

# Vital

Healthcare  
Property Trust

VITAL UPDATE  
MARCH 2017

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CEO David Carr on a strong interim result

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Vickie Li joins the Vital team in Melbourne

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# BUILDING A HEALTHY FUTURE

## DEAR INVESTOR

In this Vital update you will see that we have started 2017 as we finished 2016, with a very strong portfolio and financial position. This continues to provide the platform to execute on our scale and diversification strategy, further enhancing distribution sustainability and long-term value creation.

### Strong interim results

We announced our interim results on 23 February, which are detailed in the enclosed Interim Report. On 23 March 2017 investors will receive a second-quarter distribution payment of 2.125 cents per unit with imputation credits of 0.0914 cpu attached. Interim result highlights include:

- 12 month total return to 31 December 2016 of 13.7%, outperforming the S&P/NZX All Real Estate Gross Index return of 2.7%
- Market leading weighted average lease term to expiry (WALE) of 17.6 years providing long-term income certainty, supported by occupancy at 99.0%
- Increases on rents reviewed of 1.2%
- Interim revaluation gain of \$13.1m, and Vital's weighted average capitalisation rate (WACR) firming to 6.9%, reflecting portfolio quality, attractive characteristics of healthcare real estate and strong investor demand
- Acquisition of two medical office buildings (MOBs) in Melbourne and Sydney for A\$55m

### Scale and diversification

Diversification and flexibility for growth is an important part of Vital's plan and since the strongly supported capital raising in July we have acquired two quality MOBs. The first of these was Mons Road Medical Centre in Westmead, Sydney, for A\$30.7m and the second was a majority interest in Ekeru Medical Centre, in Box Hill, Melbourne, for A\$24.4m. You can read more about these two assets in the acquisitions article in this update.

We have also completed a number of acquisitions of strategic sites around existing core assets to protect and enhance the long-term value of these properties by supporting tenant growth requirements.



### Continuing development programme

The brownfield redevelopment programme remains central to Vital's scale and diversification strategy. It underpins earnings sustainability, improves asset quality and enhances long-term value.

In the period we completed A\$18.3m of brownfield developments at Dubbo Private Hospital in New South Wales and South Eastern Private Hospital in Victoria. Please have a look at our website to see photos of the fantastic new development at South Eastern, along with great photos of the entire portfolio.

We have a further five development projects underway and you can read more about these in the development section in this update.

### Outlook

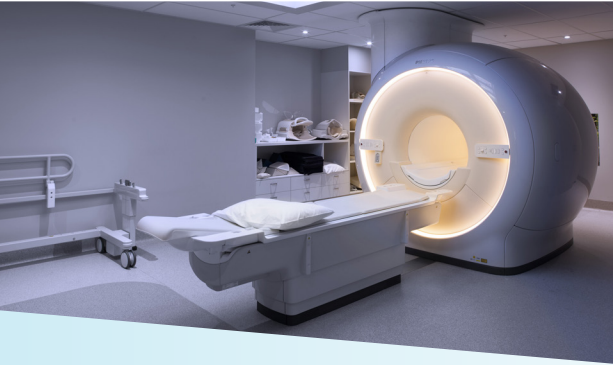
We continue to see demand for healthcare services and associated infrastructure increase due to population growth and ageing trends.

With a strong balance sheet we continue to work through a range of potential opportunities, building on our defensive growth profile and further strengthening our focus on sustainable distributions and long-term value creation.

The Board has re-affirmed its previous distribution guidance for the year ending 30 June 2017 of 8.5 cents per unit. I look forward to keeping you updated throughout the year.

Kind regards

David Carr, Chief Executive Officer



## ACQUISITIONS

Since our update in September we have continued with our scale and diversification strategy and acquired two new assets.

### **Mons Road Medical Centre**

Mons Road Medical centre, located in the Westmead medical precinct is approximately 26 kilometres west of the Sydney CBD. Acquired for A\$30.7m, Mons Road was built in 2010 and is a modern, multi-tenanted, four-level medical office building.

Mons Road comprises a mix of high quality healthcare tenants including Castlereagh Imaging, one of the largest networks of radiology practices in NSW, and IVF Australia, owned by ASX-listed Virtus Health. Both of these tenants are new to the Vital portfolio, diversifying our tenant mix and establishing new relationships on which to build.

The Westmead medical precinct is considered Australia's largest health services precinct. It includes Ramsay Health Care's Westmead Private Hospital, the Westmead Public Hospital, Westmead Children's Hospital and Cumberland Public Hospital.

The Westmead precinct is set to grow further over the medium-term with the NSW Premier announcing in September 2015 a A\$900m Westmead Public Hospital redevelopment funding package to take place over the next five years.

### **Eker Medical Centre**

In November we acquired a majority interest in Eker Medical Centre in the Box Hill suburb of Melbourne for A\$24.4m.

Constructed in 2014, Eker is a modern, multi-tenanted four-level

medical office building with basement parking for 133 cars.

Eker's major tenant is Imaging Associates. Other tenants include Sonic Healthcare, Monash IVF and Sportsmed Biologic.

The Box Hill medical precinct includes the recently redeveloped Box Hill Public Hospital and Vital's own Epworth Eastern Hospital and Medical Centre. Box Hill is experiencing significant growth with a number of large-scale residential towers being developed, driving a material increase in population for the area. Eker will support the delivery of long-term growth options at Vital's Epworth Eastern campus.

# DIGITAL DEVELOPMENTS

## Vital's website

You may have noticed last year that we made some improvements to our website. We set out to improve your experience with better website functionality and more regular updates.

New features include videos on the homepage, more images, easier to navigate menu options and quarterly updated portfolio metrics. This all means that you can keep up to date with the portfolio more easily and see for yourselves our newest acquisitions and latest developments as they occur. The site has also been optimised for mobiles and tablets, so whatever your preferred way of getting online, Vital has you covered.

The website address remains the same: [www.vhpt.co.nz](http://www.vhpt.co.nz) so go and check it out!

## Webcasts

We have also started recording webcasts of our interim and annual results. This means that in addition to being able to see the presentation and financial statements online at results time you can also listen to CEO David Carr and CFO Stuart Harrison talk you through them, giving further context. Head to the news and publications page on our website and filter by webcasts to listen to the most recent ones.

## LinkedIn

Also new for Vital is a recently created LinkedIn page for regular Vital updates and industry news. It's a great way to keep up to date

with Vital's activities and we encourage you to follow us. Just search for Vital Healthcare Property Trust on LinkedIn to find us.

**"As technology develops we are finding new ways of communicating with our investors, ensuring that they are kept up to date with all of our activities in the best and most efficient way possible."**

**David Carr**  
Chief Executive Officer

**"Ekeru and Mons Road are both excellent additions to our portfolio, delivering asset and tenant diversification to Vital."**

**David Carr**, Chief Executive Officer



MONS ROAD MEDICAL CENTRE

**A\$30.7M**

EKERU MEDICAL CENTRE

**A\$24.4M**

TOTAL INVESTMENT PROPERTIES

**32**



# DEVELOPMENT PIPELINE

## Completed developments

Late last year we completed two developments. First was the A\$3.7m project at Dubbo Private Hospital in New South Wales, which has expanded capacity to core services and modernised the property. Second was the A\$14.5m development at South Eastern Private Hospital in Victoria. South Eastern is located around 26 kilometres south-west of Melbourne's CBD and this development has resulted in a brand new unit with 60 mental health beds and 79 car parks. As you can see from the photo below this is a high quality asset. Head to our website to see more images.

## Currently in development

The newest project to the pipeline is a A\$6.3m development at Palm Beach Currumbin Clinic in Queensland. Palm Beach is a 104-bed hospital and

has a catchment area that extends into New South Wales.

“The project at South Eastern has created real value and is a great addition to the hospital.”

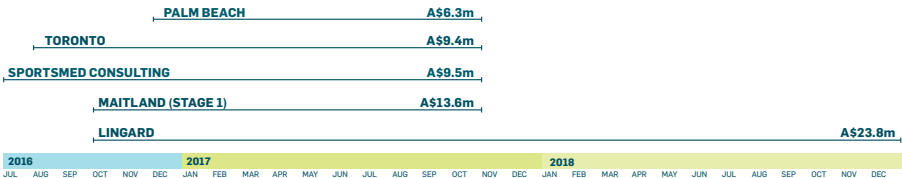
**Mark Norman**  
National Development Manager

The new development project at Palm Beach will result in the relocation of consulting to new suites and the conversion of all double rooms to single rooms. It is forecast to be completed by October 2017.

Check out the pipeline below for a reminder of the other projects we have in progress.

## DEVELOPMENT PIPELINE

Certain projects remain subject to Development Approvals



> SOUTH EASTERN PRIVATE HOSPITAL



## TEAM PROFILE: VICKIE LI

Vickie Li recently joined our Australian-based team in Melbourne as a Property Accountant.

As part of this busy role Vickie is involved with accounts payable, accounts receivable and accounting for tenant transactions. She also speaks regularly with tenants regarding any questions they may have.

Before joining our team, Vickie was a company accountant at RPM Real Estate Group and has six years' experience in the real estate industry. Vickie is a Certified Practising Accountant with CPA Australia and has a Master of Finance from Melbourne University.

"I find the property industry fascinating and this move into healthcare property is a new and exciting chapter for me."

Vickie has a young family and outside of work enjoys visiting farms, zoos and parks with her children, travelling in Australia and having a good old Aussie barbeque with friends.



## 2016 ANNUAL MEETING

**The Trust's Annual Meeting was held on 10 November 2016 at Auckland's Pullman Hotel. Thank you to all who attended.**

Just one resolution was presented at the meeting. Unitholders voted by 99.95% in favour of reappointing Claire Higgins as Independent Director.

We've added the Chairman and CEO presentations to the website, so if you weren't able to attend the meeting, you can bring yourself up to speed. Go to [www.vhpt.co.nz](http://www.vhpt.co.nz), select 'News & publications' and then filter by 'Presentations' and '2016'. You will then see the '2016 Annual Meeting Presentation'.

# PORTFOLIO METRICS

As at 31 December 2016

▶ NUMBER OF PROPERTIES

 **32**

▶ OCCUPANCY

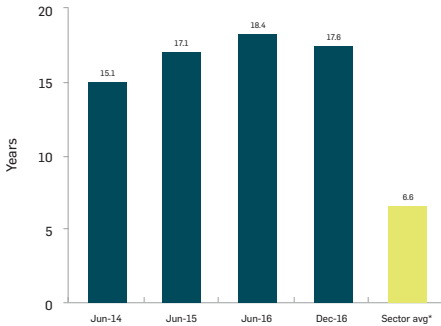
 **99.0%**

▶ WALE

 **17.6** YEARS

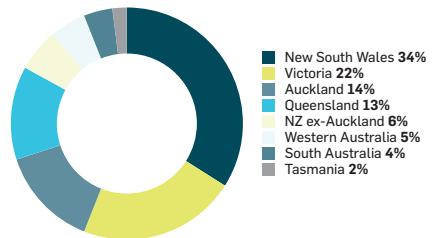
## Weighted Average Lease Term to expiry (WALE)

Leading the market with a WALE that far exceeds the sector average



## Portfolio geographic composition

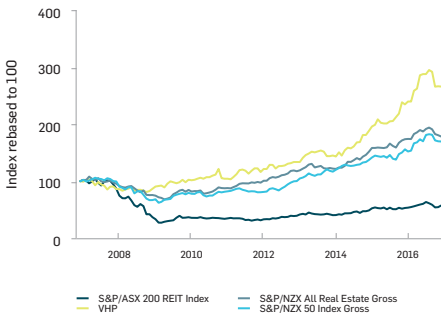
Well diversified by geography



\*Source: Forsyth Barr Real Estate Reflections December 2016. NZ listed property excluding VHP.

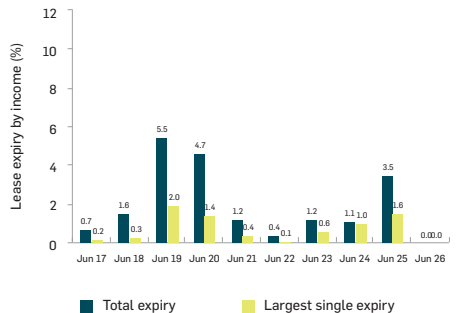
## Ten-year total return performance

Well-executed strategy providing long-term value for investors



## Ten-year lease expiry profile

Average lease expiry per annum over the next ten years of 2.0%



Source: Craigs Investment Partners as at 31 December 2016

Keep up to date with all Vital events and information at  
**[www.vhpt.co.nz](http://www.vhpt.co.nz)**

The Trust's financial year is 1 July to 30 June. Our calendar below shows events, publication dates and distribution dates for the next six months. This is updated regularly on our website as some dates are subject to change.

Quarter two distribution payment	23 March 2017
Quarter three distribution payment	June 2017
Annual result announcement	August 2017

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#### Managing your unitholding online

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit:  
[www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre)

[vital@computershare.co.nz](mailto:vital@computershare.co.nz)

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Please assist our registrar  
by quoting your CSN  
or shareholder number.

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