

Proposed childcare portfolio acquisition

Arena Investment Management Limited as the responsible entity of Arena REIT (**ARF**), today announced that it had entered into a series of conditional agreements to acquire a portfolio of 14 childcare centres (**Properties**) for a total purchase price of \$23.98 million to be leased on a long term basis to Affinity Education Group Limited (**Affinity**).

The transaction is linked to and conditional on Affinity satisfying a finance condition by closing the fundraising for an equity raising of \$75.5 million, which has been fully underwritten by CBA Equities Limited. Affinity has today lodged a prospectus with the Australian Securities and Investments Commission which provides details of its initial public offering and proposed subsequent ASX listing.

Affinity expects its capital raising process to be completed in late November 2013. Settlement of the acquisition by ARF is anticipated to occur in December 2013 if the finance condition is satisfied.

Affinity is a newly established provider of education and care of children aged between 6 weeks to 12 years in the Australian market, and will initially operate a portfolio of 57 childcare centres located in Queensland, New South Wales, Victoria and the Northern Territory. Affinity is acquiring the childcare business associated with each of the Properties and has agreed to enter into a new 15 year lease based on the standard ARF childcare lease for all the Properties. If the transaction completes, ARF will be Affinity's largest landlord. ARF investors should refer to the Affinity prospectus for further details on Affinity.

The portfolio comprises 14 modern (all built since 2002), purpose-built childcare centres averaging 93 approved childcare places per centre, which are all situated in metropolitan and regional Queensland. The centres are currently operating profitably with strong occupancy rates. The agreed annual rent equates to an average of \$1,664 per approved childcare place and provides an initial investment passing yield of 9.05% per annum (prior to acquisition costs). A summary of the key portfolio acquisition metrics is as follows:

Number of centres	14
State situated	QLD
Purchase Price (pre-acquisition costs)	\$23.98 million
% of the ARF childcare portfolio (by value as at 30 June 2013)	9.3%
% freehold	100%
% purpose-built	100%
Total approved childcare places	1,305
Average lease term remaining (new leases)	15 years
Passing net income yield (pre-acquisition costs)	9.05%

If the transaction completes, the impact on ARF will be different depending on whether or not the Stapling Proposal with Sydney HealthCare Trust announced on 1 November 2013 (**Stapling Proposal**) is implemented.

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Responsible entity of Arena REIT (ASX:ARF) (ARSN 106 891 641)

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The Stapling Proposal is conditional upon approval by investors of both ARF and Sydney HealthCare Trust. A summary of the key impact on ARF if this transaction completes (either in addition to or without the Stapling Proposal) is as follows:¹

Key Metric (as at 30 June 2013)	Expected impact (excluding Stapling Proposal)	Expected impact (assuming the Stapling Proposal is implemented)
Total Asset Value Pro forma	Increase by \$24 million from \$242.7 million to \$266.7 million (+9.9%)	Increase by \$24 million from \$299.2 million to \$323.2 million (+8.0%)
Earnings forecast²	Increase pro forma forecast FY14 earnings by approximately 0.2 cents to 8.4 cents per unit (+2.4%) and 0.4 cents to 8.6 cents per unit on a pro forma annualised basis (+4.8%).	Increase pro forma forecast FY14 earnings by approximately 0.2 cents to 8.65 cents per stapled security (+2.3%), and 0.4 cents per stapled security to 9.2 cents per stapled security on a pro forma annualised basis (+4.5%).
Gearing (total debt / total assets)	Increase by 7.7% from 11% ³ to 18.7%.	Increase by 5.9% from between 23% and 29% to be in the range of 28.9% to 34.9%.
Weighted Average Lease Term remaining (by income)	Increase by 0.6 years from 8.3 years to 8.9 years.	Increase by 0.6 years from 8.4 years to 9.0 years.
QLD weighting (by value)	Increase by 6.0% from 35.1% to 41.1%	Increase by 5.5% from 28.4% to 33.9%.
Goodstart⁴ weighting (by value)	Reduce by 6.1% from 65.2% to 59.1%.	Reduce by 4.1% from 52.8% to 48.7%.

ARF will fund this transaction using its existing debt facility. If the Stapling Proposal proceeds, ARF has negotiated an increased facility limit to ensure both transactions can be debt funded.

Mr Bryce Mitchelson, Joint Managing Director said “We are very pleased to be delivering on the growth strategy for Arena REIT and forming a good relationship with Affinity, a new childcare operator with an active and experienced corporate and childcare management team to be listed on the ASX. We look forward to Affinity completing its capital raising and to working with the Affinity team not only in relation to these Properties, but also potentially other childcare opportunities going forward.”

Also commenting on the transaction, Mr Justin Laboo, Managing Director of Affinity said “We are well advanced with our Initial Public Offering process and have been pleased with the very positive response from potential investors. We see a significant opportunity to corporatise and improve the quality of childcare services in Australia. We have formed a good relationship with Arena and we believe there will be other opportunities for us to investigate together.”

¹ If neither of the Stapling Proposal nor this transaction proceed, ARF's forecast distribution per unit will be as set out in section 7.8.2 of the ARF and Sydney HealthCare Trust Product Disclosure Statement dated 1 November 2013 (PDS).

² This forecast distribution is based on assumptions contained within the PDS and will vary depending upon the participation of SHCT Investors in the Redemption Offer. The higher the participation, the more favourable the impact on ARF's forecast distributions.

³ Based on ARF pro forma gearing ratio and related assumptions described in section 7.8.4 of the PDS.

⁴ Goodstart Early Learning Limited

A further update will be provided when it is known whether the transaction will complete.

Peter Hulbert
Company Secretary
Arena Investment Management Limited

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About Arena REIT

Arena REIT is an S&P/ASX 300 listed real estate investment trust with a strategy to invest in sectors such as childcare, healthcare, education, and government tenanted facilities leased on a relatively long term basis.

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Disclaimer

Transaction conditional

This transaction is conditional upon Affinity satisfying the finance condition by closing the fundraising for an equity raising of \$75.5 million, which has been fully underwritten by CBA Equities Limited. Satisfaction of that condition is outside the control of Arena Investment Management Limited (**Arena**). If neither the Stapling Proposal nor this transaction proceed, ARF's forecast distribution per unit will be as set out in section 7.8.2 of the PDS which is available on ASX dated, 1 November 2013.

Forward-looking statements and forecasts

This announcement contains certain forward-looking statements along with certain forecast financial information. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "upside", "likely", "intend", "should", "could", "may", "target", "plan", and other similar expressions are intended to identify forward-looking statements. The forward-looking statements are made only as at the date of this announcement and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Arena and its directors. Such statements reflect the current expectations of Arena concerning future results and events, and are not guarantees of future performance. Actual results or outcomes for ARF (and the Stapled Group if the Stapling Proposal proceeds) may differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements or forecasts. Other than as required by law, although they believe that there is a reasonable basis for the forward-looking statements, neither Arena nor any other person (including any officer or employee of Arena or any related body corporate) gives any representation, assurance or guarantee (express or implied) that the occurrence of these events, or the results, performance or achievements expressed in or implied by in any forward-looking statements in this announcement will actually occur and you are cautioned not to place undue reliance on such forward-looking statements.