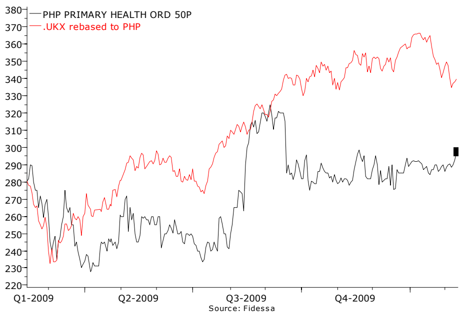
Primary Health Properties 297p

Important Acquisition. Dividend Upgrade

11 February 2010

Share Price: 297p



12m High: 325p

12m Low: 228p

Market Cap: £180m

Shares in Issue: 61.35m

NAV/Share: approx. 260p after September 2009 fundraise

Gearing: 47%

Interest Cover: ~4.5X

EPIC Code: PHP

Sector: Real Estate

Market: London Full List

Brokers: Numis Securities/Peel Hunt

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

Website: www.phpgroup.co.uk

Description: PHP lets out GP surgeries to GP partnerships on long term leases. The rent GPs pay is reimbursed by the public sector.

Analysts: Roger Hardman/Rae Ellingham

Tel: +44 (0)20 7929 3399

Email: research@hardmanandco.com

We have upgraded our full year dividend total for y/e 12/09 from 17p to 17.25p. This follows the company's announcement earlier today that instead of a final dividend, a second interim dividend of 8.75p will be paid on 26 March. This brings forward the payment and will please private client shareholders in particular.

The purchase of properties from CareCapital Group for £24.2m increases the value of Primary Health Properties' property investment portfolio by around 7% and raises the value of the current portfolio to c. £366m. The rent roll of the newly acquired properties, including outstanding rent reviews, is £1.5m p.a., suggesting the properties have been purchased on a yield basis of 6.2%. This is very much consistent with the 6.25% used as a valuation basis by PHP's valuers at the time of the last interim report.

The deal is important to PHP because it raised £60m of fresh equity in September, leaving it undergeared. Because of its policy of hedging its debt the cash raised has been earning very much less while on deposit than the cost of the term debt; getting September's new cash into property yielding c.6% is important in terms of current year profitability. The CareCapital transaction raises the investments declared to the Stock Market since the fundraising to £50.8m. We estimated at the time that by gearing up on its higher equity base Primary Health Properties would be able to take the value of its portfolio to in the region of £500m.

14 properties are involved in the CareCapital deal, so the average size, £1.7m, is somewhat smaller than most of PHP's other recent additions. All the properties are purpose built, but not new. We expect that there will be potential for Primary Health Properties to introduce modest improvements to the properties which will enable it to keep rental income rising at a rate slightly faster than inflation.

PHP will have first refusal on all future primary care property developments by CareCapital for the next three years. This is useful because it gives PHP another source of property additions and could speed future growth.

The acquisition does not affect our forecasts, which, apart from the dividend upgrade, are unchanged. On our forecast the 2010 dividend yield will be 5.9% and we expect future dividends to rise as rental increases feed through to the bottom line.

Y/E	Group Sales	Adjusted Profit*	Adjusted EPS *#	P/E ratio	Divi #	Yield
December	£m	£m	p.		p.	%
2007A	15.7	4.2	13.3	22.3	15.18	5.1
2008A**	19.7	4.6	15.6	19.0	15.91	5.4
2009E	20.8	6.7	16.4	18.1	17.25	5.8
2010E	26.0	11.0	18.0	16.5	17.50	5.9

** EPRA basis* *** Restated* *# ex-rights adjusted*

Primary Health Properties Property Portfolio

At the time of its Interim Statement, Primary Health Properties had 111 completed properties and four further properties in the course of development. The properties had an average value of £2.8m. 90% of the rent roll came from GPs, Primary Care Trusts or HM Government. A further 9% of rental income came from pharmacies, primarily Lloyds. 78% of leases had a life of 15 years or longer.

Three further property acquisitions, plus the Care Capital deal, have been announced since then.

June 2009	Existing portfolio	£315.7m
October 2009	Port Talbot	£15.6m
December 2009	Shefford, Beds	£5.5m
January 2010	Aldridge, Staffs	£5.5m
February 2010	CareCapital deal	£24.2m
	Total Investment Properties	**£366.5m**

Primary Health Properties is now by far the largest quoted investment vehicle in the primary healthcare property marketplace.

Primary Health Properties

11 February 2010

Management

Chairman: Graeme Elliott

Managing Director: Harry Hyman

Property Management: A team of six based in Woking.

Major Shareholders

Aberdeen Asset Management	5.0%
Harry Hyman (inc. Nexus Group)	6.1%
Axa Framlington	4.7%
Montanaro	4.5%
Blackrock	4.1%
Legal & General	3.1%
Rensburg	3.0%

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Key Dates

Final Results: February 2010

Annual Meeting: April 2010

Key Milestones

1994 Business model put forward by Harry Hyman

1995 Purchase of small portfolio and incorporation

1996 Floated on AIM, shortly afterwards upgrading to the Official List.

2002 Wanless Review proposing reforms in the NHS

2007 PHP converts to REIT status
Darzi Interim Report launching the reform of public primary care

2008 (May) Largest acquisition, Port Talbot (£15.6m)
(June) Darzi Review expanding on initial reform

2009 (March) small capital raising at 220p

(September) £60m equity capital raising at 230p, comprising placing and 1-for-5 rights issue.

2010 Purchase of CareCapital property portfolio.

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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