Healthcare Capital Markets

Knight Frank

2025

Global capital flows back into the healthcare sector.

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Global capital checks in...

While UK healthcare markets have felt the same pressures that many sectors have experienced over the past years, 2024 certainly saw investors confirming their positive sentiment in the sector.

Ryan Richards,
Knight Frank, Associate

Despite some conventional sectors still struggling to gain traction, healthcare seems to have picked up where the year 2022 left off. 2023's c.50% dip in transaction volumes are now behind us and healthcare volumes for 2024 closed at above £3bn. This has of course been a result of the aggressive re-entry of North American capital through REITs such as Welltower and their ability to capitalise on the RIDEA structures and as such WHOLECO deals were much more prominent than we have seen in previous years.

If 2023 saw investors stepping back to gauge markets, 2024 was the year of 'too good to miss' opportunities for well capitalised investors.

Average annualised returns sat at 5.8% at the end of Q4 2024, up from 4.4% in the previous period. This, as always, highlights the healthcare sector's strength in terms of stability of returns. We continue to see strength in operator trading in our annual Care Homes Trading Performance Review, further solidifying sector confidence.

Healthcare's fundamental drivers, such as demographics, long-term income, and ESG credentials, have and continue to present an undeniable case. So with this, the overall outlook for the healthcare sector is positive, and we have already seen last year's positive sentiment filter through into this year with the completion of large portfolio deals and several key M&A negotiations ongoing.

2024 SUMMARY

£3.2bn
Total transaction volume

52.5%
The percentage of 2024 demand from Overseas Capital

5.8%
Average Annualised Returns
*As at end of Q4 2024

85%
Portfolio transactions

£21.9m
Largest single asset transaction

£2.4bn
Five-year average transaction volume

Source: Knight Frank, MSCI.

UK Macroeconomic overview

Nik Potter,
Knight Frank, Associate

After a prolonged period of global macroeconomic shocks, the world economy was showing signs of stabilising, albeit at reduced levels of growth expected. This trajectory shifted dramatically in the first quarter of 2025, when the US 'Liberation Day' triggered a sharp downturn in global markets. The resulting uncertainty, largely driven by newly imposed US tariffs, has cast a shadow over the global economic outlook. In response, the IMF has revised down its global growth forecast, projecting a moderate 2.8% in 2025 and 3.0% in 2026, down from the 3.3% forecast for both years issued in January. This would see global growth at unspectacular levels compared to the historical average of 3.7% from 2000-2019.

The UK economy showed modest activity in the first half of 2024, with GDP growing by +0.8% in Q1 and +0.4% in Q2. The UK economy stagnated in the second half of 2024, as reflected by the modest yet unexpectedly positive growth of +0.1% in Q4. This came amid ongoing weakness following the October budget and soft demand from abroad.

Moving to 2025, the UK is also expected to see growth remain sluggish relative to historical averages. The impact of tariffs in 2025 is anticipated to be modest, around 0.1%, with GDP growth forecast at 1.0%. In

"The UK economy showed modest activity in the first half of 2024, with GDP growing by +0.8% in Q1 and +0.4% in Q2."

2026, however, UK GDP is expected to moderate further to 0.9%, down from the pre-tariff forecast of 1.5%.

The UK was among the first major economies to secure a post 'Liberation Day' trade agreement with the US. The deal provides some much-needed clarity during a time of broader global uncertainty. While it isn't likely to dramatically alter the UK's overall economic outlook compared to previous forecasts, it does offer meaningful support to industries such as automotive and steel. Even so, the agreement reinforces the idea that

King's Court Care Home, Kingsley Healthcare the UK is relatively insulated from global tariff pressures, which helps sustain a sense of economic steadiness. Amid slowing economic growth, the Bank of England (BoE) is expected to implement two additional rate cuts in 2025, with consensus projections placing interest rates at 3.75% by year-end.

UK CPI inflation eased to 2.6% in the year to March 2025, down from 2.8% in February. Inflation is expected to pick up from April due to higher National Insurance and minimum wage rates. Oxford Economics expects US tariffs to have a deflationary effect in 2025, lowering year-end inflation to 3.0% from a pre-tariff forecast of 3.2%. The downward pressure comes from weak consumer demand, falling global oil prices, and a strong pound against the US dollar.

In 2024, the UK's commercial real estate (CRE) market showed the early stages of recovery, with a total transactional volume of £46.6bn recorded; +21% more than 2023, although still 18% below the 10-year average. Cross-border investment was a key driver, with international capital contributing 45% of UK CRE volumes in Q4. The UK maintained its position as a top destination for global investment, trailing only the US, while London continued to lead as the most sought-after global metro for cross-border investments for the fifth year in a row.

Amid ongoing uncertainty in 2025, the UK emerged as the leading destination for cross-border capital in Q1 2025, underscoring its resilience amid challenging global conditions.

UK CRE investment totalled £8.1bn in Q1 2025, down 45% from Q4 2024 and 28% year-on-year. Offices remained the most active sector, with £2.2bn in investment, followed by the Living Sectors (£2.0bn), Logistics (£1.7bn), and Retail (£1.4bn). Notably, the Living Sectors were the only ones to see year-on-year growth.

Cross-border capital continues to play a vital role, accounting for 53% of total CRE volumes. While foreign investment was 35% lower than the previous quarter, momentum is building again. Japanese investment surged by 59% over the 2024 total in Q1 alone, and Australian capital saw a dramatic 234% increase.

Sector fundamentals are gradually improving. According to MSCI, property income has grown by over 5% since early 2023. Capital values, having rebounded from a 21% decline, are now at their highest since Autumn 2022. With interest rates showing signs of stabilisation, the backdrop for UK CRE is becoming more favourable as investors seek safe haven assets for capital deployment.

The case for healthcare as an investment

Long-term income

Weighted average unexpired lease terms (WAULT) average 25-30 years in the residential care and hospital sectors.

Leases are commonly indexed-linked to inflation.

Demographic shift

UK over 85 population is set to increase from 1.7 million to 3.7 million in 2050.

An ageing population means increasing demand for residential care, primary care and acute hospital services.

Secure income

Operator revenue is reinforced by a healthy mix of self-funded care and publicly-funded care.

Income is supported by high occupancy and patient demand across the healthcare arena.

Investment performance

Total returns measured 5.8% in 2024, higher than many core property sectors.

Returns are historically stable, offering investors protection and diversification.

Structural change in real estate

Real estate investors already de-risking from traditional sectors such as retail into alternatives like healthcare.

Demand for safe havens

Broader UK real estate offers security and liquidity in a global downturn.

UK healthcare's long-term and often government-supported income offers further defence.

Social impact

The influence of impact or ESG investing in real estate is growing at a faster pace than ever.

A range of investors are now focusing on social infrastructure investments, and healthcare is part of this.

Back in good health...

Transaction volumes for 2024 were c. £3.2bn, the highest that we have seen since 2020, with a significant chunk attributed to WHOLECO deals and overseas capital. Deal structures have played a huge role in this, as investors seek more substantial net operating income than that available via the conventional triple-net lease.

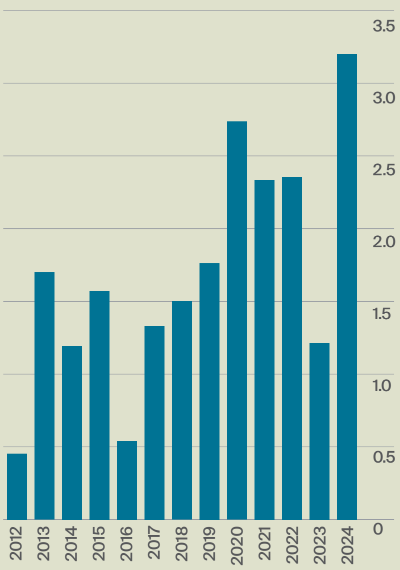
As such, we have seen more deals recorded in the past year, which is contributing to a positive sentiment, considering that 2023 finished with transaction volume levels of £1.2bn overall. However, there is still an element of caution being shown, rates have not moderated as quickly as we had initially forecasted and therefore there seems some market watching. Last year saw the rebasing of the buyer composition in favour of overseas capital as well as the institutional investors and private property companies. This is slightly more in line with the five-year averages than that of 2023. Key transactions for 2024 include Hartford Care, Signature Senior Living and Berkley Care, along with the acquisition of Care UK by Welltower for an undisclosed fee.

Investment by sub-sector is another area to consider when discussing market volume. Elderly care continues to generate the most interest from investors on all fronts, accounting for 68% of volume. In addition, private hospital took some share of the reported volume, accounting for 29%. Notably, of this demand in elderly care, the large number of operational deals, a large proportion of demand came from investors, buying into more than just the conventional fixed income real estate returns in attempts to take a share of operation income further promoting healthcare's capabilities as a true operational asset class. Due to such statistics, understanding not only where, but how capital is being placed remains of great use (Fig 5).

Stripping out of outlier deals (classified as any large transactions over £500 million), although there are few such transactions (three within the last ten years), the inclusion or exclusion of such deals can present a different picture or sentiment. The lack of major deals within the previous two years of volumes (Fig 6) should be considered positive where volumes are not skewed. Despite this, 2024, even with the larger deals excluded, shows promising volumes and therefore suggest that we are seeing stronger and more regular demand from an array of investors for healthcare assets, built on many transactions instead of a few large outliers.

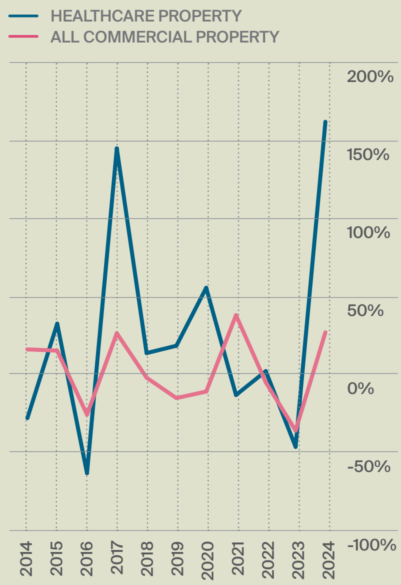
The return to more significant volumes will result from the normalisation of the sector, continued organic demand, and a few portfolio deals that will loosen the pockets of investors. For the year ahead, we anticipate the sector will regain its momentum in relation to recorded transactions. Fig 7 shows forecast volumes based on an average five-year growth, excluding major deals (above £500 million).

Fig 1: Recorded healthcare investment volumes (£bn)



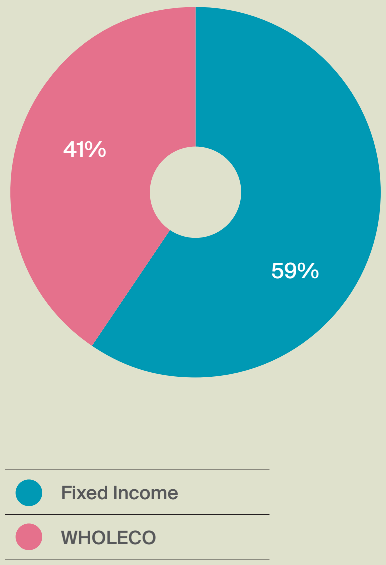
Source: Knight Frank

Fig 2: Percentage change in property investment volumes



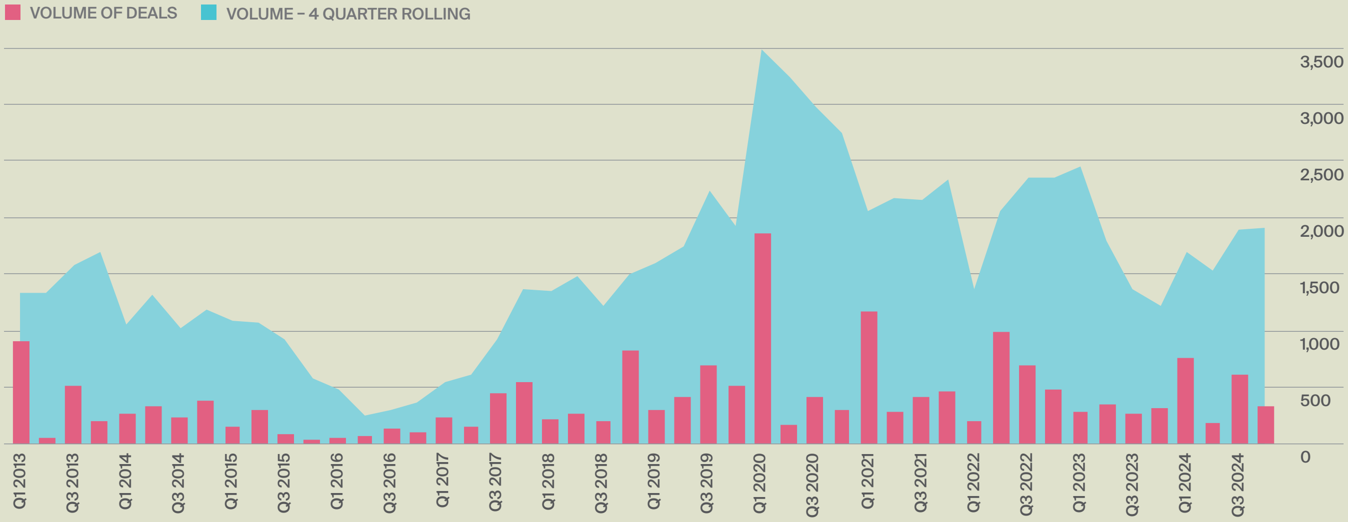
Source: Knight Frank

Fig 3: Volume by deal type



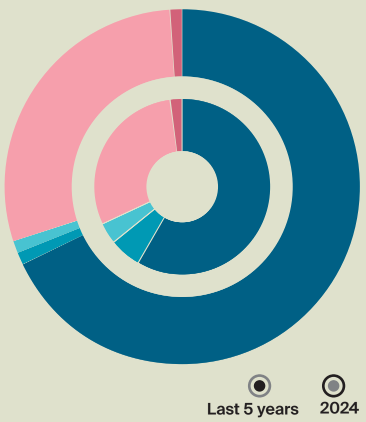
Source: Knight Frank

Fig 4: Recorded healthcare property transactions (£ millions)



Source: Knight Frank, Property data. Please note, here we include recorded transactions for elderly care, adult care & supported living, primary care, hospital facilities and childcare.

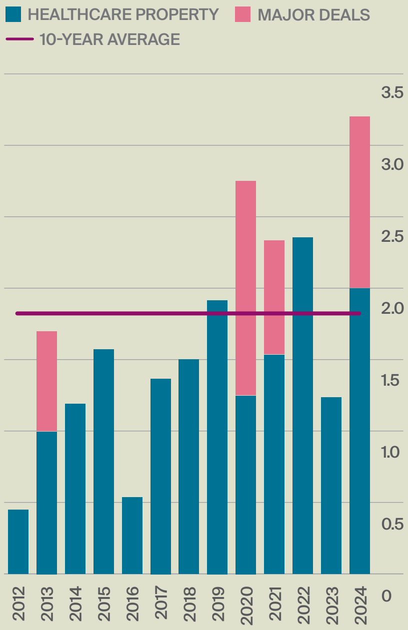
Fig 5: Healthcare property investment, by asset type



	Last 5 years	2024
Elderly care	59%	68%
Adult care	6%	1%
Primary care	4%	1%
Hospital facilities	30%	29%
Childcare	2%	1%
Other medical	0%	0%

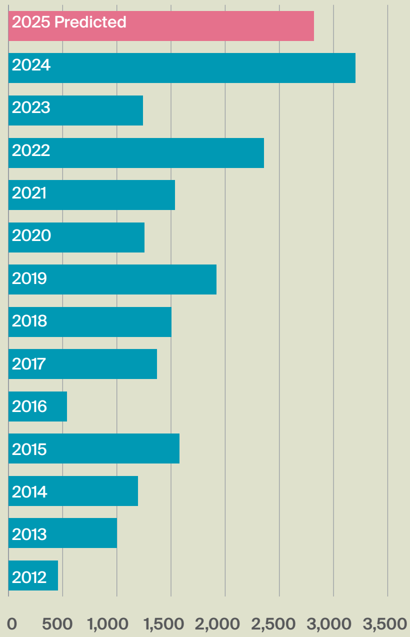
Source: Knight Frank, Property Data

Fig 6: Recorded healthcare property transactions (£bn)



Source: Property Data
* 10 year average incorporates major deals also

Fig 7: Anticipated transaction volume (£m)



Source: Knight Frank, Property Data

Table 1: Notable deals in 2024

Deal type	Price £m	Date	Details	Properties	Purchaser	Purchaser type	Sector
PORTFOLIO	207	Mar-24	Clariane UK Care Homes Portfolio 2024	11	Elevation Advisors	Institutional	Elderly Care
PORTFOLIO	Undisclosed	Jul-24	Signature UK Care Home Portfolio 2024		PGIM Real Estate, Elevation Advisors	Institutional	Elderly Care
PORTFOLIO	500	Aug-24	Northwest Healthcare UK Hospital Portfolio 2024	14	Assura	REITS & LISTED	Private Hospital
PORTFOLIO	Undisclosed	Oct-24	Care UK Acquisition		Welltower Inc	REITS & LISTED	Elderly Care

Source: Knight Frank, Property Data

All or nothing

Transaction composition is vital to understanding the sector's direction regarding capital flows, investor type, target areas, and much more.

2024 saw transaction volumes cross the £3bn mark. This is firstly a significant improvement on the year but also a sign of investor confidence returning following the various headwinds. It is worth noting that WHOLECO, as well as sale and leaseback deal structures, have played a significant part in these volumes as operators look to exit the sector or release capital. This strong sector confidence has ultimately continued into 2025 with Q1 transaction volumes currently reported at c.£330m. Off the back of this, we are also seeing what looks like a revival of M&A activity not only in terms of WHOLECO deals for the operational assets, but in terms of listed healthcare investors. Primary care REIT Assura has become a target acquisition for private equity giant KKR as well as rival REIT PHP. Beyond this US based Care Trust's acquisition of Care REIT as well as recent news of a merger between Aedifica and Cofinimmo which would create the 4th largest healthcare REIT globally, means that 2025 has already been a busy year for investors.

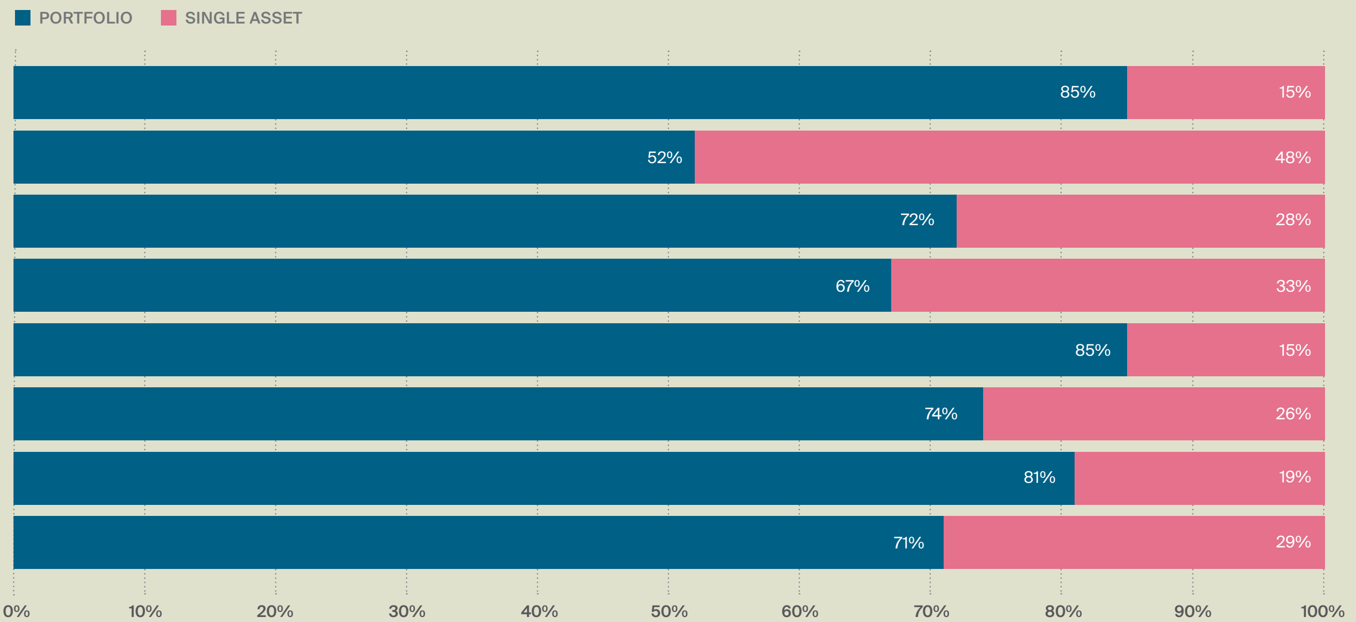
Fig 8 illustrates that in 2024, portfolio deals accounted for 85% of transactions, compared to 2023, where single assets and portfolio deals accounted for 48% and 52% of transactions, respectively. This can be attributed to the fact that a number of the key market players, as well as overseas investors have been looking to take larger or scaleable market positions.

2024 saw a rebound in overseas capital following on from 2022/23's abnormal dip. This is a result of a vast number of North American REITs trading at premiums to NAV and as such, being well positioned to raise and ultimately deploy capital.

UK institutional capital has also remained active amidst this and as such continues to be a fundamental part of domestic activity.

> "Portfolio deals accounted for 85% of transactions, compared to 2023, where single assets and portfolio deals accounted for 48% and 52% of transactions, respectively."

Fig 8: Portfolio vs single asset transactions



Source: Knight Frank

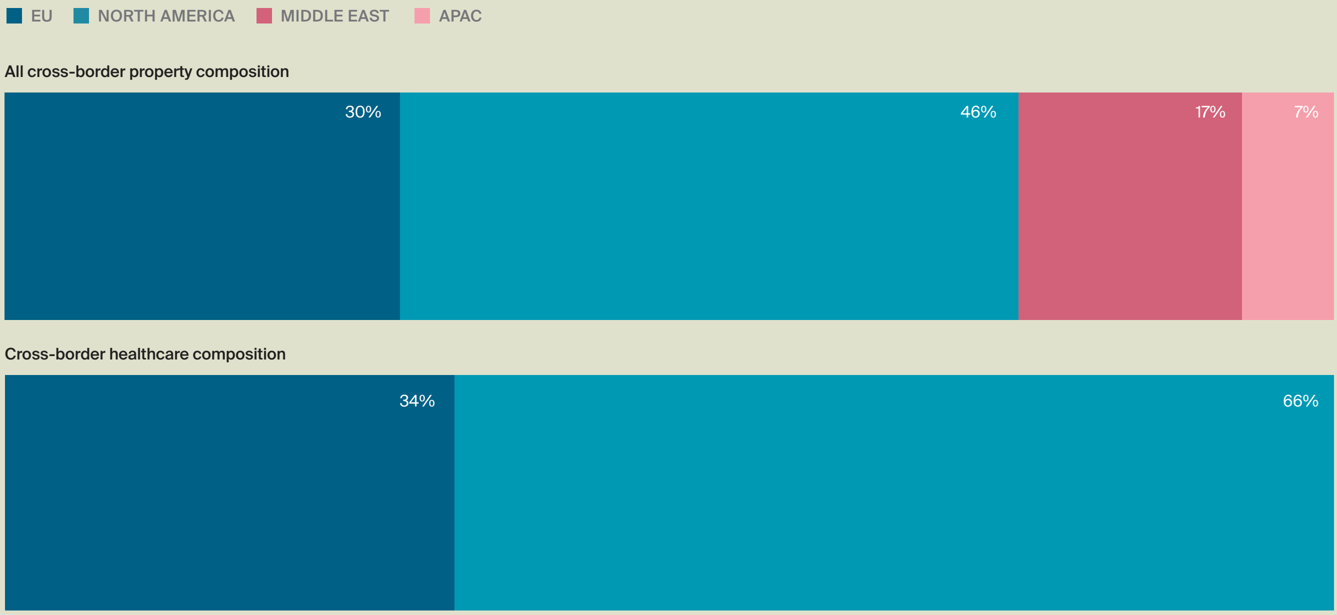
US-based capital has historically been split between elderly care and private hospital assets, whereas European-based capital has been more elderly care-focused. We run analysis focuses on the location of capital and the sub-sector of healthcare it flows into. We are also witnessing an interest in specialist and childcare facilities. However, these are less prominent within the analysis due to less maturity in the space compared to elderly care and hospital facilities.

As in previous years, North American capital is a significant component of transaction volume, a trend not only seen in care but also within all broader property capital flows. Healthcare again, over 2024, mirrored the presence of European and North American capital seen in all property transactions. However, North American investors have certainly ramped up their activity over the past year. While this wasn't the case between 2022 and early 2024, this is more in line with historic trends.

Assessing the way in which target areas have changed and remained consistent for each investor type over the past few years can be important in understanding opportunities. Whilst elderly care emerged as a clear target area for most investors in 2024, there has always been a substantial interest in private hospitals and adult specialist care. This was cemented by Assura's acquisition of the NW Reit UK portfolio. We have also seen continued sale and leaseback transactions between operators and investors as a capital release or outright exit strategy, with some savvy investors opening up their strategies to the operating platforms and not just the real estate. Amidst all of this, the narrative of exiting longer-standing, family-owned operators is further supported.

"We have also seen continued sale and leaseback transactions between operators and investors as a capital release or outright exit strategy, with some savvy investors opening up their strategies to the operating platforms and not just the real estate."

Fig 9: Cross-border composition



Source: Knight Frank, Real Capital Analytics

Healthcare's steady pulse

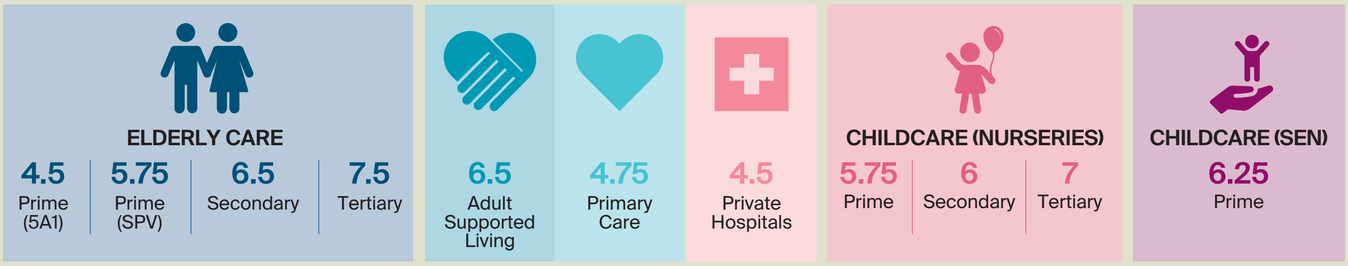
As a sector, healthcare continues to show resilience in holding returns and performance for the year.

Overall, returns and the sector's general performance continue to justify the fundamental drivers associated with healthcare, be it demographics or long income capabilities. Fig 10 presents a view of yields for the various sub-sectors within healthcare, while Fig 11 highlights total returns across several sectors at the end of 2024.

Although several other sectors are demonstrating higher returns than healthcare's 5.8% annualised average return, it is essential to note that while healthcare sits below its long-term average, there have been some more significant variances among other sectors. This is due to substantial dips and sharp recoveries within the cycles of the sectors in question. This feeds into the fact that healthcare generally presents a lower risk/return profile due to its lack of variance or deviation from its longer-term averages (Fig 12).

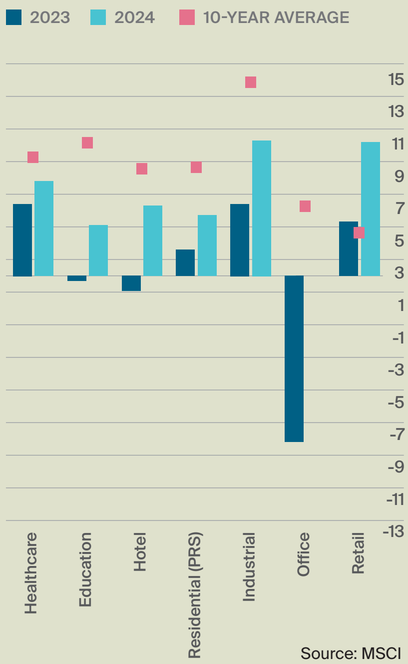
As conventional healthcare leases benefit from longer and index-linked terms, the sector presents as having

Fig 10: Healthcare yields by sub-sector (%)
Q1 2025



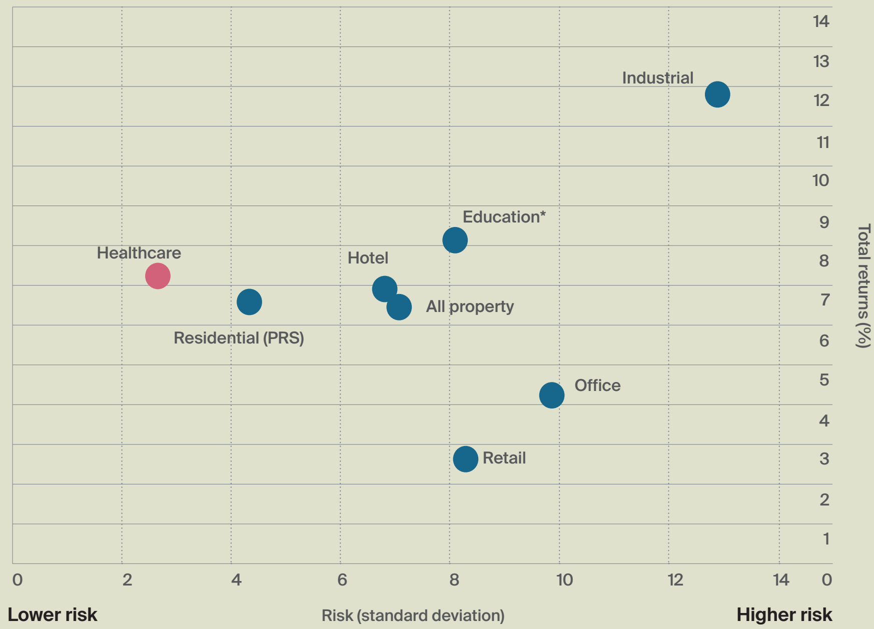
Source: Knight Frank

Fig 11: Total returns (%)



Source: MSCI

Fig 12: Risk vs returns (10-year history)

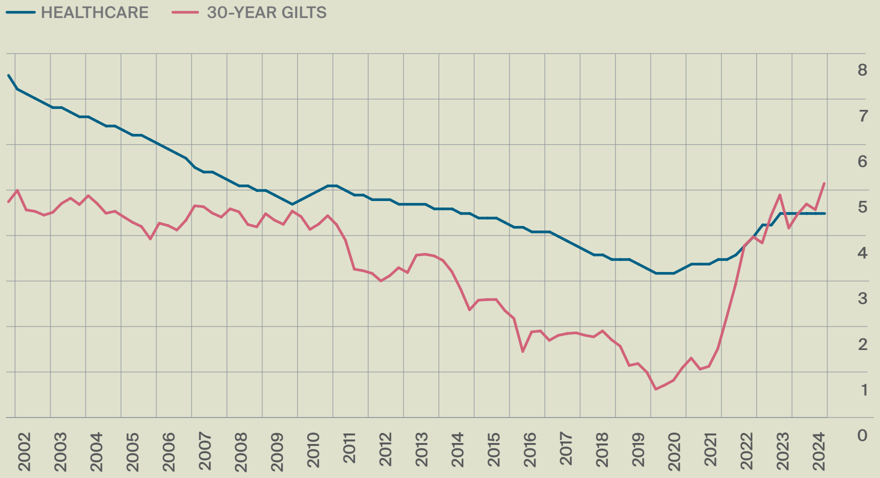


Source: MSCI

almost ‘bond-like’ long-income capabilities for investors. This opens the floor to comparing average healthcare capital rates and 30-year gilts, with an average spread of 0.36% between the two (Fig 13).

> “Overall, returns and the sector’s general performance continue to justify the fundamental drivers associated with healthcare, be it demographics or long income capabilities.”

Fig 13: Healthcare vs 30-year gilts



Source: Knight Frank

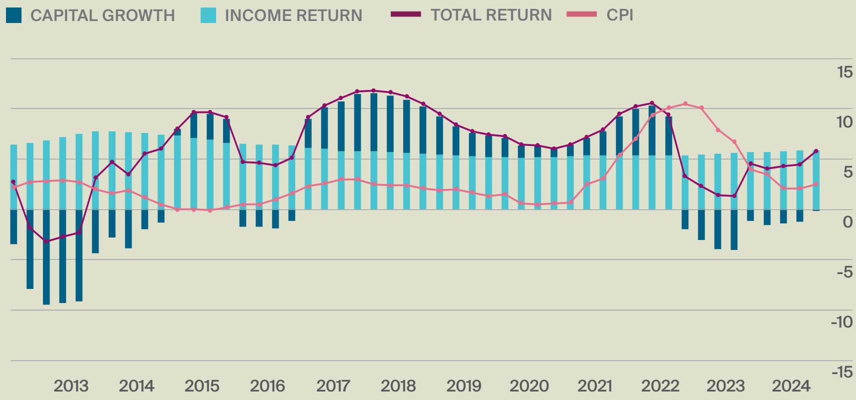
Seeing the bigger picture

Following the trend in healthcare's total returns from 2012 and the contribution of income and capital returns towards this (Fig 14a-c). Income return has been a fundamental factor in total returns trending above CPI, except for two periods. This consistency is a further testament to the sector's long-term income credentials.

Further analysis through indexation of total return and CPI over the same period highlights the extent to which total return substantially outpaces inflation. Again, this is yet another supporting factor in the case for healthcare as a stable investment class.

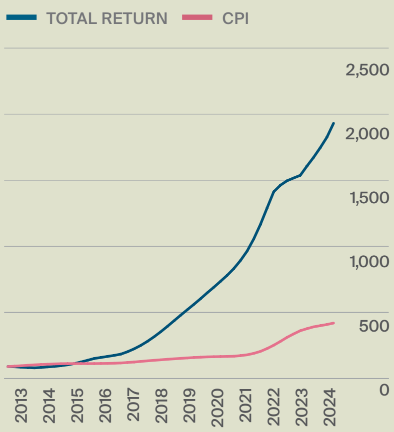
Finally, keeping to the topic of inflation and investment returns, by considering the argument for gilts vs income returns for healthcare, we have run a broad analysis to highlight the benefit of the indexation within healthcare leases when compared with a gilt over the same 30 year period.

Fig 14a: Inflation vs healthcare returns



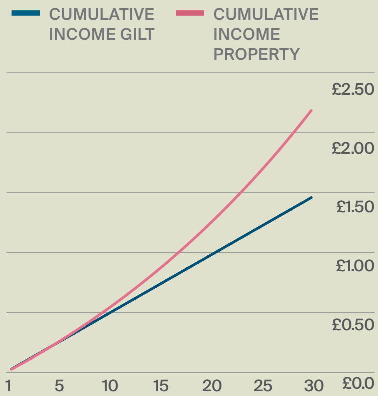
Source: Knight Frank

Fig 14b: Total returns vs CPI



Source: Knight Frank

Fig 14c : Gilts vs healthcare income returns



Source: Knight Frank

REITs in the spotlight

With the growth in demand for healthcare assets over the years, we continue to see demand from specialist REITs within the sector.

In 2024, overseas REITs have more notably been growing positions in the UK market. This, in line with the various merger and acquisition discussions, supports the positive sector view. For this reason, this year, we have looked at some of the key overseas REITs that have built a holding in the UK, including the likes of Welltower, who have seen substantial share price growth, and Omega Healthcare investors. Together, healthcare REITs are responsible for £94.2bn in global assets spread over a mix of strategies. As cross-border strategies continue to grow, observing the REITs as a whole and not just based on their respective domiciliary locations has become necessary.

> "As cross-border strategies continue to grow it has become necessary to observe the REITs as a whole and not just based on their respective domiciliary locations."

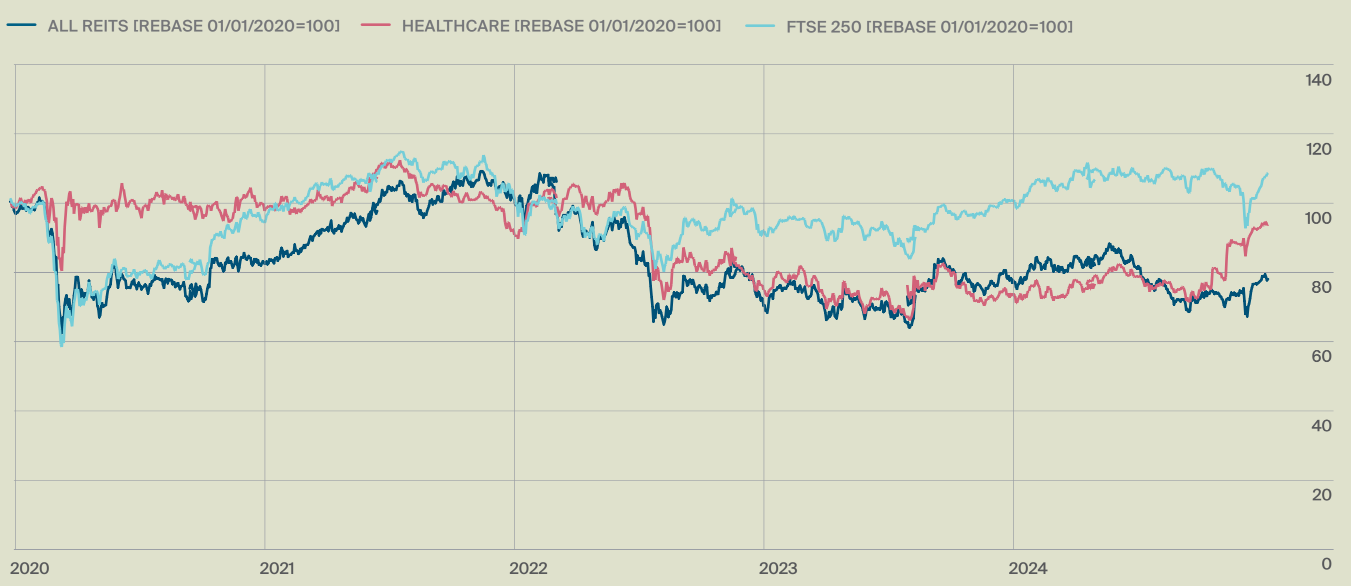
As seen by the overall healthcare returns relative to other sectors, Fig 15 represents the performance of healthcare REITs compared to all property REITs and the FTSE 250. Following these trends, we have seen healthcare REITs' continued divergence away from the 'all-REIT' line. Whilst 2023 saw the all-REIT line trend above healthcare, which will be a result of strong industrial performance and retail's recovery, we are back to a state whereby healthcare's consistency has resulted in it once again trending above the all-REIT line.

The FTSE 250 line continues to trend above REITs overall, but this will be down to the strong performance of financial services and energy equities due to the capitalising on high base rates supporting their lending activity and inflationary pressures boosting utility providers' profits. Notably, the consistency in healthcare's trend line is a significant argument for its long-run robustness.

> "Overseas REITs have more notably been growing positions in the UK market, this, in line with the various merger and acquisition discussions support the positive sector view."

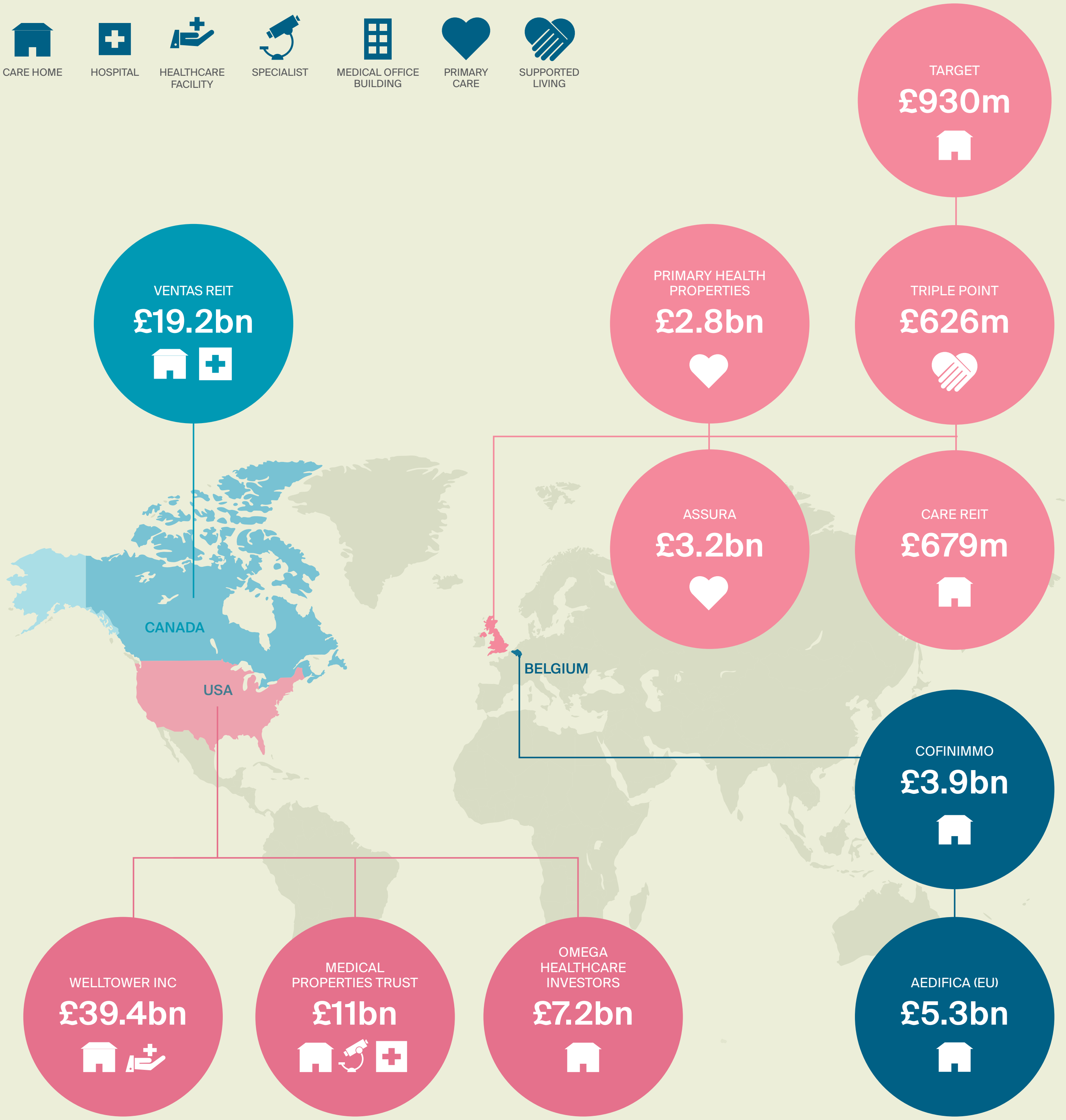
Overall, 2024 was a strong year for healthcare REITs, and we have seen this positivity follow through into 2025 with Omega's purchase of the FSHC assets, the potential acquisition of Assura by PHP or KKR, and Care REIT being acquired by Care Trust as well as the recently agreed merger between Aedifica and Cofinimmo.

Fig 15: Healthcare REITs vs All REITs vs FTSE 250



Source: Macrobond, Knight Frank

Fig 16: Healthcare REITs with UK presence AUM(£)*



*Converted from domiciled currency to GBP. Source: Company websites, data based on 2024 mid-year or interim reports

Debt market update

The UK debt landscape continues to be shaped by liquidity and a competitive lending environment. While non-bank lenders have maintained a strong presence in the market for several years now, clearing banks have also re-entered the market with force.

Freddie Rawlins,
Knight Frank, Capital Advisory

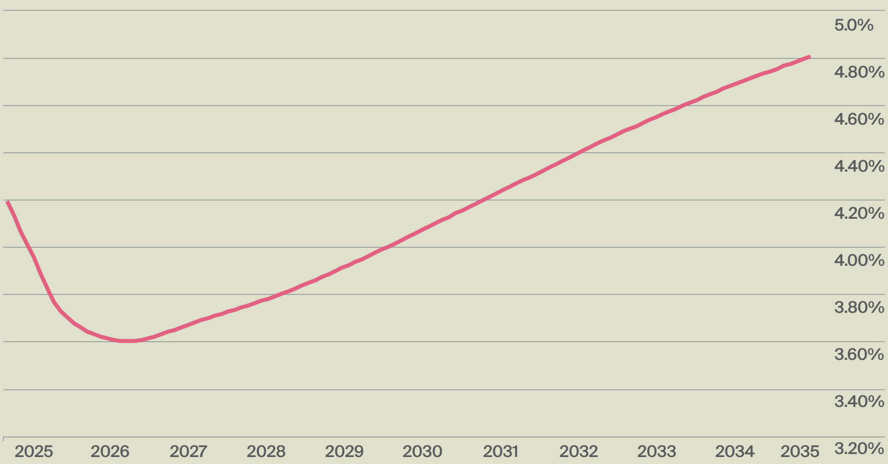
This has resulted in a significant weight of capital chasing a reduced number of transactions, meaning increased competitive tension between potential lenders and opportunities for borrowers to secure attractive funding terms. This is particularly true in healthcare, with both bank and non-bank lenders recognising the attractiveness of the sector's macro-fundamentals. Bank lenders are particularly active in healthcare lending and can offer competitive pricing for assets that are performing well and offer a clear path to continued operational efficiency. Notwithstanding a focus on deploying capital, all lenders are keen to ensure that a strong management team is in place, with track record in delivering optimised operations.

A key theme in 2025 is the evolving interest rate environment. Whilst the UK and European CRE investment market has felt the effects of a rapid rise in interest rates, forward interest rate projections vary, and whilst much is

"Non-bank lenders continue to play an important role in the healthcare debt market, providing bespoke solutions at higher leverage points, while clearing banks' dedicated healthcare teams have an increasing appreciation for the complexities of the operational aspect of a healthcare business, and are keen to build ongoing relationships with operators."

Fairfax Manor, Lovett Care

Fig 17: UK Debt Market



SWAP RATES	LATEST	12 MONTHS AGO	CHANGE
1-YEAR SONIA SWAP	3.93%	4.94%	▼ 101 BPS
3-YEAR SONIA SWAP	3.75%	4.33%	▼ 58 BPS
5-YEAR SONIA SWAP	3.80%	4.02%	▼ 22BPS

Source: Knight Frank

> “The UK debt landscape continues to be shaped by liquidity and a competitive lending environment. While non-bank lenders have maintained a strong presence in the market for several years now, clearing banks have also re-entered the market with force. ”

still dependent on the path of inflation, Capital Economics expect lower GDP growth and CPI inflation to allow the Bank of England to cut interest rates from 4.25% now to 3.00% by the middle of 2026. It must be noted that with an increasingly volatile global macro-economic environment, any interest rate prediction is just that – a speculative guess that cannot be said with any certainty.

However, subdued transaction volumes driven from the impact of a challenging interest rate environment has resulted in an increase in competitive tension among lenders. This is enabling tighter margins, along with additional borrower flexibility within debt terms.

Non-bank lenders continue to play an important role in the healthcare debt market, providing bespoke solutions at higher leverage points, while clearing banks' dedicated healthcare teams have an increasing appreciation for the complexities of the operational aspect of a healthcare business and are keen to build ongoing relationships with operators. This competition between lender types is beneficial for the borrower; driving flexibility from more traditional (and cheaper) lenders and competition on pricing from non-bank lenders.

A surplus of capital chasing limited transactions continues to favour borrowers, particularly in healthcare, where strong sector fundamentals attract lender attention. While the interest rate environment continues to pose challenges, recent downward trends are beginning to revitalise the lender market. As competitive tension grows, borrowers benefit from tighter margins and greater flexibility in debt terms, underpinned by lenders increasingly prioritising robust operational management and long-term relationships. Ultimately, lender competition remains a driving force behind attractive financing conditions in the healthcare market.

Q&A: Understanding social infrastructure

Hugo Llewelyn
Chief Executive Officer,
Newcore Capital

Newcore Capital is a UK social infrastructure real estate investor, which has been managing capital for institutional and family office investors since 2011 across real estate enabling healthcare, education, waste, transport and other essential service sectors. It is an independent business with 20 staff based in London, and in the top 1% of B Corporations globally.

UNDERSTANDING SOCIAL INFRASTRUCTURE & MARKET DYNAMICS

Q: What is social infrastructure, and how is its role evolving within the broader investment landscape?

Newcore defines social infrastructure as the services essential to the ongoing functioning of day to day society and the property assets that enable them to do so. For us, this predominantly relates to areas such as clinical healthcare, education, waste management, transport and social care.

Q: Newcore has focused on social infrastructure since inception. What recent developments – particularly in education and social care – are now driving new investor interest?

The biggest theme that we see at the moment (including around education and social care) is how providers of social infrastructure grapple with the cost of living (and cost of capital) squeeze, that is affecting every UK participant in some form or other, whether government, private sector, university or charity, whilst knowing that the service they provide is essential to continue.

Operators who may have traditionally funded and owned their own real estate are looking for cost effective and responsible longer-term solutions with real estate capital partners. It also comes at a time when many specialist fund managers are also grappling with their own issues around liquidity in private markets funds and fund raising for new ones after the 2022 financial car crash.

Q: Which areas within social infrastructure present the most compelling opportunities today, and how has this shifted over time?

We have been very active in the clinical healthcare space in the last 18 months – with some of the larger players on the side-lines during this time. However, we also continue to be active across the other themes as well, recently having purchased schools, childcare, motorway services etc.

Q: What are your predictions for the future of social infrastructure as an asset class?

I won't make predictions about returns – its far too generic a topic to do so – but I think we see the asset class becoming more mainstream every day as an alternative to other real estate sectors.

STRATEGY & MARKET POSITIONING

Q: What is Newcore's current strategic focus, and how has it changed since last year or pre-pandemic?

There are two issues in the UK at the moment (the market in which we operate): not enough social infrastructure in the right places, and almost all functional social infrastructure in need of updating to modern environmental standards. Our two strategies (value add taking planning and leasing risk, and core plus owning functional in need of upgrading) cover these two themes.

Q: How would you describe the current pricing environment, there is a lot of market noise at the moment, what are you most conscious of on the macroeconomic front?

I would say that the market is sensibly priced at the current time.

In terms of macro, we are very conservative as an investor, in the current market environment with the view that the QE unwind is only just beginning and that the potential for stagflation is real. We use low if any leverage and keep it fixed for as long as we can. The market for good quality social infrastructure however is active and functioning, as other investors see the benefits of it too.

Q: Are there any vulnerabilities within the sectors you invest in, are any more exposed than others, and how are you positioning for resilience?

This sector is definitely one for specialists – there are many things that can go wrong, as with all property sectors. We have been investing only in this area for the last 14 years and we are still making mistakes and learning.

OPPORTUNITIES & INVESTMENT THEMES

Q: What makes the health, social care and education particularly attractive for institutional capital?

There has been a lot of discussion around ESG and sustainability in the last few years. Investors can see how positive E might be achieved but have struggled more with the S in ESG. Our sectors do have a clear underlying logic in how positive social impact can be delivered (creating affordable assets that enable society to function) and we can measure this in terms of new or refurbished accommodation delivered.

Many managers say that the sector is a-cyclical (performs through all cycles) which I don't personally believe is the case, albeit it is driven by different economic drivers to some other sectors like offices and retail.

Q: What's driving increased capital flow into the SEN (Special Educational Needs) sector, and are there concerns around ownership structures?

Our focus here is on owning affordable and functional bricks and mortar that enables day services SEN schools. There is a huge social issue around education at the moment and there are good (and bad) operators out there working with local authorities to deal with it. Our job is to find and work with the good operators.

Q: Your strategy seems to focus on specialist care beyond elderly care, what is the reason for this and how do you manage regulatory risk in these areas?

Our current focus is predominantly on day services social infrastructure: where people don't spend the night. It is where vulnerable people spend the night that forms the highest risk social care investment – even if your corporate tenant vacates, you have an underlying responsibility to the people living there, so you are much closer to the operational risk.

EXECUTION & VALUE CREATION

Q: What does a high-quality acquisition look like for Newcore?

We like buildings that have known issues (around access, covenants, functionality), that through our knowledge, approach and occupier relationships, we can turn into performing useful assets – making a decent profit and a useful ongoing contribution of our capital to society.

Q: How does your investment approach differ from other market participants?

One of the key USPs that we have is that we are a B Corporation and currently in the top 1% of all B Corps globally. There has been a lot of focus on the E and the S in ESG, but for us the G is paramount. Our view in a nutshell is that if we act in a courteous way to all our stakeholders, it will give a lot better outcome for us in the long-term and so that has proved to date over the last 14 years.

Q: What strategies are most effective for extracting value in the current market environment?

I think having an eye to the long-term is the key, not believing that artificial policies like QE will endure (hence pricing risk correctly) and not relying on leverage to deliver returns – this has destroyed the business models of many managers post-2022.

CAPITAL, RISK & ESG INTEGRATION

Q: Having recently achieved first close on the new Newcore Social Infrastructure Fund (NSIIF), how does your overall capital structure and investor cohort support your strategic goals in today's climate?

We were very pleased to close NSIIF with three institutional investors committing to the fund at cornerstone closing. These included the UK Parliamentary Contributory Pension Fund – the MP's DB pension fund – which is exactly the sort of long-term investor that we hope to attract. MPs and other parliamentarians understand and are aware of the need for sensible public/private sector partnerships in capital management – not all models in the past have worked; and we were very grateful that they and the other investors backed us, in these difficult capital raising markets.

Q: What role does liquidity play in your investment strategy, and how have your requirements changed over the past few years?

Liquidity is key to all investment – we run both closed end and open ended strategies and try to deliver our investment business plans well within those timescales.

Q: How has ESG integration evolved across your strategy?

ESG has always been central to Newcore – you can't invest for the long-term in social infrastructure without having a genuine commitment to behaving responsibly.

> "Operators who may have traditionally funded and owned their own real estate are looking for cost effective and responsible longer-term solutions with real estate capital partners. It also comes at a time when many specialist fund managers are also grappling with their own issues around liquidity in private markets funds and fund raising for new ones after the 2022 financial car crash."

Healthy outlook

While 2023 presented as a slow year, 2024 definitely presented as a year of regained confidence in the sector. Of course a substantial part of this was due to the inflow of overseas capital from North America but also due to a great amount of creative deal structures.

Julian Evans, FRICS
Knight Frank,
Global Head of Healthcare

The sector's fundamental drivers remain strong, and investors are seemingly aware of this, with a number of standout transactions already completed or pipelined for completion this year, last year's momentum seems to be continuing. Another sign of the positive sector sentiment is the extent to which we see active M&A activity, this is evident not just in the elderly care space, with agreed deals such as Care Trust's acquisition of Care REIT and the merging of Aedifica and Cofinimmo, but also in the primary care sector where we have seen interest in Assura.

Institutional capital is still active amongst all and there is strong appetite from lenders for healthcare. Both small and large portfolios are transacting a sign of both market entry with potential to scale as well as possible consolidation, suggesting that we may finally be at the point of healthcare's maturity away from an alternative investment class.

ESG will continue to feature, especially with reference to investing for 'Social Impact.' Investors and operators will be keen to service their sustainability targets through care settings and businesses with strong ESG credentials and the ramp up of capital to the sector may see a well needed influx of repurposing and upgrading of stock.

The sector remains well capitalised, which, in addition to robust operator trading and the underlying drivers we have mentioned, suggests that healthcare is in a strong position for the long run. However, it is worth considering the fact that recent transaction as well as M&A activity, ultimately serve as a door opener to scale and platform growth and therefore it is key to ensure pipelined and current supply is scalable and future proofed.

"The sector's fundamental drivers remain strong, and investors are seemingly aware of this, with a number of standout transactions already completed or pipelined for completion this year, last year's momentum seems to be continuing."

Tarring Manor, Caring Homes

2025 Predictions

Strong healthcare demand and transaction volume to come

With 2025 already building upon 2024's positive trends, we are optimistic for the year ahead.

Consistent and organic transaction levels, as well as large portfolio deals both from a real estate and an operational perspective, suggest the sector is experiencing significant demand.

Investors likely to increase activity

Following on from last year's strong transactions, investors and lenders are well positioned in terms of dry powder and cost of capital to continue with this positive trend.

ESG to feature

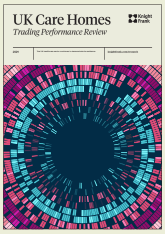
Investors and operators will be keen to service their sustainability targets through care settings and businesses that boast strong ESG credentials.

Sector's reliance will continue to shine through

Well capitalised investors and lenders, in addition to robust operator trading and the underlying drivers we have mentioned, suggest that healthcare is in a strong position for the long run.

Recent research

Healthcare Development Opportunities Report 2025



UK Care Home Trading Performance Review 2024

Global Healthcare Report 2023

We like questions. If you've got one about our research, or would like some property advice, we would love to hear from you.

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