

Intelligent Investment

Child Care Centres

REPORT

CBRE RESEARCH
MARCH 2026





Overview

MARKET SIZE

The Child Care Centre market is worth ~A\$60bn and comprises 9,750 long day care centres, growing 3%pa. There are ~840,000 children aged 0-5 yrs attending these centres for an average of 34 hrs per week. Separately, outside school hours care and family day care provide other options for parents.

While there are 0.47 child care centre places per child, large variances between locations point to new development opportunities and scope to grow penetration.

DEMAND DRIVERS

Rising female workforce participation rate and Government child care subsidy have boosted demand. Falling fertility rates and rising child care centre fees (+6% pa) curtail demand.

The new CCS (subsidy) should boost demand through removal of the activity test as part of 3-day guarantee.

DEMAND FORECAST

CBRE estimate that the annual growth in demand for child care places is approx. 11,000 pa.

However, there is scope for upside to ~24,000 pa if the new child care subsidy lifts take up rate to around 0.6. Our bear case relies on further falls in fertility rate to 1.30 by 2035.

ATTRACTIVE LEASES

For real estate investors, child care centre leases offer net structure, CPI linked escalation and long WALE (15-20 yrs plus options). Also, a high portion of the tenant's revenue is Government sourced.

The Top 3 operators account for 11% share and Top 3 landlords just 6% share of long day care centres, ensuring a healthy landlord-tenant dynamic. A significant proportion of the industry is represented by owner-occupiers

SUPPLY

CBRE estimate new supply has paced at approx. 30,000 pa over 2024-25, concentrated on Metro areas, particularly Melbourne, Sydney, Brisbane and Perth. We also estimate ~5,000 places per year are lost to centre closures.

TRANSACTIONS

CBRE estimate the sector trades ~\$450m pa of assets, largely through single asset, rather than portfolio deals. 2025 was a banner year with ~\$850m of investment volumes.

CAP RATES

Passing initial yields generally range between 4.00% and 6.00% with differences attributable to specific location, lease covenant and alternative use prospects. We assess yields have tightened by ~9bps over the past 12 mths. We attribute the tightening to renewed investor confidence and competitive pricing across the sector.

Metropolitan areas, especially in New South Wales and Queensland, exhibit lower cap rates, with some transactions in 2025 recording rates as low as 3.31%. In contrast, commuter metro and regional areas typically command higher cap rates, often exceeding 6%, reflecting differing risk profiles.

Child care centres and places

Australia hosts ~840,000 child care places across 9,750 long daycare centres.

NSW, VIC and QLD account for 80% of the places. 76% of places are located in major cities, 17% in regional towns/commuter metro and 7% in outer regional and remote areas. The number of child care centres has grown at 3% pa over the past seven years.

Separately, there is also a sizeable number of out-of-school hours care (5,170 services) and family day care (350 services).

Supply Ratio

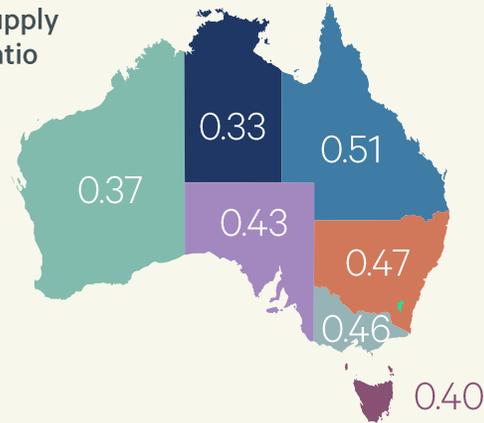
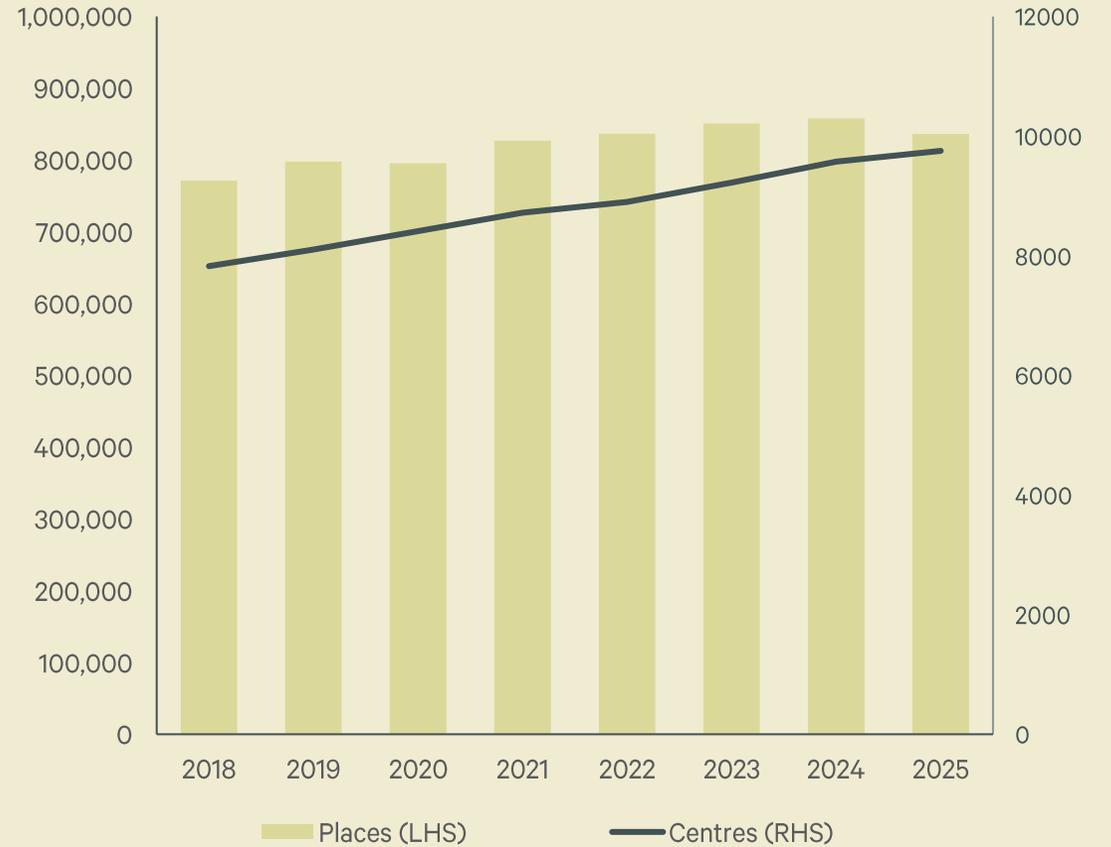


Figure 1: Child care centres, growth over time and location



Department of Education, Department of Social Services, CBRE Research

NT		QLD		NSW	
CENTRES	124	CENTRES	1,959	CENTRES	3,704
PLACES	7,000	PLACES	188,000	PLACES	271,000
CHILDREN 0-5	21,000	CHILDREN 0-5	370,000	CHILDREN 0-5	578,000
WA		ACT		SA	
CENTRES	939	CENTRES	190	CENTRES	538
PLACES	77,000	PLACES	17,000	PLACES	51,000
CHILDREN 0-5	206,000	CHILDREN 0-5	32,000	CHILDREN 0-5	118,000
VIC		TAS			
CENTRES	2,157	CENTRES	142		
PLACES	214,000	PLACES	14,000		
CHILDREN 0-5	465,000	CHILDREN 0-5	35,000		

Centre density

Currently, there are 0.47 child care centre places per child aged 0-5yrs old in Australia, i.e., nearly one place for every two children. However, there are large variances between locations. For instance:

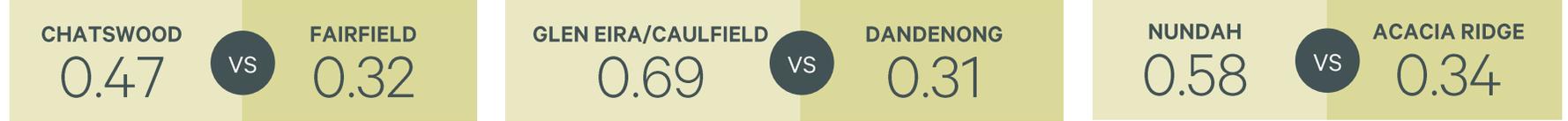
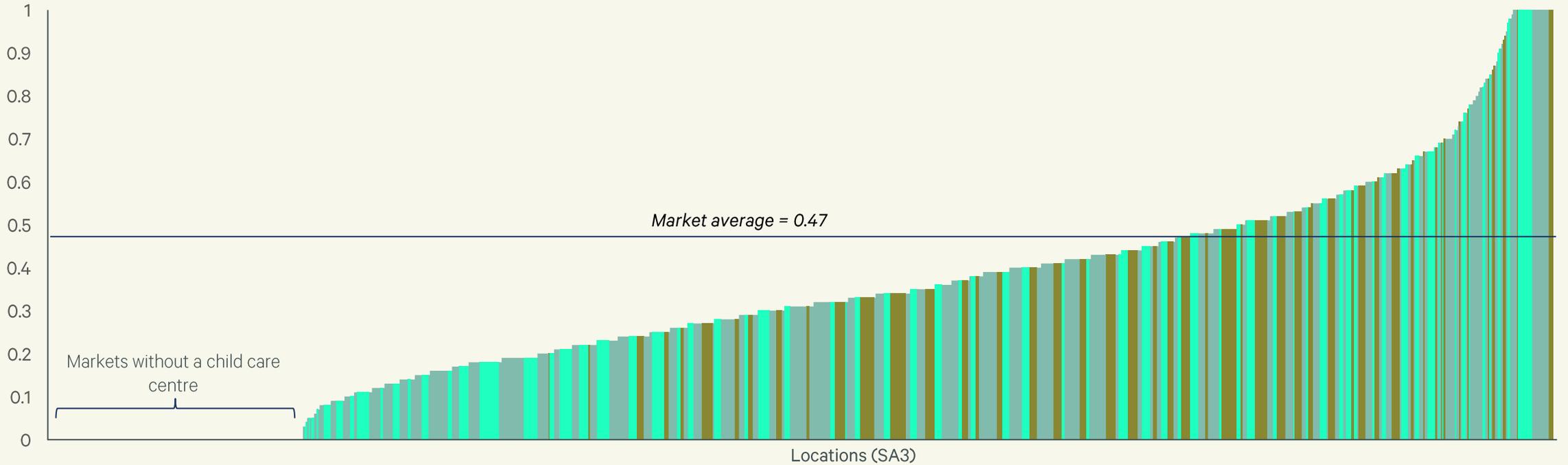


Figure 2: Ratio of approved places to children (0-5yrs old), Analysis across 1,090 locations



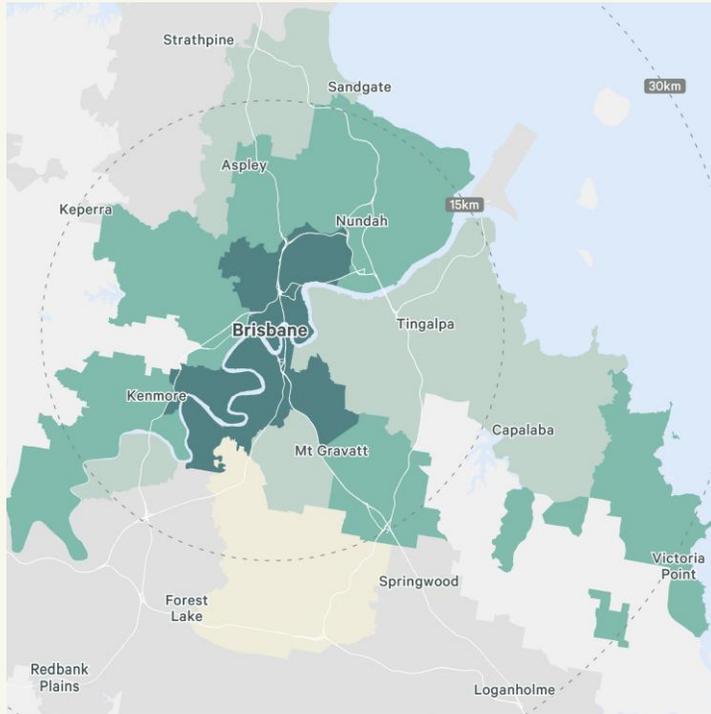
Department of Education, Productivity Commission, CBRE Research

Metropolitan Commuter Regional and Remote

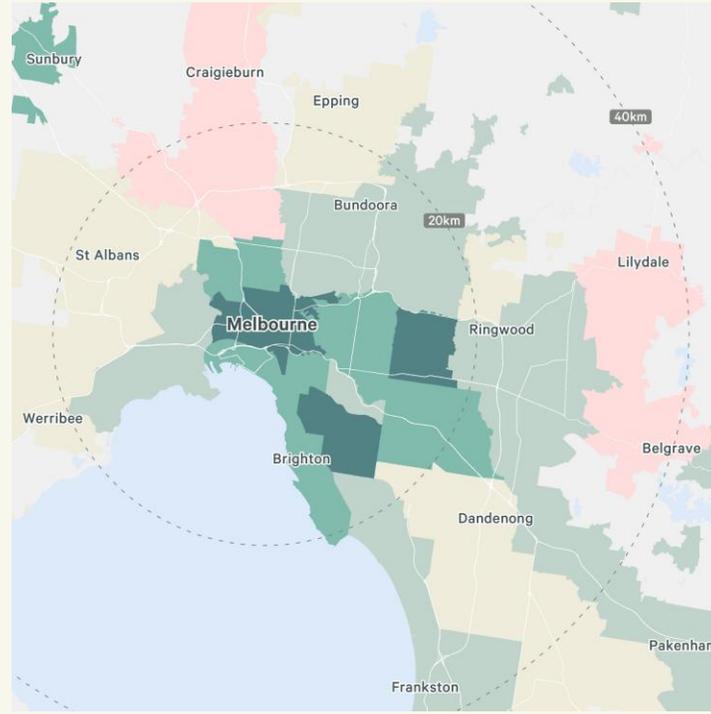
Centre density

Major Metropolitan areas

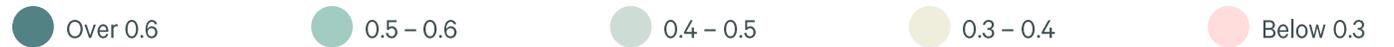
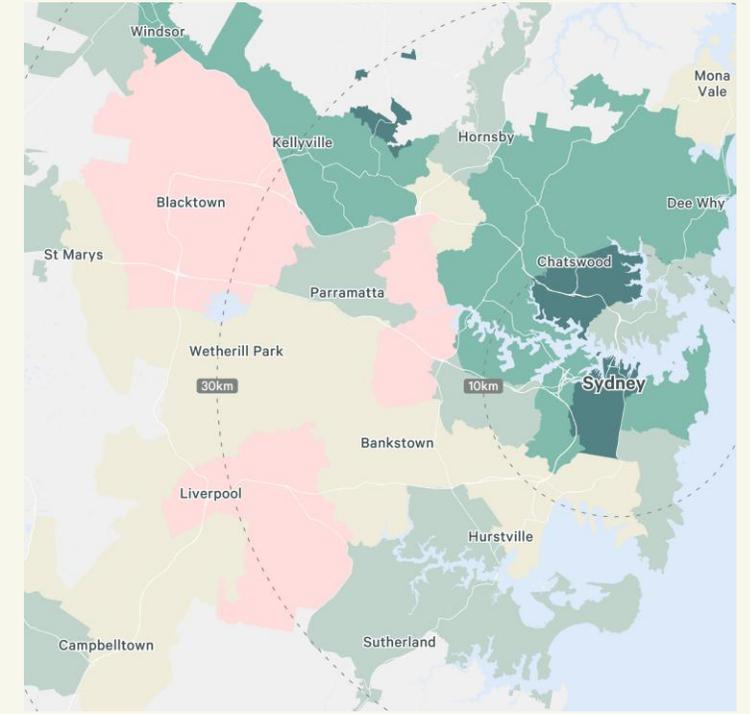
BRISBANE



MELBOURNE



SYDNEY



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Demand drivers

Dual workforce participation is becoming increasingly prevalent, boosting demand for child care. This is particularly evident in women aged 30-34 yrs with participation rates of 81%, a gain of 34% over the past 40 years. Australian Government projections assume that registered births increase from ~290k today to ~350k by 2035.

Figure 3: Employment growth

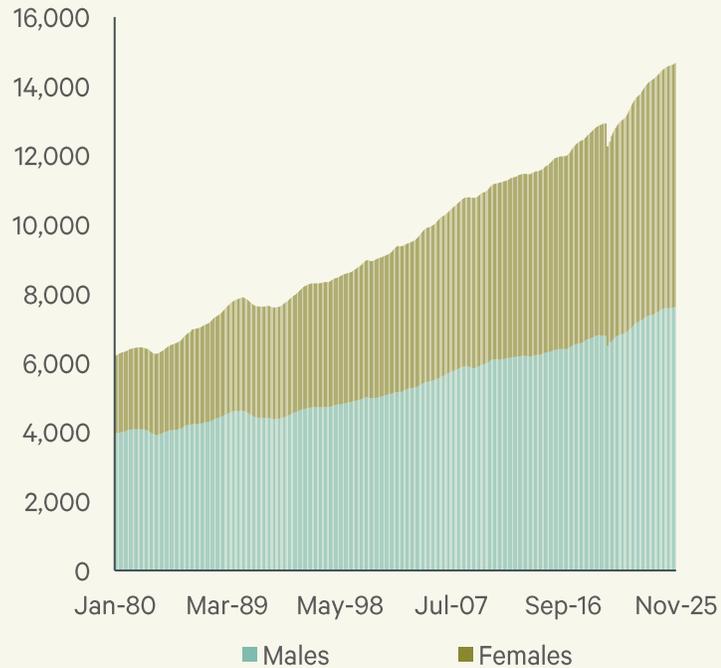


Figure 4: Female participation rates by age, 1982-2022

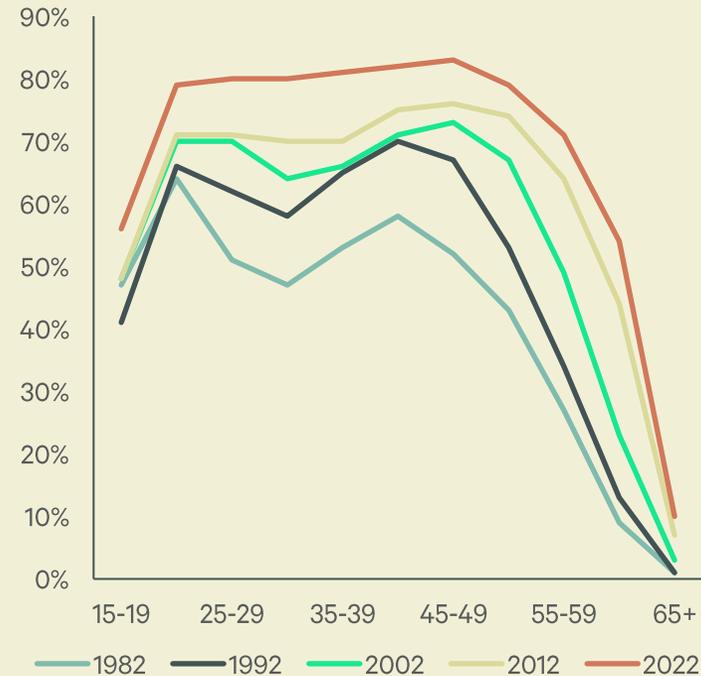
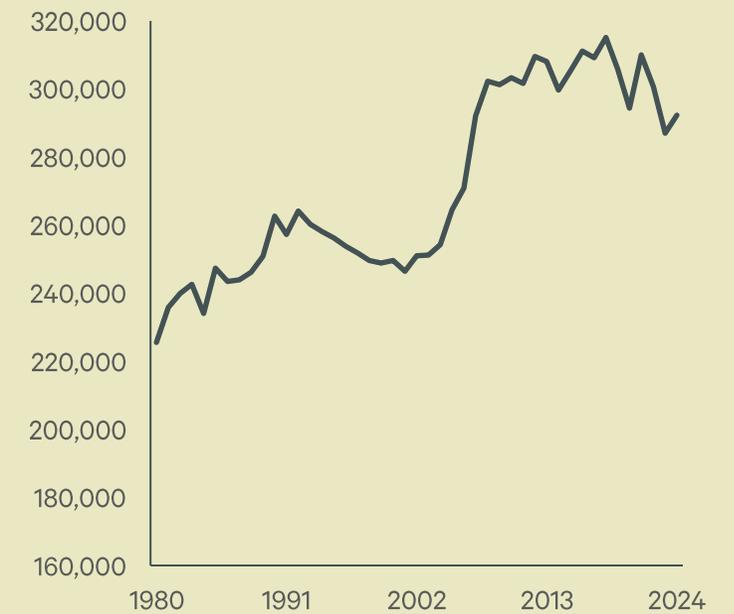


Figure 5: Registered births



ABS, Productivity Commission, CBRE Research

Demand drivers

Child care cost growth has outstripped inflation by ~40% over the past 15 years. The average child care centre fees have increased at 6% pa over the past 8 years. While costs are important, cultural nuances and Government incentives also drive take-up rate.

Figure 6: Child care costs vs inflation

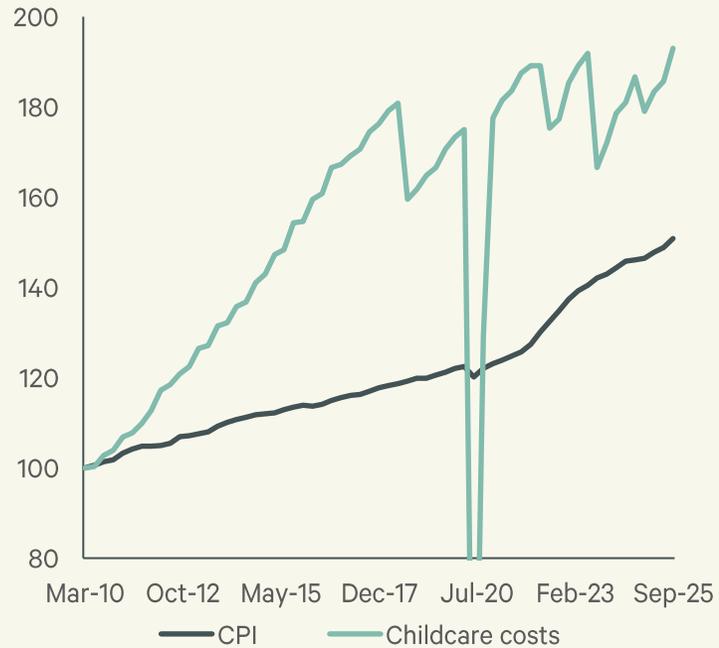


Figure 7: Average centre fee per hour

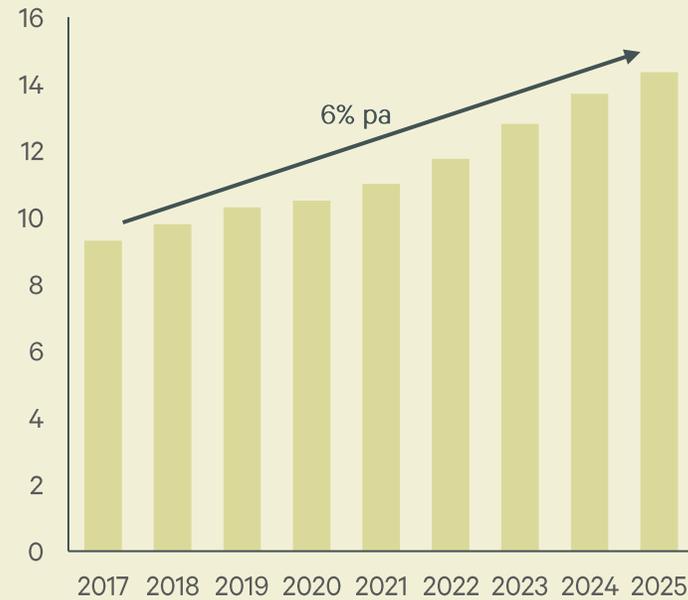


Figure 8: Enrolment rate in early childhood education



ABS, Department of Education, OECD, CBRE Research

Government Assistance

As part of the Government’s 3-Day Guarantee, families with a household income below \$535k will receive at least 72 hours of subsidized child care per fortnight (equivalent to **3 days per week**).

If a parent works more than ~3 days a week, they can access up to 100 hours of subsidized care per fortnight (equivalent to **5 days per week**).

At present, 35% of children aged up to 12 years old receive a subsidy towards their care. For children between 0 and 5 years old, this figure rises to 50%.

The 3-Day Guarantee is expected to **boost demand and occupancy rates**, particularly for families who faced barriers due to the previous activity test requirements.

The Additional Child Care Subsidy (ACCS) provides extra financial assistance to families facing specific hardships or vulnerabilities, on top of the standard subsidy.

Note: We have assumed 10 hours of care per day (e.g., 8am-6pm), at a rate of \$17.50/hour (before subsidies). We have not included CCS withholding charges.

Source: Department of Education, CBRE Research

Child Care Subsidy (From January 2026)

Estimated Recipients

35%
of under 12 years old
(1.42m)

50%
of 0-5 years old
(0.90m)

Child Care Subsidy (CCS) is determined by **household income** and **activity hours** (e.g., work, study, volunteer etc). The subsidy covers the lower of your child care fee or the government's hourly cap (\$14.63), a cap nearly **40% of centre-based daycares exceed**.

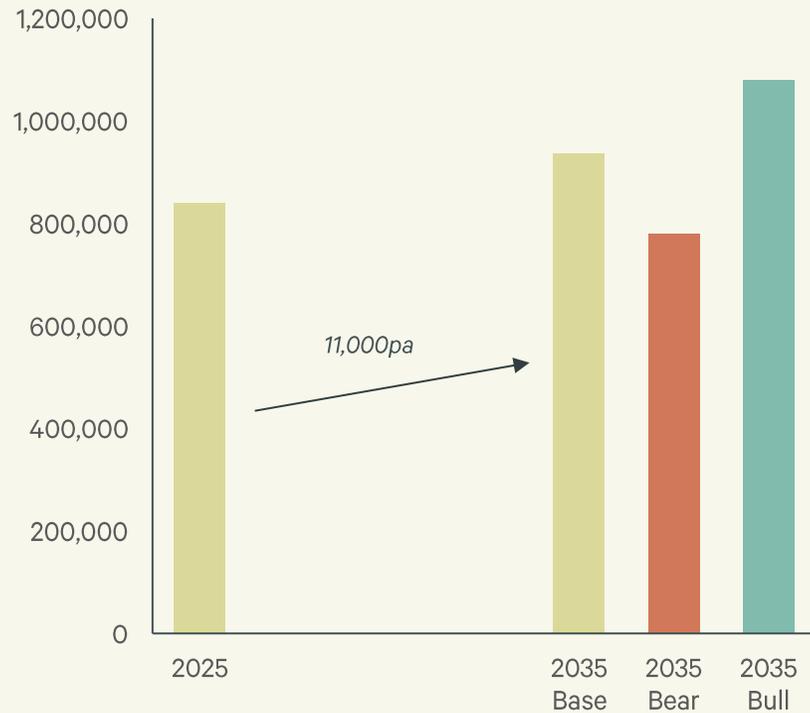
Scenario	Formula	Child care Cost Per Fortnight (1 child)
Single parent Employed full-time Require 5 days/week care Income \$80,000/year	<ul style="list-style-type: none"> Max amount (90%) 100 hours subsidized per fortnight 	<ul style="list-style-type: none"> CCS Percentage: 90% Subsidy: \$1320 Parent Cost: \$430
Couple Both f/t employed Care 10 days/fortnight care Income \$210,000/year	<ul style="list-style-type: none"> Max amount (90%) less 1% for every \$5,000 above \$85k 100 hours subsidized per fortnight 	<ul style="list-style-type: none"> CCS Percentage: 65% Subsidy: \$950 Parent Cost: \$800

Note: CCS is higher if there is more than one child aged under 5 in care.

Demand forecast

CBRE estimate that the annual growth in demand for child care places is approx. 11,000 pa. However, there is scope for upside to ~24,000 pa if the new child care subsidy lifts take up rate to around 0.60. Our bear case relies on further falls in fertility rate to 1.30 by 2035.

Figure 9: Demand forecast model



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BASE

Children 0-5	1,800,000
Fertility rate	1.62
Births	354,000
Places per child	0.52

BEAR

Children 0-5	1,500,000
Fertility rate	1.30
Births	280,000
Places per child	0.52

BULL

Children 0-5	1,800,000
Fertility rate	1.62
Births	354,000
Places per child	0.60

Assumptions

Number of children is a function of fertility rates. Australia's fertility rate has fallen from 1.81 in 2015 to 1.45 in 2025.

Australian Government assumes an improvement to 1.62 by 2035 after a period of delayed family formation.

Our bear case is for further falls in fertility rate to 1.30, implying fall in Children 0-5 yrs old to 1.5m in 2035 (currently 1.8m).

Number of places per child has been growing at 0.5% pa. Our base case is for an improvement to 0.52 by 2035, slightly below number of peer global markets.

Our bull case is for an improvement in places per child to 0.60 driven by improved Government subsidies (from Jan 2026).

Leases and tenants

Leases for child care centres are attractive for landlord and investors as they're underpinned by net lease structure, CPI+ and long WALE. Further, a high portion (typically 2/3rd) of revenue comprises Government child care subsidy. Operators typically generate 12% - 22% profit margins and this can be 15%-40% for owner occupier. The ATO assesses rent is typically 8% - 20% of revenue and CBRE analysis shows a similar 7%-17% range.

Figure 10: Lease structure

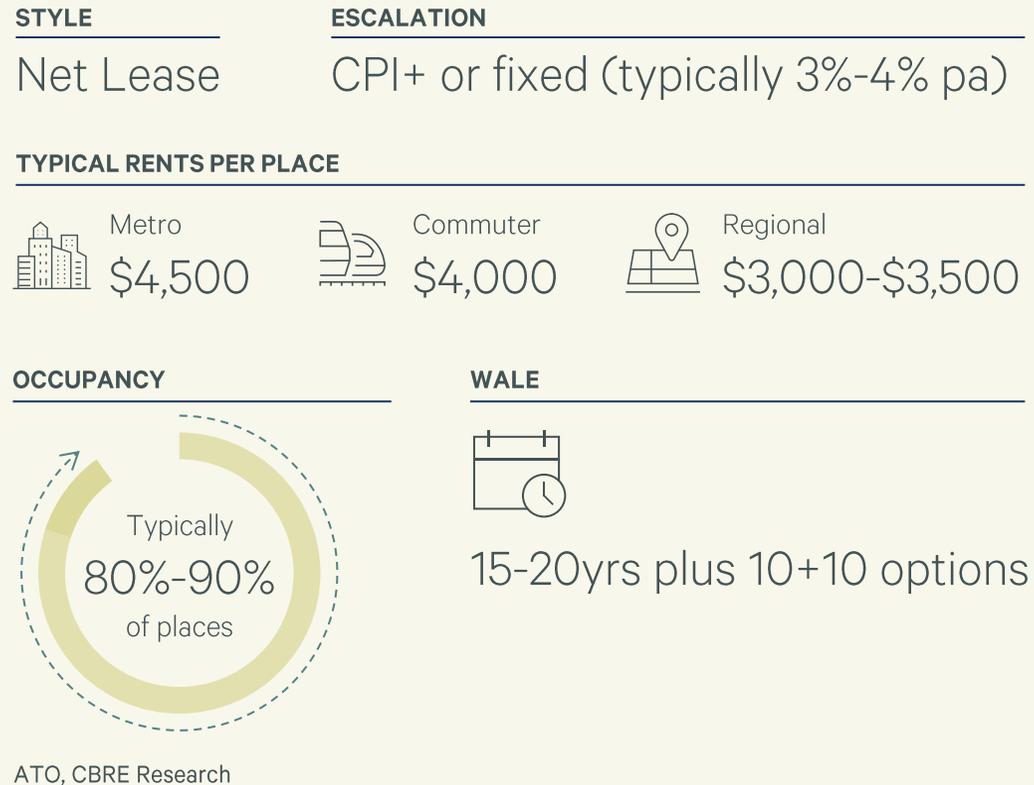
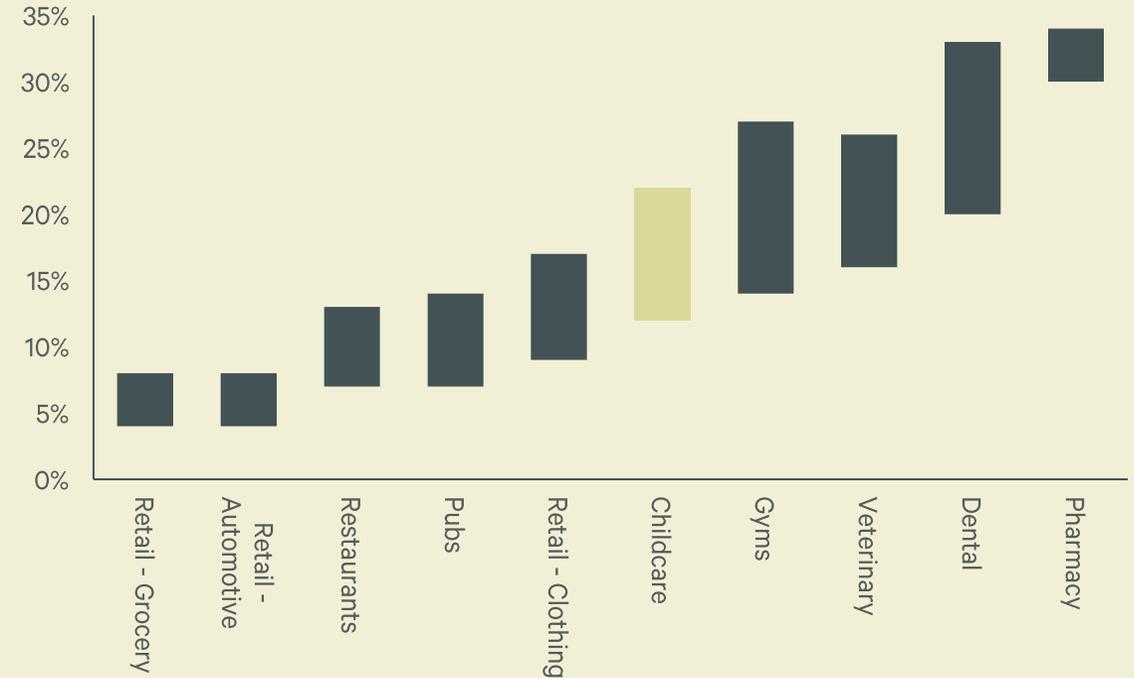


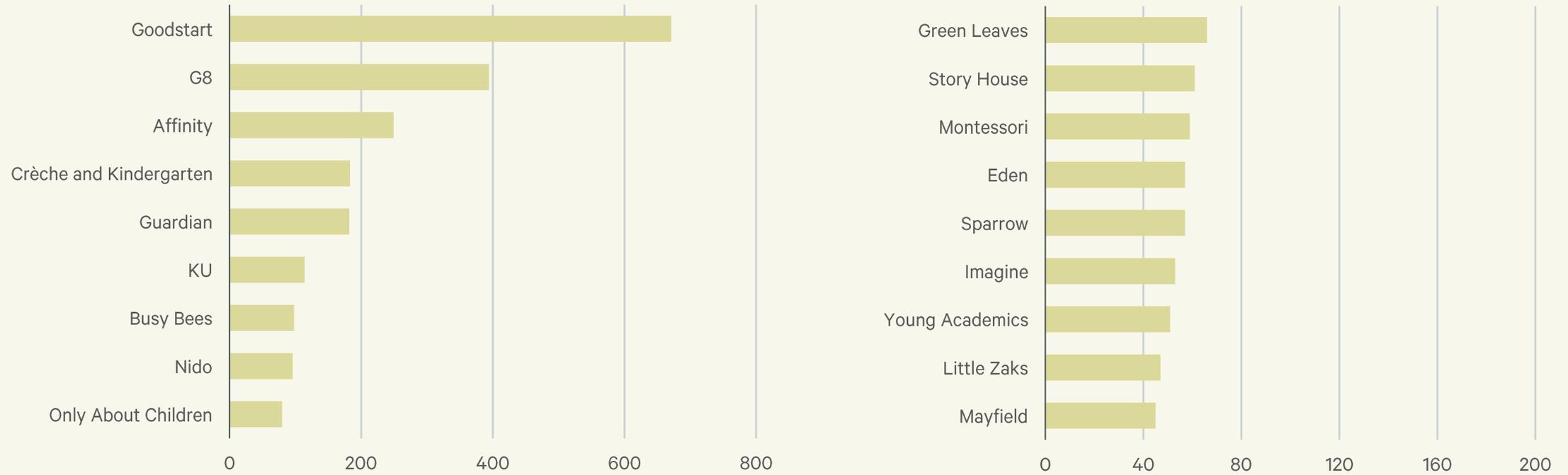
Figure 11: Indicative profit margin for small businesses, by sector



Operators

The Top 3 operators account for 11% share of centres. In contrast, the Top 3 landlords account for just 6% of long daycare centres. We view these metrics as reflective of low market concentration on both sides of the tenant-landlord relationship, a healthy ecosystem. A significant proportion of the long day care industry is represented by owner-occupiers.

Figure 12: Selection of child care centre operators with at least +40 services



StartingBlocks, CBRE Research

Development pipeline

CBRE estimate new supply has paced at approx. 30,000 places pa over 2024-25, concentrated on Metro areas, particularly Melbourne, Sydney, Brisbane and Perth. We also estimate ~5,000 places per year are lost to centre closures as a result of older, less-efficient centres making way for higher quality purpose-built offerings.

Figure 13: Places added / closed / future



ABS, State Valuer General, CBRE Research

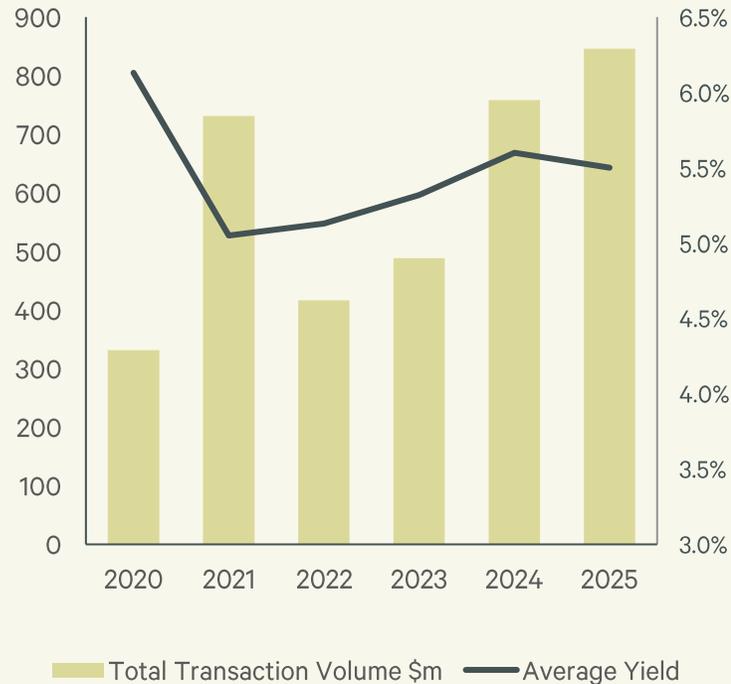
Figure 14: Construction economics



Transactions

Passing initial yields generally range between 4.00% (and even tighter for well-location metropolitan facilities subject to long-term lease agreements) and 6.00% with differences attributable to specific location, lease covenant and alternative use prospects. Notably, there is often significant variation between metro, commuter metro and regional locations. Traditionally, metro location attract the strongest yields.

Figure 15: Transaction volumes and average yields



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Figure 16: Select portfolio trades

Date	Acquirer	Vendor	Value \$m
OPCO			
2021	Busy Bees	Think Childcare	\$195m
2021	Quadrant PE	Affinity	\$650m
2022	Affinity	Oxanda	\$40m
2023	Guardian	Petit Early Learning	n/a
PROPCO			
2021	HealthCo	Allaf Property	\$105m
2021	Charter Hall	Agosta, Bowman	\$134m
2024	ARENA REIT	Affinity	\$55m

Figure 17: Select trades with <5% cap rate, +\$5m price

Tenant	Location		Sale Price	Yield
Saltwater Preschool	Newport, NSW	M	\$16,010,000	4.37%
Young Academics	Leumeah, NSW	M	\$8,600,000	4.77%
Goodstart	Indoorpilly, QLD	M	\$7,120,000	3.96%
G8 Education	Vaucluse, NSW	M	\$6,500,000	3.31%
Giggle and Learn	Connells Pt, NSW	M	\$6,325,000	4.55%
Caring 4 Kids	N Richmond, NSW	M	\$6,100,000	4.92%
Giggle and Learn	Lugamo, NSW	M	\$5,900,000	4.78%
Young Academics	Seven Hills, NSW	M	\$5,860,000	4.44%
Kool Kids	Helensvale, QLD	C	\$5,850,000	4.50%
Goodstart	Albany Creek, QLD	M	\$5,735,000	4.19%
Little Zaks	Charlestown, NSW	C	\$5,650,000	4.62%
Giggle and Learn	Belmore, NSW	M	\$5,417,000	4.23%
Goodstart	Indooroopilly, QLD	M	\$5,400,000	4.48%
Goodstart	Cranbrook, QLD	R	\$5,400,000	4.52%
Goodstart	Hendra, QLD	M	\$5,270,000	3.60%
Goodstart	Aspley, QLD	M	\$5,000,000	3.89%

M Metro **C Commuter** **R Regional**

Transaction highlight

**143-145
Pentecost Ave,
Turramurra,
NSW**

SALE PRICE
\$11,500,000

YIELD
4.54%

RATE PER PLACE
\$132,184

Tenant	Only About Children
Rental (Net)	\$522,086 pa
Rent Review	Fixed 3%
WALE	17.8yrs
Places	87
Lease Term	27+10+10
Land Are	2,244sqm
Building Area	639sqm
Zoning	Low density residential

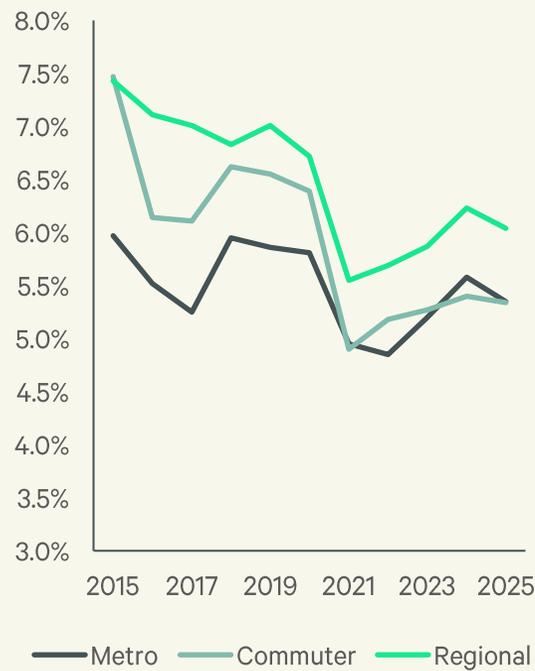


Cap rates <indicative>

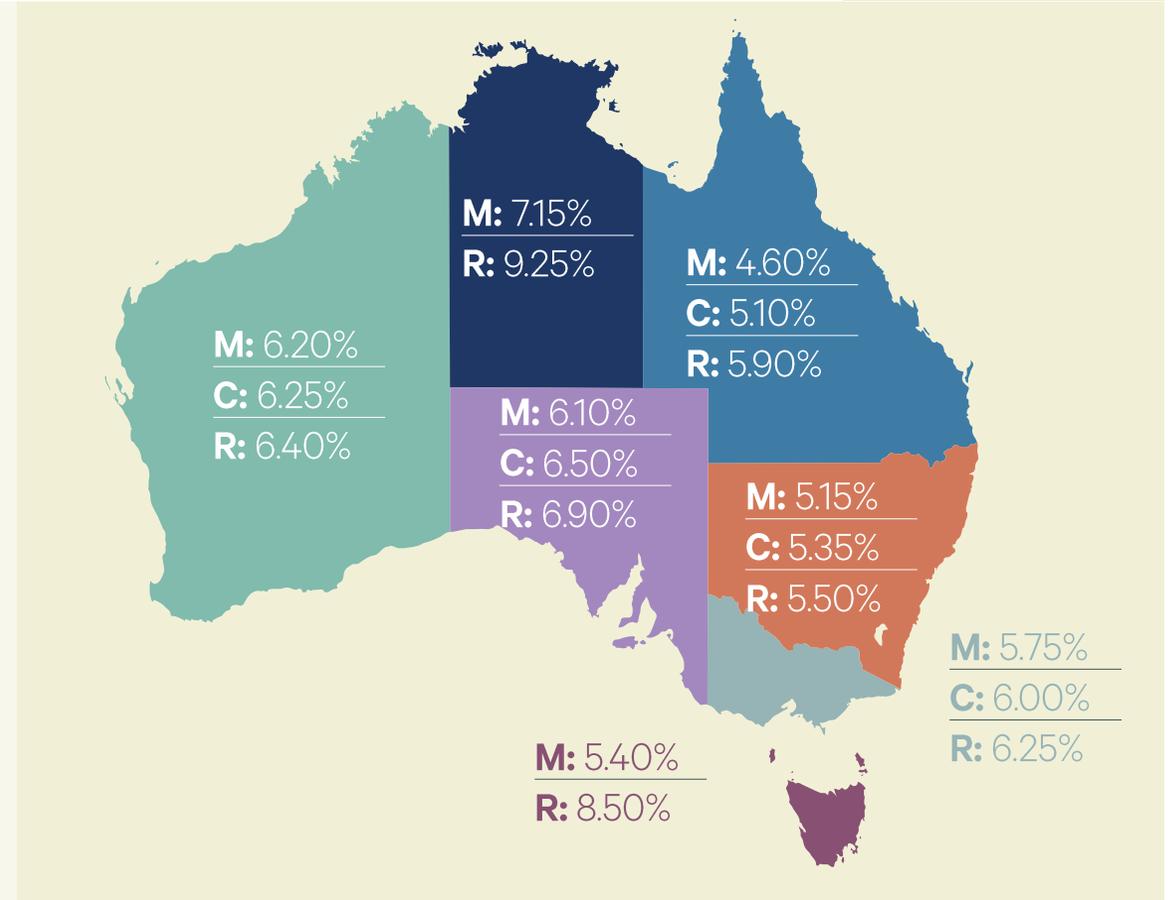
We observe a widening of spreads between geographies as investors are becoming more selective, differentiating based on local fundamentals, growth prospects and risk profiles. Metropolitan assets also command a liquidity premium.

M: Metro
C: Commuter
R: Regional

Figure 18: Indicative cap rates across geographies



CBRE Research



Industry perspectives

“Arena has been building and refining its develop to own childcare model over the last 10 years, and in 2026 expects to complete its 100th childcare development project. Our focus is on partnering with established developers and operators to create well located, high quality purpose built childcare facilities that meet the needs of local communities.”

Carla Hayes

Head of Investment and Portfolio,
ARENA REIT Limited

“The importance of child care from both a provision of quality educational outcomes to children and to the Australian economy continues to be demonstrated. Increased Federal Government funding through the Child Care Subsidy and the 3 Day Guarantee combined with the funding of the 15% pay increase to workers highlights the essential nature of the child care sector.”

Travis Butcher

Charter Hall,
Social Infrastructure REIT

“At Montessori Academy, we have always viewed early education as an essential service that supports families in giving children the best possible start to school and life. Families are seeking safe, consistent, high-quality education and care, while investors are looking for operators with scale, capability and long-term vision. Those who can deliver this balance are shaping the future of early learning in Australia.”

Charles Assaf

CEO,
Montessori Academy



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