



29 March 2020

Fund Update for Spire USA ROC Seniors Housing and Medical Properties Fund II (AUD)

(Incorporating the underlying fund, Bridge Seniors Housing and Medical Properties Fund (BSH II))

Spire Capital has this week attended the six-monthly Limited Partner Advisory Committee (LPAC) virtual meeting for Bridge Seniors Housing and Medical Properties Fund II in its capacity as a Member of the LPAC, representing the interests of Spire clients invested in Bridge Seniors Housing and Medical Properties Fund II, either directly or via the Australian feeder fund Spire USA ROC Seniors Housing and Medical Properties Fund II (AUD).

Excerpts from the LPAC presentation are as follows:

COVID-19 Update

Bridge Seniors is meaningfully engaged with and are working closely with the property managers to implement the best practices suggested by seniors housing-specific trade associations, in order to provide a safe environment for our residents and staff. While we continue to see positive leasing activity across the portfolio, including new **move-ins from virtual tours**, we believe our industry will be impacted by COVID-19. We are assessing the impacts on our assets and re-forecasting our various short-term projections and capital requirements for the fund. We know our **move-in rates will be affected in the short term**, impacting net operating profit at the property level. We are also in discussion with the debt markets getting clarity on pending refinances, several of which may require right-sizing the debt on certain assets. As others have done, we will be taking a conservative point of view on managing and creating liquidity for whatever the circumstances demand. We expect that we will use proceeds from re-financings and other free cash flow to strengthen reserves, anticipating the reduction in NOI at the property level. Out of an abundance of caution, we will **temporarily delay distributions from the fourth quarter** until we assess the COVID-19 impact on cash flow and need for reserves. From an operational standpoint, illnesses such as influenza pose a year-round risk to our residents. As a result, we are encouraged that many of the precautionary measures related to COVID-19 are strongly-rooted in existing protocols to prevent or delay the spread of a virus, whether influenza or COVID-19.

COVID-19 Actions Taken

- Restricting visits to essential medical professionals and end of life situations. This restriction includes the interim suspension of on-property tours.
- Increased screening of staff and essential visitors to include COVID-19 questionnaire and temperature scanning.
- Rigorously observing precautions against the spread of infectious diseases, including enhanced sanitization of high traffic areas.
- Increased efforts to encourage social distancing including a reduction in communal dining and group activity programs.
- Daily monitoring of residents including monitoring of temperatures and/or onset of the main COVID-19 symptoms.
- Increased use of technology platforms such as FaceTime and Skype to encourage connectivity and socialization.
- Adjusting operationally to meet the changing needs of staff especially as school cancellations impact staff schedules.



Spire's takeaways from the meeting are as follows:

Operations

- The COVID-19 crisis is unprecedented, for which there is no playbook.
- There are currently no confirmed cases of COVID-19 in any BSH II fund residents. Two part time employees have tested positive and are currently in isolation.
- Seniors housing operators are used to annual influenza outbreaks and have strong protocols in place to deal with these. These are being put into action and bolstered to deal with COVID-19.
- Move ins are still occurring – there are 11 new residents moving in across the portfolio next week.
- New interest in being handled by 'virtual' property tours.

The Market

- There is very little price discovery occurring in the seniors housing investment markets at the moment.
- Any newly marketed deals, that have not yet been awarded under contract, are typically being pulled from the market, due to big question marks on many buyers' ability to secure debt financing due to current dislocation in the debt markets.

Impacts on the Fund

- For increased prudence, payment of the Q4 distributions by Bridge (for the period 30 Sept to 31 Dec 2019) from BSH II to Spire USA ROC Seniors Housing and Medical Properties Fund II, and respective direct investors, will be deferred until the breadth and depth of the impact of the COVID-19 crisis on the portfolios is better known.
- As at 31 December 2019 (i.e Q4) the following metrics applied to the portfolios:
 - Occupancy: = 87.5%
 - Loan to Value ratio (LTV): = 62%
 - Debt Service Coverage Ratio: = 2.6x
- The fund has current and potential reserves and uncalled capital that it can draw upon, however there is no current plan to call additional capital for additional reserves.
- BSHII's Q4 NAVs and Partner Statements, including CIO letter, will be provided late March / early April. These will reflect pre-COVID-19 valuations. This will be reflected in the April unit price for Spire USA ROC Seniors Housing and Medical Properties Fund (AUD).

As all Spire Capital staff are currently working remotely, please address any queries to: info@spirecapital.com.au