

Growthpoint launches R2.4bn healthcare portfolio

Growthpoint Properties has launched an unlisted healthcare real estate investment trust (REIT) - Growthpoint Healthcare Property Holdings. The portfolio has received strong market interest, with its first close attracting capital commitments of R285m from third parties. It is expected to raise at least double that again in the next 12 months.



Growthpoint Healthcare will be managed by Growthpoint Management Services. It aims to increase Growthpoint Healthcare's scale for investors and grow it towards R10bn in assets and a stock exchange listing.

The new property holding vehicle invests exclusively in healthcare assets in South Africa occupied by licenced operators of hospitals, clinics, pharmacies, and laboratories.

Properties in defensive healthcare sector

Growthpoint Healthcare already holds five assets in the defensive healthcare property sector valued at R2.4bn. The portfolio has a weighted average lease length of about nine years reflecting the defensive nature of investing in healthcare real estate. Two of its healthcare properties are operated by private healthcare provider Busamed, and one each by JSE-listed healthcare players MediClinic and Netcare. In addition, Netcare also rents 50% of the space in N1 City Medical Chambers, the medical suites adjacent to the N1 City Hospital.

It also has a R750m pipeline of hospital developments. The first is a new R450m specialist hospital that will break ground in June this year. Another R300m specialised facility is in advance discussions.

Growthpoint provided R2.1bn to acquire the Growthpoint Healthcare's starting portfolio, a portion of which has been converted into equity leaving Growthpoint as the anchor investor with an equity investment to R650m on the first close date. The remainder is a R1.4bn loan to Growthpoint Healthcare, which will be settled over time as the company raises further capital.

Promoting growth in the healthcare sector

Head of corporate finance at Growthpoint George Muchanya confirms that Growthpoint will remain a key strategic investor in Growthpoint Healthcare. He says, "Growthpoint Healthcare is playing a leading role in promoting the growth of the healthcare sector by providing the capital that emerging operators and other new entrants to the sector require to establish themselves. It is often estimated that up to 70% of the capital required to start a new healthcare facility is spent on the property. Growthpoint Healthcare takes this burden off the operators and this will certainly help more projects to come on

stream.



George Muchanya, head of corporate finance, Growthpoint Properties

"Further, in the medium to long term, the creation of this healthcare-focused property company gives established hospital operators a credible platform on which to sell and lease back some of their property assets as a means to more efficiently manage their balance sheet. This is consistent with models followed by other hospital groups globally."

Growthpoint's management business is now actively managing two investment vehicles, the other being Growthpoint Investec African Properties (GIAP) via Growthpoint Investec African Property Management.

For more, visit: <https://www.bizcommunity.com>