

1H17 Results Presentation

RESULTS BUILT ON
SUSTAINABLE COMMUNITIES

31 December 2016

Cardinal Freeman The Residences,
Sydney



Stockland
it's your place



Stockland Quick Facts

TRUST

Retail

53% of SGP portfolio



Stockland Shellharbour, NSW

Create market leading shopping centres

40 Assets

Ownership interests valued at **\$7.0b** and gross book value of **\$7.4b**

Logistics & Business Parks

15% of SGP portfolio



Ingleburn Distribution Centre, NSW

Grow and develop a quality portfolio

27 Assets

Ownership interests valued at **\$2.0b** and gross book value of **\$2.2b**

Office

5% of SGP portfolio



135 King St / Glasshouse, NSW

Optimise returns - tactical allocation

8 Assets

Ownership interests valued at **\$0.7b** and gross book value of **\$1.1b**

CORPORATION

Residential

18% of SGP portfolio



Aura, Qld

Maximise returns by creating better places to live

72,600 lots under control

End value **\$18.2b**

Retirement Living

9% of SGP portfolio



Willowdale Retirement Village, NSW

Leading operator and developer

65 Established Villages

Over 9,400 units

\$2.3b estimated end value of development pipeline

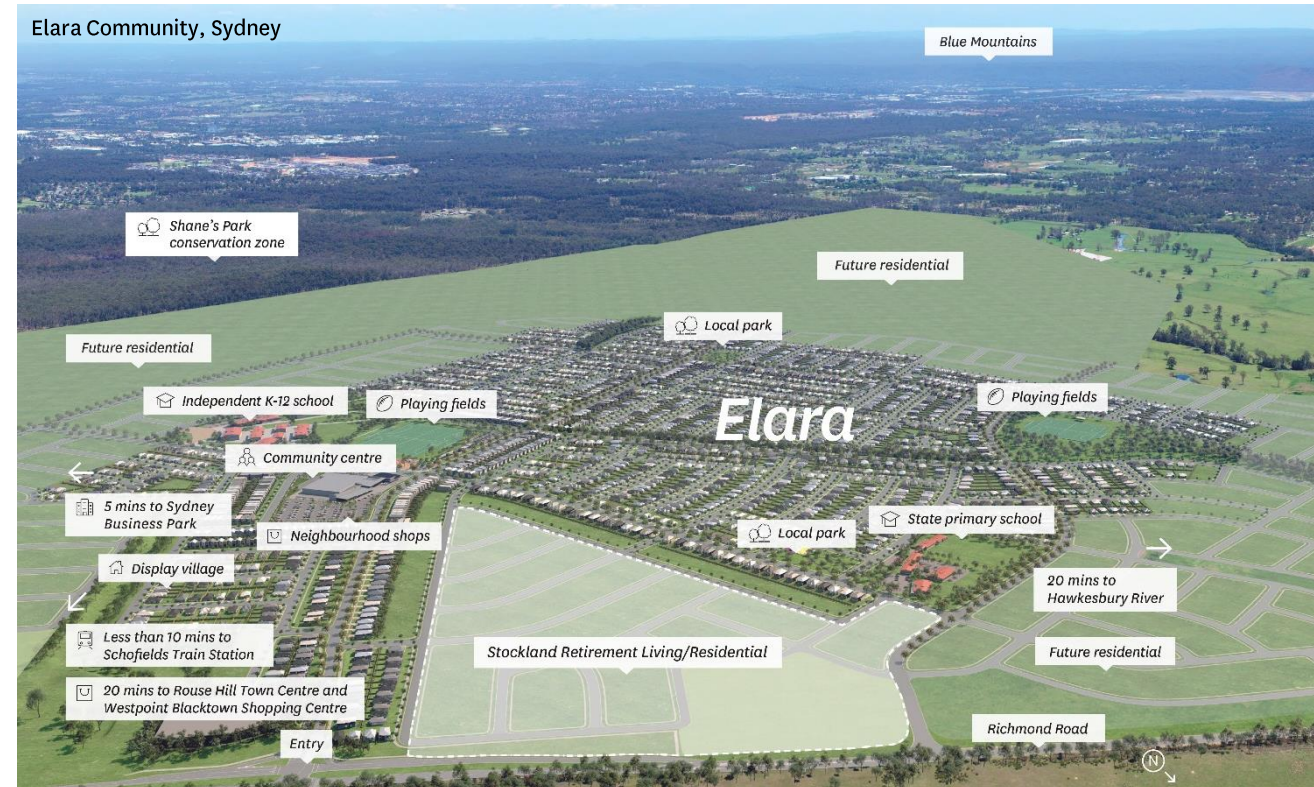
All figures are rounded to nearest million, unless otherwise stated. Percentages are calculated based on the figures rounded to one decimal place throughout this presentation

Strategy delivering sustainable, strong results

Community creation focus delivers growth across whole business

- Growth in FFO per security of 6.2% reflecting consistent implementation of our strategy
- Continued improvement across all business units
- ROE¹ grows to 11.0%
- Maintained strong balance sheet

	1H17	1H16	Change
Statutory Profit	\$702m	\$696m	0.7%▲
Funds from Operations (FFO) ²	\$369m	\$342m	7.8%▲
Statutory Earnings per security	29.3 cents	29.4 cents	0.3%▼
FFO per security	15.4 cents	14.5 cents	6.2%▲
Distribution per security	12.6 cents	12.2 cents	3.3%▲
Net Tangible Assets per security	\$4.00	\$3.87	3.4%▲
Gearing (D/TTA)	23.9%	23.1%	
Return on Equity	11.0%	10.3%	



1. Return on Equity accumulates individual business Return on Assets and incorporates cash interest paid and average drawn debt for the 12 month period. Excludes residential communities workout projects

2. Funds from Operations (FFO) is determined with reference to the PCA guidelines

1H17 Achievements

Grow Asset Returns and Customer Base					
Commercial Property			Residential Communities		Retirement Living
3.7% Growth in comparable FFO	Strong leasing in L&BP	\$228m Wetherill Park development	OVER 5800 contracts on hand	Record level of pre-sales	↑ Cash ROA improved to 6.4%
	Improved occupancy to 96.1%	15.8% IRR ¹	🔄 15-16% FY17 operating profit margin		↑ Improved margins by ~200 bps
\$442m Retail development under construction	#1 High customer satisfaction ²		👍 High customer satisfaction ³ 84.0%		👍 High customer satisfaction ⁴ 85.0%

1. Incremental IRR

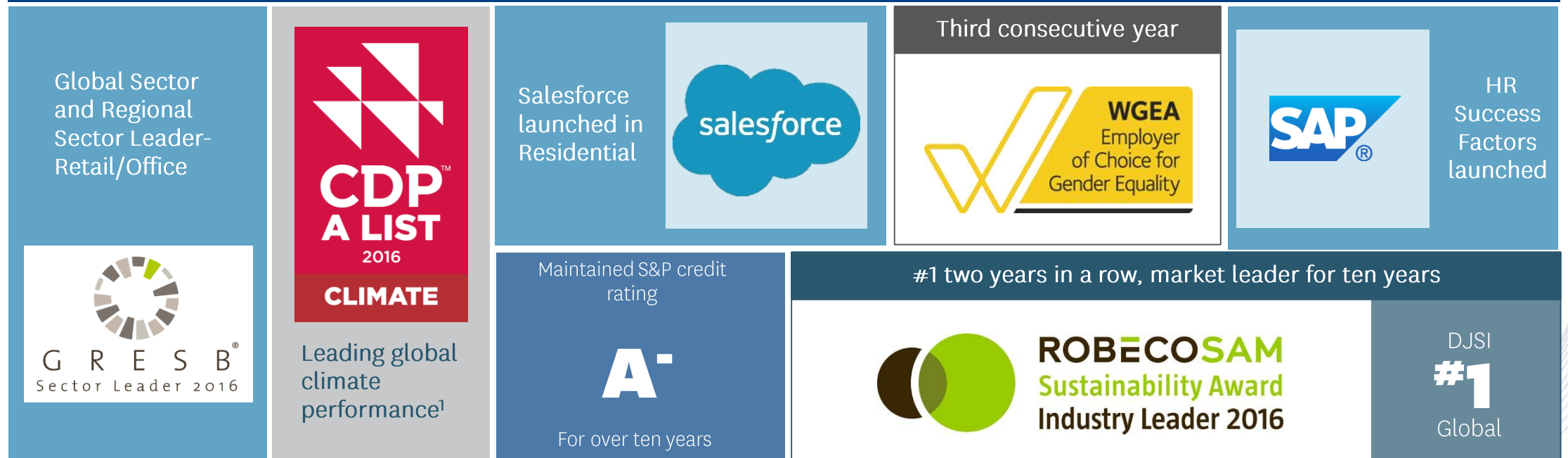
2. Retail tenant satisfaction TenSAT score produced by Monash University

3. Stockland National Liveability Index score

4. Stockland Residents' Voice Survey: average overall happiness with their village

1H17 Achievements

Operational Excellence and Capital Strength



1. Leading sustainable ratings agency, formerly known as Carbon Disclosure Project

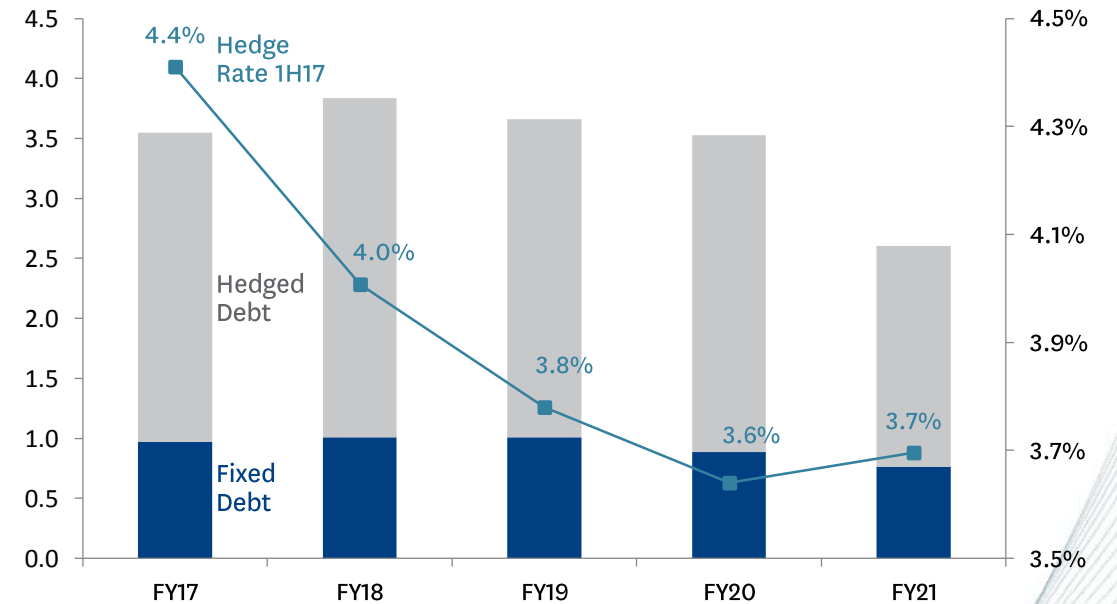
Growth in FFO across all business units and good visibility of future cost of debt

Funds from Operations

\$m	1H17	1H16	Change %	Comp. Growth %
Retail	207	197	5.2%	3.5%▲
Logistics & Business Parks	72	66	8.7%	2.9%▲
Office	34	36	(6.6%)	6.6%▲
Trading profit	5	-	nm	
Commercial Property net overhead costs	(6)	(8)		
Total Commercial Property	312	291	7.3%	3.7%▲
Residential Communities	100	98	1.4%	
Retirement Living	26	18	43.8%	
Unallocated corporate overheads	(29)	(27)	5.8%	
Net Interest	(40)	(38)	6.3%	
Total Group	369	342	7.8%	
FFO per security (cents)	15.4	14.5	6.2%	

Forward hedge rates¹ positively impact Group WACD

Billions(\$)



1. Excludes fees and margins

Commercial Property

John Schroder

Stockland Shellharbour, NSW



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Commercial Property: Solid recurrent earnings

Sustainable profit growth

- Comparable FFO growth of 3.7% with solid results across all sectors

Retail sales stable

- Total MAT up 2.7%, driven by 2.5% growth in specialties
- Comparable specialty sales of \$9,025 per square metre¹ ▲ 2.0%, and exceeds Urbis sub-regional average by 7.7%
- 25% of retail assets recently developed or currently under development, excluded from stable portfolio
- NSW and Vic specialty stores comparable sales up 2.5%; lower total reflects declines in WA, and some locations in Qld

	Asset values (\$m)	FFO (comparable change)	WALE (years)	Occupancy ² (stable assets)	Weighted average cap rate	ROA
Retail	6,961	3.5% ▲	6.8	99.5%	6.0%	8.2%
L&BP	1,998	2.9% ▲	4.6	96.1%	7.2%	8.1%
Office	749	6.6% ▲	3.7	93.5%	6.7%	9.0%
Total	9,708	3.7% ▲			6.3%	8.2%

Key categories: Comparable specialty sales

Fast casual dining/food catering	6.6%	▲
Retail services	7.8%	▲
Communication & technology	3.6%	▲
Apparel	0.7%	▲
Homewares ⁴	32.6%	▼

Sales by Category ³	Total MAT Growth%	Comparable MAT Growth%
Total Turnover	2.7%	0.4%
Specialties	2.5%	0.8%
Supermarkets	2.4%	-0.1%
DDS/DS	-1.0%	-1.1%
Mini-Majors and Other	7.0%	2.5%

+1.8% excluding impact of Dick Smith closures

1. Sales per sqm adjusted for moving lettable area (MLA). MLA reflects comparable sales per sqm adjusted for total number of days the store has traded in the full year, if trading for less than two years

2. Retail occupancy based on area, Office and Logistics & Business Parks occupancy based on income

3. Sales data includes all Stockland managed retail assets – including Unlisted Property Fund and joint venture assets

4. Homewares impacted by closure of Dick Smith stores

Stockland Wetherill Park: A leading lifestyle, food, fashion and leisure centre

- Three extensions since 1983 completion
- Customer demand for a redevelopment based on fresh food, cafes, restaurants, mini-majors, theatre, lifestyle, health and services
- 5 Star Green Star Design rating and a significant 925 kw PV solar plant
- Completed centre, 70,000 sqm, fully leased and trading strongly:
 - First full year of trading: MAT \$354m, up 29%; traffic 7.7m up 18%
 - Specialty shops at \$9,533 psm and growing strongly
- Retailer demand for more space, future development potential of 30,000sqm

	Construction commencement	On completion
IRR ¹	~14.8%	~15.8%
FFO Yield ²	7.3%	7.3%
Valuation	\$645-\$665m	\$740m

1. Incremental IRR

2. Incremental FFO yield



Stockland Wetherill Park, Sydney

Retail: Continuing to achieve positive leasing spreads

Strong leasing momentum continues

- Maintained high occupancy and positive leasing spreads
- WALE increased to 6.8 years¹

Rental growth reflects:

- Remixing strategy to higher quality tenants and emerging categories with strategic capital incentive spend
- Higher incentives driven by conversion of uses to food, dining, medical and services
- Growth achieved across all states

94% of specialty leases have fixed 4-5% annual reviews

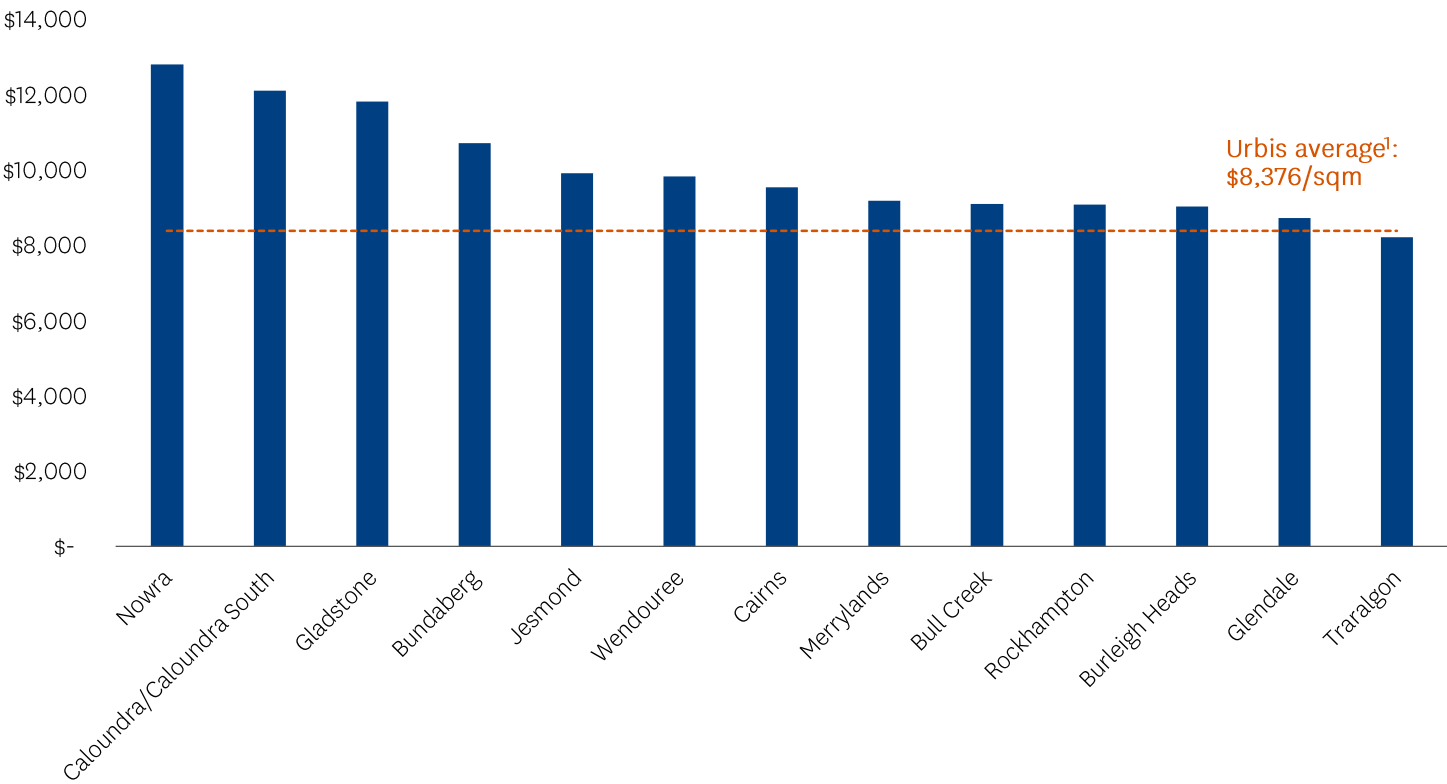
1. Assumes all leases terminate at earlier of expiry/option date
 2. Occupancy reflects stable assets, differs from Property Portfolio which includes all assets
 3. Excludes Unlisted Property Fund assets. Metrics relate to stable assets unless otherwise stated
 4. Rental growth on an annualised basis

Key operating metrics		1H17	1H16
Occupancy ²		99.5%	99.5%
Specialty retail leasing activity ³			
Tenant retention		60%	61%
Average rental growth on total lease deals ⁴		2.7%	2.6%
Total lease deals ⁵		372	403
Specialty occupancy cost ratio		15.1%	14.6%
Renewals:	Number	120	170
	Area (sqm)	18,732	26,685
	Rental growth ⁴	2.7%	3.1%
New Leases:	Number	114	119
	Area (sqm)	14,128	11,309
	Rental growth ⁴	2.6%	1.7%
	Incentives: Months ⁶	11.9	8.4
	As % of rent over lease term ⁷	15.1%	12.1%

5. Includes project and unstable centre leases
 6. Represents the cash contribution made towards the retailer's fit outs, expressed in equivalent months of net rent
 7. Incentive capital as a percentage of total rent over the primary lease term only

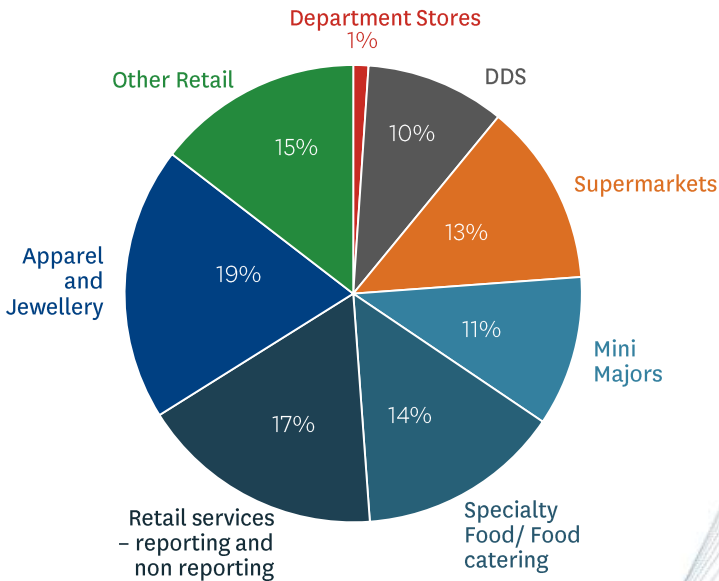
Retail: Productive centres and diverse income base

Specialty MAT/sqm, centres with future development potential



1. Urbis Sub-regional Shopping centre Benchmarks June 2016

Strong diversity in rental income
Gross rent: Total portfolio

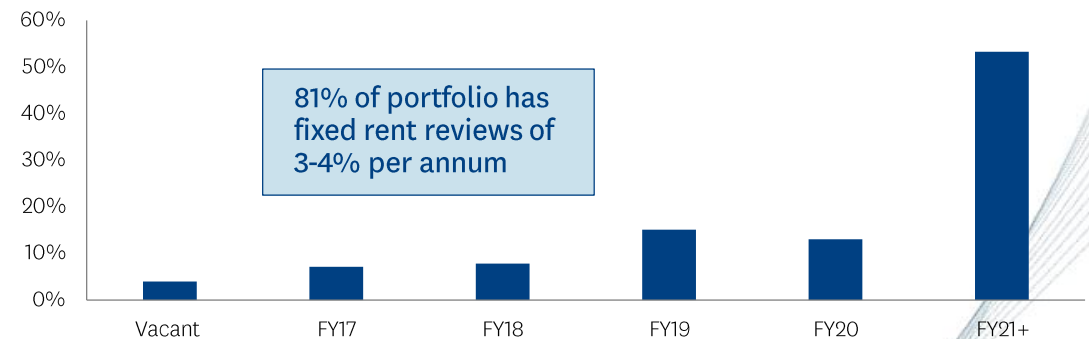


Logistics & Business Parks: improved occupancy

- Over 310,000 sqm of leasing activity, 23% of the portfolio
 - Boral Sydney HQ, 5,000 sqm new lease at Trinita, Sydney
 - Erskine Park, Sydney, 11,700 sqm new development, 10.8 year lease to Pact Group
 - Ingleburn, Sydney, 29,000 sqm new development, fully leased to Next Logistics and T.I.F.S.
- Development momentum:
 - Oakleigh, Melbourne, 8,200 sqm stage two, completion 2H17, good enquiry
 - \$400m development pipeline
 - Six DAs approved and three submitted, total ~170,000 sqm

Logistics & Business Parks	1H17	1H16
Leasing activity executed	160,000 sqm	182,000 sqm
Leasing activity under HOA ¹	152,000 sqm	51,000 sqm
Average rental growth on total lease deals	(2.5%) ²	2.2%
Portfolio occupancy ³	96.1%	94.6%
Portfolio WALE ³	4.6 yrs	4.5 yrs

Logistics & Business Parks lease expiry profile³



1. As at 31 December

2. 2.9% premium to valuation rents, negative reversion concentrated in western Melbourne

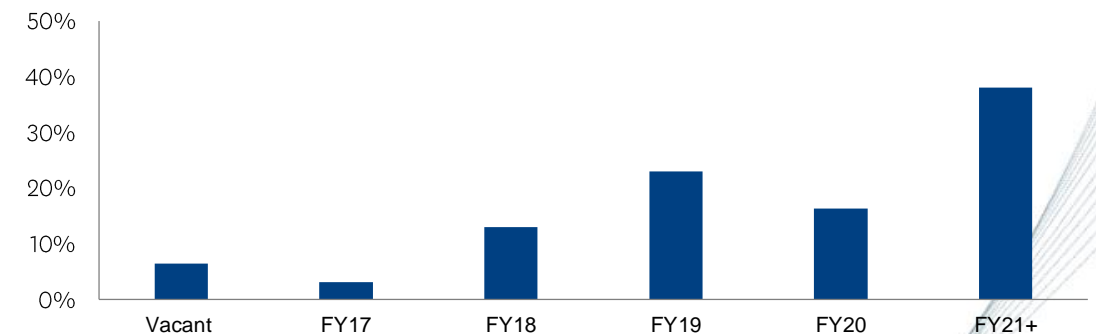
3. By income

Office: Optimising returns

- 76% of portfolio in high performing Sydney office market where our assets are fully occupied
- Investigating development opportunities in Sydney portfolio
- Perth and ACT markets remain challenging, incentives still rising
- 2H17 to be impacted by vacancy at Durack Centre, Perth, WA
- Sale of Garden Square, Qld, settled August 2016

Office	1H17	1H16
Leasing activity executed	2,900 sqm	6,800 sqm
Leasing activity under HOA ¹	2,100 sqm	6,800 sqm
Average rental growth on total lease deals	1.5%	6.5%
Portfolio occupancy ²	93.5%	95.4%
Portfolio WALE ²	3.7 yrs	4.1 yrs

Office Lease Expiry Profile²



1. As at 31 December

2. By income

Retirement Living

Stephen Bull

Cardinal Freeman The Residences,
Sydney



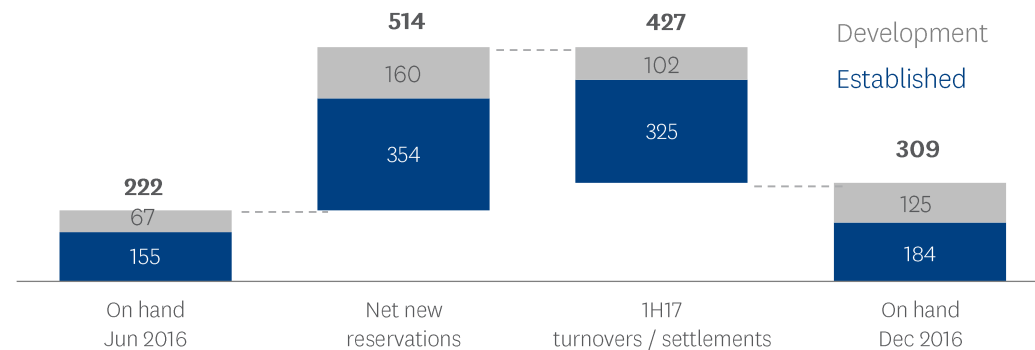
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Retirement Living: Customer focus delivering results

- Continued improvement in operating profit and ROA
- Improved margins by ~200bp
- Increased profit skew in 1H17 due to timing of superlot and asset sales
- Development settlements reflect timing of projects

Net reservations



Total Portfolio	1H17	1H16	Change
EBIT	\$28m	\$20m	36.0% ▲
Operating Profit	\$26m	\$18m	43.8% ▲
Occupancy	94.6%	93.9%	▲
Cash ROA	6.4%	5.2%	▲

Established Portfolio	1H17	1H16	Change
Established settlements (units)	325	317	2.5% ▲
Withheld settlements (units)	9	5	80.0% ▲
Total sales volumes (units)	334	322	3.7% ▲
Average re-sale price	\$325k	\$325k	-
Turnover cash margin	26.9%	25.0%	▲
Reservations on hand	184	168	9.5% ▲

Development Portfolio	1H17	1H16	Change
Average price per unit	\$449k	\$427k	5.0% ▲
Average margin – excludes DMF	18.0%	15.9%	▲
Development settlements	102	126	(19.0%) ▼
Reservations on hand	125	150	(16.7%) ▼

Retirement Living: Building on success

Broadening customer reach

- Developing Seniors apartments, Cardinal Freeman, Sydney, Oceanside, Qld
- Progressing repositioning of middle ring villages including Oak Grange, Melbourne
- Non DMF Seniors Living, Aspire at Elara, Sydney

Providing additional customer amenities

- Continuum of Care: four sites operated by Opal Aged Care, a further four in planning, and 20 existing sites with other operators
- Medical centres: first at Highlands, Melbourne
- Benefits Plus: over 4,500 customers, increased 11% in 2016

Reshaping Portfolio through capital recycling

- Completed sale of five small, low ROA villages in WA in July 2016



Artist's Impression - Oceanside, Sunshine Coast, Qld

Residential

Andrew Whitson

Minta Farm, Melbourne



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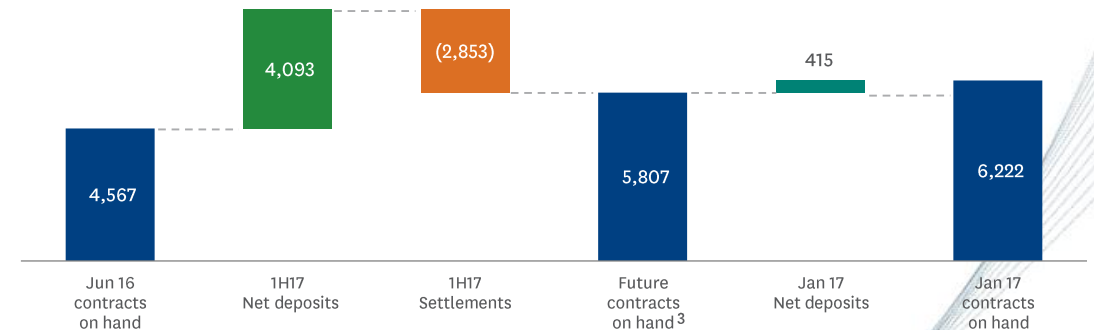
Residential: Strongly positioned for growth

Continuing growth in ROA, driven by implementation of our strategy and positive market conditions

- Record level of presales provides high visibility of earnings
- Benefitting from continued strong eastern seaboard price growth
- Disciplined restocking in key metropolitan growth corridors
 - Minta Farm, Melbourne, 1,700 residential lots
- Some settlements pulled forward from 2H17, marginally reducing previously anticipated 2H17 skew

Residential	1H17	1H16	Change
Lots settled	2,853	2,771	3.0% ▲
Revenue – Retail	\$647m	\$596m	8.5% ▲
– Superlots ¹	\$61m	\$61m	0.5% ▲
EBIT (before interest in COGS)	\$176m	\$157m	11.5% ▲
EBIT margin	24.8%	24.0%	▲
Operating Profit	\$100m	\$98m	1.4% ▲
Operating Profit margin	14.1%	14.9%	▼
ROA – total portfolio	11.6%	12.9%	▼
ROA – core portfolio ²	19.2%	18.0%	▲

Residential sales



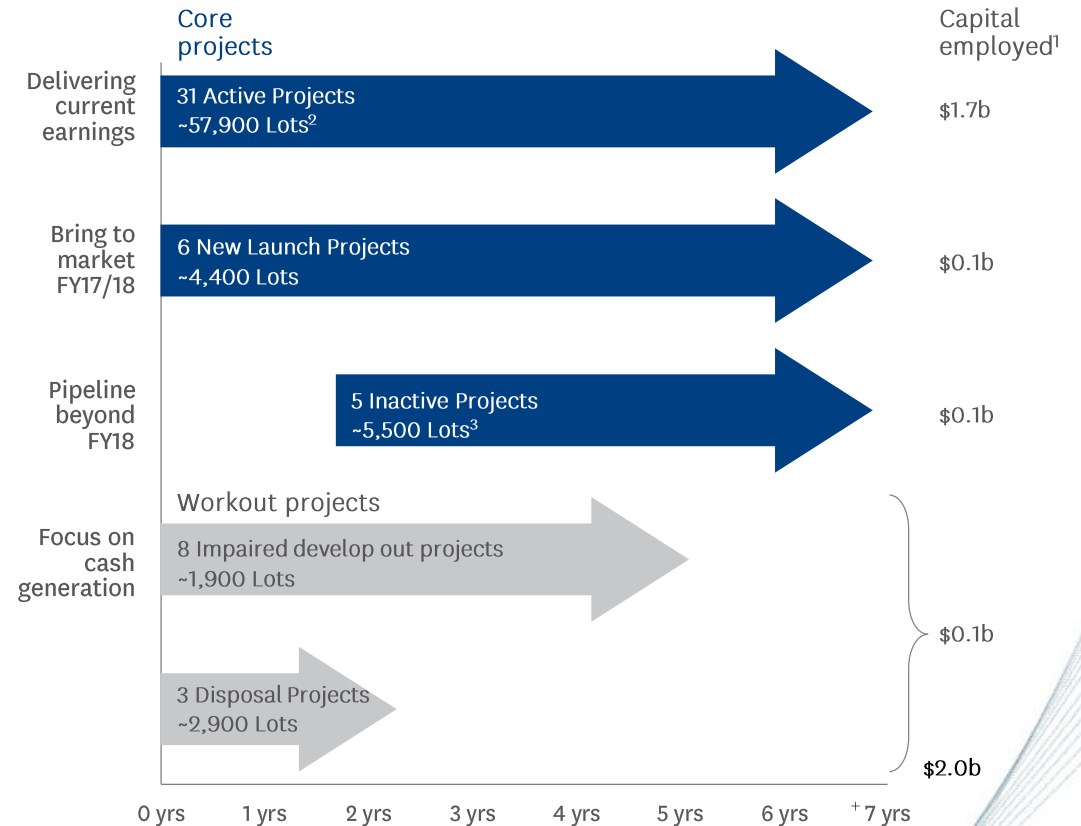
1. 22 superlot settlements in 1H17; 16 superlot settlements in 1H16. 1H17 includes the disposal of impaired project Wallarah (NSW) and the second tranche of revenue from the disposal of Bahrs Scrub (Qld)

2. Core excludes impaired projects

3. Of the 5,807 contracts on hand as at December 31, 2016, 3,635 are due to settle in FY17 and 2,172 are due to settle in FY18

Residential: Growing assets and customers

- Maintaining over 90% of funds employed in projects actively selling
- Strong customer demand for our new launch projects
 - Newport, Brisbane
 - Pallara, Brisbane
 - Foreshore (Coomera), Qld
- Strong sales at our largest ever masterplanned communities, Aura, Qld, and Cloverton, Melbourne, over 600 sales at each since launch
- Reduction in impaired projects with the sale of Wallarah, NSW, and Bahrs Scrub, Qld
- Continuing to see strong demand from Owner Occupiers, representing around 75% of our buyers



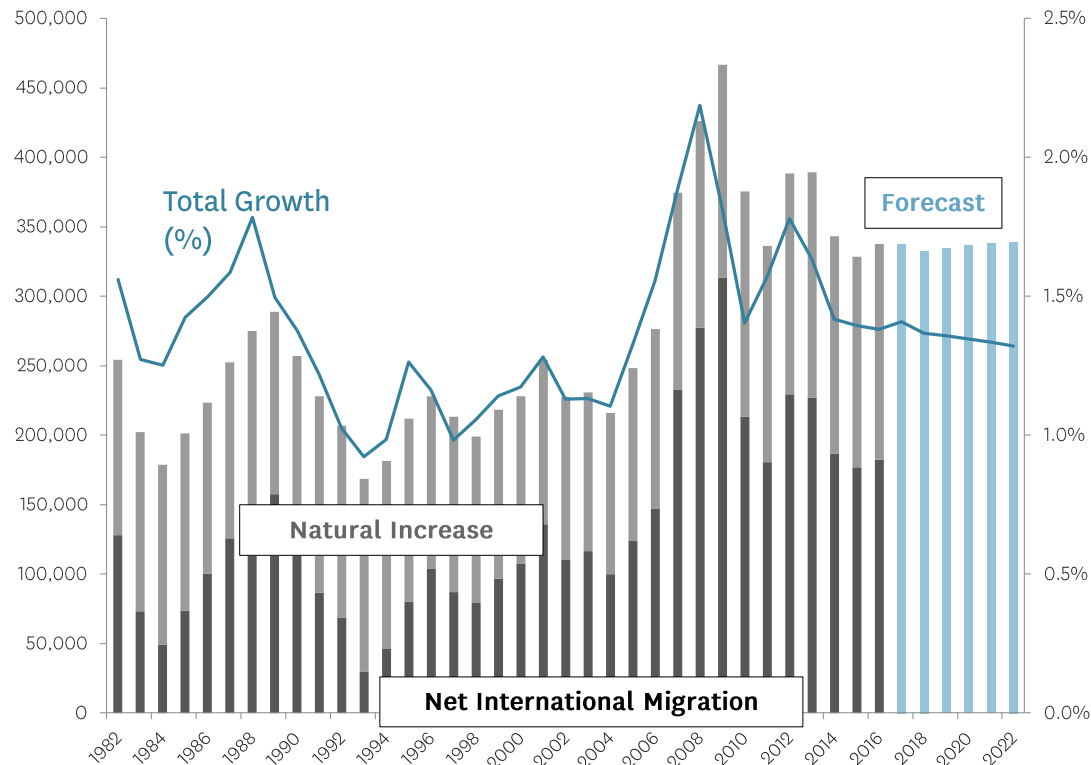
1. Based on net funds employed as at 31 December 2016

2. Excludes Elara (NSW) acquisition of ~1,500 lots in June 2016 pending settlement

3. Excludes Minta Farm (VIC) acquisition of ~1,700 lots in December pending settlement

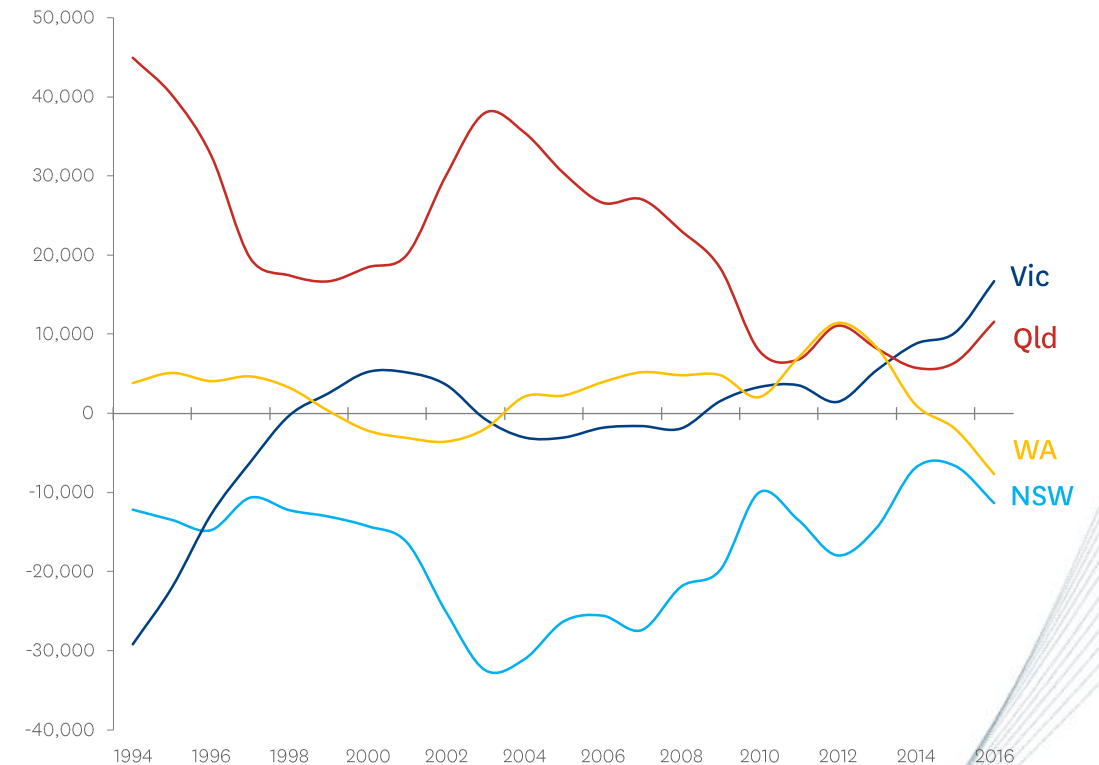
Population growth continues to underpin dwelling demand

Australia population growth – Annual¹



Vic and Qld seeing strong positive interstate migration²

Annual Rolling Sum ('000s)

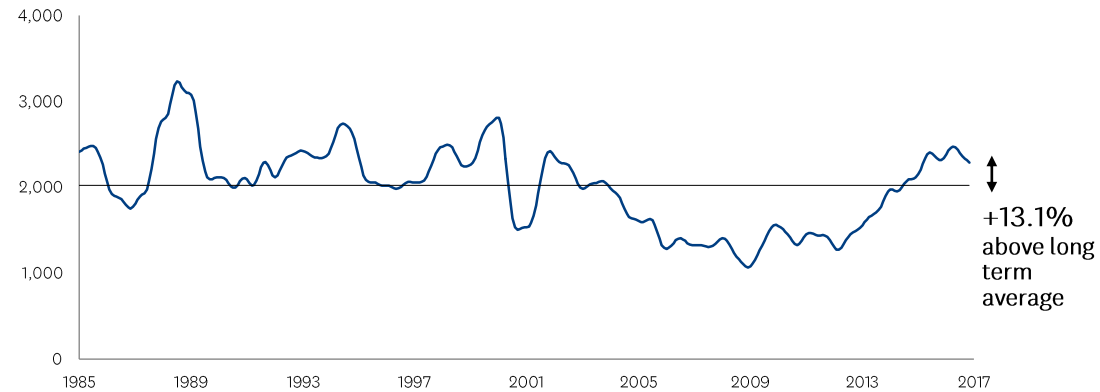


1. ABS, Deloitte Access Economics, Department of Immigration

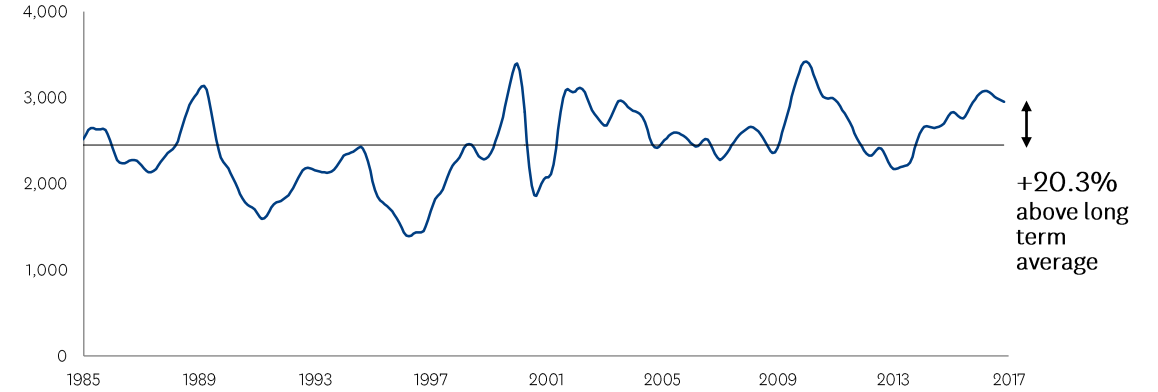
2. ABS, Stockland Research

National house building approvals at around trend

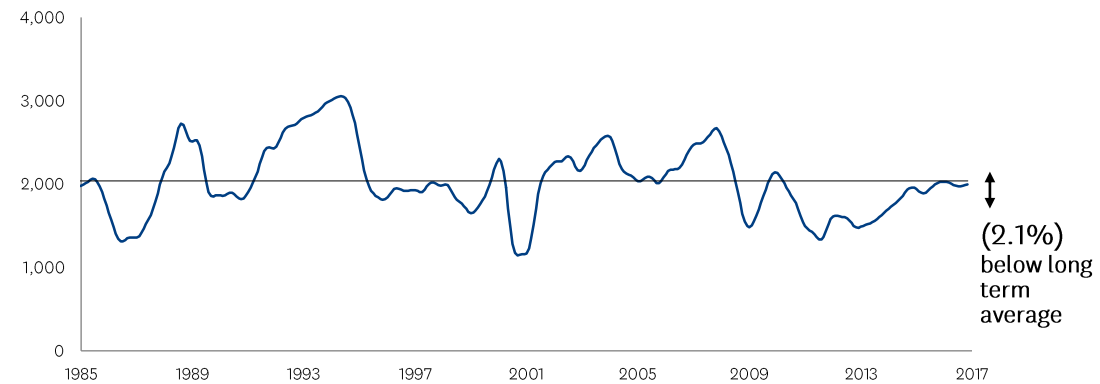
NSW market moderating over second half of 2016



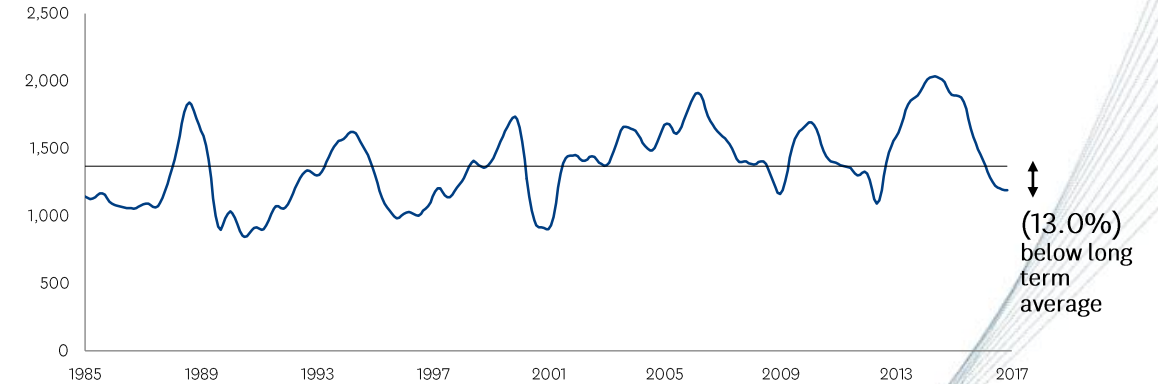
Vic market moderating but still above long term averages



Qld building approvals tracking sideways

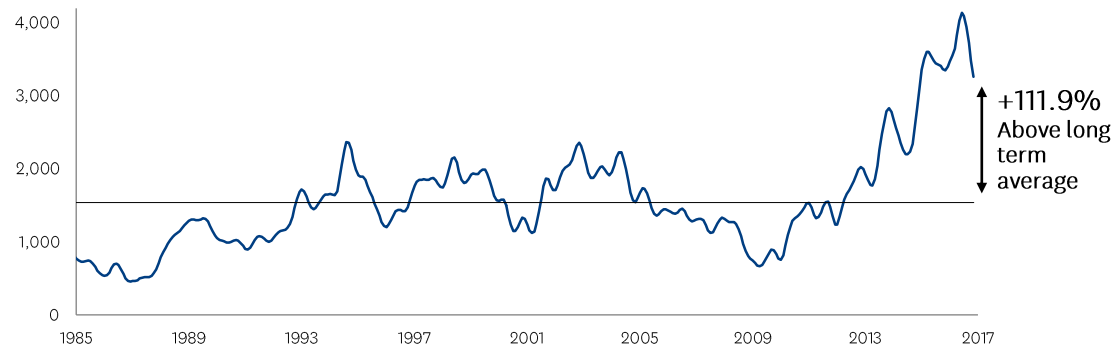


WA approvals still on a downtrend and now below long term averages

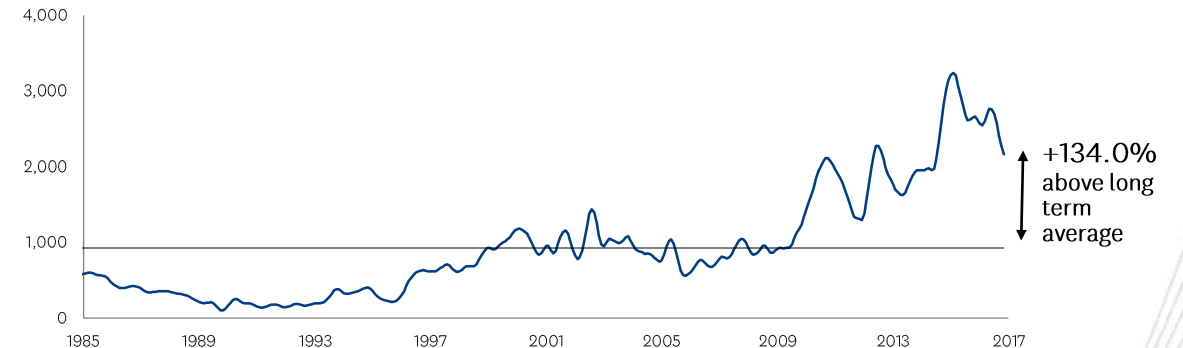


Apartment approvals in NSW, Vic and Qld down from historical highs

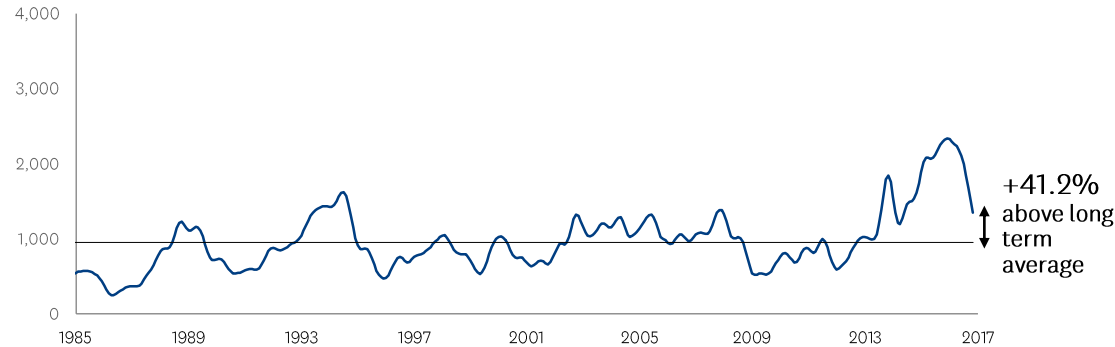
NSW apartment approvals trending downward



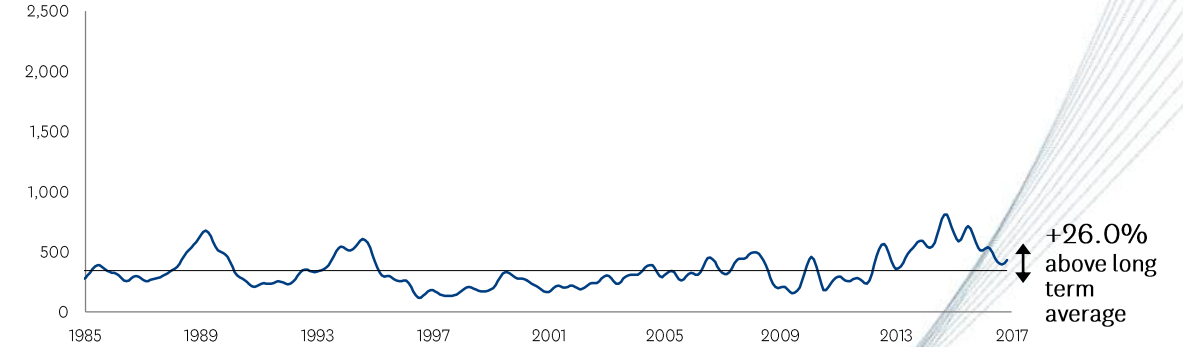
Vic apartment approvals also trending downward



QLD apartment approvals down heavily



WA apartment approvals down but flattening out

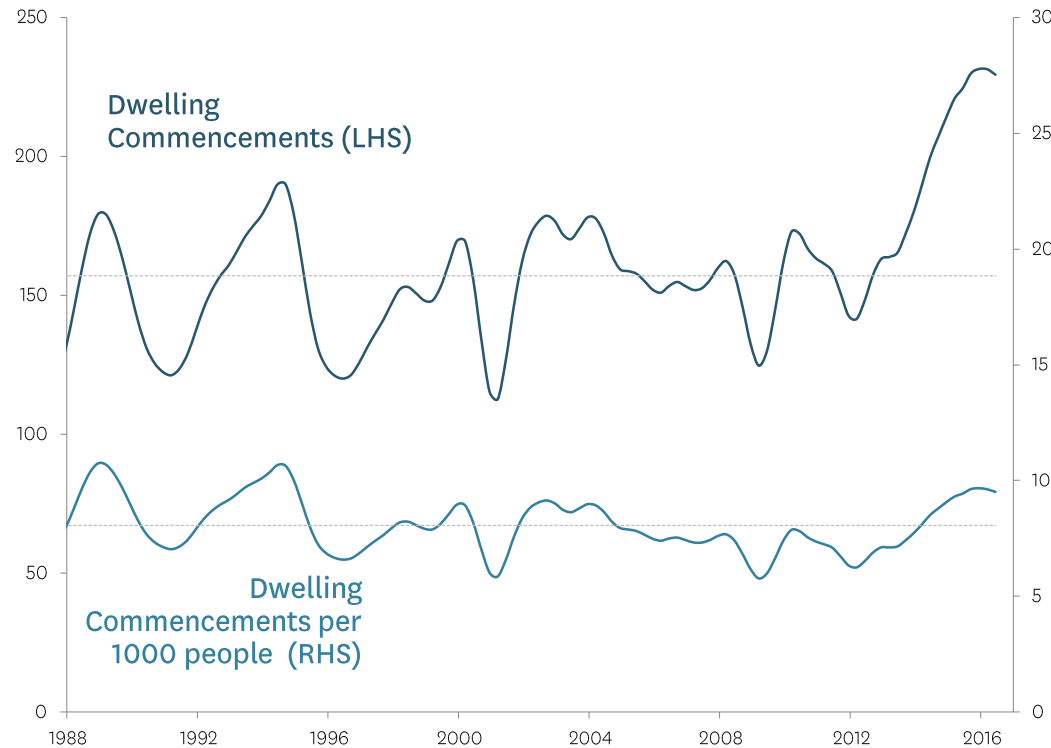


1. ABS

Dwelling commencements have responded to accumulated undersupply

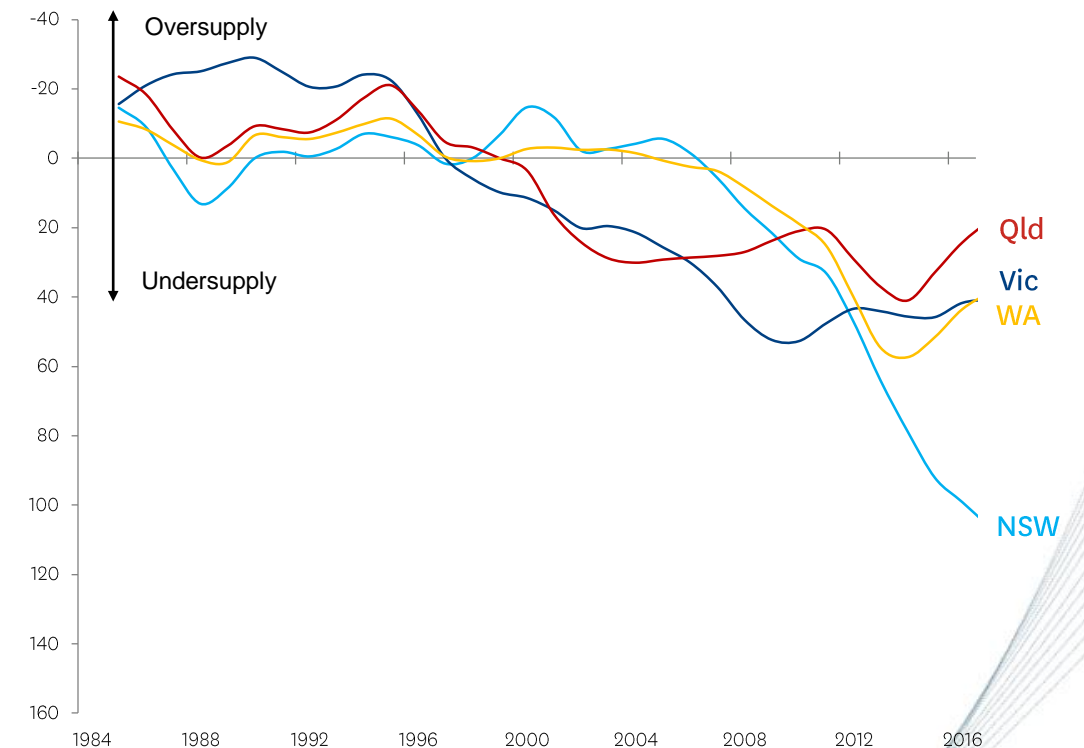
Dwelling commencements are elevated but close to long-term averages on a per capita basis. Both appear to have peaked¹

Thousands



Pent up dwelling demand²

Annual Rolling Sum ('000s)

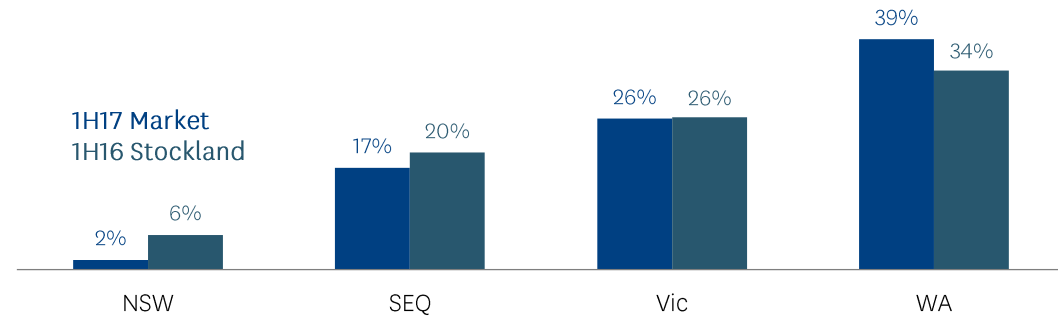


1. ABS, Stockland Research
2. ANZ Economics, April 2016

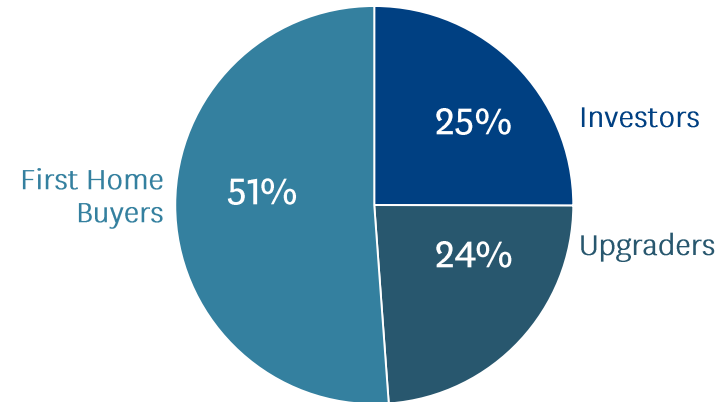
Providing affordable product

Stockland projects providing affordable product¹

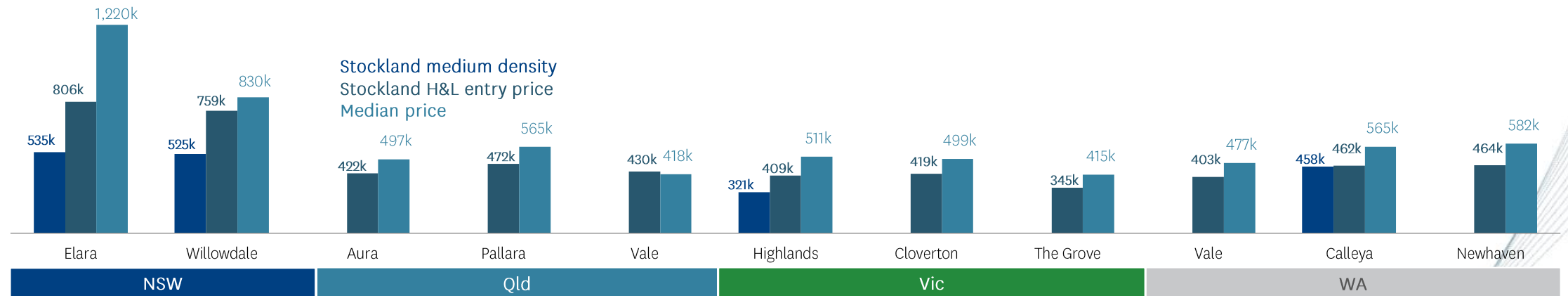
Proportion of sub \$200k lot sold



Buyer composition⁵



Stockland providing more affordable product than local median house price^{2,3,4}



1. National Land Survey Program, Charter Keck Cramer/Research4 and Stockland Research
 2. Fixed Price House and Land packages for sale within Stockland House and Land Finder January 2017
 3. RP Data: Median value of established (4b,2b,2c) houses in surrounding suburbs as at December 2016

4. Entry price for Stockland medium density product in Dec 16 quarter
 5. Net deposits received in 1H17

Residential: Market overview

1H17 Stockland summary

State	1H17 settlement volumes (% change over 1H16)	Comments on our settlements in 1H17
NSW	(51%) ▼	Strong 2H skew from key projects, Willowdale and Elara.
Vic	28% ▲	Favourable market conditions benefitting active projects including FY16 launch projects, The Grove and Cloverton.
Qld	34% ▲	Increased settlements in projects across Brisbane and Gold Coast. Notably strong performance at Aura and Newport.
WA	(18%) ▼	Softer WA market in line with expectations.

12 month market outlook

State	Vacant land sales volumes	Vacant land prices	Comments on market outlook
NSW	↔	↑	Volumes reached a decade high in 2016 and annual price growth running at 13%. Available stock is still not sufficient to satisfy demand. Price growth and sales volumes are expected to moderate as affordability is tested.
Vic	↔	↑	Sales volumes remain close to historic highs, up 18% annually, supporting strong price growth of 16%. Available stock is falling and will continue to support strong price growth as population growth remains elevated.
Qld	↑	↑	Improved interstate migration is supporting sales volumes close to decade highs. Annual price growth strengthening and relative affordability will continue to support the market through 2017.
WA	↔	↔	Weak short term economic outlook expected to keep sales volumes close to the current low point of the cycle. Recent stabilisation in prices points to limited downside through 2017, assisted by an increase in FHB grants.

Outlook

Mark Steinert

Willowdale Regional Park, Sydney



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FY17 outlook

- Guidance for FY17 FFO per security growth tightened to 6-7%, assuming no material change in market conditions. Underpinned by:
 - Settlements above 6,000 residential lots, with a settlement and profit skew to 2H17, reflecting project timing
 - Residential margins at 15-16% in FY17 and targeted to remain above 15% for the short to medium term, assuming favourable market conditions continue
 - Comparable Retail FFO growth of 3-4%
 - Further improvement in Retirement Living returns as we continue to focus on operational efficiencies and our development pipeline
- FY17 DPS targeted at 25.5 cents¹, within FFO target range of 75-85%
- Portfolio remains well positioned for sustainable long term growth and value creation

1. Assuming no material change in market conditions

Our Purpose: We believe there is a better way to live



Stockland Corporation Limited

ACN 000 181 733

Stockland Trust Management Limited

ACN 001 900 741; AFSL 241190

As a responsible entity for Stockland Trust

ARSN 092 897 348

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