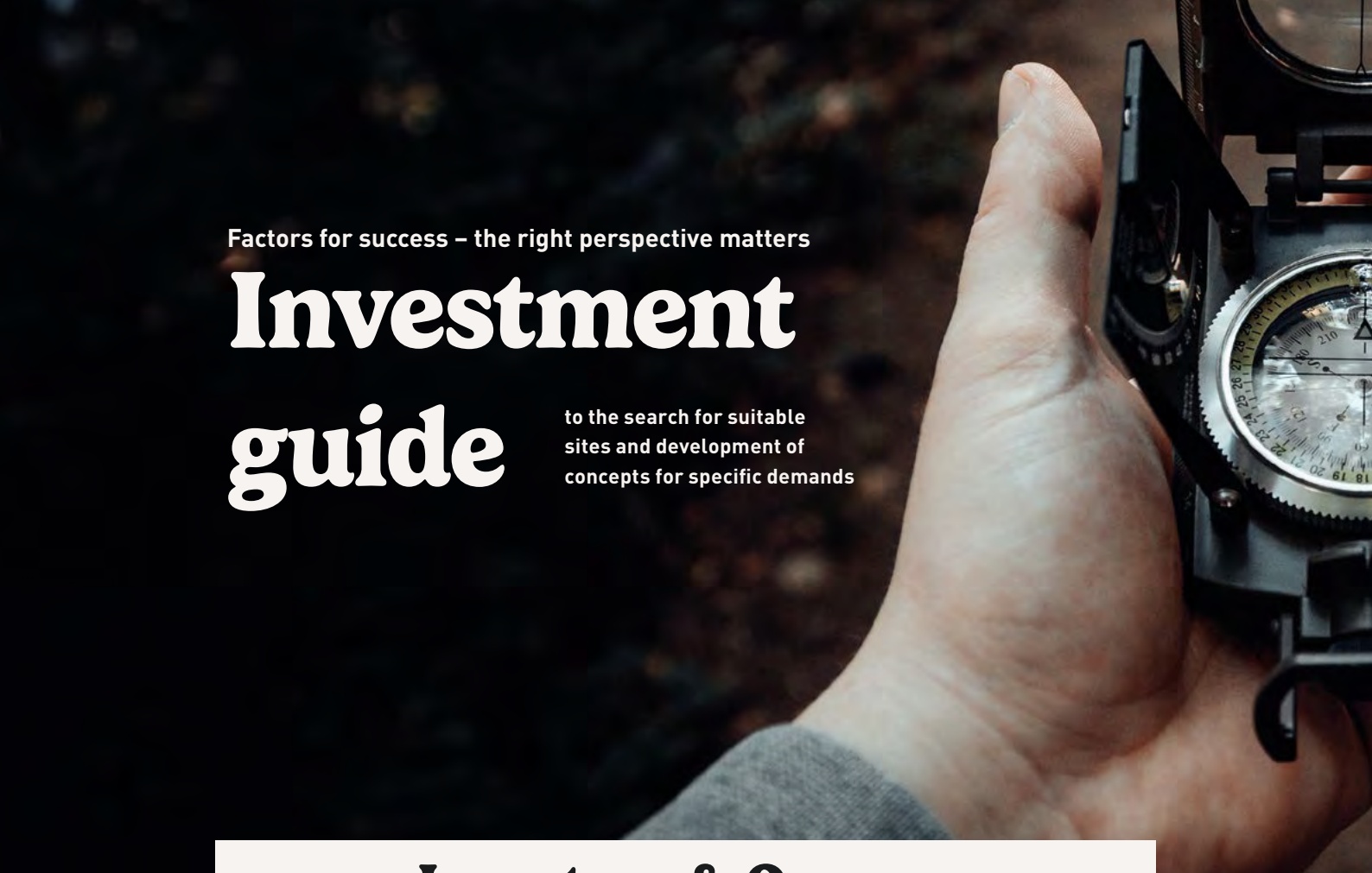
STRUCTURING

There are a number of ways. We develop structures step by step to ensure that you reach your aims quickly and without any detours.

S

SUSTAINABILITY

A house is only as solid as its foundations: Therefore, our models rely on long-term success and planning reliability.



Factors for success – the right perspective matters

Investment guide

to the search for suitable
sites and development of
concepts for specific demands

Investors & Owners

» **Development of demand**

Checking positive age cohorts
forecast for the respective catchment
area for long-lasting demand.

» **Socio-economic parameters**

Consideration of purchasing power,
household income, unemployment
rate/availability of skilled workers to
assess the environment of the site.

» **Competitive situation**

The facility rounds out the existing
offering or provides an advantage
over existing competitors.

» **Supply situation**

Monitoring of available residential,
support and care offers for the 65+
age group – to avoid oversupply.

» **Condition of property**

Compliance with legal provisions,
ESG and contemporary construction
standard.

» **Usability for third parties**

Consideration of options for third party
use to ensure flexibility and value
preservation.

» **Lease agreement**

Lease rates which can be financed in
the long term on the basis of sufficient
rental rates, transparency clauses,
rental collateral and inflation-protected
indexing.

- *Consideration* –

General rent vs. individual letting.

» **Reputation**

The operator's reputation is decisive
for residents and the staff.

- *To be considered* –

Profitability, financial standing, and
experience of the operator



The success of senior living facilities depends on the optimal site and the right concept. Not every site is suitable for every concept: The optimum site and the right concept can be determined on the basis of the future residents and the potential local demand. In addition, various criteria have to be considered in selecting both the site and the concept.

The weighting of the criteria can be adjusted in accordance with individual needs and the preferences of the respective group – residents, operators, and property owners. Therefore, a profound market and site analysis is indispensable to select the optimal concept for a suitable site and find the right facility for a potential buyer.

Residents & Relatives

» Transport connections

Good accessibility (by public passenger transport & car), sufficient number of parking spaces for residents, staff, and visitors.

» Infrastructure & shops for daily needs

A location close to shops, doctors, and pharmacies permits autonomous living.

» Social & cultural offers

Parks, restaurants, and cafes in the vicinity ensure a high quality of life and ensure social interaction.

» Future development of the site

Keeping an eye on perspectives for keeping the site attractive and maintaining the quality of life.

» Neighborhood & community

A strong community both inside the facility and beyond shapes a good attitude towards life and improves the quality of life.

» Building safety

Suitable safety precautions in terms of staff, building services engineering, and equipment.

» Accessibility

Barrier-free/nursing care-compatible property offering unlimited accessibility for people with disabilities.

» Support, care & health

Low-threshold support for individual assistance, healthcare, and emergency care available in the vicinity.

» Apartment size & equipment

Adjusted apartments, various layouts for different needs.

» Costs

Adequate prices under consideration of the local purchasing power and the competition at the site.





Legal requirements for senior living

Guest contribution by Marcus Schmitz, Lawyer with FPS Rechtsanwälte

The legal classification of senior living concepts is based on various criteria, such as building law, state nursing home laws, the housing and care contract law and general tenancy law. Operator concepts influence the classification and the application of the laws.

The range of housing and care offers for senior citizens is increasingly changing. While, in the past, a clear separation between conventional nursing homes and pure residential complexes was possible, there is a wide range of assisted living offerings available - with various service options and levels in a number of environments. Today, these comprise such concepts as multigenerational housing, senior residences, residential complexes without a nursing infrastructure, and shared apartments for senior citizens.

These offers take account of the multifaceted and, in part, very diverse needs of the intended target group. This diversity is accompanied by various legal design options which, in turn, have different consequences.

1. Public building law

The requirements under public building law fall into the categories of construction planning and building regulation law.

Building planning law governs the requirements as to the locations where serviced residential buildings may be constructed. In principle, care within the meaning of building planning law (which comprises both inpatient care as well as serviced living) constitutes a sub-type of residences within the meaning of section 3 sub-section 4 BauNVO (German Federal Land Utilisation Ordinance). Therefore, in principle, such development is allowed in all construction areas in which housing construction is permitted (sections 4-7 BauNVO).

However, it has to be considered that to qualify as such according to section 3 sub-section 4 BauNVO, these facilities must fulfil a minimal level of "housing characteristics" (section 4 sub-section 2 no. 3 BauNVO), in contrast to medical facilities.

Housing requires domesticity, the ability to run one's own household and a voluntary nature of the stay designed for a longer term. These characteristics can become relevant, e.g., in the case of intensive care concepts or care concepts for patients in a vegetative state, in which

case the "housing" characteristic might be absent because of the inability to run their own household (BVerwG, NVwZ 1996 and 1983).

This means such facilities can, e.g., only be permitted in pure residential areas in exceptional cases. Conversely, serviced housing concepts might not be admissible in specific areas in accordance with section 11 BauNVO, while medical facilities, such as conventional nursing homes, might be permitted there.

A general statement on whether serviced living concepts are permitted in a certain area cannot be made. The specific operating concept of the operator is material for the classification under construction planning law.

In addition, building regulations have to be observed. These include the construction requirements which the specific building has to fulfil. **In this respect, the fundamental rule applies that the safety-related requirements concerning a building (e.g., regarding fire protection and accessibility, etc.) increase the higher the residents' care needs are.** This differentiation is based on the classification as a special building. As a rule, residential buildings are not special buildings – but nursing homes are.

In line with the above statements, a general classification of serviced housing as a residential building rather than a special building is not possible. The following rule thus applies here: **The specific classification depends on the operator's operating concept.**

2. State nursing home laws

In addition to public building law, the state nursing home laws of the different federal states have to be considered.

Likewise, a serviced living concept can also constitute a home within the meaning of the respective state nursing home law. **Although the state nursing home laws primarily cover inpatient facilities, the decisive criterion is whether the respective resident is required to use care and nursing services offered by the operator.**

Should nursing home law apply, its

higher requirements apply. These, e.g., include higher fire protection requirements as well as requirements concerning communal spaces, etc.

In most German federal states, the state nursing home laws base the applicability of the state nursing home law on the definition of an inpatient facility within the meaning of section 1 sub-section 1 HeimG [Nursing Home Act]. According to this, the criterion is whether the facility is designed to (i) house older adults or adults with care needs or disabilities, (ii) provide them with living space, (iii) provide, or ensure the provision of care and food for them, and (iv) be independent of fluctuations in the number of residents for its continued operation, as well as (v) to be operated in return for payment.

This highlights one aspect: The question of whether the inhabitant is required to use available/offered care services is material.

However, once again, this question cannot be answered for all serviced residential facilities. Generally, it is agreed that the fact that mandatory care services, such as, e.g., advice regarding nursing care, emergency service hotlines, and pure household assistance services, etc., are offered does not mean the threshold for being an inpatient facility is reached. But, as soon as care services by a certain provider have to be used in the facility if needed, this threshold might be exceeded.

Once again, the operating concept and the design of the facility which is connected with it constitute the core factor for the applicability of the state nursing home law.

3. Housing and care contract law

Another fundamental legal parameter in the framework of the legal classification of serviced living concepts concerns the question of whether the housing and care contract law (WBVG) applies. This law includes the legal regime governing contracts between operators (companies) and consumers (residents). This legal regime applies regardless of the type of residence/facility.

WBGV applies if living space is provided, while care and support services are also offered at the same time.

Since these two elements cause a two-fold dependency for the consumer, the latter party is specifically protected under WBGV. For example, there are information requirements, restrictions regarding fee increases (adequacy check), etc.

The application of WBGV is predicated on a certain level of the care services being reached. This means they have to exceed general support services within the meaning of section 1 sub-section 1 sentence 3 WBGV, such as domestic help or emergency hotlines.

In this context, it is important to note that care services do not have to be offered on a permanent basis for WBGV to apply. Rather, the operator or a third party affiliated with it have to offer care services temporarily (such as in the event of an illness). Moreover, the decisive criterion for the application of WBGV is that the housing contract and the obligation to provide care services must be commercially connected.

In contrast to the classification under public law/state nursing home law outlined above, there is more leeway for providers of serviced housing concept. **Specifically in the case of concepts which offer or provide mandatory care services via a certain/operator-affiliated care service, a WBGV contract can be advantageous compared to a tenancy agreement since the provision of living space is inextricably linked to the nursing component in the former.**

Once again, the design of the operator concept is material. In the framework of this concept, adjustments can be made to define whether or not WBGV applies.

4. Tenancy law

The application of residential tenancy law forms a contrast to WBGV. Contracts with residents in assisted living concepts are classified as residential tenancy contracts according to the German Civil Code (BGB). While such “residence contracts” include other elements, such as service

contract elements, in addition to the residential tenancy contracts, they focus on the provision of the residence (German Federal Supreme Court, Neue Juristische Wochenschrift 2005 & 2008).

General risks to be taken into account in this respect include the fact that the residential tenancy contracts are difficult to terminate for the lessor and there are limits on possible rent adjustments.

This also applies with regard to the defined utility fees, which are often contractually agreed, and according to which the lessor has to furnish specific proof regarding which ancillary costs have increased after the conclusion of the contract.

Moreover, the requirements under the German statutory rent control regulations have to be observed. If the rent is too high and violates rent control rules, the tenant can ask for a refund afterwards. In principle, rent control (sections 556d to 556g BGB) only applies in areas with a tight housing market (which are determined via a legislative decree in the respective federal state). As a result, the rent must not exceed the usual local rent by more than 10 percent at the beginning of the tenancy. However, this restriction only applies to the tenancy components – it does not apply to any possible services.

Regions with a tight housing market include, primarily, big cities, such as Berlin, Munich, Hamburg, Frankfurt am Main and their metropolitan areas.

The planning of serviced living concepts in those areas requires the commercial consideration of the restrictions imposed by rent control in the overall calculation.

Likewise, the question of whether residential tenancy law or, as outlined above, WBGV applies, also depends on the concrete operator concept.

5. Summary

In summary, we have highlighted that the various options for designing offers in the serviced living segment also influences the legal perspective and opens up numerous design options.

The operator concept and the – ideally corresponding – intended use in the tenancy agreement between the owner and the operator constitute the decisive basis for the legal classification of the respective serviced living concept.

This means that the actual design should be carefully considered even before the establishment of the respective concept/upon the conclusion of the tenancy agreement so that (i) the concept is admissible under public construction law and (ii) the classification of the private-law contracts with the residents is clear.

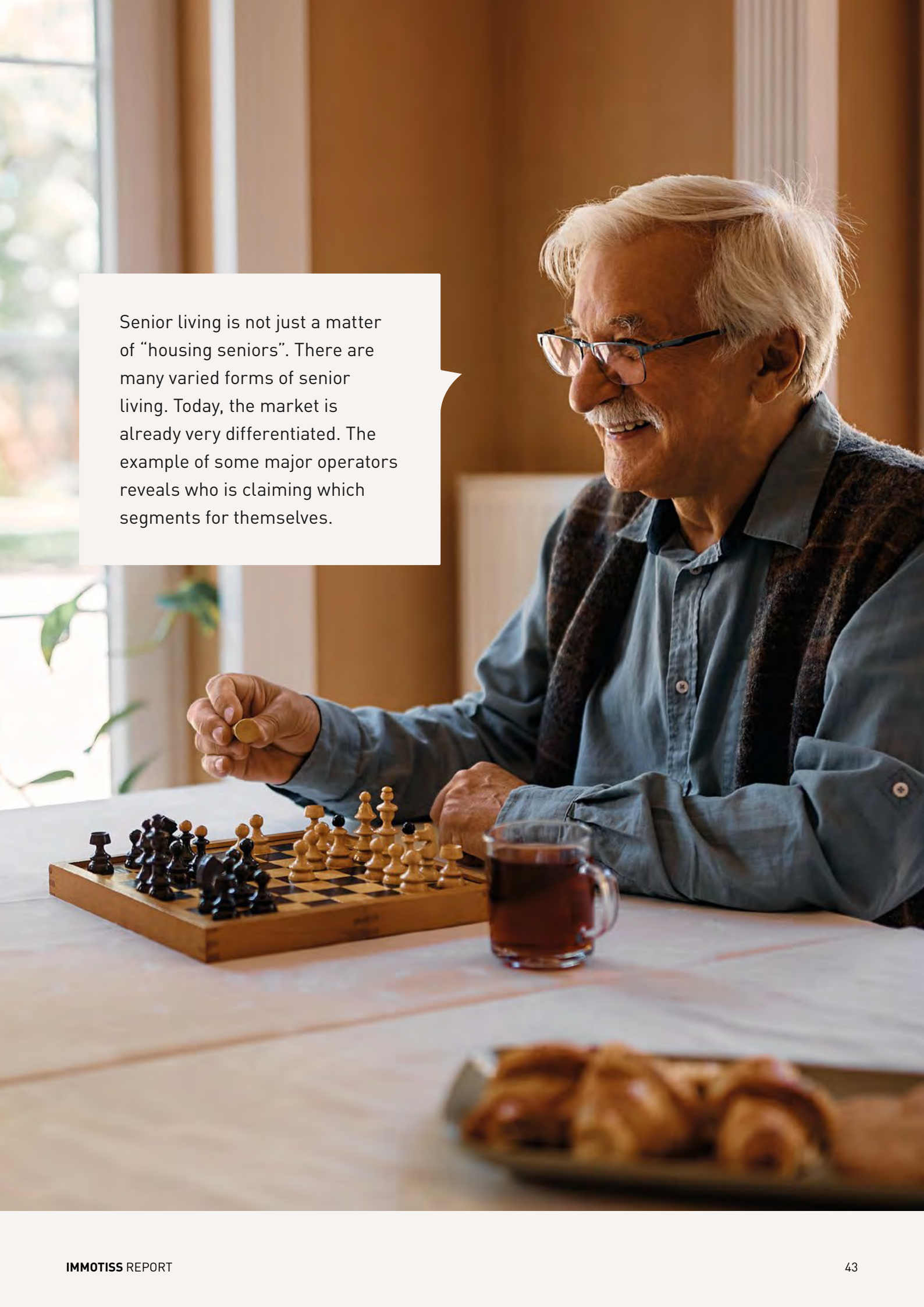
Depending on the operating concept, the operator is poised between the housing segment and the special construction segment – with different legal requirements under construction and nursing home construction law. Moreover, residents’ fees can be determined by choosing whether residential tenancy contracts (which are subject to rent control) or contracts under WBGV are to be concluded.

In this respect, an adjustment of the design of the operator concept alone can change the legal classification of serviced living concepts – even without significant changes to the service catalogue. Therefore, it is of the utmost importance to check the operator concept for its compatibility with the respective building law and private law provisions even before the facility is planned and the tenancy contract is concluded between the owner and the operator. Otherwise, significant commercial problems, or even official prohibitions on the use of the facility might result.



Operators and operator concepts

Differing offers in senior living



Senior living is not just a matter of “housing seniors”. There are many varied forms of senior living. Today, the market is already very differentiated. The example of some major operators reveals who is claiming which segments for themselves.

Just like senior living is very different from a classic nursing home, there are also significant differences among the offers in the senior living segment. After all, they address different target groups of senior citizens with differing financial situations as well as many and varied aims or backgrounds in life.

Serviced living: Focus on housing

Many original owners of serviced living facilities are free and non-profit operators, such as Frankfurter Verband. However, new providers, like Wohnvoll, are also entering this segment. Their offer aims to provide adequate living space for senior citizens, while, at the same time, facilitating access to other general and support services, without necessarily offering these themselves.

Assisted living: Focus on support

A large number of providers from the healthcare and nursing sector operate in the median segment of assisted living. These providers, such as Advita or Kursana, offer functional and age-appropriate housing combined with a flat rate for care

services. The focus is on the provision of age-appropriate living space along with “mandatory” basic care (so-called flat care fee). Other services which are necessary for comprehensive care are made available or arranged by the provider on site and can be chosen at any time.

Assisted living PLUS:

Focus on the ambience

Operators, such as Augustinum, Terzianum, or Rosenhof, focus on the higher-quality segment. They rely on concepts regarding so-called assisted living PLUS: This involves large facilities in which the residents receive both complete care as well as supply of service agreements. Those who move into these facilities usually choose an overall package offering complete care and can only select individual services in specific cases. Just like classic assisted living facilities, they always offer an emergency call system and round-the-clock on-call support.

In addition, these facilities focus on providing a residential character. Moreover, they frequently differ from other offers in the following aspects:

- » More exclusive living concepts with a higher level of individuality
- » Focus on ambience and autonomy with a comprehensive cultural offering
- » Comprehensive help, support and advice for all tasks and situations met with in life

The providers emphasise exclusivity to provide their affluent target group with an optimum housing and service offer. Care services are offered on site to ensure all-around care and support. But, as in the case of the other two types of housing, the residents are generally free to choose whether to use the on-site or an external care service. However, because of the established and professional structures, the care offering developed by the operator is usually the preferred option.

Influx of new providers on the market

New providers, such as Lively, are increasingly entering the market with their offering for older people. They re-interpret senior housing as senior living and tailor their concepts to “young” se-

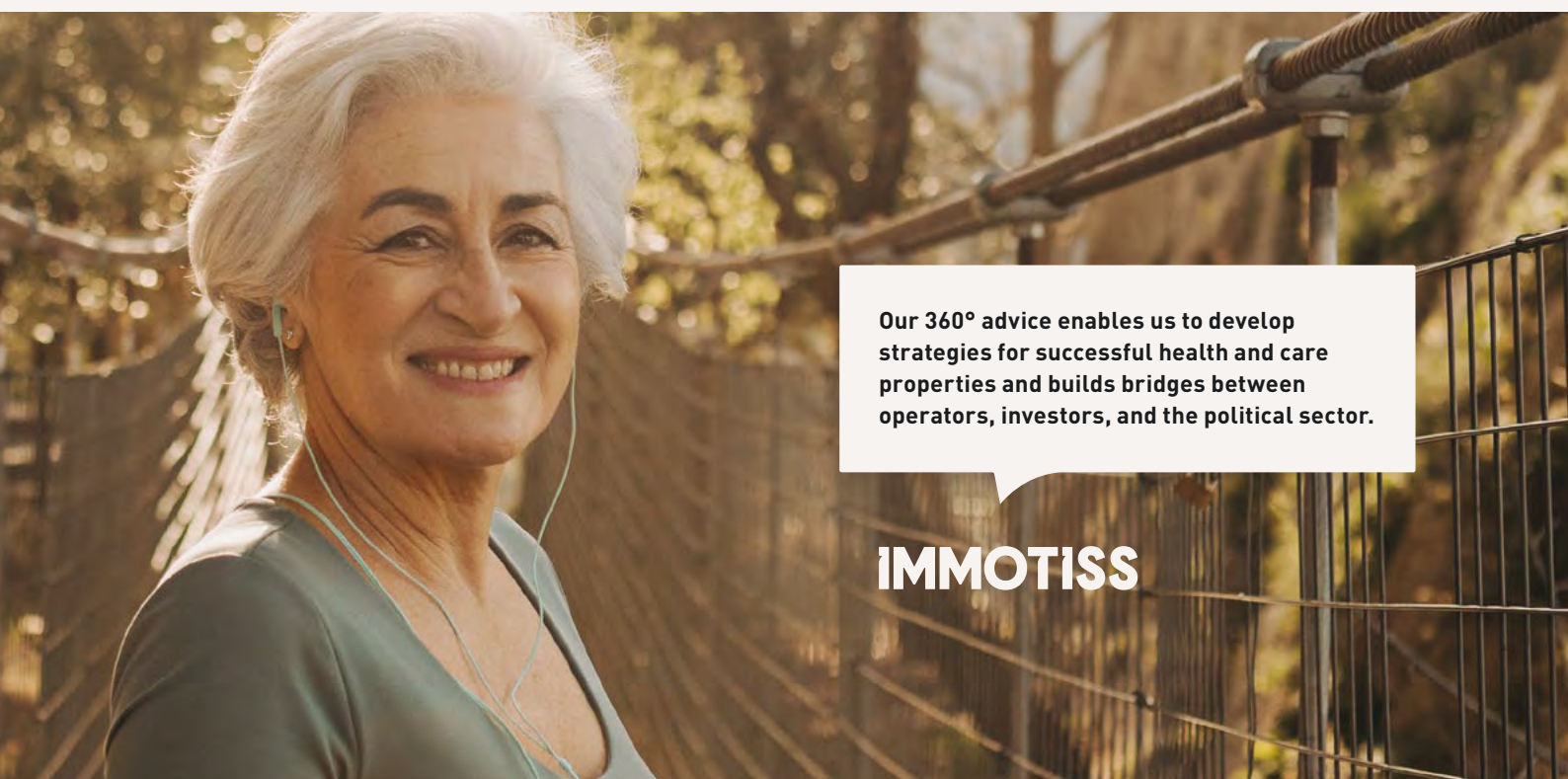
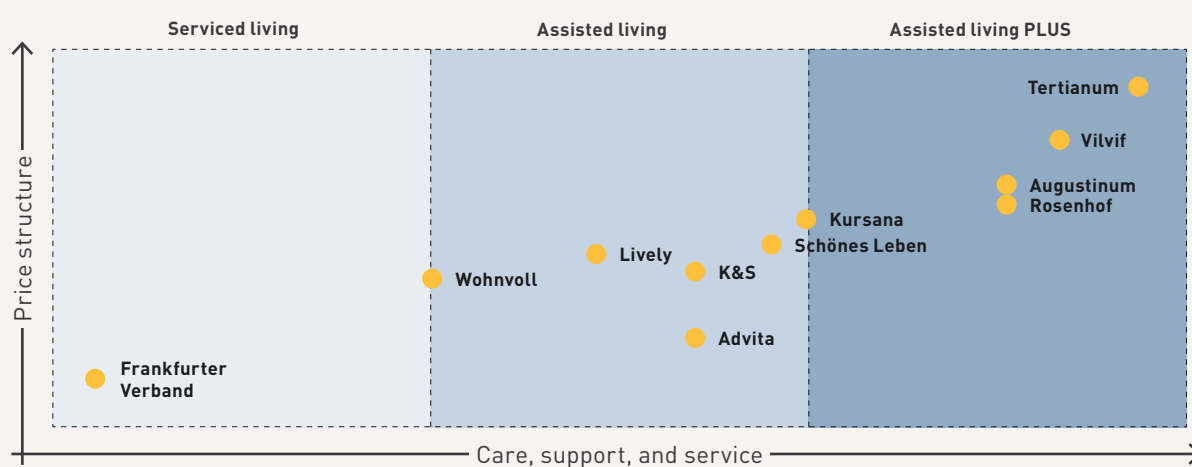
Building bridges for the care sector

niors. In addition to a high level of comfort, they focus on digital services and offer a contemporary living atmosphere. These providers often come from other sectors, such as serviced living or the hotel industry. We expect to see the number of those newcomers to become larger with the increasing demand.

Special form: Facilities with a combined offer

Other existing providers focus on combined facilities. These rely on the integration of various housing and care forms by combining senior living, shared apartments, day care and outpatient care services within their facility.

Operators on the market



Our 360° advice enables us to develop strategies for successful health and care properties and builds bridges between operators, investors, and the political sector.

IMMOTISS

The operators' perspective

Safety and a self-organized lifestyle

”

An increasing number of housing property developers are entering the senior housing market with new concepts.



● Dr Ulrich Krantz
K&S



● Christina Kainz
lively



● Dr Johannes Rückert
Augustinum

One of the noticeable characteristics of K&S in the field of senior living with outpatient care is its cautious and well-proportioned, yet continuously increasing and dynamic growth. Can you describe your concept in a few words?

● **Dr Ulrich Krantz, K&S:** In 1998, we acquired and developed our first retirement home in the Saxon town of Torgau. In addition to its inpatient segment, this facility also included 49 barrier-free apartments. Today, we have 36 retirement homes throughout Germany and carry out an increasing number of construction projects in the field of “serviced living”. This special form of housing, comprising barrier-free apartments, on-site services, and a link to outpatient services or a day care facility with a partial inpatient facility is increasingly popular. Whenever we plan new sites or projects, we try to include and offer all four care forms at the same time. In an ideal case, this can evolve into a K&S quarter, which we have, e.g., developed in Zwickau. Our facility there is called a care campus because we offer intergenerational housing for both seniors and students in the immediate vicinity of the university of applied sciences. This development project resulted in some “lessons learnt” – but, fortunately, none of those left us with a bad reputation.

We fulfil many people's wishes – by creating places that give people access to a community, and yet enable them to remain active.

We believe that demand in the “serviced living” segment will continue to grow. Living space is tight in many towns and cities – especially as regards housing for seniors – with their special needs in terms of safety, and, at the same time, the wish to run their own household. We satisfy many people's wishes – to have communal spaces where our tenants can circulate as members of a community and remain active.

However, maintaining this offer as an affordable option for many people is challenging today in view of high property prices and rising energy costs. In this situation, our “one-stop-shop” solution helps us by allowing us to plan for options, such as generating our own energy or being able to purchase energy at more favourable prices via our central facility management

Lively offers one of the more recent concepts on the senior living market – with the opening of your first site scheduled to take place soon. Could you please outline your concept in just a few words? Why have you decided to create an offer in the field of senior living? And what were, or are, the biggest challenges involved in entering this market?

● **Christina Kainz, lively:** With our background in the hotel industry, we wanted to move into a more sustainable and meaningful field in which we can contribute to society. Following various private encounters with the sector, this was a logical next step for us. Therefore, in 2020, we took an entire year to learn more about, and understand, the market. This even included “undercover” internships.

We felt that it was important to change the classic image of assisted living and to establish a form of housing which is closer to independent living than to nursing care. In other words, we wanted to create a product which works independently of refinancing by the nursing care insurance scheme and, instead, is financed purely through value created by providing housing as a service – as in the case of co-living for students. In our opinion, such an approach uniquely enables us to fulfil senior citizens' real needs. We want to open our spaces up and offer an environment that creates a welcoming, modern and digital home in which our residents and their neighbours can realise their true potential and spend enjoyable time together as part of a community.

Often, interior design can pose a challenge since, in contrast to the hotel sector, this topic plays only a minor role because of the lower degree of professionalisation in the assisted living segment. However, we believe that interior design offers enormous potential in increasing the value of real estate properties through higher housing quality – without restricting the possibility for third-party use in future. Sometimes, developers from the conventional care segment have to be convinced of this as it involves concerns that these processes and the development as such might become more complicated as a result. However, our interior design and technical consultancy team can quickly dispel those doubts with their professional input and support during construction.

Augustinum has been on the market for many decades and is one of the pioneers in senior living and the all-in carefree service offers. Can you describe your concept in a few words? What is your advantage as an established provider with regard to new concepts and full inpatient services?

● **Dr Johannes Rückert, Augustinum:** The Augustinum concept is based on Maslow's hierarchy of needs and addresses all basic human needs reflected in it: From the need for housing, warmth and food to social needs, self-actualization and spirituality. We consider abstract basic needs to be timeless but regularly adjust the specific design of the offer to changed realities in society. For example, the catering concept has evolved from a pure lunch offer to one including dinner and from homestyle cooking towards international, vegetarian and healthy cuisine. Other examples include community building which has moved from theater halls to the internet and the spiritual offering which has evolved from being denomination-based to pastoral support irrespective of membership in a church. At Augustinum, the focus is less on the living space – although we invest a two-digit percentage of our sales revenue in our properties every year. This approach of offering a “quarter under one roof” and our expertise spanning sixty years have helped Augustinum to establish a sound position for the future. Inpatient care is a completely different market in which Augustinum does not operate: Full inpatient care is used if patients have no other options. In contrast, our residents move into Augustinum because they wish to. Until recently, there was little movement in the field of higher-quality senior living and there were few investments in new offers. But, in view of the decline in the attractiveness of pure care properties we see increasing activity from potential new competitors. Of course, this is something we welcome as proof of the appeal of our “niche in the market”. However, this involves the obvious risk that investors are easily convinced by a newly developed property and hence we have to explain in detail our very sophisticated concept. But thanks to our comprehensive consultation and sales process, we believe we will succeed in attracting a sufficient number of new residents, even in a more active competitive environment.

How have increased energy, personnel and material costs affected you? Can you pass the increased utility costs and expenses on to residents promptly?

● **Dr Krantz:** We plan buildings so as to ensure that their energy consumption is as low as possible and that we can generate our own energy, at least in part, using co-generation units and PV systems. In addition, modern construction and energy concepts enable us to obtain low-interest financing. For example, we are currently implementing a construction project with 42 barrier-free apartments in the Saxon town of Eilenburg in accordance with the innovative KfW-40-NH standard. This means we fulfil the highest requirements regarding sustainability and energy efficiency.

In general, our housing concepts have a sustainable design. This does not only concern the use of sustainable and ecological construction materials but also involves the planning stage during which we ensure the optimal and tenant-oriented use of our spaces. Thanks to our own construction and planning department (which also continuously examines the building technology segments to ensure that these are up-to-date, sustainable, and efficient), we maintain a short value chain and safeguard premium quality. As part of this, we preferably award contracts to local businesses, which also adds to the acceptance of the respective property, in addition to the sustainability effect because of short distances.

● **Kainz:** At the moment, our occupancy management for lively Weiße Dame Gronau is seeing a certain level of uncertainty among potential new residents with regard to utility costs in view of the current economic situation. It is certainly advantageous for us that the property is in line with the KfW 40 energy efficiency standards, that we are connected to the district heating system and have a PV system. In addition, we motivate our residents to save energy by billing them in accordance with the German Regulation on Operating Costs.

Apart from our own vision of sustainability, this reduction in the “second rent” has become a basic precondition in negotiations regarding new projects.

● **Dr Rückert:** We agree with our residents' representatives that the residents are more willing to accept higher prices than live with service restrictions. Therefore, we have succeeded in passing on price increases to the residents. It is certainly helpful that the cost increases are due to external factors and, as a result, they would also be incurred outside Augustinum. In addition, we always provide transparent explanations for our cost increase payment requests. For example, in 2023, we increased prices by seven percent on average and were able to offset the high rate of inflation – and we obtained 100% written approval from our residents for this increase.

What is your expansion strategy and what developments to you expect in the field of senior living in the coming years? Plus, which concept is the one offering the highest growth potential in your opinion?

● **Dr Krantz:** We will continue to develop new sites for senior care because we believe that there is a very high demand within this segment. As has already been mentioned, however, providing affordable care that offers to meet the growing demand is becoming increasingly challenging in view of high construction costs and rising interest rates. For this reason, we are largely planning our “serviced housing” apartments as studio or one-bedroom apartments of between 45 and 65 square metres in new buildings with, at least, 40 apartments. As a result, these apartments remain an attractive and affordable option for many people. The costs for the offered basic service is assumed by the community of tenants resulting in a relatively low service fee. Individual additional services can be selected from a comprehensive catalogue. These are optional and not mandatory, thus giving tenants the option of controlling their costs. Without doubt, the “serviced living” offering requires less staff resources for us as the operator. But, as I mentioned at the beginning, we aim to be a competent partner for people with diverse care needs at every site – ranging from advice provided to the tenants by the service management to empathetic and high-quality inpatient care.

● **Kainz:** We place high value on creating a sound basis with our lively concept, hence ensuring the company's success on the basis of organic growth. Therefore, we prioritize the quality of the concept followed by excellence in operation later on, as well as the strengthening of our corporate culture across several sites.

Operators emphasizing a contemporary and innovative corporate culture will be successful – also with regard to the important question of staff.

In our opinion, the low-threshold, outpatient housing segment is key for the future of the senior care and housing market. However, the preconditions have changed, in particular, with regard to expectations of the baby boomer generation who are more familiar with the English language and digitalization and have higher demands in terms of lifestyle, prevention, and individualization. We have to overcome the clichés of “seniors” – moving from stigmatization to inclusion.

Although we operate outside the regulated market, the staff issue is, of course, of decisive importance. We firmly believe that, ultimately, those operators who manifest and implement a strong, contemporary and innovative corporate culture will prevail on the market. We noticed this early on in our lively Weiße Dame Gronau project because we received a number of unsolicited applications. It touched us to see these wonderful talents interested in our brand!

As regards general staff acquisition (in view of the industry-specific staff shortage), we have the advantage that our team members do not have to assume any care tasks at the operating level. This means that we have more flexibility and can expand our search radius. Since we rely on strong cooperation with care service providers, their local structure forms part of our site analysis. The risk of becoming dependent on one or two providers alone is an exclusion criterion for us. In order to ensure a team spirit and ideal working conditions we actively involve our partners in our concept and consider the requirements of a modern care service in the layout plan right from the outset. We consider these teams an extension of the lively team as such.

● **Dr Rückert:** As a charitable company, Augustinum pursues a very conservative growth strategy with a clear focus on its continued existence. Regardless of this, in our opinion, any form of self-payer housing with a service offering and outpatient care offers the biggest opportunities at the moment. This market which does not have a high level of regulation still generates many opportunities across all price categories. As far as the staffing issue is concerned, it is certainly advantageous that a specific percentage of certain qualification levels does not have to be proven and, hence, operators are relatively unconfined as regards recruiting skilled staff and managers. In addition, salaries – except for those for the care service – only have to be justified to the residents rather than an insurance company or government agency. This makes finding staff easier than in inpatient care settings; but it still remains challenging.

What is the ideal site for your model in terms of purchasing power, location and infrastructure integration?

● **Dr Krantz:** We prefer good, central locations in the heart of town or a district in a town with, at least, 12,500 inhabitants. The town should have an urban environment with a high quality of life where shopping facilities and everyday services are available within walking distance. To us, an ideal site has a size enabling us to fully implement our community concept, including an outpatient and day care offering.

● **Kainz:** An ideal site for a lively facility includes a bustling environment in which we can integrate our open communal spaces into the busy day-to-day life of the town. However, having said this, the city center is not necessarily a precondition. It could also be a shopping street, a good residential district or a new development. In the latter case, our open communal spaces, local team and mobility concept aid our integration on site and even give us a role as a neighborhood manager of sorts. This would also promote the intergenerational mixing we anticipate. In addition, we are intensively examining local competition on the assumption of a market shortfall in order to avoid predatory competition.

All price categories in senior living offer great market opportunities.

● **Dr Rückert:** Several years ago, Handelsblatt published a study on housing preferences among the older generation. Its conclusion: a preference for living close to the city centre and in the country. While this wish is certainly understandable, it poses an obvious contradiction – which means that both requirements cannot be fulfilled at the same time. While construction and operation costs are significantly higher “close to the city center”, fortunately, this also applies to purchasing power safeguarding the necessary balance. Locations “in the country” are suitable if they have supra-regional appeal, e.g. in Meersburg on Lake Constance. Apart from that, we consider the peripheral locations near big cities as being optimal because building sites are readily available and there is no direct competition with multi-storey residential building development. Moreover, the connection to a big city in the vicinity ensures that these facilities are appealing to affluent residents.

Branding for senior living – ageing as a lifestyle?

The nursing industry has a somewhat drab reputation. However, it does not have to be frumpy because the values and attitudes of the target group of senior citizens are undergoing profound change at the moment. Therefore, finding the right position for senior living properties and housing offers designed for seniors is becoming increasingly important.

One aspect of senior living is often overlooked: It is a multifaceted and complex segment ranging from senior living to assisted living. One of the central challenges is identifying and highlighting the differences between these offers.

A clear brand identity can help to achieve this. On the one hand, it can provide potential residents with orientation and security. After all, relocating from a home to senior living or a facility with (optional) care support is a big and emotionally difficult step for many people. It means admitting that one is perhaps no longer able to cope with things alone. The brand plays a significant role in this by generating a positive feeling during the decision-making process and concurrently defining the need for support as something natural and acceptable including the intended lifestyle.

Having a brand identity is also important as seen from the operators' perspective. On the one hand, it helps to ensure clarity and alignment internally so all parties involved as well as the team know in which direction they are moving. On the other hand, the successful and well considered positioning reduces friction losses in sales. This is because if potential residents

understand what the offer includes, it will automatically attract the right people. Plus, the brand also provides an added value for investors: Ultimately, brands add to the value of the product – making it more profitable.

Having a nice logo is not enough

Branding is based on the core of the product. Therefore, knowing and understanding the needs of the

older generation is important in developing the brand core for a senior living offering. Senior living should not only be considered a necessity – it can also be a lifestyle product. Fortunately, the days when assisted living was simply a matter of nursing care are over. Today, seniors want an active lifestyle, they enjoy being part of a community and high-quality amenities in line with their needs. This is where branding comes in: Senior living providers can position themselves as the place to go to for a fulfilled and comfortable life in old age by creating a consistent brand identity reflecting these values.





Branding for senior housing – ageing as a lifestyle?

In other words, branding is more than just a logo but a shared aim – a story that makes this offer unique and different from others.

Branding-driven strategy

Reversely, this means that branding can also have effects on the property itself. Because developing a unique selling point and telling a story means that this also has to be implemented in everyday life. It is about more than just the property – it is about an attitude to life. There are many possibilities to achieve this in the sector: Should autonomy be emphasized? Or the security of having help on hand whenever it is needed? Perhaps should the focus be on an active lifestyle instead? For these reasons, the brand core can have an impact on the appearance of the facility, including the outdoor spaces or even the development of the neighborhood. If those things are approached with attention to detail and the

“story”, the operator will also receive more attention in return.

Destigmatizing the entire sector

In addition to the direct target group, these efforts also help to improve the image of the entire care sector. The change in the perception of old age and health also changes as a positive side effect of the “lifestyle-oriented” consideration of senior housing. If senior housing providers focus on community, activities and quality of life, this helps to de-stigmatise the entire care sector and improves its appeal. In turn, this is a decisive aspect in recruiting qualified staff. A positive reputation and a modern work environment are factors that attract highly motivated staff.

Branding helps to tear down walls

After all, the target must be as follows: The brand helps to make ageing – along with its undesirable side effects – a normal part of life to be pursued within the age-appropriate lifestyle offered and envisaged by the brand operator. In an era in which ageing has become a critical issue for society, senior living provides room for growth and innovation in the care sector but also for developing a new sense of community between the generations. Looking at senior living through the lens of marketing and treating it as a lifestyle product enables us to create more than rooms in which seniors can live a fulfilled life, it also enables us to see ageing as a valuable part of our journey through life – for the biggest target group we have in our society.

Survey of senior living

Complete Overview by Federal States

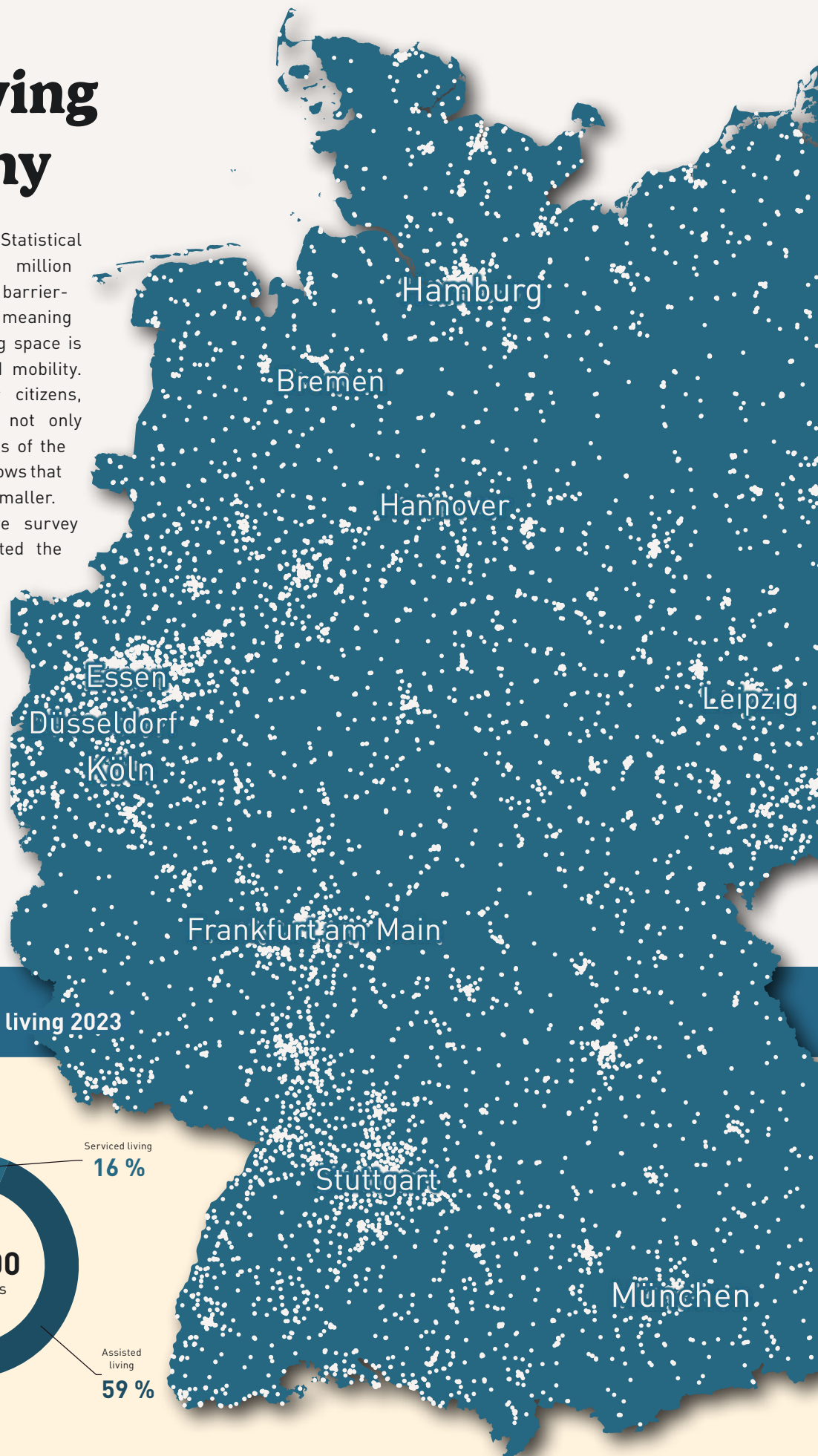


There are more than 550,000 residential units for senior citizens in Germany – that is the central finding of this report. This number is significantly higher than previously stated, which shows its importance and points to a large supply gap with immense potential. But how are the units distributed across the federal states? And what differences can be seen in price ranges and amenities? On the following pages you will find the answers – listed by federal state.

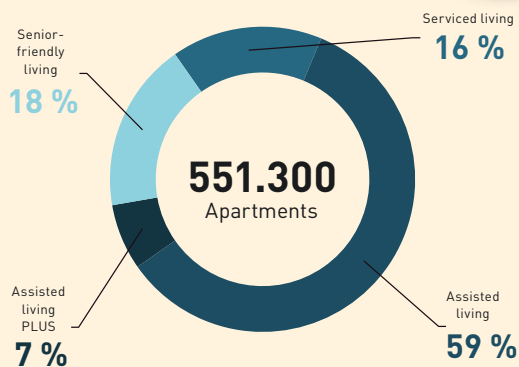
Senior Living in Germany

According to the Federal Statistical Office, there are around 43.4 million households in Germany. However, barrier-free accessibility is the exception, meaning that only around 2 % of the living space is available for people with limited mobility. Looking at housing for senior citizens, which takes into consideration not only accessibility, but also other needs of the respective demographic group, shows that the available living space is even smaller.

As part of a comprehensive survey IMMOTISS recorded and evaluated the entire spectrum of senior living in Germany. The survey looked at residential offers that are designed for senior citizens and belong to one of the four categories of the classification matrix: Senior-friendly living, serviced living, assisted living and assisted living PLUS.



Existing stock senior living 2023



Significant surplus demand

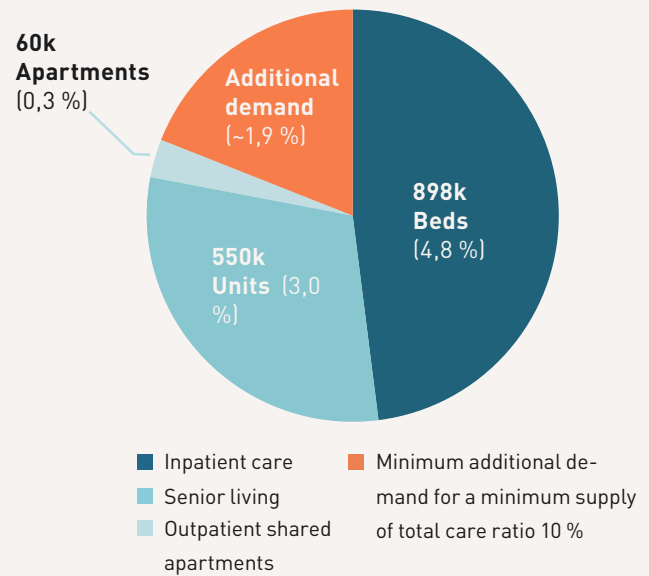
Across Germany, there are major regional differences in the supply rate. Both the high occupancy, even in well-supplied regions, as well as waiting lists, some of which are several years long, indicate that there is already a large surplus demand today. The entire range of housing options for senior citizens with nursing and care infrastructure, including inpatient care places, currently results in a supply ratio of 8.1% in relation to the number of over 65-year-olds nationwide.

Based on a minimum supply ratio of 10 % as an indicative value, there is currently a gap or a need for additional care of over 350,000 units/beds. Assuming an average minimum supply with housing offers with infrastructure of 4 % of the over 65-year-olds, this results in 200,000 missing residential units now.

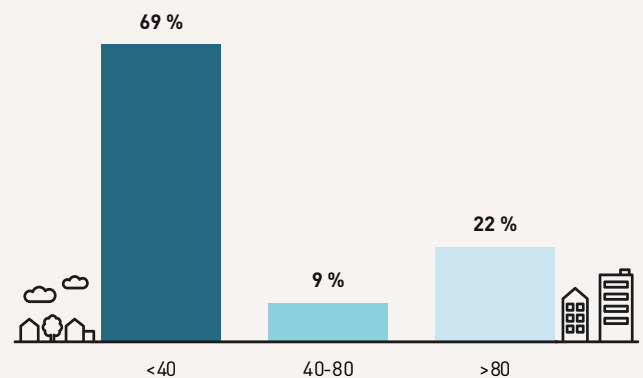
If one also takes into account the forecast demographic development, this results in an additional minimum requirement of around 260,000 apartments by 2030.

The currently known project developments, under construction or in the planning stage, comprise around 43,000 apartments and will only make an insignificant contribution to meeting additional demand.

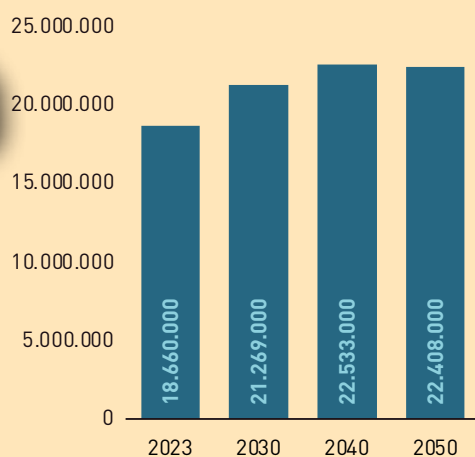
Overall supply situation (OSR) 2023



Size of the facility (number of apartments)

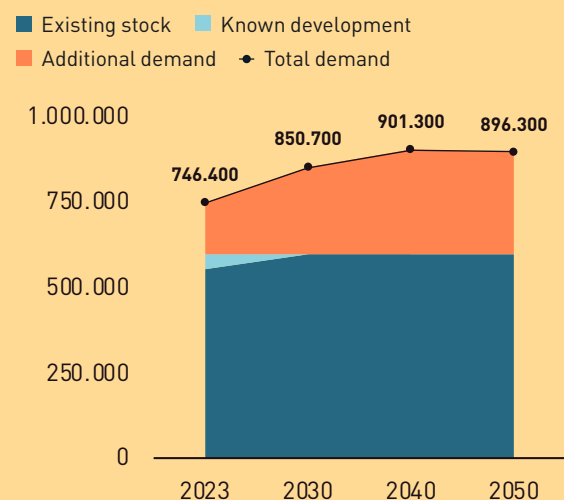


Development of population (over 65)



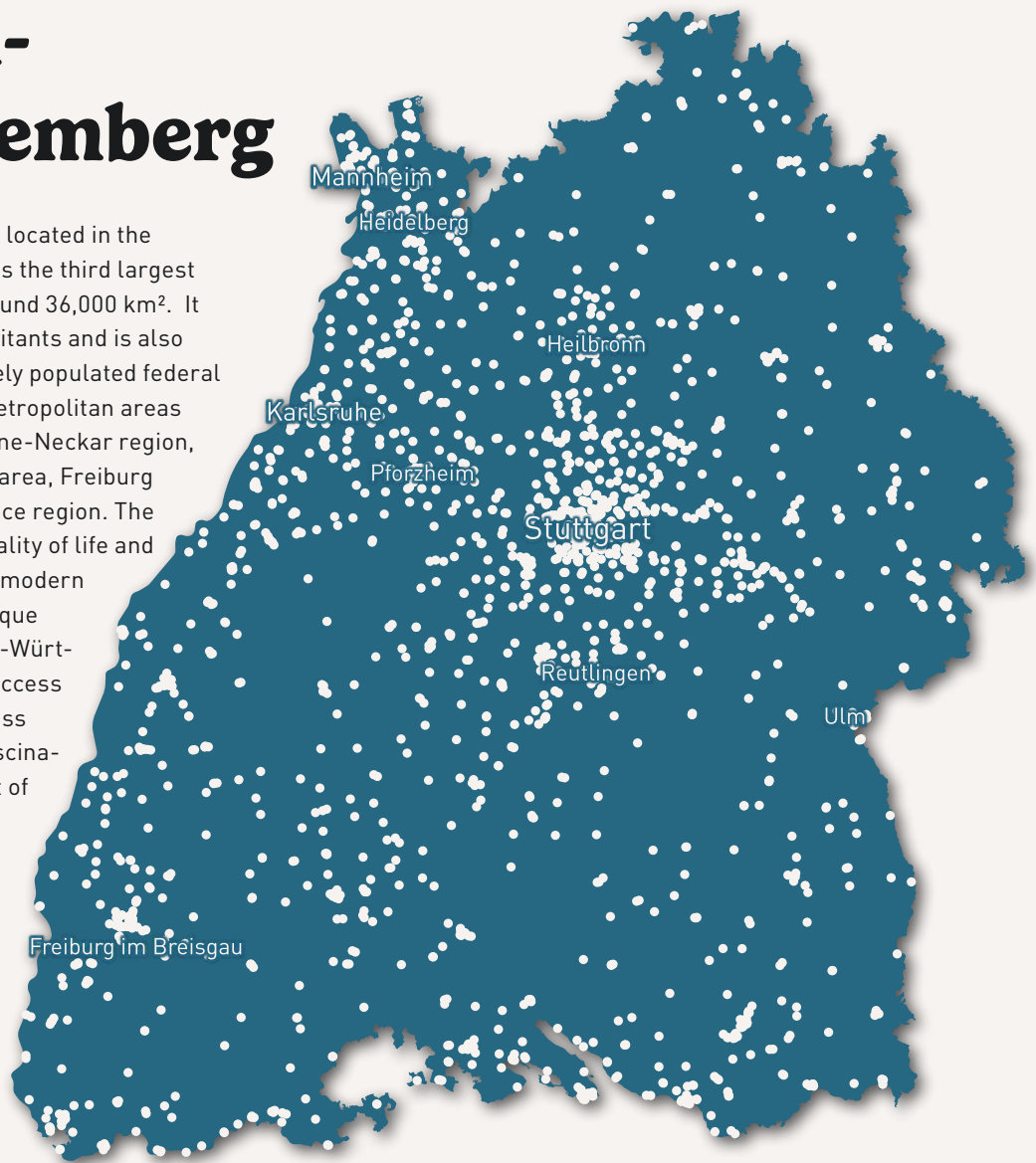
Source: German Federal Statistical Office

Additional demand for SR 4 %

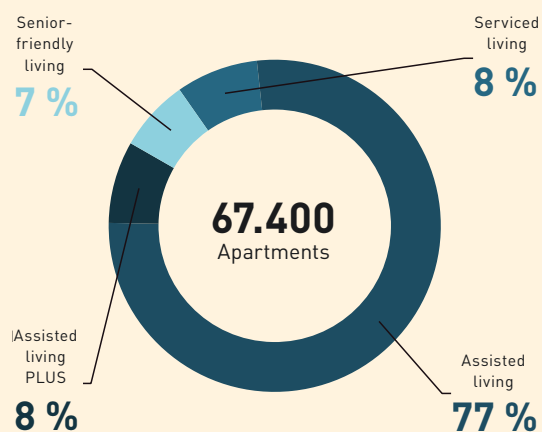


Baden-Württemberg

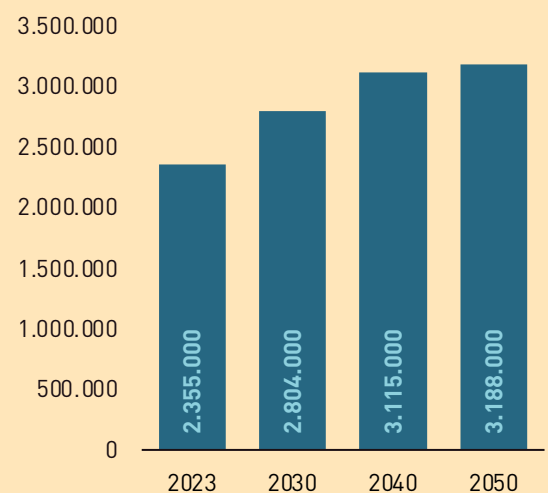
Baden-Württemberg, located in the southwest Germany, is the third largest federal state with around 36,000 km². It has 11.3 million inhabitants and is also one of the most densely populated federal states in Germany. Metropolitan areas are located in the Rhine-Neckar region, the greater Stuttgart area, Freiburg and the Lake Constance region. The state offers a high quality of life and features a mixture of modern industry and picturesque landscapes. In Baden-Württemberg economic success meets cultural richness which makes it a fascinating and dynamic part of Germany.



Existing stock senior living 2023

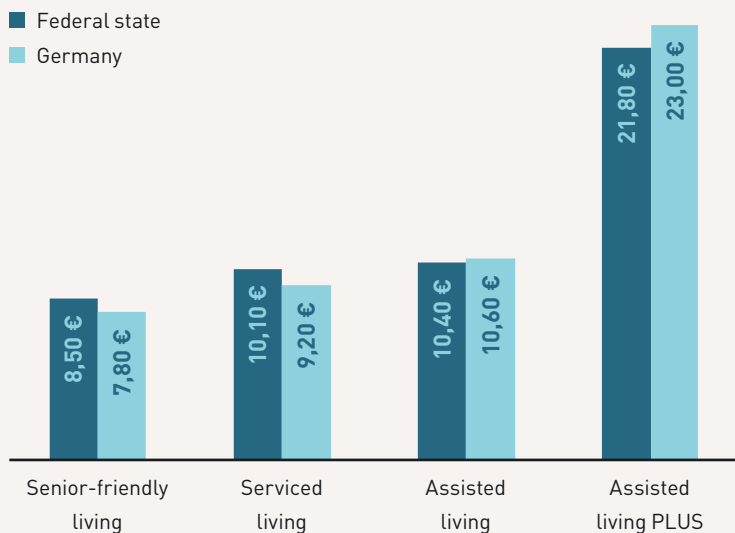


Development of population (over 65)

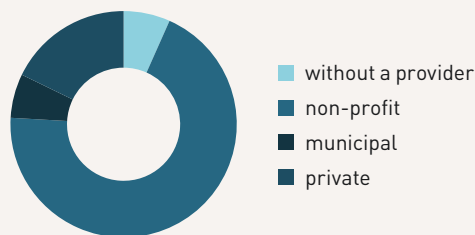


Source: German Federal Statistical Office

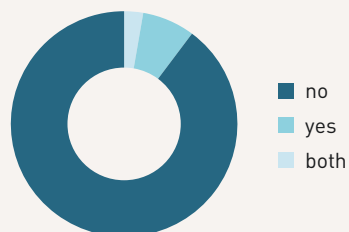
Basic rent (Ø pro m²)



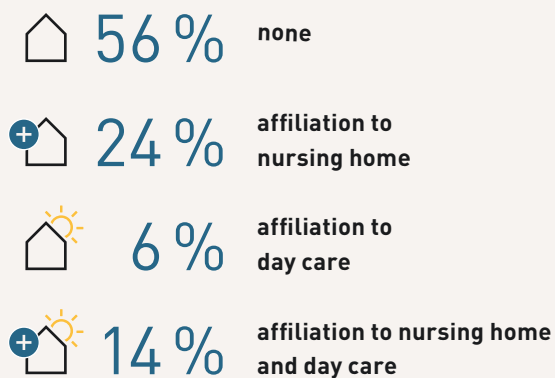
Type of provider



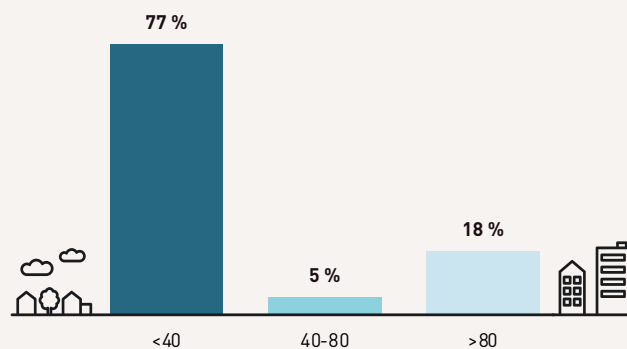
Certificate of eligibility for housing



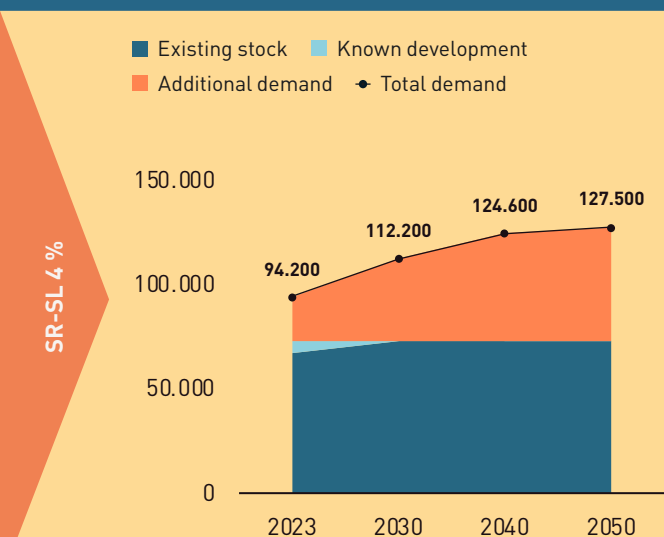
Affiliation to nursing home and/or day care



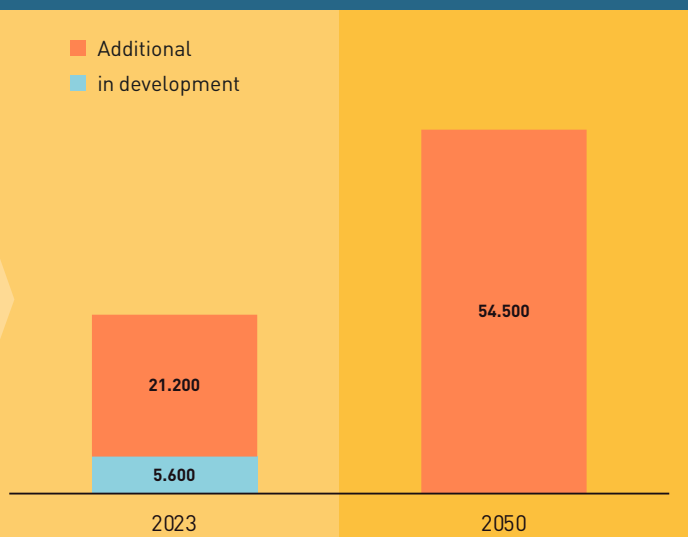
Size of the facility (number of apartments)



Additional demand for SR 4 %

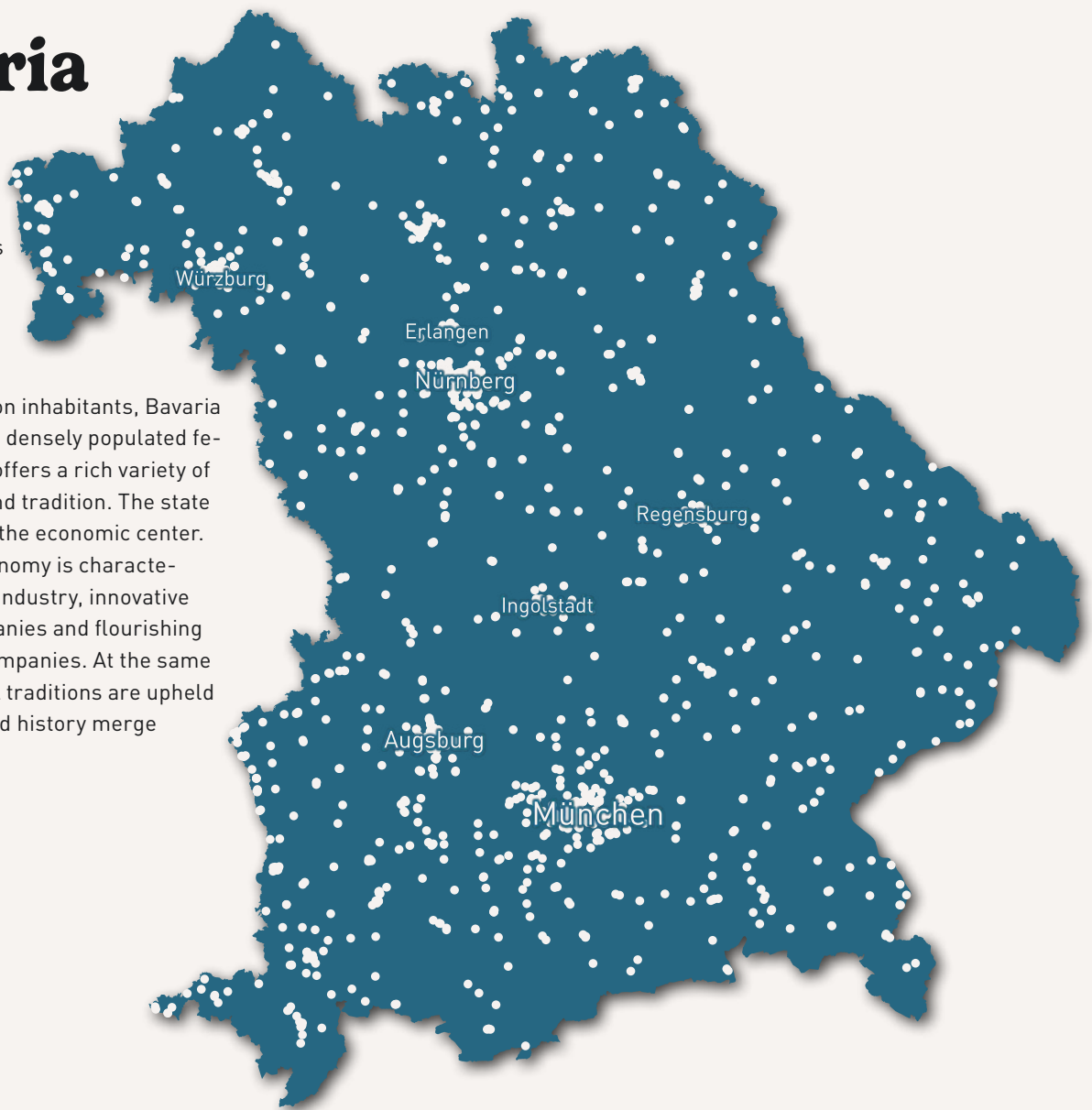


Additional demand today and in the future

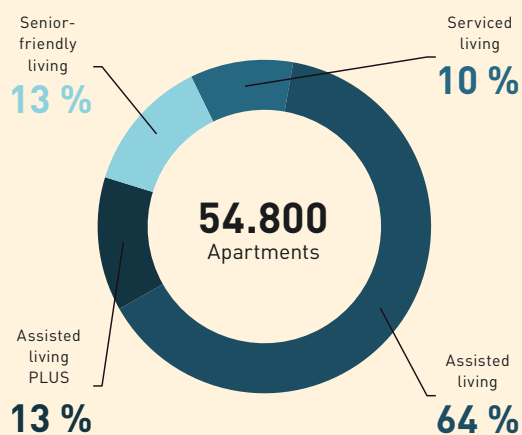


Bavaria

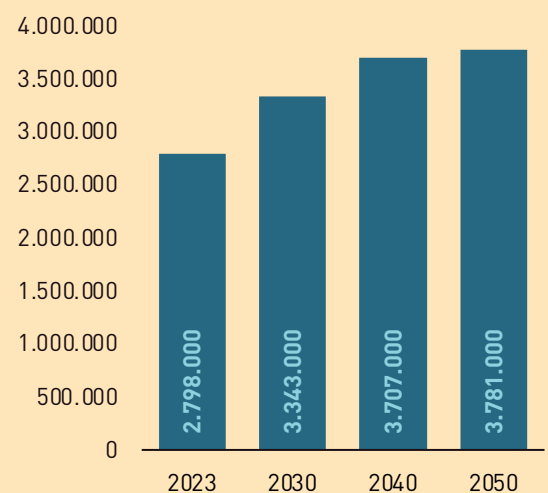
Bavaria, which is the largest federal state of Germany, extends in the southeast of the country to an area of about 70,600 km². With around 13.4 million inhabitants, Bavaria is one of the most densely populated federal states and offers a rich variety of culture, nature and tradition. The state capital Munich is the economic center. The Bavarian economy is characterized by a strong industry, innovative technology companies and flourishing medium-sized companies. At the same time, the regional traditions are upheld and modernity and history merge harmoniously.



Existing stock senior living 2023

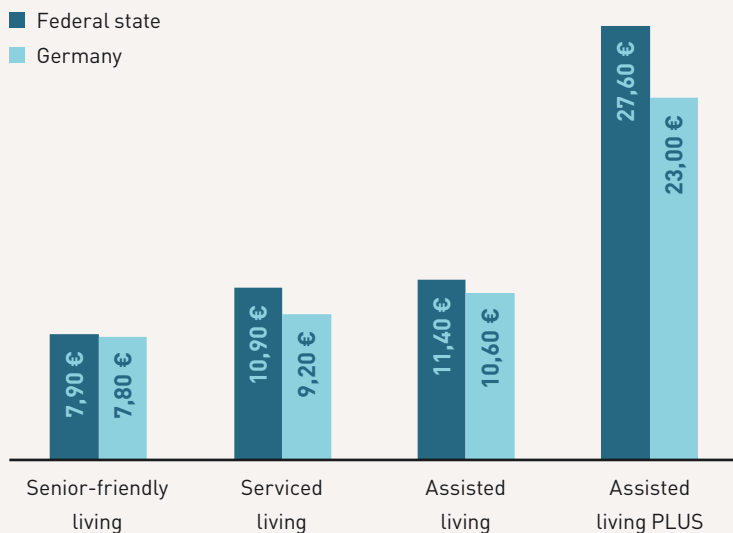


Development of population (over 65)

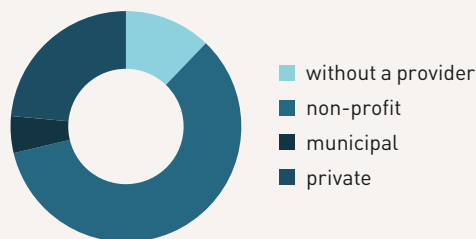


Source: German Federal Statistical Office

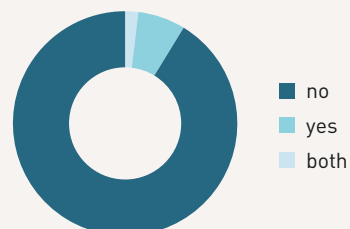
Basic rent (Ø pro m²)



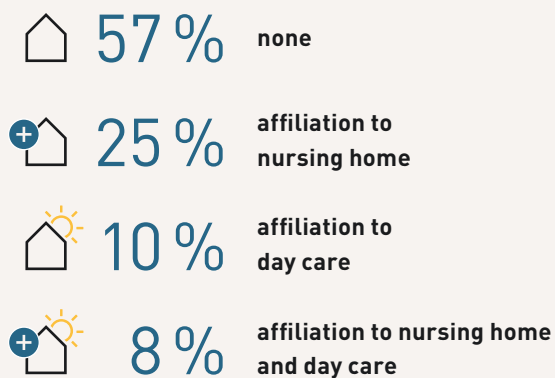
Type of provider



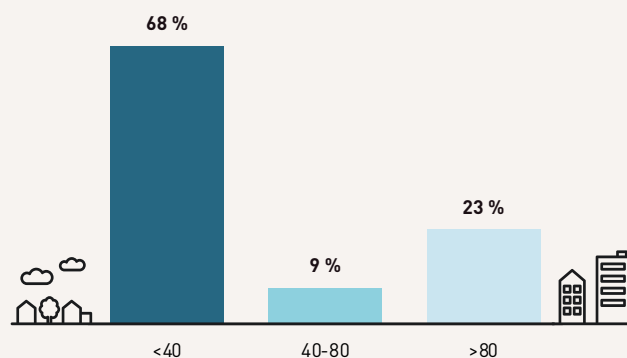
Certificate of eligibility for housing



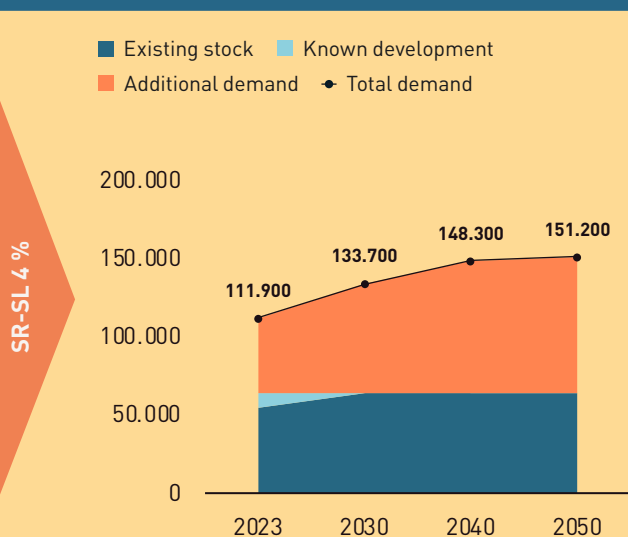
Affiliation to nursing home and/or day care



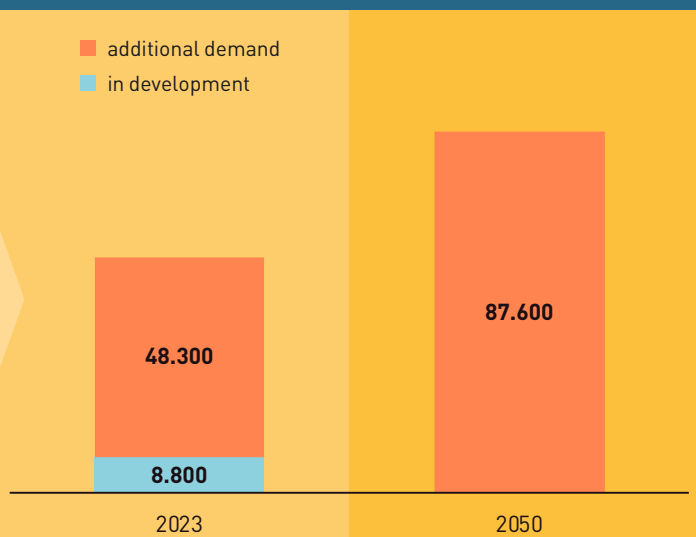
Size of the facility (number of apartments)



Additional demand for SR 4 %

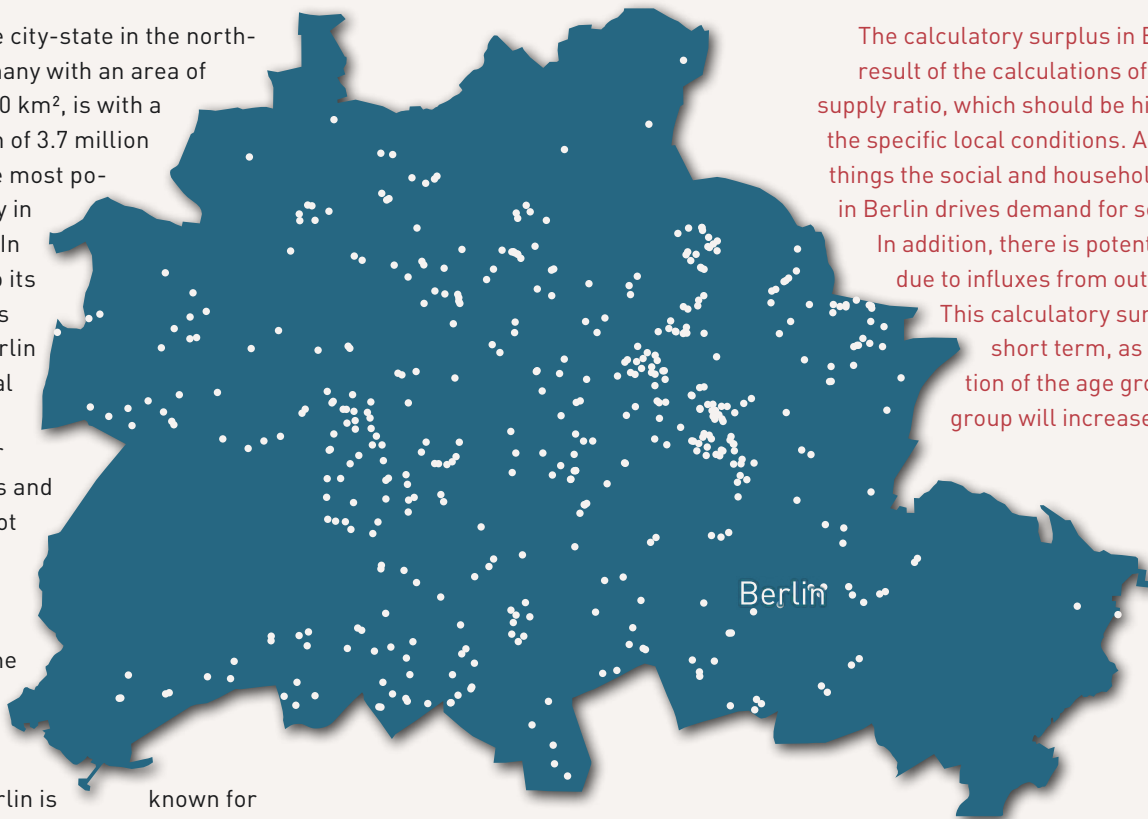


Additional demand today and in the future



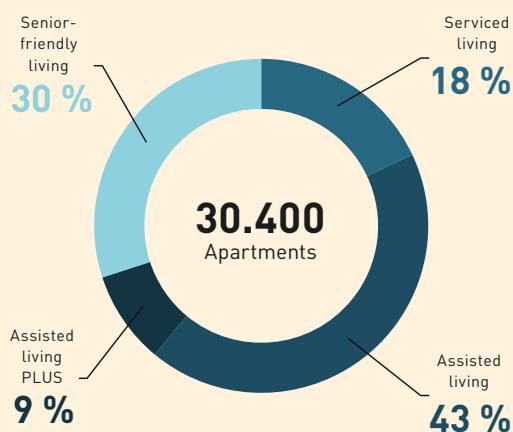
Berlin

Berlin, the city-state in the north-east Germany with an area of around 900 km², is with a population of 3.7 million people the most populous city in Germany. In addition to its function as capital Berlin offers ideal location factors for companies and attracts not only the creative industries but also the IT industry and start-up scene. Berlin is known for its cultural diversity, history, culture and lively atmosphere and impresses millions of tourists every year.

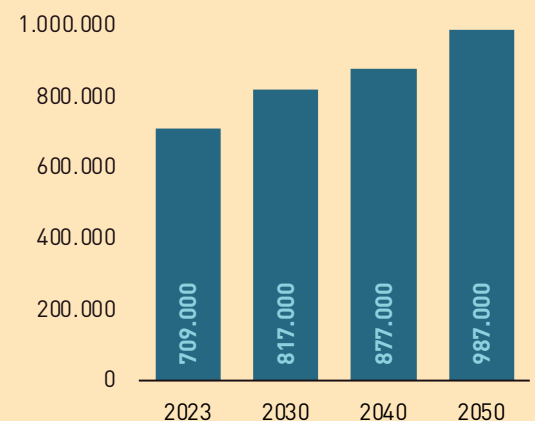


The calculatory surplus in Berlin is the result of the calculations of 4 % overall supply ratio, which should be higher due to the specific local conditions. Among other things the social and household structure in Berlin drives demand for senior living. In addition, there is potential demand due to influxes from outside Berlin. This calculatory surplus is only short term, as the proportion of the age group 65+ age group will increase in the next few years.

Existing stock senior living 2023

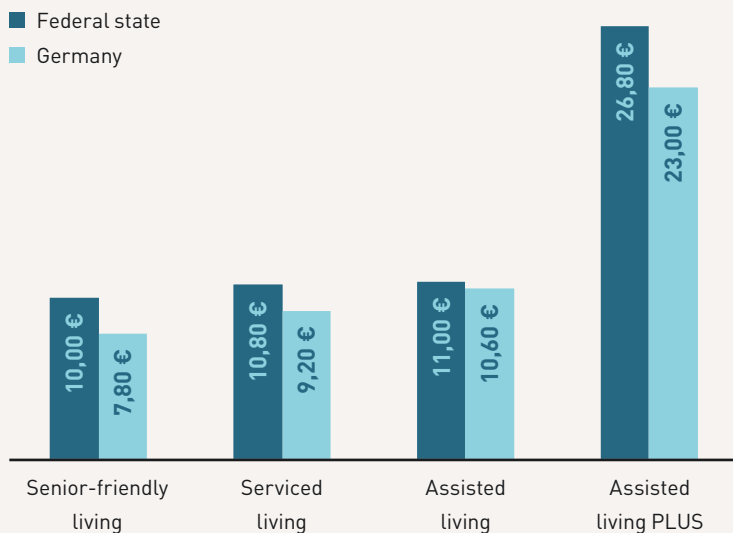


Development of population (over 65)

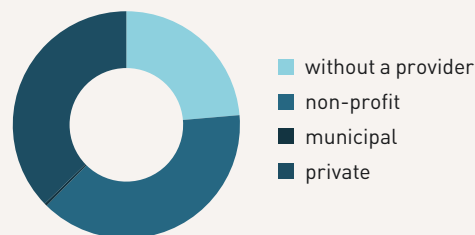


Source: German Federal Statistical Office

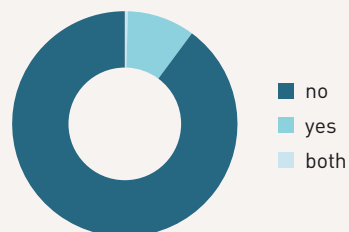
Basic rent (Ø pro m²)



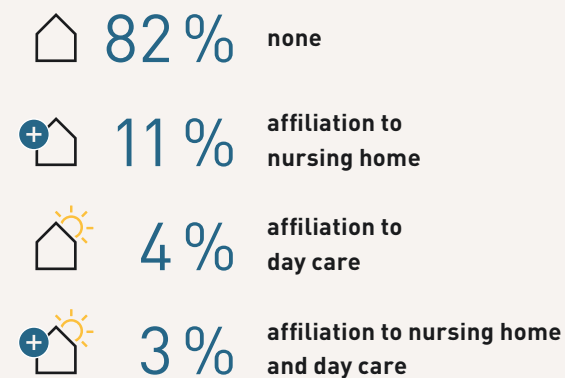
Type of provider



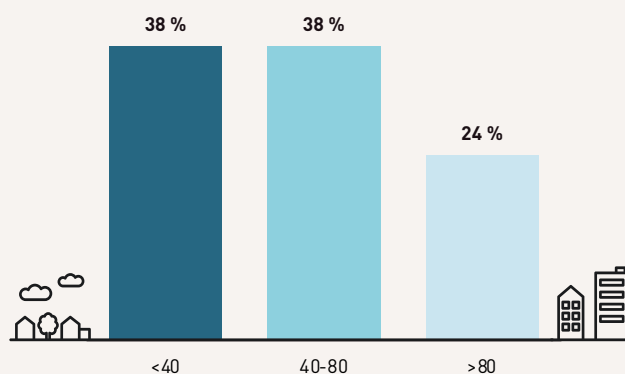
Certificate of eligibility for housing



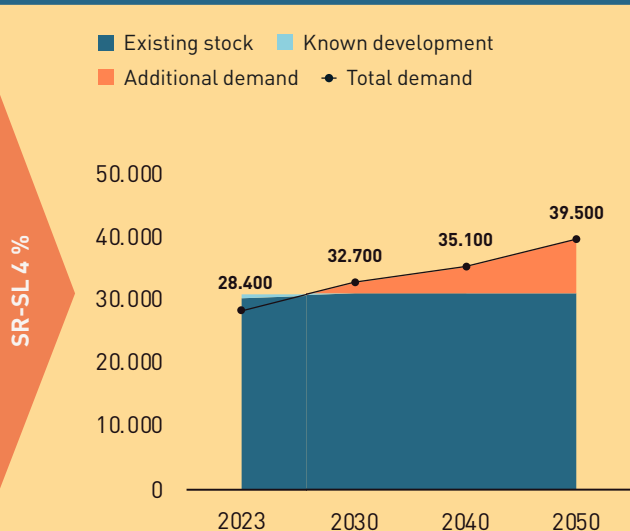
Affiliation to nursing home and/or day care



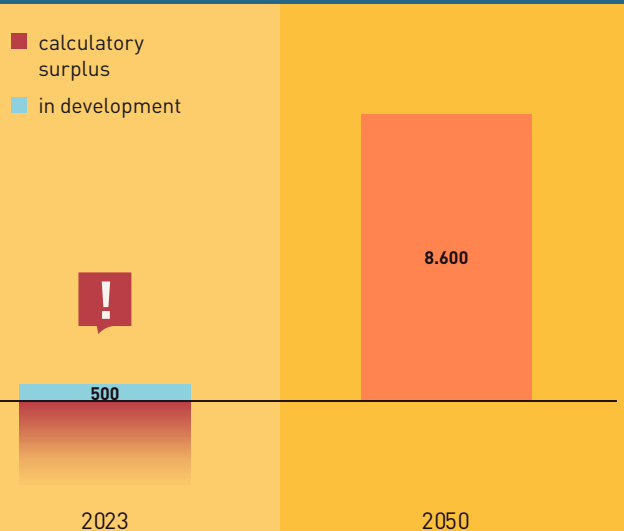
Size of the facility (number of apartments)



Additional demand for SR 4 %

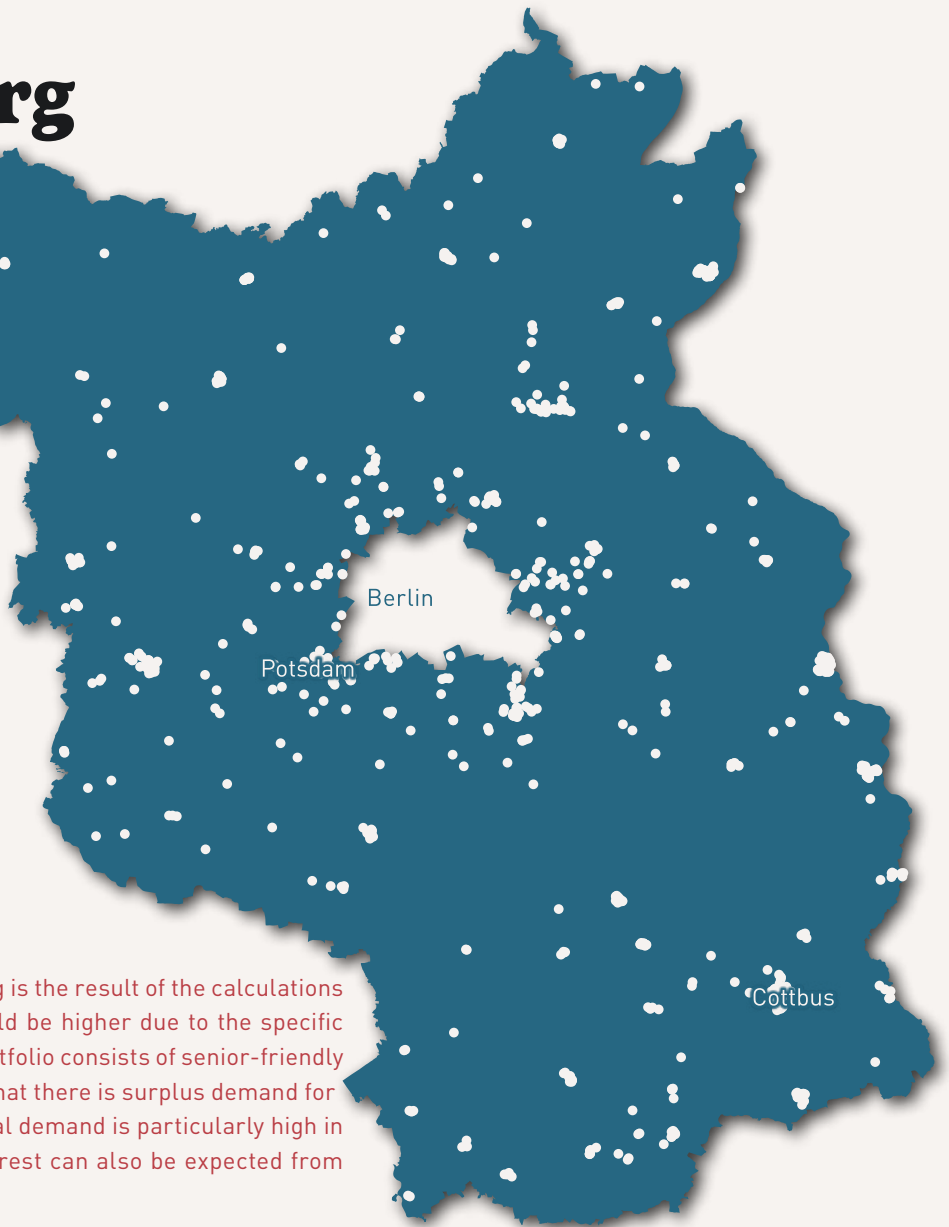


Additional demand today and in the future



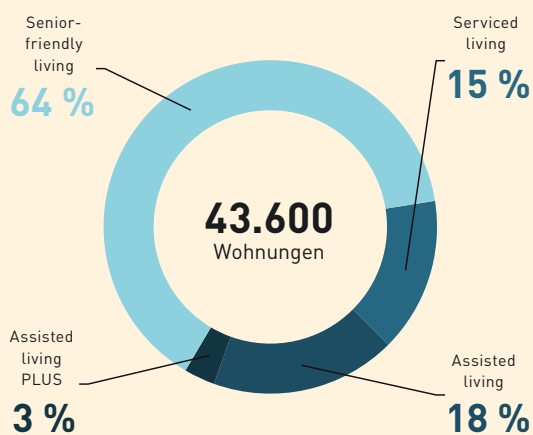
Brandenburg

Brandenburg, the federal state in the north-east of Germany, comprises about 29.700 km² and has around 2.6 million inhabitants. The state capital Potsdam impresses with its magnificent palaces and gardens and, together with Cottbus, Brandenburg an der Havel and Frankfurt (Oder), it is one of the four regional centers of Brandenburg. In addition the state is the gateway to the capital Berlin and is therefore an important catchment area for commuters. The charming landscape, characterized by rivers, lakes and forests, makes Brandenburg a popular recreational area.

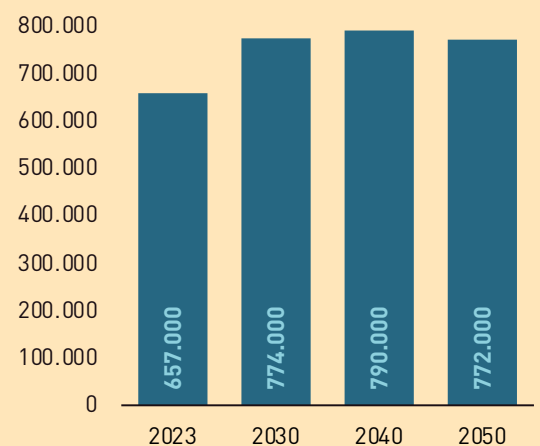


The calculatory surplus in Brandenburg is the result of the calculations with a supply ratio of 4 %, which should be higher due to the specific local conditions. The majority of the portfolio consists of senior-friendly living. Accordingly, it can be assumed that there is surplus demand for the other three categories. The potential demand is particularly high in the vicinity of Berlin, as additional interest can also be expected from the capital.

Existing stock senior living 2023

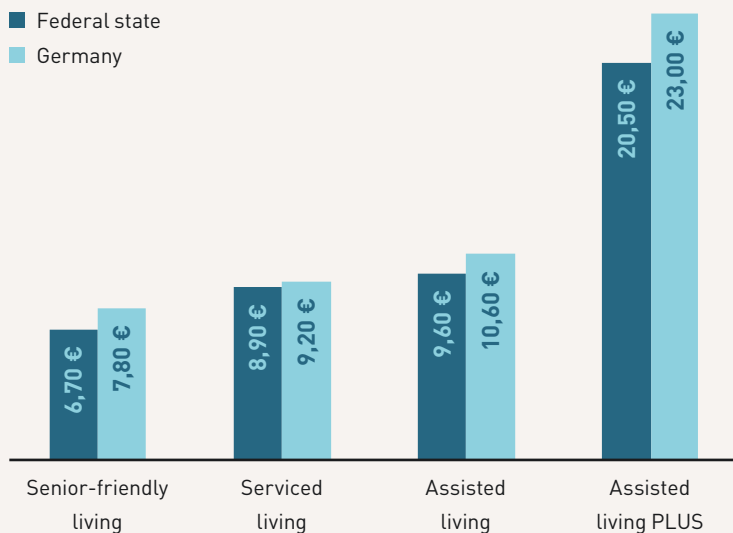


Development of population (over 65)

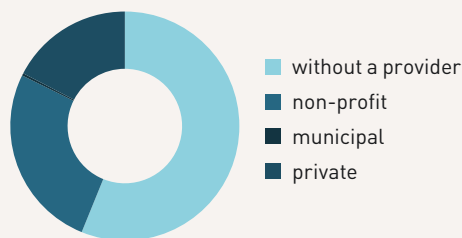


Source: German Federal Statistical Office

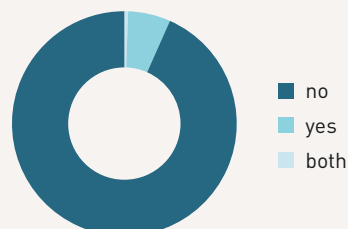
Basic rent (Ø pro m²)



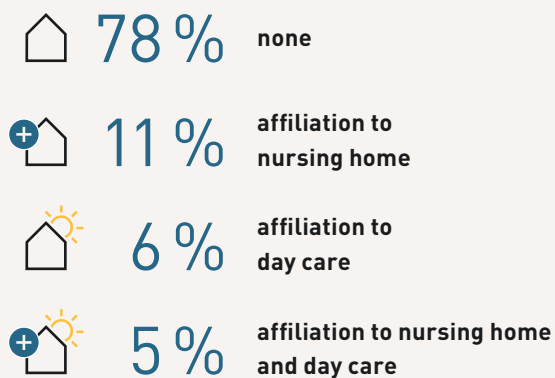
Type of provider



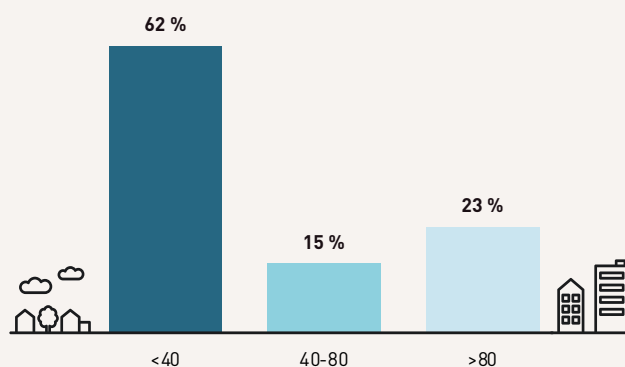
Certificate of eligibility for housing



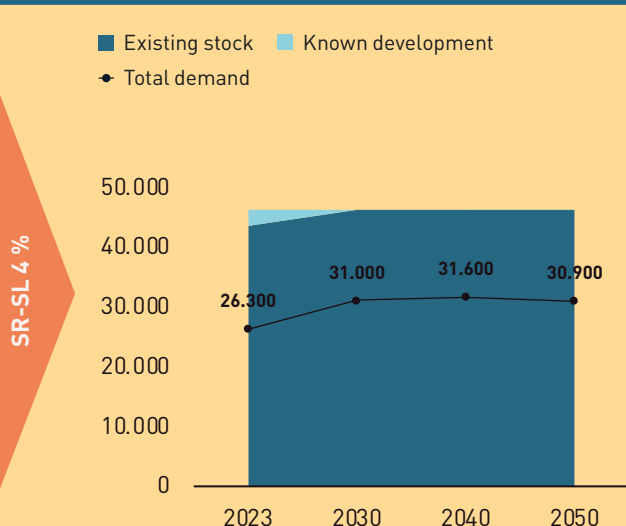
Affiliation to nursing home and/or day care



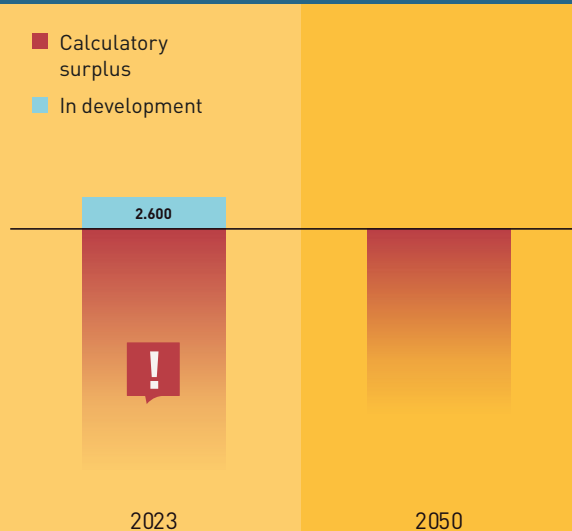
Size of the facility (number of apartments)



Additional demand for SR 4 %

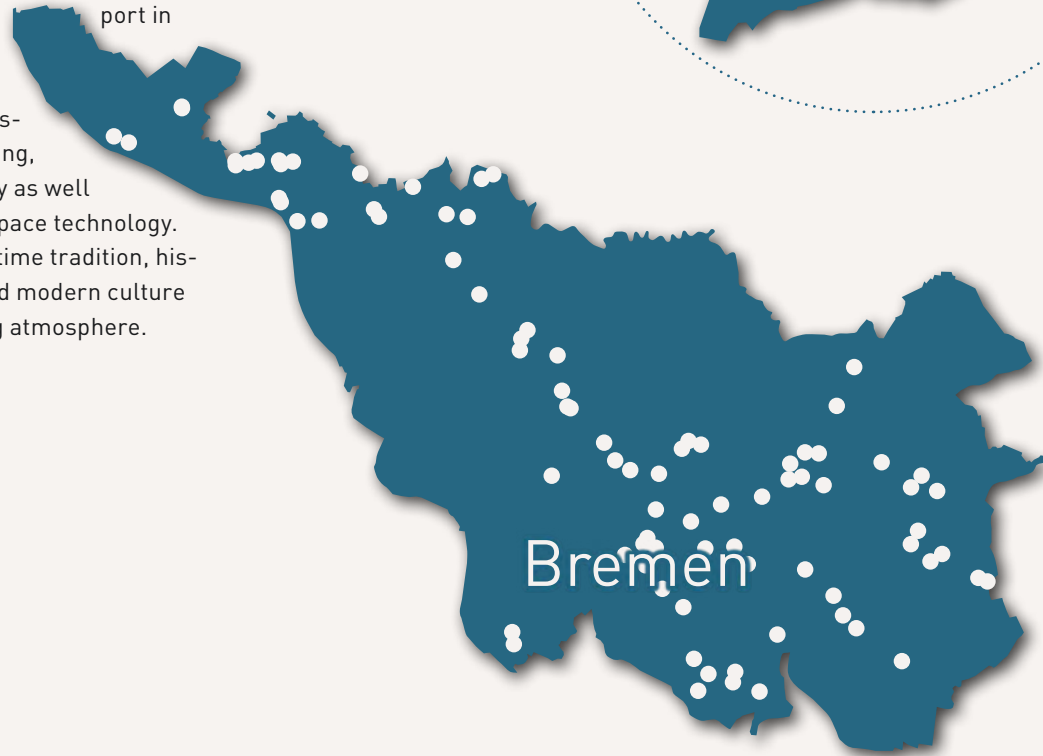


Additional demand today and in the future

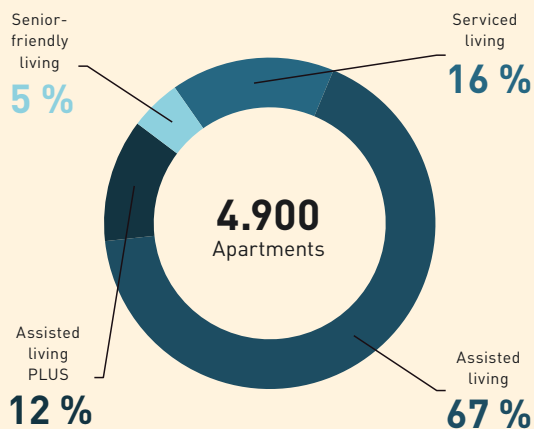


Bremen

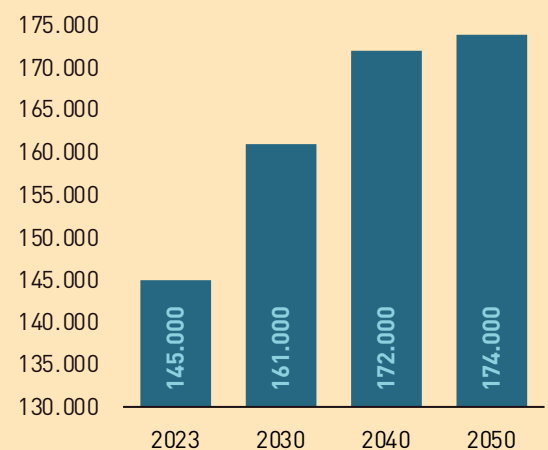
Bremen is the smallest federal state and is a city state in the north of Germany. It covers an area of 320 km² and has around 658,000 inhabitants. Bremen is characterized by its past as a Hanseatic city and is still an important hub for foreign trade, especially through the overseas port in Bremerhaven. Other important branches of industry are shipbuilding, the steel industry as well as aviation and space technology. In Bremen, maritime tradition, historical charm and modern culture create an inviting atmosphere.



Existing stock senior living 2023

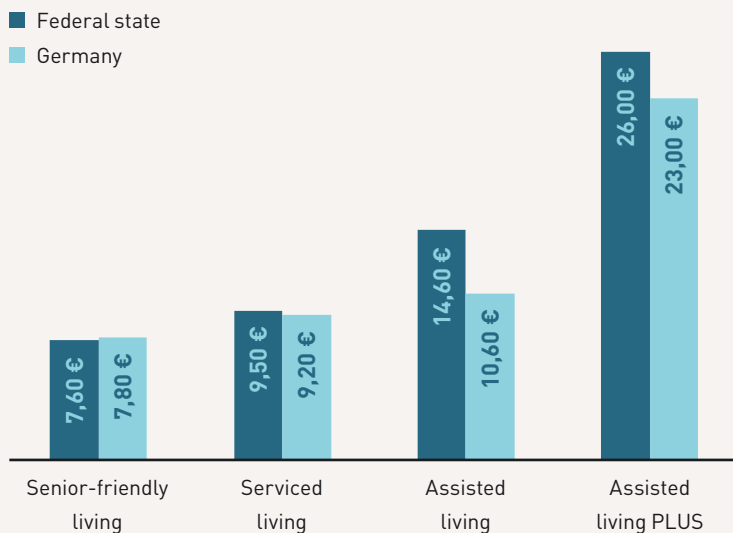


Development of population (over 65)

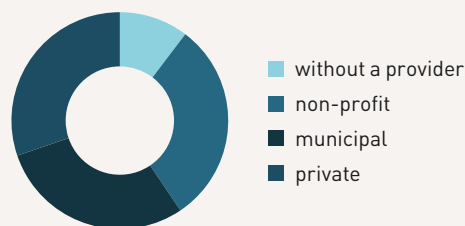


Source: German Federal Statistical Office

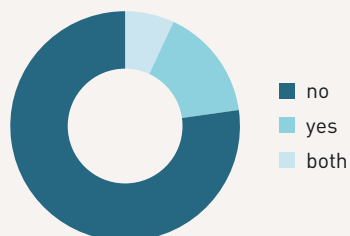
Basic rent (Ø pro m²)



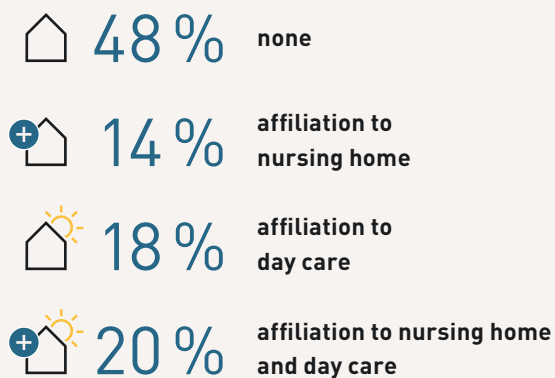
Type of provider



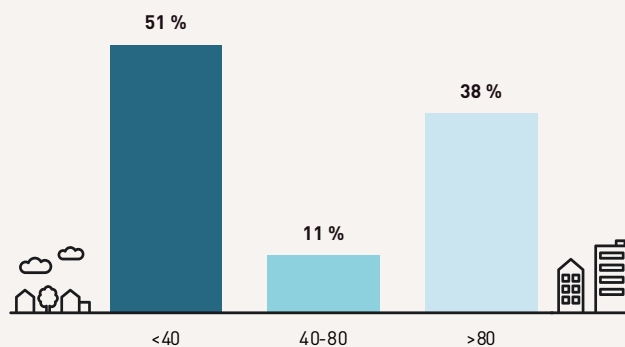
Certificate of eligibility for housing



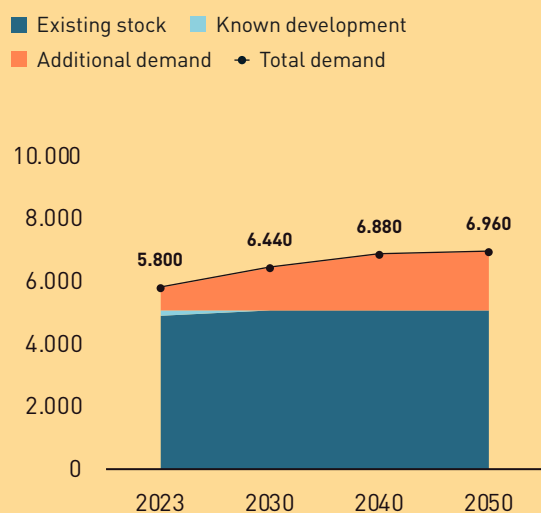
Affiliation to nursing home and/or day care



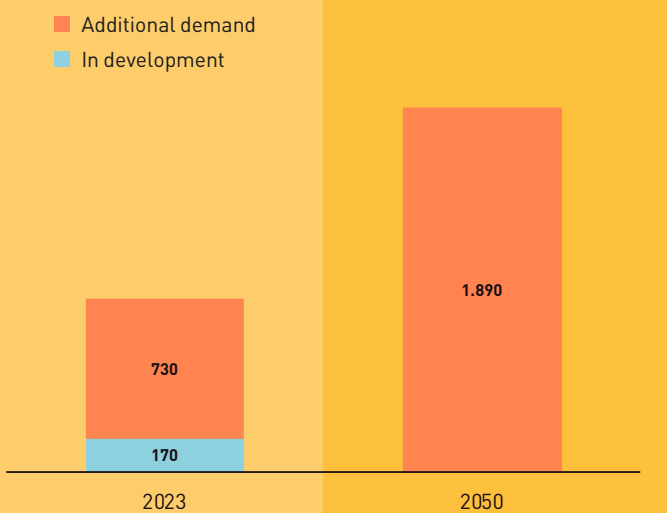
Size of the facility (number of apartments)



Additional demand for SR 4 %



Additional demand today and in the future



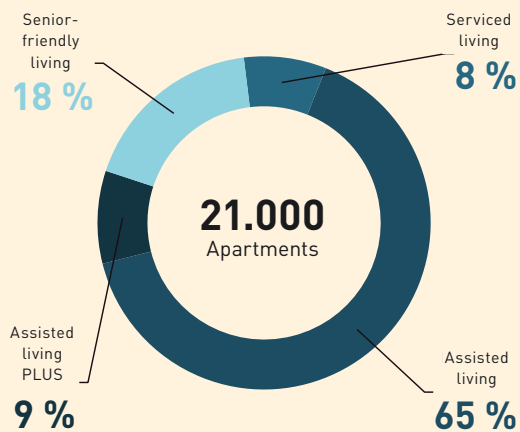
Hamburg

Hamburg, the city state in the north Germany, with around 1.9 million inhabitants on an area of 800 km², is the second largest city in Germany. Hamburg has the third largest port in Europe and is therefore an important trade and business location. The maritime character of the city is reflected both in the economy as well as the architecture. Hamburg convinces locals and tourists by its internationality and cosmopolitanism and rich history and lively cultural scene.

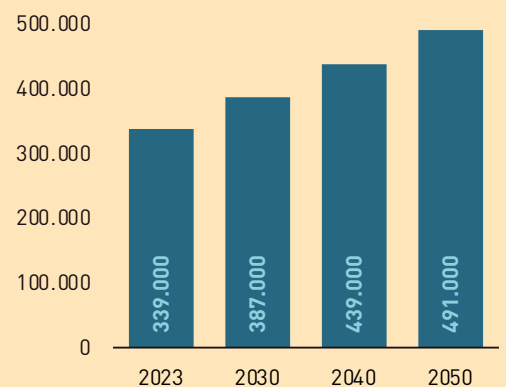


The calculatory surplus in Hamburg is the result of the calculations with a supply ratio of 4 %, which should be higher due to the specific local conditions. Due to the household structure and purchasing power, it can be assumed that there is an increased demand. Hamburg also has an above-average supply for senior citizens with a certificate of eligibility for housing. There is also a pull effect from the surrounding areas.

Existing stock senior living 2023

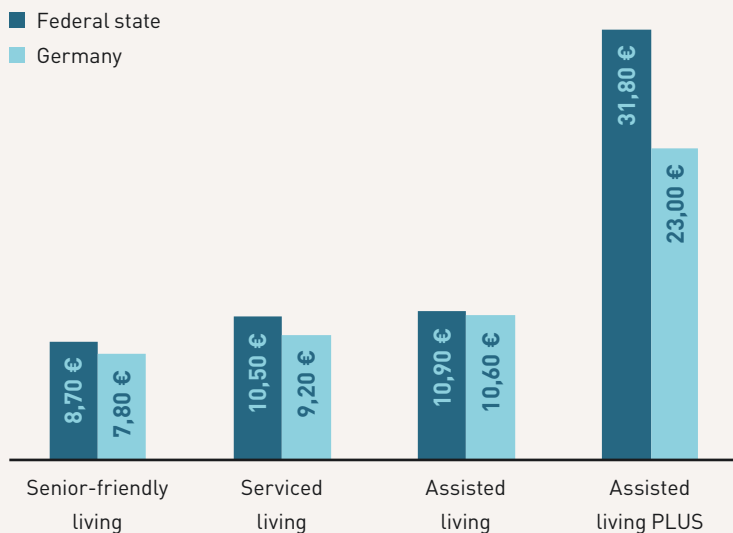


Development of population (over 65)

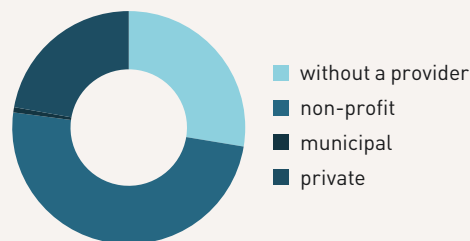


Source: German Federal Statistical Office

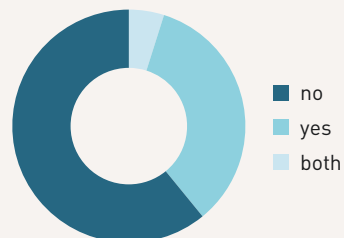
Basic rent (Ø pro m²)



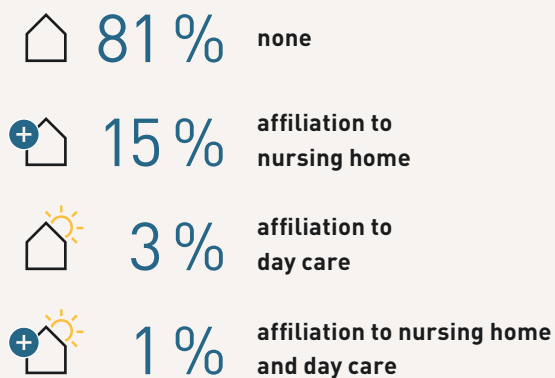
Type of provider



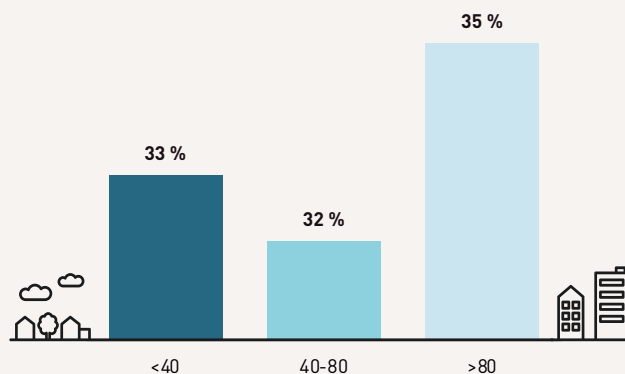
Certificate of eligibility for housing



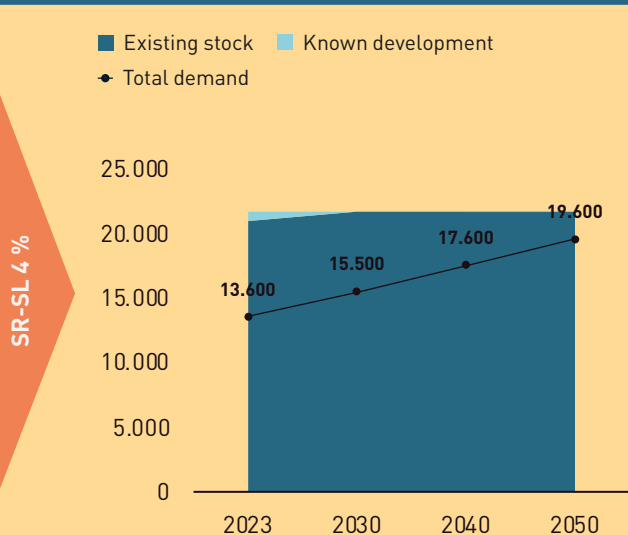
Affiliation to nursing home and/or day care



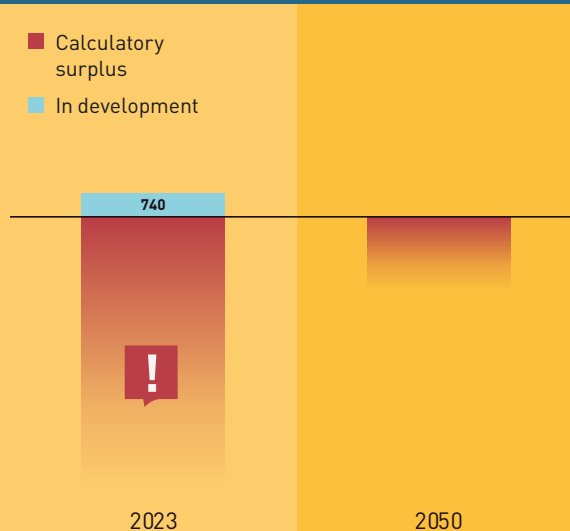
Size of the facility (number of apartments)



Additional demand for SR 4 %

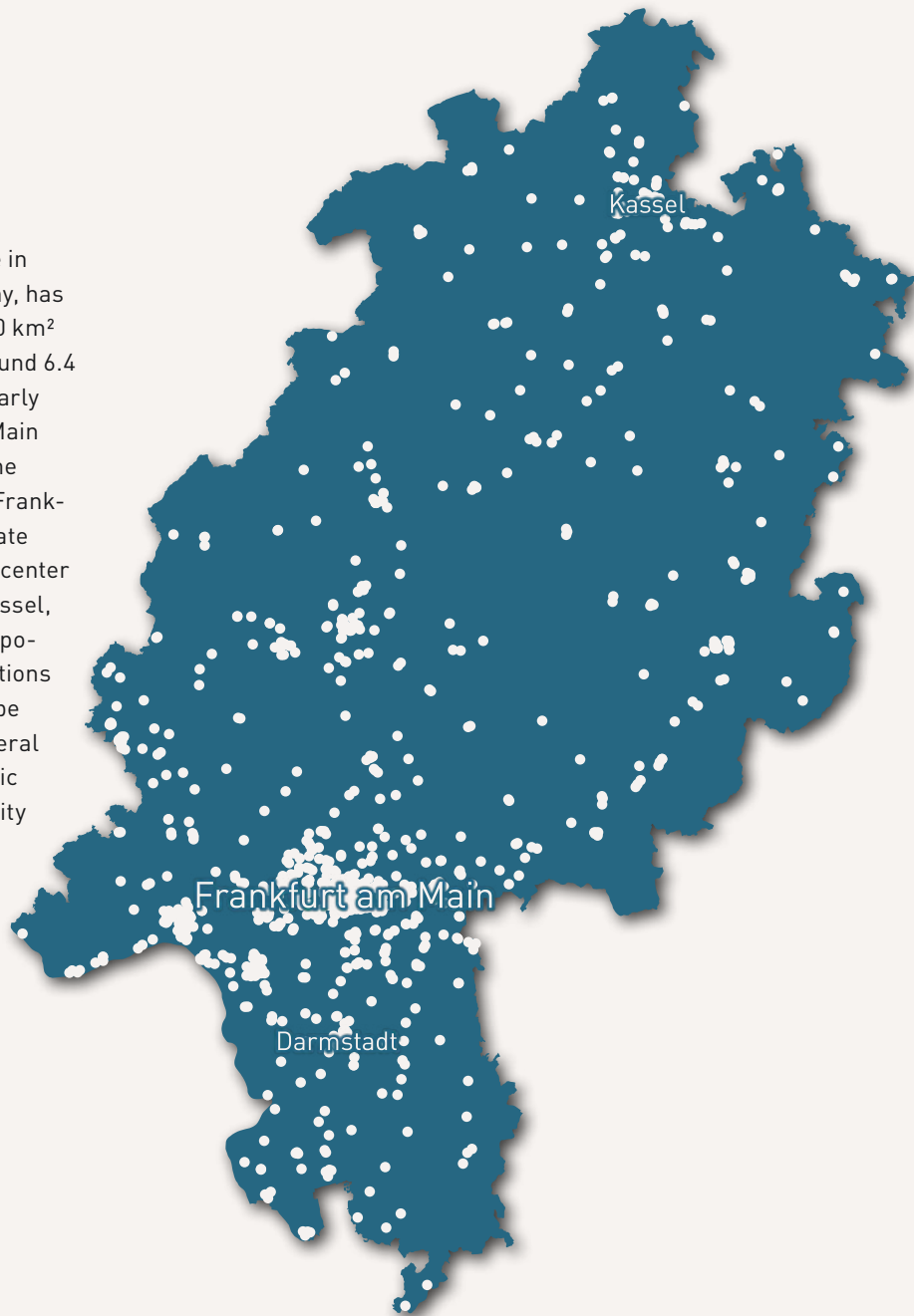


Additional demand today and in the future

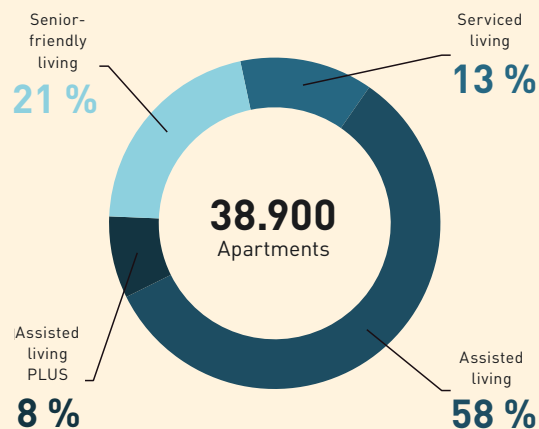


Hesse

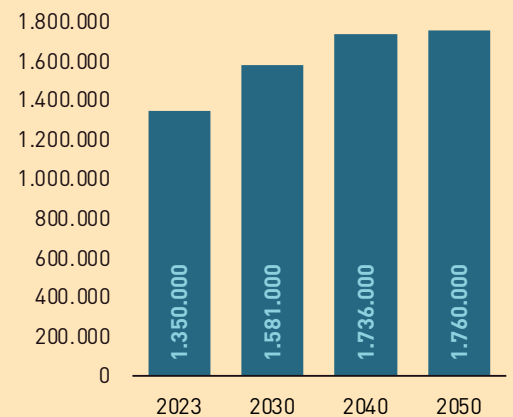
Hesse, the federal state in the heart of Germany, has an area of around 21,100 km² with a population of around 6.4 million people. Particularly populous is the Rhine-Main area in the south with the financial metropolis of Frankfurt am Main and the state capital Wiesbaden. The center of northern Hesse is Kassel, which is surrounded by popular excursion destinations such as the Wasserkuppe or the Edersee. The federal state combines economic strength cultural diversity and natural beauty.



Existing stock senior living 2023

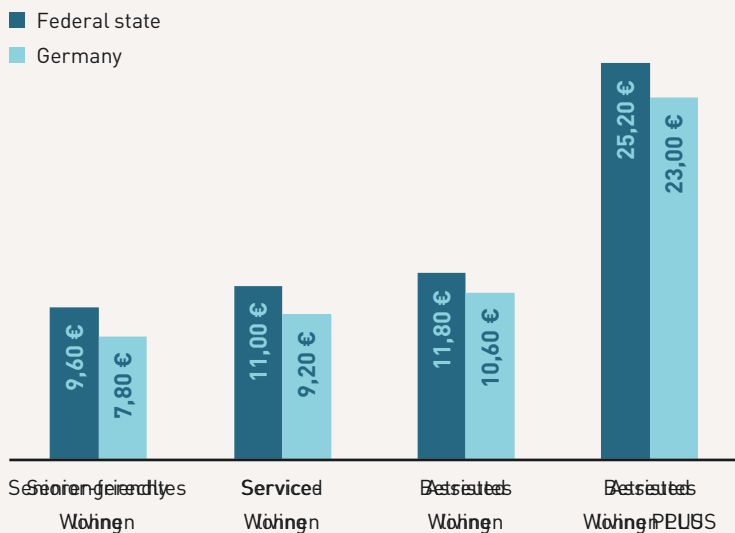


Development of population (over 65)

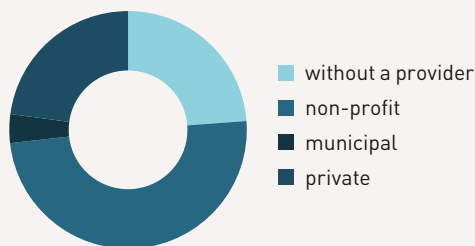


Source: German Federal Statistical Office

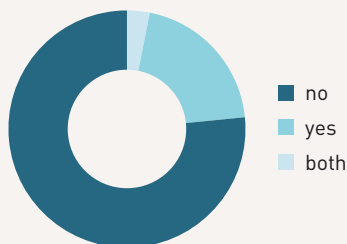
Basic rent (Ø pro m²)



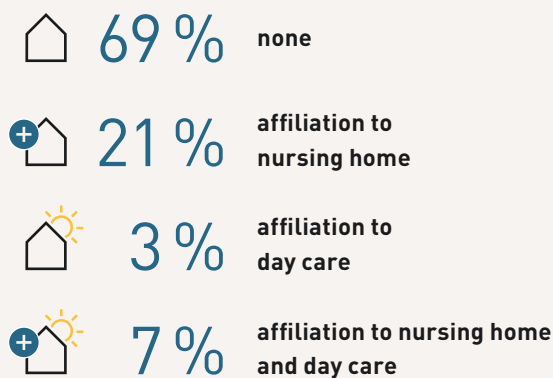
Type of provider



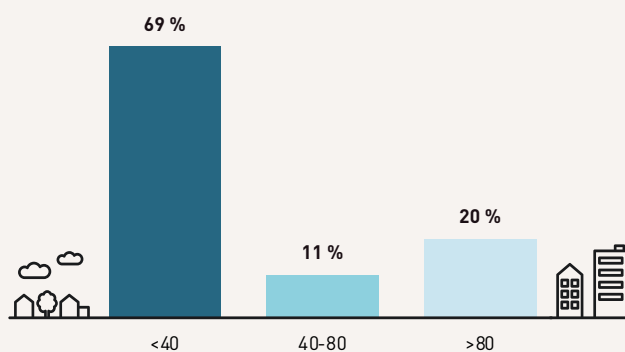
Certificate of eligibility for housing



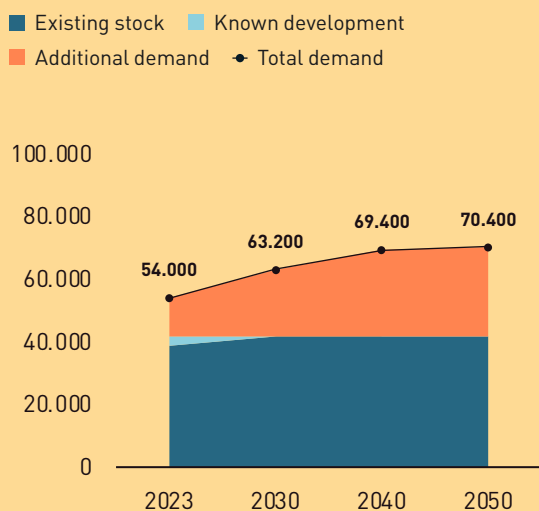
Affiliation to nursing home and/or day care



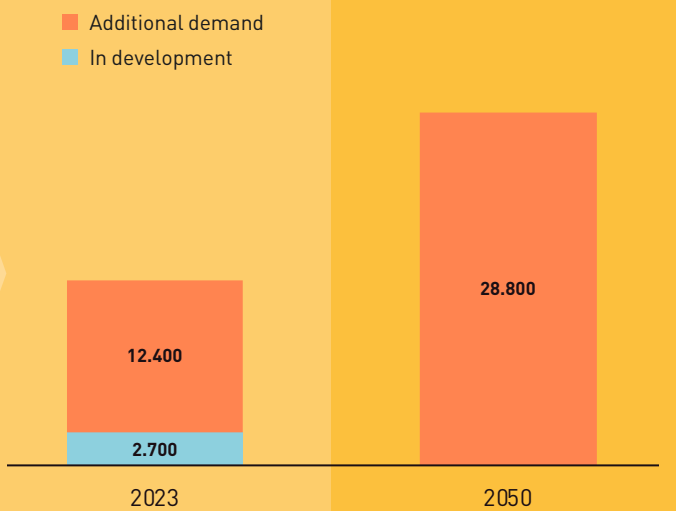
Size of the facility (number of apartments)



Additional demand for SR 4 %

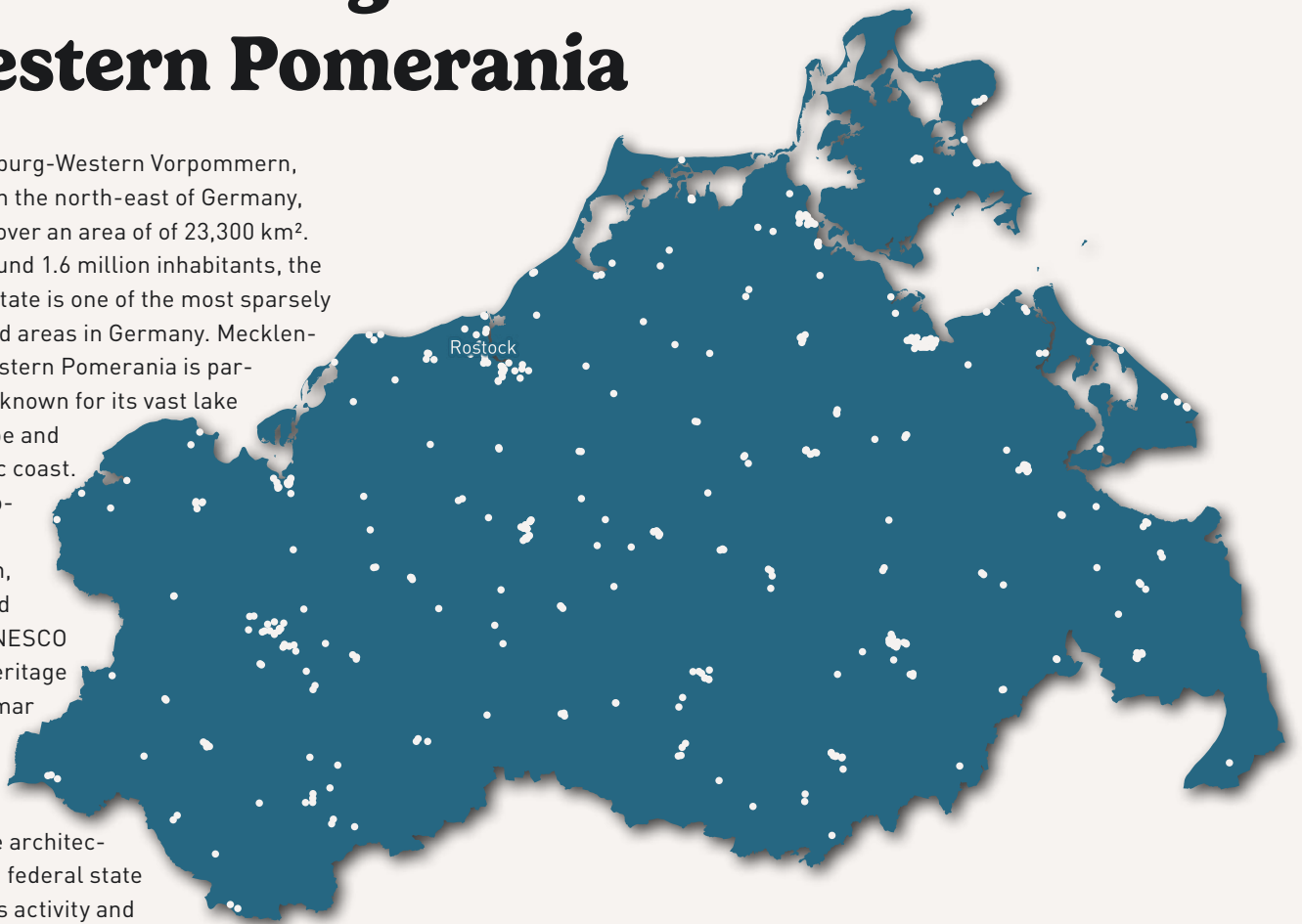


Additional demand today and in the future

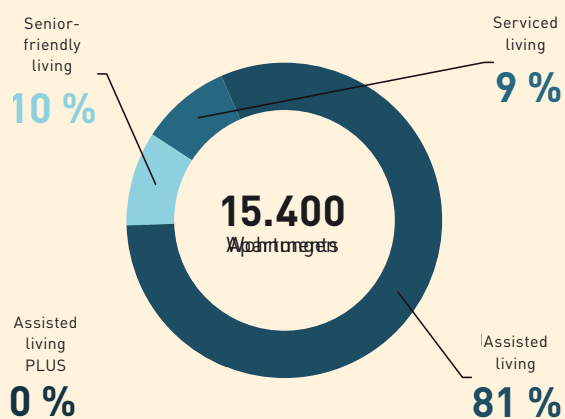


Mecklenburg-Western Pomerania

Mecklenburg-Western Vorpommern, located in the north-east of Germany, extends over an area of 23,300 km². With around 1.6 million inhabitants, the federal state is one of the most sparsely populated areas in Germany. Mecklenburg-Western Pomerania is particularly known for its vast lake landscape and the Baltic coast. The historic cities Schwerin, Stralsund or the UNESCO World Heritage Site Wismar inspire with their maritime architecture. The federal state combines activity and recreation in equal measure and invites both tourists and locals to discover this beautiful region.



Existing stock senior living 2023

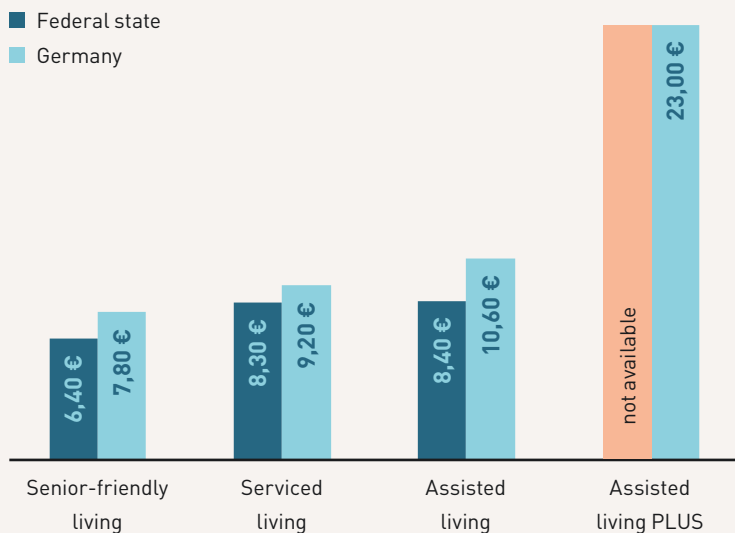


Development of population (over 65)

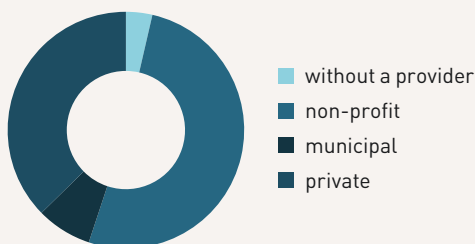


Source: German Federal Statistical Office

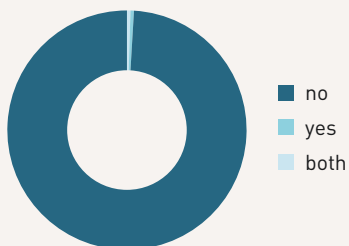
Basic rent (Ø pro m²)



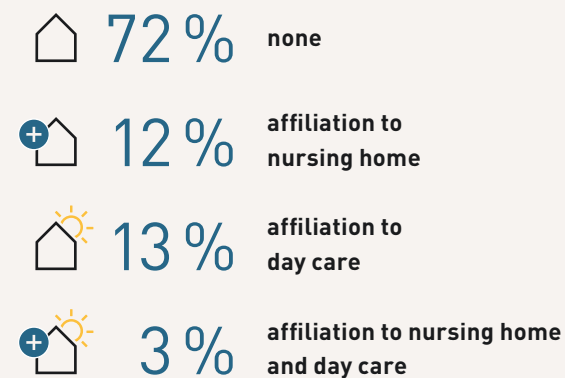
Type of provider



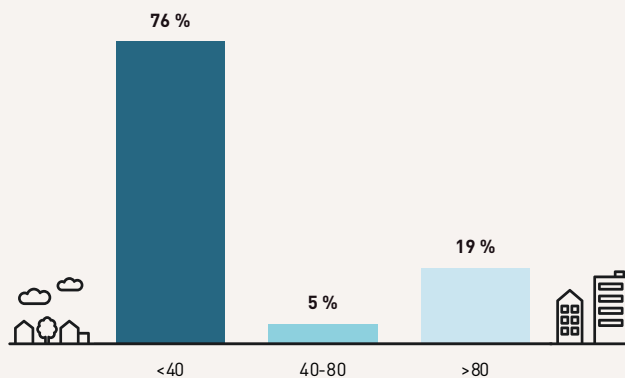
Certificate of eligibility for housing



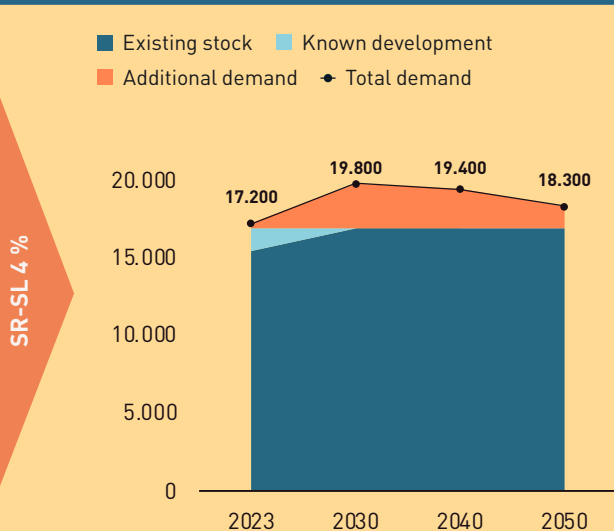
Affiliation to nursing home and/or day care



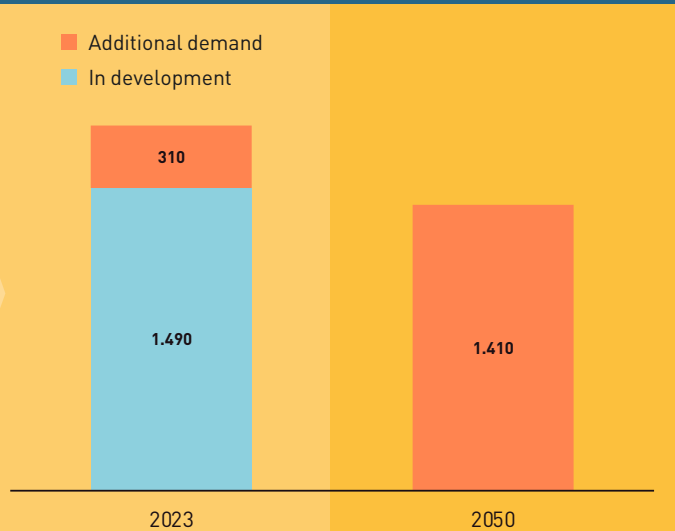
Size of the facility (number of apartments)



Additional demand for SR 4 %

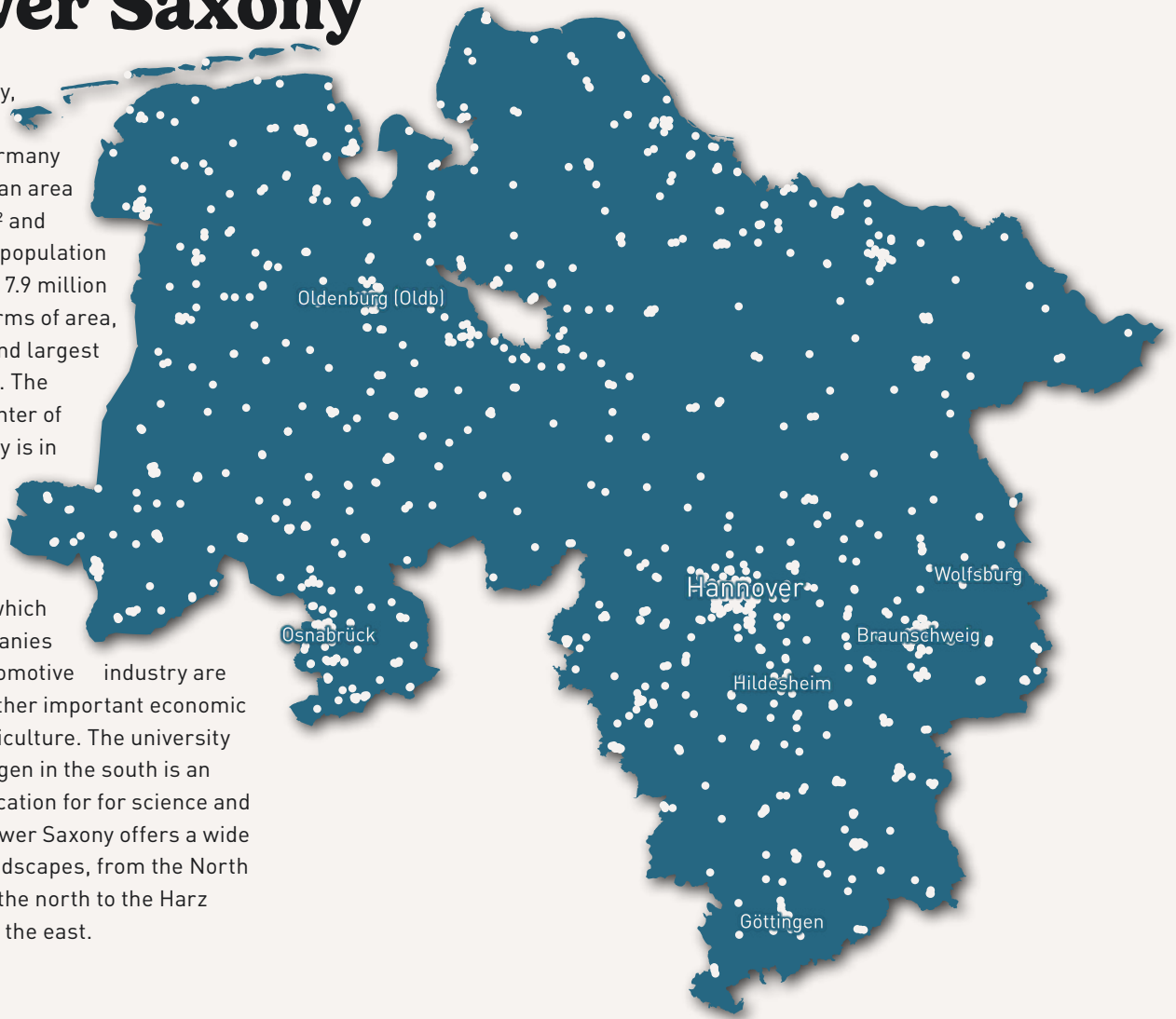


Additional demand today and in the future

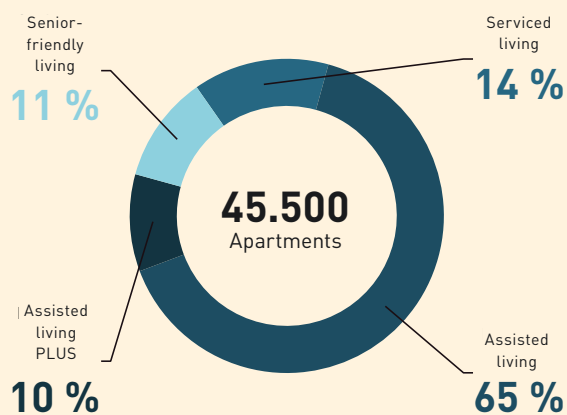


Lower Saxony

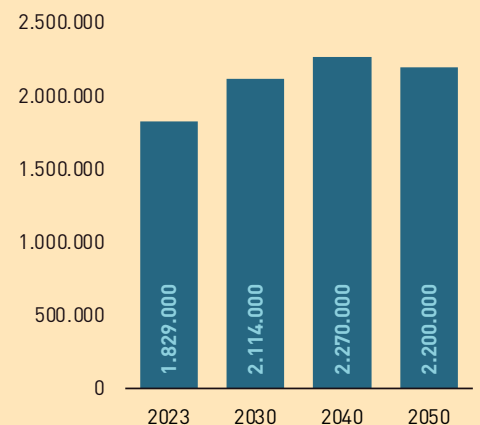
Lower Saxony, in the northwest of Germany located, has an area of 47,700 km² and possesses a population of more than 7.9 million people. In terms of area, it is the second largest federal state. The economic center of Lower Saxony is in the triangle Hanover – Wolfsburg – Braunschweig, in which mainly companies from the automotive industry are located. Another important economic sector is agriculture. The university city of Göttingen in the south is an important location for science and research. Lower Saxony offers a wide variety of landscapes, from the North Sea coast in the north to the Harz Mountains in the east.



Existing stock senior living 2023

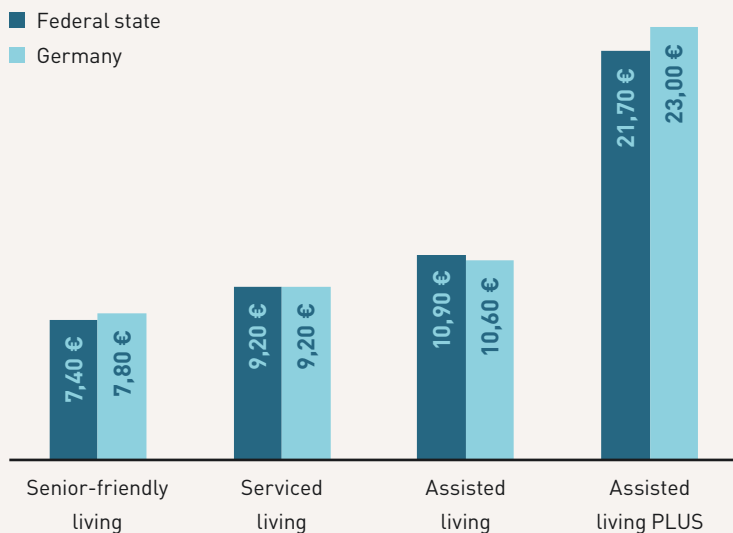


Development of population (over 65)

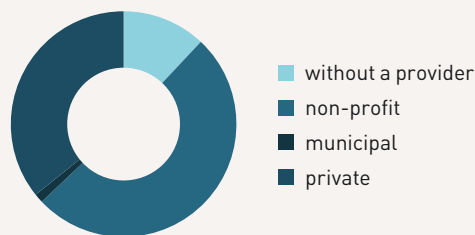


Source: German Federal Statistical Office

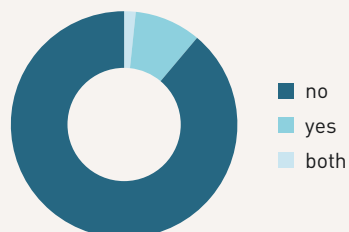
Basic rent (Ø pro m²)



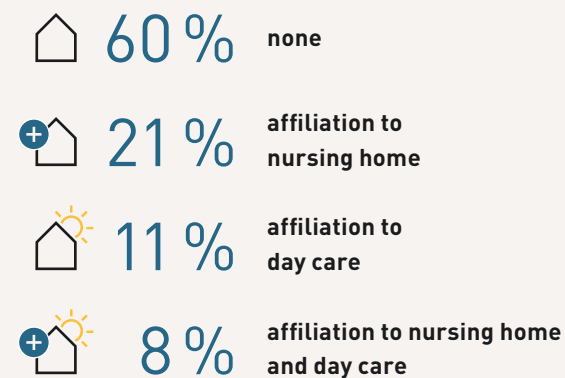
Type of provider



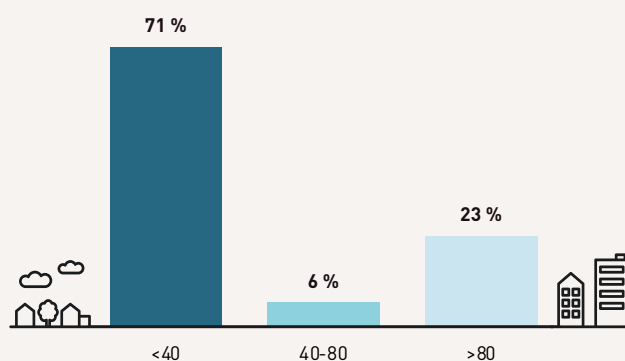
Certificate of eligibility for housing



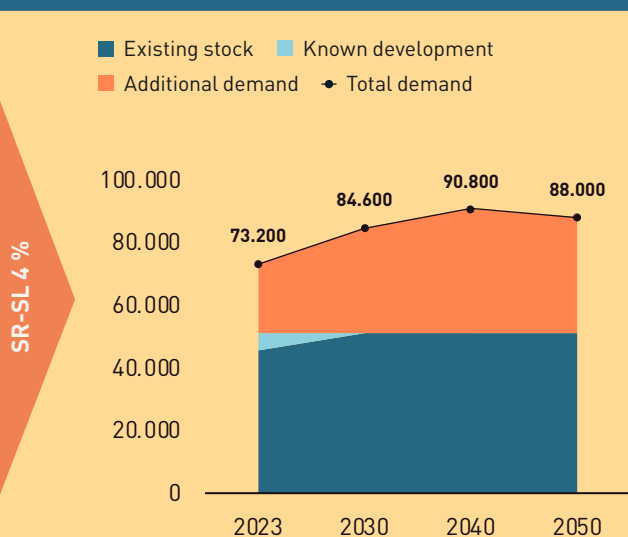
Affiliation to nursing home and/or day care



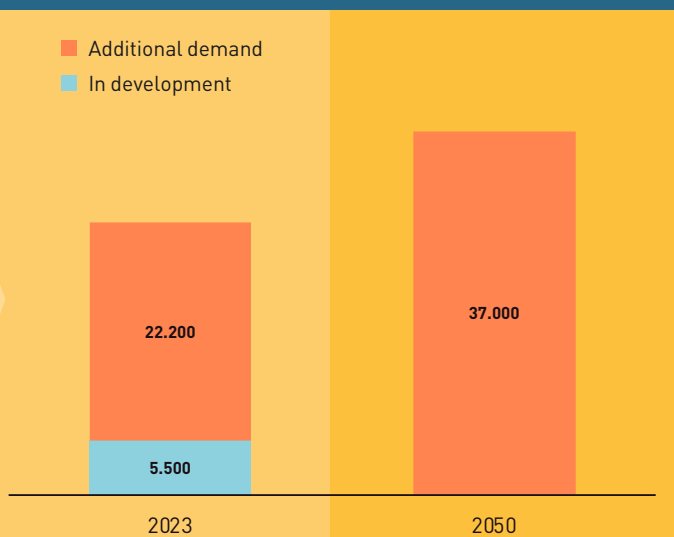
Size of the facility (number of apartments)



Additional demand for SR 4 %

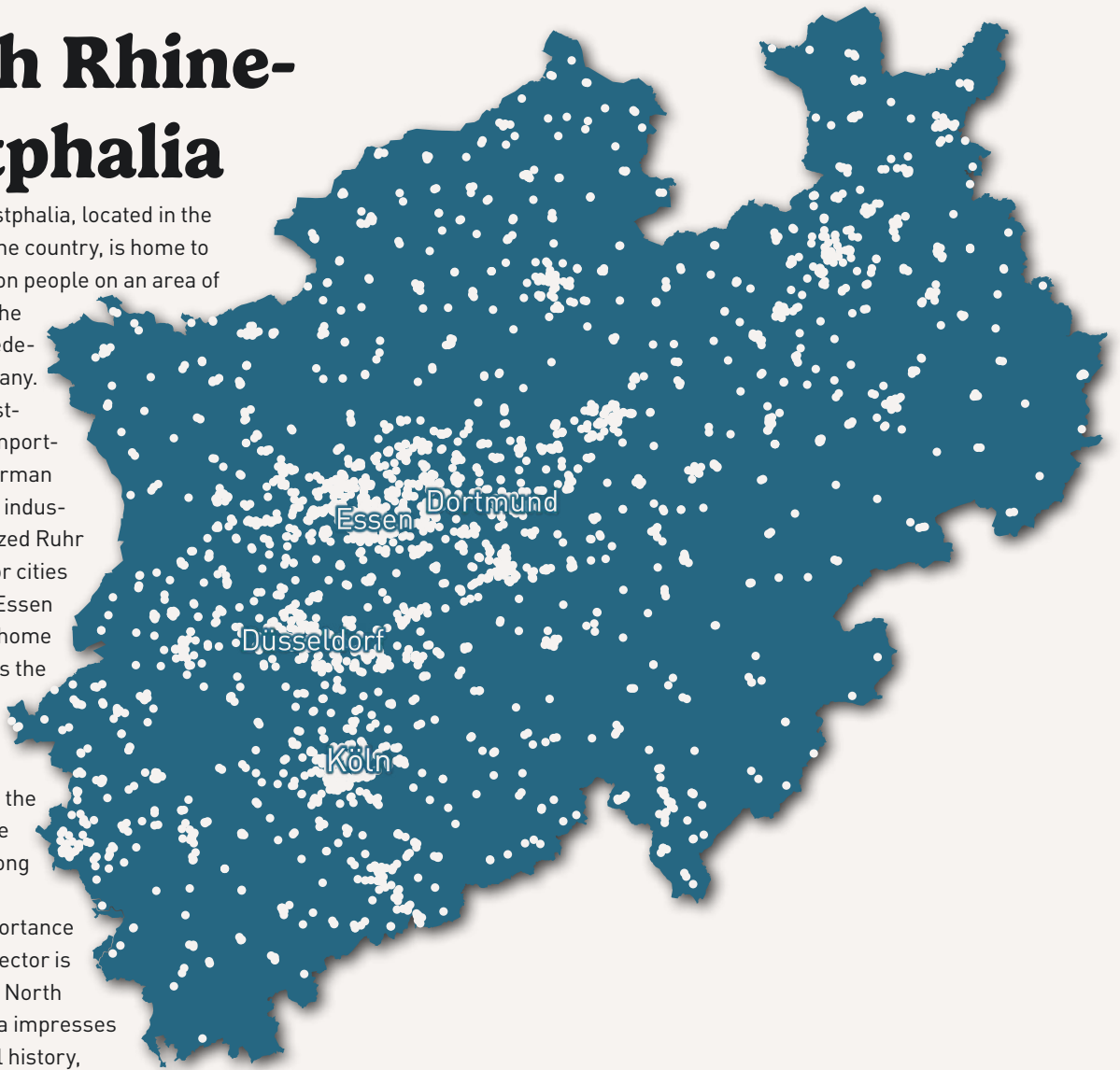


Additional demand today and in the future

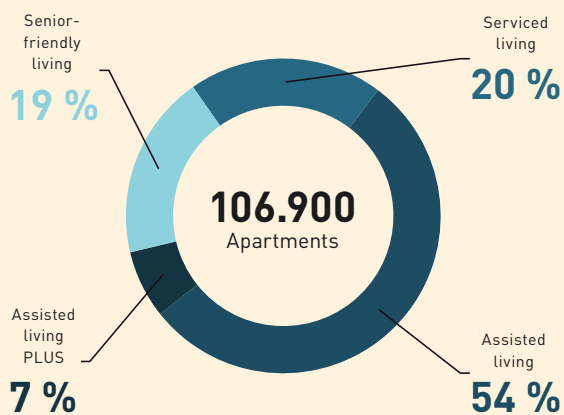


North Rhine-Westphalia

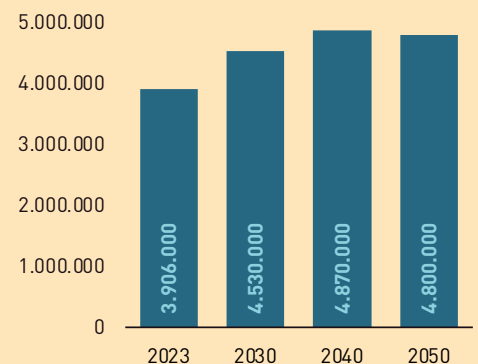
North Rhine-Westphalia, located in the western part of the country, is home to around 18.1 million people on an area of 34,100 km². It is the most populous federal state of Germany. North Rhine-Westphalia plays an important role in the German economy and the industrially characterized Ruhr region, with major cities like Düsseldorf, Essen and Duisburg, is home to sectors such as the steel industry, mechanical and automotive engineering. Due to the structural change the originally strong coal and steel industry lost importance and the service sector is gaining strength. North Rhine-Westphalia impresses with its industrial history, urban lifestyle and joy of life.



Existing stock senior living 2023

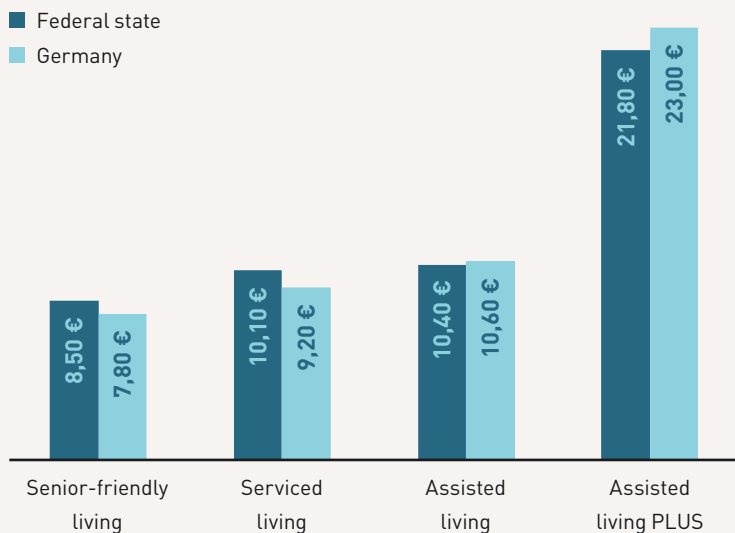


Development of population (over 65)

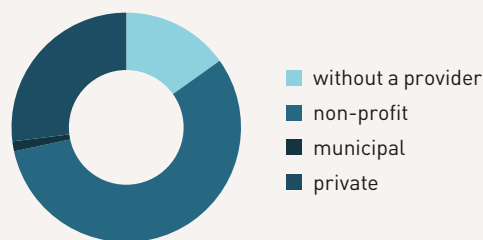


Source: German Federal Statistical Office

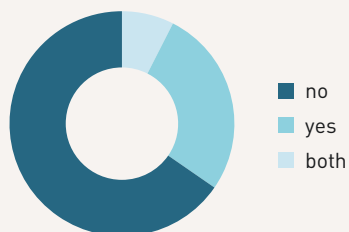
Basic rent (Ø pro m²)



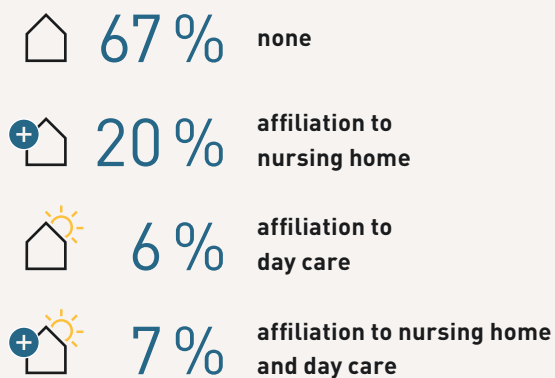
Type of provider



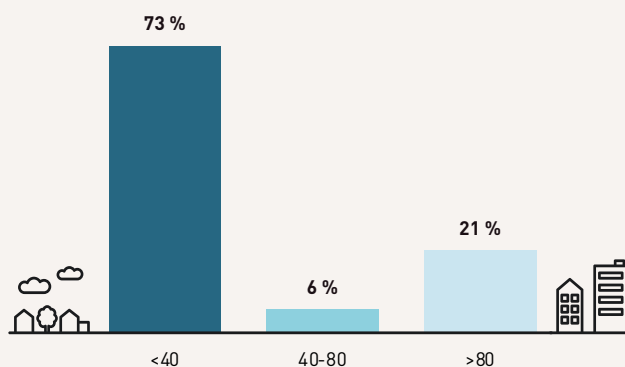
Certificate of eligibility for housing



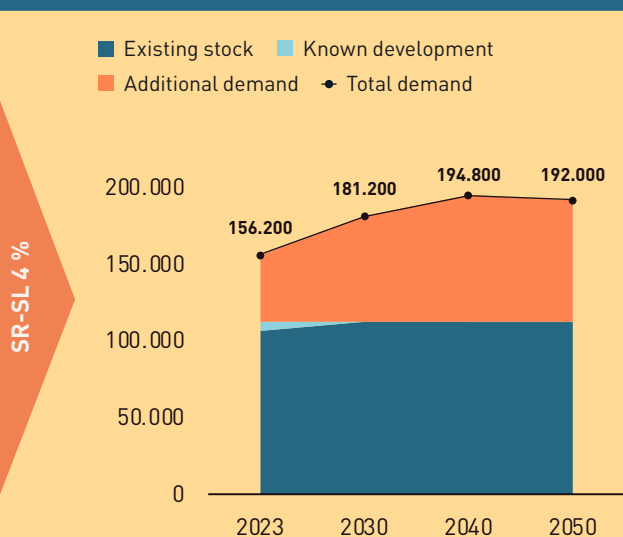
Affiliation to nursing home and/or day care



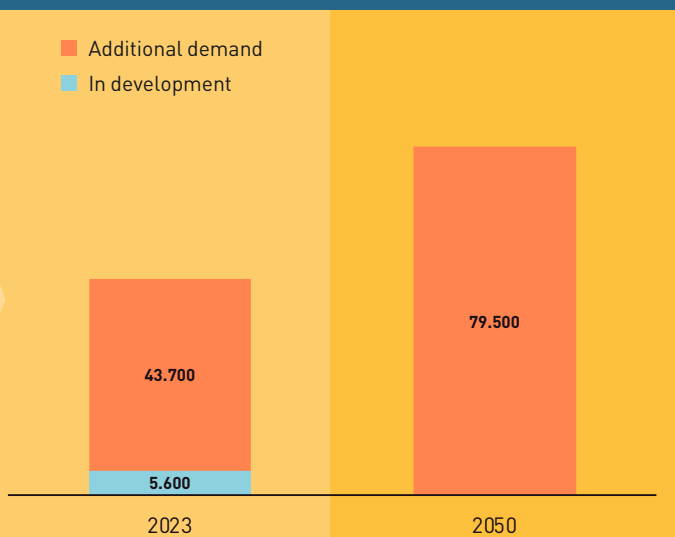
Size of the facility (number of apartments)



Additional demand for SR 4 %

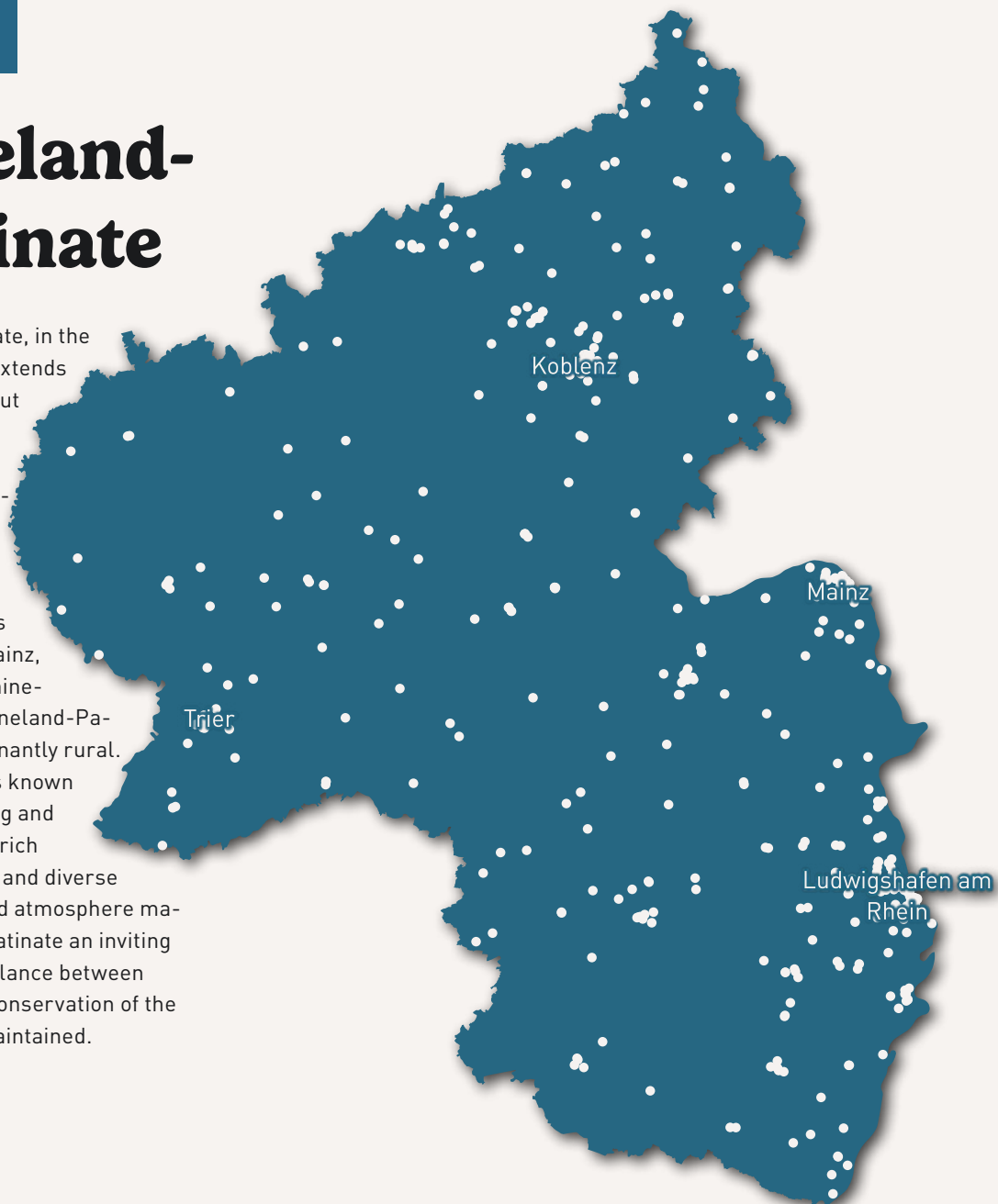


Additional demand today and in the future

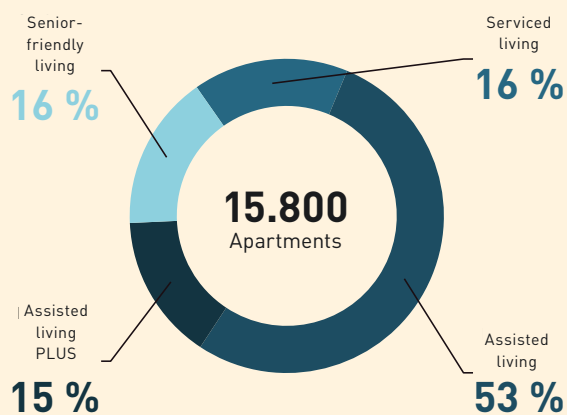


Rhineland-Palatinate

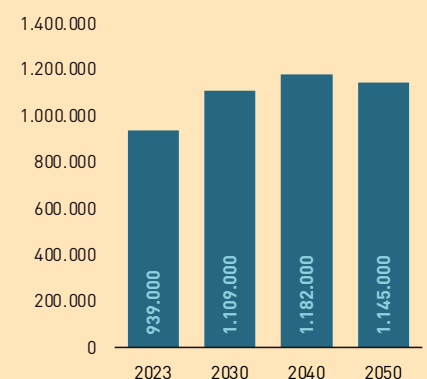
Rhineland-Palatinate, in the west of Germany, extends over an area of about 19,900 km² and has around 4 million inhabitants. In addition to the economically strong Rhine-Main area, which also includes the state capital Mainz, Koblenz and the Rhine-Neckar region, Rhineland-Palatinate is predominantly rural. The federal state is known for its wine-growing and impresses with its rich cultural landscape and diverse history. The relaxed atmosphere makes Rhineland-Palatinate an inviting place where the balance between progress and the conservation of the past is carefully maintained.



Existing stock senior living 2023

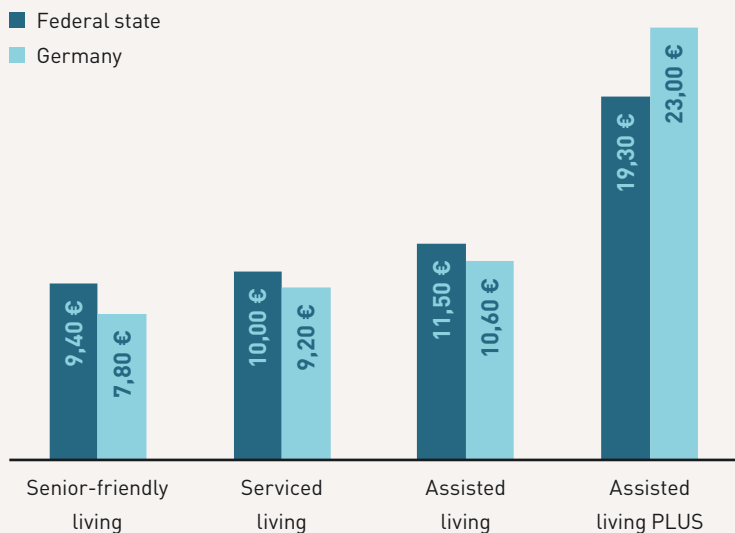


Development of population (over 65)

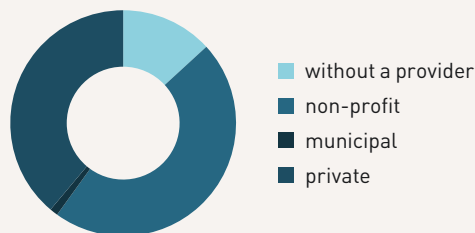


Source: German Federal Statistical Office

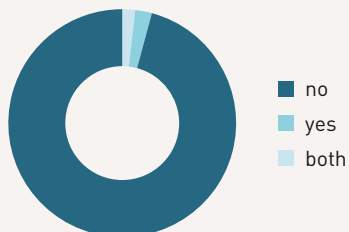
Basic rent (Ø pro m²)



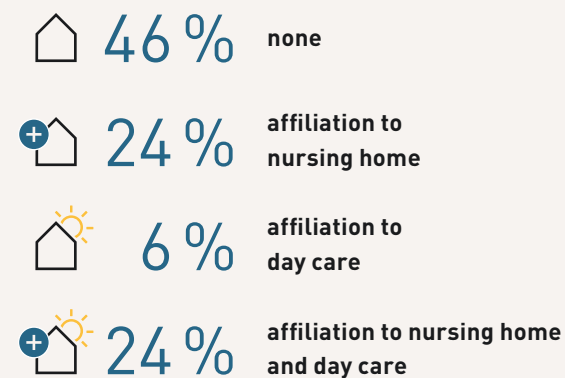
Type of provider



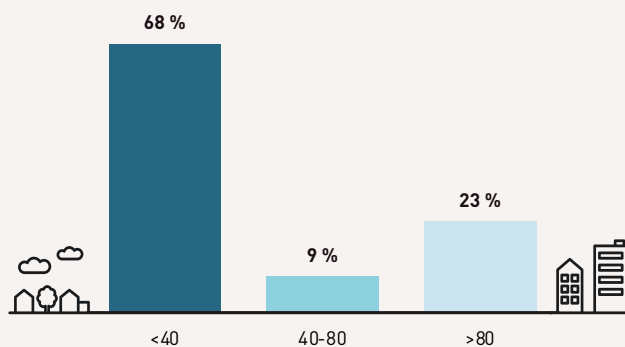
Certificate of eligibility for housing



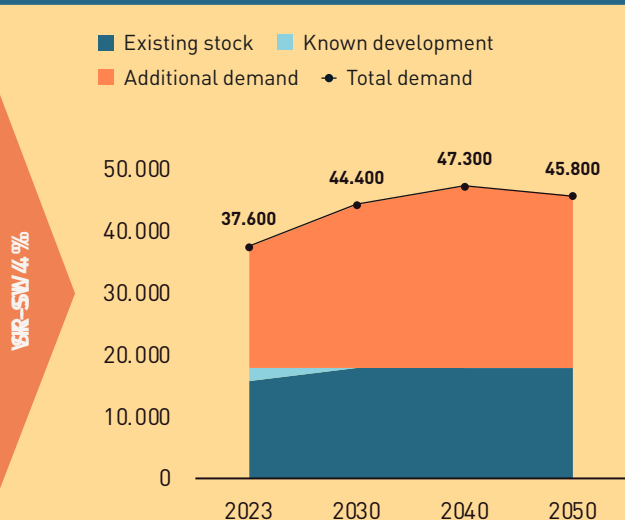
Affiliation to nursing home and/or day care



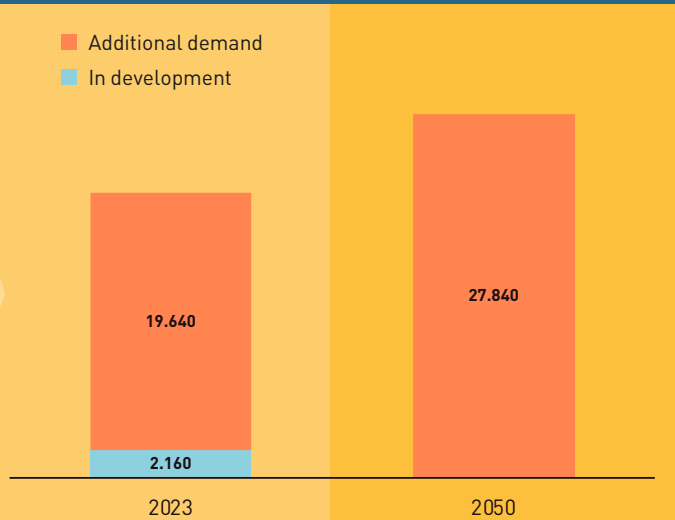
Size of the facility (number of apartments)



Additional demand for SR 4 %



Additional demand today and in the future

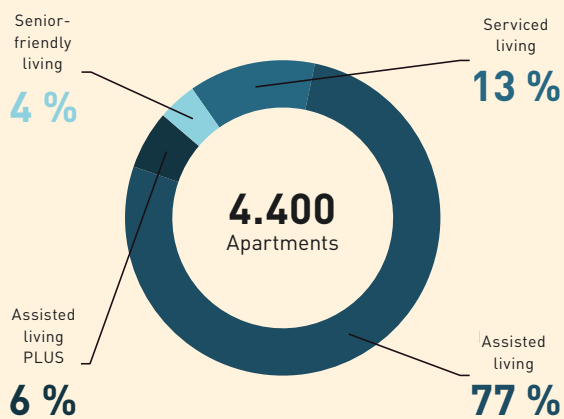


Saarland

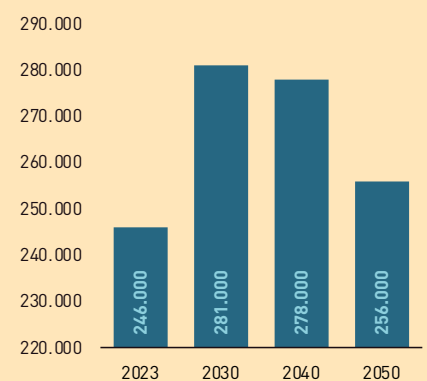
The Saarland, the small federal state in the southwest of Germany, covers an area of around 2,600 km², with a population of just one million people. The heart of the federal state is the state capital Saarbrücken, which is the political and economic center. The Saarland is characterized by the coal and steel industry, but has also successfully mastered the structural change towards modern industries and services. In addition to an impressive natural environment the Saarland, influenced by the neighboring countries France and Luxembourg, is characterized by a particularly diverse culture.



Existing stock senior living 2023

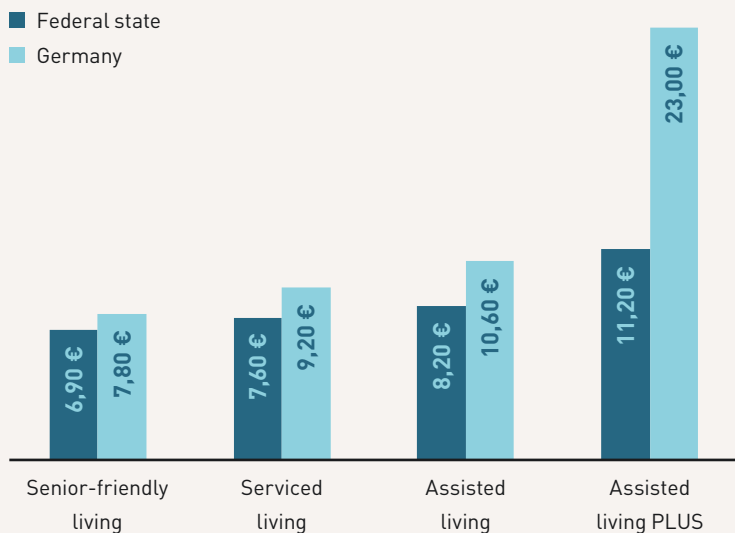


Development of population (over 65)

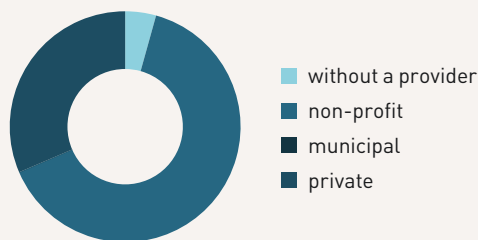


Source: German Federal Statistical Office

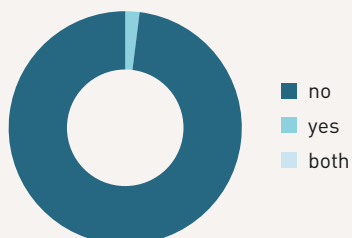
Basic rent (Ø pro m²)



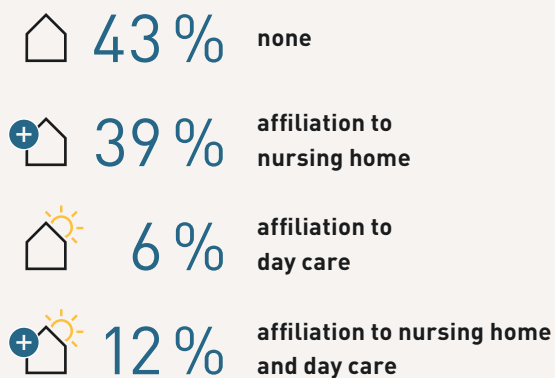
Type of provider



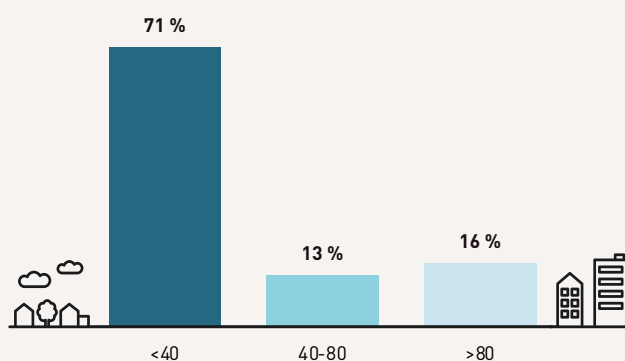
Certificate of eligibility for housing



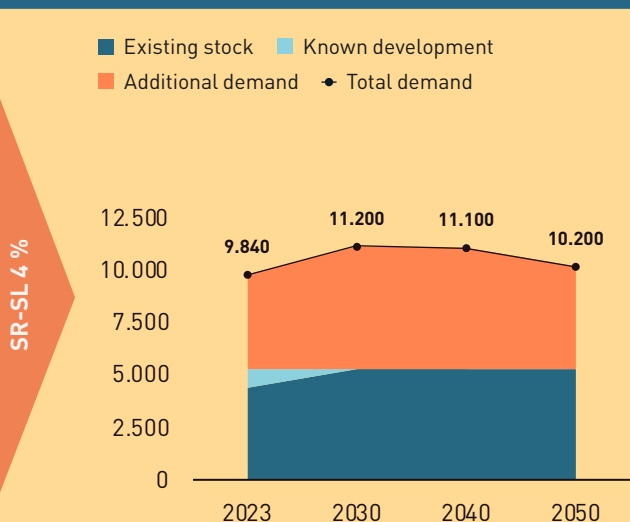
Affiliation to nursing home and/or day care



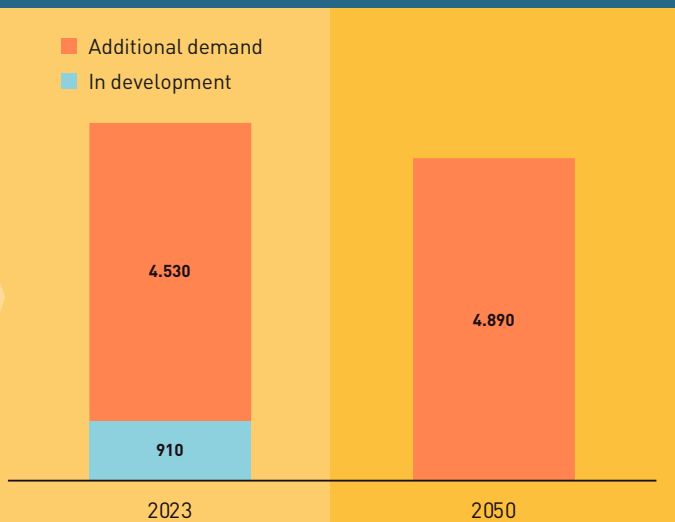
Size of the facility (number of apartments)



Additional demand for SR 4 %



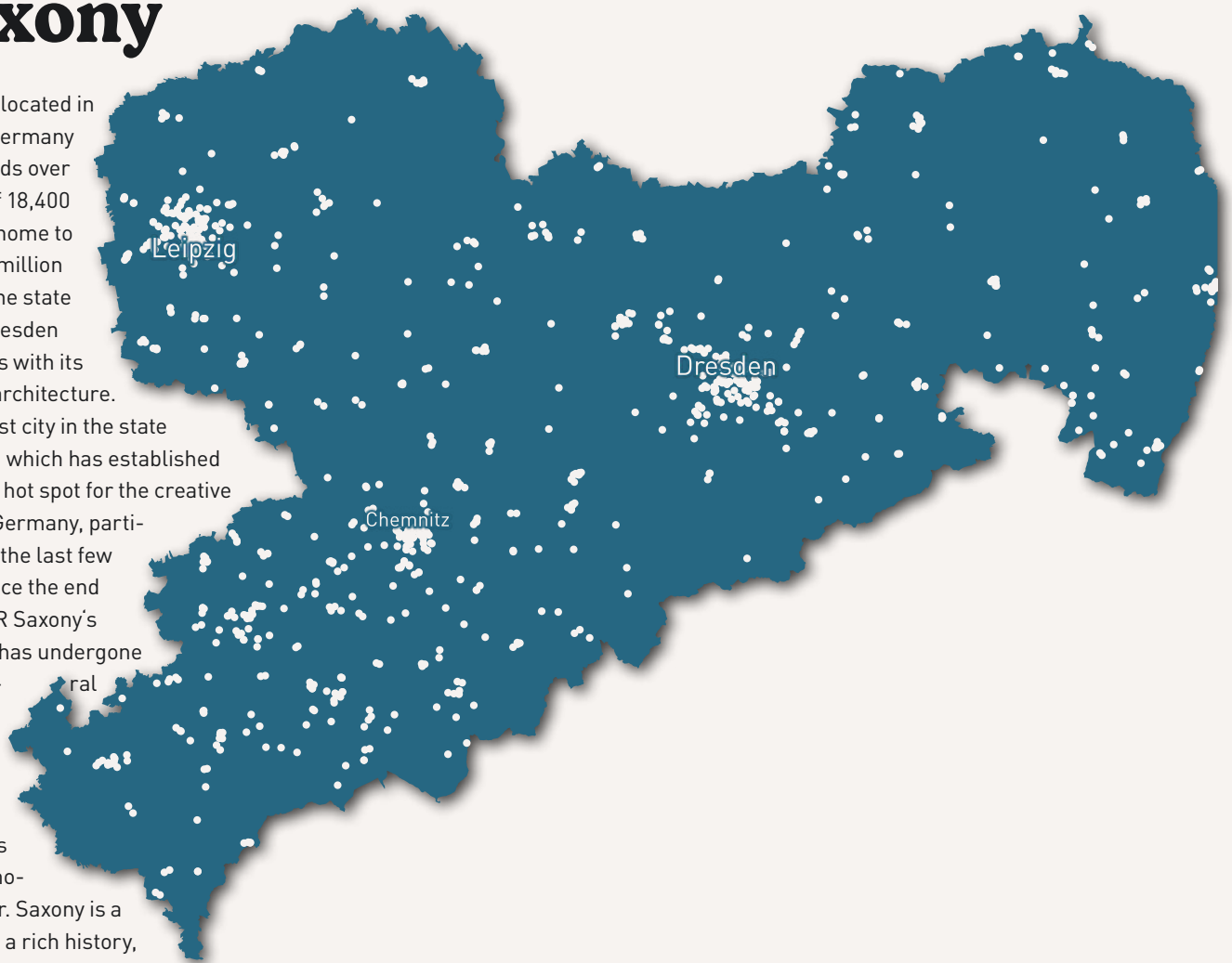
Additional demand today and in the future



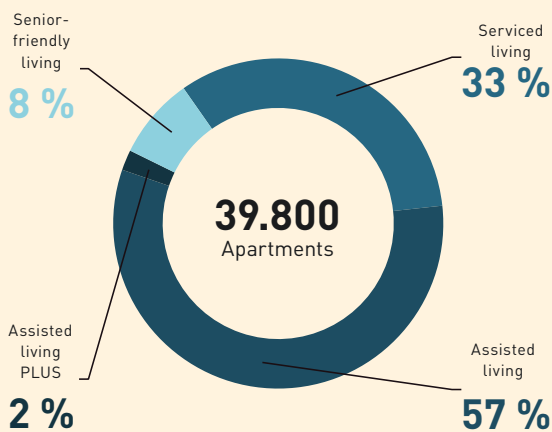
Saxony

Saxony is located in eastern Germany and extends over an area of 18,400 km². It is home to around 4 million people. The state capital Dresden impresses with its baroque architecture.

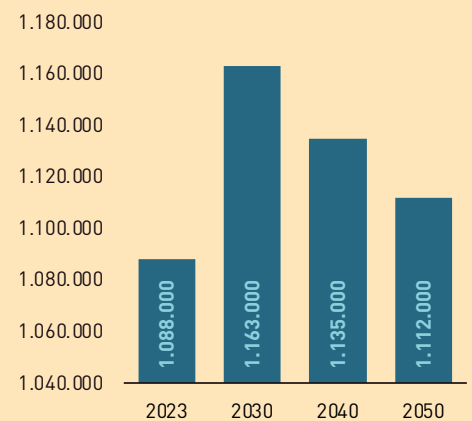
The largest city in the state is Leipzig, which has established itself as a hot spot for the creative scene in Germany, particularly in the last few years. Since the end of the GDR Saxony's economy has undergone a structural change, and today the strongest industry is the automotive sector. Saxony is a state with a rich history, culture and varied landscapes.



Existing stock senior living 2023

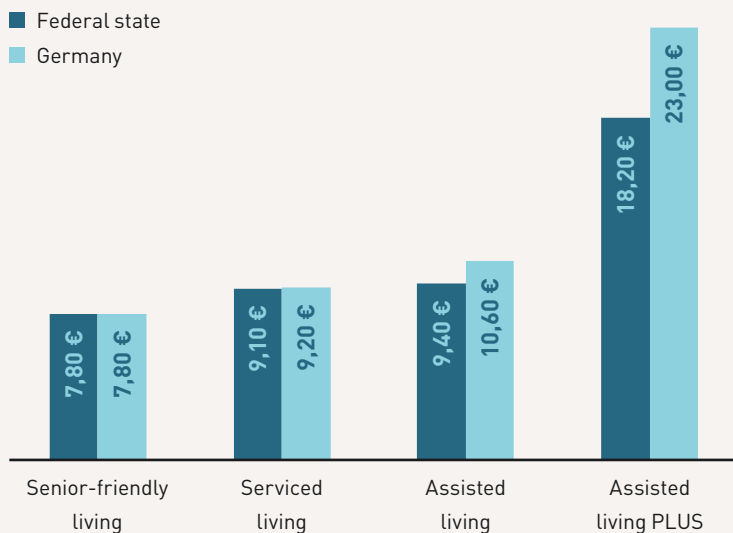


Development of population (over 65)

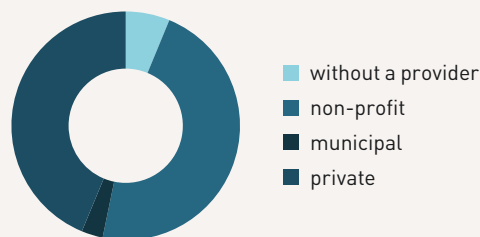


Source: German Federal Statistical Office

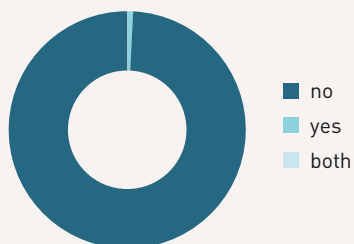
Basic rent (Ø pro m²)



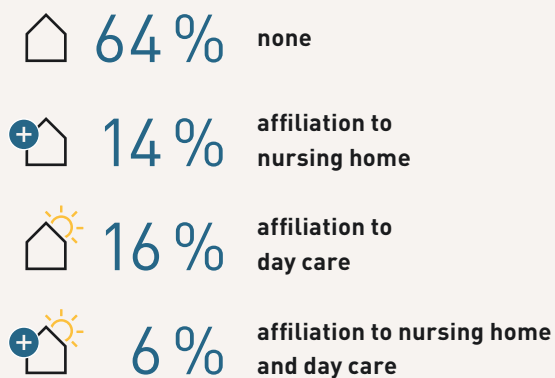
Type of provider



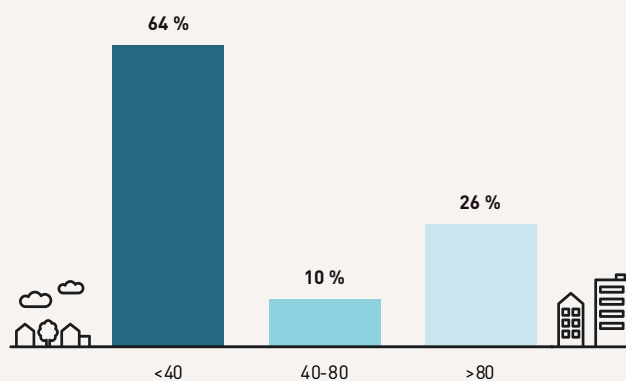
Certificate of eligibility for housing



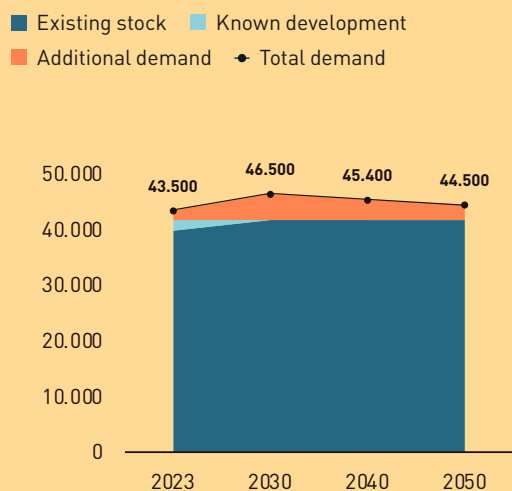
Affiliation to nursing home and/or day care



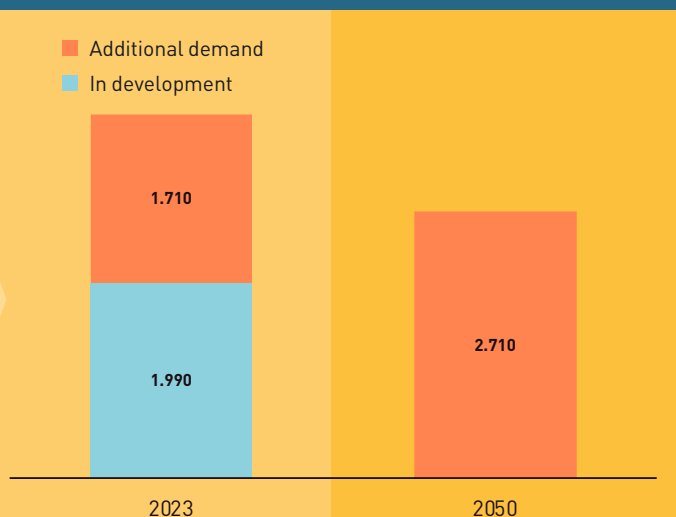
Size of the facility (number of apartments)



Additional demand for SR 4 %



Additional demand today and in the future



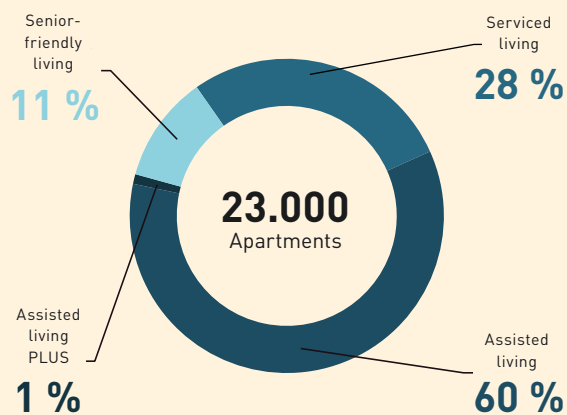
Saxony-Anhalt

Saxony-Anhalt, located in the eastern part of Germany, spans an area of 20,500 km² and has around 2.2 million inhabitants. The state capital Magdeburg and Halle (Saale), each with around 240,000 inhabitants, are the largest cities of the federal state. Saxony-Anhalt already established itself in the GDR as a location for the chemical industry. Other important economic sectors are the oil and pharmaceutical industry as well as mining. The federal state offers a historical past with important places for German history and manages to captivate with picturesque landscapes, such as the Harz Mountains.

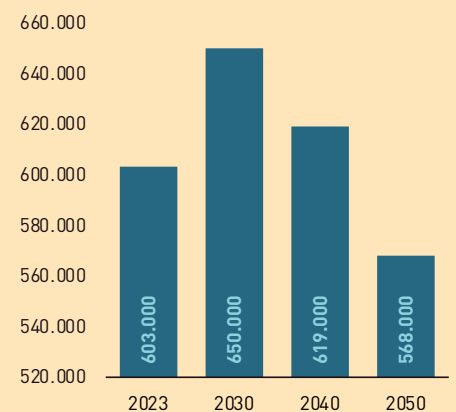


The forecast population decline in Saxony-Anhalt is also reflected in a calculated surplus of senior living. It can be assumed that despite this a strong demand for attractive senior living offers exists. For new buildings and existing facilities it is crucial to offer a high quality of service and attractive living space, to succeed in the future competition for residents.

Existing stock senior living 2023

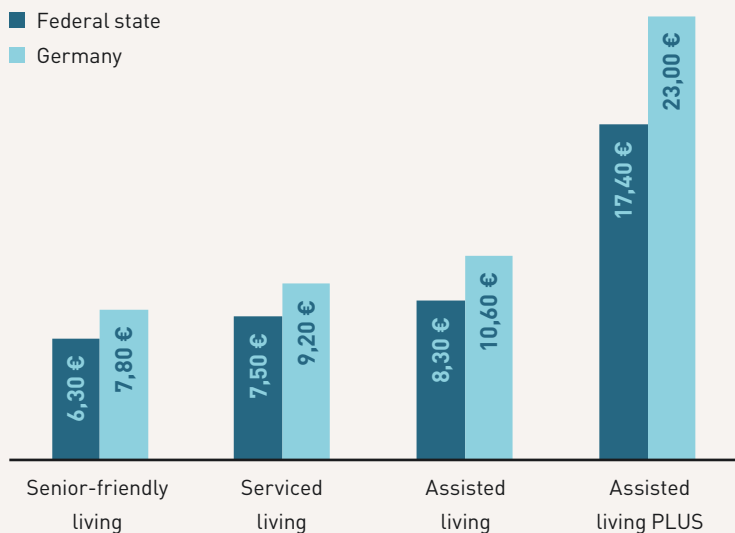


Development of population (over 65)

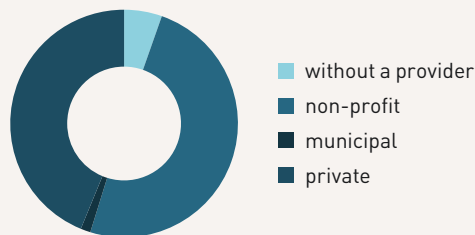


Source: German Federal Statistical Office

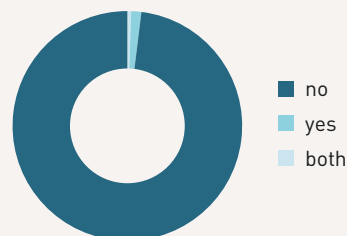
Basic rent (Ø pro m²)



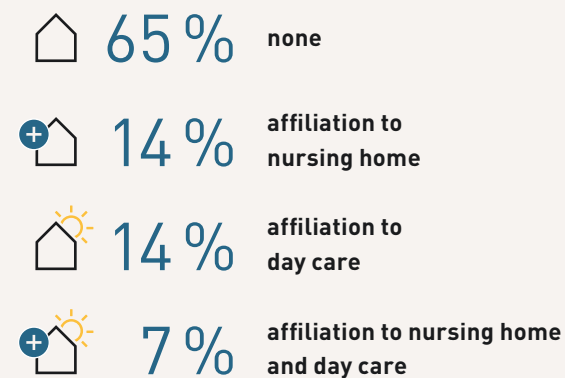
Type of provider



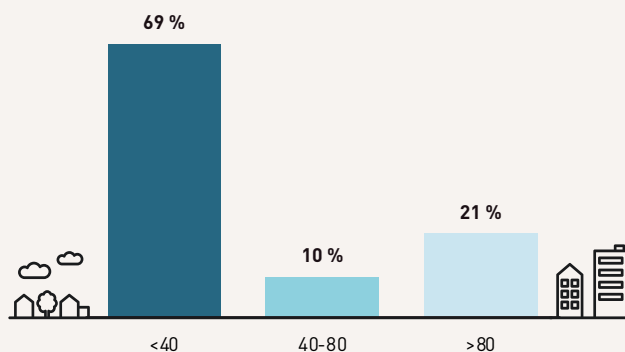
Certificate of eligibility for housing



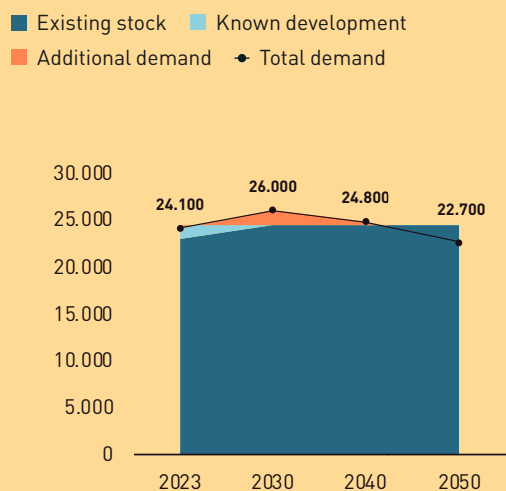
Affiliation to nursing home and/or day care



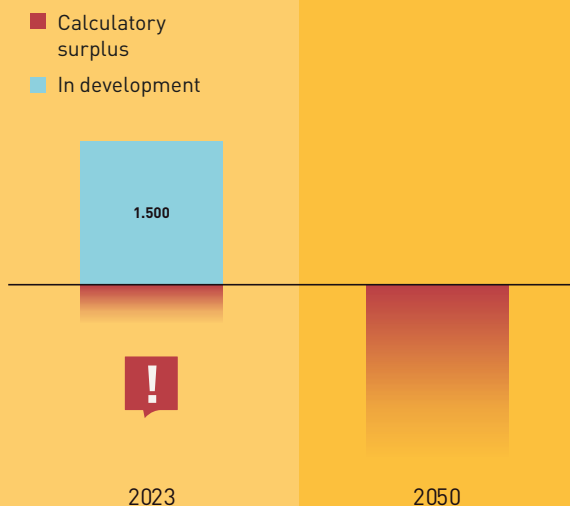
Size of the facility (number of apartments)



Additional demand for SR 4 %

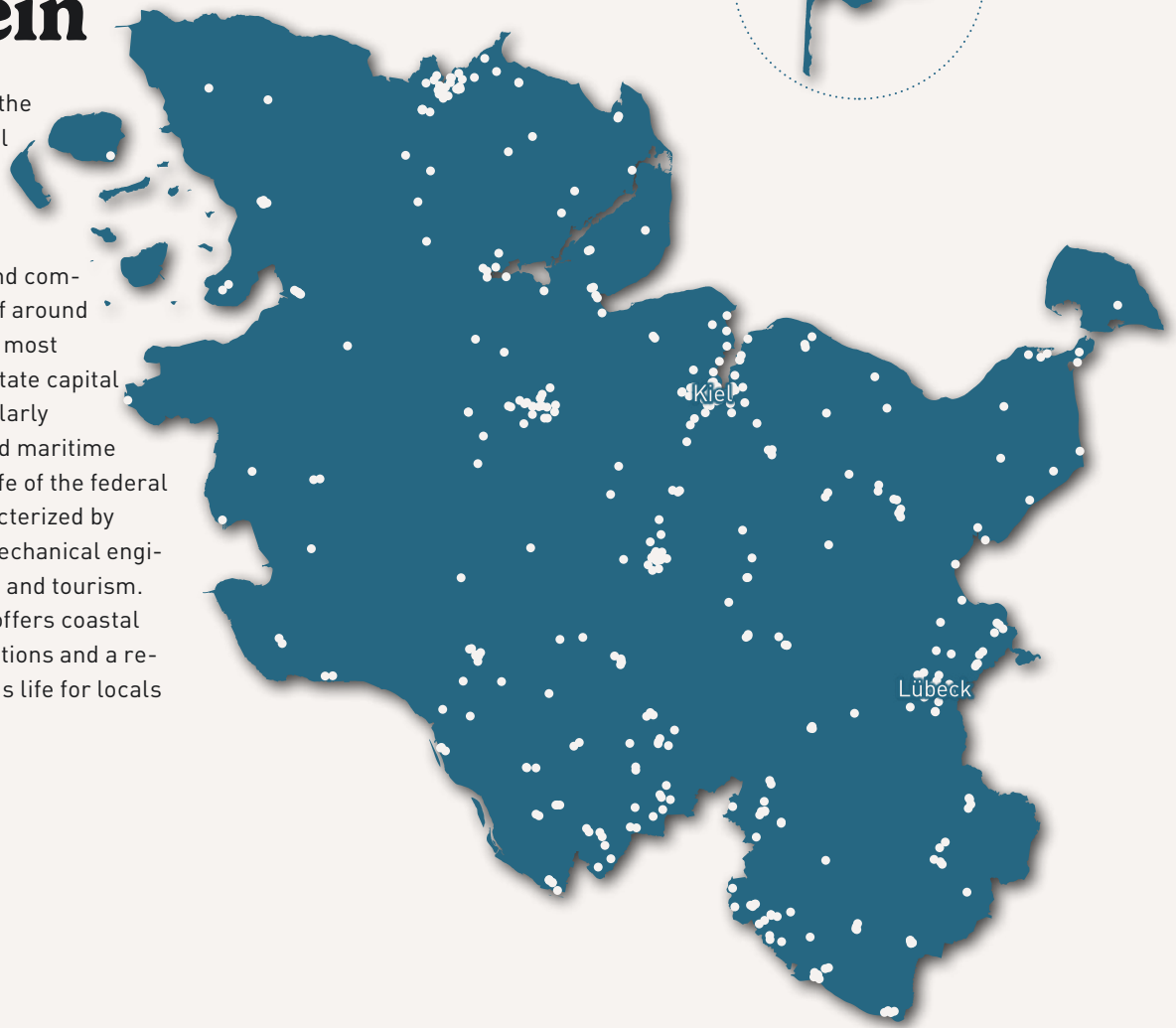


Additional demand today and in the future

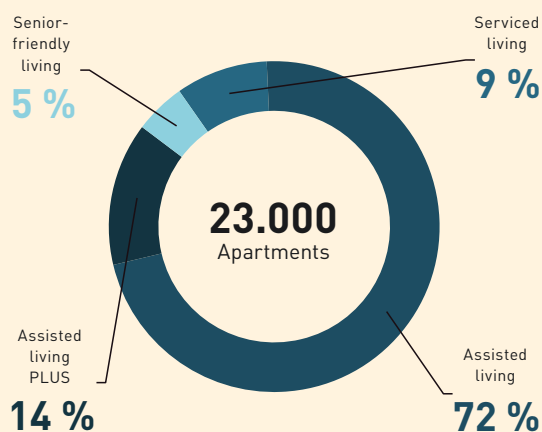


Schleswig-Holstein

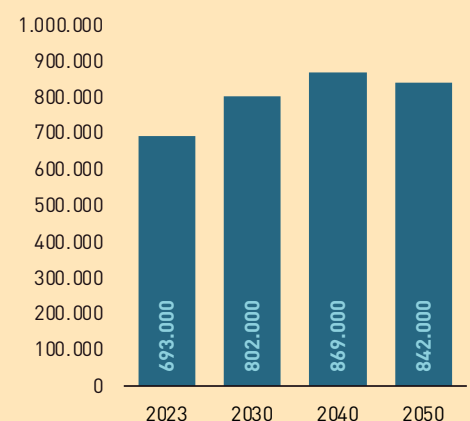
Schleswig-Holstein, the northernmost federal state surrounded by the North and Baltic Sea, extends over an area of 15,800 km² and comprises a population of around 3 million people. The most populous city is the state capital Kiel, which is particularly known for its port and maritime flair. The economic life of the federal state is mainly characterized by industries such as mechanical engineering, shipbuilding and tourism. Schleswig-Holstein offers coastal idylls, maritime traditions and a relaxed attitude towards life for locals and tourists.



Existing stock senior living 2023

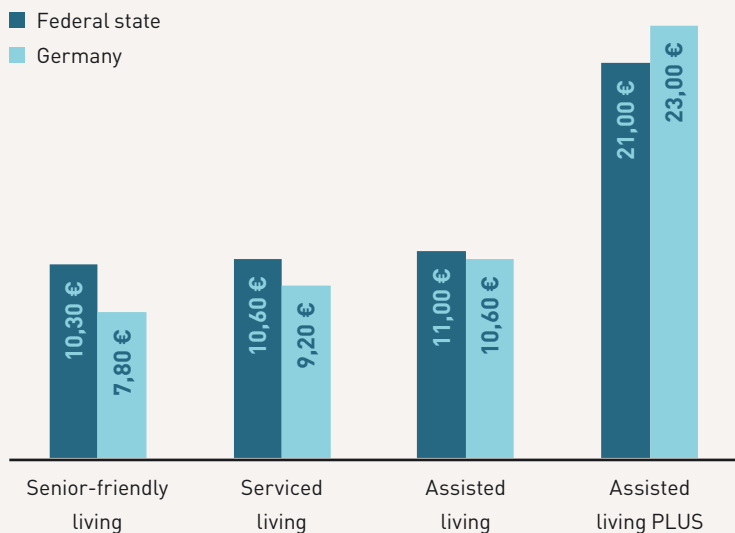


Development of population (over 65)

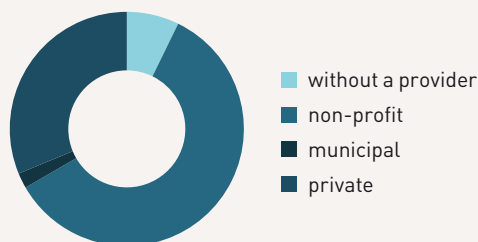


Source: German Federal Statistical Office

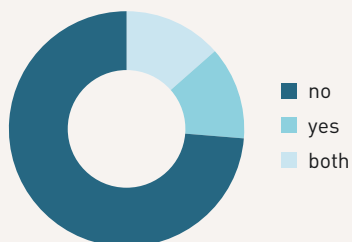
Basic rent (Ø pro m²)



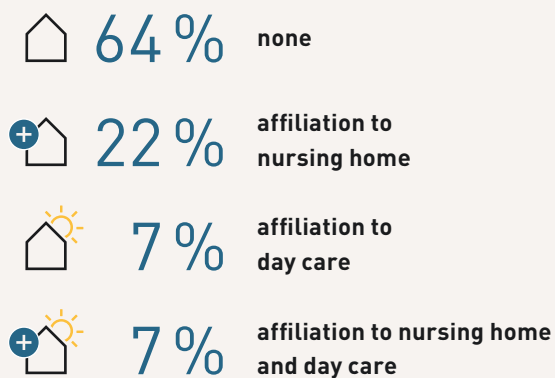
Type of provider



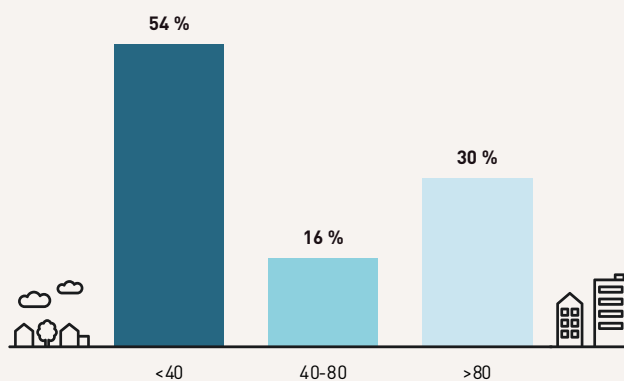
Certificate of eligibility for housing



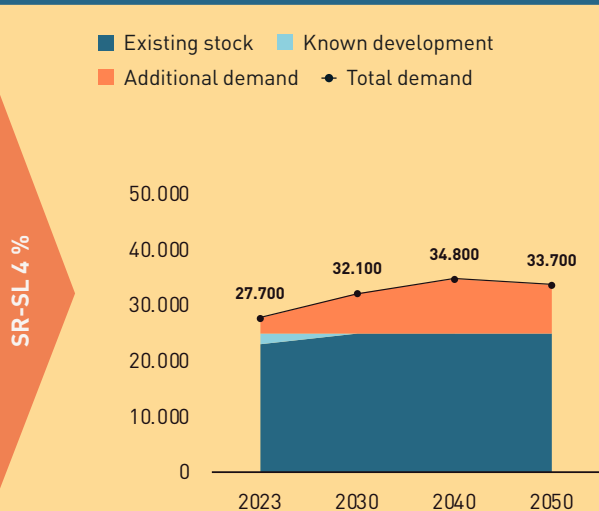
Affiliation to nursing home and/or day care



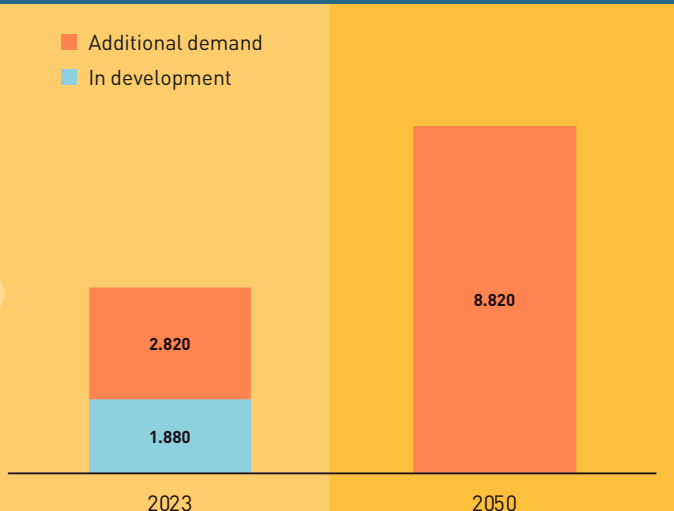
Size of the facility (number of apartments)



Additional demand for SR 4 %



Additional demand today and in the future

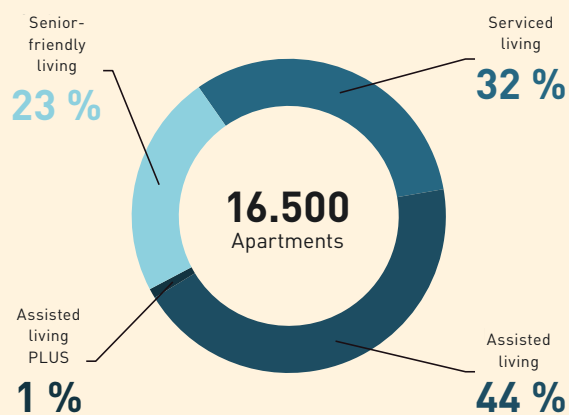


Thuringia

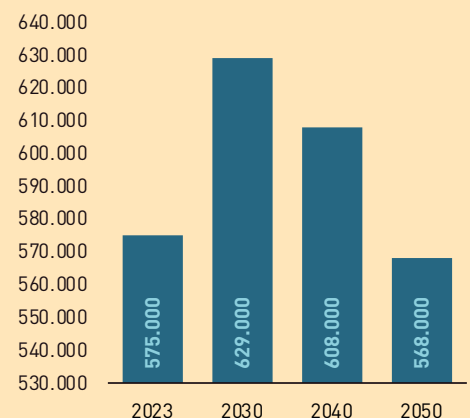
Thuringia, to be found in the geographical center of Germany, extends over an area of 16,200 km² and has around 2.1 million inhabitants. The federal state is rich in historical places and is known for its poets and thinkers like Goethe and Schiller and is the home of the Bauhaus Weimar, as well. The prevailing economic sector of the federal state is the service sector. In addition economy in Thuringia is predominantly characterized by small and medium-sized companies. In addition to the historic cities, the federal state offers vast forested areas, such as the picturesque Thuringian Forest.



Existing stock senior living 2023

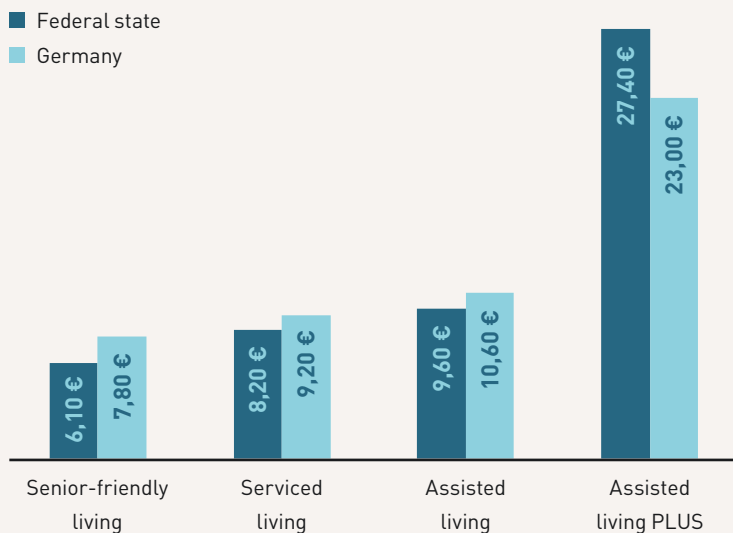


Development of population (over 65)

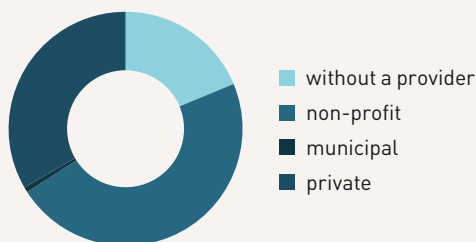


Source: German Federal Statistical Office

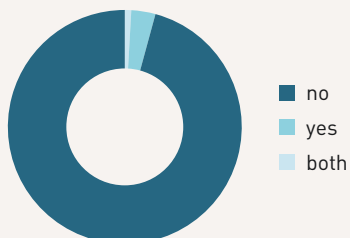
Basic rent (Ø pro m²)



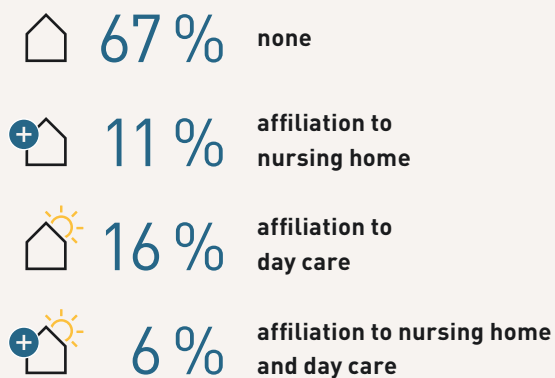
Type of provider



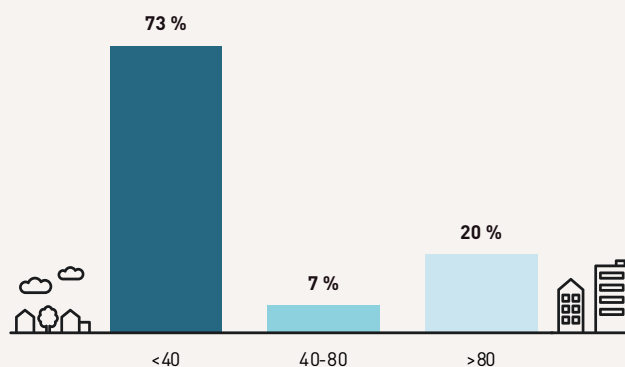
Certificate of eligibility for housing



Affiliation to nursing home and/or day care

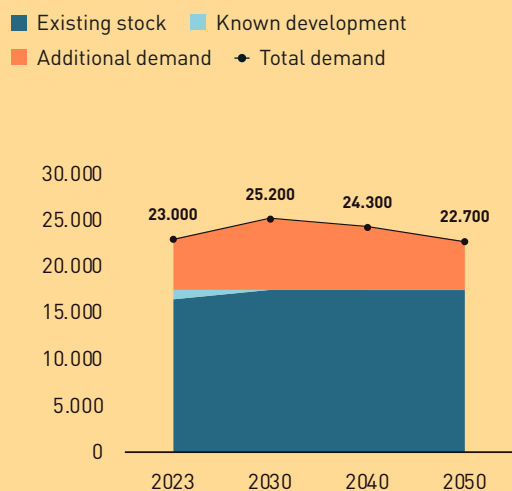


Size of the facility (number of apartments)

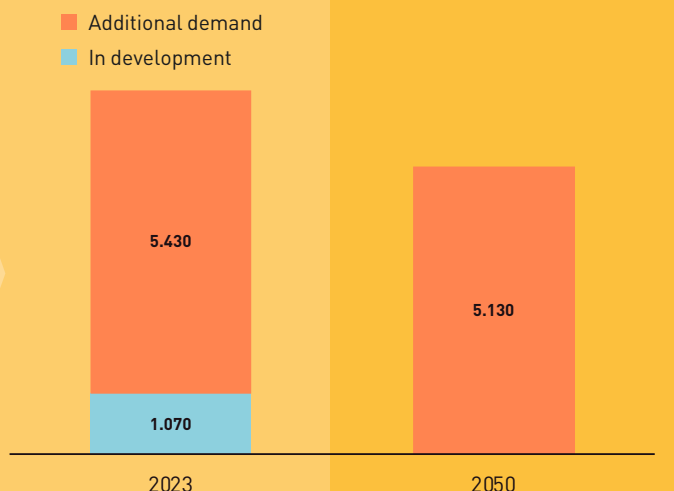


Additional demand for SR 4 %

SR-SL 4 %



Additional demand today and in the future



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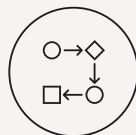
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Jochen Zeeh & Timm Klöpper

Verantwortlich für den Inhalt nach § 55 Abs. 2 RStV

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