



## **The senior housing and healthcare real estate market**

# **SHHA**

A multi-stakeholder  
perspective on investment  
opportunities across Europe

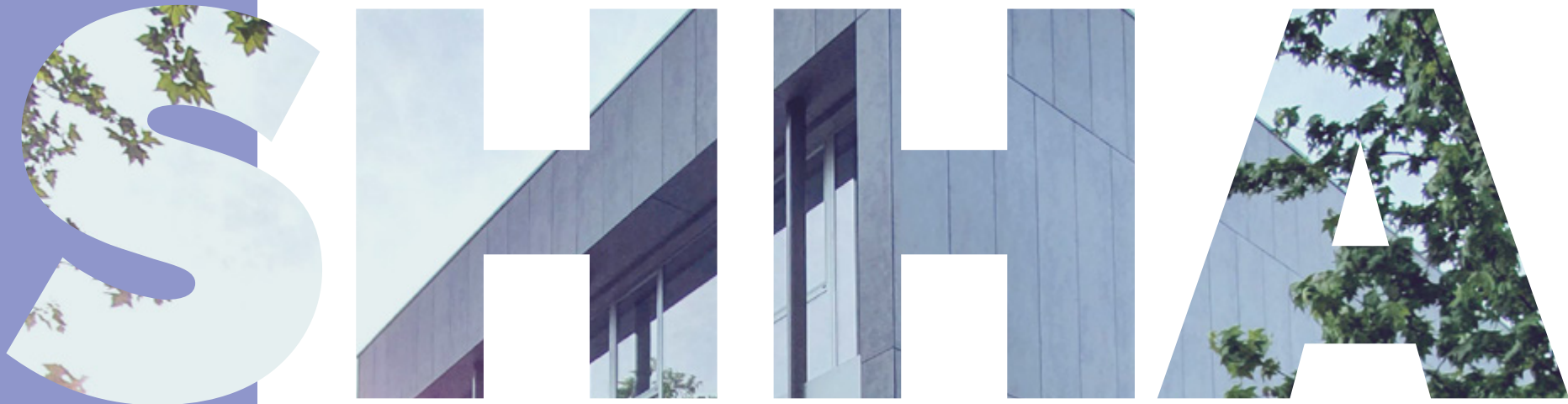
MIPIM 2023

# MEMBERS & PARTNERS



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**SHHA** is a multi-stakeholder platform that brings together industry leaders – operators, developers, financial institutions and “investors”. Established in 2020, it aims to promote, drive and encourage the maturity of the international senior housing and healthcare real estate investment markets and to help address post-COVID changes and the significant growth in demand.

# INTRODUCTION

**AS THE AGEING SOCIETY HAS BECOME A MAINSTREAM TOPIC, THE SENIOR HOUSING AND HEALTHCARE SECTOR IS CLIMBING THE INVESTORS' LADDER.**



**RON  
VAN BLOOIS**

CHAIR

**SHHA**



**RICHARD  
BETTS**

CO-FOUNDER

**SHHA**



**THORSTEN  
HERBERT**

CO-FOUNDER

**SHHA**



**SYLWIA  
ZIEMACKA**

HEAD OF  
MEMBERSHIP

**SHHA**



## “SOCIAL IMPACT IS THE GAMECHANGER”

### **A NOTE FROM RON VAN BLOOIS**

Chair of the SHHA

The year of 2022 was a turning point. Next to ongoing unprecedented times in geopolitical issues and economics, solidarity is under pressure in society. Since investors are seriously focussing on impact investing and performing on ESG, we should elaborate more on the social side of real assets. This is a true gamechanger with unmatched gains. Are we able to qualify and quantify the social impact in the value chain and align the value proposition of society?

In terms of ESG and social outperformance, senior living and healthcare real estate ticks all the boxes. So, let us take a deep dive in this asset class and more specifically the care spectrum. Important is to make a distinction between the independent living side for seniors (from senior living/housing, assisted living and integrated retirement communities) and more specific facilities like nursing homes for people with dementia and hospices. Due to the ageing

demographics (all European countries will grow to 25% share of 65+), these markets are booming and fairly important for our society in terms of livability, wellbeing and healthcare spendings. However, it is still challenging to close the ‘value transfer’ from the PROPCO to the OPCO of society. Why? It seems like a no-brainer: senior living as part of an integrated city and rural developments are needed to empower inclusivity, increase independence/mobility, mitigate

**Creating alignment and efficiency in the value chain is the only way forward to tackle the biggest, residential and healthcare challenges of the coming decades**

loneliness and psychological vulnerability, upgrade quality of life and downforce healthcare spendings. Based on this analysis, senior (co)living could be the biggest residential market with outreaching social impact.

A lot of work has to be done first. Removing the (financial) barriers and working on a 'best for (society) project' is an important hurdle. Due to how we are organized and financed nowadays, our behavior has a biased direction. A close and successful cooperation between operators with their residents, investors and

stakeholders such as local governments is needed. Creating alignment and efficiency in the value chain is the only way forward to tackle the biggest, residential and healthcare challenges of the coming decades. Prevention for example is the way forward, but this is only rewarding when you earn money in the value chain. Therefore, real estate parties should make more in-depth research on their impact on the OPCO of tenants and close the split incentive gap. Tenants are already willing to pay a premium for green real estate, but leveraging on the people side of their business case has even more upside. Sustainability labels like WELL are the first step of measurement and valuation.

In healthcare, the scarcity of skilled personnel is the biggest issue. We need to decrease paperwork, increase appreciation, encourage youngsters to work in the care sector and create an attractive working environment. Real estate is an important and undervalued asset in this equation.

Based on my personal experience, creating a 'mutual admiration society' on a future-proof senior living and healthcare system gives satisfaction every day!









# THOUGHT LEADERSHIP

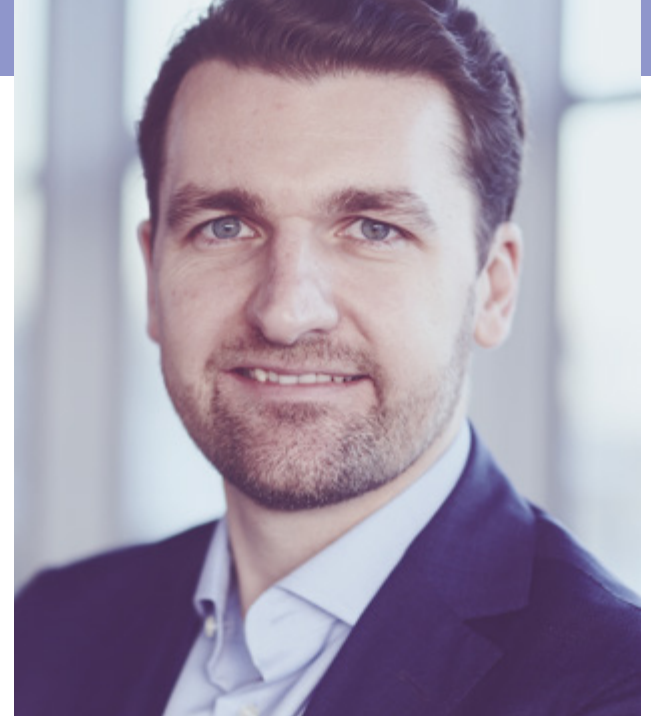
# AEDIFICA

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## SHORT-TERM & LONG-TERM VIEW ON THE SENIOR HOUSING & HEALTHCARE MARKET IN EUROPE

Aedifica is a Belgian listed company specialising in investments in European healthcare real estate, with a particular focus on housing for elderly people with care needs. Thanks to its successful strategy over the past fifteen years, the Group has established itself as a market reference in listed healthcare real estate and aims to reinforce this position further in the coming years. Aedifica aims

to offer its shareholders a reliable real estate investment with an attractive return. In addition, social sustainability is a fundamental driver for Aedifica, creating added value for society at large by developing innovative real estate concepts that are tailored to the needs of residents and that improve their quality of life. Aedifica is listed on Euronext Brussels (2006) and Euronext Amsterdam (2019).



**CHARLES-ANTOINE  
VAN AELST**

Chief Investment Officer  
AEDIFICA

During the last few years, the real estate market in general has benefited from historically low interest rates, which made it possible to generate high net returns despite strong yield compression. In that context, Aedifica was already aware of the fact that the environment with low interest rates would not be there forever. As a result, Aedifica remained disciplined and invested a lot of effort into its diversification strategy in order to find quality and sustainable real estate at a good risk/return balance.

As the interest rate environment has shifted sharply, investment markets more or less stalled in the second half of 2022 and the first signs of yield decompression became visible. But even in this context, healthcare real estate will remain an attractive asset class in the coming years, thanks to very strong fundamental tailwinds such as the aging European population and the increasing need for futureproof care properties.

As a result, we expect 2023 to be more of a transition year in which a new balance needs to be found between investment market and operator expectations on the one hand and increased financing costs on the other. This is likely to

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translate into a slower investment and development pace, whereby the market actors will focus

primarily on maintaining a sound balance sheet. For the following years, lower investment and development activity in 2023/2024, combined with the arrival of the 80+ baby boom generation into the sector from 2025, is likely to result in the market having to catch up with the increase in demand for quality and adapted healthcare real estate. This will likely lead to a lot of investment opportunities for specialized market actors once a new market balance is found.

# COFINIMMO

## SHORT-TERM & LONG-TERM VIEW ON THE SENIOR HOUSING & HEALTHCARE MARKET IN EUROPE

Cofinimmo is a major investor in healthcare real estate in continental Europe. Currently it operates in 9 countries: Belgium, France, the Netherlands, Germany, Spain, Finland, the United Kingdom, Ireland and Italy. With a healthcare real estate portfolio of approximately 4.4 billion EUR diversified through different nature of assets, Cofinimmo holds (at 31.12.2022) 300 facilities and

approx. 28,700 beds. Cofinimmo is listed on Euronext Brussels (BEL20) and benefits from the REIT system in Belgium (RREC), France (SIIC) and the Netherlands (FBI). Its activities are supervised by the Financial Services and Markets Authority (FSMA), the Belgian regulator.



### **SÉBASTIEN BERDEN**

Chief Operating  
Officer - Healthcare  
COFINIMMO

2022 was a challenging year for many of our tenants. While many still suffered from the consequences of Covid, they suddenly had to face soaring energy prices and personnel shortages. Also, some operators, mainly in France and Germany, underwent financial distress. While these challenges remind us that we need to stay alert, the underlying fundamentals of our sector remain strong.

It is an indisputable fact that the European population keeps on growing older while the existing accommodation capacity is limited and is often in need of extensive refurbishment. This offers interesting perspectives for investors willing to underwrite operator quality, understand regional differences and dig into the details of each care segment. Thanks to our expertise in this field, we remain optimistic with regard to the financial stability and growth perspective of the sector.

If passed, the EU Energy Performance of Building Directive (EPBD) will require 75% of EU buildings to be renovated by 2050 to be zero emission. Investors and developers will have to embrace energy efficiency technologies, invest in low carbon and circular materials and communicate these

**It is an indisputable fact that the European population keeps on growing older while the existing accommodation capacity is limited and is often in need of extensive refurbishment**

efforts to the general public. This is because there will be an increasing divide in yields between poor ESG buildings and state-of-the art healthcare real estate. Sustainable financing will also be important:

sustainable bonds, green loans from banks, sustainable syndicated loans, etc. Cofinimmo is quite a pioneer in this area, but the pace will have to be accelerated.

# CARE PROPERTY INVEST

## SHORT-TERM & LONG-TERM VIEW ON THE SENIOR HOUSING & HEALTHCARE MARKET IN EUROPE

Care Property Invest NV/SA is a Public Regulated Real Estate Company (public RREC) under Belgian law. The Company has been listed on Euronext Brussels for over 25 years and invests in high quality healthcare real estate for elderly and disabled people on the European market. Care Property Invest purchases, builds and renovates high-quality healthcare real estate (residential care

centres, groups of assisted living apartments, residential complexes for people with a disability, etc.), fully tailored to the needs of the end user and then makes it available to solid healthcare operators on the basis of a long-term contract.



**VALÉRIE JONKERS**

Chief Operating Officer  
CARE PROPERTY INVEST



The healthcare sector faces several challenges. For instance, the humanitarian health crisis following the COVID-19 pandemic had not yet fully disappeared from our society when the next crisis presented itself. The rise in energy costs and increasingly acute staff shortages, combined with high inflation, are causing operators major headaches. At the property level, this means that our operators may have a smaller budget available to allocate to rent, so our big challenge as a healthcare real estate investor is to reconcile rising interest rates, increased construction costs and the effective greening of buildings with the operators' rent budget. So, in the short term (within the next 12 months), I believe the senior housing and residential care center market in Europe will remain +/- at the status quo with only limited growth in the supply of residential solutions for the elderly.

In the longer term, the increasing ageing (double ageing wave) of our European population will ensure that even more people will need qualitative and affordable care, ensuring the future of this asset class (as an investment). Demand will thus increase significantly, and some countries have insufficient supply even today. However, I believe it is necessary to

think carefully together with all stakeholders (operators, building actors, investors and the government) and join forces if we want to create future-proof healthcare real estate ready

for 'the elderly of tomorrow.' So, I believe that in the longer term the fundamental lack of supply and high demand will ensure significant growth for the sector.

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# NORTHERN HORIZON

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## SHORT-TERM & LONG-TERM VIEW ON THE SENIOR HOUSING & HEALTHCARE MARKET IN EUROPE

Northern Horizon is an independent real asset manager with a strategic focus on the northern European countries and the Baltics. It manages real estate funds and separate accounts. The investment scope is healthcare and other specialized strategies. Through 14 real estate funds, Northern Horizon has created value for investors for over 20 years. Investors are European financial institutions

and private wealth capital including pension funds, insurance companies, banks, asset managers, corporate investors, charity foundations, and family offices. Headquartered in Copenhagen, the company has investment teams in Copenhagen, Helsinki, Stockholm, Tallinn, Vilnius, and Berlin.



### **MILDA DARGUŽAITĖ**

Chief Executive Officer  
NORTHERN HORIZON

In the Nordics, we have had government-backed universal healthcare systems for many years. However, with the rapid growth in the 75+ age groups, the Nordic Welfare models are under considerable pressure. The Nordic aged care sector is projected to grow substantially with +8,000 new beds required annually in the coming decades. Thus, helping to address the structural care home shortage continues to be relevant.

Over the past couple of years, we have also seen an increasing demand for senior living concepts among Nordic seniors who would like to leave their own homes earlier in life. These senior living concepts may be collective housing concepts with a lot of social interaction, hybrid solutions with some services included, or high standard senior housing facilities.

Northern Horizon has been involved in the Nordic healthcare real estate market since 2007 and over the last 2-3 years we have seen much more attention to ESG aspects especially from institutional investors, such as pension funds and insurance companies, not only the social aspects of providing good quality living conditions

for seniors but also the environmental side. In 2021, we classified our funds under SFDR Article 8 committing to be 'light green' funds.

As a result of these commitments, ESG and sustainability have become key parameters in our investment decisions and across all our processes. We believe that this trend will only grow stronger.

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# SWISS LIFE ASSET MANAGERS

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## SHORT-TERM & LONG-TERM VIEW ON THE SENIOR HOUSING & HEALTHCARE MARKET IN EUROPE

Swiss Life Asset Managers is a leading European asset manager and institutional real estate asset manager with locations in Switzerland, France, Germany, Luxembourg, the UK and Norway.

More than 2500 employees work for Swiss Life Asset Managers in Europe. They provide services and develop tailored

investment strategies for Swiss Life own insurance companies as well as for third-party clients, such as pension funds, investment foundations, asset managers and private clients.



**NIKOLAI SCHMIDT**

Head of Transaction Health Care  
SWISS LIFE ASSET MANAGERS

Right now, the situation on the European health care market is kind of challenging. On the one hand, we have difficulties in launching new project developments due to cost explosions for materials etc, postponements in completion dates and a lack of qualified personnel. On the other hand, especially in the last six months, financing interest rates have risen strongly, so that in Germany we are facing 4.5% with a LTV of 50%. This makes it practically impossible to maintain pre-crisis purchase prices. So right now the main challenge is to find a new equilibrium between feasible prices and price expectations that will help relight the market. Currently we see some offers – also portfolios – but very few actual transactions. On the other hand – from the investors’ view – we are unlikely to get many opportunities to acquire assets from forced sale processes. But all in all, we will not see too many real opportunities in the next 8-12 months.

In addition, we have had to cope with a gaping lack of qualified care personnel all over Europe and that makes it very difficult to initiate new project developments, which are needed so much. Combined with increasing operating costs and expenses for energy and heating supplies, we see

some health care operators filing for insolvency right now. As a result we need a fundamental change in refinancing health care and senior housing services to maintain and ensure future demand.

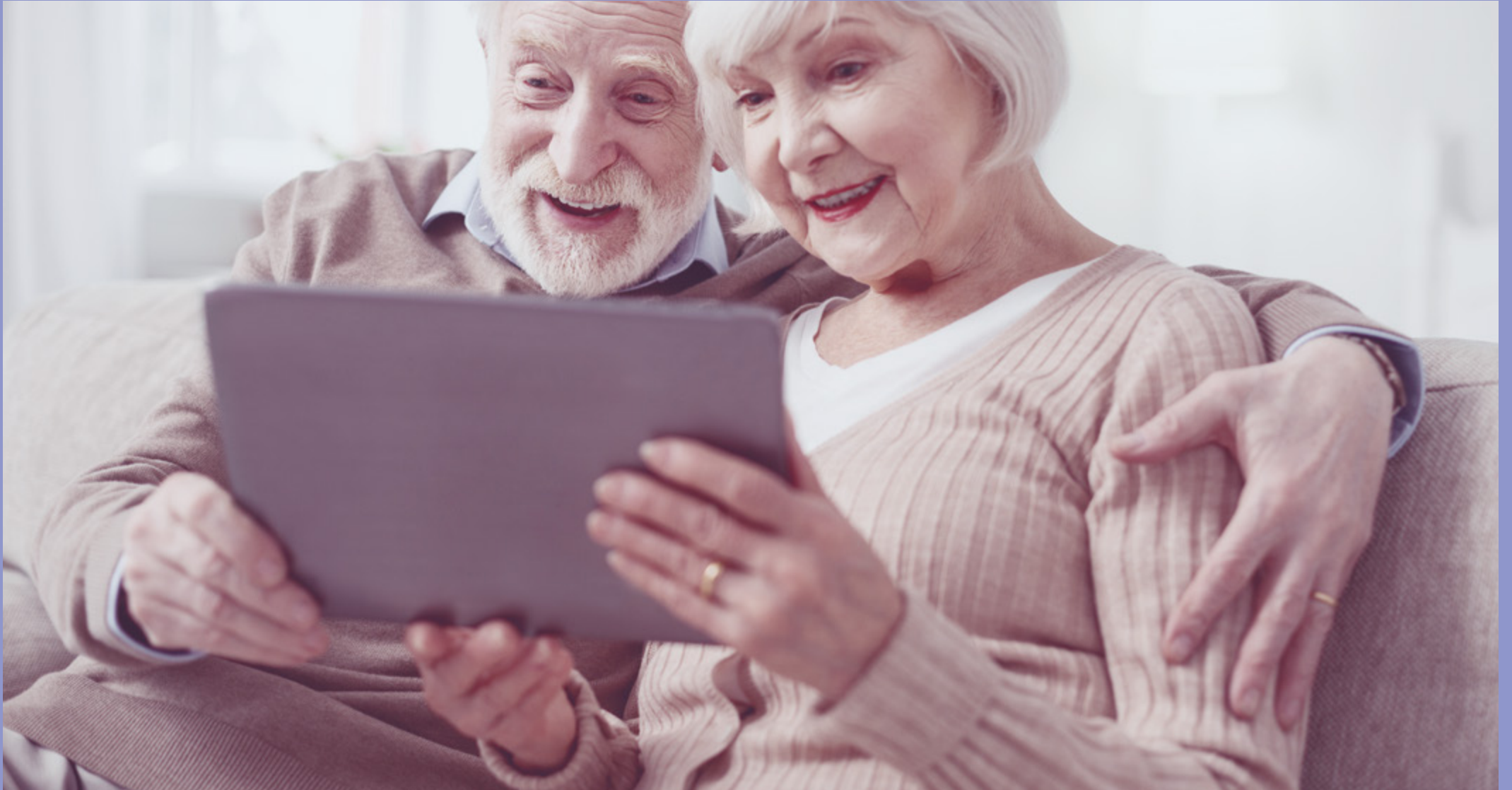
**As a result we need a fundamental change in refinancing health care and senior housing services to maintain and ensure future demand**

Beside all the challenges we are facing now, health care investments still remain very attractive in terms

of demand and demographic change. Also long lease terms and stable cash flows make the asset class comparably attractive to investors. So it is still advisable to focus on health care – also in the future – investing in full inpatient care, assisted living and medical office buildings.

At a time when the operators market is increasingly coming under consolidatory pressure, it is vital to have a deep look at operators’ own assessments. If we have to check a new asset, we look at the operator’s reputation, creditworthiness and – if possible – hold personal meetings with the management. To maintain high quality, inspection of assets at least once a year is recommended, with an annual assessment of the operator’s quality. And in parallel, the landlord should have regular meetings with the operator’s management to discuss potential opportunities to improve quality of care.

The future of health care and senior housing investments remains rewarding – but the era of “No Brainer Due Diligence,” that is only trusting in the market and operator’s strength, is definitely over.





# RESEARCH & DEFINITIONS



## FOCUS ON THE GERMAN SENIOR HOUSING & HEALTHCARE MARKET

### **JAN-BASTIAN KNOD**

Partner, Head of Residential Advisory,  
Head of Healthcare Advisory Capital Markets  
CUSHMAN & WAKEFIELD

GERMANY IS THE LARGEST MARKET IN EUROPE AFTER THE UK WHEN IT COMES TO CARE HOMES. WHAT'S GERMANY'S SHARE AND VALUE OF PRIVATE INVESTMENT IN THIS AREA?

The German Healthcare market comprises stationary care homes, senior residences with ambulatory care services and ambulatory care services for care

at home. The number of care homes topped the 16,000 mark in 2021 and is expected to further increase to meet future demand due to ongoing demographic changes in Germany. Since 2016, the German healthcare real estate market has developed into an established institutional asset class, with transaction volumes surpassing €1bn in 2016. Since then the German Healthcare investment market has

been dominated by institutional investments in the care home segment with a transaction volume of about €1.15bn in 2022 (5-year average €1.78bn). In 2022, the investment market was out on hold due to the geopolitical situation, unstable financial market environment, high inflation and the energy crisis. However, European and non-European capital sources are seeking to enter the German Healthcare

investment market or further increase their capital allocation.

The share and value of private investments in the German healthcare market is highly untransparent. They either invest through public crowdfunding platforms, the retail investment funds of institutional investment managers or acquire specific apartments directly.

WHICH SEGMENTS OF THE MARKET ARE THE MOST ATTRACTIVE FOR INVESTORS – CARE HOMES, CO-LIVING CONCEPTS? AND WHY?

Senior residences offering residential apartments with ambulatory care services have developed into a highly attractive asset class for institutional investors. Its operation is less regulated than a stationary care home in terms of personnel quota, costs per bed and services that may be offered. Senior residences may rather be compared to the classic residential asset class, as the real estate from a technical building perspective does not really differ, while stationary care homes are highly regulated by the supervisory office. Assisted living is also completely different

from a refinancing perspective to care homes – it is not bound to predetermined costs per bed per day with health insurance, but is linked to the local comparable residential rent level.

DO YOU SEE NEW INVESTORS ENTERING THE MARKET? DOMESTIC OR INTERNATIONAL ONES?

There are constantly new investors entering or trying to enter the German healthcare real estate market. Their investment profile is quite heterogeneous. Some seek to divest and add healthcare real estate to their portfolio, while others may try to establish a new healthcare platform. Capital sources from the Asia-Pacific region are open for larger infrastructure investments, while capital sources from the Middle East are having trouble meeting their required returns. North American capital sources are looking into the European healthcare market, but the current high interest environment makes an attractive entry point difficult. Domestic capital sources are currently evaluating their portfolio compositions and whether they meet their risk-return profile. Especially investors that have not yet allocated any capital in healthcare

real estate are having a closer look at product in the market.

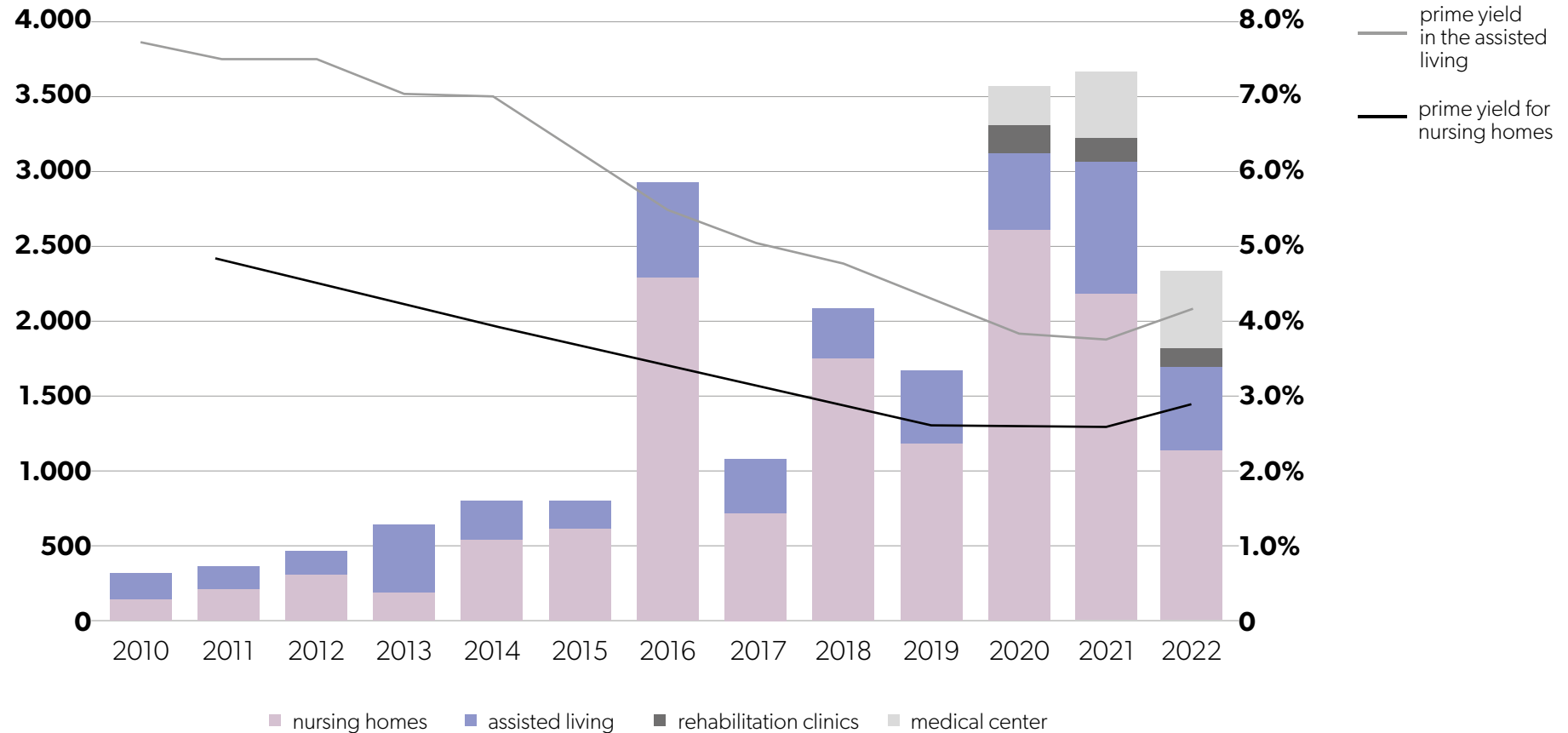
WHICH FACTORS MAY DRIVE THE DEVELOPMENT OF THE SECTOR?

Demographic changes are a megatrend driving the demand side of the market. The number of people in need of care is expected to further increase in the short, medium and long-term. Ongoing digitalization processes also increase efficiency and lower administrative costs, having an impact on the profitability of operators and synergy effects for growing operator platforms. ESG and Impact-investing will also further drive the development of the healthcare market. Healthcare real estate may not only fulfill the “E” but the “S” and the “G” with its social mission to provide services for people in need of care.

WHAT ARE THE BIGGEST CHALLENGES FOR THE SECTOR IN GERMANY?

The lack of qualified personnel is a major challenge to overcome for many operators in Germany.

## Transaction volume and prime yields for healthcare properties in Germany



Source: Cushman & Wakefield, 2023

Especially in urban regions, operators are having great difficulties finding staff due to the high labor competition. The high inflation rates are having another impact on the profitability of operators. Finally, tightening regulations in the stationary care home segment on single-room quotas result in further loss of revenue and in many cases the need to renegotiate the payable rent.

Some recent events have also thrown a shadow on the German healthcare market, such as several operators and developers of senior residences falling into insolvency. Although the reasons vary greatly from case to case, this had unsettled all market participants and capital sources that planned to invest into the market in the short-term.

WHAT'S YOUR SHORT-TERM AND LONG-TERM VIEW ON THE SENIOR HOUSING & HEALTHCARE MARKET DEVELOPMENT IN GERMANY - WHAT KIND OF DYNAMICS AND GROWTH CAN WE EXPECT?

The German senior housing & healthcare market has experienced strong dynamics over the past five years and has been limited only by regulatory hurdles in the

development of senior residences and limited supply from the investment side. The current financing environment, high inflation rates and energy crisis are having a strong impact in the short and medium term and have seen slower growth. Nevertheless, the market is highly attractive from a fundamental point of view. We expect growth in the long-term in part due to the large demand overhang.

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**AUTHOR:**





## AUDITING INSTITUTIONS AT THE SENIOR HOUSING AND HEALTHCARE SECTOR

**DR. STEFAN VOß**

Partner, CMS

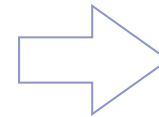
As part of the SHHA governance research, CMS, the SHHA member, did a deep dive into auditing institutions in key European markets.

“Every European country that we analyzed in the study has its own governance rules and regulating authorities. It was surprising that many countries have at least two different authorities which control

and monitor healthcare operations. Some authorities are set up by the government. Others are organised by private institutions.

As a guiding principle, I would say that operators, and investors as well, should be very transparent and share all important information with the authorities and shareholders.”

To download the full report go to:





## The auditing institutions in the senior housing and healthcare sector in Germany

### CARE HOME SUPERVISORY AUTHORITY (HEIMAUF SICHT)

Each federal state has established a care home supervisory authority which supervises and advises care homes (including housing for senior citizens, short term care, hospices, nursing homes, assisted living (in some federal states) with a main focus on protecting the interests and needs of the occupants. The responsibilities of the care home supervisory authorities are: monitoring that statutory duties are observed (in general annual reviews are carried out by way of on-site inspections), remediation of defects by imposing administrative acts, ensuring an adequate quality of care services in the care home, providing comprehensive advice to the occupants, their relatives, employees and institutions responsible for management (Träger) of the care homes, setting up working groups with other care industry institutions to coordinate the activities, participating in the professional advancement of the work with the elderly and the handicapped.

### MEDICAL SERVICE (MEDIZINISCHER DIENST, MD (FORMERLY: MDK)

There are 15 regional medical services ("MD") in Germany which have various responsibilities in the health sector. MD assists the health and nursing care insurance companies with medical and nursing care-specific matters. MD ensures that the health and nursing care insurance services are provided to the occupants in accordance with objective medical criteria and that the level of quality is high. With regard to care homes the main responsibility of the MD is to carry out quality inspections in the care homes as follows:

- the basis for the review is the indicator-based guidelines for quality inspections of stationary and outpatient care
- the main focus is the care quality from the perspective of the occupants who are visited for the purpose of conducting physical

inspections (random samples) but the structure and the organisation of the care homes are also reviewed

- the care home operator receives a comprehensive report setting out proposals for specific measures to remedy any defects
- repeat inspections to review whether the proposed measures have been implemented can be conducted.

### AUTHOR:





## **FOCUS ON THE UK SENIOR HOUSING & HEALTHCARE MARKET**

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### **MARCUS ROBERTS**

Head of European Investment,  
SAVILLS Operational Capital Markets

### **CARYN DONAHUE**

Head of Senior Housing,  
SAVILLS Operational Capital Markets

## THE UK IS THE LARGEST MARKET IN EUROPE WHEN IT COMES TO SENIOR HOUSING AND HEALTHCARE. WHAT'S THE SHARE AND VALUE OF PRIVATE INVESTMENT IN THIS AREA?

In 2022, private investment in the sector amounted to €2bn, which actually represented a decrease of 25% compared to the previous year. Despite this decline, the sector still accounted for a significant portion of total investment in the country, at 3.5%. This is the same as or slightly higher than the proportion of investment the sector accounts for in other major European markets, such as Germany (3.5%) and France (2.5%). It is worth noting that these figures only include private investment and do not take into account public spending on healthcare and senior housing.

Whilst on a global scale the UK may seem like a small senior housing market against the US or Australia, when compared to the rest of Europe, the UK made up 20% of investment in senior housing in 2022, making it a compelling geographical pick for new capital.

## WHICH SEGMENTS OF THE MARKET ARE THE MOST ATTRACTIVE FOR INVESTORS – CARE HOMES, CO-LIVING CONCEPTS? AND WHY?

Investors in the UK are currently showing significant interest in Care Homes, which remain a core segment of the market. This is due to the UK's structural undersupply of quality beds and strong historical performance, delivering robust returns even during periods of economic uncertainty such as the global financial crisis. In addition, there is a growing trend towards investing in Independent Living schemes, particularly in the development of rental models and products. Although the rental model is still relatively new in the UK, we have seen big investors such as M&G, which invested in Birchgrove in early 2022, and Oaktree, which invested in Auriens in late 2022, making big bets on rental.

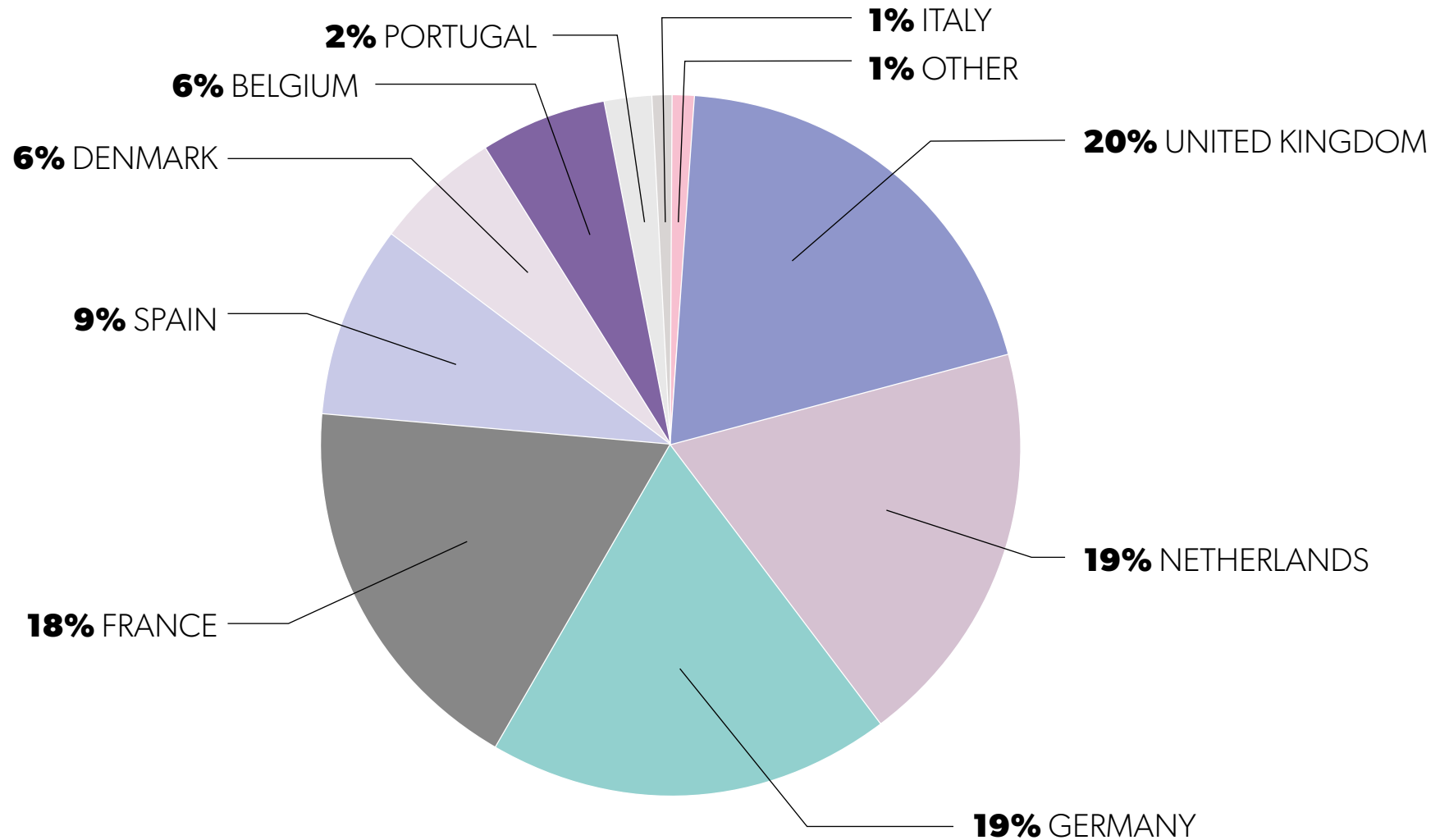
Ultimately, the most attractive segments for investors will depend on a variety of factors, including risk appetite, market conditions, demographics and regulatory environments.

## WHAT'S THE PERCEPTION OF SENIOR HOUSING & HEALTHCARE ASSET CLASSES AMONG INVESTORS?

Senior Housing and Healthcare asset classes are generally viewed positively among investors. These segments are often considered to be resilient, with demand for care services and independent living options, and thus profitability, remaining strong even during economic downturns.

In addition, the aging population in many developed countries is driving a long-term growth trend in these segments, making them attractive for investors looking for stable, long-term returns.

The independent living part of the market in particular is experiencing a surge of interest from new investors, both equity and debt, with their confidence underpinned by strong demand fundamentals (linked to the demographic time bomb) and the growth in operating models that better align with the investment strategies for capital that previously couldn't access the sector.



## DO YOU SEE NEW INVESTORS ENTERING THE MARKET? DOMESTIC OR INTERNATIONAL ONES?

In 2023, senior housing is poised to continue attracting significant investor interest. While the independent living part of the market in the UK has traditionally been favored by long-term investors, such as insurance companies and pension funds willing to take long-term operational risk, new domestic and international buyers are now entering the market.

New players, such as Real Estate Investment Trusts (REITs), institutional investors and private equity funds, which have traditionally been more active in the more mature care home space in the UK, are all starting to pursue opportunities in independent living. The evolution of operating models and the emergence of new rental models provides opportunities that are better suited for these different types of return profiles. Investors see the potential for stable, long-term returns, underpinned by global demographic tailwinds, as the 'baby boomer' generation enters retirement age.

We will continue to see an influx of international investors as they are particularly interested in cross-country strategies that can capitalize on geographic diversity to mitigate some of their investment risk. However, we also continue to see specialist domestic healthcare investors in the UK remain a dominant part of the investment market. Ultimately, the Senior Housing and Healthcare sectors are expected to continue to attract both domestic and international investors as they continue to grow and provide long-term stable returns.

## WHICH FACTORS MAY DRIVE THE DEVELOPMENT OF THE SECTOR?

Across the UK there is a need to make it easier for new developments to secure planning in order to drive a larger delivery of beds. This could involve changes to regulations or incentives for developers to invest in care homes and/or senior living. It is clear that there is a need for new supply across the country, but at present it can be difficult to secure consents to deliver new schemes.

Additionally, institutionalizing the asset class is the key to its growth. This shift towards rental models,

for example, is a reflection of a broader trend in the market, and, as operators focus more on service provision and care services, the sector will continue to be institutionalized, attracting a broader investor pool.

Lastly, an increase in high-quality operators is needed in order to deliver aspirational communities that drive operational profits and long-term stable cash flows.

## WHAT ARE THE BIGGEST CHALLENGES FOR THE SECTOR IN THE UK?

In the care home sector in the UK, market fragmentation and scalability continue to be barriers to entry to new investors. Therefore, consolidation and backing quality developers/operators is key to the sector's evolution.

Another of the biggest challenges is the availability and cost of staff. This is an issue not only in the UK but also in other European countries. The shortage of skilled staff, including nurses and care workers, is making it challenging to expand and ensure the profitability of existing operations.

The independent living market is still largely development-led, which doesn't suit a lot of investors' risk profiles, and finding scalable operating partners is also a challenge, although this is evolving as more qualified operators enter the space.

#### WHAT'S YOUR SHORT-TERM AND LONG-TERM VIEW ON SENIOR HOUSING & HEALTHCARE MARKET DEVELOPMENT IN THE UK? WHAT KIND OF DYNAMICS AND GROWTH CAN WE EXPECT?

The short-term outlook is being driven by the current economic backdrop and high inflationary environment. This is putting pressure on operators' costs, in particular around staffing and energy, and stressing the profitability of some contracts. As a result, investors are looking closely at the operators they work with to ensure they are comfortable and able to weather the current situation. At the same time, the rising cost of debt is creating additional challenges for investors, resulting in a 21% fall in UK and European-wide investment last year compared with a year earlier.

Over the coming months, we expect investors to keep a close eye on how the macroeconomic backdrop evolves. There are signs that we have likely passed peak inflation. Furthermore, recent data indicate that Europe is now expected to avoid recession this year. We expect that the improving macro picture will give confidence to investors and lead to rising activity in the second half of this year.

Looking longer-term, we are confident we will see continued strong growth in investor interest in the senior housing and healthcare sectors, given their compelling structural demand drivers – European populations continue to age and there remains a significant shortfall of quality Senior Housing stock.

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#### AUTHOR:





# The auditing institutions in the senior housing and healthcare sector in the UK

The four jurisdictions of the United Kingdom (England, Scotland, Wales and Northern Ireland) have different regimes in place to regulate and monitor the safety and quality of healthcare and social care/care home services. Although the overarching aims and objectives are very similar, each regulator's processes and procedures are nuanced and in practice dealings with them can be varied.

## ENGLAND

The Care Quality Commission ("CQC") regulates all private healthcare and adult social care services based in England. The CQC ensures the

quality and safety of care provided by services that deliver 'regulated activities' (for example, personal care or treatment of disease, disorder or injury).

THE CQC ARE RESPONSIBLE FOR:

- Granting registration to health and adult social care providers.
- Monitoring compliance with statutory requirements for healthcare and adult social care providers.
- Carrying out onsite inspections (both announced and unannounced), awarding a rating and publishing reports on findings.
- Taking action for non-compliance (for example, issuing warnings or cancelling registration).
- Conducting investigations in response to concerns and complaints.
- In the most serious cases, the CQC can prosecute service providers using both civil and criminal sanctions.

## SCOTLAND

### HEALTHCARE

Healthcare Improvement Scotland (“HIS”) is responsible for regulating independent hospitals, hospices and clinics located in Scotland. The role of HIS is to ensure that independent healthcare providers comply with standards and regulations.

#### HIS UNDERTAKE THE FOLLOWING:

- Granting registration to healthcare providers.
- Monitoring compliance with statutory requirements for healthcare providers.
- Carrying out onsite inspections (both announced and unannounced) and publishing reports on findings.
- Taking action for non-compliance (for example, issuing improvement notices or cancellation of registration).

- Conducting investigations in response to concerns and complaints.
- In the most serious cases, the HIS has a route by which it can prosecute service providers using criminal sanctions.

### CARE HOMES

The Care Inspectorate (“CI”) are responsible for regulating and inspecting care services based in Scotland to ensure they meet the right standards.

#### THE CI’S SUPERVISORY ACTIVITIES INCLUDE:

- Granting registration to social care providers.
- Monitoring compliance with statutory requirements for social care providers.
- Carrying out onsite inspections (both announced and unannounced), awarding ratings and publishing reports on findings.
- Taking action for non-compliance (for example, issuing improvement notices

or cancellation of registration).

- Conducting investigations in response to concerns and complaints.
- In the most serious cases, the CI has a route by which it can prosecute service providers using criminal sanctions.

## WALES

### HEALTHCARE

Healthcare Inspectorate Wales (“HIW”) is the independent inspectorate and regulator of healthcare in Wales.

#### HIW IS RESPONSIBLE FOR INDEPENDENT HEALTHCARE PROVIDERS AND ITS RESPONSIBILITIES INCLUDE:

- Granting registration to healthcare providers.
- Monitoring compliance with statutory requirements for healthcare providers.

- Carrying out onsite inspections (both announced and unannounced) and publishing reports on findings.
- Taking action for non-compliance (for example, issuing improvement notices or cancellation of registration).
- Conducting investigations in response to concerns and complaints.
- In the most serious cases, the HIW can prosecute providers using both civil and criminal sanctions.

## CARE HOMES

Care Inspectorate Wales (“CIW”) is the independent regulator of care services based in Wales. CIW is responsible for registering, inspecting and taking action to improve the quality and safety of care services.

## CIW ARE RESPONSIBLE FOR:

- Granting registration to social care providers.
- Monitoring compliance with statutory requirements for social care providers.
- Carrying out onsite inspections (both announced and unannounced), awarding ratings and publishing reports on findings.
- Taking action for non-compliance (for example, issuing improvement notices or cancellation of registration).
- Conducting investigations in response to concerns and complaints.
- In the most serious cases, the CIW can prosecute providers using both civil and criminal sanctions.

## NORTHERN IRELAND

The Regulation and Quality Improvement Authority (“RQIA”) is the independent healthcare and social care regulator in Northern Ireland. RQIA through inspections, reviews, audits and the promotion of improvements, provides assurance about the quality and safety of healthcare and social care services.

Its responsibilities include:

- Granting registration to healthcare providers
- Monitoring compliance with statutory requirements for healthcare providers;
- Carrying out onsite inspections (both announced and unannounced) and publishing reports on findings
- Taking action for non-compliance (for example, issuing improvement notices or cancellation of registration)
- Conducting investigations in response to concerns and complaints.
- In the most serious cases, the RQIA can prosecute providers using both civil and criminal sanctions.

## AUTHOR:





# **INSPIRATION AND KNOWLEDGE**

BEST PRACTICES



# Seniorenhaus Lessingstrasse care home

- Development project
- Location: **Wurzen – Germany**
- Completed in February 2022
- Capacity: **73 residents**
- Investment: **approx. €7 million**

Seniorenhaus Lessingstrasse care home is a great example of the role Aedifica's CSR strategy plays in its investments. At every stage of our value creation process, we strive to reduce our impact on the environment by acquiring efficient buildings and (re)developing buildings to optimize energy consumption, user comfort while reducing operating costs for operators.

The care home in Wurzen is the first of its kind to meet the high energy efficiency standard 'KfW-EH 40.' With energy demand of only 40%

of a comparable reference building – according to German sustainability regulations – this care home has an estimated net energy use intensity of 85 kWh/m<sup>2</sup>. This is well below the 130 kWh/m<sup>2</sup> target that Aedifica has set for its entire portfolio by 2030. Aedifica has also invested in renewable energy sources: energy for heating the building is provided by a biomass installation and the roof is equipped with a 67kWp solar panel system. The central ventilation system is equipped with heat recovery and can also be used for cooling. Moreover, the building has











a highly insulated and compact envelope. In addition, resident comfort was central in the design of the building. The communal areas of the care home were cleverly incorporated with a south-facing orientation. It also has a loggia, allowing residents to fully enjoy the sun and natural daylight in a sheltered place.

**“Care home residents need to feel at home, while retaining control over their lives as much as possible. Our expertise in sustainable buildings allows us to create the ideal framework for this”**

**Raoul Thomassen**  
COO, Aedifica





## Care campus in Rotterdam

In Rotterdam (the Netherlands), Cofinimmo acquired an outdated rehabilitation center (De State RRR), built in 1968, for 23 million EUR (incl. works). Together with Fundis, it was (re)developed into a modern and sustainable care campus of approximately 11,000 m<sup>2</sup>, with various care functions: care pension, a medical rehabilitation center, general practice, physio exercise room, day care center and a place for residents with dementia or somatic disorders.

The renovation to create a fully sustainable building

was undertaken entirely within the provisional budget.

Several care and welfare organizations work together in the field of care, nursing, rehabilitation and recovery. Innovation is present in all activities: in care and rehabilitation and in the building's design, with smart doors, care technology for people with dementia and for people that cannot stay at home. The starting point is to maximize the living space in which the resident can move freely and feels at home. This is a future-proof sustainable building with reuse

of materials, use of natural materials, green roofs, entirely gas free, use of heat pumps for warming and cooling and all roof surfaces covered with 298 solar panels. In addition, the former buildings - dating from the 1960s - have been stripped down to their concrete Casco elements and have started a second and highly sustainable life at various places in the building. A very accessible site by car or public transport, green environment, big gardens and green surroundings.









At 'De State,' there's a nice 'Grand Café' – the warm heart of the ground floor where a kitchen run by inhouse chefs caters for visitors and residents alike (it is also open to the neighborhood). Because of all these functions, there is sufficient care volume to keep it affordable, but the resident has the idea that he or she lives on a small scale, not a home for the elderly, tucked away somewhere far away, but a care campus, on a grand scale, in the heart of society. There is a trend towards small-scale and the pursuit of clustering in order to keep healthcare affordable. 'De State Hillegersberg' in Rotterdam proves that these seem to go very well together. The solution lies in bringing together different forms of care.

This project is a perfect example of a good collaboration between landlord (Cofinimmo), operators, architects and engineers.

**“Back in 2016, the old RRR building was already in the picture as a site for redevelopment. The employees at the time had lost a bit of confidence after many stories and beautiful, but unrealized plans, and if you look now you see mostly happy faces. With a no-words-but-deeds mentality, we have been able to build a beautiful residential care complex here totalling 11,000 m<sup>2</sup>, where we can provide integrated care and in which neighborhood facilities have also been given a place”**

**Patrick Blankensteijn**  
project manager at Fundis Rael Estate



# Assisted living complex in Middelkerke

Our assisted living complex 'Assistentiewoningen De Stille Meers' is located in Middelkerke (a municipality on the Belgian coastline) and comprises 60 assisted living apartments.

Construction of the project began in the Autumn of 2018 and was completed in early 2020. Our aim was to provide elderly people with a living space that enables them to live independently for as long as possible while also having access to extensive on-site services in a more protected environment. The project is operated

by OCMW Middelkerke (local government). Our comprehensive approach allowed us to create a functional, sustainable and affordable senior housing project.

'Assistentiewoningen De Stille Meers' exemplifies our commitment to sustainability, achieved by doing more with less. Our objective was to provide a higher level of comfort and a better indoor climate using fewer materials, energy and water.

We implemented measures that positively impacted the sustainable character and maintenance requirements of the building, resulting in nearly energy-neutral assisted living apartments. The optimal ratio of facade area to the closed volume of the compact building has a positive effect on heating and cooling requirements for both communal areas and individual flats. Optimal insulation of walls, roof, windows and floors exceeds regulatory requirements. Overhanging balconies and eaves provide essential sun protection, complemented by an



automated and efficient electric solar protection system. Air to water heat pumps (AWHPs) generate heating and hot water distributed through well-insulated circulation pipes. For some flats, photovoltaic panels supplement this solution if necessary, eliminating the need for a gas connection. Energy-efficient, maintenance-friendly luminaires with LED lighting, which have a longer lifetime, are used throughout the building. Moreover, energy and hot water consumption are registered by a digital counter, the data of which can be read centrally and easily on a personal device. Monitoring energy and water consumption enables residents to optimize their energy or water efficiency. Additionally, a rainwater harvesting system for toilet flushing and outside water taps contributes to water savings. Finally, the building is surrounded by maintenance-friendly green zones and trees that provide shade and limit visibility to ensure the tenants' privacy. In addition to our efforts to reduce the building's environmental impact, our residence's small-scale environment is designed to promote the well-being of our residents.

The building offers small, decentralized meeting places throughout the facility, as well as a comfortable seating area on the top floor with stunning views of the surrounding area. Recognizing the unique needs of our tenants, we have ensured that each flat's entrance, living room, bathroom and bedroom are wheelchair accessible. On-site services include a nurse available 24/7 via an emergency call system, along with home care services such as family care, cleaning, home nursing and chore services. The site's central location provides optimal access to hairdressers, supermarkets, restaurants, laundries, and animation activities. Additionally, the location is conveniently accessible by public transportation, making it easy for residents and their visitors to travel to and from the city center.'

Our primary goal is to optimize the well-being of our residents and provide affordable, high-quality healthcare for every citizen. By continuing to invest in public healthcare real estate, we ensure a diversified portfolio. Several units of our 'Assistentiewoningen De Stille Meers' project are exclusively reserved for low-income elderly people.







**“Our primary goal is to optimize the well-being of our residents and provide affordable, high-quality healthcare for every citizen. By continuing to invest in public healthcare real estate, we ensure a diversified portfolio”**

**Valérie Jonkers**

Chief Operating Officer, Care Property Invest



## Alingsås care home

The state-of-the-art Alingsås care home in Sweden is an example of a sustainable care home development in our healthcare asset portfolio.

In July 2020, the Northern Horizon-managed Nordic Aged Care Fund acquired a care home in Alingsås in the southern part of Sweden. It was bought on a forward purchase basis from the Swedish developer Skanska.

The goal for the development of the project was to achieve a Deep Green rating – the best rating

evaluation on Skanska's Color Palette™ framework, indicating that the project goes well beyond local regulatory development compliance in terms of sustainability solutions.

To ensure that the care home would be fit to meet the requirements of high-quality aged care down the road, the future operator was actively involved in the development.

In the construction process, a lot of attention was paid to the sustainable management of the

construction. The aim was to ensure efficient treatment of resources by achieving 100% of construction waste being recycled.

In March 2022, Northern Horizon took over the completed building. The strong focus on sustainability in the planning and construction of the property resulted in energy use 80% below the guidelines from the Swedish National Board of Housing, Building and Planning. One of the main reasons for the low energy consumption is the Hybrid Solar System installed









in the building. The HYSS system is an innovative solution based on a combination of solar panels and rock energy storage enabling storing of excess heat in summer for use in the autumn and the winter. Also, climate calculations have been used extensively to select products and solutions with the lowest CO2 impact.

The Alingsås care home comprises a total area of approximately 5,400 sqm. It has 80 apartments, divided into 8 units. The asset is certified LEED gold.

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# Assisted living in Berlin

- Refurbishment project
- Location: **Berlin**
- Capacity: **33 units  
of assisted living**
- Operator: **Alloheim**
- Completed in first quarter 2022

A good example of extensive ESG measures is the assisted living facility within the Swiss Life Asset Managers portfolio in Berlin Westend, Akazienallee. It consists of 33 units of assisted living operated by Germany's largest operator, Alloheim. The house itself was built in the 1970s and had been maintained with rather minor measures. As part of a large-scale ESG refurbishment, numerous measures were carried out, such as replacement of the radiators and windows, thermal insulation, hydraulic balancing of the heating and beautification of the outdoor facilities with new planting and a barbecue area.

All of our funds are certified according to Article 6 or 8 of the SFDR. And there is a strong focus on improving the ESG strategy of our assets. Therefore, it is a logical consequence that investments in E, S and G are an integral part of our fund management and investment strategy. In the area of heating, all radiators were replaced. The windows were also replaced with energy-saving windows and there was refurbishment of the outdoor lighting and access routes. In the sphere of ETICS, there was refurbishment of the insulated thermal composite system facade and balcony system.









and refurbishment of balcony coatings. All measures were accompanied by the advice of an energy consultant. Accessibility through automatic entrance door systems were introduced. There was also a refurbishment of the bell system, with user-friendly intercom units for flats and the central entrance installed. The outdoor facilities were also redesigned, with beautification of the green areas: new planting, seating and a barbecue area. In the realm of heating, hydraulic balancing - an energy-saving measure and a legal requirement for subsidies - was introduced.

**“With this energy and also social upgrading measure, we are making a valuable contribution to the sustainable management of this senior residence in Berlin. Our residents will experience a valuable upgrading of their domestic environment and, in addition, we are continuing our consistent path towards ESG optimization of our funds”**

**NIKOLAI SCHMIDT**

Head of Transaction Health Care,  
SWISS LIFE ASSET MANAGERS



# Senior Coliving

A NEW SOLUTION TO A GROWING PROBLEM

Some trends will affect the healthcare real estate sector in the years ahead. One is the ageing of the population in Europe: the expectation is that the number of people over 65 will increase by 20% between 2020 and 2030. In addition, the population aged over 80 will double from 5% to 10% of the total population by 2050. The number of patients suffering from one or more chronic diseases related to ageing and lifestyle is therefore increasing sharply, and so is the demand for long-term care services and the need for qualified staff. While cognitive ability

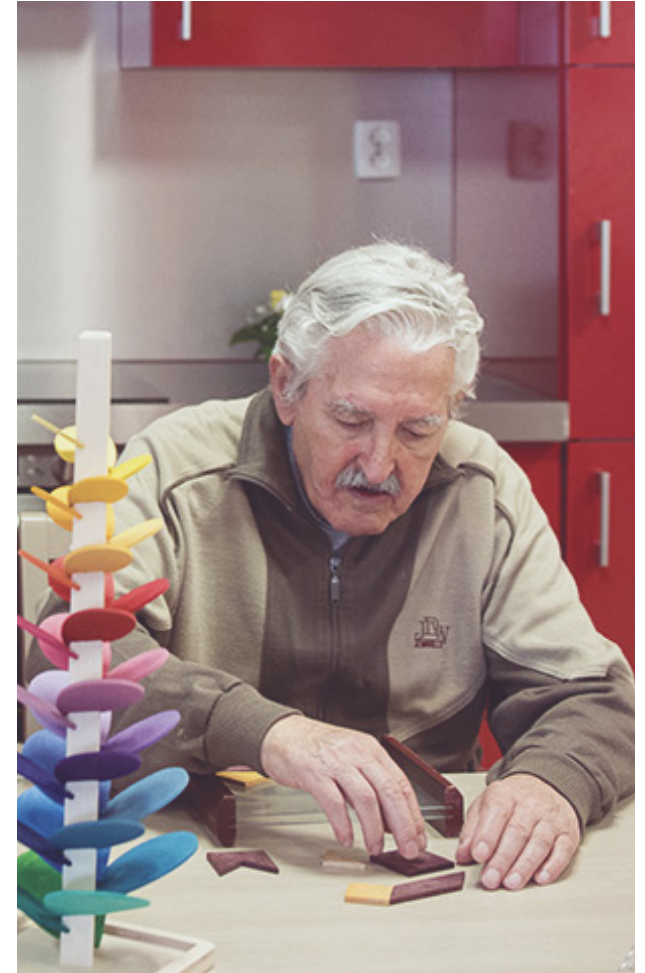
and autonomy of more patients are challenged, so is their ability to express opinions or to complain, so the interaction between patients and caregivers becomes more difficult.

Another trend is increasing regulation of the healthcare sector: reforms are being pushed through in most European countries to improve transparency and control. The demand of the health authorities and the desire to people to remain at home means that medical buildings are being transformed to respond

to the development of outpatient care, which encourages people to live at home as long as possible.

## CO-LIVING FOR SENIORS

At Korian we see our future role as ensuring that everyone can, within a radius of a few kilometres, benefit from a home help service so that they can stay at home as long as possible, and can benefit from day hospital services, supported by e-outpatient services.



Our future role at Korian is also ensuring that, when they leave home, people can find alternative solutions, so that they do not immediately go into a nursing home, but can choose assisted living or a co-living facility that may better meet their personal needs.

All these services are based on the nearby presence of clinics specialising in the treatment of chronic illnesses and dependency, in mental health as well as in follow-up care or more specialised clinics. Clinics with medical expertise can support retirement homes.

Korian's ambition is to stick to societal developments. For example, we are innovating by launching a new co-living offer for senior citizens. This concept, called *ges & Vies*, involves the creation of small modules of two 8-bed houses next to each other and organized around a common living room, dining room and kitchen. We can set this up in towns with more than 1,000 inhabitants in France and we are aiming to have 400 homes by the end of 2024, which will be able to accommodate 3,000 people.

Of course this alternative development is supported by the strengthening of our health expertise, which we are enhancing through the acquisition of clinics and the development of outpatient centres. Or in mental health, where we have become the number 2 company in France with the acquisition of Inicea, and which is a growing sector internationally and in Italy and Spain in particular.

There are two other major transformations that are happening : environmental and digital.

### THE ENVIRONMENTAL CHALLENGE

As the Russia/Ukraine war has led to much higher energy prices, the long-term environmental challenge has also become a short-term energy challenge. The Korian low-carbon roadmap that we started some years ago has already paved the way towards alternative and renewable energy sources. The challenges are great because, by their very nature, medical buildings consume more energy and water than normal buildings, as they are in use 24 hours a day and 7 days a week, they need to provide comfort and

warmth to protect patients and they need more space for medical equipment.

For our new buildings in France we have been working since 2017 on the HEQ label and have adopted the E+C on our projects since 2020. In Europe, all our new buildings must meet high environmental quality standards such as HEQ in France and equivalent certifications abroad such as LEED or BREEAM. These buildings, as well as our existing assets, will be equipped, for example, with heat pumps and solar panels or other renewable sources of energy with a lower carbon footprint and higher performance.

Since 2018 Korian has committed to assessing an annual carbon footprint of its operations and has defined a low-carbon roadmap for its buildings that will see the group cut its CO2 emission by 40% by 2030 compared to 2018 levels. Such a goal requires the execution of consistent capex plans on the network year after year.

### DIGITAL INNOVATION

The second transformation taking place concerns

digital technology. Like any other business, real estate is going digital and at Korian we are at the forefront of this transformation with Building Information Modeling (BIM).

We are now able to produce 3D digital models of our buildings, right from the planning phase. This allows us to control the cost of our investment better during the construction phase, and in the long term it allows us to control and optimise the cost of operations as we have plans of the network and know all the components of the building.

BIM also allows us to understand our investments over the entire lifecycle of the building, while maintaining up to date document management. It is enabling us to better assess, control and plan the carbon footprint of our buildings.

The use of BIM also facilitates modular construction, which is off-site construction in a factory. We use digitally designed modules that are pre-fabricated in factories. Then the builders assemble them like a jigsaw puzzle on site. Korian is preparing to implement an industrial

construction off-site approach to build 3D buildings.

This industrial logic is also reflected in the desire to deploy our strategy on a European scale. We are deploying the same type of ges & Vies concept in Germany by adapting the final product to the local clientele, in this case building double houses, each of which can accommodate 12 people.

## FIVE ESG GOALS

Korian has defined five main goals towards ESG. The first goal we have is to provide excellent care, the second is to be an employer of choice and the third is to facilitate the development of a more inclusive society. The fourth is to be committed as a responsible local player and the fifth is to reduce our environmental footprint.

We follow a dashboard in our monthly business reviews and the evolution of each KPI that we have on that dashboard. For example, what does it mean to be an employee of choice ? We have defined three KPIs : the first is the average tenure

of our staff, which is 7 years, and we are aiming to increase that. It's not all about recruiting but also about retaining people. We also track the percentage of staff in our qualified training program, which must be at least 10%. It means a lot to us if a nurse can become a nursing home director, or a regional director become a chief operations officer. We want people to grow and develop. The third KPI we have is regarding the percentage of women in top management. We have reached our 50% goal and are aiming to go higher.

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### AUTHOR:



**FRÉDÉRIC  
DUROUSSEAU**

Group Chief  
Real Estate & Development  
Officer, KORIAN





# **INSPIRATION AND KNOWLEDGE**

STRATEGIC PARTNERSHIPS

THE SHHA IS DRIVEN TO CREATE  
ALIGNMENT ALONG THE VALUE  
CHAIN AND BUILD CONTINUOUS  
AWARENESS AND THOUGHT  
LEADERSHIP ABOUT OUR ASSET  
CLASS \_\_\_\_\_



We have chosen to strengthen our national expertise in selected European countries and grow our network across Europe, by means of complementary collaboration. Attracting leading professionals from across Europe and strategic partnerships with fellow associations is our way forward and the path to making a real outreach impact. We are delighted to announce the first, signed strategic partnerships.



UK OPERATOR-DRIVEN,  
FOCUSED ON INTEGRATED  
RETIREMENT COMMUNITIES



BENCHMARKING  
AND DEEPLIVE  
FOR LISTED COMPANIES  
IN OUR ASSET CLASS



CROSSOVER  
WITH COLIVING  
FOR SENIORS



Setting Standards for  
Retirement Communities

# ARCO

## the trade association for integrated retirement communities in the UK

There is currently a global conversation about how societies should respond to the challenges of an aging society, while at the same time harnessing the opportunities this might bring. Housing options that enable older people to live independently for longer are at the heart of this conversation.

At ARCO (the trade association for integrated retirement communities in the UK), we're excited to work with the SHHA. Working together offers the opportunity for UK-based operators to gain exposure to European models of housing and care

delivery, while operators on the continent might be interested in how 'for sale' models using Deferred Management Fees can suit consumers on modest pension incomes and high asset values.

In the UK, the trend towards providing more options that sit between care at home and care homes is accelerating. Last year, a wide coalition of politicians, academics and private sector and civil society leaders came together to urge the UK government to make the 2020s the 'decade of housing with care,' just as the 1980s and 1990s saw the expansion of

care homes in the UK and the 2000s saw the rapid acceleration of home care provision.

In addition, ARCO managed to successfully push the government to commit to a task force on older people's housing, which will bring together different parts of the UK government as well as sector leaders, representatives of older people's organizations and investors. It is fascinating to see how products and markets differ across Europe – while in some countries, there are few alternatives to traditional care home



provision (which we would expect to maintain a crucial role for older people with more moderate means), growth is happening everywhere. However, there are a number of key differences to be considered when looking at the implementation of pan-European strategies.

Pension incomes vary widely throughout the OECD and are a key determinant for affordability metrics for rental offers (and service charges in 'for sale' models). Even within countries, pension replacement rates can shift between generations, with today's pensions much more likely to be on defined benefit (rather than defined contribution benefit) pension schemes. Likewise, in countries with high asset values/house prices, high levels of housing wealth can mean that older consumers are relatively asset rich, signaling health affordability levels. However, this also means that expansion in these markets can be very capital intensive (e.g. with a number of projects in London's wealthiest neighborhoods now reaching GDVs of more than £200m per scheme). Likewise, in countries with low pension replacement rates, housing equity is likely to be the primary source of funding for living in a rental senior's housing scheme – and who carries





the longevity risk of customers running out of money? Is the provision of health social/personal care free at the point of use, or is there an insurance based system (and is this compulsory or not)? In systems with state-funded universal care provision, older people might feel less inclined to search out care options that minimize their risk of losing a significant chunk of their assets. However, this can also mean that consumers may feel less compelled to control their spending and save money for eventual care needs (with e.g. the German Pflegeversicherung providing a base level of coverage of developing care needs and citizens only needing to cover costs beyond this).

Regulation has always followed the rise of successful seniors' housing markets, with the most advanced markets governed by sector specific legislation (e.g. the Retirement Villages Act 2003 in New Zealand). Rather than being a burden on sector growth, in many cases this has facilitated the entry of institutional investors, who are attracted by the certainty provided by regulation and the safeguard this provides against reputational damage. However, regulation can be a double edged sword and regulatory overreach must be kept at bay

(typically, regulation of consumer rights in relation to contracts and services in seniors housing has been more conducive to growth than regulatory frameworks that govern care delivery).

And finally, we have cultural factors. A perennial debate in this sector centers around whether whole countries are 'culturally' suited to communal living – we are used to images of sunburnt American retirees in retirement villages in Florida and can probably picture groups of older Italians bonding over communal meals in an on-site trattoria. But what about the Germans ('too reserved') or Brits with their obsession with home ownership (full disclosure, I have German and British citizenship and am married to an Italian, so this is a live topic of debate...)?

Personally, I think the cultural debate is a red herring – if only 95% of older people in Europe wanted to live in a retirement village, this would still mean we'd have to build several million new units of senior housing over the next decades. And if that's not an exciting prospect, I don't know what is.

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#### AUTHOR:



**MICHAEL VOGES**

Chief Executive  
ARCO





## Real Estate: Helping to meet Europe's retirement needs

The built environment - the space and infrastructure that provides for the needs of businesses, families, hospitals, schools and leisure activities - is fundamental to Europe's well-being, catering as it does to the continent's economic and social needs. The private sector real estate industry is therefore directly responsible for providing this essential service to businesses and citizens. With aging populations becoming a mega-trend in European societies, the need for social care and senior living is becoming ever more important, as is providing long-term retirement income as we live longer. Because real estate is a very capital-

intensive business, the private sector - through listed property companies - will always be needed to play an essential role in delivering long-term capital investment in real estate and providing quality assets for social care. In addition, capital investment provides an economic return, which these companies pay out in dividends to their shareholders, which - in turn - are overwhelmingly the pension funds and insurance companies providing income for the aging population. A truly virtuous circle. As we can see from the accompanying chart, the healthcare sector in Europe has outperformed the general European benchmark index over the last

few years, demonstrating a healthy investor appetite for this niche but growing sector.

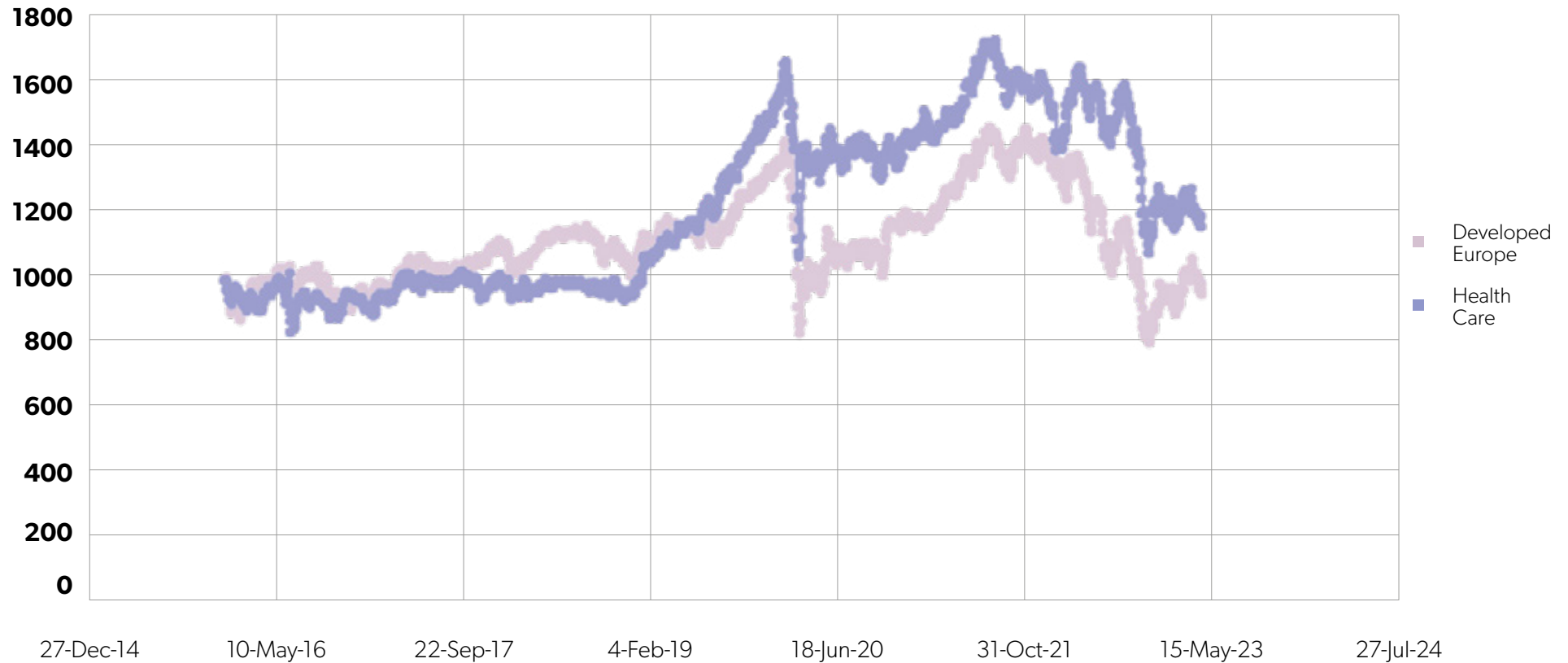
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**AUTHOR:**


**DOMINIQUE  
MOERENHOUT**

Chief Executive Officer  
EPRA

## Healthcare listed performance v Developed Europe FTSE EPRA Nareit Index series





# Senior Coliving

## The promising future for the silver generation

What is the secret to living a happy life? Is it better to be wealthy, happy or free? According to 'The Good Life: Lessons from the World's Longest Scientific Study of Happiness,' relationships are a key element that make our life joyful and fulfilling, the continuous and positive interaction between us and our loved ones. However, It is often hard for seniors, the 'silver generation,' who currently enjoy the highest income compared to Gen X, Y or Z, to experience or sustain this. Many forget that no matter our age, we still desire a life and fun; people do not stop being active and purposeful

as they get older. Fortunately, we have a solution to this: Senior Coliving. This model is designed for seniors with a community-centric approach, guaranteeing that colivers are not only provided with high-quality housing but are also surrounded by like-minded and positive individuals.

### IN THE PAST...

When discussing elderly living, there was an image of cold, outdated, and secluded homes that made seniors feel abandoned and neglected. However,

with Senior Coliving, the silver generation will be able to live in an active environment and write their next life pages.

### EMBRACE THE PRESENT...

So, what makes Senior Coliving so interesting for this demographic? Why is it a promising model that can solve the challenges that the current silver generation and those to come face? Community, best value for money, convenience, and flexibility are the four criteria the owners of

Senior Coliving established in order to deliver favorable benefits to their users. Besides fully furnished private rooms, there are community areas such as a shared kitchen, terrace and outdoor areas, workshops & hobby rooms, where residents may meet and engage with each other. Furthermore, because of the all-in-one services - in many cases offered through a resident app - colivers can find anything they need without having to travel far, embracing a sustainable, convenient and fulfilling lifestyle. The coliving model for seniors also embraces aspects such as flexibility and freedom. By offering flexible leases, from short stay to long stay senior coliving caters to a group that needs the comfort of home but without sacrificing the curiosity and thirst for life that the most active members of this community may desire.

### **SETTING UP NEW STANDARDS FOR SENIOR LIVING**

Senior housing is evolving and new formats emerging. Over the last few years we have seen great advancements and these brands are at the forefront of the movement.

### **THE EMBASSIES**

Established after the concern of one of the founders when visiting a retirement home in the traditional form, The Embassies (in Switzerland) is unquestionably a wonderful alternative for lifestyle-driven grown-ups, with unique outdoor spaces ranging from terraces, winter gardens, and roof tops depending on the location. Expert-led lectures and courses, as well as workshops, are available for members to register in order to participate, experience, and connect. You can be their 'ambassador' for a day, a year or even longer through their membership program, offering different levels of experiencing this wellness-driven community lifestyle. THE EMBASSIES is currently onboarding its members through a waiting list, as well as involving them in becoming part of the journey towards opening of its first location.

### **GROUPIUS WONEN**

In the Netherlands, Groupius Wonen is the first of its kind to offer community-driven living for the silver demographic. This senior coliving is in full preparations to open its doors to its first

residents and prioritizes community above anything else for future seniors. It offers tailored designed communal spaces such as a shared kitchen, where residents can exchange and learn new cooking skills, a DIY room, a cozy library, vegetable garden and more. All activities enable seniors to have active, social and purposeful lives. Groupius Wonen is actively in discussions with different municipalities to make their first locations a reality. The concept focuses on delivering a modern, stylish and future-proof environment, while the apartments are designed taking into consideration accessibility, safety and comfort for the senior demographic.

### **LIVELY**

In Germany we find another emerging brand that will be opening its first location in 2023. Residents can already start booking their stay at Lively: The White Lady in Gronau. As quoted on their website, it is a 'place where loneliness is a foreign word,' the focus lies in providing an enjoyable, colorful and purposeful lifestyle for its residents. The owners have poured their hearts into creating an environment where their residents





feel good, where they feel cared for and offered the freedom to explore the curiosities of life. They also have a buddies program, where local enthusiasts support residents by looking after their needs and wishes, as well as carrying out workshops and other tailored activities. Its location offers a ground floor with large common areas as well as guest apartments, bookable for short-term rental (daily fee) as well as long-term apartments (monthly fee) ranging from 35 to 77 m<sup>2</sup>.

## BROEN

This senior coliving center in Denmark not only encompasses the core characteristics of the shared living model, but has made sustainability and connection to nature one of its most relevant value points. Broen offers 1.5- to 3-bedroom apartments for singles and couples, as well as large communal facilities such as a common room with a kitchen, roof terrace, laundry and workshop space. The shared spaces are intended as an extension of one's own home and invite seniors to bond and create new and pleasant experiences together. The community at Broen is led by the initiative of its residents first.

## CALYPTUS SENIOR COLIVING

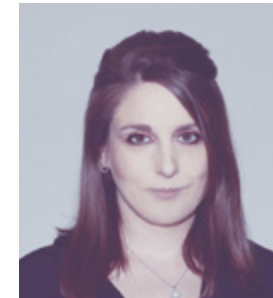
Rather than a textbook example for senior coliving, Calyptus Senior Coliving is embracing a movement and disrupting the market in Australia. Its approach to senior living is very practical and solves a challenge that some of our silver generation is facing: access to affordable, convenient and purposeful housing. It offers shared homes located near to each other in different districts across different residential areas. Seniors share a home and have their own private rooms. They also have access to the community across different homes that are part of Calyptus Senior Coliving. Their model is based on carefully selecting the people that will be living together and by offering initial short leases, which offer the flexibility to find a different home if the first environment is not the most ideal.

## LEADING THE FUTURE...

It is clear that neither our current seniors nor ourselves in the future will be able to lead happy lives in the outdated and archaic model for senior housing. The concept of senior coliving and

finding quality-led accommodation for the silver generation will gain traction in an exponential manner, most probably in tandem to the growing rate of the senior population around the globe. The seniors of the future will desire and demand an independent, free and active lifestyle driven by their inner Ikigai, their reason for being. With the work of thought leaders in creating and delivering spaces that are suitable for a diverse range of seniors and their specific needs, there is a promising future ahead for Senior Coliving.

## AUTHOR:



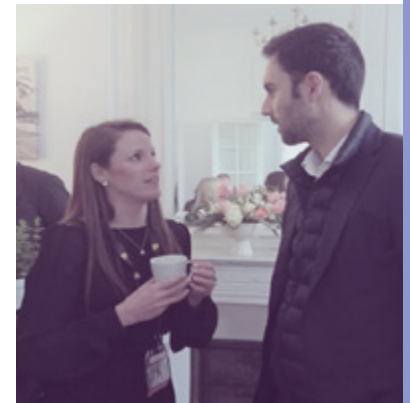
## AITANA DE JONG

Head of Marketing & PR  
at COLIVING VENTURES

# ABOUT Senior Housing & Healthcare Association

The Senior Housing & Healthcare Association was established in 2020 as an industry initiative to help create alignment between operators, investors and stakeholders including banks and governments. Our members and partners operate across Europe ensuring that the SHHA is well-positioned to support the transition within the sector and help prepare the market for the significant increases in future demand.

We promote, drive and encourage the maturity of the international senior housing and healthcare real estate investment markets, to help address the post-Covid changes and make it future-proof.



# LET'S GET CONNECTED

## GOALS FOR 2023

1. Building awareness and thought leadership about our asset class
2. Strengthening our national expertise in selected European countries
3. Growing our network by attracting individual professionals from across Europe and strategic partnerships with fellow associations
4. Building relations with key policy makers on the European level (EU Commission, EP)

## MEMBERSHIP BENEFITS

- The opportunity to shape the voice of the industry
- Draw on thought leadership & unique insight
- Work together with other key players in the industry
- Expand your network of decision-makers
- Helping inform and influence public policy
- Recognition & brand visibility or your company

## MEMBERSHIP PLANS

Choose one of the membership plans and get connected

- SHHA BOARD MEMBERSHIP
- CORPORATE MEMBERSHIP
- FRIEND OF THE ASSOCIATION  
(For individuals and small companies)

# SHHA - driving the senior housing and healthcare sector forward

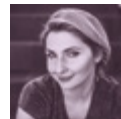
One thing that we can be sure in this unpredicted times is that we won't be able to reverse the demographic trend in Europe. Investing in senior housing and healthcare is investing in the quality of life.

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

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



## Join Us



**Sylwia Ziemacka**

[sylwia.ziemacka@shha.international](mailto:sylwia.ziemacka@shha.international)

# SHHA