

EXPERTS IN NURSERIES

2022

NURSERIES – AT A GLANCE

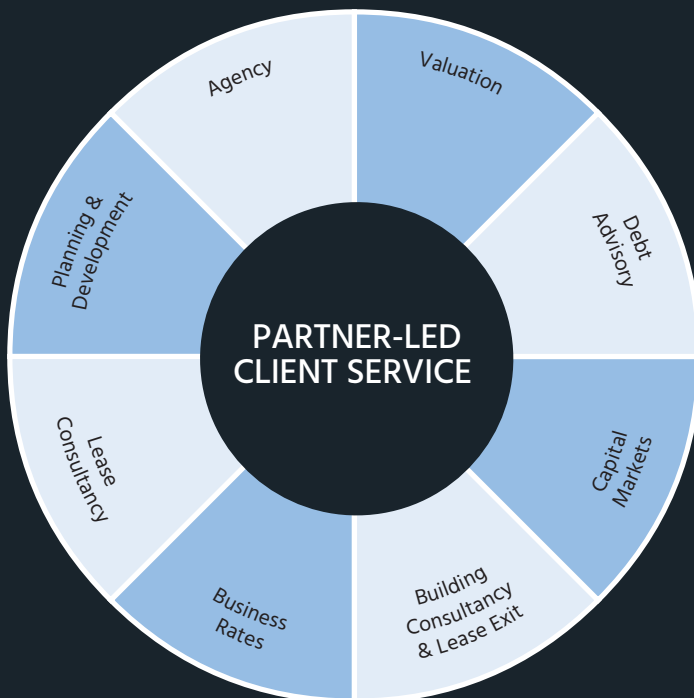
Our Nurseries team spans Gerald Eve’s business providing a full service of property consultancy advice including agency, valuation, planning, building consultancy and lease advisory.

With unrivalled insight into operational nursery businesses, built around an innovative and commercial approach, Gerald Eve is advisor of choice for those navigating the challenges of the sector.

We work on high-profile projects across the UK. In recognition of our expertise, we won the coveted award for ‘education property consultant of the year’ at the EducationInvestor Awards 2019, was a runner-up in the EducationInvestor Awards 2020 and again in 2021.

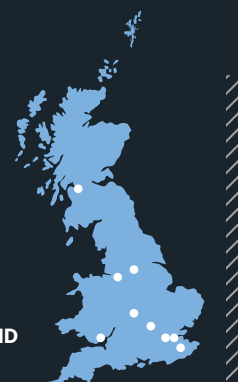
We were short-listed in Property Week’s ‘Alternatives Team of the Year’ category in 2020, won the category in 2021 and again in 2022! Our lead Partner in Nurseries, Morgan Allen, was a finalist in the ‘Business Woman in Education’ award 2021, an acknowledgement of her prominent position within the Education sector and expertise in nurseries and was nominated in Business Women in Education’s “Women to Watch” list.

The team’s immersion in the sector makes it uniquely well-placed to identify opportunities for restructuring, consolidation and growth.



OUR OFFICES

GLASGOW
LEEDS
MANCHESTER
BIRMINGHAM
MILTON KEYNES
CARDIFF
CITY OF LONDON
LONDON, WEST END
WEST MALLING



Property Awards

Shortlisted for Alternatives Team of the Year 2020

Property Awards 2021
WINNER

Alternatives Team of the Year 2021

Property Awards 2022
WINNER

Alternatives Team of the Year 2022

EducationInvestor Awards 2019
WINNER

EducationInvestor Awards 2020
FINALIST

EducationInvestor Awards 2021
FINALIST

INTRODUCTION

Our Nurseries team have a wealth of experience in the sector, from analysing trading history and forecasts, assessing supply and demand, reporting on underlying property value and advising on purchases and disposals.

We have a depth of understanding within the sector, regularly advising on 51 week day care models, sessional nursery schools and kindergartens, with the appreciation that every nursery is different, with unique characteristics.

Our Nurseries team draws on a wide range of expertise from across our business to guide you through the life cycle of a nursery from acquisitions through to disposals, from helping to plan your expansion, providing valuations for secured lending purposes to fund acquisitions or refinances, to asset management advice and purchaser due diligence.

Our technical knowledge and understanding of the nursery sector, combined with our experience and commercialism enables us to support you to make sound strategic decisions so you can concentrate on caring and educating babies and toddlers, enabling them to flourish and thrive under your care.

We are always available to discuss your property matters.

We demonstrate our services, experience and expertise in the following pages.



Morgan Allen

Partner

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NURSERY MARKET



The sector faced unprecedented challenges: shifting demographics and ever-present budgetary pressures served to drive a renewed focus on nurseries and early years.

The Nursery sector faced unprecedented challenges in 2020 as most nurseries closed as a result of COVID-19, other than to children of key workers. Some operators closed altogether, and all operators saw turnover materially decrease.

There was interim relief, such as Business Rates holidays, or the Government-backed Coronavirus business interruption loan scheme (CBILS), in order to bridge the income gap until trade normalised and most operators furloughed staff. Nurseries responded to the closure in a myriad of ways, with some charging full fees for the first month of closure, others offered discounts for all, and some cutting fees specifically for families who have suffered a severe loss of income.

Government relief tapered off and the full impact began to manifest itself, with settings which serve lower socio-economic catchments suffering more than those in affluent catchments.

However, it has not been all bad for some operators:

- The sector is now finally viewed as core social infrastructure
- Some operators saw an uptick in registrations, as competing nurseries closed
- Some parents increased the number of weekly sessions, as they continued to work from home
- Parents who previously used 'commuter' or 'destination' nurseries may have now switched to local settings
- Settings operating at narrow profit margins may be forced to close, and retirement sales brought forward. This will result in more stock on the market, and greater opportunities for consolidation or acquisitions.

More recently, the debate on relaxing staffing ratios in an attempt to alleviate financial pressures on families due to the rising cost of living crisis is being hotly opposed by operators. Time will tell if the proposed changes are implemented and what, if any, savings might be passed on by operators to parents.

GERALD EVE VALUE ADDED

As leading experts in the nursery sector, our clients expect us to contribute beyond the role of real estate advisors; we are there to achieve commercial success at each step of the real estate life cycle.



Client partner and dedicated client team

Our clients benefit from a dedicated client partner, overseeing all aspects of our service, from the initial stages of finding opportunities to exit strategies and everything in between. We can offer a full-service or a specific advisory service to fit around your needs. We go to extraordinary lengths to ensure our experienced professionals are fully aligned to your nursery business.



Long-term trusted advisor relationships

Our primary focus is on developing a long-term, trusted adviser relationship and to be a key part of your deal-team, where your operational priorities come above everything else. We act as the eyes and ears in the market and arrange regular review meetings to understand your future commercial requirements and how we can help achieve them.



Value-added services

Sharing marketing trends and insight – from sharing our sector knowledge and intel on 'hot topics' across the nursery sector, we offer a range of value-added services tailored to each client.



Outstanding connections

We have strong relationships with operators, lenders, investors and developers, which means our project leads can tap into a talented team of leading experts covering the nursery sector.



Stonewall

property CHANGING THE FACE OF



Women
in Property
Aspire • Succeed • Inspire



OUR CLIENT SERVICE APPROACH

NURSERY LIFE-CYCLE

Our clients benefit from access to a seamless advisory team of expert consultants and agents who understand the principal challenges and solutions for the different stages of a nursery project lifecycle, and how these affect the different market players.

The case studies below provide a selection of our expertise within the Nursery sector across the different stages of the property lifecycle.



UNDERSTANDING REQUIREMENTS

As a trusted advisor, Gerald Eve seeks to identify and prioritise your requirements which enables us to adopt tailored and successful solutions.

SITE ACQUISITION



FENNIES

SITE
29a Junction Road, Ealing

Advised on the acquisition of a new 25 year lease of a new purpose-built nursery building to facilitate Fennies' rapid expansion across south London, negotiating a significant rent-free period for the operator, who are viewed as one of the best operators in the UK.

Acquired off market.

PURCHASER DUE DILIGENCE



JUST CHILDCARE

SITE
23 settings across Yorkshire, the North West and Bristol

Advice to LXi REIT to support their acquisition of 23 freehold nurseries across the UK, subject to new lease-backs to Just Childcare which were acquired by Kids Foundation in 2021.

The instruction included a forensic analysis of trading information in order to inform the sustainability of the proposed rents in the context of the trading performance. Our advice was crucial in informing the purchase price and was the landmark nursery deal of 2021.

The instruction required a swift turnaround time from receipt of instructions in order to ensure a smooth acquisition of the freeholds.



PLANNING



ARK SCHOOLS

SITE
Ark Swift Primary Academy, West City

Planning application for a wholesale redevelopment of a large site with various uses located across six new blocks.

A planning application was submitted in 2017 for an education-led mixed use scheme comprising a replacement primary school (with a nursery included) and another replacement nursery.

VALUATION



HIGH STREET LENDERS

SITES
Across the UK

Portfolio valuations of the UK's top nursery groups for secured lending purposes, including:

- Fennies
- Kids Inc
- Bright Little Stars
- Seymour House

Our advice on suitability for secured lending purposes is used for refinancing and development funding. In each case, we undertake a forensic analysis of the historic trading performance, together with the operator's projections to arrive at our assessment of sustainable trade, reflecting each settings unique locational supply and demand characteristics.

DISPOSAL



MONTESSORI ST NICHOLAS

SITES
Kent and St John's Wood, London

We were instructed to dispose of two closed nurseries on behalf of a Charity. We sold each nursery to an existing local nursery operator, each of whom promptly re-opened the nurseries.

The Charity then instructed us to dispose of their stunning HQ building in St John's Wood. We generated very strong demand for the property from nursery operators. The property sold to a local prep school who had been seeking premises for a new nursery and pre-prep school for some time.

The continuance of childcare from these properties was the strong preference of the Charity, who were delighted with the result we achieved.



SALE & LEASEBACK



THREE LITTLE BIRDS

SITES

Four freeholds in strong London catchments

Advised on the sale and leaseback of four freeholds in prime locations, to a specialist investor. The portfolio comprises over 400 places across four settings in affluent London suburbs with huge growth potential, let on new 25-year leases.

The price paid reflects a Net Initial Yield of 5.25%, reflecting the strong investor appetite for well-located socially responsible real estate investments with sustainable long term demand fundamentals.

The deal enabled the operator to not only focus on their core skills of educating and caring for children; but the capital generated enabled facilitated their expansion plans.

LEASE CONSULTANCY



CBRE GLOBAL INVESTORS

SITE

Hampstead, London

We advised the Landlord on the recent rent review of a well-performing nursery in Hampstead; Active Learning Childcare (part of the Bright Horizons Group) are the tenant.

We were successful in negotiating a substantial rent increase, worth a substantial sum over the term of the lease of 24.4%, which the landlord was delighted with.

BUILDING SURVEYS



THE OLD STATION NURSERY

SITES

25 sites across the UK

Over the past 3 years, we have been involved in over 85 building surveys for 25 property acquisitions on behalf of Old Station Nursery (OSN), ranging from single properties to group portfolios, undertaking technical due diligence acquisition surveys across the UK.

Our Building Surveys formed a key part of the purchaser due diligence and was invaluable to OSN, enabling them to carefully plan future capex requirements to include within their forecasts, essential in realistic budgeting and forecasting.



PAYMENT PLAN STRATEGY



LEADING UK GROUP

SITES

Across the UK

In response to the Government imposed lockdown, we co-ordinated a payment plan strategy on behalf of a group operator in respect of 17 nurseries.

The advice was informed by the government measures set out to assist commercial tenants and served to increase our client's resilience to the effects of the pandemic.

SCHEDULES OF CONDITION & DILAPIDATIONS



THE OLD STATION NURSERY

SITES

Across the UK

As part of over 25 recent nursery acquisitions and lease renewals for OSN, we have prepared schedules of condition which have been appended to the relevant lease documentation. The schedules of condition seeks to protect and cap the leaseholder's liability in respect of specific lease clauses. This aids protection in the event of the future service of a schedule of dilapidations.

We also prepare dilapidations assessments to advise on expected dilapidations liability. Dilapidations assessments help to manage risk, advising on onerous lease conditions, potential lease exit and negotiation strategies and on realistic dilapidations settlements for budgeting purposes.

BUSINESS RATES



ST JOHN'S COLLEGE, OXFORD

SITE

Bainton Road Nursery, Oxford

With this complex and ever changing property tax, we have provided advice to Fennies Day Nurseries and on nurseries run by the Alpha Plus and Cognita schools groups.

We have worked to reduce their liabilities for Business Rates through the appeal system and in applications for reliefs. Our role in identifying under assessment and risk is becoming more important to clients as we approach another rating revaluation in 2023, with the Government intention to put a much greater onus on ratepayers to verify the information held by the Valuation Office.

TESTIMONIALS

Gerald Eve have hugely impressed me with their knowledge of the nursery market and their wide exposure across the whole education sub sector. Their clear expertise and the agility of the team was demonstrated in providing purchaser due diligence to inform a recent acquisition in tight timescales. Their advice really added value which helped inform our strategic decisions when entering a new subsector, ensuring our investors interests were best served by acquiring the best quality day nurseries.



Michael Maddox,
Assistant Fund Manager,
LXi REIT Advisors

Fennies have been working with Gerald Eve since 2015. From the outset, they have demonstrated an enthusiasm and keenness to really understand the Fennies brand, the business, our focus on quality, and our expansion plans. They are proactive and responsive; meeting tight deadlines and producing first-rate reports for our bankers, which have enabled us to complete our purchases for new nurseries. In addition, they have recently negotiated the lease of a new setting in Ealing on our behalf, with a significant rent-free period.

Steven Fenn,
Chief Executive Officer,
Fennies Day Nurseries Limited



Gerald Eve have provided Building Consultancy advice on behalf of La Maison Bleue / The Old Station Nursery for a number of years building a strong relationship with a responsive, technical and dedicated professional team of surveyors. They are seen as a dedicated partner and instrumental team member of the group's investment activity and growth as one of the largest early years nursery chains in the UK.

Sarah Steel,
Chief Executive Officer,
The Old Station Nursery Ltd





YOUR DEDICATED NURSERIES TEAM



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Gerald Eve is a firm of international property consultants based in the UK. We operate a national network of nine offices and an international association covering 20 European countries and all major US markets.

Whether you are a property owner, investor, occupier or developer, Gerald Eve provides independent, intelligent and relevant advice based on detailed market knowledge and sector understanding.

Together we have the resource, experience and relationships to deliver the best property solutions for your business.