

The increasing importance of UK healthcare property as an alternate property sector

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Purpose

Amongst the alternate property sectors, healthcare property has recently become an important property sector for major investors such as pension funds in the global property landscape; particularly in the UK, and being driven by the ageing population demographics. The purpose of this paper is to assess the significance, risk-adjusted performance and portfolio diversification benefits of UK healthcare property in a UK property and mixed-asset portfolio over 2007–2016. Both healthcare property and listed healthcare property channels are assessed. Drivers and risk factors for the on-going development of the healthcare property sector are also identified.

Design/methodology/approach

Using annual total returns, the risk-adjusted performance and portfolio diversification benefits of UK healthcare property over 2007–2016 is assessed. An asset allocation diagram is used to assess the role of both healthcare property channels in a UK property portfolio and in a UK mixed-asset portfolio.

Findings

Both UK healthcare property and listed healthcare property delivered superior risk-adjusted returns compared to UK property, stocks and listed property over 2007–2016, with portfolio diversification benefits in the fuller mixed-asset portfolio context, but not in a narrower property portfolio context. Importantly, this sees both UK healthcare property channels as strongly contributing to the UK property and mixed-asset portfolios across the entire portfolio risk spectrum and validating the property industry perspective of healthcare property being low risk and providing diversification benefits in a mixed-asset portfolio. However, this was not to the loss or substitution of traditional direct property exposure.

Practical implications

portfolio and in a UK mixed-asset portfolio. The strong risk-adjusted performance of both UK healthcare property compared to UK property, stocks and listed property sees both UK healthcare property channels contributing to the mixed-asset portfolio across the entire portfolio risk spectrum. This is particularly important, as many investors (e.g. pension funds) now see healthcare property as an important property sector in their overall portfolio; particularly with the ageing population dynamics in most countries. The importance of both healthcare property channels sees healthcare property exposure accessible to both small investors and large investors.

Originality/value

This paper is the first published empirical research analysis of the risk-adjusted performance of UK healthcare property, and the role of healthcare property in a UK property portfolio and in a UK mixed-asset portfolio. This research enables empirically validated, more informed and practical property investment decision-making regarding the strategic role of both healthcare property and listed healthcare property in a portfolio.

Keywords: [Institutional investors](#), [Risk-adjusted returns](#), [Asset allocation](#), [Healthcare property](#), [Healthcare property channels](#), [UK property sector](#)

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