

Majority of UK Healthcare Property Values Experience Growth

MSCI Index reveals 10.4% return

London – March 4, 2016 – MSCI Inc. (NYSE: MSCI), a leading provider of investment decision support tools worldwide, has released the results of the **IPD UK Annual Healthcare Property Index** today. The results show a 10.4% return for healthcare property in the UK in the year to end 2015.

Sponsored by Aitchison Raffety, the index measures 1,030 healthcare properties worth GBP 4.3 billion. The returns are calculated from a mix of primary care properties, leased principally to GP Practices and the NHS, as well as secondary care assets including care homes, specialist treatment centres and hospitals.

Zeinab Azadi, Vice President, MSCI commented, “The index data shows that healthcare has outperformed other asset classes, including bonds, equities, all property and real estate equities, on a risk adjusted returns basis since the launch of the IPD UK Annual Healthcare Property Index in 2007.”

Total returns across all UK healthcare property have increased over the last 12 months from 8.9% at the end of 2014 to 10.4% in 2015. This is the fourth year of consecutive steady growth in total returns for the index. The return of 10.4% for the year to 2015 comfortably outperformed the three, five and nine year average annualised returns of 9.9%, 8.6% and 7.6% respectively.

Azadi continued: “In 2008 almost 90% of assets were seeing capital value falls with the reverse of that in 2015, with almost 90% of properties seeing values grow year on year. Indeed only 8% of properties saw falls in 2015, which is the lowest we’ve tracked over the history of the index”.

The secondary healthcare market returns have improved from 6.3% in 2014 to 10.2% in 2015. Whilst the total returns are very similar in the primary and secondary markets, only 30bps difference over the year, the components are very different. Secondary healthcare’s lower capital growth of 2.8% in 2015 is topped up by its strong income return of 7.2%. Rental growth is modestly positive in all sectors with all healthcare adding 0.5% to average open market rental values.

The largest rise in capital growth over 2015 was experienced in the secondary market, which rose from -1.5% to 2.8%. However, the best performing sector was London primary healthcare which had a total return of 11.6% in 2015. The South East, South West and Eastern primary healthcare marginally underperformed due to a lower capital growth of 3.7% in 2015.

John Hearle, Medical Premises Consultant, Aitchison Raffety commented, “The 10.4% growth in the sector with a steady rise over the last four years reflects the consistency that we have come to expect in the healthcare investment market. Looking ahead there continues to be a huge need for more purpose built properties both in respect of care homes with proper modern facilities and primary care centres, where with funding, we could really start to see more new multi-use centres attending to not just healthcare but incorporating community and social care as well. Whilst the NHS remain slow in completing their estate and service plans the launch of the GBP 1.0 billion Primary Care Transformation Fund shows that they realise the

need for more funding, albeit that the amount is small when compared to the need and the guidance for its use still uncertain”.

-Ends-

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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 97 of the top 100 largest asset managers, based upon P&I data as of December 2014 and MSCI client data as of June 2015.

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