CUSHMAN & WAKEFIELD

MARKETBEAT
ELDERLY CARE
Q1 2026

Better never settles

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Q1 2026: STEADY GROUND AFTER A LANDMARK YEAR

Transactional activity in Q1 2026 recorded approximately £150m in volume - a significant step down from the historic levels of 2025, but one that requires context rather than concern. The extraordinary volumes of last year were defined by several once-in-a-generation portfolio transactions, and a period of normalization was both anticipated as inevitable. Underlying activity has continued at the operator and smaller portfolio level, with a healthy pipeline of transactions progressing through due diligence. Sustained interest from both domestic and international capital reinforces that investor conviction in the sector remains even as global uncertainty - spanning policy shifts, ongoing geopolitical conflict, and rising oil prices - has extended some transaction timelines.

Operationally, the market has continued to demonstrate excellent resilience. Occupancy held firm at 89.3% throughout the quarter, maintaining the multi-year trend of stability at or above 88%, with the gap between prime and sub-prime stock continuing to narrow. Average Weekly Fees finished 2025 up 8.1% year-on-year, with growth sustained across all asset grades, and profit margins edged forward to 30.7% in Q4 - a further sign that the sector has absorbed the cost pressures introduced earlier in the year without meaningful deterioration.

2026: SUSTAINING MOMENTUM ACROSS THE CARE MARKET

The UK care home market moves further into 2026 with a credible transactional pipeline and continued investor interest across both domestic and international capital. While headline volumes are unlikely to approach the record-breaking scale of 2025, transaction activity is expected to build through the year. Investors remain active, with the structural investment case - underpinned by inelastic demand, demographic tailwinds, relative affluence and a supply-constrained market - continuing to attract a wide variety of capital.

Operational fundamentals remain solid, with occupancy expected to stay stable, fee growth set to continue at a measured pace, and margins likely to hold broadly consistent levels across the market. Cost pressures from National Living Wage and National Insurance increases will continue to be monitored, particularly for older, lower-fee stock, but the sector has demonstrated a clear capacity to absorb and manage these headwinds. The pace of 2026 may be more measured than its predecessor - but the underlying strength of the market remains undiminished.

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

- Q1 2026 transactional volume of £150m is consistent with historical Q1 norms, reflecting a market normalizing after the record-breaking activity of 2025 rather than one losing confidence.
- Activity at the operator and smaller portfolio level has continued steadily, demonstrating that the market's foundations extend well beyond the landmark deals that defined 2025.
- Investor appetite remains strong, with a healthy pipeline of deals progressing despite global uncertainty causing some extension in deal timelines.
- Occupancy held firm at 89.3% through Q4 2025, sustaining a multi-year trend of stability and reinforcing the inelastic nature of demand for care.
- With fees up 8.1% year-on-year and margins improving to 30.7%, the sector has demonstrated a clear capacity to absorb cost pressures and maintain operational performance.

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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
£150m Sector Volume Q1 2026	▼	▲
£9.89bn LTM Mar-26 Volumes	▲	▼
15.4% US Funded Share Q1 2026	▼	▲
84.9% Operational Share Q1 2026	▲	▼

Source: C&W Healthcare Transactions Database

A RECALIBRATED MARKET, NOT A RETREATING ONE

Following a landmark 2025 for UK care home transactions, Q1 2026 recorded approximately £150m in transactional volume — a figure that, in isolation, may appear modest. In context, it is anything but cause for concern. Looking back on the previous three years, Q1 has consistently been a quieter quarter for transactional activity, with volumes ranging between £150m and £400m - Q1 2026 sits within that established range. The outsized volumes of 2025 were driven by a small number of monumental, once-in-a-generation portfolio transactions, most notably the acquisitions of HC-One and Barchester by Welltower, which together accounted for the vast majority of the £10.25bn recorded across the year. These were not reflective of normalized market conditions. A quieter Q1 was not only anticipated, but it was also the natural consequence of such an extraordinary prior period.

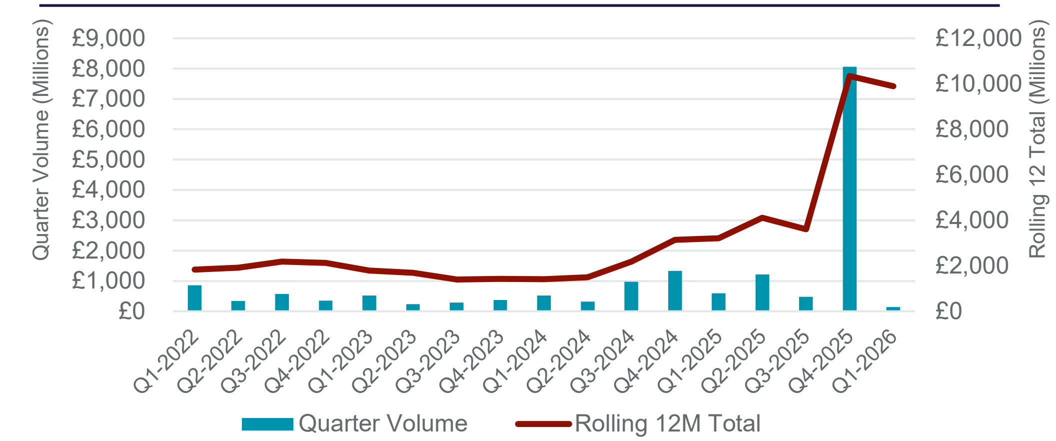
What matters is what sits beneath the headline figure. Transactional activity has continued at the operator and smaller portfolio level, with several transactions progressing through due diligence and live conversations pointing clearly toward further capital deployment in the quarters ahead. The market has not stalled - it has normalized, and the distinction is an important one for investors assessing the trajectory of the sector.

MARKET FUNDAMENTALS HOLD FIRM AMID GLOBAL UNCERTAINTY

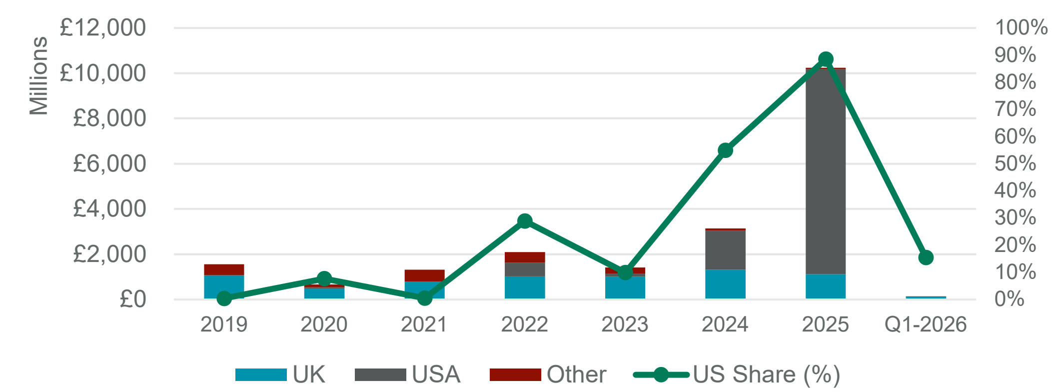
The broader macroeconomic backdrop has undeniably shifted. Ongoing global instability - spanning both domestic and international policy shifts, ongoing conflict in the Middle East and Ukraine, and rising oil prices - is introducing friction into investment decision-making across asset classes. The UK care home market is not immune to this. However, what distinguishes this sector is the structural resilience that underpins it. Demand for care is, by its nature, inelastic - driven by demographics and need rather than consumer confidence or discretionary spending. That fundamental dynamic has not changed, and investors understand this.

Specialist investors and care home operators have remained active throughout the quarter, continuing to pursue acquisitions where value and operational fit are clear. While headline volumes might suggest that institutional capital has stepped back, our conversations tell a more nuanced story: institutional investors remain engaged and interested, but with global uncertainty weighing more heavily on their risk frameworks, transaction timelines are extending rather than diminishing. The market continues to attract both domestic and international capital - and that is the more telling indicator of where this sector stands.

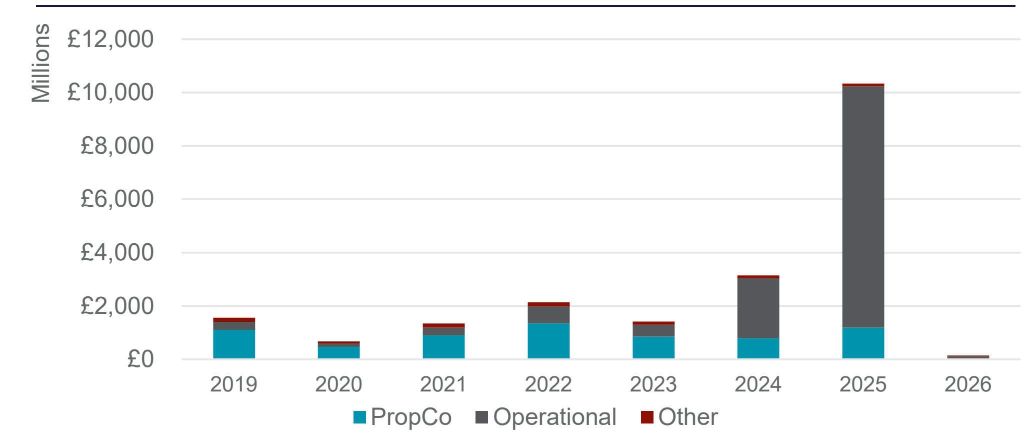
QUARTERLY TRANSACTIONAL VOLUMES



VOLUME BY FUNDING SOURCE



VOLUME BY DEAL TYPE



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INCOME FUNDAMENTALS

	YOY Chg	Outlook
89.3% Whole Market Occ.	—	—
87.0% Grade A Occ.	▲	—
8.1% YOY AWF Growth	▲	—
£1,676 Grade A AWF	▲	▲

Occupancy Excludes Assets in Lease Up

OUTPUT INDICATORS

	YOY Chg	Outlook
30.7% Whole Market Margin	▲	—
37.0% Grade A Margin	▲	—
32.2% Grade B Margin	—	—
24.5% Grade C Margin	▲	—

Source: C&W Elderly Care Home Trading Database

OCCUPANCY

Occupancy trends have remained consistent since the start of 2025, reinforcing the sector's underlying stability. Market occupancy now stands at 89.3% and has held at or above 88% since the beginning of 2023 - a multi-year trend that speaks to the structural resilience of demand. Grades B and C continue to report higher occupancy than Grade A at 90.6% and 89.0% respectively, though the gap is narrowing, with the differential between Grade A (87.3%) and combined Grade B and C stock (89.9%) now reduced to just 2.8%. Notably, occupancy has held firmly through the winter months - a period that typically presents seasonal downward pressure - which is a further testament to the health of the market. With fee increases having had minimal observable impact on occupancy levels, the inelastic nature of demand for care continues to be reinforced by the data.

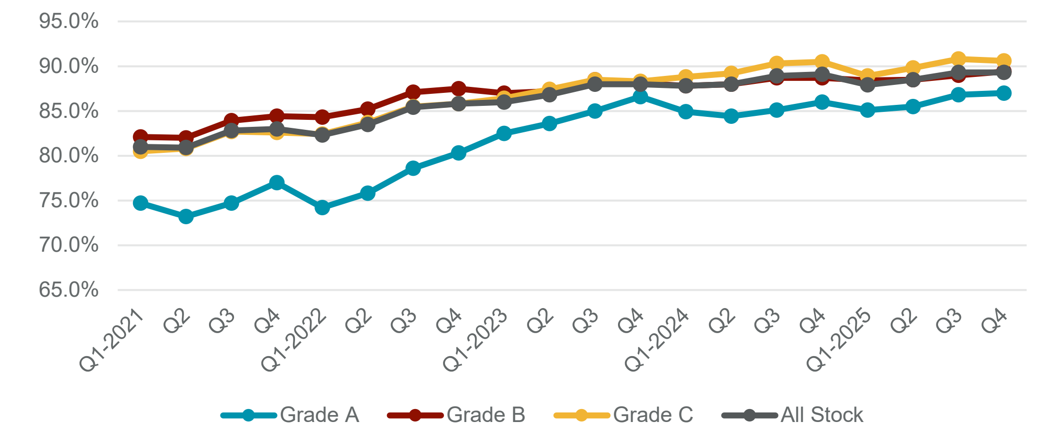
AVERAGE WEEKLY FEES

Following a step-up in Average Weekly Fees in Q2 2025 driven by cost headwinds, growth continued at a measured pace through H2, with fees finishing the year up 8.1% year-on-year - confirming that earlier increases have been sustained across the market. Growth has been broadly consistent across all asset grades, with Grade A homes commanding a significant premium at £1,676 per week, compared to £1,480 for Grade B and £1,247 for Grade C. 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 from the elevated levels seen earlier in 2025 (inflation has fallen until now), there is little evidence to suggest any meaningful slowdown in the sector's ability to sustain gradual uplifts, particularly given that inflationary pressures on operating costs remain a live consideration for operators.

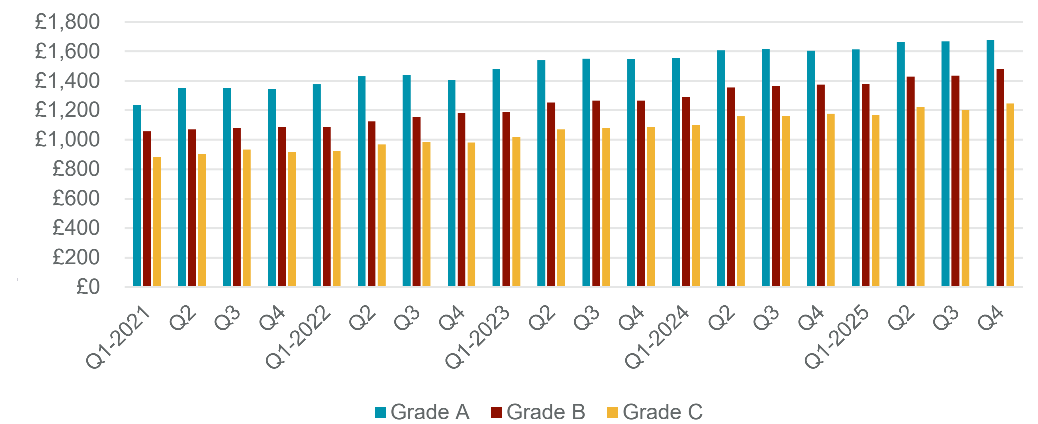
PROFIT

Profit margins remained consistent through H2 2025, signaling sustained operational resilience in the face of National Living Wage and National Insurance Contribution increases that came into effect earlier in the year. Q4 average margins sat at 30.7%, a marginal improvement on the 30.5% recorded in Q3, suggesting the sector has largely absorbed the cost pressures of H1 without meaningful deterioration. Grade A assets continue to deliver the strongest margins at 37.0%, while Grade B and C homes report 32.2% and 24.5% respectively - a differential that reflects the structural challenge facing older stock, where lower fee ceilings limit the ability to offset costs at the same rate as prime assets. Informal conversations with operators confirm that looking at 2026, fees will likely continue to increase to cover costs associated with inflation and other cost pressures.

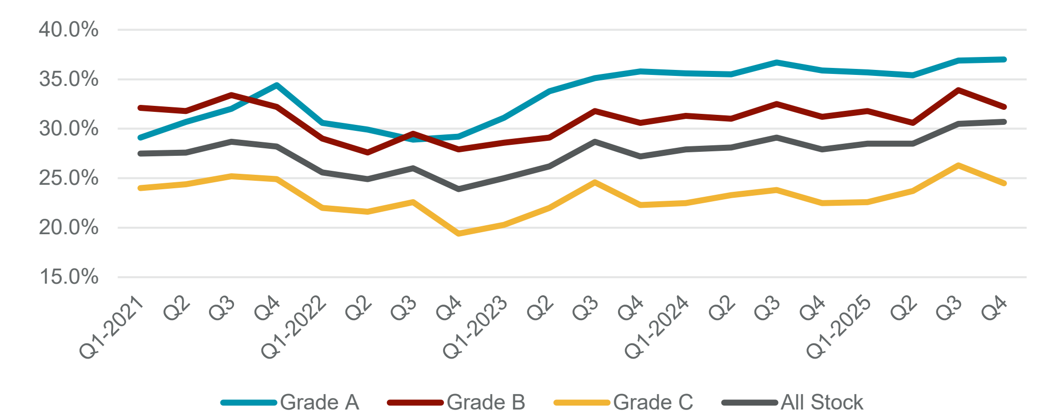
OCCUPANCY



AVERAGE WEEKLY FEE



PROFIT MARGINS



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INVESTMENT YIELDS

PropCo Yields							
Asset Class	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26
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.

KEY DEALS

Deal	Date	Deal Type	Acquirer	Vendor	Assets	Beds
Iceni House Care Home	Mar-26	WholeCo	Norfolk Care Homes	Kingsley Healthcare	1	75
Frensham House	Mar-26	WholeCo	Stonehaven Care Group	Local Operator	1	12
Fremington Manor	Mar-26	WholeCo		Affinity Care Homes	1	60
St Georges House	Mar-26	WholeCo	Local Operator	Local Operator	1	19
The Old Rectory	Mar-26	WholeCo	Local Operator	Eversley Care	1	30
Fortava 3X Medina Care Homes	Mar-26	WholeCo	N/A	Fortava Healthcare	3	222
Park View	Mar-26	WholeCo	Markey Group	Welford	1	98
Lakeside Care Home	Mar-26	WholeCo	Local Operator	Local Operator	1	69
St Mary's Nursing Home	Mar-26	WholeCo	Local Operator	Local Operator	1	56
Eastfield Nursing Homes	Mar-26	WholeCo	Private	Welford	1	52
CareTrust REIT 3x Care Homes	Feb-26	WholeCo	N/A	Confidential	3	
Pinehurst Rest Home	Feb-26	WholeCo	Local Operator	Local Operator	1	11
Moriah House	Feb-26	WholeCo	My Care	Clarendon Group	1	50
Bramcote Hills Care Home	Feb-26	WholeCo	My Care	Belvedere Care Group	1	63
Waxham House	Feb-26	WholeCo	Local Operator	Local Operator	1	21
Fairlawn Residential Care Home	Feb-26	WholeCo	Local Operator	Local Operator	1	24
Belmont House Care Home	Feb-26	WholeCo	Local operator	Local Operator	1	21
Kingston	Jan-26	Land	N/A	Care Concern	1	120
Enstone House Care Home	Jan-26	WholeCo	Local Operator	Local Operator	1	36
Kirkella Mansions residential care home	Jan-26	WholeCo	Local Operator	Local Operator	1	25
The Turrets Care Home	Jan-26	WholeCo	Marsden Healthcare	Local Operator	1	19
Ealing House	Dec-25	WholeCo	365 Care Homes	Local Operator	1	17

Deal	Date	Deal Type	Acquirer	Vendor	Assets	Beds
Syne Hills Care Home	Dec-25	WholeCo	JKS Care Ltd	Local Operator	1	30
Stanfield Nursing Home	Dec-25	WholeCo	PH Care Group	Local Operator	1	41
Fourways Care Home	Dec-25	WholeCo	Beechcroft Homes Ltd	Local Operator	1	21
The Old Malthouse Care Home	Dec-25	WholeCo	Follett Homes Limited	Local Operator	1	34
Astell House	Dec-25	WholeCo	Kenmore Group	Lilian Faithfull Care	1	36
Confidential	Dec-25	Land	Confidential	Confidential	1	66
Bungay	Dec-25	VP	Black Swan	All Hallows Charity	1	48
Confidential	Dec-25	Land	Confidential	Confidential	1	73
Confidential	Dec-25	Land	Confidential	Confidential	1	75
Orpington	Dec-25	PropCo	Aberdeen Standard	Railpen	1	84
Resthaven Care Home	Dec-25	WholeCo	Kenmore Group	Lilian Faithfull Care	1	42
Catterall House	Nov-25	WholeCo	Holywell Care Group	Arrowsmith Care Homes	1	24
St Jude's Nursing Home	Nov-25	WholeCo	Konku Care	Local Operator	1	40
Confidential	Nov-25	PropCo	Confidential	Confidential	1	70
Runwood	Nov-25	WholeCo	Kathryn Homes	Runwood	11	782
Beechcroft House	Nov-25	WholeCo	Nanak Care	Local Operator	1	25
West Lodge Care Home	Nov-25	WholeCo	The Prestige Group	Local Operator	1	60
Bunkers Hill	Oct-25	WholeCo	Oak Tree Care Group	Local Operator	1	78
HC-One	Oct-25	WholeCo	Welltower	HC One	286	16232
Danforth Care Homes	Oct-25	WholeCo	Confidential	Warwick	25	1650
Barchester Healthcare	Oct-25	WholeCo	Welltower	Barchester	288	18013
Aria Care	Oct-25	WholeCo	Confidential	Aria	67	3815

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