

Elderly care homes



Fragmentation acceleration

The largest care home providers see market share continue to fall

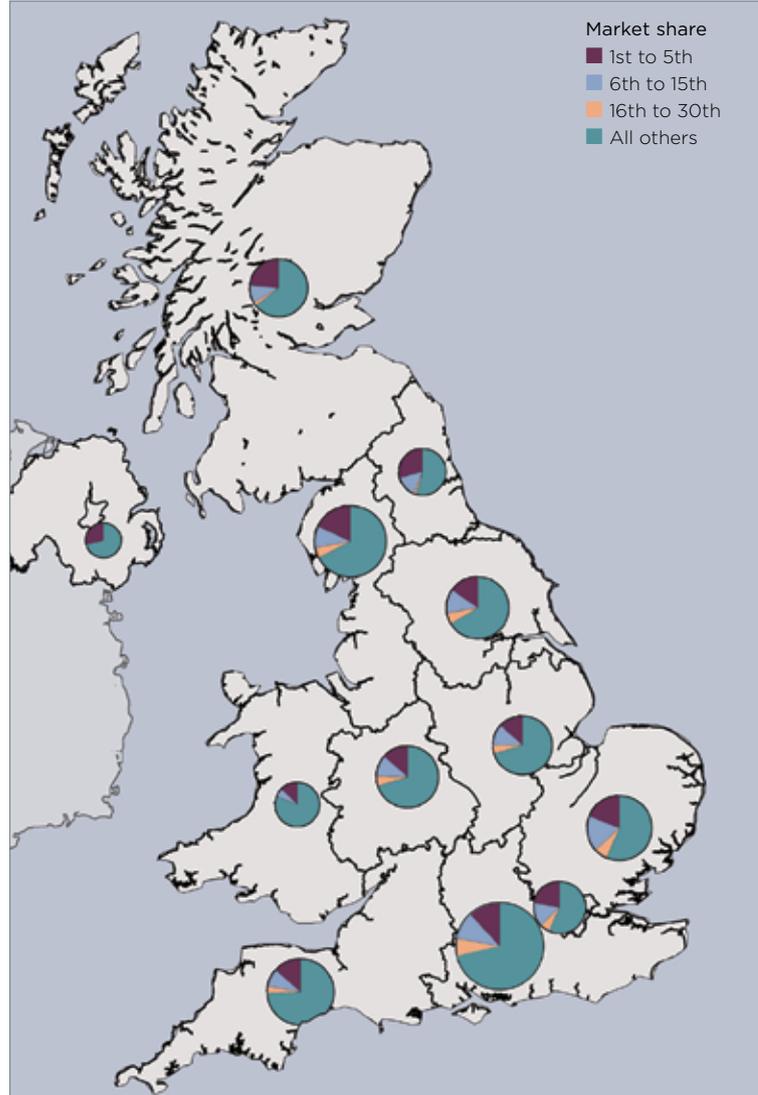
The elderly care home sector has become ever more fragmented over the last five years. The largest five operators' market share fell from 16% in 2014 to 13% in 2019. Nationally, the Big Five (HC-One, Four Seasons, Barchester, Bupa and Care UK) operate 62,000 care beds: 12,000 fewer than five years ago. All five operate more than 7,000 beds each.

At the same time both 'upper-tier' and 'mid-tier' operators have grown their share of the market (see table below). Those providers, ranked between 6th-15th and 16th-30th, have continued to catch up with the major players. These upper- and mid-tier operators run around 3,000-6,000 and 1,500-3,000 beds, respectively.

While the Big Five outperform the rest in terms of bed capacity, they have failed to consolidate their position and face legacy issues with ageing stock. Bupa and Four Seasons have been the largest fallers between 2014 and

“ While the Big Five outperform the rest in terms of bed capacity, they have failed to consolidate their position and face legacy issues with ageing stock ”

Cross-country care Top 30 providers' market share by region



Source Savills Research using CQC

Big Five's share falls Stock and market share of the UK's largest care home operators

| | Total stock | | Share of market | |
|---------------------------------|-------------|--------|-----------------|------|
| | 2014 | 2019 | 2014 | 2019 |
| 1st to 5th (Big Five) | 74,000 | 62,000 | 16% | 13% |
| 6th to 15th (Upper Tier) | 32,000 | 41,000 | 7% | 9% |
| 16th to 30th (Mid Tier) | 21,000 | 31,000 | 4% | 7% |

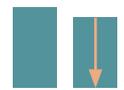
Source Savills Research using CQC

Snapshot



473,000

Care home beds operating in 2019, up 0.9% from 2014



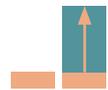
13%

The 'Big Five's' share of the care home market fell from 16% in 2014 to 13% in 2019



62,000

Together they operate 62,000 beds, around 13% of total stock



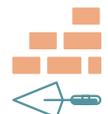
78%

HC-One operates 22,000 beds, 78% increase on 2014



7/12

HC-One ranks highest in terms of total care beds in seven out of 12 regions



74%

74% of Four Seasons' stock was built in the 90's or before



90%

90% of Care UK's stock was built since 2000



Over the next 20 years the old age dependency ratio (pensioners per 1,000 people of working age) is expected to increase from 282 to 368

2019 seeing their stock reduce by 63% and 43%, respectively. They also have by far the oldest stock compared to their peers, with the bulk built in the 1990s or before.

HC-One has become by far the largest provider of elderly care with 22,000 beds, an increase of 78% since 2014 and 68% more than their nearest rival Four Seasons. They have fuelled this growth with large acquisition deals, such as when they acquired 110 care homes from Bupa in December 2017 in the biggest deal seen in the market to date. HC-One is ranked first in terms of number of beds in seven out of the 12 regions but are particularly dominant in the North where they have a market share of 9% across the North East and North West.

Closing in on the Big Five are Anchor and Sanctuary. They have continued to increase market share since 2014, growing the number of beds under their remit by 38% and 57% respectively. They have done this through a combination of smaller selective acquisitions and development.

NEED FOR MORE SUPPLY

With an ageing population and much of the UK's care home stock in need of modernisation, there is a clear need for more supply. This comes at a time when stock is growing far slower than need. Across the UK, the number of beds only increased by 0.9% between 2014 and 2019, while the population aged 85+ grew by 9.1%.

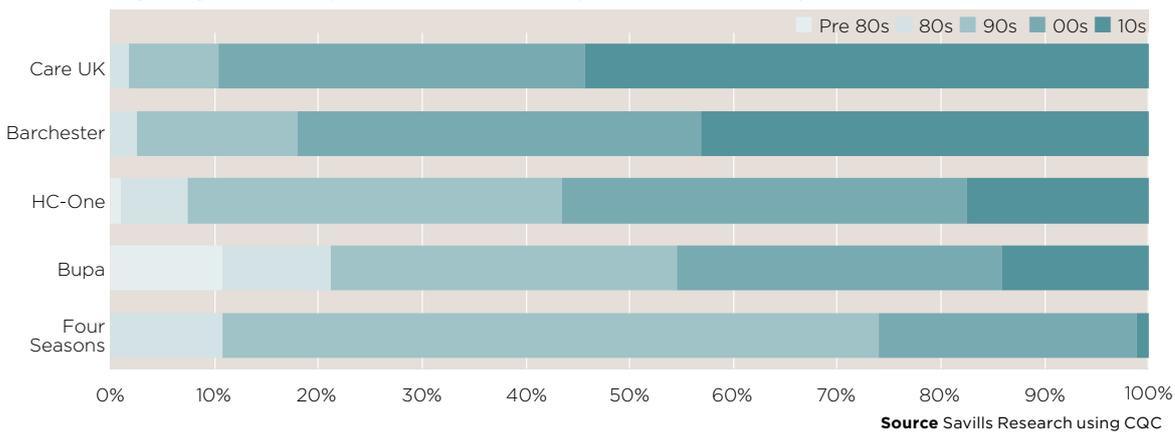
We predict current trends will continue: upper- and mid-tier operators will continue to grow their portfolios organically through development, while the Big Five's collective share of the market declines. Four Seasons' ageing stock looks likely to be broken up, providing opportunistic operators to add to their portfolios where it makes sense.

“ We predict current trends will continue: upper- and mid-tier operators will continue to grow their portfolios ”

Bed capacity Share of care home beds by operator



Ageing stock Big Five care home operators' stock by decade of construction



Savills team

Please contact us for further information

Paul Wellman
Associate
Residential Research
020 7420 6305
paul.wellman@savills.com

Lawrence Bowles
Associate Director
Residential Research
020 7299 3024
lbowles@savills.com

Chris Wishart
Director
Healthcare Transactions
020 7409 9964
chris.wishart@savills.com

Samantha Rowland
Director
Healthcare Valuation
020 7409 9962
srowland@savills.com

Craig Woollam
Director
Head of Healthcare
020 7409 9966
cwoollam@savills.com

Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

