

# ASX Announcement

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7 June 2019

## Estimated June 2019 valuations

### For the 6 months to 30 June 2019

- Vicinity releases estimated valuations to facilitate potential debt capital market raising
- Overall estimated portfolio net valuation decline of 1.3%, predominantly impacted by declines in the Western Australian portfolio and pre-development centres
- Flagship portfolio estimated net valuation gain of 1.2% demonstrating strength of premium destination assets under Vicinity management
- Chadstone continues to build on its leadership position, with strong sales growth contributing to a forecast 1.6% valuation increase
- DFO centres are expected to record solid valuation growth on the back of successful product remixing
- Victoria and New South Wales (comparable<sup>1</sup>) portfolios forecast to continue positive valuation trend
- Sydney CBD Centres benefitting from ongoing implementation of re-leasing strategies following acquisition in 2018

Vicinity Centres (Vicinity, ASX:VCX) today announced that 35 of its 62 directly-owned retail properties<sup>2</sup> (57% by value) are in the final stages of being independently valued and the remaining properties are being internally valued, with an estimated net valuation decline for the overall portfolio of 1.3% or \$202 million for the six month period to 30 June 2019. The June valuations are subject to finalisation and audit, and will be confirmed in Vicinity's 2019 annual results on 14 August 2019.

Mr Grant Kelley, CEO and Managing Director, said: "The expected valuation decline of 1.3% is being driven mainly by Western Australian and pre-development centres. Vicinity's Flagship portfolio – Chadstone, Premium CBD assets and DFO (Outlet) centres – however has continued to outperform, demonstrating resilience and reinforcing our strategy to focus on market-leading destinations."

"The Flagship portfolio is forecast to increase in value by \$86 million or 1.2% in the period driven by income growth, with capitalisation rates remaining unchanged on an individual asset basis," Mr Kelley said.

Mr Kelley said Vicinity announced its estimated valuations earlier than 30 June to facilitate an opportunity to issue bonds in debt capital markets.

"A potential bond issuance will extend our weighted average debt maturity, decrease our weighting to bank debt, and with the recent material fall in interest rates, enable us to take advantage of lower borrowing costs," Mr Kelley said.

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<sup>1</sup> Excluding development-impacted centres.

<sup>2</sup> All data is by ownership interest.

#### Vicinity Centres

National Office  
Level 4, Chadstone Tower One  
1341 Dandenong Road  
PO Box 104  
Chadstone VIC 3148

T +61 3 7001 4000  
F +61 3 7001 4001  
vicinity.com.au

Vicinity Limited ABN 90 114 757 783  
and Vicinity Centres RE Ltd  
ABN 88 149 781 322  
As responsible entity for:  
Vicinity Centres Trust ARSN 104 931 928

Mr Kelley said: “Chadstone’s strong performance had contributed to the asset’s forecast 1.6% valuation gain. This world-class asset is Australia’s number 1 shopping centre with \$2.2 billion in annual retail sales, which is 70% higher than its nearest Australian peer. With Hotel Chadstone on track to open in November 2019, the centre will further expand its position as the preeminent retail, dining and entertainment destination in Australia.

“Our unique DFO assets are also expected to recorded solid valuation gains, driven by strong income growth.

“Geographically, asset valuation gains are forecast to be positive in Victoria and in comparable centres across New South Wales, boosted by successful re-leasing strategies across the Sydney CBD Centres – Queen Victoria Building, The Galleries and The Strand Arcade.

“Current challenging operating conditions in Western Australia, compounded by an increased competitive environment, has resulted in lower income forecasts and some softening in capitalisation rates for our assets in this state. Valuation declines in Western Australia contributed to more than half of the estimated portfolio valuation loss, with a \$130 million or 6.7% decline. We remain committed to Western Australia, with the expectation that confidence and trading conditions will improve on the back of continued investment in resources and infrastructure in the state.

“There is also some weakness in the estimated valuations of our pre-development centres, which are being impacted by short-term leases as we prepare the assets for redevelopment. With centres like Chatswood Chase Sydney, Bankstown Central and The Myer Centre Brisbane in this category, their planned retail and mixed-use development will significantly enhance the performance and attractiveness of these centres.”

Mr Kelley added: “We remain confident in the strength of the investment proposition of our Flagship portfolio, our higher portfolio weighting towards east coast metropolitan areas and our plans to drive further asset enhancement across the remainder of our portfolio through retail and mixed-use development and a range of reconfiguration and remixing strategies.”

The following table provides a summary of the forecast valuations of Vicinity’s directly-owned portfolio at 30 June 2019 compared to 31 December 2018.<sup>3</sup>

Centre type	Number of centres	Valuation 30-Jun-19 (\$m)	Net valuation movement		Weighted average capitalisation rate		
			(\$m)	(%)	New (%)	Previous (%)	Movement (bps)
Super Regional	1	3,250	51	1.6	3.75	3.75	-
City Centre	7	2,466	1	0.0	4.65	4.65	-
Outlet (DFO)	6	1,737	34	2.0	5.80	5.81	(1)
Regional <sup>4</sup>	17	5,012	(235)	(4.5)	5.79	5.77	2
Sub Regional	26	3,102	(47)	(1.5)	6.31	6.26	5
Neighbourhood	5	252	(6)	(2.3)	6.31	6.34	(3)
<b>TOTAL</b>	<b>62</b>	<b>15,819</b>	<b>(202)</b>	<b>(1.3)</b>	<b>5.30</b>	<b>5.31</b>	<b>(1)</b>

<sup>3</sup> All data is by ownership interest.

<sup>4</sup> Includes Major Regional and Regional centres.

The impact of the valuation decline on net tangible assets per security (NTA) is estimated to be 5 cents, or 1.7%, compared to \$2.96 reported at 31 December 2018. The valuation decline is expected to have a 0.3% impact to gearing which is estimated to be 27.2%<sup>5</sup> as at 30 June 2019, up from 25.1% at 31 December 2018. Estimated NTA and gearing figures are subject to the finalisation of the June 2019 valuations, the 2019 financial accounts and audit.

Further details on the June 2019 valuations will be included in Vicinity's 2019 annual results announcement to be released to the ASX on Wednesday 14 August 2019.

ENDS

**For further information please contact:**

**Penny Berger**

Head of Investor Relations

T +61 2 8229 7760

E [penny.berger@vicinity.com.au](mailto:penny.berger@vicinity.com.au)

**Kat Rellos**

Head of Corporate Communications

T +61 3 7001 4670

E [katherine.rellos@vicinity.com.au](mailto:katherine.rellos@vicinity.com.au)



**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 66 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 62 shopping centres (including the DFO Brisbane business) and manages 33 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 26,000 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.

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<sup>5</sup> Estimated as at 30 June 2019 and assuming no further buy-back of Vicinity securities.