The demographic profile of the Irish population is very young by European Union standards. However, our population is ageing at an increasing rate. The increase in average life expectancy together with improved living standards and a higher demand for quality long-term care will inevitably place an increased focus on the quantity and quality of nursing homes in Ireland.

This report reviews current trends in the Irish nursing home market, both in terms of demand and supply and outlines recent transaction activity in the sector.

In summary, the nursing home market in Ireland is largely characterised by inadequate supply, in particular, older public nursing homes are facing a risk of foreclosures due to the introduction of more stringent building regulations by the Health Information and Quality Authority (HIQA).

Furthermore, the private nursing home sector has experienced greater investment both in updating existing facilities and the construction of new nursing homes. However, the current stock is still viewed as insufficient in terms of both current and projected future demand, in particular, in the key urban centres.
Irish Nursing Home Market
Demographic Profile and Population Trends

Today, Ireland has the youngest population in the EU, however there is a notable increase forecast in the quantum of the population aged 65 years and over.

According to the latest forecast from the Central Statistics Office (CSO), the number of people resident in Ireland aged 65 years and older is projected to increase from approximately 532,000 in 2011 to 860,000 in 2026 and subsequently to 1.4 million by 2046. As such, the proportion of the overall population aged 65 years or over is projected to grow from 11.6% in 2011 to approximately 21% by 2046.

The projected increase in the size of the population aged 80 or over is even more pronounced. The Census of 2011 revealed that there were approximately 128,000 people aged 80 or over living in Ireland. By 2026, this figure is forecast to reach 220,000 and 484,000 by 2046. As such the proportion of the overall population aged 80 years or over is projected to grow from 2.8% in 2011 to approximately 7% by 2046.

Such a forecast is particularly significant in terms of the growing need for long-term care facilities, particularly as it is estimated that approximately 22% of the population aged 80 years or over currently require this service in Ireland. This would suggest that, based on current proportional needs of this cohort of population alone, there would be a potential need for an additional 20,000 beds by 2026 or 78,000 beds by 2046.

Furthermore, according to the CSO, the life expectancy at birth for males in Ireland is expected to increase from 77.9 years in 2010 to 85.1 years in 2046. A similar change for female population is forecasted from 82.7 to 88.5 years.

In addition to national projections, the regional spread of the older population is worth noting. According to CSO’s regional projections for population growth from 2011 to 2031, the population aged 65 or over is forecast to increase by approximately 86% across all regions. However, the highest increases at 137% and 95% respectively are due to occur in the Mid-East and Midlands regions.
According to a recent OECD study, the provision of long-term care in nursing homes varies across EU countries due to various economic and societal factors.

On average, there are 58 long-term beds per 1,000 of the population aged 65 or over in the selected EU countries listed below. This figure includes long-term beds in hospitals, which account for 7% of the total.

The number of long-term beds is significantly higher in countries such as Sweden at 81.7 and Belgium at 71.9, whereas Italy and Spain are significantly lower, 17.5 and 31.1 beds per 1,000 respectively. Ireland is largely in line with the average with 61.7 long-term beds per 1,000 of the current population aged 65 or over. However, as illustrated in figure 2, Ireland stands out as having a comparatively high share of long-term beds in hospitals than other countries, at 23%. Furthermore, it has been acknowledged that providing long-term care in the acute hospitals is significantly more expensive than in purpose-built nursing homes.

The profile of nursing home providers varies significantly across EU countries between public, non-profit/voluntary and private commercial providers. An analysis of the selected countries illustrates this diversity. Whereas beds in public nursing homes remain a significant cohort in some countries such as Sweden, provision in the non-profit sector is most prevalent in the Netherlands, Germany and France. Private providers on the other hand are the most dominant type in Spain, the UK and Ireland.

According to Nursing Homes Ireland (NHI), beds in private and voluntary nursing homes in Ireland accounted for more than 80% of the total in 2014, leaving beds in public nursing homes accounting for the remaining 20%.
In Ireland, the number of long-term beds in private and voluntary nursing homes increased from 14,946 in 2003 to 22,342 in 2014, representing an uplift of 49%.

However, during this period, the number of individual nursing homes only grew from 408 to 437, representing growth of 7%. Such figures underline the fact that the supply of new long-term beds has largely taken place through extending facilities or in building a small number of new large complexes.

An analysis of NHI regions between 2009 and 2014 gives more insight in the provision of beds in private and voluntary nursing homes across Ireland. The highest relative net increases in the number of beds in voluntary and private nursing homes from 2009 to 2014 was in the South region at 19.8%, followed by the North East at 13.5%, as well as Dublin North at 13.0%. At the other end of the spectrum, the North-West region saw a decrease of 0.3% in the provision of beds during this period. Nationally, beds in private and voluntary nursing homes grew by 8.5% during the five years to end 2014.

In 2014, the NHI region of Dublin North had the highest number of private and voluntary beds, 86.3% of the total beds in the region, followed by Dublin-Wicklow at 84.4% and the Mid-West at 83.8%.
Furthermore, NHI has estimated that, on average, there were 20.2 people aged 65 or over as a proportion of the quantity of long-term care beds in 2014. However, this figure came in significantly higher in the NHI region of Dublin North at 26.7, followed by 24.5 in the North-West and 21.1 in the South-East. The lowest figures were recorded in the West and the Dublin-Wicklow regions, at 17.5 and 17.7 respectively.

That said, it is worth noting that the regional variations in demand and supply does not necessarily reflect an imbalance in the provision of nursing homes but rather factors such as the availability of home care or other community based services in the region.

### Table 1

<table>
<thead>
<tr>
<th>Region</th>
<th>Population 65+, 2014 (estimate)</th>
<th>Public Beds</th>
<th>Private/Voluntary Beds</th>
<th>Total Beds</th>
<th>Population 65+ per bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dublin North</td>
<td>68,572</td>
<td>351</td>
<td>2,220</td>
<td>2,571</td>
<td>26.7</td>
</tr>
<tr>
<td>North-West</td>
<td>38,309</td>
<td>622</td>
<td>942</td>
<td>1,564</td>
<td>24.5</td>
</tr>
<tr>
<td>South-East</td>
<td>68,331</td>
<td>897</td>
<td>2,339</td>
<td>3,236</td>
<td>21.1</td>
</tr>
<tr>
<td>Dublin-Kildare</td>
<td>68,240</td>
<td>867</td>
<td>2,471</td>
<td>3,338</td>
<td>20.4</td>
</tr>
<tr>
<td>North-East</td>
<td>50,171</td>
<td>524</td>
<td>2,007</td>
<td>2,531</td>
<td>19.8</td>
</tr>
<tr>
<td>Midlands</td>
<td>34,274</td>
<td>403</td>
<td>1,336</td>
<td>1,739</td>
<td>19.7</td>
</tr>
<tr>
<td>Mid-West</td>
<td>51,399</td>
<td>429</td>
<td>2,191</td>
<td>2,648</td>
<td>19.4</td>
</tr>
<tr>
<td>South</td>
<td>89,592</td>
<td>1,416</td>
<td>3,270</td>
<td>4,686</td>
<td>19.1</td>
</tr>
<tr>
<td>Dublin-Wicklow</td>
<td>54,643</td>
<td>480</td>
<td>2,599</td>
<td>3,079</td>
<td>17.7</td>
</tr>
<tr>
<td>West</td>
<td>63,070</td>
<td>667</td>
<td>2,939</td>
<td>3,606</td>
<td>17.5</td>
</tr>
<tr>
<td>State</td>
<td>586,601</td>
<td>6,656</td>
<td>22,342</td>
<td>28,998</td>
<td>20.2</td>
</tr>
</tbody>
</table>

Source: NHI
Nursing home properties in Ireland have traditionally been small owner operated properties. The latest NHI survey, Annual Private Nursing Home Survey 2014/2015, conducted in February 2015 by BDO analysed the profile of voluntary and private nursing homes in Ireland.

According to the 152 private and voluntary nursing homes responding to the survey, nursing homes with 60 or more beds account for 30% of the total. Nursing homes with 40-59 beds account for 35% of the total, and those with 25-39 beds account for 26% of the total. Smaller nursing homes with 25 or less beds are the smallest cohort at 9%.

Interestingly, a further analysis of the NHI regions of Dublin-Wicklow, Dublin-Kildare and Dublin North reveals that together there are only 15 large private nursing homes with 100-160 beds, accounting for 16% of the total of 92 private homes operating in these three regions.

In terms of the profile of nursing home facilities, the survey revealed that 59% of the private bed stock surveyed were single en-suite rooms, 23% were double rooms, 11% were single rooms without en-suite facilities and the remaining 7% accounted for multiple occupancy rooms.

The volume of rooms without en-suite and multiple occupancy has declined from 2009 and is expected to further decrease in the upcoming years, as outdated nursing homes, mostly older public facilities, face risk of foreclosures due to the new Physical Environment Standards introduced by HIQA. The new standards require that new nursing home facilities built after July 2009 have to comply with a number of different requirements such as a minimum of 80% of residents to be accommodated in single en-suite rooms and a maximum of two residents to occupy shared rooms.

The six-year exemption period given to nursing homes built prior to 2009 to meet these new standards came to an end in July 2015. Ireland’s public health service provider, the Health Service Executive (HSE), has estimated that nearly 90% of current long-stay public beds will not meet the HIQA standards for Physical Environment, and a total of €834 million investment is needed to update the current public beds to be compliant with the stricter standards.

The NHI survey revealed that the average capital expenditure a nursing home had faced to date in complying with the new HIQA directions had been approximately €579,000.
Irish Nursing Home Market

Transaction Activity

The nursing home sector is offering increasing possibilities for domestic and foreign investment.

A recent report, DTZ Insight - European Nursing Homes 2014: Consolidation in Progress, revealed that more than 60% of investments in healthcare assets across Europe focussed on nursing homes, while the remaining 40% were geared towards clinics and hospitals. Investment in the healthcare sector stood at approximately €1 billion in 2008. Since then investment has gained momentum with volumes reaching approximately €3 billion in 2013.

Germany and France have the largest share of healthcare property investments, followed by the Nordic countries combined and the UK. In absolute terms, between 2007 and 2013, €1.8 billion was invested in nursing homes in Germany which has the largest absolute number of people aged 65 or over in Europe, 16.9 million people in 2011. In comparison, a total of €0.7 billion was invested in France which had 10.9 million persons aged 65 or over in 2011.

In terms of the profile of investors in the healthcare sector, the report found that domestic investors have largely dominated the healthcare property market in Europe. From 2007 this cohort has accounted for 80% of the investments in the healthcare properties in Europe. The exception was Germany where foreign investment in healthcare property was most prevalent.

In Ireland, strong demographic projections combined with the limited and dated stock of existing nursing homes have triggered new interest from institutional investors. This cohort of purchasers is particularly seeking modern, well-located properties with in excess of 100 beds. Furthermore, the majority of transactions in the Irish nursing home market have been off-market sales, making it challenging to fully assess activity in the market.

One of the key nursing home transactions in 2015 was the sale of the former Ardmore Hotel at Finglas Road, Dublin 11 for €5 million in early 2015. It is understood that the property is planned to be converted into a nursing home accommodating approximately 80 residents.

Available nursing homes on the market include the 27-bed Riverside Nursing Home in Adfert, Co. Kerry, which is being sold as trading asset with a guide price of €1.3 million.

Table 2

Key nursing home transactions 2014 - 2015

<table>
<thead>
<tr>
<th>Property Address</th>
<th>County</th>
<th>Beds</th>
<th>Date</th>
<th>Asset Type</th>
<th>Price</th>
<th>Price Per Bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Care Centre (known as Kylemore Clinic), Church Road, Killiney, Co. Dublin</td>
<td>Dublin</td>
<td>N/A</td>
<td>2015 Q1</td>
<td>Asset</td>
<td>Sold approx. €5m</td>
<td>NA</td>
</tr>
<tr>
<td>Ardmore Hotel, Finglas Road, Dublin 11</td>
<td>Dublin</td>
<td>80</td>
<td>2015 Q1</td>
<td>Asset</td>
<td>Sold €5m</td>
<td>€62,500</td>
</tr>
<tr>
<td>Santa Maria Nursing Home, Kinnegad, Co. Kildare</td>
<td>Kildare</td>
<td>44</td>
<td>2014 Q3</td>
<td>Trading Asset</td>
<td>Sold €4.5m</td>
<td>€102,300</td>
</tr>
<tr>
<td>Molyneux Home, Leeson Park, Dublin 6</td>
<td>Dublin</td>
<td>25</td>
<td>2015 Q2</td>
<td>Asset</td>
<td>Sold €3m</td>
<td>€120,000</td>
</tr>
<tr>
<td>Clover Lodge Nursing Home, Athy, Co. Kildare</td>
<td>Kildare</td>
<td>60</td>
<td>2015 Q3</td>
<td>Trading Asset</td>
<td>Sold €3m</td>
<td>€50,000</td>
</tr>
<tr>
<td>Greenhills Nursing Home, Greenhill, Carrick-on-Suir, Co. Tipperary</td>
<td>Tipperary</td>
<td>49</td>
<td>2014 Q4</td>
<td>Investment</td>
<td>Sold €2.6m</td>
<td>€53,000</td>
</tr>
<tr>
<td>Caherass Nursing Home, Croom, Co. Limerick</td>
<td>Limerick</td>
<td>50</td>
<td>2014 Q3</td>
<td>Investment</td>
<td>Sold €1.85m</td>
<td>€37,000</td>
</tr>
</tbody>
</table>

Source: DTZ Sherry FitzGerald Research
Irish Nursing Home Market
Supply of Nursing Homes

Building activity in the nursing home market is currently regarded as inadequate, and a significant shortfall of long-term care beds is forecasted for the future.

An analysis of planning permissions for nursing home developments reveals that, between January and November 2015, a total of 27 planning permissions were granted for nursing homes in Ireland. More than half of the permissions was granted for extensions to existing facilities. Furthermore, new developments accounted for 37% of the total, with the remaining permissions granted for conversions.

The highest number of planning permissions during this period were granted in Co. Dublin with four new developments and four extensions. Two of the planning permissions granted for new builds include a 123 bedroom nursing home development in Loughshinny, Skerries, Co. Dublin by Circlewood Ltd, and a 120 bed nursing home development at Hayden’s Lane in Lucan, Co. Dublin by Rhonellen Developments Ltd.

It is worth noting that most nursing homes in Ireland participate in the Nursing Home Support Scheme, also known as the “Fair Deal”, which was launched in October 2009 and is operated by the HSE. This is a financial support programme in which the resident makes a contribution towards the cost of nursing home care and the balance is paid by the State. The share of nursing home residents funded by the Fair Deal scheme increased from 25% in 2009 to 79% in 2014. During this period, the average weekly Fair Deal rate in private and voluntary homes increased nationally from €850 to €896. The highest rates were recorded in Co. Dublin at €1,100 per week, with the lowest recorded in Co. Donegal at €748 per week.

The Fair Deal scheme has been criticised from an investment perspective, as the set rates policy makes it difficult for many nursing home operators to further invest in the required capital in the new developments. Under the Fair Deal scheme, state payments can only be allocated to the cost of care and not for capital investments.

Arguably, other perceived obstacles for the new developments include the rising development land costs particularly in Dublin. Also the state investment in the sector has been regarded as insufficient despite a few actions such as the Employment & Investment Incentive Scheme (EIIS), which was extended to include nursing homes in Budget 2015.

Budget 2016 did not include any specific proposals on building new nursing homes, but will allocate more funds to the Fair Deal nursing home support scheme, a total of €940 million, up 7.6% from €874 million allocated last year. This measure is expected to reduce the processing time for applications for nursing home beds down to four weeks or less.
Irish Nursing Home Market

Outlook

The underlying supply and demand fundamentals coupled with current demographic outlook are catching the attention of private Irish, but also foreign, institutional nursing home investors.

However, these potential investors are seeking modern, well-located properties with in excess of 100 beds, of which supply remains limited. Furthermore, in the absence of large scale portfolios of well-located nursing homes coming to the market, development opportunities for such schemes are expected to increase in the future. In the short term, the growth in the number of extensions of existing properties is expected to continue. Furthermore, as the need for long-term care grows, there will be higher demand for a wider range of facilities and types of services such as independent living units and day care facilities.
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