



Three Care Home Investment Sales Leased to Priory Group Northern Ireland

**STRUTT
& PARKER**

Apple Mews 1 | 95 Cathedral Road | Armagh | Co. Armagh | BT61 8AB
Apple Mews 2 | 95 Cathedral Road | Armagh | Co. Armagh | BT61 8AB
Edenmore | Jordanstown | 646 Shore Road | Newtownabbey | BT37 0PR

O'KANE
COMMERCIAL

Investment Summary

- Opportunity to acquire 3 purpose built Care Homes, leased with Priory Group as Guarantor for 25-30 years. Can be acquired together or separately.
- We are seeking offers in excess of £14,366,000 (net of 6.8% purchasers costs), subject to contract, for the freehold interest of the three properties, exclusive of VAT.
- This offer reflects a net initial yield of 6.7%.

Apple Mews 1, 95 Cathedral Road, Armagh, Co. Armagh, BT61 8AB

- Apple Mews is located within a residential cul de sac off Cathedral Road, which is only 600 metres into the centre of Armagh.
- Comprise 5 x 6 bedroom bungalows (modern purpose built) 30 beds
- Term: 30 years from 29th October 2012 (c25 years unexpired)
- Tenant: Priory (Watton) Limited
- Guarantor: Priory Investments Holdings Limited
- Current rent - £223,000 per annum (£7,433 per bed per annum). Based on latest accounts, this provides c3.21X rent cover.
- Subject to 2.5% annual increases in rent
- Sale of Asset or SPV
- Priced individually at £3,314,000 (reflecting a NIY of 6.3%)

Edenmore Care Home 646 Shore Road, Newtownabbey, BT37 0PR

- Edenmore is located on the coast off the M5 within Newtownabbey which is a large settlement, approximately 8 miles north of Belfast in County Antrim
- Newly built 36 bed unit which opened fully in February 2017. Comprises 2 parts – Loughshore & Shaftsbury
- Term: 30 Years from October 2016
- Tenant: Parkcare Homes (No. 2) Limited
- Guarantor: Priory Group No. 3 Limited
- Current rent: £414,000 p.a. (£11,500 per bed per annum) = 3.52X rent cover*
- Subject to 2.5% annual increases in rent
- Sale of Asset or SPV
- Priced individually at £5,829,000 (reflecting a NIY of 6.65%)
- **This information is based on projections from Priory.*

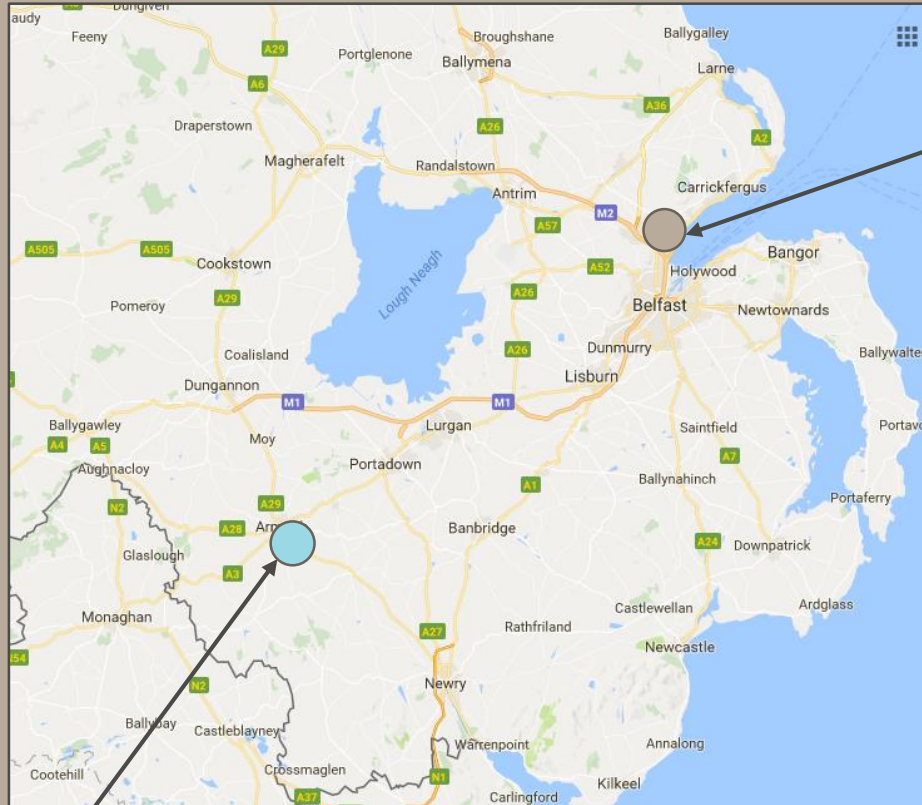
Apple Mews 2, 95 Cathedral Road, Armagh, Co. Armagh, BT61 8AB

- Apple Mews is located off Cathedral Road, which is only 600 metres into the centre of Armagh.
- The Apple Mews 2 development is to be an extension to Apple Mews 1. The development will comprise 2 x 6 bedroom bungalows and 2 x 11 bed units; a total of 34 beds
- Works are due to complete on Apple Mews 2 in Q1 2018
- Term: 30 Years from Completion of works and occupation
- Tenant: Parkcare Homes (No. 2) Limited
- Guarantor: Priory Group No. 3 Limited
- Starting Rent: £391,000 p.a. (£11,500 per bed per annum) Rent Forecast 2020: £410,794 (after 2 rent reviews) – 2.26X rent cover*
- Sale of Asset (not within SPV)
- Priced individually at £5,230,000 (reflecting a NIY of 7%)
- **This information is based on projections from Priory.*

Properties opened and operating now. Ready for sale now. Assets can be sold together or separately.

PC expected in Q1 2018. This can be sold now with Apple Mews 1 or at a later stage.

Locations

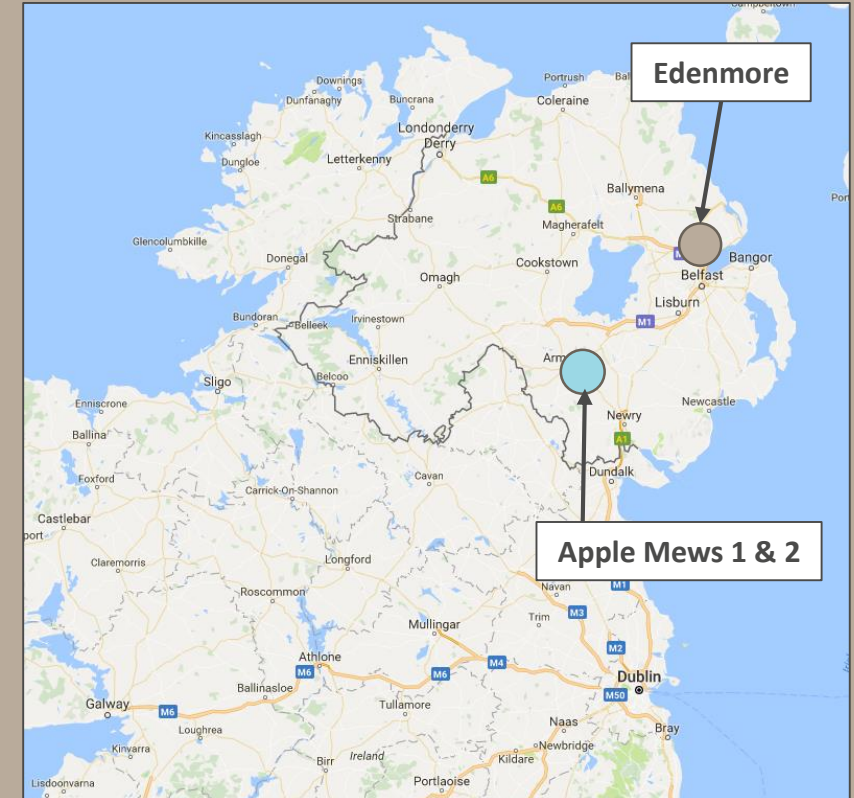


Edenmore | Jordanstown | 646 Shore Road Newtownabbey | BT37 oPR

- Edenmore, is located on the coast off the M5 within Newtownabbey which is a large settlement, approximately 8 miles north of Belfast in County Antrim.
- It is largely a residential area but also includes leisure facilities and the main Campus for the University of Ulster which is based in the Jordanstown area of Newtownabbey.
- Newtownabbey is the fourth largest settlement in Northern Ireland.

Apple Mews 1 & 2 | 95 Cathedral Road | Armagh | Co. Armagh | BT61 8AB

- Apple Mews is located within a residential cul de sac off Cathedral Road, which is only 600 metres into the centre of Armagh.
- Armagh a medium sized town and is known as the ecclesiastical capital of Ireland.
- It is approximately 40 miles south west of Belfast, along the M1 and A3.



Edenmore

Apple Mews 1 & 2



- The Priory Group was created in 1980 with the purchase of the Priory Hospital; it is the leading independent provider of behavioural care and elderly services in the UK.
- It comprises of three divisions – healthcare, education and children’s services and adult care services – which together support the needs of more than 30,000 people every year.
- The group operates over 400 sites.
- Acadia Healthcare bought the business off Advent International for £1.3 billion in January 2016.
- The Group currently treats more than 70 different conditions through a nationwide network of over 400 facilities that support service user’s health, care, education and specialised needs and include:
 - Mental Health hospitals and clinics,
 - Addiction treatments,
 - Rehabilitation facilities,
 - Specialist schools and colleges,
 - Supported residential facilities and homes
 - Care homes for the elderly.
- The principal covenant information on Priory Investments Holdings Ltd (PIHL) and Priory Group No.3 Limited, the guarantors, are set out in the Tenant Finance information table.
- PIHL is an investment holding company incorporated in Cayman Islands and registered both in CI and UK.

Tenant Finance Information is summarised below:

Priory (Watton) Limited – D&B Rating = N2

	For Y/E 31/12/2015	For Y/E 31/12/2014
Turnover	£9,603,000	£9,318,000
Pre-tax profit	£836,000	(£1,244,000)
UK registered no	6773612	

Parkcare Homes (No. 2) Limited – D&B Rating = 5A1

	For Y/E 31/12/2015	For Y/E 31/12/2014
Turnover	£51,538,000	£48,098,000
Pre-tax profit	£8,972,000	£60,972,000
UK registered no	04000281	

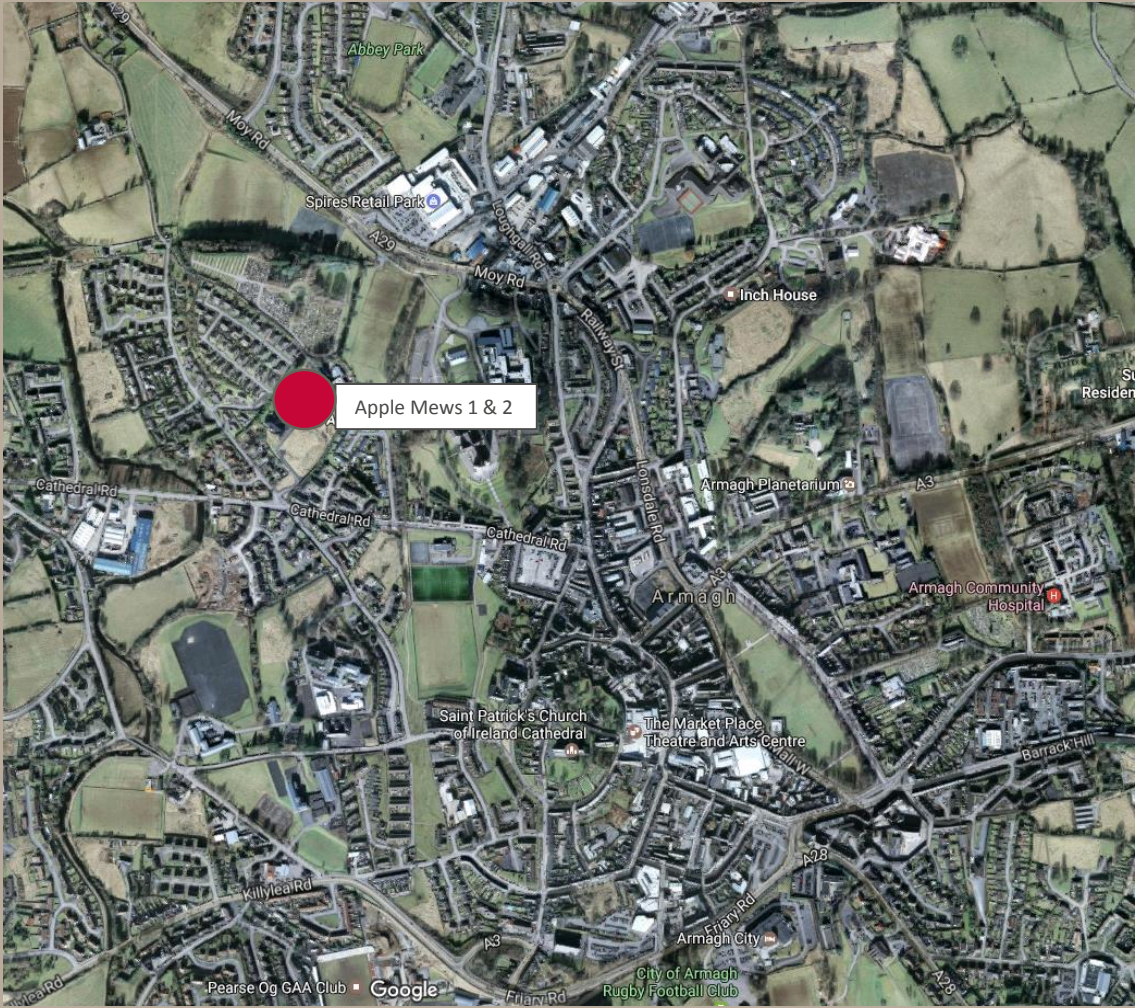
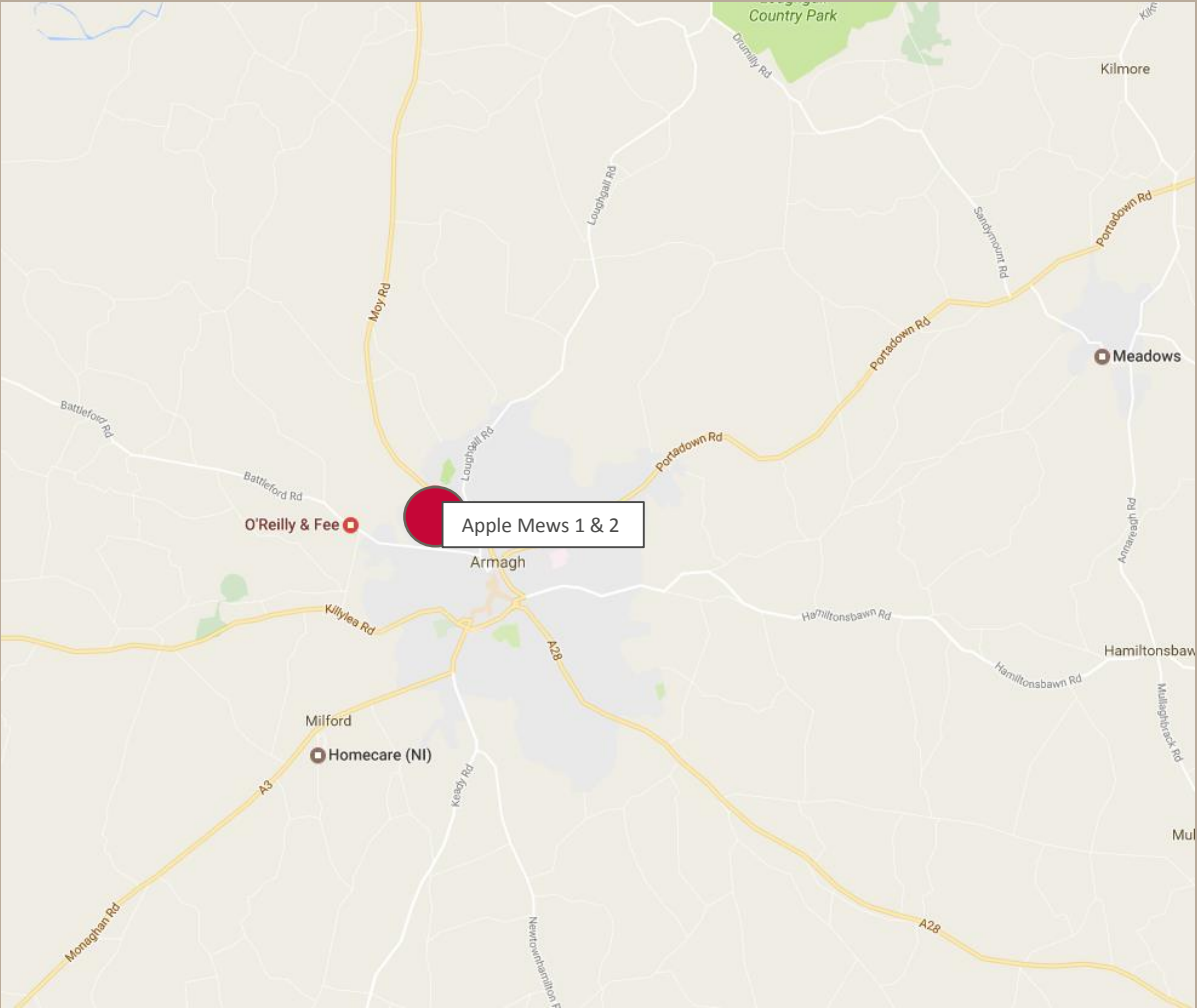
Guarantor: Priory Investments Holdings Limited

	For Y/E 31/12/2015	For Y/E 31/12/2014
Net Assets	£960,321,000	£880,632,000
Pre-tax profit	£102,027,000	£91,338,000
UK registered no	FC026138	

Guarantor: Priory Group No. 3 Limited – D&B Rating = 5A1

	For Y/E 31/12/2015	For Y/E 31/12/2014
Turnover	£571,183,000	£520,738,000
Pre-tax profit	(£10,327,000)	(£5,169,000)
UK registered no	07480550	

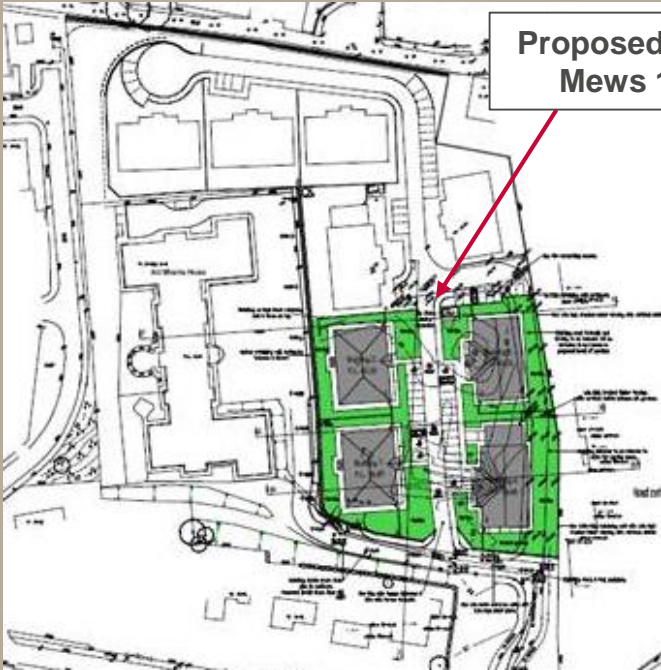
Apple Mews 1 & 2 | 95 Cathedral Road | Armagh | Co. Armagh | BT61 8AB



Apple Mews 1 & 2 - Photos



Apple Mews 1



Proposed Extension to Apple Mews 1 = Apple Mews 2



Apple Mews 1 & 2 - Description

Apple Mews 1

- Situated in Cathedral Road, Armagh we are conveniently located near good public amenities including pubs, cinemas cafes and swimming pools.
- Apple Mews is easily accessible by public transport.
- Apple Mews has been developed to provide care for up to 30 adults with learning disabilities, autism and complex physical disabilities.
- Services include:
 - Autism Care and Support
 - Learning disability Support
 - Positive behavioural support
- Apple Mews comprises of 5 modern Bungalows which each have six bedrooms, each has an ensuite.
- The Bungalows are specifically designed to create a homely atmosphere and yet has facilities to meet the physical complex needs such as overhead hoists in bedrooms etc.

Apple Mews 2

- The Apple Mews 2 development is to be an extension to Apple Mews 1 (planning granted), but held under a separate lease agreement. The site is within the existing Apple Mews 1 scheme and it will share an access with Apple Mews 1.
- The development will comprise 2 x 6 bedroom bungalows and 2 x 11 bed units; a total of 34 beds and will be due to complete in Q1 2018.
- Full Planning Approval was granted on 24th February 2017.
- Construction is under way and completion is due Q1 2018.



Demographics

- There are 29,509 people living within 5 miles of Apple Mews.
- 14,863 are male and 14,646 are female.
- Within this population 13,885 are economically active whilst 7,166 are classed as economically inactive.
- 68.49 % of houses are owner occupied whilst 17.39 % are privately rented.
- There are approximately just under 4,800 people above 65 years, which represents about 16% of the total population within in this area.
- The population of the area is expected to change by 1.26 % by 2020 (Experian 2017)



Apple Mews 1 & 2 - Lease Information

Apple Mews 1

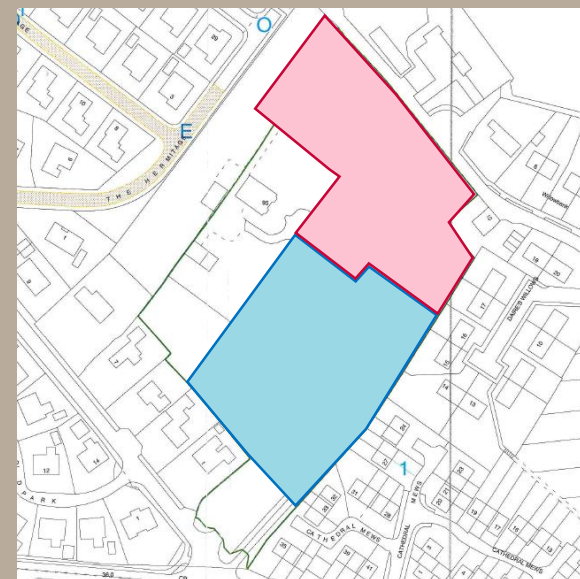
Current Tenant	Priory (Watton) Limited
Current Guarantor	Priory Investments Holdings Limited
Lease Term	30 years (25 years unexpired)
Lease Commencement	29th October 2012
Rent Reviews	Subject to 2.5% annual increases in rent
Passing Rent	£223,000 per annum (£7,433 per bed per annum)
Next Rent Review	October 2017
Rent at Next Review	£228,575

Apple Mews 2

Current Tenant	Parkcare Homes
Current Guarantor	Priory Group No. 3 Limited
Lease Term	30 Years
Lease Commencement	Completion of works and occupation
Rent Reviews	Subject to 2.5% annual increases in rent
Initial Rent	£391,000 p.a. (£11,500 per bed per annum)
Next Rent Review	
Rent at Next Review	

Apple Mews 1& 2 – Title Information

- Freehold owned by Emerald Construction Limited
- c.3.8 acres



Apple Mews 1 – Trading Figures

- Apple Mews 1 is already at a Mature Trading level
- Current rent - £223,000 per annum (£7,433 per bed per annum)
- Subject to 2.5% annual increases in rent
- EBITDAR within the Management Accounts = £542,658. This produces a Rent Cover of c.2.43X
- There has been recent significant overspend (Compared to Budget) on Staff and Refurbishment Costs of c. £300,000.
- If there is no unusual overspend, this could produce an EBITDAR of c.£715,000 and a rent cover of c. 3.21X

Apple Mews 2 – Trading Figures

(this information is based on projections provided by Priory)

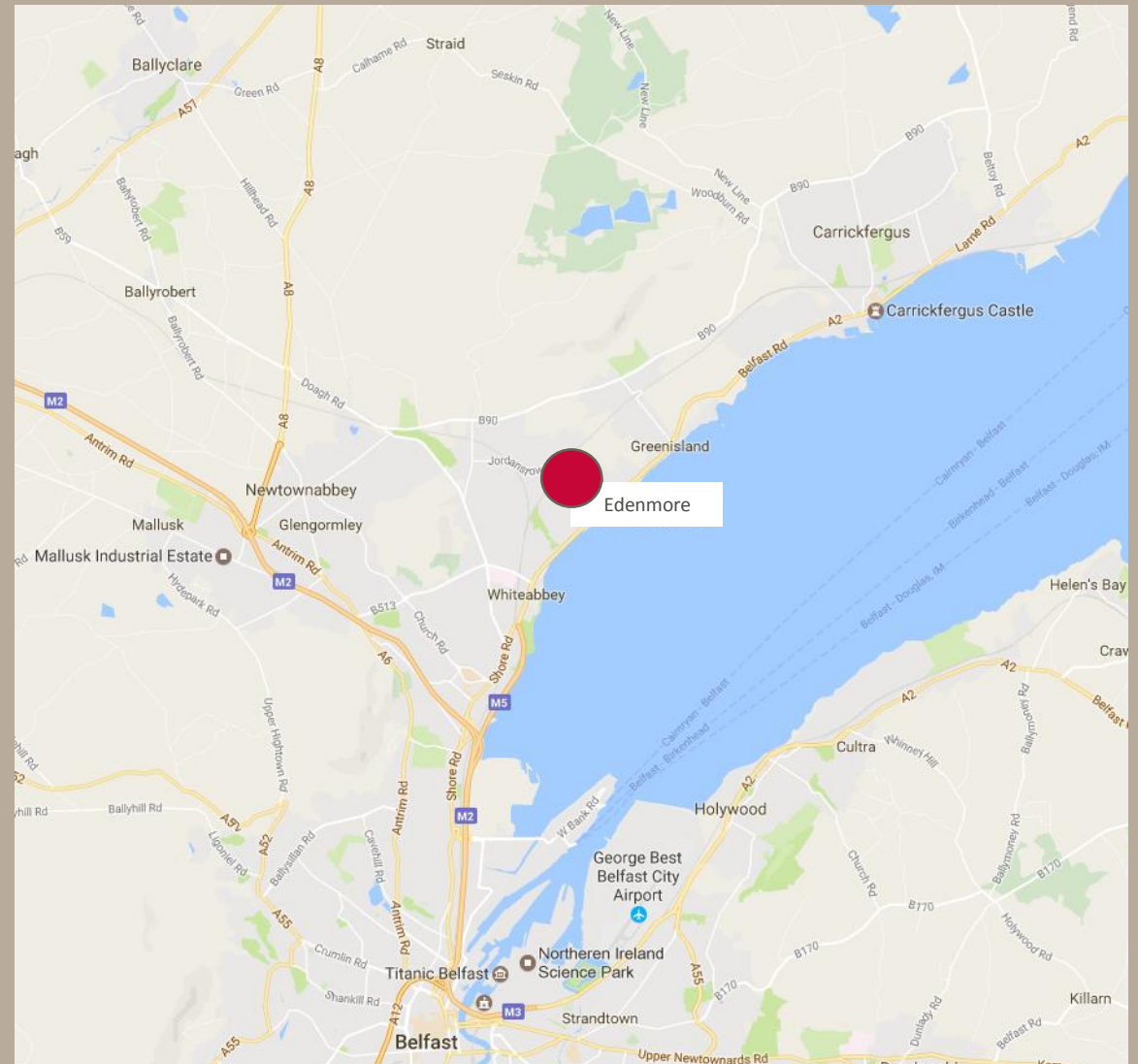
- Priory estimate that Apple Mews 2 will achieve mature trading level in 2020 (c. 18 months after opening).
- Starting Rent: £391,000 p.a. (£11,500 per bed per annum)
- Rent Forecast 2020: £410,794 (after 2 rent reviews) – 2.26X rent cover
- Turnover Forecast 2020: £2,959,653 (Reflects average fee of £1,757 per resident per week & 95% Occupancy)
- EBITDAR forecast: 2020 - £929,639 (31.3% of Turnover)

Apple Mews 1 & 2

- The blended rent cover on both Apple Mews 1 & 2 will be c2.6X rent.

Edenmore | Jordanstown | 646 Shore Road | Newtownabbey | BT37 0PR

An aerial satellite map of the Edenmore area in Dublin. A prominent red dot is placed on a residential street, with a white label 'Edenmore' pointing to it. The map shows a dense network of streets, including Circular Rd, Glenageary Park, Jordanstown Rd, and Shore Rd. To the right of the red dot is Rosstulla Special School. Further down Shore Rd, there are labels for '646 Shore Road', 'Sozo', and 'Bureau by the Lough'. The map also shows green spaces like Glenageary Park and Jordanstown Park, and a body of water (Lough) at the bottom right.

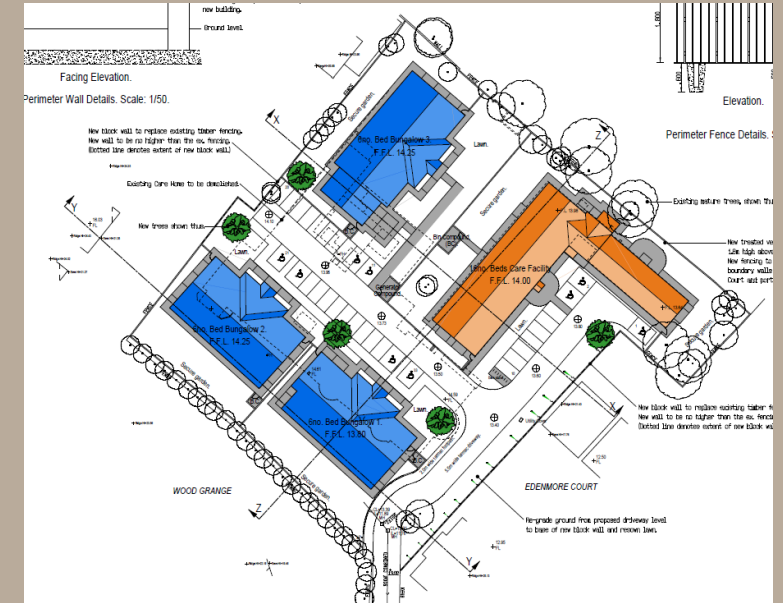


Edenmore- Photos



Edenmore - Description

- Edenmore consists of two parts – Loughshore and Shaftsbury.
- These are newly built homes that opened in October 2016 and February 2017.
- It comprises of 36 bedrooms which are specifically designed for adults with learning disabilities, autism and complex physical disabilities.
- The facilities comprise of 1 x 18 bedroom care building (Loughshore) and 3 x 6 bedroom bungalows (Shaftsbury).
- Loughshore is a specialist autism service for people aged 18 years and over with a learning disability, who may at times present behaviours that challenge. All the bedrooms are en-suite and the building operates in two separate elements, dividing into four large living rooms and 2 separate dining rooms. There is a large secure garden fully accessible for residents.
- The three bungalows are called Shaftsbury, which opened in February 2017 and have a waiting list of residents.



Demographics

- There are 154,211 people living within 5 Miles of Edenmore Care Home of which 74,041 are male and 80,170 are female.
 - Within this population 73,835 are economically active whilst 37,486 are classed as economically inactive.
 - 67.29 % of houses are owner occupied whilst 14.11 % are privately rented.
 - The three highest Mosaic groups are L Vintage Value, H Aspiring Homemakers and F Suburban Stability.
 - There are approximately just under 4,800 people above 65 years, which represents about 16% of the total population within in this area.
 - The population of the area is expected to change by 1.11 % by 2020.
- (Experian 2017)



Edenmore - Lease Information

Edenmore Care Home 646 Shore Road, Newtownabbey, BT37 0PR

Current Tenant	Parkcare Homes (No. 2) Limited
Current Guarantor	Priory Group No. 3 Limited
Lease Term	30 Years
Lease Commencement	28 th October 2016
Rent Reviews	Each anniversary of 22 nd February 2017
Passing Rent	£414,000 p.a. (£11,500 per bed per annum based on 36 beds).
Next Rent Review	22 nd February 2018
Rent at Next Review*	£424,350 p.a.

Edenmore – Trading Figures/ Projections (this information is based on projections provided by Priory)

Loughshore Unit, Jordanstown:

- Turnover - £1,886,662 (Reflects average fee of £2,340 per resident per week & 97% Occupancy)
- EBITDAR - £809,142 (43% of Turnover)
- Rent - (50% of Total Rent on Jordanstown) = £212,175 p.a. (2018 rent after 2.5% increase in rent)
- Rent Cover - 3.81X

Shaftsbury Unit, Jordanstown:

- Turnover - £1,829,531 (Reflects average fee of £2,054 per resident per week & 95% Occupancy)
- EBITDAR - £683,374 (37.3% of Turnover)
- Rent (50% of Total Rent on Jordanstown) = £212,175 p.a. (2018 rent after 2.5% increase in rent)
- Rent Cover - 3.22X

The total EBITDAR in 2018 is estimated at £1,492,516, against a revised rent at next rent review of £424,350 p.a. This produces a blended rent cover of 3.52X rent.

Capital Allowances

- Capital Allowance could be made available subject to price.
- More information is available upon request.

VAT

- The properties are zero rated for VAT purposes.

Tenure

- The property is held Freehold, subject to an occupational lease to Priory (Priory (Watton) Limited and Parkcare Homes (No.2) Limited.

Disposal Structure

- The assets can each be sold individually or as a whole.
- Apple Mews 1 and Edenmore are held in SPVs. There is the option to buy into these SPVs and therefore benefit from SDLT savings. Apple Mews 2 is an asset sale.
- Prices for the individual assets is shown in the table.
- We are seeking offers in excess of **£14,366,000** (net of 6.8% purchasers costs), subject to contract, for the freehold interest in the three properties, exclusive of VAT.
- This offer reflects a net initial yield of 6.7%.

Property	Individual Price (Net of 6.8% Purchasers Costs)
Apple Mews 1	£3,314,000
Apple Mews 2	£5,230,000
Edenmore	£5,829,000

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