



17 NOVEMBER 2016

ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS AND MANAGING DIRECTOR’S PRESENTATION

Chairman’s Address

Good morning ladies and gentlemen and welcome to the general meetings of unitholders in Arena REIT No. 1 and Arena REIT No. 2 (together, the Trusts) and the annual general meeting of shareholders in Arena REIT Limited (Company), which together constitute Arena REIT’s 2016 Annual General Meeting (AGM).

My name is David Ross and I am the Independent Chairman of the Board of Directors of Arena REIT Limited and of the Board of Directors of Arena REIT Management Limited (the Responsible Entity (RE) of the Trusts) and I have been appointed as the chairman of today’s meeting.

The time is now 10:00am and a quorum is present. I therefore declare the meeting open.

Please take a moment to ensure that your mobile phones are turned to silent.

Allow me to introduce to you the other members of your Board of Directors:

- Bryce Mitchelson, Managing Director;
- Gareth Winter, CFO and Company Secretary;
- Dennis Wildenburg, Independent Non-Executive Director; and
- Simon Parsons, Independent Non-Executive Director, who is standing for re-election today.

Also with us today are:

- Members of the Arena management team;
- Elizabeth O’Brien, Partner and Catherine Mairs, Audit Manager, representing PWC, Arena REIT’s Auditor;
- James Morvell, Partner and Jung Ryu, Senior Associate, representing Hall & Willcox, Arena’s Corporate Legal Advisor; and
- Annabel Andrews, Returning Officer, Boardroom Limited.

The Board and Management look forward to meeting with securityholders at the conclusion of the meeting.



Agenda

The agenda for today's meeting includes a brief presentation from me followed by a presentation from Arena's Managing Director, Bryce Mitchelson on the operating performance of Arena in the 2016 financial year and the outlook for 2017.

We will then move to general questions followed by the formal business of the meeting, being consideration and voting on four resolutions.

Consistent track record of growth

Arena has had another strong year in the 12 months to 30 June 2016, delivering growth in earnings and distributions of 9% per security and an increase of 16% in NTA per security.

These results are consistent with Arena's strong performance since listing in June 2013. Looking back over the past three years we have delivered compound average distribution growth of 11% and compound average growth in NTA of 15%.

These outcomes have been achieved by investing prudently, actively managing the portfolio, identifying and successfully developing new assets, managing overheads efficiently and adopting a disciplined capital management strategy.

As a result, Arena has delivered a strong annual total return of 37.6% to securityholders for the 2016 financial year, outperforming both the A-REIT sector and the broader ASX 300 indices.

Whilst the A-REIT sector performance has come back since financial year end as the broader market has factored in a higher likelihood of rising long term interest rates, it is pleasing to note that as at 31 October 2016, on a relative basis, Arena's total return has continued to out-perform its A-REIT peer index on a one and three year basis.

Our balance sheet remains strong, with gearing falling to 26.8% at 30 June 2016. We have capacity to fund our development pipeline within our existing facilities, and following renegotiation of our borrowings almost 12 months ago, have a competitive cost of debt.

Investment Objective and Strategy

Arena's strategy remains sound.

Our objective is to deliver attractive and predictable distributions to investors with growth over the medium to long term.

Our strategy to achieve this is through investment in social infrastructure property sectors where favourable macro and demographic trends are supportive of underlying demand and growth over the long term.

Arena is currently focussed on investment in the childcare and healthcare sectors. In childcare, we have benefited from the growth in both population and childcare participation, which has

supported our tenant's operational performance and created opportunities to strategically grow and enhance the quality of the portfolio. In healthcare, the ageing population and growth in chronic disease have continued to underpin demand for large scale low cost medical care. This has increased investor demand for healthcare property backed by long term leases to established operators.

These favourable macro and demographic trends are also supported by attractive property based characteristics, including:

- relatively long lease terms, with Arena's weighted average lease expiry further extended in 2016 to 9.7 years;
- premises that have strategic importance for the tenant and therefore high tenant retention rates – in 2016, 32 of 32 leases were renewed by tenants;
- leases with minimum annual rent increases, including the majority of the portfolio being subject to the greater of CPI or 2.5% annual increases; and
- leases where the tenants are responsible for all, or substantially all, of the statutory and operating outgoings and costs including land tax, insurance and repairs and maintenance, thereby minimising capital expenditure requirements.

This strategy has underpinned Arena's strong performance since listing on the ASX in June 2013. Shortly, Bryce Mitchelson will expand on Arena's operating performance in FY16 and the key drivers of Arena's FY17 growth outlook.

As we head into the 2017 financial year, the management team's focus continues to be on actively managing the existing portfolio and successful execution of development projects.

As in previous years, I am pleased to advise that we are again forecasting distribution growth, providing distribution guidance of 11.7 cents per security¹ for the 2017 financial year.

In line with Arena's investment strategy, we are also focussed on continuing to seek new opportunities to grow income and mitigate risk – through investment in assets, projects and sectors that offer defensive characteristics and attractive return profiles.

Corporate Governance

The Board of Arena REIT has a majority of Independent Non-Executive Directors. I am the Independent Non-Executive Chairman. We believe that a five director Board is an appropriate size for the current scale of Arena REIT and that we have a suitable mix of skills and experience to be an effective Board, although we may introduce an additional director as the business grows. A resolution for the re-election of Simon Parsons forms part of the formal business of today's meeting.

¹ *Estimated on a status quo basis assuming no new acquisitions or disposals, developments in progress are completed in line with forecast assumptions, and tenants comply with their lease obligations.*

The Board has two committees, an Audit Committee and a Remuneration and Nomination Committee which are comprised of only the Independent Directors. The Board and its Committees have conducted annual performance evaluations. The Directors report included in the Annual Report to securityholders sets out the number of meetings conducted during the year.

Finally, Arena REIT is substantially compliant with the ASX Corporate Governance Principles and Recommendations. The areas of non-compliance are due to the smaller size of the business. We have provided our FY16 Corporate Governance Report Statement to the ASX and a copy can be accessed on either the ASX or the Arena REIT websites.

Conclusion

I would like to conclude by thanking my fellow directors and our management team for their considerable effort in what has been another positive year. I would also like to thank our valued tenants and advisors, and you, our securityholders, for your continued support.

The Board believes that Arena REIT is well placed to continue to deliver attractive and predictable distributions to investors with growth over the medium to long term.

I would now like to welcome Arena's Managing Director, Bryce Mitchelson, to present on the 2016 financial year and outlook for FY17.

David Ross,
Chairman
17 November 2016

– ENDS –

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About Arena REIT

Arena REIT is an ASX300 listed property group that owns, manages and develops specialised real estate assets across Australia. Our current portfolio of social infrastructure assets is 100% leased to a diversified tenant base in the growing childcare and healthcare sectors. To find out more visit www.arena.com.au



Arena REIT

Annual General Meeting

10.00am 17 November 2016



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1 Chairman's Address

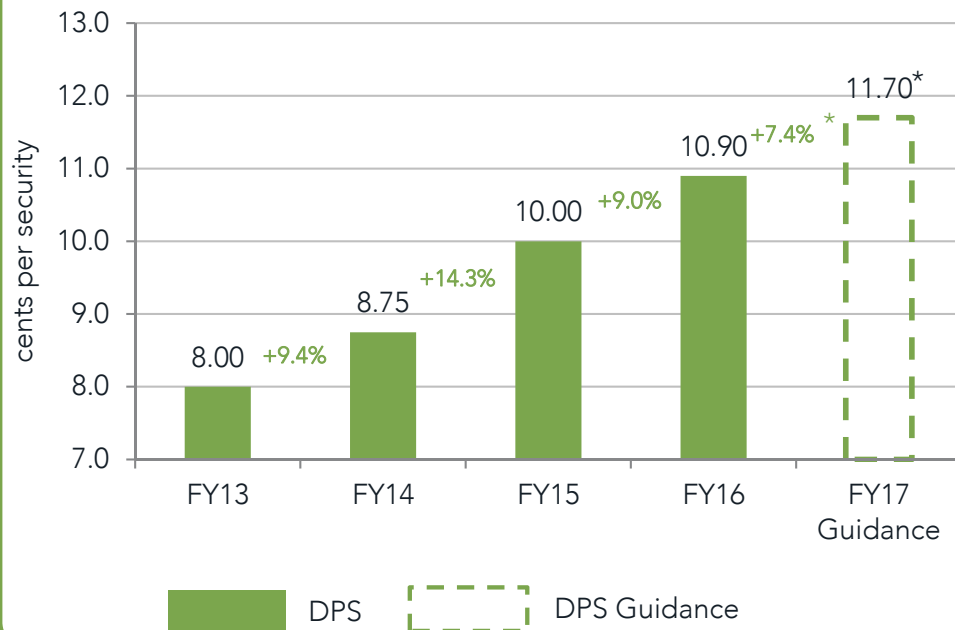
David Ross, Chairman



Consistent track record of growth

Strong growth in income and value since listing in June 2013

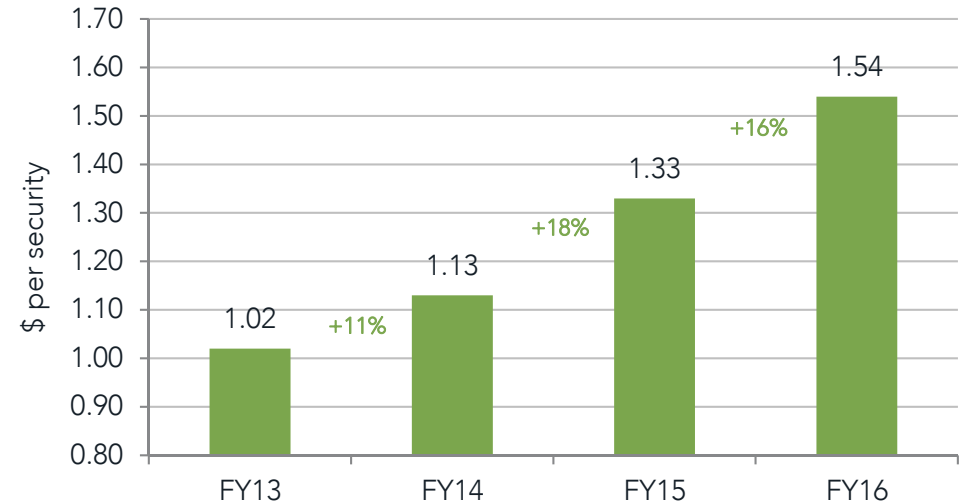
Distributions per security (DPS)



FY16 annual growth 9%

Three year compound average growth rate 11%

Net Asset Value (NAV) per security







FY16 annual growth 16%

Three year compound average growth rate 15%

* On a status quo basis assuming no new acquisitions or disposals, developments in progress are completed in line with budget assumptions and tenants comply with lease obligations.

Investment objective and strategy

Delivering predictable income with growth

Objective	Sectors	Preferred Characteristics	Outcome
To generate an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term	 Childcare  Healthcare  Education  Government (and other high credit quality tenants)	<ul style="list-style-type: none">✓ Relatively long lease terms✓ Premises that have strategic importance to the operations of the tenant✓ High credit quality or government tenant✓ Tenants responsible for all, or substantially all, of the statutory and operating outgoings and costs including land tax, insurance and repairs and maintenance✓ Reversionary capital value risk can be effectively managed	Potential for attractive returns over time

Corporate Governance

Majority of independent directors with broad skill base



Left to right: Dennis Wildenburg (Non-Executive Director), Bryce Mitchelson (Managing Director), David Ross (Non-Executive Chairman), Simon Parsons (Non-Executive Director), Gareth Winter (Executive Director of Arena REIT Management Limited and Chief Financial Officer).



2 Managing Director's presentation

Bryce Mitchelson



FY16 financial highlights

Strong underlying performance

Statutory
Operating
Profit
\$72.6m

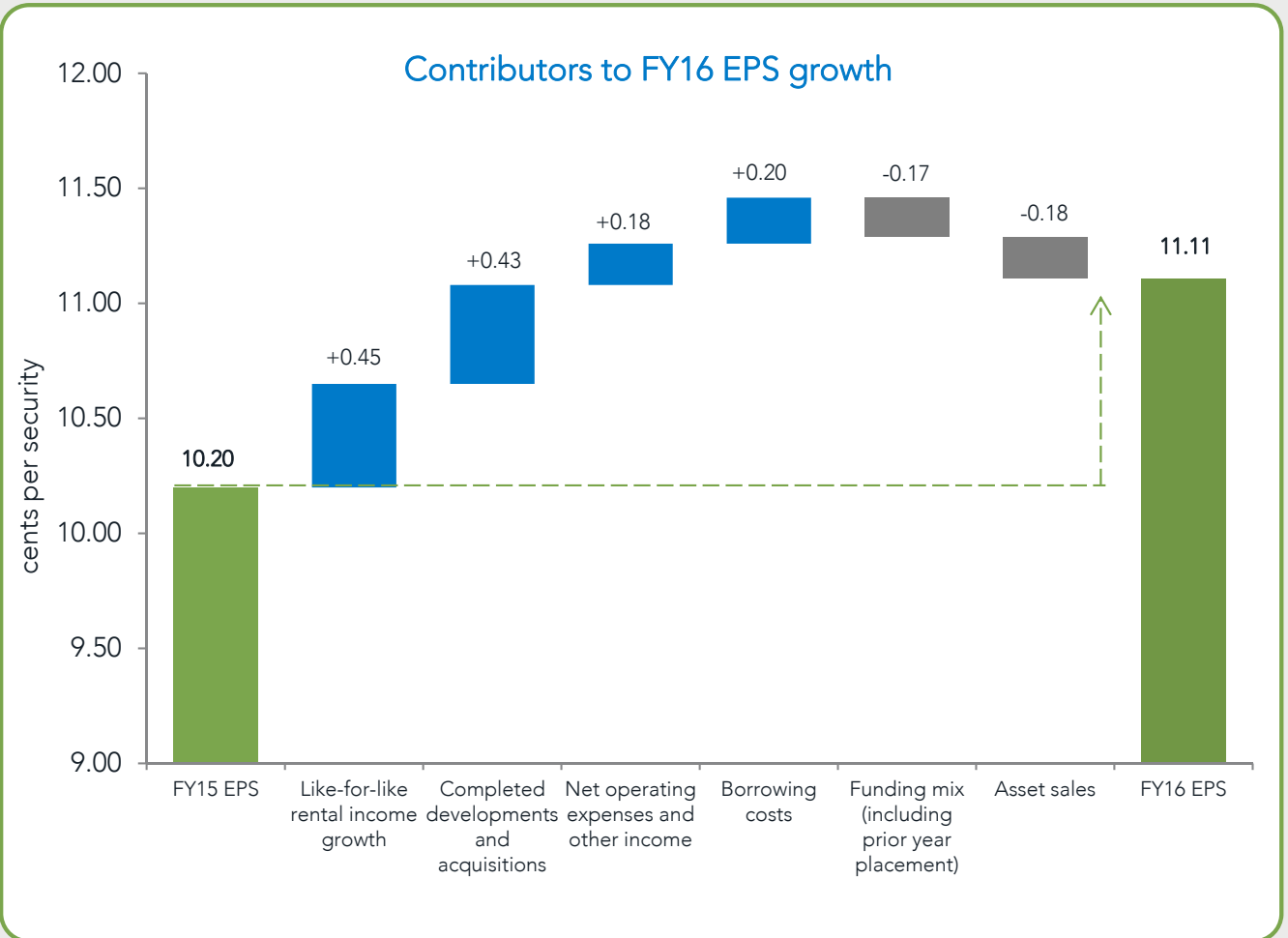
↑ 19%

Net
Operating
Profit
\$25.6m

↑ 16%

Earnings per
Security
11.1 cents

↑ 9%



FY16 financial highlights

Strengthened financial position

Total Assets
\$514m

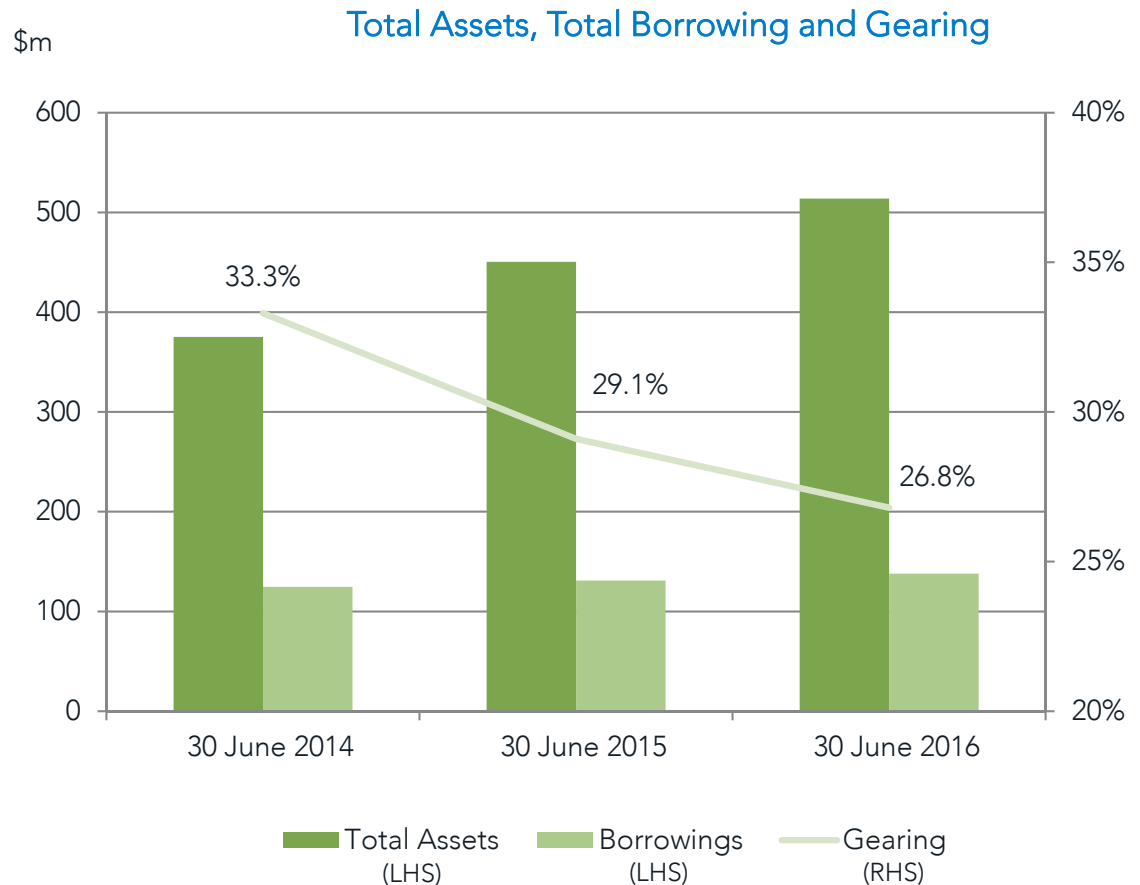
↑ 14%

Gearing
26.8%

↓ 230bps

Net Asset
Value
\$1.54 per unit

↑ 16%



FY16 portfolio highlights

Growth in income and defensive characteristics enhanced

Like-for-like
rental income
growth

3.6%*

↑ 20bps

Occupancy

100%

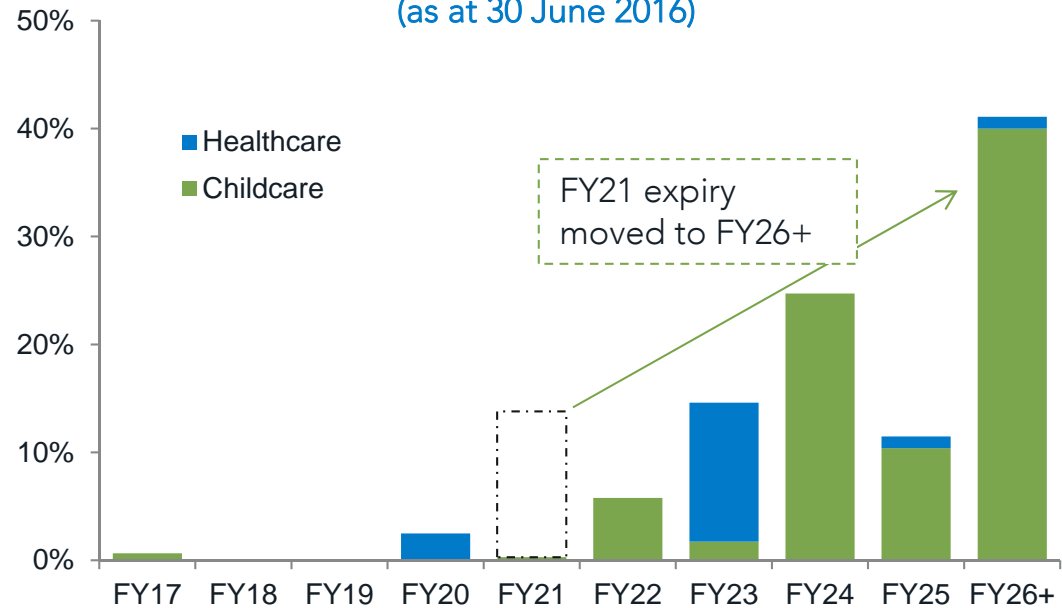
↑ 1%

WALE

9.7 years

↑ 0.8yrs

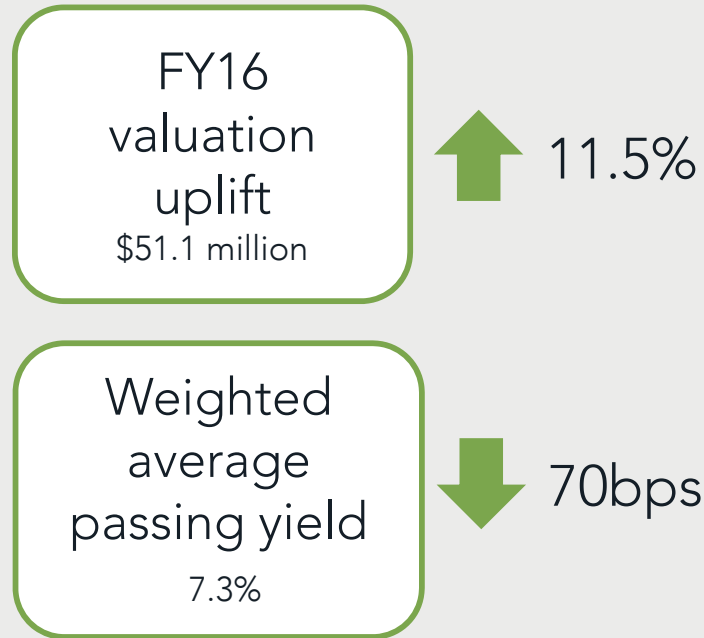
Lease expiry profile (by income)
(as at 30 June 2016)



- > 32 of 32 lease options renewed
- > 12 leases renegotiated and extension for new 20 year terms

FY16 portfolio revaluation uplift

Driven by growing appreciation of long and attractive lease structures



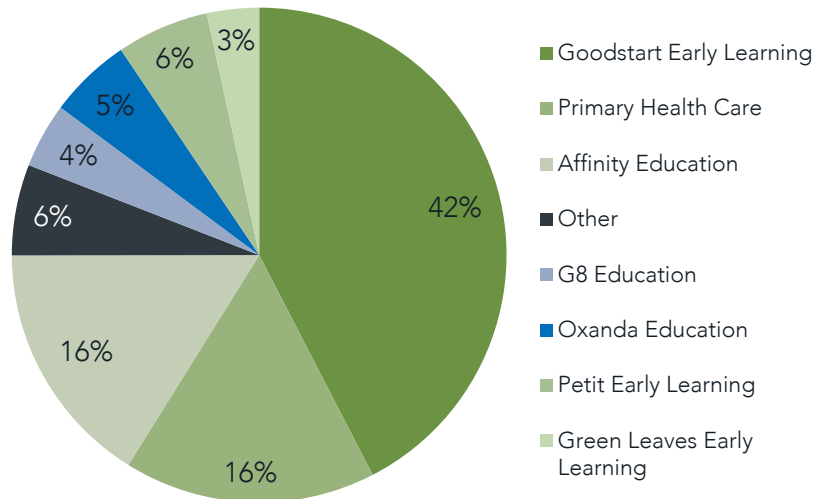
	Childcare Portfolio	Healthcare Portfolio	Total Portfolio
Number of assets	196	7	203
Value (\$m)	413.2	78.2	491.4
Valuation movement (\$m)	40.5	10.6	51.1
Valuation movement (%)	10.8	15.6	11.5
Weighted average passing yield (%)	7.31	7.25	7.30
Change (bps)	(69)	(95)	(70)

- > 39% of the portfolio independently valued in FY16
- > Direct market evidence suggests further scope for firming in yields

Tenant diversification enhanced

Partnering with existing tenants to improve portfolio quality

Tenant diversification
(by income) at 30 June 2016



AFFINITY EDUCATION
GROUP

PRIMARY
HEALTH CARE LIMITED
MEDICAL CENTRES

OXANDA
EDUCATION



G8 Education^{ltd}



- > Demand for childcare and healthcare underpinned by growing and ageing population
- > Government financial support for both sectors
- > Long-term relationships with focus on operator performance and rental affordability

Four childcare developments completed in FY16

High initial yield on cost drives earnings growth and margins

Weighted
average initial
yield on cost
8.7%

Weighted
average yield
on completion
value
6.3%

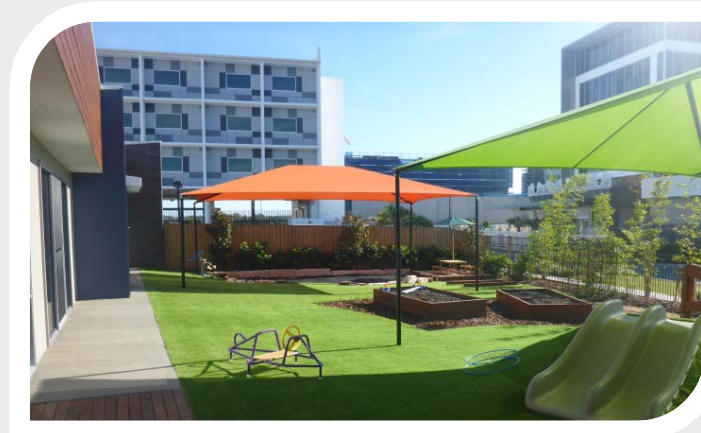
Development
margin
\$7.5 million



Murwillumbah, NSW



Clifton Hill, VIC



Kawana, QLD



Richmond, VIC

FY17–18 development pipeline of 14 projects[^]

Forecast cost of \$52 million and weighted average yield on cost of 8%

Origination

Arena's internal origination capability sourcing off-market opportunities that grow earnings and enhance portfolio quality



Analysis

Detailed demographic and market analysis tools used to support long-term sustainable investment in viable locations



Innovation

Six projects in partnership with the State of Victoria and YMCA to develop ELC's alongside new primary schools in Melbourne's high growth corridors

Positive outlook for FY17

Distribution guidance of 11.7 cents per security (+7.4%)*

Structured
annual
rental growth

All properties are
subject to annual
rent review

FY17 rent review
profile providing
opportunity for real
income growth in
forecast low
inflation
environment

Accretive
development
pipeline

Upside from full
year of income
from developments
completed in FY16

On schedule to
complete eight
projects in FY17

Quality
portfolio

Attractive portfolio
passing yield of
7.3%^

Further opportunity
for revaluation
growth in FY17

Prudent
capital
management

Gearing of 26.8%^
and competitive
cost of borrowing

Borrowing capacity
available and DRP
in operation to
fund new growth
opportunities

Efficient
business
model

Internalised
management
model allows for
efficient allocation
of resources and
low overheads

* On a status quo basis assuming no new acquisitions or disposals, developments in progress are completed in line with budget assumptions and tenants comply with lease obligations.

^ As at 30 June 2016.



3

Questions





4 Formal Business



Ordinary Business

Resolution 1: Non-binding advisory vote on the Remuneration Report

To consider and, if thought fit, to pass the following as an advisory resolution of the Company:

'That the Remuneration Report for the financial year ended 30 June 2016 be adopted.'

Proxy votes

	For	Open	Against	Exclusion/Abstain
%	95.45	1.66	2.89	
Votes	85,307,900	1,480,476	2,580,899	502,389

Other Business

Resolution 2: Re-election of Mr Simon Parsons as a director of the Company

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

'That Mr Simon Parsons, who was appointed on incorporation of the Company on 16 October 2014 in accordance with ASX Listing Rule 14.5 and, being eligible, offers himself for re-election, be re-elected as a director of the Company.'

Proxy votes

	For	Open	Against	Exclusion/Abstain
%	97.54	1.72	0.74	
Votes	87,466,991	1,542,626	664,589	197,458

Other Business

Resolution 3: Grant of performance rights to Mr Bryce Mitchelson

To consider and, if thought fit, pass the following resolutions as separate ordinary resolutions of the Company and each of the Trusts:

'That for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the Managing Director, Mr Bryce Mitchelson, of Performance Rights as his long term incentive under the Arena REIT Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to the Notice of Meeting, is approved.'

Proxy votes

	For	Open	Against	Exclusion/Abstain
%	93.63	1.61	4.76	
Votes	83,726,920	1,440,076	4,259,039	445,629

Other Business

Resolution 4: Grant of performance rights to Mr Gareth Winter

To consider and, if thought fit, pass the following resolutions as separate ordinary resolutions of the Company and each of the Trusts:

'That for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the chief financial officer and an executive director of the Responsible Entity, Mr Gareth Winter, of Performance Rights as his long term incentive under the Arena REIT Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to the Notice of Meeting, is approved.'

Proxy votes

	For	Open	Against	Exclusion/Abstain
%	93.63	1.61	4.76	
Votes	83,726,920	1,440,076	4,259,039	445,629



5 Concluding Remarks



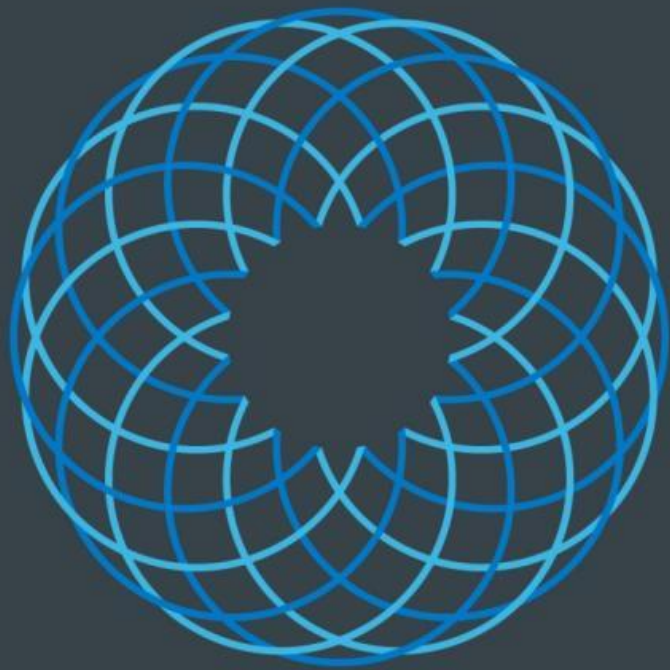
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