



MID-YEAR REVIEW 2021: CHILDCARE & EDUCATION



As we reach the half-way point of another turbulent year, it is important to take stock and evaluate the childcare and education business property market. Herein we explore the trends we are seeing across the children's day nursery, independent education, specialist childcare, and specialist residential and education markets, and we consider some of the imminent changes that are likely to affect child-centric businesses.

FROM JANUARY 2020 TO MAY 2021, WE SAW A 151% INCREASE IN VIEWINGS.

FOR EACH BUSINESS SOLD IN 2021 (VS. 2020):

The average number of viewings per instruction has increased by

28.4%

The average number of offers per instruction has increased by

27.5%

DAY NURSERIES

As we move further into 2021, it is great to see market appetite for children's day nurseries gain further significant momentum.

Demand remains strong across the country, especially for high-quality businesses that demonstrate occupancy recovery. However, the supply of high-quality nurseries coming to market is lower than normal which is increasing the prices that active buyers are willing to pay to secure the best assets.

Deals continue to be agreed at pre-COVID levels. Appetite is increasing from a wide range of buyers across settings at all levels; from first-time buyer deals to larger multi-site portfolios. During late Q2, larger group transactions evidenced ongoing demand, and the interest in these businesses will further fuel buyer appetite and investor interest, creating further optimism for a busy and buoyant market as we look towards Q3 and Q4 2021.

We continue to see strong consolidation from regional providers wanting to protect their current portfolios whilst seeking to gain market share, and from larger providers divesting assets that are more suited to sole trader operations. There is also a heightened interest in rural, outer-city settings as buyers widen their search criteria to find the best deals and react to parents having the option to commute less regularly.

Over the past 12 months, some 400 nursery settings have resigned their registrations and closed their business's doors for the final time. Despite 2000 early years provisions, including 200 nursery registrations, being lost during Q1 2021, in the same period England and Wales recorded the lowest level of corporate insolvency since 1989. However, it is likely that many other companies are technically insolvent but are being kept afloat by government-implemented COVID-19 financial support packages. At this time, it is incredibly difficult to predict how these businesses will fare once this support ends.

Nursery operators continue to battle with staffing and recruitment challenges, alongside managing occupancy changes which, in some cases, have been further compounded by a potentially sustained shift in parents' working habits. Despite these challenges, optimism in the sector remains high.

In the months ahead, we are likely to see the aftershock that COVID-19 will have on the early years population, as 'COVID babies' start nursery, and preschool children require additional support to enable school readiness. Therefore, it is paramount that, once COVID-related government funding ceases, nursery businesses continue to receive the financial support they so desperately need to regain confidence and occupancy, and to deliver the vital services for families and for our country's economic recovery.

DAY NURSERIES: NOTABLE 2021 TRANSACTIONS



POPPIES DAY NURSERIES:

Renowned for providing high-quality childcare for up to 395 children across six exceptional settings situated across Berkshire and Buckinghamshire, Poppies Day Nurseries was purchased by national operator, Family First Nurseries, taking its portfolio to a total of 17 nurseries.



ICP EDUCATION:

Entering Summer 2021, Oakley Capital acquired UK nursery operator, ICP Education, formed by the merger of Cresswell Nurseries and ICP Nurseries. With 44 nurseries across England – most of which are in London and the South East – the portfolio has an effective capacity in the order of circa 6,000 places.



JUST CHILDCARE:

Partou has partnered with Just Childcare on a portfolio of 62 settings, located across the North West and South West of England. Partou is the Netherlands' largest childcare provider, with some 400 ECEC centres, and is backed by Onex Partners and Waterland.

INDEPENDENT EDUCATION

The independent education market is witnessing continued demand from trade buyers and investors for established high-calibre, high-capacity independent, co-educational, day and boarding schools. There is also a partial shift in focus for private tuition businesses, and demand for smaller provincial independent schools on a vacant possession basis from a wide range of alternative occupiers.

Supply is hitting the market in the form of distressed assets across the UK language college sector, as well as the further closures of smaller provincial independent schools.

The independent education sector is likely to face imminent financial and staffing challenges because of the phased withdrawal from the Teachers' Pension Scheme for schools, regardless of whether schools chose to withdraw or not.

The impact of Brexit also continues to be a threat to the independent sector, as does the delayed return of international children to UK education as concerns arise around how long parents will be willing to continue to pay for virtual, online education before cutting ties with UK establishments and enrolling their children in local settings. Increasingly, questions are being asked about the cultural aspects of independent schools and so operators may need to step up to the changing needs of parents.

NOTABLE 2021 TRANSACTIONS



FORMER RASTRICK INDEPENDENT SCHOOL & DAY NURSERY, WEST YORKSHIRE:

The school's previous owner went into liquidation in October 2019 and subsequently appointed Christie & Co to market the property. The site was purchased in June by local housing developer, D2M3 (Yorkshire) Limited, which plans to convert the property into residential dwellings while maintaining the building's original features.



NORD ANGLIA:

Nord Anglia acquired Oxford International College, d'Overbroeck's, and Oxford Sixth Form College. The deal, which was announced in March, expanded Nord Anglia's global portfolio of schools to 73 establishments in 30 countries.

We continue to see a strong buyer demand for regional specialist education and specialist childcare businesses and portfolios with mixed, complimentary services. We saw a substantial increase in buyer demand in 2020 as the impact of the pandemic on the needs of children and young people became increasingly evident.

An uptick in referrals of specialist child support sadly continues, with many of our clients reporting significant increases in requests from both parents seeking to privately pay for additional support for their children, and from local authorities wanting professional support for children acutely impacted by the pandemic. This surge in the need for specialist, often therapeutic, services has further fuelled the demand of buyers who seek to keep up with the urgent requirement for accommodation and services.

While the announcement of the Competition and Markets Authority (CMA) report has created some uncertainty, market consolidation continues to be robust. This has been starkly evident through recent completions, including some significant specialist education deals such as the sale of three Dimensions Care Limited, Riverston and Beech House School, and Southern Adolescent Care Limited (a portfolio of three children's homes in Crawley).

In addition, we have seen increased activity and demand for regional foster care businesses from buyers across the specialist education and residential children's homes market, with buyer demand currently exceeding supply.

NOTABLE 2021 TRANSACTIONS



PROJECT SUNFLOWER:

This portfolio of three freehold therapeutic children's homes with on-site education, which cater for teenagers with emotional and behavioural difficulties, young offenders, and survivors of abuse, was acquired by Keys Group via a highly confidential sale process.



QUALITY FOSTER CARE:

Quality Foster Care, a long-established business operated under private proprietorship, which provides fostering placements and services to children aged from birth to 18 years, was acquired by Five Rivers Childcare Limited.

PRICING & BANK FUNDING

Across the childcare, education and specialist childcare markets, deals continue to be agreed at pre-COVID pricing levels. However, as demand continues to outstrip supply, we are seeing heightened competition amongst buyers which, in turn, is increasing the price that they are willing to pay to secure high-quality business acquisitions.

Bank funding across the board is being reported as challenging but, as a focus has been placed by many lenders on needs-driven sectors, banks' willingness to support expansion and growth in the childcare, specialist childcare, and education market remains positive with child centric sectors being viewed as 'green light' lending areas.

That being said, the due diligence process to secure funds has certainly tightened, resulting in a longer overall funding process.

CHANGES TO THE EARLY YEARS FOUNDATION STAGE (EYFS) FRAMEWORK.

These changes will be effective from September 2021 and are applicable to all early childhood education and care (ECEC) providers in England. More information on this can be found on the Department for Education website, [here](#).

THE RETURN OF OVERSEAS STUDENTS.

As we move towards the start of a new academic year, much uncertainty remains around the return of international students to the UK. It will be interesting to measure the speed and pace at which this happens and its impact on schools and higher educational establishments that have historically educated large international cohorts of students.

AN INCREASE IN BUSINESSES IN FINANCIAL DISTRESS.

Following the end of the furlough scheme, business rates holidays and revocation of the moratorium on commercial landlords' right to forfeiture for the non-payment of rent: we anticipate an increase in businesses in financial distress at the latter end of 2021 and beginning of 2022.

THE ANNOUNCEMENT OF CMA REPORT INTO CHILDREN'S SOCIAL CARE PROVISION.

By March 2022, the Competition and Markets Authority (CMA) is due to publish a study which will examine the lack of availability and increasing costs in children's social care provision, including children's homes, and fostering. More information on the report can be found [here](#).

VALUE REALIGNMENT.

For day nurseries and schools, under-performing assets are likely to see a potential diminution in value. This could be further compounded by varying factors, such as a large number of businesses all being presented to the market at the same time, the impact of wider distress becoming evident across other business sectors, and/or the end of COVID-related fiscal support measures.

BUSINESS CONSOLIDATION ACROSS SECTORS.

It is likely that we will see continued consolidation across all childcare and education businesses.

AN INCREASE IN STOCK.

There is increasing evidence that, while certain childcare and education businesses are recovering, some owners are nearing breaking point due to the sheer emotional toll that the pandemic has caused. Once their 'ships have been stabilised', we expect a significant increase in childcare and education businesses being brought to the market as owners prioritise personal plans, seeking to leave the sector for a variety of reasons including retirement, health, and wellbeing motivations.

THE CONTINUATION OF ONLINE LEARNING.

While the shift to online learning has been a burden for some, for others it has resulted in a new, convenient way of educating. A high proportion of UK language school students are expected to continue with a fusion of online learning and in-person education once international students can travel freely once again.



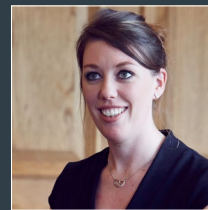
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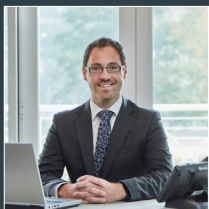
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