

# MARKETBEAT ELDERLY CARE

Q2 2025

Better never settles



H1 2025 IN REVIEW

H1 2025 reaffirms the sustained strength of the UK elderly care home market, with transaction volumes reaching approximately £1.75 billion - up 108% on H1 2024 and marking two full years of rolling growth. U.S. capital continues to dominate, accounting for 71% of activity, headlined by CareTrust REIT's landmark £640 million acquisition of Care REIT plc. Beyond major WholeCo transactions, the period also saw a notable rise in mid-market deal flow, as investors increasingly target Grade B and C stock. This shift reflects growing appetite for consolidation, attractive pricing for investors, and a broader range of ownership structures, including RIDEA (management contract) models, offering greater operational flexibility and long-term upside for the investor.

From an operational standpoint, the market has demonstrated continued strength into Q1 2025, with occupancy holding stable and average weekly fees (AWF) maintaining year-over-year growth. The ability to sustain fee levels without dampening occupancy has supported stable margins across the board, though early signs of margin pressure are emerging due to rising cost headwinds from National Living Wage and Employers' NI increases.

LOOKING AHEAD

Q2 2025 operational data will offer clearer insight, but early indicators suggest that the effects of National Living Wage and Employers' National Insurance increases - combined with the typical timing of annual operator fee uplifts - are beginning to drive AWF growth across the market. While these cost pressures will likely be felt sector-wide, Grade B and C assets may face greater margin challenges.

Looking ahead, the H2 2025 pipeline points to continued transactional strength through to the year-end. The rising investor interest in mid-market assets brings optimism for further deal activity, though broader economic caution and sensitivity to macroeconomic uncertainty may temper momentum in certain areas.

We would be delighted to share further insights or discuss your healthcare real estate strategy. Please don't hesitate to get in touch to explore how we can support you or your clients in this evolving market.



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KEY TAKEAWAYS



Transactional activity continues to build momentum, with over £1.75 billion in H1 2025 and two years of growth in 12-month rolling totals.



Activity within the midmarket gaining traction, both in conversations and transactional activity.



U.S. funding sources dominated H1 2025 activity, investing across asset grades and structures, reinforcing their strong and growing presence in the UK care market.



Occupancy remained steady in early 2025. AWF showed steady YoY growth, supporting resilient profit margins across all asset grades.



Q2 cost headwinds will impact margins across the sector, with subprime stock facing heavier potential consequences.

MARKET FUNDAMENTALS

	YOY Chg	Outlook
4.75%	<div></div>	<div></div>
Prime PropCo		
5.75%	<div></div>	<div></div>
Prime SPV PropCo		
11 - 12x	<div></div>	<div></div>
Grade A WholeCo		
8 - 10x	<div></div>	<div></div>
Grade B WholeCo		

Profiles Assume Mature Trade

INVESTMENT PROFILE

	YOY Chg	Outlook
£1.75bn	<div></div>	<div></div>
Sector Volume H1 2025*		
£4bn	<div></div>	<div></div>
Rolling 12m Volume		
71%	<div></div>	<div></div>
US Funded Share (H1 2025)		
62%	<div></div>	<div></div>
PropCo Share (H1 2025)		

Source: C&W Healthcare Transactions Database  
\* Volumes include Care REIT Acquisition

SUSTAINED INVESTMENT MOMENTUM

2025 continues to impress with exceptionally strong transactional activity, closing Q2 with approximately £940 million in volume. This was largely driven by the notable acquisition of Care REIT plc by CareTrust REIT, valued at around £640 million. Cumulatively, the first half of 2025 has recorded approximately £1.75 billion in transaction volume - representing a 108% increase compared to H1 2024. This sustained investment momentum extends a broader upward trend, with 12-month rolling volumes rising consistently since 2023 and now surpassing £4 billion. Much of this acceleration can be attributed to shifting market dynamics, particularly an increase in consolidation activity. Traditional deal structures - such as sale and leasebacks - have become less common, as the sector sees a growing focus on new structures such as management contracts as well as traditional WholeCo transactions.

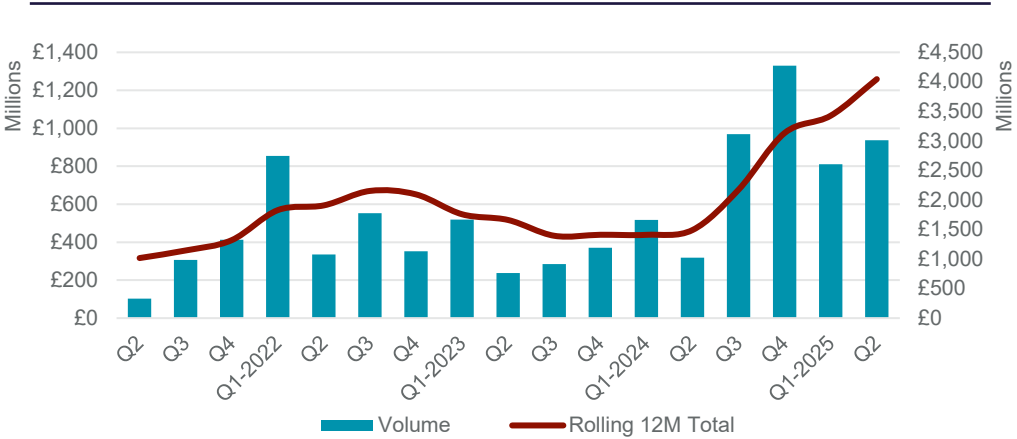
GLOBAL INVESTOR APPETITE REMAINS HIGH

As 2025 progresses, record levels of foreign investment continue to highlight the strong international appetite for the UK care market. The United States remains the dominant source of capital, accounting for 71% of all transactions in the first half of the year. This trend is led by the acquisition of Care REIT plc by CareTrust REIT but is further supported by several substantial portfolio transactions involving other U.S.-based REITs. These deals underscore a broader shift in market dynamics, with consolidation becoming an increasingly prominent feature of the sector. Notably, U.S. REITs are leveraging more flexible ownership models—such as RIDEA structures (management contracts)—which allow for greater control over both real estate and operations, supporting strategic expansion within the UK market, as well as the ability to raise capital very quickly and relatively cheaply.

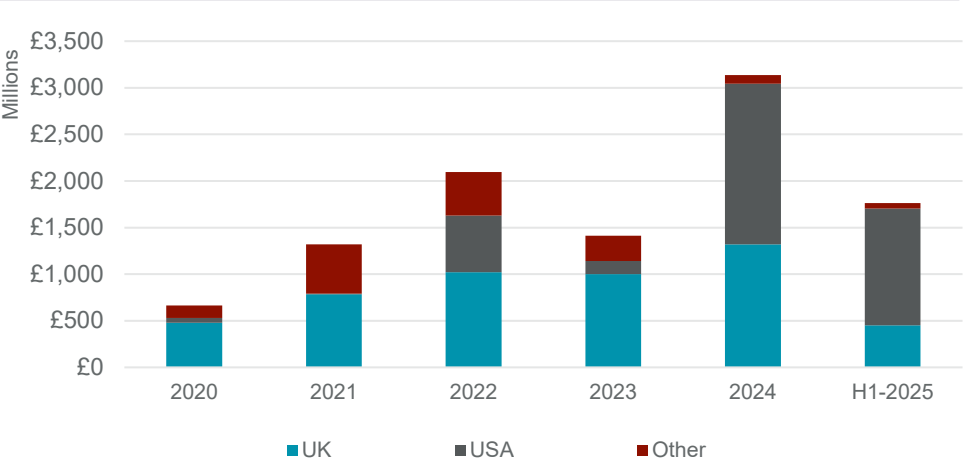
RISING ACTIVITY IN THE MIDMARKET SEGMENT

While much attention remains on prime and super-prime assets, recent transactional activity and ongoing market discussions point to growing momentum in the mid-market segment. Investors such as Omega Healthcare Investors have actively targeted midmarket assets in deals completed during the first half of the year. Despite the lower private fee levels and profitability compared to Grade A stock the Grade B and C assets still offer very attractive investment opportunities due to the fragmented ownership nature of the UK care home market and attractive pricing. Activity levels suggest a growing recognition of the upside in this segment, particularly as consolidation trends continue.

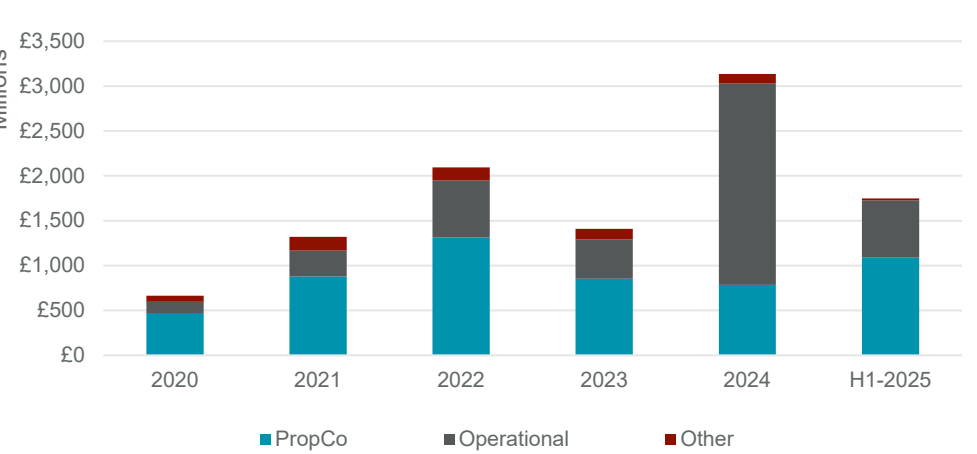
QUARTERLY TRANSACTIONAL VOLUMES



VOLUME BY FUNDING SOURCE



VOLUME BY DEAL TYPE





INCOME FUNDAMENTALS

	YOY Chg	Outlook
89.6% Whole Market Occ.	<div></div>	<div></div>
87.0% Grade A Occ.	<div></div>	<div></div>
8.0% YOY AWF Growth	<div></div>	<div></div>
£1,650 Grade A AWF	<div></div>	<div></div>

Occupancy Excludes Assets in Lease Up

OUTPUT INDICATORS

	YOY Chg	Outlook
27.3% Whole Market Margin	<div></div>	<div></div>
35.0% Grade A Margin	<div></div>	<div></div>
26.5% Grade B Margin	<div></div>	<div></div>
23.0% Grade C Margin	<div></div>	<div></div>

Source: C&W Elderly Care Home Trading Database, up to and including Q1 2025

OCCUPANCY

Q1 2025 occupancy data reflects the continuation of trends established throughout 2024, reinforcing a picture of stability across all asset grades. This performance stands slightly apart from historical patterns, which typically see modest seasonal declines in occupancy during this period. Market-wide occupancy currently sits at 89.6% and is expected to hold steady. Notably, the occupancy gap between asset grades has narrowed: Grade A assets have edged up to 87.0%, while Grades B and C continue to outperform slightly at 91.0% and 89.5%, respectively. Looking ahead, overall occupancy and asset-grade-specific rates are projected to remain stable throughout the remainder of 2025, underpinned by consistent demand and limited volatility.

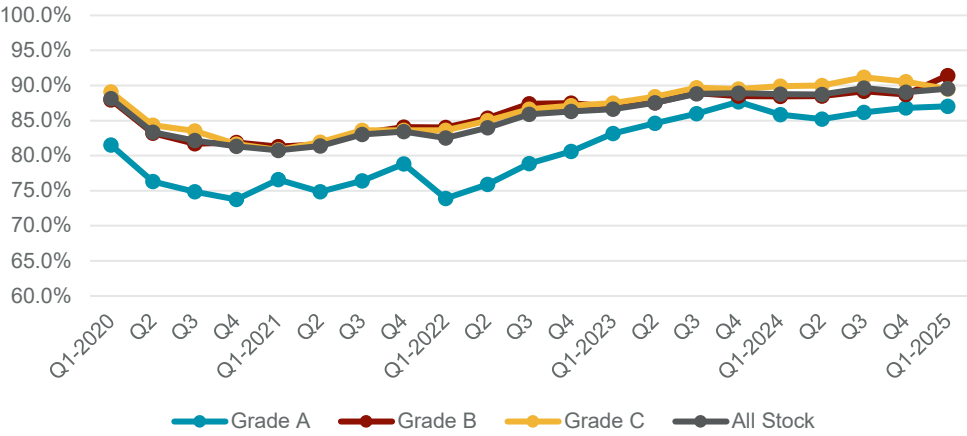
AVERAGE WEEKLY FEES

The start of 2025 has seen limited movement in average weekly fees (AWF) across all asset grades. Q1 closed with an average fee of approximately £1,260 - reflecting a 7.9% year-over-year increase, but only a modest rise from Q4's £1,250. As expected, Grade A assets (£1,650) continue to command a significant premium over Grade B (£1,300) and Grade C (£1,100), a trend that shows no signs of reversing as the disparity between older stock and the newest, best specified facilities continues to attract the faster growing private pay fees. Looking ahead, most operators implement their annual fee uplifts in Q2, and as this data becomes available, more pronounced increases are anticipated. These figures will also offer early insight into how operators are adapting to cost pressures from the NLW and NIC increases.

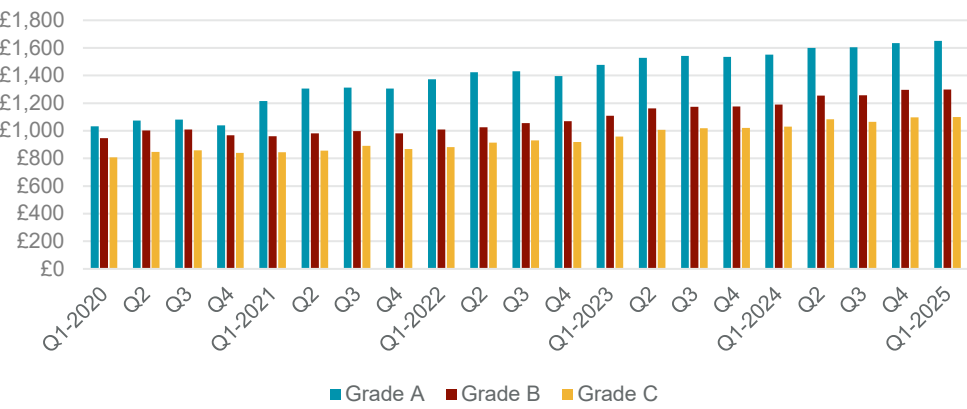
PROFIT

EBITDARM trends are influenced by a range of factors. Throughout 2024, rising fees and revenue supported margin expansion across all asset grades. However, Q1 2025 has highlighted how minimal growth in average weekly fees (AWF) can put pressure on the bottom line, with slight margin compression observed across the board. Grade A properties continue to outperform Grades B and C on a margin basis - a trend that has strengthened over the past five years and is expected to persist. While operating costs remain broadly consistent across asset types, the higher revenue-generating potential of Grade A stock enables more favorable margins, although, grades B and C assets still command consistent returns. Looking ahead, as the impacts of the NLW and Employers' NI increases begin to filter through from Q2 onward, the focus will shift to how operators adjust fee structures - and the resulting effect on margins.

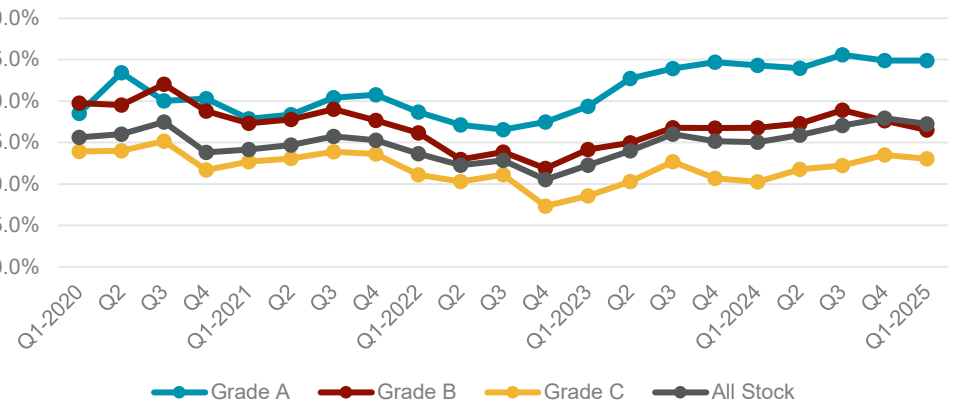
OCCUPANCY



AVERAGE WEEKLY FEE



PROFIT MARGINS



INVESTMENT YIELDS

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

C&W 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
LDC Care Homes	Jun-25	PropCo	Franklin Templeton	Elevation	32	c.1,500
Confidential	Jun-25	WholeCo	Confidential	Confidential	2	100
Confidential	Jun-25	PropCo	Confidential	Confidential	1	73
Town Thorns Care Home	Jun-25	WholeCo	Capital Care Group	Ben Automotive Industry Charity	1	60
Ty Coch Nursing Home	Jun-25	WholeCo	Amaya Care Homes	Linc Cymru Housing Association	1	63
Somerville Court	Jun-25	WholeCo	Smile Care Home Ltd	Local operator	1	30
The Red House	Jun-25	WholeCo	Local Operator	Crocus Care	1	25
Care REIT plc Acquisition	May-25	PropCo	CareTrust REIT	Care REIT	132	7500
Stow Healthcare	May-25	WholeCo	CGEN Care Group	Stow Healthcare	8	408
The Old Vicarage Care Home	May-25	WholeCo	Hanning Homes Ltd.	Friends of the Elderly	1	52
The Mountains Care Home	May-25	WholeCo	My Choice Care	Milkwood Care	1	56
Bassingham Care Centre	May-25	WholeCo	Confident Care Homes	My Care	1	52
Confidential	Apr-25	WholeCo	Confidential	Confidential	5	251
Monarch Healthcare	Apr-25	WholeCo	RDCP Care	Monarch Healthcare	13	587
Field Farm House	Apr-25	WholeCo	BIRA Care Homes	Advent Estates	1	66
Broadacres Care Home	Apr-25	WholeCo	National Care Consortium	Hill Care	1	50
Abbeymere Care Centre	Apr-25	WholeCo	Local Operator	Karelink Ltd	1	18
Haldane House	Apr-25	WholeCo	Uniq Healthcare	Unknown operator	1	25
Four Seasons Healthcare	Mar-25	WholeCo	Omega	FSHC	46	2531
Confidential	Mar-25	PropCo	Omega	Confidential	3	243
The Close Care Home	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

Deal	Date	Deal Type	Acquirer	Vendor	Assets	Beds
Emmanuel, Hamshaw, Ashgrove	Mar-25	WholeCo	Unknown operator	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	Torwood	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
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





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