CBRE

Childcare

2025
Childcare Report
Edition #7

Australian Healthcare and
Social Infrastructure

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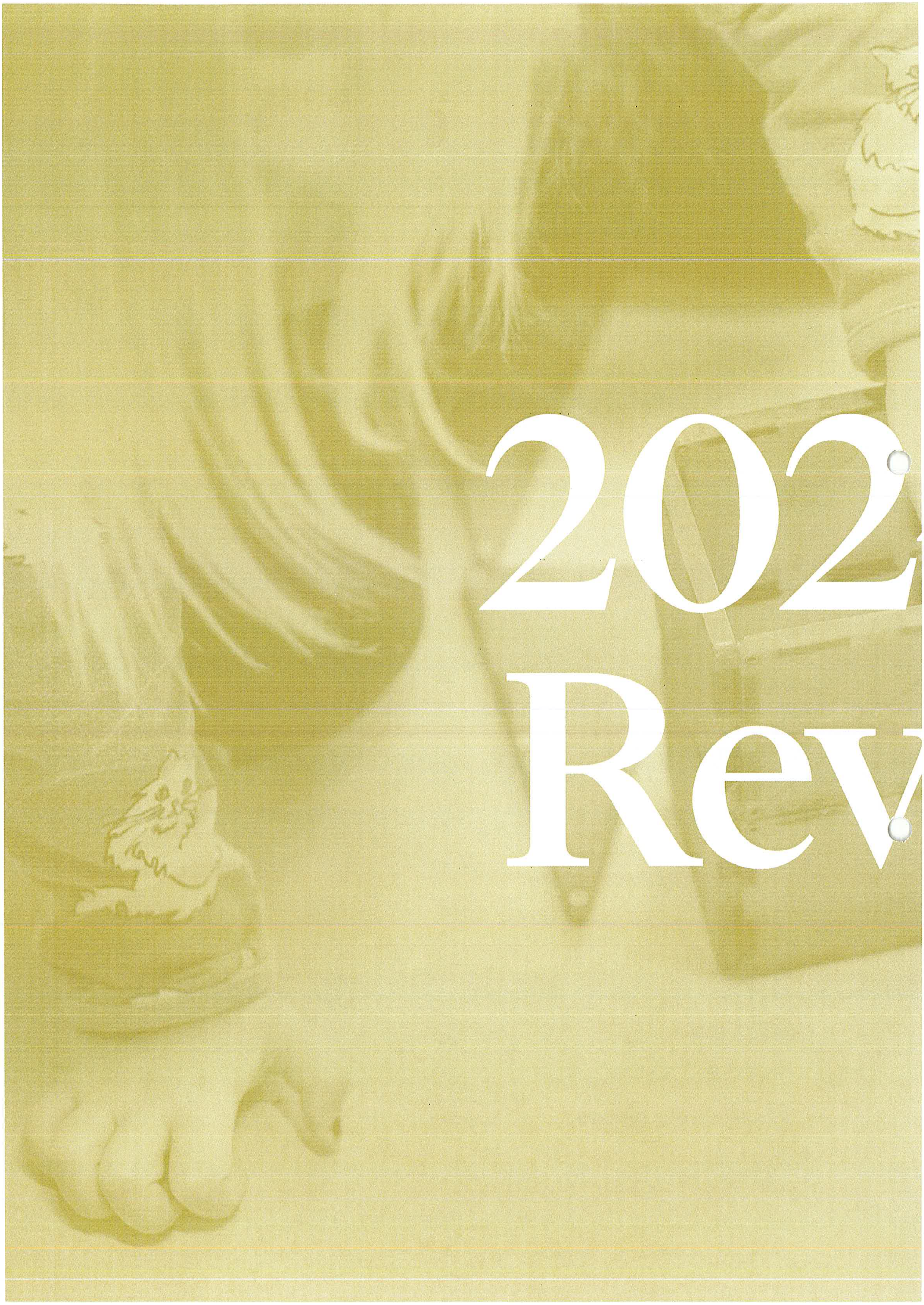
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Australia's Childcare boom, a win for families and investors

Australia's childcare sector has transformed over recent years and is still evolving to meet both today's demand and that of the future. Once a niche player in commercial real estate, the childcare sector has now established itself as a core commercial investment such as office, retail and industrial. This surge is driven by a confluence of factors, creating a win-win situation for both operators, investors and consumers.

At the heart of this growth lies the Australian government's unwavering support for childcare as an essential service, and the demand from a growing population and workforce. Increased funding and subsidies have made childcare more accessible for families, particularly those struggling with rising living costs. This translates to a more engaged workforce with parents, especially mothers, empowered to participate more fully. The government's commitment to "equitable and affordable childcare" further underscores its dedication to this critical sector.

But affordability is just one piece of the puzzle. The surge in demand for childcare has outpaced the development of new facilities. Rising construction costs are squeezing the pipeline of new centres, creating a situation of limited supply chasing ever-increasing demand. This scarcity is a boon for investors who are witnessing stable yields despite recent interest rate hikes.

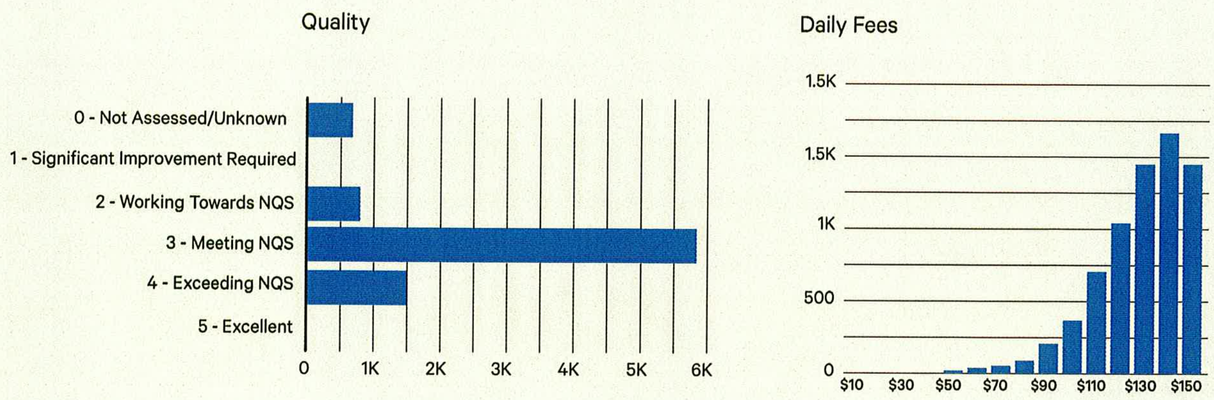
The sector's resilience during the pandemic has only bolstered investor confidence, making childcare a highly attractive asset class. At CBRE, we have experienced this first-hand with transactions such as Cremorne and Brighton, both selling below 5.00% yield. This was achieved in a market where the average commercial investment yield is still sitting around 6.00% or above.

An undeniable fact is that Australia needs more high-quality childcare centres (as indicated below graph). The growing demand for these services necessitates an expansion of facilities to meet the needs of families across the country especially the removal of the activity test, giving early education access to more than 126,000 children who fall outside the activity test. As consumer preferences continue to evolve and the need for childcare grows, the Australian childcare sector is poised for a future marked by both innovation and adaptation. This growth will not only benefit families seeking quality care for their children, but also create a thriving investment landscape, solidifying childcare's position as a pillar of Australian commercial real estate.

This report will explore these topics further, offering a comprehensive overview of industry data, trends — and forecasts for 2025.

- Jimmy Tat

Childcare Centre quality standards fall short while daily fees soar



Source: ACEQA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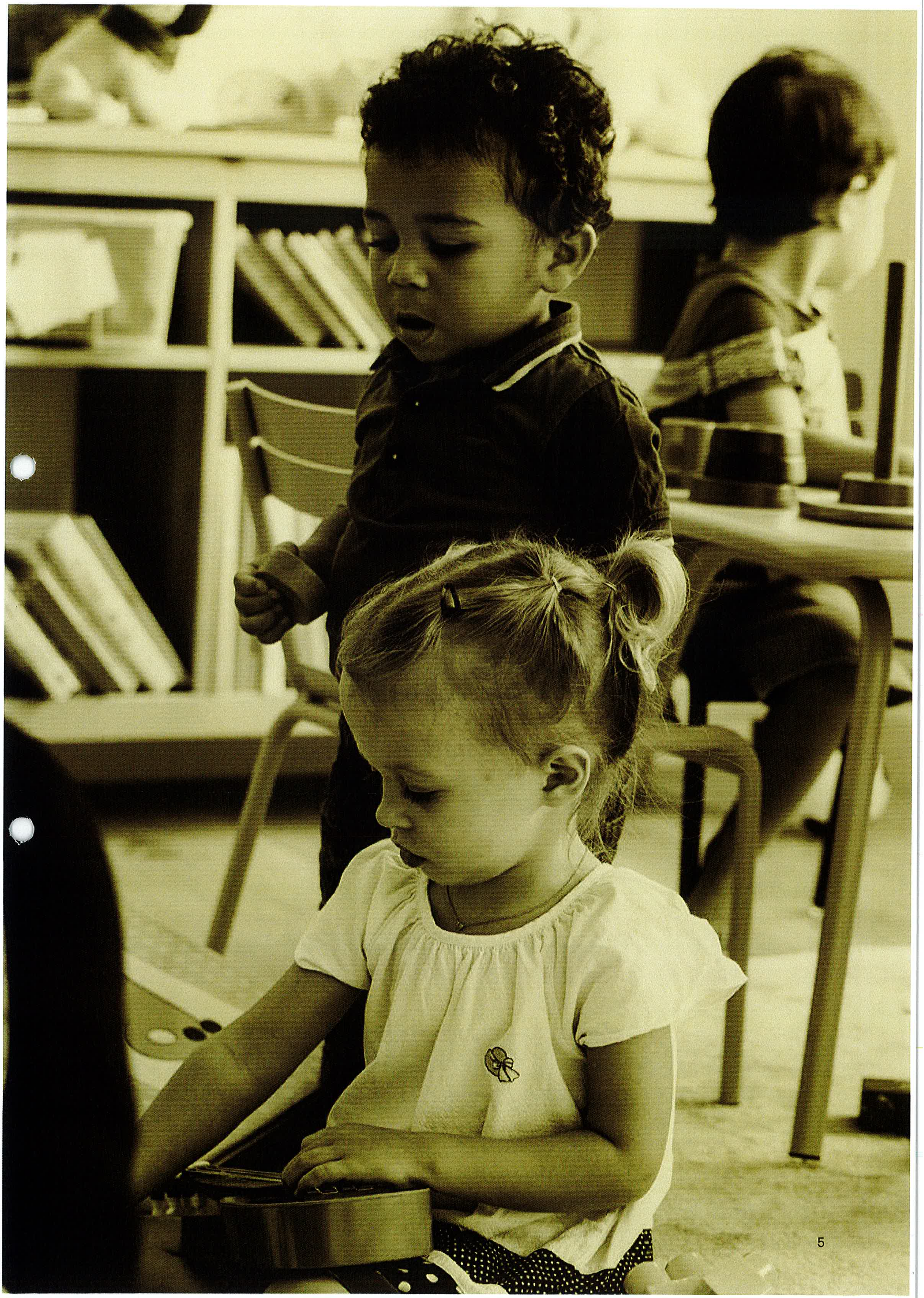

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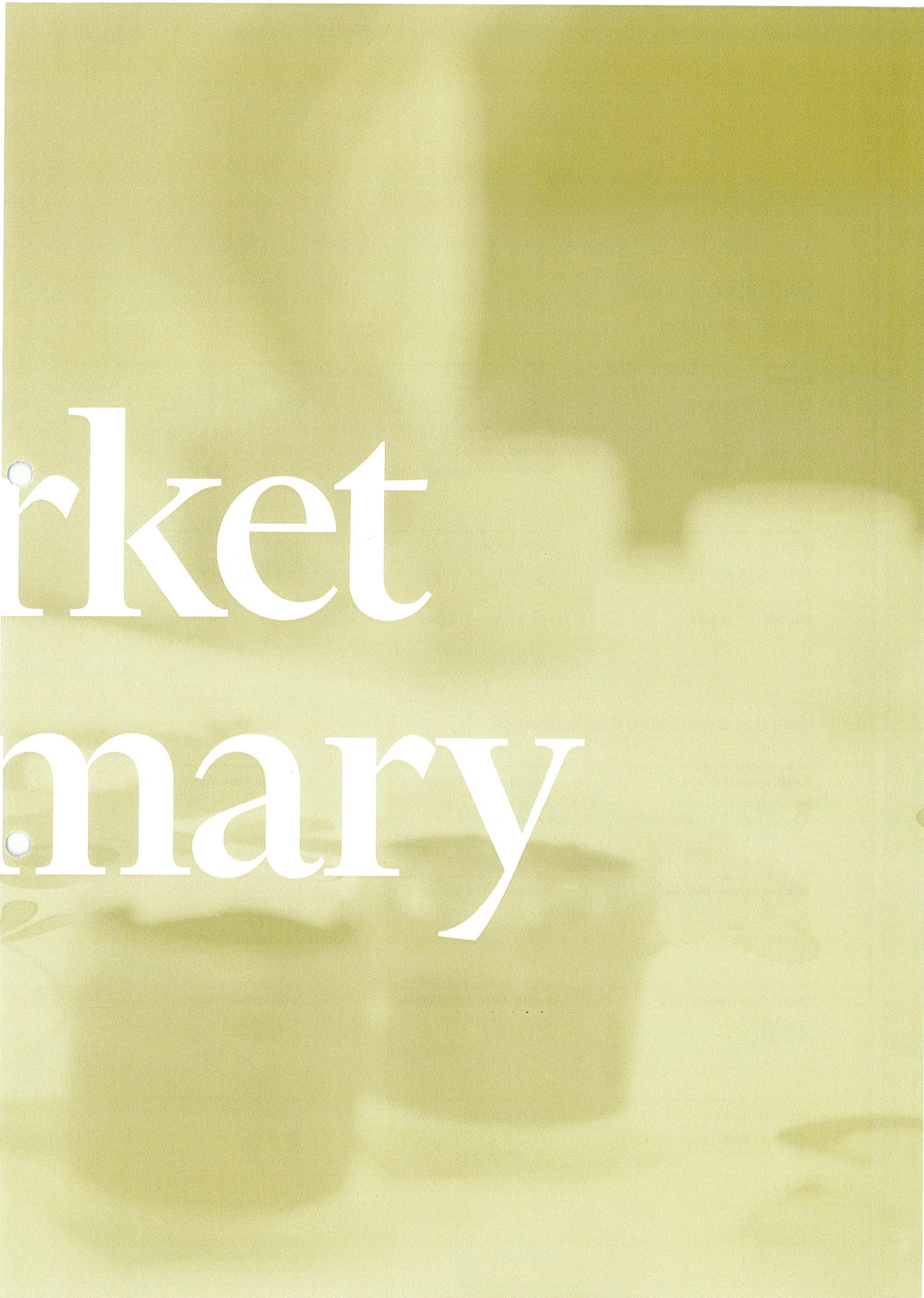


Market Summary 2024

Sector Overview

Industry Snapshot

Revenue	Employees	Businesses
$21.8bn	**203k**	**11,471**
'20 - '25 ▲ 6.2%	'20 - '25 ▲ 3.1%	'20 - '25 ▲ 0.8%
'25 - '30 ▲ 2.8%	'25 - '30 ▲ 1.9%	'25 - '30 ▲ 0.9%

Profit	Profit Margin	Wages
$1.4bn	**6.5%**	**$11.3bn**
'20 - '25 ▲ 4.6%	'20 - '25 ▼ 0.5pp	'20 - '25 ▲ 3.2%
		'25 - '30 ▲ 3.1%

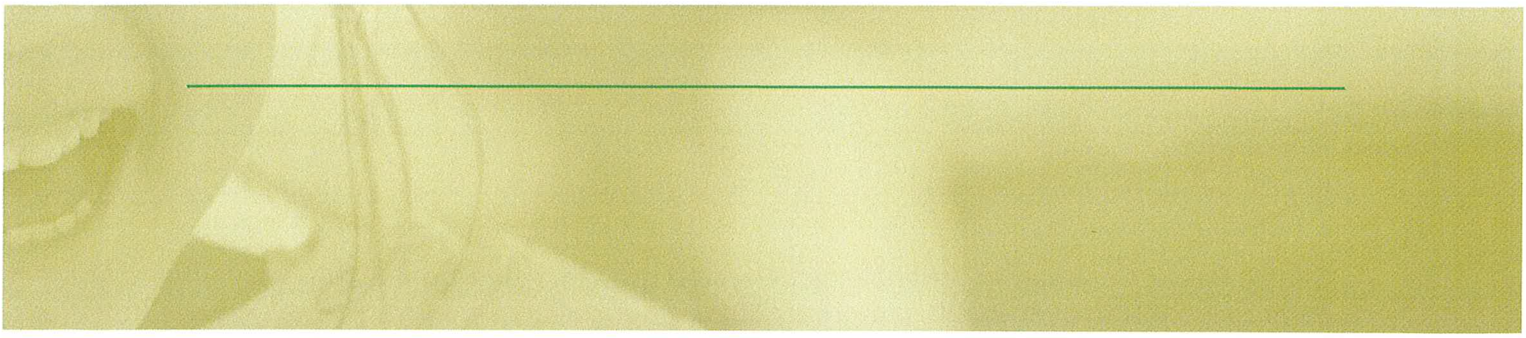
Long Day Care Centre Characteristics

Total Childcare Centre	Total Childcare Places	Average Ratio Children/Places
8,917	**665,345**	**2.3**

Smallest Centre (Places)	Median Centre Size	Largest Centre (Places)
6	**72**	**305**

Oldest Centre Built (Year)	Median Centre Built (Year)	Newest Built (Year)
1895	**2007**	**2024**

Total Population	0-4 Population	Female LFP %
27.0M	**1.5M**	**57.9**



Legislation Changes

Introduction of the "Three-Day Guarantee" policy

Recent legislation changes in Australia's childcare industry include the removal of the "current activity test" for childcare subsidies. This policy, announced by Prime Minister Anthony Albanese, guarantees access to the government's childcare subsidy for three days a week for families earning less than $530,000 a year.

These changes are expected to commence in January 2026 and the government estimates that this change will support an additional 200,000 children in accessing childcare. By increasing accessibility and affordability of childcare, these legislative changes have the potential to significantly boost childcare enrollment and occupancy rates across centres in Australia.

The removal of the activity test for childcare subsidies in Australia represents a significant shift in policy that promises to have far-reaching effects.

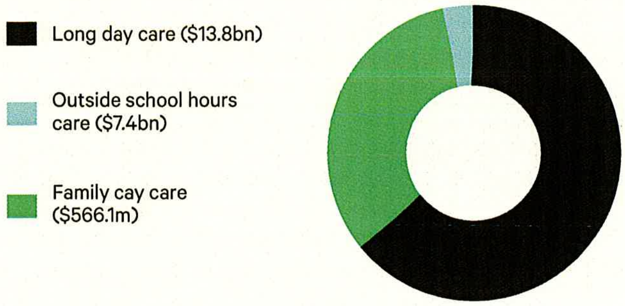
By eliminating this major barrier, early education and care will become more accessible to a wider range of families, particularly those from disadvantaged backgrounds, regardless of their parents' work or study status. This change is expected to particularly benefit vulnerable groups such as single-parent families, Aboriginal and Torres Strait Islander families, non-English speaking families, and low-income families, who were disproportionately affected by the previous requirements. As a result, childcare centres are likely to see an increase in occupancy rates due to more families being able to access subsidised childcare. Additionally, this policy change will simplify the childcare subsidy system, making it more straightforward and accessible for many families, thereby reducing administrative burdens and potential confusion.

Centre Based Care has experienced accelerated growth, rising from 6,268 centers in 2021 to over 9,000 centers by 2024.

Historically, the national market has faced significant periods of oversupply but is now transitioning towards more balanced conditions, with demand aligning more closely with supply on a macro level. This shift is supported by strong demographic trends and changes in the Childcare Subsidy, which have helped balance supply and demand.

Products & Services Segmentation

Industry revenue in 2024 broken down by key products and service lines



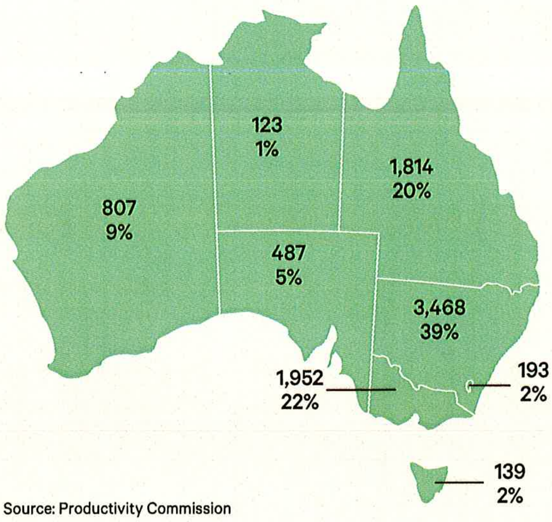
On a local scale, there are still areas experiencing oversupply and undersupply. Oversupply is typically found in metropolitan or developing regions, which tend to offer higher returns. For those considering investment or new construction, conducting a catchment analysis is highly advisable.

Centre Based Care Geographic Distribution

When considering the location and catchment areas of individual childcare centres, most have a compact reach of up to 5 kilometres. They often strategically position themselves near key hubs such as work nodes, schools, and other significant destinations or trip-generating locations.

Recently, there has been a noticeable trend of childcare centres emerging in traditionally 'white collar' areas, including central business districts (CBD's) and fringe office zones. These urban centres cater to the needs of busy parents by offering extended hours, sometimes up to 12 hours per session.

Some leading providers have enhanced their services with amenities like coffee options at pick-up and takeaway dinner services, adding convenience for time-pressed families.



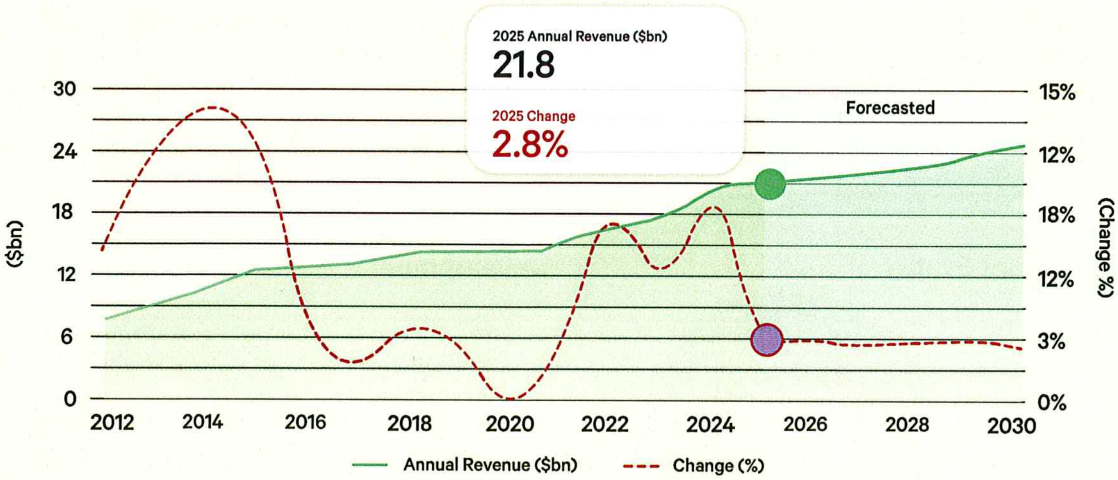
Source: Productivity Commission

Looking forward, the integration of childcare facilities into office towers and other professional environments is expected to continue. However, the evolving office landscape, influenced by remote work and hybrid models, presents new challenges for these facilities.

While integrating childcare centres into office settings streamlines the approval process—avoiding lengthy and costly procedures associated with establishing centres in existing buildings—it also requires adaptability to meet the changing needs of employees and employers in this dynamic environment.

Revenue

Total value ($) and annual change from 2012-2030. Includes 5-year outlook.



In addition to shifting locations, the childcare industry is experiencing consolidation as it becomes a more attractive alternative asset class. New funds are entering the market, acquiring multiple centres or portfolios to establish a significant presence. Lease terms in the childcare sector have evolved over time. Historically, leases ranged from 5 to 7 years before extending to 10 to 15 years with options for renewals of 5, 10, or 15 years. Now, there is a growing trend towards longer initial lease terms, reaching up to 20 years, with options extending up to 30 years in some cases. Triple net leases are also common in the sector, transferring responsibility for property taxes, insurance, maintenance and repairs to the childcare operator. These leases often include fixed annual reviews which are more appealing than Consumer Price Index (CPI) reviews.

The evolution of lease structures, offering increased security for both landlords and tenants, has contributed to the growing interest from new players in the childcare sector. IBIS World forecasts indicate that the childcare sector's revenue is expected to grow to $24 billion by the 2028 financial year, up from $19 billion in 2024. The industry has generally seen consistent annual revenue growth, with the exception of a significant 2.7% decline during the 2019-20 period. This drop was largely attributed to the COVID-19 pandemic which led to lockdowns, reduced demand as more parents worked from home, government childcare subsidies, and a decrease in the overall workforce.

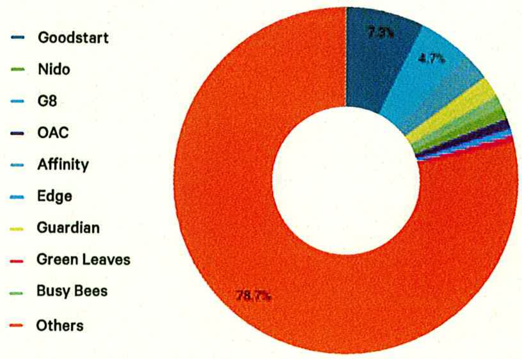
Market Share

The industry is fragmented and mainly composed of small players and independents, who make up about 80% of the market. Of these smaller operators, roughly 35% hold only one service. However, this dynamic is changing as more operators expand through acquisitions or new centre development.

Goodstart Early Learning leads with circa 8% market share. G8 Education has rapidly grown to hold around 5% market share; they expanded from owning 17 centers at their December 2007 listing to currently operating over 400 centres, down from a peak of 502. Affinity Childcare, Busy Bees Early Learning, and Guardian Childcare each have about a 2% market share, while KU Children's Services and Bright Horizons hold around 1%.

Corporate interest in the sector has attracted new private players, including ASX-listed companies and private equity firms. As private equity interest grows, mergers and acquisitions are expected to continue in the near term. This trend is likely to lead to industry consolidation as larger for-profit entities acquire smaller competitors and individual assets

Childcare Providers

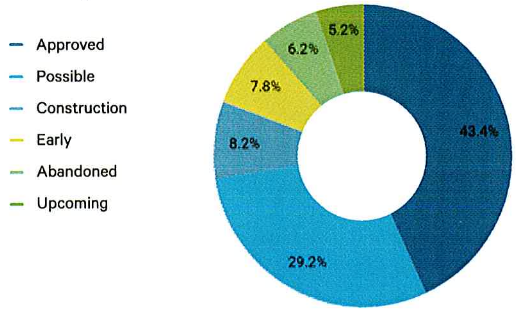


Source: ACEQA & Business Geographics

Low Development Pipeline fuels yield compression

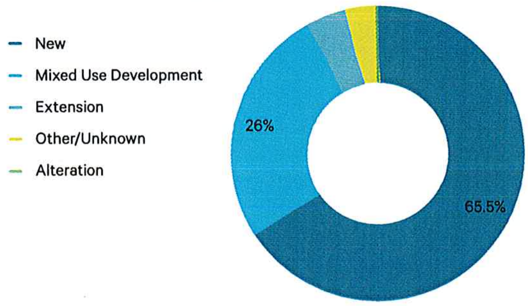
The below charts represents the progress of childcare developments by Business Geographics, monitoring council development applications updates, property development databases and other information sources. Based on the research, we classify development progress into the following broad categories. These classifications are also used to define the default completion percentage used to forecasting.

Development Status



Source: Business Geographics & LDC Development Database

Development Types



Source: Business Geographics & LDC Development Database

A= Abandoned: This category includes developments which have been approved but withdrawn or abandoned. Some of these sites may still be developed in the future. The default completion percentage is 5%

B= Early and Possible Developments:

Early: This refers to any proposed development at early planning or pre-lodgment stage.
Possible: This refers to any application which has been lodged and are under assessment , It also includes refused applications that are under appeal. This default completion percentage is 20%

C= Approved: These are developments that have received Development Approval and may proceed. The default completion percentage is 50%.

D= Construction: Construction has commenced and therefore these developments will likely open as a new centre, although an operator may not yet have been found. The default completion percentage is 100%

Source: Business Geographics Childcare Market Dashboard

As can been seen in Figure 1, the number of new centres opening up to 2024 has been strong however high construction costs and increasing land prices has reduced the development pipeline.

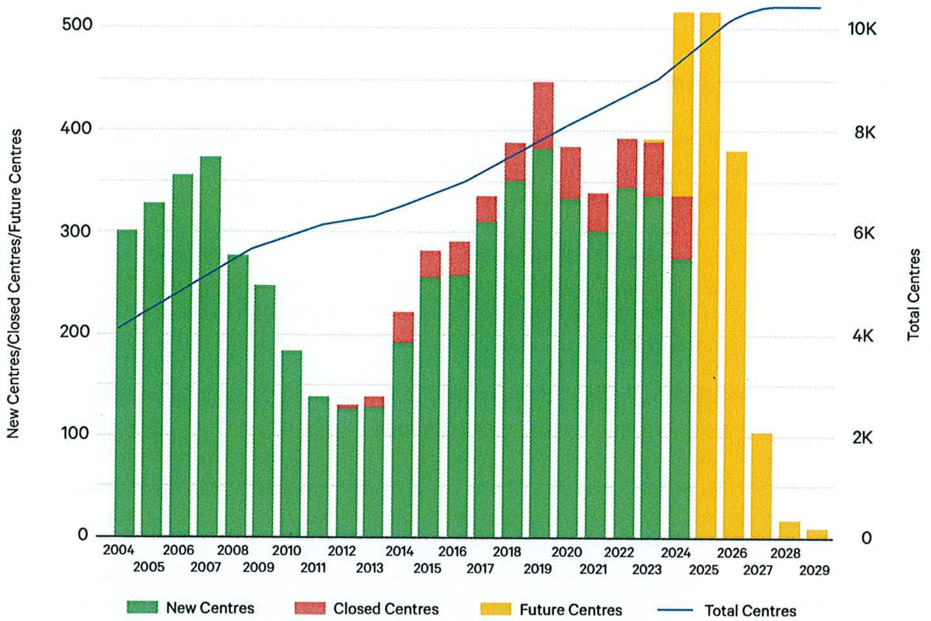


Figure 1

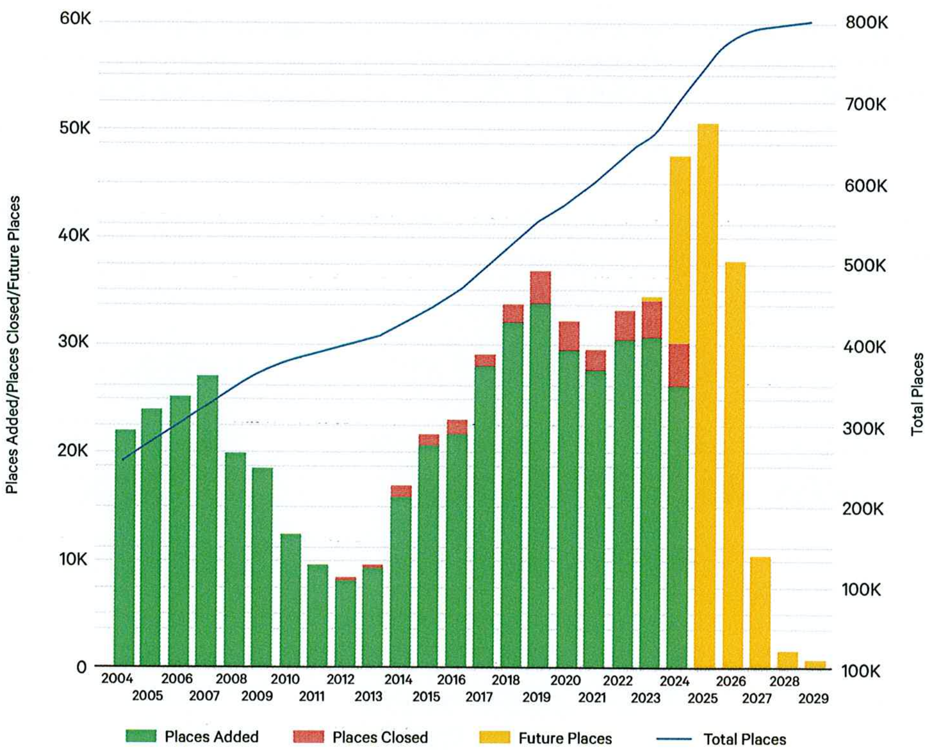


Figure 2

The current landscape of childcare development in Australia has undergone significant changes in 2024. The availability of future childcare development opportunities is diminishing rapidly, primarily due to escalating costs and land values, which render many projects financially unfeasible until rental rates increase to match these costs. This trend is evident in the declining number of permits lodged for new childcare centres and number of total centres hitting plateau in the coming years, despite constant new benchmark for rental in the childcare leasing market in 2024.

In Victoria, a notable decline in the development pipeline has been observed, highlighting the immediate impact on the market. This reduction in supply is causing concern among investors who recognise that their window for investment opportunities is narrowing. The high-quality centres marketed in 2024 were seen as potentially the last chance for several years to acquire modern, long-term leased assets.

Phil Henry, Founder of Business Geographics said,

"An independent assessment indicates that approximately 75% of childcare development applications receive approval. Consequently, around 25% of applications are either withdrawn, refused, or do not proceed as initially planned. This latter figure includes some applications that, although approved, are later withdrawn, lapsed, or abandoned."

"In general, approved childcare centers shows that about 80% of these approvals result in operational centers (with service approval) within four years, with an additional 10% still under construction. Thus, approximately 90% of approved applications ultimately lead to the construction of centers. The typical timeframe from application to service approval ranges from two to four years, with a median of three years."

"In other words, every 100 childcare development applications, approximately 75 will be approved, and 60 will be operational within four years, while another 7 to 8 may still be under construction or require longer to establish. A general guideline is that roughly two-thirds of applications will result in completed projects within five years. It is important to note that experienced childcare developers or operators are likely to achieve higher approval rates and faster development timelines compared to inexperienced or speculative developers. Additionally, variations may occur based on location and competition, such as other development applications that could delay progress."

Despite these challenges, the childcare sector remains a resilient asset class, supported by strong government funding and sustained demand for services. The sector's stability and potential for growth continue to attract investors, with many seeing it as a mainstream investment opportunity akin to healthcare real estate. The ongoing support from federal and state governments, coupled with demographic trends such as population growth and increased workforce participation by women, further bolsters the sector's prospects.

As the market adapts to these dynamics, strategic investments are focused on areas with high demand potential, ensuring continued profitability and occupancy rates for operators. The sector's resilience is underscored by its ability to maintain stable yields despite economic fluctuations, making it an attractive option for investors looking for secure returns in uncertain times.

Development Stats

No. Existing Centres
8.9K

No. Existing Places
665.3K

Avg. Centre Size (Places)
74.6

Proposed New Centre
3.0K

No. Proposed Places
248.7K

Avg. Dev Size (Places)
93.6

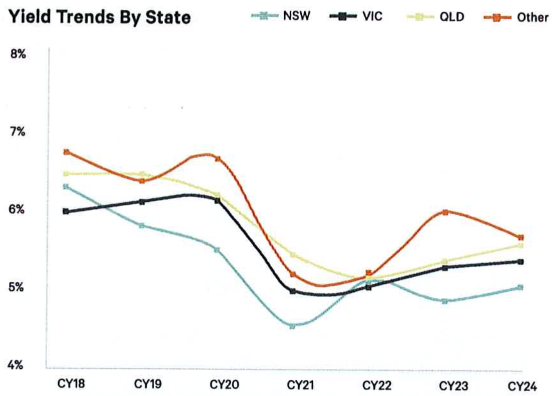
Median Project Value
$1.56M


Thumb

The Childcare Sales Market

Market Activities

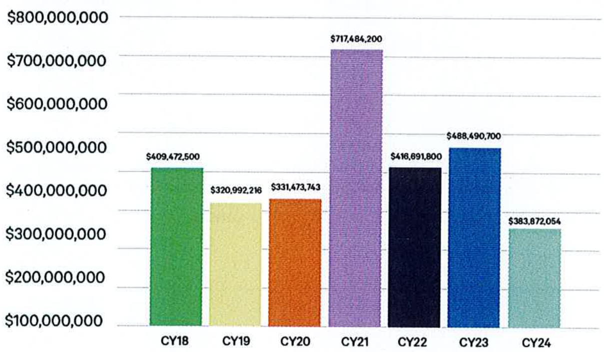
Sales volume has fluctuated over recent years with a peak in CY21 just over $700 million. Since that date, transaction volumes have been lower as result of economic conditions and limited available stock. The CY23 period averaged 7 transactions per month, however, the CY24 only averaging 4 transactions per month. Stock volume is forecast to decline. CY24 period reflects an average yield of 5.5% across all states, reflecting a 26 bps softer than CY23 period. All states generally trend upward with NSW and VIC being the sharpest. Stabilisation in these results is expected across most of 2025 with the potential for yield compression once again in Q3 or Q4.



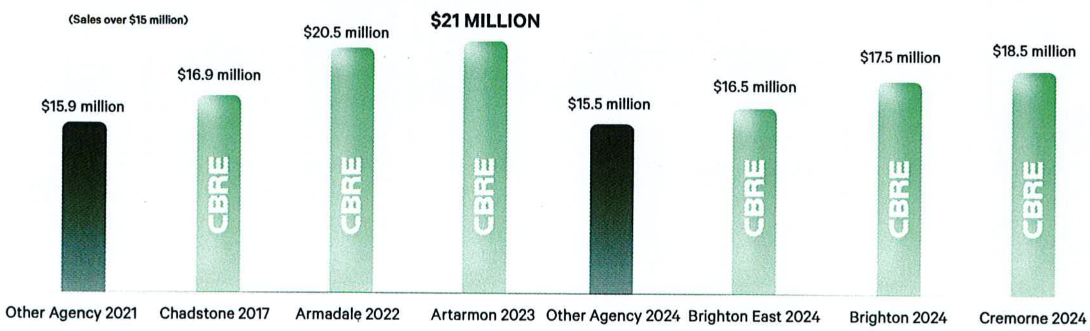
Some notable transactions which have been true indicators of positive investor sentiment toward the asset class are the sale of Brighton East Centre which sold for $16,500,000, the largest childcare transaction in VIC at $4.93%, and Cremorne Centre, the largest childcare transaction in 2024 which sold for $18,500,000 reflecting a yield of 4.7%* and 46 Dendy Street which fetched a $17.5mil price point at 5.2%*

Overview

Sales Volume ($)



Highest Recorded Childcare Centre Sales in 2023/2024*



The Childcare Leasing Market

Childcare services have continued to evolve. Over the past 10 years, childcare facilities have moved away from just a child minding service and have become early learning centres (ELC). The demand for quality early learning centres has created a new criteria for childcare leasing.

Childcare operators and how they differ from each other

Childcare or Montessori?

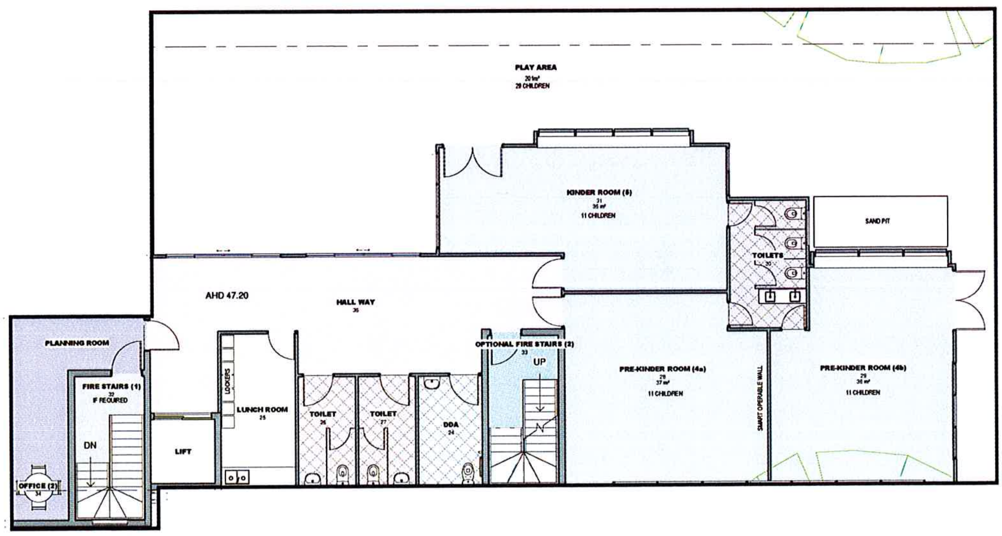
In a traditional preschool, children more or less learn the same things at the same time, in the same ways, and are expected to meet the same benchmarks. Montessori preschools are focused more on individualised learning. There is less overall structure and more freedom for children to learn at their own pace.

Family Business or National Operators?

Most operators would prefer a large national operator as a tenant as they provide a sense of security but their terms and conditions are mostly quite difficult to negotiate as opposed to a family business or a small operator who is more likely to work with you. Both are equally as secure with the right commercial terms and guarantees.

Optimum Centre Size

Most operators find childcare centre sized between 80 – 110 long day care (LDC) places an optimum operating size. This is because the ratio of child to teacher and staff works well without over working the structure in place.



2 Pope Place, Greensborough

Ground Floor

One, Two or Three

It is important when designing a childcare centre for lease, to consider your location and what is an acceptable number of levels for the building. Most operators are now looking for one single (1) level centres with ample internal and external areas, but understanding that inner city locations where real estate is not as easily available then a two (2) to three (3) level building might be acceptable.

In a leasing market where there are a lot of uncertainties, it is often easy to make the wrong assumption. After 30 plus leases signed and centres delivered, along with years of experience, the CBRE team can safely say we have our finger on the pulse.

CBRE Childcare Leasing Specialists Deliver!

5 in **30** DAYS

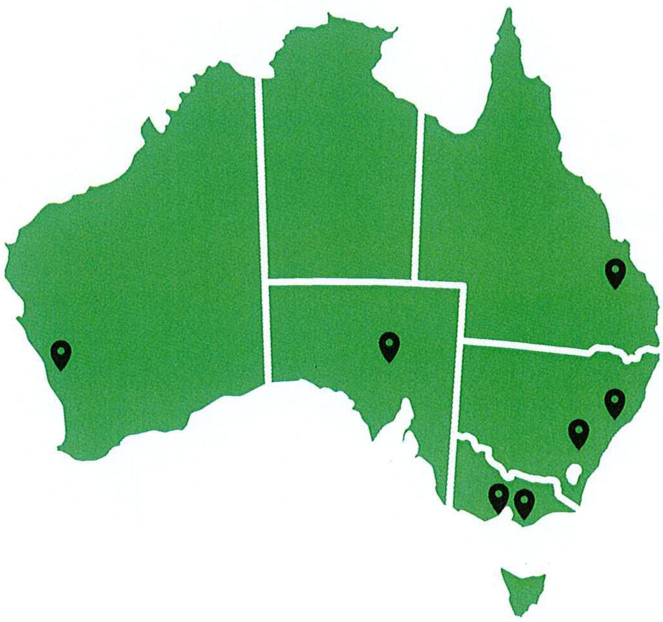
407 Dorset Road, Croydon

64 Blendon Avenue, St Albans

7 Glenfern Road, Ferntree Gully

254 Craigieburn Road, Craigieburn

123 Albion Street, Brunswick

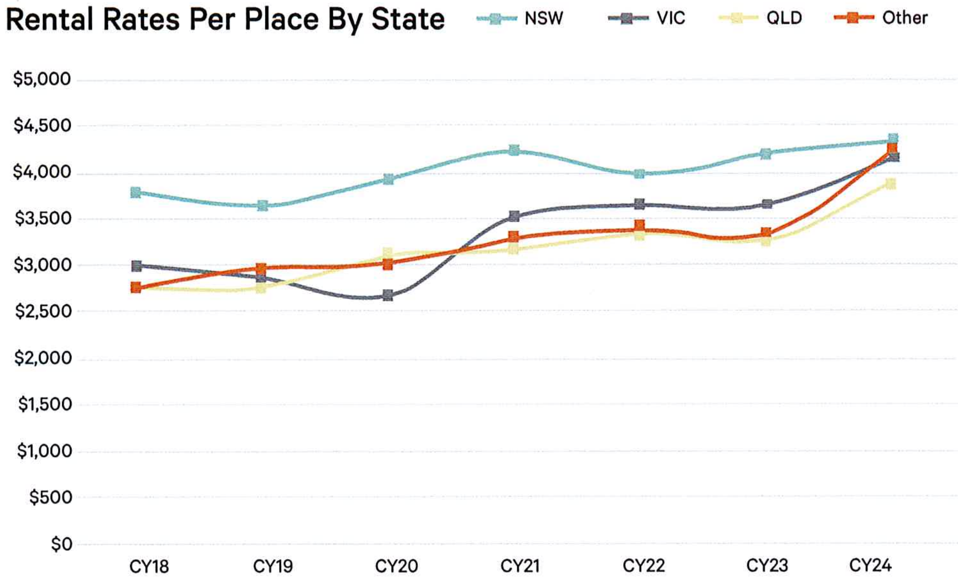


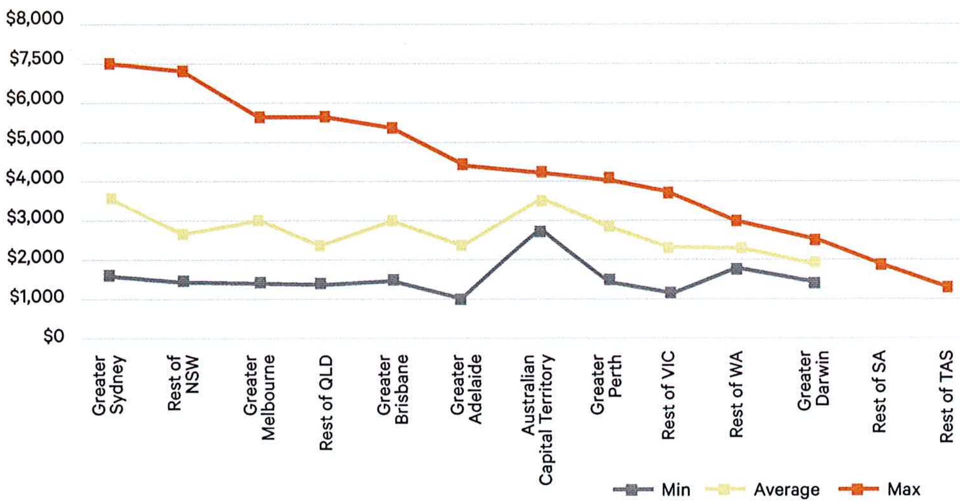
Market Activities

Rental Rates Per Place are at about $4,500 on average across the nation and there is the expectation of continued rental growth, particularly in Victoria (VIC) and Western Australia (WA). In addition to being in a high inflationary cycle, this rental growth can be attributed to several key factors:

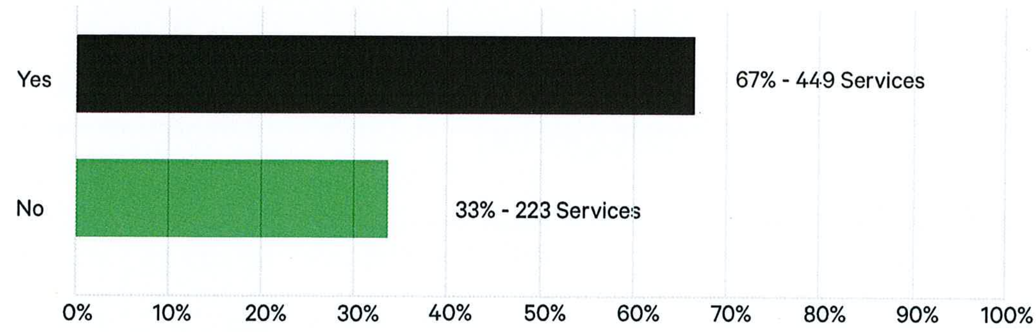
- Population Growth: Both VIC and WA are experiencing significant population increases, particularly in the age group that requires childcare services. This growth fuels demand for more childcare facilities.
- Increased Workforce Participation: There is a rising trend of dual-income households and increased female workforce participation, which necessitates reliable childcare options. This demand is particularly pronounced in urban areas where both parents often work full-time.
- Government Support: Substantial government funding and subsidies make the sector attractive to investors, ensuring stable cash flows and high occupancy levels. This support helps maintain demand for childcare facilities even during economic uncertainties.
- Construction and Land Prices: Escalating construction costs and land prices further contribute to increased rental rates. In VIC and WA, where property markets are particularly competitive, these factors significantly impact rental growth.

Rental Rates Per Place By State





Capping enrollment due to staff shortage



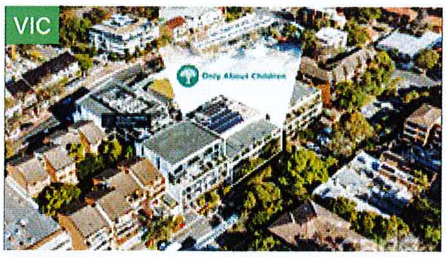
The capping of enrollment in childcare centres due to staff shortages is an ongoing issue in 2024, affecting many families and the early childhood education sector in Australia. This problem is primarily driven by a severe workforce crisis that has persisted over time.

Ongoing workforce shortages have forced more than half of Australia's centres to cap their enrollment numbers. This shortage means that centres cannot meet the legal educator-to-child ratio requirements, leading to situations where families are turned away even if they have secured a spot for their child. The Australian Childcare Alliance (ACA) has reported that during a single week in February over two-thirds of surveyed centres had to cap enrollments, resulting in approximately 16,300 places being cut off from families.

The capping of enrollments in childcare centers due to staff shortages has significant implications for rental income in the sector. Childcare centers rely heavily on enrollment numbers to generate income, as fees paid by families are a primary revenue source. When enrollments are capped due to insufficient staff, the potential for revenue generation diminishes.

Recent government interventions to support the sector with introduction of 15% wage increases and other incentives have eased this shortage but we can see that there is further room for growth in the childcare sector. An average market rate per place of $4,500 - $5,500 has been derived as a result of numerous notable early learning leasing transactions. Some notable transactions are:

Highlight Rental Rates



Address	15-19 Parraween St, Cremorne
Rental	$866,826
Rental Per Place	$6,719

Address	46 Dendy St, Brighton
Rental	$1,011,000
Rental Per Place	$5,912

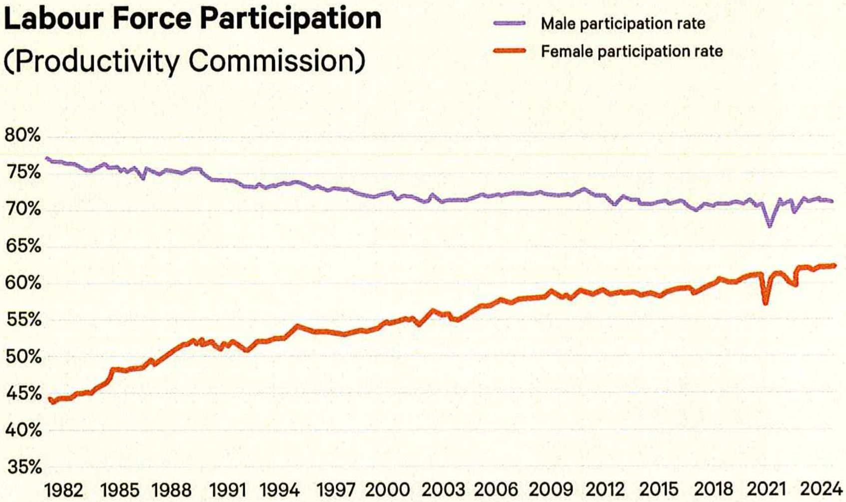
Address	1 Lauer St, Doncaster
Rental	$939,750
Rental Per Place	$5,980

Address	32 Ryde Rd, Hunters Hill
Rental	$939,750
Rental Per Place	$5,980

Driving Force Behind Demand and Supply

Rising Labor Force Participation

Labour Force Participation
(Productivity Commission)



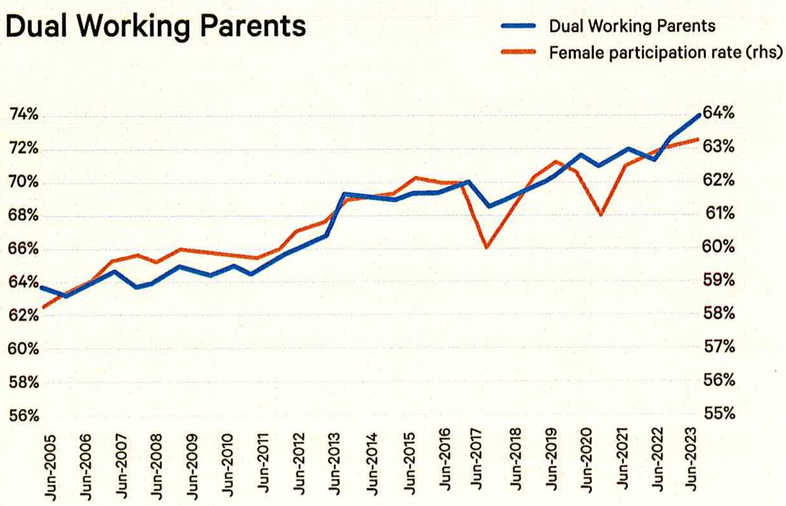
In terms of Australia's workforce, male participation remains relatively stable, having experienced a decline from around 78% to 69% between 1982 and 2024. On the other hand, female participation had a significant increase from about 40% to 67% over the same period. Meanwhile, the rate of dual working parents had a rise from 59% to 71% between 1994 and 2008. Work participation of parents saw an increase of female participation from 44% to 58%.

As more women enter the workforce, especially mothers, the demand for reliable childcare services grows. This trend suggests a robust market for childcare providers. The upward trend in dual working parents indicates a need for expanded childcare facilities and services, including flexible hours and diverse programs to accommodate working families.

The consistent rise in female workforce participation and dual-income families presents a strong growth potential for investors in the childcare sector. The sustained increase in labor force participation rates suggests long-term stability and profitability for investments in childcare infrastructure and services.

Overall, these trends underscore a positive outlook for the childcare industry, driven by societal shifts towards greater workforce participation among women and dual-income families.

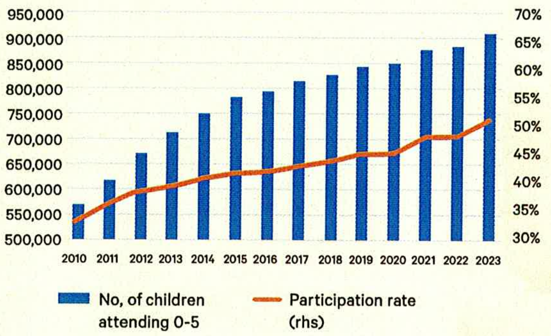
Dual Working Parents



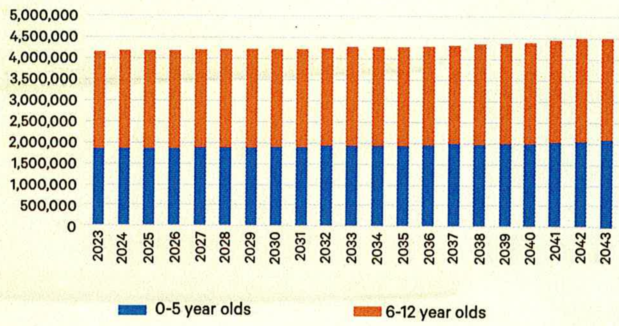
(Reference ABS)

Rising Childcare Attendance and Population

0-5 Year Old Formal Care Attendance

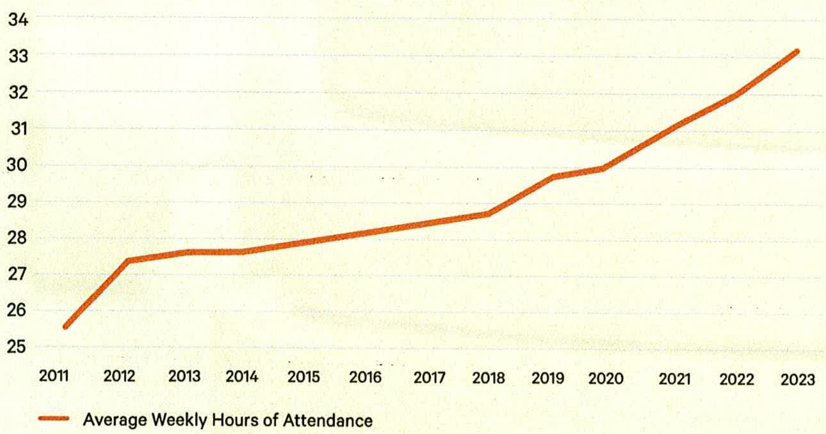


National 0-12 Year Old Population



The rising number of children attending formal care and the increase in average attendance hours suggest a robust demand for childcare services. This can lead to higher revenues for providers and opportunities for expansion. The growing population of young children also presents opportunities for investors to develop new facilities or expand existing ones to meet demand. Overall, these trends indicate a healthy growth trajectory for the childcare industry, making it an attractive sector for investment and development.

Average Hours Of Attendance Per Week of Children Aged 0–12 Years



There is a noticeable increase in the number of children aged 0-5 attending formal care, alongside a rising participation rate. This indicates growing demand for childcare services as more families rely on external care solutions. The population of children aged 0-12 remains relatively stable, with a consistent distribution between 0-5 and 6-12 year olds. This stability suggests a sustained need for childcare services over time. The average hours of attendance per week have been increasing from 2011 to 2023. This trend indicates that families are relying more on childcare services, possibly due to longer working hours or a greater emphasis on early education.

Source: Productivity Commission

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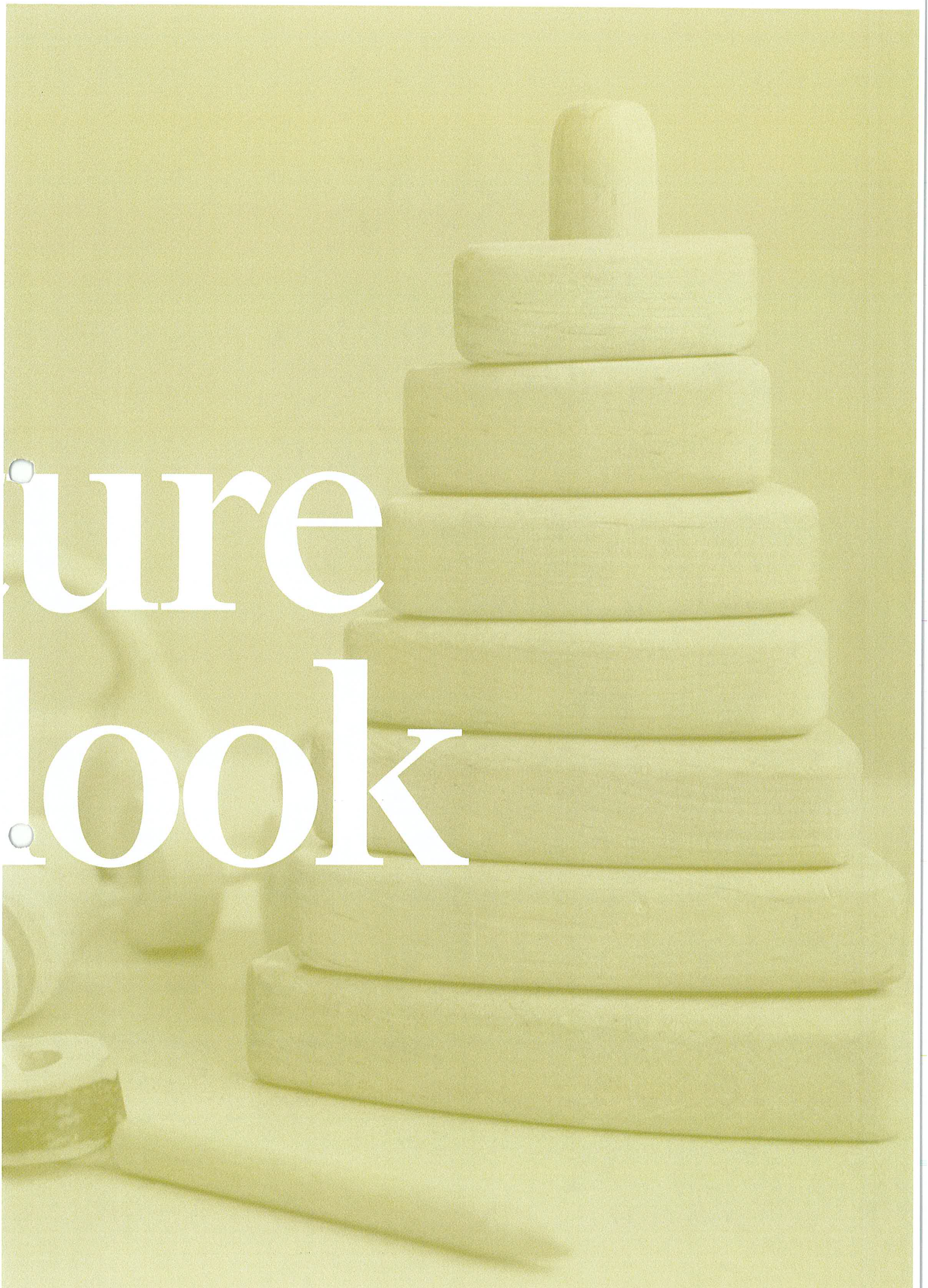
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look

Why Investors Like Childcare

Future Looks Bright

Yields

Stable
(Metro 5.0% - 5.5%
Regional 5.5%-6.0%)

Demand

Still strong due to fundamentals of the investment

Rents

Further increase of 5%-10%

Standards

To include - Language other than English (LOTE) Alternate programs: Music, Art, Physical activities (sports and exercises)

Opportunities and Challenges

1. The introduction of new facilities has led to lower occupancy rates in certain metropolitan areas.
2. Increasingly, new office buildings and business hubs are incorporating childcare centres to meet the needs of office workers.
3. The sector is grappling with labor shortages, causing some centres to limit enrollments despite having licenses for more children. The 2023-24 federal budget allocated $1.6 billion to the early childhood education workforce, including funds for professional development and training, which aims to alleviate these shortages.

Outlook

1. In the medium term, the population of children aged 0 to 5 is expected to grow most rapidly in Queensland, followed by Victoria and Western Australia, with other states and territories also to experience strong growth. Additionally, labor force participation rates are projected to rise in most areas over the medium to long term, likely leading to an increase in the average weekly hours children spend in childcare. These trends will drive demand for childcare services and spur the development of new centers in certain regions.
2. There is robust bipartisan support for the childcare sector, ensuring continued funding for family household subsidies. Consequently, the average daily spending by families per child has decreased by $10-$20 across all states, positively impacting the attractiveness and demand of childcare services.
3. Private investors have been the primary buyers over the past year, this trend is expected to persist. It is anticipated that more existing centres will undergo refurbishments and upgrades to remain competitive within their local markets.

"This robust childcare centre market presents a compelling opportunity for investors seeking strong returns. The potential for significant gains, exceeding traditional investment options, coupled with the stability of the sector, makes childcare centres an attractive proposition."

- Jimmy Tat

What The Experts Are Saying

"We continue to see the importance of the childcare sector in both a labour supply mechanism to the Australian economy and provision of quality educational outcomes to children. This has been reinforced through recent Government reviews undertaken by the ACCC and Productivity Commission to improve the operation and effectiveness of the current system. Government funding is forecast to continue to increase to $16.0 billion per annum in FY27, further driving demand and opportunities within the sector."

- TRAVIS BUTCHER & CARLA HAYES,
CHARTER HALL SOCIAL INFRASTRUCTURE REIT

Charter Hall

"Care for Kids and Toddle are websites where you can find, experience, compare and enquire for childcare services, all in one place. This assists parents who are expected to navigate a highly fragmented world of childcare information. Both platforms aim to turn what can be a stressful experience for parents into a positive one.

In 2024, we have seen less parents searching but with more intent to make decisions. Parents of 2024 are more informed about childcare and looking to make choices based on education offerings that align with their ethos, rather than just based on convenience and price point."

– ASH SACHDEV,
CEO OF CARE FOR KIDS

Care for kids

What a year in childcare! It has been much publicised that Australia's birth rate is the lowest in 20 years, which on the surface has impacted the number of parents searching for childcare centres. We have had a cost of living crisis which has contributed to this, but on the other hand, we have seen some of the biggest contributions (CCS Changes) from the Government to increase the affordability.

From a macro perspective, this continues to signal the strong Government intent to increase participation rates in childcare. In fact we have seen this rate steadily increase in direct correlation to the percentage of both parents working, which was 71% as at 2022.

The biggest change from a parent search perspective is parents are now focused on the right childcare for their families needs, rather than just the best location. This means that in some suburbs you have diverging occupancy rates, with some centres full, while others trading between 60 – 80%.

From a supply side, we have seen lower numbers of new childcare centres coming online, meaning there are still good opportunities for under served areas. The reduction in supply is good for overall occupancy in the sector in spite of slightly lower search for childcare in 2024. We expect that the much welcome interest rate cuts in 2025 will spur on greater demand for childcare, which may outstrip supply until new supply comes through the pipeline.

In 2024, there was a noticeable increase in demand for quality centres that meet both community needs and regulatory standards.

This shift led to more thoughtful designs, with a preference for single-level layouts over double-story or basement structures, emphasising a sense of grandeur, high-quality learning spaces, without compromising functionality and commercial viability.

As we move into 2025, the demand for early learning spaces is expected to continue to grow, driven by increasing population densities and the growing recognition of the importance of quality early education.

In this evolving landscape, having competent and skilled client focused project managers and superintendents is critical to ensuring these projects are delivered not only feasibly but to a standard that reflects a successful project outcome for all stakeholders.

– OLIVER CAVALLARO
DANARO GROUP

DANARO GROUP

Net Annual Growth

Year	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
2019	74	110	51	21	15	4	11	2	280
2020	107	67	55	18	47	4	2	5	305
2021	72	113	68	16	28	2	1	9	307
2022	39	52	27	14	41	5	5	-	183
2023	121	63	75	21	40	-	3	4	321
2024 YTD	26	42	36	12	24	3	2	6	147
Net Growth	**439**	**447**	**312**	**102**	**195**	**10**	**12**	**26**	**1,543**

"Childcare developers, operators, and investors often face challenges in obtaining reliable data and market insights to guide their investment decisions. Qikmaps, Australia's leading childcare market research tool, is trusted by the biggest names in the childcare industry. It offers comprehensive data and insights at the local level, tailored to meet the needs of childcare industry professionals.

Over the past two decades, we have closely monitored the fluctuations in childcare supply and demand. As we look ahead, 2025 is poised to be a significant year for the industry."

- PHIL HENRY,
QIKMAPS, BUSINESS GEOGRAPHICS

Qikmaps

Interest in childcare has reached unprecedented levels, arguably surpassing 'home prices' and 'interest rates' as the primary topic of conversation at backyard BBQ's this summer. Looking ahead to 2025, several key themes are expected to shape the market.

Federal Election

2025 will kick-off with a Federal Election, which is expected to once again place childcare at the forefront of public discourse. Significant announcements are anticipated from all political parties to bolster their electoral chances. Historically, regardless of the election outcome, families utilising childcare services are likely to benefit.

Productivity Commission's Report

In 2024, the seeds for future policy debate were sown by the Productivity Commission's report into the Australian early childhood education and care sector. The Productivity Commission has recommended a 10% increase in childcare participation — highlighting the continued growth potential for childcare in Australia. Key recommendations include:

- Abolishing the Activity Test in 2025
- Implementing a new subsidy structure in 2026 to improve affordability for lower-income families
- Introducing inclusion funding in 2028 to enhance accessibility
- Achieving universal access by 2036

Free Kindergarten

With most states and territories already rolling out additional funding for free kindergarten/preschool for 3 year olds, this paradigm shift is already evident. With most long day care centres providing government approved kindergarten programs, this is expected to boost childcare demand through 2025 and beyond.

Regional Focus

The so-called 'childcare deserts' prevalent in regional Australia have seen a shift in policy direction which is likely to see new challenges and opportunities for the industry in addressing these accessibility gaps. Indeed, in the latter half of 2024, we have already observed a noticeable resurgence of interest in regional markets with operators and developers now actively seeking investments in regional towns.

Workforce Challenges

Persistent childcare workforce shortages, particularly in regional Australia needs to be addressed and managed by the industry. There remains a critical shortage of childcare workers which has resulted in centres capping enrollments. This has exacerbated supply issues and kept a lid on demand. It's hoped that the Government's funding of a 15% wage increase through the worker retention payment will help alleviate worker shortages and build a bigger childcare workforce in 2025.

That said, staffing costs are expected to remain a significant issue particularly as the need for more specialist educators is growing. The move towards more equitable access and inclusion brings with it an increasing diversity of children with specific behavioural and developmental needs – requiring additional specialist assistance and training.

Immigration Policy

In response to the rising cost of living and housing, the immigration debate has also re-emerged as a key topic for 2025. To put this into context, overseas migration is driving population growth in Australia. In the year ending 31 March 2024, net overseas migration represented 83% of total growth. Net overseas migration was 509,800 people and natural increase was 105,500 people. Any reduction in overseas migration will have a significant impact on population growth and ultimately childcare demand.

Interest Rates

Families can anticipate some relief from cost-of-living pressures in 2025 due to expected interest rate cuts. Most economists predict the first cut to occur early in the year, with further reductions possible throughout 2025. These cuts will ease family budgets and help mitigate the rising costs of childcare.

Lower interest rates, coupled with construction costs returning to pre-Covid trends, will also potentially enhance the feasibility of previously approved childcare projects that have been on hold. There remains a significant pipeline of approved projects which may see 2025 being a robust year for new centre openings.

Village

"We have found that for many of the families who attend our Village Early Education centres, they rely on childcare services to enable them to work and provide for their family. This is why we have seen strong growth in the childcare sector. Here at Village, we have made it our passion and goal to provide both the family and child with a second-to-none experience at our centres. Over the past decade, our strong presence in regional Victoria has seen us delivering exceptional care and building an efficient and dedicated team. Particularly over the last a few years,

we have experienced robust demand for quality services, complemented by a consistent supply of skilled staff.

With a dozen new centres opening across metro in the next 24 months and continued expansion ahead, we recognize that a high-quality workforce is the foundation of excellence in our industry and vital to providing the care families trust and value."

Architecton

"Architecton has witnessed significant growth in the Childcare sector within recent times, with the greater need for building designs to evolve with the new operating environment, consumer expectations and the increased demand for inner-city Childcare Centres.

The current demand for early learning and Childcare Centres has transformed the once domestic building style towards a more sophisticated and civic building typology with the need for a greater offering.

Within our practice, we've seen the effect of population growth and increased density, see difficult sites cleverly utilised to allow for the demand of Childcare Centres within Metropolitan locations. Recently our team has experienced a significant increase with the re-positioning of existing Commercial Office Space with the integration of Childcare Centres, adopting a mixed-use approach to Childcare developments."

	LOW	AVERAGE	HIGH
LDC Places	39	96.16	230
Demand	0.77	2.17	7.85
Occupancy (%)	52.28%	85.61	99.28%
Revenue @ Occupancy ($)	$1,176,631	$3,038,383	$7,178,477
Rent ($)	$122,500	$371,958	$831,163
Rent / Revenue (%)	7.27%	12.24%	26.82%
Wages ($)	$631,031	$1,519,930	$3,618,183
Wages / Revenue (%)	39.1%	50.02%	63.03%
Expenses ($)	$911,141	$2,290,683	$5,540,390
Expenses / Revenue (%)	56.25%	75.39%	87.67%
Daily Fee ($)	$115	$144	$199
Income Per Place ($)	$18,441.56	$31,596.58	$45,459.15
EBITDAR ($)	$365,348	$1,039,971	$2,470,250
Valuation Per Place ($)	$5,000	$29,217.93	$55,526.32
Yield (%)	20%	22.24%	30%

As Australia's largest non-bank lender to the childcare sector, Finexia Financial Group leverages its review of over 100 valuation reports and financial statements from more than 300 childcare centres to deliver unmatched insights. This access allows Finexia to pinpoint high-potential opportunities and craft tailored financial solutions for operators. The detailed operational metrics below highlight key performance trends and opportunities in the leasehold childcare market.

LDC Places: With an average of 96.16 licensed places, childcare centres vary in size from small operations to large facilities accommodating over 200 children. While smaller centres often cater to niche markets, they rely on higher daily rates or lower rents for financial viability. Larger centres benefit from economies of scale, aligning with the industry trend toward consolidation and expansion.

Demand Ratio: An average demand ratio of 2.17 highlights the childcare sector's strong potential for consistent enrollments, though these ratios can be less predictive in urban and metropolitan areas due to dynamic family travel patterns and workplace preferences, which influence enrollment decisions.a

Occupancy: On average, childcare centres achieve an 85.61% occupancy rate. In Finexia's experience, it typically takes centres 8 to 14 months to reach full occupancy, underscoring the need for effective marketing and operational strategies during the ramp-up period. Most average-sized centres break even when occupancy reaches the low 60% range, emphasising the importance of achieving steady enrollment growth early in operations.

Revenue at Occupancy: The average revenue generated at 85.61% occupancy is $3,038,383. Centres with strong enrollment and efficient fee structures can achieve revenues exceeding $7 million, demonstrating the importance of maximising enrollments and daily fees.

Rent and Rent-to-Revenue Ratio: With average annual rent of $371,958, rent accounts for 12.24% of revenue on average. Operators facing rent ratios above 15% often experience profitability challenges, making strategic lease negotiations a vital component of operational success.

Wages and Wage-to-Revenue Ratio: Wages represent the largest operating expense, averaging $1,519,930 annually or 50.02% of revenue. Centres with effective cost management balance staff quality while keeping wage expenses below 40% of revenue, supporting stronger profit margins.

Expenses and Expense-to-Revenue Ratio: Expenses range from 56.25% to 87.67% of revenue, with an average of 75.39%. This serves as a proxy for net profit margin, highlighting the importance of managing operational efficiency to maintain profitability, particularly in centres with higher occupancy levels.

Daily Fee and Income Per Place: Average daily fees are $144, with income per place averaging $31,596.58. Over the past four years, daily fees have increased by more than 20%, reflecting growing demand for childcare services and the ability of operators to adjust pricing strategies in line with increased government support and market trends. Centres offering premium services in affluent areas can exceed $45,000 per place, highlighting the role of strategic pricing and service differentiation.

Valuation Yield: Yields range from 20% to 30%, averaging 22.24%. Despite increases in interest rates, yields have remained resilient, only recently showing signs of modest upward movement. This indicates the sector's stability and continued attractiveness to investors.

Valuation Per Place: Valuation per place ranges from $5,000 to $55,526.32, with an average of $29,217.93. The highest-valued centres typically operate in high-demand markets or demonstrate exceptional performance metrics, such as premium daily fees and robust occupancy levels.

EBITDAR: EBITDAR ranges from $365,348 to $2,470,250, with an average of $1,039,971. This range demonstrates the substantial earnings potential for well-managed centres, particularly those that optimise revenue and control major expenses such as wages and rent.

– PATRICK BELL,
CEO & DIRECTOR

FINEXIA

first five
EARLY LEARNING

"At First Five Early Learning, we recognise that family and community are a child's most important and influential teachers. Our centres are an extension of home, where a child's identity, preferences and interests are reflected within the room environment and daily programs to support their sense of belonging and wellbeing."

The ELLIS Group
Architects Pty Ltd

We have seen continued strength and interest in the Childcare space towards the end of 2024 and into the New Year. Across Metropolitan Melbourne, Growth Corridors and regional Victoria, investors, developers and operators are still showing a strong interest in this market and the competition for sites is increasing. We expect to see continued growth with ongoing support from all sides of politics and the need for Childcare increasing. The critical components for us as Architects is the right site; understanding the constraints of all sites; costs of construction; new construction codes and getting the design right from the start to attract operators. We are confident that the coming years will see ongoing growth in this sector, yet flexibility with designs is critical. We are seeing more complimentary uses occupying sites, a great emerging trend but one which needs careful consideration at the early stages.

Meet th


team

Meet the team

CBRE's Healthcare & Social Infrastructure Team has established itself as a preeminent force in the Australian childcare investment landscape. Through a series of record-breaking transactions, they have redefined the sector and become the trusted advisor for investors seeking entry into this burgeoning market.

Sandro Peluso

NATIONAL
DIRECTOR

"In the Leasing market, our team expect this to set a new benchmark for rental in the childcare sector. With rentals in the high $5,000 per place range now quickly becoming accepted as the norm for the inner east of Victoria we expect these numbers to potentially exceed $6,000 per place. These increases are simply aligning with the comparable increases in daily fee rates we are seeing providers charge in Metro VIC. These only seem high to people for a short period of time, but it's easy to see how these rental are serviceability when you review potential gross income. In Sydney these rentals were accepted years ago and there a numerous rentals in Victoria that also support this"

Marcello Caspani-Muto

ASSOCIATE
DIRECTOR

"The current cost of acquiring land and constructing a new childcare centre often results in yields on par with, or even lower than, those achievable by purchasing a well-maintained facility on prime land, we have also noted the significant benefits that investors, developers, and operators are experiencing from purchasing assets below replacement cost. By refurbishing or repositioning existing childcare facilities, they are achieving superior returns compared to the higher costs and risks associated with buying land and constructing new projects." "Yields will sharpen again as supply is reduced which will be further catalysed by the eventual shift in the rate of environment when this occurs. The cost of buying and developing a new centre all-inclusive is often resulting in the same or an inferior yield to what can be achieved buying a passing and land-rich investment."

Their impressive streak began in June 2023 with the sale of a Victorian centre for a record-breaking $20.5 million. Now the CBRE HSI team holds the title for the 5 largest childcare transactions ever in Australia, including the recent sale of the Cremorne Centre at $18.5mil, the largest childcare transaction with the sharpest yield of centres over $10mil. In addition, the transaction at 407-409 South Road, Brighton East (VIC), largest childcare transaction in VIC Australia in 2024, achieving a sale at circa 4.93%—the most competitive rate for any childcare transaction over $8 million in the state. In 2024, the team has overall over 60% market share and 94% sales over $10mil centres in VIC Australia.

CBRE's expertise and proven ability to secure exceptional deals make them the undisputed leader in childcare centre transactions. Their success story is likely to continue with strong investor interest in this sector.

Jimmy Tat 毕家辉

**DIRECTOR,
ASIAN CAPITAL ADVISORY**

"Private capital is leading the way by notable margins in most of our transactions between $15 - $50 million. For these transactions, we saw increase in investment interest from offshore especially from Singapore and Taiwan, International buyers are coming to terms with the current interest rate landscape This is evident in recent sales totaling nearly $30 million, all with yields at 4.7-5.25%, suggests a shift in focus from chasing the highest possible yields to securing stable assets with long-term potential."

Vincent Lam 林維鈞

**PROPERTY ANALYST
ASIAN CAPITAL ADVISORY**

"Investing in childcare goes beyond just initial yield, it requires consideration of various factors such as depreciation, replacement costs, and comparing returns against traditional bank deposits. By applying a typical Loan-to-Value (LVR) of 60%, assuming a sufficient Interest Coverage Ratio (ICR), both considered to be low-risk investment options, we find that initial year can surpass typical bank term deposit returns by 10-15% when accounting tax savings from depreciation, which the margin would only widen with annual increases from rent reviews."

The CBRE Brand

A brand synonymous with success, CBRE is the world's largest commercial real estate services and investment firm. Employing in excess of 75,000 professionals, CBRE operates across 60+ countries allowing unprecedented connection to global investors.

CBRE Group, Inc. (NYSE:CBRE), a Fortune 500 and S&P 500 company headquartered in Dallas, is the world's largest commercial real estate services and investment firm (based on 2021 revenue). The company has more than 105,000 employees (excluding Turner & Townsend employees) serving clients in more than 100 countries. CBRE serves a diverse range of clients with an integrated suite of services, including facilities, transaction and project management; property management; investment management; appraisal and valuation; property leasing; strategic consulting; property sales; mortgage services and development services.

Contact Australia's leading commercial property agency to find out how you can take advantage of our extensive network of local and Asian based investors

SANDRO PELUSO

MARCELLO CASPANI-MUTO

JIMMY TAT 毕家辉

Australian Healthcare and Social Infrastructure

CBRE