Grant Thornton

Care homes for the elderly: where are we now?

2026

Contents

Foreword

The care home sector is at an inflection point: record investment meets record pressure, and only honest policy can resolve the tension.

Social care for older people has never been more economically significant, or more politically uncomfortable.

Adult social care contributes £77.8 billion to the English economy. The older people's care home market alone is now valued at £27.3 billion and employs more people than the NHS. This is infrastructure, not a burden, and it warrants treatment as such.

The population this sector serves is changing. People are living longer at home, arriving in care settings later, with greater frailty, higher rates of dementia and more complex health conditions than a decade ago.

With dementia prevalence projected to reach 1.4 million by 2040, demand for specialist, high-acuity care environments will only intensify and the cost of meeting that need is rising with it.

The operating environment in 2025 and into 2026 has been punishing for many providers. Cost pressures have fallen unevenly: larger, purpose-built homes with strong private-pay income are absorbing the headwinds; smaller, older homes dependent on local authority funding are closing. Capacity is being lost at precisely the moment demographic demand is rising.

Baroness Casey's independent commission was originally due to report interim findings by mid-2026, with long-term recommendations following in 2028. On 29 July 2026, Prime Minister Andy Burnham pledged to 'end decades of political drift' on social care, and Casey launched The Big Conversation on Care, a public consultation due to conclude by April 2027. Baroness Casey has agreed to provide the Independent Commission's recommendations by summer 2027.

The Health and Social Care Committee has noted that governments repeatedly step back from reform when confronted with the cost. Whether this one does the same remains the question that matters most.

This edition is published at a pivotal moment for the sector. The CMA's investigation into Welltower's acquisition of more than 600 UK care homes, the largest foreign direct investment in UK adult social care on record, has produced a landmark ruling with consequences that reach well beyond the parties involved. For the first time, the regulator has treated a pure property investor as a participant in the care market for competition purposes. The rules of engagement for large-scale consolidation have changed. We set out what that means for operators, investors and advisers in this report.

At Grant Thornton, we believe better data leads to better decisions. This report is our contribution to that effort.

Oliver Haunch
Partner, Head of Private Sector Healthcare

Peter Jennings
Partner, Head of Corporate Finance and Private Sector Healthcare

James Hichens
Director, Private Sector Healthcare

A note on sources:

This report brings together research from a range of providers. Differences in reporting (such as UK-wide versus England-only data, or data from independent care homes only versus sector-wide including NHS provision) can make comparisons across sources challenging. Sources and parameters for all data and graphics are stated clearly, and to aid analysis, each topic primarily draws on statistics from a single source.

Market structure

The UK care home market for the over 65s is an integral part of the British service economy. It is a relatively fragmented sector offering a rich and varied mix of businesses, from large corporate operators providing in excess of 10,000 beds to sole traders with one or two homes. As of 2025/26, the total size of the market in the UK was £27.3 billion.[1]

The independent sector accounts for 93% of the total supply: 83% being for-profit organisations and 10% not-for-profit and it is this 'independent sector' data which forms the basis of this brochure. Public sector supply via local authorities and the NHS account for the remaining 7% and are not part of the data we have used.

The sector has experienced significant de-consolidation over the past 15 years. For example, as of March 2026, the 10 largest for-profit providers made up 20.6% of the market, down from 27.2% in 2006. The vibrant small-to-medium provider segment, operating as local, regional or multi-regional clusters, has expanded, constituting 50.9% of total UK bed capacity.

The remaining 28.5% of the market is owned by operators with only one or two homes.

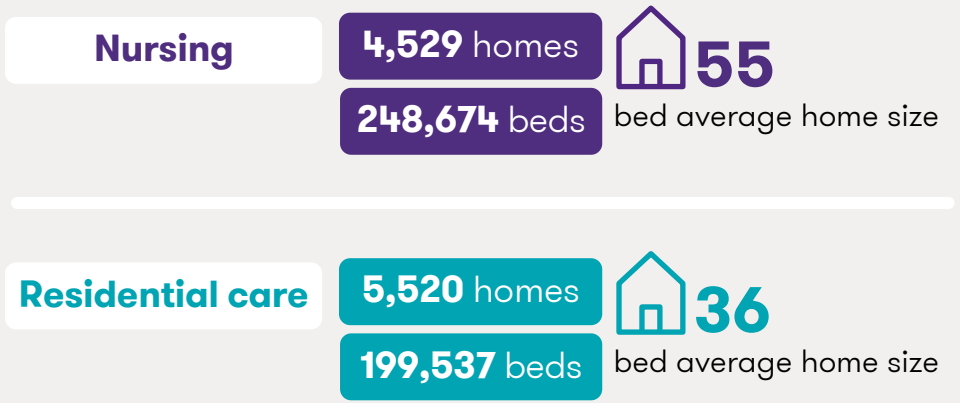
Care homes for older people have been traditionally split between those that provide residential services only ('residential') and those that provide both residential and nursing care ('nursing')

Fees for nursing care homes tend to be higher, with an average of £1,447 per week compared to £1,100 for solely residential care, due to the NHS-funded contribution for nursing care.

The market has grown organically, meaning there is no uniform model for successful homes, but new-build and recently converted homes now come with ensuite wet rooms and more spacious accommodation.

Over the last decade, a two-tier market has emerged with operators whose income is predominantly from self-paying clients consistently being more profitable than those with high exposure to income from local authority or NHS placements.

Nursing and residential care beds in the UK, independent sector



Source: LaingBuisson, 2026

Care home evolution

Evolution of room design – what does good look like?

1970s
- No ensuite
- c.9m² usable floor area

Late 1980s
- Ensuite W.C. and basin
- c.10m² usable floor area

Mid 1990s
- Ensuite W.C. and basin
- c.12m² usable floor area

Mid 2000s
- Ensuite shower room
- c.15m² usable floor area

2020s
- Ensuite wet room
- c.20m² usable floor area
- Salons / cinema rooms / restaurants

Source: Christie & Co, LaingBuisson

Sources: a) Care homes for older people, UK market report (36th edition), LaingBuisson 2026
b) Carehome.co.uk: Care home stats: number of settings, population and workforce

1. Care home professional: Care home market reaches £27bn as inflation drives growth and fee gap narrows, 22 April 2026

Dementia care

Dementia care represents the largest and most important specialist segment within the broader care sector. In 2025/26, approximately 155,000 residents in independent care homes were in receipt of 'dementia care', at an estimated cost of £10.8 billion. This represents approximately 43% of the cost of all older care home residents with or without dementia.

As of early 2025, an estimated 944,000 people in the UK were living with dementia. As the population ages, projections suggest the number of people with dementia could rise to 1.4 million by 2040 and around 1.6 million by 2050. The vast majority of individuals affected are aged over 65, with risks increasing significantly among those aged over 80.

In the case of private payers, there is an average £60 per week premium for dementia nursing care and a £50 per week premium for dementia residential care.[2]

Most major operators position themselves as specialists, with a strong focus on workforce training to equip staff with the skills required to support individuals at different stages of the condition.

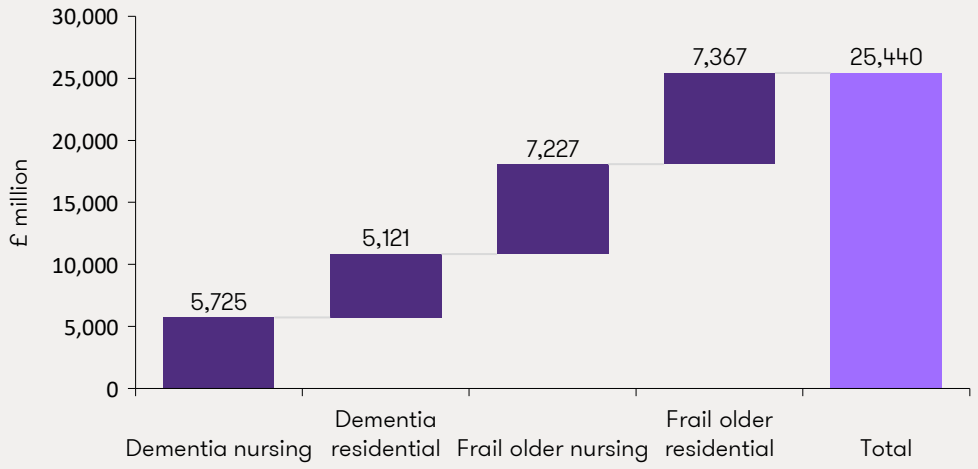
In addition to residential settings, a further 100,000 people are estimated to receive dementia-focused support in the community, including homecare, day services and other non-residential provision, representing annual expenditure of close to £2 billion.

Few large providers currently offer a fully integrated, end-to-end model of dementia care. However, some organisations are beginning to move in this direction, for example:

- **Community Integrated Care Group (CIC Group):** a not-for-profit group offering an 'EachStep' model of support, under which the charity offers a complete range of specialist dementia care from one service, to assist people with the condition from diagnosis until the end of their lives
- **Belong**: Also a not-for-profit group, which is building care villages in the Northwest with outreach for older people including people with dementia

Given demographic trends, demand for dementia care is expected to remain robust in the short to medium term. Compared with other areas of older care, there is more limited scope for alternatives such as home-based solutions or specialist housing, and there have yet to be significant breakthroughs in prevention or disease-modifying treatments.

Segmentation of independent sector (for-profit and not-for-profit) care home market value into frail older (65+) and dementia clients, £m, UK, 2025/26



Source: LaingBuisson, 2026

Sources: Care homes for older people, UK market report (36th edition), LaingBuisson 2026

2. Data collected by LaingBuisson asking for the minimum fee rate for a new admission to a single room with ensuite facilities

Dementia care

Overview of care home providers in England, 2025

# CQC providers in segment	7	29	42	77	457	1,504	4,967
	A	B	C	D	E	F	G
No. of beds in portfolio	>3,000	851 – 3,000	501 – 850	301-500	101-300	50-100	<50
Market share based on no. of beds	9%	9%	6%	7%	17%	24%	28%
% of homes offering nursing	42%	35%	38%	43%	35%	39%	17%
Average beds per home	57	39	41	43	35	38	19
CQC rating							
Outstanding	4.8%	4.4%	5.3%	3.7%	4.8%	5.1%	3.4%
Good	79.2%	77.1%	76.0%	77.2%	75.1%	70.2%	75.0%
Requires Improvement	12.5%	14.5%	16.2%	12.8%	14.6%	14.9%	14.3%
Inadequate	0.1%	0.9%	0.3%	0.6%	0.9%	1.1%	1.1%

Source: Grant Thornton. CQC data for England only. Where percentages do not add up to 100%, this is due to unavailable data. Includes independent and state provision

Funding

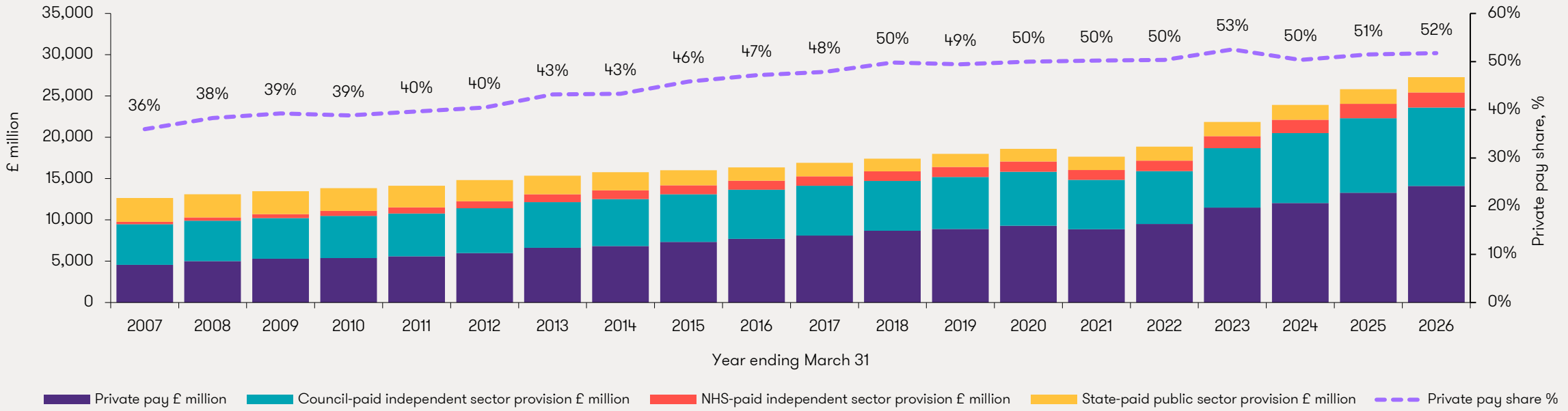
The private pay share of the independent sector has steadily grown over the last 15 years, as illustrated below.

In 2026, 44% of residents in the UK independent sector were self-pay. A further 47% of residents have their fees paid fully or partially by local authorities. The remaining 9% were NHS funded.

The downward movement of local authority care home placements has been driven by the preference of local authorities for commissioning homecare services, where fees are lower as there are no accommodation costs.

The emergence of 'housing with care', where residents own or rent the property and care is provided at an additional cost, is also competing with care homes for clients. In response, care home operators have moved further up the acuity chain, for example, accommodating people with severe dementia.

Trends in market value by payer group (self-pay and state-pay), nursing, residential and long-stay hospital care of older people and people with dementia (65+), UK, £m, annualised 2007-2026.



Source: Care homes for older people UK market report (36th edition), LaingBuisson, 2026

Funding

The Fair cost of care: Promise, cancellation, and what comes next?

In our last report, we noted that the 2022 national Fair Cost of Care assessment had confirmed what operators had long argued: that council fee rates fell substantially short of the actual cost of providing care across the majority of local authority areas.

The gap was stark, with private pay fees in England 23% higher than council rates for nursing care, and 37% higher for residential care. This is not because privately funded residents received a premium service, but because the council rate was insufficient to cover costs, leaving operators reliant on private payers to make up the difference.

The government's response was to allocate £1.36 billion to help councils move toward paying a fair cost of care, alongside the proposed £86,000 lifetime cap on personal care costs. Neither survived. Both were cancelled by Chancellor Rachel Reeves in July 2024, citing an inherited £22 billion projected overspend.

The Fair Cost of Care Fund, the only formal mechanism in England for ensuring council rates reflect actual operating costs, no longer exists.

The consequences are visible in the numbers. In 2025/26, local authority fee uplifts averaged around 5%, against a cost environment shaped by national living wage (NLW) increases, higher employer national insurance contributions (NIC), and utility bills rising sharply on commercial tariffs.[2a]

The Nuffield Trust estimates the NLW and NIC changes alone added approximately £2.8 billion to the sector's cost base in 2025/26.[3] The 21% of homes that came to market with vacant possession in H1 2025, the highest proportion on record, is the most visible result.[4]

The Casey Commission may revisit this question as part of its recommendations, which are due by summer 2027.

While recent local authority fee increases have narrowed the gap in percentage terms, they have not closed the underlying shortfall between fees and the true cost of care. Until a cost-reflective funding mechanism is restored, cross-subsidy will remain a defining feature of the sector, with funding pressures continuing to be felt most acutely by providers with high exposure to local authority-funded residents and by the older people least able to choose otherwise.

2a. Market Sustainability and Improvement Fund (MSIF): provider fee reporting 2025 to 2026
3. Nuffield Trust, Social care providers at risk of collapse, 22 November 2024
4. Christie & Co: Care market review, 2025

Funding

Private pay vs local authorities

The majority of care homes have a mix of private pay vs local authority paid residents.

Surveys carried out by LaingBuisson over a period of years show that:

Approximately **30%** of care homes had less than **10%** of residents being funded by councils

Less than **5%** of care homes had more than **90%** of residents being funded by councils

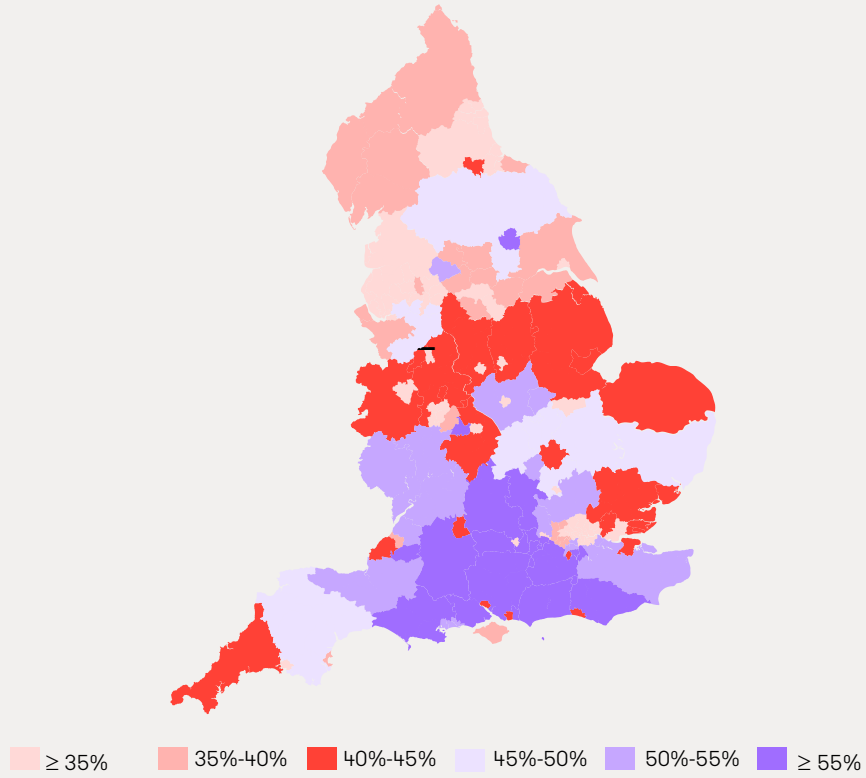
However, the variation in the proportion of residents being private pay vs those having their fees paid by the local authority is not as great as might initially be expected.

Even in less affluent areas, the penetration of owner-occupation does not vary much. Owning a property typically makes people admitted to care homes ineligible for council support as there are very few properties which are worth less than the £23,250 upper asset threshold, a level which has remained unchanged since 2010.

It should be noted that the asset threshold in Scotland is £35,000, and in Wales is £50,000. Northern Ireland is on par with England at £23,250.

Source: Care homes for older people UK market report (36th edition), LaingBuisson, 2026

Private pay share among care homes for older people, by local authority, 'heat map' of England, 2022/23*



Source: Care homes for older people UK market report (36th edition), LaingBuisson, 2026
* Data from 2022/23 is the latest available from LaingBuisson, included in its 36th edition published in 2026

Projected demand

Demographic movements have not translated into increased demand, but the last three years have seen a slight uptick in numbers

The demographic case for investment in the UK elderly residential care sector is well rehearsed. In 2026 there were 1.79 million people aged 85+, representing 2.6% of the UK population. By 2050 this is projected to have nearly doubled to 3.64 million (4.8% of the population in that demographic).[5]

This ageing population will require access to care services, including residential care. However, although the growth rate in the 85+ population is forecast to accelerate, this is not expected to impact the numbers of people in residential care to the same degree.

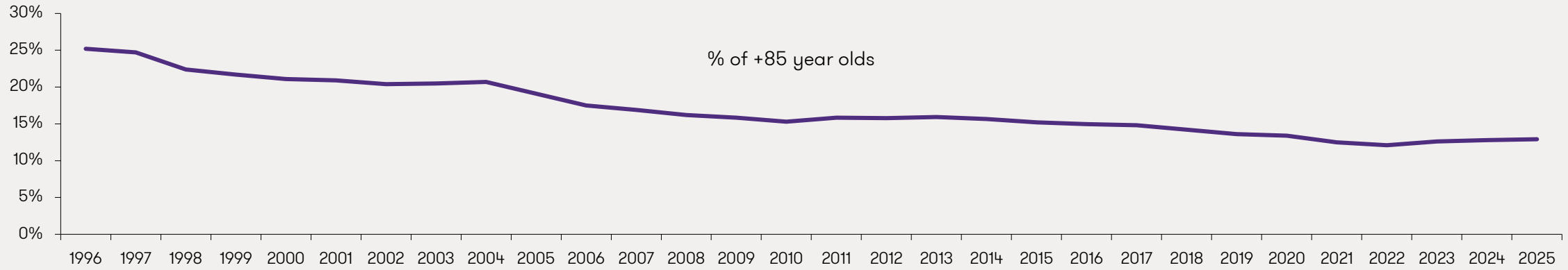
While the ageing population has increased, the proportion of the population in long-term residential accommodation has declined.

As of March 2026, it is estimated that 12.9% of the 85+ population is in elderly residential accommodation. In 1996 the proportion was 25.2%.[6]

Longer life expectancy will have played a part in reducing the proportion of over 85s in long-term residential care. However, this impact is likely to be marginal - after all, the most common age of death in the UK is 86 for a male and 89 for a female.

Substitutes for long-term residential care, including housing with care, visiting homecare and live-in care are also important factors which act as demand constraints for care homes. Another key factor is the tightening of local authority budgets.

Proportion of the 85+ population in residential care, UK



Sources: LaingBuisson and Grant Thornton, 2026

5. Office for National Statistics, data released 28 January 2025
6. LaingBuisson

Projected demand

Can this trend continue?

Two key factors suggest that this trend cannot continue indefinitely:

- The proportion of the 85+ population in care homes cannot continue to decline at the level it has done
- The rate of increase in the over 85 population is set to accelerate over the next 20 years

As the graph on the previous page illustrates, the last three years have seen a slight uptick in the proportion of 85+ people in care homes , with the low point being in 2022 following the pandemic, when the figure reached 12.1%.

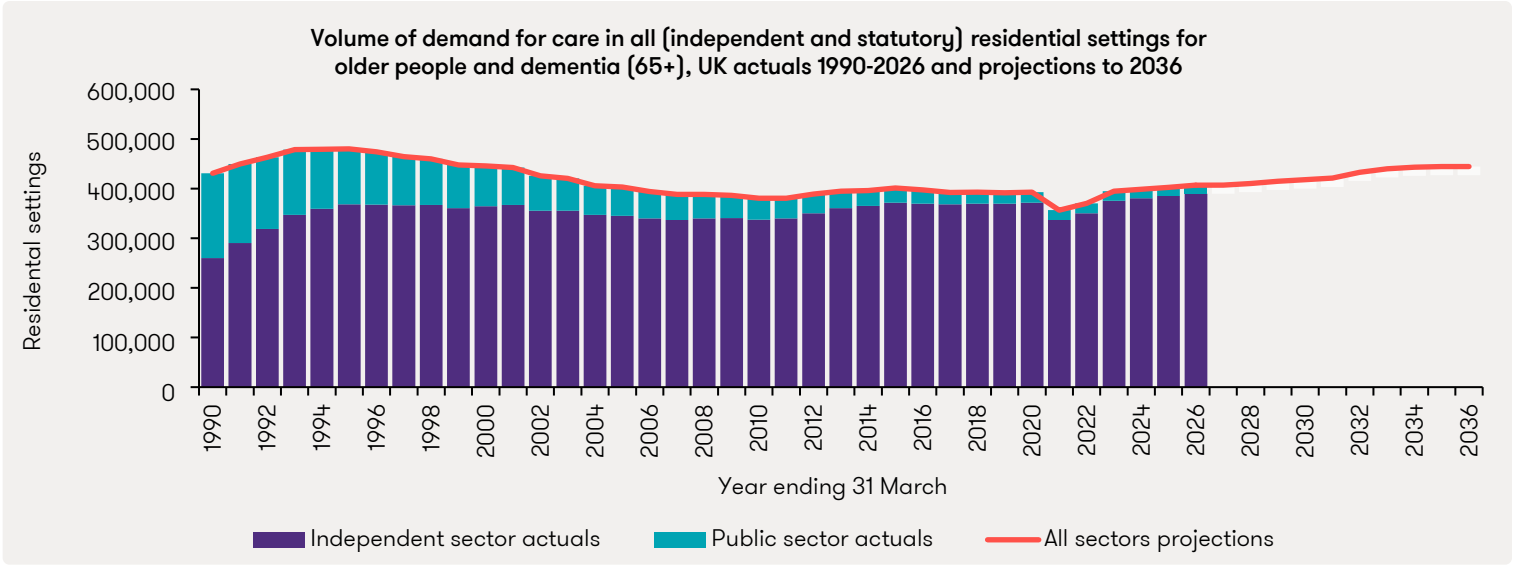
This is a small reversal but may prove to be a significant change in direction for the sector. As such, a modest growth in care home demand is predicted over the next decade.

This has increased the pressure on care home operators who face the increasing acuity of service users requiring more intensive care. This comes at an additional cost to the care home operator.

At the same time as the proportion of over 85s is slightly increasing, the total UK population of over 85s is projected to grow at an increased rate. In the 15 years between 2011 and 2026, the over 85 population increased by c.379,000 (27%). Over the next 15 years, this population is forecast to grow by c.1 million (58%).

Based on recent trends in the proportion of the elderly population in residential care, there will be a forecast additional demand of around 27,000 residents in the UK over the next decade.

Due to the decline in public sector provision, this new demand will need to be catered for by the independent sector. There will also be the ongoing requirement to build new care homes to replace legacy stock. The replacement of legacy stock is likely to be a larger driver of new development than population ageing.



Source: LaingBuisson, 2026

Bed supply

The supply of elderly care home beds has been broadly stable since the early 2000s.

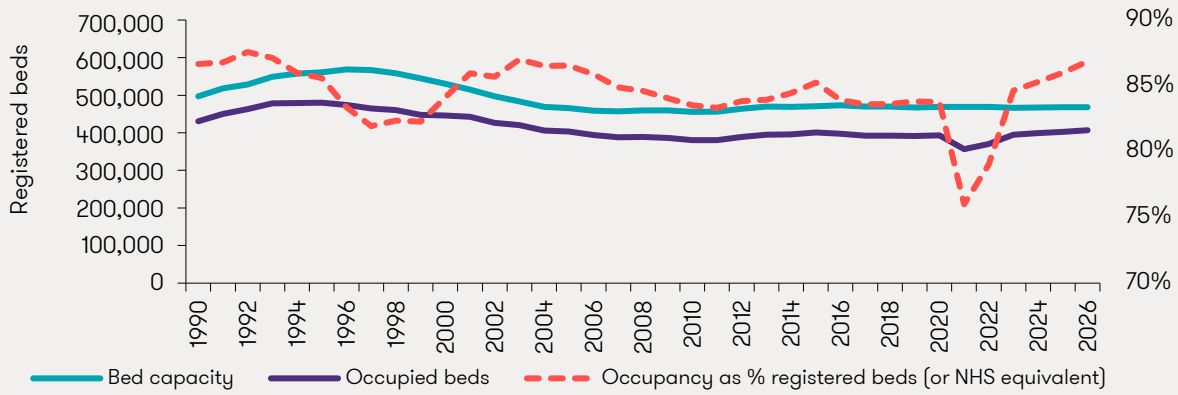
However, this trend masks anecdotal evidence of a material variance between the self-funder focused private pay care homes and local authority-funded focused homes. The focus for new stock coming to market is self-funders, with care home closures focused on local authority-funded markets.

Additionally, given the difficulties in recruiting and retaining nurses, as well as generating sufficient fees to deliver high quality nursing care, there is also a shift from nursing to residential provision, with many homes being repositioned as residential (often with a dementia focus).

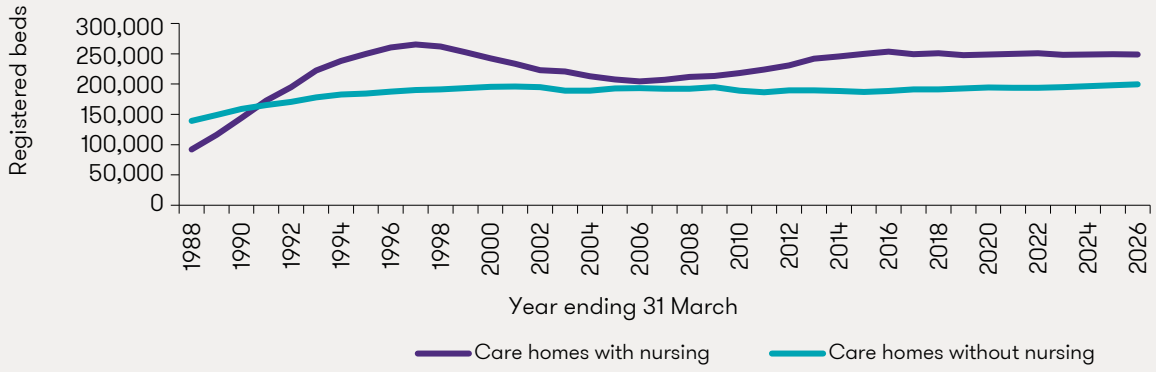
Most data shows that nursing home capacity has always been greater than residential home capacity. However, around 20% of people in for-profit nursing homes are receiving residential care only, and 30% of people in not-for-profit nursing homes.[7]

7. Care homes for older people UK market report (36th edition), LaingBuisson, 2026

Bed capacity and occupied beds in residential settings for older people, independent and statutory sectors combined UK 1990-2026



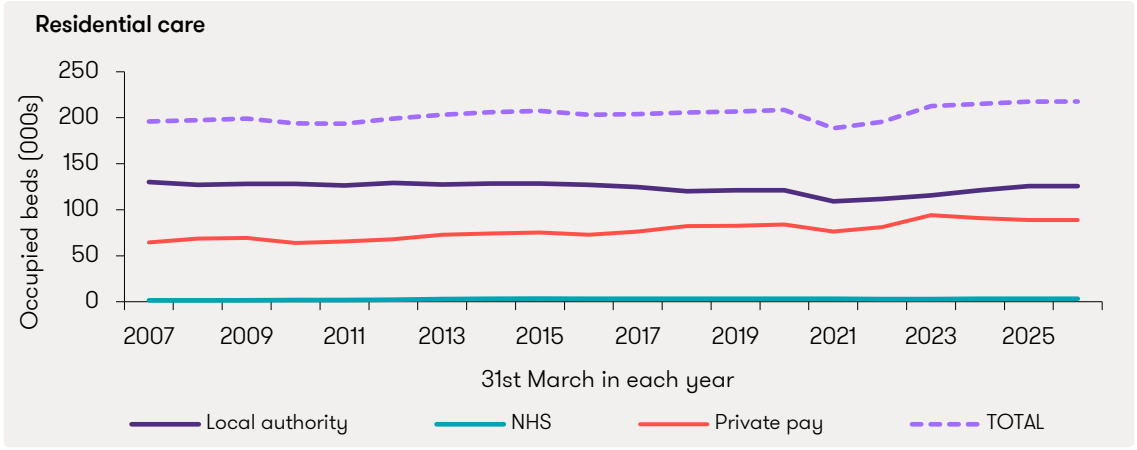
Capacity trends by registration type (nursing homes vs. residential homes) in independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), UK 1988-2026

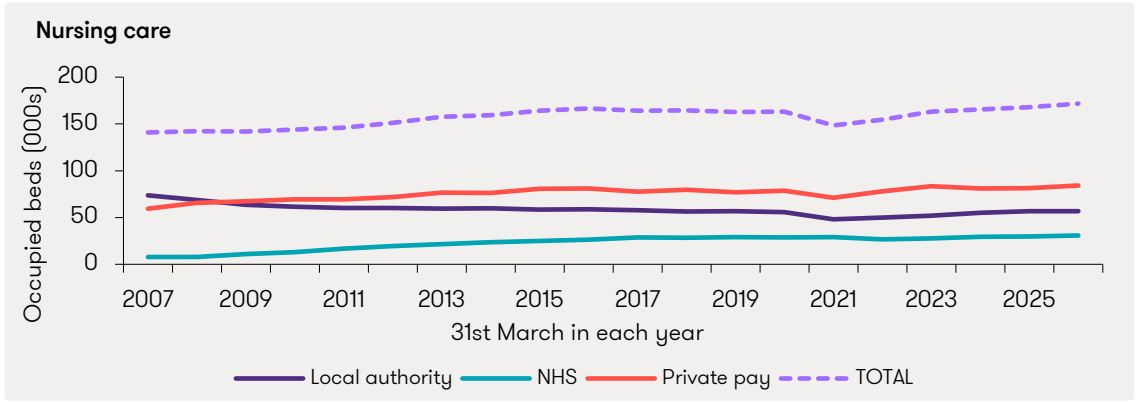


Source: LaingBuisson, 2026

Bed supply

Volume of demand for residential and nursing care by payer type in independent sector (for-profit and not-for-profit) care homes for older people and dementia (65+), UK 2007-2026





Source: LaingBuisson, 2026

Occupancy

Maintaining occupancy rates is important for care home providers, to keep steady income streams, and ensure the most efficient use of resources. The pandemic saw a dramatic decline in occupancy rates, more than 10% in many homes, but these have recovered steadily over the last four to five years.

In 2025, 88.7% of beds in care homes were occupied, compared with 88.3% in 2024.

UK care home occupancy rate

Source: Knight Frank: UK care homes, trading performance review, 2025

Fee rates

Care home fees are different for private and public payers, a trend that has been entrenched in the market for a long time, known as cross-subsidisation.

Most care homes for older people serve a mix of private pay residents and residents who have their fees paid by local authorities and the NHS. Private payers usually pay significantly more than publicly paid residents for the same standard of service.

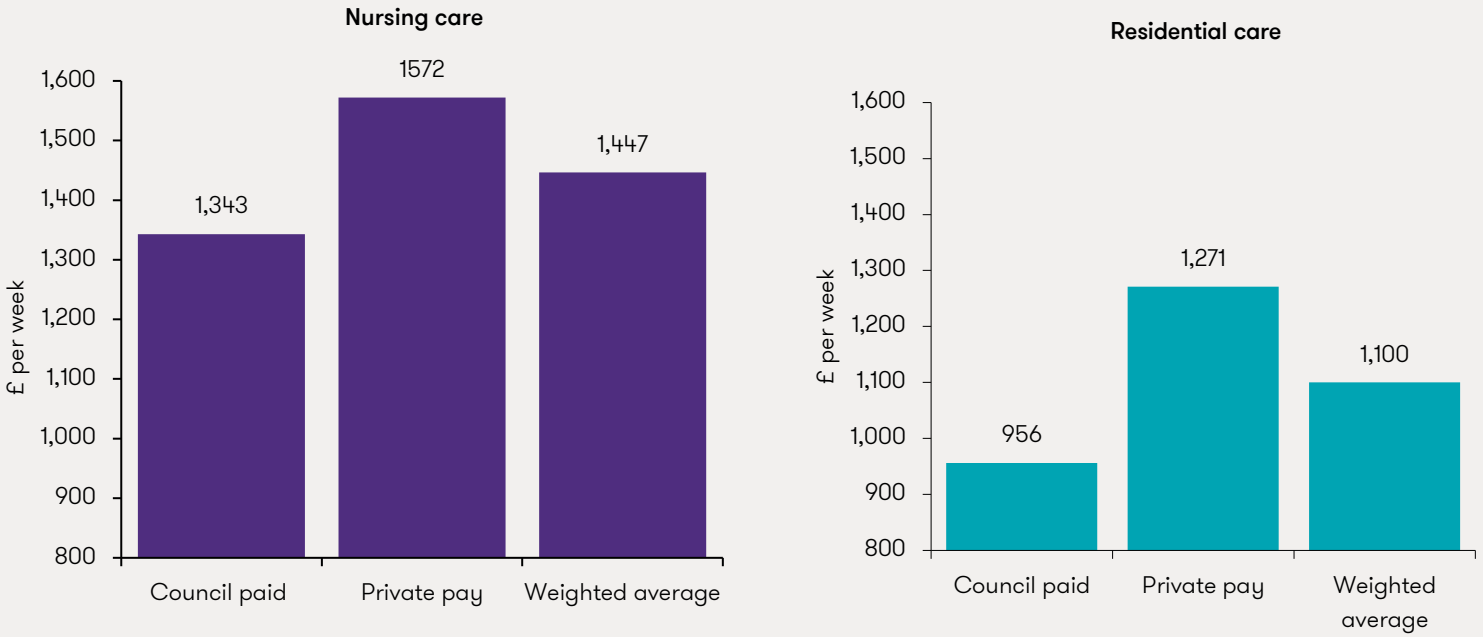
- The average weekly private pay fee for **nursing** care in England was £1,572 in 2025/26, 17% higher than the average local authority fee rate of £1,343 per week
- The average weekly private pay fee for **residential** care in England was £1,271 per week, 33% higher than the average local authority fee rate of £956 per week

However, it appears there has been a substantial reduction in this pay differential due to council paid fees rising faster than privately paid fees in recent years.

This represents a major change in the dynamics of the market. LaingBuisson estimates show that the private pay fee differential compared with local authority fees was 43% in 2015, declining to approximately 25% in 2026.

While cross-subsidisation remains a feature of the market, its scale has diminished as council-funded fees have partially caught up.

Average weekly fees in independent (for-profit and not-for-profit) homes for older people and dementia by source of funding, England, 2025/26



Source: LaingBuisson, 2026

Care homes for older people UK market report (36th edition), LaingBuisson, 2026

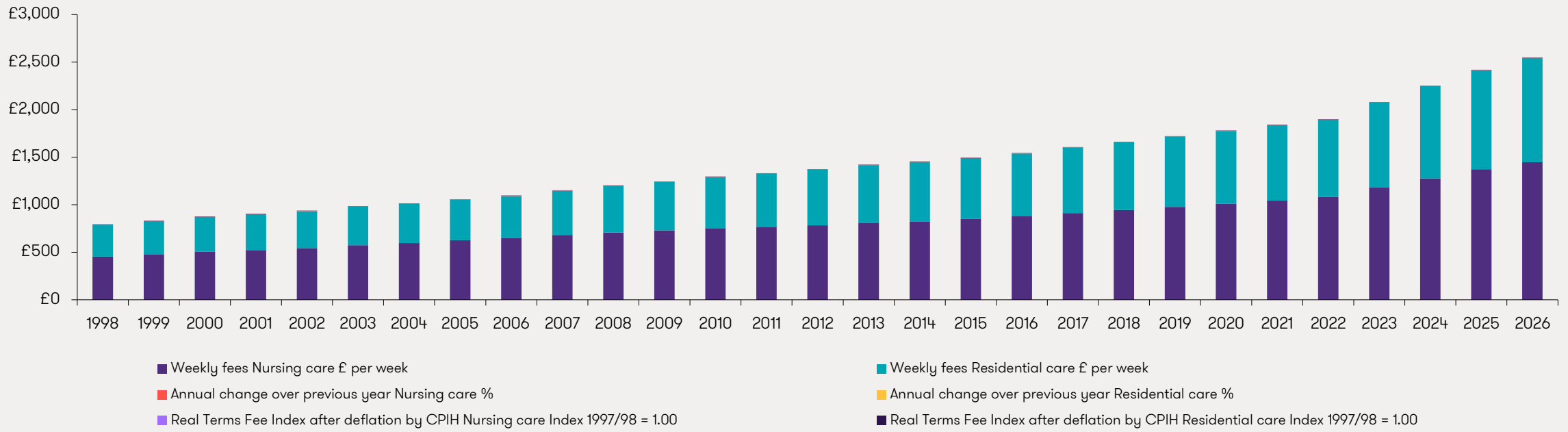
Fee rates

Care home fee inflation has outpaced that of the economy. For example, from 2020 to 2026, weighted average fee rates in England are estimated to have risen by 43% to £1,447 per week for nursing care, and also by 43% to £1,100 per week for residential care.

The last three to four years have seen particularly high fee inflation due to rises in the national living wage, increases in national insurance contributions and an inflationary environment driven by the geopolitical environment.

However, it should be noted that fee inflation has not necessarily kept pace with increases in operating costs.

Weighted average weekly fees from all funding sources among independent sector (for-profit and not-for-profit) homes for older people and dementia (65+), UK, 1997/98 - 2025/26



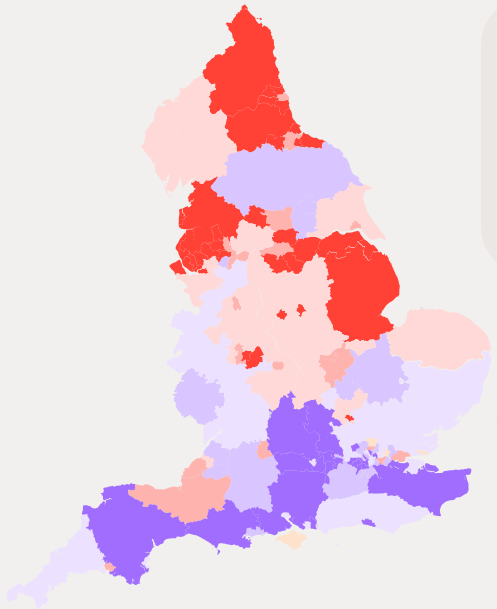
Source: Care homes for older people UK market report (36th edition), LaingBuisson, 2026

Fee rates

There is also wide regional variance in the weighted average fee levels payable, depending on private pay penetration and affluence, as the heat maps illustrate.

As might be expected, the highest fee levels are seen in the South-East and other areas of affluence throughout England, and the lowest fees in a belt of highly populated post-industrial areas across the North-East Midlands, South Yorkshire and the North-West.

Weighted average weekly fee rates (all funding sources) for nursing care for older people, England 2025/26

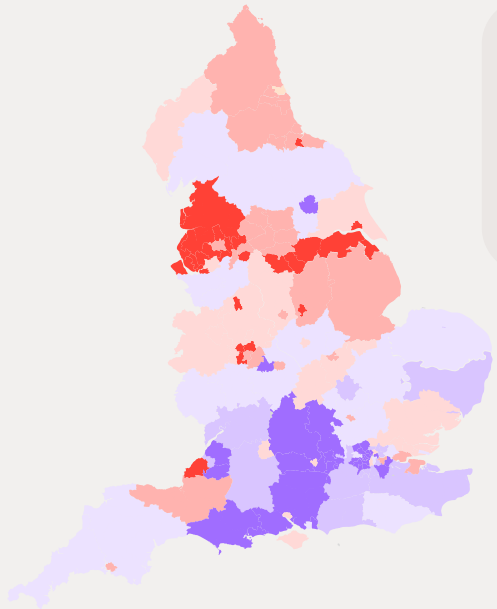


England averages

Private pay	£1,572 pw
Council paid	£1,343 pw
Weighted average	£1,447 pw
Private pay premium	17% in excess of council-paid fees

< £1,250 | < £1,250 - £1,350 | < £1,350 - £1,450 | < £1,450 - £1,550 | < £1,550 - £1,650 | < £1,650

Weighted average weekly fee rates (all funding sources) for residential care for older people, England 2025/26



England averages

Private pay	£1,271 pw
Council paid	£956 pw
Weighted average	£1,100 pw
Private pay premium	33% in excess of council-paid fees

< £900 | < £900 - £1,000 | < £1,000 - £1,100 | < £1,100 - £1,200 | < £1,200 - £1,300 | < £1,300

Source: Care homes for older people UK market report (36th edition), LaingBuisson, 2026

Profitability of sector

From the financial crash in 2008 and subsequent introduction of austerity politics in the early 2010s, there was a downward trend in the profitability of the sector, reaching a nadir in the years following Covid.

However, since 2023/24 sector profitability has improved, albeit not universally for all operators. In 2024/25 average earnings before interest, tax, depreciation, amortisation, rent and central management costs (EBITDARM) as a percentage of income among independent care home providers reached 30.1%.

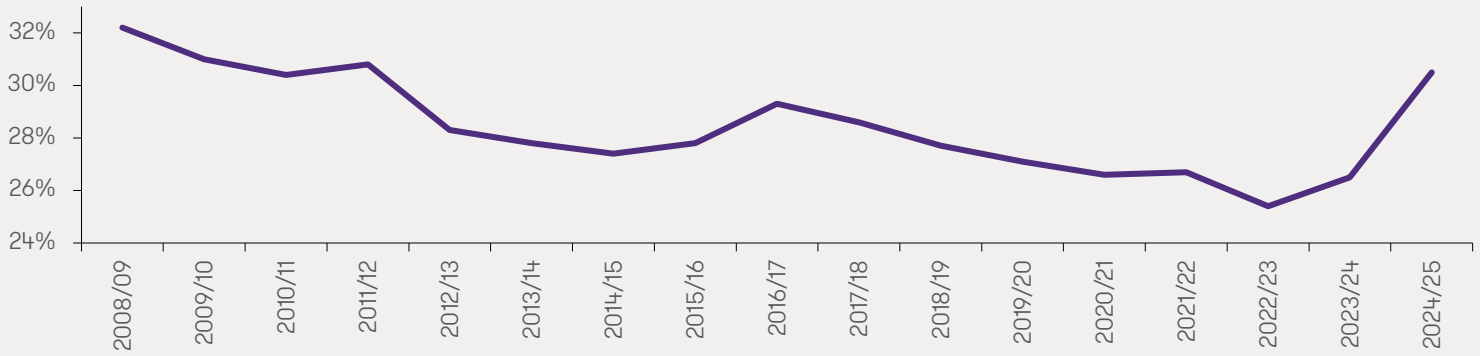
There is a significant difference in profitability depending on the rating assigned by the CQC to a care home. As the tables illustrate, care homes with an 'inadequate' rating had an EBITDARM margin of only 2% (in 2024) compared to a 31.3% margin for homes with an 'outstanding' rating.

This is to be expected. When a care home receives an 'inadequate' rating, there will be local authority embargoes and reduced revenue as families and individuals seek care elsewhere. Costs can also increase as investment is needed to address required improvements, for example hiring additional staff, training them or upgrading facilities.

Although rare, the CQC can also impose fines or other financial penalties (including those for health and safety issues) on providers who fail to meet the required standards.

Homes with over 60 beds are the most profitable, operating an EBITDARM of around 32.6% in 2025. This reflects the in-home economies of scale, and as such, most new capacity coming onto the market is on the large-scale corporate model, with 60+ beds.

EBITDARM as % of income, since 2008/09



Source: Knight Franks

EBITDARM margin per CQC band, 2024-2025

CQC Rating	EBITDARM (% of income)	
	2024	2025
Outstanding	30%	31.3%
Good	27%	30.8%
Requires improvement	20%	26.8%
Inadequate	2%	NA

EBITDARM margin per size band, 2024-2025

Size band	EBITDARM (% of income)	
	2024	2025
1-39 beds	21%	22.6%
40-59 beds	23%	26.8%
60-79 beds	29%	32.7%
80-99 beds	29%	32.6%
100+ beds	26%	32.6%

Source: Knight Frank

Source: Knight Frank UK Care Homes Trading Performance Review, 2025

Profitability of sector

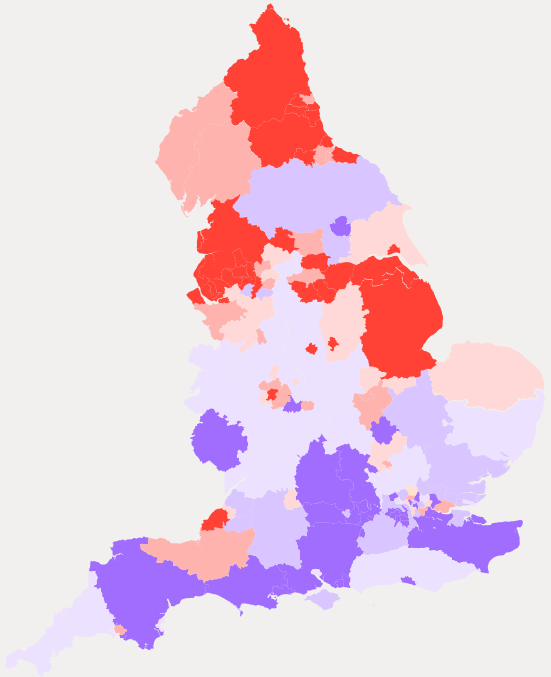
There is a divergence in profitability between providers depending on their exposure to public pay. Those with a high exposure are impacted by the constrained finances of local authorities.

As expected, the heat maps illustrate that profitability is higher in more affluent areas where private pay rates are higher, and a clear North/South divide can be seen. However, there are some exceptions.

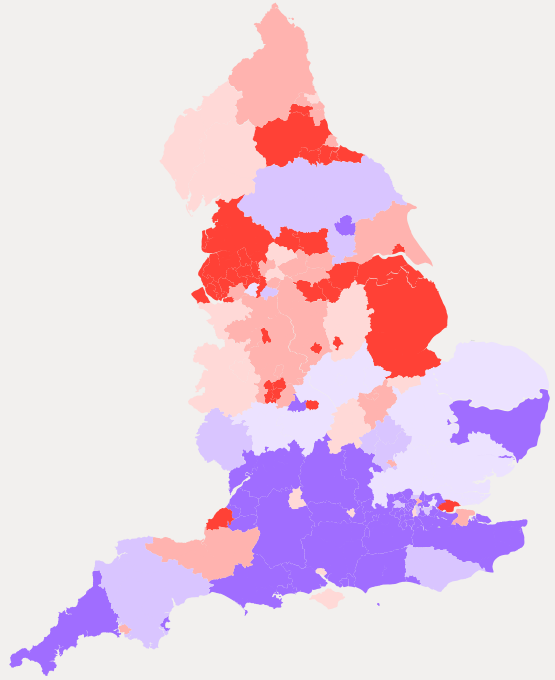
For example, the city of York and North Yorkshire stand out as highly profitable compared with the densely populated neighbouring urban areas.

Illustrative operating profitability

(EBITDAR as a % of revenue) of nursing care for older people, England by local authority, 2025/26



(EBITDAR as a % of revenue) of residential care for older people, England by local authority, 2025/26



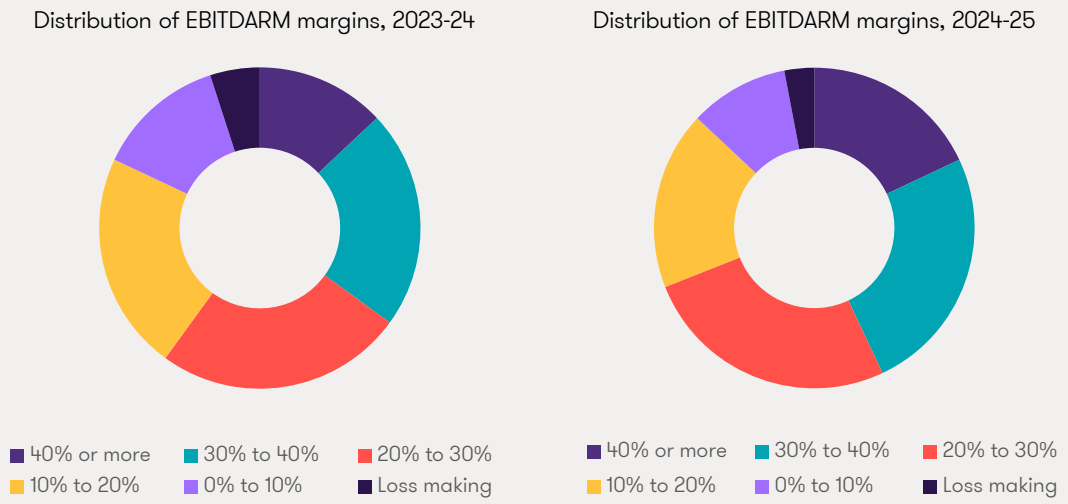
< 5% | 5% - 10% | 10% - 15% | 15% - 20% | 20% - 25% | ≥ 30%

Source: LaingBuisson 2026, assuming national average staffing input

Profitability of sector

In 2026, the profitability of the sector is expected to be broadly positive, continuing the trend of the past couple of years where a growing share of care homes are achieving margins above 40% and fewer loss-making operators.

Distribution of EBITDARM margins



Source: Knight Frank UK Care Homes Trading Performance Review, December 2024 and December 2025

However, profitability will be constrained by rising business costs, particularly uplifts in the national living wage and employer national insurance contribution changes implemented in 2025, which have been a primary driver of recent fee inflation.

We estimate that a typical care home will have seen annual increases in costs of over £125,000 in respect of the NIC costs alone. Smaller providers who operate on narrow profit margins will be disproportionately affected and are most likely to face financial pressure.

Staff costs

Staff costs are one of the biggest pressures on the sector. In the financial year 2024/25, staff costs absorbed:

- 70% of care home income for nursing care
- 62% of care home income for residential care
- 65% of care home income for residential care (dementia)[8]

Until 2023, the cost of agency staff as a percentage of total costs in the UK steadily increased, constituting 13.9% of total staff costs in 2023.[9]

However, in both 2024 and 2025 agency usage declined as a direct result of the overseas employee sponsorship scheme (see 'Staffing shortfall pressures' for more details) with 60% of operators saying they experienced a reduction of agency usage in 2024 and a further 49% in 2025.[10]

This led to a fall in agency use as a percentage of staff costs in 2025, decreasing to 2.9% (from 6.8% in 2024) for residential care, and 3.3% (from 7% in 2024) for nursing care.[11] This explains the drop in staff costs as a percentage of income from 2023/24 illustrated in the graph.

The decision by the Government in July 2025 to remove care workers from the shortage occupation list is likely to increase agency usage in the medium to long term.

The wages of carers and nurses in the sector have seen a growth in 2024/25. The average nurse wage per hour is now £22.20, up by 20.7% from the previous year. The average carer wage per hour is £12.95, an increase of 12.8%.[12]

However, as of December 2025, 48% of all independent sector workers were paid less than the mandatory NLW rate implemented in April 2026, meaning around 640,000 workers will have benefited from this increase. Around 90% of care homes were paying at least some of their workers below the April 2026 NLW rate, and therefore will have been impacted as well[13].

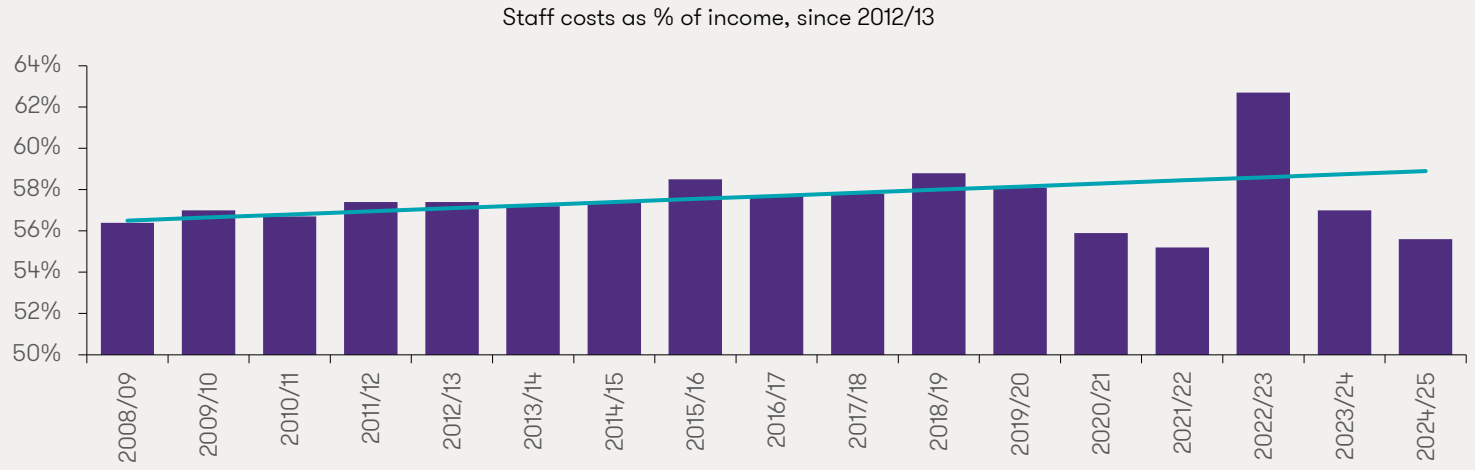
In addition to increased wage rates, in April 2025, national insurance contributions increased from 13.8% to 15%, and the earnings threshold for businesses to start paying NI dropped from £9,100 to £5,000. Operators have had to absorb these costs, further tightening margins, or find ways to cut costs and/or increase fees.

Salary is not the sole staff-related expense that operators must take into account. They also need to allocate resources to train, develop and support staff, especially considering the increasing acuity of patient/resident care situations they often encounter.

Given the magnitude of the recent NLW increases as well as NIC budget changes, local authority austerity is likely to add to margin pressures, with average fee increases unlikely to fully compensate these increases.

However, some local authorities have flexed the way they set fee increases by linking them directly to staff pay increases.

Staff costs as % of income, UK



8. Carehomes for older people (36th edition) LaingBuisson 2026
9. UK Care homes, Trading performance review, Knight Frank, 2024
10. Care Market Review, Christie & Co, 2025
11. UK Care homes, Trading performance review, Knight Frank, 2025
12. Skills for Care: Pay in the adult social care sector England, March 2026
13. Skills for Care: Pay in the adult social care sector England, March 2026

Staff costs

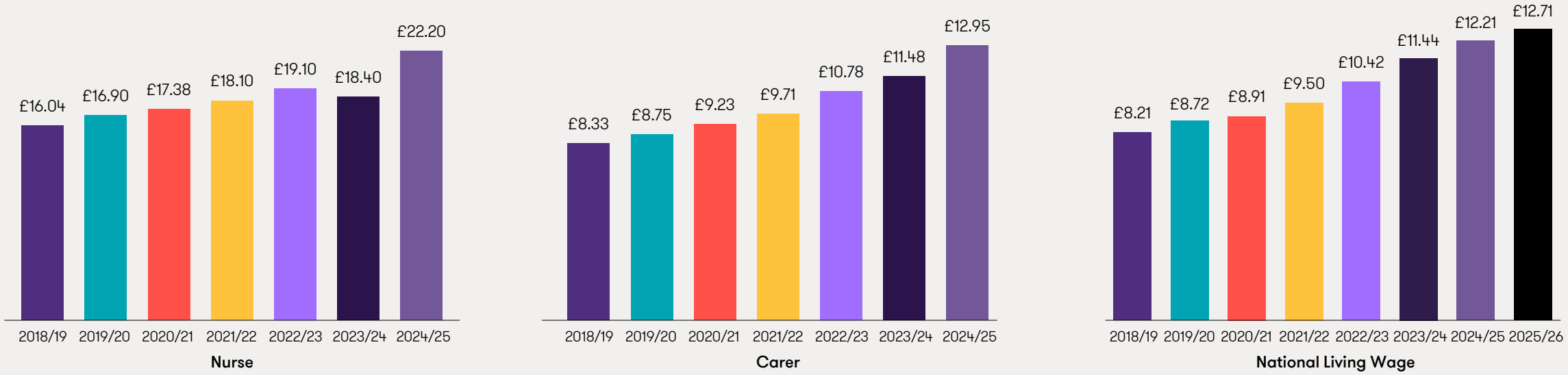
Fair pay agreements

In 2024, Labour announced a fair pay agreement for social care, aiming to improve recruitment and retention in the adult social care sector. Many hoped this would create clear water between adult social care pay and rates in other low-pay sectors such as hospitality and retail.

The government published its response to the consultation on the fair pay agreement process in July 2026, confirming that an Adult Social Care Negotiating Body will be established, with equal representation from trade unions and employers. Negotiations are due to begin in April 2027, with the first agreement taking effect from April 2028, a year later than many in the sector had anticipated.

The £500 million funding envelope for the first year has now been confirmed, though it will not be ring-fenced, leaving local authorities discretion over how it is spent within the wider Local Government Finance Settlement. LaingBuisson research suggests this level of funding would deliver only around 50p per week for care staff, a sum unlikely to make a meaningful difference to pay in the sector.

Average care home wage rates and national living wage, per hour



Source: UK Care homes, Trading performance review, Knight Frank, 2025

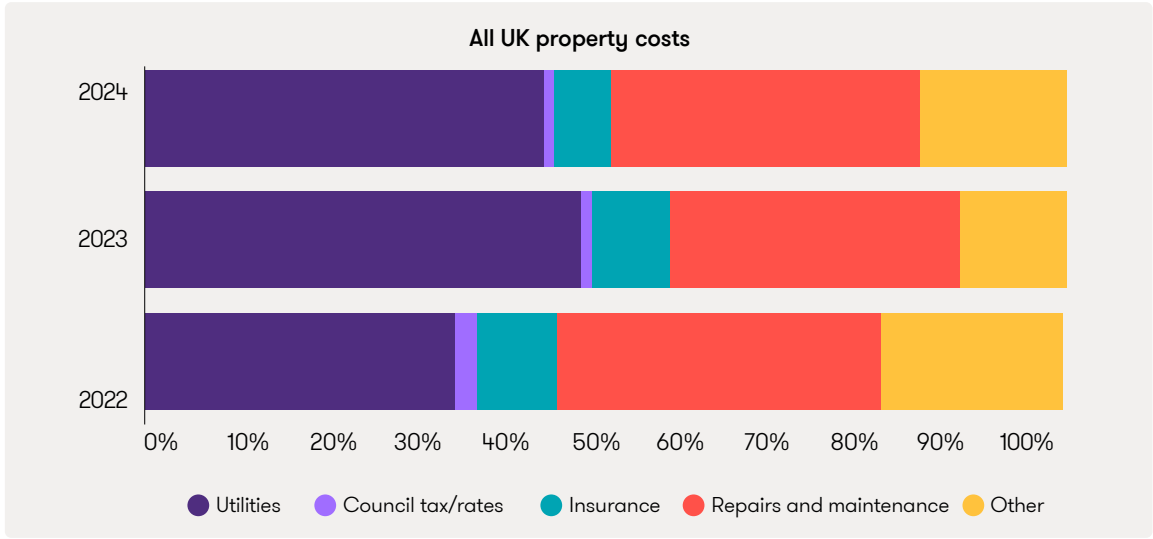
Food and property costs

As well as a substantial increase in staffing costs, care homes have had to absorb increases in food and property (including utility) costs.

Between 2018 and 2025, food costs per bed in the UK rose 52% and property costs rose 21%.[14]

In 2025 food costs per bed were £2,230, relatively flat from the previous year (£2,222). Property costs per bed were £4,427, an increase of 18% from the previous year (£3,794).

Research from Knight Frank drills down further into property costs, illustrating the impact of higher utility prices. In 2024, the percentage share of property costs attributed to utilities was 43%, compared to 34% in 2022. Comparable data is not available for 2025.



Source: Knight Frank

14. UK Care homes, Trading performance review, Knight Frank 2025

Food and property costs

Comparison of property costs by type, age and size, UK

	Utility costs as % of property costs				Utility costs per bed (£)				Utility costs per bed / per day (£)				Utility costs as % of income			
Utility costs by property type	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**
Conversion	30.2%	42.7%	40.7%	34.1%	1,213	1,990	1,970	1,903	3.32	5.45	5.40	5.21	2.30%	3.50%	3.10%	2.65%
Purpose built	30.7%	35.0%	41.1%	36.2%	990	1,544	1,710	1,777	2.71	4.23	4.68	4.87	1.90%	2.80%	2.75%	2.59%
Utility costs by property age	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**
0-10 years old (opened after 2010)	20.3%	36.4%	37.6%	41.7%	971	1,648	1,647	1,960	2.66	4.51	4.51	5.37	1.7%	2.8%	2.4%	2.63%
10-20 years old (opened 2000-2010)	28.5%	49.8%	44.9%	41.7%	920	1,976	1,927	2,019	2.52	5.41	5.28	5.53	1.8%	3.9%	3.2%	3.01%
20-30 years old (opened 1990-2000)	32.0%	47.6%	43.4%	41.7%	1,003	1,930	1,673	1,715	2.75	5.29	4.58	4.7	2.0%	4.1%	2.8%	2.46%
30 years+ (opened prior to 1990)	28.7%	41.4%	38.4%	35.9%	1,102	1,399	1,783	1,536	3.01	3.83	4.89	4.21	2.2%	3.0%	3.1%	2.41%
Utility costs by property size	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**
1-39 beds	30.8%	41.6%	37.4%	30.7%	1,339	1,993	2,010	2,043	3.67	5.46	5.51	5.60	2.66%	3.63%	3.22%	2.97%
40-59 beds	30.4%	40.3%	41.8%	31.8%	1,059	1,669	1,828	1,707	2.9	4.57	5.01	4.68	2.15%	3.18%	3.16%	2.67%
60-79 beds	30.4%	33.6%	41.4%	37.1%	996	1,527	1,733	1,774	2.73	4.18	4.75	4.86	1.84%	2.62%	2.63%	2.47%
80-99 beds	31.3%	27.5%	40.4%	34.7%	894	1,379	1,509	1,578	2.45	3.78	4.13	4.32	1.65%	2.36%	2.33%	2.29%
100+ beds	31.3%	47.6%	46.9%	46.7%	787	1,565	1,673	1,581	2.16	4.29	4.58	4.33	1.60%	3.05%	2.90%	2.40%

Source: UK Care Homes, Trading performance review, Knight Frank, 2025

Staffing pressures

There are currently 1.59m people working in adult social care in England. The recruitment and retention of care workers has been a persistent and ongoing problem for the sector. Low pay and a lack of pay progression for experienced workers makes it hard to both attract and keep good people.

The sector is characterised by:

- **High staff turnover rates:** In 2025-26 the staff turnover rate was 23.6%
- **A significant proportion of workforce on zero-hours contracts:** 21% of independent and local authority sector workers in England in 2025 were employed on a zero-hours contract. Equivalent data for 2026 is not available
- **Reliance on staff from overseas:** in 2025/26, the proportion of British workers in the independent and local authority sectors was 67.5% down from 83% in 2021/22

Staff vacancy rates have fallen and were 6.2% in 2025/26, the lowest levels since 2015/16. This is significant for the sector and has been achieved despite a block on overseas recruitment.

During the pandemic, there was a temporary surge in applicants for the care sector as other sectors were locked down. However, as the economy started to reopen workers were attracted back to the hospitality and retail sectors instead of social care.

The Health and Care workers visa scheme had a positive effect on staffing levels during 2022 and 2023, as it significantly boosted overseas recruitment.

However, since March 2024, overseas care workers and senior care workers are no longer able to bring dependants when they migrate to the UK. Between April and June 2024, there were an estimated 8,000 international recruits joining the adult social care workforce in direct care roles in the independent sector. This is a substantial decrease from 2023/24 where there was an average of 26,000 per quarter.

A white paper issued in May 2025 proposed ending new overseas recruitment for care workers and senior care workers under the Health and Care Worker visa route, a measure enacted on 22 July 2025, when occupation codes 6135 and 6136 were closed to new applications from abroad. Limited transitional arrangements allow providers to assign a Certificate of Sponsorship to a worker already in the UK on their payroll for at least three months, but only until 22 July 2028.

Sources: Skills for care: The size and structure of the adult social care sector and workforce in England 2025 / 2026 and Skills for Care, The state of the adult social care sector and workforce in England, 2025

From April 2025, sponsors were already required to prioritise recruitment from the pool of displaced workers already in the UK before looking overseas, but only 3.4% of around 28,000 displaced workers were rematched to a new visa sponsor between July 2024 and April 2025, illustrating the limited effectiveness of that pipeline in practice.[15]

Consecutive governments have struggled to balance the need for overseas staff to fill roles that cannot be filled domestically with political pressures to limit immigration.

Skills for Care has projected that the adult social care workforce will need to grow by 410,000 posts, a 24% increase by 2040.[16]

15. Work Rights Centre: International recruitment of care workers has ended, the impact may be disastrous, August 2025
16. Skills for Care: The state of the adult social care sector and workforce in England, 2025, CBRE

Staffing pressures

Issues by workforce group

Care home managers

In our experience, around 10% of care homes do not have a registered manager. Given the pivotal role of this function in overseeing the culture and key relationships with the regulator and local authorities, and thus profitability, this remains a concerning statistic.

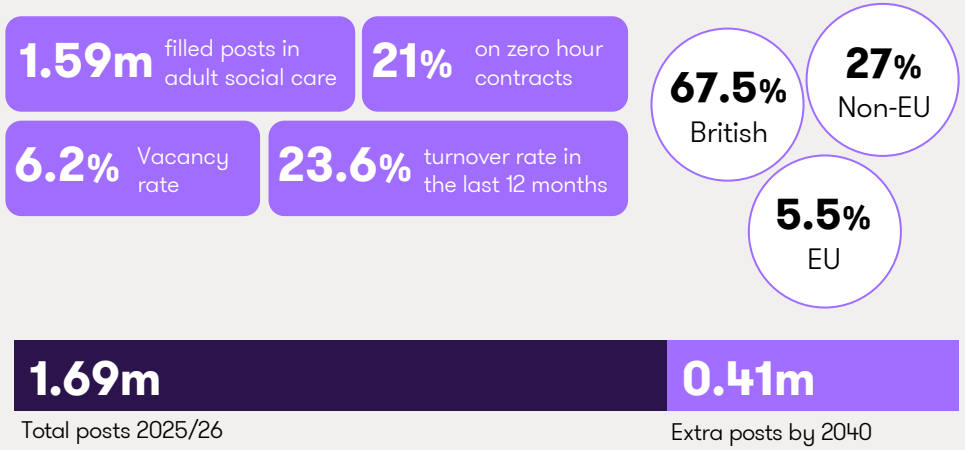
Qualified nurses

The shortage of nurses stems from historically insufficient training capacity in the UK, and although expansion is underway, it will take years to meaningfully increase supply. Nurses can often earn higher pay from agency work. Overseas recruitment only provides a partial solution, meaning shortages are likely to continue until the number of UK qualified nurses increases. Otherwise viable nursing homes would be at risk of closure if qualified nurses staffing levels are not adequate.

Low-paid non-nurse carers and domestic staff

This group accounts for around 75% of care home staff by numbers and two-thirds by cost. Pay levels have increased considerably due to NLW increases, but any future pay rises are unlikely to be considerably higher than the NLW, meaning providers need to recruit staff for demanding roles largely through vocational motivation rather than financial incentive.

Key workforce statistics for adult social care, England, 2025



Source: Skills for care, The size and structure of the adult social care sector and workforce in England, 2025/26

The quality and regulatory agenda

All care homes in England must be registered with the Care Quality Commission (CQC). In Scotland, it is the Care Inspectorate; in Wales, the Care Inspectorate Wales and in Northern Ireland it is the Regulation and Quality Improvement Authority.

In England, the care regulator conducts inspections which result in facilities receiving one of four gradings, dependent on how well the care home is graded against five key lines of enquiry: is it safe; effective; caring; responsive to people's needs; and well-led?

As of March 2026, fewer than a quarter of care homes for older people in England had a CQC rating less than two years old. 43% of homes had a rating more than five years old. This has driven strong criticism of the CQC from providers, particularly those who say they have implemented improvements after a 'Requires Improvement' rating but are unable to secure a timely re-rating.

Delays also undermine public confidence in the credibility of published ratings. The CQC maintains that limited resources mean inspections are prioritised towards services posing the greatest perceived risk.

Of those care homes for older people and dementia rated to date:

- 80% were rated 'Good' or 'Outstanding', of which 4% gained the 'Outstanding' accolade
- For-profit homes perform less well on average (79% 'Good' or 'Outstanding') than not-for-profit or local authority homes (86% and 83% respectively 'Good' or 'Outstanding')
- Group-operated homes (82% 'Good' or 'Outstanding') outperform non-group operated or 'solus' homes (77%). The definition of a 'group' is broad, any operator with three or more homes

CQC ratings performance of English care homes for older people and dementia (65+), by provider sector, March 2026

Sector	Care home rated to date	Outstanding	Good	Requires Improvement	Inadequate	% awarded Good or Outstanding
NHS	6	0	4	2	0	67%
Non-for-profit	933	56	744	130	3	86%
Local Authority	205	8	163	31	3	83%
For Profit	7,013	259	5,286	1,371	97	79%
of which all sectors:						
Nursing homes	3,347	142	2,516	643	46	79%
Residential homes	4,810	181	3,681	891	57	80%
Group operated	5,028	225	3,891	864	48	82%
Non-group operated	3,129	98	2,306	670	55	77%
All sectors (rated)	8,157	323	6,197	1,534	103	80%
All sectors (not rated)	646					

Source: LaingBuisson analysis of latest CQC ratings

The quality and regulatory agenda

There is an inverse correlation between the size of a home and the CQC rating, particularly for nursing homes: the larger care homes tend to have a lower CQC rating compared to smaller nursing homes, as illustrated below. The relationship is most pronounced at the extremes, with mid-sized homes showing more consistent ratings.This is an interesting trend to watch, particularly as most of the new care homes entering the market follow the large-scale corporate model and are usually 60+ beds.

Percentage of care homes for older people and dementia rated 'Good' or 'Outstanding' by size of home (number of registered beds), all provider sectors, latest CQC rating, England at March 2026

Sources: LaingBuisson analysis of latest CQC ratings, March 2026

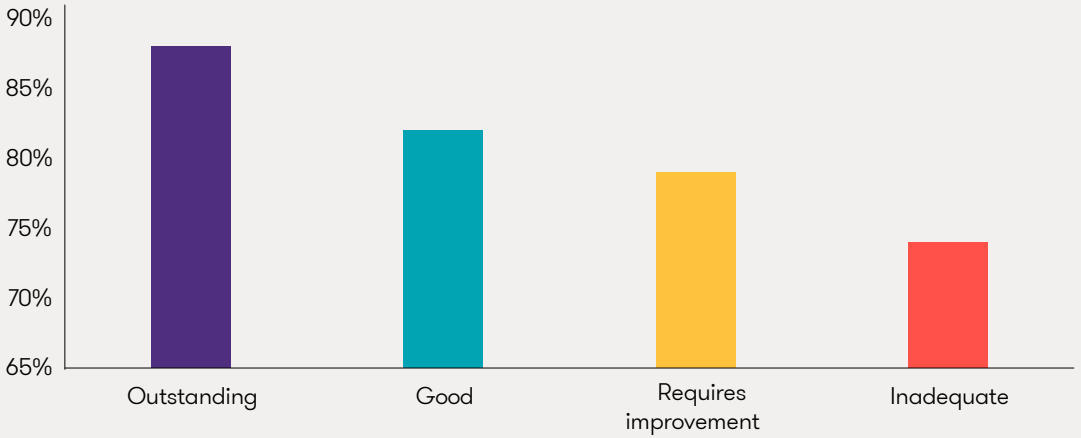
The quality and regulatory agenda

Relationship between CQC rating and occupancy

There is a relationship between the rating attributed by the CQC and occupancy rates. There is therefore strong financial incentive to maintain or improve CQC ratings, which will improve occupancy leading to more income to invest in improving service quality.

There can be significant and long-term financial ramifications when a care home is rated as inadequate by the CQC. This would normally mean 'special measures' and an automatic embargo on new residents. The home will typically have to deal with declining occupancy at the same time that its costs are increasing in order to address CQC concerns. This can also lead to problems with recruitment and staff retention.

Relationship between occupancy rates and ratings for care homes for older people, as of January 2024*



Source: Care Quality Commission, LaingBuisson, Care homes for older people, 34th edition
* The latest data available is from January 2024

Sources: Care Quality Commission, 2024
Knight Frank UK Care Homes Trading Performance Review 2025
LaingBuisson, Care homes for older people (34th edition)

Relationship between CQC rating and profitability

While the impact of declining occupancy and increasing costs on financial performance and cash flow is considerable, the resulting impact on value can be even more dramatic as a result of declining multiples associated with under-performance.

The table illustrates this point, showing that the average EBITDARM margin in 2025 for 'outstanding' care homes was 31.3%, decreasing to 30.8% for those with 'good' ratings and 26.8% for those 'requiring improvement.'

EBITDARM margin per CQC band, 2025

CQC Rating	EBITDARM (% of income)
Outstanding	31.3%
Good	30.8%
Requires improvement	26.8%

Source: Knight Frank

The quality and regulatory agenda

Relationship between CQC rating and fees

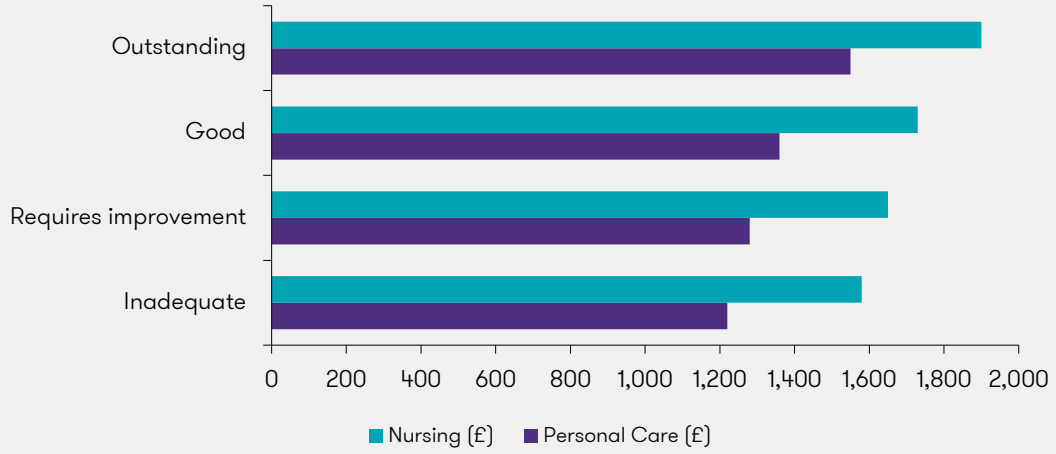
CQC ratings also impact the level of fees, as expected, homes rated outstanding quote higher fees than their counterparts. The graph illustrates that in England in 2025, homes with an outstanding CQC rating quoted on average 11.7% higher fees for nursing care and 15.6% higher fees for residential care (personal care) than all other ratings.

The fee premium for homes rated Outstanding compared with Good has narrowed. For residential care, the uplift is just under £190 per week, slightly below its 2024 high. In nursing care, however, the differential has fallen to around £170 per week from over £200 in 2024.

While 'Outstanding' homes typically benefit from stronger occupancy and lower marketing costs, these providers often operate with higher staffing ratios, greater investment in training and wellbeing, and enhanced facilities, all of which can increase cost per bed.

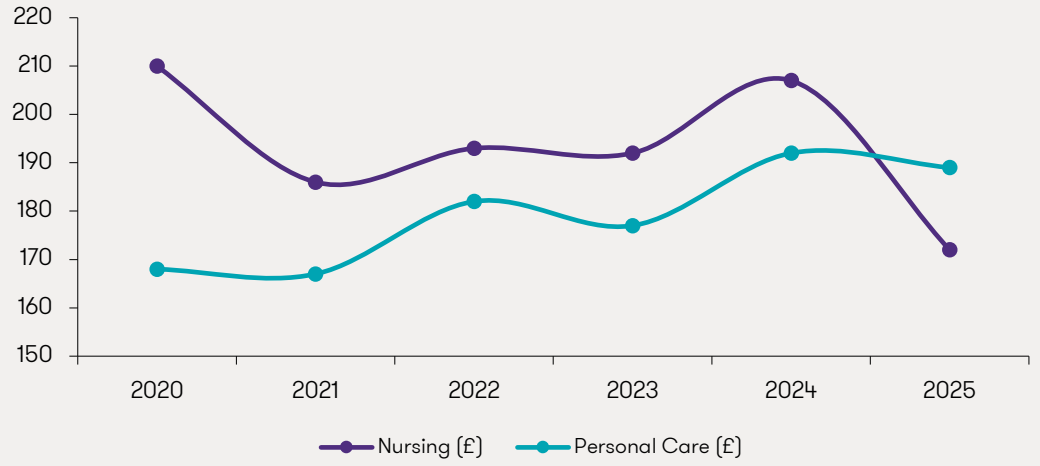
That said, there can be greater operational stability among this cohort, with lower reliance on agency staff and less volatility in occupancy.

Impact of CQC ratings on fee rates, independent sector, England 2025



Source: Carterwood: Balancing act: fee uplifts in a shifting market, September 2025

Fee premium for Good vs Outstanding, independent sector, England 2025



Source: Carterwood: Balancing act: fee uplifts in a shifting market, September 2025

ESG and net zero

Environmental, Social and Governance (ESG) considerations are becoming an increasingly important focus across the care home sector, particularly as investor expectations and regulatory scrutiny continue to grow.

As of 2025, only 33% of operators had a targeted ESG strategy in place. However, 72% identified ESG as a key priority over the next 12 months.[17]

In practice, ESG initiatives within the sector are most commonly centred on environmental sustainability and operational efficiency. Care home energy consumption varies widely, creating significant opportunities to improve efficiency. This can be achieved through the retrofitting of existing homes (around half of which are still located in converted buildings) as well as by delivering higher energy performance standards in new developments.

Examples include providers investing in renewable energy solutions such as solar panels, improving energy performance through upgraded heating systems and LED lighting, and reducing waste through more efficient procurement and recycling practices.

The need to reduce energy consumption has been intensified by sharp increases in energy prices following the Ukraine conflict and war in the Middle East in 2026.

To align with the goals of the Paris Agreement and support the transition to a 1.5°C pathway by 2030, new buildings, infrastructure and major refurbishments are expected to achieve substantial reductions in embodied carbon—targeting at least a 40% decrease—while ensuring that all new developments operate at net zero carbon. Looking further ahead, by 2050 both new and existing buildings will be required to achieve net zero operational carbon, with new developments also expected to eliminate embodied carbon.

Alongside these environmental measures, there is also increasing emphasis on social impact, with initiatives designed to enhance resident wellbeing, reduce social isolation, and support staff through improved working environments, wellbeing programmes, and flexible employment models.

17. Christie & Co, Care market review 2025

The investment landscape

The last 18 months has seen strong levels of M&A activity, with 2025 being a landmark year for deal activity.

Over £12 billion of capital was deployed into UK healthcare real estate in 2025. Deal activity has come from small to medium buyer groups along with a couple of larger groups trading to Welltower who had the ability to utilise RIDEA management contract structures.[18]

CMA investigation into Welltower

A new challenge facing the sector has emerged following Welltower's four acquistions of Barchester, Aria, Danforth and HC-One in October 2025, which has created complexity around deal completion and market concentration. The scale of these transactions triggered a formal review by the Competition and Markets Authority (CMA), reflecting concerns around potential reductions in competition in certain localised care home markets. The CMA's assessment is focused on whether the consolidation could lead to higher fees, reduced choice for residents, or weaker service quality in areas where Welltower would hold a significant footprint. This level of regulatory scrutiny is notable for the sector and highlights growing sensitivity around ownership concentration, particularly where large real estate-backed operators expand aggressively.

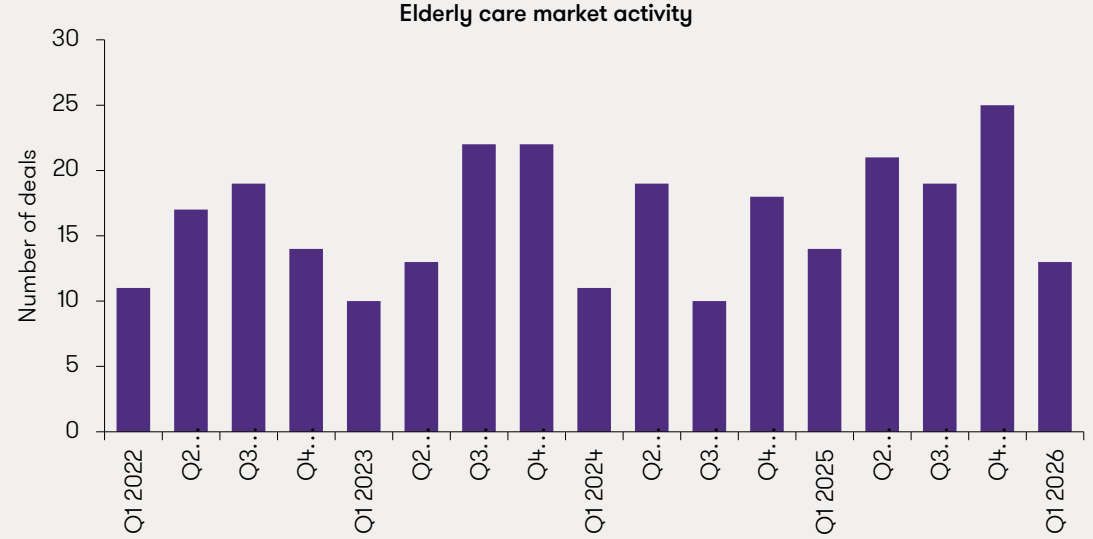
On 21 May 2026, in response to these concerns, Welltower offered a package of remedies, including the proposed sale of a number of care home properties and, in some cases, the reallocation of operations to alternative providers. These commitments are intended to address local competition risks identified by the CMA and facilitate regulatory clearance of the transactions.

The CMA confirmed on 27 May 2026 that it is proposing to accept these undertakings, resolving its competition concerns at Phase 1 without escalating to a full Phase 2 inquiry.

The remedies package includes freehold and leasehold divestments, operator reallocation at certain homes, and a commitment from Apex Healthcare Properties not to re-enter operator arrangements at reallocated homes. An upfront buyer condition applies: Welltower must agree terms with a CMA-approved acquirer before the undertakings are formally accepted. The CMA has since extended its decision deadline to 17 September 2026 and opened a public consultation on the undertakings ahead of a final decision.

If concluded as expected, this process is expected to release a defined pipeline of assets to market, creating acquisition opportunities particularly for smaller and mid-sized operators. Prospective acquirers will need to demonstrate operational credibility and regulatory standing to satisfy the CMA's buyer approval process.

As a result, this process could create a pipeline of divestment opportunities, particularly for smaller and mid-sized operators looking to grow their portfolios. If executed, this could reinvigorate transactional activity across the market, with selective asset sales providing entry points for new operators and enabling existing groups to scale in a more fragmented and competitive landscape.



Sources: Zephyr, Mergermarket, LaingBuisson, Health Investor and Grant Thornton internal data

18. RIDEA (REIT Investment Diversification and Empowerment Act, US 2007) is a structure under which a REIT participates in the operating income of healthcare properties rather than receiving fixed rent alone.

The investment landscape

Expectations for 2026

While 2025 was a record year for UK care home investment, it was largely the story of two deals: Welltower's acquisitions of HC-One and Barchester. Strip those out and the underlying market operated at more normal levels, with Q1 2026 confirming a period of normalisation rather than retreat. Investor conviction in the sector's fundamentals remains intact.

Those fundamentals are holding up. Occupancy has been at or above 88% for over three years, average weekly fees rose 8.1% in 2025, and whole-market EBITDARM margins reached 30.7% in Q4 2025 showing that the sector has absorbed cost pressures without significant deterioration.[19]

However, profitability is not universal. Modern purpose-built homes, typically those built in the last ten years with ensuite rooms, communal facilities and a largely private-paying resident base, achieved EBITDARM margins of 37%. Older, converted properties catering predominantly to local authority-funded residents achieved 24.5%.[20]

That 12.5 percentage point gap is where closures are concentrating: in H1 2025, 38% of homes coming to market were under 20 beds, up from 12% in the same period in 2024, and 21% came to market with vacant possession.[21]

The sector is consolidating, and the human cost, namely lost capacity, disrupted residents, communities losing local provision, deserves as much attention as the investment returns it generates for acquirers.

Buyer composition over the past 18 months tells an encouraging story alongside the closures.

First-time buyers accounted for 17% of completions in H1 2025, up from just 4% in 2023, and small to medium-sized groups were the most active category at 32% of deals.[22]

The market is becoming more accessible to new entrants even as it squeezes out the smallest and most financially exposed providers, a divergence that will accelerate in 2026 and beyond unless the funding gap between private-pay and local authority rates is meaningfully addressed.

Providers best placed for 2030 are investing now in digital infrastructure, energy efficiency and workforce culture, while maintaining balance sheets resilient enough to absorb a cost environment that shows no sign of easing.

The long-term investment case is well understood by domestic and international capital alike, the structural demand, the inelastic nature of need, and income that is often inflation-linked.

What the sector still awaits is a funding framework that makes good care financially sustainable whether a resident is privately funded or dependent on local authority support. Until that gap closes, consolidation will continue on terms that serve investors more reliably than they serve older people.

19. Cushman & Wakefield, Elderly Care MarketBeat Q1 2026
20. Cushman & Wakefield, Elderly Care MarketBeat Q1 2026
21. Christie & Co, Care Market Review 2025
22. Christie & Co, Care Market Review 2025

The investment landscape

Key deals in Q1 2026

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	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

Source: Cushman & Wakefield, MarketBeat, Elderly Care, Q1 2026

The investment landscape

Key deals in Q4 2025

Deal	Date	Deal type	Acquirer	Vendor	Assets	Beds
Confidential	Dec-25	VP	Confidential	Confidential	1	33
Confidential	Dec-25	PropCo	Confidential	Confidential	1	70
Ealing House	Dec-25	WholeCo	365 Care Homes	Local Operator	1	17
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
Athena Healthcare	Dec-25	WholeCo	Confidential	Athena Healthcare	6	496
Confidential	Dec-25	Land	Confidential	Confidential	1	75
Confidential	Dec-25	PropCo	Confidential	Confidential	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
Sable Cottage Nursing Home	Nov-25	WholeCo	JAS Care Homes	Local Operator	1	39
Beechcroft House	Nov-25	WholeCo	Nanak Care	Local Operator	1	25
Runwood	Nov-25	WholeCo	Kathryn Homes	Runwood	11	782
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

Source: Cushman & Wakefield, MarketBeat, Elderly Care, Q4 2025

The investment landscape

Key deals in Q4 2025

Deal	Date	Deal type	Acquirer	Vendor	Assets	Beds
Parc Wern	Oct-25	WholeCo	Caron Group	Priory Group	1	59
St Marks Court	Oct-25	WholeCo	Caron Group	Priory Group	1	38
The Beeches	Oct-25	WholeCo	Caron Group	Priory Group	1	46
The Valleys Care Home	Oct-25	WholeCo	Oak Tree Care Group	Local Operator	1	84
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
Confidential	Oct-25	WholeCo	Confidential	Confidential	9	537
Patcham Nursing Home	Oct-25	WholeCo	SDR	Unknown Operator	1	30
Sevenoaks	Oct-25	VP	Eleanor Healthcare	Greensleeves	1	45
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

Source: Cushman & Wakefield, MarketBeat, Elderly Care, Q4 2025

Future outlook and concluding remarks

The structural investment case for UK elderly care remains compelling. Demographic demand is rising, occupancy has recovered strongly from its post-pandemic low, average EBITDARM margins have improved markedly since 2023, and international capital has continued to flow into the sector at scale evidenced by Welltower. On those measures, the sector is performing.

But averages mask a widening fracture: operators with predominantly private-pay income are consistently more profitable than those dependent on local authority rates. New stock coming to market is focused on self-funders. Closures are concentrated at the local authority-dependent end. That bifurcation is the defining structural trend of the next three to five years and it is accelerating.

Bed supply, dementia capacity and development pipeline

The demographic case is clear. By 2040, one in four UK residents will be aged 65 or over and the population over 85 is projected to nearly double to 3.3 million by 2047. The number of people with dementia is forecast to reach 1.4 million by 2040 and 1.6 million by 2050, placing acute and growing pressure on specialist provision.[23] With 45% of NHS delayed discharges currently linked to shortages in care home placements, the residential care sector is carrying a system burden that extends well beyond its own boundaries.[24]

Dementia is already the defining clinical reality of the sector and increasingly its defining commercial challenge. Around 70% of care home residents today have dementia, approximately 260,000 people.[25] As residents enter care settings later and with more complex needs, the cost of delivering care rises regardless of the age of the building. Operators who have invested in specialist dementia environments, higher staffing ratios and clinical oversight are better placed to meet that demand commercially. Those who have not face a narrowing window.

Supply is not keeping pace. The market is forecast to reach full capacity by 2033 without a significant wave of new development, yet planning approvals for 2026 are already lower than for 2025.[26]

Care home bed numbers have increased by only 2.4% over the past decade, while the over-65 population grew 16.2%.[27] Build costs are rising, construction labour shortages persist, and environmental requirements are tightening. New development is increasingly designed around dementia care and high-acuity need, but the position will not improve without deliberate intervention.

The dementia capacity deficit needs specific attention. Dementia care beds currently face a shortage of around 10%. Meeting dementia demand alone will require an additional 120,000 care home places by 2040, equivalent to around 2,000 new dementia-focused homes, or 120 openings every year between now and then.[28] On current planning approval trajectories, that will not happen without deliberate government intervention.

Provision is also uneven: 57% of London care homes can meet higher-level dementia needs compared with 28% in Wales.[29] That gap is as much about planning and investment as it is about policy.

Workforce supply, quality and cost

Policy has shifted the labour supply outlook. The government's decision in July 2025 to remove care workers from the shortage occupation list, combined with the closure of the social care visa route (in force since July 2025) and the proposed extension of the settlement qualifying period from five to ten years, has materially changed the staffing pipeline.

International recruitment into direct care roles fell from approximately 26,000 per quarter in 2023/24 to around 8,000 per quarter by mid-2024 before declining further during 2025 as successive immigration restrictions curtailed overseas hiring.[30] Skills for Care projects a need for 410,000 additional posts by 2040.[31] Current immigration policy is running in the opposite direction.

23. L.E.K. Consulting / Dementia Statistics Hub / Nuffield Trust
24. OakNorth, Care Sector Pulse Report, January 2026
25. L.E.K. Consulting / Dementia Statistics Hub / Nuffield Trust
26. Knight Frank, UK Care Homes Trading Performance Review 2025
27. Knight Frank, UK Care Homes Trading Performance Review 2025
28. L.E.K. Consulting / Dementia Statistics Hub / Nuffield Trust
29. Carehome.co.uk, regional dementia provision data, 2025
30. Skills for Care, The State of the Adult Social Care Sector and Workforce in England, 2025
31. Skills for care, The size and structure of the adult social care sector and workforce in England, 2025/26

Future outlook and concluding remarks

We believe this combination of workforce and funding pressure will accelerate consolidation over the next two to three years, but not on terms that serve all stakeholders equally. Larger, well-capitalised operators with strong private-pay income are positioned to absorb the headwinds and make acquisitions. Smaller providers often embedded in communities and dependent on local authority income are closing. The human cost of that deserves as much attention as the investment returns the consolidation generates.

At the same time, residents' needs are becoming more complex. Caring for people with advanced dementia or complex nursing needs requires more skilled staff, higher ratios and greater clinical oversight, a workforce quality challenge as much as a workforce quantity one.

These pressures are already visible in the trading data. The median care worker hourly rate stood at £12.60 in December 2025, just 39p above the NLW, with over a quarter of the workforce earning within 10p of the minimum.[32] Agency use had been falling steadily from 7% to 3.3% of staff costs in personal care,[33] but that progress is now at risk.

The government published its response to the Fair Pay Agreement consultation in July 2026, confirming an Adult Social Care Negotiating Body, with negotiations beginning in April 2027 and the first agreement taking effect from April 2028. A Fair Pay Agreement that simply rebadges existing minimum wage obligations will not solve the retention problem; it needs to deliver a visible, material improvement in take-home pay, funded rather than left as an unfunded mandate on providers.

Digital transition, consolidation and regulatory risk

Some operational pressures cannot wait for policy. With the UK's analogue phone network retiring by January 2027, every provider must upgrade telecare, warden-call and alarm systems to digital infrastructure. Many are already integrating AI-enabled monitoring and sensor-based fall detection alongside that transition.

These are not discretionary investments, and they arrive in a cost environment already tight for smaller operators.

Grant Thornton's view is straightforward. The commercial opportunity in UK elderly care is real and durable, but the sector cannot stabilise without a funding framework that makes good care sustainable for self-funded and local authority supported residents alike: cost-reflective fee rates, and a workforce strategy that matches the scale of the challenge.

Until that gap closes, consolidation will continue on terms that serve investors more reliably than older people. Realising the opportunity responsibly requires policy to catch up with demographics.

The Better Care Fund framework directs £9 billion of NHS and local government funding towards shifting care from hospital to community, which is meaningful in the medium term. It does not, however, resolve the fundamental question of who pays, and at what rate, for the care of older people who cannot fund themselves.

Prime Minister Andy Burnham has committed to ending 'decades of political drift' on a system he said 'has been left to decline while politicians pass it back and forth,[34,35] and pledged to work across party lines, starting with the social care workforce. Baroness Casey has launched The Big Conversation on Care, a public consultation running to April 2027, with the Commission's full recommendations now due by summer 2027.[36]

Baroness Casey has warned that the adult social care system is broken. In her words, "For too long, we have been stuck in the same cycle: crisis, promises of reform, another review, and then retreat", a pattern she is plainly conscious her own commission risks repeating.

As Professor Martin Green, Chief Executive of Care England, has put it, this commission must not become another exercise in managing decline or pushing reform into the political long grass. That warning echoes three decades of reviews: Sutherland, Dilnot, now Casey, each arriving at broadly the same diagnosis. Whether this attempt breaks that cycle depends on what the Commission recommends next summer, and whether government funds it. The government has a large parliamentary majority and no structural excuse for inaction. The sector warrants something more than another commission: it warrants a decision. Care England's The Power of Care report (May 2026) sets out the immediate priorities, a multi-year funding trajectory, cost-reflective fee rates, and a properly funded Fair Pay Agreement. These are not radical asks. They are the minimum conditions for a stable operating environment.

32. Knight Frank, UK Care Homes Trading Performance Review 2025
33. Carehome.co.uk, regional dementia provision data, 2025
34. PM's speech on social care, 29 July 2026 (GOV.UK)
35. PM sets out new path to fix social care together, 29 July 2026 (GOV.UK, No.10 press release)
36. Baroness Casey launches the Big Conversation on Care with the public, 29 July 2026 (caseycommission.co.uk).

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Contact us

Oliver Haunch
Partner
Head of Private Sector Healthcare
E oliver.haunch@uk.gt.com
T +44 (0)20 7728 3162
M +44 (0)7554 115 264

James Hichens
Director
Private Sector Healthcare
E james.e.hichens@uk.gt.com
T +44 (0)113 200 1515
M +44 (0)7896 419 667

Jessica Sandercock
Senior Manager
Private Sector Healthcare, Corporate Finance
E jessica.l.sandercock@uk.gt.com
T +44 (0)20 7383 5100
M +44 (0)7826 910 531

Peter Jennings
Partner
Head of Corporate Finance and Private Sector Healthcare
E peter.jennings@uk.gt.com
T +44 (0)20 7728 2083
M +44 (0)7887 831 639

Ryan Dearman
Director
Private Sector Healthcare, Corporate Finance
E ryan.c.dearman@uk.gt.com
T +44 (0)20 7865 2554
M +44 (0)7554 338 612

Our advisory, transaction and restructuring services

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- Supporting lenders and borrowers with a financial assessment or impact analysis to support lending

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- We can take formal directorships to improve a company's performance and ensure compliance with loan requirements
- We help find experienced and qualified external persons to sit on a company's board, providing guidance, oversight, and accountability

Debt advisory and refinancing

- Raising new or replacement financing from traditional sources such as banks and ABL, non-bank sources such as direct lenders and credit funds, and other alternative funding sources
- Negotiating with existing funders, refinancing debt facilities and the restructuring of debt and equity to provide financial stability and protect value

Cash flow monitoring

- Review of short term or medium-term cash flow forecasts to assess funding requirements, as well as ongoing cash flow monitoring

Mergers and Acquisitions

- Support in the preparation of marketing materials ensuring the business is presented in the best light
- Work with you to identity key buyers and investors to approach utilising our sector expertise and relationships
- Project manage the process effectively and efficiently, providing high quality advice, working alongside our other service teams

Business consulting

- Services include operational advisory, financial and working capital, technology advisory and operational deal services

Tax structuring

- Personal and corporate tax structuring that considers relevant tax issues and wider legal and commercial constraints. Balancing immediate tax efficiency with longer term operational and exit strategies

Financial due diligence

- Full suite of buy-side and sell-side financial due diligence services, giving insight across historical and forecast trading, cash flow and balance sheet, quality of earnings and normalised working capital, robustness of management reporting and reasonableness of accounting policies

Valuations and modelling

- Financial modelling specialists, creating tailored models for transactions that can be tailored to vendor specification or PE house

Commercial due diligence

- Strategic insight into the market, analysis of addressable market size and growth prospects. Analysis of competitive advantage. Undertaking customer surveys

Financial accounting advisory

- Supports PE firms and their portfolio companies through the transaction lifecycle. Offering finance team placements, outsourcing or a blend of these to help navigate the challenges that come with investment

Sales & Purchase agreement advisory

- Insight and negotiation support to help optimise value via the price adjustment mechanism and SPA, as well as mitigate and resolve disputes

Our advisory, transaction and restructuring services

Restructuring

Turnaround services, operational and financial restructuring

- Providing support to create financial stability. Advising on loans in default, assessing cash flow, and identifying other means of improving short-term liquidity or addressing drivers of underperformance
- Providing support to realise significant business process improvement, implement new business strategies, divest non-core businesses, and design new capital structures

Independent Business Reviews (IBR)

- An independent assessment of the financial health and viability of a business, with a view to protecting lender's position or to assist a refinancing

AMA processes

An accelerated sales process, used to realise value for key stakeholders. Accelerated mergers and acquisitions typically involve:

- Conducting due diligence on potential acquisition targets to identify risks, opportunities, and potential synergies
- Developing a targeted acquisition strategy and identifying potential buyers or sellers to accelerate the M&A process

Insolvency

Contingency Planning

- Advising on the options available to stakeholders in the event of a crisis or financial distress, including an assessment of outcomes in various scenarios
- We help firms explain alternative scenarios to relevant stakeholders and provide clarity over what any implementation would mean
- This can include the preparation of an estimated outcome analysis for lenders, directors and regulators and practical preparation for a formal insolvency

Corporate insolvency appointments

- Statutory insolvency appointments (typically following a contingency planning exercise, or as part of a rapid enforcement exercise), including administrations, prepacks, liquidations, receiverships
- We utilise formal insolvency appointments to support directors or lenders in the restructure or wind down of firms while maximising returns to creditors

Formal creditor compromises

- A court-based restructuring process provides a structured approach to restructuring under court supervision
- It offers protection from legal actions by creditors and the ability to restructure debt obligations
- This process can help to ensure a company's long-term viability by providing a legally binding framework for restructuring (eg Scheme of Arrangement, Restructuring Plan)

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