



FINM3406

Real Estate Finance

Lecture 7

Group Assignment Overview

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Group Assignment Overview

- Groups of up to 5 students
 - To be formed via Blackboard
 - Allocate yourself to a group or you will be allocated
- Weighting – 40%
 - 35% for the group report
 - 5% for self-peer review participation
- Submission due 16 May 2024 at 3.00pm via Turnitin

Task Description

Prepare an analytical report for a real-life Health Care Development Project.

- The Report is to be prepared on behalf of a hypothetical listed A-REIT that specialises in Health care properties and is seeking professional advice on the risks, issues and opportunities associated with acquiring, developing and holding a proposed Health Care development project.
- The students will act as professional advisors to the hypothetical A-REIT and prepare a 5,000 word (excluding bibliography) report that outlines their assessment of the project and its efficacy for their client as a project to add to its REIT portfolio of health care properties.

Task Description

The details of the report must include:

- An analytical description of the property and its proposed development attributes including observations on the concept, target market, design/layout, and overall viability of the project.
- A discussion on the health care property sector in Queensland and comparative assessment of the REIT market for health care properties domestically and globally.
- A risk assessment of the project identifying the primary strengths, weaknesses, threats and opportunities for the project.

Task Description

The details of the report must include:

- An overview of the funding mechanisms available to the REIT for the development.
- High-level financial modelling of the project that includes financial performance metrics and an assessment of the target purchase price for the project. (ie static residual value hypothetical development model and DCF with performance metrics - IRR, NPV, ROE, Cash on Cash)
- Details of any assumptions required to be made and the basis for those assumptions.
- Bibliography and referencing to Harvard standard.

Task Description

Note – the ECP in relation to the group assignment is wrong, it states:

- “a real-life real estate Rent development project” - that is not the case this year, it is a health care project.
- “The Report is to be prepared on behalf of a hypothetical potential investor” - that is not the case, the report is for a hypothetical listed A-REIT and for the sake of the exercise let’s call it the Live Well Healthcare REIT (ASX:LWH).
- Additionally, this year’s report calls for a discussion of the health care property sector **and** a discussion on the performance of REITs in general and health care REITs specifically.

Subject Property

Annerley Health Hub

97-99 Cornwall Street and 275-281 Ipswich Road, Annerley QLD 4103

- The project is currently a live application for Ministerial Infrastructure Designation (application MID-0823-0715)
- The application has been made on behalf of the Cornerstone Group
- Cornerstone Group have their own property fund for health care property developments (see: [CHP Fund | Cornerstone Group](#))
- Assume the plans given are the approved plans and the application for Ministerial Infrastructure Designation has been fully approved.
- **DO NOT CONTACT THE OWNERS OR ANY ADVISORS FOR THE PROPERTY**

Subject Property

Annerley Health Hub

- **Address:** 97-99 Cornwall Street and 275-281 Ipswich Road, Annerley QLD 4103
- **Real Property Description:** Lot 72 on RP37992, Lot 73 on RP37992, Lot 1 on RP37992, Lot 2 on RP37992, Lot 3 on RP37992 and Lot 4 on RP37992
- **Land Area:** 2,456m²
- **Road Frontage:** Cornwall Street (suburban road) and Ipswich Road (arterial road)



Subject Property

Annerley Health Hub

Aims to complement the service offerings within the Princess Alexandra Hospital precinct comprising:

- 6 storey building that Area that will cater for a range of allied health services including general practice, diagnostic imaging, pharmacy, pathology, radiology, and day surgery.
- Ground level, with retail and an ancillary café along Ipswich Road
- Dedicated pedestrian entrance and vehicle access from the Cornwall Street frontage
- Carparking areas within a basement level comprising 200 spaces across 4 basement levels.



Subject Property

The Environmental Assessment Report that was prepared as part of the Ministerial Infrastructure Designation (application MID-0823-0715) has been provided along with the following attachments:

- Attachment A: SmartMap
- Attachment B: Current Title Search
- Attachment C: Architectural drawings
- Attachment D: Traffic impact assessment
- Attachment E: Noise impact assessment
- Attachment F: State Planning Policy Mapping
- Attachment G: Stormwater management plan
- Attachment H: DA Mapping
- Attachment I: Engineering services report
- Attachment J: Contaminated Land and Environmental Management Searches
- Attachment K: FloodWise Property Report
- Attachment L: Protected Matters Report
- Attachment M: Vegetation Management Report
- Attachment N: Protected Plants Flora Survey Trigger Map

Resources

- Financial press – lots of articles about Build to Rent
- Industry Publications (eg Colliers report, API guidelines)
- Construction cost databases – Cordells, Rawlinson's (check UQ database)
- Academic journal articles – REIT sector very mature in USA
- Australian Bureau of Statistics – demographic info
- Property sales and leasing info – realcommercial.com.au and [rpdata](http://rpdata.com.au) (check UQ library)
- Queensland and Federal Government – health care statistics
- IBISWORLD reports
- Online feasibility studies – EstateMaster by Argus (probably not needed for this but might be helpful)

Recent Commentary on Healthcare REITS

- The cheapest stocks in the ASX Real Estate sector based on Price to NTA (marketindex.com.au)
- RAM Bullish on Future of Healthcare REIT - RAM (ramgroup.com)
- Capitalising on hospitals: REITs' latest investment strategy - Real Estate Business



Questions?