

Integration

White paper receives a cautious welcome from the sector

Children's services

How attractive is the market to the investor community?

HC-One

Provider to sell 52 care homes

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In focus

Gaping hole

The missing middle

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Candice Blackwood, healthcare real estate partner, and **Rebecca Little**, senior associate in real estate, of law firm CMS, explore some of the challenges the sector faces and the investment opportunities that may arise



Healthy demand

As of 8 March, the good news for the sector is that every care home resident will be allowed one regular indoor visitor in England, and two in Scotland¹. Lateral flow tests will be required before entry and PPE will need to be worn by visitors, but after a long year, families will at last be able to hold hands with loved ones. Also, on 11 February the Department of Health and Social Care published its long-awaited white paper *Integration and Innovation: working together to improve health and social care for all*². The proposed Health and Care Bill will be the first substantial legislative change for UK health policy since 2012. This article explores care home arrangements and challenges post-pandemic, and sector investment opportunities in the light of these changes.

Care homes post-pandemic

The pandemic has highlighted a need for the buildings that we occupy to be designed according to the way we want to live. We need to move away from the institutional care home. Combating loneliness and promoting wellbeing are two key issues that have been identified as essential to the way that we all live.

As we get older, risk factors that lead to loneliness begin to increase.

Emerging Age UK research shows that loneliness impacts both our mental and physical health. Loneliness is now associated with increased risks of coronary heart disease and stroke, high blood pressure, reduced immune functioning, cognitive decline, and dementia.

Families are now looking for dedicated care, hotel like facilities, single-rooms with en-suites, outside access via balconies and gardens, reconfigured dining, shared and communal areas, with space

for visiting and overnight stays.

Families also want reassurance as to how homes will manage infection control in the future, what PPE is used and how, whether staff have sufficient permanent cover or use agency, whether workers and patients are vaccinated, and is there available medtech and broadband to make daily observations, reporting and family contact easier.

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Health and safety in care homes has also featured prominently due to Covid-19.

Changes to fire safety legislation for much higher buildings through the Building Safety Bill and Fire Safety Bill have made fire safety risk assessments more comprehensive for care homes. Providers now require full safety management arrangements, which identify what needs to be done to control risks.

The control measures should then be implemented, and their effectiveness kept under review.

Challenges

Staffing

Prior to the pandemic, we had an acute shortage of qualified nurses and care workers, being exacerbated as free movement reduced, with the UK leaving the EU. With pandemic job losses in the hospitality and retail sectors, care home jobs were being filled more easily in lockdown, and all staff delivered services beyond what anyone expected, while battling with Covid-19 and health issues themselves.

However, staff have now been working under strain for a long period, often in physically and emotionally exhausting circumstances. There is an urgent need to create a well-run and trained workforce, who are properly rewarded, incentivised to stay, and to achieve their ambitions within the sector.

Increasing costs

With no current plans to extend the adult social care infection control fund beyond March, care homes will have to pay for the continuation of measures themselves. Enhanced use of technology in the UK care home sector is much in demand. Some premises need reconfiguration or bed numbers reduced to facilitate easier social distancing in shared areas.

All this is helpful to improve the safety of people living and working in care homes, but results in increased costs, and closures of older properties with marginal viability.

Public Support

Authorities are under pressure to control costs with unprecedented levels of support being provided across all services, so major additional public funding for the sector is not anticipated. Further government social care proposals are expected in the autumn.



The white paper aims to integrate NHS care, reduce bureaucracy, and improve accountability. Changes are proposed on procurement processes, regulatory reform and improved data sharing.

It is likely these changes will have a knock-on effect on care homes and there has been no indication on how these proposed changes will be funded.

Occupancy

The majority of operators expect it will take the rest of 2021 and possibly until 2023 for occupancy rates to recover in care homes to pre-Covid levels. Not only due to the reluctance of families to move their loved ones into care homes during the pandemic, but also with difficulties in transfers to and from hospitals, step down or rehabilitation care.

We all want to be as independent as possible for as long as possible. However, there are limited alternatives for the elderly with dementia and multiple medical needs.

We are seeing increased interest in domiciliary care and enhanced support at home. The more able elderly are downsizing into senior living villages,

in search of a community experience with onsite leisure facilities and support. However, neither home support nor retirement living options are likely to exceed the demand for care home places in the future – with an ageing population, the demand for care homes in the UK can only increase.

Investment

So, what impact has the pandemic had on investment into the care home sector?

With government-backed funding, most operators have continued to pay rents throughout the pandemic (unlike retail, hospitality and office tenants). The pandemic has required some investors to be more hands-on, bringing forward capex programmes, providing additional funding for operational needs, and sharing best practice in terms of data, technology and PPE procurement.

Investors and operators have been more open to mixed private and public paying homes. There has also been more investment interest in domiciliary and homecare businesses and senior living.

However, we continue to see healthy

demand from a range of investors, including UK and international institutional funds, private equity and high net worth funds, REITs and buyers from Europe, the US and Asia. Investors in the industry to date have benefitted from high yields producing higher than average returns. With the assets being fully managed by regulated care home operators, investing in the health sector is safe, ethical and sustainable.

We fully support the well-deserved and overdue recognition of the care sector. We are working closely with investor and operator clients in these headwinds to ensure the government, media and investment interests translate into quality care homes and senior living environments.

NOTES

1 <https://www.laingbuissonnews.com/care-markets-content/news/care-home-residents-to-be-allowed-visitors/>

2 <https://www.laingbuissonnews.com/care-markets-content/news/integration-plans-welcomed-but-do-not-address-social-care-pressures-say-groups/>