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3Q21 RESULT REFLECTS THE BENEFITS OF STRATEGIC REWEIGHTING OF CAPITAL

Stockland (ASX: SGP) has today released a market update for the period ended 31 March 2021 (**3Q21**) (**Quarter**).

Managing Director and CEO, Mark Steinert, said: “Our third quarter results demonstrate the value of Stockland’s diversified model following the strategic reallocation of capital through an upgraded and upscaled Logistics business, the disposal of non-core retail and retirement village assets, the restocking of high quality residential projects and the rebasing and remixing of our retail portfolio.

“COVIDSafe operational plans remain active across our assets as we continue to protect the health and safety of tenants, customers, contractors and our teams. Importantly as the economic and business environment has improved towards pre-COVID levels, industry support measures such as the Commercial Code of Conduct (**Code**) and HomeBuilder concluded at the end of the Quarter without emerging evidence of material adverse outcomes,” said Mr Steinert.

The Quarter began strongly, supported by the momentum created in the first half of the financial year.

Key highlights include:

- Elevated Residential business enquiries have translated into a strong net sales result of 1,891 lots, up 69% on 3Q20;
- Forecast Residential settlements for the full year of around 6,300 lots. Supportive conditions including low interest rates, government incentives and credit availability have created new demand which Stockland has been able to meet with activated projects and our ability to scale production quickly. These conditions are forecast to continue for some time, even with the conclusion of HomeBuilder, given the equilibrium of supply and demand in most housing sub-markets we operate in;
- Improvements in retail trading conditions demonstrating the positive impact of Australia’s pandemic response with sales levels and store openings increasing to around pre-COVID levels;
- Comparable¹ 3Q21 total retail sales growth of 3.2% and specialty sales growth of 9.4% demonstrated a continued recovery cycling off COVID lows;
- Low levels of unresolved arrangements with retail tenants have resulted in outstanding debt continuing to improve towards pre-COVID levels;
- Workplace and logistics debt collection levels remain close to long term averages;
- Executed leases financial year to date of over 230,000 square metres in the Logistics business;
- Strong capital management has supported this high level of activity and has facilitated active restocking in our Communities business with approximately 10,100 new lots acquired in the financial year to date;

Stockland

Stockland (ASX:SGP) was founded in 1952 and has grown to become one of Australia’s largest diversified property groups – owning, developing and managing a large portfolio of shopping centres, residential communities, workplace and logistic assets and retirement living villages. Stockland is consistently rated as one of the most sustainable real estate companies in the world by the Dow Jones Sustainability World Index (DJSI). Stockland is also an Employer of Choice for Gender Equality, as recognised by the Workplace Gender Equality Agency.

- Our cost structure remains well balanced with the support of a strong centralised procurement function; and
- Our focus on people and talent as well as accelerating digital and data innovation continued to drive operational excellence.

Highlights - delivering outcomes that drive long term value

Communities

- Residential settlements of 1,510 lots, supporting a full year target of around 6,300 lots
- 1,891 net sales and 4,739 contracts on hand give visibility to strong FY22 Residential settlement volumes
- Retirement Living established sales of 190 units, up 16.5% on 3Q20
- First land lease product launched at Aura (QLD) in late February 2021 with 25 sales to date

Commercial Property

- Comparable¹ 3Q21 total retail sales growth of 3.2% and specialty sales growth of 9.4%
- Retail rent collection for the financial year to 14 April 2021, has risen to 94% of billings, net of abatements,² (from 87% reported in 1H21)
- COVID tenant support arrangements are almost complete, with unresolved negotiations representing less than 4% of retail monthly billings
- Workplace and Logistics maintained solid operational results and has collected 98% of rent, net of abatements²
- \$5.9 billion³ development pipeline is progressing to plan in the Workplace and Logistics portfolios

Diversified model delivers strong results

Communities - Residential

Sales enquiry levels reached 33,000 in the Quarter, which is approximately 40% above the long term average, as the market shows continuing demand for our quality brand and customer preference shifts towards community living.

Low interest rates, credit availability, high household savings and demand for high quality product contributed to an elevated net sales result of 1,891 lots, up 69% on 3Q20. Given the HomeBuilder program concluded on 31 March 2021, we estimate that only 10% of the lots exchanged in March 2021 are eligible for the government subsidy further demonstrating the strength of the market.

During the Quarter, the business settled 1,510 lots and had 4,739 contracts on hand at 31 March 2021, with approximately 3,100 lots due to settle in FY22, providing good earnings visibility.

We are well positioned to meet the demand of this upcycle. Our 81,000 lot landbank⁴ is approximately 70% activated with an 86% skew to the eastern seaboard which is geographically spread across key growth corridors.

We are focused on strategic restocking which will allow us to meet future demand in our targeted geographies where we expect supply to be more limited in coming years. In 3Q21, approximately 1,950 lots were acquired⁵, including 900 lots from recent acquisitions in Wantirna (VIC) and Piara Waters (WA).

Communities – Retirement Living

The performance of our core village portfolio has continued to improve with established net sales of 190 units reflecting the strongest quarter in over four years. We forecast sales to increase over time, supported

by strong residential market conditions, continued growth in this demographic and customer demand for village living. Over the Quarter, 60 development sales were achieved.

Our first land lease community at Aura, in South East Queensland, was launched in late February 2021 resulting in 25 sales to date. Our second land lease community at Minta (VIC) will be launched in June 2021.

We are realigning our development business to land lease communities with a 3,000 lot development pipeline and further acquisition opportunities currently under consideration along the eastern seaboard. This will enable us to profitably grow our exposure to the over 55s community lifestyle market, which benefits from the fastest growing demographic in Australia. We forecast that our annual land lease sales run rate will be close to 300 lots within three years.

Commercial Property – Retail Town Centres

Improving sales productivity and rent collection demonstrates the resilience of our portfolio, the success of our remixing and rebasing strategy, and the location of our suburban and non-metro assets with less COVID related disruption.

Customer spend per visit has generated higher sales productivity with comparable¹ 3Q21 total sales growth of 3.2% and specialty sales growth of 9.4% demonstrating a continued recovery in sales. Centre occupancy is now at 99.7% and 2H21 leasing spreads are forecast to be in line with 1H21 rental reversions. Given the improved sales, we forecast abatements of less than 2%⁶ will be applied to 3Q21 billings which is significantly lower than the abatements of 12% and 3% applied to 4Q20 and 1H21 respectively.

During the Quarter, localised restrictions associated with COVID clusters had some minor impact on retail sales, most notably at our centres in Balgowlah and Shellharbour in New South Wales, Point Cook in Victoria, and Bull Creek, Riverton, and Baldivis in Western Australia.

Tenants on holdover have reduced to 129 at 31 March 2021 compared to 182 tenants at 31 December 2020. Whilst both the Federal Government's JobKeeper program and the Code have now concluded, 3Q21 shows improving tenant sales rates and our earnings forecast for the retail business includes provisions for vacancy, let up periods and estimated credit losses commensurate with current market conditions.

In the Quarter we settled the non-core divestments of Traralgon (VIC) for \$85 million on 31 March 2021 and The Pines (VIC) for \$155 million on 8 January 2021.

Commercial Property – Workplace and Logistics

Occupancy⁷ levels in our Workplace portfolio increased to 94.1% with the weighted average lease expiry (**WALE**⁸) of 2.7 years aligned to the anticipated development timeframe of Affinity Place, North Sydney (NSW) and Piccadilly, Sydney (NSW). Development commencements are subject to a continuing review of acceptable financial metrics, leasing pre-commitments and market conditions.

Our Logistics portfolio had an occupancy⁷ of 97.8% with demand for logistics remaining consistently strong with 230,897 square metres leased in the financial year to date. Our WALE of 4.6 years typically reflects our tenants' client contract terms.

We continue to execute on our \$5.9 billion³ Workplace and Logistics development pipeline with the delivery of some key milestones. Terms have been agreed for 60% of Stage 1 at our M_Park project in Macquarie Park (NSW). We have achieved strong Logistics land trading with 89%⁹ of land exchanged at Gregory Hills (NSW) and 45%⁹ of Stage 1 land exchanged or reserved for FY22 settlement at Melbourne Business Park (VIC). At Leppington Business Park (NSW), the Stage 1 built form DA was lodged in January 2021 for 21,400 square metres targeting construction commencement in the third quarter of calendar year 2021.

Debt and liquidity

During the Quarter, Stockland issued \$366 million of long-term debt through a 7 year AUD medium term note and a 15 year HKD private placement of \$300 million and \$66 million (AUD equivalent) respectively. Marginal rates achieved were materially lower than the 31 December 2020 weighted average cost of debt (**WACD**) and in line with expectations for our forecast WACD for FY21 and beyond. This has materially de-risked debt maturing in 1H22.

Due to strong 3Q21 cash flows, and the early replacement of long term debt maturing in the second half of calendar 2021, liquidity rose to \$2.2¹⁰ billion at 31 March 2021. This elevated level of liquidity is expected to decrease as some short term facilities, implemented during the COVID pandemic, mature and are not replaced given the business is well capitalised.

Innovation and technology

Technology and innovation remains a critical enabler of our strategy. We continued the digitisation of our residential customer experience and omni-channel home buying, which is driving over 80% of our customer enquiry. Similarly, our retail omni-channel offering supported our retailers to connect their physical product range to our online product visualisation capability, driving incremental sales. In a dynamic landscape, Stockland has also continued to uplift its focus on cyber security, controls, and compliance to support effective solutions for our people and customers.

We have maintained an ongoing focus on exploring new innovative ventures that align with our business strategy, whilst leveraging existing investments and partnerships. Data capabilities have also continued to underpin deep customer insights across the business driving enquiry levels and sales conversion and our reinvestment strategy.

Sustainability

Stockland is proud to be a recognised global sustainability leader and believe our focus on environmental, social and governance (ESG) strategies, and the market recognition for it, is important to delivering long-term, durable benefits for all Stockland stakeholders.

We are in the process of finalising our 2030 Sustainability strategy for release in 2021, demonstrating a continued focus on value enhancing business outcomes that drive long-term, shared value, including our focus on climate change and the transition to a low-carbon economy. Importantly, we have committed to a portfolio wide 2028 net zero emissions target.

Seamless leadership transition

In June 2020, Managing Director and Chief Executive Officer, Mark Steinert, announced his decision to retire and after more than eight years in the role, his last day will be 27 May 2021. The Board appointed Tarun Gupta as Stockland's next Managing Director and Chief Executive Officer in November 2020 and Tarun will join Stockland on 1 June 2021.

FY21 outlook

On 25 February 2021, Stockland re-established FFO and distribution guidance for FY21.

We continue to target 2H21 FFO per security in the range of 16.3 cents to 16.9 cents delivering FFO per security for FY21 of between 32.5 cents to 33.1 cents, in line with prior guidance. Importantly, the likely outcome is currently trending towards the top end of the range.

It is expected that recent rent collection trends will be maintained in Commercial Property, and the Communities business will deliver around 6,300 Residential settlements for the full year at an average operating profit margin of approximately 19%, with the consolidation of Clydesdale and Elara (NSW) delaying the release of approximately \$15 million of FFO into FY22 and FY23.

The distribution for the full year is expected to be within our target payout ratio of 75% to 85% of FFO, albeit at the lower end of the range. All forward-looking statements are subject to the continuation of recent trends in rental collection and residential settlements and no material change in market conditions; including the level of COVID transmission, the impact of restrictions including state border closures and other impacts from COVID on the economy, the broader community and business performance.

1. Comparable basket of assets per SCCA guidelines excludes centres which have been redeveloped within the past 24 months.
2. Relating to FY21 total outstanding debt at 14 April 2021.
3. Stockland share of expected incremental development spend, excluding land cost and subject to planning approval. Development commencements are subject to a continuing review of acceptable financial metrics, leasing pre-commitments and market conditions.
4. Lots controlled by Stockland.
5. Includes previously disclosed acquisitions of Grand Central (VIC) ~500 lots, The Gables consolidation (NSW) ~200 lots, and Clydesdale (NSW) ~350 lots which settled in the Quarter. A total of 10,100 lots were acquired in the financial year to date.
6. Majority of the abatements are for SMEs; non-SME is 0.7%.
7. By income.
8. Weighted average lease expiry, by income.
9. By gross sellable area.
10. Comprising cash and committed undrawn bank debt facilities at 31 March 2021.

ENDS

This announcement is authorised for release to the market by Ms Katherine Grace, Stockland's Company Secretary.

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