

Property Funds Association Healthcare Property Trust 2019 Conference

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Australian Unity
Healthcare Property Trust

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Image on the front cover is of Robina Private Hospital, Robina, QLD.

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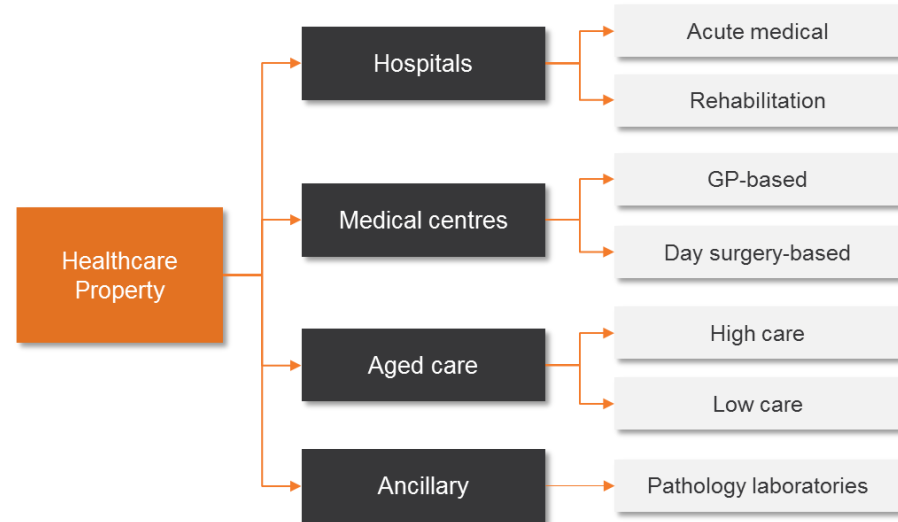
Artist impression of the
Surgical, Treatment and Rehabilitation Service (STARS) at Herston Quarter, QLD

1. What is Healthcare Property?

Australia's healthcare depends on a cohesive public and private system

Private hospitals account¹ for:

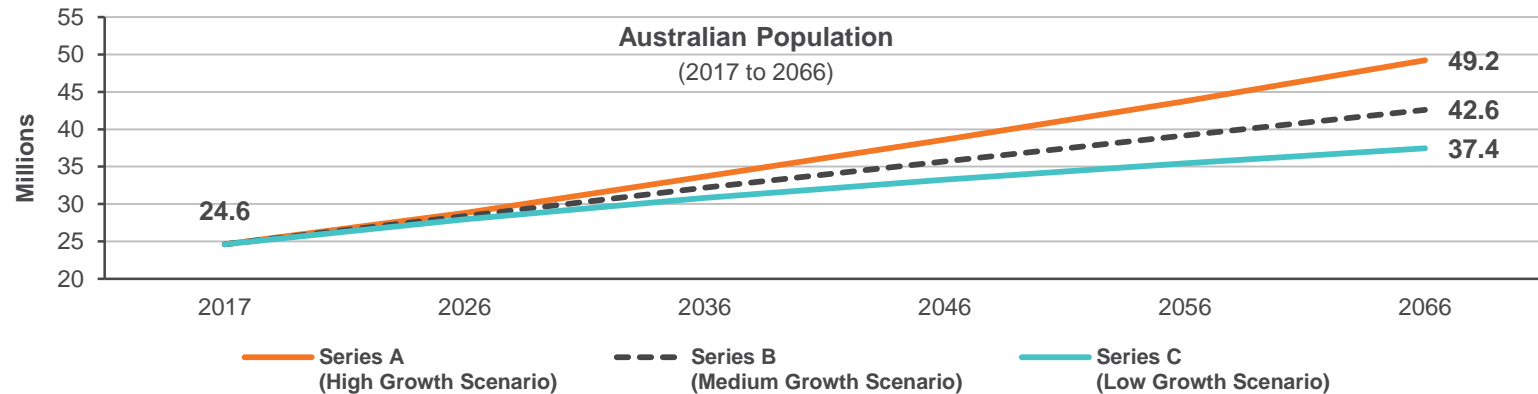
- Treatment of **40%** of all patients
- **2 out of 3** elective surgeries
- **1 out of 3** beds in Australia
- **48%** of heart surgeries
- **75%** of admissions for rehabilitation
- Psychiatric care for **39,000** people p.a.



¹ Private Hospitals Service Provision, Australian Private Hospitals Association, August 2018

What is Healthcare Property?

- Australia's population is projected to rise to **~43 million by 2066** ¹
- **16%** of Australians were aged 65 and over in 2018, compared to **8%** in 1964 ²
- In 2016/2017, **42% of hospitalisations** in Australia were for people aged over 65 ³
- By 2067, Australians aged 65 and over are expected to represent **~23% of the population** ³



¹ ABS Australian Demographic Statistics Series B Projections, June 2018

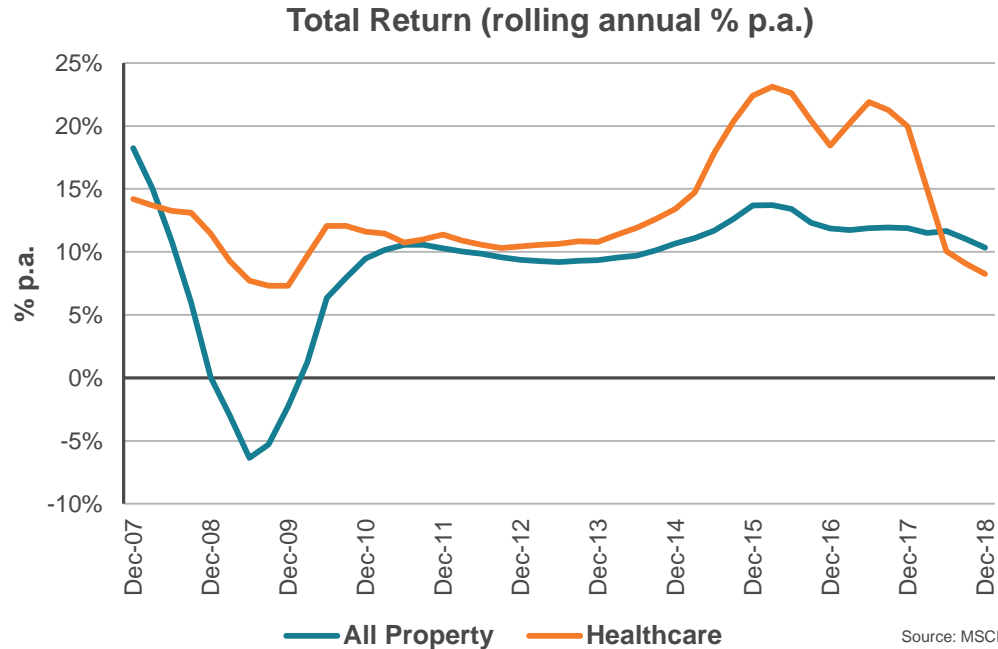
² ABS Australian Demographic Statistics, Population by Age and Sex, Australia, States and Territories, June 2018

³ Australia's hospitals 2016–17 at a glance, Australian Institute of Health and Welfare, June 2018

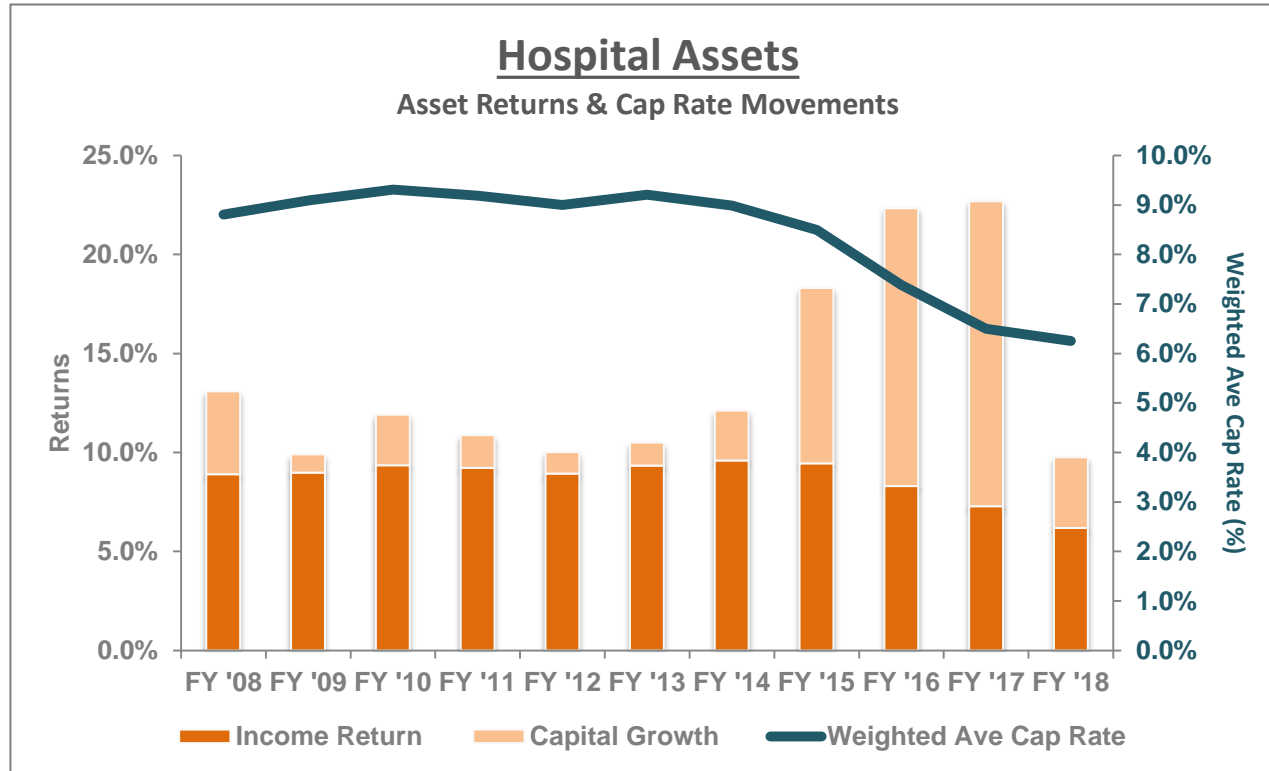
Source: ABS Australian
Demographic Statistics, June 2018

2. How does it perform?

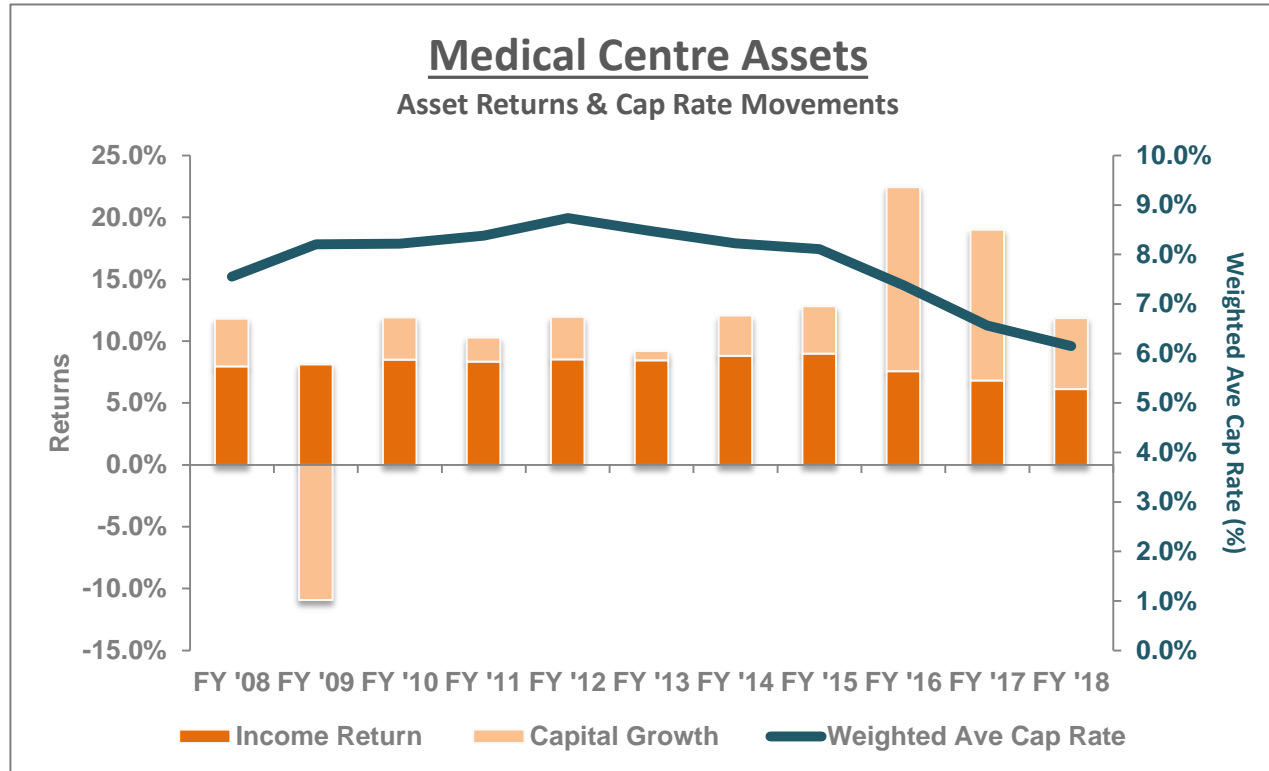
- Healthcare property continued to provide positive total returns throughout the Global Financial Crisis (GFC)
- Since the GFC, the 'Healthcare Property Index' has regularly outperformed the 'All Property Index'



How does it perform?



How does it perform?



3. Where are we in the cycle

- Low interest rate environment
- Tight capitalisation rates
- Health fund insurers tightening funding of services
- Focus on affordable rent
- In home care and outpatient models emerging
- Technology advances influencing how services are delivered



4. Future growth for the sector

- In 2016, Australian Unity won a Queensland Government competitive tender process to manage and develop the \$1.1b Herston Quarter project - a global benchmark in public and private medical facilities
- HPT has acquired two sites and will 'fund through' the development of the Surgical, Treatment and Rehabilitation Service (STARS) – the Herston Quarter Public Hospital, as well as the Herston Quarter Private Hospital
- STARS will be the first Australian public hospital to be built and owned by a REIT

Australian Unity's innovative approach for Herston Quarter can be replicated across Australia.

Our partners:



HASSELL

Herston STARS – Public Hospital	
Development capital	~390m
Commenced	May 2018
Est. completion	Oct-20
Lease expiry (QLD Health)	2040
Est. project cost rentalisation rate	6.25%
Est. on completion val. cap rate	5.50%

Herston Private Hospital	
Development capital	~\$100m
Est. commencement	2021
Est. completion	2023
Est. lease expiry*	2048
Est. project cost rentalisation rate	6.50%
Est. on completion val. cap rate	5.75%

* Heads of agreement is being finalised with a major not-for-profit hospital operator to lease the Herston Private Hospital for a 25 year term.

Future growth for the sector



Key Items	Sunshine Private Hospital, VIC	Robina Private Hospital, QLD
Project cost	~\$50m brownfield development	~\$50m hospital expansion (stage 2)
Start / Complete	2020 / 2022	2020 / 2022
Planned works	DA approval received for a 150-bed private hospital, forming part of a major health precinct, anchored by the Sunshine Public Hospital	5-level basement carpark and 8-level building
Project cost rentalised	~6.5% p.a.	~6.5% p.a.
Valuation cap rate	~6.0% p.a.	~6.0% p.a.
Lease details	AU in negotiations with potential operating partners, seeking a ~20 year lease	Healthe Care to occupy first 4 floors with lease expiring 2047. Remaining space to be let to third party medical providers

5. Where is value?

Creating value through development and active asset management



Key Items	Peninsula Private Hospital, VIC	Beleura Private Hospital, VIC	Mulgrave Private Hospital, VIC
Acq. date / Amount	Jul-06 / \$47m	Jul-99 / ~\$24m	Jul-99 / ~\$13m
Capital invested	~\$57m (across 2 phases)	~\$20m (across 2 phases)	~\$61m (across 4 phases)
Works	Emergency department, intensive care unit, day surgery unit and 84 new beds	60 new beds, operating theatre upgrade and chemotherapy unit	Cancer care facility, plus 60 new beds
Tenant / Expiry	Ramsay Health Care / 2040	Ramsay Health Care / 2034	Healthe Care / 2047
Rental uplifts	CPI p.a.	CPI p.a. (market review at Jul-22, 5-yearly thereafter, subject to 5% cap)	CPI p.a. (market review at Jan-22, 5-yearly thereafter)
Current valuation / Cap rate	~\$156m / 5.75%	~\$90m / 6.0%	\$121m / 6.0%
IRR – unlevered ¹			

¹ IRR is calculated from the initial asset acquisition date to 31 March 2019

Where is value?



Key Items	Medical Centre, Pennington, SA	The Eye Centre, Southport, QLD	Western Hospital, Henley Beach, SA
Acq. date / Amount	May-18 / \$8.3m	Oct-18 / \$17.5m	Nov-18 / \$22.5m
Initial passing yield	6.2% p.a.	6.2% p.a.	7.1% p.a.
Description	GP based medical centre	Medical centre, specialist consulting suites and day hospital	Only private hospital in catchment area, plus large land parcel totalling 17,700m2
Tenant / Expiry	Healius / 2033	Anchored by Ramsay, Monash IVF, Eye and Laser Centre / 4.0 year WALE*	Operator lease to 2038
Rental uplifts	Fixed 3.0% p.a.	Various	CPI p.a. (market review at 10 th year)
Other	-	-	HPT has agreed terms for a \$5.8m expansion project

* WALE is calculated by income.

Where is value?



Key Items	Mulgrave Private Hospital, VIC	Medical Centre, Greensborough VIC	Brisbane Waters Private Hospital, NSW
Capital invested	~\$19m expansion (stage 4)	~\$7m site + \$20m development	~\$12m expansion
Works	Cancer treatment centre, consulting suites and additional car parking	Greenfield development of warm shell multi-disciplinary medical centre	24 rehabilitation beds, gymnasium, hydrotherapy pool, café and car parking
Start / Completion	~Dec 16 / Dec-17	~Mar 17 / Mar-18	~May 17 / May-18
Project cost rentalised	7.0% p.a.	6.75% p.a.	7.25% p.a.
Valuation cap rate	6.0% p.a.	6.0% p.a.	6.5% p.a.
Tenant / Expiry	Healthe Care / 2047	Healius / 2033	Healthe Care / 2043
Rental uplifts	CPI p.a. (market review at Jan-22 & every 5 years thereafter)	Fixed 3.0% p.a.	CPI p.a. (market review every 5 years)
IRR – unlevered¹			

¹ IRR is calculated from the initial asset acquisition date to end of project.

Where is value?



Key Items	Medical Centre, Robina QLD	Imaging Centre, Port Macquarie NSW	Tuggerah Lakes Private Hospital, NSW
Capital invested	\$3.9m site + ~\$10m construction	\$1.8m site + in ~\$10m construction	\$2.5m site + ~\$19m construction
Works	Greenfield development of medical centre with warm shell fit-out	Greenfield development of medical and nuclear imaging centre	Greenfield development of day hospital, 20 beds, consulting suites and parking
Start / Completion	Apr-16 / Jun-18	Apr-18 / Jan-19	Jan-17 / Apr-19
Project cost rentalised	6.75% p.a.	6.25% p.a.	7.0% p.a.
Valuation cap rate	6.0% p.a.	6.0% p.a.	6.5% p.a.
Tenant / Expiry	Healius / 2033	Healius / 2034	Healthcare / 2039
Rental uplifts	Fixed 3% p.a.	Fixed 3% p.a.	CPI p.a. (10 year market review)
IRR – unlevered ¹			

¹ IRR is calculated from the initial asset acquisition date to completion

Where is value?



Key Items	Peninsula Private Hospital, VIC	Mulgrave Private Hospital, VIC	Beleura Private Hospital, VIC
Project cost	~\$50m expansion project	~\$15m expansion project (stage 3)	~\$10m expansion project (stage 3)
Start / Complete	Dec-18 / Jun-20	Jul-19 / Jul-20	Sep-19 / Sep-20
Planned works	60 beds, two theatres and consulting suites	Day surgery facility, upgrades to foyer & café, aerial linkages between hospitals	50 rehabilitation and mental health beds
Project cost rentalised	~6.75% p.a.	~7.0% p.a.	~6.5% p.a.
Valuation cap rate	~5.75% p.a.	~5.75% p.a.	~6.0% p.a.
Lease term	10 year extension to 2050	Expected extension beyond 2047	10 year extension to 2044

6. Property ownership vs operators?

Includes many of Australia's leading healthcare operators

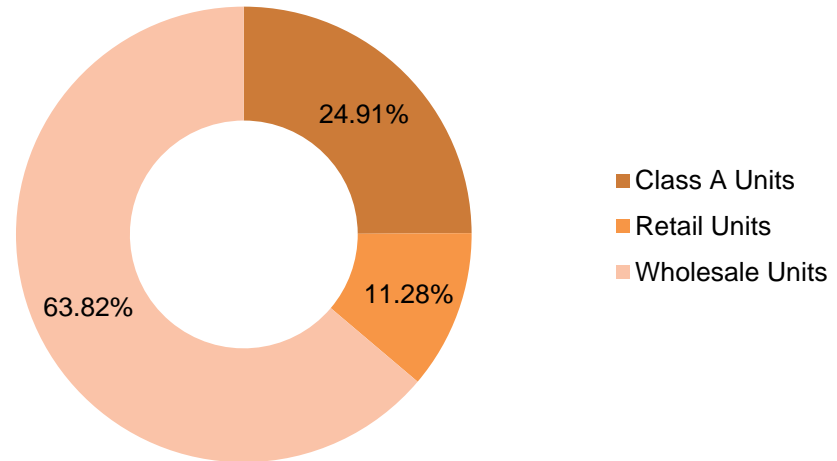


7. Who are the investors?

- Mum and Dads
- Platforms
- Family Office

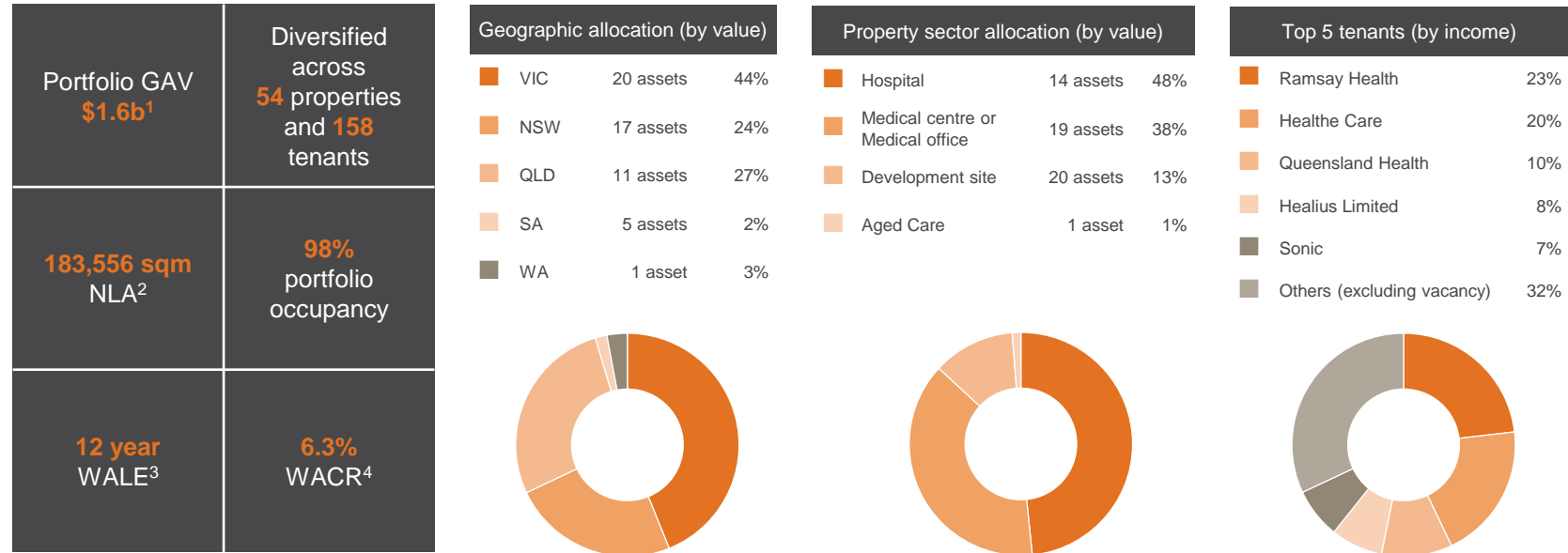


HPT Investors (as at April 2019)



8. Review of the Healthcare Property Trust

National healthcare exposure with strong underlying portfolio metrics



All information as at 31 December 2018.

¹ Gross asset value

² Net lettable area

³ Weighted average lease expiry (by income)

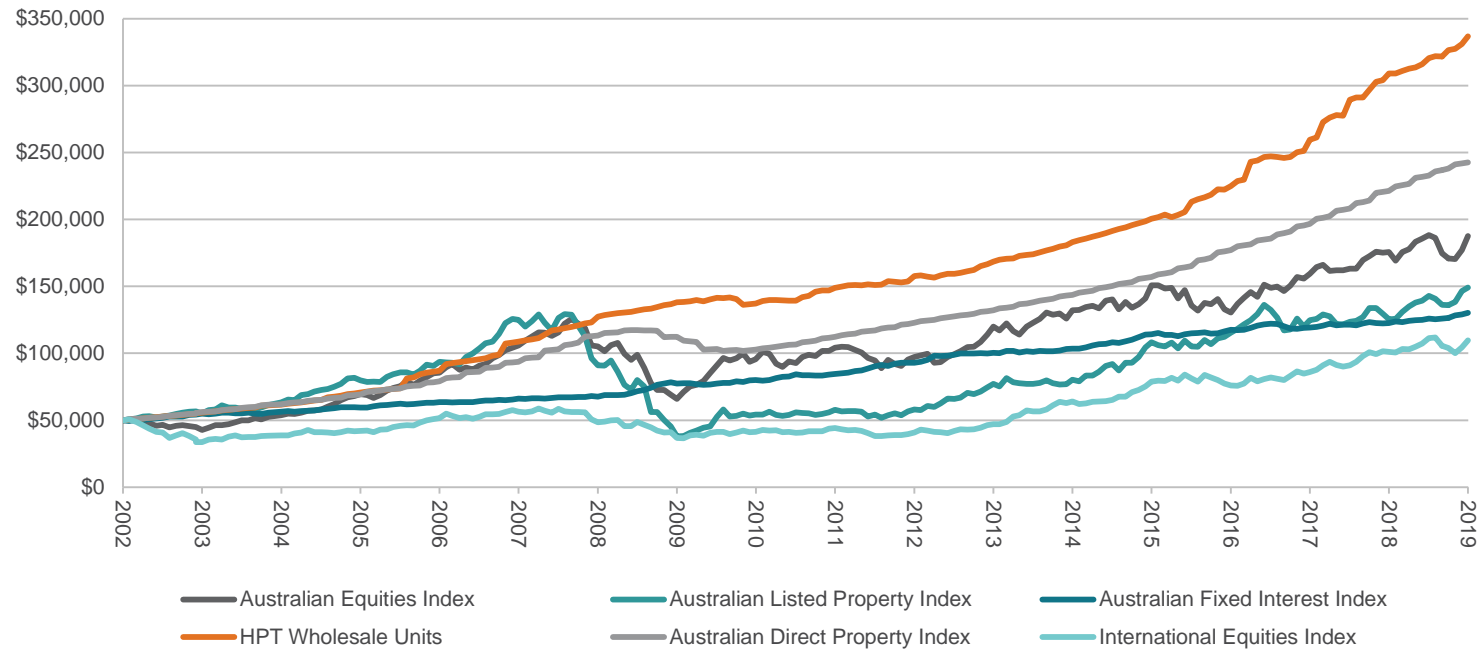
⁴ Weighted average capitalisation rate

For full portfolio details please see our latest **Fund Update** on our website at:

australianunity.com.au/hptseries2

Review of the Healthcare Property Trust

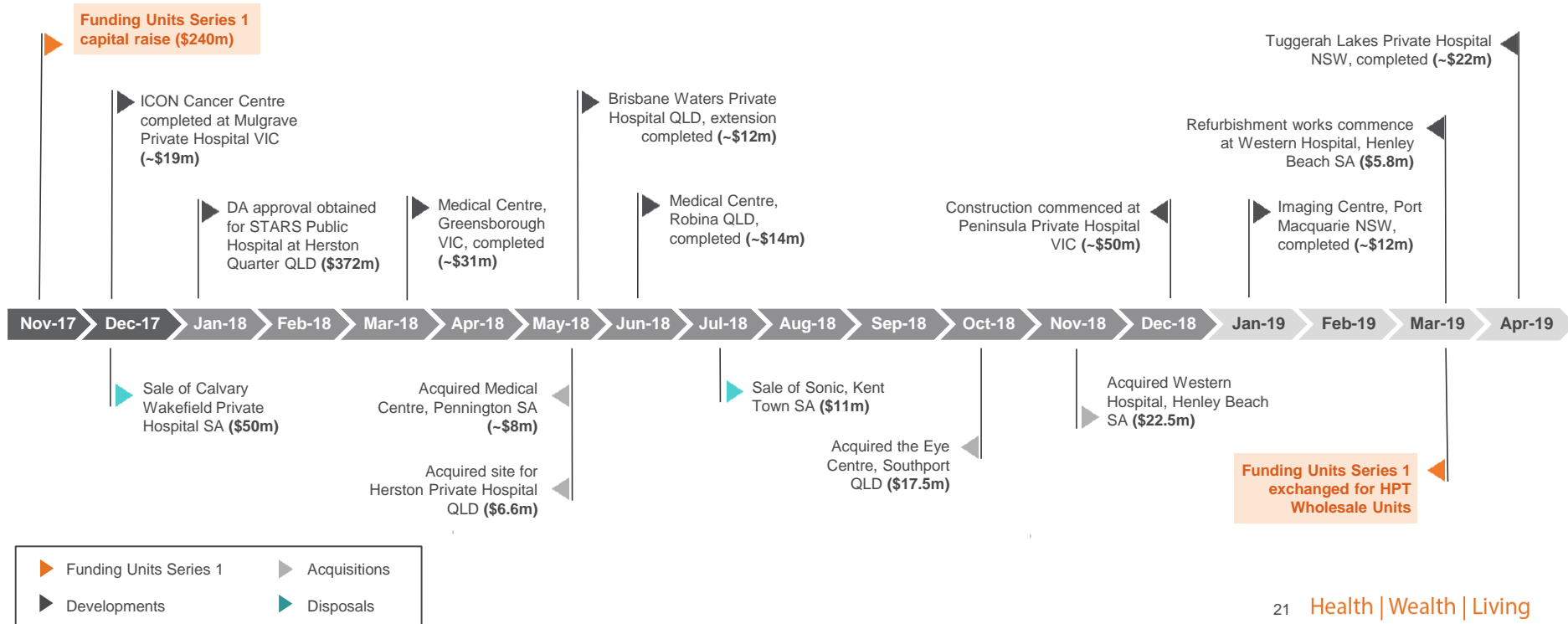
Relative to other investment classes



Source: Australian Unity Wealth & Capital Markets, Bloomberg, March 2019. Australian Equities Index (S&P/ASX 300 Accumulation Index), Australian Listed Property Index (S&P/ASX 300 A-REIT Accumulation), Australian Fixed Interest Index (Bloomberg AusBond Composite (0+Y)), Australian Direct Property Index (PCA/IPD Pooled Property Fund Index – Unlisted Retail), International Equities Index (MSCI All Countries ex Australia Unhedged in \$AUD). Returns for HPT Wholesale Units are calculated after fees and expenses and assume the reinvestment of distributions. Inception date for the HPT Wholesale Units is 28 February 2002. Past performance is not a reliable indicator of future performance.

Ongoing portfolio management

Significant activity since the issuing of Funding Units Series 1 in November 2017



HPT has delivered attractive returns since inception

- HPT has enjoyed stable income distributions and capital growth underpinned by significant greenfield and brownfield developments
- Further healthcare property sector repricing expected e.g. Brookfield's potential \$4.4b Healthscope acquisition
- HPT has received the highest possible ratings³ from independent research houses

Performance (% p.a.) ¹	1 year	3 years	5 years	10 years	Since inception
Distribution return ²	5.84%	6.69%	7.06%	7.25%	8.50%
Growth return (unit price)	2.28%	7.07%	5.69%	1.93%	3.31%
Total return	8.12%	13.76%	12.75%	9.18%	11.81%



¹ Performance data reflects HPT Wholesale Units only as at 31 December 2018. Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. Inception date for the HPT Wholesale Units is 28 February 2002

² Returns include capital gain distributions

³ Research ratings for the Australian Unity Healthcare Property Trust – HPT Wholesale Units, as at March 2018

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