

KEY TRENDS AND STATISTICS

	Current Sentiment
Investor Demand	▲
Occupational Demand	▲
Capital Values	▲
Rental Values	◀▶
Debt Availability	▲
Equity Availability	▲
Transactional Activity	▲

60 SECOND OVERVIEW

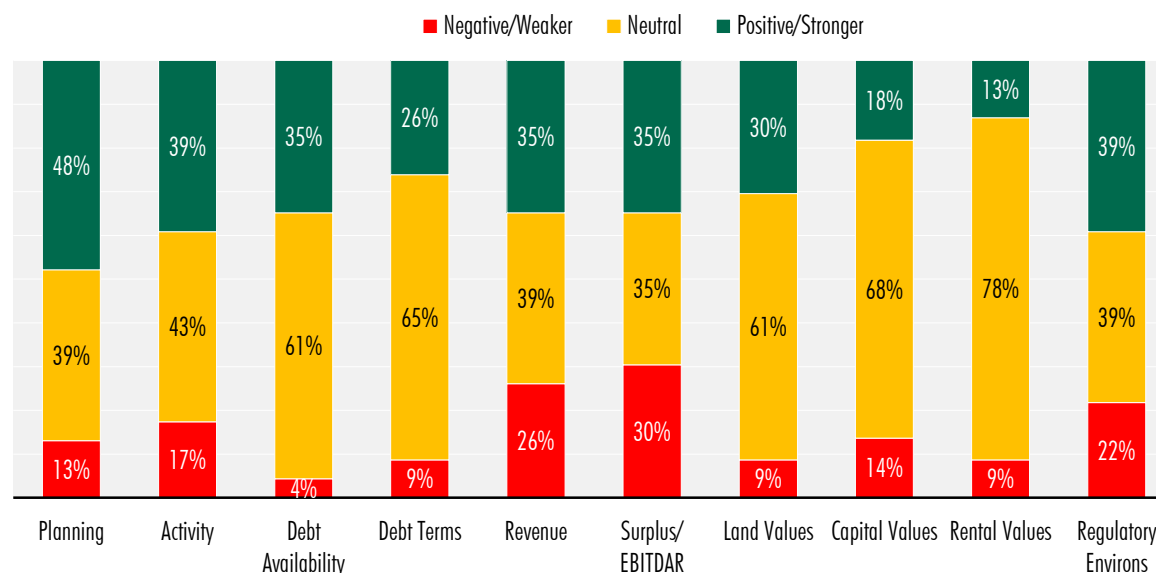
- Over £1 billion invested in UK health & social care sector in H1 13, majority as direct investment into real estate.
- Overseas investors dominate, direct via sale and leasebacks and indirect into capital structures, and are currently under offer or have exchanged contracts on at least a further £400m of UK healthcare stock;
- Domestically, Assura and Target Healthcare REIT list as UK healthcare REITs and MedicX Healthfund completes a second successful equity raise. In Q2 2013, MedicX bid unsuccessfully for Assura;
- Material increase in M&A activity in the Learning Disability in 2013; CuroCare sold to Lyceum, ILG sold to Voyage and at least one other sizeable transaction completed in Q2 by private equity backed platform;
- Financial restructuring continuing through H1 2013;
- KPMG appointed to sell European Care Group, the UK-wide elderly and specialist care group, with nearly 100 care homes;
- Administrators of Castlebeck reportedly in exclusive discussions with Danshell regarding a sale of the specialist care provider;
- NHP, a company which owns approximately 300 care homes, is reported to have started a process to appoint advisors;
- Strong interest reported for former Loyd care home portfolio of over 60 homes predominantly let to Four Seasons Health Care ("FSHC").

HEALTH & SOCIAL CARE – OPERATOR SURVEY

A TURNING POINT IN THE MARKET?

In Q2 2013 CBRE carried out a survey of the top 50 providers in the health & social care sector. We asked for their views on 5 key areas; Planning, Debt, Trading, Values & Regulation. The results & CBRE comment are summarised here.

- View on development appears buoyant. Planning regime, land values & the level of activity amongst the strongest responses. Leading operators appear to be moving to a more positive view of fundamentals to support selective development.
- Broad consensus on availability & terms of debt, indicating Banks are lending, a message re-iterated by the specialist healthcare teams at the Banks themselves.
- View of the trading environment remains highly polarised. There is no market consensus, but 30% of responses suggested trading at EBITDAR level was trending weaker.
- General view that capital & rental values are holding steady which might indicate that easing debt markets are balancing the stress for those experiencing weak trading thereby maintaining the value status quo.
- The perceived stability of values amongst operators is interesting given the activity in the investment market and the appetite from overseas capital.
- The regulatory environment remains polarised with nearly 40% viewing positive change, but 22% perceiving the regulatory system as being poorer.

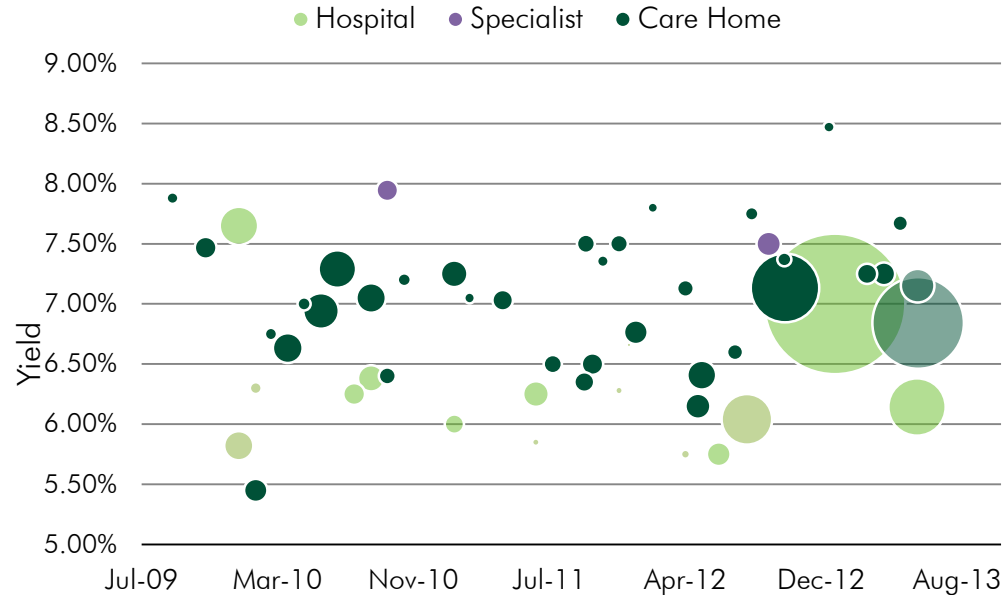


Response rate of over 57%. Operators that responded operate nearly 100,000 registered beds.

Source: CBRE

HEALTH & SOCIAL CARE

DIRECT REAL ESTATE INVESTMENT ACTIVITY



MOMENTUM IN THE MARKET

- Material increase in sales volume and scale of investment activity since H2 2012
- Over £1 billion transacted in primary care, elderly care, hospitals and specialist care sectors in 2013 to date
- Over £500m investment stock under offer or exchanged contracts at date of writing
- CBRE instructed on a further £100m of care home investments
- Increasing sector interest from domestic and overseas investors

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CARE HOME ACTIVITY H1 2013

- Target Healthcare REIT acquired 7 properties in Scotland and Midlands. Yields understood to be between 7.0% and 7.5%.
- Four Seasons Health Care acquired 17 Optimum Care homes as going concerns, the first significant 'wholeco' deal for several years.
- FSHC followed up with acquisition of 4 homes from Quercus Fund.
- MedicX invested £18m in January and in May bought a 64 bed new build home in St Albans at 7.25% from Fonthill. Capital value per bed over £130,000.

INTERESTING DEVELOPMENT – HCP of US investing £175 million into the Barchester capital structure in May 2013. HCP also have a position in the Four Seasons capital structure.

SPECIALIST CARE MARKET H1 2013

- 3 portfolios of specialist care properties transacted as going concerns in H1 2013, each sold to private equity backed vehicles.
- Aggregate value of the 3 understood to be c.£125 million with profit multiples reported to be between 8.0 and 9.5 times EBITDAR, based on strength of cash-flows and quality of real estate.
- Capital values for the LD stock understood to reflect c. £300,000 per bed.

INTERESTING DEVELOPMENT – Entry of Lyceum Capital to the market in Q2 2013 with reported £25m acquisition of CuroCare in face of reported competition from Patron, Sovereign and OMERS