Acquisition and equity raising

Acquisition of ELC portfolio for a total cost of $65 million

28 July 2017

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Future performance (continued)

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Agenda

Arena

Transaction overview

Acquisition, equity raising and financial impact

Acquisition	• Arena has entered into contracts to acquire a portfolio of nine Early Learning Centre (ELC) properties under development for a total cost of $65.0 million[1] • The properties have planning permits in place, are in various stages of development and are being acquired on a fund through basis[2] for an initial yield on total cost of 6.25% • All properties will be leased to Green Leaves Early Learning Centres, an existing Arena tenant
Strategic rationale	• The acquisition is consistent with Arena's preferred investment characteristics • The portfolio comprises nine high quality, purpose built properties in well located catchments • The properties will be 100% leased on completion on 20-year triple net leases with minimum 3% pa rental increases to a high performing operator • The properties are being acquired at a 5.2% pricing discount to independent valuation (on completion) • Improved Arena portfolio metrics – WALE increased to 13.5 years[3] and tenant diversification enhanced

Equity raising	• Equity raising to fund the acquisition and provide further balance sheet capacity:
	  – A fully underwritten $55 million institutional placement
	  – A non-underwritten Security Purchase Plan to eligible investors to raise up to $5 million, with the capacity to accept a further $5 million in oversubscriptions
	• The balance of the acquisition will be funded with cash and existing debt facilities

Financial impact	• Transaction is expected to be neutral to EPS in FY18 (due to timing difference of the equity raising and development cashflows throughout FY18) and accretive to EPS in FY19 • Pro-forma 30 June 2017 gearing of 26.4% post completion[4] (vs 27.5% at 30 June 2017) • An increase in pro-forma Net Asset Value (NAV) per security from $1.84 at 30 June 2017 to $1.86

[1] *Total cost includes property purchase price and project costs of $63.3 million plus stamp duty and associated transaction costs.*
[2] *A fund through acquisition involves the acquisition of land and progressive payment of development costs.*
[3] *As at 30 June 2017 plus acquisition portfolio on completion.*
[4] *EPS forecast impact includes the acquisition and institutional placement and assumes development projects are completed in line with forecast assumptions and tenants comply with their lease obligations. Any securities issued under the non-underwritten SPP have not been included in the calculation.*

FY17 financial results and FY18 DPS guidance

Unaudited FY17 financial results summary	For the year ended 30 June 2017: • Statutory net profit $96.8 million (+33% on FY16) • Net operating profit of $28.7 million (+12% on FY16) • Distributable income (Earnings) per security (EPS) of 12.30 cents (+11% on FY16) • Distribution per security (DPS) of 12.0 cents (+10% on FY16) As at 30 June 2017: • Total assets of $621.3 million (+21% on 30 June 2016) • Gearing of 27.5% (+70bps on 30 June 2016) • Net Asset Value (NAV) of $1.84 per security (+19% on 30 June 2016) Audited FY17 Financial Report: • Arena is scheduled to release its audited FY2017 annual financial report to the ASX on Thursday 24 August 2017
FY18 DPS guidance	• FY18 DPS guidance of 12.8 cents[1] – an increase of 6.7% over FY17 DPS of 12.0 cents

[1] FY18 DPS guidance includes the acquisition and institutional placement and assumes development projects are completed in line with forecast assumptions and tenants comply with their lease obligations.

Transaction details

Structure	• Acquisition of a portfolio of nine properties to be developed into ELCs, each subject to an interdependent Contract of Sale, and a Development Agreement and Agreement for Lease
Timing	• All of the properties will be settled simultaneously (estimated to be early August 2017), and are in different stages of development • Four of the centres are expected to be completed in 1HFY18, whilst the remaining five are estimated to be completed in 2HFY18
Total cost [2]	• The development of each of the properties will be completed on a fund through basis[1] with Arena to earn the project yield on each dollar invested • Arena's total cost has been fixed at $65.0 million[2] – comprising an initial payment of $27.6 million, followed by capex drawdowns as projects progress to completion • The acquisition portfolio initial yield on total cost is 6.25%
Tenant	• Each property is subject to an agreement for lease with Green Leaves (an existing tenant of Arena) that provides, subject to completion of the development, the grant of a 20 year initial term on Arena's standard triple net lease
Risk mitigation	• Development cost over-run or project delay – fixed cost development contract with any cost over-run or project delay to be borne by the developer • Developer default – under development contract Arena has step-in rights on the building contract • Builder default – the developer is obligated to appoint a new builder and complete the project

[1] *A fund through acquisition involves the acquisition of land and progressive payment of development costs.*
[2] *Total cost includes property purchase price and project costs of $63.3 million plus stamp duty and associated transaction costs.*

Property details and portfolio impact

Portfolio consistent with Arena's preferred investment characteristics

- ✓ Long lease terms – leased on completion on 20 year initial terms (plus 10 year option)
- ✓ Triple net lease structure – tenant pays all outgoings, including structural capex
- ✓ Attractive review profile – minimum 3% pa rental increase, market rent review every 10 years (0% collar; no cap)

Murrumba Downs, QLD – Artist's impression

Bellerive, TAS – Artist's impression

Portfolio acquired on attractive pricing

- Properties are being acquired at a 5.2% pricing discount to independent valuation (on completion) of $66.8 million, reflecting a weighted average passing yield of 6.0%

Property	No. of ELC places	Purchase cost (excl. transaction costs[1])	Total cost (incl. transaction costs[1])	Initial yield on total cost
Murrumba Downs, QLD	186	$9.5m	$9.8m	6.20%
Craigieburn, VIC	124	$6.8m	$7.1m	6.17%
Port Macquarie, NSW	140	$7.4m	$7.7m	6.18%
Bellerive, TAS	116	$6.2m	$6.4m	6.19%
Pelican Waters, QLD	128	$6.7m	$6.8m	6.32%
Cairnlea, VIC	116	$7.3m	$7.5m	6.27%
Mawson Lakes, SA	112	$6.4m	$6.5m	6.32%
Warner Lakes, QLD	128	$6.6m	$6.7m	6.33%
Cannon Hill, QLD	100	$6.4m	$6.5m	6.30%
Total	**1,150**	**$63.3m**	**$65.0m**	**6.25%**

[1] *Transaction costs include stamp duty and associated transaction costs.*

Growing partnership with high performing tenant

Green Leaves Early Learning Centres (Green Leaves)

- Principals have over 30 years' experience in early learning sector
- Five existing ELCs in Arena portfolio, and two under construction
- Arena and Green Leaves have successfully partnered on four ELC developments over the last three years:
  - All operating profitably within first six months of operation[1]
  - Significant value created for Arena investors

Property	Completed	Total cost	30 June 2017 valuation
Griffin, QLD (Stage 1 and 2)	Nov 2014/June 2017	$4.7m	$6.3m
Seaford Meadows, SA	Apr 2015	$2.5m	$3.6m
Kawana, QLD	Nov 2015	$3.2m	$4.4m
Horsham, VIC	Dec 2016	$2.9m	$3.7m

Green Leaves ELC, Seaford Meadows, SA – completed 2015

Green Leaves ELC, Griffin, QLD – stage 1 completed 2014

[1] *Excluding Horsham, VIC which opened in 2017.*

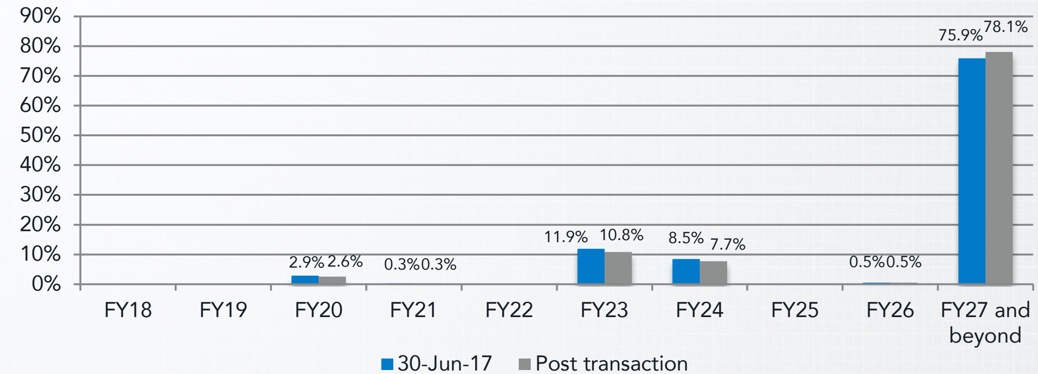
Properties located in preferred markets with sound fundamentals

- Properties all located in catchments with growing 0-4 year old populations
- The portfolio's average catchment child per place ratio[1] is favourable at 4.1

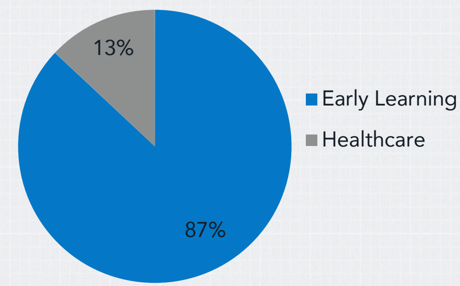
[1] The child per place ratio is calculated as the number of children aged 0-4 years over the number of long day care places available within the defined catchment.

Enhanced portfolio metrics – WALE extended to 13.5 years[1]

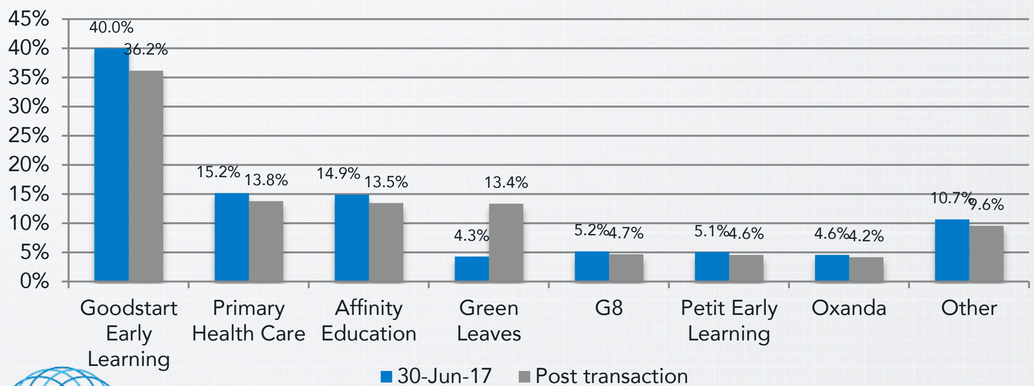
Lease expiry profile (by income)



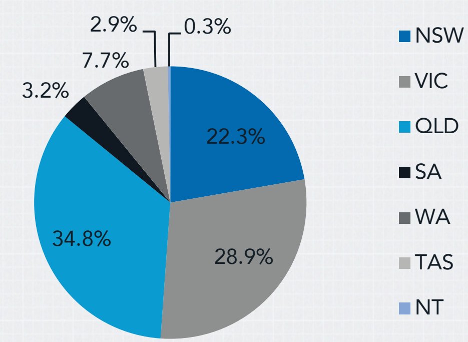
Sector diversification (by value)
(post transaction)



Tenant diversification (by income)



Geographic diversification (by value)
(post transaction)



[1] *As at 30 June 2017 plus acquisition portfolio on completion.*

Extended ELC development pipeline

FY18 completion schedule

Arena pipeline	Total
Number of projects	18
Forecast total cost	$113.2 million
Weighted average initial yield on cost	6.7%
Amount outstanding (post initial acquisition payment)	$49 million
- Acquisition portfolio	$35.7 million
- Existing projects	$13.3 million

- A total of seventeen projects due for completion in FY18
- One existing project in planning and due for completion in FY19
- All projects will be fully funded by the equity raising and existing debt facilities

[1] *Chadstone, VIC was completed subsequent to 30 June 2017.*

Transaction funding

Source and use of funds

Sources[1]	$m
Institutional placement	55.0
Debt facility	10.0
Cash	1.0
Total sources	**66.0**

Uses	$m
Property acquisitions	27.6
Development payments	35.7
Transaction and fundraising costs	2.7
Total uses	**66.0**

- The properties are being acquired on a fund through basis[2]
- Arena to earn project yield on each dollar invested – portfolio initial yield on cost 6.25%

Investment timing	$m
Initial purchase cost	27.6
1HFY18 forecast payments	21.1
2HFY18 forecast payments	16.3
Total[3]	**65.0**

[1] Any securities issued under the non-underwritten SPP have not been included in the calculation.
[2] A fund through acquisition involves the acquisition of land and progressive payment of development costs.
[3] Total cost includes property purchase price and project costs of $63.3 million plus stamp duty and associated transaction costs.

Arena

Institutional placement and SPP overview

Structure and size	• Fully underwritten institutional placement to raise $55 million via the issue of 27.1 million new securities
Pricing	• Issue price of $2.03 per security – 2.9% discount to closing price of $2.09 per security on 27 July 2017 – 3.6% discount to 5-day Volume Weighted Average Price (VWAP) of $2.105 per security
Ranking	• Securities issued via the institutional placement will rank equally with existing securities from the date of issue
Security Purchase Plan (SPP)	• Arena will offer eligible Australian and New Zealand securityholders the opportunity to acquire up to $15,000 in new securities via a Security Purchase Plan • The SPP will not be underwritten and will raise up to $5 million, with the capacity to accept a further $5 million in oversubscriptions • The issue price for securities issued under the SPP will be the same as the issue price of new securities under the institutional placement of $2.03 per security • No brokerage or transaction costs are payable for securities issued under the SPP • Securities issued via the SPP will rank equally with existing securities from the date of issue

Arena

Financial impact

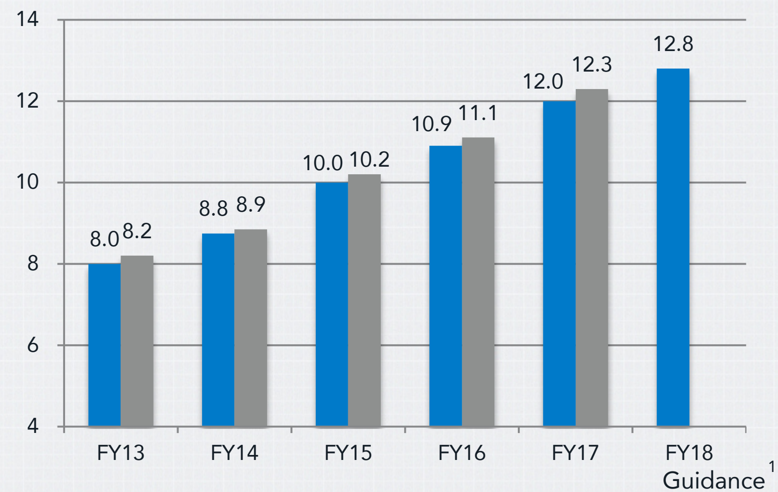
Positive financial impact

	FY17	FY18 forecast[1]
Distribution per security	12.0 cents	12.8 cents
Annual distribution growth	10.0%	6.7%
Distribution yield[2]	5.9%	6.3%

	Unaudited 30-Jun-17	Pro forma 30-Jun-17 forecast at completion
Total assets	$621.3m	$685.3m
Borrowings	$170.6m	$180.6m
Net assets	$432.5m	$486.5m
NAV per security	$1.84	$1.86
Gearing	27.5%	26.4%

- Transaction is expected to be neutral to EPS in FY18 (due to timing of equity raising and development cashflows throughout FY18) and EPS accretive in FY19[3]
- Further potential earnings upside from investment of expanded balance sheet capacity

Earnings and Distributions per security (cents)



[1] *FY18 distribution guidance includes the acquisition and institutional placement and assumes development projects are completed in line with forecast assumptions and tenants comply with their lease obligations.*
[2] *Based on issue price of $2.03 per security.*
[3] *EPS forecast impact includes the acquisition and institutional placement and assumes development projects are completed in line with forecast assumptions and tenants comply with their lease obligations. Any securities issued under the non-underwritten SPP have not been included in the calculation.*

Summary and indicative timetable

Transaction summary

Consistent with investment strategy	• Acquisition of a portfolio of nine properties to be developed into ELCs • Acquired at a 5.2% discount to independent valuation (on completion) • Properties well located in markets with favourable demographics • Leased on completion to existing, high performing tenant • Long term triple net leases with minimum 3% pa annual rental increases
Enhanced portfolio metrics	• WALE extended to 13.5 years (from 12.8 years at 30 June 2017) • Improved tenant diversification and rent review profile
Attractive financial impact	• Transaction is expected to be neutral to EPS in FY18 (due to timing of equity raising and development cashflows throughout FY18) and accretive in FY19[1] • FY18 distribution guidance 12.8 cents per security[2] (+6.7% on FY17) • Pro forma 30 June 2017 NAV $1.86 per security (+1.1%)
Capacity to fund future opportunities	• Pro forma 30 June 2017 gearing on completion of 26.4% • Equity raised provides capacity to fund new opportunities • Weighted average cost of debt 3.75%

[1] EPS forecast impact includes the acquisition and institutional placement and assumes development projects are completed in line with forecast assumptions and tenants comply with their lease obligations. Any securities issued under the non-underwritten SPP have not been included in the calculation.
[2] FY18 distribution guidance includes the acquisition and institutional placement and assumes development projects are completed in line with forecast assumptions and tenants comply with their lease obligations.

Indicative timetable[1]

Event	Date
Offer	
Trading halt	Friday 28 July 2017
Offer opens	Friday 28 July 2017
Offer closes	Friday 28 July 2017
Trading in Arena REIT Stapled Securities resumes	Monday 31 July 2017
Settlement of New Stapled Securities	Wednesday 2 August 2017
Allotment and trading of New Stapled Securities	Thursday 3 August 2017
Property acquisition	
Proposed property settlement	Friday 4 August 2017
Security Purchase Plan (SPP)	
Record date for SPP	Thursday 27 July 2017
SPP offer period	Monday 7 August 2017 – Monday 28 August 2017
Allotment and trading of SPP securities	Tuesday 5 September 2017

[1] *Timetable is indicative only and subject to change.*

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Appendices

Financial information

Pro Forma Balance Sheet

	Unaudited 30-Jun-17 ($m)	Initial acquisition ($m)	Future development ($m)	Pro forma forecast at completion ($m)
Cash and other	29.6		(1.0)	28.6
Investment properties	591.7	29.3	35.7	656.7
Total Assets	**621.3**	**29.3**	**34.7**	**685.3**
Borrowings	170.6	(24.7)	34.7	180.6
Other liabilities	18.2			18.2
Total Liabilities	**188.8**	**(24.7)**	**34.7**	**198.8**
Net Assets	**432.5**	**54.0**		**486.5**
Gearing	27.5%	23.5%		26.4%
Securities on Issue	234.8m	27.1m		261.9m
Net Asset Value (NAV) per security	$1.84			$1.86

Pro forma forecast on completion:

- Gearing 26.4% (-110bps)
- NAV per security $1.86 (+1.1%)

** Any securities issued under the non-underwritten SPP have not been included in the above calculations.*

Financial information (continued)

Debt information

	30 Jun 2017[1]	30 Jun 2016	Change
Borrowings	$171m	$138m	+24%
Borrowing facility limit	$205m	$175m	+17%
Gearing	27.5%	26.8%	+70bps
Average facility term	2.5yrs	3.5yrs	-1.0yr
Weighted average cost of debt	3.75%	3.85%	-10bps
Interest cover ratio	5.6x	6.2x	-0.6x
Interest rate hedging cover	79%	72%	+700bps
Weighted average hedge term	4.3yrs	4.0yrs	+0.3yrs
Weighted average swap rate	2.39%	2.48%	-9bps

[1] *Prior to transaction.*

Notes

- Gearing forecast to reduce to 26.4% post acquisition completion
- DRP remains in operation – 1.5% discount
- Weighted average cost of debt 3.75% pa
- Hedge cover maintained in preferred range

Financial information (continued)

Valuations at 30 June 2017 (unaudited)

	Number of assets	Value ($m)	Passing yield (%)
ELC portfolio			
Freehold – Independent Valuations	58	140.3	6.64%
Freehold – Director Valuations	125	315.4	6.69%
Leasehold – Director Valuations	5	12.9	8.51%
Development portfolio	10	39.0	-
Total ELC portfolio	198	507.6	6.73%
Healthcare portfolio			
Independent Valuations	3	34.4	6.67%
Director Valuations	4	49.7	7.10%
Total Healthcare portfolio	7	84.1	6.92%
Total portfolio	205	591.7	6.76%

Key risks

Investors should carefully consider the risk factors described below. If you require further information regarding the appropriateness or potential risks of investing in Arena REIT, you should seek appropriate financial, legal, taxation and other necessary advice. All investments involve risk and there are many factors that can impact on the performance of an investment. This summary details some of the major risks that you should be aware of when investing in Arena REIT. Investors should be aware that the list of risks described below may not cover all possibilities and should also consider risks specific to their situation.

Key risks relating to Arena REIT

(a) Concentration risk

The current portfolio of Arena REIT is invested in childcare centres, medical centres and childcare development sites. Adverse events to the childcare and/or healthcare property sectors may result in general deterioration of tenants' ability to meet their lease obligations across the portfolio or to future growth prospects of the current portfolio. On completion of the acquisition properties, Green Leaves will represent 13.4% of the Arena portfolio (by income). Any material deterioration in the operating performance of Green Leaves may result in them not meeting their lease obligations which could reduce Arena REIT's income and portfolio value if a suitable replacement cannot be found.

(b) Tenant risk

Arena REIT relies on tenants to generate the majority of its revenue. A substantial proportion of Arena REIT's tenants are not for profit companies limited by guarantee or private companies. If a tenant is affected by financial difficulties it may default on its rental or other contractual obligations which may result in loss of rental income or losses to the value of Arena REIT's properties.

(c) Licensing

The provision of childcare and healthcare services are regulated activities. There is therefore a risk that if the relevant tenants' licence is revoked, no suitably qualified replacement tenant may be found.

(d) Government policy risk and change in law

Childcare and healthcare operators rely heavily on government funding which, if reduced, may adversely impact the underlying demand for these services and therefore tenants' ability to meet lease obligations and/or their demand for these properties. There is a risk that there may be changes in legislation, government policies or legal or judicial interpretation relating to the childcare and/or healthcare sectors.

(e) Alternative use risk

The risks associated with investing in property assets can be greater for special purpose facilities such as childcare and healthcare properties, which may require extensive

(e) Alternative use risk (continued)

expenditure and rezoning to be suitable for other commercial purposes.

Arena REIT's performance depends in part on the demand for childcare and healthcare properties in Australia. Most childcare and healthcare properties would require extensive expenditure and rezoning to be suitable for other commercial purposes.

(f) Acquisitions and divestments

Arena REIT intends to make additional acquisitions of assets in accordance with its investment strategy. Future acquisitions may affect Arena REIT's financial performance. The value of Arena REIT's properties may vary as a consequence of general market conditions, the property market, or factors specific to an individual property. Arena REIT may be required to sell one or more properties, which may result in a capital loss.

(g) Re-leasing and vacancy

There is a risk that Arena REIT may not be able to negotiate suitable lease extensions with existing tenants or replace outgoing tenants with new tenants on substantially the same terms. Arena REIT could also incur additional costs associated with re-leasing the properties. Re-leasing the properties would depend on numerous market conditions and financial considerations prevalent at that time.

(h) Rental income

Distributions made by Arena REIT are largely dependent upon the rents received from its property portfolio and expenses incurred during operations. Arena REIT has made a number of assumptions in relation to the level of rental income Arena REIT will receive. However, rental income may differ from those assumptions and may be affected by a number of factors, including:

(i) overall macroeconomic conditions;
(ii) competition from other childcare centres and healthcare properties;
(iii) the financial condition of tenants;
(iv) increase in rental arrears and vacancy periods;
(v) changes in government policies relating to the childcare and healthcare sectors; and
(vi) supply and demand in the property market.

(i) Property valuations

Changes in the property market, especially changes in the valuation of properties and in market rents, may adversely affect Arena REIT's financial performance and the price of Arena REIT Stapled Securities (including New Stapled Securities). In addition, the valuations of Arena REIT's properties are the best estimates at the time of undertaking the valuation and may not reflect the actual price a property would realise if sold. The valuations are subject to a number of assumptions which may prove to be inaccurate.

(j) Fund-through development risks

Arena REIT is acquiring the properties on a 'fund-through' basis, under which Arena REIT settles the vacant or partially improved land purchase and then makes periodic payments based on quantity surveyor certification.

Key risks (continued)

(j) Fund-through development risks (continued)
There is a risk that delays or issues relating to the development of a site could delay its completion. Any significant delays in completion could have an adverse effect on Arena REIT's financial performance.

There is also a risk that the developer or its contractors and consultants, encounter financial or other difficulties in developing the site and as a result, the developer could default on its development obligations to Arena REIT. If this occurs, there is a risk that Arena REIT will incur additional costs in attempting to complete the development. Arena REIT has entered into an agreement with the builder allowing Arena REIT the right to step in and take over the construction contract if the developer defaults, but exercising these rights may incur additional construction and/or development costs.

(k) General development risk
In certain circumstances, Arena REIT may be exposed to development risk, resulting from the development of new properties, the refurbishment of existing properties or additions and extensions to existing properties. Property development carries a number of risks, including:
(i) issues surrounding applications for planning approvals from local authorities which can result in delays or require amendments to plans both of which may result in increased costs;
(ii) breach of contract by building contractors; and
(iii) unforeseen circumstances which cause project delays or increases to building costs.
A number of factors affect the earnings, cash flows and valuations of commercial property developments, including construction costs, scheduled completion dates and securing tenants at estimated rental income.

(l) Property liquidity
Property assets are by their nature illiquid investments. Arena REIT may not be able to realise the assets within a short period of time or may not be able to realise assets at valuation. This may affect Arena REIT's net asset value or the trading price of Arena REIT Stapled Securities.

(m) Environmental issues
As with any property, there is a risk that one or more of Arena REIT's properties may be contaminated now or in the future. Government environmental authorities may require such contamination be remediated. There is always a residual risk that Arena REIT may be required to undertake any such remediation at its own cost.

In addition, environmental laws impose penalties for environmental damage and contamination which can be material in size. Exposure to hazardous substance at a property within Arena REIT's portfolio could result in personal injury claims. Such a claim could prove greater than the value of the contaminated property. An environmental issue may also result in interruptions to the operations of a property, including the closure of the property. Any lost income caused by such an interruption to operations may not be recoverable.

(n) Occupational health and safety
There is a risk that liability arising from occupational health and safety matters at one or more of Arena REIT's properties may be attributable to Arena REIT as the landlord instead of, or as well as, the tenant. To the extent that any liabilities may be borne by the Arena REIT, this may impact upon the financial performance of Arena REIT (to the extent not covered by insurance). In addition, penalties may be imposed upon Arena REIT which may have an adverse impact on Arena REIT.

(o) Capital expenditure
Capital expenditure may exceed Arena REIT's current forecasts which could adversely impact Arena REIT's financial performance.

(p) Insurance
Arena REIT maintains a range of insurances relating to its properties with policy specifications and insured limits that it believes to be customary in the industry. However, potential losses of a catastrophic nature such as those arising from earthquakes, terrorism or severe flooding may be uninsurable or not insurable on reasonable financial terms, may not be insured at full replacement costs or may be subject to large excesses. The nature and cost of insurance has been based upon the best estimate of likely circumstances. However, various factors may influence premiums to a greater extent than those forecast, which may in turn have a negative impact on the financial performance of Arena REIT.

(q) Investment characteristics
Arena REIT is exposed to the risks associated with the external management of investment syndicates, including the wind down of such investment syndicates and the associated loss of management fee income and cost recoveries.

(r) Regulatory risks
Arena REIT conducts its business in a highly regulated industry and must comply with the requirements of its Australian Financial Services Licence, the Corporations Act, ASIC, ASX and other regulators. Non-compliance with regulatory requirements may result in financial penalties, additional expense or reputation damage to Arena REIT. In addition, changes to regulation may result in increased costs to Arena REIT in order to comply with regulatory requirements, and an increased risk of non-compliance with new and complex regulation.

Key risks (continued)

(s) Dependency on key staff
The specialised nature of Arena REIT's asset portfolio requires a manager with extensive experience in the childcare and healthcare sectors. The loss of key staff or inability to attract new qualified staff could adversely affect Arena REIT's operations and performance.

Key risks relating to investing in Arena REIT Stapled Securities (including New Stapled Securities)

(a) Economic and market conditions
A number of factors affect the performance of the equity market, which could affect the price at which Arena REIT Stapled Securities (including New Stapled Securities) trade on the ASX. Among other things, movements on international and domestic stock markets, interest rates, exchange rates, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally as well as government taxation and other policy changes may affect the demand for, and price of Arena REIT Stapled Securities (including New Stapled Securities) . Additionally, equity markets can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of Arena REIT.

(b) Distribution guidance
No assurances can be provided in relation to the payment of future distributions. Future determinations as to the payment of distributions by Arena REIT will be at the discretion of Arena REIT and will depend upon the availability of profits, the operating results and financial conditions of Arena REIT, future capital requirements, covenants in relevant debt facilities, general business and financial conditions and other factors considered relevant by Arena REIT. No assurance can be given in relation to the level of tax deferral of future distributions. Tax deferred capacity will depend upon the amount of tax depreciation available and other factors.

(c) Trading liquidity
Liquidity of Arena REIT Stapled Securities (including New Stapled Securities) will be independent on the relative volume of buyers and sellers in the market at any given time, which may be impacted by various factors. Large Stapled Security holders choosing to trade out of their positions may also affect the market by absorbing trading liquidity.

(d) Dilution risk
As Arena REIT issues Stapled Securities (including New Stapled Securities) to new Investors, existing Stapled Security holders proportional beneficial ownership in the underlying assets of Arena REIT and proportional entitlement of any distributions may be reduced.

(e) Funding
Arena REIT's ability to raise funds from either debt or equity sources in the future depends on a number of factors, including, the state of debt and equity markets, the general economic and political climate and the performance, reputation and financial strength of Arena REIT.

Other risks related to Arena REIT and property fund investments

(a) Interest rates
Unfavourable movements in interest rates relating to Arena REIT's debt facilities could lead to increased interest expense, to the extent that interest rates are not hedged.

(b) Banking obligation risk
Under Arena REIT's debt facilities, Arena REIT is subject to a number of undertakings and covenants, including in relation to gearing levels and interest cover ratios. An event of default would occur if Arena REIT fails to maintain these financial covenants. This may be caused by unfavourable movements in interest rates (to the extent interest rates are not hedged) or deterioration in the income or the value of Arena REIT's investments. In the event that an event of default occurs, the lender may require immediate repayment of Arena REIT's debt facilities. Arena REIT may need to dispose of assets for less than valuation, raise additional equity or reduce or suspend distributions in order to repay Arena REIT's debt facilities, if this occurs.

(c) Financing
There is a risk that Arena REIT may not be able to refinance its debt facilities and/or interest rate hedge before expiry or may not be able to refinance them on substantially the same terms as Arena REIT's existing facility and/or hedge instruments.

(d) Gearing
Arena REIT's gearing level will magnify the effects of any changes in interest rates or changes in property values or performance measures. If the level of gearing increases over the term of Arena REIT's debt facilities, this may affect the ability of Arena REIT to refinance its debt facilities

(e) Litigation
Arena REIT may in the ordinary course of business be involved in possible litigation and disputes (for example, tenancy disputes, development disputes, occupational health and safety claims or third party claims). A material or costly dispute or litigation may adversely affect the operational and financial results of Arena REIT.

(f) Tax and stamp duty
Changes in tax or stamp duty law or changes in the way tax or stamp duty law is expected to be interpreted in Australia may adversely impact Arena REIT's financial performance and the value of Arena REIT securities.

International offer restrictions

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- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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