

Requirements Profile for Residential Care Facilities

Preliminary Remarks

KapHag is seeking to build a portfolio of real estate for elderly people, with core elements composed of residential care and nursing facilities. Accordingly, we shall extend our existing stock of real estate through the successive acquisition of further suitable properties. Our focus is mainly on existing facilities; property under construction or in an early development stage can only be considered, if at all, under extremely favourable purchasing conditions.

In terms of existing nursing facilities for the elderly we are interested in both well functioning homes and "problematic case" homes. Purchase of the latter kind of facilities, however, can only be considered if the problems are caused by internal rather than external factors. In other words, they must be "in-house" difficulties such as a need for revitalisation or a lack of investment which can be resolved through application of targeted measures. Properties with difficulties due to outside market factors - such as lack of long-term take-up for residential care services - will not be considered.

Regardless of the individual condition of the properties offered for sale, the following parameters should be taken as setting the framework for acquisitions:

Key Data

- **Size:** 100-200 places in combination with living facilities tailored to the needs of the elderly (serviced living / assisted living facilities of under 100 places are also eligible for consideration). The important point, however, is that care services are always focused on live-in residential care.
- **Structure of Places:** The ratio of places in single rooms should be clearly in excess of 50%. Should the facility be in need of revitalisation, transformation of rooms with two or more beds into rooms with one or two beds, should this not cause the total number of places available to drop below the 100 mark.
- **Amenities:** Wherever possible, rooms should be appointed with sanitary facilities or be equipped with them as part of a revitalisation programme.
- **Category of Offers:** Homes offered for sale should offer a range of care services for the elderly in line with current market standards which allow for diversification or extension of specialised services for the care of seriously ill residents or residents with Alzheimer's. We are not interested in the acquisition of those nursing homes or retirement homes exclusively situated in the high price segment of the property market for senior citizens.
- **Location:** We prefer to acquire homes with a most central location. Facilities at a far remove from infrastructural services in "greenfield" sites cannot be considered. In terms of the macro-location, the minimum size of the population of the communities or towns in which the homes are located should not be less than 5,000-10,000.

• **Market Position:** As mentioned above, the homes proposed for sale should already be in operation. Our main interest is in homes which have already been on the market for a longer period (at least three years) and which have their market entry phase behind them.

• **Purchase Costs:** Obviously the price per place or the total purchase price will be largely determined by the condition of the care facility under offer. The price spectrum per place will range from approx. € 40,000 to €70,000.