RWC
WESTERN SYDNEY



WESTERN SYDNEY INSIGHTS

# Western Sydney Childcare: The Asset Management *View*

ASSET MANAGEMENT | RWC WESTERN SYDNEY | NOV 2026

# Contents

Western Sydney Childcare


4 Executive Summary

6 Overview

8 The Pressure on Operators

10 What We Are Seeing

12 Rent Relief and Lease Structure

14 When an Operator Leaves

16 Knowing When to Sell

18 Outlook

20 Our Team

# Executive Summary

**Childcare in Western Sydney is no longer a passive investment. Over the past seven years it has become one of the most hands-on asset classes we manage.**

| | | | | | |
|---|---|---|---|---|---|
| **385** | childcare projects DA approved across NSW | **43** | of those actually under construction | **45-60%** | occupancy in managed centres in oversupplied pockets |

## THE MARKET

Purpose-built centres leased to reputable national operators continue to perform well where genuine population growth underpins demand, particularly in expanding family corridors where operators keep staff turnover low and fees competitive. Conversely, in catchments where multiple new centres have opened in close proximity without matching demographic growth, even established brands are feeling the squeeze. Across these oversaturated pockets, occupancy is softening, rent relief requests are climbing, and some landlords are navigating operator failures and re-leasing for the first time.

Our NSW Childcare Report (June 2026) shows why location now matters: 385 childcare projects are DA approved across NSW, but only 43 are under construction.

## THE QUESTION FOR OWNERS

For property owners, this creates a more important question than simply whether the market is improving or declining: is the best strategy to hold the asset, restructure the tenancy, reposition the property or sell before further pressure affects its value?

The answer depends on the location, the lease, the financial strength of the operator and the owner's investment objectives. Increasingly, it also depends on how early the warning signs are identified and managed.

If you'd like to discuss this report in more detail, we would be delighted to engage in a conversation with you.



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# How the Market *Got Here*

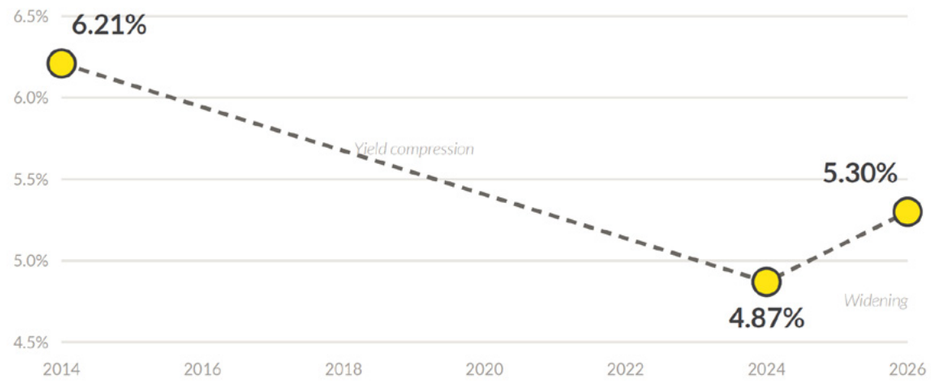
Strong investor demand compressed NSW metropolitan childcare yields from 6.21% in 2014 to 4.87% by 2024.

To maximise end values and capitalise on those sharp yields upon resale, many developers and property owners locked tenants into above-market commencing rents on 10- to 20-year net leases, paired with fixed annual increases of 3% to 4% or more. For a centre now running below capacity, those inflated base rents and compounding escalations are hard to sustain.

Supply also ran ahead of demand in some areas. Approvals in 2021 and 2022 created saturated markets in parts of established Sydney, where some developers secured approval for 90-place centres on residential sites and sold the DA on without building. Those approvals are still sitting in the pipeline.

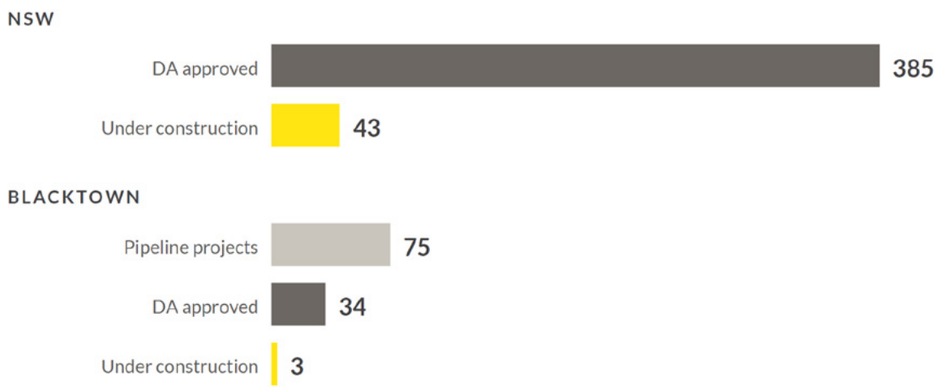
In Blacktown, 34 of 75 pipeline projects are DA approved, yet construction has started on only three. The result is a market increasingly divided between assets with sustainable income and centres where the passing rent, local competition, or tenant's financial position may no longer support the original investment assumptions.

**NSW METROPOLITAN CHILDCARE YIELDS**
PUBLISHED FIGURES, 2014 TO 2026




*SOURCE: RWCWS NSW CHILDCARE REPORT, JUNE 2026. DASHED LINE JOINS THE THREE PUBLISHED JOINTS; INTERMEDIATE YEARS NOT SHOWN.*

**APPROVED VERSUS BUILT**
CHILDCARE PROJECTS, NO. OF PROJECTS




*SOURCE: RWCWS NSW CHILDCARE REPORT, JUNE 2026*

**Those approvals are still sitting in the pipeline. In Blacktown, 34 of 75 pipeline projects are DA approved, yet construction has started on only three.**

# The Pressure on *Operators*

Many independent operators signed leases at peak rents of $5,100 or more per place, on the assumption that the Child Care Subsidy would keep them close to full.

Staffing can be a bigger constraint than floor space.Educator-to-child ratios mean a centre's capacity depends on the staff it can hire. In our portfolio, we have seen an operator paying full rent on a 90-place centre while only able to run 50 places. Revenue was close to halved, but the lease obligations remained.

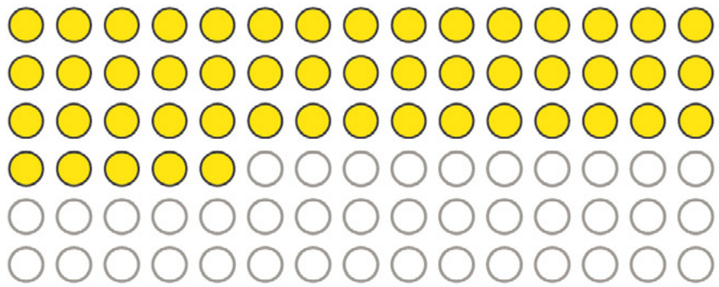
Award wages, insurance, compliance and outgoings have allrisen at the same time. Operators have limited room to pass those costs on, particularly where subsidy rules and fee increase requirements constrain their pricing.

The Child Care Subsidy only covers fees up to an hourly rate cap, and centres taking the Worker Retention Payment must also keep fee increases to 5.8% between August 2026 and August 2027. On older leases with fixed increases, margins have largely gone.

For landlords, this creates a difficult balance. A tenant under genuine financial pressure may need a revised lease structure to remain viable. But agreeing to concessions without understanding the underlying business can simply delay an inevitable default while the landlord’s exposure increases.

> **Agreeing to concessions without understanding the underlying business can simply delay an inevitable default while the landlord’s exposure increases.**

**ONE CENTRE, TWO CAPACITIES**
A 90-PLACE CENTRE FROM OUR PORTFOLIO




*SOURCE: RWCWS ASSET MANAGEMENT PORTFOLIO, 2026*

**WHAT OPERATORS ARE ABSORBING**
AS DESCRIBED ABOVE

**$5,100+**
**Peak rent per place**
Signed by many independent operators at the top of the market.

**3% to 4%**
**Fixed annual increases**
Often more, on 10 to 20 year net leases.

**5.8%**
**Fee increase cap**
For centres on the Worker Retention Payment, August 2026 to August 2027.

**Ratios**
**Staff set capacity**
Educator-to-child ratios limit places to the staff an operator can hire.

# What We Are *Seeing*

Demand is still growing across Western Sydney, but performance varies considerably by location.

Our June report shows 108 children per childcare centre in Bringelly-Green Valley and 97 in Penrith, against 67 in Bankstown. The pressure we are seeing is local. In specific pockets of Blacktown and Liverpool, several large-format centres have opened within 2 kilometres of each other. In these areas, the effects are becoming visible in three stages:

CHILDREN PER CHILDCARE CENTRE
SELECTED WESTERN SYDNEY AREAS

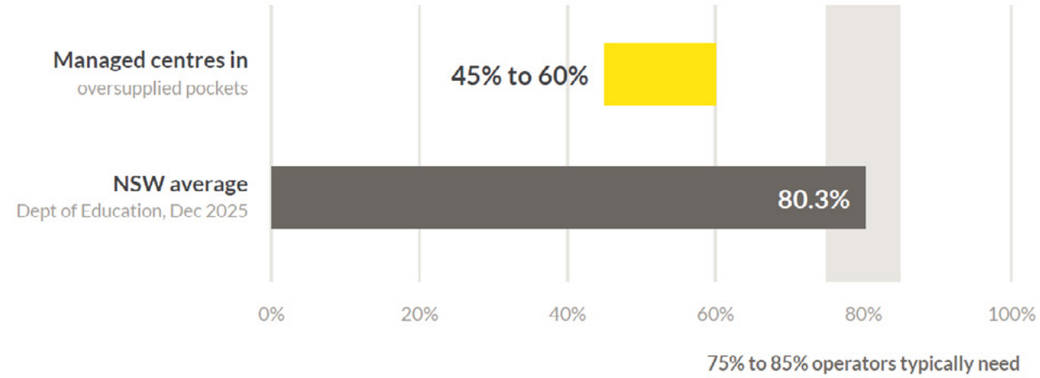



*SOURCE: RWCWS NSW CHILDCARE REPORT, JUNE 2026.*

## 01. Occupancy and *Discounting*

To comfortably cover operating costs and meet rent and debt obligations, childcare operators typically require occupancy between 75% and 85%. Across NSW, the industry average sits at 80.3% (Department of Education, December 2025), a statewide benchmark measuring average filled places across all NSW services. However, across oversaturated catchments, struggling centres are operating well below these levels at just 45% to 60% occupancy. To fill places, some operators are discounting daily rates or offering fee-free weeks. While these measures may boost short-term enrolment, they erode margins, put further pressure on cash flow, and often precede rent arrears.

THE OCCUPANCY GAP
OCCUPANCY, % OF LICENSED PLACES




*SOURCE: RWCWS ASSET MANAGEMENT PORTFOLIO, 2026; DEPARTMENT OF EDUCATION, DECEMBER 2025.*

**While these measures may help in the short term, they can also reduce margins, put further pressure on cash flow and precede rent arrears.**

## 02. Rent Relief ***Requests***

We are receiving more formal requests for rent reductions, waivers and deferrals than in previous years. For landlords, rentrelief should be based on verified financial need and a credible recovery plan, rather than the tenant's request alone. Before agreeing to concessions, landlords should seek full financial disclosure, including a profit and loss statement, a 13 week cash flow forecast, payroll records and CCS records to verify actual occupancy and revenue. This process helps distinguish a viable business experiencing temporary pressure from an operator facing deeper structural or financial difficulties such as ATO payment plans, unpaid superannuation, supplier debts and award wage arrears.

Where the business is fundamentally viable, a carefully structured rent adjustment, temporary deferral or revised lease arrangement may protect the landlord's income and avoid a costly vacancy. Where the evidence does not support a recovery, the landlord may need to consider stronger action, including enforcing the lease, negotiating an orderly exit or identifying a replacement operator.

**DISCLOSURE TO REQUEST**

- Profit and loss statement
- 13-week cash flow forecast
- Payroll records
- CCS records to verify actual occupancy and revenue

**DISCLOSURE TO REQUEST**

- ATO payment plans
- Unpaid superannuation
- Supplier debts
- Award wage arrears

## 03. Security on Older ***Leases***

Many leases signed during the boom sit with single-purpose entities, with no parent company or personal guarantee. If the tenant defaults, the landlord's security is usually a bank guarantee of 3 to 6 months' rent. Over a long default or re-leasing period, legal costs, outgoings arrears and default interest (commonly around 8% p.a.) can use that up quickly.

This is why early monitoring and intervention matters. By the time arrears become substantial, you may have fewer practical options and a much smaller financial buffer

## Lease ***Restructure***

A lease restructure is not appropriate for every struggling tenant.

The objective is to establish whether the operator can return to sustainable trading and, if so, whether the proposed arrangement leaves the landlord in a better position than the realistic alternatives. Depending on the circumstances, options may include:

1. A temporary rent deferral with a documented repayment plan.
2. A time-limited rent reduction tied to agreed performance and reporting requirements.
3. A revised rent structure that better reflects the centre's sustainable trading capacity.
4. A lease assignment to a financially stronger or more experienced operator.
5. An agreed surrender or exit strategy where the business is no longer viable.

*ANY PROPOSAL SHOULD BE SUPPORTED BY FINANCIAL EVIDENCE, DOCUMENTED CONDITIONS AND APPROPRIATE LEGAL ADVICE.*

**3-6** months' rent, held as a bank guarantee, is usually the landlord's security if the tenant defaults. Default interest commonly runs at around 8% p.a.

# When an Operator *Leaves*

Childcare is a specialised asset, and replacing an operator takes time.

**3–8 mos.**
DOWNTIME

Finding a new operator, securing regulatory approvals and completing the handover typically means 3 to 6 months without rent.

**$4.5k–5k**
RENT RESET

Legacy rents of $5,100+ per place are not achievable in oversupplied areas. Incoming operators are negotiating closer to $4,500 to $5,000 per place.

**Incentives**
EXPECTED

Incoming operators expect rent-free periods or fitout contributions and may seek other incentives, particularly where the previous operator's business has failed.

THE RENT RESET
LEGACY VERSUS INCOMING RENT PER PLACE




*SOURCE: RWCWS ASSET MANAGEMENT PORTFOLIO, 2026. OBSERVED RANGES, NOT MARKET AVERAGES.*

# Two *Markets*

The same asset class, performing very differently depending on the catchment around it.

| | Balanced or growth catchment | Oversupplied pocket |
|---|---|---|
| **Average occupancy** | 78% to 88% | 45% to 60% |
| **Rent per place** | $4,500 to $5,000, sustainable | $5,100+ on legacy leases |
| **Typical tenant requests** | Expansions, outdoor upgrades | Rent relief, fee deferrals, lease exits |
| **Rent as a share of revenue** | Under 15% | 22% to 25% or more |
| **Arrears** | Current or minimal | 30 to 60+ days on rent and outgoings |
| **Common format observed** | Purpose-built, 75 to 90 places | Converted houses, 29 to 45 places, with performance varying by catchment |

*SOURCE: RWCWS ASSET MANAGEMENT PORTFOLIO, 2026. OBSERVED RANGES, NOT MARKET AVERAGES. OUTCOMES VARY BY ASSET, OPERATOR AND LOCATION.*




# Knowing When to *Sell*

Selling is not always the answer to a difficult tenancy, just as holding is not always the best long-term decision.

For some owners, retaining a well-located centre with a capable operator and sustainable rent remains the logical strategy. For others, ongoing vacancy risk, a deteriorating lease covenant or the prospect of substantial capital expenditure may justify considering a sale.

The important distinction is between selling because a property is experiencing a temporary problem and selling because the risk-return profile has fundamentally changed.

## BEFORE MAKING THAT DECISION, OWNERS SHOULD CONSIDER

1. **The strength of the existing lease:** Is the passing rent sustainable, and is the operator financially capable of meeting its obligations?
2. **The local supply pipeline:** Are competing centres operating now, or are additional approved projects likely to affect future occupancy?
3. **The cost of holding:** What are the likely costs of incentives, rent relief, capital works, vacancy and re-leasing?
4. **The value of stabilising first:** Would a successful lease restructure or replacement operator materially improve the property's income profile and sale prospects?
5. **The owner's objectives:** Is the priority immediate liquidity, reduced risk, long-term income or portfolio repositioning?

A sale should be assessed against realistic alternatives, including the cost and time required to stabilise the asset. In some circumstances, selling while the asset still has a functioning tenant and a credible income stream may be preferable to waiting until a lease failure forces the decision. In others, addressing a temporary tenancy problem first may protect value.

# *Outlook*

Western Sydney's childcare market is rebalancing.

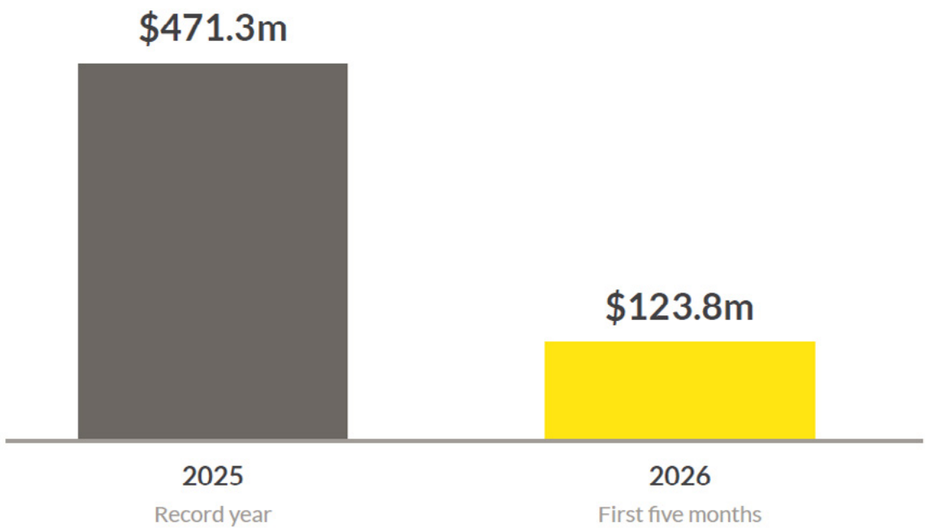
Our June 2026 report shows metropolitan yields widening from 4.87% in 2024 to 5.30%, and investment cooling from a record $471.3 million in 2025 to $123.8 million in the first five  months of 2026. Demand is still there across Western Sydney's growth corridors. But performance now comes down to location, operator strength and site format.

METRO YIELDS

## 4.87% ↠ 5.30%

2024 to June 2026 report

CHILDCARE INVESTMENT VOLUME
$ MILLION




*SOURCE: RWCWS NSW CHILDCARE REPORT, JUNE 2026. 2026 COVERS THE FIRST FIVE MONTHS ONLY.*

FOR LANDLORDS, FOUR PRIORITIES STAND OUT

01.

### *Act early.*

Request regular operating reports and investigate falling occupancy before it becomes a rental problem.

02.

### *Qualify the hardship.*

Base rent relief decisions on verified financial information, a realistic recovery plan and clear conditions.

03.

### *Protect the covenant.*

A sustainable tenant on market rent is worth more than a high passing rent that can't be paid. Where a tenant can't carry the rent, resetting to market ($4,500 to $5,000 per place) or assigning the lease to an established operator can avoid a long vacancy.

04.

### *Review the asset strategy*

Understand whether the best outcome is to retain, restructure, re-lease or sell before financial pressure removes options.



**If you'd like to discuss this report in more detail, we would be delighted to engage in a conversation with you.**

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**Director of Asset Management, RWC Western Sydney**
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# OUR OFFICE

With a strong foundation of experience and expertise, we bring a winning combination of dynamism and operational rigour to the commercial agency space.

## Our People are *Your Advantage.*

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Managing Director



JOSEPH ASSAF
Co-Owner & Director



VICTOR SHEU
Director



TROY WANG
Sales Executive



OWEN WHITE
Sales Executive



ANDREW SACCO
Sales Executive



MARCUS AUDDINO
Sales Executive



NATASHA SANDERS
Sales Executive



HARRY VEALL
Sales Associate



DANIEL HELWEH
Sales Associate



MARCUS TOLE
Property Analyst



CHRISTIAN FINIANOS
Property Researcher



BILLY MINNETT
Research Assistant



CHANTEL BRILLANTES
Marketing & Brand



MONH LY
Campaign Manager



SARA COPTIL
EA to Peter Vines

***Who*** we are,
***what*** we do,
***why*** we do it



CHRISTOPHER BAISSARI
EA to Joseph Assaf

### LEASING



SAMUEL GONG
Senior Leasing Executive



CRAIG GOSPO
Leasing Executive



JACK TALTY
Leasing Associate

### OPERATIONS



RUBY ROZENTAL
Director of Strategy



HANNAH CARNEY
Director of Operations



PAULINE WATERFORD
Finance Manager



CHRISTIAN BRILLANTES
Office Manager



DAKOTA SINGLETON
Administrative Assistant

### ASSET MANAGEMENT



JOYCE ELKOUBERCI
Director



CALLUM MCKAY
Asset Manager



ADRIAN HARB
Assistant



ANNIKA WARD
Assistant



MARCUS FUNG
Assistant



HARRY LAHOOD
Assistant



JACKIE AMYOUNI
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