

ASX Announcement

25 October 2017

September 2017 quarterly update

SUMMARY

- Strong start to on-market securities buy-back with 70 million securities acquired to date for a total of \$186 million, at an average price of \$2.65, representing a 6.0% discount to net tangible assets per security (NTA)¹
- Completed the first retail stage of the Mandurah Forum redevelopment south of Perth fully leased; and earlier in October opened the first stage of The Glen redevelopment in Melbourne fully leased
- Construction and leasing of DFO Perth progressing well
- Recognised by Global Real Estate Sustainability Benchmark (GRESB) as the number one retail property company in Australia and the Asia Pacific region for sustainability, and
- Recorded specialty store moving annual turnover (MAT) growth² of -0.4%; including same-store sales for Chadstone and excluding the impact of tenant administrations, growth was 0.8%.

Vicinity Centres (Vicinity, ASX:VCX) provides this update for the September 2017 quarter.

Mr Angus McNaughton, CEO and Managing Director, said: “We continued to deliver on strategy during the quarter with an active start to our security buy-back program, completing key stages of the developments at Mandurah Forum and The Glen, making good progress on the development of DFO Perth and receiving recognition from sustainability ratings organisations for the progress being made on our sustainability agenda.”

ON-MARKET SECURITIES BUY-BACK

Mr McNaughton said: “With 70 million securities acquired to date (~1.8% of issued capital) at an average 6.0% discount to NTA, we have created value for our securityholders through our on-market securities buy-back program. With the balance sheet in excellent shape, we will continue to buy back securities opportunistically where it makes sense to do so.”

¹ As at 24 October 2017.

² Sales are reported on a comparable basis which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.

DEVELOPMENT

Vicinity's extensive \$2.0 billion (Vicinity's share \$0.9 billion) development pipeline provides significant opportunities to further improve the quality of Vicinity's portfolio.

The \$350 million (Vicinity's share: \$175 million) major redevelopment at Mandurah Forum is progressing on program. The community has embraced the first retail stage which opened in July 2017 fully leased and included a new Target store and over 60 specialty stores. Same-store specialty sales have averaged over 7% growth in August and September 2017 compared to the same months in 2016. The project remains on track for completion in mid-2018.

The first stage of the \$460 million (Vicinity's share: \$230 million) major redevelopment at The Glen opened last week fully leased. The new food precinct includes Coles, a new Aldi, a new latest-format Woolworths and over 60 specialty stores including a number of casual dining operators. The next stage, Food Gallery, opens in early 2018.

Construction works continue on the \$150 million (Vicinity's share: \$75 million) development of DFO Perth. Ground services and slab works are well advanced and the installation of the steel structure and trusses has commenced. Construction and leasing remain on program for completion of Perth's first DFO in 2018.

RETAIL SALES PERFORMANCE

Total portfolio moving annual turnover³ (MAT) growth was 0.2% for the 12 months to 30 September 2017, compared to 0.4% to 30 June 2017. This result was driven by improving sales growth from supermarkets, discount department stores and other retail, offset by a further moderation in specialty and department stores sales. Specialty store MAT growth to 30 September 2017 fell by 0.4%, compared to 0.5% growth three months earlier. Including Chadstone's same-store sales and excluding the impact of tenant administrations, MAT growth this period was 1.2% for the total portfolio and 0.8% for specialty stores.

Mr McNaughton said: "The retail sales environment continues to be challenged by subdued consumer confidence, low wages growth and rising costs of living. Across our portfolio, we remain focused on enhancing the consumer and retailer experience, while also creating the right mix of retail, food, services and entertainment at each of our centres. This active remixing will continue to drive a higher level of retailer replacements upon expiry as we work through re-weighting the tenancy mix toward higher demand categories, and will reduce sales in the short-term due to store downtime, but is creating a stronger retail mix over the longer term. Sales performance is also being impacted by a number of larger centres that are moving into significant development or tenant remixes, including Galleria, Chatswood Chase Sydney, The Myer Centre Brisbane and QueensPlaza."

³ Sales are reported on a comparable basis which excludes divestments and development-impacted centres in accordance with SCCA guidelines.

CHADSTONE

Mr McNaughton said: “We are very pleased with the performance of Chadstone post development. Annual consumer visitation is now over 22 million and total centre MAT is \$1.85 billion, still reflecting only part-year sales for many retailers post completion of the major redevelopment in June of this year.

“Same-store specialty MAT growth was 5.0% to 30 September 2017, with sales productivity of \$17,192 per sqm. Strong results were also recorded across all other categories at Chadstone, with same-store MAT growth for department stores of 0.6%, discount department stores of 16.7%, supermarkets of 9.8%, mini majors of 6.6% and other retail of 6.4%, driving total centre same-store MAT growth of 5.5%.

“The ongoing evolution of Chadstone continues. As previously announced, due to overwhelming demand, we are planning a further expansion and remix of the luxury precinct to accommodate a number of additional high profile brands within the centre, which we expect to commence in early 2018.

“We are also in the final stages of selecting the operator of the proposed \$120 million (Vicinity’s share: \$60 million) hotel to be built adjacent to the new office tower. The proposed hotel will be 4 to 4.5 stars, with 250 rooms and will target business travellers, tourists and visitors to Chadstone and the nearby Monash precinct.

“Concurrently, future stages of development at Chadstone are also being planned and in the medium term are likely to include the redevelopment of the second food court and the expansion of the external dining offer.”

SUSTAINABILITY

Mr McNaughton said: “At Vicinity, our approach to sustainability is focused on creating shared value – beneficial outcomes for both Vicinity and our stakeholders. During the quarter, a number of leading sustainability rating organisations recognised the progress we are making in our environmental, social and governance performance and responsible management practices.

“In the 2017 Real Estate Assessment by GRESB, we have been recognised as the number one retail property company across Australia and the Asia Pacific region. We were also named as fourth for retail property companies globally and second for all listed REITs in Australia. In addition, one of Vicinity’s wholesale funds, Vicinity Retail Partnership, was ranked as the number one unlisted retail property fund in Australia.”

Mr McNaughton added: “Dow Jones Sustainability Index (DJSI) recognised Vicinity with an improved score this year of 80/100, compared to 73/100 in 2016, despite more stringent assessment criteria. This sees Vicinity retain its inclusion in the DJSI World, Asia Pacific and Australia leadership indices.

“In addition, Vicinity’s focus on climate resilience across our portfolio and our business was recognised this week by CDP which has rated Vicinity ‘A-’ for climate performance.”

KEY DATES

Vicinity’s 2017 Annual General Meeting (AGM) will be held on 16 November 2017. For Securityholders who do not plan to attend the AGM but wish to vote, proxy votes must be received by Vicinity’s Security Registry by 11.00am on 14 November 2017. Furthermore, Vicinity’s FY18 interim results will be released on 14 February 2018.

ENDS



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About Vicinity Centres

Vicinity Centres (Vicinity or the Group) is one of Australia's leading retail property groups with a fully integrated asset management platform, and over \$25 billion in retail assets under management across 83 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 74 shopping centres (including the DFO Brisbane business) and manages 35 assets on behalf of Strategic Partners, 26 of which are co-owned by the Group. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has over 24,000 securityholders. Vicinity also has European medium term notes listed on the ASX under the code 'VCD'. For more information visit the Group's website vicinity.com.au, or use your smartphone to scan this QR code.