

JULY 2021

# SHHA

Senior Housing & Healthcare Association

## Headlines:

Investment in elderly care grows amid compelling fundamentals

Care homes remain attractive despite market complexities



Ron van Bloois: 'What do seniors want?'

Moorfield/Allegra JV makes debut buy

Europa takes first steps into senior living



## We need to focus on what seniors want



**Ron van Bloois**  
Chair, Senior Housing & Healthcare Association

Do we know what elderly people desire in their last decades of life? And how many differences do we see based on background, cultural habits, financial abilities (sometimes driven by local regulations) and urban or rural living environments?

There is no one-size-fits-all solution and seniors of today have differing requirements when compared with previous generations. ‘Senior consumerism’, it seems, warrants a dictionary definition.

Beginning with some general requirements: seniors desire independence and a level of self-sufficiency, their self-esteem needs empowerment and they should be part of a social infrastructure with family, friends and like-minded people.

**‘Our increasing senior population needs our care and attention, and offers opportunities.’**

From a built environment perspective, we are creating more and more senior living establishments,

from small-scale assets to senior communities. But the position of this target group facility in society is unclear. Do we want it to be inclusive or are we implicitly separating it, especially when people are faced with dementia or severe mobility problems? These issues should be made part of political and urban planning discussions because of the boom in the older demographic.

It is an opportunity for the real estate sector to show its creativity in providing smart, mixed-use concepts on an asset, area and country level. Creating attractive senior living products with demand-driven services and variety in terms of scale, architecture, affordability and typology (from BTR apartments, houses to mixed-ownership plots).

Our increasing senior population needs our care and attention, and offers attractive business opportunities. So, it is time to demonstrate your entrepreneurial, needs-driven skills.



The portfolio comprises five nursing homes in Hampshire

## £125m Moorfield/Allegra elderly care JV makes debut acquisition

Fund manager Moorfield Group and care home operator Allegra Care have jointly acquired privately owned nursing home group Sentinel Healthcare in the UK.

Moorfield has taken its stake in the business on behalf of Moorfield Real Estate Fund IV.

Sentinel owns a portfolio of five operational nursing homes providing 200 beds, located across Hampshire in southern England. Four of the homes are focused on nursing care and one provides dementia care.

The acquisition is the first since the

partnership between Allegra Care and Moorfield was established in 2020. The pair aim to create an initial £125 million (€144 million) portfolio of modern nursing and dementia care homes across central and southern England. The partnership is targeting newly developed homes and operational assets, including those with asset management potential.

Allegra Care and Moorfield were advised by CBRE, BCLP and Menzies, while Sentinel Healthcare was advised by Savills, Royds Withy King and Hazlewoods.

## Spanish REIT Adriano Care splashes €45m on six assets

Spanish senior living focused Socimi (Spanish REIT) Adriano Care committed more than €45 million to six senior living assets in the first half of the year.

Adriano Care, which is managed by Azora, bought five operational senior homes in four cities – Valencia (122 beds); León, two homes (140 beds in total); and Lugo (191 beds, pictured below) where it is planning



additional capital expenditure.

It has also recently opened a home in Terrassa (72 beds). Land has also been acquired north of Madrid for the development of a 115-bed home.

Adriano Care now has a portfolio of 14 assets and close to 1,800 beds. The company’s strategy is intended to provide geographical balance and operator diversification.

The company still retains more than €100 million with which to continue its expansion.

Measured against the World Health Organisation’s objectives, Spain currently has a deficit of more than 70,000 beds in senior homes and this is expected to continue growing by 11,000 places per year.

# Investment in elderly care grows amid compelling demographic evidence

The European elderly care property investment market remains buoyant, despite Covid-19, with transactions worth €7.2 billion last year, according to research from adviser Knight Frank.

Furthermore, the number of Europeans over the age of 65 is set to grow by 50% within the next 30 years, from 100 million at present to 150 million. This will drive demand for elderly care beds but particularly for full-time nursing care delivered in specialised facilities, KF said in its *European Healthcare – Elderly Care Market Research 2021* report.

Investors seized upon this trend to invest a record €8 billion in elderly care and senior living in the four quarters to March 2020.

The firm said that an increasingly wide array of investors is seeking out the opportunities presented by elderly care. Although the market has historically been state controlled across the Continent and thus underfunded, in recent years it has become dominated by private sector ownership which has addressed funding and investment shortages.

It has also transformed domestic healthcare markets into pioneering systems, as is the case with the specialist memory care services in the Netherlands.

### Care home and senior living property investment in Europe



Source: Knight Frank/Real Capital Analytics

Investors in European healthcare markets have also become more international. Domestic buyers still lead, but overseas buyers account for 43% of European transactions since 2016.

Universal elderly care is less developed in some Southern European countries such as Spain and Italy. But by 2050 the over-80 population in Spain is set to double and Italy will have the world’s second highest proportion of over-80s (12.8%) so global operators and real estate investors are

beginning target these markets.

“Undeterred by the pandemic, investors have helped to address critical funding shortages across the continent and have transformed the landscape for European elderly care,” said KF head of healthcare Julian Evans. “An ageing population, the increased globalisation of elderly care and the spotlight shone on the importance of elderly care by the pandemic, have all contributed to an increased appetite for healthcare assets, a trend set to continue.”

## Europa Capital takes first steps into senior living sector

Europa Capital has paid €45 million for a Danish hospital, which will be converted into senior housing.

The acquisition, at Helsingør, Denmark, is Europa’s first senior living investment and has been made on behalf of its latest value-add fund through a joint venture with Copenhagen-based Keystone Investment Management and Ailon Group.

The JV will create a 5,300 sq m complex with 58 assisted living units let to Nordic care provider Attendo, plus 108 private build-to-rent units specifically designed for seniors. The 14,200 sq m project will also include a GP surgery. Construction is expected to complete in Q1 2023.

The living sector represented about 80% of Europa’s transactions activity in 2020.

Savills Operational Capital Markets Europe and Colliers Denmark advised on the acquisition.



# Care homes remain attractive despite market complexities

Sector fundamentals outweigh myriad regulations across Europe, reports **Paul Strohm**

A recent report by law firm CMS has revealed the complexity and diversity of the care home markets across Europe and the UK. The report also highlights the growing demand for the sector both from the consumer perspective and from the point of view of investors.

“Over the next 50 years it looks like we’re going to have 50% of our population being supported by fewer numbers of working adults, so care homes are critical for our future,” says CMS partner Candice Blackwood.

Fellow partner Stefan Voss adds that in Germany the baby boomer generation is likely to retire over the next 10 to 15 years and up to 2030 at between 200 and 250 care homes will have to be developed to maintain quality.

But the strength of demand and the stability of income, which is effectively underwritten by the social security system, makes it an attractive investment.

Funding is diverse but ultimately, it is government backed, which is an attraction for investors.

“Something we have seen in the past few months is that many fund managers and international REITs are quite interested in this kind of property – Aedifica from Belgium, Catella from Sweden, Cofinimmo, also from Belgium, Patrizia, Primonial, Icade from France... so there’s really very big interest in this asset class,” Voss adds.

The pandemic has placed a strain on operators and more consolidation can be expected in the market, Blackwood says. The covenant strength of the operators that investors partner with is therefore critical, she adds.

The complexity of the regulations which



AdobeStock/Monkey Business

apply to the sector can be a challenge for both investors and operators. “In Germany in particular, we have a specific care home regulation in all 16 federal states that makes it quite different when investing in portfolios which cover properties located in more than one federal state. It is a very complex issue which needs to be observed by all investors,” Voss says.

Although, as Blackwood points out, the situation is not as complex in the UK, there are different regulators in England, Scotland and Wales which operate slightly different regimes.

It is important that investors have a good grasp of regulations as well, Blackwood says: “The investors invest in the real estate and tend to lease the premises back, and

**‘The one thing that the research showed is that there’s no single system all over Europe. It’s also a very local market.’**

Candice Blackwood, CMS



the operators have to be registered with the different regulatory authorities, such as the Care Quality Commission in England.

“But if, for instance, a business is not performing and an investor needs to step in to the lease, it is important that they explore other options to ensure that the patients living in the care homes always have regulated care providers looking after them.”

While the demographics are heading in one direction, Blackwood explains that another change is that in the West, people with long-term, chronic conditions, such as those with diabetes, multiple sclerosis or severe asthma, are better looked after.

“People are living longer and the care

home population has to be looked after more. They’re being admitted later into care homes and living there perhaps 18 months to two years with perhaps a number of issues that need nursing care, whereas 10 to 20 years ago people were being admitted to care homes and living there quite happily in what was known as ‘residential care’ for perhaps five years.

“The market is now moving in a different direction and there are care homes for complex needs, dementia in particular, as people age.”

This has implications for the funding system, which Voss points out is highly regulated by the national care insurance system in Germany, for example.

“There’s a quite complicated mechanism which requires special contracts between the operators and the local care insurance bodies,” he says. “For example, for in-patient nursing homes the amount which will be refunded to each occupant per day

is determined and a part of this payment is dedicated to the investment costs and that’s the main figure investors are looking at – how much investment cost is the real value for each nursing home.”

Rents are not calculated per square metre like other asset classes but it is always linked to the investment cost, he adds: “If an occupant cannot pay the investment costs the social security system steps in.”

## FINANCE CHALLENGES

Voss explains that because of this complexity there are not many banks that will finance such healthcare assets. However, there are banks with specialist in-house departments in this area and which are happy to finance healthcare real estate.

Blackwood explains that in the UK, individual care home clients are means tested by the local authority on admission and various thresholds are applied depending whether it is England, Scotland or Wales. Part of the attraction for investors

**‘Something we have seen in the past few months is that many fund managers and international REITs are quite interested in this kind of property.’**

Stefan Voss, CMS



is that such assets are effectively government-backed. “Either people are suffering severely and are totally incapable of looking after themselves when the National Health Service will support them, or they’re at a stage where they can partially look after themselves but need more help and that’s local authority funded,” she says.

Blackwood says the key for investors is to observe the local healthcare market structure. “The one thing that the research showed is that there’s no single system all over Europe. It’s also a very local market.”

Voss adds that complexity is increased because of the large number of operators. In Germany, about 50% of the 900,000-plus nursing home beds are operated by 400 of the largest operator groups. However, one more universal characteristic is that the sector does tend to play to the institutions’ ESG requirements. “It’s sustainable and it’s got regulatory governance so it’s a very important asset class on that front,” Blackwood says. ●

## Seniors will take bigger share of healthcare capital

The nursing and care home component of European investment volumes in 2020 and Q1 2021 exceeded that targeting senior living assets for the first time in five years, says Colliers in its *Senior Living & Healthcare – A Growth Market* report.

However, demand for increased senior housing options will drive higher investment market share for these assets longer term, the firm said.

The report, which surveyed eight European countries, said the 65+ population accounts for 25% of national populations in these countries, and will



**Damian Harrington: ‘Greater diversity of capital’ is targeting healthcare**

collectively increase by 21.7 million between 2020 and 2035, creating a significant market force.

“The proven long-term positive risk-reward balance of the senior living and healthcare sector in more mature markets such as the UK, alongside the significant growth in demand for assets and care

services created by an ageing population is attracting greater diversity of capital to this sector,” said Colliers head of EMEA research Damian Harrington.

“The expansion of the 65+ population to 25% of our population by 2035 is multiplied by high levels of wealth, creating demand for more senior living options.”

Colliers’ recent *Global Investor Survey* noted that 21% of respondents expressed an interest in investing in senior living assets in 2021. So far in 2021, investment volumes into the sector have expanded to 3.8% from a five-year average of 2.3%.

# Senior Housing and Healthcare Association

The Senior Housing & Healthcare Association is a new initiative to help drive forward the Senior Housing and Healthcare Real Estate sector within Europe. The association brings together leaders within the industry, from both the operator and investor side, to share insights with the wider market, help create research, data, benchmarks and encourage best practice and investment in this important and growing sector.



## Founding Partners



## Join Us

<https://shha.international>

**Sylwia Ziemacka**  
sylwia.ziemacka@  
shha.international



**Ron van Bloois**  
Ron.vanBloois@  
shha.international



**SHHA**