Ingenia Communities Group Investment in Manufactured Home Estates



15 February 2013



Executive summary



- Ingenia Communities announces its acquisition of The Grange Village, a seniors lifestyle community in Morisset, NSW.
- > This is Ingenia's first investment into the Manufactured Home Estates (MHE) market, a cash yielding affordable accommodation segment within the Australian seniors living sector.
- > Compared to the United States where approximately 11% of all new houses being built are manufactured homes, the MHE market in Australia is fragmented and considerably smaller.
- > Management has assessed the market for over two years as it looks to increase cash yields, diversify its earnings base and reduce its reliance on the Deferred Management Fee (DMF) model.
- > During this period over 40 opportunities have been assessed and The Grange Village selected due to its immediate high quality recurrent cash earnings, significant development upside, attractive internal rate of return (IRR) and proximity to existing Ingenia communities.
- > MHE will represent the third business of Ingenia's Australian Seniors platform, complementing our existing rental and DMF operations.
- Ingenia has developed a proprietary database of every MHE and caravan park across NSW, QLD and VIC, and will use this to drive its future acquisitions strategy in the sector.

The Grange Village acquisition





VILLAGE PROFILE

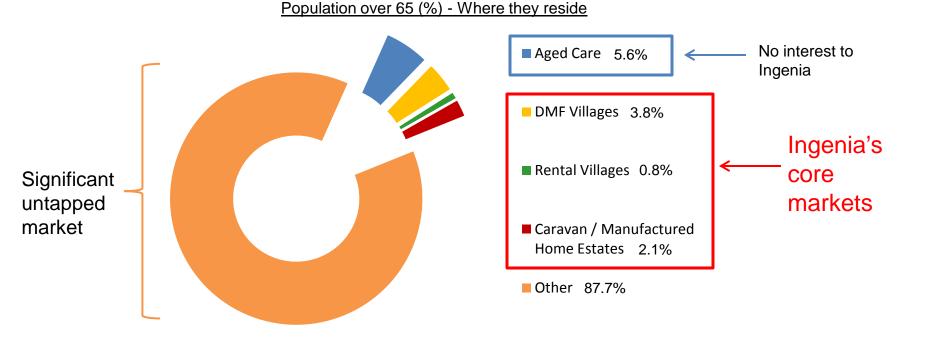
- > 145 existing dwellings with community facilities
- > Development opportunities of three DA approved home sites, 1 vacant home site and vacant land (30-40 homes)
- > 113 km from Sydney and 44km from Newcastle
- > The Hunter / Newcastle region prospering from coal mining industry, accessibility to Sydney and its affordability
- > Close proximity to Ingenia's Ridge Estate DMF village and Cessnock Conversion village creating operational efficiencies and leveraging management capabilities

TRANSACTION METRICS

- > \$10 million purchase price; immediately earnings accretive with recurrent earnings of > \$1 million p.a.
- > Earnings to be enhanced by development pipeline of another 30 – 40 homes
- > Unlevered IRR > 18% with further upside identified

Overview - Australian retirement living sector





> According to the 2011 Census, there are 3 million persons over 65 in Australia

- > Penetration rate in the seniors living sector remains low as a significant majority of seniors live at home or with family
- > MHEs offer Ingenia attractive financial returns, a business model complementary with our existing DMF and rental businesses, and a highly fragmented segment with considerable roll-up opportunities

Overview – Manufactured Home Estate market



Manufactured Home Estates are lifestyle communities whereby over 50s residents purchase a home where they own the above-ground component and sign a lease to pay rent on the freehold land which remains the property of the operator (Ingenia)

Characteristics

 Most residents qualify for Commonwealth Rental Assistance

• Legislated on a State level – same Minister for Retirement Villages

Australian MHE market

• Estimated 63,000 seniors live in Caravan/MHEs in Australia

Typical Village

- 120 150 homes
- Home prices range \$100,000 \$400,000
- Weekly rent \$80 \$180 depending on village location and amenity
- Located in coastal fringe across NSW, QLD, WA
- Also popular in coastal and regional locations in VIC
- Average resident entry age 60 65 yrs
- Significant consolidation
 opportunities in this highly
 fragmented market

• Limited new supply as new land releases typically for residential, not caravan parks or MHEs

An exciting growth market for Ingenia

• Fragmented market predominantly private village ownerships

• 56% of operators own only one park

Another 10% owns
 two parks

Evolution of the MHE market





 Caravan parks established in the 1950's to accommodate families and couples on holidays



- Caravan parks began to offer increasing mix of temporary caravan sites and permanent manufactured home sites
- Became a popular low cost permanent accommodation option for a growing segment of seniors
- Quality and size of mobile homes continued to improve



- Today, parks primarily built for permanent manufactured home sites
- Affordable yet better quality manufactured homes with features consistent with master built homes (e.g. with marble bench tops, tiled floors etc.)

MHE business model



Development

💥 Ingenia

- > Ingenia supplies / builds new home
- > Development margin 20% 40%

Purchase

💥 Ingenia

Ingenia

- > Land remains property of
- Resident
 - > Home (above ground) purchased from Ingenia
 - > Enters into long term ground lease with Ingenia

Operation

💥 Ingenia

> Employ village management and maintain grounds

Resident

- > Pay weekly ground rental to Ingenia (profit margin > 50%)
- > Typically no DMF

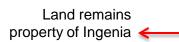
Resale

💥 Ingenia

- > Enter into new ground lease
- **New Resident**
- > Negotiate with departing resident and purchase home
- > Ingenia may act as sales agent and collect commission

House (above ground) purchased by resident from Ingenia





Ingenia's strategy – Maximising recurrent cash earnings

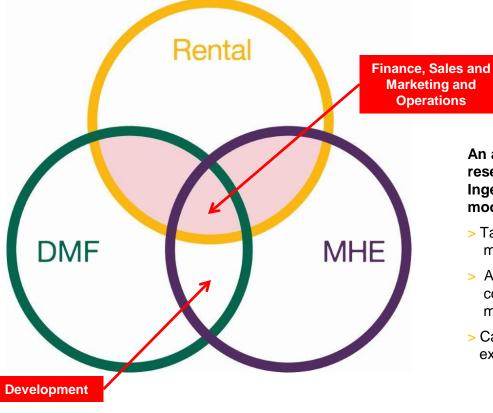


Expansion opportunities in seniors rental is limited

- > Cannot build new rental villages at acceptable returns
- Beyond acquisitions, growth is largely limited to improving occupancy
- Margin pressure may occur when inflation / wage growth exceeds pension increases

DMF model not sustainable as sole source of earnings

- > Inconsistent cash earnings profile
- Fluctuates with volatility of residential property markets

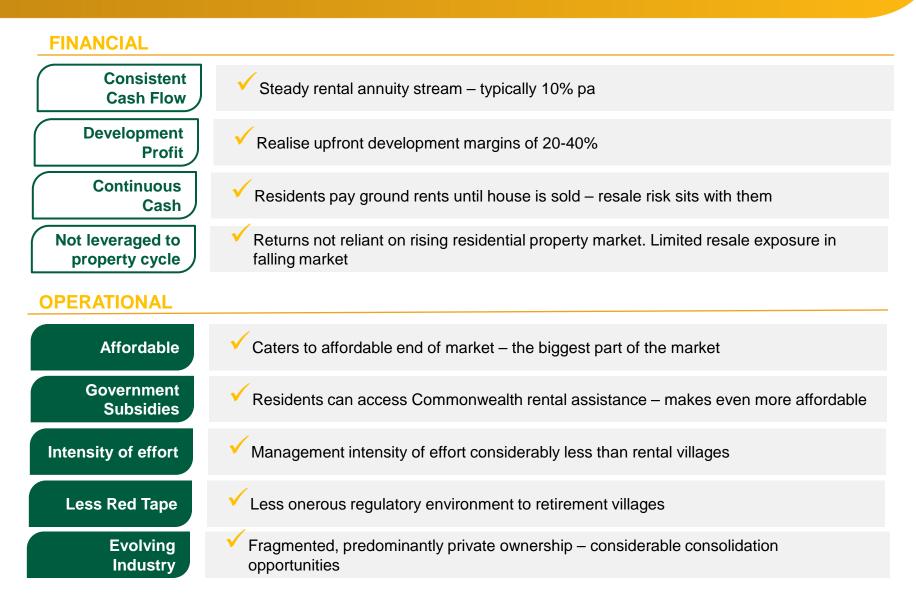


An accretive, logical, well researched extension to Ingenia's existing business model

- > Targets affordable end of market
- Attractive financial model consist strong cash development margins and ongoing cash yield
- > Can be fully managed within existing team
- > Ingenia's established Australian operations will facilitate the sharing of core competencies across three complementary business models
- > A diversified portfolio with strong cash yielding assets differentiates Ingenia from its competitors

Ingenia MHE value proposition





Demand for affordable housing remains



1,200 1,000 Quartile 4 Weekly income (\$) 800 600 Quartile 3 400 Quartile 2 Quartile 1 200 15-24 75-84 Over 85 25-34 45-54 65-74 35-44 55-64

Australian average weekly Income by Age 2011

>77% of single people over the age of 65 rely on the pension as their primary source of income

*Quartile 2 & 3 for the 75-84 and over 85 age brackets are identical at \$350/wk

- Similar to the rental seniors market, MHE residents receive pension support, making manufactured homes a popular and affordable alternate product
- > Strongest part of the market remains affordable seniors accommodation, which will be Ingenia's primary focus

In summary



✓ Ingenia's MHE acquisition strategy

- Acquisition threshold of unlevered IRR > 15%
- Focus on villages with development upside beyond passive rent collection
- Cluster style acquisition in existing markets to leverage management capabilities

MHE the ideal fit to Ingenia's growth strategy - a cash yielding affordable segment of the Australian seniors living sector that is complementary to the Group's Australian leading rental portfolio

Leveraging existing operations - MHE portfolio will be operated by the current Ingenia team utilising existing financial and operating systems

Targeted acquisition strategy – in the absence of quality market research on the MHE market, Ingenia has spent the past six months building a proprietary database of all MHEs and caravan park in the eastern states

Further acquisitions - Ingenia is close to finalising the acquisition of another MHE situated in the same geographical cluster as The Grange Village

Branding strategy – proposed brand name and logo under trademark consideration, anticipate approval at end of February 2013

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