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Acquisition – Wodonga Gardens Retirement Estate

Aspen Group (ASX: APZ) (“**Aspen**”) is pleased to announce that it has entered conditional contracts to acquire the Wodonga Gardens Retirement Estate (“**Wodonga Gardens**”) in West Wodonga, Victoria from Wodonga Gardens Retirement Estate Pty Ltd. Settlement is expected to occur in August 2021.

The acquisition will increase Aspen’s retirement assets¹ to seven across four states and land development pipeline by 49% to 370 approved sites.

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

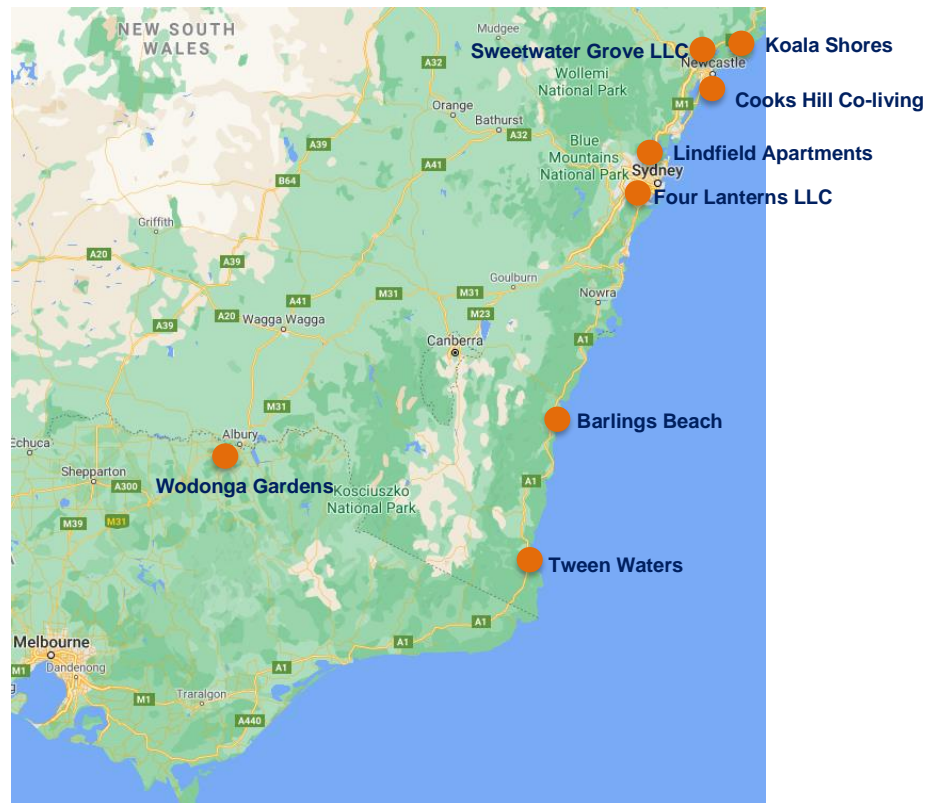


¹ Including Mount Barker, SA (STCA) and Alexandrina Cove Lifestyle Village in Coorong Quays, SA which is managed by Aspen.

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Location

West Wodonga is located within the NSW-Victoria border region of Albury-Wodonga. Wodonga is on the Victorian side of the border and is about 3.5 hours by car and express train to the Melbourne CBD. It is about 3.5 hours by car to Canberra. The region is serviced by Albury Airport with flight times of 55 minutes to Melbourne and 75 minutes to Sydney.



The Significant Urban Area (SUA) of Albury-Wodonga is around the 20th largest in Australia with a population of approximately 100,000 people. It is a major regional hub with a diverse economy and its socio demographics are typical of Australian averages (2016 census):

| 2016 | Australia | Albury Wodonga SUA | West Wodonga SA2 |
|---|-----------|--------------------|------------------|
| Population | 23.4m | 89,007 | 14,955 |
| Median age – years | 38 | 38 | 37 |
| Population >50 years | 34% | 35% | 34% |
| Population growth 2011-2016 | 8.8% | 11.1% | 2.6% |
| Average number of people per household | 2.6 | 2.4 | 2.5 |
| Professional Workers – % of total | 22% | 18% | 16% |
| Technician and Trades Workers - % of total | 14% | 16% | 15% |
| Clerical & Administration Workers - % of total | 14% | 13% | 14% |
| Community & Personal Service Workers - % of total | 11% | 13% | 13% |
| Median household income – weekly | \$1,438 | \$1,213 | \$1,315 |
| Unemployed | 6.9% | 6.5% | 5.7% |

Wodonga Gardens Retirement Estate

Wodonga Gardens is the largest retirement village under development in Albury-Wodonga. The property spans 8.8 hectares and is approved for a Retirement Village with 172 houses of which 51 have been built and leased to date. It has a large, good quality community building which was completed in 2020, and road and site infrastructure is in place for approximately the next 20 houses. The average age of the residents is about 75 years.

The existing houses are occupied under a traditional retirement village 'loan/lease' agreement with total exit fees of up to 36%. Recent sales of the houses have been priced around \$300,000 on average equating to average total exit fees \$108,000 per house.

Aspen's Plan

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

We are considering developing and selling future houses under a land lease community model (LLC) as we believe the product is more appealing to 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 could reduce total exit fees to around 25% 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.

Albury-Wodonga is a large and growing market, and we expect to be able to develop and sell at least 10 houses per annum, which is consistent with the sales rate over the past few years. There are currently holding deposits for 8 new homes for the next stage that has not yet commenced.



Pricing

The purchase price is \$6.01 million (excluding transaction costs), equating to about \$35,000 per approved site including the existing 51 dwellings under retirement village contracts.

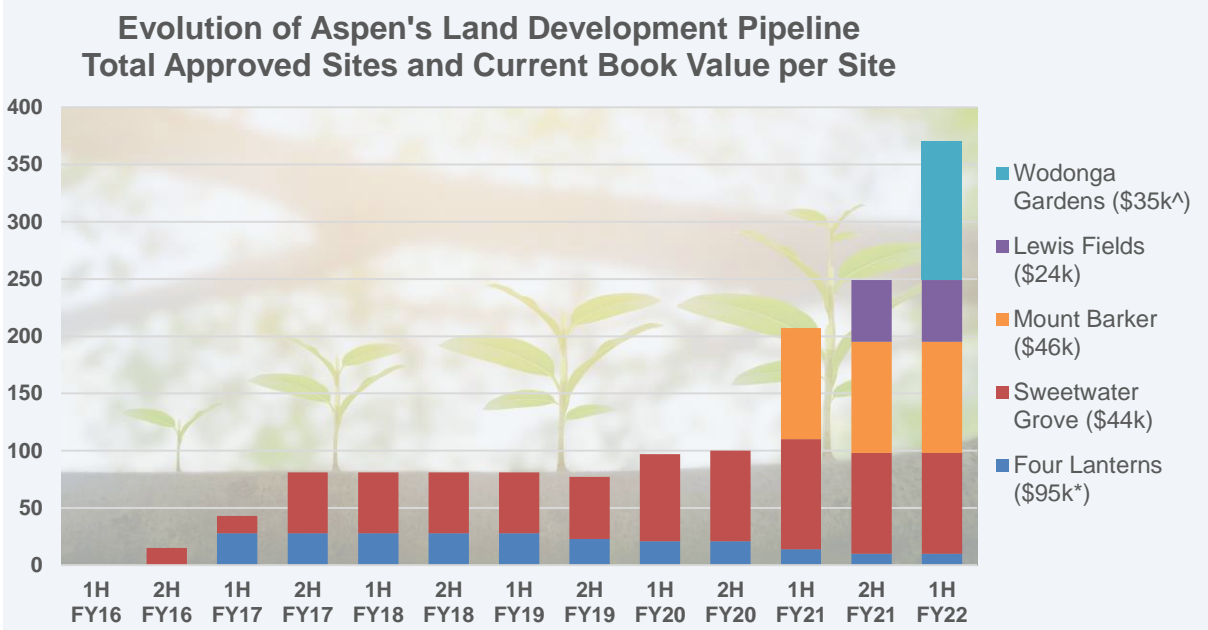
The existing dwellings have a current re-leasing value of around \$15.3 million (average of \$300,000 per dwelling) in our opinion, which equates to maximum exit fees payable under the existing contracts of about \$5 million. These fees would reduce to about \$3.8 million if we reduced total exit fees to 25%,

assuming the re-leasing value of the retirement village houses did not improve. Any reduction in exit fees would 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 \$4.25 million or \$35,000 per approved site. This attractive entry price enables us to develop and lease or sell quality houses at a very competitive price, while generating attractive development margins and total investment returns.

Continued Growth in Aspen’s Development Pipeline

This latest acquisition increases Aspen’s land development pipeline by 49% to 370 approved sites across three states and five projects at an average book value of approximately \$40,000 only.



^ Wodonga Gardens is Aspen’s valuation estimate – property has not yet been externally valued
 * Four Lanterns sites are fully developed with all infrastructure in place

Funding

The acquisition will initially be funded with debt. We continue to selectively redeploy capital from our Perth residential portfolio where it is more beneficial to sell than to re-lease once tenants vacate and refurbishment works are completed. We have so far settled the sale of five houses and entered into conditional contracts on another four at an average price of \$440k and average profit margin per house of \$104k after all costs.

Announcement authorised by the Board of Aspen Group Limited.

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