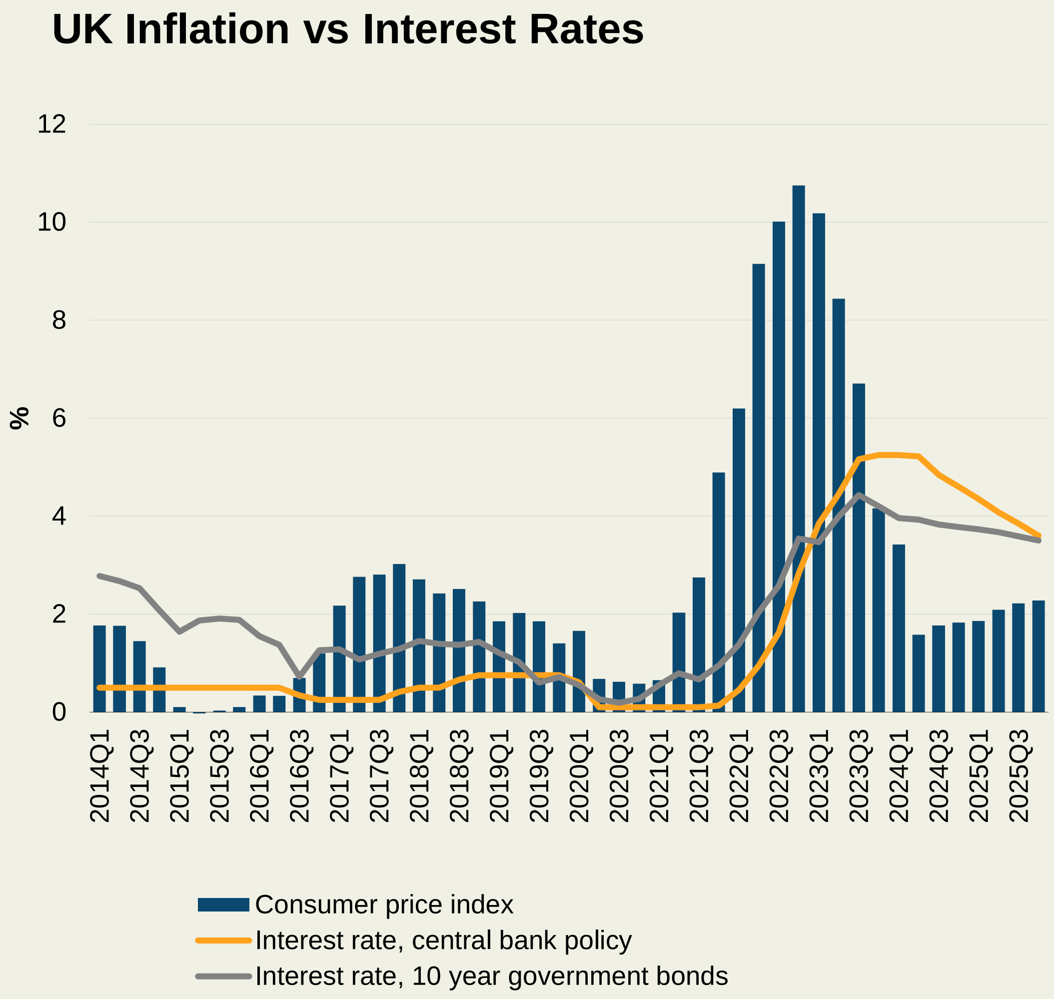
INDUSTRY OVERVIEW – MARKET DATA AND INSIGHTS

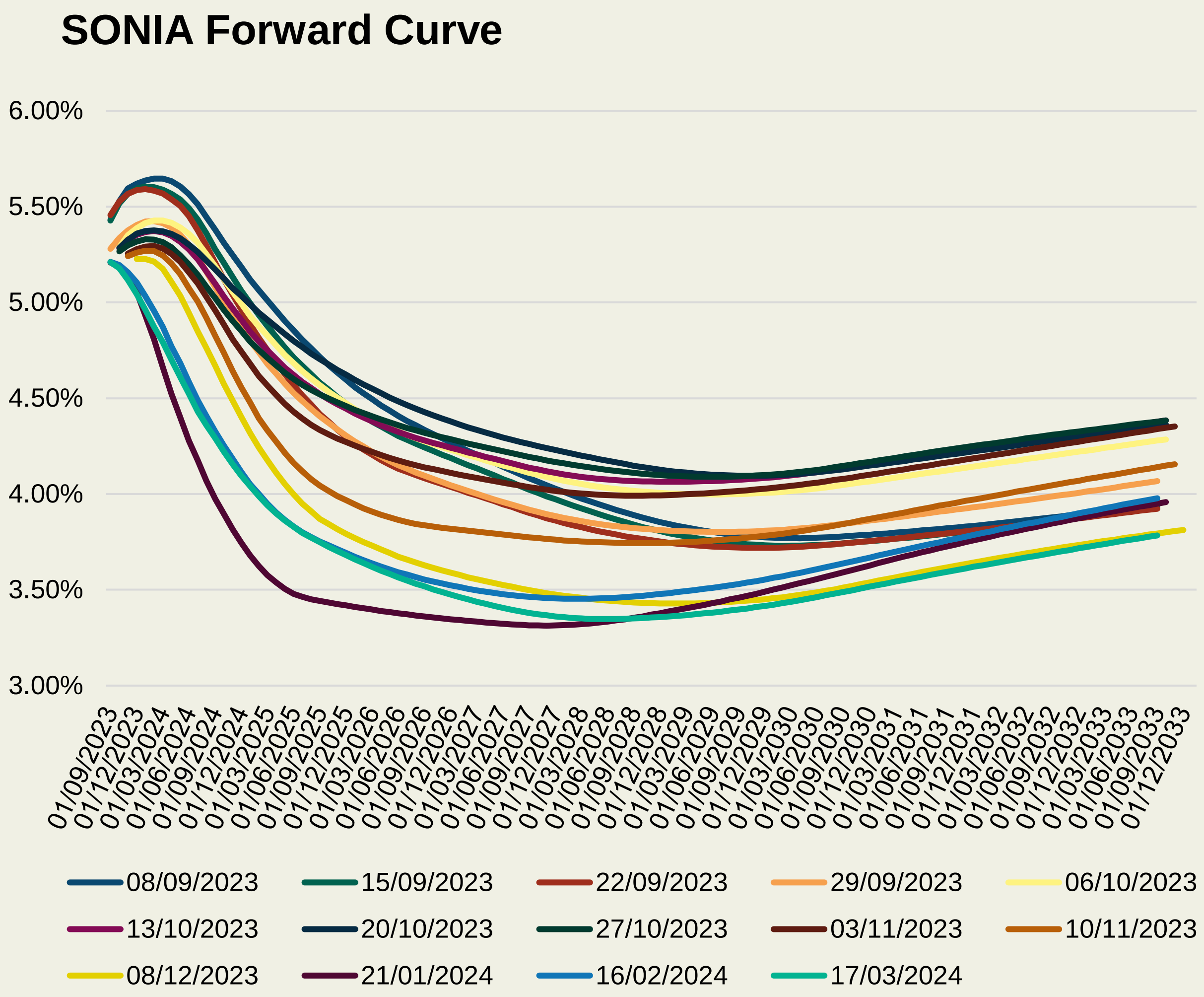
Tom Scaife – Head of Seniors Housing

Contents:

Inflation: Past and Present

Knight Frank

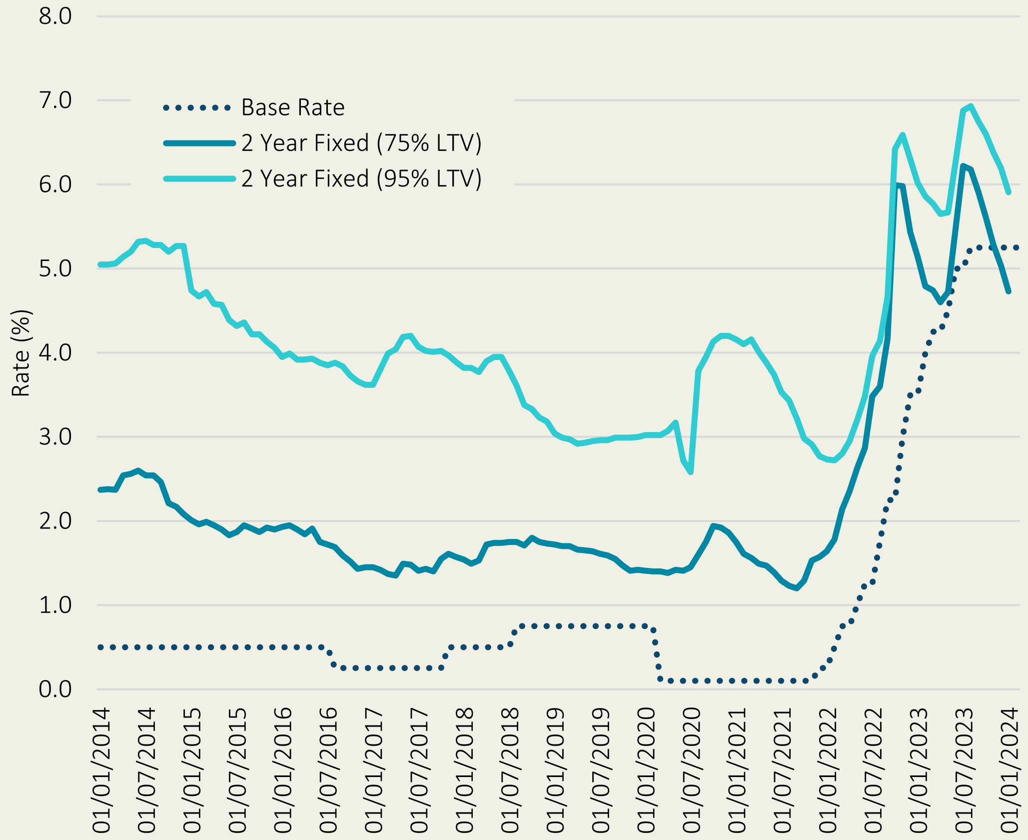




Source: Knight Frank Research, ONS, BoE, Chatham Financial

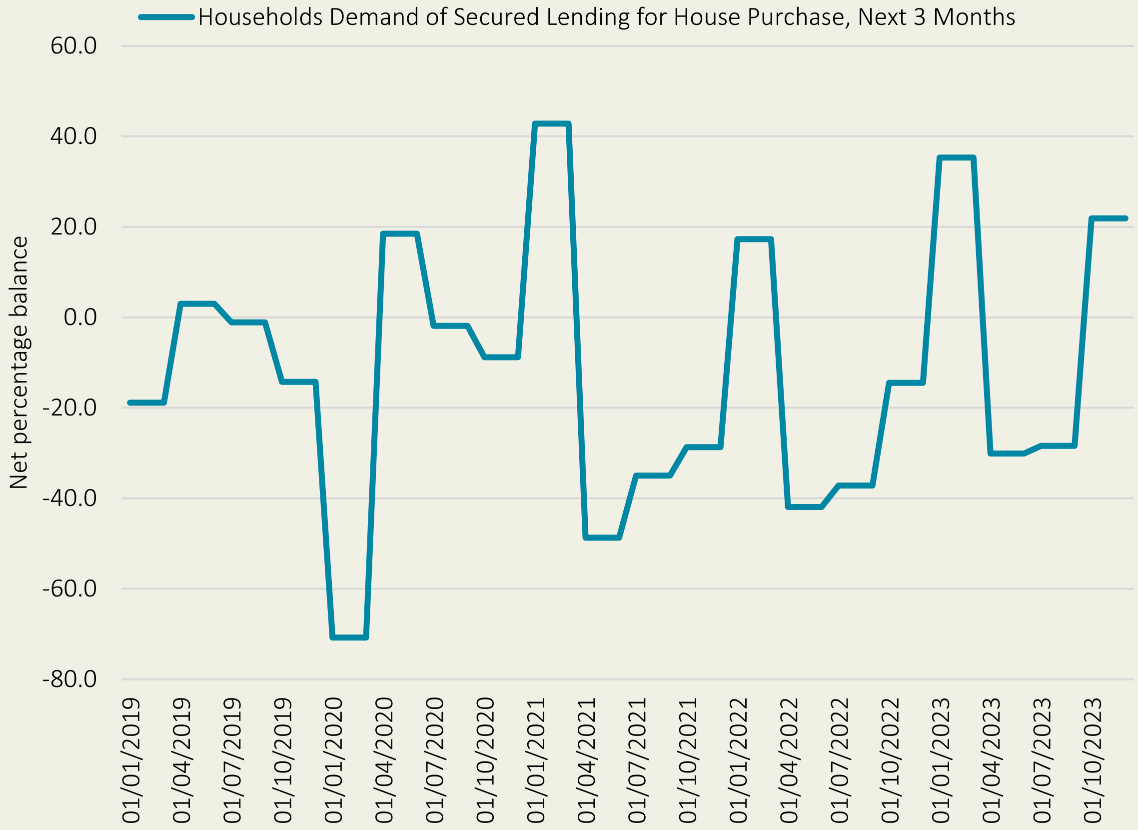
Lower mortgage costs

Base rate & mortgage rate changes



Demand for secured lending for house purchase/remortgaging

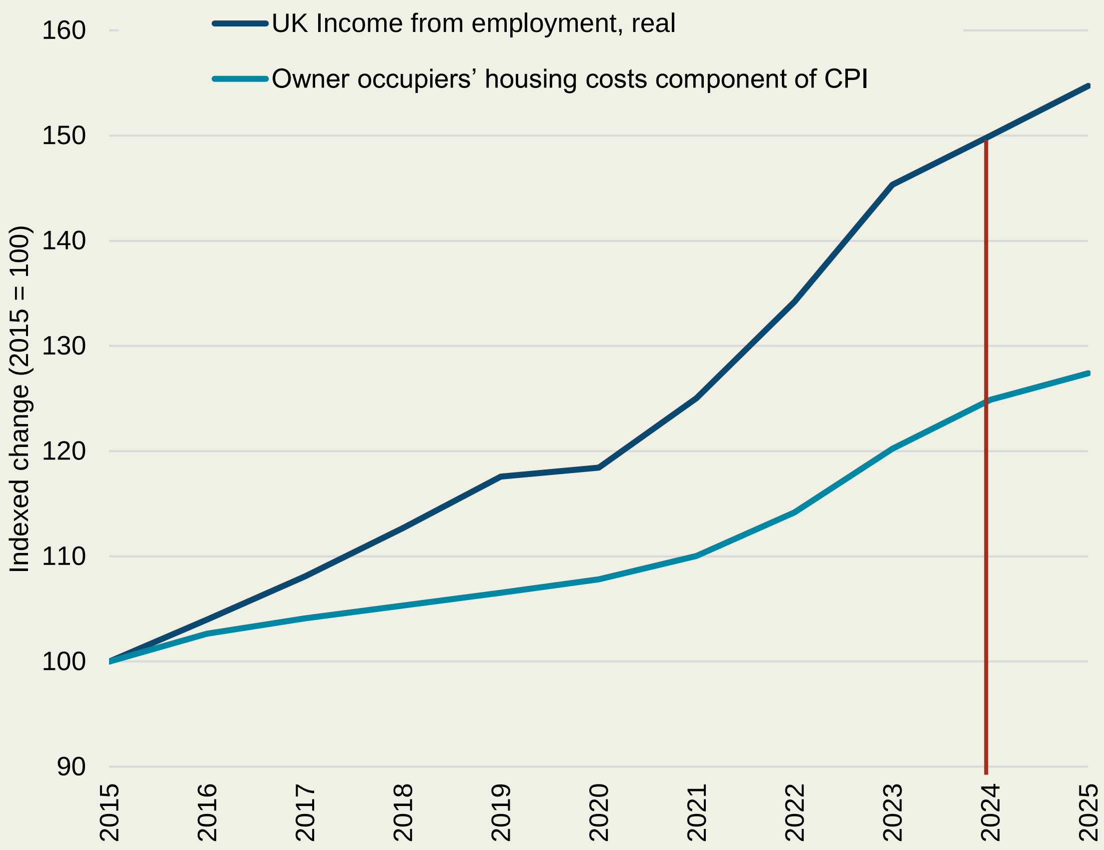
- a positive balance indicates an increase in demand.



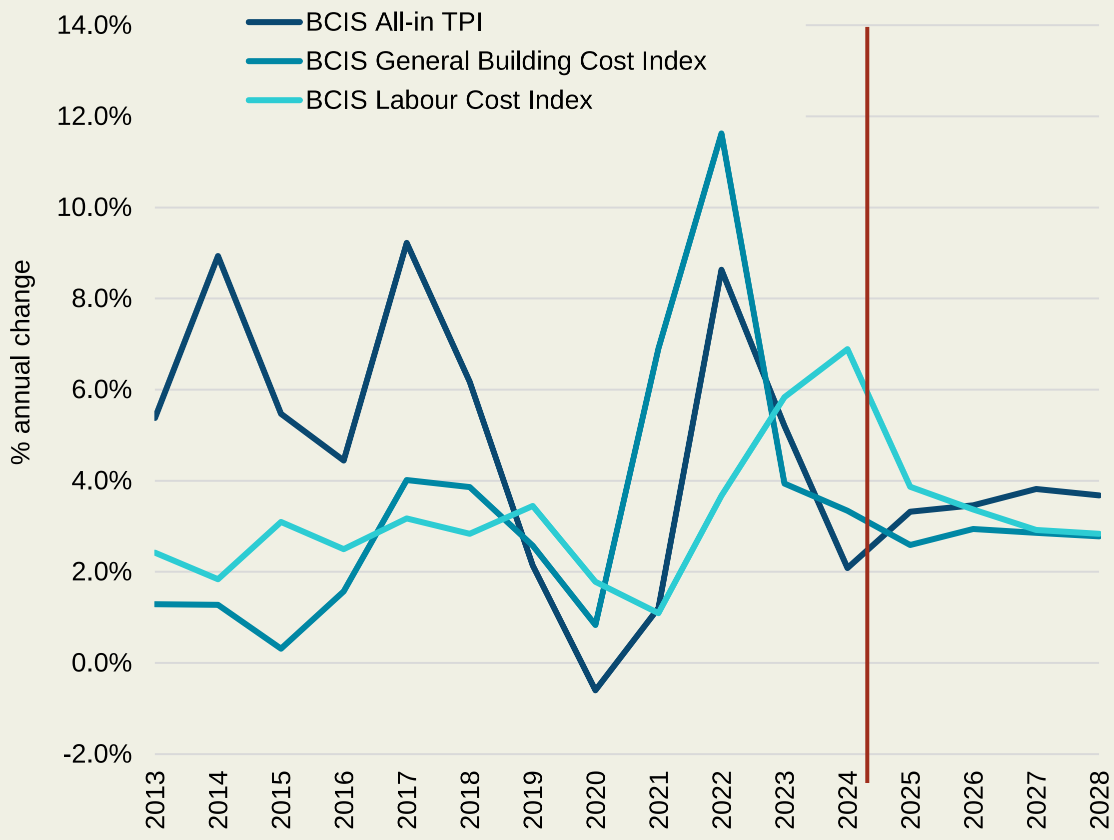
Source: Bank of England

Falling costs

Owner occupiers’ housing costs component of CPI vs Wage growth

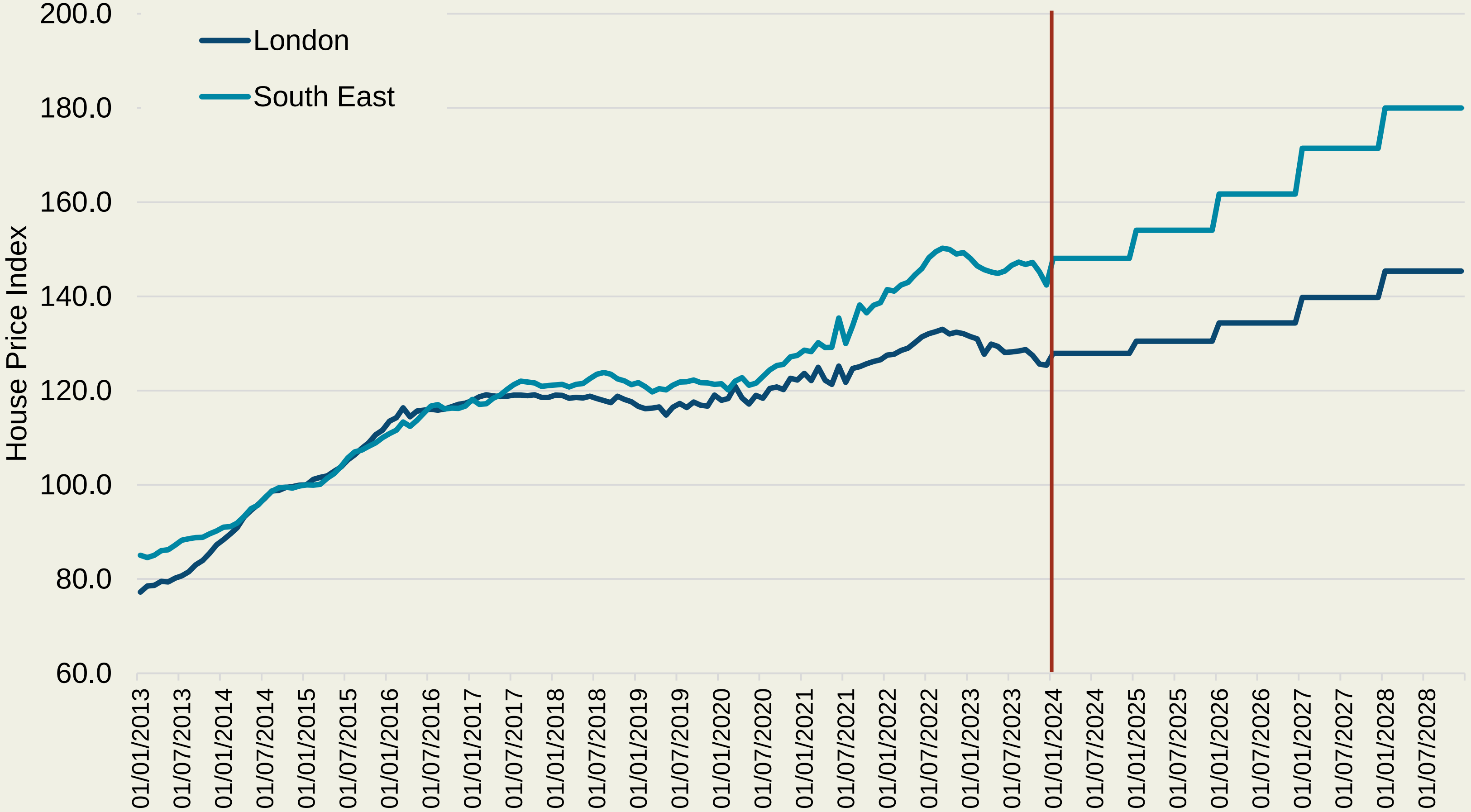


BCIS: Build costs and tender prices



Source: ONS, BCIS

Residential HPI outlook



26%
Capital growth South East

16%
Capital growth London

What are we seeing from investors?

Knight Frank

Flight to Quality

Increased cash flow, tenant and operator analysis

Scalable Platforms and Partnerships

New Returns, New Definitions

%

Source: Knight Frank Research

Low Institutionalisation & High ESG Credentials

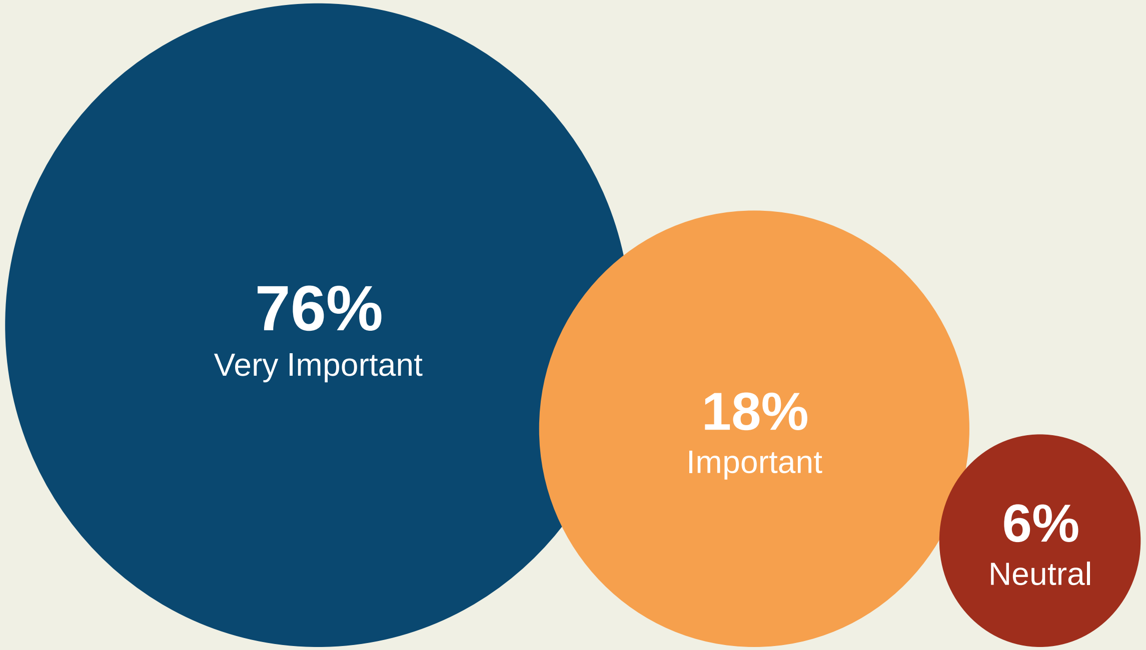
851K
Total PBSA Units (Existing Supply and Pipeline)

244K
Total BTR Units (Existing Supply and Pipeline)

52K
Total Private Seniors Units (Existing Supply and Pipeline)

480K
Care home beds in the UK

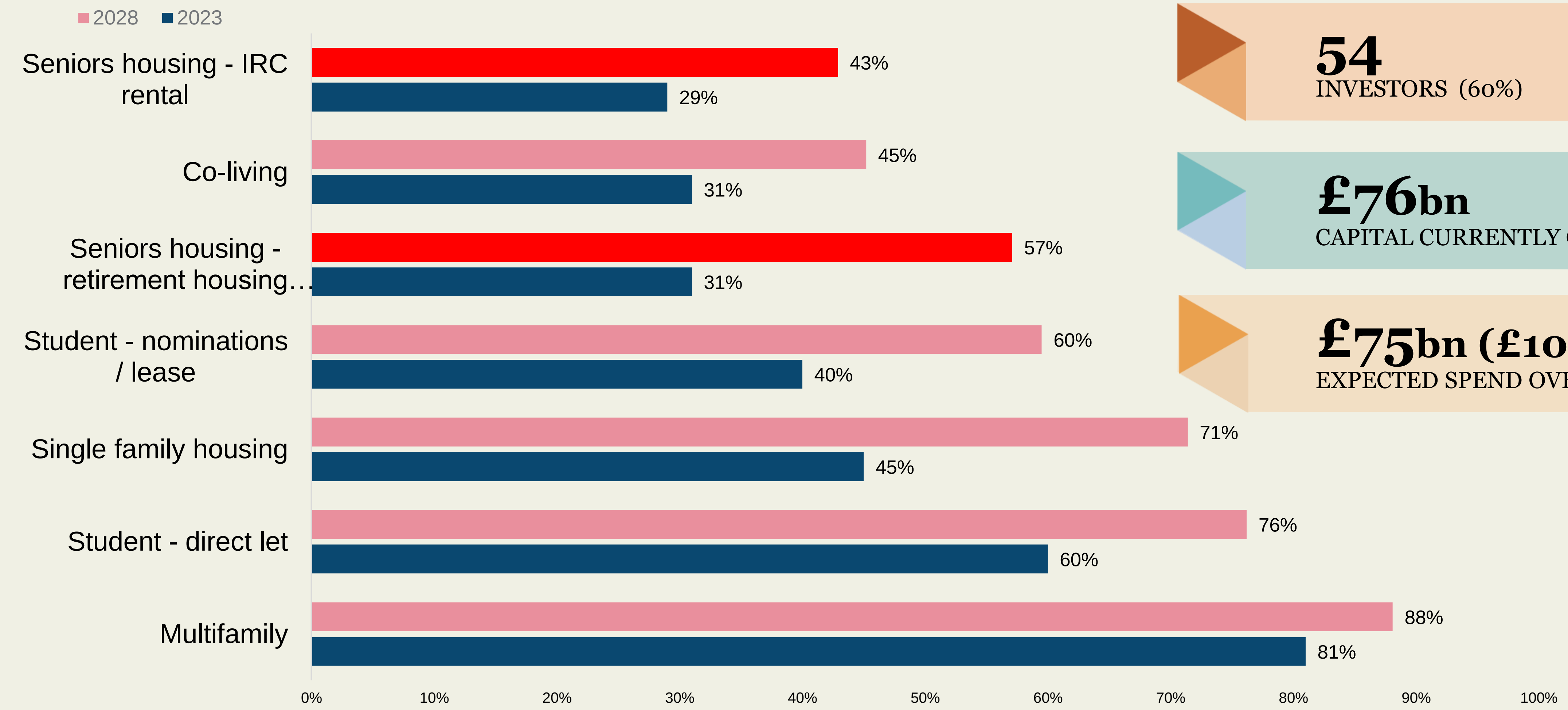
How important is ESG in your business strategy over the next 5 years?



Source: Knight Frank Research

Investment Sentiment

In which sectors are you active currently and which do you anticipate being active in within five years?



54
INVESTORS (60%)

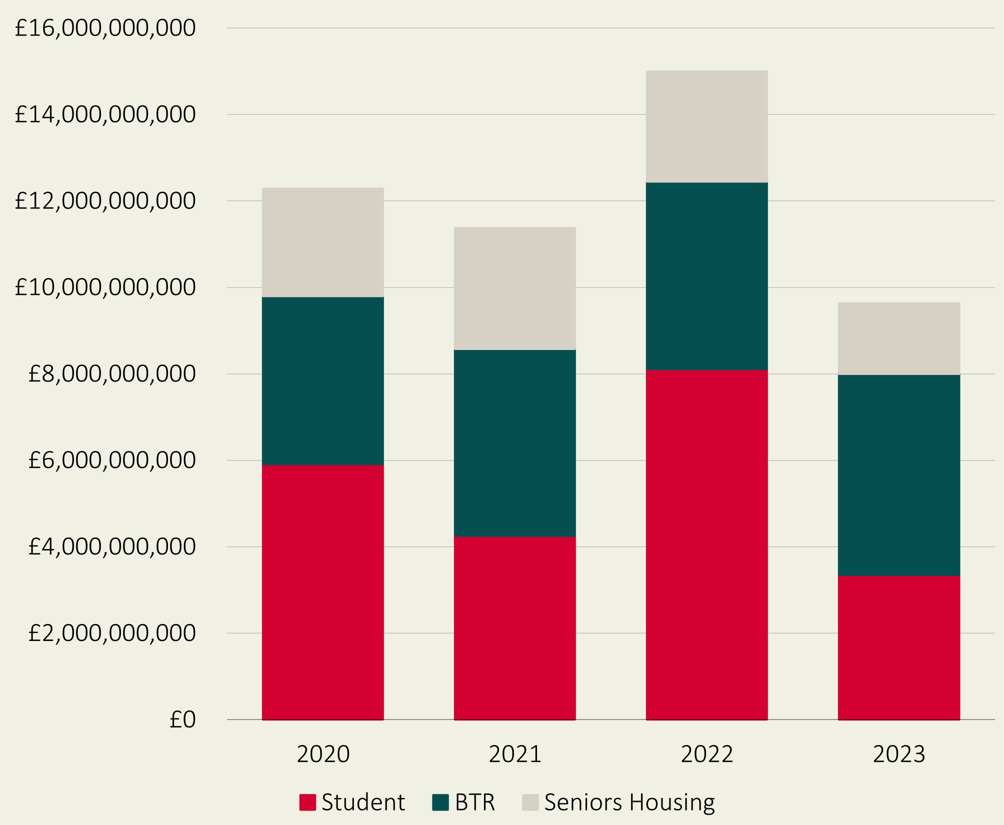
£76bn
CAPITAL CURRENTLY COMMITTED

£75bn (£100bn)
EXPECTED SPEND OVER NEXT 5 YRS

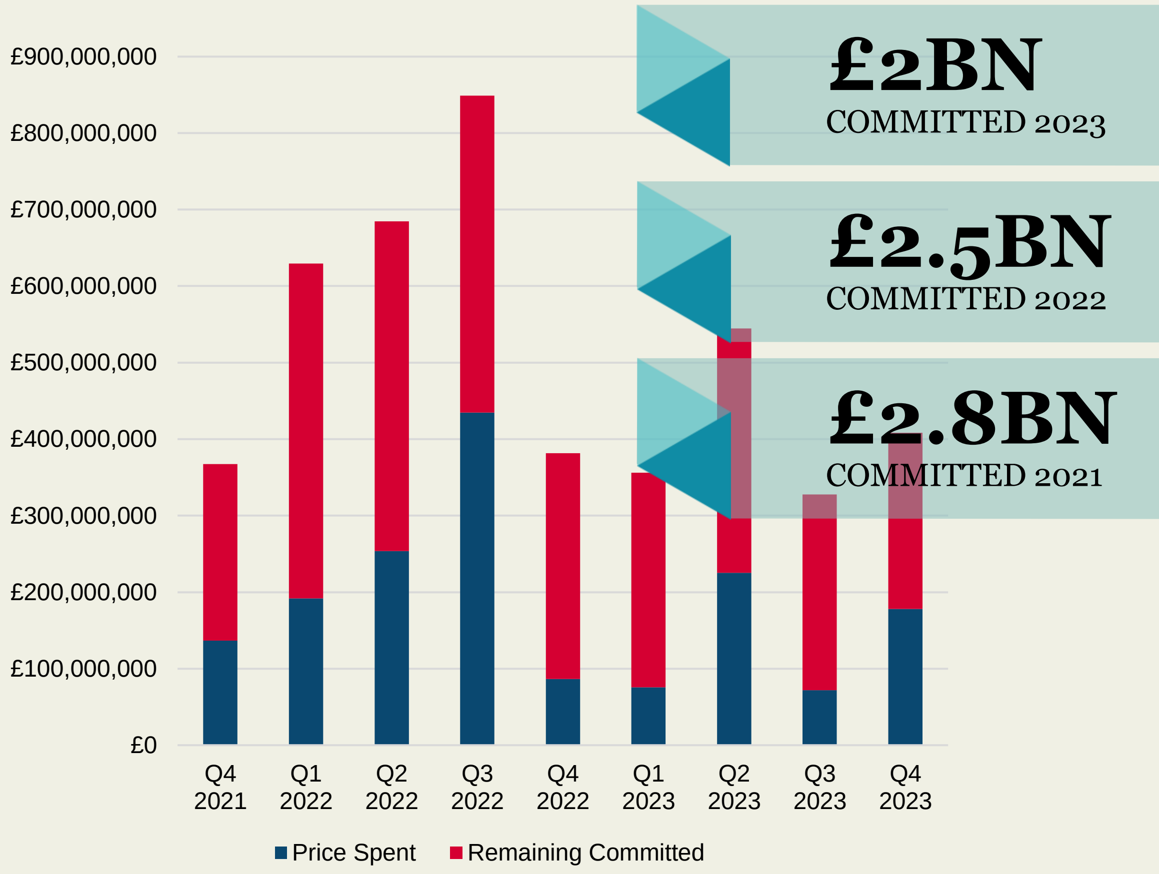
Source: Knight Frank Research

Investment Volumes

Living Sectors - Annual Investment Volumes



Seniors Housing Investment Volumes, UK

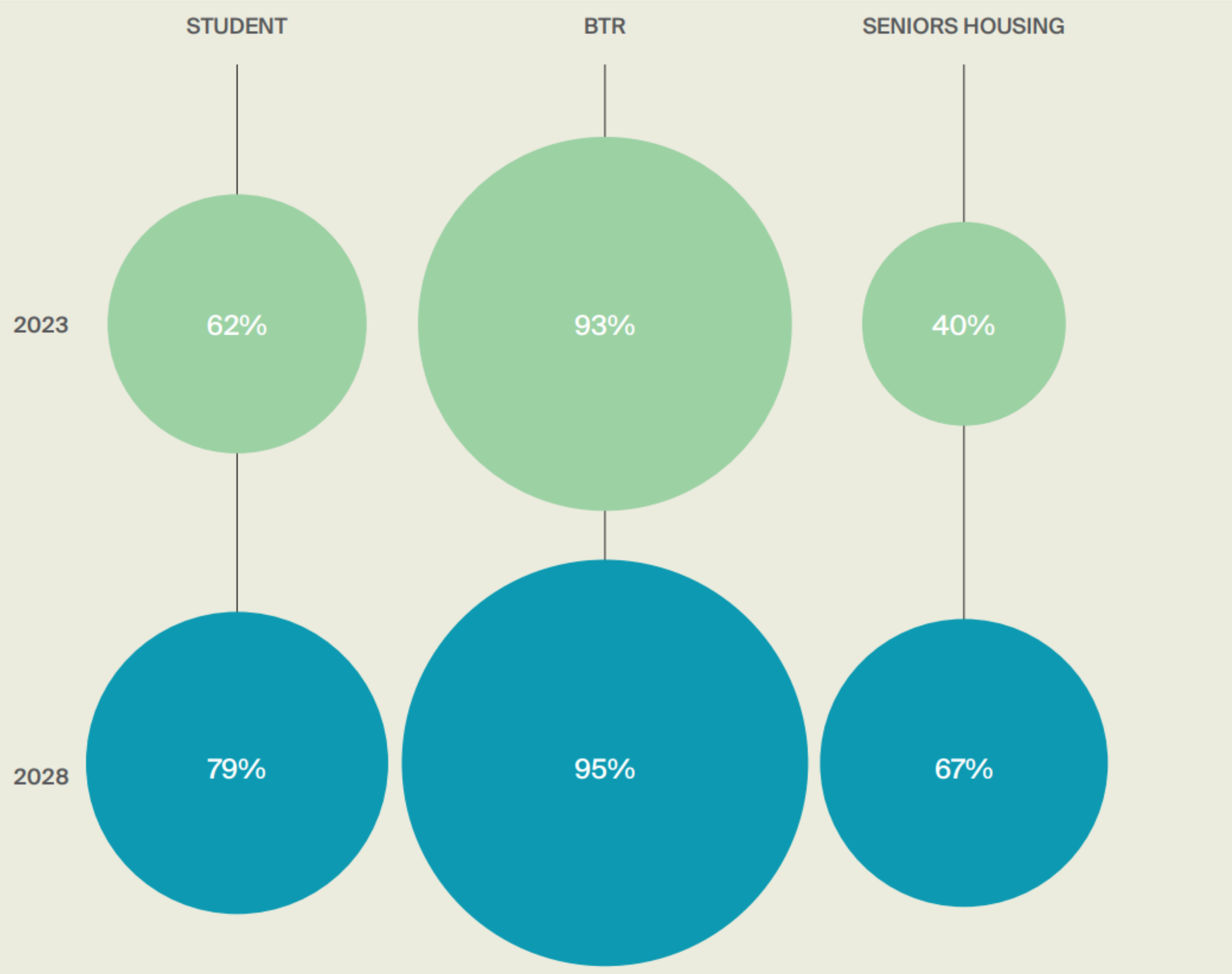


Source: Knight Frank Research

Diversification

In which sectors are you active currently and which do you anticipate being active in within five years?

% of respondents



Source: Knight Frank Research

Attractive Lease Lengths

Knight Frank

9-12 months
PBSA

12 months
PRS 2022/23

Weekly
Care Homes

125 years
IRCs

12 months
Seniors Rental

Source: Knight Frank Research

Sticky tenant base

1.0 years
PBSA

4.4 years
PRS 2022/23

1.1 years
Care Homes

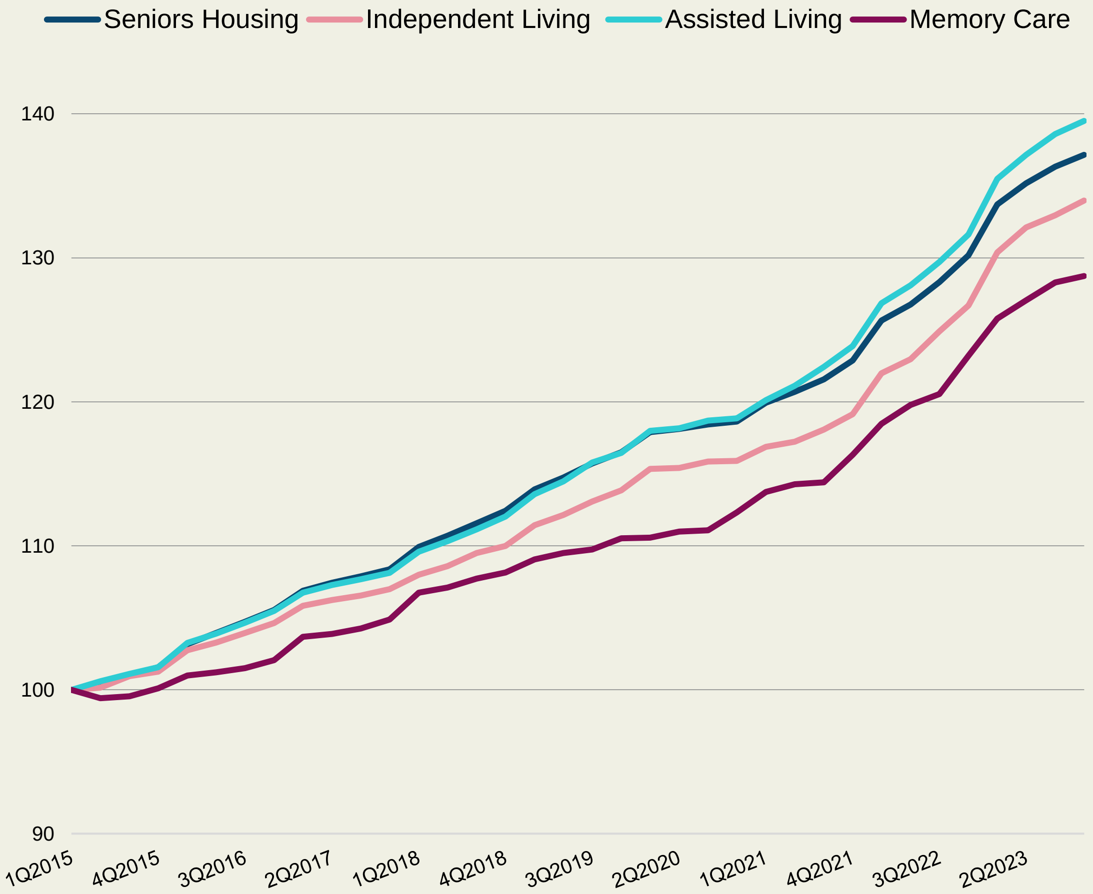
7.1 years
IRCs

4-5 years
Seniors Rental (Forecasted)

Source: Knight Frank Research

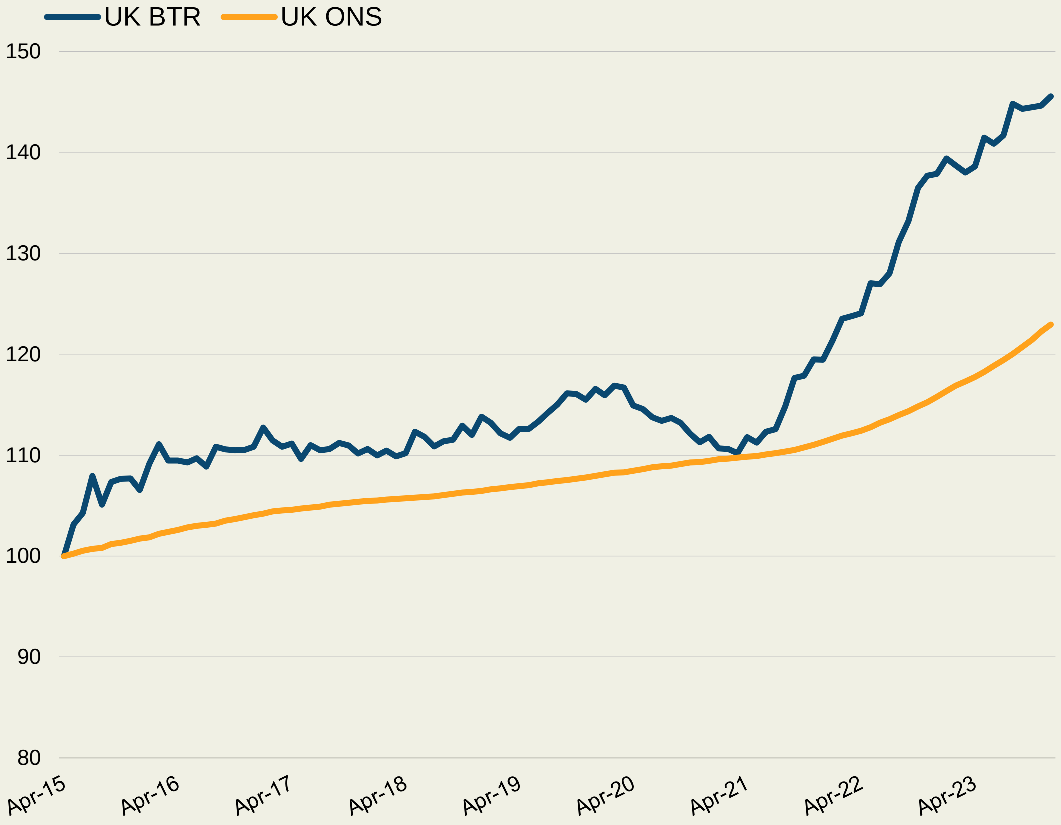
Embedded inflation protection

Rental Growth (US)



Rental Indices: BTR vs PRS

Indexed 100 = March 2015



Source: RealPage, Berkadia, Knight Frank Research

Minimal regulatory risk

10 Daily Express Monday, July 31, 2023

CRISIS TIME FOR ELDERLY

Fears for vulnerable people as 2,600 care homes officially ranked as failing

Barred...Helen Whately

Families to be allowed access to loved ones

By Giles Sheldrick

EXCLUSIVE

By Giles Sheldrick
Chief Reporter

'Every day we hear about ruined lives. Regulators must step up to protect people'

Shamed

COMMENT
MIKE PADGHAM

17% of care homes are rated as 'requires improvement'

1.5% of homes are rated as 'inadequate' by inspectors

Fears for safety of care residents as toll of homes awaiting inspection surges to 6,000

EXCLUSIVE
By Giles Sheldrick
Chief Reporter

Lost

Rare time together... care home resident Joan with husband Tony and desperate daughter Judith

Heartache 'is form of abuse'

By Giles Sheldrick

Regulated by
Care Quality Commission

8 Daily Express Tuesday, May 31, 2022

Retirees shun care homes over high fees and isolation

Beloved...dad Charles

'Rules left mum and dad alone'

By Giles Sheldrick

KATE Meacock's father was languishing in hospital during the pandemic, her mother stuck in a care home.

Her dad Charles had Parkinson's, and in November 2021 went into hospital for three weeks. Kate was able to see him just twice.

Once discharged, he went into respite care and was later admitted to Surrey's Frimley

THE number of people in care homes has plummeted since the start of the pandemic, with potential residents saying they're scared of being separated from their families and having to pay stratospheric costs.

It leaves more than a fifth of care home beds in England unfilled. And the percentage of residents paying for care is also down, the Office for National Statistics (ONS) found.

There were 360,792 residents occupying 77.8 per cent of care home beds between March 1, 2021, and February 28 of this year.

Of those, 34.9 per cent (125,954 residents) were paying for some or all of their care, with the remainder funded by the state.

But between August 2019 and March 2020, when the pandemic started, the ONS estimated there were 391,927 residents occupying 84.7 per cent of beds. Of these, 36.7 per cent (143,774) were self-funded.

Unaffordable

By Sarah O'Grady
Social Affairs Correspondent

nesses. We don't want to lose any more care homes just now, as it's hard enough for older people to find a good one nearby as it is."

The ONS analysed data from care homes for adults of all ages collected by the Care Quality Commission.

The Independent Care Group, which represents providers in York and North Yorkshire, said alarm bells should be ringing.

Chairman Mike Padgham said: "Covid-19 devastated bed occupancy, and admission levels are struggling to recover because confidence has been affected.

"At the same time, the sector is going through a staffing crisis. And now rocketing bills are placing huge financial pressures on those homes. This is a terrible time for the social care sector – the worst I have known."

In need of a helping hand...a care home resident

What are we seeing from management teams?

Knight Frank

Professionalisation

Focus on meeting customer’s needs

Tenure diversification

Focus on sales rates and affordability

Source: Knight Frank Research

Professionalisation

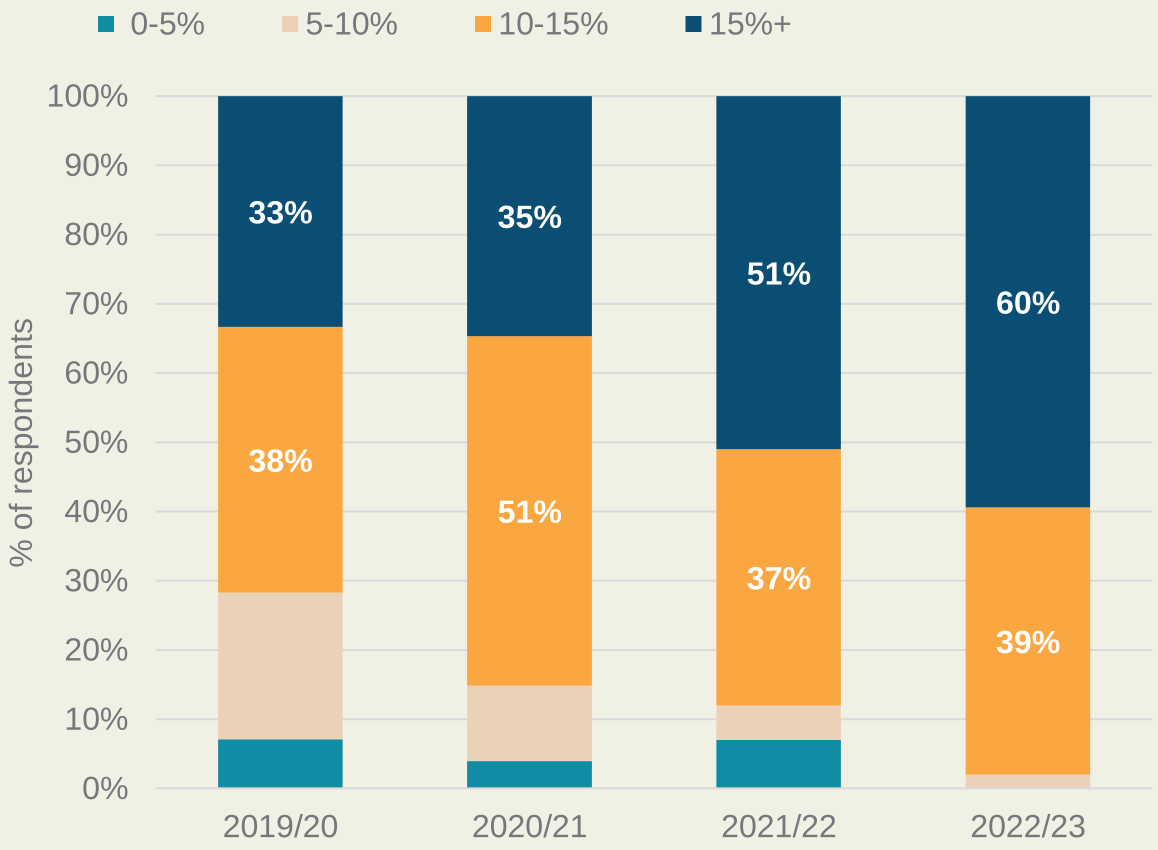
% of operators who offer two or more DMF options

68%	38%
2023-24	2022-23

% of schemes offering a maximum DMF above 20%

30%	24%
2023-24	2022-23

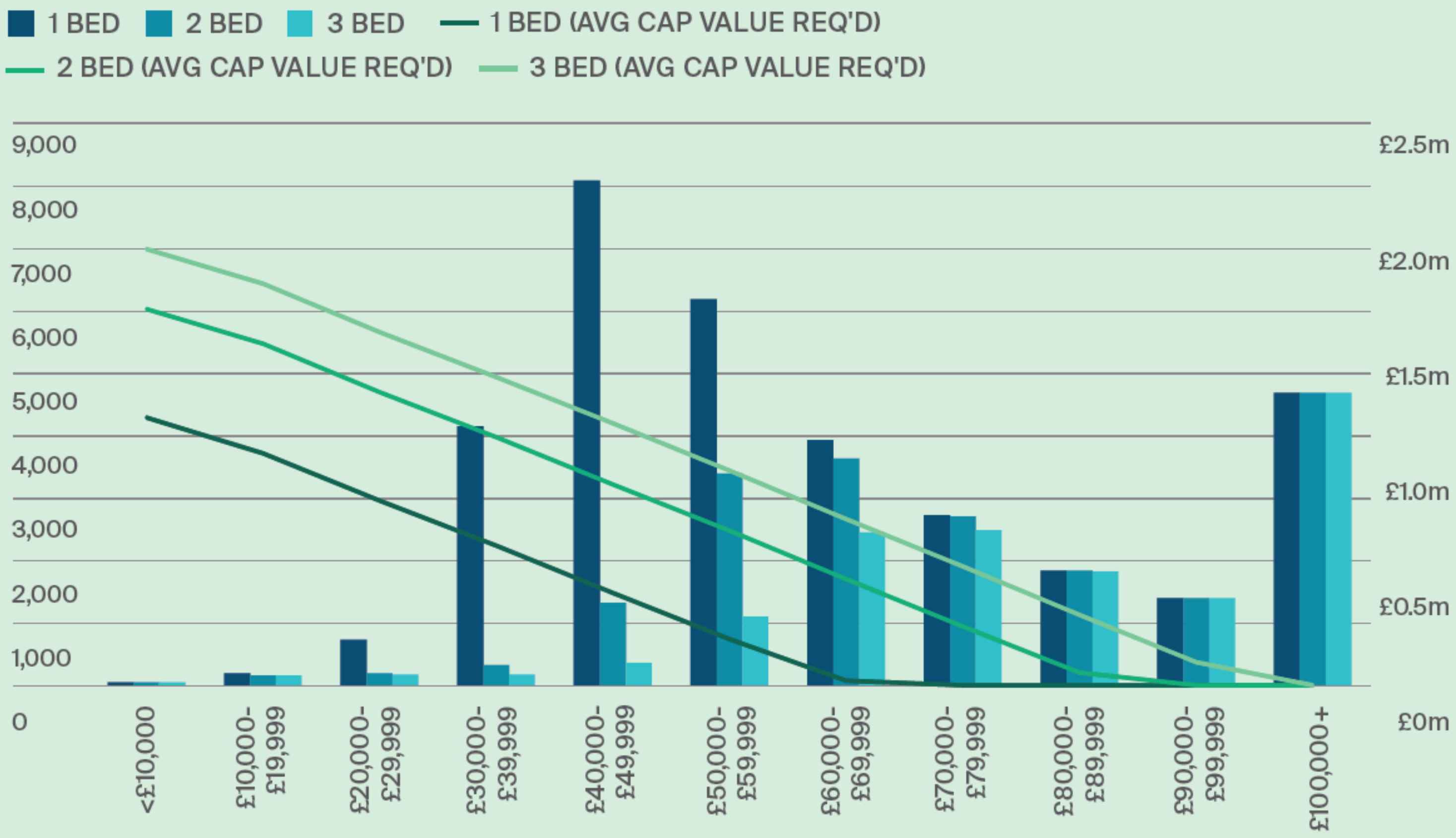
Mix of Deferred Management Fees (DMF) within operational IRCs



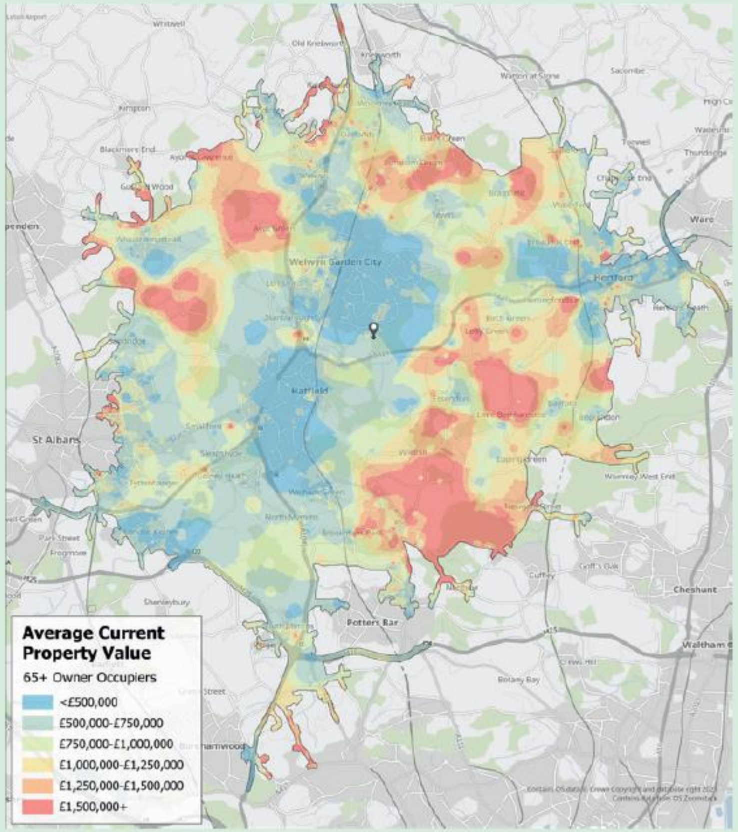
Source: Knight Frank 2023/24 Seniors Housing Annual Review

Affordability

65+ Owner Occupier Households who can afford by Household Income Bands, and Average Capital Value Required by Household Income Bands



Average Current Property Value, 15 Minute Drive Time

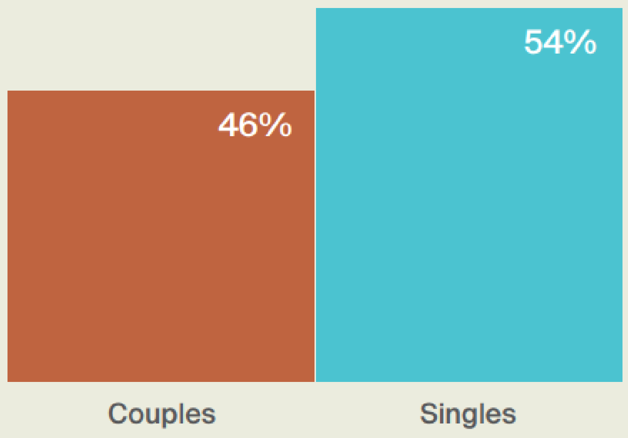


Focus on the customer

Average age of entry for IRC

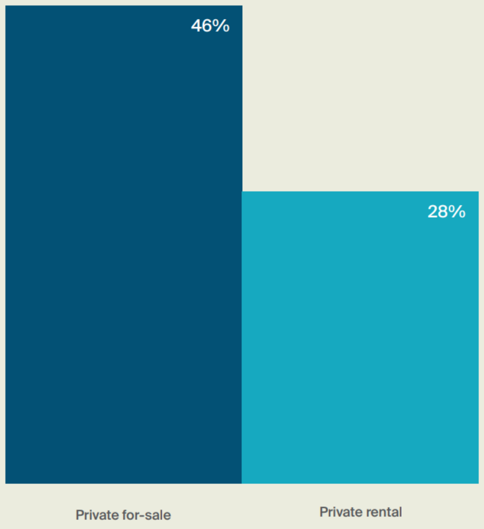
2023-24	2022-23
77	79

SINGLES VS COUPLES, % IN IRC SCHEMES

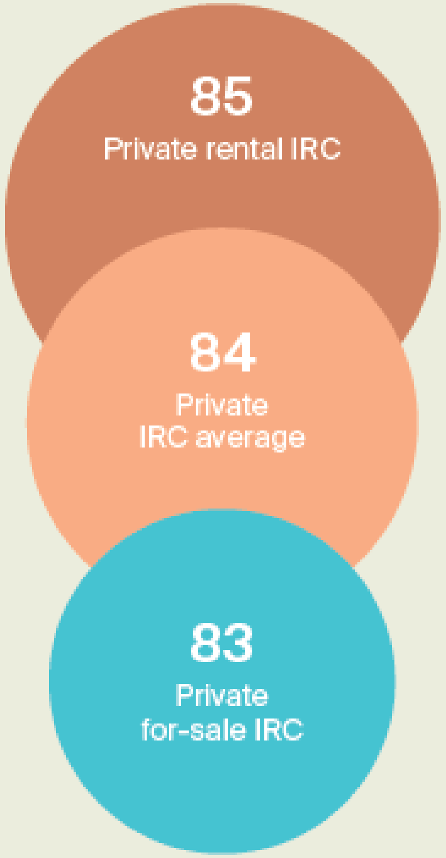


% of scheme occupied by couples

Private IRC schemes



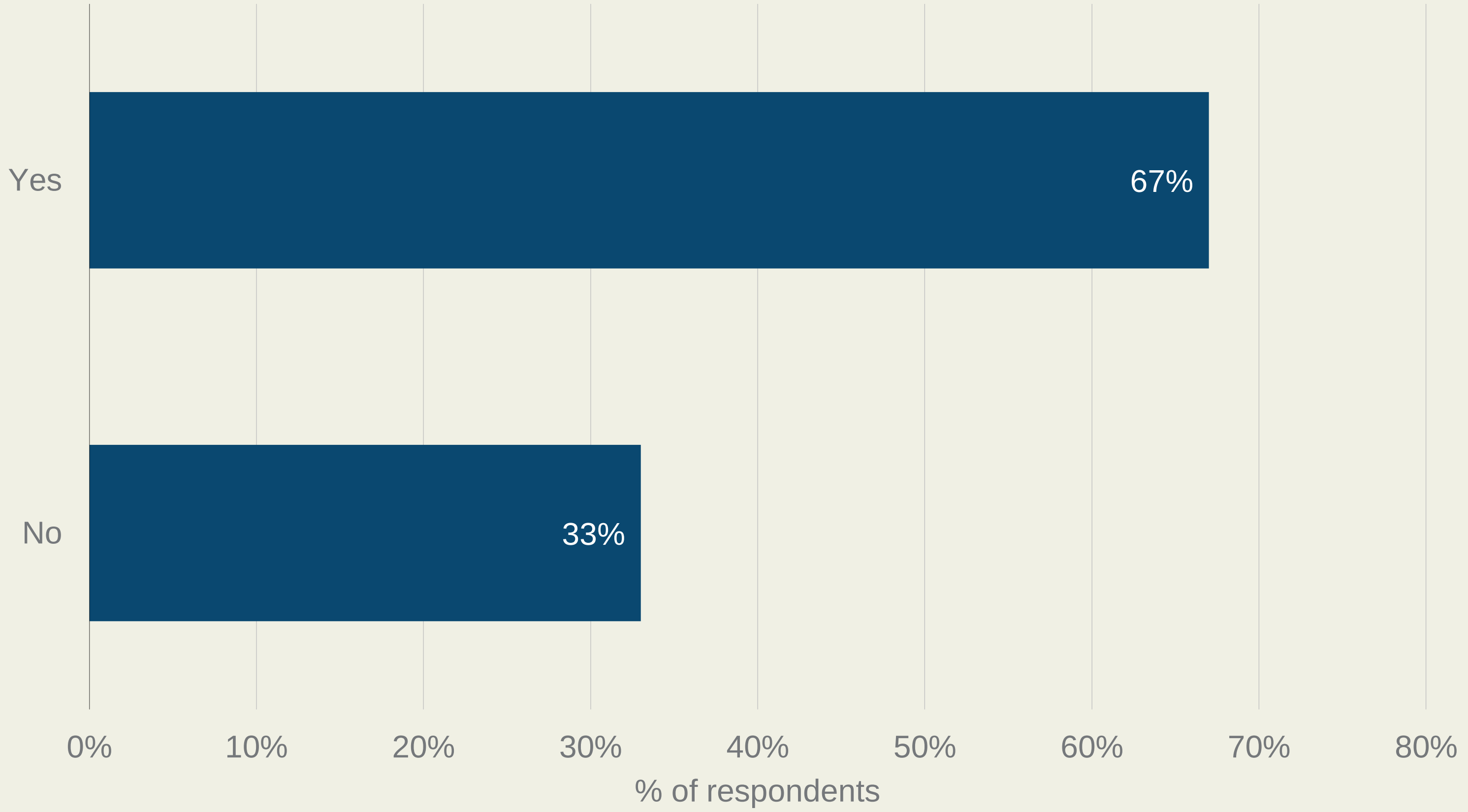
Private IRC ages by tenure



Source: Knight Frank Research

Changing profile of demand

Have you revised design standards for new ‘baby boomer’ customers over the past three years?



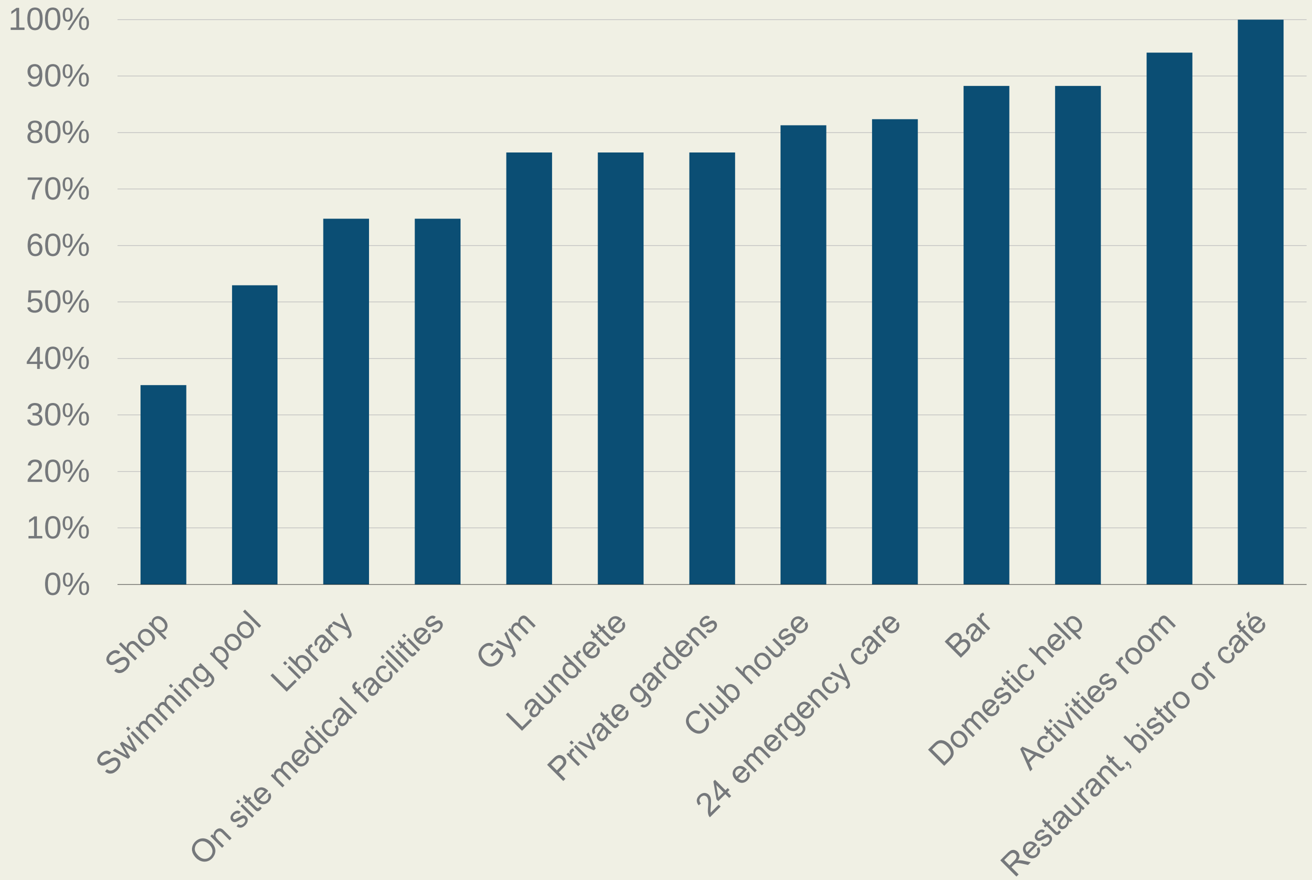
50:50

split of new residents who are single or living as a couple

Source: Knight Frank 2023/24 Seniors Housing Annual Review

Meeting customer's needs

% of operators indicating the following were important to include in new IRCs



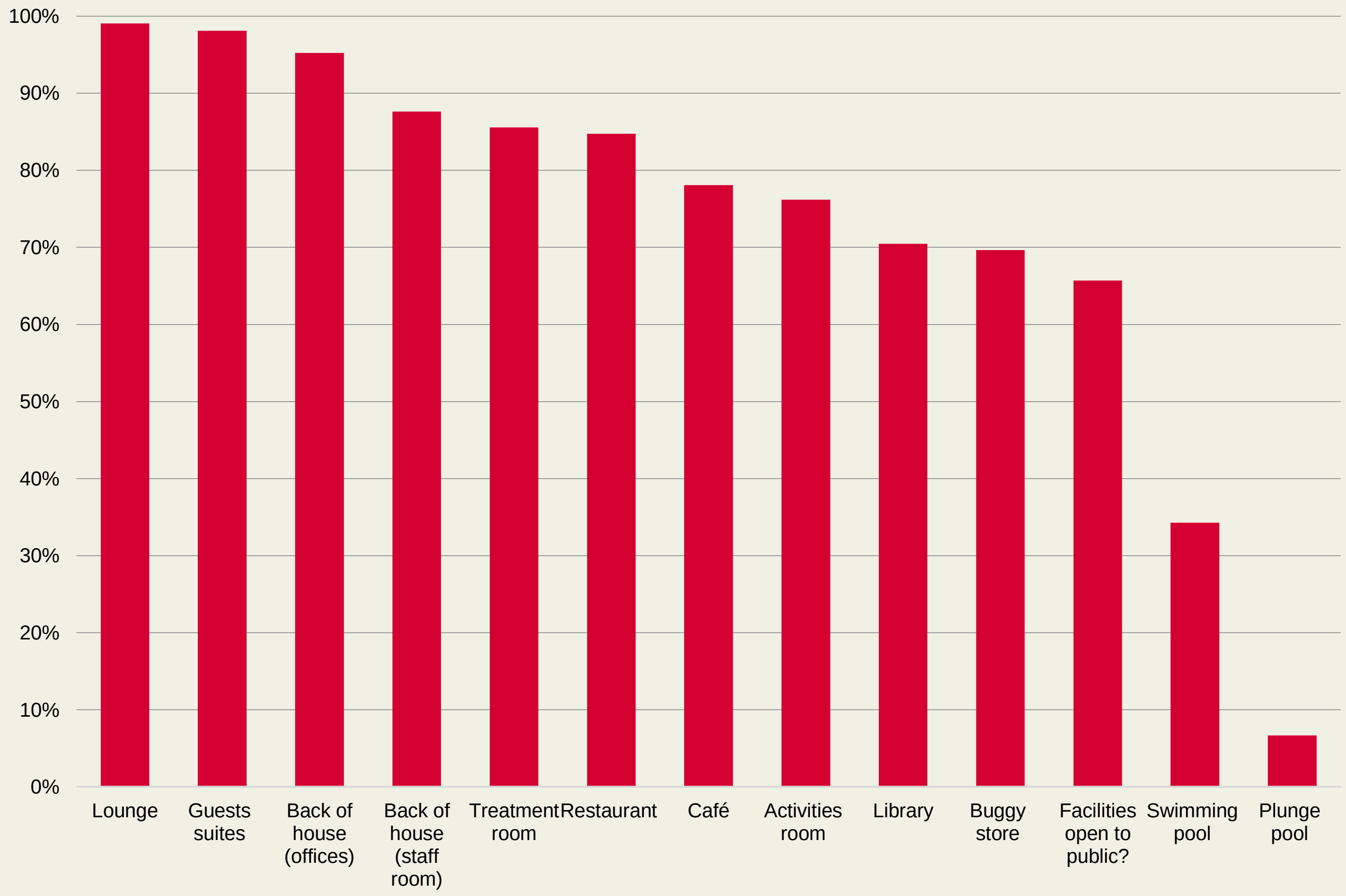
Resident events & Community space

voted the most important in driving community within IRC developments.

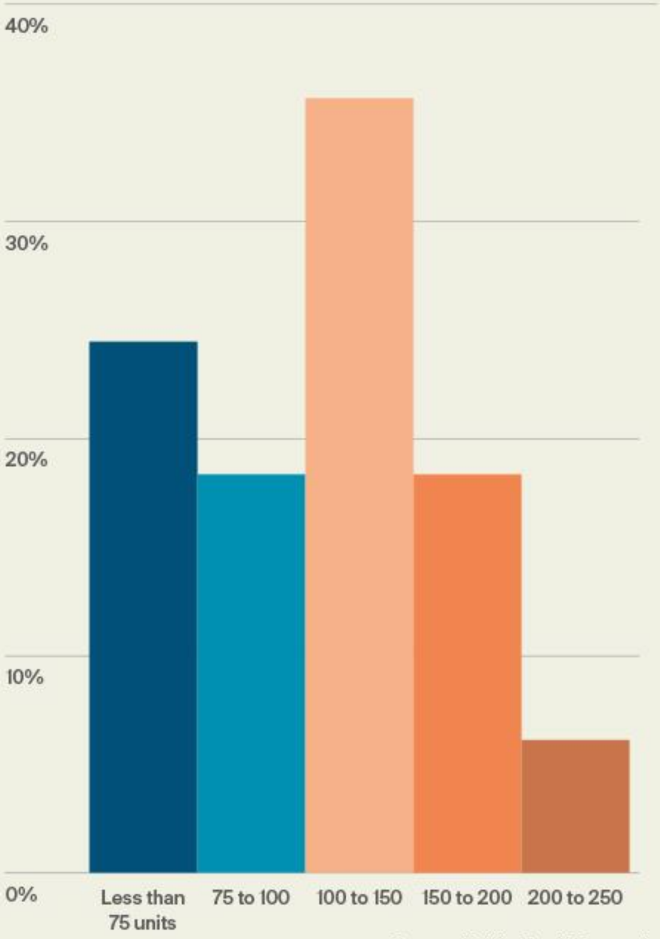
Source: Knight Frank 2023/24 Seniors Housing Annual Review

Design Considerations

IRC Amenities



Which is your optimum size of community?
(for future IRCs)

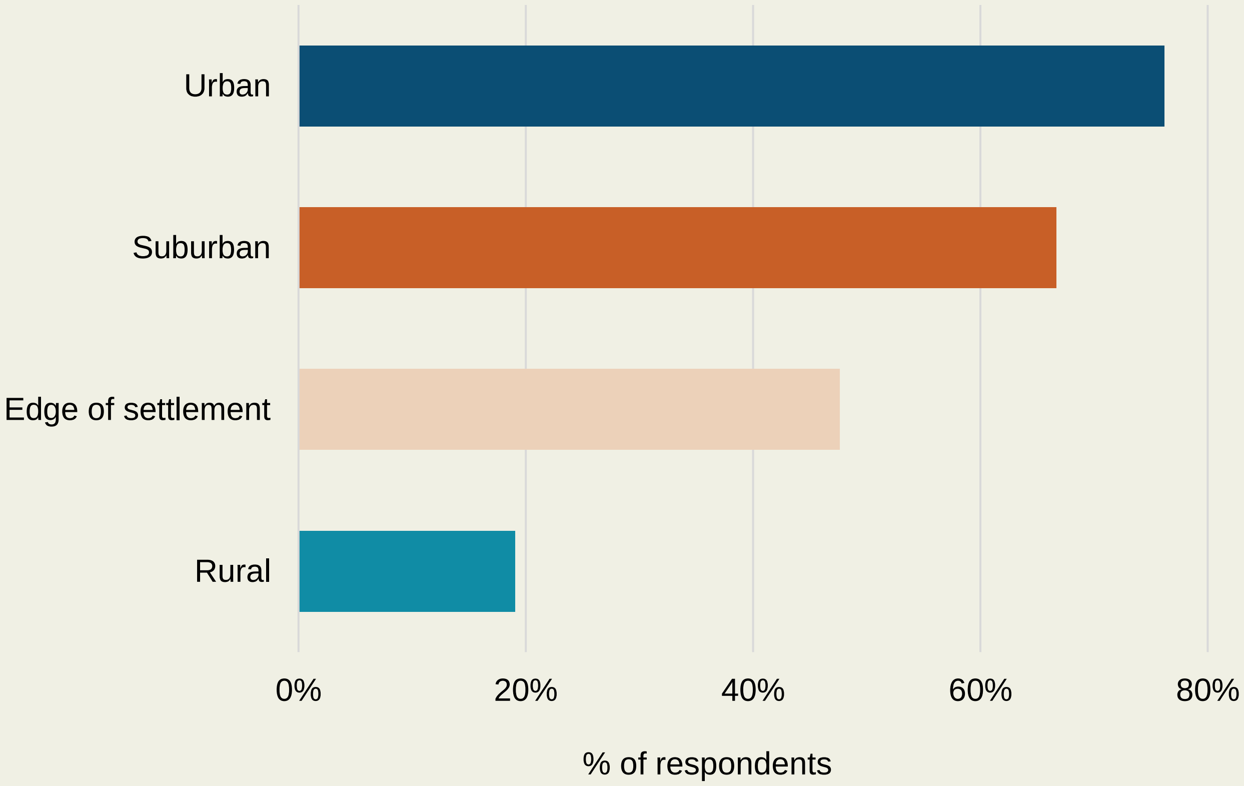


Source: Knight Frank Research

Source: Knight Frank 2023/24 Seniors Housing Annual Review

Changing supply

What types of locations are you considering for new development?



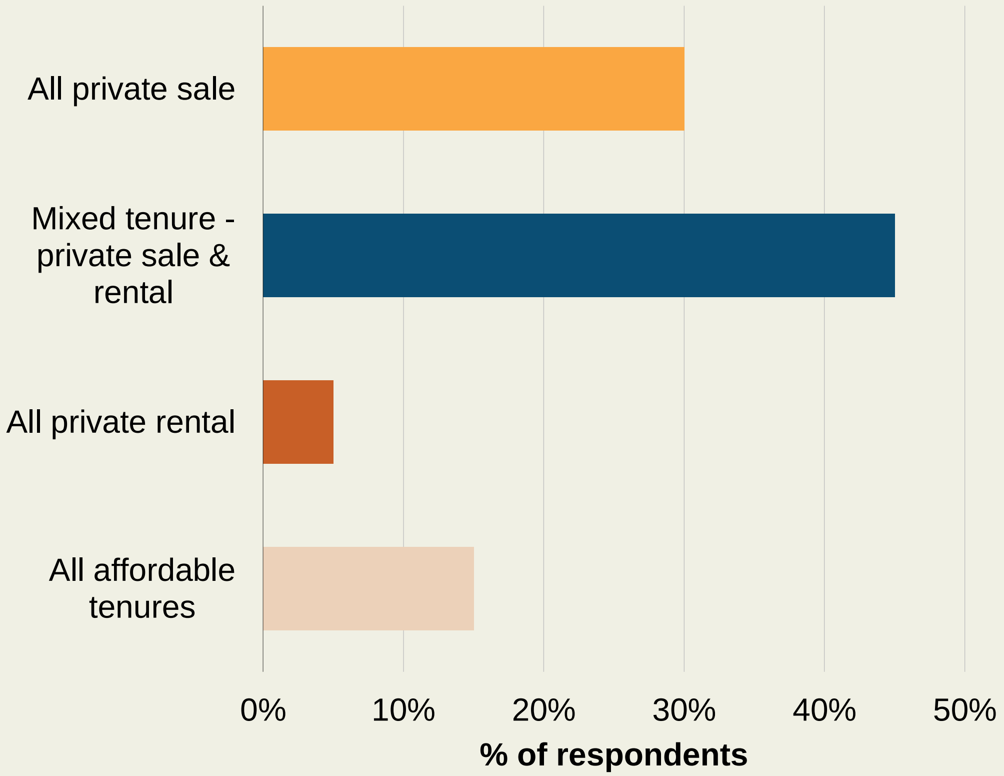
1.3m

additional over 65s living in urban areas, according to ONS.

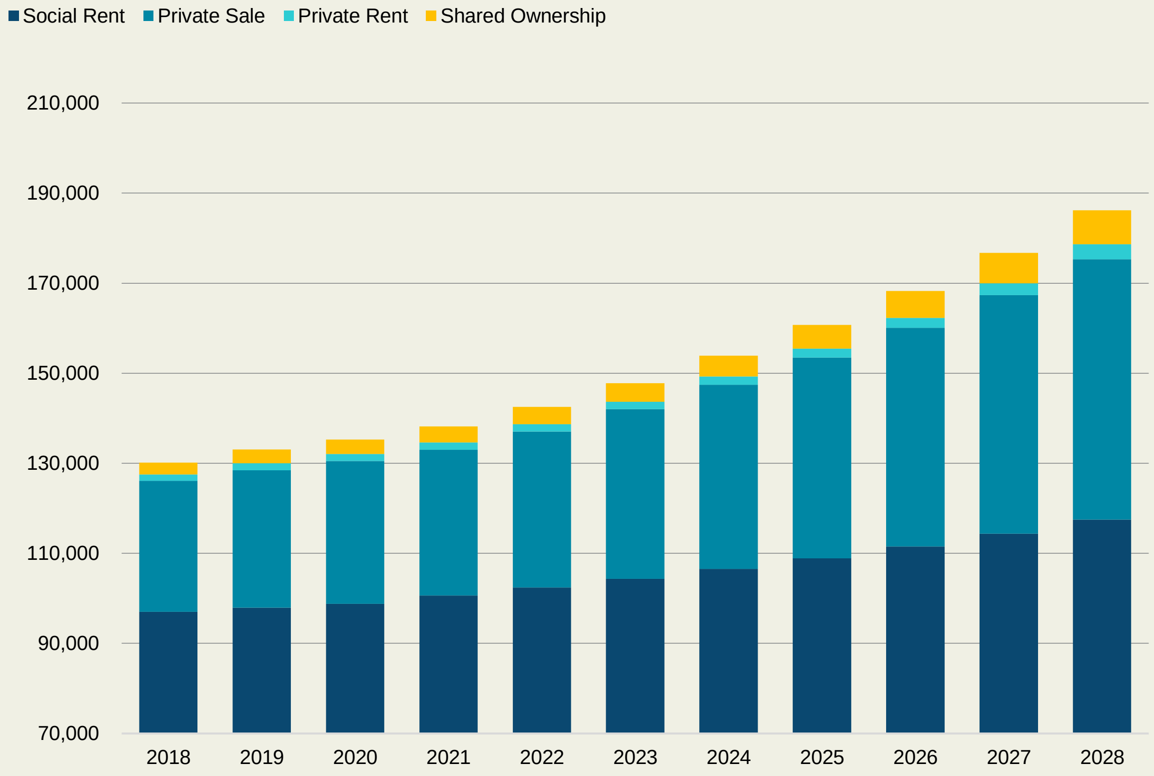
Source: Knight Frank 2023/24 Seniors Housing Annual Review

Tenure Diversification

What mix of tenures are you considering for new IRC development?



IRC Cumulative Delivery by Tenure



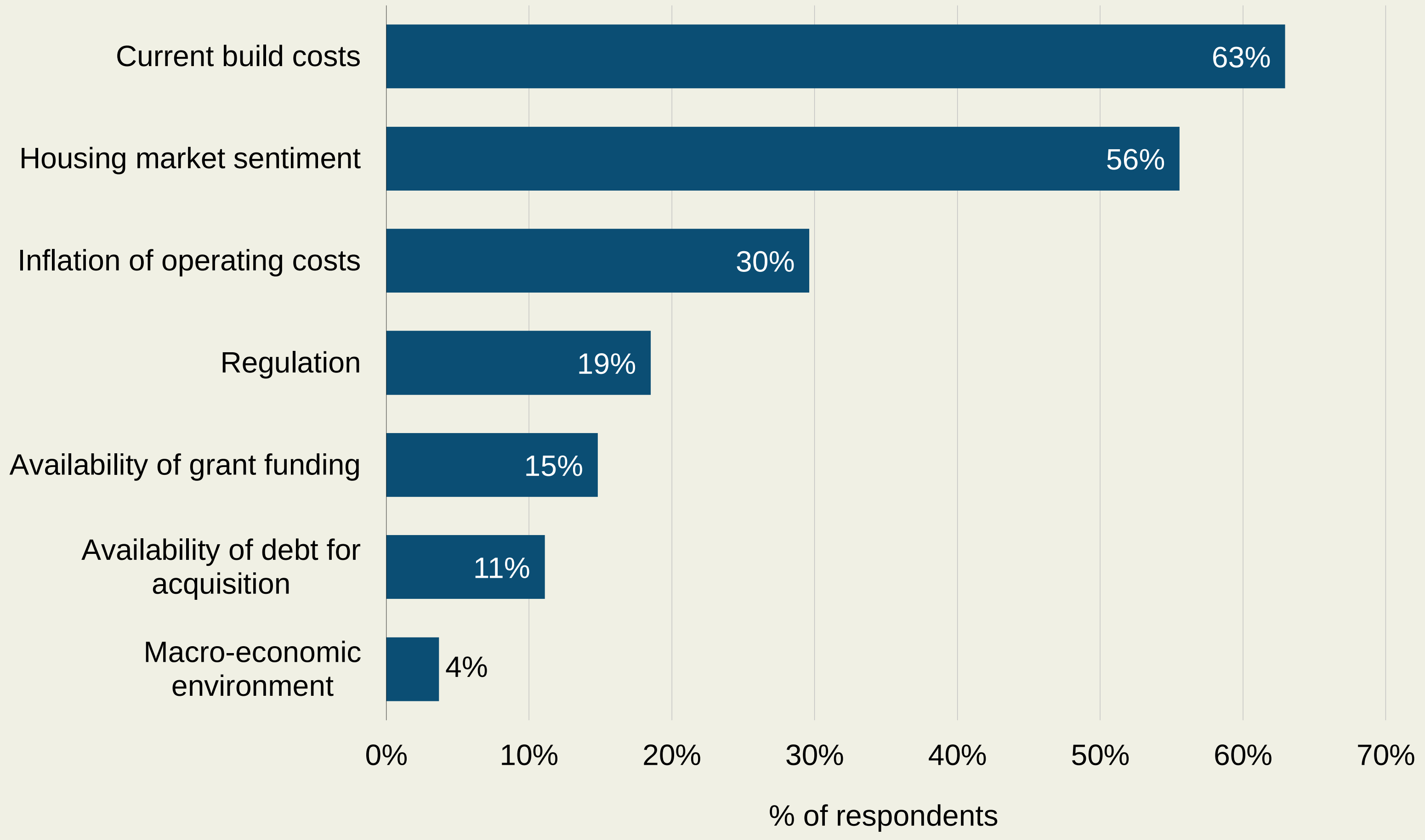
Source: Knight Frank Research

What’s coming next?

- Continued short term challenges related to higher cost environment
- Progress from wider group of management teams
- Acceleration of rental delivery
- Outcome of Older People’s Housing Taskforce

Source: Knight Frank Research

Biggest challenges over next 12-18 months?



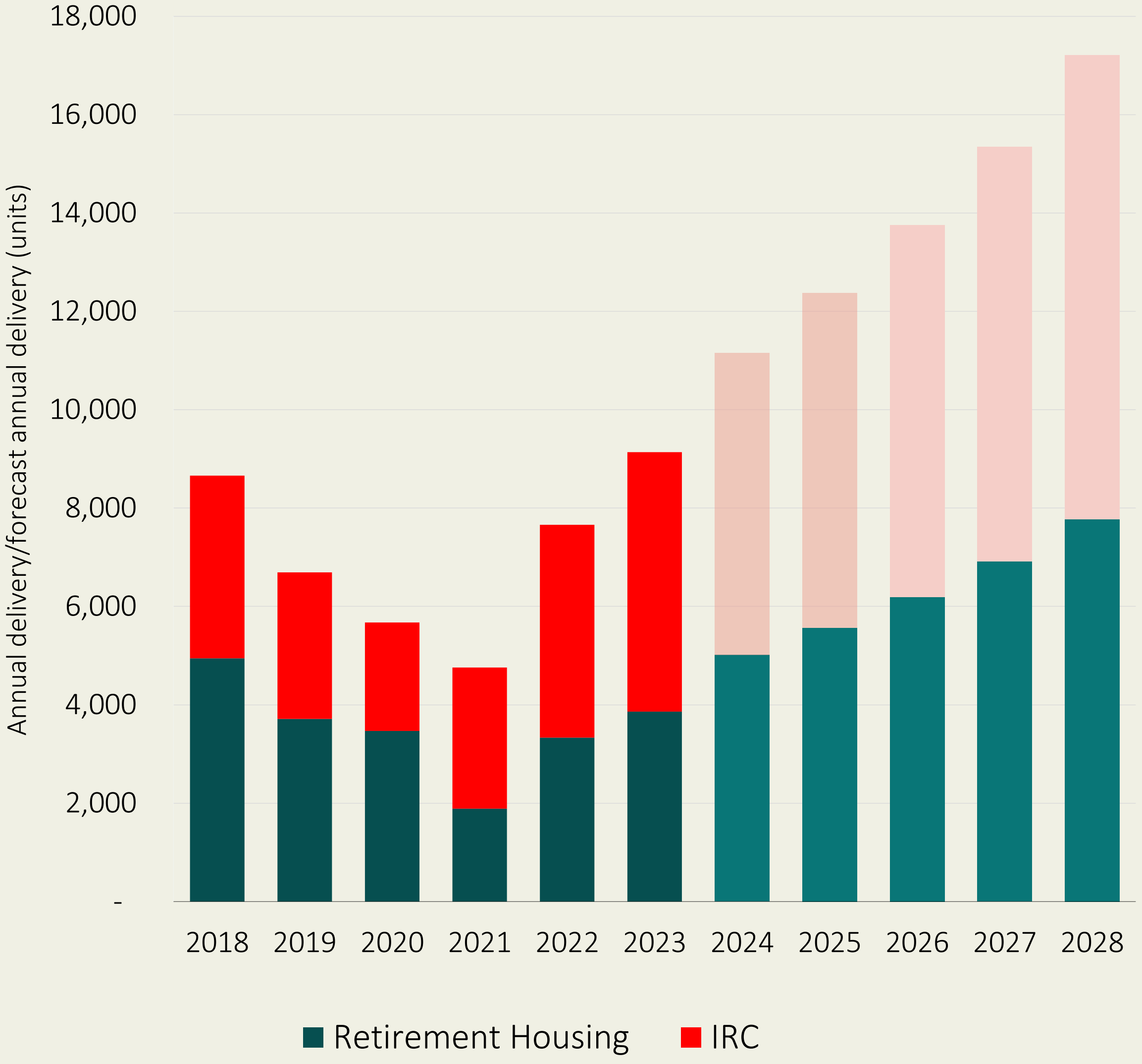
77%

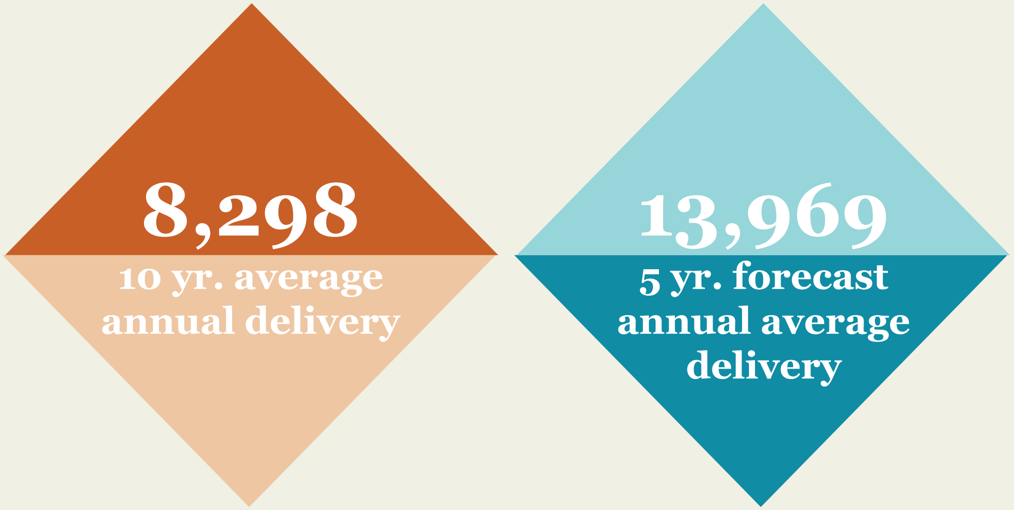
of operators have had difficulties recruiting staff in the past year

Source: Knight Frank 2023/24 Seniors Housing Annual Review

Marketing - focus on lifestyle and wellness

Increase in delivery..





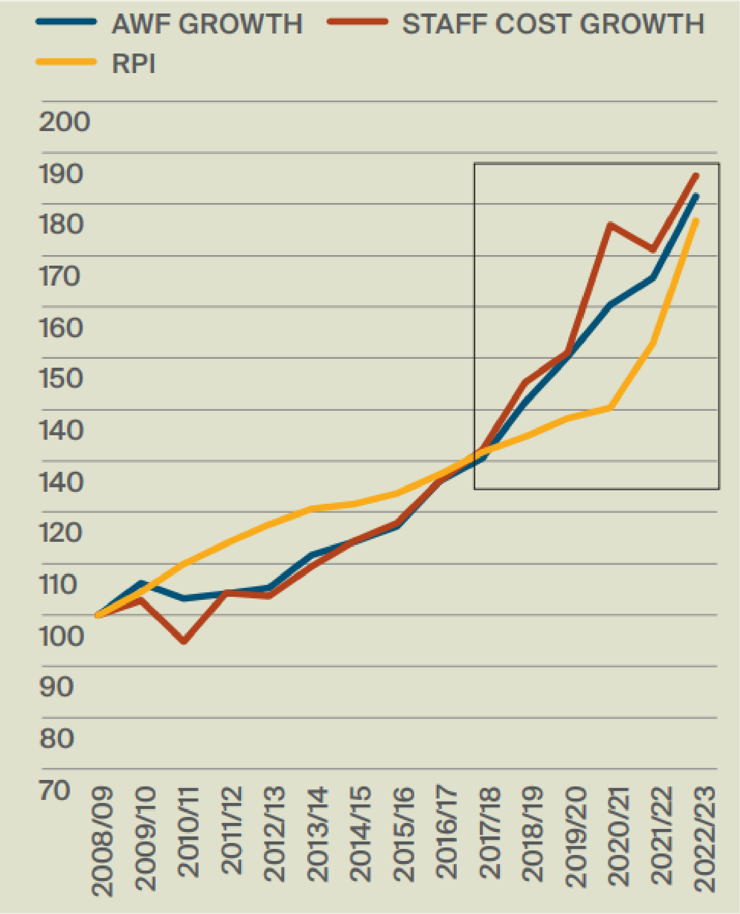
9%

Increase in total number of units over next 5 years

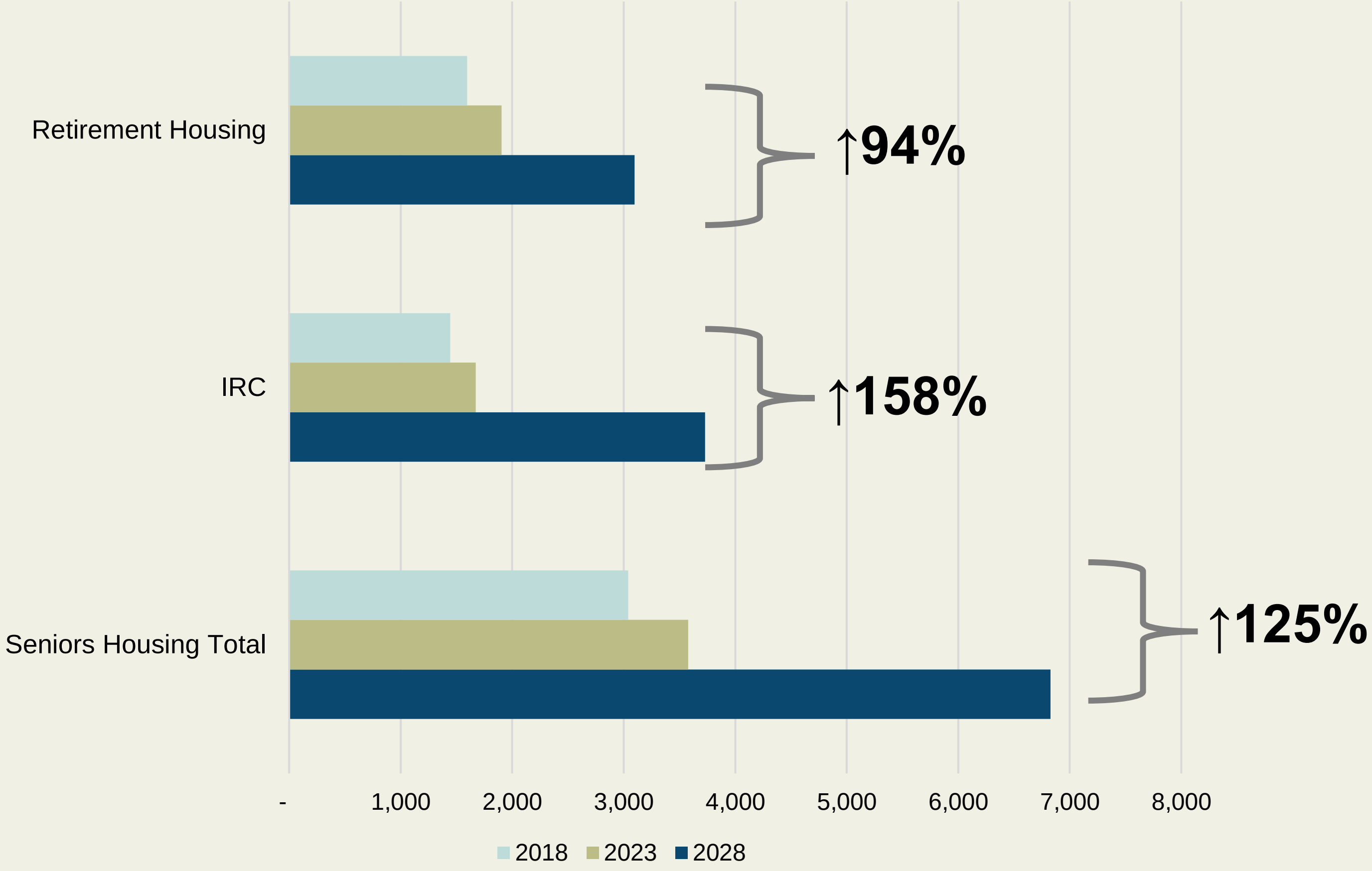
Source: Knight Frank Research

Rental

Care Home Fee & Staff Costs
Index = 2008/09



Forecasted Delivery of Rental Stock



Source: Knight Frank Research

Older Person's Housing Taskforce

Knight Frank

Department of Health & Social Care

Department for Levelling Up, Housing & Communities

Older People's Housing Taskforce

GOV.UK