



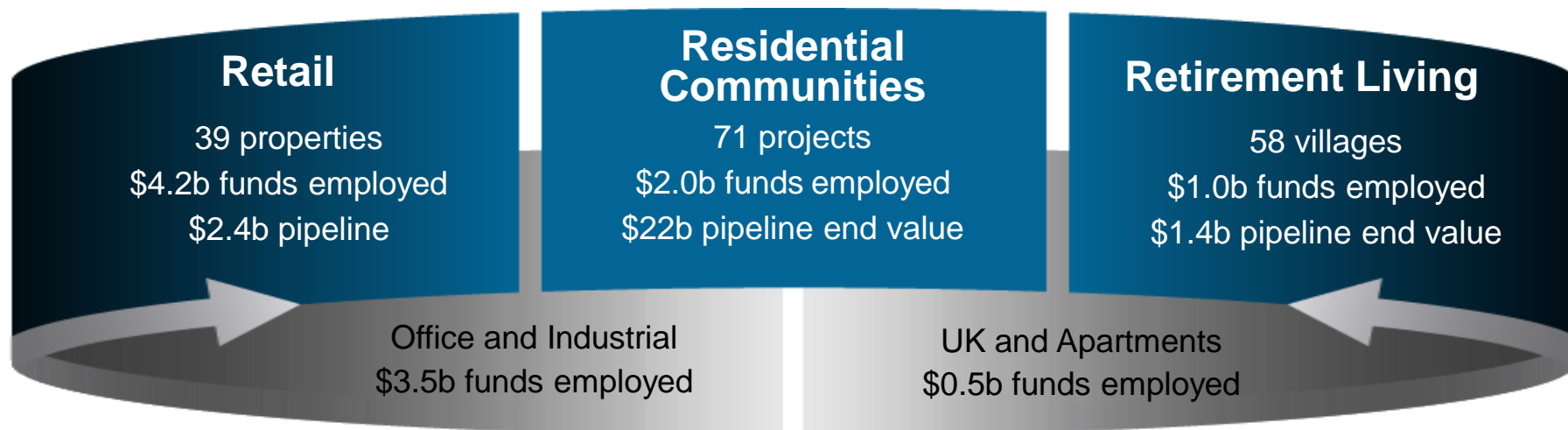
Stockland

## Deutsche Bank Access Asia Conference

23 – 26 May 2011

# Stockland's integrated model

## 3-R growth strategy - Residential Communities, Retail development and Retirement Living



**Creating vibrant communities by leveraging 3-R integrated model and partnering with others (public and private) to provide social infrastructure, transport, education and employment**

Disciplined assessment of opportunities within strategic weightings  
(60-80% recurring, 20-40% trading)

Growth fully funded - low gearing, \$365m net cash flow from trade-out of Apartments, \$184m from exit of UK, sale of non-core office and industrial assets, and retained earnings





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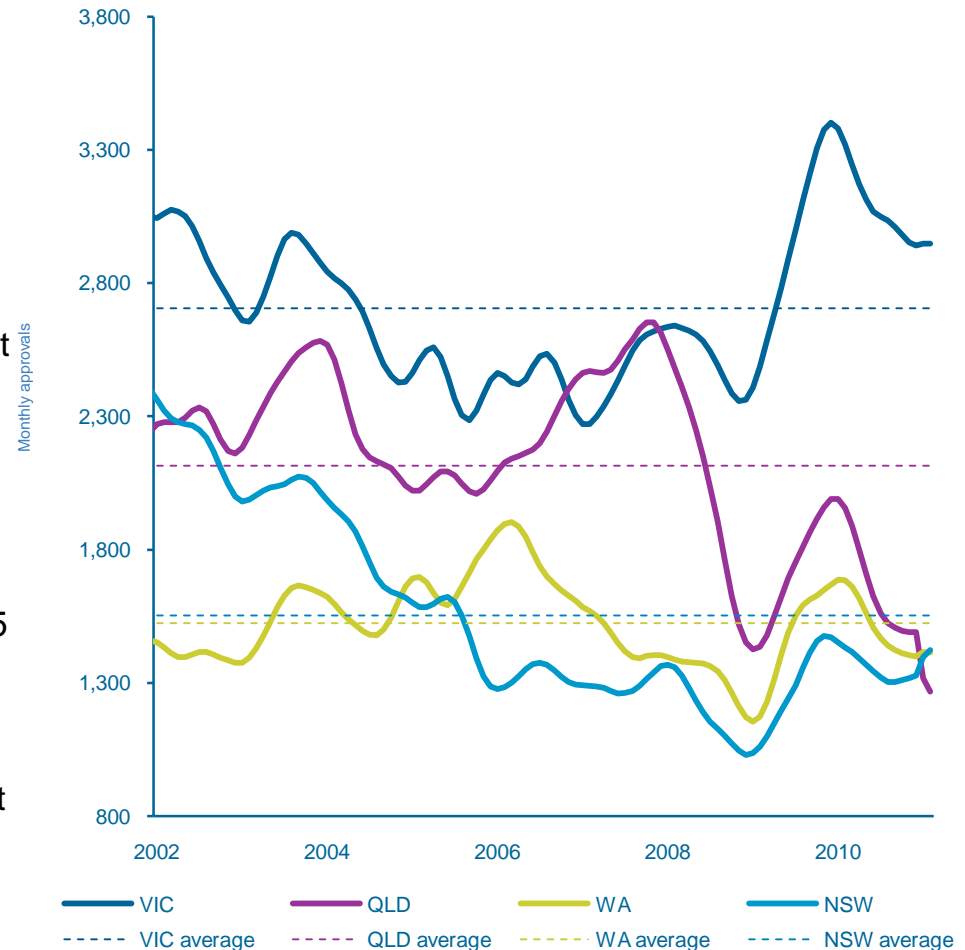
# Residential

# Residential Communities – market conditions vary across states

## Residential market conditions

- Varied market conditions across the country:
  - NSW buyer sentiment strong for affordable product, market trending upwards
  - VIC returning to average approval numbers, although the extension of the State first home owners boost until 30 June 2012 will assist FY12
  - WA impacted by overhang in established market but showing positive signs
  - QLD sentiment very subdued, yet to see recovery from impact of natural disasters in 3Q11. Recovery to be driven by:
    - Strong population growth; six of Australia's top 15 fastest growing municipalities are in QLD
    - Economic and employment impact of billions of dollars of new infrastructure projects yet to be felt

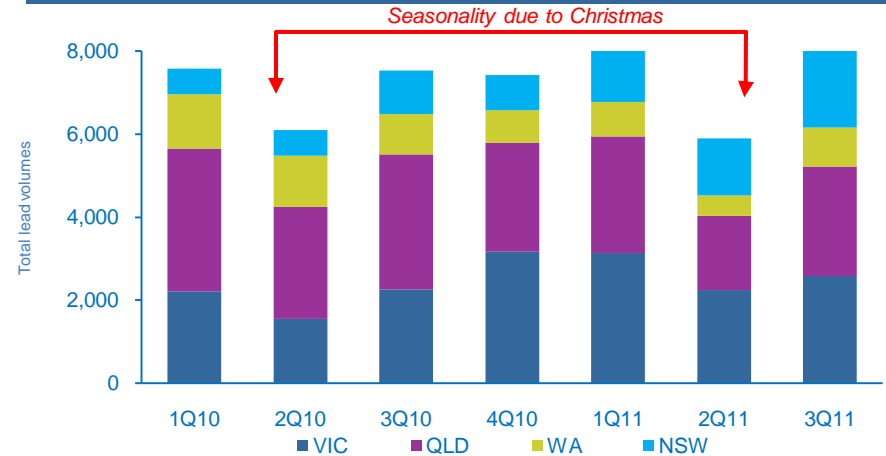
## Private detached house approvals<sup>1</sup>



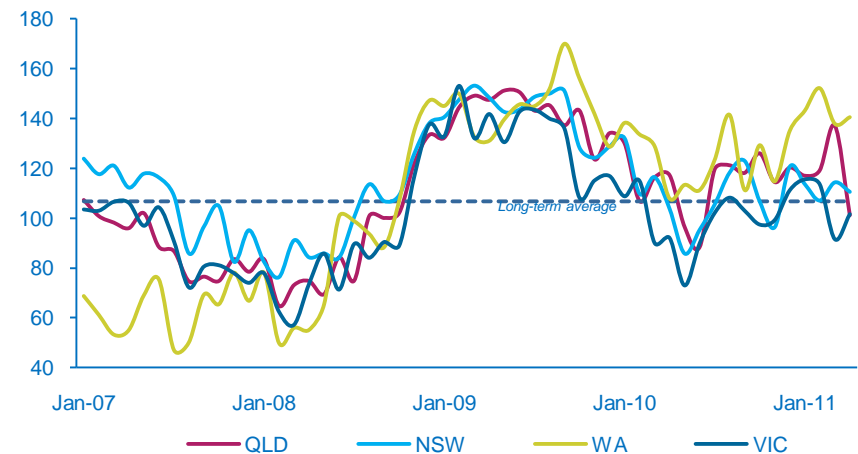
# Residential Communities – strong enquiry but buyers are cautious

- Strong 3Q11 Stockland customer traffic:
  - Reflects strategy to deliver affordable packages relative to established market
  - Solid enquiry from 3Q11 “Make your Move Now” marketing campaign, even in QLD
  - Customer mix between first home buyers, upgraders and investors in line with long-term targets
- Despite strong enquiry levels, buyers are cautious:
  - Short-term uncertainty over cost of living pressures, rising utility and petrol prices
- Long-term demand underpinned by population growth and strong employment

Stockland customer lead volumes remain strong<sup>1</sup>

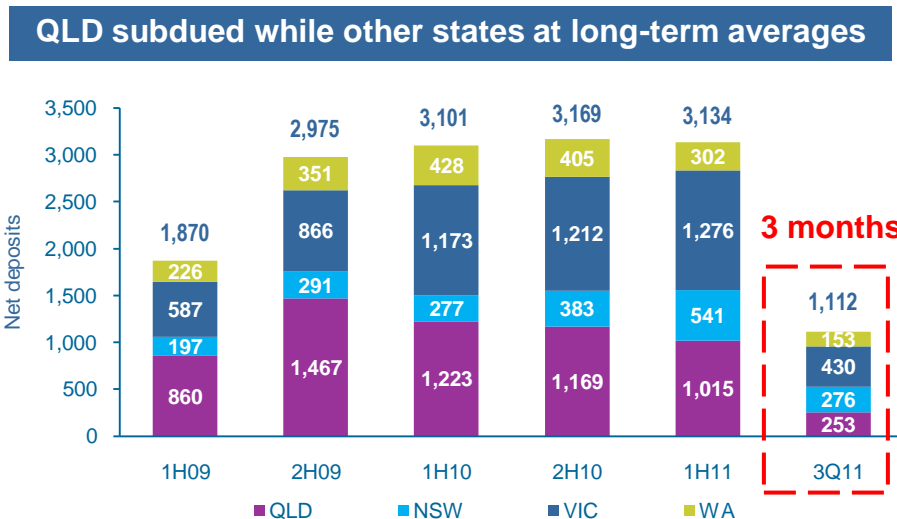


Mixed sentiment for time to buy a dwelling<sup>2</sup>



# Residential Communities – slower 3Q11 but strong contracts on hand

- FY11 lot settlements expected to be slightly higher than 5,236 lots settled<sup>1</sup> in FY10:
  - Very strong 1H11
  - Deposits slowed in 3Q11
  - April numbers showed a slight improvement
- Positive movement in key operating metrics expected in FY11:



Expected FY11 result vs FY10

Average lot size	Down ~6%
Average price per sqm	Up ~12%
Average price per lot	Up ~5%
Operating Profit and EBIT margins	Up ~1–2%

- Subject to market conditions, settlement volumes should grow further in FY12:
  - Strong contracts on hand – expect to carry >2,000 contracts into FY12
  - First settlements at 8 new projects<sup>2</sup>

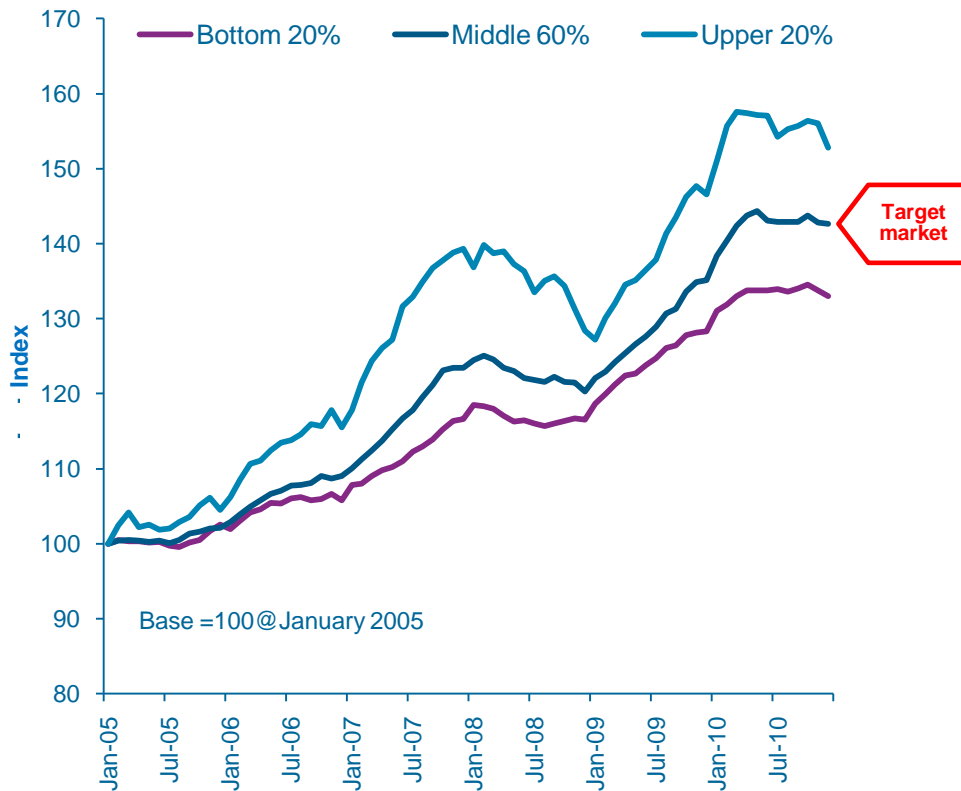


# Residential Communities – affordability is the challenge...

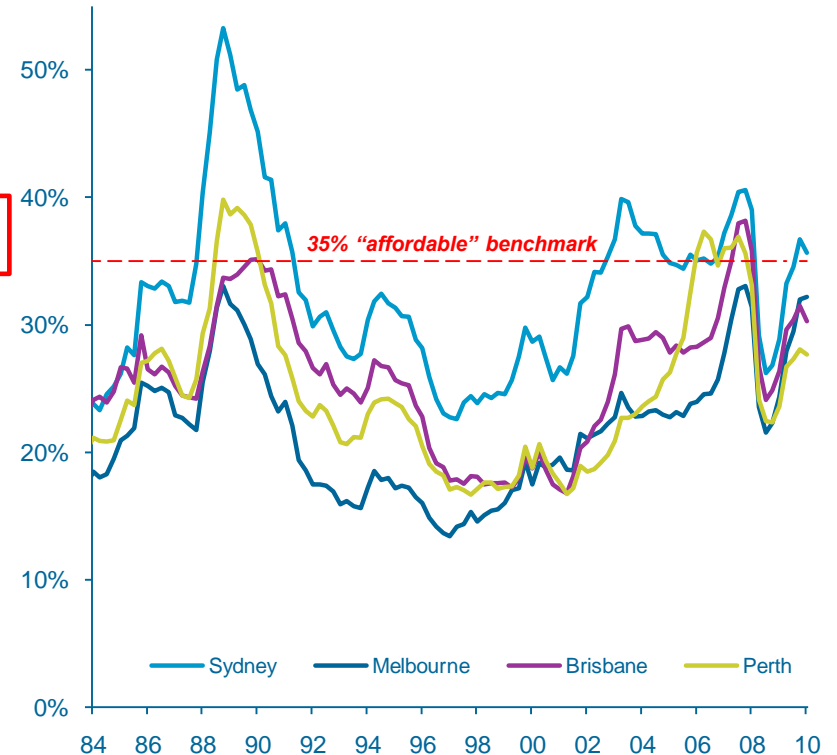
Stockland target the mid-market – not upper end

Affordability has improved with wage growth, but will come under further pressure if mortgage rates rise

Major capital city property value growth<sup>1</sup>



Mortgage repayments as % of household income<sup>2</sup>

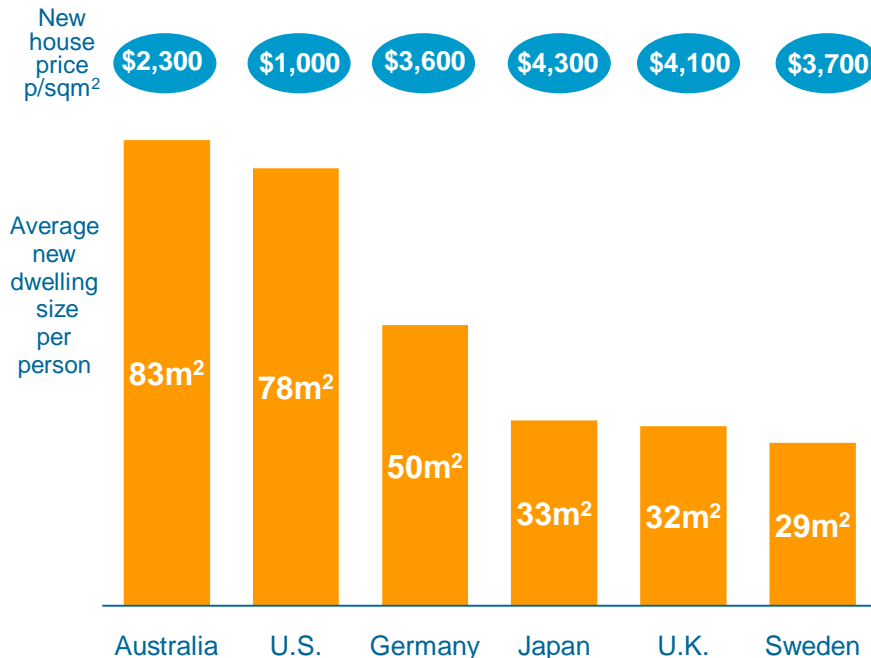


# ... product innovation is the opportunity

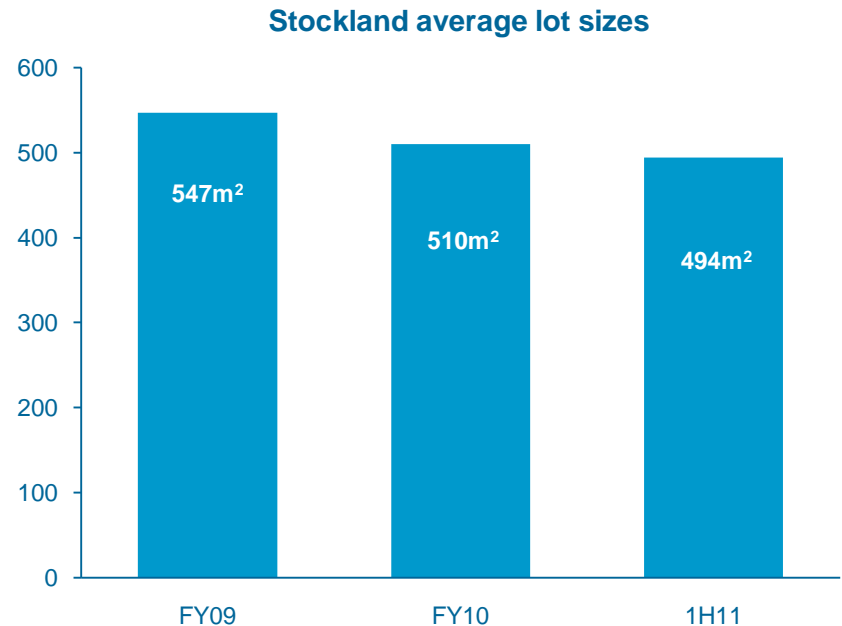
## Increasing demand for masterplanned communities

- Product flexibility not available in established market
- Can respond quickly to customer preferences
- Delivers on increasing consumer desire for sense of community

### Australian houses are larger than other countries<sup>1</sup>



### Innovative, smaller product meets affordability





# Faster speed to market and improved return on NFE

## Large and diverse land bank

- Total land bank of 84,500 lots; \$2.0b net funds employed (NFE)<sup>1</sup>
- Provides 90% coverage of revenue targets for next 3 years
- 83% of book value comprises active projects (live or due to commence in next 2 years)

## Recent acquisitions enhance geographic diversity

- 19,500 lots secured with end value of circa \$6b
- Very efficient capital management - several acquisitions on extended payment terms

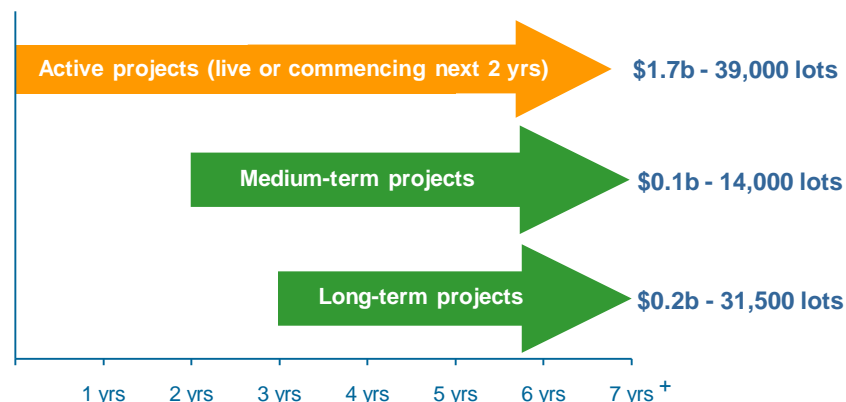
## Inventory carried at lower of cost and net realisable value

- No impairment

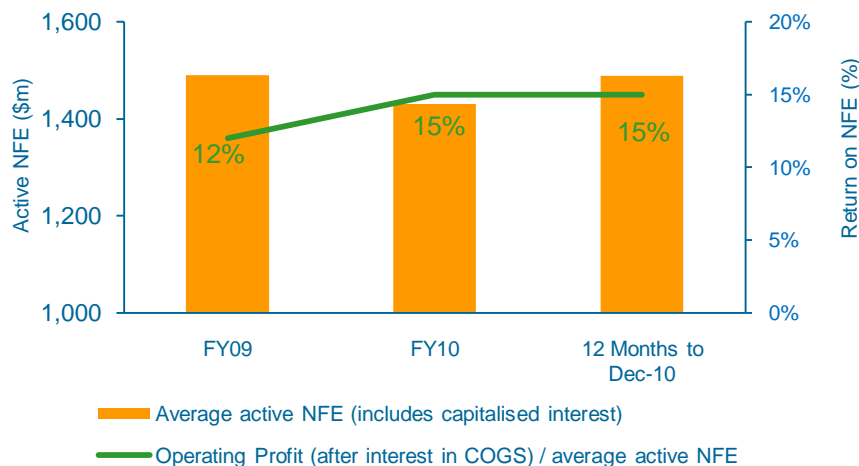
## Maintained high return on average NFE in 2010

- 15% on active projects (after allowing for capitalised interest)
- 12% including medium / long-term projects

### Land bank comprises mostly active projects<sup>1</sup>



### Strong return on Net Funds Employed (NFE)<sup>2</sup>





The Lakes Estate, VIC



Stockland

# Retirement Living

# Retirement Living – key growth business as the population ages

## Ageing population makes this a high growth industry

- Estimated 100,000 new units required by 2030 based on current take up rates, well in excess of current supply:
  - Current supply represents less than 1.5% of total new dwellings
  - Over 65s represent 15% of population and growing

## Leverage benefits of Stockland integrated model

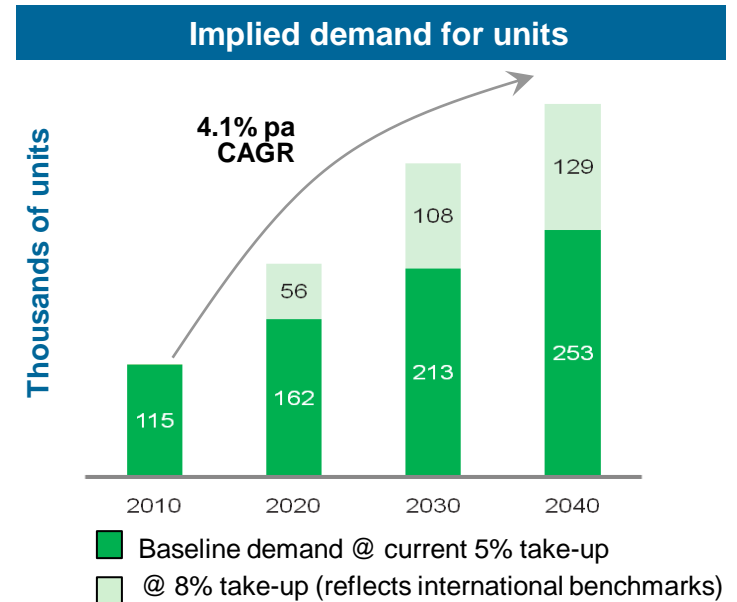
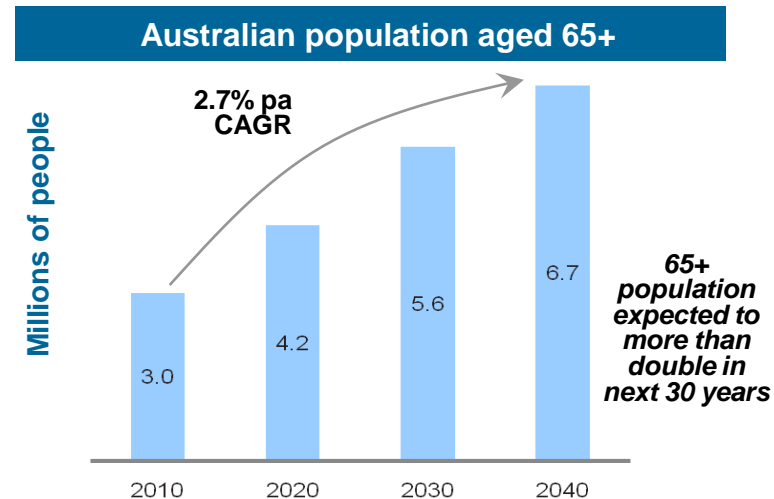
- Synergies with Residential (development) and Commercial Property (asset management)
- Ability to create better communities with the 3-Rs, driving competitive advantage

## It is sustainable and supported by government

- Residents attracted by lifestyle, financial model works for them
- Government supports retirement living as an important element in the broader community

## Strategy to grow and diversify our portfolio

- Enhance scale and growth through acquisition
- Develop new industry leading villages and drive operational efficiencies



**\$35b worth of new property required to meet demand (at today's prices and take-up rates)**

# Retirement Living means active communities, not Aged Care or Nursing Homes

## Independent active communities

- Retirement Villages are active communities of 65-85 year old independent residents
- Retirement Villages offer only basic nursing services<sup>1</sup>







## Effective retirement living solutions

- Residents value the extensive community facilities and security of Retirement Villages
- Community facilities target health, wellbeing and lifestyle:
  - Medical suites, nurses room, podiatrists
  - Hair salon and beautician
  - Pool and gym
  - Library and media room
  - Café, club lounge and bar
  - Town hall for functions, meetings and activities
  - Bowling green and alfresco spaces
  - Pocket parks – chess, bocce, rose gardens

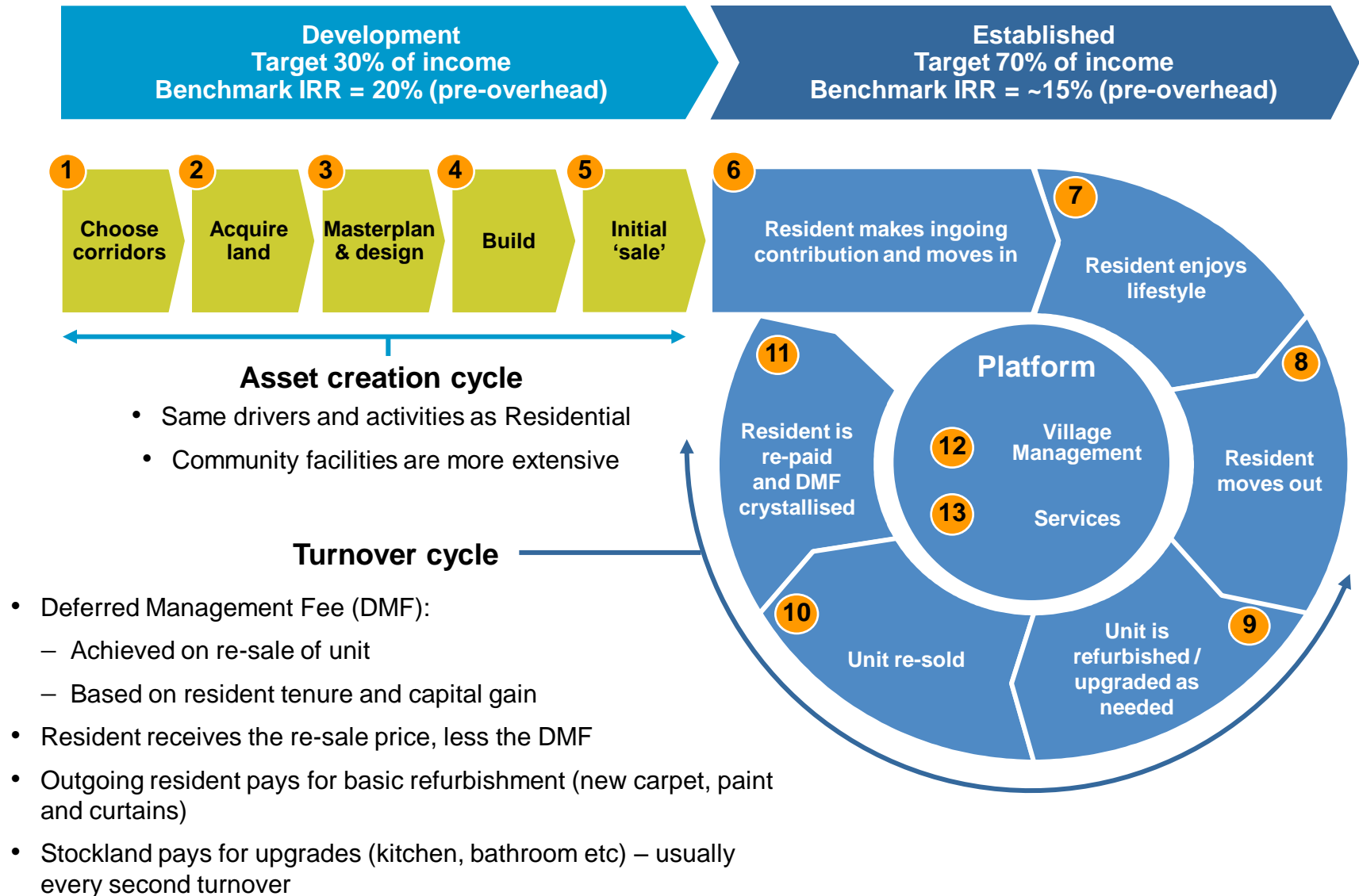




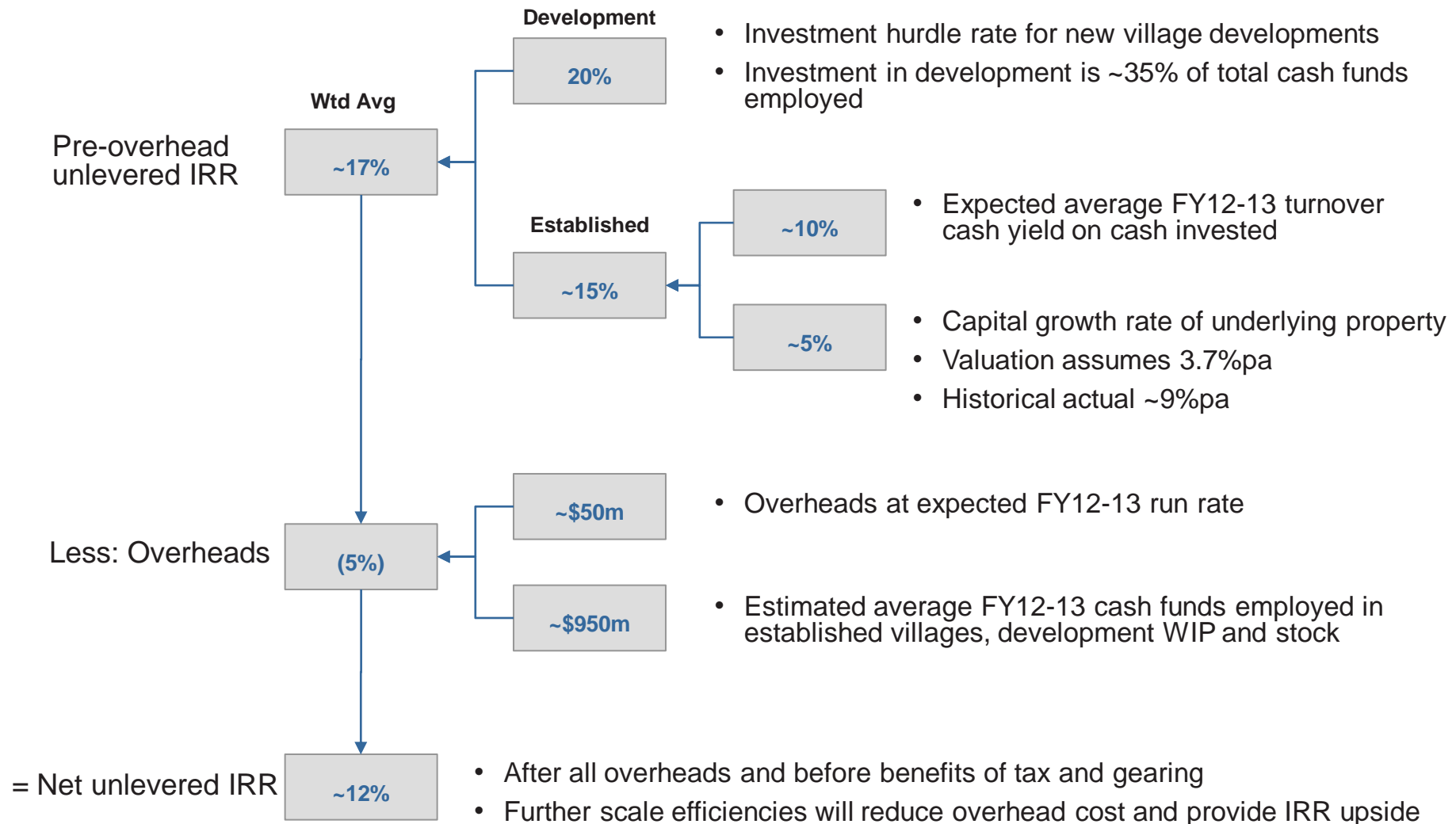
# Aevum successfully acquired and integrated

	Before	After	Change	
<b>Portfolio size<sup>1</sup></b>	3,881 units 28 villages	7,027 units 58 villages	<b>+81%</b> <b>+30 villages</b>	 <b>Nearly doubled portfolio</b>
<b>National ranking</b>	#4	#3	<b>+1 ranking</b>	 <b>Clear #3 in the market</b>
<b>Market share / geographic diversity</b>	~5% (2 states)	~9% (5 states)	<b>+4%</b> <b>(+3 states)</b>	 <b>National platform; critical mass in key states</b>
<b>Existing units turnover</b>	c250 units p.a.	>500 units p.a.	<b>&gt; +105%</b>	 <b>Strong turnover from more mature portfolio</b>
<b>Village age</b>	14.5 years	17.0 years	<b>+17%</b>	 <b>More mature villages enhance cash yield</b>
<b>Development Pipeline</b>	~2,900 units	~3,400 units	<b>+29%</b>	 <b>Strong organic growth</b>

# The business model delivers trading and recurring income



# Retirement Living is expected to deliver net cash returns of ~12%pa



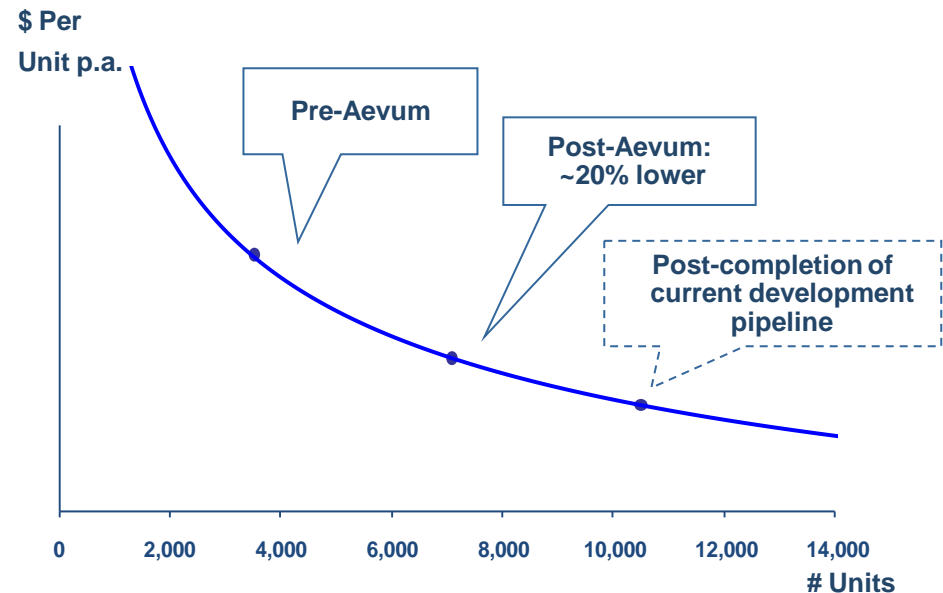
# Continuing to make economies of scale efficiencies

## Aevum acquisition moved Stockland down scale curve

- FY12 fixed costs per unit in the Established business are expected to be ~20% below the pre-Aevum level
- Further benefits available from expansion of the Established portfolio:
  - Development pipeline will add significant scale over time
  - Selective acquisitions being pursued

## Retirement Living scale curve

(Fixed costs per living unit – established business only)



**Ability to spread fixed costs over larger base**





Rockhampton, QLD



Stockland

# Commercial Property

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

## Retail

- Develop larger, higher quality retail assets with strong trading record and in areas of market growth
- \$4.2b<sup>1</sup> of assets, \$2.4b development pipeline

## Office<sup>1</sup>

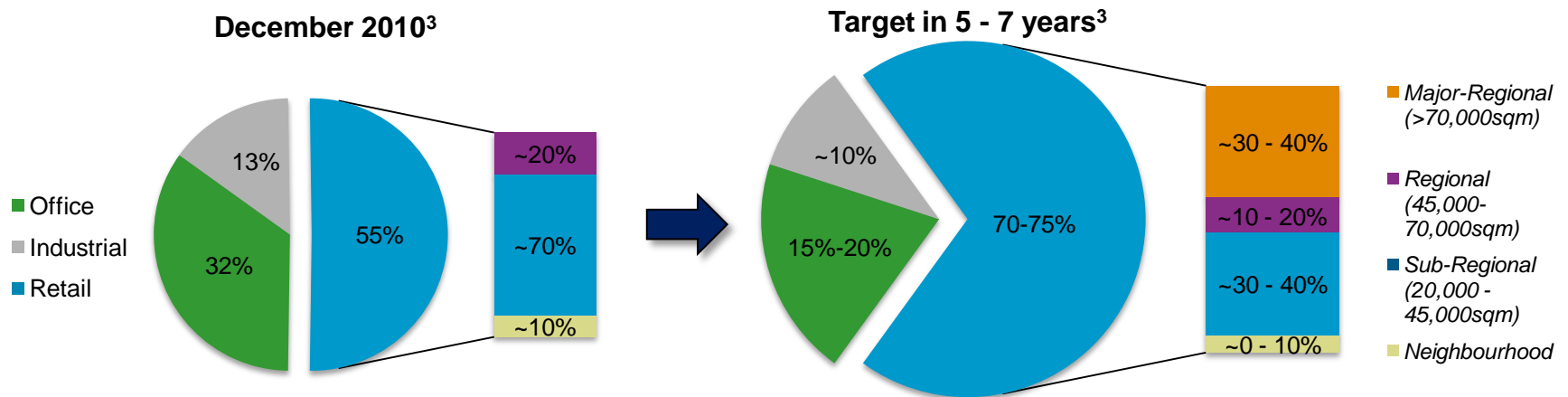
- Own and manage a quality portfolio in major office markets
- \$2.5b of assets, 4.2 year WALE, 97% occupancy<sup>2</sup>

## Industrial<sup>1</sup>

- Focus on large, flexible estates close to major transport hubs
- \$950m of assets, 3.6 year WALE, 98% occupancy

*Aim to self-fund retail development pipeline through sale of non-core office and industrial assets*

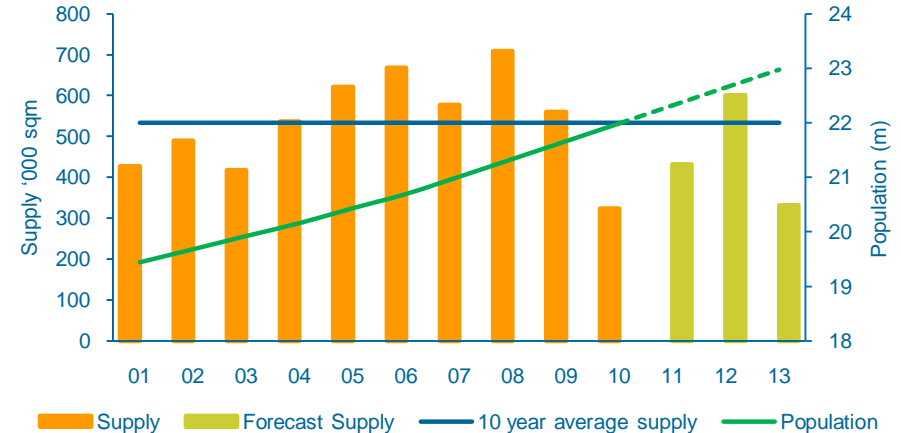
## Strategic re-weighting



# Market fundamentals and asset outperformance underpin retail investment

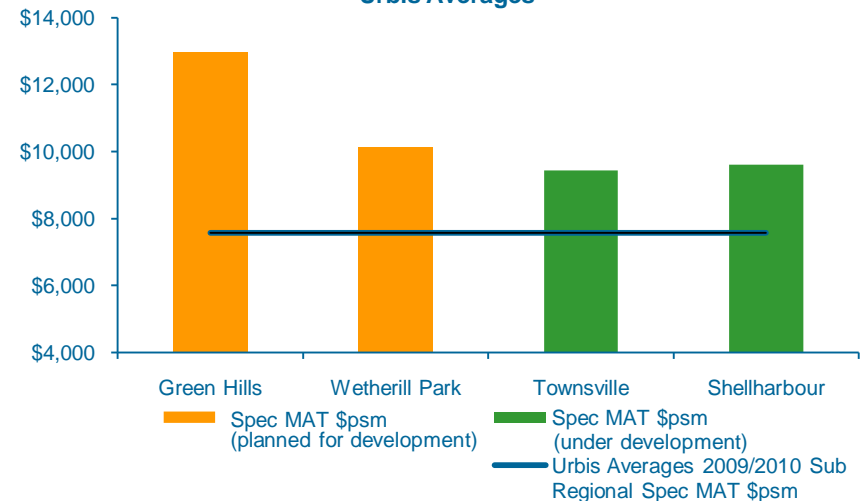
- Sound retail market fundamentals:
  - Population growth supports demand for new retail space
  - Low unemployment and wages growth underpin consumer sentiment
  - Consumers currently cautious and deleveraging-likely to improve in 2011 / 2012
  - Low levels of new supply
- Key assets have inherent growth prospects through redevelopment:
  - Highly productive centres - well above Urbis averages
  - Benefit from long sales history, relationships with anchor tenants and detailed knowledge of trade area
  - Opportunity to move assets up the retail hierarchy creating larger, better performing assets

## National retail demand outstrips supply<sup>1</sup>



## Redevelopment potential within existing portfolio

### Centres planned / under development outperform Urbis Averages



# Solid 3Q11 retail sales and rental growth

- Continuing to re-weight capital to retail in line with 3-R growth strategy in 3Q11:
  - All major developments on program and budget
  - Acquisition of Hervey Bay shopping centre at 7.5% initial yield with development potential to more than double the existing centre to 35,000sqm over next 2 years (\$100m - \$130m cost)
- No material impact from recent retailer administrations
- Solid 3Q11 retail sales from Stockland centres

31 March 2011	% 3mth Comparable Growth	% Annual Comparable Growth
Supermarkets	4.6	4.5
Discount Department Stores	(6.6)	(2.2)
Specialties	7.7	0.7
Mini Majors/Cinemas/Other	(3.0)	1.5
<b>Total</b>	<b>3.0</b>	<b>1.9</b>

- 2H11 comparable NOI growth:
  - Retail on track for similar comparable NOI growth to 1H11 (+4.3% in 1H11)
  - Office and industrial will outperform 1H11 (+1.5% office and +3.7% industrial in 1H11)



# Good progress with \$2.4b retail development pipeline

## 1H11 completions

- Rockhampton and Tooronga completed
- Rockhampton achieved value uplift of 34% on \$118m cost over life of project - yield on cost 8.1%

## 5 projects under construction (\$1.0b)

- All anchor tenant lease agreements and fixed price building contracts executed
- Solid demand for specialty shops
- Merrylands stage 3A now completed  
Townsville stage 1 to complete in November 2011  
Shellharbour stage 1 to complete in July 2012
- North Shore Townsville neighbourhood centre completed, Highlands due 1H12

## 2 major projects set to commence in FY12 (\$0.5b)

- Planning significant expansions of Wetherill Park and Green Hills, both highly productive and over-trading

Retail development pipeline					
	Est. total cost (\$m)	Estimated cost to complete (\$m)	Estimated fully leased year one yield	% total income leased	% specialty income leased
<b>Under Construction</b>					
Merrylands	395	190	6.5% <sup>1</sup>	69%	60%
Townsville	175	150	6.5% <sup>2</sup>	34%	5%
Shellharbour	330	315	7.6%	21%	n/a <sup>3</sup>
Neighbourhood centres (2)	60	45	6.0-6.8% <sup>4</sup>	68%	38%
<b>Sub-total</b>	<b>960</b>	<b>700</b>			
<b>Projects set to commence in FY12</b>					
Wetherill Park	120	120	7.5-8.0%		
Green Hills	350	350	7.5-8.0%		
Neighbourhood centre, WA	35	35	6.0-6.5% <sup>4</sup>		
<b>Sub-total</b>	<b>505</b>	<b>505</b>			
<b>Future Projects</b>	<b>980</b>	<b>980</b>			
<b>Total development Pipeline</b>	<b>2,445</b>	<b>2,185</b>			

# Major CBD office markets are recovering

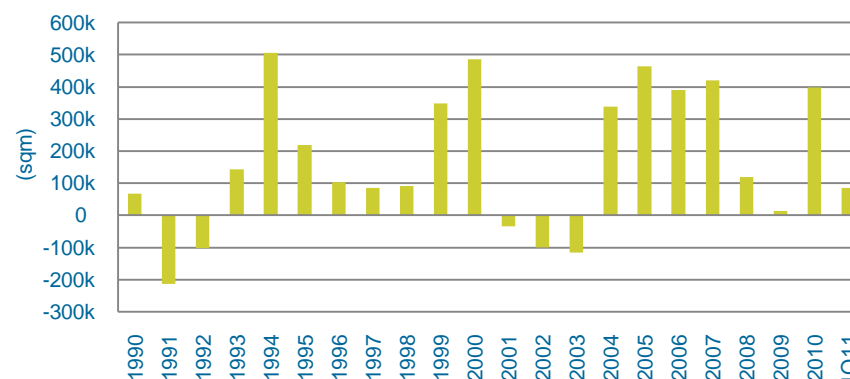
## Rents

- National vacancy has peaked at 8.3%<sup>1</sup>
- Effective rental growth in two consecutive quarters reported in most markets
- Net absorption in CBD markets totaled 83,700 sqm in Q1 2011, 38% above the 10 year quarterly average<sup>1</sup>

## Capital values

- Prime yield compression evident in most major markets
- Transactional activity in 2010 was \$6.9b, nearing 10 year highs<sup>1</sup>
- Strong demand for prime assets

CBD net absorption<sup>1</sup>



Office exposure by market<sup>2</sup>

Market	Value (\$)	GLA (sqm) <sup>3</sup>
Sydney	\$1,470m	185,003
Perth	\$480m	49,122
Brisbane	\$300m	29,392
Melbourne	\$170m	10,436
Canberra	\$80m	18,832
<b>Total</b>	<b>\$2,500m</b>	<b>292,785</b>



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# Capital management and summary

# Strong balance sheet

## S&P A- credit rating

- Provides access to a wide variety of debt sources

## Target gearing range 25% - 35% of tangible assets

- Currently 20%, up 2% following Aevum acquisition
- Will progressively move towards lower end of range to fund 3-R growth opportunities

## Prudent debt and liquidity management

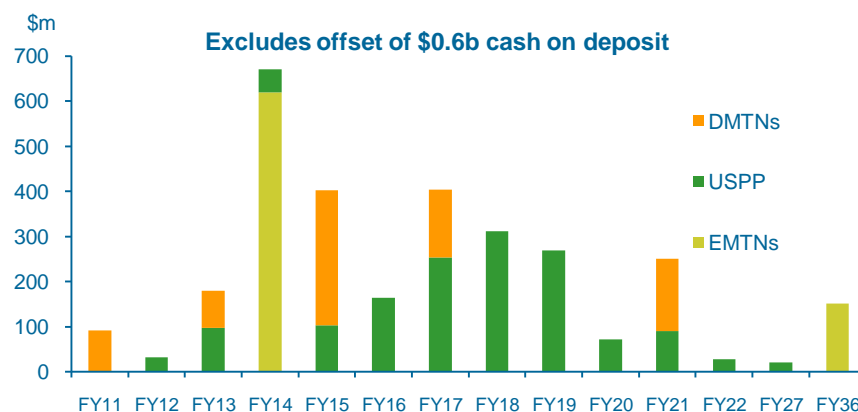
- Refinanced \$230m of 2011/2013 domestic MTNs
- Maintained weighted average debt maturity above 6 years
- Reduced expensive undrawn bank facilities by \$0.5b
- Repaid Aevum's \$125m debt out of cash resources

## Low cost of debt

- FY11 average cost of debt expected to increase to circa 5.7% based on current yield curve, spreads and hedging profile

S&P rating	A- / Stable
Drawn debt <sup>1</sup>	\$3.0b
Cash on deposit	\$0.6b
Available undrawn committed debt facilities	\$0.5b
Gearing (net debt <sup>2</sup> / total tangible assets)	20%
Interest cover	5.0: 1
Weighted average debt maturity	6.2 years
Debt fixed / hedged	51%
Debt fixed / hedged (net of cash on deposit)	63%
Weighted average cost of debt - 1H11	5.3%
Weighted average cost of debt - 31 December 2010	5.5%

## Long-dated drawn debt maturity profile





# Good progress in delivering 3-R growth strategy

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## Residential Communities

- ✓ Acquiring land above replenishment levels; 19,500 future lots secured in addition to 6,500 lots secured in FY10
- ✓ Increasing market share in existing and new corridors

## Retirement Living

- ✓ Nearly doubled portfolio through Aevum acquisition
- ✓ Accelerating growth through 3,400 unit development pipeline
- ✓ Establishing a scalable, national platform

## Retail

- ✓ Rockhampton redevelopment delivered strong value uplift on completion
- ✓ Solid leasing of major developments at Merrylands and Townsville
- ✓ Commenced redevelopment at Shellharbour

## Conservative capital management

- ✓ Fully-funded growth with low gearing, further net cash to come from Apartments, UK and a variety of other internal resources
- ✓ Proactive management of upcoming debt maturities with \$310m domestic MTN issue and partial exchange
- ✓ Prudent cost management

## Strategic weightings

- ✓ Growth across both recurring and trading businesses
- ✓ 1H11 Actual Operating Profit split: 69% recurring / 31% trading

# FY11 EPS guidance maintained, FY12 outlook

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## FY11 EPS guidance upgraded

- On track to achieve upgraded EPS of 31.6 cents per security; 8.5% growth on FY10
- Upgrade reflects stronger Commercial Property NOI growth, accretive contribution from Aevum and higher Retirement Living DMF accrual

## FY12 outlook

- Three operating businesses expected to carry good momentum into FY12
- 1H11 is final period of meaningful profit contribution from Apartments
- Expect more modest EPS growth in FY12



Stockland Merrylands, NSW



Stockland

## Appendix

## Appendix

# Historical profit summary

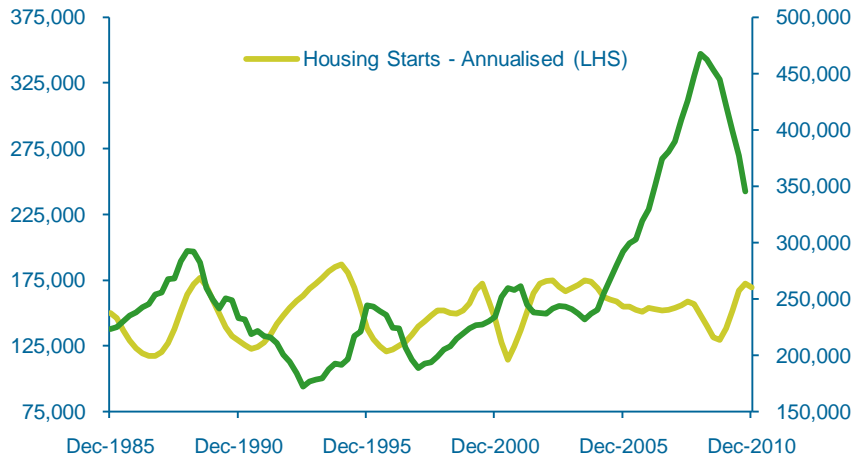
	HALF YEAR	FULL YEAR			
	1H11 (\$m)	FY10 (\$m)	FY09 (\$m)	FY08 (\$m)	FY07 (\$m)
Residential EBIT (before interest in COGS)	188	314	233	337	309
Commercial Property EBIT (before interest in COGS) <sup>1</sup>	264	510	533	555	516
Retirement Living EBIT (before interest in COGS) <sup>2</sup>	23	39	43	41	4
UK EBIT	(1)	1	(1)	12	4
Other	11	20	19	(4)	15
Unallocated corporate overhead <sup>1</sup>	(30)	(66)	(63)	(86)	(46)
<b>Group EBIT (before interest in COGS)</b>	<b>455</b>	<b>818</b>	<b>764</b>	<b>855</b>	<b>802</b>
Net interest expense:					
Interest paid (net of interest income)	(74)	(136)	(271)	(289)	(214)
Interest capitalised to inventory	66	118	170	181	135
Interest capitalised to Investment Properties under development	3	9	27	10	24
Interest expensed in COGS	(57)	(94)	(60)	(53)	(63)
<b>Net interest expense</b>	<b>(62)</b>	<b>(103)</b>	<b>(134)</b>	<b>(151)</b>	<b>(118)</b>
Tax	(13)	(23)	1	(30)	(73)
<b>Underlying Profit</b>	<b>380</b>	<b>692</b>	<b>631</b>	<b>674</b>	<b>611</b>

- 27 - 1. The Responsible Entity (RE) fees have been reclassified from unallocated corporate overheads to Commercial Property EBIT for all years  
2. Includes \$4m EBIT for Aevum in 1H11. Figures for historical reporting periods have not been adjusted for the accounting changes implemented in prior periods

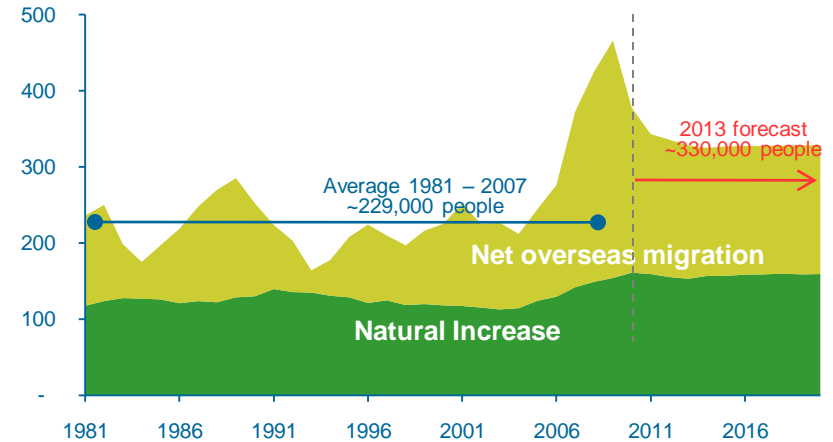
## Appendix

# Market fundamentals driven by housing undersupply in Australia

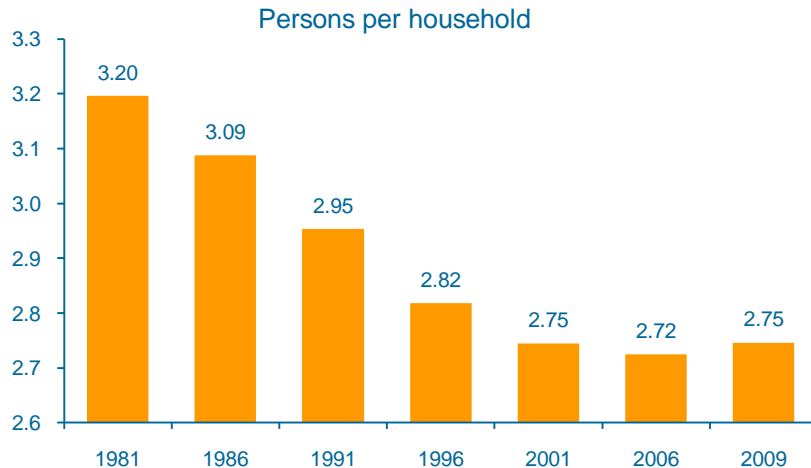
### Population growth well above housing starts<sup>1</sup>



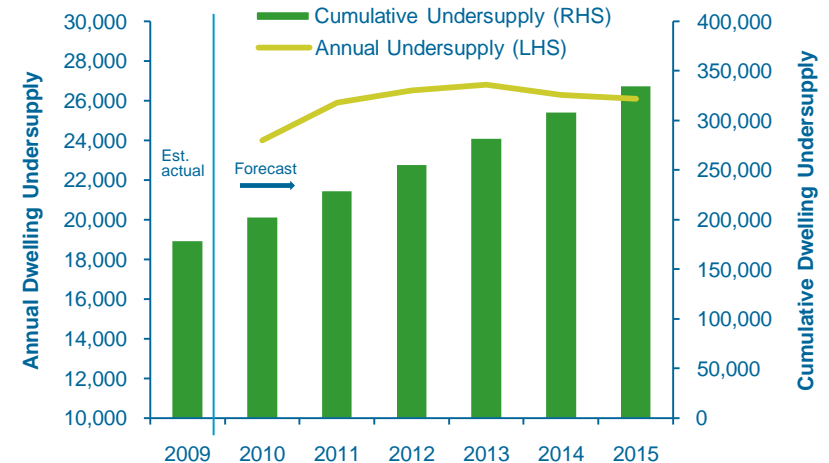
### Population growth to continue above historical levels<sup>2</sup>



### Household density has decreased<sup>3</sup>



### Large and growing housing undersupply<sup>4</sup>



1. Source: ABS

2. Source: ABS, Access Economics

3. Measured as Estimated Resident Population (as at June) to number of occupied private dwellings. 2009 figure estimated based on dwelling completions 2006-2009 including adjustment for unoccupied housing stock

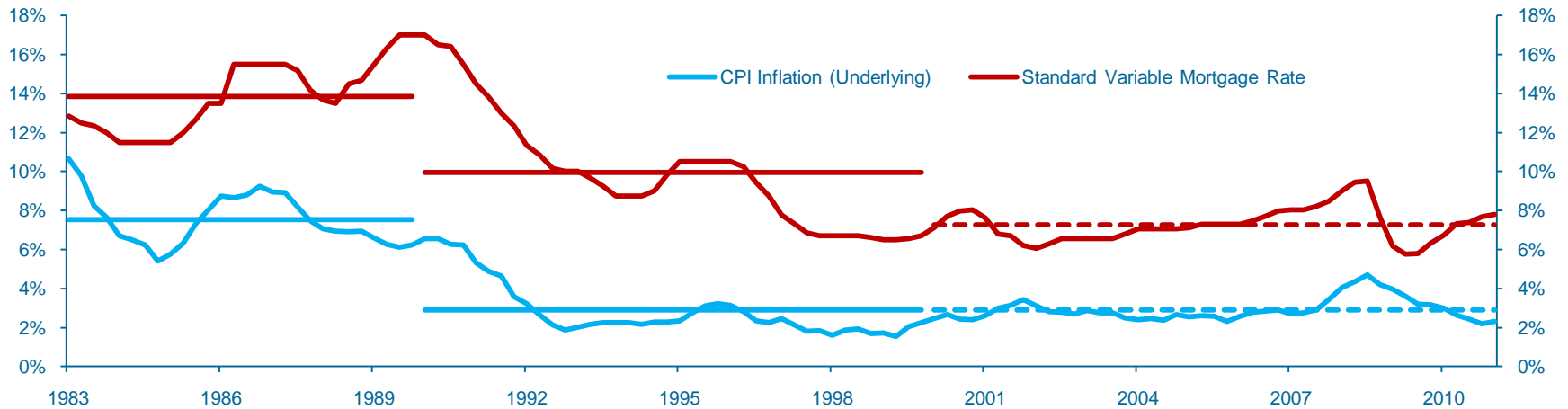
4. Source: National Land Supply Council, 2<sup>nd</sup> State of Supply Report, 2010, table A4.1: Projected demand-supply gap using medium household growth and medium supply projections



## Appendix

# Strong economic fundamentals support housing market, buyers remain conservative

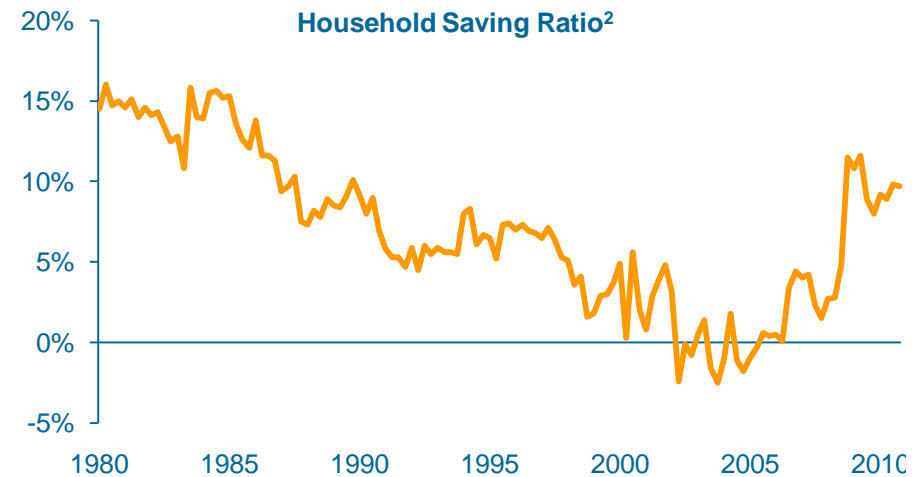
### Cost of finance structurally lower<sup>1</sup>



### Strong employment with unemployment near structural lows



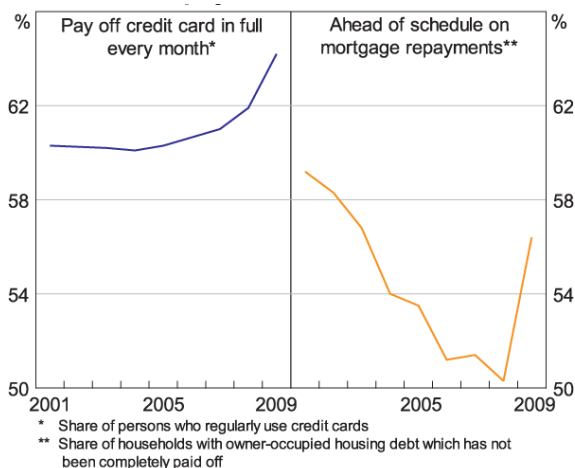
### Household savings are at a 20 year high



## Appendix

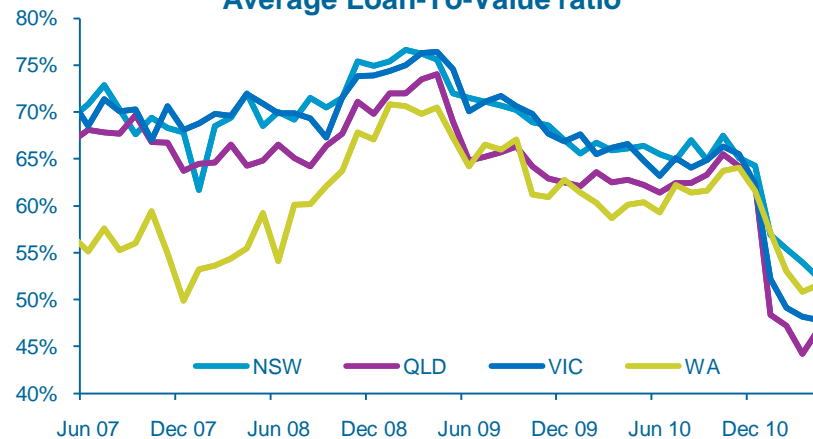
# Mortgage debt sustainability, bank mortgage lending is responsible

### Many households ahead of debt repayments<sup>1</sup>



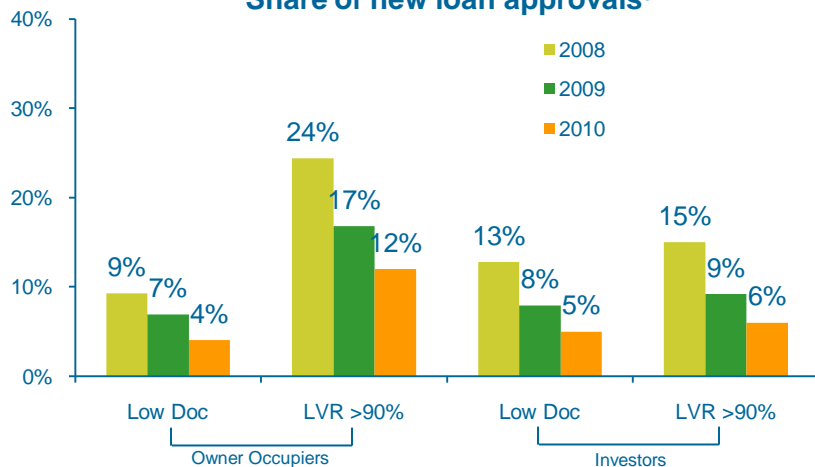
### Buyers are taking on less debt

#### Average Loan-To-Value ratio<sup>2</sup>



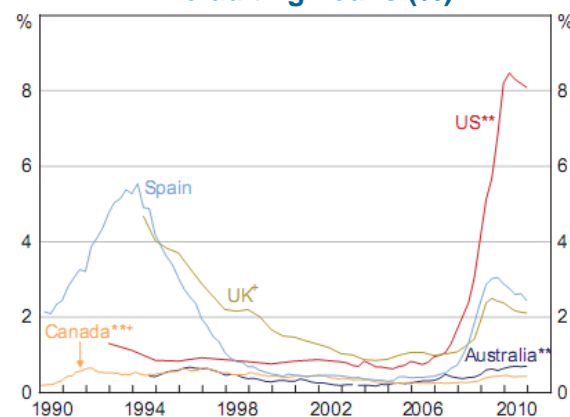
### High risk loans are low and falling

#### Share of new loan approvals<sup>3</sup>



### Loan defaults remain low in Australia





#### Defaulting Loans (%)<sup>4</sup>



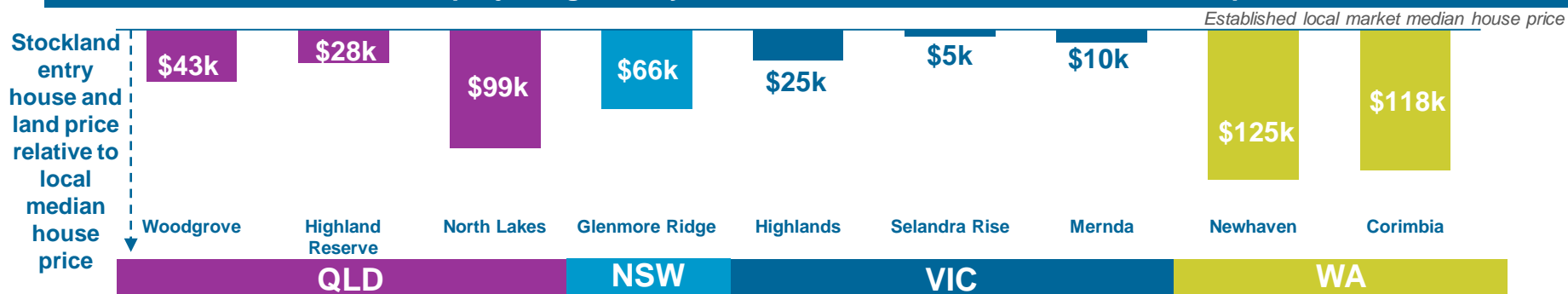
\* - Per cent of loans by value. Includes impaired loans unless otherwise stated. For Australia, data prior to September 2003 based on loans 90 days in arrears \*\* Banks only; + Per cent of loans by number that are 90+ days in arrears

## Appendix

# Strong focus on product innovation to meet affordability

Home	Package & Price <sup>1</sup>	Median House Price <sup>2</sup>	Mortgage Repayments <sup>3</sup>	Rental Equivalent <sup>4</sup>	Gap to Own vs Rent
 VIC	3 Bed, 2 Bath <b>Highlands, Craigieburn</b> \$312,900	\$338,300	\$416pw	\$340pw	+\$76pw
 NSW	3 Bed, 2 Bath <b>Glenmore Ridge, Penrith</b> \$382,900	\$449,000	\$509pw	\$385pw	+\$124pw
 QLD	3 Bed, 2 Bath <b>North Lakes, Mango Hill</b> \$337,800	\$436,900	\$449pw	\$365pw	+\$84pw
 WA	4 Bed, 2 Bath <b>Settlers Hills, Baldivis</b> \$308,000	\$450,000	\$409pw	\$370pw	+\$39pw

## Stockland projects generally more affordable than local median house price<sup>1,2</sup>



1. Fixed Price House and Land packages for sale within the Stockland "Better Move Now" campaign, January / February 2010

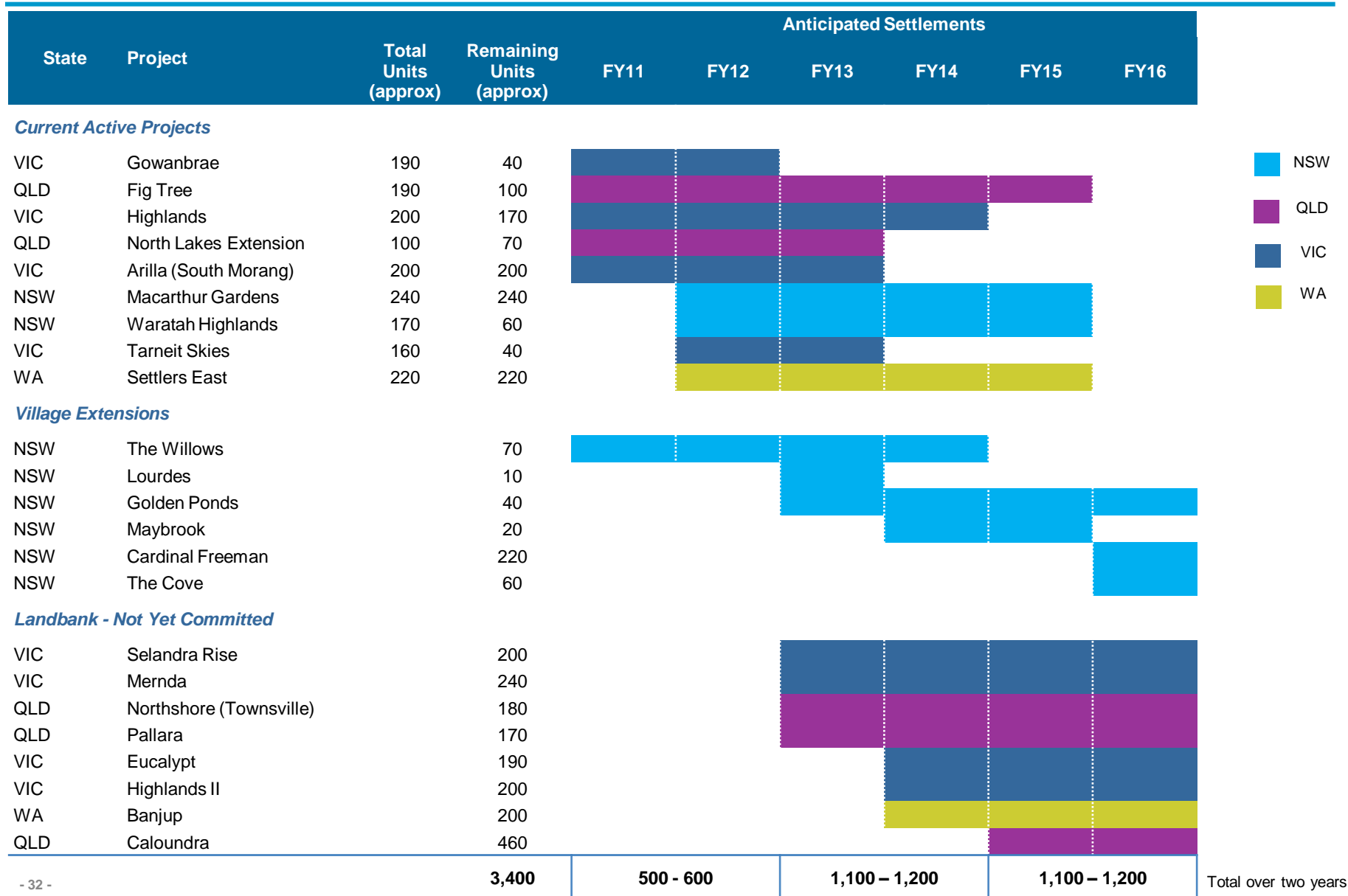
2. RP Data, Rismark International: Median value of established houses in surrounding suburbs as at December 2010

3. Based on nomination package price under a 30 year Principal and Interest loan, using a full recourse variable mortgage rate of 7.8% (average calculated using RBA indicative lending rate) and a 20% deposit

4. Based on the rental cost of a comparable size new established house in surrounding suburb at February 2011

## Appendix

# Retirement Living - Identified development pipeline of circa 3,400 units<sup>1</sup>



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