

Press Release

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BFS and REInvest market study – The future lies in cooperative outpatient healthcare properties

- Individual medical practices increasingly being replaced by cooperative healthcare properties such as healthcare and medical centres
- Regulatory framework for the healthcare sector placing high demands on investors
- Investment risks can be reduced through in-depth knowledge of the local market, close liaison with the medical profession, and comprehensive supply analyses

The Kompetenzzentrum Gesundheitswirtschaft (Healthcare Management Competence Centre) of BFS Service GmbH and REInvest Asset Management S.A. has today published its market study on outpatient healthcare properties. The study provides comprehensive analysis of the investment opportunities currently offered by such properties. It is based on interviews with experts from the property, healthcare research and medical sectors. Scientific supervision of the study was provided by Prof. Dr. Natalie Pomorin from the Essener Forschungsinstitut für Medizinmanagement. The aim of the study was to differentiate between selected forms of properties within the outpatient healthcare sector and to identify requirements for successful investment in the "outpatient healthcare property" asset class.

"We see great potential in cooperatively run health centre properties. Detailed knowledge of the market is essential here in order to separate the wheat from the chaff," explains Jens Dreckmann, head of the Healthcare Management Competence Centre at BFS Service.

"Outpatient healthcare properties have increasingly become the focus of institutional investors' strategies in recent years. This is understandable, as healthcare properties offer stable income, especially in the long term, and are let in most cases to long-term tenants with above-average creditworthiness. At the same time they represent specialised properties which require higher levels of investor expertise due to the specific user constellation in each case," says REInvest fund manager Stephan Böttger. In addition, there are a large number of unique regulatory and regional aspects which have to be taken into account in the context of such investments. Consequently, good basic knowledge of the market structure is essential for such investment projects to be successful. The study by BFS Service GmbH and REInvest Asset Management S.A. provides just such an analysis.

Trend towards cooperative healthcare properties such as health centres

In the outpatient, non-hospital healthcare property segment there are numerous sources of investment uncertainty. The first step of the study was to undertake an analysis of the market environment. Here, a move away from classic single-doctor practices towards cooperative structures was identified. From 2008 to 2018, the number of single-physician GP practices fell by around 19 per cent to 26,668. The number of specialist practices fell by 13 per cent to 30,589 in the same period. At the same time, there was a 260 per cent increase in the number of health centres: from 1,206 to 3,173 by 2018.

Changes in outpatient medical care leading to increasing investment requirements

Current changes in outpatient medical care are creating increasing dynamism in the market. Key factors here are the significant increase in outpatient as opposed to inpatient treatment, advances in medical technology and the resulting ever-growing need for cost-intensive technical equipment, and the increasing demands associated with interdisciplinary medical treatment. The demographic shift is a further major factor. In 1950 only around 10 per cent of Germans were over 65 years old; today the figure is over 20 per cent and forecasts suggest that it could rise to around 30 per cent by 2060. The demand for medical care is increasing correspondingly.

Centralisation of medical services in conurbations

Growing urbanisation is also giving rise to increasing centralisation of medical services in conurbations. These and other more general developments are leading to growing demand for cooperative non-hospital health centres.

New generation of doctors with strong interest in employment contracts and cooperative arrangements

The upcoming generation of doctors is increasingly averse to the economic risks associated with self-employment and is seeking permanent employment contracts, as these facilitate a better work/family life balance through fixed working hours. The share of employed doctors among the statutory health insurance physicians thus rose from 4 per cent in 2007 to 20 per cent in 2018. There is also a clearly visible trend towards part-time work. The proportion of doctors on part-time contracts increased from 4% to 24% between 2009 and 2018.

Importance of observing legal and regulatory requirements when investing

The relevant legal provisions – such as Social Security Statute Book V (Sozialgesetzbuch V), the Federal Medical Service Agreement for Physicians (Bundesmantelvertrag Ärzte) or the Licensing Ordinance for Statutory Health Insurance Physicians (Zulassungsverordnung für Vertragsärzte) – are key elements of the legal framework in Germany. The regulations of the individual health insurance companies must also be taken into account. These rules and regulations also play a major role when considering potential investment in a healthcare property. The potential tenant clientele of doctors with their own practice does not have the same mobility issues as other professional groups, and significant lead times usually have to be planned in. It is also important to take into account the relevant licensing restrictions and to be familiar with the licensing committee procedures.

Increase in investment activity – But in what kinds of property?

Institutional investors mainly focus on self-contained properties intended predominantly for medical use. However, such facilities can be found under a wide variety of names in the market, as is evident in Hamburg, for example.

It is not easy to arrive at a clear definition and differentiation of the terms. In order to distinguish a particular asset class from alternative investment portfolios, however, it is important to be able to discriminate between the different types of facilities. Abstraction of the forms of care at the superordinate "non-hospital healthcare property" level combined with further differentiation based on the relevant medical portfolio makes it possible to structure this particular type of property in a way which permits the use of uniform terminology.

Conclusion

Demographically induced market growth, increasing demand for non-hospital medical care, the trend towards employment contracts among doctors and the resulting decline in the number of individual practices, as well as the increase in cooperative care structures and other influencing factors have all resulted in increased demand for health centre properties.

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REInvest

REInvest Asset Management S.A. was founded in Luxembourg in 2017 as a property specialist for strategic and operative asset and investment management. The company is a subsidiary owned by REInvest Advisor Services S.à r.l., founded in 2014. REInvest is an independent, owner-managed company that thanks to its experienced team and close partnerships possesses a far-reaching pan-European network on all levels of the real estate value added chain. Its corporate capabilities extend from strategic advice on the real estate and fund levels right up to the structuring of regulated and non-regulated investment vehicles. The firm is currently managing properties of highly disparate utilisation categories throughout Europe, worth over 1.6 billion euros. The portfolio now under management is broadly diversified in terms of geography, with investment locations in twelve different European countries. The principal focuses in terms of numbers and volume are at present located in the UK, Germany and France. Other investment locations currently being addressed are Barcelona, Dublin, Oslo, Copenhagen and Helsinki. The team's expertise and successful track record adds up to more than 150 property transactions managed, with a volume of over 4.0 billion euros.

You will find more information at: www.reinvest-am.lu