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Barwon bags Evolution hospital portfolio

by [Nick Lenaghan](#)

Barwon Investment Partners has bought the Australian section of the Evolution Healthcare portfolio, three New South Wales hospitals, for \$76.5 million.

The deal, foreshadowed this month in *The Australian Financial Review*, was struck on a 5.5 per cent yield as Barwon secured the properties for its recently launched institutional healthcare property fund.

Based in the Illawarra region, the portfolio comprises the South Coast Private Hospital, the Shellharbour Private Hospital and the Wollongong Day Surgery.

The deal is one of the strongest to date in the maturing healthcare real estate sector, increasingly a focus for institutional investors.



Growing sector: (from left) Barwon's Rob Morrison, Tom Patrick and Peter Connors. **Janie Barrett**

In the past week alone, Toronto-listed Northwest Healthcare Properties has lobbed a \$494 million bid for listed medical property landlord Generation Healthcare REIT while Australian Unity has reopened its \$1.2 billion healthcare property trust to new equity.

Evolution's owners, CHAMP Ventures co-founder Andrew Savage and Healthe Care founder Ben Thynne, put their \$180 million trans-Tasman

private hospital portfolio on the market in March through CBRE's Bruce Baker and Phil Smith.

The portfolio prompted a flurry of strong bids from major investors. The 5.5 per cent yield is the result of that competition. It also reflects the boost from a separate deal during the process, as Evolution sold off the operations business of the three hospitals in the Illawarra region to rival operator Healthe Care

With Healthe Care signed on for 25-year triple-net leases, the value and covenant of the portfolio were bolstered.

High-profile aspirants

Flush with the first raising for its \$500 million new fund, Barwon hustled past a number of high-profile aspirants for the Evolution portfolio, including Dexu, Lendlease and Generation Healthcare REIT.

Rival bidder Auckland-listed Vital Healthcare is understood to be in diligence on Evolution's four New Zealand hospitals, representing the larger part of the portfolio by value. That transaction is mooted at a 5.75 per cent yield.

Two other local hospitals remain with Evolution.

The Barwon fund, backed by five institutional investors including four local super funds, now has four properties. After its launch last December, it was quickly seeded in February with a \$20.5 million pathology lab in Melbourne.

"We are delighted to have secured the Evolution portfolio which will give our fund exposure to critical healthcare infrastructure servicing the fast growing greater Wollongong and Illawarra region," said Barwon's head of property, Rob Morrison.

"These properties fit well with our strategy of building a portfolio of quality healthcare assets with long leases and high credit quality tenants servicing the healthcare needs of our ageing population."

Evolution's Mr Thynne said the transaction included the group's two foundation assets.

"Our hospitals are being acquired by a highly credible property manager, who we consider to be an ideal group to further grow these assets in the region."

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