

Vital

Healthcare
Property Trust

VITAL UPDATE
JUNE 2018

INSIDE:

INVESTING IN AUSTRALASIA'S HEALTHCARE INFRASTRUCTURE

CEO David Carr

RECENT EVENTS

Recent events at Vital

DEVELOPMENT PIPELINE

Base isolation at Wakefield



INVESTING IN AUSTRALASIA'S HEALTHCARE INFRASTRUCTURE

Dear Investor

This update highlights some recent events at Vital and briefly reflects on our latest quarterly results. You will see that our portfolio remains strong and we continue to execute on our scale and diversification strategy.

On 21 June 2018 investors will receive a third-quarter distribution payment of 2.125 cents per unit with imputation credits of 0.1688 cents per unit attached.

Strong Q3 2018 results

We released our third quarter update on 11 May 2018, highlights include:

- Portfolio lease term of 18.4 years providing long-term income certainty, supported by occupancy of 99.2%
- Net Distributable Income of \$32.5m, an 85% payout ratio
- Net Tangible Assets per unit of \$2.17

Scale and diversification

Flexibility for growth and diversification are important parts of Vital's long-term plan. Accordingly, in June 2018 we extended the maturity of two tranches of our bank facility and expanded our headroom by A\$100m providing additional capacity to meet our strategic aims and fund future developments.

Our manager and major unitholder, NorthWest Healthcare Properties REIT, recently secured an interest in ASX-listed Healthscope, Australia's second largest private hospital operator. This interest positions Vital and NorthWest with a strong tactical advantage to take a generational opportunity to jointly acquire a quality portfolio of Australian hospital real estate assets.

We also continue to actively evaluate the merits of acquiring strategic sites around existing core assets. This is to protect and enhance the long-term value of these properties, directly supporting tenant growth initiatives.

Continuing development programme

Vital's value-add development programme in Australia continues with brownfield redevelopments at three private hospitals (Toronto, North West, and Lingard) due to be completed in the coming months.



We are currently in the final stages of design at three New Zealand development projects associated with the Acurity portfolio (Wakefield, Bowen, and Royston) that Vital acquired in December 2017. You can read more about this in the development section of this update.

Overall our brownfield development programme remains central to Vital's strategy, and underpins earnings sustainability, improves asset quality and enhances long-term value.

Outlook

We continue to see strong demographic and technological trends driving demand for healthcare services delivered from quality healthcare infrastructure but note the industry is not immune to regulatory, economic or local market disruption from time to time. As a preferred healthcare infrastructure partner, we continue to support the growth aspirations of our existing tenants and foster new partnerships across the sector.

Our balance sheet remains healthy and we continue to make use of market opportunities to lock in financing costs and lengthen debt term. Future development commitments remain a key area of focus, which will represent about 10% of our total portfolio value when these projects are completed over the next four years.

I look forward to presenting you with our annual results in August 2018.

Kind regards

A handwritten signature in dark ink that reads "David". The signature is written in a cursive, slightly stylized font.

David Carr, Chief Executive Officer



THE HILLS CLINIC, NSW



BOWEN HOSPITAL, WELLINGTON



RECENT EVENTS

Claire Higgins assumes Chair

Claire Higgins assumed the Chair of our Board in May 2018 following the retirement of Graeme Horsley. Claire has been an independent director of Vital since January 2012.

We are delighted that Claire has stepped into this leadership role. Not only is Claire among a select group of female Chairs of NZX 50 listed companies but her knowledge of our business and commitment to all stakeholders will be instrumental in Vital executing on our strategy.

Graeme has been active in Vital's success over many years and we thank him for his significant contribution. We hope Graeme and Sue enjoy their extensive travels through 2018. *Please see our market release on 4 April 2018 for further details.*

Management team integration

Earlier this year, we integrated the NorthWest Healthcare Australia management team and rebranded Vital's manager NorthWest Healthcare Properties Management. The combined platform consists of approximately 30 team members in Auckland, New Zealand and Melbourne, Australia responsible for managing the Vital Healthcare Property Trust portfolio.

The manager has a highly experienced team of industry experts with over 90 years of healthcare real estate experience in Australasia, including approximately 50 years of healthcare development experience, responsible for building some of the most well-known private hospitals in Australia and New Zealand.

These enhanced resources, together with expansion of key relationships within the sector, are expected to further contribute to our ability to add value to the portfolio. *Please see our market release on 30 January 2018 for further details.*

Bank facility renewal

We recently refinanced our bank facility, extending our average debt maturity by 1.1 years to 3.2 years and expanding headroom under our facility by A\$100m. This highlights strong support from our funding partners and reduces refinancing risk by securing new commitments a year in advance of maturity.

A portion of the additional borrowing capacity will be used to finance redevelopment of the recently acquired Acurity portfolio over the next four years.

DEVELOPMENT UPDATE

Base isolation at Wakefield

We continue to progress through the final stages of design with the Acurity developments including Wakefield Hospital in Wellington.

Following consultation with our tenant partner and project engineers, Vital will proceed with a base isolated design at Wakefield Hospital which is expected to allow it to remain operational following a seismic event.

Wellington sits within two fault lines generating a seismic risk that is about four times greater than other major Australasian cities such as Auckland, Sydney and Melbourne.

The objective of a traditionally designed structure under the current building code is to preserve life and prevent collapse during an earthquake. As such, during recent earthquakes in New Zealand very few modern buildings collapsed during or immediately following the earthquakes. However, several were subsequently demolished as damage was so significant that repairs were deemed uneconomical.

In a base isolated design, during a seismic event energy is absorbed by the isolators which allow the building to move in a controlled manner reducing damage to the structure. This reduces the likelihood of critical damage during an earthquake and increases the probability that services will continue to be provided following an event.

We believe this is the right outcome for healthcare infrastructure in an area with elevated seismic risk and is currently employed at a handful of Wellington buildings including the main building at Wellington's public hospital.

With our operating partner, Acurity Health Group, it is our plan to deliver a state-of-the-art medical facility that will continue to provide health services to the Wellington area community under all circumstances.

"Vital is extremely pleased to be able to incorporate base isolation into the design of Wakefield Hospital. It will provide a safe and enduring facility for our operating partner Acurity Health Group to be able to deliver exceptional care from"

David Carr



PORTFOLIO METRICS

As at 31 March 2018

▶ NUMBER OF PROPERTIES

 **42**

▶ OCCUPANCY

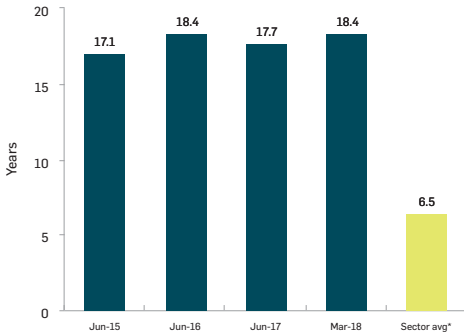
 **99.2%**

▶ WALE

 **18.4** YEARS

Weighted Average Lease Term to expiry (WALE)

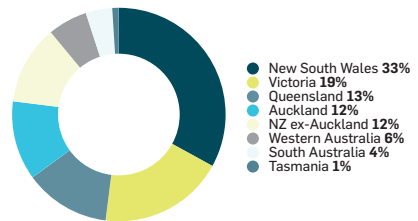
Leading the market with a WALE that far exceeds the sector average



*Source: Forsyth Barr Real Estate Reflections March 2018. NZ listed property excluding VHP.

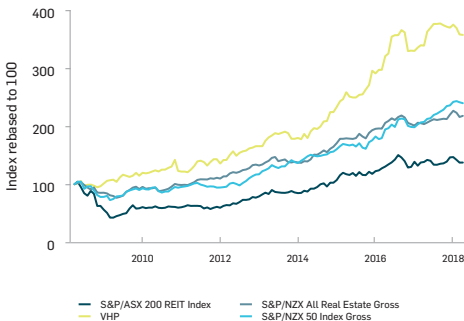
Portfolio geographic composition

Well diversified by geography



Ten-year total return performance

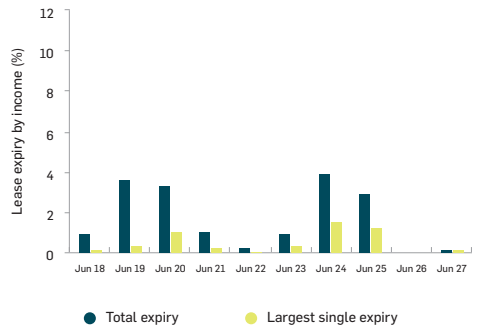
Well-executed strategy providing long-term value for investors



Source: Craigs Investment Partners as at 31 March 2018

Ten-year lease expiry profile

Average lease expiry per annum over the next ten years of 1.8%



Keep up to date with all Vital events and information at
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 three distribution payment	21 June 2018
Annual result announcement	August 2018
Quarter four distribution payment	September 2018

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

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