

NEWS / FINANCIAL PLANNING

Childcare an inviting investment option

10 Aug 2016

By Jerome Doraisamy

Continued strong growth in profit margins and distributable income, especially in light of sociocultural demographics, was making childcare a highly attractive investment option, according to Folkestone Education Trust (FET).

Speaking at a media teleconference yesterday, FET chief executive Nick Anagnostou said because of Australia's ageing population, rising house prices and local government reluctance to extend urban boundaries, costs of living across the board were continuing to rise, especially for those with young children.

Because of that, and also the developmental opportunities available for children at childcare centres, demand for such centres continued to increase, Anagnostou noted.

"Fees are continuing to increase as parents recognise there are very strong learning outcomes and kids shouldn't miss out on a broader learning regime," he said.

Those accumulated factors made childcare an attractive investment option, he said, considering population density and increasing land value, which would only serve to support the business growth of childcare centres.

"People are recognising the value of childcare, not just in terms of income enhancement, but also in the value of the property," he said.

His comments came on the back of FET's annual results, announced yesterday, which showed the trust's statutory profit increased by 20.5 per cent to \$106.8 million for the year to 30 June 2016, and its distributable income rose by 16.2 per cent to \$34.5 million.

Additionally, the trust provided unitholder returns of 34.8 per cent for the year, distributing 13.4 cents per unit for an increase of 4.7 per cent.

The trust's success for the year was attributed to an increase in valuations of held properties to \$72.8 million from previous carrying values, renewal of 61 out of 69 leasing options, an increase in the weighted average lease expiry of the portfolio from 7.9 years to 8.2 years in the past year, the acquisition of four new existing childcare centres, and profitable disposal of six other properties.

As a result, the combined total assets of the trust amounted to \$753.6 million at June 2016, compared to \$654.5 million the previous year, marking a 15.1 per cent increase.

Looking forward, FET highlighted its commitment to active management of its portfolio to capitalise on future growth prospects.

"FET continues with its strategy to be recognised as the leading provider of childcare accommodation and together with quality operating partners focusing on providing a healthy and safe environment for future generations," it said.

"Investors benefit from predictable and secure long-term cash flows with the opportunity for capital growth, [and] unitholders should note that any investment opportunity is assessed with respect to its consistency with the trust's characteristics and overall investment objectives."