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TERRANUS

Property Portfolio Transaction in Just Three Months

The Pacemakers

Complex, detailed and intricate: Successfully selling a nursing home portfolio requires great accuracy and in-depth industry knowledge. When Hemsö acquired a portfolio from PATRIZIA, TERRANUS proved that these traits and speed and efficiency are not mutually exclusive.

Speed is relative. Physicists such as Carlo Rovelli have described it thus: “Speed is not a property, it describes a relationship.” This seems pertinent in view of the complexity of acquiring a nursing home portfolio. Compared to purchasing other types of properties, nursing homes transactions mean countless other parameters have to be taken into account – from the applicable nursing home regulations and the number of one-bed rooms to the investment costs, nursing charges and occupancy rates.

The sale to Hemsö was even more complicated: the PATRIZIA portfolio consisted not only of four properties, each leased to a different operating company, but each property was located in a different German state with specific nursing home legislation. Given such complexity, PATRIZIA Immobilien AG’s

proposed timeline for the transaction was very ambitious, if not impossible. Exactly three months prior to the signing of the purchase contract TERRANUS was mandated to structure and execute the investment process. “This was very ambitious planning. Normally such deals in the nursing home industry tend to take place over a period of six months or more,” says Jan-Hendrik Jessen, Head of Fund Management Operated Properties at PATRIZIA. “It was therefore essential that we hire a very experienced transaction advisor who knows both the real estate and the operator side.”

On your mark: Start of the three-stage bidding process

There was no time to lose. Initially, more than two dozen potential buyers were given anonymous information, most of whom showed



immediate interest and promptly returned the signed confidentiality agreement. "This shows that our pre-selection was spot on," says Jessen. The prospective purchasers then received just enough information about the portfolio to enable them to submit a first offer quickly.

Behind the scenes, TERRANUS was already compiling the data room – site plans, excerpts from the land register, floor plans, building and space dimensions, etc. To quickly determine the company-specific data, TERRANUS used its contacts to the four operators. "If you have the feeling that someone is familiar with the world of care home operators and speaks the same language, that instils a sense of trust," emphasizes Wolfgang Frühschütz, Managing Director of compassion. "This also applies to the careful arrangement of viewing appointments which were carried out without disrupting the day-to-day running of the facility." This trust paid off and accelerated the selling process enormously.

Get Set? Control every phase perfectly!

This was important. With ten indicative offers on the table PATRIZIA and TERRANUS selected the five most interesting parties. As Markus Bienentreu, Managing Director of TERRANUS Real Estate, explains: "We wanted to notarise the transaction in just eight weeks' time so besides the price, the likelihood of closing the transaction was a key criterion." In phase two the interested parties were given access to the data room which contained all relevant information. However, very detailed documentation, such as maintenance contracts, was not provided in order to save bidders time.

One nursing home portfolio, two dozen interested parties and only three months to close the deal – made possible by TERRANUS and rigorous process control.

The starting signal for a tightly paced marathon: seven days, 17 tours of four nursing homes, from Kiel to Bonn, from Rehren in Lower Saxony to Nittenau in the Bavarian Upper Palatinate. The distances between the homes were so great that it was barely possible to visit two in one day. "A logistical masterpiece, achieved only because the operators gave us their full support," says Bienentreu.

Exactly one month before the deadline, solid offers from four bidders had been submitted. "We decided to go into the third phase with a single, highly professional bidder, the Swedish nursing home investor Hemsö," explains Bienentreu. "All indicators pointed to a high probability of closing."

And so the last round could begin: Only now did TERRANUS add detailed documents such as technical test and maintenance reports to the data room. "Thanks to a special Q+A tool, we were able to answer even detailed questions very quickly and efficiently. In this phase, the process has to be precisely controlled. Any missing information – which often has to be sourced from the operators – must be obtained quickly," says Bienentreu. "These could be questions about the proportion of welfare recipients or about fire protection, for example. All factors that can affect the bottom line later."

Due diligence for nursing homes includes careful risk assessment of the extent to which the facilities comply with the respective state home laws and their building regulations. This requires in-depth knowledge of the legislative framework in 16 federal states and encompasses factors such as the quota of single-bed rooms, the number of baths per floor, square metre specifications for communal areas and the disabled-friendly toilet in the entrance area. "Such matters are not an obstacle to a sale," explains Markus Bienentreu, "They just might mean structural changes and thus investment is required."



"I can't remember a transaction of this magnitude that went faster and smoother."

Jens Nagel,
Managing Director Hemsö

The finale: intensive, professional, successful

Exactly three months and six hours after the assignment was awarded, the contract was ready for signature by the notary. In parallel to the Q+A process, the sellers, buyers and TERRANUS had already negotiated the details of the sales contract. Admittedly, in addition to excellent process control and a high degree of professionalism on the part of all partners, luck also played a role. Hemsö Managing Director Jens Nagel summarized the matter as follows: "I have concluded a large number of transactions for Hemsö over the past few years, but I can't remember any on this scale going faster and smoother."