

Social Infrastructure Health and Education as an Asset Class within SEQ



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Prepared on behalf of:

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Warranty

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Executive Summary

This report examines health and education sectors in South East Queensland as leading contributors to our social infrastructure. The report pioneers research into this sector as it focusses on health and education as an asset class. Like other parts of the wider property economy, these assets require land, they involve land use controls, they consume energy, water and other services, and they provide employment, along with a critical community services. Social infrastructure assets also require careful planning, design, and management. Frequently, they require specialist consulting skills from engineering to services to construction, yet the property dimension of this asset class is often overlooked.

This report begins the process of revealing the true scale of social infrastructure's contribution to the South East Queensland economy and to the property industry. The focus on health and education was necessary for an inaugural project of this type. The Property Council intends to explore other categories of social infrastructure assets in time. For the time being, this report presents a very large tip of an extremely large iceberg.

The key findings of the report include:

- The replacement value of existing health and education social infrastructure assets in SEQ is approximately \$40 billion. The known pipeline planned for new health and education projects represents an estimated value of approximately \$4.5 billion.
- Capital markets have already demonstrated appetite for these assets. Newly seeded social infrastructure-focussed funds are estimated to represent ~\$10.5 billion in managed assets, many of which include weighted average lease expiries of between 10 and 20 years, compared to the largest office, industrial and retail weighted average lease expiries which are generally below 5 years.
- South East Queensland's social infrastructure is estimated to contribute approximately 16.5% of value added to Gross Regional Product (GRP), equivalent to approximately \$40 billion in 2021. The private and non-government providers of social infrastructure are estimated to contribute at least a quarter of this value, or more than \$10 billion annually to South East Queensland's economy.
- Two in five new jobs within Queensland over the past 20 years have been within the health and education sectors, representing 25% of all employment as of February 2022. In South East Queensland specifically, social infrastructure assets support more than 188,000 direct operational employment roles, equivalent to approximately 9.5% of the region's employed labour force. Additionally, South East Queensland's non-government social infrastructure is estimated to generate some \$9.3 billion in direct annual wages and salaries.
- Social infrastructure is directly accommodating the needs of some 2 million residents, patients, children and students annually and is a key component of South East Queensland's community and social fabric.
- **The pipeline of new health projects amounts to ~\$6.3billion** across 38 identified projects. Of this, almost half (\$2.9billion) is attributed to non-government investment;
- **The pipeline of new education projects amounts to ~\$3billion** across 127 projects of which ~55% is attributed to private and non-government institutions;
- The pipeline of identified private and non-government health and education projects represent an estimated value of some \$4.5 billion.
- Since the commissioning of the report there has been an additional \$9 billion dollar commitment in hospital investment over the next five years by Government which has increased the pipeline exponentially.



Introduction

Urban Economics has been commissioned on behalf of the Property Council of Australia Old to measure the industry contribution of the education and health & aged care sectors (non-government) within the social infrastructure sphere of South East Queensland (SEQ).

This Summary Report seeks to measure the existing and expanding contribution of these social infrastructure assets through a scoping and collation of available data such as:

- PCA committee member materials, reports and pipeline projects;
- Annual reports and contributors to the Property Council/MSCI Performance Report;
- Quantification of existing real estate portfolios of key operators by area and value;
- Identification of key supply metrics such as for the number of hospital beds, aged care beds, school enrolments and child care places;
- Quantification of the pipeline of works within SEQ by sector, estimated value, timeframes and employment generation; and
- Reported employment by sector including direct wages/salaries.

What is Social Infrastructure?

Queensland's Department of State Development, Infrastructure, Local Government and Planning (DSDILGP) defines social infrastructure as the *"physical facilities and spaces where the community can access social services. These include health-related services, education and training, social housing programs, police, courts and other justice and public safety provisions, as well as arts, culture and recreational facilities."*

The *Australian Infrastructure Plan 2021* (the first to include social infrastructure) outlines six categories of social infrastructure including:

- education
- health and aged care
- arts and culture
- social housing
- green, blue and recreation
- justice and emergency services.

Why Health & Education?

The health and education components of the social infrastructure sphere have been identified within this Analysis as notable capital investments and as having a significant contribution to the property industry. These sub-sectors are increasingly attracting non-government investment, representing property and portfolios of scale which no longer represent an 'alternative' asset class. The scope of this study will be increased in years to come to include other sub-sectors of the social infrastructure sphere.

Quantifying the Economic Contribution

Growth of the health and education sectors

Underscored by their non-discretionary orientation and evolving population and demographic drivers such as population growth and an ageing population; growth within the social infrastructure sectors of health and education have accelerated within Australia over the past two decades.

Economic growth within Australia's healthcare & social assistance and education & training sectors is underlined by the increasing quantum and share of these sectors contribution to employment growth. In the 20 years to February 2022, the healthcare & social assistance sector represented some 26% (~1.1million) of new jobs nationally whilst education & training contributed ~11.6% (~0.5million) of employment; or combined, approximately 2 in 5 new jobs over this period.

On a gross value added basis, the healthcare & social assistance and education & training sectors contributed some 13.4% (~\$252billion CVM) of Gross Domestic Product (GDP) in 2021, an increase of 2 percentage points over 20 years.

Similarly, 2/5 new jobs within Queensland over the past 20 years have been within the health and education sectors, representing 25% of all employment as at February 2022, whilst these industries have increased their contribution to Gross State Product (GSP) from 11.3% in 2001 to 14.6% as at June 2021 (ABS).

Whilst the Property Council/MSCI Healthcare Property Index has yet to identify the maturation of the 'alternative' healthcare sub-sector, the entrance and expansion of funds dedicated to the management of healthcare assets in the past decade suggests that the alternative classification is no longer applicable. Newly seeded funds over this period including by NorthWest Healthcare Properties, Barwon Investment Partners, Centuria Heathley, Australian Unity, Arena, Dexu and Charter Hall are estimated to represent ~\$10.5billion in managed assets, many of which include weighted average lease expiries (WALE) of between 10 and 20 years, compared to the largest office, industrial and retail WALEs which are generally below 5 years.

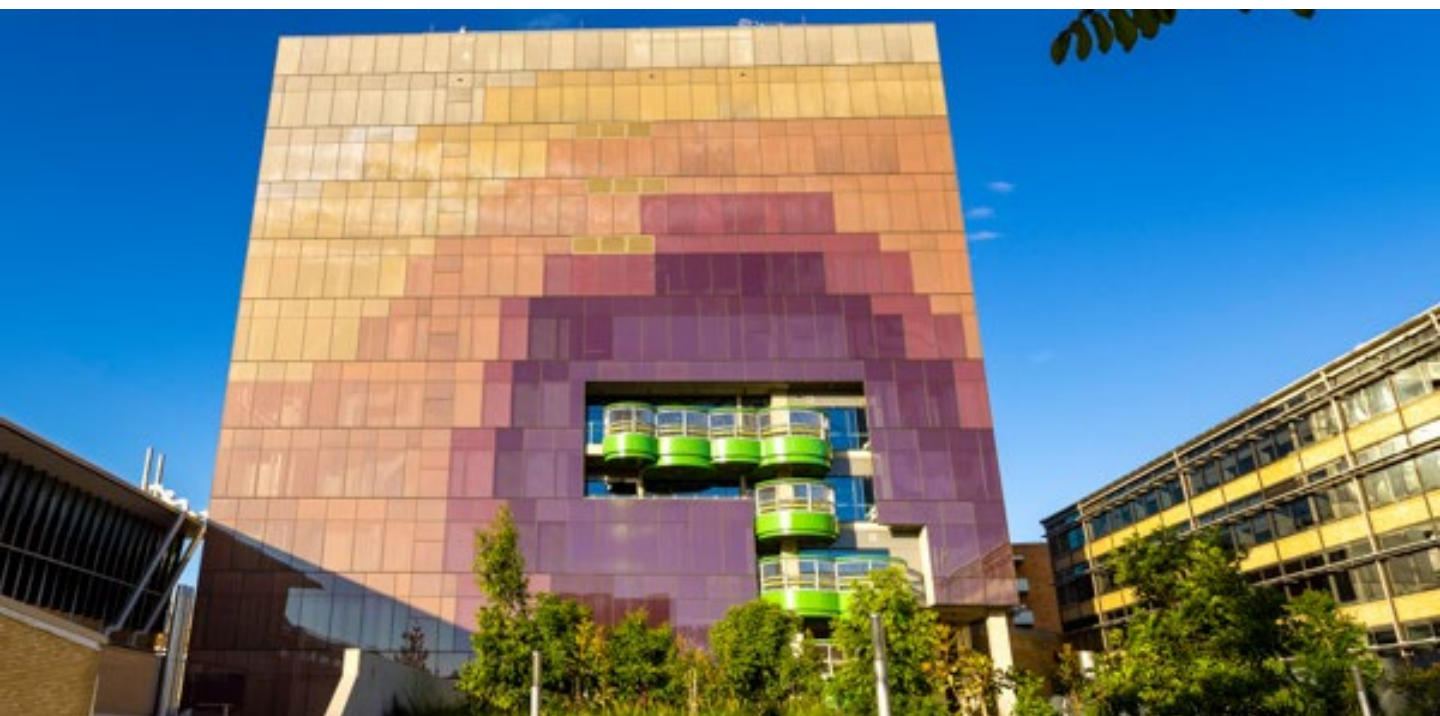
Further growth in the development of the social infrastructure sector is noted in the quantum and value of Ministerial Infrastructure Designations (MID) in Queensland, which provide an alternative process to lodging a local government development application for community and social infrastructure projects (public and private) such as for hospitals, schools, police/ambulance/fire stations, power lines, water supply infrastructure and sewerage treatment plants. In the 2019/20 financial year alone, some \$2.1billion in capital expenditure was attributed to 82 MID's including for 51 schools and two hospitals.

Health and education's contribution within SEQ

The National Institute of Economic and Industry Research (NIEIR) estimates that the healthcare & social assistance and education & training sectors of SEQ contribute approximately 17% of Gross Regional Product (GRP) whilst ABS Labour Force data estimates for February 2022 indicate that approximately 1 in 4 jobs (472.5k/1,987.5k) within SEQ are within these industries compared to just 17% (198k/1,155k) in the corresponding quarter of 2002.

Urban Economics' investigation of the non-government health and education sectors' contribution within SEQ broadly reveal the following highlights:

- 37 private hospitals (including psychiatric) supporting ~6,100 beds across land holdings of approximately 116ha;
- 48 private day hospital facilities with more than 450 operational beds/chairs;
- 1,160 GP practices supporting more than 5,700 GPs of the more than 30,000 GP workforce in the Region;
- 337 residential aged care facilities including ~32,750 operational beds, **~37% more than the number of hotel rooms in Brisbane;**
- 1,270 childcare centres with ~112,480 approved long-day care places with the capacity to provide ~235million hours of care annually which would **support more than 80 times the annual construction hours of the Cross River Rail project;**
- 11 universities supporting ~225,000 enrolments across ~1.9million sqm of GFA or less than 9m²/per enrolment, an effective floorspace scale and utilisation approaching comparison to the 2.3million sqm Brisbane CBD office market;
- 340 non-government schools with 217,500 enrolled students through 2021 **which could fill Suncorp Stadium to capacity more than 4 times.**



The following TABLES estimate and summarise the scale, employment, asset values and operating capacities of the key non-government health and education sectors of SEQ including for private hospital, residential aged care, universities, independent schools and centre-based childcare facilities.

Overall, investigated social infrastructure assets in SEQ are estimated to represent an asset value of almost \$40billion and support more than 188,000 direct operational employment roles, equivalent to approximately 9.5% of the Region’s employed labour force.

The direct employment effect of SEQ’s non-government social infrastructure is estimated to generate some \$9.3billion in direct annual wages and salaries and have a flow on effect of some 115,000 jobs within the Region.

These facilities are directly accommodating the needs of some 2 million residents, patients, children and students annually and are a key component of SEQ’s community and social fabric.

SEQ’s healthcare & social assistance sectors and education & training industries are estimated to contribute ~16.5% of value added to Gross Regional Product (GRP), equivalent to approximately \$40billion in 2021. On this basis, **the private and non-government health and education sectors of SEQ are estimated to contribute at least a quarter of these industry’s contribution to GRP or more than \$10billion annually to the Regional economy.**

TABLE 1: Health Sector Contribution within SEQ

	Total GFA (m ²)	Jobs	ARV ^{>} (\$M)	Beds
Private Hospitals	N.A.	19,300	6,330	6,113
Aged Care	N.A.	41,000	8,230	31,600

TABLE 2: Education Sector Contribution within SEQ

	Total GFA (m ²)	Jobs	ARV ^{>} (\$M)	Enrolments
Tertiary	1,900,000 [^]	20,700	6,240 ^x	224,700 [^]
Schools	N.A.	83,200	10,700 [*]	619,400
Childcare	1,700,000	23,900	6,380	131,600

> ARV – Asset Replacement Value is a standard measure utilised by institutions such as universities and typically represents a conservative measure compared to e.g. book value or market valuations.

[^] Available sqm only (QUT, UQ, Griffith, SCU, CQU) – doesn’t include USQ, USC, ACU, or JCU

^x Confirmed ARV only (UQ and Griffith) – estimate for all is 11,600 (\$M)

[^] Estimated headcount

^{*} State School figure only – pending update from Archdiocese of Brisbane (and Toowoomba) for Catholic Schools

Pipeline

Social infrastructure is no longer an 'alternative' asset class and is increasingly attracting private equity and institutional attention, including as part of portfolios by groups such as Australian Unity, Charter Hall and Centuria; particularly within the health sector.

Within the education sector, increasing private investment with child care sector is well documented, whilst the tertiary and secondary sub-sectors are beginning to become targeted for private investment as revenue (particularly within the tertiary sector) dwindles and 'land rich' university campuses identify alternative opportunities for growth. Examples include Western Sydney University's expansions within Parramatta and other western Sydney locations in partnership with Charter Hall, development with The Mill at Moreton Bay precinct and numerous student accommodation projects such as Australian Unity and Unilodge's partnership within the Herston Quarter.

Urban Economics' investigation of public and private investment into the pipeline of social infrastructure projects within SEQ are summarised in TABLE 3 (lists health projects) and APPENDIX 2 which broadly identifies:

- ~\$6.3billion of health infrastructure investment across 38 identified projects of which almost half (\$2.9billion) is attributed to non-government investment;
- ~\$3billion in education investment across 127 projects of which ~55% is attributed to private and non-government institutions;
- The pipeline of identified private and non-government health and education projects represent an estimated value of some \$4.5 billion.
- Some 18,400 potential construction jobs (years) and an estimated 7,300 additional operational positions are estimated to be supported within the Region from non-government investment in these assets;
- Subset asset classes of the health and education sectors (aged care and student accommodation) are noted to have a reduced activity pipeline compared to pre-pandemic levels, attributed to a variety of factors including international travel restrictions, health policy etc. The significant level of investment in the core health and education infrastructure assets (hospital and health precincts and tertiary education facilities) is anticipated to attract future investment in these subset assets and an increased pipeline of development.

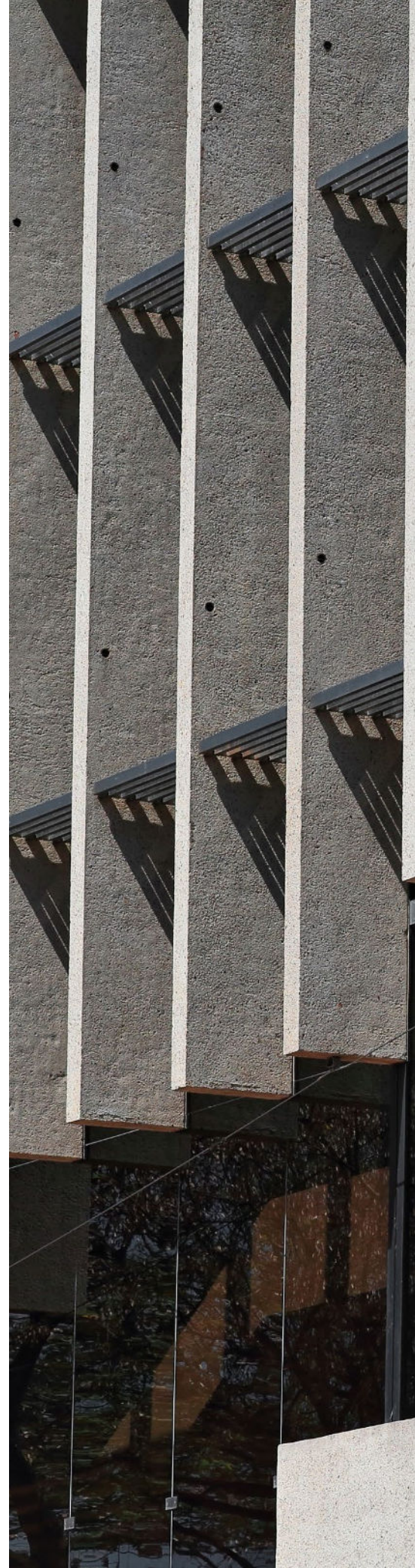


TABLE 3: Non-Government Health & Tertiary Education Development Pipeline - SEQ

Developer	Project	Location	\$M
HEALTH			
Australian Unity	Herston Quarter	Herston	\$1,100.0
Northwest Healthcare	Integrated health precinct	Coomera	\$250.0
Mater & Qld Health	Hospital expansion	Springfield	\$177.0
Heathley/Centuria	Integrated health & day surgery	Woolloongabba	\$150.0
Aria	Integrated health	South Brisbane	\$150.0
Australian Unity	Private hospital	Meadowbrook	\$150.0
Northwest Healthcare	Private hospital	Meadowbrook	\$150.0
Smart Capital Group/Centuria	The Health Common	Richlands	\$120.0
Silverstone	Integrated health	South Brisbane	\$90.0
Barber Property Group	Wickham Private	Spring Hill	\$85.0
Evans Long	Proxima mixed health	Lumina	\$80.0
Brisbane Airport Corporation	Aeromedical base	Airport	\$72.0
Australian Unity	Oceanside Health Hub	Birtinya	\$50.0
Vaid Family Trust	Emergency care clinic	Bribie Island	\$50.0
Cornerstone Healthcare Property	Chermside Health Hub	Chermside	\$42.0
Ramsay Health Care	Private hospital expansion	Ipswich	\$40.5
Rogerscorp	Springwood Health Hub	Springwood	\$30.0
Winstanley St	Medical centre	Carina Heights	\$21.5
Vital/Northwest Healthcare	Private hospital expansion	Belmont	\$21.0
Horwell Property	Meadowbrook Health Hub	Meadowbrook	\$20.0
Ramsay Health Care	Private mental health	Ipswich	\$15.0
St Vincent's	Health campus masterplan	Kangaroo Point	n.a.
Gansons	Thompson St Health Precinct	Bowen Hills	n.a.
		TOTAL	\$2,864.0
TERTIARY EDUCATION			
University of Qld	Campus masterplans	St Lucia/City	\$400.0
Griffith University	New CBD Campus	Brisbane City	\$350.0
Griffith University	Nathan Campus expansion	Nathan	\$200.0
Griffith University	Gold Coast Campus expansion	Southport	\$100.0
University of the Sunshine Coast	Moreton Bay Campus expansion	Petrie	\$100.0
Torrens University	New campus	Fortitude Valley	\$40.0
		TOTAL	\$1,190.0

Source: Urban Economics

Appendix 1 – Existing Major Assets Summary

*** BASED ONLY OFF AVAILABLE DATA

Non Gov. summary	GFA	ARV (\$M)	Annual Operating Revenue (\$M)	Total Staff	No. of Beds	Student Enrolment (EFTSL)
Health	-	-	\$5,221	19,250	6,660	-
Education	1,893,523	\$11,639	\$8,498	20,721	-	150,963
Aged Care	-	-	-	-	31,644	-
Student Accommodation	-	-	-	-	16,000	-
TOTAL	1,893,523	\$11,639	\$13,719	39,971	54,304	150,963

Gov. included summary	GFA	ARV (\$M)	Annual Operating Revenue (\$M)	Total Staff	No. of Beds	Student Enrolment (EFTSL)
Health	-	-	\$5,221	19,250	6,113	-
Education	1,893,523	\$22,345	\$13,187	88,855	-	770,391
Aged Care	-	-	-	-	31,644	-
Student Accommodation	-	-	-	-	16,000	-
TOTAL	1,893,523	\$22,345	\$18,408	108,105	54,304	770,391

Non Gov. as % of Total	GFA	ARV (\$M)	Annual Operating Revenue (\$M)	Total Staff	No. of Beds	Student Enrolment (EFTSL)
Health	-	-	100.0%	100.0%	100.0%	-
Education	100.0%	52.1%	64.4%	23.3%	-	19.6%
Aged Care	-	-	-	-	100.0%	-
Student Accommodation	-	-	-	-	100.0%	-
TOTAL	100.0%	52.1%	74.5%	37.0%	100.0%	19.6%

Appendix 2 – Pipeline Summary

Gov. included summary	No. of Projects	\$M value	GFA	Construction Jobs	Operational Jobs
Health	38	\$6,278	232,903	16,525	6,372
Education	127	\$2,891	185,825	1,835	938
Aged Care	2	\$43	310*	-	-
Student Accommodation	4	\$190	27,414	-	-
TOTAL	169	\$9,401	446,452	18,360	7,310

Non Gov. summary	No. of Projects	\$M value	GFA	Construction Jobs	Operational Jobs
Health	22	\$2,864	189,903	7,761	5,297
Education	33	\$1,587	185,825	1,100	895
Aged Care	2	\$43	310*	-	-
Student Accommodation	4	\$190	27,414	-	-
TOTAL	62	\$4,688	403,452	8,861	6,192

Non Gov. as % of Total	No. of Projects	\$M value	GFA	Construction Jobs	Operational Jobs
Health	65.8%	45.6%	81.5%	47.0%	83.1%
Education	26.0%	54.9%	100.0%	59.9%	95.4%
Aged Care	100.0%	100.0%	100.0% *	-	-
Student Accommodation	100.0%	100.0%	100.0%	-	-
TOTAL	36.7%	49.9%	90.4%	48.3%	84.7%

* No. of beds used for aged care as opposed to GFA

Case Studies

STARS Surgical, Treatment and Rehabilitation Service (STARS) at Herston Quarter



Cost: \$340 million



GFA: 38,000 sqm



Beds: 184



Carparks: 444



Delivery mode: Partnership with Australian Unity.
STARS is Australia's first public hospital funded by investors in a property trust.

Architect: Hassell Studio

Engineer: BG&E, Fredon

Builder: BESIXWatpac



Liveris Building

Home of the School of Chemical Engineering at the University of Queensland



Cost: \$172.4 million



GFA: 22,387 sqm



Construction
Timing



2019

2021



Useable floor area: 12,508 sqm



Efficiency: 55.8%

Architect: m3 Architecture, Lyons

Engineer: AECOM

Builder: Hansen Yuncken



Sunshine Coast University Hospital

Teaching Hospital in partnership with Griffith University and TAFE Queensland



Cost: \$1.8 billion



GFA: 164,000 sqm



Construction
Timing



2012

2017



Beds: 661



Carparks: 3,500



Delivery mode: Delivered under a Public Private Partnership model, lead by Lend Lease with partners Capella Capital, Siemens and Spotless

Architect: Architectus, HDR

Engineer: Aurecon, Stantec

Builder: Lendlease (as part of Exemplar Health Consortium)

