1. *European Healthcare continues to be driven by the rapidly ageing population*
2. *Investment volume up 17.4% on the year*
3. *Lack of consolidation in a number of countries may present an interesting opportunity*

Knight Frank

European Healthcare

Elderly Care Market, Research 2022

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INTRODUCTION

RYAN RICHARDS - SENIOR ANALYST

As demand for quality bed supply continues to grow across many European nations, it has become more and more useful to understand the market structures and key players, both on the operator and on the investor side, in addition to historical and potential trends to come. Last year's report focused on a number of key trends from 2020 with highlights including growing private sector penetration as well as the presence of overseas capital. Whilst these are factors that remain within the sector, this year we have the added insight into less conventional regions such as the Nordics, areas of growing interest such as specialist care and MedTech, as well as highlighting a number of operational transactions in the space. We also feature some extremely insightful commentary from Cofinimmo's Sébastien Berden, on the current state of European Healthcare.

2021 EUROPEAN REPORT RECAP

Ageing population was a key driver of the case for healthcare.

Growing private sector penetration in a number of key markets.

France, Germany and the UK were the largest markets (by number of beds).

Evidence of cross boarder movement by operators across Europe.

Overseas buyers are active contributors to investment volumes.

ECONOMIC OVERVIEW

JUDITH FISCHER - ASSOCIATE - EUROPEAN CAPITAL MARKETS

Despite short-term headwinds the long-term outlook for the elderly care sector remains positive

Following a pandemic-induced recession in 2020, Euro area GDP grew by a record 5.2% in 2021, taking the economy close to its pre-pandemic size. Of the Eurozone's largest economies, only France (7.0%) and Italy (6.5%) outperformed the Eurozone GDP average, while Spain (5.0%) and Germany (2.0%) still recorded strong growth. However, the economic outlook globally and for the Europe is clouded by geopolitical risks, higher commodity prices, tightening monetary policy and supply-side constraints.

Labour markets across Europe remain tight. The unemployment rate in the Eurozone fell to a historic low of 6.8% in March 2022. The healthcare sector is seeing particularly acute staff shortages which have been exacerbated by the pandemic. In Germany, for example, unfilled vacancies in the healthcare and social work sector accounted for more than 10% of total reported vacancies in April 2022.

In the early stages of the pandemic the elderly care sector came into the spotlight due to high death rates and doubts about safety standards within care home

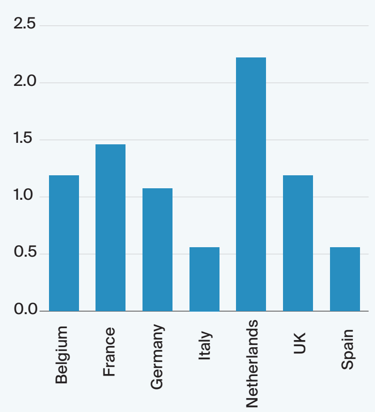
Following a pandemic-induced recession in 2020, Euro area GDP grew by a record 5.2% in 2021, which took the economy close to its pre-pandemic size.

facilities. While the pandemic is far from over, with the benefits of vaccinations and other tools at hand, the vulnerable and elderly segments of the population can be protected much better. In England, for example, deaths in care homes related to Covid-19 were more than 70% lower in the first four months of 2022 compared to the same period in 2021, according to the ONS.

European governments will likely increase expenditure due to government subsidies for energy, support for Ukrainian refugees and higher defence spending driving up fiscal deficits. Governments might fund the majority of it through increased borrowing, putting pressure on already stretched budgets in many countries. Record high inflation across Europe is putting further demands on operating costs of care homes, in the form of higher utility bills and upward wage pressure, leading to higher costs for residents.

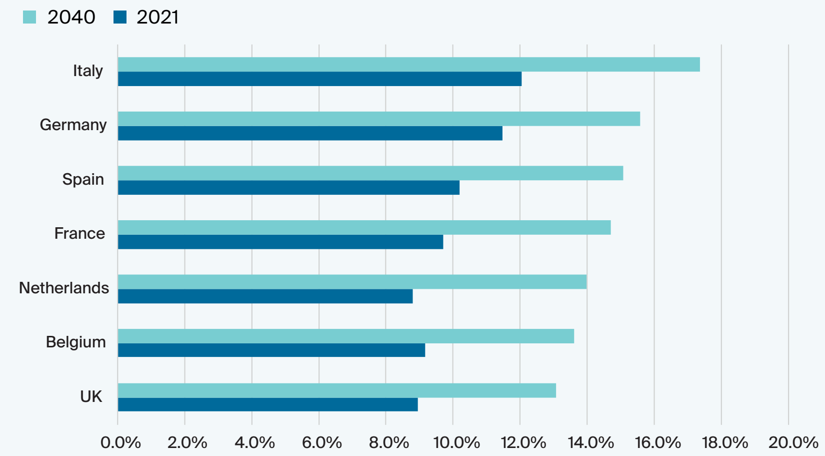
Long-term care expenditure varies significantly across Europe (figure 1) and the pandemic has forced greater acknowledgment of the gap in care provision in many countries. The relaxation of state control and growing cost pressure at both central and local government level will likely lead to more privatisation in the elderly care sector.

FIG 1 | **Inpatient long-term care expenditure, percentage of GDP (%), 2019**



Source: OECD, Knight Frank Research

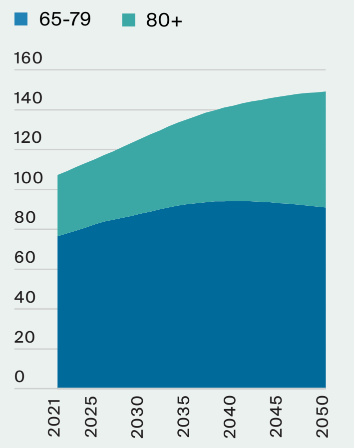
FIG 2 | **75+ population as a proportion of total population (%)**



Source: Oxford Economics, Knight Frank Research

EUROPEAN MARKET COMPOSITION

FIG 3 | EU & UK elderly population projection (millions)



Source: OECD

Ageing population

Figure 3 highlights the ever-growing number of individuals over the age of 65 in the UK and European Union. The chart suggests that we will see the over 65 population in these regions grow from approximately 21% of the total population in 2021 to 29% of the population by the year 2050. Another standout factor is the suggestion that over the same period the share of the over 80s population will rise to just over 11% from circa 6% at present.

This contributes to the case for European healthcare as this continued ageing of Europe's demographic creates further need for not only available but higher quality, fit for purpose bedspace.

Major Markets

Table 1 outlines the major submarkets within Europe and takes this a step further by accessing the structure of these markets. Figure 4 compares the seven major markets with regards to their various compositions. It is immediately evident that the UK's elderly care provision is dominated by the private for-profit operators, who hold an 83% market share with the closest comparison being Germany and Belgium with 42% respectively.

The chart also highlights the somewhat balanced composition of Spain, suggesting capacity and opportunity for those actively looking.

FIG 5: TOP FIVE FOR-PROFIT ELDERLY CARE OPERATORS BY MARKET

UNITED KINGDOM

Top 5 operators	Beds (000s)
HC-ONE	20
BARCHESTER HEALTHCARE	16
FOUR SEASONS	9
CARE UK	9
BUPA CARE	7

FRANCE

Top 5 operators	Beds (000s)
KORIAN	35
ORPEA	34
DOMUS VI	19
COLISÉE	7
DOMIDEP	7

SPAIN

Top 5 operators	Beds (000s)
DOMUS VI	20
ORPEA	9
VITALIA	8
BALLELSOL	7
SANITAS (BUPA)	7

NETHERLANDS

Top 5 operators	Residences
ORPEA	82
KORIAN	37
DOMUS MAGNUS	17
MARTHA FLORA	11
ONTZORGD WONEN	5

BELGIUM

Top 5 operators	Beds (000s)
KORIAN	13
COLISÉE (ARMONEA)	9
ORPEA	7
VULPIA	5
EMERA (NOVADIA)	1

GERMANY

Top 5 operators	Beds (000s)
KORIAN	30
ALLOHEIM	24
ORPEA	20
PRO SENIORE	17
KURSANA	11

ITALY

Top 5 operators	Beds (000s)
KOS GROUP	9
KORIAN	7
ORPEA	3
LA VILLA	2
COLISÉE	1

Please note, bed numbers are as of 2021, and subject to regular change

TABLE 1: TOP SEVEN ELDERLY CARE MARKETS

	DEMAND			SUPPLY		OPERATORS	
	% OF GDP SPENT ON HEALTHCARE (OF WHICH IS LONG-TERM CARE)	OVER 75 POPULATION 2021	OVER 75 POPULATION 2050	MARKET SIZE (BEDS)*	BED PROVISION PER 100 PERSONS AGED 75 AND OVER	% PRIVATE OWNERSHIP	MARKET SHARE OF TOP 5 FOR-PROFIT OPERATORS
GERMANY	11.5% (2.1%)	9.6 MILLION	14 MILLION	900K	9	95%	12%
FRANCE	11.3% (2.4%)	6.3 MILLION	11.4 MILLION	700K	11	50%	29%
UK	10.0% (2.3%)	6.0 MILLION	10.2 MILLION	479K	8	97%	13%
SPAIN	9.0% (0.9%)	4.9 MILLION	9.42 MILLION	370K	8	70%	19%
ITALY	8.7% (0.9%)	7.2 MILLION	12 MILLION	340K	5	60%	11%
NETHERLANDS	10.0% (3.9%)	1.5 MILLION	2.8 MILLION	180K	12	100%	5%
BELGIUM	10.3% (2.3%)	1.1 MILLION	1.84 MILLION	150K	14	70%	33%

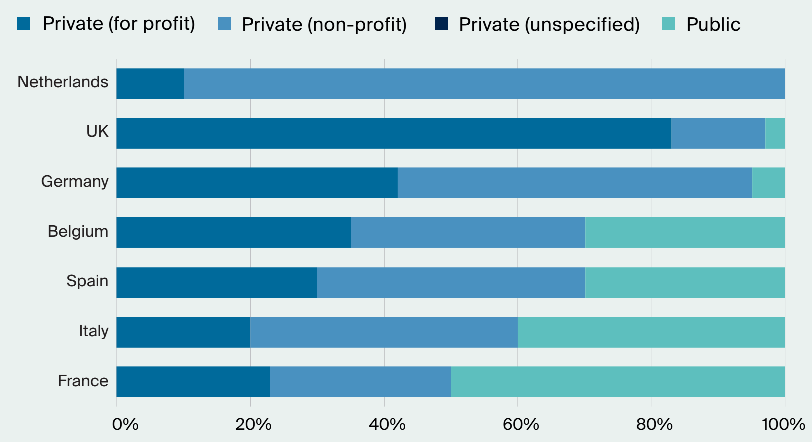
Sources: Eurostat, WHO, Eurofound, Patron Capital, Greenstreet, INSEE, XERFI *Market size figures may include some beds designed for working age adults in long-term care

Private sector penetration

Again focusing deeper into the key markets, figure 5 presents an outline of the bed numbers held by the top five operators in each of these. Korian stands out as a major player in five of the seven with new exposure to the UK due to its recent entry via the purchase of Berkley Care. Orpea also features heavily with both Orpea and Korian, or at least one of them, featuring in the top two out of six of the key markets, the UK being the only outlier in this case.

This dominance of the key markets is certainly one to keep a watchful eye on, with solvency of operators and recent troubles faced by these operators (at the time of writing Orpea and Korian share prices were down approximately 80% and 50% on the year respectively) the larger group operators may no longer be the safest bet in terms of covenant during deal underwriting, at least not at present.

FIG 4 | Care home ownership by type, private vs public



Source: Knight Frank, Eurofound, Tomorrow's Guides, Green Street
Please note, figures date from 2015 to 2020

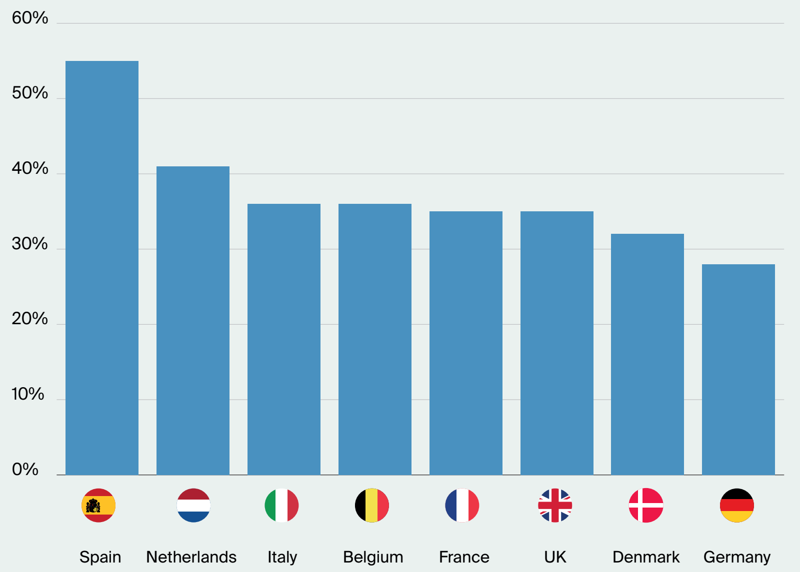
EUROPEAN SENIORS HOUSING

CORMAC HENEHAN – SENIOR ANALYST – SENIORS HOUSING

Seniors housing is a rapidly growing market in Europe as countries across the continent grapple with an ageing population and a lack of suitable housing options. As the sector matures and public understanding of the unique benefits of seniors housing grows, demand for a variety of housing and tenure options will increase. We are already seeing this in the UK, where operators are moving beyond the traditional leasehold/affordable rent dichotomy, with some operators offering units for sale, market rent, shared ownership and affordable rent within the same scheme.

The UK is still thought of as a nascent market for seniors housing when compared to the US, Canada, Australia and New Zealand, but alongside Germany and France, it represents the relatively mature European seniors housing market. Countries such as Spain and Italy, which have substantial elderly populations and are among the longest-lived populations in Europe, are only now beginning to see institutional investment flows from across Europe. From our conversations with operators, Southern Europe is considered a particularly attractive location for investment, and not just because of the strong underlying demographic trends. The warmer climate and generally lower cost of living across Southern Europe have long been an enticing prospect for British seniors seeking to downsize. Investors are now rightly sensing an opportunity to cater to those individuals who seek the sense of community and support that specialist seniors housing can provide. The British are not alone in flocking to warmer climates; we are seeing capital and seniors from across Northern Europe flow into Southern Europe, in places driven by lower build costs. Indeed, many coastal retirement villages in Spain operate specifically with international residents in mind and prominently advertise the range of nationalities among their residents.

FIG 6 | 65+ Population Growth, 2020-2040



Source: Eurostat, ONS

This isn't to say that opportunities are limited to Southern Europe, on the contrary, we are now seeing the establishment of pan-European funds with investments in seniors housing across multiple countries and regions. To take just one example, in 2020, UK-based Audley Villages entered into a joint venture with Danish pension group PFA to form Evia Living, a new integrated retirement community platform in Denmark. The three largest investors in European seniors housing and care over the past 24 months have been Vonovia SE, Cofinimmo and Aedifica, each of whom have invested approximately £1bn of capital throughout Europe. According to data from RCA, Q4 2021 saw the highest investment in seniors housing and care in Europe on record, with more than £3.2bn invested. This capped a year which also saw the three highest rolling 12-month investment volumes on record in Q2, 3 and 4.

Pictured above: Audley Villages' Nightingale Place development in Clapham. In 2020, Audley Villages entered into a JV with Danish pension group PFA to form Evia Living, a new integrated retirement community platform in Denmark.

This is part of a wider trend across the residential investment space, which has grown from 10% of total European real estate investment in 2011 to 25% in 2021. This growth has come not only in the form of greater investment but also in a broader range of investments. Our latest European residential investment survey, which represents the views of 22 institutional investors that manage €64bn across Europe, showed that while only 32% of investors are currently active in the seniors housing sector, 50% expect to be active in the sector in five years' time, the largest projected increase of any sector.

For UK operators, the comparative availability of land is another reason that mainland Europe is such an appealing investment proposition. Knight Frank's latest *Land Index* shows that the price of English Greenfield sites has increased by almost 23% in the last year, principally driven by a shortage of supply, with 85% of housebuilders surveyed indicating that supply is "limited" or "very limited". In this challenging environment, Europe offers a relative wealth of development opportunities.

> **While only 32% of investors are currently active in the seniors housing sector, 50% expect to be active in the sector in five years' time, the largest projected increase of any sector**

As demand for specialist seniors housing grows across the continent, we expect to see further expansion into the European market from UK and international investors and the growth of local and pan-European investments.

EUROPEAN HEALTHCARE Q&A WITH SÉBASTIEN BERDEN OF THE COFINIMMO GROUP

SÉBASTIEN BERDEN - CHIEF OPERATING OFFICER HEALTHCARE - COFINIMMO GROUP

Sébastien is Chief Operating Officer Healthcare at the Cofinimmo group. Cofinimmo has a portfolio spread across Belgium, France, the Netherlands, Germany, Spain, Finland, Ireland, Italy and the United Kingdom with a focus on social developments, and has built up a healthcare real estate portfolio of approximately four billion EUR in Europe.

Q. In your opinion which countries currently present the greatest opportunity in Europe?

A. Many countries offer interesting perspectives. Of course, Germany remains a strategic market for us because of the depth of the market and operator consolidation that is still going on. Other countries like Spain, Ireland and Finland offer interesting growth potential as their quality of stock is often lower but new build and renovation programs generate a rapid catch up. More mature markets like France, the Netherlands and Belgium also still offer attractive opportunities but it is slightly more difficult to anticipate.

Q. What would you suggest are relevant areas of caution within the market?

A. The fragility of some operators, especially in the aftermath of Covid-19, remains one of our top concerns. Another area of concern is the general rising costs of materials impacting the delivery of new development projects. Finally there's the rising inflation rates like in the UK for example, where RPI inflation is almost at 10% although most lease contracts cap indexation possibilities.

Q. How have increased build costs impacted the development aspect of your strategy?

A. We have a strong development pipeline and have managed to insulate ourselves from current inflationary pressures by way of strong initial negotiations with contractors. Despite this, it has been important for us to remain diligent on the newer developments in order to avoid such inflationary risks that have not yet been priced into the contractor fees. In some cases, we had to delay or reassess certain projects that are now more keenly priced.

Q. What are your views on incorporating ESG into your portfolio?

A. This is very much a part of our investment strategy and we do not hesitate to also reflect this in our pricing for new fit-for-purpose facilities. Whilst we are still interested in older stock, we envisage this is only on the basis of strong prospects for upgrading in terms of energy performance and overall ESG credentials.

Q. What sub-sectors of healthcare are of most interest with regards to your current strategy?

A. Elderly care remains the broadest and deepest market segment in Europe at present. However, we also closely monitor hospital opportunities, although this market is often accessible only in a limited number of countries. Rehabilitation and primary care are also of interest to us, albeit the market is not as deep as elderly care. Finally, specialist care is interesting but tends to offer limited scope due to low private sector penetration in many countries.

Q. What are your thoughts on the sector's recovery following the pandemic?

A. We have the impression that, overall in our portfolio, we are now certainly closer to normality in terms of patient wellbeing and occupation. Isolated spikes still occur, however they are fortunately less lethal. Closely related to this is the concern that we do not yet fully grasp the longer term consequences of the pandemic on staff motivation, operative expenses and stricter regulations.

The challenge of the market however is to be able to understand demographics, differences in local market organisations and of course the robustness of the operators' case.

Q. What is next for European Healthcare as a sector?

A. There is without a doubt more to come from European healthcare as an overall market. The first reason for this is due to many areas such as Spain, Italy, and Finland lagging in terms of quality of stock as well as quantity of stock relative to their ageing demographic. Where there is such low capacity, we see a long-term opportunity both in terms of the overall supply and the potential to repurpose or upgrade current stock.

There is still the need for a huge volume of investment to bring such submarkets in line with the more mature ones such as France and Belgium. So, whilst France and Belgium have tighter growth potential due to being ahead of the curve, we can compare the current state of Spain's healthcare market to that of France 10 years ago, thus suggesting plenty of opportunity.

I would therefore say that Healthcare generally presents a strong proposition for long term investors.

However, the challenge of the market is to understand demographics, differences in local market organisations and the robustness of the operators' case.

'De State Hillegersberg', a rehabilitation centre located in Rotterdam (the Netherlands), was redeveloped by Cofinimmo into a modern, green and sustainable care campus of approximately 11,000 m². A new milestone in healthcare real estate.

INVESTMENT

2021 was another strong year for investment in European healthcare. Figure 7 showcases the quarterly transaction volume overtime with the transaction volume over the rolling four quarters to the end of 2021 totalling circa €9bn, approximately 2.4% of all commercial property transactions over the same period. Although volume is higher than in 2020, it sits at a smaller percentage of overall commercial volume due to all property transactions growing to £371bn from £313bn year on year.

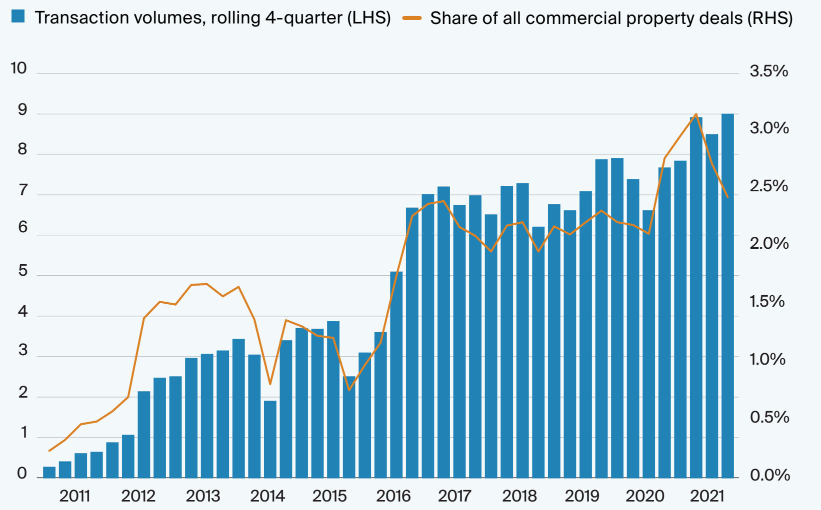
Figure 8 presents us with the top ten areas for transactions in 2021 with the key markets of the UK, Germany, and France accounting for around 71% of total volume. Sweden sits fourth with a transaction volume of €70m.

Figure 9 highlights the percentage contribution to total transaction volume from each of the top ten submarkets. Whilst the biggest share can be attributed to Germany, the UK has seen the biggest growth in its percentage share growing from 14% of transactions in 2020 to 26% of transactions in 2021. This sits fairly well in line with the trend of growing interest in UK healthcare both from domestic and overseas capital. France has also seen growth in its percentage contribution.

In terms of composition of capital, figure 10 suggests that cross border capital is a significant contributor to transaction volume across Europe with listed and private propcos also contributing their fair share. These companies are also fairly active on the sell side, however this is not the case for overseas investors. We are also seeing some sell off from owner-occupiers, however it is important to note that it is very much a case of volume vs value with the overseas capital transacting via larger single portfolio-led transactions as opposed to multiple small to medium sized deals.

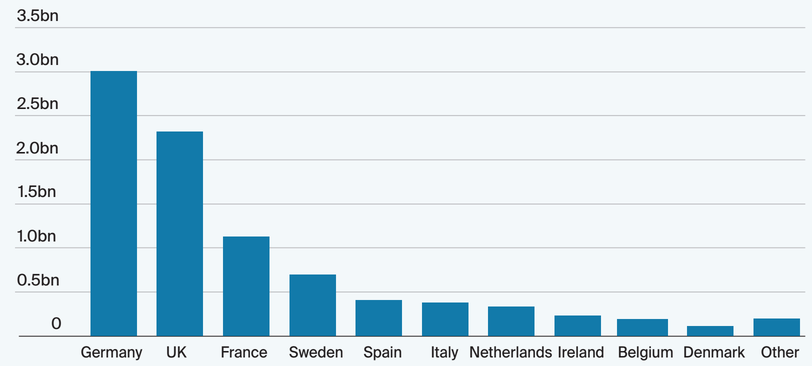
Finally table 3 presents the key players over the last 24 months with the usual suspects in Aedifica and Cofinimmo placing at the top in terms of their level of activity.

FIG 7 | Care home & senior living property investment in Europe



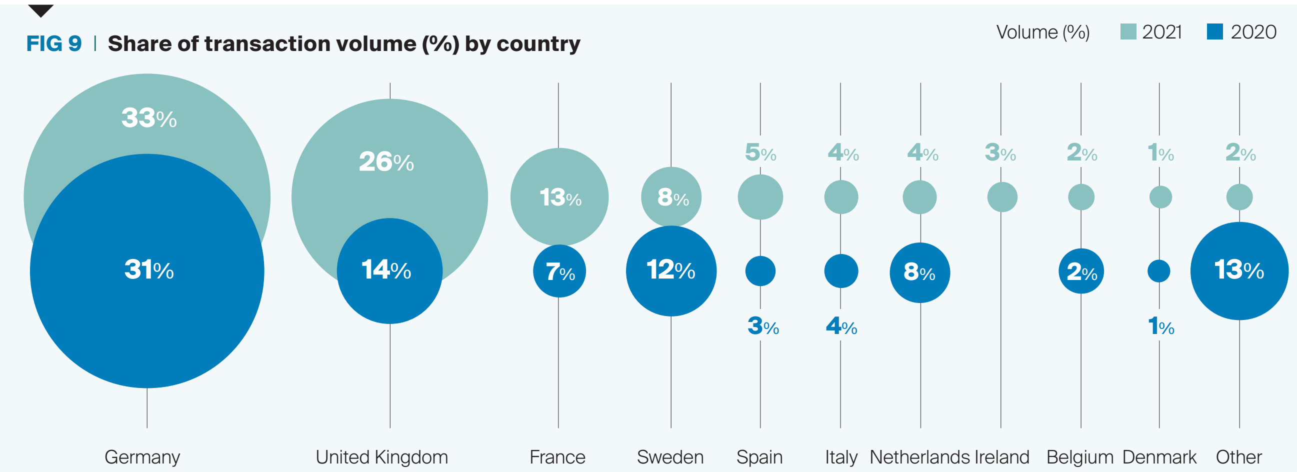
Source: Real Capital Analytics, Knight Frank

FIG 8 | 2021 Volume (€) by country



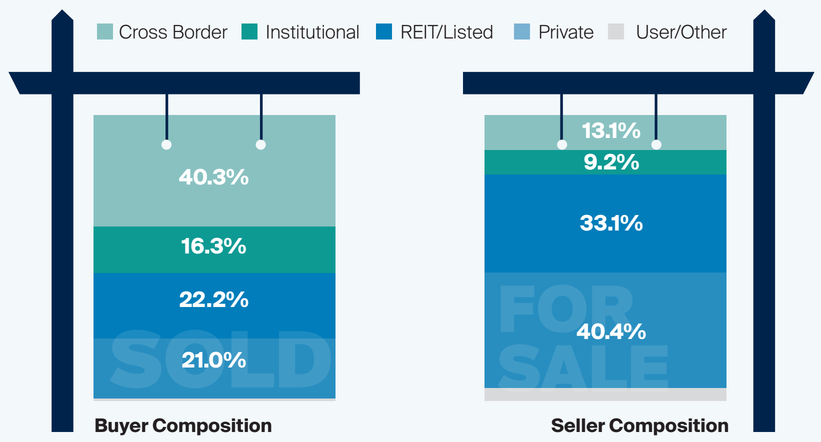
Source: Real Capital Analytics, Knight Frank

FIG 9 | Share of transaction volume (%) by country



Source: Real Capital Analytics, Knight Frank

FIG 10 | Capital Composition 2021



Source: Real Capital Analytics, Knight Frank

TABLE 2 | Major European care home transactions – last 18 months

Portfolio	Country	Buyer	Buyer Nationality	Seller	Price (€M)	NIY (%)	Year
priory	United Kingdom	Medical Properties Trust	North American	Priory Group	800	undisc.	2021
24-home portfolio	Spain & Italy	Cofinimmo	Belgian	Batipart	350	undisc.	2021
Azurit portfolio	Germany	Aedifica	Belgian	Azurit Group	245	5.0%	2021
Domus Vi portfolio	Ireland	Cofinimmo	Belgian	Undisc.	93	undisc.	2021
Berkley Care portfolio	UK	Korian	French	Berkley Care & Albion Capital	86**	undisc.	2021
5-home Normandie portfolio	France	Confinimmo	Belgian	Undisc.	44	undisc.	2021
Quantum Care Home	United Kingdom	Phoenix Group	British	Frontier Estates	22	undisc.	2021
Korian Villa Victoria	France	Icade	French	Primonial REIM	21	undisc.	2021
UK Care Home	United Kingdom	Achieve Together	British	United Health	20	undisc.	2021
Rottaler Senioren- und Pflegeheim	Germany	AIF Capital Group	German	Dorea GmbH	20	undisc.	2021
De Loericker Stee	Netherlands	Fidelity International	British	Stichting Warande	20	undisc.	2021
Attendo Care Home	Finland	Cofinimmo, Mirabel Partners Oy	Belgian	FinCap Oy	19	undisc.	2021
Altadore Nursing Home	Ireland	Aedifica	Belgian	Undisc.	18	undisc.	2021

* Gross yield, ** Excludes Albion Capital assets. For more detail on transactions in the UK market see UK Healthcare Capital Markets 2021

TABLE 3 | Top Buyers (24 months)

Rank	Buyer	Location	Acq (€)
1	Vonovia SE	Bochum, DEU	1,299,999,998
2	Cofinimmo	Brussels, BEL	1,259,587,729
3	Aedifica	Brussels, BEL	1,065,976,545
4	Caisse des Depots	Paris, FRA	729,259,972
5	Lone Star	Dallas, TX, USA	707,699,816
6	SBB i Norden	Stockholm, SWE	652,536,085
7	Swiss Life AM	CHE	616,762,658
8	SCPI Primovie	Paris, FRA	616,110,113
9	INP Holding AG	Hamburg, DEU	492,500,000
10	NREP	Stockholm, SWE	447,770,976

SPOTLIGHT ON THE NORDICS

Following on from this year's investment volume and statistics, it is worth acknowledging the presence of Sweden in the top four European countries in terms of transaction volume as well as Denmark's volume of circa €122m. Not only does it command attention by highlighting their closeness to the more well-known key markets, but it also opens a conversation regarding the overall recognition of the Nordics in the sector.

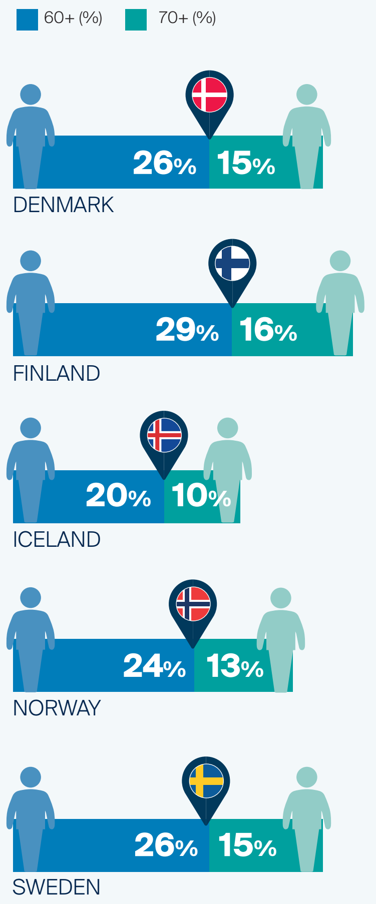
Figure 11 looks at the population statistics of five Nordic countries primarily focusing on the elderly. Whilst all have an over 60s group that accounts for over 20% of current population, Finland emerges as a standout with 29% over 60s and 16% over 70.

Turning our attention to Sweden, currently the largest in terms of population and healthcare relevant transaction volume, figure 12 suggests that the over 70s group will grow to account for circa 22% of the population by 2050. This is key as with the general sentiment across Europe, if we consider current transaction levels paired with this rapidly ageing population, it presents a somewhat compelling case for the ever-growing need for quality bed space.

Finally, figure 13 focuses on the change in the average age of population of these countries between 2011-2021. Iceland, although the country with the youngest population, still shows signs of ageing, with its population becoming 4.1% older in comparison to Sweden's 1% over the same period. As we presented earlier, Finland has a significant elderly population and has also seen its population age by 4.3% during this time.

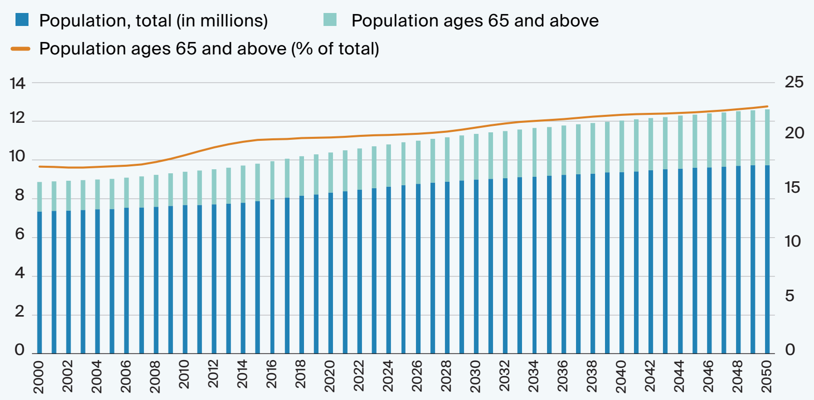
Considering all of the above, the Nordics will certainly be an area to observe firstly in terms of Sweden and its potential volume of transactions relative to the larger markets such as the UK, Germany and France. Secondly, the possible emergence of the younger and smaller markets such as Iceland and Finland as their population statistics begin to dictate the need for supply.

FIG 11 | **Age group as a % of total population**



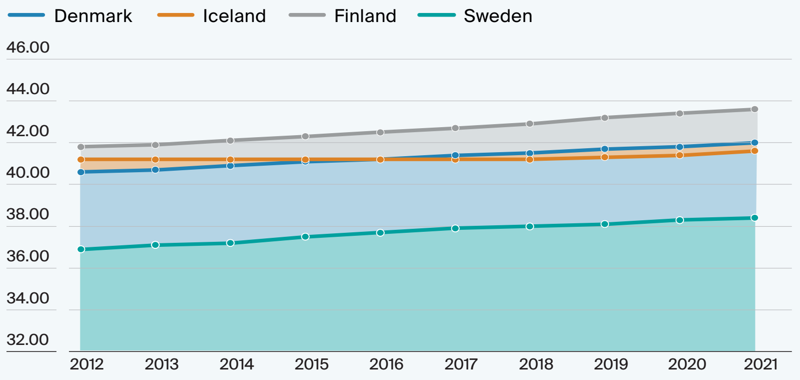
Source: Statista

FIG 12 | **Over 65s as a percentage of Swedish population**



Source: Oxford Economics

FIG 13 | **Average age of the population in 4 Major Nordic Nations** 2011-2021



Source: . .Statistics Denmark, Statistics Sweden, Statistics Finland, Statistics Iceland, Knight Frank

MERGERS & ACQUISITIONS

Whilst there have been a number of standout real estate deals, the sector has also seen a number of significant operational business transactions across Europe.

SPECIALIST CARE

A 2021 report by OECD suggests that the Covid-19 pandemic has led to a sharp increase in mental ill-health issues, in a range of individuals across Europe

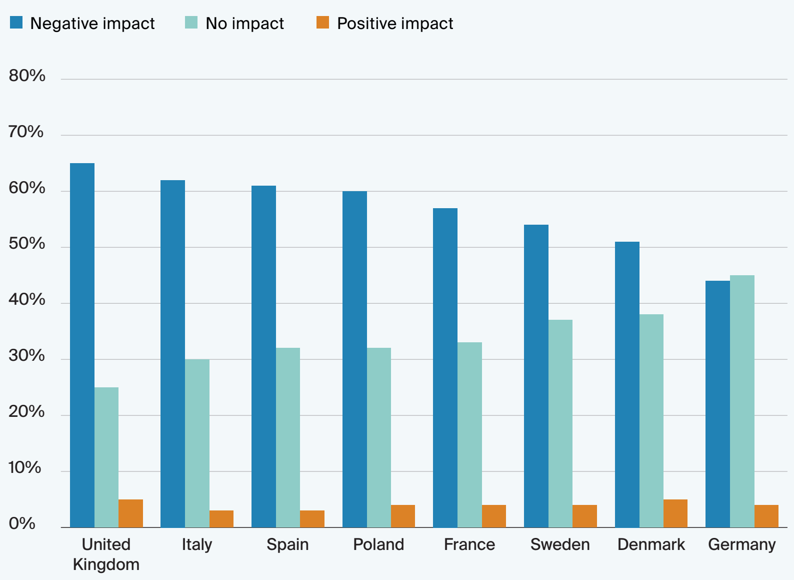
An area of continued interest for capital across Europe is specialist care. This encompasses a variety of care types such as mental health. A 2021 report by OECD suggests that the Covid-19 pandemic has led to a sharp increase in mental health issues in a range of individuals across Europe.

The same report suggests that mental illness on average costs European economies more than 4.2% of GDP. These costs relate to not only the cost of treatment, but also the reduced employment and productivity rates.

Figure 14 highlights the extent to which the pandemic had a negative impact on the mental health of Europeans. Suggesting that only 30% of those surveyed in the UK did not report a negative impact on the state of their mental health, with Italy being the second most impacted, reporting 62% of respondents suffering a negative impact. Figure 15 shows the rate of hospital admissions for mental health per 100,000 population worldwide as of 2020.

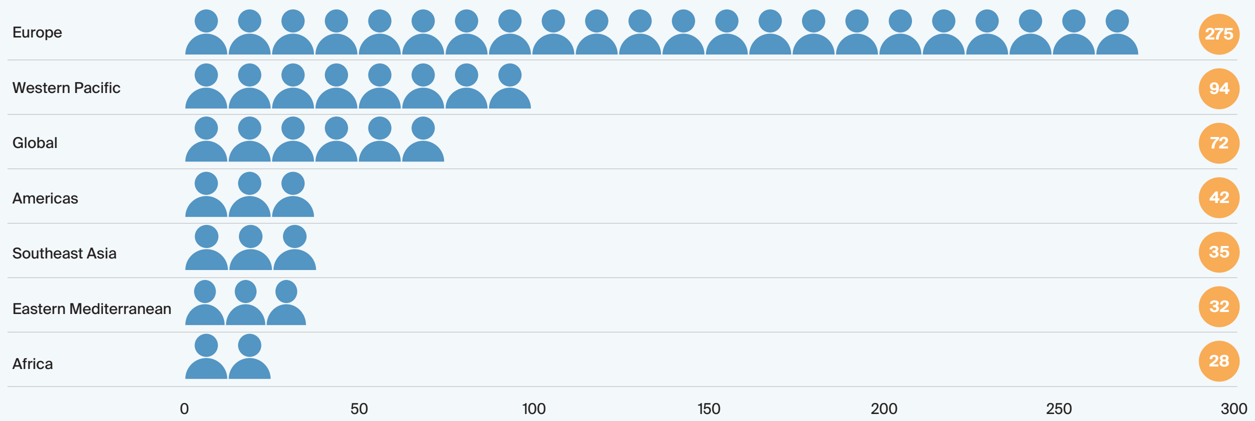
Some key transactions in this space over the last year, both in terms of the real estate and operational businesses, include the acquisition of Priory Group by Waterlands with MPT taking the real estate via a sale and leaseback deal, the year has also seen Ramsay Healthcare's purchase of Elysium for circa £775m.

FIG 14 | Covid-19 pandemic impact on metal health in Europe 2020, by country (% of respondents)



Source: YouGov

FIG 15 | Rate of mental health hospital admissions by region 2020 per 100,000



Source: WHO

MEDTECH

With patients becoming far more comfortable with ideas such as remote or digital healthcare, telemedicine and digital diagnostics startups have seen growth in user numbers and investor interest.

Figure 16 highlights the fact that the combined value of European healthtech companies has grown six-fold between the years 2016 to 2021, reaching a total value of approximately €40bn from 2016 to 2021, led by telemedicine, as well as insurtech firms. However, it is worth noting that whilst this growth has occurred, Europe is still somewhat behind the US and Asia, suggesting there is still some growth to come, with the UK the frontrunner for European Healthtech.

Key players in the space include UK-based Babylon Health, Berlin-based insurtech Wefox, and medical bookings Doctolib, all of which have benefitted from substantial capital raises.

Amongst the growing number of MedTech companies emerging, some standouts in Europe include: MindMaz, a swiss neurorehabilitation and recovery company, UK based Kheiron Medical using AI to assist in breast cancer diagnosis, care home management application, Etype Care, and referral management & care coordination app, PSHEALTH.

According to the annual Healthcare Investments and Exits report, healthtech funding across Europe nearly doubled to €2.2bn in 2021 up from €1.2bn in 2020, with investment in medical devices growing to €2.02bn in 2021 from €681m in 2020. The combined healthtech and medical device markets in Europe saw a 150% increase in funding. Overall, the UK was well placed with 20 seed/Series A fund raises over the last year.

FIG 16 | Combined Value of European MedTech Startups 2016 to 2021 (in Euros)

source: Knight Frank Research, Sifted

SUMMARY

JULIAN EVANS FRICS – HEAD OF HEALTHCARE

Whilst globally trends are in terms of the case and underlying demand mechanism, the rapidly ageing population across the European Union and the UK has and continues to be a key theme.

With extremely positive transaction volumes recorded (up 17.4% on the year) in 2021, we anticipate 2022 will be another strong year, with a mixture of REIT and institutional spending as well as significant cross-border capital sitting at the root of this.

There will be a number of key themes to focus on. Firstly, the extent to which the Nordic countries continue to build on their presence within European healthcare. The fundamentals in terms of demographics are certainly evident, and the placing of nations like Sweden in transaction composition further supports this case.

With extremely positive transaction volumes recorded (up 17.4% on the year) in 2021, we anticipate 2022 will be another strong year

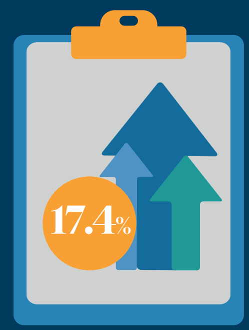
The second point of focus should be the matter of operator solvency in the continent. With examples of instability in some notable European operators last year, investors will need to drill deeper into the strength of operator bottom lines as well as consider the scope for margin compression when underwriting deals in times of such uncertainty and significant inflationary pressures.

Finally, with a number of submarkets seeing a lack of consolidation, investors and operators have an emerging opportunity to expand portfolios into other nations on the continent.

KEY THEMES

Once again, the rapidly ageing population across the European Union and the UK is a key theme

Approximately €9 billion of transaction volume in 2021

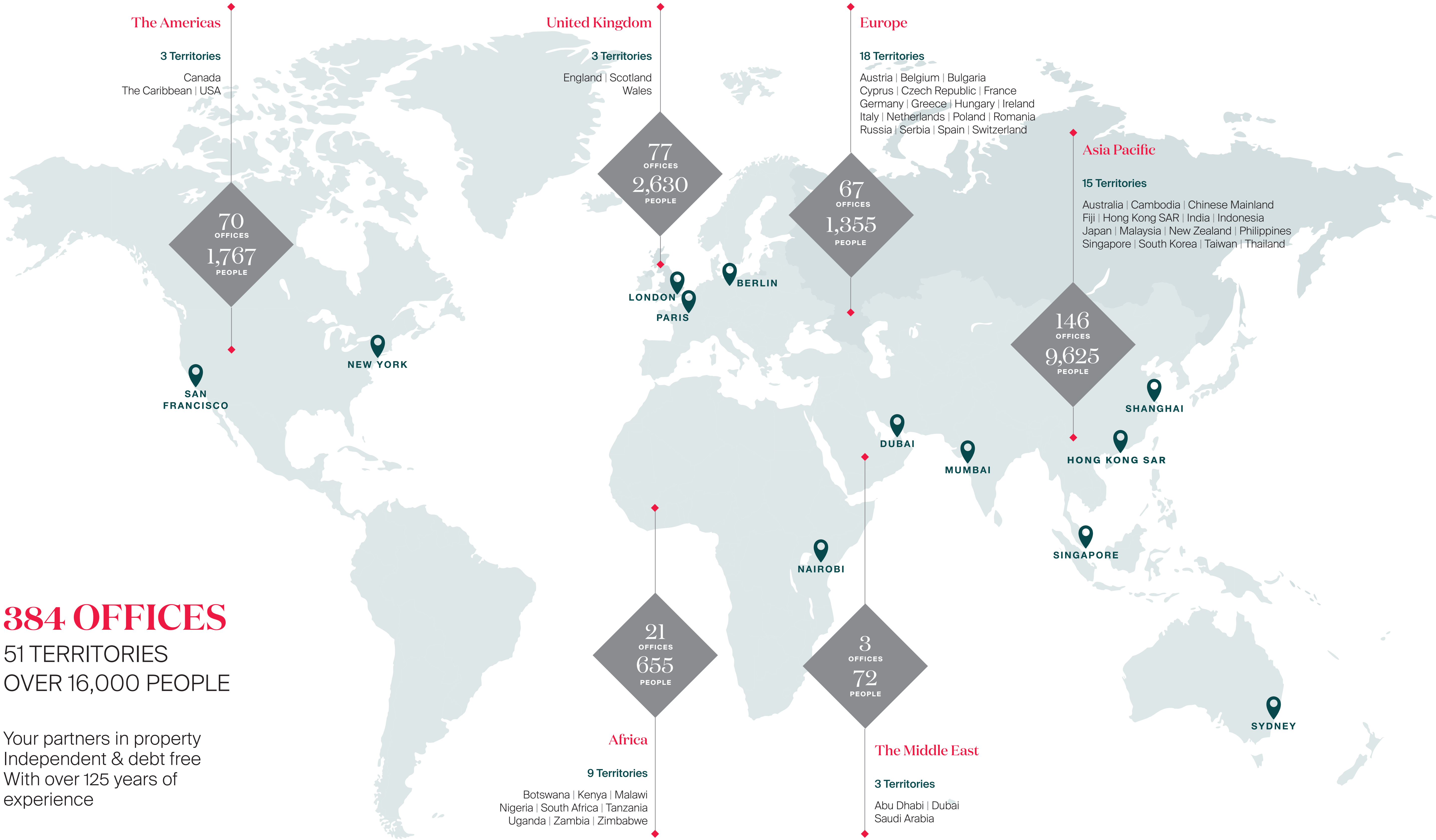


European healthcare investment volume grew 17.4% between the years 2020 and 2021

Nordic nations continue to emerge as ones to watch

Lack of consolidation in a number of countries may present both investors and operators with significant opportunities

Key operators hold significant presence in six out of seven major markets



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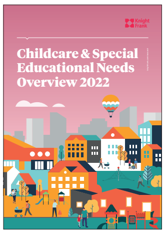

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