

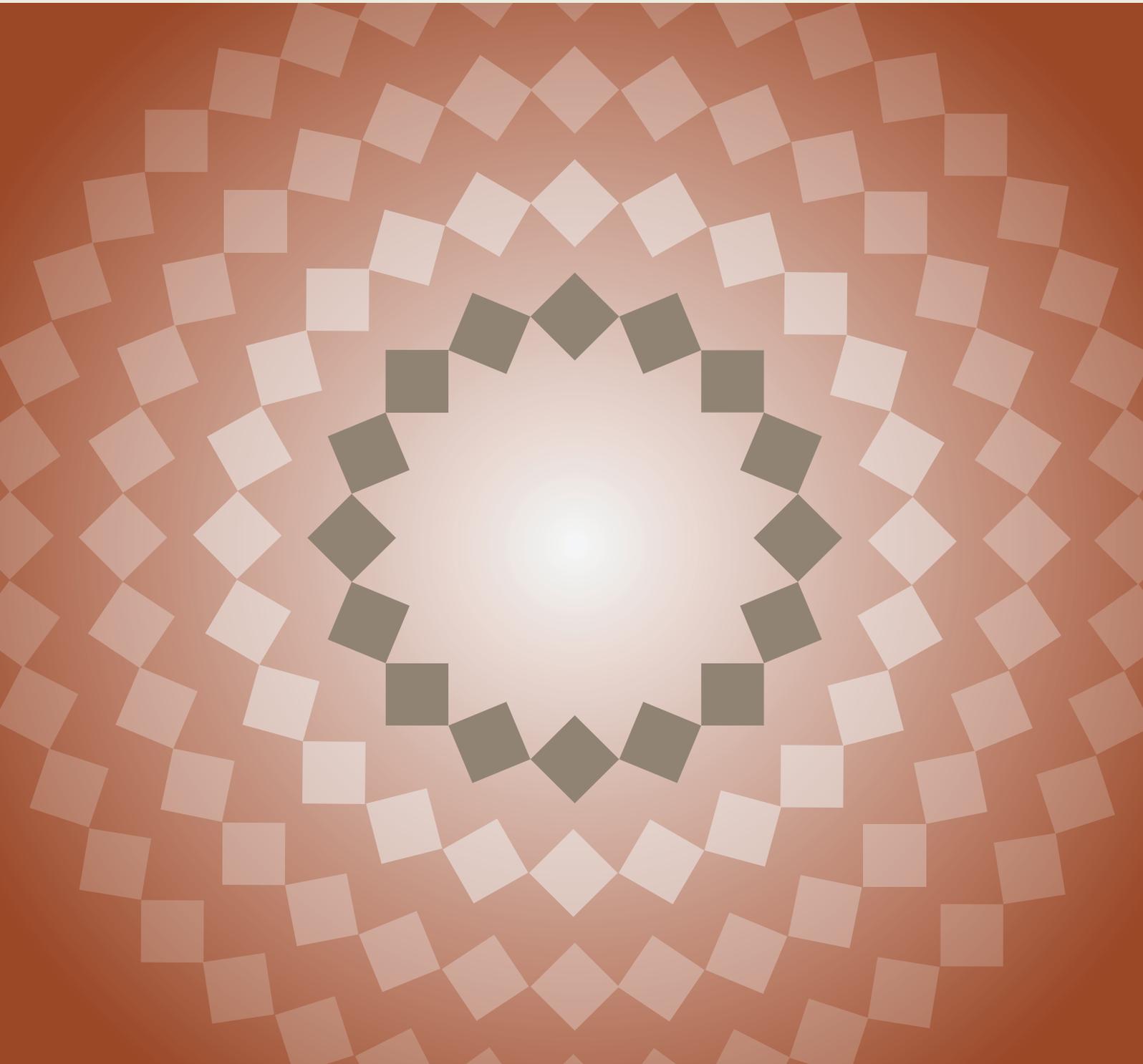
Healthcare Development Opportunities



2026

Positioning the sector for growth amongst an ageing population

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UK Care Home Supply

The UK healthcare market continues to attract sustained investor interest, underpinned by compelling structural drivers including an ageing population, secure income streams and the consistency of long-term returns. Against this backdrop, it is increasingly important to understand both current and future supply dynamics.

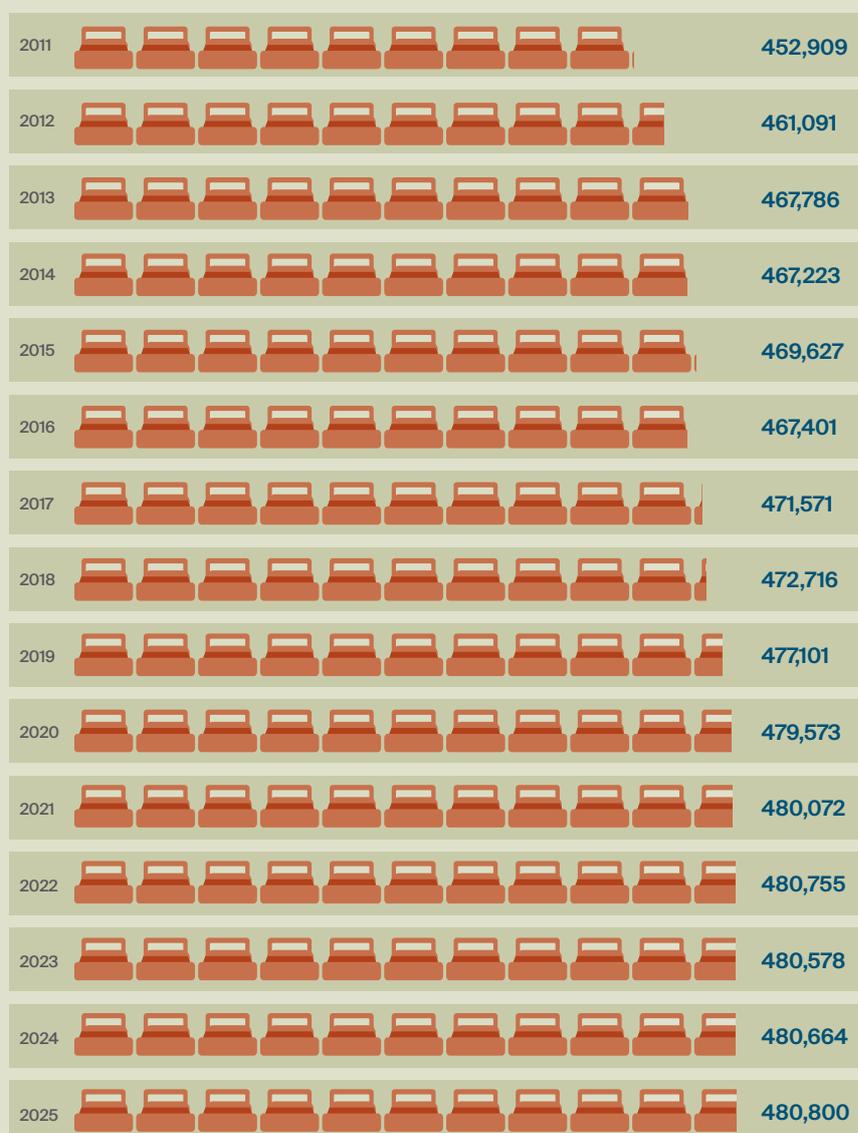
This year, we undertook a detailed review of existing bed supply and the forward pipeline, alongside the factors contributing to our annual Development Hotspots Index.

Our analysis begins with Figure 1, which illustrates the evolution of bed supply. Since our last review, the supply of UK care beds has grown by just 136 beds. While this modest uplift reflects a combination of period adjustments and more granular analysis, distinguishing newly delivered beds from reopened provision, it nevertheless highlights the limited progress being made in addressing future deficits.

More strikingly, while total bed supply has grown by only 2.4% over the past decade, the over-65 population has increased by approximately 16.2% over the same period. Figure 2 demonstrates a continuation of the recent trend towards higher levels of deregistrations over the past five years. Much of the deregistered stock comprises smaller, older homes, which larger, purpose-built facilities are gradually replacing. It is also important to acknowledge that improvements in data capture have ensured that bed losses are now more comprehensively recorded.

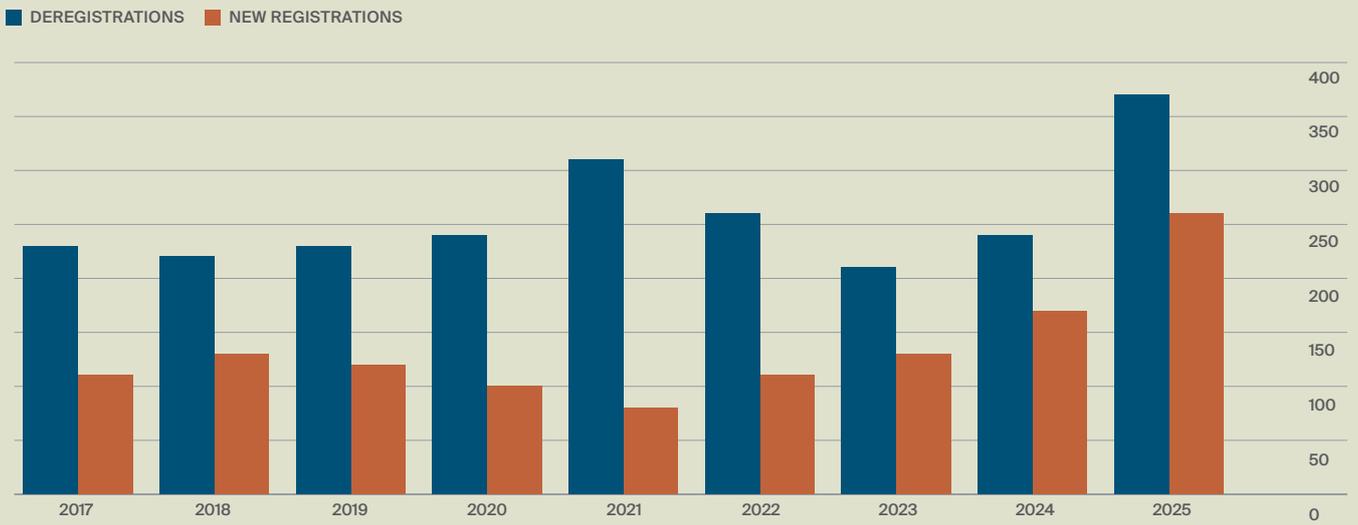
Figure 3 further analyses deregistrations, indicating an average regional supply leakage of approximately 2.3%. Figure 4 shows that the West Midlands has recorded the highest net bed gain over the past eight years, while a number of other regions have experienced a net bed loss.

Fig 1: UK elderly care home beds



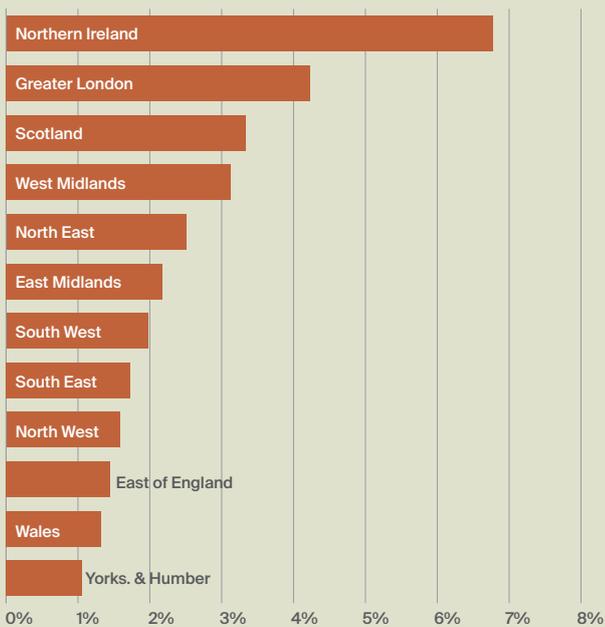
Source: Knight Frank, Tomorrow's Guides

Fig 2: De-registered homes vs new-registered homes, 2017 - 2025



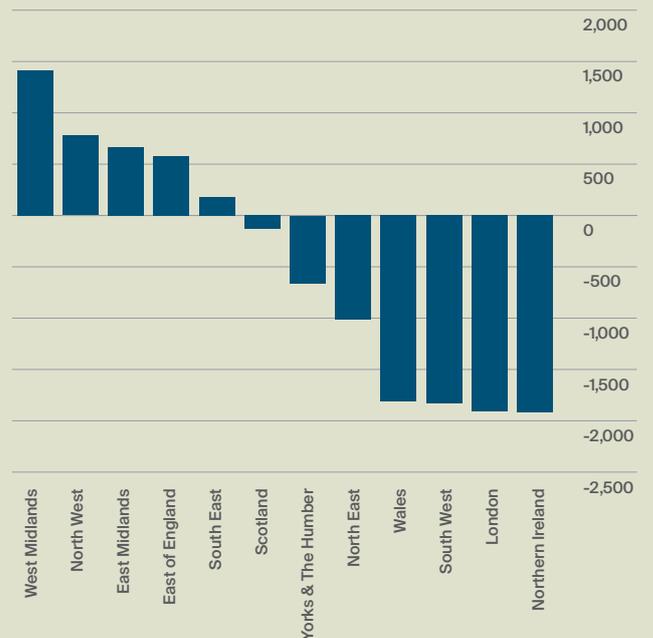
Source: Knight Frank Insight

Fig 3: Deregistrations (12 months to December 2025) as % of total stock



Source: Knight Frank Insight

Fig 4: Net gain/loss of beds by region (2017 to 2025)



Source: Knight Frank Insight

Opportunity in obsolescence

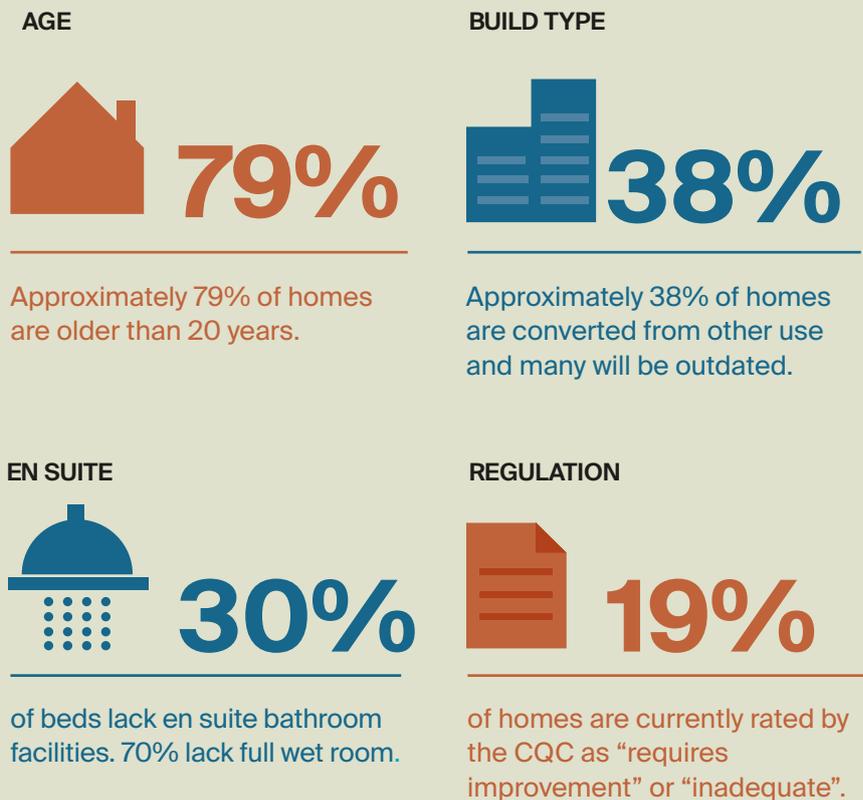
As shown in Figure 5, a significant proportion of the existing market requires upgrading. The UK care home sector remains heavily weighted towards older, purpose-built stock, much of which may now be considered functionally obsolete. Key limitations often relate to scale and the absence of en suite or full wetroom facilities.

This presents a clear opportunity for operators and investors prepared to repurpose and reposition existing assets. The Covid-19 pandemic reinforced the importance of infection control and resident wellbeing, while ESG considerations and net-zero targets will increasingly influence future development and refurbishment strategies.

More than ever, the sector must address the weaknesses within the current supply base and take a proactive approach to modernisation.

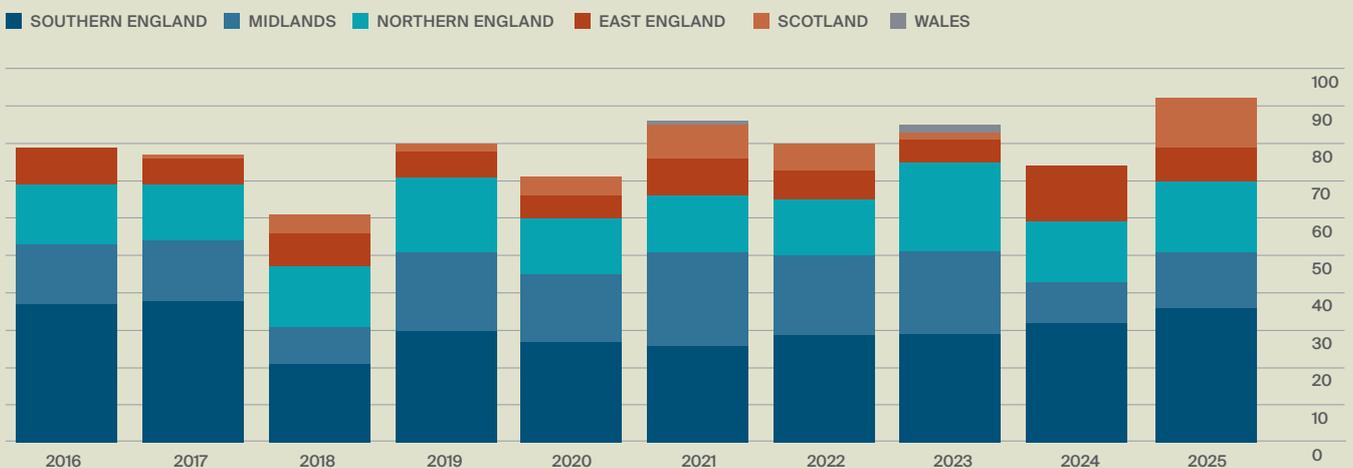
Figure 6 reviews the number of new homes completed over the past eight years, alongside those delivered in 2025. Completions in 2025 increased by 24% compared to 2024, representing a welcome uplift. However, planning approvals granted for 2026 were lower than in 2025, suggesting a narrowing pipeline and a growing lag between planning consent and delivery.

Fig 5: Why the UK care home market needs upgrading



Source: Knight Frank Insight

Fig 6: UK new purpose-built care homes completed



Source: Knight Frank Insight

Homes **11,143**

Beds **480,800**

Fig 7: % of homes by ownership



Fig 8: Homes by size

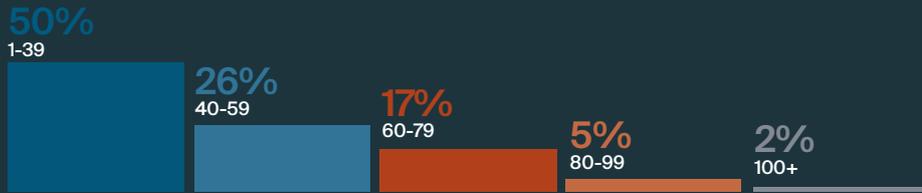


Fig 9: % all en suite beds / % en suite wet room beds

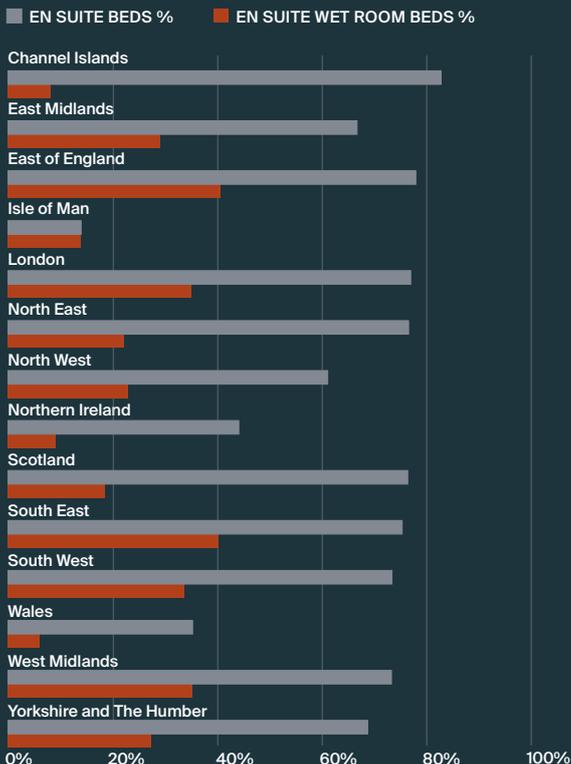


Fig 10: % of homes over 20 years old

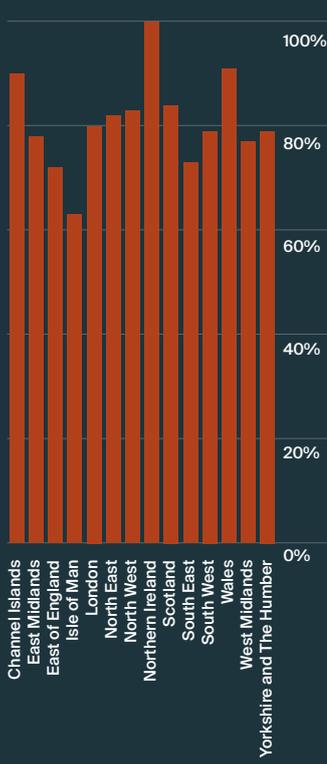


Fig 11: % conversion or purpose-built by region

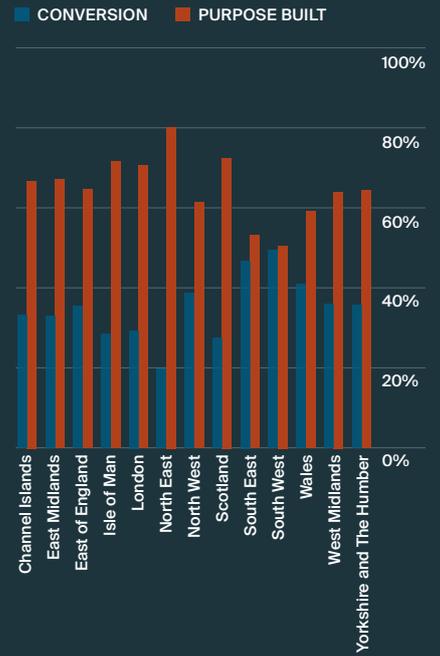


Fig 12: Beds by region

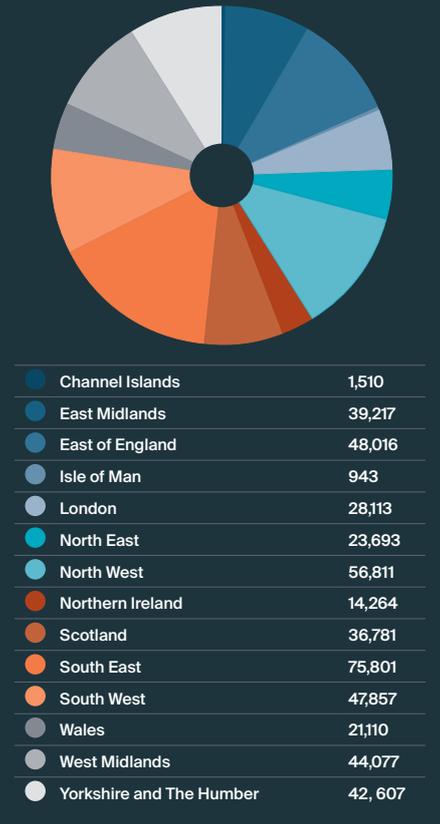
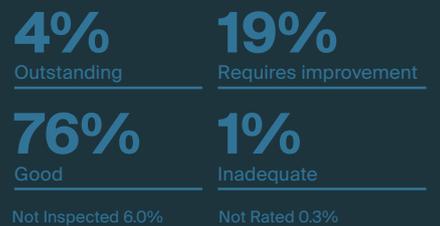


Fig 13: CQC rating



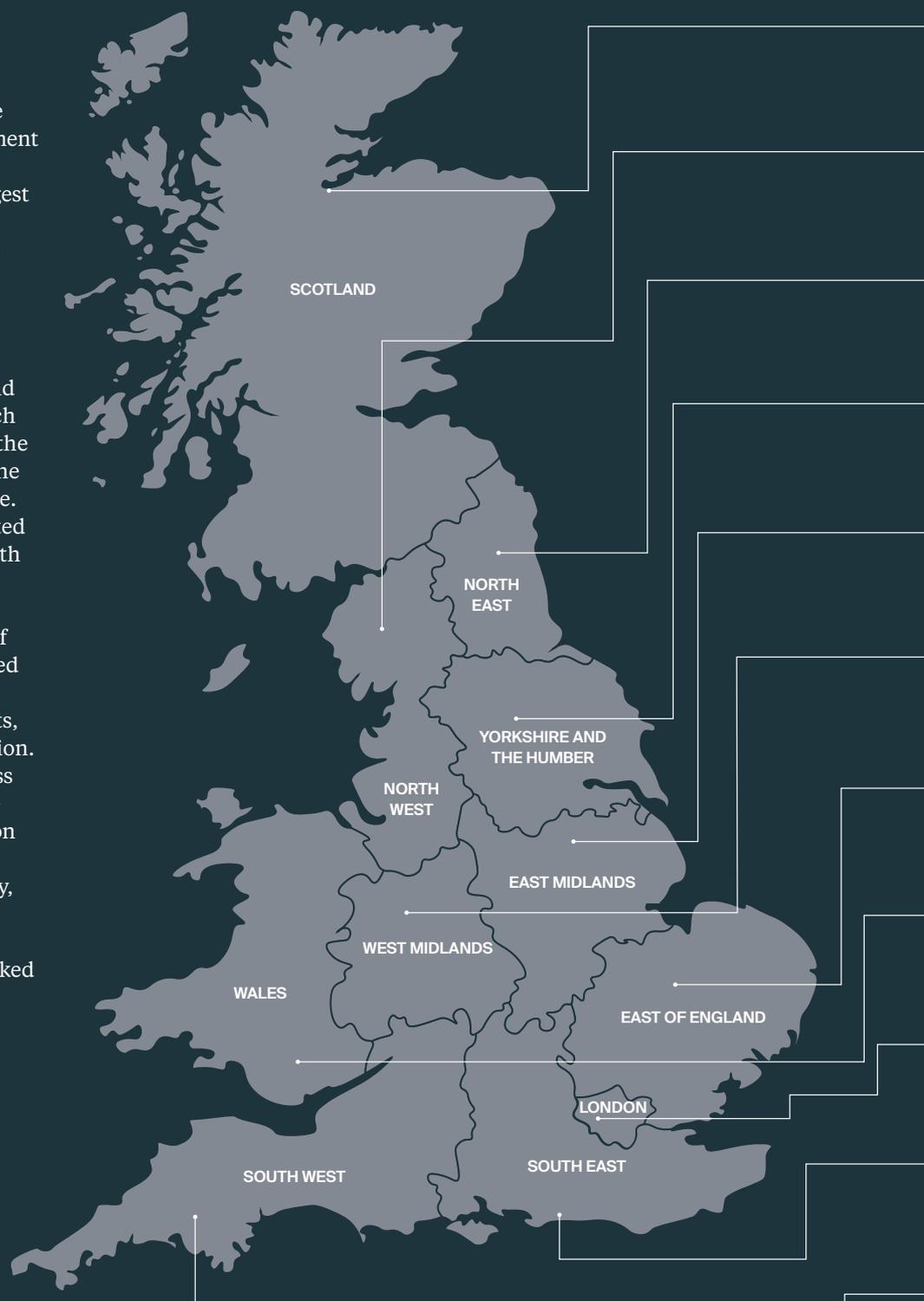
Supporting site selection: Knight Frank Development Hotspots Index

Robust, data-led research remains fundamental to effective site selection, and access to deep market insight is essential for any prospective care home development. Knight Frank's Development Hotspots Index provides a streamlined assessment of locations with the strongest development prospects.

The index analyses counties across England and Wales, as well as 12 in Scotland, against eight key variables. These include demographic and economic projections, wealth levels, future supply pipeline, land values and operational performance metrics. Each county's ranking is shown relative to the national average, with scores above one indicating above-average performance.

Historically, the index has highlighted the dominance of London and the South and East of England, driven by strong elderly population growth, economic expansion and household wealth, all of which underpin demand for self-funded care. Equally important, however, are barriers to entry and supply constraints, including existing and pipeline provision.

In recognition of opportunities across a broader geographical spread, we have again separated Inner and Outer London and continue to present the strongest-performing counties regionally. Notably, London no longer features within the top five areas of opportunity. South Glamorgan, which has consistently ranked strongly, takes first position this year, followed by Berkshire in second place.



INDEX RANK	REGIONAL RANK	County	Total score index	Top rank							Bottom rank	
				Demand			Supply			Operation		
				Elderly population growth*	Economic growth*	Wealth	Current supply	Future supply	Land values	Average weekly fees	Staff costs	
1	1	LOTHIAN	1.23	1	1	3	8	8	12	2	10	
2	2	GRAMPIAN	1.20	5	2	1	10	7	10	3	9	
5	1	GREATER MANCHESTER	1.21	21	27	21	7	23	21	33	18	
8	2	CUMBRIA	1.15	49	40	15	11	7	9	26	24	
12	1	DURHAM	1.12	4	1	51	46	8	18	42	15	
35	2	TYNE & WEAR	0.93	44	39	26	40	18	9	46	1	
15	1	WEST YORKSHIRE	1.10	26	23	23	17	30	9	39	21	
24	2	HUMBERSIDE	1.05	43	38	38	5	26	5	40	2	
7	1	NORTHAMPTONSHIRE	1.16	6	25	19	15	36	31	31	16	
27	2	NOTTINGHAMSHIRE	1.00	24	19	35	32	37	21	32	8	
9	1	WARWICKSHIRE	1.15	30	32	25	6	6	25	43	14	
23	2	SHROPSHIRE	1.06	23	37	33	29	21	16	17	20	
3	1	BEDFORDSHIRE	1.36	5	8	24	25	3	36	24	27	
11	2	SUFFOLK	1.12	25	21	18	21	32	28	10	30	
1	1	SOUTH GLAMORGAN	1.90	28	10	17	3	12	9	2	28	
10	2	GWENT	1.13	35	46	48	1	1	6	3	43	
22	1	INNER LONDON	1.06	1	51	1	4	27	51	9	51	
40	2	OUTER LONDON	0.87	2	50	16	8	48	50	15	48	
2	1	BERKSHIRE	1.46	8	3	2	12	19	46	5	47	
6	2	BUCKINGHAMSHIRE	1.20	11	4	4	13	47	46	6	42	
4	1	WILTSHIRE	1.24	9	16	14	16	25	34	27	26	
25	2	AVON & SOMERSET	1.03	3	2	9	48	43	40	20	36	

Source: Knight Frank Research. * Based on 15 year projection, 2025 to 2040

Understanding Demand Dynamics

Understanding local supply and demand dynamics is critical before progressing with new development. Figure 14 illustrates the typical stabilisation profile of a new-build care home. On average, schemes require at least two years to achieve mature occupancy. Performance, however, can vary significantly. High-quality schemes can potentially reach 70% occupancy within 12 months, whereas others can take up to four years to fully stabilise.

Regional differences are also pronounced. In markets such as the South East, new-build homes can command higher weekly fees; however, ramp-up periods may be extended due to the volume of existing provision. These variances can result in income differentials amounting to millions of pounds over a given period, highlighting the importance of feasibility analysis and due diligence in the site selection process.

Nationally, the UK bed supply averages 28.5 beds per 100 people aged over 85, as illustrated in Figure 15.

When applying care usage multipliers, approximately 13.5% of those aged 85 or older will utilise care services. Despite representing only around

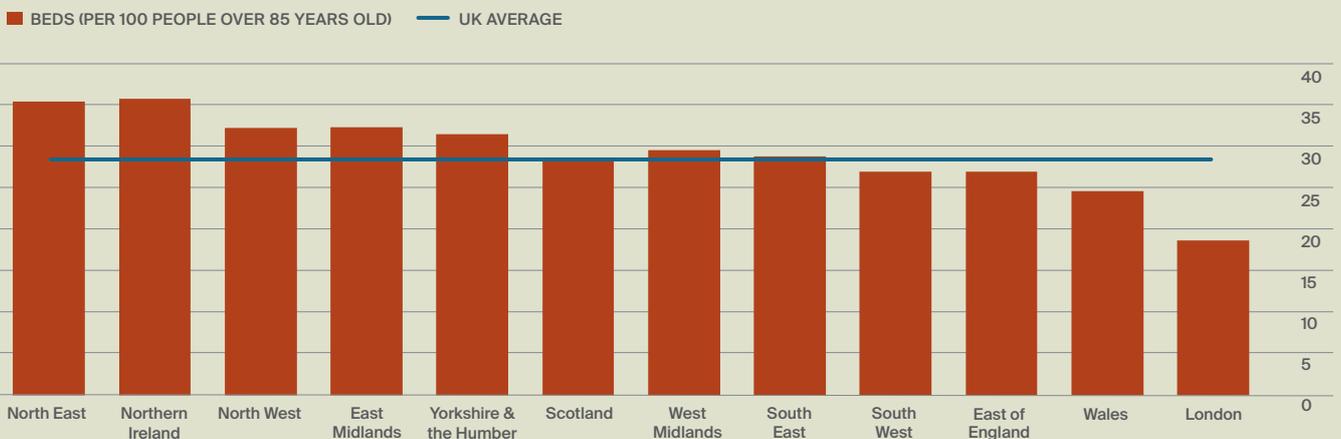
13% of the over-65 population, this cohort occupies approximately 51% of available beds. The demographic weighting of demand is therefore clear.

Fig 14: New care home fill rates



Source: Knight Frank Insight

Fig 15: Elderly care beds (per 100 people over 85 years old)



Source: Knight Frank Insight

Q&A: Underwriting Care

Examining capital allocation, development funding and the evolving risk landscape across the care sector



Derek Breingan

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Derek has many years of UK multi-banking experience and has been focussed solely on the health & social care sector for 20 years. Joining Clydesdale Bank in 2010 he was tasked with creating a dedicated specialist proposition and to bring a new challenger to the banking market. Derek now leads a team of 24 colleagues dedicated to the sector and managing what is now the largest segment within the Virgin Money Business Bank, at over £1.5bn.

With this wide knowledge of social care and real estate, the team has financed over 100 new build care home developments in the last eight years. The portfolio also includes owner-managed, sponsor-led, corporates and dedicated sector real estate investment lending across a broad spectrum of sub-sectors. Derek is a board member of Bield Housing Association, an Ambassador for Championing Social Care and supports Barnardos, the childrens charity, and is a trustee of the Care Workers Charity.

Q. How would you describe the current state of supply within the healthcare sector?

A: Certainly seeing a number of transactions seeking senior debt, however volume is less than we have traditionally seen. Certainly more lenders in the pool, but also viability of care home developments is now narrower than in the past.

Q. When it comes to lending, is there a preferred “sweet spot” for care home size?

A: Not necessarily, however the majority or proposals presented are 65 – 80 beds.

Q. Where is the majority of your loan book allocated, both in terms of borrower type and investment strategy?

A: We have 58% of our portfolio in elderly care. The borrower profile is broad given we provide a real estate lending

proposition within this. Therefore, we are providing traditional debt but also, for example, forward funding and lending to wholeco, opco and also increasingly propco, including REITS and funds.

Q. What does a future-proofed high-quality care asset look like from your perspective?

A: The majority of new schemes are designed and presented as best in class and fulfil special and operational requirements. Equally well invested earlier generation homes can and are being repurposed/extended and invested to prolong lifespan and viability/relevance/compliance.

Q. What makes a proposal attractive to you as a lender? Are financial metrics the only factors, or are other factors equally important?

A: We spend considerable time assessing non financial risks including

experience of the borrower/viability and diligence on the project in that location/regulatory history of provider involved/understanding the design and layout compared to what is generally seen. The financial aspect follows around loan quantum, structure and financial viability.

Q. How has the emphasis on qualitative metrics evolved over your time in the market?

A: I have been around the block and when I started it was a loan to value approach to debt supply alongside a ‘build and they will come’ market. It is now a complex landscape of borrower and asset profile with much more diligence and a focus on financial viability alongside value.

Q. How can the healthcare sector better incorporate ESG considerations into lending structures and development strategies?

A: We are seeing this becoming a feature of newer proposals as providers seek to enhance the efficiency of the building and feed that into cost to run savings. This will continue to evolve as costs of these strategies come down and the benefits outweigh the investment over the life of the asset.

Q. What do you see as the solution to the shortage of ‘good-quality’ bed supply?

A: Repurpose older stock/refurbishment and also possible conversion of vacant NHS and LA estates where appropriate. We are seeing more proposals where former office buildings are being altered for care provision as well.

Q. Do you have any geographic preferences when considering development lending?

A: We are a UK mainland lender with a national team, so no restrictions on funding where projects are viable.

Q. What are the key considerations when reviewing a borrower? How important are relationships, particularly for new market entrants?

A: I think new entrants need to be well networked and have appropriate mentors when undertaking a step into the sector. It is not an easy business model to fulfil. We prefer to see some track record within the management team that supports any business seeking debt.

Q. How do you see the cost of debt impacting the sector's ability to deliver new, future-proofed care beds?

A: This certainly is a constraint and has recently impacted on activity with high interest rates and cost inflation compared to three years ago particularly during 24/25. Rates are falling now and inflation is decreasing but costs will be higher as a consequence of the past. Debt availability, however, is oversupplied therefore we see compression of margins as lenders wrestle to get balance sheet growth.

Q. What are your thoughts on the current lender pool, including the entry of new and alternative lenders? What is driving this increased interest in healthcare?

A: I have never experienced such a busy and full lender pool as we have currently. This is positive for any borrower with variety of structures and products in the market as well as competitive pricing. Healthcare is a proven safe and profitable sector for investment and given the demise of other investment classes, such as retail, healthcare is attracting increased attention.

Q. What role are deal structures and joint ventures playing in development today, and how are they influencing underwriting and lending decisions?

A: This has been a very interesting evolution with new borrowing vehicles and structures being introduced which refresh the traditional approaches to development funding. Variable loan to cost options, forward funding and



Beauleigh Court – Sanders Senior Living

stabilisation loans are all now easily accessible so lenders need to adjust and also be creative.

Q. What does the long-term future look like for the UK care sector, and how close are we to achieving that vision given the current market conditions?

A: Long term future looks very positive as our population matures and the NHS continues to creak at the burden being placed upon it. Private and third sector will continue to prop up and work alongside NHS and other government-funded services such as childcare and education. I cannot see this trend slowing.

Q. Do you have any additional insights or comments on the sector's outlook?

A: We remain committed to growing our exposure to the sector and to broadening our scope across the segments within it. From a lender perspective the asset-backed and long-dated income nature of provision is a stable home for capital. Lenders who understand the sector and are consistent in supporting customers, despite headwinds that can appear, will attract new business and grow.

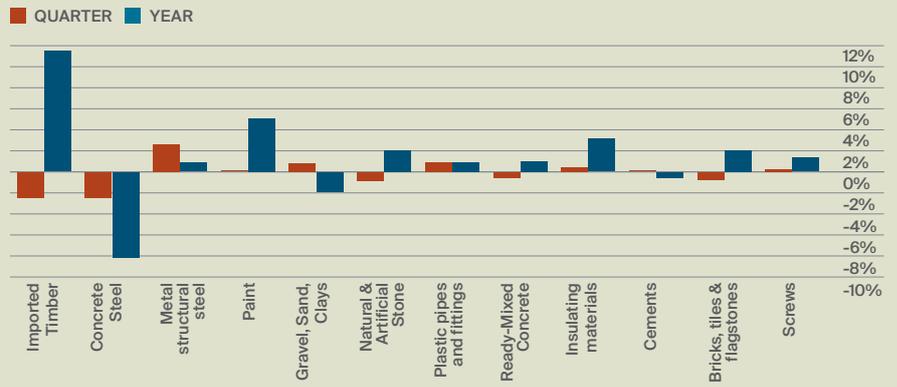
The Economics of Site Delivery

Figure 16 outlines our assessment of regional land values and their respective ranges. In line with persistently elevated construction costs, which now appear to be stabilising at a higher baseline, we have maintained our land value assumptions at current levels.

London continues to command the highest land values, with some overlap into the South East. However, values are expected to remain broadly flat as the market adjusts to revised build and material costs and aligns with achievable end values. Figures 17 and 18 demonstrate this moderation in construction cost inflation.

“London continues to command the highest land values, with some overlap into the South East.”

Fig 17: Price indices of construction materials



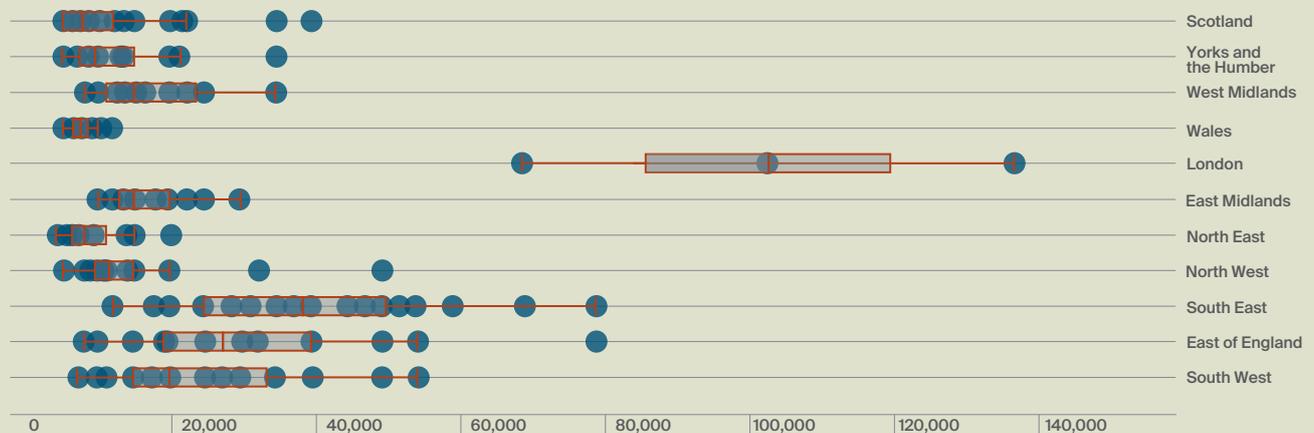
Source: BCIS, Knight Frank Insight

Fig 18: BCIS UK materials cost index, % change year on year



Source: BCIS, Knight Frank Insight

Fig 16: Regional land values (per bed)



Source: Knight Frank Insight

Fast Forward...

While the delivery of new schemes will add to the existing bed base of circa 480,000 beds, the type of scheme and its likelihood of delivery are critical considerations. A growing proportion of proposed beds are located within mixed-use developments, where on-site care provision may not ultimately progress due to social, economic or viability constraints.

It is equally important to assess how future-proof these new beds will be. A substantial share of existing stock is no longer considered fully fit for purpose, particularly where en-suite and full wetroom facilities are absent. Although new beds continue to come forward, the pace of home closures means overall supply growth remains constrained.

At current trajectories, the UK elderly care market risks reaching

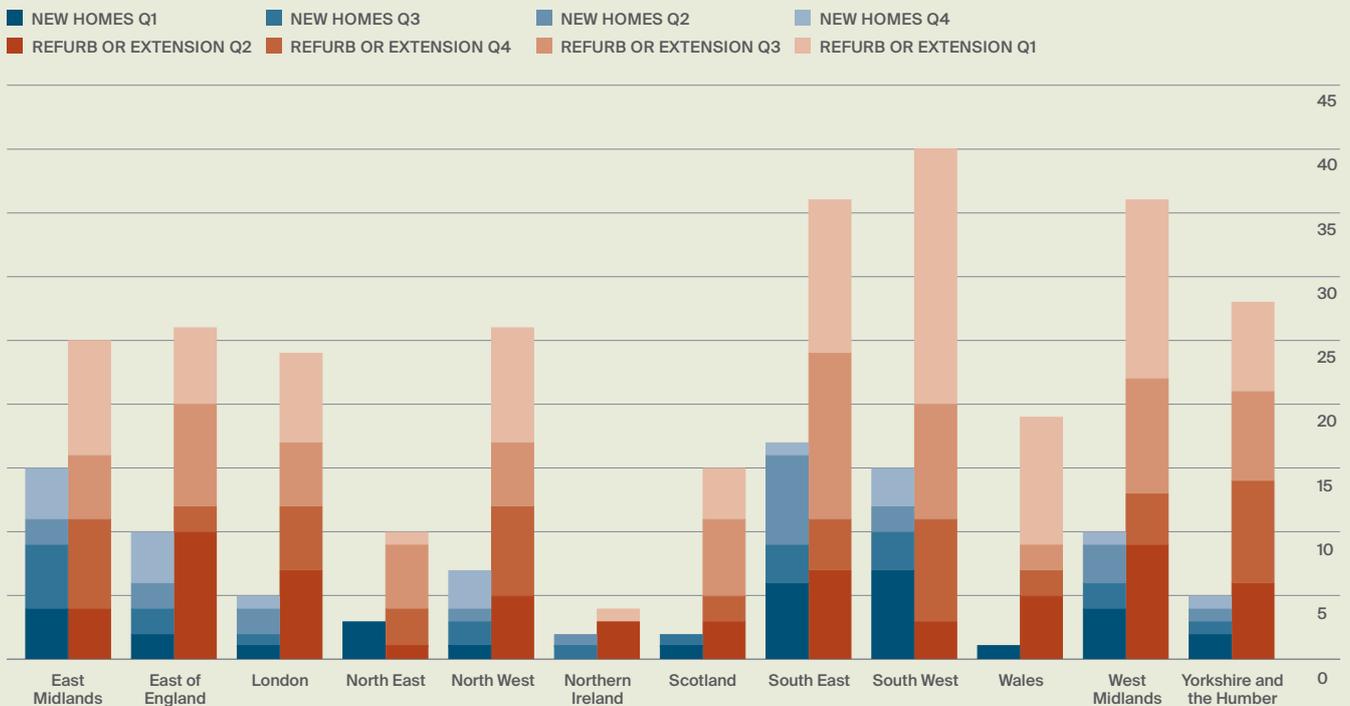
capacity before the end of the decade. Addressing this challenge requires not only accelerating new development but also supporting and upgrading existing stock to reduce closure rates, which continue to offset gains from new delivery.

Any addition to supply, whether through new build, extension or repositioning, will therefore be welcome, both in terms of absolute availability and qualitative improvement.

Figure 20a sets out our projected overall shortfall in bed supply. Given the limited growth achieved to date, the need for increased delivery is clear. By 2050, we forecast a shortfall of approximately 200,000 beds. Drilling down further, Figure 20b shows that, specifically for en-suite provision, the market is already operating in deficit.

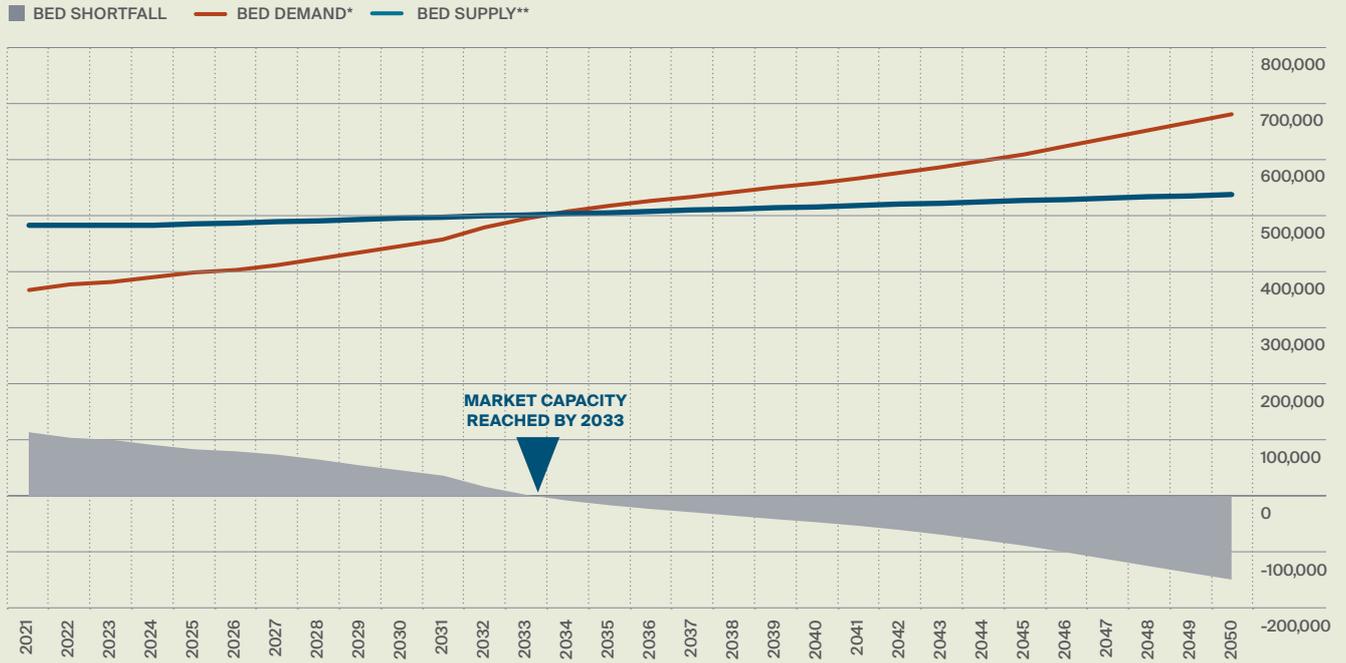
“At current trajectories, the UK elderly care market risks reaching capacity before the end of the decade.”

Fig 19: Schemes with granted planning permission



Source: Knight Frank Insight, Glenigan

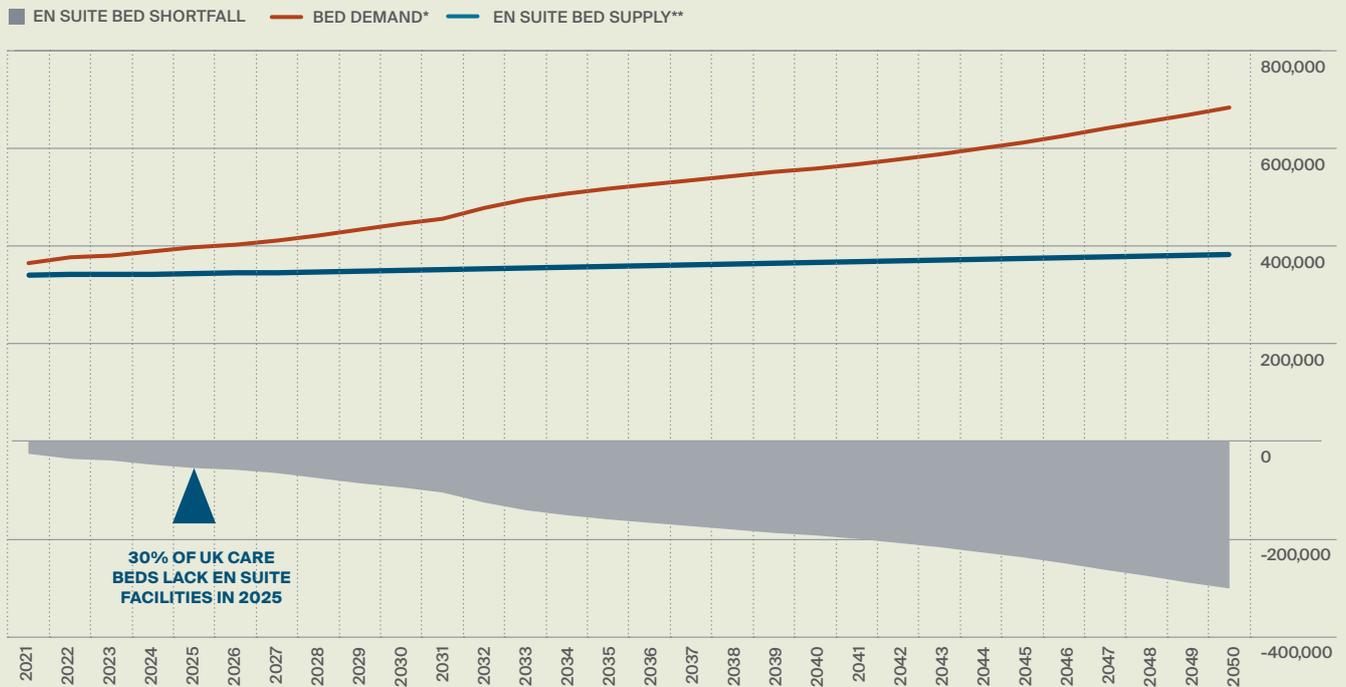
Fig 20a: Future shortfall of elderly care beds



Sources: Knight Frank Insight, Laing Buisson, Tomorrow's Guides, ONS, BMJ.

* Bed demand calculated by applying ONS population projections to Knight Frank care usage multipliers. We have also subtracted 80,000 excess deaths in 2020 that resulted from the pandemic. ** Bed supply calculated by applying the Compound Annual Growth Rate between 2011-2022 (0.5%) to 2022 care home supply

Fig 20b: Future shortfall of en suite elderly care beds



Sources: Knight Frank Insight, Laing Buisson, Tomorrow's Guides, ONS, BMJ.

* Bed demand calculated by applying ONS population projections to Knight Frank care usage multipliers. We have also subtracted 80,000 excess deaths in 2020 that resulted from the pandemic. ** Bed supply calculated by applying the Compound Annual Growth Rate between 2011-2021 (0.5%) to 2021 care home supply

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or would like some property advice, we would love to hear from you.

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