OCTOBER 2021

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Senior Housing & Healthcare Association

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realasset MEDIA

Join us for insights and networking

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The tagline used to promote Mipim this year was 'It's time to reconnect!' Indeed, face-to-face events are finally back and with them the true spirit of networking. The Senior Housing & Healthcare Association is driven by people and their common purpose. We are looking forward to meeting all senior housing and healthcare leaders – developers, operators, financial institutions representatives and investors – at Expo Real in Munich.

Join our networking breakfast and investment session to hear the latest market insights and explore business opportunities around Europe. ESG seems to dominate most of the real estate conferences and at Expo Real, together with our members, we will present how the market is shaped, not only by the social context, but also how it answers the environmental and governance issues.

> **'At Expo Real we will explore how the market answers to environmental and governance issues.'**

This topic was spontaneously discussed during our recent online session on emerging markets. All speakers acknowledge that labour and supply chain standards are at the heart of the business. It was also emphasised that this real estate segment is operator driven. That is an important observation for investors and developers to recognise when entering the market.

The second conclusion was that there is no one global strategy that fits all markets. Even global investors have to adjust their strategies to the local economic, cultural and social context.

If you want to learn from the most active investors about their experiences in building their European portfolio, join our Expo Real breakfast and also follow our upcoming online session focused on the geographical exploration of the regions.

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Responsible Housing to list on the LSE to raise £250 million

Responsible Housing REIT is targeting a listing on the main market of the London Stock Exchange to raise £250 million to invest into a diversified portfolio of supported housing accommodation across the UK.

In its intention to float announcement the group said it would deliver a sustainable income with low volatility to investors, underpinning a minimum 5% dividend yield target with a total NAV return target of a minimum of 7.5% per annum over the medium term. Publication of the results of the share issue and the admission of ordinary shares was expected by the end of September.

The REIT is seeking to acquire and develop assets to address a lack of quality accommodation for supported residents across a number of care sectors.

According to the group, demographic trends strongly support the sector. Projections suggest that the overall number of supported homes may increase by 30% by 2030, rising from 650,000 to 845,00 in the UK. Demand is also expected to arise from the continued implementation of the government's Transforming Care Agenda, which aims to improve the overall quality of care.

Properties will be let on tailored leases with a variety of lengths to registered charities, housing associations, community interest companies and other regulated organisations with a proven operating track record.

Leases will be aligned to the length of care provision packages and underlying contractual documentation and, where appropriate, contain break options. This is a new model which seeks to balance the needs of registered providers and investors and which will ensure transparency in the setting of rents with benchmarking against private market rents.

The company will be managed by BMO Real Estate Partners, part of BMO Asset Management. Responsible investing is a core competency of BMO, which has £8 billion of AUM in responsible funds.

"We believe the Responsible Housing REIT model offers a new and compelling proposition for investors," said Guy Glover, lead manager at BMO.

KF warns of UK care bed crisis

While the UK's over 65 population has increased by 22% in the last decade, the supply of care homes has grown by only 6% in the same period highlighting the acute need for further provision.

Furthermore, the last year has seen "stifled supply growth in care home beds", according to Knight Frank which revealed the figures in its annual *UK Healthcare Development Opportunities 2021* research report.

The report shows that total care home beds across the UK grew by only 0.1% in the past year to 480,072 across 12,034 care homes. However, the firm points out that this is largely attributable to developers pausing operations to deal with the impacts of the pandemic.

The firm said the increase in the over-65 population outstripping the growth in new stock is coupled with concerns over the quality of existing units. Older care homes are often converted from other use and many fail to provide adequate facilities for elderly residents, the firm pointed out.

The report highlights that 29% of existing beds lack en-suite facilities, while 21% of UK homes are currently rated by the UK's Care Quality Commission as "requires improvement" or "inadequate".

JV sets up €500m platform to target Shari'ah-compliant assets in Europe

A joint venture between the Capital Bay Group and Gulf Islamic Investments (GII) is setting up a platform for Shari'ah-compliant investments in retirement homes in Europe, targeting assets with a core-plus and value-add focus.

The platform, regulated in Luxembourg, launched in September with an initial €500 million offering focused on real estate investments in income-producing properties located initially in Germany and then potentially expanding to other countries in Continental Europe.

"The development of attractive investment opportunities in the European senior living real estate market enables our MENA-based investors to participate in this highly desirable asset class which would otherwise be difficult to access from the region," said Mohammed Alhassan, founding partner and co-CEO of GII.

The joint venture was established to maximise cross-border synergies, the two groups said, joining GII's capabilities with the knowledge and experience of Capital Bay, a company that has been at the forefront of healthcare real estate in Europe.

GII's Mohammed Alhassan: "Senior living is a desirable asset class."

"With our platform and network we are delighted to offer GII, a successful and experienced global investor, the opportunity to enter and participate in this fast-growing market segment and create the urgently-needed supply for this segment," said Rolf Engel, group CFO of Capital Bay Group, and CEO of Capital Bay Fund Management.

The expectation is that a growing senior population in Germany and Western Europe will lead to increased demand for all forms of senior living, assisted living, healthcare and specialised clinics for elderly people.

According to Engel the German healthcare market, with its extensive fragmentation of more than 2,000 operators, predominantly managed by private investors running two or three nursing homes on decentralised sites, represents a particular barrier to entry. Hence the need for a foreign investors to team up with a local specialist.

"Our tailor made platform allows us to act locally for our society and community by joining hands with established international capital," said George Salden, CEO of Capital Bay Group. "We truly believe that this offering will deliver superior risk-adjusted returns to investors around the globe."

The platform has a long-term outlook and will focus predominantly on manage-to-core and upgrade-to-core investments.

£230 million UK acquisition pipeline for Target Healthcare

Target Healthcare, the UK listed specialist investor in purpose-built care homes has entered into an exclusivity agreement to acquire what it described as "a major portfolio" of 18 operational care homes.

The company has a £230 million acquisition pipeline and its portfolio generates annual contracted rent of £9.1 million. Due diligence is being completed on a further six assets: three operational homes and three forward-fund, prelet development projects.

"At a time of increasing investor appetite for the stable, uncorrelated returns that our portfolio has consistently delivered, we believe these transactions will be transformational both in terms of scaling the company and providing greater diversification by tenant and geography, as well as our mission to take a leading role in supporting and improving the UK care sector," said Malcolm Naish, chairman of Target Healthcare.

In September, Target raised £125 million via a share issue that was oversubscribed having originally targeted £100 million at 115p per share.

The company's rental income has been largely unaffected during the pandemic, providing stable and secure cashflow and demonstrating the defensive nature of the assets. In fact, the Covid-19 health crisis has reinforced the need for high-quality, modern, purpose-built care homes that provide a safe environment for residents, Target said.

"Against by far the most challenging backdrop in the company's history, our modern, purpose-built care home portfolio has been a consistent and robust performer, with rent collection of 95% for the three most recent quarters, continued valuation uplifts and improving occupancy levels," added Naish.

Malcolm Naish: "We believe these transactions will be transformational"

Since its IPO in 2013, Target Healthcare has built an investment portfolio of 77 properties, externally valued at £684.8 million as at 30 June 2021.

Separately, the company said it has appointed Vince Niblett, who holds similar roles at Forterra and Big Yellow Group, as an independent non-executive director.

McCarthy Stone wins £94m grant to deliver 1,500 affordable homes

McCarthy Stone has received funding from Homes England, the UK government's housing delivery agency in England, to deliver 1,500 affordable, shared ownership properties over the next five years.

The £94 million grant funding will be the first investment in the private retirement sector ever made by Homes England, which has given McCarthy Stone's shared ownership arm strategic partnership status.

The funding will enable the UK's leading developer and manager of retirement communities to deliver on its goal of providing more choice and affordability and increasing the number of older people who can enjoy the benefits of retirement living.

McCarthy Stone, which manages more than 450 retirement communities around the UK, launched its multi-tenure strategy in 2019 and already around a third of its transactions are for private rent or private shared ownership. Affordable shared ownership will now complement this offering.

"We are delighted to be appointed as a strategic partner by Homes England and this marks another important step in our commitment to address the growing demand for specialist retirement housing in the UK," said John Tonkiss, chief executive, McCarthy Stone.

John Tonkiss: "Partnership will improve the lives of more older people"

The new affordable units, of which 25% will be delivered by modern methods of construction (MMC), will be both developed and managed by McCarthy Stone. They will be delivered nationwide, with the majority in the Midlands and north of England.

"Affordable retirement housing is essential to meet the government's wider levelling up agenda," added Tonkiss. "The 1,500 units this partnership will deliver will improve the lives of more older people across more price points, and bring vital economic activity to the areas that need it most."

McCarthy Stone has built over 58,000 properties across more than 1,300 retirement development since its foundation in 1977. Its aim has been to provide older people with more affordable choice when it comes to retirement housing and give them the opportunity to live in a more supported environment, including onsite care, the group said.

Homes England said it aims to establish a large network of organisations looking to share their skills and capabilities to expand the affordable housing sector and transform communities.

Retirement communities are proven to have significant socio-economic benefits, it said, helping older people feel happier and healthier while freeing up the housing market and boosting local communities.

"These strategic partnerships give our new partners the funding, flexibility, and confidence they need to build much needed affordable homes across the country," said Peter Denton, chief executive of Homes England.

Retirement Living Fund and Elysian plan urban village

The UK Retirement Living Fund, which is managed by Schroders Capital and advised by Octopus Real Estate, has acquired a large site in the centre of Royal Tunbridge Wells in Kent, UK, in a joint venture with Elysian Residences.

The site has planning permission to develop a new, purpose-built retirement village incorporating 89 luxury apartments, penthouses and hotel-style facilities with a GDV of £55 million.

Described as an urban retirement village, it will comprise three luxury apartment buildings, complete with a lounge/library, restaurant/bar, function room, guest suite, gymnasium and treatment rooms, with homeowners able to access 24-hour care if required.

The development is the second acquisition made by the joint venture, following the purchase in April this year of a site for a new retirement scheme in Berkhamsted, Hertfordshire, which has planning consent and will provide 103 apartments and hotel-style facilities.

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.

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