



UK HEALTHCARE AND SENIOR LIVING

MARKET UPDATE Q3 2022

OVERVIEW

- ▶ Across the spectrum of Healthcare and Senior Living properties there are investment opportunities, all underpinned by strong demographic fundamentals. This market update examines each sub-sector identifying trends and challenges apparent at the end of Q3 2022.

PRIMARY CARE

- ▶ Primary care, the UK's front-line of medicine, continues to play a significant role in the healthcare space.
- ▶ According to the BMA, GP practices across the country are experiencing significant and growing strain with retention and recruitment of GPs, and rising demand, creating knock-on effects for patients.
- ▶ Since the pandemic there has been a closer inspection on how primary care estates are managed and optimised, amidst this rising demand on primary care services.
- ▶ Both Primary Health Properties PLC and Assura PLC have demonstrated sector resilience this year, underpinned by secure long-dated predictable income.

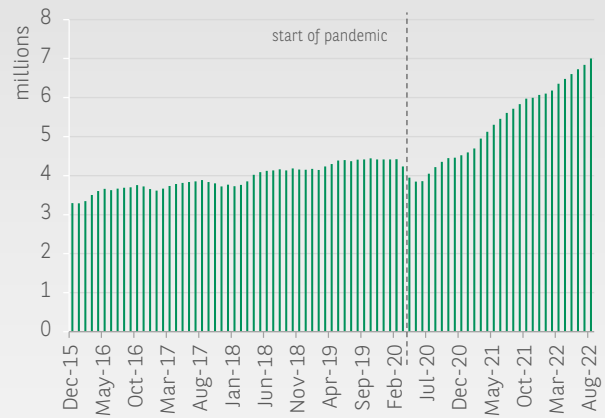
SPECIALIST FACILITIES

- ▶ There is a growing need for investment into specialist facilities in the UK, including for mental health.
- ▶ Over the course of the pandemic mental health issues increased across both adults and adolescents. According to the NHS there has been a rise of almost a fifth in people being referred to mental health crisis services compared to pre-pandemic levels.
- ▶ The requirement for an increase in mental health facilities in the UK is growing significantly and this is likely to result in a much needed increase in real estate investment into this segment of the market.

PRIVATE HOSPITALS

- ▶ There has been a steady rise in the number of people on NHS waiting lists for consultant led elective care.

NO. OF PEOPLE ON NHS WAITING LISTS FOR CONSULTANT-LED ELECTIVE CARE



Source: BMA

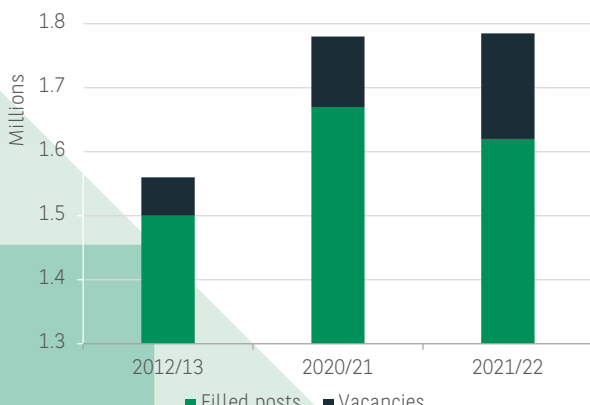
Demand on NHS services outstripped supply pre-pandemic. The challenge of delivering care during the pandemic meant the imbalance increased further. In August 2022 the list reached over 7 million people.

- ▶ Meanwhile, insured activity in private hospitals has been rising and was 6.7% higher in September 2022 than in the same period 2021, according to Healthcode. The private hospital sector presents an opportunity for real estate investors to ease some of the NHS backlog.

CARE HOMES AND NURSING HOMES

- ▶ Whilst occupancy in care and nursing homes has recovered since the pandemic, the sector continues to face challenges including staff recruitment and retention and inflationary pressures including rising utility, food and labour costs.
- ▶ In response, operators have increased their average quoted self-funded fees for both personal and nursing care, according to Carterwood.
- ▶ Demand for care and nursing homes is needs-based and with an ageing population, the need for more quality beds in the sector is going to increase further.
- ▶ Moreover, demand for specialist dementia care is growing. The NHS estimate 451,992 people have a coded diagnosis of dementia as at September 2022, a 2.8% increase on September 2021.
- ▶ In 2021 the government announced £5.4bn of investment in the adult social care system in order to transform the sector by introducing a new adult social care charging framework from October 2023. The consultation period ran in Q3 2022 and will be key for the sector to see how this plays out.
- ▶ Adult social care also has significant issues with labour recruitment and retention. The number of vacant posts increased by 52% between 2020/21 and 2021/22 (source: skillsforcare.org).

WORKFORCE TRENDS IN ADULT SOCIAL CARE



Source: skillsforcare.org

KEY MARKET ACTIVITY Q3 2022

Investor	Location	Details	Type	Date
Aedifica	National	£45.5m forward funding of 3 care home portfolio from LNT Group	Forward funding	Sep-22
Anchor Hanover	Leeds	Purchase of 2 care homes from Hadrian Healthcare for £51m	Portfolio purchase	Sep-22
Capital & Regionals	London	NHS signed a contract to increase the size of its diagnostic centre in The Mall, Wood Green	Leasing	Aug-22
Impact Healthcare REIT	National	Raised £22m of equity in order to acquire a group of care homes	Equity raise	Jul-22
ActivumSG Capital Management	National	Launch of Opus, a new later living developer and operator	New entrant	Jul-22

SENIOR LIVING

- ▶ The market for independent and assisted living with on site care provision continues to be an increasingly attractive option for older people.
- ▶ BNP Paribas Real Estate analysis estimated a 487,000 shortfall in the number of beds in senior living to bring the UK in line with more established markets including New Zealand, Australia and US.
- ▶ The sector welcomed the news in Q3 that ActivumSG Capital Management had launched a new later living developer and operator called Opus, whilst Audley was close to securing new funding from Blackrock to grow its senior living business.
- ▶ Delivery of product for all tenure types is a necessity in the sector, catering for all levels of affordability amongst our older population, today and in the years ahead.

OUTLOOK

- ▶ The needs-based nature of much of the healthcare sector offers protection from the wider economic conditions, ensuring its resilience.
- ▶ Its counter-cyclical nature presents opportunities for real estate investors and developers to build new and much needed specialist facilities, diagnostic centres, private hospitals and care homes.
- ▶ There are also development opportunities for quality senior living schemes to meet the increasing housing needs of the UK's ageing population.
- ▶ However, the sector is not without its challenges and rising construction costs alongside rising cost of debt will impact on the viability of some developments across both the Healthcare and Senior Living sectors.

ABOUT US

BNP Paribas Real Estate's Healthcare and Senior Living team works across the UK to provide advice on all types of Healthcare and Senior Living accommodation. The team works closely with the wider commercial and residential teams to provide a joined-up service for investors, developers and operators.

Our property services include:

- ▶ Disposal and acquisitions of land, investments and trading care homes
- ▶ Raising capital and sourcing funding
- ▶ Valuations – trading entities and leased investment
- ▶ Demographic and Needs Analysis reports
- ▶ Planning and development consultancy/feasibility studies
- ▶ Operator searches
- ▶ Building surveys and condition reports

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