

# Early Education



## Industry Insights Report

July 2023



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# Welcome



**Adam Thomas**

Partner | Managing Director QLD



**Jesse Lapham**

National Director Research & Data

Welcome to the July 2023 edition of Burgess Rawson's Industry Insights Report series. This report will focus on one of the country's fastest growing and most highly sought-after asset classes - early education.

As Australia's undisputed leader in the sale of early education investments, Burgess Rawson has transacted 77% of all assets offered to market in the last 18 months. Unrivalled experience, expertise and industry data has put us at the forefront of this exciting asset class, and we're excited to share such knowledge with you in this publication.

Since 2012, we've witnessed the unabated appetite for early education assets increase forty-fold as investors continue to seek strong underlying land value, secure long-term leases and quality tenants.

Unwavering bipartisan support from both Federal and State Governments continues to underpin the sector. Increased workforce participation and sustained population growth remain driving factors for compounding government investment, reinforcing the stability and security of early education investments.

Major industry players are also steering the industry, as they always have, through innovative new offerings such as the strategic co-location of swim schools to provide value-add services to busy parents.

All these factors combined will see continued demand for early education for many years to come, both as an essential service for everyday Australians and, consequentially, as a solid choice for commercial investors.

Join us as we explore the ever-changing landscape of early education and offer our insights on what we can expect for the future from this undeniably darling investment class.

# Overview

Sales activity remained constant in 2022, with over \$233 million in transactions throughout the year.

The first half of 2022 saw a slightly higher level of transactions, at \$122 million, while the second half saw \$111 million, with like for like number of sales in the market.

Despite 12 cash rate rises, cap rates for early education assets have grown marginally but remain at near historically low levels.

Australian early education cap rates averaged 5.14% last year, before a modest rise in 2023 to an average of 5.37%. This reflects a firm return when compared to 2018 where the average cap rate was 6.3%.

Rents have also increased with Q1 2023 showing Australian rents per place rose by almost 15% since early 2022, to now average \$3,518 per place, per annum.

Over the last decade, sale prices have climbed exponentially. In 2012 you could buy an early education centre for \$1 million. However, today they trade on an average of almost \$6 million.

Although still a considerably fragmented sector, from an operator/tenant perspective, the gap has been narrowed since 2012 with the emergence of ASX listed operators

who now account for 40% of all operators. Additionally, the increase in the number of medium-sized operators with 30 - 60 centres is notable.

We're also seeing innovative solutions in new centres such as double-storey, energy efficient buildings and basement car parking. Sustainability is a crucial element in the construction of new centres, with the major players seeking cutting edge facilities for their portfolios. These factors create higher prices per place, equating to higher rents.

Compounding and consistent bipartisan support from Federal and State Governments has also given operators and developers continued confidence in the industry.

The flow-on effect of increased government funding has created a surge in investors year on year, with demand driven by institutions, high net worth individuals and off-shore investors.

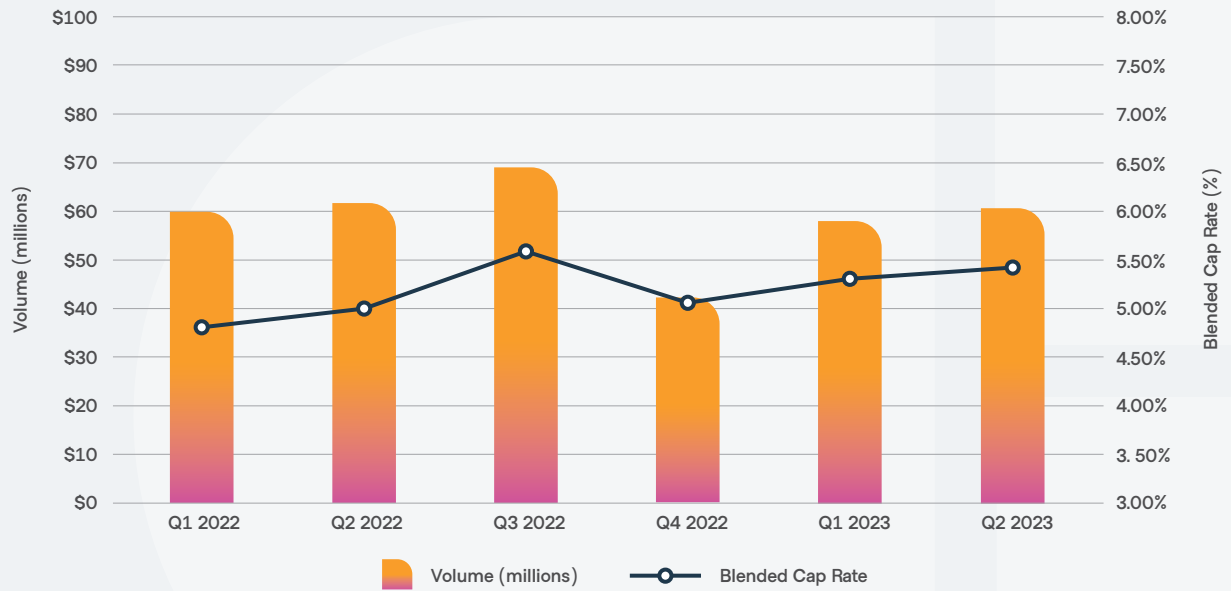
Australia's population is forecast to rise to 30 million people by 2033 which will create even more demand.

Government reforms to entice working parents, particularly women, back into the workforce, will ensure demand for this popular defensive asset class strengthens.

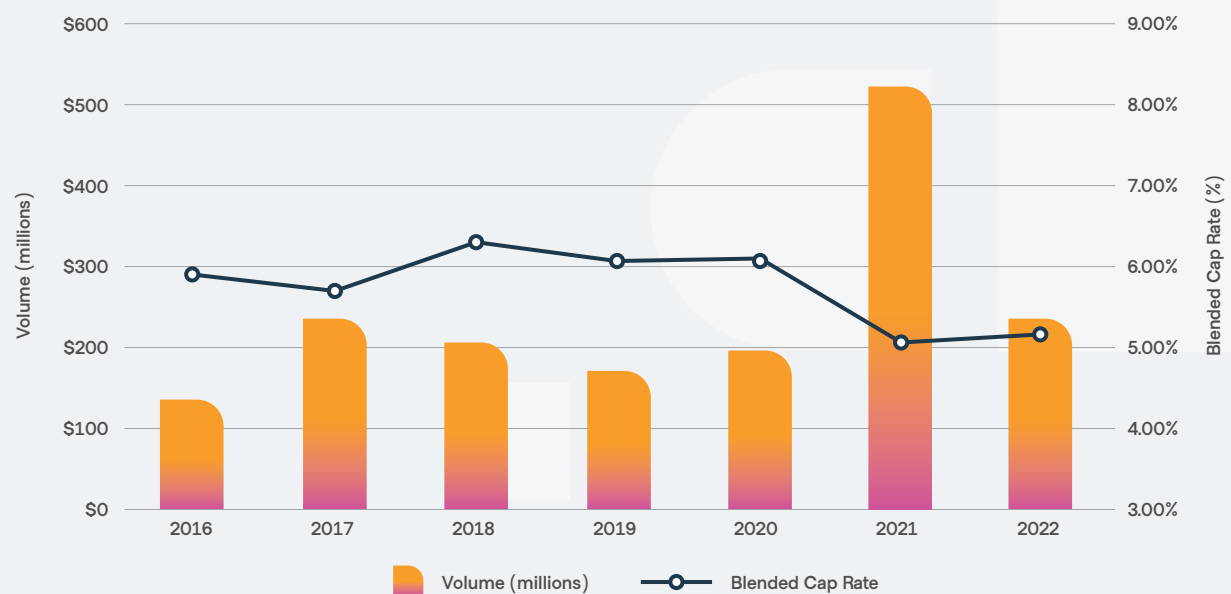


# Volume and Cap Rate Review

## Burgess Rawson Quarterly Volume and Cap Rate



## Burgess Rawson Yearly Volume and Cap Rate





# Sector Analysis

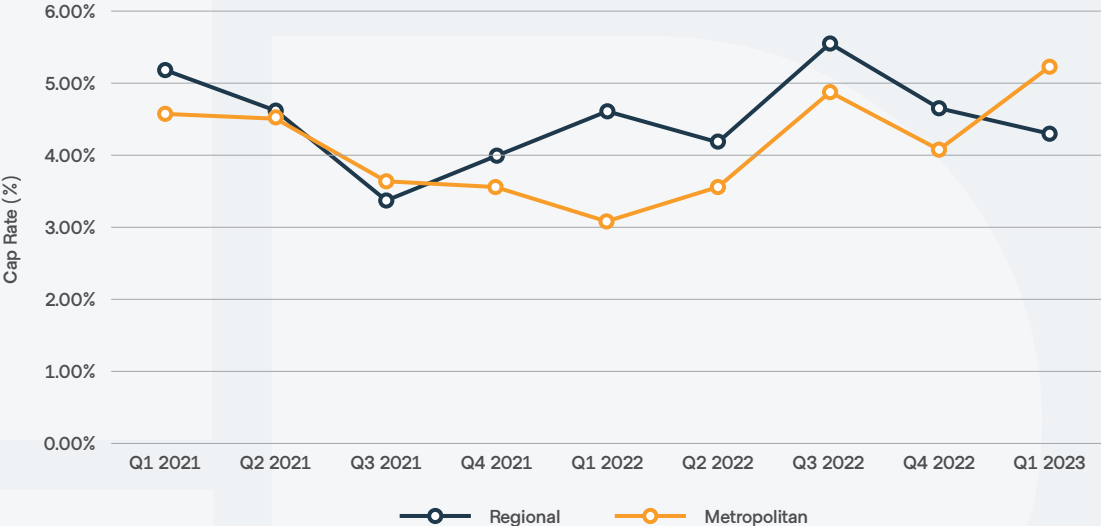
## Metropolitan vs Regional Cap Rates

As with most industries, metropolitan early education assets have historically transacted at a sharper cap rate than those in regional locations.

That said, we did see a softer average cap rate for metro assets in the last quarter. This can be attributed to the sheer quality of the regional assets brought to market in that

period, for which investors were willing to pay a premium.

Overall, the average sale price for a metropolitan asset in 2022 was \$6.5 million compared to \$5.25 million regionally. We also saw average sale prices increase, due to the growth in rents highlighted by a higher calibre of operator.



## Short vs Long Lease Expiry

The strongest attraction for investors is the lease profile. On average, new leases are between 12 to 15 years.

While long term leases, especially to national tenants, will always provide security, short term leases also provide an opportunity for investors. This is evidenced by a cap rate difference of only 0.02% when comparing short to longer term leases.

This is because short term leases, often with the tenant paying lower rent, gives the owner a potential increase in rent at market review time. In fact, many leases struck in the last decade were done so with rents that now sit well below market levels.

**5.15%** **5.17%**

**Short LE**  
(<10 years)

**Long LE**  
(>10 years)

**\$211,000** **\$304,000**

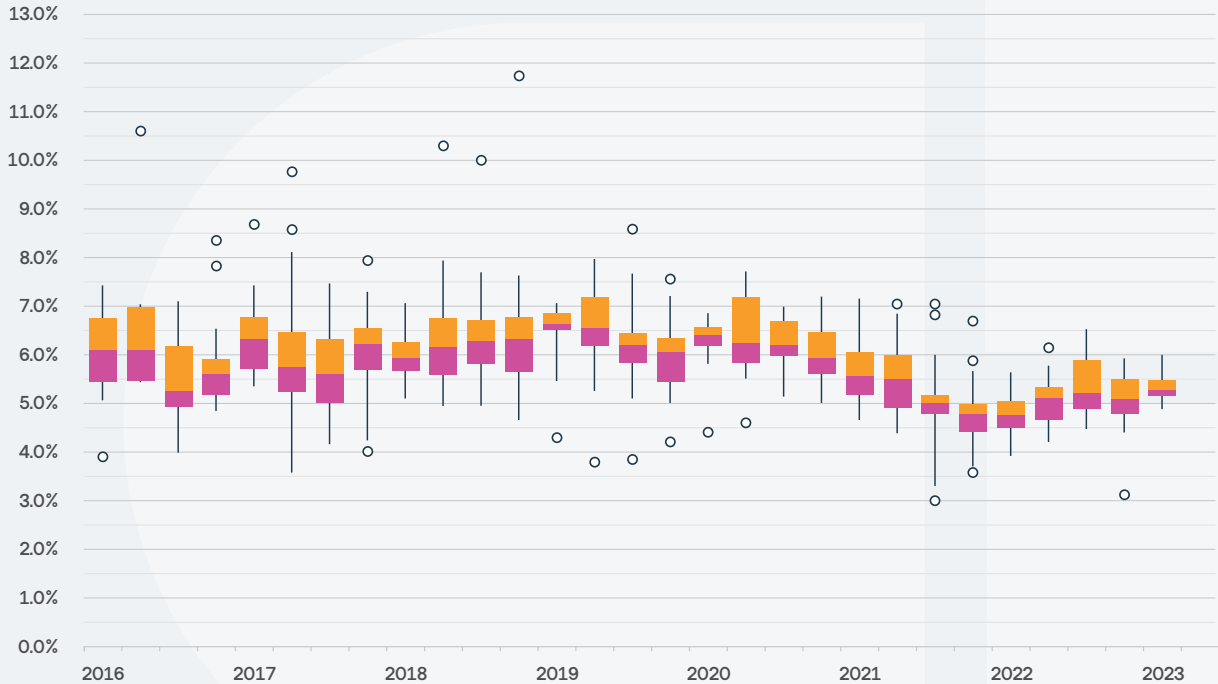
**Short LE**  
Median Rent

**Long LE**  
Median Rent



# Sector Analysis

## Early Education Cap Rates



### Cap Rate Trend

Data shows investors are prioritising industry and tenant covenant, preferably on a long lease, as opposed to the property itself.

Early education operators have certainly strengthened their commitment to long term leases while other industries are seeking shorter lease terms.

This commitment by major players offers surety to investors, which commands a premium price.

As a result, the cap rate spread has contracted to 111 basis points, whereas, reflecting as far back as 2016, the cap rate spread was 342 basis points.

### Legend

(Q1 2023 Results)

Outliers ..... ○

Highest Cap Rate .....  
5.99%

75th percentile .....  
5.50%

Median Cap Rate .....  
5.27%

25th percentile .....  
5.15%

Lowest Cap Rate .....  
4.88%

#### Note

Outliers are greater than 2 standard deviations (σ) from median/50th percentile of that period. Competitor sales included to increase sample size.

# Sector Analysis

## Cap Rate Analysis by State

Early education cap rates have remained steady since early 2021, driven by increased rents and compounding government support.

Yields were 6.19% in 2020, before tightening to 5.12% in 2021 after a record year in sales activity.

Interest rate rises have failed to dampen demand for these assets with cap rates moving no more than 19 basis points in 2023.

But not all states are equal.

Victoria was a standout with the average cap rate tightening to 4.99%, the firmest in the country. Urban sprawl and state government funding has driven this growth. The Victorian Government committed \$9 billion to early education funding over the next decade, the highest of all state governments.

New South Wales cap rates softened by 25 basis points, to 5.47%, while Queensland softened by 18 basis points, to 5.2%.

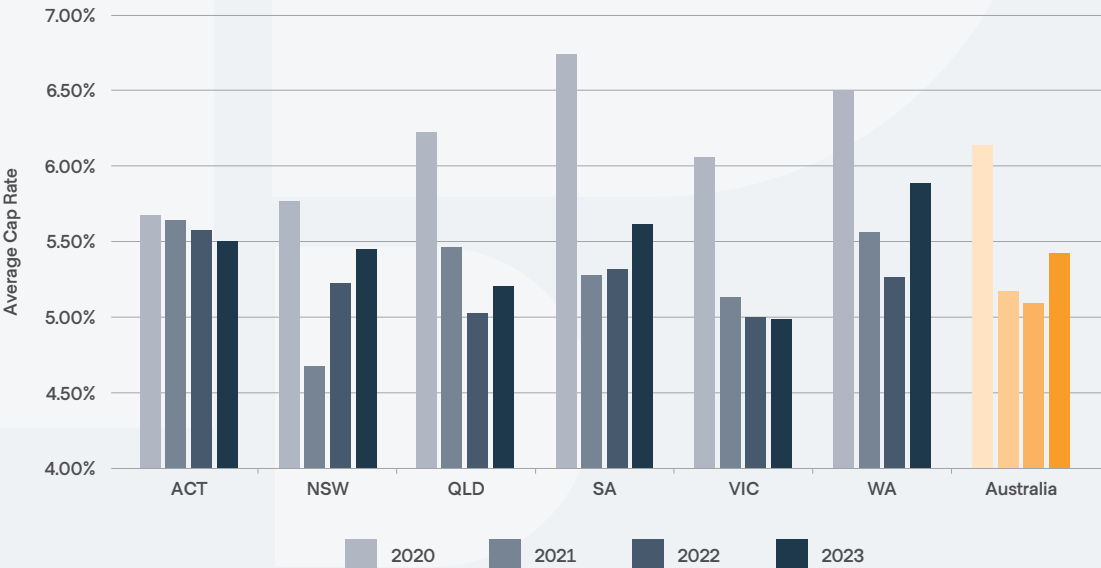
This is despite the state governments committing to an additional \$5 billion over ten years, and \$2 billion over four years, respectively.

Australian Capital Territory cap rates firmed to 5.51% but the result was a reflection of there being only two transactions in 2023.

Average cap rates for South Australia rose slightly to 5.62%.

Western Australia has the highest returns at 5.88% making the state a standout opportunity for investors.

## Average Cap Rate per State



# Sector Analysis

## Rents

Early education rents across Australia have increased year on year. Over the past decade, rents have grown by 87%, and by 27% since 2020 alone.

Rents have grown in line with increased government funding, rising land values and construction costs.

Developers and operators face larger investment capital and opening costs creating greater barriers to entry. Outgoings are also high with the tax implications by state governments increasing rents.

But again, not all states are equal.

South Australia is catching up coming from a low base after successive years of low investment. Since 2020, South Australian rents have grown by 49.3% to \$3,760 making it the most expensive in the country.

It should be noted however that the last two years have seen a reduction in SA sales,

which can contribute to a large shift in the results.

New South Wales rents increased by 46% to average \$3,659 per child.

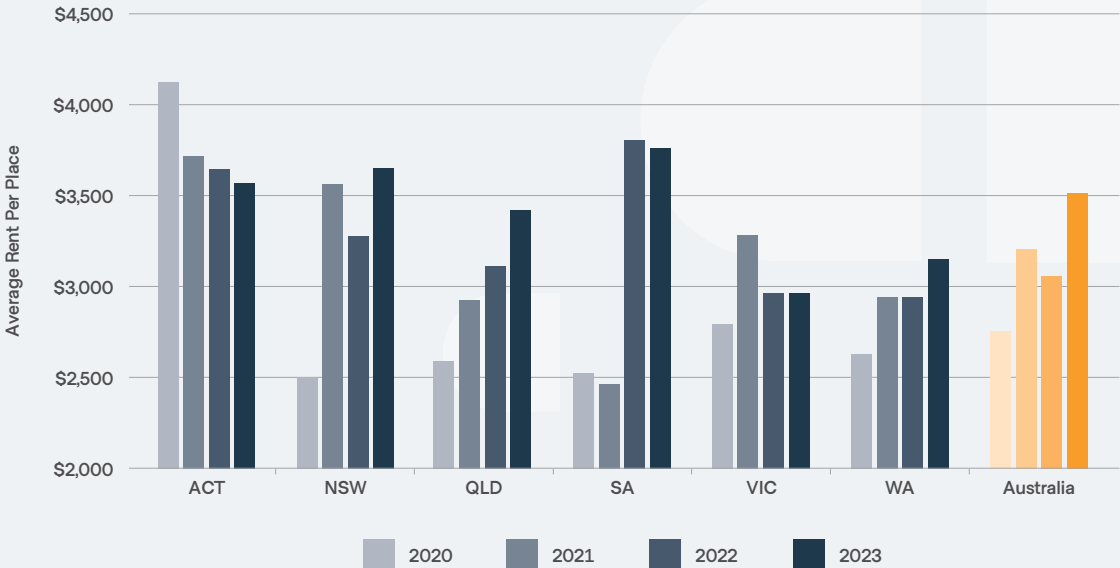
Australian Capital Territory is third highest with an average rent of \$3,576 per place.

Victorian rents have increased by 6.25% to \$2,967 per place. The Victorian Government stated in its Budget that land values have grown by 84% over the past ten years which has contributed to rent rises.

West Australian rents have steadily grown from \$2,792 to \$3,155 per place.

Despite what has been seen in historic transactions, it's worth noting that in current conditions, NSW maintains the highest rent per place. Of note are two recent transactions of new developments, where the average rent per place was \$4,770.

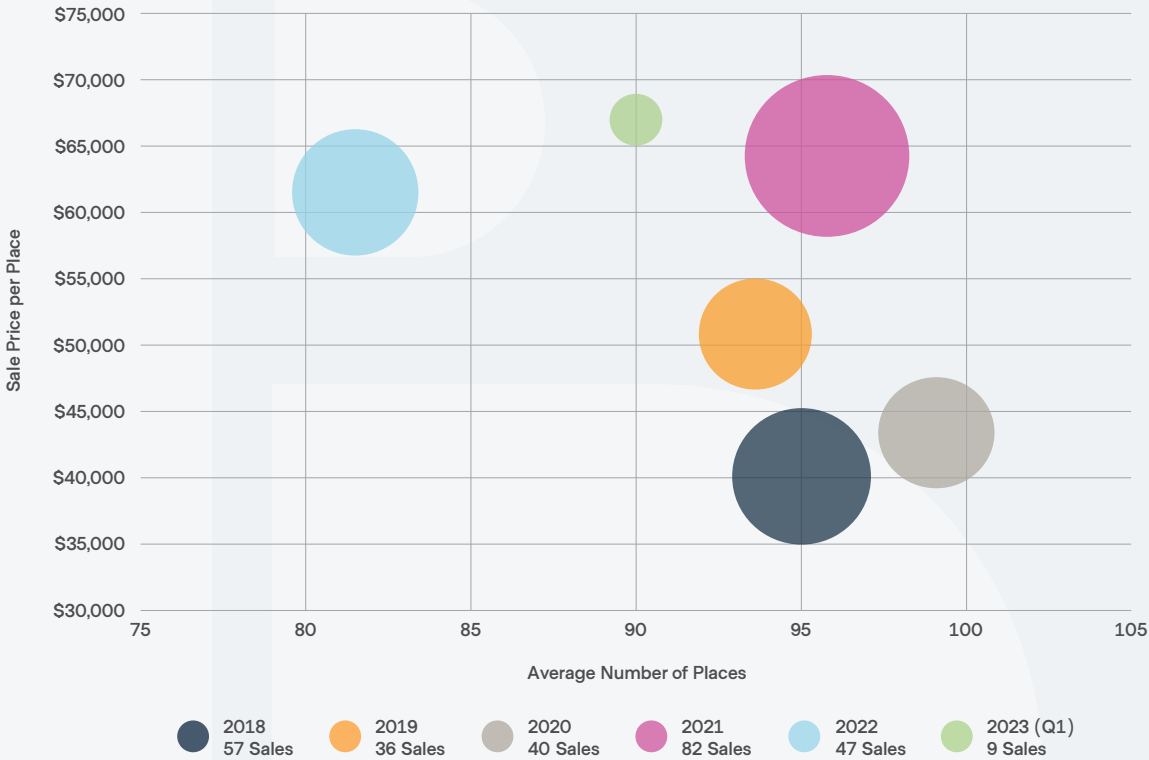
## Average Rent per Place





# Sector Analysis

## Sale Price per Place by Year



### Sale Price per Place

Monetary policy tightening has resulted in contracted LVRs and this has played a part in the total investment quantum available to investors. As a result, smaller place centres on the same rents have sold more readily in 2022.

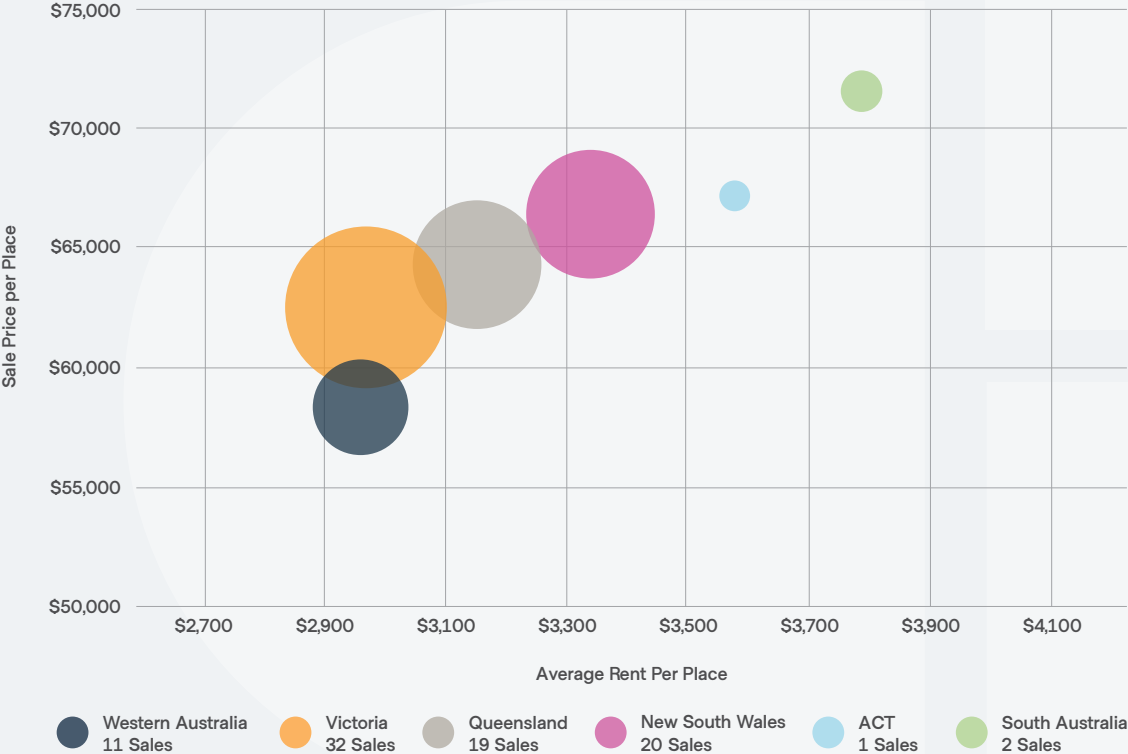
2023 has seen a minimal correction as a result of reduced stock levels. Sentiment, coupled with industry-wide contracted stock levels, has seen activity rise.

On a per place basis, the average sale price was \$66,900 with the number of places per centre averaging 90.

The average sale price per child dipped in 2022 but increased to a record high in 2023.

# Sector Analysis

## State Sales Results 2022/2023



### Sale Prices/Rents per Place

An ever increasing demand ratio will see daily fees increase, pushing up rents. Coupled with the construction crisis, which is currently experiencing the highest number of defaults, will add to an upswing in rents.

South Australia outperformed other states. However, this is likely a result of a small sample size and favourable tax conditions.

Market reviews for early education are also unique. Rents in early education are set by daily fees and are currently 11% to 12% of those fees across the country, except in NSW where they sit between 15% and 16% due to smaller sized centres.

# Sector Analysis

## Impact of Cash Rate on Early Education

The clear trend in 2022 was the market response to the cash rate rises. The first indicator of cash rate rises was the movement of the bond yield, increasing from 1.8% at the opening of 2022, to 3.4% in May 2022, when the RBA delivered the first cash rate rise.

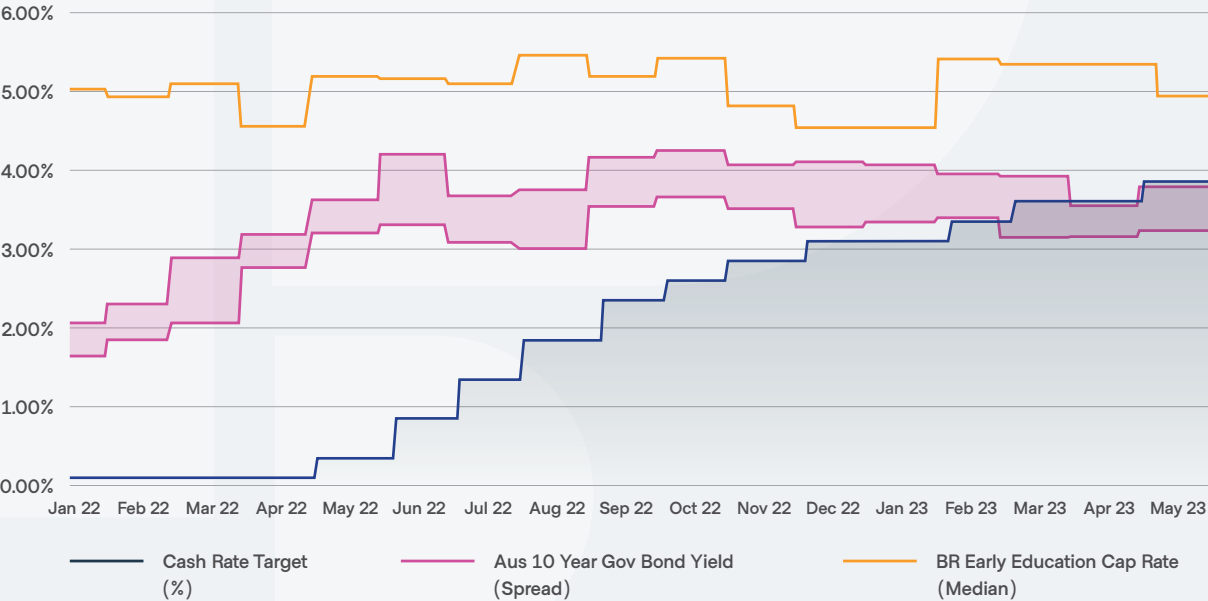
Yield premium being the difference between the cap rate and the cash rate, decreased markedly as the cash rate rises continued. The average premium was 318 basis points at the start of 2022.

Come December, this had compressed to 84 basis points, and is currently at 143 basis points.

Despite the early 2023 compression, premium buyers have continued to actively compete and seek out quality early education assets.

The ability to leverage against commercial property coupled with tax depreciation benefits have kept cap rates relatively stable in the proceeding months.

## 2022/2023 Cash Rate, Bond and Cap Rates







# Market Overview

## Early Education Tenant Profile

Early education remains a fragmented market, however the emergence of major players has strengthened significantly in the last ten years.

A key driver of this segmentation is the nature of running a childcare business. Unlike other industries, early education does not allow business owners to seek efficiencies across multiple operations, given the highest expense, (some 60% of revenue) is staff cost. This limits economies of scale, meaning profitability isn't dependent on the operator's network size alone. Thus, small operators have taken the opportunity to enter the market.

While the top 10 major operators have increased their market share, independent operators now account for 60% of the total market.

Major players have also increased their share, with Goodstart being the largest. Formed in 2010 by a syndicate of charities, the provider now boasts a 7% share of the market

with a network of more than 650 centres. G8 Education is next, having grown their network to 430 centres.

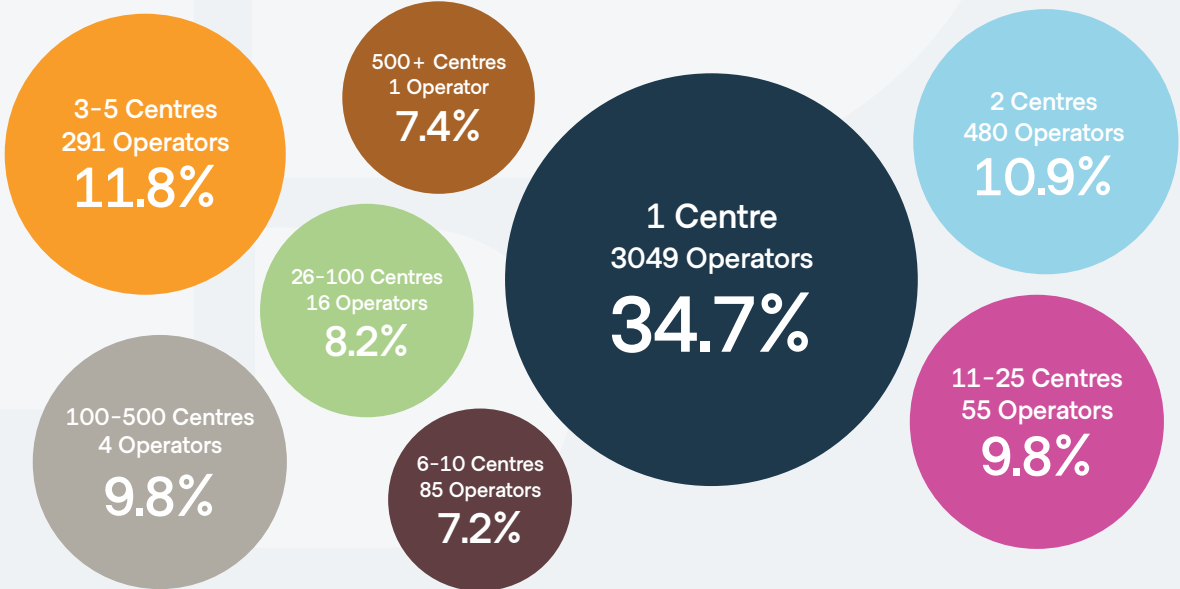
IBISWorld forecasts revenue in early education to reach \$17.2 billion by the 2028-29 financial year, up from \$14 billion in 2021/22.

## Institutional Investment

The strong fundamentals and long term security of the sector have also attracted large institutions such as Charter Hall, Arena and more recently, Australian Unity, HomeCo and Federation.

Known for actively refreshing their portfolios, Charter Hall and Arena both focus on ongoing capital growth, seeking assets in strategic locations with strong underlying land value. These assets predominantly feature triple net lease structures to ASX listed operators, providing surety to the funds and their clients.

## Market Share 2023



# Market Overview

## Arena REIT (ASX: ARF)

Founded in 2013, Arena was a pioneer in the early education sector, purchasing a portfolio of 14 properties leased to Affinity Education. Now, 260 of their 271 properties are early education centres.

Arena’s first foray into the market was based around social infrastructure, seeking earning profitability and income security. Their portfolio is now worth \$1.35 billion, while the WALE is 20.7 years.

Goodstart Early Learning accounts for 24% of their early learning portfolio while 18% of their centres are leased to Green Leaves.

80% of the Arena portfolio is located in key eastern seaboard states with 32% in Queensland.

## Federation

The Federation Education Trust gained a significant boost in 2021, when it joined forces with Blackrock, taking it from a \$75 million fund, to nearly \$600 million today. The fund seeks to acquire large, brand new centres, with quality tenants on long term leases and fixed reviews.

## Charter Hall (ASX: CQE)

Borne from the acquisition of Folkestone Education Trust, the fund seeks to provide its investors with stable income and capital growth through long term WALE and predictable returns.

Their portfolio grew by 38.8% in 2022 to a value of \$1.97 billion.

Charter Hall specifically seeks newly constructed centres with high quality tenants that enhance income sustainability and resilience.

Charter Hall boasts 373 properties in their social infrastructure portfolio, of which 359 are early learning facilities.

Goodstart occupies 39%, while G8 Education occupies 9%.

Like Arena, the majority of Charter Hall’s centres are located on the eastern seaboard.

## 2023 Largest Operator Networks





# Market Overview

## Government Funding

The early education industry has enjoyed bipartisan support from Federal and State Governments for many years. The economic return of increased workforce participation along with better education, social and employment outcome later in life, far outweigh the cost of funding.

A University of Melbourne report by Dr Jeanne Marie Iorio and Professor Nicola Yelland, found that investing a dollar in early childhood ensures two dollars return on investment (ROI) as that child grows up.

Further underpinning this growth, Federal and State Governments have committed more support to the industry. In addition to the \$13 billion already budgeted, the Australian Government announced a further \$4.7 billion in support over the next four years. The Victorian Government confirmed \$9 billion over the decade while New South Wales is funding \$5 billion.

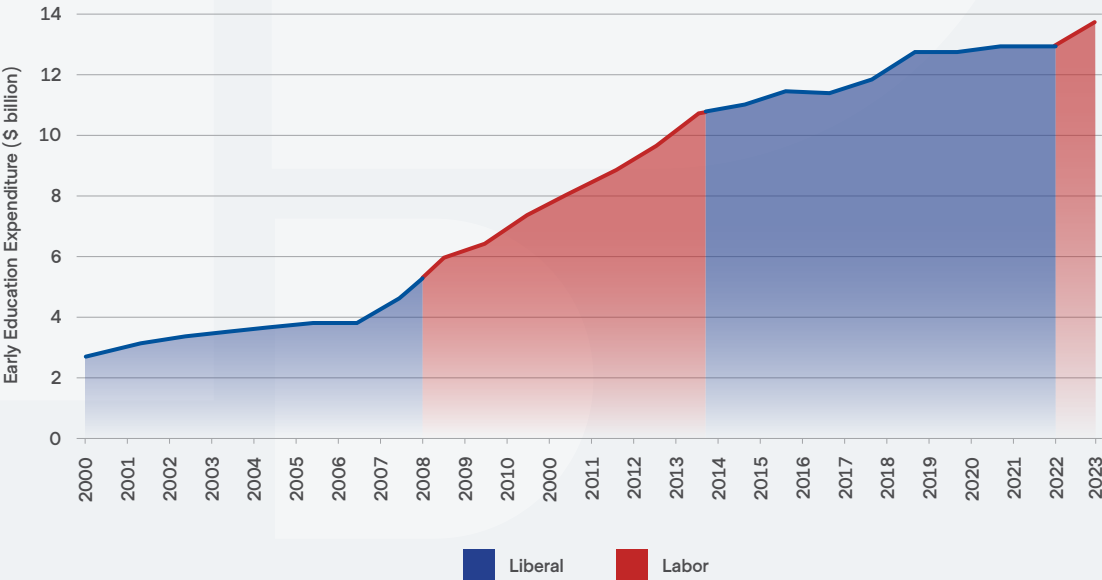
Starting in July 2023, eligible families earning less than \$530,000 will see an increase in Child Care Subsidy rates of up to 90%.

The high cost of early childhood education and care (ECEC) can often limit the amount of work parents, particularly women, can undertake. The reforms are expected to increase the hours worked by women with young children by up to 1.4 million hours per week in 2023-24, equivalent to an additional 37,000 full-time workers.

The Australian Government is also developing an Early Years Strategy to shape its vision for the future of Australia’s children and their families, aiming to deliver the best possible outcomes for Australian children.

In addition to the Federal Government funding, the State Governments also continue to provide further financial support to this industry.

## Total Spend per Child



# Market Overview

## Australia on the Global Stage

Even with compounding government support, Australia’s ranking on the world stage is below average. According to the OECD, as at 2020, Australia ranked 21st, spending just 0.59 per cent of national GDP on early education while the member nation average was 0.83 per cent.

Further, Australia’s total spend per child is comparatively low compared to the top five Nordic countries who spend two to four times as much as our government.

If we compare ourselves to the Nordic average, the gap between female full-time employment incidence in Australia and the Nordic precinct is more than 25 percentage points.

The Australia Institute found that if Australian women had the same full-time participation rates as Nordic women, Australia’s GDP would be some \$132 billion per year higher.

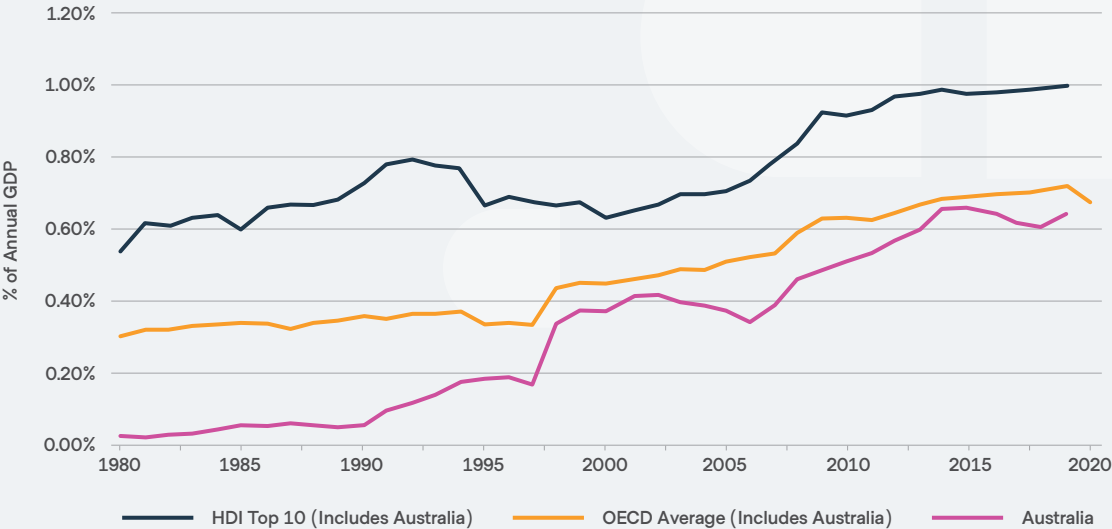
The large differences in female work participation and hours of work have significant effects on many aspects of women’s working lives including a large reliance on part-time employment meaning less hours, less money and less superannuation.

Access to quality and affordable early education provides equality for all and serves to benefit the economy.

Despite this, Australia still spends much less than the ten countries with the highest Human Development Index (HDI), of which Australia is one.

Australia is on a clear pathway to moving up the ladder as both Federal and State Governments commit to record levels of financial support and ongoing reforms to attract women with children into the workforce, thus moving Australia up in the ranks of spending in this essential sector.

## Government Early Education Spending Proportional to the National GDP



# Market Overview

## Can Australia Become a World Pioneer?

While Australia is ranked 21st by OECD in terms of expenditure in the sector, the substantial uplift in Federal and State Government support will see a striking improvement.

Further, while affordability and quality have been key factors in the early education sector more recently, there has been a shift towards sustainability and extended services.

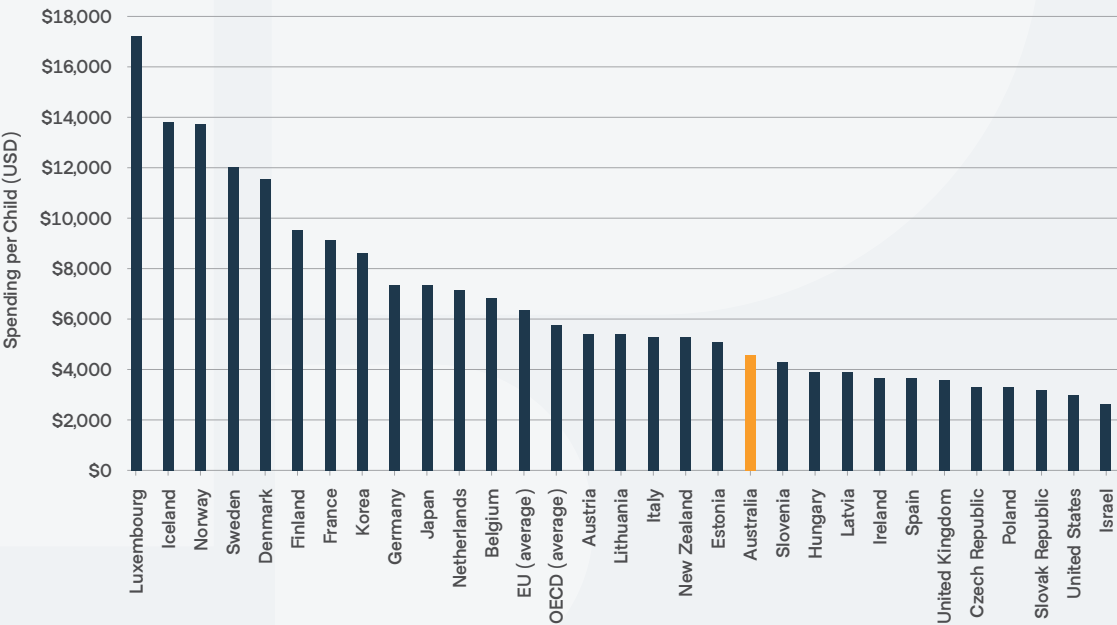
Australian operators have been at the forefront of this change. According to IBISWorld, new for-profit operators are changing the market dynamics.

Australia’s early education sector is evolving to meet these requirements with operators opening premium centres that target niche markets. This in turn is also boosting profitability.

The new cutting-edge centres have expanded their services, adding extra curricular activities such as swimming lessons, horse riding, music and language lessons.

The evolution of Australia’s early education sector will no doubt see additional transformations that will only add to the stellar future lying ahead.

## Total Spend per Child by Country





# Burgess Rawson 2022 and 2023 Year to Date Sales



ACT	NSW	QLD	SA	VIC	WA
Metropolitan	Metropolitan	Metropolitan	Metropolitan	Metropolitan	Metropolitan
<b>\$5,520,000</b>	<b>\$47,450,000</b>	<b>\$59,175,000</b>	<b>\$12,980,000</b>	<b>\$78,975,000</b>	<b>\$30,341,000</b>
5.51%	4.65%	5.02%	5.47%	5.01%	5.12%
	Regional	Regional		Regional	Regional
	<b>\$55,160,000</b>	<b>\$23,213,000</b>		<b>\$30,080,000</b>	<b>\$4,630,000</b>
	5.30%	5.35%		5.33%	6.33%

📍 Sales Volume
📊 Median Cap Rate







Sale Price

**\$6,100,000**



Cap Rate

**5.20%**



Sold

**March 2023**

## Case Study

### Oak Tree Academy, Woodford QLD

Located 62km north of Brisbane, Woodford is a rural town with a population of 4,022 as of the 2021 census.

Despite the regional location, the property is positioned within a heavily under-supplied childcare catchment, and the property benefits from a demand ratio of 7.5 children (aged 0-5 years) per place.

The property features a brand new 104 LDC place centre, constructed by Hutchinson Builders, and offers the incoming purchaser significant depreciation benefits.

The property is leased to Oak Tree Academy, a premium private operator, supported by the Scholars Group, which have a network of 30+ centres nationally.

Under the lease, the initial term is 15 years, with further options to 2053. In addition, the annual rent reviews are fixed at 3.25%. The tenant is responsible for all usual outgoings including land tax and management fees.

The property was purchased prior to auction by a Queensland private investor.



#### Site Area

2,736sqm\*



#### GLAR

794sqm\*



#### Zoning

Township - Moreton Bay Regional Council Planning Scheme



#### Lease Term

Brand new 15 year plus options to 2053



#### Rental per LDC Place

\$3,050



#### Net Income

\$317,200 pa\* + GST



#### Agents

Andrew Havig & Adam Thomas

# Burgess Rawson Sales Highlights



**Goodstart Early Learning**  
Mosman NSW

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Sale Price	Cap Rate	Date
\$4,410,000	2.75%	May 2023



**Guardian Childcare**  
Rochedale South QLD

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Sale Price	Cap Rate	Date
\$6,170,000	4.88%	Mar 2023



**Papilio Childcare**  
Robina QLD

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Sale Price	Cap Rate	Date
\$8,800,000	5.43%	Mar 2023



**Guardian Childcare**  
Prahran VIC

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Sale Price	Cap Rate	Date
\$3,270,000	3.12%	Dec 2022



# Burgess Rawson Recent Sales

Tenant	Location	State	Sale Price	Date Sold	Cap Rate
Mayfield Childcare	Glen Waverley	VIC	\$4,000,000	June 2023	4.50%
Montessori Beginnings	Swan Hill	VIC	\$3,305,000	June 2023	6.09%
Affinity Education	Taigum	QLD	\$7,125,000	May 2023	5.17%
Montessori Academy	Forest Hill	VIC	\$6,900,000	May 2023	5.08%
Lex Education	Forrestfield	WA	\$3,701,000	May 2023	5.78%
Mayfield Childcare	Gordonvale	QLD	\$4,775,000	May 2023	5.50%
Story House	Melton	VIC	\$5,750,000	May 2023	5.30%
Spring Kidz	Bourkelands	NSW	\$2,050,000	May 2023	5.48%
Goodstart Early Learning	Mosman	NSW	\$4,410,000	May 2023	2.75%
HQ Children's House	St James	WA	\$1,180,000	May 2023	4.66%
Busy Bees	Everton Hills	QLD	\$6,500,000	Apr 2023	4.70%
Mount Coolum Day Care	Mount Coolum	QLD	\$5,000,000	Mar 2023	5.10%
Papilio Childcare	Robina	QLD	\$8,800,000	Mar 2023	5.43%
Guardian Childcare	Rosedale South	QLD	\$6,170,000	Mar 2023	4.88%
Taylor ELC	Taylor	ACT	\$5,520,000	Mar 2023	5.51%
Oak Tree Academy	Woodford	QLD	\$6,100,000	Mar 2023	5.20%
Oz Education Campsie	Belfield	NSW	\$5,450,000	Mar 2023	5.26%

# Burgess Rawson Sales Highlights

Tenant	Location	State	Sale Price	Date Sold	Cap Rate
The Family Tree ELC	Baldivis	WA	\$3,485,000	Feb 2023	5.88%
Imaginarium ELC	Burpengary	QLD	\$6,055,000	Feb 2023	5.28%
Futuro	Gledswood Hills	NSW	\$9,922,000	Feb 2023	5.10%
Guardian Childcare	Seacombe Gardens	SA	\$6,970,000	Feb 2023	5.62%
Oz Education	Lake Cathie	NSW	\$4,650,000	Feb 2023	5.16%
Eden Academy	Auchenflower	QLD	\$6,850,000	Dec 2022	5.14%
Busy Bees	Moonee Ponds	VIC	\$6,455,000	Dec 2022	5.04%
Guardian Childcare	Prahran	VIC	\$3,270,000	Dec 2022	3.12%
Goodstart Early Learning	Merrylands	NSW	\$2,350,000	Nov 2022	4.40%
Daisies Early Learning	Deeragun	QLD	\$713,000	Oct 2022	4.77%
Joyful Learning ELC	Mitcham	VIC	\$3,900,000	Oct 2022	5.49%
G8 Education	Seacliff	SA	\$6,010,000	Oct 2022	5.32%
Gingin ELC	Gingin	WA	\$930,000	Oct 2022	5.91%
Goodstart Early Learning	Echuca	VIC	\$3,850,000	Oct 2022	5.29%
Aspire childcare	Epping	VIC	\$7,750,000	Oct 2022	5.65%
Young Academics	Marsden Park	NSW	\$8,000,000	Sep 2022	4.78%

# Burgess Rawson Sales Highlights



**Young Academics**  
Marsden Park NSW

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Sale Price	Cap Rate	Date
\$8,000,000	4.78%	Nov 2022



**Guardian Childcare**  
Seacombe Gardens SA

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Sale Price	Cap Rate	Date
\$6,970,000	5.62%	Feb 2023



**Lex Education**  
Forrestfield WA

---

Sale Price	Cap Rate	Date
\$3,701,000	5.78%	May 2023



**Montessori Academy**  
Forest Hill VIC

---

Sale Price	Cap Rate	Date
\$6,900,000	5.08%	May 2023

# What's Next for Early Education?

The future of early education holds great promise and is set to redefine the industry for decades to come. As pioneers in their field, early education providers are at the forefront of creating and embracing new trends.

A key shift we anticipate is the adoption of a more holistic learning approach, where complementary services will be introduced, enhancing the curriculum, and adding significant value. This innovative approach will transform early education centres into convenient one-stop shops, catering to the needs of busy parents who are increasingly time-constrained.

The integration of additional services, such as tutoring and potentially even health facilities, will revolutionise the early education landscape. Already, we are witnessing the evolution of these centres, demonstrated by the recent opening of the Officer Childcare Centre and Swim School in Victoria. Such centres incorporate swimming lessons, offering a comprehensive learning environment that nurtures children's development.

On a broader scale, Australia's position in the global early education arena is poised for growth. Government investment will continue to gain momentum, yielding substantial returns. Responding to the increasing demand for expanded services, we believe both federal and state governments may introduce policies to facilitate parents' access to these offerings. Core activities in early education will potentially receive funding from the Australian Government, and childcare operators could play a pivotal role in providing NDIS services, such as ADHD support. Such collaborations would benefit the government by optimising their investment.

Furthermore, the influx of immigration could drive the need for vertical living and innovative vertical childcare solutions to cater to the demands of a growing population.

An unwavering emphasis on innovation and carbon neutrality will be pivotal. Key players and investors alike are increasingly focused on environmental sustainability, pushing the boundaries of what is achievable. Banks, in particular, will be compelled to evaluate their loan portfolios and carbon footprints, potentially increasing their lending to green initiatives. Clients' carbon output will also be a factor in their assessment, as sustainability becomes a key consideration in acquiring premium assets.

Investors should recognise the value of purchasing properties with long-term leases to childcare operators, particularly those with a green asset rating. Such properties will not only command a premium price but also offer greater investment appeal. Lenders, in turn, will place greater emphasis on carbon output, providing purchasers with enhanced funding opportunities.

In summary, the future of early education is bright and transformative. With a focus on holistic approaches, integration of complementary services, and sustainability initiatives, the industry is set to redefine the educational experience for children while providing convenience and value to parents and investors alike.



# What's Next for Early Education?



## Berrinba Central Early Education & Swim School

Developed by De Luca Corporation, Berrinba Central sets the benchmark for innovation. De Luca champions environmentally sustainable development, providing the highest standards in design and construction.

The early education centre and adjoining swim school are the newest additions to the mixed-use development.

Berrinba Central is a bustling centre, home to leading tenants including McDonald's, KFC, United Petroleum, Sparkles Car Wash, Bridgestone Tyres, Starbucks and Salvos stores.

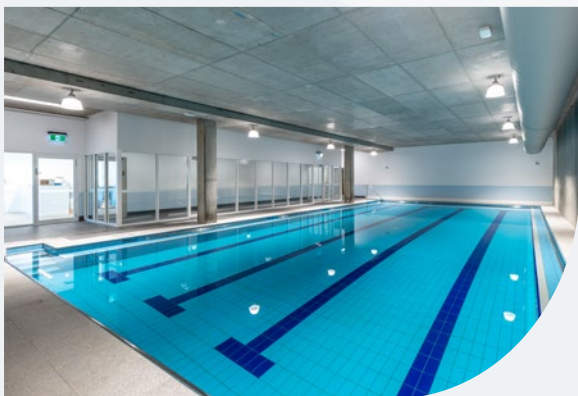
De Luca Corporation identified an opportunity to co-locate an early education centre with a swim school to better meet the community's needs.

Parents now have the opportunity to further enhance their child's early education with a comprehensive swimming program, along with services offered by Bluebird Early Education, including language learning, creative movement, yoga, horticulture and sustainability.

Managing Director, Nic De Luca said that demand for co-located services in De Luca's development pipeline has increased dramatically.

"Operators are seeking to expand on their services to reap the benefits the community hub offers.

"Offering swimming lessons to children while they're at daycare is such an obvious complementary service, but gives precious time back to busy parents. The operator also benefits from two-fold government support, for both the daycare service and the swimming program." he said.





# What You Need to Know

## What to Look For

There are a number of key fundamentals to be aware of when securing an early education asset that will provide the best returns:

### Strength and profile of tenant

Identifiable and reputable brands known for their strong occupancy rates.

### Assignment provisions

Ensure that adequate due diligence is conducted under this section of the lease. Ensure the tenant cannot simply assign the lease to another, potentially lesser known and less secure operator, consequently decreasing the investment's value.

### Lease tenure and option periods

Reputable operators will invariably seek a long-term lease from the landlord, often with extensive options.

This assurance provides a set-and-forget investment, meaning minimal input from the owner and significant returns over time. Longer options can assist in the resale of an asset later down the track.

### Location, land size & underpinned land value

Strong underlying land values are underpinned by tenant requirements including high profile sites with future development opportunity. Early education sites are in prized locations with amenities within close proximity, making them tightly held by tenants.

### Rent review structure

Ensure your income growth by looking for annual rent increases, and market reviews at the end of the term.

### What you'll pay

Early education investments generally range from \$2 million to \$10 million with incomes ranging from around \$300,000 to \$500,000 plus. The median sale price by Burgess Rawson has been \$6.25 million since 2022.

### How to buy one

Early education assets are sold both privately and at auction.

The benefit of an auction is transparency between all parties. Typically buyers will bid in person, over the phone or online, with full visibility of buyer competition and rental cap rate on-screen in front of them.

This asset class has always featured heavily in all the major commercial agency players' portfolios, given the calibre of tenants and the proven investment security of the sector.

Having sold 77% of all early education assets offered to market in FY23, we've seen no sign of investor demand slowing in this sector and predict steady transaction volumes into the 2024 financial year.



# National Early Education Team



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## How we can help

At Burgess Rawson, we offer solution-based outcomes and data-driven expertise for early education vendors, investors, developers and tenants, with a breadth of knowledge that spans the entire property journey; asset management, sales leasing, valuations, development feasibility and tenancy coordination.

Our national specialty team is at the forefront of the early education sector, with dedicated property professionals able to provide an end-to-end service to clients in all states and territories across Australia.

If you're looking to invest, divest, require management, or simply want to discuss the sector, please don't hesitate to contact a team member today.





## Industry Insights Report

# Healthcare

Make an appointment to examine one of the healthiest and fastest growing sectors

Factors including a wealthier and ageing population complemented by substantial government funding have transformed this industry, creating one of the healthiest asset classes in the country.

Our next Industry Insights Report will showcase what is driving the demand for this asset class and deliver an in-depth analysis of emerging trends, supply, cap rate activity, major industry players and what the future entails for this complex sector.

*“The healthcare property sector has delivered strong returns and experienced minimal volatility during recent economic uncertainty.”*

Yosh Mendis  
Head of Agency NSW | Partner



**With offices across Australia,  
Burgess Rawson has a truly  
national understanding and  
unparalleled collective expertise.**

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