

# WEBINAR

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## Insights for Value – Primonial REIM's Pan European Outlook





# Agenda

1. Introduction by *Juergen Fenk*
2. Macro-Economic European Outlook of Q1 2022 by *Daniel While*
3. Overview of the Healthcare Real Estate by *Filippo Monteleone*
4. Primonial REIM's Healthcare Real Estate Strategy by *Yann Balaÿ*
5. Live discussion
6. Conclusion



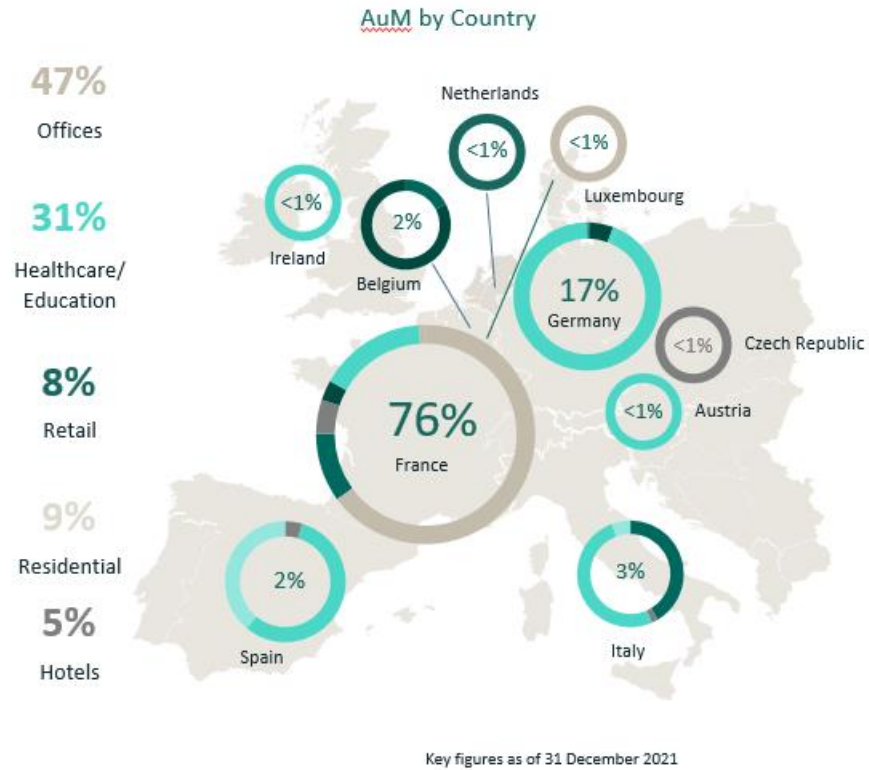
# Primonial REIM at a glance

## Key Figures



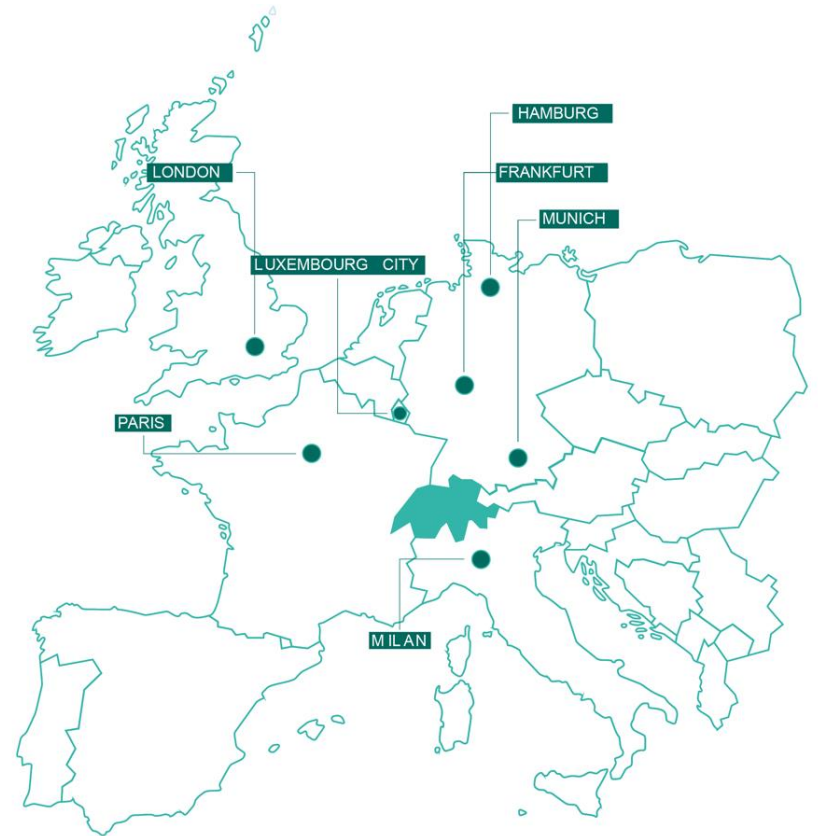
Key figures as of 31 December 2021

## Primonial REIM by asset class



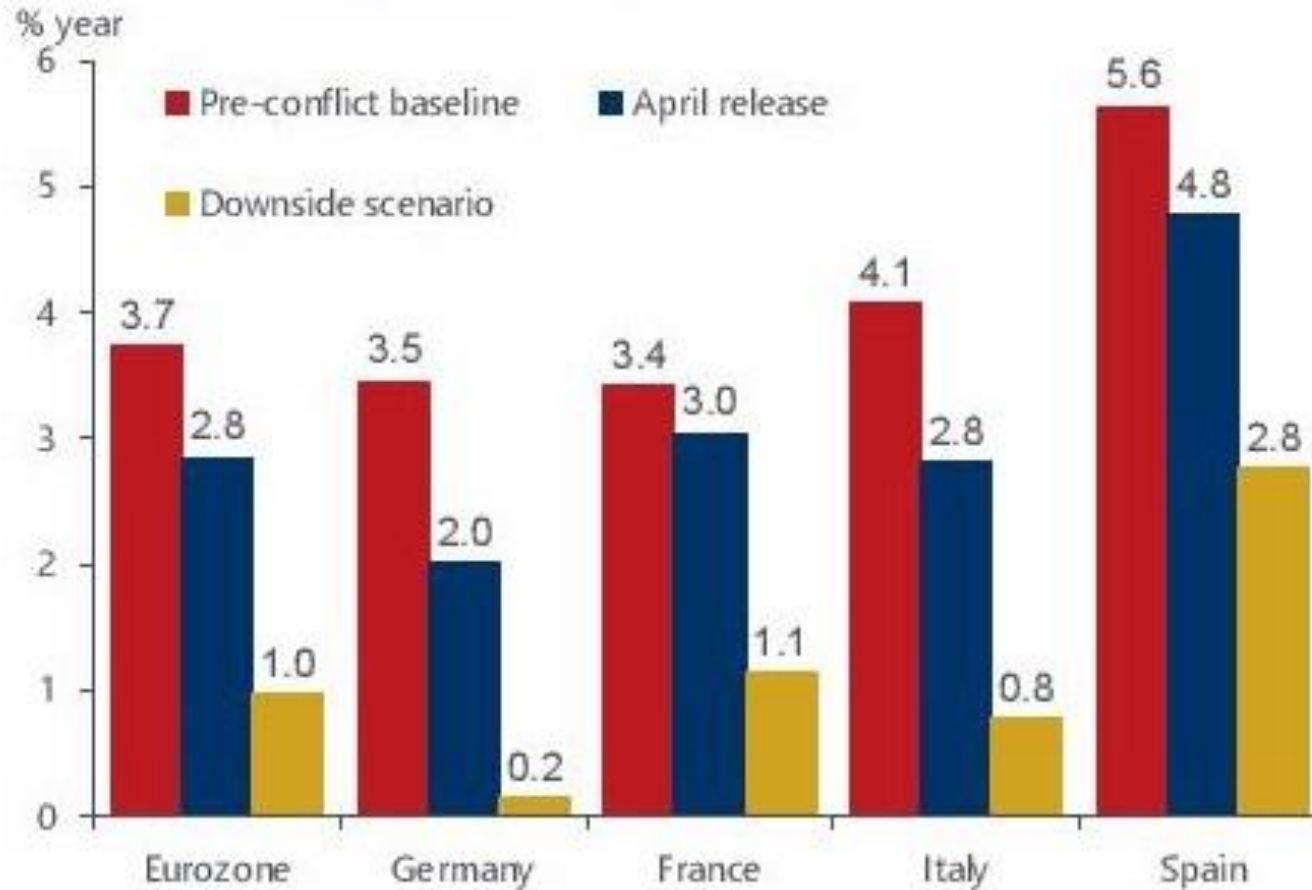
## Locally established teams

Primonial REIM is a European real estate platform with offices in France, Germany, Italy, Luxembourg, the UK and Singapore.



# Macro Environment for Healthcare Real Estate by Daniel While

## Eurozone: GDP growth in 2022



Source : Oxford Economics, 13 april 2022

- While GDP growth expectations are still positive, due to a mechanical effect after the Covid-related recession, they vary in great proportions due to the uncertainty of the NATO/Ukraine conflict.

- **Likely outcomes :**

- Redeployment of European energy-mix
- Relocation of strategic industries
- Political instability

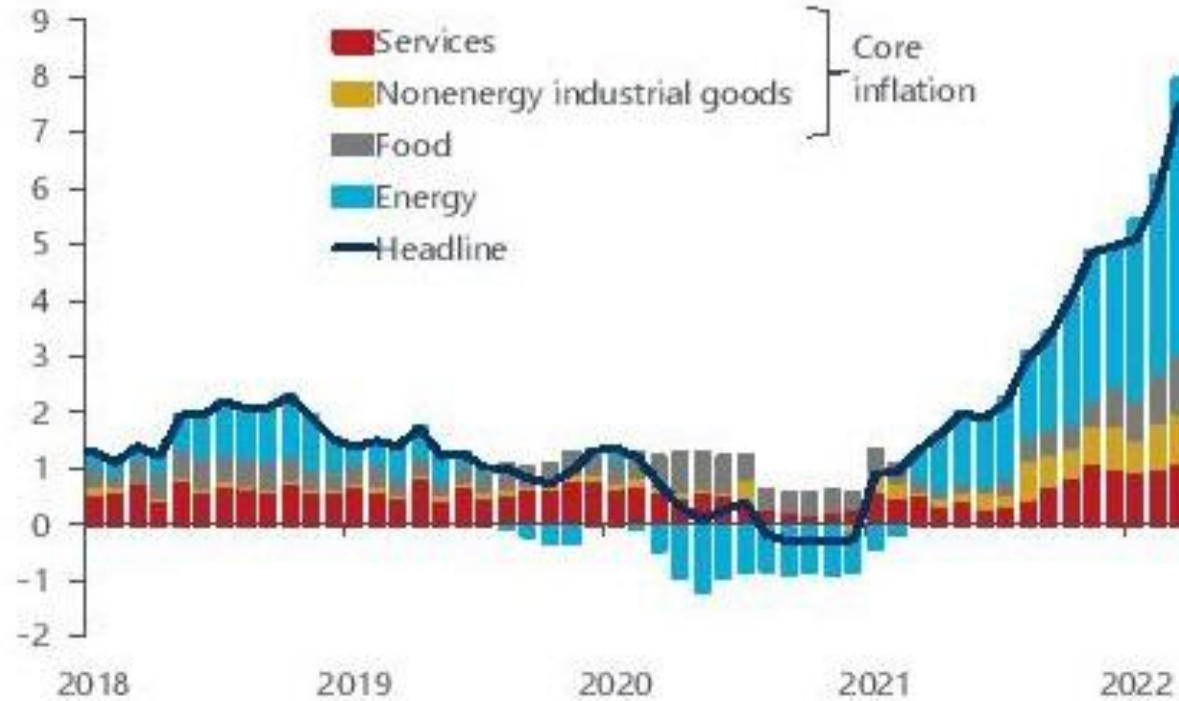
- **Issues to be watched :**

- Will peace talks bring stabilization? Or a long-term conflict?
- De-coupling of the Western world vs a Russia-India-China alliance (de-dollarization)?
- Nuclear escalation -> risks in Western Europe?
- Covid return?



## Eurozone: Headline inflation breakdown

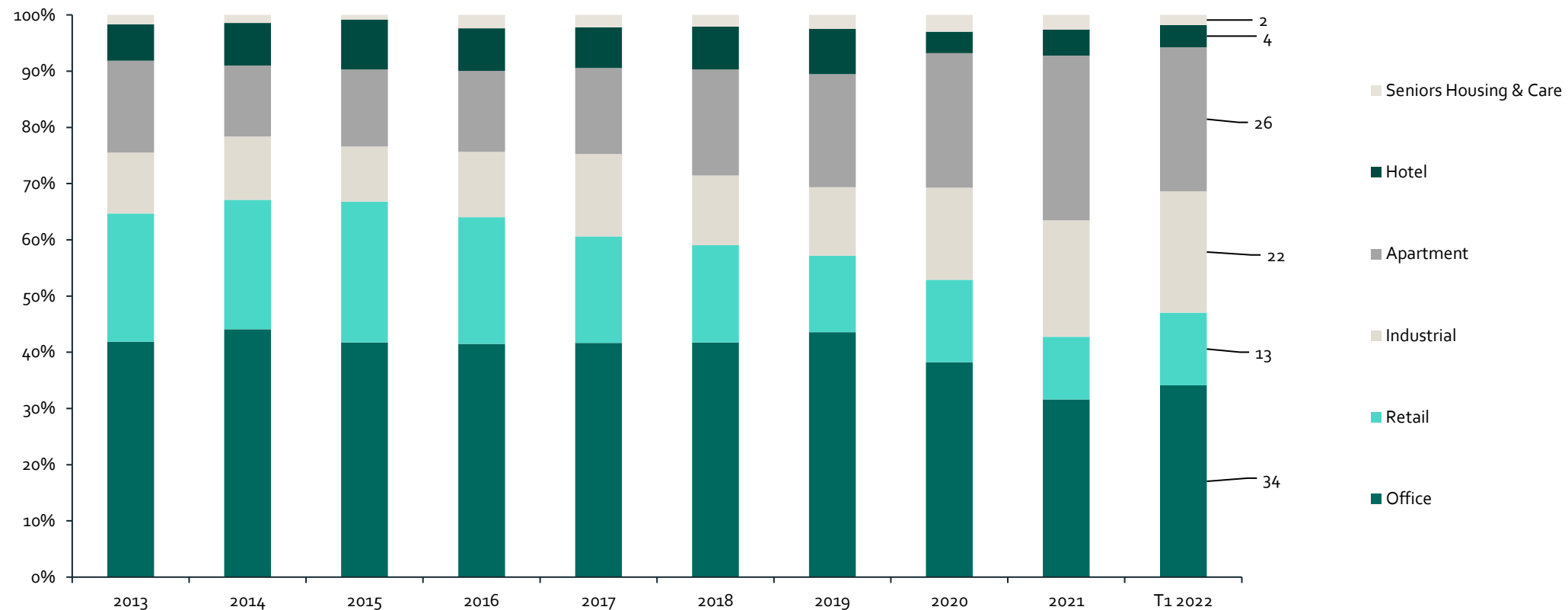
% y/y & pp contribution



- The inflation trend began before the Ukraine crisis, due to supply bottlenecks tightened by a global recovery. While this remains partially true for the US, the situation is quite different for the Eurozone.
- Eurozone inflation jumped to 7.5% in March, with strong increases in the energy and food components.
- Energy components tend to trickle-down to other activities : even core inflation is higher (3%).
- **Issues to be watched :**
  - How will ECB react?
  - Is it the end of low-cost energy on a global scale ?

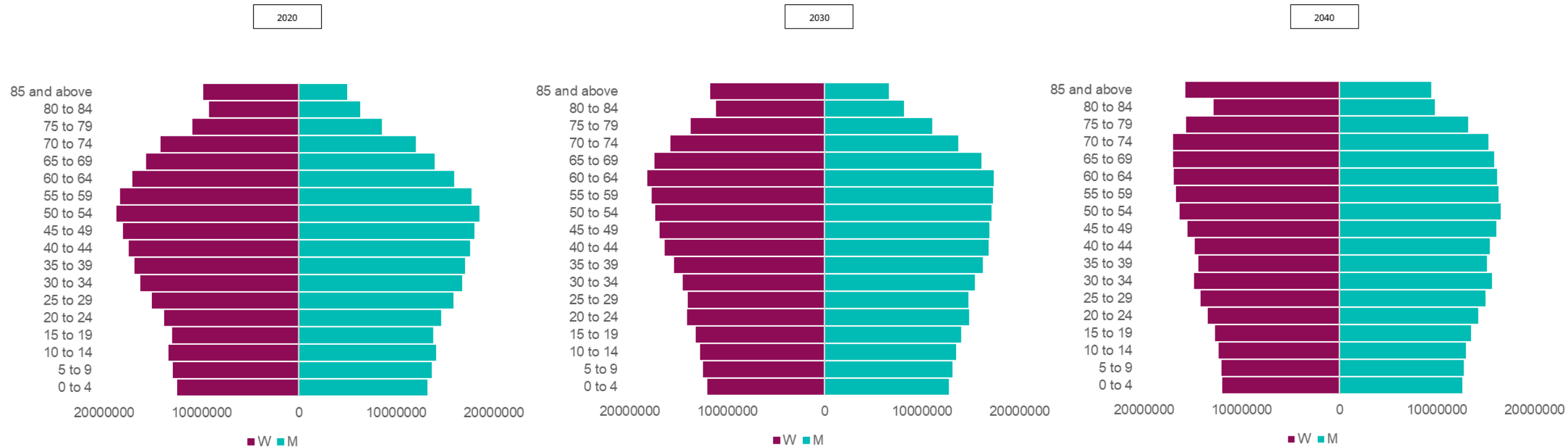
Source : Oxford Economics, 13 April 2022

# Breakdown of real estate Investment by asset classes



• Source(s): Primonial REIM Research and Strategy according to RCA

# Demographics in Europe, 2020-2040

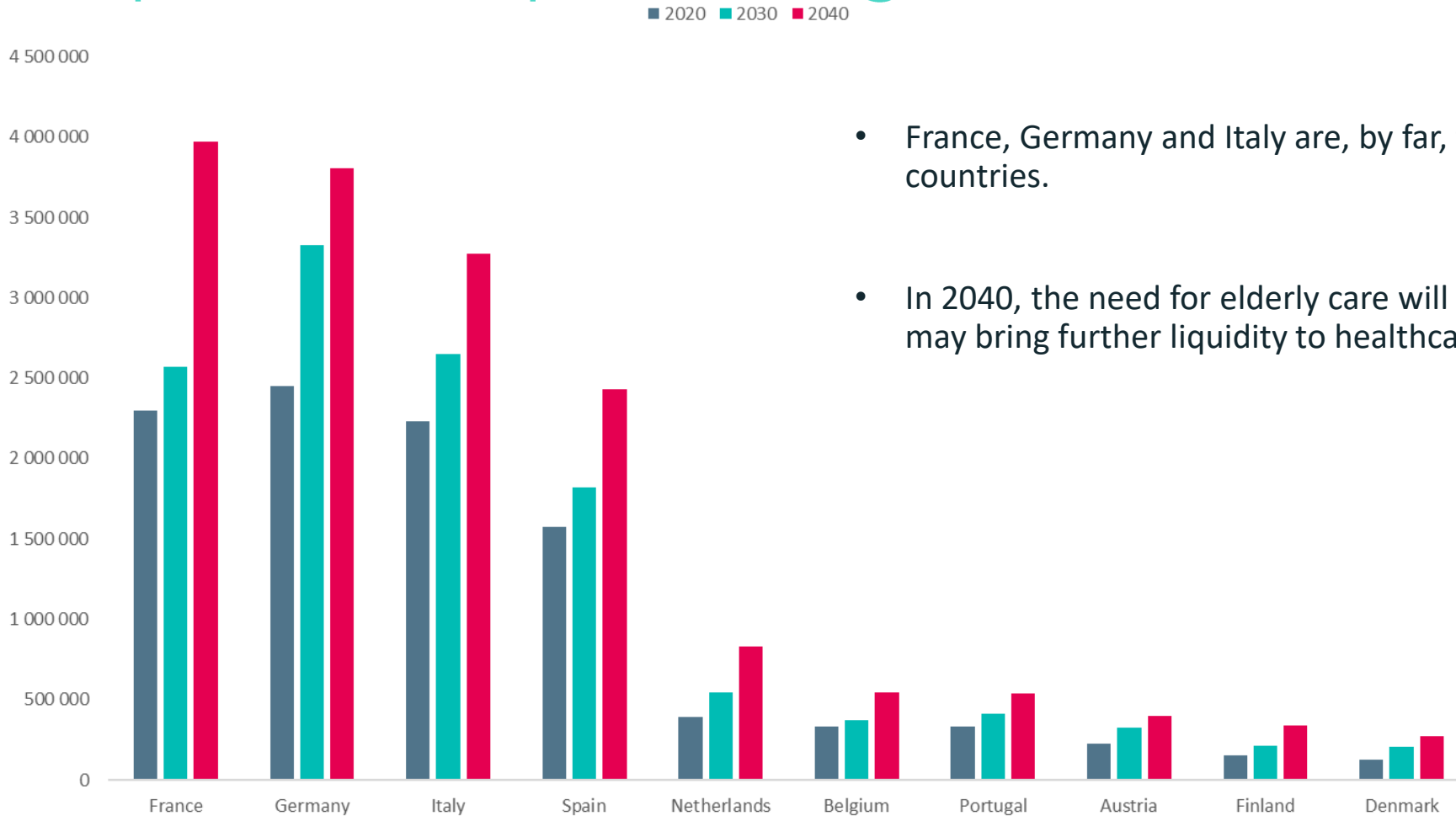


- The proportion of people over 85 will be growing in every European country, as baby boomers will gradually enter advanced old age. Age is strongly correlated with demand of care homes, but also with consumption of medical products and services, especially those performed in clinics. Among great medical challenges in the next 2 decades : cancer-related conditions, nervous system disorders (Parkinson, Alzheimer), mental health.

• Source(s): Primonial REIM Research & Strategy according to the OECD



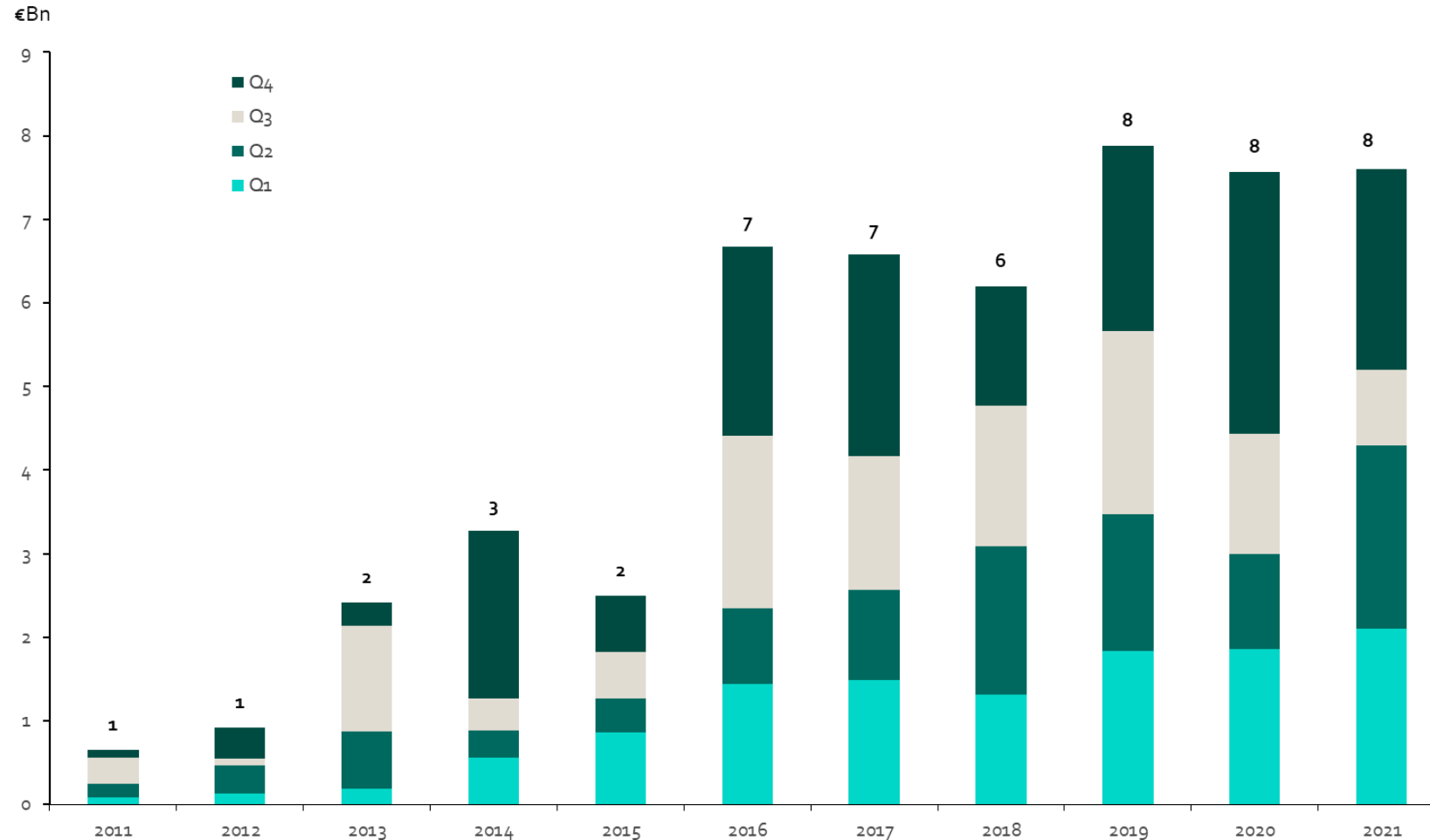
# People over 85, per country



- France, Germany and Italy are, by far, the most concerned countries.
- In 2040, the need for elderly care will be very strong, which may bring further liquidity to healthcare assets.

• Source(s): Primonial REIM Research & Strategy according to OECD

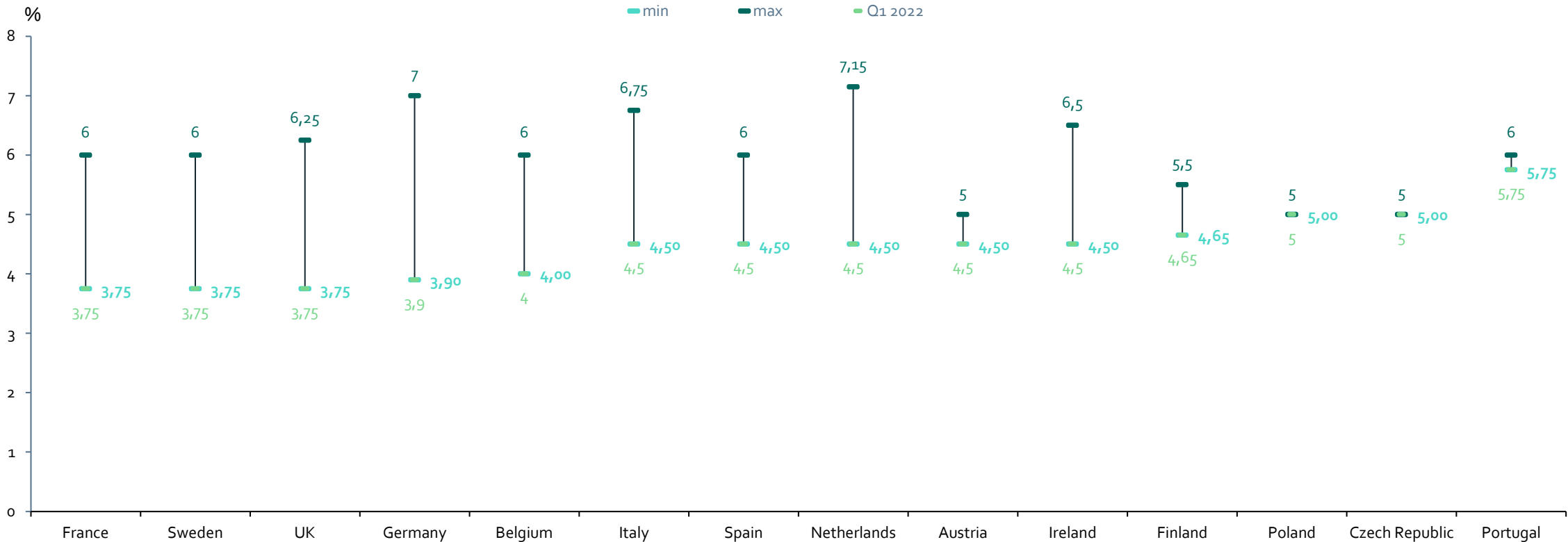
# Investment in healthcare real estate has scaled up since 2015



- Institutional investors have given to the market more liquidity since 2015. it results from a competitive risk premium, an appetite for de-correlated long-term cash-flow assets, and the desire to invest in socially profitable assets.

- Some compressions observed, especially in Belgium, the Netherlands and Finland

## Healthcare prime yields\* 2012-Q1 2022



- Source(s): Primonial REIM Research and Strategy according to RCA, C & W
- \*include nursing homes and retirement housing

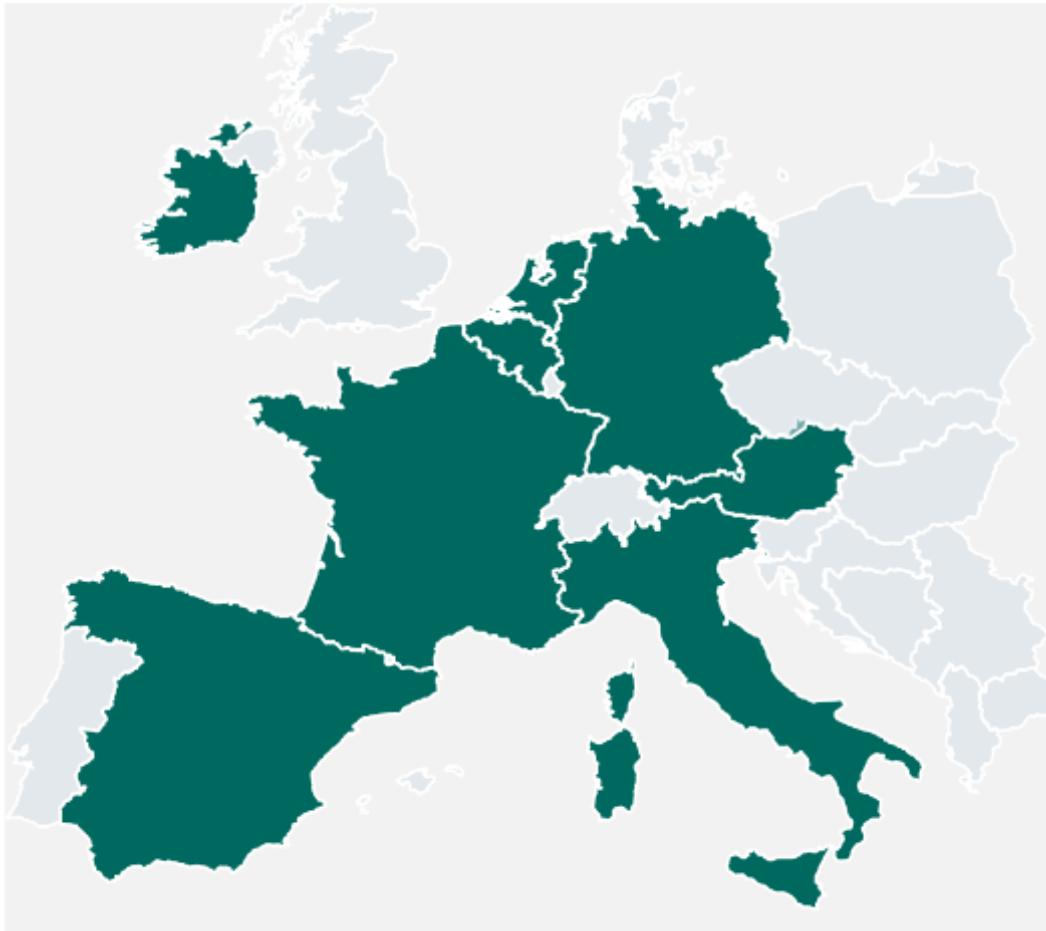
# Overview of the Healthcare Real Estate by *Filippo Monteleone*



# **Primonial REIM's Healthcare Real Estate strategy** *by Yann Balaÿ*

# Healthcare transaction & asset management teams

## Geographical Footprint



## Acquisition and Asset Management teams

Primonial REIM France	 <b>YANN BALAY</b> Head of Healthcare Europe	 <b>SAADA ANNAN</b> Asset Management	 Team of 10
Primonial REIM Germany	 <b>OLIVER SPIEWAK</b> Acquisitions	 <b>PHILIPP PETERSEN</b> Asset Management	 Team of 12
Primonial REIM Italy	 <b>FABRIZIO BONAVIDA</b> Acquisitions & Asset Management		Team of 3 

## Local Property Management



**PRIMONIAL**  
IMMOBILIEN



**CAREIT**



**oikogestion**



**CODABEL**  
Real Estate Solution

# Our current portfolio



**> 400**  
assets



**10 Mds€**  
AuM



Short stay : Acute care, medical centers



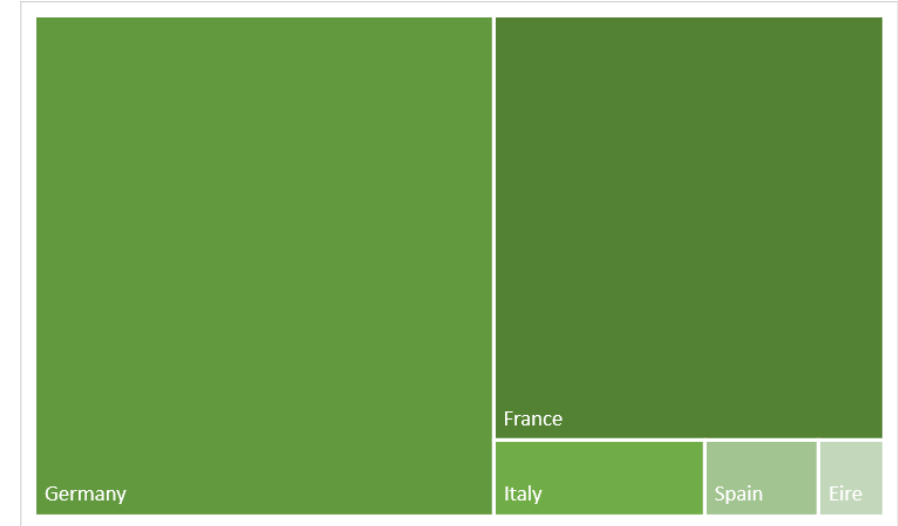
Middle stay : Clinics & Rehab



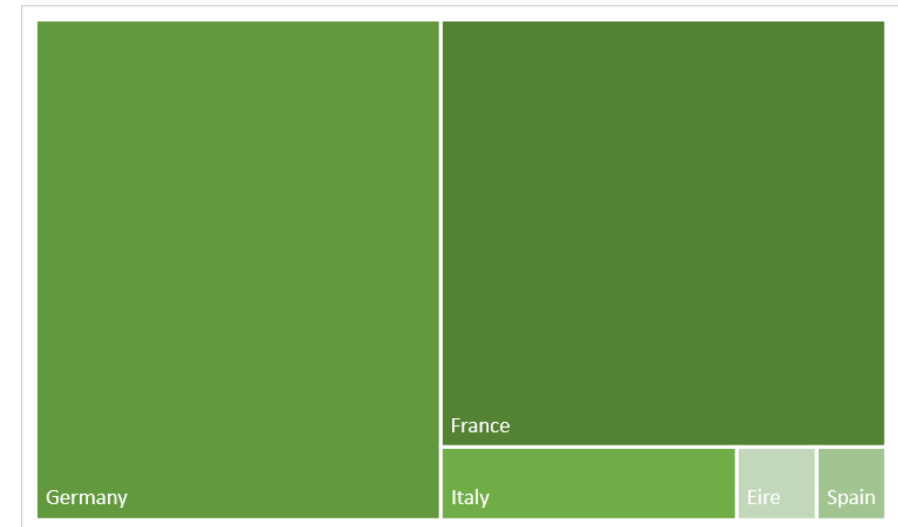
Long stay : care homes & assisted living

## Typologie

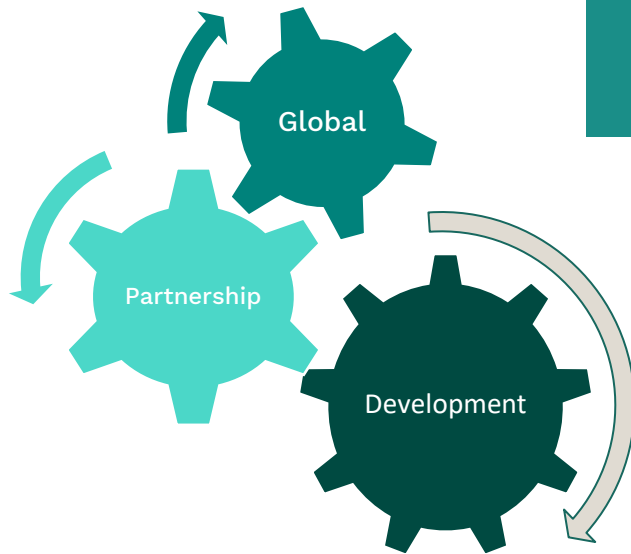
# Assets



AuM



# Our approach to sourcing and investing in healthcare real estate



## Global:

- Cross-boarder investment strategy (first investment outside France in 2015)
- Global-typology focus (long/middle/short stay + outpatient facilities)

## Partnership :

- Developing partnership with operators in order to support the ongoing M&A consolidation of the market
- Goal: maintain an ongoing pipeline of investment

## Development :

- Increasing investment in brownfield and greenfield project in order to increase the modernization of the portfolio



## Real estate features

- Good condition of maintenance and repair
- Potential capex for further value creation
- If in line with CoC target, forward funding with no development risk

## Location

- Limited local competition for operators
- Qualitative direct environment
- Good macro and micro location KPIs

## Structuring

- Asset or share deal
- Direct and indirect investments through creation of SPVs
- In some cases, minority stake investments in JV alongside third-party

<sup>(1)</sup> The difference between double and triple net leases is that in the latter the cost for roof and shed maintenance is borne by the tenant

## Operator Selection

**First scrutiny** based on public information



**Tenants' financial information** provided by the guarantor and **analyzed to guarantee financial health**



**Deep financial figures analysis:** turnover, EBITDAR margin, effort and occupancy rates, balance sheet, credit rating (hard investment criteria) and business plan

***Internal scoring model with soft & hard investment criteria***

## Operator Monitoring

During the renting period, **financial and business reporting are disclosed by the operator** on a regular basis (6-12 months)

***For Sale & Leaseback operations, an obligation to disclose operational figures once/twice a year is included in the lease agreement***



## Healthcare

# PREIM Healthcare

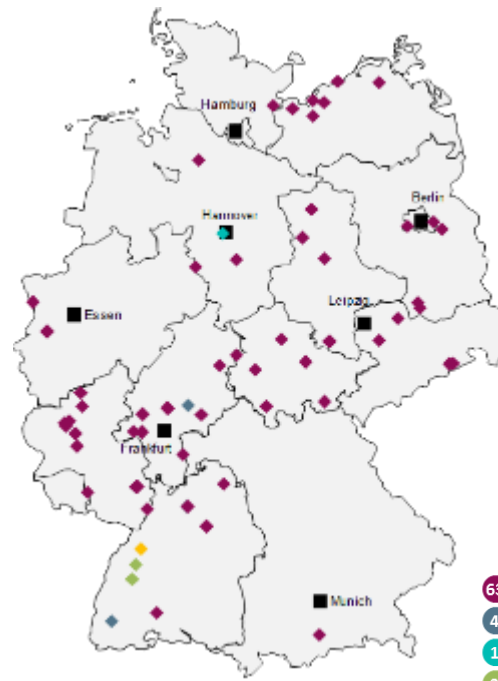
Institutional closed-end fund  
managed by Primonial REIM France

## The fund :

*Creation of a dedicated and regulated institutional fund (managed by Primonial REIM France) for an investment period of 10 years.  
Investment strategy focused on healthcare real estate in order to offer investors an attractive performance with an average annual distribution of around 6%*

Acquisition of the largest real estate portfolio in Germany, with 68 assets, mainly care homes, assisted living residences and rehab clinics, all let to national and international operators (26)

The fund continued to grow in 2018 with the acquisition from Medical Properties Trust (REIT) of 50% of a large healthcare portfolio (TOP portfolio) made up of 71 assets, all let to a single operator, Median Kliniken.



- 63 Rehab Clinic
- 4 Care home - "NH"
- 1 Outpatient Rehab Clinic - "Outpatient"
- 2 Specialist Psychiatric Hospital - "Psy Clinic"
- 1 Specialist Hospital / Acute Treatment Facility - "Acute Clinic"

## Key facts

Portfolio code name:	<b>Panacea</b>	<b>TOP</b>
Year of purchase :	<b>2016</b>	<b>2018</b>
Price :	<b>~EUR 900 m</b>	<b>~EUR 1,6 bn</b>
Surface :	<b>453,000 sqm</b>	<b>842,000 sqm</b>
Main operators :	<b>Alloheim S., Korian, MK Kliniken...</b>	<b>Median Kliniken</b>



**138** assets



**21 777** beds



**€ 2,0 bn\***  
GAV



# Project DANA

## Nursing Homes & Assisted Living Germany

### The transaction

*Sale & leaseback transaction with a leader in the private clinic sector in France  
Acquisition of 3 clinics located in different French regions.*

The assets are situated in Lower Saxony and Schleswig-Holstein in Germany – Europe’s biggest market in demographic terms and with an estimated shortage of 300,000 beds<sup>1</sup> – in a variety of qualitative locations, including 3 in Hanover and its inner suburbs (northern Germany’s 3rd largest city).

The facilities are fully let under a binding 20-year contract to regional operator DANA-SAREC. The group is a private German operator created 25 years ago and specializing in retirement homes and assisted-living residences; benefits from a strong reputation within the two regions with 19 facilities operated offering more than 1,600 nursing home places and senior residence apartments.

#### Key facts :

Project codename :	<b>Dana</b>
Year of purchase :	<b>2020</b>
Price :	<b>EUR 145m</b>
Surface :	<b>52,000 sqm</b>
Operator :	<b>DANA-SAREC</b>





# Manaus portfolio

## Clinics France

### The transaction

*Sale & leaseback transaction with a leader in the private clinic sector in France  
Acquisition of 3 clinics located in different French regions.*

- Clinics MCO
- The assets are fully let by the operator Vivalto Santé under long-term leases
- The facilities offer various care activities (inpatient and outpatient medicine and surgery, cancer treatment, etc.) and have state-of-the-art technical equipment and platforms (scanner, MRI, radiotherapy, particle accelerators, etc.).

#### Key facts :

Portfolio code name :	<b>Manaus</b>
Year of purchase :	<b>2020</b>
Price :	<b>&gt; EUR 110m</b>
Surface :	<b>28,500 sqm</b>
Operator :	<b>Vivalto Santé</b>







# Portfolio CORTON

## Nursing Homes France

### The transaction

*Sale & leaseback transaction with one of the leader in the nursing homes sector in Europe with the acquisition of 33 NH located in 6 different French regions.*

Implementation of a long-term partnership with COLISEE group through this portfolio. There are already plans to extend the surface area currently covered by the portfolio, with work scheduled for the short and medium term aimed at expanding the care capacity offered by the facilities.

The portfolio covers a total surface area of approximately 113,000 m<sup>2</sup> and has capacity for over 2,400 beds and more than 130 serviced apartments for seniors.

All 33 nursing homes are fully let under fixed long-term leases to COLISEE, a key provider of comprehensive dependency care in France and across Europe.

#### Key facts :

Project codename :	<b>Corton</b>
Year of purchase :	<b>2021</b>
Price :	<b>&gt; EUR 500m</b>
Surface :	<b>113,000 sqm</b>
Operator :	<b>COLISEE</b>





# Project CALISTA

## Acute & Post Acute Care France

### The transaction

*Sale and leaseback acquisition of a portfolio of 7 healthcare facilities in France from ELSAN, the largest private hospital operator in France.*

This acquisition is accompanied by the establishment of a long-term partnership, since the properties acquired will continue to be operated by ELSAN. The facilities acquired are entirely leased back to ELSAN for a 12-year fixed term.

The portfolio is divided between two French regions: Auvergne-Rhône-Alpes and Bourgogne Franche-Comté., and includes 2 medical and surgical clinics, 3 medical surgical and obstetrics clinics and 2 follow-up care and physiotherapy clinics, representing more than 1,000 beds.

#### Key facts :

Project codename :	<b>Calista</b>
Year of purchase :	<b>2021</b>
Price :	<b>EUR 252m</b>
Surface :	<b>80,000 sqm</b>
Operator :	<b>ELSAN</b>



# Live Q&A



**Thank You**