Chadstone, VIC

# J.P. Morgan Property Forum

## 25 May 2016

VICINITY CENTRES

# 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**

### Key financial objectives ('through cycle' basis)

| Group level | Target |
|---|---|
| Total return[1] | >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+%<br>Incremental IRR 10% to 15+% |

1. Calculated as: (Change in NTA during period + distributions)/NTA at start of period.

# Enhancing the quality of the portfolio

## Asset divestment program extended following strong start

**Divestment program announced** in December 2015 focused on improving portfolio quality and long-term value creation

**Assets selected for divestment** based on comprehensive analysis as part of detailed portfolio review

**Contracts exchanged for five assets** for $926.4m, reflecting approximately a 1% premium to the combined December 2015 book values

**Divestment program[3] extended** to $1.5b in May 2016, including in principle agreement to sell stakes in two assets to ISPT for $224.6m

**Asset sale proceeds will be deployed into further enhancing the portfolio** through selective asset acquisition opportunities and Vicinity's $3.1b development pipeline (Vicinity share: $1.5b)

### Divestments announced to date

| | Price ($m) |
|---|---|
| Brimbank, Clifford Gardens and Forest Hill Chase[1] | 613.3 |
| Toombul | 228.1 |
| Indooroopilly Central | 85.0 |
| **Contracts exchanged** | **926.4** |
| The Myer Centre Brisbane (25%) and Mornington Central (50%)[2] | 224.6 |
| **Announced to date** | **1,151.0** |
| Additional tranche | ~$350.0 |
| **Extended program** | **~1,500.0** |

1. The divestment of these assets remains subject to approval by the Foreign Investment Review Board.
2. The divestment of interests in these assets remains subject to agreeing documentation with ISPT.
3. Prior to any reinvestment, the expected impact of approximately $1.5b of asset sales on underlying earnings per security (EPS) is approximately 1.5 cents dilution on an annualised basis and on gearing, a reduction of approximately 7.7% based on a pro forma balance sheet at 31 December 2015. No impact on FY16 underlying EPS guidance is anticipated due to the expected timing of asset sales.

# Enhancing the quality of the portfolio

## Redeploying capital into value-accretive opportunities

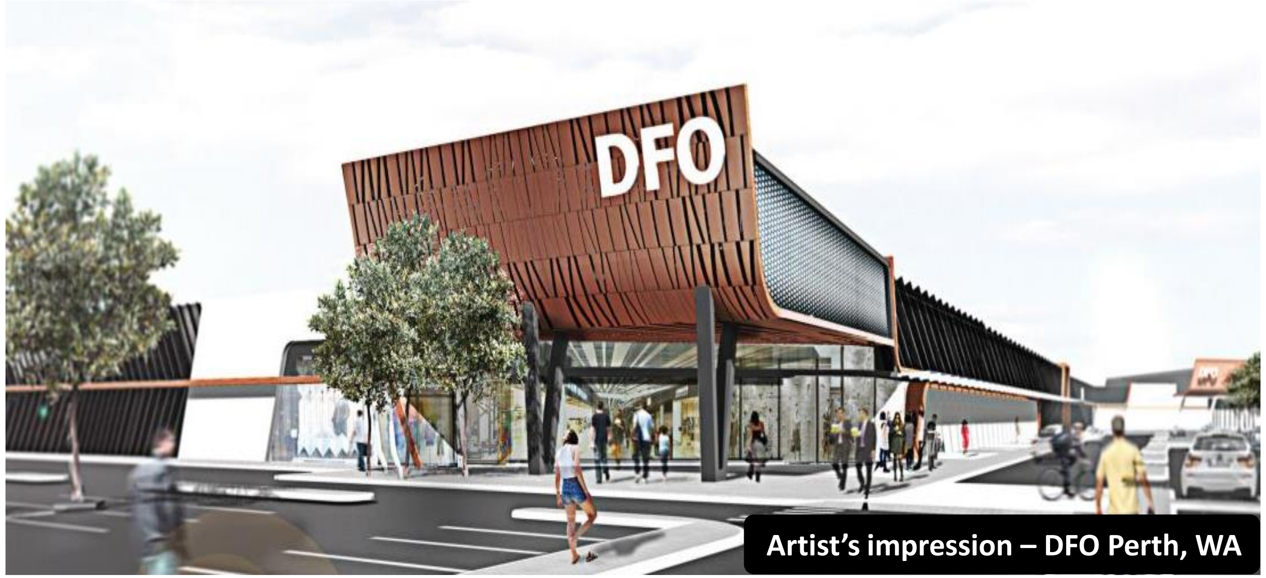
Perth assets **The Shops at Ellenbrook** and **Livingston Marketplace** acquired in December 2015 for $320m

- Both assets trading well above Urbis benchmark for specialty store sales productivity
- The Shops at Ellenbrook vacancies reduced from five on acquisition to three, full occupancy expected by June 2016
- Both assets expected to generate an IRR in excess of 9%, with potential further upside over time through development

**DFO development at Perth Airport** joint venture agreements executed, with completion expected in 2018 at a cost of ~$145m (Vicinity share: ~$72.5m), forecast to generate an initial yield on cost of greater than 8% and a 10-year IRR of greater than 13%

**DFO Brisbane business** acquired for $55m[1], forecast to generate an initial yield on cost of ~7.5% and a 10-year IRR of ~9.5%


The Shops at Ellenbrook, WA




Artist's impression – DFO Perth, WA

1. Excludes transaction costs and other costs associated with the acquisition.

# Enhancing the quality of the portfolio

## Development pipeline is a key growth driver

Development pipeline of $3.1b (Vicinity share: $1.5b)

Three projects, Halls Head Central, Colonnades and DFO South Wharf, totalling[1] $120m completed in March 2016 quarter, with a forecast average yield on cost of greater than 10% and an IRR greater than 15%

Live projects progressing well

**Forecast metrics**

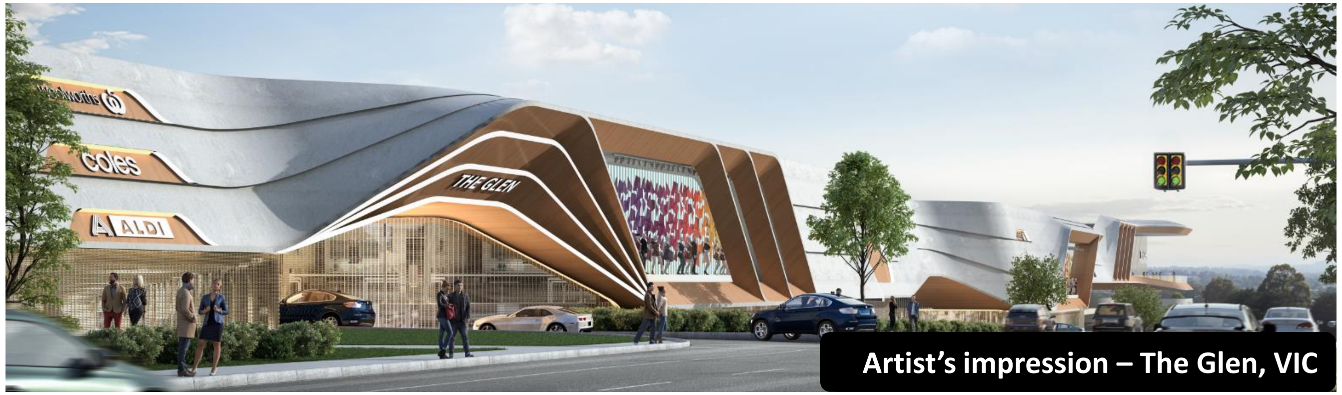
| Development | Cost [2] | Initial yield | IRR |
|---|---|---|---|
| Chadstone | $666m | >6% | >10% |
| Mandurah Forum | $350m | >6% | >10% |
| Warriewood Square | $87m | >7% | >11% |

The Glen project remains on schedule, with commencement expected in 2017

1. 100% interest. Vicinity's share is $63m.
2. 100% interest. Vicinity's share is 50%.


Artist's impression – Chadstone, VIC

Artist's impression – Mandurah Forum, WA



Artist's impression – The Glen, VIC

# Outlet strategy overview

## Outlets are an attractive investment proposition and Vicinity's strategy is to reinforce its leadership position in this sector

### Performance of four DFO assets since acquisition in 2010 to 31 December 2015

**+10.1% p.a.**
increase in foot traffic

**+6.5% p.a.**
increase[1] in specialty MAT/sqm

**+6.8% p.a.**
increase[2] in specialty store rent/sqm

**+250 bps**
increase[3] in specialty occupancy cost

**+$209 million**
increase[4] in value

**14.5%**
IRR[5] since acquisition

**Leader in Australian Outlet Centres,** with over $1.1b under management across six assets[6]

Outlets have desirable characteristics
- ✓ High barriers to entry
- ✓ Strong demand from high quality tenants
- ✓ Performance through the cycle – strong value proposition

Vicinity has unique skill base
- ✓ Breadth of tenant relationships used to enhance mix
- ✓ Ability to drive ancillary income and cost savings
- ✓ Further scope to improve experiential elements e.g. dining

1. Figures include development impacted centres.
2. Excludes marketing and promotional contribution. Excludes Homemaker retailers.
3. At acquisition figure excludes DFO South Wharf which had been trading for less than 12 months. December 2015 figure excludes DFO Homebush which was development impacted.
4. Valuation less capex and acquisition cost.
5. Including capitalised interest and acquisition costs.
6. Includes DFO at Perth Airport development and DFO Brisbane business.

# Leading retail management platform

## Scale and breadth of managed portfolio provides benefits

| | |
|---|---|
| **$18.5 billion**<br>annual retail sales | **95**<br>centres under management |
| **9,500+**<br>leases | **3.0 million sqm**<br>gross lettable area |
| **$23.5 billion**<br>assets under management | **$3.1 billion**<br>development pipeline[1] |

QueensPlaza, QLD

Note - Figures are as at 31 December 2015.

1. Vicinity's share is $1.5b.

# Adding value through intensive asset management approach

## PRICE model is used to guide Vicinity's intensive asset management approach

| | | |
|---|---|---|
| P | **People and processes** | World class people and processes |
| R | **Risk management** | Best practice operational risk and compliance processes |
| I | **Income** | Optimise new and organic income opportunities |
| C | **Cost** | Deliver shopper and retailer value through increased operational efficiency |
| E | **Experience** | Deliver exceptional shopper and retailer experiences that drive sales |

# Income opportunities

## Significant opportunity to grow ancillary income streams across the portfolio

| Key category | Opportunity |
|---|---|
| **Casual mall leasing** | • Significant scope to increase occupancy rate and drive income |
| **Electricity on-sell** | • Currently in 57 Direct Portfolio assets<br>• Opportunity to implement in additional 20 assets |
| **Retail media** | • Seven existing digital screens across Direct Portfolio<br>• Additional 10 to 15 large format digital screens expected in next two years, supported by supplementary screens to deliver superior national digital screen network |
| **Storage** | • Opportunities to maximise income through new storage sites and achievement of market rates |

Chatswood Chase Sydney, NSW

# Experience opportunities

## Enhancing asset quality and shopper experience through asset refurbishment projects

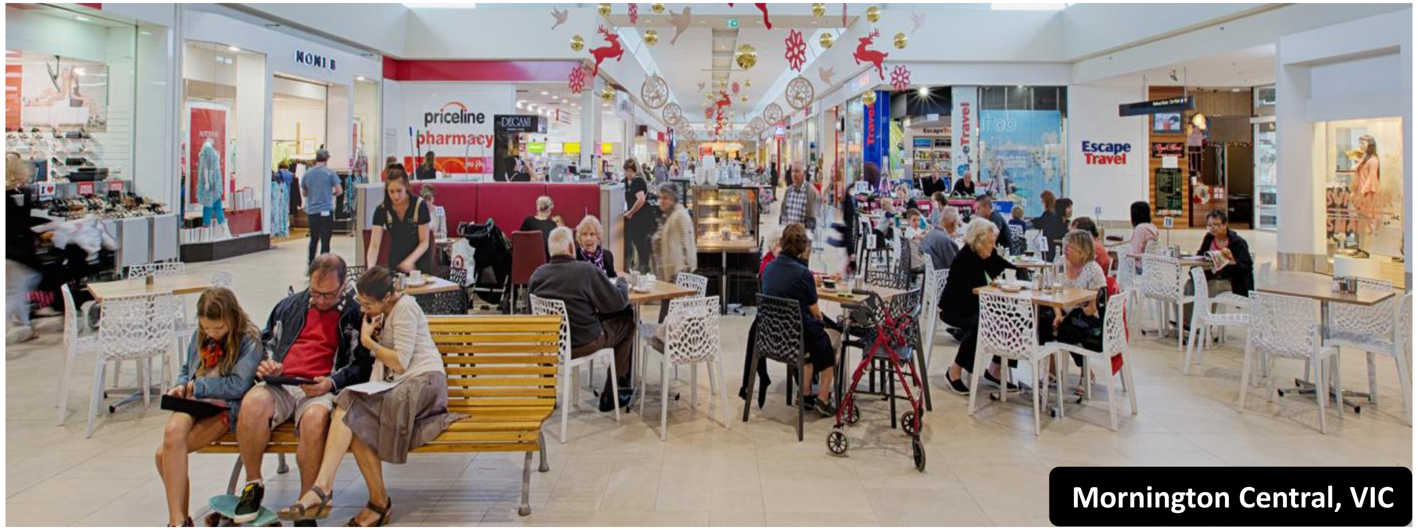
**Asset Refurbishment Team (ART) projects**

Small capital investments with strong returns

Improving asset quality and relevance

Providing better shopper experience

Projects focus on improvements that drive foot traffic



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