



Stockland

# 1H19 Annexures

Creating  
Sustainable  
Communities

31 December 2018

FROG PARK, AURA, QLD



# Contents

| <i>Section</i>             | <i>Page</i> |
|----------------------------|-------------|
| <b>About Stockland</b>     | <b>A03</b>  |
| <b>Group Finance</b>       | <b>A12</b>  |
| <b>Commercial Property</b> | <b>A28</b>  |
| Retail Town Centre         | A34         |
| Workplace and Logistics    | A39         |
| <b>Communities:</b>        | <b>A47</b>  |
| Residential                | A48         |
| Retirement Living          | A60         |
| <b>Research</b>            | <b>A63</b>  |



# About Stockland



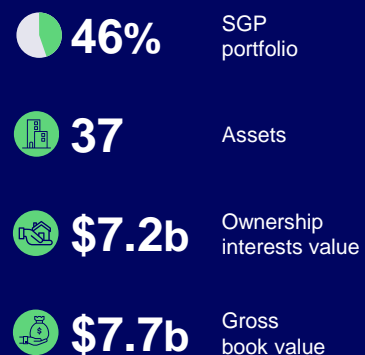
CARDINAL FREEMAN, SYDNEY, NSW



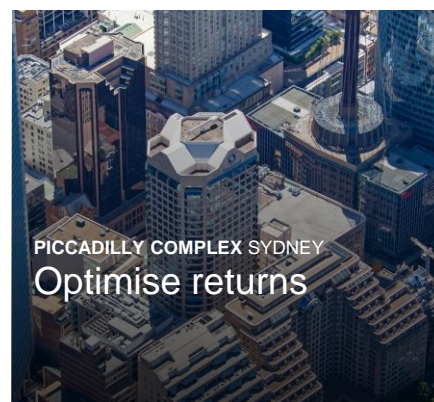
# Stockland quick facts

## Trust

### Retail Town Centres



### Workplace

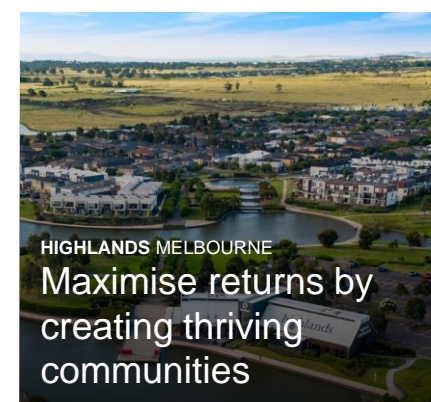


### Logistics



## Corporation

### Residential



### Retirement living






# Strategic mix

|   | TARGET          | ASSETS<br>31 DECEMBER 2018 | ASSETS<br>31 DECEMBER 2017 | OPERATING<br>PROFIT 1H19 | OPERATING<br>PROFIT 1H18 |
|---|-----------------|----------------------------|----------------------------|--------------------------|--------------------------|
| <b>RECURRING</b>                          |                 |                            |                            |                          |                          |
| Commercial Property                       |                 | 67%                        | 69%                        | 68%                      | 61%                      |
| Retirement Living                         |                 | 7%                         | 8%                         | 4%                       | 5%                       |
| Other and unallocated corporate overheads |                 | -                          | -                          | (3%)                     | (3%)                     |
| <b>Total recurring</b>                    | <b>70 – 80%</b> | <b>74%</b>                 | <b>77%</b>                 | <b>68%</b>               | <b>63%</b>               |
| <b>TRADING</b>                            |                 |                            |                            |                          |                          |
| Residential                               |                 | 23%                        | 21%                        | 35%                      | 42%                      |
| Retirement Living                         |                 | 3%                         | 2%                         | 1%                       | (1)%                     |
| Commercial Property                       |                 | -                          | -                          | -                        | -                        |
| Other and unallocated corporate overheads |                 | -                          | -                          | (4%)                     | (4%)                     |
| <b>Total trading</b>                      | <b>20 - 30%</b> | <b>26%</b>                 | <b>23%</b>                 | <b>32%</b>               | <b>37%</b>               |

# Capital management

## Disciplined capital allocation framework

### Target portfolio allocation

|  | CAPITAL ALLOCATION<br>AS DECEMBER 2018 | MEDIUM TERM TARGET<br>CAPITAL ALLOCATION |
|--|--|--|
|  COMMUNITIES            | <b>33%</b>                             | <b>20-30%</b>                            |
|  WORKPLACE & LOGISTICS | <b>21%</b>                             | <b>25-35%</b>                            |
|  RETAIL TOWN CENTRES  | <b>46%</b>                             | <b>40-45%</b>                            |

### Disciplined capital allocation framework

#### Capital strength

#### Targets

- **Capital partnering across the portfolio**
- **70:30**  
recurring income/active assets
- **>10%**  
Group ROE

#### Target IRR's

**7%+**  
Recurring income assets

**8%+**  
Commercial development

**12-16%+**  
Active assets

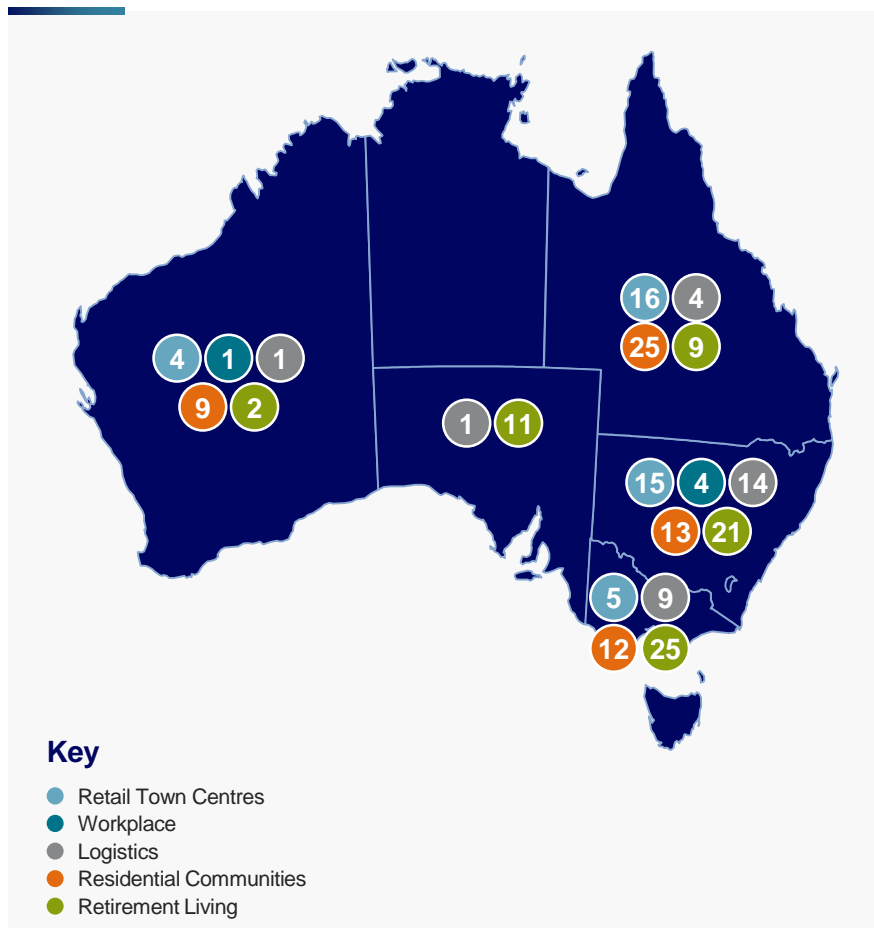
#### Distribution policy



**Target payout ratio**  
**75 - 85% of FFO**

# We are well positioned

With a diverse portfolio<sup>1,2</sup>



| ALL STATES                     | CP      | RESI   | RL     | TOTAL   |
|--------------------------------|---------|--------|--------|---------|
| Number of properties/ projects | 74      | 59     | 68     | 201     |
| Book value                     | \$10.7b | \$3.5b | \$1.6b | \$15.8b |
| SGP portfolio %                | 67%     | 23%    | 10%    | 100%    |

| QLD                            | CP     | RESI   | RL     | TOTAL  |
|--------------------------------|--------|--------|--------|--------|
| Number of properties/ projects | 20     | 25     | 9      | 54     |
| Book value                     | \$2.1b | \$1.2b | \$0.3b | \$3.6b |
| SGP portfolio %                | 13%    | 8%     | 2%     | 22%    |

| WA                             | CP     | RESI   | RL     | TOTAL  |
|--------------------------------|--------|--------|--------|--------|
| Number of properties/ projects | 6      | 9      | 2      | 17     |
| Book value                     | \$0.6b | \$0.5b | \$0.1b | \$1.2b |
| SGP portfolio %                | 4%     | 3%     | <1%    | 7%     |

| NSW                            | CP     | RESI   | RL     | TOTAL  |
|--------------------------------|--------|--------|--------|--------|
| Number of properties/ projects | 33     | 12     | 20     | 65     |
| Book value                     | \$6.6b | \$0.5b | \$0.5b | \$7.6b |
| SGP portfolio %                | 42%    | 3%     | 3%     | 49%    |

| VIC                            | CP     | RESI   | RL     | TOTAL  |
|--------------------------------|--------|--------|--------|--------|
| Number of properties/ projects | 14     | 12     | 25     | 51     |
| Book value                     | \$1.3b | \$1.2b | \$0.6b | \$3.1b |
| SGP portfolio %                | 8%     | 8%     | 4%     | 20%    |

| SA AND ACT                     | CP     | RESI   | RL     | TOTAL  |
|--------------------------------|--------|--------|--------|--------|
| Number of properties/ projects | 1      | 1      | 12     | 14     |
| Book value                     | \$0.1b | \$0.1b | \$0.1b | \$0.3b |
| SGP portfolio %                | <1%    | <1%    | <1%    | 2%     |

Map includes ACT assets within NSW. Percentages may not add due to rounding

1. Includes Unlisted Property Fund assets, WIP and Sundry

2. RL established and development assets at same location are treated as a single property/project (disclosed separately in Property Portfolio)

# Key residential communities

Located in connected, population growth corridors<sup>1</sup> Sydney



1. Source: Location IQ



# Key residential communities

Located in connected, population growth corridors<sup>1</sup> - Melbourne

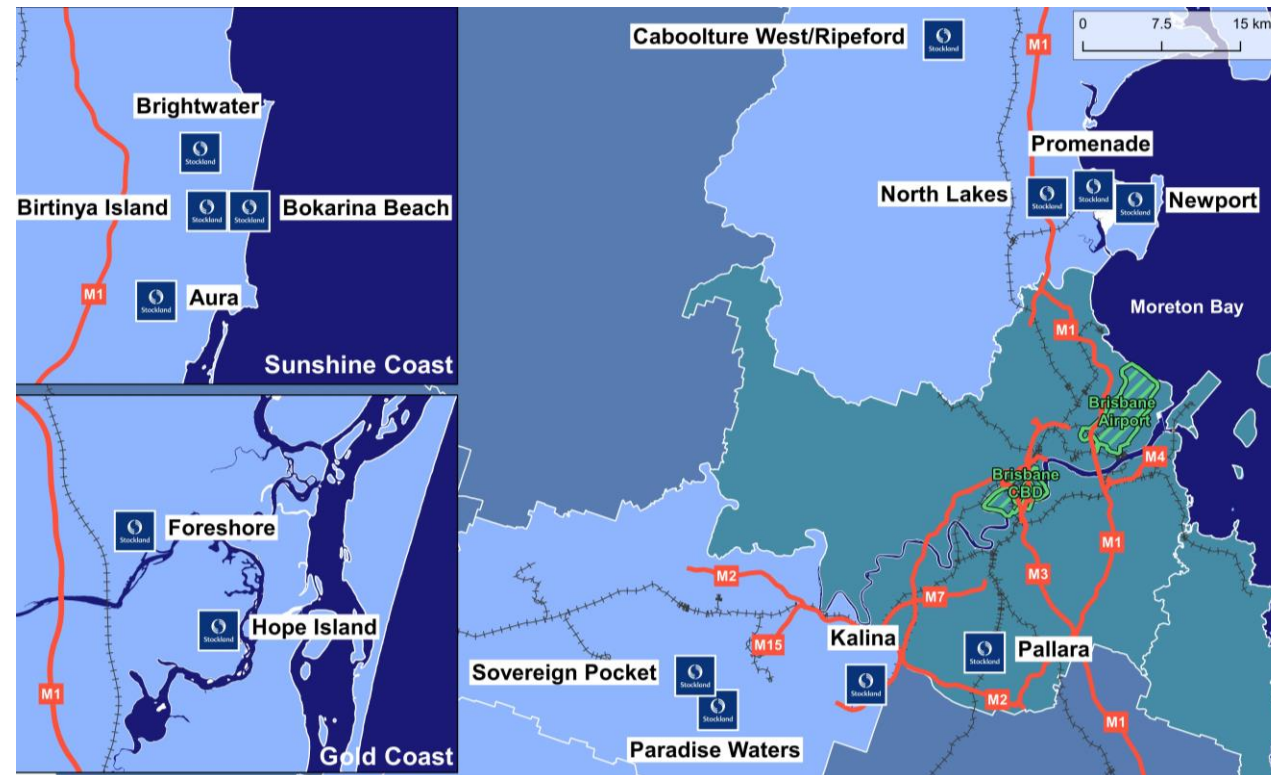


1. Source: Location IQ

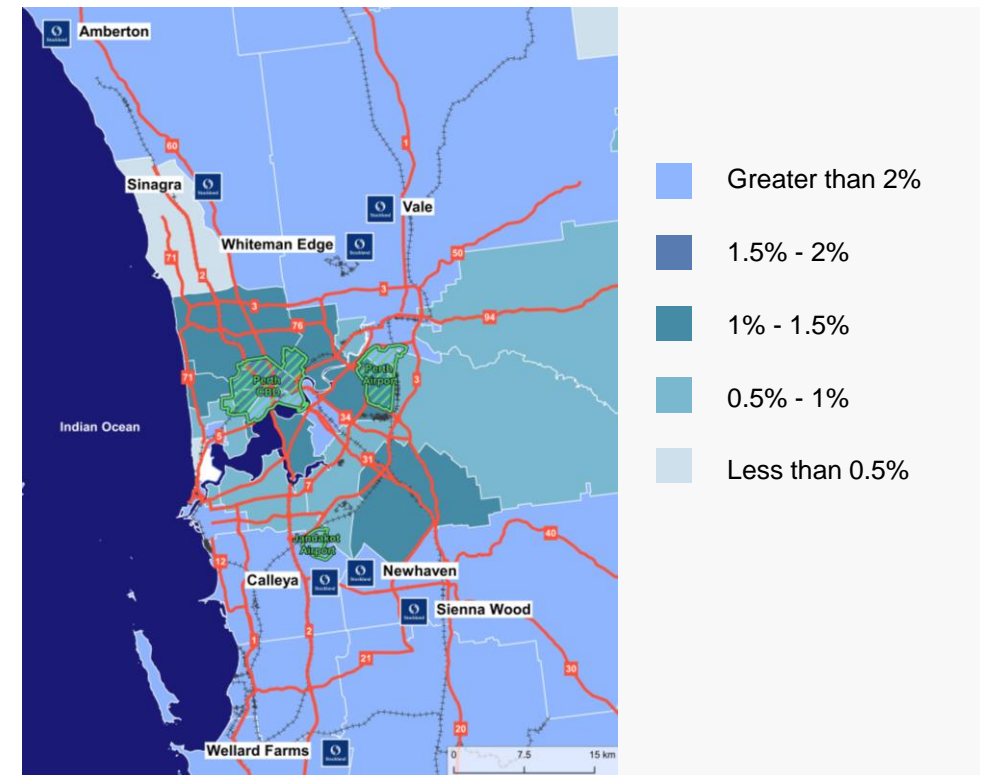
# Key residential communities

Located in connected, population growth corridors<sup>1</sup> - Brisbane (LHS), Perth (RHS)

## Brisbane



## Perth



1. Source: Location IQ



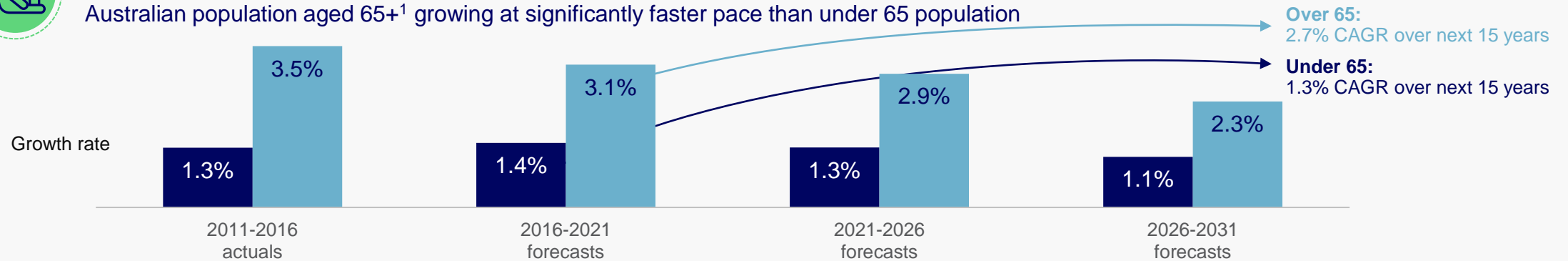
# Retirement Living

## Strong demand drivers



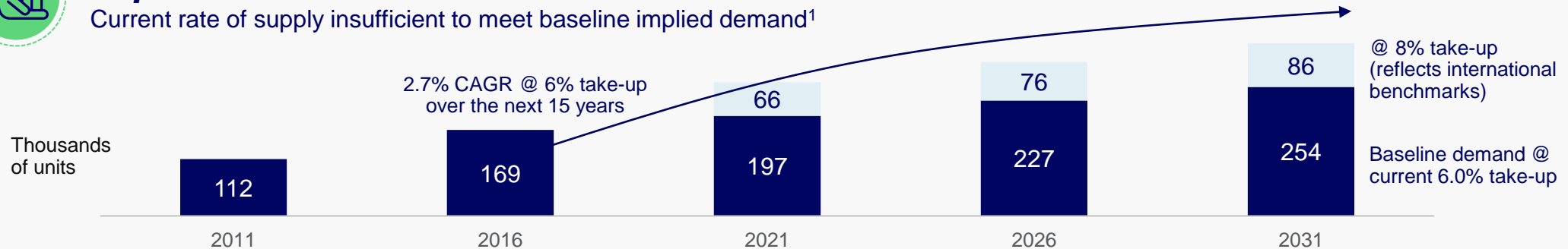
### Compelling demand fundamentals

Australian population aged 65+<sup>1</sup> growing at significantly faster pace than under 65 population



### Implied demand for units<sup>2</sup>

Current rate of supply insufficient to meet baseline implied demand<sup>1</sup>



1. ABS

2. Assumes 1.3 residents per ILU



# Group Finance

## Annexure



TRINITI BUSINESS CAMPUS, SYDNEY, NSW



# Profit summary

|  | 1H19 (\$M) | 1H18(\$M)  |
|--|------------|------------|
| Residential Communities EBIT (before interest in COGS)             | 170        | 232        |
| Commercial Property EBIT   | 277        | 275        |
| Retirement Living EBIT   | 22         | 18         |
| <b>Consolidated segment EBIT</b>                                   | <b>469</b> | <b>525</b> |
| Amortisation of lease incentives and lease fees                    | 39         | 36         |
| Straight-line rent adjustments                                     | (2)        | (2)        |
| Unallocated corporate overheads                                    | (32)       | (30)       |
| <b>Group EBIT (before interest in COGS)</b>                        | <b>474</b> | <b>529</b> |
| Net interest expense:  |            |            |
| • Interest income  | 2          | 1          |
| • Interest expense   | (116)      | (108)      |
| • Interest capitalised to Inventory                                | 71         | 62         |
| • Interest capitalised to Investment Properties under development  | 6          | 9          |
| Net interest in Profit & Loss before capitalised interest expensed | (37)       | (36)       |
| Capitalised interest expensed in Profit & Loss                     | (30)       | (57)       |
| Net interest expense   | (67)       | (93)       |
| <b>Funds from operations</b>                                       | <b>407</b> | <b>436</b> |
| Statutory profit adjustments                                       | (107)      | 248        |
| <b>Statutory profit</b>  | <b>300</b> | <b>684</b> |

# FFO and AFFO reconciliation to PCA guidelines

The table below shows the reconciliation of statutory profit to FFO with reference to the definitions outlined in the Property Council of Australia (PCA) white paper “Voluntary best practice guidelines for disclosing FFO and AFFO”

| PCA REFERENCE |  | 1H19 (\$M) | 1H18(\$M)   | COMMENTS   |
|---------------|--|------------|-------------|--|
|               | Statutory profit   | 300        | 684         |  |
| <b>A</b>      | <b>Investment property and inventory</b>                                       |            |             |  |
| A1/A2         | Loss from sale of investment property  | 10         | 2           |  |
| A3/A4         | Fair value loss/(gain) on investment property and Retirement Living obligation | 5          | (161)       | Includes Commercial Property and Retirement Living                           |
| <b>B</b>      | <b>Goodwill and intangibles</b>  |            |             |  |
| B1            | Impairment of Retirement Living goodwill                                       | 10         | -           |  |
| <b>C</b>      | <b>Financial instruments</b>   |            |             |  |
| C2            | Fair value loss/(gain) on mark-to-market of derivatives                        | 40         | (5)         |  |
| <b>D</b>      | <b>Incentives and straight-lining</b>  |            |             |  |
| D1            | Amortisation of fit-out incentives   | 29         | 27          |  |
| D4            | Amortisation of rent-free periods  | 10         | 9           |  |
| D5            | Rent straight-lining   | (2)        | (2)         |  |
| <b>E</b>      | <b>Tax expense/(benefit) – non-cash</b>  | <b>18</b>  | <b>(74)</b> |  |
| <b>F</b>      | <b>Other unrealised or one-off items</b>                                       |            |             |  |
| F2            | Other unrealised or one-off items:   |            |             |  |
|               | - Net DMF earned, unrealised   | (17)       | (18)        |  |
|               | - Net gain on other financial assets   | -          | (26)        | Prior year included gain from return of capital on BGP investment received   |
|               | - Other items  | 4          | -           | Includes restructuring cost associated with Executive reorganisation         |
| <b>G</b>      | <b>Funds from operations (FFO)</b>   | <b>407</b> | <b>436</b>  |  |
| G2            | Maintenance capex  | (17)       | (21)        | Includes \$2m (1H18: \$2m) Retirement Living common area capital expenditure |
| G3            | Incentives and leasing costs for the accounting period                         | (38)       | (37)        | Excludes development centres   |
|               | <b>Adjusted funds from operations (AFFO)</b>                                   | <b>352</b> | <b>378</b>  |  |



# Net interest gap

| INTEREST EXPENSE                                       | 1H19           |                         |             | 1H18           |                         |                 |
|--|----------------|-------------------------|-------------|----------------|-------------------------|-----------------|
|  | INTEREST (\$M) | DEFERRED INTEREST (\$M) | TOTAL (\$M) | INTEREST (\$M) | DEFERRED INTEREST (\$M) | TOTAL (\$M)     |
| Interest income  | (2)            | –                       | (2)         | (1)            | –                       | (1)             |
| Interest expense                                       | 93             | 23                      | 116         | 97             | 11                      | 108             |
| Less: capitalised interest                             |                |                         |             |                |                         |                 |
| • Commercial Property development projects             | (3)            | –                       | (3)         | (6)            | –                       | (6)             |
| • Residential  | (48)           | (23)                    | (71)        | (51)           | (11)                    | (62)            |
| • Retirement Living                                    | (3)            | –                       | (3)         | (3)            | –                       | (3)             |
| Total capitalised interest                             | (54)           | (23)                    | (77)        | (60)           | (11)                    | (71)            |
| <b>Sub-total: Borrowing cost in P&amp;L</b>            | <b>37</b>      | <b>–</b>                | <b>37</b>   | <b>36</b>      | <b>–</b>                | <b>36</b>       |
| Add: capitalised interest expensed in P&L <sup>1</sup> | 30             | –                       | 30          | 58             | –                       | 58 <sup>2</sup> |
| <b>Total interest expense in P&amp;L</b>               | <b>67</b>      | <b>–</b>                | <b>67</b>   | <b>94</b>      | <b>–</b>                | <b>94</b>       |

| DEFERRED INTEREST   |
|---|
| <p>Non-cash adjustments for unwinding of present value discount on land acquisitions on deferred terms:</p> <ul style="list-style-type: none"> <li>• <b>Discount</b> initially booked through balance sheet (inventory and land creditors)</li> <li>• <b>Increase</b> reflects larger amount of acquisitions made on capital efficient terms</li> </ul> |

1. Made up of: Residential \$28m (1H18: \$50m) and Commercial Property \$nil (1H18: \$7m). The remaining amount comprises capitalised interest relating to Retirement Living \$2m (1H18: \$1m). This differs to statutory reporting by \$2m (1H18: \$1m) as interest expense in Retirement Living is reported through the fair value adjustment of investment properties
2. 1H19 capitalised interest expensed is lower due to projects approaching final settlements in 1H19, and sale of impaired projects in 1H18

# Return on assets, return on equity

|                                      | 2018                 |                                |               | 2017                 |                                |               |   |
|--------------------------------------|----------------------|--------------------------------|---------------|----------------------|--------------------------------|---------------|---|
|                                      | CASH<br>PROFIT (\$M) | AVG. CASH<br>INVESTED<br>(\$B) | RETURN<br>(%) | CASH<br>PROFIT (\$M) | AVG. CASH<br>INVESTED<br>(\$B) | RETURN<br>(%) | COMMENTARY  |
| Retail Town Centres                  | 426                  | 5.5                            | 7.8%          | 408                  | 5.2                            | 7.8%          |   |
| Logistics                            | 155                  | 2.0                            | 7.8%          | 143                  | 1.9                            | 7.6%          |   |
| Workplace                            | 50                   | 0.6                            | 7.7%          | 50                   | 0.7                            | 7.1%          | Reflects recent disposals and improved occupancy  |
| Residential – Core                   | 365                  | 2.0                            | 18.5%         | 449                  | 1.8                            | 24.7%         | ROA impacted by reduced settlement volumes and continued investment in long term projects |
| Retirement Living                    | 60                   | 1.3                            | 4.5%          | 63                   | 1.2                            | 5.3%          | ROA impacted by reduced FFO and continued investment in development pipeline              |
| <b>Core business ROA (sub-total)</b> | <b>1,056</b>         | <b>11.4</b>                    | <b>9.3%</b>   | <b>1,113</b>         | <b>10.8</b>                    | <b>10.3%</b>  |   |
| Residential – Workout <sup>1</sup>   | (4)                  | 0.2                            | (2.4%)        | 9                    | 0.2                            | 4.2%          |   |
| Unallocated Overheads & Other Income | (67)                 | –                              | –             | (62)                 | –                              | –             |   |
| <b>Group ROA</b>                     | <b>985</b>           | <b>11.6</b>                    | <b>8.5%</b>   | <b>1,060</b>         | <b>11.0</b>                    | <b>9.6%</b>   |   |
| Net interest/net debt                | (192)                | (3.9)                          | 4.9%          | (193)                | (3.5)                          | 5.5%          |   |
| <b>Group ROE</b>                     | <b>793</b>           | <b>7.7</b>                     | <b>10.3%</b>  | <b>867</b>           | <b>7.5</b>                     | <b>11.5%</b>  |   |
| <b>Group ROE (excl. workout)</b>     | <b>797</b>           | <b>7.5</b>                     | <b>10.6%</b>  | <b>858</b>           | <b>7.3</b>                     | <b>11.7%</b>  |   |

1. Includes all impaired projects

# Reconciliation between return on equity table values and accounting results

## Reconciliation of Group return in ROE calculation to FFO



|  | 2018 (\$M) | 2017(\$M)  |
|--|------------|------------|
| <b>Cash return</b>                             | <b>793</b> | <b>867</b> |
| Capitalised interest expensed in COGS          | (82)       | (121)      |
| Capitalised interest for the year <sup>1</sup> | 119        | 120        |
| Add-back impairment release in COGS            | 12         | 10         |
| CP straight-line rent and other                | (9)        | (7)        |
| <b>FFO</b>                                     | <b>833</b> | <b>869</b> |

1. Excludes deferred interest





## Reconciliation of capital employed in ROE calculation to statutory net assets



|  | AVERAGE FOR 2018 (\$B) | AVERAGE FOR 2017 (\$B) |
|--|------------------------|------------------------|
| <b>Group capital employed (Net Assets)</b>           | <b>7.7</b>             | <b>7.5</b>             |
| Commercial Property revaluations                     | 2.7                    | 2.6                    |
| Residential Communities capitalised interest         | 0.4                    | 0.4                    |
| Residential Communities and Apartments impairment    | (0.2)                  | (0.2)                  |
| Retirement Living DMF revaluations                   | 0.2                    | 0.2                    |
| Distribution provision and non-cash working capital  | (0.5)                  | (0.4)                  |
| <b>Statutory net assets (average for the period)</b> | <b>10.3</b>            | <b>10.1</b>            |

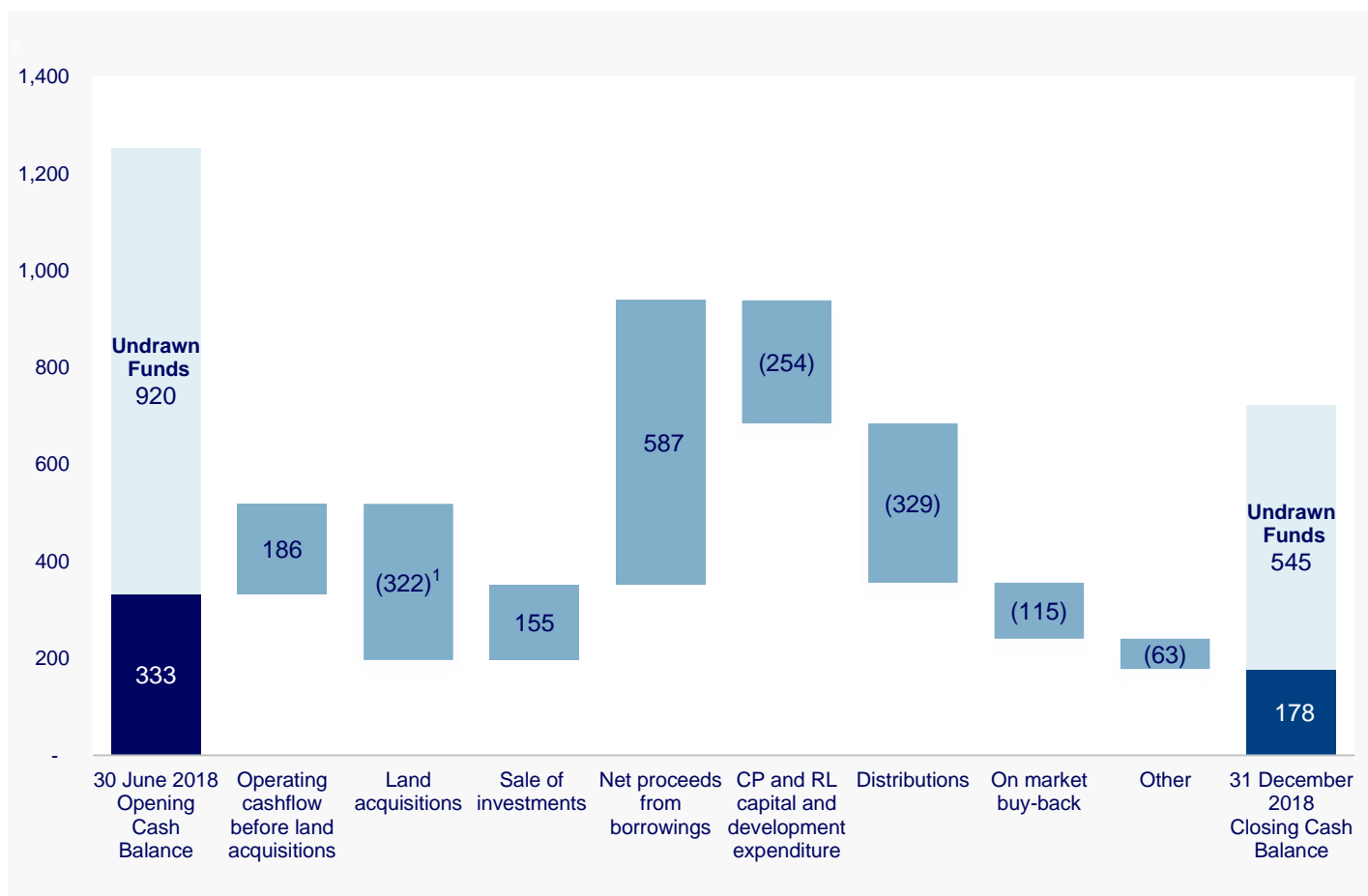


# Stockland return on equity methodology

|  |  <b>Residential</b><br>(incl. Town homes & Apartments) |  <b>Commercial Property</b>   |  <b>Retirement Living</b>   |  <b>Debt Funding</b> |
|--|---|--|--|---|
| <b>Numerator</b><br><i>(Cash Return)</i>             | <b>EBIT</b> (including cash loss realised on impaired projects)   | Operating profit before amortisation of lease incentives   | <b>EBIT</b>  | Cash interest paid less interest income received  |
| <b>Denominator</b><br><i>(Average Cash Invested)</i> | Net funds employed ( <b>NFE</b> ) (excluding accrued capitalised interest and impairment provision) average for the 12 month period     | Average cost + capital additions + lease incentives + development work in progress<br><br>Business unit overheads are allocated across the asset classes based on NOI contribution | <b>Average NFE</b> (including inventory, development expenditure, cash paid for acquired DMFs and goodwill, excluding capitalised interest and revaluations) | <b>Average debt drawn</b> (net of cash on hand)   |

# Cash flow summary

## Cash flow (\$m)



1. 98% relates to acquisitions in prior periods made on capital efficient terms, 74% of which were prior to CY 2018
2. Excludes land acquisitions

|   | 1H19         | 1H18          |
|---|--------------|---------------|
| Operating CF before land acquisitions                         | \$186m       | \$570m        |
| <b>INCLUDES RESIDENTIAL CASH FLOWS AS FOLLOWS<sup>2</sup></b> |              |               |
| Sales and other Revenue                                       | \$660m       | \$873m        |
| Current Year Stage costs                                      | (\$122m)     | (\$184m)      |
| Future Stage and infrastructure costs                         | (\$380m)     | (\$234m)      |
| SG&A and other costs  | (\$93m)      | (\$83m)       |
| <b>Total</b>  | <b>\$65m</b> | <b>\$372m</b> |

# Cost Management

|  | 1H19 (\$M) | 1H18(\$M)  |
|--|------------|------------|
| Residential  | 92         | 84         |
| Retirement Living  | 18         | 19         |
| Commercial Property  | 9          | 8          |
| Unallocated corporate overheads                                  | 32         | 30         |
| <b>Total sales, general and administration costs<sup>1</sup></b> | <b>151</b> | <b>141</b> |

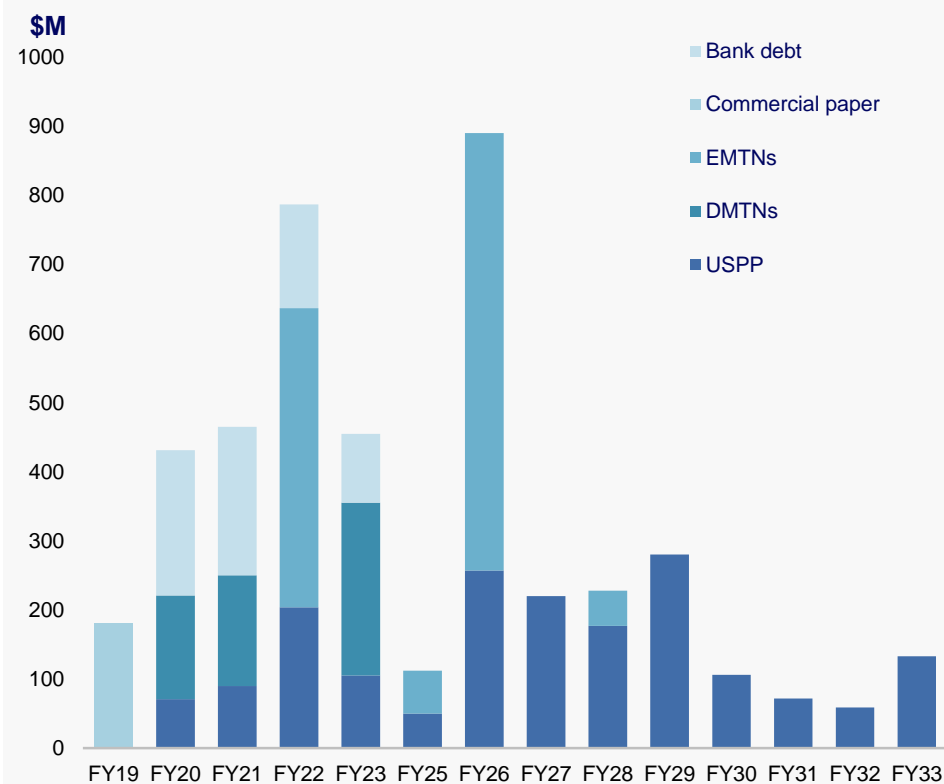
- **Diligent approach** to managing cost remains embedded across the Group
- **Residential increase** driven primarily by the timing of direct project costs
- **Increase** in unallocated corporate costs due to investment in new technology and innovation

1. Net of recoveries, costs capitalised to development projects and property management fee income



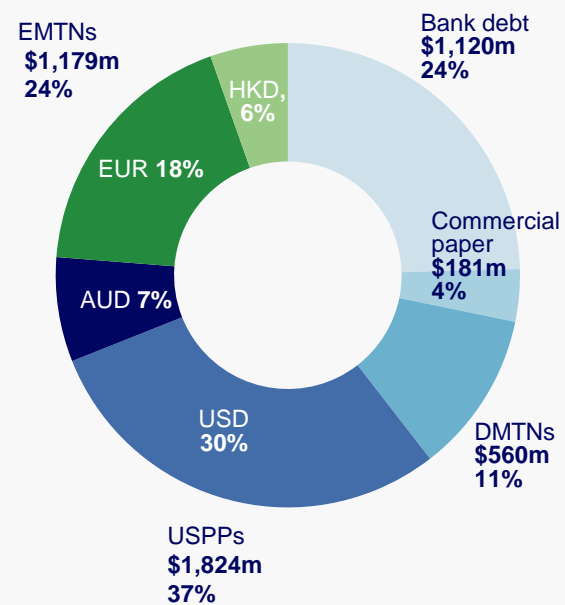
# Long dated, diverse debt

*Long-dated drawn debt maturity profile (WADM 5.3 years)<sup>1</sup>*

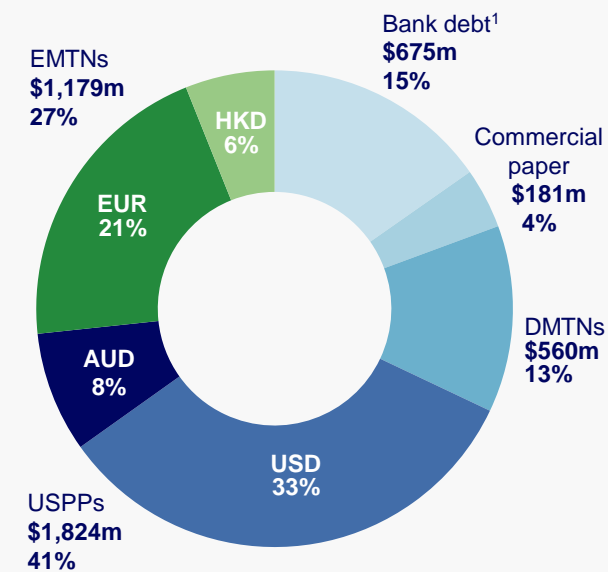


1. Excludes bank guarantees of \$0.4b

*Committed facilities of \$5.0bn*



*Drawn Debt of \$4.4bn*



# Cost of debt and hedge profile

## Cost of debt for 1H19

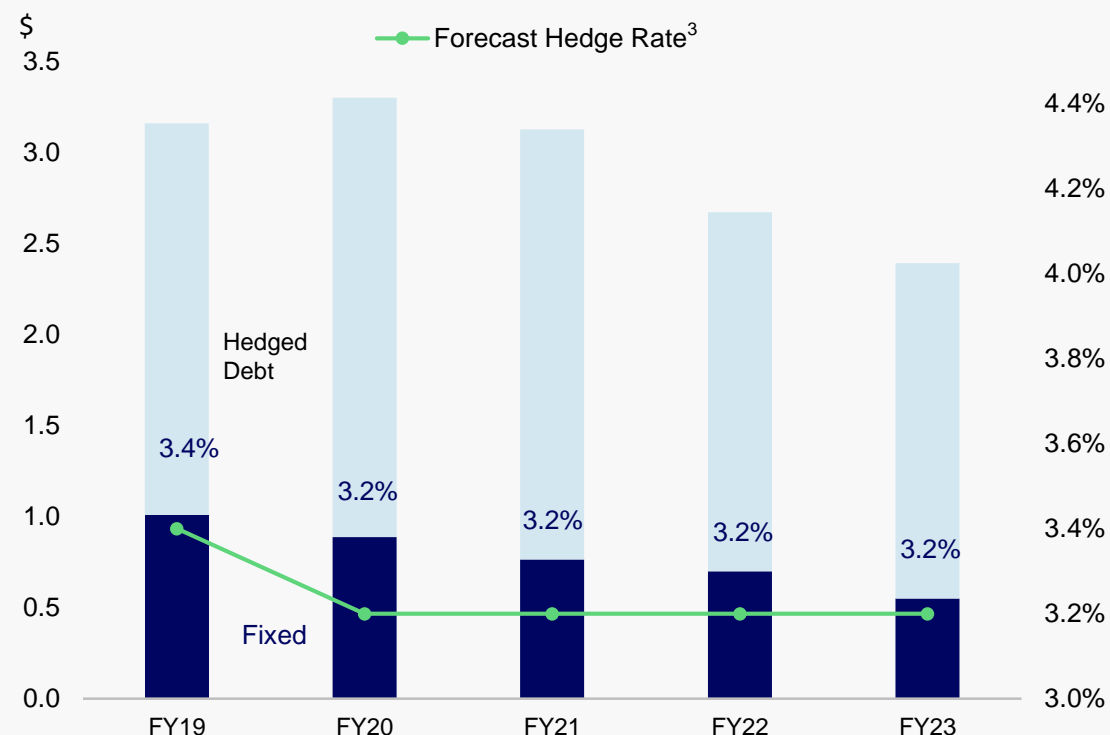
|                                      | DEBT (\$M) <sup>1</sup> | TOTAL DEBT (%) <sup>2</sup> | INTEREST RATE (%) |
|--------------------------------------|-------------------------|-----------------------------|-------------------|
| Hedged debt                          | 3,340                   | 75%                         | 3.4%              |
| Floating debt                        | 1,079                   | 25%                         | 1.9%              |
| <b>Total debt</b>                    | <b>4,419</b>            |                             | <b>3.0%</b>       |
| Margin                               |                         |                             | 1.2%              |
| Fees                                 |                         |                             | 0.2%              |
| <b>All-in cost of funds for 1H19</b> |                         |                             | <b>4.4%</b>       |



WACD expected to be **~4.5%** in FY19

1. Face value as at 31 Dec 2018
2. Average % for 1H19
3. Excludes fees and margins

## Historically high fixed hedge rates have been reduced in future years to positively impact the Group's WACD



# Debt summary

| FACILITY                   | FACILITY LIMIT (\$M) <sup>1</sup> | AMOUNT DRAWN (\$M) <sup>1,2</sup> |
|----------------------------|-----------------------------------|-----------------------------------|
| Bank Debt                  | 1,220                             | 675                               |
| Commercial Paper           | 181                               | 181                               |
| Domestic Medium Term Notes | 560                               | 560                               |
| USPP                       | 1,824                             | 1,824                             |
| Euro Medium Term Notes     | 1,179                             | 1,179                             |
| <b>Total Debt</b>          | <b>4,964</b>                      | <b>4,419</b>                      |

| FACILITY - BANK DEBT                | FACILITY LIMIT (\$M) <sup>1</sup> | AMOUNT DRAWN (\$M) <sup>1,2</sup> | FACILITY MATURITY |
|-------------------------------------|-----------------------------------|-----------------------------------|-------------------|
| - Multi option facility - Australia | 300                               | -                                 | Jun 2019          |
| - Multi option facility - Australia | 100                               | 100                               | Jul 2019          |
| - Multi option facility - Australia | 120                               | 10                                | Aug 2019          |
| - Multi option facility - Australia | 100                               | -                                 | Dec 2019          |
| - Multi option facility - Australia | 100                               | 100                               | Dec 2019          |
| - Multi option facility - Australia | 175                               | 140                               | Jan 2021          |
| - Multi option facility - Australia | 75                                | 75                                | Jan 2021          |
| - Multi option facility - Australia | 50                                | 50                                | Feb 2022          |
| - Multi option facility - Australia | 100                               | 100                               | Feb 2022          |
| - Multi option facility - Australia | 100                               | 100                               | Nov 2022          |
| <b>Total Bank Debt</b>              | <b>1,220</b>                      | <b>675</b>                        |                   |

1. Facility limit excludes bank guarantees of \$410m of which \$387m was utilised as at 31 Dec 2018
2. Amount excludes borrowing costs and fair value adjustments, but includes transaction costs

## Debt Capital Markets

- A\$269m USPP matured in October 18

## Bank Debt

- A new multi option facility was entered in December 18 for A\$300m for 6 months
- A number of facilities were extended for a further 12 months in line with Treasury Policy
- Sufficient liquidity to manage maturities and investment requirements continues to be maintained



# Debt summary (continued)

| FACILITY  | ISSUED DEBT (\$M) <sup>1</sup> | FACILITY MATURITY |
|---|--------------------------------|-------------------|
| <b>DOMESTIC MEDIUM TERM NOTE FACILITY (MTN)</b> |                                |                   |
| - MTN   | 150                            | Sep 2019          |
| - MTN   | 160                            | Nov 2020          |
| - MTN   | 250                            | Nov 2022          |
| <b>Total Domestic</b>                           | <b>560</b>                     |                   |
| <b>EURO MEDIUM TERM NOTE FACILITY (MTN)</b>     |                                |                   |
| - European MTN                                  | 433                            | Nov 2021          |
| - Asia MTN                                      | 62                             | May 2025          |
| - Asia MTN                                      | 55                             | Oct 2025          |
| - Asia MTN                                      | 100                            | Jan 2026          |
| - European MTN                                  | 478                            | Apr 2026          |
| - Asia MTN                                      | 51                             | May 2028          |
| <b>Total Offshore</b>                           | <b>1,179</b>                   |                   |

| FACILITY          | ISSUED DEBT (\$M) <sup>1</sup> | FACILITY MATURITY |
|-------------------|--------------------------------|-------------------|
| - USPP            | 71                             | Jul 2019          |
| - USPP            | 90                             | Jul 2020          |
| - USPP            | 176                            | Sep 2021          |
| - USPP            | 28                             | Jun 2022          |
| - USPP            | 105                            | Aug 2022          |
| - USPP            | 50                             | Aug 2024          |
| - USPP            | 156                            | Aug 2025          |
| - USPP            | 100                            | Dec 2025          |
| - USPP            | 200                            | Aug 2026          |
| - USPP            | 20                             | Jun 2027          |
| - USPP            | 131                            | Aug 2027          |
| - USPP            | 47                             | Jan 2028          |
| - USPP            | 139                            | Aug 2028          |
| - USPP            | 141                            | Feb 2029          |
| - USPP            | 106                            | Jan 2030          |
| - USPP            | 72                             | Aug 2030          |
| - USPP            | 59                             | Aug 2031          |
| - USPP            | 133                            | Jan 2033          |
| <b>Total USPP</b> | <b>1,824</b>                   |                   |

1. Amount relates to face value of debt and excludes borrowing costs and fair value adjustments

# Covenant calculations as at 31 December 2018

Going forward the TL/TTA covenant has been replaced with Financial Indebtedness/TTA and the limit increased to 50%

| AS AT<br>30 JUNE 2018                  | STATUTORY<br>BALANCE SHEET (\$M) | ADJUSTMENTS (\$M) | GEARING COVENANT<br>BALANCE SHEET (\$M) |
|--|----------------------------------|-------------------|---|
| <b>ASSETS</b>                          |                                  |                   |   |
| Cash                                   | 178                              | -                 | 178                                     |
| Real estate related assets             | 15,758                           | -                 | 15,758                                  |
| Retirement Living Gross-Up             | 2,732                            | (2,732)           | -                                       |
| Intangibles                            | 192                              | (192)             | -                                       |
| Other financial assets                 | 407                              | (389)             | 18                                      |
| Other assets                           | 267                              | -                 | 267                                     |
| <b>Total assets</b>                    | <b>19,534</b>                    | <b>(3,313)</b>    | <b>16,221</b>                           |
| <b>LIABILITIES</b>                     |                                  |                   |   |
| Interest-bearing liabilities           | (4,692)                          | 278               | (4,414)                                 |
| Retirement Living resident obligations | (2,745)                          | 2,732             | (13)                                    |
| Other financial liabilities            | (103)                            | 103               | -                                       |
| Other liabilities                      | (1,731)                          | -                 | (1,731)                                 |
| <b>Total liabilities</b>               | <b>(9,271)</b>                   | <b>3,113</b>      | <b>(6,158)</b>                          |
| <b>Net assets</b>                      | <b>10,263</b>                    | <b>(200)</b>      | <b>10,063</b>                           |

*As at 31 December, gearing covenants limited to Stockland's balance sheet liabilities and excludes:*

- MTM of hedges and interest-bearing liabilities **A**
- Retirement Living obligation for existing residents **B**

| FACILITY    | INTEREST<br>COVER <sup>1</sup> | TL/TTA | D/TTA<br>(NET OF<br>CASH) <sup>2</sup> |
|-------------|--------------------------------|--------|--|
| 31 Dec 2018 | 4.6:1                          | 38.0%  | 26.4%                                  |
| 31 Dec 2017 | 5.1:1                          | 35.3%  | 23.0%                                  |
| 31 Dec 2016 | 4.8:1                          | 32.9%  | 23.9%                                  |

*Going forward Stockland's gearing covenants will be:*

- **Financial Indebtedness / Total Tangible Assets (FI/TTA):**  
less than 50%, no adjustment made for cash held
- **Interest cover: more than 2:1** (write-downs and provisions are excluded from calculation)

1. Rolling 12 month average

2. Debt = Interest bearing debt (\$4,414m) + transaction costs (\$7m) – Cash \$178m. TTA = Total tangible assets \$16,221m – Cash \$178m

# Balance sheet summary

|   | 31 DECEMBER 2018 (\$M) | 30 JUNE 2018 (\$M) |
|---|------------------------|--------------------|
| Cash  | 178                    | 333                |
| <b>REAL ESTATE RELATED ASSETS</b>                   |                        |                    |
| - Commercial Property                               | 10,621                 | 10,562             |
| - Residential                                       | 3,606                  | 3,432              |
| - Retirement Living                                 | 1,495                  | 1,443              |
| - Other   | 36                     | 37                 |
| Retirement Living Gross-Up                          | 2,732                  | 2,724              |
| Intangible assets                                   | 192                    | 194                |
| Other financial assets                              | 407                    | 294                |
| Other assets  | 267                    | 272                |
| <b>Total assets</b>                                 | <b>19,534</b>          | <b>19,291</b>      |
| Interest-bearing liabilities                        | 4,692                  | 3,938              |
| Retirement Living resident obligations <sup>1</sup> | 2,745                  | 2,741              |
| Other financial liabilities                         | 103                    | 196                |
| Other liabilities                                   | 1,731                  | 2,040              |
| <b>Total liabilities</b>                            | <b>9,271</b>           | <b>8,915</b>       |
| <b>Net assets</b>                                   | <b>10,263</b>          | <b>10,376</b>      |
| <b>NTA per share</b>                                | <b>\$4.19</b>          | <b>\$4.18</b>      |

1. This amount comprises \$2,732m of existing resident obligations (30 June 2018: \$2,724m), being a balance sheet gross-up and \$13m of former resident obligations (30 June 2018: \$17m)



# Stockland corporation income tax reconciliation

|   | 1H19                   | 1H18                   |
|---|------------------------|------------------------|
|   | STATUTORY PROFIT (\$M) | STATUTORY PROFIT (\$M) |
| <b>Net profit before tax</b>                                      | <b>318</b>             | <b>610</b>             |
| Less: Trust profit and Intergroup eliminations                    | (271)                  | (395)                  |
| Corporation profit/(loss) before tax                              | <b>B</b> 47            | 215                    |
| Prima facie tax expense @ 30%                                     | (14)                   | (65)                   |
| <b>Tax effect of permanent differences:</b>                       |                        |                        |
| Underprovided in prior years                                      | -                      | -                      |
| Other non – deductible expenses                                   | (4)                    | -                      |
| Tax losses recognised during the period <sup>1</sup>              | -                      | 139                    |
| <b>Tax Expense(benefit)</b>                                       | <b>A</b> (18)          | <b>74</b>              |
| Effective tax rate ( <b>A</b> / <b>B</b> )                        | 38%                    | (34%)                  |
| Effective tax rate (excluding benefit from tax losses recognised) | 38%                    | 30%                    |

1. In the prior period, \$139m was recognised as a DTA on the balance sheet relating to unused tax losses from previous financial years



# Commercial Property

## Annexure



Stockland

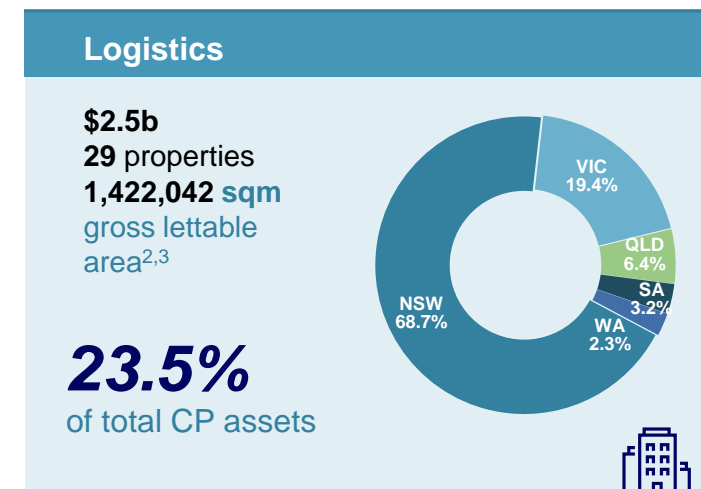
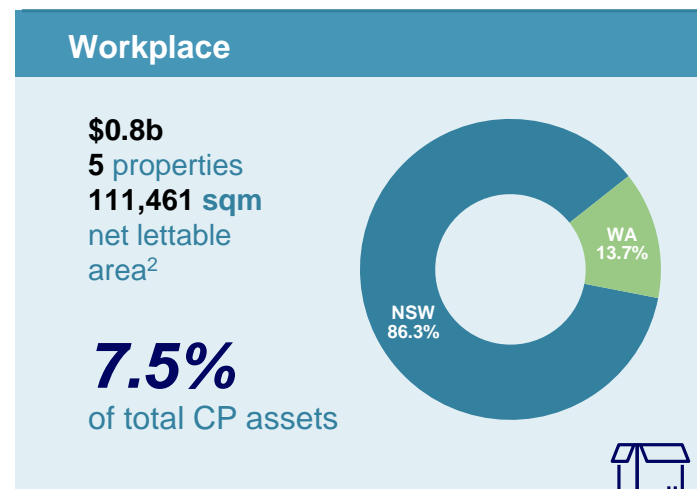
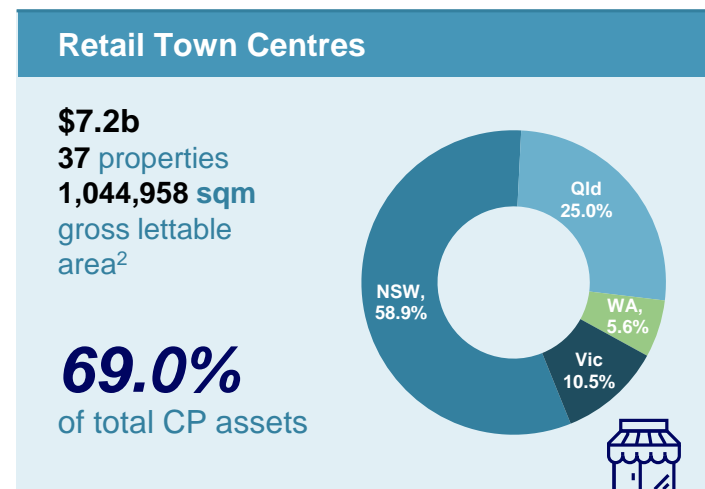
STOCKLAND BIRTINYA, QLD



# Commercial Property

## Portfolio weightings and valuation movements

Commercial Property assets: \$10.5b<sup>1</sup>



|  | WACR DEC18  | WACR DEC17  | BOOK VALUE UNDER OWNERSHIP (\$M) | 1H19 REVALUATION MOVEMENT (\$M) | GROSS BOOK VALUE <sup>6</sup> (\$M) |
|--|-------------|-------------|----------------------------------|---------------------------------|-------------------------------------|
| Retail Town Centres                              | 5.9%        | 5.9%        | 7,228                            | (176)                           | 7,688                               |
| Workplace  | 5.9%        | 6.3%        | 786                              | 58                              | 1,301                               |
| Logistics  | 6.4%        | 6.9%        | 2,469                            | 142                             | 2,689                               |
| Capital works and sundry properties <sup>4</sup> | -           | -           | 162                              | 3                               | 162                                 |
| <b>Total</b>                                     | <b>6.0%</b> | <b>6.1%</b> | <b>10,645<sup>5</sup></b>        | <b>27<sup>5</sup></b>           | <b>11,840</b>                       |

1. Excludes capital works in progress and sundry properties
2. Represents 100% owned, JV and associates properties
3. Excludes hardstand and vehicle storage

4. An independent valuation will be performed on completion of the capital work
5. Excluding stapling adjustment of \$5m related to owner occupied space
6. Represents all assets that we have ownership in, at 100%



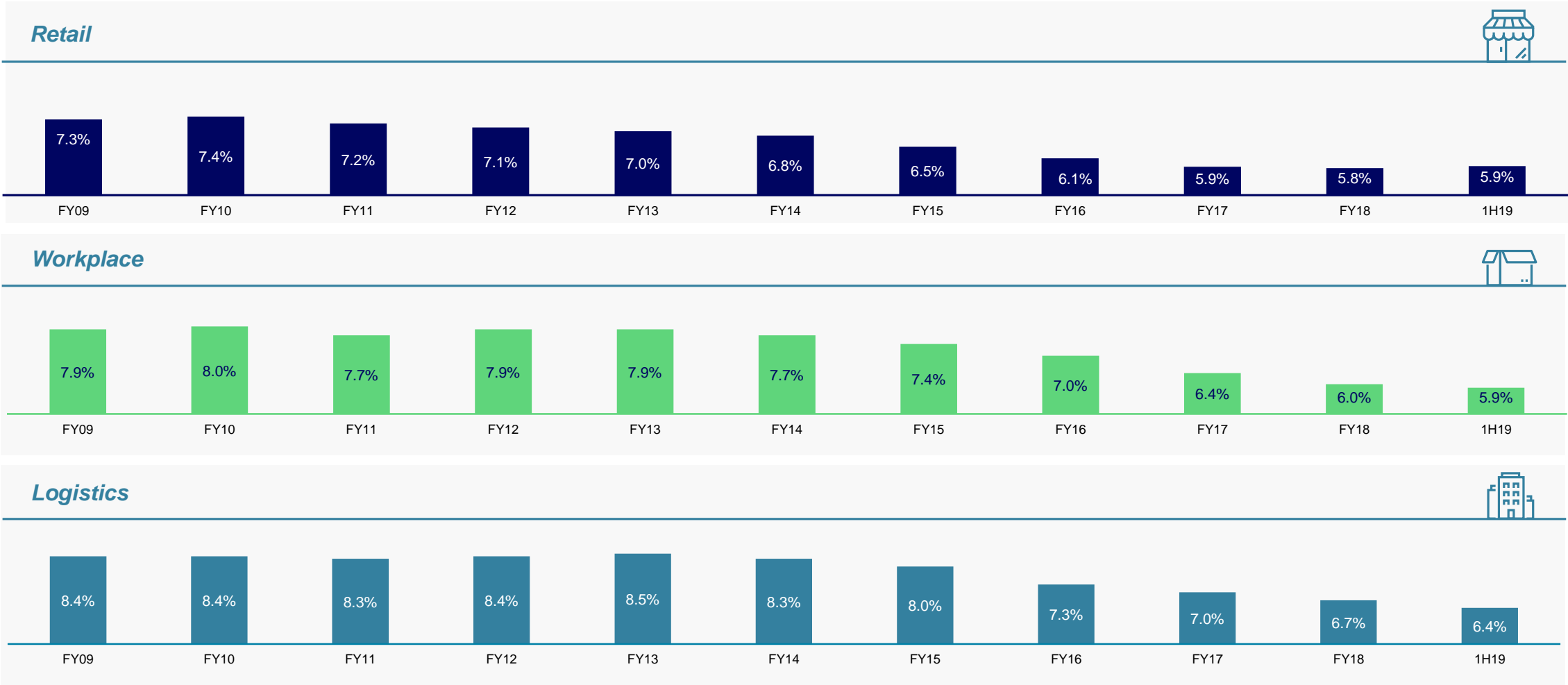
# Commercial Property

## Funds from operations

|   | RETAIL     |            | WORKPLACE |           | LOGISTICS |           | TRADING PROFIT |          | NET OVERHEAD COSTS |            | TOTAL      |            |
|---|------------|------------|-----------|-----------|-----------|-----------|----------------|----------|--------------------|------------|------------|------------|
| \$M   | 1H19       | 1H18       | 1H19      | 1H18      | 1H19      | 1H18      | 1H19           | 1H18     | 1H19               | 1H18       | 1H19       | 1H18       |
| Operating EBIT                                    | 197        | 190        | 18        | 19        | 71        | 66        | -              | 1        | (9)                | (8)        | 277        | 268        |
| <b>Adjust for:</b>                                |            |            |           |           |           |           |                |          |                    |            |            |            |
| Amortisation of fit out incentives and lease fees | 23         | 20         | 3         | 4         | 3         | 3         | -              | -        | -                  | -          | 29         | 27         |
| Amortisation of rent-free incentives              | -          | -          | 3         | 3         | 7         | 6         | -              | -        | -                  | -          | 10         | 9          |
| Straight-line rent                                | (2)        | (1)        | -         | -         | -         | (1)       | -              | -        | -                  | -          | (2)        | (2)        |
| <b>Funds from operations</b>                      | <b>218</b> | <b>209</b> | <b>24</b> | <b>26</b> | <b>81</b> | <b>74</b> | <b>-</b>       | <b>1</b> | <b>(9)</b>         | <b>(8)</b> | <b>314</b> | <b>302</b> |


# Commercial Property Portfolio

## Trend in cap rates over time



# Retail Town Centres

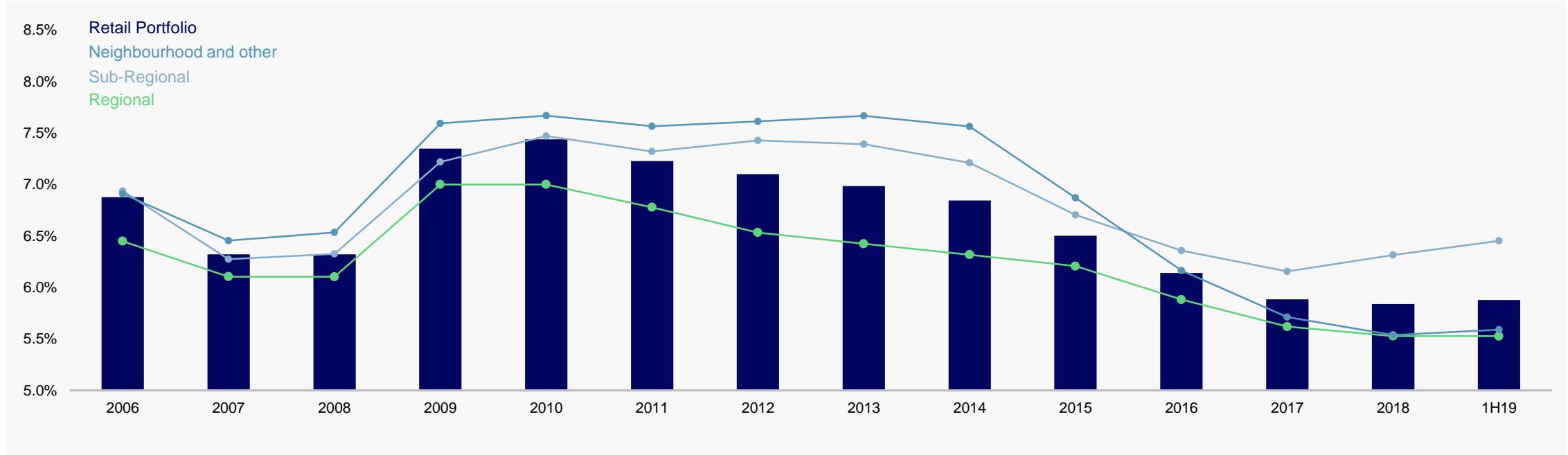
## Portfolio capitalisation rates



| AS AT 30 JUN 2006       |  | % Allocation |
|-------------------------|--|--------------|
| Regional                |  | 14%          |
| Sub-Regional            |  | 78%          |
| Neighbourhood and Other |  | 8%           |



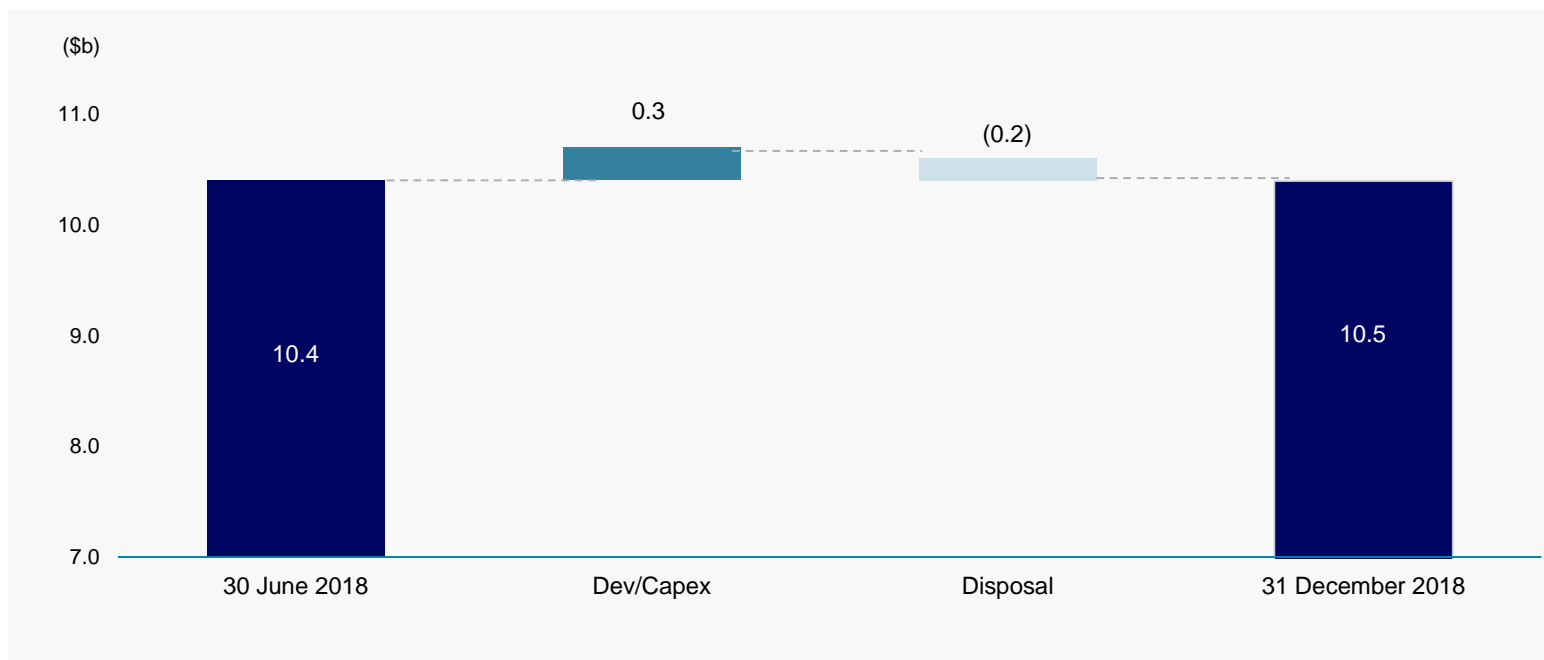
| AS AT 31 DEC 2018       |  | % Allocation |
|-------------------------|--|--------------|
| Regional                |  | 56%          |
| Sub-Regional            |  | 36%          |
| Neighbourhood and Other |  | 8%           |



# Commercial Property

## Revaluation and book value

*Commercial Property book values: \$10.5b<sup>1</sup>*



| NET REVALUATION BREAKDOWN           | RETAIL (\$M) | WORKPLACE (\$M) | LOGISTICS (\$M) | TOTAL(\$M) |
|-------------------------------------|--------------|-----------------|-----------------|------------|
| Total net revaluations <sup>2</sup> | (173)        | 58              | 142             | 27         |

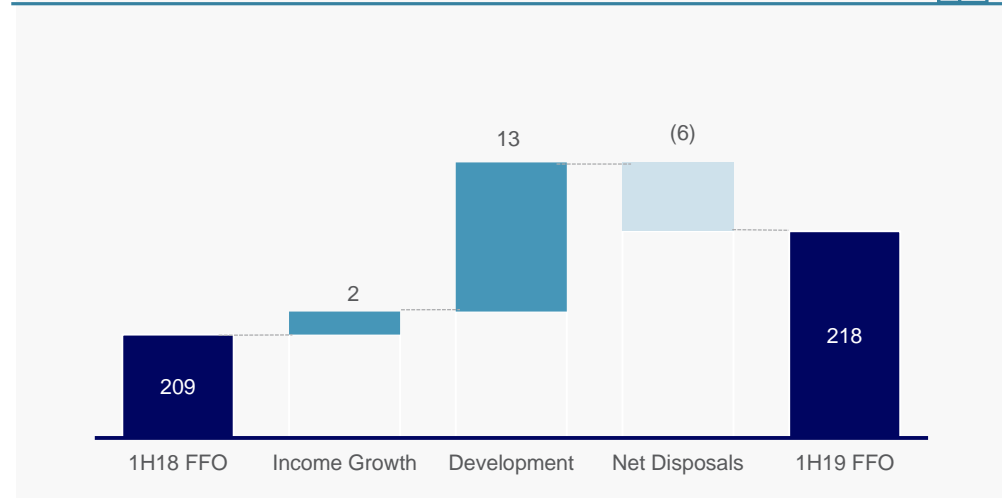
1. Includes joint venture and associate investment properties. Excludes capital works in progress and sundry properties
2. Excluding stapling adjustments of \$5m related to owner occupied space



# Retail Town Centres

## Performance

Retail FFO movements between 1H18 and 1H19 (\$M)



### Leasing activity



|                 | NO. OF DEALS | AREA (SQM) | RENTAL GROWTH |
|-----------------|--------------|------------|---------------|
| Lease renewals  | 142          | 20,467     | 0.2%          |
| New leases      | 111          | 12,207     | (2.6%)        |
| Total portfolio | 253          | 32,674     | (1.0%)        |

1. Stable portfolio. 1H19 basket different to 1H18 basket
2. Adjusted for operational centre remixes and reconfiguration as well as retailers subject to administration

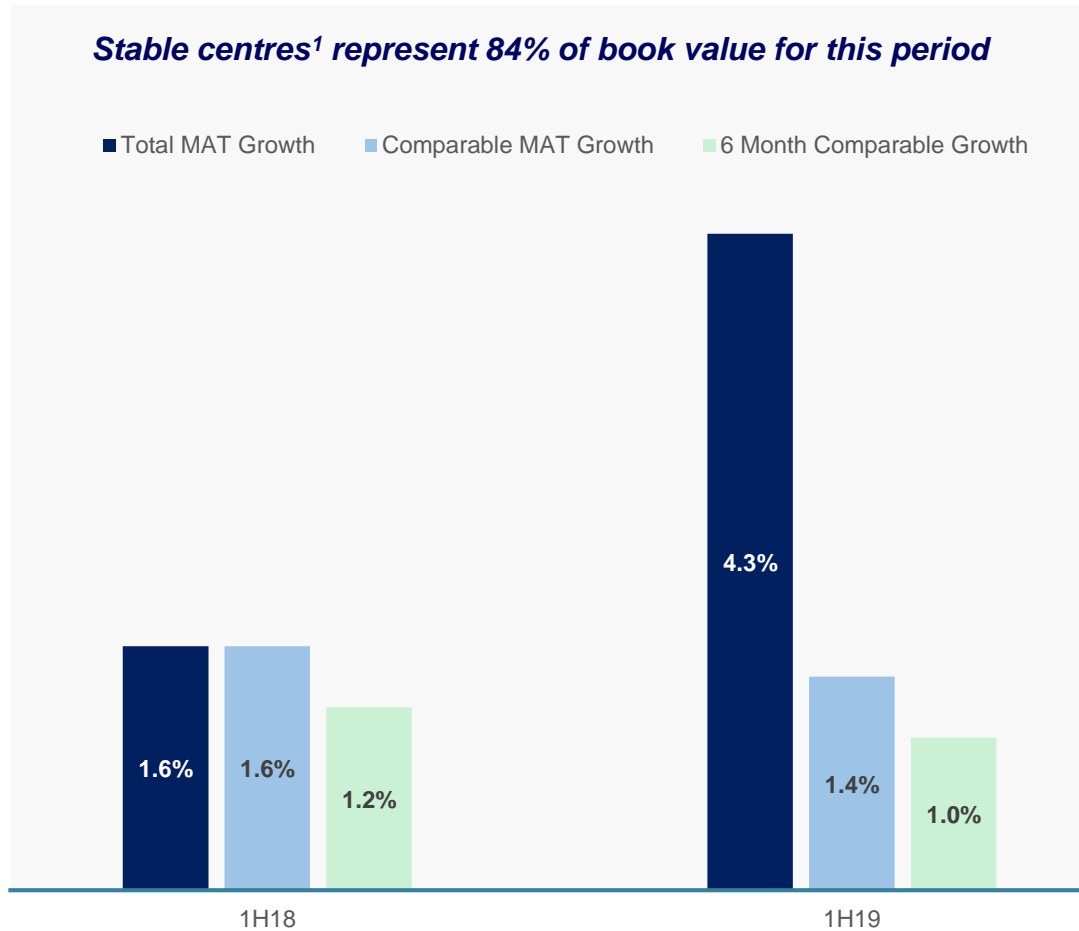
| KEY METRICS (STABLE PORTFOLIO)             | 1H19       | 1H18       |
|--|------------|------------|
| Occupancy                                  | 99.4%      | 99.5%      |
| Specialty occupancy costs <sup>1</sup>     | 15.0%      | 15.4%      |
| - Regional                                 | 16.2%      | 17.1%      |
| - Sub-regional                             | 13.9%      | 14.0%      |
| - Neighbourhood centres                    | 15.0%      | 15.1%      |
| - Fixed annual increases                   | 98%        | 97%        |
| - CPI+                                     | 2%         | 3%         |
| Tenant retention <sup>2</sup>              | 63%        | 65%        |
| Weighted average lease expiry <sup>3</sup> | 6.1 years  | 6.6 years  |
| Options WALE <sup>4</sup>                  | 10.7 years | 12.0 years |

**95%**  
on fixed  
4-5%  
increases  
per annum

3. Assumes all leases terminate at earlier of expiry / option date
4. If all call options are exercised on Majors' leases

# Retail Town Centres

## Sales growth for stable basket centres



|                  | TOTAL MAT (\$M) | SGP TOTAL MAT GROWTH | 12 MONTH COMPARABLE CENTRES GROWTH | 6 MONTH COMPARABLE CENTRES GROWTH |
|------------------|-----------------|----------------------|------------------------------------|-----------------------------------|
| Supermarkets     | 2,480           | 1.9%                 | 0.7%                               | 1.0%                              |
| Department / DDS | 902             | 3.7%                 | 1.4%                               | 0.8%                              |
| Specialties      | 2,073           | 7.6%                 | 1.3%                               | 1.0%                              |
| Mini Majors      | 703             | 6.8%                 | 1.1%                               | (0.5%)                            |
| Other/Cinema     | 573             | 2.2%                 | 5.2%                               | 3.8%                              |
| <b>Total</b>     | <b>6,731</b>    | <b>4.3%</b>          | <b>1.4%</b>                        | <b>1.0%</b>                       |

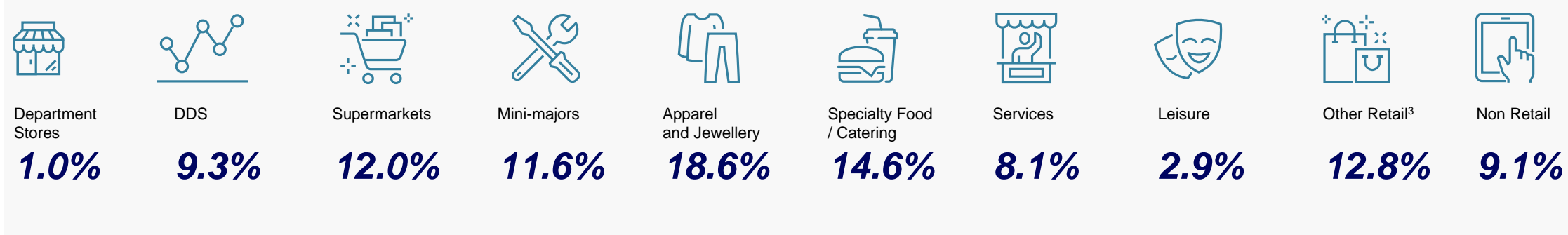
1. Stable basket of assets as per SCCA guidelines, which excludes centres which have been redeveloped within the past 24 months such as Green Hills. 1H19 basket is different to 1H18 basket

# Strong sales performance and diversified rental income

## Locations



## Diversified rental income, non-discretionary focus<sup>2</sup> - Low reliance on DDS and department store income



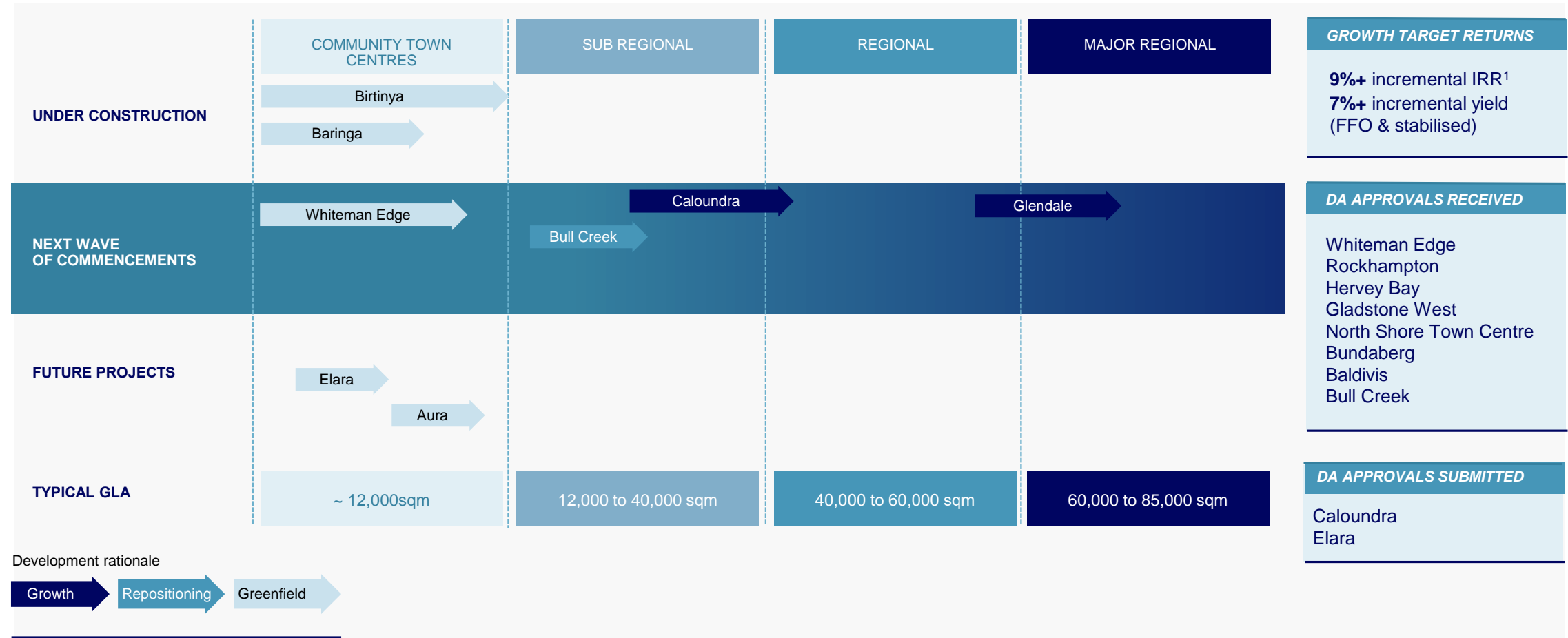
1. Stable centres basket specialty MAT PSM

2. Total gross rent for the period

3. Cinemas, general retail, homewares, mobile phones, other, Bunnings included

# Retail Town Centres

## Significant development pipeline driving growth and returns



1. Unlevered 10 year IRR on incremental development from completion



# Retail Town Centres

## Development pipeline

|                           | EST. TOTAL<br>INCREMENTAL<br>COST (\$M) | COST SPENT<br>TO DATE (\$M) | EST. COST TO<br>COMPLETE<br>(\$M) | EST.<br>COMPLETION<br>DATE | EST. FULLY<br>LEASED YEAR<br>ONE YIELD <sup>1</sup> | TOTAL<br>INCOME<br>LEASED | SPECIALTY<br>INCOME<br>LEASED <sup>2</sup> | EST.<br>INCREMENTAL<br>RETURN <sup>3</sup> (%) | EST. TOTAL<br>RETURN <sup>4</sup> (%) |
|---------------------------|---|-----------------------------|-----------------------------------|----------------------------|---|---------------------------|--|--|---------------------------------------|
| <b>UNDER CONSTRUCTION</b> |   |                             |                                   |                            |   |                           |  |  |                                       |
| Birtinya (Qld)            | ~87                                     | 76                          | 11                                | FY19                       | ~5.5% - 6.5%  | 83%                       | 79%  | ~6% - 7%                                       | ~6% - 7%                              |
| Baringa (Qld)             | ~33                                     | 11                          | 22                                | FY20                       | ~6.5% - 7.5%  | 34%                       | 19%  | ~8% - 9%                                       | ~8% - 9%                              |
| <b>Future Pipeline</b>    | <b>~260</b>                             |                             | <b>~260</b>                       |                            |   |                           |  |  |                                       |
| <b>Total</b>              | <b>~380</b>                             |                             | <b>~293</b>                       |                            |   |                           |  |  |                                       |

1. Stabilised incremental FFO yield, includes property management fees to Stockland Corporation

2. All specialty income including shops, kiosks, ATMs, office units and pad sites, excluding majors and mini majors

3. Unlevered 10 year IRR on incremental development from completion

4. Unlevered 10 year IRR for existing assets and incremental development from completion

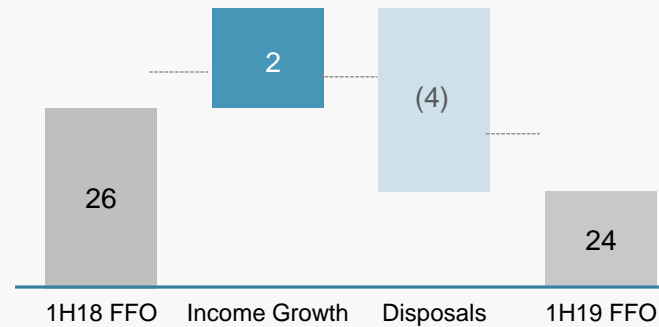
# Workplace

## Performance

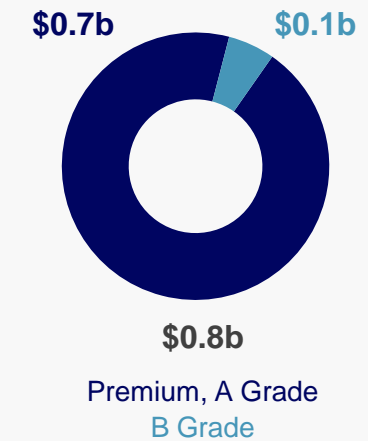
### Occupancy and lease expiry – by income

|           | 1H19    | 1H18    |
|-----------|---------|---------|
| Occupancy | 95.5%   | 91.1%   |
| WALE      | 3.8 yrs | 3.3 yrs |

### FFO movements between 1H18 and 1H19 (\$M)



### Workplace assets by book value



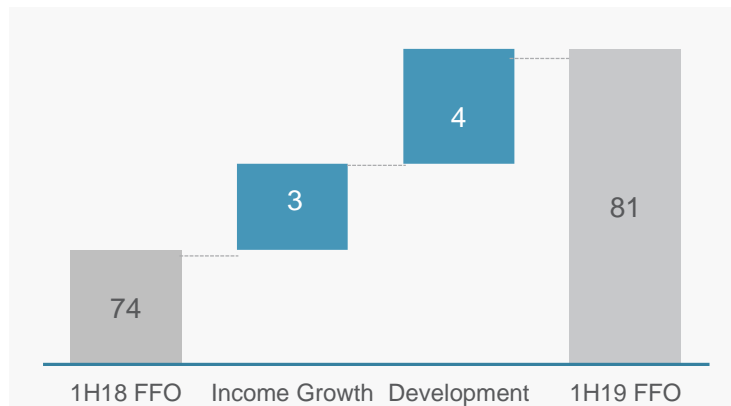
# Logistics

## Performance

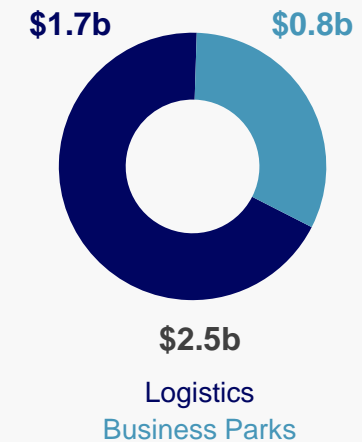
### Occupancy and lease expiry – by income

|           | 1H19    | 1H18    |
|-----------|---------|---------|
| Occupancy | 98%     | 98.8%   |
| WALE      | 5.2 yrs | 4.2 yrs |

### FFO movements between 1H18 and 1H19 (\$M)



### Logistics assets by book value



### Leasing metrics

| TOTAL LEASED <sup>1</sup> |                               |                                     |  | RETENTION <sup>1</sup> - 79 % <sup>2</sup> |                                     |  | NEW LEASES <sup>1</sup>       |                                     |  |
|---------------------------|-------------------------------|-------------------------------------|--|--|-------------------------------------|--|-------------------------------|-------------------------------------|--|
| LOGISTICS                 | GLA LEASED (SQM) <sup>1</sup> | WEIGHTED AVERAGE BASE RENT GROWTH % | WEIGHTED AVERAGE INCENTIVES <sup>3</sup> | RETENTION (SQM) <sup>1</sup>               | WEIGHTED AVERAGE BASE RENT GROWTH % | WEIGHTED AVERAGE INCENTIVES <sup>3</sup> | NEW LEASES (SQM) <sup>1</sup> | WEIGHTED AVERAGE BASE RENT GROWTH % | WEIGHTED AVERAGE INCENTIVES <sup>3</sup> |
| <b>Total</b>              | <b>321,142</b>                | <b>1.1%</b>                         | <b>9.2%</b>                              | <b>215,533</b>                             | <b>0.7%</b>                         | <b>6.2%</b>                              | <b>105,609</b>                | <b>1.8%</b>                         | <b>16.5%</b>                             |

1. Includes executed leases only and represents 100% property ownership

2 Represents the percentage (by income) of total executed deals, which were expiring leases renewed by existing customers during the period. Excludes new leases on vacant space

3. Incentives based on net rent

# Workplace and Logistics

## Growing & activating the development pipeline

|     | COMPLETED                      | ACTIVE DEVELOPMENT   | PLANNING UNDERWAY                | FUTURE WAVE              |                                   |
|-----|--------------------------------|----------------------|----------------------------------|--------------------------|-----------------------------------|
| NSW |                                |                      |                                  | Ingleburn (Stage 3)      |                                   |
|     | Yennora (Bldg 3 & 11)          |                      |                                  | Yennora (Bldg 1 & 2)     |                                   |
|     | Ingleburn (Stage 2)            |                      | M - Park Stage 1                 | M - Park Stage 2-4       |                                   |
| VIC |                                | KeyWest ( Truganina) |                                  | Altona Industrial Estate |                                   |
|     |                                |                      | Melbourne Business Park          | Brooklyn (A & C)         |                                   |
| QLD | Willawong Stage 1 <sup>1</sup> | Yatala               | Willawong Stage 2-5 <sup>1</sup> |                          | DA APPROVALS SUBMITTED            |
|     |                                |                      | Oceanside                        |                          | M - Park (Stage 1) and masterplan |
|     |                                |                      |                                  |                          |                                   |
| SA  |                                |                      |                                  | Port Adelaide DC         |                                   |
| WA  |                                |                      |                                  |                          | Development type                  |
|     |                                |                      |                                  |                          | Greenfield Brownfield             |

1. Asset developed on acquired land as part of Residential Community activity



# Workplace and Logistics

## Development pipeline

|                                     | DEVELOPMENT TYPE | EST. TOTAL INCREMENTAL COST (\$M) | GROSS LETTABLE AREA (SQM) | COST SPENT TO DATE (\$M) | EST. COST TO COMPLETE (\$M) | EST. COMPLETION DATE | EST. FULLY LEASED YEAR ONE YIELD <sup>2</sup> | EST. RETURN <sup>3</sup> | EST. TOTAL RETURN <sup>4</sup> |
|-------------------------------------|------------------|-----------------------------------|---------------------------|--------------------------|-----------------------------|----------------------|---|--------------------------|--------------------------------|
| <b>COMPLETED<sup>1</sup></b>        |                  |                                   |                           |                          |                             |                      |   |                          |                                |
| Yennora (Blg 3 & 11) (NSW)          | Brownfield       | ~26                               | 22,600                    | 22                       | ~4                          | FY19                 | 7.8%  | ~13% - 14%               | ~11 % - 12%                    |
| Ingleburn Stage 2 (NSW)             | Greenfield       | ~50                               | 36,850                    | 44                       | ~6                          | FY19                 | 7.7%  | ~10% - 11%               | ~10% - 11%                     |
| Willawong Distribution Centre (Qld) | Greenfield       | ~23                               | 18,400                    | 19                       | ~4                          | FY19                 | 8.0%  | ~10% - 11%               | ~10% - 11%                     |
|                                     |                  | <b>~99</b>                        | <b>77,850</b>             |                          | <b>14</b>                   |                      |   |                          |                                |
| <b>UNDER CONSTRUCTION</b>           |                  |                                   |                           |                          |                             |                      |   |                          |                                |
| Truganina (Vic)                     | Greenfield       | ~36                               | 30,400                    | 11                       | 25                          | FY19                 | 6.7%  | ~8% - 9%                 | ~8% - 9%                       |
| Yatala Stage 1 (Qld)                | Greenfield       | ~20                               | 14,100                    | 3                        | 17                          | FY20                 | 7.0%  | ~9% - 10%                | ~9% - 10%                      |
| <b>FUTURE PIPELINE</b>              |                  | ~740                              |                           |                          | ~740                        |                      | 7%+   | 9%+                      |                                |
| <b>Total</b>                        |                  | <b>~895</b>                       |                           |                          | <b>~796</b>                 |                      |   |                          |                                |

1. Indicative metrics on completion

2. Stabilised incremental FFO yield, includes property management fees

3. Forecast unlevered 10 year IRR on development from completion (incremental development for brownfield)

4. Forecast unlevered 10 year IRR for existing assets and development from completion (incremental development for brownfield)

# Retail Town Centres

## Asset values

| RETAIL PORTFOLIO                        | BOOK VALUE (\$M) | 1H19 VAL.INCR/ (DECR) (\$M) <sup>1</sup> | CHANGE  | CAP RATE         | 1H19 FFO (\$M) |
|---|------------------|--|---------|------------------|----------------|
| Stockland Green Hills <sup>2</sup>      | 841.0            | 12.3                                     | 1.5%    | 5.25%            | 22.9           |
| Stockland Shellharbour                  | 757.9            | (21.5)                                   | (2.8%)  | 5.50%            | 22.0           |
| Stockland Wetherill Park                | 755.0            | (17.7)                                   | (2.3%)  | 5.25%            | 19.1           |
| Stockland Merrylands                    | 580.2            | -  | -       | 5.50%            | 16.8           |
| Stockland Rockhampton <sup>2</sup>      | 376.0            | (9.8)                                    | (2.5%)  | 6.00%            | 11.3           |
| Stockland Glendale <sup>2</sup>         | 343.4            | -  | -       | 5.75%            | 10.5           |
| Stockland Point Cook                    | 243.0            | (16.7)                                   | (6.4%)  | 6.25%            | 7.4            |
| Stockland Burleigh Heads <sup>2</sup>   | 198.3            | -  | -       | 6.50%            | 6.1            |
| Stockland Baldivis <sup>2</sup>         | 196.0            | (11.6)                                   | (5.6%)  | 6.25%            | 5.8            |
| Stockland Cairns                        | 195.0            | -  | -       | 6.50%            | 6.2            |
| Stockland Hervey Bay                    | 193.7            | -  | -       | 6.50%            | 5.6            |
| Stockland Townsville (50%) <sup>2</sup> | 185.5            | (6.4)                                    | (3.3%)  | 5.75%-6.50%      | 5.2            |
| Stockland The Pines                     | 180.1            | (2.9)                                    | (1.6%)  | 6.25%            | 5.9            |
| Stockland Wendouree <sup>2</sup>        | 180.0            | (9.9)                                    | (5.2%)  | 6.50%            | 6.1            |
| Stockland Forster                       | 172.2            | -  | -       | 6.25%            | 5.7            |
| Stockland Balgowlah                     | 170.3            | -  | -       | 5.50%            | 5.0            |
| Stockland Baulkham Hills                | 161.0            | -  | -       | 6.00%            | 5.3            |
| Stockland Bundaberg                     | 151.5            | -  | -       | 6.50%            | 4.8            |
| Stockland Gladstone <sup>2</sup>        | 138.1            | -  | -       | 6.75%            | 5.1            |
| Stockland Caloundra <sup>3</sup>        | 132.2            | (15.1)                                   | (10.2%) | 5.75%-6.25%      | 4.3            |
| Stockland Jesmond                       | 130.0            | (11.2)                                   | (7.9%)  | 7.25%            | 5.0            |
| Stockland Nowra                         | 124.7            | (5.7)                                    | (4.4%)  | 6.25%            | 3.7            |
| Stockland Cleveland                     | 105.0            | (15.2)                                   | (12.6%) | 6.25%            | 3.2            |
|   |                  |  |         |                  |                |
| RETAIL PORTFOLIO                        | BOOK VALUE (\$M) | 1H19 VAL.INCR/ (DECR) (\$M) <sup>1</sup> | CHANGE  | CAP RATE         | 1H19 FFO (\$M) |
| Stockland Traralgon                     | 95.0             | (13.2)                                   | (12.2%) | 7.00%            | 4.2            |
| Stockland Bull Creek <sup>2</sup>       | 92.0             | (7.3)                                    | (7.3%)  | 6.75%            | 3.2            |
| Glasshouse (50%)                        | 85.8             | 3.1                                      | 3.8%    | 4.00%            | 1.7            |
| Stockland Tooronga                      | 62.3             | -  | -       | 6.00%            | 2.0            |
| Stockland Riverton (50%)                | 61.5             | (4.7)                                    | (7.1%)  | 6.50%            | 2.4            |
| Stockland Harrisdale                    | 57.6             | 0.3                                      | 0.5%    | 6.50%            | 1.8            |
| Stockland Birtinya <sup>2</sup>         | 56.1             | (12.4)                                   | (18.1%) | n/a              | 0.2            |
| Shellharbour Retail Park <sup>2</sup>   | 56.1             | -  | -       | 7.00%            | 1.5            |
| Stockland Cammeray                      | 43.0             | (6.4)                                    | (13.0%) | 6.25%            | 1.3            |
| Stockland Piccadilly (50%)              | 39.0             | 0.2                                      | 0.5%    | 5.25%            | 1.3            |
| Stockland Kensington                    | 25.8             | (4.5)                                    | (15.0%) | 7.00%            | 0.9            |
| Burleigh Central                        | 21.2             | -  | -       | 7.00%            | 0.7            |
| North Shore Townsville                  | 20.1             | -  | -       | 6.50%            | 0.6            |
| T/ville, Kingsvale & Sunvale (50%)      | 2.5              | -  | (0.8%)  | n/a              | (0.1)          |
|   |                  |  |         |                  |                |
| <b>Subtotal Retail</b>                  | <b>7,228.1</b>   | <b>(176.3)</b>                           |         |                  | <b>214.7</b>   |
| Disposals                               | -                | -  | -       | -                | 3.2            |
| Other <sup>4</sup>                      | -                | 3.3                                      | 100.0%  | -                | 0.5            |
| <b>Total Retail</b>                     | <b>7,228.1</b>   | <b>(173.0)</b>                           |         | <b>WACR 5.9%</b> | <b>218.4</b>   |

1. Movements due to independent valuations, except Birtinya which is due to Director's valuation
2. Properties impacted by development or still in stabilisation mode

3. Includes asset held for sale (Caloundra South, settling in 2H19). Cap rate not included in Retail WACR
4. Mainly relates to sundry properties

# Workplace and Logistics

## Asset values

| WORKPLACE PORTFOLIO                   | BOOK VALUE (\$M) | 1H19 VAL.INCR/ (DECR) (\$M) <sup>1</sup> | CHANGE | CAP RATE         | 1H19 FFO (\$M) |
|---------------------------------------|------------------|--|--------|------------------|----------------|
| Piccadilly Complex (50%) <sup>2</sup> | 287.5            | 20.3                                     | 7.6%   | 5.63-6.00%       | 7.6            |
| 135 King Street (50%)                 | 227.5            | 15.4                                     | 7.3%   | 5.00%            | 5.2            |
| Durack Centre                         | 107.3            | -  | -      | 8.00%            | 4.9            |
| 601 Pacific Highway                   | 119.0            | 14.5                                     | 13.9%  | 6.00%            | 4.0            |
| 110 Walker Street                     | 44.6             | 7.9                                      | 21.5%  | 5.75%            | 1.2            |
| <b>Subtotal Workplace</b>             | <b>785.9</b>     | <b>58.1</b>                              |        |                  | <b>22.9</b>    |
| Disposals                             | -                | -  |        |                  | <b>1.1</b>     |
| <b>Total Workplace</b>                | <b>785.9</b>     | <b>58.1</b>                              |        | <b>WACR 5.9%</b> | <b>24.1</b>    |

| LOGISTICS PORTFOLIO                          | BOOK VALUE (\$M) | 1H19 VAL.INCR/ (DECR) (\$M) <sup>1</sup> | CHANGE | CAP RATE         | 1H19 FFO (\$M) |
|--|------------------|--|--------|------------------|----------------|
| Yennora Distribution Centre                  | 458.0            | 28.0                                     | 6.5%   | 6.25%            | 14.3           |
| Optus Centre, Macquarie Park (51%)           | 229.2            | -  | -      | 6.50%            | 8.1            |
| Trinity Business Park, North Ryde            | 212.4            | 15.5                                     | 7.9%   | 6.13%            | 6.7            |
| Ingleburn Logistics Park                     | 183.7            | 44.2                                     | 31.7%  | 5.75%            | 3.5            |
| 60-66 Waterloo Road, Macquarie Park          | 117.0            | 10.6                                     | 9.9%   | 6.00-6.37%       | 3.8            |
| Brooklyn Distribution Centre                 | 110.0            | 4.2                                      | 4.0%   | 6.50%            | 4.0            |
| Hendra Distribution Centre, Brisbane         | 107.5            | 9.1                                      | 9.2%   | 6.75%            | 3.7            |
| Coopers Paddock, Warwick Farm                | 101.5            | 6.4                                      | 6.7%   | 5.50%            | 2.8            |
| Mulgrave Corporate Park                      | 93.0             | (2.4)                                    | (2.5%) | 7.00%            | 3.3            |
| Port Adelaide Distribution Centre            | 80.0             | (5.1)                                    | (6.0%) | 9.50%            | 5.0            |
| Forrester Distribution Centre, St Marys      | 76.0             | (5.2)                                    | (6.4%) | 7.00%            | 3.4            |
| Granville Industrial Estate                  | 73.0             | 5.2                                      | 7.7%   | 6.25-6.75%       | 2.5            |
| Oakleigh Industrial Estate, Oakleigh South   | 68.0             | 6.3                                      | 10.1%  | 5.75%            | 2.0            |
| Somerton Distribution Centre, Somerton       | 61.9             | -  | -      | 6.75-7.25%       | 2.1            |
| Macquarie Technology Park, Macquarie Park    | 58.8             | -  | -      | 6.63-7.50%       | 2.0            |
| Altona Distribution Centre                   | 56.3             | 1.2                                      | 2.1%   | 6.25-6.50%       | 2.1            |
| Balcatta Distribution Centre                 | 56.0             | 1.0                                      | 1.8%   | 6.75%            | 1.7            |
| 16 Giffnock Avenue, Macquarie Park           | 54.4             | -  | -      | 6.75%            | 2.0            |
| Altona Industrial Estate                     | 47.0             | 10.2                                     | 27.8%  | 6.25%            | 1.6            |
| 23 Wonderland Drive, Eastern Creek           | 42.0             | -  | -      | 6.25%            | 1.5            |
| Willawong Distribution Centre                | 37.7             | 3.5                                      | 10.4%  | 6.75%            | -              |
| 72-76 Cherry Lane, Laverton North            | 33.6             | 1.9                                      | 6.1%   | 6.25%            | 1.2            |
| Wetherill Park Distribution Centre           | 33.0             | 3.2                                      | 10.7%  | 6.25%            | 1.0            |
| Smeg Distribution Centre, Botany             | 32.0             | 3.5                                      | 12.3%  | 5.00%            | 0.8            |
| 89 Quarry Road, Erskine Park                 | 24.7             | 0.5                                      | 1.8%   | 5.75%            | 0.7            |
| 40 Scanlon Drive, Epping                     | 9.6              | -  | -      | 7.00%            | 0.4            |
| Export Distribution Centre, Brisbane Airport | 6.6              | -  | -      | 11.20%           | 0.3            |
| M1 Yatala Distribution Centre                | 5.8              | -  | -      | N/A              | -              |
| <b>Total Logistics</b>                       | <b>2,468.7</b>   | <b>141.8</b>                             |        | <b>WACR 6.4%</b> | <b>80.5</b>    |

1. Movements due to independent valuations
2. Piccadilly Complex includes Piccadilly Tower and Court

# Top 20 tenants by income

| RETAIL PORTFOLIO |                                    |             | WORKPLACE PORTFOLIO                            |             | LOGISTICS PORTFOLIO                       |             |
|------------------|------------------------------------|-------------|--|-------------|---|-------------|
| RANK             | TENANT                             | % PORTFOLIO | TENANT   | % PORTFOLIO | TENANT                                    | % PORTFOLIO |
| 1                | Woolworths Limited                 | 9.9%        | Jacobs Group                                   | 9.8%        | Optus Administration Pty Ltd              | 9.5%        |
| 2                | Wesfarmers Ltd                     | 5.7%        | IBM Australia Ltd                              | 9.6%        | Toll Holdings Ltd                         | 6.4%        |
| 3                | Coles Group Ltd                    | 5.3%        | Stockland Development Pty Ltd                  | 8.6%        | ACI Operations Pty Ltd                    | 6.4%        |
| 4                | Priceline Pty Limited              | 1.4%        | Brookfield Multiplex Ltd                       | 4.4%        | Qube Holdings Ltd (Qube Logistics)        | 4.1%        |
| 5                | Just Group Limited                 | 1.4%        | Australian Bureau of Statistics                | 3.8%        | Kmart Australia Ltd                       | 3.7%        |
| 6                | Commonwealth Bank of Australia     | 1.3%        | Russell Investments Group Pty Ltd              | 2.7%        | Downer Ltd                                | 3.2%        |
| 7                | H&M Hennes & Mauritz Pty Ltd       | 1.3%        | University of Sydney                           | 2.6%        | AWH (Australian Wool Handlers) Pty Ltd    | 2.7%        |
| 8                | Prouds Jewellers Pty Ltd           | 1.3%        | DXC Technology Australia Pty Ltd               | 2.6%        | Autocare                                  | 2.4%        |
| 9                | The Reject Shop Limited            | 1.3%        | GHD Services Pty Ltd                           | 2.5%        | Daikin Australia Pty Ltd                  | 2.2%        |
| 10               | Westpac Banking Corporation        | 1.2%        | The Uniting Church of Australia Property Trust | 2.4%        | Austpac Logistics Pty Ltd                 | 2.2%        |
| 11               | Noni B Group                       | 1.1%        | Fleet Partners Pty Ltd                         | 2.4%        | Brownes Food Operations Pty Ltd           | 2.1%        |
| 12               | Best & Less Pty Ltd                | 1.0%        | Smartgroup Benefits Pty Ltd                    | 2.3%        | New Aim Pty Ltd                           | 2.0%        |
| 13               | Cotton On Clothing Pty Ltd         | 0.9%        | Optus Administration Pty Ltd                   | 2.0%        | CSR Ltd                                   | 1.8%        |
| 14               | ANZ Banking Group Ltd              | 0.8%        | Minister for Works (Main Roads)                | 2.0%        | Idameneo Ltd (Lavery Pathology)           | 1.7%        |
| 15               | Pretty Girl Fashion Group Pty Ltd  | 0.8%        | Linkforce Hire Pty Ltd                         | 1.8%        | Icehouse Logistics Pty Ltd                | 1.7%        |
| 16               | Luxottica Retail Australia Pty Ltd | 0.8%        | Rice Daubney (HDR)                             | 1.7%        | Automotive Holdings Group Ltd             | 1.6%        |
| 17               | Myer Pty Ltd                       | 0.8%        | Moore Stephens Sydney Pty Ltd                  | 1.7%        | Chubb Security Holdings Australia Pty Ltd | 1.5%        |
| 18               | ALDI Foods Pty Limited             | 0.7%        | Boulay Pty Limited                             | 1.5%        | Boral Construction Materials Ltd          | 1.5%        |
| 19               | National Australia Bank Limited    | 0.7%        | M&D Services Pty Ltd                           | 1.5%        | Silk Contract Logistics Pty Ltd           | 1.5%        |
| 20               | JB HI-FI Group Pty Ltd             | 0.7%        | Ray White                                      | 1.1%        | Citrix Systems Asia Pacific Pty Ltd       | 1.4%        |
|                  |                                    | 38.5%       |  |             | 67.1%                                     | 60.9%       |



# Commercial Property disposals

| PROPERTY DISPOSED              | ASSET CLASS | TYPE             | SETTLEMENT DATE | DISPOSAL VALUE <sup>1</sup> (\$M) |
|--------------------------------|-------------|------------------|-----------------|-----------------------------------|
| Stockland Highlands, Vic       | Retail      | Income Producing | Jul 2018        | 47.3                              |
| 40 Cameron Ave, Belconnen, ACT | Workplace   | Income Producing | Jul 2018        | 23.9                              |
| Stockland Bathurst, NSW        | Retail      | Income Producing | Dec 2018        | 113.1<br>Combined proceeds        |
| Caloundra South, Qld           | Retail      | Income Producing | Jan 2019        |                                   |
| Total Asset Disposals          |             |                  |                 |                                   |

1. Excludes associated disposal costs

# Communities

## Annexure



# Residential development pipeline

## Major active projects

|       |                         |                  |  |   | ANTICIPATED SETTLEMENTS |      |      |      |       |
|-------|-------------------------|------------------|--|---|-------------------------|------|------|------|-------|
| STATE | PROJECT                 | STATE PERCENTAGE | APPROXIMATE LOT SALES PER ANNUM <sup>1</sup> | APPROX. REMAINING PROJECT LOTS <sup>#</sup> | FY19                    | FY20 | FY21 | FY22 | FY23+ |
| Qld   | Aura                    |                  | 560  | 18,310 <sup>#</sup>                         |                         |      |      |      |       |
|       | North Shore             |                  | 60   | 3,590                                       |                         |      |      |      |       |
|       | Newport                 |                  | 260  | 1,290 <sup>#</sup>                          |                         |      |      |      |       |
|       | All Other Projects      |                  |  | 8,950 <sup>#</sup>                          |                         |      |      |      |       |
|       | <b>Sub-total</b>        | <b>39.5%</b>     |  | 32,140                                      |                         |      |      |      |       |
| Vic   | Cloverton               |                  | 360  | 10,500                                      |                         |      |      |      |       |
|       | Highlands               |                  | 700  | 4,450 <sup>#</sup>                          |                         |      |      |      |       |
|       | Mt Atkinson             |                  | 270  | 4,290                                       |                         |      |      |      |       |
|       | Minta Farm <sup>2</sup> |                  | 250  | 1,750                                       |                         |      |      |      |       |
|       | Grandview <sup>2</sup>  |                  | 200  | 1,640                                       |                         |      |      |      |       |
|       | All Other Projects      |                  |  | 3,560 <sup>#</sup>                          |                         |      |      |      |       |
|       | <b>Sub-total</b>        | <b>32.2%</b>     |  | 26,190                                      |                         |      |      |      |       |
| WA    | Sienna Wood             |                  | 140  | 3,000                                       |                         |      |      |      |       |
|       | Amberton                |                  | 120  | 1,540                                       |                         |      |      |      |       |
|       | Vale                    |                  | 270  | 1,000 <sup>#</sup>                          |                         |      |      |      |       |
|       | Calleya                 |                  | 240  | 780 <sup>#</sup>                            |                         |      |      |      |       |
|       | All Other Projects      |                  |  | 6,400 <sup>#</sup>                          |                         |      |      |      |       |
|       | <b>Sub-total</b>        | <b>15.7%</b>     |  | 12,720                                      |                         |      |      |      |       |
| NSW   | Elara                   |                  | 590  | 2,200 <sup>#</sup>                          |                         |      |      |      |       |
|       | Willowdale              |                  | 420  | 1,220 <sup>#</sup>                          |                         |      |      |      |       |
|       | Altrove                 |                  | 100  | 990 <sup>#</sup>                            |                         |      |      |      |       |
|       | All Other Projects      |                  |  | 5,840 <sup>#</sup>                          |                         |      |      |      |       |
|       | <b>Sub-total</b>        | <b>12.6%</b>     |  | 10,250                                      |                         |      |      |      |       |
|       | <b>Total</b>            | <b>100.0%</b>    |  | <b>81,300</b>                               |                         |      |      |      |       |

# Dwellings

1. Average number of lots estimated for three years for FY19 - FY21, numbers are annualised and vary depending on timing and completion of projects
2. Average number of lots estimated for three years for FY20 - FY22, numbers are annualised and vary depending on timing and completion of projects



# Residential

Twelve projects with first settlements in the next two years

|                   | PROJECT                  | TIMING OF<br>FIRST SETTLEMENTS | APPROXIMATE<br>TOTAL LOTS IN PROJECT <sup>#</sup> | APPROXIMATE LIFE OF PROJECTS |
|-------------------|--------------------------|--------------------------------|---|------------------------------|
| <b>ACT</b>        | Red Hill                 | FY20                           | 110   | 3 yrs                        |
| <b>Qld</b>        | Bokarina Beach           | FY19                           | 300 <sup>#</sup>                                  | 7 yrs                        |
|                   | Promenade (Rothwell)     | FY19                           | 190   | 2 yrs                        |
|                   | Kalina (Springview)      | FY19                           | 440   | 5 yrs                        |
|                   | Paradise Waters          | FY21                           | 2,080   | 16 yrs                       |
|                   | Hope Island              | FY21                           | 110 <sup>#</sup>                                  | 3 yrs                        |
|                   | Caboolture West          | FY21                           | 1,400   | 15 yrs                       |
| <b>Vic</b>        | Mt Atkinson              | FY19                           | 4,290   | 17 yrs                       |
|                   | Waterlea (Stamford Park) | FY20                           | 190 <sup>#</sup>                                  | 3 yrs                        |
|                   | Orion (Braybrook)        | FY20                           | 420 <sup>#</sup>                                  | 3 yrs                        |
|                   | Minta Farm               | FY20                           | 1,750   | 8 yrs                        |
|                   | Grandview (Truganina)    | FY20                           | 1,640   | 8 yrs                        |
| <b>Total lots</b> |                          |                                | <b>12,920</b>                                     |                              |

<sup>#</sup> Includes Dwellings



# Projects completing prior to FY21

## Residential

|            | PROJECT                   | TIMING OF<br>FINAL SETTLEMENTS | APPROXIMATE<br>TOTAL LOTS <sup>#</sup> | LOTS REMAINING <sup>#</sup><br>(AS AT 31 DEC 2018) |
|------------|---------------------------|--------------------------------|--|--|
| <b>NSW</b> | McKeachie's Run           | FY20                           | 1,060                                  | 120  |
| <b>Qld</b> | Vale                      | FY19                           | 640                                    | 70   |
|            | Highland Reserve          | FY20                           | 1,160                                  | 30   |
|            | North Lakes               | FY20                           | 4,970 <sup>#</sup>                     | 100  |
|            | North Lakes Business Park | FY20                           | 100                                    | 10   |
|            | Brisbane Casino Towers    | FY20                           | 380                                    | 50   |
|            | Augustine Heights         | FY20                           | 1,050                                  | 70   |
|            | Brightwater               | FY20                           | 1,675 <sup>#</sup>                     | 40   |
|            | Promenade (Rothwell)      | FY20                           | 190                                    | 190  |
| <b>Vic</b> | Mernda Villages           | FY20                           | 2,990                                  | 90   |
| <b>WA</b>  | Newhaven                  | FY20                           | 2,660                                  | 90   |

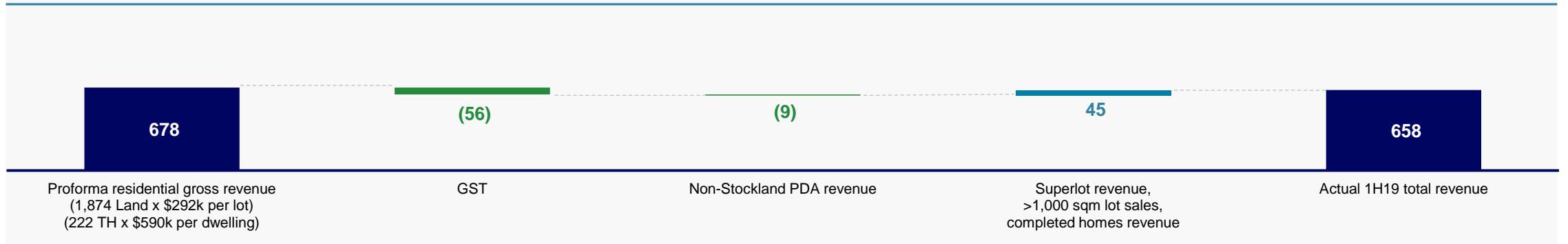
<sup>#</sup> Includes dwellings

# Price per Sqm

## Residential retail sales price<sup>1</sup>

| STATE                                | 1H19 SETTLEMENTS |                      |                       |            | 1H18 SETTLEMENTS |                      |                       |            |
|--------------------------------------|------------------|----------------------|-----------------------|------------|------------------|----------------------|-----------------------|------------|
|                                      | NO. LOTS         | AV. SIZE PER LOT SQM | AV. PRICE PER LOT \$K | \$/SQM     | NO. LOTS         | AV. SIZE PER LOT SQM | AV. PRICE PER LOT \$K | \$/SQM     |
| NSW                                  | 302              | 380                  | 429                   | 1,130      | 642              | 423                  | 368                   | 871        |
| Qld                                  | 510              | 386                  | 266                   | 689        | 953              | 398                  | 261                   | 655        |
| Vic                                  | 720              | 410                  | 287                   | 699        | 892              | 381                  | 231                   | 605        |
| WA                                   | 342              | 344                  | 220                   | 639        | 522              | 331                  | 225                   | 680        |
| <b>Total Residential Communities</b> | <b>1,874</b>     | <b>387</b>           | <b>292</b>            | <b>755</b> | <b>3,009</b>     | <b>387</b>           | <b>269</b>            | <b>695</b> |
| <b>Total Town Homes</b>              | <b>222</b>       | <b>N/M</b>           | <b>590</b>            | <b>N/M</b> | <b>150</b>       | <b>N/M</b>           | <b>610</b>            | <b>N/M</b> |

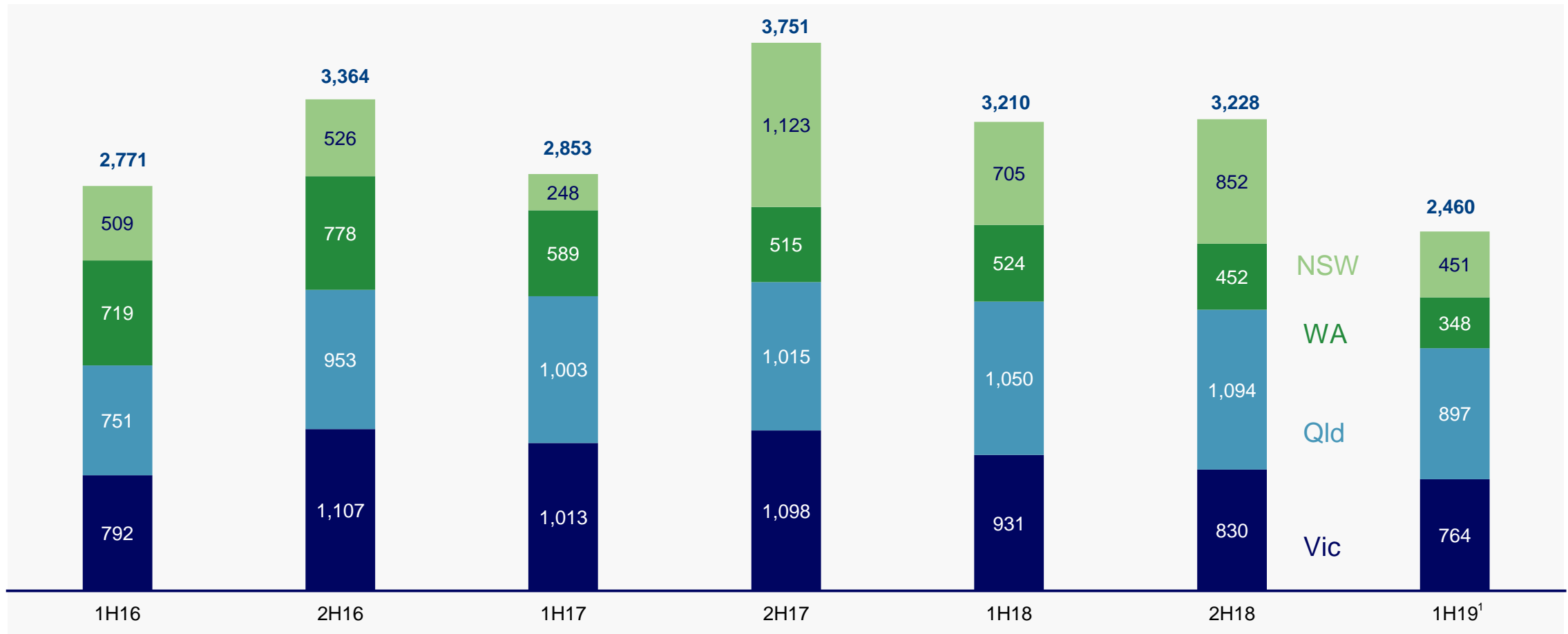
### Revenue reconciliation (\$M)



1. Average price of retail settlements excludes settlements of all lots over 1,000 sqm, superlot settlements, completed homes and apartments revenue, and disposal proceeds. Average price includes GST. Includes Project Development Agreements (PDAs) for which Stockland receives a part-share

# Lots settled by location

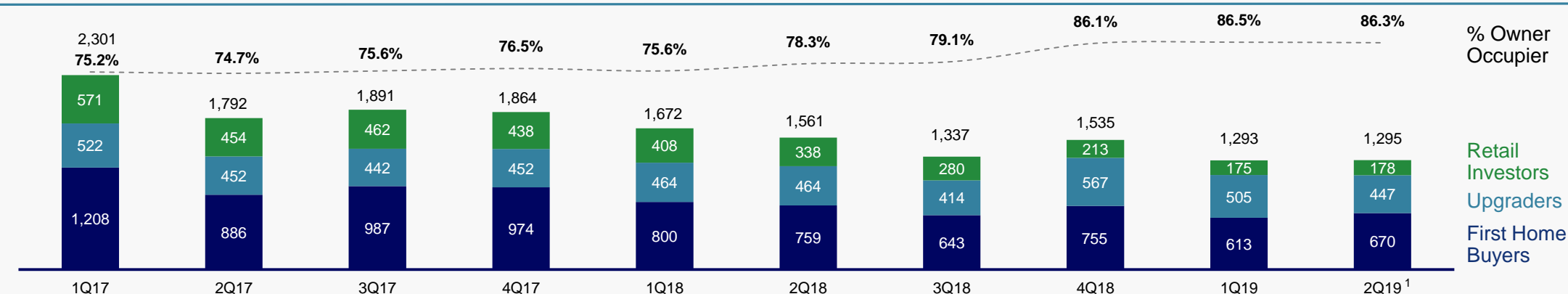
## Residential



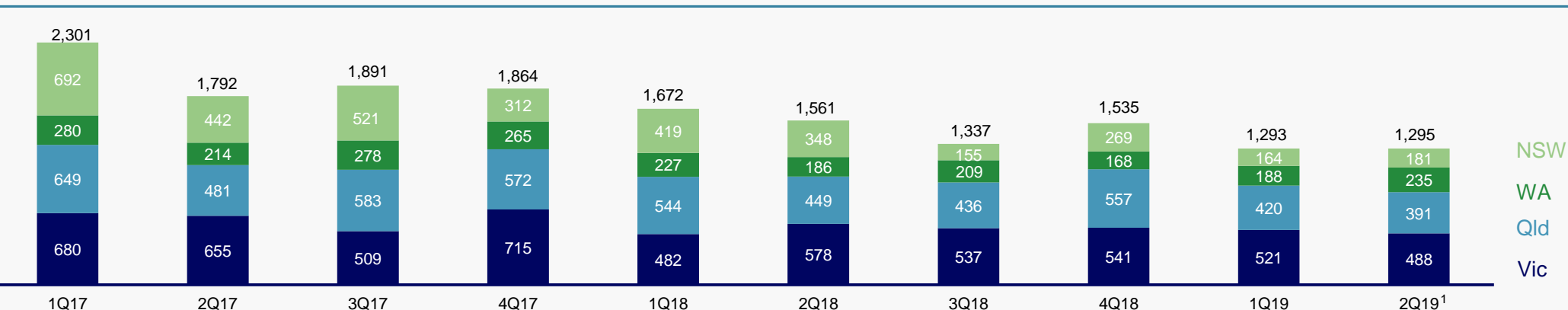
1. BCT included: Settlements of 326 lots

# Net deposits by quarter<sup>1</sup>

## Net deposits by type of buyer



## Net deposits by state

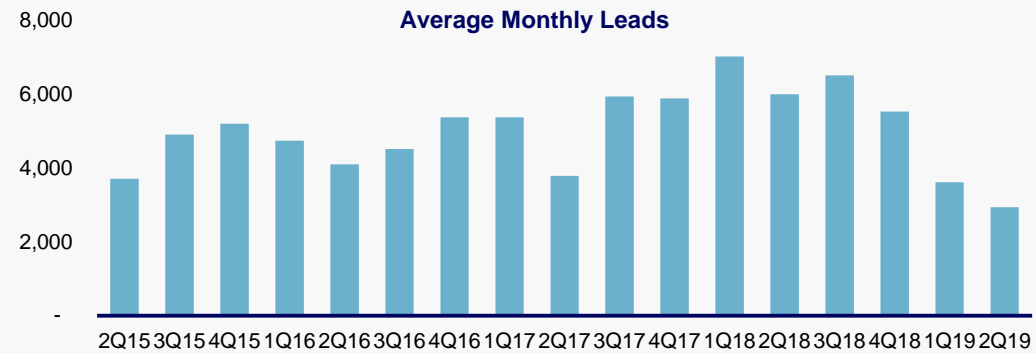


1. BCT excluded

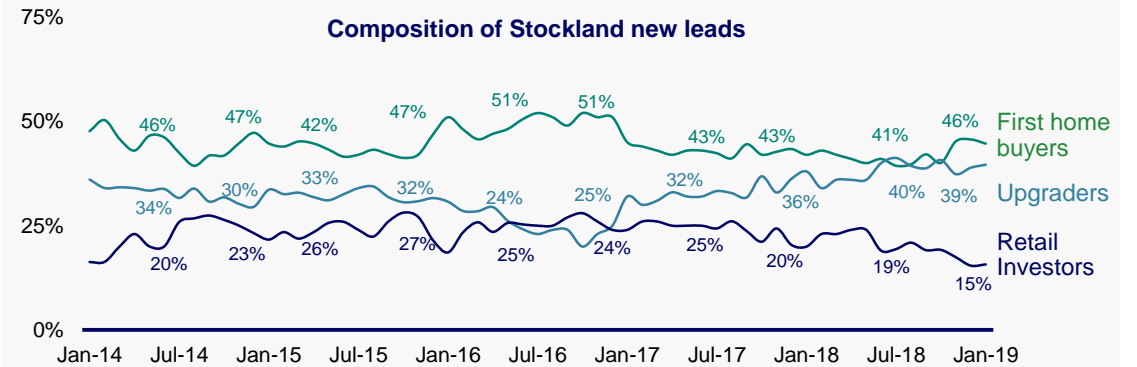
# Leads and enquiry levels

## Residential

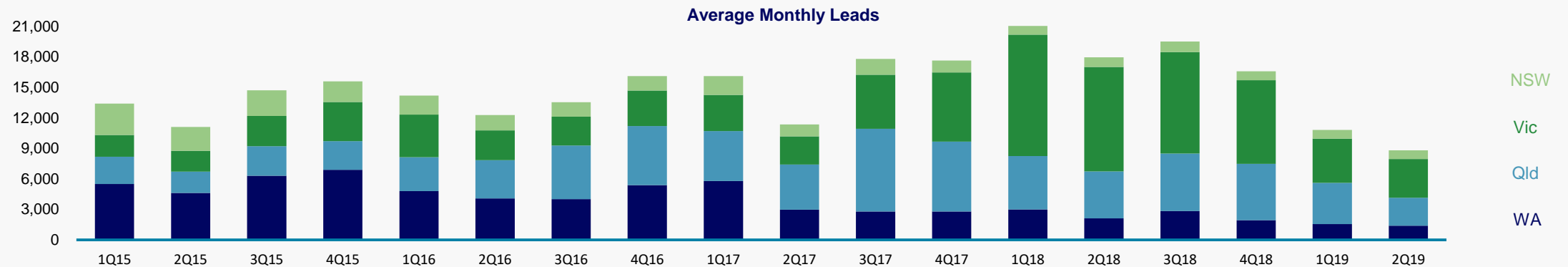
### Lead volumes



### Majority of our customers are owner occupiers



### Lead volumes by state





# Market Overview

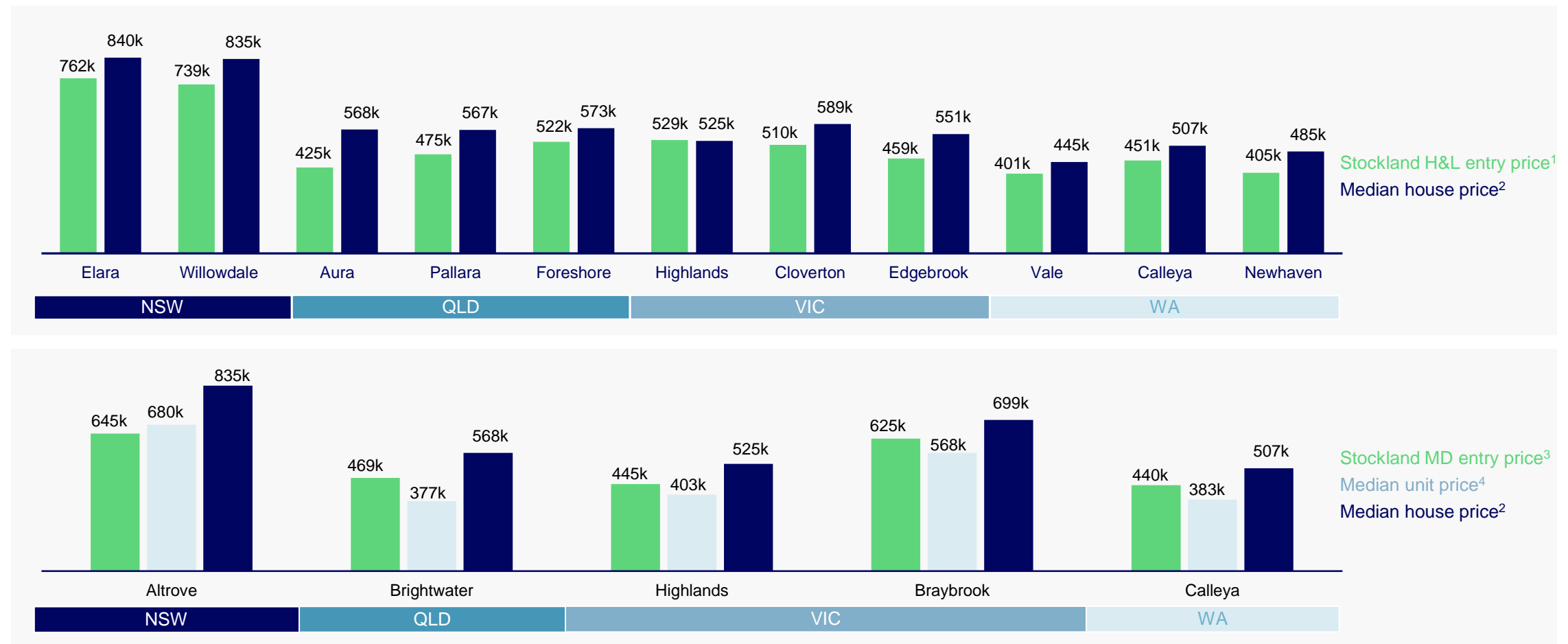
## Residential

| 1H19 STOCKLAND SUMMARY |   |  |
|------------------------|---|--|
| STATE                  | 1H19 SETTLEMENT VOLUMES<br>(% CHANGE OVER 1H18) | COMMENTS ON OUR SETTLEMENTS IN 1H19  |
| NSW                    | (36%) ▼   | Reduction in NSW is primarily driven by the timing of the project development cycle at Willowdale and Elara, as well as close out and completion of Brooks Reach   |
| Vic                    | (18%) ▼   | Lower volumes from close out and completion of Mernda and The Address. Timing of project development cycle impacting volumes at The Grove. Partly offset by strong performance at Cloverton, Highlands and Edgebrook |
| Qld                    | (15%) ▼   | Reduction in Qld is primarily driven by the timing of project development cycle at Aura, Pallara and Newport. Partly offset by first settlements at Foreshore and Brisbane Casino Towers                             |
| WA                     | (34%) ▼   | Ongoing challenging WA market conditions impacting volumes on a number of projects   |

| CALENDAR 2019 MARKET OUTLOOK |                           |                    |  |
|------------------------------|---------------------------|--------------------|--|
| STATE                        | VACANT LAND SALES VOLUMES | VACANT LAND PRICES | COMMENTS ON MARKET OUTLOOK   |
| NSW                          | ↔                         | ↓                  | Volumes to be maintained around current quarterly levels, well down on FY18, with continuing price weakness in line with the established market    |
| Vic                          | ↔                         | ↓                  | Volumes to be maintained around current quarterly levels, with prices to ease as the established market remains weak                               |
| Qld                          | ↔                         | ↔                  | Downside in volumes and prices to be limited by increased interstate migration and more robust established market compared to Sydney and Melbourne |
| WA                           | ↑                         | ↔                  | Market prices likely to remain stable with some potential for growth, volumes expected to show modest growth during 2019 from a low 2H18 base      |

# Providing affordable product

## Stockland pricing relative to local median house and unit price

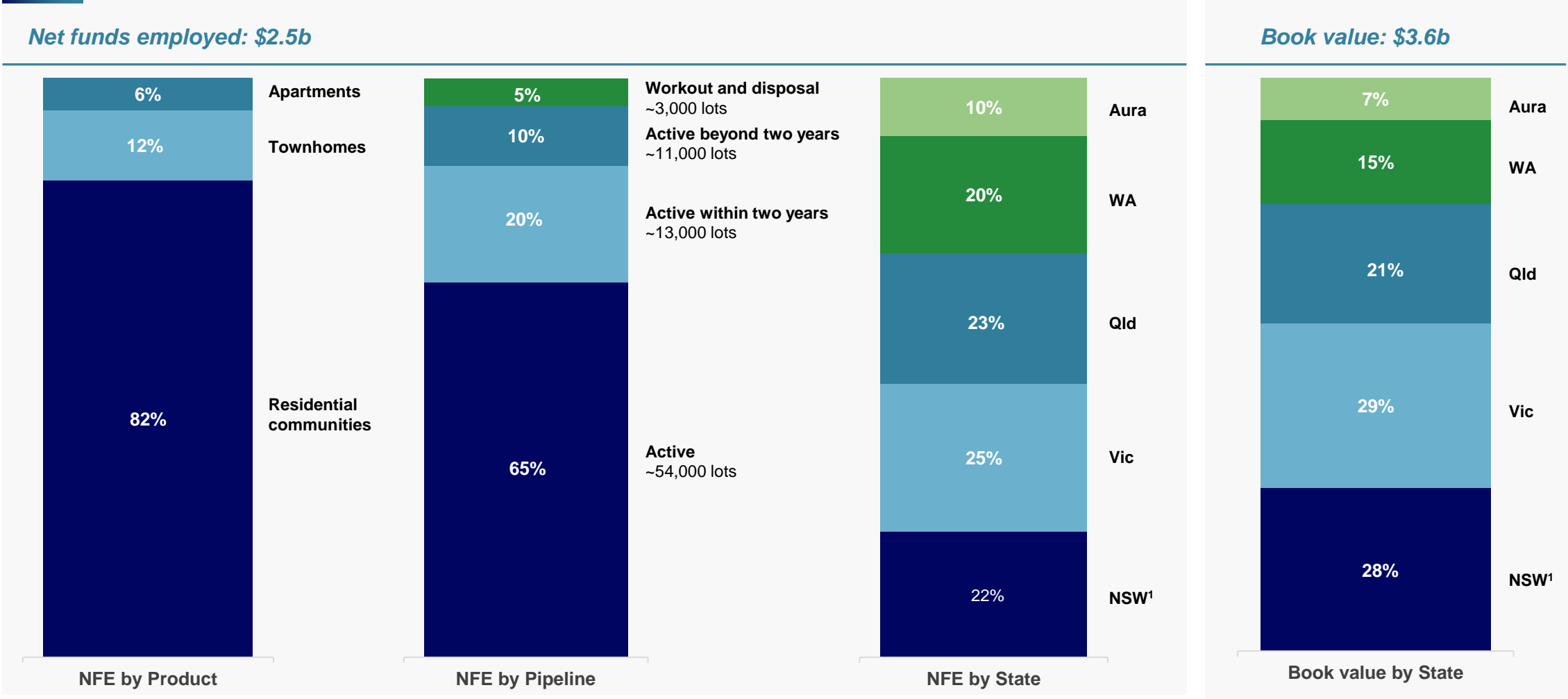


1. Stockland data, House and Land packages (4b,2b,2c) for sale Feb 2019  
 2. Corelogic Median value of established houses in surrounding suburb as at Dec 2018

3. Stockland data, Townhome product available for sale Feb 2019  
 4. Corelogic Median value of established units in surrounding suburb as at Dec 2018

# Composition of residential landbank

## Residential



1. NSW includes Red Hill (ACT) average for the 6 month period

# Residential

## Acquisitions

| PROPERTY ACQUIRED                 | TYPE                    | ACQUISITION DATE | ACQUISITION VALUE (\$M) | APPROXIMATE NUMBER OF LOTS |
|-----------------------------------|-------------------------|------------------|-------------------------|----------------------------|
| Wellard Farm consolidation, Perth | Masterplanned Community | Sep 18           | Not disclosed           | 1,100                      |
|                                   |                         |                  |                         | ~1,100 lots and dwellings  |

# Workout contribution and impairment provision balance

## Workout contribution to residential

| RESIDENTIAL                    | CORE <sup>1</sup> | WORKOUT <sup>2</sup> | TOTAL         |
|--------------------------------|-------------------|----------------------|---------------|
| <b>Lots settled</b>            | <b>2,205</b>      | <b>255</b>           | <b>2,460</b>  |
| <b>Revenue</b>                 | <b>\$591m</b>     | <b>\$66m</b>         | <b>\$658m</b> |
| <i>Revenue</i>                 | <i>89.9%</i>      | <i>10.1%</i>         | <i>100%</i>   |
| <b>EBIT</b>                    | <b>\$157m</b>     | <b>\$14m</b>         | <b>\$170m</b> |
| <i>EBIT margin</i>             | <i>26.5%</i>      | <i>20.6%</i>         | <i>25.9%</i>  |
| <b>Operating Profit</b>        | <b>\$142m</b>     | <b>-</b>             | <b>\$142m</b> |
| <i>Operating Profit margin</i> | <i>24.1%</i>      | <i>-</i>             | <i>21.6%</i>  |
| <b>Remaining lots</b>          | <b>95.4%</b>      | <b>4.6%</b>          | <b>100%</b>   |
| <b>Number of projects</b>      | <b>51</b>         | <b>8</b>             | <b>59</b>     |
| <b>ROA</b>                     | <b>18.5%</b>      | <b>(2.4%)</b>        | <b>16.8%</b>  |

1. Includes BCT

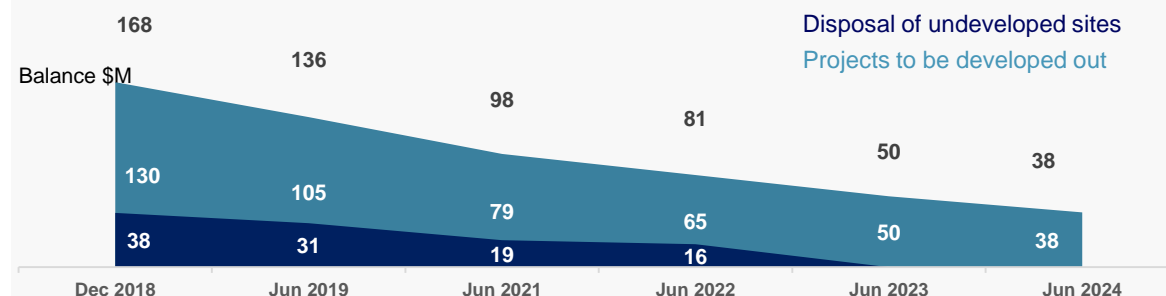
2. Includes all impaired projects

3. Forecast utilisation impairment provision as at 31 December 2018, based on forecast settlement dates, revenue and costs by project

## Residential impairment provision utilisation as at 31 December 2018

|                                    | (\$M)            |
|------------------------------------|------------------|
| Net decrease in impairment         | —                |
| Utilisation of provision           | (6)              |
|                                    |                  |
| IMPAIRMENT PROVISION BALANCE (\$M) | FINAL SETTLEMENT |
| Projects to be developed           | 130 ~10 yrs      |
| Disposal of undeveloped sites      | 38 ~2 yrs        |
| <b>Total</b>                       | <b>168</b>       |

## Residential forecast utilisation of provision<sup>3</sup>





# Portfolio Statistics

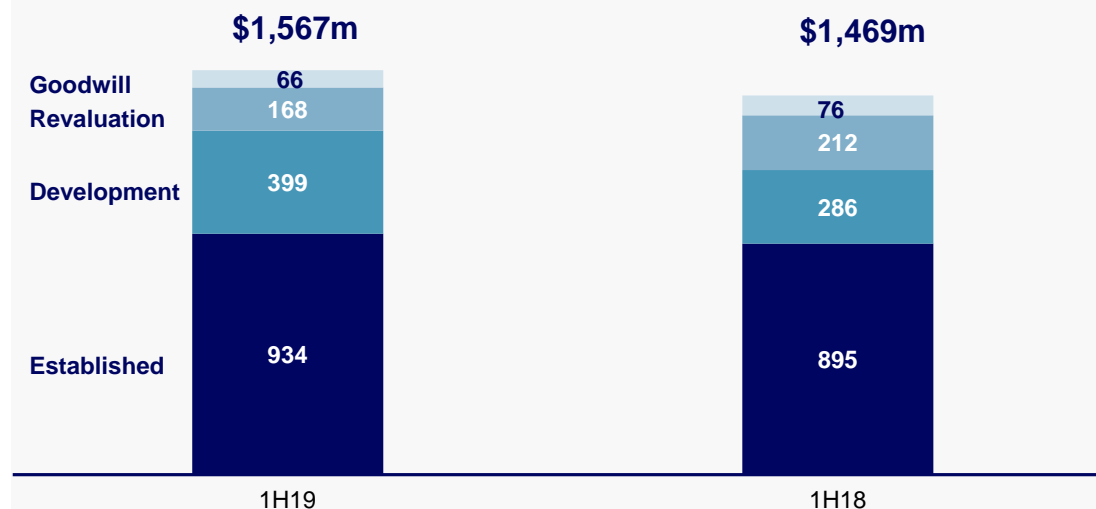
## Retirement Living

| PORTFOLIO STATISTICS                              | 1H19        | 1H18        |
|---|-------------|-------------|
| Established villages                              | 65          | 65          |
| Established units                                 | 9,676       | 9,653       |
| Established units settlements                     | 244         | 272         |
| Units removed for redevelopment/alternate use     | 14          | 23          |
| Turnover rate excluding developments <sup>1</sup> | 6.9%        | 8.2%        |
| Turnover rate total portfolio                     | 6.1%        | 7.1%        |
| Average age of resident on entry                  | 73.3 yrs    | 73.5 yrs    |
| Average age of current residents                  | 80.7 yrs    | 80.7 yrs    |
| Average tenure on exited residents <sup>2</sup>   | 8.5 yrs     | 8.7yrs      |
| Average village age                               | 24.9 yrs    | 24.5 yrs    |
| Development pipeline                              | 2,330 units | 3,175 units |

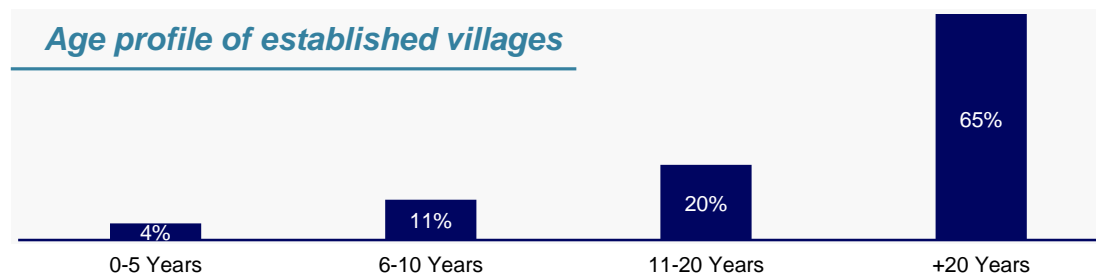
| KEY VALUATION ASSUMPTIONS                              | 1H19     | 1H18     |
|--|----------|----------|
| Weighted average discount rate                         | 13.0%    | 13.0%    |
| Weighted average 20 year growth rate                   | 3.2%     | 3.6%     |
| Average length of stay of current and future residents | 11.0 yrs | 10.8 yrs |

1. Excludes development settlements from last five years
2. Average for the 6 month period

### Net Funds Employed



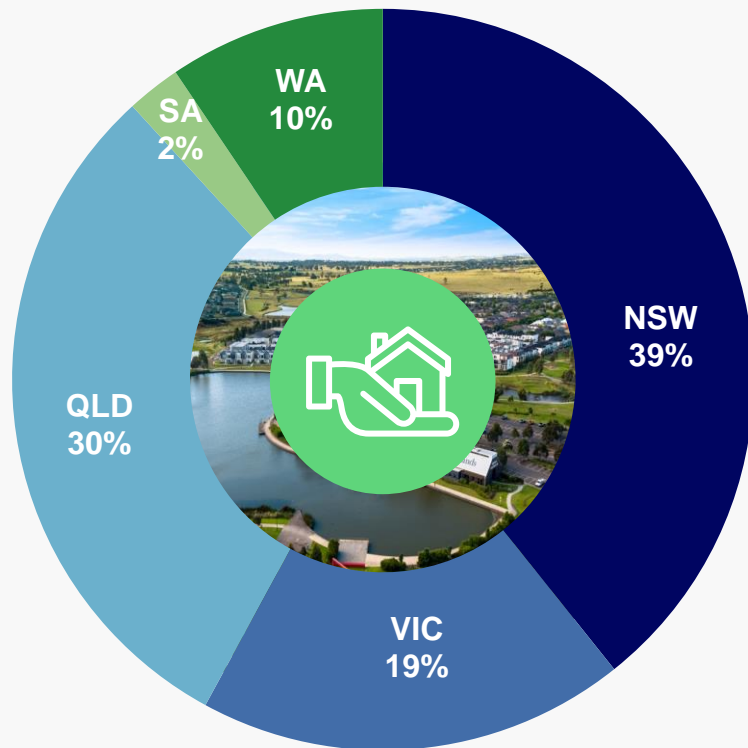
### Age profile of established villages



# Development pipeline

## Retirement Living

### Geographically diverse development pipeline

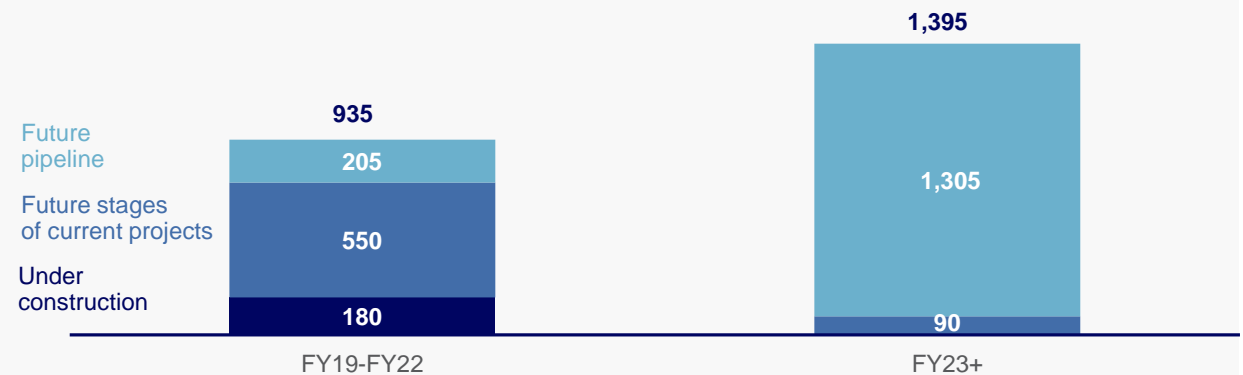


1. Timing subject to market conditions

### Development pipeline breakup

| DEVELOPMENT PIPELINE              | 1H19   |
|-----------------------------------|--------|
| Development villages              | 17     |
| Total development pipeline units  | 2,330  |
| - Greenfield pipeline units       | 1,610  |
| - Village renewal pipeline units  | 720    |
| Estimated end value including DMF | \$2.0b |

### Independent Living Units development pipeline<sup>1</sup>



# Strong project pipeline forecast

## Retirement Living

| CONSTRUCTION TIMEFRAME              |   | FUTURE SETTLEMENTS | FY19 | FY20 | FY21 | FY22 | FY23+ |
|-------------------------------------|---|--------------------|------|------|------|------|-------|
| Completed (1H19)                    | Selandra Rise, Melbourne                |                    |      |      |      |      |       |
|                                     | Lightsview, Adelaide                    |                    |      |      |      |      |       |
|                                     | Highlands, Melbourne                    |                    |      |      |      |      |       |
|                                     | Mernda, Melbourne                       |                    |      |      |      |      |       |
|                                     | Somerton Park, Adelaide                 |                    |      |      |      |      |       |
|                                     | Shine Birtinya, SE Qld                  |                    |      |      |      |      |       |
|                                     | <b>Sub-total</b>                        | <b>235</b>         |      |      |      |      |       |
| Current Development Projects        | Gillin Park, Vic                        |                    |      |      |      |      |       |
|                                     | Cardinal Freeman The Residences, Sydney |                    |      |      |      |      |       |
|                                     | Aspire at Elara, Sydney                 |                    |      |      |      |      |       |
|                                     | Willowdale, Sydney                      |                    |      |      |      |      |       |
|                                     | Aspire at Calleya, Perth                |                    |      |      |      |      |       |
|                                     | Affinity, Perth                         |                    |      |      |      |      |       |
|                                     | Newport, Brisbane                       |                    |      |      |      |      |       |
|                                     | <b>Sub-total</b>                        | <b>705</b>         |      |      |      |      |       |
| To start within 18 months           | Pine Lake, SE Qld                       |                    |      |      |      |      |       |
|                                     | <b>Sub-total</b>                        | <b>50</b>          |      |      |      |      |       |
| Master planning/<br>future projects | Aura, SE Qld                            |                    |      |      |      |      |       |
|                                     | Epping, Sydney                          |                    |      |      |      |      |       |
|                                     | Cloverton, Melbourne                    |                    |      |      |      |      |       |
|                                     | <b>Sub-total</b>                        | <b>855</b>         |      |      |      |      |       |
| Redevelopments                      | Proposed Redevelopments                 |                    |      |      |      |      |       |
|                                     | <b>Sub-total</b>                        | <b>485</b>         |      |      |      |      |       |
| <b>Total future settlements</b>     |   | <b>2,330</b>       |      |      |      |      |       |



# Research

## Economic overview



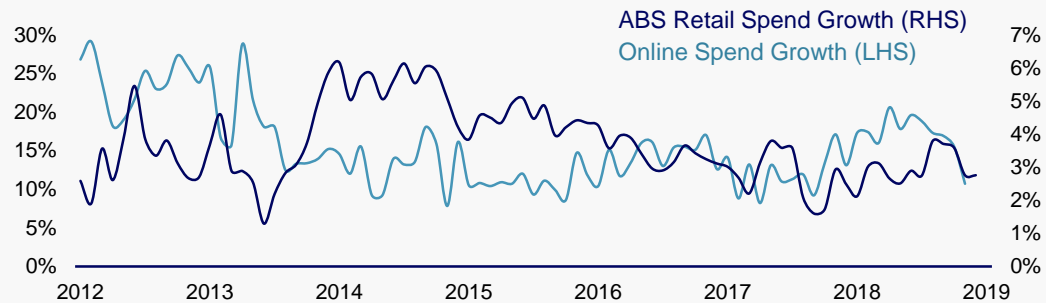
Stockland



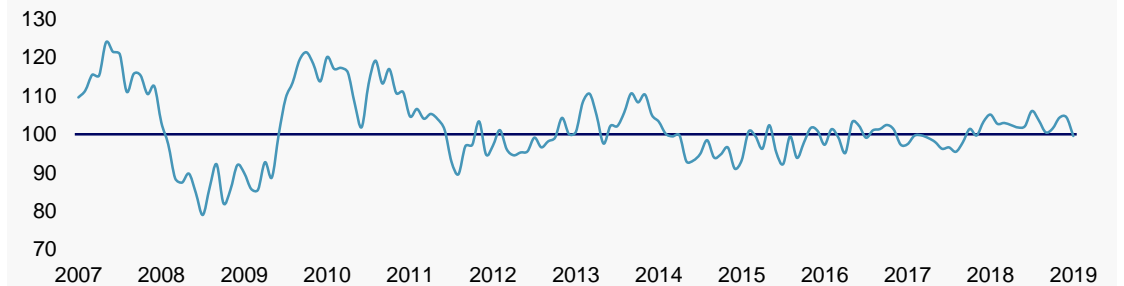
# Australia

## Retail drivers

### Rate of growth in online retail spend<sup>1</sup> falling through 2H18

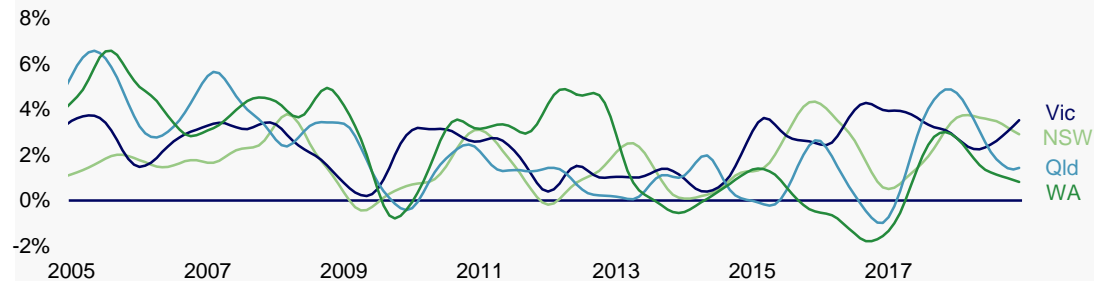


### Consumer Sentiment varying around neutral<sup>2</sup>

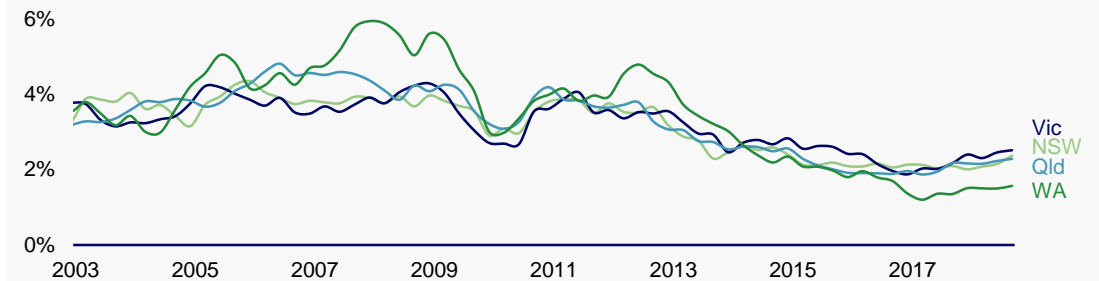


### Employment growth strong in NSW and Vic<sup>3</sup>

#### Employment growth (Annual trend % change)



### Wage growth improving but remains historically weak<sup>4</sup>



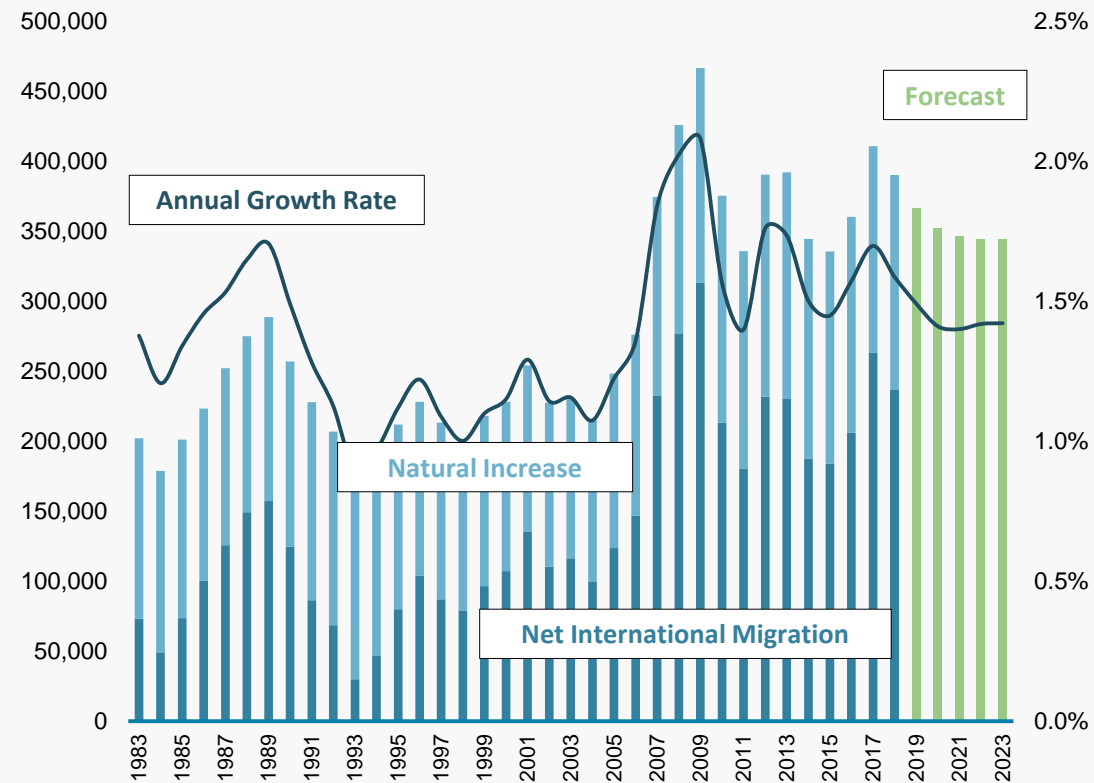
1. Bricks and Mortar spend (\$) taken from ABS, \$ amount of online spend estimated from Quantum %
2. Westpac - University of Melbourne Consumer Sentiment Survey Jan 2019

3. ABS 6202.0 - Labour Force, Australia, Dec 2018
4. ABS 6345.0 - Wage Price Index, Australia, Sep 2018



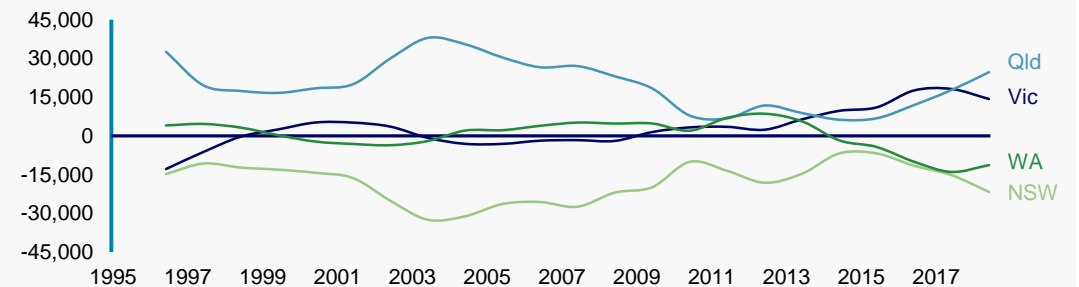
# Population growth continues to underpin dwelling demand

**AUS population growth – Annual<sup>1,2</sup>**



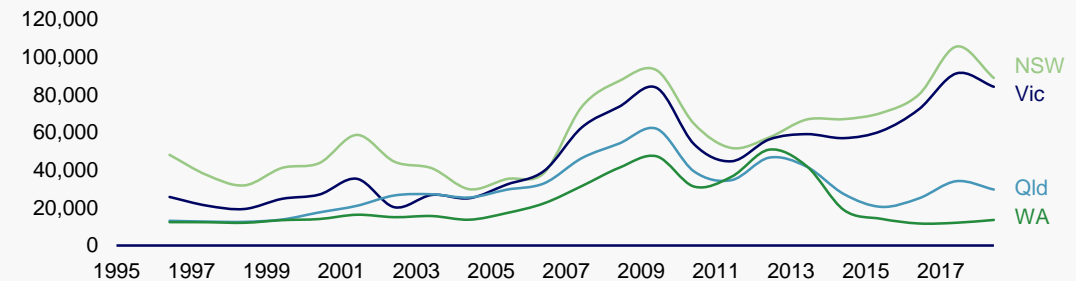
**QLD and VIC - strong positive interstate migration<sup>1</sup>**

**Annual Rolling Sum ('000s)**



**NSW and VIC - strong overseas migration<sup>1</sup>**

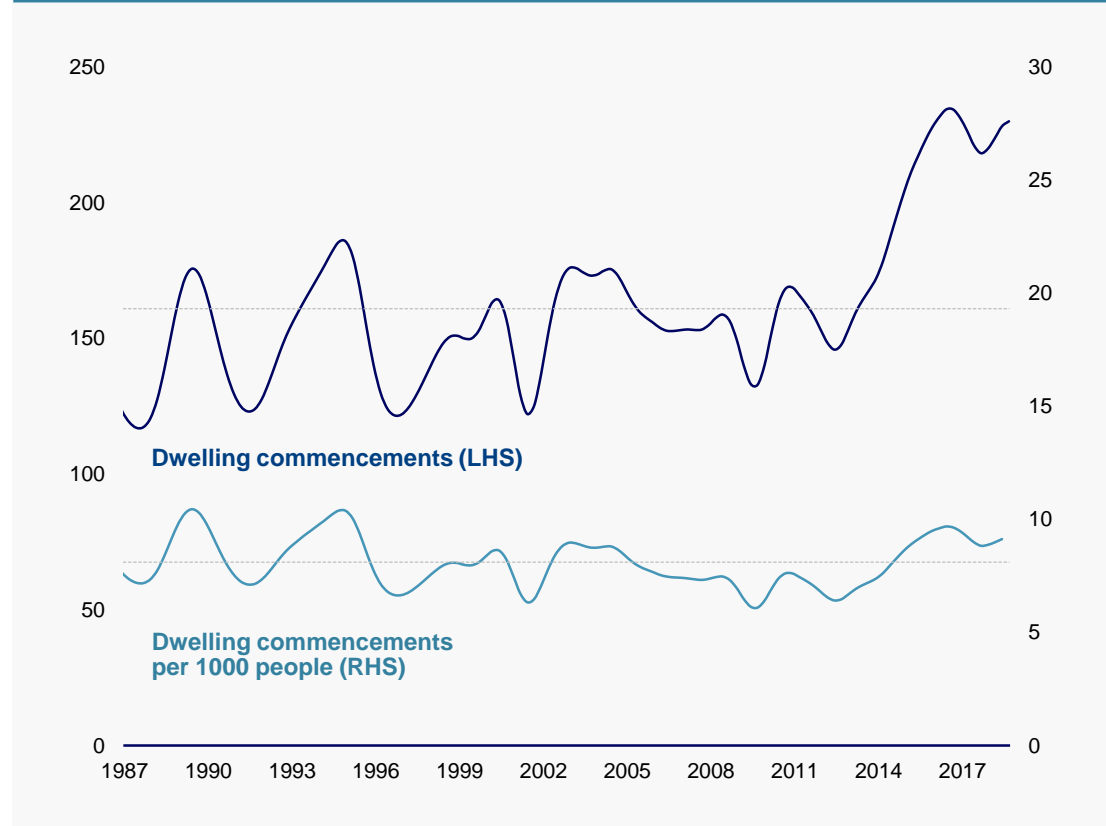
**Annual Rolling Sum ('000s)**



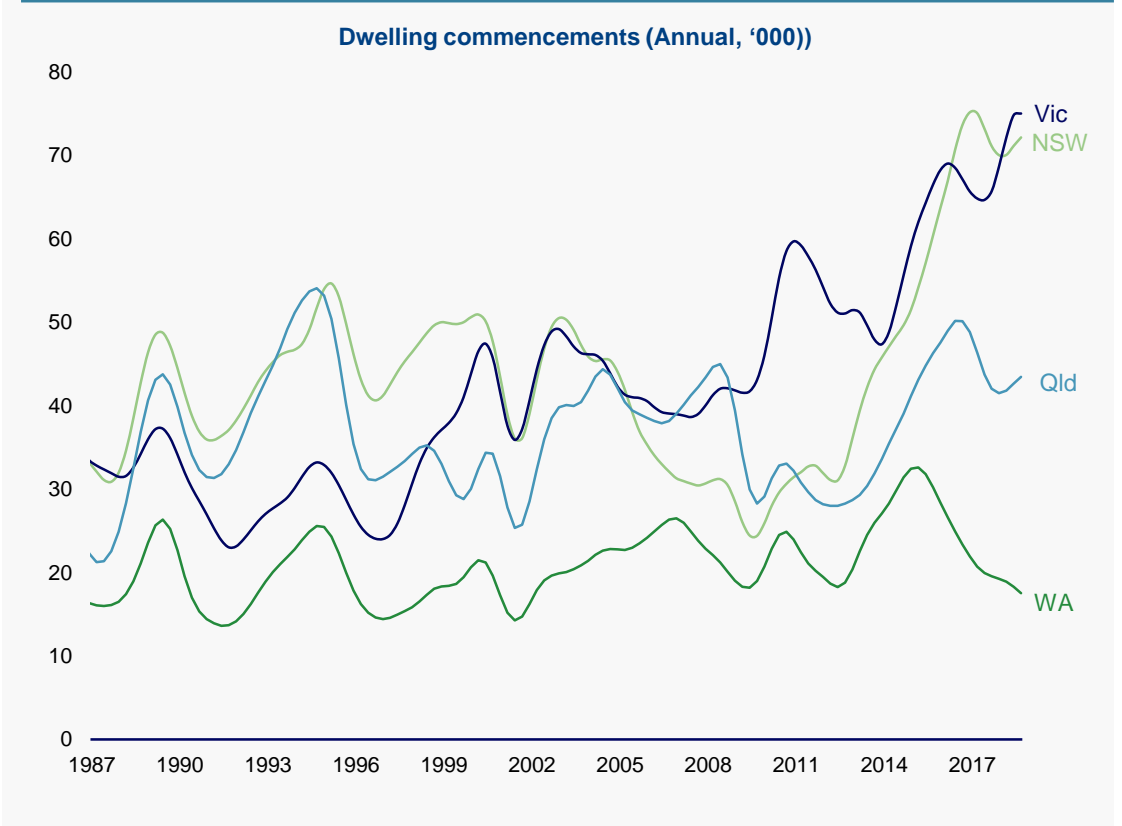
1. ABS 3101.0 - Australian Demographic Statistics, June 2018  
2. Deloitte Access Economics Business Outlook Dec 2018

# Dwelling commencements maintained at high level historically

*Dwelling commencements remain elevated, and still above long term averages on a per capita basis<sup>1</sup>*



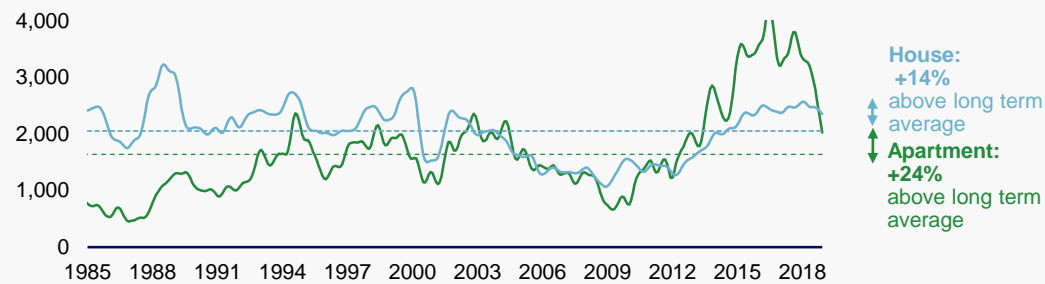
*Dwelling commencements historically strong in NSW and Vic, still falling in WA<sup>1</sup>*



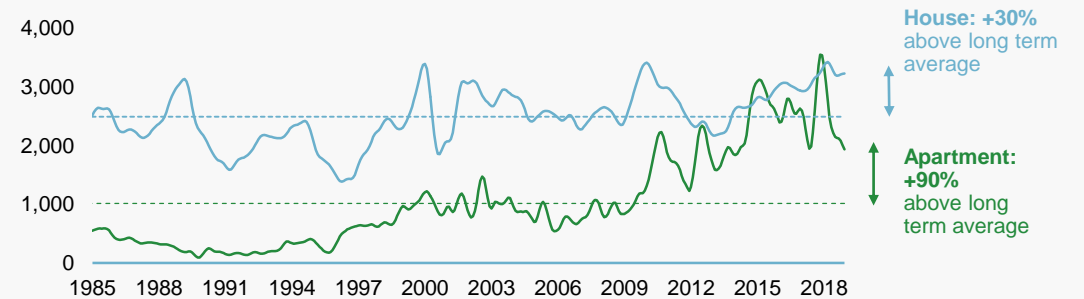
1. ABS 8752.0 - Building Activity, Australia, Sep 2018, 3101.0 - Australian Demographic Statistics, Jun 2018, Stockland Research

# National building approvals<sup>1</sup>

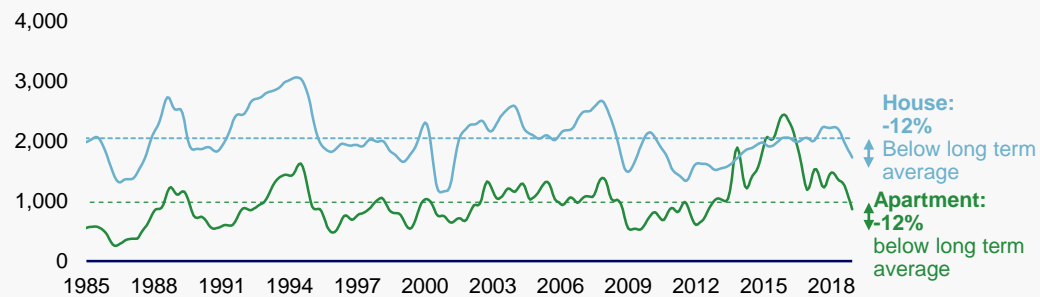
## NSW house approvals trending down; unit approvals down heavily



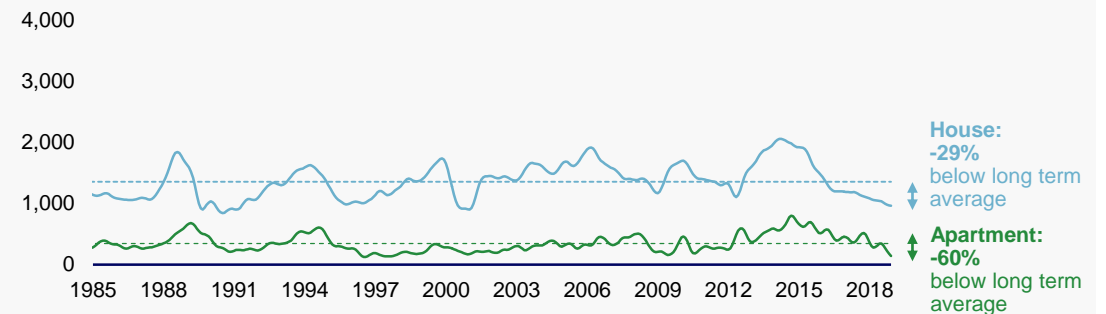
## Vic unit approvals down heavily while house approvals remain strong



## Qld approvals now under long term average for both houses and units



## WA house and unit approvals still trending lower, with both now well below long term average

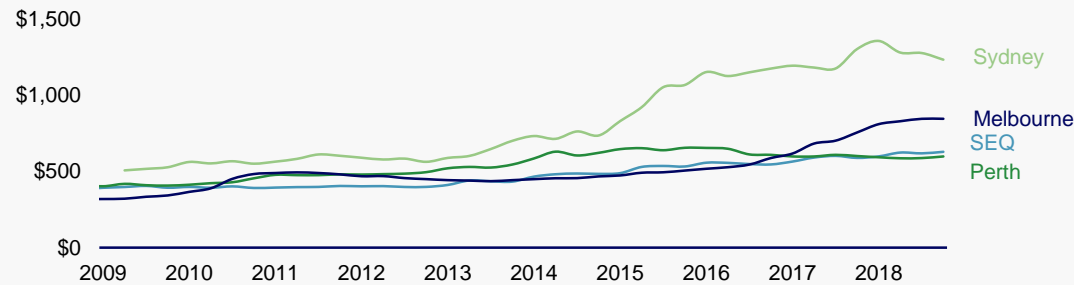


1. ABS 8731.0 – Building Approvals, Dec 2018

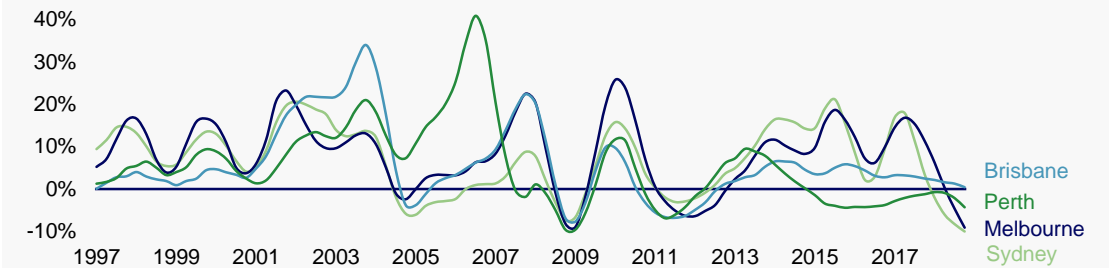
# National house and land prices

## Largest house price declines occurring in upper end of housing market

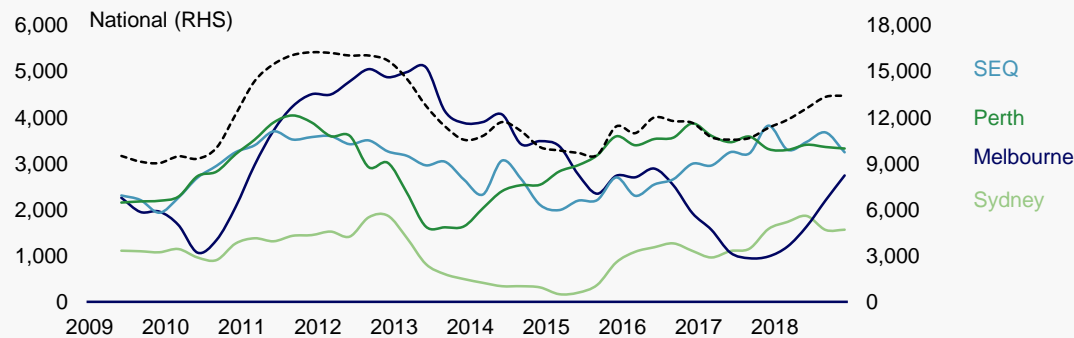
Land Price per sqm<sup>1</sup>



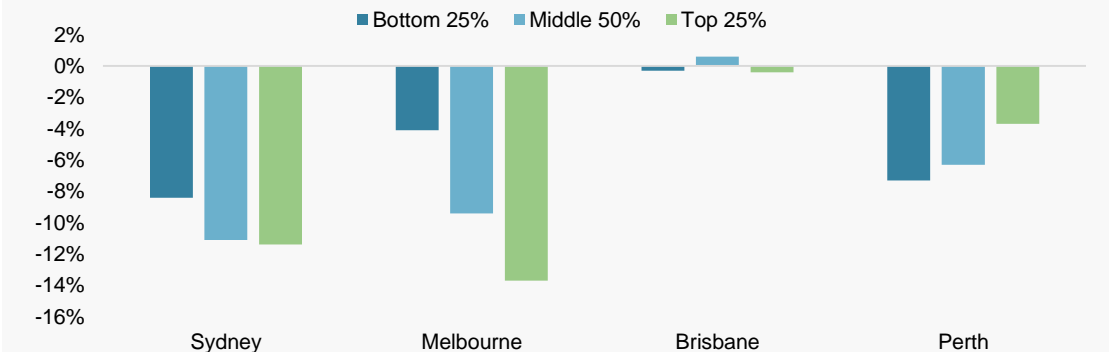
Capital City House Prices – Rolling Annual Change<sup>2</sup>



Closing stock of land lots<sup>1</sup>



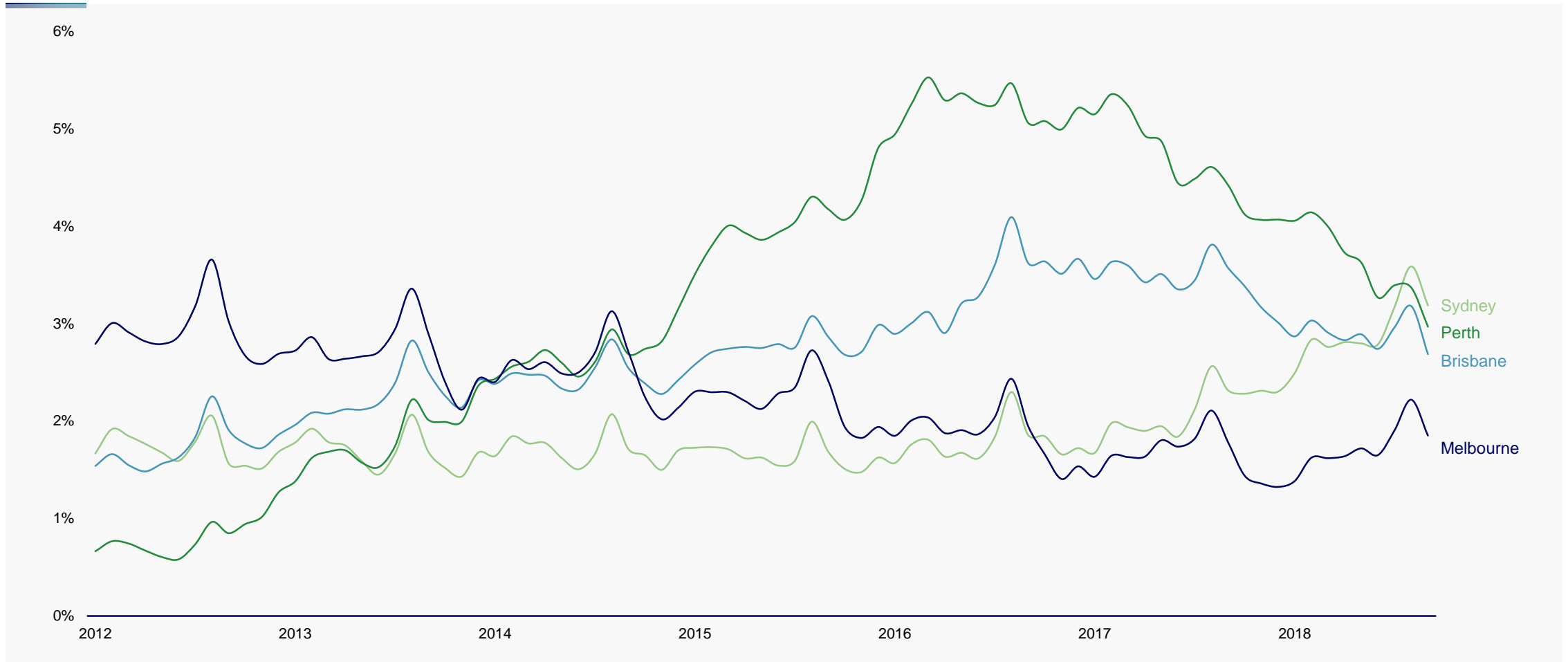
2018 price falls largest in more expensive regions of Sydney and Melbourne<sup>2</sup>



1. National Land Survey Program Dec Qtr. 2018, Research4  
2. CoreLogic Jan 2019

# Residential Vacancy Rates

Rental vacancy rates<sup>1</sup> trending up in Sydney and Melbourne, down in Perth and Brisbane



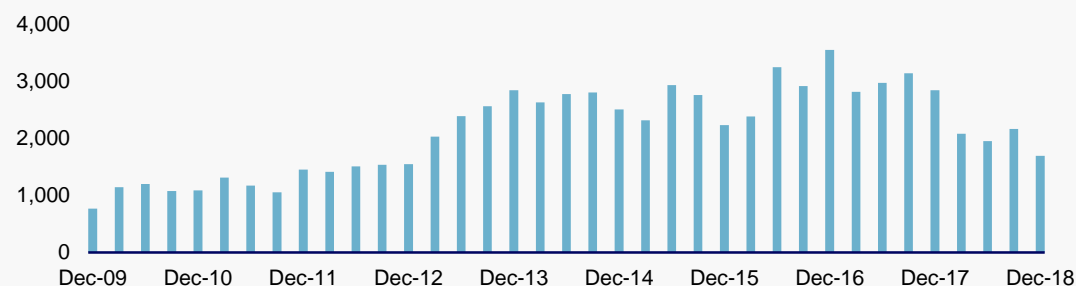
1. SQM Research January 2019



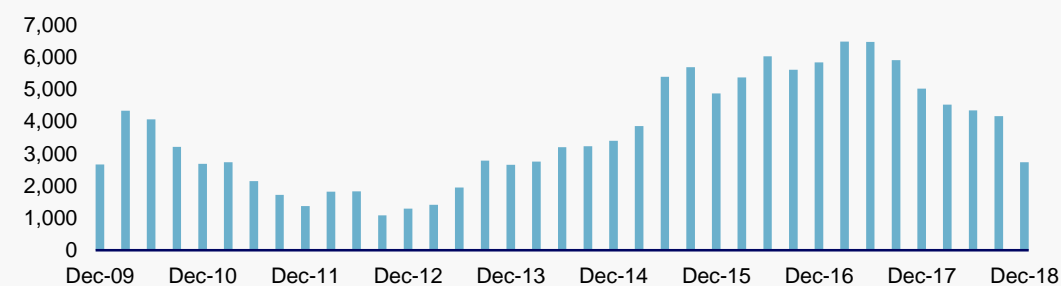
# Vacant land sales volumes down across the country in December quarter<sup>1</sup>

## Quarterly sales

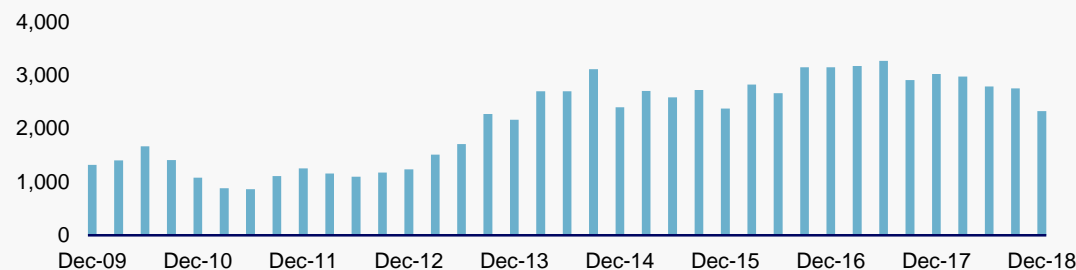
**NSW vacant land sales at lowest level since 2012**



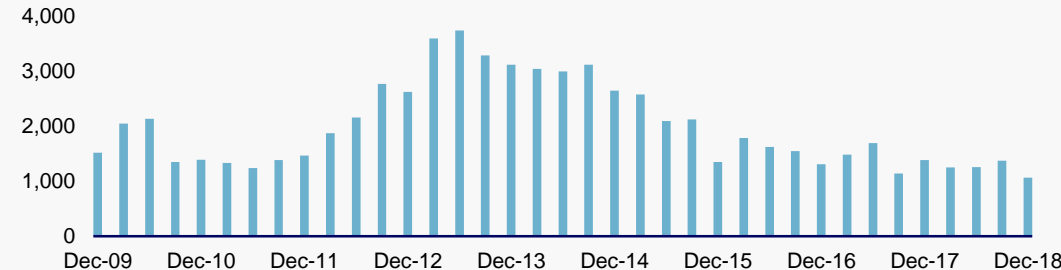
**Vic vacant land sales at 5-year low**



**SEQ land market volumes down -12% in second half**



**Perth vacant land continuing along the bottom**

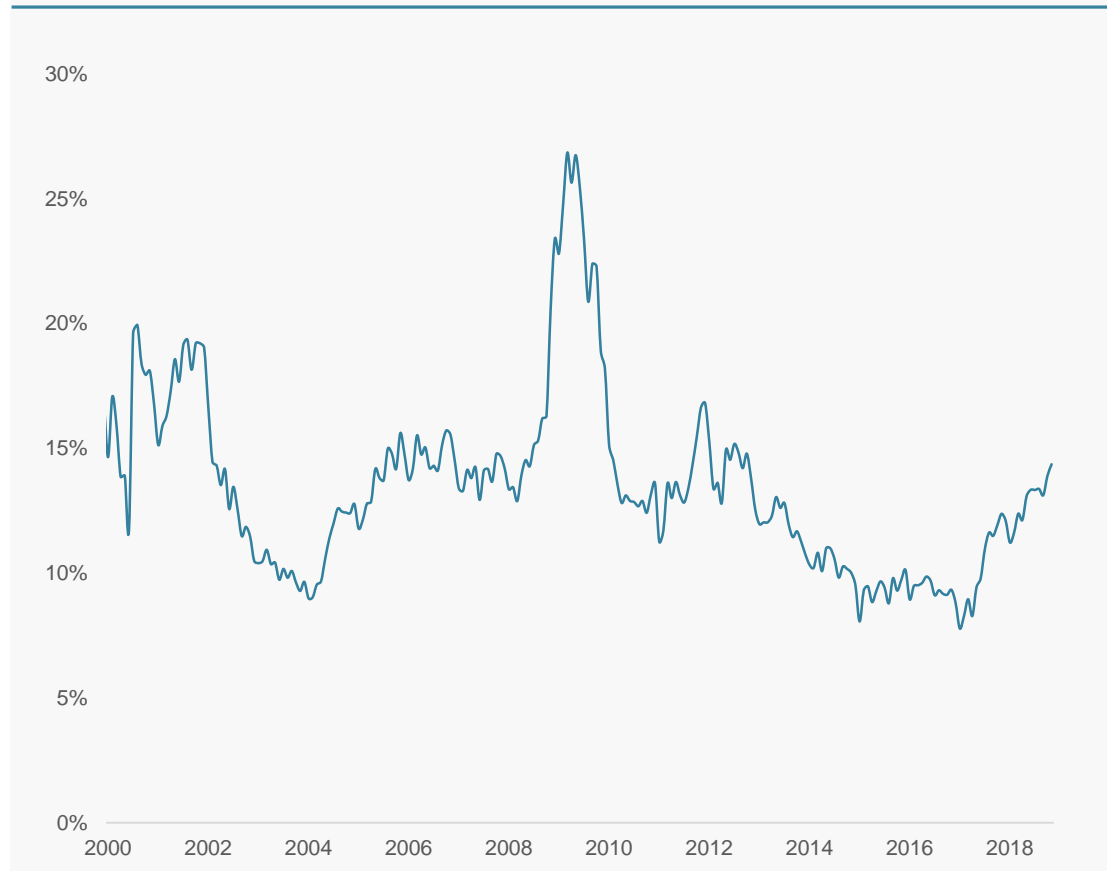


1. National Land Survey Program Dec Qtr. 2018, Research4

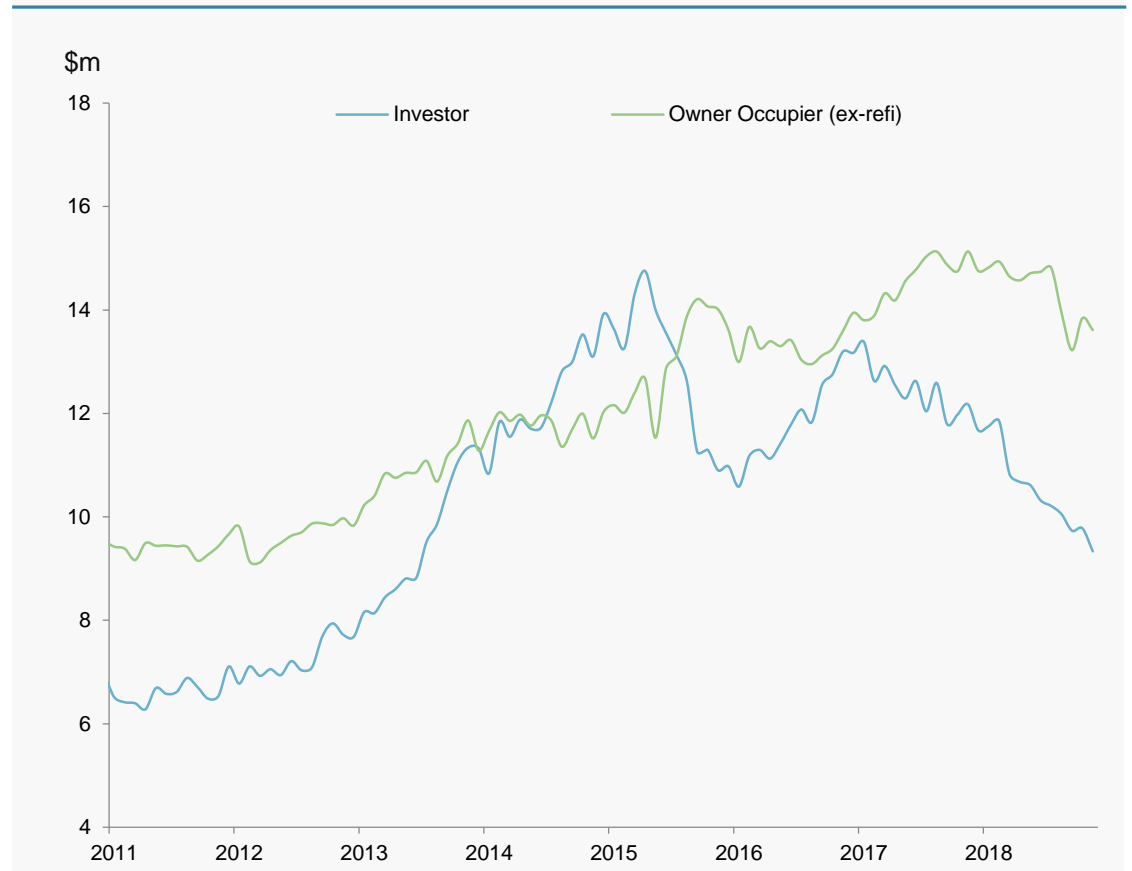
# Housing finance

First home buyers proportion increasing while owner-occupied housing finance easing

*First Home Buyer lending percentage at six year highs<sup>1</sup>*



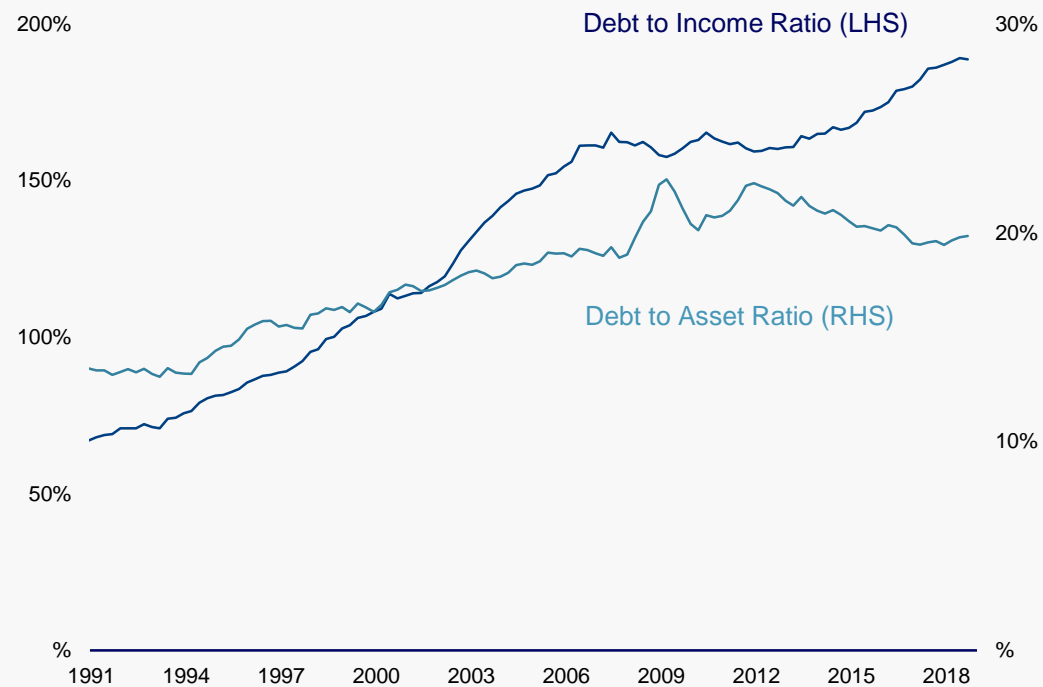
*Residential Loan Approvals, weakness concentrated in investor lending<sup>1</sup>*



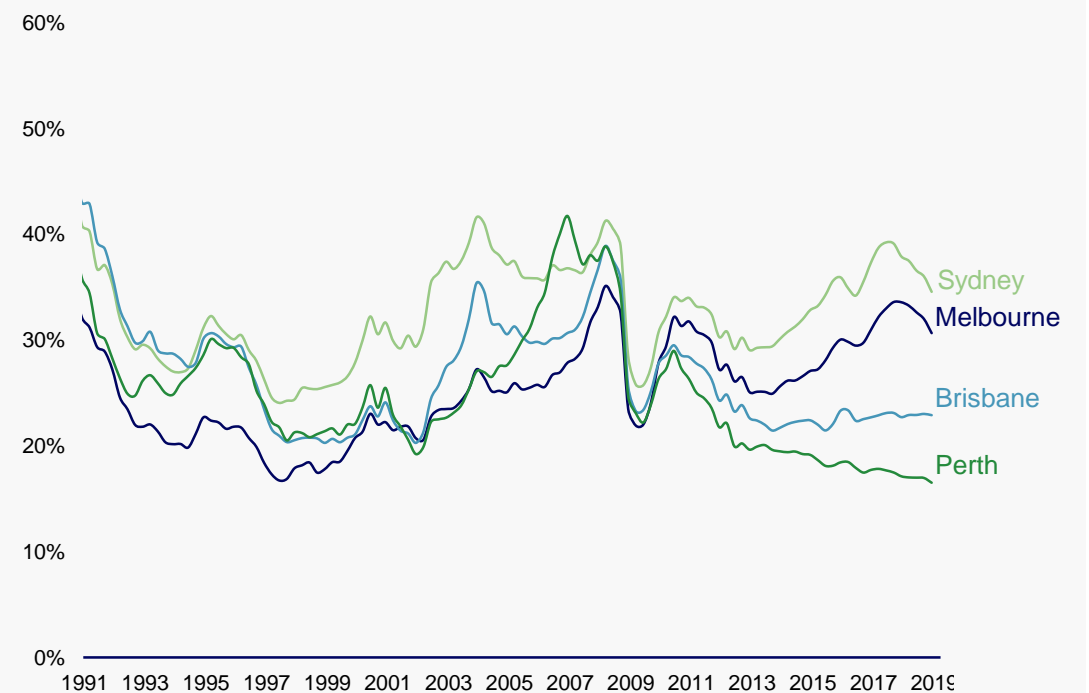
1. ABS Housing Finance Nov 2018, Cat. No. 5609.0

# Housing affordability trends

*Household Debt-to-Asset ratio stable, Debt-to-Income rising<sup>1</sup>*



*Affordability improving in Sydney, Melbourne and Perth as house prices continue to ease, steady in Brisbane as prices hold and wage growth remains weak<sup>2</sup>*



1. RBA, ABS, Stockland Research

2. Mortgage repayments as a percentage of household income, ABS, RBA, CoreLogic, Stockland Research



# Stockland

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