



INSIDE THIS ISSUE

Buyacarehome & Ownacarehome take a reflective look at the first few months of 2025 tracking current trends in the care home sector.

Care Home Sector Outlook

The care sector, despite its continued challenges, continues to attract new and existing buyers to the care home acquisition space with an escalating ageing population within five to ten years, with Buyers continuing to outstrip the supply of care homes for sale.

Care Home sector challenges and ongoing resilience



A reduction in the recruitment of overseas care workers following stricter immigration policies implemented in late 2023 has meant that care providers will be addressing their staffing strategies in the next few years. In turn Buyers of care homes will no doubt be looking more closely at the staffing team to ensure continuity for the business handover and ongoing, taking into consideration stability within the leadership and care teams. There will be an even greater focus on training and development of staff teams assessing where the skills pipeline is going to come from with increasing emphasis on a domestic workforce.

Despite the 2024 Autumn Budget bringing further challenges for the sector with the National Living Wage increasing by 6.7% and employer National Insurance Contributions hiked from 13.8% to 15% as a headline, the number of care homes entering the marketplace has remained subdued for the first half of the year.

As a reminder the new rates of National Minimum Wage from 1 April 2025 are:

- 21 and over (National Living Wage (“NLW”): £12.21 (6.7% increase)
- 18 – 20-year-olds: £10.00 (16.3 % increase)
- 16 – 17-year-olds: £7.55 (18% increase)
- Apprentices: £7.55 (18% increase)

Buyacarehome is observing an increase in the sale of vacant possession or closed care homes at the smaller end of the market, selling for alternative use or a re-entry into the care home market, potentially as part of a refurbishment and future proofing strategy. Subject to the specialised nature of the care service where smaller units are called for, lenders are typically preferring units of 25+ beds.

Care homes with 25 to 40+ effective beds remain popular for Buyers, both new entrants and care home businesses scaling up, with a particular focus on care services offering residential, residential dementia care and nursing. Existing care home owners with a nursing service expertise continue to seek out the more modern/purpose built facilities with good to strong EBITDA with Buyacarehome observing an increasing trend for Buyers growing portfolios beyond the South East seeking emerging markets throughout the UK, subject to geographical and operational capacity.

The postcode lottery regarding Local Authority rates appears to have continued with Care Home providers assessing operational costs set against fee increases from Local Authorities below the true cost of care. Numerous local authorities have proposed below inflationary annual increases on care home fees, some as low as 1.4% (Source HCR Law).

The trend of increasing occupancy in general has continued with levels at or nearing pre-pandemic levels. Valuations appear to have held up and only time will tell if increased wage costs will impact EBITDA. Private fee cross subsidisation continues with market forces in part dictating the optimal level.

The care home market continues to witness larger care home operator consolidations as well as the scaling up independent care provider, with buyer appetite remaining strong across the UK, witnessed by the [Chandler & Co. Property Finder Service](#). Plots for care home and retirement living development continue to reach the marketplace, with new build projects anticipated to increase throughout the rest of the year and into 2026 as changes to planning regulations impact.



Due to the lack of new care home opportunities reaching the market, some care providers have opted for extensions to an existing asset, future proofing the property with modernisation and enhancement alongside sustainable environmental measures. Buyer fundability is particularly strong where existing care provisions demonstrate high occupancy, compliance and strong governance, with a track record of trading well with a steady pipeline of enquiries from both private and local authority referrals.

The trajectory of a decrease in the Bank of England base rate continues to attract overseas and domestic investors in the UK care sector aligned with the demographic trends of an ageing population. Lenders, particularly those with specialist healthcare expertise, continue to support the sector with credit policies including Loan to Values around 70% as a benchmark, with overall terms impacted by the strength of each application.

Digitising Social Care

Three years since the commencement of the digitisation of care the sector has seen a huge take up of digital care planning alongside the current AI revolution. Care providers and carers overall have taken digitisation on board with innovation continuing at pace.

Digitisation is seen as promoting good practice, continuing to link up social care with the NHS for a seamless care journey with the aim to continue the path to innovation and improve the care experience for those receiving care as well as the carers.

Buyers of care homes generally enquire about the target care home's digital journey to include the current systems in place and how this has been reflected in regulator ratings alongside internal and external mock inspections.

Occupancy dashboards and provider overview using digital systems are seen as enhancement to operational efficiency.

The AI revolution

The care sector is also being impacted by the AI revolution enhancing digital care packages to free up the care team's time for increased one to one time with residents. Innovation such as [Carey AI](#) become fully integrated into daily care operations demonstrating to new and existing care home providers how the social care sector is embracing change and remaining attractive to care home buyers from the domestic UK market and overseas.

Regulator ratings and care home market impact

As the CQC's internal re-organisation continues, there does indeed seem to be "a vacuum where no one really seems sure of exactly how CQC are reaching their ratings and judgements" ([Fulcrum Care](#)).

The backlog of older ratings is taking time to address with some lenders now taking a view on this. As an example, if a Requires Improvement rating is two to three years old, lenders may request evidence of an action plan follow up together with a request for internal and external mock inspection reports. Invariably a care consultant, such as [Care4Quality and Fulcrum Care](#), are preferred to carry out these mock inspections, which tend to include a cohort of ex regulator inspectors, providing the lender with confidence to support the intended care home acquisition.

The Team at [Chandler & Co.](#) comment: "Having up to date [financials](#) demonstrating that a care home business is trading well and adapting to changing regulation both from the regulator and the government, together with an improving and strong occupancy record with a proactive enquiry pipeline, lends support to a lending proposition." "This in turn adds weight to a target acquisition even if there are some issues with the service rating."

Sustainability Journey

Having a sustainable longevity plan for a single unit or a care home business scaling up adds support when seeking to [refinance](#) and/or release equity for working capital, a refurbishment/retrofit project or an acquisition.

In addition to reviewing operational efficiencies considering the increases in the National Minimum Wage and the uplift in employers' National Insurance, adapting to green energy and other [cost savings](#) remain on a care business' agenda.



In Conclusion

Strong demand for quality care homes in a needs driven care sector continues across the UK with buyers from a variety of backgrounds seeking investment, refinancing and further acquisitions, restrained in part by the lack of care homes for sale in the marketplace.

Experience relevant to the care home sector remains key with new entrants seeking support from family members or potential partners/shareholders within the sector, with additional support from care consultants as appropriate. Existing care providers continue to scale up in a highly competitive acquisition market, with the Team at [Chandler & Co.](#) able to support prospective care home buyers get 'pre-finance ready.'

Find out more information from the care sector industry experts and how they support the care home and wider care sector

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Keep in touch

Keeping in touch with your broker for the longer term supports future funding requirements as a full understanding of the current and future needs of the care home business develop.

For more information to support you on your care home purchase contact Chandler & Co. on 01622 817484 or email finance@chandlerandco.co.uk

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