

## Heathley building on a healthy portfolio



Andrew Hemming and John Stuckey at Heathley's office in Sydney.

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Sydney-based Heathley Asset Management is quickly expanding the scope of its medical and aged-care holdings, flagging an interest in developing centres, operating facilities and investing in businesses across the sector.

The long-time property house, run by managing director Andrew Hemming and overseen by veteran former McKinsey & Company head John Stuckey, who is chairman, is close to launching a major medical development fund and is venturing deeper into running healthcare businesses.

The pair have driven the group's transformation over the past 5½ years from a traditional property funds manager, focused on boutique office and industrial projects, into one of nimblest players in the maturing field of healthcare property.

The group has a portfolio of about \$500 million worth of assets, with its medical centre fund holding a 16-strong portfolio and aged care fund owning eight centres.

However, these are just a small part of the Heathley vision. Hemming and Stuckey, by moving early into the field, have benefited from the compression in yields on the real estate in the area from close to 8 per cent to about 6 per cent. Both also note rising competition in the sector from new entrants, from boutiques like Barwon Investment Partners to giants Dexus Property Group and Lendlease. But Heathley stands out by building intricate networks across the medical sector and hiring experts, such as doctors, on to its staff.

The group has built up what it calls an "ecosystem" of specialists, who occupy its facilities, some of which resemble small private hospitals rather than GP clinics, as well as the developers, landlords, operators and investors in the sector. Both men argue that medicine is shifting towards early prevention and patients want access to mobile specialists to receive rapid guidance and treatments cost effectively.

Heathley is forming a new range of funds that will hold assets ranging from passive properties, developments, to interests in aged-care operations or health clinics. The group is employing a model that taps into the "vertical integration" evident in the medical sector, Hemming says. In a nod to his management consultant chairman, he says "we're edging out of our core, and building the capabilities to match it".

In the latest play, Heathley's medical development fund is to deliver two advanced centres in tandem with Brisbane developer the Pikos Group. The private group has more than \$400m in developments under way. The latest deal was brokered by Steve Jones, advisory director at SRJ Walker Wayland. The Heathley vehicle will buy land in Brisbane's Woolloongabba and back the development of two 10-storey multi-disciplined medical properties, adjacent to the Mater Hospital.

Heathley is seeking to be involved in all stages of care from primary, mental health, aged and geriatric, and other specialities, with deals it is putting in place having the capacity to more than double its funds under management. The group is among the parties vying for the Evolution Healthcare property portfolio which has an initial value of about \$180m, and greater expansion potential.

While reluctant to specify its plans, Heathley is understood to want to become a partner of choice for such expanding private equity operations as it operates with a similar mindset.

Separately, in aged care, Heathley has expanded its holdings with Group Homes Australia, and is in talks with a private developer in regional NSW on a structure that will see it become the “property co” for an established operator.

It has also taken steps in buying a small number of bed licences in NSW from nursing home operator Japara Healthcare, though this is a small aspect of the business.

“It is about making ties across that ecosystem of healthcare,” Hemming says. He cites links forged with operators, investors, property and operating business, as well as service providers.

As part of being more deeply entwined in the industry, Heathley may buy stakes in some general practices, but will be cautious on getting too deeply involved as an operator. It is also in talks to buy an approved aged-care provider that will become part of the Heathley stable. At the same time it is also tendering for classic sale and leaseback deals in the area.

Hemming says its not about the financial play but rather the rewards of being at the cutting edge of the transforming, and lifesaving, industry.

His firm has ambitions of taking medical property to the next level and points to the US where public and private REITs dominate. “They work because they deliver better health care.”

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