

ASX / Media Release

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Ingenia targets accretive growth with US sale proceeds

Highlights

- Net sale proceeds on settlement of the New York Seniors portfolio sale are A\$46.7m
- Sale proceeds add 1.5¢ to Ingenia's Net Asset Value
- Proceeds to be applied to development and acquisition opportunities generating minimum unlevered IRR >15%
- First acquisition in the Manufactured Home Estates market with a A\$10 million acquisition of The Grange Village, Morisset NSW, a 145-dwelling seniors lifestyle community, immediately earnings accretive and forecast unlevered IRR >18%
- A\$8m of sale proceeds diverted to New Zealand Students portfolio to assist in funding capital works program as sale negotiations continue with US purchaser
- Ingenia will not pursue a buyback and is currently assessing further accretive acquisition opportunities

Ingenia Communities (ASX: INA) today advised that it has settled the sale of the New York Seniors portfolio. Net sales proceeds on settlement are A\$46.7 million. The Board closely considered a number of capital management initiatives and believes there are a significant number of accretive growth opportunities in both acquisition and development that will provide attractive investment returns to securityholders.

Ingenia Chief Executive Officer Simon Owen said: "The settlement of this transaction is a significant milestone towards the Group's strategy of consolidating its position as a leading owner, operator and developer of Australian Seniors accommodation."

"Due to our growing pipeline of accretive acquisition and development opportunities, the Group has decided to reinvest the proceeds of this US sale rather than pursue an on-market buyback. A significant majority of institutional securityholders have expressed support for this strategy due to the attractive opportunities available in the Australian market at the moment."

Ingenia also announced the acquisition of The Grange Village, in Morisset, NSW for \$10 million. This acquisition is immediately earnings accretive offering recurrent cash earnings exceeding \$1 million per annum and is forecast to deliver an unlevered internal rate of return (IRR) exceeding 18%.

New York Portfolio Sale

As announced in May 2012, the Group has divested its remaining interest in the US Seniors portfolio to a US property consortium for US\$173.3 million. Net sales proceeds on settlement are A\$46.7 million, of which A\$41.7 million (9.5cents of Net Asset Value) has been

repatriated and A\$5million remains in the US under standard transaction related escrow. This is expected to be released by January 2014.

This transaction adds a further 1.5¢ to the Group's Net Asset Value. Net proceeds will be applied to debt reduction and will be used to fund growth opportunities. Look-through gearing will be reduced to 16% before further acquisitions.

As announced in the FY12 Results release on 29 August 2012, the Group's A\$82.0 million Australian debt has been refinanced to a fully revolving facility. From March 2013 when the existing interest rate hedge expires, the Group's all in cost of debt will be circa 5.3%. This provides the Group with increased flexibility in the funding of its growth opportunities.

Acquisition of The Grange Village

Ingenia announced the acquisition of The Grange Village, in Morisset, NSW for \$10 million. This acquisition is immediately earnings accretive offering recurrent cash earnings exceeding \$1 million per annum and is forecast to deliver an unlevered IRR exceeding 18%.

The Grange Village has 145 existing dwellings with three DA approved home sites, one vacant home site, community facilities and vacant land with potential to add another 30 – 40 homes. This lifestyle community is located in the lower Hunter region, close to the Group's Settlers Ridge Estate (DMF village) and the Cessnock Conversion village. The proximity of the three villages will enable Ingenia to leverage operational and sales capabilities and its strong local market knowledge of the area.

This acquisition is Ingenia's first investment in the Manufactured Home Estates market, a cash yielding, affordable accommodation segment within the Australian seniors living sector. Management has been assessing this market for over two years and has identified it as a complementary model to the Group's existing Garden Villages (rental) and Settlers (DMF) portfolios.

The acquisition of The Grange Village is consistent with the Group's previously stated strategy to grow its cash yield earnings generated from its Australian business. This transaction is due to settle in March 2013.

Further analysis of the Group's investment strategy in the Manufactured Home Estates market is detailed in the accompanying presentation.

Capital Management Update

After careful assessment of the Group's capital allocation alternatives including an on-market security buyback, Ingenia believes the best use of the US sale proceeds is reinvestment in its acquisition and development pipeline.

Key considerations for this decision include:

- In the Australian seniors living market, there is currently an abundance of both high yielding acquisition and accretive development opportunities that will generate an IRR in excess of 15%;
- Capital remains extremely tight and the rate of new developments continues to be below that required to meet the demand of the ageing population. As one of the few entities in

this sector with available capital, Ingenia is confident it can build a highly attractive portfolio and development pipeline over the next few years and create superior value for securityholders;

- Extensive consultation with key securityholders confirmed that a significant majority would prefer that Ingenia reinvest in the Australian senior living business provided capital can be readily redeployed at similar returns forecast from recent acquisitions;
- A majority of institutional securityholders stated they would be unlikely to sell into the buyback which raises doubts over the success of any such strategy; and
- Growing the Australian platform in a disciplined and accretive manner allows securityholders to leverage Ingenia's existing management capabilities across a broader operational base.

Securityholders can be assured that the Group will continue to be disciplined in capital allocation and closely monitor return differentials between reinvestment and various capital management initiatives.

Consistent with guidance provided in August, Ingenia will be targeting an LVR between 30-35%. Based on opportunities to redeploy funds from overseas asset sales, there will be additional headroom of circa \$25m to further grow the Australia portfolio via acquisitions and development. Based on current market evidence, management believes there are significant opportunities available in the short to medium term to deploy these funds at or above benchmark returns.

NZ Students Sale Update

On 20 December 2012, the Group advised that the NZ\$35 million (A\$29m) sale of its NZ Students accommodation portfolio did not go unconditional due to the purchaser's inability to secure funding at an acceptable cost. Management is continuing discussions with the prospective purchaser although there is no certainty of an eventual sale.

The Group is undertaking NZ\$21 million (A\$17m) of seismic upgrade and refurbishment works underpinned by new 15-year lease agreements with Victoria University of Wellington (VUW) and Wellington Institute of Technology (Weltec). The two buildings to be leased to VUW are undergoing final commissioning in preparation for commencement of the 2013 academic term in February. The building to be leased to WelTec is scheduled for completion in February 2014. The staged completion of the capital works program combined with the new 15-year lease agreements with NZ government-backed academic bodies will significantly increase both the asset value and securityholder equity in the NZ Students portfolio. The indexed rent for the three buildings once completed is circa NZ\$4.0 million (A\$3.3m) per annum. This portfolio was externally valued in December 2012 showing an 'as complete' value of NZ\$54.5 million (A\$44m) at an average cap rate of 7.13% for the three buildings.

Funding for the capital works program is a combination of existing cash on hand in New Zealand, new and existing debt facilities with BNZ and A\$8 million of equity provided from the A\$41.7 million US sale proceeds repatriated.

Other Acquisitions

The acquisition of a 44-unit rental village in Mandurah, WA as announced on 9 January 2013 settled on 4 February 2013. This village is adjacent to one of the Group's best performing rental villages and has been rebranded as Ocean Grove Gardens.

Management is currently finalising the prospective acquisition of a further two cash yielding villages, and is in exclusive negotiations on several other opportunities, all in NSW.

Acquisitions Update

Village	Location and size	Purchase Price	Earnings contribution on completion (p.a.)	Comment
Ridge Estate	Hunter Valley, NSW – 16 units	\$2.0m	\$0.3m plus development profits on 28 units	DA approval for further 28 units. Forecast unlevered IRR >50%. Settled in Jul 2012.
Dubbo Gardens	Dubbo, NSW – 54 units	\$2.5m	\$0.4m	Forecast unlevered IRR >17%. Assessing the conversion to DMF. Settled in Dec 2012.
Ocean Grove Gardens	Mandurah, WA – 44 units	\$2.8m	\$0.4m	Forecast unlevered IRR >20%. Settled in Feb 2012.
The Grange Village	Morisset, NSW – 145 units	\$10.0m	\$1.5m plus development profits on 34-44 units	Three DA approved sites plus development land for further 30-40 units. Forecast unlevered IRR >18%. To settle in Mar 2013

These acquisitions represent significant progress towards the Group's strategy of consolidating its position as a leading owner, operator and developer of seniors living accommodation. Once these acquisitions are complete, the Group will own and manage 36 villages across Australia.

The Group is scheduled to release its 2013 half year results on 20 February 2013.

For further information please contact:

Simon Owen	Lenny Chen
Chief Executive Officer	Investor Relations & Marketing Manager
P 02 8263 0501	P 02 8263 0507
M 0412 389 339	M 0415 254 311

About Ingenia Communities Group

Ingenia Communities Group (ASX Code: INA) previously known as the ING Real Estate Community Living Group, is a stapled property group comprising 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).

Ingenia Communities Group is a leading operator, owner and developer of a diversified portfolio of seniors housing communities across Australia.