Market update

14 December 2015

VICINITY CENTRES

Chadstone, VIC

Cranbourne Park, VIC

Overview and strategy

The first 100 days…

Significant progress made on integration and strategy implementation

- ✓ Strategic focus unchanged
- ✓ Acquisition of two high quality assets for $319m – The Shops at Ellenbrook and Livingston Marketplace
- ✓ Portfolio review completed with approximately $750m to $1b of asset recycling opportunities identified
- ✓ Development projects progressing strongly
- ✓ $1.8b bridge facility to be repaid and cancelled by 31 December 2015
- ✓ Senior management team strengthened
- ✓ On target to achieve 75%[1] of operational cost synergies by 30 June 2016
- ✓ Integration on track (team structure and co-locations, branding, IT platform)
- ✓ Additional merger-related operational savings and revenue opportunities identified

1. On an annualised basis.

Value creation and sustainable growth

Current focus on building the foundations

Current focus

Origins

Federation aggregation

Novion internalisation

Merger

Two highly complementary platforms combined

Created platform with over $22b in AUM across the retail spectrum

Unlocked material value and improved growth opportunities

Building the foundations

Complete integration

Reposition the portfolio by recycling capital into value-accretive opportunities

Embed intensive asset management across the portfolio

Maximise merger cost and revenue opportunities

Develop and implement digital strategy

Value creation and sustainable growth

High quality portfolio delivering superior returns through intensive asset management

Strong balance sheet maintained

Fully integrated digital and property platform

Sustainability embedded throughout the business

Delivering the leading retail property and lifestyle experience in Australia

Strategic focus unchanged

Create value and sustainable growth by owning, managing and developing quality Australian assets across the retail spectrum

Purpose		Enriching community experiences			
Vision		Delivering the leading retail property and lifestyle experience in Australia			
Strategic focus		Create value and sustainable growth by owning, managing and developing quality Australian assets across the retail spectrum			
Strategic platform	Value drivers	Investment	Development	Intensive asset management	
	Enablers	Capital and Strategic Partnerships	Operational excellence	People	Digital

Group investment principles

Focused on long-term value creation and delivering sustainable earnings growth through the cycle

Simple and transparent business model with a single sector focus

Invest in quality Australian assets across the **retail spectrum**

Focus on **long-term value creation** and **sustainable earnings growth**

Maintain **strong balance sheet** and access to **diverse capital sources**

Efficient cost structure and low MER (26 bps on full integration)[1]

Key financial objectives ('through cycle' basis)

Group level	Target
Total return[2]	>9.0% p.a.
Underlying earnings growth	>3.0% p.a.

Portfolio level	Target
Property level returns	>8.5% p.a.
Development returns	Initial yield 6% to 8+% Incremental IRR 10% to 15+%

1. Management Expense Ratio (MER) calculated as corporate overheads (net of recoveries to properties) divided by total AUM. MER target as per Scheme Booklet.
2. (Change in NTA + distributions) / Opening NTA.

Management expertise

Structured to support strategy execution

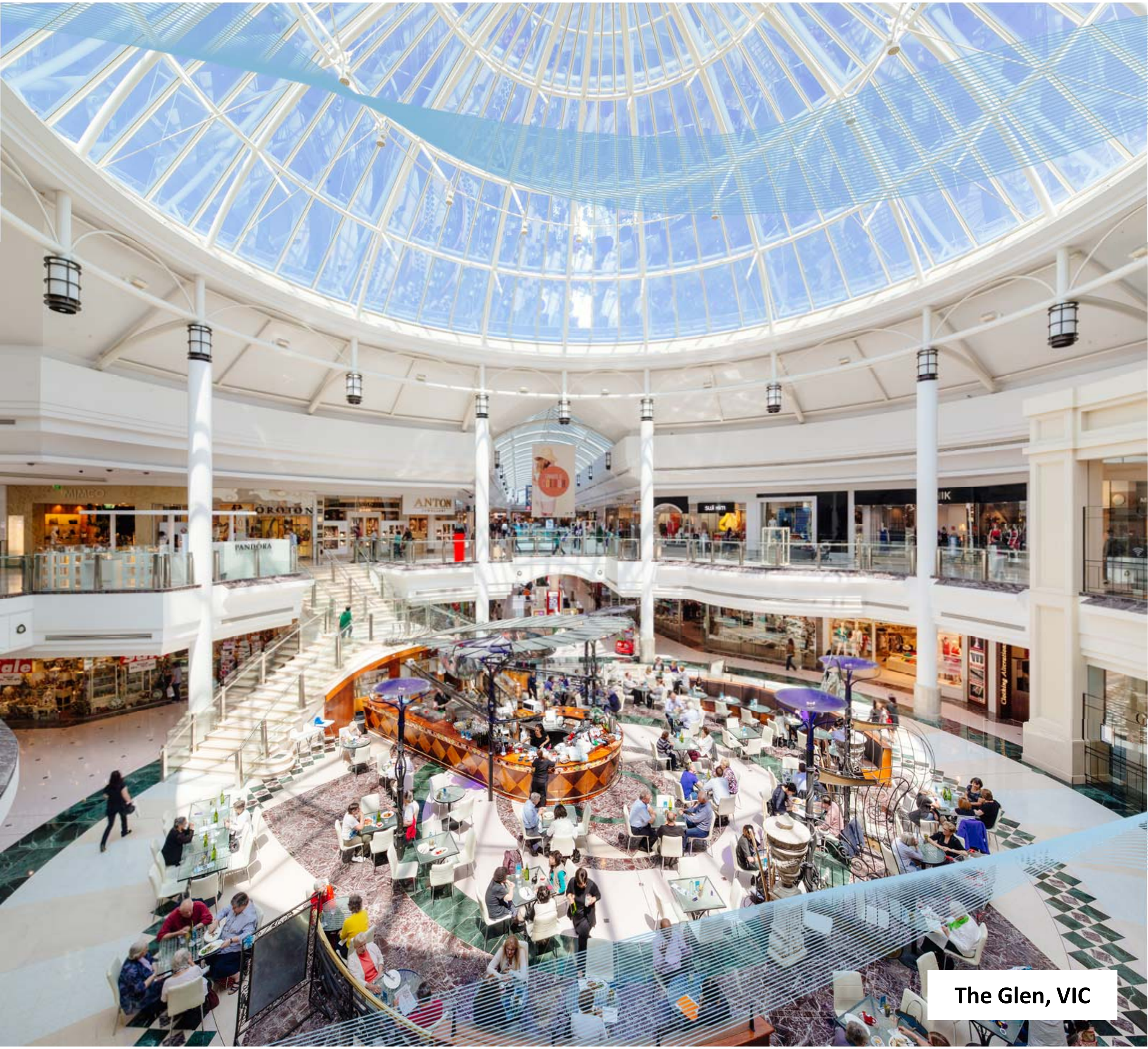
Chief Executive Officer and Managing Director
Angus McNaughton

Value drivers | Enablers

Strategic platform

Development	Intensive asset management	Investment	Strategic Partnerships	Capital	Digital	People	Operational excellence
EGM Development Jonathan Timms	**EGM Shopping Centres** Justin Mills	**Chief Investment Officer** Michael O'Brien		**Chief Financial Officer** Richard Jamieson	**EGM Digital, Marketing, People & Culture** Simone Carroll		**EGM Business Development** David Marcun
EGM Leasing Stuart Macrae							**General Counsel** Carolyn Reynolds

Investing across the retail spectrum

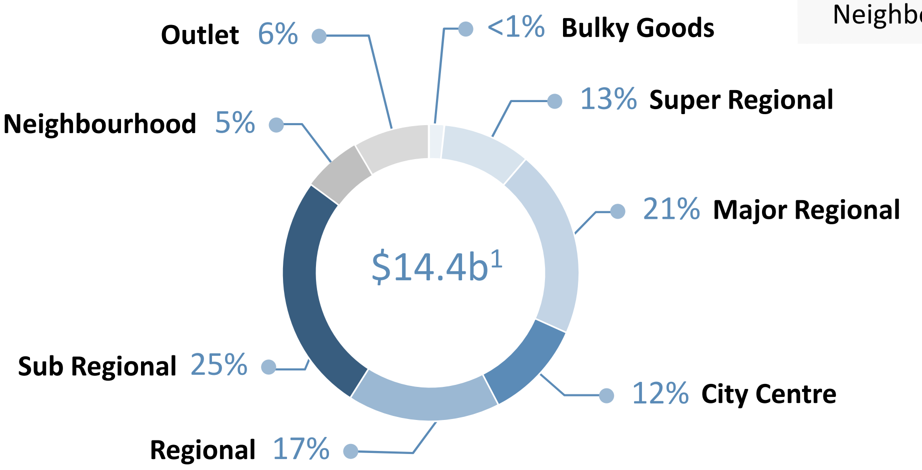


The Glen, VIC

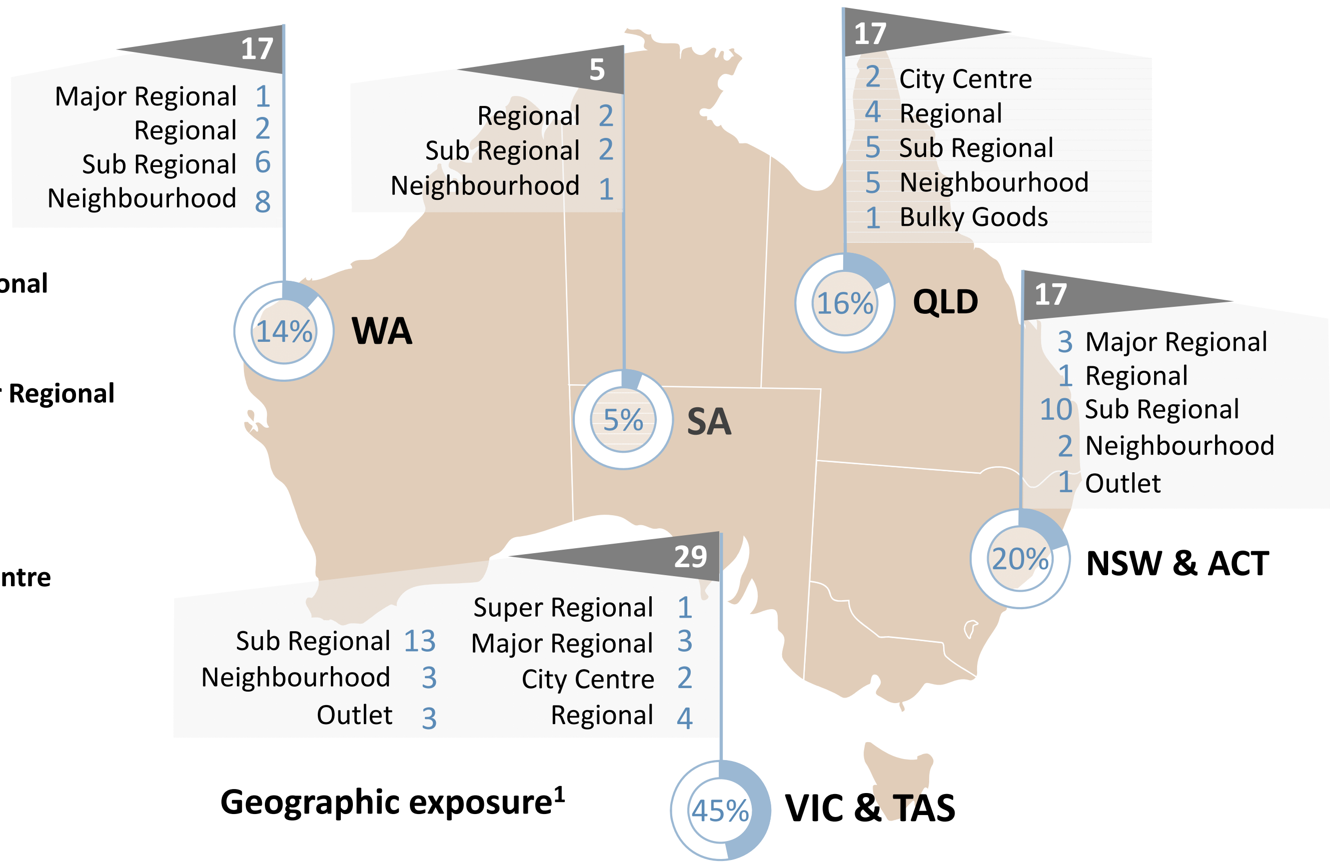
Direct Portfolio snapshot

The directly owned portfolio is well diversified by geographic and retail sub-sector exposure

85 assets totaling $14.4b[1]



Centre type composition[1]



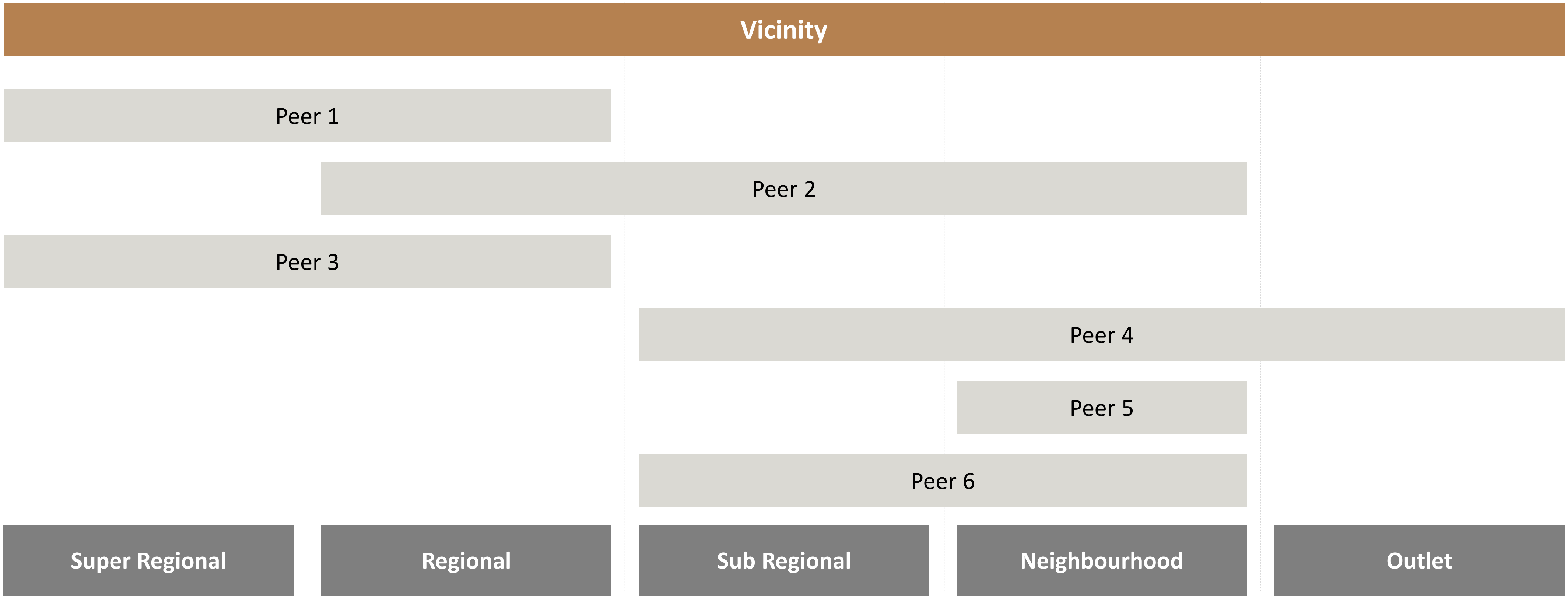
Geographic exposure[1]

1. As at 30 June 2015 adjusted for announced sales and acquisitions. By ownership value.

Investing across the retail spectrum

Uniquely positioned to create value across the spectrum of Australian retail sub-sectors

Sub-sector exposure versus peers[1]



1. Peers are A-REITs ranked by Australian retail assets under management.

Investing across the retail spectrum

Vicinity will continue to be invested across the spectrum of Australian retail assets

Portfolio position

Large and diverse $22b managed portfolio of Australian retail assets spanning the retail spectrum

Joint owner and manager of $3.8b[1] Chadstone Shopping Centre, Australia's premier retail asset

Largest owner and manager of Sub Regional and Outlet centres in Australia

Second largest owner and manager of Regional[2] centres in Australia

Rationale for investment across the retail spectrum

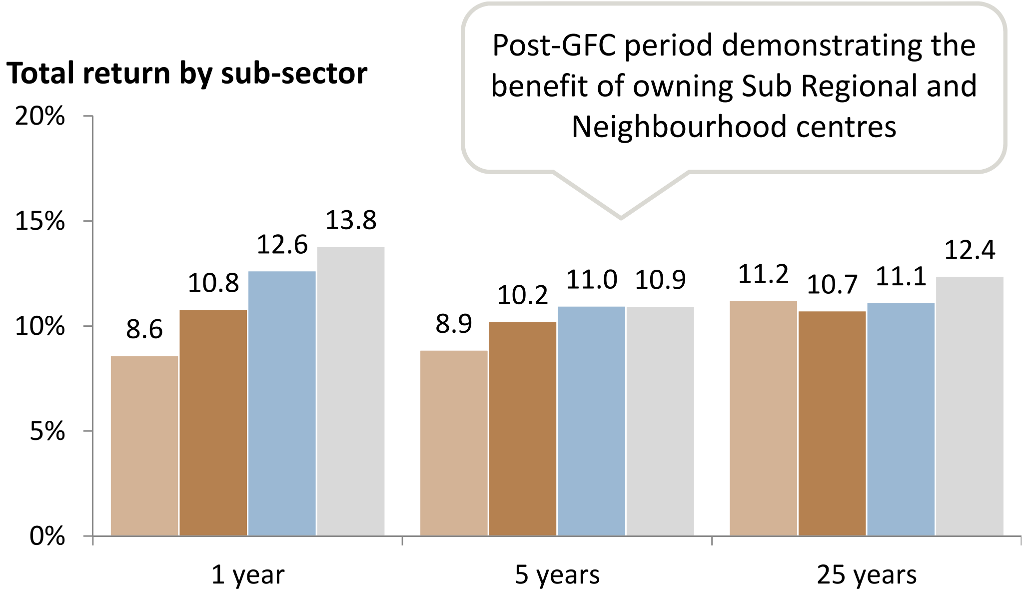
1. Retail sub-sectors have delivered strong levels of total return and similar volatility, but outperform at different points in the cycle
2. All key sub-sectors exhibit favourable characteristics including the ability of Vicinity to add value
3. Vicinity's diversification and scale provide opportunities to add value by expanding tenant relationships
4. Vicinity has deep capability and a proven track record of value creation across retail sub-sectors

1. 100% value as at 30 June 2015. Vicinity share is 50%.
2. Includes Major Regional, City Centre and Super Regional.

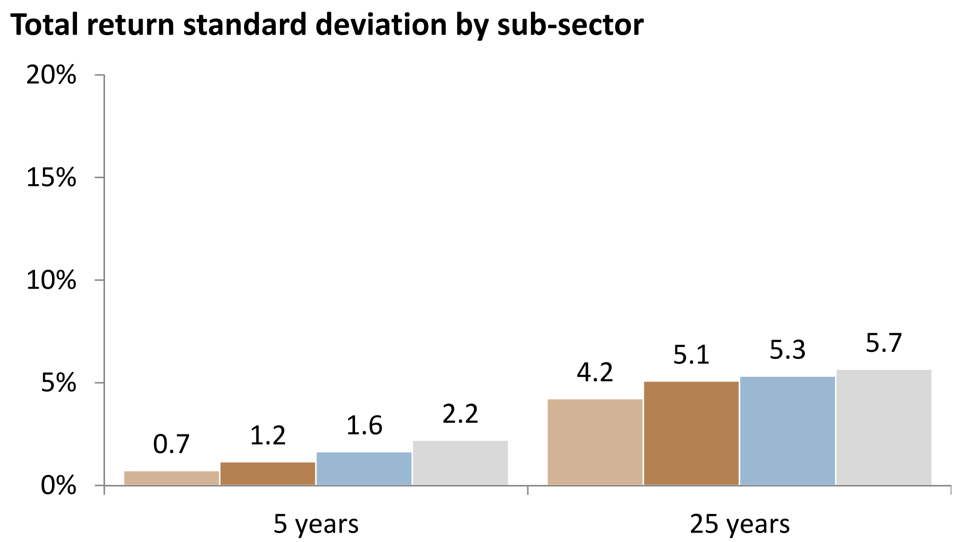
Rationale for investing across the retail spectrum

Retail sub-sectors have delivered strong levels of total return and similar volatility

Strong total return performance across all retail sub-sectors…



…with very similar levels of volatility



Super/Major Regional | Regional | Sub Regional | Neighbourhood

Source: IPD and Vicinity Research, 30 September 2015.
Annual returns on quarterly rests.

2 Rationale for investing across the retail spectrum

Key sub-sectors exhibit favourable characteristics including the ability of Vicinity to add value

Characteristics	Super Regional	Regional	Sub Regional	Neighbourhood	Outlet	Bulky Goods
Strength of tenant covenants	High	High	High	High	High	Moderate
Planning controls	High	High	High	High	High	Moderate
Resilience to competition	High	High	Moderate	Moderate	High	Low
Ability of management to add value	High	High	High	High	High	Low
Preferred investment	✓	✓	✓	✓	✓	✗

High Moderate Low

3 Rationale for investing across the retail spectrum

Vicinity's diversification and scale provide opportunities to add value by expanding tenant relationships

Case study – DFO Homebush, NSW

Four DFOs, including DFO Homebush, acquired in October 2010
- Attracted by sub-sector characteristics and value-add opportunities

Immediate income and capital growth achieved
- Application of Vicinity's leasing and centre management capability

$100m development completed in March 2014
- Significant expansion and remodelling
- Expanded luxury and premium apparel retailer relationships
- Incremental development IRR of >12%

Now Australia's largest outlet luxury precinct

Asset well positioned for future growth

	September 2015	Change since acquisition
Specialty sales psm	$13,722	+20%
Specialty occupancy costs	9.1%	+170 bps
IRR since acquisition		13.2%

4 Rationale for investing across the retail spectrum

Vicinity has deep capability and a proven track record of value creation across retail sub-sectors

Super Regional – Chadstone, VIC

- Australia's premier retail destination and number one centre by retail MAT
- Value has increased from $1.2b to $3.8b since 2002[1]
- Current development to enlarge and enhance international flagship, luxury and entertainment offers
- Significant future redevelopment potential

IRR since 2002[1]	**13.0%**

Sub Regional – Cranbourne Park, VIC

- $110m development project ($55m Vicinity share) completed in September 2015
- Financial metrics significantly above Board approved feasibility
- Centre well received by community and trading above expectations
- Further redevelopment potential possible and currently being investigated

Development IRR[2]	**>14.0%**

Neighbourhood – Warnbro Centre, WA

- Asset acquired in 2007
- $39m development project completed in September 2014
- Addition of Big W and 28 specialty stores, elevating asset to Sub Regional status
- Financial metrics significantly above Board approved feasibility
- Centre trading well post development

Development IRR[2]	**15.5%**

1. The year of the merger of Gandel Retail Trust and Colonial First State Retail Property Trust.
2. Forecast.

QueensPlaza, QLD

Implementation of the portfolio strategy

Portfolio strategy execution

Value creation from investing across the retail spectrum

1. **Clear investment criteria defined** for assessing asset quality for the existing portfolio and future investment opportunities

2. **Significant value-accretive investment opportunities** including strong development pipeline and acquisitions, including Outlet centres

3. **Asset recycling opportunities identified** following a comprehensive review of the portfolio on the basis that more value can be created by investing in other opportunities

Dianella Plaza, WA

1 Investment criteria for assessing asset quality

Quantitative and qualitative factors are used to evaluate asset quality and performance

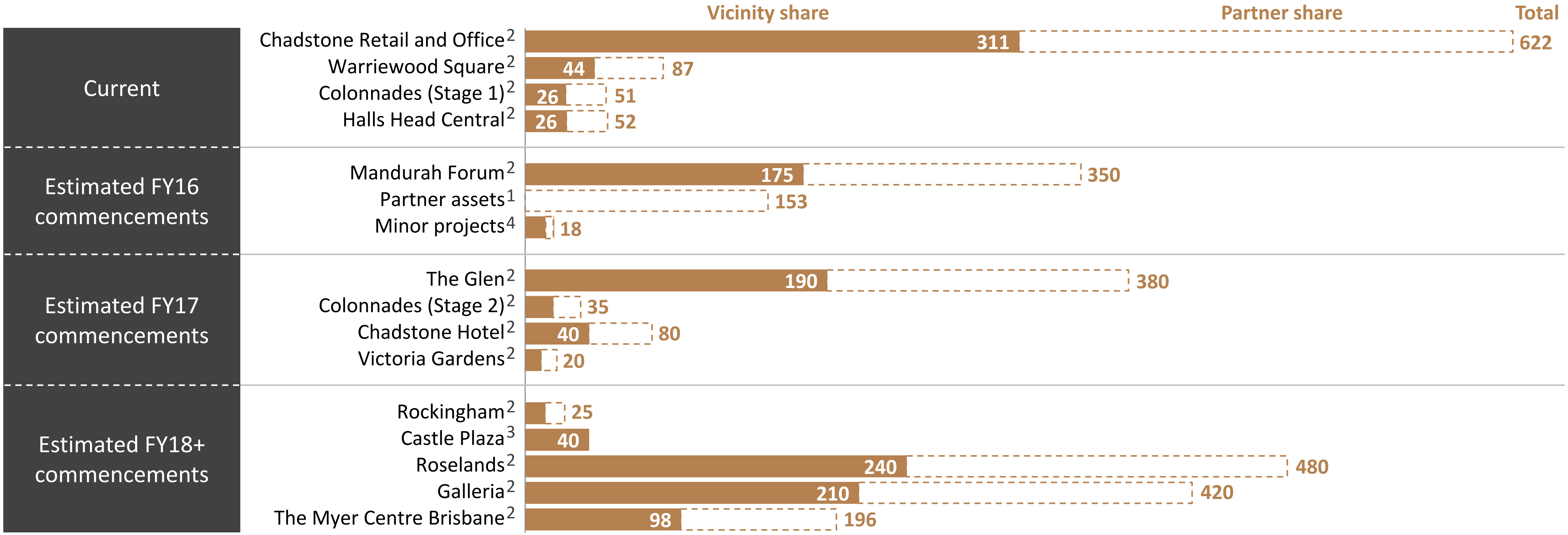
- ✓ Favourable demographics
- ✓ Resilience to competition in trade area
- ✓ High sales productivity and growth
- ✓ Optimal occupancy costs or opportunity to achieve this
- ✓ Opportunity to apply Vicinity's intensive asset management approach
- ✓ Potential for ancillary income growth
- ✓ Strong tenant demand
- ✓ Potential development opportunities
- ✓ Strong forecast total returns

Warnbro Centre, WA

2 Investment opportunities

Extensive development pipeline provides opportunity to create value

$3.0b development pipeline ($1.5b Vicinity share)



Note: - As at 30 June 2015 excluding Cranbourne Park which completed in September 2015.
- Footnotes refer to Vicinity's ownership share: 1. (0%); 2. (50%); 3. (100%) 4. Varied.
- The pipeline of identified projects will vary over time depending on feasibilities, approvals, tenant demand and capital allocation decisions.

Investment opportunities

Broad ranging developments across the retail spectrum creating value

Super Regional – Chadstone, VIC

World-class retail asset with significant ongoing development potential

Current development to enlarge and enhance international flagship, luxury and entertainment offers

Key metrics	Forecast
Development cost	$622m ($311m Vicinity share)
Completion date	2017
Yield	>6%
Expected IRR	>10%
	September 2015[1]
Specialty sales	$17,761/sqm
Specialty occupancy cost	16.9%

Sub Regional – Warriewood Square, NSW

Attractive trade area with strong demographics and an under-provision of retail space

Current development enhances retail offer to focus on mini-majors, additional specialties and car parks

Key metrics	Forecast
Development cost	$87m ($44m Vicinity share)
Completion date	2H FY16
Yield	>7%
Expected IRR	>12%
	September 2015[1]
Specialty sales	$9,936/sqm
Specialty occupancy cost	15.3%

Neighbourhood – Halls Head Central, WA

Transformational development from a Neighbourhood to a strong Sub Regional asset

Repositioning to meet the needs of the growing local community through additional majors and specialties and a new casual dining precinct

Key metrics	Forecast
Development cost	$52m ($26m Vicinity share)
Completion date	2H FY16
Yield	>9%
Expected IRR	>15%
	September 2015[1]
Specialty sales	$6,886/sqm
Specialty occupancy cost	11.4%

1. Development impacted.

2 Investment opportunities

Recent and future acquisitions to enhance portfolio and consolidate market positions

Consolidating market leadership position in Outlet centres is a key priority for future investments

Recent Perth acquisitions in line with investment criteria:

- ✓ Located in attractive catchments, with strong population and retail spending growth
- ✓ Strongly performing anchor tenants
- ✓ High specialty sales productivity and low occupancy costs, providing income growth potential, and
- ✓ Development opportunities

Recent acquisitions	The Shops at Ellenbrook	Livingston Marketplace
Acquisition cost	$232m	$87m
Capitalisation rate	5.75%	6.0%
Expected IRR	>9%	>9%
Specialty sales	$8,500/sqm	$9,900/sqm
Specialty occupancy costs	10.7%	9.7%
Projected[1]		
– Population growth (p.a.)	4.7%	2.6%
– Retail expenditure growth (p.a.)	7.3%	5.5%

1. Based on an average of forecasts by Dimasi and Urbis, over a 10 year period.

3 Asset recycling

Opportunity to recycle capital into value-accretive investments

Portfolio review

Comprehensive asset review process undertaken

Majority of Direct Portfolio assets meet investment criteria

Asset recycling opportunities of approximately **$750m to $1b** identified from across the retail spectrum, to be divested subject to market conditions

Asset sale proceeds to be deployed into current and future value-accretive developments and acquisitions, while preserving a strong balance sheet position

- Improved earnings growth profile
- Improved total return

Financial impact of asset sales and FY16 guidance

No change to FY16 Underlying Earnings guidance of 18.8 to 19.1 cents per security[1] due to the expected timing of sales

In the short term, proceeds from asset sales will be used to repay debt

- Annualised earnings impact of approximately 0.7 to 0.9 cents per security, before reinvestment
- Pro forma gearing reduction of approximately 350 bps to 450 bps, before reinvestment

1. Subject to no unforeseen deterioration in economic conditions.

Emporium Melbourne, VIC

Capital and Strategic Partnerships

Strategic Partnerships

Strategic Partnerships pursued selectively

Existing joint venture and wholesale fund relationships are important

Capital sourced from existing and future relationships is a key capital management tool

Will selectively pursue **joint ventures with aligned partners** (Vicinity management and minimum 50% ownership)

- To gain access to quality assets, and/or
- As a means of mitigating risk

Wholesale platform expansion not a near-term priority

- Will continue to review, as appropriate, over the medium term

Bankstown Central, NSW

Capital management approach

A strong and conservative capital structure underpins growth initiatives through the cycle

Maintain access to equity and debt funding in all market conditions to enable investment in existing assets and new opportunities through the cycle

Metric	Principle
Credit rating	Maintain strong investment grade S&P credit rating of 'A-'
Gearing[1]	Target range of 25% to 35%
Sources	Maintain diversity and, over the medium term, an even exposure to bank and capital markets debt
Duration	Proactively manage maturity concentrations and extend duration Target weighted average debt maturity of approximately 5 years
Hedging	Remain well hedged against interest rate movements in the short term according to prescribed target bands

1. Calculated as drawn debt net of cash divided by total tangible assets excluding cash and derivative financial assets.

Refinancing update

Bridge facility to be repaid by 31 December 2015

Repayment of the $1.8b bridge facility by 31 December 2015 enabled through:

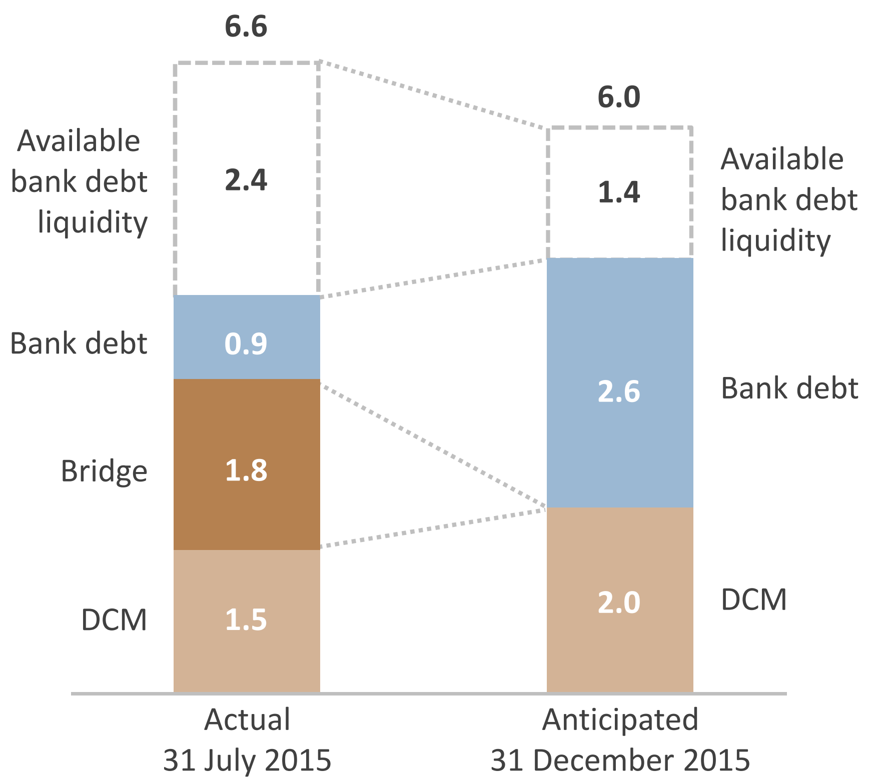
- Existing bank debt facilities
- Establishment of $700m of new 3 and 5 year bank debt facilities with a small group of international banks
- Settlement of the A$433m US Private Placement issue on 21 December 2015

On track to achieve weighted average cost of debt of approximately 4.0% for the six months to 31 December 2015

An improvement in debt duration to 4.0 years is anticipated at 31 December 2015, compared to 3.2 years[1] at 30 June 2015

Opportunity to extend duration in 2016 through debt capital markets issuances, subject to market conditions

Expected movement in debt profile ($b)



1. 30 June 2015 figure assumed the option to extend the $1.8b bridge facility for 12 months was exercised.

Galleria, WA

Summary

Summary

Well positioned to create value and deliver sustainable growth

- ✓ Strategic focus unchanged - create value and sustainable growth by owning, managing and developing quality Australian assets across the retail spectrum
- ✓ Simple and transparent business model, with a conservative balance sheet and efficient cost structure
- ✓ Merger synergies and integration on track, with ancillary income opportunities identified
- ✓ Significant value-accretive opportunities in the pipeline
  - Approximately $750m to $1b of assets from across the retail spectrum to be divested subject to market conditions
  - Proceeds from asset sales to be recycled into value-accretive development and acquisition opportunities over time
- ✓ Strategic Partnerships to be pursued selectively
- ✓ $1.8b bridge facility to be cancelled by 31 December 2015, with new financing facilities in place

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