



Market Update

Vanessa Hale



THE FUTURE IN PERSPECTIVE



Real Estate for a changing world

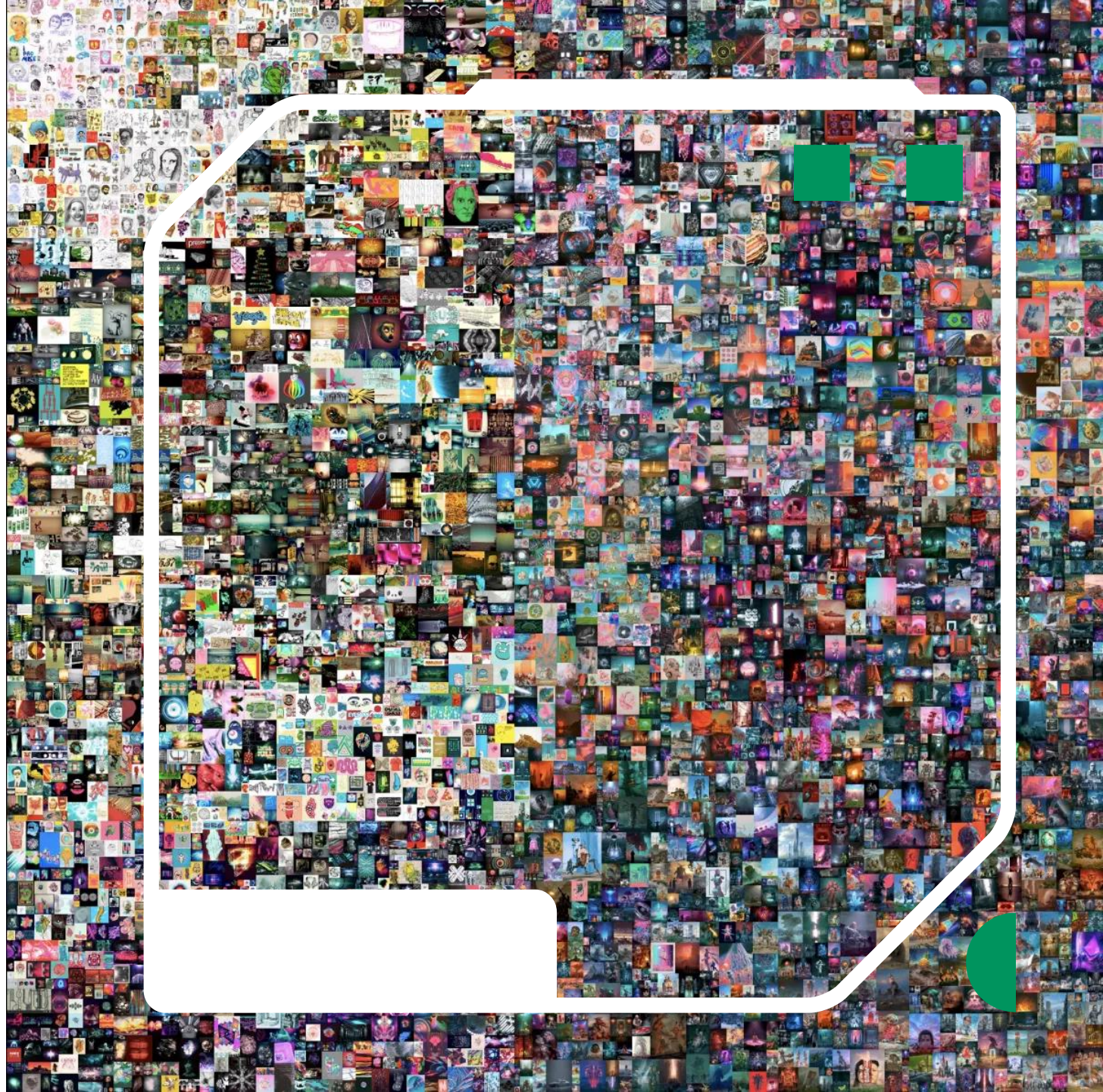
AGENDA

01 Macroeconomic overview

02 Real Estate overview

03 Healthcare and Senior Living Real Estate

04 Questions



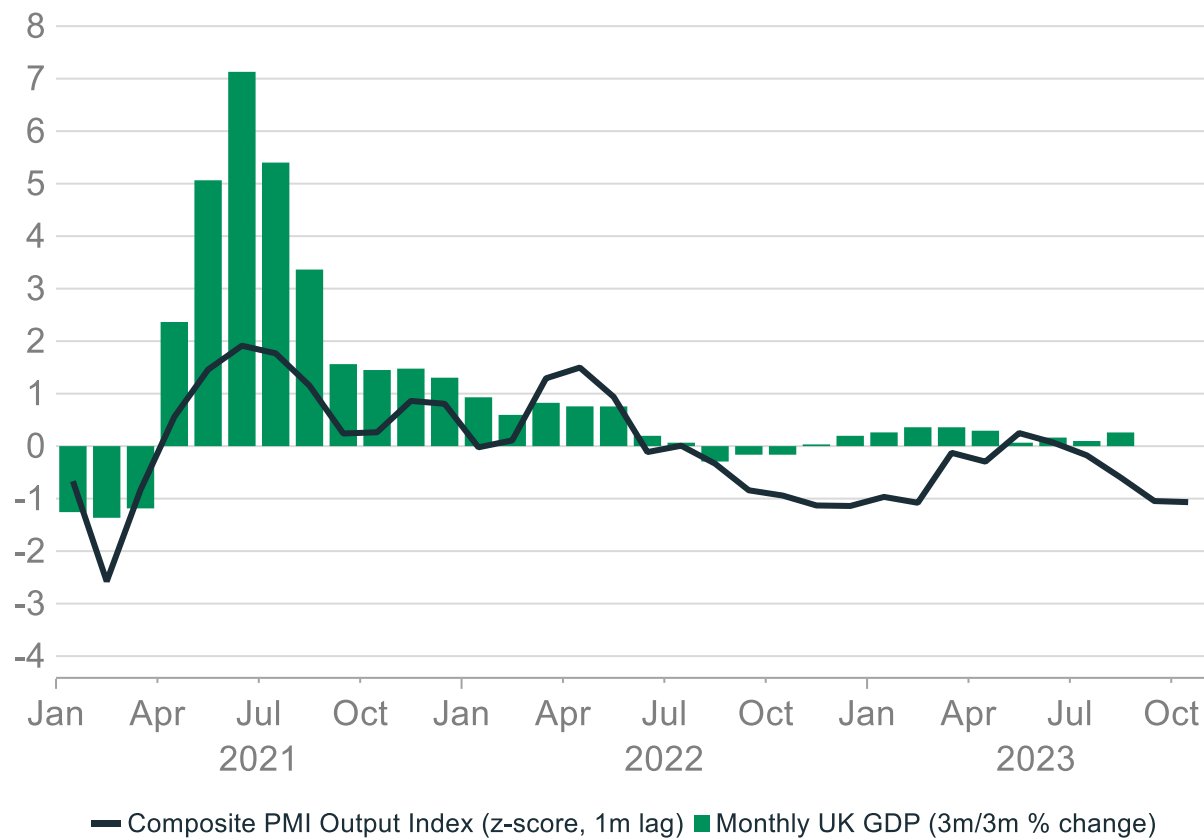


MACRO- ECONOMIC OVERVIEW

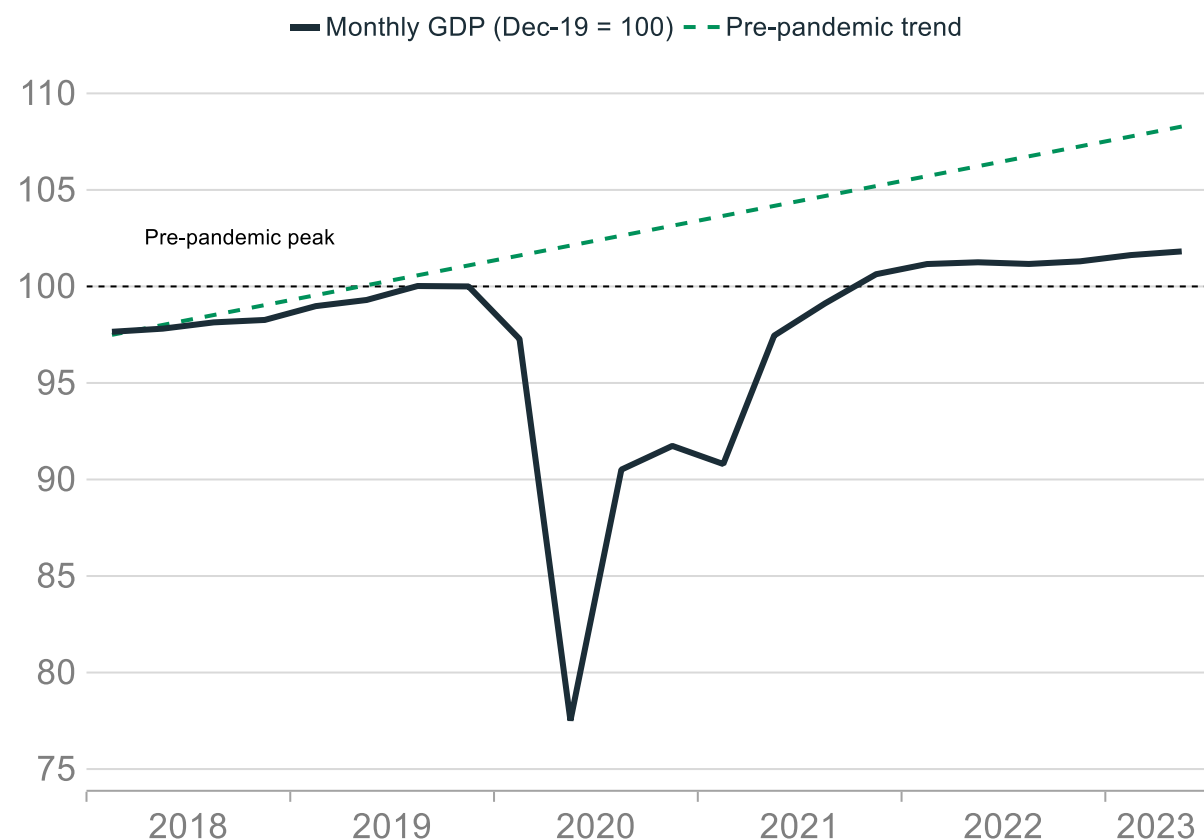


HIGH INTEREST RATES WEIGH ON GROWTH

Monthly UK GDP & Composite PMI



Level of UK real GDP (Dec 19 = 100)



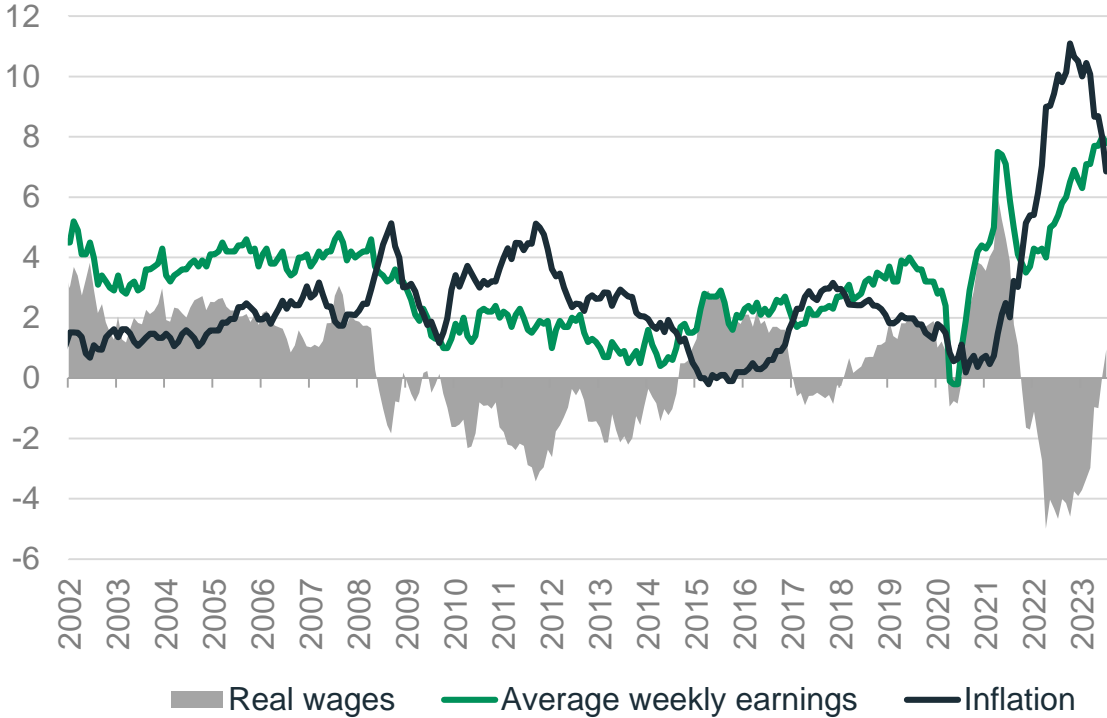
Source: Macrobond

LABOUR MARKET INDICATES LOOSENING CONDITIONS

Unemployment Rate %



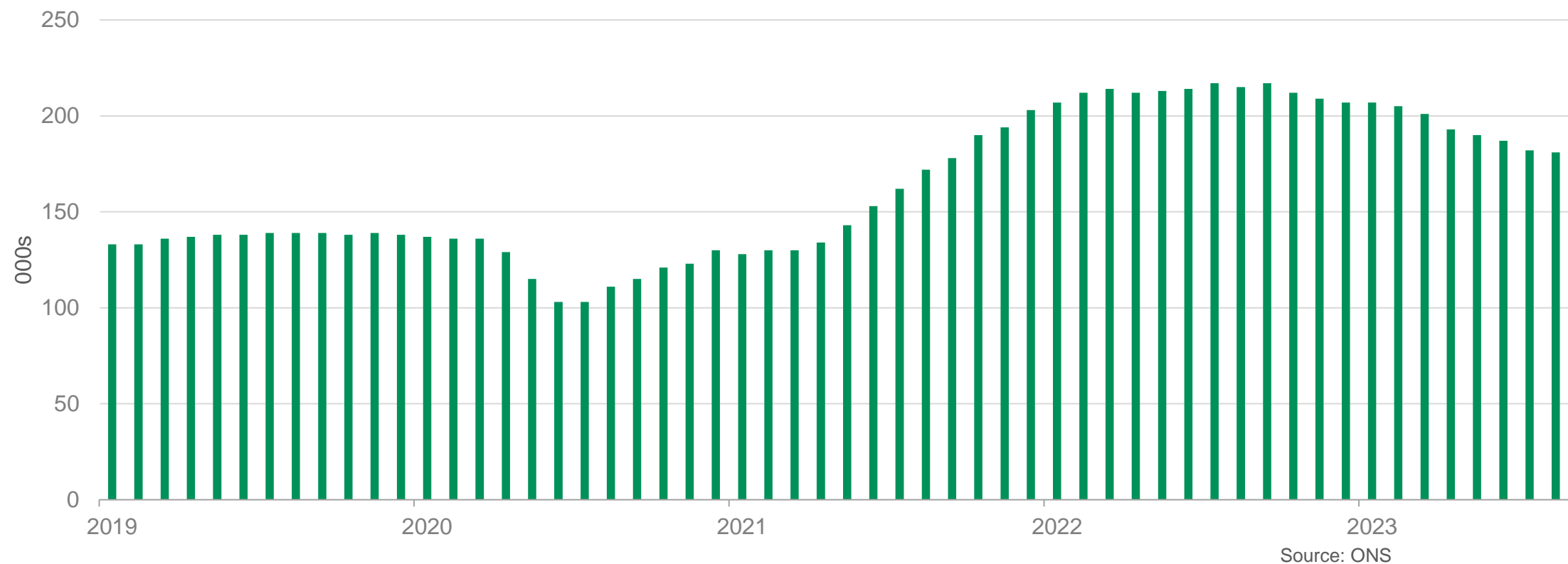
UK Income Squeeze



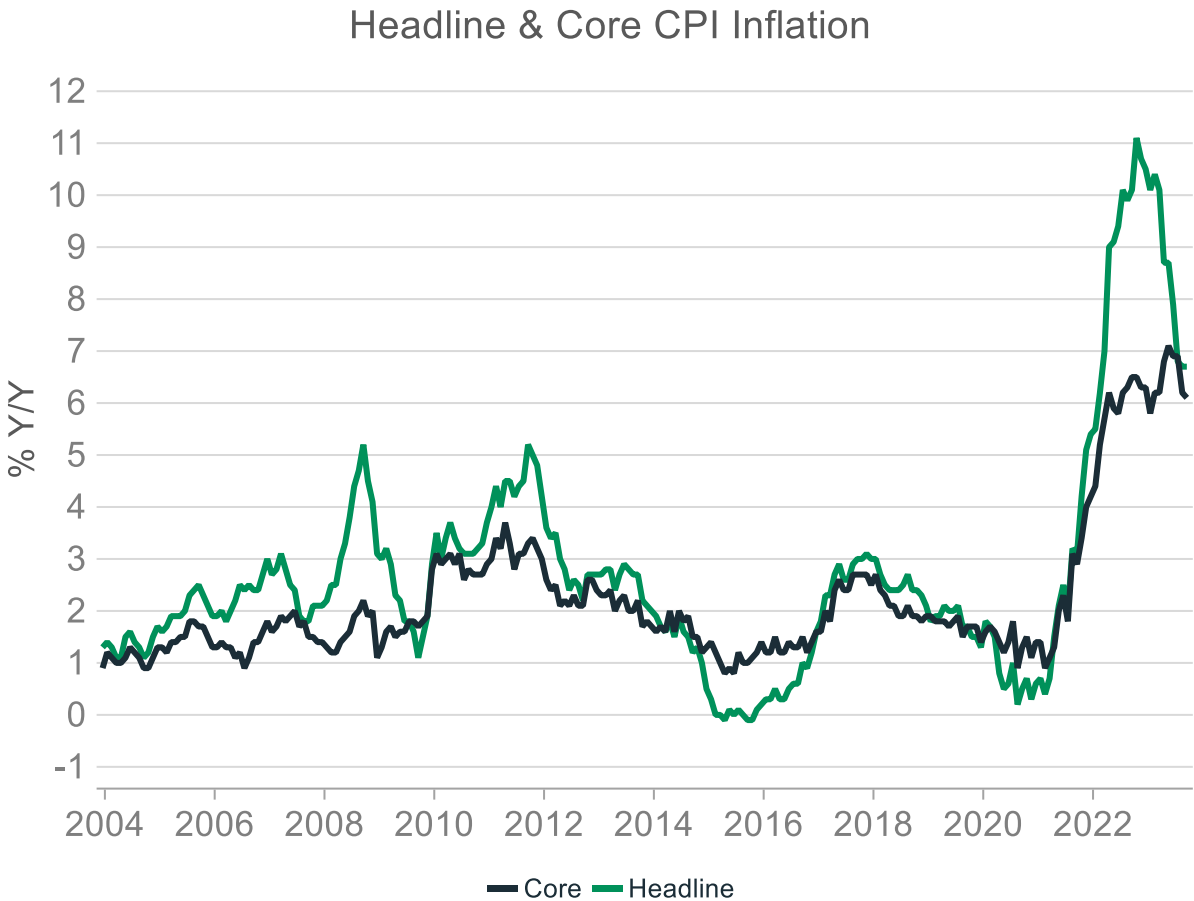
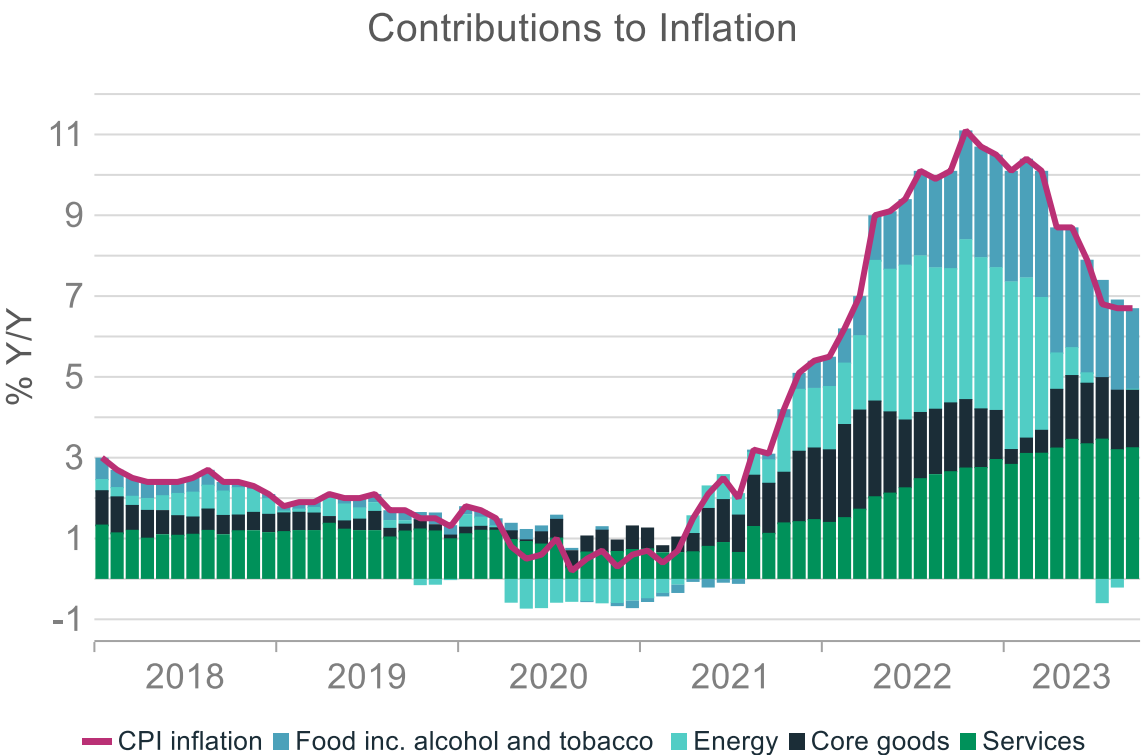
Source: Macrobond

JOB VACANCIES IN HEALTHCARE ARE FALLING FROM AN ALL TIME HIGH

UK Job Vacancies: Human Health and Social Work



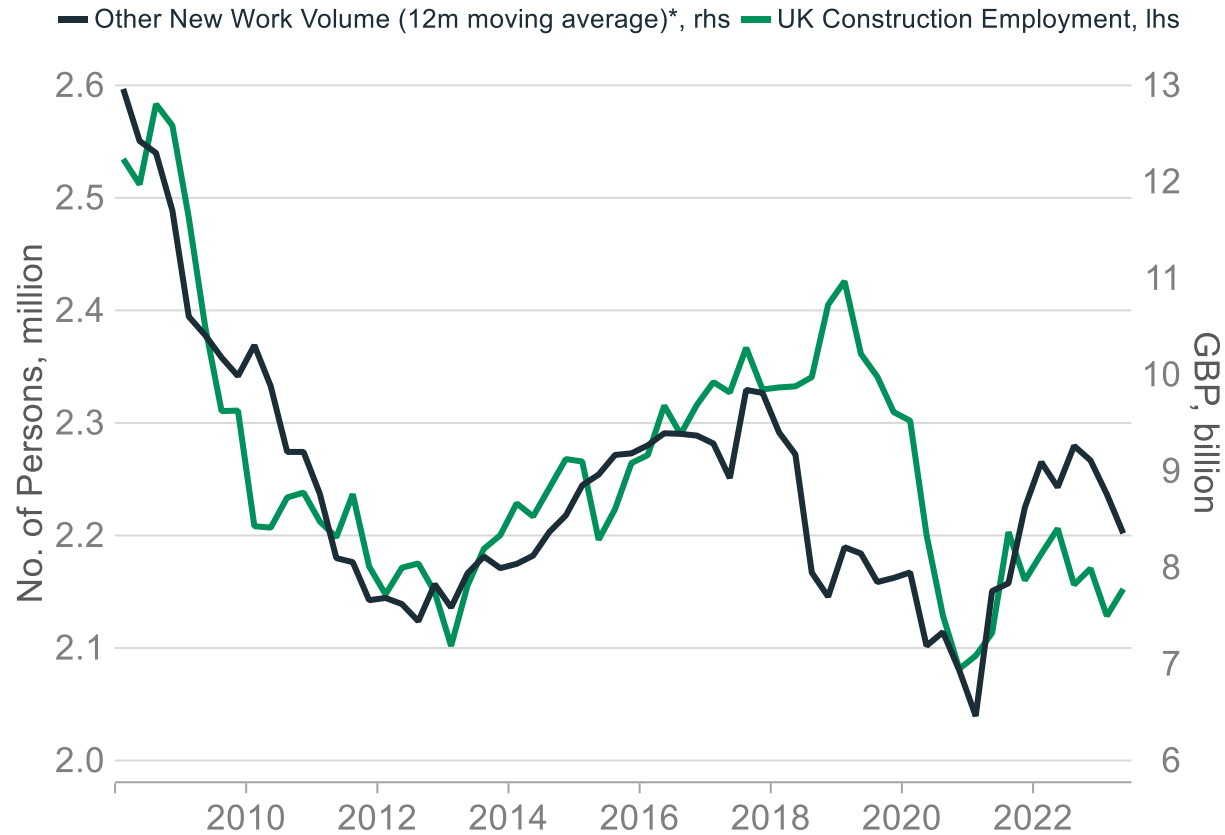
HEADLINE INFLATION IS FALLING, CORE IS STICKIER



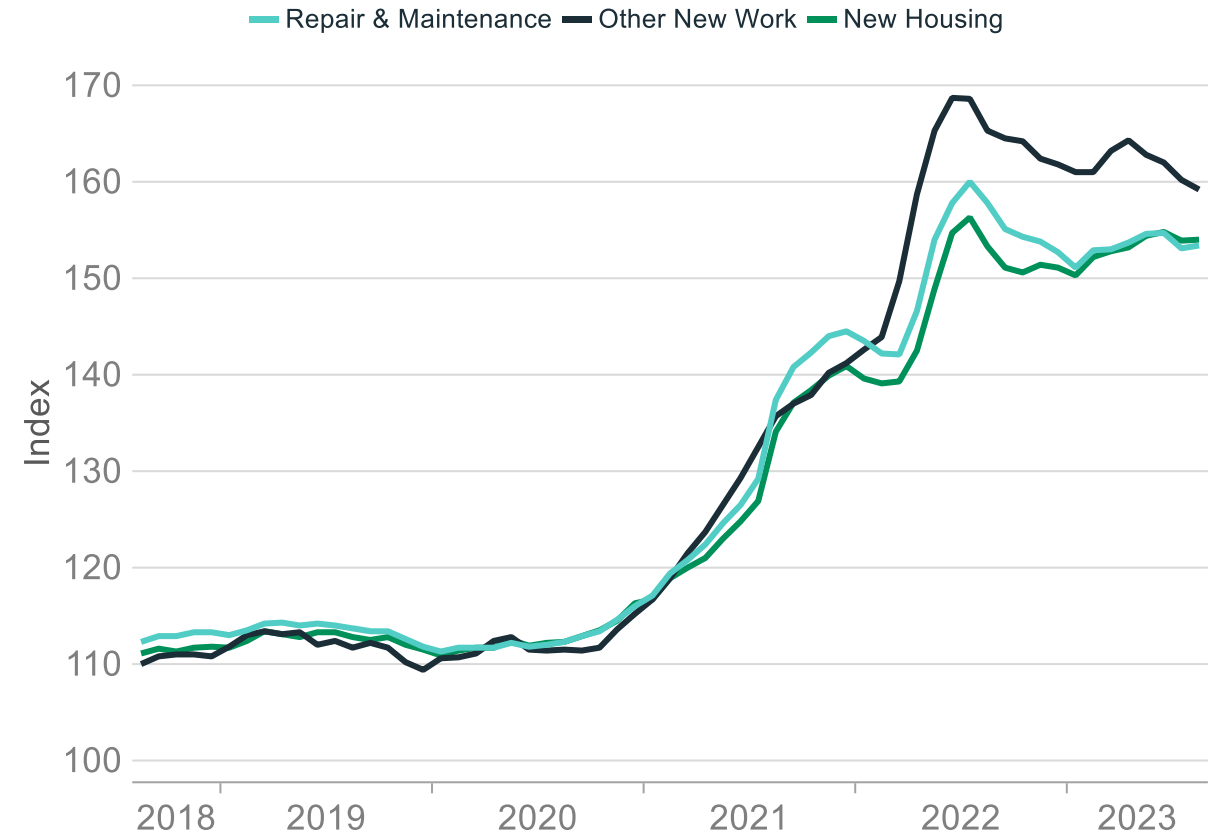
Source: Macrobond

HIGH COSTS HAVE WEIGHED ON CONSTRUCTION ACTIVITY

UK Construction Indicators



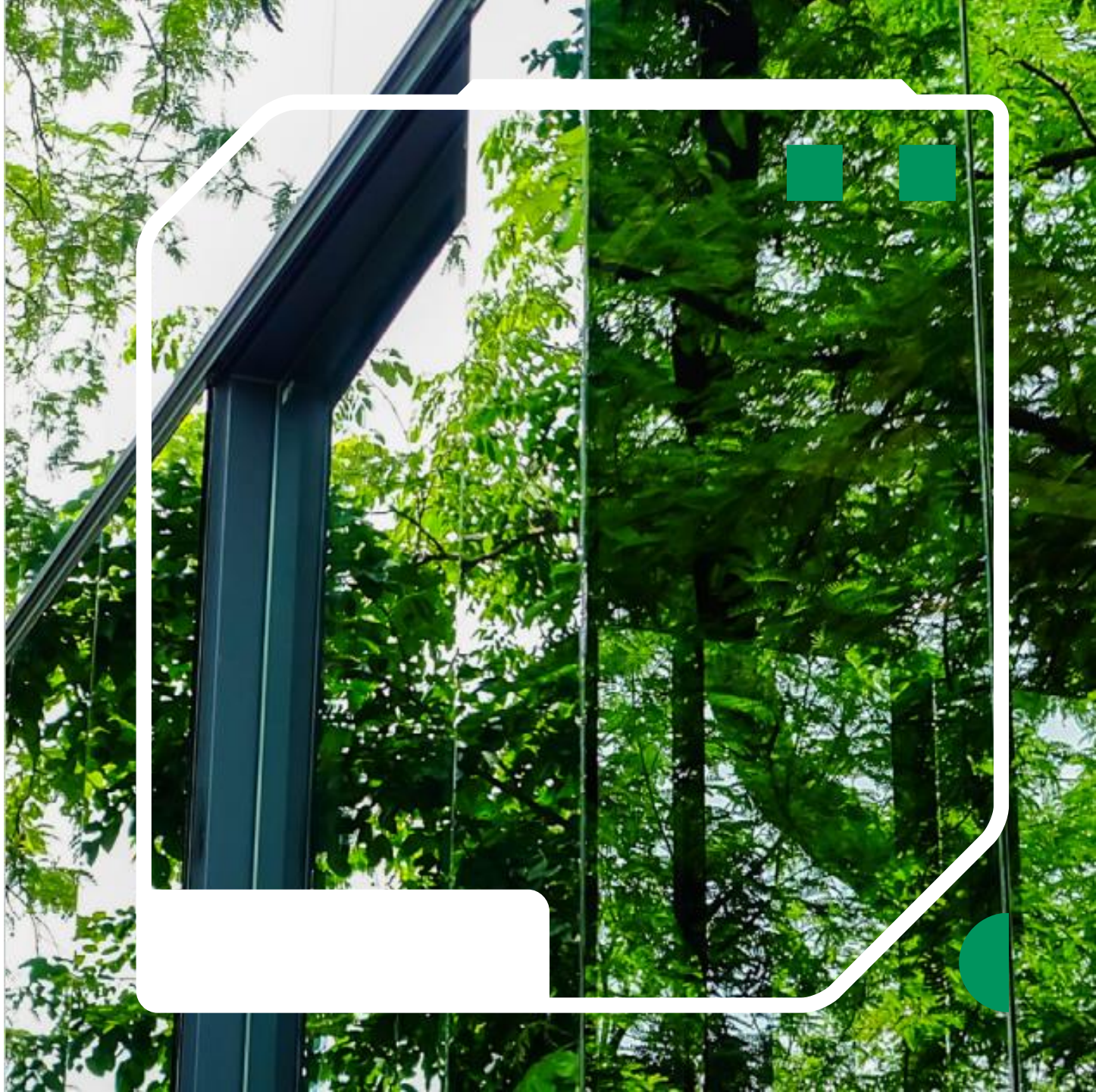
UK Construction Costs Indices



Source: ONS, UK Government, Macrobond. *Includes all construction projects except Housing.



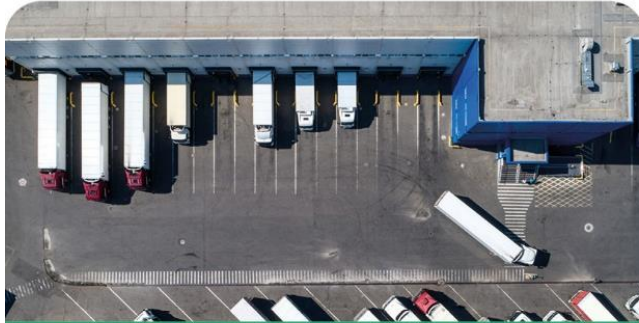
REAL ESTATE OVERVIEW



HEADWINDS, TAILWINDS, AND EVERYTHING INBETWEEN



WHAT DOES ALL THIS MEAN FOR REAL ESTATE?



TAKING COVER IN SHEDS



DATACENTRES ARE HEATING UP



FORMULA IS RIGHT FOR LIFE SCIENCES



THE DARLING SECTOR



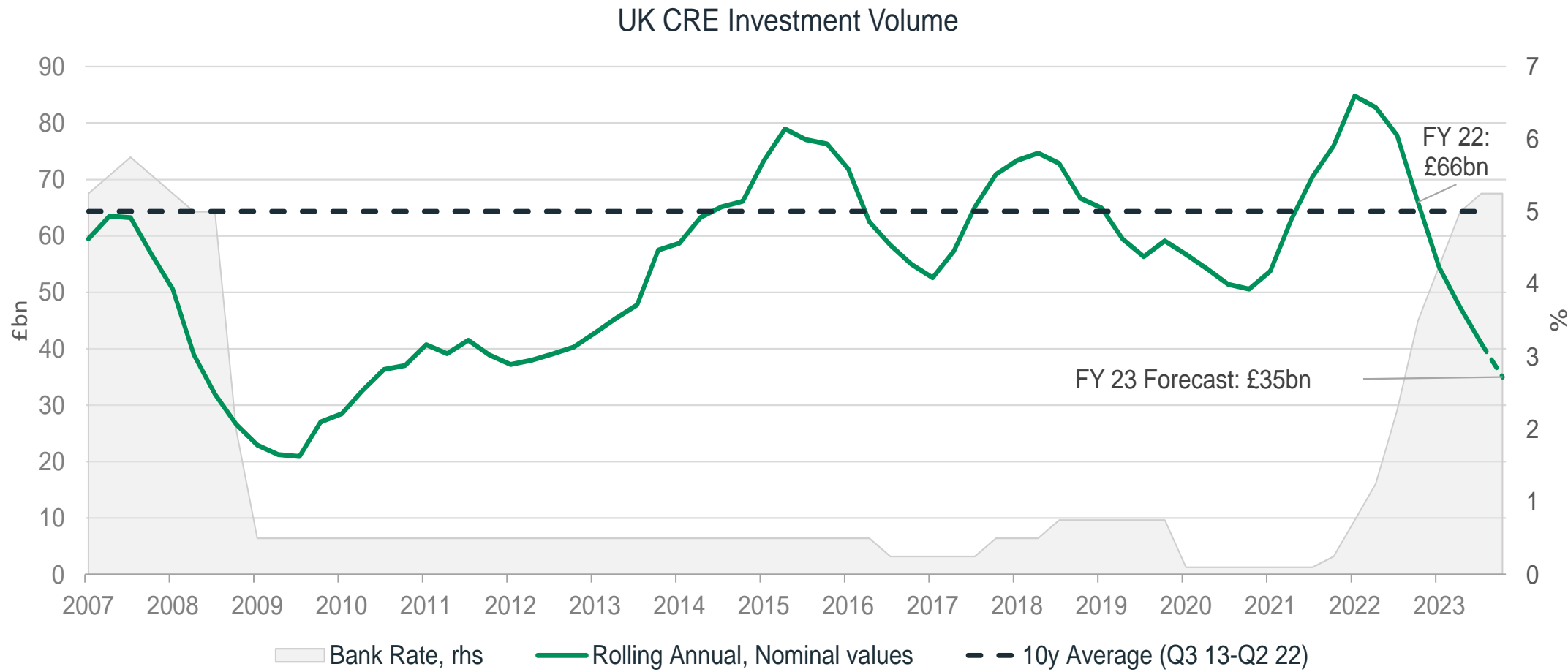
NOT ALL OFFICES ARE CREATED EQUAL



MIXED BAG FOR RETAIL

ADJUSTING TO A NEW RATE ENVIRONMENT

SUBSTANTIAL FALL IN TRANSACTION VOLUMES

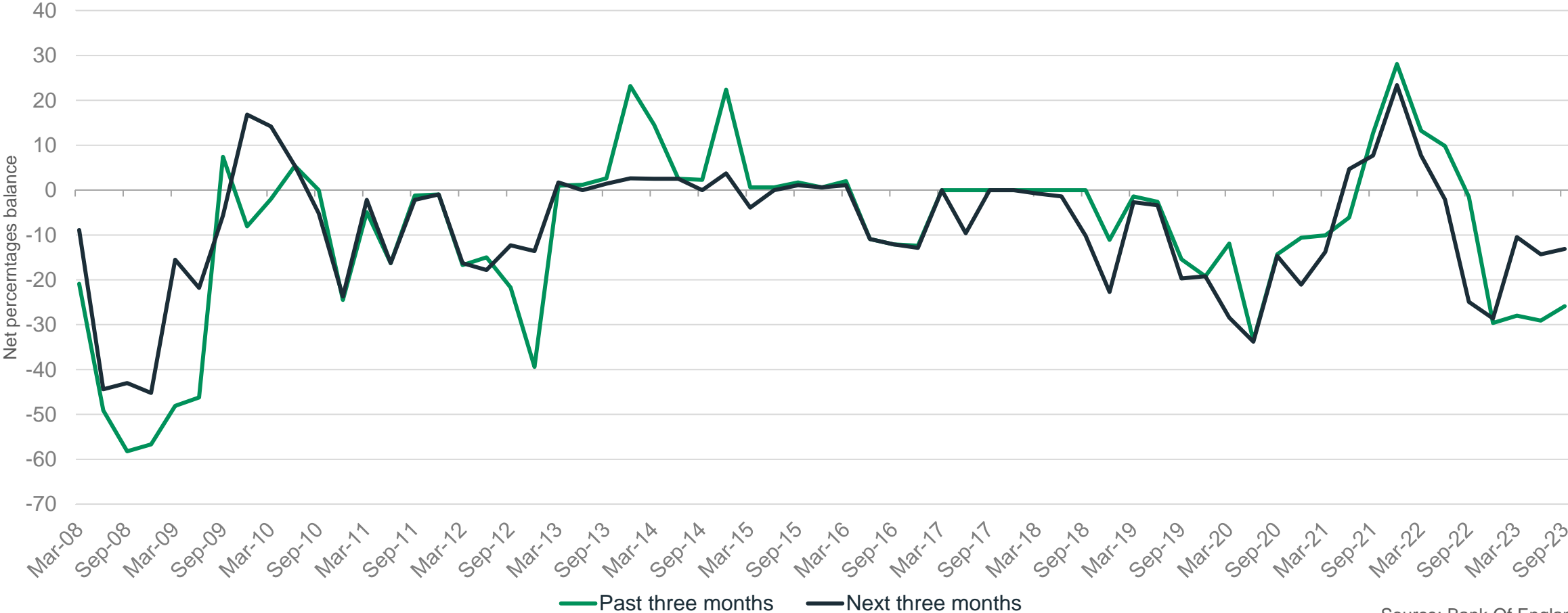


Source: Bank of England, BNP Paribas Real Estate, MSCI, data as at 18.10.2023.

UK COMMERCIAL REAL ESTATE LENDING CONDITIONS

MARKET REPORTING DEBT AVAILABILITY MORE CHALLENGING

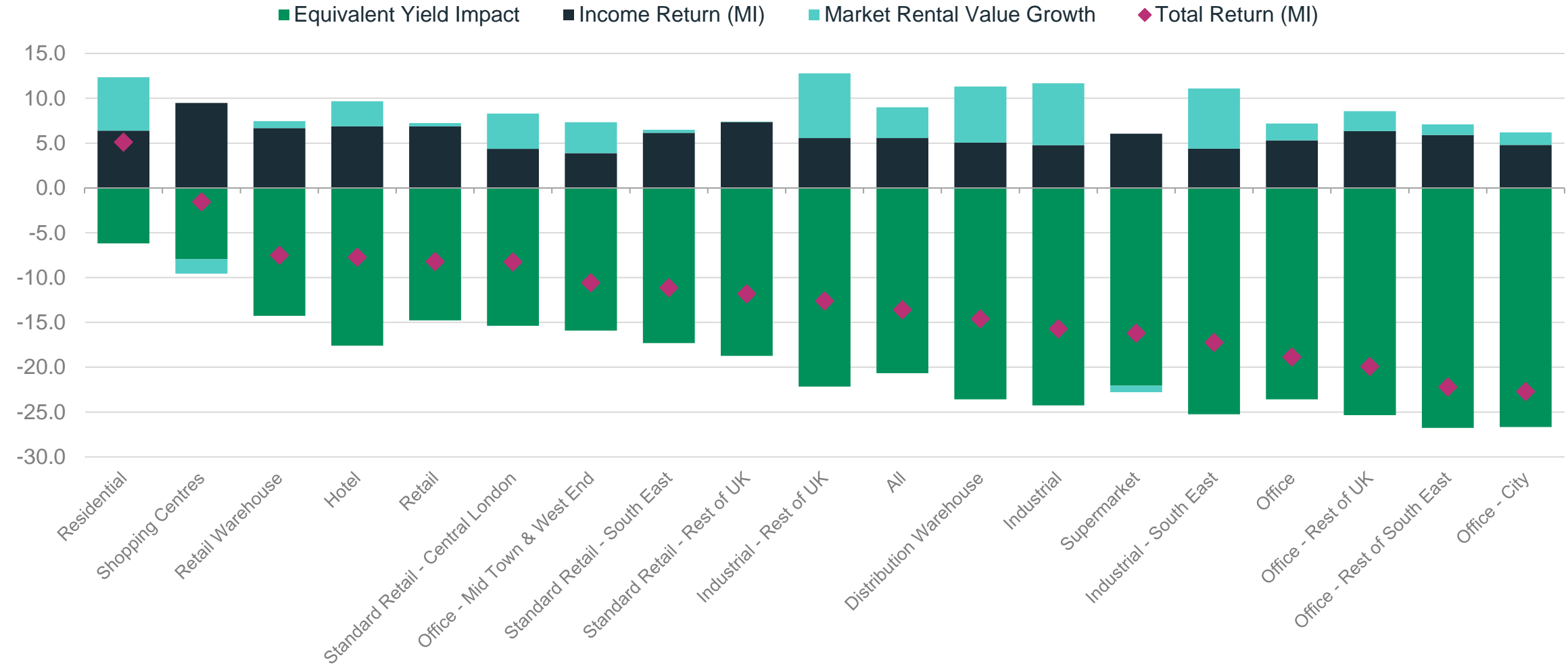
Credit Conditions Survey, Credit Availability to Commercial Real Estate



Source: Bank Of England

MSCI UK MONTHLY PROPERTY INDEX

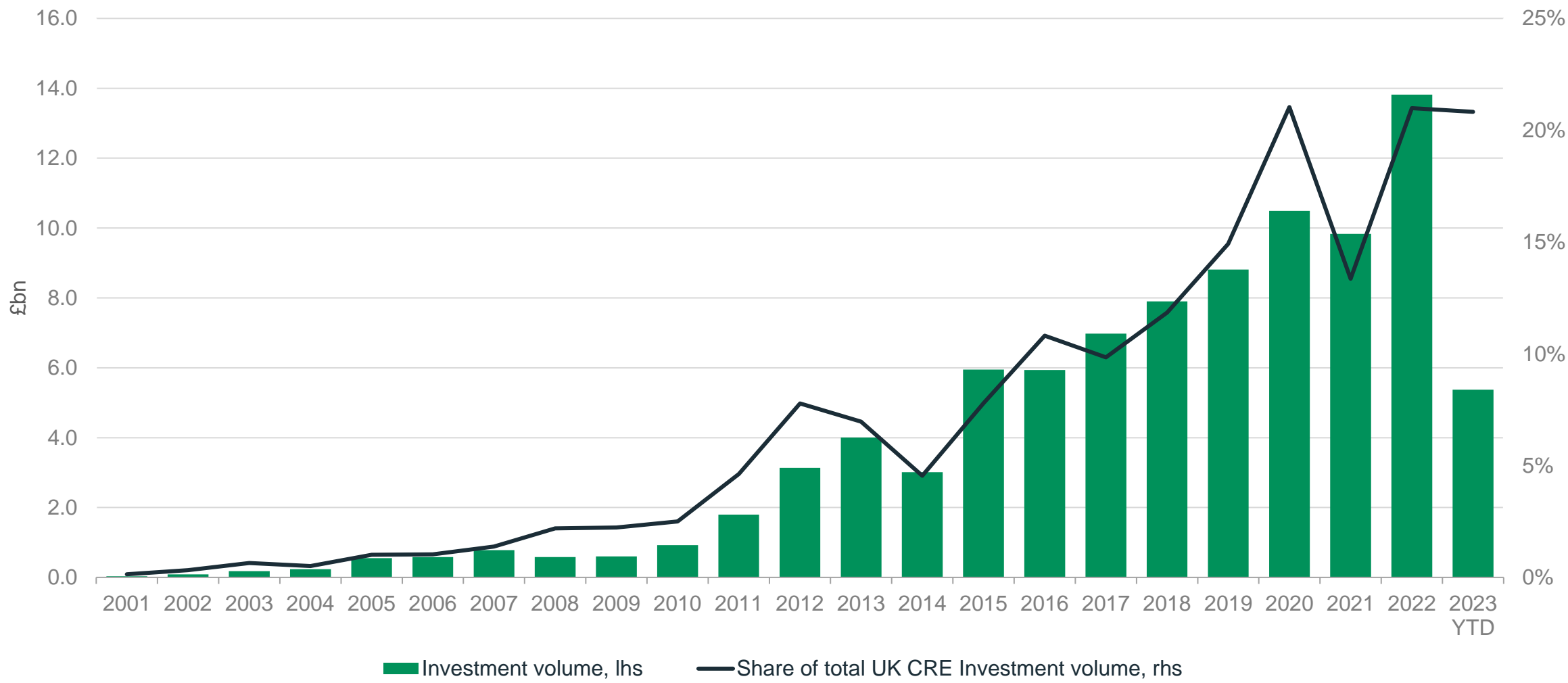
Total return components by segment (12 months to latest month end)



Source: MSCI Monthly UK Property Index

UK LIVING SECTOR INVESTMENT VOLUME

SHARE OF UK INVESTMENT HAS QUADRUPLLED IN 10 YEARS





HEALTHCARE AND SENIOR LIVING REAL ESTATE



OPERATIONAL REAL ESTATE TO STAY TOP OF THE PACK

SECTOR PROSPECTS IN 2023

- A focus by investors on operational real estate away from traditional sectors
- Of the traditional real estate sectors, only industrial rank in top 16 sectors
- Beds-based asset classes dominate the top of the sector rankings

Rank	Sector
1	New Energy Infrastructure
2	Life Sciences
3	Data Centre
4	Social Housing
5	Retirement/ Assisted Living
6	Affordable Housing
7	Self-storage facilities
8	Logistics
9	Co-living
10	Private rented residential
11	Industrial / Warehouse
12	Student Housing
13	Leisure Hotels
14	Serviced apartments
15	Parking
16	Healthcare

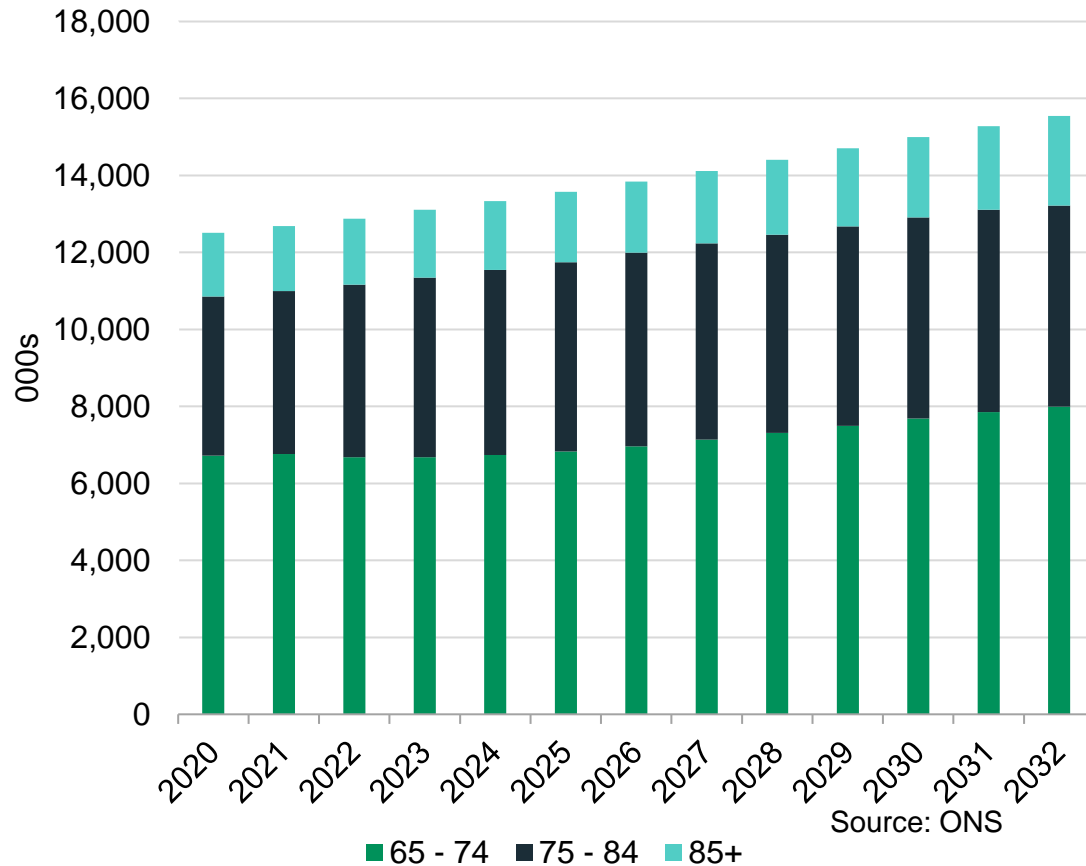
Source: Emerging Trends Europe Survey, 2023

AN UNDENIABLE STORY OF DEMOGRAPHICS

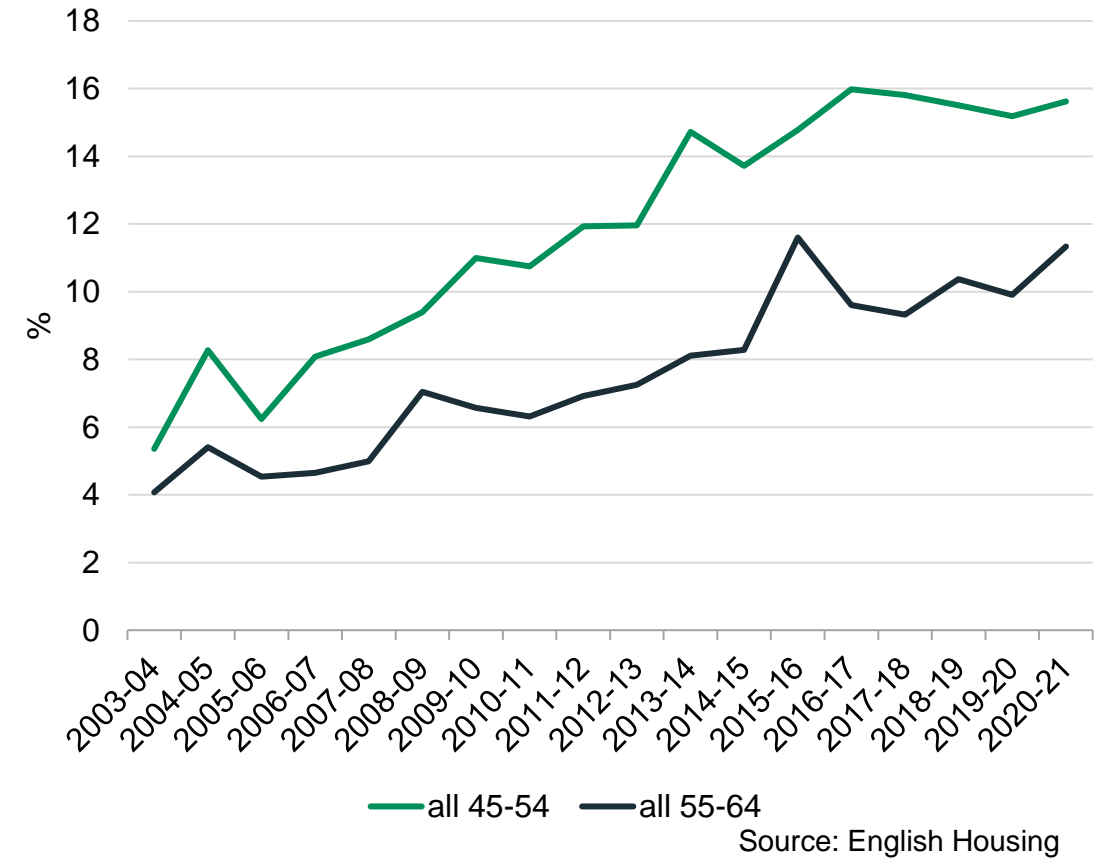


DEMOGRAPHIC TRENDS AND LIFESTYLE CHANGES DRIVING INVESTMENT INTO OPERATIONAL REAL ESTATE

ONS Population Projections

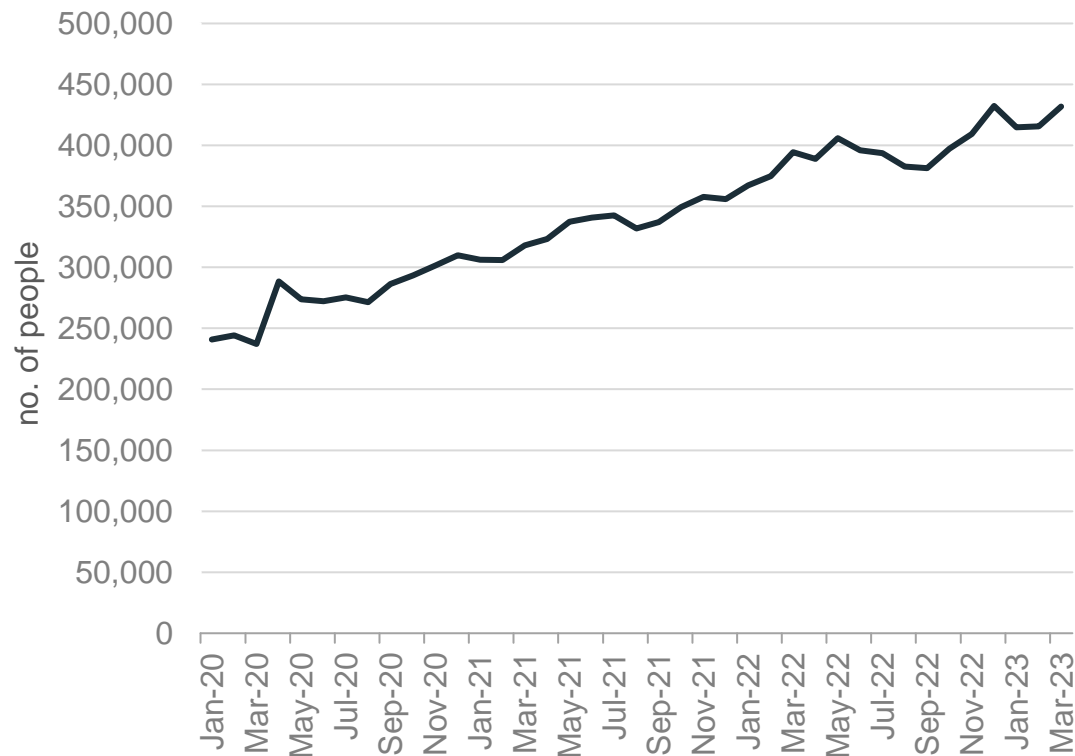


Changing tenure trends: Private renters



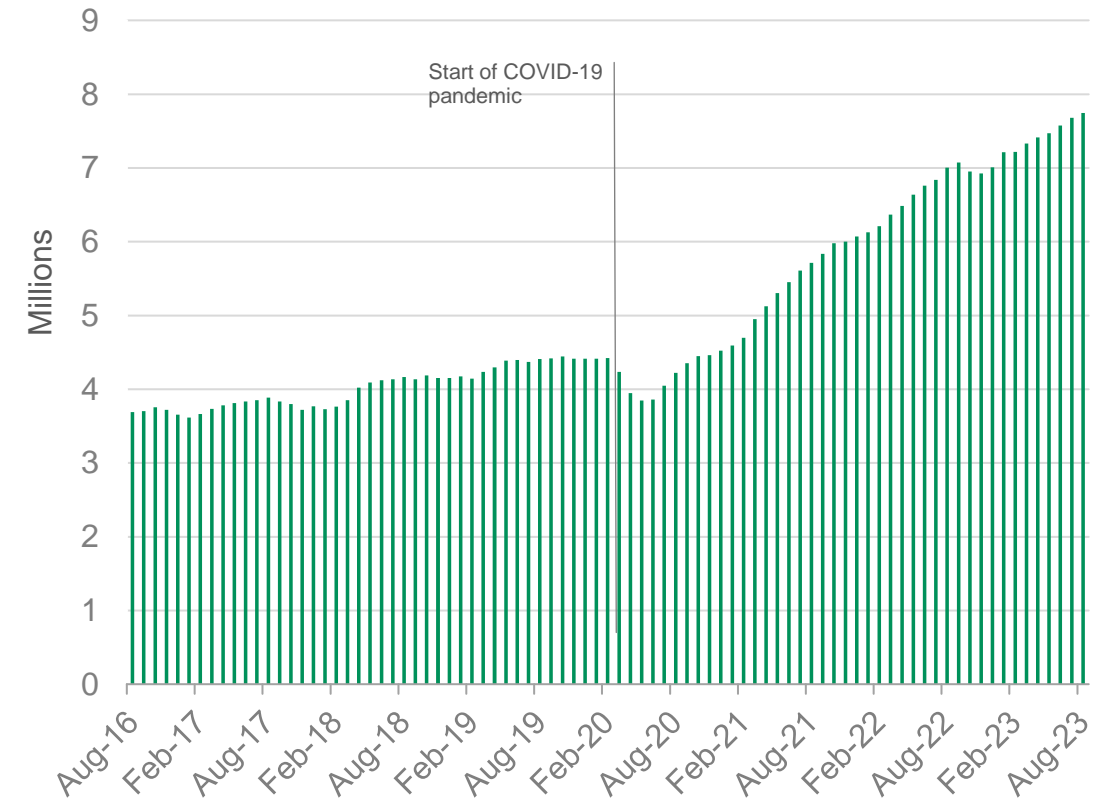
CHALLENGES IN NHS ARE DRIVING DEMAND FOR PRIVATE HEALTHCARE SERVICES

No. of ppl. in contact with child and young people's mental health services



Source: BMA

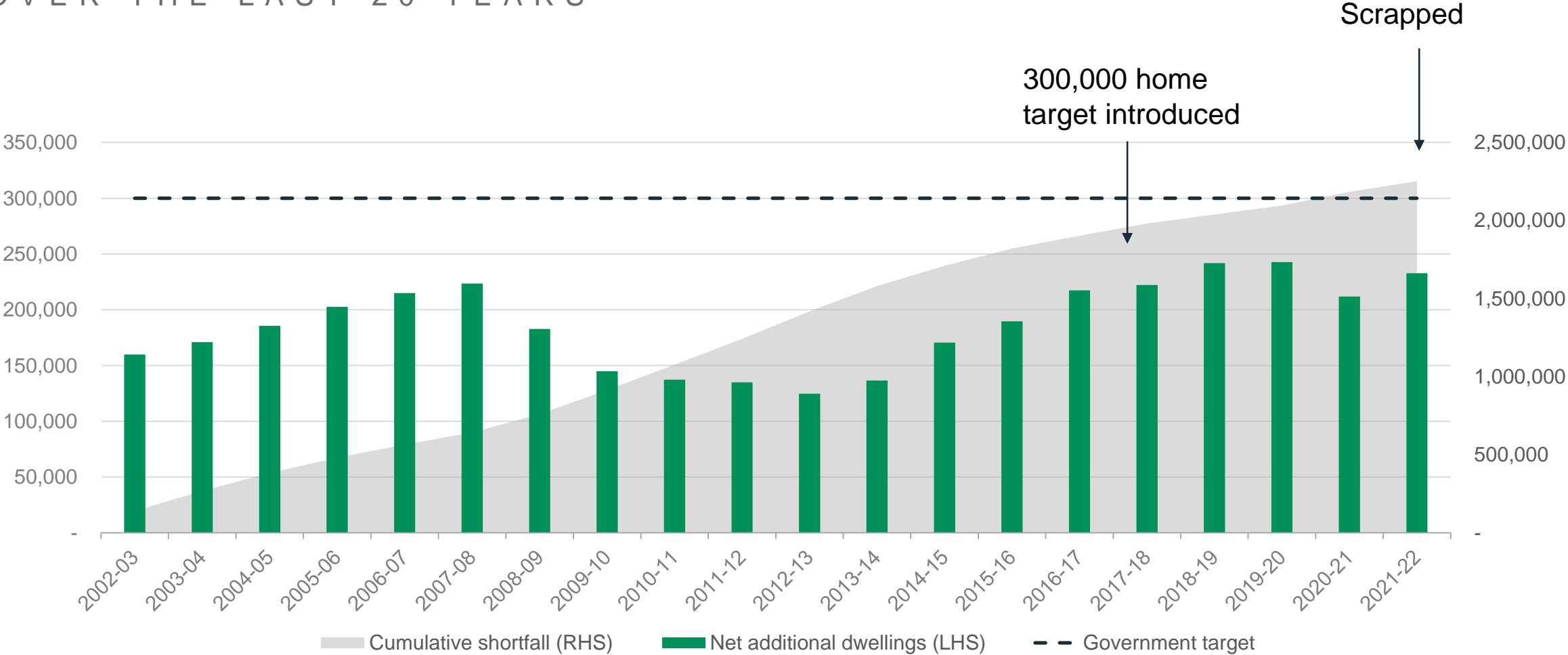
No. of ppl. On NHS waiting lists for consultant-led elective care



Source: NHS England

AN IMPLIED 2.3M SHORTFALL IN NEW HOUSING SUPPLY

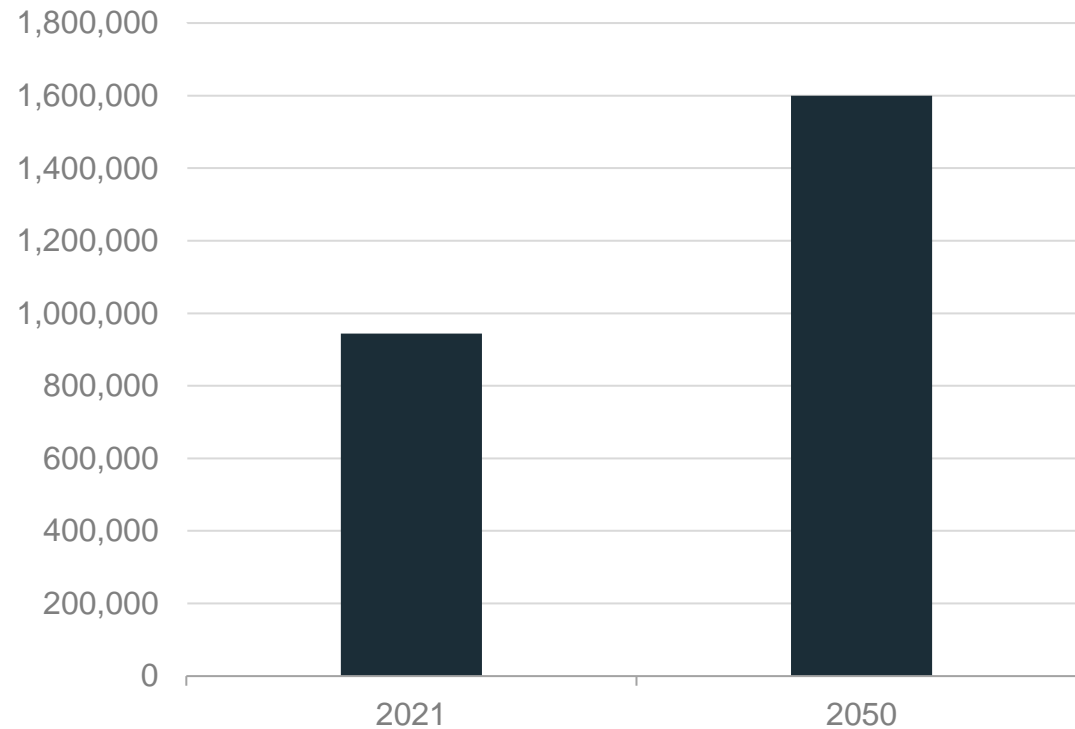
OVER THE LAST 20 YEARS



Source: DLUHC, BNPPRE

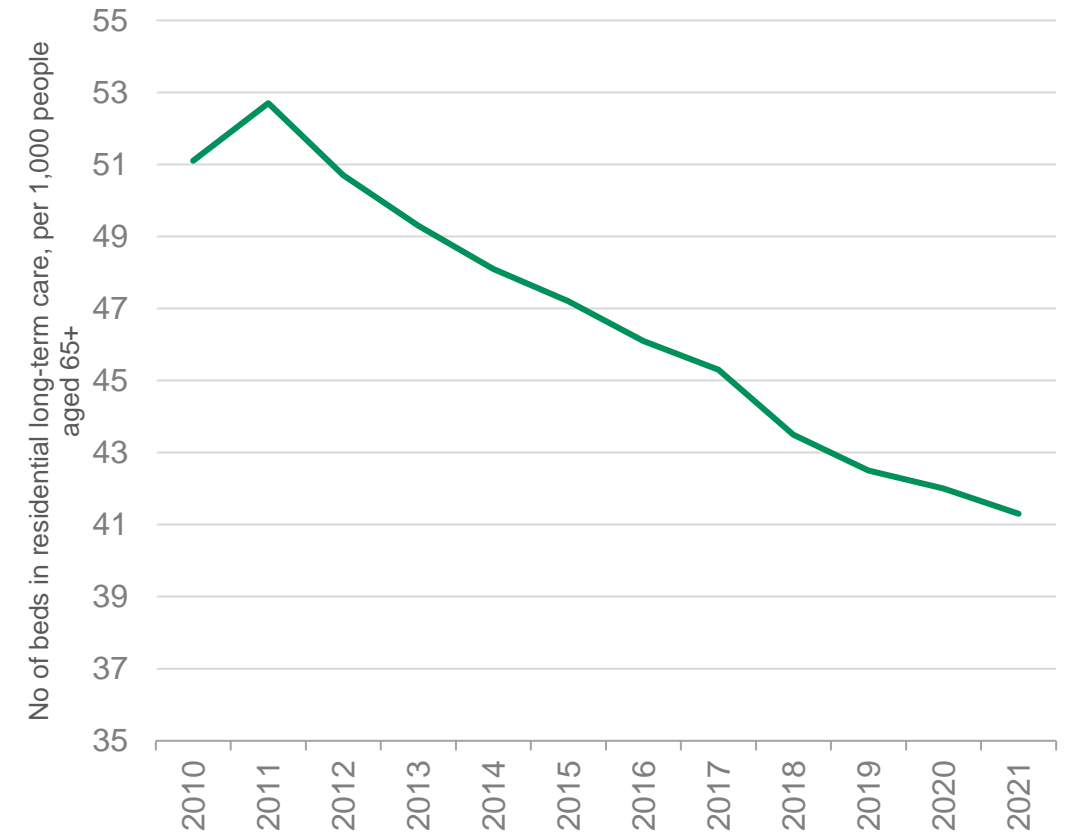
AGEING POPULATION AND DEMENTIA TRENDS DRIVING DEMAND FOR CARE AND NURSING HOMES

No. of ppl. living in the UK with dementia



Source: dementiastatistics.org

UK Care home beds per 1,000 people aged 65+



Source: OECD

THE NEED FOR RETIREMENT COMMUNITIES HAS BEEN IDENTIFIED IN THE UK

Total number of units within Retirement Communities

70,000

Estimated units shortfall

487,000

Goldman Sachs



Investment Managers

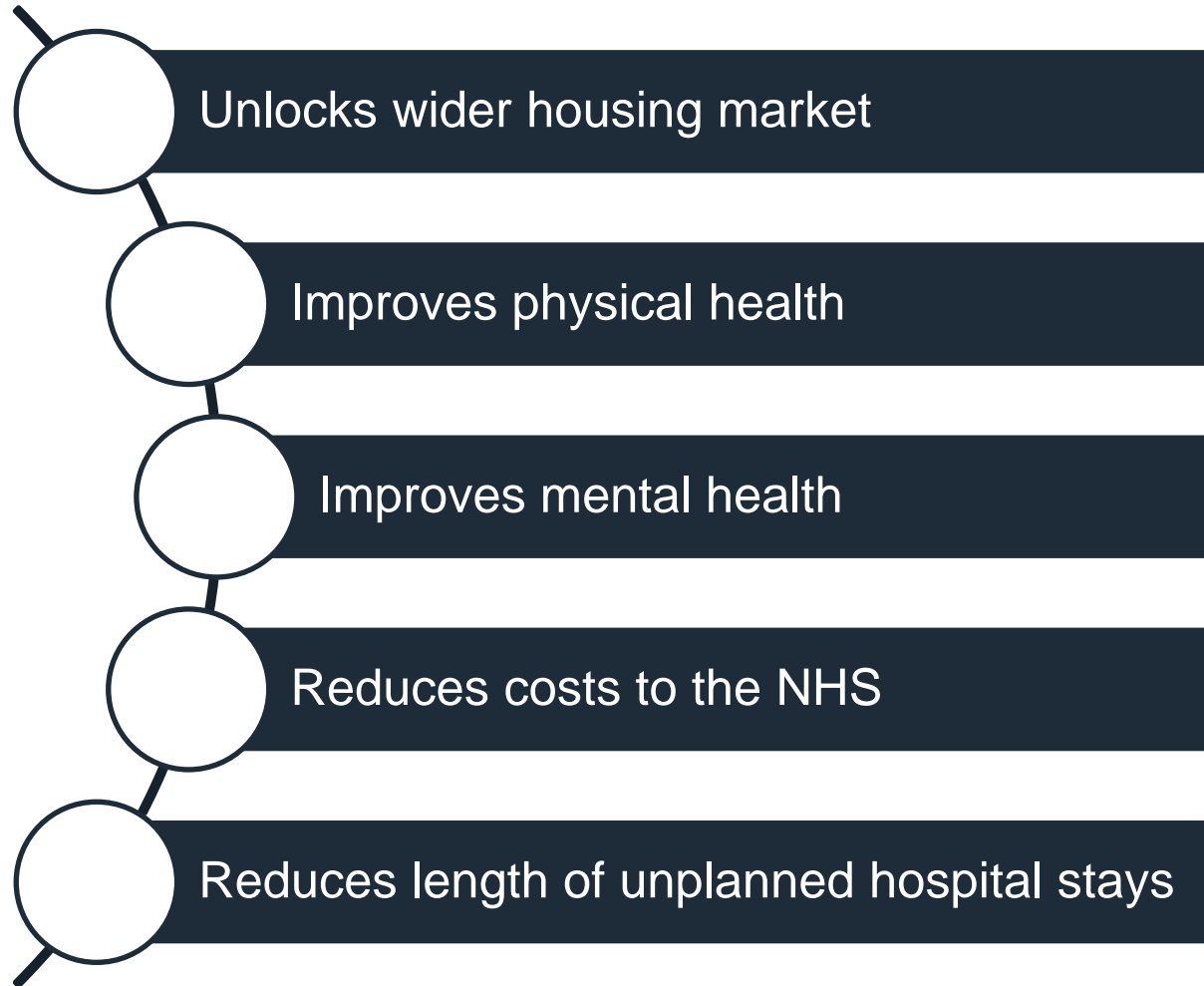


ROYAL LONDON
ASSET MANAGEMENT



Source: ARCO, BNP Paribas Real Estate

WHAT FAR REACHING BENEFITS CAN RETIREMENT COMMUNITIES BRING?



SOURCE: ARCO, BRE

THE NEED TO FUTURE PROOF OUR HOMES FOR OLDER PEOPLE



43% of over 66s identified greener/most sustainable living as an important motivation for moving home

74% of over 66s identified reduced running costs/ energy efficiency as an important motivation for moving home

81% of those aged 18-34 would prefer to buy their next home, whilst 48% of those over the age of 66 would prefer to rent their next home'

47%
say they wouldn't consider moving home without fast broadband.

Green Space

Natural green space is more desired as a local fitness facility than man-made facilities, such as gyms and leisure centres



SECTOR CHALLENGES

- Labour – recruitment and retention.
 - Adult social care also has significant issues with labour recruitment and retention. The number of vacant posts increased by 52% between 2020/21 and 2021/22 (source: skillsforcare.org)
 - Healthcare sector is competing for staff in terms of both recruitment and retention, with other sectors including hospitality and logistics
- Inflation has impacted on utility, labour and food costs, in this energy intensive sector, plus rise in minimum wage, impacting on budgets, and bottom line, and consequently delivery of services
- A lack of quality stock of care homes in the right locations and older stock is not being replaced quick enough
 - From a developer perspective, rising construction costs alongside rising cost of debt will impacts on the viability of some developments across all sectors.
 - Investors are also competing for land against, for example, house builders or the logistics sector
- Challenges around planning particularly for senior living that does not have its own use class – C2 or C3 – this also impacting on viability in some scenarios
- Education piece for local authorities to understand what the benefits are of building quality homes for older people



KEY TAKE- AWAYS & QUESTIONS





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REAL ESTATE**



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THANK YOU



www.realestate.bnpparibas.co.uk