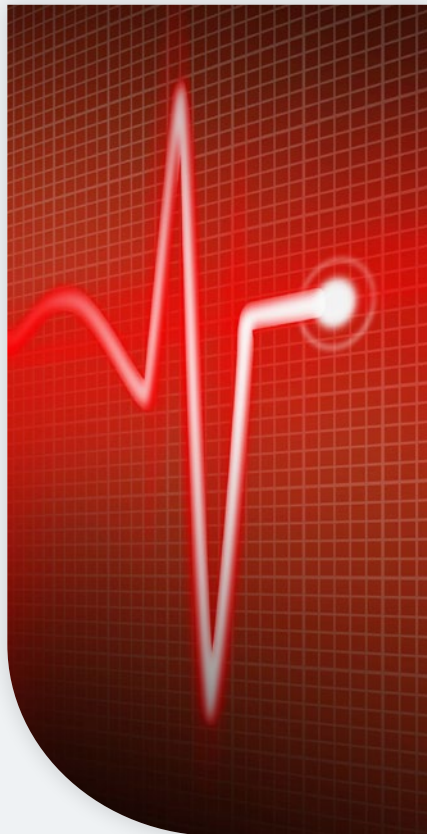


Healthcare

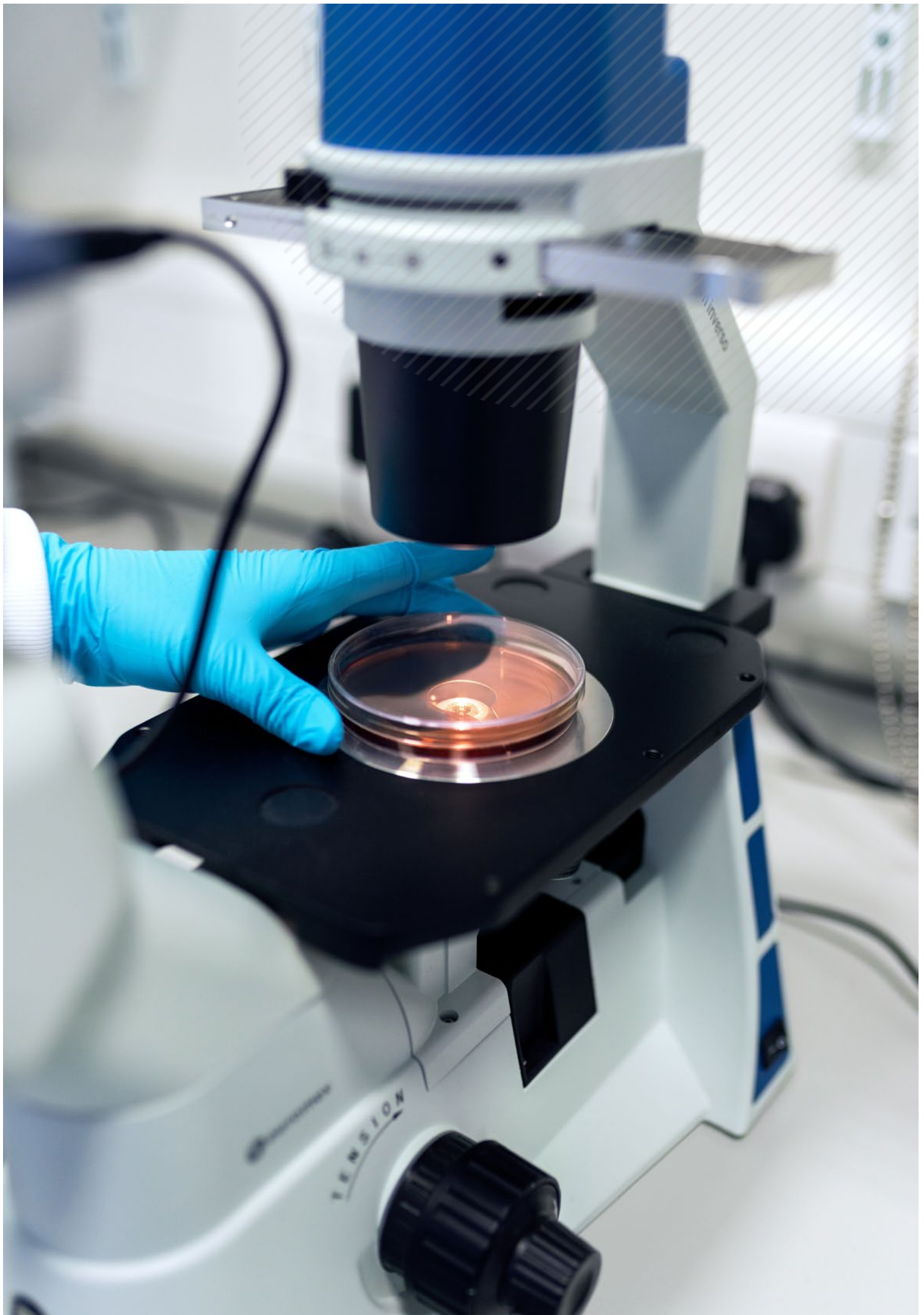


Industry Insights Report



September 2023

 Burgess Rawson

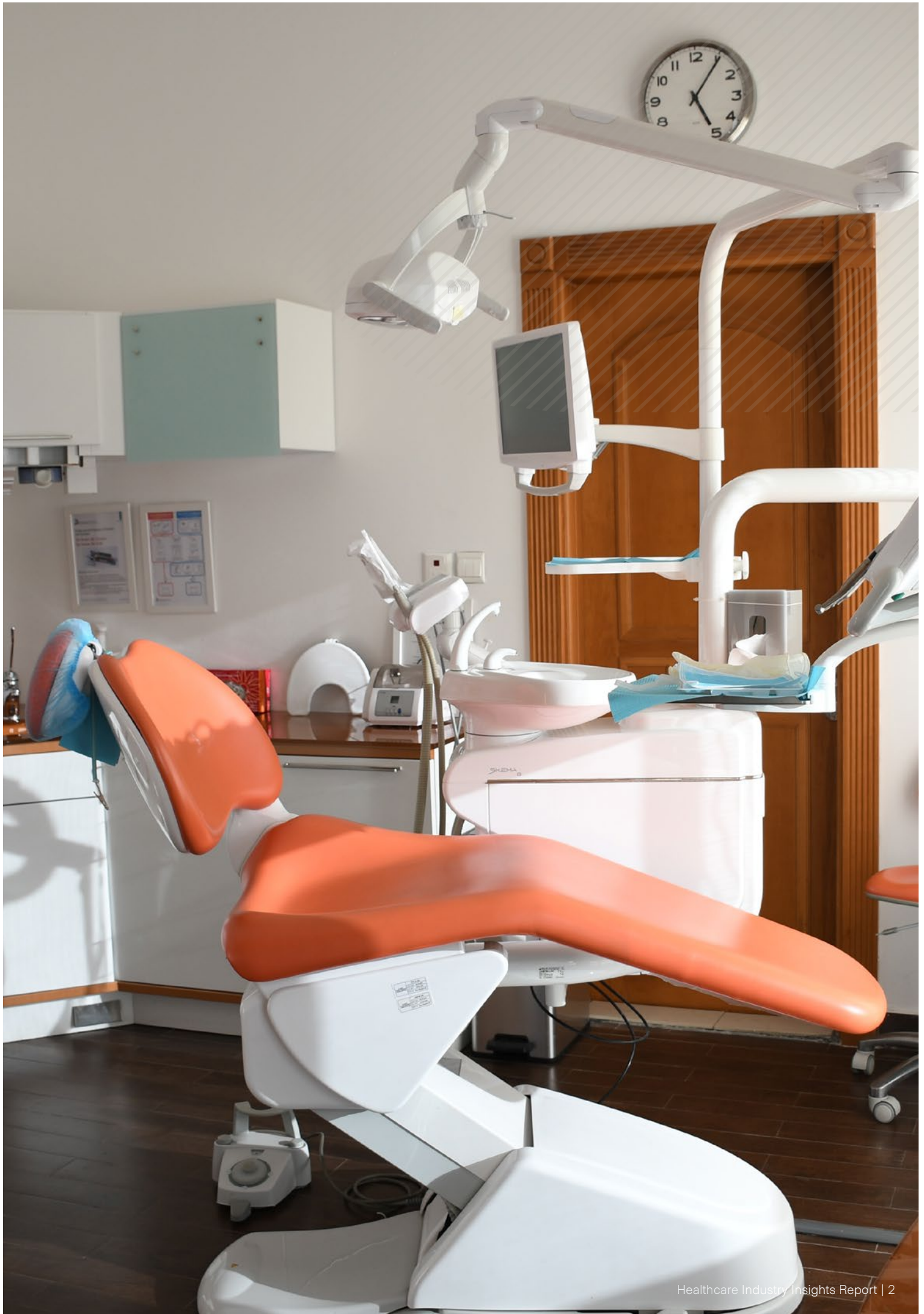


Contents

Welcome	3
Overview	4
Volume and Cap Rate Review	5
Sector Analysis	6
Market Overview.....	14
Burgess Rawson 2022 and 2023 YTD Sales	18
Burgess Rawson Sales Highlights.....	19
Burgess Rawson Recent Sales.....	20
Burgess Rawson Sales Highlights.....	21
Case Study - Medical Centre, Warrawong NSW ...	22
What's Next for Healthcare?	24
What You Need to Know	25
National Healthcare Team.....	26

Intellectual Property

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Welcome



Yosh Mendis

Partner | Head of Agency NSW



Jesse Lapham

National Director Research & Data

Welcome to the September 2023 edition of Burgess Rawson's Industry Insights Report series, where we embark on a journey into the heart of the healthcare. In this report, we delve deep into one of the most innovative and sought-after asset classes, uncovering the transformative potential it can offer to investors seeking quality and security.

The healthcare industry has undergone a revolution over the past decade. Major players, including Health Co, Australian Unity, and Wesfarmers, have raised the stakes, pouring billions of dollars into this prized defensive asset class. In fact, healthcare has emerged as a frontrunner, attracting unprecedented levels of investment, and for good reason.

A convergence of factors, including a prosperous and aging population coupled with substantial government funding, has shaped this sector into one of the most robust and resilient investment options available today. Our Industry Insights Report aims to shed light on what's propelling the demand for this asset class, providing a comprehensive analysis of emerging trends, supply dynamics, cap rate activity, key industry players, and a glimpse into the future of this multifaceted sector.

The amalgamation of these factors sets the stage for continued growth and demand in the sector, both as an indispensable service for everyday Australians and, consequently, as a rock-solid choice for commercial investors.

At Burgess Rawson, we take pride in our unparalleled experience, expertise, and access to invaluable industry data, which positions us at the forefront of this intricate asset class. It is with great excitement and pride that we share our latest publication with you.

Overview

The Australian healthcare sector is known to consistently deliver robust returns while maintaining a notably low level of volatility when compared to traditional asset classes. Its stability and resilience is recognised by both local and international investors, as well as large institutional funds who continue to rely on the sector to produce premium outcomes for their clients.

One of the sector's most notable strengths lies in its dependable revenue streams, supported by substantial government funding. Significant Federal and State investment empowers tenants to commit to long-term leases, bolstering revenue stability. Moreover, healthcare's non-discretionary nature, where spending remains steadfast irrespective of economic fluctuations, provides annuity style income which investors so desperately seek.

Healthcare centres, recognised for their stable tenancies and attractive rental returns, have become prime targets for commercial property investors. This sector also boasts a reputation for being one of the most tightly held among investors, with annual transaction volumes typically staying below the \$100 million mark. In 2022, Burgess Rawson achieved a remarkable milestone, recording a healthcare turnover of \$130 million in sales, yielding an average return of 5.4%. The first half of 2023 continued to demonstrate the sector's strength with \$64 million in transactions.

This dynamic sector continues to exhibit robust performance even in the face of 12 cash rate increases, with cap rates only marginally softening, currently averaging at 6.2%. The underlying strength of Australia's health sector is a testament to its resilience.

Australia's healthcare sector is globally renowned, consistently ranking high in international indices.

The Health Care Index by CEOWorld Magazine placed Australia sixth in the world for healthcare quality, offering both public and private healthcare services, underpinned by substantial and unwavering government support. In its latest budget, the Australian Government committed a staggering \$101 billion in health funding, with a four year commitment totalling \$580 billion.

Additionally, Australia's expenditure on health-related services and products surged to 10.7% of GDP in 2021, according to the Australian Institute of Health and Wellbeing. This sector's allure is further enhanced by the necessity of permits for medical, pharmaceutical, and dentistry sites, adding intrinsic value. Retail spaces leased to pharmacies also command higher rentals than their counterparts.

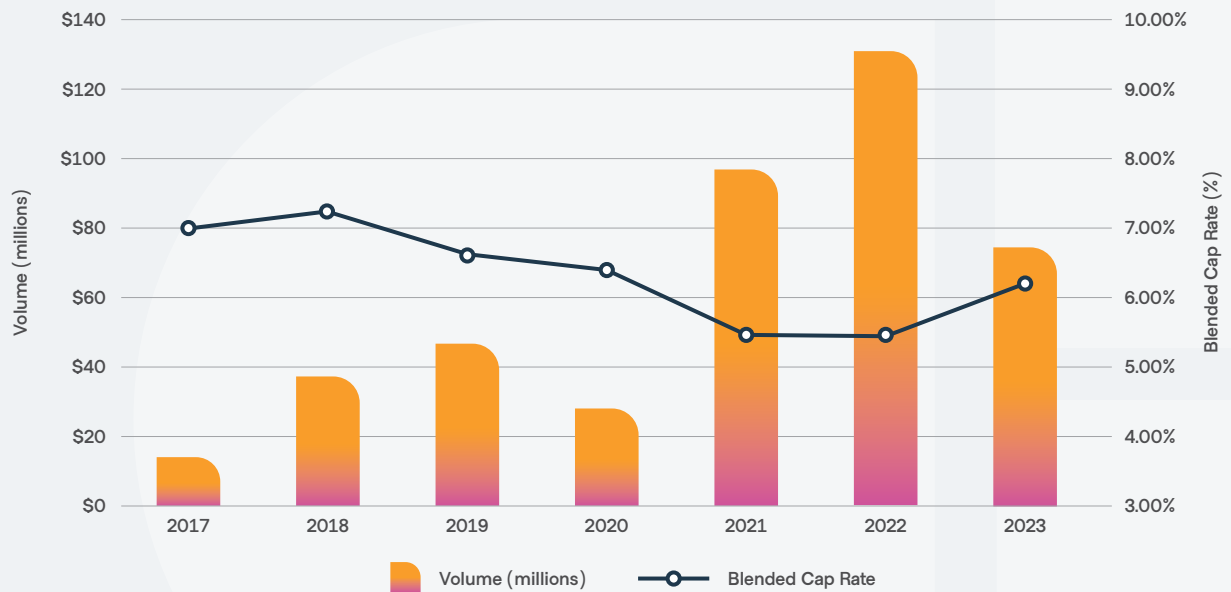
Traditional real estate asset classes like office, face mounting pressure from long-term macro-trends, such as the shift to remote work. Consequently, institutional and private investors are increasingly turning to alternative assets for stability and returns.

Notably, healthcare businesses require substantial investments in fit-outs, which serves as a compelling factor for occupiers to commit to longer lease terms. The greater the fit-out expenditure, the less incentive there is for tenants to contemplate relocation.

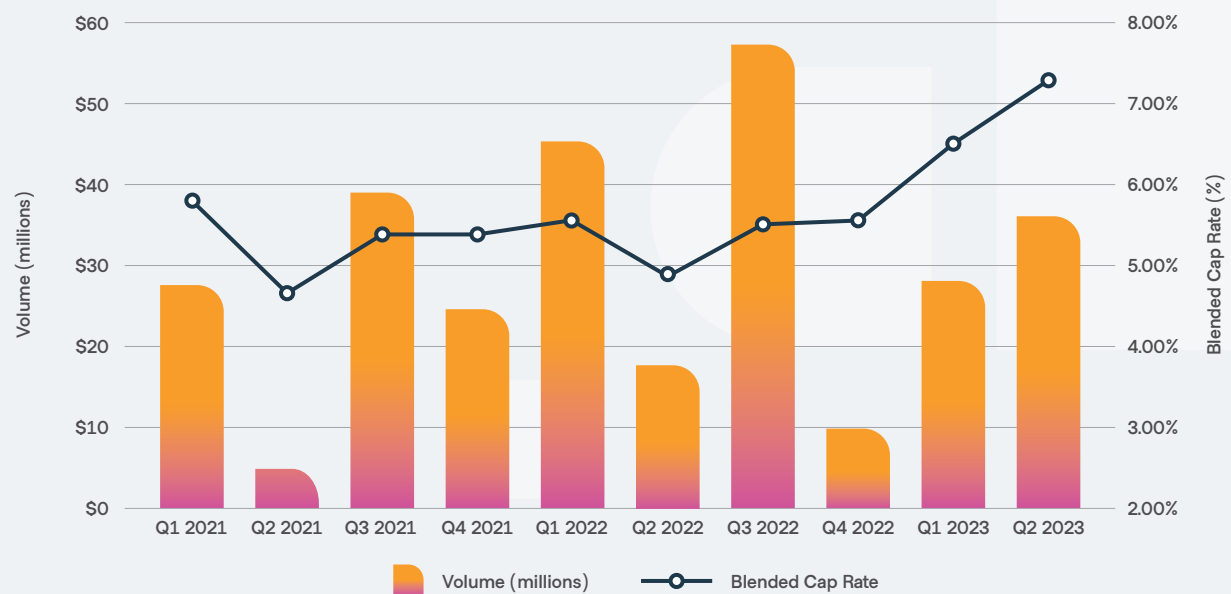
With the ongoing growth of an aging population and growing government support, healthcare property assets are poised to reap the rewards of this enduring trend for years to come.

Volume and Cap Rate Review

Burgess Rawson Quarterly Volume and Cap Rate



Burgess Rawson Yearly Volume and Cap Rate



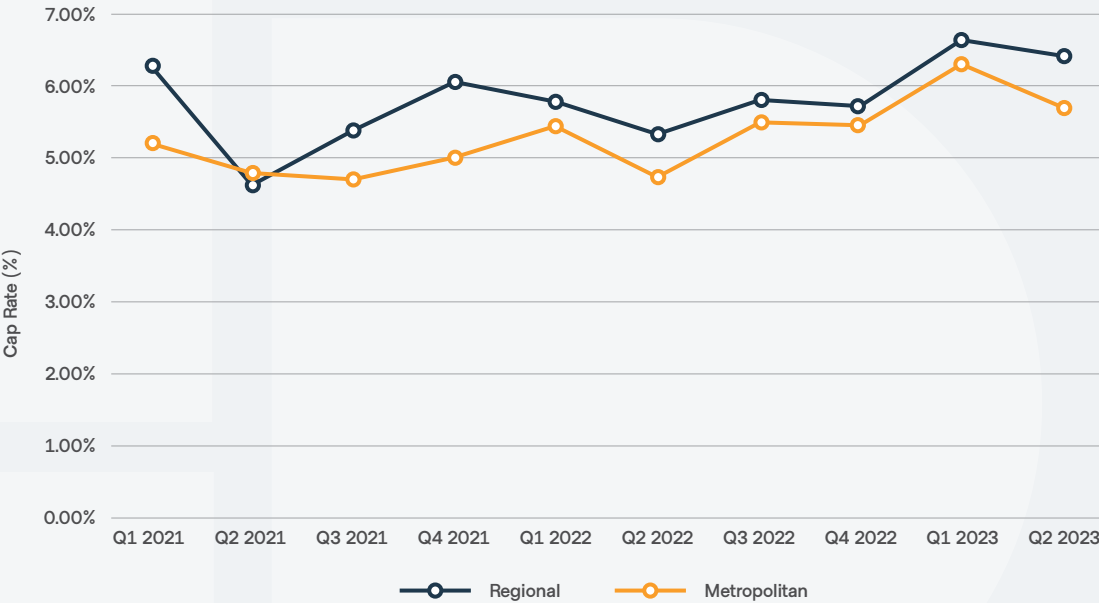
Sector Analysis

Metropolitan vs Regional Cap Rates

In 2023, regional cap rates have softened at a lesser rate than metro assets. Regional rates decreased by 19 basis points to 6.4% while metro rates are currently at 5.65%, a decrease of 76 basis points.

This trend has been evident since the first quarter of 2021, when cap rates for metro assets were 5.2% while regional rates were at 6.25%.

Overall, the average sale price for metro assets was \$3.4 million. For regional assets it was \$6.4 million, however this was skewed by the \$21 million sale of the medical complex in Warrawong NSW. Discounting this sale, the average sale price would be \$1.6 million.



Short vs Long Lease Expiry

There is little discrepancy in the average sale price and cap rate between short-term and long-term lease expiries. In fact, short-term leases have even commanded a slightly higher price. What this shows is that investors are increasingly focusing on tenure rather than tenancy. They are drawn to tenants who demonstrated a long-standing presence and commitment, regardless of lease term. This shift in perspective highlights the significance of stability and the proven track record of healthcare operators, which often outweighs the allure of extended lease durations.

5.49% **5.37%**

Short LE
(<10 years)

Long LE
(>10 years)

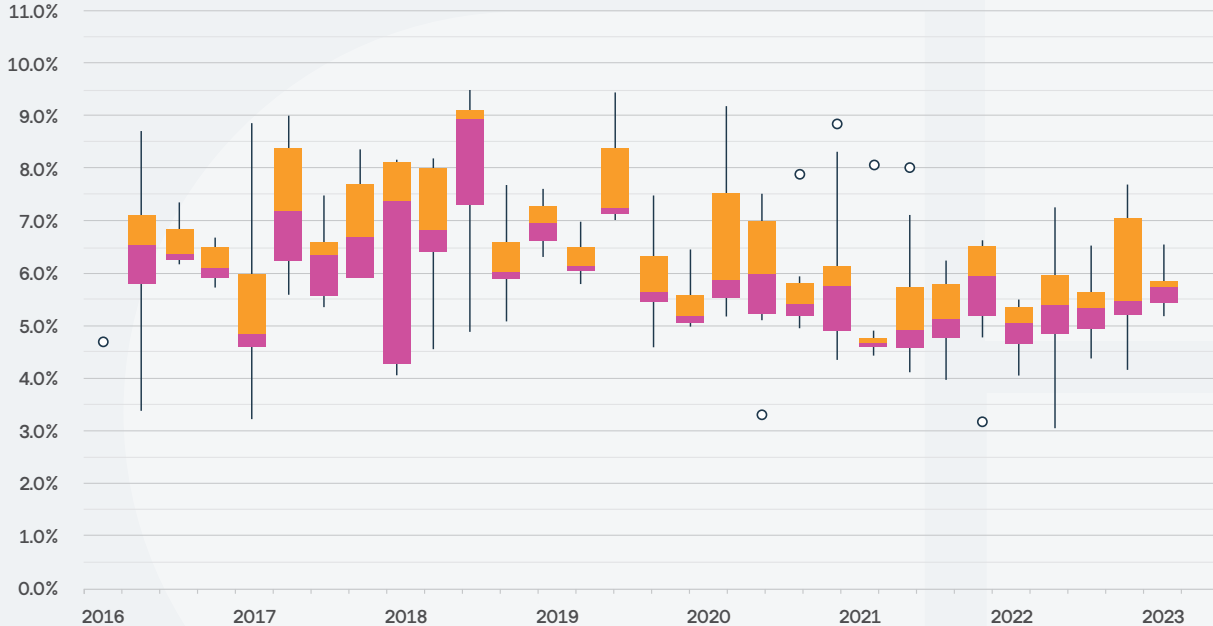
\$121,181 **\$116,684**

Short LE
Median Rent

Long LE
Median Rent

Sector Analysis

Healthcare Cap Rates



Cap Rate Trend

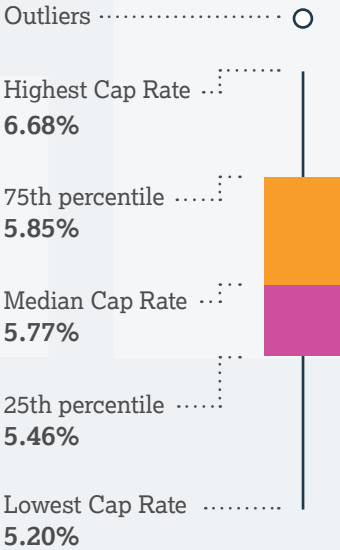
Cap rates for healthcare assets have demonstrated a noteworthy trajectory over the past seven years, painting a positive picture for investors. In 2018, median cap rates stood at 7.25%, which, although relatively high, marked the starting point for a compelling journey. Fast forward to 2022, and we witnessed a remarkable tightening, with cap rates returning to an attractive 5.46%. This reduction was indicative of the sector’s resilience and appeal to investors.

While 2023 did bring a modest uptick, with cap rates settling at 5.77%, it’s essential to recognise the contributing factors. The 12 cash rate increases and the accompanying market uncertainties played a role in this slight adjustment.

Investors continue to show strong interest, driven by the promise of healthy net returns when compared to other sectors. As we look ahead, there is optimism that cap rates will sharpen once again. The Reserve Bank of Australia’s less aggressive approach to the cash rate, with a three month pause as at September, suggests a favourable outlook.

Legend

(Q2 2023 Results)



Note

Outliers are greater than 2 standard deviations (σ) from median/50th percentile of that period. Competitor sales included to increase sample size.

Sector Analysis

Pharmaceuticals

Pharmacies have emerged as highly coveted investments, primarily owing to their steadfast income security, making them attractive to operators who are willing to pay the highest rents in this sector. Reinforcing this stability is their unique position as anchor services.

Generally, the Pharmaceutical Benefits Scheme (PBS) regulations mandate a minimum separation distance of 1.5km between pharmacies.

Consequently, tenants in these locations are effectively bound by this rule, ensuring long-term income stability for property owners. This resilience is further underscored by substantial government support.

Notably, IBIS World projects a substantial increase in government funding for the Pharmaceutical Benefits Scheme (PBS), reaching an impressive \$14.75 billion. The PBS has exhibited consistent annualised growth from 2018 to 2023, averaging at 4.9%.

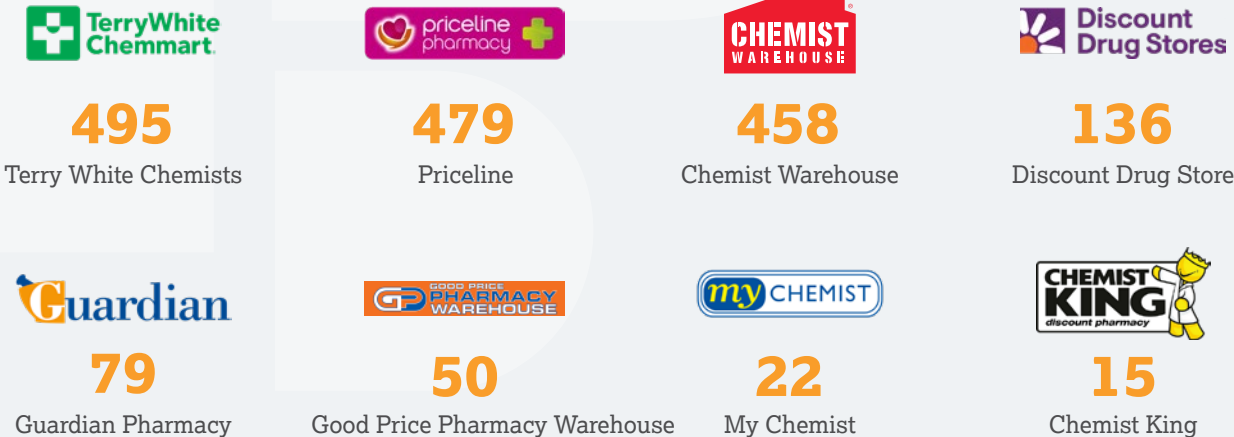
The enduring appeal of pharmacies is underpinned by Australia’s aging population and a growing emphasis on health awareness.

Pharmacies have capitalised on these trends, diversifying their revenue streams through value-added services and innovative offerings. These include an array of health services and home-delivery options, aligning with evolving consumer needs.

Crucially, many pharmacies are positioning themselves as comprehensive health hubs, providing services such as immunisations, weight management programs, diabetes testing, and medicine reviews. This strategic evolution not only enhances their revenue potential but also positions them as integral components of the healthcare landscape.

Furthermore, the Australian Medical Association’s projection of a shortfall exceeding 10,600 full-time General Practitioners by 2031-32 underscores the increasing role that pharmacies will play in bridging this gap. As primary healthcare providers, they are poised to address a crucial part of this healthcare challenge, solidifying their significance as resilient and promising investments in the healthcare sector.

2023 Largest Operator Networks



Sector Analysis

Chemist Warehouse

Before the emergence of Chemist Warehouse, the Australian pharmacy market operated within a fragmented landscape, hindered by stringent regulations and the necessity of having qualified pharmacists present at all times.

Traditionally, local pharmacies were deeply ingrained in their communities, akin to the local doctor's office. Approximately 70% of the average pharmacy's revenue was derived from prescription drugs, with the remaining 30% attributed to non-prescription drugs and other health-related products.

The Chemist Warehouse model disrupted this established paradigm by shifting the focus towards non-prescription drugs, encompassing a wide range of offerings, including vitamins, fragrances, cosmetics, skincare, and natural medicines. This transformation in sales composition, often

referred to as the 'front-of-shop' segment, now accounts for approximately 70% of their revenues, while prescription medicines contribute the remaining 30%.

This strategic pivot has proven highly successful, with Chemist Warehouse boasting an estimated annual revenue exceeding \$3 billion and a network of over 500 outlets spanning across Australia and New Zealand. Pharmacists operating under the Chemist Warehouse umbrella benefit from the significant purchasing power that comes with being part of such a prominent organisation.

Anticipation is building for Chemist Warehouse's potential IPO, expected to be valued at an impressive \$5 billion. This listing is generating considerable buzz and is poised to be one of the most eagerly awaited events in the Australian market.

Priceline Pharmacy

In late 2021, Wesfarmers, the renowned retail conglomerate behind brands like Bunnings, Kmart, and Officeworks, made a significant foray into the thriving \$25 billion health, wellbeing, and beauty sector. This strategic move came through the acquisition of Australian Pharmaceutical Industries (API) in a substantial \$760 million takeover deal. As part of this acquisition, Wesfarmers welcomed several well-established retail chains, including Priceline Pharmacy, Pharmacist Advice, and Clear Skincare, into its diverse portfolio.

The Priceline network, known for its impressive \$2 billion in annual retail sales, comprises 369 pharmacies and non-pharmacy stores operated by dedicated franchisees, making up the majority of its outlets.

API's pharmacy distribution revenue, amounting to \$3 billion, primarily stems from serving 46 independently owned Soul Pattinson pharmacies, 46 independent Pharmacist Advice stores, and a vast network of 937 independent Club Premium pharmacies. This strategic acquisition has positioned Wesfarmers as a significant player in the dynamic and ever-evolving health, wellbeing, and beauty sector.

Sector Analysis

Veterinary

The veterinary services industry, encompassing veterinary practitioners, animal hospitals, and pet care suppliers, stands out as a beacon of innovation and rapid revenue growth, attracting keen interest from property investors.

In 2022, Australian households embraced pet ownership, with 6.4 million dogs and 5.3 million cats becoming cherished family members. This growing trend is reflected in the figures, as IBISWorld reports an annualised revenue increase of 6.0% over the past five years. In 2022-2023, the sector saw an estimated 4.2% surge, pushing total revenue to \$5.3 billion, with an impressive estimated growth of 109% in profit margins.

Several factors contribute to this robust growth, including higher household incomes, the proliferation of pet insurance, and the enduring appeal of pet companionship. As a result, the future outlook for revenue remains promising.

This flourishing industry has not gone unnoticed by major players. In late 2022, Woolworths made a significant \$600 million investment in Petstock, further fuelling the sector's expansion. Additionally, Greencross, backed by TPG Capital, has been strategically expanding its pet retailing empire, exemplified by its acquisition of Habitat Pet Supplies, a Melbourne-based rival. Subject to regulatory approval, Greencross plans to integrate this newly acquired business with its Petbarn division, cementing its position in the market.

The remarkable growth and ongoing investments underscore the resilience and potential of the veterinary services sector, making it a noteworthy focus for property investors seeking promising opportunities.

Life Sciences

The Life Sciences sector in Australia has experienced remarkable growth, surging by an impressive 43% since 2019, as reported by AusBiotech's Australia's Life Sciences Sector Snapshot 2022. This expansion can be attributed to the country's attractiveness as a hub for research and development (R&D) in fields like biotechnology, pharmaceuticals, and medical devices.

Major conglomerates, such as CSL Limited, have played a pivotal role in this growth. CSL, a global biotech leader, invested a substantial \$800 million in its advanced manufacturing capabilities in Australia in recent years, fortifying the nation's position in the life sciences arena. Similarly, Cochlear Limited, renowned for its hearing implant technology, consistently allocates significant resources to research and development, further propelling the sector's advancement. Additionally, ResMed Inc., a pioneer in sleep and respiratory care, has continued its expansion efforts, investing approximately \$300 million in acquisitions and R&D in Australia, contributing significantly to the sector's robust performance.

Government funding has also played a vital role, with the Australian government allocating substantial resources to support life sciences research and innovation. For instance, in the latest budget, the government committed over \$1.5 billion to the Medical Research Future Fund (MRFF), demonstrating a strong commitment to advancing healthcare and life sciences initiatives.

This dynamic landscape, driven by both private conglomerate investments and government funding, underscores the significance of the Life Sciences sector in Australia, positioning it as a thriving and promising real estate asset class for savvy investors.

Sector Analysis

Rural Health

Rural health in Australia is experiencing significant transformations and investments, driven by evolving migration patterns and a steadfast commitment to addressing the unique healthcare challenges faced by rural and regional communities.

The years 2020 and 2021 witnessed a notable shift in migration dynamics, with an influx of 70,000 people relocating to regional areas, driven in part by the pandemic. This trend has continued into 2023, with regional migration up by an impressive 16% compared to pre-pandemic levels. While there has been a minor uptick in regional Australians returning to cities, the overall momentum toward regional living remains strong, as reported by the Regional Australia Institute.

The Federal Budget's substantial commitment of \$296.5 million to regional health underscores the government's dedication to improving healthcare access and outcomes in rural and regional communities. This investment is poised to usher in new programs and initiatives tailored to address the specific health challenges faced by these regions.

One of the notable changes set to benefit individuals and families in regional Australia is the enhanced affordability of accessing general practitioners (GPs). A significant allocation of \$3.5 billion has been earmarked to triple bulk billing incentives for GPs. This means that GPs who bulk bill eligible patients for standard consultations in remote areas will see their bulk billing incentives soar from \$13.15 to \$39.65.

These measures are part of a broader effort to bolster rural health infrastructure, improve healthcare access, and ensure that the health and well-being of rural and regional Australians receive the attention

they deserve. As migration patterns evolve and investments in healthcare continue to flow, the outlook for rural health in Australia appears promising, with a focus on enhancing the quality of life and healthcare services in these vital communities.

NDIS

The National Disability Insurance Scheme (NDIS) is poised for substantial growth, with annual expenditure projected to surge rapidly. In the upcoming financial year, it is expected to reach \$41.9 billion, with further expansion anticipated to propel it to \$55.9 billion by 2026-27.

However, a pressing challenge within the NDIS framework is the pronounced shortage of suitable accommodation for individuals with disabilities. This shortage has generated a substantial demand for the establishment of more appropriate dwellings. In response, the government has sought to incentivise private investors by offering rental rates that exceed the average market rates and securing long tenancy periods.

One noteworthy aspect is that building costs are comparatively higher, and the equipment requirements are more substantial in disability-friendly accommodations. This aspect opens the door to the potential for higher depreciation deductions when compared to traditional residential investment properties, making NDIS investments an increasingly attractive proposition for savvy investors looking to make a positive social impact while reaping the potential financial benefits.

Sector Analysis

Aged Care

Over recent decades, aged care has emerged as an intriguing investment class, despite the complexities of heavy regulation and reliance on government funding.

With an aging population, the sector offers enduring demand. Forward-thinking investors recognise its potential, especially as innovative approaches and advancements in care delivery continue to reshape the landscape. While challenges persist, the strong fundamentals of this sector, including a growing need for quality facilities and services, position it as a potential opportunity for those with a long-term perspective and a commitment to making a positive impact on the aging population's well-being.

Medical Centres & Allied Health

General and allied health services have garnered significant investor interest, celebrated for their defensive attributes and enduring, stable operators. This broad category encompasses a range of critical services, including radiology, pathology, cosmetic, mental health, dentistry, general health, and optometry, among others.

The modern healthcare landscape benefits from technological and medical advancements, translating into substantial capital investments to establish state-of-the-art facilities.

The considerable initial operating outlay and the establishment of a loyal clientele foster tenant stability, reducing the likelihood of relocations and enhancing the security of investments in this category.

As Australia's population ages and enjoys increased prosperity, there is a growing allocation of resources toward elective health services. Dental, cosmetic, and mental health services have experienced particularly robust growth in recent years.

The Australian Institute of Health and Welfare (AIHW) reported a substantial expenditure of \$11.1 billion on dental services in Australia for the fiscal year 2020-21, reflecting a growth of 27% since 2010-11.

Additionally, mental health services have seen a noteworthy increase, with national recurrent spending reaching \$11.6 billion in 2020-21, marking a 26% growth since 2016-17, adjusted for inflation.

Cosmetic procedures have also witnessed a surge in popularity. The Australasian College of Cosmetic Surgery and Medicine reports that Australians annually invest over \$1 billion on more than 500,000 cosmetic procedures, surpassing the per capita figures of the United States.

The allure of one-stop-shop facilities offering comprehensive services provides convenience and easy access for patients, making such assets highly attractive to both high-net-worth individuals and institutions.

Sector Analysis

Impact of Cash Rate on Healthcare

Throughout 2022, a notable market shift was observed in response to the cash rate adjustments. The initial indicators of impending cash rate hikes were evident in the movement of bond yields. At the outset of 2022, the 10 year Australian Government bond yield stood at 1.8%, but by May of the same year, it had surged to 3.4%, coinciding with the Reserve Bank of Australia’s announcement of the first cash rate increase.

Yield premium being the difference between the cap rate and the cash rate, decreased markedly as the cash rate rises continued.

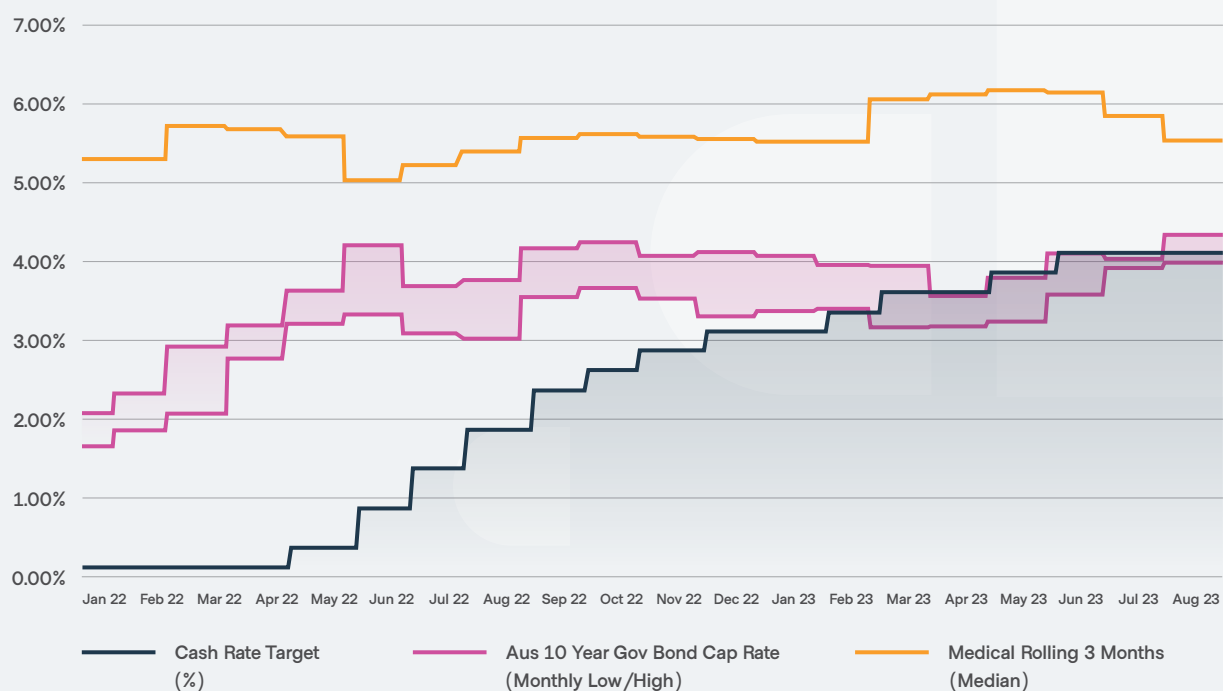
The average premium was 343 basis points at the start of 2022.

Come December, this had compressed to 185 basis points, and is currently at 137 basis points.

Despite the late 2022 compression, premium buyers have continued to actively compete and seek out quality healthcare assets.

The ability to leverage against commercial property coupled with tax depreciation benefits have kept cap rates relatively stable in the proceeding months.

2022/2023 Cash Rate, Bond and Cap Rates



Market Overview

Institutional Investment

Strong fundamentals and secure leases correlating with an ageing population and significant government funding, have provided strong support for the health sector for many years.

REITs have been long term investors of healthcare and own, acquire, and develop healthcare-related real estate. These facilities include hospitals, medical offices, outpatient facilities, life science innovation and research properties, senior living communities, and skilled nursing facilities.

Most healthcare REITs favour multi-national occupants, primarily under triple net leases which requires the tenant(s) to cover maintenance, real estate taxes, and building insurance. The structure provides REITs with a secure stream of rental income, making them ideal stocks to invest in, particularly during a recession.

Major institutions such as Australian Unity, HealthCo, Centuria, Dexu, Charter Hall, Barwon Investment Partners and more recently, Elanor Healthcare Real Estate Fund, have been key players in this sector, with their portfolios enjoying substantial growth and strong annual returns.

Australian Unity

Launched 24 years ago with a portfolio of four hospitals valued at \$70 million, Australian Unity now boasts 99 assets in its portfolio. More than one-third of those properties were valued in February, 2023 resulting in a net 3.6 per cent increase, worth \$29 million, above the previous book value.

The \$3.8 billion fund, one of the largest unlisted healthcare property trusts in the country, delivered an 8.8 per cent total return over the past year and has more than 10,000 investors, a combination of both retail and wholesale investors.

The Australian Unity fund has a development and acquisition pipeline of around \$1.2 billion, including the Robina Private Hospital on the Gold Coast, where approval has been granted for the next stage of development, a nine-level building with six operating theatres.

According to an article published in the Australian Financial Review on 23 May 2023, Australian Unity's Healthcare Property Trust has launched a \$350 million capital raising to stoke its pipeline of developments and prospective acquisitions as medical-focused real estate attracts a wave of investment.

Centuria

Centuria Healthcare is a specialist fund manager in the healthcare property sector providing unlisted healthcare property investments to individual, wholesale and institutional investors.

Centuria is a major player in the sector, building a \$1.7 billion portfolio of about 60 assets spread across numerous funds and mandates as well as a \$900 million development pipeline.

Dexu

Dexu Health Property Fund (DHPD) is an open-ended unlisted property fund providing wholesale clients with a high-quality healthcare property portfolio.

It has approximately \$1.5 billion of properties (estimated on completion value at 30 September 2022) comprising unique, large-scale assets offering secure income profiles, anchored by well-credentialed healthcare operators.

Market Overview

HealthCo Healthcare and Wellness REIT (HCW)

The establishment of the HealthCo Healthcare and Wellness REIT (HCW), a real estate investment trust, has a mandate to invest in hospitals, aged care, childcare, government, life sciences and research and primary care and wellness property assets, as well as other healthcare and wellness property contiguities.

HCW raised \$650 million in equity and was listed on the ASX on 6 September 2021 with part of the proceeds being used to acquire all of HMC Capital's existing healthcare and wellness property portfolio for \$480.5 million. The portfolio is valued at just under \$1 billion with a WALE of 10 years.

In June, the institution recorded a preliminary unaudited net valuation gain of \$71 million, representing a +4.5% increase on the previous year. The HCW portfolio surpassed \$1.7 billion following the June revaluations.

Barwon Investment Partners

Barwon Investment Partners, a prominent player in the healthcare property investment arena, manages a substantial portfolio with an estimated net worth of approximately \$546 million. This diversified portfolio encompasses a wide range of healthcare assets, including medical centers, allied health facilities, and specialised healthcare properties. Since its establishment in 2014, Barwon Investment Partners has consistently demonstrated its strong track record by delivering impressive annual returns, averaging an impressive 10.3 percent per annum.

Elanor Healthcare

As an emerging player in the healthcare real estate investment sphere, Elanor Healthcare focuses its investments on commercial healthcare properties, specifically multi-tenanted medical centers and surgeries. With an impressive portfolio valuation of \$291.9 million, this fund boasts an impressive occupancy rate of 92% and a robust WALE of 5.5 years across its portfolio of six assets.



Market Overview

Government Support

Australia's healthcare sector stands as a global benchmark, underpinned by substantial and unwavering government support. The recent federal budget reflects this commitment, with an impressive \$101 billion earmarked for healthcare funding, culminating in a four-year commitment totalling \$580 billion.

This funding injection spans various facets of the healthcare sector, with pharmaceutical and allied health emerging as significant beneficiaries. To address the pressing shortage of general practitioners, the Federal Government is taking steps to empower pharmacists with expanded responsibilities, including administering vaccinations, prescriptions, and select medical tests, leading to increased funding for this sector.

Research conducted by IBISWorld underscores the robust growth of the Pharmaceutical Benefits Scheme (PBS), exhibiting annualised growth from 2018 to 2023 at 4.9%, and government funding reaching \$14.75 billion in 2023. The Federal Government Health Overview anticipates pharmaceutical benefits and services, chiefly encompassing PBS medicine subsidies, to reach \$18.2 billion in 2023-24.

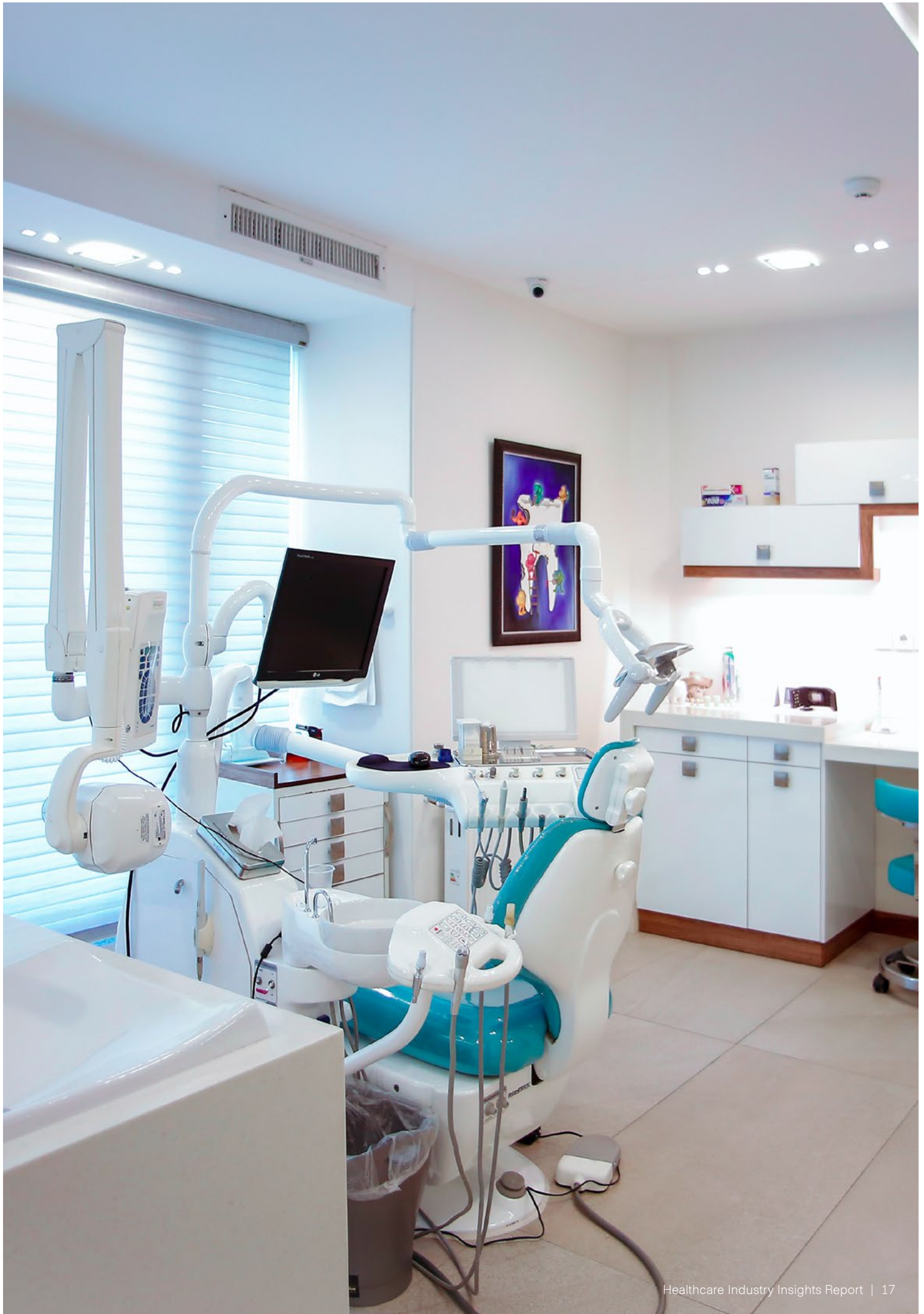
The current budget allocates \$1.2 billion to community pharmacies, enabling

pharmacists to administer National Immunisation Program vaccines at no cost to patients (\$114.1 million). Additionally, \$377.3 million has been allocated to support 50,000 Australians in need of affordable treatment for opioid dependency at local pharmacies.

In a significant move, incentives for eligible community pharmacies operating in regional, rural, and remote areas will be doubled, amounting to \$734.4 million. Moreover, the Australian Government's investment in hospital funding for states and territories is set to grow by an astounding 145%, from \$13.3 billion in 2012/13 to an estimated \$32.7 billion in 2025/26.

The government's commitment extends to strengthening Medicare (\$5.7 billion), bolstering health prevention and protection (\$1.1 billion), addressing smoking and vaping issues (\$737 million), enhancing mental health and suicide prevention efforts (\$586.9 million), and improving First Nations health (\$818.5 million).

Complementing federal support, state governments continue to provide additional financial backing to bolster the resilience and sustainability of the healthcare sector, collectively reaffirming Australia's commitment to ensuring the well-being of its citizens.



Burgess Rawson 2022 and 2023 Year to Date Sales



ACT	NSW	QLD	SA	VIC	WA	TAS
Metropolitan	Metropolitan	Metropolitan	Metropolitan	Metropolitan	Metropolitan	
\$3,550,000	\$22,437,000	\$31,137,000	\$14,165,000	\$34,419,000	\$6,955,000	
5.50%	5.04%	5.72%	6.67%	5.17%	6.04%	
	Regional	Regional	Regional	Regional		Regional
	\$36,108,000	\$19,710,000	\$713,000	\$29,837,000		\$3,665,000
	5.37%	6.02%	5.86%	5.59%		5.35%

💰 Sales Volume
📊 Median Cap Rate

Burgess Rawson Sales Highlights



Bupa Dental
Wendouree VIC

Sale Price	Cap Rate	Date
\$1,785,000	4.54%	Aug 2023



Wodonga X-ray
Wodonga VIC

Sale Price	Cap Rate	Date
\$3,205,000	5.84%	Jun 2023



New South Wales Government Health
Warrawong NSW

Sale Price	Cap Rate	Date
\$21,000,000	6.55%	May 2023



Springfield Medical & Dental Centre (ForHealth)
Springfield QLD

Sale Price	Cap Rate	Date
\$6,490,000	5.72%	May 2023

Burgess Rawson Recent Sales

Tenant	Location	State	Sale Price	Date Sold	Cap Rate
Bupa Dental	Wendouree	VIC	\$1,785,000	Aug 2023	4.54%
Adelaide Vet	Westbourne Park	SA	\$5,855,000	Aug 2023	5.88%
The Ortho Practice	Kincumber	NSW	\$1,305,000	Aug 2023	4.60%
All About Physio	Nerang	QLD	\$1,716,000	Jun 2023	5.20%
Wodonga X-ray	Wodonga	VIC	\$3,205,000	Jun 2023	5.84%
Maitland Pharmacy	Maitland	SA	\$713,000	Jun 2023	5.86%
Qualitas Health	Neutral Bay	NSW	\$2,100,000	Jun 2023	5.77%
NSW Government Health	Warrawong	NSW	\$21,000,000	May 2023	6.55%
Springfield Medical & Dental Centre	Springfield	QLD	\$6,490,000	May 2023	5.72%
Wahroonga Specialist Centre San Pathology	Wahroonga	NSW	\$1,212,000	Dec 2022	4.71%
Vision XRAY Group	Bowral	NSW	\$851,000	May 2022	5.20%
Dawd Road Medical Centre	St Marys	SA	\$3,710,000	Apr 2022	6.68%
Ekeru Dental	Emerald	QLD	\$1,360,000	Mar 2022	7.48%
Elite Rehab & Sports Phsiotherapy	Deakin	ACT	\$3,550,000	Mar 2022	5.50%
Green Cross Vets	Aitkenvale	QLD	\$6,200,000	Mar 2022	7.70%
Sonic Health Plus	West Perth	WA	\$3,500,000	Mar 2022	7.05%
The Family Doctor	Wodonga	VIC	\$4,605,000	Mar 2022	6.34%
The Centre for Gastrointestinal Health	Bowral	NSW	\$2,672,000	Mar 2022	5.05%
Whitsundays Doctors Service	Airlie Beach	QLD	\$1,215,000	Feb 2022	5.24%
Priceline Pharmacy	Horsham	VIC	\$1,006,000	Feb 2022	5.30%

Burgess Rawson Sales Highlights



The Centre for Gastrointestinal Health
Bowral NSW

Sale Price	Cap Rate	Date
\$2,672,000	5.05%	May 2022



Nixon Street Medical Centre
Shepparton VIC

Sale Price	Cap Rate	Date
\$780,000	5.00%	Oct 2022



AllCare Medical Centre
Carnes Hills NSW

Sale Price	Cap Rate	Date
\$6,050,000	4.80%	Sep 2023



NEST Family Clinic
Elsternwick VIC

Sale Price	Cap Rate	Date
\$9,850,000	4.82%	Sep 2023



Sale Price

\$21,000,000



Cap Rate

6.55%



Sold

May 2023

Case Study

NSW Government Health and Medical Centre Warrawong QLD

The recent \$21 million sale of the prominent medical complex in Warrawong, New South Wales, highlights the growing demand for comprehensive healthcare properties that offer a wide range of integrated services.

The property, located at 67-71 King Street, encompasses a diverse array of medical facilities, including general and dental clinics, physiotherapy, pharmacy, pathology, and aesthetics.

The integration of these services reflects a broader industry trend where healthcare providers are increasingly drawn to each other, creating dynamic precincts that become permanent fixtures in their respective regions.

Moreover, the property's regional location, added to its appeal for investors. It serves as a critical healthcare hub for over 400,000 residents in the Illawarra region, making it one of the most secure and indispensable assets in the market.



Site Area

4,875sqm*



GLAR

5,259sqm*



Zoning

Favourable development controls with B6: Enterprise Corridor Zoning



WALE

4.8 years



Net Income

\$317,200 pa* + GST



Car Spaces

68 vehicles



Agents

Yosh Mendis & Geoff Sinclair

* Approx



What's Next For Healthcare?

A Healthy Diagnosis For Australia's Medical Future

Australia's healthcare sector is not just thriving—it's poised for a promising future that we at Burgess Rawson, firmly anticipate to be exceptionally positive.

We anticipate an ongoing transformation of the industry, driven by the amalgamation and expansion of medical, allied health, and wellbeing operators. As the sector continues to advance technologically and medically, we anticipate a surge in demand for these assets, underpinned by reliable tenancy mixes that promise even stronger income growth in the future.

The advent of comprehensive one-stop healthcare centres with diverse tenancies has already proven to be a lucrative investment. These opportunities offer superior returns compared to many other sectors, drawing substantial interest from industry leaders. This trend is set to continue, strengthening the sector's appeal.

The growing diversity of services within these centres is poised to set new industry benchmarks, amplifying their attractiveness to investors. Furthermore, government initiatives to address the shortage of general practitioners will bolster the sector. Increased funding enabling pharmacists to provide essential services like medical testing and vaccinations further enhances the sector's robustness.

Government support remains unwavering, ensuring the resilience of crucial healthcare categories, while the surge in demand for elective services thrives in tandem with an aging and increasingly affluent society. The Australian Institute of Health and Welfare reports that nearly half of Australians have at least one chronic condition, with expectations of an increase in chronic diseases coinciding with an aging population.

Expanding health services across the spectrum, including pet care, showcases the sector's versatility. Veterinary clinics are poised to diversify their offerings to include services such as pet grooming, boarding kennels, and training venues.

Against a backdrop of uncertainty in some property sectors, we foresee large superannuation and pension funds increasing their investments in healthcare. Australia's relatively small healthcare property market, offers ample room for substantial growth, especially as real estate investment trusts (REITs) expand their portfolios.

Institutional investors have long appreciated the enduring attributes of the healthcare sector, driven by its stable, long-term income potential and strong fundamentals. Recent years have seen a surge of new entrants into the Australian healthcare property market, including Arena REIT, Canadian Northwest, Singapore's GIC (through Northwest), US-based Medical Properties Trust, Barwon, Dexus, Heathley/Centuria, and more recently, RAM and HomeCo.

These developments reinforce our view that the healthcare sector is certainly well-positioned for solid growth, underscoring its status as an increasingly alluring investment landscape, ripe with opportunities for astute investors.

What You Need to Know

What to Look For

There are a number of key fundamentals to be aware of when securing a healthcare asset that will provide the best returns:

Strength and profile of tenant

Healthcare assets offer a unique advantage as, unlike many other sectors, you aren't limited to seeking big-brand tenants. While reputable operators, especially in specialist services like radiology and dental, certainly offer security, lesser-known GP practices can command incredible patient loyalty and offer just as much surety for a landlord. Always investigate the lessee entity and ultimate ownership, as you would with any tenanted investment.

Assignment provisions

Ensure that adequate due diligence is conducted under this section of the lease.

Ensure the tenant cannot simply assign the lease to another, potentially lesser known and less secure operator, consequently decreasing the investment's value.

Lease tenure and option periods

Healthcare operators recognise the importance of their facility investments, often pouring substantial resources into fit-outs and establishing their premises. Consequently, they typically seek long-term leases with built-in option periods. These extended lease agreements offer investors a sense of security and a set-and-forget investment strategy.

Location, underpinning land and property value

Healthcare operators have specific requirements, such as specialist plumbing, soundproofing, and drug storage, which enhance the building's value and tenant security. Adequate car parking is crucial,

as operators need it to meet permit requirements. Surprisingly, regional locations are highly sought-after, particularly for well-established facilities, as they often become the sole provider in the area, creating virtually indestructible investments.

Rent review structure

Ensure your income growth and consequential capital growth by looking for annual rent increases, which most leases will offer.

What you'll pay

Healthcare investments generally range from \$750,000 to \$4 million with incomes ranging from around \$30,000 to \$250,000 plus. The median sale price by Burgess Rawson has been \$2.1 million since 2022.

How to buy one

Healthcare assets are sold both privately and at auction.

The benefit of an auction is transparency between all parties. Typically buyers will bid in person, over the phone or online, with full visibility of buyer competition and rental cap rate on-screen in front of them.

This asset class has always featured heavily in all the major commercial agency players' portfolios, given the calibre of tenants and the proven investment security of the sector.

Having sold 7 times more healthcare assets than our nearest competitor offered to market in FY23, we've seen no sign of investor demand slowing in this sector and predict steady transaction volumes into the 2024 financial year.

National Healthcare Team



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How we can help

At Burgess Rawson, we offer solution-based outcomes and data-driven expertise for medical and healthcare vendors, investors, developers and tenants, with a breadth of knowledge that spans the entire property journey; asset management, sales leasing, valuations, development feasibility and tenancy coordination.

Our national specialty team is at the forefront of the healthcare sector, with dedicated property professionals able to provide an end-to-end service to clients in all states and territories across Australia.

If you're looking to invest, divest, require management, or simply want to discuss the sector, please don't hesitate to contact a team member today.





Industry Insights Report

Pubs & Liquor

Embark on a comprehensive exploration of an industry that has thrived and evolved with changing consumer preferences and social dynamics.

Demographic shifts, regulatory changes, and shifting consumer behaviors have transformed the liquor and pub sector into a compelling investment choice.

In our forthcoming Industry Insights Report, we will unveil the driving factors fueling the demand for investments in the liquor and pub industry. Expect a detailed analysis of emerging trends, supply and demand dynamics, investment yields, influential market participants, and an insightful glimpse into the future of this multifaceted landscape. Join us as we raise a glass to examine the enticing opportunities within this ever-evolving sector.

“Australia’s drinking habits saw a huge shift during the pandemic, ushering in increased home consumption, booming e-commerce alcohol sales, and alcohol delivery services, collectively reshaping the industry landscape.”

Zomart He
Partner | VIC



**With offices across Australia,
Burgess Rawson has a truly
national understanding and
unparalleled collective expertise.**

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