

Institutional Investment to Extra Care Retirement Housing

Making the sector a place to invest



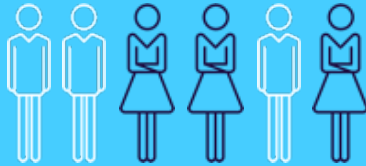
octopus real estate
A brighter way

Octopus Group: a “B Corporation”¹

A group of businesses investing in the people, ideas and industries that will help change the world

Founded **2000**

2,300
Employees



£3.3bn

Institutional FUM

50+

Private institutional investors

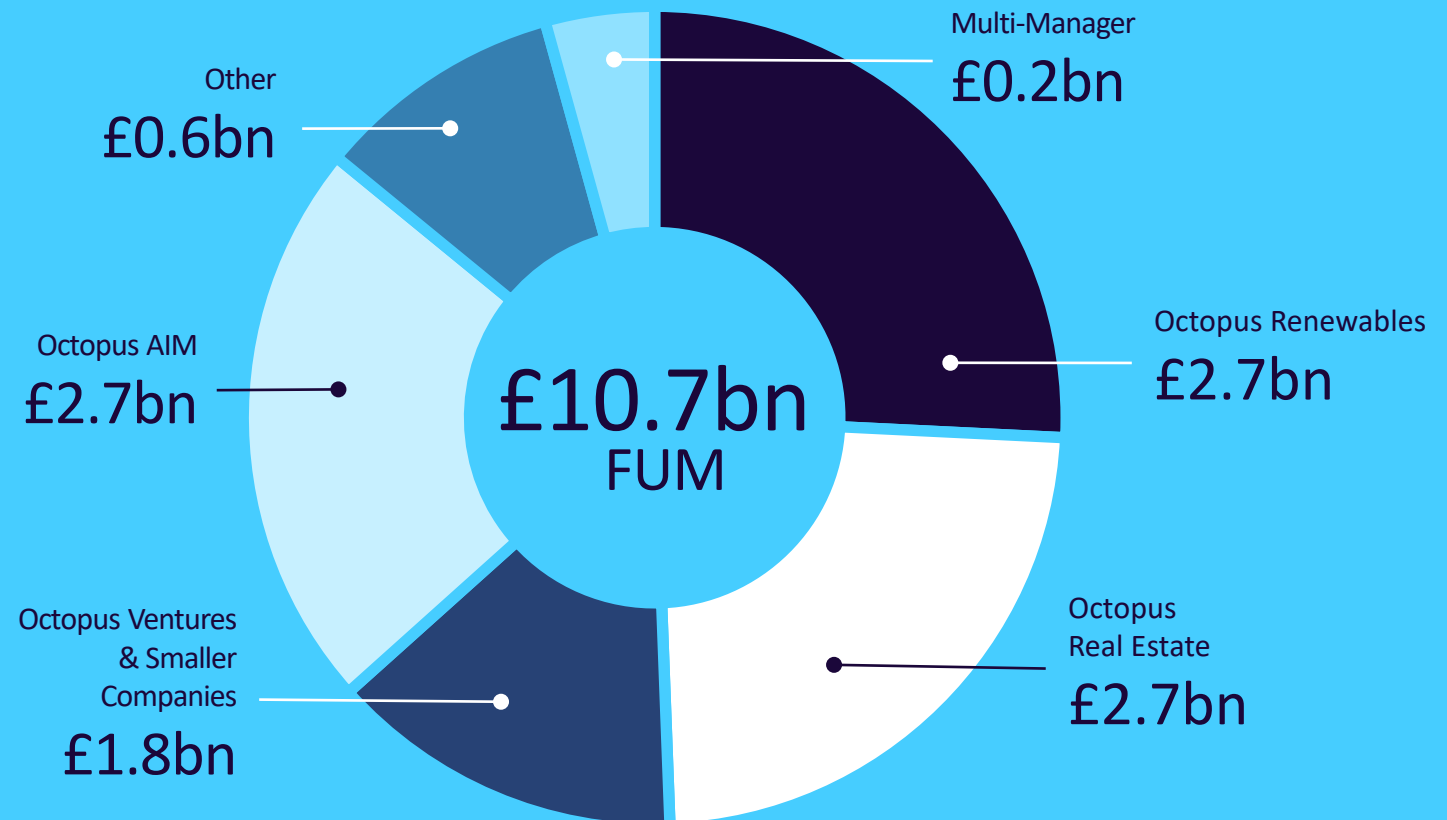
£7.4bn

Retail FUM

ESG & Impact

Central to investment approach

Octopus Group: funds uunder management²



¹ Source: Octopus Investments, June 2021. ² Includes funds under management, under advice and the Octopus Cash service.

Institutional Investors

Type of Investor

- Pension Funds and Endowments
- Long income matching modest return to liabilities.
- Forward funding but not seeking development or portfolio return.

Key considerations

- Does the yield and total return provide viability.
- Is the income index linked
- Is their scale deployment. £20bn currently focussed on affordable housing.
- Focus on long-term sustainability.
- Impact/ESG and good governance especially LGPS funds.



An investment with positive social impact ?

Reduces public sector costs

Retirement communities offer onsite health facilities which mean owners can remain at home while being treated for medical conditions. This reduces public sector (i.e. National Health Service (NHS)) costs.

Retirement community living promotes well-being.

Health benefits to residents and society

Each person in a retirement home **saves c.£3,500 to the NHS and social services per year**

Personal **well-being scores increase post moving into a retirement community** - average score of 7.97 vs 7.46

55% of surveyed residents stated that since moving into a retirement property, they **felt more of a sense of community**

67% of surveyed residents feel they **are less likely to move into a care home** since moving into a retirement community

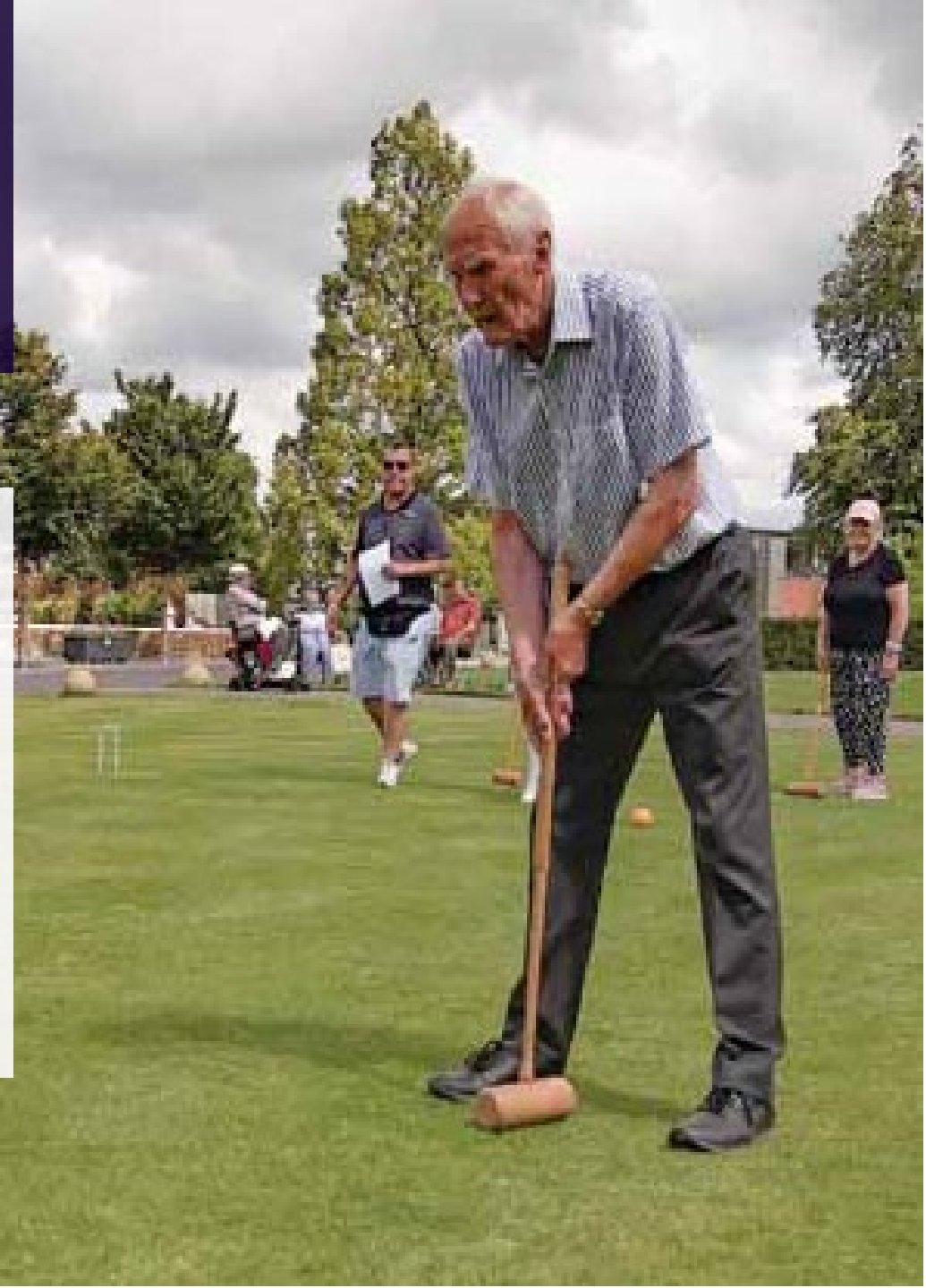
It is predicted that by 2032, if 1/8 of the over 80s in the UK were in retirement living, this could generate **savings across the NHS and social services of £2.1bn per year**

1.

Macro considerations

Is there a long term and sustainable case

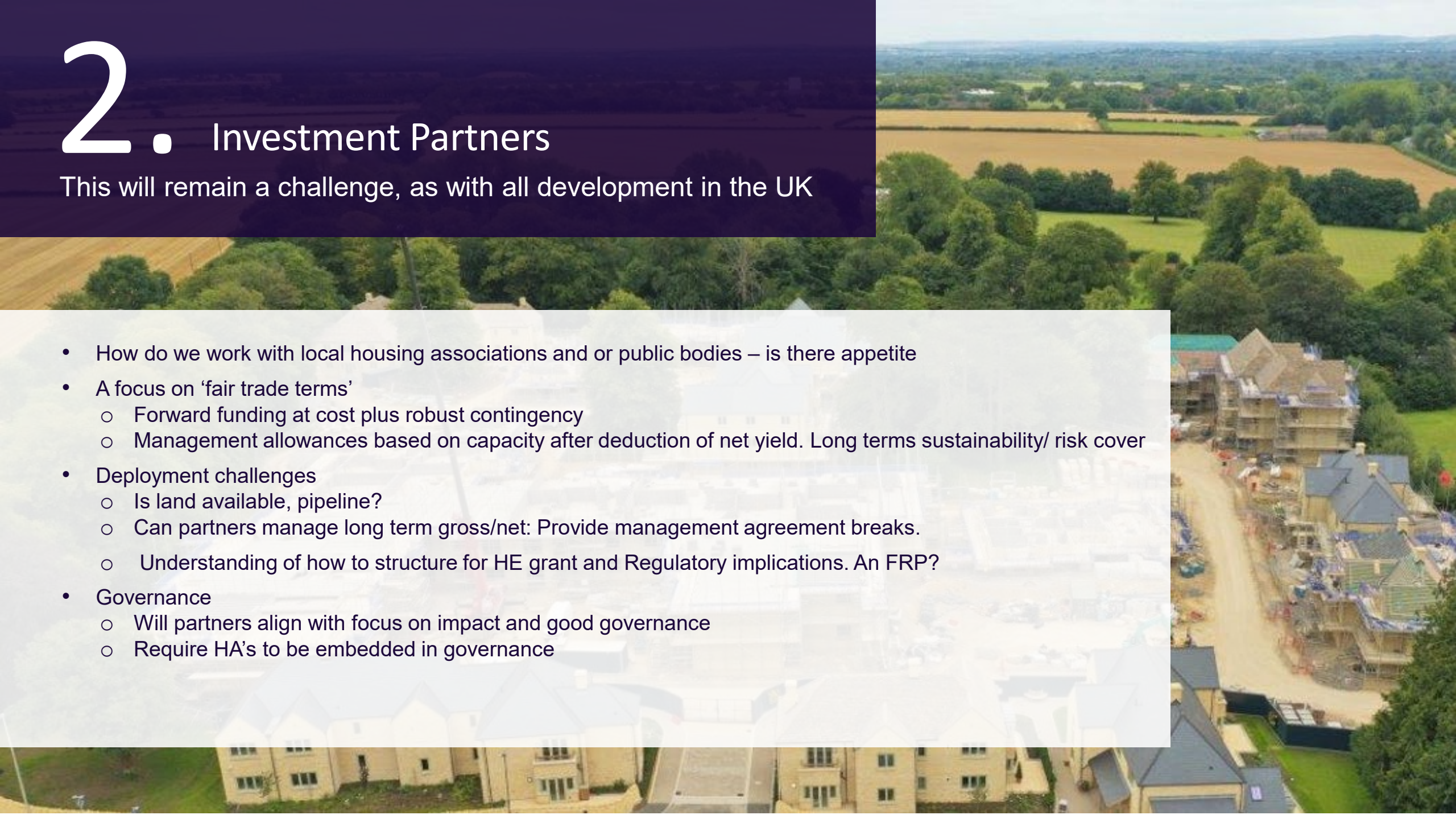
- Is there a co-ordinated local government strategy
- Is it embedded with long term support
- Will occupancy be achieved and how is the risk managed
- Is there agreement on rent and social care costs.
- Investors need HA partners
- Is there a sufficient deployment opportunity.
- Managing reputational risk



2. Investment Partners

This will remain a challenge, as with all development in the UK

- How do we work with local housing associations and or public bodies – is there appetite
- A focus on ‘fair trade terms’
 - Forward funding at cost plus robust contingency
 - Management allowances based on capacity after deduction of net yield. Long terms sustainability/ risk cover
- Deployment challenges
 - Is land available, pipeline?
 - Can partners manage long term gross/net: Provide management agreement breaks.
 - Understanding of how to structure for HE grant and Regulatory implications. An FRP?
- Governance
 - Will partners align with focus on impact and good governance
 - Require HA's to be embedded in governance





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