

ASX Announcement

23 May 2016

Vicinity acquires strong performing Outlet Centre DFO Brisbane

Vicinity Centres (Vicinity, ASX:VCX) is pleased to announce it has further strengthened its market leading position in the Australian Outlet Centre space with the acquisition of the DFO Brisbane business in Queensland for a price of \$55.0 million¹. The transaction is subject to approval from Brisbane Airport Corporation Pty Ltd (BAC).

The property where the DFO Brisbane business is located will be occupied by Vicinity under a sub-lease with BAC, which holds the head lease over the land and owns the buildings. The head lease expires in 2046 and BAC has an option to extend it for a further 50 years. Ground rent is payable to BAC by Vicinity over the term of the lease.

Mr Angus McNaughton, CEO and Managing Director, said: "We are excited to be acquiring Queensland's leading Outlet Centre, the DFO Brisbane business, less than three weeks after entering into a joint venture agreement to develop a new Outlet Centre at Perth Airport. Vicinity's Outlet Centre portfolio, including DFO Brisbane, now has a combined value of over \$1.1 billion in assets under management.

"Vicinity has been operating DFO Outlet Centres since 2010 following the acquisition of four assets, DFO Homebush in New South Wales, and DFO South Wharf, DFO Essendon and DFO Moorabbin in Victoria. As part of the DFO asset acquisition by Vicinity in 2010, Vicinity obtained a first right over the DFO Brisbane business. Today's announcement follows Vicinity exercising this right."

Located adjacent to Brisbane Airport, approximately 8 kilometres north-east of Brisbane's CBD, DFO Brisbane is ideally placed to service approximately 1.3 million residents that live within 30 minutes' drive of the asset and over 22 million travellers² who use Brisbane Airport annually. The asset's growing and affluent catchment has average per capita income 9.5% above the Brisbane metropolitan average and is forecast to experience 4.1% growth annually in retail expenditure over the next 10 years.³

DFO Brisbane opened in 2005 and was most recently expanded in 2015. It is a single level Outlet Centre with approximately 26,100 sqm of gross lettable area and around 150 tenancies, including a solid mid-tier fashion offer, and parking for over 2,600 cars.

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

² Source: Brisbane Airport Corporation Pty Ltd. Based on Brisbane Airport visitor numbers in FY15.

³ Main trade area forecasts by MacroPlanDimasi.

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The strongly trading asset generated annual sales of \$190 million to 31 March 2016, which was up 9.5% on the prior year, with specialty store sales per sqm of \$7,800 and specialty occupancy costs of 10.8%.

Mr McNaughton added: "The acquisition of the DFO Brisbane business provides Vicinity with the opportunity to enhance the performance of the asset over time, in line with the improvements made to our existing Outlet Centre portfolio."

The asset is forecast to generate an initial yield on cost of approximately 7.5% and a 10-year internal rate of return (IRR) of approximately 9.5%. No impact on FY16 underlying earnings per security guidance is anticipated with settlement of the transaction expected to occur next month.

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 95 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 85 shopping centres and manages 38 assets on behalf of Strategic Partners, 28 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.

