

Folkestone Education Trust Warns Of Childcare Cost Pressure

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Folkestone Education Trust chief executive Nick Anagnostou.

Folkestone Education Trust has warned that the rising cost of living could force some parents to withdraw their children from childcare, putting pressure on pricing in the early-learning industry.

But the childcare centre landlord still lifted its distribution forecast for the current financial year after reporting a healthier profit and a jump in the value of its properties.

The Nick Anagnostou-led trust reported a 15 per cent rise in net profit to \$122.3 million for the 2017 financial year, compared with the previous year. The value of the group's property portfolio jumped 19.6 per cent to \$858.8m as at June 30 compared to the prior year.

The portfolio's yield compressed from 7.3 per cent to 6.7 per cent as childcare centres across Australia changed hands on tight yields.

Income growth from rent reviews also contributed to the valuation gains, with the trust reporting 3.1 per cent like for-like rental growth across both market and CPI-based reviews.

Despite the rising valuations, the trust warned that pressures on the childcare industry had risen over the past year due to an increase in competition and the erosion of the childcare rebate.

Given low wage growth, rising living costs and the increasing cost of childcare some parents were likely to forgo childcare services, the trust said.

Federal government support for childcare would help ease this pressure, but not until July 2018.

"These factors have led to marginally softer occupancy levels in the latter part of the year for some, the impact varying between locations and operators," the trust said.

“Those operators prepared to reinvest in staff, systems and premises appear to be having greater success, with many centres/operators lifting occupancy for the year.”

Revenue rose 11 per cent to \$151.7m in the year.

The trust paid a June quarter distribution of 3.55c per unit on July 20 to shareholders who were on the register on June 30.

Distributions totalled 14.2c per unit over the year, which the trust expects to rise 6.3 per cent to 15.1c per unit during the 2018 financial year.

Folkestone shares closed 3.8 per cent higher at \$2.74.