

21 December 2015

The Manager  
Company Announcements Office  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## **Generation Healthcare REIT (ASX Code: GHC)**

### **Generation Healthcare REIT announces the commencement of two organic growth projects totalling \$165 million**

Generation Healthcare REIT ('GHC' or the 'Fund') is pleased to announce that it has reached financial close on its \$120 million Stage 2 project at Casey, Victoria and commencement of the \$45 million expansion of Frankston Private Hospital.

Commenting on the projects, GHC Chief Executive Officer, Miles Wentworth said, "There has been a significant amount of work by the GHC team and our partners, St John of God Health Care and Healthscope Limited to bring the Casey Stage 2 and Frankston Private projects to financial close. GHC's share of both projects is being fully funded via new debt facilities utilising balance sheet capacity created by recent equity raisings. Both projects are forecast to deliver a significant contribution to FY18 earnings on their completion."

#### **Casey Stage 2**

In partnership with Australia's largest not-for-profit private hospital operator, St John of God Health Care ("SJGHC"), the Casey Stage 2 project will be an 18,000 sqm state of the art private hospital located adjacent to the recently completed Casey Specialist Medical Centre, which is 100% owned by GHC. This is the second stage (of three stages) of the Fund's vision for an integrated health campus at its Casey site.

The private hospital will comprise:

- 190 beds, six operating theatres, six birthing suites, a cardiac/vascular catheter laboratory, two endoscopy theatres;
- medical consulting suites; and
- 12,000sqm of underground car parking (approximately 350 additional car parks).

On completion of the private hospital, the Fund will own a 50% interest in the base building and 90% of the car park (total project cost of circa \$45 million), with the balance of the project and the building fit out funded and owned by SJGHC.

Hansen Yuncken has been contracted as the project builder, with ANZ Banking Group providing project debt finance. Work on site will commence shortly, with completion forecast in the second half of FY18. SJGHC has a head lease over the hospital premises and 188 of the 350 car parks, both for an initial term of 20 years, with the initial rent determined using the GHC return on total project cost model.

### **Frankston Private Expansion**

GHC, via its joint venture entity, has a 50% interest in the existing Frankston Private Hospital, a high quality cancer focused facility operated by Healthscope Limited ("Healthscope"). The Frankston Private expansion project, designed to meet the specific requirements of Healthscope, is now underway. This \$45 million project, in which GHC is to have a 65% interest (representing an additional investment of approximately \$29 million) will see the expansion of the Frankston Private Hospital via the delivery of:

- 60 inpatient beds;
- 2 additional operating theatres;
- expansion of the stage 1 and 2 recovery areas;
- relocation of day oncology to a newly built area; and
- 99 underground car parks.

National Australia Bank, the Fund's existing debt provider to the Frankston Private joint venture, will finance the project and Watpac has been selected as the project builder. Site works have commenced and the project is forecast to complete in the first half of FY18.

Healthscope has pre-committed via an Agreement for Lease, to head lease the new facility. The initial lease term will be 20 years with the initial rent determined using the GHC return on total project cost model.

### **Update on Other Initiatives**

#### ***Lodging of the planning permit for \$62 million project at Epworth Freemasons***

The Epworth Freemasons expansion project planning permit application has now been lodged with the Melbourne City Council. The application is for the 10 level, 6,805 sqm Epworth Freemasons Cancer Centre and a 309 bay below ground car park on the Albert Street side of the site.

The estimated total project cost is \$62 million and is to be in a 50/50 Joint Venture with Epworth. Both projects are to be head leased by Epworth Foundation for an initial 20 year term with the initial rent determined using the GHC return on total project cost model.

Town planning is expected to take up to 12 months. The project is conditional on town planning approval and project finance.

***Acquisition of the freehold interest at Epworth Freemasons Victoria Parade***


All conditions have now been satisfied on the contract, entered into on the Fund's establishment, to acquire the freehold interest in the land at Epworth Freemasons Victoria Parade, Victoria. The purchase price for the freehold interest is \$10.7 million (plus costs including deferred acquisition costs totalling \$2.07 million). Settlement took place on Friday 18 December 2015.

***Purchase of retail suites at Waratah Private Hospital***

GHC has recently contracted to acquire 6 ground floor retail suites and 30 car parks at Waratah Private Hospital for \$5 million plus costs.

The Fund has entered into a 20 year net lease with the hospital operator who will utilise the space for an expansion of the hospital with a particular focus on outpatient services. The initial rent represents a circa 7% yield on the acquisition price. Settlement is scheduled for 15 January 2016.

Yours sincerely



**John Freemantle**  
**Company Secretary**

For further information, please contact

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**About Generation Healthcare REIT**

**Generation Healthcare REIT (ASX code: GHC)**, is Australia's only ASX listed healthcare real estate investment entity.

The Fund owns 17 properties including hospitals, medical centres, laboratories, residential aged care facilities and other purpose-built healthcare facilities. The Fund partners with high quality healthcare tenants with strongly diversified income streams. The Fund has total assets of approximately \$407 million with investments located in Victoria, New South Wales and Queensland.

[generationreit.com.au](http://generationreit.com.au)

**About APN Funds Management Limited**

APN Funds Management Limited (APNFM) is the Responsible Entity of Generation Healthcare REIT. The Board of APNFM consists of four directors, three of which, including the Chairman are Independent Directors. APNFM is a wholly owned subsidiary of APN Property Group Limited (APN) (ASX code: APD), a specialist real estate investment manager.

Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutions, superannuation funds, high net worth and individual investors. APN's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.