

Market Release

19 June 2019

Vital announces commencement of construction at Wakefield Hospital

Vital Healthcare Property Trust ('Vital') today announced the start of construction for a multi staged redevelopment of Wakefield Hospital in Wellington, New Zealand

Vital and its hospital operating partner Acurity Health Group ('Acurity') have formally executed a contract with Hawkins Construction for the first stage of a planned three stage redevelopment at Wakefield Hospital.

This follows a formal tender process involving three qualified parties. The project will be managed by NorthWest's experienced development team in conjunction with the Acurity team.

Dr Jonathan Coleman, Chief Executive of Acurity Health Group, said, "The new Wakefield hospital will offer patients from central New Zealand access to some of the most advanced medical services and treatment in the country, showcasing the latest medical technologies. This will include up to 64 single beds, eight large operating theatres including cardiac and endoscopy, consulting suites and a full range of specialist services on the existing site in the city's Newtown area."

The hospital's design process has been in progress since Vital purchased this property as part of the Acurity portfolio in December 2017. Construction has been sequenced to minimise disruption to existing operations allowing services to be maintained during the redevelopment period. The remaining two stages in the masterplan are expected to provide an attractive pipeline of future value. We will update the timing on these stages as they become more definitive.

The first stage of this project being for NZ\$37m will involve construction of a new building which will house medical specialist consulting space, a full radiology unit, and new administration and front of house areas. As previously announced, the project will incorporate a base isolated design. This reduces the potential for critical damage during an earthquake and increases the probability that services will continue to be provided following a material seismic event. Practical completion is expected in the first quarter of calendar 2021.

Mr Justin Lester, the Mayor of Wellington, said, "This development shows that the private sector has confidence in Wellington, and it will compliment a lot of the work the Council currently has underway to prepare for future growth in the Newtown area. Additionally the use of base isolators in the foundations mean the hospital will be one of the safest in the country, which is hugely important in such a seismically active city."

Vital's investment across all three stages of the project is now forecast to total up to NZ\$98m (up NZ\$10m from the preliminary budget) to cater for changes in scope. The rentalisation rate has been set at 6.3%, in line with the contracted linkage to the New Zealand 10 year government bond yield. This excludes \$3m of non-rentalisable contribution to the base isolation component. At the time of purchase, Vital and Acurity entered into a 30 year lease with annual rental adjustments of 1.5 times the New Zealand CPI, capped at 3% per annum.

Financing will be provided from undrawn headroom under the Trust's existing debt facilities at prevailing rates, which delivers accretive earnings growth beginning in FY2020.

Mr Miles Wentworth, Interim Manager of Vital said "This project will further enhance Wellington's preeminent private hospital, and on a 30 year lease term to a quality healthcare operator, will deliver an attractive risk adjusted return to Vital unitholders."

- ENDS -

ENQUIRIES

Miles Wentworth, Interim Manager

NorthWest Healthcare Properties Management Ltd, Tel +61 3 8656 1517, Email mwentworth@nwhpm.com.au

Stuart Harrison, Chief Financial Officer

NorthWest Healthcare Properties Management Ltd, Tel 09 973 7302, Email sharrison@nwhpm.com.au

Jason Kepecs, Director, Investments & Investor Relations

NorthWest Healthcare Properties Management Ltd, Tel 09 973 7303, Email jkepecs@nwhpm.com.au

About Vital Healthcare Property Trust

Vital Healthcare Property Trust (NZX: VHP) is Australasia's largest listed investor in healthcare real estate. Tenants include hospital operators and healthcare practitioners who deliver a wide range of medical and healthcare related services. The Manager of Vital Healthcare Property Trust is NorthWest Healthcare Properties Management Limited.

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