



**INVESTOR
NEWSLETTER**
DEC 2018



COMPANY NEWS

As we approach the end of the 2018 calendar year and the half way mark of the 2019 financial year it is timely at this juncture to reflect on various achievements for the quarter.

- For South Jerrabomberra, we had a number of significant highlights. Firstly, we had the announcement by the Deputy Premier of NSW, Mr. John Barilaro on Friday 14 December of \$23million in funding for the South Jerrabomberra access road. This important piece of infrastructure opens up the opportunities for the South Jerrabomberra Technology Park, a new High School for South Jerrabomberra and the Queanbeyan-Palerang Regional Sporting Complex. We are working with the CEO of the Queanbeyan Palerang Regional Council (QPRC) and his team to understand the details, timing and integration of the grant with our program at South Jerraomberra.
- The rezoning approval of the 'Forrest and Morrison land' from rural to residential was another significant milestone for the South Jerrabomberra project. It represents the last major planning approval and now provides planning certainty for all of the 1,250 dwellings at South Jerrabomberra.
- We held our AGM at the East Hotel with over 100 shareholders, investors, staff and partners in attendance where we announced a 14% increase in profit, declared a final dividend of 3.5 cents (full year dividend of 6.5 cents), reappointed John Hindmarsh and Loyd Perin as Directors



Travis Doherty
Chief Executive Officer

for another three year term, acknowledged and celebrated Vince Whiteside's 25 year contribution to Village and invited Albert Dabas to join the Board on 1 July 2019;

- December also saw the 'sell out' of our Westside Indooroopilly project before the end of the year, 3 months ahead of our budgeted program. In challenging market conditions, the team implemented a combination of traditional and 'not so traditional' sales strategies which included Australia's first 48-hour open home. This enabled us to close out the last five sales and achieve national press coverage for this innovative campaign.

However, we are not without our challenges. The market downturn is being experienced firsthand across all regions and most of our projects, with a slowdown in buyer enquiry, a reduction in sales rates and resultant price discounting. The Banking Royal Commission and political uncertainty continue to impact the psychology of our buyers and indeed all Australians. We remain focused on delivering our projects well and striving to achieve sales.

I take this opportunity to thank you for your continued support in 2018. In a year where we celebrated our 30th anniversary I wish you and your family a safe, happy and healthy holiday season and look forward to seeing you all in 2019.

Best regards,

Travis Doherty
Chief Executive Officer



PROJECT UPDATES



The Brickworks at Bulli

The construction of the final Duplex is nearing completion. It is anticipated to be finished prior to Christmas with registration early in the new year. Pricing has been repositioned in order to secure sales.



The Village at Corrimal

Our Spring campaign has been successful securing 7 sales. Enquiry has been steady however with a refreshed campaign focusing specifically on our target markets, the quality has improved leading to greater conversion of sales. We continue to monitor current market conditions and a Summer Campaign will launch early in the new year to continue to drive sales forward.

Construction is well underway and after a slow start due to bad weather we are seeing some real progress onsite. The eastern building basement floor is complete and the podium level slab will be poured prior to Christmas. The western building basement slab will also be complete and formwork underway prior to the end of December.

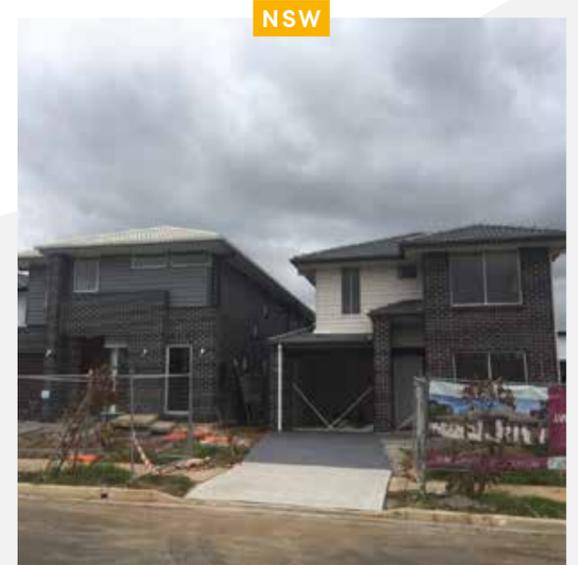


The Summit at Coffs Harbour

Both development and construction applications are now with Council awaiting approval to allow construction commencement on stage 8. Stage 8 consists of 16 land lots, half of which were released to the market in October with 1 sale recorded since the release.

Titles have been issued on Stage 7 (11 lots), which were all pre-sold during the construction phase. Settlements have commenced and to date 8 settlements have occurred.

Two deals are currently being negotiated with parties looking to purchase englobo parcels of land within the development (Stages 5 & 11) with the intent to construct and sell townhouses.

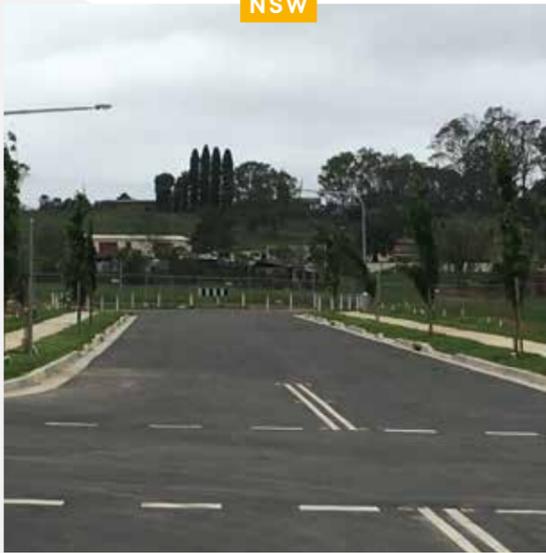


Realm — Austral 1

Construction is complete and the land in this stage is now registered. Remaining settlements will commence from mid December 2018.

PROJECT UPDATES (CONT.)

NSW



Realm — Austral 2

Stage 1 was registered on 25 October and settlements commenced mid November 2018. Council allowed some minor retaining wall works to the eastern boundary which are now complete. 4 blocks remain for sale in this stage.

Presales in Stage 2 are well advanced. The recent Spring Bonus campaign led to an additional 5 sales being secured. A civil construction tender for this stage is expected to be awarded and commenced by February 2019. Completion is anticipated in late 2019.

In Stage 3, works for all inground services including NBN, gas and power to the lots are complete along with internal drainage. We are working together with Council on obtaining registration. Settlements are expected to commence by late February 2019.

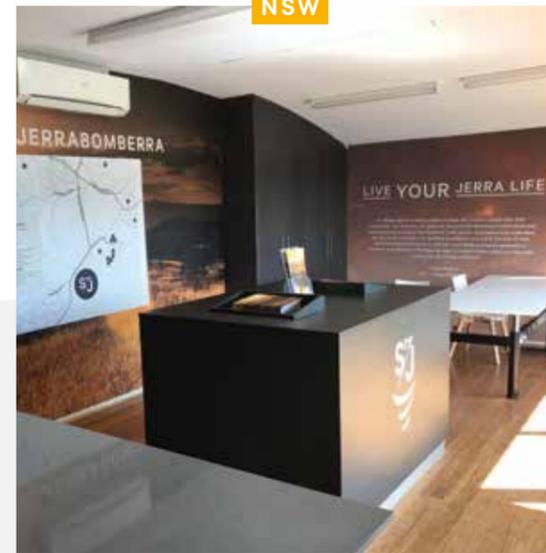
NSW



Realm — Austral 3

The DA has in principle approval however it is unlikely that the formal DA consent will be issued until February 2019. Detailed design of the construction certificate engineering plans has commenced in anticipation of tendering the civil works by March 2019. There will be a limited release of land early next year and works are anticipated to commence in April 2019.

NSW



South Jerrabomberra

With the approval of the first stage of subdivision, the Project Team is focused on finalising all construction approvals to enable civil works to commence on site from February 2019. An initial sales release of 75 blocks was made available to valued previous purchasers; and Shareholders and Investors in Village. This has seen almost 50% of the released lots taken up in the first few weeks.

QLD



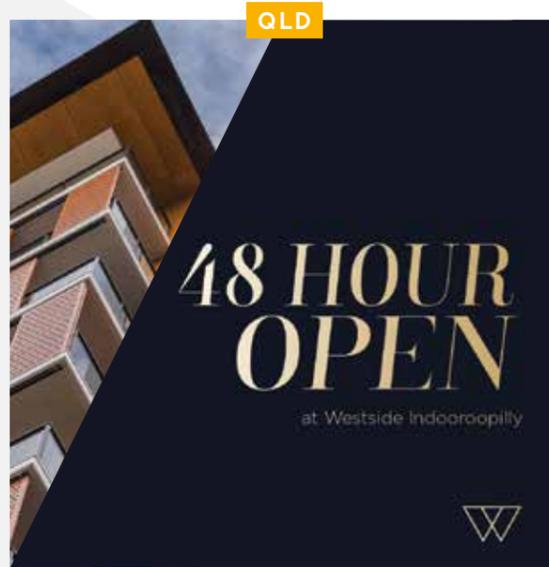
WoodLinks Village at Collingwood Park

Stage 8 is currently under construction, which consists of 35 lots. Once complete, 202 out of the 781 lots in the master plan will have been constructed.

Overall, 145 lots have settled with an additional 23 lots currently under contract or on hold.

The buyer demographic at Woodlinks is typically characterised by low deposit first home buyers and this segment is finding it more challenging to access funding from banks, noting the added scrutiny on lending standards and LVR's brought about by the Banking Royal Commission. As a result, enquiry has generally slowed in the growth corridors around Brisbane.

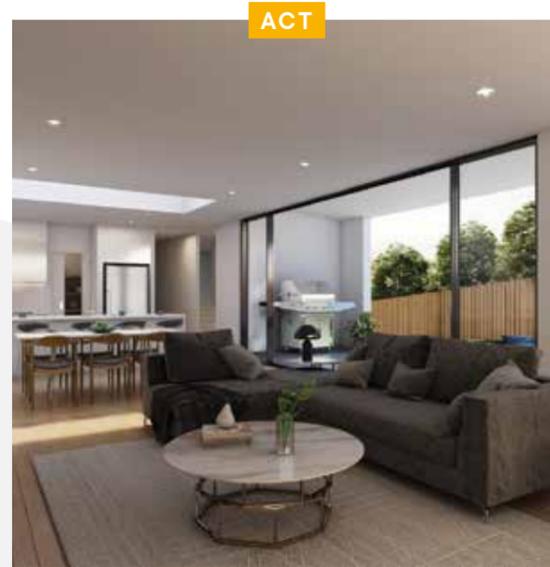
PROJECT UPDATES (CONT.)



Westside at Indooroopilly **SOLD OUT**

107 of the 119 units in the development have now settled, with an additional 12 units currently under contract or being held under an expression of interest.

The recent marketing campaign centred around 'Australia's first 48 hour open home' was held in November with 5 sales secured as a result of this initiative.



The Residences

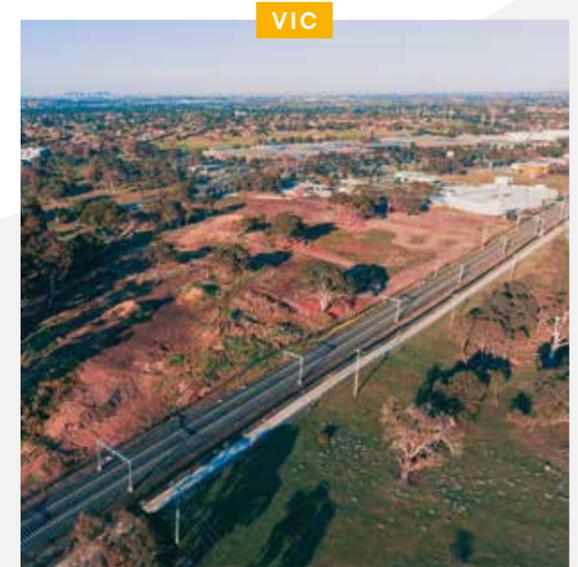
Construction of dwellings in Curlewis Crescent, Garran, and Spafford Street, Farrer, is underway with completion expected between March and June 2019. Construction on the remaining sites will commence in line with development and building approvals being received. This is expected to occur in December/January.

Sales and marketing has commenced for 15 Curlewis Crescent, Garran and 36 Spafford Crescent, Farrer, in addition to overarching advertising promoting the collection of luxury townhouses.



The Quarters at Weston

On 26 November Village submitted its preliminary draft Estate Development Plan (EDP), draft traffic report and other supporting documents to the Environment, Planning and Sustainable Development Directorate (EPSDD) for initial review, completeness check and initial circulation to Government Agencies. The original intention was to lodge a Development Application however, to facilitate a community titled development, approval is best sought under an EDP. Estimated housing yield within the development remains at approximately 250 dwellings. Sales are expected to commence in the second half of 2019 subject to the approval process.



Trilogy Place at South Morang

All major approvals have been achieved enabling the development of 239 townhouses at Trilogy Place. Montdami has been appointed as the Civil Contractor for the project after demonstrating their capabilities on the Yarraman project together with a competitive price. Construction is expected to commence in early 2019. Level 10 has been nominated as the builder for the first 27 homes in stage 1. It is anticipated that Village's Melbourne building arm, Argyle Building will construct the homes in Stage 2 when sold.

Sales launched in mid-September with 7 sales achieved to date. Although these sales were achieved in the first 6 weeks, enquiry has slowed and we are working with a number of local agents to boost sales enquiry and conversions. Additionally a new Victorian sales agent has been recruited enabling the sales office to trade 7 days a week ensuring all enquiry is serviced appropriately.



PROJECT UPDATES (CONT.)



Yarraman Village at Noble Park

Construction of the first 32 homes at Yarraman continues to be challenging with JG King behind schedule. Management is working with JG King to complete the homes by mid 2019 to appropriate quality. Stages 2-4 (64 homes) are under construction with Level 10, who are progressing well and currently ahead of schedule. These homes are expected to progressively complete between May and August 2019. Stages 5 and 6 of Yarraman Village will be constructed by Village's Melbourne building arm, Argyle Building. Construction of the footpath along the creek corridor has commenced, with planting and other landscaping works to occur once approvals from Melbourne Water are received.

An extensive advertising and marketing campaign has been undertaken since the project launched the final stages (5 & 6 – 51 homes) in mid-September which includes digital, print and train media. Current enquiry levels are exceeding expectations however the lack of urgency and current market softening has not seen this convert into sales. The current focus is on optimizing marketing spend to capture quality leads. Additionally we have appointed an external agent (Barry Plant) and secured a dedicated Village Sales Agent, who will pursue the extensive database and drive the external sales consultants to achieve sales.



Yarraman Village at Noble Park (VIC)



SHAREHOLDER INFORMATION

Dividend

The Company will pay a fully franked 3.5 cent final dividend for the 2018 financial year on 14 December 2018 which when combined with the 3.0 cent interim dividend represents a 6.5 cent fully franked dividend for the full year.

The Board purposely held the Dividend Reinvestment Plan (DRP) price at 85 cents which represents a discount on the net asset backing per share at 30 June 2018, to encourage participation in the DRP.

The Company benefits by shareholders participating in the DRP as it assists in further strengthening the Company's ability to take advantage of new development opportunities through an expansion of its capital base. Participation in the DRP is optional and offered to all shareholders thereby providing equal opportunity to maintain proportional interest in the Company.

A copy of the Company's DRP is available at www.villagebuilding.com.au/invest or at Computershare.

The half yearly dividend for CRPS-1 and the quarterly dividend for CRPS-2 shares was paid on 18 December 2018.



VBC Forecast Investor Returns		as at	05/09/2018
Project	Type	Date	% of Total
Indooroopilly	Profit Distribution 2	31/01/2019	36.30%
	Profit Distribution 3	28/02/2019	17.29%
	Profit Distribution 4	31/03/2019	13.56%
Austral 1	Profit Distribution 2	31/01/2019	10.35%
	Profit Distribution 3	31/03/2019	62.13%
Austral 2	Equity Distribution 1	31/03/2019	16.67%
Corrimal	Equity Call 4	31/01/2019	(6.75%)
Austral 3	Equity Call 2	28/02/2019	(64.86%)
Weston	Equity Call 3	31/05/2019	(3.67%)
South Jerrabomberra	Equity Call 1	31/03/2019	(32.46%)
	Equity Call 2	31/05/2019	(24.05%)

Note: The above information is indicative only and based on best estimates at the date of issue and is subject to change.

INVESTMENT OPPORTUNITIES

South Jerrabomberra

The new syndicated project at South Jerrabomberra which encompasses the Tralee land holdings and the adjacent Forest and Morrison lands was fully subscribed and investment in this project closed on 16 November 2018.

Secured Notes

Secured notes are available for investment and form an important part of the Company's funding structure. These notes assist in reducing the weighted average cost of capital of the Company which currently sits at 8.68%.

The 1 year Series D notes have now closed, however notes in the other Series with terms of 2 to 5 years are still available and offer attractive investment rates.

Secured notes are only available to sophisticated and professional investors. The notes application document is available on request.

Shares

Ordinary shares can be purchased from the Company at the DRP price of 85 cents per share. Share purchases are subject to Board approval.

For enquiries regarding secured notes, shares or any other investment matter please contact:

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E vwhiteside@villagebuilding.com.au



WORK HEALTH AND SAFETY

Safety First

Village adopts a "safety first" culture contributing to a safer work environment for staff and contractors alike. We remain incident and injury free across all Village Housing sites. Regular internal safety audits and inspections continue to occur and are proving effective in identifying and mitigating risk prior to incidents occurring.

Big Banana

The ongoing commitment to safety continues with weekly safety inspections by WHS trained staff and quarterly audits by an independent WHS Auditor. Regular staff training, annual reinduction and orientation of new staff members also contributes to the "safety first" philosophy at the park.

Internal staff training remains a high priority as does the ongoing routine maintenance allowing less incidents and reduced downtime.



The Big Banana Fun Park
Coffs Harbour NSW

STAFF PROFILE RONAN PRINGLE

Village welcomed Ronan to the team in September 2018, relocating from Melbourne to Canberra to fill the role of Chief Operating Officer. Ronan has accountability for the delivery across all projects including our building activities (both Village Housing/Argyle Building and outsourced/contracted building).

Ronan grew up and went to university in Scotland, and he and his family are very keen snow skiers so the cold Canberra winters were a real attraction! His 20 year career has primarily been in the Victorian commercial building industry where he has worked at Bayside Construct, FDC, Buildcorp and May Constructions. Ronan has previously held a variety of roles ranging from Senior Project Manager to General Manager and Director.

He has a degree in Building Surveying (UK) and has extensive building experience and management of large projects and teams. Importantly he is a personable and down to earth individual and since starting has bolstered our collaborative and team orientated culture.



Ronan Pringle
Chief Operating Officer

