

# Issues to consider when selling your care home post-pandemic

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The effects of the COVID-19 pandemic have placed unprecedented challenges on healthcare professionals across the world, particularly in the social care sector. From the restriction on visitors to the increased regulatory measures and pressures of a restricted workforce, each factor has its own economic and personal consequences and has put a huge strain on the care sector.

These added pressures have forced many social care operators to drastically alter the way they operate, both in the short and long term. This in turn has caused providers to reconsider their plans for the future and in some instances accelerate their sale plans.

Should you wish to consider selling your care home during these uncertain times, the next steps are crucial in ensuring you can realise the maximum potential from the sale of your facility.

## **Is now the right time to sell?**

There are many factors which may drive a sale. Some may have been brought about by the pandemic, and others simply attributable to the providers own exit strategies. Either way, continuity of the facility for the benefit of the patients is key, and with the social care landscape changing considerably over the last twelve months, this poses a challenge for buyers and sellers alike.

The practical hurdles brought about by the pandemic saw the vast majority of ongoing sales being suspended. However, there are signs the market is recovering well, with growing confidence in the sector from both buyers and funders. The healthcare sector

has always been considered a safe sector to lend in and there is no sign of this changing.

We have also seen a renewed appetite for investment in the regions outside of the traditional cities. This reflects the current changes in society with a shift to home working and therefore wanting more local amenities, including care facilities. Regional areas are therefore becoming more popular with buyers looking to capitalise on this.

## **Who is my potential buyer?**

The decision as to who to sell your care home to is a personal one. However, it seems prudent, particularly in the current market, that marketing through a specialist agent will ensure the price achieved is maximised and enables you to consider all offers on their own merits. Selling straight to a large corporate may bring about a speedier conclusion but may not necessarily be in the best interests of the seller or its residents.

Other factors you may wish to consider are whether your staff and residents will have continuity in standards of customer service and care you have provided. A lot of time and effort goes into building a successful care home and you need to be comfortable that a potential buyer will protect the team you have built up, protect your brand, your residents and everything that has made it a success. For continuity purposes you may also end up staying on at the care home for some time post-sale. In such instances, it is imperative you can work collaboratively with the incoming party.

## **How can I maximise property valuations?**

Your care home is a valuable asset so if you have decided to sell it remains critical to obtain a valuation from an independent expert with specialist experience before you put the business on the market and accept



an offer. The health and social care sector is complex, and care homes vary significantly in terms of how they are run, what assets and property they hold and the ratio of private to publicly funded residents. There are many key factors which will impact on value. This, coupled with the additional practical challenges we face today with remote valuations and lack of comparable up-to-date market data makes it more important than ever to instruct a broker with specialist experience and access to a good supply of buyers.

There are some concerns around whether values would be prejudiced by the uncertainty the pandemic has caused, but this is yet to be seen. Banks are being very realistic about values and acknowledging that a dip in turnover is temporary and completely justified, given the lockdown periods and strict regulatory measures.

In any market, when selling your business you want to get the best possible value for it. The best way of achieving this is by preparing for sale at the earliest opportunity.

This includes:

- Look at efficiencies within the care home – many operators have taken the opportunity to look at running costs and make potential savings. Lower running costs in turn increases profitability and maximises values
- Look at sustainability of income – are there ongoing issues to address around resident numbers and how the income of the care home will be maintained?
- Look at liabilities of the care home – obtaining mortgage/loan settlement figures at an early stage. Are there any early repayment charges?
- Look at maintenance and repair – ensure all assets such as kitchen equipment, lifts etc. are maintained

and the building is otherwise in good repair and decoration

- Look at getting your house in order – gathering key documentation for due diligence purposes at an early stage including management accounts, resident lists, assessments, title deeds to the property, lease (if applicable), employee list/contracts, the Care Quality Commission (CQC) registration details

#### **How can I ensure the sale goes through quickly and efficiently?**

Each sale is unique, and timeframes will vary depending on individual circumstances. The legal process itself can take anything from eight weeks to twelve months. However, to give you the best footing, it is always good practice to agree a thorough set of heads of terms at the outset of a transaction.

Given the changing landscape in social care, there are a number of emerging risks to sellers which, together with the commercial terms of the deal, need to be approached with caution and addressed at heads of terms stage:

- **Deferred consideration** – this is where only part of the price is paid on completion of the sale and the balance later. The buyer may well have been depending upon future income to generate cash to pay the balance of the purchase price. However, this should be approached with caution as there may be added uncertainty as to how income will be structured in the future, whether care homes will be subject to future restrictions and ultimately whether the buyer will have the necessary funds to pay the balance when due
- **Cost undertakings** – it has become common practice in more recent years for buyers to pick up the seller's legal bill if the sale does not proceed. If



this is to be agreed, make sure the permeameters are clearly set within the heads of terms and otherwise approved by your legal team. The intricacies of such agreement can often be heavily reliant on diligent drafting

- **CQC registrations** – the CQC has a backlog of work due to the pandemic, with applications taking up to twenty weeks to progress. This can cause significant delays to transactions and highlights the importance of engaging regulatory bodies in the transaction as soon as possible.

Selling a care home is quite different from selling other businesses. There are a great number of specialised legal and financial issues that must be handled correctly. Employing a specialist healthcare lawyer and accountant with experience in the care home sector will ensure you are guided through the complex procedures required when transferring your facility to a new owner.

### Conclusions

If nothing else, the pandemic has taught us that the future is unpredictable. With that in mind, it isn't surprising that sellers are continuing to approach the market with caution.

However, care homes and other residential facilities are expected to remain viable businesses in the medium and long term, with a pent-up demand from a wide pool of buyers and readily available funding options continuing to be available. With a well thought out exit strategy and a team of specialist advisers and realistic expectations, you will be best placed to focus on continuity of a care home robust enough to sustain any future changes to the social care landscape.

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