



Stockland

Commercial Property Strategy

John Schroder, CEO Commercial Property

Commercial Property strategy: re-weight to retail and enhance asset quality

Retail

- Strategy to develop larger, higher quality retail assets
- Develop assets with a history of strong trading and in areas of market growth
- Leveraging Stockland's diversified model and landbank

Office

- Own and manage a quality portfolio in major office markets
- Sale of non-core assets

Industrial

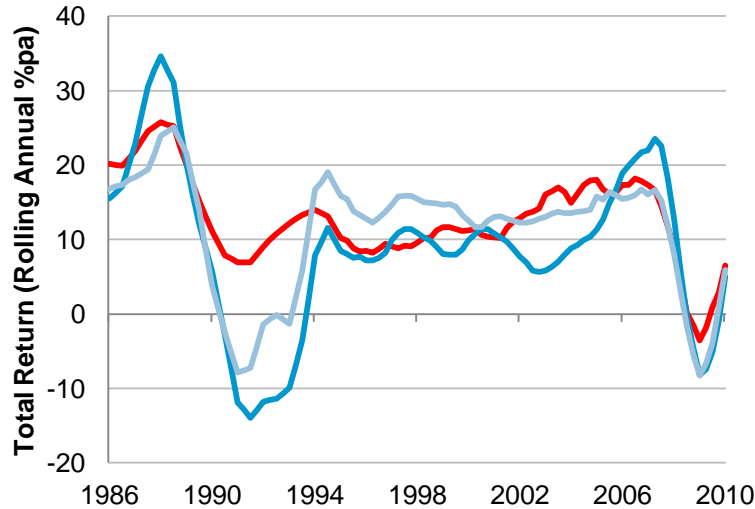
- Focus on large, flexible estates close to major transport hubs
- Sale of non-core assets

Retail development pipeline to be entirely self-funded from internal resources

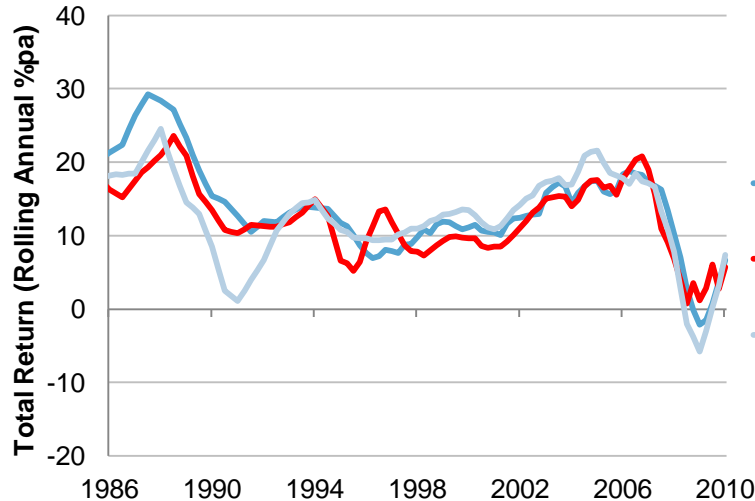
Prime office and industrial assets in major markets will continue to remain a core component of the Commercial Property portfolio for some time

High quality retail provides better risk-adjusted returns through the cycle

Historical total returns by sector



— Retail
— Office
— Industrial



— Super & major regional
— Regional
— Sub-regional

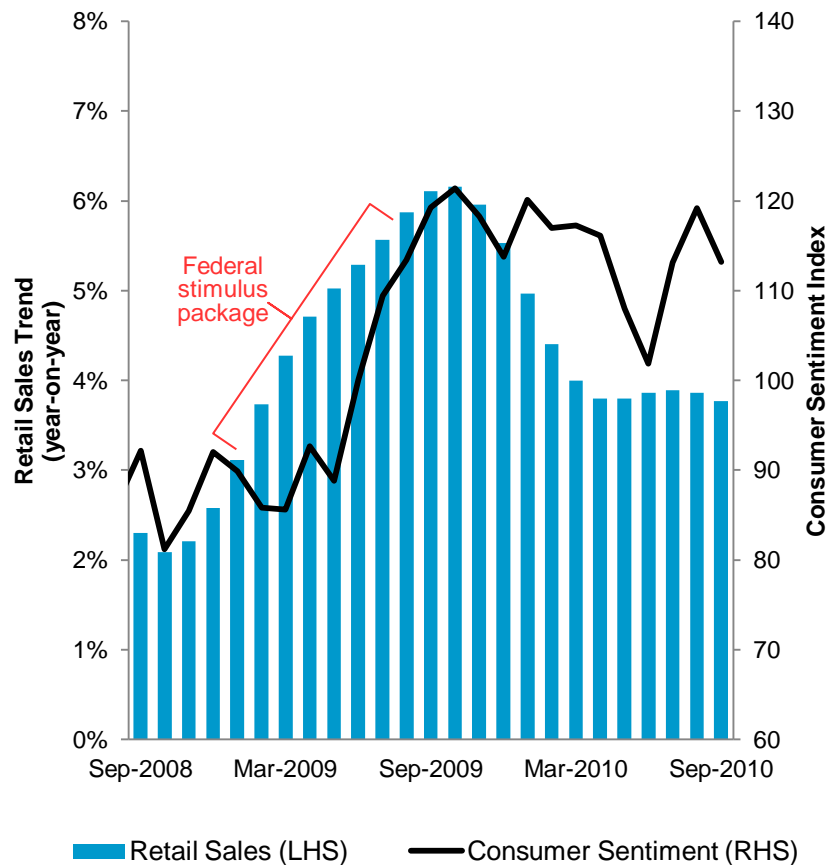
		Retail %	Office %	Industrial %
Last 10 years	Total Return	11.6	9.2	10.2
	Volatility	6.3	8.0	6.9
Last 20 years	Total Return	10.9	5.8	9.5
	Volatility	4.7	9.2	7.8

		Super & major regional %	Regional %	Sub-regional %
Last 10 years	Total Return	11.9	11.5	12.3
	Volatility	5.9	5.6	7.4
Last 20 years	Total Return	11.5	10.9	11.2
	Volatility	4.4	4.3	5.9

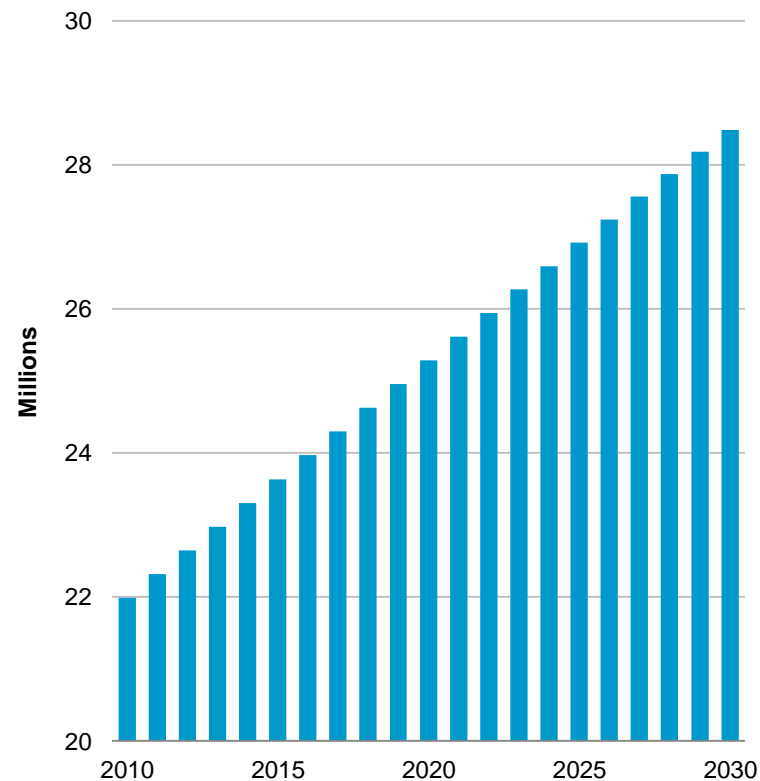
Strong retail assets have ability to outperform over the longer-term; less volatile and higher risk-adjusted returns

Market environment and fundamentals underpin investment in retail

Consumer sentiment & retail sales still strong post-stimulus¹



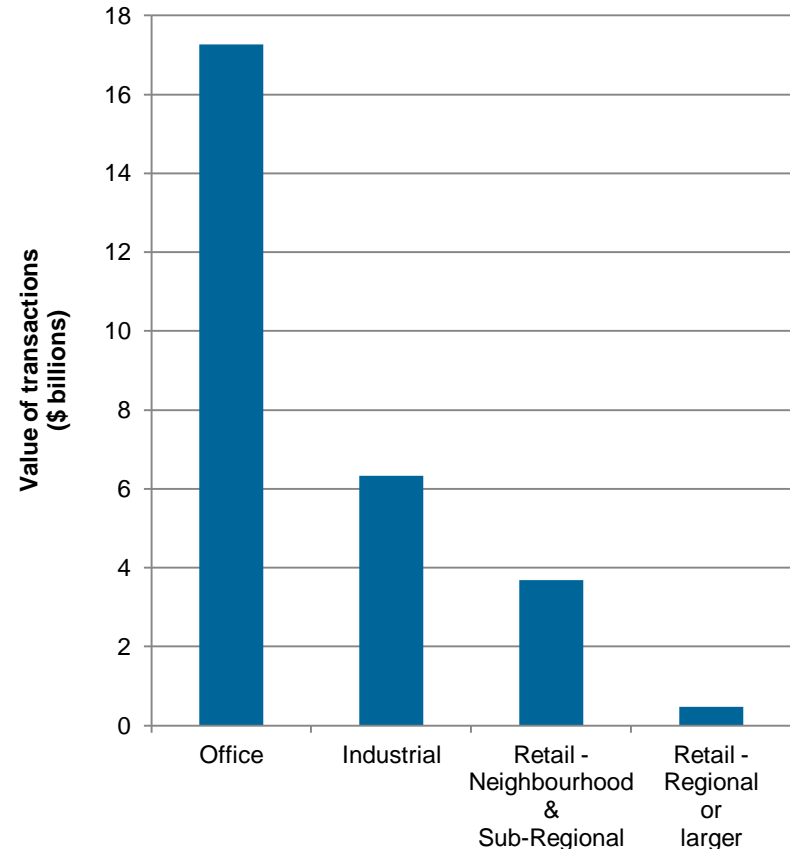
Strong population growth drives demand for retail²



High quality retail is tightly held and rarely trades

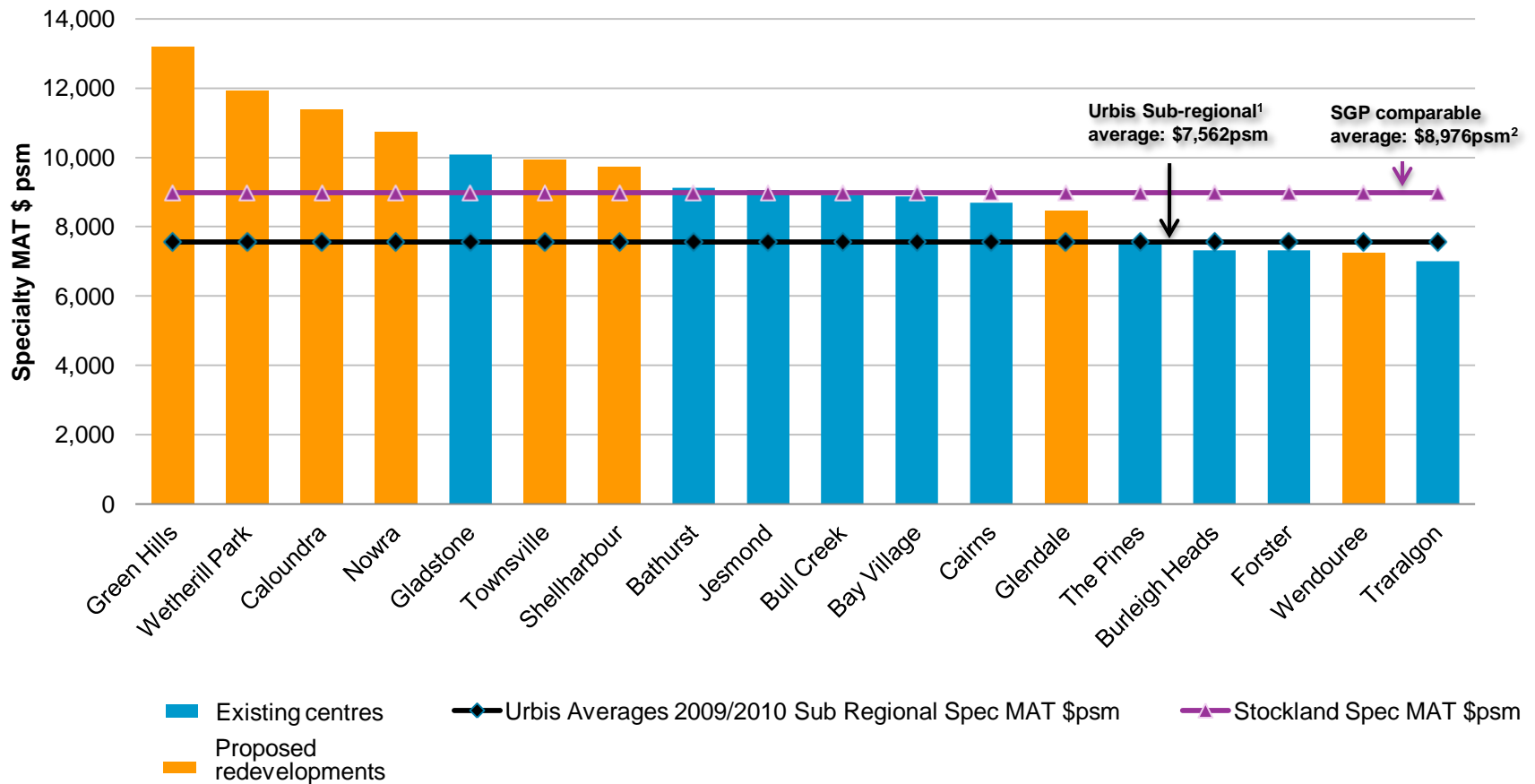
Barriers to entry	
Market size	<ul style="list-style-type: none"> More demand for retail space with growing population 2 sqm of retail required for every person in Australia¹
Availability of land	<ul style="list-style-type: none"> Planning regulations Scarcity of new sites Hard to consolidate to create new sites
Availability of capital	<ul style="list-style-type: none"> Capital remains scarce Large amounts of capital needed No government incentives to develop
Tenancy mix	<ul style="list-style-type: none"> Limited anchor tenants Burgeoning mini-major segment Wesfarmers, Woolworths and Myer have solid growth plan Understanding each trade area is critical to the delivery of the appropriate tenancy mix (mid-market fashion, not high-end)
Ownership	<ul style="list-style-type: none"> The higher quality retail rarely trades

Commercial property asset sales over the last three years²



Stockland's retail portfolio has inherent growth prospects through redevelopment

Proposed sub-regional redevelopments largely outperform Urbis averages¹



Stockland's current retail portfolio, combined with strong knowledge of local trade areas, provides development potential to create larger and better performing assets

Occupancy remains high and occupancy costs sustainable

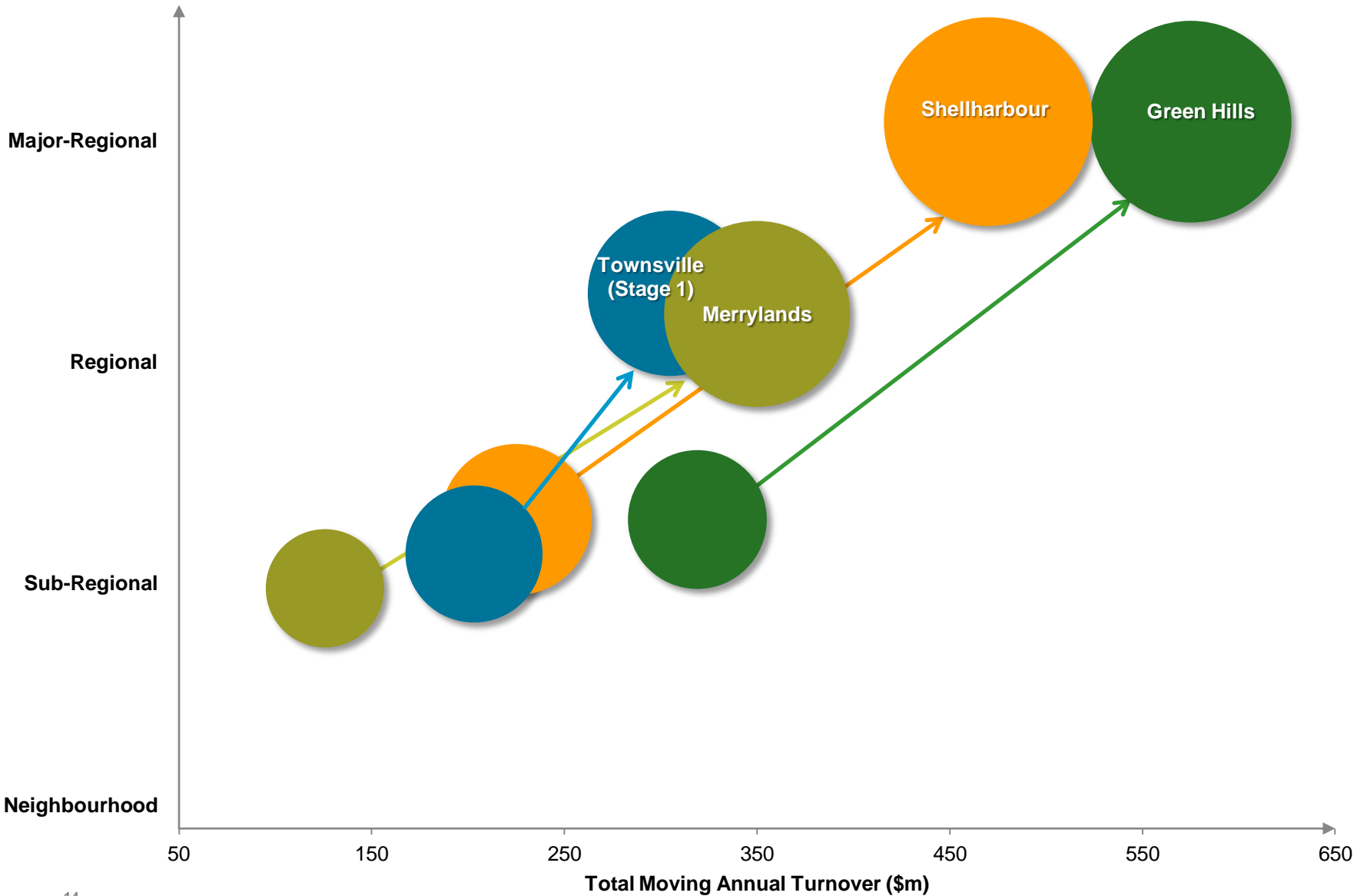
1Q FY11 retail update

- Occupancy 99.5% - 35 vacant specialty shops
- Average occupancy cost of 13.8% of MAT (13.4% at 30 June 2010)

30 September 2010	Annual Total MAT (\$m)	% MAT Annual Growth	% Annual Comparable Growth	% 3mth Comparable Growth
Supermarkets	2,073	7.8	2.9	4.1
DDS	798	(1.7)	(1.1)	2.2
Specialties	1,418	1.0	(1.2)	1.2
Mini Majors/Cinemas/Other	761	10.9	8.8	2.6
Total	5,104	4.8	1.8	2.8

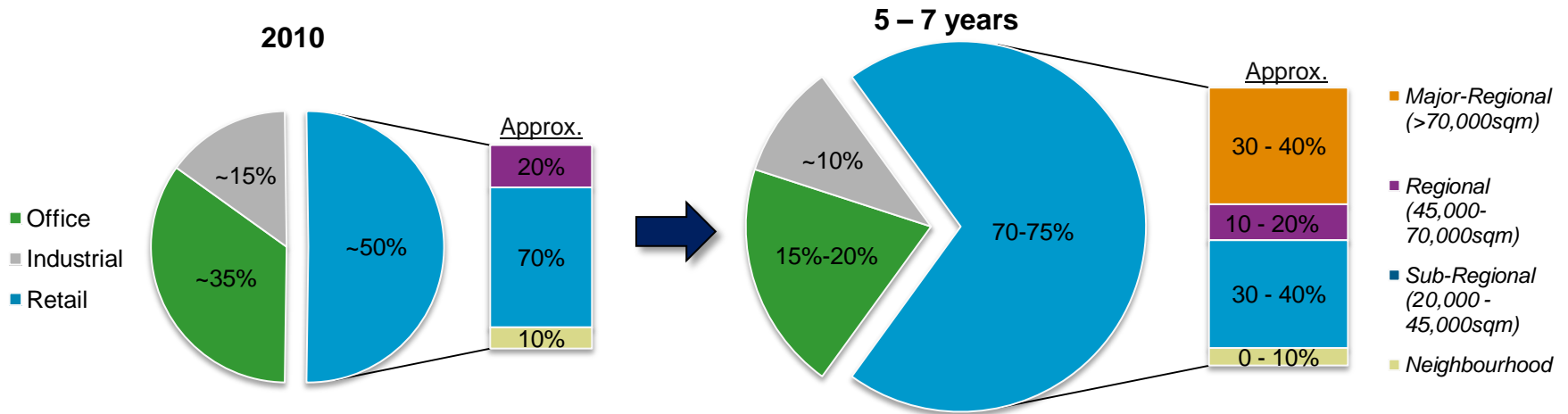
	Urbis Average for Sub-Regional 2009/10 ¹	Stockland September 2009	Stockland September 2010	Stockland Year on Year Increase
Comparable Specialty MAT per m ²	7,562	8,759	8,892	1.5% ¹

Moving retail assets up the retail hierarchy



Re-weighting the current portfolio into higher quality retail

Book Value Weightings (\$m)



Retail investment criteria

Value	<ul style="list-style-type: none"> >\$50m with potential for >\$200m over time
Trade area population	<ul style="list-style-type: none"> Large and growing population catchment
Positioning	<ul style="list-style-type: none"> First in primary trade area, first or second in main trade area over time
Growth potential	<ul style="list-style-type: none"> Redevelopment potential plus asset management upside
Financial hurdles for redevelopment	<ul style="list-style-type: none"> Redevelopment yield on cost: 7.0 - 7.5% (fully-leased year one yield)¹ Incremental development IRR: >12%

Building the capability to deliver growth

