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Primary healthcare property investment performance review

21 November 2013



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IPD healthcare index sponsor





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Agenda

- Market size and structure
- Healthcare property performance in 2012 and the longer term
 - Its drivers
 - Segment comparisons
- Healthcare compared to other asset classes
 - Headline returns
 - Inflation protection
 - Volatility
 - Hedging capability



IPD UK Healthcare Index Profile 2012

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- The IPD Healthcare Index now covers the performance of **786** healthcare properties across the whole of the UK, with an aggregate value of **£2.66bn**. This compares to a total value of £2.39bn across 683 assets at the end of 2011.
- Data from 6 specialist healthcare funds:
 - Assura Group
 - Aviva Quercus
 - Kames Capital
 - MedicX Fund
 - MedicX Healthfund
 - Primary Health Properties
- Plus other healthcare properties held within IPD UK databank

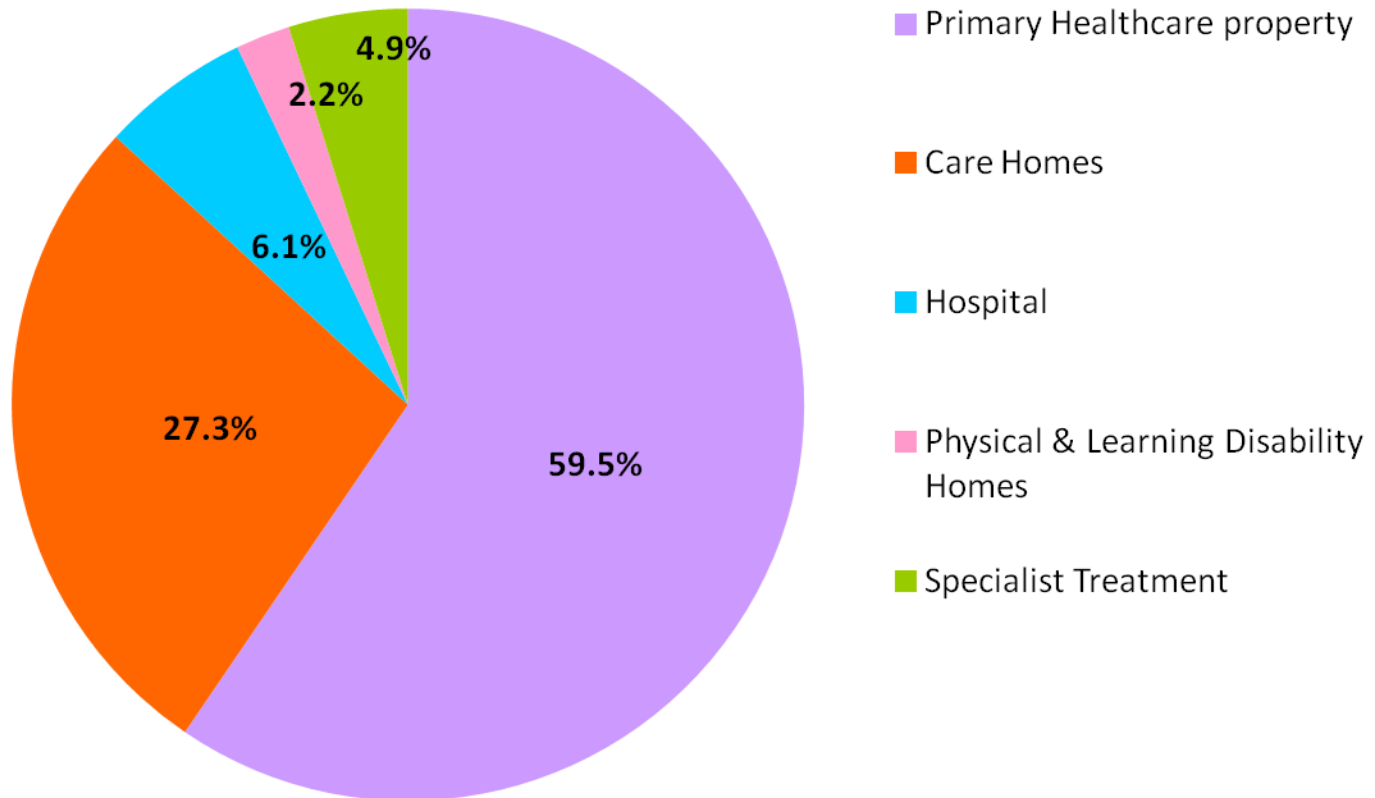


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IPD Healthcare index by property type

Percentage of investment value at end 2012

Total market size = 2.66Bn



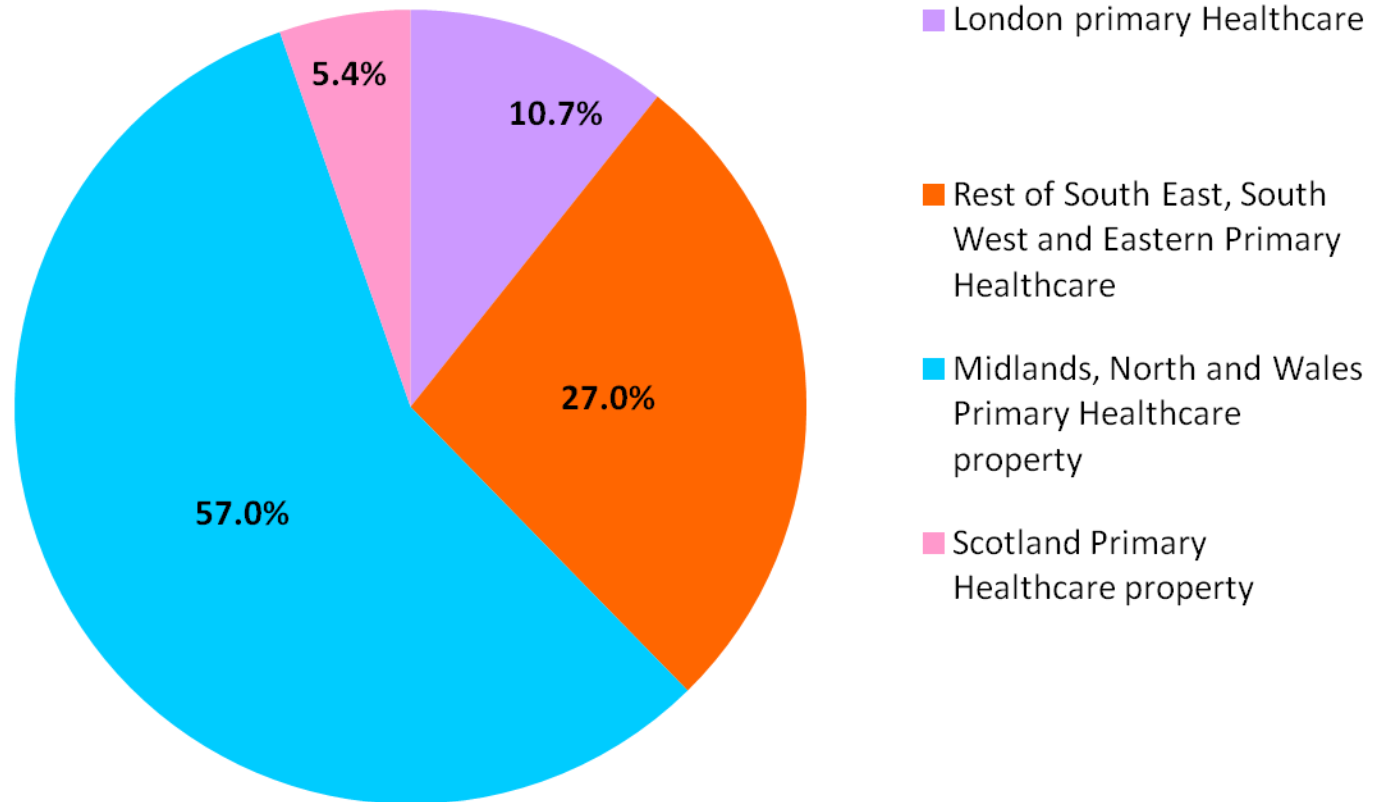


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Primary healthcare property in the index by region

Percentage of investment value at end 2012

Total primary market size = 1.59Bn

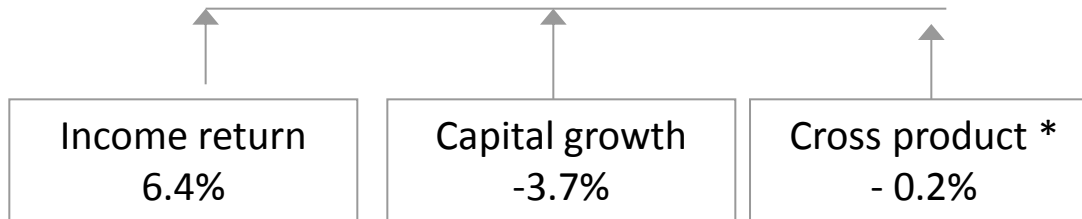




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IPD UK healthcare Index 2012

Annual Total return 2.4 %



Total return of 2.4% compares to 7.2% in 2011.

Income return steady (6.5% in 2011, values fell for the first time since 2009)

* Cross product: capital gain / loss in reinvested income

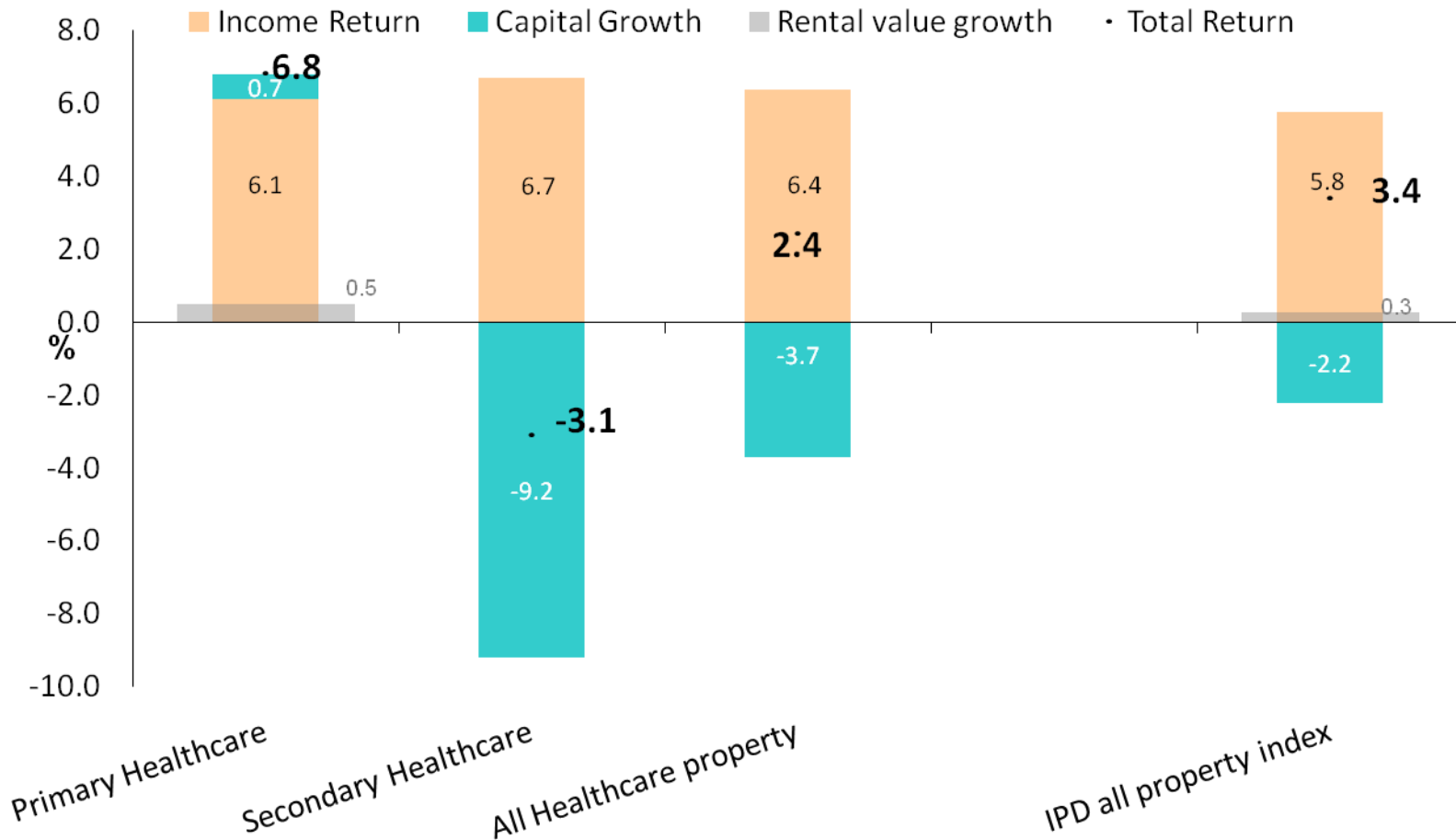
Source: IPD healthcare index



Healthcare investment performance in 2012

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12 month Total return, Income return, capital growth and rental value growth %



Source: IPD



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Components and Drivers of Returns, 2012

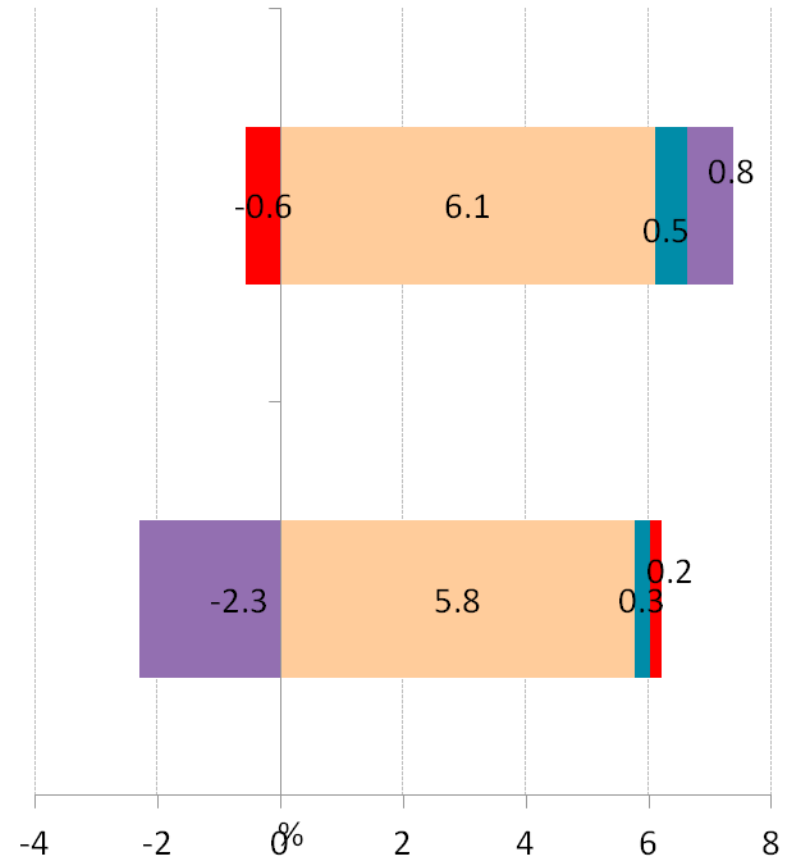
Primary healthcare within the wider property market

Primary Healthcare property performance in 2012 was driven by a steady income return, with prices appreciating slightly on the back of 0.5% rental growth and a small amount of yield compression

Commercial property performance slowed as yields moved out, causing prices to fall in spite of a small growth in rents. Income return below 6% for the second year in a row despite yield softening.

Primary Healthcare Property

All property



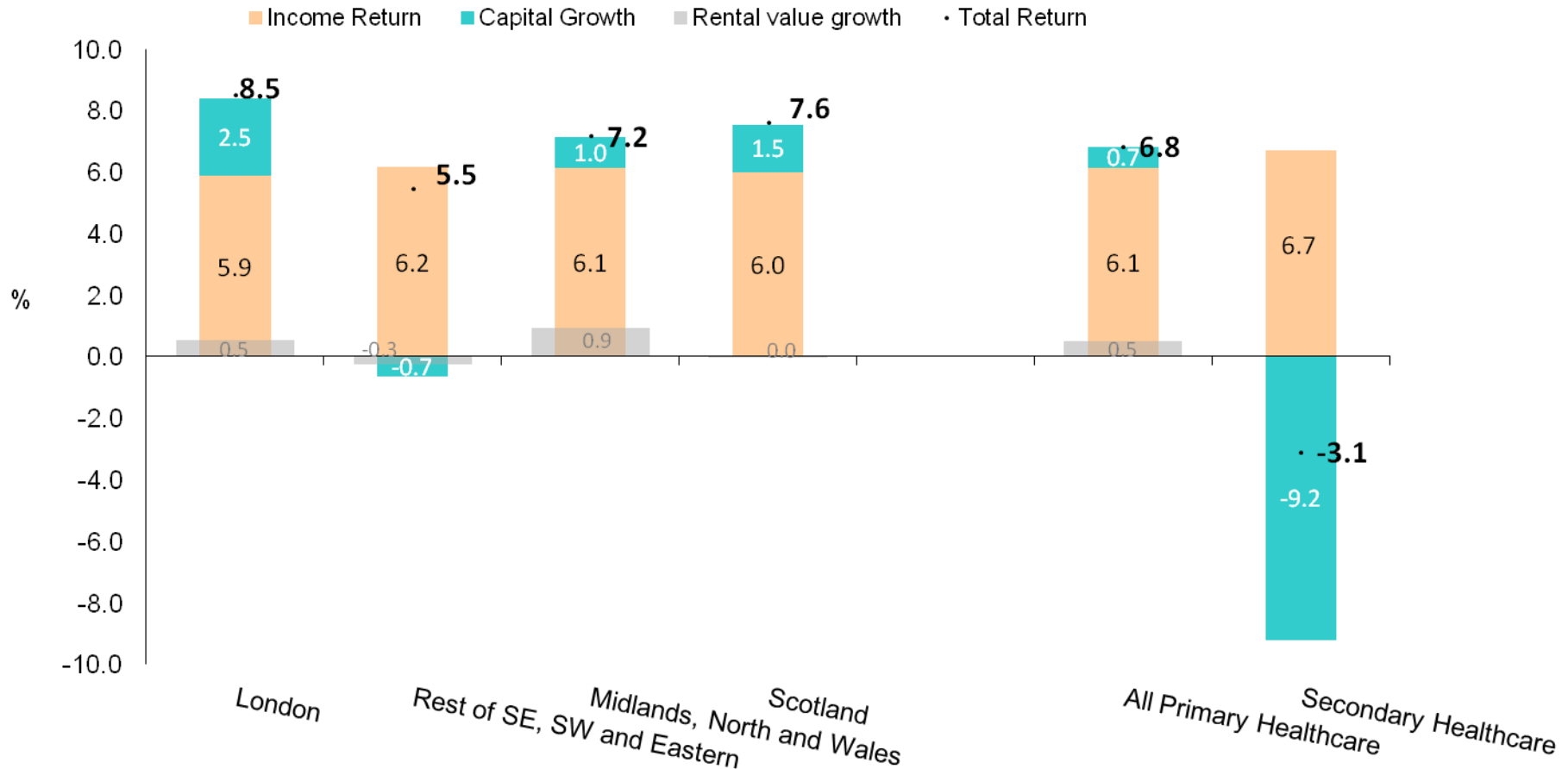
Income Return Rental Value Growth Yield Impact Residual



Primary healthcare investment performance by region in 2012

12 month Total return, Income return, capital growth and rental value growth %

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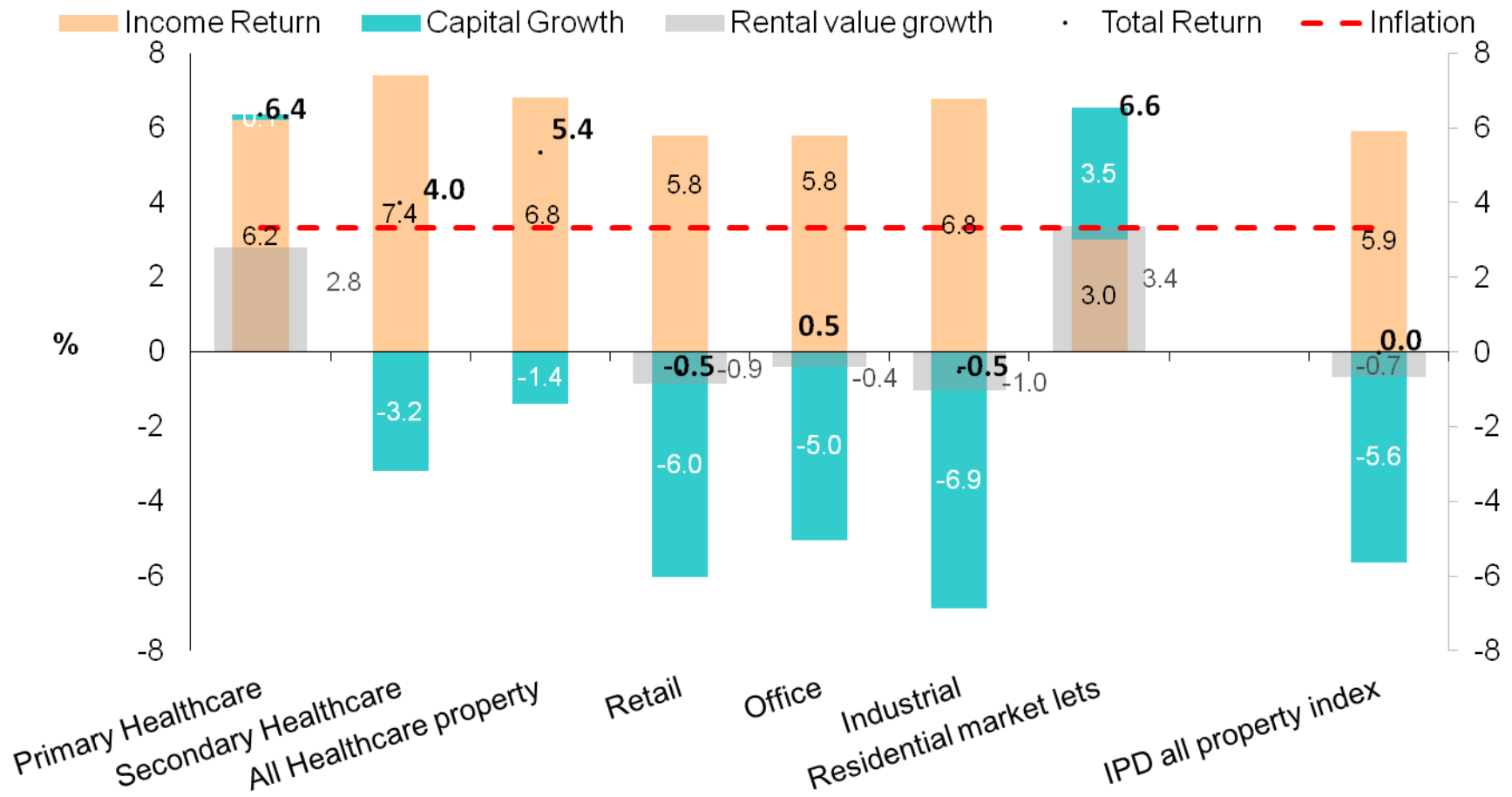
Longer term healthcare property performance



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Property sector investment performance comparison: 6 years to end 2012

Annualised Total return, Income return, capital growth and rental value growth %



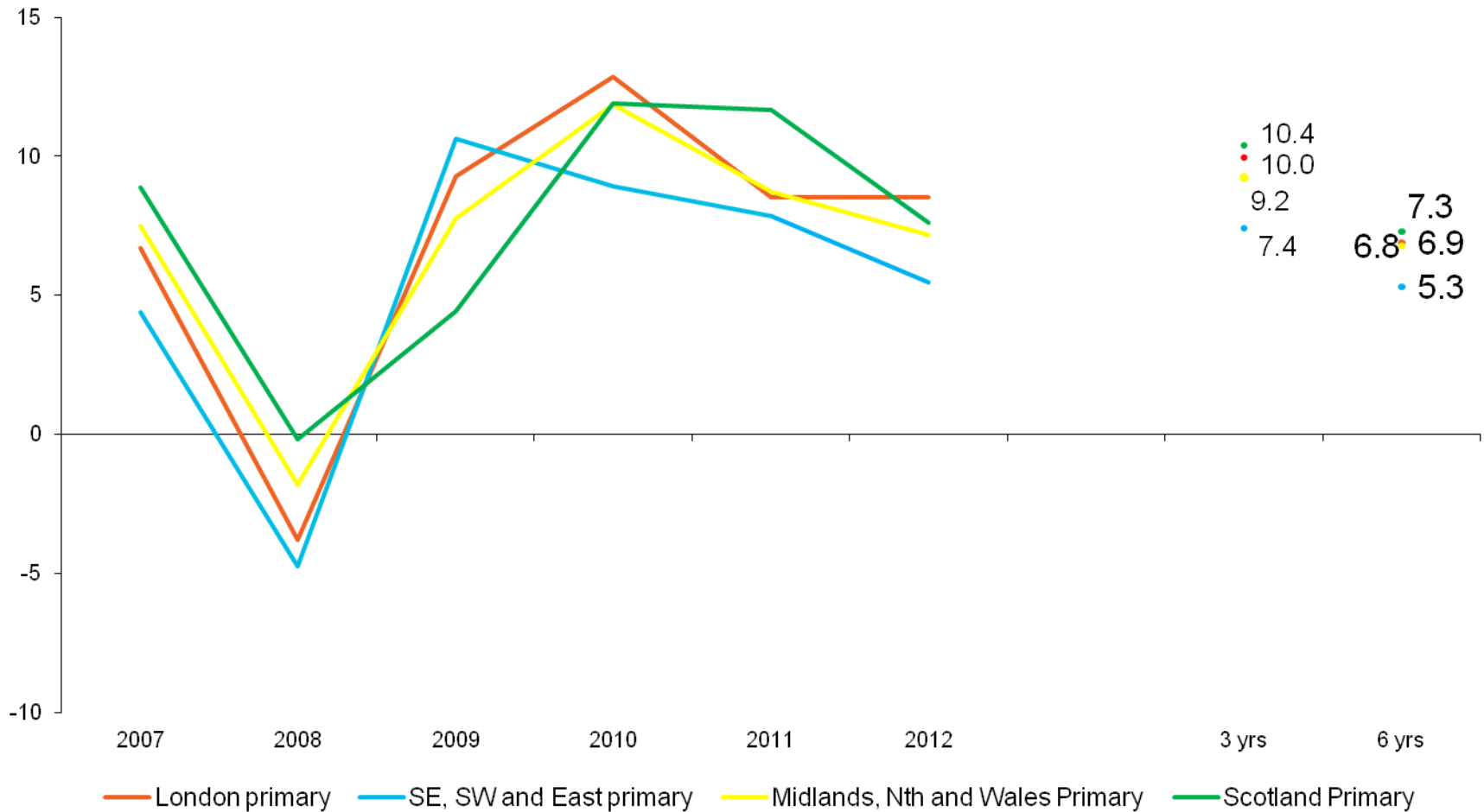
Source: IPD, RPI inflation



Primary healthcare performance by region longer term

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Total return 2007 - 2012

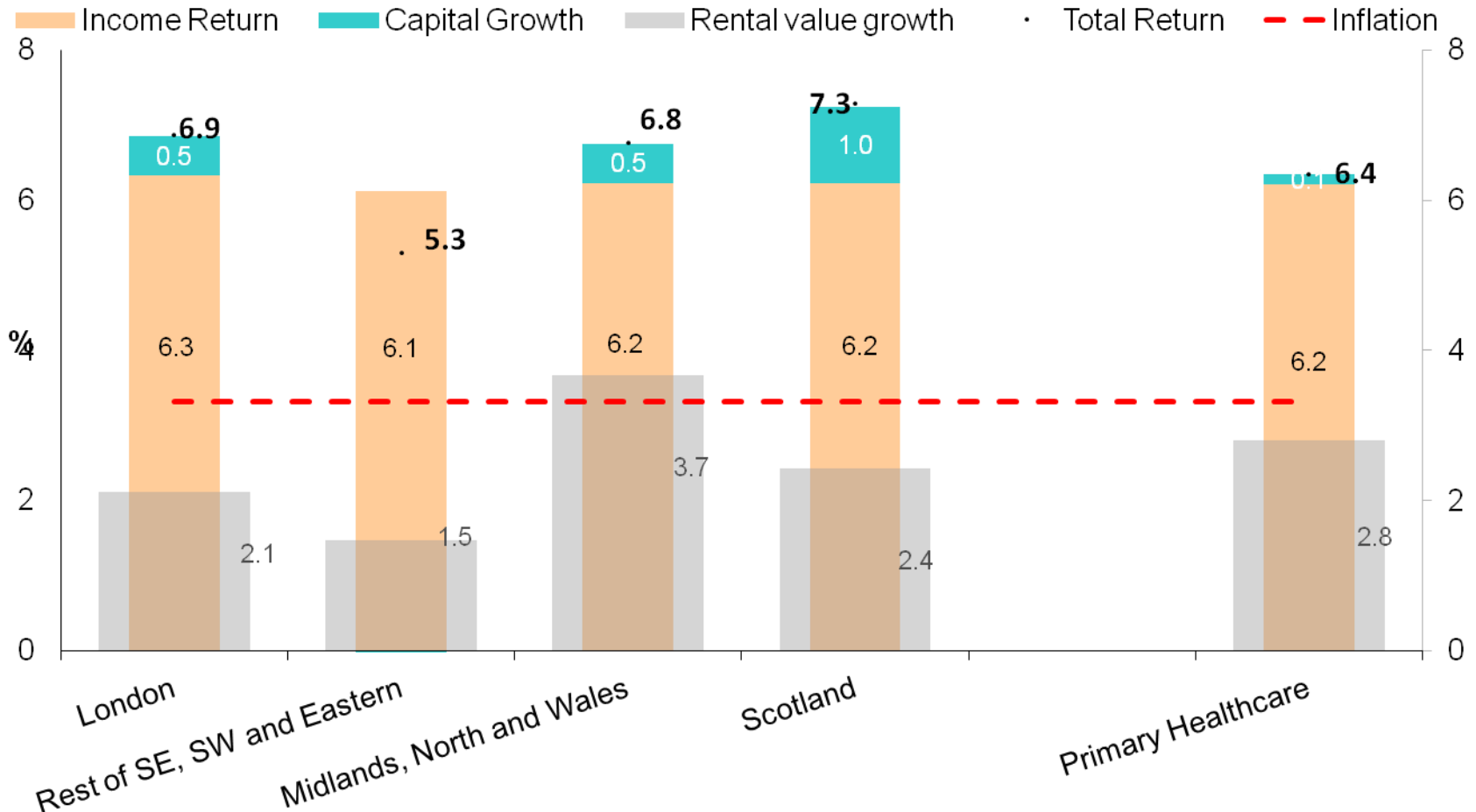




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Primary Healthcare investment performance comparison: 6 years to end 2012

Annualised Total return, Income return, capital growth and rental value growth %



Source: IPD, RPI inflation



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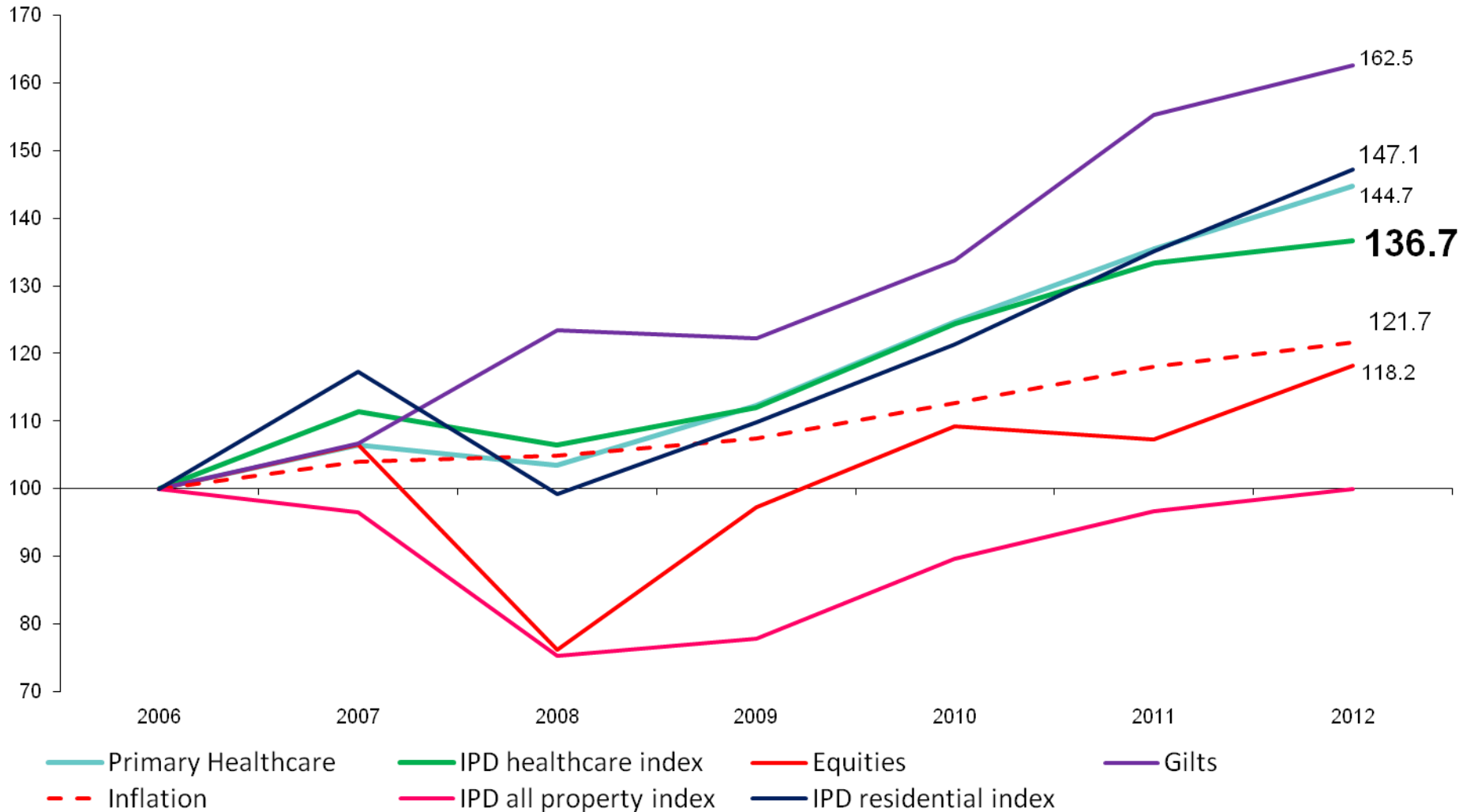
Risk adjusted performance comparison with other asset classes



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Long Term Performance comparison; Total return

% Total return indices by asset class Dec 2006 - Dec 2012





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Risk reward spectrum: UK healthcare delivers strong total return at low risk

6 year total return vs standard deviation 2007-2012, top right corner represents optimum profile



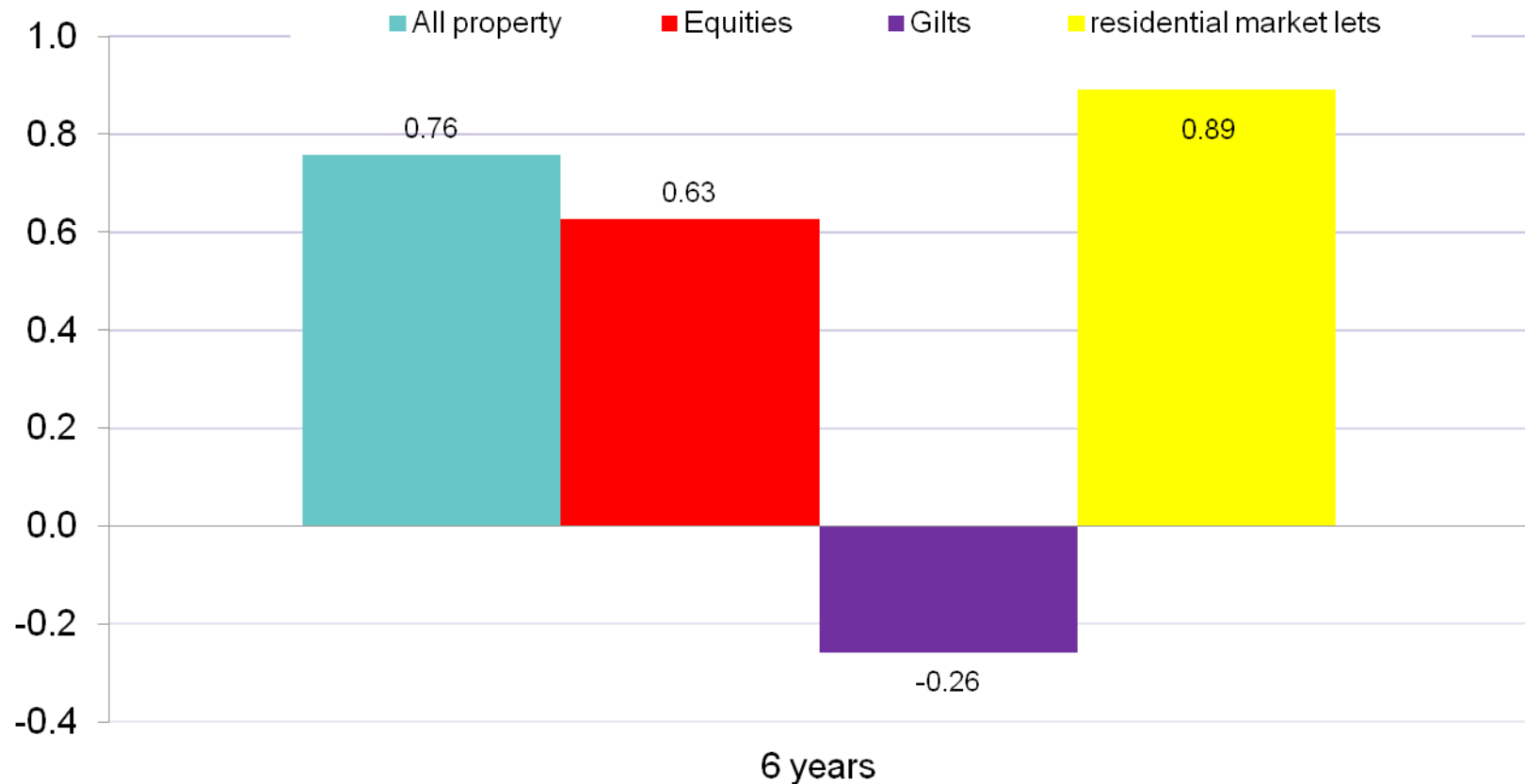
Source: IPD all property annual index, MSCI, J.P. Morgan 7-10yr



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UK healthcare; a good hedge?

Correlation between healthcare and other UK asset class total return 6 years to end 2012



-1.0 = Perfect negative correlation

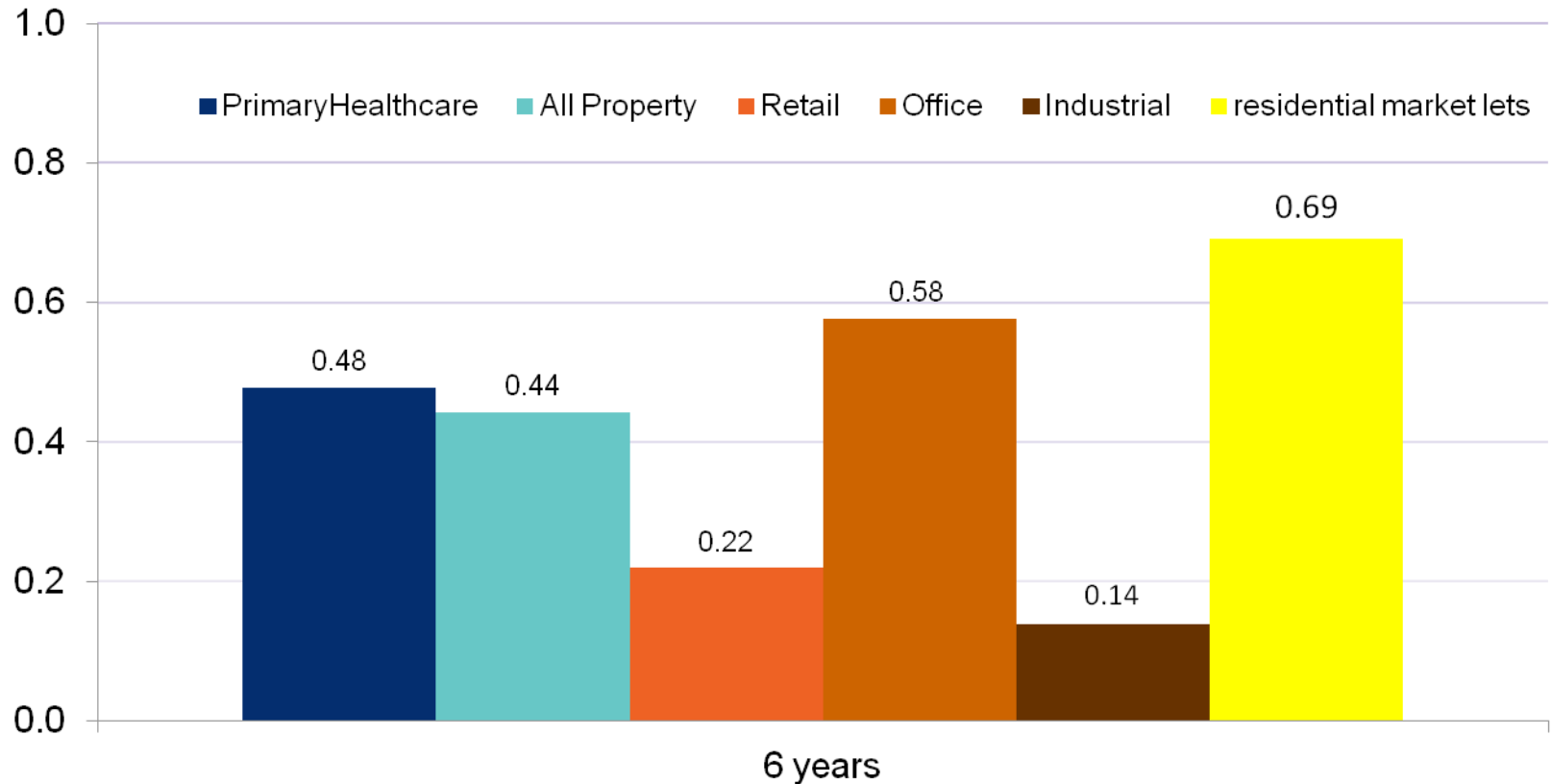
+1.0 = Perfect positive correlation



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Does property protect against inflation?

Correlation between rental value growth and RPI inflation 6 years to end 2012



-1.0 = Perfect negative correlation

+1.0 = Perfect positive correlation



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Conclusions

- Primary healthcare continues to outperform secondary and the wider property market with both yields and rents remaining firm and income return steady above 6%.
- Scottish primary best performing region over 6 years, South of England (excluding London) lagging the rest of the market
- UK Healthcare property has delivered investors a strong and stable inflation beating return over the past 6 years compared to other commercial property and equities.
- UK healthcare demonstrates high levels of stability, particularly primary, with volatility lower than gilts
- Better than average protection against inflation but less strongly linked to price rises than office and residential rents



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Thank you

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