

SHHA unveils new priorities for 2023



Ron van Bloois,
Co-founder and chair,
SHHA

The Senior Housing & Healthcare Association was launched in 2020. Starting from scratch and driven by purpose, thought leadership and a willingness to share, after just three years the SHHA is a wide-ranging group of industry leaders. It shares energy, vision and best practices via SHHA Reports, a LinkedIn community and first-class briefing meetings.

By creating awareness about impactful topics (such as affordability, ESG, governance and operations) the SHHA is a voice for the industry. Our goals for 2023/24 are to go beyond this.

The SHHA's priorities include building awareness and thought leadership about the asset class. We aim to strengthen our local expertise in selected European countries, grow our network by attracting professionals from across Europe, form strategic

partnerships with fellow associations and build relations with key policymakers at the European regional level.

We are pleased to announce our strategic partnership with ARCO, which

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represents the UK integrated retirement community sector, and Coliving Ventures, a platform dedicated to encouraging innovation, sustainable business development and impactful growth within the co-living industry. We'd also like to welcome Threestones Capital into the SHHA family!

As co-founder and chair, it is incredibly satisfying to be able to nudge the alignment and to progress the maturity of the European – and possibly wider – senior housing and healthcare real estate markets.

I am looking forward to celebrating our anniversary at Mipim. Join us at Club Cannes on 15 March at 15.00 and let's discuss the senior housing and healthcare market. We will be running dedicated SHHA networking event and will raise a glass to our collective purpose.

www.SHHA.international

Record investment in Irish care

The Irish nursing home market saw record investment in 2022 despite the financial and labour challenges which operators have faced, according to a CBRE report entitled Irish Nursing Home Market: Owners, Operators and Investment.

Maureen Bayley, director of the healthcare team at CBRE Ireland, said there was significant pressure on smaller operators and 16 closures were noted in 2022 nationwide.

She pointed out that investment deals in Ireland's nursing home sector continue to originate from European operators, backed by real estate investors seeking to increase their foothold in the market.

CBRE said that due to the limited availability of good quality standing stock, "investment into the development of purpose-built, future-proofed homes will be a popular

pathway to bed acquisition".

However, Ireland lacks healthcare developers, the firm said, and any that test the market with initial schemes require substantial capital in order to overcome barriers to economic development such as exceptionally high build costs and high land prices.

Projects outside Dublin have "weak viability" owing to the Fair Deal rate system, Bayley added. However, investor appetite for forward funding and forward purchase opportunities, coupled with yield compression in 2021 and early 2022, did see some new schemes completed.

"We expect continued investor interest in the sector in 2023. However construction costs and the increased cost of capital, alongside yield expansion, could prove a challenge to executing forward-structured transactions."



Aedifica's Hoivatilat lines up more care facilities in Finland

Aedifica, the Brussels-headquartered listed care home specialist, is to invest €18 million developing four new facilities in Finland through its local division, Hoivatilat.

The projects will include the development of a service community in Espoo (pictured above), a care home in Kuopio and two residential care centres for disabled people in Nokia and Sotkamo. The Espoo Kuurinkallio service community will include a day-care centre for up to 75 children and a residential care

centre for 26 disabled people. Kuopio Torpankatu will house 47 elderly people requiring continuous care. Nokia Tähtisumunkatu and Sotkamo Härkökivenkatu will accommodate 21 and 22 residents, respectively.

Construction will start on the Sotkamo service later this year with the other projects already underway. All should be complete in 2024.

The properties will use energy-efficient systems, such as geothermal heating and an air-water heat pump which should result in an EPC1 rating 'A' or 'B' for each of these buildings.

The expanding horizons of aged healthcare in Northern Europe

Northern Horizon chief executive, Milda Dargužaitė, discusses ESG, investment and the future of aged care real estate. **Paul Strohm** reports



New SHHA member Northern Horizon focuses, as its name suggests, on Northern Europe. The group was founded in a Copenhagen basement in 2001 and now has offices in the Nordic and Baltic regions, as well as in Germany.

The group's chief executive, Milda Dargužaitė, spoke to Real Asset Insight about Northern Horizon's journey, its plans for the future and shared views on the healthcare real estate market.

What is the portfolio split by sector, specifically what percentage is aged care property? How do you see this progressing in the future?

We currently manage four real estate investment funds:

- Aged Care Fund IV, aged care real estate (approximately 50% invested)
- Nordic Aged Care Fund, aged care real estate (fully invested)
- Hansa, residential real estate (fully invested)
- Baltic Horizon Fund, commercial real estate (listed on the Baltic Stock exchange)

Healthcare is one of our key investment strategies. We are on our fourth fund in the aged care space in the Nordics and we have very successfully exited our first aged care funds. We launched the first fund in 2007 and since then, we have acquired 130-plus aged care assets and established ourselves as experts in this segment.

Over the years, we have seen increasing investor interest in aged care property from pension funds, insurance companies and also from private wealth. In the current environment, with all its

uncertainties, investors are particularly attracted by the new buildings, the long leases – which mean stable cashflows – and, of course, the social impact of the funds.

How big is the team that is devoted to aged care real estate? What proportion of the total team does this represent?

The core healthcare team is an experienced team of eight people. This core team is supported by our own fund services team as well as external property managers and partners.

Northern Horizon's assets under management have encompassed different sectors of commercial property but aged care has become quite dominant. Can you tell us a bit more about the scope of your activities?

In the Nordics, long term demographic trends forecast a 37% growth in the 75+ age group by 2030. By 2050, the growth is estimated to be 78%. In numeric terms, the Nordics will have 1.9 million more seniors aged 75+ by 2050.

Nordic countries benefit from unique Nordic welfare models and government backed universal healthcare systems. However, to keep up with the demographic trend there is a growing need for privately owned and privately operated aged care homes to complement the municipally operated and owned facilities.

This creates investment opportunities in the sector.

Our investment scope is modern, high-quality purpose-built aged care facilities and senior housing in strong locations. We have no operational angle in the properties. We co-operate with reputable, strong tenants – either from the public sector or private ones – and long leases in the Nordics are typically between 10 and 30 years.

The Healthcare I fund was launched in 2007 with the intention of investing into care homes in Finland. There are several reasons why Finland was the target of this fund, including the demographic development, which

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Milda Dargužaitė, Northern Horizon

is slightly ahead of the other Nordic countries. The fund was also backed by six leading Finnish institutional investors.

Last year Aged Care Fund IV acquired a preschool in Skurup. This may not be everybody's idea of "healthcare". Can you tell me a bit more about that? How typical is this type of asset within your funds?

Aged Care Fund IV invests in aged care homes and similar residential care assets in Sweden, Finland, Norway and Denmark. While preschools are not the primary focus of the fund, investing into this asset



class offers attractive diversification benefits. Similar to aged care assets, preschools are leased on a long-term basis – in this case 20 years – which ensures a stable cashflow. The tenant is Skurup Municipality.

ESG has become a major preoccupation for European real estate, with much of the attention focused on a more sustainable approach to energy use

and conservation. Conserving energy is something that the northern Europeans have reputedly been better at anyway, owing to the region's climate. So, when Northern Horizon thinks about ESG, what are your main preoccupations?

We have seen a strong increase in interest towards ESG matters from our investors over the past two to three years.

In 2021, we set an ambitious target to reach net zero emissions from operations for all managed funds by 2030 and we classified our funds under SFDR Article 8 committing to be "light green" funds.

We regard ESG as a core strategic measure. ESG is integrated into all our processes, from the initial opportunity screening to the day-to-day co-operation with our tenants, in the following ways:

- When looking into new investment opportunities, ESG aspects are an integrated element in the decision-making process
- The majority of assets are certified according to widely used sustainable standards, such as LEED, BREEAM and DGNB
- We focus on sustainable innovation to reduce the carbon footprint
- When building properties, we aim for the most environmentally friendly materials and for energy efficiency
- We monitor and report our environmental KPI's and performance
- We are introducing green leases and green clauses to our lease agreements.

We are participating in the GRESB assessment with our most mature funds, and we are committed to reaching the highest GRESB ratings. In 2022, Baltic Horizon Fund achieved a four-star GRESB rating, with 83 out of a possible 100 points. In 2022, Nordic Aged Care Fund also achieved a four-star GRESB rating, with 85 out of a possible 100 points. ●