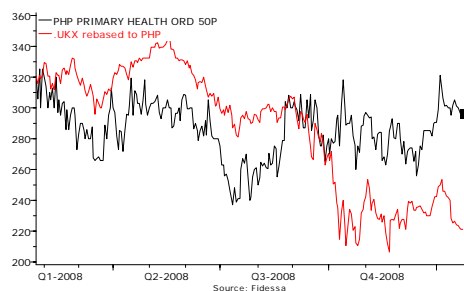


Primary Health Properties 296p

FLASH NOTE: Reassuring Trading Update

26 January 2009

Share Price: 296p



12m High: 340p

12m Low: 246p

Market Cap: £100m

Shares in Issue: 33.59m Fully Diluted

NAV/Share: 373p at June 2008, c. 320p at Dec 2009 (Hardman & Co estimate)

Gearing: LTV 65% company guidance at Dec 2008

Interest Cover: 2.1X

EPIC Code: PHP

Sector: Real Estate

Market: London Full List

Joint Brokers: Numis Securities

KBC Peel Hunt

PR: Bell Pottinger +44 (0)20 7861 3232

Website: www.phpgroup.co.uk

Description: PHP lets out GP surgeries to GP partnerships on 18+ year leases, which have their rent reimbursed by the public sector.

Analyst: Roger Hardman

Tel: +44 (0)20 7929 3399

Email: research@hardmanandco.com

The Trading Statement from Primary Health Properties this morning is reassuring. It shows:

- £59m headroom in borrowing facilities and a likely year end loan to value percentage of 65% compared to the covenanted level of 75% - a significant level of safety for an investment company with very limited forward commitments.
- A probable £13m reduction in property values, to in the region of £317m, compared to the end-June 2008 figure. This suggests a net asset value per share of c. 320p – comfortably in excess of the share price - before 'mark to market' losses on the debt hedging.
- A tentative DCF valuation of c. 470p per share, again before the 'Mark to Market'.
- A 'Mark to Market' liability adjustment on debt hedging of £28.4m, equivalent to 84p a share.
- 'Regular rental uplifts' on rental reviews that are averaging an annualised 3.95%, because this market 'continues to enjoy strong fundamentals'.

It should be stressed that all these indications are tentative and subject to audit. Also, on a 'declared' basis PHP will almost certainly show a loss for last year under IFRS accounting.

Primary Health Properties expects to announce its full year results on February 27.

The shares have risen 13% since our last research note and have significantly outperformed the market on a one, five and ten year timescale.

The prospective yield of 5.6% on the shares is, we believe, rock solid and will continue to have considerable attractions to income funds and the private client broker community.

Y/E	Group Sales	Adjusted Profit*	Adjusted EPS*	P/E ratio	Divi	Yield
December	£m	£m	p.		p.	%
2007A	12.2	2.5	11.0	26.9	14.25	4.8
2008A	15.7	4.2	13.8	21.4	15.75	5.3
2009E	19.1	5.5	15.2	19.5	16.5	5.6
2010E	20.8	6.5	18.2	16.2	17.0	5.7

* Before Mark to Market adjustments

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Management	Major Shareholders																
<p>Chairman: Graeme Elliott</p> <p>Managing Director: Harry Hyman</p> <p>Property Director: Tim Walker-Arnott</p> <p>Property Management: A team of six based in Woking.</p>	<table> <tr> <td>Nexus Group (Harry Hyman)</td> <td>6.5%</td> </tr> <tr> <td>James Hambro</td> <td>6.5%</td> </tr> <tr> <td>Legal & General</td> <td>5.1%</td> </tr> <tr> <td>AXA Framlington</td> <td>4.9%</td> </tr> <tr> <td>Montanaro Fund Managers</td> <td>4.7%</td> </tr> <tr> <td>Aberdeen Asset Management</td> <td>4.6%</td> </tr> <tr> <td>UBS Global Asset Management</td> <td>3.1%</td> </tr> </table>	Nexus Group (Harry Hyman)	6.5%	James Hambro	6.5%	Legal & General	5.1%	AXA Framlington	4.9%	Montanaro Fund Managers	4.7%	Aberdeen Asset Management	4.6%	UBS Global Asset Management	3.1%		
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Primary Health Properties

26 January 2009

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Hardman & Co

4-5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: +44(0)20 7929 3399
Fax: +44(0)20 7929 3377

www.hardmanandco.com

