

AZORA STUDIES NEW SENIOR LIVING PRODUCTS AFTER ADRIANO CARE LAUNCH

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Spanish property group Azora is considering launching new vehicles to invest in senior living separately from its dedicated Adriano Care REIT arm, according to Carlos Fernández de Araoz, Azora's partner responsible for the senior living segment.

'We are evaluating the possibility to create a senior care development fund which would invest in land for the construction of senior housing, as opposed to Adriano Care which largely focuses on existing assets,' Fernández De Araoz said, declining to disclose further details.

Also in the senior living segment, the company is currently studying the best way to access the untapped sector of independent and assisted living for seniors, he added.

'One possibility is to buy into reverse mortgages,' De Araoz says, 'Houses often represent a large portion of senior people's savings and the vehicle would allow seniors to monetize them. Another possibility would be to have the vehicle invest in the naked possession of senior people's houses. This is a product which would fit well with our residential capabilities as we manage over 15,000 flats in Spain and have a 170-strong team on the ground. It's also a product that could be interesting for institutional investors as it would be an attractive way to access the residential sector at a lower cost, tackling the issue of expensive housing which is a growing concern in Spain.' He continues: 'So we are looking quite excitingly at these ideas which I'd say could turn up sooner rather than later.'

Asked why Azora decided to enter the sector earlier this year, Fernández De Araoz noted that senior housing is one of the key macro trends identified by the company which will continue to benefit from strong fundamentals, along with student housing, PRS and tourism (the company has been or is active in all these sectors, in student housing it built up and sold the largest Spanish student housing platform through the Resa arm; in residential it manages more than 15,000 homes and it is actively investing in hospitality in a newly launched joint venture with Palladium).

Fernández De Araoz: 'We believe that the value of European nursing home assets is roughly €300 bn at the moment while the sector would need investments of around €15 bn a year to meet the current demand.'

As such, Azora launched a specialized vehicle – Adriano Care - in July raising €121 mln of equity among the clients of private banks Indosuez Wealth Management and Banca March. The company, structured as a Spanish REIT or Socimi, currently has 310 investors in total, with Azora itself and its shareholders retaining a 4% co-investment stake in the vehicle. In terms of leveraged returns, the unit is targeting high single digit figures.

With leverage of 55%, Adriano Care has a total spending power of €250 mln to be deployed over the next 18 months or so. Last week it announced the purchase of a portfolio of six existing nursing homes and a development project for a price of €76 mln, meaning that a few months after launch it is about one-third invested. 'The REIT is structured with a three year investment phase, a one year holding period and a two year divestment phase. However,' Fernández De Araoz says, 'I believe that we will complete the investment mandate much faster than initially planned. We have a number of deals in the pipeline and we will hopefully sign two more acquisitions before year-end.'

Adriano Care is designed to invest primarily in existing and already operating nursing homes across Spain. However, Azora's De Araoz does not rule out investing in other countries in the medium term. 'Nursing homes are a new product for us so we wanted to learn how to walk before we could run,' Fernández De Araoz comments. 'We are seeing good traction so we are designing the team and the structure to be able in the future to launch a European nursing home fund focusing primarily on four markets –namely the Iberia peninsula, Italy, Germany and the Netherlands.'

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