

# ASX Announcement

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23 October 2019

## September 2019 quarterly update

- Specialty store (<400 sqm) moving annual turnover (MAT) growth<sup>1</sup> of 2.0%, up from 1.7% at Jun-19
- Specialty store MAT of \$11,164 per sqm, up 6.0% over the past year
- Specialty store and mini majors MAT growth of 3.0% (Jun-19: +3.1%), featuring strong growth in luxury retail of 34.7% (+5.1% on a same-store basis)
- Discount department stores (DDS) MAT growth of 2.9%, up from 2.4% at Jun-19<sup>2</sup>
- Portfolio quality enhanced by development:
  - The Glen, VIC: Opened final major stage of redevelopment in August 2019 and third-party developer commenced residential apartment construction in July 2019
  - Roselands, NSW: Lower ground floor transformation opened September 2019
  - Hotel Chadstone, VIC: On track to open 1 November 2019
  - Emporium Melbourne, VIC: Southern Hemisphere's first-of-its kind video gaming and esports entertainment venue Fortress Melbourne to open early 2020
  - Ellenbrook Central, WA: Construction commenced on new Kmart store, three mini majors and 15 specialty stores in August 2019
  - Victoria Gardens Shopping Centre, VIC: Acquired adjacent land enabling planning to progress on a retail expansion and mixed-use development
- \$73 million solar investment program continues, with 15 solar systems connected to date and 10 GWh of electricity generated
- Rated 6th most sustainable real estate company globally by DJSI<sup>3</sup> survey
- Ranked 3rd global listed retail company by GRESB<sup>4</sup>
- Acquired 10.9 million securities for \$26.9 million at a 15.4% discount to June 2019 net tangible assets per security<sup>5</sup>

### **Vicinity Centres (Vicinity, ASX:VCX) provides this update for the September 2019 quarter**

Mr Grant Kelley, CEO and Managing Director, said: "We are particularly pleased with the positive momentum maintained in specialty store sales growth during the September 2019 quarter, as we continue to execute on our strategy and further enhance the portfolio through active tenant remixing, and progressing our retail and mixed-use development opportunities."

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<sup>1</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.

<sup>2</sup> Some major tenants have reported 53 weeks of sales over the past 12 months. Normalising for 52 weeks of sales, MAT growth for DDS was +1.0% (Jun-19: +0.6%).

<sup>3</sup> Dow Jones Sustainability Indices.

<sup>4</sup> Global Real Estate Sustainability Benchmark – 2019 Real Estate Assessment.

<sup>5</sup> Since recommencing the on-market securities buy-back in August 2019 through to 22 October 2019.

#### **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

“We also saw the benefits of some economic and market factors beginning to flow through to Australian retail in the period. Lower interest rates combined with up to a \$1,080 reduction in FY19 income tax for low to middle income earners is forecast to inject financial stimulus<sup>6</sup> into the Australian economy. Additionally, house prices in Sydney and Melbourne are on the rise, population growth is high relative to other advanced economies and forecast supply of new retail space remains contained across the majority of Australian retail markets.”

Mr Kelley said total portfolio MAT was up 2.6%. This was underpinned by solid specialty store and mini majors combined sales growth of 3.0% and increased sales from the DDS category, up 2.9%.<sup>7</sup>

Vicinity’s total portfolio sales growth also benefited from a continued improvement in its Western Australian (WA) portfolio, which delivered 3.4% growth in sales during the September 2019 quarter and 2.7% total MAT growth, up 110 basis points compared to June 2019 MAT. This compares to total portfolio sales excluding WA experiencing growth of 2.5% for the September 2019 quarter and 2.6% growth in MAT.

Across the portfolio, Chadstone (+7.0%) and the DFOs (+4.2%) continued to report strong MAT growth, and the Core portfolio was up 2.0%. Performance of the Premium CBD asset portfolio (-1.9%) reflects remixing at Melbourne Emporium post the initial 5-year lease period and customer traffic flow disruptions at the Sydney CBD assets from surrounding light rail construction works now complete, together with remixing activity at these centres. The trams will start carrying commuters in December 2019, which is expected to significantly benefit Vicinity’s three Sydney CBD assets.

Specialty stores and mini majors combined MAT growth of 3.0% was underpinned by continued strong growth in luxury of 34.7% (excluding the impact of store roll-outs, same-store growth is +5.1%). Other strong performing categories included:

- leisure (+7.2%, driven by sporting goods +13.7%)
- jewellery (+5.2%, with strong growth at Chadstone and the DFOs)
- retail services (+4.4%, driven by hairdressing/beauty +5.2% and other retail services +7.1%), and
- food catering (+4.4%, driven by cafes and restaurants +8.6%).

Refer to the appendix for more detail on portfolio sales for the 12 months to 30 September 2019.

Mr Kelley said: “Progressing our developments continues to strengthen portfolio performance and improve centre productivity, and we achieved a number of significant pipeline milestones during the period.”

In August 2019, the final major stage of the \$430 million<sup>8</sup> redevelopment of The Glen, VIC was completed. The centre now has more than 250 retailers, a new-format David Jones and a new indoor-outdoor dining precinct. Construction has also commenced on more than 500 residential apartments at The Glen in the largest air-rights deal above a retail centre in Australia.

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<sup>6</sup> Citi estimates ~\$20 billion stimulus from reduction in interest and income tax rates into the Australian economy.

<sup>7</sup> Some major tenants have reported 53 weeks of sales over the past 12 months. Normalising for 52 weeks of sales, MAT growth for the total portfolio was +2.0% and for DDS was +1.0%.

<sup>8</sup> 100% interest. Vicinity’s share is 50%.



Also on mixed-use, Hotel Chadstone Melbourne will open next week on 1 November 2019. The \$130 million<sup>9</sup> 250-room 5-star hotel includes two restaurants, rooftop pool, bar, wellness retreat and day spa. Hotel Chadstone will be an in-demand destination for domestic and international tourists and visitors, as well as business travellers and corporate event specialists to the Monash region. Once certified by the Green Building Council of Australia, Hotel Chadstone will be the first 5 star Australian hotel to receive a 5 Star Green Star Design & As Built rating.

At Victoria Gardens Shopping Centre, VIC, the acquisition of a parcel of adjacent land during the quarter has enabled planning to progress for both a retail expansion and mixed-use opportunity at the asset.

At Roselands, NSW, the \$90 million<sup>9</sup> transformation of the lower ground floor launched with the opening of 'The Markets' in September 2019, including a new Aldi store and 20 new specialty retailers. A new Woolworths and additional specialty retailers will open at the centre over the coming month.

The \$63 million development at Ellenbrook Central, WA commenced during the quarter. This project will introduce Kmart, three mini majors and 15 specialty stores upon completion, which is expected in the third quarter of 2020. This will further reinforce the centre as the dominant Sub Regional destination in Perth's growing North Eastern suburbs.

A redevelopment is underway at Emporium Melbourne, VIC to introduce Australia's first Fortress Esports venue. To operate 7 days a week, 10am till late, this video gaming and esports venue is a popular entertainment concept globally, and will feature a 200-seat esports arena, more than 160 gaming PCs, a full-service restaurant and two bars. On track to open in early 2020, the venue is expected to significantly diversify customer visitation to the centre.

Mr Kelley said: "Fortress Melbourne will bring an exciting new, unique drawcard to our Flagship asset in the heart of the city, elevating Emporium Melbourne's position as a leading CBD destination. This is a prime example of how we are evolving our tenant mix to meet consumer trends, and offering new reasons for customers to visit or stay longer."

Mr Kelley added: "The strength of our sustainability program was recognised during the period with Vicinity being rated sixth most sustainable real estate company globally in the DJSI survey and ranked third global listed retail company by GRESB."

During the quarter, a further three installations were delivered as part of Vicinity's \$73 million solar investment program. Across the portfolio, 15 systems are now operational and have generated more than 10 GWh of electricity since their staged introduction from October 2018. The program's five remaining projects are forecast to be completed this financial year and the total program is expected to generate 46 GWh of electricity annually. This investment in solar is reducing reliance on electricity sourced from the grid and assists Vicinity to achieve its commitment to Net Zero carbon emissions by 2030<sup>10</sup>.

Vicinity's 2019 Annual General Meeting will be held in Melbourne on Thursday 14 November 2019.

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<sup>9</sup> 100% interest. Vicinity's share is 50%.

<sup>10</sup> For common areas in wholly-owned retail assets.

**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 23,000 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.

## Appendix – Portfolio sales for the 12 months ended 30 September 2019

**Table 1: Portfolio sales by store type**

	Actual			Comparable growth <sup>a</sup>	
	MAT Sep-19 (\$m)	Proportion of portfolio (%)		Sep-19 (%)	Jun-19 (%)
		By sales	By rent		
Specialty stores	6,766	40	57	2.0	1.7
Mini majors	2,319	14	12	6.2	7.6
Specialties and mini majors	9,085	54	69	3.0	3.1
Supermarkets	3,964	24	7	3.8 <sup>b</sup>	4.0 <sup>b</sup>
Discount department stores	1,507	9	6	2.9 <sup>b</sup>	2.4 <sup>b</sup>
Other retail <sup>c</sup>	1,118	7	14	(0.2)	(0.3)
Department stores	1,019	6	4	(5.0)	(4.5)
<b>Total portfolio</b>	<b>16,693</b>	<b>100</b>	<b>100</b>	<b>2.6<sup>b</sup></b>	<b>2.7<sup>b</sup></b>

**Table 2: Mini majors and specialty store sales by category**

Comparable MAT growth (%) <sup>a</sup>	Sep-19		Jun-19	
	MM and SS <sup>d</sup>	SS <sup>d</sup>	MM and SS <sup>d</sup>	SS <sup>d</sup>
Apparel	3.2	2.2	3.4	2.7
Food catering	4.4	3.5	3.4	2.8
Homewares	1.7	(11.7)	2.6	(19.5)
General retail	(1.2)	0.6	(1.9)	(0.8)
Leisure	7.2	2.4	6.3	2.2
Food retail	(0.4)	(1.5)	(0.1)	(2.0)
Retail services	4.4	4.4	4.4	4.4
Jewellery	5.2	5.2	9.0	9.0
Mobile phones	6.3	6.3	4.7	4.7
<b>Total</b>	<b>3.0</b>	<b>2.0</b>	<b>3.1</b>	<b>1.7</b>

Note: Totals may not sum due to rounding.

- Excludes divestments and development-impacted centres in accordance with SCCA guidelines.
- Some major tenants have reported 53 weeks of sales in 2019. Normalising for 52 weeks of sales, MAT growth for supermarkets was +2.0% (Jun-19: +2.3%), discount department stores was +1.0% (Jun-19: +0.6%) and total portfolio was +2.0% (Jun-19: +2.1%).
- Other retail includes cinemas, travel agents, auto accessories, lotteries and other entertainment.
- MM: Mini majors; SS: Specialty stores.