



Care Homes. Snapshot Challenges and Outlook for 2026



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Executive summary:

Private care homes face acute financial and workforce pressure, rising regulatory scrutiny and variable demand. Without meaningful funding reform or cost relief, expect continuing consolidation (M&A), selective investment in high-quality provision, and ongoing service stress through 2026

Current challenges

Funding and fee pressure. Local authority budgets and purchaser fees have struggled to keep pace with rising delivery costs, leaving many private homes squeezed between higher operating costs and capped fees from publicly funded residents. This dynamic reduces margins and forces some homes to cut services or close.

Workforce shortages and retention problems. Vacancy rates, recruitment shortfalls and low pay remain central problems: the social care workforce survey and sector analyses show persistent vacancies and high staff turnover, worsened by lower overseas recruitment in 2024–25. Staffing shortages increase agency spend and reduce continuity/quality of care.

Rising operating costs (wages, energy, inflation). Wage pressure (national living wage and market competition), energy costs and inflationary supply-cost increases have materially raised the cost base for homes, eroding profitability.

Regulatory and quality risk. The CQC's State of Care reporting and past enforcement activity highlight regulatory risk — enforcement, special measures and closures tend to fall disproportionately on poorer-performing private homes, raising reputational and operational risk for operators.

Demand / occupancy mix and payer mix risk. Occupancy has partially recovered since the pandemic but public funding constraints, changes in eligibility and the high cost of self-funded care create volatility in the payer mix and pressure on average fees and occupancy.

Forecast for 2026

Continued financial pressure; selective fee uplifts but insufficient system reform. Expect governments and local authorities to deploy targeted funds (e.g., market sustainability funding and fee uplifts) but not full structural reform in many areas — this will relieve some homes but not resolve long-term sustainability without broader funding changes. Short-term stability in some local markets is likely, systemic pressure will remain.

Consolidation and investor activity. Larger chains and specialist investors are likely to continue acquiring attractive assets; capital markets view UK care real estate as comparatively attractive, so expect more transactions and professionalisation at the top end of the market while smaller, weaker operators face exit or closure.

Workforce remains the key constraint. Unless immigration/visa policy, pay and career progression incentives change materially, labour shortages will persist into 2026 — pushing more investment into recruitment, training, automation/tech for back-office processes, and higher use of agency staff where necessary.

Quality and enforcement focus persists. Regulators will maintain scrutiny; homes failing to invest in quality and staffing will face an elevated risk of enforcement action and closure. This will further accelerate exits among the weakest providers.

Practical implications for operators and investors:

1. Stress-test margins on realistic wage/energy scenarios and secure contingencies for fee shortfalls.
2. Prioritise workforce retention (career pathways, training, rota stability) to reduce agency costs and quality risk.
3. Target capital to quality and differentiation (specialist dementia care, high-acuity niches) — these command higher fees and attract investor interest.

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