

INVESTOR INSIGHT

OCTOBER 2016



YEARS
EST. 1986

CELEBRATING 30 YEARS
SUCCESS THROUGH PROPERTY



MESSAGE FROM THE MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER



Following three consecutive years of double-digit profit growth, Villa World has made a positive start to FY17 with strategic project site acquisitions in Queensland, development approval for a flagship community at Logan Reserve, a start to construction at the Gold Coast's last ever centrally located land release, as well as a successful re-entry to the New South Wales market.

These project milestones exemplify our strategy of **Focus, Grow** and **Lead** as we continue to deliver **success through property**.

Our success is something I am rightly proud of, and I therefore extend an invitation to all our shareholders to attend Villa World's Annual General Meeting in Broadbeach, Gold Coast, on 3 November 2016.

Among other business at the AGM, we will put forward Donna Hardman for election as a non-executive Director. Donna was appointed to the Board as an independent non-executive Director on 17 February 2016. She is the Chair of the Remuneration and Nomination Committee and a Member of the Audit and Risk Committee and has made a significant contribution to our Board in that time.

Together with Chairman Mark Jewell and non-executive Director David Rennick, the Villa World Board has played an important role in focussing our business strategy and positioning the Company for sustainable growth over the next decade.

We are continuing to forge ahead to become recognised as a leading east coast residential house and land developer, and ultimately a leading Australia property company.

So far in FY17 we have added more than 1,100 lots to our portfolio as we maintain our five to six-year project pipeline. Further information on these acquisitions is provided on page 3.

We have also seen our **It's So Easy** Spring sales campaign take off and highlight key points of difference in the Villa World business model – our one contract, one deposit, one final payment approach – which we know appeals to our target customer segments.

Spring is traditionally a great time for house buying and we have entered the season and FY17 with continued sales momentum in our key Queensland and Victorian markets, having brought forward \$165.6 million in pre-sales from FY16.

With positive market conditions, including Queensland's increase to the first home buyer grant, low interest rates and fluctuating but upward-trending consumer confidence, Villa World is targeting statutory profit after tax growth of at least 5% to \$35.4 million in FY17. The Company continues to operate with a prudently geared balance sheet and expects net debt to assets to remain comfortably within our target range of 15% to 30%.

Our Board is committed to continuing to pay strong dividends, in accordance with the stated payout policy of 50% to 75% of NPAT, paid semi-annually. The Board anticipates paying a dividend of at least 18 cents per share fully franked in FY17, representing continued strong yield.

As we move beyond our 30th year in business, Villa World has its sights firmly fixed on the long term. We are positively differentiated from our competitors, highlighted by our unique business model, our nominal overseas customer base and 100 per cent focus in the residential land and housing market, and continue to maintain a strong balance sheet and an upscale in delivery.

We look forward to bringing you continued success through property throughout the year.

Craig Treasure

Craig Treasure

“So far in FY17 we have added more than 1,100 lots to our portfolio as we maintain our five to six-year project pipeline”



Killara - Logan Reserve, Queensland



ACQUISITIONS

PROJECT NAME	LOCATION	STATE	REGION	PRODUCT	# LOTS	PURCHASE PRICE (\$M) ⁱⁱ
Harmony (capital lite) ⁱ	Cobbitty	NSW	SW Sydney	H&L	10	\$4.0m
Concourse (capital lite) ⁱ	Oran Park	NSW	SW Sydney	H&L	12	\$4.8m
The Chase (development agreement) ⁱ	Oran Park	NSW	SW Sydney	H&L	93	tba
Dakabin	Dakabin	QLD	N-Brisbane	LO	108	\$7.0m
Cottonwood (adjoining site)	Park Ridge	QLD	Logan	H&L	144	\$7.3m
Greenbank (50% share)	Greenbank	QLD	Logan	H&L	750	\$27.5m
South Morang	South Morang	VIC	NE-Melbourne	TH	60	\$4.4m
1H17 Acquisitions					1177	

(i) Announced on 17 August 2016.

(ii) Inclusive of GST as applicable

LO = Land Only; H&L = House & Land; TH = Townhomes

The strength of the Villa World balance sheet is reflected in the maintenance of our five to six-year pipeline of strategic acquisitions within growth corridors in east coast states. Villa World has increased its footprint in identified Queensland property hotspots such as Logan in the south east, Arundel on the Gold Coast, and Strathpine on Brisbane's northside.

The Company continues to target increased geographic diversity as it moves towards a 40/40/20 split across its three major east coast markets, being Queensland, Victoria and New South Wales. We continue to pursue growth in our Victorian land bank to match our already substantial Queensland portfolio. This has been buoyed by continued sales strength in the Victorian market and increased market uptake of the unique Villa World build model.

The Company continues to benefit from strong sales in Queensland, supporting further recent acquisitions that give Villa World a greater presence in the high-growth Logan market in south east Queensland, while also increasing the overall product mix. This includes a 700 plus lot land project called **Killara** in Logan Reserve, which will offer a selection of house and land

packages from leading builders, many of which will be featured in the future Builders' Display Village (due to open mid 2017).

The Company purchased a 9ha site in Park Ridge, adjoining and almost doubling the lot yield at the Villa World **Cottonwood** estate to 300 lots. Offering house and land packages, this estate will target the owner occupier market and is expected to contribute revenue in 2H18.

A successful joint venture acquisition of 153 development-ready hectares at **Greenbank** secured one of the most substantial residential land parcels in South East Queensland, and also further strengthened the Company's relationship with the Sydney-based Greenfields Development Company. With Logan identified as one of the Top 10 best locations for property buyers seeking capital growth, Greenbank will be developed into a vibrant community, eventually home to around 4,000 residents.

It was another demonstration of the Company's use of capital efficient means to progress expansion of our footprint. Development and project management fees will provide an ongoing and growing revenue stream.

SPRING SALES CAMPAIGN

The Company's Spring sales campaign delivers on the Villa World promise of architect designed homes, complete and ready to move into. The *It's So Easy* campaign highlights the unique selling points of the Villa World model, including the one deposit, one contract, one final payment approach.

Executed across digital, print and television during the high-rating Olympics coverage, the campaign generated strong leads.

The campaign was timed to coincide with the Company's new look website which highlights the extensive range of 'addresses' we offer across the east coast.



Designer Living - 32 page magazine



Full page press ad



Billboard Signage



TV Campaign



Website

MARKET UPDATE

QUEENSLAND

The Queensland residential housing market remains strong, particularly in the South East corner of the state where first home buyer incentives continue to contribute to solid growth.

Villa World's popular Bayside portfolio recorded strong sales during the first quarter and offers a reliable mix of project and price offerings. **Waterline**, offering 227 land lots at Thornlands, and the nearby 118-lot **Affinity** are both selling well, having benefited from the opening of Waterline's Display Village on 27 August at the Bayside Homes Expo. With display homes by 10 national builders, Villa World is an emerging name in the 'land' space in this market, as well as an established 'house and land' provider.

The final lot sale at **Mt Cotton Village** has been quickly followed by the last construction stage at the 200-lot **Era** at Capalaba, released for sale in October and selling strongly. Homes and homesites at **Ellabay**, comprising 84 lots at Redland Bay, will also sell out in FY17. Nearby **Seascape**, with 187 lots, was released into the market this quarter with an onsite display and construction underway.

On Brisbane's northside, Villa World's completed projects are being replenished with new developments in the pipeline at Caboolture and Strathpine. Construction at the very successful **Park Vista** (533 lots) is complete, with just a few homesites remaining for sale. This flagship project has delivered consistently strong sales, with similar interest expected at the replacement project at Strathpine where 383 lots are in the planning.

Only a few homes from the 209-lot **Circa** at Nudgee are available, and just under half of the 81 premium homesites at **Riva** in Joyner, remain on the market.

Adding to the Company's market diversification is the 167-home development at the flagship community of **Rochedale Grand**, on Brisbane's south (see back page). Under a Joint Venture with Ausin Rochedale Pty Ltd, Villa World is building premium architect-designed residences to be offered under traditional progress-payment contracts. Momentum is building with this project as civil works for stages one and two are complete and home construction has commenced.

Strong interest from local upgraders prompted a sell-out at the 81-lot designer home development at Woodlands in Logan, called **The Sanctuary**.

This strong response has created momentum for the Company's planned 726-lot Logan land project called **Killara**, where civil construction is set to start in 2Q17. Nearby **Cottonwood**, at Park Ridge, and the newly acquired Greenbank joint venture round out the Company's expansive footprint within the Logan market.

Home buyer incentives in Queensland's Fraser Coast region are expected to boost sales of Stage 9 of the **Augustus** estate at Hervey Bay, due to market in early 2017. With the Destination Hervey Bay grant extended beyond the initial June 30, 2016 expiration date, eligible buyers will benefit from a \$12,000 grant for new land or house-and-land packages at approved residential developments, including Villa World's **Augustus**. And as of July 1, the Queensland Government's First Home Owners Grant has increased from \$15,000 to \$20,000 for eligible buyers.

An infrastructure boom on the Gold Coast is spearheading the Queensland construction industry, evidenced by strong sales at Villa World's residential developments. Only a handful of the 179 lots remain at **Parkside**, Coomera, with stage one of **Seabright**, at Jacobs Well, close to sold out and stage two to be released with the opening of a display village in October. This project will comprise 107 designer homes at completion.

Villa World's master planned 305 homesites and 90 townhomes at **Arundel Springs** will soon take shape with construction commenced and sales ready to begin. Homesites will range in size from 306m² to 954 m², with strong appeal to a diverse buyer profile.



Arundel Springs - Arundel, Queensland



Lavinia - Greenvale, Victoria



Sienna - Plumpton, Victoria

VICTORIA

Positive market conditions for residential property continue in Victoria where sales from the Company's turnkey housing model are gaining increased popularity, and land-only sales have strengthened.

Cardinia Views (320 land lots), in Pakenham south-east of Melbourne, is in its final stages with builders taking advantage of family-sized blocks, close to amenities.

To the city's north, at Greenvale, house and land product at **Lavinia** (131 lots) is near to sold out. The mix of land and house and land offerings at **Sienna** in Plumpton to the north west, is also contributing strong sales, with more than 80% of the project sold out. This project is expected to lead in to another 254-lot development in Plumpton. Settlement of Villa World's unconditional acquisition is tied to the gazettal of a Precinct Structure Plan for the area, expected mid CY17. Villa World plans to deliver a turnkey house and land development with average lot sizes of 429m².

Conditional sale of the Company's Donnybrook joint venture is expected to free up capital to develop the remainder of the project and reinvest in new sites. This delivers Villa World further geographic diversity in Melbourne growth corridors while maintaining a significant project in the Donnybrook precinct.

NEW SOUTH WALES

Villa World opened a Sydney office during FY16 to manage its re-entry into the New South Wales market and to evaluate further market opportunities, particularly around the western Sydney regional growth corridor.

Project milestones have included completion of 55 land lots at **Lacosi Hill** in Schofields, with capital allocation rolled into **Allure** in Box Hill, for a 44-lot land project, where civil works commence in FY17.

The Company also commenced construction of two capital lite house and land projects at Cobbity and nearby Oran Park, both in south west Sydney, comprising a total of 22 lots. Also at Oran Park, the Company is finalising a development agreement with Greenfields Development Company to deliver an initial 90-plus homes.



Cardinia Views - Pakenham, Victoria



Rochedale Grand - Rochedale, Queensland



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