

First Reit to double portfolio to \$500m in three years

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INDONESIAN Lippo Group's First Real Estate Investment Trust (Reit) will double its portfolio size to \$500 million in the next three years and raise it further to \$1 billion in five years.

The Reit now comprises three healthcare properties and a hotel in Indonesia worth a total of \$257 million. It has just made its maiden acquisition of three Singapore properties for a total of \$38.2 million, after listing on Singapore's mainboard early last month.

The CEO of First Reit's manager Bowsprit Capital Corporation, Ronnie Tan, said the next acquisition will be a hospital in Medan, Indonesia, for less than \$30 million. And Lippo's property development arm Lippo Karawaci is developing three hospitals that could be injected into First Reit.

Mr Tan said the Reit will also be looking at Malaysia, China and India for acquisitions, and he is currently in negotiations with three to four parties in China.

First Reit may fund acquisitions in China through debt of up to \$50 million. This month, it established a \$90 million credit facility with OCBC Bank. Its current gearing is 16.6 per cent but this could go up to the maximum 35 per cent to fund future acquisitions, Mr Tan said.

The three properties it is buying here - two nursing homes and a hospital - are from **Pacific Healthcare**. They are **Pacific Healthcare** Nursing Home at 6 Lengkok Bahru, Pacific Eldercare and Nursing at 21 Senja Road and Pacific Hospital Consultants at 19 Adam Road. The last of these has a redevelopment potential to increase plot ratio from 0.6 to 1.4.

Mr Tan said the trust is looking at more opportunities here, including a government site in Jalan Jurong Kechil for the possible development of a nursing/retirement home. 'We are interested in the site and are currently looking for an operator,' he said.

For Singapore at least, First Reit will look at acquiring more nursing homes. Mr Tan pointed out that Singapore now has about 3,200 private nursing homes.

First Reit expects to complete the purchase of the **Pacific Healthcare** properties in Q2 and Q3 this year. They will be leased back to **Pacific Healthcare** for 10 years at \$2.98 million a year.

Mr Tan said that unlike other commercial properties, leases for healthcare properties are generally long at 10-15 years and so provide a stable income stream.

Separately, mainboard-listed **Pacific Healthcare** Holdings said it expects an exceptional gain of \$2.2 million and a positive impact on cash flow of about \$5.5 million from the sale to First Reit.

CEO William Chong said: 'The arrangement will free up funds which will be utilised to further expand our business in the region. It will also allow us to focus on our key competencies.'