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# Management Summary

## >> Key Survey Findings

- The market for care home real estate is currently characterised by auspicious parameters with respect to the construction and operation of inpatient care facilities, specifically by strong present and future demand, supply shortages and growing need.
- But the creation of new care places, given the current volume and pace of construction, will be unable to stay abreast of growing demand. In addition, the severe fragmentation of the market and the differences in legal requirements across Germany hampers new-build construction activities as well.
- New and creative solutions are therefore called for in order to match the country's ageing society with adequate care capacities by 2040.
- Standardisation and scalability the way they are implemented in the processes and products of Cureus GmbH when developing care places therefore offer a suitable and competitive approach in the effort to avert a looming supply gap.

## >> Rationale and Derivation of Key Findings

### Demographic Framework

- Between 2011 and 2040, the number of seniors (65+) will grow by 6 %
- The very old (85+) will claim a share in 2040 that is 4 % higher than it was in 2011, implying an absolute increase by around 1.87 million persons (+97 %)

- The share of the age cohorts of the very old in need of constant care will rise to 16 % by 2040

### Demand versus Supply

- Out of Germany's 16 states, 10 already show above-average nursing care ratios (as of 2019), subject to an upward trend.
- Of currently 4,1 million care-dependants, 20 % receive full inpatient care
- At the same time, 80 % of all care dependants are over 65 years old, 34 % older than 85, while 93 % of all in-patient care dependants are aged 65+ and as many as 50 % are older than 85 years (2019)
- The number of care dependants is projected to rise to 5.59 million persons by 2040, of which 1.39 million will require inpatient care
- Derivation of the growing future need for care and assistance of German care levels 3 to 5 in institutional care facilities
- Compared to the status quo, the share of inpatient care will increase in proportion to the decrease in informal domestic care
- The high occupancy rate of available inpatient care places, currently at 92.3 % (permanent inpatient care: 90.6 %), already reflects a short supply situation (2019)
- Out of the total of dependants requiring assistance, 81.1 % receive inpatient care (2019), while 39 % of the care dependants in inpatient facilities receive benefits out of the long-term care allowance



**The fast increase in seniors aged 85+ between now and 2040 implies the need to upgrade and expand the care home stock**



**The age of existing properties necessitates additional new-build replacements**

- Legal regulations (16 different state-level minimum building standards and long-term care laws) hamper the build-up of care places (e. g. the prescribed single-room ratio) through elevated planning and cost requirements
- The refurbishment backlog and modernisation needs in the care home stock (29 % of the care homes are more than 40 years old) were already significant in 2020
- The average year in which care homes (of the top 10 operators) were completed is 1994, while the most recent modernisations date back to the mid-1990s

#### Demand forecasts for inpatient care

Additional demographics-driven demand for fully inpatient care places before 2040:

- Variant 1: about 511,800 places (about 6,400 care homes)
- Variant 2: about 372,000 places (about 4,650 care homes)
- Variant 3: about 232,000 places (about 2,900 care homes)
- From a surveyor's point of view, variant 2 represents a market situation in line with demand
- Driven by demographics and modernisation needs, demand could be as high as 472,000 care places between now and 2040 when including the need to replace those units that are rendered obsolete by revisions of state care home legislation or by the need to modernise
- Current demand planning is not covered by today's building activity

#### Development Activities of Cureus and Selected Other Care Home Real Estate Market Operators with an Asset Ownership Model

- Based on a property development universe of around 35,500 care places between 2018 through Q2 2021, Cureus GmbH is part of the lead group with more than 7,000 care places and a projected market share of about 20 %
- The analysis of selected property asset holder illustrates the low level of transparency among the data sources and the fragmented state of Germany's care home real estate market
- The market operators analysed own a combined total of about 8 % of Germany's in-patient care capacities

#### Unique Selling Proposition of Cureus

- The USP of Cureus GmbH is the standardisation, optimisation and scalability of the company's business model
- From a market perspective, the system care home of Cureus presents itself as a standardised, administratively lean and operator-friendly product
- Cureus develops and manages its proprietary portfolio as property asset holder
- Cureus brings a high level of expertise and competitive advantages to the German care home real estate market



**For demographic reasons, another 232,000 to 511,800 care home places will be needed before 2040**



**Cureus boasts competitive advantages on the care home real estate market**