

“Significant appetite for growth across healthcare sector”

12 months ago



Investors, developers and providers are looking to significantly increase their presence in the UK healthcare sector, according to [CBRE](#)’s 2024 UK Healthcare Sentiment Survey*.

CBRE’s research shows that all respondent pools anticipate sector growth, with 62% of investors intending to increase their allocation to healthcare, 70% of developers preparing to take on more healthcare projects and 50% of providers planning to grow their portfolios over the next five years.

When asked about anticipated demand levels across the UK, 40% of both developers and providers expect London to have the greatest demand for care services, due to being densely populated, highly affluent, and having limited new care home developments. However, developers are also looking to the Midlands and the East of England to address the acute undersupply in these regions, while capitalising on lower competition risk.

Despite unified appetite for growth, the findings show disparities between the healthcare assets investors are targeting and those that developers are building in all but two subsectors; Supported Living and NHS Leased Facilities. This was particularly prevalent in Senior Living, with 44% of investors targeting these assets and just 24% of developers bringing them to market, likely a result of market immaturity and unclear senior living policies from local authorities.

The challenging development environment, abated by long planning timelines, cost inflation and land availability, has also driven a shift in approach from providers, with just 18% looking to acquire new schemes. Instead, providers are looking to acquire existing care homes, either alongside new developments (60%) or as a standalone strategy (23%).

Sarah Livingston, Co-Head of UK Healthcare, CBRE, said: “Providers want to grow their portfolios to support the provision of much needed care beds in a number of subsectors, notably senior living and specialist care. The synergies across all three respondent pools can hopefully act as the catalyst in a positive cycle of supply and demand over the coming years.”

The search for attractive returns, high occupancy rates and strong fee-rate rises has seen investors pivot from income driven strategies to opportunistic and value-add, with 84% of respondents stating their appetite for risk had increased.

Tom Morgan, Co-Head of UK Healthcare, CBRE, said: “Healthcare is a resilient asset class – it offers robust demand levels and traditionally, long lease terms. However, not all investors can adopt a ‘wait and see’ approach and as a result, we’ve seen many becoming less risk averse in order to deploy capital. They’re now taking advantage of the opportunity afforded by shorter leases, rather than focusing on income duration.”

Deploying capital into healthcare assets also aids investors looking to improve their ESG credentials, due to the sector’s ability to improve social outcomes. According to the research, 86% of investors stated that ESG will influence their investment decisions. When asked which ESG criteria was of most importance, ‘defined governance controls to ensure care quality’ was top for 52% of respondents.

While 90% of developers said that ESG influenced their decision making, only 75% of providers shared this view, creating an opportunity for investors to support providers in developing their own ESG strategies.

**CBRE’s 2024 UK Healthcare Sentiment Survey analysed responses from over 200 investors, developers and providers across the UK. Investor respondents have a combined investment of over £8bn, and provider respondents have over 150,000 care home beds collectively.*