

Federation, BlackRock link up for childcare

Exclusive

Nick Lenaghan

Federation Asset Management has struck a joint venture with a private fund managed by BlackRock to invest in childcare real estate in Australia, with expectations the new vehicle will win at least \$600 million in initial gross commitments.

The joint venture will acquire Federation's existing childcare assets and then become the exclusive funder of new acquisitions and development of childcare centres.

The deal effectively buys out a group of existing wealthy and sophisticated investors in the unlisted Federation Education REIT, which earlier this year was being slated as a potential float candidate when it had a \$75 million

portfolio of eight assets and was out raising capital.

Those seed assets, along with transactions in play, will kick off the new BlackRock joint venture with a portfolio of about \$200 million.

Federation partner Jason Walter said the tie-up with BlackRock would help the fund manager capture the significant opportunity in childcare, a government-supported sector, backed by demographic tailwinds and long leases.

There are about 8500 centres nationally with an aggregate value of \$34 billion and growing. The sector was given a further lift from the federal government through a \$1.7 billion increase for childcare support in the May budget.

"We were out there seeking some larger institutional commitment to build our education REIT," Mr Walter



A Federation Asset Management childcare centre in Sydney's Seven Hills.

told *The Australian Financial Review*. "BlackRock were one of the parties we talked to. We felt there were some

really great alignments and vision for ESG as a sector. We both saw the social benefits of the sector. They saw the

opportunity to grow this with us in a long-term joint venture."

Hamish MacDonald, BlackRock Real Assets' head of investments for APAC Real Estate, said childcare real estate remained a large but fragmented market.

"The joint venture is well-positioned to benefit from Federation's industry relationships and solid track record, as well as strong fundamental demand drivers such as increased female participation in the labour force and a flight to quality childcare infrastructure," he said in a statement.

Federation has been investing in childcare centres since late 2018. The fund manager has backed that build-out through agreements with developers and builders, and deals to purchase new centres with national childcare operators on long-term leases.