

Creating Resilience

# Status quo: Care in Germany

**VIEWPOINT**

Current developments,  
challenges and opportunities  
in Germany's care sector.

CBRE RESEARCH  
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## Increasing demand meets stagnating supply

The care sector in Germany is under considerable pressure. Demand for care places – especially in fully inpatient care homes – for housing with care and services for seniors and for outpatient care is increasing, while supply is stagnating. This development is due to a variety of influencing factors. These include the sharp increase in the proportion of elderly people in Germany due to the transition of the baby boomers into retirement age coupled with rising life expectancy, general inflation and the increasing shortage of care workers – of whom the baby boomers themselves will soon be seniors.

According to the current population forecast by the Federal Statistical Office, the number of seniors in Germany is expected to rise to around 23 million by 2050, an increase of 27%. In 2022, the 65+ age group only accounted for 22% of the population. The group of very old people aged 85 and over is experiencing particularly strong growth. Compared to 1991, this figure has more than doubled to 2.7 million; by 2050, it will be around 5 million.

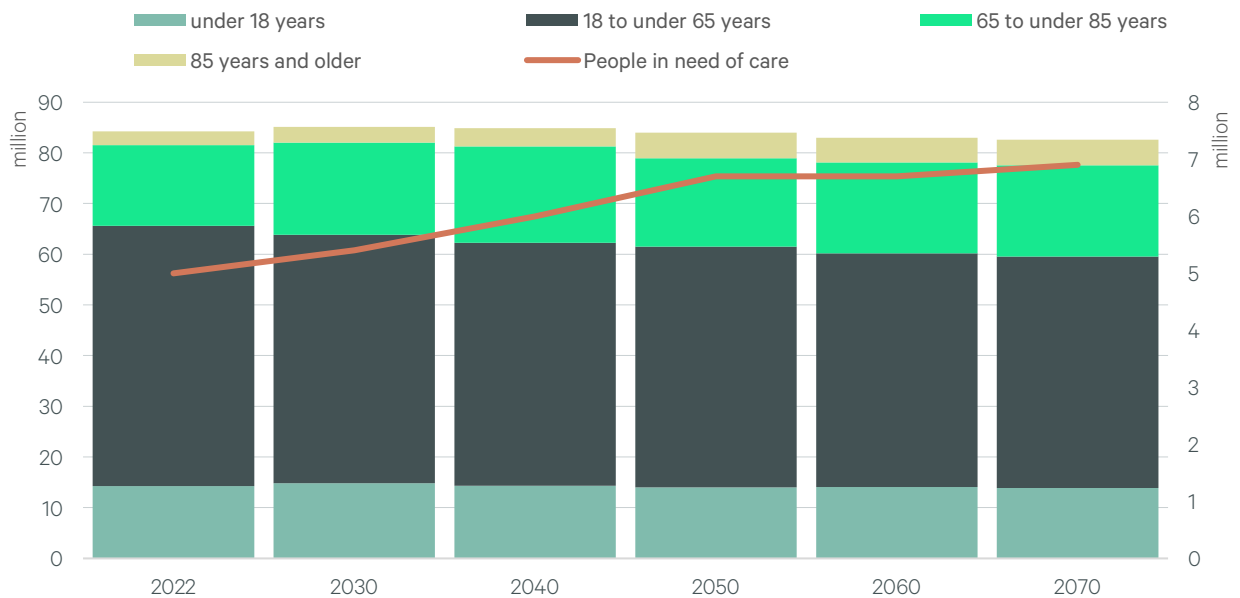
Proportion of seniors (65+) in Germany in 2050

27%

Very elderly (85+) in Germany in 2050

5m

Figure 1: Development of age groups and people in need of care



Source: Statistical Federal Office

## Challenges of the aging society

According to the 2021 care statistics from the Federal Statistical Office, the number of people in need of care is now around 5.0 million, partly as a result of the new definition of the term 'need for care' implemented in 2017. Of those in need of care, 4.2 million (84%) receive outpatient care, while around 793,000 (16%) receive inpatient care. With a population of 83.2 million inhabitants, this corresponds to a care quota of 6%.

Assuming a constant care quota, the number of people in need of care will rise to around 6.0 million by 2040 and to 6.7 million by 2050 according to the care forecast. However, using a linear extrapolation based on current growth rates, the number of people in need of care will already exceed 6.0 million by 2030. The high number of people in need of care therefore not only represents a short-term challenge for society in Germany, but will persist over the coming decades.

At the same time, there is a long-term trend of increasing life expectancy. According to the 2021/2023 mortality table, life expectancy at age 65 was 20.8 years for women and 17.5 years for men. In comparison, in 1991/1993 it was 18 years for women and 14.3 years for men.

It is important to note that increased life expectancy does not necessarily correlate with improved health conditions. As individuals age, there is an increased prevalence of neurological and psychiatric illnesses, as well as musculoskeletal disorders. Osteoarthritis is the most prevalent joint disease globally, with the proportion of individuals affected rising significantly with age. According to the Robert Koch Institute (RKI) – the government's central scientific institution in the field of biomedicine – approximately half of women and a third of men over the age of 65 in Germany are affected by osteoarthritis.

In particular, the expected increase in dementia will pose major challenges for the care sector. The OECD expects around 42 million people to suffer from dementia worldwide in 2050, and a prevalence of 35.9 people per 1,000 inhabitants in Germany. The German Alzheimer Society predicts an increase in the number of people with dementia in the over-65 age group to up to 2.7 million in 2050. This corresponds to an increase of more than one million patients compared to 2023.

People in need of care  
in Germany in 2021

5m

People in need of care  
in Germany in 2050

6.7m

Dementia patients  
worldwide in 2050

42m

Dementia patients (65+)  
in Germany in 2050

2.7m

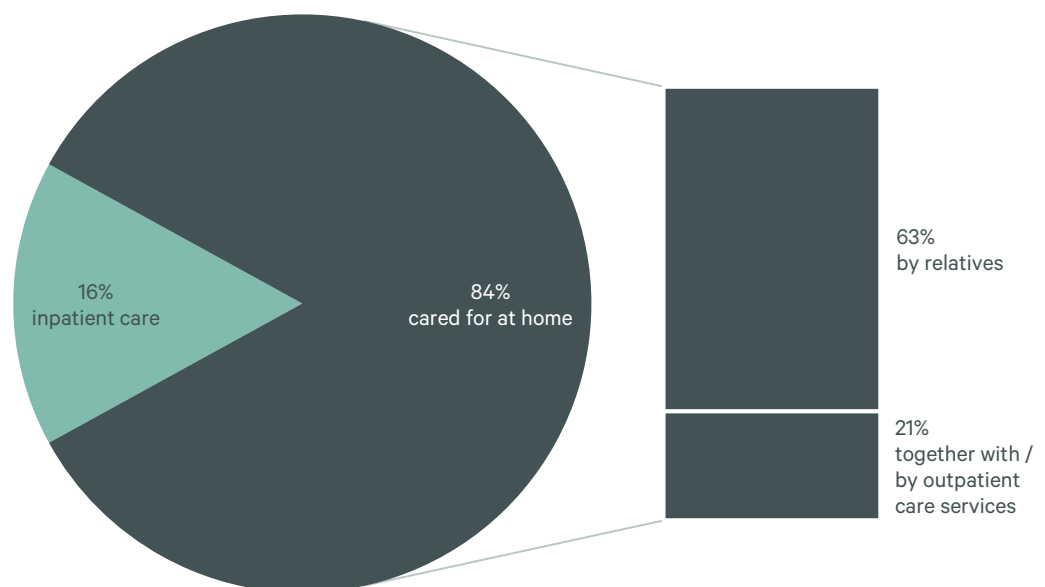
## Creating better conditions for care

The majority of those in need of care are cared for either by relatives alone or in combination with outpatient care services. Politically, outpatient care is promoted by the principle of "outpatient before inpatient". In addition, the shortage of staff in professional care and the rising costs seem to favor care by relatives. Any shift in care provision from informal to professional care threatens to further increase staff shortages.

Nevertheless, caring for relatives should be viewed critically, as it often involves a reduction in or termination of employment for the caregiver, which increases the risk of poverty for caring relatives. In view of the increasing labor shortage and the burden on the social system, this is a worrying development. The physical and emotional strain on caring relatives should not be underestimated. In addition, the nationwide lack of childcare places is also endangering business models in other sectors.

In order to improve the conditions of care for relatives, a holistic approach is required that includes individual and structural measures and takes into account the needs of all those involved in order to sustainably improve the quality of life of those in need of care and their caretakers. This includes, for example, support and training offers, but also flexible working time models and financial aid. In addition, social networks and community initiatives should also be strengthened in order to give caring relatives a feeling of belonging and support. Exchanging ideas with other carers can not only provide emotional relief, but also provide valuable information and tips on care practice. In addition, technologies such as digital tools and telemedicine should be further developed in order to make care at home more efficient.

Figure 2: People in need of care by type of care



Source: Statistical Federal Office

Another important aspect is raising awareness in society of the challenges of caring for relatives. Information campaigns could help to raise awareness of the burdens and promote understanding of the situation of caring relatives.

### **Improve attractiveness and recognition**

In 2021, professional care for those in need of care was provided by around 31,000 care facilities with around 1.2 million employees or 898,000 full-time equivalents. In outpatient care, one employee corresponds to a full-time equivalent of 69.1%, and in inpatient care, 76.7%.

Despite increasing consolidation, the care market is still very fragmented and characterized by a large number of smaller providers. This is reflected in the fact that more than half of the inpatient facilities and outpatient services care for fewer than 50 people.

A key problem is the high part-time rate in care facilities, which leads to the labour potential of qualified staff not being fully utilised. In addition, the better pay under the tariff compliance obligation, which has been in force since September 2022, leads in some cases to a reduction in agreed working hours in order to improve the work-life balance.

This development shows that remuneration is not the decisive factor in the lack of attractiveness of the profession. Nursing staff are exposed to a high workload, as they are usually responsible for a large number of patients at the same time. The high physical and emotional strain leads to frequent staff absences, which have to be compensated for by the remaining staff. In addition, factors such as a lack of recognition, inadequate training opportunities and often inflexible working hours are of major significance. The working conditions lead to a high level of stress and a feeling of disrespect for many nursing staff. This results in high fluctuation and increases the shortage of skilled workers. Comprehensive measures are required to make the profession more attractive. These must improve both the working conditions and the appreciation and the social recognition of the nursing sector.



Legislative measures to improve staffing levels (New Personnel Assessment Procedure (PeBeM)), the promotion of digitization within the framework of Section 8 (8) of the German Social Code (SGB XI) or the financing of telematics within the framework of Section 106b of the German Social Code (SGB XI) may provide a remedy here. However, it should not be overlooked that such changes initially mean additional expenditure. In order for an improvement in staffing levels to be effective, there is first of all a need for action in the design of a qualification-oriented work organisation and personnel development.

The shortage of skilled labour will be further exacerbated in the coming years by the retirement of baby boomers from the workforce and will be accompanied by a further significant increase in the need for care. The worsening shortage of staff is leading to serious problems and increasing regional supply bottlenecks – both in inpatient and outpatient care.

#### **Integrating international nursing staff**

Recruiting workers from abroad is an important strategy for the care sector to overcome the shortage of skilled workers and is of central importance in view of the increasing demand for care. However, it must be ensured that integration and language skills are promoted. It is also essential to create fair working conditions and prospects for foreign professionals in order to promote long-term commitment and ensure the quality of care. However, it should be critically noted that this will exacerbate the shortage of skilled workers in the countries of origin.

**According to a new research report by the Institute for Employment Research, foreign workers accounted for around 18.9% of employees subject to social insurance contributions in the elderly care sector in 2023.**



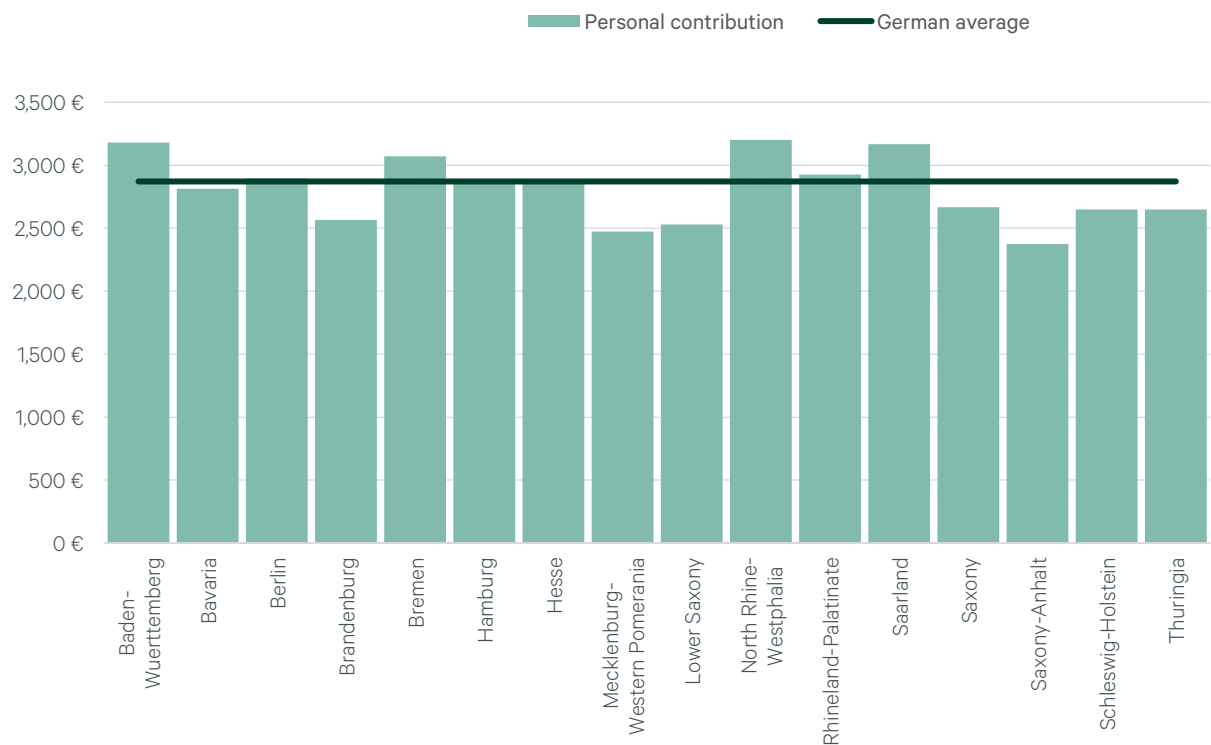
### Increasing cost pressure on operators and care recipients

Another challenge in addition to the shortage of skilled workers is the financing of care and its affordability for those in need of care. The costs that those in need of care have to cover themselves in care homes are constantly rising. A recent data analysis by the Verband der Ersatzkassen e. V. (vdek) shows that the average personal contribution in nursing homes is currently 2,871 euros per month. This corresponds to an increase of 211 euros or 7% compared to mid-2023. The highest average costs were recorded in North Rhine-Westphalia with a monthly share of 3,200 euros in the first year of accommodation, while the lowest average costs were recorded in Saxony with 2,373 euros.

Increasing cost pressure is leading to an increase in the proportion of those in need of care who are receiving social assistance. The social assistance rate among nursing home residents reached its highest level to date at nearly 37% before it was significantly reduced by the benefit supplements introduced in 2022 under Section 43c of the German Social Code (SGB XI). While the number of recipients of care assistance in inpatient care fell – especially among people with care level 5 – the number of recipients using outpatient care increased slightly. In total, around 377,000 people in Germany received care assistance under Chapter Seven of the German Social Code (SGB XII) in 2022. However, spending on care assistance rose sharply again in 2023, amounting to around 4.5 billion euros; a further increase is expected in the coming years.

The solvency of the social long-term care insurance (SPV) will no longer be guaranteed in 2025. Due to the significant funding gaps that are emerging, an increase in the contribution rate is unavoidable at the turn of the year. It was also decided to suspend the federal subsidy for social long-term care insurance of one billion euros per year from 2024 to 2027.

**Figure 3: Average personal contribution per month in the first year of accommodation**



Source: Verband der Ersatzkassen e. V. (vdek)

A paradoxical situation is currently emerging. The burden on those in need of care due to rising personal contributions is increasing, while operators are often in financial difficulties and in some cases have had to file for bankruptcy. The analysis of the data pool from Curacon shows that the operating result per care place has deteriorated from around plus 1,300 euros in 2021 to minus 1,000 euros in 2023. In addition, the personnel and material costs ratio has increased from 79.7% in 2021 to 82.2% in 2023.

Currently, 68% of operators have a negative operating result. This is due to various factors, including a lack of staff, which in turn leads to insufficient occupancy rates, and inadequate refinancing of cost increases and rents. Negotiations with the funding bodies and social welfare offices are usually lengthy, which leads to a delay in payments. This has the consequence that the financial reserves of the facilities are exhausted. According to current surveys by Diakonie Hessen, more than half of the outpatient services and over a third of the inpatient facilities are forecasting a worse operating result than in the previous year. A key factor here is the lack of skilled workers; according to this, many care facilities are forced to weigh up whether to limit their range of services or to use expensive leased staff, whose costs are not fully refinanced.

### **Active action is required**

Despite initial steps towards nursing reform within the framework of the Nursing Competence Act, no rapid support from politicians or legislators can be expected in the key areas of action: shortage of skilled workers, structural reforms and financing. The operators of nursing facilities therefore need to take active entrepreneurial action in order to ensure a long-term, viable economic orientation. As part of internal corporate management, restructuring measures can be implemented that aim to reduce both material costs and other operating expenses and to optimally manage the use of personnel. Technological innovations, strategic reorientations and the further development of core competencies in administration and nursing are decisive factors for the economic success and survival of the facilities. Increasing burdens from overhead costs due to growing requirements may be better borne in a still highly fragmented nursing market by forming networks.

## **Differentiation as growth opportunity**

There are opportunities for growth in forms of care that require fewer skilled workers and are more cost-effective. The diversification of housing, care and support options also enables providers to meet the changing needs of today's seniors. The objective is to provide individually tailored solutions that support the lifestyle and independence of the resident, while also promoting social interaction. This encompasses housing options for seniors that incorporate a range of services, such as those typically found in serviced living or assisted living facilities. These options are well-suited to seniors seeking a high quality of life. Attractive living space design, access to leisure activities, and good links to public life contribute to a positive lifestyle experience for the target group. It should be noted that the costs of these housing options are dependent on the residents having a certain level of liquidity. It is therefore recommended that housing options for seniors that are accessible to recipients of support services be created.

### **Involvement of private capital**

Many municipalities are facing significant challenges in the provision of healthcare services. These include an insufficient number of inpatient care facilities, a lack of specialised care services, inadequate outpatient care services, limited support structures and deficient measures for neighbourhood development.

Tight budgets often limit municipalities in the development of their care infrastructure, so the integration of private capital is proving to be a decisive factor in improving the care landscape. Private investments can be targeted at the construction, modernization and equipment of care facilities, promote innovative housing and care concepts and drive forward the development of outpatient and inpatient services. Digitalization in the

the care sector also offers promising approaches to increase both the efficiency and the quality of care. Another starting point is the implementation of sustainability aspects in both real estate and operations.

## Future of care in Germany

It is currently difficult to predict the future structure of the care system in Germany. What is certain, however, is that an adequate and sustainable care infrastructure can only be created through cooperation between all stakeholders. The current challenges in the care sector are due on the one hand to system-immanent difficulties, and on the other to social megatrends and exogenous factors over which the sector has no influence. It is therefore necessary to look at the challenges from different perspectives in order to develop different approaches to solutions. This can be done at the legal level, for example by standardising state-specific care home legislation, by adapting to changing framework conditions or by innovatively developing the system. The will for change is there and there is consensus that remaining in the status quo is not an acceptable option.



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