

ASX / Media Release

28 September 2016

Ingenia announces sell-down of the Group's DMF portfolio

Highlights:

- Divestment of majority of the portfolio (five assets) - Ingenia to retain a minority stake and management rights
- Immediately releases net cash of \$41 million for redeployment in growth opportunities
- Proceeds to fund further growth in Ingenia's lifestyle communities business

Ingenia Communities Group (INA) today announced it had exchanged contracts for the sale of the majority of the Group's Deferred Management Fee (DMF) portfolio.

Ingenia has agreed all terms with Forum Partners, a global real estate investment management firm with US\$4.5 billion under management, for the transfer of the majority of the Group's DMF assets into a new vehicle, to be owned jointly by Forum and Ingenia. Forum, who acquired Ingenia's New Zealand student accommodation portfolio in 2014, has significant investments in the Australia, New Zealand and the Asia Pacific region. The five communities being divested represent approximately 82% of the DMF portfolio value (at 30 June 2016). The price represents an 11.7% discount to the 30 June book value (after stock monetisation).

Ingenia's residual net equity interest in the new vehicle will be approximately \$2.2 million with the portfolio having five year, stand-alone, non-recourse debt.

Ingenia has also entered into an asset management agreement with Forum and will jointly provide management and operating services to the portfolio under the existing Settlers brand. This will leverage the Group's existing systems, expertise and scale, particularly as Forum seeks to grow and expand the portfolio.

Consistent with the Group's objective to refocus the business on Ingenia's Garden Village and lifestyle portfolios, Ingenia expects to exit in the medium term as Forum grows the portfolio and internalises management.

Ingenia CEO, Simon Owen, said he was pleased to announce finalisation of this transaction.

“The sale of these assets will provide Ingenia with additional funds to invest in the ongoing expansion of our lifestyle portfolio and represents a major step in delivering our strategy to divest the Group’s remaining non-core assets, refocusing the business on rental assets,” Mr Owen said.

“Forum is not only an experienced global real estate investor but they are well known to us from when we divested our New Zealand student accommodation portfolio to them back in 2014.”

“We are continuing to work towards divesting the remaining three assets which had a book value at 30 June of \$11.3 million and are subject to alternate sales strategies,” Mr Owen said.

With the acquisitions of the Happy Wanderer Caravan Park at Hervey Bay and Avina Van Village in Sydney due to settle in October, Ingenia has continued to progress its pipeline of acquisitions. In addition to this, Ingenia recently received DA approval for 55 homes at The Grange in Morisset demonstrating our ongoing track record of delivering on the Group’s development program.

Ingenia expects to settle the transaction by the end of 2016 and to redeploy the funds within six months.

ENDS

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Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL415862).



Settlers Lakeside, WA

INGENIA COMMUNITIES GROUP

DMF Transaction

Transaction Benefits

STRATEGY

- ✓ Delivers on strategic objective to focus on lifestyle and garden village communities
- ✓ Materially reduces Ingenia's exposure to DMF assets (net investment reduced to \$13.5 million – 3% of portfolio)
- ✓ Leverages Ingenia's scale and management platform

FINANCIAL

- ✓ Sale releases cash proceeds of \$41 million to accelerate lifestyle portfolio growth
- ✓ Proceeds to be invested into a mix of acquisitions generating ~8% yields and development projects with >20% IRRs

OUTLOOK

- ✓ Medium term exit as portfolio grows and management is internalised
- ✓ Improves medium term ROE as capital redeployed into lifestyle portfolio opportunities generating higher returns

Transaction Overview

- > Contract exchanged for divestment of the majority of the DMF portfolio
 - Forum Partners and Ingenia to establish a separate vehicle to acquire five of Ingenia's existing DMF assets
 - Ingenia to retain a 10% economic interest (\$2.2 million net investment)
- > Five assets (82% of the portfolio by value) to be sold to new vehicle
 - Ridgewood Rise (WA)
 - Lakeside (WA)
 - Rockhampton (QLD)
 - Forest Lake (QLD)
 - Ridge Estate (NSW)
- > Funding in place with international bank
 - Funding is non recourse to Ingenia



Transaction Overview

- > Forum Partners plans to grow the portfolio and internalise management
 - Ingenia has no obligation to invest further capital
- > Management services agreement in place under which Ingenia will receive a fee (in excess of costs) to provide services to the portfolio
 - Services include portfolio management, development management and sales
- > Acquisition price represents 11.7% discount to June 30 book value (after stock monetisation)
- > Transaction to settle Q4 2016



Transaction Impact

- > Leverages Ingenia's existing platform, retaining scale efficiencies while lifestyle business continues to grow
- > Proforma LVR (post deployment of June placement proceeds and DMF divestment) of 30.8%
- > NAV reduced to \$2.42 (proforma basis) – from \$2.45 at June 2016
- > DMF investment reduced to \$13.5 million
 - \$2.2 million net investment in Forum vehicle
 - \$11.3 million in three remaining assets (at 30 June values)



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