

ASX Announcement

1 May 2024

Execution of investment strategy continues, and retailer confidence underpins strong operating metrics in 3Q FY24

Vicinity Centres (**'Vicinity'**, ASX:VCX) today announced its quarterly update for the three months ended 31 March 2024 (**'3Q FY24'**).

Key highlights

- Portfolio retail sales remained positive in 3Q FY24, up 1.6% on 3Q FY23¹
- Positive year-to-date leasing spreads (+2.6%) continue to be driven by retailer demand for stores in premium centres² and strong sales growth post pandemic; 3Q FY24 leasing spread of +0.5%
- Occupancy remains robust at 99.1%, in line with 1H FY24
- Comparable Net Property Income³ (**'NPI'**) growth remains in line with 1H FY24, at approximately 4%
- Acquisition of remaining 49% interest in Chatswood Chase, Sydney (**'Chatswood Chase'**) settled⁴ and sales of Kurralta Central, Dianella Plaza and Roxburgh Village settled⁵
- Major retail redevelopment of Chatswood Chase commenced; approximately 70% of income secured⁶
- Redevelopment and revitalisation of Chadstone's fresh food precinct is progressing and close to 90% of income secured⁷
- Leveraged strong credit rating to issue \$500m of 10-year \$A medium term notes, at solid pricing
- Vicinity reaffirms its earnings guidance provided to the market at its FY24 interim results announcement, with FY24 FFO and AFFO per security expected to be around the top end of the 14.1 – 14.5 cents and 11.8 – 12.2 cents ranges, respectively⁸
- Vicinity is targeting a full-year distribution payout at the lower end of its target range of 95-100% of AFFO

CEO and Managing Director, Mr Peter Huddle commented, "Continuing the momentum of execution delivered in 1H FY24, we are pleased to report another quarter of robust operating metrics and demonstrated further execution of our investment strategy."

¹ More detail on portfolio sales can be found in the Appendix.

² Premium retail centres include Chadstone, Outlet portfolio and CBDs.

³ Comparable NPI excludes reversals of prior year waivers and provisions, the impact of acquisitions and divestments and development impacts

⁴ Settled on 15 March 2024.

⁵ Kurralta Central settled on 29 February 2024 and Dianella Plaza and Roxburgh Village settled on 8 March 2024.

⁶ Via Heads of Agreement.

⁷ Via binding Heads of Agreement.

⁸ Guidance assumes no material deterioration in economic conditions.

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“Our operating metrics remain strong and continue to be underpinned by retailer demand for physical stores, particularly in our premium centres, and strong retail sales growth since the end of the pandemic. Consequently, we are confident that comparable NPI growth for FY24 will remain in line with 1H FY24, at circa 4%.

“Furthermore, we retain our view that the medium to long term fundamentals of the Australian retail sector remain favourable, supported by record levels of migration, a robust employment market, and stage three tax cuts becoming effective from 1 July 2024.

“In April, we issued \$500 million of 10-year fixed rate, Australian Dollar denominated medium term notes (**‘Notes’**) at a margin of 170 basis points over the relevant swap rate⁹, increasing our weighted average debt maturity to beyond four years¹⁰. This transaction further strengthens our capital structure, which continues to be a source of competitive advantage for Vicinity and importantly, is a key enabler of our active investment strategy.

“Strong demand from both new and existing Australian and global bond investors delivered a significantly oversubscribed issuance, demonstrating strong support from capital markets.

“In March, we assumed full control of Chatswood Chase and in mid-March, we commenced the \$620 million major retail redevelopment. While GLA will remain broadly unchanged, we are elevating the tenant mix significantly.

“The redeveloped asset will house the largest Luxury retail precinct in New South Wales outside of the Sydney CBD. The development now has approximately 70% of income secured¹¹, and with the current level of retailer demand, we are optimistic that the centre will be 100% pre-leased by Christmas 2024.

“Also during the period, we were pleased to have settled on the divestment of Kurralta Central, Dianella Plaza and Roxburgh Village at a premium to their June 2023 book values. Together with our strong balance sheet, the asset sales we have executed since May 2023 enable our long-term investment strategy, where we are upweighting our portfolio to premium retail assets, such as Chatswood Chase.

“Premium retail assets including Chadstone, Outlet centres, CBDs, and the future redeveloped Chatswood Chase offer superior long-term growth potential and enhanced value accretion opportunities.

Guidance

Vicinity reaffirmed its earnings guidance provided to the market at its FY24 interim results announcement on 15 February 2024, with FY24 FFO and AFFO per security expected to be around the top end of the 14.1 – 14.5 cents and 11.8 – 12.2 cents ranges, respectively.¹²

Vicinity is targeting a full-year distribution payout at the lower end of its target range of 95-100% of AFFO.

* * *

⁹ The senior and unsecured Notes were settled on 24 April 2024.

¹⁰ Pro-forma based on drawn debt as at 30 April 2024.

¹¹ Via Heads of Agreement.

¹² Guidance assumes no material deterioration in economic conditions.

Authorisation

Vicinity's Disclosure Committee authorised this document to be lodged with the ASX.

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 \$23 billion in retail assets under management across 57 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 56 shopping centres (including the DFO Brisbane business) and manages 29 assets on behalf of Strategic Partners, 28 of which are co-owned by the Group. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has 23,000 securityholders. Vicinity also has European medium term notes listed on the ASX under the code 'VCD'. For more information visit vicinity.com.au or use your smartphone to scan this QR code.

Appendix – Portfolio sales

Portfolio sales ^a	Qtr vs prior year			MAT vs prior year
	Mar-24 %	Dec-23 %	Sep-23 %	Mar-24 %
Specialty stores	0.4	0.4	1.4	1.3
Mini majors	4.4	1.4	3.3	3.0
Specialties and mini majors	1.6	0.7	1.9	1.8
Supermarkets	2.8	3.4	4.5	3.9
Discount department stores	2.8	3.0	2.7	3.2
Other retail ^b	0.3	(13.1)	7.0	7.8
Department stores	(6.3)	(4.5)	(4.6)	(4.2)
Total portfolio	1.6	0.6	2.7	2.5
Specialty and Mini Major Sales				
Food retail	6.5	6.9	2.2	7.3
Food catering	7.4	8.9	10.1	10.0
Apparel & footwear	(0.6)	(2.0)	(0.8)	(1.0)
Jewellery	(8.2)	(1.1)	5.2	0.1
Leisure	11.1	3.5	4.0	5.0
Homewares	(4.1)	(4.8)	(5.4)	(4.1)
General retail	4.6	3.9	4.9	4.3
Mobile phones	0.5	3.6	4.8	5.5
Retail services	3.2	3.5	5.4	4.3
Total specialties and mini majors	1.6	0.7	1.9	1.8

a. Sales are reported on a comparable basis, which excludes divestments and development-impacted centres in accordance with SCCA guidelines.

b. Other retail includes cinemas, auto accessories, lotteries, travel and other entertainment. Travel is excluded from the Dec-23 and Sept-23 quarterly growth rates given the prior year comparable continuing to be impacted the recovery post COVID.

Key points of note in relation to portfolio sales trends in 3Q FY24:

- Portfolio retail sales up 1.6% versus 3Q FY23, supported by an earlier Easter weekend this year. Categories with strong links to Easter include food retail up 6.5% and food catering up 7.4%
- Easter is traditionally a strong trading period for Outlets with traffic on the Easter weekend approximately 10% higher than other weekends in March. As a result, the Outlets recorded sales growth of +6.9% for 3Q FY24 with leisure sales up 17.9%, jewellery up 9.9% and apparel & footwear up 4.6%
- CBD recovery continues, with retail sales up 6.1% in 3Q FY24, supported by rising visitation (up 10% in 3Q FY24) as well as strong retail activations and tenant remixing
- Leisure continues to experience strong consumer demand for quality athleisure and sporting brands, particularly across the Outlets and CBDs. Of note, sporting goods sales were up 15.6% in 3Q FY24 supported by Vicinity's deliberate expansion of this in-demand category
- Continue to observe a shift in consumer expenditure towards food, experiences and services following an extended period of exceptional growth for discretionary goods post the pandemic, with luxury, apparel & footwear, jewellery, and homewares sales growth rates softening.