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**ASX ANNOUNCEMENT
20 May 2020**

**Aspen Group
Acquisition of Newcastle Co-Living Community**

Aspen Group (which comprises Aspen Group Limited and Aspen Property Trust) (ASX: APZ) ("**Aspen**") is pleased to announce that it has entered into a contract to acquire a partially refurbished co-living community at Cooks Hill, Newcastle, NSW under a liquidator's sale.

Newcastle is NSW's 2nd largest metropolitan area and it has a very diverse economy. Cooks Hill is one of Newcastle's premium suburbs located between the CBD and coastline. This residential building is currently operated as a co-living community with 55 rooms that are suitable for singles. It is part way through a refurbishment and only about 60% occupied. We intend to complete the refurbishment of the community areas, and combine some units and add en-suites, to enhance the accommodation offer and tenant mix. There is also the potential to add more "affordable rental housing" floorspace to the site under current planning guidelines and develop the entire site for higher and better use in future.

The purchase price is \$3.75 million, and settlement is expected to occur in 6 weeks. Total all-in cost after refurbishment is expected to be approximately \$4.75 million, equating to \$116k per unit (under a 41-unit scheme) and \$3,167 per sqm of dwelling area. Net rental yield on cost is expected to be about 4.5-5.0% upon completion at gross rents of \$175-200 per week, which is about half the rent of one-bedroom units in Cooks Hill (realestate.com.au).

This acquisition follows the Burleigh Heads acquisition and reinstatement of earnings and distribution guidance announced on 18 May 2020. We expect to be able to continue to grow Aspen's business and portfolio profitability in future and we believe the opportunities will increase during this economic downturn.

Please find attached a presentation with more details.

END

Announcement authorised by the Board of Aspen Group Limited.

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Acquisition of Cooks Hill, Newcastle

Co-Living Community

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20 May 2020
Newcastle, NSW



Cooks Hill, Newcastle Co-Living Community

Aspen has entered into a contract to acquire a residential building located in Newcastle through a liquidator's sale

- Location: 82 Parkway Avenue, Cooks Hill, NSW
- Land: Freehold – 1,948 square metres
- Building: 3 levels totalling c.1,500 sqm floorspace

Background

- Originally purpose-built by YWCA
- Currently configured and operated as a co-living community with 55 single units (four with en-suites)
- Significant communal lounge, dining and bathroom areas
- Vendor fell into receivership while property was being refurbished

Strategy

- Leverage Aspen's platform and skills in operating and developing communities with varied lease duration (long and short stay)
- Complete refurbishment - change mix of unit types by combining some units and adding en-suites, and enhance shared communal facilities in order to improve the community and diversify the tenant base
- Lease on competitive terms - low end of Newcastle market
- Longer term development into higher and better use



82 Parkway Avenue, Cooks Hill



Video: https://youtu.be/R_XpqhmZNul

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Cooks Hill - Investment Case

Growing Aspen's Newcastle region cluster alongside Sweetwater Grove (Tomago) and Koala Shores

Newcastle:

- Australia's 7th largest and NSW's 2nd largest metropolitan area
- Population of 460k increasing at over 13k / 3% per annum (SUA*)
- High level of local infrastructure and facilities: employment hub, retail, education, medical, recreation & entertainment

Cooks Hill (SA2*):

- Above average sociodemographic compared to Australia and rest of Newcastle region with relatively high housing costs (ABS 2016 Census – median comparisons to Australia):
 - age 37 – 1 year younger
 - household income of \$1,648 per week - 15% higher
 - mortgage repayment of \$462 per week - 14% higher
 - rent of \$380 per week - 7% higher

Provision of co-living units on competitive terms in one of Newcastle's premium residential suburbs:

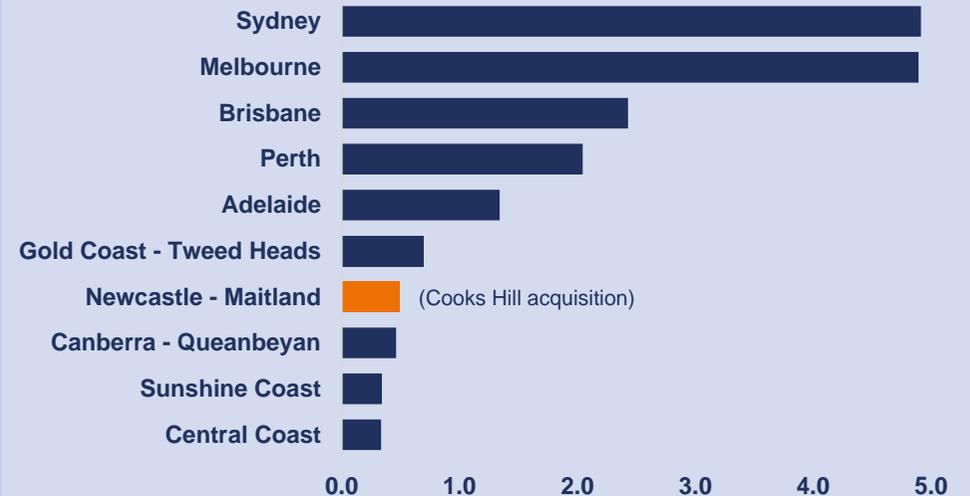
- Shared communal facilities reduce unit sizes and accommodation cost
- Aiming for optimal blend of unit types and tenant mix

Potential to develop additional units on excess land or redevelop whole site

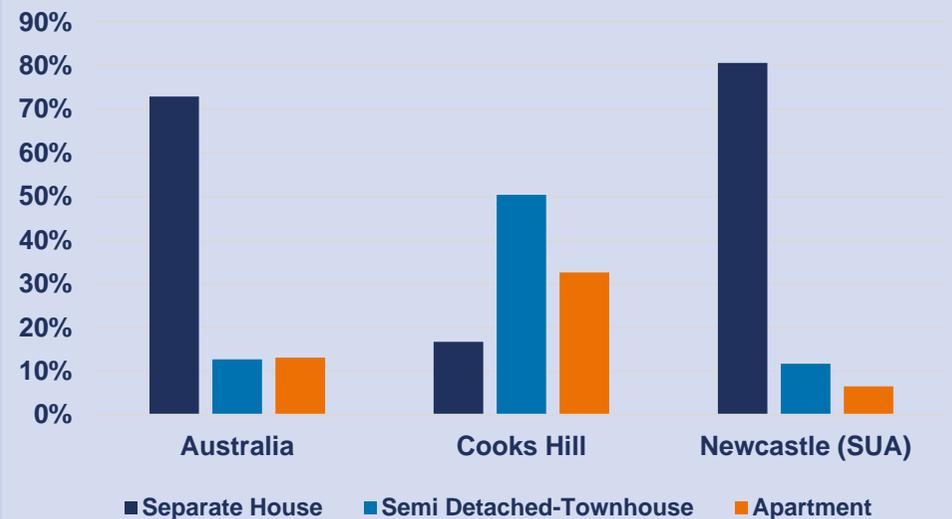
Further de-risking of Aspen's portfolio – increased weighting to metropolitan locations, longer term rentals, more liquid markets

Expected to be accretive to NAV and EPS post development completion

Population - Australia's Largest Significant Urban Areas (millions)



Dwelling Split



Cooks Hill - Investment Case

Pricing

Acquisition cost of \$4.00m (including transaction costs):

- \$73k per unit (currently 55 units)
- \$2,667psm of gross building area

Expected refurbishment cost of \$0.75m taking total development cost to \$4.75m, equating to:

- \$116k per unit (41-unit scheme)
- \$3,167psm of gross building area

Estimated Net Yield on Completion of Refurbishment

- Gross rent of \$175 - \$200 per week
- Net Operating Income of c. \$0.20-0.25m at a margin of 60-65%
- Expected Net Yield: 4.5-5.0% on cost

Development Potential

- Current planning may allow ~1,000sqms of additional floorspace as affordable rental housing
- Potential for higher and better use - nearby new 1 bedroom units sell for c.\$500k and 4 bedroom townhouses for c.\$2m

Funding

- Acquisition expected to be debt funded – pro forma LTV of 35% (including Burleigh Heads)

Volume of Sales by Price Category

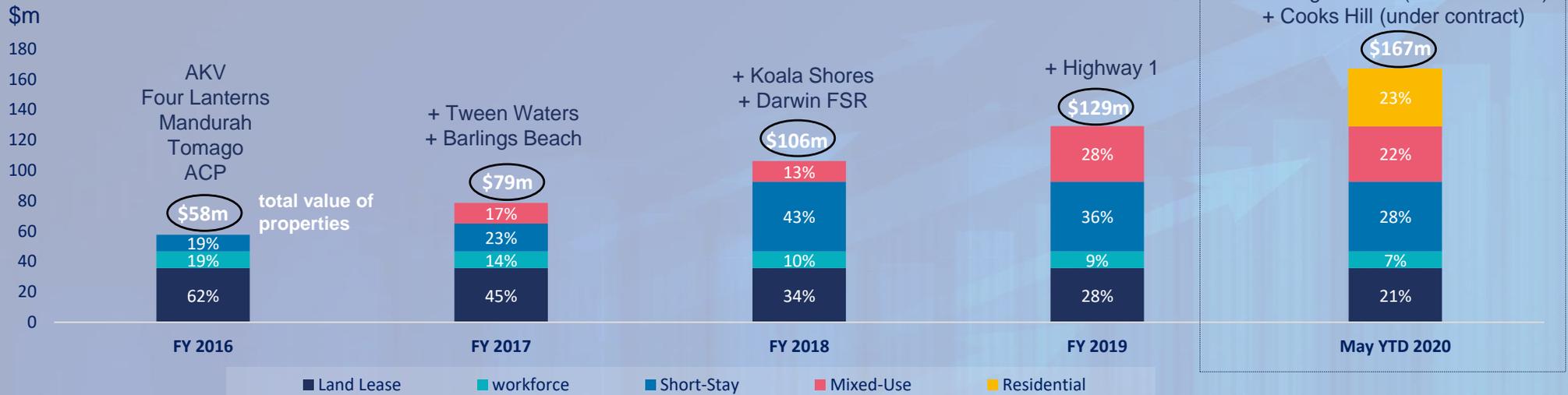


Cooks Hill - Average Rents

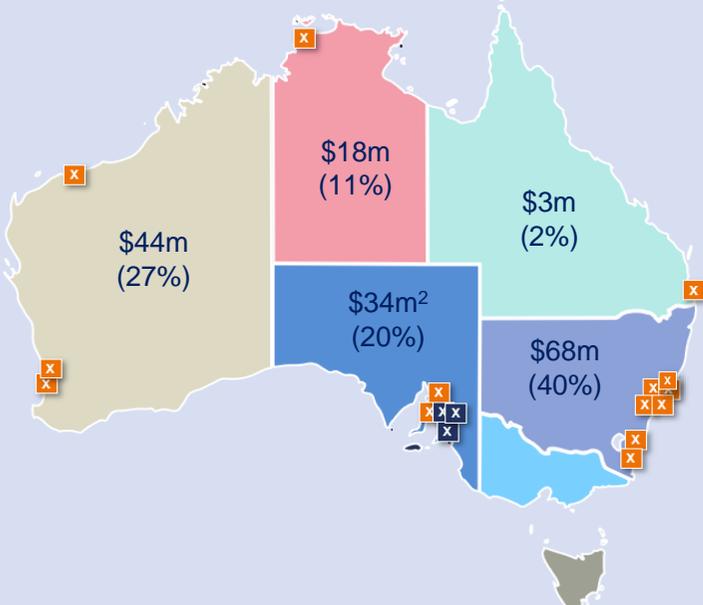


Aspen's Portfolio Growth

Portfolio Composition¹ and Acquisition History



Location of Portfolio¹



Property Type by Location¹



Metropolitan
(61%)

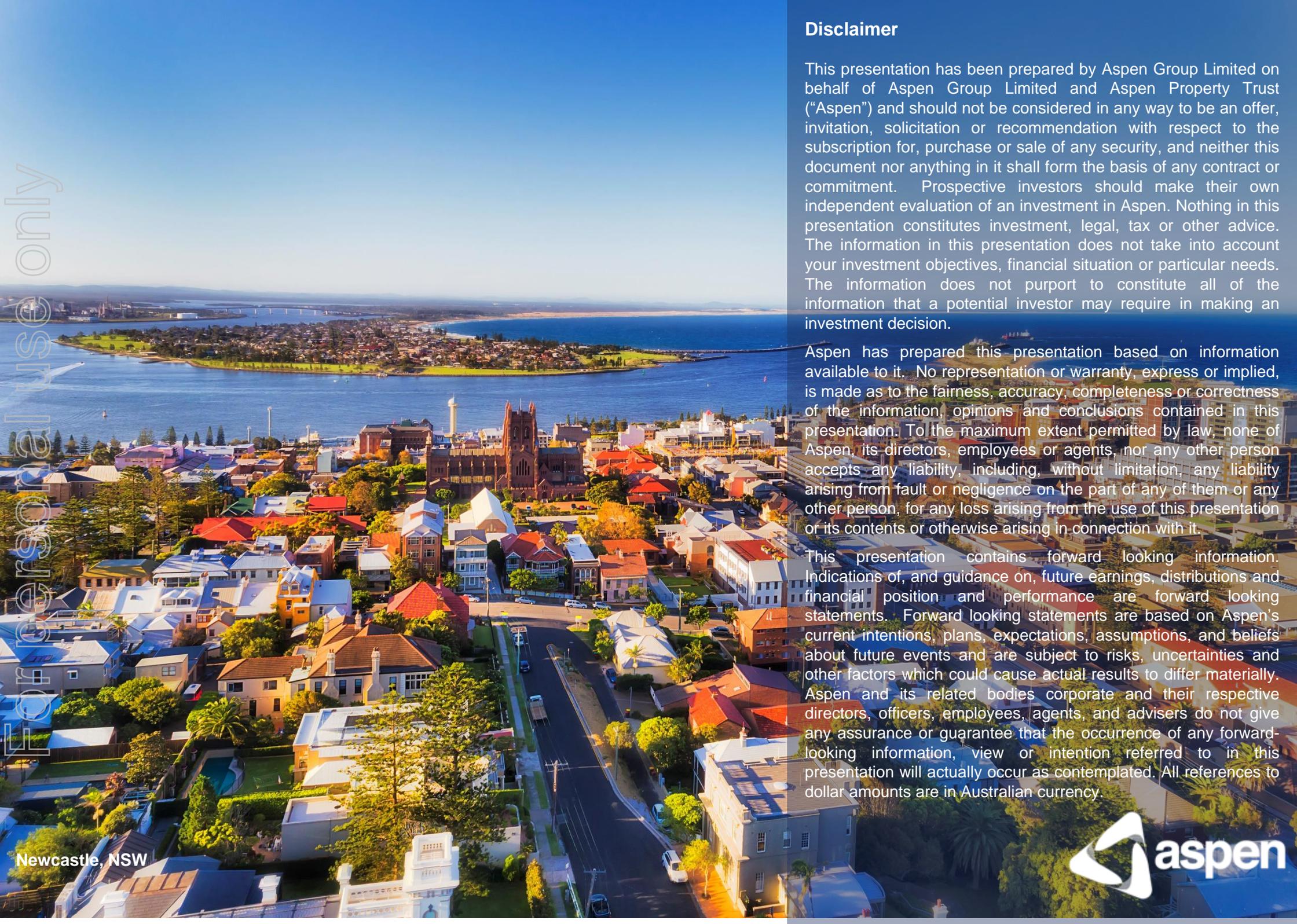
Regional
(39%)



1: Value weighted based on book values at 31 Dec 2019, also includes Burleigh Heads and Cooks Hill acquisitions at cost - both are currently under contract

2: Excludes value of CREST, Rockleigh and Coorong Quays which are managed by Aspen Group and owned by Funds

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Newcastle, NSW

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