

Christie + Co: Market Analysis

Buyers circle the care home market but lack of stock hampers deal activity

Buyers continue to circle the care home sector, with increasing numbers starting to take advantage of a rise in opportunities, which have come to the market over the last few months.

Private and experienced buyers with available funds are currently driving the market, taking advantage of the lack of major corporate activity. Contrary to common belief, this is an excellent time to consider selling your care business as there is a shortage of quality businesses available which is helping to hold up values for well-performing, compliant homes.

Interest rates remain very low and there is a plethora of well-funded and experienced operators eager to expand their portfolios. The bid/ask divide is also narrowing with both buyers and sellers now taking a more sensible approach to price expectations.

In April, Christie + Co sold the freehold of Orchard Portman nursing home in Taunton, on behalf of private owners, to Dr Oliver Sargent, Managing Director of care home operator Taunton Hospital Limited, for an undisclosed sum, off an asking price of £3.8 million.

Situated on the outskirts of Taunton, close to the racecourse, Orchard Portman is currently registered for 45, with planning permission to build 27 more rooms within its nine-acre grounds. Dr Sargent plans to refurbish and extend the business, with the extension being registered by the Care Quality Commission as a 27-bed hospital which will provide long-term care for NHS patients in Somerset and the surrounding area.

This was followed by the sale of the freehold of The Homestead care home in Crowthorne, Berkshire, for an undisclosed sum, off an asking price of £2.3 million. Situated close to the centre of Crowthorne in a private road, the home has a 3-Star rating from the Care Quality Commission (CQC) and is registered for 23 residents who are suffering from dementia.

Although sourcing funds has become harder for first-time buyers it is possible, particularly with the right professional advice, such as from our sister company Christie Finance. Funding can still be obtained on competitive terms for new entrants into the market.

At the start of the year, we sold Mendip Lodge Care Home near Bristol, on behalf of a Mrs and Mrs Andrews, to new company Renaissance Care Homes Ltd, for an undisclosed sum, in a deal that was funded by Christie Finance.

Mendip Lodge was acquired through Christie + Co by Mr and Mrs Andrews in 2008. New owners, Renaissance Care Homes Ltd is owned by Debbie Lymbery from Hampshire, who has extensive experience in the care home sector, having worked for one of the main national providers.

Care home development remained subdued during 2009, hindered by the difficulty of obtaining finance. However, there is increased focus by many operators on new development as the market moves into a qualitative phase.

In May, the LNT Group, the UK's fastest growing developer of care homes, instructed Christie + Co to market nine freehold turnkey care home development opportunities, located throughout the Midlands and the North of England. The care homes, which will total 479 beds, will be located in Derby, Halifax, Huyton in Merseyside, Rotherham, Sheffield, Stockport, Sutton in Ashfield, West Bromwich and Wigan. This is one of the most important care home development instructions to come to the market in recent years and has already generated significant interest.

The uncertainty experienced across the sector in the first part of the year due to the General Election has eased, however further pressure is set to be placed on operators and consumers by forecast tax increases and spending cuts. The care sector as a needs based business is well placed to buck these difficulties.

With over £500 million-worth of deals concluded within the first quarter of 2010, through the completion of just three significant transactions alone, the care sector shows signs of renewed investor confidence, which we expect will translate into further completed deals as the year progresses.

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