

ASX Announcement

3 May 2016

Vicinity enters into agreement for new DFO development at Perth Airport

Vicinity Centres (Vicinity, ASX:VCX) is pleased to announce it has entered into agreements for a joint venture (Agreements) with Perth Airport Pty Ltd (PAPL) to develop a new world-class Outlet Centre at Perth Airport in Western Australia (WA). This transaction enables Vicinity to deliver an outstanding product to the Perth market utilising its unique management and leasing expertise in the Australian outlet sector. The centre will be branded as a DFO, Vicinity's brand for its Outlet Centre portfolio, and will be managed by Vicinity.

Development of the Perth DFO is expected to cost approximately \$145 million¹ and is to be jointly funded by Vicinity and PAPL through the development. Subject to planning approvals, construction is expected to commence in mid-2017, with completion of the project forecast for 2018. The project is forecast to generate an initial yield on cost of greater than 8% and a 10-year internal rate of return (IRR) of greater than 13%.

The completion of this development will increase Vicinity's DFO portfolio to five assets. Vicinity's existing DFO portfolio is made up of DFO Homebush in New South Wales, and DFO South Wharf, DFO Essendon and DFO Moorabbin in Victoria.

Mr Angus McNaughton, CEO and Managing Director of Vicinity, said: "Vicinity's strategic focus is to create value, and drive sustainable growth, from a quality portfolio of Australian assets across the retail spectrum. In line with this strategy, Outlet Centres remain a key focus and opportunity for Vicinity. The existing Outlet Centre portfolio has generated an IRR of 14.5% since acquisition in 2010.

"We had identified Perth as a prime location for a new DFO asset with its low representation of Outlet Centre space. The Agreements provide a unique and exciting opportunity for Vicinity to further solidify its market leading position in Outlet Centres."

Mr Steve Holden, Executive General Manager Property of PAPL, said: "For our cornerstone retail development we wanted to partner with the best in the brand outlet space. Vicinity has a highly successful track record in operating its DFOs and was considered to be the ideal development partner."

¹ Total cost including a lump sum rental payment. Vicinity's share is approximately \$72.5 million.

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Vicinity has entered into a 50:50 joint venture with PAPL, the airport operator of Perth Airport, which has a head lease over the airport land from the Commonwealth of Australia until 2047, with an option to extend for a further 49 years. Vicinity and PAPL will enter into a sub-lease over a 9 hectare site designated for the DFO with expiry dates and options which line up with the head lease.

Mr McNaughton added: “Vicinity will be the property and development manager of this project and we are delighted to have the opportunity to create a world-class Outlet Centre on this well-located green-field site for Perth residents and visitors. The asset will be built in a desirable ‘race track’ configuration to facilitate easy access and navigation, with the design allowing for connectivity with, or expansion into, surrounding sites as the airport land is developed over time. The development will be designed in line with current best practice standards for environmental sustainability.

“The proposed Outlet Centre development will include over 110 stores across 24,000 sqm of gross lettable area and there will be parking for over 1,600 cars.

“The site is in a prominent location which will directly benefit from a number of state government initiatives including the \$1 billion Gateway project, the Northlink project and the Forrestfield airport link. Strong arterial access is a key feature of a successful DFO asset and this site’s location will provide easy and convenient access for a broad catchment across Perth’s metropolitan area.”

A map showing the location of the proposed DFO site is attached in Appendix 1.

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.



Appendix 1 – DFO Perth location map

