



ASX Announcement

6 August 2018

Vicinity to establish new \$1 billion wholesale property fund with Keppel Capital, one of Asia's premier asset managers

- 50:50 joint venture to be established with Singapore's Keppel Capital to manage a new wholesale property fund - Vicinity Keppel Australia Retail Fund (VKF)
- VKF proposed to be seeded with approximately \$1 billion worth of shopping centres from Vicinity's balance sheet, taking planned asset divestments for Vicinity in FY19 to approximately \$2 billion
- Vicinity will continue to provide property and development services for the shopping centres in VKF
- The transaction will also continue Vicinity's successful capital recycling which has created significant value for Vicinity's securityholders over the past three years

Vicinity Centres (Vicinity, ASX:VCX) today announced that it has entered into a memorandum of understanding (MOU) with Keppel Capital Ventures Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (Keppel Capital), to establish a 50:50 joint venture to manage Vicinity Keppel Australia Retail Fund (VKF), a new wholesale property fund. VKF is targeting to initially invest in approximately \$1 billion of retail assets currently owned by Vicinity. The MOU is subject to due diligence, definitive documentation and final board approvals of both parties.

Keppel Capital has assets under management of approximately S\$29 billion as at December 2017. It is a subsidiary of Keppel Corporation Limited, a multi-business company listed on the Singapore Stock Exchange with a market capitalisation of approximately S\$13 billion as at June 2018.

The launch of VKF is the next key step in Vicinity's strategy to deliver superior income and sustainable long-term capital growth for securityholders by focusing its directly-owned portfolio on destination assets that provide market-leading shopping, dining and entertainment experiences.

The transaction, if implemented, will also continue Vicinity's successful capital recycling program which has created significant value for securityholders over the past three years, contributing to net tangible assets per security growth of 21 per cent¹ by providing capital for value-accretive developments and acquisitions whilst also reducing gearing.

¹ Based on estimated net tangible assets per security of \$2.97 as at 30 June 2018.

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Mr Grant Kelley, Vicinity CEO and Managing Director, said: “Including the planned divestment of up to \$1 billion of non-core assets which we announced in June 2018, and following the establishment of this fund, we will have sold approximately \$2 billion of assets in addition to the \$2 billion of assets sold since the merger was completed in 2015. We intend to reinvest the proceeds into our high-quality development pipeline and, potentially, to buy back Vicinity securities.

“Following targeted, confidential wholesale investor soundings last month, there is already significant interest in VKF from offshore institutions.”

The new wholesale fund would boost Vicinity’s total strategic partnerships business to close to \$12 billion of assets under management and would increase both fund and asset management fees, with Vicinity providing all property management, leasing and development services.

Vicinity and Keppel Capital are anticipated to each initially hold up to a 10 per cent equity interest in VKF, with additional capital sourced by Keppel Capital through its extensive established investor relationships.

Mr Kelley said: “Keppel Capital is an ideal partner for Vicinity, with our aligned objectives of expanding our respective property funds platforms and delivering long-term sustainable growth for partners invested in those platforms.

“In addition, Keppel Capital will introduce a vast network of potential investors, particularly from Asia, to the VKF opportunity.

“Global investors view the Australian retail property market favourably, with our transparency, stable and growing economy, and strong population growth particularly attractive. Investors are seeking access to a diversified portfolio of Australian retail assets with strong, sustainable yields and potential for long-term capital growth.”

Ms Christina Tan, CEO of Keppel Capital, said: “Keppel Capital has been actively pursuing opportunities with best-in-class partners to grow into new markets and asset classes. The proposed fund, which will be Keppel Capital’s first retail-focused real estate fund, will expand our track record in Australian real estate investments beyond office developments to include retail properties. It will allow us to connect our investors to a select diversified portfolio of Australian retail assets that generate stable cashflow with growth potential.”

The new wholesale fund will be marketed with a targeted financial close by the end of the first quarter in 2019 and would initially invest in a portfolio of retail assets across five Australian states that are well positioned in their catchments and are predominantly non-discretionary spending based, anchored by supermarkets and services.



“The ongoing investment strategy proposed for VKF is to own, acquire and grow a diversified portfolio of Regional, Sub Regional and Neighbourhood centres in Australia,” Mr Kelley said.

The expected impact of the establishment of VKF on Vicinity’s funds from operations per security is approximately 0.5 cents dilution on an annualised basis before reinvestment of proceeds. Assuming the repayment of debt, gearing would be reduced by approximately 400 basis points.

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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 \$26 billion in retail assets under management across 81 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 36 assets on behalf of Strategic Partners, 29 of which are co-owned by the Group. Vicinity is listed on the Australian Securities Exchange (ASX) under the code ‘VCX’ and has over 25,000 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.

About Keppel Capital

Keppel Capital is a premier asset manager in Asia. It is the asset management arm of Keppel Corporation Limited, a multi-business company providing solutions for sustainable urbanisation, with key businesses in offshore and marine, property, infrastructure and investments.

With assets under management of approximately S\$29 billion as at end-2017, Keppel Capital has a diversified portfolio that includes real estate, infrastructure and data centre properties in key global markets.

Keppel Capital aims to create value and deliver sustainable returns for institutional and retail investors through a range of products including REITs, business trusts, private funds investing in real estate in Asia, separate accounts and pooled investment vehicles.

The asset managers under Keppel Capital include Keppel REIT Management Limited, Alpha Investment Partners Limited, Keppel Infrastructure Fund Management Pte Ltd, Keppel DC REIT Management Pte Ltd and Keppel-KBS US REIT Management Pte Ltd.