ASX Announcement

4 May 2021

March 2021 quarterly update

Vicinity Centres (Vicinity, or the Company, ASX: VCX) today released its quarterly update for the three months ended 31 March 2021 (3QFY21).

Mr Grant Kelley, Chief Executive Officer and Managing Director, said: "After a challenging 12 months, we are seeing signs of recovery, with improved centre visitation and retail sales during the quarter. Whilst overall retailer confidence remains fragile, retailers are increasingly committing to new leases versus previous quarters which is encouraging. However, as the recent quarter has demonstrated, risks of further disruptions from snap lockdowns remain, while tourism and the timing of office workers returning to CBD offices is uncertain. We are focused on continuing to navigate the risks and uncertainties whilst managing the business for the long term".

Performance and operational summary[1]

Retail sales

Portfolio retail sales declined 7.0% in 3QFY21 relative to 3QFY19 reflecting a subdued but improving retail sales environment.

Supermarket sales continued to be solid, up 1.5% in 3QFY21 relative to 3QFY19. Throughout the height of the COVID-19 pandemic, supermarket and fresh food sales benefited from hyper-local shopping, increased cooking at home and some panic buying as lockdowns became effective. Discount Department Stores sales (+11.7%) continued to outperform Department Stores (-22.4%) during the quarter and combined mini majors and specialty stores reported a 5.7% decrease in sales as discretionary spending remains in recovery.

In the month of March 2021, total portfolio sales neared pre-COVID levels, declining 2.3% relative to March 2019. Importantly, while centre visitation is growing, the rate of retail sales improvement is greater, highlighting that consumers are spending more per visit (average spend increased 23% in March 2021). Strong spend per visit in conjunction with increasing centre visitation may be a positive lead indicator for continued recovery.

Further sales information can be found in the Appendix.

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[1] During 3QFY21, key performance metrics were impacted by several snap lockdowns in Perth, Melbourne and Brisbane, as well as restrictions on gatherings across Sydney. Similarly, national COVID-19 restrictions were introduced in late March 2020; impacting the prior corresponding period analysis. To enhance comparability, current performance metrics within this release have been measured against corresponding months and quarters in 2019 unless otherwise stated.

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VICINITY CENTRES

Centre visitation
Average centre visitation for 3QFY21 was 77% of 3QFY19.

Excluding CBDs, where the impact of COVID-19 has been greater, average centre visitation for 3QFY21 was 83% of 3QFY19.

Easing social restrictions, including the removal of mandated masks in Victorian shopping centres, combined with reduced COVID-19 outbreaks and growing consumer confidence, augur well for continued improvement in centre visitation.

Whilst CBD centres may take longer to recover, positive signs are emerging as governments and businesses encourage employees to return to their CBD offices, cultural and sporting events in CBDs resume, interstate travel increases and the travel bubble that opened with New Zealand in April, gains traction.

Pleasingly, the trends observed in 3QFY21 appear to be continuing. For the week ended 2 May 2021, average visitation across the total portfolio increased to 82% of pre-COVID levels (or 87% ex-CBDs).

Occupancy and leasing
Vicinity's current leasing focus is to maintain high occupancy across the portfolio.

Vicinity's portfolio occupancy rate of 98.0% (as at 31 March 2021) remains in line with three months earlier.

Deal activity during the quarter was solid, with 328 leasing deals completed, resulting in a leasing spread of -13.5%, slightly below the -12.6% spread reported at 1HFY21.

Interestingly, for the nine months to 31 March 2021, leasing spreads for the Premium & CBD and DFO assets were -7.2% and +2.9%, respectively, indicating the important role these centres play in retailers' sales channel mix despite the subdued sales environment.

Short term COVID-19 leasing agreements have primarily been contained to calendar year 2020, although an increase was recorded in the average proportion of leases that were subject to rental waivers across 3QFY21. This was largely a reflection of subdued sales, particularly for SMEs in the Victorian and New South Wales centres.

Cash collection
Average cash collection[2] for 3QFY21 was 82% of gross billings, representing a slight improvement from 80% collected to date for 2QFY21. This represents 85% and 94% of gross billings net of waivers for 3QFY21 and 2QFY21, respectively.

With improved trading conditions and as Vicinity moves towards completion of outstanding COVID-19 support agreements, particularly with SME retailers, an improvement in cash collections is expected in 4QFY21[3].

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[2] As at 19 April 2021.
[3] Vicinity notes the adverse risk to cash collections in the event of any further snap lockdowns. Conversely, the government restrictions on normal debt collection processes by landlords were lifted from 31 March 2021.

Summary

In summary, Mr Kelley said, “Today’s announcement shows that signs of recovery are emerging. Federal and State governments continue to contain the virus successfully, and Australians are returning to their favourite retail destinations with capacity to spend. While risks of further disruption remain, Vicinity will continue to adapt and support our retail partners while maintaining our focus on long term value creation.”

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

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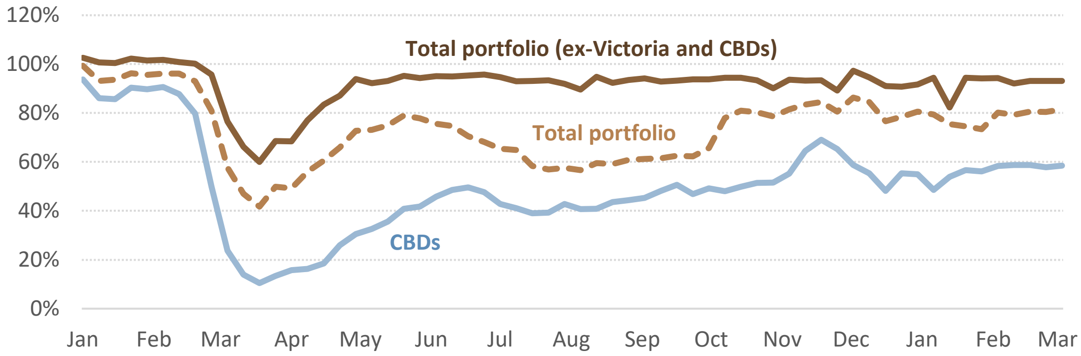
About Vicinity Centres

Vicinity Centres (Vicinity) 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 62 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 30 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 29,000 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

Figure 1: Weekly centre visitation compared to the same week pre COVID-19[a]



a. Excludes divestments and development-impacted centres in accordance with SCCA guidelines.

Table 1: Key performance metrics

	Total portfolio			Portfolio (ex-CBDs)		
	Mar-21	Dec-20	Sep-20	Mar-21	Dec-20	Sep-20
Quarter centre visitation (%)[a]	77	77	58	83	82	66
Cash collected (%)[b]	82	80	72	84	81	73
Leasing deals completed	328	258	284	n.a.	n.a.	n.a.

a. Average customer traffic for the quarters as a percentage of corresponding quarter in 2019.
b. Cash collected for the quarters as a percentage of gross rental billings and as at 19 April 2021.

Table 2: Portfolio sales[a] growth by store type and state

	Month growth		Quarter growth			MAT growth	
	Mar-21 v Mar-19 (%)	Mar-21 v Mar-20 (%)	Mar-21 v Mar-19 (%)	Mar-21 v Mar-20 (%)	Dec-20 v Dec-19 (%)	Mar-21 v Mar-20 (%)	Dec-20 v Dec-19 (%)
Specialty stores	(5.5)	32.1	(10.4)	(1.0)	(19.0)	(26.7)	(27.9)
Mini majors	12.2	29.1	8.2	8.7	(3.7)	(13.2)	(15.6)
Specialties and mini majors	(1.1)	31.3	(5.7)	1.6	(15.0)	(23.2)	(24.8)
Supermarkets	1.3	(16.8)	1.5	(7.5)	2.0	(0.1)	3.9
Discount department stores	27.5	20.4	11.7	9.9	8.5	5.4	4.1
Other retail[b]	(42.5)	(0.4)	(50.0)	(39.8)	(52.6)	(57.8)	(51.6)
Department stores	(13.9)	39.4	(22.4)	(8.2)	(36.4)	(40.9)	(41.4)
Total portfolio	**(2.3)**	**12.7**	**(7.0)**	**(3.6)**	**(12.3)**	**(18.3)**	**(18.0)**
Total portfolio (ex-CBDs)	**(0.4)**	**12.5**	**(5.0)**	**(2.3)**	**(10.0)**	**(16.1)**	**(16.0)**
Total portfolio (ex-VIC and CBDs)	**4.5**	**7.0**	**0.2**	**(0.4)**	**0.7**	**(2.8)**	**(2.6)**
Victoria	(6.5)	20.0	(12.0)	(5.4)	(22.7)	(32.1)	(31.9)
New South Wales	(9.6)	6.1	(14.6)	(9.8)	(15.2)	(20.4)	(18.0)
- NSW (excl. CBD)	(0.2)	4.3	(5.9)	(3.8)	(4.8)	(8.8)	(7.2)
Queensland	2.2	7.6	(1.5)	(1.6)	0.5	(4.2)	(3.9)
Western Australia	4.8	7.2	0.4	(0.7)	2.2	(1.7)	(1.6)
South Australia	11.1	10.1	7.9	5.2	3.0	2.1	1.2
Tasmania	10.0	5.8	7.2	3.5	6.7	3.9	3.6

a. Excludes divestments and development-impacted centres in accordance with SCCA guidelines.
b. Other retail includes cinemas, travel agents, auto accessories, lotteries and other entertainment.