Parkway Life acquires 11 nursing homes in France from DomusVi

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HBI Deals+Insights / M&A/IPOs

Parkway Life Real Estate Investment Trust (PLife REIT), one of Asia's largest listed healthcare REITs, has acquired 11 nursing homes in France in a sale and leaseback arrangement for €111.2m (roughly S$159.9 million) from DomusVi, one of Europe's largest nursing and retirement home providers.

The deal marks PLife REIT's maiden acquisition in Europe, as part of its long-term strategy to grow its presence in the region and the UK.

Financial services company HSBC Institutional Trust Services (Singapore) Limited, as trustee of PLife REIT, has, through its wholly-owned subsidiary Parkway Life Nova Pte. Ltd., entered into definitive agreements to acquire the 11 properties from DomusVi, subject to the conditions. DomusVi will continue to operate the nursing homes.

PLife REIT CEO, Mr. Yong Yean Chau, told HBI, "Our decision to expand into Europe through the acquisition of nursing homes in France is a strategic move aimed at enhancing geographical and tenant diversification while maintaining focus on Singapore.

“This expansion taps into attractive growth opportunities supported by positive economic indicators like projected EU GDP growth and the ageing population in Europe.

“France, accounting for about 19.5% of the Eurozone’s GDP, offers a robust environment for growth with its ageing population and strong governmental support for the senior living sector.”

PLife REIT acknowledged the increase in expenditure and storage in supply of facilities to satisfy the growing needs of the ageing population will continue to “boost the demand for *quality* nursing home properties”.

The acquisition is expected to complete by the fourth quarter of 2024, after which PLife REIT’s portfolio will grow to 75 properties with a total value of around €1.67 billion (S$2.42 billion).

DomusVI currently operates nearly 600 nursing homes and assisted living sites and 100 home care agencies in Europe, with France being its largest geographical presence.

Mr. Yong Yean Chau told us, “DomusVi, the third largest European operator in the senior living sector, spans eight countries and has over 40 years of experience. Its strong growth in facilities and revenue makes it an ideal partner for PLife REIT, allowing us to leverage their expertise for future collaborations. By adopting an asset-light strategy, DomusVi opens up further investment opportunities for PLife REIT.”

Yean Chau tells us this deal is “just the beginning”.

He added, “The acquisition aligns with our long-term strategy of building a third key market in a market with favourable sectorial and demographic factors, enhancing our growth while building a diversified and resilient portfolio.

“Moving forward, we aim to continue growing our presence in Europe and the United Kingdom with this acquisition serving as our first step toward greater expansion in the region. However, we aim to continue strengthening our existing markets of Singapore and Japan, with our primary focus remaining on Singapore, which will continue to form the foundation of our portfolio.”

Mr. Sylvain Rabuel, Chief Executive Officer of DomusVi, said in a release: “This transaction marks the start of our win-win collaboration that underscores our shared commitment to long-term growth and we look forward to exploring new opportunities together in the European market.”

Candesic, a specialist healthcare, pharma & life sciences and medtech management consulting firm based in the UK, acted as a strategic advisor in the market analysis for Parkway Life. The team was led by Senior Partner Marc Kitten and managed by Associate Dr Marco Mazevet.

Dr Marco Mazevet told HBI, “Elderly care in France is largely subsidised by the state. Demand is strong as there is an undersupply of these types of facilities, with social security coverage of disability, healthcare, and sometimes accommodation itself.

“EHPADs [residential homes for seniors] have mostly been seen as stable long-term investments for institutional and private investors in the country.”

With DomusVi a leading pan-European EHPAD provider that is not listed, he added, “As real estate investments are by design in it for the long term, we can assume that the company’s stability was one of the key factors for Parkway.”

On how this deal is reflective of any wider current and future market trends, Dr Mazevet told us, “Europe, and in particular France, is open for business, and as long as regulation allows, there are some exciting deals to be done!

“The largest operators are moving from an asset-heavy to an asset-light strategy, with more and more of their real estate sold to investors. This will continue to create opportunities in the next few years.

“Without opening new facilities, France is projected to face a shortfall of 319,000 EHPAD spots by 2050. Public authorities must also find solutions outside EHPADs, but demand will remain strong.”

Mr. Yong Yean Chau explained the acquisition also reflects a broader trend in the REITs space, where they are increasingly diversifying their portfolios to include essential services like healthcare and long-term care, “which are considered more stable and less vulnerable to market volatility”.

We would welcome your thoughts on this story. Email your views to Hannah Millington or call 0207 183 3779.

UK’s care home sector presents “stable and promising investment opportunity”

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HBI Deals+Insights / News

Care UK, the fourth largest for-profit care home provider in the UK by revenue, has been sold by British private equity firm Bridgepoint to US-based real estate investment trust (REIT) Welltower.

Bridgepoint acquired Care UK for £420 million in 2010, expanding its portfolio from 59 to 163 homes and increasing the proportion of private-pay residents from 5% to over 50%.

The recent transaction, confirmed through Companies House filings and reported by British daily newspaper The Guardian, follows a previous unsuccessful sale attempt in 2018.

HBI reached out to Care UK for comment on the sale. A spokesperson stated that the company has restructured, separating property ownership from the independent management company that operates the homes. “As the latter is management-owned, there will be no change in the quality of care that our colleagues work very hard to deliver.”

Andrew Knight, Chief Executive Officer of Care UK, said:

“Bridgepoint has been an incredibly supportive investor for almost 14 years which has enabled us to deliver some of the highest quality care in the UK, alongside what is arguably the largest long term newbuild development programme in the sector. Care UK is now well positioned to continue delivering the very best care for residents and to drive our ambitious plans for future growth. The Care UK leadership team remains committed to delivering the highest quality of care and we are looking forward to this next step in the evolution of Care UK.”

A recent report noted that real estate investors, especially REITs, continue to support the residential elderly and specialist care sectors. Sale and leaseback transactions are a favoured method for vendors to raise funds, while demand from financial sponsors, particularly private equity and infrastructure, remains strong for elderly care services due to their social impact and stable revenue streams.

M&A activity in the care sector is rising in the UK and Europe

According to UK-based real estate consultants Knight Frank, healthcare real estate volumes in the UK reached £1.2 billion in 2023, down from £2.36 billion in 2022, reflecting a global decline in real estate and reduced overseas capital. However, the healthcare sector remained resilient, with stable transaction volumes. Elderly care dominated, accounting for 83% of investment, emphasising a preference for investment deals over occupier transactions.

This stability indicates a sustainable demand for healthcare real estate.

Speaking to HBI, Vik Sharma, director in M&A lead advisory for life sciences and healthcare at Deloitte, a global consulting firm, said:

“So far in 2024, we have noticed an uptick in M&A activity in the care sector in the UK and continental Europe, and we expect it to remain strong given monetary policy easing. There is likely to be further consolidation within the industry as more prominent players, either privately-owned or backed by real estate funds and healthcare real estate investment trusts, will look to procure smaller, struggling businesses affected by cost pressures such as wage inflation and higher running costs.

“The sector, undoubtedly, benefits from secular trends around the ageing population. For example there’s an expectation the UK’s over-85 population could double by 2050, as well as increasing private pay demand due to unlocking private wealth held in residential assets. Additionally, over the last decade the demand has outpaced the supply, and much of the existing UK care home stock is not fit for purpose, doesn’t meet market standards, and needs to be upgraded. This is where investors play a crucial role, as they are instrumental in providing much-needed capital to operators seeking to expand and benefit from the mismatch in supply and demand.

“Investors, backed by long-term capital from insurance and pension funds, are drawn to this sector due to the strong commitment from the public purse to fund social care. This, coupled with high regulatory oversight that ensures strong clinical and management teams, makes the sector a stable and promising investment opportunity.”

International investors are flocking to the UK’s care home sector

Dr Michelle Tempest, Senior Partner, Candesic, a UK-based consultancy firm, told HBI:

“With an increasing elderly population in the UK, such strong demand drivers can be evidenced in sustaining large businesses. International investors are flocking to the UK as the sector is stable with real opportunities to consolidate and develop a global brand.”

With just over two months away from 2025, Dr Tempest said, “There is much in the pipeline, with a strong M&A deal flow as we transition from 2024 to 2025.”

Digitalisation is also a key growth driver in elderly care.

Dr Tempest said, “Elderly care is evolving in line with the current government’s agenda to go from analogue to digital and to deliver higher acuity care for people in the community. Care homes are developing to be more digitally enabled; these digital solutions allow them to offer much more to a resident, potentially enhancing their quality of life and health outcomes. With the right mix of tech expertise and staff, the next generation of care in the community is on its way!”

Research also indicates that improving conditions for UK care homes in 2024 will increase foreign buyer interest in 2025, with American, European and Asian REITs likely all leading the way, supported by falling interest rates.

We would welcome your thoughts on this story. Email your views to Rakshitha Narasimhan or call 0207 183 3779.