

6 January 2023

## Strategic initiatives to further enhance returns to Unit Holders

NorthWest Healthcare Properties Management Limited (**the Manager**), the manager of Vital Healthcare Property Trust (**Vital**), has commenced a process to further enhance its portfolio consistent with its previously announced strategies around precincts, asset weightings and green buildings, by strategically recycling capital. This process includes:

1. The sale of ~\$200m of existing non-core assets.
2. Delay of the development pipeline (committed and potential), including the proposed A\$98.6m Tasman Medical Centre fund-through pending the outcome of a procurement review.
3. Development of a new ~A\$140m 6-Star Green Star, life sciences centre of excellence building in the heart of the Gold Coast Health and Knowledge Precinct.

Vital's Fund Manager, Aaron Hockly, said:

"We have reviewed all of Vital's existing assets as well as current and proposed developments to ensure Vital continues to deliver for Unit Holders. The proposed asset sales and the adjustments to Vital's development pipeline are intended to further improve the age, diversity, quality and resilience of the portfolio. In particular, the changes will further increase Vital's portfolio weighting to newer, high green credentialled buildings in key health precincts.

The changes will also help achieve the Manager's target of having 10-15% of the portfolio's value under development at any one time."

## Proposed asset sales

An ongoing review of Vital's portfolio has identified ~\$200m of assets that are considered non-core. As a result, a targeted sales process has commenced.

Net sale proceeds will initially be used to repay debt reducing balance sheet gearing by ~2.5%<sup>1</sup> and would be expected to be broadly neutral to Vital's AFFO. The exact impact will depend on pricing achieved, timing of settlement and debt costs at the time of any repayment.

The Manager will periodically update the market on its proposed sales programme.

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<sup>1</sup> Assuming sales occur at or around indicative 31 December 2022 book values.

## Vital's first life sciences investment

The Manager has agreed terms for Vital to develop a new state of the art, 6-Star Green Star health, research and innovation building to be known as "RDX".

RDX is strategically located in the heart of the Gold Coast Health and Knowledge Lumina Precinct; Queensland's largest emerging health and innovation hub, accommodating Griffith University (~20k students) and Gold Coast University Hospital (912 beds). RDX is master planned to be inter-connected to the Gold Coast Private Hospital (320 beds; operated by Healthscope) via a bridge link. This precinct has been supported by ~A\$5bn of recent infrastructure investment including a new rail link as well as residential and retail development.

Gold Coast Health and Knowledge Precinct:



Construction is expected to commence early 2023 and complete early/mid 2025. Costs are expected to total ~A\$140m.

Icon has been appointed as lead contractor for this development pursuant to a fixed price design and construct contract. Icon is a tier 1 building contractor in Australia and a subsidiary of Kajima, one of the oldest and largest construction companies in Japan.

The Manager is very pleased to have secured this prime development opportunity for Vital. RDX is expected to be a leading research and innovation hub incorporating neuroendovascular radiology and interventional cardiology innovation and training. RDX is core to Vital's precinct strategy and exhibits the key attributes for precinct success.

Gold Coast Hospital and Health Board Chairman Ian Langdon said;

"I don't think you can name anywhere else in Australia at the moment where there's such an opportunity, an area of land adjacent to a hospital and adjacent to a major university".

Key details are noted in the table below:

Total projected development cost	~A\$140m
Development margin	~ 12%
Indicative construction period	Early 2023 - mid 2025
Yield on cost	5.6% (fully leased)
Leasing enquiry (to date)	~78% of the net lettable area with 14 separate potential occupiers
Green Star target	6-Star Green Star
Land area	2,467 sqm
Gross floor area	14,509 sqm
Car parking	181 bays
Expected Uses	<ul style="list-style-type: none"> <li>• Neuroendovascular radiology and interventional cardiology innovation and training</li> <li>• Rehabilitation inpatient and outpatient clinical services</li> <li>• Human clinical trials</li> <li>• Research and virtual care</li> <li>• Other health, education and research related uses</li> </ul>

The flexible building design enables initial or future use for overnight beds and overnight clinical trial facilities. The large floor plates at nearly 1,900sqm also support a range of uses.

RDX is Vital's first significant life sciences investment. After the asset sales noted above, Vital's exposure to life sciences is expected to increase from 0% to ~5% of its total portfolio (by value).

RDX is proposed to be 6-Star Green Star, in comparison to the properties Vital proposes to sell from its portfolio, which do not currently have, nor are likely to be able to achieve in the future, any major environmental certifications. A key part of Vital's strategy is to increase environmental certifications across its portfolio, which is intended to deliver higher total returns for Unit Holders over the longer term. RDX complements other market-leading, environmentally focused initiatives in the portfolio including Playford Health Hub in South Australia and Macarthur Health Precinct in New South Wales.

Artist's impression of RDX:



### **Balance sheet impact**

Including the RDX development announced today, Vital has ~\$390m of spend remaining to complete its committed development and fund through pipeline. Of this, ~\$150m is forecast to be spent over the balance of FY23. The proposed asset sales and other measures including Vital's DRP and conservative payout ratio are expected to ensure balance sheet gearing does not exceed 40% over the medium term.

As at 31 December 2022, Vital had ~NZ\$140m of debt head room available and a weighted average debt term of 3.38 years. A process is currently underway to extend both of these with details expected to be announced as part of Vital's interim results in February 2023. Also at 31 December 2022, ~70% of Vital's drawn debt was fixed for a weighted average term of 2.9 years.

### **NorthWest Involvement**

The RDX opportunity was initially secured by NorthWest Healthcare Australia (**NorthWest Australia**), which is a related party of the Manager. NorthWest Australia developed the RDX opportunity such that it now aligns with the Manager's strategy for Vital, as described above. NorthWest Australia will nominate Vital to acquire the underlying land from the Minister of Economic Development Queensland and will transfer the relationship with Icon to Vital. Vital will also assume NorthWest Australia's obligations under certain tenancy relationships. An independent valuation has been obtained for the underlying property to help ensure that Vital will step into the RDX opportunity on arms' length terms.

**– ENDS –**

## ENQUIRIES

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### **About Vital (NZX code VHP):**

Vital Healthcare Property Trust is an NZX-listed fund that invests in high-quality healthcare properties in New Zealand and Australia including private hospitals (~79%\* of portfolio value), ambulatory care facilities (~17%\* of portfolio value) and aged care (~4%\* of portfolio value).

Vital is the leading specialist listed landlord of healthcare property in Australasia.

Vital is managed by NorthWest Healthcare Properties Management Limited, a subsidiary of Toronto Stock Exchange listed NorthWest Healthcare Properties REIT, a global owner and manager of healthcare property.

For more information, visit our website: [www.vhpt.co.nz](http://www.vhpt.co.nz)

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\* All figures are indicative, as at 31 December 2022