

ASX ANNOUNCEMENT

19 DECEMBER 2024

MARKET UPDATE

Arena REIT's (Arena's) portfolio valuation program is expected to result in a net revaluation increase of approximately \$7 million for the six month period ending 31 December 2024 (HY2025). This represents an increase of 0.4% from 30 June 2024 and no material impact on Net Asset Value (NAV) per security.

A total of 57 Early Learning Centre (ELC) assets and two healthcare assets were independently valued as at 31 December 2024, with the remaining ELC and healthcare assets and ELC development projects subject to Directors' valuation. These portfolio revaluations remain subject to review by Arena's external auditors.

A summary of the approximate \$7 million portfolio revaluation increase is detailed below:

	Valuation movement (since 30-Jun-2024)		Weighted average passing yield 31-Dec-2024	
				Variance
ELC portfolio	\$10m	+0.7%	5.19%	-17 bps
Healthcare portfolio	\$(3)m	-2.3%	6.00%	+32 bps
Total portfolio	\$7m	+0.4%	5.39%	0 bps

Healthcare sector and portfolio update

Arena's community-based healthcare and specialist disability accommodation portfolios continue to perform in-line with management's expectation.

The underlying community demand for Australian healthcare services continues to increase due to supportive macroeconomic themes. In this context, Arena is selectively reviewing new healthcare opportunities in sub-sectors that are integral to the delivery of community healthcare services and deliver on Arena's purpose and investment objective.

Acquisition of Bendigo Health – key worker accommodation

Arena has agreed terms to acquire a key worker accommodation property in Bendigo, Victoria (the Property). The Property is fully leased to the Victorian State Government entity, Bendigo Health Care Group (Bendigo Health), the public sector provider of healthcare services to the Bendigo region. The Property was purpose-built for Bendigo Health in 2014, under a 30-year triple-net lease arrangement (Lease) and comprises a 120-apartment residential village on a site which is located 500 metres from



the main Bendigo Hospital site. Arena has agreed to acquire the Property for approximately \$35 million on a passing yield of 6.2%¹ with 19 years term remaining on the Lease.

Commenting in respect of today's announcement, Arena's Managing Director Mr Rob de Vos said "We are pleased to have agreed terms to acquire this important social infrastructure property on attractive pricing metrics, and to welcome Bendigo Health as a new tenant partner. The property plays an important role in facilitating accommodation of essential healthcare workers that support better health outcomes for the communities of greater Bendigo and Northern Victoria. With an expanded and experienced management team, Arena is well positioned to capitalise on new growth opportunities that are consistent with our well defined strategy and investment objective of delivering an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term, while delivering on our purpose of Better Communities. Together."

ELC sector and portfolio update

Strong macroeconomic drivers continue to support the Australian childcare sector. Rising female workforce participation continues to drive demand for services and increases in long day care participation rates.

The Federal Government recently announced additional funding to support a 15% wage increase for early childcare education and care workers in services that agree to limit daily fee increases to 4.4% over a 12 month period. The increased funding is expected to result in improved staff availability and better outcomes for families.

Federal government investment into creating affordable childcare for working families has bipartisan support and is designed to improve lifelong learning prospects of Australian children, increase workforce participation, improve gender equality, including women's financial security, and stimulate economic activity over the medium to long term².

Arena's ELC tenant partners reported the following underlying business operating data as at 30 September 2024³:

- Average daily fee of \$150.15, +6.93% from September 2023;
- Like-for-like operator occupancy remains robust ; and
- Overall net rent to revenue ratio has improved to 10.2%.

ELC acquisitions and development project completions during HY2025

10 operating ELC properties were acquired for \$85 million at an average net initial yield of 6.1% on purchase price⁴, with an initial weighted average lease expiry of 14 years.

Six ELC development projects were completed for a total cost of \$40 million at an average net initial yield on total cost of 5.7%, with an initial weighted average lease expiry of 20 years.

¹ Net initial yield on purchase price, forecast yield on total cost including transaction costs is 5.8%.

² [Cheaper childcare: A practical plan to boost female workforce participation \(grattan.edu.au\)](https://grattan.edu.au/cheaper-childcare-a-practical-plan-to-boost-female-workforce-participation/)

³ Arena analysis based on operating data provided by Arena's tenant partners.

⁴ Weighted average forecast net initial yield on purchase price, weighted average forecast yield on total cost including transaction costs is 5.8%.

\$130 million ELC development pipeline

13 ELC development projects were added to the development pipeline during HY2025 at a forecast average net initial yield on total cost of 6.0%. As at December 2024 the development pipeline is anticipated to comprise 19⁵ ELC projects with a forecast total cost of \$130 million, with approximately \$95 million of capital expenditure outstanding. The forecast weighted average initial yield on total forecast cost for the development pipeline is 6.1%.

HY2025 rent reviews

Rent reviews during HY2025 resulted in an average like-for-like rent increase of 3.2%.

Sustainable Finance

In late 2022 Arena REIT agreed terms for an inaugural Sustainability-Linked Loan (SLL) over its existing debt facility totalling \$500 million. Arena's Sustainable Finance Framework and SLL are aligned to the Sustainability-Linked Loan Principles.

Arena achieved the SLL Sustainability Performance Targets and associated margin discount for the FY2024 period.

Full year 2025 distribution guidance of 18.25 cents per security⁶

Arena reaffirms full year 2025 distribution guidance of 18.25⁶ cents per security reflecting growth of 4.9% over financial year 2024.

HY2025 results

Further details of revaluations, portfolio performance and financial results will be provided in HY2025 results which Arena intends to release to the ASX on Wednesday 12 February 2025; teleconference details will be provided in due course.

This announcement is authorised to be given to the ASX by Gareth Winter, Company Secretary.

– ENDS –

For further information, please contact:

Samantha Rist
Chief of Investor Relations and Sustainability
+61 3 9093 9000
samantha.rist@arena.com.au

About Arena REIT

Arena REIT is an ASX200 listed property group that develops, owns and manages 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, visit www.arena.com.au.

⁵ Four development projects are conditionally contracted as at 31 December 2024.

⁶ FY2025 distribution guidance is estimated on a status quo basis assuming no new acquisitions or disposals and no material change in current market or operating conditions.