

UK Conference Call Takeaways for Healthcare REITs [ARG.L, LABS.L, MPW, OHI, PHP.L, THRL.L and VTR]

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We believe that for investors, the abolition of National Health Service (NHS) England alongside reductions in spending by Integrated Care Boards (ICBs) present several ad hoc opportunities for the private sector to alleviate pressure on the NHS estate, especially for **UK-based Healthcare REITs** [**Assura PLC** (AGR.L), **Life Science REIT** (LABS.L), **Medical Trust Properties** (MPW), **Omega Healthcare Investors** (OHI), **Primary Health Properties Plc** (PHP.L), **Target Healthcare REIT** (THRL.L), and **Ventas, Inc** (VTR)]. Please see a breakdown of the following healthcare REIT exposure to the changes:

| <i>Ticker</i> | <i>UK Exposure (by Facilities)</i> | <i>US Exposure (by Facilities)</i> | <i>Total Properties</i> | <i>Total Revenue In Thousands</i> | <i>Property Type</i> |
|---------------|------------------------------------|------------------------------------|-------------------------|-----------------------------------|----------------------|
| ARG.L | 100% | -- | 614 | £ 157,800 | General Practitioner |
| LABS.L | 100% | -- | 5 | £ 19,940 | Offices |
| MPW | 23.23% | 43.69% | 396 | \$995,547 | Hospitals |
| OHI | 23.78% | 76.22% | 1026 | \$1,051,390 | Social Care |
| PHP.L | 100% | -- | 516 | £181,700 | General Practitioner |
| THRL.L | 100% | -- | 94 | £69,550 | Social Care |
| VTR | 1-6% | 92.80% | 1387 | \$ 4,924,266 | Social Care |

Last Wednesday, the Washington Analysis Healthcare Team hosted a conference call with a leading UK-based strategic advisor to better understand the potential investment impacts following the announcement that Prime Minister Keir Starmer will abolish NHS England, with relevant roles and responsibilities returned to the Department of Health and Social Care (DHSC). Alongside this announcement, Integrated care boards (ICBs) are facing significant pressures to reduce running costs by approximately 50 percent by October

2025. Leading industry groups, including large pharmaceutical companies, have highlighted the lack of NHS spending on branded medicines as a long-term barrier to life sciences private investment in the country.

We believe that the forthcoming NHS 10-year plan will look to reopen a formal public-private sector partnership for facility investment. Our speaker believes that this forthcoming plan could establish a partnership similar to the [private finance initiative](#) which has delivered over 700 UK infrastructure projects. We believe that social care reform is likely to remain stalled before the next general election, which could be directionally negative for **OHI**, **THRL.L**, and **VTR**.

In line with this analysis, Chancellor of the Exchequer Rachel Reeves's [Spring Statement](#) revealed that the government will invest £13 billion more in capital infrastructure over the next five years for housing, infrastructure and defense – on top of the £100 billion set out in the budget last autumn. However, it is unknown how much or if any funds will be directed to NHS estates to improve hospitals. Overall, the Spring Statement did not have significant financial changes to the Department of Health and Social Care (DHSC) or NHS budgets, with only the Capital Departmental Expenditure Limits (DEL) listed as £10.5 billion (actual for 2023/2024), £11.6 billion planned for 2024/2025 and £13.6 billion planned for 2025/2026. We expect to see more details in the NHS 10-year plan to be published in Q2.

Below, we share a few key call takeaways:

- The abolition of NHS England is about reorganization, reasserting political control over funding decisions returning targets back to politicians. Overall, the government expects to save around £500 million, a small fraction of the NHS' £200 billion in annual spending.
- The 42 ICBs are expected to cut running and staff costs by 50 percent – about 12,500 people – alongside the abolishment of NHS England and DHSC cuts of staff between 20,000 and 30,000 people. With a large number of clinical, performance and professional staff likely to be eliminated, the government's ability to deliver a long-term transformation set out in the forthcoming 10-year plan will likely be challenged.
- With these changes, commissioning and procurement processes will likely be delayed, reducing innovation/smarter procurement processes.
- The Health Secretary, Wes Streeting, remains open to the private sector – as highlighted in movement of elective recovery to the private sector through a [January 2025 agreement](#) to reduce NHS waiting times and provide patients greater choice. Potentially, a large-scale reorganization of the NHS will create urgencies that the system cannot handle as processes or facilities are not prepared, creating a dynamic environment for private sector investment to act swiftly.

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