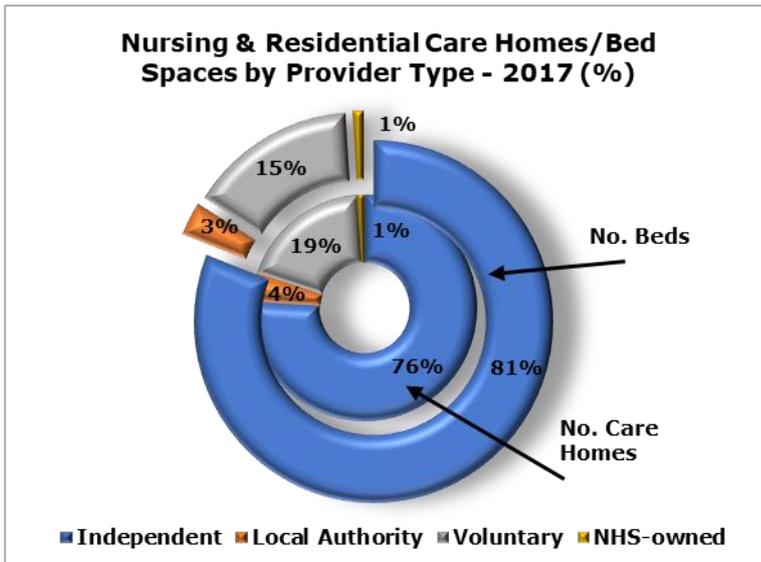




PRESS RELEASE

Shortfall in bed spaces continues to increase in the UK care home market

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Over the next 5 years, demand for care home places is expected to far exceed the number of bed spaces available. Demand is forecast to increase by around 9,000 bed spaces each year, while the current rate of care home development is at 5000-6000 new beds per year, leading to a substantial shortfall. The most significant change in the provision of residential care in the last 25 years has been the much greater involvement of the private sector. More than 75% of all care homes and over 80% of care beds in England are now operated by the private sector, with NHS operated beds accounting for only 1% of total provision.

There have been many changes in the care home market over the last few years affecting longer-term trends in supply and demand. Whilst an ageing population and rising levels of disability and dependency among older people has increased demand for care home places, the growth in domiciliary care and stricter entry criteria by local authorities has reduced the supply of care home places, especially in the local authority sector.

There has been a substantial growth in the number of privately provided places replacing large numbers of NHS hospital beds for both geriatric and mental illness care. There are almost 19,000 care homes, nursing homes and residential homes providing adult and elderly care throughout the UK, and in 2017 the number of privately operated care home beds represent a significant rise since 2010.

Reasons for the current overall shortage of bed spaces include the decline in public sector provision, while private sector building is failing to meet demand. The care home market has also become highly polarised in recent years with developers continuing to focus on locations which are characterised by a strong self-pay market where higher fees provide investors with a stronger return on capital. As such, new care home developments will be largely led by the availability of land. However, developers are facing increasing competition for land from alternative uses such as housing, student accommodation and hotels, particularly in desirable areas, and as a result, new care home development is forecast to remain relatively static in the short-term, despite an upturn in planning applications and increasing availability of funding.

A number of significant challenges are facing the care homes construction sector at present, with staffing and payroll issues a major concern. The introduction of the National Living Wage in April 2016 has led to increased payroll costs and reduced profit margins at a time when many care home operators already faced staff recruitment and retention problems - which are also being exacerbated by uncertainty over freedom of movement following Brexit. These factors have resulted in an increased reliance on agency staff, further impacting profits, and many care home operators face an uncertain and challenging trading environment going forward.

Hayley Thornley, Research Manager at AMA Research, said: *"Despite the challenges currently facing the sector, the private care home market continues to attract new investment as the value of the sterling has made the UK market more attractive to overseas investors. In the longer term, the care homes sector is expected to outperform the wider healthcare market due to an acute undersupply of appropriate accommodation together with increasing demand from an ageing population, with the number of people aged over 65 in the UK forecast to be 50% higher in 2035 than it was in 2010."*

In terms of development, there has been significant activity in new and emerging areas of the care market, particularly care villages and extra care schemes. While delays to the Care Act 2014 have created uncertainty in how local authority funding is going to work and the likely financial implications on the care home market. Major reforms to the way social care is funded are expected to come into operation in April 2020, which could have a positive impact on the market.

Unless output substantially increases, however, the discrepancy between current annual rates of additional bed spaces and future annual demand is expected to widen significantly, with an estimated shortfall of 28,000 bed-spaces by 2025.

The '**Care Homes Construction Market Report – UK 2017-2021 Analysis**' report is published by AMA Research, a leading provider of market research and consultancy services with over 25 years' experience within the construction and home improvement markets. The report is available now and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.

Editors Note:

If you would like to receive more information on the report, or would like to speak to the author, then please contact Anna Eriksson on 01242 235724.

Please include our web address and/or telephone number on any review printed, and it would also be appreciated if a copy of the review could be forwarded to AMA Research. Thank you.

AMA Research Ltd
Montpellier House
Montpellier Drive
Cheltenham
Gloucestershire GL50 1TY
Tel: +44 (0)1242 235724
Fax: +44 (0)1242 262948
E-mail: annaeriksson@amaresearch.co.uk
Website: www.amaresearch.co.uk