



St Andrews House Care Home, Devon - Sold October 2021

HEALTHCARE MARKET UPDATE

AUTUMN 2021



Harpers Villas Care Centre, West Midlands - Sold August 2021

INVESTOR APPETITE REMAINS UNDIMINISHED

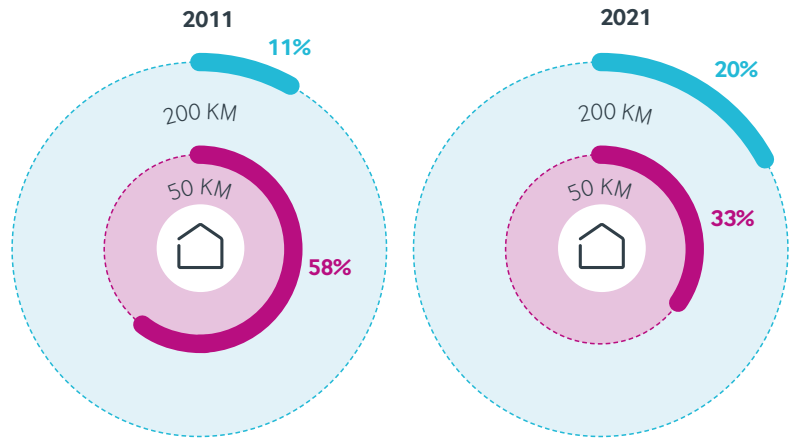
Despite the well-publicised challenges facing social care providers, the sector is still seeing considerable buyer demand.

Almost two years from the onset of restrictions in the UK, an analysis of the transactions completed by Christie & Co suggests there has been no material impact in values and multiples being achieved due to the pandemic.

CHANGE IN BUYER BEHAVIOUR

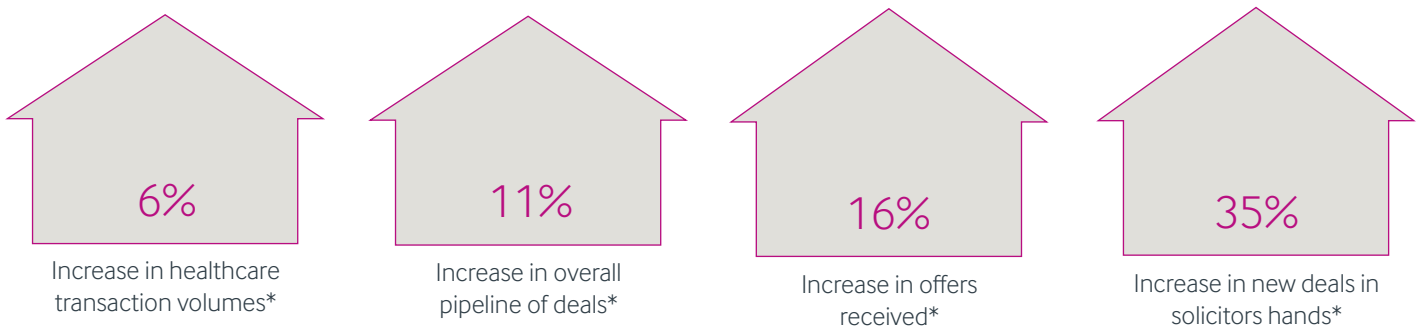
An analysis of deals we concluded in 2011 and 2021 shows a significant shift in the distance buyers are prepared to travel to purchase a care home. In 2011, 58% of our deals were concluded to buyers who lived within 50km of the business and in 2021 this fell to 33%. Conversely, the number of deals concluded to buyers who lived over 200km from the care home increased from 11% to 20% over the same period.

THE DISTANCE BUYERS ARE WILLING TO TRAVEL



There are likely to be a number of factors driving this change in behaviour, not least the lack of supply in the market last year, forcing buyers to look further afield. Advancing technology is allowing operators to accurately track key areas of the business from a distance and this is also likely to be driving this change.

THE STRENGTH OF THE TRANSACTIONAL MARKET IS DEMONSTRATED BY THE FOLLOWING ACTIVITY

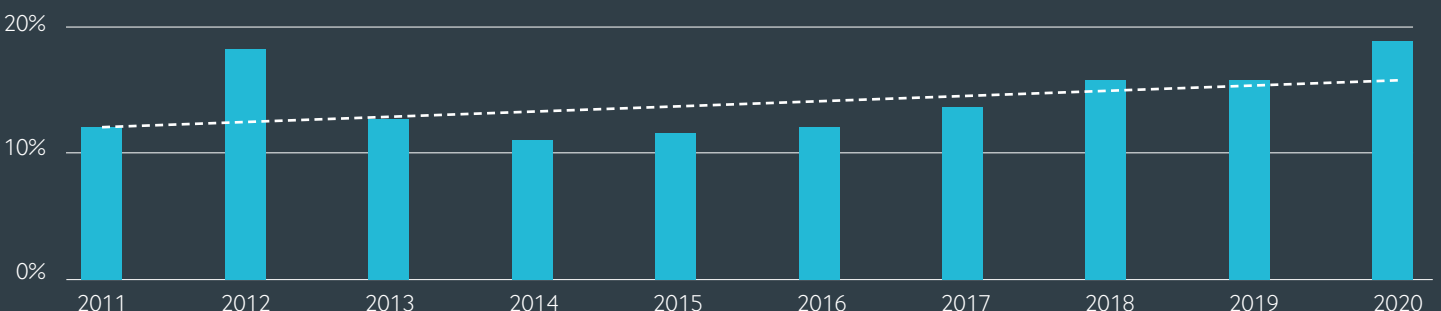


*Compared to 2019

DISTRESS IN THE SECTOR?

Operators continue to face considerable workplace challenges, most notably of which is the staffing crisis, which we anticipate will be further exacerbated by the imposed deadline for staff vaccinations. Occupancy levels for many providers remain lower than the long-term average and this has compounded the financial challenges already being faced by the sector. As cost pressures have mounted, driven by more stringent infection control and safety measures, the number of closed care homes being brought to the market is increasing.

CLOSED CARE HOME INSTRUCTIONS



In 2014, 11% of all care home instructions brought to the market by Christie & Co were on a vacant possession basis and, in 2020, this rose to 18%.

This upward trend is likely driven by an increase in the closure of smaller, unviable care homes, and the buoyant residential market, increasing underlying property values, which is providing operators with an alternative exit route. The proliferation of new build stock in many areas across the south, in particular, is also having an impact on the closure rate of smaller, older stock.



NORTHWAY HOUSE
Taunton, Somerset

Freehold £950,000

- Detached residential home, registered for 29
- All single bedrooms with en suite

Ref: 3270313

T: 07764 241 310



HOMeward
Weston-super-Mare, Somerset

Freehold £600,000

- Vacant, former supported living home
- 20 bedrooms

Ref: 3470667

T: 07702 809 198



VACANT SPECIALIST LD HOME
Monmouthshire

Freehold £1,200,000

- Vacant, high-quality specialist care home
- 6 bedrooms, fully refurbished in 2016

Ref: 3470654

T: 07702 809 198



CARE HOME
North of Scotland

Freehold £700,000

- 17 rooms
- Average fee £985

Ref: 5274615

T: 07764 241 310



NURSING HOME
North of Scotland

Freehold £1,200,000

- Registered for 36
- Affluent Town Location

Ref: 5274614

T: 07764 241 280



CARE HOME
North of Scotland

Freehold £750,000

- Registered for 26
- CI Report outcome of 'Very Good'

Ref: 5274632

T: 07764 241 310



RESIDENTIAL CARE HOME
Stafford

Freehold £2,000,000

- Registered for up to 27 residents
- EBITDAR circa £275,000

Ref: 5873186

T: 07775 807 074



RESIDENTIAL CARE & DEMENTIA
Birmingham

Freehold £1,950,000

- Registered for 22 residents
- EBITDAR circa £307,000

Ref: 5873177

T: 07775 807 074



WELL ESTABLISHED CARE HOME
West Midlands

Freehold £2,850,000

- Registered for 34
- Average weekly fee £904

Ref: 5873190

T: 07791 979 041

A SELECTION OF OUR RECENT TRANSACTIONS



THE SYCAMORES WEST MIDLANDS

- 84 bedrooms
- Closed in October 2020
- Sold to an existing operator



HARPERS VILLAS CARE CENTRE WEST MIDLANDS

- 35 bedrooms
- Over 30 viewings arranged
- Sold to an existing operator



QUEENS VIEW HARBOUR LUXURY SUITES AYRSHIRE

- Registered for 56
- Coastal Location
- Sold to a corporate operator



FORMER DONNESS NURSING HOME NORTH DEVON

- 30 bedrooms
- Part purpose-built
- Sold to an existing operator



PINE LODGE KENT

- Registered for 60
- Management –run with full complement of staff
- Sold to a regional operator



RIVERSIDE COURT WEST YORKSHIRE

- 60 bedrooms
- Closed in 2018
- Sold to an existing operator



WINDSOR NURSING HOME TYNE AND WEAR

- Registered for 60
- Run under management
- Sold to an existing operator



KENDAL HOUSE CARE HOME TYNE AND WEAR

- Registered for 24
- Adjacent property leased for supported living
- Sold to a first-time buyer



AUCHTERMARNIE CARE HOME FIFE

- Registered for 26
- Excellent Reputation
- Sold to an expanding operator

MILLER COURT, HEREFORDSHIRE

Miller Court is a purpose-built property, constructed in 2016, comprising 14 single bedrooms with full en suite facilities. Previously used as a mental health recovery unit, owned by Herefordshire Mind and let to a local College of Further Education, the vacant property was sold to Noble Care Ltd.



Christie & Co has an extensive knowledge and network within the care sector, which enabled them to generate interest in our property over a sustained period of time. As an organisation they were very effective at providing continuity of service throughout the periods of the COVID-19 lockdowns. We quickly came to appreciate the professionalism, experience and advice. Paul Reilly was always readily available and worked tirelessly on our behalf. We were confident that he was acting in our best interest and he demonstrated real empathy for the charitable purpose of our organisation and the challenges we were facing.

Mark Waller, Chair, Herefordshire Mind



ST ANDREWS HOUSE, DEVON

Former Rectory to the adjacent church. Family run for over 30 years. Sold to an experienced care home operator who acquired both their other homes in Plymouth and Ermington from Christie & Co.



It remains for me to sincerely thank you, Simon, for your advice, help and understanding and getting the deal done. I'm delighted with the acquisition of St Andrews to add to our portfolio, the location geographically fits in with our wider development plan. St Andrews with its planning consents will enable us to develop the site further, providing a high-quality care environment in the wonderful historic town of Ashburton. The relationship with Christie & Co extends over 25 years, and this transaction, like the others previously, has been handled impeccably and overseen by Simon with his total commitment, professionalism and attention to detail

Dick Wraighte, buyer, St Andrews Care Home





We were very pleased with the service received from Christie & Co. Having experienced trying to sell our business before, we found their advice both balanced and realistic; which is vital in what is a very challenging process. I would highly recommend their services to anyone considering selling their business in the future.

Richard Smith, Managing Director, Way Ahead Care

We were very happy with the help we received from Julie Kitson from Christie & Co with the purchase of Kendal House Care Home. Julie and her team were very experienced with a thorough knowledge of the care sector. We would definitely work with Christie + Co again.

Jack Jenkinson, Kendal House Care Home



I have dealt with the great team at Christie & Co, for over 30 years, and have always felt that any purchase or sale of our (care) homes has always been in safe hands. I cannot fault their professional and forward-looking approach and have never found a sale or purchase where Christie & Co have not been able to achieve a satisfactory price for us as, even when the market has been challenging. I would highly recommend them as a leading authority within the care industry.

A Whitmoor-Pryer, Director of Kahanah Care Ltd

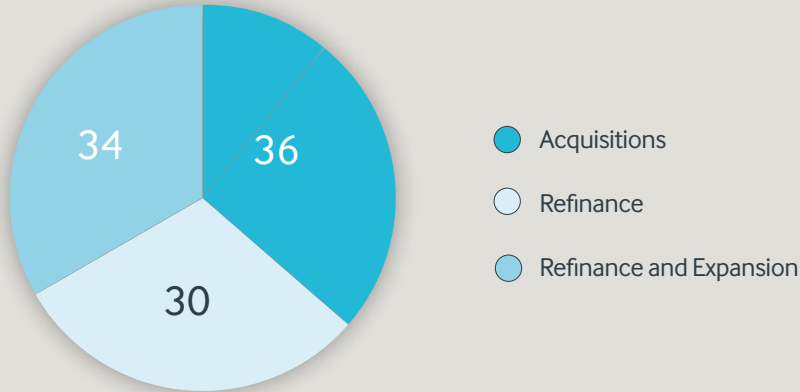


Thank you for your input to our deal. As a first-time seller, your contacts in our sector and advice and guidance at the early negotiating stage was extremely helpful. I look forward to working with you in the future.

Gordon Quince, Director, ID Healthcare

With the funding market continuing to be competitive and unpredictable, working with a commercial finance specialist like Christie Finance is your best chance to secure the funding you need.

TYPES OF DEALS WE'VE COMPLETED ON IN THE SECTOR SINCE THE BEGINNING OF 2021 (%):



DEALS WE'VE RECENTLY COMPLETED ON IN THE SECTOR:



REFINANCE OF THE ELMS CARE HOME, STAUNTON

- We supported an existing client to refinance their high-quality care home
- We helped to purchase the care home in 2019



MANAGEMENT BUYOUT OF AUCKLAND CARE LIMITED, HAMPSHIRE

- We supported the Director of a specialist care home with a management buyout
- We've since assisted the company in expanding its portfolio



ACQUISITION OF ASTON HOUSE, HEREFORD

- We supported the purchase of a care home that provides mental health support
- Our colleagues at Christie & Co conducted the sale



CBILS FUNDING SOURCED FOR A LONG-STANDING CLIENT, LEICESTERSHIRE

- We supported a Leicestershire-based client in securing CBILS funding
- Funding sourced helped with operational costs following the effects of COVID-19



I found Christie Finance to be highly supportive and solution-driven at all hurdles that we came up against during this journey. I was particularly impressed by the dexterity with which Christie Finance was able to package my project in a bespoke representation, reflecting the positively unique attributes of the business, many of which would have remained uncovered against standard due diligence stencils.

Mr Trinity Munowenya, Auckland Care Limited

WHAT HAS THE CARE FUNDING MARKET LOOKED LIKE THROUGHOUT THE PANDEMIC?

During the past 18 months, and despite the increased pressures that the care sector has felt, the Christie Finance team has continued to support the funding needs of various clientele within the sector.

SO FAR IN 2021:

£62m
In total offers received, which is a

32%
Increase from 2020, and a

37%
Increase on 2019

Christie Finance has continued to support clients with various transactions including acquisitions, expansions, refurbishments, and restructuring instructions.

A lot has changed over the past 18 months with the funding market and care sector relationship, but are banks still lending within the care sector?

Based on the transactions we have worked on during 2021, it is fair to say that many of the 'high street' lenders fell short of the historically strong support for the sector. However, there has been an emergence of alternative lenders who have had a holistic understanding of the sector and have stepped in with more flexible support regarding their unsecured and secured finance packages.

To support businesses during the pandemic, the care sector has had access to government-backed grants, along with loan schemes introduced by banks to extend funding options within the market. These opportunities included the **Bounce Bank Loans (BBLs)** and **The Coronavirus Interruption Business Loan Scheme (CIBLS)**; with the **Recovery Loan Scheme (RLS)** now replacing these schemes.

Maintaining a straightforward approach to sourcing competitive funding for clients allows Christie Finance to support a business's funding requirements and obtain various forms of finance, including **unsecured loans, working capital loans, commercial mortgages** and **asset finance**.

TO SPEAK TO OUR SPECIALIST TEAM ON CURRENT FUNDING OPPORTUNITIES WITHIN THE CARE SECTOR, CONTACT:

TYPES OF FINANCE WE CAN HELP SOURCE:

- **Commercial Mortgages**
- **Group Finance**
- **Refinance**
- **Property Finance**
- **Revolving Credit**
- **Unsecured Business Loans**
- **Tax Finance**
- **Asset Finance**



Jimmy Johns
Associate Director
Purchase & Refinance
T: 0117 946 8517
M: 07711 767 593
E: jimmy.johns@christiefinance.com



Tony Howard
Associate Director
Unsecured Finance
T: 01244 207 681
M: 07736 621 020
E: tony.howard@christiefinance.com

RCC Business Mortgages plc, trading as Christie Finance, is authorised and regulated by the Financial Conduct Authority. Our Firm Reference number is 709982. Not all types of business we undertake is authorised and regulated by the Financial Conduct Authority. Christie Finance operate as an intermediary and are not a principal lender.

Despite the unprecedented challenges of the pandemic, many operators have generally continued with scheduled development site acquisitions this year as they fulfil strategic objectives to improve the quality of their asset base in the medium to long-term.



- Design features in new developments seek to address the evolving operational requirements and stringent infection control measures the pandemic has highlighted as necessary
- The sector is increasingly attracting foreign and institutional investment thanks to the long-term fundamentals offered in comparison to more traditional property sectors
- Increased liquidity in the sector is allowing operators to enact strategic growth plans



- Land availability in locations with compelling underlying demographics remains scarce
- Securing planning permission remains a costly, protracted, and uncertain process
- Some areas of the South East have seen high levels of new build activity and specialist developers are now branching out further



- Scheduled development has, for the most part, continued throughout the pandemic as operators seek to futureproof their asset base for the medium to long-term.
- Land values for sites with planning permission has continued to increase at a steady rate and we anticipate demand to remain robust for the foreseeable future
- The North & South West of England have seen much less development activity in recent years but continue to have strong demand drivers and undersupply of market standard bed capacity
- The increased demand and lack of alternative opportunity for investors is resulting in yield compression across the spectrum of covenant

EXAMPLES OF RECENT DEVELOPMENT TRANSACTIONS

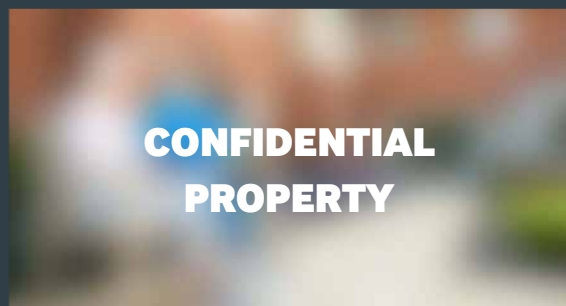
SITE SALE WITH FULL PLANNING CONSENT FOR A CARE HOME DEVELOPMENT

- Cambridgeshire
- Sold to LNT Care Developments
- Existing outline planning consent for a 100-bedroom care home (C2 Use)
- Practical completion anticipated in Q1 2023



SITE SALE WITH FULL PLANNING CONSENT FOR A RETIREMENT VILLAGE DEVELOPMENT

- Surrey
- Sold to a luxury retirement village operator
- Full planning consent for 115 apartments and luxury communal spaces
- To be developed by a leading Intergrated Retirement Community operator



HOW HAVE WE CHANGED OUR INSPECTION PROTOCOL?

PRIOR TO INSPECTION

- Desktop risk assessment undertaken
- Are there any outbreaks at the property to be inspected?
- Is everyone at the property fit and well?
- Are we able to social distance once inside?
- An information request will be sent prior to the appointment

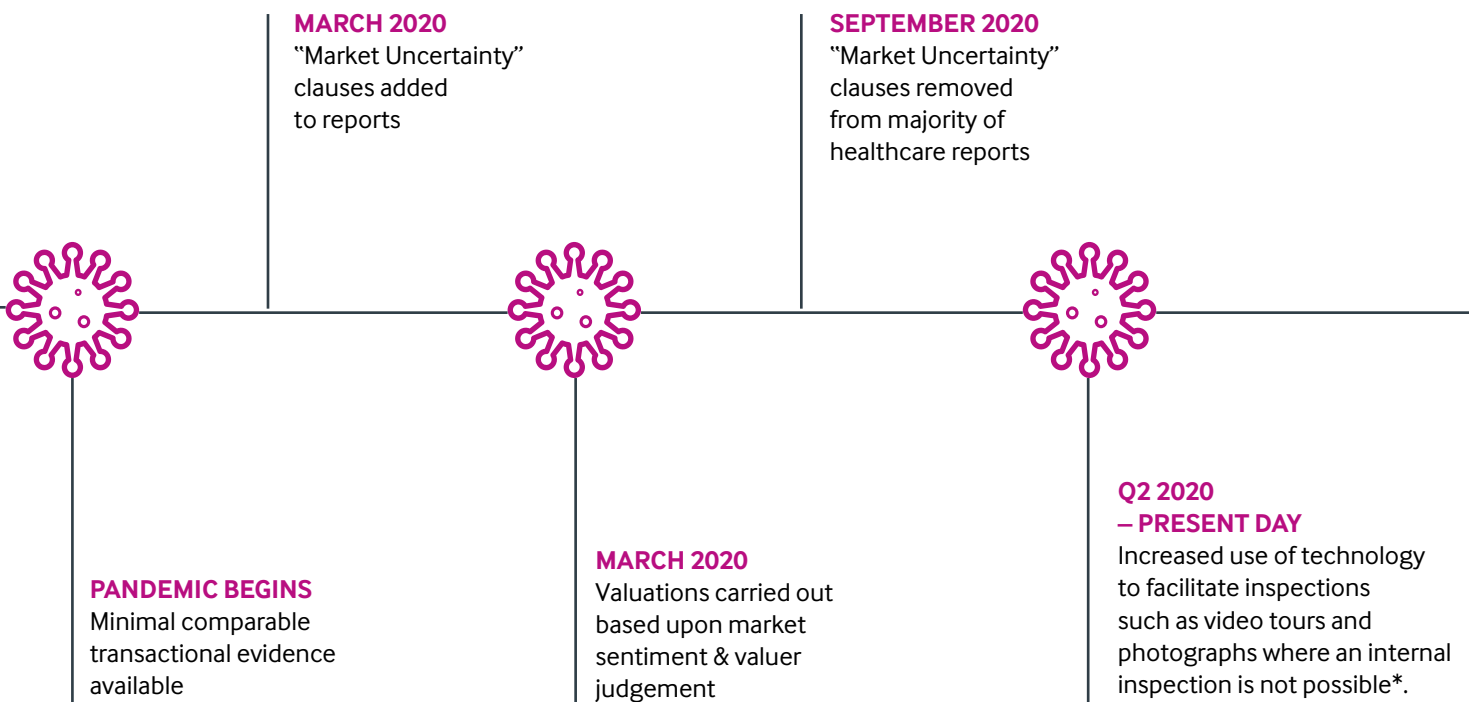
THE INSPECTION

- We will attend the property for the shortest amount of time that we are reasonably able to undertake the valuation
- Any follow up questions will be undertaken remotely once the visit has taken place

THE SURVEYOR

- A lateral flow test and temperature will be taken on the day of the inspection
- All proper PPE will be worn on-site
- Any additional requests from on-site management will be followed closely to meet required procedures

VALUING IN TIMES OF COVID



*Due to the limited scope of a virtual inspection – in these instances 'Limitations' will be cited in a report.

CONSIDERATIONS AS A RESULT OF COVID

Each business we see has been impacted differently by the pandemic and it is imperative to gain an in-depth understanding of the unique characteristics of each business.

Assessing how each individual business has been impacted, and in which way, is essential to help us understand the mechanics of the trade, its ability to return to a sustainable level, and to allow us to provide quality valuation advice.

The provision of trading information highlighting the period of trade through COVID has been available for some properties, but not for others, and understanding how this influences value both positively and negatively has to be considered thoroughly.

CONSIDERATIONS FOR AN INDIVIDUAL BUSINESS INCLUDE:

- Occupancy – reduction due to deaths, lower referral or admission levels, or higher occupancy from new block bed contracts
- Government grants received
- Increased wages due to staff sickness and isolation
- Reduced wages due to staff sickness and isolation and staff shortages in the market
- Furlough impacts
- Increased PPE costs

A VALUATION IS A 'SNAP SHOT' IN TIME OF AN OPINION OF VALUE BASED ON ALL OF THE INFORMATION AVAILABLE

The valuer will undertake an Assessment of Fair Maintainable Turnover (FMT) which is deemed sustainable by a Reasonable Efficient Operator (REO).

This may not always reflect the turnover that is being achieved as demonstrated by the trading information provided.

The multiplier that is utilised against the Fair Maintainable Operating Profit (FMOP) will be selected taking account of the differences between actual EBITDA and FMOP and any time and risk required by an REO to achieve the FMOP.

THE MARKET NOW...AND WHAT NEXT?

Despite the multitude of challenges, transactions are achieving multipliers that are largely unchanged from pre-pandemic times, however, enhanced due diligence has meant that transactions are taking longer to reach completion. A shortage of land available that is suitable for development is having a knock-on effect of bolstering prices in this space. At the moment, the market appears to be continuing unabated, but it is unclear how future challenges may impact buyer appetite. Staff shortages, the current lack of government funding, and clarity around funding changes in the future, are an immediate concern, and the medium- and longer-term impact this may have for demand, the availability of debt funding, and the wider market as a whole is unclear.

**TRANSACTIONS ARE
ACHIEVING MULTIPLIERS
THAT ARE LARGELY
UNCHANGED FROM
PRE-PANDEMIC TIMES**

YOUR CARE CONTACTS

Our team of highly experienced and specialist agents work across all regions of the UK, helping clients to buy and sell care businesses. They work closely with our Valuation Services, Consultancy and Finance teams to deliver a complete range of services and products to our clients at all stages of the business lifecycle.

NORTH

**LEE HOWARD**

Regional Director
Midlands/Anglia/North
M: 07764 241 339
E: lee.howard@christie.com

**ROSIE TURNER**

Business Agent
Midlands
M: 07703 716 156
E: rosie.turner@christie.com

**PAUL REILLY**

Director
Midlands
M: 07791 979 041
E: paul.reilly@christie.com

**JONATHAN WICKENS**

Director
North
M: 07764 241 328
E: jonathan.wickens@christie.com

**ROBERT MELLAMPHY**

Director
Anglia
M: 07764 241 320
E: robert.mellamphy@christie.com

**JULIE KITSON**

Director
North
M: 07870 917 854
E: julie.kitson@christie.com

**TAMARA GEE**

Associate Director
Midlands
M: 07775 807 074
E: tamara.gee@christie.com

**JAMES KNIGHT**

Senior Business Agent
North
M: 07590 486 357
E: james.knight@christie.com

SCOTLAND & THE SOUTH

**MARTIN DAW**

Senior Director
Scotland
M: 07764 241 280
E: martin.daw@christie.com

**JOHN HARRISON**

Director
South
M: 07764 241 296
E: john.harrison@christie.com

**ROB KINSMAN**

Regional Director
South
M: 07717 335 367
E: rob.kinsman@christie.com

**JOANNE MATHERS**

Director
South
M: 07595 568 451
E: joanne.mathers@christie.com

**SIMON HARVEY**

Senior Director
South West
M: 07764 241 310
E: simon.harvey@christie.com

**JORDAN OBORNE**

Associate Director
South
M: 07736 615 870
E: jordan.oborne@christie.com

**CHARLES PHILLIPS**

Director
South
M: 07764 241 346
E: charles.phillips@christie.com

**OLIVER MCCARTHY**

Associate Director
Wales & South West
M: 07702 809 198
E: oliver.mccarthy@christie.com



CORPORATE CARE TEAM



RICHARD LUNN

Managing Director

M: 07768 646 989

E: richard.lunn@christie.com



MICHAEL HODGES

Managing Director – Healthcare Consultancy

M: 07764 241 300

E: michael.hodges@christie.com



MARTIN GOULD

Head of Brokerage

M: 07712 198 947

E: martin.gould@christie.com

HEALTHCARE DEVELOPMENT

Christie & Co is the market leading agent for the sale of purpose-built care home developments across the UK. The trusted relationships with specialist developers and operators alike places us in a unique position to strategically advise care providers who have ambitions to improve the quality of and future-proof their portfolios. There is a variety of structures available to operators seeking to expand, including:

- Opportunities to acquire development sites with full planning permission
- Long-term leases of brand-new bespoke developments
- Turnkey developments



JORDAN RUNDLE

Director

M: 07711 767 180

E: jordan.rundle@christie.com



SARA HARTILL

Senior Surveyor

T: 07783 811 138

E: sara.hartill@christie.com



KARUN AHLUWALIA

Associate Director – Consultancy

T: 07701 315 074

E: karun.ahluwalia@christie.com



CHARLES WILKINSON

Surveyor

T: 07711 767 440

E: charles.wilkinson@christie.com

VALUATION SERVICES

We have a national team of Chartered Surveyors who, working in conjunction with our agency colleagues, provide accurate and relevant advice whatever the circumstances.

Our surveyors are located throughout the country and are dedicated to the healthcare sector, offering valuation, consultancy, lease advice and dispute resolution services.

Our market knowledge is unrivalled, with our valuers having access to a unique database of transactional evidence and business performance data which informs and supports our advice.



JEREMY CASHMORE

Head of Valuation – Care and Education

T: 07771 955 145

E: jeremy.cashmore@christie.com

