

The secret to REIT success: Be picky

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As inflation and energy costs spiral out of control, traditional brick and mortar investments in elderly care are increasingly being perceived as potentially risky business. An award-winning Madrid-based REIT tells HBI its formula success in a difficult climate.

1. Know your geography

“The reality is that the fundamentals of the way we look at an elderly care home is the same. An Alzheimer’s patient is the same in Brussels, Madrid or Berlin,” Albert Fernandez, CEO of REIT Healthcare Activos tells HBI, adding that a good model should apply in all good locations. The trick is finding the right locations.

Even a market that appears risky on the surface could have potential in certain areas. Fernandez cites Belgium as a prime example of this: “Belgium is one of the more mature markets and the most saturated market in Europe, which is bad. But in healthcare you shouldn’t look at countries – you need to look at regions as healthcare is regional and Belgium has three regions. One is around Brussels which opened up in 2020, is very well designed and could be one of our standard greenfields.”

Activos is typically focused on the city centres where its residents’ families live. Recently, it acquired two state-of-the-art facilities in Portugal in Lisbon and Coimbra from Fidelidade. The Netherlands is also seen as a promising potential future market, but Fernandez notes it could be a challenge due to its very strict market regulations, so it is doing its homework.

2. Choose quality design over quantity

In this climate, Fernandez is firm on this point. In December it acquired six nursing homes in Belgium from AG Insurance, but rejected a number which did not meet its exacting quality standards. And if you really want to hit the right criteria, build it yourself.

3. Contract for the long term; be mindful of ESG

On average, Healthcare Activos’ leases run for 19 years and the firm is making a push towards longer-term, sustainable investments. This ties in neatly with ESG, which is increasingly on investors radars.

“We are providing critical infrastructure for the most fragile populations in society. In our buildings, lives are saved everyday. What is more ESG than that? Of course we look at the ‘E’ and the ‘G’ within ESG, but we have a big and unique ‘S’ at the very center of everything we do. It’s a fundamental part of our business strategy and what we have been focusing on for the last 20 years.”

4. Have realistic expectations – particularly timescales

“We tell investors ‘we’re not the fastest growing, or most profitable – we are the safest’. When we buy or build an asset, we know it’s going to perform well over time. Our mindset allows us to completely de-risk our future long term cash flows,” Fernandez tells HBI – but investors looking for riskier, fast returns should look elsewhere.

This month, Healthcare Activos were awarded the “Financing of the Year 2022” award from European publication Real Estate Capital Europe. Blackstone was awarded second place and GIG was awarded third.