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# SHHA

Senior Housing & Healthcare Association

## Headlines

Support urged as UK care homes face challenges

Catella's 'dark green' fund buys €50m senior living facility



'New members will help sector growth'

Kingstone eyes Germany and Austria

Cofinimmo wins sustainability gold



## New members will help sector growth



Sylwia Ziemacka,  
Head of Membership,  
SHHA

Welcome to the first newsletter of 2022 and an important year for the senior living and healthcare sectors. Investor appetite continues to grow for alternatives more broadly and senior housing and healthcare specifically.

Transparency and research are key areas which will help support investment into the sector and it is good to see new research on the UK senior living markets from Mozaic Asset Management and Bonard published in this month's *Real Asset Insight* with the views from expert speakers highlighting the challenges and opportunities in the market. It is great to see SHHA Founding Partner Mozaic's Frédéric Dib sharing insights and perspectives on the market in alongside industry colleagues from ARCO, Goldman Sachs and AXA Investment

Management.

**'A big thank you to all members who shared their aspirations for 2022 and beyond.'**

As an association we were pleased to welcome new members CMS and Cushman & Wakefield to help support the growing initiatives across the sector and share their insights with

SHHA members and the market.

We held our first SHHA board meeting of the year in January and a big thank you to all the members who shared their aspirations for 2022 and beyond. It sets a very positive tone for the year and will see a number of new initiatives to support members and the further growth of the sector in 2022.

For those attending Mipim next month in Cannes, the SHHA will have a 'home' for members at the International Investors Lounge Club Mipim and will host both a members networking breakfast as well as an expert panel focused on the trends and opportunities in the sector.

We look forward to working together in 2022 to highlight the sector and the positive impact it has for citizens across Europe.

[www.SHHA.international](http://www.SHHA.international)

## New Kingstone healthcare fund targets Germany and Austria

Munich-based investment management group Kingstone Real Estate has launched a €400 million healthcare fund.

Kingstone Living & Care I is to invest in full and partial inpatient nursing facilities, outpatient care facilities, assisted and age-appropriate living, as well as health centres and medical care centres and gerontological rehabilitation clinics.

The open-ended alternative investment fund will be invested in new portfolio properties in Germany

and Austria and the focus will be on assets worth at least €10 million.

The fund is primarily aimed at financial institutions investing for their own accounts.

"Due to the increasing demand arising from an ageing society, the healthcare assets offer great potential for institutional investors," said Kingstone Living & Care managing director Paul Munro.

IntReal International Real Estate is the fund's service-providing capital management company.



## Care Property Invest signs up for seventh scheme in Spain

Belgium-based Care Property Invest has acquired a residential care centre development project in Elche, Valencia, which will have an estimated investment value of €10.8 million. It is the company's seventh project in Spain.

The facility, which will be built by Obras Especiales, is expected to be complete by Q2 2025 and will accommodate 148 senior citizens.

The deal also represents Care Property Invest's second operational partnership with Solimar, part of the Vivalto Group, which will take a lease of 20 years minimum.

"With the construction of this residential care centre, our team continues to work on the expansion of our Spanish healthcare property portfolio which, including Solimar Elche, now counts seven projects," said Care Property Invest CEO Peter Van Heukelom

The new residential care centre will be built in a recently developed area of Elche, the second most populated city in the Valencia region.

The six-level building will have 128 rooms and will include a doctor's office, a fitness and rehabilitation room and a hairdressing salon.

# Support urged as UK care homes face cost and supply chain challenges

**K**night Frank data suggests that UK care home operators will experience a 30% increase in costs in 2022, mainly attributable to rising labour, supply and finance expenses. The firm says urgent government action is needed to support “this essential sector”.

Rapidly rising agency costs, trending at 12%, are combined with more costly insurance and utilities, while supply chain challenges are affecting build costs. Knight Frank predicts that this will result in a lag of new bed provision throughout 2023 and 2024.

This lag will occur as the UK experiences a significant demographic shift, resulting in the level of demand for beds almost doubling within 30 years. The over 85 cohort is predicted to grow from 1.6 million in 2020 to 3.7 million by 2050 when an additional 350,000 people will potentially need an elderly care bed. Knight Frank predicts that even by 2035 there will be a shortfall of 58,000 beds across the sector.

Furthermore, adaptations will be needed to adjust to the needs of future care home inhabitants. Knight Frank says this includes an increase in dementia and nursing care specialists, design adaptation for future Covid-19 events, a growth in technology and telemedicine and larger care home sites which also provide independent living units.

The firm predicts that by the end of the current decade the UK elderly care market could reach capacity. The accelerated



The UK's care homes face rising costs among other challenges

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closure of tertiary assets alongside “restrained” care home development attributable to the rising building material costs and the additional costs of the additional requirements will combine to restrict supply.

The sector still remains attractive to investors despite the headwinds, the firm says. ESG is driving institutional capital toward social care and senior living and pension funds are redirecting capital away from retail and toward defensive sectors. This is “unsurprising given the sector has proved resilient with yields compressing

despite the impact of Covid-19 and Brexit”, Knight Frank said in a statement.

“Increased costs and disruptions in the supply chain are posing significant challenges to the development of the much-needed quality new-build care homes. We currently face the perfect storm posed by rising costs of labour, supply and finance and if we do not act, could risk a crisis in care provision,” said Knight Frank head of healthcare Julian Evans. “Urgent action from the government is needed to support this essential sector as it strives to deliver for our ageing population.”

## BAE pension fund hires Korian to manage care homes

**B**AE Systems Pension Funds has formed a long-term investment partnership with Paris-headquartered care services company Korian, which will provide asset and property management services for a portfolio of 23 long-term care and healthcare assets including nursing homes, post-acute and mental healthcare clinics across France, Germany and Spain.

BAE Systems Pension Funds, advised by healthcare real estate investment manager

Elevation, has invested around €100 million into the portfolio, which includes redevelopment of one greenfield site and four assets. The portfolio has a net equity value of around €200 million on a blended capitalisation rate of 4.9% and has a 38% LTV. Capital expenditure on the greenfield development and redevelopments during 2022 to 2024 will bring the overall gross value of the portfolio to around €320 million, Korian said.

The partnership has a similar structure to one set up by Korian in 2020 with BNP Cardiff and EDF Invest. It has a term of 15 years with a possible extension and a minimum lock up of seven years for BAE Systems Pension Funds.

Korian expects remuneration at around 4.5% per annum, with a floor and a cap on the exit yield. This allows Korian to benefit from significant increase of the long-term value of the property above the cap.

# Catella's 'dark green' fund buys €50m Brussels senior living facility

**R**esidential impact fund, Catella European Residential Fund III (CER III), is paying €50 million for a senior living property in Brussels. The asset has been acquired from property company Bassem Certificates, which is managed by Belgian Bank Degroof Petercam.

Maastricht-based Catella Investment Management Benelux (CIMB) and Berlin-based Catella Residential Investment Management (CRIM) bought the asset on behalf of CER III.

Known as L'Ecrin Vert, the property is located in affluent Brussels suburb Auderghem. The acquisition brings the fund's AUM to more than €750 million.

CER III is the first pan-European 'dark green' residential impact fund and aims to achieve the highest level of sustainability under the EU's SFDR Article 9.

"Achieving the status of a true dark green residential impact fund is proving to be a high hurdle for the real estate investment industry to clear," said Patrick Au Yeung, fund manager of CER III.

"CER III remains in pole position as the only pan-European vehicle of scale on the market with its assets under management reaching over €750 million after this investment – its second in Brussels," he added.



L'Ecrin Vert is located in affluent Brussels suburb Auderghem

"Europe's structurally ageing populations are driving strong demand for the type of high-quality senior living property L'Ecrin Vert represents and the acquisition is well-aligned with the fund's societal investment criteria. In the next couple of years, the building's current gas heating system will be upgraded to ensure it is carbon neutral by 2030 at the latest."

L'Ecrin Vert was originally planned as a residential apartment block, but the six-storey property was converted to a senior living complex during development. It comprises 108 apartments with a total of 8,938 sq m as well as two retail units

totalling 427 sq m. Apartments include 40 studios, 52 single- and 16 two-room units ranging from 43 to 124 sq m.

The ground floor also houses several amenities for the residents including a reception, a library and multimedia lounge, fitness and wellness facilities, such as an indoor pool, massage area and sauna, as well as a hairdressing salon, bar, restaurant and office for the operator, Domitys.

Clifford Chance advised Catella on legal matters, Deloitte on tax and structuring with Drees & Sommer conducting technical due diligence. Bassem Certificates was advised by CBRE and Stibbe.

## Cofinimmo wins gold award for sustainable growth

Belgian healthcare real estate specialist Cofinimmo has won gold in the Sustainable Growth category in the Euronext Brussels Awards 2021, presented in January.

The award is one of 12 categories presented to companies listed on Euronext Brussels stock exchange. It is judged on measurable data and is intended to reward Euronext Brussels-listed companies that have had the strongest sustainable growth over the last decade.

The ranking combines companies' ESG



score and stock price performance over the last 10 years.

Cofinimmo CEO Jean-Pierre Hanin, said the award is "a clear recognition of our historical and ongoing commitment to ESG, an area in which Cofinimmo has been a pioneer since 2008 and which is an integral part of our DNA".

He added: "By 2030, we aim to reduce the energy intensity of our real estate portfolio by 30% compared to 2017, using the science-based targets methodology. This aligns us perfectly with the COP21 objectives."

# SHHA

**driving the senior housing and healthcare sector forward**



There is real momentum behind the senior living and healthcare sectors, as ageing demographics is leading to growing demand and supply is limited. What used to be an alternative asset class has become mainstream and opportunities in Europe are impactful to residents, operators and investors.

**JOIN US TO SHAPE THE VOICE OF THE INDUSTRY AND FOLLOW THE OPPORTUNITIES THAT ARE AHEAD!**

[www.SHHA.international](http://www.SHHA.international)

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