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Strong earnings growth driven by high-quality property portfolio

Despite increasing volatility in stock markets around the world, healthcare property remains a strong defensive asset class offering stable and transparent rental income cashflows to investors with potential for further growth, says Australasia's leading specialist owner of healthcare real estate.

NorthWest Healthcare Properties Management Limited (**NorthWest**), the manager of Vital Healthcare Property Trust (**Vital**), released its results for the 12 months ended 30 June 2022 (**FY22**) today. The result included confirmation of 9.625 cents per unit (cpu) distributions for the year; 8.5% above FY21.

NorthWest said the increase in distributions was underpinned by strong growth in earnings and recent asset acquisitions and development activity.

Fund Manager Aaron Hockly said Vital's Board and Management expect to deliver further growth in earnings and distributions and has today provided FY23 distribution guidance of 9.75cpu.

"Over FY22 Vital committed to undertake an additional $146 million of new developments including the expansion of Ormiston Hospital in Auckland, Grace Hospital in Tauranga and further additions to Wakefield Hospital in Wellington and Playford Health Hub in Adelaide. Newly committed developments replenish Vital's development pipeline following the recent completion of a A$97 million development and expansion of Epworth Eastern Hospital in Melbourne and a new day surgery adjoining Royston Hospital in Hastings which was officially opened earlier this month. Vital currently has 10 developments underway across Australia and New Zealand for a total projected cost of $293.2m providing a forecast blended yield of 5.8%[1].," said Mr Hockly.

As part of its $1.8 billion pipeline of potential developments across Australia and New Zealand, Vital is planning further development at its healthcare precinct in Remuera where it owns Ascot Hospital and Ascot Central.

In addition to the above, Vital has $169 million of ambulatory care fund-through[2] developments underway in Australia comprising a A$54.4 million development for Genesis Care (stage 1 of Campbelltown, Sydney) and a newly announced A$98.6m fund-through development for Nexus in Hobart.

[1] Forecast assumes developments are fully let on current expectations of future market terms.

[2] These are developments where Vital is funding a development rather than acting as developer.

Vital undertook $382[3] million of property acquisitions in FY22 including its first South Island assets, purchasing sites in central Christchurch and Queenstown. Both sites housed existing healthcare operators and offered future development potential, Mr Hockly said.

Mr Hockly noted NorthWest's focus on maintaining a consistently low average building age within Vital as a means to minimise maintenance capital expenditure and to ensure Vital's properties meet current and future needs of healthcare operators and patients.

"Vital's $3.3 billion property portfolio is high quality and high acuity, with a current weighted average lease expiry of 17.6 years – the longest of any property group on the NZX," said Mr Hockly.

Net property income increased by 12.2% over FY22 reflecting the contributions from rental growth, acquisitions and developments. Like-for-like, same property rental growth using a constant currency was 2.8% for FY22. With ~80% of Vital's leases linked to CPI in some way, Vital also retained high occupancy at 98.8% (30 June 2021: 99.2%).

During the past year, Vital and NorthWest both issued their first Sustainability Reports. NorthWest has subsequently appointed three "Sustainability Champions" to its Australasian business, part of its commitment to achieving net zero emissions across all its operations and platforms, including Vital, by 2050.

FY22 Results at a glance

	FY22	***FY21***	***Change***
Property Portfolio	$3.3 billion	$2.6 billion	26.7%
Occupancy (by income)	98.8%	99.2%	-
AFFO	$67.8 million	$57.5 million	18.0%
AFFO per unit (cpu)	11.92	11.54	3.3%
NTA per unit ($pu)	3.34	2.89	15.3%
Balance sheet gearing	30.0%	35.0%	-
Weighted average cost of debt	3.73%	3.32%	-
Weighted average debt maturity	3.9 years	2.5 years	-
Distributions (cpu)	9.625	8.88	8.5%

Over the 10 years ended 30 June 2022, Vital has delivered a total return[4] of 13.2% per annum outperforming the NZX REIT index by 4.2% per annum and the NZX50 by 0.9% per annum[5].

Over the five years ending 30 June 2023, Vital expects to record a compound annual growth rate for distributions of 2.3% per annum.

Vital's balance sheet gearing was reduced to a conservative 30.0% at 30 June 2022 (30 June 2021: 35.0%) and has no debt expiring until October 2023.

– ENDS –

[3] Excludes transaction costs and includes Kawarau Park Health Precinct, Queenstown which settled in July 2022.
[4] Unit price change plus distributions.
[5] Source: Forsyth Barr

ENQUIRIES

Aaron Hockly
Fund Manager, Vital Healthcare Property Trust
Tel 09 973 7301, Email aaron.hockly@nwhreit.com

Michael Groth
Chief Financial Officer, NorthWest Healthcare Properties Management Limited
Tel +61 409 936 104, Email michael.groth@nwhreit.com

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 (~80% of portfolio value), out-patient facilities (~16% of portfolio value) and aged care (~4% of portfolio value) [6].

Vital is the only specialist listed landlord of healthcare property in Australasia and currently has a portfolio valued at over $3.3 billion[3].

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

Disclaimer:

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All references to $ are to New Zealand dollars unless otherwise indicated.

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[6] All figures as at 30 June 2022.