90
EST 1935
YEARS

BUSINESS OUTLOOK 2025
Childcare & Education

CHRISTIE & CO

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INTRODUCTION

We are delighted to report a recovery in the UK market during 2024, as the repercussions following the 2022 mini-budget were unwound and we saw an increase in business confidence. That was despite the calling of a snap general election in the UK and other concerns from businesses around changes in policy, following the change in government.

In 2024, Christie & Co had our busiest ever year for deal completions and concluded the sale of over 1,100 business properties across the sectors in which we specialise. There was no shortage of appetite from childcare and education business buyers who, in the independent segment of the market, remained ambitious to seek out opportunities to expand their portfolios.

The 2024 Autumn Budget revealed a number of unexpected changes, particularly the increase in employer National Insurance contributions (NICs) which will hit all businesses hard when it takes effect in April 2025. These increases, teamed with continued challenges in early years funded entitlement rates, and notable policy changes impacting children's social care services in Wales and independent schools across the UK, have created uncertainly for some businesses and providers. For these reasons, while levels of business were tempered in 2024, compared with the prior year, we predict an increase in business distress cases and closures over the next 12 months.

Our valuation and consultancy teams remain busy working on a wide range of childcare and education assignments, which have included multiple market entry projects for investors alongside single asset and portfolio valuation projects.

We continued to monitor price movements across our all of the markets in which we specialise and herein report an average increase of 7.7% in the price of day nurseries sold by our specialist brokerage team last year.

In May 2025, we will celebrate our 90th anniversary. Our team has been successfully advising and selling businesses across our specialist sectors for many years and we are proud to have supported some of our clients in their journeys from buying their very first businesses, to building portfolios worth into the billions. We hugely value those relationships and look forward to celebrating this milestone and continuing the journey with you.

Courteney Donaldson MRICS
Managing Director, Childcare & Education

Global market overview

Childcare and education markets have been largely buoyant, seeing heightened demand, especially in the day nursery/early childhood education and care (ECEC) and K-12 education sectors. There has been no shortage of buyers and investor interest in established, high-quality businesses with well-embedded positive cultures, consistent earnings, and additional prospects for growth.

Transactions - whether small groups or multi-million portfolios - are rarely plain sailing and, in recent years, we have seen a stark increase in deal volatility with buyers' due diligence processes becoming increasingly detailed and thorough, leading to an increase in the length of time that some transactions take. The ability of vendors to produce comprehensive information to satisfy buyers' due diligence enquiries, along with the vendors' advisors being suitably experienced in overcoming potential challenges, is increasingly key.

Some notable international Childcare & Education transactional highlights from 2024 include:

- In February 2024, Embark Early Education acquired nine childcare centres, comprising 917 places located across Victoria and Queensland, Australia for $25.2 million (AUD)

- In October, the sale of Children 1st Day Nurseries, renowned for providing the highest levels of childcare across 24 day nursery settings, plus a leading ECEC training centre were sold to UK nursery group Storal

- In October, KinderCare, the private provider of early childhood education, was listed on the New York Stock Exchange at $24 per share, which is within the expected share price range, valuing the company at $2.75 billion (US$)

- One of the most notable Education transactions of the year was Wendel's acquisition of Providence Equity Partners circa 50% stake in Globaleducate. Supporting 40,000 students, Globaleducate provides primary and secondary education across a network of 67 bilingual and international schools, across 11 countries primarily in Europe, alongside delivering online programmes

UK market overview

2024 saw heightened childcare and education business acquisition, merger and investment activity amid a more stabilised inflationary environment and the settling of interest rates.

Alongside wider market dynamics, investor interest has been fuelled not only by the extended early years entitlement and increased government-backed income in the sector, but also by a shift in investors focussing on social impact investment opportunities, ethical investing, and ESG considerations. The past 12 months saw a notable increase in medium-sized groups making selective acquisitions to expand their regional footprints.

There has been no shortage in demand from investors and buyers seeking platform acquisitions and opportunities to consolidate via the acquisition of high-quality, larger capacity settings within the UK's children's day nursery sector. Ahead of the Autumn Budget, October proved to be an unprecedented month for completions as owners progressed sales processes endeavouring to close deals, which many did, ahead of the announced policy and tax changes. This led to a surge in business owners deciding to sell, thus Q4 proved to be exceptionally busy.

In 2024, there was significant disruption across the UK independent school market. Buyers, investors, and lenders evidenced heightened caution due to the lack of visibility following the announcement of the introduction of VAT on private school fees effective January 2025, loss of business rates relief effective April 2025, and latterly employers' NIC increases. Uncertainty in the UK domestic independent school market led to opportunistic sector-agnostic interest from property developers and investors gathering pace amid the expectation of increased school closures, while international trade buyers have focused interest on acquisitions in countries which have award greater visibility and stability while continuing to be open to strategic mergers and takeovers in the UK.

The voracious appetite from buyers across the UK's specialist childcare and SEND education markets continued to be wanting. A dearth of opportunities which has, for some time, prevailed, continued to heighten the prices that buyers are willing to pay for high-quality businesses, especially those with strong management teams in situ, enabling platform purchases for buyers to facilitate consolidation, expansion, and growth.

Key market trends in 2024

59% of UK day nursery transactions were brokered by Christie & Co

Over 180 new childcare and education business properties brought to the market

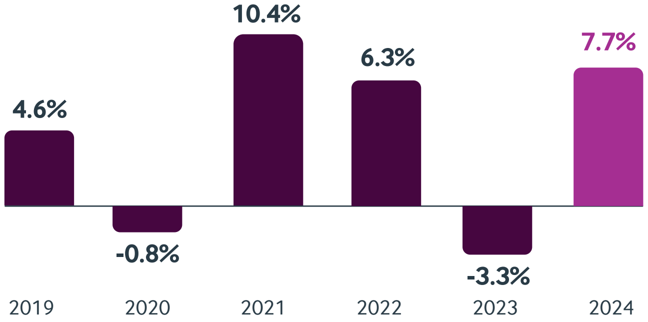
36%
increase in the number of offers received

98%
of the asking price achieved on day nurseries sold

93%
of the asking price achieved on independent schools sold

105%
of the asking price was achieved for children's social care transactions

PRICE MOVEMENT



The quality of assets transacted in 2024 was notably ahead of 2023 averages, with the average price of medium group portfolio sales over 10% higher and small group, single settings sales roughly 1% higher. Whilst there may be some influence through the comparative premium paid for groups linked to the typical quality, type of buyer, and desirability to acquire multiple nurseries through a single transaction, single assets are still in high demand and exceptional prices are achieved for well-located, good quality settings.

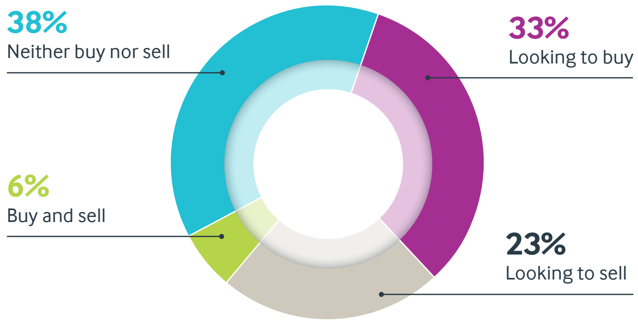
Market sentiment

We anonymously surveyed childcare and education business owners across the UK to gather their views on the year ahead.

When asked about their sentiment in 2025

29%	POSITIVE
40%	NEUTRAL
31%	NEGATIVE

When asked about their sale and acquisition plans in 2025



Market overview

2024 was a busy year for our consultants, valuers, and agents who brokered a plethora of nursery deals across the country, including the sale of Pippa Pop-ins Nursery Schools in London, Kingfisher Day Nurseries in Derbyshire, Muddy Boots Childcare Ltd in Devon, Tiptoes Nursery Group in East Yorkshire, and the largest independently owned nursery group of 24 settings, Children 1st Day Nurseries.

We continue to see buyers keen to acquire both leasehold and freehold opportunities, albeit there remains a lean towards leasehold sales. Where previously there was a notable concentration of buyers seeking settings in London and the South East, activity in 2024 stretched across all areas of the UK.

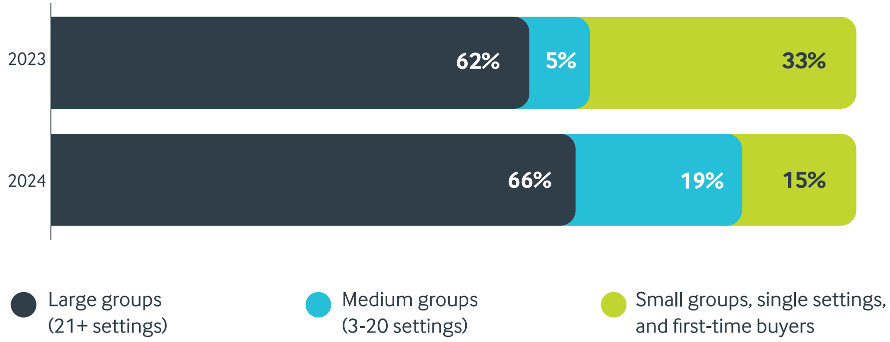
In summer 2024, having won the general election, the Labour Government began implementing some of the pledges in its manifesto. For childcare, this meant creating 3,000 new nursery classes across England, with a pilot scheme initially launched for 300 state nurseries to be operational by September 2025. The Autumn Budget followed, which saw rises in Capital Gains Tax (CGT), National Insurance contributions (NICs) and National Living Wage (NLW) which will, no doubt, impact day nursery owners across the country.

Regional and larger groups continue to be active, acquiring or consolidating in areas where they have an existing presence and creating healthy levels of competitive tension for the most sought-after opportunities across the UK.

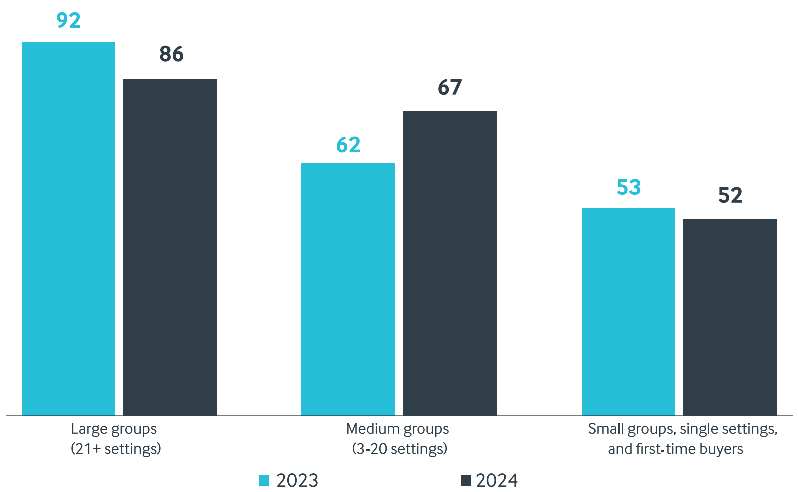
There has been positive news on the cost of borrowing front, with inflation beginning to settle close to the Bank of England's target of 2% and interest rates have been falling in line with this. The cost of borrowing has a direct effect on the affordability for buyers looking to consolidate and expand.

Key market trends in 2024

BUYER TYPES

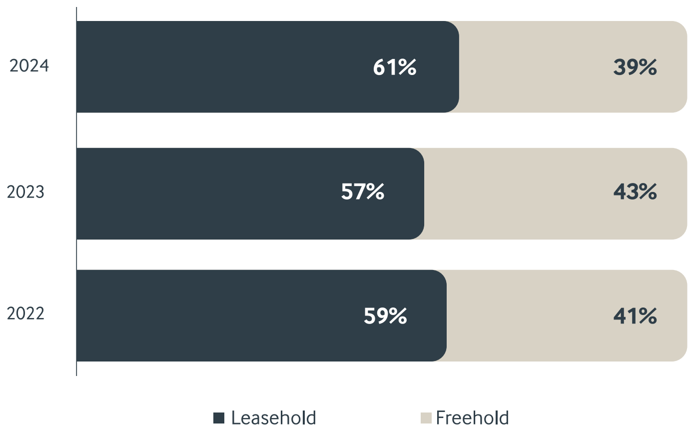


AVERAGE SIZE OF DAY NURSERIES SOLD



UK CHILDREN'S DAY NURSERIES

LEASEHOLD VS FREEHOLD SALES



Market predictions for 2025

- Continued interest in platform acquisitions, expansion and growth opportunities from entrants, established and new
- High demand for quality leasehold and freehold opportunities across the UK
- Further consolidation from large and medium-sized groups seeking acquisition opportunities
- Buyers will increasingly scrutinise parental demographics when considering acquisitions and undertaking due diligence
- With the 2025-26 EYPP funding rates not factoring in NIC increases, some settings will face greater financial sustainability challenges

Case studies

Broughton Cottage Day Nursery, Kent

Broughton Cottage Day Nursery, which is rated 'Good' by Ofsted, is a 60-place day nursery that enjoys a prime location within an area of outstanding natural beauty, allowing the setting to offer a very popular forest school. As well as being accessible from Sevenoaks and the surrounding villages, it has great links to the M25 making it a convenient choice for commuting parents.

The setting was sold in January 2024 to a boutique, growing nursery group with settings across the country.

Tiptoes Nursery Group, East Yorkshire

Founded in 2009, Tiptoes is an established day nursery group that provides high-quality childcare for over 700 children across seven impressive freehold purpose-built properties located in West Hull, East Hull, Hessle, Willerby, Sutton, Goole, and Bricknell Avenue.

The group sold in October 2024, to the award-winning nursery group, Kids Planet Day Nurseries.

Children 1st Day Nurseries, Midlands and Yorkshire

Founded in 1988, Children 1st Day Nurseries is renowned for providing the highest levels of childcare across 24 day nursery settings located in Derbyshire, Leicestershire, Lincolnshire, Nottinghamshire, Staffordshire and South Yorkshire. The group also includes a leading training centre in the Midlands and Sheffield. Together, these exceptional settings offer circa 2,567 childcare places.

In October 2024, the group was sold to Storal, making it one of the largest and highest-rated, quality nursery groups in the sector, offering over 5,000 places across 52 nursery settings.

Market overview

From the start of 2024, with a general election on the horizon and off the back of the Labour Party's pledge to end the tax breaks for private schools in the UK, nervousness created a haze leading to apprehension amongst buyers, investors, funders, schools, and stakeholders. While there was a fair amount of market activity including mergers and school ownership transitions, during 2024 buyers became increasingly cautious when appraising new opportunities, with a granular focus on pupil retention, new student recruitment, forward-looking operational costs, financial implications and sustainability.

Most notably, against the backdrop of the introduction of VAT on school fees, effective January 2025, market uncertainty is likely to prevail in the short to medium term as the independent school sector and market adjust to these seismic policy changes. While some schools have well-established contingency plans in place, others, for a variety of reasons, have been less well-prepared and are much more likely to be impacted by the changes.

However, as we look ahead to 2025 a number of pertinent questions remain:

- How extensive are the loss of pupil numbers from independent schools likely to be and will state schools be able to accommodate these pupils?
- Will parents choose to send their child to a state school or will they opt for homeschooling alternatives?
- How will the addition of VAT impact schools' new pupil recruitment?
- How many children with SEND who have been privately funded will proceed through an EHCP assessment programme? Should those children gain EHCPs and to what degree will these costs exceed the sum that had previously been privately funded? If this sits at the volumes that are anticipated, these VAT changes could have a financially negative net impact, at complete odds with the initial objective of raising £1.5 billion to train 6,500 new teachers for state schools.

INDEPENDENT SCHOOLS

Key market trends in 2024

In recent years, the makeup of the independent school sector has changed:

- There are 2,421 independent schools in England (Gov.UK, January 2024)
- 90 independent schools in Scotland (Gov.Scotland, October 2024)
- 83 independent schools in Wales (Gov.Wales, September 2024)
- 13 independent schools in Northern Ireland (Education NI, October 2023)

The Independent Schools Council (ISC) continues to monitor fee increases with the results published in its annual school census (ISC 2024):

- An annual average fee increase of 8% in 2024
- The majority of day schools charge between £3,000 and £6,000 per term
- Over a third of all ISC pupils receive some type of fee assistance
- The average means-tested bursary was worth £12,909 per annum, an increase of 9.3% compared with 2023

Market predictions for 2025

- Increased merger and acquisition activity
- Schools able to act nimbly in diversifying to create new, additional revenues will do so
- Pupil numbers will be impacted by the introduction of VAT on fees
- For some schools, operational cost pressures will lead to financial distress and an increase in closures
- In the event of school closures, assets will swiftly be acquired by SEND education providers or for alternative use

Case study

Avondale Preparatory School, Wiltshire

Avondale Preparatory School is a non-selective, co-educational independent day school, with space for 180 children on roll between the ages of two and 11 years old. It originally opened in 1923 and, since this time, has upheld a reputation for quality education and pastoral care for nursery and school children.

In May 2024, the school was sold to investor, David Allison of EduPartners - a UK-based Education Consultancy company that works with and for schools to help realise schools capable of delivering the best possible learning experiences.

Market overview

As of January 2024, there were over 1.6 million school pupils in England with identified SEND and the number of children and young people with EHC plans increased to over 575,000, a rise of 11.4% from 2023. Additionally, the proportion of pupils receiving SEND support without an EHC plan rose to 13.6% in 2024, up from 13% in 2023. This increase will likely lead to more initial requests for EHC plans and a subsequent rise in the number of EHC plans issued.

This marked a continued rise in the proportion of pupils with SEND, reflecting the growing recognition and diagnosis of special educational needs. As such, the sector saw significant demand for properties suitable for SEND school provision, with interest from existing operators looking to expand and new entrants aiming to address the growing need for SEND placements and services. Buyers were particularly interested in vacant former school sites but also considered former hotels, care homes, and community assets like libraries.

A key major transaction in the sector last year was announced in May 2024. Cap10 Partners partnered with the existing Compass management to acquire 100% of Compass Community Children's Services (Compass) - a leading UK provider of therapeutic fostering, residential, and special education for children with high acuity and complex needs – from majority shareholder, Graphite Capital. This significant transaction spanned two key childcare and education markets, notably the children's social care and SEND education sectors, in which opportunities to acquire such operational business portfolios have been few and far between in recent years, creating intense competition between buyers. In the five months following the announcement of this transaction, Graphite Capital, in partnership with Storal, completed the notable acquisition of Children 1st Nurseries, thus further building their appetite and enthusiasm to support growth and investment in the UK's childcare and education sectors.

While the market has been fuelled by operators seeking assets suitable for SEND use, the sector is not immune to challenges:

- Local authorities continued to sign up for Safety Valve agreements, receiving extra government funding to manage high-needs SEND funding as required by the Department for Education. These agreements aimed to reduce inappropriate referrals and Education, Health and Care Plans (EHCPs) awarded, and to transfer children with EHCPs into mainstream schools. However, some councils face legal challenges over these agreements, with a number of judicial reviews commissioned.

- The Autumn Budget 2024 included a £1 billion uplift in funding for SEND as part of a broader £2.3 billion increase in the core schools' budget. This funding aimed to support the reform of the SEND system and improve outcomes for vulnerable children. Despite this, there have been concerns about the sufficiency and allocation of funds, with advocates calling for more capital to ensure every child can access the education they need.

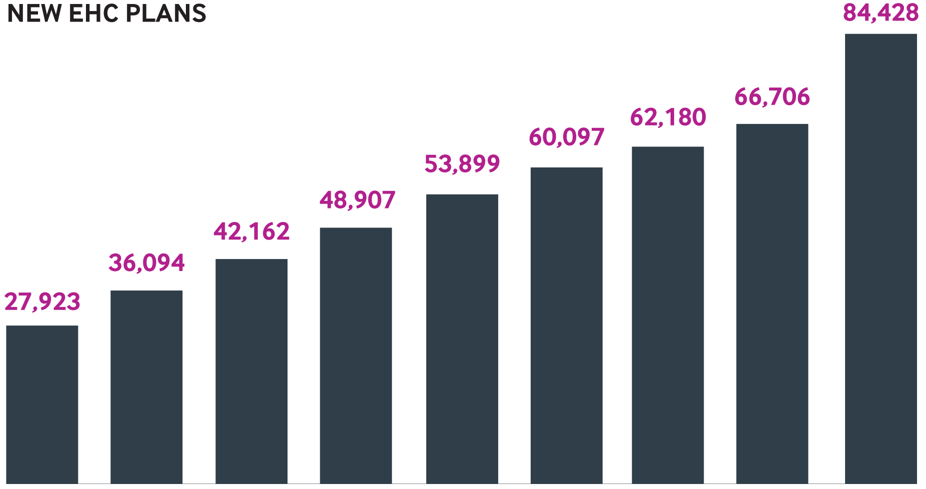
The SEND school sector in 2024 was characterised by significant demand for suitable properties, ongoing growth in state school-based provision, substantial government funding initiatives, and a rising number of pupils requiring special educational support. Despite challenges, the sector continues to attract significant interest from investors and developers, as well as those dedicated to expanding and enhancing services to meet the needs of all children with SEND.

SEND SCHOOLS

Key market trends in 2024

The demand for SEND services continues to rise at pace. In 2023, 84,428 new EHC plans were initiated, marking a 27% rise from 2022. This brought the total number of EHC plans in England to 575,963 by January 2024.

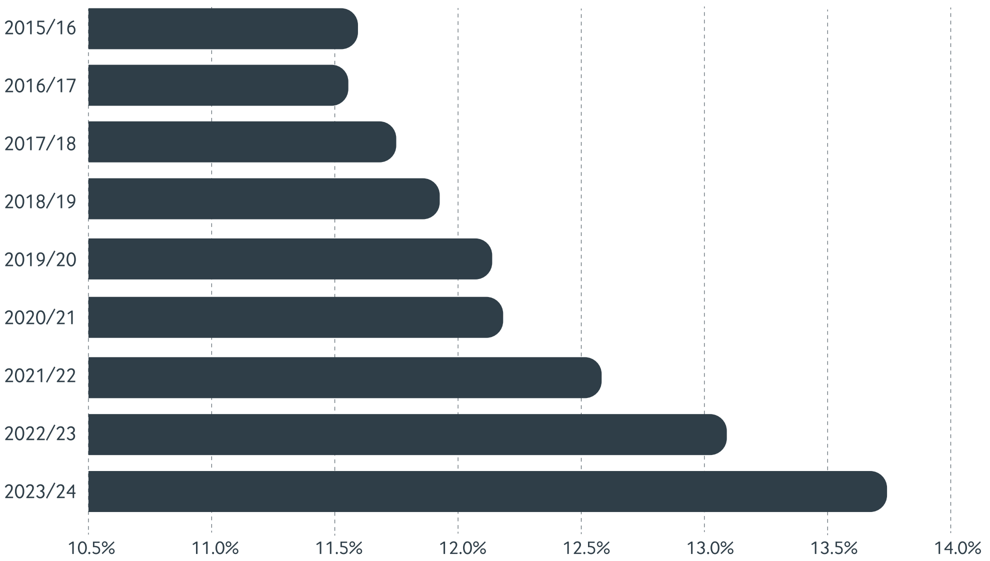
NEW EHC PLANS



Source: Gov.uk- Education, Health and Care plans, June 2024

The proportion of pupils receiving SEND support without an EHC plan rose to 13.6% in 2024, up from 13% in 2023. This increase will likely lead to more initial requests for EHC plans and a subsequent rise in the number of EHC plans issued.

% OF PUPILS WITH SEND SUPPORT



Source: Gov.uk- Education, Health and Care plans, June 2024

Market predictions for 2025

1. Owners exiting the market will achieve premiums, driven by competitive buyer tension
2. Demand for properties with vacant possession will continue to facilitate new capacity creation
3. Local authority budget pressures will increase the focus on providers demonstrating value for money
4. Infrastructure property funds will show additional interest in assets occupied by SEND providers
5. Regulatory scrutiny will intensify

Market overview

Throughout 2024, market activity was moderate with limited opportunities available to buyers due to many operators holding on to their existing businesses and expanding them where possible to keep up with the increase in demand for services. As a result, demand was heightened for high-quality operational businesses and well-located vacant properties which benefitted from C2 use and CLD.

Some 12 months prior to the Autumn Budget, Ofsted commenced the registration of supported providers, giving oversight of supported accommodation for children in care and care leavers aged 16 to 17 years. Although the process has started, inspection reports in any great volume are not yet available. The demand for this service is still strong, however, there remains a number of unregulated services trading, and these are still being utilised by local authorities, particularly for children with complex needs.

On 9 October, The Local Government Association (LGA), called for the Chancellor to ensure councils are fully funded and resourced to tackle the rising demand for support from vulnerable children, following its latest figures that revealed over 600 child protection investigations are carried out by councils every day. The Autumn Budget pledged a significant increase in funding for local authorities, shortly followed in late November by the announcement of the 'biggest overhaul in a generation to children's social care'. The Government cited that the 'major reform aims to end years of neglect of the children's social care support system – breaking the cycle of late intervention and helping keep families together wherever possible so every child has the opportunity to thrive'. This change comes as local authority spending on looked-after children has ballooned from £3.1 billion in 2009/10 to £7 billion in 2022/23, with social workers all too often burdened by heavy caseloads, struggling to deliver the help that children and families need before problems escalate.

2024 also saw the private children's social care market in Wales become increasingly destabilised following the Welsh Government's introduction of the 'Eliminate Agenda' whereby, from 2026, councils in Wales will no longer be able to place children and young people in their care within services operated by for-profit providers. With three-quarters of children's homes in Wales run by private companies, the market is going through a seismic structural change.

CHILDREN'S SOCIAL CARE

Key market trends in 2024

As of 31 March 2024 compared with figures taken on 31 March 2023:

26% rise in the number of 'family assessment centres'
3,491 children's homes of all types (12% increase)
35 adoption agencies (no change)
31 voluntary adoption agencies (no change)
34 further education colleges with residential accommodation (no change)
1 secure training centre (no change)
332 independent fostering agencies (1% increase)
98 residential family centres (26% increase)
12 residential holiday schemes for disabled children (8% decrease)

Source: Gov.uk - Main findings: children's social care in England 2024 - GOV.UK

Market predictions for 2025

- Increased merger and acquisition activity
- Continued buyer appetite for quality businesses with proven earnings, especially established businesses with experienced management teams
- Properties with the benefit of permitted C2 or C2a use will continue to command premiums over those sold on a vacant possession basis with C3 use
- With local authority funding shortfalls, we fear that commissioning into services at lower cost points could result in children's individual needs not being met
- Continued stagnation of the market in Wales in the short-term

Case studies

Mill Cottage, West Midlands

Mill Cottage in Dudley, West Midlands, is a former children's home that was registered for four. It comprises a detached brick-built property extended over the years to provide five bedrooms, ancillary rooms and ample parking.

In August 2024, it was sold to existing children's home operator, Resicare Alliance, bringing much-needed provision back into the local community.

Silverdale House, Walsall

Silverdale House in Walsall is a former children's home that comprises a recently refurbished, semi-detached double-fronted property on Bloxwich Road in the Bloxwich area of Walsall, close to Blackenhall Heath. It was previously owned and run as a children's home by Horizon Care & Education Group Ltd.

In August 2024, the home was sold to Care Today Parallel Parents Ltd to bring this much-needed provision back into the local community.

OUR SERVICES

Christie & Co is widely recognised as the UK's leading Childcare and Education business property experts.

We offer a full range of professional services to clients selling, buying, valuing or raising finance in the sector, including:

BROKERAGE

- Sales and acquisitions
- Capital Markets/Investment
- Sale and leaseback
- Leasing

CONSULTANCY & ADVISORY

- Lease and advisory services
- Commercial Due Diligence
- Feasibility and performance benchmarking
- Holistic planning needs assessment
- Research and Market Entry Studies

VALUATIONS

- RICS-accredited valuations for loan security
- Expert witness

LANDLORD & TENANT

- Lease and rent reviews

CHRISTIE FINANCE

- Finance raising for acquisition, refinance, unsecured, and asset finance
- Corporate Debt Advisory

CHRISTIE INSURANCE

- Business & Life Insurance and Employee Benefits

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BROKERAGE

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