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21 MAY 2019

ARENA REIT ACQUISITIONS AND EQUITY RAISING

Key highlights

Arena REIT Group ("**Arena**") today announces:

- it has settled, exchanged contracts or entered heads of agreement during 2H FY19 to acquire and develop additional social infrastructure properties with a total investment of A\$62 million (the "**Acquisitions**"), including:
 - three specialist disability accommodation properties for a total investment of A\$24 million¹
 - three Early Learning Centre ("**ELC**") properties for a total investment of A\$13 million
 - five ELC developments with a total anticipated project investment of A\$25 million
- it is undertaking a fully underwritten A\$50 million institutional placement ("**Institutional Placement**") at an issue price of A\$2.67 per new Stapled Security ("**Security**") to fund the Acquisitions and maintain balance sheet capacity for future growth opportunities
- it will also offer a non-underwritten Security Purchase Plan ("**SPP**") to eligible securityholders to raise up to A\$5 million²
- FY19 distribution of 13.5 cents per security
- FY20 distribution guidance of 14.3 cents per security³ (+5.9% on FY19) representing a distribution yield of 5.4% at the Institutional Placement Offer Price

Strategic rationale

The Acquisitions exhibit the following attractive investment characteristics:

- Well located assets with strategic importance to the operations of the tenant
- Supported by fundamental demand drivers including population growth and increasing female workforce participation
- Secure defensive income underpinned by long lease terms, triple-net lease structures and contracted rental growth
- High quality tenants with a strong track record in healthcare and childcare operations

Commenting on the acquisition, Arena's Managing Director, Mr Rob de Vos said "*Improvement in the operating environment for our early learning tenant partners is providing new opportunities for disciplined investment. Today's equity raising provides capacity for additional investment in appropriate social infrastructure properties, consistent with our investment strategy.*"

¹. Refer to Arena ASX Announcement dated 18 February 2019.

². Eligible securityholders are holders of existing Arena securities as at 7:00pm (AEST) on Monday 20 May 2019 with a registered address in Australia or New Zealand. The Arena Board may (in its absolute discretion), where the total applications under the SPP exceed A\$5 million, determine to increase the amount raised to reduce or eliminate the need to scale-back.

³ FY20 distribution guidance is estimated on a status quo basis assuming no acquisitions in addition to the Acquisitions, or disposals, all developments in progress are completed in line with forecast assumptions, and tenants comply with their lease obligations. It includes the impact of the Institutional Placement and SPP.

Portfolio impact of Acquisitions

Metric	31 Dec 18	Acquisition portfolio	31 Dec 18 Pro Forma
Number of properties	218	11	229
Portfolio value (A\$m)	\$743 million	\$62 million	\$805 million
Weighted average yield (%)	6.5%	6.5%	6.5%
			31 May 19 Pro forma
Weighted Average Lease Expiry ("WALE")	14.2 years	18.0 years	14.3 years ⁴

Institutional Placement

Arena is undertaking a fully underwritten A\$50 million Institutional Placement at an issue price of A\$2.67 per Placement Security to fund the Acquisitions and maintain balance sheet capacity to accommodate pipeline growth and speed of execution on opportunities. The Institutional Placement is fully underwritten by Morgan Stanley Australia Securities Limited; Evans Dixon Corporate Advisory Pty Limited is acting as adviser to the Transaction.

The issue price represents a 4.3% discount to the last closing price of A\$2.79 on 20 May 2019; and 2.4% discount to the five-day Volume Weighted Average Price of A\$2.74 to 20 May 2019.

From the date of issue, securities issued under the Institutional Placement will rank equally with existing securities on issue. Placement Securities will be entitled to the distribution for the 3 months ending 30 June 2019 (3.375 cents per security) to be paid on 8 August 2019.

The Placement Securities issued under the Institutional Placement are expected to be allotted and commence trading on 27 May 2019.

SPP

Following the completion of the Institutional Placement, Arena will offer eligible securityholders resident in Australia and New Zealand on Arena's register as at 7:00pm (AEST) on Monday 20 May 2019, the opportunity to participate in a non-underwritten SPP to raise up to A\$5 million⁵. Eligible securityholders in Australia and New Zealand will be invited to subscribe for up to A\$15,000 of additional new securities per securityholder, free of transaction and brokerage costs.

The Issue date of the SPP Securities will be 1 July 2019 and they will not participate in the June 2019 quarter distribution. Accordingly the offer price under the SPP will be the issue price of the Institutional Placement adjusted for distribution entitlements in respect of the June 2019 quarter.

Further information in relation to the SPP will be dispatched to eligible securityholders on or around 3 June 2019.

⁴ Pro forma WALE of Arena's portfolio including Acquisitions (on completion) as at 31 May 2019.

⁵ The Arena Board may (in its absolute discretion), where the total applications under the SPP exceed A\$5 million, determine to increase the amount raised to reduce or eliminate the need to scale-back applications.

Financial Impact

The FY20 financial impact of the Acquisitions and Institutional Placement is:

- Accretive to Earnings Per Security⁶
- Accretive to Net Asset Value per Security
- Provides for pro forma gearing at 31 December 2018 of 25%⁷

Outlook and FY20 Guidance

Arena confirms the FY19 distribution of 13.5 cents per security and provides FY20 distribution guidance of 14.3 cents per security⁸ (+5.9% on FY19) representing a distribution yield of 5.4% at the Institutional Placement price.

Indicative Transaction Timetable

Event	Date
Trading halt and announcement of Equity Raising	21 May 2019
Institutional Placement	
Institutional Placement bookbuild	21 May 2019
Announcement of outcome of Institutional Placement	22 May 2019
Trading halt lifted	22 May 2019
Settlement of Placement Securities under the Institutional Placement	24 May 2019
Allotment and trading of Placement Securities issued under the Institutional Placement	27 May 2019
SPP	
Record date for SPP	7pm 20 May 2019
SPP offer period	3-25 June 2019
Allotment of Securities issued under the SPP	1 July 2019
Securities issued under the SPP commence trading on ASX	2 July 2019
Holding statement dispatch date	2 July 2019

⁶ Earnings per security is calculated as net operating profit over weighted average number of securities on issue.

⁷ Gearing calculated as ratio of drawn borrowings over total assets; includes the impact of the Institutional Placement but does not include any impact attributable to the SPP.

⁸ FY20 distribution guidance is estimated on a status quo basis assuming no acquisitions in addition to the Acquisitions, or disposals, all developments in progress are completed in line with forecast assumptions, and tenants comply with their lease obligations. It includes the impact of the Institutional Placement and SPP.

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Important Information

Additional information about the Acquisitions and the Equity Raising (including “Key Risk Factors”) are contained in the presentation released to the ASX today.

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About Arena REIT

Arena REIT is an ASX300 listed property group that owns, manages and develops social infrastructure properties across Australia. Our current portfolio of social infrastructure properties is leased to a diversified tenant base in the growing early learning and healthcare sectors. To find out more, please visit www.arena.com.au

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