

AEW RESEARCH | SPECIAL REPORT

THE SHIFT TO RENT

UNLOCKING SENIOR HOUSING DEMAND

JUNE 2026

TABLE OF CONTENTS

Executive Summary	3
Section 1: Demographics & Need-driven Demand	4
Section 2: UK Senior Housing Spectrum	5
Section 3: Evolving Supply Models	6
Section 4: Investment Market Trends	7

INTRODUCTION

- Today’s seniors in the UK are in a unique position relative to previous generations. They live longer, are healthier, better educated and wealthier than their predecessors. The decisions seniors make around housing are driven by quality of life, ability to manage activities of daily living, their own personal and family circumstances, and affordability.
- As seniors age, particularly beyond 80 years, their propensity to move away from their family home increases, at first gradually and then more rapidly, as they move closer to family and seek age-appropriate accommodation and care.
- The table below shows the key drivers and options available to UK seniors. Recent seniors’ surveys confirm that nearly 50% of seniors prefer staying in their own home as long as possible and hire professional care when mobility reduces and care needs increase.
- However, given the practical complexity and cost of home adjustments, the increasing need for more assistance, and/or the time and financial burden on adult children or other relatives, this option can become less appealing over time and caters to a small wealthy segment of the population.
- Using sale proceeds from the family home to buy a purpose-built senior home with amenities and optional care has become a prevalent alternative over the last 20 years. The majority of senior home purchases were for leasehold interests with deferred management (exit/event) fees via captive sales fees, all increasing the overall costs.
- More recently, renting purpose-built senior housing has become an attractive and more flexible alternative which might not require the sale of the family home leaving more wealth to their heirs and efficient estate and tax planning, shifting from a property-based decision to a more needs-based or lifestyle and services-oriented decision
- As levels of acuity or cognitive impairment increase, the role adult children in the decision-making process is likely to become more prevalent. Their attitude towards renting is more likely better informed and positive and will influence accommodation choice for their elderly parents.
- This report has a closer look at the overall UK senior housing market focusing on the emerging private rent segment.

RESIDENTS’ MOTIVATION ACROSS SENIOR HOUSING OPTIONS

	STAY IN OWN HOME	BUY PURPOSE-BUILT SENIOR HOME	RENT PURPOSE-BUILT SENIOR HOME
DAILY CARE & MEDICAL NEEDS	HOME ADJUSTMENTS & REGULAR HOME SERVICE	ON-SITE	ON-SITE
HOME MAINTENANCE & REPAIRS	ADJUSTMENTS & REPAIRS NEEDED	REPAIRS & MAINTENANCE	N/A (INCLUDED IN RENT)
AFFORDABILITY & FLEXIBILITY	LIMITED IMPACT	PURCHASE IS LONG TERM & COMPLEX FEES	FLEXIBLE LEASE TERMS
FINANCIAL LEGACY FOR HEIRS	LIMITED BY HOME VALUE APPRECIATION	IMPAIRED BY HOME SALE & STAMP DUTY TAX	LEAST IMPAIRED (IHT SAVINGS)

EXECUTIVE SUMMARY: EXCESS RETURNS AVAILABLE IN EMERGING UK SENIOR BTR

- The UK population is going through a material age reweighting as medical care improves and longevity increases. The 80+ cohort are anticipated to grow by 20% over the next 5 years. More acutely, the number of seniors aged 85+ are expected to increase by 50% in the next 15 years to 2.7mn by 2040.
- The rising senior population has increased the dependency ratio from 18% (1960) to 33% (2025) and is projected to hit 41% by 2045. This strains the working-age population's ability to fund health and pension systems and also reduces the availability of adult children as caregivers.
- Currently 88% of the 13.8mn UK seniors (65+) live independently in their family homes. Of the remainder, approximately 880,000 live in social rented housing, 450,000 in nursing homes, and fewer than 300,000 in private purpose-built senior housing¹.
- Less than 2% of seniors living in private purpose-built accommodation live in private rented units, reflecting a penetration rate of less than 0.1% . Currently, there are fewer than 5,000 private rent units in the UK.
- Seniors have accumulated substantial wealth, primarily driven by house price appreciation since 1985. 5.8mn people aged 65+ have +£500K housing wealth with 2.6mn people being part of a household with wealth over £1mn. As a result, we assume a low price elasticity in the sector of senior housing and care.
- Despite a median senior wealth of £575K, increasing mobility and health issues after age 80 necessitate change and life events such as the death of a spouse often triggers the decision of moving into a senior community rather than staying at home. Adult children often influence the decision, prioritizing proximity.
- Research suggests the need for 50,000 new senior housing units per year to tackle current UK needs and to keep pace with future demand. Despite this, new deliveries are forecast to only average 14,000 units p.a. until 2030, ultimately resulting in a decreasing provision rate per capita.
- At 13-14% p.a. returns in 2024-25, Southeast UK prime senior housing has produced attractive excess returns to adjacent sub-sectors, such as London build-to-rent residential. This excess spread reflects its early stage of maturity and operational complexity.
- However, senior housing is needs-based and demographics driven allowing it to be less correlated to economic cycles than traditional commercial real estate sectors. Its proven income durability, severe scarcity factor and growing institutionalization offer an attractive entry for robust risk-adjusted returns.

TOTAL RETURN ESTIMATES FOR 2022 - 2025



Sources: Knight Frank, CBRE, The Mayhew Report (2022), Nationwide House Price Index and AEW Research & Strategy as of Q4 2025

SECTION 1: DEMOGRAPHICS & OTHER DEMAND DRIVERS

AGING POPULATION IS KEY DRIVER OF DEMAND

- Senior population cohorts are projected to grow six times the pace of the overall UK population over the next 15 years according to the Office of National Statistics (ONS).
- ONS forecasts seniors aged 75+ will increase 47% to 9.6mn by 2045, nearly 15% of the UK population (~10% today).
- As medical care improves and longevity increases, UK seniors aged 85+ are expected to increase even faster - 50% in the next 15 years to 2.7mn by 2040.
- Baby boom-related irregular patterns in aging as seen in the next five years in the 80+ cohort and 2030-35 period with the 85+ cohort are expected to have smoothed after 2035.
- Seniors aged 85+ are more likely to move away from their family home and these projections allow operators to position their units and services to meet these cohorts' needs.

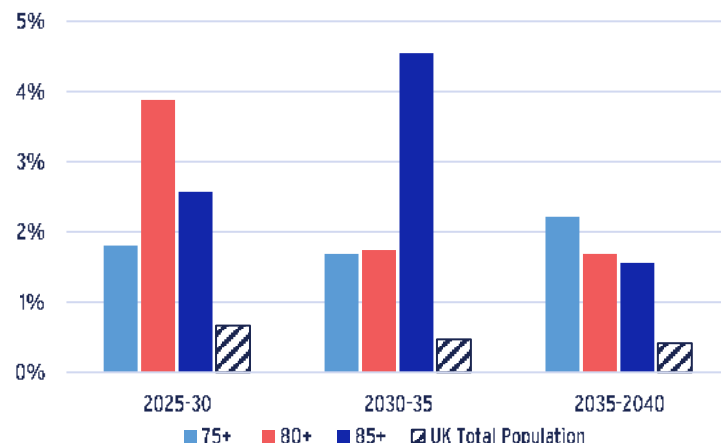
INCREASED AGE DEPENDENCY PUSHES SENIORS TO PROFESSIONAL CARE

- As overall UK population growth has been minimal and is projected to further slow, the increasing share of seniors pushes the dependency ratio up.
- Since 1960 the number of elderly people as share of the working age population has moved from 18% to 33% in 2025 and is projected to further increase to 41% by 2045.
- This increase not only puts pressure on the working age population to pay into the health and pension system but also leaves fewer adult children to care for elderly parents.
- As adult children often have children of their own and increasingly both partners working, elderly care is increasingly provided by professionals.
- Often children are no longer near the family home, further making family care less available.
- Depending on the care required at different stages of aging, there are increasingly different options available.

SENIORS HOME & PENSION WEALTH DRIVES LOW PRICE ELASTICITY

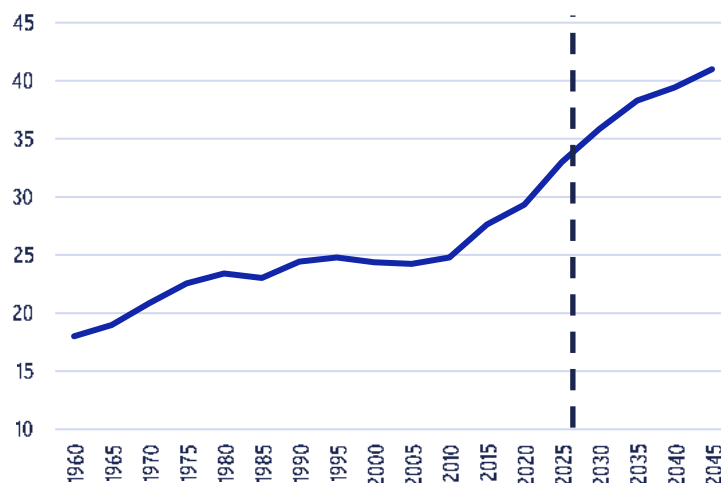
- Seniors' wealth is comprised of home equity, pension income including the triple-locked UK state pension and private pension, and financial investments and savings
- Adult children can be a financial resource for elderly parents even if they do not care for them directly.
- With significant historical house price growth and private pension savings becoming widespread over the last 25 years, most seniors have accumulated significant wealth.
- As of 2025, the ONS estimates that more than 13mn people aged 65+ collectively own net housing assets of £2.8tr.
- Given this wealth is not equally distributed across households, further data confirms that 49% of people aged 65+ have household wealth of more than £500K.
- This means that in 2022 there were 5.8mn people aged 65+ in this +£500K wealth category, with 2.6mn people being part of a household with wealth over £1mn.
- Given the high wealth of this category, and high need for care in later stages of life, it is reasonable to assume a low price elasticity in the sector of senior housing and care.

5-YEAR AVERAGE ANNUAL POPULATION GROWTH BY SENIOR COHORT VS TOTAL UK POPULATION IN %



Sources: ONS and AEW Research & Strategy as of Q1 2026

UK AGE DEPENDENCY RATIO: OLDER DEPENDENTS (65+) AS % OF WORKING-AGE POPULATION, ANNUAL ACTUAL FOR 1960 - 2024 AND PROJECTIONS 2025-2045



Sources: ONS, FRED and AEW Research & Strategy as of Q1 2026

SHARE OF INDIVIDUALS BY AGE CATEGORY & HOUSEHOLD WEALTH AS OF MAR-22



Sources: ONS & AEW Research & Strategy as of Q1 2022

SECTION 2: UK SENIOR HOUSING SPECTRUM

UK SENIOR HOUSING UNIVERSE IS MATURING

- Even as most of the 13mn seniors remain in their own homes, the UK senior housing sector is defined in three categories:
- Retirement Housing (RH), 691k units provides age-restricted apartments, townhouses or single family homes. Tend to be smaller communities (40-60 units) with limited communal facilities or amenities, such as meals or housekeeping. No onsite medical care; not CQC registered or regulated.
- Integrated Retirement Communities (IRC), 97k units - overlapping elements of Independent Living and Assisted Living. Supports activities of daily living (ADLs) but does not provide nursing or medical care. These communities are larger (80-200 units) and provide apartment or cottage-style housing in conjunction with hospitality-oriented services such as restaurants, housekeeping, and social activities. Onsite optional care and domiciliary services through third-parties - not CQC registered or regulated.
- Care Homes (450k units) - communal residential living with individual rooms and fulltime licensed nursing professionals. Akin to nursing or memory care. Limited communal facilities to dining and lounge. CQC registered and regulated. Treated as separate to RH and IRC.

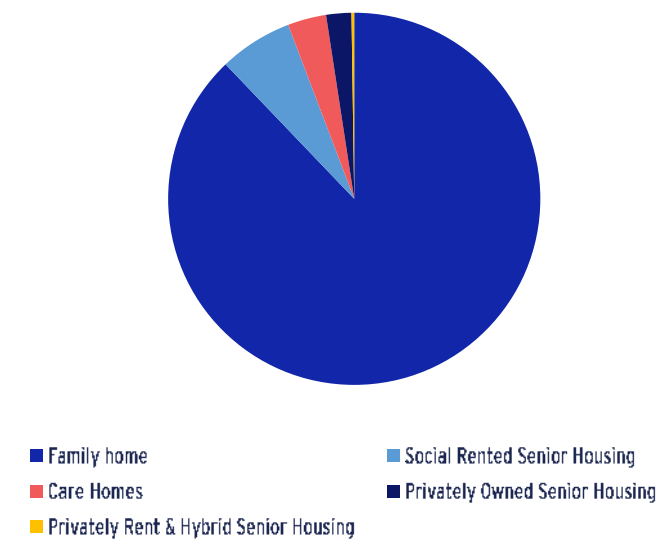
NEEDS FOR MORE FLEXIBLE, SERVICE-INTENSIVE SENIOR HOUSING

- 70% of total senior housing stock is more than 35 years old having been developed prior to 1990. Almost half was built between 1960-1980 in response to public policy.
- 74% of all senior housing stock is Social Rent (local authority subsidized). Of the Private market 25% is Sale and 0.5% Rent.
- Looking at just IRCs, there are roughly 2,100 private rent units (2% of total IRCs and 0.3% of total senior housing).
- IRCs' combination of hospitality and lifestyle offering with add-on care as required creates the ability for seniors to 'age-in-place' and thus provide comfort around tenure and need for seniors and their adult children alike.

KEY COMMERCIAL PLAYERS IN BUILD-TO-SELL & BUILD-TO-RENT

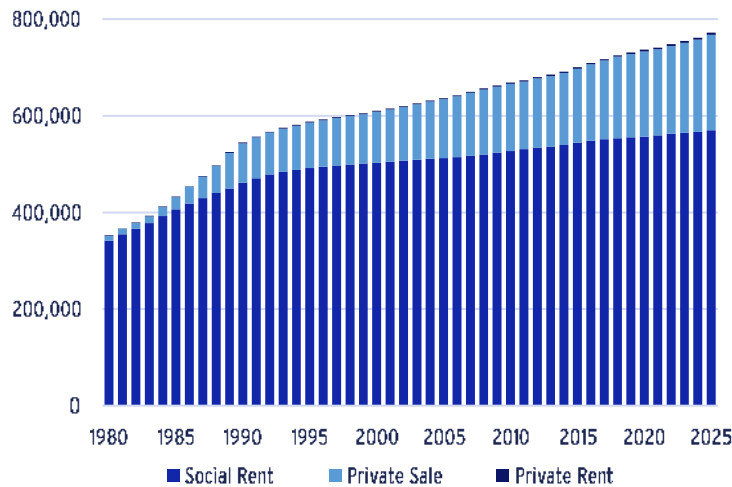
- There are two distinct business models in senior housing:
- Build-to-Sell (BTS) models focused on optimising profits both at initial sale to residents and ongoing through service charge and deferred management fees captured on resale.
- Cash flows tend to be lumpy and back-ended. Increasingly coming under reputational scrutiny and regulatory pressure
- BTS model has a high exposure to housing market cycles
- BTS players are increasingly adopting a mixed tenure model, integrating rent with sales in one community to drive absorption.
- Build-to-Rent (BTR) models provide recurring, predictable income streams, higher rates of absorption and are less correlated to housing market cycles

ESTIMATED SENIOR HOUSING PER CATEGORY AS OF YEAR-END 2025 AS % OF UK SENIOR POPULATION (65+) ASSUMING 1.5 RESIDENTS PER UNIT



Sources: Knight Frank, ONS and AEW Research & Strategy as of Q4 2025

SENIOR HOUSING TOTAL STOCK BY TENURE (1980-2025)



Sources: ONS and AEW Research & Strategy as of Q3 2023

FOR SALE VERSUS FOR RENT - SIDE BY SIDE COMPARISON

	PURPOSE-BUILT SENIORS FOR SALE	PURPOSE-BUILT SENIORS FOR RENT
RESIDENT	LONG TERM COMMITMENT PURCHASE + ANNUAL S/C + DMF / EXIT FEE	FLEXIBLE COMMITMENT SINGLE ALL-INCLUSIVE RENT FINANCIALLY RATIONAL
OPERATOR	REVENUE GENERATED FROM ANNUAL SERVICE CHARGE & DMF / EXIT FEES	TENANTS PAY A SINGLE ALL- INCLUSIVE RENT FASTER LEASE UP
INVESTOR	RETURNS DRIVEN FROM SALES & REALES	DURABLE CASH FLOW LESS EXPOSED TO HOUSING CYCLES

Sources: AEW Research & Strategy as of Q1 2026

SECTION 3: EVOLVING SUPPLY MODELS

ANNUAL DELIVERIES REMAIN INADEQUATE BUT IRC SHARE GROWS

- Existing stock of purpose-built senior housing is less than 800,000 units. Since 2020 new deliveries reflect less than 1% growth in stock, averaging 7,500 units p.a. (2021-2025)
- Existing stock is dominated by publicly funded social rent tenure, with privately funded supply at less than 26% of stock.
- Given the significant projected growth in seniors, despite annual delivery reaching 15,000 units in 2029, new supply remains insufficient to meet the market need.
- The growing share of IRC to 60% of new deliveries in 2012 is worth noting. IRC's offer seniors the ability to 'age-in-place' as they scale up services when needed.
- The benefits to residents and operators alike drive projections for continued growth in IRC deliveries both in absolute terms and as a share of total.
- Even so, with a further 1.2mn (65+) seniors projected by 2029, the forecasted 2026-29 delivery of fewer than 55,000 IRC units is unlikely to meet the demand and needs of the market.

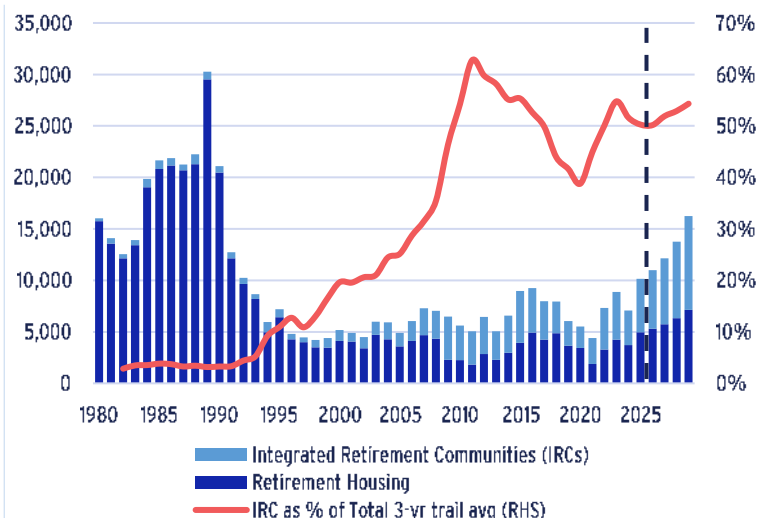
RENTED SHARE IN ANNUAL IRC DELIVERIES PROJECTED TO INCREASE

- A closer look at IRCs, leaving traditional retirement housing out, shows some further interesting trends.
- Within social rent IRCs, local councils pay below-market rents and services for eligible seniors. Given public funding budget pressure since 2008, their market share has reduced.
- Private sales by IRC developer/operators to residents has increased since 2005 and became dominant since 2018.
- Going forward, Knight Frank project private sales will remain a prominent feature in IRC deliveries with private rented to increase its share of total to ~35% annual deliveries by 2030.
- Private rented IRC deliveries over the past 5 years have been limited at 750 units (150 units per annum).
- Even if rented deliveries are forecast to grow significantly by 3,200 units in 2029, it only represents 1% of total stock.
- Ultimately, the benefits for residents, operators and investors alike of the rent model is driving this near 10x increase in projected annual deliveries

PRIVATE SENIOR RENTS GROW BY 7% P.A. OVER 2023-25 PERIOD

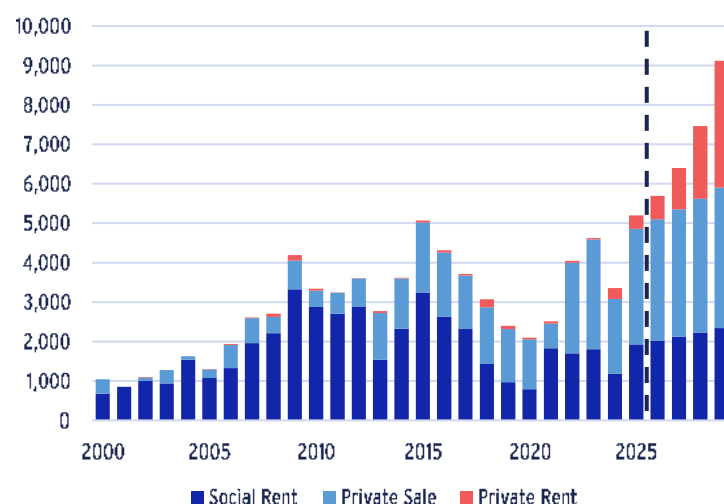
- Senior housing rents vary substantially depending on the region, micro location, quality and services included.
- London and the Southeast have the highest rents with average monthly rents at £4,500 and £1,750, respectively.
- To ensure affordability of the rent, operators typically require savings equal to 1.5-1.7x annual rent for minimum 6-7 years, which reflects £650K average wealth requirement.
- As discussed above available senior wealth is significant and is less of a limiting factor than the £650K initially suggests.
- At the upper end, where rents can exceed £24K p.m., the requirement would be £2-3mn, significantly reducing the number of potential tenants
- Given the limited number of senior rental units, data on rents shows annual increases of 6% p.a. on average over the last three years across all nine UK regions.
- London rents have increased by 10% on average since 2023 after posting minor declines in 2028 and 2021.

UK SENIOR HOUSING ANNUAL COMPLETIONS BY TYPE (1980-2029)



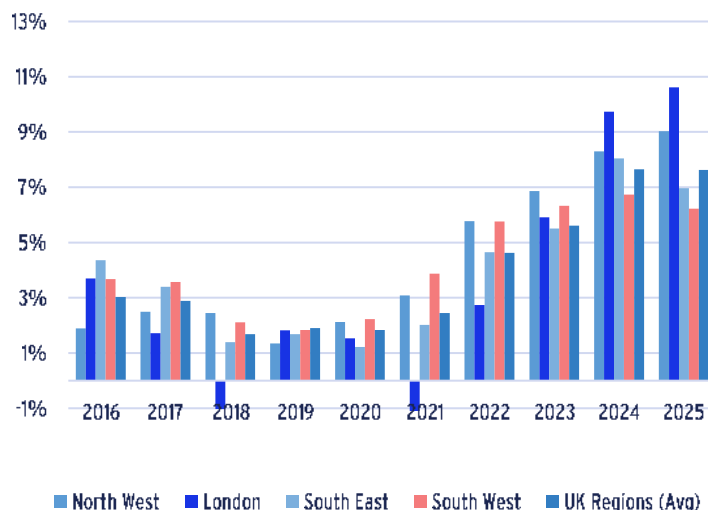
Sources: Knight Frank, AEW Research & Strategy as of Q1 2026

UK ANNUAL COMPLETIONS OF INTEGRATED RETIREMENT COMMUNITIES (2000-2029)



Sources: Knight Frank, AEW Research & Strategy as of Q1 2026

PRIVATE SENIOR RENTAL GROWTH FOR KEY U.K. REGIONS IN % P.A.



Sources: ONS, Knight Frank and AEW Research & Strategy, as of Q4 2025

SECTION 4: INVESTMENT MARKET TRENDS

SENIOR HOUSING MORE THAN ONE THIRD OF U.K. RESIDENTIAL VOLUMES

- Based on the latest data on transaction volumes, 2025 UK senior housing came in at £2bn. Together with care homes, this make up more than one third of residential deal volumes.
- The data confirms a trend seen in recent investor sentiment surveys that senior housing is becoming a significant focus for institutional investors.
- Many notable transactions have been via credit commitment and investments in developer-operator platforms anticipating the growth of BTR business models.
- Credit investors include UK insurers, banks as well as opportunistic fund managers. Equity investors have so far included more specialist fund managers.
- A recent KF investor surveys shows an increased interest in expanding allocations across emerging residential sub-sectors like co-living, senior and single family residential.
- With greater institutional investors' interest, more seniors developers are expected to shift to BTR models as the cost and length of funding is more attractive than for build-to-sell.

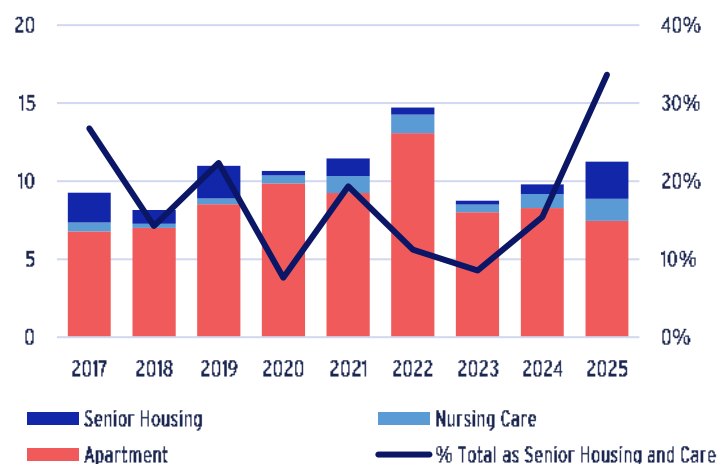
SENIOR OFFERS OVER 150BPS YIELD SPREAD OVER LONDON BTR

- Yields on prime UK senior housing has been stable at 5.5% since widening by 50bps in 2023, offering a positive excess yield spread compared to other relevant sub-sectors.
- In fact, compared to multifamily, senior housing offers 165 bps of excess spread, slightly down from 175bps in 2022.
- Even as senior housing yields widened by 50 bps in 2023, care home yield widening was three times more at 150bps given their higher operational and regulatory complexity.
- The emerging nature of BTR senior housing means no yield data is available pre-2022 before the first institutional transactions. BTR yields are much more difficult to confirm.
- As senior housing confirms its potential for growth and stable cash flows over the next 4-5 years, it would be reasonable to expect a slightly lower positive yield spread.
- However, given the early stage of the sub-sector, we abstain from any forecasts for the moment.

2024-25 SENIOR RETURNS AT 13-14% P.A. AHEAD OF PRIME LONDON

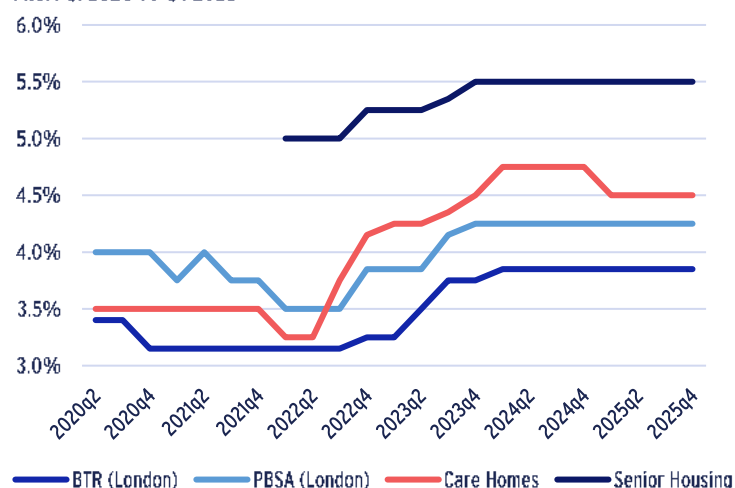
- Over the last two years, Southeast senior housing has posted estimated 13 - 14% p.a. total returns on the back of current income yields and solid rental growth.
- This is well ahead of the 8.5 - 9.0% p.a. reported total returns for prime London BTR estimated from CBRE data.
- This excess return is a reflection of the limited relative size of the build-to-rent senior housing sector and the early stage compared to the legacy build-to-sell business model.
- As more investors enter the market, we do expect that excess returns might not last as the BTR business model becomes more prevalent and confirms its lasting attraction.
- As they gain experience and build track record, investors and operators alike should be in a position to endure any cyclical in leasing and investments going forward.

UK INVESTMENT VOLUMES - RESIDENTIAL & SENIOR HOUSING & CARE HOMES



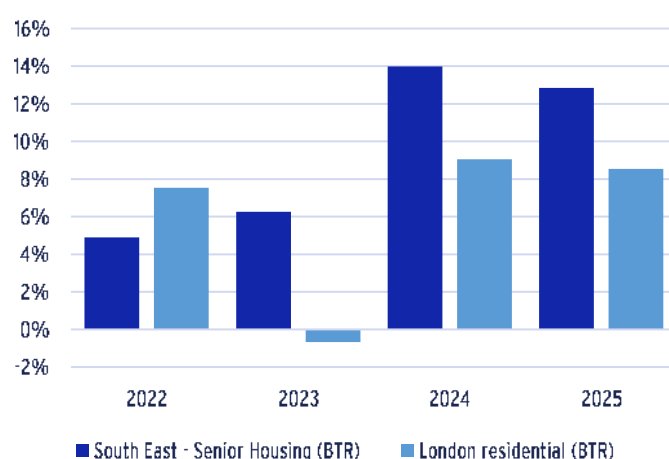
Sources: MSCI/RCA and AEW Research & Strategy as of Q1 2026

PRIME YIELDS ON SELECTED UK HOUSING SUB-SECTORS, % P.A. QUARTERLY DATA FROM Q1 2020 TO Q4 2025



Sources: Knight Frank and AEW Research & Strategy as of Q4 2025

TOTAL RETURN ESTIMATES FOR 2022 - 2025



Sources: Knight Frank, CBRE and AEW Research & Strategy as of Q4 2025

ABOUT AEW

AEW is one of the world's largest real estate asset managers, with €74.2 billion of assets under management as at 31 March 2026¹. AEW has over 815 employees globally, with its main offices located in Boston, London, Paris and Hong Kong and offers a wide range of real estate investment products including comingled funds, separate accounts and securities mandates across the full spectrum of investment strategies. AEW represents the real estate asset management platform of Natixis Investment Managers, one of the largest asset managers in the world.

As at 31 March 2026, AEW managed €35.8bn of real estate assets in Europe on behalf of a number of funds and separate accounts. AEW has over 510 employees based in 11 offices across Europe and has a long track record of successfully implementing Core, Value-Add and Opportunistic investment strategies on behalf of its clients. In the last five years, AEW has invested and divested a total volume of over €13bn of real estate across European markets.

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¹Source "2026 IREIQ Real Estate Managers Guide". The Guide, published annually by Institutional Real Estate, Inc., ranks real estate managers based on the gross value of real estate AUM (\$m) as of December 31, 2025. ²CFA® and Chartered Financial Analyst® are registered trademarks owned by the CFA Institute.

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