ASX Announcement

2 May 2017

March 2017 quarterly update

Highlights for the 2017 calendar year to date

- Retail construction commenced at The Glen, and following the appointment of a residential developer and the sale of air rights, total development costs reduced by $30 million to $460 million (Vicinity's share: $230 million)[1]
- The first LEGOLAND® Discovery Centre in the Southern Hemisphere opened at Chadstone
- Mandurah Forum development remains on program with the first retail stage set to open in the September 2017 quarter
- Ground works for the site of the DFO Perth development are well progressed, with retail construction on track to commence next month
- Settling the acquisition of the remaining 25% interest in DFO South Wharf for $141.25 million[2] and completing the multi-deck car park
- Standard & Poor's raised Vicinity's credit rating to 'A' with stable outlook
- $200 million of 7 year and $200 million of 10 year Australian dollar medium term notes (MTNs) issued at competitive pricing and extending average debt duration
- Comparable[3] specialty store moving annual turnover (MAT) growth up 1.1% for the 12 months to 31 March 2017, compared to 2.2% to 31 December 2016

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

Mr Angus McNaughton, CEO and Managing Director, said: "This calendar year has continued to be an active time for the Group. We increased our DFO outlet centre ownership, strengthened our capital position and achieved a number of important milestones in our development pipeline.

"In April, we settled the acquisition of the remaining 25% interest in DFO South Wharf for $141.25 million.[2] We are pleased to have 100% ownership of this asset which continues to perform strongly and has just been enhanced with the completion of the 1,100 space multi-deck car park.

"In January, Standard & Poor's raised Vicinity's credit rating to 'A/stable' in recognition of improved portfolio quality and balance sheet strength. Following a successful marketing campaign, last month we issued $400 million of Australian dollar MTNs at competitive pricing and extending the duration of our debt

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1 Total development costs are net of proceeds from the sale of the residential air rights.

2 Excluding transaction costs.

3 Excludes acquisitions, divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.

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

profile. The MTN proceeds were used to repay existing bank facilities which will be available to be drawn for general corporate purposes."

Development pipeline

Mr McNaughton said: "Chadstone's position as Australia's premier shopping, dining and entertainment destination was further reinforced last month with the introduction of LEGOLAND® Discovery Centre, which has operated at capacity patronage since opening. The $666 million (Vicinity's share: $333 million) development at Chadstone continues to be embraced by consumers with annual visitations to 31 March 2017 up 14%. Construction of the project has completed, with the majority of backfill tenancies to be opened by June 2017."

The $350 million (Vicinity's share: $175 million) redevelopment at Mandurah Forum remains on program with the first retail stage set to open in the September 2017 quarter. On completion in mid-2018, the centre will be completely transformed and expanded to 64,500 sqm, consolidating it as the dominant retail destination in the trade area. The centre will introduce a new format David Jones store, along with a new Target store and refurbished Kmart and Coles stores.

During the period, the $460 million (Vicinity's share: $230 million) redevelopment at The Glen commenced. The retail redevelopment will open in stages through to 2020 and on completion the centre will be expanded to approximately 78,000 sqm. Leasing is largely complete for stage one which incorporates a fresh food market hall, anchored by a new Aldi, the latest format Woolworths and a Coles supermarket, and over 60 specialty stores, and is expected to open in late 2017.

Last month, Golden Age Group won a competitive tender to acquire the residential air rights at The Glen. Golden Age Group will develop over 500 apartments across three towers on the southern end of the site, with construction expected to commence in early to mid-2019 and be completed within 24 months. Following the sale of residential air rights, total development costs at The Glen reduced by $30 million (Vicinity's share: $15 million).

Ground works for the site of the $150 million (Vicinity's share: $75 million) DFO Perth development are well progressed and retail construction is on track to commence in June 2017. The greenfield development will include a comprehensive range of well-known brands offering quality stock at discounted prices and a significant food offer. Retailer interest is very strong, with the project expected to be completed in 2018.

Retail sales

Mr McNaughton said: "Australian retail sales growth has been impacted by a moderating retail trading environment. Lower retail prices, particularly in apparel, together with some high profile retailer administrations, and a number of anomalies including Easter and school holidays for Victoria and Queensland all occurring in April this year compared to March last year, also impacted retail sales growth in the period."

Total portfolio MAT growth for the 12 months to 31 March 2017 was 0.4%, compared to 1.3% to 31 December 2016. All store types reported slower MAT growth with particular softness in both the department store and discount department store categories. Excluding the impact of some of the more significant retailer administrations, Dick Smith, Payless Shoes and Pumpkin Patch, total portfolio MAT growth was 1.2%.

Comparable specialty store MAT growth to 31 March 2017 was 1.1%, compared to 2.2% three months earlier. Excluding the impact of the Dick Smith, Payless Shoes and Pumpkin Patch administrations, specialty store MAT growth was 1.7%. Demand for beauty and wellness services and products remained solid with the general retail (+3.7%) and retail services (+7.2%) categories experiencing strong MAT growth, including cosmetics (+9.2%), hairdressing/beauty (+8.3%) and optometrists (+6.0%). Apparel growth was lower at 1.2% with men's apparel (+7.0%), fashion accessories (+3.8%) and footwear (+3.3%) continuing to show solid growth, while women's apparel (-2.1%) remains soft.

Mini majors MAT growth to 31 March 2017 was 1.8%, despite the loss of a number of Dick Smith stores in the category. Excluding the impact of the Dick Smith and Pumpkin Patch administrations, mini majors MAT growth was 8.5%.

More detail on Vicinity's retail sales can be found in Appendix 1.

FY17 outlook and guidance

Mr McNaughton added: "While there are pockets of weakness in the retail trading environment, we believe that retail expenditure fundamentals remain sound. Unemployment remains relatively low as are interest rates, house prices are generally still growing, and the Victorian and New South Wales economies are performing well. The Western Australian economy remains soft."

Vicinity's guidance for FY17 underlying earnings remains unchanged at 18.6 to 18.8 cents per security.[4] Vicinity's payout ratio is expected to be 90% to 95% of underlying earnings.

Key dates

Vicinity is hosting an Investor day and asset tours in Perth on 7-8 June 2017 which will focus on the Group's Western Australian portfolio and its development pipeline in the region.

Vicinity's FY17 annual results will be released to the ASX on 16 August 2017.

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For further information please contact:

Penny Berger
Head of Investor Relations
T +61 2 8229 7760
E penny.berger@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 over $24 billion in retail assets under management across 85 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 36 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 approximately 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.

[4] Assuming no material deterioration to existing economic conditions.

VICINITY CENTRES

Appendix 1 – Portfolio sales

Portfolio sales by store type

Sales impacted by a moderating retail trading environment and a number of comparative period anomalies

	Actual MAT Mar-17		Comparable[1] MAT growth	
	MAT ($m)	% of portfolio sales (%)	Mar-17 (%)	Dec-16 (%)
Specialty stores	6,206	38	1.1	2.2
Supermarkets	4,665	29	0.3	0.5
Mini majors[2]	1,851	11	1.8	3.3
Discount department stores	1,563	10	(2.5)	(0.5)
Other retail[3]	1,039	6	0.4	1.5
Department stores	833	5	(1.9)	(0.3)
Total portfolio	**16,158**	**100**	**0.4**	**1.3**

Note: Totals may not sum due to rounding.

1. Excludes divestments and development-impacted centres in accordance with SCCA guidelines.
2. Mini majors includes retailers with a lettable area of 400 sqm or greater (excludes retailers classified as majors). Examples of retailers include JB Hi-Fi, The Reject Shop, Priceline, Rebel, Best & Less and Uniqlo.
3. Other retail includes cinemas, travel agents, auto accessories, lotteries and other entertainment.

Comparative period anomalies

Easter and school holidays in VIC and QLD in April this year compared to March last year

2016 was a leap year therefore one less trading day in February this year compared to last year

Administrations

Excluding retailer administrations of Dick Smith, Payless Shoes and Pumpkin Patch, growth was:

- Total portfolio 1.2% (versus 0.4%)
- Specialty stores 1.7% (versus 1.1%)
- Mini majors 8.5% (versus 1.8%)

Supermarkets

Aggressive pricing strategies continue

Mini majors

Continue to perform well

Department stores and discount department stores

Performance is mixed

Portfolio specialty store performance

Retail services and general retail categories continue to experience strong growth

	Actual MAT Mar-17		Comparable[1] MAT growth	
	MAT ($m)	% of specialty sales	Mar-17 (%)	Dec-16 (%)
Apparel	2,179	35	1.2	2.8
Food catering	915	15	2.3	2.2
General retail[2]	571	9	3.7	4.9
Food retail	540	9	1.6	3.3
Retail services	534	9	7.2	6.5
Homewares	406	7	(7.5)	(5.7)
Leisure	414	7	1.3	0.8
Jewellery	411	7	(1.8)	(0.9)
Mobile phones	237	4	(6.3)	(2.7)
Total specialty stores	**6,206**	**100**	**1.1**	**2.2**

Note: Totals may not sum due to rounding.

1. Excludes divestments and development-impacted centres in accordance with SCCA guidelines.
2. General retail includes giftware, pharmacy and cosmetics, pets, discount variety, tobacconists, florists and toys.

Apparel

Supported by strong growth in Men's Apparel (+7.0%), Fashion Accessories (+3.8%) and Footwear (+3.3%), while Women's Apparel remains soft (-2.1%)

Food

Food Catering sales remain solid driven by Cafés and Restaurants (+6.0%)

Food Retail impacted by timing of Easter, but Fruit and Vegetables category remains strong (+5.8%)

General Retail and Retail Services

Beauty and wellness services and products demand remains strong

Very strong growth in Cosmetics (+9.2%), Hairdressing/ Beauty (+8.3%) and Optometrists (+6.0%)