



MARKETBEAT ELDERLY CARE

Q4 2025

Better never settles

2025: A TRANSFORMATIONAL YEAR FOR THE UK CARE MARKET

Transactional activity in 2025 reached unprecedented levels, with total volumes of approximately £10.25bn, making it the most active year on record for UK social care. Activity was defined by large-scale WholeCo transactions, driven primarily by U.S. capital, which accounted for the majority of volume and accelerated the market's shift toward management contracts and platform acquisitions. While headline figures were heavily influenced by a small number of landmark transactions, underlying activity remained robust across portfolio sizes, structures, and asset grades, demonstrating both depth of capital and sustained confidence in the sector.

Operationally, the market has continued to demonstrate resilience despite elevated cost pressures. Occupancy remained stable at just under 90%, extending a multi-year trend of consistently high utilisation, with the gap between prime and sub-prime stock continuing to narrow. Average Weekly Fees increased year-on-year across all asset grades, broadly in line with inflationary pressures, while margins strengthened into Q3, averaging 31.3% across the market. The combination of stable occupancy, sustained fee growth, and improving margins highlights the sector's ability to absorb cost headwinds and maintain operational performance.

2026: SUSTAINING MOMENTUM ACROSS THE CARE MARKET

The UK care home market enters 2026 with a strong transactional pipeline and continued international interest, particularly from U.S. REITs leveraging flexible ownership structures such as WholeCo acquisitions and management contracts. While headline volumes are unlikely to match 2025's record-breaking scale, mid-market deals, platform consolidations, and operationally strong stock will continue to drive robust activity.

Operational fundamentals remain solid, with occupancy expected to stay stable, supporting sustainable fee growth and resilient margins across asset grades. Cost pressures from NLW and NIC increases will continue to be monitored, particularly for older, lower-fee homes, but operators appear well-positioned to manage these 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



2025 set a new benchmark for UK care home transactions, reflecting £10.25bn of volume—226% higher year-on-year—driven by landmark WholeCo acquisitions and international investment.



International capital—led by U.S. REITs—dominated transactional activity, accelerating consolidation and driving a structural shift toward management contracts and WholeCo ownership models



Despite headline volumes being skewed by a small number of large transactions, underlying deal flow remained broad-based, with sustained activity across mid-market portfolios and varied asset quality.



Operational performance remained resilient, with occupancy holding just under 90%, fee growth sustained year-on-year, and demand proving inelastic despite cost-driven fee increases.



Profit margins strengthened into Q3 across all asset grades, reflecting operators' ability to absorb NLW and NIC cost pressures, particularly through earlier fee uplifts in sub-prime stock..

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
£10.25bn Sector Volume 2025 YTD*	▲	▼
226.5% YoY Volume Increase	▲	▼
88.6% US Funded Share 2025	▲	▼
87.6% Operational Share 2025	▲	▼

Source: C&W Healthcare Transactions Database

A LANDMARK YEAR FOR UK CARE HOME TRANSACTIONS

When the dust settles, 2025 stands as the most active year on record for UK elderly care transactions, with total volumes reaching approximately £10.25bn - a 226% increase on 2024. This exceptional outcome was driven by an unprecedented £7.98bn of activity in Q4, dominated by Welltower's acquisitions of Barchester Healthcare and HC-One, together accounting for roughly £6.4bn and widely regarded as the largest care home transactions ever completed globally.

Beyond these landmark deals, a further £1.5bn of transactional activity was recorded across Q4, comprising a mix of large portfolios and sustained mid-market deal flow. This breadth of activity reinforces the underlying strength and depth of the UK care home market, which continues to attract capital across deal sizes and investor profiles.

Looking ahead to 2026, it is unlikely that transaction volumes will be repeated at this scale, given the exceptional nature of the Welltower transactions. However, these landmark deals have materially increased the global visibility of the UK care sector. While activity is expected to moderate, pipeline evidence and rising international engagement suggest that transactional momentum will remain healthy, albeit at more normalized levels.

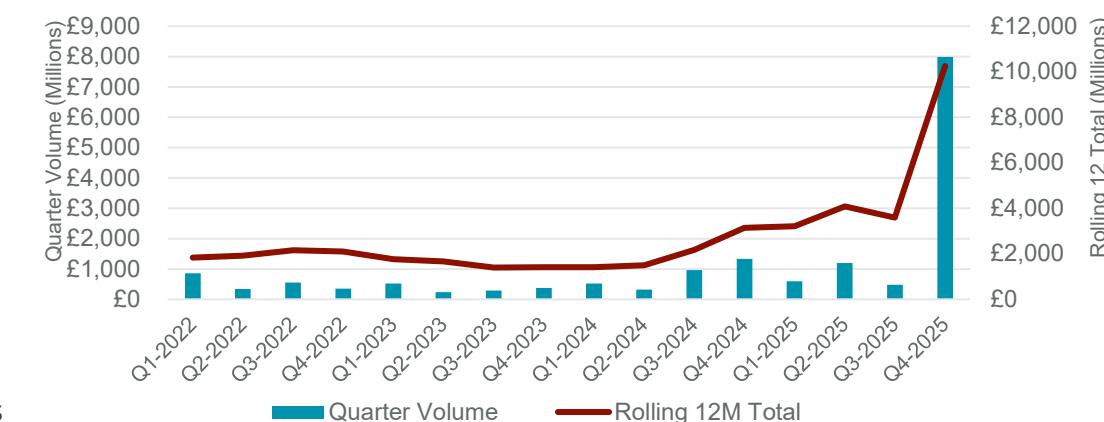
INTERNATIONAL CAPITAL AND THE EVOLUTION OF MARKET DYNAMICS

A defining theme throughout 2024 and 2025 has been the continued rise of international capital, particularly from the United States, alongside a clear evolution in deal structures. In 2025, U.S. investors accounted for 88.6% of total transaction volume, up sharply from 54.9% in 2024. While this figure is heavily influenced by the Welltower acquisitions, U.S. capital still represents approximately 57% of activity when these deals are excluded, underlining the depth of overseas engagement.

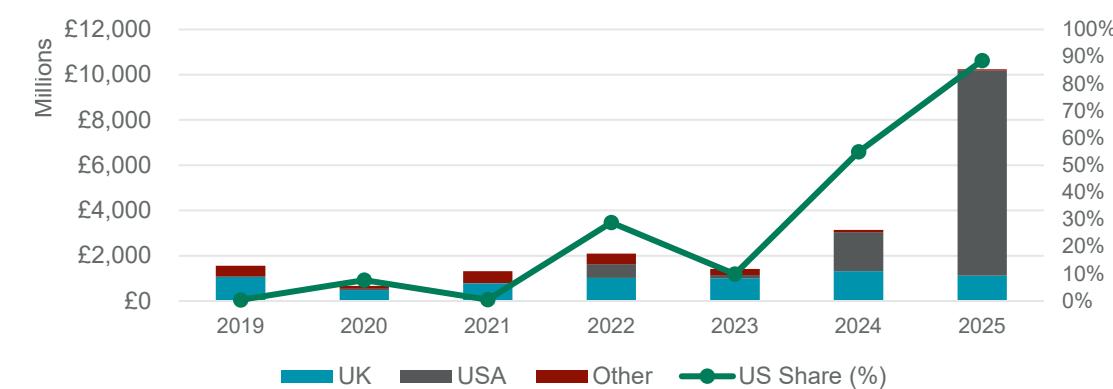
Large international investors - most notably U.S. REITs such as Welltower, Omega, Care Trust, Ventas, etc. - have increasingly viewed the fragmented ownership structure of the UK care market as a consolidation opportunity. This has accelerated the shift away from traditional sale-and-leaseback models (which remain relevant) toward management contracts and WholeCo acquisitions, enabling greater operational control and strategic expansion. Reflecting this trend, WholeCo transactions accounted for over 87% of total transactional volume in 2025.

Looking into 2026, international interest is expected to remain a key driver of activity, supported by strong operational fundamentals and long-term demographic tailwinds. At the same time, smaller and mid-market transactions will continue to play an important role, as domestic and regional investors steadily build and refine their portfolios alongside larger institutional capital.

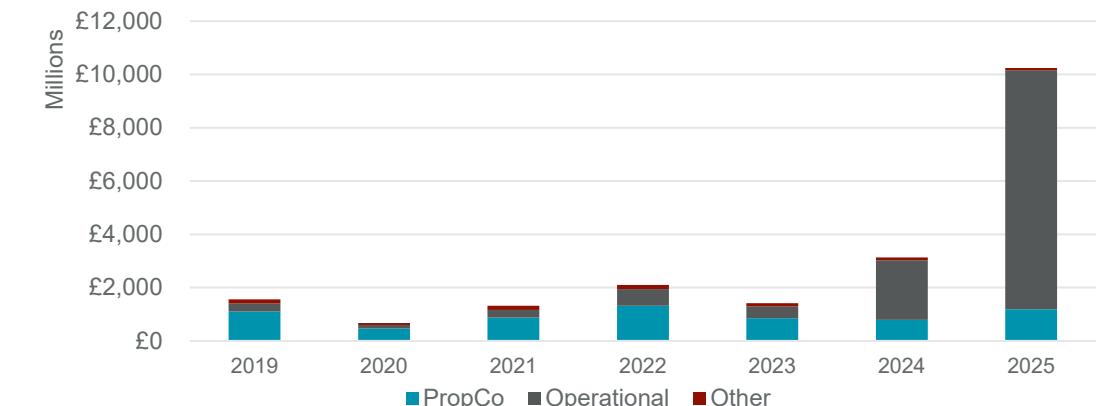
QUARTERLY TRANSACTIONAL VOLUMES



VOLUME BY FUNDING SOURCE



VOLUME BY DEAL TYPE



INCOME FUNDAMENTALS

	YOY Chg	Outlook
89.9% Whole Market Occ.	—	—
87.3% Grade A Occ.	▲	—
6.5% YOY AWF Growth	▲	▲
£1,676 Grade A AWF	▲	▲

Occupancy Excludes Assets in Lease Up

OUTPUT INDICATORS

	YOY Chg	Outlook
31.3% Whole Market Margin	▲	—
37.1% Grade A Margin	▲	—
33.7% Grade B Margin	—	—
26.9% Grade C Margin	▲	▼

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

OCCUPANCY

Occupancy trends seen over the past three years have remained consistent through Q3 2025, highlighting the sector's underlying stability. Market occupancy now stands at 89.9%, just below 90% and broadly in line with levels recorded since 2023. Grades B and C continue to report higher occupancy than Grade A, at 89.5% and 91.4% respectively. That said, the gap between asset grades is narrowing. As higher quality homes age and transition into the Grade B category, the distinction between prime and sub-prime stock has softened. The occupancy differential between Grade A and sub-prime (Grade B and C) stock has reduced to 3.3%, with combined Grade B and C occupancy averaging 90.6%. With more data now available, it is increasingly evident that fee increases driven by cost pressures have had minimal impact on occupancy, reinforcing the inelastic nature of demand for care. Occupancy is expected to remain steady to close out 2025 and into 2026, with only modest shifts anticipated.

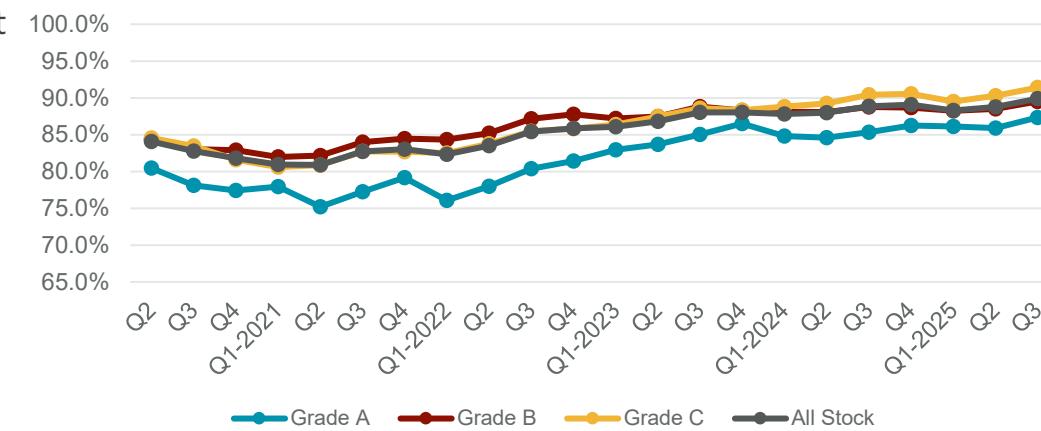
AVERAGE WEEKLY FEES

Following the step-up in Average Weekly Fees in Q2 driven by cost headwinds, fee growth moderated in the second half of 2025, with AWFs remaining relatively flat quarter-on-quarter. Despite this, fees are still up a healthy 6.5% year-on-year, indicating that earlier increases have been sustained across the market. Growth has been broadly consistent across all asset grades. Grade A homes continue to command a significant premium, with AWFs averaging £1,676, compared to £1,418 for Grade B and £1,240 for Grade C. This differential reflects fundamental differences in product quality and service offering and is unlikely to narrow materially. With occupancy remaining stable and demand proving resilient, the market appears well positioned to support continued fee growth. While the pace of increases may moderate, there is little evidence at this stage to suggest a near-term slowdown in the ability to sustain gradual uplifts, especially when inflation pressure is clear.

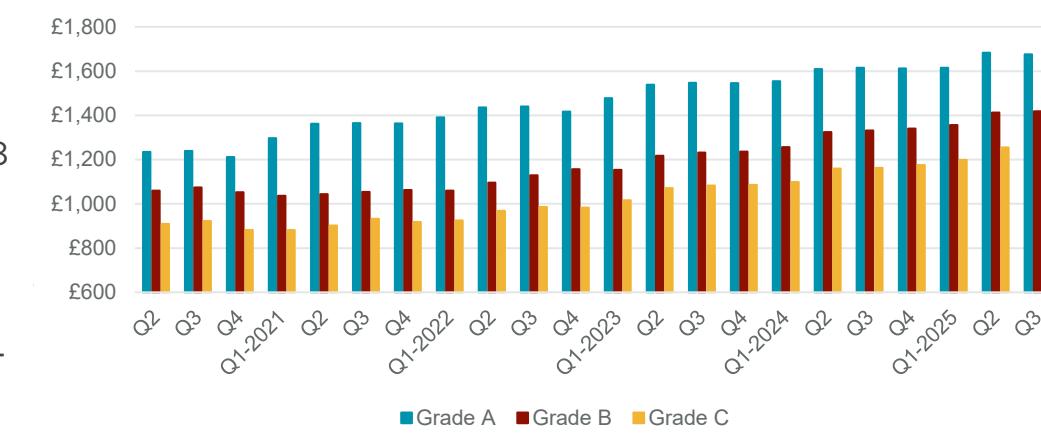
PROFIT

As monitoring of the NLW and NIC increases continues, it is becoming clearer that operators have so far absorbed these cost headwinds effectively. From Q2 to Q3, profit margins increased across all asset grades, signaling improved operational resilience. Across the market, average margins rose to 31.3%. Grade A assets continue to deliver the strongest margins at 37.1%. However, the most notable improvement was seen within sub-prime stock, where average margins increased by 3.0% quarter-on-quarter to 29.7%. This uplift largely reflects the sharper fee increases implemented in Q2, particularly across older stock. While the recent improvement in margins is encouraging, it is more likely that margins will stabilise rather than continue on an upward trajectory as the full impact of cost increases beds in.

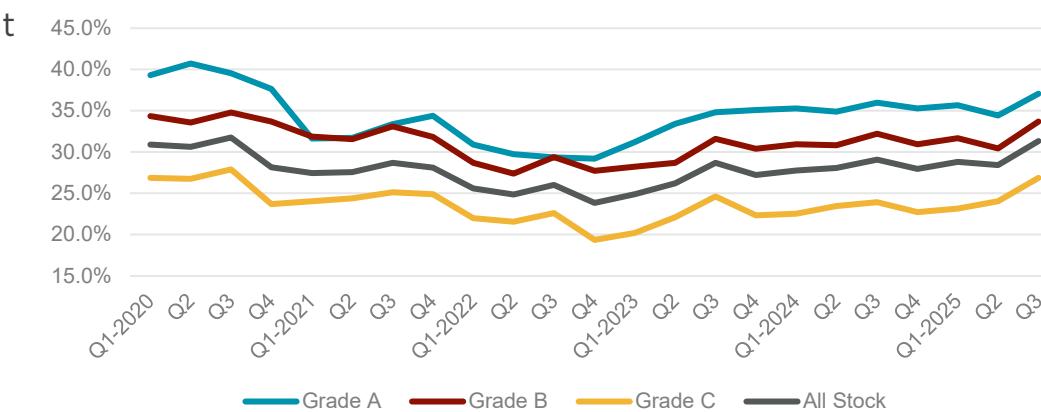
OCCUPANCY



AVERAGE WEEKLY FEE



PROFIT MARGINS



INVESTMENT YIELDS

PropCo Yields							
Asset Class	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 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

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	Deal	Date	Deal Type	Acquirer	Vendor	Assets	Beds
Confidential	Dec-25	VP	Confidential	Confidential	1	33	Parc Wern	Oct-25	WholeCo	Caron Group	Priory Group	1	59
Confidential	Dec-25	PropCo	Confidential	Confidential	1	70	St Marks Court	Oct-25	WholeCo	Caron Group	Priory Group	1	38
Ealing House	Dec-25	WholeCo	365 Care Homes	Local Operator	1	17	The Beeches	Oct-25	WholeCo	Caron Group	Priory Group	1	46
Syne Hills Care Home	Dec-25	WholeCo	JKS Care Ltd	Local Operator	1	30	The Valleys Care Home	Oct-25	WholeCo	Oak Tree Care Group	Local Operator	1	84
Stanfield Nursing Home	Dec-25	WholeCo	PH Care Group	Local Operator	1	41	HC-One	Oct-25	WholeCo	Welltower	HC One	286	16232
Fourways Care Home	Dec-25	WholeCo	Beechcroft Homes Ltd	Local Operator	1	21	Danforth Care Homes	Oct-25	WholeCo	Confidential	Warwick	25	1650
The Old Malthouse Care Home	Dec-25	WholeCo	Follett Homes Limited	Local Operator	1	34	Barchester Healthcare	Oct-25	WholeCo	Welltower	Barchester	288	18013
Astell House	Dec-25	WholeCo	Kenmore Group	Lilian Faithfull Care	1	36	Aria Care	Oct-25	WholeCo	Confidential	Aria	67	3815
Confidential	Dec-25	Land	Confidential	Confidential	1	66	Confidential	Oct-25	WholeCo	Confidential	Confidential	9	537
Bungay	Dec-25	VP	Black Swan	All Hallows Charity	1	48	Patcham Nursing Home	Oct-25	WholeCo	SDR	Unknown operator	1	30
Athena Healthcare	Dec-25	WholeCo	Confidential	Athena Healthcare	6	496	Sevenoaks	Oct-25	VP	Eleanor Healthcare	Greensleaves	1	45
Confidential	Dec-25	Land	Confidential	Confidential	1	75	Select Healthcare	Sep-25	WholeCo	Foundation Investment Partners	Select Healthcare	32	1198
Confidential	Dec-25	PropCo	Confidential	Confidential	1	84	Belvedere Manor Care Home	Sep-25	WholeCo	Lovett Care	MHA	1	84
Resthaven Care Home	Dec-25	WholeCo	Kenmore Group	Lilian Faithfull Care	1	42	Confidential	Sep-25	WholeCo	Confidential	Confidential	1	62
Catterall House	Nov-25	WholeCo	Holywell Care Group	Arrowsmith Care Homes	1	24	Confidential	Sep-25	PropCo	Confidential	Confidential	1	68
St Jude's Nursing Home	Nov-25	WholeCo	Konku Care	Local Operator	1	40	Park Lane House Care Home	Sep-25	WholeCo	Pegasus Care	Local operator	1	30
Confidential	Nov-25	PropCo	Confidential	Confidential	1	70	Red Court Care Home & The Grove Care Home	Sep-25	WholeCo	Warmest Welcome	Local operator	2	103
Sable Cottage Nursing Home	Nov-25	WholeCo	JAS Care Homes	Local Operator	1	39	Blackwater Mill	Sep-25	WholeCo	English Oak Care Homes	Local operator	1	60
Beechcroft House	Nov-25	WholeCo	Nanak Care	Local Operator	1	25	Confidential	Sep-25	Land	Confidential	Confidential	1	75
Runwood	Nov-25	WholeCo	Kathryn Homes	Runwood	11	782	Frampton House	Sep-25	WholeCo	Greenline Healthcare	Leisure Care Homes LTD	1	30
West Lodge Care Home	Nov-25	WholeCo	The Prestige Group	Local Operator	1	60	Confidential	Sep-25	WholeCo	Confidential	Confidential	2	104
Bunkers Hill	Oct-25	WholeCo	Oak Tree Care Group	Local Operator	1	78	Dove Court	Sep-25	WholeCo	Independent	Larchwood	1	76

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