

Healthcare Advisory

Transforming the UK Primary Care Estate

REPORT

November 2022

CBRE



Agenda

1 Why did we undertake this research?

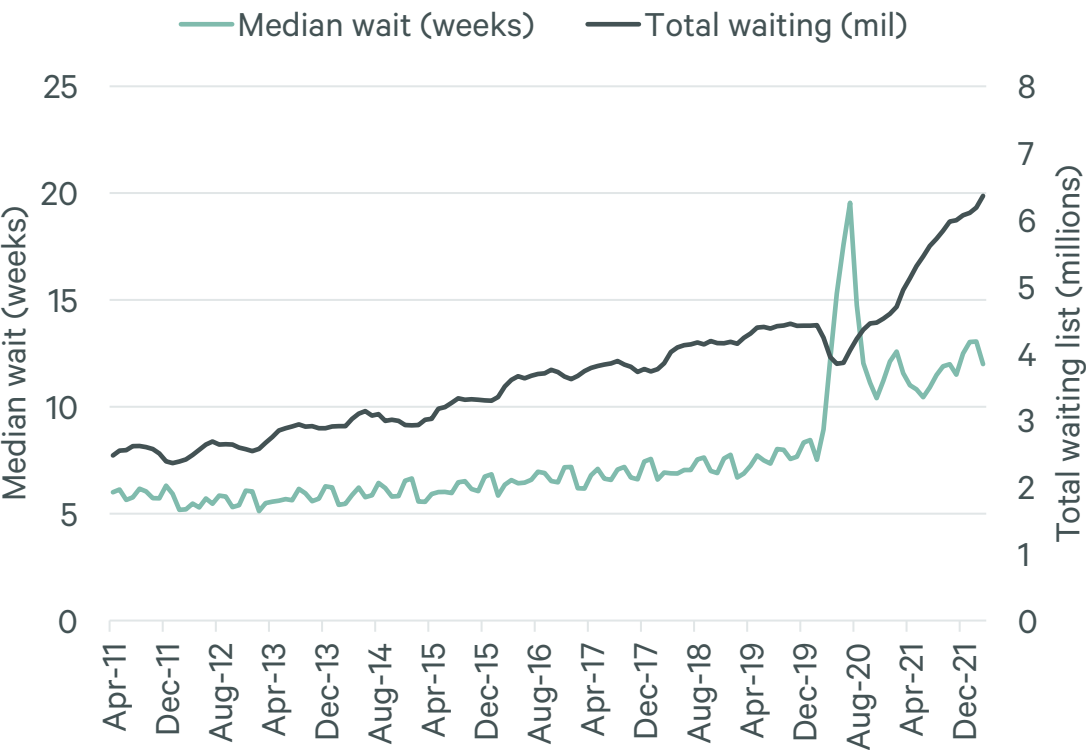
2 Key analysis areas:

- Rental growth
- Build costs
- Yield compression

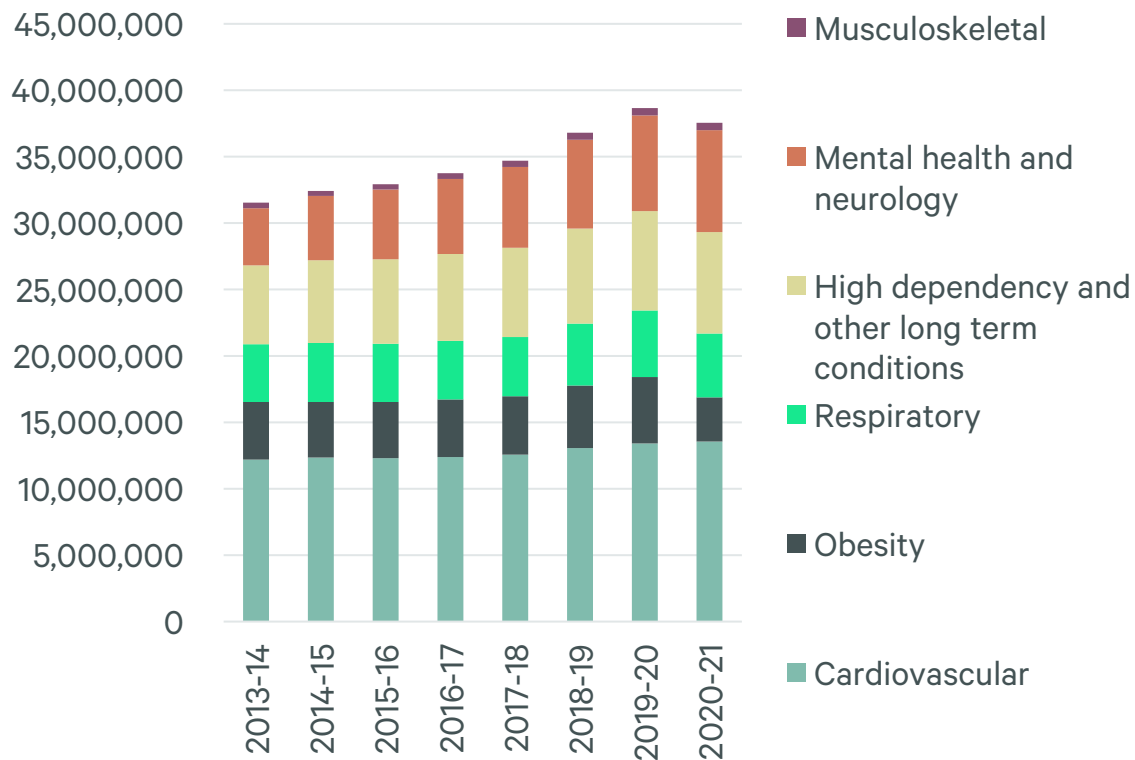
3 Our recommendations

Why did we undertake this research?

Patients still waiting for acute treatment at the end of the reporting period (England)



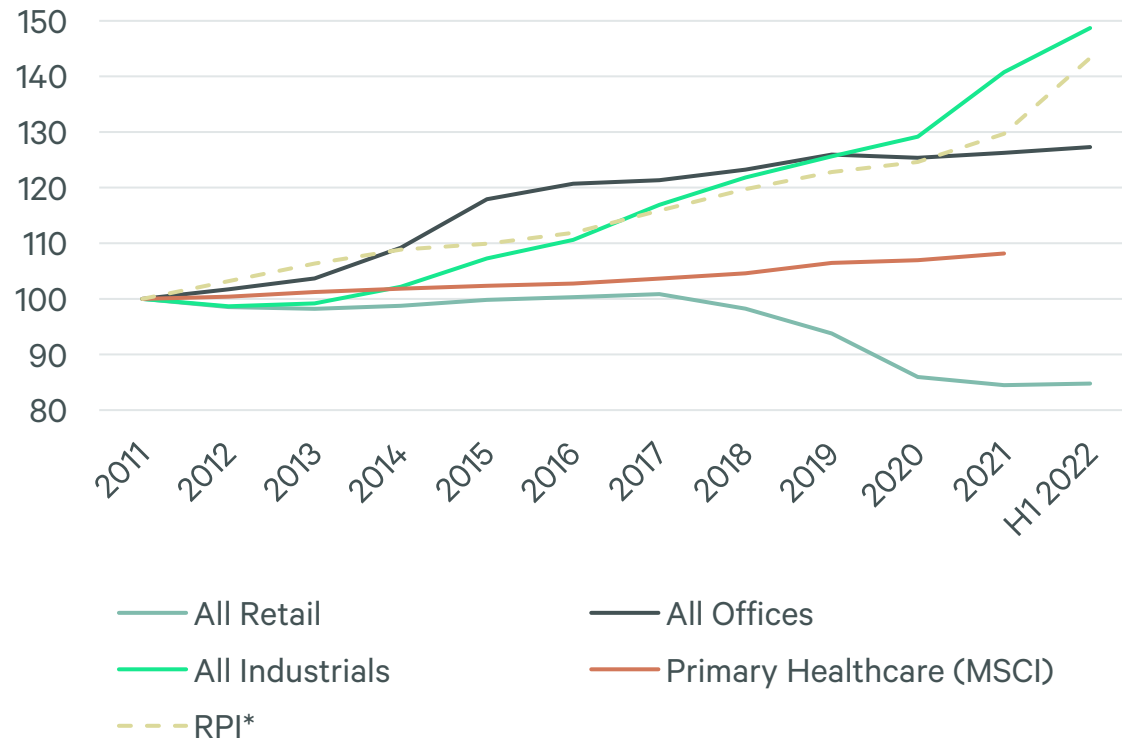
Condition Prevalence Rates, England



Source: Office of National Statistics, NHS Digital, NHS GP Patient Survey 2022

Investing in transforming GP estate is becoming less attractive due to falling rents in real terms over the last 10 years

Rental growth by sector (2010 to H1 2022)

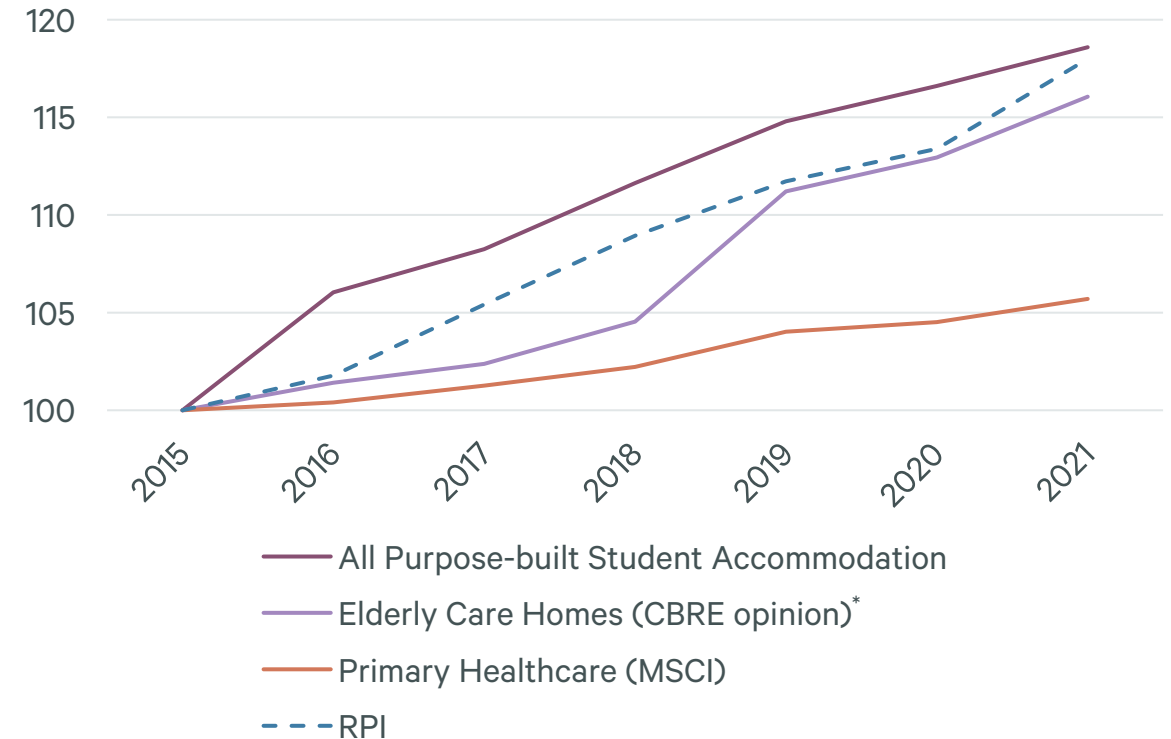


*H1 2022 RPI at May 2022

**This is not an index but is based on transactions and valuations that CBRE have been involved in and are aware of

Source: CBRE Research, MSCI Analytics

Rental growth by alternative sector (2015 to 2021)



Value for money is often focussed on costs rather than wider policy objectives leading to unintended consequences

Negative feedback loop: Unintended outcome of pursuing economic value for money in rent setting



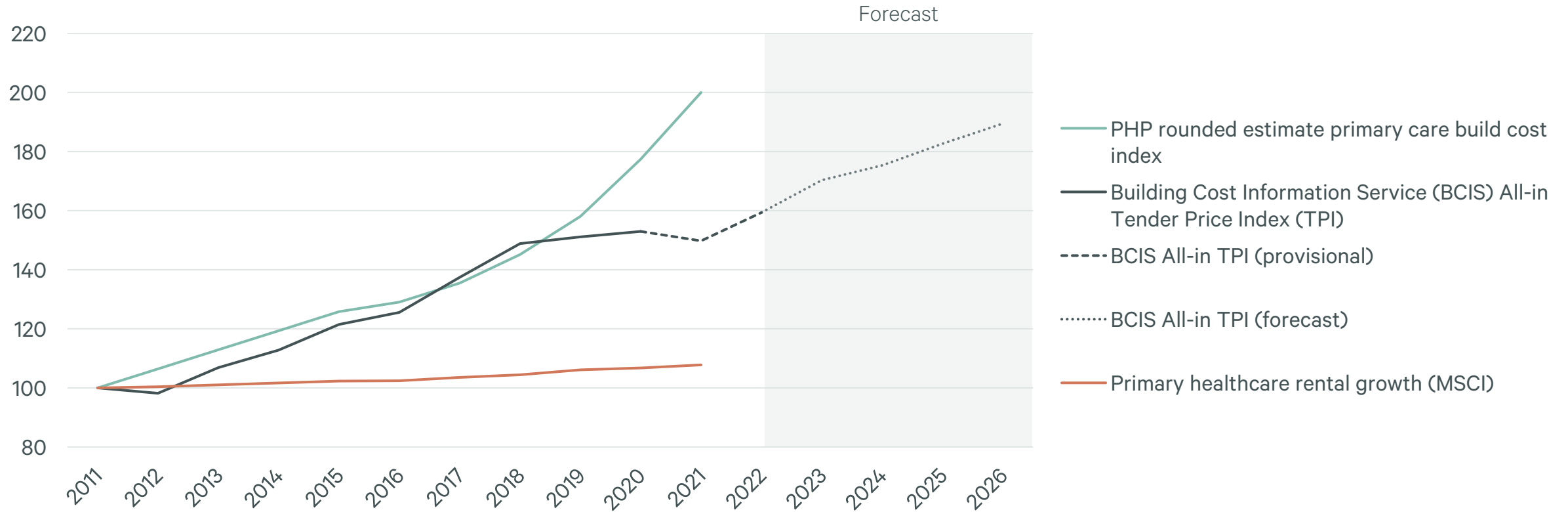
“ Breaking this chain to invest in areas where transformation is needed the most could help levelling up and alleviate deprivation. ”

Sam Wright

Senior Director, Healthcare, CBRE

Furthermore, inflation in construction costs have made primary care development less attractive

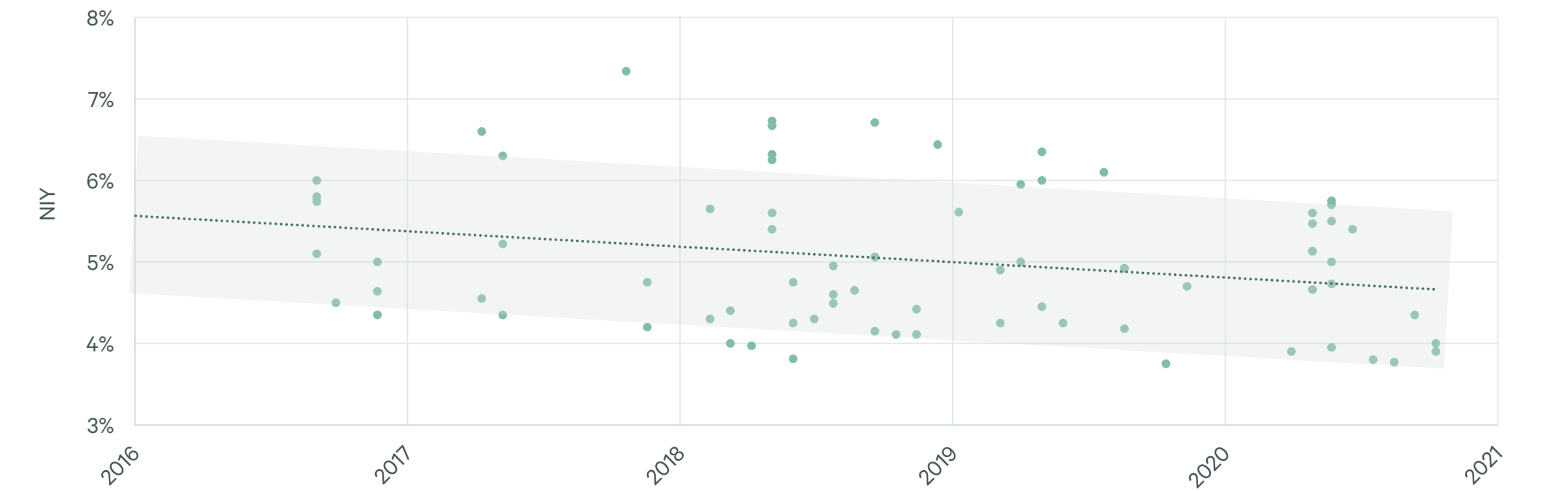
Primary care rental growth vs construction costs



Source: Building Cost Information Service, Turner & Townsend, PHP annual reports, Assura annual reports, MSCI

Past developments were made viable due to yield compression despite a lack of rental growth. Without continued yield compression this will cease to be the case.

Primary care net initial yields



Source: CBRE Research

Recommendations

- 1 Investing in the primary care estate to deliver better value for money for the NHS overall in accordance with the Treasury's definition**
 - This could be justified by cost savings from relieving pressure on NHS hospital and social care services.
- 2 Ensure balanced judgement on rent setting to deliver policy objectives including at rent review**
 - This includes Levelling Up, Net Carbon Zero and local health requirements.
 - This could be achieved by a widening of performance metrics, for example energy performance standards, Health Building Note (HBN) compliance.
- 3 Greater expectation for CCG/ICS/NHS Property Services to allocate higher rental budget on purpose build medical centres to support the transformation of the primary care estate**
- 4 Government bodies and industry continue to engage in open dialogues to keep abreast of the fast-changing landscape of the market**

Contacts



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