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ASX Announcement

13 November 2013

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Generation Healthcare REIT (ASX Code: GHC)

GHC announces commencement of Casey Stage 1, launch of an equity raising and an earnings upgrade

Commencement of the \$19 million Casey Stage 1 project;
The launch of an \$18 million equity raising through a combination of an underwritten Placement and a non-underwritten Unit Purchase Plan;
Enhanced debt terms; and
An upgrade to FY14 Underlying Net Operating Income and Distribution guidance.

Casey Stage 1

Today the Fund announced the start¹ of the first of three proposed stages for its Casey development site that was acquired in February 2013.

The 12,200 sqm site is strategically located directly opposite the 229 bed Casey Public Hospital and in close proximity and profile to the Monash Freeway. This first stage will activate the site with a master plan for three stages and over \$150 million of end investment for the Fund over the medium to longer term.

The \$19 million Stage 1 development will be a high quality specialist medical centre with a key focus being the provision of cancer services including radiotherapy, day oncology and high end diagnostic services. The facility will be constructed over 4 levels (1 below ground, 3 above) with 3,500sqm of net lettable area.

Preleasing commitments totaling 63%² have been secured from high quality tenants including GenesisCare (Radiotherapy), MIA Radiology (Radiology) and St John of God (Day Chemotherapy). Strong expressions of interest / offers for an additional 11%¹ are being progressed with selected tenants, endorsing the premium opportunity and location that the Casey site represents.

¹ Following the issue by Council of the variation to the existing development approval which is expected in the coming weeks and execution of the agreed construction contract.

² Based on the total forecast tenant rent roll.

Experienced builder Hansen Yuncken will be commissioned under a fixed price design and construct contract with construction of the building expected to be completed within 12 months. The property is forecast to be income producing from February 2015, following a three month period for tenants to complete their fitout.

On a fully let basis the project is forecast to yield an attractive 8.80% income return on the forecast total project cost. The ungeared internal rate of return is forecast at 11.50%.

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Equity Raising

The Fund also announced today the launch of an \$18.0 million equity raising at \$1.14 per new unit which, together with undrawn debt facilities, will fully fund the construction of Casey Stage 1. The equity raise is to comprise:

- A \$11.0 million fully underwritten placement³ to institutional and sophisticated investors (**Placement**); and
- Up to \$7.0 million non-underwritten unit purchase plan to existing eligible unitholders (**UPP**).

Macquarie Capital (Australia) Limited (**Macquarie**) and Morgans Corporate Limited (**Morgans**) are lead managers in relation to the Placement. The Placement is fully underwritten by Macquarie Capital (Australia) Limited and Morgans Corporate Limited.

The issue price of \$1.14 per unit under the Placement and UPP represents a 5.8% discount to the 10 day volume weighted average price up to and including Tuesday 12 November 2013.

The UPP is available for existing eligible unitholders on the register as at 7.00 pm on Tuesday 12 November 2013. The UPP offer will open on Monday 25 November and remain open for subscription until 5.00 pm on Monday 9 December 2013.

New units issued under the Placement and the UPP will rank equally with existing units and will be entitled to the full six month distribution for the period ended 31 December 2013.

Eligible unitholders will be sent further details in relation to the UPP via the UPP Booklet that is expected to be lodged with the ASX on Tuesday 19 November 2013 and distributed to unitholders.

The outcome of the Placement is expected to be announced to the market before commencement of normal trading on Thursday 14 November 2013. Pending this announcement, GHC units have been placed in a trading halt. Trading in GHC units is expected to resume on Thursday 14 November 2013.

Debt Facility

Following a further _____ completed a renegotiation of the terms of its primary debt facilities to enhance provide capacity and flexibility for Casey Stage 1 and other value adding opportunities, lengthen the facility term and deliver lower pricing.

³ In accordance with the Listing Rules, approximately 9,649,122 units will be issued under the Placement. Since the approval is not required.

The Head Trust debt facility limit has been increased by \$15.0⁴ million (to \$85.9 million) and the facility expiry date extended from September 2015 to the following dates in order to deliver a staggered maturity risk profile:

New Expiry Date	March 2015	September 2017	September 2018
Facility amount	\$8.1m ⁴	\$38.9m	\$38.9m

Upgrade to Underlying Net Operating Income and Distribution Guidance

Following the commencement of Casey Stage 1, a reduction in debt finance costs and recent lease renewals at Pacific Private, the forecast FY14 Underlying Net Operating Income and Distribution guidance has now been upgraded to 8.90cpu (previously 8.62cpu) and 8.00cpu (previously 7.86 cpu) respectively, subject to no unforeseen events.

The increase in the forecast distribution represents a 1.8% increase and a 9% increase on FY13.

an exciting time for the Fund with a start to the first stage at Casey and the activation of what will be a master planned three stage development to create a scale integrated private health campus in

unitholders the opportunity to increase their investment in the Fund, while continuing to broaden the institutional base of the register, with a view to growing the Fund in a value adding manner

In considering the information contained in this announcement, please also refer to the Important Information section below.

Yours sincerely



John Freemantle
Company Secretary

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⁴ The proceeds from the UPP will be applied as a permanent reduction in facility limit.

Important Information

Forward-looking statements

This announcement contains a number of forward looking statements including indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, opinions and estimates are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of APN FM that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements and neither APN FM, nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement contains such statements that are subject to risk factors associated with the industries in which GHC operates.

Disclaimer

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About Generation Healthcare REIT

Generation Healthcare REIT (ASX code: GHC), trust.

The portfolio of ten properties includes hospitals, medical centres, laboratories and other purpose-built healthcare facilities. The Fund partners with high quality healthcare tenants with strongly diversified income streams. The Fund has total assets under management of \$236 million with investments located in Victoria, New South Wales and Queensland.

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About APN Property Group

APN Property Group (ASX code: APD) is a specialist real estate investment manager.

Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of investors. APN is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

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