

RCFE Resource

BUY, SELL & LEASE WITH CONFIDENCE

May 2026

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THE STATE OF THE RCFE & ARF SECTOR IN MAY 2026

The RCFE and ARF markets enter mid-2026 with a rare combination of stabilizing interest rates, accelerating revenue growth, and renewed licensing activity – all occurring against a backdrop of global uncertainty and rising operating costs.

1. Revenue Growth Outpaces Inflation for the First Time Since 2020

From 2021-2023, inflation surged and operators absorbed unprecedented cost pressure. But by Q1 2026, the trend has flipped: **RCFE revenue growth (8.5%) now exceeds inflation (3.2%)**, signaling a turning point for operator margins.

This divergence is the most important financial story in the industry this year.

2. Licensing Activity Rebounds as Rates Stabilize

Interest rates remain elevated, but their volatility has cooled. Historically, operators tolerate high rates better than unpredictable ones – and Q1 2026 proves it. New RCFE and ARF licenses ticked upward after two years of hesitation.

3. Geopolitical Pressures Are Real – But Not Paralyzing

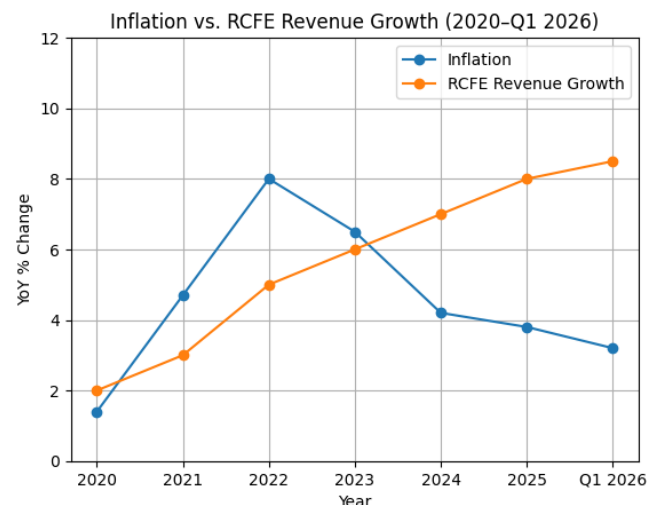
The war with Iran, the closure of the Strait of Hormuz to U.S. shipping, and surging oil prices have pushed fuel, food, and supply-chain costs higher. Operators feel this immediately in:

- Transportation costs
- Food service contracts
- Vendor surcharges
- Insurance premiums

Yet despite these pressures, the sector shows resilience. Demand remains strong, and operators are adjusting rather than retreating.

4. The 2026 Outlook: Cautious Optimism

If inflation continues cooling and interest rates remain stable, 2026 could be the strongest year for RCFE/ARF expansion since before the pandemic.





Ask The Broker

BUY VS. LEASE - PROS & CONS

Q: In light of world uncertainty and the potential effects of future interest rate changes and their influence on RCFE and ARF property values, is it currently better to buy or lease a care facility?

A: Short Answer: There is no universal “right” choice – but in 2026’s environment of high but stabilizing rates, **leasing offers flexibility**, while **buying offers long term control and inflation protection**.

BUYING A FACILITY – PROS

- **Rate stability** = opportunity. Prices have softened since 2024-2025 due to rate pressure.
- **Build equity instead of paying rent.** Ownership protects operators from annual lease escalations.
- **Control over improvements.** Renovations, licensing modifications, and memory care conversions are easier when you own.
- **Tax advantages.** Depreciation and interest deductions can offset income.

BUYING – CONS

- **High capital requirement.** Down payments remain steep.
- **Financing friction.** Lenders are cautious in 2026, especially for first time operators.
- **Exposure to market swings.** If rates rise again, valuations could dip further.

LEASING A FACILITY – PROS

- **Lower upfront cost.** Ideal for operators preserving cash during uncertain times.
- **Flexibility.** Easier to expand, relocate, or exit if geopolitical or economic conditions worsen.
- **Speed to market.** Leasing allows operators to open faster than purchasing.

LEASING – CONS

- **Escalating rents.** Landlords are raising rates to offset their own insurance and financing costs.
- **Limited control.** Renovations require approval and may not be reimbursed.
- **No equity.** Monthly payments build the landlord’s wealth, not yours.

BROKER’S GUIDANCE FOR 2026

- **If you are expanding cautiously:** Lease.
- **If you are established and capitalized:** Buy.
- **If you expect inflation to rise again:** Buy – ownership protects you.
- **If you fear geopolitical escalation:** Lease – flexibility is king.

Feel free to reach out with further questions! RCFE Resource is here to guide you every step of the way. We can help you find suitable properties and can refer you to the necessary consultants and agencies who will facilitate your dream of owning an RCFE, ARF or ASSISTED LIVING FACILITY.

RESIDENTIAL CARE FOR ELDERLY FACILITIES 2020 to 1st Q 2026

County Name	2020	2021	2022	2023	2024	2025	1st Q 2026
ALAMEDA	5	13	16	3	14	22	12
AMADOR	0	0	0	2	1	0	0
BUTTE	0	3	1	7	1	2	2
CALAVERAS	0	1	0	1	0	0	0
CONTRA COSTA	21	21	27	26	31	49	8
DEL NORTE	0	0	0	0	0	0	0
EL DORADO	4	2	3	0	2	3	1
FRESNO	14	12	11	21	33	46	6
GLENN	0	0	0	0	0	2	0
HUMBOLDT	0	1	1	1	2	1	0
IMPERIAL	0	1	1	0	1	0	1
KERN	1	5	13	20	16	21	5
KINGS	0	2	0	0	0	1	1
LOS ANGELES	97	115	123	158	188	242	70
MADERA	1	2	0	0	1	1	0
MARIN	3	2	6	0	4	2	0
MENDOCINO	0	0	0	5	1	1	0
MERCED	3	1	4	3	1	2	0
MONTEREY	1	0	7	3	4	0	1
NAPA	2	1	8	1	3	5	1
NEVADA	0	1	0	0	1	0	1
ORANGE	65	83	70	91	132	113	24
PLACER	11	18	19	31	30	32	7
PLUMAS	0	0	0	0	0	0	0
RIVERSIDE	17	35	30	43	59	99	18
SACRAMENTO	46	45	60	43	87	82	31
SAN BENITO	1	0	0	0	0	0	0
SAN BERNARDINO	19	25	18	16	22	46	9
SAN DIEGO	35	36	35	48	57	66	7
SAN FRANCISCO	1	1	1	3	0	1	0
SAN JOAQUIN	6	13	9	9	10	23	10
SAN LUIS OBISPO	2	5	4	3	8	3	2
SAN MATEO	10	7	6	9	14	11	5
SANTA BARBARA	3	4	7	5	2	2	2
SANTA CLARA	14	16	10	16	13	17	7
SANTA CRUZ	1	0	1	1	4	0	0
SHASTA	6	0	6	4	0	3	1
SISKIYOU	0	0	0	0	0	1	0
SOLANO	5	14	12	12	11	22	7
SONOMA	11	6	11	17	12	13	2
STANISLAUS	2	6	6	9	12	10	5
SUTTER	2	0	0	0	0	1	0
TEHAMA	2	2	0	0	0	1	0
TULARE	5	1	6	1	3	4	1
TUOLUMNE	0	0	0	0	1	0	1
VENTURA	11	22	17	29	30	22	5
YOLO	1	1	0	4	3	3	1
YUBA	0	0	0	0	0	1	0
TOTAL	428	523	549	645	814	976	254

LICENSING TRENDS & TABLES (2020-2025 + Q1 2026)

1. RCFE Licensing Trends

RCFE licensing has grown steadily since 2020, with a notable acceleration in 2023-2025. Q1 2026 shows renewed momentum after a brief slowdown caused by interest rate volatility.

2. ARF Licensing Trends

ARF licensing follows a similar pattern but with slightly more sensitivity to economic pressure. Still, the sector shows strong long term demand driven by behavioral health needs.

3. What the Numbers Suggest

- Operators paused expansion during the 2024-2025 rate spike.
- Stabilization in early 2026 triggered immediate re-engagement.
- Licensing activity remains below the 2025 peak but is trending upward.

**ADULT RESIDENTIAL FACILITIES
2020 to 1st Q 2026**

County Name	2020	2021	2022	2023	2024	2025	1st Q 2026
ALAMEDA	4	14	12	6	14	27	4
AMADOR	1	1	0	1	1	1	1
BUTTE	3	2	2	3	8	5	2
CALAVERAS	0	0	2	0	0	1	0
COLUSA	0	0	0	0	1	0	0
CONTRA COSTA	17	24	18	30	26	42	11
DEL NORTE	0	0	0	1	0	0	0
EL DORADO	0	0	4	0	3	3	1
FRESNO	13	10	7	8	24	18	7
HUMBOLDT	0	0	0	0	2	1	0
IMPERIAL	1	1	1	1	4	2	1
KERN	8	3	5	12	6	5	2
KINGS	0	0	0	0	1	0	0
LASSEN	0	0	0	0	0	0	0
LOS ANGELES	98	113	91	100	136	153	26
MADERA	0	1	0	1	0	1	1
MARIN	3	3	3	3	4	4	2
MARIPOSA	0	0	0	0	0	0	0
MENDOCINO	0	0	3	0	0	0	0
MERCED	1	3	1	4	0	4	0
MONTEREY	0	1	2	3	0	0	1
NAPA	0	0	0	1	0	0	0
NEVADA	0	2	1	0	1	0	0
ORANGE	26	32	36	31	47	57	13
PLACER	1	6	4	6	5	3	2
PLUMAS	0	0	0	0	0	0	1
RIVERSIDE	32	39	47	34	55	42	15
SACRAMENTO	22	24	31	37	41	56	20
SAN BENITO	1	1	1	0	0	0	1
SAN BERNARDINO	30	24	33	37	29	28	8
SAN DIEGO	37	44	41	57	66	71	30
SAN FRANCISCO	1	0	3	0	0	1	1
SAN JOAQUIN	20	9	10	11	22	28	11
SAN LUIS OBISPO	1	2	2	1	5	4	1
SAN MATEO	6	3	4	7	9	6	3
SANTA BARBARA	6	3	2	1	3	2	0
SANTA CLARA	14	15	8	11	17	15	3
SANTA CRUZ	0	1	0	3	0	0	0
SHASTA	6	3	3	7	7	3	3
SOLANO	4	11	13	14	15	17	3
SONOMA	0	2	2	9	6	6	2
STANISLAUS	7	3	8	7	11	18	2
SUTTER	0	2	0	1	0	1	0
TEHAMA	1	3	0	3	4	1	0
TULARE	4	11	11	10	8	6	1
VENTURA	5	12	7	7	9	6	3
YOLO	0	3	0	0	0	1	1
YUBA	1	2	2	5	4	2	1
Total	374	433	420	473	594	641	184
Total	376	432	420	475	593	641	150

ECONOMIC PRESSURES SHAPING THE INDUSTRY

1. The War With Iran & the Strait of Hormuz Closure

The Strait of Hormuz handles roughly one fifth of global oil shipments. Its closure to U.S. vessels has pushed oil prices sharply upward, with ripple effects across the RCFE/ARF ecosystem:

- Higher transportation costs for staff and vendors
- Increased food and supply delivery surcharges
- Rising utility costs
- Insurance carriers pricing in geopolitical risk

Operators are reporting 5-12% increases in vendor contracts since February 2026.

2. Labor Market Tightness

Caregiver wages continue rising due to:

- Competition from hospitals
- Higher commuting costs
- Increased overtime usage

Labor remains the single largest expense category for most facilities.

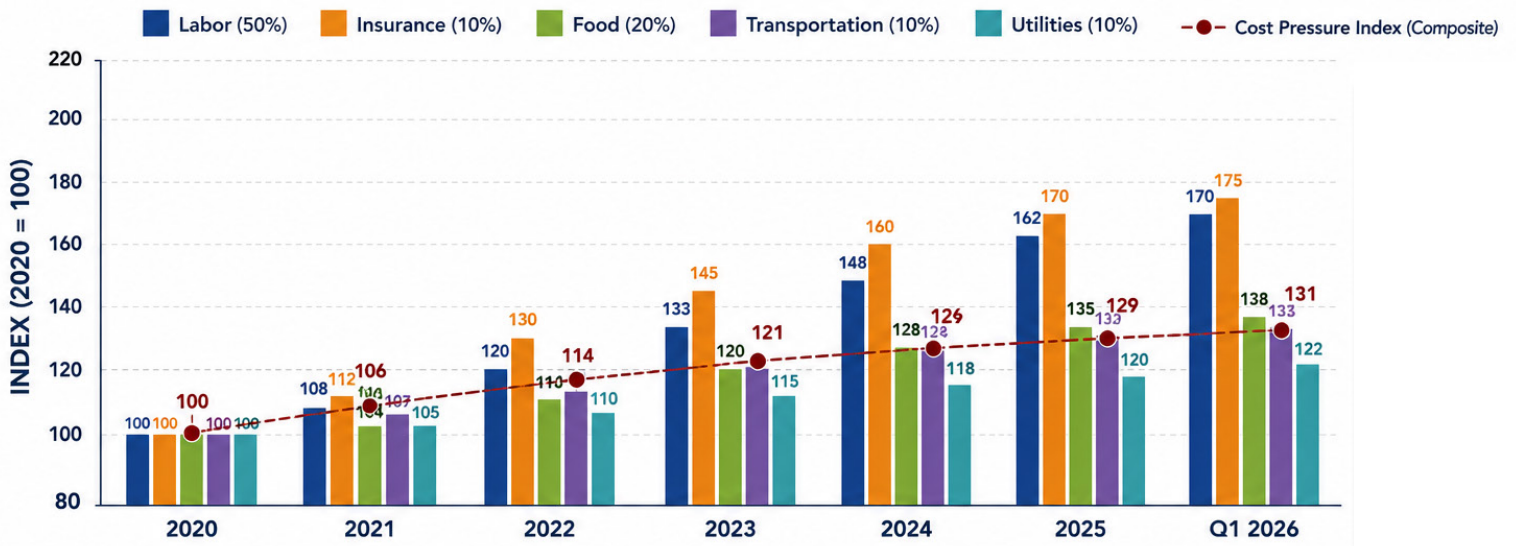
3. Insurance & Liability Costs

Wildfire exposure, litigation trends, and global instability have pushed premiums higher. Many operators are renegotiating coverage or increasing deductibles.



COST PRESSURE INDEX: 2020–Q1 2026

RCFE/ARF Cost Pressure Index by Major Operating Input
(2020 = 100)



DEMAND & OCCUPANCY OUTLOOK

1. Demand Remains Strong Despite Global Uncertainty

The aging population continues to drive occupancy upward. Even with economic turbulence, families prioritize care needs.

2. Memory Care Demand Surges

Operators report increased inquiries for:

- Dementia care
- Behavioral support
- High acuity placements

This is pushing many facilities to consider memory care conversions.

3. Private Pay Stability

Despite inflation, private pay families remain committed to quality care. Rate increases of 6-9% in 2025 were absorbed with minimal pushback.

4. The 2026-2027 Forecast

If interest rates remain stable, expect:

- More acquisitions
- More new licenses
- More memory care conversions
- Higher occupancy
- Continued revenue growth

STRATEGIC GUIDANCE FOR OPERATORS & INVESTORS

1. For Operators

- Lock in vendor contracts now before fuel related surcharges rise further.
- Evaluate lease terms – landlords are increasing escalators.
- Consider buying if you have strong cash reserves.
- Invest in staff retention – turnover costs more than raises.

2. For Buyers

- Stabilizing rates = opportunity window.
- Inventory is increasing as some owners exit after the 2024-2025 squeeze.
- Underwriting is stricter, but deals are available.

3. For Sellers

- Rising revenue growth strengthens valuations.
- Buyers are returning to the market.
- Facilities with strong staffing and clean compliance histories command premiums.

4. For New Entrants

- Leasing remains the fastest path to market.
- Consider starting with ARF, where entry costs are lower.
- Build a compliance first culture from day one.

EXPLORING YOUR OPTIONS?

With monthly insights on pricing trends, buyer activity, and regulatory shifts, we help RCFE and ARF owners make informed profitable decisions. Obtain your FREE data driven valuation TODAY.

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