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Acquisition – Lewis Fields Retirement Village, Strathalbyn South Australia

Aspen Group (ASX: APZ) ("**Aspen**") is pleased to announce that it has entered into conditional contracts to acquire the Lewis Fields Retirement Village ("**Lewis Fields**") in Strathalbyn, South Australia. Settlement is expected to occur in June 2021.

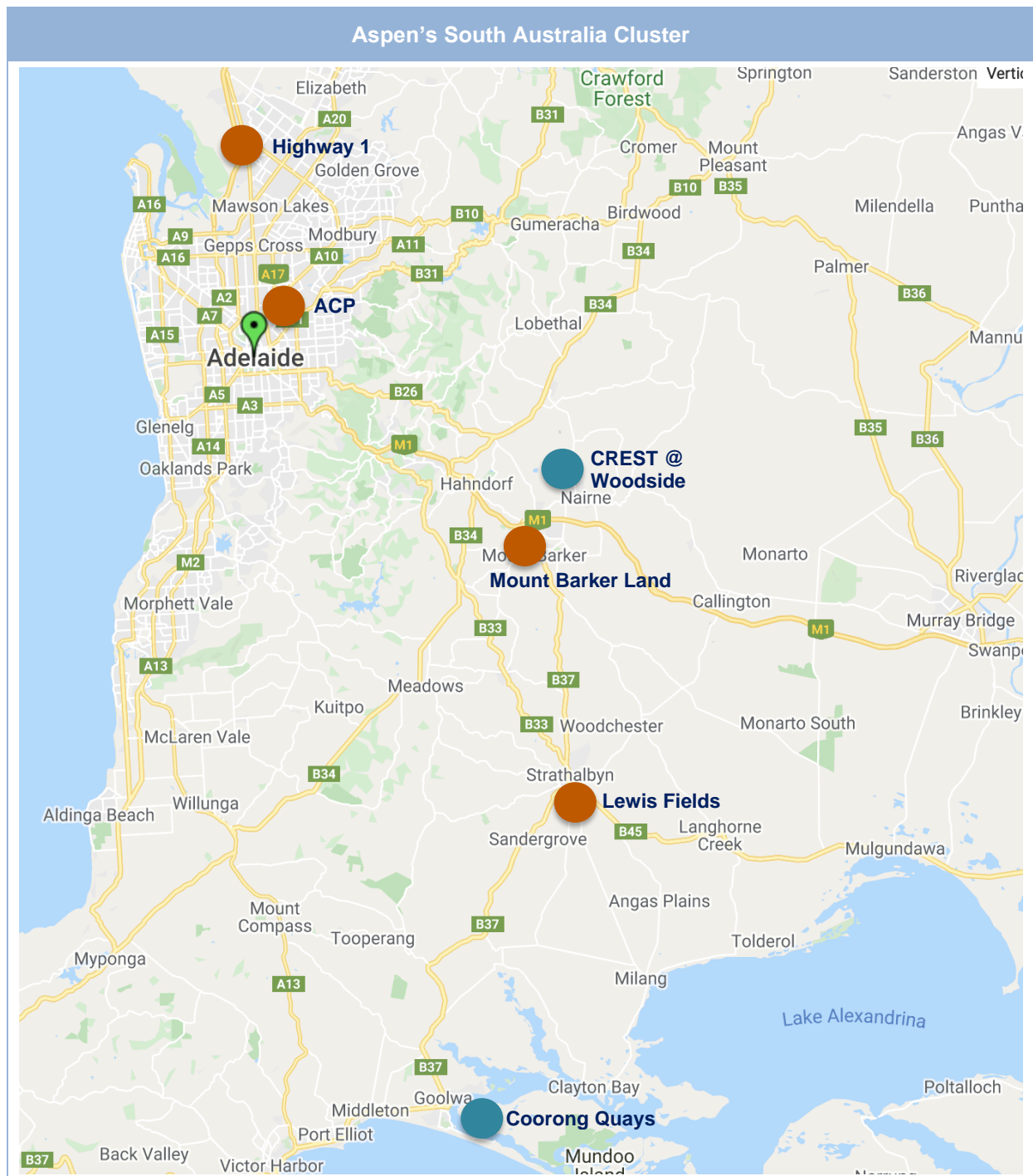
This is Aspen's fifth acquisition in FY21, adding to the Group's substantial cluster in South Australia alongside Adelaide Caravan Park, Highway 1, Mount Barker land site, Coorong Quays Hindmarsh Island ("**CQ**")¹ and CREST at Woodside¹. The acquisition increases Aspen's approved sites to 2,745 representing growth of more than 25% in FY21.

Lewis Fields Retirement Village



1: Owned by Funds managed by Aspen

Strathalbyn is a heritage town that offers an attractive lifestyle in the Adelaide outskirts between Mount Barker and CQ. The town is 55kms and a 50-minute drive from the Adelaide CBD. Lewis Fields and CQ are within the LGA of Alexandrina Council whom we have worked successfully with to date to improve CQ. We expect our experience in the retirement sector and our quality local team of employees, consultants and contractors to add substantial value to Lewis Fields and its residents.



- Owned by Aspen Group
- Owned by Funds managed by Aspen

Strathalbyn's socio demographics sit between Mount Barker LGA with its high proportion of relatively young family households and the southern portion of Alexandrina LGA (eg. Goolwa, Hindmarsh Island) with its large proportion of older retirees (2016 census):

2016	Australia	Mount Barker LGA	Strathalbyn	Alexandrina LGA
Population	23.4m	33,379	7,362	25,873
Median age – years	38	39	45	51
% Population >50 years	34%	35%	43%	51%
Population growth 2011-2016	8.8%	12.2%	10.9%	9.2%
Average number of people per household	2.6	2.6	2.5	2.3
Degree/diploma educated	31%	28%	22%	22%
Median household income – weekly	\$1,438	\$1,425	\$1,226	\$992
Unemployed	6.9%	5.2%	5.0%	5.8%

Lewis Fields Retirement Village

Lewis Fields is the premier retirement village in Strathalbyn and the only one under development and offering new houses. The property spans 3.7 hectares and is approved for a Retirement Village with 80 houses of which 26 have been built to date. The community building and surrounding gardens have also been completed and site infrastructure is in place for the next 4 houses. The average age of the residents is around 79 years.

All of the existing houses are occupied under a traditional retirement village 'loan/lease' agreement with total exit fees of up to 37% (25% deferred management fees ("DMF") and 12% capital replacement fund contribution). Recent resales of the houses have been priced around \$300,000 equating to total exit fees of up to \$111,000 per house. The residents also pay for nearly all of the costs of operating and maintaining the village.



Aspen's Plan

Our aim is to provide the accommodation on more competitive terms whilst still generating attractive investment returns.

We propose to develop and sell the remaining 54 houses under a land lease community model ("LLC") as we believe it is a more attractive product for customers. Under the LLC model the customer owns their house and they may be eligible for Commonwealth Rent Assistance to cover some of the land rent. For the existing village residents, we plan to reduce total exit fees to around 20% which, upon re-leasing, should make the houses more appealing to incoming residents and result in outgoing residents receiving higher proceeds.

We restructured our Fund's Alexandrina Cove Lifestyle Village at CQ along similar lines and this has resulted in higher sales prices and volumes, and attractive returns for our investors.

Strathalbyn is a small but growing market, so we expect the sales rate to be only a handful a year in the near term. However, the purchase still makes sense for Aspen as we can manage both Lewis Fields and our proposed new LLC at Mount Barker with the same personnel. Additionally, we can offer our customer base the choice between three high quality communities in the region with different lifestyle options – Adelaide Hills, heritage country township, and river/oceanside.

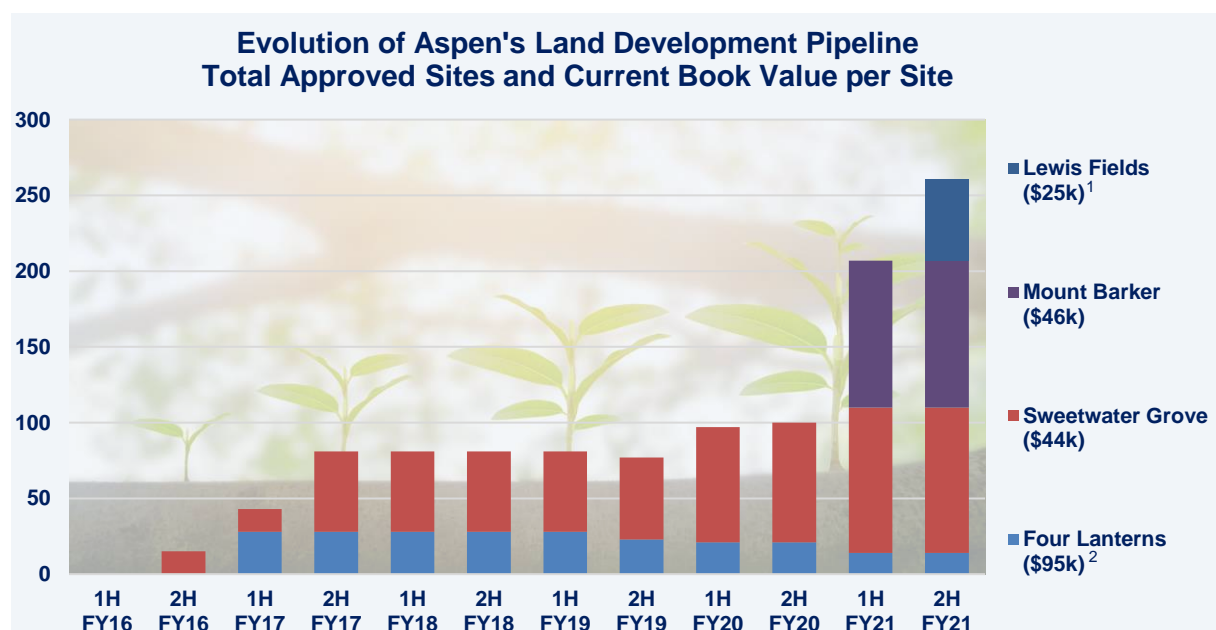
Pricing

The purchase price is \$2.36 million (excluding refundable GST and transaction costs), equating to about \$30,000 per approved site including the existing 26 dwellings under retirement village contracts.

The existing dwellings have a current re-leasing value of around \$7.8 million (\$300,000 per dwelling) in our opinion, which equates to accrued exit fees payable under the existing leases of about \$2.4 million. These fees would reduce to around \$1.5 million under our proposal to reduce total exit fees to 20% assuming the re-leasing value of the retirement village houses does not improve. The reduction in exit fees will be contingent on Aspen gaining approval to develop the rest of the community under a land lease model.

We believe the current market value of the spare land is at least \$1.35 million or \$25,000 per approved site. This low entry price enables us to develop and sell quality houses at a very competitive price, while generating attractive development margins and total investment returns.

This latest acquisition increases Aspen's land development pipeline to 261 sites across four projects at an average book value of approximately \$44,000 only.



1. Lewis Fields is Aspen's valuation estimate - property has not yet been externally valued.

2. Four Lanterns land sites are fully developed with all infrastructure in place.

The acquisition will initially be funded with debt. As foreshadowed at our recent half year financial results, we have started to recycle equity from other parts of our portfolio and have now settled contracts for the sale of two houses in Perth at an average price of \$425,000 equating to a net margin of approximately \$90,000 per house.

We expect the acquisition to be accretive to both NAV and EPS over the medium term.

Announcement authorised by the Board of Aspen Group Limited.

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