

Good times ahead for healthcare property

Healthcare property is currently an attractive investment option for investors as a result of several emerging factors, according to Mr Chris Smith, property portfolio manager at Australian Unity Investments (AUI).

He pointed to the current political focus on healthcare reform which he believes will create opportunities in the healthcare area and increase the value of healthcare operations.

"For example, our Healthcare Property Trust (HPT) has recently had an increase in valuations which shows that the fundamentals for healthcare property are extremely positive.

"An increasing and ageing population will continue to drive demand for more private facilities and will help maintain the value of healthcare properties.

"These and other factors mean that demand for private hospitals and medical facilities continues to increase, both by those requiring medical services and those providing them.

"In addition, the long lead-time and cost of building new healthcare facilities ensure that existing facilities will continue to maintain their value over the long-term, to the benefit of investors in this sector.

"The recent economic downturn has also proven that healthcare property is relatively immune to economic cycles, with valuations remaining stable and occupancy rates unchanged.

"In our view, property valuations reached the bottom in December last year and are now starting to improve," Mr Smith said.

Another factor supporting Mr Smith's view about the strength of healthcare property as an asset class is a Zenith Investment Partners rating of AUI's HPT as 'highly recommended'^ – the only unlisted property fund to currently hold this rating.

In its report, Zenith said that the HPT is an "established vehicle with a solid track record in the sector [that] gives a level of confidence as to the abilities of the responsible entity, which is well resourced and experienced in healthcare [property] as an asset class."

Zenith said that, in its opinion, the Trust represents one of the premium offers within the sector over its history.

"The Trust is designed to provide investors access to long term stable income streams backed by solid covenant tenants with quality healthcare assets, which have proven themselves to be resistant to wider economic downturns.

"Zenith has a high level of conviction in [AUI's] abilities to continue to manage the Trust as outlined. The key individuals and supporting staff possess significant experience in real estate investment and development with the backing of AUI's significant funds management capabilities," the report said.

The HPT currently has over \$410 million* in funds under management and holds 20 healthcare properties in New South Wales, Victoria, Queensland and South Australia as well as three vacant parcels of land for future development. The wholesale fund has returned 8.25%* pa over three years, 14.26 %* pa over five years, and 13.49%* pa since inception in 2002.

Australian Unity Investments is the funds management arm of financial services, health and retirement living services provider Australian Unity. It has over \$10.6 billion in funds under management*. Its approach to product development is to use its established in-house expertise in property and mortgages while also forming joint ventures and strategic alliances with other organisations with specialist expertise.

*As at 31 March 2010. Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance as returns may vary.

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