



RWC



WESTERN SYDNEY INSIGHTS

NSW Childcare

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Executive Summary

The NSW childcare investment market demonstrates remarkable stability amid broader commercial property uncertainty, supported by unprecedented government commitment and sustained demographic demand.

With \$4.5 billion in annual subsidies supporting 463,160 children across 327,290 families, the sector benefits from government-backed revenue streams that provide defensive investment characteristics.

MARKET PERFORMANCE AND ACTIVITY

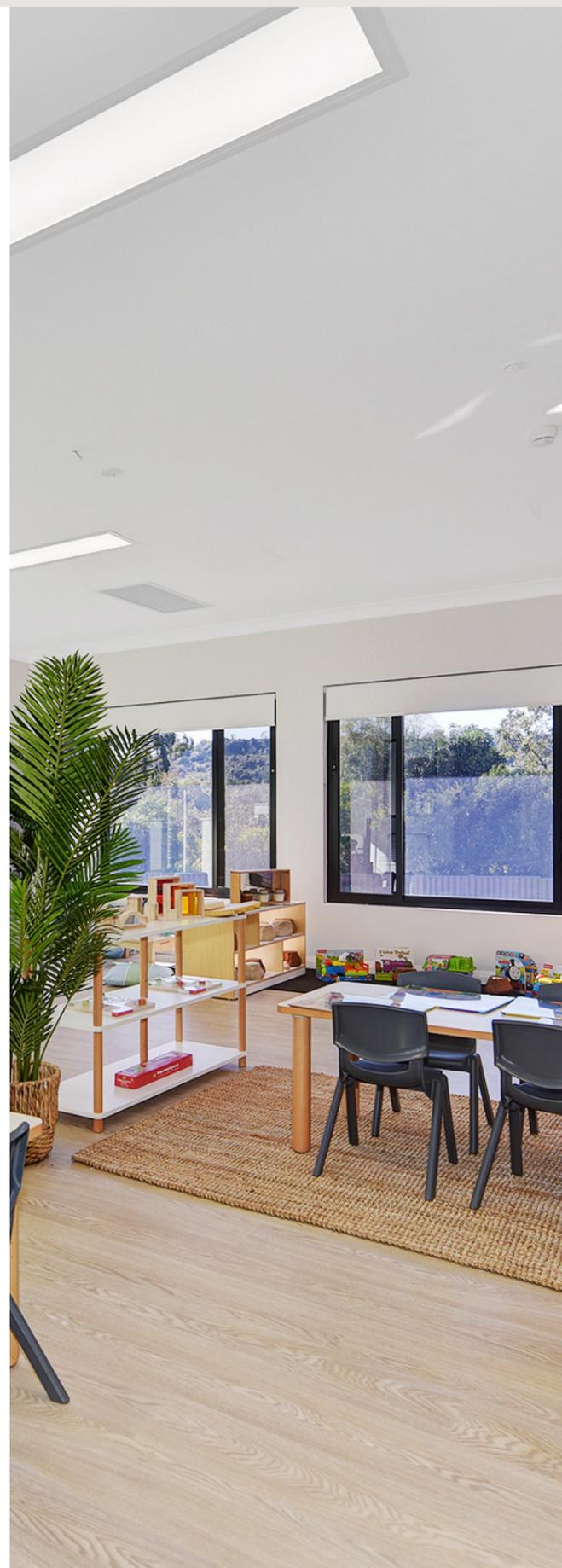
Transaction volumes of \$123.3 million in 2025 year-to-date represent a measured pullback from 2024's \$394.2 million, reflecting buyers' cautious approach as anticipated interest rate cuts failed to materialise. Western Sydney maintains its appeal, accounting for 34.5% of metropolitan activity, driven by population growth and dual-income household necessity.

DEVELOPMENT PIPELINE STRENGTH

The 669 project development pipeline signals continued sector confidence, with 443 metropolitan projects led by Western Sydney councils including Blacktown (67 projects), Liverpool (61), and The Hills Shire (44). The broader Western Sydney region accounts for over 40% of the metropolitan pipeline. Across NSW, 343 projects remain at DA approval stage, reflecting construction cost pressures and developers' increasingly strategic approach to location selection.

INVESTMENT FUNDAMENTALS

Yields demonstrate stability with metropolitan markets averaging 4.74% and regional markets at 5.48%. This stability during the interest rate cycle transition highlights the sector's defensive characteristics, government subsidy support, and essential service nature. The 2025 Federal Budget's \$5 billion universal childcare commitment, including the "3 Day Guarantee" and \$1 billion Building Early Education Fund, strengthens the investment case. Combined with \$3.6 billion for educator wage increases, these measures address labour challenges while expanding accessibility.



MARKET DYNAMICS

Demand based on price point has become evident, with sub-\$5 million assets attracting the broadest buyer pool, while larger transactions face extended timeframes. Development site activity has intensified as DA expiry pressures mount, with owners updating approvals to optimise construction costs through single-level designs.

The sector's land tax exemptions, net lease structures, and government-backed revenue certainty continue attracting diverse investors from first-time commercial buyers to institutional players seeking defensive characteristics in uncertain market conditions.

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



PETER VINES
Managing Director
RWC Western Sydney
0449 857 100

A Snapshot of Childcare in NSW



463,160
CHILDREN IN CARE



327,290
FAMILIES USING CARE



5,376
APPROVED SERVICES



33.9 hours
AVERAGE WEEKLY USAGE



\$14.15
AVERAGE HOURLY FEE



\$3.59 billion
TOTAL SUBSIDIES
(AUSTRALIA-WIDE)

Source: Department of Education | March 2025

699 new childcare facilities are currently in the development pipeline across NSW

REGIONAL ACTIVITY GROWING, METROPOLITAN DOMINATED BY **WESTERN SYDNEY**

44 Projects Under Construction

343 Projects DA Approved

NSW CHILDCARE TURNOVER

2025* **\$123.3million**

2024 **\$394.2million**

2023 **\$310.7million**

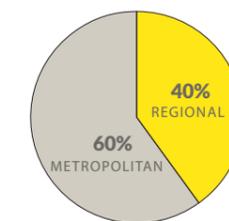
AVERAGE YIELD*

Metropolitan **4.74%**

Regional **5.48%**

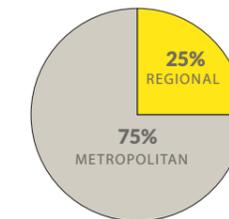
Source: RWCWS *to 1 August

REGIONAL V METROPOLITAN SALES



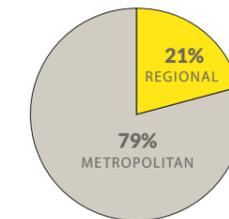
2025*

METROPOLITAN
60%
REGIONAL
40%



2024

METROPOLITAN
75%
REGIONAL
25%

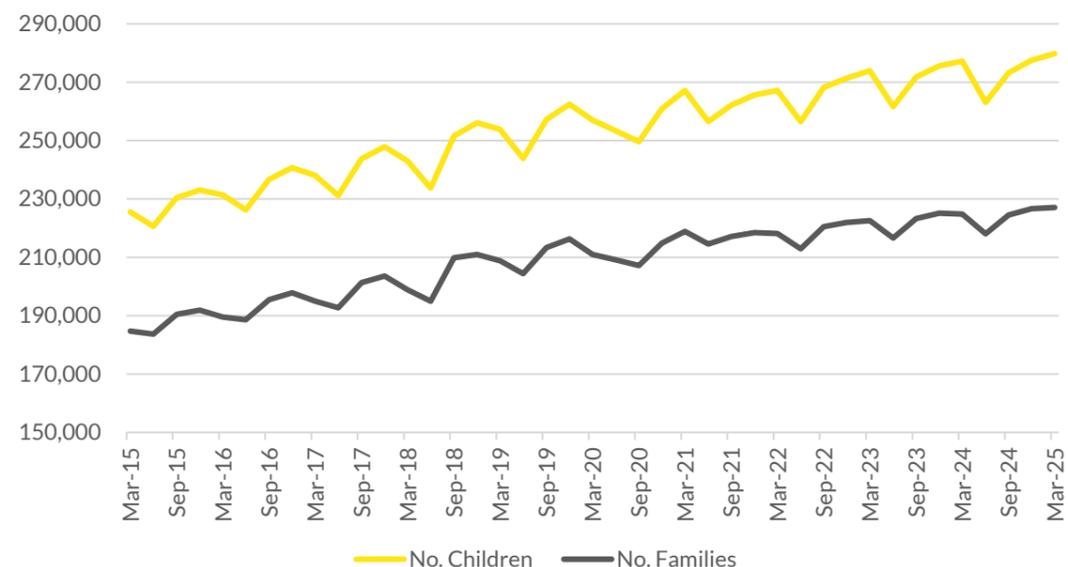


2023

METROPOLITAN
79%
REGIONAL
21%

Government Commitment Strengthens Childcare Fundamentals

NUMBER OF CHILDREN & FAMILIES UTILISING CHILDCARE
CENTRE BASED CHILDCARE, NEW SOUTH WALES



SOURCE: DEPARTMENT OF EDUCATION

In NSW, centre-based day care accommodates 279,770 children across NSW, representing 60.4% of the state's total childcare market.

The childcare sector continues to benefit from substantial government support, with New South Wales receiving an estimated \$4.5 billion in annual childcare subsidies based on the March 2025 quarter data. This represents 31.3% of the national subsidy pool, supporting 463,160 children across 327,290 families, figures that underscore NSW's position as Australia's largest childcare market.

Centre-based day care maintains its dominance, accommodating 279,770 children (60.4% of all childcare users) across the state's 5,376 approved services. While growth has moderated to 0.9% over the past year, slower than the historic 2.3% annual average, this stabilisation reflects market maturity rather than declining demand. Children spend an average of 33.9 hours per week in centre-based care, with average hourly fees of \$14.15 translating to approximately \$480 per week or \$96 per day. While these are averages across the State it is not unusual for establishments to be charging upwards of \$120 per day in high quality facilities across Sydney.

The 2025 Federal Budget transforms the investment landscape with unprecedented policy support. The government's \$5 billion commitment toward universal early childhood education, including the new "3 Day Guarantee" ensuring subsidised care for additional 100,000 families nationally, directly benefits NSW operators through improved occupancy certainty. The \$1 billion Building Early Education Fund specifically targets new centre development, while \$3.6 billion allocated for educator wage increases through Worker Retention Payments addresses the sector's critical labour challenges.

Western Sydney particularly benefits from policy changes due to its many young families and growth. Increased subsidies attract more families to formal childcare, maintaining high occupancy during large development plans. Government support provides stable income, and the development fund enables strategic expansion into underserved growth areas.

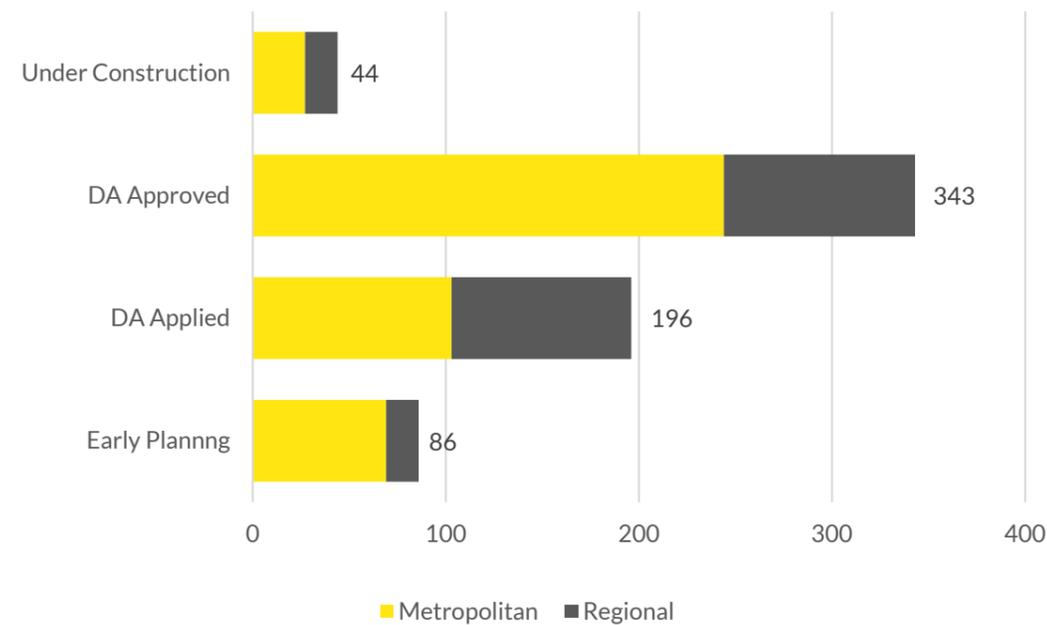
The ACCC's childcare reforms complement federal efforts to boost affordability and competition. With state growth, especially in Sydney's west where housing costs drive dual incomes, these policies strengthen childcare investment.



"The new '3 Day Guarantee' will benefit 100,000 additional families nationally, improving occupancy certainty for NSW operators and investors."

Development Pipeline Shows *Renewed Confidence* Despite Construction Challenges

NEW SOUTH WALES SUPPLY PIPELINE BY REGION
NO. OF PROJECTS



SOURCE: CORDELL CONNECT, RWCWS

NSW's 669-project childcare pipeline signals recovery as construction costs stabilise, but developers now prioritise strategic location analysis to prevent oversupply.

The childcare development sector maintains significant momentum across New South Wales, with 669 active projects in various stages representing substantial potential supply.

Metropolitan areas dominate with 443 projects (66%), reflecting concentrated population growth and childcare demand within metropolitan areas.

Western Sydney emerges as the development epicentre. Blacktown has 67 projects, followed by Liverpool (61), The Hills Shire (44), Cumberland (41), and Parramatta (31). Sydney councils account for over 40% of NSW's metropolitan pipeline, highlighting the region as the state's childcare hub.

Development approvals lead the pipeline, with 343 projects approved but not yet started. This reflects recent challenging conditions—high material costs, labour shortages, and financing constraints—that caused many developers to pause before breaking ground.

However, construction activity shows signs of recovery, with 44 projects currently under construction statewide. While representing just 6.5% of the total pipeline, this marks improvement from the construction drought of 2022-2023. Stabilising interest rates and moderating construction costs are translating into renewed developer confidence.

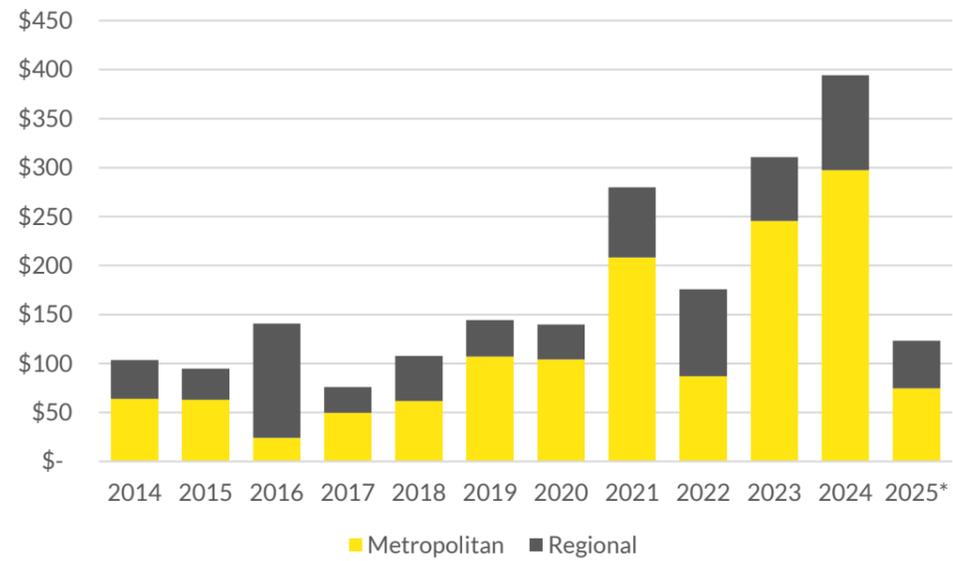
The location imperative is stronger than ever, with approved supply waiting and oversupply risk critical. Developers now analyse demographics and competition before building, aiming to enter undersupplied markets instead of adding to oversupply.

Early planning for 86 projects shows ongoing developer interest, especially in Western Sydney's growth corridors, where rising populations boost childcare demand. Yet, this planning is more selective with longer lead times as developers carefully choose sites and timing.

"Developers now conduct detailed market analysis before construction, ensuring centres launch into genuinely undersupplied areas rather than contributing to oversupply."

Market Shows *Measured Approach* as Buyers Take Time

NEW SOUTH WALES CHILDCARE TRANSACTION VOLUMES
\$ MILLIONS



SOURCE: RWCWVS *2025 REPORTED TO 1 AUGUST

Quiet start to the year with NSW childcare sales reaching \$102.8 million to date, with Western Sydney accounting for 41% of metropolitan activity.

The childcare investment market has slowed down in 2025, reflecting buyers' cautious approach as interest rate cuts did not happen as expected. Year-to-date transaction volumes of \$123.3 million show a significant decline from 2024's \$394.2 million total. Notably, Western Sydney remains attractive, accounting for 34.5% of metro activity in 2025 and holding a similarly high 38% share in 2024's \$297.5 million metro total.

DEVELOPMENT SITE ACTIVITY HAS INTENSIFIED

As developers face DA expiry pressures and construction cost challenges, high volumes of development sites are entering the market, with many owners updating DAs to optimise projects for lower construction costs through single-level designs and basement avoidance. This reflects the ongoing tension between development feasibility and market opportunities.

Price point groupings has become increasingly evident in determining transaction volume:

- 1 **Sub-\$5 million assets** remain attractive to the broadest buyer pool, including first-time commercial investors, private investors, and owner-occupiers
- 2 **\$5-7 million range** encounters a narrower buyer pool, with longer marketing periods as investor appetite remains selective
- 3 **Above \$7 million** transactions face extended timeframes, with larger centres presenting additional risks around labour shortages and operational complexity

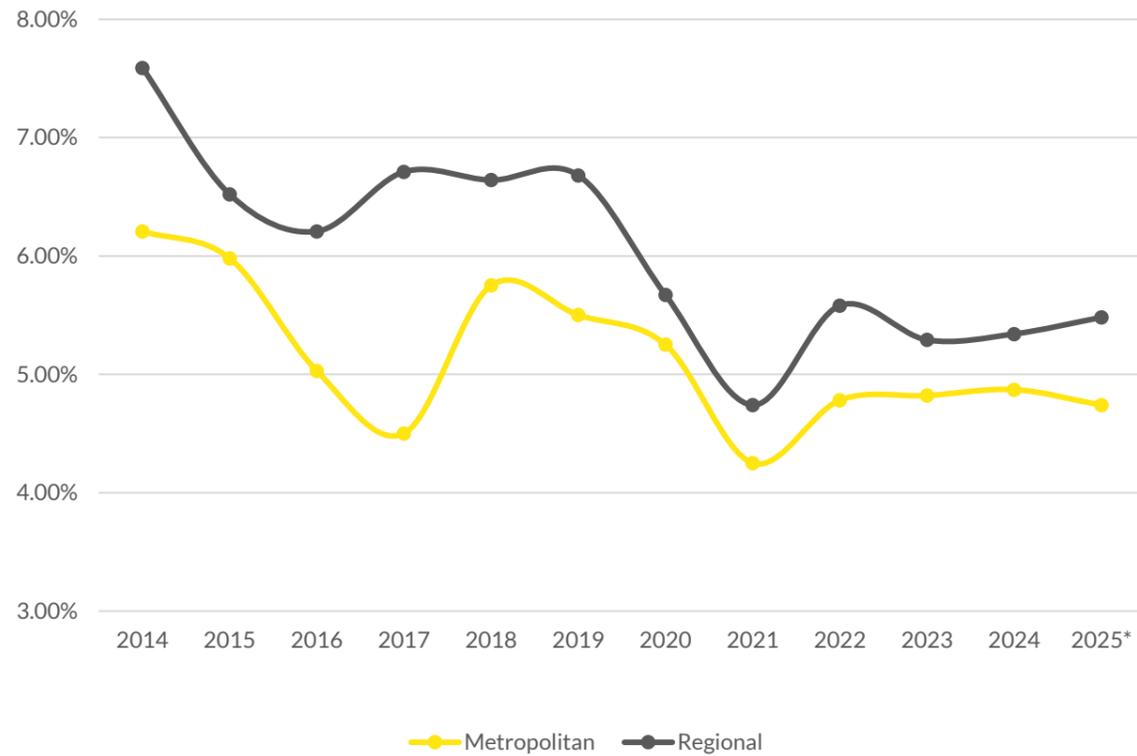
The absence of anticipated rate cuts has fundamentally shifted buyer behaviour. Rather than rushing to secure assets, investors are conducting thorough due diligence including detailed analysis of local competition, demographic projections, and operator quality. Supply concerns are influencing decisions, with buyers increasingly factoring future competition into pricing, particularly given Western Sydney's substantial development pipeline.

The measured approach extends to contract terms, with buyers seeking longer due diligence periods and comprehensive operator disclosures, producing more considered investment decisions despite extended transaction timelines.



Yields remain *stable* as interest rate cycle turns

NEW SOUTH WALES CHILDCARE YIELDS
BY LOCATION



SOURCE: RWCWS *2025 REPORTED TO 1 AUGUST

Metropolitan childcare yields average 4.74% in 2025, showing modest movement with just 49 basis points increase from 2021 lows.

Investment yields for childcare centres continue demonstrating stability as the interest rate cycle begins its downward trajectory. With cash rates now in a compression phase after peaking at 4.35%, childcare yields have moved modestly, with metropolitan markets averaging 4.74% in 2025 compared to 4.25% in 2021. Regional markets show similar patterns at 5.48%, up from 4.74%, reflecting the sector's defensive characteristics and government-backed revenue streams.

Yield compression reflects strong investor demand across price points, particularly in Western Sydney where population growth and dual-income necessity maintain high occupancy rates. The sector's essential service nature, combined with government subsidies supporting 60.4% of families through centre-based care, provides income certainty that traditional commercial assets cannot match.

Metropolitan markets demonstrate superior yield stability, with several factors underpinning performance:



Government subsidy support providing predictable revenue streams regardless of economic conditions



Land tax exemptions and net lease structures transferring operational costs to tenants



Limited new supply in established areas creating natural yield support



Essential service demand proving recession-resistant across economic cycles

Regional yields show greater volatility due to limited transaction volumes and location-specific factors, though the 74 basis point differential to metropolitan markets reflects genuine risk premiums rather than market inefficiency. Assets in growth corridors like Central Coast and Newcastle command tighter yields than outer regional locations.

Looking forward, yield stability appears sustainable. The 2025 Federal Budget's \$5 billion childcare commitment enhances revenue certainty, but development constraints in established areas limit supply. Interest rate normalisation, along with the sector's defensive traits, makes childcare yields attractive compared to other commercial assets.

"Regional yields average 5.48% compared to metropolitan 4.74%, with the 74 basis point differential reflecting location risk rather than market inefficiency."

Conclusion

The NSW childcare investment market is positioned for selective recovery as interest rate normalisation combines with strengthened government support to create compelling fundamentals for strategic investors and developers.

INTEREST RATE ENVIRONMENT AND INVESTMENT APPETITE

With cash rates entering a compression phase, the childcare sector's modest yield movement positions it favourably against other commercial asset classes. Metropolitan yields at 4.74% and regional at 5.48% offer attractive risk-adjusted returns, particularly given government subsidy backing and essential service characteristics. As rate pressures ease, investor appetite is expected to strengthen across all price segments.

DEVELOPMENT PIPELINE ACTIVATION

The substantial 343-project DA approval inventory provides immediate opportunities as construction costs stabilise and financing conditions improve. Western Sydney's development concentration will benefit from continued population growth and the Federal Budget's \$1 billion Building Early Education Fund. However, success will increasingly depend on rigorous location analysis to avoid oversupply risks.

GOVERNMENT POLICY CATALYST

The 2025 Federal Budget represents a watershed moment for childcare investment. The \$5 billion universal system commitment, combined with the "3 Day Guarantee" expanding access to 100,000 additional families nationally, directly improves occupancy certainty. NSW operators stand to benefit significantly given the state's 31.3% share of national subsidy allocation.

WESTERN SYDNEY GROWTH TRAJECTORY

Western Sydney's demographic fundamentals remain compelling, with young family concentration and housing affordability driving dual-income necessity. The region's high share of metropolitan transaction activity reflects genuine underlying demand rather than speculative interest, supporting sustainable growth.

MARKET SEGMENTATION AND STRATEGY

Price point differentiation will continue defining market dynamics. Sub-\$5 million assets will maintain broad appeal among private investors, while more sophisticated buyers focus on larger assets offering covenant strength and scale benefits. Development sites face increased scrutiny as buyers evaluate long-term supply-demand balance.

The sector's defensive characteristics, government backing, and essential service nature position it as a preferred alternative to traditional commercial assets as market conditions evolve through 2025 and beyond.



PETER VINES
Managing Director
RWC Western Sydney
0449 857 100

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.*

SALES



PETER VINES
Managing Director



JOSEPH ASSAF
Director



VICTOR SHEU
Director



TROY WANG
Sales Executive



OWEN WHITE
Sales Executive



ANDREW SACCO
Sales Executive



VEE LI
Sales Executive



MARCUS AUDDINO
Sales Executive



ALEX EL HAZOURI
Sales Associate



MARCUS TOLE
Property Analyst



CHRISTIAN FINIANOS
Property Researcher



CHANTEL BRILLANTES
Marketing & Design



MONH LY
Campaign Manager

LEASING



ROBERT NAPOLI
Senior Leasing Executive



SAMUEL GONG
Senior Leasing Executive



JOYCE ELKOUBERCI
Director



CALLUM MCKAY
Asset Manager



ADRIAN HARB
Assistant



AALIYAH CHAMI
Assistant



ANNIKA WARD
Assistant



MARCUS FUNG
Assistant



ZEINA TAJIK
Accounts

ASSET MANAGEMENT

OPERATIONS



RUBY ROZENTAL
Director of Strategy



HANNAH CARNEY
Director of Operations



PAULINE WATERFORD
Finance Manager



CHRISTIAN BRILLANTES
Office Manager

PROJECTS



MARK BERNBERG
Managing Director



NATASHA SANDERS
Sales Executive



SHANI FERDMAN
Sales Associate



BETTY NGUYEN
Marketing Coordinator

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



The logo consists of a white square containing the letters 'RWC' in a bold, black, sans-serif font.

RWC

RWC WESTERN SYDNEY

Level 1, 15-17 Argyle Street
Parramatta NSW 2150

(02) 8074 4884

rwcws.com