

ASX Announcement and Media Release

2 November 2016

The Cedar Woods logo features the company name in a white sans-serif font on a blue background. A stylized white diamond icon with a circular arrow inside is positioned between the words 'Cedar' and 'Woods'.

Cedar Woods Properties Limited

ASX Code: CWP

Highlights:

- Pre-sales (including lots settled in the first quarter) increased to \$230 million from \$184 million as reported at FY2016 results
- Victorian projects continue to benefit from buoyant market conditions
- Strong demand experienced at *Ellendale*, QLD with first stage over 50% sold
- *Bushmead* and *Ariella* projects in WA experiencing strong demand
- New state office opened in Adelaide to progress South Australian projects
- FY2017 profit expected to be similar to FY2016 record NPAT of \$43.6m

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First Quarter FY2017 Operational Update

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') has made a positive start to the 2017 financial year with solid sales across the portfolio and progress at a number of developments in the first quarter.

Pre-sales (including lots settled in the three months to 30 September 2016) were at \$230 million, compared with \$184 million at the same time last year (a 25 per cent increase), and \$184 million as reported at the FY2016 full year financial results. The majority of these pre-sales are expected to settle in the current financial year with the increase underpinned by strong sales activity in Victoria and Queensland.

Assuming the continuation of current market conditions, Cedar Woods re-affirms the guidance given in August and anticipates reporting a net profit after tax similar to FY2016's record result of \$43.6 million.

During the quarter Cedar Woods announced the appointment of Mr Nathan Blackburne as Chief Operating Officer, to oversee all national operations for the Company, and the elevation of Mr Patrick Archer to the position of State Manager, Victoria and South Australia.

Victoria Project Highlights

The Company's projects in Victoria again performed well during the quarter, with strong sales and settlement results and good margins achieved.

The award winning *Banbury Village* development in Footscray is now complete with all of the *Botanica Apartments* sold and settled.



Several residential stages are under construction at *Williams Landing* with good presales and price growth achieved for stages to be delivered progressively through the third and fourth quarters of FY2017. Construction of the *Newton Apartments* project is also well underway in the *Williams Landing Town Centre* with completion expected in Q4 FY2017. Planning for the next apartment project, *Oxford Apartments*, is well advanced with a launch expected in mid FY2017.

New developments at the Town Centre are in varying stages of planning and delivery. A child care centre has been leased to child care operator, Future Kids, under a long term lease in the recent extension to the *Williams Landing Shopping Centre*. The child care facility will offer 106 long day care places, commencing operations in early 2017 and is expected to bring increased visitation to the Shopping Centre.

The Shopping Centre's performance has improved with visitation increasing by 23 per cent over the same period in the prior year, and the leasing of vacancies has progressed with two new retail tenancies opening and two new leases being executed during the quarter.

Civil construction has commenced at the Company's new housing developments, *St A.* in St Albans and *Jackson Green* in Clayton South. Both projects continue to meet strong demand and price growth, with more than 80 per cent of the forecast FY2018 pre-sales already achieved for these projects. Pre-sales have commenced on the first apartment project at *Jackson Green (Wattle Apartments)* comprising 60 one and two bedroom apartments.

Western Australia Project Highlights

After the resource industry driven peak in FY2014, declining market conditions experienced during FY2015 and FY2016 now appear to have stabilised. Two new projects, *Bushmead Private Estate* and *Ariella*, are enjoying strong sales at a time when estates that appeal predominantly to first homebuyers are experiencing lower demand.

The *Bushmead Private Estate* was successfully launched with the first two releases, comprising 30 lots, almost sold out. A third stage of 13 lots has now been released to market.

The project is located 15 kilometres north-east of the Perth CBD, has limited competition nearby and is in close proximity to the Midland town centre, Helena Valley and local schools. This unique estate will deliver approximately 935 lots over the next 8-10 years and appeal to second and third homeowners. First stage construction, comprising 87 lots has now commenced with first settlements expected in Q4 FY2017.

Ariella Estate in Brabham, located 17 kilometres north-east of Perth's CBD and within a strong growth corridor, also continues to perform strongly with good sales levels achieved.

Development planning for the new 1500 lot estate in North Baldivis, to be known as *Millars Landing*, is well advanced with construction of the first stage expected to commence in early



2017. This estate, comprising 119 hectares, will benefit from being in close proximity to the freeway and Wellard train station, and feature a primary school and several parks. *Millars Landing* will maintain the Company's exposure to the busy Baldivis growth corridor over the next 10-15 years.

In September, the company's land at Anstey Road, Forrestdale, was successfully rezoned from rural to urban. Following the completion of town planning, it is anticipated that development of this estate will commence in FY2019 and produce approximately 300 residential lots. Located 25 kilometres south east of Perth, this project is expected to meet with strong demand.

Planning continues for the *Mangles Bay* development, 39 kilometres south of the Perth CBD. With all environmental approvals achieved, rezoning of the land is now anticipated in late 2017, following the WA State Election in March. This development will also include a marina, accommodation and boating facilities, together with housing and apartments, bringing economic benefits and public amenities to the Rockingham region.

The Company's estates at Baldivis and Byford appeal predominantly to the first homebuyer market and are located in the competitive southern corridor. Sales activity at these estates has been weak, relative to the Company's other WA projects, and is not expected to improve significantly for the balance of FY2017.

Development margins for projects currently under construction are benefiting as a result of increased competition between civil contractors vying to secure quality, sustainable work within a tight development market.

Queensland Project Highlights

The Company's new *Ellendale* Project in Upper Kedron has been launched with more than 80 sales achieved so far and construction of the first stage, comprising 143 lots, now underway and due for completion in Q4 FY2017. This estate is just 12 kilometres west of the Brisbane CBD, has limited competition and is close to several shopping centres, schools and public transport options.

Planning approval for 480 lots has been secured with approval for the balance of the project expected by mid FY2018. The project masterplan includes a builder display village, several major environmental corridors and a convenience shopping centre.

In December 2015 the Company purchased another well-located site in Brisbane, being 3.8 hectares in *Wooloowin*, a sought after suburb just six kilometres north of the Brisbane CBD. A planning application has been submitted with approvals expected to conclude in FY2018. The project is expected to include more than 270 terrace houses and apartments, and is well located in relation to train stations, shopping centres, schools and parks.



South Australia Project Highlights

The Company opened its Adelaide office during the quarter and has commenced the establishment of a local management team.

Planning and design for the 16.5 hectare *Glenside* development is continuing, with approvals anticipated in mid-FY2017 and sales expected to commence in FY2018. The *Glenside* site is expected to yield around 1,000 dwellings and is a significant landholding just three kilometres from the Adelaide CBD.

The Company has entered into an exclusivity agreement with the State Government to undertake due diligence investigations, community consultation and planning for the development of a 12.6 hectare precinct in *Port Adelaide*. If the investigations are completed to the Company's satisfaction the parties will conclude negotiations for the sale and future development of the precinct. The *Port Adelaide* site is expected to yield around 500 homes.

Company Outlook

The housing sector across Australia continues to be supported by historically low interest rates, strong inbound migration and improving employment. The HIA economics group (HIA) predicts solid demand for dwellings in FY2017, with strong conditions in Victoria and Queensland. HIA expects lower demand in Western Australia, with housing starts at the bottom of the cycle in FY2017 and a recovery forecast in FY2018.

Cedar Woods has commenced FY2017 with a record level of pre-sales, low debt, and a diverse portfolio of projects across four states.

The development program for FY2017 includes construction activity at several new projects including *Bushmead* (WA), *Millars Landing* (WA), *Ellendale* (Qld), *St.A* (Vic), *Jackson Green* (Vic) and in the *Williams Landing Town Centre* (Vic).

Earnings will be skewed significantly to the second half of FY2017 with the first half result considerably lower than the first half of FY2016 and the second half significantly stronger than in the prior year, as a consequence of the development program, which will see delivery of a number of stages in the second half.

Assuming current market conditions continue, the Company anticipates a similar profit result in FY2017 to the record profit achieved in FY2016.

With current projects well established and *Glenside* (SA), *Wooloowin* (QLD) and *Mangles Bay* (WA) moving towards development, the company is well placed to grow profits and dividends in FY2018 and future financial years.

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