



Managing Director's address

AGM 2011

Thank you Graham, and good afternoon ladies and gentlemen.

INTRODUCTION

Several years ago we set ourselves the goal of becoming Australia's leading diversified property group. We recognise that to create real value out of diversification we must achieve synergies between our various businesses that enhance revenue and lower costs. Ultimately we must demonstrate that the whole is greater than the sum of the parts.

While we acknowledge that the current share price does not reflect this outcome, we are confident in our strategy, our ability to outperform in our chosen business lines and importantly we are increasingly seeing the benefits of having them operating under the one Stockland banner in ways which create enhanced value. This will be the major theme of my presentation today.

I am also pleased to be able to share with you today our first quarter sales figures, which firstly demonstrate a recent general improvement in customer sentiment and buying activity at our projects and secondly that our focus on high quality, affordable products is bearing fruit with outperformance against key market benchmarks. It's too early to say that these figures represent the start of a trend; nevertheless it gives us confidence that we are on the right path.

STRATEGY

But firstly I'll discuss our strategy. For several years now we have focused on allocating our capital to three core businesses:

- Retail development and management
- Residential Community development
- And Retirement village development and management

Our strategy is clear and simple and we refer to it as the 3-Rs. This terminology has achieved cut through both internally and externally, however we must keep it in perspective as office and Industrial properties still represent, at this point in time, a big portion of our balance sheet. Indeed, their total value of \$3.3bn is around the same amount as we have invested in Residential Communities and Retirement Living combined. I'll talk more about this later.

The reason why Retail, Residential Communities and Retirement Living belong together is that they are three of the key building blocks for vibrant local communities. Successful communities have a diversity of residents from single people and young couples through to mature families and retirees. Our goal is to cater for these diverse groups, providing affordable housing solutions built around community hubs with high quality retail centres, social infrastructure and employment generating facilities. We now have 52 Residential Communities, 61 Retirement villages and 40 Retail centres across Australia.

Importantly, over 60 per cent of our Retail centres by value have Stockland Residential Communities and/or Stockland Retirement villages within their trade area and this will grow as new projects come to fruition, further enhancing cross business synergies.

This is a key point of difference for our two key stakeholders, being firstly our customers and secondly government, and both of these stakeholders are absolutely critical to our success. We aim to be the partner of choice for government and the provider of choice for our customers, and achieve competitive advantage through these relationships:

- Firstly, by achieving faster approvals and speed to market by delivering for government the high quality communities they desire for their constituents, who are also our customers. We pride ourselves in being a key partner with government to help deliver the other essential pillars of vibrant communities such as transport, education, health and employment
- And secondly, by achieving higher rates of sale and value uplift from our customers through the quality of our products and the early delivery of this infrastructure

Our unwavering commitment to both sets of stakeholders is delivering very pleasing outcomes. Our research shows that our customers perceive greater value in our products than our competitors' and we have excellent working relationships with Federal, state and local governments.

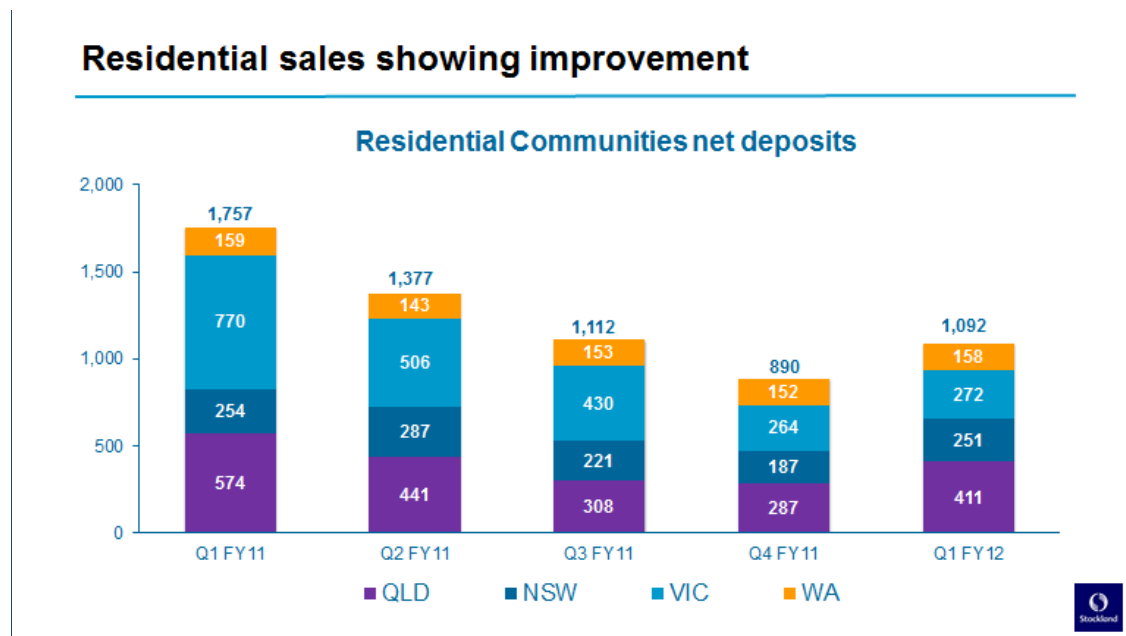
I won't elaborate on this any further today, as we intend to provide you with case studies at separate presentations over the next few months, starting with Residential Communities in November. This presentation will be against the backdrop of Caloundra South, a major new project that epitomises these credentials, and it will be webcast for the benefit of our shareholders.

RECENT SALES PERFORMANCE

Our ability to deliver strong performance through this strategy is reflected in the FY11 results that Graham discussed and it also shows through in our recent sales performance.

In Residential Communities we started FY12 with record contracts on hand. However, as we previously reported, activity in July was slow across our key markets and this continued into August. Pleasingly though, we started to see a positive shift in September, particularly in the key market of South East Queensland which had been very soft since the floods earlier in the year. The recent Queensland Government “new building boost” has definitely improved sentiment and activity in this market.

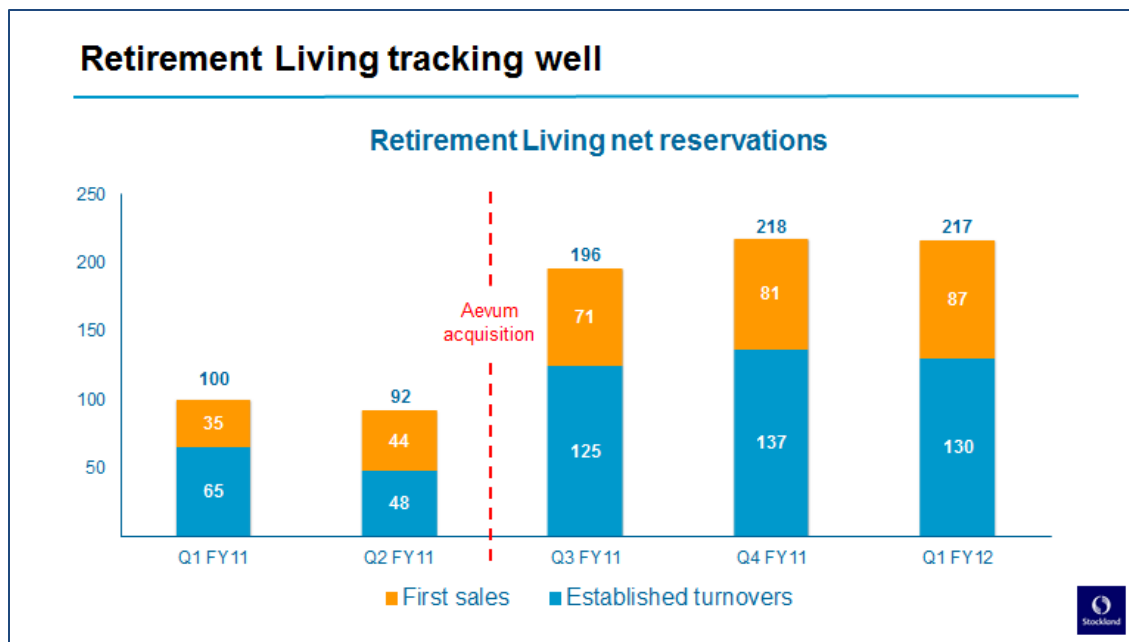
We recently commenced our Spring marketing campaign and the results are encouraging with 499 net deposits in September, our best monthly sales result since October 2010, taking us to a total of 1,092 net deposits for the first quarter. You can see from the chart the recent improvement in Queensland sales and while sales in Victoria are down from the very high levels of a year ago, they seem to be stabilising.



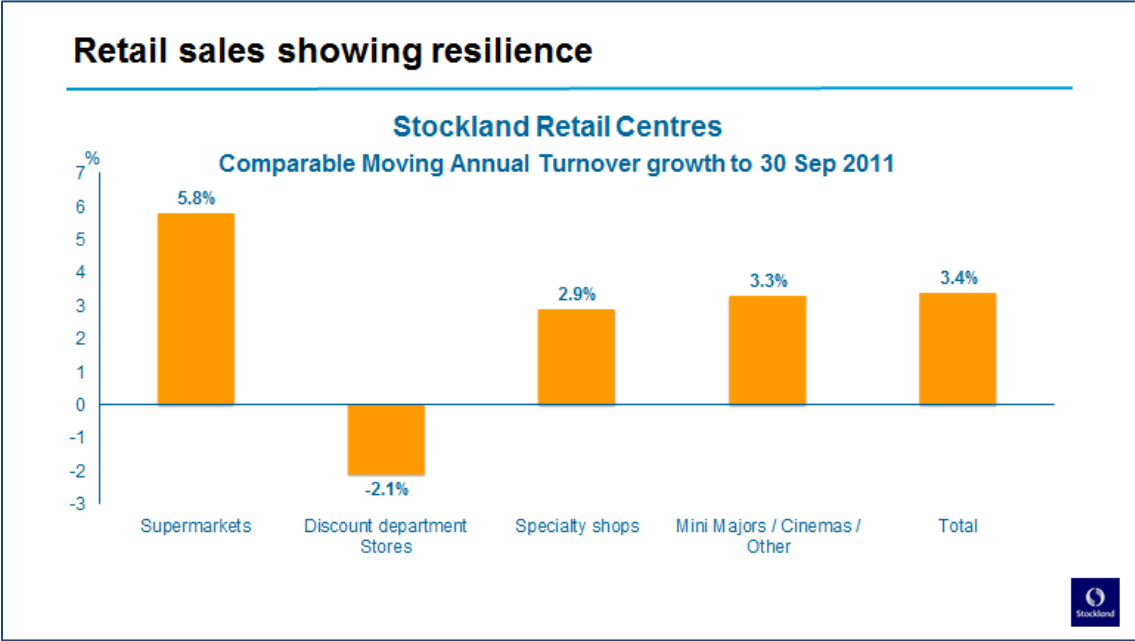
This sales momentum has continued into October and while two months doesn't make a trend, the figures are nonetheless encouraging. They also reflect the sales success at recent launches of new projects at Allura in Melbourne, Vale in Queensland, Whiteman Edge in Perth and with strong interest at Brooks Reach in NSW, to be launched next week, it is clear that our strategy of focusing on affordable product is working.

These projects are in the early stages of development and settlements will not take place until after Christmas. This, together with the slow sales in July and August, will result in a skew in our reported profits to the second half of the financial year.

Retirement Living recorded its best ever monthly sales result in September and for the first quarter we achieved a total of 130 net reservations in established villages and 87 net reservations in new villages under development.



In our Retail centres, September comparable moving annual turnover was up 3.4 per cent on the previous year. This is a creditable result given the current difficult retail environment, and reflects the retail mix in our centres which is focused on day-to-day value and convenience.



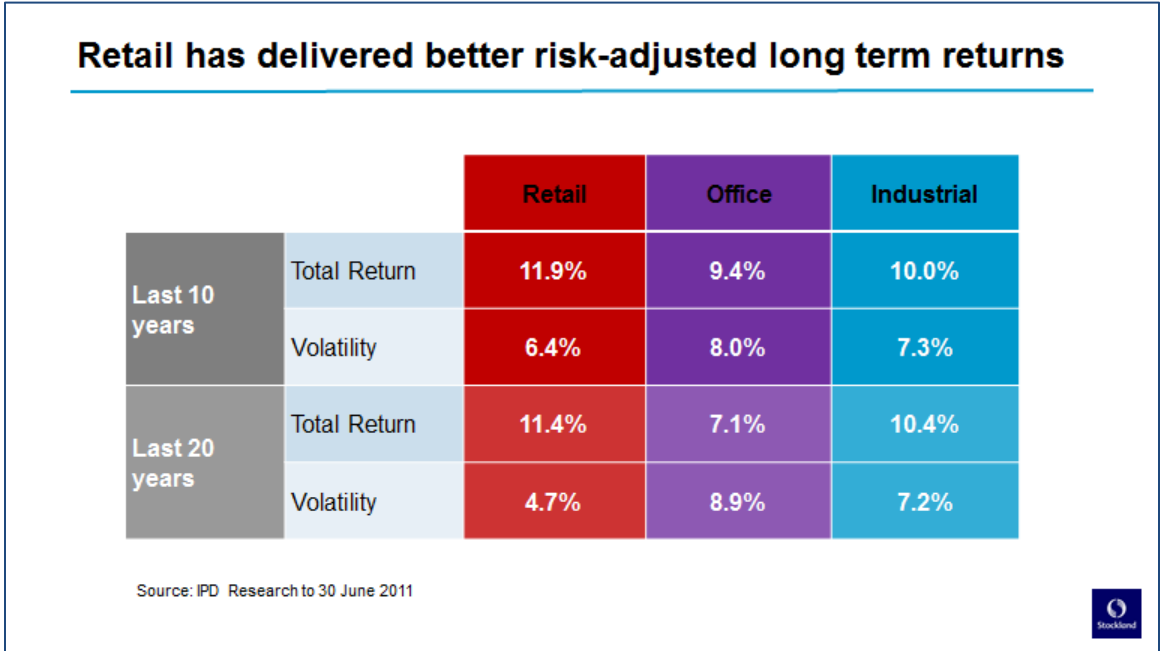
Indeed, an essential part of our product strategy for all three businesses is to focus on affordable, needs-based customer buying decisions. This category is outperforming the high value discretionary segment which is under more pressure both in the retail and residential sectors.

Time and time again we have demonstrated that this core customer segment of ours is more resilient and less volatile through the cycles. Furthermore, it appears that the current market conditions may be more than just a cycle and could be reflective of a structural shift towards more frugal spending and higher saving by Australian households, a trend that would favour our business.

OFFICE AND INDUSTRIAL AND ASSET SALES

I mentioned earlier our \$3.3bn investment in office and industrial buildings, which remain a significant part of our overall asset base. However, office and industrial ownership and management has little synergy with our other business lines, and they don't add to the competitive advantages I referred to earlier through our dealings with government and our broader customer base.

We continue to achieve a solid rental stream from these buildings, but analysis of returns over the last two decades illustrates that office markets in particular are quite volatile, with a risk return profile less compelling than for Retail centres.



We are constantly looking for ways to improve our return on funds employed, and selling office and industrial assets is presently a much more cost effective source of capital than traditional debt or equity, which are likely to remain scarce and expensive for some time to come.

However, you can be assured that while we retain ownership we will optimise rental returns through active asset management. This is reflected in our September quarter performance when we leased 28,000 square metres of office and 18,000 square metres of industrial space, maintaining our low vacancy rates.

Our plan has been to sell \$400m to \$500m of assets each year to fund the growth of Retail, Residential Communities and Retirement. However, with the increased cost of capital and our decision to instigate a share buyback, we have lifted our asset sales target for FY12 to over \$600m. We have made good progress so far this financial year, already achieving settlements and contracted sales totalling \$260m and we have more assets for sale in due diligence. The majority of these sales are being achieved at, or slightly above, the 30 June 2011 valuations reflected in our books.

CAPITAL COMMITMENTS AND ALLOCATION

Importantly our capital commitments are quite modest, so we can use these funds for our share buyback and also maintain our debt at relatively low levels.

In Residential Communities, we restocked extremely well last year and with the acquisition of two key projects in Perth in July, we now have over 90,000 future land lots under our control. We have good coverage of future revenue targets and we can afford to be very selective and opportunistic in our land buying this financial year.

In Retirement Living we doubled the size of the business last year with the acquisition of Aevum and we will be spending the next year consolidating this position, enhancing our capability and improving our returns. Retirement Living has significant future growth potential and it will directly

benefit from the major demographic changes resulting from an ageing population. But we are in no rush to further increase our investment until we have achieved these short-term objectives.

We do believe that further consolidation in the Retirement Living industry is inevitable as there are considerable economies of scale due to the high operating costs; and its capital intensity will limit the growth of some of the smaller operators. We aspire to be the market leader in this industry over time, and potentially achieve this through further consolidation; however this is likely to play out over a number of years.

In Retail, we have three major projects underway at Merrylands, Townsville and Shellharbour. These projects are all going well and we expect returns to be in line with or ahead of our feasibilities. We have several other key projects set to commence in the next year or two and we are putting our efforts into achieving development approvals, locking down our construction costs and signing agreements for lease with the major retailers. To this end we recently secured development approvals for the redevelopment of Green Hills and Wetherill Park, both very highly productive retail assets that are ripe for expansion.

While these approvals are a big step forward, we are mindful that many retailers are cautious in their expansion plans and, coupled with the volatility in global financial markets, we don't plan to start these projects unless we are confident we can achieve returns above our cost of capital and comfortably fund them through to completion. We are also mindful of the potential changes to the retail environment from e-commerce, and we are putting a lot of effort into researching these trends to ensure our centres remain resilient and our development plans appropriate.

COSTS AND EFFICIENCY

In executing our strategy, we are very focused on business efficiency and active cost management. Indeed, we have commenced many initiatives to reduce costs and the benefits are already flowing through. Several of these initiatives involve a reduction in corporate costs, achieved through greater collaboration between the business units when the skills and knowledge are complimentary. A “one Stockland” approach is firmly embedded in our culture.

CONCLUSION

In conclusion, the challenges arising from global uncertainty and weak consumer and business sentiment are quite clear, but Stockland is in very good shape to tackle these challenges head on, and indeed we can turn some of them into opportunities such as the changing consumer spending patterns I referred to earlier. We have a clear strategy, but we also recognise the need to continually finesse it in response to changing circumstances.

Our management team and employees strive to maximise long term returns to shareholders and I would like to thank all of them for their hard work and dedication over the last year. We have a terrific team of people at Stockland and I am proud to lead them.

Thank you for your attendance today and your continued support.