CUSHMAN & WAKEFIELD

# MARKETBEAT
# ELDERLY CARE
## Q3 2025

Better never settles

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## 2025 SO FAR: TRENDS SHAPING THE MARKET

Despite softer headline volumes in Q3, the transactional market remains highly active, supported by a strong pipeline and a shift toward structures such as management contracts and WholeCo transactions. Overseas capital, led by the US, continues to dominate transactions, with U.S. REITs increasingly adopting flexible ownership models to drive expansion. Early signs also point to growing appetite from a wider base of international investors, alongside continued participation from UK capital. Importantly, activity is spread across both deal types and asset quality, from prime Grade A to the resilient midmarket, highlighting the sector's broad appeal.

Q2 operational data highlights a market showing resilience and stability despite rising cost pressures. Occupancy remained consistently high at 88.9%, with Grade B and C homes continuing to outperform prime stock. Average Weekly Fees have continued to rise well, reflecting both cost uplifts and market capacity to absorb these costs. Likewise, profit margins have so far held steady, averaging 28.6%. Together, these indicators suggest that operators have successfully managed the initial challenges posed by NLW and NIC increases without material disruption to demand or profitability.

## WHAT'S NEXT: Q4 2025 AND BEYOND

Transaction volumes are expected to rise significantly in Q4 and beyond as deals in the pipeline reach completion, with momentum likely to build through late 2025 and into 2026. Consolidation and innovative deal structures are set to play a larger role in shaping activity, while international capital looks poised to deepen its presence in the UK market. Alongside this, investor interest in both prime and midmarket stocks suggests a sustained period of strong demand

Occupancy levels appear well-positioned to remain steady, providing a solid foundation for operators. With demand proving inelastic, there is scope for further fee growth to support profitability, particularly as operators continue to adjust to higher costs. While older, lower-fee homes may face greater pressure, the broader trend points to a sector that has capacity to absorb inflationary challenges.

We welcome the opportunity to share additional insights or discuss your healthcare real estate strategy. Please get in touch to explore how we can work together to support you and your clients.

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## KEY TAKEAWAYS

- Transactional market activity remains strong, with £2.24 billion of deals recorded YTD in Q3 2025, up 24.1% on the same period in 2024, supported by a deep pipeline.
- Investor appetite is broadening, with activity spanning deal types, structures, and asset grades, highlighting the depth and diversity of capital interest.
- Overseas capital continues to dominate, led by U.S. investors, while early signs of broader global participation point to a more diverse funding base emerging.
- Occupancy has remained resilient at 88.9% alongside a 7.2% YoY increase in Average Weekly Fees, underscoring the sector's ability to absorb higher costs and sustain performance.
- Rising operating costs continue to pressure the sector, yet profit margins remain stable at 28.6%, demonstrating operators' ability to manage inflationary headwinds effectively.

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## MARKET FUNDAMENTALS

| | YOY Chg | Outlook |
|---|---|---|
| **4.75%** Prime PropCo | — | ▼ |
| **5.75%** Prime SPV PropCo | — | ▼ |
| **11 - 12x** Grade A WholeCo | — | — |
| **8 – 10x** Grade B WholeCo | — | — |

*Profiles Assume Mature Trade*

## INVESTMENT PROFILE

| | YOY Chg | Outlook |
|---|---|---|
| **£2.24bn** Sector Volume 2025 YTD* | ▲ | ▲ |
| **£3.57bn** Rolling 12m Volume | ▲ | ▲ |
| **58.2%** US Funded Share (2025 YTD) | ▲ | ▲ |
| **51%** PropCo Share (2025 YTD) | ▲ | ▼ |

*Source: C&W Healthcare Transactions Database*

### STRONG PIPELINE AMID SOFTER TRANSACTION VOLUMES

Although headline figures may suggest the transactional market is cooling after a record 2024, the underlying picture remains highly active. Q3 2025 recorded approximately £470m of transactions, bringing year-to-date volumes to £2.24bn, 24.1% higher than the same point in 2024. While rolling 12-month totals have dipped, this does not indicate a broader slowdown, and there is little cause for concern. Instead, shifting market dynamics, driven by a rise in consolidation, are reshaping deal flow. Traditional structures such as sale-and-leasebacks are being sidelined in favour of management contracts and WholeCo for now, A trend we do not see slowing down into 2026. Looking ahead, transaction volumes are expected to rise significantly over the coming quarters as deals currently in the pipeline reach completion.

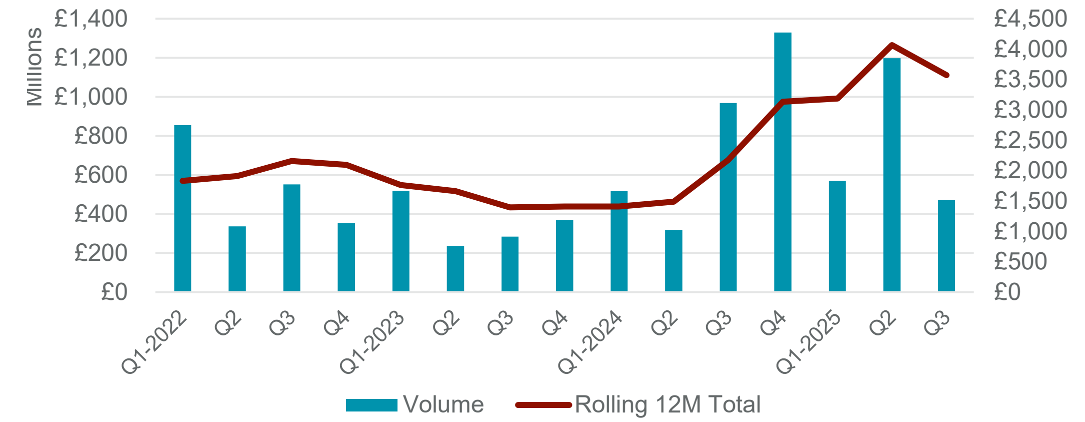
### CONTINUED INTERNATIONAL INVESTOR FOCUS

Throughout 2024 and 2025, much of the market's focus has been on the strong capital influx from overseas investors, particularly from the United States. The US remains the dominant source of capital, accounting for 58.2% of transactions in 2025 YTD. Notably, U.S. REITs have been leaning into more flexible ownership models - such as management contracts and, in some cases, RIDEA structures - supporting both operational control and strategic expansion in the UK. Such structures provide higher returns to investors albeit with operational risk and as ever, specialist knowledge and understanding is their key enabler. Alongside this, early conversations suggest a growing appetite from investors across other global markets, broadening the pool of participants and adding to shifting market dynamics. While the UK's share of transactional activity has eased, domestic capital remains active, and it will be interesting to see how the market evolves as international interest and new investment approaches continue to build.

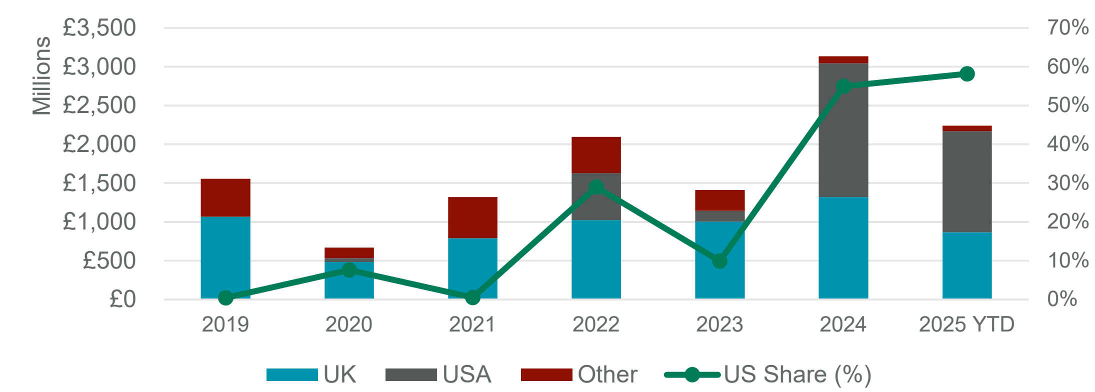
### RISING ACTIVITY IN THE MIDMARKET SEGMENT

Although activity eased in Q3, what stands out is the breadth of investor appetite—both in the variety of deal types and in the quality of stock attracting capital. The quarter saw a balanced mix of PropCo transactions, which account for 51% of deals YTD, alongside operational (OpCo and WholeCo) and land transactions. Equally notable is the widening focus on stock quality, ranging from super-prime assets to the midmarket, where investor interest has been steadily building. While Grade A assets continue to demonstrate the strongest operational margins, the midmarket has consistently shown resilient fundamentals, making it an increasingly compelling target for capital deployment. Even within the Grade C market, there is good activity levels from independent providers keen to expand or invest in our sector, recognizing the sheer strength of occupational demand and demographic tailwinds. This diversity of appetite suggests transaction activity is well positioned to accelerate through the end of 2025 and into 2026.

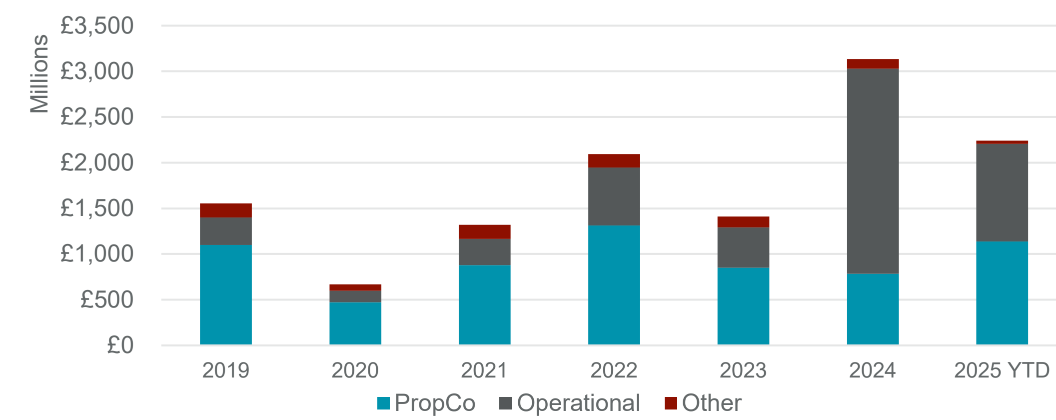
### QUARTERLY TRANSACTIONAL VOLUMES




### VOLUME BY FUNDING SOURCE




### VOLUME BY DEAL TYPE



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## INCOME FUNDAMENTALS

| | YOY Chg | Outlook |
|---|---|---|
| **88.9%** Whole Market Occ. | — | — |
| **84.5%** Grade A Occ. | — | — |
| **7.2%** YOY AWF Growth | ▲ | ▲ |
| **£1,722** Grade A AWF | ▲ | ▲ |

*Occupancy Excludes Assets in Lease Up*

## OUTPUT INDICATORS

| | YOY Chg | Outlook |
|---|---|---|
| **28.6%** Whole Market Margin | ▲ | — |
| **36.9%** Grade A Margin | ▲ | — |
| **31.7%** Grade B Margin | — | — |
| **23.4%** Grade C Margin | ▲ | ▼ |

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

## OCCUPANCY

Q2 2025 occupancy data reinforces trends seen over the past 30 months, highlighting stability across all asset grades. Market occupancy currently stands at 88.9% and has remained above 88% since Q2 2023. Grades B and C continue to record higher occupancy rates than Grade A, at 88.6% and 90.7% respectively, compared with around 85% for Grade A. This gap of roughly 5 percent between Grade A and subprime stock (~89%) is expected and is likely to persist, reflecting the smaller consumer base for higher-fee homes. Notably, expected fee increases driven by cost pressures appear to have had negligible impact on short-term occupancy, though this will be closely watched in the months ahead. Looking ahead, occupancy levels appear well-positioned to remain steady, with only modest shifts expected.

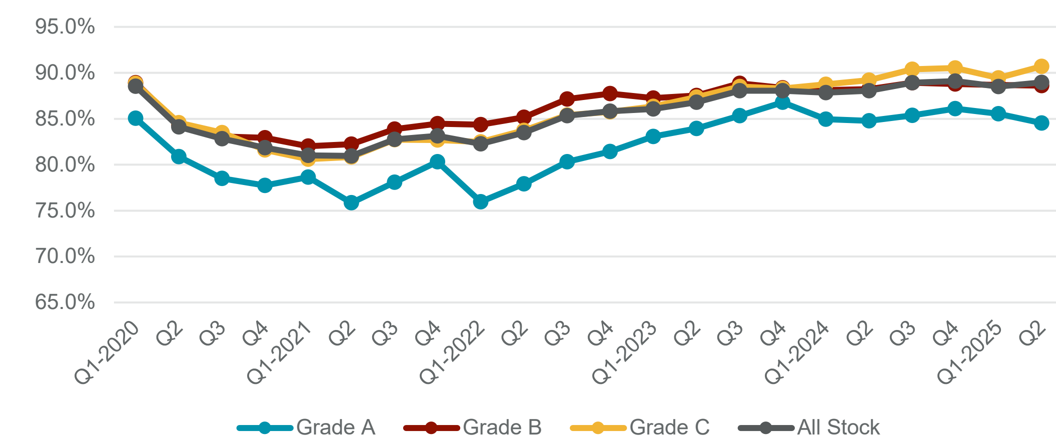
## AVERAGE WEEKLY FEES

Q2 operational data reflects the first impact of cost headwinds from the NLW and NIC increases announced by the government late last year. Combined with typical Q2 fee uplifts, this pushed AWF increases across all asset grades, with the overall market average rising to £1,386 - a 7.2% increase year-on-year. Subprime stock saw the sharpest gains, with Grade B and C AWF reaching £1,445 (up 10.5%) and £1,267 (up 9.5%) respectively, while Grade A stock recorded a more modest but still material increase of 6.2% to £1,722. Despite this, prime assets continue to command a substantial premium of £383 per week over older subprime stock, a trend unlikely to shift. Looking ahead, attention will focus on whether the recent fee increases prove sufficient to protect margins, or if further uplifts will be pursued. Early signs of stable occupancy suggest there is still some headroom for further fee growth before consumer pushback becomes a risk.

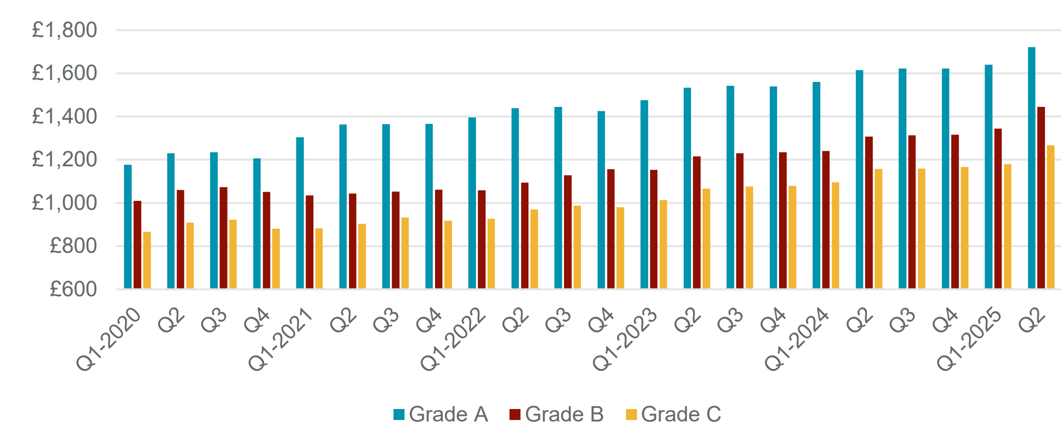
## PROFIT

The key focus in Q2 operational data was the early impact of NLW and NIC increases on profit margins. Overall, operators appear to have weathered the initial pressure, with margins across all asset grades holding relatively steady. Across the market, average margins settled at 28.6%, with Grade A stock achieving a significantly higher 36.9% compared to 31.7% for Grade B and 23.4% for Grade C. Looking ahead, the sustainability of these margins will be closely watched. While demand remains largely inelastic, giving operators scope to raise fees without materially reducing occupancy, the question is how much further this can be stretched before external pressures emerge. For lower-grade stock, thinner margins may still create vulnerability if cost inflation persists, forcing operators to rely more heavily on fee growth to maintain profitability.

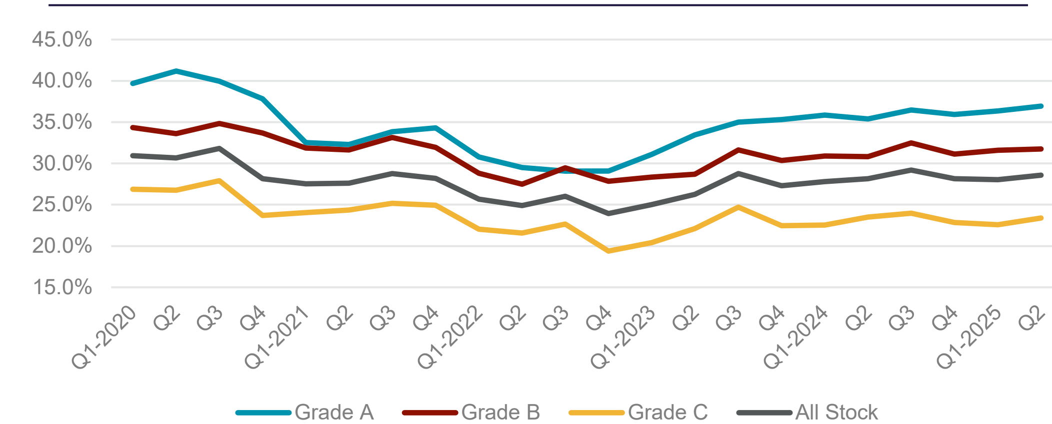
## OCCUPANCY




## AVERAGE WEEKLY FEE




## PROFIT MARGINS



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## INVESTMENT YIELDS

| PropCo Yields | | | | | | | |
|---|---|---|---|---|---|---|---|
| Asset Class | Q1 24 | Q2 24 | Q3 24 | Q4 24 | Q1 25 | Q2 25 | Q3 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 | 8.00% + | 8.00% + | 8.00% + | 8.00% + | 8.00% + | 8.00% + | 8.00% + |

## C&W ELDERLY CARE ASSET GRADING

| Grade | Description |
|---|---|
| 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. |

## KEY DEALS

| Deal | Date | Deal Type | Acquirer | Vendor | Assets | Beds |
|---|---|---|---|---|---|---|
| Select Healthcare | Sep-25 | WholeCo | Foundation Investment Partners | Select Healthcare | 32 | 1198 |
| Belvedere Manor Care Home | Sep-25 | WholeCo | Lovett Care | MHA | 1 | 84 |
| Confidential | Sep-25 | WholeCo | Confidential | Confidential | 1 | 62 |
| Confidential | Sep-25 | PropCo | Confidential | Confidential | 1 | 68 |
| Park Lane House Care Home | Sep-25 | WholeCo | Pegasus Care | Local operator | 1 | 30 |
| Red Court Care Home & The Grove Care Home | Sep-25 | WholeCo | Warmest Welcome | Local operator | 2 | 103 |
| Blackwater Mill | Sep-25 | WholeCo | English Oak Care Homes | Local operator | 1 | 60 |
| Confidential | Sep-25 | Land | Confidential | Confidential | 1 | 75 |
| Frampton House | Sep-25 | WholeCo | Greenline Healthcare | Leisure Care Homes LTD | 1 | 30 |
| Confidential | Sep-25 | WholeCo | Confidential | Confidential | 2 | 104 |
| Dove Court | Sep-25 | WholeCo | Independent | Larchwood | 1 | 76 |
| Kingsmount | Sep-25 | WholeCo | Hadley Care | GrayAreas | 1 | 32 |
| Mount Olivet | Sep-25 | WholeCo | Hadley Care | GrayAreas | 1 | 30 |
| Wray Common Nursing & Residential Home | Aug-25 | WholeCo | Local Operator | Local operator | 1 | 55 |
| Confidential | Aug-25 | WholeCo | Confidential | Confidential | 5 | 511 |
| Priors House | Aug-25 | PropCo | Threadneedle | Blackrock | 1 | 80 |
| Old Hastings House care home | Aug-25 | WholeCo | Local Operator | The Magdalen and Lasher Charity | 1 | 60 |
| Haddon Court Rest Home | Aug-25 | WholeCo | Eclassie Medical and Care | Local operator | 1 | 33 |
| Ty Mawr Nursing Home | Jul-25 | WholeCo | Local Operator | Local operator | 1 | 54 |
| Maes-Y-Felin | Jul-25 | OpCo | Local Operator | Local operator | 1 | 19 |
| Furzeham Lodge Care Home | Jul-25 | OpCo | Buckley & Buckley Homes | Local operator | 1 | 22 |
| Confidential | Jul-25 | OpCo | Confidential | Confidential | 10 | 774 |

| Deal | Date | Deal Type | Acquirer | Vendor | Assets | Beds |
|---|---|---|---|---|---|---|
| Morgannwg House | Jul-25 | WholeCo | Hapus Care Group Ltd | Sentimental Care Ltd | 1 | 20 |
| West Melton Lodge | Jul-25 | WholeCo | Sriya Care | Local operator | 1 | 32 |
| Arden House residential home | Jul-25 | WholeCo | Lenore Care | Local operator | 1 | 14 |
| Churchfield Care Centre | Jul-25 | WholeCo | Cygnet | Local operator | 1 | 56 |
| Riverview Lodge | Jul-25 | WholeCo | Lawson Hospitality Group Limited | Kennedy Care Group | 1 | 18 |
| LDC Care Homes | Jun-25 | PropCo | Franklin Templeton | Elevation | 32 | c.1,500 |
| Confidential | Jun-25 | WholeCo | Condifential | Condifential | 2 | 100 |
| Condifential | Jun-25 | PropCo | Condifential | Condifential | 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 | 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 |
| Condifential | Apr-25 | WholeCo | Condifential | 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 |

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