



Arena REIT

Melbourne development tour

Friday 8 December 2017



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Agenda

Level 53, 101 Collins Street, Melbourne

8.45am Registration

8.55am Development overview

Property tour

9.50am Petit Early Learning Journey, Clifton Hill

10.45am Green Leaves ELC, Swan Street, Richmond

11.35am Paisley Park ELC, Chadstone

12.00pm Lunch

1.00pm Return to CBD

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Arena REIT

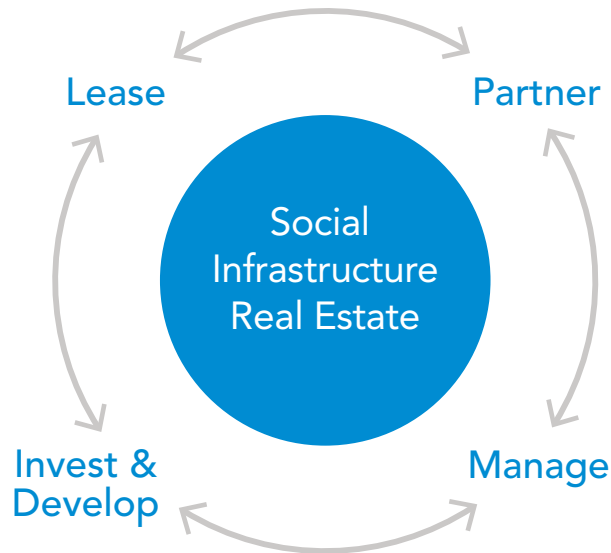
Arena REIT is an ASX300 listed property group that owns, manages and develops specialised real estate assets across Australia. The current portfolio of social infrastructure assets is leased to a diversified tenant base in the growing early learning and healthcare sectors.

Investment objective

Arena's objective is to deliver an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term.

Portfolio strategy

Value-adding business model focussed on specialised real estate



Preferred property characteristics	Arena portfolio
Relatively long lease terms	WALE 13.1 years
Premises that have strategic importance to tenant operations	95% purpose built assets; tenant goodwill linked to location
High credit quality tenants	Tenant profile: <ul style="list-style-type: none"> • 22% listed on ASX • 39% not for profit • 39% private operator
Tenants responsible for all, or substantially all, of the statutory and operating outgoings and costs including land tax, insurance, electricity, repairs and maintenance, including of a capital or structural nature	Predominantly triple net leases, where tenant is responsible for all of the statutory and operating outgoings and costs including land tax, insurance, electricity, repairs and maintenance, including of a capital or structural nature
Reversionary capital value risk can be effectively managed	Predominantly five-year notice periods for ELC lease extension options; ELC operating data provision in lease

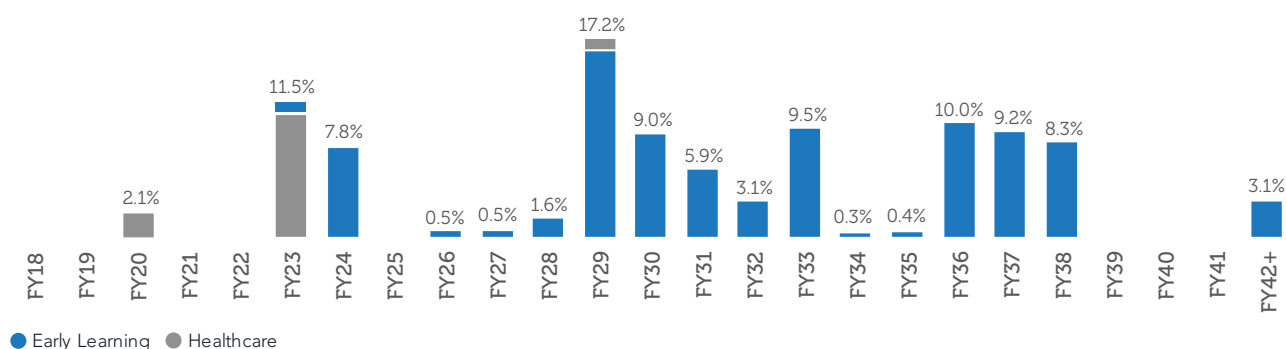
Portfolio summary

As at 31 December 2017 (unaudited)

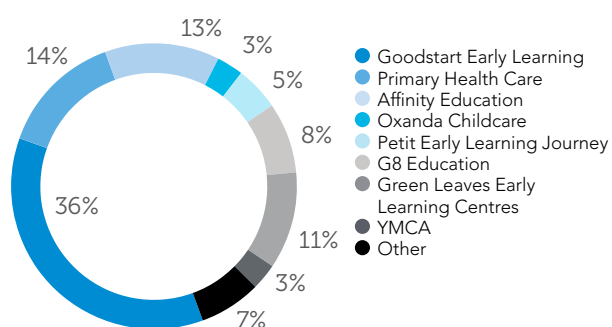
Overview

	No. of properties	Portfolio weighting	Weighted average passing yield	Occupancy	Weighted average lease expiry (WALE)
Early Learning	207	88%	6.51%	100%	14.4 years
Healthcare	7	12%	6.95%	100%	5.0 years
Total portfolio	214	100%	6.56%	100%	13.1 years

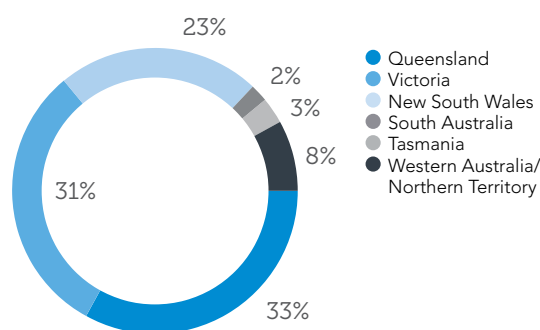
Lease expiry profile (by income)



Tenant Diversification (by income)



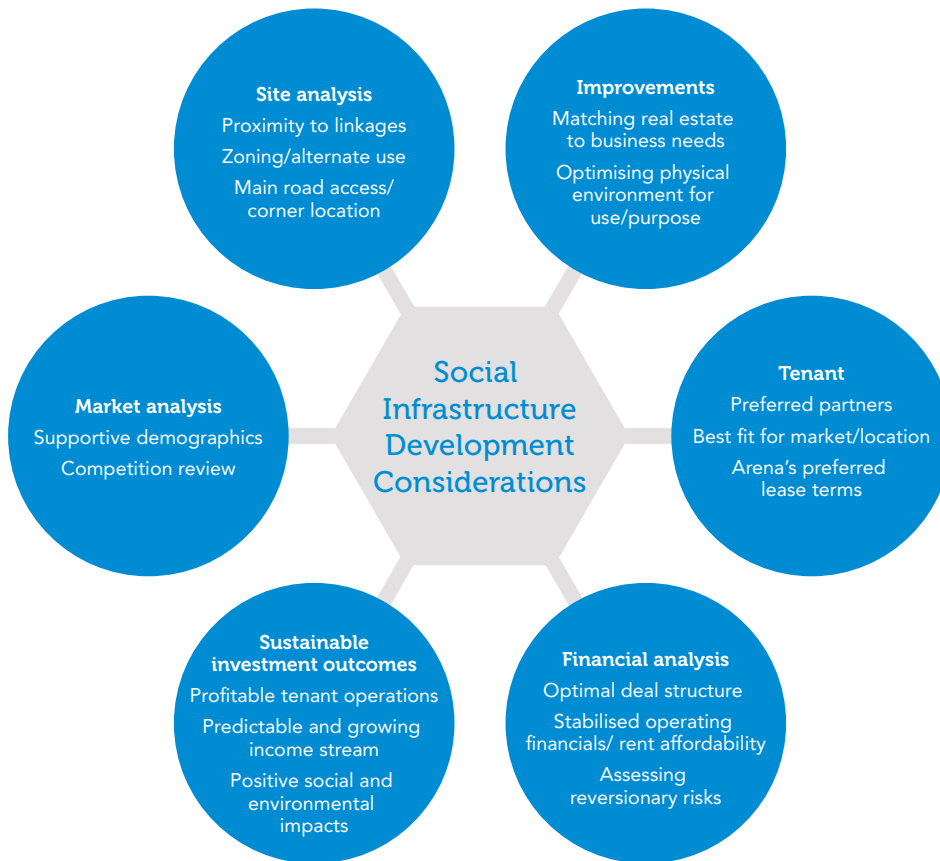
Geographic Diversification (by value)



Development approach

Arena undertakes development to leverage its real estate skills to:

- Create quality assets with Arena’s preferred property characteristics
- Access attractive development returns



Why is Arena a preferred property partner?

Real estate expertise	<ul style="list-style-type: none"> Experienced team with expertise in origination, development and portfolio management Focus on creating long-term predictable cashflows and managing reversionary risk
Understanding of business operations	<ul style="list-style-type: none"> In-depth analysis of demand, supply and market conditions Modelling of centre operational and financial feasibility Leases provide access to centre operating data
Development track record	<ul style="list-style-type: none"> 30 projects completed in the last four years Total cost \$124 million, valuation \$154 million (unaudited)
Partnering approach	<ul style="list-style-type: none"> Focus on long-term relationships with preferred tenant partners Strong relationships with specialists in childcare – design, planning, construction, project management High level of tenant and stakeholder engagement throughout development process

Development track record

Development Completions (total)



	Number of projects	Total cost	Weighted average initial yield on cost	Weighted average lease term	Long day care places
Freehold developments					
FY15	7	\$17.1m	9.4%	15.0 yrs	638
FY16	4	\$19.1m	8.7%	18.4 yrs	500
FY17	3	\$7.7m	8.5%	18.3 yrs	284
1HFY18	10	\$65.6m	6.8%	19.4 yrs	1,245
Sub-total	24	\$109.5m	7.8%	18.3 yrs	2,667
Leasehold developments					
FY17	5	\$12.5m	8.7%	26.1 yrs	520
1HFY18	1	\$2.5m	8.7%	25.3 yrs	108
Sub-total	6	\$15.0m	8.7%	26.0 yrs	628
Total	30	\$124.4m	7.8%	19.3 yrs	3,295



Petit Early Learning Journey, Murwillumbah, NSW

Case study: VIC government schools integrated ELCs program

In October 2015 Arena announced an innovative transaction with the State of Victoria to develop six early learning centres (ELCs) alongside new primary school developments. The transaction involved Arena developing a customised solution to the delivery of integrated early learning centres on new primary school sites.

Arena was granted a 26 year ground lease on each site, and secured YMCA, a well-established not-for-profit childcare service provider, to lease the completed centres for the same term.

All of the projects are located in areas that are relatively undersupplied with childcare, and have high population growth projections. The \$15 million project began in early 2016, with the first five centres completing in November 2016 and the final centre completing ahead of schedule in September 2017.



Location of new ELCs



Delivering value for all stakeholders:

Delivering comparative advantage for operator

- > Located on new primary school sites in high population growth areas
- > Long term tenure with relatively low rents due to no land cost and planning/ construction efficiencies
- > Operator service offering integrated into schools through additional services eg. out of school hours care, vacation care – providing additional income streams and strong links to the school community

Delivering on Arena’s strategy

- > Long term predictable income streams
- > Leasehold interest allows for reversion to be appropriately managed over lease term
- > Efficient, low cost project delivery
- > New partnership with YMCA – leading not-for-profit early learning and community service provider
- > Established relationship with State of Victoria on delivery of investment grade social infrastructure assets to meet community needs

Delivering benefit to the community

- > Provision of high quality early learning services to growing communities
- > Integration into primary school strengthens community ties, fosters social interaction and eases transition to school
- > Early learning integrated into primary school site –single drop off/pick up
- > Additional services available to school community through ELC
- > Early learning services provided at a relatively low cost



“

“Lloyd Group has been proud to work with Arena on the construction of six high quality early learning centres in some of Melbourne’s fastest growing communities. Arena’s collaborative approach, from project inception and design through to centre opening, greatly assisted in the efficient delivery of these projects on budget and ahead of schedule.”

– Dustin Lloyd, Managing Director, Lloyd Group



“

“YMCA is delighted to have worked with Arena to provide these important community services. By partnering with Arena we have been able to access this unique opportunity to integrate our market leading early learning programs with high quality, functional, well located accommodation.”

– Glyn Davies, CEO Whittlesea, YMCA



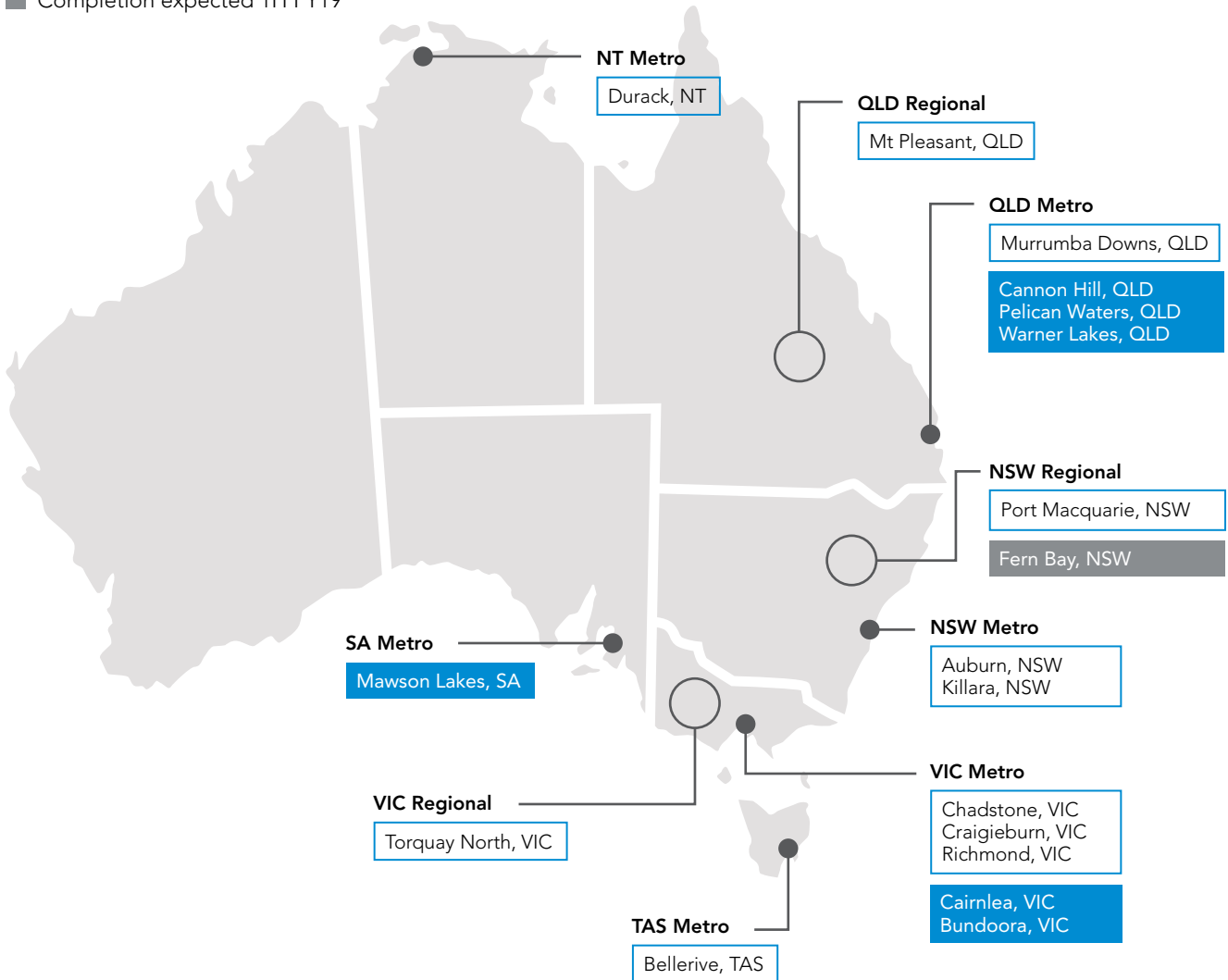
Development pipeline

1 January 2018 →

7 Number of projects	\$44m Forecast total cost	6.4% Forecast weighted average initial yield on cost
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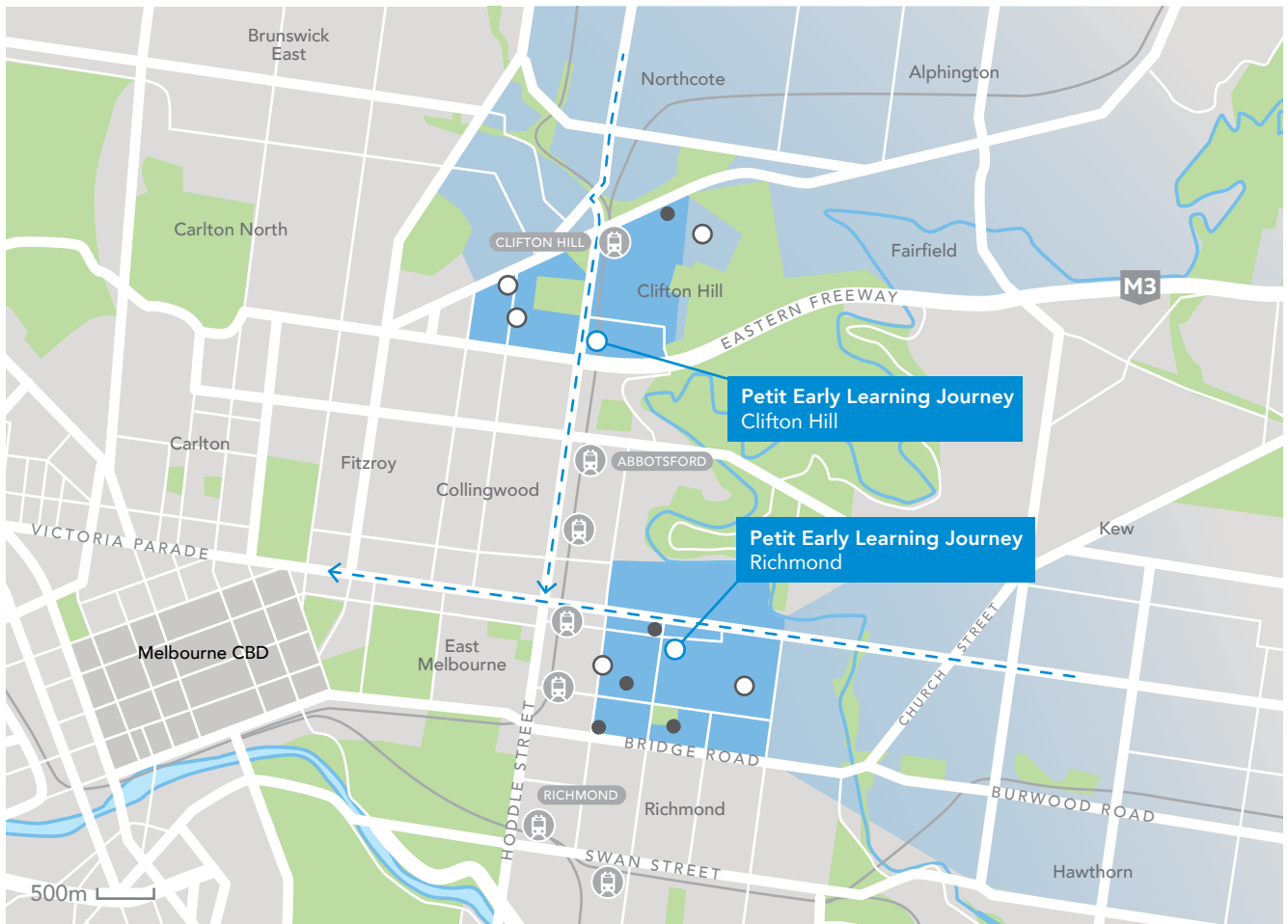
Completed and in progress projects (FY18 and FY19)

- Completion expected 1H FY18
- Completion expected 2H FY18
- Completion expected 1H FY19



Melbourne development tour (cont.)

372 Hoddle Street, Clifton Hill



Primary catchment area Secondary catchment area ○ Primary Schools ● Other ELCs



- Clifton Hill is located 4km north east of the Melbourne CBD, with a mix of residential and commercial real estate usage
- The locality¹ recorded population growth of 3.6% in the year to June 2016, with the area continuing to be gentrified and redeveloped with higher density living
- The suburb has a median annual household income of \$118,144² and a median house price of \$1,350,000³
- The Centre is located on the eastern (city bound) side of Hoddle Street, Clifton Hill, a major commuter thoroughfare for CBD commuters from the north and north eastern suburbs, and approximately 500 metres from both Clifton Hill and Victoria Park railway stations
- The Centre is located within 1km of three primary schools, Yarra Bend Park and Edinburgh Gardens
- The property is zoned Commercial 2 and was previously a commercial showroom. It is located on a corner site, with a car park thoroughfare allowing for direct access to Hoddle Street for city bound traffic

1. Qikmaps. Includes areas within a two kilometre radius of the centre
 2. ABS Quick Stat, 2016
 3. www.realestate.com.au

Tenant

Name	Petit Early Learning Journey
No. of Centres with Arena	5
% Arena's income	5%
Total number of centres	14

Centre operations

No. of childcare places	150
Daily fees	\$118-\$121

Property details

Site acquired	May 2014
Interest	Freehold
Land area	1,637 sqm
Zoning	Commercial 2
No. of car spaces	20

Lease structure and rent

Lease structure	Triple net lease
Term (including options)	20 years +5+5
Rent review profile	Greater of CPI or 3% per annum, market reviews in years 10 and 15

Option renewal notice period	Five years
Lease commencement date	February 2016

Financial information

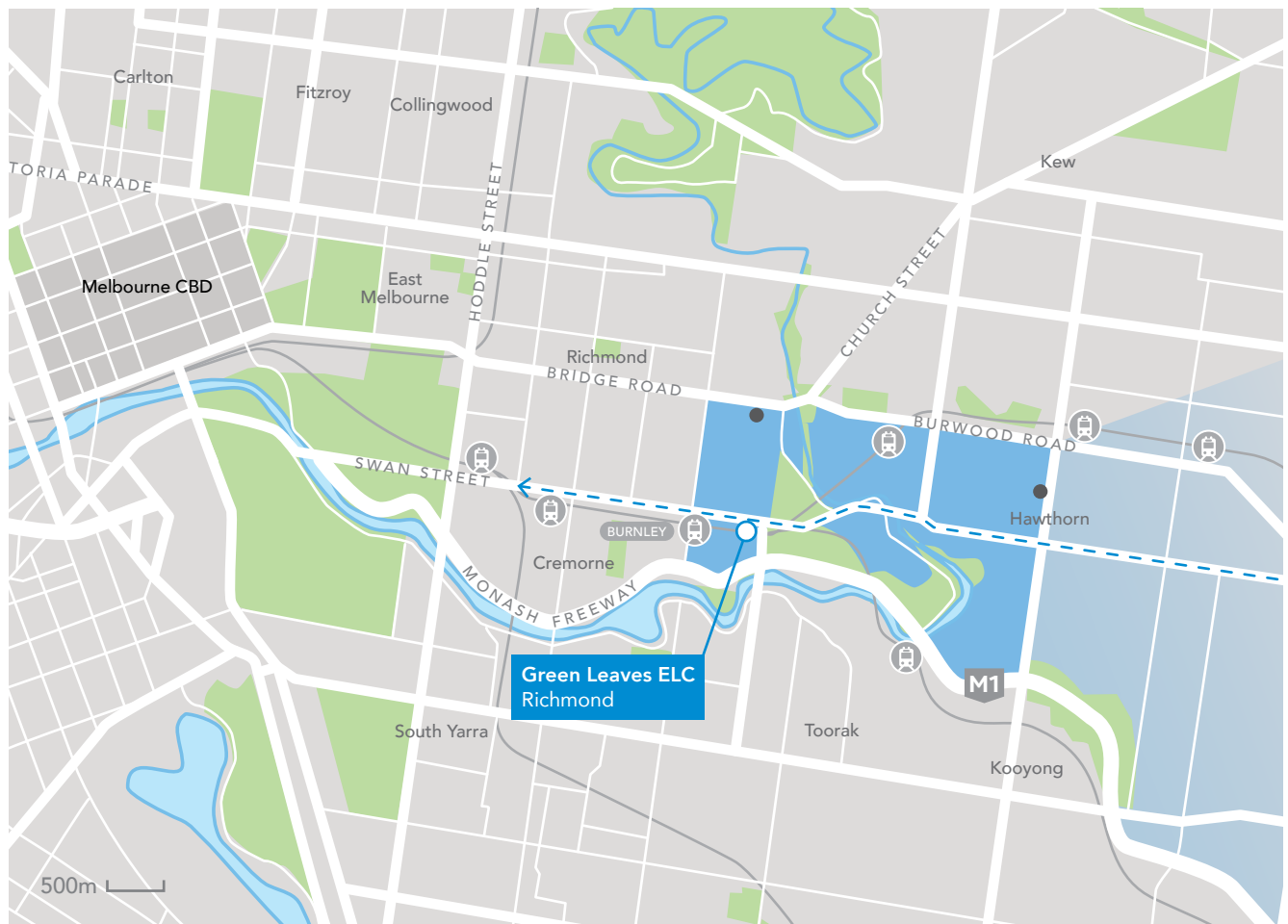
Total cost	\$6.6 million
Initial yield on cost	8.5%
Valuation (31 Dec 2017 (unaudited))	\$10.9 million
Passing yield (31 Dec 2017 (unaudited))	5.8%
Passing rent	\$624,740

Environmental features

- Re-use of existing structure and facade
- Energy efficient lighting
- Rainwater harvesting and re-use

Melbourne development tour (cont.)

556 Swan Street, Richmond



Primary catchment area Secondary catchment area Other ELCs



- Richmond is located 5km south east of the Melbourne CBD, with a mix of commercial, light industrial and residential real estate usage
- The locality¹ recorded population growth of 2.7% in the year to June 2016, with the area continuing to be gentrified and redeveloped with higher density living
- The suburb has a median annual household income of \$102,596² and a median house price of \$1,250,000³
- The Centre is located on the southern (city bound) side of Swan Street, Richmond, a major commuter thoroughfare for CBD commuters from the eastern suburbs, with direct access to the Citylink freeway
- The Centre is 200 metres from the Burnley train station and has a city tram stop at the centre entrance
- The property is zoned Commercial 2 and was previously a commercial showroom. It is located within the City of Yarra's 'Swan Street Structure Plan' zone

1. *Qikmaps. Includes areas within a two kilometre radius of the centre
 2. ABS Quick Stat, 2016
 3. www.realestate.com.au

Tenant

Name	Green Leaves Early Learning Centres
No. of Centres with Arena	12
% Arena's income	11%
Total number of centres	17

Centre operations

No. of childcare places	125 (licence pending)
Daily fees	\$125

Property details

Site acquired	August 2014
Interest	Freehold
Land area	1,244 sqm
Zoning	Commercial 2
No. of car spaces	20

Lease structure and rent

Lease structure	Triple net lease
Term (including options)	20 years + 10
Rent review profile	Greater of CPI or 2.5% per annum, market reviews in years 10 and 15

Option renewal notice period	Five years
Lease commencement date	October 2017

Financial information

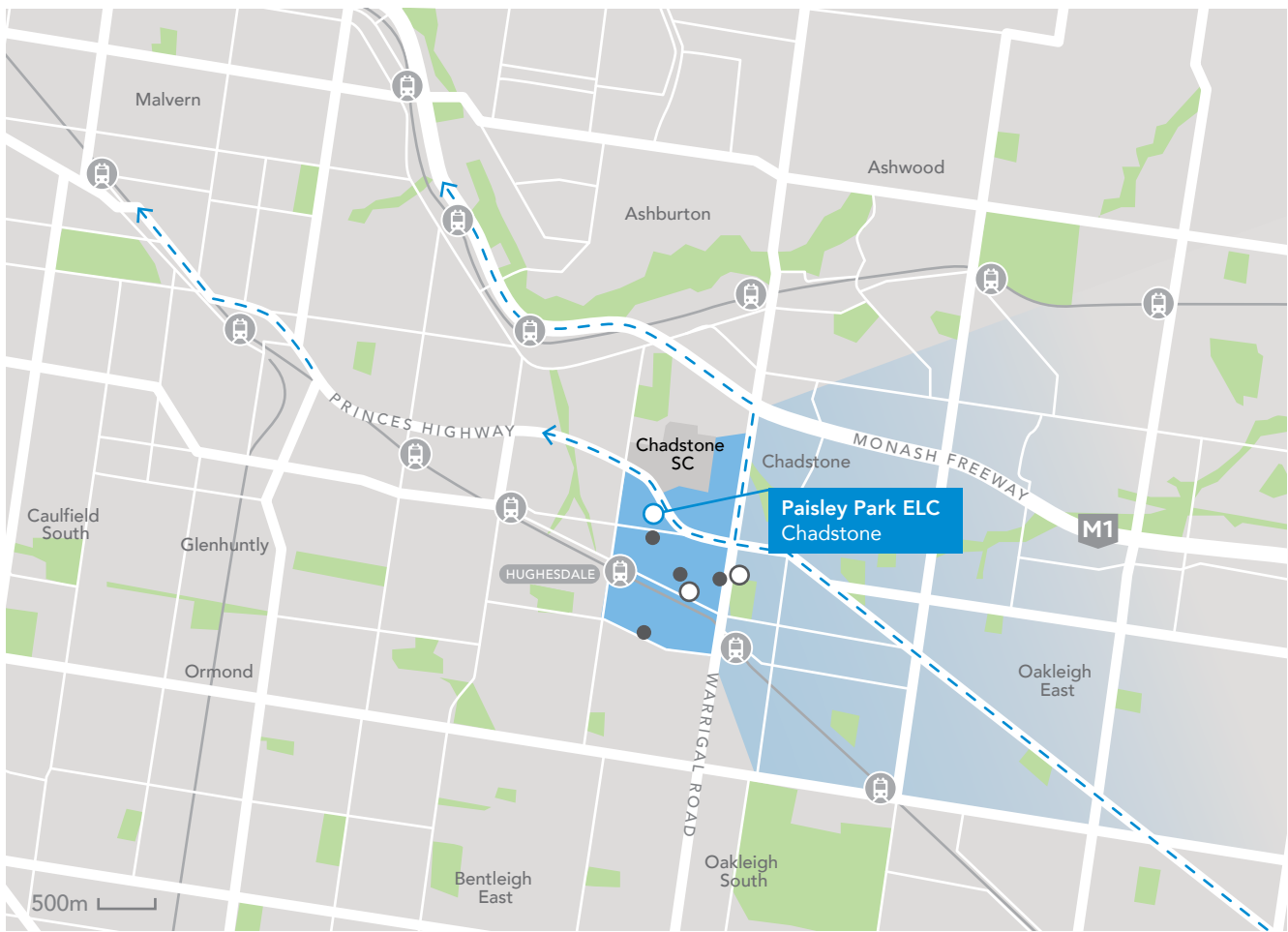
Total cost	\$8.6 million
Initial yield on cost	7.1%
Valuation (31 Dec 2017 (unaudited))	\$11.0 million
Passing yield (31 Dec 2017 (unaudited))	5.5%
Passing rent	\$609,600

Environmental features

- Re-use of existing structure and façade
- Energy efficient lighting
- Rainwater harvesting and re-use

Melbourne development tour (cont.)

1350 Dandenong Road, Chadstone



Primary catchment area Secondary catchment area ○ Primary Schools ● Other ELCs



- Chadstone is located 15km south east of the Melbourne CBD, with a mix of retail and residential usage. The area is dominated by Chadstone Shopping Centre, the largest shopping centre in Australia
- The locality¹ recorded population growth of 1.7% in the year to 30 June 2016, and is a well-established residential area
- The suburb has a median annual household income of \$79,612² and a median house price of \$1,100,000³
- The Centre is located on the southern (city bound) side of Dandenong Road, a major commuter thoroughfare for CBD commuters from the eastern suburbs to the Melbourne CBD
- The Centre is located opposite Chadstone Shopping Centre, a significant employment hub with a dedicated bus interchange. It is located 200 metres from the Hughesdale train station and two primary schools are located within one kilometre
- The property is zoned Residential and was previously a motel

1. Qikmaps. Includes areas within a two kilometre radius of the centre
 2. ABS Quick Stat, 2016
 3. www.realestate.com.au

Tenant

Name	Paisley Park Early Learning Centres
No. of Centres with Arena	3
% Arena's income	1.5%
Total number of centres	20

Centre operations

No. of childcare places	120
Daily fees	\$120-\$135

Property details

Site acquired	January 2015
Interest	Freehold
Land area	1,573 sqm
Zoning	Residential
No. of car spaces	21

Lease structure and rent

Lease structure	Triple net lease
Term (including options)	15 years +5+5
Rent review profile	Greater of CPI or 3% per annum, market review in year 10

Option renewal notice period	Five years
Lease commencement date	July 2017

Financial information

Total cost	\$5.5 million
Initial yield on cost	9.1%
Valuation (31 Dec 2017 (unaudited))	\$9.2 million
Passing yield (31 Dec 2017 (unaudited))	5.5%
Passing rent	\$506,081

Environmental features

- Re-use of existing structure and façade
- Energy efficient lighting

Important Notice

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Chief Financial Officer



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Head of Property



Susie McPherson,
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Relations & Marketing



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Dennis Wildenburg (Independent,
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Company Secretary

Gareth Winter

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Stock exchange listing

Arena REIT stapled securities are listed on the Australian Securities Exchange (ASX)

