

UK Healthcare Real Estate Investment



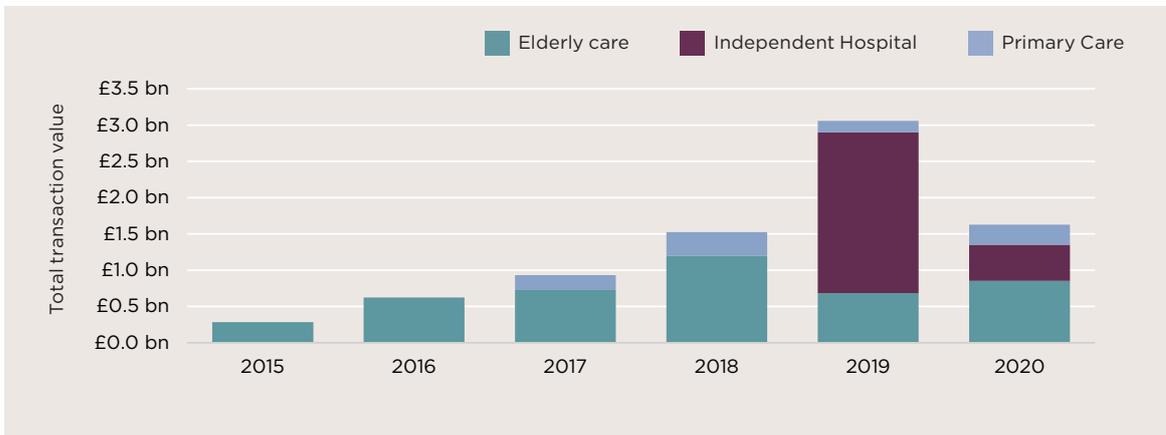
Deal activity strong across healthcare markets

Investors placed £1.63 billion into UK healthcare real estate in 2020. This is 47% lower than the £3.06 billion invested in 2019, but represents a 7% increase on 2018's investment volume.

Lower investment volume last year is more a reflection on 2019's strength than 2020's weakness. Half the value invested in 2019 came from a single independent hospital transaction. There was also significant activity in healthcare-adjacent markets such as senior living this year (see following page).

Independent hospitals accounted for the largest deal of the year for the second year running - NorthWest Healthcare Properties acquired a portfolio of four London hospitals from Aspen Healthcare in September for £260 million. The deal accounted for 16% of the year's investment volume.

Total investment £1.63 billion invested in UK healthcare real estate in 2020



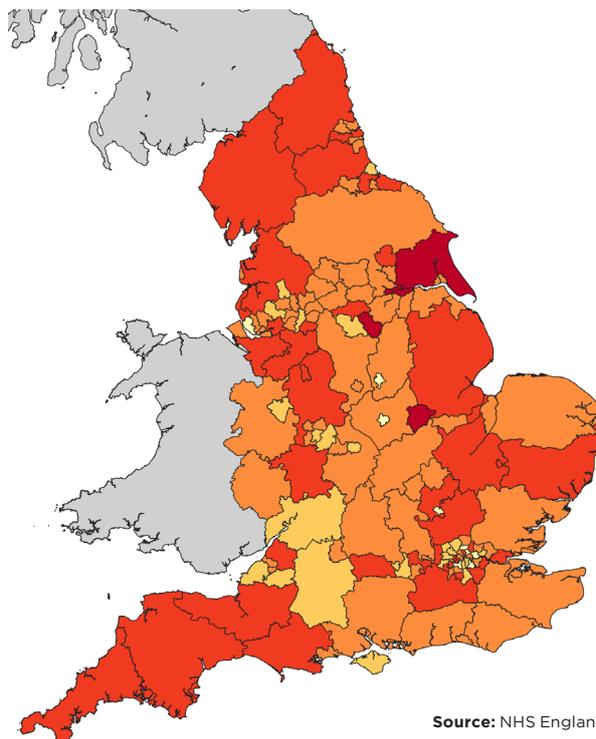
Source: Savills Research using Costar, RCA, Health Investor

Strong activity in elderly care despite Covid-19 challenges

Investment into elderly care increased by 25% in 2020, with volumes -29% short of their 2018 peak. That left investment in 2020 only slightly below the 2017-19 average (-2%). Given the significant challenges presented by Covid-19, this trend suggests investors continue to have significant appetite for UK healthcare.

The pandemic has been especially challenging for the elderly care sector. Operators have taken steps to improve resident safety over the past year, such as more frequent sanitisation and greater use of personal protective equipment. This has increased operating costs in the short term, but these costs will fall as vaccines are rolled out. As of 11 April 2021, 94.2% of elderly care home residents in England had received at least one dose of a Covid-19 vaccine.

Vaccination rate for elderly care home residents, 1st dose, as at 11 April 2021



- Key:**
- 80.0% to 90.0%
 - 90.0% to 92.5%
 - 92.5% to 95.0%
 - 95.0% to 97.5%
 - Over 97.5%
 - No data

Source: NHS England

Market Highlights



Deal activity strong across all healthcare markets



£1.63 billion invested in 2020



£260 million NorthWest Healthcare acquired four London hospitals



25% increase in investment into elderly care

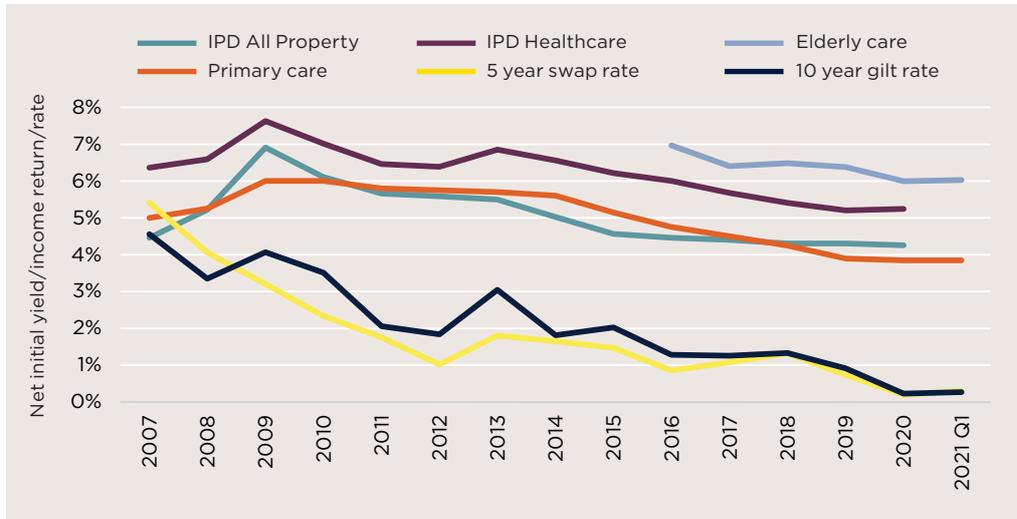


79% increase in investment into primary care



£2 billion raised by AXA to target senior living

Net initial yields for UK healthcare real estate



Source Savills, MSCI, Oxford Economics

Senior living sector sees huge boost with Lone Star acquiring McCarthy & Stone

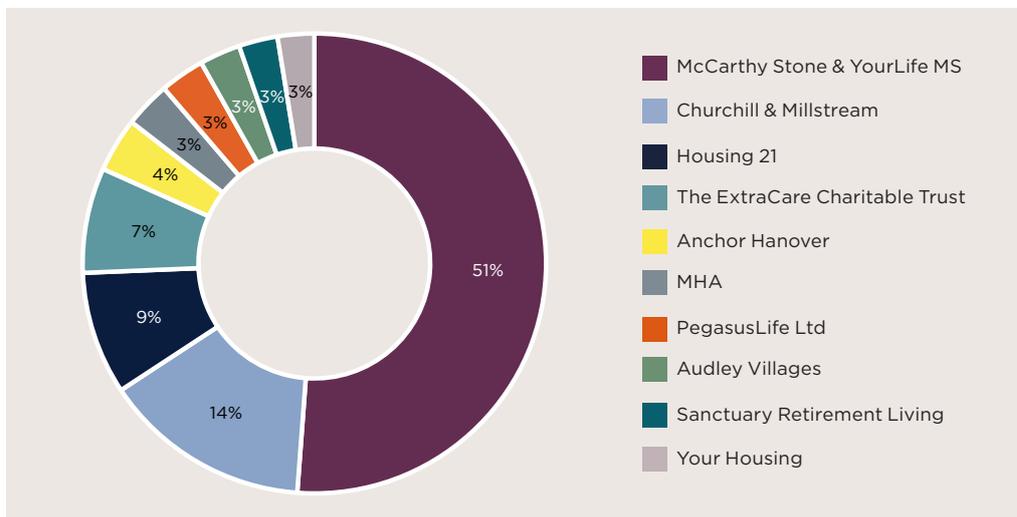
In January 2021 Lone Star completed its acquisition of senior living developer McCarthy & Stone for £647 million.

While not strictly a healthcare deal – the vast majority of McCarthy & Stone residents do not receive care – the move represents the latest in a series of large-scale investors targeting the senior living space. Many of the operators in this space view elderly care as a vital part of their schemes’ offering. Growth in the number of retirement villages will create opportunities for elderly care developers.

The route into UK senior living may be trickier for those following Lone Star. McCarthy & Stone manages more than half of all senior housing delivered over the last decade, according to our analysis of data from the Elderly Accommodation Counsel. It manages three and a half times more homes than the next largest manager.

Funding announcements such as the £2 billion allocated by AXA for Retirement Villages Group and Galliard’s partnership with Probitas Developments indicate the scale of investor appetite for senior living. But achieving scale will require more than just funding: investors also face the challenge of assembling portfolios, either acquiring assets piecemeal or finding sites to develop stock themselves. There is therefore a significant opportunity for developers and investors to assemble retirement village portfolios, for institutions to then acquire once they’re occupied and operational.

Top ten managers of senior homes built between 2011 and 2020



Source EAC

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