

Redwoods Dowling Kerr 2010 Nursery



Whilst many industries experienced a tough 2010 as a result of the recession, Redwoods Dowling Kerr (RDK) is pleased to announce that 2010 was a strong year for nursery sales with 2011 looking to be just as promising. In 2010 RDK's unit sales increased 14%, selling on average more than one nursery setting per week throughout 2010.

Lucie Wright, Sales Manager at RDK is delighted that the nursery sector is proving resilient and comments on a number of interesting changes in the market in 2010.

Market Highlights 2010

Freehold Sales

One of the notable changes in the market experienced by RDK has been a shift towards freehold sales. Having accounted for only 20% of unit sales in 2009 this virtually doubled to 39% of total unit sales last year. The reasons behind this shift are two-fold:

- More realistic expectations from vendors on property values
- New entrants into the market with sector experience, an investable business plan and solid financial backing.

After a sharp drop in property prices at the end of 2008, many vendors in 2009 still harboured unrealistic views with regards to the value of their property. The inflated property prices were also compromised by buyers finding it difficult to get loans from banks on the larger financial sums required for a freehold property. However, in 2010 the asking prices for freehold properties regained a more realistic level, which has driven the increase in freehold sales. In the current climate, quality freehold

nursery settings which are realistically priced will have no problems finding a buyer. For example RDK marketed Providence Day Nursery in Halifax in 2010. Three viewings were made within just 3 weeks of the Nursery coming to market, and two acceptable offers were made within 4 weeks. The buyer was a new entrant to the nursery sector with a plan to purchase 3 more settings within the next two years. This good news has continued into 2011 where we have a confidential freehold nursery sale currently with solicitors that received a full asking price offer within 4 weeks of coming to market.

Leasehold Sales

RDK saw the firming up of multiples across the leasehold nursery sector both from the number of offers coming in from the purchasers and also from the valuation figures back from the RICS valuation view for the banks. We are finding that leasehold nurseries with a lease term in excess of 10 years are most in demand as they are easier to fund from a banking perspective and offer an

opportunity for both first time buyers and existing operators to invest in a nursery with a lower capital outlay and quicker return.

First Time Buyers

The sale of Providence Nursery shows that first time buyers who are suitably prepared have an excellent chance of acquiring suitable and established nurseries. A good deposit and experience in the Early Years sector is required. First time buyers are advised to seek advice from a reputable and experienced broker. Your broker will be able to advise on the buying process, provide you with a selection of nurseries within your requirements, and help to complete the sales process with a minimum of stress and hassle.

Existing Operators

The latter part of 2010 saw a number of existing operators and smaller groups looking to implement a Buy and Build strategy. Typically existing operators have a strong performing nursery in a specific geographical area and are looking to add to their portfolio within that area.

Daren Aubeeluck is an existing operator who has recently purchased

Review



Brambley Tots and is now the proud owner of two nurseries. Daren is a good example of an existing operator who is looking to implement a Buy and Build strategy and who sees opportunity in the current market. Daren has a track record in the sector and, as an existing owner,

understands Ofsted requirements. Both of these elements mean that it is often easier for existing operators to gain the support of banks to access funding and put them in a position to undertake and complete deals.

Daren commented on the sale: "Thank you team Redwoods Dowling Kerr for all your hard work over the last year helping me to buy my new nursery, I look forward to working with you on the next one!!"

Redwoods Dowling Kerr predictions for 2011: A year of opportunity?

Existing Operators – Opportunities for 2011

RDK envisages that the trend towards implementing Buy and Build strategies will gather pace in 2011 and we also predict a rise in corporate interest from the larger groups with further single unit and group acquisitions.

New Entrants – Opportunities for 2011

2010 saw a number of new entrants into the Nursery market, one of whom is All About Children headed up by Russell Ford who has extensive sector experience. Russell and his experienced team see opportunities in the current climate and believe that the sector can buck the trend.

All About Children are working closely with RDK as part of their Acquisition Strategy and are in a position to move quickly on deals with Ofsted. CEO Russell Ford is delighted with the implementation of his strategy and commented:

"Having worked in the Day Nursery sector for a number of years, we see a number of opportunities to develop and grow a nursery group which offers outstanding provision for children. We are delighted at the

acquisition we made in 2010 which provides a solid platform for growth. We are working closely with RDK on an acquisition strategy as in my opinion they are the only key player in the nursery sales market who can provide extensive and current comparables. From a buyer's perspective, they are knowledgeable and are a pleasure to deal with. I believe that this is down to the fact that they sell more nurseries than any other broker in the sector "

Leasehold Sales – Opportunities for 2011

Leasehold sales will still be in demand as they are attractive to both buyers and sellers for different reasons. For a purchaser, it offers the opportunity to run a nursery without the need to purchase bricks-and-

mortar, making it easier to build a business case to support investment from the banks. Leasehold sales also offer a lower risk option for nursery practitioners seeking to take the first step on the ownership ladder.

For vendors, it offers the chance to sell the nursery and realise a proportion of their investment whilst retaining a steady income from the leasehold rent. RDK are finding that many of our freehold nurseries are receiving interest from applicants who may want to buy either freehold or leasehold and it gives the vendor an opportunity to consider both options and structure a deal which fits in with their future plans.

Nursery Investors – Opportunities for 2011

RDK believes there is scope for more investors to come into the day nursery market and this may well be a feature in 2011.

Want to Know More?

As the leading nursery broker in the sector, RDK recommend that whether you are looking to buy or sell, you should have a discussion with your nursery broker to understand the current state of market; current market values and drivers; and the outlook for the next few years and how that will fit in with your future plans. We are happy to assist in the development and implementation of sale or acquisition strategies.