

SCA Property Group



Portfolio Acquisition & Disposal of Non-Core Assets



26 November 2013

Transaction Overview

Portfolio Acquisition

- SCA Property Group (“SCP”) has entered into an agreement to acquire a portfolio of seven quality neighbourhood shopping centres located in Tasmania
- Portfolio acquisition price of \$145.7 million¹ with a weighted average capitalisation rate of 8.0%
- The acquisition will enhance SCP’s portfolio quality and income growth profile, and improve the diversification of the portfolio both geographically and by tenant composition, with an additional three Wesfarmers anchored shopping centres included in the portfolio

Funding

- The portfolio acquisition will be funded with proceeds from assets sale, a placement to the vendor, and drawing down on existing undrawn debt facilities
 - The vendor of the portfolio has agreed to acquire from SCP two freestanding centres for \$22.1m, and has agreed to subscribe for a \$10m placement of SCP units at an issue price of \$1.61 per unit
 - SCP has also entered into an agreement with a private investment consortium to dispose of a further 5 assets for \$53.6m
 - In total SCP will dispose of seven smaller non-core assets (6 of 7 are freestanding centres) with a combined sale value of \$75.7m, representing a 4.3% premium to the current book value of \$72.6m
 - The residual capital requirement of \$38.9m will be debt funded. SCP will consider alternatives to reduce gearing in calendar year 2014.

Earnings Impact

- The combined impact of the above transactions is expected to be approximately 1% accretive to SCP’s Distributable Earnings on an annualised and neutral-gearing basis

(1) Excluding stamp duty and other transaction costs. Deferred settlement of one shopping centre, Claremont Shopping Centre (\$28m) until completion of development works in October 2014

Transaction Rationale

- ✓ Off-market acquisition of a quality portfolio of neighbourhood shopping centres that fit within SCP's investment objectives
- ✓ Accretive to SCP's forecast distributable earnings
- ✓ Accretive to SCP's portfolio income growth profile, with four of the new assets generating turnover rent
- ✓ Further diversifies SCP's portfolio by tenant composition, adding additional Wesfarmers Group anchored centres
- ✓ Diversifies SCP's portfolio geographically into the Tasmanian market, which demonstrates defensive characteristics as a core market for the major supermarket operators
- ✓ Disposes of a number of small non-core assets and allows re-investment of proceeds into larger higher growth assets with more potential upside

Acquisition Portfolio Overview

- Portfolio comprises seven quality neighbourhood shopping centres independently valued at \$145.7m
- All centres are located in strong catchment areas and benefit from long term leases to either Woolworths Limited or Wesfarmers Group
- Portfolio comprises more mature assets than SCP's existing portfolio, with four of the new assets generating turnover rent
- Acquired in an off-market transaction from a private investment group

	Claremont Plaza ¹	Sorell Plaza	Kingston Plaza	Greenpoint Plaza	Shoreline Plaza	New Town Plaza	Riverside	Portfolio
Independent valuation (\$m)	27.9	20.5	21.8	12.5	27.0	28.8	7.2	145.7
Year built	1971	2010	2008	2007	1972	1973	1986	
Last major refurbishment	2013	2013	2008	2007	2010	2000	2011	
GLA (sqm)	6,510	5,447	4,726	5,958	6,241	11,382	3,108	43,372
Occupancy by GLA	97%	96%	100%	100%	86% ²	100%	95%	96.7%²
Anchor Tenant by GLA	52%	59%	63%	54%	55%	89%	77%	66%
WALE (Years)	13.3	13.3	10.6	6.2	3.6	7.2	6.6	8.5
Fully let NOI (\$m)	2.3	1.6	1.7	1.1	2.1	2.3	0.6	11.7
Capitalisation rate	8.25%	7.75%	7.75%	8.75%	8.00%	7.75%	8.50%	8.01%
No. of specialties	23	15	14	7	22	15	9	105
Turnover rent payable	N	N	Y	N	Y	Y	Y	
Anchor Tenant(s)	Woolworths	Coles	Coles	Woolworths	Woolworths	Coles / Kmart	Woolworths	

(1) Settlement of Claremont Plaza is expected to occur in October 2014, following completion of the Woolworths extension and refurbishment

(2) Current occupancy at Shoreline Plaza is 86% as a result of vacancy due to an ex-Chicken Feed Supermarket which SCP is highly confident of filling in the near term with a different long-term tenant. Assuming Shoreline Plaza was fully occupied, the weighted average occupancy of the portfolio would be 99%.

Disposal of Non-Core Assets

- SCP has entered into agreements to dispose of 7 properties that are considered non-core and appropriate for sale:
 - Total sale value of \$75.7m, representing a 4.3% premium to the current book value of \$72.6m and a \$3.1m gain on disposal
 - Weighted average cap rate on sale value of 7.3%
 - Smaller assets (6 of 7 are freestanding) with lower NOI growth potential relative to the acquisition portfolio
- The asset sales allow SCP to reinvest proceeds into higher yielding neighbourhood assets which are expected to generate a stronger NOI growth profile
 - The vendor of the Tasmanian portfolio has agreed to acquire Emerald Park and Mullumbimby for \$22.1m, representing a 8.9% premium to current book value and a \$1.8m gain on disposal
 - A private investment consortium has agreed to acquire the remaining 5 properties for \$53.6m, representing a 2.6% premium to current book value and a \$1.3m gain on disposal
- Settlement of most of the sale assets is expected to occur in December 2013

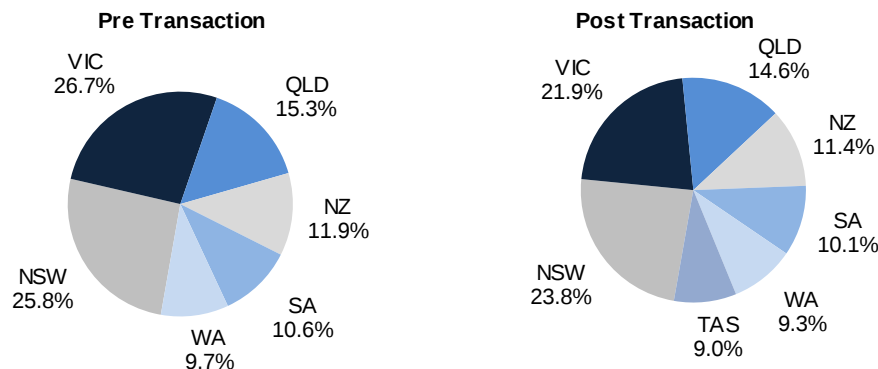
Property	Property Type	State	Book Value (\$m) ¹	Disposal Value (\$m)	Gain on Disposal (\$m)
<u>To Vendor</u>					
Emerald Park	Freestanding	VIC	11.3		
Mullumbimby	Freestanding	NSW	9.0		
Sub-total			20.3	22.1	1.8
<u>To Private Consortium</u>					
Bright	Neighbourhood	VIC	9.0		
Maffra	Freestanding	VIC	9.3		
Mildura	Freestanding	VIC	23.0		
Warrnambool Dan Murphy's	Freestanding	VIC	5.7		
Culburra Beach	Freestanding	NSW	5.3		
Sub-total			52.3	53.6	1.3
Total			72.6	75.7	3.1

(1) As at 30 June 2013

Strengthens SCP's Existing Portfolio

Portfolio Metrics	SCP Pre ¹	Acquisitions	Disposals	SCP Post
Properties	76	7	(7)	76
Book Value (\$m)	1,552	146	(73)	1,625
Portfolio Capitalisation Rate	8.0%	8.0%	7.5% ²	8.0%
WALE (Years)	15.0 ³	8.5	19.1	14.2
Average property age (years)	3.1	26.6	1.9	5.3
GLA (square metres)	459,341	43,372	(23,166)	479,547
No of specialties	800	105	(6)	899
Majors leases as % of GLA	76%	66%	98%	74%
Current Occupancy (by GLA)	96.6%	96.7% ⁴	98.9%	96.5%

GEOGRAPHIC DIVERSIFICATION (BY VALUE)



- The acquisition is consistent with SCP's investment criteria and strengthens the quality of SCP's portfolio:
 - Introduces a number of more mature assets
 - Improves the portfolio income growth profile, with 4 centres in turnover rent
 - Continues to diversify the portfolio by tenant composition, adding an additional three Wesfarmers anchored shopping centres, and
 - Further diversifies the portfolio geographically with SCP's first acquisition in the Tasmanian market
- Sale of the 7 non-core assets further improves the income growth profile of the portfolio
- SCP's overall specialty vacancy has improved from approximately 14% at 30 June 2013 to approximately 12.5% of specialty GLA post the transaction

(1) As at 30 June 2013, figures assume completion of SCP's development assets

(2) Reflects capitalisation rate on book value. Capitalisation rate on sale value is 7.3%

(3) Completed properties only

(4) Current occupancy at Shoreline Plaza is 86% as a result of vacancy due to an ex-Chicken Feed Supermarket which SCP is highly confident of filling in the near term with a different long-term tenant.. Assuming Shoreline Plaza was fully occupied, occupancy of the Acquisitions would be 99% and SCP Post occupancy would be 96.8%.

Acquisition Funding

- The acquisition and associated transaction costs will be funded via:
 - Asset sales to the vendor and other third party private investors
 - Issuance of \$10m SCP units to the vendor¹, and
 - Drawing on existing undrawn debt facilities
- Woolworths is currently undertaking a major store refurbishment at Claremont Plaza ("Claremont"). SCP has entered into a deferred settlement arrangement on this property upon successful completion of the refurbishment.
 - The development is scheduled for completion in October 2014

SOURCE OF FUNDS (\$m):	Initial	Claremont	Total
Asset sales	75.7	-	75.7
Vendor placement	10.0	-	10.0
Existing debt facilities	38.9	29.2	68.1
Total	124.6	29.2	153.8

USE OF FUNDS (\$m):	Initial	Claremont	Total
Acquisitions	117.8	27.9	145.7
Transaction costs ²	6.8	1.3	8.1
Total	124.6	29.2	153.8

(1) Units to be issued at a price of \$1.61, units will rank parri passu with existing SCP units

(2) Total transaction costs of \$8.1m comprise \$6.6m in stamp duty and \$1.5m in other transaction costs

Summary of Financial Impact

EARNINGS IMPACT

EPU¹



- Expected to be approximately 1% accretive on an annualised and neutral-gearing basis

**EPU¹
GROWTH**



- More mature, higher growth portfolio

MER



- Internally managed structure – slight decrease in MER on increased asset base

PRO FORMA BALANCE SHEET IMPACT

**TOTAL
ASSETS**



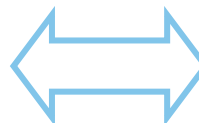
- 5% increase in total asset value to \$1.6 billion

GEARING



- Fully invested gearing to increase by 2.8%. SCP will consider alternatives to reduce gearing in calendar year 2014.

NTA



- Minimal impact on NTA per unit as value achieved from asset sales above book value partially offsets transaction costs

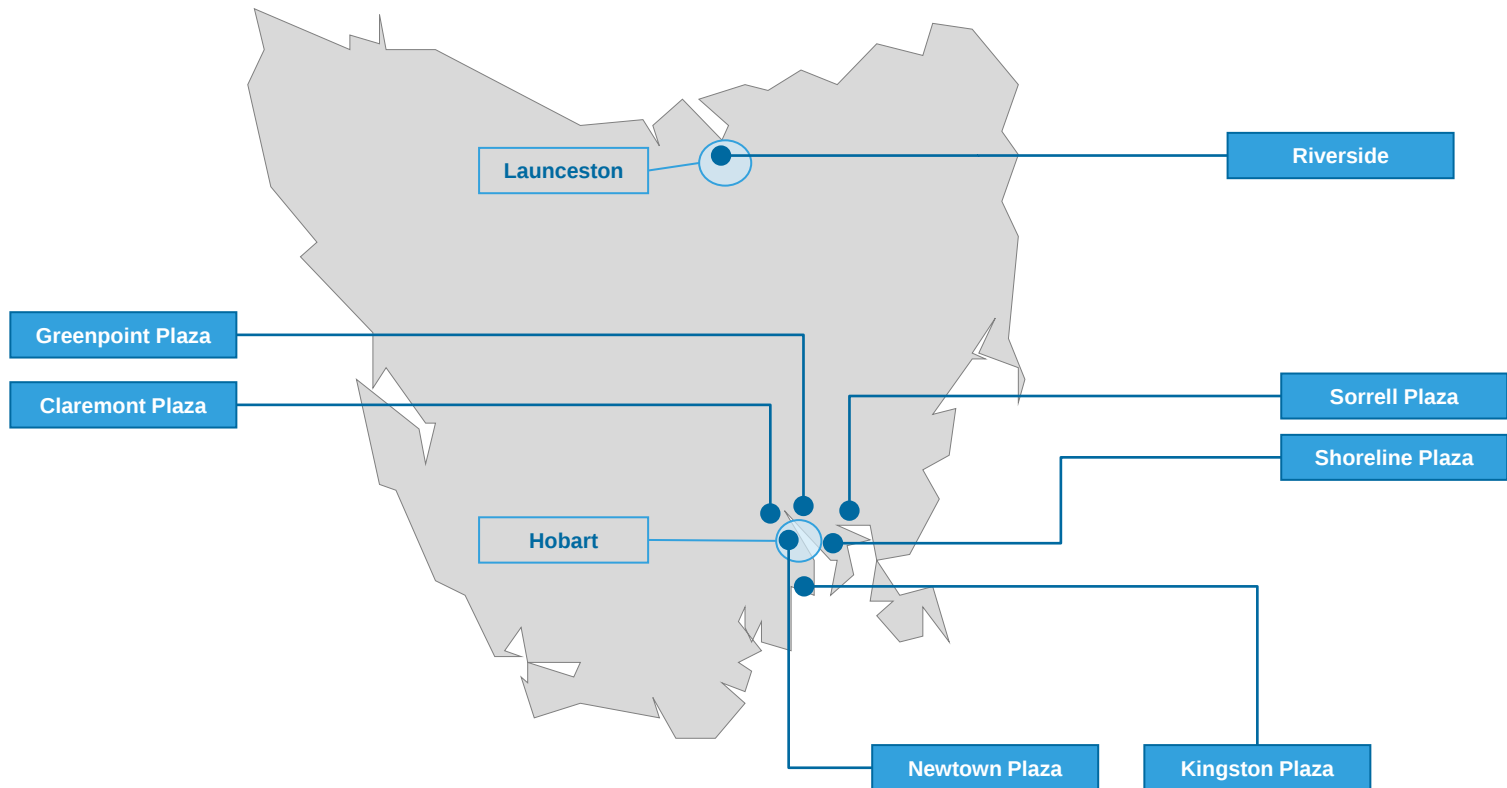
(1) EPU is Distributable Earnings per unit

Appendix: Acquisition Asset Overviews



Nekon Portfolio – Geographic Location

The acquisition of the Nekon Portfolio represents SCP's entry into the Tasmanian market



Claremont Plaza



Property Summary

Type	Neighbourhood	Number of Specialties	23
Valuation (\$m)	27.9	Cap Rate	8.25%
Centre GLA (sqm)	6,510	Occupancy	97%
Anchors contribution (% of GLA)	52%	WALE (years)	13.3
Fully Leased NOI (\$m)	2.3	Anchor Tenant(s)	Woolworths

- Woolworths supermarket currently undergoing expansion due for completion in October 2014
- Convenience based centre centrally located and is the central local point for Claremont and surrounding suburbs
- Key tenants are Woolworths, BWS, Woolworths Petrol Plus, Reject Shop and Claremont Village Medical Centre

Sorell Plaza



Property Summary

Type	Neighbourhood	Number of Specialties	15
Valuation (\$m)	20.5	Cap Rate	7.75%
Centre GLA (sqm)	5,447	Occupancy	96%
Anchors contribution (% of GLA)	59%	WALE (years)	13.3
Fully Leased NOI (\$m)	1.6	Anchor Tenant(s)	Coles

- Modern Coles supermarket (opened in 2011)
- Centrally located in Sorrell with is 25km east of Hobart
- Key tenants are Coles, Shell Express, Commonwealth Bank, Australia Post, Bendigo Bank, and Sorrell Family Medical Practice

Asset overviews (cont'd)

Kingston Plaza



Property Summary

Type	Neighbourhood	Number of Specialties	14
Valuation (\$m)	21.8	Cap Rate	7.75%
Centre GLA (sqm)	4,726	Occupancy	100%
Anchors contribution (% of GLA)	63%	WALE (years)	10.6
Fully Leased NOI (\$m)	1.7	Anchor Tenant(s)	Coles

- Premium centre in Kingston catchment
- Well located in the centre of Kingston
- Convenient on-grade carparking
- Key tenants are Coles, Medical Centre, Breadd Café, My State Financial Services

Greenpoint Plaza



Property Summary

Type	Neighbourhood	Number of Specialties	7
Valuation (\$m)	12.5	Cap Rate	8.75%
Centre GLA (sqm)	5,958	Occupancy	100%
Anchors contribution (% of GLA)	54%	WALE (years)	6.2
Fully Leased NOI (\$m)	1.1	Anchor Tenant(s)	Woolworths

- Located at the centre of Bridgewater's services and retail hub
- Surrounded by local high school, primary school, community and civic services
- Services a local catchment of approximately 15,000 people
- Key tenants are Woolworths, Priceline and Government services

Asset overviews (cont'd)

Shoreline Plaza



Property Summary

Type	Neighbourhood	Number of Specialties	22
Valuation (\$m)	27.0	Cap Rate	8.00%
Centre GLA (sqm)	6,241	Occupancy	86%
Anchors contribution (% of GLA)	55%	WALE (years)	3.6
Fully Leased NOI (\$m)	2.1	Anchor Tenant(s)	Woolworths

- Strong performing Woolworths supermarket in the suburb of Howrah
- Serves a surrounding population of approximately 15,000 people
- Strategically located with limited competition in the catchment
- Key tenants are Woolworths, Commonwealth Bank, AMCAL Pharmacy and a new Medical Centre

Newtown Plaza



Property Summary

Type	Neighbourhood	Number of Specialties	15
Valuation (\$m)	28.8	Cap Rate	7.75%
Centre GLA (sqm)	11,382	Occupancy	100%
Anchors contribution (% of GLA)	89%	WALE (years)	7.2
Fully Leased NOI (\$m)	2.3	Anchor Tenant(s)	Coles/Kmart

- Located 4km from Hobart CBD
- Established area servicing in excess of 20,000 residents
- High profile site with convenient on-grade parking for 487 vehicles
- Key tenants are Coles, Kmart (24 hours), Chemist Warehouse

Asset overviews (cont'd)

Riverside Shopping Centre



Property Summary

Type	Neighbourhood	Number of Specialties	9
Valuation (\$m)	7.2	Cap Rate	8.50%
Centre GLA (sqm)	3,108	Occupancy	95%
Anchors contribution (% of GLA)	77%	WALE (years)	6.6
Fully Leased NOI (\$m)	0.6	Anchor Tenant(s)	Woolworths

- Neighbourhood centre well located 4km from Launceston CBD
- Simple design with on-grade parking
- Key tenants are Woolworths, Pharmacy and Liquor Store

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