

MARKETBEAT ELDERLY CARE

Q3 2026

Better never settles

Q3 2026: MOMENTUM CONTINUES, WITH ONE EYE ON THE HORIZON

Transactional activity has continued to build through Q3 2026, with volumes of approximately £590m bringing the year-to-date total to around £1.41bn - trending above historical averages and reflecting a market with genuine underlying momentum. Activity has been broad and varied, spanning prime and secondary stock, single assets and portfolios, with different investors pursuing opportunities that fit their own thesis. A notable moment arrived with CareTrust REIT's acquisition of 45 UK care homes for approximately £1.1bn - a transaction that, while it will be reflected in Q4 volumes, is an early signal of the investor appetite that looks set to drive a strong close to the year. The pipeline remains healthy, and while budget announcements and elevated Gilt yields are influencing timings for some, the direction of travel into Q4 and 2027 remains encouraging.

Operationally, the picture is one of resilience with a note of caution. Occupancy has recovered from its seasonal Q1 dip and continues to hold firm, and Average Weekly Fees have responded to annual review cycles, with market averages now at £1,475 and year-on-year growth of 6.4% broadly keeping pace with inflationary and cost pressures. However, profit margins have come under noticeable pressure in Q2, dropping to a market average of 28.8%, driven by staffing challenges linked to visa sponsorship delays and rising agency costs. This is the first sign of meaningful operational strain after a period of relative stability, and how operators respond - whether through further fee growth or absorbing costs in the short term - will be one of the key storylines to follow as the year closes out.

LOOKING AHEAD: CAUTIOUS OPTIMISM IN A MARKET THAT CONTINUES TO PROVE ITS RESILIENCE

The UK care home market heads into Q4 2026 with plenty to be positive about. The transactional pipeline is active, investor interest remains broad and deep, and the structural fundamentals that have underpinned this market for years - inelastic demand, demographic tailwinds, a supply-constrained landscape - haven't changed. CareTrust REIT's acquisition is a timely reminder of just how attractive this sector remains to overseas capital, and its contribution to Q4 volumes looks set to make for a strong close to the year.

The operational picture warrants closer attention. Staffing pressures are real, and their impact on margins is something the market will need to navigate carefully. But this is a sector that has consistently absorbed and adapted to external pressures, and there's little reason to expect that to change. The pace may be measured, the challenges acknowledged - but the market's underlying health remains intact.

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.



Jack Kelleher
Associate - Healthcare, Data and Analytics
+44 (0) 7436 067531
jack.kelleher@cushwake.com

KEY TAKEAWAYS



2026 year-to-date transactional volumes of approximately £1.41bn are tracking above historical averages, with broad activity across asset grades and transaction sizes reflecting genuine market depth.



CareTrust REIT's £1.1bn acquisition of 45 UK care homes lands in Q4, but signals strong institutional appetite and looks set to contribute to a strong close to the year.



RIDEA and management contract structures are gaining traction, with Omega Healthcare and CareTrust REIT both moving in this direction and conversations suggesting wider adoption is on the way.



Occupancy has recovered from its seasonal dip, and Average Weekly Fees have grown 6.4% year-on-year to £1,475, demonstrating the market's continued ability to sustain fee growth in a challenging cost environment.



Profit margins have fallen to 28.8% under the pressure of rising agency costs, marking some operational strain and a key dynamic to monitor through Q4.

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
£590m Sector Volume Q3 2026		
£1.4bn 2026 YTD Volumes		
75.0% WholeCo % of Deals H1 2026		
46.5% Overseas % of Fund Origin YTD 2026		

Source: C&W Healthcare Transactions Database

A MARKET TRENDING ABOVE HISTORICAL AVERAGES

2026 has continued to move at a steady and encouraging pace. Whilst £1.41bn is some distance from the record-breaking levels of 2025, it's trending meaningfully above historical averages and reflects a market with underlying momentum. What's particularly encouraging is the diversity of that activity. Transactions have spanned prime assets and secondary and mid-market stock alike, with deal structures ranging from single assets to portfolios. Different investors, each with their own thesis, are finding opportunities that suit them, and the pipeline suggests this will continue.

Land transactions are also growing in volume, pointing to an expanding future supply pipeline as developers commit to the sector. CareTrust REIT's acquisition of 45 new UK care homes for approximately £1.1bn is a significant moment worth calling out - and while the deal lands in Q4, its scale and the profile of the buyer sends a clear message about where international investors see long-term value in this market.

Looking ahead, Q4 is already showing signs of continued activity, supported by a healthy pipeline at various stages of progression. Many investors are keeping a close eye on upcoming budget announcements, which could influence transaction timings in the near term. Elevated interest rates, rising Gilts rates and a budget looming are also playing a role, affecting the cost of capital for some and the rate at which stock is being brought to market. That said, the direction of travel is clear, with pipeline conversations pointing to sustained activity through Q4 and into 2027.

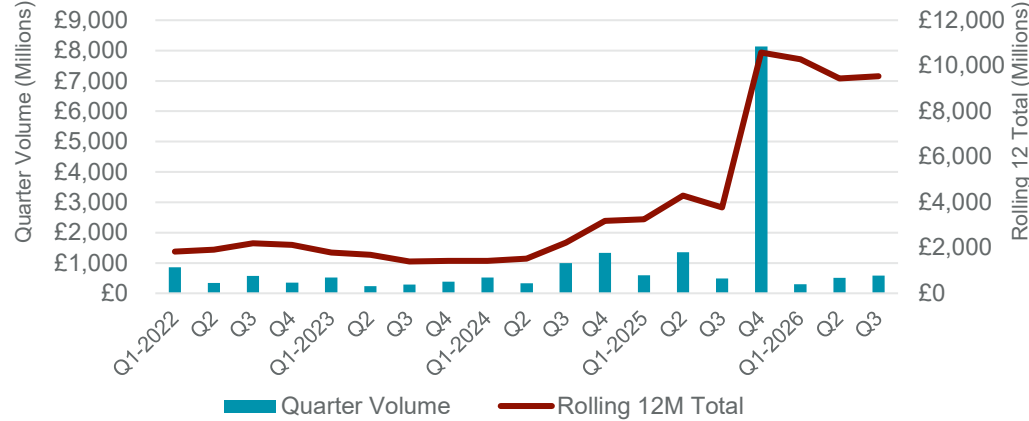
THE RISE OF MANAGEMENT CONTRACT STRUCTURES

One of the defining structural shifts in the UK care home investment market has been the growing adoption of management contract ownership models, RIDEA structures in particular, favoured by US REITs. In simple terms, a RIDEA structure lets an investor participate not just as a landlord collecting rent, but directly in the operating business itself, sharing in both the upside of strong performance and the risk of operational challenges. In a market with stable occupancy, resilient demand and improving margins, equity-rich investors are increasingly viewing that additional risk as an acceptable trade-off for greater exposure to operational returns.

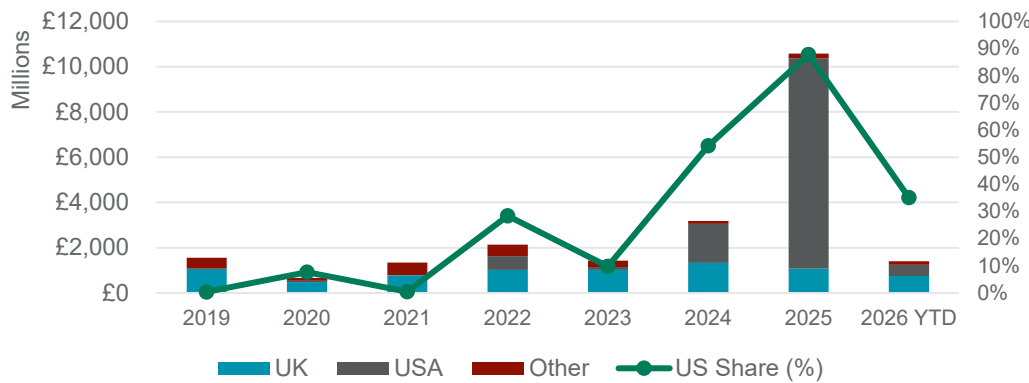
This trend was a significant component of 2025's record transactional volumes, and it's continuing to gain traction. Omega Healthcare recently completed their first UK operating company acquisition, converting four care homes to a RIDEA structure. Within the CareTrust REIT transaction, plans are in place to convert existing NNN leases to RIDEA structures once stable trade is established. Two significant investors are making the same structural move in the same period. This is far from being isolated, this sets a clear direction of travel for how U.S investors will continue to approach the market.

The significance of this shift extends beyond individual deals. Conversations across the market suggest that management contract and RIDEA structures are increasingly being considered by a growing number of investors, contributing to transactional volume and reshaping how ownership in this sector is likely to look in the years ahead.

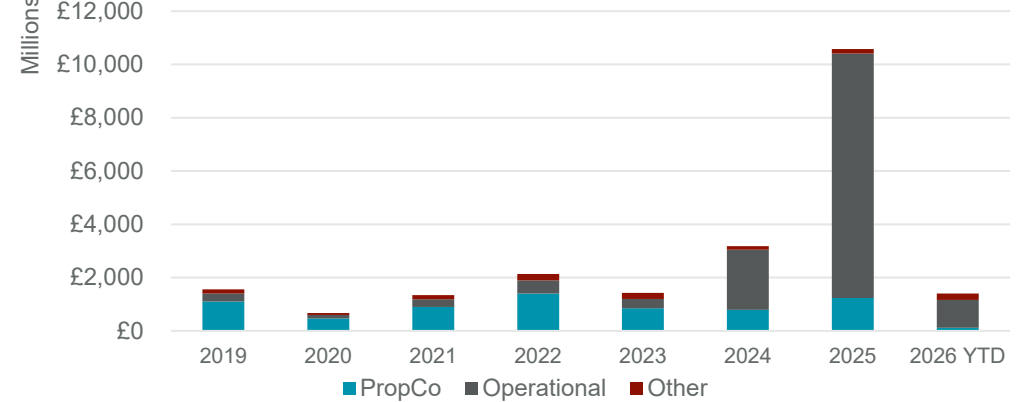
QUARTERLY TRANSACTIONAL VOLUMES



VOLUME BY FUNDING SOURCE



VOLUME BY DEAL TYPE



INCOME FUNDAMENTALS

	YOY Chg	Outlook
89.9%		
Whole Market Occ.		
88.0%		
Grade A Occ.		
6.4%		
YOY AWF Growth		
£1,770		
Grade A AWF		

Occupancy Excludes Assets in Lease Up

OUTPUT INDICATORS

	YOY Chg	Outlook
28.8%		
Whole Market Margin		
36.0%		
Grade A Margin		
29.4%		
Grade B Margin		
21.5%		
Grade C Margin		

Source: C&W Elderly Care Home Trading Database

OCCUPANCY

Occupancy trends have remained consistent through Q2 2026, reinforcing the sector's underlying stability. Market occupancy now stands at 89.9% and has held at or above 88.0% 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 90.3% and 91.5% respectively, though the gap between asset grades continues to narrow, with the differential between Grade A (88.0%) and combined Grade B and C stock (90.9%) now standing at 1.9%. Following the modest seasonal dip recorded in Q1, occupancy has recovered as expected, resuming the stable trend that has characterized the market over recent years. That recovery, playing out broadly in line with historical patterns, is a further indicator of the structural resilience of demand. Fee increases continue to have minimal observable impact on occupancy levels, reinforcing what the data has consistently shown: This is an inelastic market able to consistently absorb rises in underlying costs.

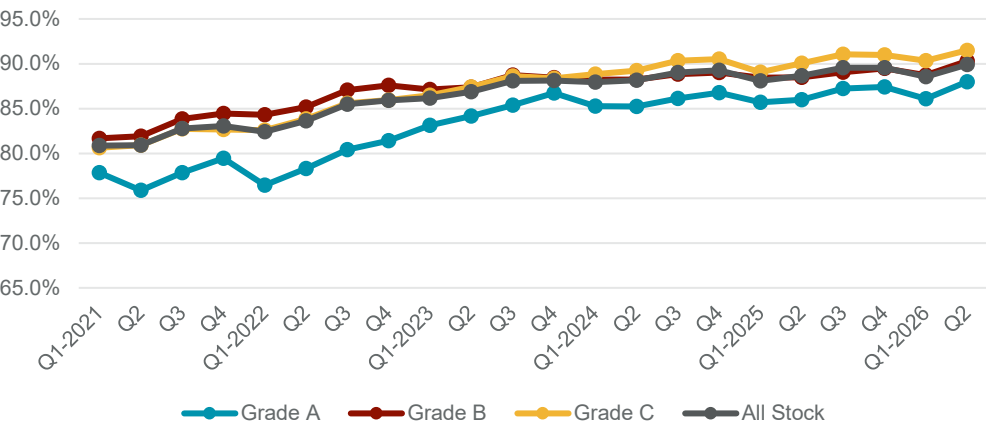
AVERAGE WEEKLY FEES

Following modest movement between Q4 2025 and Q1 2026, Average Weekly Fees have felt the impact of annual fee reviews in Q2. Fees across the market now average £1,475, with Grade A homes commanding a significant premium at £1,770, compared to £1,470 for Grade B and £1,270 for Grade C. Year-on-year growth sits at 6.4%, broadly covering the macroeconomic pressures operators are facing, including inflation, NLW increases, and ongoing staffing costs. Looking ahead, the more interesting question is how operators respond to the growing pressure on staffing costs. Increased waiting times on visa sponsorships for overseas workers are pushing up agency costs, and that is eating into margins. Do operators absorb that in the short term and protect occupancy, or do they push fees further to defend margin? It is a dynamic to watch closely. That said, with occupancy remaining stable and demand proving resilient, the market remains well positioned to support continued fee growth.

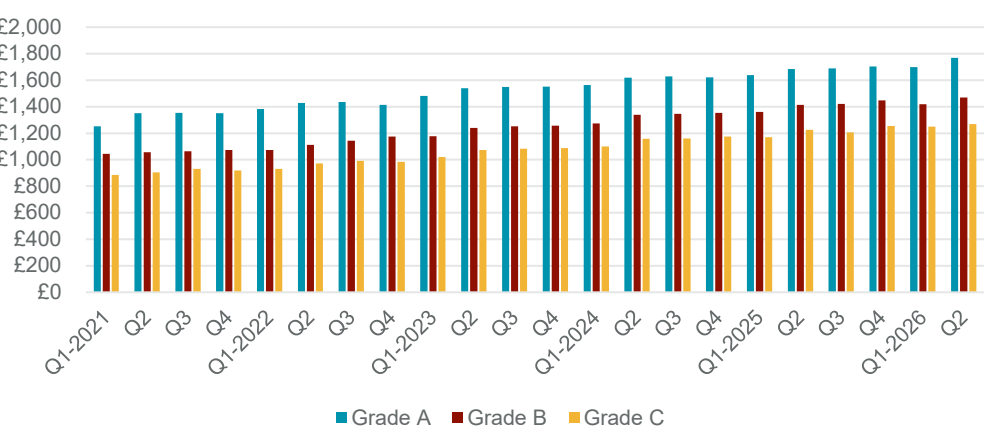
PROFIT - IMPACTS OF STAFFING PRESSURES

Profit margins have come under some pressure in Q2 2026, marking the first signs of meaningful operational strain on the sector after a period of relative stability. The driver is clear: increased waiting times on visa sponsorships for overseas workers have pushed up reliance on agency staff, and the associated costs are feeding directly into margins. Market average margins now sit at 28.8%, down from recent quarters, with Grade A assets continuing to deliver the strongest performance at 36.0%. Grade B and C homes report margins of 29.4% and 21.5% respectively. This is worth monitoring carefully. The sector has shown a consistent ability to absorb cost pressures over recent years, but staffing is a different kind of challenge. It is less predictable, harder to plan around, and the policy environment driving it shows no immediate signs of easing. How operators navigate this over the coming quarters will be one of the more telling indicators of the sector's operational resilience going forward.

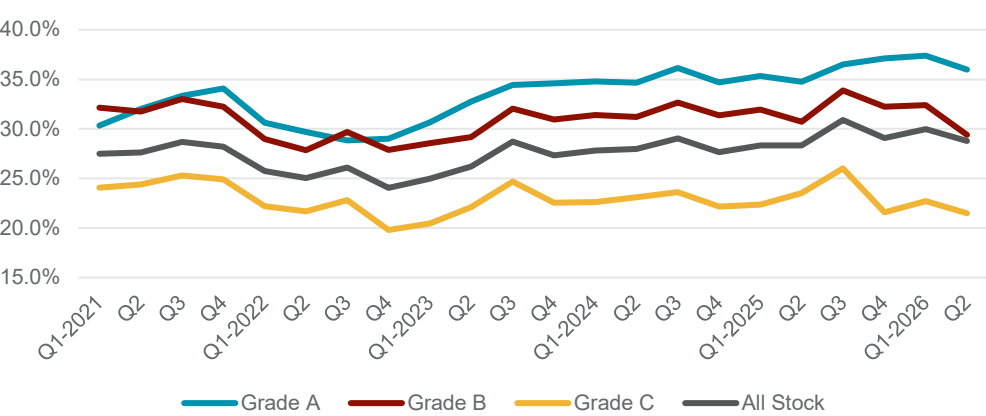
OCCUPANCY



AVERAGE WEEKLY FEE



PROFIT MARGINS



INVESTMENT YIELDS

PropCo Yields							
Asset Class	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 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	Deal	Date	Deal Type	Acquirer	Vendor	Assets	Beds
Ashford Care Development	Sep-26	WholeCo	National Operator	Frontier Estates Limited	1	75	Rostley Care Home	Jul-26	WholeCo	Local Group Operator	Private individual	1	13
Plenus Care (2x South Yorkshire homes)	Sep-26	WholeCo	ENA Care	Plenus Care	2	49	Talea Care Homes x 2	Jul-26	WholeCo	Talea Care Homes	Integrated Nursing Homes Ltd	2	104
Pinhay House	Sep-26	WholeCo	Rayan Care (Pinhay) Ltd	N/A	1	22	Esher Residences	Jul-26	WholeCo	Hallmark	Loveday	2	57
Confidential	Sep-26	Confidential	Confidential	Confidential	Confidential	Confidential	Areley House	Apr-26	WholeCo	Imperial Care Group	N/A	1	36
MMCG x 4	Sep-26	WholeCo	Strong Life Care	MMCG	4	310	Rosemary Lodge	Apr-26	WholeCo	Local Operator	N/A	1	28
Parkside Care	Sep-26	WholeCo	Pegasus Care	Parkside Care	3	97	Mount Pleasant	May-26	WholeCo	Local Operator	N/A	1	12
Westwood Residential Care Home	Sep-26	WholeCo	Nexime Homes Ltd	N/A	1	20	London Road	Jun-26	Land	LNT	Aspire LPP	1	66
Heathland Lodge	Sep-26	Land	Barchester	N/A	1	54	St Peter's Home	Jun-26	WholeCo	Local Operator	N/A	1	38
Ysguborwen House	Aug-26	WholeCo	Caron Group	Private individual	1	80	Wilmslow, Cheshire	Jun-26	Land	Dunham Care	N/A	1	66
16x Care Home Portfolio - CareTrust REIT	46254	WholeCo	CareTrust REIT	Founder	16		Abbeywood House	Jun-26	WholeCo	Rose Care Group	N/A	1	33
Milkwood Care	Aug-26	WholeCo	Holmwood Care Group	Milkwood Care	8	218	Coxheath & Canterbury	Jun-26	Land	RLAM	Aspire LPP	2	146
Keighley - development site	46240	Land	Crown Care Group	Senang Developments	1	78	Tregenna House & Little Trefewha	Jun-26	WholeCo	Care Legacy South West	tre'Care Group	2	70
Euroclydon Nursing Home	Aug-26	WholeCo	Local Operator	N/A	1	41	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential
Unnamed Care Operator (Omega Healthcare)	Jul-26	OpCo	Omega	N/A	4	N/A	Lyme Bay View	Jun-26	WholeCo	Private	Private	1	26
Auchlochan House Care Home	46233	WholeCo	Argyll Group	MHA Auchlochan	1	78	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential
Confidential	Jul-26	Confidential	Confidential	Confidential	Confidential	Confidential	Priority Care Group	Jun-26	WholeCo	Keane Premier Healthcare	Priority Care Group	6	233
Eaglesham House	Jul-26	Land	Meallmore	N/A	1	58	Herncliffe Nursing Home	Jun-26	WholeCo	Summit Care Group	P & B Kennedy Holdings Limited	1	115
Confidential	Jul-26	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential
North Bay	Jul-26	PropCo	Aedifica	Private	3	201	Forest Gate Healthcare	Jun-26	WholeCo	Oakwood Care Group	Forest Gate Healthcare	3	105
St George's Care Home	Jul-26	WholeCo	Kingsley Healthcare	St George's Hospital	1	56	The Croft	May-26	WholeCo	Logini Group	N/A	1	29
Orchid Place	Jul-26	Land	Barchester	N/A	1	67	Chateau des Teilles	May-26	WholeCo	Patience Healthcare Ltd	N/A	1	26



MARKETBEAT ELDERLY CARE

Q3 2026

SOPHIA SHAM

Head of Healthcare Valuations
sophia.sham@cushwake.com

JACK KELLEHER

Associate – Healthcare, Data and Analytics
jack.kelleher@cushwake.com

PETER FARNES

Partner – Healthcare Markets
peter.farnes@cushwake.com

Disclaimer: This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Cushman & Wakefield can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to Cushman & Wakefield.

Better never settles

