

First summit shows SHHA is mainstream



Ron van Bloois,
co-founder and chair,
SHHA

We were delighted with our first Senior Housing and Healthcare Summit, in Brussels, co-organised with EPRA. The programme of this lively one-day conference, with four expert panels on policy-making, operational excellence, investment markets and investing with purpose/ESG, was enhanced by keynote speakers from the European Commission.

The SHHA's journey began just three-and-a-half years ago. It has been driven by a willingness by stakeholders and peers to share. We are a colourful group of industry leaders with a pan-European scope that has now moved beyond those borders. We have welcomed our first US-based member to the family, and Asian markets are around the corner.

Sharing a vision and best practices for our ageing society is SHHA's purpose. We want to reframe the

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markets with a focus on the consumer behaviour of older adults and the liveability and affordability of accommodation, while developing state-of-the-art operational real

estate. As healthcare operators, we also want to be attractive employers.

Our asset class is outperforming on ESG measures, from decarbonisation to social impact and governance, as well as in terms of value.

We have become a voice for the industry and have made a significant impact, creating a collective energy and alignment in the value chain.

Most of all, I am proud of our attitude: we are not driven by power, but are focused on impact, thought leadership and collaboration. In addition to EPRA, we have established strategic partnerships with ARCO and Coliving Ventures.

As co-founder and chair of the SHHA, it is very satisfying to be able to nudge the alignment of the senior housing and healthcare real estate markets. Senior living and healthcare real estate are no longer alternative asset classes, they are mainstream and outperforming on ESG.

SHHA

New SHHA members

Both the recent SHHA summit and the SHHA's growing membership roll demonstrate the growing interest in the senior housing and healthcare sector. These are some of the latest members.

SevenAges Capital Management

Ageing is a powerful economic and social force according to Naboth van den Broek, founder and managing partner of Netherlands-based SevenAges Capital Management.



It is a financing and management vehicle which has adopted a broad real estate asset strategy to support the transition to the "silver economy". It envisages a new kind of senior care real estate, focusing on sustainability, circularity, and social values.

BPD Woningfonds

BPD Woningfonds is a Netherlands-based housing fund that consists entirely of sustainable and affordable new-build rental homes intended for middle-income households.

Founded by Rabobank and developer BPD in 2019, the fund acquires rental apartments and single-family homes developed by BPD that will remain available as mid-priced rentals for many years. The fund is on target to rent 15,000 homes by 2030.

Woonzorg Nederland

Housing corporation Woonzorg Nederland specialises in senior living and has properties in 170 municipalities. These include about 30,000 houses for rent, and 12,000 nursing home units, leased to nursing organisations.



"Our primary objective is to provide affordable and comfortable homes for seniors from the age of 55 with diverse backgrounds, income and vitality levels," says Cees van Boven, chair of Woonzorg Nederland's board.

Box Architects

Box Architects' chief executive Graham Place believes that everyone should have a great environment to live in. The commercial imperatives should be balanced against the suitability necessities, he said.

Place leads the development of the sustainability strategy of the business as well as its modern methods of construction initiatives and its centre of excellence focused on senior living and retirement properties.

JD Solutions Group

JD Solutions Group became the SHHA's first US-based member in April 2023. Launched by chief executive



Jennifer Dixon, the company provides occupancy growth coaching, training and business consulting focused on supporting operators and investors in the senior living industry.

Threestones Capital Management

Threestones Capital Management is an authorised alternative investment fund manager headquartered in Luxembourg. The company manages approximately €2 billion in four investment vehicles. Founded in 2009, its main focus is on healthcare real estate investments in Europe.

EchoCare Technologies

EchoCare has developed a non-wearable device which continuously tracks five body indicators to determine the person's wellness: location, posture, motion, respiration and heart rate. CEO Rafi Zack explains: "Seniors are living longer and have a strong preference for ageing at home. They do not want to sacrifice privacy, even when their safety is an issue."

Poland has greatest potential for healthcare real estate in Europe

Focus should be on medical care, says president of Chamber of Long-Term Care Facilities

Healthcare facilities are one of the fastest-growing asset classes in western Europe, but the same demographic pressure is making Poland one of the most rapidly ageing societies in the EU. Recent research from Savills indicated that Poland has the greatest potential for healthcare real estate, but the current rate of development of care infrastructure does not yet reflect that.

Andrzej Lejczak, president of the Polish Chamber of Long-Term Care Facilities, says that the situation, post Covid, is not too bad and the private sector is growing rapidly. In an interview with Sylwia Ziemacka of the Senior Housing and Healthcare Association (SHHA), he said there are now about 900 private sector facilities in Poland. Last year, 50 new facilities opened, followed by 13 new homes in the first three months of 2023, providing a further 500 beds. A further 15 were scheduled for the second quarter, providing an additional 600 beds.

"The trends seem good and I am happy to report that the Polish nursing-home sector continues to develop," Lejczak says. There is also an increasing number of cross-border investors in the sector in Poland, notably from France and Germany.

However, he stresses that it is important to focus on the core requirements. "We don't want to have only premium commercial nursing homes. We need to focus on good medical-service ones."

He points out that an estimated one million people in Poland suffer from Alzheimer's disease and, by 2050, there will be five million people over 75 years of age. "It means we need new professional beds in professional nursing homes."

There are "lifestyle" senior-living models emerging that emphasise independent living or assisted living, but he says that is not where the emphasis is required.

The European Commission has said that policy should shift towards community-based care, but Lejczak says not all EU ideas are appropriate for the Polish sector.



"There is a lack of beds now in Poland," he says. "We need to build the institutions up, because that job has not been done for the past 30 years."

Home-based care should be "the second leg of the system", he adds.

RESIDENTS FROM ABROAD

Private-sector healthcare is attracting residents from other countries, notably Germany.

"It's not yet a big phenomenon in comparison with domestic demand," says Mariusz Sapieha, a researcher based at the University of Amsterdam. The potential is there, though, and he says one of the main drivers for Germans to relocate is the relative cost of care, which is three times higher in Germany.

However, some relocate because of the quality of care in Poland, according to research Sapieha has undertaken over the past five years among 400 German-speaking seniors in Polish institutions.

The homes catering to German residents are mainly located in the west of Poland, including Pomerania and Lower Silesia. While some homes focus on German residents exclusively, in others Germans comprise about 10% of residents and,

despite the language skills required and the bureaucratic burden, it is a convenient way of filling empty beds.

Sapieha envisages numbers rising further as the infrastructure develops. "We have newly built, shiny, luxurious institutions that are able to provide the highest-quality care, which wasn't the case 10 years ago."

One universal challenge, however, is the shortage of workers in the care sector.

Lejczak refers to this as "the care gap", which has been exacerbated by Polish workers leaving the country to work abroad. This has been offset to some extent by the influx of people escaping the war in Ukraine. Agencies are also hiring from the Philippines and the Indian sub-continent.

"There's a small positive in this story, because the Polish government's ministry of health is offering a better salary for medical care givers." This is part of an initiative to attract more people to the sector.

Lejczak says the Polish care sector is an attractive market for investors, but he emphasised the need for high-dependency beds, because 70% of residents are wheelchair users, more than 50% have dementia and 70% have urinary problems. "We will need really good medical nursing homes; this is [what] we need first." ●

Next year will see a ‘real turnaround’ in care homes

Meeting the needs of Europe’s ageing populations requires investors to deploy capital in the care home sector and consolidation of a fragmented market. **Nicol Dynes** reports

Care home provision in Europe is falling despite the fact that demand is greatly increasing, delegates heard at the recent Senior Housing and Healthcare Summit, organised by SHHA and EPRA, in Brussels.

“At the moment, there’s an inability to meet the needs of people, as the availability of care-home beds is falling in many countries,” said Richard Valentine-Selsey, head of European living research and consultancy at Savills. “However, more investors are willing to deploy capital in the sector. Being realistic, we’ll have to wait, but next year we should see a real turnaround.”

The number of beds in residential long-term care has increased in the Netherlands, Sweden and Germany, but it has declined in France, Austria, Ireland and the UK. Denmark, Italy and Poland have experienced the sharpest two-digit falls.

Europe’s population is ageing fast. The percentage of the population over 65 years of age varies from a low of 12% in the Netherlands and 15% in Ireland, to 22% in Portugal and Germany and a high of 23%



in Italy. Demand for care homes will grow rapidly as the number of over 65s is set to rise in all countries over the next two decades.

An obstacle to provision is the fragmentation of the market, Valentine-

Selsey said, with very little concentration of ownership in most countries. The UK is in a unique position, with over 80% of the market in private hands. Germany hovers around the 40% mark, while the Netherlands, Spain, Italy and France are around the 20% mark or below.

The good news is that investment across senior housing and healthcare continues to increase as a percentage of all investment in the living sector and has now reached 13%. In the last few years, care homes attracted more capital than senior living, but the investment was evenly split between the two in Q1 2023 for the first time.

The UK and Germany have been the most active markets in the past 12 months, accounting for 30% and 28%, respectively, far ahead of France at 11%, Sweden, Italy and Spain at 4% and Portugal at 1%.

Across Europe, investment in the sector has been driven by cross-border capital – a mix of institutions, private and REITs – which has accounted for 42% of the total. The capital has come primarily from France and Belgium, but also from the US, UK,

High investor interest but challenges remain

Europe is a patchwork of different regulations, demand structures and market conditions, was the consensus at the Senior Housing and Healthcare Summit.

“Investors opt for countries with stable regulations and a clear tax system, so they tend to choose Germany, the UK or the Netherlands, where the senior living sector is very well organised,” said Dagmara Kryskiewicz, an investor and founder of VGI, as well as an associate at Multiple Impact. “There’s an increased interest in senior housing, but education has an

important role to play, because investors need to be aware of all the different products.”

The sector is very strong in Germany, but the country is not immune to current macroeconomic headwinds.

“Inflation, the higher cost of bills and increasing interest rates are making investing harder,” said Nikolai Schmidt, managing director of transaction healthcare at Swiss Life Asset Managers. “There are very few new projects being developed in Germany, especially in

nursing homes, and very few investments being made.”

Neighbouring Poland is seen as an interesting market to enter, but there are challenges to be overcome.

“Investors are cautious about the country, and the war in Ukraine next door hasn’t helped,” said Kryskiewicz. “But the main difficulty is that institutional investors want a large portfolio, not a single asset, and that’s a catch-22 situation in Poland.”

The Nordics, on the other hand, have experienced more activity in the market



Clockwise from left: Dana-Carmen Bachmann, head of unit at the European Commission, Directorate-General for Employment, Social Affairs and Inclusion; Frédéric Dourousseau group chief real estate & development officer at Korian. EPRA's chief executive, Dominique Moerenhout, opens the summit



United Arab Emirates, Switzerland and Luxembourg.

“Investors are attracted by the consistent annual returns that healthcare provides,” said Valentine-Selsey. “In France, one-year returns are close to 10%, in Germany and Sweden five-year returns are over 8% and in the UK, 10-year returns are over 7%.”

In the next three years, investors aim to increase their allocations to the broader living sector, according to a Savills survey. Most are targeting multi-family, purpose-built student accommodation and co-living, but 43% are opting for senior living. Care homes, which are seen as a more niche subsector, spark the interest of only 24% of investors.



“Those who are targeting the sector are looking to deploy a significant amount of capital,” said Valentine-Selsey. “Around 33% of investors are aiming to deploy €100 million to €500 million in care homes, while 11% are willing to invest between €500

million and €1 billion, with another 11% ready to deploy over €1 billion.”

Most investors are keen to pursue pan-European strategies, according to the Savills survey, but there are barriers that need to be overcome to unlock that investment.

“The biggest barriers are the pricing and return profile, access to stock and scalability, regulatory risks and operational risks, while a lack of familiarity with the sector is not seen as a barrier at all,” said Valentine-Selsey.

“In the short term, there are some headwinds facing the sector,” he said, “but the long-term fundamentals remain strong”. ●



L-r: Kasper Wehner, Nikolai Schmidt and Dagmara Kryskiewicz

and some large portfolio transactions. “The situation is more positive than in Germany and the sector is still seen as attractive,” said Kasper Wehner, investment director at Northern Horizon. “We’ve even been able to increase rents in line with inflation. But, of course, the sector is heavily reliant on public funding,

so changes in regulations affect us.” Whatever a market’s specific challenges might be, demand for senior housing and care homes is increasing across Europe. “There are some real opportunities to make great investments now,” said Wehner. “We need to build new care homes to meet demand. The market is

asking and we need to provide an answer.” All countries also have the common problem of finding, training and retaining specialised staff. “We all need to find more qualified staff and build more facilities,” said Schmidt. “We are focusing on a mix of patient care and assisted living.”