**INTRODUCTION**

Our market-leading research examines the fundamentals of the private Senior Living market, from sales to operations, sharing the results of our survey of some of the leading operators in the sector.

It is forecast that 2020 will be a record year for institutional investment into the UK senior living market with £1.5 billion anticipated to be spent by the end of the year, according to data from our in-house deal tracker.

Rising investment volumes are reflective of the fact that investors are increasingly recognising the potential for growth in the sector, underpinned at its core by rising demand and a lack of adequate supply. There is a move toward its core by rising demand and a lack of growth in the sector, underpinned at increasingly recognising the potential reflective of the fact that investors are deal tracker.

**INCREASED INVESTMENT**

Institutional investment is driving the market as platforms are being constructed to deliver long-dated income returns.

This compares with penetration rates for Housing with Care schemes in Australia, New Zealand and the United States of 5%, 5.5% and 6% respectively. For the UK to just match the lowest of those figures would require nearly 400,000 additional Housing with Care units.

Based on our analysis of pipeline data, we are anticipating a 46% growth in the number of Housing with Care units over the next five years. The Retirement Housing market, which currently accounts for 688,000 units is forecast to grow by 10% over the same time, taking total seniors housing stock to more than 800,000 by 2024. However, the rate of delivery is still dwarfed by the UK’s ageing population. It means that, even though total delivery is forecast to continue to rise, in real terms the number of seniors housing units per 1,000 individuals aged 75+ is expected to drop to 120 by 2024, down from 137 in 2010 and 129 currently.

It’s clear that a step-change in new delivery is required if the huge imbalance between need and supply is to be reversed.

Consequently, in the next five years we expect to see a race to scale and brand-building from some of the early movers as delivery rises and as they look to create management platforms with operational efficiencies.

In this report we share the findings of our second Senior Living Operator Survey, based on data shared with us by leading Housing with Care operators.

The results highlight the diverse sources of income – across different departments and timescales – with deferred management fees, rent, management and service charges, ground rents, care and wellness, and food and beverage all contributing.

Operating costs, meanwhile, are dominated by staffing and can extend beyond single assets to head office functions.

In addition, we have analysed more than 16,000 senior living property sales across the private sector to give a view on pricing and price changes over time.

It has, arguably, never been more important to have high quality data to assist with investment decisions and move the sector forward.
CURRENT LANDSCAPE

<table>
<thead>
<tr>
<th>Retirement Housing</th>
<th>Housing with Care</th>
<th>Total Senior Housing Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>690,482 (2024(F))</td>
<td>116,007 (2024(F))</td>
<td>806,489 (2024(F))</td>
</tr>
</tbody>
</table>

5% Forecast Growth (%)
48% Forecast Growth (%)
10% Forecast Growth (%)

5% Forecast Growth (%)

DEVELOPMENT PIPELINE

<table>
<thead>
<tr>
<th>Application Submitted</th>
<th>Full Planning Granted - Construction Not Started</th>
<th>Under Construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Housing</td>
<td>4,087 units</td>
<td>4,990 units</td>
<td>13,379 units</td>
</tr>
<tr>
<td>Housing with Care</td>
<td>5,380 units</td>
<td>4,263 units</td>
<td>17,390 units</td>
</tr>
<tr>
<td>Total Senior Housing</td>
<td>9,467 units</td>
<td>9,253 units</td>
<td>30,769 units</td>
</tr>
</tbody>
</table>

Source: Knight Frank operator survey, EAC, Glenigan

We have been fortunate enough to work with a number of leading operators who between them account for 50% of the Housing with Care sector across both private and affordable markets. This analysis gives us a unique and detailed insight into operations, performance and resident profile.

HOUSING WITH CARE - AT A GLANCE

<table>
<thead>
<tr>
<th>78,383 existing units</th>
<th>74% affordable, 26% private sale or rent</th>
<th>&gt;90 units is the average scheme size</th>
</tr>
</thead>
<tbody>
<tr>
<td>48% growth in units forecast by 2024</td>
<td>4,300 units delivered on average per year (2015-2019)</td>
<td>38,000 additional 38,000 units forecast 2020-2024</td>
</tr>
</tbody>
</table>

THE SURVEY IN NUMBERS

50% private market**
110 schemes
5k private Housing with Care units
7k affordable Housing with Care units

Notes:
- *Peer countries includes US, Australia and New Zealand
- **Private Housing with Care operators who have delivered 3 or more schemes since 2000

Average units delivered per annum (2015-2019)
Average size of UK Private Housing with Care schemes

Average size of UK Private Housing with Care schemes

HOUSING WITH CARE OPERATOR SURVEY

We have been fortunate enough to work with a number of leading operators who between them account for 50% of the Housing with Care sector across both private and affordable markets. This analysis gives us a unique and detailed insight into operations, performance and resident profile.
Understanding tenant profiles is crucial to helping the sector plan for the future. According to the results of the survey, the average age of residents in private Housing with Care schemes across the UK is 83 years old, with more than 80% of current residents over the age of 80.

The average resident age increases in line with the age of a scheme, though we would expect this trend to stabilise as a scheme approaches 20 years of age. More than half of residents live alone, with females making up a large proportion of this.

When looking at where residents moved from, it becomes clear that seniors Housing is primarily a local product in any given year, it is notable that an increase was recorded across all regions within England. Indeed, further analysis shows newer schemes often boasting higher levels of service and care and subsequently achieving higher pricing.

Almost half of residents moved from, it becomes clear that seniors Housing is primarily a local product and care provided by the operator. In keeping with the growing maturity of the sector, the analysis shows newer schemes tend to offer higher levels (and a wider range) of services.

On average, schemes less than 10 years old had at least 8 amenities* on average including those related to wellness, food and beverage and entertainment. This is in addition to services such as care, including assistance with daily activities, and specialist and clinical care. By comparison, schemes more than 10 years old had an average of 5-6 additional amenities.

An increase in amenity provision reflects a focus on ensuring residents are able to ‘age in place’, though it is also clear from the survey results that the proposition of a scheme needs to be tailored to the local market to address affordability, absorption rates, scheme design and level of service and care.

Care schemes across the UK is 83 years of age of residents in private Housing with Care, though this does vary depending on age of entry and level of frailty, and also by the level of services and care provided by the operator.

When looking at where residents moved from, it becomes clear that seniors Housing is primarily a local product in any given year, it is notable that an increase was recorded across all regions within England. Indeed, further analysis shows newer schemes often boasting higher levels of service and care and subsequently achieving higher pricing.

Our pricing analysis is based on a sample of more than 300 schemes across the country developed since 2000, split between Retirement Housing and Housing with Care. The schemes comprise more than 8,500 individual units, which we tracked from original sales through to today, including re-sales. This provided us with data for almost 18,000 senior living property transactions. This analysis includes schemes from all major private senior living operators, which combined have delivered almost 70% of private units in schemes of 20+ units.

Notable is the difference in achievements between Retirement Housing and Housing with Care. Whilst this data will be influenced by the schemes on sale in any given year, it is notable that an increase was recorded across all regions within England.

Indeed, further analysis shows newer schemes are achieving a higher £psf in general. This reflects the maturing of the market, with newer schemes often boasting higher levels of service and care and subsequently achieving higher pricing.

** Local residential house price is the average price of a detached, semi-detached or terraced house within the postcode.

* This analysis evaluates basic amenities such as lift and lounge.

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** Local residential house price is the average price of a detached, semi-detached or terraced house within the postcode.

* This analysis evaluates basic amenities such as lift and lounge.
The number of private senior living rental properties in the UK is forecast to increase by 160% in the next 5 years, from almost 5,000 currently to more than 13,000 by 2024. Growth will be driven by a rise in the number of Housing with Care operators allocating a proportion of their pipeline to the rental market. Even accounting for such rapid growth, senior housing rental stock will only account for 3% of the total number of private senior housing units, which is currently dominated by ‘for sale’ stock.

However, this dynamic is changing, with the market driven by an increasing weight of capital from investors, as well as greater demand from tenants for flexibility – which includes being able to delay the sale of the family home – and quicker access to services and care. We expect to see a rise in take-up of the ‘one move solution’ with increasing service and care being delivered into rental propositions. A rental apartment or care suite can provide increased tenant choice best suited to financial profiles and preference.

The house price index uses hedonic regression based on price and controlling for characteristics such as region, property type and size. The dataset has a bias due to the nature of a sample, with this being heavily weighted towards the South East and South West and to flats. We have tried to control for this.

**RETIREMENT HOUSING**

- Growth in the number of Retirement Housing properties is expected to increase from 27,000 in 2019 to over 35,000 by 2024.

**HOUSING WITH CARE**

- The number of Housing with Care properties is forecast to rise from 20,000 in 2019 to over 27,000 by 2024.

**RENTAL PROPERTY PRICES**

- The average asking rent for Retirement Housing properties is expected to rise by 10% in the next 5 years, from £2,380 per month in 2019 to £2,600 per month in 2024.

- The average asking rent for Housing with Care properties is expected to rise by 12% in the next 5 years, from £2,400 per month in 2019 to £2,700 per month in 2024.

**RENTAL PROPERTY QUALITY**

- The average number of bedrooms in Retirement Housing properties is expected to decrease from 1.7 in 2019 to 1.5 in 2024.

- The average number of bedrooms in Housing with Care properties is expected to increase from 1.4 in 2019 to 1.5 in 2024.

**RENTAL PROPERTY SIZE**

- The average size of Retirement Housing properties is expected to decrease from 90 square meters in 2019 to 80 square meters in 2024.

- The average size of Housing with Care properties is expected to increase from 60 square meters in 2019 to 70 square meters in 2024.
Income
Income from Housing with Care schemes is varied and comes from a number of different sources. Our survey shows that service or management charges account for the largest proportion of income at approximately 60% in the 2019/20 financial year, though such charges vary at each scheme depending on the level of service, care and amenity. Deferred Management Fees (DMF), which are payable when a resident leaves a scheme and are used to help offset upfront costs and align the interests of the operator and the resident, form the second largest proportion of income for operators. The remainder is from food and beverage (F&B) facilities – including restaurants and cafes, care and wellness and ground rents.

The survey shows how Housing with Care schemes support income through provision of services, both into resident’s apartments as well as to the wider community. Indeed, of the schemes surveyed which offer either a café or restaurant, 50% have opened up their F&B offering to the public. A large proportion of operators surveyed deliver care themselves, though a variety of different models exist including partnering with external providers, reflecting the nascent nature of the sector, as well as the different approaches adopted by investors and operators. For those operators who do deliver care themselves, care and wellness represents on average between 10-20% of total income.

Costs
Like income, costs in Housing with Care schemes vary and are influenced by service and care levels, location and scale.

However, across the survey, staffing is identified as the largest outlay, accounting for approximately 61% of all costs incurred by private Housing with Care operators in the in the 2019/20 financial year. As a proportion of income, staff costs represent 38% of revenue across the schemes surveyed. The analysis highlights there is approximately one full-time staff member to every four units within a private Housing with Care scheme. In terms of total numbers of staff, on average, 38% are employed in care and wellness, 35% in estate and scheme management, and 19% in F&B.

DMF
DMF structures vary between operators and are payable on resale*. DMF revenue accounts for approximately 20% of total revenue, though this does vary.

<table>
<thead>
<tr>
<th>OPERATIONS</th>
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<tbody>
<tr>
<td>Income</td>
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**Components of Income (gross p.a. 2019/20)**

<table>
<thead>
<tr>
<th>Ground Rent</th>
<th>Service/ Management Charge</th>
<th>DMF</th>
<th>F&amp;B</th>
<th>Care and Wellness</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schemes with third party care</td>
<td>2.7%</td>
<td>65.9%</td>
<td>22.5%</td>
<td>6.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Schemes with operator delivered care</td>
<td>2.1%</td>
<td>58.7%</td>
<td>20.2%</td>
<td>5.9%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

**DMF Ranges**

- 0-5%
- 5-10%
- 10-15%
- 15%
- 15%+

DMF structures vary between operators and are payable on resale. DMF revenue accounts for approximately 20% of total revenue, though this does vary.

**PRIVATE HOUSING WITH CARE - SERVICE AND CARE OVERVIEW**

- Gym: 56%
- Pool: 47%
- Bar: 75%
- Restaurant: 77%

**OPERATOR DELIVERED CARE**: 59%

**THIRD PARTY DELIVERED CARE**: 41%

**CARE DELIVERED TO LOCAL COMMUNITY**: 45%

**CARE HOME INCLUDED WITHIN SCHEME**: 30%

**AFFORDABLE HOUSING WITH CARE**

The affordable sector within the UK is much more established than the private market, accounting for 650,000 units and representing 75% of the total market. The majority of stock is Retirement Housing, with on-site management staff but limited services and care. However, there are still a number of Housing with Care operators in this space, and significant growth in the sector is expected, with the 5 most active operators accounting for more than a third of total delivery since 2010.

Our operator survey included a sample of data from leading affordable Housing with Care operators. The portfolios of these operators total more than 28,000 units. This has provided us with an invaluable insight into key metrics for the market on occupancy, length of stay, delivery of care and staffing.

**Residents**

- Average current resident age: 79 years
- % residents moved within 10 miles: 90%
- Average scheme size: 112 units

**Care**

- % in full employed in housing: 30%
- % in full employed in care: 13%
- % in full employed in other capacity: 9%

**Staffing**

- Average Full Time Staff employed per scheme: 733
- Hours of domiciliary care provided per week (scheme total): 10

Source of all charts: Knight Frank survey, “10 most active affordable Housing with Care operators in the market delivering units since 2010.”
Knight Frank Senior Living

The Knight Frank Senior Living Team provides a full range of services to the sector from research and consultancy, valuations and capital markets aimed at senior living developers, funders and operators and specialising in senior housing, housing with care, retirement living, and assisted living schemes.

Special thanks to the operators who contributed to this report.

<table>
<thead>
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<th>Healthcare</th>
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<tbody>
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STOP AGEISM

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