

14 May 2014

## MARCH OPERATIONAL UPDATE

Federation Centres (**FDC**) announces an update for the quarter ended 31 March 2014.

The FDC-owned portfolio<sup>1</sup> recorded a solid underlying operating performance over the quarter with an occupancy rate of 99.4%. Annual sales growth for the year to 31 March 2014 was 1.6%, with specialty retailers recording annual sales growth of 1.8%.

### Portfolio Snapshot

The portfolio operating performance continued its positive trajectory with the leasing spread average growth for both new leases and renewals up from 2.0% as at 31 December 2013 to 2.3% as at 31 March 2014. The driver of the increase was an improved spread for new leases. Supermarkets and specialties focused on food and services continued to perform well. The Easter holiday contribution to overall sales is accounted for in April rather than March, which contributed to slower overall sales growth compared with the half year. Challenging operating conditions across the discount department store category remained an issue during the quarter and also contributed to the lower overall sales growth. During the quarter Carlingford Court in New South Wales was integrated into the portfolio and a large number of retailer fit-out upgrades to the latest, or newly-launched, formats were completed.

FDC Portfolio	As at 31 March 2014
Number of Shopping Centres	58
Portfolio Value	\$4.3bn
Occupancy	99.4%
Annual Retail Sales Growth (SCCA)	1.6%
Specialty Occupancy Cost	14.6%
No. of Leasing Transactions (excludes project leasing)	627

<sup>1</sup> Including co-owned assets.

## Capital Transactions

Syndicate assets acquired in the three months to 31 March 2014 are shown in the table below<sup>2</sup>.

Asset	Syndicate	Price (Millions)	Details
Emerald Market (50%)	RDP 25	\$7.25	Settled 31 March
Emerald Village (50%)	RDP 25	\$10.25	Settled 31 March
Oxenford	RDP 25	\$24.20	Settled 31 March
Raymond Terrace	RDP 25	\$27.00	Settled 31 March
Woodlands Village	RDP 30	\$12.88	Settled 28 February

For the period, FDC acquired syndicate properties totalling \$81.6 million at a weighted average cap rate of 8.95%. This only required the purchase of \$15.5 million of external equity, after allowing for existing FDC equity already invested in each syndicate. All properties were acquired at book value as at 31 December 2013.

Since the conclusion of the quarter, FDC moved to acquire Meadow Mews shopping centre in Tasmania following overwhelming support from investors in Retail Direct Property 15 Unit Trust (100%) and Retail Direct Property 15 (99.2%) for a liquidity mechanism. As a result of the support received from Retail Direct Property syndicate investors to date, FDC will seek to continue acquiring assets and transitioning out of the majority of the syndicate business by the end of 2014.

In line with asset strategy planning, FDC also commenced marketing several assets for disposal during the period, with expected completion by the end of 2014. The assets include Springwood in Queensland, Somerville in Victoria and Arndale in South Australia. Proceeds from the sale of these assets will be recycled into the substantial organic growth redevelopment pipeline across the portfolio.

## Developments

Construction is on program at both projects currently underway. At Warnbro in Western Australia project leasing is well advanced with 81% of project income secured to date, the majority with strong national retailers and financial metrics remain positive. The expanded and upgraded property is due for completion in September this year. Construction works commenced at Cranbourne during the quarter and leasing of this project is progressed in line with expectations for a completion in the 3<sup>rd</sup> quarter of 2015.

## Summary

Federation Centres Managing Director and CEO, Steven Sewell said: "During the quarter we continued to focus on improving the Federation Centres portfolio. We are making good progress on the projects at Warnbro in Western Australia and Cranbourne in Victoria.

"Across the balance of the portfolio we successfully completed a large number of retailer fit-out upgrades to the latest and, in some instances, newly launched formats for groups such as Millers, Ice Fashion, Optus, Noni B, EB Games, Michael Hill, The Athletes Foot and Specsavers.

"During the quarter Carlingford Court in Sydney, which was Federation Centres' first acquisition from a non-related party, was integrated into the portfolio. We are already seeing a lift in income and retailer engagement on the property.

"Through the combination of redevelopment, tenancy remixes, refurbishment and a greater focus on tenancy design and delivery we continued to lift sales productivity across the portfolio," he said.

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<sup>2</sup> Oxenford, Raymond Terrace and 50% interests in Emerald Market and Emerald Village not included in portfolio statistics as at 31 March.

## Appendix – Annual Sales Growth Analysis as at 31 March 2014:

FDC Sales Category Analysis			
Category	Annual Sales (\$m)	MAT Change <sup>1</sup>	Portfolio Composition
Supermarkets	3,173.3	2.5%	40%
Specialties	2,909.4	1.8%	37%
Discount Department Stores	1,081.6	(1.4%)	13%
Mini Majors	606.0	1.0%	8%
Department Stores	174.5	0.0%	2%
<b>Portfolio Total</b>	<b>7,944.8</b>	<b>1.6%</b>	<b>100%</b>

<sup>1</sup> Calculated in accordance with SCCA standards

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### About Federation Centres (ASX: FDC)

Federation Centres (FDC) is a fully vertically integrated Australian real estate investment trust (A-REIT) specialising in the ownership and management of Australian shopping centres. With \$6.7 billion of shopping centres under management, FDC employs over 500 people with offices in Melbourne, Sydney, Brisbane and Perth. For more information, please visit the FDC website at [www.federationcentres.com.au](http://www.federationcentres.com.au).

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- Federation Centres Trust No. 2 ARSN 122 223 974
- Federation Centres Trust No. 3 ARSN 153 269 759