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ASX ANNOUNCEMENT

SALE OF NEW ZEALAND PORTFOLIO

SCA Property Group (ASX: SCP) ("SCP") is pleased to announce that it has entered into a conditional sale contract with Stride Property Group (NZX: STR) ("Stride") for the sale of SCP's New Zealand portfolio to a newly established Stride-managed entity, Investore Property Limited ("Investore"). The contract is conditional upon a successful initial public offering of shares in Investore to be completed on or before 30 June 2016.

The agreed sale price for SCP's 14 New Zealand centres is NZ$267.4 million, representing a cap rate of 6.6% and a premium of 6.5% to the 31 December 2015 book value of the assets. After tax, the implied yield on these assets to SCP is below 6%. The sale is consistent with our strategy of divesting freestanding assets, as 9 of the 14 New Zealand centres are freestanding. In addition, our Australian centres generally have a higher growth outlook than the New Zealand portfolio.

Settlement of the transaction is scheduled to occur in two tranches. Tranche 1 will comprise 6 assets for NZ$128.2 million with settlement to occur in July 2016, and Tranche 2 will comprise the remaining 8 assets for NZ$139.2 million which is expected to complete in late September 2016.

Proceeds from the sale will initially be used to repay debt, decreasing SCP's gearing to approximately 25% (after settlement of both tranches). Consistent with SCP's strategy, we will look to redeploy the sale proceeds into value-accretive Australian neighbourhood retail opportunities.

Commenting on the transaction, SCP CEO Anthony Mellowes said: "We are very pleased to have achieved an attractive sale price for our New Zealand portfolio. Since listing in December 2012 these assets have delivered an unlevered pre-tax New Zealand dollar return of 14% per annum for SCP. At the sale price the after tax yield on the New Zealand assets is less than 6%, so we believe that exiting New Zealand and reinvesting into core Australian assets will maximise value for SCP unitholders."

Implications for debt and hedging

This divestment will result in our gearing falling below our target band of 30% to 40%. We therefore intend to suspend our distribution reinvestment plan ("DRP"). We anticipate turning the DRP back on at a later date, once the proceeds of the sale have been redeployed and we have returned to our target gearing band.

The divestment will also result in the fixed or hedged portion of our debt exceeding 100%. We therefore intend to terminate NZ$43.8 million and A$150 million of interest rate swaps. The cost of terminating our excess interest rate swaps is expected to be approximately A$3.0 million (subject to market movements), and our fixed or hedged percentage will fall to approximately 75% once the New Zealand sale has completed.

FY16 and FY17 guidance

For FY16, our EPU guidance of 13.6 cents per unit and our DPU guidance of 12.2 cents per unit is re-affirmed.

In relation to FY17, taking into account the impact of the New Zealand sale and application of sale proceeds to repay debt, and prior to any reinvestment of sale proceeds, SCP expects EPU and DPU to be at least in line with FY16.

ENDS

Institutional investor, analyst and media contacts:

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