



Centuria

HEALTHCARE

**Why invest in
the healthcare
property sector?**

Centuria Healthcare

CENTURIA HEALTHCARE INVESTS IN PROPERTIES INCLUDING

Short-stay
and day

Hospitals

Specialist
centres

For example
Oncology
facilities

Medical
centres

Mental
health

Facilities

Aged
care

Residences



THE CENTURIA HEALTHCARE TEAM MANAGES

3

Development
funds

1

Wholesale
open-ended fund

5

Closed
unlisted funds

1

Open-ended
unlisted fund
Centuria Healthcare
Property Fund (CHPF)

\$M
500

mandate on
behalf of AXA
IM/Grosvenor

Centuria Healthcare is part of the S&P/ASX-200 Index, listed Centuria Capital Group (ASX: CNI or “Centuria”), which oversees more than \$18 billion of assets under management throughout Australasia¹. Centuria branched into healthcare real estate in 2019 through a 63% investment in Heathley Limited, creating the merged entity now known as Centuria Healthcare.

¹ As at 13 October 2021.

² As at 26 November 2021.

Since joining the Centuria fold, the healthcare team has increased assets under management by 117% to \$1.3 billion², investing in a range of existing properties as well as fund-through developments.

As an external healthcare fund manager, Centuria Healthcare has a strong track record for securing quality, fit-for-purpose assets that deliver compelling value to investors. It has a differentiated healthcare property portfolio centred on cost effective models of care.

Uniquely, Centuria Healthcare has established strategic development partnerships with blue-chip Australian healthcare and medical groups to deliver industry leading projects, nationwide. This document provides an overview of the Australian healthcare property sector so investors have a thorough understanding of this real estate asset class and why healthcare property is a pillar of Centuria’s real estate platform.

Favourable Demographics & Demand for Healthcare Infrastructure

The healthcare sector is underpinned by growing non-discretionary demand for healthcare services and infrastructure. The key healthcare demand drivers in Australia can be summarised as:

Increased focus on preventative care and surgical care

Federal Government policies are increasingly aimed at placing greater emphasis on primary care to prevent excessive costs being pushed downstream.

Hospital care in the home will provide further changes to the in-hospital environment.

Greater emphasis and funding for mental health facilities and initiatives aimed at preventing and addressing the needs of people experiencing mental illness.

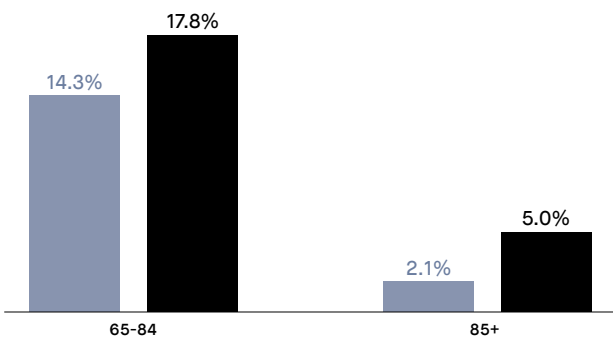
Ageing population

An increase in the number of Australians aged 65 years and over is expected to continue to drive higher healthcare spend.

This age group suffers from a greater incidence of illness/disease and have a greater need for healthcare services.

PROPORTION OF AUSTRALIAN POPULATION AGED 65+

● 2019-20 ● 2060-61



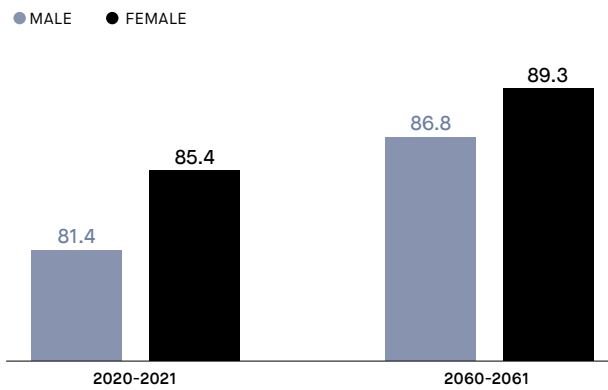
Source: 2021 Intergeneration Report (ABS National, state and territory population, September 2020, and Treasury)

Longer life expectancy

Scientific and technological advancements have resulted in patients living longer and being treated for longer, increasing the demand for healthcare services.

Average life expectancy at birth is predicted to reach 87 and 89 years for males and females, respectively, by 2061.

PROJECTED LIFE EXPECTANCY AT BIRTH (YEARS)



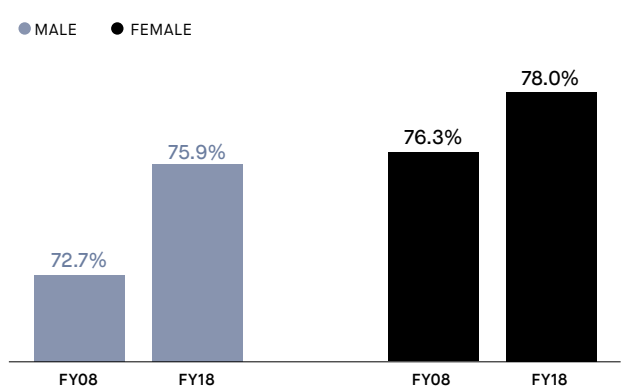
Source: 2021 Intergenerational Report (Source: ABS Australian Historical Population Statistics; ABS Life Tables: States, Territories and Australia, 2016-18; ABS Life Tables, 2017-2019; and Treasury)

Chronic disease occurrence

Improvements in detection and treatment, as well as lifestyle factors (e.g. poor diet and limited exercise) are increasing the incidence of chronic disease.

Approximately 80% of Australians are living with long-term health conditions, which require a higher level of ongoing healthcare than the general population.

PROPORTION OF POPULATION WITH COMORBIDITIES



Source: Australian Bureau of Statistics

Healthcare Real Estate Has Historically Delivered Strong Returns and Experienced Low Volatility

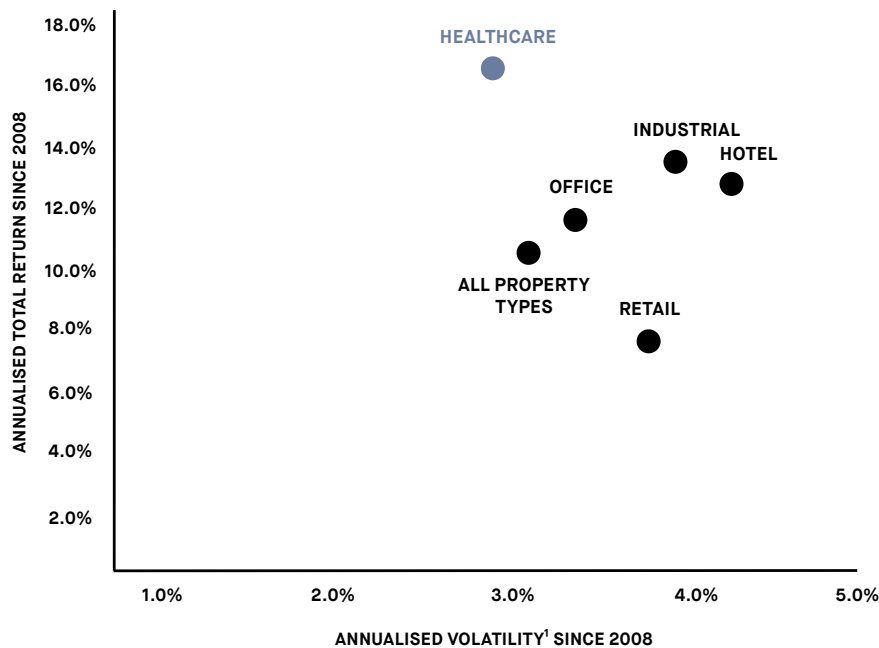
The healthcare property sector has delivered strong returns and experienced relatively low volatility when compared to traditional real estate asset classes.

Healthcare property has had sustained success largely because of the following characteristics:

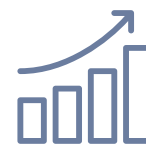


Stable revenue streams (backed by government funding) allow tenants to commit to longer term leases, creating greater revenue stability.

VOLATILITY¹ AND TOTAL RETURN BY SECTOR^{2,3}



Non-discretionary nature of healthcare expenditure limits exposure to economic downturns.



Generally lower lease incentives provided and higher contracted escalations versus traditional real estate asset classes.

Source: MSCI, as at June 2021.

Return disclaimer. Each sector has different characteristics and risks. The risks, volatility and returns for healthcare differ to a geared healthcare property fund. The chart above is provided for illustrative purposes only and is not a comparison or recommendation on the investment merits of any sector. Past performance is not a reliable indicator of future performance.

1 Volatility is measured by standard deviation

2 The "Healthcare" category is based on the MSCI Australia Quarterly Healthcare Index, which provides a broad measure of investment returns for the healthcare property market in Australia and tracks the investment performance of 136 healthcare assets representing \$5.0 billion

3 Calculated based on annual total returns on a quarterly basis from June 2008 to June 2021.

Centuria Healthcare's Point of Difference

Centuria Healthcare's deep understanding of healthcare real estate has delivered a track record of strong returns¹.

We know that track record and relationships are highly valued by operators. Centuria Healthcare's track record and understanding of the sector allows it to become the preferred property partner for operators.

Centuria Healthcare has a differentiated healthcare property portfolio focused on cost effective models of care. This is driven out of an understanding of the health industry (that is, how to improve economic sustainability).

Centuria Healthcare is investing in high-quality healthcare assets, both in traditional and growth subsectors with exposure to underlying health megatrends, requiring significant healthcare infrastructure investment. Included are traditional subsectors, such as primary and secondary care, as well as recent growing subsectors comprising mental health, life sciences and dementia care.

The emergence of new models of care in the healthcare property sector has led to two key changes:

Increased securitisation



Historically, large healthcare real estate property portfolios have been held on balance sheet by major for-profit and not-for-profit healthcare operators. It is estimated that \$5.2 billion² of healthcare property is securitised (total Australian securitised property market is \$124 billion³).

In terms of the aged care property market, the total Australian securitisable value is \$13.8 billion and is forecast to grow to \$19.9 billion by 2027⁴. Additionally, opportunities in the aged care property sector are anticipated to increase as a result of the Royal Commission into Aged Care Quality and Safety.

Case Study

Case Study: Inpatient rehabilitation

Inpatient rehabilitation rates in Australia are the highest in the OECD, and lower cost Rehab In The Home (RITH) models have only recently emerged.

- In Australian private hospitals, inpatient rehab is growing faster than other services, representing an increasing proportion of hospital episodes, in contrast with the trend in public hospitals and other international markets.
- Referral to inpatient rehabilitation post Total Joint Replacements (TJR) in the Australian private system is >40%, which is expensive to the patient.
- The average cost of inpatient rehab post TJR is >\$9,000 compared to RITH costs, which are <\$3,000.

Ongoing sector consolidation



Though the healthcare property sector is highly fragmented, a significant consolidation opportunity exists for early movers. There is a mutual benefit for specialised healthcare property fund managers and healthcare operators to achieve scale efficiencies, while also enhancing diversification advantages via targeted operator acquisitions.

¹ Return disclaimer. Each sector has different characteristics and risks. The risks, volatility and returns for healthcare differ to a geared healthcare property fund. The chart above is provided for illustrative purposes only and is not a comparison or recommendation on the investment merits of any sector. Past performance is not a reliable indicator of future performance.

² The "Healthcare" category is based on the IPD Australia Quarterly Healthcare Index, which provides a broad measure of investment returns for the healthcare property market in Australia and tracks the investment performance of 105 healthcare assets representing ~\$ 2.9 billion. Source: MSCI.com.au

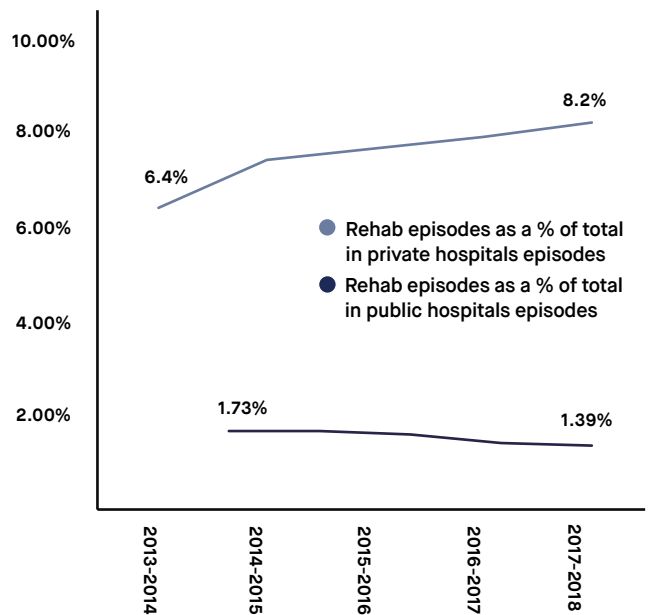
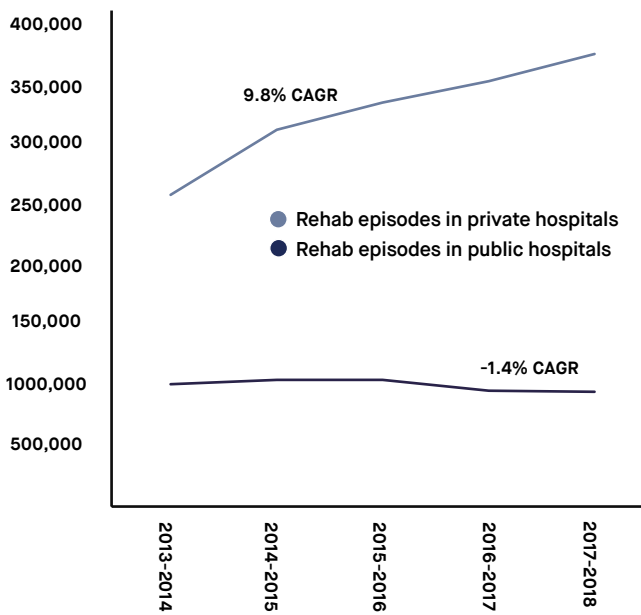
³ Calculated based on annual total returns on a quarterly basis from December 2004 to June 2018 for the particular property sector as compared to each of the respective asset classes. Emerge Capital (2016).

⁴ Assumes 50% of total industry EBITDA as rent, utilising an 8% capitalisation rate.



21-29 HAVELOCK ST, WEST PERTH WA

GROWTH IN REHABILITATION HOSPITAL EPISODES, PRIVATE AND PUBLIC HOSPITALS



Source: AIHW Admitted Patient Care 2017-18.

Centuria

HEALTHCARE

Disclaimer: Issued by Centuria Healthcare Asset Management Limited (ABN 40 003 976 672, AFSL 246368) (CHAML), a majority owned subsidiary of the Centuria Capital Group (ASX:CNI) (ABN 22 095 454 336). The information in this article is general information only and does not take into account the financial circumstances, needs or objectives of any person. CHAML is the responsible entity of a number of retail and wholesale unlisted property funds, all retail offers are issued under a product disclosure statement (PDS) that is available at centuria.com.au/unlisted for all funds open for investment. An investment in any of CHAML's property funds carries risks associated with an investment in direct property including the loss of income and capital invested. The risks relating to an investment are detailed in each Fund's PDS and CHAML strongly recommends that the PDS is read before any investment decision is made. CHAML receives fees from investments in its property funds. Past performance is not a reliable indicator of future performance. CA-CH-07/12/21-001662.

CENTURIA.COM.AU/WHY-HEALTHCARE