

SPRING
MARKET OVERVIEW

UK HEALTHCARE
PROPERTY 2017



RECORD YEAR FOR UK HEALTHCARE

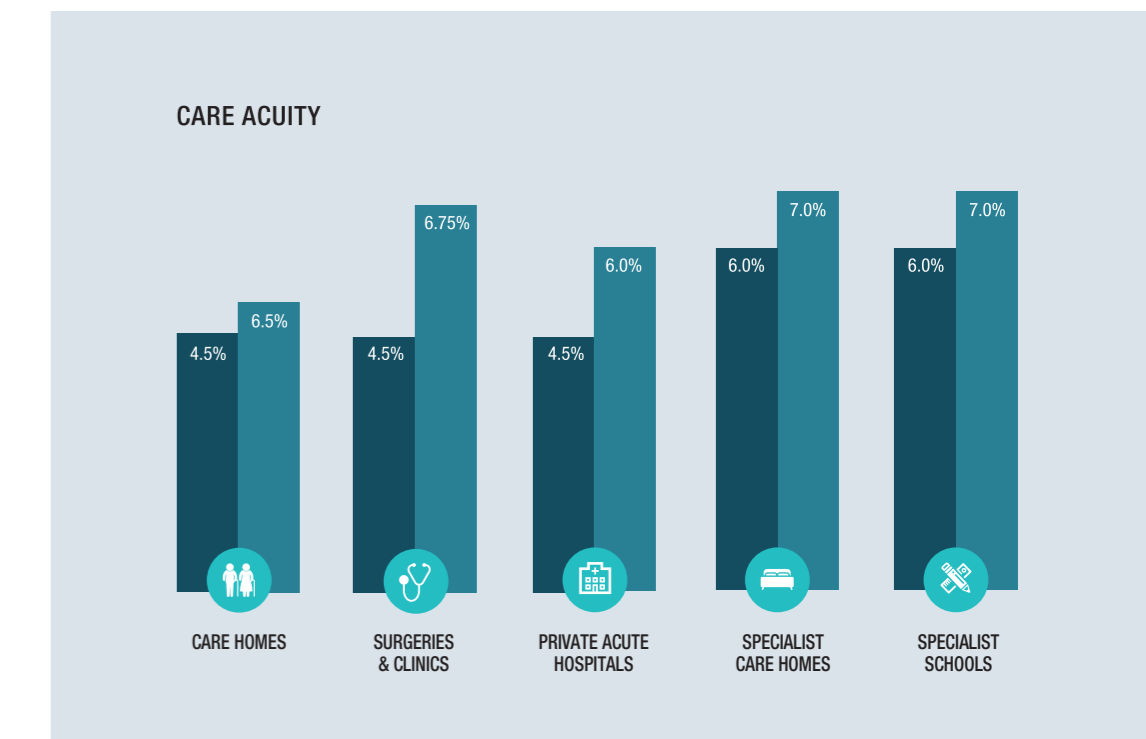
NHS England is facing 'bloody tough' times with little money to spare and social care is facing a national crisis with decreasing care home bed capacity. These disrupters haven't fettered investor appetite as Knight Frank advised on a record volume of almost £9BN of healthcare deals in 2016, most notably Priory Group and Cambian adult services, with Q4 spiking the highest level of transactions in almost 10 years. Either side of the Christmas shoulders saw Knight Frank dispose of almost £400m of assets including Acer Healthcare, Helen McArdle Care and various fixed income portfolios totalling some 3,500 beds. Multiples reached c.12.5 YP for high quality portfolios, 4.50% NIY for fixed income and c.£500,000 per bed for luxury care facilities.



JULIAN EVANS FRICS
Head of Healthcare & Hotels

The 2016 CareTech ground rent transaction has triggered investor appetite for more ground rent product with an estimated £500m of healthcare assets already under offer in 2017. Although the US REITS are more discerning in target profiles the exchange rate has assisted global capital into the UK with ASIA-PAC investors seemingly on the brink to acquire UK healthcare platforms in order to reverse the model into their country of origin.

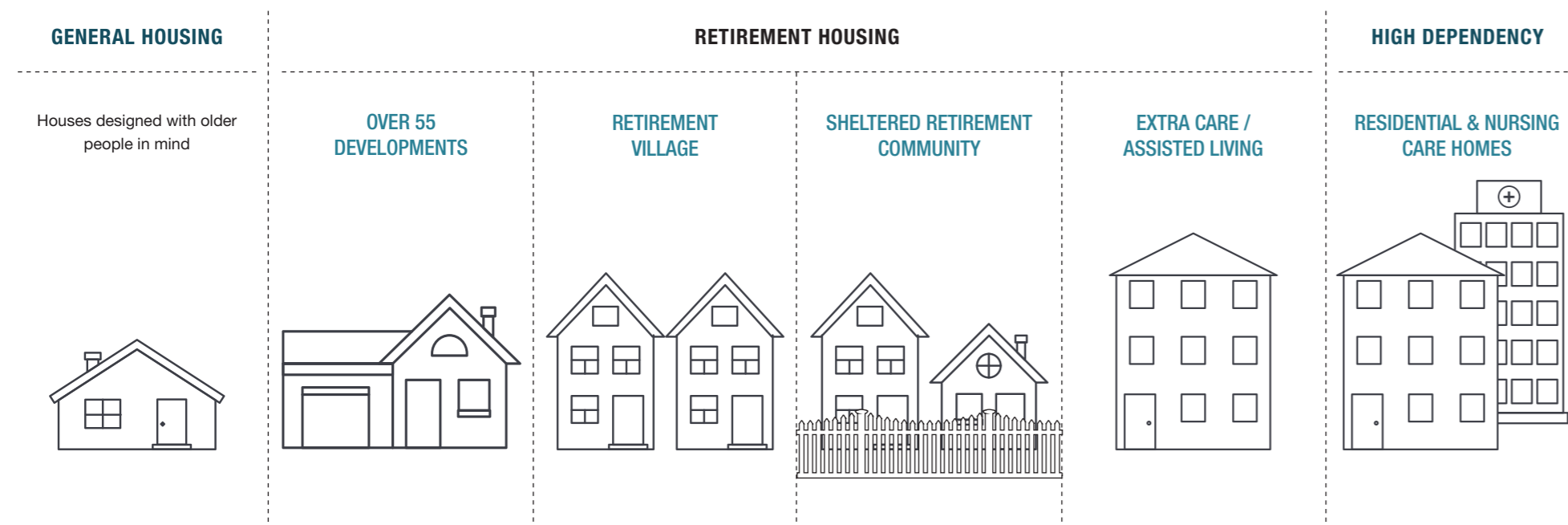
HEALTHCARE YIELDS



SOURCE Knight Frank Research

TYPES OF HOUSING FOR OLDER PEOPLE

"Retirement Housing" is a catch-all term for housing which has been designed with older people in mind, from over-55 developments to retirement villages and communities which may offer some level of care. Specialist care homes are not usually included in this type of housing.



SOURCE Knight Frank Research

DESKTOP HEADLINES

ELDERLY CARE HOMES

GRADE	CONSTRUCTION	BEDS	PHYSICAL STANDARDS	LOCATION	COMPETITION	BUILD COST £ (PER BED)	LAND VALUE £ (PER BED)	AWF* £	YP	£/BED
SP	Luxury	c.60	Exceeded	Prime	None	125K+	60-100k	2000+	11+	£300-500k
A	Purpose built (pb)	c.60	Exceeded	Excellent	Limited	c.80k-100k	c.30k-60k	750-1400	8.5-10>	£200-300K
B	1st and 2nd generation pb	c.40	Compliant	Average	Restricted	c.45k-60k	c.15k-20k	650-750	7-8.5	£50-100k
C	Period conversion	c.25	Do not meet	Marginal	High	c.40k-45k	c.5k-15k	400-500	5-7	£25-50k

SOURCE Knight Frank Research

SP Super Prime

* Average weekly fees

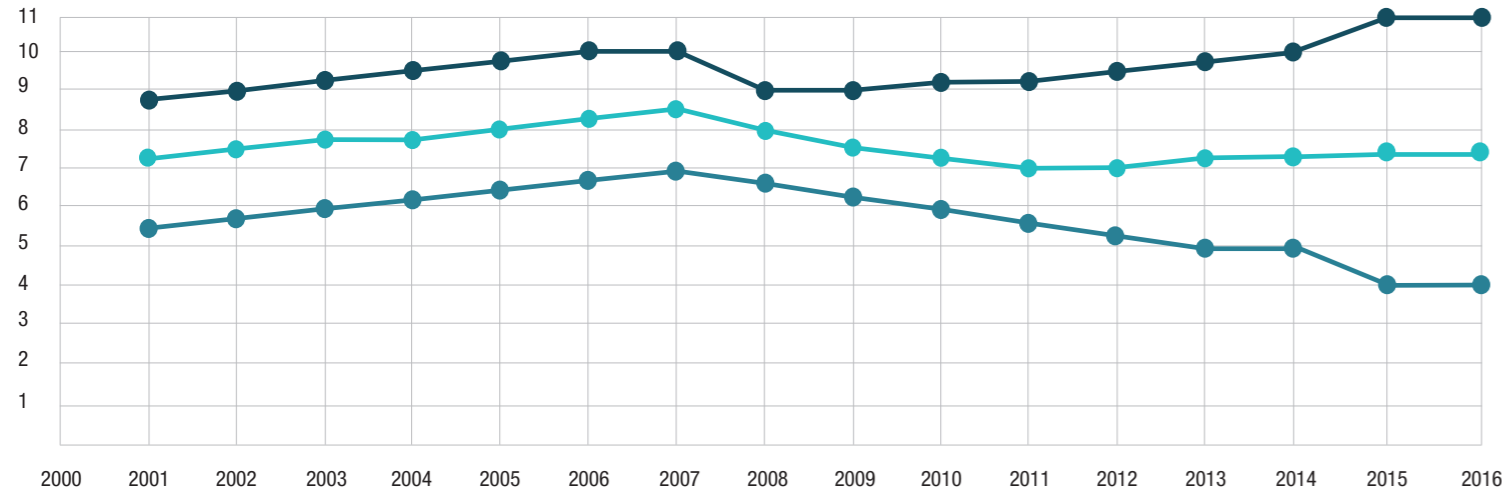
SPECIALIST CARE HOMES

GRADE	CONSTRUCTION	BEDS	PHYSICAL STANDARDS	LOCATION	COMPETITION	BUILD COST £ (PER BED)	LAND VALUE £ (PER BED)	AWF* £	YP
A	pb or high quality conversion	10-20	Exceeded	Excellent	Very limited	c.100k>	c.25k>	1.5k-3k>	8.5-10>
B	1st and 2nd generation pb or conversion	c.10	Compliant	Average	Restricted	N/A	N/A	650-1.5k	7-8.5
C	Period conversion	< 5	Do not meet	Marginal	High	N/A	N/A	350-650	5-7

SOURCE Knight Frank Research

* Average weekly fees

KNIGHT FRANK UK CARE HOMES YEARS PURCHASE INDEX



SOURCE Knight Frank Research

YEARS PURCHASE FOR INDIVIDUAL ASSETS ONLY

● PRIME ● SECONDARY ● TERTIARY

YEARS PURCHASE

11.00-12.5 X SUPER PRIME

9.00-10.00 X PRIME

4.5-6.5 X SECONDARY

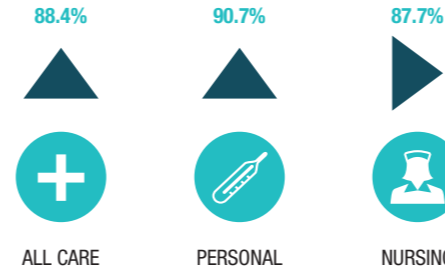
INVESTMENT YIELDS

4.5-5.00% PRIME

6.00-7.00% SECONDARY

2015/16 CARE HOME RESULTS AT A GLANCE

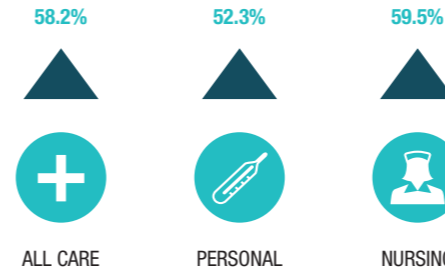
OCCUPANCY



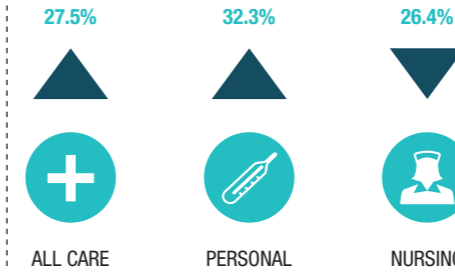
AVERAGE WEEKLY FEES



STAFF COSTS (% OF INCOME)



EBITDARM (% OF INCOME)



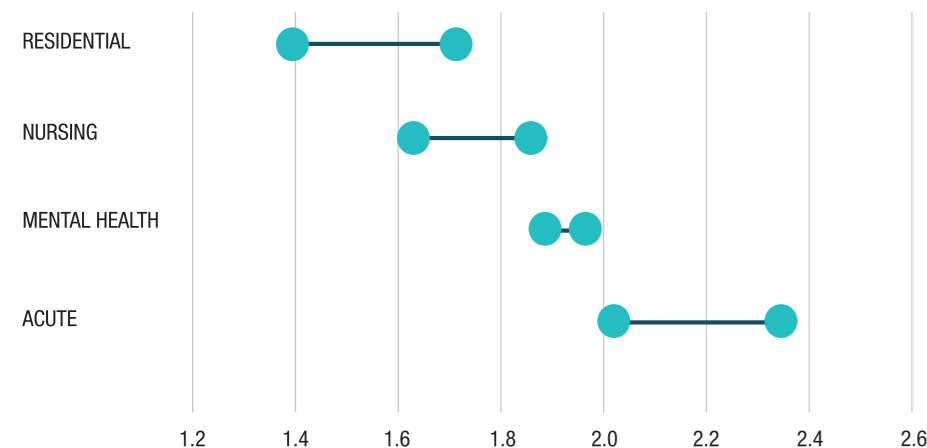
SOURCE Knight Frank Research



MARKET RENT COVERS

A detailed snapshot of the Healthcare market within the United Kingdom.

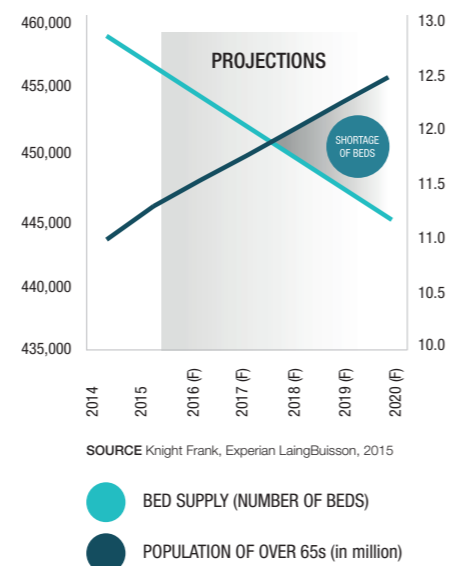
INDICATIVE RENT COVER FOR CARE HOMES



SOURCE Knight Frank Research

BED DEMAND AND SUPPLY

Bed supply (LHS) Population of over 65s (RHS)



OUR PEOPLE

Knight Frank's dedicated and highly experienced team provides a discreet and efficient consultancy service advising on the full spectrum of healthcare assets. Our award winning team continues to be recognised as leaders in their field. In taking time to understand the needs and objectives of our clients, we continue to provide uncomplicated property advice and solutions that add value at every stage.

HEAD OF HEALTHCARE & HOTELS



JULIAN EVANS, FRICS
+44 20 7861 1147
julian.evans@knightfrank.com



ALYSSIA CLARE
PA to Julian Evans
+44 20 7861 1153
alyssia.clare@knightfrank.com

RESEARCH



PAUL MODU
Property Research Analyst
+44 20 7861 1673
paul.modu@knightfrank.com

CORPORATE CONSULTANCY



PADDY EVANS, MRICS
Partner
+44 20 7861 1757
paddy.evans@knightfrank.com



DEBORAH JOYNT, MRICS
Associate
+44 20 7861 5009
deborah.joynt@knightfrank.com

AGENCY & DEVELOPMENT



JULIAN EVANS, FRICS
+44 20 7861 1147
julian.evans@knightfrank.com



NICK KEMPSTER, MRICS
Surveyor
+44 20 7861 5265
nick.kempster@knightfrank.com



JULIAN WOOLGAR
Partner, West End
+44 20 7861 1008
julian.woolgar@knightfrank.com

VALUATION



KIEREN COLE, MRICS
Partner
+44 20 7861 1563
kieren.cole@knightfrank.com



RICK TARVER, MRICS
Partner
+44 20 7861 1534
rick.tarver@knightfrank.com



BELA CHAUHAN, MRICS
Associate
+44 20 3897 0037
bela.chauhan@knightfrank.com



DANIELLE O'CONNOR
Graduate
+44 20 7861 5394
danielle.oconnor@knightfrank.com



JENNY NOBLE
Office Manager
+44 20 3866 8040
jenny.noble@knightfrank.com

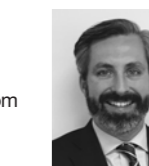


DIONNE FEENEY
Team Secretary
+44 20 3826 0604
dionne.feeney@knightfrank.com

BUILDING CONSULTANCY



MERRICK RIMMER, MRICS
Partner
+44 20 7861 1115
merrick.rimmer@knightfrank.com



MICHAEL BROWNSDON
Partner
+44 20 3866 8046
michael.brownsdon@knightfrank.com

413 OFFICES

60 COUNTRIES

The Americas

15 Countries
 Argentina / Brazil
 Canada / Chile / Colombia
 Costa Rica / Dominican Republic
 Mexico / Peru
 Puerto Rico / The Caribbean (4)
 USA

United Kingdom

84
OFFICES
2,000
PEOPLE

Continental Europe

16 Countries
 Austria / Belgium / Cyprus
 Czech Republic / France
 Germany / Ireland / Italy / Monaco
 The Netherlands / Poland / Portugal
 Romania / Russia / Spain
 Switzerland

80
OFFICES
1,020
PEOPLE

3
OFFICES
50
PEOPLE

23
OFFICES
690
PEOPLE

Africa

10 Countries
 Botswana / Kenya / Malawi
 Nigeria / Rwanda / South Africa
 Tanzania / Uganda / Zambia
 Zimbabwe

The Middle East

2 Countries
 The Kingdom of Saudi Arabia
 The United Arab Emirates

Asia Pacific

14 Countries
 Australia / Cambodia
 China / Hong Kong
 India / Indonesia
 Japan / Malaysia
 New Zealand / Philippines
 Singapore / South Korea
 Taiwan / Thailand

57
OFFICES
5,520
PEOPLE

DEBT FREE & INDEPENDENT

\$800M

WORLD TURNOVER
 (EXCLUDING THE AMERICAS)

ABOUT THE GROUP

There's a human element in the world of property that is too easily overlooked.

At Knight Frank we build long-term relationships, which allow us to provide personalised, clear and considered advice on all areas of property in all key markets. We believe personal interaction is a crucial part of ensuring every client is matched to the property that suits their needs best – be it commercial or residential.

Operating in locations where our clients need us to be, we provide a worldwide service that's locally expert and globally connected.

We believe that inspired teams naturally provide excellent and dedicated client service. Therefore, we've created a workplace where opinions are respected, where everyone is invited to contribute to the success of our business and where they're rewarded for excellence. The result is that our people are more motivated, ensuring your experience with us is the best that it can be.

FULL LIST OF SERVICES

COMMERCIAL		RESIDENTIAL	
SECTORS	SERVICES	TRANSACTIONAL	PROFESSIONAL SERVICES
<ul style="list-style-type: none"> Automotive Energy Healthcare Hotels Industrial & Logistics Leisure Office Retail Retail Warehouses Student 	<ul style="list-style-type: none"> Asset Management Building Consultancy Business Rates Capital Allowances Capital Markets Development Consultancy Facilities Management Lease Advisory Leasing Planning Project Management Property Management Research Restructuring and Recovery Sales Tenant Representation Valuations Workplace Consultancy 	<ul style="list-style-type: none"> Development Marketing International Residential Sales Investment & Lettings Management Lettings Private Client Acquisition Private Rented Sector Property Management Residential Capital Markets Sales 	<ul style="list-style-type: none"> Building Consultancy Compulsory Purchase Consultancy Corporate Services Interiors Litigation Research Residential Asset Management Residential Mortgage Broking Rural Consultancy Valuations

IMPORTANT NOTICE

© Knight Frank LLP 2016 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP and Newmark Grubb Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP and Newmark Grubb Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP and Newmark Grubb Knight Frank to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names. This report was researched and written during the period May to mid-August 2016, based on evidence and data available to Knight Frank LLP and Newmark Grubb Knight Frank at the time. Rents quoted in the reports are in US dollars, but growth rates are in local currencies to remove exchange rate effects. Americas rents quoted in this report are prime average asking rents, whereas rents in other geographies are quoted normal prime achieved. Forecasting is an inherently uncertain activity and subject to unforeseeable changes in the external environment, and we note the particularly high level of geopolitical, financial market, and economic risks facing the global economy at the time of publication. These present downside risks to the forecasts in this report.