



Welsh Primary Care Premises Update
Presented by Frank Convery



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Primary Care in crisis?

- Pre Covid 4.5m waiting – Today 7.0m waiting for procedures
- 27,779 FTE GPs which is 1,565 fewer than in 2015
- Trend towards “Uberisation” of GP workforce Partners v Salaried v Locums
- Babylon, Virgin, Serco withdrawn from the GP market NHS tariff no margin
- Vertical Integration – Wolverhampton model – 18 GP Practices now run by Hospital Trust
- Sustainability Agenda- EPC’s Brown Discount unless aligned to Green Economy
- Systems not working immature integration weak primary care results in A& E bulging- Social Care unblocking

BMA writes to Mail about ‘attacks and smears’ against GPs

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Topics

- Surgery -Improvement Grants
- Ownership with Retired Partners
- The Green Agenda
- Notional Rent Trends
- Maximising Surgery values
- Sale and leaseback
- The Surgery Investment Market
- Surgery Development - GP & 3PD developments
- Questions

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BMA Survey 70% -too small 50% over 30 years old require refurb



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Dated Building unattractive inside and outside



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Improvement Grants

- 2022 Budget £1.5m - 2023 Budget similar
- GPs responsibility to maintain premises under their contract
- Liaise closely with LHB as to availability
- Best to seek grant over a number of years
- Automated doors, LED lighting, flooring, sinks, extensions
- EPC improvement - Direction 8G - Other Statutory Building Requirements

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Ownership with Retired Partners

- Building falls into disrepair
- Retired Partners no longer GMS contractors so not entitled to GMS rent
- Working GPs in breach of contract as have no security of tenure
- Practice occupation should be formalised at all times
- Aviva case

The screenshot shows a property listing on the Avison Young website. The listing includes a table of EPC's, a pricing section, a data room section, and viewing information. The EPC's table lists three properties: 'WELSH MEDICAL CENTRE' (C, 24 May 2021), 'WELSH MEDICAL CENTRE (2nd floor)' (C, 18 Feb 2020), and 'WELSH LAMB SURGERY' (D, 23 May 2021). The pricing section states that the business is trading at a loss for the finished element of the property. The data room section indicates that access is available upon request. The viewing information section provides contact details for Mark Craddock, Andrew Balfour, and James Burns. The Avison Young logo is visible in the bottom right corner of the listing.

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The Green Agenda

- Brown Discount unless aligned to Green Economy
- Long Term Value creation – two tier market
- EPC must be E and above Investors seeking to have C as a minimum
- Banks / Investors increasingly focusing on green criteria
- Pace of change – 2030
- Costs of works EPC improvement - Direction 8G - Other Statutory Building Requirements
- Don't ignore



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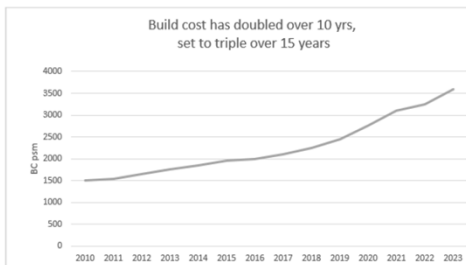
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Notional Rent

- Notional Rent trends
- Increasingly two tier -
- modern fully compliant v older
- historical evidence
- Construction cost inflation
- acceleration in rental growth



Source: PHP data from Third Party Developers (e.g. Primary Health Properties and Assura plc)



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Maximising Surgery Value

- Ensure Notional Rent at correct level
- Improve Equality Act compliance
- Improve Infection Control Compliance
- Partnership/ Loan Value -
- Multiplier x Notional Rent
- Ensure sub lettings at Correct Rent
- Can you accommodate a Pharmacy?
- Sustainability EPC Rating
- Market Uncertainty - Brexit, Covid 19, Political and economic turbulence



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Sale and Leaseback

- Attractiveness to Investment Market
- Redemption Penalties
- Prepare the Asset for Sale- check rents
- LHB /NHS Wales Approval
- standard Lease - pro tenant
- Typically 30- 35% enhancement in Market Value
- Last Man Standing - LHB to offer greater comfort?
- GP developed building - Avoid VAT on sale - 10 Year rule



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The Surgery Investment Market – Who is investing?

- Specialist Funds – Assura, PHP, Blackrock, Alpha Capital,
- New Entrants – Waypoint, Longmead, Stonehealth
- Secure Government backed income via the NHS Premises Cost Directions
- Minimal risk of default
- Long leases



BLACKROCK

Alpha Real Capital

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Market Pricing

- Limited volume of transactions
- Lack of development pipeline
- Recent yield compression-
- RPI attract best pricing
- Market uncertainty
- Impact on surgery transactions?

Average Prime Equivalent Yields Almost All Moved

Sector	October 2021	September 2022	October 2022
High Street Retail	6.75%	6.00%	6.50%
Shopping Centres	7.50%	7.75%	8.00%
Retail Warehouse (Restricted)	6.00%	5.50%	6.00%
Retail Warehouse (Open A1)	5.75%	5.50%	5.75%
Foodstores*	4.50%	5.00%	5.50%
Leisure Parks	7.50%	7.25%	7.50%
South East Offices	5.50%	5.75%	6.00%
Provincial Offices	4.75%	5.00%	5.50%
Industrial/Distribution*	3.25%	4.25%	5.00%
Industrial Multilets	3.25%	4.25%	5.00%
West End Offices	3.25%	3.50%	3.75%
City Offices	3.75%	4.25%	4.25%

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Primary Care Current Projects



Warwickshire - Joint GP Community Hospital development



Gloucester - Relocation of 2 GP Surgeries, dentist and pharmacy



Hull - New surgery and pharmacy



Wigan - New surgery and pharmacy

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Welsh Primary Care Projects



Pentyrch Cardiff New development



Whitchurch Cardiff



Llanfair Caereinion Powys



Waunfawr near Snowdonia

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Take away messages



Market has changed – will impact on Partnership Valuations



Liaise with LHB over improvement grants



Health check your property assets – check your rents, improve compliance and plan ahead for EPC requirement changes

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Thank you

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