

Property investors' role in rebuilding trust in the care sector

Lee Murray MARCH 8, 2024

Reputational risk scares investors. So when a scandal over quality of care of a magnitude greater than any before hit the French nursing home sector in 2022, it sent shockwaves throughout Europe, and scared away many investors.

This week HBI hosted a webinar with three property investors on the back of our [Special Report into healthcare property, published last month](#). The panel featured business leaders from three of Europe's major healthcare real estate investors: Alberto Fernandez, CEO of Spain-based Healthcare Activos, Sebastien Berden, COO Healthcare of Belgium-based Cofinimmo and Frederic Dib, President of France-based Mozaic Asset Management. A large part of the discussion centred around quality and the role that property investors have in restoring faith in the care sector.

So, what is their role?

Dib stressed that investors who have been in the market for a long time have not been rattled by recent events, and remain convinced of the strong long-term fundamentals underpinning the sector. But convincing new money to flow in is a priority, especially given the huge demand on the horizon.

Fernandez linked financially stressed operators to bad quality of care: if investors take a long-term approach and apply conservative rent charges and accurate financial projections, quality would benefit. Regulators play an important role, by setting out standards and implementing regular inspections and reports. Northern Ireland's Regulation and Quality Improvement Authority goes a step further than most to also assess commercial quality in healthcare providers.

Berden stressed how investors should pick their tenants carefully, working only with companies they trust to provide top quality care, and should spend time physically visiting their properties. With political ill-will against private investors on the rise, they need to be proactive and transparent rather than hide. Cofinimmo's approach to this is to publicly publish its occupancy rates in all countries, benchmarked against the national averages.

The biggest opportunity for property investors is to improve the quality of the sector's real estate, which has a direct impact on the quality of care. Fernandez estimates that 20-30% of existing capacity is unfit for purpose and needs to be shut down. Demand for dependency beds is predicted to double to 4.4m beds in the next 10 years, and building everything new isn't possible. Refurbishing existing properties as well as building new better properties will be required.

Investing in greenfield properties presents an opportunity for designing the building from scratch in a way that is beneficial for both quality and efficiency. For example, splitting homes into units of 15-20 bed homes specialised by patient type and removing waste time such as planning the distance from the kitchen to dining room (which avoids the need to push trolleys through a building).

The discussion ended with Cofinimmo's look at the future, with the example of a 'healthcare campus' built in Viersen, Germany, with a nursing home at the centre, surrounded by outpatient services, assisted living facilities, a restaurant and a soon-to-be-built kindergarten. The idea is that operators can help generate new revenue streams and build economies of scale whilst also keeping residents at home for longer.