

ASX Announcement

26 October 2016

September 2016 quarterly update

Highlights

- **Completion and opening of the key retail stage of the \$666 million (Vicinity share: \$333 million) expansion of Chadstone Shopping Centre in October 2016**
- **Asset sales progressed to over \$1.4 billion of the approximately \$1.5 billion divestment program**
- **Significant achievements on sustainability including strong survey results**
- **Completed migration onto one IT platform**
- **Comparable¹ specialty store moving annual turnover (MAT) growth up 3.3% for the 12 months to 30 September 2016, compared to 3.0% to 30 June 2016**

Vicinity Centres (Vicinity or the Group, ASX:VCX) provides this update for the September 2016 quarter.

Mr Angus McNaughton, CEO and Managing Director, said: “The past few months have continued to be an active time for the group highlighted by the completion and opening of the key retail stage of the \$666 million development (Vicinity share: \$333 million) of Chadstone Shopping Centre in October 2016. Additionally, we are now close to complete on our asset divestment program with contracts exchanged on a further four assets since our annual results announcement in August. Significant progress has been made on sustainability including strong survey results. Key integration activities have also progressed well with the business having migrated onto one IT platform and the co-location of our Melbourne corporate offices to Chadstone on track for the end of the calendar year. Furthermore, our comparable specialty store MAT growth improved to 3.3% to 30 September 2016, compared to 3.0% to 30 June 2016, which now includes DFO Brisbane.²”

Development pipeline

Mr McNaughton added: “The shopping experience has been taken to the next level in this country with the recent opening of the key retail stage of our latest development at Chadstone. We are pleased to now offer our visitors to Chadstone a premium customer experience that extends across not only luxury, fashion and general retail, but also entertainment and dining. More than 60 new retail stores, two new dining precincts and a new state-of-the-art HOYTS cinema complex have opened, accentuated by the impressive column free, 2,700 glass panel, iconic gridshell roof - a first for Australia.

¹ Excludes acquisitions, divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.

² Excluding DFO Brisbane, comparable specialty store MAT growth was up 2.7% to 30 September 2016.

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“In the short period since opening, we have received resoundingly positive feedback from customers and retailers alike, with strong patronage of the expanded retail, dining and entertainment precinct that features new flagship stores H&M, Uniqlo and Sephora, along with the first integrated retail dealership for Tesla Motors in Melbourne, HOYTS’ new Australian flagship digital cinema complex with 13 screens, the new 7-restaurant Dining Terrace opening from mid October that includes Burger Project, Fonda, Woodstock Pizzicheria, Marae Izakaya, Mama’s Buoi, Mezz Bistro and Bar and New Shanghai, and the 1,300 seat 20-plus tenancy food gallery - Food Central.

“While the extended structure of the centre is now complete, remaining project works include the backfill and reconfiguration of tenants along the expanded luxury west mall, which will see Chadstone welcoming a number of new high calibre tenants including: Valentino, Saint Laurent, Dior Homme, Celine, Moncler and Balenciaga; and LEGOLAND® Discovery Centre opening in Autumn next year. The project remains on target for completion in mid-2017.”

Images of Chadstone can be found in Appendix 3.

Mr McNaughton said: “Work is also progressing well on our other major redevelopment under construction at Mandurah Forum in Western Australia. We have demolished around half of the specialty stores, laid foundations and commenced construction on both the eastern and western ends of the site. We have a very high level of retailer interest in the project and leasing remains on program. This project will be a major transformation of the centre and it remains on track for completion by mid-2018. We have also advanced other projects in our development pipeline which remains at \$3.7 billion (Vicinity share: \$1.7 billion) of identified projects.”

Retail sales

Total comparable portfolio MAT growth was 2.2% for the 12 months to 30 September 2016, compared to 2.1% to 30 June 2016. This result was driven by stronger MAT growth from specialty stores and mini majors partially offset by softer growth from both the discount department store and department store categories. Comparable specialty store MAT growth to 30 September 2016 increased to 3.3% from 3.0% three months earlier. This was underpinned by the continued strength in retail services (up 6.5%), stronger growth in apparel (up 4.3%), particularly at the DFO centres, and a rebound in both food retail and food catering (both up 3.0%).

More detail on Vicinity’s retail sales can be found in Appendices 1 and 2.

Asset divestment program

Mr McNaughton said: “During the quarter and as part of refining the quality of our portfolio, we continued to execute on our asset divestment program of approximately \$1.5 billion with a further four contracts exchanged for a total price of \$425.9 million³, taking total agreed divestments to over \$1.4 billion. The divestment program remains on track to be completed by the end of 2016.”

³ Excluding transaction costs. Includes asset sales where contracts have been exchanged but not settled for Tweed Mall, a 50% interest in Morningside Central and a 50% interest in Tuggeranong Hyperdome, and the settled sale of a 25% interest in The Myer Centre Brisbane on 7 October 2016.

Sustainability

Mr McNaughton said: “Following the establishment of our sustainability strategy late in FY16, our sustainability program has had a number of significant achievements during the period.”

Vicinity received high recognition for its approach in two 2016 sustainability surveys:

- Dow Jones ranked Vicinity as a leader in three of its sustainability indices – World, Asia Pacific and Australia with a score of 73/100, placing Vicinity in the 90th percentile of respondents; and
- Global Real Estate Sustainability Benchmark (GRESB) scored Vicinity 83/100 against a retail peer group average of 77/100.

As a leading shopping centre owner and manager, Vicinity is cognisant of its societal impacts. Vicinity has engaged a social enterprise in Victoria to complete general maintenance activities across its centres and, based on the success to date, similar programs are being investigated in other states. Vicinity has also partnered with one of its cleaning vendors and a local community agency to create employment opportunities for marginalised groups including youth.

Mr McNaughton added: “Our sustainability strategy is centred around creating shared value for Vicinity and our stakeholders whilst proactively managing our economic, environmental and social sustainability risks and capitalising on opportunities.”

Greater detail on the Group’s sustainability strategy, achievements and philosophies will be made available in Vicinity’s inaugural Sustainability Report to be released later in 2016.

FY17 guidance

Vicinity’s FY17 underlying earnings per security (EPS) guidance remains unchanged, expected to be in the range of 18.6 to 18.8 cents⁴, with a payout ratio expected to be 90% to 95% of underlying earnings.

Key dates

Vicinity’s 2016 Annual General Meeting (AGM) will be held on 18 November 2016. For Securityholders who do not plan to attend the AGM, proxy votes must be received by Vicinity’s Security Registry by 11.00am on 16 November 2016. Furthermore, Vicinity’s FY17 interim results will be released on 15 February 2017.

ENDS

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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 \$23 billion in retail assets under management across 88 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 78 shopping centres and manages 37 assets on behalf of Strategic Partners, 27 of which are co-owned by the Group. Listed on the Australian Securities Exchange under the trading code ‘VCX’, Vicinity has over 24,000 securityholders. For more information visit the Group’s website vicinity.com.au, or use your smartphone to scan this QR code.



⁴ Subject to no unforeseen deterioration of economic conditions and assumes the \$1.5 billion divestment program completes in the first half of FY17.

Appendix 1 – Portfolio sales

Total sales by category	Actual MAT Sep-16		Comparable ¹ MAT growth	
	MAT (\$m)	% of portfolio sales	Sep-16 (%)	Jun-16 (%)
Specialty stores	6,297	38.1	3.3	3.0
Supermarkets	4,808	29.1	0.6	0.1
Mini majors	1,857	11.2	3.9	3.5
Discount department stores	1,672	10.1	1.5	2.8
Other retail ²	1,057	6.4	2.7	3.8
Department stores	839	5.1	1.2	2.7
Total portfolio	16,530	100	2.2	2.1

Specialty sales by store type	Actual MAT Sep-16		Comparable ¹ MAT growth	
	MAT (\$m)	% of specialty sales	Sep-16 (%)	Jun-16 (%)
Apparel	2,197	34.9	4.3	3.0
Food catering	910	14.5	3.0	2.6
General retail ³	589	9.4	5.6	5.7
Food retail	558	8.9	3.0	1.4
Retail services	529	8.4	6.5	7.0
Homewares	429	6.8	(1.4)	0.0
Jewellery	412	6.5	(0.4)	2.7
Leisure	414	6.6	0.6	1.0
Mobile phones	259	4.1	1.6	1.3
Total specialty stores	6,297	100	3.3	3.0

1 Excludes acquisitions, divestments and development-impacted centres in accordance with SCCA guidelines.

2 Other retail includes cinemas, travel agents, auto accessories, lotteries and other entertainment.

3 General retail includes giftware, pharmacy and cosmetics, pets, discount variety, tobacconists, florists and toys.

Appendix 2 - Centre sales for the 12 months to 30 September 2016

Centre name	Centre type	Interest (%)	Annual retail sales (\$m)	Centre sales (\$/sqm)	Specialty sales (\$/sqm)
New South Wales					
Chatswood Chase Sydney	Major Regional	100	568.6	9,861	13,495
Bankstown Central	Major Regional	50	464.4	6,213	8,463
Roselands	Major Regional	50	305.5	5,323	8,595
Warriewood Square ¹	Sub Regional	50	N/A	N/A	N/A
Lake Haven Shopping Centre	Sub Regional	100	283.6	8,498	10,898
Nepean Village	Sub Regional	100	241.9	11,126	12,929
Carlingford Court	Sub Regional	50	189.6	7,152	9,591
Toormina Gardens	Sub Regional	50	155.8	8,057	10,694
Tweed Mall	Sub Regional	100	125.6	6,051	5,355
Lavington Square	Sub Regional	100	116.4	6,875	8,518
West End Plaza	Sub Regional	100	92.8	6,250	6,242
Armidale Central	Sub Regional	100	90.3	6,212	6,089
Lennox Village	Neighbourhood	50	118.8	12,277	6,986
Terrace Central	Neighbourhood	100	58.0	9,550	7,922
DFO Homebush	Outlet Centre	100	311.1	10,471	14,531
Australian Capital Territory					
Tuggeranong Hyperdome	Regional	50	296.2	4,685	7,066
Queensland					
The Myer Centre Brisbane	City Centre	25	332.9	5,460	10,881
QueensPlaza	City Centre	100	306.2	8,682	21,771
Grand Plaza Shopping Centre	Regional	50	355.1	7,118	9,814
Mt Ommaney Centre	Regional	25	318.9	6,648	7,894
Runaway Bay Shopping Village	Regional	50	294.6	8,298	9,629
Gympie Central	Sub Regional	100	120.5	9,059	11,102
Whitsunday Plaza	Sub Regional	100	110.2	6,038	12,244
Taigum Square	Sub Regional	100	104.8	6,015	6,106
Buranda Village	Sub Regional	100	62.1	6,223	8,219
Oxenford Village	Neighbourhood	100	76.2	17,780	13,434
Goldfields Plaza	Neighbourhood	100	62.6	9,169	9,420
North Shore Village	Neighbourhood	100	47.3	14,799	4,277
Milton Village	Neighbourhood	100	24.6	17,379	13,442
DFO Brisbane	Outlet Centre	100	200.1	7,689	7,930

¹ Redeveloped over the past 12 months.

Centre name	Centre type	Interest (%)	Annual retail sales (\$m)	Centre sales ¹ (\$/sqm)	Specialty sales ¹ (\$/sqm)
South Australia					
Elizabeth Shopping Centre	Regional	100	346.6	5,681	7,640
Colonnades	Regional	50	288.9	4,996	5,773
Castle Plaza Shopping Centre	Sub Regional	100	148.1	7,063	8,578
Kurralta Central	Sub Regional	100	78.6	7,621	9,463
Victoria					
Chadstone Shopping Centre ²	Super Regional	50	1,438.2	11,674	N/A
Northland Shopping Centre	Major Regional	50	537.8	6,057	9,052
Bayside Shopping Centre	Major Regional	100	417.1	5,042	7,672
The Glen	Major Regional	50	335.5	6,583	8,609
Emporium Melbourne	City Centre	50	463.9	10,691	13,897
Cranbourne Park	Regional	50	237.8	5,916	7,271
Broadmeadows Shopping Centre	Regional	100	262.2	4,859	6,312
Victoria Gardens Shopping Centre	Sub Regional	50	192.5	6,754	10,273
Box Hill Central (South Precinct)	Sub Regional	100	166.1	7,907	9,386
Corio Shopping Centre	Sub Regional	100	161.5	6,714	6,481
Altona Gate Shopping Centre	Sub Regional	100	145.0	6,092	7,166
Roxburgh Park Shopping Centre	Sub Regional	100	144.8	6,484	5,689
Sunshine Marketplace	Sub Regional	50	134.0	4,556	6,482
Brandon Park	Sub Regional	50	133.6	7,234	6,298
Mornington Central	Sub Regional	100	101.8	8,763	9,211
Belmont Village	Sub Regional	100	98.4	7,188	9,387
Wodonga Plaza	Sub Regional	100	89.2	5,292	6,132
Box Hill Central (North Precinct)	Sub Regional	100	80.2	6,689	5,852
Bentons Square	Neighbourhood	100	136.9	15,105	7,322
Oakleigh Central	Neighbourhood	100	123.9	9,310	5,611
The Gateway	Neighbourhood	100	85.1	9,635	8,131
DFO South Wharf	Outlet Centre	75	377.3	8,910	8,660
DFO Essendon	Outlet Centre	100	232.0	9,056	8,919
DFO Moorabbin	Outlet Centre	100	146.2	6,359	6,741
Tasmania					
Eastlands Shopping Centre	Regional	100	231.3	7,205	7,276
Northgate Shopping Centre	Sub Regional	100	136.3	8,024	10,316

1 Excludes DFO South Wharf and DFO Essendon Homemaker retailers.

2 Redeveloped over the past 12 months.

Centre name	Centre type	Interest (%)	Annual retail sales (\$m)	Centre sales (\$/sqm)	Specialty sales (\$/sqm)
Western Australia					
Galleria	Major Regional	50	502.0	7,142	11,481
Mandurah Forum ¹	Regional	50	N/A	N/A	N/A
Rockingham Shopping Centre	Regional	50	436.3	7,805	8,603
Halls Head Central ¹	Sub Regional	50	N/A	N/A	N/A
The Shops at Ellenbrook	Sub Regional	100	247.4	8,927	9,377
Karratha City	Sub Regional	50	215.2	9,427	9,246
Warwick Grove	Sub Regional	100	209.0	8,273	7,824
Maddington Central	Sub Regional	100	182.3	7,227	7,446
Warnbro Centre	Sub Regional	100	164.4	8,351	7,611
Livingston Marketplace	Sub Regional	100	132.6	9,336	9,495
Currambine Central	Neighbourhood	100	152.6	9,918	5,911
Dianella Plaza	Neighbourhood	100	97.9	6,925	5,891
Stirlings Central	Neighbourhood	100	94.4	11,632	10,475
Kalamunda Central	Neighbourhood	100	78.6	10,154	5,958
Flinders Square	Neighbourhood	100	65.3	12,198	7,194
Victoria Park Central	Neighbourhood	100	48.7	9,158	5,219
Albany Brooks Garden	Neighbourhood	100	44.8	9,226	4,769

1 Redeveloped over the past 12 months.

Appendix 3 – Chadstone images





