Shaping up for a Healthy Future

Knight Frank

2022 UK Care Homes

Trading Performance Review

knightfrank.com/research

Contents

Introduction

Ryan Richards, Senior Analyst (Healthcare)

As in previous years we are extremely proud to release our 11th Annual Healthcare Trading Performance Survey. With the growing pressures on economies globally, the greatly appreciated contributions from all of the survey participants are immensely valuable in the continued understanding of the healthcare sector's resilience.

This year, the report focuses in on approximately 79% of the corporate care market, with over 100,000 care beds across 781 UK towns and cities, representing around one fifth of the market.

Importantly, we have seen the improvement of many of the KPIs tracked including an average occupancy level of 83.4%, up from 79.4% in 2021. Average weekly fees have grown approximately 3.3% to £980pw. Finally, EBITDARM has shifted upwards slightly to 26.3%.

We have taken our analysis a step further with greater clarity on costs, dementia penetration, age splits and wellbeing.

Overall, the 2022 survey results will serve as an indicator to the position of the sector following on from the pandemic and moving into economic headwinds.

2022 Survey in Numbers

102,195 CARE BEDS	1/5 OF THE UK CARE MKT	79% OF THE CORPORATE GROUP MARKET	67 COUNTIES	842 TOWNS & CITIES

2022 Results at a Glance

Occupancy

ALL CARE		PERSONAL		NURSING	
83.4% ▲		83.6% ▲		83.3% ▲	
▼ Private Pay 81.7%	▲ Local Authority 85.3%	▲ Private Pay 82.4%	▲ Local Authority 86.3%	▲ Private Pay 81.1%	▲ Local Authority 84.7%

Average weekly fees

ALL CARE		PERSONAL		NURSING	
£980 ▲		£847 ▲		£1,054 ▲	
▲ Private Pay £1,244	▲ Local Authority £856	▲ Private Pay £1,102	▼ Local Authority £729	▲ Private Pay £1,419	▲ Local Authority £912

Staff costs (% of income)

ALL CARE		PERSONAL		NURSING	
58.9% ▼		58.1% ▼		59.3% ▼	
▼ Private Pay 46.9%	▼ Local Authority 65.2%	▲ Private Pay 49.5%	▲ Local Authority 49.5%	▼ Private Pay 44.8%	▼ Local Authority 65.3%

EBITDARM (% of income)

ALL CARE		PERSONAL		NURSING	
26.3% ▲		26.9% ▲		26.1% ▼	
▲ Private Pay 36.8%	◀▶ Local Authority 18.5%	▲ Private Pay 35.4%	▼ Local Authority 17.6%	◀▶ Private Pay 37.8%	▲ Local Authority 18.4%

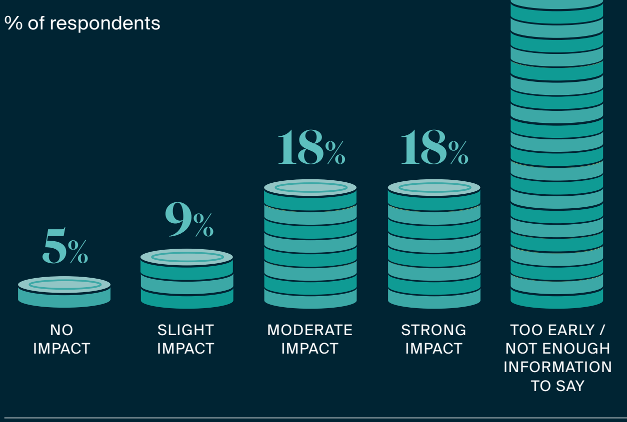
TABLE 1 | **2022 Results Like for like comparison**

	2022	2022 like for like sample
Average weekly fees	▲ 3.3%	▲ 3.1%
Occupancy	▲ 5.0%	▲ 6.6%
Staff costs	▼ 2.2%	▼ 2.9%

Operator sentiment survey

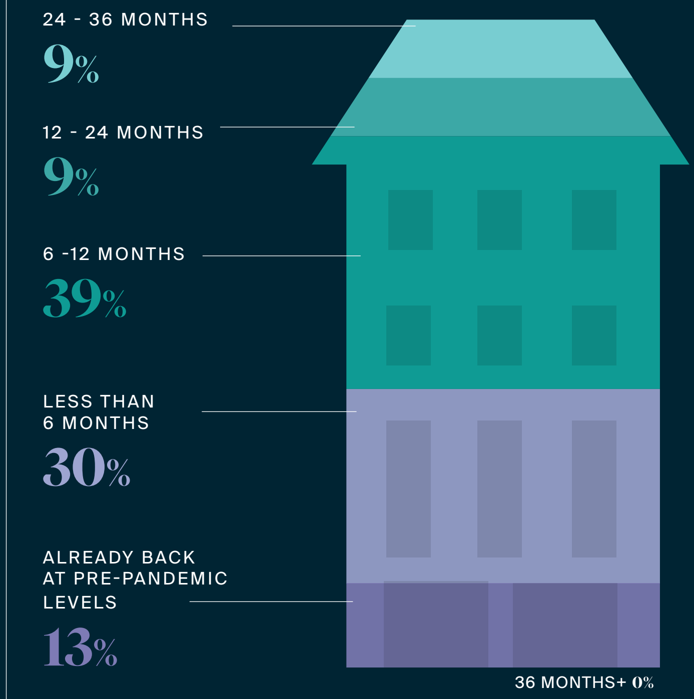
What level of impact will the Health and Social Care Levy have on the provision of elderly care?

% of respondents



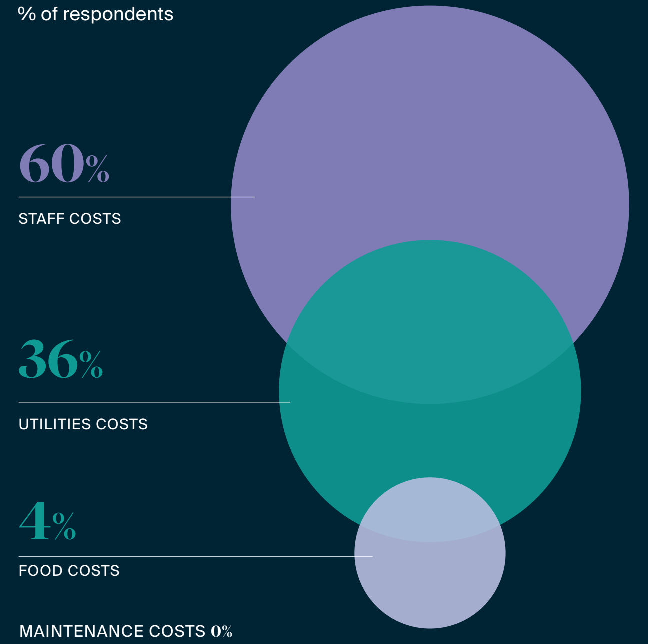
Overall how far would you suggest your homes are from a return to operating at pre-pandemic levels?

% of respondents



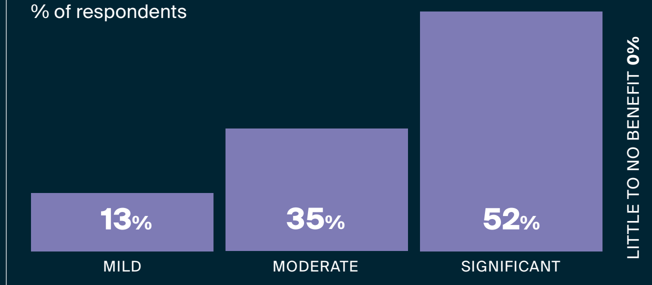
What would you suggest is the biggest inflationary pressure on the current trading of the homes in your portfolio?

% of respondents



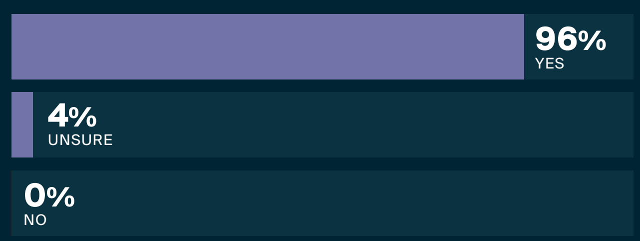
To what extent has government intervention / support aided the trading of your homes over the past 2 years?

% of respondents



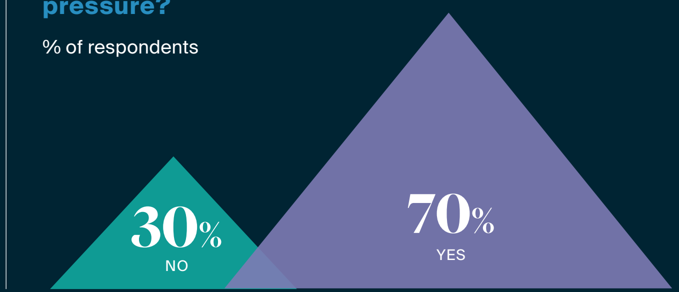
Do you believe that the current inflationary pressures will greatly impact you operations?

% of respondents



Are there contingencies / support in place or available for the business to absorb this pressure?

% of respondents



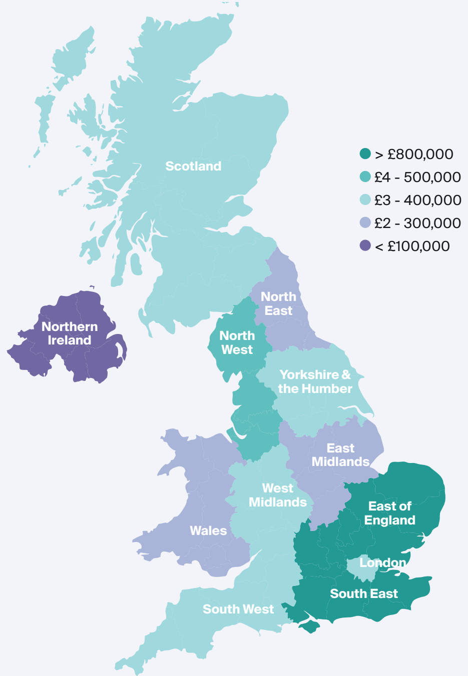
Sample overview

As in previous years, despite the sample representing a significant portion of the sector, accuracy and consistency remain fundamental whilst assessing the sample. For this reason, we continue to run our regional analysis which can be seen in Figure 1 showing the regional composition of the sample in comparison to the total UK market. Once again highlighting the closeness in correlation between our sample set and the overall market with the exception of Northern Ireland and Wales (in which the sample remains slightly underweight).

Table 1 on page 2 shows our consistency check of this year's key metrics based on a like for like sample, effectively checking whether year on year changes are consistent or distorted by any changes in operator composition. Again, as metrics such as fees, occupancy and staff costs are consistent with the like for like sample, we can be comfortable in the accuracy of the trends presented.

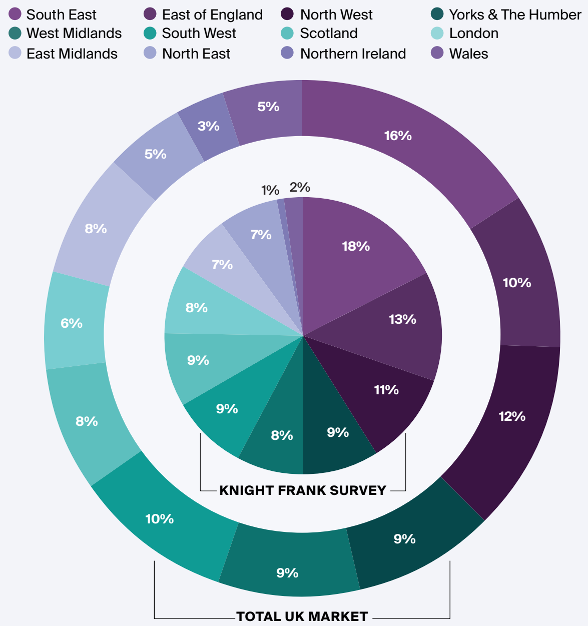
Figure 3 shows further composition stats of the sample with nursing accounting for the majority of the sample's care type. Funding type remains fairly even amongst Private Pay and Local Authority. And as per historic trends, homes over 20 years old account for more than 50% of the sample.

FIG 1 | **Income split heat map**



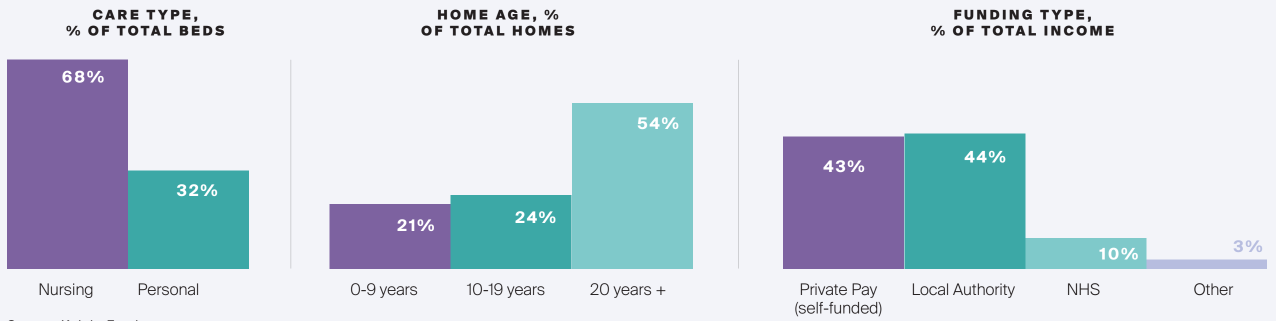
Source: Knight Frank

FIG 2 | **Regional share – Knight Frank survey vs Total UK stock**



Source: Knight Frank

FIG 3 | **Sample characteristics**



Source: Knight Frank

Occupancy

Following on from the dip experienced at the start of the pandemic and subsequently the levels held through to the end of the 2020/21 financial year, there has been a clear emphasis on trends in average occupancy with a view to understanding the sector's distance to a normalised state.

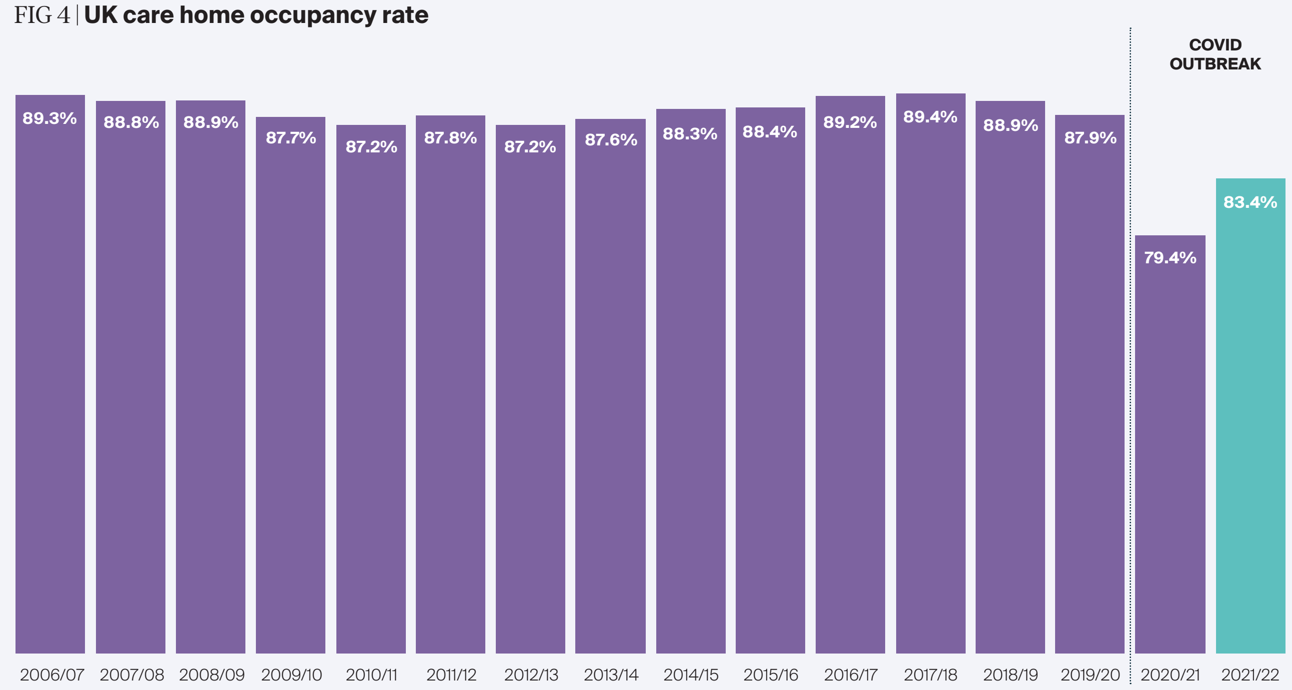
Figure 4 presents the first positive observation in that average occupancy levels are up to 84.3% in comparison to last year's 79.4%. It is, however, important to note that whilst this is still short of pre-pandemic levels there are a number of operators with homes across the UK that are now trading well above these levels.

Figure 5 provides an insight into regional occupancy. Overall, the general trend is a positive one across the board with London showing the largest year on year growth with an approximate change of 14%, closely followed by the East Midlands at 10%.

Figure 8 highlights the regional age split of care residents. As we can see, the vast majority of residents across all sampled regions fall into the over 85 bracket. More interestingly drilling into the funding structure of homes we can see that the percentage share of the over 85s is far greater in private pay / self-funded settings than in that of local authority homes. This statistic could potentially be attributed to a changing wealth profile the aging demographic and eligibility criteria for funding. Finally considering type of care, the age profile in nursing care settings is, as expected, generally more varied due to acuity of care not being dependent on age. Therefore, it is likely that residents that require such support are entering nursing care at an earlier stage, rather than entering less acute settings later on in life.

> The percentage share of the over 85s is far greater in private pay / self-funded settings than in that of local authority homes.

FIG 4 | **UK care home occupancy rate**



Source: Knight Frank

FIG 5 | **Average occupancy by region, 2021/22 financial year vs financial year 2020/21**

Source: Knight Frank

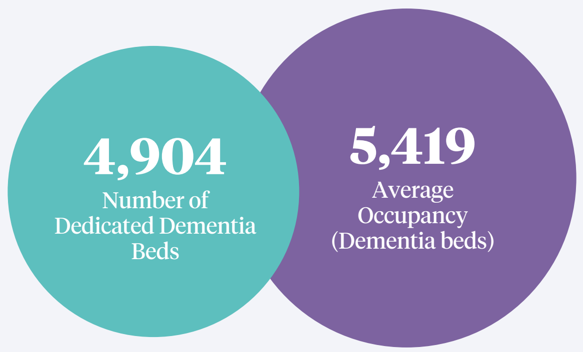
Figure 9 highlights the average age of residents on a regional basis. With a range between 81 and 86 years old, Scotland emerges as the region with the youngest average based on the homes sampled.

The average length of stay statistics presented in Figure 10 Suggests an average of approximately 13 months. There are, however, a number of regions that emerge from the sample that fall above this average.

Finally, tables 2 and 3 highlight averages based on care and funding type as well as CQC ratings. The standout statistic here is the spread between outstanding and inadequate rated homes.

> The average age of residents on a regional basis have a range between 81 and 86 years old.

FIG 6 | **Dedicated dementia beds vs residents with dementia**



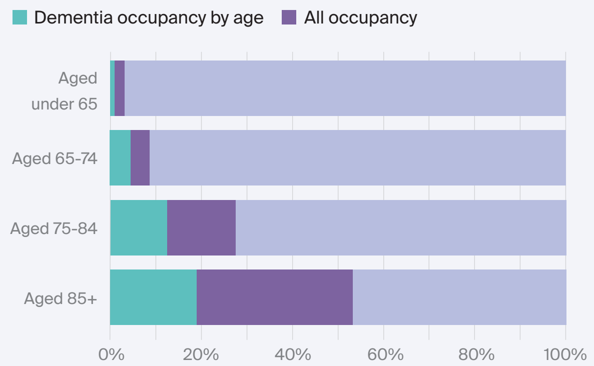
Source: Knight Frank

Dementia penetration

Figure 7 presents the dementia penetration statistics by comparing dementia occupancy and overall occupancy from a sample of homes in the UK across the 4 age bands. The penetration ranges from one to nineteen percent and appears more prominent within the over 85 age band.

Following on from this we then looked at a number of homes in terms of their dementia occupancy in relation to their dedicated dementia beds. Figure 6 summarises this and highlights a 10.5% under supply in what would be considered a dedicated bed within the home. This suggests non dementia specific rooms are now being utilised to service the needs of dementia residents.

FIG 7 | **Dementia occupancy vs dedicated dementia beds**



Source: Knight Frank

FIG 8 | **Occupancy age split**

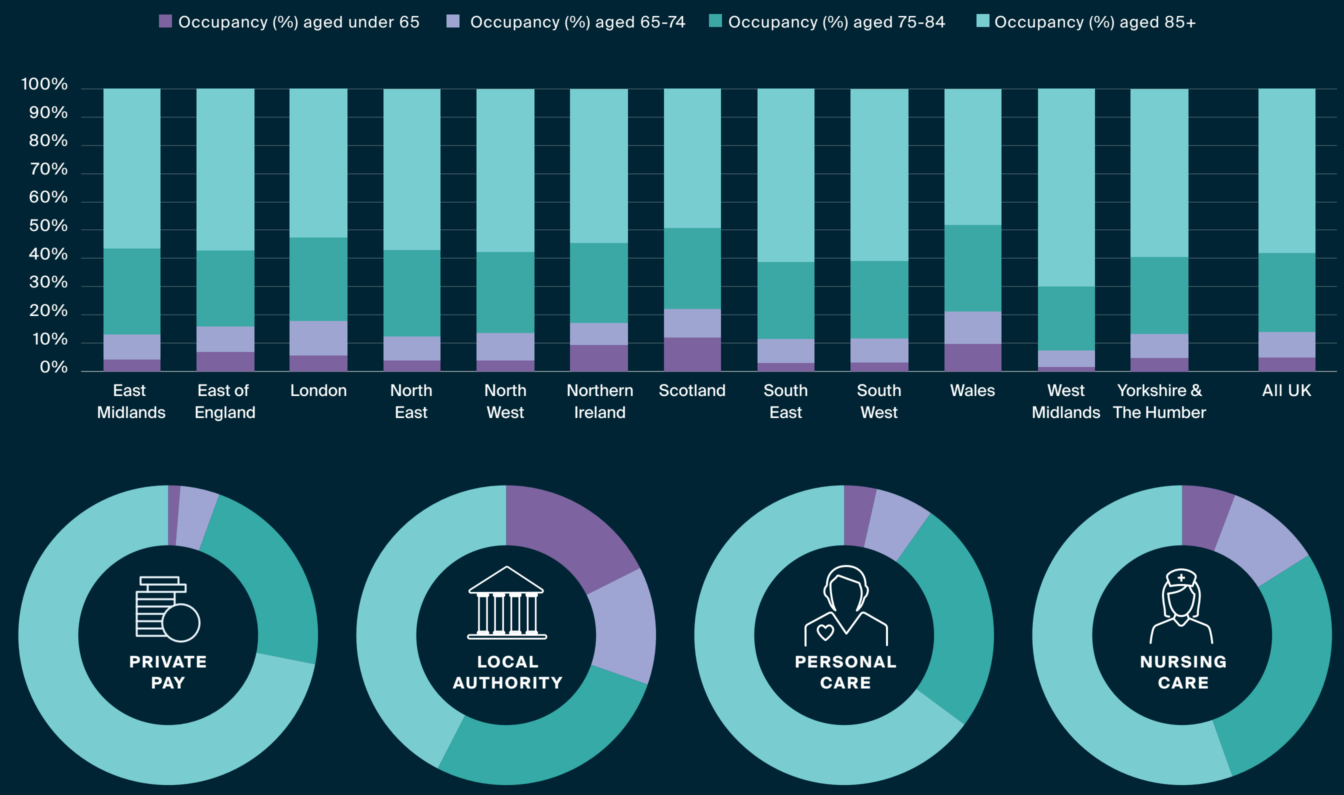


FIG 9 | **Average age of resident 21/22**

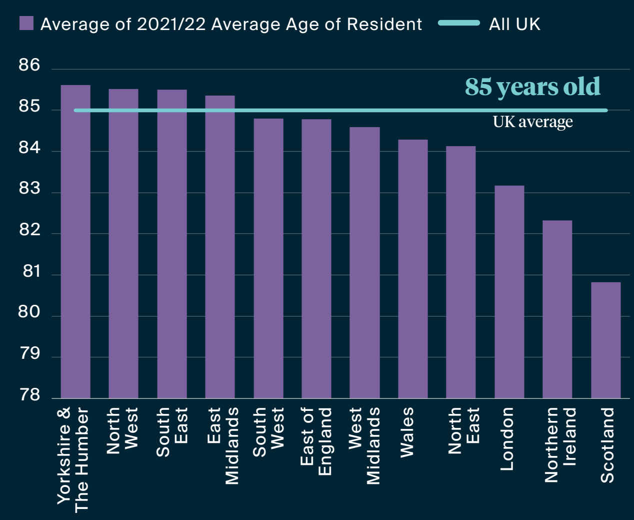


FIG 10 | **2021/22 Average length of stay (months)**

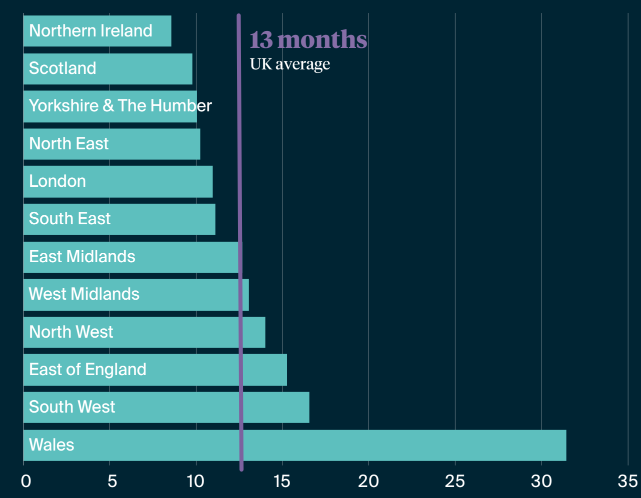


TABLE 2 | **Resident composition by care and funding type**

	AVERAGE AGE OF RESIDENT	AVERAGE LENGTH OF STAY
Personal	86	15
Nursing	83	12
Local Authority	80	18
Private Pay	85	20

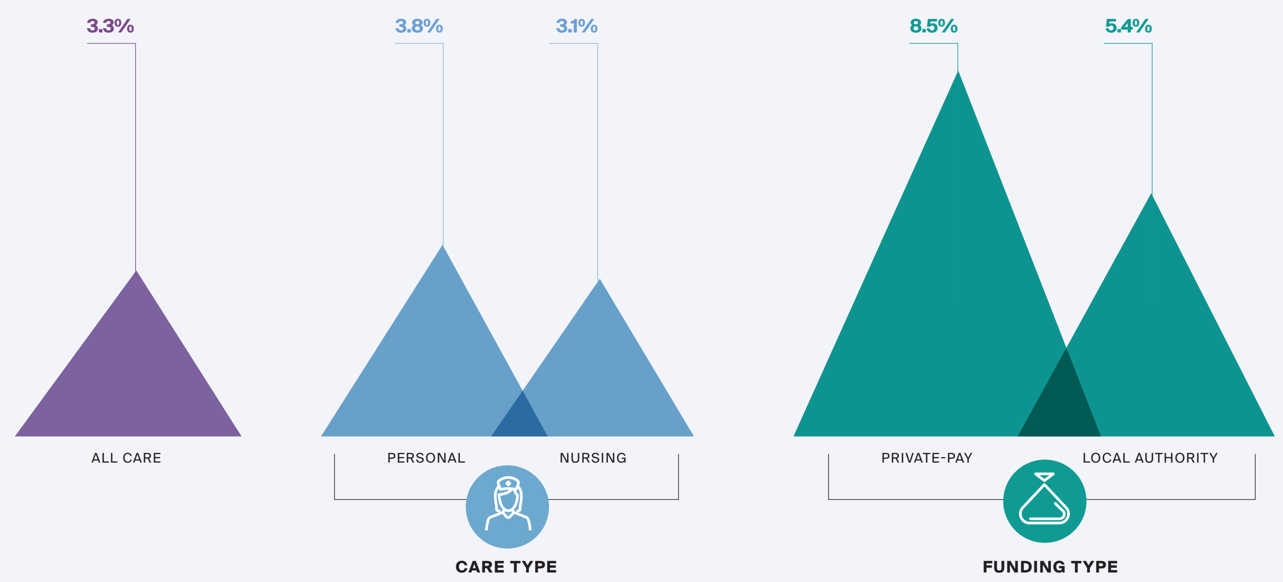
TABLE 3 | **Average length of stay by CQC rating**

	AVERAGE LENGTH OF STAY (MONTHS)
Outstanding	18
Requires improvement	14
Good	13
Inadequate	6

Fees and Funding of Care

As we progress through an increasingly inflationary environment encompassing variables such as food costs, utility costs as well as staffing, fee growth is vital in understanding the sector's ability to absorb such economic environments.

FIG 11 | **Average weekly fee uplifts, financial year 2021/22**



Source: Knight Frank

FIG 12 | **Average weekly fees by region**

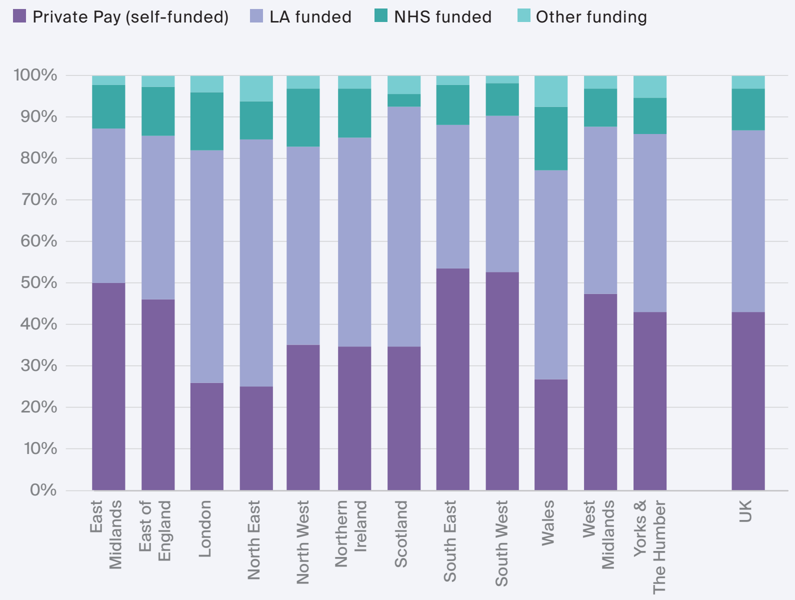
Source: Knight Frank

Figure 11 shows fee growth across the UK which, on average, is up 3.3% in all care. The greatest growth area this year is in the private pay market where there has been reported fee growth of 8.5% on average, in comparison to the 5.4% seen in the local authority market.

Moving onto Figure 12, which focuses on growth in fee levels regionally, we can see that Wales has benefited from the largest fee growth over the year, at 7.3%. Considering funding structures for the various regions as well as the UK overall, Figures 13 and 14 suggest that the South East emerges as the region with the greatest share attributed to private pay / self-funded income. Following on from this, we can see that this year the overall funding split has remained very much in line with other years, highlighting a fairly even split between private pay and local authority, whilst the NHS funding percentage has dipped slightly on the year.

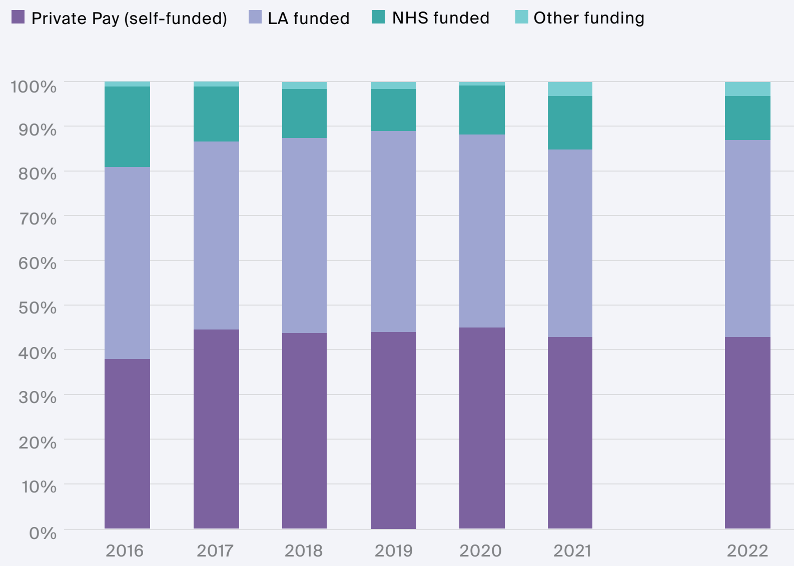
> The greatest growth area this year is amongst the private pay market where there has been reported average fee growth of 8.5%.

FIG 13 | **2022 Funding split by region**



Source: Knight Frank

FIG 14 | **Evolution of funding**



Source: Knight Frank

Costs & staffing

Staff costs as a percentage of income, whilst down slightly, are still fairly in line with previous years.

Staffing Costs

Staff costs per resident are down on the year, falling by 2.71% to £30,551, as shown in Figure 15. However, it is important to consider that last year's growth was significantly large at 16.49%, so this year's decline still leaves staff costs very much in line with historic trends. In addition to increased home occupancies on the year, coupled with the fixed cost of operations, provides reasonable grounds for the decreased staff cost per resident reported this year. We further assess this situation through understanding the change in staff costs as a percentage of income, as shown in Figure 16. We can see that this fell to 58.9% from 60.2% representing a 2.1% relative decline on the year, slightly softer than the overall decline reported in cost per resident.

As with last year, this year's survey has presented growth in the wages of both carers and nurses. From Figure 18 we can see that average nurse wages per hour are £18.10, up 4.1% from last year, whilst average carer wages per hour are up 5.2% at £9.71. These increases, despite being significant, lag behind the 6.6% increase in the national living wage, which now sits at £9.50. As sectors such as retail and hospitality continue their own respective recovery journeys, the sector will need to remain attractive to staff, especially those in the more fluid catering and ancillary employment areas.

Agency use as a percentage of staff cost has grown to 9.6%. In terms of care type, Figure 17 shows a rise to 10.5% from 7.4% within nursing care and a rise to 7% from 4.9% in personal care for the year. Despite substantial growth all round, it is important to consider that last year's reduced agency use was an outlier and therefore this year's figure is more a move in line with the levels that we are more used to seeing.

In addition to the above staffing metrics we have this year considered the trends

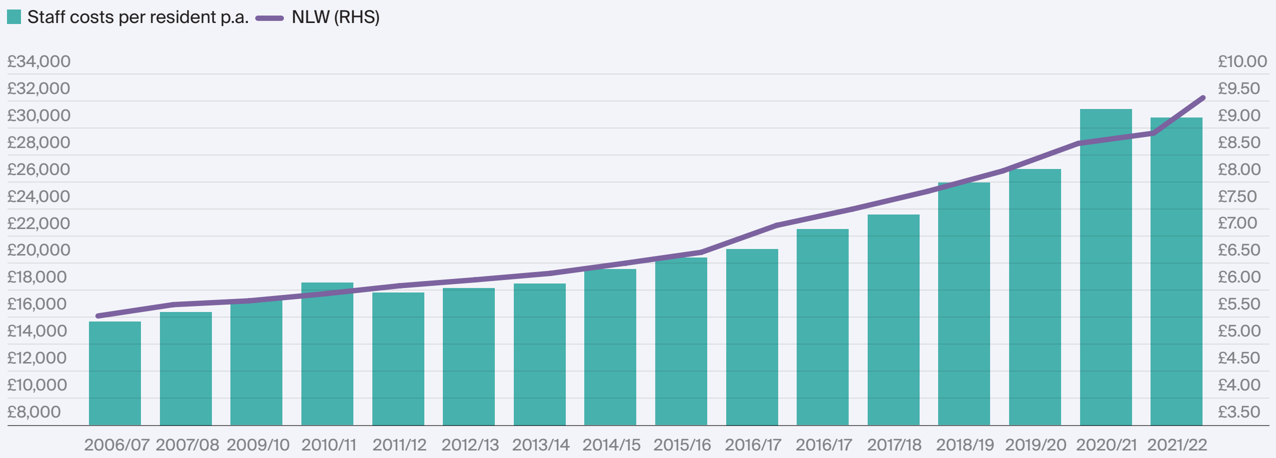
> Average nurse wages per hour are **£18.10 up 4.1%** from last year whilst average career wages per hour are up 5.2%.

TABLE 4 | **Staff to Resident ratio**

	2020 RESIDENT : STAFF	2020 STAFF : RESIDENT	2021 RESIDENT : STAFF	2021 STAFF : RESIDENT
Nursing Care	1.2	0.8	1.2	0.9
Personal Care	1.7	0.6	1.4	0.7
All care	1.3	0.8	1.2	0.8

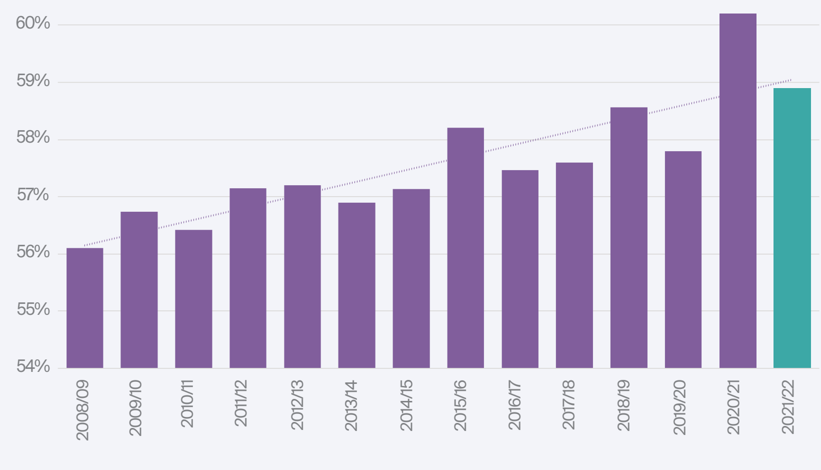
Source: Knight Frank *Includes all nurses and carers. Part-time staff calculated as half a staff member

FIG 15 | **UK staff costs vs National Living Wage (NLW)**



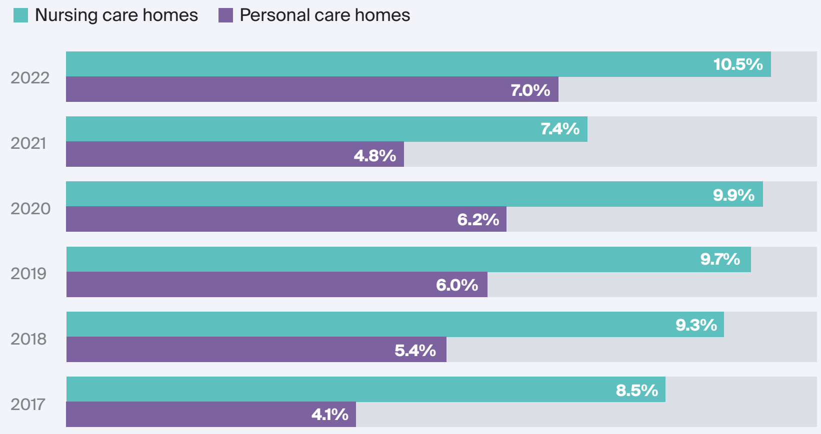
Source: Knight Frank

FIG 16 | **Staff costs as % of income, since 2008/09**



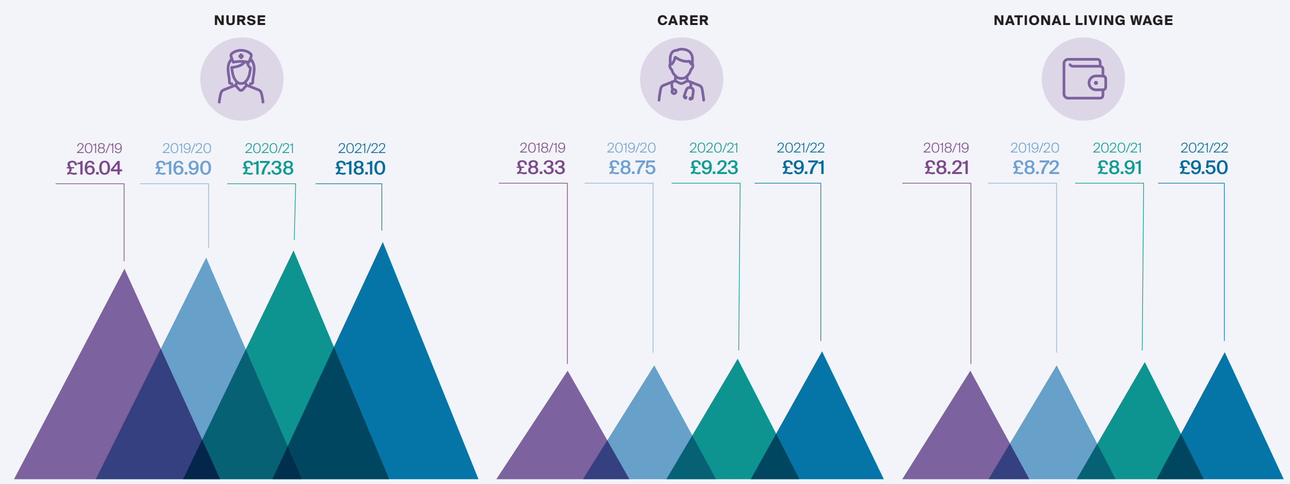
Source: Knight Frank

FIG 17 | **Agency staff costs as % of total staff costs**



Source: Knight Frank

FIG 18 | **Average care home wage rates and National Living Wage, per hour**



Source: Knight Frank

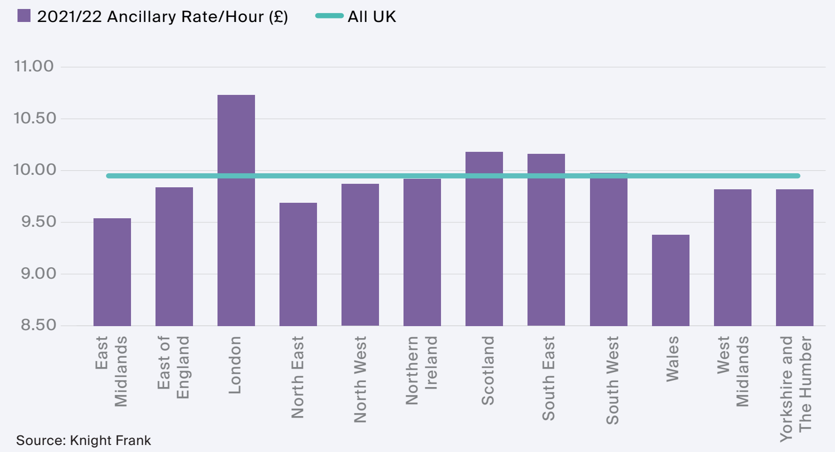
surrounding management and ancillary staff. Figures 19 and 20 highlight the south east as the region with the highest average management salary, whilst London emerges clearly as the strongest for ancillary staff pay.

Whilst Figure 21 highlights 2014 as the point where average weekly fees and staffing costs had begun to outpace RPI inflation in terms of growth, 2022's reported inflation figure has forced the statistics to deviate from this long standing trend. This effectively highlights a situation a situation whereby we do need to consider the extent to which fee increases can be a means of operators absorbing inflationary pressures.

Figure 22 follows on from this and takes the year on year changes presented in Figure 21, indexing them over the period of 2009 to 2022. The story presented here is that where RPI had lagged fee growth on an indexed basis in past years, this year's results have seen the spread tighten between the two due to the size of the increase in RPI relative to average weekly fee growth.

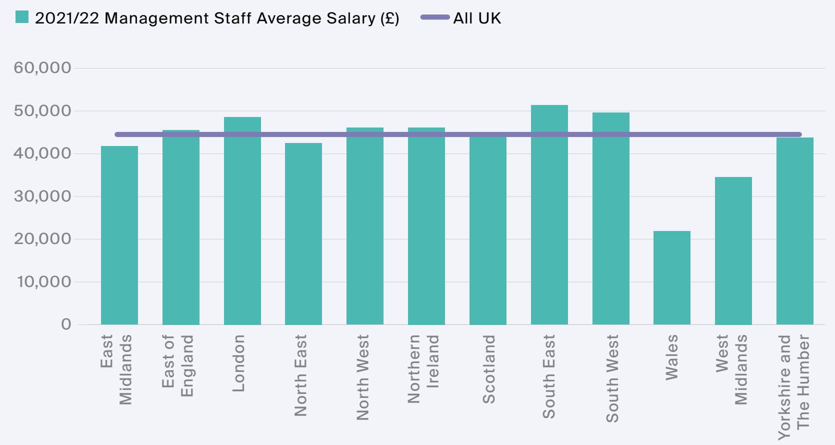
Drilling down into a more granular view of the period highlighted between 2016 and 2022 (Figure 23) we can see that local authority fees are still lagging staff costs on an indexed basis and have consistently done so since 2017/18. As opposed to private pay fees, which have historically trended above staff costs (with the exception for the 2020/21 financial year).

FIG 19 | **Ancillary rate/hour (£)**



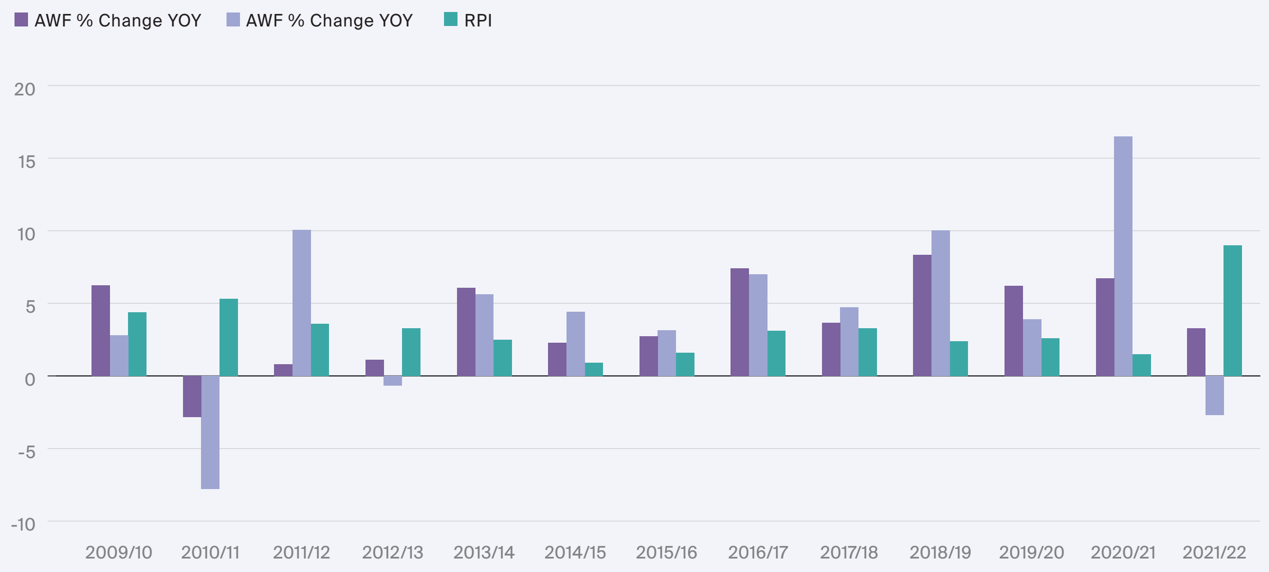
Source: Knight Frank

FIG 20 | **Management staff average salary (£)**



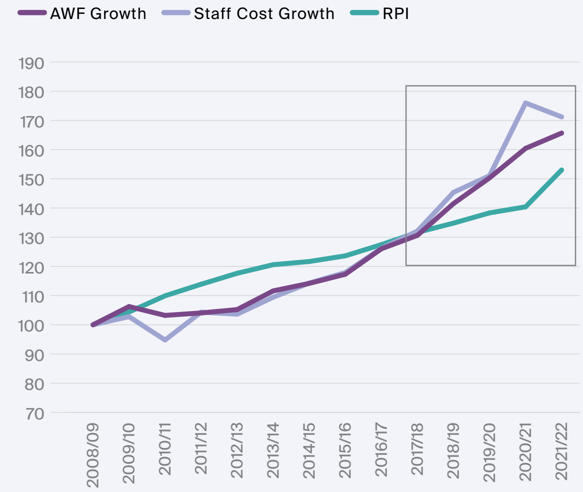
Source: Knight Frank

FIG 21 | **Fee & Staff costs Year-on-Year change**



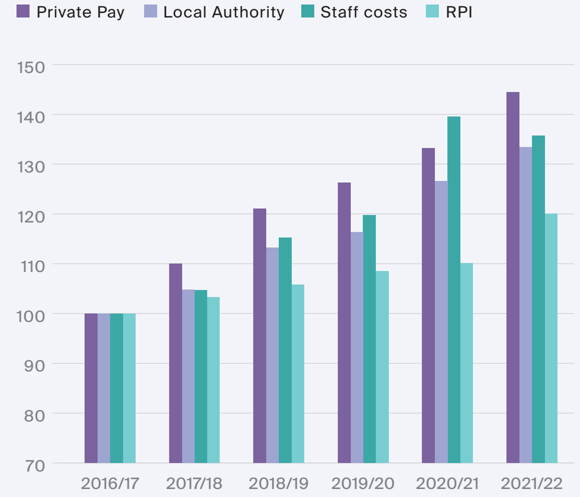
Source: Knight Frank

FIG 22 | **Fee & staff costs indexed (2009-2022)**



Source: Knight Frank

FIG 23 | **Fee & staff costs indexed**



Source: Knight Frank

Property & Food Costs

Figures 24 and 25 present the trend in property and food costs respectively, with property costs per bed rising to £2,773 representing a 6% increase on the year, whilst food per bed had dipped to £1,713, a circa 1.4% fall. The graphs also show that from 2018 to 2022, property costs and food costs have experienced cumulative rises of 40% and 15% respectively.

With cost inflation being a key topic in the current economic climate, this year's analysis has seen us further break down property costs (Figure 27). The first takeaway from the infographic is the percentage share of property costs attributed to utilities. With the average cost of utilities at around £58,000 based on the sample and accounting for approximately 34% of property costs, more and more emphasis will be placed on how government intervention will be able to limit cost growth in this area.

Moving further into our utility costs analysis we can see the benefit that newer homes have in terms of their average utility costs per bed and as a percentage of income. The same can be said for the purpose-built homes.

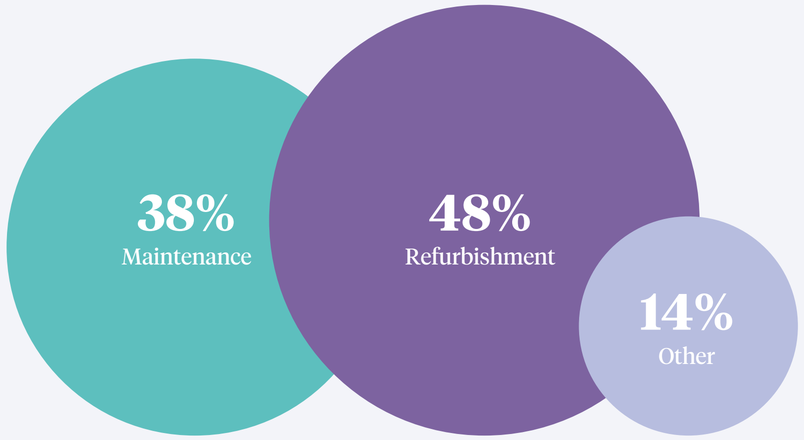
FIG 24 | **Food costs per resident (2018-2022)**

Source: Knight Frank

The trend emerging is that newer and purpose-built homes are more likely to fall into the category of larger fit-for-purpose homes, which benefit most from economies of scale. Therefore, although on the surface their costs are indeed higher on a per bed / % of income basis, they are actually more productive / cost effective.

Figure 26 breaks down capital expenditure this financial year. Whilst not quite at the levels of 2020, there has been a significant spend on refurbishment which shows a change in fund allocation in comparison to last year when the majority of capital expenditure was directed towards maintenance. This is likely to be a result of renewed construction activity, this having halted during the pandemic. Table 5 shows significant growth in capex year-on-year. A rising percentage of this attributed to refurbishment suggests a focus on updating / future proofing the current supply of beds.

FIG 26 | **Capital expenditure split**



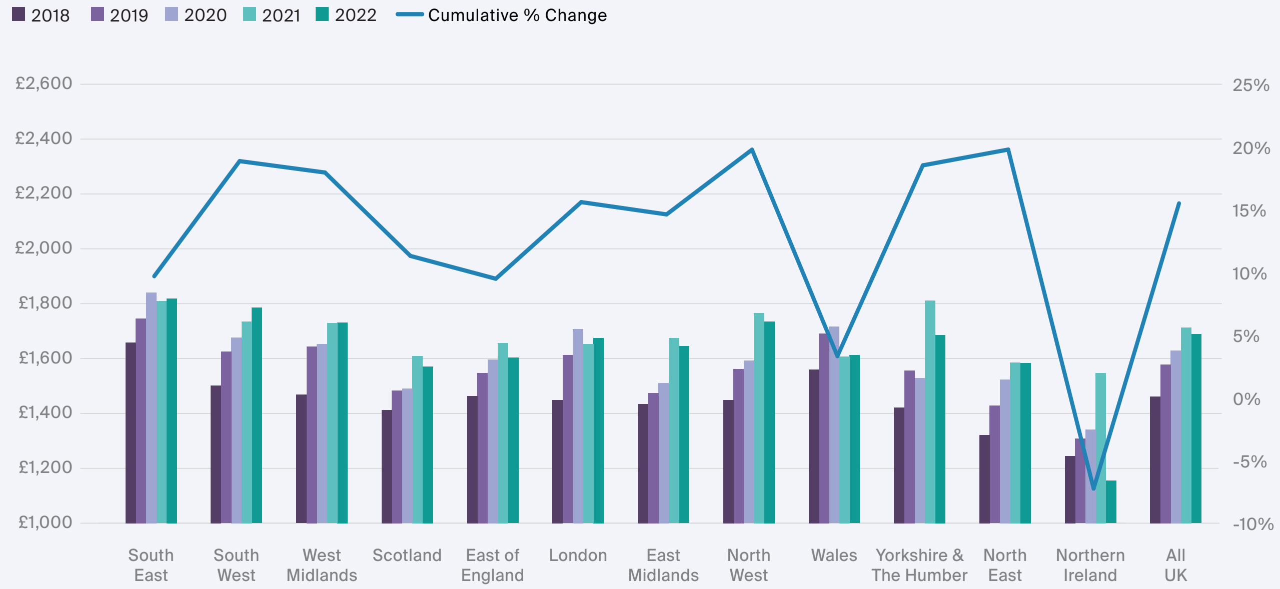
Source: Knight Frank

TABLE 5 | **Capex spends per bed**

	2020	2021	2022
Refurbishment Capex per bed	£1,848	£576	£1,497.00
Maintenance Capex per bed	£932	£926	£806.00
All Capex per bed	£1,699	£1,083	£1,388.00

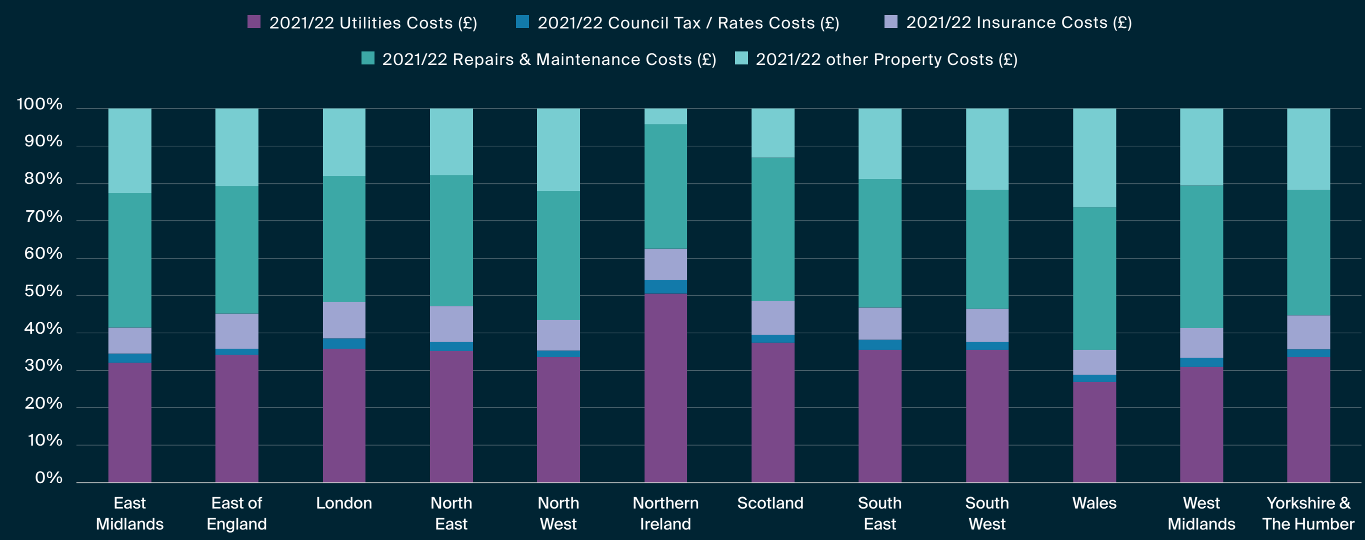
Source: Knight Frank

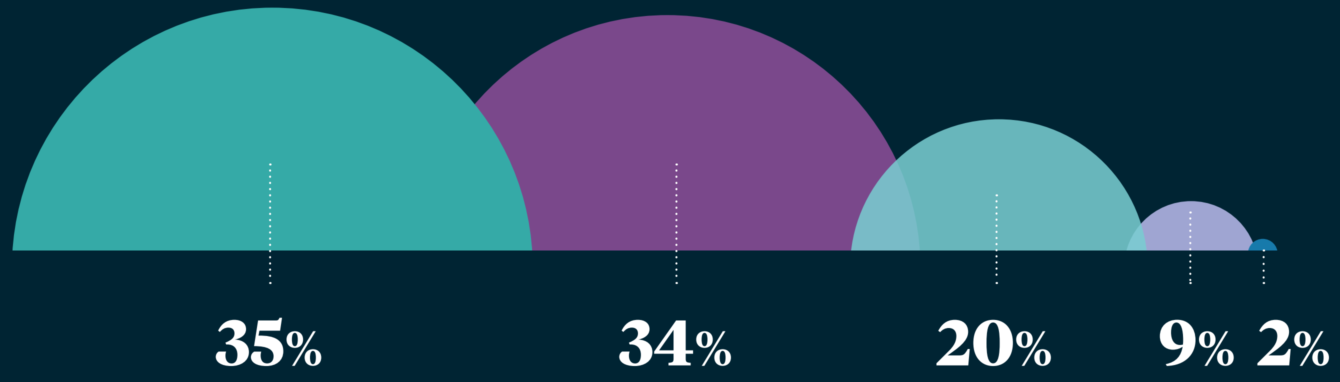
FIG 25 | **Food costs per bed (2018-2022)**



Source: Knight Frank

FIG 27 | **Property costs by region**





Utility Costs account for approximately 34% of property costs

	UTILITY COSTS AS % OF PROPERTY COSTS	UTILITY COSTS PER BED (£)	UTILITY COSTS PER BED / PER DAY (£)	UTILITY COSTS AS % OF INCOME
Utility Costs by Property Type				
Conversion	30.2%	1,213	3.32	2.3%
Purpose Built	30.7%	990	2.71	1.9%
Utility Costs by Property Age				
0-10 years old (opened after 2010)	30.3%	971	2.66	1.7%
10-20 years old (opened 2000 to 2010)	28.5%	920	2.52	1.8%
20-30 years old (opened 1990 to 2000)	32.0%	1,003	2.75	2.0%
30 years and older (opened prior to 1990)	28.7%	1,102	3.02	2.2%
Utility Costs by Property Size				
1-39 beds	30.8%	1,339	3.67	2.66%
40-59 beds	30.4%	1,059	2.90	2.15%
60-79 beds	30.4%	996	2.73	1.84%
80-99 beds	31.3%	894	2.45	1.65%
100+ beds	31.6%	787	2.16	1.60%

Profitability

Overall, EBITDARM as a percentage of income has grown from last year's level of 26.2% to 26.3%. Whilst a relatively modest increase, it should certainly be considered a move in the right direction for the sector.

Overall, EBITDARM as a percentage of income has grown from last year's level of 26.2% to 26.3% (Figure 28). Whilst a relatively modest increase, it should certainly be considered a move in the right direction for the sector. The fact that the sector managed to keep margin compression to a minimum during the pandemic and has now began to progress back towards normalised levels should provide further confidence in the sector's resilience and underlying fundamentals.

In terms of profitability relative to care standards, Table 6 states that homes with an 'inadequate' CQC rating traded at a margin of 22% in comparison to homes with an 'outstanding' rating, which trade at a 34% margin. This is of course in line with expectations due to the restrictions imposed on inadequate homes, such as embargoes forcing margins substantially below averages. Table 7 highlights the most profitable size range is homes between the size of 60 to 100 beds. Homes within this size band as per the sample are operating at margins close to 29%.

Figure 29 shows a close split of homes operating within 10% to 40% EBITDARM margins, with 12% achieving EBITDARM margins of over 40% of income and 5% falling into the loss-making band. This is a positive movement when compared to last year's results, whereby 7% of homes were loss-making and 11% of homes sampled were in the 40% and over category. The standout band remains the 20% to 30% bracket.

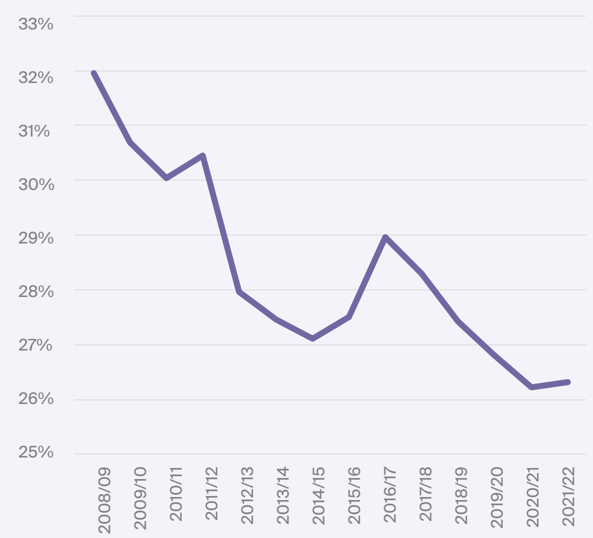
TABLE 6 | **EBITDARM Margin per CQC band**

CQC RATING	EBITDARM (% OF INCOME)
Outstanding	34%
Good	28%
Requires improvement	23%
Inadequate	22%

TABLE 7 | **EBITDARM Margin per size band**

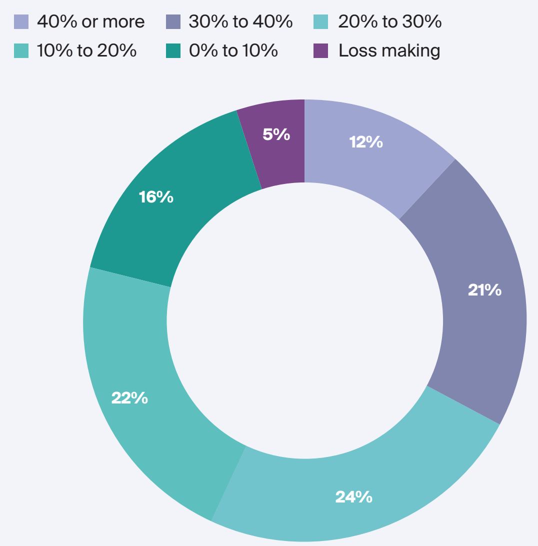
SIZE BAND	EBITDARM (% OF INCOME)
1-39 beds	19.8%
40-59 beds	24.0%
60-79 beds	28.6%
80-99 beds	28.7%
100+ beds	28.3%

FIG 28 | **EBITDARM as % of income, since 2008/09**



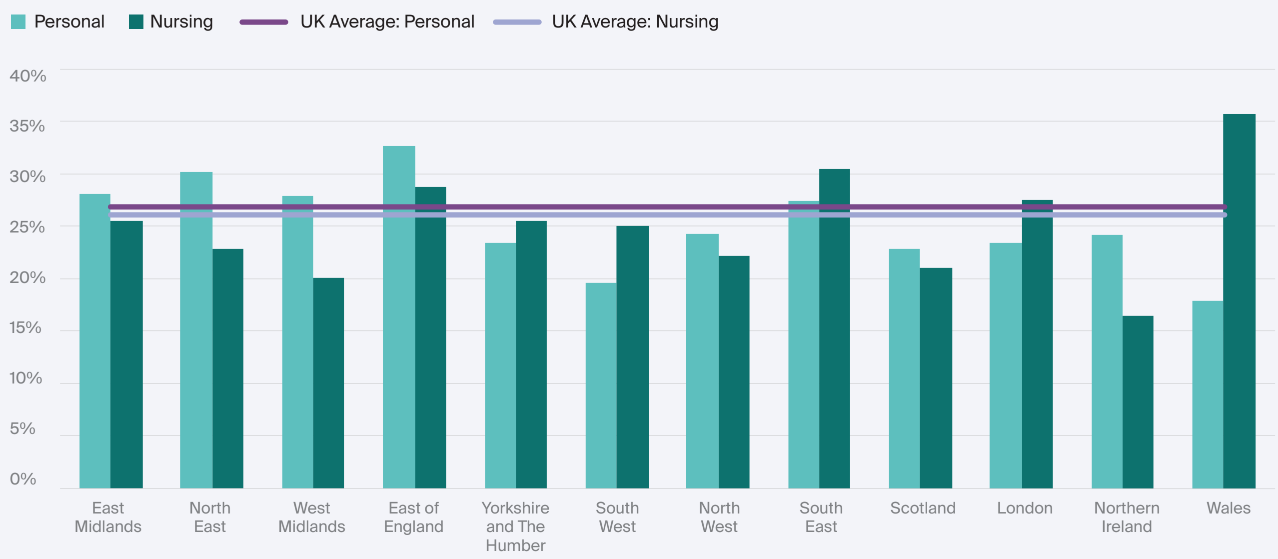
Source: Knight Frank

FIG 29 | **Distribution of EBITDARM margins, 2021-22**



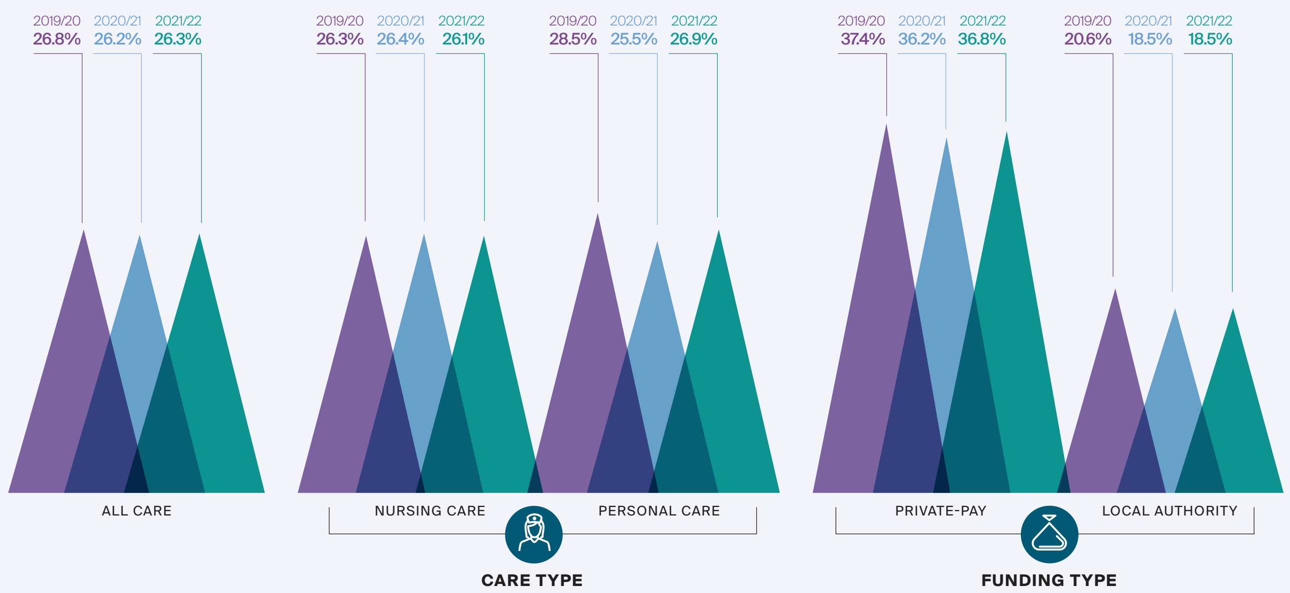
Source: Knight Frank

FIG 30 | **EBITDARM as % of income, by region and care type 2021/22**



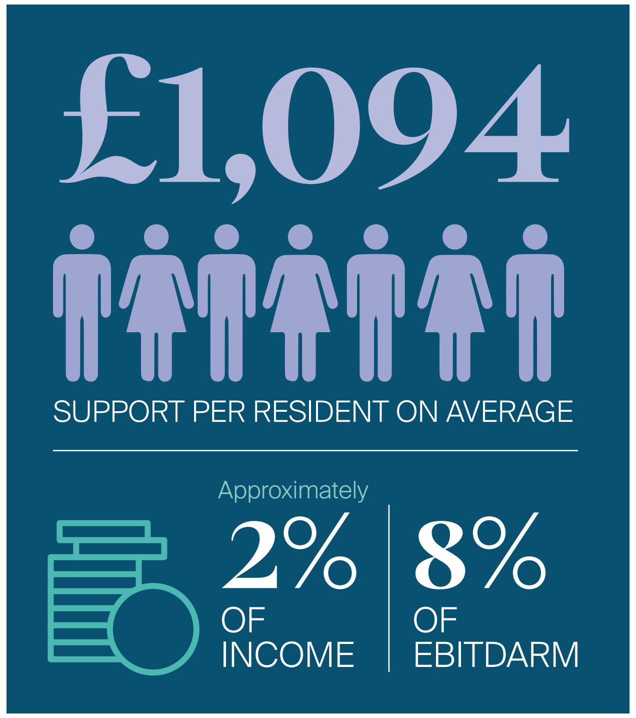
Source: Knight Frank

FIG 31 | **EBITDARM margins, FY 2019/20, 2020/21 & 2021/22**



Source: Knight Frank

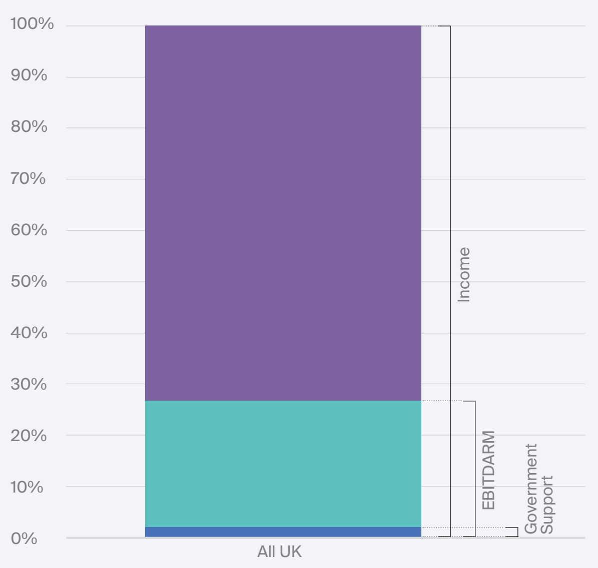
Wales emerges as the region with the most variance between personal and nursing (Figure 30), with a nursing care EBITDARM margin of 35.7% of income, which is significantly stronger than the averages pulled from the sample. However, taking into account all homes, care and funding type in the sample as per Figure 31, there is an overall upward trend, with the exception of nursing care where the margin has dipped slightly on the previous year. It is important to note however, that despite the dip, nursing care had seen a general increase in EBITDARM margins last year despite the overall fall, so this may simply be a correction based adjustment in line with market averages, rather than that of a downward trend. Local authority homes were the other area where there was no growth in EBITDARM margins, with them holding flat on the year.



The Impact of Government Intervention

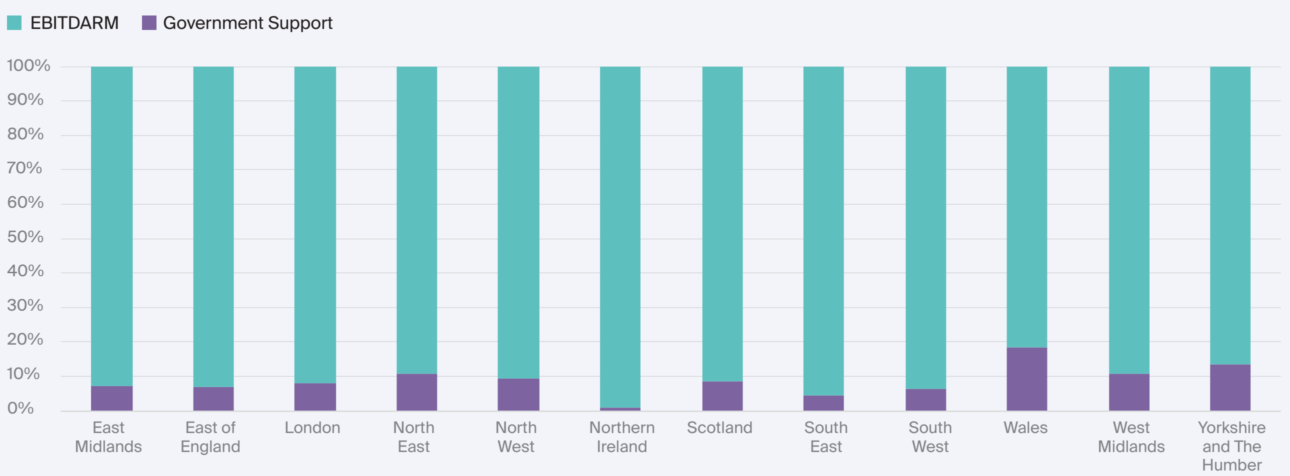
This year we have taken our analysis a step further and looked into the extent to which government grants and support have served to aid the resilience of the sector and its margins. The statistics show that whilst this government support can be considered a relatively small percentage of income, it immediately grows in significance when considered as a percentage of EBITDARM. With regions such as Wales, North West and Yorkshire & Humber showing to have benefited the most from this.

FIG 32 | **Government Support as % of Income**



Source: Knight Frank

FIG 33 | **Government support as % of EBITDARM**



Source: Knight Frank

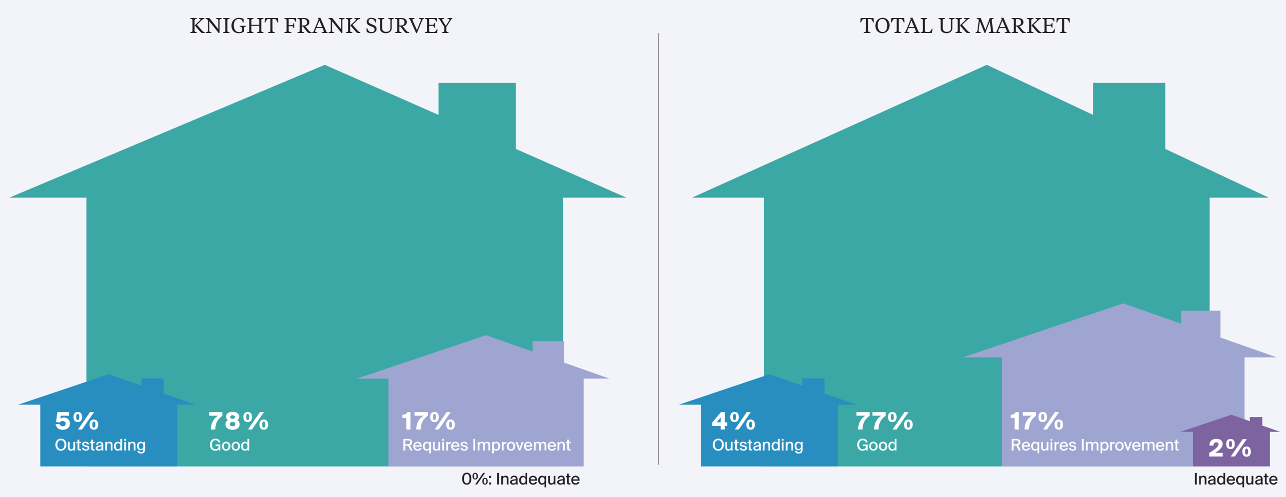
Sector Regulation

CQC ratings of the sample show minimal variation to the overall market. Figure 34 shows the sample's consistency, with the market stating 5% of homes are rated Outstanding, 78% Good, 17% Requires Improvement and 0% Inadequate. This is a slight improvement on last year's results whereby one percent of the sampled homes were rated Inadequate.

Figure 35 provides a more granular view in terms of ratings regionally, suggesting a constant trend across all regions with the standouts being the North East and the South West, where approximately 12% and 10% of the sampled homes were rated Outstanding respectively.

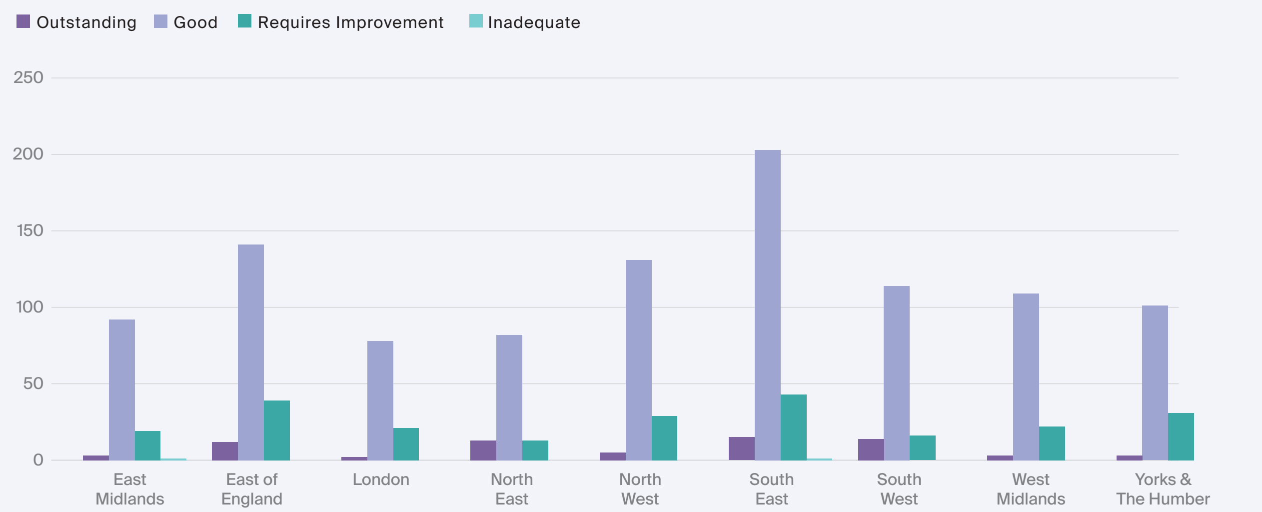
> 5% of homes are rated Outstanding, 78% Good, 17% Requires Improvement and 0% Inadequate.

FIG 34 | **Sample CQC ratings comparison with total market**



Source: Knight Frank

FIG 35 | **Sample CQC ratings**



Source: Knight Frank

Wellbeing

Jonathan Hale - Partner, Head of ESG Consulting, UK

I am really pleased to be introducing the inaugural Knight Frank Wellbeing Index (KFWI) which explores healthcare sector trends throughout England & Scotland encompassing ESG in action.

I am really pleased to be introducing the inaugural Knight Frank Wellbeing Index (KFWI) which explores healthcare sector trends throughout England & Scotland encompassing ESG in action.

The KFWI purpose is to highlight the extent to which the care sector has taken steps to contribute to resident wellbeing and deliver insights* as to where improvements and areas of growth are possible.

Factors relating to 'S' are now among the most pressing issues for stakeholders globally, including those in the care sector. Despite the progressive increase in emphasis on the 'S' many market participants and landlords have struggled to grasp precisely what role the 'S' should play in company frameworks and integration into investment decisions. Social aspects of ESG are not always captured and monetised, yet, the care sector is undoubtedly engaging in high quality social initiatives which are contributing to the calibre of their offering. The wellbeing of residents and staff is fundamental to the success of the business due to the sector's very nature. Residents' wellbeing should be positioned at the heart of service delivery and form part of the main strategic pillar. This is therefore an area which requires clear and firm governance, underpinned by a strong delivery of the healthcare essentials.

Wellbeing is an area of exponential growth as traditional ideas on healthcare are being challenged to include more holistic aspects including both physical and mental health. The WELL standard and Fitwel are two market leading health and wellbeing certifications which include an extensive list of considerations for designing and using space. There is much we can draw from these certifications in providing healthy spaces for building users and evidence has shown that these certifications have the potential to increase asset and rental value. The WELL standard interrogates the building's air, water, nourishment, movement, thermal comfort, sound, materials, mind, community and innovation as it relates to the occupier. Other more common green building certifications such as BRREAM, place a growing importance on the health and wellbeing credits.

This report covers accessibility, available green space, proximity to essential amenities, allowance to pets and relaxation & social spaces that cover everything from spas to cinemas. Our research shows that Activity and Entertainment stand out as high spend areas. It will be an interesting landscape to monitor over the coming years and I look forward to supporting the Healthcare team in further capturing the granular details which make this type of research so compelling and informative to all. ESG is often difficult to break down, and I applaud the methodology in curating the data set to tell a much-needed story on how the care sector is shaping up for a healthy future.

Phil Burgan, Executive Chairman
Maria Mallaband Care Group

The health and wellbeing of everyone that lives within our homes at Maria Mallaband Care Group (MMCG) is paramount to us, and we consistently strive to enhance this through our offerings to those living with us and their families.

Living within a care home environment, people can benefit from social and wellbeing resources that would otherwise be unavailable or hard to access.

Social interaction and creative expression are an important part of physical and mental wellbeing which can improve general health.

Many of the problems arising within our elderly care population are because of tensions in changing relationships brought on by age in families. By allowing the care home sector to support an individual's care needs in a safe environment, this empowers relationships between relatives once more. This enables relationships to return to a positive footing and promotes positive social and mental wellbeing for all.

The importance of meaningful engagement with people around them is key and leads to –

- Improved mood
- Increased resilience
- Reduced isolation
- Improved morale
- Improved sleep

...and overall health and wellbeing for all.

*The data set is drawn from the financial year 2021/22

Wellbeing Initiatives

Signature Senior Lifestyle proudly supports the wellbeing of its dementia care residents through its industry-leading My Life dementia strategy. It exceeds the sector-standard approach by designing activities which encourage the participation of residents living with dementia, along with all Signature chefs being upskilled on their understanding of how dementia affects nutrition and hydration. As part of My Life, all Signature homes are furnished to utilise both calming and contrasting coloured furniture and décor to enable residents to navigate around their environment with ease and promote safer mobility."

Shaw healthcare is the largest employee-owned healthcare provider in the UK and is an accredited Real Living Wage employer.

The company has invested millions in improving wages, increasing benefits, and making employees feel more engaged. Employees have a vested interest in making the company a success and Shaw shares profits with them through tax-free bonuses.

Knight Frank Wellbeing Index

Sample Statistics

649
HOMES SURVEYED

37,500
PARTICIPATING BEDS

83.8%
AVERAGE HOME OCCUPANCY OF PARTICIPATING HOMES

397
HOMES ALLOWING PETS BY ARRANGEMENT

13
SPAS

66
LIBRARIES

75
CINEMAS

41
SENSORY ROOMS

565
ON SITE HAIR SALONS / BARBER SHOPS

£3.35 million
APPROXIMATE AMOUNT SPENT ON RESIDENT ACTIVITY & ENTERTAINMENT IN 2021/22 FY BY PARTICIPANTS

633
RESIDENT GARDENS

399
MINI BUSES
(OR HOME OWNED TRANSPORT FACILITY FOR RESIDENTS)

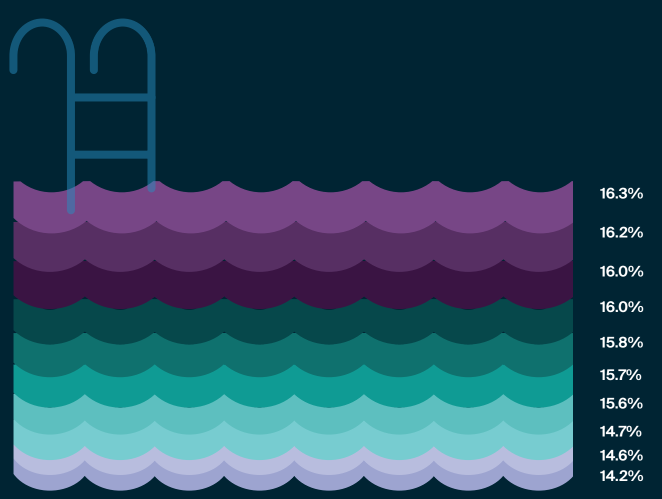
Knight Frank Wellbeing Index

By considering three key areas in amenities, spend on resident activity and regulatory ratings, we have been able to pull together a general assessment on the wellbeing credentials of the homes participating in the index. Statistics from the index present Scotland as the region with the highest score for amenities, closely followed by the South East. The South East also came a close second to the East of England when considering the percentage of income spent on resident activities and entertainment. However, when collating these variables into an overall wellbeing score, the consistency of the South East means that it has indeed emerged as the overall highest ranking region. Further assessment into the age and profitability of homes has highlighted additional points for consideration. The first is that the 0-10 year old home age band averaged the highest overall wellbeing score at 19.6 whilst the 40% and over EBITDARM band presented as the highest ranking band, with consistent falls in wellbeing scores as margins demised into losses.

Scotland · South East · East of England · North West · London · South West · North East · East Midlands · West Midlands · Yorkshire and The Humber

Amenities Wellbeing Score

by region



Entertainment spend as % of Income

by region

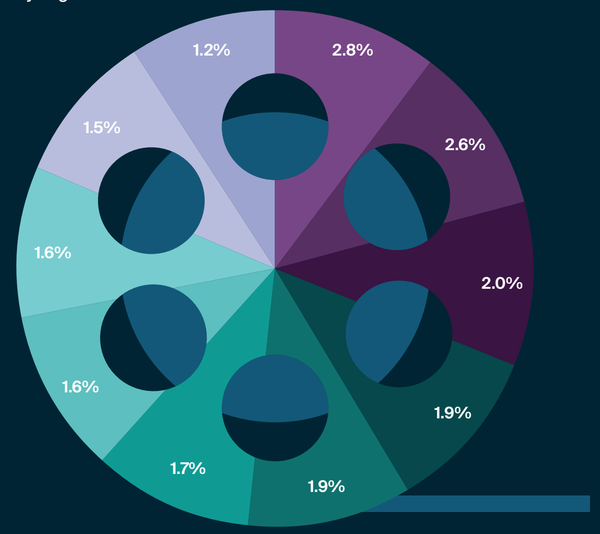


TABLE 8 | **Wellbeing Score by Age of Home**

	OVERALL WELLBEING SCORE
0-10 years old (opened after 2010)	19.6
10-20 years old (opened 2000 to 2010)	17.8
20-30 years old (opened 1990 to 2000)	18.0
30 years and older (opened prior to 1990)	18.9

TABLE 9 | **Wellbeing Score by Profitability Band**

	OVERALL WELLBEING SCORE
40%+	19.2
21% to 30%	18.8
31% to 40%	18.7
11% to 20%	18.0
10% or less	17.0
Loss	16.3

Quality Score Rank

by region

NORTH EAST	1
SOUTH WEST	2
EAST OF ENGLAND	3
NORTH WEST	4
LONDON	5
WEST MIDLANDS	6
SOUTH EAST	7
YORKSHIRE AND THE HUMBER	8
EAST MIDLANDS	9
SCOTLAND	10

Overall Wellbeing Index Score

by region

Quality Score · Entertainment Spend % Income · Amenities Wellbeing Score · Overall Wellbeing Score

Hadrian Healthcare Q&A


Jas Gill, Managing Director, Hadrian Healthcare Group

Jas Gill has been Managing Director at Hadrian Healthcare Group since 2009. The company has the wellbeing of their residents at the heart of everything they do. They are committed to ensuring they deliver their promise of a 'home from home' experience, providing exceptional care and comfort, with a strong emphasis on maintaining independence and quality of life.

Q What would you say is the definition of wellbeing and what does it mean to you?

A Wellbeing has many factors, covering mental, emotional, physical and health. A good definition of wellbeing has been described as "the state of being comfortable, healthy and happy". The wellbeing of our residents and staff is at the forefront of everything we plan and do. Having happy residents, who are able to do the things they enjoy, is what makes our homes the special places they are and creates a caring, family atmosphere.

Q How do you think the elderly care sector contributes to wellbeing generally amongst the ageing population as well as overall social impact?

A I believe the elderly care sector has made real progress in this regard, however it is and should be, a continual 'work in progress' and there is always room for improvement. Pushing the boundaries to ensure that wellbeing forms part of any organisation's continuing caring culture should be a constant for all of us who have that responsibility, thus ensuring wellbeing is an integral part of elderly care. Albeit, I recognise that this in itself may present specific challenges to measure in a consistent way.

Q What are your thoughts on how focus on wellbeing can be improved within the sector?

A As a continuation of my response to your question above, it is important to nurture an ongoing collaborative effort between providers, regulators and all involved in the sector to further raise awareness of wellbeing and understand its positive impact in order to create a health and wellbeing culture in every home.

Q How does wellbeing factor into your current strategy?

A One of the key things we assess in terms of our contribution to wellbeing is the impact our overall care has on each of our residents. This comes back to being "comfortable, healthy and happy". A resident who is enjoying a fulfilled life within our care is a genuine marker of their overall wellbeing, and we strive to ensure this is how each of our residents feel every day. One simple example is 'Big Wishes' which we have incorporated into our regular lifestyle programme at each of our homes. Residents can 'Wish' to do something they've always wanted to do, and wherever possible, we make it happen. One resident recently enjoyed some time in a flight simulator at Newcastle Airport and experienced an amazing flight from JFK airport, touring the State of New York and passing over the Hudson River!

Q How are your current buildings tailored towards wellbeing? e.g. in terms of amenity provision

A This starts for us at site selection. We look for sites which are located in established communities, focussing on locations within a good proximity to transport and key community aspects such as GP services, shops, schools and places of worship to enable residents to maintain as independent a lifestyle as possible and be part of the community.

Wellbeing credentials are unique to each site and the sites we choose reflect what we offer by their location, with every development being bespoke to its surroundings. We aim to provide an exclusive quality of life for older people who can no longer live by themselves but want to maintain their lifestyle, individuality and dignity.

As well as buildings being luxurious and homely, they are carefully designed to avoid any hint of "institution". Accommodation is arranged in small living groups to help create a comforting 'home from home' feeling. Amenities include a café/bar, beauty salon, village shop and private dining, all considerately positioned around the site for residents to enjoy with their families and friends.

At our most recent development, there will be special garden terraces where our residents can enjoy the stimulation of being outdoors overlooking the calm waters of the canal, together with a lovely themed Canalside Café which can be enjoyed by all our residents and their families. As a result of the amazing location, there are also plans to include regular summer outings on the canal for residents, in a dedicated canal boat.

Q How have you improved awareness of wellbeing amongst staff and management and how do you focus on the wellbeing of your staff?

A Wellbeing is a key component of our ethos and care-giving, and something that we believe sits hand in hand with the definition of excellent care – for both our residents and our staff.

As a business our people are key and we continually assess how we can support each of them within their roles. Competitive pay rates and ongoing training to provide each member of staff with the best possible tools for their job, together with the opportunity to progress their careers in care are practical elements of wellbeing.

It also makes a difference having a great working environment, both in terms of our Homes themselves and the culture and ethos within them. We actively encourage our staff to have fun with our residents which leads to a happy environment and increased job satisfaction.

We continually assess how we can improve the services we provide to create a team of people who enjoy their work and who recognise that they are appreciated.


The Mill House Skipton - opening April 2023


The Mill House Skipton - opening April 2023

Forward View

Julian Evans FRICS, Head of Healthcare

Overall, the trends that have emerged from this year's survey have once again served to support the case of the resilience of the sector as well as the long-term drivers. For example, the steady improvements in average occupancy year on year, as well as the holding up of EBITDARM margins. However, it does remain important to acknowledge the potential headwinds in the form of inflationary pressures to ensure that the sector is best positioned to absorb these. There will be a close eye on variables such as energy costs as well as staffing and cost of debt from both a landlord and tenant perspective. Another factor to consider will be the extent to which average weekly fees can move upwards in line with these costs. We do, however, remain optimistic on the sector's outlook despite the challenging times ahead. As mentioned, the fundamentals of the sector very much remain, and the social impact credentials assist in placing it amongst ESG strategies. The sector will be leaning on a combination of its operators, investors, developers, lenders and local government to maintain its resilience through the next 12-24 months.

Sector View

Jeremy Richardson,
Chief Executive Officer
Runwood Homes

"The social care sector is faced with a series of unprecedented challenges at present – the combination of energy price rises, a cost of living crisis, work force shortages and legislative changes make for an unpalatable cocktail that some may find hard to swallow. The population demographic is undoubtedly positive but all stakeholders, including Government, Local Authorities and our regulators need to recognise that their support in the short term in more important now than ever; without it operators are going to find the next 12 – 24 months very difficult".

Sam Monaghan
Chief Executive Officer
MHA

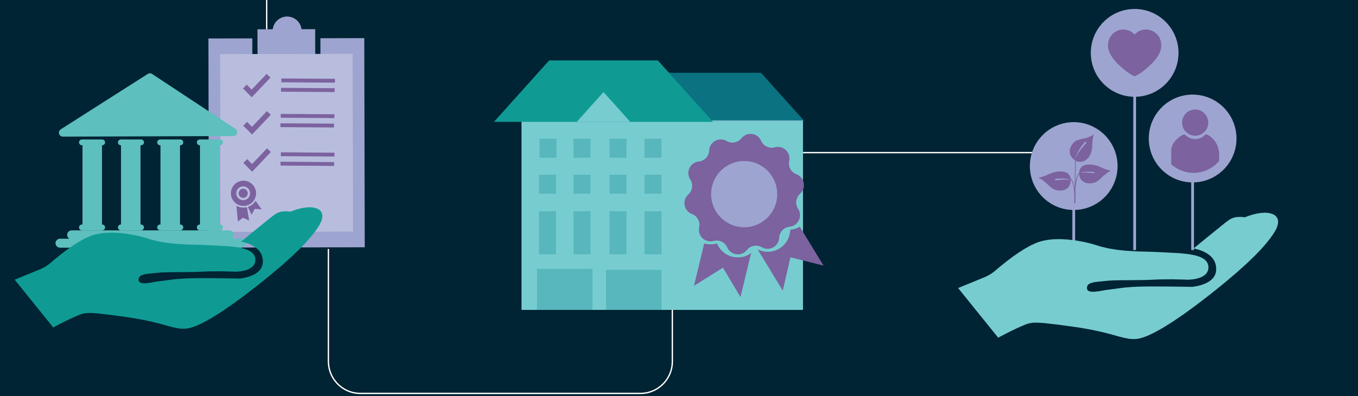
"Care providers are sadly continuing to face increasingly challenging times. The amount we receive from Local Authorities to fund residents' care is falling more and more behind our costs. With rocketing energy bills and increased costs due to continuous recruitment, food and supplies, never before has it been so important for our Government to talk to us, understand our issues and address them, both in the short and longer term. We have had reform announced, but this doesn't go as far as it should to address our issues in recruitment and retention and future funding. Without this, the future is unfortunately bleak for some providers and their homes, and we may well see numbers declining."

Key Themes

Occupancy continues to improve towards a normalised state with some homes **already trading at pre-pandemic levels.**

Fees have increased on the year but to what extent can these continue to grow to absorb inflationary pressures.

Focus will turn to **energy price rises, labour costs and legislation.**



Government and regulators vital in both the long- and short-term support of the sector.

Quality of current supply **remains a point for consideration** based on profitability statistics.

The wellbeing decisions and Social impact of operators **will continue to feature in its own right, as well as in support of the ESG piece for healthcare real estate.**

Please get in touch with us

Healthcare
Julian Evans FRICS
Head of Healthcare
+44 20 7861 1147
julian.evans@knightfrank.com

Danielle O'Connor MRICS
Associate, Corporate Valuations
+44 20 7861 5394
danielle.oconnor@knightfrank.com

Kieren Cole MRICS
Head of Commercial Valuations
+44 20 7861 1563
kieren.cole@knightfrank.com

Mandip Bhogal, BSc (Hons)
Head of Development Consultancy
+44 203 869 4702
mandip.bhogal@knightfrank.com

ESG
Jonathan Hale
Head of ESG Consulting, UK
+44 20 7861 1181
jonathan.hale@knightfrank.com

Commercial Research
Ryan Richards
Senior Analyst (Healthcare)
+44 20 3869 4575
ryan.richards@knightfrank.com

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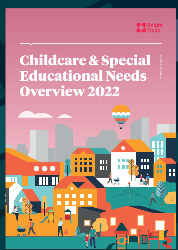

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