

# MARKETBEAT ELDERLY CARE

Q1 2025

Better never settles



Q1 2025 IN REVIEW

Q1 2025 confirmed that the UK elderly care home market has not suffered the ‘hangover’ from a blistering 2024 that some had anticipated. Transaction volumes reached approximately £797 million, reflecting a 55% year-over-year increase. The momentum of US investment remains strong, with not only large WholeCo acquisitions completing but also major moves underway such as the proposed takeover of Care REIT (formally Impact REIT) by US-based CareTrust REIT; their first step into the UK space. While WholeCo deals continue to dominate, the breadth of transactions is noteworthy, with a mix of large-scale acquisitions and a significant volume of mid-market deals.

From an operational perspective, fee increases have not materially impacted occupancy, which stabilized at 88.2% throughout 2024. The ability to raise fees while maintaining good occupancy has supported healthy margins across the market, particularly at the higher end.

LOOKING AHEAD

Operational headwinds, in the form of higher Employers NIC and growth in the National Minimum Wage will challenge business performance in 2025 with some faring better than others. Fees will need to continue to increase, or margins will suffer.

Looking forward in the transactional market, the pipeline suggests that volumes will continue strongly through the middle of 2025 and some key closings from new entrants like CareTrust could drive more competitive pricing than has been seen in the mid market in recent years. However, with instability in the global economy, whether that be attributed to politics, interest rates or other macro events, H2 will not be without its challenges.

One watch-out could come from major refinancings in 2025, with a number of major groups approaching funding anniversaries at a time when interest rates remain stubbornly high. Whether this drives new funding sources or divestment is yet to be seen

If you’d like to explore our thoughts on the UK elderly market, do get in touch.



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KEY TAKEAWAYS



Momentum from 2024 continued into Q1 2025, with volumes coming to rest at £797m.



The Healthcare Market is a healthy investment environment, with both portfolio acquisitions and numerous mid market transactions.



US money continues to dominate the transactional market, with over 68% of Q1 deals originating with US cash.



Occupancy stabilized over 2024, while AWF experienced consistent growth YoY, supporting good profit margins across all asset grades.



2025 will feature strong operational headwinds that will challenge margins across the market, especially within low to mid grade stock.

MARKET FUNDAMENTALS

	YOY Chg	Outlook
4.75%	<div></div>	<div></div>
Prime PropCo		
5.75%	<div></div>	<div></div>
Prime SPV PropCo		
10 - 12x	<div></div>	<div></div>
Grade A WholeCo		
8 - 9x	<div></div>	<div></div>
Grade B WholeCo		

Profiles Assume Mature Trade

INVESTMENT PROFILE

	YOY Chg	Outlook
£797m	<div></div>	<div></div>
Sector Volume Q1 2025		
89%	<div></div>	<div></div>
Specialist Share		
68%	<div></div>	<div></div>
US Funded Share		
£19.4m	<div></div>	<div></div>
Average Deal Size		

Source: C&W Healthcare Transactions Database

NO REST FOR INVESTMENT

Many expected a slowdown in transactional activity following the 2024 surge in investment, with a market 'hangover' in the first half of 2025. Those assumptions have proven to be far from reality with Q1 2025 maintaining strong momentum and total investment volumes reaching approximately £797m. This makes it one of the most active first quarters on record, second only to Q1 2022. More notably, the start of 2025 has significantly outpaced 2024, with investment volumes up 55% year-over-year. While a few large WholeCo deals carried over from late 2024 contributed to this figure, a key driver of growth has been a wave of mid scale acquisitions, highlighting sustained investor confidence across the spectrum.

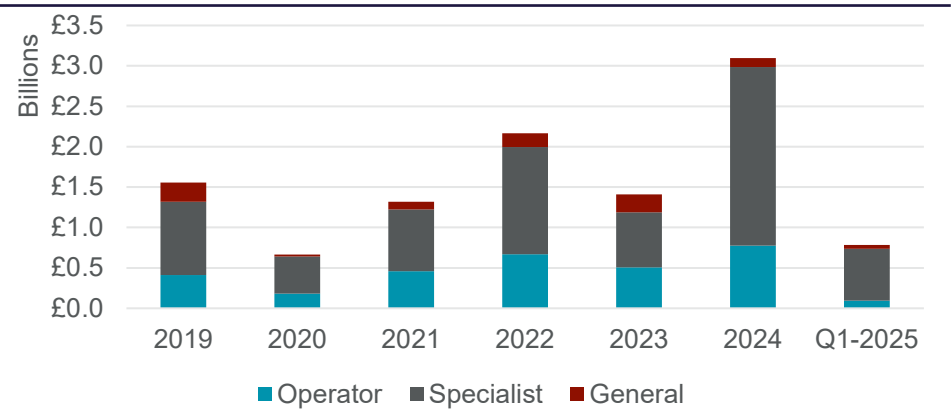
CONTINUED NON-DOMESTIC INVESTMENT

In 2024 saw a monumental shift in the flow of funds, with US capital emerging as the dominant force in the UK elderly care market. That continued into early 2025, with over 68% of total volume (£531m) originating from US funds. This reflects a broader macro trend across the care sector as US REITs increasingly expand their UK presence. Welltower's WholeCo acquisition of Care UK at the end of 2024 has been followed by news of Care REIT agreeing to be acquired by CareTrust REIT, a New York-listed entity. These deals support our hypothesis that US investors view the UK healthcare market as an attractive and strategic investment opportunity. Current deal flow and ongoing discussions suggest that this is a trend which won't end any time soon.

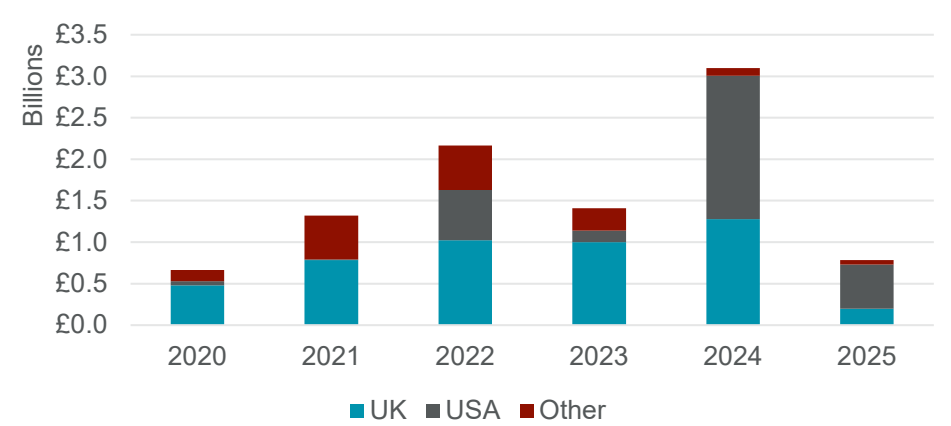
HEALTHY DEAL QUANTUM

While large transactions often dominate discussions, the overall health of the market is also reflected in the volume of smaller, mid-market deals. In Q1 2025, these transactions—primarily WholeCo acquisitions by regional operators—accounted for approximately 75% deals (< £15 million). This segment plays a crucial role in market stability, demonstrating that investment activity is not solely driven by large institutional players but also by smaller and mid-sized investors and operators. Both segments are equally vital in sustaining a dynamic and active space.

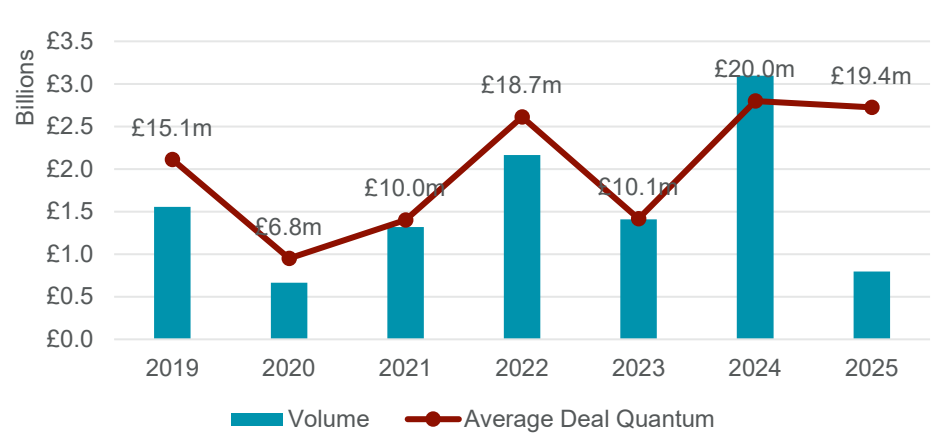
VOLUME BY INVESTOR TYPE



VOLUME BY FUNDING SOURCE











VOLUME BY DEAL QUANTUM








INCOME FUNDAMENTALS

	YOY Chg	Outlook
88.2% Whole Market Occ.		
86.6% Grade A Occ.		
8.2% YOY AWF Growth		
£1,656 Grade A AWF		

Occupancy Excludes Assets in Lease Up

OUTPUT INDICATORS

	YOY Chg	Outlook
28.6% Whole Market Margin		
35.4% Grade A Margin		
28.9% Grade B Margin		
23.8% Grade C Margin		

Source: C&W Elderly Care Home Trading Database, up to and including Q4 2024

OCCUPANCY

As the 2024 operational metrics settle, the overarching theme for occupancy is stability. After three years of consistent growth, the market appears to have leveled off at around 89%. Notably, the occupancy gap between different asset grades has tightened, with Grade A assets holding steady at 86.6%, while lower-quality stock (Grades B and C) sits slightly higher at 89.0%. Looking ahead to 2025, whilst we expect a little more growth to be had for Grade A, we also expect a seasonal drop in occupancy for Q1—an annual trend that shouldn’t cause concern. Historically, levels tend to rebound in the spring and summer months, bringing the market back to equilibrium.

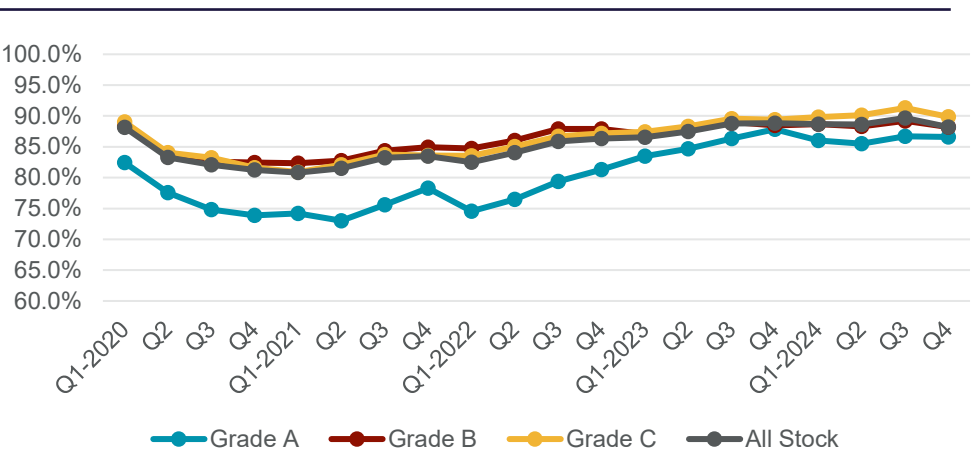
AVERAGE WEEKLY FEES

AWF continued its steady growth through Q4 and throughout 2024, despite inflation rates stabilizing over the year. Across all stock, Q4 fees closed at approximately £1,250, marking an 8.2% year-over-year increase. As expected, Grade A stock (£1,656) continues to command a significant premium over Grade B (£1,268) and Grade C (£1,089)—a trend that is unlikely to slow as the gap between older stock and new purpose-built facilities widens. Looking ahead, major shifts in fees are not anticipated in the early months. However, with the already announced increases in the National Living Wage (NLW) and Employer’s NI contributions, combined with the typical annual fee adjustments in Q2, it will be interesting to see how significantly the market responds with further fee increases and the likely disparity between private and state funded fee movement.

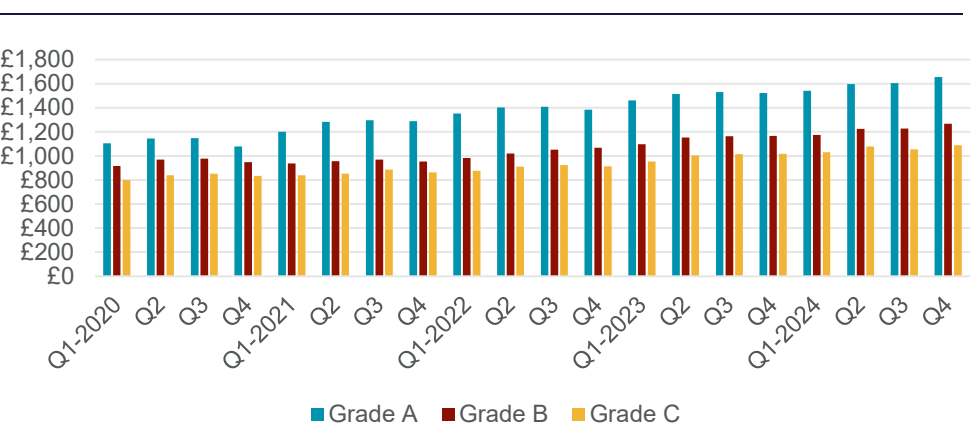
PROFIT

EBITDARM trends can be influenced by various factors, but throughout 2024, rising fees drove margin expansion across all asset grades. Grade A properties continue to achieve higher margins than Grades B and C — a trend that has strengthened over the past five years and is expected to persist. While operating costs don’t vary significantly between asset types, the higher top-line revenue generated by Grade A stock allows for improved margins. Looking ahead, increased cost pressures (NLW and NI) are likely to impact margins. Our forecasts indicate that maintaining the recent 8.2% fee growth should help offset these challenges. However, EBITDARM margin expansion will be increasingly difficult, particularly for lower grade stock, where achieving higher fees remains a challenge.

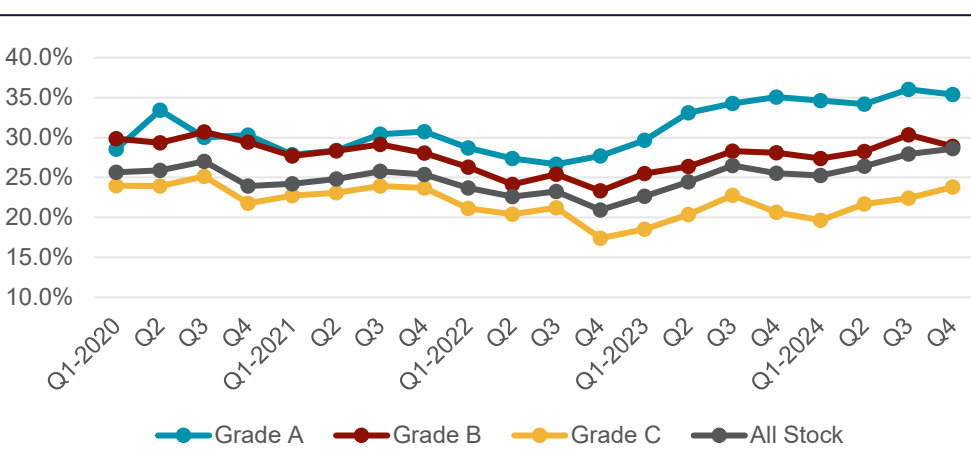
OCCUPANCY



AVERAGE WEEKLY FEE



PROFIT MARGINS



INVESTMENT YIELDS

PropCo Yields							
Asset Class	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25
Prime	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Prime - SPV Tenant	5.50%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
Secondary Grade Stock	7.00% +	7.50% +	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +

CUSHMAN & WAKEFIELD ELDERLY CARE ASSET GRADING

A	Built in the last 10 years. Likely to be almost entirely funded by private paying residents and will feature 100% wet-room provision and generous and varied day space.	B	Built in the last 10-25 years with 100% en-suite rooms, residents may be privately funded or local authority funded. En-suites may be a mix of wet-rooms and WCs. Spatial provision generally will be lower.	C	Older stock and more recently developed homes without 100% en-suites. More likely to cater to local authority funded residents. Accommodation can often be very variable.
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KEY DEALS

Deal	Date	Deal Type	Acquirer	Vendor	Assets	Beds
Four Seasons Healthcare	Mar-25	WholeCo	Confidential	FSHC	46	2,531
Confidential	Mar-25	PropCo	Omega	Confidential	3	243
The Close	Mar-25	WholeCo	Eleanor Healthcare	Sanjay Dhrona	1	90
Sherwood Grange	Mar-25	PropCo	Confidential	Confidential	1	59
Norwood House	Mar-25	WholeCo	Confidential	Confidential	1	71
Emmanuel, Hamshaw, Ashgrove	Mar-25	WholeCo	Belvedere	Care REIT	3	119
Confidential	Feb-25	PropCo	Welltower	Confidential	9	682
Care Concern Trio	Feb-25	PropCo	Euryale	Elevation	3	212
Broadbridge Park	Feb-25	WholeCo	Caring Homes	Confidential	1	71
Bowbrook Care Home	Feb-25	WholeCo	Welford	Green Square Accord	1	90
Confidential	Jan-25	WholeCo	Welltower	Confidential	6	407
Taunton Development	Jan-25	PropCo	Abrdn	Christie & Co	1	68
Tor Na Dee & Craig Court	Jan-25	PropCo	Welltower	Confidential	2	88
Otley	Jan-25	PropCo	Elevation	Torsion	1	66
Capel Grange	Jan-25	WholeCo	Amaya Care Homes	Linc Cymru Housing Association	1	72
Confidential	Dec-24	PropCo	Omega	Confidential	10	795
Yorkare x 3	Nov-24	PropCo	Elevation	Yorkare	3	190
Melksham	Nov-24	PropCo	RLAM	Aspire	1	82
New Care	Oct-24	OpCo	Lovett Care	McGoff	15	1057
Anavo Hampshire	Oct-24	PropCo	Elevation	Anavo	1	78
Notaro	Oct-24	WholeCo	Care Concern	Notaro	11	480
Henbrook House	Oct-24	PropCo	Elevation	Connaught Care	1	69
Project Forest	Oct-24	WholeCo	Swiss Life	Neem Tree	1	57

Deal	Date	Deal Type	Acquirer	Vendor	Assets	Beds
Havant	Oct-24	PropCo	Elevation	Anavo	1	78
Care UK	Oct-24	WholeCo	Welltower	Bridgepoint	162	11445
Springfield Healthcare	Oct-24	WholeCo	Welltower	Springfield Healthcare	6	556
Confidential	Oct-24	PropCo	Welltower	Confidential	3	187
Confidential	Oct-24	WholeCo	Omega	Confidential	3	175
Churchlake Care	Sep-24	WholeCo	Kara Healthcare	Churchlake in Admin	6	280
St Quentin Homes	Sep-24	WholeCo	HMT	St Quentin Care Homes	3	74
Country Court x 3	Sep-24	PropCo	RLAM	Country Court Care	3	200
Simply x 2	Sep-24	PropCo	Elevation	Simply	2	160
Confidential	Sep-24	PropCo	Welltower	Confidential	16	1043
Oyster Portfolio	Sep-24	PropCo	Aedifica	LNT	4	264
Worksop	Sep-24	PropCo	Octopus	Torwood	1	70
West Malling	Sep-24	PropCo	Abrdn	Perseus	1	70
Confidential	Sep-24	WholeCo	Euryale	Confidential	1	70
Project Ice	Jul-24	PropCo	Omega	Cindat JV	62	3346
Durham	Jul-24	PropCo	Octopus	Torwood	1	74
Hartford Care	Jul-24	WholeCo	Foundation Partners	Hartford Care	20	774
Signature	Jul-24	WholeCo	PGIM & Elevation	Revera	13	1200
Target Portfolio	Jun-24	PropCo	Confidential	Target	4	326
Penylan House	Jun-24	WholeCo	Hallmark	Linc Cymru HA	1	75
Danforth	Jun-24	WholeCo	Warwick Capital Partners	LNT	18	1188
St Helens	Jun-24	WholeCo	Lovett Care	Angela Swift	1	64
Green Tree Court	May-24	WholeCo	Somerset Care	Lexicon Healthcare	1	68
Lydney	May-24	PropCo	RLAM	LNT	1	66



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