

Acquisition Of Two Care Homes And New Tenant

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Impact Healthcare REIT PLC
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Impact Healthcare REIT plc

("Impact" or the "Company" or, together with its subsidiaries, the "Group")

ACQUIRES TWO CARE HOMES FOR £14 MILLION AND WELCOMES A NEW TENANT

The board of directors of Impact Healthcare REIT plc (ticker: IHR), the real estate investment trust which gives investors exposure to a diversified portfolio of UK healthcare real estate assets, in particular care homes, is pleased to announce that the Group has recently exchanged contracts to acquire two care homes in Kent for £14.0 million plus acquisition costs. These acquisitions are with a new tenant, Belmont Healthcare ("Belmont"), the Group's 14th tenant.

One home is a purpose-built, 120-bedroom property split over four units, each with 30 beds. It has strong operational cashflows and is located on a generous site, which has significant potential for future value-enhancing asset management and development opportunities. Following completion, we intend to invest further in the property to reconfigure the existing layout of each unit, reducing the number of bedrooms in each from 30 to 20. This will enable Belmont to deliver elements of an innovative 'household' model of care for residents with dementia, developed in the Netherlands, which has proven beneficial to residents. These works will be undertaken on a phased basis to enable occupancy to be maintained. There is further potential for complementary, healthcare-related development on the site, which we intend to pursue once the existing units have been reconfigured.

The second transaction is the sale and leaseback of a home currently owned and operated by Belmont. It has 48 bedrooms with en suite bathrooms. The home has been recently refurbished and extended. The acquisition of this home includes a potential deferred payment of up to £550k, subject to its continued strong trading performance. The deferred payment, if it becomes payable, will result in increased rental payments, ensuring that the effective purchase yield of this asset remains materially unchanged.

Both properties are well located and have an excellent reputation for quality care with 'Good' CQC inspection ratings.

Once completed, these transactions are expected to deliver the following benefits to the Group:

- enable the Group to deploy an initial £14.0 million of capital, plus transaction costs, followed by additional asset management and development opportunities;
- the initial annual rent has been agreed at £890,000, reflecting an accretive gross initial yield of 6.36%;
- will add two care homes comprising 168 beds to the Group's portfolio, which will then total 136 care homes and 7,484 beds¹ (at 31 December 2021: 124 homes and 6,720 beds);
- EPC ratings of B on both homes; and
- introduce a new tenant, the Group's 14th. Further acquisitions with Belmont are under consideration.

These acquisitions will be leased on Impact's standard green leases, with fixed terms of 25 years and annual upward-only rent reviews linked to the Retail Price Index ("RPI"), with a floor of 2% p.a. and a cap of 4% p.a., with commitments to a minimum annual expenditure by the tenant on the maintenance of the care homes.

Completion is subject to re-registration with the Care Quality Commission.

The Company's investment manager, Impact Health Partners LLP, is in developed legal discussions on several other acquisition opportunities and expects to make further announcements in the near future.

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The Company's LEI is 213800AX3FHPMJL4IJ53.

Further information on Impact Healthcare REIT is available at www.impactreit.uk.

NOTES:

Impact Healthcare REIT plc acquires, renovates, extends and redevelops high quality healthcare real estate assets in the UK and lets these assets on long-term full repairing and insuring leases to high-quality established healthcare operators which offer good quality care, under leases which provide the Company with attractive levels of rent cover.

The Company aims to provide shareholders with an attractive sustainable return, principally in the form of quarterly income distributions and with the potential for capital and income growth, through exposure to a diversified and resilient portfolio of UK healthcare real estate assets, in particular care homes for the elderly.

The Company has a progressive dividend policy with a target to grow its annual aggregate dividend in line with the inflation-linked rental uplifts received by the Group under the terms of the rent review provisions contained in the Group's leases in the prior financial year.

On this basis, the Company is targeting a dividend for the year to 31 December 2022 to increase by 2.0% to 6.54 pence per share².

The Group's Ordinary Shares were admitted to trading on the main market of the London Stock Exchange, premium segment, on 8 February 2019. The Company is a constituent of the FTSE EPRA/NAREIT index.

Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

¹ Including forward funded assets and portfolios invested in via a loan

² This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indicator of the Company's expected or actual results.

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