

Healthcare Property Trust – Funding Units

31 March 2019

The Trust opened in 1999 to capitalise on Australia's ageing population and growing demands for healthcare services. Over the last 19 years the Trust has grown to become one of the largest healthcare property funds in Australia. Currently, the Trust owns a portfolio of 55 healthcare-related properties across Australia.



14 Highfields Circuit, Port Macquarie, QLD

Fund Facts as at 31 March 2019

March Quarter Distribution	Unit Price*	Gross Asset Value	Gearing Ratio
0.838 cents per unit (CPU) (1.06 CPU December 2018 quarter)	\$1.7854 exit price (cum distribution)	\$1,597.98m (\$1,628.65m at 31 December 2018)	15.76% (18.49% at 31 December 2018)
Portfolio Occupancy	Weighted Average Lease Expiry (WALE)	Number of Tenants	
98.45% leased by income	12.28 years by base rental income	155	

*reflects wholesale unit price as at 31 March 2019

Ratings/
Awards



Performance as at 31 March 2019 (Funding Units/Wholesale Combined*)

	3 mths %	6 mths %	1 yr %	Since inception % pa
Distribution return	1.28	2.37	4.43	3.73
Growth return	2.30	2.58	3.57	2.68
Total return	3.58	4.95	8.00	6.41

Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. Inception date is 1 November 2017.

* Funding units until the close of business 28 Feb 2019 and then HPT Wholesale units thereafter. Assumes the funding unit investors traded at the HPT Wholesale units as at the 28 Feb 2019 price

Attribution summary as at 31 March 2019 (Funding Units/Wholesale Combined*)

The relative contribution of major variables on growth returns over the last quarter and year is shown in the table below.

Period to 31 March 2019	Last 3 mths % change	Last 12 mths % change
Property revaluations	1.64	3.37
Interest rate swaps (realised and unrealised marked to market movements)	(0.30)	(0.54)
Unrealised gains/losses on investments in listed/unlisted trusts	0.96	1.67
Other	0.00	(0.93)
Growth return	2.30	3.57

Return calculations are based on actual distributions reinvested, which may vary slightly to the performance table illustrated above. Past performance is not a reliable indicator of future performance. Property revaluations are calculated in accordance with accounting standards and includes capital expenditure, lease incentives and/or commissions (both of which are amortised). Represents the increase/decrease from the property book value immediately prior to valuation. 'Other' may include: retained earnings during the period, swap break costs, estimated gains distributed, realised gains/losses on property, distributions from prior period retained earnings, realised gains/losses from unlisted property trusts and non-material movements.

* Funding units until the close of business 28 Feb 2019 and then HPT Wholesale units thereafter. Assumes the funding unit investors traded at the HPT Wholesale units as at the 28 Feb 2019 price

Key direct property statistics as at 31 March 2019

Geographic allocation (by value)			Sector allocation (by value)			Top 5 tenants (by income)	
VIC	21 assets	42.35%	Hospital	14 assets	46.62%	Ramsay Health	23.25%
QLD	11 assets	28.18%	Medical Centre or Medical Office	20 assets	39.20%	Healthcare Care	16.67%
NSW	17 assets	24.99%	Development Site	20 assets	12.98%	Queensland Government	10.22%
WA	1 asset	2.82%	Aged Care	1 asset	1.20%	Primary	7.12%
SA	5 assets	1.66%	Total	55 assets	100.00%	Sonic	7.05%
Total	55 assets	100.00%				Others (excluding vacancy)	35.69%
						Total	100.00%

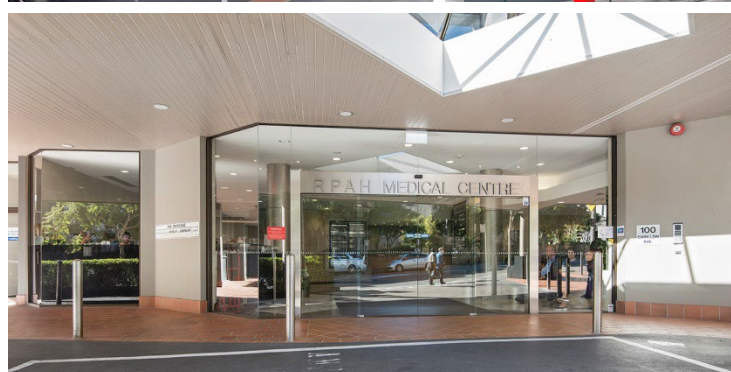
Property data	
Number of properties	55
Total number of tenants	155
WALE [∞] (by income)	12.28 yrs
Occupancy rate (by income)	98.45%
Financials	
Gross assets	\$1597.98m
Total debt	\$251.80m
Other liabilities*	\$11.93m
Net assets	\$1334.26m
Valuations	
Valuations during the quarter	8
Change in total direct property book value [#] (qtr on qtr)	4.08%
Change in book value of the properties revalued ^{#^} (qtr on qtr)	9.50%
Debt	
Gearing (RG 46 ASIC definition)	15.76%
Loan-to-Value Ratio (LVR) (Financier's definition)	21.69%
Interest Cover Ratio (ICR) (RG ASIC definition)	4.56 times
Hedging (% of debt hedged)	98.89%

[∞] Assets under development are excluded.

* Other liabilities include a provision for the March 2019 distribution.

[#] Change in book value over the quarter includes revaluation impacts along with capital expenditure and other minor variations.

[^] Properties revalued excludes any acquisitions made this quarter.



RPAH Medical Centre, Newtown, NSW

Market commentary

Healthcare is a unique property sector displaying underlying demand drivers that relate more to factors such as demographics, population growth, private health insurance, ageing and illness than economic output.

The healthcare services sector in Australia is sizeable and growing, offering essential services to Australians while also contributing to significant job creation. It is little wonder that Josh Frydenberg's 2019-2020 Federal Budget (assuming the Coalition is re-elected) is set to deliver record spending in these areas.

A quick take on the 'election pitch budget' as it relates to hospitals, health services and research¹:

- Public hospitals have been allocated \$1.4 billion over seven years to improve the hospital system, investing in infrastructure, services and upgrading facilities
- Aged care - \$0.725 billion over five years to support older Australians through home care services
- Disability and NDIS - \$0.528 billion over five years to establish a Royal Commission
- Mental Health - \$0.737 billion over seven years to deliver more services for people living with mental illness
- Dental - \$1 billion over three years for Child Dental Benefits
- Private Health Insurance reforms spend of \$5 billion over two years (although funding for this measure has already been provided by the Government)
- Medicare has been allocated approximately \$1.5 billion to improve diagnostic imaging services, compliance and debt recovery and to support primary care and frontline health services for Australians.

In other matters, the twists and turns continue for Healthscope (HSO) with the HSO Board backing the slightly reduced Brookfield bid. HSO has entered into an Implementation Deed with Brookfield and Partners to acquire HSO for \$2.50 per share via a scheme of arrangement or \$2.40 via an off market takeover with completion anticipated for the middle of 2019. There is still time though for the alternative BGH / Australian Super bid to thwart proceedings.

Additionally, to muddy the waters further, a conditional deal linked to the scheme of arrangement between NorthWest and the Brookfield consortium has also been announced. In Vital Healthcare's (VHP) results disclosure released 1 March 2019, NorthWest, the manager of VHP, has committed to A\$1.3 billion Healthscope property purchase encompassing 11 freehold hospital properties with a 20 year lease expiry profile. The transaction if it proceeds values the properties at an average capitalisation rate of 5.00 percent.

Portfolio activity for this quarter

On 26 February 2019, it was announced that the Trust will exchange Funding Units for Wholesale Units effective 1 March 2019, in line with the Healthcare Property Trust – Funding Units Product Disclosure Statement dated 6 October 2017.

Immediately prior to the Exchange the Trust made a special pre-exchange distribution to all of the Trust's investors. The special distribution represented the Trust's income for the period 1 January 2019 to 28 February 2019.

Another distribution is expected to be made for the remaining portion of the quarter (1 March 2019 to 31 March 2019) in early April, in line with our usual distribution timetable.

¹ Source: Budget Paper

Property valuations

Eight of the Trust's properties were independently valued during February 2019, with a net increase of \$21.33 million or 9.23 per cent from the properties' book value immediately prior to valuation. The material valuations included:

- **8 Herbert Street, St. Leonards, NSW** – The independent value of the property increased by \$13.02 million or 28.50 percent from the property's book value immediately prior to value. The valuation increase is the result of firming of the capitalisation rate from 7.00 percent to 6.00 percent, predominantly as a result of the renewal of the lease to anchor tenant Stryker.
- **RPAH Medical Centre, 100 Carillon Avenue, Newtown, NSW** – The independent value of the property increased by \$6 million or 7.50 per cent from the property's book value immediately prior to valuation. The valuation increase is the result of firming of the capitalisation rate from 7.25 per cent to 7.13 per cent and a 6.00 per cent increase in net property income.
- **Townsville Private Clinic, 136 Wills Street, Townsville, QLD** – The independent value of the property increased by \$998,000 or 5.50 per cent from the property's book value immediately prior to valuation. The valuation increase is the result of a firming of the capitalisation rate from 6.75 per cent to 6.50 per cent as well as uplift to the net property income due to the most recent annual rent review.
- **Brunswick Private Hospital, 82 Moreland Road, Brunswick, VIC** – The independent value of the property increased by \$400,862 or 1.10 per cent from the property's book value immediately prior to valuation. The valuation increase is due to the firming of the capitalisation rate from 6.25 per cent to 6.10 per cent.
- **9-13 Flintoff Street, Greensborough, VIC** – The independent value of the property increased by \$564,584 or 1.80 per cent from the property's book value immediately prior to valuation. The valuation increase is the result of a firming of the capitalisation rate from 6.25 per cent to 6.00 per cent.

Property acquisitions

- **93 Davies Street, Brunswick, VIC** – On 15 January 2019, the trust settled the purchase of this property for \$910,000 plus acquisition costs. This property adjoins Brunswick Private Hospital and will be held to assist with future expansion.

Property sales

- **Figtree Consulting Suites, Figtree, NSW** – This property consists of 3 land titles and is now surplus to ongoing land requirements. A Contract of Sale was exchanged on 26 March 2019 for \$1.375 million and provides for a 35 day settlement subject to registration by Australian Unity Healthcare Property Trust of a covenant restricting its future use. Settlement funds will be used to repay debt and support other capital requirements.
- **Calvary Rehabilitation Hospital, Walkerville, SA** – This property will be vacant after the tenant, Calvary Health Care's lease expires in February 2020 with unfavourable re-letting prospects.

A Contract of Sale was exchanged on 28 March 2019 for \$13.5 million. In addition, two adjoining properties at 12 View road and 10 North East Road were sold for \$1.5 million.

Property Development

- **Healius Imaging Centre, Port Macquarie, NSW** – Practical completion was reached in mid-January 2019 with commencement

of trading in late January 2019. Healius now lease the premises on a 15 year term.

- **Surgical, Treatment and Rehabilitation Service (STARS), Herston, QLD** – Structural work is now complete to the southern portion of the building and the level 2 slab is currently in progress to the northern portion. Glazing, partitions and services have commenced up to level 5 of the southern portion. Practical completion is anticipated in late 2020.
- **Tuggerah Lakes Private Hospital, 645-647 Pacific Highway Kanwal, NSW** – Practical completion is anticipated towards end of April 2019. Opening is anticipated in May 2019. Health Care occupy the premises on a 20 year term from practical completion.
- **Peninsula Private Hospital, 555 McClelland Drive, Langwarrin, VIC** – In December 2018, we commenced construction of the next phase of the hospital's expansion. The stage 2 expansion comprises two new theatres, an additional 60 beds, support services and new kitchen area at a cost of ~\$28 million. Practical completion is expected in December 2019. Upon completion, the lease will extend 10 years to expire in 2050.

Outlook

We anticipate the strength in the underlying property market to provide support to valuations and potentially further compress property yields in the short term which is largely dependent on the outcome of the proposed Healthscope (HSO) takeover and/or the implementation of HSO managements strategic review. However, we expect healthcare property yields to soon moderate.

With a Federal election looming and the result unknown, we are cautiously optimistic on any impact new Government policies may have on the broader healthcare sector.

Looking ahead, we anticipate a number of opportunities presenting for the Trust. Increasing populations and rising metro densities mean greenfield and brownfield developments are a key focus, and we are pursuing a series of developments to improve healthcare services to multiple communities across Australia. In doing so, we are actively fostering new tenant relationships and further embedding new ones. Importantly, all our activities are designed to drive and improve investor returns.

Fund portfolio as at 31 March 2019

Property Details			Tenancy Details				Valuation Details ¹			
Address	Note	Leittable Area (sqm)	Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income) ²	Current Valuation (\$m)	Valuation Date	Capitalisation Rate (%) ¹⁰	Book Value (\$m)
Hospitals										
Peninsula Private Hospital, Langwarrin, VIC	-	19,355	Ramsay Health	1	100.00	21.4	155.8	Nov-18	5.75	157.26
Mulgrave Private Hospital, Dandenong North, VIC	16	15,738	Health Care	1	100.00	28.7	121.0	Nov-18	6.01	121.01
Beleura Private Hospital and Clinic, Morningside, VIC	-	10,165	Ramsay Health	1	100.00	15.3	89.6	Aug-18	6.00	89.70
Brisbane Waters Private Hospital, Woy Woy, NSW	-	5,845	Health Care	1	100.00	17.8	45.1	May-18	6.50	45.83
Brunswick Private Hospital, Brunswick, VIC	-	8,000	Health Care	1	100.00	10.4	38.4	Feb-19	6.10	38.40
Robina Private Hospital, Robina, QLD	-	5,854	Health Care	1	100.00	22.4	37.5	Nov-18	6.00	37.50
Sunshine Day Surgery and Clinic, St Albans, VIC	12	2,452	Fresenius Medical Care	9	100.00	2.9	33.3	Nov-18	6.50	33.39
Western Hospital, Henley Beach, SA	-	9,655	Armfleet	1	100.00	19.6	22.5	Oct-18	7.00	22.88
North Shore Specialist Day Hospital, Greenwich, NSW	-	2,190	IVF Australia	1	100.00	3.5	21.7	Nov-18	6.50	21.71
Hunters Hill Private Hospital, Hunters Hill, NSW	-	2,678	Ramsay Health	1	100.00	16.6	20.8	Aug-18	6.00	20.80
Figtree Private Hospital, Figtree, NSW	-	7,277	Ramsay Health	1	100.00	16.6	20.3	Aug-18	6.50	20.51
Berkeley Vale Private Hospital, Berkeley Vale, NSW	-	4,132	Ramsay Health	1	100.00	16.6	19.7	Nov-18	6.50	19.72
Townsville Private Clinic, Townsville, QLD	-	4,897	Health Care	1	100.00	19.1	19.0	Feb-19	6.50	19.00
Calvary Rehabilitation Hospital, Walkerville, SA	-	3,799	Calvary Health	1	100.00	0.9	13.4	Aug-18	9.75	13.60
Sub total										661.31
Under Development										
Herston Quarter - STARS, Herston, QLD	11	N/A	MNHHS	1	100.00	20.0	80.0	Jun-18	6.00	141.28
Tuggerah Lakes Private Hospital, 645 and 647 Pacific Highway, Kanwal, NSW	8	N/A	Health Care	1	100.00	20.0	4.4	Feb-18	N/A	18.90
Sub total										160.19
Medical Centres and Aged Care Facilities										
RPAH Medical Centre, Newtown, NSW	-	7,209	S & K Car Park	57	97.96	2.6	85.8	Feb-19	7.13	85.89
15 Butterfield St, Herston, QLD	-	11,254	Queensland Health	4	100.00	1.4	80.5	Aug-18	6.75	80.76
8 Herbert Street, St Leonards, NSW	-	10,556	Stryker Australia	3	98.19	9.1	58.7	Feb-19	6.00	59.11
103 Victoria Parade, Collingwood, VIC	-	8,975	Sonic Healthcare	1	100.00	9.0	48.5	Nov-18	5.50	48.50
310 Selby Road North, Osborne Park, WA	-	4,997	Clinipath Pathology	1	100.00	12.0	40.0	Nov-18	6.25	40.00
Manningham Medical Centre, Templestowe Lower, VIC	-	4,925	MMC General Practice	14	88.71	5.7	36.5	May-18	6.75	37.13

Primary Greensborough Medical Centre, Greensborough, VIC	-	3,528	Healius	1	100.00	14.0	31.6	Feb-19	6.00	31.60
Campus Alpha Building, 2 Investigator Drive, Robina QLD	-	4,423	State Government of Queensland	7	96.58	1.2	27.4	Nov-18	7.00	27.40
HIS Diagnostic Imaging Centre, Richmond, VIC	-	1,124	Healius	1	100.00	16.7	20.2	Nov-18	5.75	20.15
2 Short Street, Southport, QLD	-	2,338	Ramsay Health	7	95.97	3.8	17.5	Jul-18	6.00	18.80
Constitution Hill Aged Care, Northmead, NSW	-	8,668	Australian Unity Care Services	1	100.00	9.7	17.0	Nov-18	7.25	17.01
Primary Robina Medical Centre, 1 Campus Crescent,	-	1,553	Primary Health Care	1	100.00	14.2	15.8	Aug-18	6.00	15.80
Primary Corrimal Medical Centre, 46-50 Underwood	-	1,496	Healius	1	100.00	12.8	15.4	Aug-18	6.00	15.40
Gosford Private Medical Centre, North Gosford, NSW	-	1,830	Sonic Healthcare	6	76.45	4.5	14.1	May-18	7.00	14.10
Ipswich Medical Centre and Day Hospital, QLD	-	2,780	Ipswich Day Surgery	10	80.16	3.2	13.8	Nov-18	7.25	13.85
Mackay Medical Centre and Day Hospital, Mackay,	3	2,458	Queensland Fertility	6	90.77	3.4	12.0	Nov-18	7.00	12.08
14 Highfields Circuit, Port Macquarie, NSW	-	1,078	Healius	1	100.00	14.8	1.9	Feb-18	N/A	11.09
1 & 3 Addison Road, Pennington, SA		1,137	Primary Health Care	1	100.00	14.1	8.5	Feb-19	6.00	8.50
Eureka Medical Centre, Ballarat, VIC	-	1,459	Healius	1	100.00	1.4	7.8	May-18	6.25	7.80
80-82 Bridge Road, Richmond, VIC	10	-	Healius	1	100.00	1.7	6.8	Feb-19	-	6.75
Figtree Consulting Suites, Figtree, NSW	-	427	Shelley & Sumbut Namchiron	1	60.88	0.1	1.6	Aug-18	-	1.38
Subtotal										573.10
Assets Held Pending Development										
Herston Private Hospital, Herston, Qld	15	N/A	N/A	0	-	N/A	6.56	Nov-18	N/A	6.62
34 Investigator Drive, Robina, QLD	7	-	N/A	0	-	-	3.70	Feb-19	N/A	3.70
70 Moreland Road, Brunswick, VIC	17	N/A	N/A	0	-	N/A	1.1	Aug-18	N/A	1.91
95 Herbert Street, Mornington, VIC	5	191	Private Tenant	1	100.00	<1	1.27	Aug-18	N/A	1.27
651 Pacific Highway, Kanwal, NSW	13	N/A	N/A	0	-	N/A	0.70	Jan-18	N/A	1.15
93 Davies Street, Brunswick, VIC	17	N/A	N/A	0	-	N/A	0.90	Nov-18	N/A	0.97
101 Herbert Street, Mornington, VIC	5	186	Ramsay Health	1	100.00	1.6	0.86	Aug-18	N/A	0.86
12 View Road, Walkerville, SA	4	N/A	Private Tenant	1	100.00	<1	0.85	Aug-18	N/A	0.85
4 Ginifer Court, St Albans, VIC	6	N/A	N/A	0	-	N/A	0.82	Nov-18	N/A	0.82
15 Gillon Court, St Albans, VIC	6	N/A	N/A	0	-	N/A	0.80	Nov-18	N/A	0.80
1 Wiowera Road, Kanwal, NSW	13	N/A	N/A	0	-	N/A	0.49	Jan-18	N/A	0.73
15 Dwyer Avenue, Woy Woy, NSW	14	N/A	Vacant	0	-	N/A	0.73	May-18	N/A	0.73
2 Ginifer Court, St Albans, VIC	6	N/A	N/A	0	-	N/A	0.71	Nov-18	N/A	0.71
13 Gillon Court, St Albans, VIC	6	N/A	N/A	0	-	N/A	0.64	Nov-18	N/A	0.64
10 North East Road, Walkerville, SA	4	N/A	N/A	0	-	N/A	0.55	Aug-18	N/A	0.55
103 Herbert Street, Mornington, VIC	5	N/A	Private Tenant	1	100.00	<1	0.55	Aug-18	N/A	0.55
105 Herbert Street, Mornington, VIC	5	N/A	Private Tenant	1	100.00	<1	0.55	Aug-18	N/A	0.55
3 Wiowera Street, Kanwal, NSW	13	N/A	N/A	0	-	N/A	0.49	May-18	N/A	0.49
Sub total										23.89
Total direct property										1,418.48
Listed Australian REITs										
Arena REIT										92.10
Listed Australian REITs										92.10
Cash and other assets										
Funding Unit Cash Pool										-
Cash and other assets										20.16
Class A cash reserve										42.98
Other										24.27
Cash and other assets										87.41
Total (T) / Weighted Average (A)				155 (T)	98.45 (A)	12.28 (A)	1,325.98 (T)		6.29 (A)	1,597.98 (T)




Notes

1. Regular valuation of underlying property assets is an important aspect of managing the Trust. Valuations are conducted by qualified independent valuers in accordance with industry standards. We have a policy of generally obtaining independent valuations on Fund direct properties each year and, for assets under development, within an 18 month period. Additionally, as part of our active management approach, we may test asset values on market. At times we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained.
2. Weighted Average Lease Expiry by base rental income. Vacancies are valued at market income. Assets under development excluded.
3. Includes a parcel of vacant land, 1/3 Discovery Lane, North Mackay valued at \$0.60 million as at November 2018.
4. Properties adjoining Calvary Rehabilitation Hospital, Walkerville, SA.
5. Properties adjoining Beleura Private Hospital, Mornington, VIC.
6. Property adjoining Sunshine Day Surgery and Clinic, St Albans, VIC. This property is earmarked as future development space.
7. Development site with no pre-commitment.
8. Development works underway. Subject to a 20 year lease to HealtheCare from practical completion.
9. Portfolio Capitalisation Rate is the weighted average of those properties valued using the capitalisation of income methodology.
10. Development site subject to pre-commitment from Healius
11. Development site with pre-commitment from MNHHS, cap rate on completion
12. Value includes three (3) adjacent residential properties that are earmarked as future development space. Valued on a project related site value basis
13. Land held for future expansion of Tuggerah Lakes Private Hospital
14. Property adjoining Brisbane Waters PH carpark.
15. Leasehold site for proposed Herston Private Hospital.
16. Property formally known as The Valley Private Hospital.
17. Property adjoining Brunswick Private Hospital.




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