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ASX ANNOUNCEMENT 16 February 2011

ASPEN GROUP SECURES AUSTRALIAN TAXATION OFFICE BUILDING

Australian ASX listed property investment and funds management company Aspen Group (**ASX: APZ**) is pleased to announce it has entered into an agreement, which is subject to finance, for the acquisition of the Australian Taxation Office Building ("ATO Building"), within the Central Business District of Adelaide, South Australia.

The ATO Building (previously referred to as "Tower 8") is a major office tower development of approximately 36,700 sqm of net lettable area. It forms part of Aspen Development Fund No.1's (ADF) impressive Adelaide City Central precinct. ADF is a development fund of which Aspen Group is fund manager and is the major shareholder.

The key benefits for Aspen Group in acquiring the tower project are:

- Ownership of a 100% leased A-grade office building, of which 98.5% is pre-committed to the Australian Tax Office (30,860 sqm) and Australia Post (5,300 sqm), and a weighted average lease expiry (WALE) on the building of 14.4 years
- Expected starting net operating income of \$14.3 million, representing an initial passing yield of 7.8%
- Expected valuation upside on completion based on blue chip tenants, long term WALE and 5 star Green Star as designed and 4.5 star NABERS ratings
- Forecast 5 year equity IRR (post practical completion) of 17% pa
- Substantial increase in the Group's investment property portfolio WALE from 2.4 yrs to 6.7 years on completion

Aspen Group Managing Director Mr Gavin Hawkins said, "The ATO Building will be a landmark investment grade asset in the Adelaide CBD with a blue chip tenancy profile and a long term WALE, and represents an excellent acquisition strategically for the Group."

The agreement provides for Aspen Group to purchase the land from ADF and fund the construction of the building that will be developed by ADF. The total cost to Aspen Group on completion of the ATO Building is approximately \$183.7 million, incorporating holding costs calculated at a rate of 9% pa on funds provided to ADF for the development. The total net cash outlay for Aspen Group is approximately \$164 million, of which Aspen has already provided \$18 million. The debt component of the total funding requirement is expected to be around \$115 million.

Whilst the acquisition is conditional on securing debt funding, Aspen Group has provided guarantees totalling \$70 million that support ADF's obligations with regard to the development of the building. Of these guarantees, \$60 million are to the builder and are required to keep the development timetable on track and will be fully extinguished once debt funding is in place.

Mr Hawkins said, "The benefits to the Aspen Group of acquiring the asset are very compelling from a standalone investment perspective and also supports our investment in ADF of which we are the major shareholder. The issue of the guarantees prior to obtaining debt funding allows the project to proceed within the development timetable and we are confident of securing the senior debt funding in the short term."

"The ATO Building is being constructed by the same Tier 1 builder that successfully delivered ADF's two previous commercial towers in the Adelaide City Central precinct. The development is currently on schedule and importantly all of the in-ground earthworks and foundation works have been completed, significantly reducing the risk of the remainder of the construction program and a major milestone for debt financiers." Mr Hawkins added.

If finance is not secured and the acquisition does not proceed, then ADF will be required to return to Aspen Group all funding provided to that time and fund the remainder of the development. This would most likely require ADF to source alternative funding or procure an alternative purchaser for the ATO Building. There is no certainty or guarantee that ADF will be able to achieve this and failure to do so may result in some or all of the above mentioned guarantees, and the guarantees referred to in the ASX announcement "*Aspen Extends Debt Facilities*", also dated 16 February 2011, being called on.

Funding of the equity component of the purchase will be through Aspen Group recycling assets from within its existing portfolio, which is consistent with Aspen Group's investment strategy as outlined in the address and presentation at Aspen's 2010 AGM. To this end, Aspen has successfully sold and settled 564 St Kilda Rd (Melbourne) on 11 January 2011 for \$33.3 million and expects to sell at least one further investment property asset to complete the equity component of the development cost.

Mr Hawkins confirmed that a robust due diligence process was conducted by Aspen Group including obtaining an independent expert report and independent valuation to support the arm's length commerciality of the transaction.

The acquisition of the ATO Building with expected funding arrangements, and the sale of assets including St Kilda Road, are expected to be marginally accretive to Aspen's FY2011 operating earnings. Going forward, the expectation of reduced funding costs through lower margins and lower capital expenditure (due to a higher quality portfolio), should lead to an improved longer term earnings outlook.

Background to ADF and the ATO Building Development

ADF secured the ATO as tenant in March 2010 (refer ASX announcement “*Aspen Development Fund Secures Australian Taxation Office for New \$200m Office Tower*”, dated 17 March 2010) and under this agreement ADF is required to complete the development by October 2012.

Consistent with the approach adopted with previous office tower developments within the Adelaide City Central precinct, ADF had undertaken a comprehensive marketing campaign to secure a pre-sale of the ATO Building complete with development funding. ADF had not been able to secure a partner to acquire and pre-fund the development as was successfully done on its previous office projects.

This provided Aspen Group with the opportunity to assess the ATO Building from an investment perspective in line with its strategy of recycling certain assets within its existing property portfolio into higher grade properties in primary office markets. With detailed knowledge of the project's strong fundamentals and a comprehensive due diligence process, the transaction provided a compelling opportunity for Aspen Group to not only improve the quality of its investment property portfolio, but to secure an A-Grade asset that will provide a secure long term revenue stream for the Group.

End

For further information please contact:

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About Aspen Group

Aspen Group is an ASX listed property investment and funds management group, focused on acquiring quality property assets and creating and managing innovative property funds and syndicates. Formed in 2001, Aspen is a member of the S&P/ASX 300 index with assets under management of approximately A\$1.4 billion.

Aspen's core strength lies within the Group's broad expertise across property acquisition, development and management enabling the Group to provide leading edge property solutions.

Aspen directly owns and manages a well diversified portfolio of commercial property assets Australia-wide. The portfolio is spread across the office, industrial and retail sectors and has grown through acquisitions and portfolio revaluations of existing properties driven by a strong property management focus.

Aspen also has developed an outstanding reputation for creating unique and successful funds management products and related services. These managed funds have provided investment opportunities across a broad spectrum of property sectors including tourist parks, residential land subdivisions, CBD office developments, private hospital developments and retirement and accommodation villages.

Aspen continues to source acquisition opportunities for both balance sheet and syndication purposes in order to achieve further growth in both assets and earnings for security holders.

Website: www.aspengroup.com.au