INREV

Care Home Portfolio

	PROJECT:		COMPANY:		LOCATION:
	Project Spring		**Franklin Real Asset Advisors**		**UK**

Challenge

The UK is facing significant demographic and healthcare challenges, including an ageing population and declining population health. These factors are expected to drive increased demand for care home beds over the coming decade.

The project focuses on revitalising six care homes across key locations in the UK, addressing both the increasing demand for quality care and the need for sustainable infrastructure.

As of 2022, there was a shortfall of 1,340 beds within a 10-min drive of each six targeted locations. This gap is projected to widen to 1,648 beds by 2032. Additionally, at the time of acquisition, the care homes were energy and carbon inefficient, contributing to climate change.

The investment will contribute to Sustainable Development Goal (SDG) 3.8, supporting "Achieve Universal Health Outcomes", and as the beds are majority funded by the public health service, the assets will contribute to the stock of affordable living, SDG 11.1 "Safe and Affordable Housing."

Solution / Approach

The strategy has partnered with a new operator to enhance six care homes acquired from administration. This initiative will bring 96 currently unusable beds back into operation, improving service quality and ensuring better living conditions for over 400 residents. The upgrades will also create additional employment opportunities, benefiting local economies.

A substantial capex plan will also be implemented to improve the portfolio's carbon and energy efficiency, and a sinking fund will be set up to execute further environmental improvements throughout the holding period of the assets. Additionally, a 35-year lease agreement with the operator also ensures the provision of these services for the long-term.

Results

As this is a new investment for the strategy, the results have not yet been achieved. However, an impact-rating system has been created to assess the current and projected state of each asset's community and environmental performance. The rating system is based on a set of predefined community and environmental factors which include assessments of social purpose, essentiality, quality of care, economic benefit, carbon and energy footprint, biodiversity and greenspace, and other factors. Progress towards impact objectives can be quantified, and key performance metrics can be tracked over time. The scoring system is also designed to create systematic comparability between assets in terms of their strengths, weaknesses, opportunities and risks.

Initial assessments indicate that the community impact score of the asset is currently 1 (poor), with projections to improve to 4 (strong performer). The initial environmental score is currently 2 (underperformer) and is expected to reach 4 (strong performer).

Asset score

Community

| Initial | ■ □ □ □ □ | 1 |
| Projected | ■ ■ ■ ■ □ | 4 |

Environmental

| Initial | ■ ■ □ □ □ | 2 |
| Projected | ■ ■ ■ ■ □ | 4 |
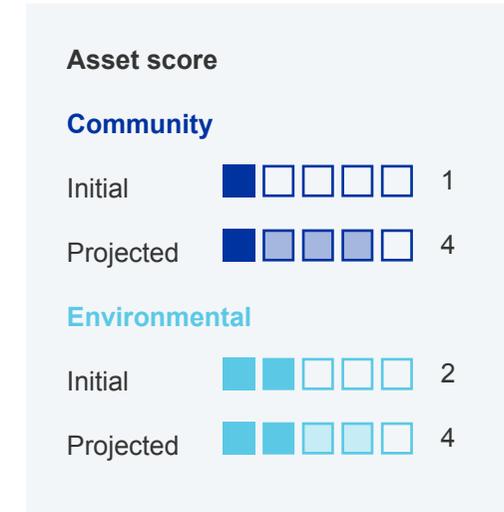
> **We will create 96 new care home beds and improve the quality of care for over 400 care home residents.**
>
> **John Levy**
> CFA, CAIA Managing Director,
> Franklin Real Asset Advisors

Company
Franklin Real Asset Advisors, an investment team within Franklin Templeton Investments, has been investing since 1984 and started investing in social infrastructure in 2005. Clients include major institutional and retail investors around the world. The team provides global expertise in private real asset investing, including core, noncore, and impact-investing strategies.