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ASX Announcement

6 November 2020

September 2020 quarterly update

- Financial and operational performance during the quarter driven by three macro trends
  - Government-mandated closures for most retail stores across Victoria since 6 August 2020, with extensive re-openings allowed from 28 October 2020
  - CBD centres impacted by many city employees continuing to work from home and by travel restrictions
  - Increased visitation and retail sales in centres outside of Victoria and CBDs compared to June 2020 quarter
- Proactive COVID-19 response, with health, safety and wellbeing the highest priorities
- Vicinity remains exposed to risks relating to COVID-19 outbreaks
- Moving Annual Turnover (MAT)[1] growth to 30 September 2020
  - Portfolio: -15.2% (June 2020: -7.0%)
  - Portfolio excluding Victorian and CBD centres: -1.7% (June 2020: -1.6%)
- September 2020 quarter sales compared to September 2019 quarter
  - Portfolio: -32.0% (June 2020: -31.6%)
  - Portfolio excluding Victorian and CBD centres: +1.1% (June 2020: -14.7%)
- Centre visitation[2] for the week ended 3 November 2020, as a percentage of same week in prior year
  - Portfolio: 80% (September 2020 quarter average: 58%)
  - Portfolio excluding Victorian and CBD centres: 96% (September 2020 quarter average: 94%)
- Cash collected[3] for September 2020 quarter
  - Portfolio: 56% of gross rental billings
  - Portfolio excluding Victorian and CBD centres: 76% of gross rental billings
- Focusing on efficiencies and cost management
- $63 million Ellenbrook Central, WA expansion completed
- Launched Parcel Concierge, a digital contactless click and collect service across 11 centres in Victoria
- Strong balance sheet with A/Stable (Standard and Poor's) and A2/Negative (Moody's) credit ratings
- Due to current uncertain circumstances, Vicinity cannot presently provide FY21 earnings guidance as it would not be reliable
- Vicinity intends to pay a distribution for the six months to 31 December 2020, assuming no material deterioration in existing conditions

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1 Sales are reported on a comparable basis which excludes divestments and development-impacted centres in line with Shopping Centre Council of Australia (SCCA) guidelines and includes retailers that have been temporarily closed on either a voluntary or mandatory basis.

2 Centre visitation reflects comparable centres defined by SCCA guidelines for sales reporting.

3 Cash collected as percentage of gross billings, with no adjustment made for lease variations. As at 1 November 2020.

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Vicinity Centres (Vicinity, ASX:VCX) provides this update for the September 2020 quarter.

Mr Grant Kelley, CEO and Managing Director, said: "We are very pleased to have our Melbourne retailers re-open over the past week and have seen centre visitation return to 79% of the prior year level across our Victorian centres. This includes our CBD-located centres, Emporium Melbourne and DFO South Wharf, with visitation at 48% and 64% of last year respectively. This follows a 12-week period where 83% of our Victorian tenancies were closed due to government directives.

"Australian in-store retail activity has been influenced by three trends in the quarter. Firstly, until recently in Melbourne, only essential retailers were permitted to trade given Stage 4 restrictions which commenced on 6 August 2020. For Vicinity, this resulted in 17% of our Victorian stores remaining open during that period. Secondly, CBD locations nationally continue to be impacted by many city employees working from home and by travel restrictions. Thirdly, outside of these markets and where COVID-19 concerns are lower, retail activity has recovered to levels which approximate or in some cases exceed the prior year. For Vicinity excluding Victorian and CBD centres, during the September 2020 quarter, centre visitation averaged 94% of the prior year level, while sales were up 1.1% versus the corresponding quarter for the prior year."

Key portfolio metrics

	Total portfolio		Portfolio (ex-VIC and CBDs)	
	Sep-20	Jun-20	Sep-20	Jun-20
MAT growth (%)[a]	(15.2)	(7.0)	(1.7)	(1.6)
Quarterly sales growth (%)[a]	(32.0)	(31.6)	1.1	(14.7)
Centre visitation (%)[b]	58	61	94	84
Cash collected (%)[c]	56	56	76	68

a. Comparable centres.
b. Average customer traffic for the quarter as percentage of corresponding quarter in prior year.
c. Cash collected for the quarter as percentage of gross billings, with no adjustment made for lease variations. As at 1 November 2020.

Sales

Vicinity's portfolio sales reflected the national trends. Total portfolio MAT to 30 September 2020 was 15.2% below the prior year. Excluding Victorian and CBD centres which continue to be most impacted by the pandemic, portfolio MAT showed a modest decline of 1.7%. This reflects a rebound in the September 2020 quarterly sales which were up 1.1% versus the corresponding quarter of the prior year, compared to a 14.7% decline for the June 2020 quarter.

Refer to the tables in the Appendix for additional detail on Vicinity's portfolio sales to 30 September 2020.

Leasing and rent collections

Mr Kelley said: "We continue to negotiate short-term lease variations for our impacted retailers in the form of rental waivers and deferrals. Our focus is on ensuring a healthy retail environment through and post the pandemic, securing income and if appropriate, extending lease tenure."

For the September 2020 quarter, 56% of gross rental billings across the portfolio have been collected[4], or 76% excluding Victorian and CBD centres.

[4] Cash collected as percentage of gross billings, with no adjustment made for lease variations. As at 1 November 2020.

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Strategic alignment and cost management

Mr Kelley said: "During the pandemic, we have targeted greater efficiency and cost management. We have proactively reduced outgoings, delivering benefits to both Vicinity and our retailers. We have also implemented structural changes across our organisation, which regrettably has resulted in a number of redundancies. Where possible, we are looking to redeploy impacted team members."

Using technology to enhance in-centre safety

As Victorian retail re-opens, and to support a COVID-Safe environment, Vicinity has leveraged its industry-leading data capability to introduce new technologies which complement and strengthen existing safety measures across our centres. These include:

- A new digital queuing system to manage capacity in retailers' stores and reduce congestion in common areas
- Real-time traffic data will soon be displayed on centre websites to inform customers of busy periods and enable planning of shopping trips ahead of time, and
- Vicinity's proprietary heat-mapping technology, which monitors capacity and density, enabling centre teams to respond in real time to maintain effective social distancing.

Mr Kelley said: "The pandemic has highlighted the importance of agility, a digital focus and data-based decision-making. To facilitate omni-channel solutions for our retailers, we were also pleased to launch Parcel Concierge, Vicinity's new click and collect service."

The fully digital Parcel Concierge platform allows customers to order from Vicinity's retailers with contactless collection from a designated pick-up point at participating centres. To date, more than 2,500 parcels have been collected across the 11 participating centres, with the service to henceforth be expanded across Vicinity's national portfolio.

Development

During the quarter, the $63 million Ellenbrook Central expansion in Western Australia was completed. This included the introduction of Kmart which has traded strongly at the centre since opening in July 2020. Following this project completion, Vicinity has no live developments, but is continuing to progress development approvals.

Mr Kelley said: "We continue to minimise non-essential capital expenditure, whilst also proactively progressing development planning in order to be ready to commence projects when market conditions permit. This includes the lodgement of development applications for major town centre mixed-use developments at Box Hill and Bankstown as part of long-term masterplans that were announced in May and July 2020 respectively."

In July 2020, Vicinity received council approval for five projects at Chadstone, Victoria including a new nine-storey commercial office building, more than 1,400 additional car parks along with upgrades to enhance select retail and dining precincts. These projects are expected to be completed over a five-year period.

Vicinity received council approval for mixed-use plans at Sunshine Marketplace, Victoria in September 2020. Over time, there is potential to add office space, serviced apartments, an entertainment and dining precinct, and diverse residential accommodation to this 12-hectare site in Melbourne's growing western suburbs.

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At Bayside, Victoria, planning approval was received in October 2020 for a new eight-storey, 15,000 sqm commercial office building with a ground floor retail precinct and basement carpark.

Sustainability

Last month, Vicinity released its 2020 sustainability update, Vicinity Unwrapped: Our Sustainability Story, which outlines Vicinity's performance against its key environmental objectives and community initiatives. Strong progress on enhancing asset environmental performance was also evidenced in October 2020, with Vicinity's portfolio NABERS Energy Rating increasing to 4.6 Stars (December 2019: 3.9 Stars).

Mr Kelley said: "Vicinity continues to progress implementation of energy, water and carbon reduction programs to improve the environmental efficiency of our shopping centres, with the objective of meeting our target of Net Zero carbon emissions[5] by 2030."

Summary and guidance

Mr Kelley said: "We welcome the re-opening of retailers across Victoria given the sacrifices made over the past 12 weeks in order to help contain the spread of COVID-19. We are confident that visitation across our Melbourne centres will continue to rebound, repeating the trend observed in other markets in Australia where the virus has been largely contained. When combined with borders re-opening and the return of domestic tourism, along with a steady increase in workers returning to CBD offices, this should support improved retail conditions across Australia.

"We acknowledge that COVID-19 continues to be a risk to our communities and retail conditions will remain challenging. Our team nevertheless is focused on the ongoing recovery and is committed to providing our customers with safe and enjoyable retail experiences."

Due to current uncertain circumstances, Vicinity cannot presently provide FY21 earnings guidance as it would not be reliable. However, assuming no material deterioration in existing conditions, Vicinity intends to pay a distribution for the six months to 31 December 2020.

Vicinity's 2020 Annual General Meeting will be held virtually on 12 November 2020 at 11.00am (AEDT). Visit vicinity.com.au/campaign/2020agm for more details.

The Board of Vicinity has authorised that this document be given to ASX.

ENDS

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[5] For our wholly owned retail assets. Consistent with global carbon measurement standards, this applies to common mall areas.

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Appendix – Portfolio centre visitation and sales

Figure 1: Weekly centre visitation

Comparable centres percentage of prior year to 3 November 2020

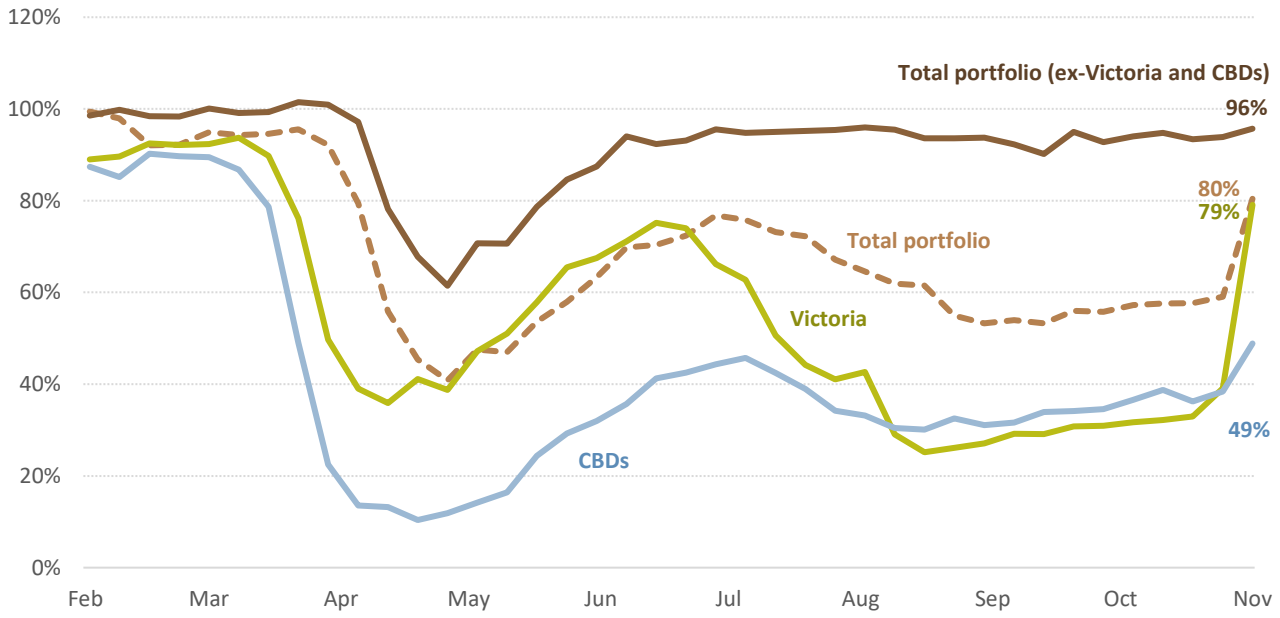


Table 1: Portfolio comparable sales by store type

	MAT growth		MAT growth (ex-VIC and CBDs)		Quarter growth (ex-VIC and CBDs)	
	Sep-20 (%)	Jun-20 (%)	Sep-20 (%)	Jun-20 (%)	Sep-20 (%)	Jun-20 (%)
Specialty stores	(24.2)	(12.4)	(7.3)	(7.4)	(1.0)	(30.4)
Mini majors	(14.5)	(4.1)	9.2	5.8	18.6	(0.7)
Specialties and mini majors	(21.7)	(10.3)	(3.9)	(4.7)	3.1	(24.1)
Supermarkets	4.2	3.1	4.4	3.4	6.7	(1.9)
Discount department stores	2.0	2.7	8.9	4.8	21.3	7.5
Other retail[a]	(38.9)	(19.7)	(32.7)	(16.5)	(58.8)	(59.4)
Department stores	(33.4)	(20.9)	12.2	3.3	35.7	13.6
Total portfolio	**(15.2)**	**(7.0)**	**(1.7)**	**(1.6)**	**1.1**	**(14.7)**

Note: Totals may not sum due to rounding. Sales growth calculated compared to same period in the prior year.

a. Other retail includes cinemas, travel agents, auto accessories, lotteries and other entertainment.

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Table 2: Portfolio comparable sales by state

	MAT growth		Quarter growth	
	Sep-20 (%)	Jun-20 (%)	Sep-20 (%)	Jun-20 (%)
Victoria	(25.9)	(11.0)	(62.2)	(43.7)
New South Wales	(13.0)	(8.2)	(19.9)	(35.5)
NSW (ex-CBD)	(5.0)	(3.2)	(7.1)	(19.5)
Queensland	(3.8)	(3.3)	(2.0)	(17.5)
Western Australia	0.1	0.1	4.3	(9.0)
South Australia	0.9	(0.7)	7.4	(11.0)
Tasmania	2.2	(0.3)	10.0	(16.2)
Total portfolio	**(15.2)**	**(7.0)**	**(32.0)**	**(31.6)**
Total portfolio (ex-Victoria and CBDs)	**(1.7)**	**(1.6)**	**1.1**	**(14.7)**

About Vicinity Centres

Vicinity Centres (Vicinity) is one of Australia's leading retail property groups. With a fully integrated asset management platform and $24 billion in retail assets under management across 63 shopping centres, it is the second largest listed manager of Australian retail property. Vicinity has a Direct Portfolio with interests in 60 shopping centres (including the DFO Brisbane business) and manages 31 assets on behalf of Strategic Partners, 28 of which are co-owned by Vicinity. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has over 28,000 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.