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August 2026

## THE MARKET REAWAKENS: Q2 2026 AND THE RETURN OF OPERATOR CONFIDENCE

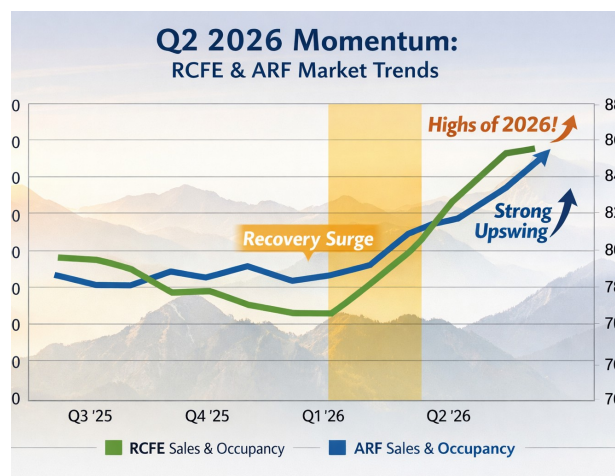
The second quarter of 2026 will be remembered as the moment the RCFE and ARF sectors finally stepped out of the long shadow cast by the rate shocks of 2024–2025. For the first time in nearly three years, the market is behaving like a market again – predictable, directional, and full of opportunity for those who know how to read it.

The shift is unmistakable. Licensing activity is running in pace with Q1, both ahead of 2025. When you see that kind of acceleration before the quarter even closes, you're not looking at noise – you're looking at momentum.

And momentum always tells the truth.

What this really means is that there was aggressive buying activity six to nine months earlier, in the final stretch of 2025. That was the moment when inflation cooled, interest rate volatility eased, and lenders quietly reopened their doors. Operators sensed the shift before the headlines caught up, and they acted. Q2 is simply the visible result of decisions made when the rest of the market was still hesitating.

The macro environment only reinforces the trend. GDP strengthened in Q2. Healthcare spending expanded. Senior services demand continued its upward march. Unemployment remained low, keeping labor costs elevated but stable – a welcome change from the whiplash of the past two years. Even the geopolitical turbulence – the war



with Iran, the closure of the Strait of Hormuz, the fuel-driven vendor surcharges – hasn't slowed the sector's forward motion. Families still place loved ones. Behavioral health needs continue rising. Memory care inquiries are accelerating. The market absorbs the shocks and keeps moving.

The current administration's regulatory posture adds another layer of tailwind. Federal dollars continue flowing into behavioral health, crisis stabilization, and community-based care. ARFs – especially EBSHs, crisis homes, and transitional programs – are benefiting directly. And as Baby Boomer owners edge toward retirement, more facilities are quietly preparing to sell, creating a rare alignment of opportunity for both buyers and operators ready to expand.

The rest of 2026 is shaping up to be a year defined not by fear, but by strategy. The operators who understand the landscape are moving decisively. The ones who hesitate will watch the opportunity pass them by.



# Ask The Broker

## LICENSING TIMELINES

### Q: WHY IS LICENSING TAKING LONGER – AND HOW TO BEAT THE DELAYS

**A:** Every operator feels it. Licensing approvals that once took four months now stretch to six, eight, even nine. And while it's tempting to blame bureaucracy, the truth is more nuanced – and more solvable.

The delays are structural. Regional offices are understaffed. Analysts are juggling more complex applications, especially in dementia care and behavioral health. Fire clearance timelines have become the single largest bottleneck in the entire process. And the backlog from the 2024-2025 rate driven slowdown is still working its way through the system.

But here's the part most operators miss: the delay is not evenly distributed. The applicants who submit **clean, consistent, fully cross referenced files** move faster. The ones who pre-clear their fire requirements move faster. The ones who respond to analyst questions within twenty-four hours move faster. Licensing is not just a process – it's a competition for analyst attention.

**If you want to open in 2026, you start now.  
If you want to open in 2027, you start by fall.**

**And if you want to move faster than the pack, you treat licensing like a strategic project, not a paperwork chore.**

*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.*

## TABLES & DATA IN THIS MARKET REPORT

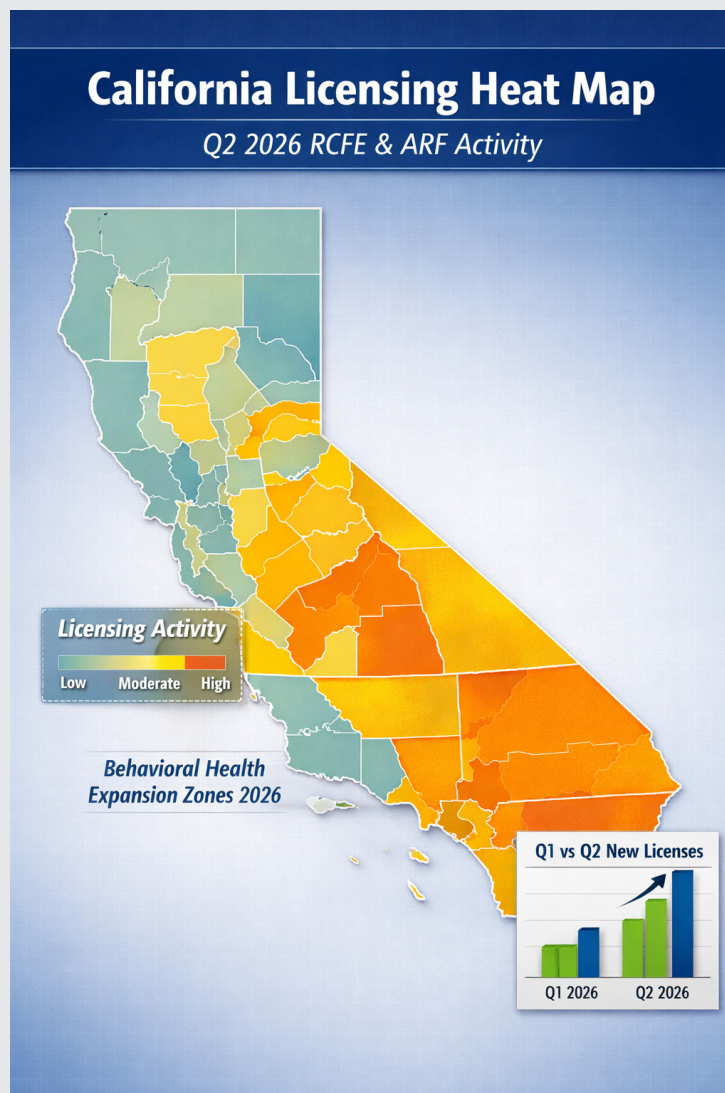
- RCFE Newly Licensed – Q1 2026 vs Q2 2026 (Full Quarter)
- ARF Newly Licensed – Q1 2026 vs Q2 2026 (Full Quarter)
- County by County Breakouts
- Licensing Velocity Charts
- Year-Over-Year Growth Charts
- Facility Type Mix (RCFE vs ARF vs EBSH vs Crisis)

# THE REAL STORY BEHIND Q2'S SURGE

When you zoom out, the Q2 surge isn't surprising – it's inevitable. The sector has been building pressure for nearly two years. Operators paused expansion during the rate spike, but they didn't abandon it. They waited. They watched. And the moment the market stabilized, they moved.

The licensing data tells the story county-by-county. Los Angeles, Orange, Riverside, San Diego, Sacramento, and San Bernardino continue to dominate the volume. But the real growth is happening in the mid-tier counties – the ones where land is cheaper, labor is more available, and local governments are more supportive of behavioral health expansion.

ARFs, in particular, are entering a new phase. The demand for behavioral health beds has outpaced supply for years, and the gap is widening. EBSHs, crisis homes, and transitional programs are becoming the fastest-growing segments in the entire licensing ecosystem. The operators who understand this shift – and position themselves accordingly – will own the next decade.

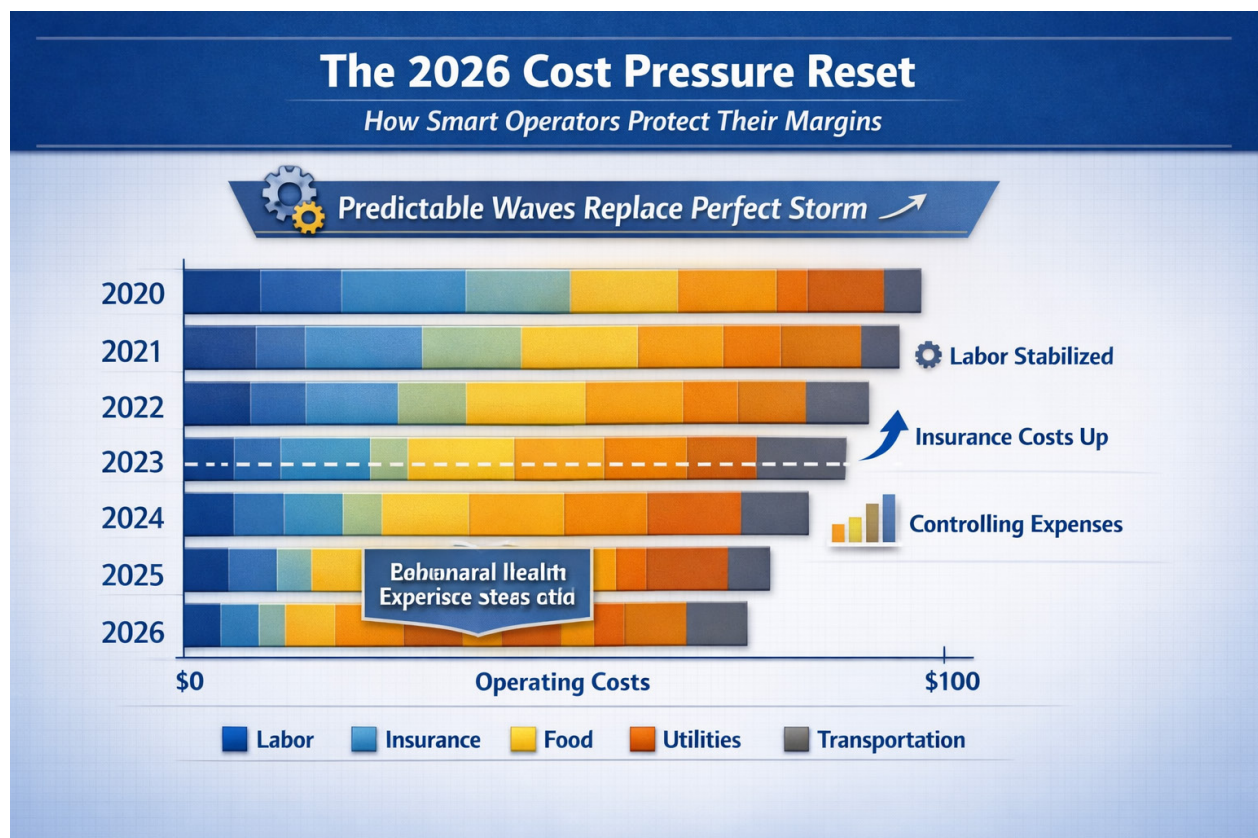


# THE 2026 COST PRESSURE RESET: HOW SMART OPERATORS PROTECT THEIR MARGINS

Costs are still rising – but the nature of the pressure has changed. In 2024 and 2025, operators were hit from every direction at once: labor, insurance, food, utilities, transportation. It was a perfect storm. But in 2026, the storm has broken into predictable waves.

Labor remains the largest expense, but wage growth has stabilized. Insurance premiums are still climbing, but the increases are more measured. Food and transportation costs are tied directly to geopolitical tension, but operators are adapting with smarter vendor contracts and longer-term agreements.

The operators who thrive in 2026 are the ones who treat cost management as a discipline, not a reaction. They lock in vendor contracts before fuel surcharges rise. They renegotiate insurance with higher deductibles but stronger coverage. They invest in staff retention because turnover costs more than raises. And they treat occupancy not as a number, but as a strategy – because **full beds solve more problems than any cost-cutting measure ever will.**



# THE 2026 BUYER'S MARKET: WHY ACQUISITIONS ARE ACCELERATING

Something subtle but powerful is happening beneath the surface: **owners who survived the 2024-2025 squeeze are now ready to exit.** They've endured the hardest years the sector has seen in a decade. Their valuations are rising again. Buyers are returning. And the market is finally offering them a dignified exit.

This is why acquisition activity is accelerating. Buyers see stabilizing rates, rising revenue, and a wave of Baby Boomer owners preparing to retire. Sellers see a window where valuations are strong but competition is still manageable. And lenders – after two years of caution – are underwriting deals again, especially for experienced operators with clean compliance histories.

The next twelve months will be defined by movement. Facilities that haven't changed hands in twenty years will quietly come to market. Operators who have been waiting for the right moment to expand will finally make their move. And the buyers who understand how to underwrite in a post-volatility world will capture opportunities that won't exist again for years.



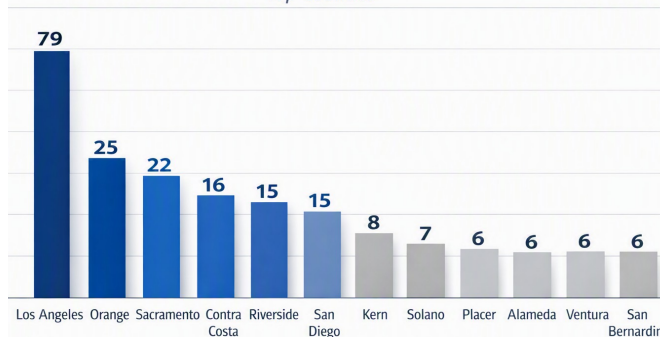
# RESIDENTIAL CARE FOR ELDERLY FACILITIES NUMBER OF NEW LICENSES ISSUED BY COUNTY 2020 to 2nd Q 2026

| County Name     | 2020       | 2021       | 2022       | 2023       | 2024       | 2025       | Q1 2026    | Q2 2026    |
|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|
| ALAMEDA         | 5          | 13         | 16         | 3          | 14         | 22         | 12         | 6          |
| AMADOR          | 0          | 0          | 0          | 2          | 1          | 0          | 0          | 0          |
| BUTTE           | 0          | 3          | 1          | 7          | 1          | 2          | 2          | 0          |
| CALAVERAS       | 0          | 1          | 0          | 1          | 0          | 0          | 0          | 0          |
| CONTRA COSTA    | 21         | 21         | 27         | 26         | 31         | 49         | 8          | 16         |
| DEL NORTE       | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| EL DORADO       | 4          | 2          | 3          | 0          | 2          | 3          | 1          | 1          |
| FRESNO          | 14         | 12         | 11         | 21         | 33         | 46         | 6          | 2          |
| GLENN           | 0          | 0          | 0          | 0          | 0          | 2          | 0          | 0          |
| HUMBOLDT        | 0          | 1          | 1          | 1          | 2          | 1          | 0          | 2          |
| IMPERIAL        | 0          | 1          | 1          | 0          | 1          | 0          | 1          | 0          |
| KERN            | 1          | 5          | 13         | 20         | 16         | 21         | 5          | 8          |
| KINGS           | 0          | 2          | 0          | 0          | 0          | 1          | 1          | 0          |
| LOS ANGELES     | 97         | 115        | 123        | 158        | 188        | 242        | 70         | 79         |
| MADERA          | 1          | 2          | 0          | 0          | 1          | 1          | 0          | 0          |
| MARIN           | 3          | 2          | 6          | 0          | 4          | 2          | 0          | 1          |
| MENDOCINO       | 0          | 0          | 0          | 5          | 1          | 1          | 0          | 0          |
| MERCED          | 3          | 1          | 4          | 3          | 1          | 2          | 0          | 2          |
| MONTEREY        | 1          | 0          | 7          | 3          | 4          | 0          | 1          | 0          |
| NAPA            | 2          | 1          | 8          | 1          | 3          | 5          | 1          | 0          |
| NEVADA          | 0          | 1          | 0          | 0          | 1          | 0          | 1          | 0          |
| ORANGE          | 65         | 83         | 70         | 91         | 132        | 113        | 24         | 25         |
| PLACER          | 11         | 18         | 19         | 31         | 30         | 32         | 7          | 6          |
| PLUMAS          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| RIVERSIDE       | 17         | 35         | 30         | 43         | 59         | 99         | 18         | 15         |
| SACRAMENTO      | 46         | 45         | 60         | 43         | 87         | 82         | 31         | 22         |
| SAN BENITO      | 1          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| SAN BERNARDINO  | 19         | 25         | 18         | 16         | 22         | 46         | 9          | 6          |
| SAN DIEGO       | 35         | 36         | 35         | 48         | 57         | 66         | 7          | 15         |
| SAN FRANCISCO   | 1          | 1          | 1          | 3          | 0          | 1          | 0          | 0          |
| SAN JOAQUIN     | 6          | 13         | 9          | 9          | 10         | 23         | 10         | 3          |
| SAN LUIS OBISPO | 2          | 5          | 4          | 3          | 8          | 3          | 2          | 1          |
| SAN MATEO       | 10         | 7          | 6          | 9          | 14         | 11         | 5          | 4          |
| SANTA BARBARA   | 3          | 4          | 7          | 5          | 2          | 2          | 2          | 0          |
| SANTA CLARA     | 14         | 16         | 10         | 16         | 13         | 17         | 7          | 2          |
| SANTA CRUZ      | 1          | 0          | 1          | 1          | 4          | 0          | 0          | 1          |
| SHASTA          | 6          | 0          | 6          | 4          | 0          | 3          | 1          | 1          |
| SISKIYOU        | 0          | 0          | 0          | 0          | 0          | 1          | 0          | 0          |
| SOLANO          | 5          | 14         | 12         | 12         | 11         | 22         | 7          | 7          |
| SONOMA          | 11         | 6          | 11         | 17         | 12         | 13         | 2          | 4          |
| STANISLAUS      | 2          | 6          | 6          | 9          | 12         | 10         | 5          | 0          |
| SUTTER          | 2          | 0          | 0          | 0          | 0          | 1          | 0          | 0          |
| TEHAMA          | 2          | 2          | 0          | 0          | 0          | 1          | 0          | 1          |
| TULARE          | 5          | 1          | 6          | 1          | 3          | 4          | 1          | 0          |
| TUOLUMNE        | 0          | 0          | 0          | 0          | 1          | 0          | 1          | 0          |
| VENTURA         | 11         | 22         | 17         | 29         | 30         | 22         | 5          | 6          |
| YOLO            | 1          | 1          | 0          | 4          | 3          | 3          | 1          | 0          |
| YUBA            | 0          | 0          | 0          | 0          | 0          | 1          | 0          | 1          |
| <b>TOTAL</b>    | <b>428</b> | <b>523</b> | <b>549</b> | <b>645</b> | <b>814</b> | <b>976</b> | <b>254</b> | <b>237</b> |

**New RCFE Licenses - Q2 2026**

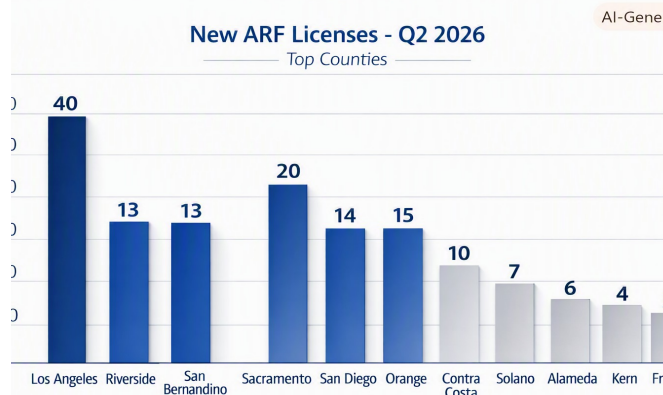
AI-Gener

Top Counties



# ADULT RESIDENTIAL FACILITIES NUMBER OF NEW LICENSES ISSUED BY COUNTY 2020 to 2nd Q 2026

| County Name     | 2020       | 2021       | 2022       | 2023       | 2024       | 2025       | Q1 2026    | Q2 2026    |
|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|
| ALAMEDA         | 4          | 14         | 12         | 6          | 14         | 27         | 4          | 4          |
| AMADOR          | 1          | 1          | 0          | 1          | 1          | 1          | 1          | 0          |
| BUTTE           | 3          | 2          | 2          | 3          | 8          | 5          | 2          | 1          |
| CALAVERAS       | 0          | 0          | 2          | 0          | 0          | 1          | 0          | 1          |
| COLUSA          | 0          | 0          | 0          | 0          | 1          | 0          | 0          | 0          |
| CONTRA COSTA    | 17         | 24         | 18         | 30         | 26         | 42         | 11         | 10         |
| DEL NORTE       | 0          | 0          | 0          | 1          | 0          | 0          | 0          | 0          |
| EL DORADO       | 0          | 0          | 4          | 0          | 3          | 3          | 1          | 2          |
| FRESNO          | 13         | 10         | 7          | 8          | 24         | 18         | 7          | 3          |
| HUMBOLDT        | 0          | 0          | 0          | 0          | 2          | 1          | 0          | 0          |
| IMPERIAL        | 1          | 1          | 1          | 1          | 4          | 2          | 1          | 2          |
| KERN            | 8          | 3          | 5          | 12         | 6          | 5          | 2          | 4          |
| KINGS           | 0          | 0          | 0          | 0          | 1          | 0          | 0          | 0          |
| LASSEN          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| LOS ANGELES     | 98         | 113        | 91         | 100        | 136        | 153        | 26         | 40         |
| MADERA          | 0          | 1          | 0          | 1          | 0          | 1          | 1          | 1          |
| MARIN           | 3          | 3          | 3          | 3          | 4          | 4          | 2          | 1          |
| MARIPOSA        | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| MENDOCINO       | 0          | 0          | 3          | 0          | 0          | 0          | 0          | 0          |
| MERCED          | 1          | 3          | 1          | 4          | 0          | 4          | 0          | 1          |
| MONTEREY        | 0          | 1          | 2          | 3          | 0          | 0          | 1          | 2          |
| NAPA            | 0          | 0          | 0          | 1          | 0          | 0          | 0          | 0          |
| NEVADA          | 0          | 2          | 1          | 0          | 1          | 0          | 0          | 0          |
| ORANGE          | 26         | 32         | 36         | 31         | 47         | 57         | 13         | 15         |
| PLACER          | 1          | 6          | 4          | 6          | 5          | 3          | 2          | 1          |
| PLUMAS          | 0          | 0          | 0          | 0          | 0          | 0          | 1          | 0          |
| RIVERSIDE       | 32         | 39         | 47         | 34         | 55         | 42         | 15         | 13         |
| SACRAMENTO      | 22         | 24         | 31         | 37         | 41         | 56         | 20         | 20         |
| SAN BENITO      | 1          | 1          | 1          | 0          | 0          | 0          | 1          | 0          |
| SAN BERNARDINO  | 30         | 24         | 33         | 37         | 29         | 28         | 8          | 13         |
| SAN DIEGO       | 37         | 44         | 41         | 57         | 66         | 71         | 30         | 14         |
| SAN FRANCISCO   | 1          | 0          | 3          | 0          | 0          | 1          | 1          | 0          |
| SAN JOAQUIN     | 20         | 9          | 10         | 11         | 22         | 28         | 11         | 9          |
| SAN LUIS OBISPO | 1          | 2          | 2          | 1          | 5          | 4          | 1          | 0          |
| SAN MATEO       | 6          | 3          | 4          | 7          | 9          | 6          | 3          | 6          |
| SANTA BARBARA   | 6          | 3          | 2          | 1          | 3          | 2          | 0          | 1          |
| SANTA CLARA     | 14         | 15         | 8          | 11         | 17         | 15         | 3          | 6          |
| SANTA CRUZ      | 0          | 1          | 0          | 3          | 0          | 0          | 0          | 0          |
| SHASTA          | 6          | 3          | 3          | 7          | 7          | 3          | 3          | 0          |
| SOLANO          | 4          | 11         | 13         | 14         | 15         | 17         | 3          | 7          |
| SONOMA          | 0          | 2          | 2          | 9          | 6          | 6          | 2          | 1          |
| STANISLAUS      | 7          | 3          | 8          | 7          | 11         | 18         | 2          | 2          |
| SUTTER          | 0          | 2          | 0          | 1          | 0          | 1          | 0          | 1          |
| TEHAMA          | 1          | 3          | 0          | 3          | 4          | 1          | 0          | 0          |
| TULARE          | 4          | 11         | 11         | 10         | 8          | 6          | 1          | 3          |
| VENTURA         | 5          | 12         | 7          | 7          | 9          | 6          | 3          | 3          |
| YOLO            | 0          | 3          | 0          | 0          | 0          | 1          | 1          | 0          |
| YUBA            | 1          | 2          | 2          | 5          | 4          | 2          | 1          | 2          |
| Total           | 374        | 433        | 420        | 473        | 594        | 641        | 184        | 189        |
| <b>Total</b>    | <b>376</b> | <b>432</b> | <b>420</b> | <b>475</b> | <b>593</b> | <b>641</b> | <b>184</b> | <b>189</b> |

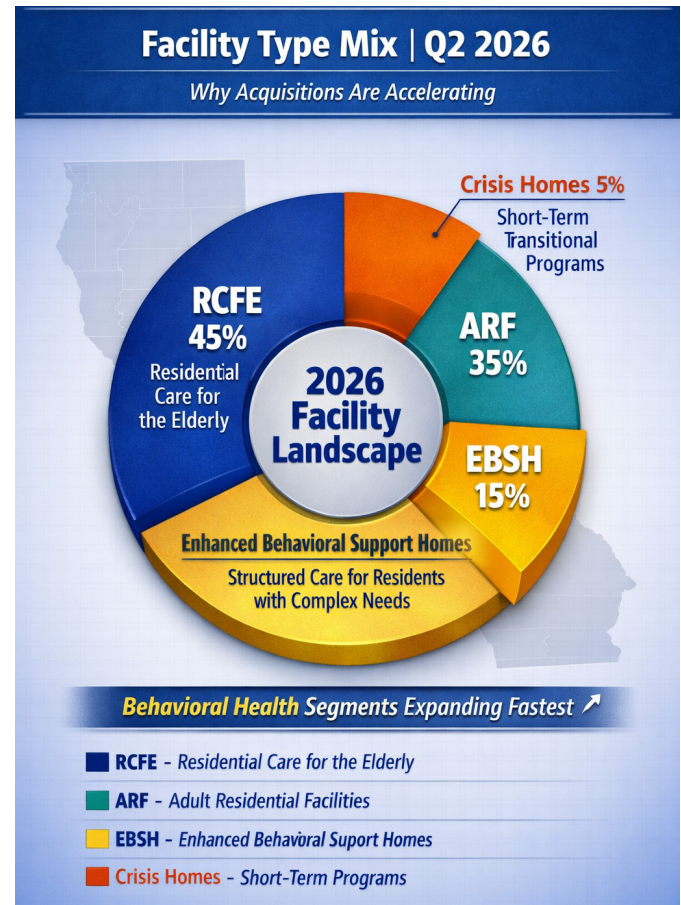


# STARTING AN RCFE OR ARF IN 2026: WHAT'S DIFFERENT NOW

For new entrants, 2026 is both the easiest and the hardest time to enter the market. It's easier because the demand has never been stronger, the regulatory environment favors community-based care, and lenders are finally stabilizing. It's harder because the bar for compliance, staffing, and program design has risen dramatically.

The operators who succeed in 2026 are the ones who build a compliance first culture from day one. They understand that licensing is not just a hurdle – it's the foundation of the business. They choose their counties strategically, avoiding high-backlog regions unless they have a compelling reason. They start with ARFs when capital is limited, or with RCFEs when they want long-term stability and higher private-pay margins. And they treat their first twelve months as a runway, not a sprint.

The market is opening. The demand is rising. The opportunity is real. But the winners will be the ones who prepare with intention, execute with discipline, and build with the future in mind.



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