Childcare Market Overview

Knight Frank

2026

Nurseries, SEN schools and children's homes: a sector overview

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Introduction

The UK children's care market spans education, healthcare and social care, providing essential services to children and young people.



Ryan Richards,
Knight Frank, Associate

Collectively, the sector encompasses early years childcare, specialist education, and residential care, building a support infrastructure from infancy through to adulthood. While each segment has distinct operational and regulatory characteristics, all are underpinned by strong structural drivers, complex care needs and a reliance on independent provision to close the gap in public-sector capacity.

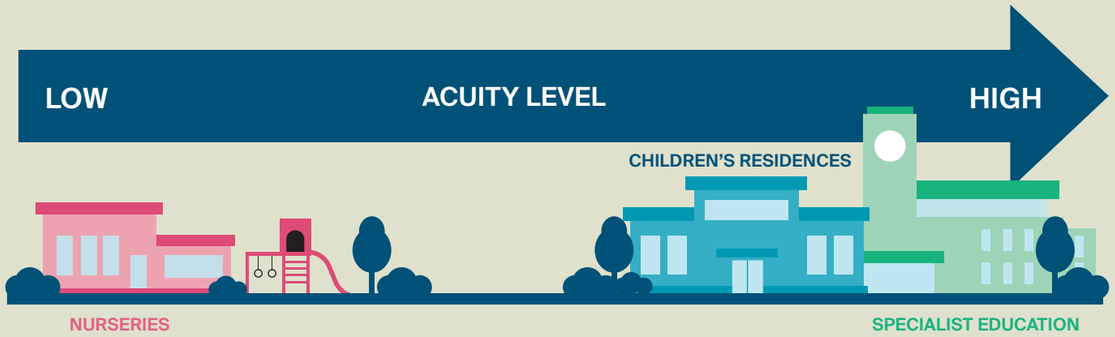
Demand has continued growing across the sector. A greater number of Education, Health and Care Plans (EHCPs), rising neurodiversity and mental health conditions, in line with increasing amounts of children requiring specialist placements, and government support for working families, have all contributed to boosted demand levels for children's services.

> "Demand is needs-led, based on long-term demographics, as well as policy support"

In contrast, supply has been restricted by workforce shortages, planning and regulatory constraints, and increased operating costs. Private and independent operators, as a result, play a fundamental part in servicing demand across nurseries, Special Educational Needs (SEN) schools, and children's residential homes.

This has led to a somewhat attractive investment landscape. Demand is needs-led, based on long-term demographics, as well as policy support. Overlaying this with a fragmented ownership structure suggests that there are opportunities for both organic growth and consolidation amongst operators and investors.

Childcare matrix



Source: Knight Frank Insight

NURSERIES

Policy-backed and highly fragmented

1.62m	1.29m	60,400	15,237	90%
REGISTERED CHILDCARE PLACES	EARLY YEARS REGISTER PLACES	REGISTERED PROVIDERS	UK NURSERY SETTINGS	SUPPORT AT LEAST ONE CHILD WITH SEND

Source: Knight Frank Insight, Ofsted, Department for Education

FRAGMENTATION CASE

- Evenly split between single-site and multi-site provision.
- Private ownership accounts for the majority of settings, but institutional, listed, private-equity, voluntary and public-sector models coexist.
- Fragmentation creates a long runway for bolt-ons, but local occupancy, staffing and fee dynamics remain decisive.

DEMAND CASE

- From September 2025, eligible working parents in England could access 30 funded hours from nine months to school age for 38 weeks a year.
- Policy support lowers the direct cost for eligible families and underpins utilisation, while demographic and employment effects vary by local catchment.

DAY NURSERIES

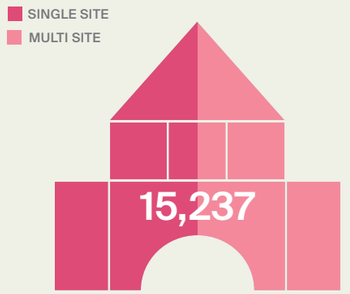
Settings providing childcare and early years education to children up to five years old. They support children to grow and develop using different approaches to childcare and teaching, however there is a greater focus on learning through play in all settings.

NURSERY SCHOOLS

Nursery schools have a trained teacher or headteacher in charge and provide more structured, educational activities than day nurseries. Although children also learn through play, there is more emphasis on preparing children for the transition to primary school.

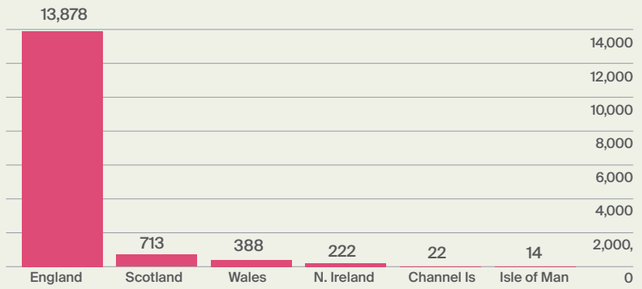
	Day Nursery	Nursery School
Ages	Birth to 5 years	3 to 5 years
Hours	Extended (e.g. 7:30am – 6:00pm)	School hours / sessional term-time
Term Schedule	Open year-round	Term-time only
Primary Focus	Flexible childcare & play-based care	Early education & school preparation
Leadership	Manager / Provider	Headteacher / Teachers

Nursery market structure by setting



Source: Knight Frank Insight

Day nursery and nursery school settings



Source: Knight Frank Insight

NURSERIES

Ownership, transactions and real estate

KEY OPERATORS

- Busy Bees, Bright Horizons, Kids Planet, Partou, Childbase Partnership, Grandir UK, Family First, ICP Education, Welcome Nurseries and N Family Club.
- Scale benefits include central recruitment, curriculum, systems and property expertise, while the local proposition remains central to occupancy.

INVESTMENT CASE

- Funded entitlements and working parent demand create policy-backed revenue support.
- A fragmented market offers platform and consolidation potential.
- Nursery properties serve a recurring local need and can suit long-income strategies where rents remain affordable.

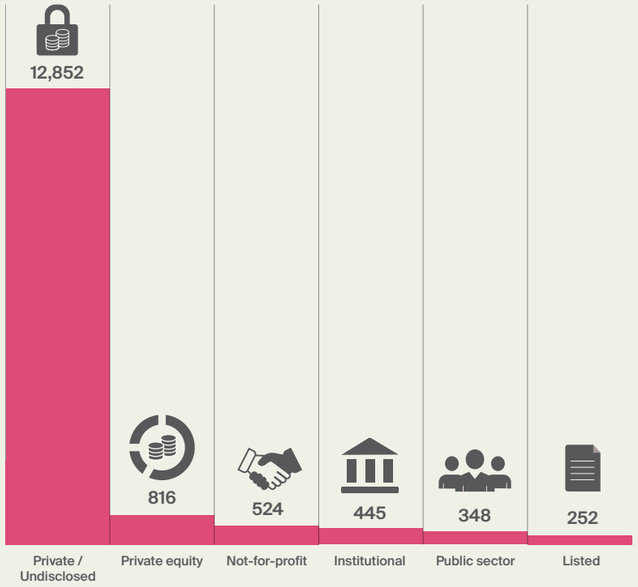
SELECTED TRANSACTIONS

- AcadeMedia entered the UK nursery market through the 2026 acquisition of Chestnut, consisting of 21 settings.
- Kids Planet acquired nine Hunny Pot settings in 2026 and four Shine Childcare nurseries in 2025.
- The Learning Experience acquired Banana Moon, adding a major franchise platform.

WATCHPOINTS

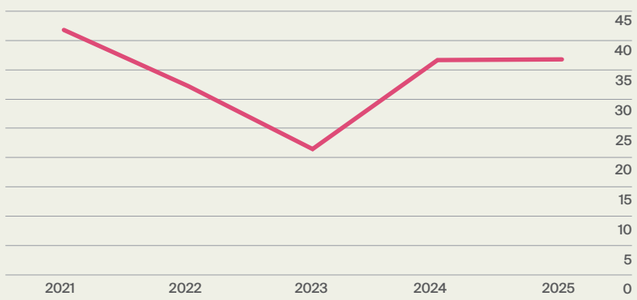
- Funding rates versus wages and operating costs.
- Staff availability, ratios and qualification requirements.
- Lease affordability, capex and local occupancy.

Nursery setting by underlying ownership



Source: Knight Frank Insight

Reported nursery property transaction volume (£m)



Source: Knight Frank Insight

SEN SCHOOLS

Referral-led with consistent growth

538,547	1.32m	1.85m+	2.68bn	10.5m
PUPILS WITH EHCPS	PUPILS ON SEN SUPPORT	IDENTIFIED SEN PUPILS	INDEPENDENT MARKET	CYPMHS ACTIVE REFERRALS

Source: Knight Frank Insight, Department for Education, Laing & Buisson, Children's Commissioner

DEMAND CASE

- EHCP and SEN-support volumes show the scale of need across mainstream and specialist settings.
- Autism, social, emotional and mental health needs and complex learning needs are key pressures on capacity.
- In 2024/25, suspected autism and other neurodevelopmental conditions were among the fastest-growing reasons for CYPMHS referral.
- When local specialist provision is unavailable, local authorities may rely on higher-cost independent placements.

SUPPLY RESPONSE

- Independent schools provide specialist staffing, smaller cohorts and adapted facilities for higher-acuity needs.
- New openings require education registration, specialist recruitment and suitable buildings, limiting the speed of delivery.
- Mainstream inclusion reform may change referral patterns, but complex needs will continue to require specialist provision.

FUNDING

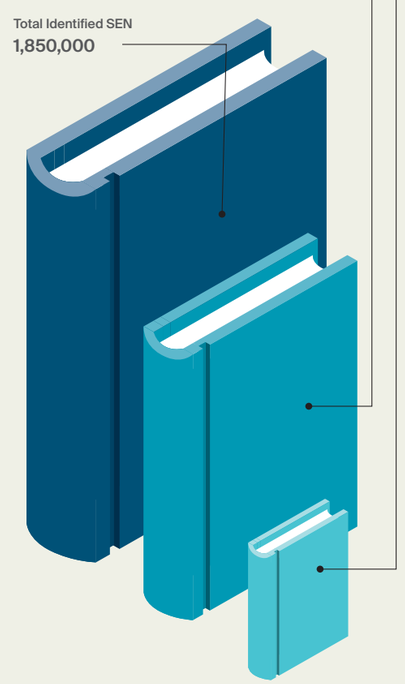
- Local authorities fund placements through high-needs budgets, often following an EHCP assessment.
- The education, health and care model links DfE-funded education with health and social-care inputs where specified.

> "EHCP and SEN-support volumes show the scale of need across mainstream and specialist settings."

128 DAYS

MEDIAN WAIT TIME ACROSS ALL REFERRED CHILDREN IN 2024/25

Scale of identified SEND need in England

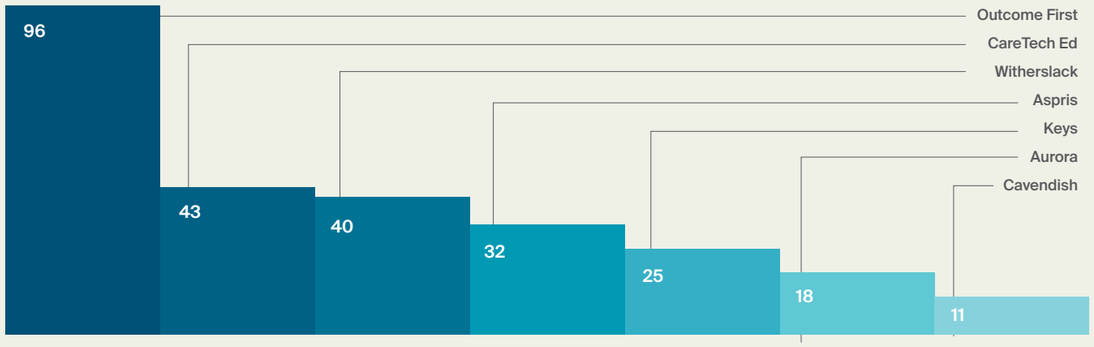


Source: Knight Frank Insight, Department for Education

SEN SCHOOLS

Platforms, NHS involvement and investment

Estimated specialist educations sites by platform



Source: Knight Frank Insight

SELECT TRANSACTIONS

- Waterland acquired the Priory education division in 2021 for £800m.
- Mubadala Capital invested in Witherslack in 2021 in a transaction recorded at £590m.
- Current activity remains centred on specialist-education bolt-ons and organic new-school delivery.

INVESTMENT CASE

- Strong structural volume growth and constrained specialist capacity.
- Attractive platform economics where occupancy, staffing and outcomes are established.
- Property demand for adapted schools and colleges in underserved catchments.
- Key risks are fee affordability, policy reform, recruitment and registration delivery.

KEY OPERATORS

- Outcomes First Group is the largest platform in the supplied operator set.
- CareTech Education, Witherslack, Aspris and Keys combine scale with specialist pathways.
- Aurora, Cavendish and other regional groups continue to expand through openings and acquisitions.

£1.1bn

REAL SPEND ON CHILDREN'S MENTAL HEALTH SERVICES REACHED £1.1BN IN 2024/25

HEALTH INTERFACE

- CYPMHS provides NHS diagnosis, treatment and support for mental health and neurodevelopmental needs.
- The Children's Commissioner reports 1,048,965 children with active referrals in 2024/25 and a median wait of 128 days across all referred children.
- Real spend on children's mental health services reached £1.1bn in 2024/25, a 2% real increase versus 9.5% growth in referrals.
- Health is an essential partner in SEND reform, including assessments, therapies and joint local commissioning.

CHILDREN'S HOMES

Demand is outpacing specialist capacity

£2.70bn	3,485	15,540	87%	£3,893
INDEPENDENT MARKET	RESIDENTIAL FACILITIES	CHILDREN IN RESIDENTIAL CARE	INDEPENDENT FACILITY SHARE	AVERAGE WEEKLY FEE

Source: Knight Frank Insight, Laing & Buisson

QUALITY SIGNAL

- As at 31 March 2025, 3,059 providers rated Good and 658 Outstanding.
- Inadequate judgements reduced to 54 from 60 in 2024, while the total inspected provider base increased.

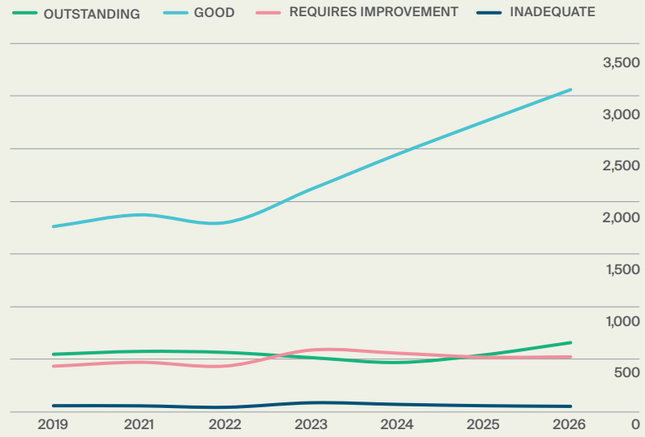
DEMAND AND SUPPLY

- Residential demand has grown as children present with more complex needs and suitable family-based placements remain limited.
- The independent sector supplies the majority of facilities, making commissioner-provider partnerships essential.
- Out-of-area placements indicate a mismatch between local need and suitable local capacity.
- Small homes and bespoke care models restrict rapid supply expansion.

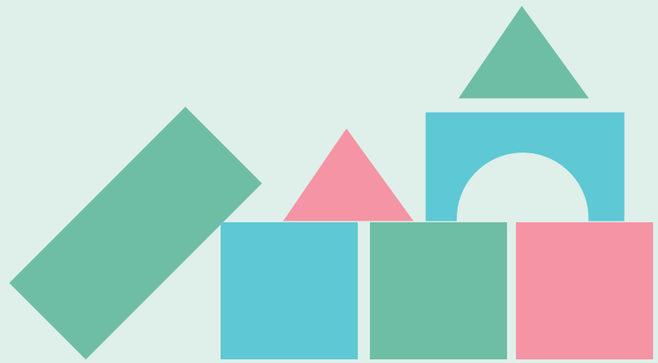
FUNDING AND NHS INTERFACE

- Local authorities are the principal commissioners of children's social care placements.
- The NHS can be involved where placements include mental health, neurodevelopmental or continuing-care needs.
- Joint working across social care, education and health is critical for children with overlapping needs.

Childrens homes: Osted overall effectiveness and judgement



Source: Knight Frank Insight



CHILDREN'S HOMES

Operators, transactions and investability

KEY PLATFORMS

- CareTech, Keys Group, Hexagon Care and Compass Community form part of the leading national cohort.
- Outcomes First Group, Horizon, Polaris and Aspris combine residential care with adjacent education or fostering capabilities.
- The market remains fragmented beyond the largest providers, supporting selective regional consolidation.

TRANSACTIONS AND CAPITAL

- CareTech's 2022 take-private and the December 2023 sale of Outcomes First Group to The Rise Fund / Investcorp are two significant sector transactions.
- Recent activity has also included bolt-ons and portfolio reshaping across residential care and special education.
- Investor interest is supported by structural demand, but diligence must focus on quality, staffing, referral concentration and local fee dynamics.

INVESTMENT CASE

- Statutory, needs-led demand with a deep independent-sector role.
- Chronic local capacity gaps and long lead times for compliant new supply.
- Potential for integrated education and care pathways.

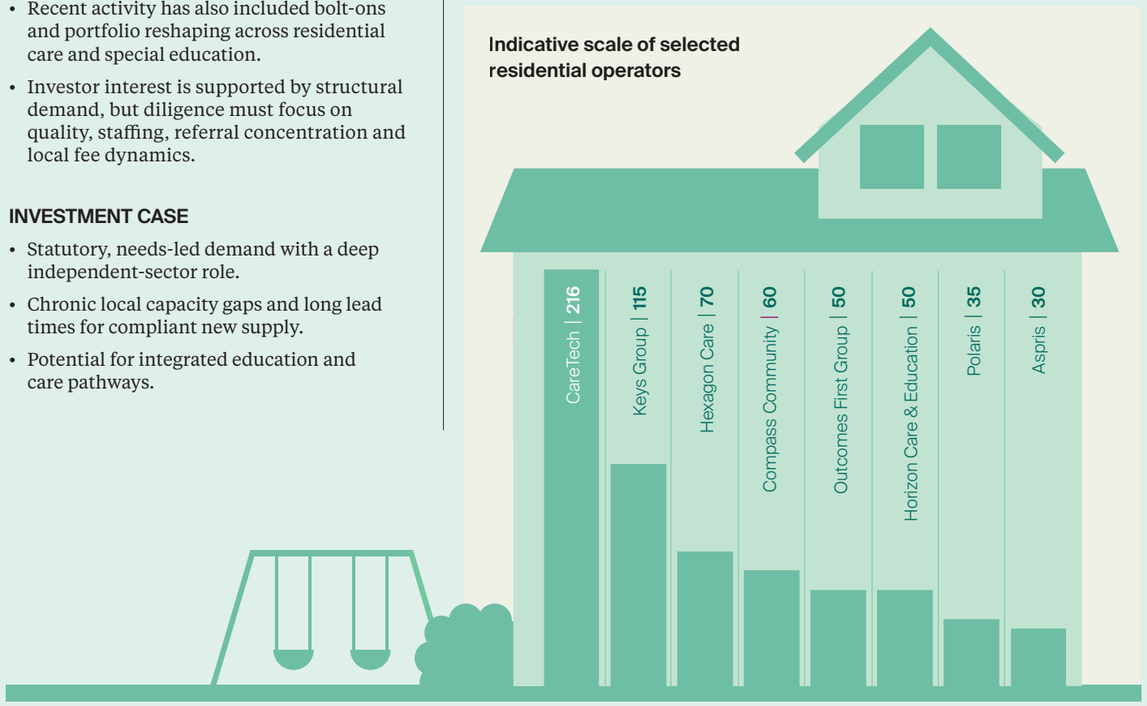
"The market remains fragmented beyond the largest providers, supporting selective regional consolidation."

- Mission-critical property can support long leases where operator covenant and fee cover are robust.

WATCHPOINTS

- Financial oversight and possible restrictions on excessive profits.
- Placement mix and fee sustainability.
- Ofsted outcomes, safeguarding record and workforce stability.

Indicative scale of selected residential operators



Source: Knight Frank Insight

Outlook



Julian Evans, FRICS
Knight Frank,
Global Head of Healthcare

The outlook for the UK children's care sector remains strong. Demand continues to outpace available supply, creating a favourable operating environment for providers capable of delivering high-quality outcomes at scale. Increasing care needs and the expansion of funded childcare entitlements suggest that this demand will be sustained over the medium to long term.

While public finances remain constrained, the extent to which these services are considered essential means that demand is broadly non-discretionary. In most cases, the challenge for commissioners is not whether services are required, but how sufficient capacity can be delivered. This is particularly evident within specialist education and residential care, where shortages of appropriate placements continue to drive reliance on independent operators. Meanwhile, the nursery market remains one of the most fragmented social infrastructure sectors in the UK, offering substantial scope for platform consolidation and scale.

"Against this backdrop, investor interest is expected to remain strong. Private equity, infrastructure and patient capital continue to be attracted by defensive demand characteristics"

Against this backdrop, investor interest is expected to remain strong. Private equity, infrastructure and patient capital continue to be attracted by defensive demand characteristics, opportunities to expand platform businesses through acquisition and development, and the requirement for specialist real estate that is difficult to replicate. Recent transaction activity highlights the ongoing attraction of scaled operators, whilst significant fragmentation below the leading groups provides a sizeable pipeline of potential future consolidation opportunities.

Looking ahead, successful operators will be those able to combine high-quality outcomes with operational efficiency, workforce resilience and strong stakeholder relationships. For investors, opportunities are likely to be concentrated around specialist education, complex care provision and nursery platforms capable of executing buy-and-build strategies. Although regulatory oversight and affordability pressures will remain key considerations, the sector's structural demand drivers, chronic undersupply and increasingly institutional ownership profile suggest that children's care will continue to represent one of the most attractive areas within the wider healthcare and social infrastructure landscape.

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