

REPORT

IMMOTISS

Investment Cost Analysis 2025

Investment costs

- A stabilizer for lease payments for nursing homes

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FOCUS: INVESTMENT COSTS

Development and Effects

Stable market, growing demand

Germany is aging. The number of people requiring care is rising, and supply is not keeping pace with it. Care is part services for the public, and demand cannot be delayed or substituted. This means the market differs fundamentally from cyclical real estate segments such as offices or logistics properties. Care properties remain structurally demand-driven, providing a stable foundation for investors.

Investment costs as a key factor for sustainable leasing

Investment costs (I-costs) are the property-related portion of the total costs of a facility and include construction or acquisition, modernization, maintenance, and financing. These costs are recognized as facility costs under Section 82 of the German Social Security Code XI (SGB XI) and are generally deductible. For investors, I-costs serve as a guide for a rule-based market lease – they make lease-specific cash flows transparent and provide security for owners and financial partners alike.

Significance of investment costs

Reasonably negotiated investment costs create reliability and stability. They secure lease-specific refinancing by covering

rents, leases, and index adjustments. For owners, they represent the basis for continuous rent and lease payments by operators. And they provide banks and investors with planning security, as they make financing and continuation calculable.

Despite this significant relevance, the reality is: The I-costs of many providers still offer plenty of room for improvement!

Insurance fund data 2020–2025

Our evaluation of public insurance fund data shows a clear pattern:

44 percent of institutions have not changed their investment cost rates in the past five years.

In Baden-Württemberg, I-costs are regularly adjusted only for actual investments (especially structural modernizations/renovations). However, in view of inflation-dependent lease and rent adjustments (index-linked rents), I-cost increases are often to be assumed as appropriate. The insurance fund data and experience suggest that this has often not yet been done. In this context, a number of BSG-rulings should also be taken into account, for example the ruling on the recognition of actual rents in the case of external economic adequacy (BSG 2021).

North Rhine-Westphalia has the lowest share of unchanged rates at 13 percent. A highly complex and multi-layered application process creates the binding basis for regular adjustments here. Of all the federal states, the procedures in North Rhine-Westphalia are the most complex.*

Potential for investors

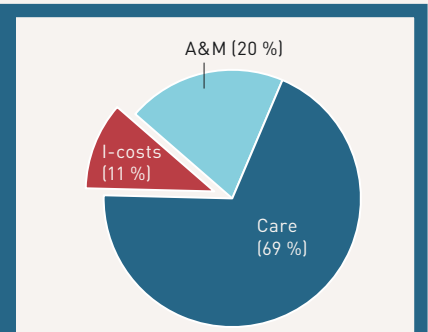
This evaluation clearly shows that in many facilities, I-costs have remained unchanged for years. In view of rising refinancing costs for maintenance, rents, and leases, this is an immediate lever for increasing revenue and securing value. Those who adjust I-cost rates appropriately strengthen refinancing, improve the liquidity of the business, and ensure reliable rent payments

For investors, the key message is: **I-costs are not an administrative detail, but a central key to performance.** Regular and well-prepared negotiations create stable cash flows, increase the sustainability of a property, and secure long-lasting values.

We are keen to contribute our expertise and experience gained from numerous successful care rate negotiations in order to provide facilities with competent advice and support in this process.

Breakdown of care costs (example: care level 3)

The costs for full inpatient care consist of three components: care-related expenses, accommodation & meals (A&M), and I-costs. On average across all facilities in Germany, around 69 percent is accounted for by care-related expenses, 20 percent by accommodation & meals, and 11 percent by investment costs – with a strong upward trend in new buildings.** The share of investment costs in particular plays a key role for operators and investors, as it has a direct impact on the refinancing options and thus on the economic efficiency of the facility.



*The available insurance fund data contains some gaps and inconsistencies. In our analyses, this data is checked for plausibility and, where necessary, corrected manually. Despite these limitations, the discernible patterns are sufficient to derive reliable trends and tendencies.

**However, the actual composition of nursing care fees may vary from facility to facility – for example, due to regional differences in personnel and material costs, the range of services offered, the size and age of the building infrastructure, and, last but not least, the negotiating skills of the facility operators vis-à-vis the cost bearers.

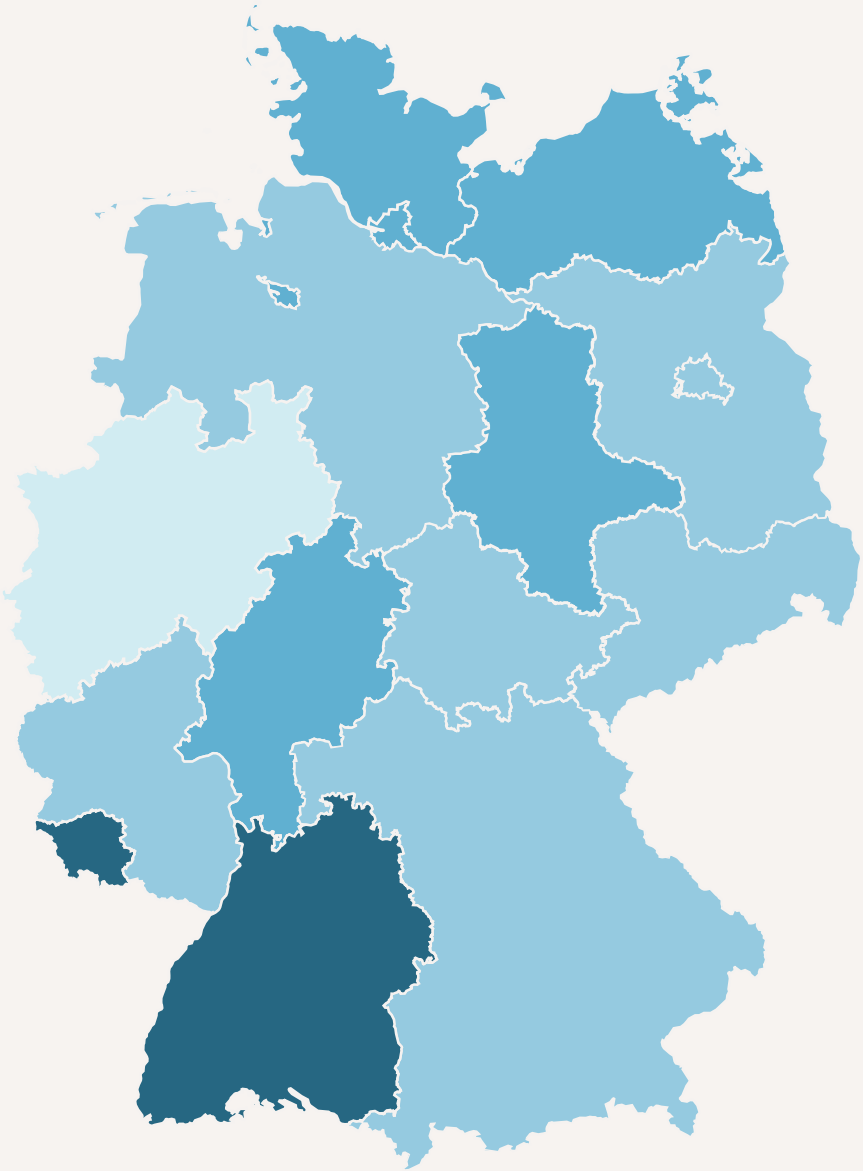
Evaluation of insurance fund data
2020–2025

Where investment costs have
remained unchanged for years

Percentage of facilities whose
investment costs have not been
adjusted in the last five years.

CLUSTER:

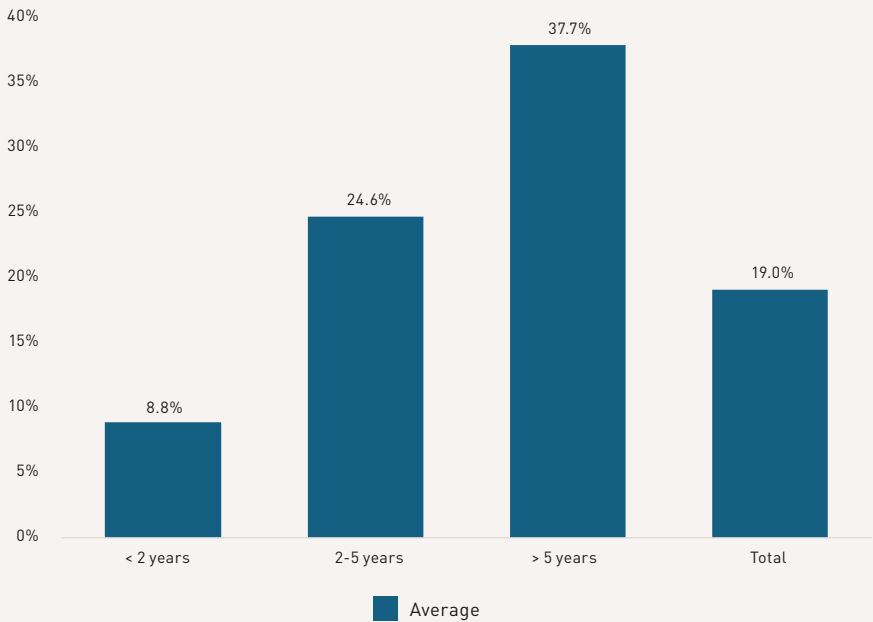
- 1 = 0 - 25 %
- 2 = 26 - 50 %
- 3 = 51 - 75 %
- 4 = 76 - 100 %



Evaluation of mandate results 2024/25

Our own negotiation results confirm this finding, showing long adjustment intervals and, in some cases, significant catch-up effects. On average, the period since the last adjustment was 4.8 years. The increases achieved averaged +19 percent – and for institutions without an adjustment for more than five years, as much as +37.7 percent. **A quarter of all facilities were able to achieve increases of over +26 percent (third quartile).** The message is clear: the long-term lack of adjustments of I-costs has resulted in significant catch-up effects, which, when closing this gap, have a noticeable impact on cash flows and property values.

Change in investment costs depending on the negotiation interval



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