



One Touch
Property Investment

One Touch **CARE GUIDE**

CARE HOME SECTOR

FUNDAMENTALS

AGING POPULATION

More people over 65 than under 16 in the UK.

An NHS study found life expectancy in England and Wales is expected to continue to rise from the 2012 average of **79.5 years** for men and **83.3** for women, to **85.7** for men and **87.6** for women by 2030.



INCREASE IN DEMENTIA

Number of patients with recorded diagnosis of dementia increases by 62 per cent over seven years (according to the Health and Social Care Information Centre)

DEMENTIA REQUIREMENTS

Specialist nursing care is required. Dementia requires specialist 24 hour nursing care.

Government pays for anyone who cannot afford it. Safe and secure investment.

NATIONAL HEALTH SERVICE

The National Health Service budget is not balanced and there is a freeze on capital expenditure. Private and business partnerships are essential in order to provide the standard of services required for dementia patients.

CARE HOME INVESTMENT INCLUDES:

- Introduction
- Ageing Population
- Increase in dementia
- What are nursing homes?
- Government support of individuals care
- Privatisation of NHS services
- Need for investors
- What is a care home investment?
- Purchase Process
- Nursing care case study
- Luxury residential care homes – why invest?
- Buoyant market – investment which stacks up
- Challenges faced by the care home sector
- Future of the investment industry

Luxury Retirement Care- Highest Margin

UK Ageing population

£2.45 billion deficit NHS Trusts 2016

Increase in Dementia Patients

Purchase care home rooms

Privatisation of NHS services

3.5 million over 85 year olds by 2039

£14.5 Billion income generated from sector

INTRODUCTION: CARE HOMES IN THE UK

Care home investments are a relatively new concept in the industry, offering an alternative to traditional buy to let investments and safeguarding the medical needs of our older generation.

The investment type has grown in popularity due to the financial constraints of the public spending budget. This has meant local authorities are unable to provide adequate care facilities to the ageing population. The NHS and (to a smaller extent) Local authorities fund 69% of overall homecare and supported living services. It is widely reported that the NHS Trusts ran up a deficit of £2.45 billion in 2016. Gross social care spending in England since 2010 has fallen by 8% in real terms.

Coupled with the fact that we are all living longer and those born in the “baby boom” era approaching older age, publicly funded care homes are cracking under pressure.

THE UNITED KINGDOM'S AGEING POPULATION

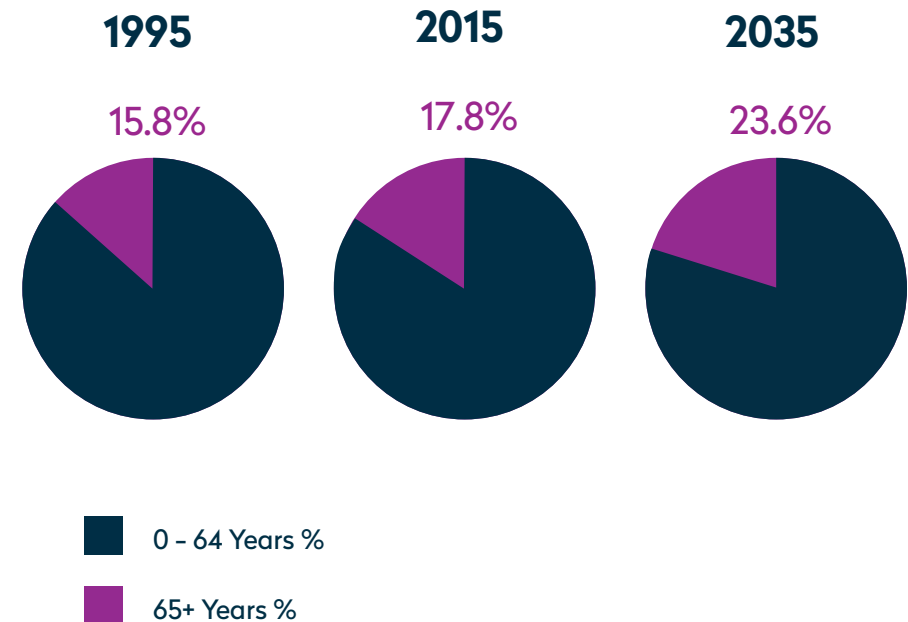
The proportion of the United Kingdom's population aged 90 or over has been increasing ever since the 1980s and by 2040 nearly one in seven is projected to be aged 75. As part of this growth, the **number of over-85s is estimated to more than double from 1.5 million in 2014 to 3.6 million by 2039** according to the NHS Confederation.

“More people over 65 than under 16”

This affects public spending, and the Office for Budget Responsibility predicts total public spending (excluding interest) to increase from 33.6% of GDP to 37.8% of GDP between 2019/20 and 2064/65, or the equivalent to £79 billion in today's terms, mainly due to the ageing population. Whilst it is a positive thing that individuals are living longer lives, it becomes a cause for concern when there are fewer people of working age to support those of pension age.

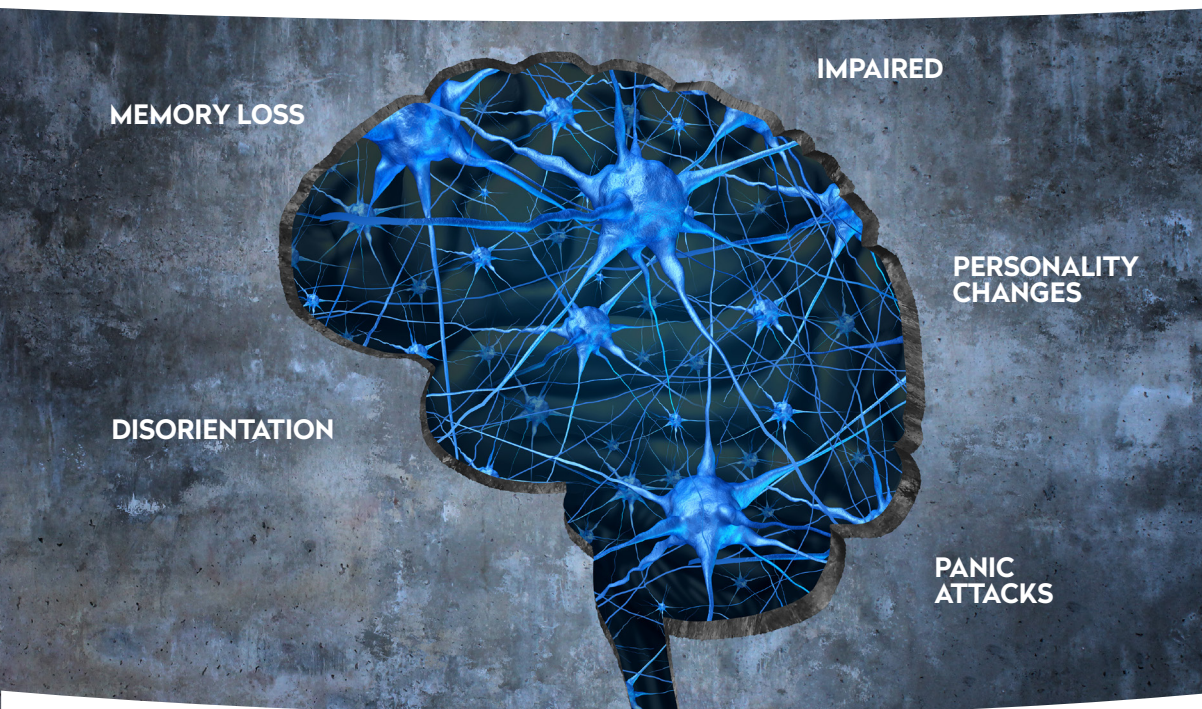
Limited revenue collected through taxes etc. means that public spending on healthcare cannot always keep pace with the ageing population.

THE INCREASE IN THE UK'S POPULATION AGED 65+ FROM 1995 - 2035



Source: Office for National Statistics

DEMENTIA



24 HOUR NURSING CARE

NURSING CARE HOMES (Dementia and Infirm patients)

Nursing care homes accommodate elderly individuals with more serious, long term illnesses. They often specialise in the care of a patient who is suffering from a degenerative disease such as dementia. Nursing homes have specialist equipment to care for the needs of patients, so are often better options for bed-bound individuals or those with mobility problems.

Nursing homes employ staff who are specially trained to deal with individuals suffering from illnesses, and the décor is tailored to ensure patients feel comfortable in their surroundings, e.g. calming decorations, signage, sensory gardens or memory walls.

Elderly patients are often assessed prior to admission to decide whether a residential or nursing care home is best suited to their needs and whether they will require additional care in the future.

Region/ Cost per week	Care home	Care home with nursing
East Midlands	£555	£687
East England	£604	£788
London	£625	£825
North East	£515	£591
North West	£480	£673
Northern Ireland	£476	£656
Scotland	£596	£743
South East	£641	£874
South West	£592	£791
Wales	£497	£603
West Midlands	£513	£694
Yorkshire and the Humber	£489	£655

INCREASE IN DEMENTIA

Dementia is defined as a chronic or persistent disorder of the mental processes caused by brain disease or injury. It can be highly distressing for the person with dementia, as well as family members who observe their loved ones, lose a sense of themselves and become easily disorientated.

Number of patients with recorded diagnosis of **dementia increases by 62 per cent over seven years between 2007-14** (according to the Health and Social Care Information Centre)

GOVERNMENT SUPPORT OF INDIVIDUALS CARE

Residential Care

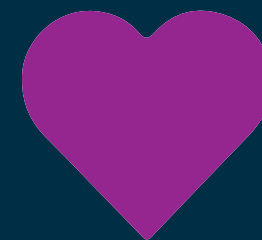
The average cost of residential social care for people aged 65 and over exceeds £30,000. Although the Government provides a Carer's Allowance for those who choose to look after their loved ones, it currently stands at just £62.10 per week and cannot be claimed for if the individual provides under 35 hours of care, works full time and earns over the £110 per week threshold or receives other earning replacement benefits such as a state pension. Due to financial or other family responsibilities, it is often a necessity to use the services a care home can provide.

Dementia Care

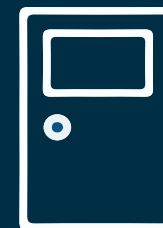
The cost of dementia in the UK was estimated at £26.3 billion in 2016. The government contribution towards the individual's cost of dementia care varies per region and is also means tested on affordability based on the individual's circumstances.

£673 PER WEEK IN THE NORTH WEST
£591 PER WEEK IN THE NORTH EAST

PURCHASE A CARE STUDIO



- Care Home Operator
- Lease Back 10 Years+
- 8%-10% Net Income
- Exit Strategies
- With >25% Uplift



Family members often contribute an additional amount to ensure that the loved one receives the families preferred choice of care and facility. Often the best care facilities require a higher portion of private funding and can charge a fair amount more than the maximum rate paid by government simple because there is such a dramatic shortage.

PRIVATE SECTOR RELIANCE

The UK's leaders in Healthcare research provider, LaingBuisson, estimates the addressable UK market value of homecare and supported living at £6.5 billion in 2014/15. Of which, the private sector accounts for £6.2 billion of the total, and councils own in-house homecare teams account for just £300 million.

Since 2000 the private sector has taken control of approximately 90% of the care homes in the UK as local authorities have outsourced this service to save money.



WHAT IS A CARE HOME ROOM



Care home developers typically identify a care home that needs a refurbishment or a turnaround situation. A number of the care homes would have had a higher percentage of residential social care which has come under financial pressure due to budgetary cutbacks.

The entire care home is purchased by the developer and individual rooms are separated into leaseholds, similar to apartments. Investors are invited to purchase individual units in a care home. The units are then leased back by the property developer at 8% -10% Net per annum on a long lease. The developer employs the skills of a specialist care home management company to oversee the day-to-day running of the care home.

PROCESS

Existing residential home converted to a specialist nursing care home with the aim of increasing income.

Simple sales and leaseback

Experienced Care Home Operator refurbishes the property and leases it back on a long term leaseback at 8% Net income

BEFORE Dated care home that had poor ratings, sub-standard communal areas



AFTER



COURTYARD / REST AREA

- comfortable seating;
- bright, contrasting surfaces;
- canopy / shelter;
- formal planting;
- avoid level-changing;



COURTYARD / WALKING AREA

- comfortable seating;
- bright surfaces;
- looping paths;
- features / markers easing spatial orientation;
- sensory planting;



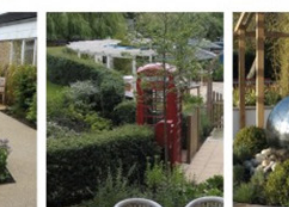
PATHWAYS

- handrails;
- raised beds;
- sensory planting;
- shelter;
- visibility;
- rest points;



FEATURES / MARKERS

- most common markers (mailbox / telephone box)
- water elements
- sensory stimulation (smell, touch, sound)



CUSTOMER FEEDBACK

People visiting the home told us they knew how to make a complaint.

One person said, *"I cannot imagine having anything to complain about. The home has been perfect for [relative] from day one."*

"I find the staff are very diligent and responsive to [relatives] needs. I am very happy that [relative] has been lucky enough to stay here."

AFTER INTERIOR



RELAXING ENVIRONMENT | MAKING PEOPLE FEEL SPECIAL | ACCESSIBLE FOR FAMILY MEMBERS

INVESTMENT SUMMARY

Care Home

Prices from £75,950

8% Net Income

25 year lease

115% Buyback at year 10



"We think the scheme is stunning and we are really pleased that you stayed so close to our brief. We are excited to see the final product and we are putting the home forward for the environment and design awards later this year"

CHALLENGES FACED BY THE CARE HOME SECTOR

NATIONAL LIVING WAGE

Predictions of some 37,000 beds will be lost due to a funding shortfall that is expected to exceed £1 billion by 2020, per the ResPublica think tank. Since 2009, local authority spending on social care for the elderly has fallen by 17%, and with the ageing population and introduction of the National Living Wage, the funding gap is set to widen.

WAGE COSTS ACCOUNT FOR 60% OF RUNNING COSTS

Although an elderly population assures demand, the introduction of the National Living Wage had many experts concerned that the profitability of the private care home would diminish. Care homes are often reliant on low paid workers who make up the bulk of the workforce, and cannot recoup the cost by raising the price of their services as they are regulated by the local authority.

Recent government research has done much to allay these fears. A report released in October 2016 titled "The Impact of the National Living Wage on English Care Homes" concludes that the National Living Wage has not had a detrimental effect on the care home sector. In fact, the introduction of the National Living Wage has had a positive effect on under 25 care workers, who have experienced a boost to their wages.

The Joseph Rowntree Foundation released a report in 2016 in which they stated that the increase in the National Living Wage would positively influence staff retention, an issue that has previously plagued the sector.



SHORTAGE OF NURSES

In the Christies & Co "The UK Nursing Workforce" report (2015), their assessment was that there was a shortfall of 15,000 trained nurses in 2015. The expert team at Christies suggested that the situation would only improve if there was an increased number of UK trained nurses and stabilisation of immigration policies towards nurses. With Brexit, there is still some uncertainty about immigration rules however luxury residential care homes do not require the same number of nursing staff as dementia care and the government has created a nursing associate role and a new funding scheme to provide financial assistance for people pursuing that position.

HOW WILL BREXIT AFFECT THE CARE HOME INDUSTRY?

According to forecasts by the Institute of Public Policy and Research, Brexit combined with low pay will result in a shortage of almost 400,000 social care staff by 2018. The IPPR report highlights Brexit's limitation on EU migration as well as the government's underfunding of the social care sector.



One in three care workers are on zero-hour contracts, and the unstable nature of the profession combined with large workloads has made it unattractive to the working public. Many members of the profession report having to supplement their income with several other jobs. Working in social care is already seen as unattractive and the UK has long relied on EU migrants to make up the labour shortfall, but this could end abruptly in March 2019. The problems faced by this sector means that individuals would be prudent to avoid investing in nursing homes which employ high levels of nursing staff to care for residents.

That is not to say that the care home sector should be completely avoided. Demand is underpinned by Britain's ageing population, as the "baby boomers" (one of the UK's largest generations) enters retirement. According to estimates from Knight Frank the over-60s in England alone have £1,200bn in unmortgaged housing wealth. As many may consider downsizing to free up equity to pass on to loved ones, retirement homes that are self-funded are becoming increasingly prevalent. As these types of properties are not focused specifically towards the elderly with degenerative diseases, they require lower levels of nursing staff

THE FUTURE OF THE CARE HOME INDUSTRY – INVESTMENTS THAT STACK UP

The indisputable fact is that the UK's population is ageing; both in terms of the proportion of those aged 65+ and in terms of life expectancy. The need for both residential care homes and nursing care homes is increasing in line with the population.

A shortage of care home beds available has led to the NHS being used by patients who would be better looked after in a care home. To tackle these inefficiencies, the government and local authorities are reliant on private companies to bridge the gap in the number of beds available and the demand; most residential and nursing homes are operated by private companies.

There is a **very strong demand for care home facilities**, and that the private sector plays a vital role in ensuring that the demand is met.

SELF-FUNDING

Studies have shown that care homes with a higher percentage of self-funding patients are typically more profitable than those where most of the patients rely on local authorities for funding. This is generally because of the funding gap between what local authorities can pay the care home, and how much it costs to run. Generally **self-funding patients pay a higher fee and subsidise patients who rely on local authority contributions**.

According to Which.com "Self-funding a care home is quite common, and around two-fifths (40%) of places in independent care homes are funded by private individuals". That means that the market for the self-funded care home is robust.



HOW CAN I PURCHASE A CARE HOME SUITE?



One Touch
Property Investment

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We are approachable and informed. Our property specialists have been in business for a decade and we love sharing our expert knowledge to help you take empowering decisions with confidence and ease.

At One Touch we have an extensive portfolio of care home opportunities from reliable developers and well researched investments that provide you with the safety and protection you need to reach your lifestyle and financial goals.

Web: www.onetouchinvestment.co.uk/care-home-investments/

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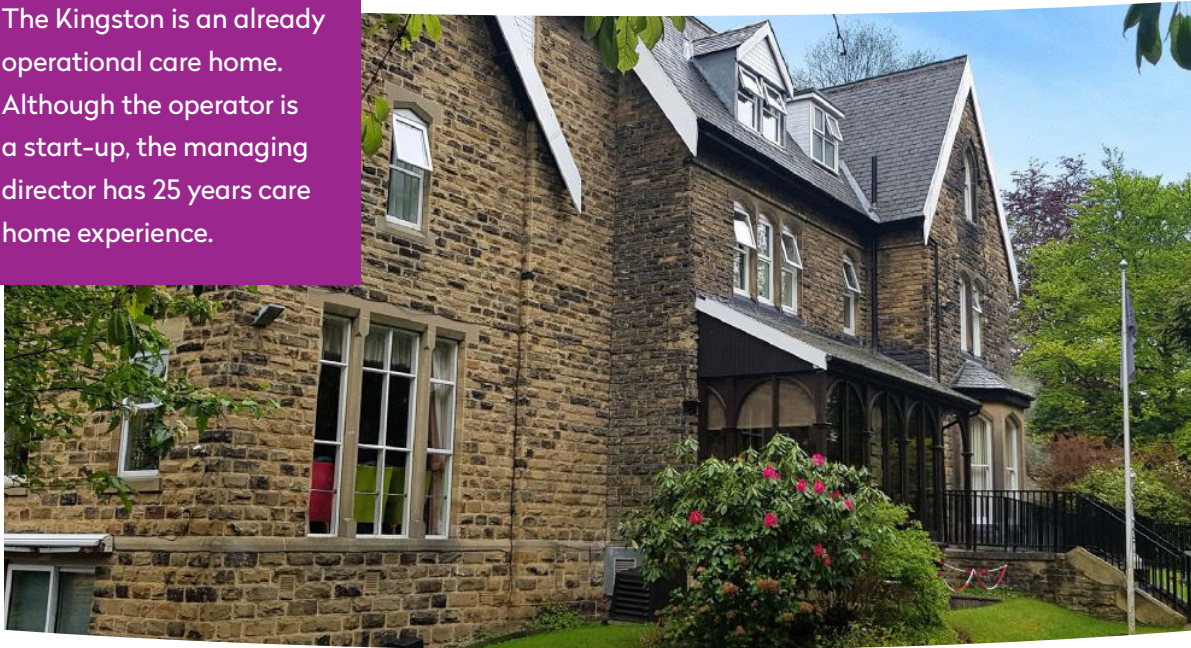
INVESTMENT EXAMPLE

THE KINGSTON – CARE HOME IN NORTH LEEDS


The Kingston is an operational care home based in an affluent neighbourhood in north Leeds. Leeds Golf Club is less than a ten-minute drive away and Roundhay Park and Lake is just a 5-minute drive. Residents will have the opportunity to spend their days playing leisurely rounds of golf or reading in the tranquility of the

park. Roundhay Park and Lake is one of Europe's biggest city parks which boasts over 700 acres of parkland, lakes, woodland and scenic gardens. The park attracts over a million visitors every year and its proximity to the care home means that residents will get to enjoy its open spaces.

The Kingston is an already operational care home. Although the operator is a start-up, the managing director has 25 years care home experience.



- Immediate income – no refurbishment required
- 10-year lease with 10% net income
- CQC rating: Good
- Buy back option in year 10 at 115% of purchase price
- 5-year positive cash flow
- Operational care home



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