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4 December 2012

ASX/Media Release

STOCKLAND MARKET UPDATE

Stockland today updated investors on the current state of the market at its first quarter investor briefing in Townsville, highlighting in particular that there has been no improvement in the challenging Victorian residential market since the company's AGM in October.

Unless the Victorian market improves soon, which seems unlikely, Underlying Earnings Per Security (EPS) for FY13 will be at the lower end of our previously guided range of 10-15 per cent below FY12. EPS decline will be even greater in the first half, primarily due to a large skew to the second half in the Residential business.

Chief Financial Officer Tim Foster reiterated that Stockland is confident earnings will improve from FY14, buoyed by the contribution of major, new retail developments and a strong residential pipeline with new projects commencing settlements in FY14 and FY15.

"Our confidence that FY13 will be the low point in our earnings with improvement from FY14 is demonstrated by the decision to hold our FY13 distribution at 24 cents per security, even though this will be above our target payout ratio," Mr Foster said.

"We remain very focused on actively managing our capital to improve returns. We continue to make good progress with non-core asset sales, although we are seeing some softening in the market. We have made good progress improving our capital efficiency and lowering the impact of interest on our business, with residential finished goods inventory at its lowest level in 18 months."

Mr Foster noted that lower residential settlement volumes and price growth had meant capitalised interest was having a larger impact on operating margins and was building up on the balance sheet.

"These trends have prompted us to review our capitalised interest policy with the aim of stabilising the capitalised interest balance and reducing it over time. We will announce the outcome of the review at our first half results and any change would not affect operating cash flows and would have no impact on the 24 cent distribution in FY13," Mr Foster said.

Group Executive and CEO Commercial Property John Schroder outlined how Stockland has taken decisive steps to reweight its commercial property portfolio to high-quality retail assets to provide stronger, less volatile returns over time.

"FY13 is a key year in the delivery of the first stage our substantial redevelopment pipeline. We've clearly demonstrated both our intent and capabilities this year at Stockland Merrylands, Townsville and, soon, Shellharbour with early results at our completed shopping centres exceeding our expectations and substantial earnings benefits expected from all three centres in FY14," Mr Schroder said.

"We're taking an innovative, robust approach to defining our trade areas and retail mix so that we have real points of difference that will continue to deliver resilience and growth."

Group Executive and CEO Residential Mark Hunter acknowledged recent interest rate cuts and the reintroduction of first home buyers' grants in NSW and Queensland, but said market uncertainty and a lack of consumer confidence were continuing to present challenging market conditions, which were particularly apparent in the Victorian residential market.

Mr Hunter said: "Although the challenging market is impacting our performance in FY13, we have made good progress in diversifying our Residential portfolio and we are meeting the market with more affordable products. We have demonstrated our continued focus on larger, master-planned communities, which present better economies of scale and greater potential to deliver stronger returns over time.

"In the second half of FY14 and FY15 we will bring more projects to market that meet these core criteria and this will drive stronger returns. We will also finish a number of projects in FY13 and FY14 that don't meet these criteria and are currently impacting our performance."

Stockland will provide its next update to investors at its half-year results in February 2013.

For media enquiries		For investor enquiries	
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Investor Update

4 December 2012

Agenda

Overview	Matthew Quinn, Managing Director
Financial Update	Tim Foster, Chief Financial Officer
Commercial Property	John Schroder, Group Executive & CEO Commercial Property
Residential	Mark Hunter, Group Executive & CEO Residential
Q & A	Matthew Quinn, Tim Foster, John Schroder, Mark Hunter, David Pitman

Overview

Orderly leadership transition

- Mark Steinert will commence as Managing Director on 14 January 2013

Key achievements in FY13 YTD

- Opened Merrylands and Townsville, Shellharbour to open by end of FY13
- $247m of non-core asset sales with more in due diligence to self fund Retail capex
- Positive leasing results in Sydney CBD Office – lower vacancy and longer WALE
- Maintained high residential market share in current projects
- Major new Residential projects on track to start in FY14/15 – eg East Leppington, Marsden Park, Caloundra, Lockerbie
- Retirement Living projects on track for higher new unit volumes than last year

Market conditions remain challenging

- Consumer spending subdued, but retail sales are still growing
- New housing market still very poor – negligible impact from recent interest rate reductions
- Office demand subdued – vacancies increasing and incentives remain high
- Reasonable demand to buy well-leased commercial property, but not as strong as last year

Financial Update

Stockland Townsville, Qld

Earnings low point in FY13; improvement expected from FY14

FY13 EPS

- No improvement seen in the Melbourne residential market since AGM
- Unless it picks up soon, which looks unlikely, FY13 EPS decline will be at lower end of -15% to -10% range for the full year
- EPS decline will be even greater in first half primarily due to Residential 30/70 skew

Confident in FY14 EPS growth – will maintain FY13 DPS at 24 cents

- Substantial FY14 earnings benefit from completed Retail developments: Merrylands, Townsville and Shellharbour
- FY13 is peak of impact from impaired and low margin NSW Residential projects
- New Residential projects in FY14/15 have high margins and will contribute positively to EPS

Commercial Property continues to provide a strong rental foundation

Solid comparable NOI growth

- Retail portfolio expected to achieve FY13 comparable NOI growth of 2-3%[1]
- Office comparable NOI growth will benefit from recent leasing results
- Industrial comparable NOI will decline due to reletting activities primarily at Yennora

FY13 total NOI will be lower than FY12 due to asset sales

- $964m of cash proceeds in FY12
- $247m YTD in FY13

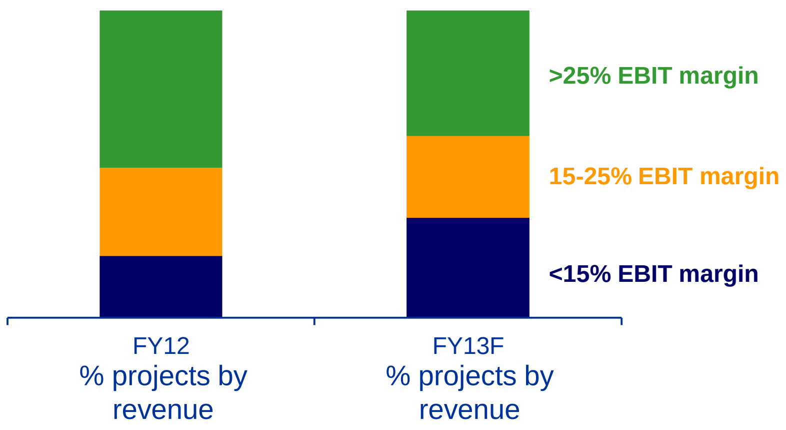
1. Post AIFRS

Challenging market conditions impacting Residential and Retirement Living

FY13 Residential results under pressure

- Expecting lower settlement volumes than FY12
- Lower contribution from high margin projects in Melbourne and higher contribution from impaired projects in NSW
- Cost of sales increasing in line with inflation with no offsetting price growth
- Operating profit margins at lower end of 12-14% range unless Melbourne picks up (EBIT margin 19-21%)
- Margins even lower in 1H13 due to NSW settlements

FY13 Residential settlements more heavily skewed to low margin projects



Retirement Living expected to achieve modest profit growth in FY13

- Demand for new product remains strong, and on track to develop and sell circa 300 new units (268 in FY12)
- Settlements and pricing of established product impacted by soft residential conditions in Victoria

Focused on improving returns through active capital management

Non-core asset sales progressing well but investment market softening

- Identified a potential further $500m of asset sales for balance of FY13

Continue to focus on gearing and cash flow

- Balance sheet ratios remain well within A- metrics
- First half gearing will be higher due to Residential skew but within target range
- Expect to reduce FY13 cost of debt from previous guidance of 6.5% to 6.2%

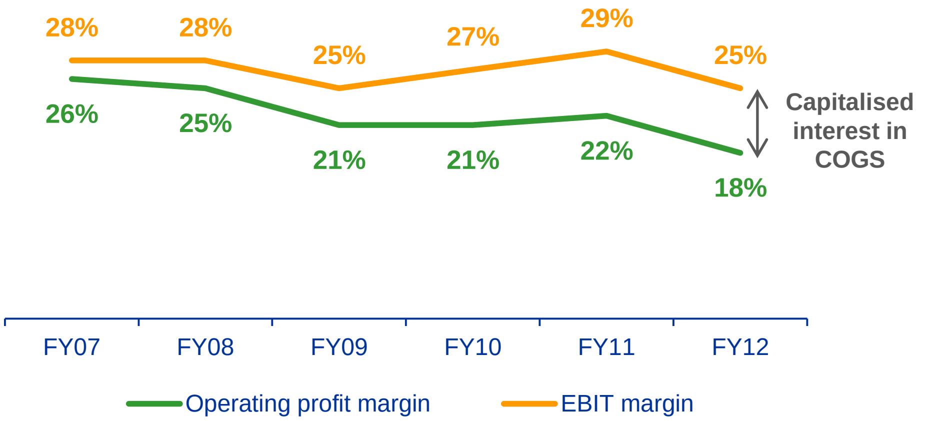
Actively managing funds employed

- Reduced Residential finished goods inventory – lowest level in 18 months
- Focus on improving capital efficiency and lowering impact of capitalised interest
  - Activating landbank
  - Efficient project stage delivery
  - Reducing production times

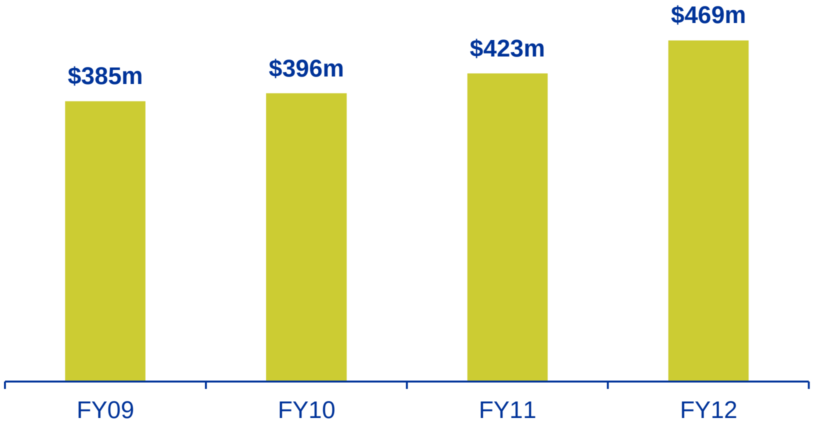
Residential capitalised interest policy under review

- Applied consistent policy since new Borrowing Cost Accounting Standard introduced in 2005
- Growing impact of capitalised interest on operating margins and balance sheet due to lower volumes and lack of price growth
- These trends have prompted us to review our policy with the aim of stabilising the capitalised interest balance and reducing it over time
- Outcome of the review would not affect operating cashflows and would have no impact on 24 cent distribution in FY13
- Review outcome will be announced at 1H13 results

Increasing impact on Residential operating profit margins



Build-up of Residential capitalised interest on the balance sheet



Commercial Property

Stockland Townsville, Qld

We are delivering on our strategy

Investing in our Retail property capabilities and assets for resilience and growth

- Established core capabilities in all facets of property development and project delivery
- Completing first phase of a significant redevelopment pipeline
- Opening three of the biggest retail developments in Australia in FY13
- Recycling capital into Retail development from non-core asset sales

Optimising Office and Industrial rental income and asset values

- Office:
  - Executed ~11,000 sqm of leases in FY13; mostly in the Sydney CBD
  - Occupancy improved to 96%; WALE 4.1 years
  - Incentives remain high at 25-30%
- Industrial:
  - Executed ~27,000 sqm of leases in FY13
  - Industrial retenanting progressing well; FY13 income impacted by downtime at Yennora
  - Occupancy 94%; WALE 2.6 years, anticipating improvement with new relets

Our Retail portfolio is resilient in a challenging market

Sales growth

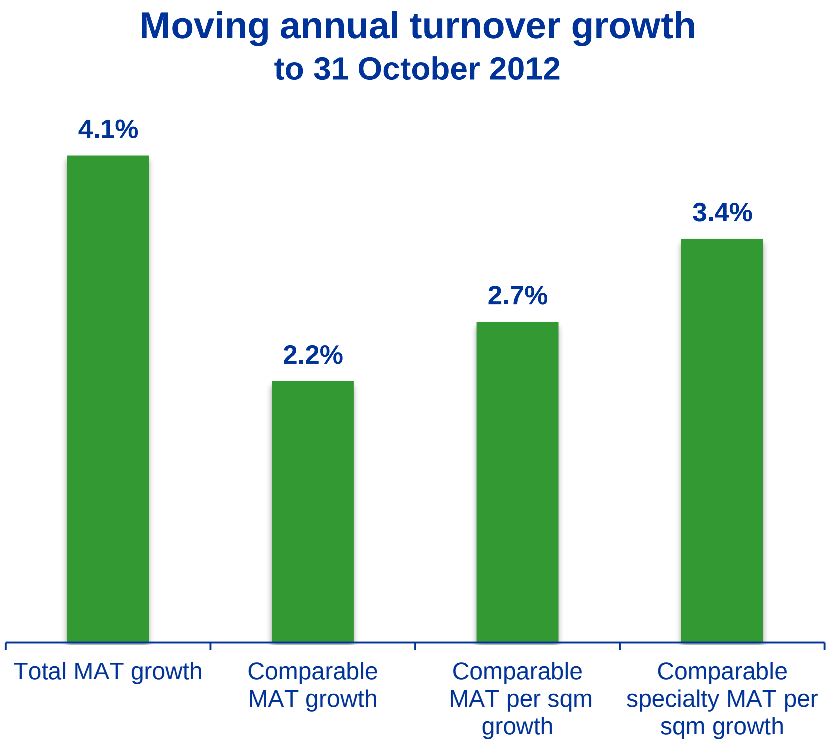
- Retail sales growth above peer group
- Value and convenience specialty shop categories growing strongly:
  - Food retail up 6.3% per sqm[1]
  - Retail services up 10.8% per sqm[1]
  - Proving resilient to on-line leakage

Strong lease profile

- High occupancy; over 99%
- Only 74 specialty shop leases on holdover (2% of total) – half by choice due to remixing

Financial security

- Minimal arrears



1. Comparable MAT to 31 October 2012

Retail strategy to be market leader in each trade area

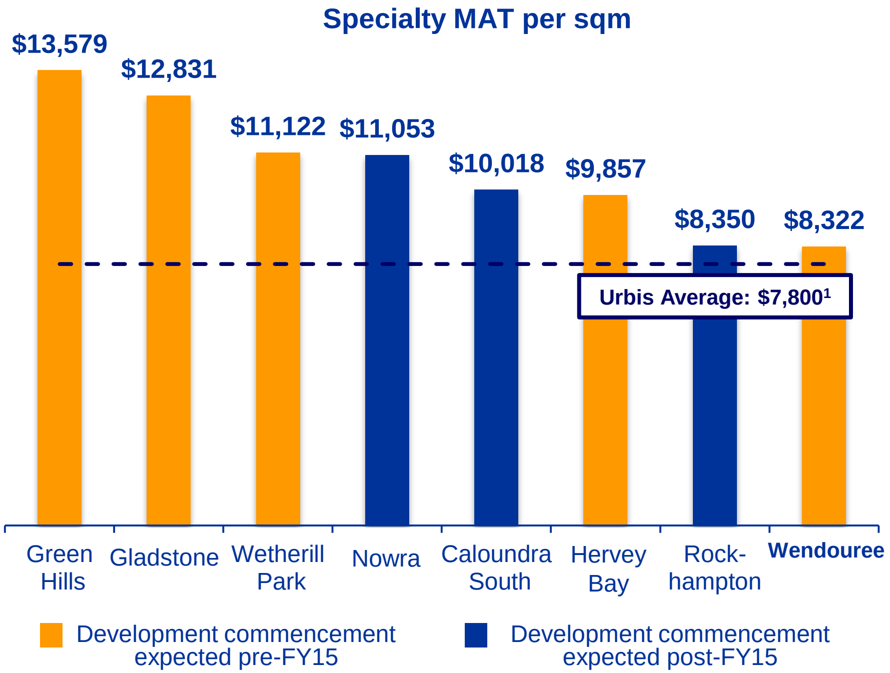
Strategic objectives

- Deliver stronger, stable returns by moving our assets up the retail hierarchy
- Own the number one shopping centre in the trade area or number two with a strong point of difference
- Be the landlord of choice for key national chains and local retailers

How we are delivering

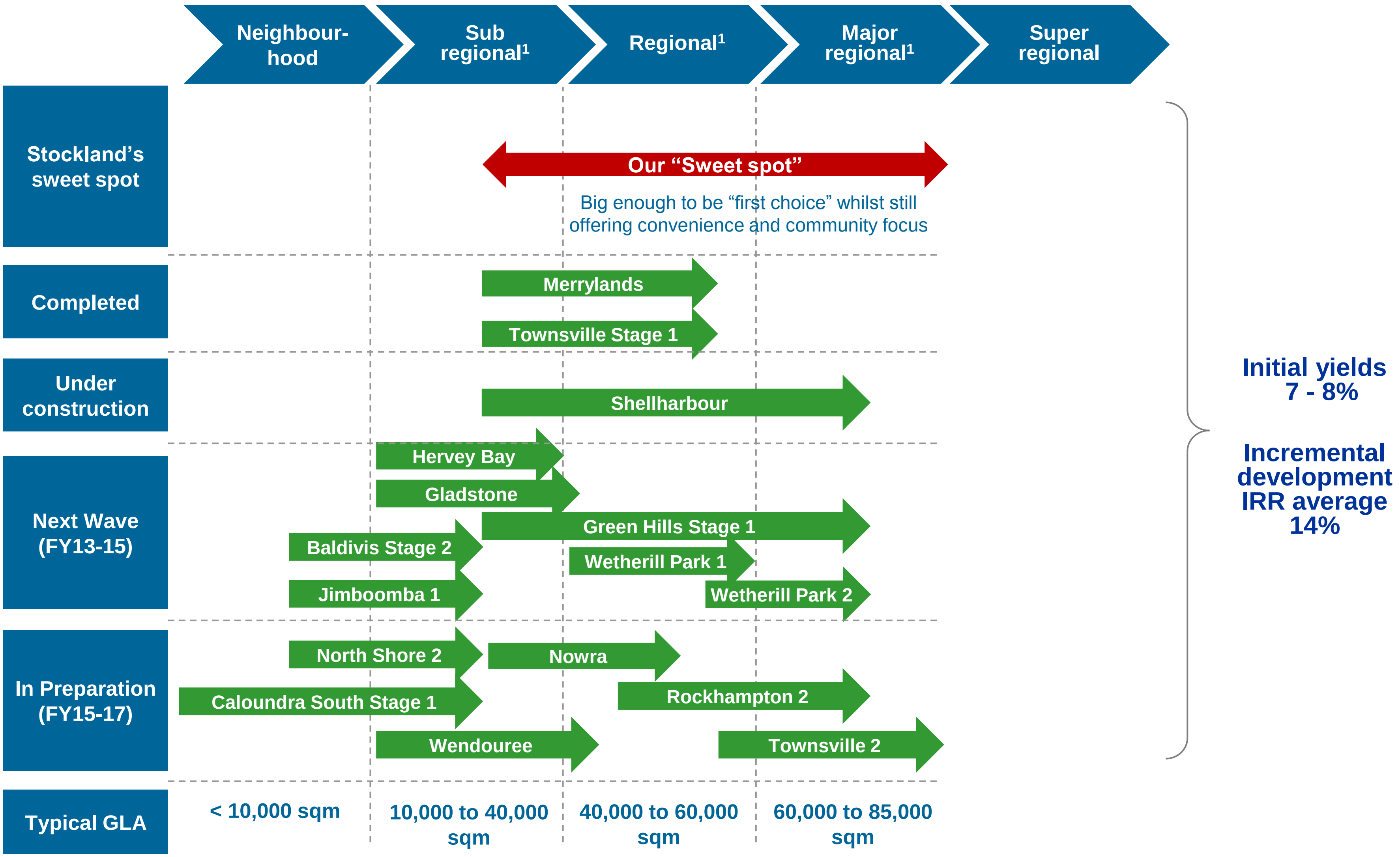
- Develop our most productive retail assets into the best real estate in the trade area
- Continue to focus on the deep, mass market customer segment
- Create true community and entertainment hubs
- Strong retailer relationships and long-term sustainable rents

Highly productive sub-regional centres ripe for development



1. Urbis Retail Averages 2012 Sub-Regional Centres

Creating a portfolio of Regional and Major Regional centres



1. Property Council of Australia; Stockland. PCA definitions have been adjusted for accurate comparison

First wave of Retail developments performing well

Merrylands

Opened: 5 Oct 2012

Opened fully leased, in line with feasibility

Trading exceeding expectations

Townsville

Opened: 25 Oct 2012

Opened ahead of program

Created the leading centre in the entire region

Trading very well

Shellharbour

Forecast open: End FY13

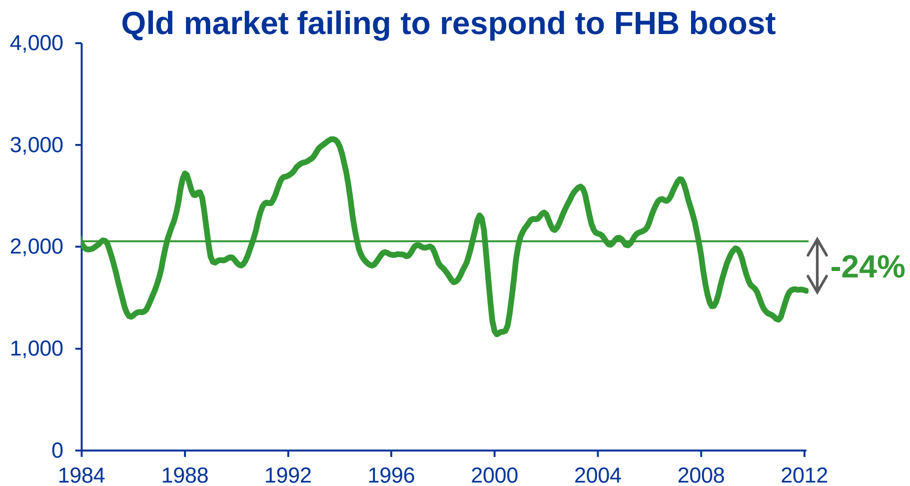
Development ahead of program, in line with feasibility

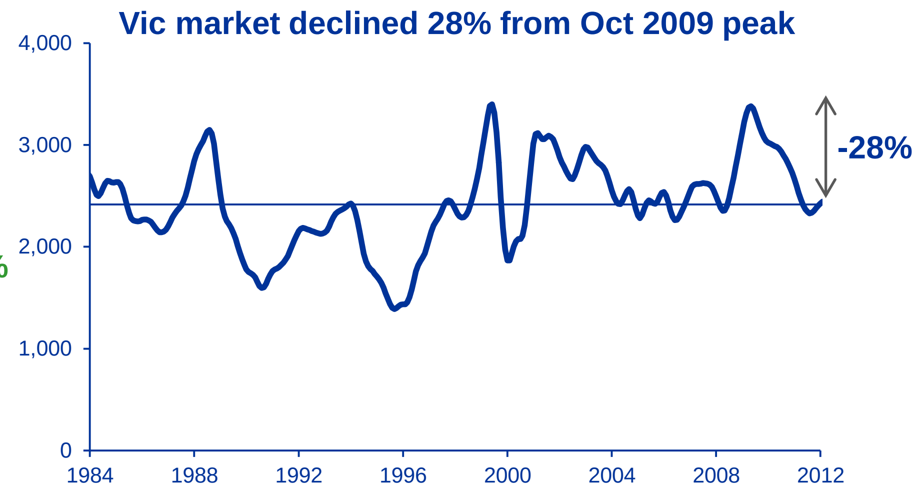
First two stages trading well

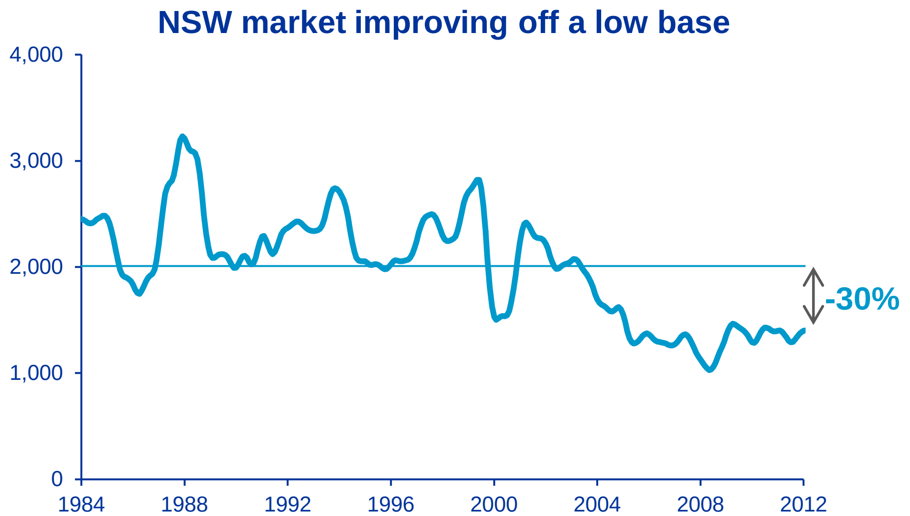
	Merrylands	Townsville	Shellharbour
Total development costs	$395m	$175m	$330m
Estimated value on completion	>$470m	$380 - 390m	$670 - 700m
Estimated year one cash yield	6.5%	6.5%	7.6%
Incremental IRR	N/A - this project is a complete rebuild	14.0%	14.5%

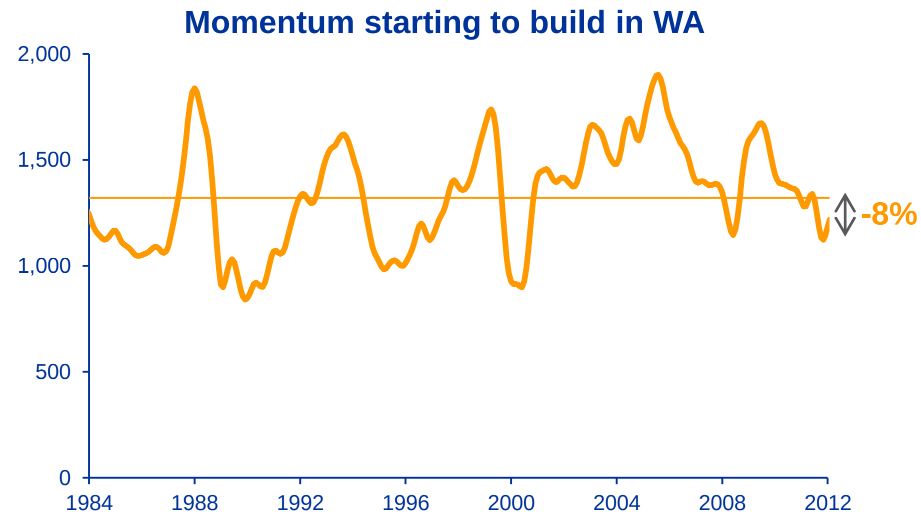
Residential

National housing approvals around 20% below long term average









Source: ABS Cat. No.: 8731.0, monthly National Housing Approvals

Sales levels holding up, pricing under pressure

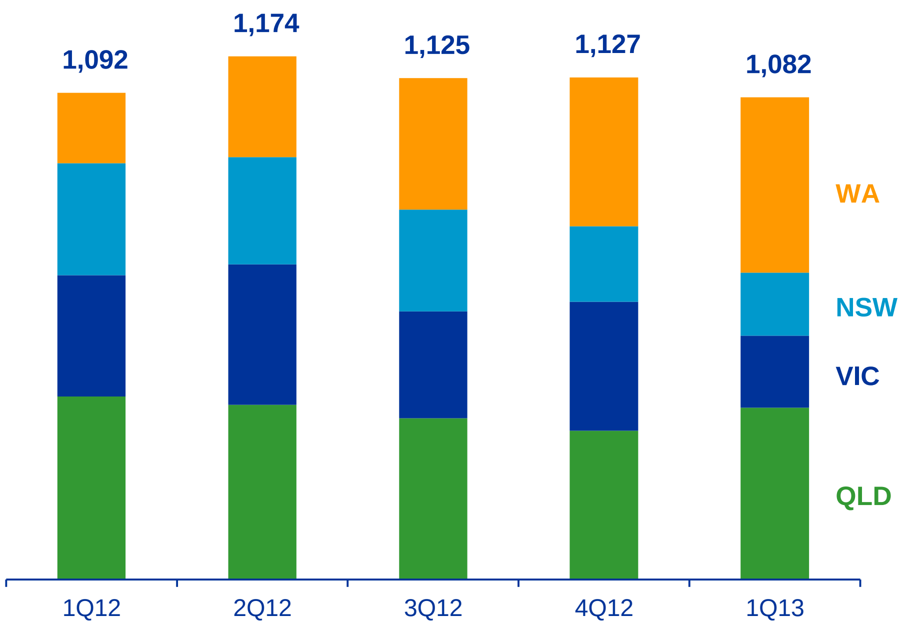
Volumes and market share

- Started FY13 with 30% fewer contracts on hand than FY12
- Interest rate cuts and government incentives yet to have an impact on demand
- Market share steady at 27% in contested corridors

Pricing

- Downward pressure in Melbourne and SE Qld
- Signs of improvement in Perth and SW/NW Sydney
- Flat elsewhere in NSW

Net deposits steady, but 20% below "normal" market



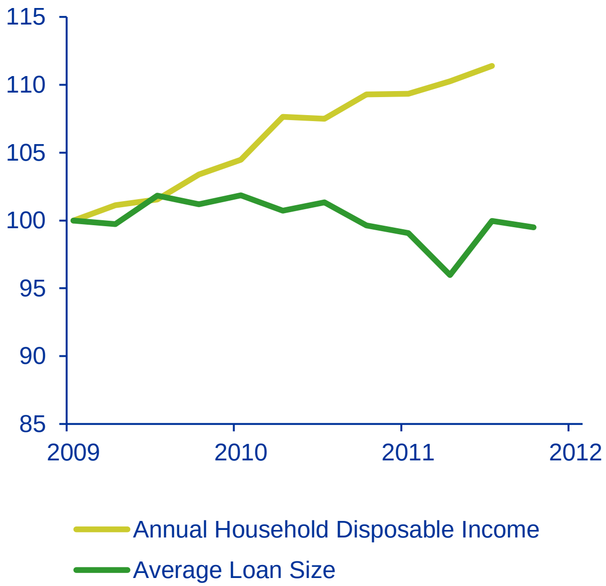
Our strategic focus gives us competitive advantage

1. **Product innovation**
2. **Community creation**
3. **Speed to market and capital efficiency**
4. **Scale and cost efficiency**
5. **Portfolio management**

High market share through innovative products to meet customer needs

It's not just about affordability

Customers are shifting from "what can I afford" to "what debt am I willing to take on?"



Getting out of the rental trap

Miss L wanted to buy her own house in a location close to shops and transport connections

Our solution:

3 2 1

Bought for $350,000 at Vale, WA

Mortgage payments $47 per week less than rent

Downsizer, goal to be debt free

Mr and Mrs M sold their property and were looking for a low maintenance and quality product for <$300,000

Our solution:

2 2 1

Sold existing house for >$350,000

Bought for $292,500 at Highlands, Vic

Debt free

Source: ABS Cat. Nos. 5609.0, 5206.0, 3101.0. 2001.0, Stockland Research

Investing in community infrastructure to increase revenue and returns

Early delivery of facilities

- For example schools, shops, playgrounds and community centres
- Often through strategic partnerships with governments and other organisations

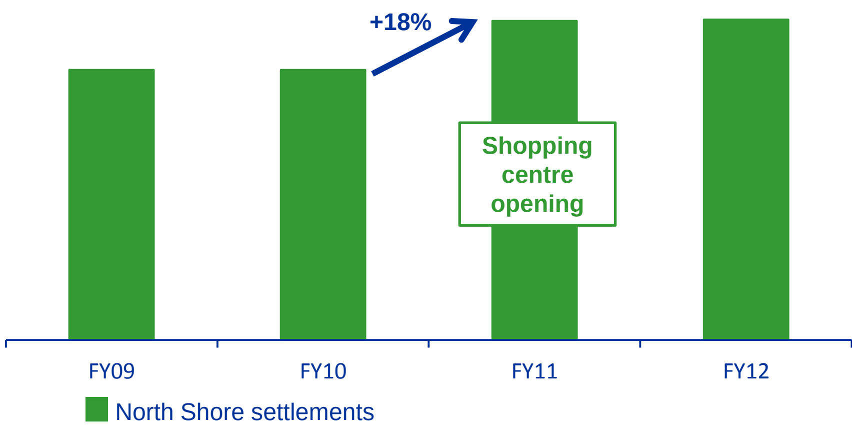
Contributes to "liveability" for residents

- Personal wellbeing score at North Shore 85% vs Australian average 74%
- Positively influences resident satisfaction and referrals

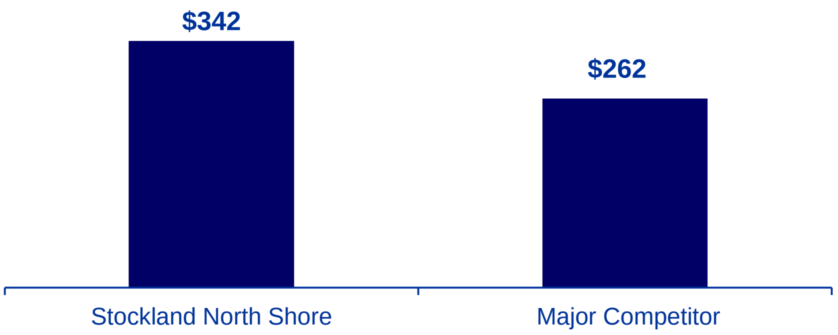
Enhances sales rates and pricing

- 18% uplift in land sales from North Shore shopping centre opening
- Customers willing to pay higher price for superior amenity

Higher volumes after Stockland shopping centre opening



Higher price per sqm vs major competitor



Focusing on capital efficiency and speed to market

Buying on capital efficient terms

- Balance sheet strength is key
- Vendors take certainty from corporate covenant – no bank guarantee for deferred payments
- Our delivery capability encourages some vendors to share risk eg royalties paid from sales

Early project delivery improves cash flow

- Minimises capitalised interest
- Lowers funds employed
- Recycles capital to next project

Requires a collaborative approach

- Working closely with all levels of government
- Engaging with the local community
- Strong connections with land owners in key corridors

Buying on capital efficient terms and improving speed to market

	Actual SGP Melbourne project	Scenario: same project but on cash terms and one year delay
Acquired	Dec 2009	Dec 2009
Paid for	Jun 2010	Dec 2009
First settlements	Sep 2010	Sep 2011
IRR	21%	15%

Focus on scale and cost efficiency

Benefits of scale

- One of only a handful of groups with capacity to acquire large land parcels and deliver master-planned communities
- Buying power through State-wide agreements with key contractors and suppliers
- Lock in statutory charges under Infrastructure Agreements – only possible on large projects

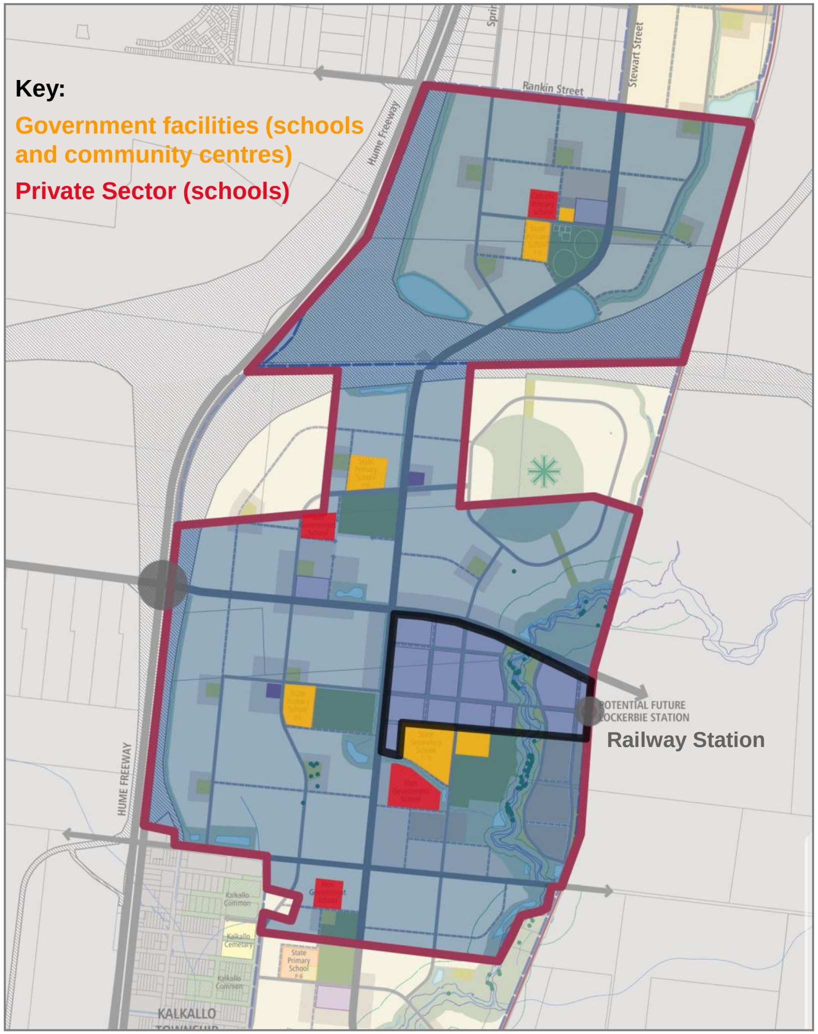
Centralise functions for efficiency and lower cost

- Marketing
- Finance
- Project management

Streamlining systems and processes

- State of the art CRM platform
- Simplified and consistent development process
- Standardised contract management system

Lockerbie concept plan

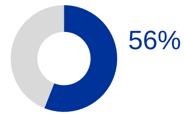


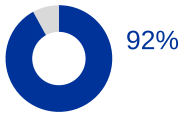
Actively managing the portfolio to improve returns

Projects finishing FY13/14[1] | **Projects launching FY14/15[1]**

Large masterplanned communities

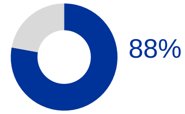
- Scale and competitive advantage

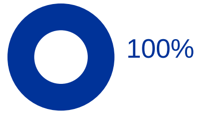
Projects finishing FY13/14[1]:


Projects launching FY14/15[1]:


Targeting our key growth corridors

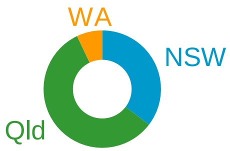
- Attractive demand-supply characteristics and strong economic fundamentals

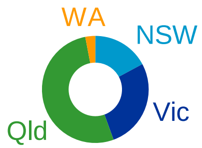
Projects finishing FY13/14[1]:


Projects launching FY14/15[1]:


Geographic diversity

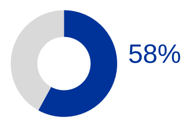
- Balanced exposure to major capitals and key regional cities

Projects finishing FY13/14[1]:


Projects launching FY14/15[1]:


Capital efficient terms

- Limit initial capital outlay for land

Projects finishing FY13/14[1]:


Projects launching FY14/15[1]:


Profitable projects

- Trade out of low margin/impaired projects and activate higher margin projects

Projects finishing FY13/14[1]: **EBIT margin ~13%[2]**

Projects launching FY14/15[1]: **EBIT margin ~25%[2]**

1. Calculation based on number of lots
2. EBIT is weighted based on total revenue over balance of each project's life

The market will turn – it's a question of when

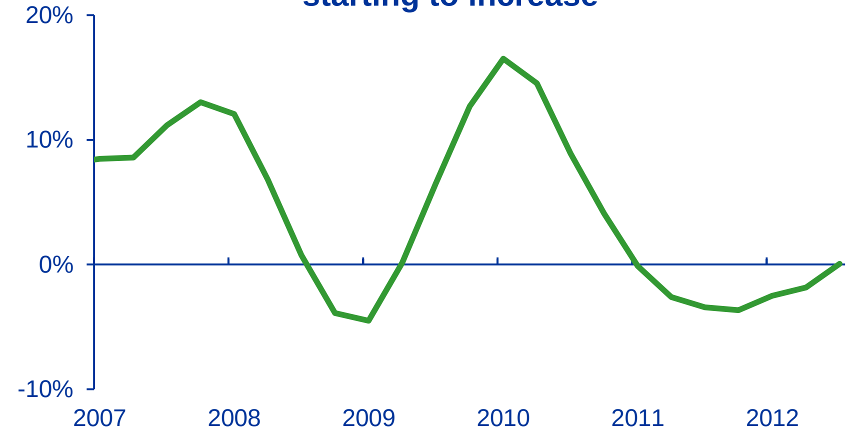
Fundamentals remain strong

- Population growth ~1.5% p.a.
- Unemployment rate stable around 5.5%
- Household incomes growing around 4.5% p.a.
- Undersupply of housing

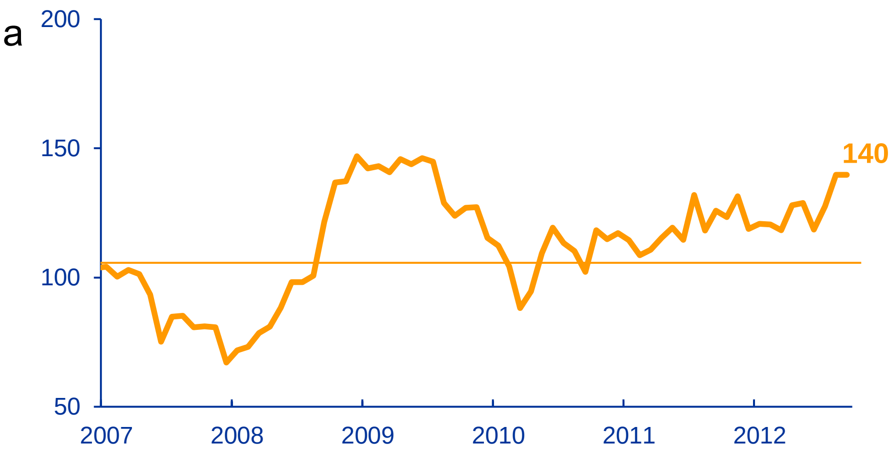
Market showing signs of recovery, but it's early days

- Established house prices have stabilised
- Consumer confidence improving and "time to buy a dwelling" index near historic highs
- Sydney and Melbourne auction clearance rates have risen from 50% to 60% during 2012
- Interest rate cuts have improved affordability
- Housing finance approvals up, but still below long term average

Capital city house prices have stabilised and are starting to increase[1]



"Time to buy a dwelling" index near record high[2]



1. Australian Property Monitors, Composition Adjusted House Price Series
2. Westpac Melbourne Institute Index of Consumer Sentiment

In summary, FY13 outlook challenging but FY14 more positive

Residential market remains soft

- Volumes around 20% below trend
- Downward price pressure in Melbourne and SE Queensland

The cycle will turn, but recovery is likely to be slow

- Consumers still concerned and deleveraging
- Interest rate reductions not yet working

We are resilient in the current environment

- Run rate around 4,500, still quite profitable
- We understand customers and deliver what they want – “a better way to live”
- Actively managing our portfolio and costs

Expect stronger returns in FY14 even without an improvement in conditions

- Continue to trade out of impaired and lower margin projects in FY13
- Launch new, higher margin projects in FY14/15

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