



**INVESTOR
NEWSLETTER**
JULY 2019



COMPANY NEWS

It has been a challenging 18 month period for the residential property market, but the re-election of the Coalition Government in May, APRA's easing of mortgage lending guidelines, the Coalition Government's commitment to the First Home Loan Deposit Scheme and interest cuts in June and July have all provided a much needed injection in confidence and overall improvement in market sentiment.

Australian voters rejected the risky taxation changes to negative gearing and big increases to capital gains tax which had the potential to significantly damage our industry. At a time when construction activity was falling sharply, house prices were declining and economic growth was slowing, this was the wrong policy and the wrong time and Australians sent a clear message to all politicians to leave negative gearing and capital gains tax alone.

The resultant increase in investor confidence has contributed to an increase in buyer inquiry and improved market stability. While we are seeing positive signs across many of our projects it will take some time for these positive measures to flow through to improved sales rates and increased prices.

We have just concluded the financial year which saw more than 80 of our 218 settlements being achieved in the month of June across multiple projects along the Eastern Seaboard of Australia. This included 44 families moving into their townhouse homes at Yarraman Village in Melbourne in the month of June, 49 families settling on their blocks of land over the last 12 months at Woodlinks in Ipswich, Queensland, and more than 80 families settling on their blocks of land over the last 12 months in Austral in Western Sydney.



Yarraman Village at Noble Park

Significant project activity is underway across all of our projects. At South Jerrabomberra we have sold more than 50% of our first stage of residential land lots and the bulk earth works are well progressed. Significant building activity continues at Yarraman Village including the final 62 townhouses which are being built by Argyle Building, our Village owned and operated Building Arm. At Corrimal the top floor structure has been reached on both apartment towers while planning is well progressed at Weston in anticipation of a finalised master plan capable of assessment and approval by the ACT Planning Authorities.

Our continued focus on our development pipeline has seen the Business enter into an exclusive 60 day due diligence period on a 50 lot site in Austral. This new site serves to strengthen our presence in the Western Sydney growth corridor.

The Big Banana Fun Park in Coffs Harbour continues to perform well with more than 1.5 million visitors to the park over the last 12 months. The diversified income stream provided by the Big Banana Fun Park now contributes close to \$7m in sales revenue for the Group which has been a welcome contribution during the challenging residential property market.

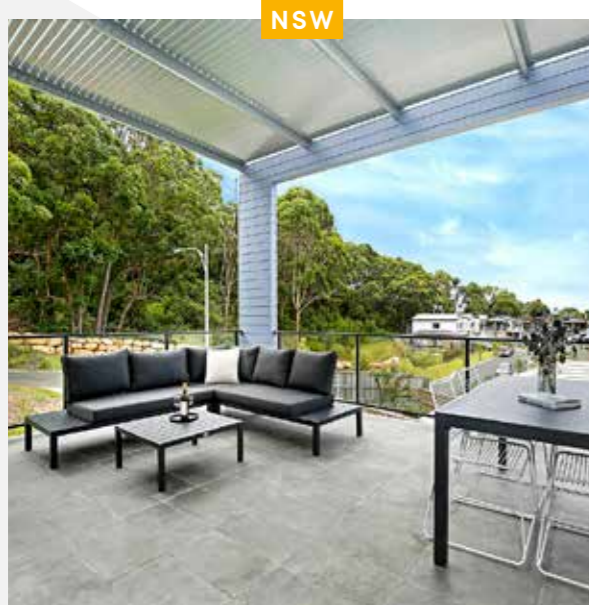
I look forward to seeing many of you at our Quarterly Shareholder and Investor Information Session on Wednesday 17 July and thank you for your continued support and commitment.

Best regards,

Travis Doherty
Chief Executive Officer

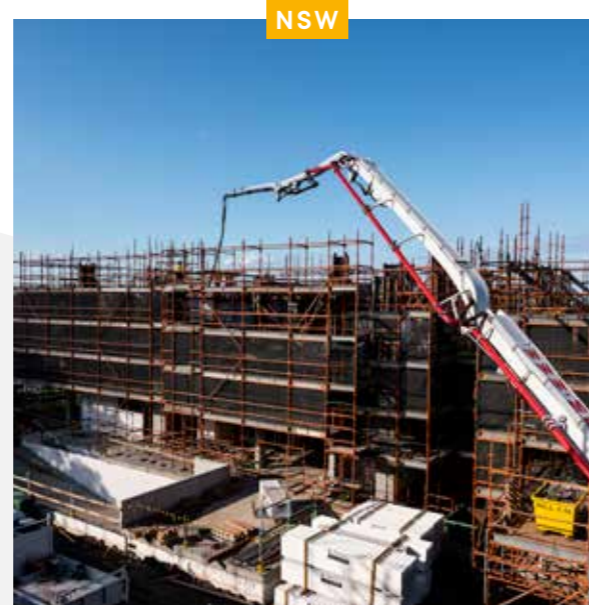


PROJECT UPDATES



The Brickworks at Bulli

The final Duplex sale in the Brickworks was settled in May bringing this successful development to a close.



The Village at Corrimal

Construction has been progressing well over the last few months with the concrete structure on both buildings now complete and installation of the structural steel frame which forms part of the roof structure starting to take shape. The ground floor on both buildings are having the internal and external wall frames installed and brickwork has commenced on Building B.

A ground floor Display Apartment is scheduled to open in Spring, allowing for an interactive buying experience. 36 sales have been achieved, including all of the 6 villas.



The Summit at Coffs Harbour

The latest stage being developed, containing 16 lots, is complete and is undergoing registration. Seven lots in this Stage are under contract and settlements are scheduled to commence in August.

The Company has revised its strategy for this Development and is now seeking to sell the balance of the Site in superlots to other builders. Wall stabilisation works are underway on two superlots which are already serviced, one of which is under contract to a local builder. We have now developed 114 lots out of a total yield of 147 lots.



Realm — Austral 1

This project is now complete with all lots sold and settled. The neighbourhood is taking shape with more than 60 per cent of home construction currently underway.



PROJECT UPDATES (CONT.)



NSW

Realm — Austral 2

The first two stages are complete and 69 lots have settled. The civil contract for the next 83 lots was awarded in May and construction is underway. Presales are well advanced and settlements are anticipated to occur from May 2020. Development Consent for the final stage is imminent.



NSW

Realm — Austral 3

The Development Application (DA) consent has been granted and market release is anticipated in the coming weeks. Construction is anticipated to commence in January 2020 with settlements commencing July 2020.

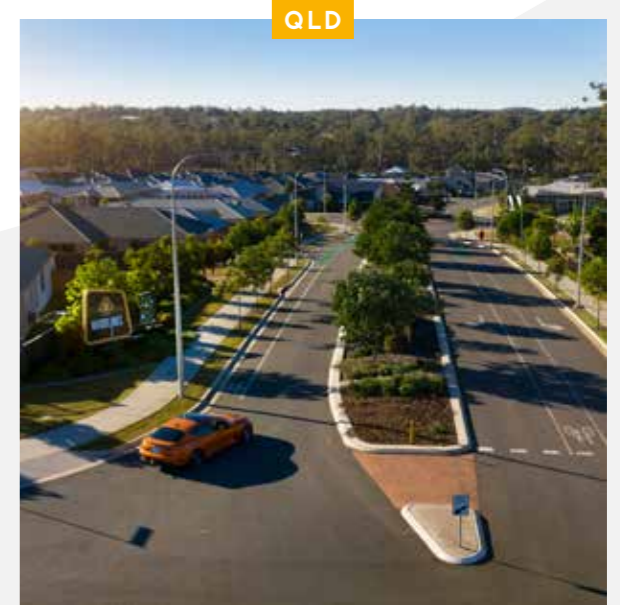


NSW

South Jerrabomberra

Bulk earthworks are advancing on Stage 1a comprising a total of 84 lots, of which over 50 per cent have been sold. The Construction Certificate for the remainder of the Stage 1a servicing works has been issued and we are currently focused on working with Queanbeyan Council and the Poplars Development for the delivery of the Northern Entry Road.

A Development Application has been prepared and lodged with Council for the Community Centre. A Request for Participation in the South Jerrabomberra Display Village was advertised throughout March. Multiple submissions were received, and we have successfully identified 8 builders.



QLD

Woodlinks Village at Collingwood Park

An application to amend the master plan has been recently approved by Council. The Master Plan now designates some areas in the development for smaller terrace style product, subject to further design review. As a result, yield for the Project has now increased from 781 lots to approximately 801 lots.

To date, 202 lots have been fully constructed and titled, with another 29 lots currently under construction, due for completion by the end of August. 192 lots are now sold, 177 of which have settled.

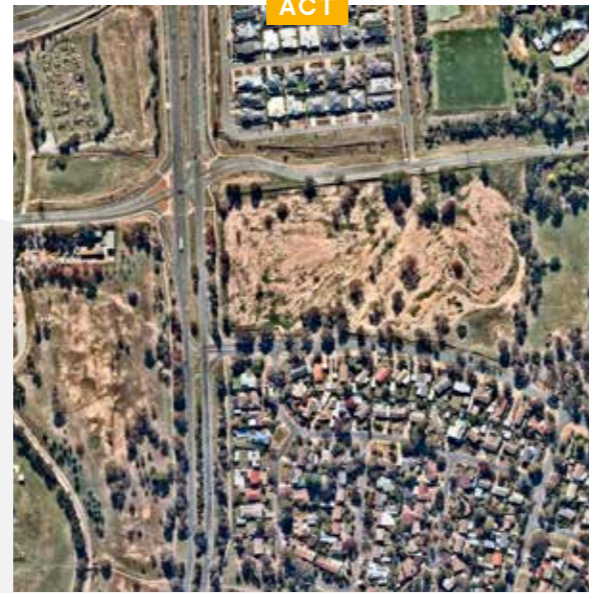


PROJECT UPDATES (CONT.)



The Residences

Titles have been received for Curlew Crescent, Garran with one of the Duplex homes sold and settled. The two blocks at Spafford Crescent, Farrer are progressing well and are anticipated for completion in July. One duplex home on each of these sites has been sold. Construction has commenced at Rivett Street, Hackett with McFarland Street, Chifley having been sold in June as land only.

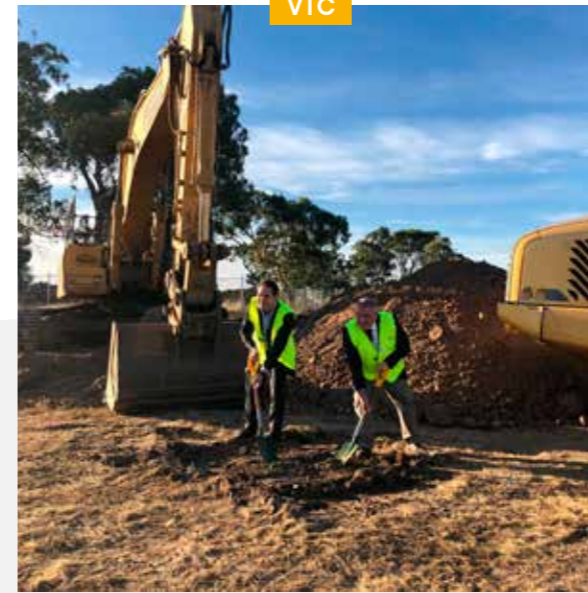


The Quarters at Weston

We continue to work through the planning process at Weston and are now well advanced in our detailed plans for the site.

The Project is one of the first to be subjected to the ACT Government's new pre-DA Community Consultation Guidelines for Prescribed Developments, which has naturally created some implementation challenges with Government Agencies, utility providers, the community and ourselves. We have continued to engage positively with the Weston Creek Community Council and the Friends of Fetherston Gardens whilst also updating our website to keep the community informed of progress.

The total yield will be more than 250 dwellings and with a mix of 2, 3 and 4 bedroom terraces and townhomes with a small number of land only lots.



Trilogy Place at South Morang

A campaign to assist buyers with their rent while their home is being constructed was introduced in April and included an information booth at the Westfield Shopping Centre which generated over 60 direct leads.

20 of the 27 lots in Stage 1 have been sold and civil works have commenced on this Stage.

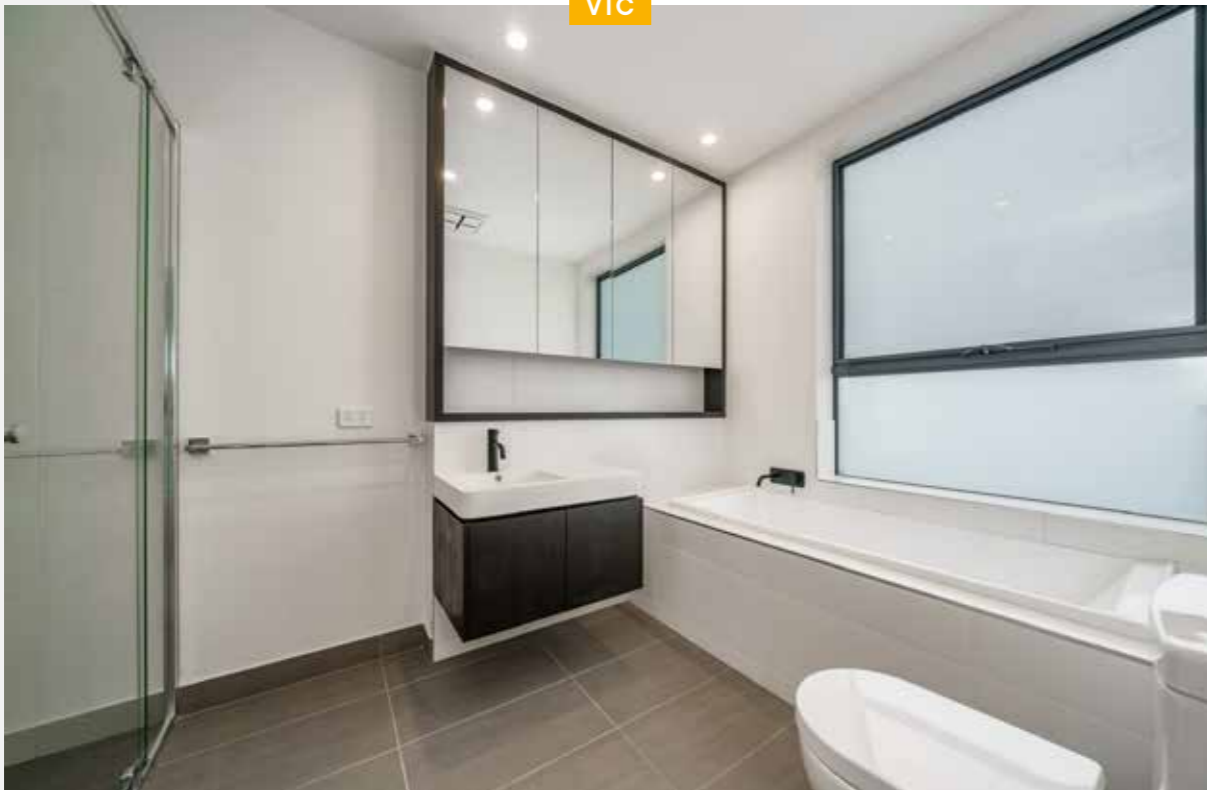
Construction of the entry road being managed by Canopi Homes, the original owners of this Site, is underway.





PROJECT UPDATES (CONT.)

VIC



Yarraman Village at Noble Park

The first 48 homes in Noble Park have now settled with residents taking possession from 17 June 2019. This includes the 32 homes JG King have built plus 16 homes constructed by Level 10. The remaining homes in Stages 2 to 4 being constructed by Level 10 will be progressively completed and handed over between now and the end of the year.

Argyle building has commenced constructing the final 62 homes at Yarraman Village with completion expected by mid 2020. The official opening of the display home, residents moving in and continued marketing campaigns will be of assistance to the sale of the remaining 41 homes.



Yarraman Village at Noble Park (VIC)



SHAREHOLDER INFORMATION

Dividend

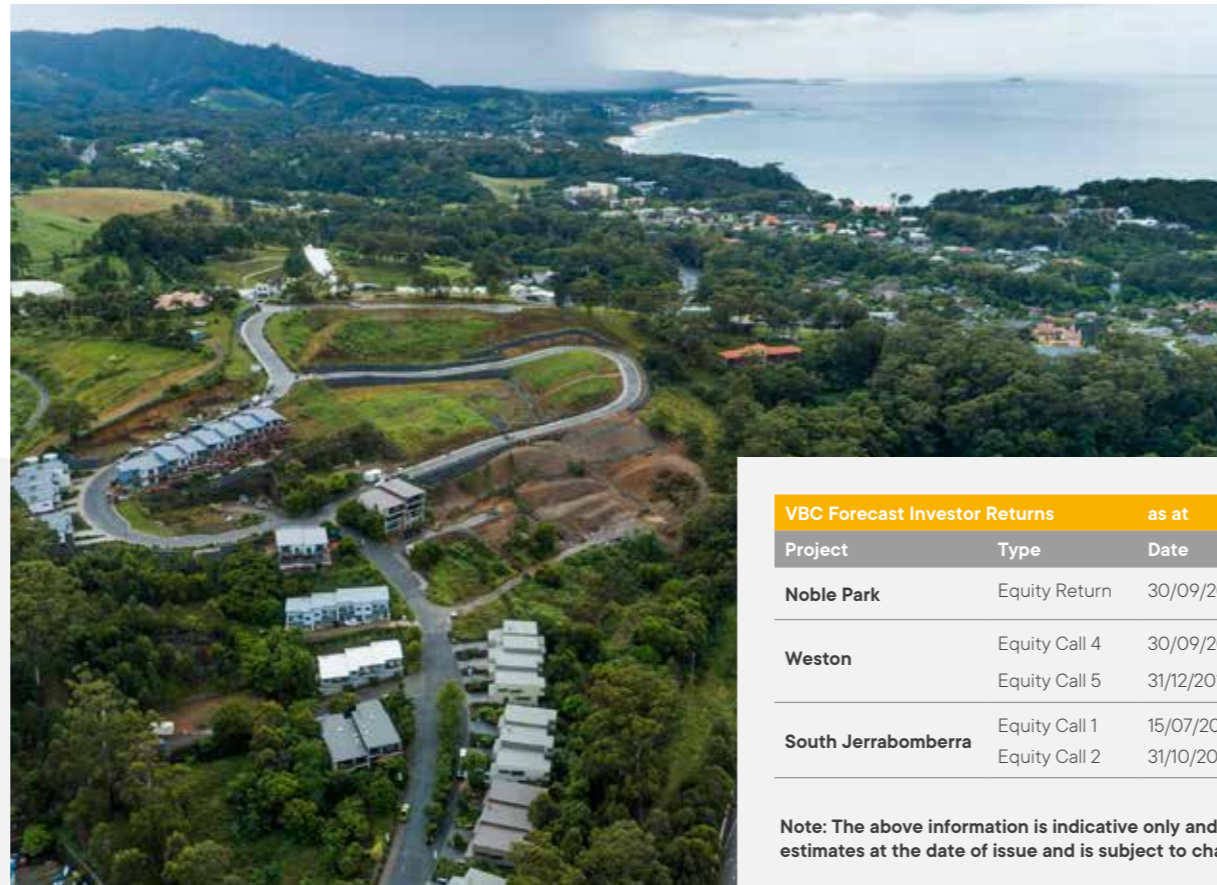
The Board announced an interim dividend for the 2018/2019 financial year of 2.0 cents per share fully franked which was paid on 28 June 2019. This represents a reduction on the 3.0 cents per share interim dividend paid last year and reflects the challenging market conditions currently being experienced as we have been communicating to shareholders.

The Board has maintained the Dividend Reinvestment Plan (DRP) price at 85 cents which represents a discount on the net asset backing per share 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 bi-annual CRPS-1 dividend and the quarterly dividend for CRPS-2 shares were also paid on 28 June 2019.



VBC Forecast Investor Returns		as at	26/06/2019
Project	Type	Date	% of Total
Noble Park	Equity Return	30/09/2019	26.25%
Weston	Equity Call 4	30/09/2019	3.33%
	Equity Call 5	31/12/2019	3.67%
South Jerrabomberra	Equity Call 1	15/07/2019	30.0%
	Equity Call 2	31/10/2019	19.0%

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

Syndicate Investors would have received an invitation to log onto our new Investor Portal. This Database enables investors to securely login and view:

- Personalised monthly investor reports containing an estimate of the timing and amount of future equity calls/returns and profit distributions;
- Annual financial statements for the Projects that they have invested in;
- Annual tax distribution statements for their Projects;
- Newsletters and other general correspondence; and
- Their personal details as recorded in the Investor Database.

In the future it is planned to expand this Portal to include information on the Company's Secured Notes. A presentation of this new facility will be provided at the Quarterly Investor Information Session on Wednesday 17 July 2019.

INVESTMENT OPPORTUNITIES

South Jerrabomberra

Investors have previously been advised of Villages desire to reduce its equity position in the South Jerrabomberra Syndicate from 80% to 65% to bring the Company's interest in this Project closer to the normal 50% equity position targeted for syndicated ventures.

The offer to sell down this equity was first made to existing Syndicate Participants and then opened up to the wider Investor and Shareholder Group. The Offer has been well supported and Village's equity position is now sitting at around 70% against the targeted 65%. The first equity call on this Project will be made in July 2019 and any equity committed to the Syndicate after this first call will be reduced to reflect the interest cost of funds.

If you have been considering an investment in the South Jerrabomberra Project but have not yet made a commitment, please urgently contact Vince Whiteside.

Secured Notes

Secured notes are available for investment and form approximately one third of the Company's funding structure. These notes assist in reducing the weighted average cost of capital of the Company which currently sits at 8.35%.

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:

Vince Whiteside
M 0404 891 150
E vwhiteside@villagebuilding.com.au



WORK HEALTH AND SAFETY

Safety First

Over the past quarter the Safety Team has been focusing on implementing the new Village Building WHS Monitoring and Reporting System. This strategy is designed to provide our contractors and project management teams with targets and tools to effectively monitor WHS performance and identify trends in order to eliminate hazards early. The process has also provided Village management and our Principal Contractors with the opportunity to focus on the Project WHS Management Plans as the tool to measure performance and identify areas requiring improvement.

The WHS Officer has conducted WHS Performance Reviews on Argyle Building at the Yarraman Site, Project Coordination at the Village at Corrimal Project, the Big Banana Fun Park and has participated in the Realm Austral Project Pre-Start Meeting to discuss hazard controls with the designer and newly appointed Principal Contractor. Upcoming reviews have been scheduled for Level 10 at Yarraman, Canberra Contractors and Spiire on the South Jerrabomberra Development.

The outcome of these reviews has been received positively by our contractors who welcome the opportunity to demonstrate the effectiveness of their WHS Management Systems and their acknowledgement to provide the Village Board and Investors with WHS Compliance Assurances throughout the life of the Projects.



The Big Banana Fun Park
Coffs Harbour NSW

STAFF PROFILE

STACEY QUAYLE

Village welcomed Stacey Quayle to the team in March 2019 in the role of Senior Development Manager for South Jerrabomberra.

Stacey grew up in Sydney and obtained a Bachelor of Town Planning from UNSW. Relocating to Canberra in 2005 for her husband's one year work contract. They fell in love with the lifestyle here, along with the mountain bike tracks, so much they decided to stay.

Bringing with her a wealth of knowledge and experience gained through her work in strategic planning:

- Local Government in Western Sydney
- NSW State Government Department of Planning – Regional Strategy for the Lower Hunter
- NSW Department of Premier and Cabinet – coordination of state govt, local government and NGOs in South East NSW to deliver on the State Plan
- ACT Government (ACTPLA) – Territory Plan review, East Lake Master Plan

Most recently Stacey was employed for nearly 10 years with the ACT Government's Suburban Land Agency (Formerly Land Development Agency) managing residential land development in Gungahlin including Throsby (1,100 dwellings), Taylor (3,000 dwellings), Lawson (1,100 dwellings), Jacka (700 dwellings) and the Gungahlin Town Centre expansion.

Stacey's focus is on quality urban design that contributes to a sense of place for residents and fosters a strong community spirit.



Stacey Quayle
Senior Development Manager

