



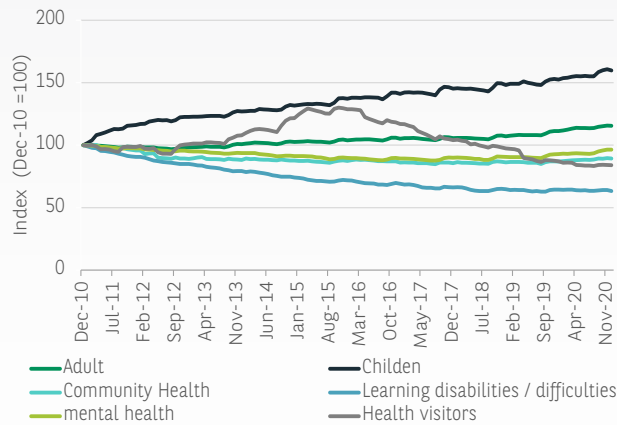
UK CARE AND SENIOR LIVING

MARKET SNAPSHOT Q1 2021

CARE MARKET OVERVIEW

- ▶ The first quarter of the year marked a rapid increase in the pace of vaccinations in the care sector with reports in January by the National Care Forum that 95% of all care homes in England had vaccinated all their residents. Additionally, in early March, care homes were able to start opening up their doors to single visitors.
- ▶ Whilst there remains a shortage of skilled nurses in the UK, there was welcome news from UCAS in Q1, who reported a 32% increase in nursing applications meeting the January 2021 deadline, with young people inspired by the hard work and dedication of nurses throughout the pandemic.
- ▶ The undersupply of market standard care home beds in the UK has been highlighted by the pandemic. As sentiment improves over the coming months, and occupancy starts to stabilise, the churn of older existing stock will increase.
- ▶ The resilience and opportunities in the sector continue to be recognised by both domestic and international investors who are showing an increased interest in the secure income streams on offer in UK care.

CHANGE IN REGISTERED NURSE WORKFORCE



CARE HOME YIELDS (PURPOSE-BUILT)*

	Q4 2020	Q1 2021	Sentiment
Strong covenant, prime stock	3.50%	3.50%	▲
SPV covenant, prime stock	5.75%	5.75%	▲
Secondary covenant, secondary stock	8.00%	8.00%+	▼

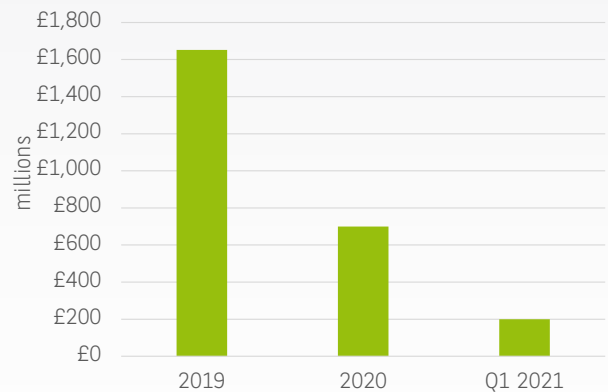
* assumes modern purpose-built

Source: BNPPRE

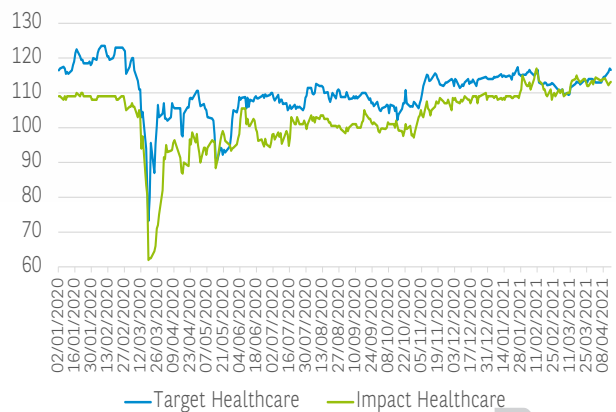
CARE MARKET INVESTMENT ACTIVITY

- ▶ It was a relatively buoyant start to the year for the Care Home Sector with total investment volumes in Q1 2021 reaching c.£200m. Investment activity included a mixture of portfolio and smaller deals.
- ▶ Listed and institutional investors accounted for a large proportion of activity. Of particular note was a portfolio purchase of Excel Care for £40m by Aedifica and two forward fundings of Care Concern homes by the new Elevation/PGIM venture for c.£30m.
- ▶ The activity of the Listed Healthcare funds continued to be mirrored by the relatively low volatility in the share prices of the specialist Healthcare REITS.
- ▶ There remains a growing interest in the UK care market by domestic and overseas investors, and the weight of capital chasing after the relatively high yields on offer in the sector, is expected to grow.
- ▶ The competition for land and modern stock combined with the growing allocation towards the sector, will put pressure on yields.

CARE HOME INVESTMENT



LISTED SECTOR PERFORMANCE



SENIOR LIVING MARKET OVERVIEW

- ▶ The Senior Living sector continued to grow in Q1 2021, albeit has experienced some challenges within the legal system, particularly around the growing requirement for affordable housing within planning applications and the government reversing its decision regarding the ban on ground rents to include retirement developments.
- ▶ However, there remains a significant shortfall of supply and specifically, variety of tenure, across retirement living, to match the projected growth in older people in the UK over the next 20 years.
- ▶ A recent survey by ARCO reported that just 12% of older people believe their local area offers enough downsizing options, including those with care.
- ▶ In a promising move McCarthy & Stone announced in Q1 that they were launching an affordable arm to their retirement living business as part of a long term strategy to allow more choice to customers.
- ▶ Whilst the pandemic highlighted the benefits of living

in a retirement scheme (in particular combatting loneliness), it also showed developers the importance of future-proofing villages. Leading the way were Legal and General who reported in Q1 that they had started construction of their first operationally net-zero carbon development at Millfield Green.

SENIOR LIVING INVESTMENT MARKET

- ▶ Investor interest in retirement living continues to grow at pace notwithstanding the impact of COVID-19 on the sector.
- ▶ In Q1, Lone Star, the US private equity group, completed the purchase of McCarthy and Stone for c.£650m, which followed the acquisition of UK senior housing developer, Beechcroft, by The Carlyle Group in Q4 2020.
- ▶ The market is looking increasingly attractive to overseas investor who recognise the inherent lack of supply and underlying demographics of the UK.
- ▶ Development in the sector remains active with strong competition for well-located sites and signs of improving liquidity in the development finance market.

KEY MARKET ACTIVITY Q1 2021

Investor	City	Details	Type	Date
Cheyne Capital	London	Provided a £99m finance facility to Riverstone's Fulham senior living development	Development finance	Mar-21
Lone Star	National	Acquisition of McCarthy & Stone completed for c£650m	Company acquisition	Feb-21
Audley Retirement Villages	Cobham	Secures a £47m development loan to fund construction of 74 bed retirement village	Development finance	Feb-21

ABOUT US

BNP Paribas Real Estate Healthcare have combined with Strutt & Parker's Residential Development and Land teams to create a group of experienced individuals providing a range of services in the Senior Living & Healthcare sectors including land search, development viability, project management, funding, valuation and sales.

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