

Ingenia Communities Group

Investment in Manufactured Home Estates

15 February 2013



- > 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

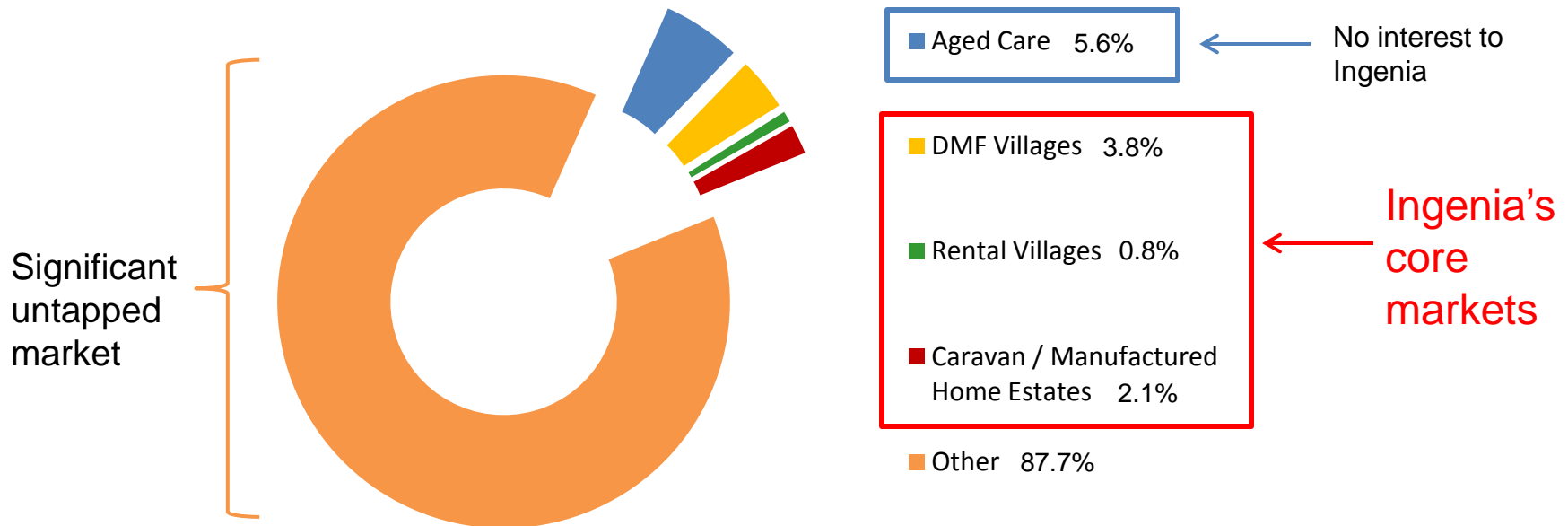
- > 145 existing dwellings with community facilities
- > Development opportunities of three DA approved home sites, 1 vacant home site and vacant land (30-40 homes)
- > 113 km from Sydney and 44km from Newcastle
- > The Hunter / Newcastle region prospering from coal mining industry, accessibility to 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

Population over 65 (%) - Where they reside



- > 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

Australian MHE market

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

Typical Village

- Most residents qualify for Commonwealth Rental Assistance
- Legislated on a State level – same Minister for Retirement Villages
- 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
- Fragmented market predominantly private village ownerships
- 56% of operators own only one park
- Another 10% owns two parks
- 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

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

- > Land remains property of Ingenia

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

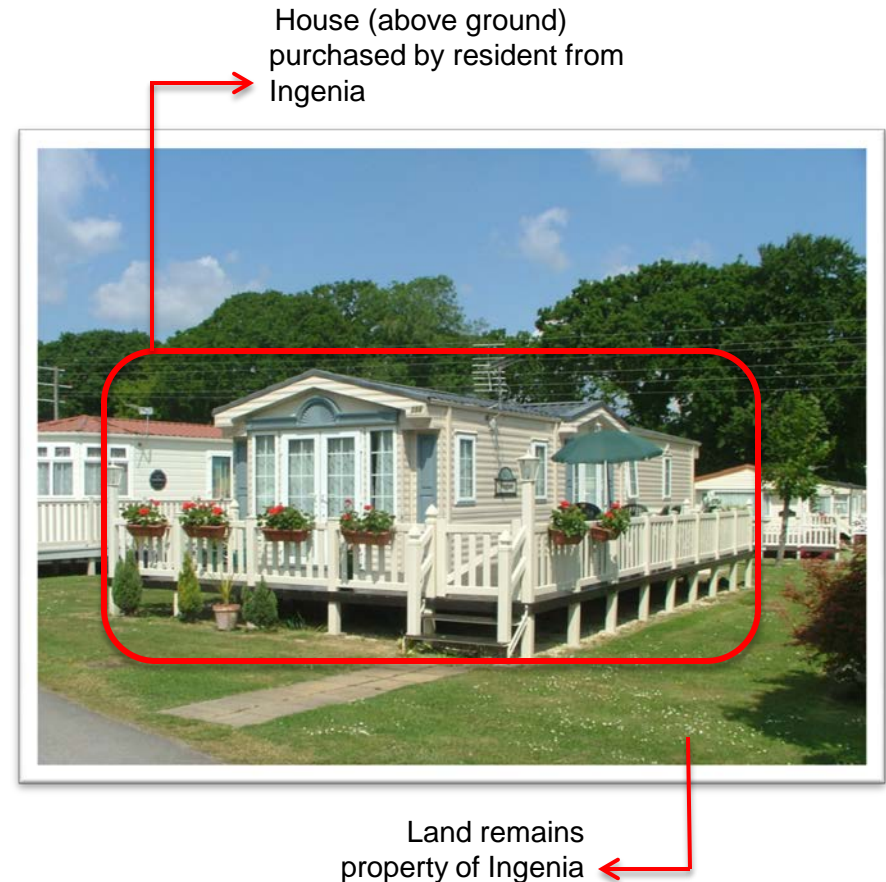
Resale

Ingenia

- > Enter into new ground lease

New Resident

- > Negotiate with departing resident and purchase home
- > Ingenia may act as sales agent and collect commission



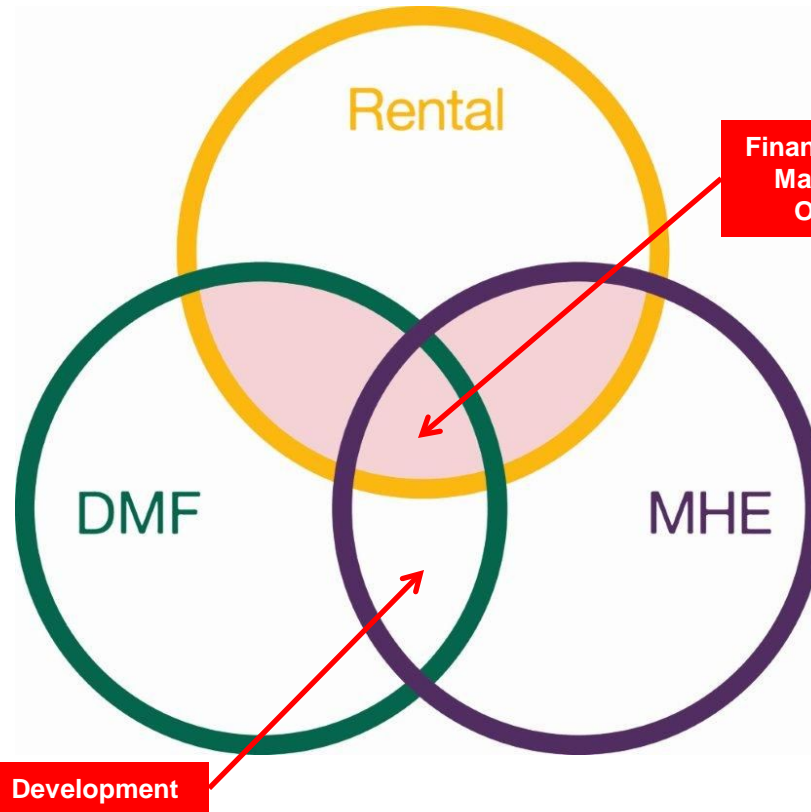
Ingenia's strategy – Maximising recurrent cash earnings

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

FINANCIAL

**Consistent
Cash Flow**

- ✓ Steady rental annuity stream – typically 10% pa

**Development
Profit**

- ✓ Realise upfront development margins of 20-40%

**Continuous
Cash**

- ✓ Residents pay ground rents until house is sold – resale risk sits with them

**Not leveraged to
property cycle**

- ✓ Returns not reliant on rising residential property market. Limited resale exposure in falling market

OPERATIONAL

Affordable

- ✓ Caters to affordable end of market – the biggest part of the market

**Government
Subsidies**

- ✓ Residents can access Commonwealth rental assistance – makes even more affordable

Intensity of effort

- ✓ Management intensity of effort considerably less than rental villages

Less Red Tape

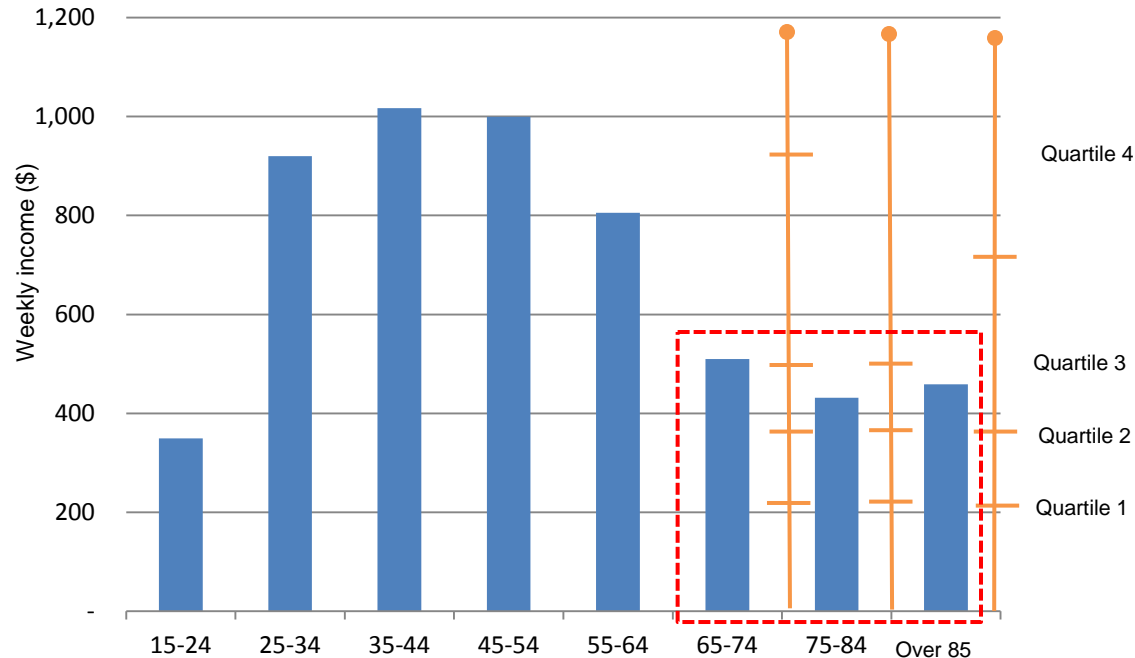
- ✓ Less onerous regulatory environment to retirement villages

**Evolving
Industry**

- ✓ Fragmented, predominantly private ownership – considerable consolidation opportunities

Demand for affordable housing remains

Australian average weekly Income by Age 2011



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

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

- > 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

- ✓ **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

Disclaimer



This presentation was prepared by Ingenia Communities Holdings Limited (ACN 154 444 925) and Ingenia Communities RE Limited (ACN 154 565 990) as responsible entity for Ingenia Communities Fund (ARSN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410) (together Ingenia Communities Group, INA or the Group). Information contained in this presentation is current as at 15 February 2013. This presentation is provided for information purposes only and has been prepared without taking account of any particular reader's financial situation, objectives or needs. Nothing contained in this presentation constitutes investment, legal, tax or other advice. Accordingly, readers should, before acting on any information in this presentation, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision. This presentation does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment.

Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this presentation. By reading this presentation and to the extent permitted by law, the reader releases each entity in the Group and its affiliates, and any of their respective directors, officers, employees, representatives or advisers from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising in relation to any reader relying on anything contained in or omitted from this presentation.

The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Group. In particular, they speak only as of the date of these materials, they assume the success of the Group's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and the assumptions on which those statements are based. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements.

The Group, or persons associated with it, may have an interest in the securities mentioned in this presentation, and may earn fees as a result of transactions described in this presentation or transactions in securities in INA.

This document is not an offer to sell or a solicitation of an offer to subscribe or purchase or a recommendation of any securities.