ASX/Media Release

20 October 2020

133 Castlereagh Street
Sydney NSW 2000
www.stockland.com

T 02 9035 2000

STOCKLAND 1Q21 OPERATIONAL UPDATE REFLECTS IMPROVING CONDITIONS

Stockland (ASX: SGP) has today released a market update for the three months to 30 September 2020 (**1Q21**) (**First Quarter**).

Managing Director and CEO, Mark Steinert, said: "Our First Quarter results reflect improving conditions and demonstrate the value of our diversified model. Activity in the Communities business continues at elevated levels due to low interest rates, pent up demand, government stimulus, improved credit availability, customer preferences for master planned communities and the strength of our business."

Continuing COVID-19 challenges are being addressed proactively and our business is:

- Prioritising safety and wellbeing including best practice safety management and hygiene standards across all assets as activity trends towards pre-COVID levels;
- Finalising remaining negotiations with Commercial Property tenants affected by the COVID-19 pandemic following the principles set out in the Federal Government's Commercial Code of Conduct (**Code**) and implemented through state legislation, which will now continue to the end of the calendar year in most jurisdictions;
- Maintaining additional surplus liquidity of around $1.7 billion to provide certainty of funding and capacity to take advantage of emerging opportunities; and
- Continuing to execute on our strategic priorities, particularly up-weighting Logistics through development, pursuing opportunistic residential acquisitions and continuing Retail Town Centre remixing.

Due to ongoing uncertainty around the current and future impacts of COVID-19 on the economy, the broader community and business performance, FFO and distribution guidance for the 12 months to 30 June 2021 and all other forward-looking statements will remain withdrawn. We will provide further disclosures as and when appropriate.

1Q21 Summary

Our Residential business experienced elevated sales and settlements delivering the highest quarterly net sales result in over three years. The achievement of 1,799 net sales reflects the quality of our brand, pent up demand, low interest rates, improved credit availability and government stimulus measures. However, these sales levels were more moderate than those achieved late in

4Q20, and builder capacity to meet the demand driven by the stimulus may impact sales over the second quarter.

1,083 Residential settlements were completed in the First Quarter, and we had 4,261 contracts on hand at 30 September 2020, with around 3,800 contracts due to settle in FY21.

In Retirement Living, the 9% decline in net sales, compared with the prior corresponding period, was largely due to continued government restrictions in Victoria. Excluding Victoria, the First Quarter net sales of 159 represents a 15% increase on 1Q20, demonstrating the increased value that customers place on the support and wellbeing that village living provides.

The diversification of our Retirement Living product offering to improve returns continued with the commencement of construction at our first two land lease communities. This lifestyle market segment provides a range of affordable homes suitable for over 55's and we expect this product to improve profit and the velocity of capital over the medium term.

The Workplace and Logistics portfolio had ongoing high occupancy, rent collection approaching pre-COVID-19 levels and strong ongoing demand for logistics.

During the First Quarter, Retail Town Centres experienced a recovery in retail sales levels, foot traffic and store re-openings. Excluding Victoria (which represents 12% of the Retail Town Centre portfolio) and a short term COVID-19 related decline at Wetherill Park (NSW), comparable total sales growth was 3.6% for the quarter and comparable total specialty sales growth was 1.7%.

Across the Commercial Property portfolio, higher levels of tenant sales, foot traffic and store re-openings in Retail Town Centres, as well as high occupancy and activity in Workplace and Logistics have led to significantly higher rent collection rates in the First Quarter compared to 4Q20, with around 81% of rent collected. While abatements and deferrals will be required in FY21 by some Retail Town Centre tenants, these are already at much lower levels than 4Q20, noting that the Code will now continue to the end of the 2020 calendar year in most jurisdictions.

Business Unit updates

Residential Communities

Andrew Whitson, Group Executive and CEO, Communities, said: "In the first quarter, we delivered the highest net sales in over three years reflecting our market leading business, pent up demand, low interest rates and the benefit from ongoing government stimulus.

"We saw increased buyer activity in all states, except Victoria, with Western Australia and Queensland particularly strong. New South Wales continues to trade well, despite only 10% of our product meeting the criteria for HomeBuilder."

Enquiry levels continue above long term averages despite the Victorian restrictions. The digitisation of our business is also providing opportunities to accelerate sales and settlements in markets where restrictions are impeding normal operations with two recent digital residential sales releases in Melbourne selling out.

There has been a clear shift in buyer preferences towards master planned communities which are well-located, liveable and affordable with good access to open space, schools and local services.

Due to high demand created by HomeBuilder and limited timeframes for the commencement of construction, some builder partners have reached capacity in their order books for delivery by the required deadlines. This could affect further sales in the next quarter, subject to any extension in the application timeframes.

As the creator of some of Australia's most liveable and affordable master planned communities, we have a resilient customer base and continue to sell almost 80% of our product to owner-occupiers, with first home buyers representing around half of our sales.

Retirement Living

Quarterly net reservations of 195 reflected a 9% decrease on the previous corresponding period mainly due to tighter COVID-related restrictions in Victoria. Excluding Victoria, we achieved 159 net reservations, a 15% increase on 1Q20 demonstrating the increased value that over 55's place on the support and wellbeing that village living provides.

In the First Quarter, we completed 172 settlements in line with 1Q20 levels, and the business had 216 future contracts on hand at quarter end.

Importantly, as we realign our pipeline to land lease communities and diversify our Retirement Living product offering, we have commenced the construction of our first two land lease communities at Aura (QLD) and Minta (Vic) with initial settlements expected in FY22. This will provide affordable, high quality communities for independent living retirees, and provides recurring income for Stockland from the ongoing land ownership from a pipeline of approximately 2,400 lots.

Commercial Property – Workplace and Logistics

The Workplace and Logistics business continues to be less affected by the COVID-19 pandemic with occupancy and rent collections remaining high at 30 September 2020 and close to pre-COVID-19 levels.

Our Logistics portfolio had an occupancy of 96.2% by income and a weighted average lease expiry of 5.1 years at 30 September 2020 with demand for logistics remaining consistently strong.

Occupancy levels in our Workplace assets also remain steady at 93.4% by income with the weighted average lease expiry of 2.9 years aligned to the planned development timeframe. There is a preference emerging for more consistency in balancing work between office and home and this may affect absorption of new office space in the medium to long term.

The $5.6 billion Workplace and Logistics development pipeline is progressing according to plan as we continue to strategically upweight our exposure towards these sectors.

Construction of building one of our M_Park project at Macquarie Park (NSW), at an estimated cost of $125 million, is expected to commence in early 2021. Tenant enquiry continues to be strong reflecting the quality of the $1.5 billion development and its location close to transport, amenities and the new Sydney Metro.

Preparatory work is also well underway for our developments at Piccadilly, Sydney (planning proposal lodged in August 2020) and Walker Street, North Sydney (development application expected to be lodged in December 2020).

While minimal capital is required at this point for these developments, we expect demand in these locations to be strong over the medium term. We will continue to carefully assess market conditions and will require major pre-commitments before commencing construction. These projects have an advantage of being able to be designed and delivered with a post-pandemic environment in mind, including the incorporation of optimal hygiene measures such as touchless access, enhanced filtration capability, lifting capacity, access to open space and physical distancing.

Commercial Property – Retail Town Centres

Louise Mason, Group Executive and CEO, Commercial Property, said: "By the end of the First Quarter, the Retail Town Centre business experienced a recovery in retail sales rates, foot traffic and store re-openings. Excluding Victoria, which represents 12% of the total retail portfolio by income, these key portfolio metrics approached pre-COVID-19 levels as Australian consumers returned to shopping centres as part of their regular routines."

For 1Q21, excluding Victorian centres and a short-term COVID-19 related decline at Wetherill Park (NSW), the portfolio delivered comparable total sales growth of 3.6%, and total speciality sales growth was 1.7%, a material improvement as restrictions ease. By contrast, in April 2020, with restrictions in place, sales growth was significantly negative with a decline to previous corresponding period of 25.1% for total sales and 60.3% for specialty stores. In 1Q21, for the total portfolio comparable total sales delivered growth of 1.0% and comparable specialty sales declined by 4.5%.

Excluding Victoria and a short-term COVID-19 related decline at Wetherill Park (NSW), foot traffic for September 2020 was around 97% of pre-COVID-19 levels, with total portfolio foot traffic around 90% of pre-COVID-19 levels.

Negotiations with tenants impacted by COVID-19 have continued during the First Quarter. Good progress has been made in finalising Code-assessable abatements and deferrals with relevant small and medium enterprise (**SME**) businesses and non-SME tenants, with around 80% of negotiations for the FY20 rent concluded. Net rent receivable at 30 June 2020 has been collected in cash. Provisions set aside at 30 June 2020 remain appropriate to cover any remaining risk as we finalise FY20 tenant negotiations and require payment of any balance owing for that year.

Liquidity

Available liquidity remains strong with approximately $1.7 billion cash and committed undrawn bank debt facilities at 30 September 2020. The combination of this strong liquidity position, access to short and long term debt markets, the ability to scale business activity rapidly and ongoing cash performance, combine to position us well to navigate the remainder of FY21 as disruption from the pandemic continues.

Summary

For the full year to 30 June 2021, due to ongoing uncertainty around the current and future impacts of COVID-19 on the economy, the broader community and business performance, funds from operations and distribution guidance will not be provided until further notice.

Managing Director and CEO, Mark Steinert, said: "The First Quarter result demonstrates the continuing value of the Stockland diversified model. We are focused on supporting our customers, tenants, residents, and our people as Australia manages the disruption caused by this pandemic. We believe the new environment is creating opportunities where the strength of the Stockland brand can be leveraged for the benefit of all our stakeholders and we have seen improving conditions during this quarter.

"We remain focused on creating Australia's most liveable and sustainable communities and we are proactively ensuring that Stockland can restore business activities safely and efficiently while remaining agile in our execution of strategic priorities and positioning the business for the future." said Mr Steinert.

ENDS

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

Investor enquiries:

Mel Buffier
General Manager Investor Relations
+61 411 622 899

Media enquiries:

Larissa Webster
Senior Manager Media Relations
+ 61 418 254 959