

VITAL HEALTHCARE FIRST QUARTER UPDATE

12 November 2019

Dear Unitholder,

NorthWest Healthcare Properties Management Ltd. is pleased to provide you with an update on the operating performance and financial position of Vital Healthcare Property Trust for the first quarter ending 30 September 2019.

The core portfolio performed strongly with like-for-like net property income growing 2.6% in the three months ended 30 September 2019 over the prior year, on a same currency basis.

Occupancy in the portfolio increased to 99.9% (from 99.4% at 30 June 2019) reflecting the lease-up of 1,000 sqm of space at the Gold Coast Surgery Centre.

The portfolio's weighted average lease expiry (WALE) decreased slightly to 17.9 years (from 18.1 years at 30 June 2019) as a result of being three months further on, partially offset by a new lease in the quarter at Gold Coast Surgery Centre (1,000 sqm).

We currently have \$284m worth of "return on cost" projects that have recently started. There are 5 projects that make up the pipeline with two representing the majority of this spend. One of these is in Wellington being the Wakefield Hospital and the other is in Melbourne at our Epworth Eastern campus.

Wakefield Hospital is Wellington's pre-eminent private hospital.

Earlier this year we ran a formal tender process involving three qualified parties and appointed Hawkins Construction as the lead contractor on the first stage of the project. The first stage has a \$37m project cost and construction began in July of this year.

Currently the site is undergoing bulk excavation with retaining walls and ground anchors well advanced. Following testing of the prototype base isolators for earthquake strengthening, manufacturing has commenced and installation is expected to begin this month. We expect this first stage to be completed in early 2021.

At our Epworth Eastern campus in Melbourne we have started the next phase, an A\$126m 14 level East Wing tower project. This is the largest project in the Trust's history.

Epworth Healthcare, Victoria's largest not-for-profit hospital operator, has pre-let 80% of the net lettable area. For the remaining 20%, we have strong expressions of interest for more space than we actually have available, particularly from doctors for consulting space given they are having to move out of the Trust's adjacent medical centre to make way for an Accident and Emergency department for Epworth.

The project will further enhance one of Vital's prime assets and, on completion, the Epworth Eastern campus will have a value approximating A\$350m.

With these projects being fully funded by debt at circa 3% and delivering a return of 6.1%, this will add materially to profits and value in the next few years.

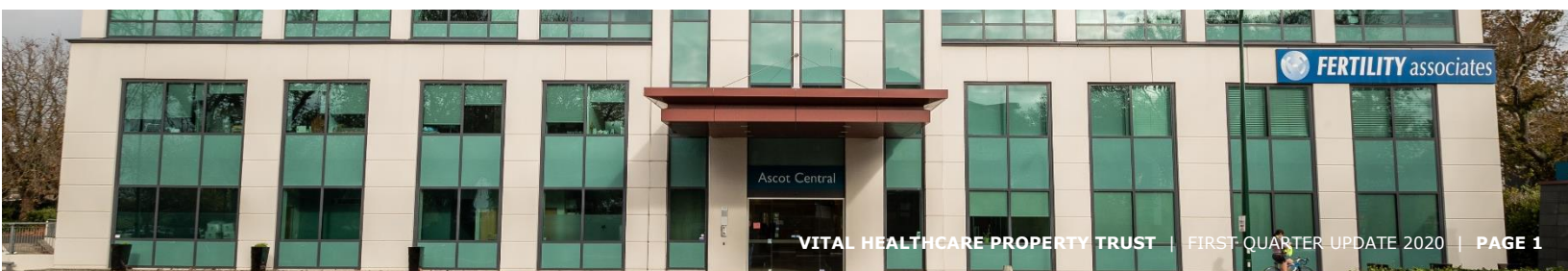
Our annual meeting was held on 31 October 2019 where 99.91% of voting Unitholders approved amendments to the Trust Deed including changes to the Manager's fees. Financial results enclosed in this update were tabulated prior to the outcome of the vote and reflect the prior base fee structure. The new fee structure will be applied to future results and retroactively to 1 April 2019.

We recently announced the appointment of Aaron Hockly as Vital's new Fund Manager, who will join us in early December, and introduced Michael Groth, who has stepped into the role of Vital's Chief Financial Officer.

Sincerely,



Miles Wentworth
Interim Manager



FINANCIAL PERFORMANCE
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2019

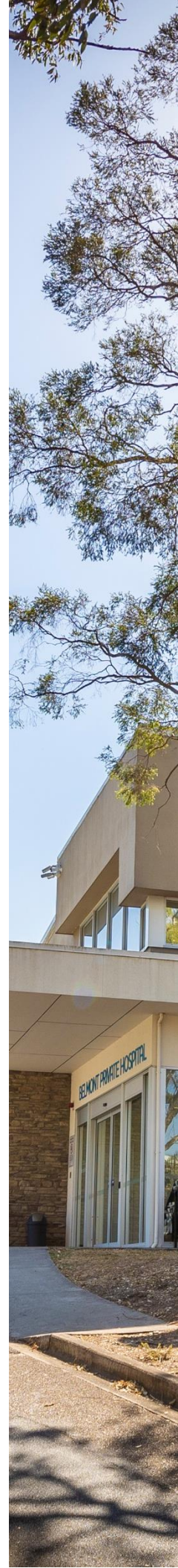
	Unaudited 3 months Sep-19 \$000s	Unaudited 3 months Sep-18 \$000s
Gross property income from rentals	25,418	25,292
Gross property income from expense recoveries	3,918	2,605
Property expenses	(4,346)	(3,399)
Net property income	24,990	24,498
Corporate expenses	(1,053)	(807)
Strategic transaction income and expenses	274	1,404
Management fees – base ⁽¹⁾	(3,575)	(3,487)
Management fees – incentive ⁽²⁾	(1,342)	(2,481)
Net finance expenses	(7,975)	(7,579)
Realised foreign exchange gain / (loss)	(159)	87
Operating profit before tax and other income	11,160	11,635
Revaluation gain/(loss) on investment property	3,772	3,174
Fair value gain/(loss) on interest rate derivatives	(12,249)	545
Fair value gain/(loss) on foreign exchange and derivatives	(5,306)	(9,378)
Profit before income tax	(2,623)	5,977
Current taxation expense	(1,153)	(1,901)
Deferred taxation expense	2,335	(172)
Profit for the period attributable to unitholders of the Trust	(1,441)	3,904

(1) Base management fees expense reflects fee structure prior to amendments to the Trust Deed on 31 October 2019.

(2) Incentive management fee reflects the new fee structure in three months ending 30 September 2019 and the old fee structure in the three months ending 30 September 2018.

LIKE-FOR-LIKE NET PROPERTY INCOME
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2019

	Unaudited 3 months Sep-19 \$000s	Unaudited 3 months Sep-18 \$000s	Variance \$000s	Change %
Gross property income	28,771	26,908	1,864	6.9%
Property expenses	(4,398)	(3,159)	(1,239)	39.2%
Like-for-like net property income	24,374	23,749	625	2.6%
Net property income from acquisitions	102	-	102	n.a.
Net property income from developments	1,142	825	317	38.4%
Non-recurring R&M	17	(76)	93	n.a.
Foreign exchange	(645)	-	(645)	n.a.
Net operating income	24,990	24,498	492	2.0%



BALANCE SHEET
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Unaudited Sep-19 \$000s	Audited Jun-19 \$000s
Assets		
Investment properties	1,902,234	1,836,430
Other assets	9,640	95,113
Liabilities		
Borrowings	689,928	734,211
Other liabilities	174,392	167,588
Debt to gross assets	36.1%	35.3%⁽³⁾
Total unitholders' funds	1,047,553	1,029,744
Units on issue	451,923	446,346
Net tangible assets (\$/unit)	2.32	2.31
Period end NZD/AUD exchange rate	0.9276	0.9564

(3) Excludes A\$80.3m related party loan which was repaid on 2 August 2019

DEVELOPMENT PROGRESS

Development	Development work being undertaken	Development cost (A\$m)	Spend to date (A\$m)	Forecast completion date
Lingard Day Surgery (NSW)	New consulting building & carpark	26.0	17.5	Mid-20
Epworth Eastern (VIC)	New 14 storey tower incorporating 60 beds	126.2	13.6	Late-2021
The Hills Clinic (NSW)	26 bed expansion	8.3	1.8	Mid-20
Total Australian Projects		160.5	32.9	
		(NZ\$m)	(NZ\$m)	
Wakefield (Wgtn)	Staged demolition and redevelopment of entire hospital (stage 1, \$37m)	98.0	11.8	Staged 21-23
Royston (HB)	Expansion including two new theatres, recovery and admission areas and consulting space	13.0	4.0	Mid-21
Total New Zealand Projects		111.0	15.8	
Total Projects in \$NZD*		284.1	51.3	

* A\$ converted at 30 Sept 2019 spot rate 0.9276

DISTRIBUTION

Payment date	19 December 2019
Cash distribution per unit	2.1875 cpu
Excluded distribution per unit	1.6272 cpu
Fully imputed distribution per unit	0.5603 cpu
Imputation credits	0.2179 cpu
Distribution reinvestment program available	Yes
Distribution reinvestment program discount	1%