

ASX ANNOUNCEMENT

16 DECEMBER 2021

MARKET UPDATE

Portfolio revaluation uplift of \$154 million

Arena REIT's (Arena's) portfolio valuation program for the period ending 31 December 2021, is expected to result in a net revaluation uplift of \$154 million. This represents an increase of 13.9% from 30 June 2021 and an increase of \$0.446 in Net Asset Value (NAV) per security. These portfolio revaluations remain subject to review by Arena's external auditors.

A summary of the portfolio revaluation uplift is detailed below:

	Valuation movement (since 30-Jun-21)		Weighted average passing yield	
			31-Dec-21	Variance
ELC portfolio	\$141m	14.7%	5.15%	(69 bps)
Healthcare portfolio	\$13m	8.8%	5.22%	(12 bps)
Total portfolio	\$154m	13.9%	5.16%	(61 bps)

Sustainability

Sustainability is fundamental to Arena's investment approach and we believe best positions Arena to achieve positive long term commercial outcomes.

In September, Arena released its 2021 Sustainability Report which provides detail on our commitment to strategies that address the sustainability challenges faced by Arena and our stakeholders and identifies opportunities to progress positive change. It outlines goals and targets over the short and medium term for ongoing action and future reporting.

Arena anticipates completing at least 40 renewable energy program installations across its portfolio in the six months to 31 December 2021 (HY22).

ELC sector update

Strong macroeconomic drivers continue to support the Australian early learning sector and the essential nature of these community services was reinforced through the various COVID-19 related federal and state government funding commitments¹ over the past 21 months.

Additionally, the Federal Government has removed the annual cap on the child care subsidy and committed a further investment of \$1.7 billion² to facilitate better access to early learning services, which will take effect in March 2022.

¹ <https://www.dese.gov.au/covid-19/childcare/>; <https://ministers.dese.gov.au/>.

² <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/making-child-care-more-affordable-and-boosting>



As at September 2021, underlying operator occupancy across Arena's operating ELC portfolio (as reported by Arena's tenant partners) is higher than any prior corresponding period over the past five years.

Asset recycling underpins ongoing quality of portfolio

Two ELC properties were divested during HY22 at an average premium of 15% to book value with proceeds reinvested into the development pipeline.

Development completions

At least three ELC developments are anticipated to be completed in HY22 at a total cost of \$16.9 million, at an average net initial yield on total cost of 6.35% and an initial weighted average lease expiry of 20 years.

Development pipeline of \$122 million

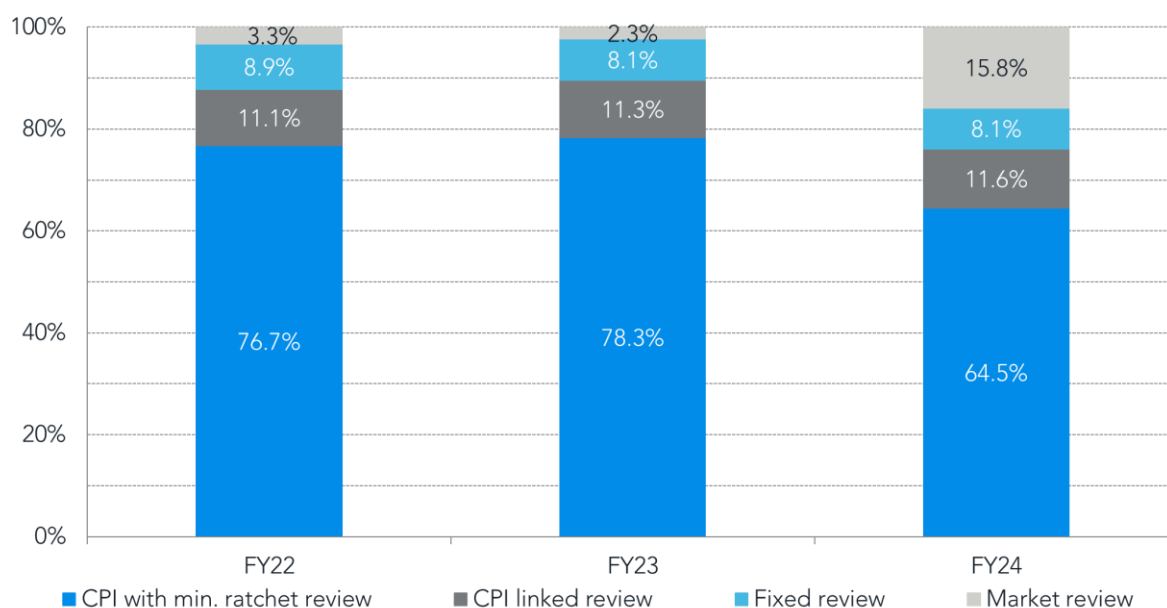
Seven³ projects were added to the development pipeline in HY22. As at December 2021 the development pipeline is anticipated to comprise 19³ ELC projects with a forecast total cost of \$122 million, with approximately \$71 million of capital expenditure outstanding. The forecast weighted average initial yield on total forecast cost for the development pipeline is 5.9%.

HY22 rent reviews

Rent reviews during HY22 resulted in an average annual like-for-like rent increase of 3.6%.

Annual portfolio rent reviews mitigate inflation uncertainty

Arena's rent review profile is well positioned to mitigate inflation uncertainty with annual lease rent reviews predominantly subject to an increase of the higher of an agreed fixed increase or CPI.



³ Includes two development projects that have not yet settled as they are subject to planning approval.

Debt capacity increased and term extended

Arena has agreed terms to increase its syndicated debt facility by \$100 million and extend the weighted average term of the facility from 3.1 to 3.9 years as at 31 December 2021, with no expiry before 31 March 2024.

As at December 2021, undrawn debt capacity of \$155 million is available to fund the development program and future growth opportunities.

FY22 distribution guidance of 15.8 cents per security⁴

Arena reaffirms FY22 distribution guidance of 15.8⁴ cents per security reflecting growth of 6.8% over FY21.

HY22 results

Further details of revaluations, portfolio performance and financial results will be provided in HY22 results which Arena intends to release to the ASX on Friday 11 February 2022; 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:

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About Arena REIT

Arena REIT is an ASX300 listed property group that develop, own and manage 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.

⁴ FY22 distribution guidance is estimated on a status quo basis assuming no new acquisitions or disposals, all developments in progress are completed in line with forecast assumptions, tenants comply with their existing or adjusted lease obligations and is based on Arena's current assessment of the future impact of COVID-19 pandemic (which is subject to a wide range of uncertainties) and assumes ongoing government support of the early learning sector.