CUSHMAN & WAKEFIELD

MARKETBEAT
ELDERLY CARE
Q2 2026

Better never settles

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Q2 2026: BUILDING MOMENTUM IN A MEASURED MARKET

Transactional activity continued to build through Q2 2026, with volumes of approximately £500m bringing the H1 2026 total to around £790m - broadly in line with H1 2023 and 2024, and a clear step up from the quieter start to the year. While headline figures continue to trail the historic levels of 2025, that comparison requires context; last year's volumes were defined by a small number of once-in-a-generation transactions that were never going to be repeated. Beneath the headlines, the market has remained active at the operator and portfolio level, land and forward funding deals continue to transact, and a strong volume of deals sits under offer - all pointing toward a market with genuine depth and continued investor conviction.

Operationally, the sector has maintained the stability that has characterised it over recent years. Occupancy held firm through the seasonal softness of Q1, Average Weekly Fees remained consistent with Q4 2025 levels with further uplifts anticipated as annual reviews feed through, and profit margins have continued to demonstrate the sector's capacity to absorb cost pressures without material deterioration. The fundamentals that underpin this market - inelastic demand, demographic tailwinds, and a structurally undersupplied landscape - remain firmly intact.

LOOKING AHEAD: CAUTIOUS OPTIMISM IN A RESILIENT MARKET

The outlook for the remainder of 2026 is one of cautious but grounded optimism. The volume of transactions currently under offer and progressing through due diligence provides a credible foundation for stronger transactional figures in H2, and sustained engagement from both specialist and generalist investors suggests that capital is ready to move as conditions impove. Generalist investors, increasingly drawn to the sector's long-term income characteristics, are showing growing interest - and while the elevated Gilt rate continues to present a deployment hurdle, any stabilisation in the rate environment could unlock a meaningful additional source of capital in the months ahead.

Operationally, the market is well positioned for the remainder of the year. Annual fee uplifts are expected to feed through in Q2 data, margins are anticipated to hold broadly stable, and occupancy is expected to recover from its seasonal dip and resume its established trend. Macroeconomic uncertainty - geopolitical, political, and financial - remains a live consideration and is unlikely to resolve quickly. But the care home market has consistently demonstrated an ability to hold firm where others do not, and the pipeline, the conversations, and the fundamentals all point in the same direction.

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

- H1 2026 transactional volumes of approximately £790m are broadly in line with prior years, with Q2's £500m representing a clear step up and a market building momentum.
- A strong volume of deals under offer and continued land and forward funding activity points to a healthy pipeline and growing confidence heading into H2.
- Investor engagement remains strong across both specialist and generalist capital, though elevated Gilt rates continue to present a deployment hurdle that WholeCo transactions remain largely insulated from.
- Market occupancy held at 88.3% through Q1's seasonal softness, sustaining a multi-year trend of stability and reinforcing the inelastic nature of demand for care.
- With Average Weekly Fees steady at £1,440 and margins holding at 30.1%, the sector continues to demonstrate operational resilience in the face of ongoing cost pressures.

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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
£500m Sector Volume Q2 2026	▼	▲
£790m H1 2026Volumes	▼	▲
82.5% WholeCo % of Deals H1 2026	▲	—
38.6% USA % of Fund Origin H1 2026	▼	▲

Source: C&W Healthcare Transactions Database

A MARKET GATHERING PACE

Q2 2026 brought a meaningful step up in transactional activity, with volumes of approximately £500m bringing the H1 2026 total to around £790m. While this trails H1 2025 significantly, context is essential - 2025 was defined by a handful of once-in-a-generation transactions that bear no resemblance to normalised market conditions. Measured against H1 2023 and H1 2024, volumes are broadly in line with those prior periods, and that consistency is itself a signal of underlying health. Beneath the headline figures, activity continues to be driven predominantly at the smaller portfolio and operator level, with several transactions progressing through due diligence and a strong volume sitting under offer. Land and forward funding deals continue to transact steadily - an important indicator of medium-to-long-term confidence in the sector, as developers and investors continue to commit capital to future supply.

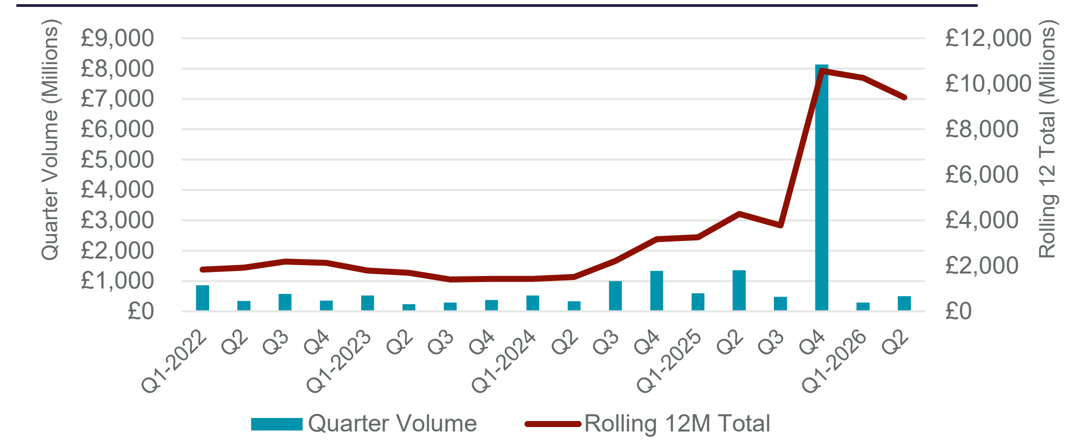
RESILIENT FOUNDATIONS IN AN UNCERTAIN WORLD

The macroeconomic backdrop remains unsettled. Ongoing conflict in the Middle East and Ukraine shows no clear signs of near-term resolution, domestic political instability - highlighted by the departure of the Prime Minister and the uncertainty surrounding Burnham's devolution plans - has added a further layer of uncertainty to the UK policy environment, and broader global trade tensions continue to weigh on investor sentiment. These are not trivial headwinds, and their influence on investment decision-making is real. For some institutional investors, the current environment demands greater caution and longer deliberation before capital is deployed. Yet the care home market continues to demonstrate a resilience that sets it apart from much of the broader real estate investment landscape. Demand remains structurally inelastic - driven by demographics and need, not economic confidence - and specialist investors and operators have remained active throughout Q2, pursuing acquisitions where operational fit and value are clear. Institutional capital has not disappeared; it has simply become more selective and more patient. The conversations are there, the intent is there, and the structural case for the sector remains as compelling as ever.

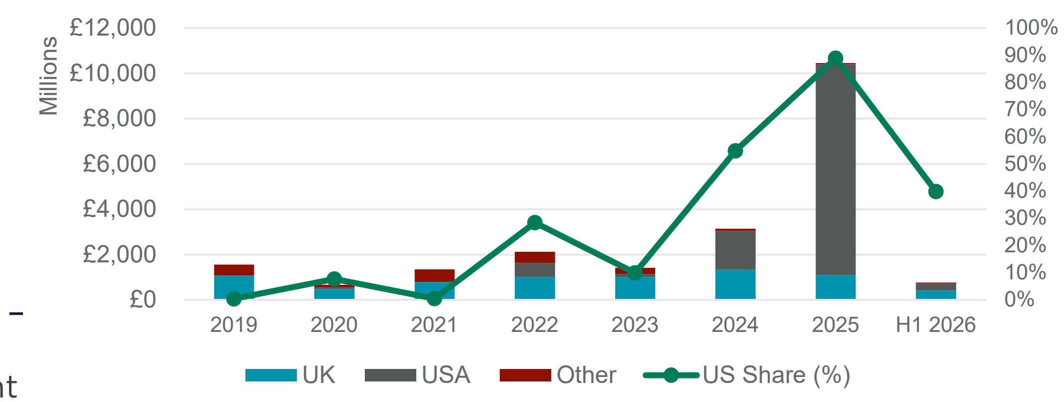
A SHIFTING LENS, BUT WHOLECO REMAINS THE DOMINANT FORCE

A notable development in Q2 has been growing focus among generalist real estate investors on the 10-year Gilt rate - the benchmark for the cost of capital across the wider market. As yields have risen, the return hurdle required before deploying capital has increased, creating a gap between buyer expectations and vendor pricing that is not yet easy to bridge. Encouragingly, this has not dampened interest - generalist investors are increasingly engaging with the sector, drawn by its structural resilience and long-term income characteristics. The intent to deploy is clear, even if execution remains challenging in the current rate environment. WholeCo transactions, valued on operational metrics rather than yield benchmarking, continue to dominate deal activity and remain largely insulated from these dynamics. As Gilt rates stabilise, the growing engagement of generalist investors could represent a meaningful additional source of capital for the sector in the quarters ahead.

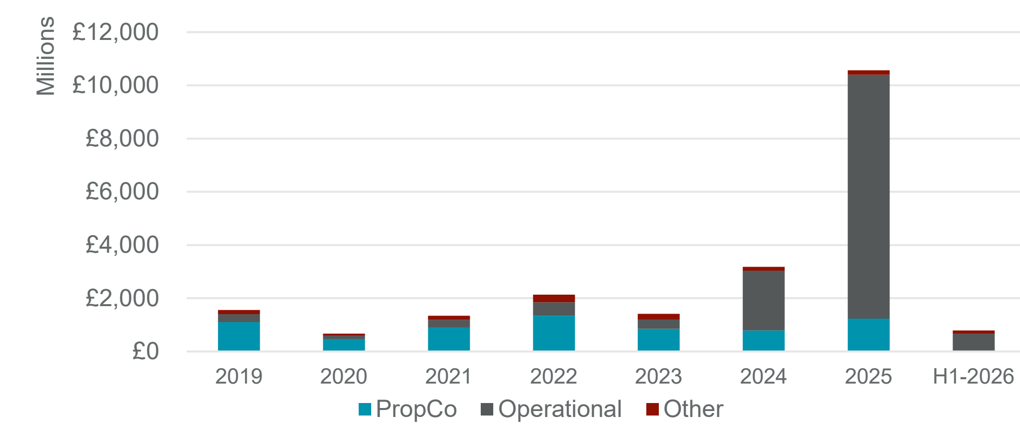
QUARTERLY TRANSACTIONAL VOLUMES



VOLUME BY FUNDING SOURCE



VOLUME BY DEAL TYPE



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INCOME FUNDAMENTALS

	YOY Chg	Outlook
88.3% Whole Market Occ.	—	—
86.0% Grade A Occ.	—	—
7.5% YOY AWF Growth	—	—
£1,698 Grade A AWF	▲	▲

Occupancy Excludes Assets in Lease Up

OUTPUT INDICATORS

	YOY Chg	Outlook
30.1% Whole Market Margin	▲	—
37.4% Grade A Margin	▲	—
32.7% Grade B Margin	—	—
22.5% Grade C Margin	—	—

Source: C&W Elderly Care Home Trading Database

OCCUPANCY

Occupancy trends have remained consistent through Q1 2026, reinforcing the sector's underlying stability. Market occupancy now stands at 88.3% and has held at or above 88% since the middle 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 88.5% and 90.2% respectively, though the gap between asset grades continues to narrow, with the differential between Grade A (86%) and combined Grade B and C stock (89.7%) now standing at 2.4%. As anticipated, Q1 brought a modest seasonal di[SS4.1]p in average occupancy levels across the market - a pattern consistent with historical trends and not expected to become the norm. That figures have remained firm in the context of this seasonal softness and is a further testament to the structural resilience of demand, with fee increases continuing to have minimal observable impact on occupancy levels.

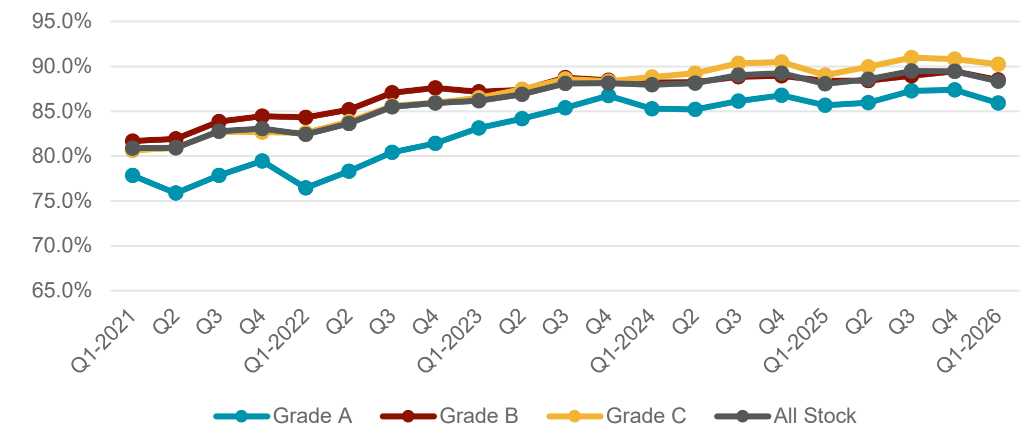
AVERAGE WEEKLY FEES

Average Weekly Fees through Q1 2026 have remained broadly on par with Q4 2025 levels, consolidating the strong growth recorded across last year. Fees across the market currently average £1,440, with Grade A homes commanding a significant premium at £1,700 compared to £1,413 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. Looking ahead, further uplifts are anticipated as Q2 data becomes available - annual fee reviews, which typically take effect around April, are expected to feed through into the figures and provide a renewed step up in Average Weekly Fees across the market. With occupancy remaining stable and demand proving resilient, the market remains well positioned to support continued fee growth.

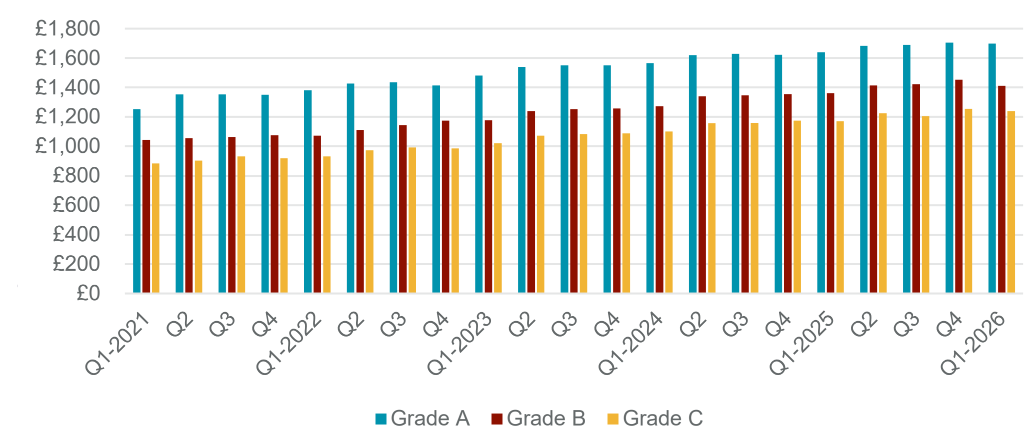
PROFIT

Profit margins across the market have remained relatively consistent through Q1 2026, reflecting the sector's continued ability to manage its cost base in the face of ongoing operational pressures. Market average margins currently sit at 30.1%, with Grade A assets continuing to deliver the strongest performance at 37.4%. Grade B and C homes report margins of 32.7% and 22.5% respectively - a differential that continues to reflect the structural challenge facing older stock, where lower fee ceilings constrain the ability to offset costs at the same rate as prime assets. The sector has now absorbed the NLW and NIC increases introduced in H1 2025 without material deterioration, and margins are expected to remain broadly stable through the remainder of 2026, though wider macroeconomic conditions and any further policy-driven cost pressures bear continued monitoring.

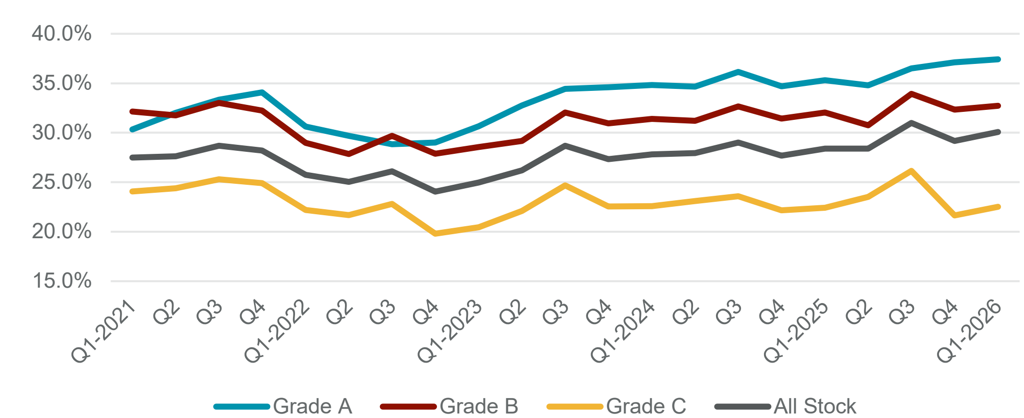
OCCUPANCY



AVERAGE WEEKLY FEE



PROFIT MARGINS



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INVESTMENT YIELDS

PropCo Yields							
Asset Class	**Q4 24**	**Q1 25**	**Q2 25**	**Q3 25**	**Q4 25**	**Q1 26**	**Q2 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
Areley House	Apr-26	WholeCo	Imperial Care Group	N/A	1	36
Rosemary Lodge	Apr-26	WholeCo	Local Operator	N/A	1	28
Mount Pleasant	May-26	WholeCo	Local Operator	N/A	1	12
London Road	Jun-26	Land	LNT	Aspire LPP	1	66
St Peter's Home	Jun-26	WholeCo	Local Operator	N/A	1	38
Wilmslow, Cheshire	Jun-26	Land	Dunham Care	N/A	1	66
Abbeywood House	Jun-26	WholeCo	Rose Care Group	N/A	1	33
Coxheath & Canterbury	Jun-26	Land	RLAM	Aspire LPP	2	146
Tregenna House & Little Trefewha	Jun-26	WholeCo	Care Legacy South West	tre'Care Group	2	70
Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential
Lyme Bay View	Jun-26	WholeCo	Private	Private	1	26
Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential
Priority Care Group	Jun-26	WholeCo	Keane Premier Healthcare	Priority Care Group	6	233
Herncliffe Nursing Home	Jun-26	WholeCo	Summit Care Group	P & B Kennedy Holdings Limited	1	115
Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential
Forest Gate Healthcare	Jun-26	WholeCo	Oakwood Care Group	Forest Gate Healthcare	3	105
The Croft	May-26	WholeCo	Logini Group	N/A	1	29
Chateau des Teilles	May-26	WholeCo	Patience Healthcare Ltd	N/A	1	26
Clifden House	May-26	WholeCo	Local Operator	N/A	1	59
Belle Vue (now Ty Clyd)	May-26	WholeCo	Danico Care (New Port) Ltd	N/A	1	39
Field House	Apr-26	WholeCo	Curaa Group	N/A	1	35
Chard, Somerset	Apr-26	Land	Country Court Care	N/A	1	70

Deal	Date	Deal Type	Acquirer	Vendor	Assets	Beds
Beechdale Manor	Apr-26	WholeCo	Kara Healthcare	Target REIT	1	65
Cheshire, Warrington Road	Apr-26	Land	Danan Group	Care Developments	1	60
Priority Care Group	Apr-26	WholeCo	Keane Premier Healthcare	Priority Care Group	6	233
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	N/A	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

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