Healthcare Capital Markets

2026

Large platform and portfolio deals fuel record year for healthcare volumes.

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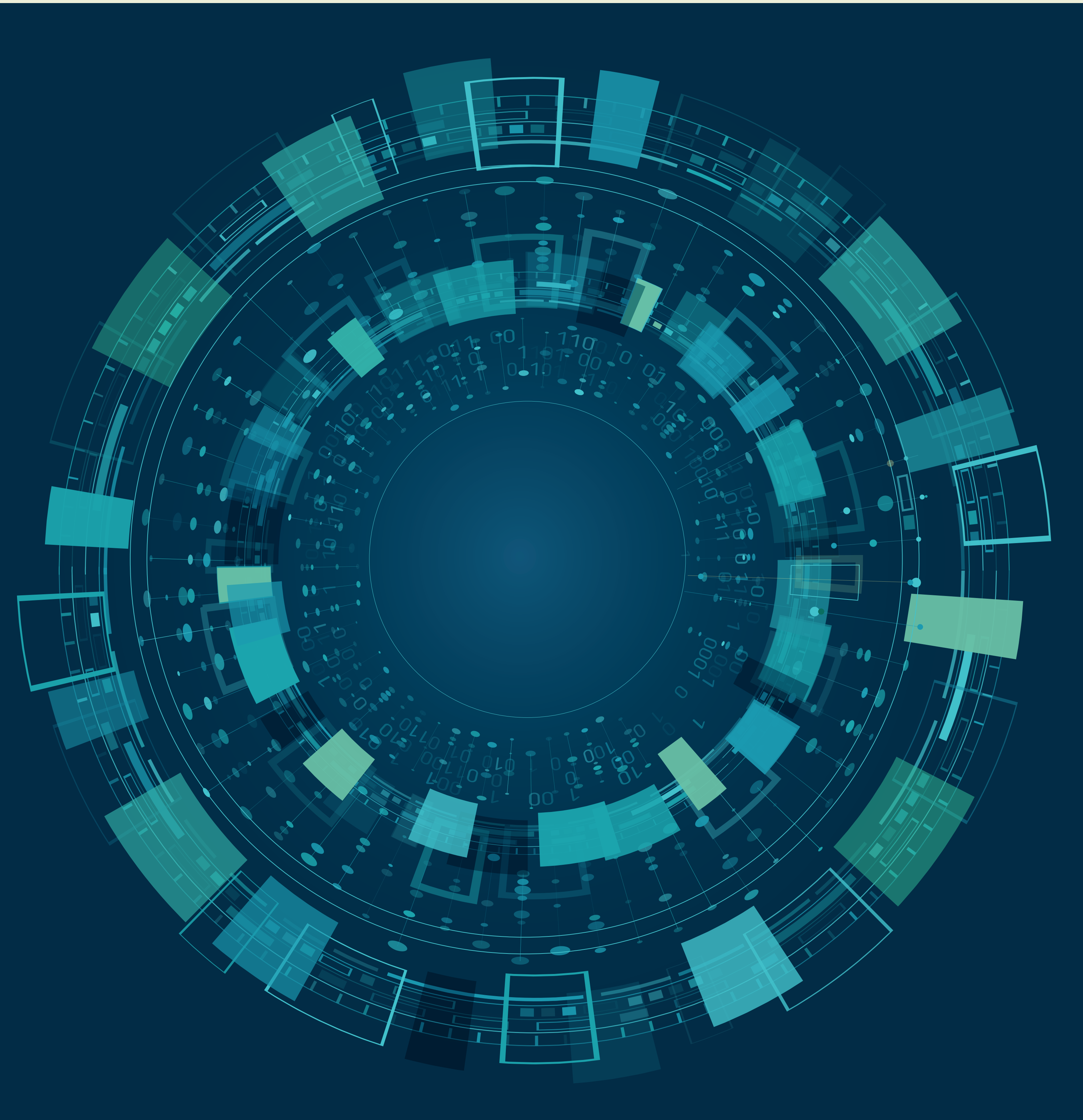

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Pulse check....

UK healthcare capital markets have navigated considerable headwinds over recent years, but 2025 built decisively on the momentum generated throughout 2024. If 2024 signalled what was to come, 2025 delivered in kind.

Ryan Richards,
Knight Frank, Associate

Despite pockets of the broader market continuing to find their footing, healthcare appeared to embark on something of a generational run, fuelled by significant portfolio deals and platform-level M&A activity.

Transaction volumes closed the year at a record £11.3bn, approximately four and a half times the historic five-year average. While landmark domestic deals such as PHP's acquisition of Assura made their mark, it was North American REITs that truly dominated capital deployment. Omega's purchase of FSHC homes and CareTrust's acquisition of Care REIT set an early precedent in H1, before the second half gathered further momentum with sizeable transactions including Graham Care and Select Healthcare. The year closed with Welltower's run of acquisitions, including £6.4bn deployed across Barchester and HC-One, as well as further acquisitions of Aria Care and Danforth.

Average annualised returns closed Q4 2025 at 7.7%, up from 5.8% in the prior period, a reminder of the sector's capacity for stable, long-term performance. Operator trading strength, evidenced in our annual Care Homes Trading Performance Review, continues to solidify wider sector confidence. The fundamental investment case for healthcare, underpinned by demographic tailwinds, long-term income characteristics, and compelling ESG credentials, remains as attractive as ever. The overall outlook is firmly positive, and the sentiment that defined 2024 is already proving to be more than just optimism.

2025 SUMMARY

£11.3bn
Total transaction volumes

74%
The percentage of 2025 demand from Overseas Capital

7.7%
Average Annualised Returns
*As at end of Q4 2025

89%
Portfolio transactions

£50m
Largest single asset transaction

£4.09bn
Five-year average transaction volume

Source: Knight Frank, MSCI.

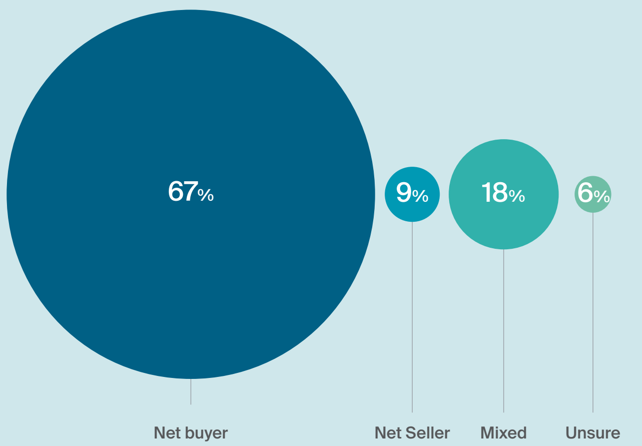
Healthcare's Active Capital

Knight Frank's Active Capital Survey 2026 captures the views and investment intentions of 119 of the world's largest global real estate investors, tracking $144bn of capital. The survey combines data-driven market analysis with unique investor insight to reveal the latest intelligence on how capital is being deployed worldwide and what's coming next.

The survey highlighted that 27% of respondents already had some form of exposure to healthcare, whilst 31% were looking to increase or gain exposure to the sector. Drilling deeper into this group, 68% said they would be net buyers in 2026, and 72% said they would be open to joint ventures and capital partnerships.

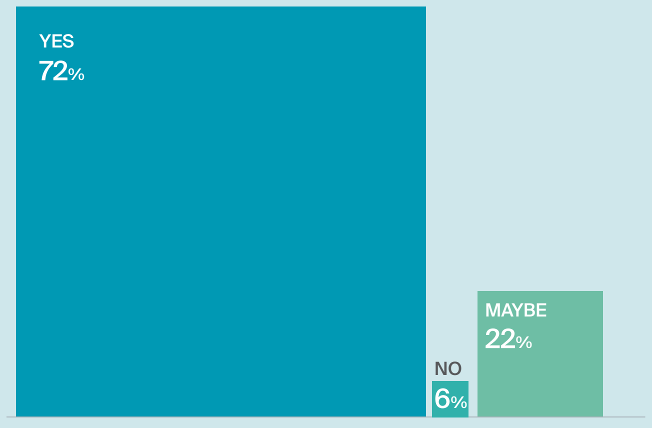
These investors also highlighted a range of sought-after internal rate of returns (IRRs) across strategies, both levered and unlevered, ranging from 4% to 25%, as shown in the provided tables. Finally, we have identified common decision influencers amongst this cohort as demographic changes, domestic politics, geopolitical risk, bond yields and rates and technology and AI.

Do you expect to be a net buyer or net seller in 2026?



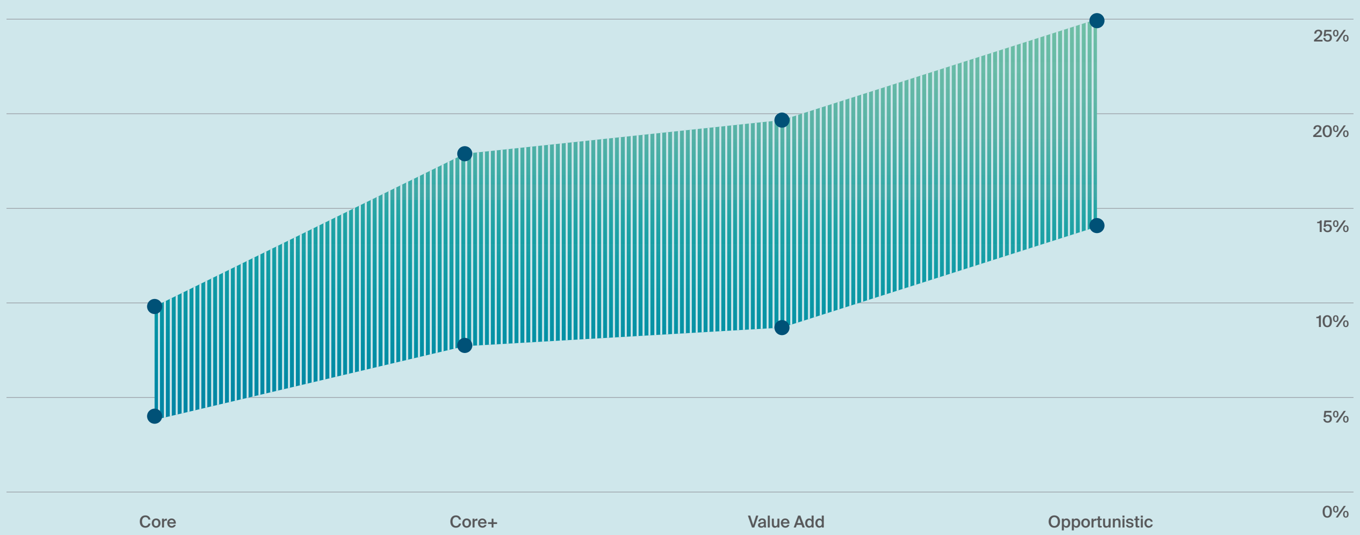
Source: Knight Frank

Would you consider JVs or capital partnering?



Source: Knight Frank

IRR Target range (%)



Source: Knight Frank

Medical Tourists: UK Healthcare's Appeal to Global Capital

Sam Biggins
Partner, National Head of Healthcare & Life Sciences – Australia

Attracted by the greater breadth and depth of the investable asset pool, Australian institutional investors continue to seek healthcare real estate opportunities in the UK. Of particular interest in recent years have been opportunities to deploy into the care home sector, given the more investor-friendly structures available in the UK enable capital deployment into the subset at a scale unavailable in the Australian domestic market without incurring OpCo-level risk, whilst being supported by the same ageing demographic demand trends.

Dr Gireesh Kumar
Associate Partner – Healthcare Advisory Services – UAE

For Gulf sovereign and institutional capital, UK healthcare offers a compelling combination of defensive, inflation-linked income and scalable investment opportunities – characteristics increasingly difficult to replicate in domestic markets. Pure Health's acquisition of Circle Health underscored this strategic direction, while the UK care home sector – supported by resilient private-pay demand and constrained new supply – represents a natural next avenue for deployment. We expect this to catalyse further capital flows from the UAE and KSA into acute hospitals, primary care platforms, and care home real estate over the coming years.

David Fasano
Senior Managing Director – Berkadia Seniors Housing and Healthcare

REITs and a growing wave of private equity firms are pouring capital into UK senior housing. The UK mirrors the current US supply-and-demand dynamic almost perfectly, just earlier in the cycle, with the supply gap even more extreme. The proven demand thesis, structural undersupply, and an emerging institutional market. This, overlayed with a favourable cost of capital spread between US and UK cap rates, is exactly what sophisticated capital looks for.

UK Economy: Resilient Foundations, Rising External Risks

Nik Potter,
Knight Frank, Associate

The UK economy entered 2026 on firmer footing than prevailing market sentiment might suggest. Growth momentum strengthened early in the year, with monthly GDP rising 0.5% in February, the fastest increase since early 2024, supported by broad-based gains and a return to expansion in construction. Business activity has remained resilient, with both services and manufacturing PMIs (Purchasing Managers' Index) in expansionary territory. The Services PMI reached 52.7 in April, marking a twelfth consecutive month of growth, while Manufacturing rose to 53.7, its strongest reading since May 2022.

Labour market conditions have also cooled in a manner consistent with a more sustainable macro backdrop. Unemployment has edged up to 4.9%, while wage growth has slowed to 3.6% year-on-year, the lowest rate since 2020. This easing in labour market tightness reduces the risk of persistent domestically-driven inflation, an important distinction from the inflation cycle of 2022 to 2023.

> "Inflation has already shifted higher in the near term. CPI rose to 3.3% in March, driven largely by energy and fuel costs, with further upward pressure expected through the year."

Cedar Lodge, EQ Care Group

However, this relatively constructive starting point is now being tested by renewed geopolitical uncertainty. The escalation of the Iran conflict has reintroduced a risk premium into global markets, most visibly through energy prices and financial market volatility. For the UK, the transmission mechanism is less about direct trade exposure and more about the inflationary impact of higher energy costs and the implications for interest rate expectations.

Inflation has already shifted higher in the near term. CPI rose to 3.3% in March, driven largely by energy and fuel costs, with further upward pressure expected through the year. The Bank of England forecasts inflation peaking at around 3.6% in late 2026, while external forecasts suggest a more persistent profile, with CPI averaging close to 3.9% across the year before easing through 2027. Nevertheless, the energy-led nature of this inflation shock, combined with softer wage growth, should help to limit second-round effects.

A key moderating factor is the structure of the UK energy market. The Ofgem price cap, reset quarterly, acts to delay and smooth the pass-through of wholesale price increases to households. Current estimates suggest a 15% increase in the cap in July, followed by a more modest rise thereafter. While this will place upward pressure on household costs over the summer, the scale of impact appears less severe than initially feared at the onset of the conflict.

Monetary policy expectations have become more fragmented as a result. Market pricing has shifted towards the possibility of further tightening, with two additional rate increases implied. However, the Bank of England has signalled a more cautious stance. Policymakers have characterised the conflict as a new external shock and emphasised the need to distinguish between temporary inflation effects and sustained domestic pressures. With a higher bar for rate hikes than in previous cycles, the current environment points towards a delay in easing rather than a reversal.

Prior to the recent volatility, financial conditions had been gradually improving. Swap rates had declined, with the five-year SONIA rate reaching 3.50%, and markets were pricing a continuation of the easing cycle, with Bank Rate expected to settle around 3.00% over the medium term. That trajectory has been disrupted, but not fundamentally derailed. Current pricing implies that the remaining easing is more likely to be delivered later, with 2027 emerging as a more plausible window.

> "Market pricing has shifted towards the possibility of further tightening, with two additional rate increases implied."

Government bond markets reinforce this interpretation. UK gilt yields have risen in the near term, with ten-year yields approaching 5% in April, reflecting an elevated risk premium. However, medium-term forecasts still point to a gradual decline in yields through 2027 and 2028, assuming geopolitical pressures stabilise. In a global context, UK yields are expected to fall below those in the US and Australia over the same horizon.

Importantly, credit conditions have remained relatively stable. The Bank of England's latest Credit Conditions Survey shows no abrupt tightening in lending availability during the initial phase of the conflict, with lenders indicating a continued willingness to extend credit. This suggests that, for now, financial conditions remain supportive of investment activity.

The broader growth outlook has softened but not deteriorated materially. The IMF recently downgraded its 2026 UK growth forecast to 0.8%, reflecting the drag from higher energy prices and global uncertainty, before a modest recovery to 1.3% in 2027. This points to an economy that is slowing, but not stalling.

On balance, the UK economy stands at an inflexion point. Domestic fundamentals, including moderating wage growth, stable credit conditions and continued business activity expansion, provide a degree of resilience. Yet the outlook is increasingly shaped by external forces, particularly energy prices and geopolitical developments. Should these pressures ease, there is scope for a partial reversion to the more benign trajectory observed at the start of the year. Until then, the near-term path is likely characterised by volatility, delayed policy easing, and a continued tension between resilient domestic data and a more fragile global backdrop.

The case for healthcare as an investment

Long-term income
Weighted average unexpired lease terms (WAULT) average 25-30 years in the residential care and hospital sectors.

Leases are commonly indexed-linked to inflation.

Demographic shift
UK over 85 population is set to increase from 1.7 million to 3.7 million in 2050.

An ageing population means increasing demand for residential care, primary care and acute hospital services.

Secure income
Operator revenue is reinforced by a healthy mix of self-funded care and publicly-funded care.

Income is supported by high occupancy and patient demand across the healthcare arena.

Investment performance
Total returns measured 7.7% in 2025, higher than many core property sectors.

Returns are historically stable, offering investors protection and diversification.

Structural change in real estate
Real estate investors already de-risking from traditional sectors such as retail into alternatives like healthcare.

Demand for safe havens
Broader UK real estate offers security and liquidity in a global downturn.

UK healthcare's long-term and often government-supported income offers further defence.

Social impact
The influence of impact or ESG investing in real estate is growing at a faster pace than ever.

A range of investors are now focusing on social infrastructure investments, and healthcare is part of this.

Patiently Waiting...

MARKET VOLUME
Transaction volumes for 2025 closed at approximately £11.3bn, building on the momentum established throughout 2024. A substantial portion of this can be attributed to WHOLECO structures and sizeable portfolio deals involving overseas capital. Deal structures have played an increasingly central role, as investors seek more meaningful net operating income than conventional triple-net leases can offer. We have seen a broader range of deal types recorded over the past year. This, coupled with 2024's own strong finish at £3.2bn, has contributed to a genuinely positive market sentiment.

While caution remains, investors are actively pursuing opportunities to deploy capital across the stack. Rates have not moderated as swiftly as initially forecast, which has led to greater rigour in underwriting. Overseas capital, predominantly from North America, has again been highly active, though perhaps more encouraging is the uptick in domestically-led deal activity.

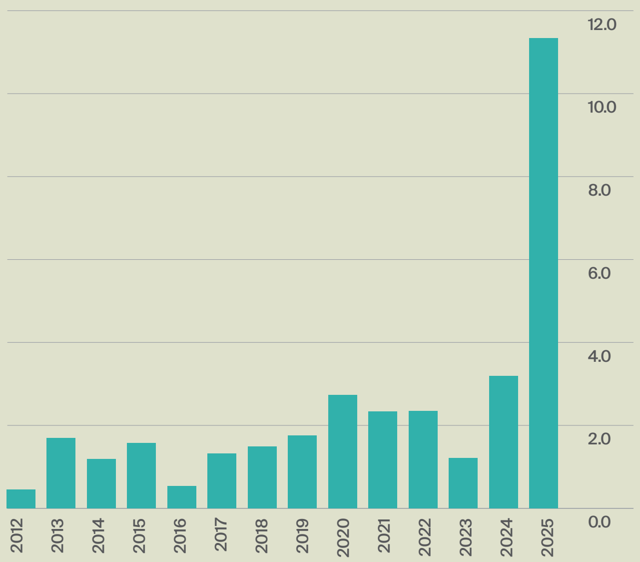
> "Elderly care continues to command the greatest investor interest across the board, accounting for 80% of total volume, with primary care contributing a further 16%."

That said, overseas involvement remains a case of value over volume. Key transactions of 2025 include Welltower's acquisitions of Barchester and HC-One, PHP's merger with Assura, and Omega's purchase of the Four Seasons assets.

Investment by sub-sector adds further insight to the volume story. Elderly care continues to command the greatest investor interest across the board, accounting for 80% of total volume, with primary care contributing a further 16%. Notably, a significant proportion of elderly care demand came from investors looking beyond conventional fixed-income real estate returns and actively seeking a share of operational income, reinforcing healthcare's credentials as a genuine operational asset class. Understanding not just where, but how capital is being placed, therefore, remains imperative (Fig 4). Stripping out outlier deals – classified as transactions exceeding £500m, of which the sector had only seen three up until 2024. The inclusion or exclusion of such deals can materially shift the picture. Despite their absence in prior years, 2024 marked their return, and 2025 ran firmly with that trend. Even after excluding the larger deals, 2025 volumes remain encouraging, pointing to stronger, more consistent underlying demand for healthcare assets.

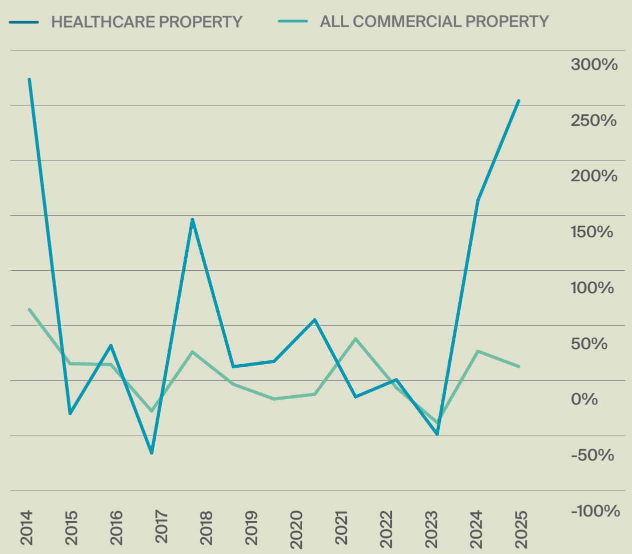
Looking ahead, we anticipate the sector will sustain its transactional momentum – though it would be reasonable to expect that 2025's volume level will not be replicated in the near term. Fig 6 presents forecast volumes based on a five-year average growth rate, excluding major deals above £500m.

Fig 1: Recorded healthcare investment volumes (£bn)



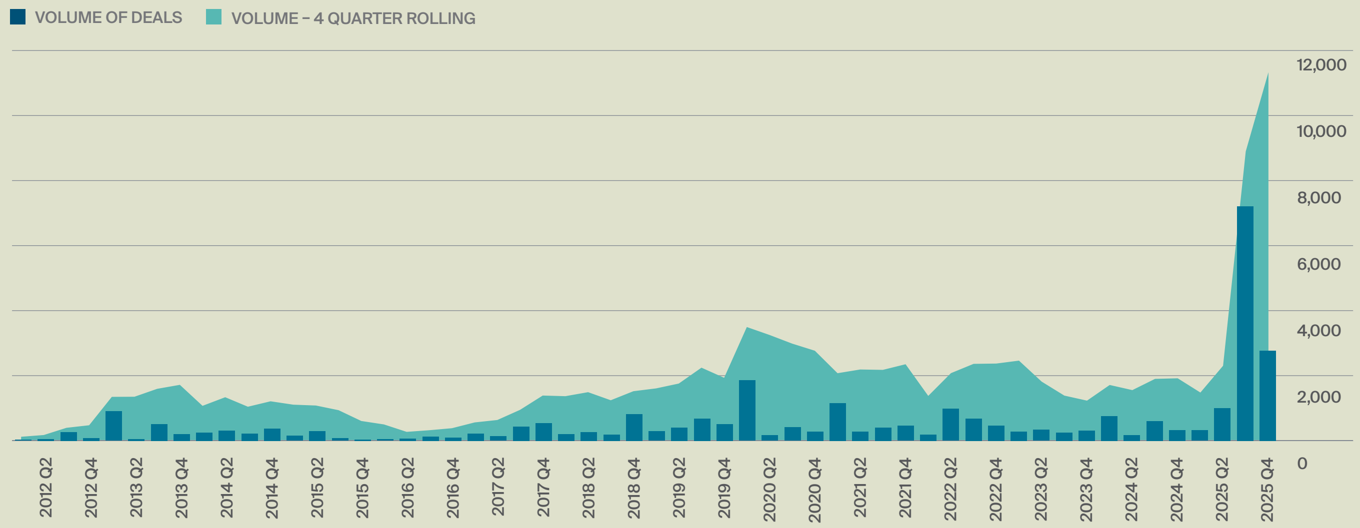
Source: Property Data

Fig 2: Percentage change in property investment volumes



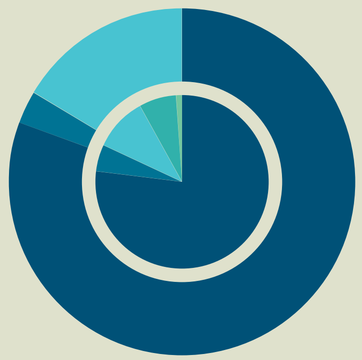
Source: Property Data

Fig 3: Recorded healthcare property transactions (£ millions)



Source: Knight Frank, Property data. Please note, here we include recorded transactions for elderly care, adult care & supported living, primary care, hospital facilities and childcare.

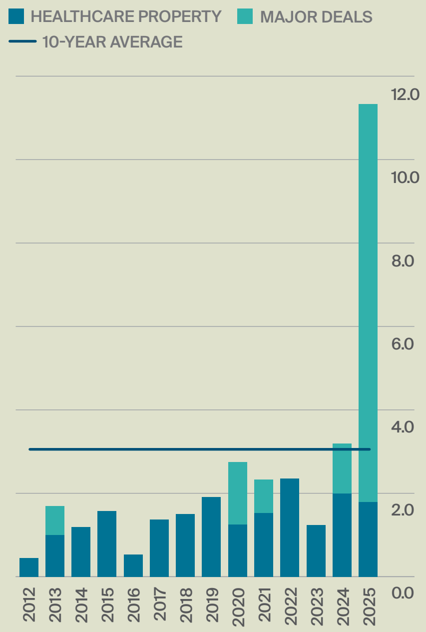
Fig 4: Healthcare property investment, by asset type



	Last 5 years	2025
Elderly care	77%	80%
Adult care	5%	3%
Primary care	10%	16%
Hospital facilities	7%	0%
Childcare	1%	0%
Other medical	0%	0%

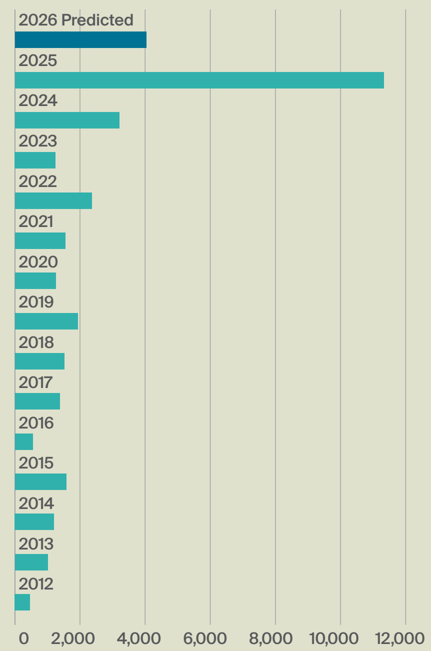
Source: Knight Frank, Property Data

Fig 5: Recorded healthcare property transactions (£bn)



Source: Property Data
*10 year average incorporates major deals also

Fig 6: Anticipated transaction volume (£m)



Source: Knight Frank, Property Data

Table 1: Notable deals in 2025

Date	Details	Price £m	Purchaser	Purchaser Type
Q2 25	Care REIT Portfolio	448	CareTrust	REITS & Listed
Q2 25	Four Seasons UK Care Home Portfolio	250	Omega Healthcare	REITS & Listed
Q4 25	Aria Care Home Portfolio	615	Welltower Inc	REITS & Listed
Q4 25	HC-One UK Care Portfolio	1,200	Welltower Inc	REITS & Listed
Q4 25	Barchester UK care portfolio	5,200	Welltower Inc	REITS & Listed

Source: Knight Frank, Property Data

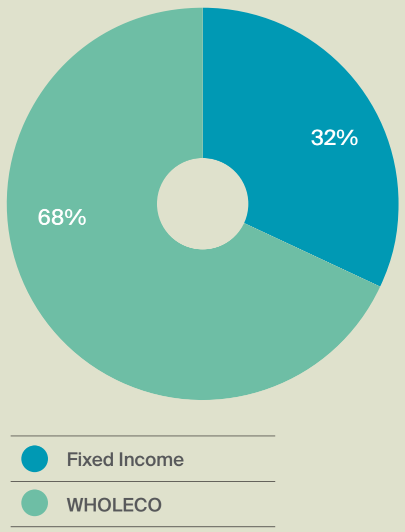
Transaction Composition

Transaction composition remains one of the most revealing lenses for understanding the sector, focusing on capital flows, investor types, target areas, and the sector's broader direction. Crossing the £11bn mark in 2025 represents not only a material step up on the prior year, but a further signal of deepening investor confidence following the substantial recovery seen in 2024. As in 2024, WHOLECO and sale-and-leaseback structures played a significant role in driving volumes, as operators continue to seek exit routes or release capital for redeployment. This will undoubtedly carry through 2026 as platforms pursue further growth.

Fig 8 illustrates that portfolio deals accounted for 89% of transactions in 2025, compared to a 15%/85% split between single assets and portfolios in 2024, a continuation of the consolidation trend that has come to define the current cycle. Overseas capital came predominantly from North American REITs trading at premiums to NAV and were therefore well-positioned to raise and deploy capital. UK institutional capital has remained a steady and active presence alongside this, continuing to underpin domestic market activity.

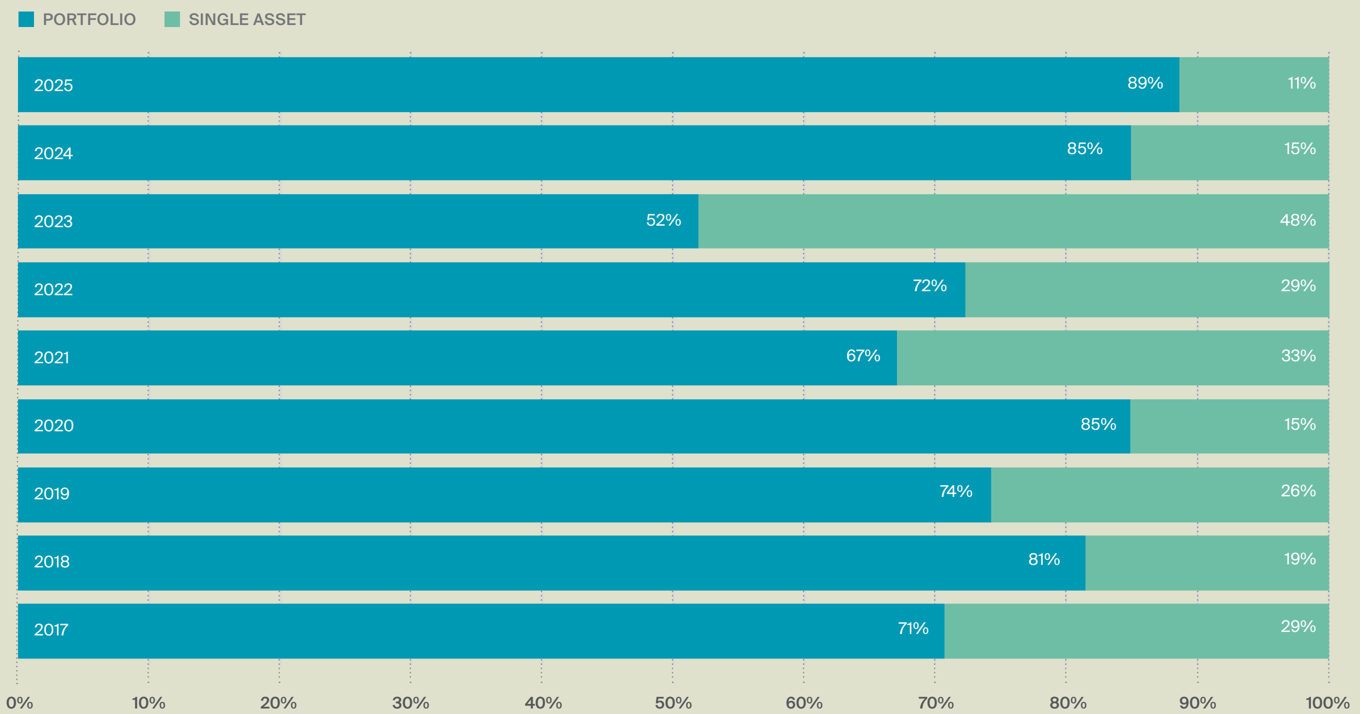
> "UK institutional capital has remained a steady and active presence alongside this, continuing to underpin domestic market activity."

Fig 7: Volume by deal type



Source: Knight Frank

Fig 8: Portfolio vs single asset transactions



Source: Knight Frank, Property Data

Fig 9: Cross-border composition

Source: Knight Frank, Real Capital Analytics

Lending Environment and Capital Availability

Jess Qureshi,
Knight Frank,
Capital Advisory

The UK care home sector continues to represent a core allocation within private real estate debt strategies, underpinned by structural demographic trends and persistent supply-demand imbalances. The lending landscape remains characterised by a diverse mix of participants, including clearing banks, specialist healthcare lenders, debt funds and insurance-backed capital. While traditional banks continue to support larger, established operators, alternative lenders have become increasingly important in addressing funding gaps arising from more conservative underwriting approaches.

Alternative lenders have capitalised on reduced competition in certain segments of the market, particularly for newer portfolios, development funding, and/or higher leverage requirements. In parallel, the broader commercial real estate debt market has seen a marked increase in back leverage availability and utilisation. This has further supported lender liquidity, including within the UK care home sector, contributing to some margin compression across alternative lenders. Wider geopolitical and economic pressures have driven rising SONIA rates and increased swap rate volatility. Despite this, appetite for care home lending has remained resilient given the sector's defensive characteristics. However, lender selectivity persists, with a greater emphasis being placed on operator quality, asset specification and local reputation.

Knight Frank Capital Advisory has been involved in numerous M&A, development and back leverage transactions within the UK healthcare sector. Please do get in touch if we can assist with your funding requirements.

Investment Performance

STRONG VITALS...
As a sector, healthcare continues to demonstrate genuine resilience, holding returns and sustaining performance in a market where consistency is increasingly hard to come by. That performance continues to vindicate the fundamental investment drivers of healthcare: demographics, long-term income characteristics, and the structural demand that underpins them. Fig 10 presents a yield breakdown across the various healthcare sub-sectors, while Fig 11 maps total returns across the broader market at year-end 2025.

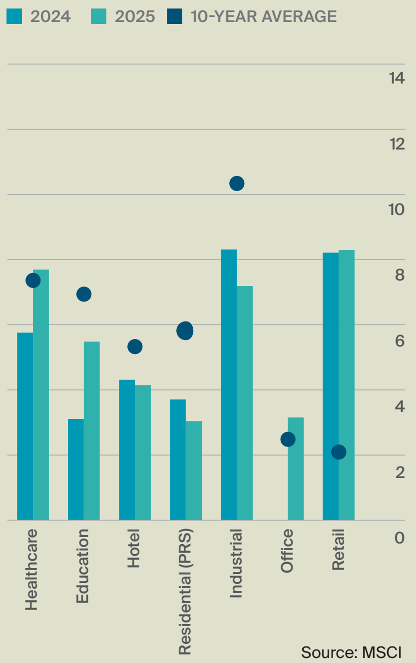
While several sectors are delivering returns higher than healthcare's 7.7% annualised average, context is everything. Healthcare currently sits modestly below its own long-term average. Yet, the variance seen elsewhere tells a more volatile story, sharp dips followed by equally sharp recoveries that flatter headline figures. This is precisely what defines healthcare's lower risk/return profile, minimal deviation from the mean that investors can rely on (Fig 12). Conventional healthcare leases, with their longer, index-linked terms, lend the sector an almost bond-like quality for long-income investors. That parallel is worth exploring directly, as the average spread between healthcare capital rates and 30-year gilts is just 0.7% (Fig 13), a compelling data point for those weighing up alternatives.

Fig 10: Healthcare yields by sub-sector (%)
Q1 2026

Sub-sector	Yield	Grade
ELDERLY CARE	4.75	Prime (5A1)
	5.75	Prime (SPV)
	6.50	Secondary
	7.50	Tertiary
	6.75	Adult Supported Living
	4.75	Primary Care
	4.75–5.00	Private Hospitals
CHILDCARE (NURSERIES)	6.00	Prime
	6.00	Secondary
	7.00	Tertiary
CHILDCARE (SEN)	7.25	Prime

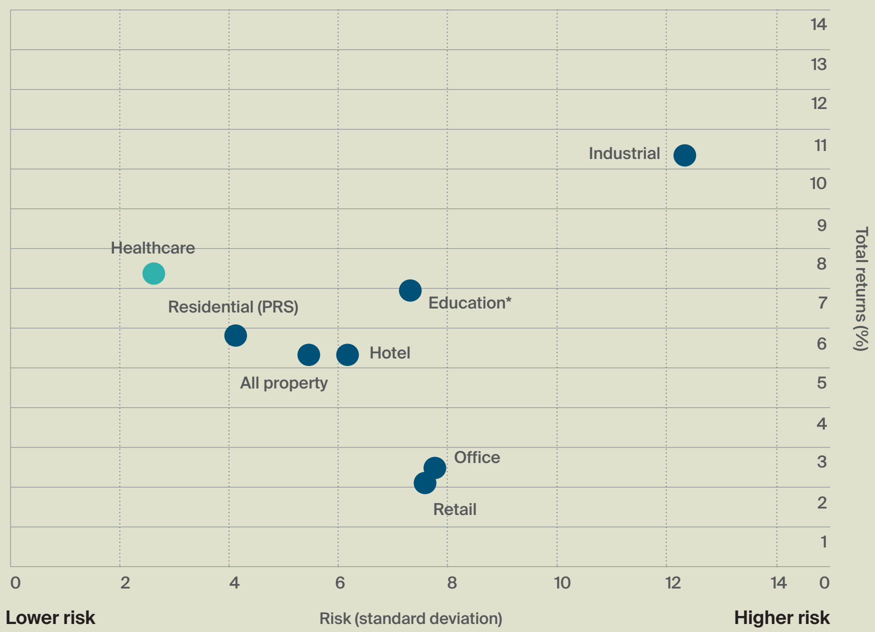
Source: Knight Frank

Fig 11: Total returns (%)



Source: MSCI

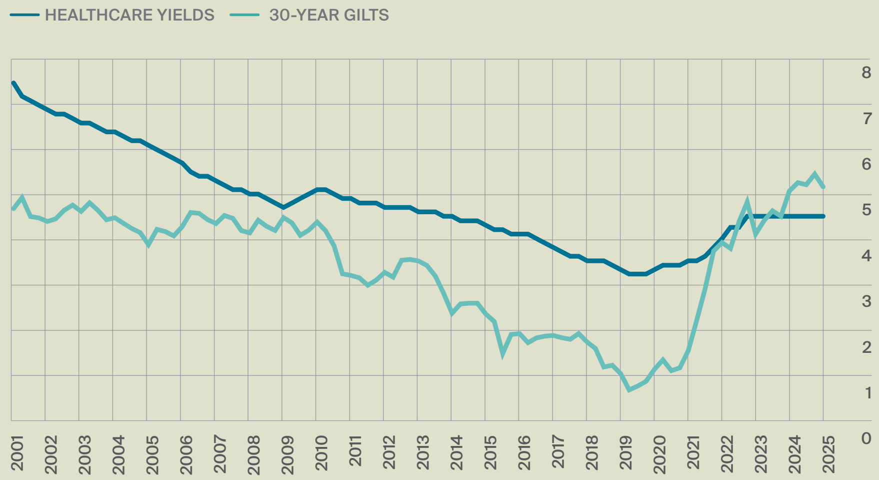
Fig 12: Risk vs returns (10-year history)



Source: MSCI

> "As a sector, healthcare continues to demonstrate genuine resilience, holding returns and sustaining performance in a market where consistency is increasingly hard to come by."

Fig 13: Healthcare vs 30-year gilts

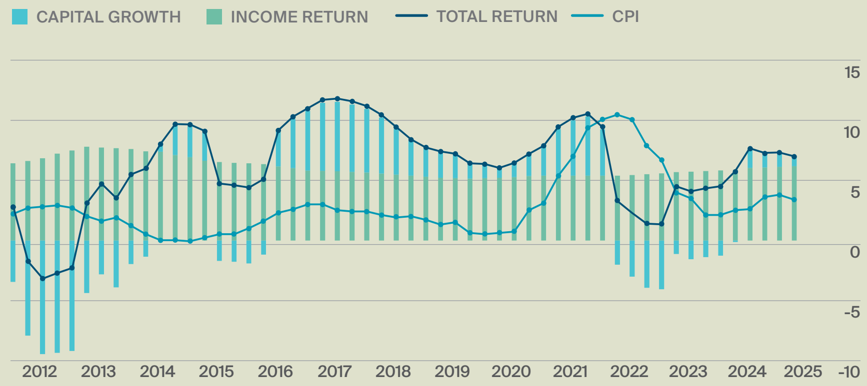


Source: Knight Frank

Seeing the bigger picture

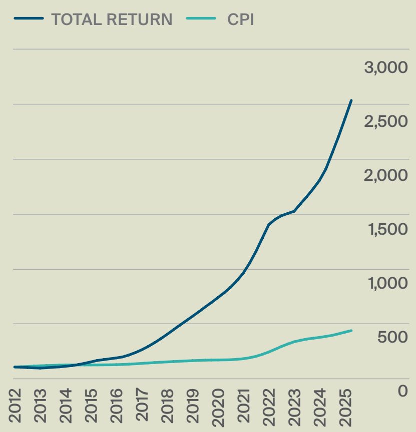
Tracking healthcare's total returns from 2012 and unpacking the respective contributions of income and capital return (Fig 14a–c) reveals a story of consistency. Income returns have been the foundation of total returns trending above CPI across the period, barring two exceptions, a testament in itself to the sector's long-term income credentials. Indexing total return against CPI over the same period sharpens the picture further, illustrating the extent to which real returns have meaningfully outpaced inflation. It is yet another supporting pillar in the case for healthcare as a stable, inflation-resilient asset class. To close the argument, we have run a broad comparative analysis pitting gilt returns against healthcare income returns over an equivalent 30-year period – isolating the tangible benefit that lease indexation delivers to investors over the long run.

Fig 14a: Inflation vs healthcare returns



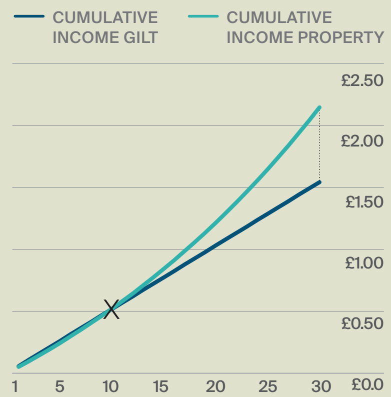
Source: Knight Frank

Fig 14b: Total returns vs CPI



Source: Knight Frank

Fig 14c : Gilts vs healthcare income returns



Source: Knight Frank

REITs in the spotlight

The most notable development in this year's REIT analysis is a seemingly contradictory one: fewer REITs, yet a meaningful increase in cumulative assets under management. The explanation lies in the recent mergers and portfolio acquisitions in the space. Healthcare REITs with a UK footprint now account for a combined £118bn in global AUM across a diverse mix of strategies, up from £94.2bn the prior year, a figure that speaks to the scale and ambition of consolidation currently underway.

As cross-border strategies continue to mature, analysing REITs purely through the lens of domicile becomes increasingly limiting. Fig 15 takes a broader view, benchmarking healthcare REIT performance against all-property REITs and the FTSE 250. The divergence of healthcare REITs from the all-REIT line has persisted and warrants further focus. 2023 saw the all-REIT line briefly trend above healthcare, driven by strong industrial performance and retail's recovery, but that gap has since closed. Healthcare's consistency has reasserted itself, with the sector once again trending above the broader REIT market. The FTSE 250 continues to outpace REITs overall. However, this is largely attributable to the strong performance of financial services, benefiting from elevated base rates supporting lending activity, and energy/petroleum equities capitalising on inflationary pressures boosting utility profits. These are sector-specific tailwinds rather than structural outperformance, and the distinction matters. What healthcare offers, by contrast, is a consistent trend line, highlighting its long-run robustness.

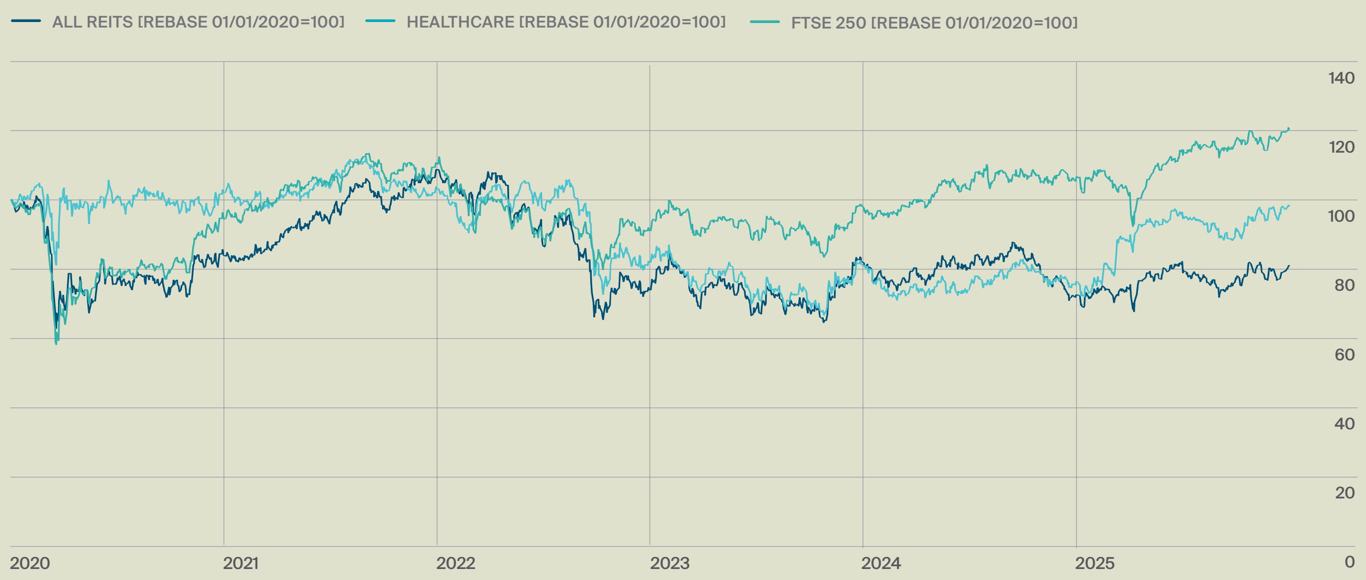
"As cross-border strategies continue to grow it has become necessary to observe the REITs as a whole and not just based on their respective domiciliary locations."

"Overall, 2025 was another strong year for healthcare REITs, one defined by consolidation, strategic expansion, and the ability to capitalise on favourable conditions for both entry and growth."

Turning to Europe, the merger of Aedifica and Cofinimmo has created the continent's largest, and the world's fourth largest, healthcare REIT, at approximately €12bn in AUM. The emergence of a vehicle of this scale has the potential to shift the competitive landscape meaningfully, both regionally and globally.

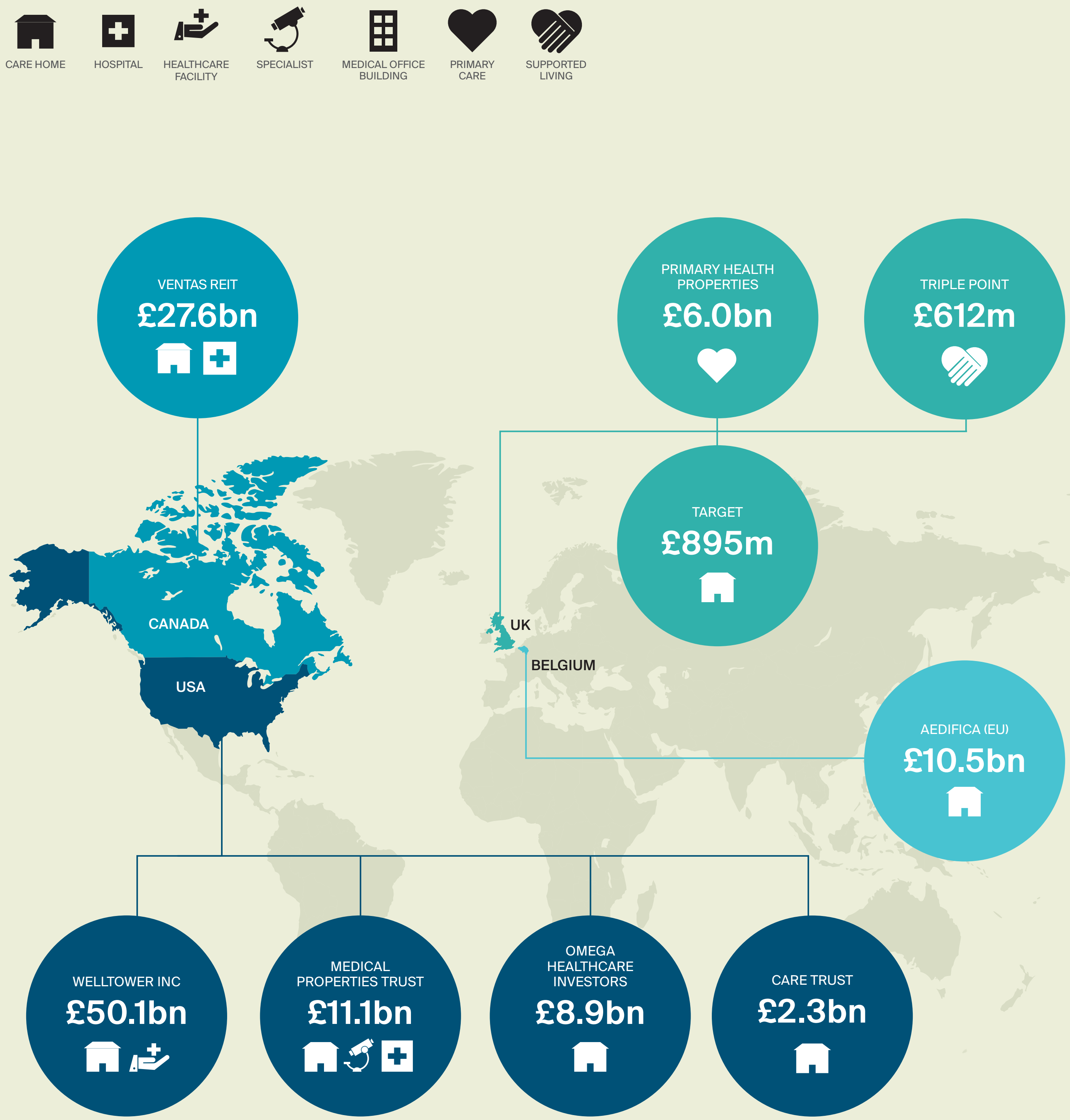
Overall, 2025 was another strong year for healthcare REITs, one defined by consolidation, strategic expansion, and the ability to capitalise on favourable conditions for both entry and growth.

Fig 15: Healthcare REITs vs All REITs vs FTSE 250



Source: Macrobond, Knight Frank

Fig 16: Global Healthcare REITs with UK presence AUM(£)*



*Converted from domiciled currency to GBP. Source: Company websites, data based on 2025 mid-year or interim reports

Q&A: Healthcare Real Estate: Investing Across the Capital Stack

Andrea Auteri CFA
Managing Partner
and Co-Founder

Andrea co-founded Elevation and is focused on fundraising, strategy and management. Prior to co-founding Elevation, Andrea set up and headed HCP, Inc.'s (currently known as Healthpeak Properties, the US listed healthcare REIT) European office based in London. Before this, Andrea was a senior member of the Goldman Sachs financing team in London, where he spent 12 years providing capital to healthcare corporates and private equity funds across Europe. During his time at Goldman Sachs, Andrea developed a broad range of skills in the field of financing, portfolio management and restructuring with a specific focus on healthcare financing.

ELEVATION
Elevation is a specialist investment manager in the European healthcare and senior living real estate sector with approximately £2.4bn (€2.75bn) of assets under management in four countries (U.K., France, Germany and Spain), spanning care homes, rehabilitation clinics and specialist assets for learning disabilities and mental health.

MARKET DYNAMICS & CONSOLIDATION

Q: The UK care home sector remains fairly fragmented; what is driving consolidation today, and how sustainable is this trend from your perspective?

Consolidation is largely being driven by the simple economics of running a modern care home business. Larger groups benefit from the efficiencies of scale with rising wage costs, utilities, food, compliance, technology etc.

This trend is sustainable, and consolidation will favour those high-quality operators with good balance and track records in care, and modern purpose-built assets.

Q: To what extent are current M&A dynamics due to long-term structural change?

Modern care delivery requires scale, capital and good management. While recent M&A activity has been accelerated by market conditions, the engine underneath is long-term structural change so that the sector can meet the challenges of rising demographic demand. While demand is rising faster than bed supply, scaled operators with capital will be the most capable of growth.

Q: How do you expect ownership structures to evolve over the next decade?

By 2036, I'd expect care home ownership to look largely more institutional and operationally sophisticated, benefitting from the increased scale I mentioned before. The highly-fragmented market dominated by small independents is unlikely to disappear entirely in that time however, especially where homes have an excellent local reputation or unique location for example.

Q: Where do you see the greatest inefficiencies or mispricing in today's market?

Today's market is much more efficient than a decade ago let's say, with significant rigour applied to valuations and underwriting assumptions across the sector. That said, sector specialisation still matters. As dedicated investors, we can assess operators and assets with greater conviction, drawing on a deeper understanding of the underlying risks and operational nuances that sit behind those assumptions. This allows us to price opportunities more accurately and respond with greater confidence.

CAPITAL ALLOCATION & CREDIT

Q: Is there a set ratio for how you allocate capital across direct real estate, operating platforms, and credit strategies? And what subsectors within care are you focused on?

Our allocation policy is driven primarily by market dynamics, cost of capital and inflation expectations, and where the best opportunities are at any given time. In that context, we do not target a specific ratio; rather we allocate capital where we believe we can achieve the best risk-adjusted return for our investors.

Q: Where are you currently seeing the most attractive opportunities for returns across the capital stack?

Due to current market conditions, increased inflation expectations, base rates staying higher for longer and possible pressure on cap rates, we have a near-term preference for credit opportunities. However, our diversified strategy enables us to capture opportunities during different market environments to balance risk and return, and over the long term, our direct real estate lease platform is highly supportive due to its long-term inflation resilience.

Q: Has the role credit plays, and specifically the type of credit, changed in your capital allocation strategy over time?

No, the importance of credit in our allocations has not changed. We continue to see opportunities across all our strategies, with bespoke and flexible lending to high-quality senior living and healthcare operators representing a core component of the wider market opportunity.

Q: Do you assess downside protection differently across your strategies and are there any key similarities or non-negotiables?

We maintain a consistent underwriting approach for all our strategies, centred on a highly rigorous, operationally focused assessment that gives us the confidence to invest across operations, real estate or credit. In terms of non-negotiables, it always comes back to the strength of the core fundamentals: a quality location, high-quality real estate and a strong operator. Given the sector's favourable long-term tailwinds, getting those fundamentals right creates a high probability of delivering attractive and sustainable returns over the long term.

REAL ESTATE & INCOME STRATEGY

Q: What defines a high-quality healthcare real estate asset from a long-term income and resilience perspective?

Income resilience is built with the ingredients of the right location, guaranteed local demand, labour accessibility and a strong operator with a sustainable business plan and model.

Q: How has your view changed regarding rent sustainability and the operator covenant in the current cost environment?

The current environment has reinforced our conviction in careful underwriting. We focus on operators with, for example, a strong local reputation, disciplined cost control, good governance, proven staffing capability, etc. During underwriting we then test how the operator and asset would perform in downside scenarios to give us a sense of whether rent is sustainable in challenging conditions. This goes back to my point on sector specialism. We can have greater conviction in our investments because members of our team have run healthcare operations and so we know what it takes.

OPERATING PLATFORMS

Q: What role do operating platforms play within a real estate-led investment strategy?

They offer investors the ability to get deeper into the business and have a stronger partnership with the operator to unlock value beyond the underlying assets. Platforms can be particularly powerful when partnering with a specialist management team with a clear plan to scalable growth through acquisitions, developments, operational improvements and market positioning.

Q: When evaluating acquisitions, what factors matter most beyond pricing?

Beyond pricing, the factors that matter most are the quality and durability of the underlying assets and the quality and vision of the operations. Going back to my earlier point on underwriting, we look at much more than the price. Whether it's downside protection from key risks, there's also the potential upside from active asset management.

Q: How do you balance portfolio acquisitions, single assets, and platform investments as you scale?

We are opportunity-led and we see all these investments as complementary routes to scale our strategy. Portfolios and platforms can accelerate growth but single acquisitions are just as important to portfolio quality.

Q: There have been a lot of platform M&A transactions over the past year. Do you feel this will continue to lead in terms of deal composition, or are traditional fixed-income-style transactions still the key way to transact?

Both will continue and going back to the points on market fragmentation earlier, M&A is part of the long-term systemic change towards a less fragmented market. Each suits different investor appetites, strategies and goals, and some of the more sophisticated investors are looking to blend both.

CONTINENTAL OUTLOOK

Q: Which European markets offer the most compelling opportunities for institutional healthcare real estate investors today?

We're currently building out our capabilities in Europe, and initially Germany in particular, after careful consideration of continental markets. Germany's strong demographic trends and statutory insurance-based care funding model provides long-term stability, making it an attractive market.

Q: What are the key barriers to potentially scaling a platform across different European jurisdictions?

Scaling is largely difficult because the market is highly fragmented and locally driven. Each country has its own healthcare system, regulations and reimbursement models, which means assets and operators behave differently across jurisdictions. This creates heavy legal and compliance burdens, making it hard to standardise a single platform.

A major challenge is underwriting operational risk as performance depends heavily on local healthcare operators, which vary in quality, transparency and financial stability. On top of that, revenues are often tied to government funding, exposing investments to political and policy changes.

Data inconsistency and limited transparency also make underwriting difficult, while financing requirements and asset pricing differ across markets. Operationally, scaling requires local expertise which increases cost and complexity.

Q: Looking ahead 3 to 5 years, where do you see the best opportunities and biggest risks?

Europe has many active opportunities, and the long-term fundamentals are compelling across many markets where the sector remains under-equipped to meet the demographic need. The main risks are potential changes to reimbursement frameworks when government regimes change, and also rising interest rates, construction costs and labour shortages. Again, this is why having local expertise is so important to realise the opportunities.

Q: What are three key trends that will emerge over the next decade for investors to focus on?

In Europe, investing in operating platforms will continue to be of interest, and the consolidation of a highly-fragmented market will continue to be a core theme. Additionally, there are also new 'hybrid' care models coming to the fore. We see this as a compelling opportunity and we can bring our UK experience, where the private-pay market is more developed, to support this innovation.

Forward View: Healthy future

Julian Evans, FRICS
Knight Frank,
Global Head of Healthcare

Following a year of such extraordinary transaction activity, several questions now hang in the balance: where the next buying opportunity emerges, whether investors can sustain 2025's levels of activity, and what the new normal for deal structuring looks like.

M&A activity shows little sign of abating. What is unfolding appears to be a meaningful consolidation exercise, as investors pursue greater platform efficiency and the financial KPI improvements that follow. Volumes will likely continue to be driven by portfolio and platform deals, with established care operators looking to expand and new capital actively seeking market entry points. Notably, that appetite extends beyond elderly care, the adult specialist sub-sector has emerged as a growing area of investor interest in its own right.

The volume of M&A that defined 2025 may also create opportunities of its own. As platforms and investors turn their attention to integrating recent acquisitions, the optimisation of existing portfolios could lead to asset carve-outs and disposals, generating additional deal flow.

> "Volumes will likely continue to be driven by portfolio and platform deals, with established care operators looking to expand and new capital actively seeking market entry points."

The sector enters this next chapter well-positioned. Strong sentiment, sustained interest from new entrants, and the operational upside of investor consolidation all point in the same direction.

Highfield Care Home, Barchester Healthcare

2026 Predictions

Strong healthcare demand and transaction volume to come

With 2025 breaking records, we are positive for the year ahead.

Consistent and organic transaction levels in the absence of large outlier portfolio deals suggest the sector is experiencing sustainable demand.

M&A still has a role to play

There is likely to further portfolio and M&A deals, with platforms looking to expand, alongside new capital looking for market entry opportunities.

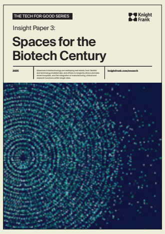
Overseas capital will remain key in driving volumes

Considering the Aedifica and Cofinimmo merger, when combined with current demand from North American capital, we could see an even more competitive landscape.

Underlying fundamentals will continue to attract capital to the sector

As capital that has previously been focused on the more conventional sectors begins to take greater note of healthcare as an asset class.

Recent research



Knight Frank Tech for Good Report 2025

Knight Frank Development Opportunities Report 2026

Knight Frank Care Home Trading Performance Review 2025

We like questions. If you've got one about our research, or would like some property advice, we would love to hear from you.

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