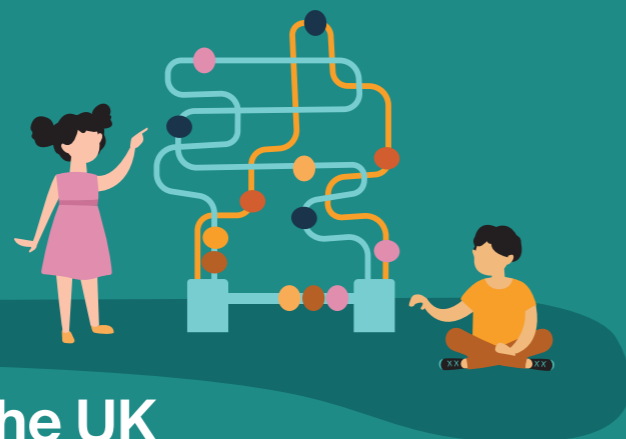


Childcare & Special Educational Needs Overview 2022

knightfrank.com/research



Approximately
3.9m
Children aged 0-4 in the UK



84%
of Nurseries are “for profit”
Excluding childminders early years provision delivered by
290,500 staff



Sector driven by **socioeconomic** trends

Proven robust as an industry throughout economic downturns



A fragmented sector

Benefits from a diverse range of business types, structures and sizes

1.9m
group based places



707,000
private

265,000
voluntary

36,300
school/college/LA/unclassified (this excludes school based places as well as childminding places)

NURSERIES

Overview & market size:

A recent gov.uk survey states approximately 1.5 million childcare places across childminders, group based and school-based providers. Demand for nurseries continues to strengthen due to the growth in the general population.

Key operators:

Figure 1 highlights the ten largest UK nursery providers by number of places. Of the circa 98,000 places created by these providers, the Busy Bees Group accounts for approximately 33% of this number. Busy Bees Group, pension fund backed and currently the UK’s largest provider, accounts for 359 of these sites and circa

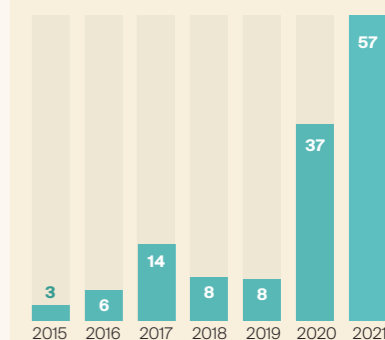
32,000 places. In line with this the sector is now beginning to attract interest in both the smaller independents and larger group operators from private equity led capital.

Key transactions & volume:

Figure 2 shows an increased volume of nursery transactions with circa £57 million reported volume in 2021. Whilst nurseries account for a smaller percentage of healthcare transactions than the more conventional elderly care and primary care services, Figure 3 highlights its annual changes in demand relative to that of all healthcare transactions, suggesting that it is certainly a subsector with growing interest.

Figure 4 showcases some key transactions from 2021 in the nursery space. The largest of which was LXI’s purchase of a portfolio of 23 Kidspace Nurseries for circa £34 million.

FIG 2. VOLUME OF NURSERY TRANSACTIONS (£M)



Source: Knight Frank Research

FIG 1. TOP TEN NURSERY PROVIDERS BY NUMBER OF PLACES

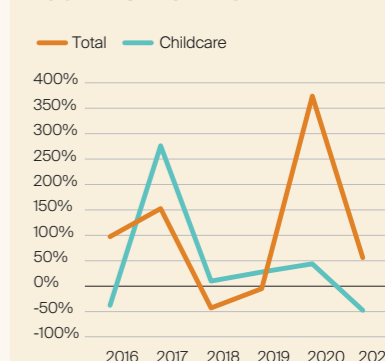
PROVIDER	NURSERIES	PLACES
The Busy Bees Group	355	32,024
Bright Horizons Family Solutions	291	23,802
Kids Planet	97	9,530
Welcome Nurseries	48	5,125
Monkey Puzzles Day Nurseries	65	5,062
Just Childcare	65	4,951
Childbase Partnership	45	4,504
Grandir UK	50	4,349
YMCA	78	4,291
ICP Nurseries	50	4,021
Total	1,144	97,659

FIG 4. KEY NURSERY TRANSACTIONS 2021

DEAL TYPE	PRICE £M	YIELD %	DATE	PROPERTIES	PURCHASER
SINGLE ASSET	2.04	5.53	Q2 21	1	Private family trust
SINGLE ASSET	0.23	undisc.	Q2 21	1	Harkalm Investments
SINGLE ASSET	2.00	undisc.	Q2 21	1	Childcare & Learning Ltd
SINGLE ASSET	3.55	5	Q3 21	1	Nexus
PORTFOLIO	13.75	5.25	Q3 21	4	AEW
PORTFOLIO	34.00	5.5	Q3 21	23	LXI REIT Plc

Source: Property Data, Knight Frank Research

FIG 3. ANNUAL CHANGE IN DEMAND



Source: Knight Frank Research

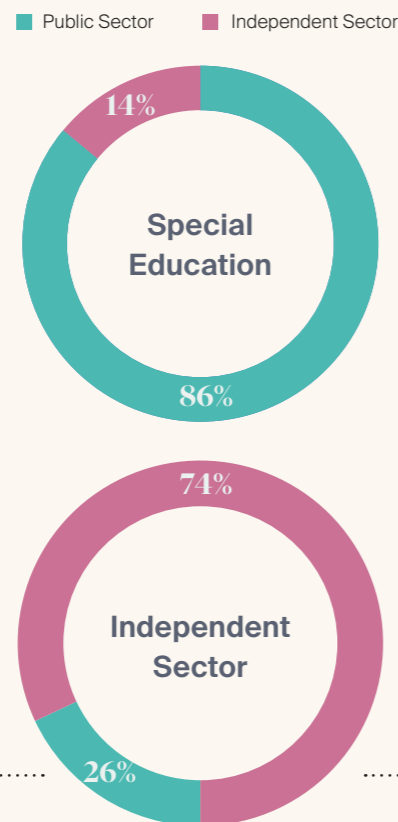
SPECIAL EDUCATIONAL NEEDS

Overview & market size:

With an estimated market size of over £4bn, Special Educational Needs relates to the provision of services to pupils with high learning needs. Provision ranges from specialist school facilities, residential and/or day, down to small educational units on site of children's homes. These are likely to be structured into smaller groups than that of standard schools. The government tends to provide the majority of places for SEN via either in mainstream schools or specialist units. Where needs are more acute either with EBD, SI or more ASD/Autism based diagnosis, the independent sector dominates, with not for profits gradually being squeezed out of the market.

Whilst there is strong public sector penetration, the independent not for profit providers have in the past and continue to attract private equity capital although there is notable interest from

FIG 5. SPECIAL EDUCATIONAL NEEDS - MARKET COMPOSITION

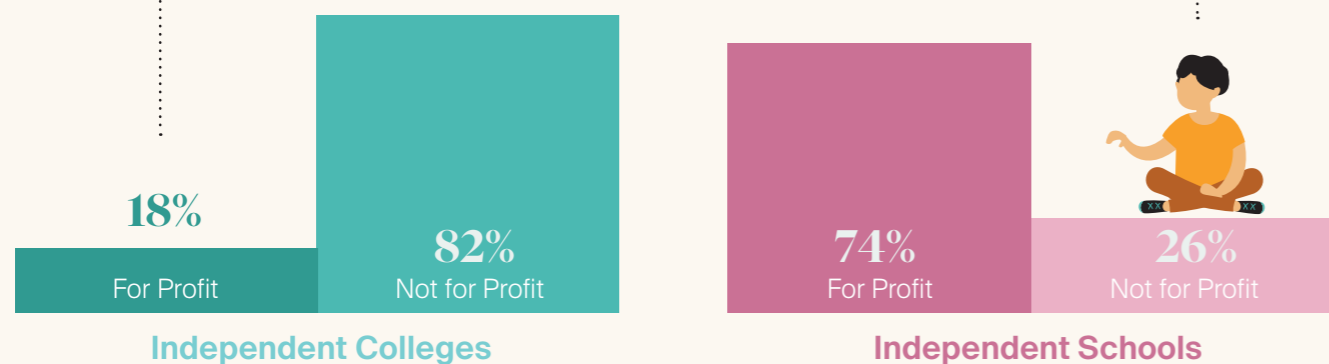


sovereign wealth funds with an example of this being Mubadala Capital's 2021 investment in Witherslack.

There tends to be higher spending levels within the independent sector due to a focus on individuals with the more acute educational needs.

Special Educational Needs demand is driven by the general population growth as well as the growing number of young individuals being highlighted as needing additional educational support through the issue of EHC Plans which has grown into a fundamental driver over the last ten years.

The Department of Education continue to recognise the growing importance of the sector which is evident through the consistent and increased funding allocation as well as review of current support levels.



Source: Knight Frank Research, ONS, LaingBuisson

FIG 6. NOTABLE WHOLECO TRANSACTIONS WITHIN THE SEN SPACE

DATE	PROVIDER	ACQUIRER	SELLER	VALUE (£M)
2021	Priory	Waterland	Arcadia	800
2021	Witherslack	Mubadala Capital	Charme Capital Partners / Livingbridge	590

Source: Knight Frank Research

Over **150,000** pupils in schools focused on special educational needs



117 independent colleges

523 independent schools



Over **£4bn** in market value (*as of 2020)



Source: Knight Frank Research, ONS, LaingBuisson

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