

PRESS INFORMATION**EMBARGO: NOT FOR PUBLICATION BEFORE 00.01 HRS 10 AUGUST 2011****A LITTLE GROWTH AND A LITTLE OPTIMISM KEEPS CHILDREN'S NURSERIES ALIVE**

The UK children's day nursery market has kept 'ticking along' post-recession as market size increased marginally by 1% in real terms to be worth £4.1bn, according to the latest data from healthcare market intelligence provider **Laing & Buisson**.

Figures published in *Children's Nurseries UK Market Report 2011** show that there is some cause for positivity as the market held firm in the past year, following a minor real contraction in size during the economic downturn in 2008 and 2009 (down 0.3% overall).

What's more, operators have a more optimistic outlook as research shows that most nurseries surveyed for the publication (39%) expect business conditions to improve in the near future (next 12 months), compared with 31% that expect worse, and just under a quarter (23%) that anticipated no change in conditions in the coming year.

Demand for nursery services, as measured by the number of children attending, fell by just over 6% overall between 2008 and 2010 as the recession hit household pockets and people cut back on non-essential spending. The market remained weak post-recession as household spending grew only marginally in 2010, and unemployment was at a high level.

Supply contraction mirrored demand, as the total number of UK nursery places fell by an estimated 6.5% from a peak at the start of 2008. Driving this was shrinkage in nursery stock as the number of operating nurseries decreased by an estimated 7.3% between 2008 and 2010, equivalent to a net loss of some 1,150 sites. This economic downturn also moderated growth in new nursery stock.

Although closures peaked in 2009, a weak economy post-recession, and the start of large-scale public sector cuts, contributed to a further significant net loss of nurseries.

OCCUPANCY RATES STILL HEALTHY

According to **Laing and Buisson's** latest occupancy figures, market conditions for most children's nurseries are healthy, though there has been no improvement during the year.

On average UK nurseries were operating with a vacancy rate (number of vacancies as a % of places) of 18.25% at March 2011, compared with a 17.5% vacancy rate a year earlier, and 20.5% in the midst of recession at the start of 2009.

Author of the report, economist Philip Blackburn commented: 'The children's nurseries market looks to be in fair shape post-recession, as recent contraction appears to have levelled off, and average occupancy is currently in the low 80s. However, a number of economic risks have the potential to dampen demand for children's nursery care going forward, not least very weak economic growth in 2011, and heavy fiscal restraints on public spending. Specific to the nursery sector, these factors include static corporate funding of nursery care in 2010; cuts to childcare tax credits and to relief on corporate childcare vouchers in 2011; and increasing use of informal childcare by parents.'

Mr Blackburn added: 'At the same time the Coalition has committed to many of Labour's spending pledges for early years, most notably extension of subsidised place for 2, 3 and 4 year olds. In addition, most nursery providers appear generally optimistic about future business conditions, and strong performers, which have been able to attract investment, are in a good position to expand and develop while business values remain below trend.'

NURSERY FEE INFLATION KEEPS TABS WITH ECONOMY

Overall in the last six years (2005-2010 inclusive) nursery fees have not grown significantly in real terms, and have matched general economy inflationary trends overall, with the exception of 2009 when real deflation in the economy did not deter healthy fee increases during the year. The lack of real price growth has been attributable to market forces, as nurseries as a whole have strengthened occupancy by keeping fee increases as low as possible.

When asked in March 2011, nurseries on average reported that their fees had increased by 3.5% in the previous 12 months compared to economy inflation (RPI) measured at 4.6% in calendar 2010.

NURSERY GROUPS ACCOUNT FOR A FIFTH OF MARKET

An estimated total of 300 nursery groups (those with three or more nurseries) accounted for 21% of total UK day nursery places in 2010. The top 20 groups account for the bulk of corporate market share, at around 10% of total nursery places.

This follows a year of minor consolidation at the top end of the market, and a modest rise in the number of major providers post-recession. But in what remains a very fragmented sector the largest groups have only minor shares of the total market, with the leader Knowledge Universe Education holding a 1.8% share.

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**Children's Nurseries UK Market Report 2011 is available now priced at £740 for hard copy and £1,100 for hard copy and PDF. To purchase contact Laing & Buisson, 20 Angel Gate, City Road, London, EC1V 2PT. Tel: 020 7833 9123. Fax: 020 7833 9129. www.laingbuisson.co.uk*

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NOTES TO EDITORS:

Founded by William Laing in 1986, Laing & Buisson is the UK's leading provider of information and market intelligence on the independent health, community care and childcare sectors.

Laing & Buisson offers a uniquely focused range of expert services to providers, purchasers and investors in the health and community care markets. Information about the range of products and services provided is summarised below.

Market Reports & Annual Directories: Laing & Buisson publishes a series of special market reports and directories on the health and community care sectors. The research and conclusions within the reports are frequently cited in parliamentary questions and answers, official documents and company prospectuses, and are regularly drawn upon by the national media.

Events: In addition to one-off conferences on subjects selected for their special interest or topicality, Laing & Buisson's annual programme features a series of conferences on specific areas including long term care for the older people, learning disabilities and mental health, acute healthcare, insurance and children's nurseries. The Independent Healthcare Forum consists of two major conferences: the acute healthcare conference and the mental health conference and a workshop for private patient units. The Independent Specialist Care Awards and the Independent Healthcare Awards take place in March and September, highlighting the range of achievements and recognising best practice within the sectors.

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Consultancy and Market Intelligence: Market intelligence and consultancy work, focusing on non-clinical aspects of health and social care markets, is tailor-made for companies with an active interest in the sector. Examples of recent work include a report on the future of the independent healthcare sector for the Healthcare Commission, the seminal work conducted by Laing & Buisson on *A Fair Price for Care* for the Joseph Rowntree Foundation and *Improving Lives - Improving Life*, a report on the key strategic issues facing the long term care sector. Laing & Buisson also frequently assists investors in market due diligence work in the health and care sectors.