

16 DECEMBER 2016

REVALUATION UPLIFT OF \$43.1 MILLION AND DEVELOPMENT UPDATE

Arena REIT Group (Arena) has today announced a net revaluation uplift of \$43.1 million in the value of its property portfolio as at 31 December 2016. This increase reflects growth of 8.8% since the 30 June 2016 valuations and is equivalent to approximately \$0.18 in Net Asset Value per security.

The increase in valuations is attributed to the following key factors:

- growth in passing rents from fixed and market reviews, supported by continuing strong underlying early learning centre (ELC) tenant operating results; and
- a firming in the portfolio passing yield by 40 basis points to 6.9%, as a result of firming market yields for childcare and healthcare property assets, as well as portfolio management initiatives and lease renewals that have increased the portfolio's remaining lease term.

Commenting on the result, Arena's Managing Director Mr Bryce Mitchelson said "Over the past six months we have enhanced the quality of the portfolio through active management and development completions. We have also seen a continuation of strong transaction market activity in the childcare and healthcare property sectors, particularly for assets which are well-located and leased on a long-term basis to established tenants."

Portfolio revaluation summary

A total of 38 ELCs were independently valued at 31 December 2016, with the remaining ELCs, development projects and healthcare properties subject to Directors' valuation.

A summary of the portfolio revaluation movements as at 31 December 2016 is detailed below:

	No. of Properties	Revaluation movement (since 30 June 2016)		Weighted average passing yield 31-Dec-16 Change	
		\$m	%	%	bps
Early Learning Centres	189	39.9	10.2%	6.88	(43)
Healthcare Properties	7	2.5	3.3%	7.02	(23)
Development Projects	11	0.6	2.8%	-	-
Total Portfolio	207	43.1	8.8%	6.90	(40)

Development portfolio update

The first six months of FY17 has seen the practical completion of seven projects, and the addition of a further four projects to the development pipeline.

Five of the seven projects completed are adjacent to new Victorian primary schools, and have been developed in conjunction with the State of Victoria's New Schools PPP project. All of these properties are leased to YMCA and will commence operations prior to the commencement of the 2017 school year.

The development pipeline now comprises 11 projects, with a forecast total cost of \$55 million on completion. These projects are expected to reach completion over the next 24 months.

Arena intends to provide a more detailed update in relation to the revaluations, portfolio activity and FY17 outlook in the half-year results announcement, scheduled for release in mid-February 2017.

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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 leased to a diversified tenant base in the growing early learning and healthcare sectors. To find out more, please visit www.arena.com.au