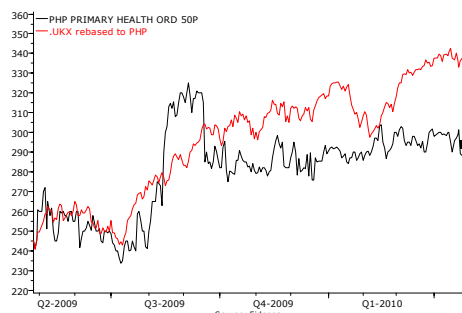


Primary Health Properties 291p

Forward Movement Confirmed

27 April 2010

Share Price: 291p



12m High: 325p

12m Low: 236p

Market Cap: £180m

Shares in Issue: 61.5m

NAV/Share: 280p at 31.12.2009, est. 300p currently, both on EPRA basis

Gearing: 49% at 12/09

Interest Cover: 1.9X

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.

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This morning's Interim Management Statement confirmed that yields in the healthcare property sub-sector have continued to strengthen, and have moved from 6% at end-December to 5.8% currently. On this basis the net asset value of Primary Health Properties would be 300p, rather than the 280p (on an EPRA basis) at the last year-end. This means that Primary Health Properties shares are once again trading at a discount to net asset value.

PHP raised £60m of additional capital last year giving it the flexibility to add, with gearing, up to £180m of additional properties to its portfolio of GPs' surgeries, benefiting from both economies of scale and the significant differential available at present between rental yields and funding costs. The company needs to get that invested quickly in order to avoid earnings dilution, and by end-April £48m had been invested in 21 new properties, taking the portfolio value to £394m on the basis used for valuations at end-December, c£410m on the new yield basis. This news is encouraging, and we expect PHP to add a further £30-40m of fully let properties to the portfolio by end-June.

Rental growth on rent reviews has been slowing, and is now at an annualized rate of 2.4% compared to just over 3% previously. Rents are reviewed three yearly, and this reflects the low rates of inflation in 2008 and 2009. Ironically, the inflation rate has increased again in recent months, and for the first time in many years rent reviews are coming in lower than the current inflation rate. We expect this to be a temporary phenomenon, and over time rent reviews should comfortably out-pace inflation because of work undertaken improving and extending properties, an increasingly important part of management's workload.

Primary Health Properties has increased its dividend every year since it joined the stock market 15 years ago, a record that is unmatched by any other quoted company. We expect this to continue, and for dividends to both be increased again and fully covered in 2010 and 2011.

Primary Health Properties yields a prospective 5.9%. The shares have been left behind by the recent market rally and institutional quality shares with this kind of yield are becoming very hard to find. As a full London Stock Exchange listing, the shares can be included in private client ISA portfolios.

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	21.8	15.18	5.2
2008A**	19.7	4.6	14.0	20.8	15.91	5.5
2009A	21.3	7.8	20.2	14.4	17.25	5.9
2010E	26.0	11.0	18.0	16.2	17.50	6.0

* EPRA basis ** Restated # ex-rights adjusted

Primary Health Properties

27 April 2010

Management	Major Shareholders										
<p>Chairman: Graeme Elliott</p> <p>Managing Director: Harry Hyman</p> <p>Property Management: A team of seven based in Woking.</p>	<table> <tr> <td>Aberdeen Asset Management</td> <td>3.5%</td> </tr> <tr> <td>Harry Hyman (inc. Nexus Group)</td> <td>6.1%</td> </tr> <tr> <td>Blackrock</td> <td>4.1%</td> </tr> <tr> <td>Legal & General</td> <td>3.1%</td> </tr> <tr> <td>.</td> <td>.</td> </tr> </table>	Aberdeen Asset Management	3.5%	Harry Hyman (inc. Nexus Group)	6.1%	Blackrock	4.1%	Legal & General	3.1%	.	.
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Legal & General	3.1%										
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Key Dates	Key Milestones										
<p>Interim Results: Early September 2010</p>	<p>1994 Business model put forward by Harry Hyman</p> <p>1995 Purchase of small portfolio and incorporation</p> <p>1996 Floated on AIM, shortly afterwards upgrading to the Official List.</p> <p>2002 Wanless Review proposing reforms in the NHS</p> <p>2007 PHP converts to REIT status Darzi Interim Report launching the reform of public primary care</p> <p>2008 (May) Largest single acquisition, Port Talbot (£15.6m) (June) Darzi Review expanding on initial reform</p> <p>2009 (March) £3m capital raising at 220p (September) £60m equity capital raising at 230p, comprising placing and 1-for-5 rights issue.</p> <p>2010 Purchase of CareCapital property portfolio for £24m.</p>										

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