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INDEPENDENT SCHOOLS PROPERTY BRIEFING



We will continue to see further consolidation, the growth of group operators and more active property asset management initiatives amongst UK independent schools. Whilst the sector has seen recovery following the disruptive impact of the Covid pandemic, strong headwinds persist. Since mid-2022, school operators seeking a post-Covid 'back to normal' have been weathering a fresh storm of rapidly rising costs, meaning that many schools are likely to under-perform previous forecasts for 2022/23. Some schools are finding that they cannot simply batten down the hatches, not least with future threats to charitable status and the possible imposition of VAT. Instead, schools are obligated to make active strategic responses to these challenges.

The backdrop is uncertain, which makes the forecasting of future trading performance more challenging. Economic conditions, consumer confidence and affordability, demand from international pupils, differentiation with the state sector and competitor schools will all continue to have an important influence on future demand for many schools. The challenges are clear, many of which are not unique to the independent schools sector.

Nonetheless, the sector remains remarkably resilient. It may be surprising to some that the latest Independent Schools Council (ISC) Annual Census of their 1,395 member schools published on 19 May 2023 shows that total pupil numbers in the 1,360 schools who completed the survey in 2022 and 2023 have increased by 1.6% in the last year, continuing a rising trend since the Covid impacted 2021. Parents are very reluctant to remove children from independent schools other than as a very last resort; the sector is attracting more pupils from the state sector, which has its own challenges; and schools with clear academic standards and strong pastoral support continue to grow pupil numbers.

We continue to see a good level of investor demand, from private equity, institutional funds, property and family office investors and international providers. We have also seen a recovery in bank lending and capex projects to enhance facilities across the stronger charitable institutions. Independent SEN provision is growing apace. Whilst there will be further school casualties, the above factors lead us to be optimistic about the continuing attraction of the UK independent schools sector.



STRATEGIES

- Target investment and minimise occupational costs as part of a robust financial plan
- Review current planned build projects, maintenance and facilities contracts, business rates and other outgoings – where can savings be made?
- Consolidate or ‘sweat’ assets to optimise the use of your estates
- Consider re-financing options
- Consider sale and leaseback or a ground rent structure to raise further capital
- Explore merger, joint venture or shared services opportunities to improve economies of scale, pool expertise and enhance market share in a more competitive market
- Consider securing the future of the school through the introduction of new investment via sale or other arrangement



TRENDS

- Short-term uncertainty on pupil numbers and increased pressure on budgets
- Previously challenged schools are facing merger, sale or closure
- Continued interest from groups, investors and international providers, particularly from Asia
- Access to traditional debt more closely scrutinised
- Needs based market will expect to hold up well in the medium to long term



OPPORTUNITIES

- Identify surplus assets to release capital or generate income
- Opportunity for the stronger schools and groups to expand
- Debt funding through secured lending founded on a realistic business plan
- Sale and leasebacks or ground rent disposals can raise valuable income without impacting upon trading operations

We are facing a unique set of challenges, and yet independent schools have adapted quickly to continue to provide the best education and support to their pupils and staff which will continue to be a differentiator driving future demand.

If you need guidance on any property related matters, please contact a member of our Schools Team.

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