Global Investment Property

Assisted Living as an Investment

Contents

1. Foreword: Why Assisted Living

Assisted living has moved steadily from the margins of the UK property market toward the centre of long term investment thinking. This shift has been driven less by short term trends and more by structural change. Demographics, housing supply and public sector capacity are converging in ways that make assisted living increasingly relevant as both a social solution and an investment asset.
At its core assisted living responds to longevity. People are living longer and doing so with higher expectations of independence, dignity and quality of life. Traditional models of care often sit at either end of the spectrum with general housing on one side and institutional care on the other. Assisted living occupies the space between these two poles and in doing so addresses a growing and under served segment of the population.

1.1 Demographic change and longevity

The UK population is ageing at a pace that is well understood but not yet fully reflected in housing provision. Growth in the over sixty five and over eighty cohorts is reshaping demand for housing that supports later life without sacrificing autonomy. Many older households are asset rich and increasingly willing to pay for environments that combine private living with access to care and services when needed.

This demographic shift is not cyclical. It is gradual predictable and long term. From an investment perspective this creates demand that is less sensitive to economic cycles and more closely linked to life stage. Assisted living sits directly within this dynamic and benefits from demand that renews continuously rather than peaking at a single moment.

1.2 From institutional care to lifestyle-led models

Assisted living reflects a broader move away from institutional care toward lifestyle-led solutions. Residents typically retain their own homes within a managed environment and access care flexibly rather than as a fixed package. This model supports independence while providing reassurance for residents and their families.

For investors this evolution matters because it changes how income is generated and sustained. Demand is driven not only by care needs but by housing preferences and service quality. Occupancy and retention are influenced by experience rather than necessity alone which places greater emphasis on operator capability and asset quality.

1.3 Assisted living within real estate portfolios

Within diversified real estate portfolios, assisted living offers a distinct profile. Income is typically underpinned by long length of stay and recurring service demand. Exposure is linked to demographic need rather than employment or retail spending. While operational considerations are more complex than conventional residential assets the resulting income streams are often more stable over time.

Assisted living also aligns with growing interest in impact and ESG focused investment. The social outcomes are tangible and the sector increasingly attracts institutional capital seeking long duration assets with clear purpose. When structured carefully, assisted living can sit alongside other income focused assets while adding diversification and resilience.

Assisted living is not a short term theme. It reflects structural change in how society ages and how housing responds. For investors willing to engage with complexity and long term horizons it offers a combination of income visibility, social relevance and portfolio diversification that few other sectors can match.

2. Executive Summary

Assisted living has emerged as a credible long term investment theme within the UK real estate market, supported by demographic change, constrained supply and growing pressure on public care provision. It sits between traditional residential housing and institutional care, offering a model that aligns with how older people increasingly wish to live while also producing income characteristics that appeal to long horizon investors.

Demand for assisted living is driven less by economic cycles and more by life stage, which creates a level of predictability that is uncommon within property markets. Residents typically move in at a point of transition rather than choice alone, and once settled they tend to remain for extended periods. This supports stable occupancy and recurring income while reducing exposure to short term market volatility.

From an investment perspective assisted living combines property fundamentals with an operational overlay. Income is generated through a blend of rent and service provision, which introduces complexity but also enhances resilience. Returns are influenced not only by location and build quality but by operator capability, cost control and the ability to maintain service standards over time. When these elements are aligned income visibility can be strong.

Assisted living is not a passive asset class. It requires active management, regulatory awareness and a long term mindset. In return it offers diversification away from employment led demand and exposure to a structural growth trend that is unlikely to reverse. For investors seeking income with social relevance and durability assisted living represents a compelling addition to diversified property portfolios.

3. Assisted Living Explained

3.1 What Assisted Living Means in the UK

Assisted living in the UK refers to purpose built residential communities designed for older people who wish to retain independence while having access to on site support and services. It occupies a space between conventional housing and full care provision, offering a lifestyle oriented environment rather than a clinical setting.

Residents typically live in self contained apartments with private kitchens and living spaces while communal facilities and staff are available to provide assistance with daily activities. Services can include housekeeping, meals, wellness programmes and personal care, though the level of support varies by scheme and operator.

The model has developed unevenly across the UK compared with the United States and parts of continental Europe. However investor interest has increased as demographic trends and public sector constraints have become more pronounced.

3.2 Differences Versus Care Homes and Retirement Housing

Assisted living is often grouped with other senior living models, though the distinctions are important from both a regulatory and investment perspective.

- Retirement housing is primarily residential with limited services and minimal care provision, often structured as leasehold or shared ownership schemes
- Assisted living combines residential units with a service platform, with revenues derived from rent and service charges
- Care homes provide high dependency care and are regulated as healthcare facilities with clinical oversight

These differences affect planning classifications, operating costs and risk profiles. Assisted living sits in a middle category where real estate fundamentals remain central but operational execution plays a meaningful role in performance.

3.3 Resident Profile and Service Offering

Residents in assisted living schemes are typically older adults who require some support but do not need intensive nursing care. The cohort often includes individuals in their late seventies to early nineties, though age thresholds vary by operator and region.

Typical services include:

- On site staff presence and emergency response systems
- Housekeeping, laundry and maintenance
- Communal dining and social programming
- Personal care services offered on a flexible or fee based basis

The service model is designed to support ageing in place, allowing residents to increase their level of assistance without relocating. This continuity underpins longer average tenancy lengths and supports income stability from an investor perspective.

4. Market Demand and Structural Drivers

4.1 Ageing Population and Household Trends

The UK is experiencing a sustained demographic shift as longevity increases and birth rates decline. This is expanding the proportion of older households and increasing the number of people living with age related support needs.

By the mid 2040s the number of people aged over 85 is expected to more than double, creating pressure on housing, healthcare and social services. Traditional residential stock is poorly suited to ageing occupants, while public sector capacity for care provision remains constrained.

Key structural trends shaping demand include:

- Rising life expectancy and improved health outcomes in early old age
- A growing cohort of older homeowners with housing equity and income
- Changing preferences towards lifestyle led retirement rather than institutional care

These dynamics support sustained long term demand for assisted living accommodation.

4.2 Public Sector Constraints and Private Provision

Local authorities and the National Health Service face structural funding pressures that limit their ability to expand state funded care provision. As a result policy frameworks increasingly encourage private sector solutions across the senior living spectrum.

Assisted living aligns with this policy direction by offering lower cost alternatives to full residential care while supporting independence and wellbeing. It also reduces hospital admissions and delayed discharges, outcomes that are closely monitored by policymakers.

From an investor perspective this creates a demand base that is partly structural rather than cyclical, with public sector constraints acting as an indirect tailwind for private provision.

4.3 Regional Demand Patterns

Demand for assisted living is not uniform across the UK and is influenced by wealth distribution, housing tenure and demographic composition. Southern England and major urban centres with affluent older populations show the highest penetration rates, though under supply is evident in most regions.

Indicative Assisted Living Demand Drivers by Region

Region	Key Demand Drivers	Market Maturity	Supply Gap
South East & London	High wealth, downsizing trends	Moderate to advanced	Material
Midlands	Growing older population, regeneration	Early to moderate	High
North of England	Affordability, ageing industrial towns	Early	Very high
Scotland & Wales	Mixed tenure, rural ageing	Early	High

Source: Centre for Ageing Better

The limited existing stock across most regions suggests significant headroom for development, particularly outside London where penetration remains low relative to demographic need.

5. Asset and Operating Models

5.1 Lease Based Versus Operational Exposure

Assisted living assets can be structured in different ways depending on how much operational risk the investor is willing to retain. The choice of structure has implications for income stability, yield and capital value volatility.

In a lease based model the property is leased to an operator under a long term agreement, often with inflation linked rent uplifts. This structure resembles other long income real estate sectors and appeals to institutional capital seeking predictable cashflows.

In an operational model the investor participates directly in the operating performance of the scheme, either through ownership of the operating platform or revenue sharing arrangements. This can enhance returns but introduces exposure to occupancy, staffing and cost management.

5.2 Role and Importance of the Operator

The operator is central to the performance of assisted living assets. Unlike conventional residential property, service quality and resident experience directly influence occupancy, pricing power and reputation.

Operator responsibilities typically include staffing, care provision, hospitality services and regulatory compliance. The financial strength and governance standards of the operator are therefore key underwriting considerations for investors.

Due diligence typically focuses on:

- Track record and brand reputation
- Regulatory history and inspection outcomes
- Staffing model and wage exposure
- Capital expenditure and maintenance strategy

The alignment of incentives between property owner and operator is critical, particularly in hybrid or turnover rent structures.

5.3 Income Structures and Occupancy Dynamics

Income within assisted living schemes is derived from multiple streams, which creates diversification but also complexity. Rental income is typically complemented by service charges, care fees and ancillary services such as dining and wellness programmes.

Occupancy levels are influenced by local demographics, pricing, marketing and the perceived quality of services. Tenancy durations are typically longer than conventional rental housing, with residents often remaining for several years, which reduces churn and leasing costs.

Investor Checklist: Income Quality Indicators

☐ Long term lease or contracted minimum income
☐ Inflation linked rent or fee escalators
☐ Historical occupancy above sector benchmarks
☐ Diversified revenue streams beyond base rent
☐ Capital expenditure reserves and refurbishment plans

This combination of property and service income underpins the sector's appeal but requires more granular underwriting than traditional residential investments.

6. Income Visibility and Risk Considerations

6.1 Long Term Income Characteristics

Assisted living income is underpinned by demographic demand rather than employment or discretionary spending, which creates a degree of resilience across economic cycles. Residents typically enter schemes at a later life stage and remain for extended periods, which reduces leasing volatility and supports predictable cashflows.

Lease based structures can provide long duration income with contractual uplifts, while operational models offer exposure to revenue growth through occupancy and service pricing. In both cases the income profile is more akin to long income real estate than cyclical residential development.

However the presence of an operating component means income durability depends on service quality, staffing stability and brand perception, which introduces a layer of complexity that investors must actively monitor.

6.2 Inflation Linkage and Cost Pressures

Assisted living assets can offer partial inflation protection through rent reviews, service charge indexation and fee escalation. This characteristic has attracted institutional capital seeking real assets that preserve purchasing power over long horizons.

Cost pressures are a key counterbalance. Labour is the largest operating expense and wage inflation can outpace revenue growth, particularly in tight labour markets. Energy, food and maintenance costs also influence margins, especially in schemes with hospitality style offerings.

The ability of operators to pass through cost increases to residents is shaped by local affordability, competitive supply and regulatory scrutiny. Pricing power therefore varies significantly by location and resident profile.

6.3 Operational and Regulatory Risk

Assisted living sits within a regulatory framework that is evolving as the sector expands. While it is less regulated than nursing care, schemes must comply with planning rules, building safety requirements and consumer protection standards, and some services fall under Care Quality Commission oversight.

Operational risk includes staffing shortages, reputational issues, technology failures and changes in consumer preferences. These risks can affect occupancy and pricing, which in turn influence investor returns.

Indicative Risk Matrix

Risk Category	Description	Mitigating Factors	Investor Impact
Demographic	Slower than expected ageing trends	Long term population forecasts	Low to moderate
Operational	Staffing, service delivery	Operator track record, governance	Moderate
Regulatory	Changes in care standards or planning	Legal structuring, monitoring	Moderate
Market	Local competition and affordability	Site selection, pricing strategy	Moderate
Financial	Cost inflation, interest rates	Indexation, financing structure	Moderate to high

This risk profile reflects the hybrid nature of assisted living as both real estate and service infrastructure. Investors that understand and manage these factors can achieve resilient long term income with controlled volatility.

7. Investment Strategies

7.1 Core Income Strategies

Core assisted living strategies focus on stabilised assets with predictable income and limited development or operational risk. These typically involve long leased schemes operated by established providers with inflation linked rent uplifts and strong covenant characteristics.

Investors adopting a core approach prioritise income visibility, downside protection and capital preservation over growth. Assets are often located in affluent catchments with established demand, strong healthcare infrastructure and high barriers to entry.

Typical core strategy characteristics include:

- Long duration leases with indexed rent reviews
- Mature schemes with stabilised occupancy
- Institutional grade operators with audited financials
- Conservative leverage and long term financing

This approach is most aligned with pension funds, insurers and private wealth mandates seeking bond like income characteristics from real assets.

7.2 Development and Conversion Opportunities

Value add and development strategies seek to capture the structural undersupply of assisted living by funding new schemes or converting existing residential or commercial stock. These strategies benefit from demographic tailwinds but require expertise in planning, design and operator selection.

Development opportunities include purpose built schemes in suburban and urban fringe locations, conversion of redundant offices or hotels, and repositioning of retirement housing into service enriched assisted living formats. Returns are driven by yield compression, rental growth and stabilisation of occupancy.

Key considerations include planning policy, local authority attitudes, construction cost volatility and pre letting agreements with operators. Investors often partner with specialist developers or operators to mitigate execution risk.

7.3 Portfolio Diversification Benefits

Assisted living can play a strategic role within diversified real estate and alternatives portfolios by providing exposure to demographic driven demand and long duration income.

Correlation with traditional commercial property and equity markets tends to be lower due to the non discretionary nature of demand.

Indicative Portfolio Allocation Framework

Investor Objective	Assisted Living Allocation	Rationale
Income focused	5 to 15 percent	Long duration indexed income
Balanced growth	3 to 10 percent	Defensive growth exposure
Opportunistic	10 to 25 percent	Development and operational upside

The asset class can also complement healthcare, residential and infrastructure holdings, enhancing portfolio resilience across economic cycles.

Investor Checklist

☐ Alignment with long term demographic themes
☐ Access to specialist operating partners
☐ Regulatory and governance oversight capability
☐ Capital expenditure and refurbishment planning
☐ Exit liquidity and valuation transparency

When integrated thoughtfully assisted living can provide both income durability and thematic exposure, positioning it as a strategic allocation within modern institutional portfolios.

8. Returns and Financial Considerations

8.1 Typical Yield Ranges and Drivers

Yield levels in assisted living reflect the hybrid nature of the asset class and vary by covenant strength, lease structure and asset maturity. Senior living and healthcare related living sectors across Europe have continued to attract capital, with yields typically sitting above multifamily residential but below conventional commercial property, reflecting their long duration income and demographic driven demand. Investor appetite for senior housing and living sectors has increased as capital reallocates away from traditional commercial real estate into beds based sectors.

Recent investment data indicates renewed confidence in healthcare related living assets, with Savills reporting a recovery in European care home investment volumes in 2024 and into 2025 supported by improving operator performance and easing financing conditions.

Yield drivers include lease duration, inflation indexation, covenant quality, scheme scale and local market liquidity. Development and operational strategies command higher target returns due to planning risk, construction cost volatility and stabilisation periods, while long leased stabilised assets attract capital seeking bond like income characteristics.

8.2 Sensitivity to Occupancy and Costs

Occupancy is a critical determinant of operating performance in assisted living, particularly where income is linked to resident numbers and service utilisation. Evidence from the UK living sector suggests stabilised schemes can maintain very high occupancy levels, with CBRE reporting an overall occupancy rate of approximately 97 percent for stabilised UK multifamily schemes as at September 2025, supported by rental growth and constrained supply.

Cost sensitivity is dominated by labour, which represents the largest operating expense and is subject to wage inflation, regulatory staffing requirements and local labour market constraints. Energy, food, maintenance and insurance costs also influence margins, particularly in schemes with hospitality style services and communal facilities.

Because many operating costs are fixed, modest changes in occupancy or pricing can have a disproportionate impact on net operating income. Investors therefore need to stress test downside scenarios that incorporate slower lease up, higher staffing costs and limited fee escalation, particularly during early stabilisation phases.

8.3 Exit Liquidity and Valuation

Liquidity in assisted living has improved as institutional investors increasingly allocate capital to living and healthcare related sectors. European investor surveys show that living sectors including senior housing are gaining share of total real estate allocations as investors diversify away from traditional commercial property.

Valuation methodologies vary by structure. Long leased assets are typically assessed using yield based and discounted cashflow frameworks similar to infrastructure and long income real estate, while operational schemes are valued using stabilised earnings multiples and implied exit yields. Covenant strength, lease terms, occupancy stability and capital expenditure requirements materially influence pricing.

Exit conditions are sensitive to capital market dynamics and interest rates, though demographic demand provides a structural underpinning. As the sector matures and institutional adoption increases, deeper buyer pools and potential yield compression may support capital appreciation for high quality stabilised assets.

9. ESG and Social Impact

Assisted living sits at the intersection of real estate, healthcare and social infrastructure, which positions it as a natural candidate for environmental, social and governance focused capital. The sector addresses a structural societal challenge by providing housing and support for an ageing population while relieving pressure on public healthcare and social care systems.

From a social perspective assisted living can improve quality of life by enabling older people to maintain independence within a supportive community environment. Access to on site services, social interaction and tailored care provision can reduce isolation, improve wellbeing and delay the need for higher intensity care settings. For investors this creates a measurable social outcome that aligns with impact and sustainability frameworks increasingly used by institutional allocators.

Environmental considerations relate to building efficiency, lifecycle management and the operational footprint of communal facilities. Modern assisted living schemes often incorporate energy efficient design, centralised heating systems and sustainability certifications, which can reduce operating costs and improve asset longevity. Given the long term nature of these assets, capital expenditure planning and retrofit strategies are important elements of environmental stewardship.

Governance is driven largely by the operating platform. Oversight of care provision, staff training, resident safeguarding and regulatory compliance requires robust governance frameworks and transparent reporting. Investors increasingly engage with operators on standards, reporting metrics and alignment of incentives, recognising that reputational risk and regulatory breaches can materially affect asset value.

The alignment of long term demographic demand with measurable social outcomes has increased the attractiveness of assisted living to impact funds, pension schemes and insurers with explicit ESG mandates. While ESG integration does not remove operational or financial risk, it provides a framework for disciplined ownership and supports the case for assisted living as both a financial and societal investment theme.

10. Conclusion

Assisted living has moved from a niche segment of the housing market to a recognised institutional investment theme, underpinned by demographic change, constrained public provision and evolving consumer preferences. It combines elements of residential real estate, long income infrastructure and operating platforms, which creates both complexity and opportunity for investors with the appropriate expertise and time horizon.

The sector offers structural demand that is less exposed to economic cycles than employment driven property markets, with income durability supported by long length of stay and growing service needs over time. Returns are influenced by covenant strength, operating performance and capital expenditure discipline, with a clear distinction between stabilised long leased assets and operational or development led strategies.

As institutional capital continues to broaden its exposure to living and healthcare related sectors, assisted living is likely to benefit from increasing liquidity, deeper valuation benchmarks and potential yield compression for high quality assets. However success in the sector requires careful underwriting of operators, realistic assumptions on costs and occupancy and a governance framework that recognises the hybrid nature of the asset class.

For investors seeking long duration income, diversification and alignment with social impact objectives, assisted living represents a compelling addition to real estate and alternatives portfolios, provided it is approached with the same rigour applied to infrastructure and regulated real assets.

Investor Checklist: Assisted Living Allocation Framework

Strategic Fit

☐ Alignment with long term demographic and social infrastructure themes
☐ Role within portfolio income and diversification objectives
☐ Target allocation size relative to overall real estate exposure

Asset and Operator Due Diligence

☐ Operator financial strength and regulatory track record
☐ Lease structure and covenant quality
☐ Capital expenditure and refurbishment strategy
☐ Governance and reporting standards

Financial and Risk Considerations

☐ Occupancy and pricing assumptions stress tested
☐ Labour and operating cost inflation modelled
☐ Conservative financing and refinancing assumptions
☐ Exit liquidity and valuation methodology understood

ESG and Impact Alignment

☐ Measurable social outcomes defined
☐ Environmental performance and retrofit strategy
☐ Governance framework and resident safeguarding protocols