ASX / Media Release

27 May 2014

Ingenia Group Update

Highlights:

- Federal budget changes relating to the pension and the retirement sector not expected to materially impact Ingenia's business
- Lifestyle Parks demand and margins remain strong
- Initial supply bottleneck of new manufactured homes will push some settlements into early FY15
- Significant deal flow in place for NSW park acquisitions and active assessment of South East QLD market
- Garden Villages portfolio occupancy continues to trend upwards closing at 81.5%
- Momentum in DMF sales continues with strong growth in second half settlements
- NZ portfolio sale progressing with detailed negotiations underway
- Recognition of deferred tax benefit of at least $7m in FY14 which equates to 1.04 cents per security in NAV
- Ingenia to reinstate its Distribution Reinvestment Plan (DRP) for securityholders

Ingenia Communities (ASX: INA) today provides a group update on its operational performance and capital management initiatives ahead of its FY14 full year results release on 26 August 2014.

Impact of Budget on Operations

The Federal Budget released on 13 May 2014 included a number of changes relating to the pension, retirees and the sector in which we operate. Changes to the age pension and the National Rental Affordability Scheme (NRAS) are not expected to materially impact on Ingenia's business.

Budget changes include increasing the pension age from the current 67 to 70 by July 2035 and indexing of the age pension to the consumer price index rather than wages growth from September 2017. The exclusion of the family residence from the pension asset test remains unchanged. Revisions to the aged pension indexation base which is typically our reference for increasing Garden Villages rents may have a slight impact on revenue growth, however we expect the impact on Ingenia's business in the short to medium term to be very minor.

The Government also announced the discontinuation of the National Rental Affordability Scheme (NRAS) incentive funding. Ingenia currently has 17 residents tenanted under this scheme at one of our rental villages, Marden Gardens in Queensland. The budget cut does not affect the current tenanted NRAS units at our village, and the discontinuation of the scheme will not materially impact our rental earnings as management is confident in re-leasing any vacated units through strong local demand.

Lifestyle Parks (manufactured home estates) Portfolio

Ingenia now has the leading position in NSW with 15 Lifestyle Parks acquisitions representing 2,166 permanent and short term sites, and a growing development pipeline of over 930 sites, many of which have existing development approvals.

While delivering immediate rental yield from the date of acquisition, there is a period of typically six to nine months required for site planning, repositioning and delivering of new homes at each park. New acquisitions are currently being integrated and will contribute to earnings growth in the second half and beyond.

To date we have sold nine new manufactured homes at an average sale price of $257,000, three of which were sold in the first half of FY14. A further two new home sales are likely to settle by 30 June 2014.

The Group currently has 25 new homes under construction, with a further 18 to be ordered before 30 June 2014. This includes five homes to be ordered for the recently acquired Town and Country Estate in Marsden Park NSW. Development margins remain broadly consistent with those recorded in the first half.

As part of the site optimisation strategy to maximise development upside and yields, the Group has also recently bought back 22 older generation homes for approximately $0.45 million ($21,000 per home). This will bring forward the Group's ability to create new home precincts in parks such as Macquarie Lakeside Village.

Ingenia has experienced some delays in getting new homes into its communities as it expands its home suppliers from one to six builders. These delays relate to finalising planning approvals for the redevelopment of parks as well as delays in procuring new homes. Our development team has been coordinating the finalisation of floor plans, materials and finishes selections, transportation and installation logistics. In the first stages of delivering new homes to a recently acquired community, it is critical to ensure there is consistency in quality of product and presentation. Demand for our new manufactured homes remains encouraging with 24 qualified leads received to date, of which a high proportion is expected to convert into contracts.

Ingenia CEO Simon Owen said "The demand and margins available for quality yet affordable manufactured homes are exceeding our initial feasibility expectations but unfortunately we are presently experiencing initial supply chain delays which are expected to be resolved in the coming months. Some sales previously anticipated for the second half are now likely to be pushed into the first quarter of FY15. To date there are no homes which have been delivered and installed that have not been sold or deposited and reserved."

Mr Owen continued, "What Ingenia is currently experiencing is a temporary supply delay and not a lack of demand."

Below is a summary of the sales achieved YTD to 27 May 2014

	New Sales	Refurbished Sales	Contracted & Reserved	Available Stock	Homes under construction
Total:	**9**	**2**	**5**	**-**	**25**

With a growing development pipeline of more than 930 homes, management reaffirms its medium term target of achieving a sales rate of 240 manufactured homes per annum.

The Group has a significant deal flow in place in the NSW market and anticipates announcing further acquisitions in the coming months. Management has also commenced a detailed assessment of the South East QLD market and already has several opportunities under exclusivity or due diligence.

Garden Villages Portfolio

The Garden Villages portfolio continues to perform to expectations with occupancy now at 81.5% (was 79.6% on 30 January 2014 including the five distressed rental villages that settled in that month). On a same store basis (excluding the recent acquisition of five villages), occupancy is 87.4% which represents an all time high.

Management continues to differentiate its service offering from its competitors with fully internalised village management, in-house sales and marketing training, quality onsite prepared meals and continuing investment in popular health and wellness programs being rolled out across the portfolio of communities.

The expanding Ingenia Care Assist program now has 142 participating residents. Since its program launch in October last year, we have achieved 44 move-out saves and 23 new resident move-ins. This equates to circa $1.3m in annualised gross income for FY14 with the project now strongly cash flow positive.

Deferred Management Fee (DMF) Portfolio

Sales remain steady in the DMF portfolio with 42 new settlements achieved to date for FY14 and 12 deposits in place. Management reaffirms a solid second half performance with settlements trending strongly and improved sales performance across the Queensland and Western Australian markets.

Whilst this portfolio is delivering to expectations, the Group has commenced a strategic review and is assessing the sale of select villages to recycle the capital to higher yielding opportunities within the Lifestyle Parks sector.

NZ Update

A marketing campaign for the portfolio sale is progressing with strong interest received. Detailed negotiations with several interested parties are underway.

Recognising Tax Benefit

Ingenia has historical tax losses which were previously not recognised on balance sheet. Following Ingenia's formation of a tax consolidated group in 2013, these tax losses can now be recognised and utilised against the taxable earnings from the new Lifestyle Parks (manufactured home estates) portfolio in the short to medium term. This will result in an additional deferred tax benefit being booked of at least $7 million in FY14, which equates to 1.04 cents per security in Net Asset Value (NAV).

Reinstatement of DRP

With continuing growth in the pipeline of accretive acquisitions and development, and the Group's consistent delivery of distributions, the Board and management are pleased to announce a reinstatement of the INA Distribution Reinvestment Plan (DRP). The DRP provides securityholders with the option to reinvest either all or part of their distribution payments into additional fully paid INA securities in a convenient and cost effective manner, without incurring brokerage fees.

Attached is a letter which will be sent to securityholders shortly advising them of the reinstatement of the DRP. Also attached are the rules of the DRP. It is expected that the DRP will be effective at the record date of the distribution in relation to the financial year ending 30 June 2014.

Accordingly, all securityholder DRP participation elections must be received by the Group's share registry, Link Market Services Limited, on or before the business day following the record date to be effective for the June 2014 distribution.

A copy of these documents can also be viewed on Ingenia's website www.ingeniacommunities.com.au

Ingenia will be releasing its FY14 full year results on 26 August 2014.

About Ingenia Communities Group

Ingenia Communities Group (ASX: INA) is a leading operator, owner and developer committed to providing quality affordable seniors housing to older Australians. The Group has 58 villages across Australia, comprising over 3,800 homes. In September 2013, the Group was included in the S&P/ASX 300.

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