

# ASX Announcement

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1 May 2018

## March 2018 quarterly update

### Highlights for the 2018 calendar year to date

- Guidance for FY18 funds from operations (FFO) firmed to 18.2 cents per security, the top end of the previously announced guidance range, with an expected payout of 100% of adjusted funds from operations (AFFO)<sup>1</sup>
- Unrivalled premium retail offer across Australia's three largest CBDs following settlement of a strategic exchange of Sydney premium assets with GIC<sup>2</sup>
- Chadstone ranked Australia's number one shopping centre by moving annual turnover (MAT) for 17<sup>th</sup> consecutive year<sup>3</sup>, MAT up 24% to \$1.99 billion
- DFO portfolio, Australia's leading Outlet Centre portfolio, MAT up 4.6%
- Specialty store MAT<sup>4</sup> showing signs of improvement, up 0.4% for the 12 months to 31 March 2018, compared to -0.7% to 31 December 2017, as a result of 1.9% growth for the quarter
- Development delivery unlocking value: Chadstone major development (\$666 million<sup>5</sup> completed in June 2017) yield improved to 7.0%, exceeding feasibility expectations, final stage of Mandurah Forum and stage two of The Glen successfully opened and trading strongly
- Continued divestment of non-core assets, with the sale of Brandon Park, VIC for a 3.8% premium to December 2017 book value
- Launched Australia's largest investment in solar energy generation for shopping centres, \$28 million across South Australia (SA) and Western Australia (WA)

### Vicinity Centres (Vicinity, ASX:VCX) provides this update for the March 2018 quarter.

Mr Grant Kelley, CEO and Managing Director, said: "This calendar year, we have delivered on our key focus of continuing to strengthen the quality of the portfolio, witnessed notable improvement in specialty store sales growth, achieved a number of important milestones in our development pipeline and launched Australia's largest investment in solar energy generation for shopping centres.

"Following the acquisition last month of the Sydney CBD Centres – 50% interests in Queen Victoria Building, The Strand Arcade and The Galleries – Vicinity has a unique competitive advantage in attracting best of class

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<sup>1</sup> Assuming no material deterioration to existing economic conditions.

<sup>2</sup> Settlement occurred on 30 April 2018.

<sup>3</sup> Big Guns Survey 2018.

<sup>4</sup> Sales are reported on a comparable basis which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines, includes two years of data from the Sydney CBD Centres.

<sup>5</sup> 100% interest. Vicinity's share is 50%.

#### Vicinity Centres

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international and domestic retailers into the portfolio, having an unrivalled premium retail offer across Australia's three largest CBDs."

Mr Kelley added: "Across the portfolio, we have seen a broad improvement in retail sales growth, particularly in the last quarter. Total portfolio MAT growth has risen to 1.4% in March 2018, from 0.5% growth to December 2017, driven predominantly by growth in specialty stores, mini majors and discount department stores. Comparable specialty store MAT growth to 31 March 2018 was 0.4%, compared to -0.7% three months earlier, with eight of the nine categories experiencing improved growth, as a result of growth for the quarter of 1.9%.

"Chadstone continued its outstanding performance in the period. Ranking as Australia's number one shopping centre for a 17<sup>th</sup> consecutive year, Chadstone experienced MAT growth of 24% to \$1.99 billion, same-store specialty MAT growth of 10.6% and more than 22 million visitors to the centre. The yield on the \$666 million major redevelopment of the centre, completed in June of last year, improved to 7.0% (from 6.0%), as a result of the centre's continued strong performance."

Key milestones on Vicinity's \$2.1 billion development pipeline (Vicinity's share: \$0.9 billion) were achieved in the period, with the opening of the final stage of the redevelopment of Mandurah Forum and the second stage, food gallery, opening at The Glen. Both assets are trading strongly. Perth's first DFO outlet centre is nearing completion and we are making great progress on planning future projects at Galleria, Chatswood Chase Sydney and The Myer Centre Brisbane.

Following last month's sale of Vicinity's 50% interest in Brandon Park for \$67.5 million (excluding transaction costs), approximately \$109 million<sup>6</sup> of non-core assets have been sold this financial year, for a combined 3.1% premium to their book values.<sup>7</sup>

#### **FY18 guidance**

Vicinity's FFO guidance for FY18 has been firmed to 18.2 cents per security<sup>8</sup>, the top end of the previously announced guidance range. Distribution guidance for FY18 is to payout 100% of adjusted funds from operations (AFFO).<sup>8</sup>

Additional detail on Vicinity's March 2018 quarterly update can be found in the investor presentation released to the ASX today. Vicinity will provide a market update mid-year and the FY18 annual results will be announced on 15 August 2018.

**ENDS**

#### **For further information please contact:**

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<sup>6</sup> Based on Vicinity's ownership interest.

<sup>7</sup> Prior to contract exchange.

<sup>8</sup> Assuming no material deterioration to existing economic conditions.



#### **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 83 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 75 shopping centres (including the DFO Brisbane business) and manages 37 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 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](http://vicinity.com.au), or use your smartphone to scan this QR code.