

RESEARCH & FORECASTING UK

SPECIALIST HOMES REVIEW



OCCUPANCY RATES



%

2012 H1	90.8
2011 H2	90.9
2011 H1	91.6

AVERAGE WEEKLY FEES



£s PER WEEK

2012 H1	1,431
2011 H2	1,445
2011 H1	1,427

PAYROLL COSTS



% OF TOTAL REVENUE

2012 H1	51.2
2011 H2	50.9
2011 H1	50.9

NON-PAYROLL COSTS



% OF TOTAL REVENUE

2012 H1	13.6
2011 H2	13.5
2011 H1	13.4

PROFIT MARGIN (EBITDAR)



% OF TOTAL REVENUE

2012 H1	35.3
2011 H2	35.0
2011 H1	35.1

This is the ninth in a regular series of papers that provides in-depth analysis of the specialist care property and business market, focusing on homes that cater for adults with long-term physical and learning disabilities.

Specialist Care View

In our last specialist care review we detailed the challenges facing the sector, not least the continued pressure on average fees. The current data-set supports this view, showing that average fees have fallen approximately 1% over the first half of the year. This is of particular note considering the 3%-4% growth seen in elderly residential and nursing fees over the same period. Given the corporate bias of our data sample, this highlights the disparity between the fee increases being secured from privately funded clients in the elderly sector and the fee decreases noted in the specialist sectors, where funding is heavily biased towards the public sector. With occupancy levels also falling, these are challenging times for many specialist operators.

However, despite the issues faced, the sector continues to show its resilience, posting a small increase in percentage profitability. With a number of legal challenges to funding yet to be resolved, there is hope that the recent fee increases seen in the elderly care sectors will materialise in the specialist sectors.

Recent market activity shows continuing confidence in the specialist sector and that funding is available for the right opportunities. Notable deals in the last six months include the sale by Colliers International of Badby Park (a specialist neurological facility) to Patron Capital and NBSI Private Equity's acquisition of Horizon Care (a child care provider) where the Colliers team provided due diligence advice. Additionally, Solor Care (a learning disability provider) was acquired by Voyage Care, adding a further 92 homes to their portfolio and CareTech (a learning disability provider) successfully completed its refinancing program.

The specialist sector continues to focus on broadening the range of care services provided and delivering the levels of specialist care input required. Whilst some operators may be better placed than others to adapt to these changes, what is encouraging is that confidence, along with debt and equity funding, appears to be returning to the sector.

Adrian Ilott | Director
Healthcare | Colliers International

SPECIALIST HOMES

Specialist care homes generally provide care in the 18-65 age categories, catering for people with long-term physical and learning disabilities.

Key Results

Our research focuses on the key drivers or key performance indicators (KPIs) of the specialist care home industry, including occupancy rates, average weekly fees, payroll costs, non-payroll costs and profit margins (EBITDAR). These five measures have been adopted as the Colliers International Key Performance Indicators.

Analysis of our special care home KPIs indicates that uncertainties in the wider economy exerted pressure on the KPIs during the first six months of 2012. Specialist care homes saw marginal declines in occupancy levels from the H2 2011. Average weekly fees edged down slightly for the first time since H2 2010. There has been a slight uptick in payroll and non-payroll costs as well as EBITDAR.

OCCUPANCY RATES

Occupancy levels edged down slightly for the first time in H1 2012 (90.8%) and remain below the eight year average of 93%. Despite the marginal decline, occupancy levels are generally stable since the last six months of 2011.

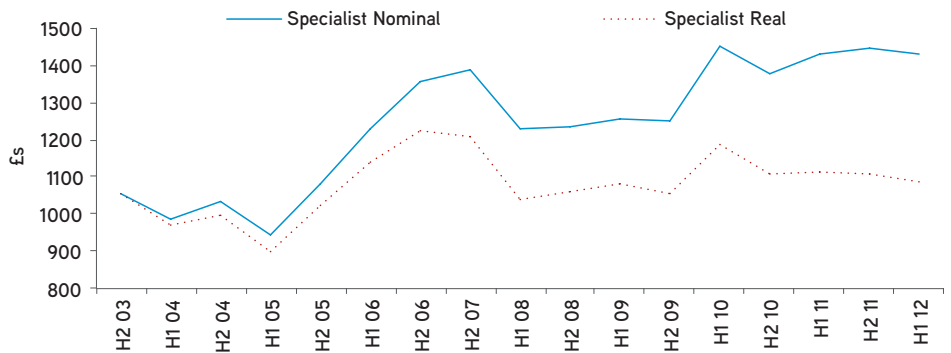
Specialist care homes are traditionally much smaller than long-term elderly care homes with fewer beds. Our data shows that homes with between 0-10 beds had the highest average occupancy rates of 91%, with those with 11-20 beds; 88%. Regionally, the East Midlands and South East registered the highest occupancy levels at 94%; whereas Greater London and Scotland saw the lowest occupancy levels at 83% and 82% respectively.

AVERAGE WEEKLY FEES

Average weekly fees for the first six months of 2012 fell marginally by 0.9 percentage points to £1,431. This was the first decline in average weekly fees since the beginning of 2011. When taking inflation into consideration, average weekly fees also fell by 2% in real terms to £1,086 (see **Figure 1**).

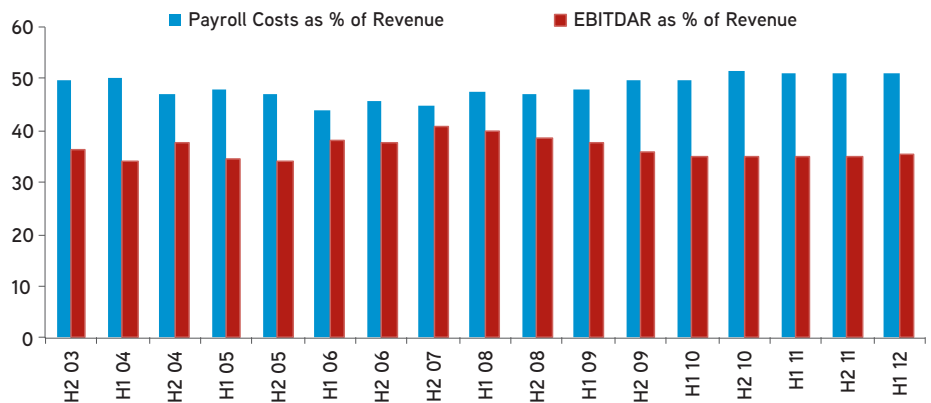
The highest fees were registered in the North East (£2,683) and Scotland (£2,371).

FIGURE 1: AVERAGE WEEKLY FEES IN NOMINAL AND REAL TERMS 2003 - 2012



Source: Colliers International

FIGURE 2: AVERAGE PAYROLL COSTS AND EBITDAR 2003-2012 (2 YEAR ROLLING AVERAGE)



Source: Colliers International

PAYROLL AND NON-PAYROLL COSTS

Figure 2 depicts payroll costs as a proportion of revenue in specialist homes from 2003-2012. There were marginal increases in payroll costs over the six months to June 2012 reaching 51.2%.

Payroll costs per person per week for homes with between 0-10 beds are higher (£939) than for those with 11-20 beds (£875).

Non-payroll costs saw marginal increases; but, have remained largely stable since H2 2010.

The lowest non-payroll costs were in the East Midlands (£168), whilst non-payroll costs in the South East were highest (£304).

(PROFIT MARGIN) EBITDAR

EBITDAR as a proportion of total revenue from 2003 to 2012 increased marginally in the first half of 2012 to 35.3%. Like non-payroll costs, profit margins are generally stable since the second half of 2010.

LONDON – WEST END
9 Marylebone Lane
London W1U 1HL
+44 20 7935 4499

RESEARCH & FORECASTING
Lisa Dean
Associate Director
+44 20 7487 1961
lisa.dean@colliers.com

HEALTHCARE
Jeremy Tasker
Head of Healthcare
+44 20 7487 1991
jeremy.tasker@colliers.com

Disclaimer: This report gives information based primarily on published data which may be helpful in anticipating trends in the property sector. However, no warranty is given as to the accuracy of, and no liability for negligence is accepted in relation to the forecasts, figures or conclusions contained in it and they must not be relied on for investment purposes. This report does not constitute and must not be treated as investment advice or an offer to buy or sell property.
October 2012 12235.1

Colliers International is the licensed trading name of Colliers International Property Consultants Limited. Company registered in England & Wales no. 7996509. Registered office: 9 Marylebone Lane, London W1U 1HL



Accelerating success.