

## CARE HOME VALUES UPDATE

Values of new build Care Home in wealthy residential areas have been increasing dramatically over the last year or so. This is due to the strong demand from mainly private equity buyers and institutional funds from the UK and overseas. Funding is readily available for these assets. Recent transactions in Newton Mearns, Bothwell and a home in Lennoxton which is currently under offer, have and are being concluded at rates reflecting well in excess of £100K per bedroom.



**CARE HOME IN EAST DUNBARTONSHIRE  
CURRENTLY UNDER OFFER**

However, values for existing homes (particularly those with a lack of en-suite/wet rooms) have remained flat and have even fallen in certain areas. This has been due to rising costs, particularly wages, adversely impacting on the bottom line margins and therefore the price purchasers are willing to pay.

There is also an oversupply in the market of these secondary assets relative to only handful of potential buyers at present for such assets. As a result, we expect the market for these existing assets to be limited, with values staying flat and potentially falling.

On average, these homes are now being sold at rates in the range of £50,000-£75,000 per bedroom, assuming they are compliant, trading at good levels and have decent gradings with Care Inspectorate. However, where the grading from the Care Inspectorate is poor and profitability is also poor, a number of these assets are being sold at between £30,000- £40,000 per bedroom and, to an extent, are being treated as distressed assets.

The fact of the matter is that each business or care home property has to be looked at individually on its own merits. There are a number of factors which can determine value for an individual property. Either physical factors such as wet room provision or the ability to have a wet room provision and/or external factors such as, for example, a hardening of yields in the alternatives property investment market which has helped to increase values at present for prime assets.

If you are operating in the care home market, it is vitally important that you are aware of the prices being paid for businesses as these can vary dramatically. Relying on the valuation placed on your business for say bank purposes as a suitable indicator of value is also risky in our opinion; prices being paid in the current market can vary considerably from the level of value being signed off.

Please feel free to get in touch to discuss.