

2 March 2016

Vital settles residential aged care acquisitions

Further to the announcement of 25 February 2016, Vital Healthcare Property Trust ('Vital') has now settled the acquisition of four residential aged care assets in Australia. The properties will be leased for 20 years to the Hall & Prior Health and Aged Care Group ('Hall & Prior'), one of Australia's leading private residential aged care operators.

David Carr, Chief Executive Officer of Vital's manager said "As initially detailed in our Interim Results release last week it's great to announce we have settled the strategic investment of four aged care properties and confirm our relationship with Hall & Prior, which presents an exciting next phase in Vital's evolution."

About Hall & Prior

Hall & Prior was established in 1992 and is a private Australian Commonwealth Government approved residential aged care provider. With more than 1,450 aged care beds it is one of the largest private residential aged care operators in Australia. Hall & Prior currently manages 22 facilities, with primary concentrations in metropolitan Perth and metropolitan Sydney.

Hall & Prior's Western Australia division has 900 residential aged care beds and 1,200 staff. The New South Wales division has 550 residential beds and over 400 staff. Six senior executives are supported by a management team of 50 personnel, all of whom have a strong focus on high quality care, including dementia care for many residents.

Mr Carr said "Hall & Prior have more than 20 years' experience in residential aged care and are market leaders in the provision of quality care for the elderly. We expect this new relationship to generate a pipeline of brownfield development and follow-on acquisition opportunities. This will further improve scale and drive enhanced long-term performance, much like the value-add capital expansion programme we have delivered very well on over the last six years."

Graeme Prior, Hall & Prior's Managing Director said "After considering a real estate capital partner for some time, we see Vital as one of the most capable and respected healthcare real estate investors in Australia. We were particularly attracted to Vital's track record in supporting brownfield development and other growth opportunities with their partners. Further capital investment at each of these four properties will provide both parties with attractive incremental operational and investment returns in well located metropolitan locations.

Australia's aged care sector is under real pressure to increase supply to meet the demands of an expanding and ageing population. Our care facilities provide need-based care, and while there has been relative stability in aged care operational funding, there has been significant under-investment in the industry for many years. We see our relationship with Vital as critical to supporting our growth initiatives to meet that demand, which may include consolidation of small scale operators, supplemented with both brownfield and greenfield development initiatives."

Acquisition properties summary

Below is a summary of each property acquired.

Property	Hamersley Residential Aged Care	Rockingham Residential Aged Care	Clover Lea Residential Aged Care	Fairfield Residential Aged Care
Purchase Price (A\$)	\$10.6m	\$5.6m	\$10.7m	\$14.1m
Asset / care description	Two level, 78 bed high-care facility	Single level, 40 bed high-care facility	Single level, with under-croft carparks. High-care facility	Two level, high-care facility, including an 18 bed secure dementia unit
Location	Central Perth suburb of Subiaco, ~2 km's south-west of the Perth CBD	Approximately 40 km's south-west of the Perth CBD in the suburb of Rockingham	Central Sydney suburb of Clover Lea, ~12 km's from Sydney CBD	Sydney suburb of Fairfield, ~28 km's from Sydney CBD
Bed numbers	78 beds	40 beds	64 beds	93 beds
Expansion capability	Yes	Yes	Yes	Reconfiguration only

Residential aged care sector information and trends¹

Residential aged care is one of Australia's largest service sectors employing 350,000 people and delivering care to more than one million elderly through over 1,000 providers. The industry has A\$34bn in total assets, generates A\$14.8bn in annual revenues and received A\$9.6bn of Government funding in 2014, around 3.6% of government expenditure.

In 2014 the sector had approximately 189,000 operational bed places with average sector occupancy of 93%. Total places grew by ~18,000 beds, or 1.6% per annum between 2009 and 2015. In the next ten years it is estimated that over 80,000 beds will need to be delivered (equating to 3.6% growth per annum) in order to meet future demand. As a result, significant capital investment in aged care infrastructure will be required.

David Carr said "The fundamental drivers of healthcare are well known to us and this initial investment into aged care real estate is a logical extension of the themes that have supported Vital's performance over many years. Vital's portfolio diversification and weighting to aged care as a result of this acquisition will be approximately 5% and we expect to see that weighting increase over time as opportunities crystallise that will deliver long-term portfolio and financial benefits to our investors."

– ENDS –

ENQUIRIES

David Carr, Chief Executive Officer

Vital Healthcare Management Ltd, Telephone 09 973 7301, Email dcarr@vhpt.co.nz

Stuart Harrison, Chief Financial Officer

Vital Healthcare Management Ltd, Telephone 09 973 7302, Email sharrison@vhpt.co.nz

¹ Funding and Financing of the Aged Care Sector, July 2015

About Vital Healthcare Property Trust

With a portfolio value of over NZ\$834m, Vital Healthcare Property Trust (NZSX: 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 Vital Healthcare Management Limited.

vitalhealthcareproperty.co.nz