



RESEARCH & FORECASTING UK

SPECIALIST HOMES REVIEW

OCCUPANCY RATES



%

2011 H1	91.6
2010 H2	91.8
2010 H1	92.4

AVERAGE WEEKLY FEE



£ PER WEEK

2011 H1	1,427
2010 H2	1,378
2010 H1	1,449

PAYROLL COSTS



% OF TOTAL REVENUE

2011 H1	50.9
2010 H2	51.5
2010 H1	49.8

NON-PAYROLL COSTS



% OF TOTAL REVENUE

2011 H1	13.4
2010 H2	13.4
2010 H1	12.5

PROFIT MARGIN (EBITDAR)



% OF TOTAL REVENUE

2011 H1	35.1
2010 H2	35.1
2010 H1	35.1

This is the seventh 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

Since 2001, The European Care Group has grown to become the fifth largest provider of social care in the UK. Currently, the Group has some 4,500 service users and 130 registered services in England, Scotland and Wales. European Lifestyles – our specialist division, provides services for children (residential and education) and adults (including learning difficulties and mental health). These services have expanded rapidly and now provide support to over 700 service users.

In the specialist services area, the key variables in the market include pressure on government budgets and fee levels and increased demand for high quality, value for money services.

To respond to these features, European Lifestyles will continue to focus on organic growth, for services for children and adults, using a range of service models which reflect service user need, preference and choice. We will seek to expand both in areas of existing service provision and in new parts of the UK where demand is demonstrable and our teams are developing partnerships working with commissioners.



David Perry

Group Vice Chairman of European Care Group

SPECIALIST HOMES

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

Key Results

Our research focuses on the key drivers 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 (KPIs).

Due to the unusual circumstances in the healthcare sector, we have taken the decision to compare both our statistically robust KPIs, in which we weight the data by the number of beds, strip out the outliers and apply a two year rolling average, against our more volatile non-weighted figures to give an indication of what is happening in the wider market.

According to our specialist KPI analysis, the effect of the government and local authority funding cuts to the specialist care sector is not yet feeding through to our weighted KPI statistics. However, examination of the non-weighted KPI data suggests that despite increasing acuity of care, wage costs and real fees have not made an impact on profit margins despite a marginal fall in occupancy levels.

OCCUPANCY RATES

Overall occupancy rates in specialist homes across the UK are down on the previous six months and now stand at 91.6% (Figure 1) and are below the eight year average of 92.4%.

Occupancy levels suffered the most in Wales, with occupancy rates standing at 71.6%.

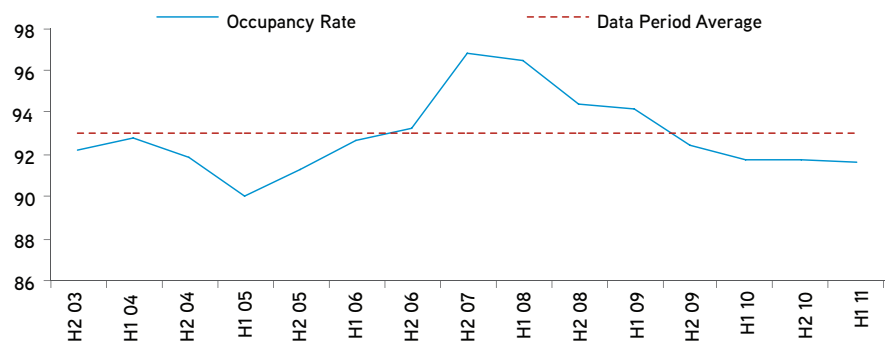
Occupancy levels across the rest of the regions are generally stable. The highest levels of occupancy are in Scotland at 99%.

AVERAGE WEEKLY FEES

Average weekly fees for H1 2011 reached £1,427, a 3.5% increase on H2 2010. Unlike the long term elderly care sector, actual fees in the specialist care homes sector have increased when inflation is taken out (1%) and have increased slightly in actual terms (4%). Looking back to H1 2010, average weekly fees have fallen by 2%.

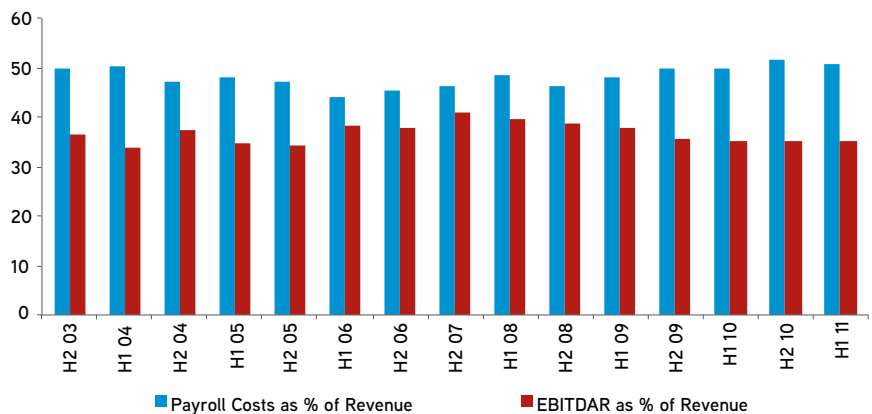
The high fee levels are not a reflection of sudden increases in local authority fees but more of a

FIGURE 1: AVERAGE OCCUPANCY RATES: 2003-2011



Source: Colliers International

FIGURE 2: AVERAGE PAYROLL COSTS AND EBITDAR, 2003-2011 (2 YEAR ROLLING AVERAGE)



Source: Colliers International

reflection of those with lower needs being reassessed and moved out of specialist care units. The increase in fees is an indication of the higher level of care being provided to those service users in registered specialist homes.

PAYROLL AND NON-PAYROLL COSTS

Figure 2 depicts payroll costs as a proportion of revenue in specialist homes from 2003-2011. Wages and National Insurance costs accounted for 50.9% of revenue in the first six months of 2011. This was a marginal decrease on H2 2010.

Our analysis of our weighted wage cost KPI data shows that wage costs have remained marginally stable with only a 0.6 percentage point decline from H2 2010 reaching 50.9%. According to our raw non-weighted KPI data, payroll costs came

under upward pressure and increased by 2.3 percentage points. Payroll costs are edging up in the raw non-weighted data to show that with greater acuity of care a more skilled workforce is required to provide a duty of care.

Non-payroll costs incurred by a specialist home include utilities bills and maintenance costs. Non-payroll costs remained stable over the last six months of 2011 at 13.4%.

(PROFIT MARGIN) EBITDAR

Also depicted within Figure 2 is EBITDAR as a proportion of total revenue for specialist homes from 2003 to 2011. The average profit margin in a specialist home has shown continued stability over the last year and six months reaching 35%.

We would like to extend our thanks to European Care Group for providing the photographs and commentary for this publication. Views of the writer are not necessary the views of Colliers International.

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