Stockland Rockhampton, Qld

Stockland

# FY11 Results Pack - 10 August 2011

# Delivered upgraded EPS growth for FY11

Earnings in line with upgraded guidance

- Strong earnings performance - EPS up 8.6% to 31.6c; DPS up 8.7% to 23.7c
- Business remains in good shape with all core areas delivering profit growth:
  - Residential Communities Operating Profit up 9% to $233m due to strong price and margin growth
  - Retirement Living Operating Profit up 47% to $53m following the successful integration of Aevum
  - Commercial Property Operating Profit up 3% to $524m reflecting solid rental growth in Retail

Delivering on 3-R growth strategy

- Significant progress in reweighting to 3-Rs:
  - Residential Communities entered 3 new corridors and acquired projects with an end value of $4.8bn
  - Retirement Living acquisition of Aevum established national platform, generated synergies and improved cash coverage
  - Retail re-weighting on track with acquisition of Hervey Bay and Point Cook shopping centres and sale of office assets

Ability to fully fund growth plans

- Prudent gearing (22% Debt/TTA), long debt maturity (average 5.9 years), $0.2b in cash, $0.45b in undrawn debt facilities

FY12 guidance

- FY12 EPS expected to be around the same as FY11:
  - Assumptions underpinning guidance: no further rise in interest rates in the short-term; no material flow-on impact to the underlying Australian economy from recent global market volatility; customer confidence and residential buying activity steadily improve in FY12

# Key metrics - strong growth on corresponding period

| Summary of key metrics | FY11 | | FY10 |
|---|---|---|---|
| Statutory Profit | $754.6m | ▲ 57.7% | $478.4m |
| Underlying Profit[1] | $752.4m | ▲ 8.7% | $692.3m |
| Underlying Earnings per Security[1] | 31.6 cents | ▲ 8.6% | 29.1 cents |
| Distribution per security | 23.7 cents | ▲ 8.7% | 21.8 cents |
| NTA per security | $3.65 | ▲ 1.7% | $3.59 |
| Gearing (D/TTA) | 22% | | 18% |



1. Underlying Profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of Stockland, in accordance with the AICD/Finsia principles for reporting Underlying Profit


Highlands, Vic

Stockland

# Residential

# Residential Communities - Delivering on our strategy

Increasing market share and market reach

- Leading developer in key corridors
- Focus on diversification resulted in significant increases in market share across NSW and WA; maintained share in Vic and Qld

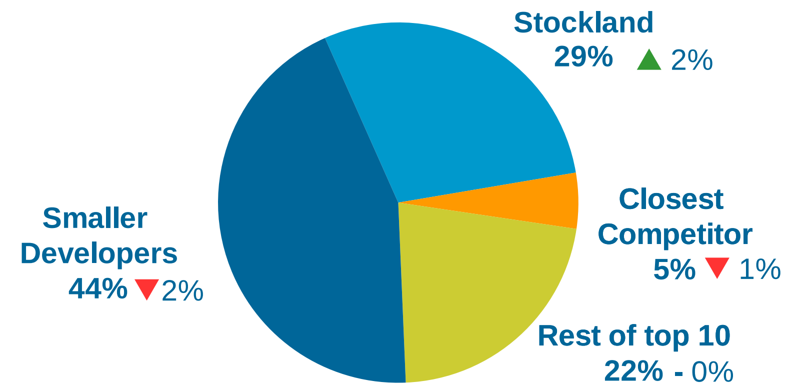
Enhancing geographic diversity

- Secured 27,000[2] lots in FY11 with an end value of $4.8bn on capital efficient terms
- Annual corridor review completed; currently in 23 of our 26 identified corridors
- Significant progress on portfolio diversity, with 7,600 lots acquired in NSW and WA

Continued focus on customer, product and community

- Ongoing strategy to reduce lot sizes to drive affordable product
- Proprietary customer research enables us to identify demand trends and meet market needs
- Early delivery of key community amenity and social infrastructure helps differentiate our projects and builds value of Stockland brand

**Market share in active corridors[1]**




| Residential Communities strategy |
| --- |
| Focus on large scale greenfield projects with speed to market |
| Target high-growth corridors for improved market reach |
| Continued focus on customer, product and community to drive competitive advantage |
| Leverage 3-R strategy to deliver better community amenity |



1. Source: Charter Keck Cramer, Research4, Stockland Research. Proportion of vacant land sales in all of Stockland's active corridors where deposits were taken in FY11 (excluding North Queensland). Comparison percentage based on 12 month period ending June 2011 compared to prior corresponding period which has been restated to reflect 12 months of data (previously 3 months)
2. Includes The Vale and Whiteman Edge

# Strong earnings growth and contracts on hand

## Operating Profit $233m, up 9%

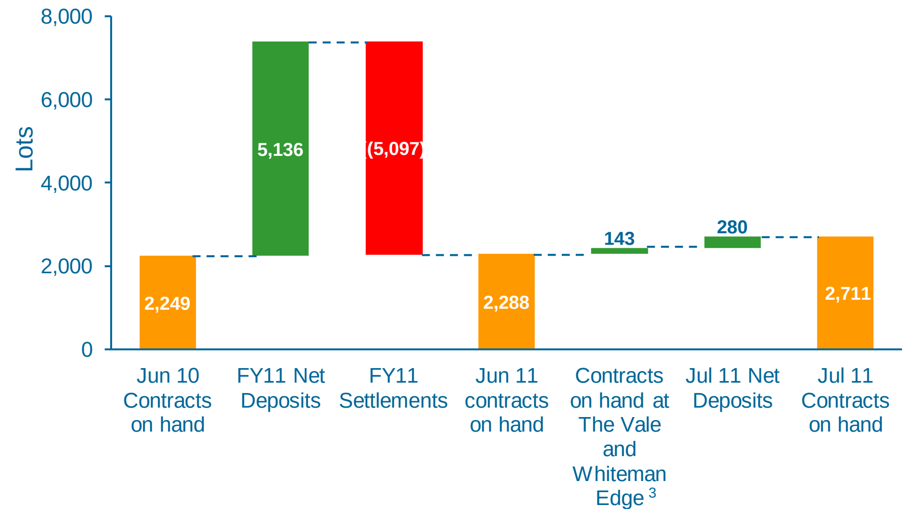
- Strong growth despite lower volumes, driven by price and margin growth:
  - Reflects product mix and geographic diversity
  - Superlot settlements in line with 1H11 (no large one offs - average $1.8m revenue per lot)
  - Part owned settlements fell due to project completions[2]

## Revenue up 5%

- FY11 lot settlements 5,097, lower than expected due to softer conditions in second half:
  - Softer market conditions in South East Queensland, with settlements down circa 600 lots versus FY10
  - Strong volume increases in Vic and NSW markets
- Enter FY12 with record 2,288 contracts on hand

| Residential Communities | | FY11 | FY10 | |
|---|---|---|---|---|
| Total lots settled | | 5,097 | 5,236 | ▼ 3% |
| - Wholly owned lots settled | | 4,749 | 4,424 | ▲ 7% |
| - Part owned | | 348 | 812 | ▼ 57% |
| Revenue - Retail | | $960m | $917m | ▲ 5% |
| - Superlots | | $97m | $91m | ▲ 8% |
| EBIT (before interest in COGS) | | $307m | $274m | ▲ 12% |
| Operating Profit (incl. interest in COGS)[1] | | $233m | $213m | ▲ 9% |
| Contracts on hand | - no. | 2,288 | 2,249 | ▲ 2% |
| | - $ | $485m | $481m | ▲ 1% |

### Residential Communities sales






1. Pre-tax
2. Newbury Village (Vic) and Vertu (WA)
3. Contracts received and yet to settle as part of $271m acquisition of The Vale and Whiteman Edge on 1 July 2011

# Higher price per square metre and margin growth

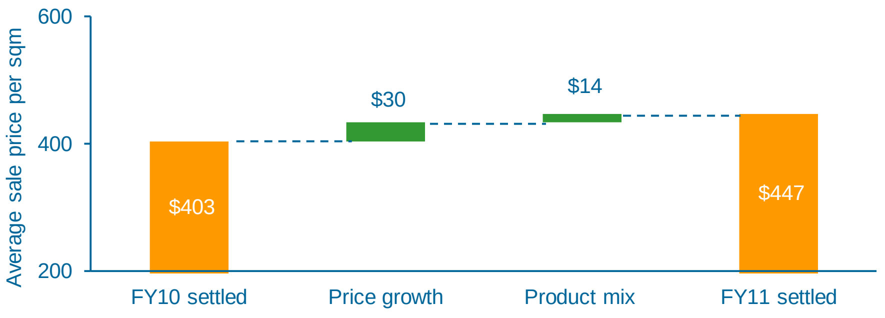
## Prices

- Average price per sqm up 11% due to price growth and product mix
- Average price per lot settled up 5% to $215k[1]
- Continued success in reducing lot sizes - average lot size reduced from 510sqm to 481sqm

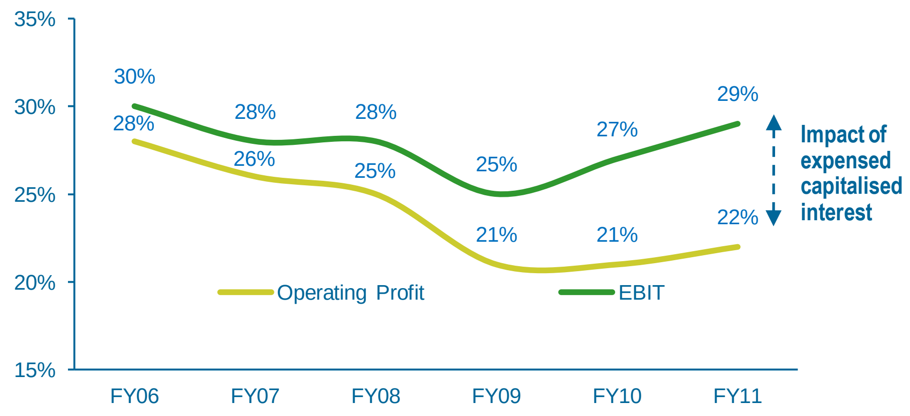
## Margins

- EBIT margin (before interest in COGS) up 2% to 29%:
  - Reflects price and margin growth, particularly in Vic
  - Higher proportion of wholly-owned settlements and superlots (at higher margins)
- Operating Profit margin up 1% to 22%, with margin growth partially offset by increased interest expense in COGS as a result of portfolio maturity
- Nil Underlying Profit[2] on impaired product; 3% adverse impact reflected in reported margins
- Expect FY12 EBIT margins in the middle of target range (25% - 30%)

**Retail lot settlements - increase in price per sqm**




**Improving Residential Communities margins**






1. Net transaction price inclusive of GST
2. Impaired projects account for circa 9% of total lots settled in FY11

# Continued focus on faster speed to market and improved return on NFE

Large and diverse land bank

- Total land bank of 90,200 lots; $2.4b net funds employed (NFE)[1]
- Provides 90% coverage of revenue targets for next 3 years
- 87% of book value comprises active projects (live or due to commence in next 2 years)
- Circa 75% of NFE expected to be traded out within 5 years

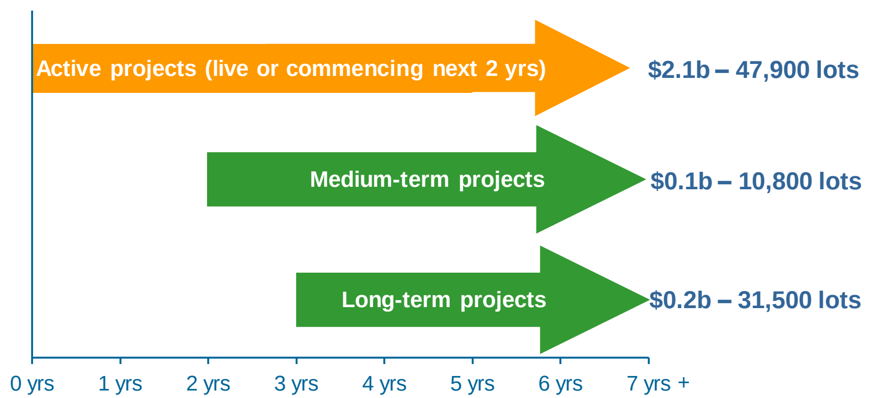
Higher investment in NFE

- Active NFE up by circa $250m through reinvestment of funds from Apartments wind down
- Active NFE return 14%, slightly lower than FY10 due to investment in 16 new projects delivering first settlements in FY12/FY13
- Total NFE return 11% including medium/long-term projects

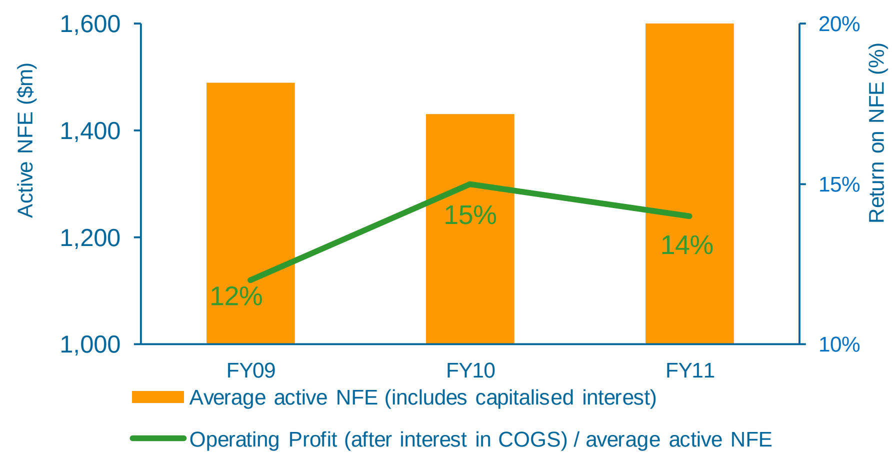
Inventory carried at lower of cost and net realisable value

- $5m additional impairment on sites for disposal

**Land bank comprises mostly active projects[1]**




**Strong return on Net Funds Employed (NFE)[2]**






1. Based on net funds employed as at 30 June 2011 plus The Vale and Whiteman Edge $271m acquisition 1 July 2011; gross funds employed of $2.6b less deferred acquisition terms of circa $200m
2. Active projects comprise currently live or due to commence in the next two years.

# Medium/long-term land bank underpins growth with low capital invested

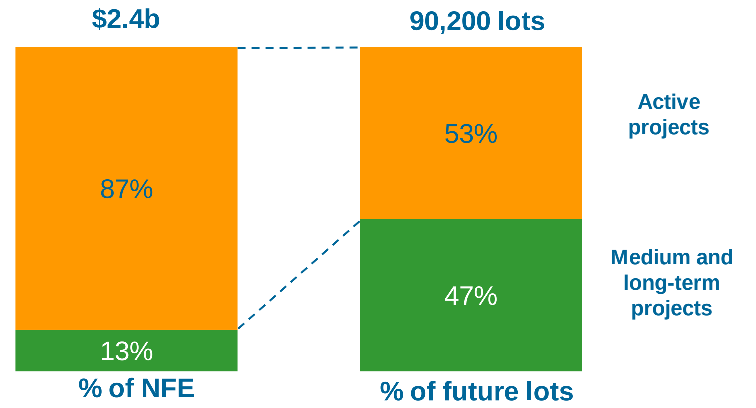
## Medium and long-term land bank - 13% of NFE

- Represents efficient use of capital (42,400 lots; $0.3b NFE)
- Underpins future strategic growth
- Provides access to large masterplanned communities with potential to incorporate retail and retirement living
- Provides higher earning potential by taking projects through zoning and masterplanning process

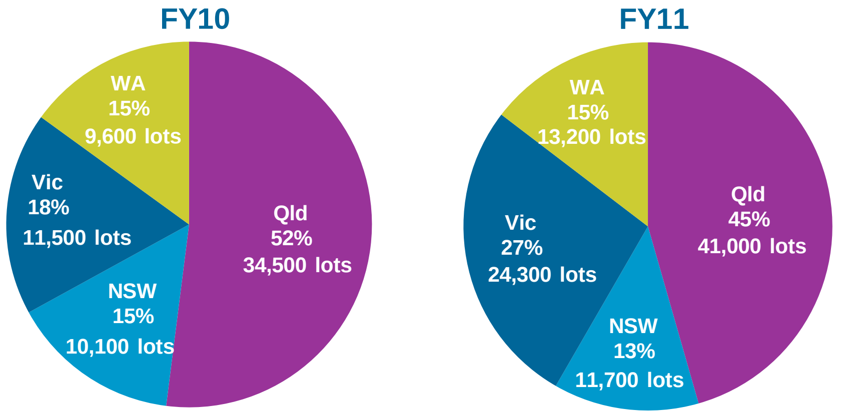
## Update on key projects

- Caloundra Downs (including Bellvista II; circa 650 lots) awaiting approval from Urban Land Development Authority
- Discussions with Victorian and NSW authorities on fastest planning options for Lockerbie and East Leppington

**Efficient use of capital to support longer-term growth**




**Diversifying our landbank[1] across the 4 States**






1. Based on lots controlled. Change in landbank reflects acquisitions, changes to future yield assumptions and settlements

# Variable market conditions continue across the country

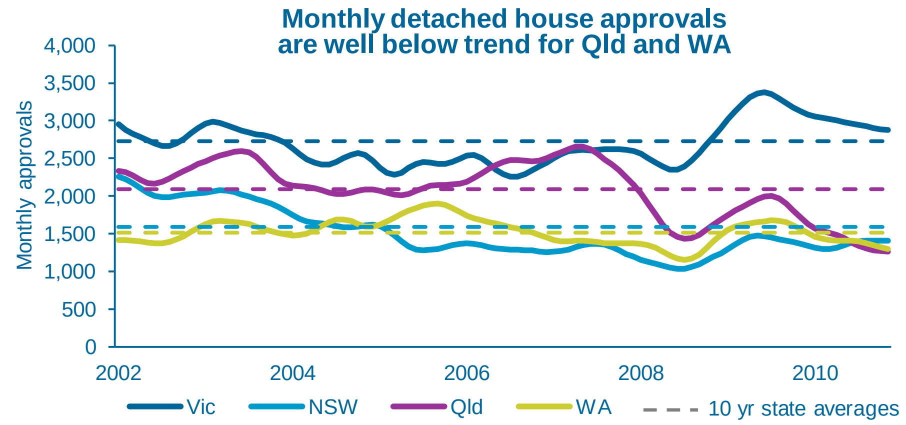
## Weak sentiment delaying purchasing commitments

- Good employment and household income growth underpinning purchasing capacity, however weak sentiment is delaying major purchasing decisions:
  - NSW buyer sentiment solid for affordable product; market for new homes stable
  - Vic market returning to more normal levels; extension of State govt grant may underpin first home buyer demand
  - WA impacted by weak established market and large stock overhang, but available stock on market now falling
  - Qld sentiment subdued; $10k Qld govt Builders Boost Grant from 1 August 2011 should stimulate market for new homes

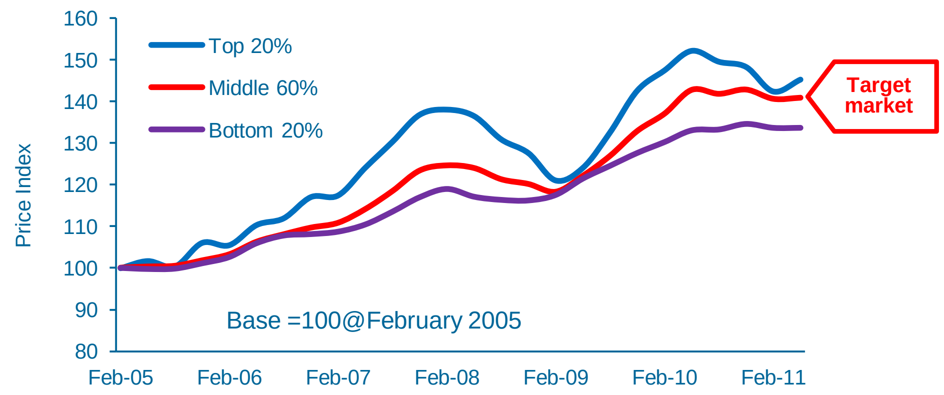
## Target market much less volatile than upper end

- Middle market prices stable compared to the more volatile top end

**Private detached house approvals[1]**




**Stockland targets the less volatile mid-market [2]**






1. Source: ABS Cat. No. 8731.0 (Trend Series), Stockland Research to May 2011
2. Source: APM/Stockland Research: Composition adjusted house price series (weighted average of 8 capital cities)

# Buyers remain cautious and focused on affordability

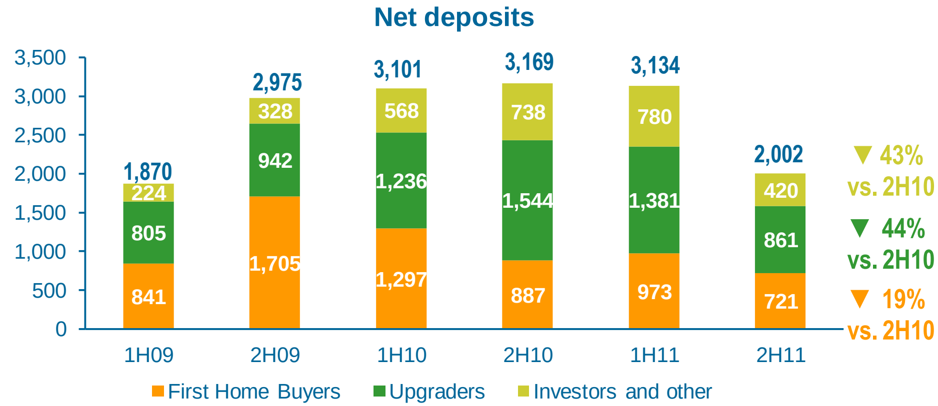
Net deposits down due to softer market conditions

- Despite solid enquiry levels buyers remain cautious:
  - Overhang in established market has impacted Upgraders
  - Investor demand soft in Qld and WA
  - Ongoing uncertainty over cost of living pressures including interest rates, rising utility and petrol prices
  - Long-term demand underpinned by population growth, strong employment and continued undersupply of housing

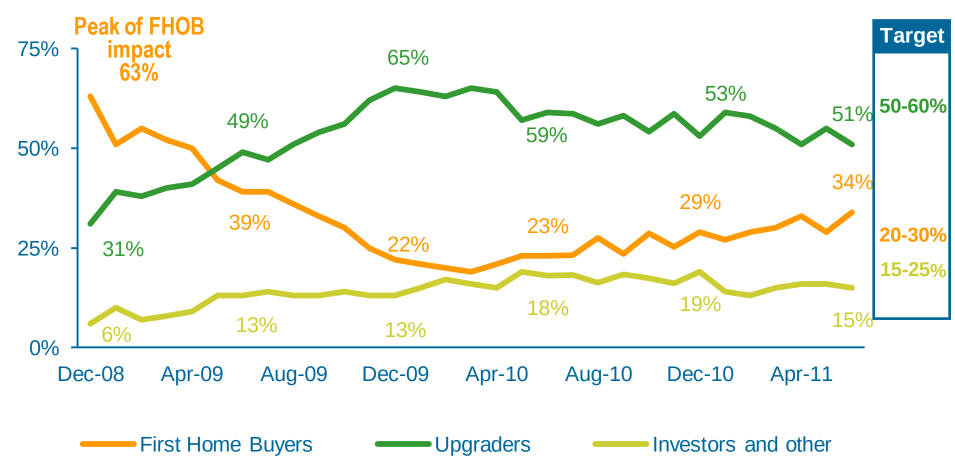
Composition of leads remains within our target bands

- First Home Buyers remain interested in our affordable offering
- Upgraders remain a key source of leads despite being hampered by a soft established market
- Improving yields have seen leads remain steady for investors

## All buyer segments slowed in 2H11




## Leads[1] by segment




1. Potential purchasers who have expressed interest in a specific Stockland project

# Leading the market in development of affordable product

## Meeting the affordability challenge

- Affordability still stretched by historic standards; product innovation the key to meeting the challenge:
  - Reduced average lots sizes by almost 20% in 3 years
  - Increased proportion of lots developed under 450sqm from 27% in FY08 to 50% in FY11
  - Developed new housing solutions in partnership with builders (e.g. 8.5m frontages)

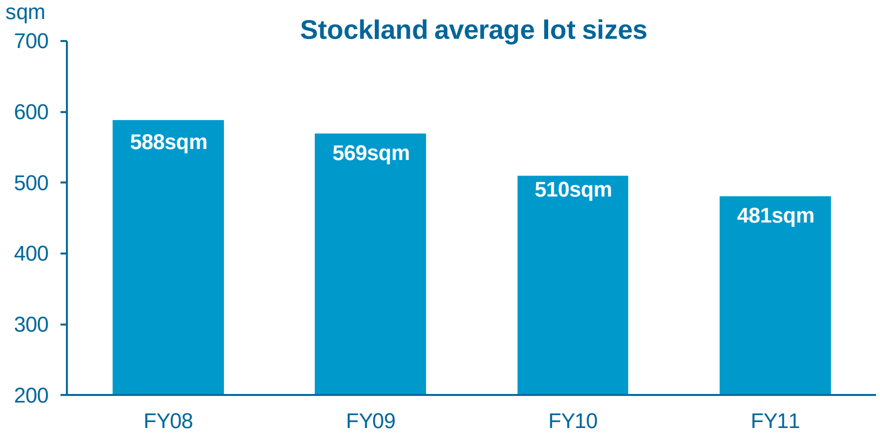
## Deep customer insight

- Understanding price barriers to meet customer needs
- Continuing to lead the market in development of sub-$200k land lots

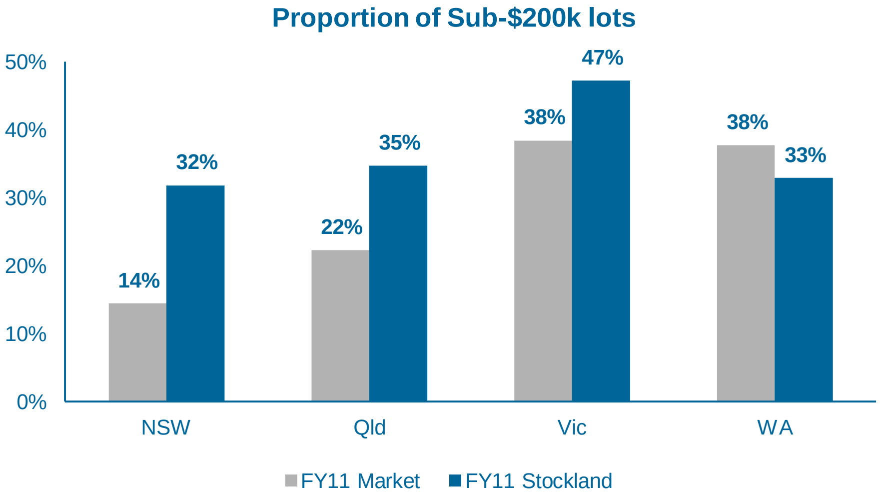
## Creating customer value

- Early delivery of open space and social infrastructure
- Community development initiatives in place for all projects

**Innovative, smaller product meeting customer needs**




**Stockland projects providing more affordable product[1]**




1. Source: National Land Survey Program, Charter Keck Cramer/Research4 and Stockland Research. Total lots supplied for market, and total deposits for Stockland

# Apartments wind down on track

## Progress in FY11

- Final year of significant revenue and profit with the completion of The Hyde, Tooronga, Manta and The Village
- Operating Profit of $29m:
  - Profit on impaired projects taken below the line
  - Net of $8m reduction to The Hyde underlying profit to adjust for gain prior to development[1]

## Outlook

- Existing projects and disposal of undeveloped sites to release further $180m net cash by FY15
- Minimal profit contribution going forward after allowing for overheads

| Apartments | FY11 | FY10 | |
|---|---|---|---|
| Apartments settled | 560 | 315 | ▲ 78% |
| Revenue | $491m | $278m | ▲ 76% |
| Operating Profit (incl. interest in COGS)[1,2,3] | $29m | $11m | ▲ 164% |
| Operating Profit margin (incl. interest in COGS)[3] | 6% | 4% | ▲ 2% |
| Contracts on hand - no. | 91 | 539 | ▼ 83% |
| - $ | $101m | $471m | ▼ 79% |
| Net funds employed | $152m | $454m | ▼ 67% |

**Future cash flow**

| Projects under development | | Est. cost to complete ($m) | Est. future revenue ($m) | % of future revenue presold[4] |
|---|---|---|---|---|
| NSW | Prince Henry | 20 | 35 | 98% |
| | The Village, Balgowlah | <5 | <5 | 0% |
| | The Hyde | <5 | 20 | 63% |
| Qld | Allisee - Stage 2 | <5 | 15 | 50% |
| Vic | Tooronga - Stage 1 | 10 | 10 | 22% |
| WA | The Islands - A and B | <5 | 40 | 80% |
| | The Islands - C and D | 55 | 105 | 0% |
| **Total** | | **90** | **230** | **40%** |
| **Est. net future cash flow from projects under development** | | | **$140m** | |
| **Est. net future cash from undeveloped site sales** | | | **$40m** | |
| **Est. total future cash flow** | | | **$180m** | |



1. Stockland's former head office classified as plant and equipment, depreciated and held below fair value. Increased $1m from $7m at 1H11 due to further settlements
2. Excludes net profit on settlements from impaired projects
3. Pre-tax
4. Based on revenue value of contracts on hand over future revenue

Tarneit Skies Retirement Village, Vic

Stockland

# Retirement Living

# Delivering on our strategy to increase market share and returns

## Aevum successfully integrated

- EPS accretion of 1% in FY11, ahead of 0.6% target
- Completed independent valuation review of entire portfolio; no material changes

## Accelerated growth through acquisitions

- Diversified geographically and established national platform by entering WA, SA and ACT markets
- Have critical mass in Vic, NSW and Qld
- Acquired 3 RVG villages with accretive cash yield (settled 30 June 2011)

## Synergies realised

- Annualised cost synergies of 15% realised in FY11; ahead of plan
- Leveraging Stockland skill set in development (Residential) and asset management (Commercial Property)

**Strong portfolio growth and diversification**

| | Portfolio | FY11 v FY10 | |
|---|---|---|---|
| **Established portfolio** | 7,535 units over 59 villages[1] | +3,692 units + 33 villages | Significant increase in scale |
| **National ranking** | #3 | +1 ranking | Clear #3 in market |
| **Market share[2] and geographic diversity** | ~9% (6 states) | +4% (+ 4 states) | National platform |
| **Existing units turnover** | 416 units p.a. | >64% | Strong turnover from mature portfolio |
| **Average village age** | 18.1 years | +3.6 years | More mature villages enhance cash yield |
| **Development pipeline**<br>**-Active**<br>**-Long-term** | 3,400 units<br>1,100 units<br>2,300 units | +19%<br>+28%<br>+15% | Strong organic growth potential |


1. Excludes Settlers East and Macarthur Gardens green field developments with first settlements due FY12
2. Share ranking based on number of units under management

# Improving profit and cash coverage as business matures

Operating profit

- Operating profit up 47% to $53m
- Includes $2.7m contribution from Aged Care
- Total DMF earned in FY11 $67m[1] including one-off benefit of $9m from simplifying calculation of DMF earned

Cash coverage ahead of expectations

- Increased cash coverage from 9% in 1H11 to 41%:
  - More mature villages
  - Development settlements skewed to 2H11

Established villages

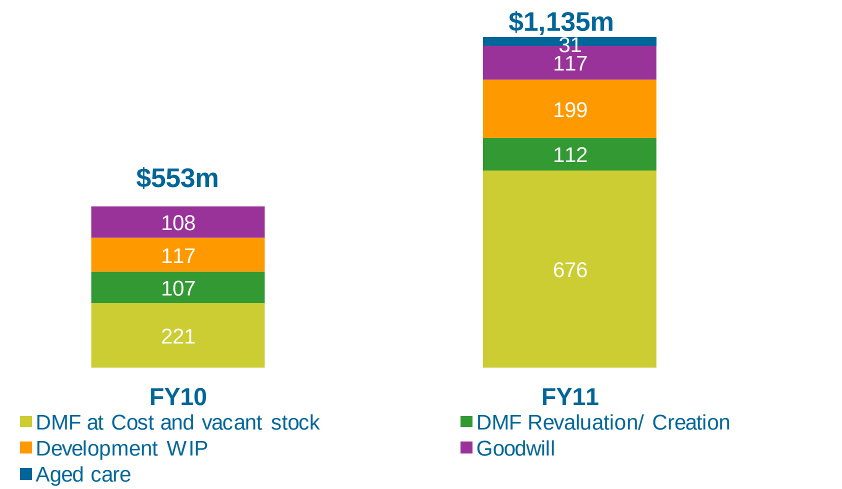
- Settlement timeframes are increasing as purchasers take longer to sell their homes

Enter FY12 with good reservations on hand

- Reservations on hand[6] of circa 200, with NSW and Vic well placed

| Retirement Living | FY11[3] | FY10 | |
|---|---|---|---|
| Operating Profit [2] | $53m | $36m | ▲47% |
| Cash coverage ratio[4] | 41% | 38% | ▲3% |
| Established unit turnovers | 416 | 253 | ▲64% |
| Average re-sale price (turnovers) | $303k | $284k | ▲7% |
| DMF margin (pre-overhead) | 29% | 23% | ▲6% |
| Turnover cash yield (pre-overhead)[5] | 10% | 12% | ▼2% |
| New units settled | 192 | 177 | ▲8% |
| Average price (new units) | $377k | $377k | - % |
| Development margin (pre-overhead) | 15% | 16% | ▼1% |

Net funds employed




1. Represents amounts due to Stockland under resident contracts at current prices
2. Operating profit in FY10 $45m using FY11 accounting treatment for DMF
3. Includes 8 months of Aevum
4. Cash coverage is a measure of pre-tax cash earnings (including DMF cash received less DMF accrual) as a proportion of Operating Profit
5. Calculated as rolling 12 month average DMF turnover cash and conversion profit as a percentage of DMF at cost and excludes RVG
6. Stockland recognises a reservation when a customer has entered into a contract to sell their existing home

# Significant organic growth through the development pipeline

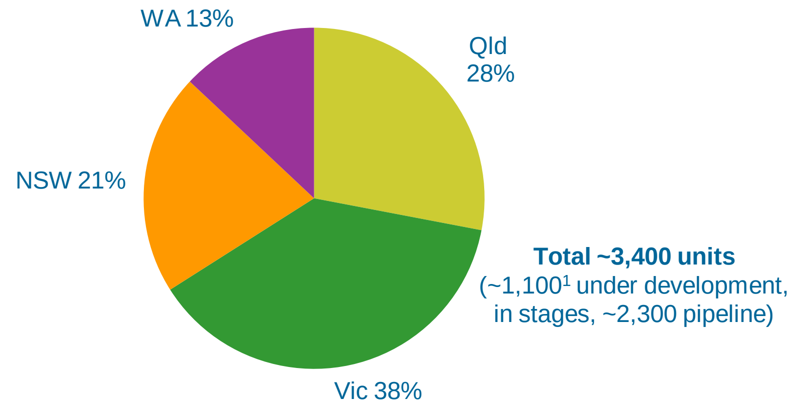
## Diverse development pipeline

- Settled 192 new units in FY11
- Development margin broadly stable year on year
- 10 projects underway across 4 states, delivering staged developments of circa 1,100[1] units over four years
- Lower risk village extensions now comprise 13% of pipeline versus 5% at FY10

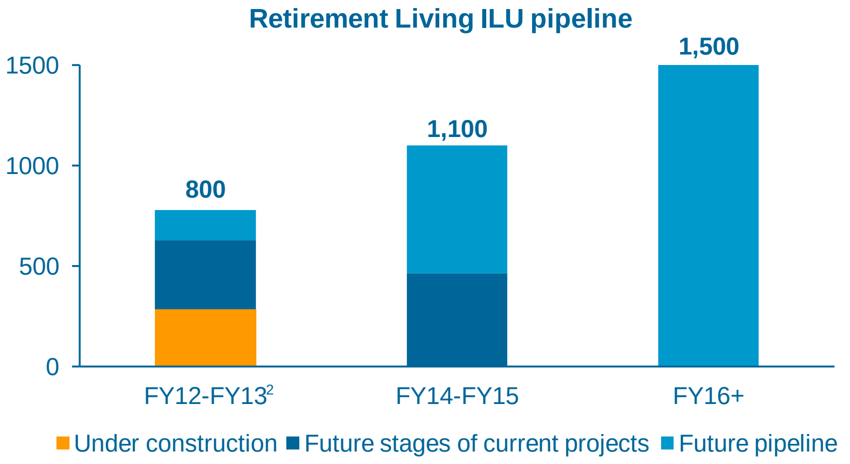
## Outlook

- Construction in small stages provides flexibility to respond to market demands
- Active projects cover 100% of FY12 sales targets
- Development pipeline can be slowed if market conditions deteriorate

**Geographically diverse development pipeline**




**Pipeline capacity to increase settlements significantly**






1. Represents established units yet to be released plus Macarthur Gardens and Settlers East
2. Timing subject to market conditions

# Attractive industry fundamentals underpins outlook

## Compelling demand drivers

- Expect demand for new developments of circa $35b over the next 20 years (at current prices)
- Industry will struggle to meet demand, given fragmented structure
- Underlying demand remains strong, however time to buy is increasing as purchasers take longer to sell their homes

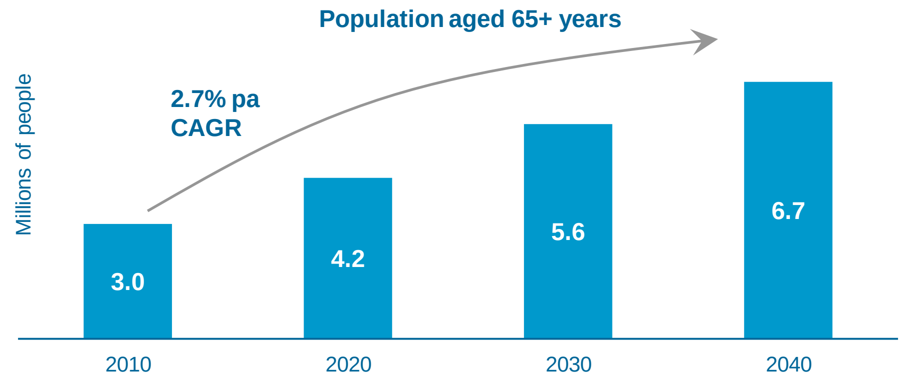
## Attractive long-run investment returns

- Business expected to deliver an ongoing unlevered IRR of circa 12%, after overheads
- Stockland outperformed relative to this benchmark over last four years

## Stockland villages are appealing to residents

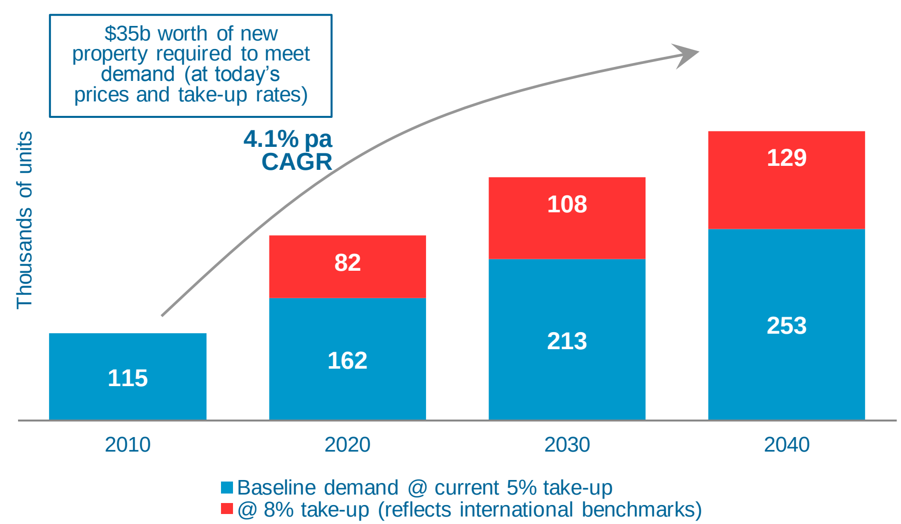
- Annual residents' survey shows 88% of residents are satisfied or extremely satisfied with village life
- 56% of residents have referred at least one person to a Stockland village
- 30% of sales are the result of a referral

### Growth of >65 year old demographic is an opportunity




*65+ population expected to more than double in next 30 years*

### Expect large increase in retirement village demand



Rockhampton, Qld

Stockland

# Commercial Property

# Delivering on our strategy of re-weighting to Retail

## Retail

- Acquired $241m of quality assets in the key growth areas of Hervey Bay and Point Cook
- $2.3b[1] development pipeline on program and budget

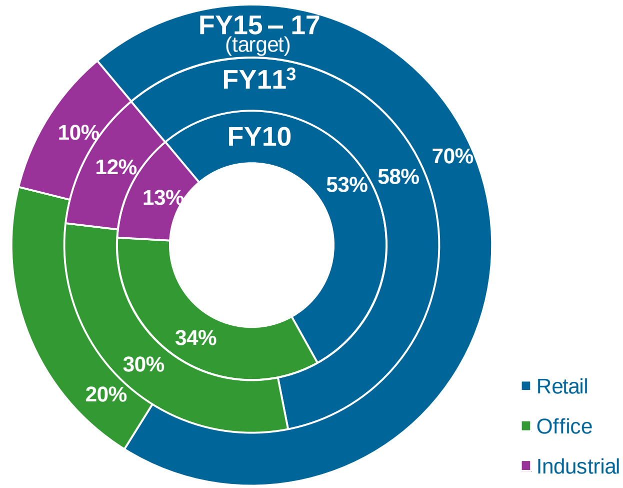
## Office and Industrial

- Disposed of a further $150m of small and management intensive assets in FY11
- De-risked portfolio with disposals of Myuna Complex and 150 Charlotte St[4]
- 82% of office portfolio now A grade

## Customer is core to delivering our strategy

- Realigned leasing team structure to provide a seamless approach to retailer account management
- Significant research undertaken to understand impact of online retailing on customer behaviour:
  - Qualitative and quantitative research including proprietary card data analysis[5] and forecasting

**Portfolio re-weighting[2]**




| Commercial Property strategy |
|---|
| **Retail** |
| Develop larger, higher quality retail assets with strong trading record and in areas of market growth |
| Leverage Stockland's integrated model and land bank |
| **Office and Industrial** |
| Own and manage a quality office portfolio in major markets |
| Focus on large, flexible industrial estates close to major transport hubs |
| Progressive sale of assets to fund retail development pipeline |



1. Cost to complete
2. Approximate weightings by asset value
3. Weightings exclude Myuna Complex, 150 Charlotte Street and BankWest Tower
4. Due to settle in FY12
5. Credit and debit cards, BPAY and PayPal

# Commercial Property delivered strong performance

Operating profit

- $524m, up 2.9% with strong contribution from Retail despite difficult trading conditions

Headline NOI

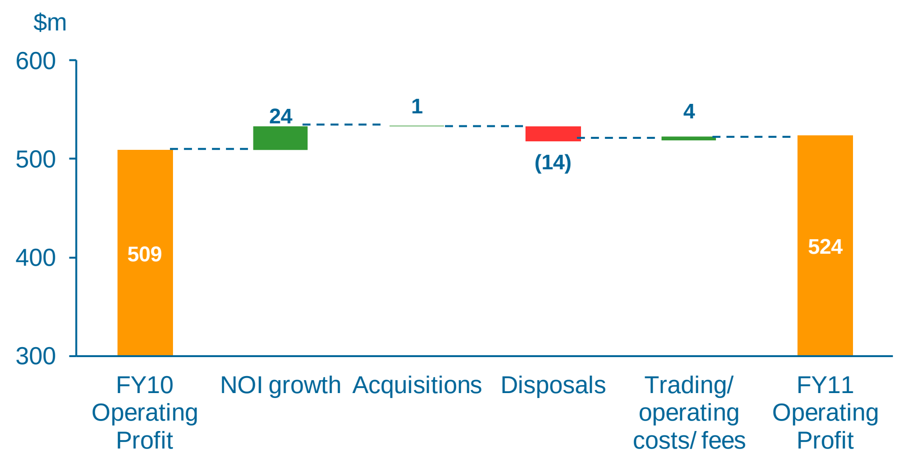
- $546m, up 2.2%:
  - Retail increased 7.5% as new developments came online[1]
  - Office down due to asset sales

Comparable NOI growth

- Up 4.4%, primarily due to stronger Retail comparable growth of 4.6%
- 447 operational specialty shop lease transactions completed with + 3.3% average rental growth[2]
- No increase in trade debtors - stable at 0.2%[3]

| Commercial Property ($m) | FY11 | FY10 | |
|---|---|---|---|
| Net operating income: | | | |
| - Retail | 286 | 266 | ▲ 8% |
| - Office | 183 | 193 | ▼ 5% |
| - Industrial | 77 | 75 | ▲ 3% |
| **Net operating income (NOI)** | **$546m** | **$534m** | ▲ 2% |
| Trading profits | 9 | 8 | ▲ 13% |
| Fees | 4 | 3 | ▲ 33% |
| Net operating costs[4] | (35) | (36) | ▼ 3% |
| **Operating Profit** | **$524m** | **$509m** | ▲ 3% |

## Commercial Property Operating Profit






1. Rockhampton, Tooronga, Riverton, Merrylands (staged)
2. On a gross adjusted basis
3. Recurring collectable debt as a percentage of annual billings
4. Net of tenant recoveries and costs capitalised to development projects

# Retail delivered stronger than expected NOI growth

## Strong NOI growth

- NOI $286m, up 7.5%:
  - Driven by good comparable growth and benefit of completed developments
- High occupancy at 99.5%[1]
- Total MAT +5.2% to $5.3b (comparable +2.8%)
- Comparable speciality MAT $8,884 psm, +1.7%
- Sustainable speciality occupancy costs of 13.7%[2]
- 47 retail stores fell into administration; only 6 remaining to lease

## Outlook

- Robust demand for quality retail space, although lease incentives on development and new operational deals remain high
- 99% of specialty leases are on either fixed annual (4% to 5% pa) or CPI+ increases
- Expect slightly lower comparable NOI growth in FY12

**Retail portfolio tenant exposure[3]**

| Rank | Tenant | Portfolio (%) |
|---|---|---|
| 1 | Wesfarmers | 28.7% |
| 2 | Woolworths | 23.1% |
| 3 | Retail Adventures (incl. Crazy Clarks) | 1.8% |
| 4 | Best & Less | 1.5% |
| 5 | Amalgamated Holdings (Greater Union, Birch Carroll & Coyle) | 1.4% |
| 6 | Aldi | 1.1% |
| 7 | The Reject Shop | 1.0% |
| 8 | Rebel Sport | 0.9% |
| 9 | Specialty Fashion Group (incl. Katies) | 0.9% |
| 10 | McDonald's | 0.7% |
| | | **61.1%** |



1. Non-development centres. 35 specialty shops vacant
2. Percentage of comparable speciality MAT
3. By GLA

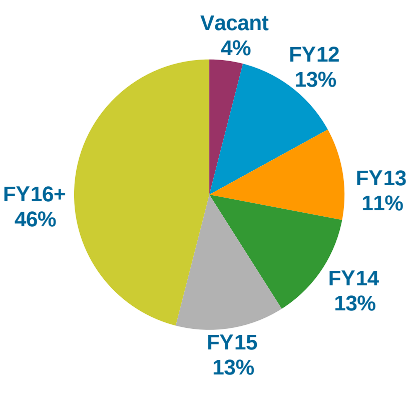
# Minimal lease expiry risk in Office and Industrial portfolio

- Office NOI down 5.2% due to asset disposals
- Industrial NOI up 2.7%
- Comparable NOI growth:
  - FY11 - Office +2.8%, Industrial +7.5%
  - FY12 - expect slightly lower growth in office, flat in industrial
- 306,000sqm of office and industrial space leased:
  - Average face rent: Office +9.5%, Industrial +3%
  - Average incentives: Office 16%[1], Industrial 7%
- Office occupancy 96%[2] including space under refurbishment
- Solid leasing performance lifted industrial occupancy to 99.8%
- Office WALE up slightly to 4.3 years, Industrial down slightly to 3.2 years due to short-term leasing deals[2]

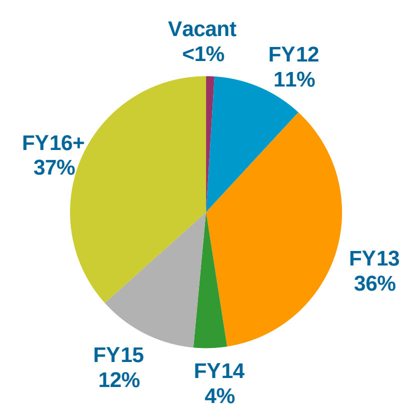
## Office and Industrial rent at risk [3]

| | Office | | Industrial | | Total | |
|---|---|---|---|---|---|---|
| | FY12 $m | FY13 $m | FY12 $m | FY13 $m | FY12 $m | FY13 $m |
| Total vacant space/leases expiring | 19.0 | 41.3 | 6.8 | 22.6 | 25.8 | 63.9 |
| Management expectation of likely renewals/ new leases | (10.5) | (34.6) | (3.4) | (18.8) | (13.9) | (53.4) |
| **Potential risk from vacant and uncommitted space** | **$8.5m** | **$6.7m** | **$3.4m** | **$3.8m** | **$11.9m** | **$10.5m** |

## Lease expiry profiles[4]




**WALE: 4.3 years**




**WALE: 3.2 years**



1. New 17.7%, renewals 13.0%
2. Excludes assets held for sale
3. Based on market rent and excludes assets held for sale, includes vacancies at 1/7/11, assumes gross effective rent on fully leased basis
4. Based on area and excludes assets held for sale

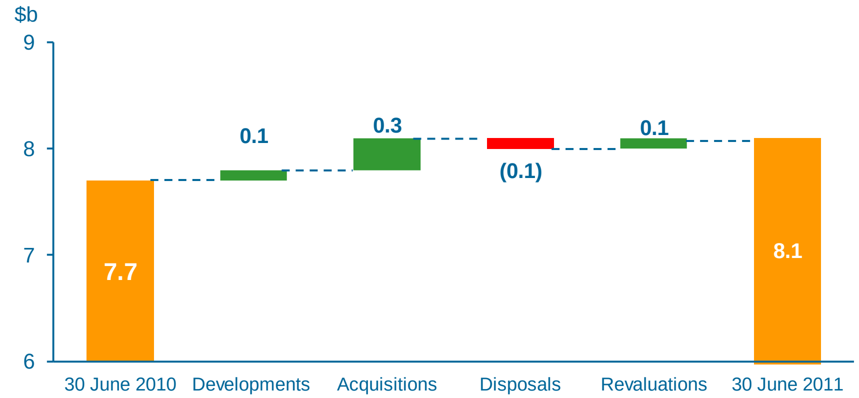
# Income growth driving positive revaluations

## Retail income growth supporting valuation gains

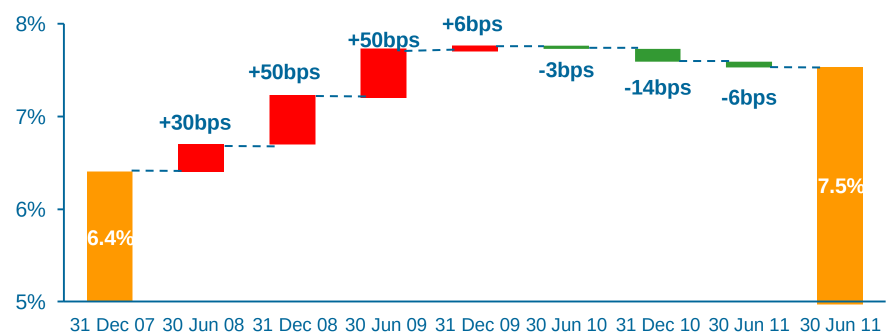
- Retail valuations up $70m reflecting income growth and low vacancy
- Office rents recovering especially in Melbourne and Perth, but incentives still high in Sydney
- Transaction volumes up for offices and industrial, however still relatively low for retail
- 68% of investment property assets[1] independently valued in FY11
- Total net valuation increment[2] $74m

| Net revaluation breakdown ($m) | FY11 |
|---|---|
| Income growth | 52 |
| Change in cap rates | 59 |
| Development completions | 22 |
| Asset specific issues[3] | (21) |
| Disposals[4] | (38) |
| **Net revaluation** | **74** |

## Commercial Property book values ($b)[5]




## Commercial Property weighted av. cap rate[6]




**Composition**
Retail: 6.2%
Office: 6.4%
Industrial: 7.3%

**Composition**
Retail: 7.2%
Office: 7.8%
Industrial: 8.5%



1. Excludes assets under development
2. Includes stapling adjustment of $6m for Piccadilly Tower due to owner-occupied space
3. Bay Village down $8m due to local competition, Highlands down $8m and Harrisdale down $5m reflecting early construction to benefit Residential
4. Includes Myuna Complex, 150 Charlotte Street , BankWest Tower and Stockland Lilydale
5. Investment property assets and assets held for sale (excluding Capital WIP and sundry properties)
6. Excludes assets held for sale

# $2.3b retail development pipeline on program and budget

## $300m projects came on line in FY11, trading ahead of expectations

- Rockhampton, North Shore Townsville, and Merrylands stage 2B and 3A all delivered and trading well
- Rockhampton achieved value uplift of 34% on $118m cost over life of project - yield on cost 8.1%

## $935m projects under construction

- All anchor tenant lease agreements and fixed price building contracts executed
- Specialty shop project leasing on budget and demand from national retailers remains strong

## Future projects

- Hervey Bay and Harrisdale expected to commence in FY12/FY13, Gladstone redevelopment to be brought forward
- Green Hills and Wetherill Park planning processes extended

**Retail development pipeline**

| | Est. total cost ($m) | Estimated cost to complete ($m) | Estimated fully leased year one yield | % total income leased | % specialty income leased |
|---|---|---|---|---|---|
| **Under Construction** | | | | | |
| Merrylands Completed Nov-12 | 395 | 145 | 6.5% | 75% | 65% |
| Townsville Completed Jul-12 | 175 | 115 | 6.5% | 52% | 32% |
| Highlands Completed Nov-11 | 35 | 20 | 6.1%[1] | 79% | 48% |
| Shellharbour Completed Sep-13 | 330 | 270 | 7.6% | 24% | 5% |
| **Sub-total** | **935** | **550** | | | |
| **Identified projects expected to commence in the next 2 years** | | | | | |
| Harrisdale | 45 | 45 | 7.0-7.5% | | |
| Hervey Bay | 120 | 120 | 7.25-7.75% | | |
| Green Hills | 350 | 350 | 7.25-7.75% | | |
| Gladstone | 125 | 125 | 7.25-7.75% | | |
| **Sub-total** | **640** | **640** | | | |
| **Future Projects** | **1,075** | **1,075** | | | |
| **Total development Pipeline** | **2,650** | **2,265** | | | |


1. Low yield due to strategic early development of centre to drive increased sales of residential lots, generating higher total project returns

# Stockland centres generating above average retail sales growth

## Increasing market share in operational centres

- Specialty sales growth driven by proactive asset management:
  - Strategic retail remixing to lift quality of the offer and match local trade area needs
  - Targeted allocation of capital to upgrade facilities and aesthetics to improve customer experience

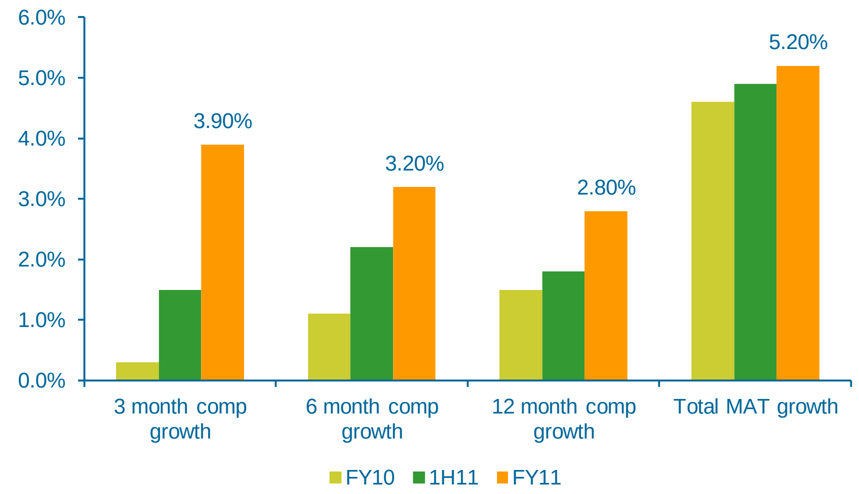
## Value and convenience focus

- Highly accessible centres offering strong value-for-money shopping
- Retail mix skewed towards higher sales growth categories like food catering, food retail and retail services

## Well positioned assets

- Majority of centres #1 in primary trade area
- Centres are an important social hub for communities - over 60%[2] of portfolio in key regional cities

**Stockland retail sales have strengthened during FY11**




**Sales growth from proactive asset management**

| | June 2011 specialty growth | Specialty growth MAT FY11 | Total centre MAT growth FY11 |
|---|---|---|---|
| **Wendouree** | 21.2% | 20.2% | 7.5% |
| **Nowra** | 18.6% | 9.5% | 3.2% |
| **Baulkham Hills** | 14.5% | 6.2% | 6.2% |
| **Cairns** | 5.1% | 3.2% | 5.0% |



1. Source: Urbis Retail Averages 2010 Sub-Regional Centres report
2. Based on book value at 30 June 2011

# Long-term fundamentals underpin strategy

## Sound retail fundamentals

- Population growth drives retailer demand for new retail space in growing trade areas
- Current active construction pipeline implies undersupply

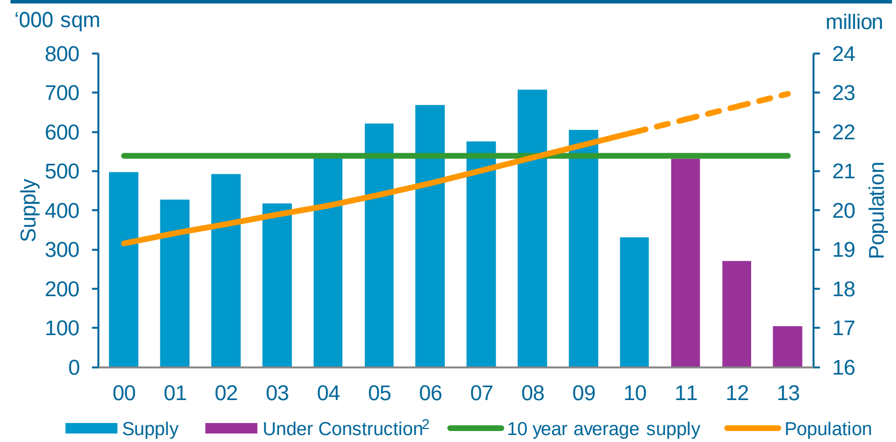
## Stockland centres outperform market averages

- 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 areas
  - Opportunity to create quality assets without compromising convenience

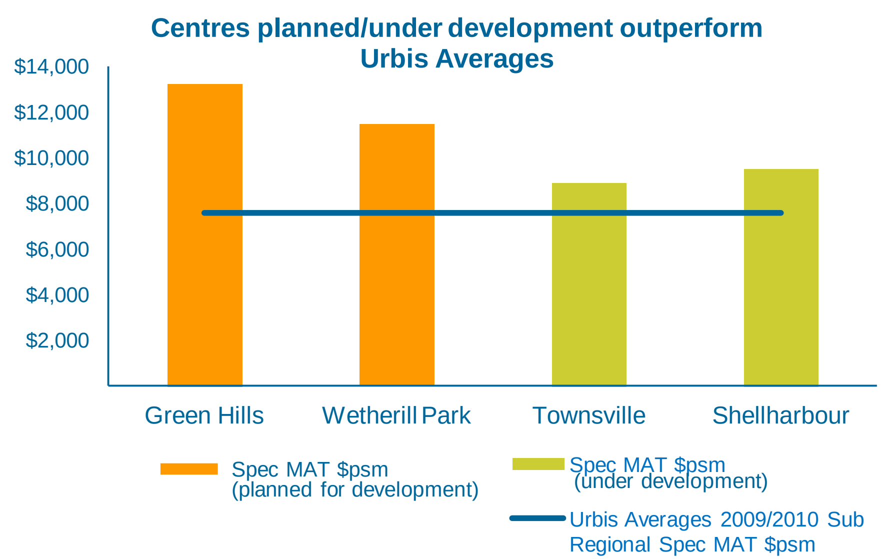
## Actively managing challenges of online retailing

- Build greater flexibility in development plans
- Continued focus on building loyalty and amenity e.g. improved food offering, play areas, parent rooms

**National retail demand outstrips supply[1]**




**Redevelopment potential within existing portfolio**





1. Source: ABS, JLL
2. Includes completions in 2011

One Tudor Street, London

Stockland

# UK

# Continued orderly work out of UK operations

FY11 result

- Break-even result lower than expected as profitable sales slipped into FY12
- $60m of proceeds from asset sales
- $7m additional impairment reported at 1H11 offset by $1m excess profit on impaired projects taken below the line

Work-out plan on track for completion by FY12

- Remaining book value of $169m expected to be realised during FY12 unless market conditions materially deteriorate
- Circa $10m profit contribution expected in FY12 from sale of London projects
- Future workout costs and redundancies fully provided
- Net currency risk fully hedged

| | FY11 | FY10 |
|---|---|---|
| Operating Profit | $0.0m | $1.2m |
| Total assets | $169m | $261m |


Stockland

# Financial Management

# Strong balance sheet and liquidity management

## S&P A-/ Stable credit rating maintained

- Provides access to a wide variety of debt sources

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

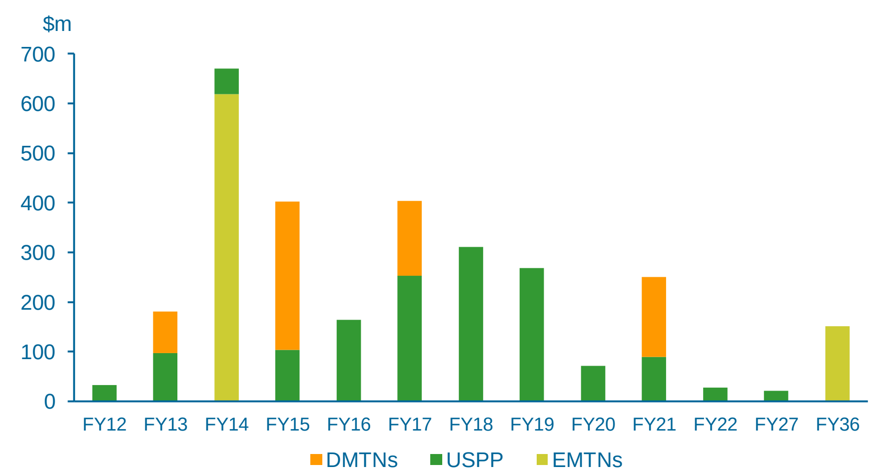
- Currently 22% following ongoing investment in 3-Rs
- Will progressively move towards lower end of target range as and when global credit conditions improve

## Prudent debt management

- Refinanced $320m of 2011/2013 domestic MTNs and issued $310m of new MTN
- Maintained long dated debt profile with a weighted average debt maturity of 5.9 years
- No refinancing issues - $32m debt maturing in FY12
- Expensive undrawn bank facilities reduced by $0.5b
- Expect FY12 average cost of debt at circa 6.1% based on hedging profile and current yield curve

| | |
|---|---|
| S&P rating | A- / Stable |
| Drawn debt[1] | $3.0b |
| Cash on deposit | $0.2b |
| Available undrawn committed debt facilities | $0.5b |
| Gearing (net debt[2] / total tangible assets) | 22.0% |
| Interest cover | 5.3: 1 |
| Weighted average debt maturity | 5.9 years |
| Debt fixed/hedged | 59% |
| Weighted average cost of debt for FY11 | 5.7% |
| Weighted average cost of debt at 30 June 2011 | 6.3% |

**Long-dated drawn debt maturity profile[3]**






1. Excludes bank guarantees
2. Drawn debt less cash
3. Excludes offset of $0.2b cash on deposit

# Cash flow, net interest and tax

## Operating cash flow

- Generated strong operating cash flow

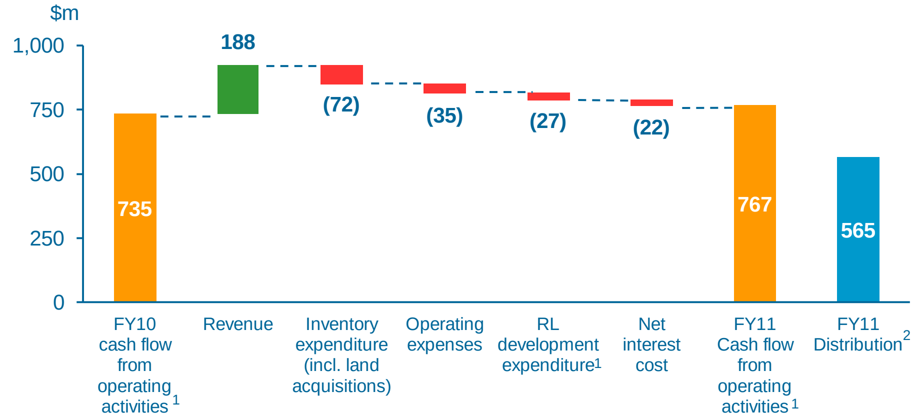
## Gap between interest paid and interest expense closed in FY11

- Interest expensed through COGS increasing as large long dated Residential projects mature
- Interest capitalised higher due to rising interest rates and higher Residential net funds employed
- Expect gap between interest paid and expense to widen in FY12 due to recent inventory investment
- Gap in future years will largely depend on quantum and timing of cash outlay for Residential acquisitions

## Tax

- Effective tax rate on corporate earnings - 26%

**Operating cash flow - movements from FY10**




| Interest expense - $m | FY11 | FY10 |
|---|---|---|
| **Interest paid[3]** | **177** | **164** |
| Less: capitalised interest | | |
| - Commercial Property development projects | (5) | (5) |
| - Residential[3] | (126) | (106) |
| - Retirement Living | (5) | (4) |
| | **(136)** | **(115)** |
| **Net borrowing cost in P&L** | **41** | **49** |
| Add: capitalised interest expensed in COGS[4] | 128 | 94 |
| **Total interest expense in P&L** | **169** | **143** |

Gap narrowed in FY11



1. Differs to operating cash flow in statutory accounts as Retirement Living development expenditure is treated as an investing cash flow for statutory purposes but shown here as an operating cash flow
2. Distribution based on the greater of 75% of Underlying Profit or Trust Taxable Income (TTI); FY11 distribution includes $283.6m payable 31 August 2011
3. Excludes $12m (FY10) and $22m (FY11) of deferred interest on Residential land creditors as it represents unwinding of present value discounts not interest paid
4. Includes $3m (FY10) and $4m (FY11) of interest in COGS for Retirement Living which is not included for statutory reporting

# Prudent cost management

Residential

- Higher employee and marketing costs to support launch of new projects

Retirement Living

- Economies of scale and synergies being achieved ahead of schedule from Aevum acquisition

Commercial Property

- Net costs broadly maintained at FY10 levels

Corporate

- Tightly controlled with headcount stable
- Procurement savings gaining traction

| $m | FY11 | FY10 | FY09 |
|---|---|---|---|
| Residential | 142 | 140 | 163 |
| Retirement Living[1] | 37 | 28 | 28 |
| Aged care | 13 | - | - |
| Commercial Property[2] | 35 | 36 | 30 |
| UK | 9 | 12 | 21 |
| Unallocated corporate costs | 63 | 66 | 56 |
| **Underlying management, admin, marketing and selling expense[1,2]** | **299** | **282** | **298** |



1. $20m of transaction and integration costs related to Aevum and 3 villages acquired from Retirement Villages Group excluded from Underlying Profit
2. Net of tenant recoveries and costs capitalised to development projects


Settlers Hills, WA

Stockland

# Summary & Outlook

# Outlook

FY12 guidance - EPS expected to be around the same as FY11

- Residential Communities - well positioned for FY12 with strong contracts on hand and nine new projects launching
- Retirement Living - improving cash profitability through greater efficiencies
- Commercial Property - expect slightly lower comparable NOI growth in Retail and Office, flat in Industrial
- Key assumptions in FY12 guidance:
  - No further rise in interest rates in the short-term
  - No material flow-on impact to the underlying Australian economy from recent global market volatility
  - Customer confidence and residential buying activity steadily improve in FY12

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| Residential Communities | 48 to 60 |
| Apartments | 61 |
| Retirement Living | 62 to 65 |
| Commercial Property | 66 to 78 |

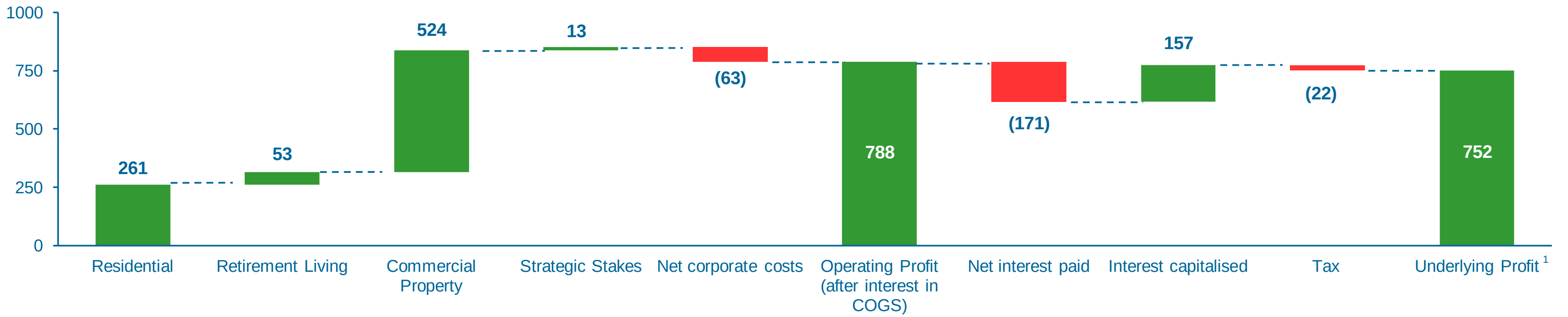

Stockland Rockhampton, Qld

Stockland

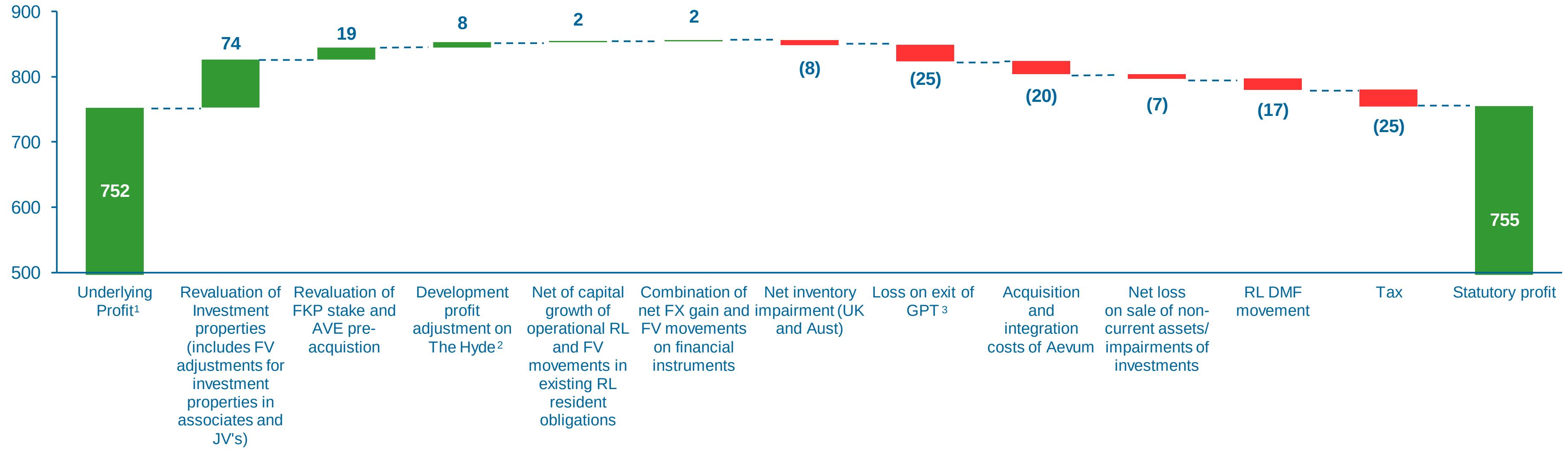
# FY11 Results Annexures

# Underlying Profit summary

## Composition of Underlying Profit[1] ($m)




## Underlying Profit[1] - reconciliation to Statutory Profit ($m)




1. Underlying Profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of Stockland, in accordance with the AICD/Finsia principles for reporting Underlying Profit
2. Includes impact of market value movement on 14.9% interest in FKP; from $0.68 at Jun-10 to $0.70 at Jun-11
3. Includes transaction costs

# Underlying Profit reconciliation

| | Gross ($m) | Tax ($m) | Net ($m) |
|---|---|---|---|
| Underlying Profit | 774 | (22) | 752 |
| **Non-cash adjustment to inventories and development profits** | | | |
| Inventory adjustments – Australia | (2) | 1 | (1) |
| Inventory adjustments – UK | (6) | - | (6) |
| Development profit adjustment on The Hyde | 8 | - | 8 |
| **Fair value adjustment of investment properties** | | | |
| Net gain from fair value adjustment of investment properties (excluding Retirement Living) | 56 | 1 | 57 |
| Share of net gain from fair value adjustment of investment properties in associates and joint ventures | 18 | - | 18 |
| Net fair value movement of deferred management fee contracts | (17) | 5 | (12) |
| Capital growth of operational Retirement Living Communities | 72 | (22) | 50 |
| Existing Retirement Living resident obligations fair value movement | (70) | 21 | (49) |
| **Fair value adjustment of other financial assets, impairment and net loss on sale of other non-current assets** | | | |
| Net gain from fair value adjustment of other financial assets (FKP stake and AVE pre-acquisition) | 19 | (1) | 18 |
| Net loss on sale of other non-current assets and impairment of other investments | (7) | 1 | (6) |
| **Fair value adjustment of financial instruments and foreign exchange movements** | | | |
| Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules | (163) | (4) | (167) |
| Net loss on exit of exposure to GPT | (25) | - | (25) |
| Net foreign exchange gain | 165 | (33) | 132 |
| **Other** | | | |
| Acquisition and integration costs of Aevum and RVG | (20) | 6 | (14) |
| **Profit for the year attributable to securityholders of Stockland** | **802** | **(47)** | **755** |

## Stockland FY11 Results - Financial results

# Segment Note to Underlying Profit reconciliation

| | Residential ($m) | Retirement Living ($m) | Commercial Property ($m) | UK ($m) | Other ($m) | TOTAL ($m) | |
|---|---|---|---|---|---|---|---|
| Total external segment revenue | 1,556 | 109 | 705 | 72 | 13[1] | **2,455** | |
| **Segment result before interest, share of profits of investments accounted for using the equity method** | **382** | **53** | **454** | **-** | **13** | **902** | |
| Interest expense included in COGS | (122) | - | (1) | (1) | - | **(124)** | |
| Share of profits of investments accounted for using the equity method (excluding certain items) | 1 | - | 71 | 1 | - | **73** | |
| **Segment profit (before certain items)** | **261** | **53** | **524** | **-** | **13** | **851** | A |
| Unallocated corporate other income and expenses | | | | | | **(63)** | A |
| Interest income | | | | | | **27** | |
| Net borrowing costs | | | | | | **(41)** | |
| **Underlying Profit before income tax expense** | | | | | | **774** | |
| Income tax expense | | | | | | **(22)** | |
| **Underlying Profit after income tax expense** | | | | | | **752** | |

**A Total = Operating Profit $788m**

1. Includes income from strategic stakes of $13m

# Historical profit summary

| | FY11 ($m) | FY10 ($m) | FY09 ($m) | FY08 ($m) | FY07 ($m) |
|---|---|---|---|---|---|
| Residential EBIT (before interest in COGS) | 384 | 314 | 233 | 337 | 309 |
| Commercial Property EBIT (before interest in COGS)[1] | 525 | 510 | 533 | 555 | 516 |
| Retirement Living EBIT | 53 | 36 | 43 | 41 | 4 |
| UK EBIT | - | 1 | (1) | 12 | 4 |
| Other | 13 | 20 | 19 | (4) | 15 |
| Unallocated corporate overheads[1] | (63) | (66) | (63) | (86) | (46) |
| **Group EBIT (before interest in COGS)** | **912** | **815** | **764** | **855** | **802** |
| Net interest expense: | | | | | |
| Interest paid (net of interest income)[2] | (171) | (136) | (271) | (289) | (214) |
| Interest capitalised to inventory[2] | 147 | 118 | 170 | 181 | 135 |
| Interest capitalised to Investment Properties under development | 10 | 9 | 27 | 10 | 24 |
| Interest expensed in COGS | (124) | (91) | (60) | (53) | (63) |
| **Net interest expense** | **(138)** | **(100)** | **(134)** | **(151)** | **(118)** |
| Tax | (22) | (23) | 1 | (30) | (73) |
| **Underlying Profit** | **752** | **692** | **631** | **674** | **611** |



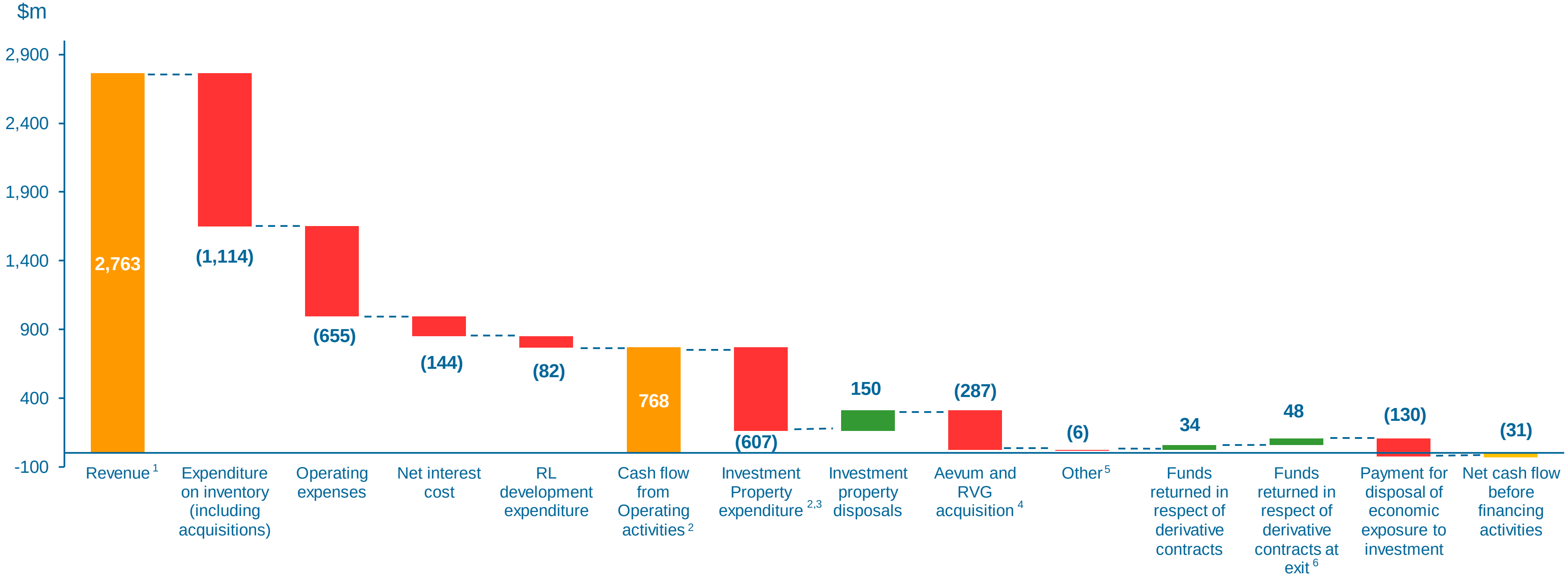
1. The Responsible Entity (RE) fees have been reclassified from unallocated corporate overheads to Commercial Property EBIT for all years
2. Includes $22m of deferred interest in FY11

# Group strategic weightings

| | Operating Profit FY11 | | Assets 30 June 2011 | |
|---|---|---|---|---|
| | Actual | Strategic weighting | Actual | Strategic weighting |
| **Recurring** | | | | |
| Retirement Living | 7% | | 6% | |
| Commercial Property | 67% | | 71% | |
| Unallocated corporate overhead | (3%) | | - | |
| **Total recurring** | **71%** | **60-80%** | **77%** | **70-80%** |
| **Trading** | | | | |
| Residential | 34% | | 19% | |
| Retirement Living[1] | - | | 2% | |
| Commercial Property | 1% | | 1% | |
| UK and unallocated corporate overhead | (6%) | | 1% | |
| **Total trading** | **29%** | **20-40%** | **23%** | **20-30%** |

1. Retirement living development delivers not only a development profit but also an ongoing DMF income stream of which 1% in year one is included in recurring

# Operating and investing cash flow




1. Cash receipts in the course of operations + distributions from associates and joint ventures and other entities + receipts and payments from/to Retirement Living residents (net of deferred management fees)
2. Differs to statutory accounts as Retirement Living development expenditure is treated as an investing cash flow for statutory purposes but shown here as an operating cash flow
3. Includes $41m Commercial Property maintenance capex ($30m in FY10)
4. Net of cash acquired from Aevum of $15.5m
5. Payments for plant and equipment + Proceeds from sale of investments and other assets + Payments for investments, including JV's and associates + Distributions received from other entities
6. Represents return of cash on deposit with the counterparty of the associated equity derivative contracts (GPT exposure). Excludes $136m payment on termination of derivatives and $125m repayment of Aevum debt which are classified as financing activities in the statutory cash flow statement

# Debt summary

| Facility | Facility limit ($m)[1] | Amount drawn ($m)[2] |
|---|---|---|
| Bank Debt | 450 | - |
| Domestic Medium Term Notes | 694 | 694 |
| European Medium Term Notes | 619 | 619 |
| US Senior Term Notes | 1,487 | 1,487 |
| Asian Medium Term Notes | 151 | 151 |
| Total | 3,401 | 2,951 |

| Facility | Facility limit ($m)[1] | Amount drawn ($m) | Facility maturity |
|---|---|---|---|
| **Bank Debt** | | | |
| - Multi option facility - Australia | 175 | - | Nov 2014 |
| - Multi option facility - Australia | 100 | - | Nov 2015 |
| - Multi option facility - Australia | 175 | - | Dec 2015 |
| **Total Bank Debt** | **450** | **-** | |



1. Facility limit includes bank guarantees of $0.3b for which $0.3b was utilised at 30 June 2011
2. Amount excludes borrowing costs and fair value adjustment required to reconcile to the statutory accounts

# Debt summary (continued)

| Facility | Issued debt ($m)[2] | Facility maturity |
|---|---|---|
| **Domestic Medium Term Note Facility (MTN)** | | |
| -MTN | 83.5 | May 2013 |
| -MTN | 300.0 | Feb 2015 |
| -MTN | 150.0 | Jul 2016 |
| -MTN | 160.0 | Nov 2020 |
| **Total Domestic** | **693.5[1]** | |
| **Offshore Medium Term Note Facility (MTN)** | | |
| -UK MTN | 619.3 | Oct 2013 |
| -Asia MTN | 151.3 | Aug 2035 |
| **Total Offshore** | **770.6** | |

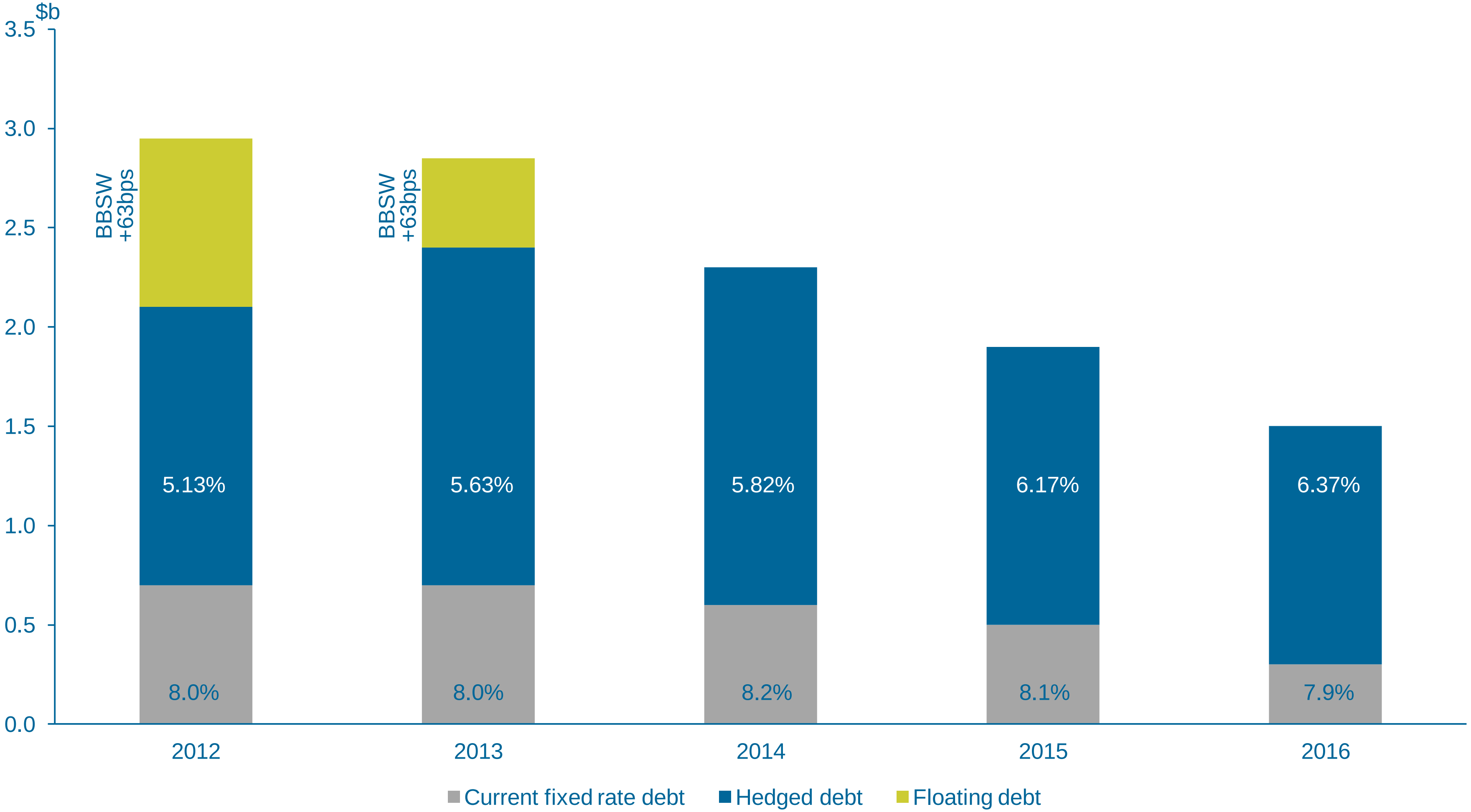
| Facility | Issued debt ($m)[2] | Facility maturity |
|---|---|---|
| **US Senior Term Note Facility (STN)** | | |
| - US STN | 32.1 | Oct 2011 |
| - US STN | 51.4 | Jul 2012 |
| - US STN | 45.8 | Oct 2012 |
| - US STN | 51.4 | Jul 2013 |
| - US STN | 28.3 | Jul 2014 |
| - US STN | 74.7 | Jun 2015 |
| - US STN | 64.3 | Jul 2015 |
| - US STN | 99.2 | Oct 2015 |
| - US STN | 61.7 | Jul 2016 |
| - US STN | 27.5 | Oct 2016 |
| - US STN | 162.2 | Jun 2017 |
| - US STN | 61.1 | Oct 2017 |
| - US STN | 250.0 | Jun 2018 |
| - US STN | 268.7 | Oct 2018 |
| - US STN | 70.7 | Jul 2019 |
| - US STN | 90.0 | Jul 2020 |
| - US STN | 27.7 | Jun 2022 |
| - US STN | 20.5 | Jun 2027 |
| **Total US Senior Term Notes** | **1,487.3** | |



1. During FY11 Stockland repurchased domestic medium term notes of $164.1m of maturing in June 2011 and $66.5m maturing in May 2013 and issued $310.0m of new domestic medium term notes maturing in July 2016 and November 2020. In June 2011 $91.5m of maturing domestic medium term notes were repaid
2. Amount excludes borrowing costs and fair value adjustment required to reconcile to the statutory accounts

# Debt and hedging profile[1]

## Long dated and hedged debt






1. Excludes cash on deposit of $0.2b and line fees of approximately 30 basis points p.a.

# Proforma balance sheet

| | 30 June 2011 ($m) | 30 June 2010 ($m) |
|---|---|---|
| Cash | 195 | 911 |
| Real estate assets | | |
| - Commercial Property | 8,485 | 7,921 |
| - Residential | 2,383 | 2,520 |
| - Retirement Living Communities (including Aged Care) | 1,018 | 445 |
| - UK | 169 | 261 |
| Other financial assets - GPT | - | 219 |
| Retirement Living Communities gross up | 1,564 | 866 |
| Intangibles | 117 | 108 |
| Derivative assets | 148 | 267 |
| Other assets | 492 | 439 |
| **Total assets** | **14,571** | **13,957** |
| Interest-bearing liabilities | (2,407) | (2,830) |
| Retirement Living residents obligation[1] | (1,629) | (898) |
| Derivative liabilities | (687) | (401) |
| Other liabilities | (1,049) | (1,163) |
| **Total liabilities** | **(5,772)** | **(5,292)** |
| **Net assets** | **8,799** | **8,665** |



1. This amount comprises of $1,564m of existing resident obligations and Aged Care accommodation bonds (30 June 2010: $866m) and $65m of ex-resident obligations (30 June 2010: $32m)

# Covenant calculations

## All lenders have consistent covenants:

- Total liabilities / total tangible assets (TL/TTA): 45%. No adjustment made for cash held
- Interest cover: 2:1 (write-downs and provisions are excluded from calculation)

## Gearing covenant limited to Stockland's balance sheet liabilities and excludes:

- MTM of derivatives and interest bearing liabilities A
- Net Retirement Living obligation for existing residents B

| | Interest Cover | TL/TTA | D/TTA (net of cash) |
|---|---|---|---|
| 30 June 2011 | 5.3:1 | 31.8% | 22.0%[1] |
| 31 December 2010 | 5.0:1 | 32.2% | 20.2% |
| 30 June 2010 | 4.9:1 | 31.1% | 17.8% |

| As at 30 June 2011 | Statutory Balance Sheet ($m) | | Adjustments ($m) | Gearing Covenant Balance Sheet ($m) |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | 195 | | - | 195 |
| Real estate related assets | 13,619 | B | (1,564) | 12,055 |
| Intangibles | 117 | | (117) | - |
| Derivative assets | 148 | A | (148) | - |
| Other assets | 492 | | - | 492 |
| **Total assets** | **14,571** | | **(1,829)** | **12,742** |
| **Liabilities** | | | | |
| Interest-bearing liabilities | (2,407) | A | (535) | (2,942) |
| Net Retirement Living resident obligations | (1,629) | B | 1,564 | (65) |
| Derivative liabilities | (687) | A | 687 | - |
| Other liabilities | (1,049) | | - | (1,049) |
| **Total liabilities** | **(5,772)** | | **1,716** | **(4,056)** |
| **Net assets** | **8,799** | | **(113)** | **8,686** |

1. Debt = Interest-bearing liabilities ($2,942m) + Transaction costs ($9m) - Cash ($195m)
TTA = Total assets ($12,742m) - Cash ($195m)

# Stockland Corporation statutory income tax calculation

| | FY11 ($m) | FY10 ($m) |
|---|---|---|
| **Statutory Group profit before tax** | **802** | **500** |
| Less: Trust profit | (678) | (389) |
| Add/(less): Intergroup eliminations | 59 | (44) |
| **Corporation profit before tax** | **183** | **67** |
| Less: non-assessable income / add back non-deductible expenses | (40) | 1 |
| Add: UK losses not recognised | 14 | 2 |
| **Adjusted taxable profit - Corporation** | **157** | **70** |
| **Tax @ 30%** | (47) | (21) |
| **Effective tax rate** | **26%** | **31%** |

# Portfolio overview

## Communities - $2.4b[1,2]

| | |
|---|---|
| No. of projects: | 73 |
| No. of projects currently trading: | 48 |
| No. of projects launched FY11: | 8 |
| No. of projects launching FY12: | 9 |
| Lots controlled: | 90,200 |
| End value of land bank: | $24.2b |
| Average age of land bank: | 4.5 years |

## Apartments - $0.2b[1]

| | |
|---|---|
| No. of projects: | 7 |
| No. of projects currently trading: | 6 |
| No. of projects launched FY11: | - |
| Units controlled[3]: | 590 |
| End value of projects: | $0.5b |
| Average age of projects: | 5.2 years |

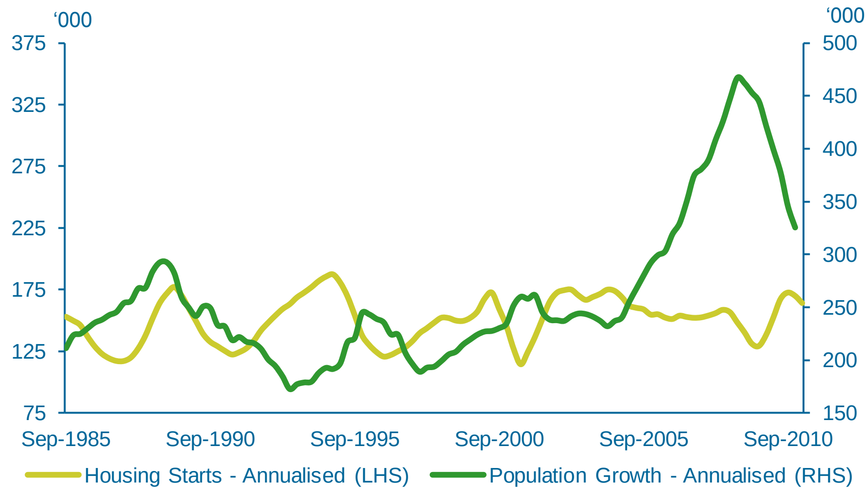


1. Net funds employed
2. Includes The Vale and Whiteman Edge
3. Includes units in projects planned for disposal

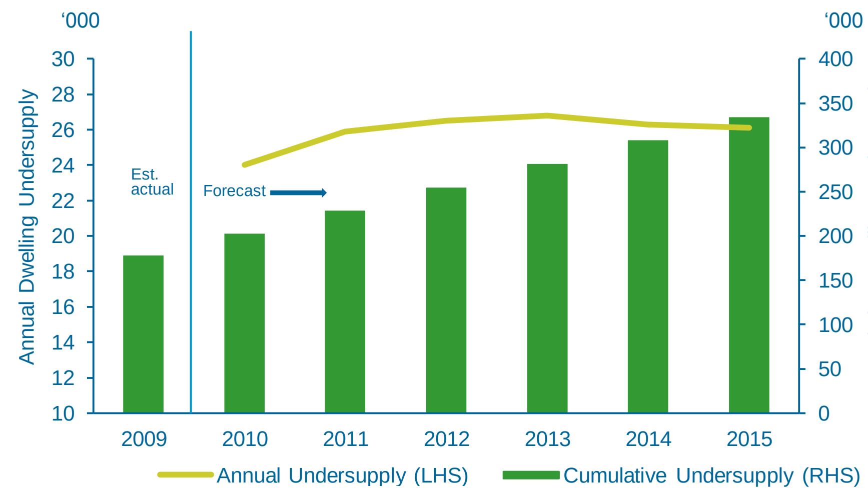
## Stockland FY11 Results - Residential

# Market fundamentals driven by housing undersupply in Australia

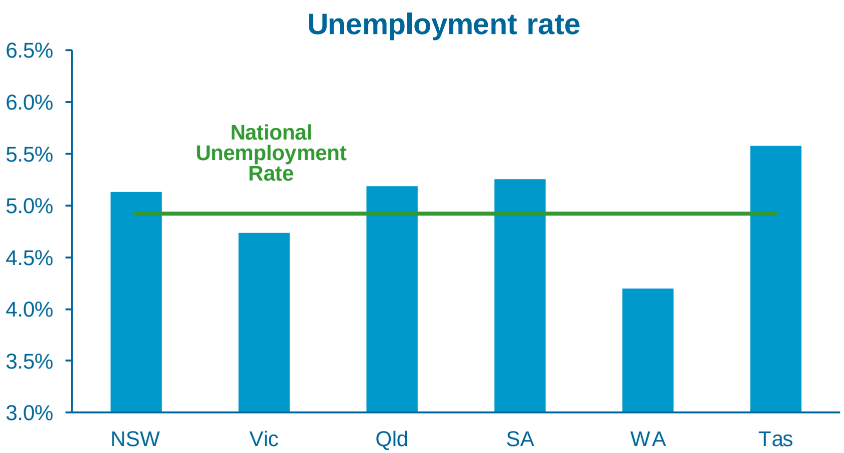
### Population growth well above housing starts[1]



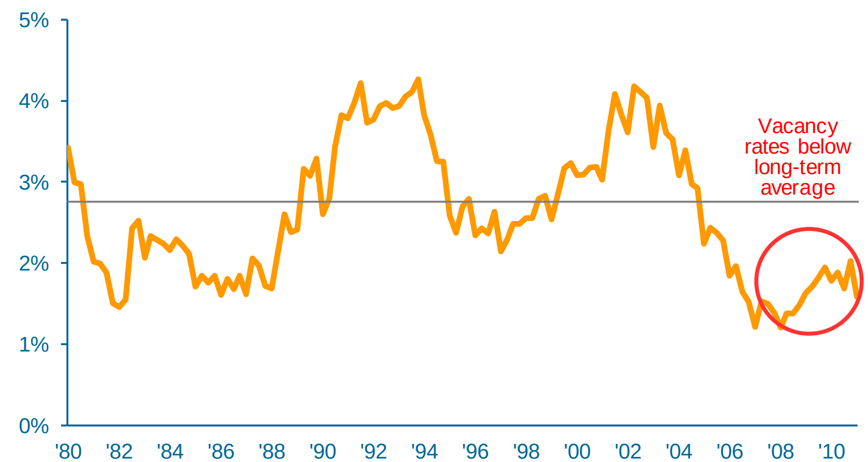

### Large and growing housing undersupply[2]




### Strong labour market supporting household income growth[3]




### Rental vacancies remain at historical low[4]

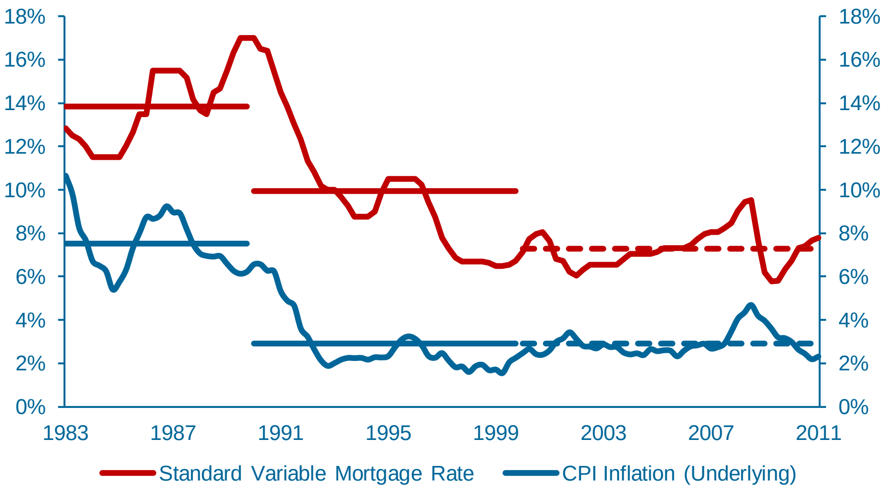




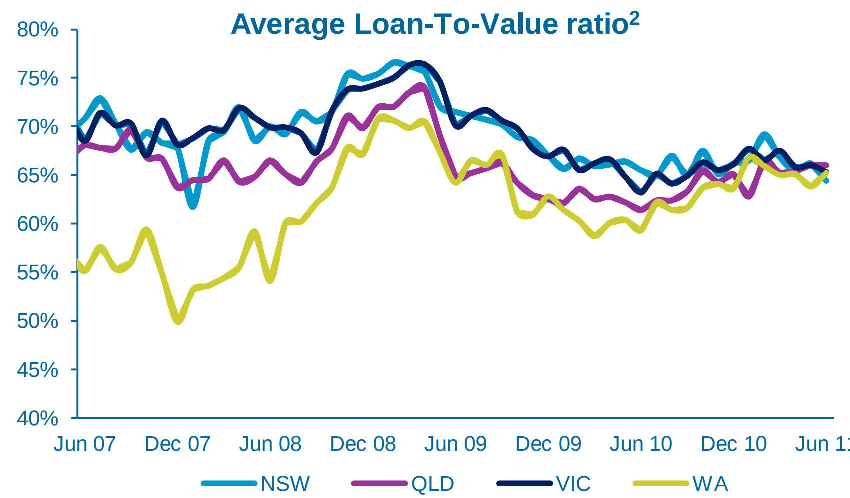

1. Source: ABS
2. Source: National Land Supply Council, 2nd State of Supply Report, 2010, Table A4.1: Projected demand-supply gap using medium household growth and medium supply projections
3. Source: ABS
4. Source: REIA

# Mortgage debt sustainability, bank mortgage lending is responsible

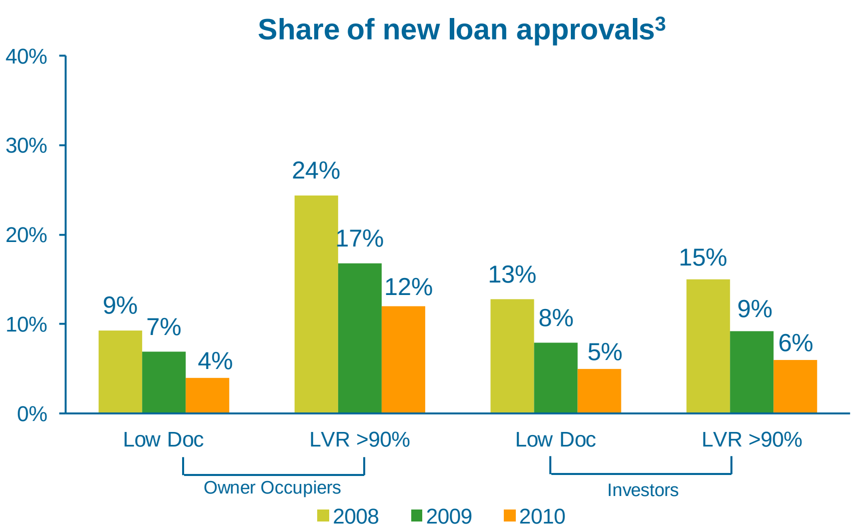
## Cost of finance structurally lower[1]



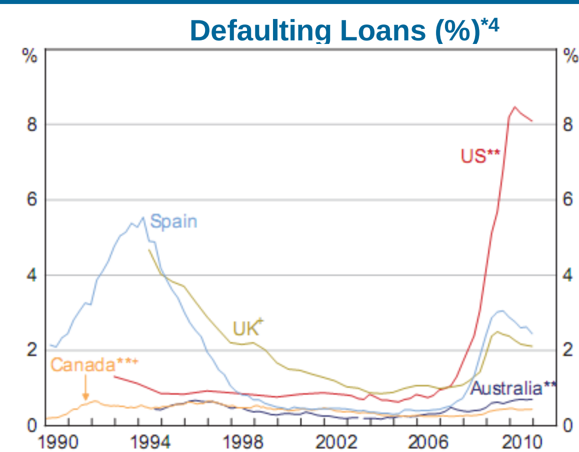

## Sustainable debt - buyers are taking on less debt




## High risk loans are low and falling




## Loan defaults remain low in Australia




* - 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



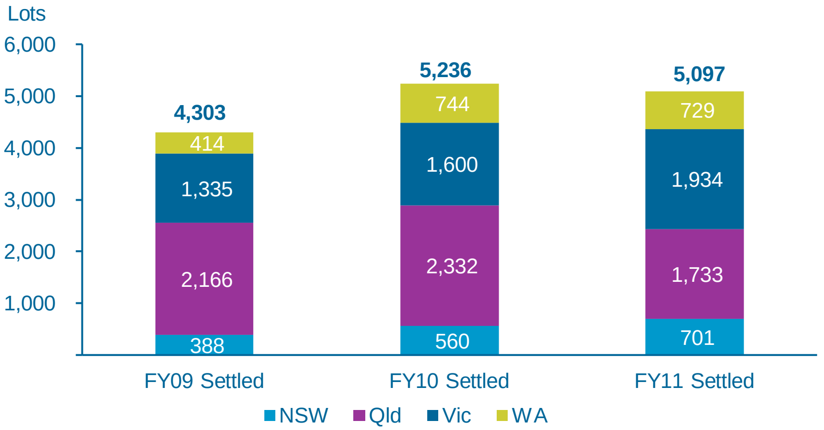
1. Source: RBA, Stockland Research
2. Source: Australian Finance Group (AFG)
3. Source: RBA, APRA, LVR = loan-to-valuation ratio
4. Source: RBA, APRA, Bank of Spain, Canadian Bankers' Association, Council of Mortgage Lenders, FDIC

# National and State grants

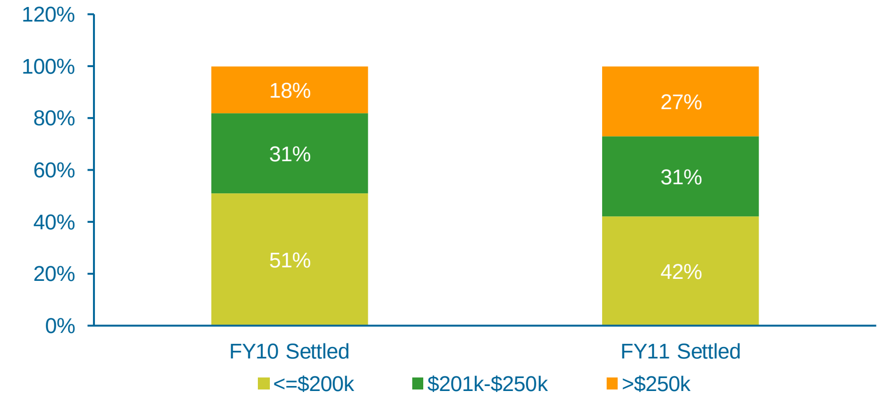
| | | Jul-Dec-10 | Jan-Aug-11 | Aug-11 onwards | Ending |
|---|---|---|---|---|---|
| NSW | Total Entitlement | $7,000 | $7,000 | $7,000 | N/A |
| | Federal first home owner grant | $7,000 | $7,000 | $7,000 | N/A |
| | + Current Stamp Duty Exemptions | Full exemption of transfer duty for first home buyers for homes up to $500,000 or land up to $300,000 under First Home Plus scheme | | | |
| QLD | Total Entitlement | $11,000 | $11,000 | $21,000 | N/A |
| | Federal first home owner grant | $7,000 | $7,000 | $7,000 | N/A |
| | Federal boost | $0 | $0 | $0 | N/A |
| | State Grant | N/A | N/A | $10,000 | Jan-12 |
| | Regional Bonus | $4,000 | $4,000 | $4,000 | Jun-11 |
| | + Current Stamp Duty Exemptions | No mortgage duty or stamp duty for properties under $500,000. Stamp duty increase of $7,175 for all existing home owners buying a new or established home. | | | |
| VIC | Total Entitlement | $26,500 | $26,500 | $26,500 | N/A |
| | Federal first home owner grant | $7,000 | $7,000 | $7,000 | N/A |
| | State Bonus | $13,000 | $13,000 | $13,000 | Jun-12 |
| | Regional Supplement | $6,500 | $6,500 | $6,500 | Jun-12 |
| | + Current Stamp Duty Exemptions | Concessional land transfer duty rates for first home buyers currently reduced by 20%, increasing to 50% for Principle Place of Residence by September 2014 | | | |
| WA | Total Entitlement | $7,000 | $7,000 | $7,000 | N/A |
| | Federal first home owner grant | $7,000 | $7,000 | $7,000 | N/A |
| | + Current Stamp Duty Exemptions | No transfer duty payable for land with a home up to $500,000. No transfer duty payable for land only up to $300,000. | | | |

# Residential Communities - Lots settled

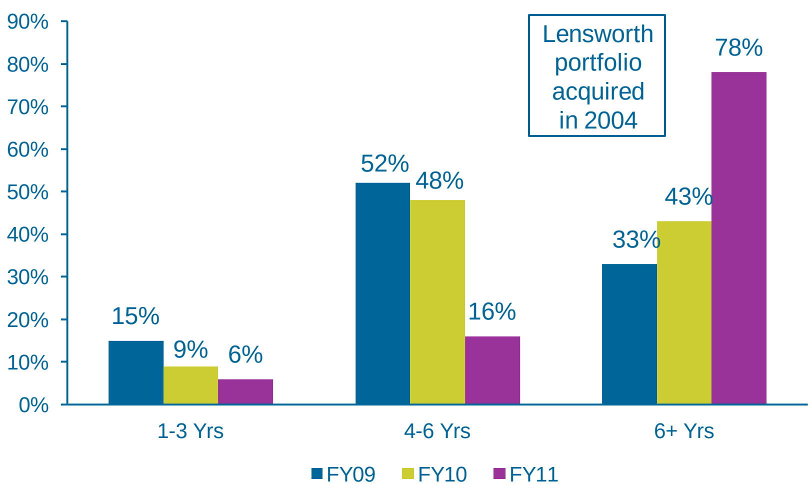
## Lots settled by location (units)



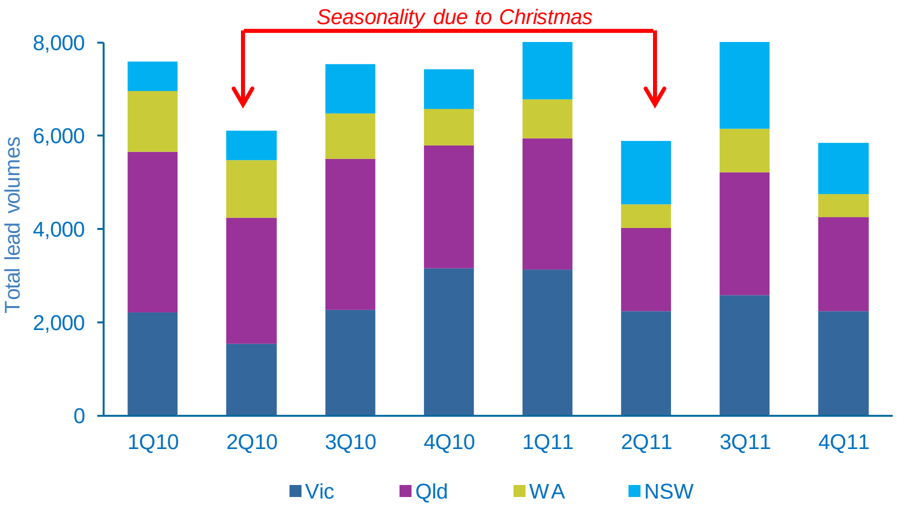

## Average price of retail lots sold[1] - Portfolio Mix




## Lots settled by age[2]




## Stockland customer lead volumes

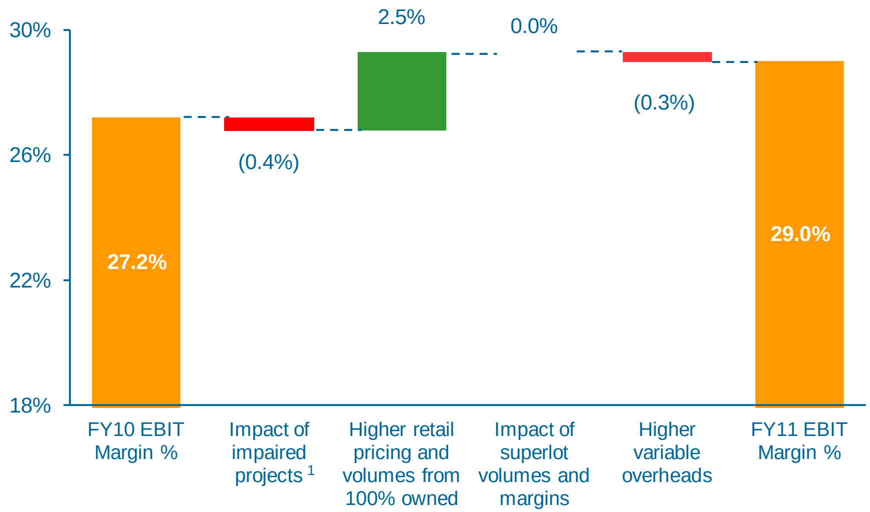




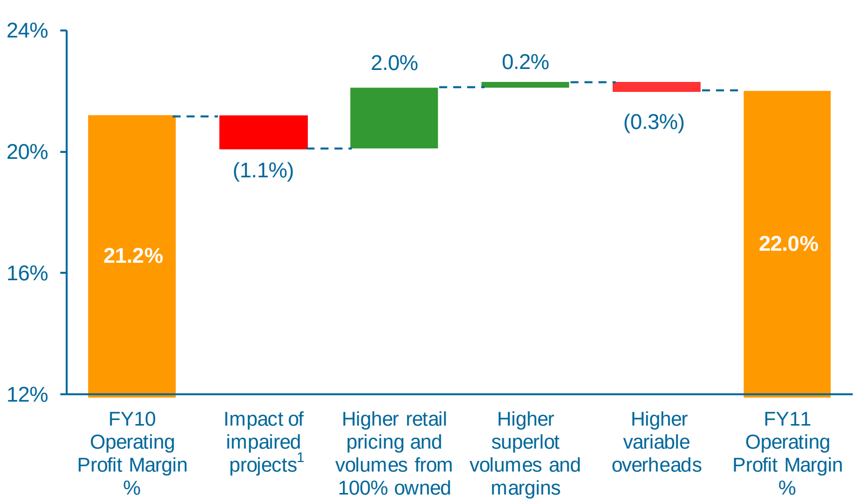

1. Based on contract price, including GST. FY10 and 1H11 presentations based on revenue, excluding GST
2. Age is calculated based on the date of acquisition at which point the risks and rewards are transferred to Stockland

# Residential Communities - Breakdown of FY11 margin

## Residential Communities EBIT margin (before interest in COGS)



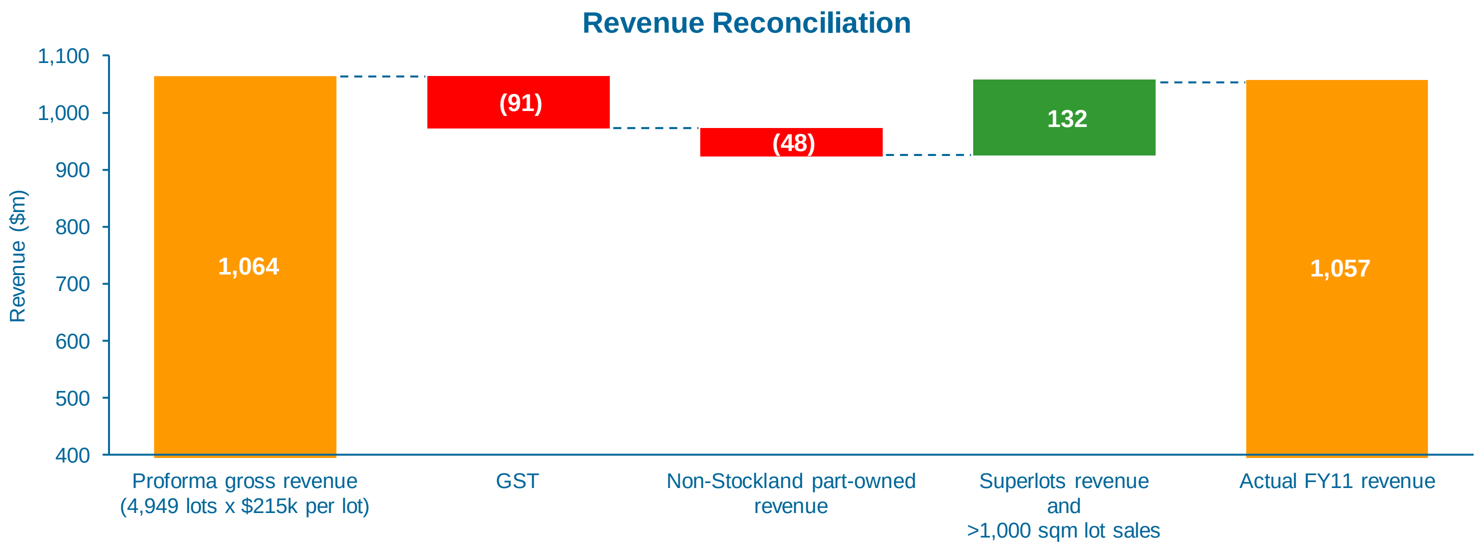

## Residential Communities Operating Profit margin (including interest in COGS)




1. Impact of impaired projects on margins from FY10; Total 3% adverse impact on reported margin in FY11

# Residential Communities - Retail average sales prices

| Retail sales prices[1] - Based on all lots settled | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY10 Settlements | | | | 1H11 Settlements[2] | | | | FY11 Settlements | | | |
| State | No. lots | Av. size per lot m² | Av. Price per lot $k | $/m² | No. lots | Av. size per lot m² | Av. Price per lot $k | $/m² | No. lots | Av. size per lot m² | Av. Price per lot $k | $/m² |
| NSW | 499 | 566 | 216 | 382 | 175 | 606 | 207 | 341 | 650 | 542 | 230 | 425 |
| QLD | 2,284 | 541 | 220 | 407 | 851 | 522 | 225 | 431 | 1,664 | 518 | 219 | 423 |
| VIC | 1,581 | 448 | 168 | 374 | 859 | 438 | 185 | 422 | 1,917 | 428 | 191 | 447 |
| WA | 739 | 511 | 234 | 458 | 232 | 512 | 271 | 530 | 718 | 480 | 256 | 533 |
| **Residential Communities** | **5,103** | **510** | **205** | **403** | **2,117** | **494** | **210** | **425** | **4,949** | **481** | **215** | **447** |





1. Average price of retail sales excludes sales of all lots over 1,000 sqm and superlot sales. Average price includes GST. Includes PDA's and SREEF projects for which Stockland receives a part-share
2. 1H11 Settlements restated from half year presentation

# Residential Communities - Moving to more compact living spaces

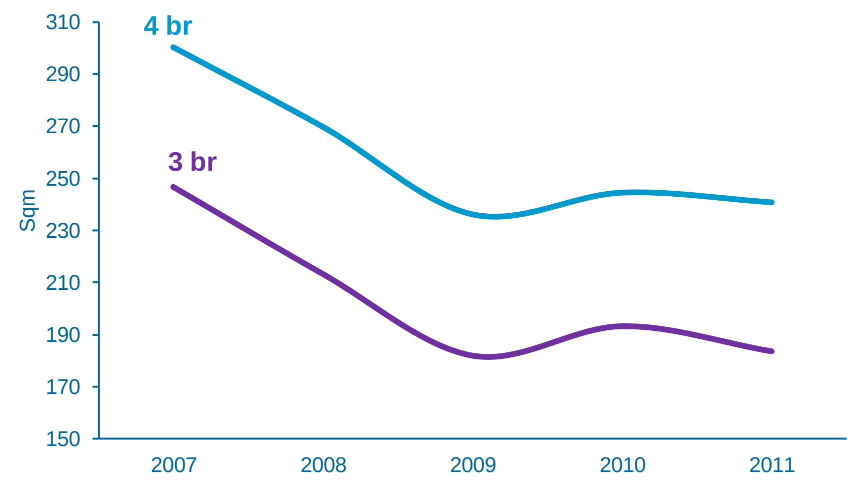
## Demand for smaller house sizes

- As housing design continues to become more efficient we are able to meet increasing customer affordability constraints
- At circa $800-$1,000 per sqm build cost, reduction in house size presents potential savings of up to $40,000-$60,000 for customers
- The average size of a four bedroom house has reduced by 20% since 2007
- The average size of a three bedroom house has reduced by 26% since 2007

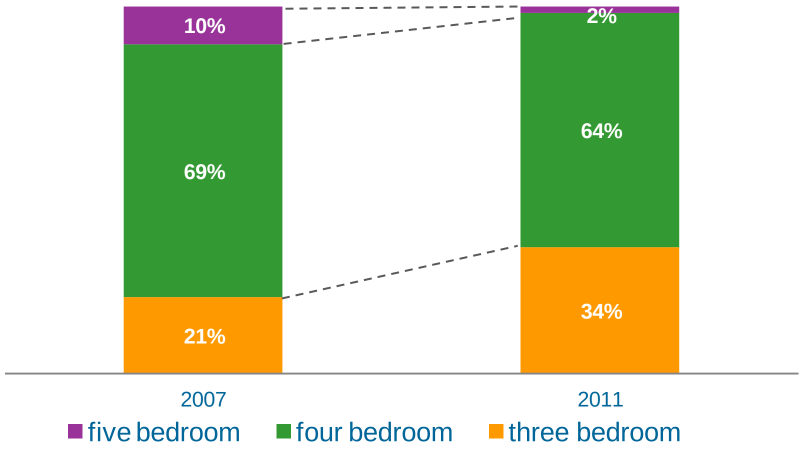
## Increased preference for three bedroom houses

- Decline in consumer preference for larger five bedroom houses replaced by increased demand for more efficient three bed houses

**Average house sizes continue to decrease[1]**




**A preference for three bedroom houses is emerging[1]**



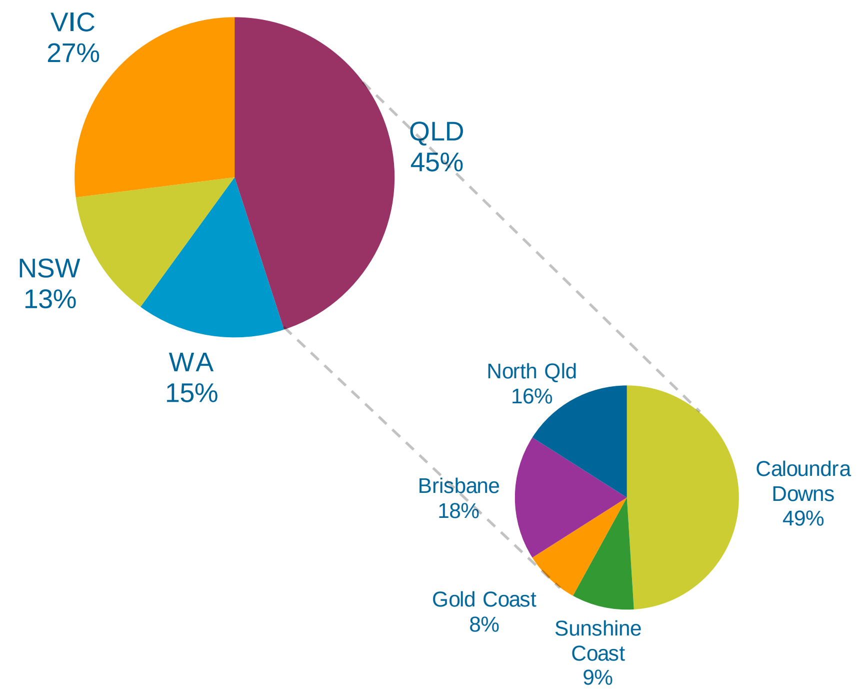

1. Stockland Research; Based on houses built in Stockland Residential Communities

# Residential Communities - Development pipeline

## Major projects

| State | Project | Approximate lot sales per annum[2] | Approximate remaining project lots |
|---|---|---|---|
| QLD | North Lakes | 450 | 1,400 |
| | North Shore | 310 | 4,500 |
| | Brightwater | 190 | 800 |
| VIC | Highlands[1] | 700 | 4,300 |
| | Mernda Villages | 380 | 1,500 |
| | Selandra Rise | 280 | 970 |
| WA | Newhaven | 230 | 900 |
| | Corimbia | 260 | 780 |
| | The Vale | 300 | 2,700 |
| | Whiteman Edge | 200 | 1,200 |
| NSW | Waterside | 180 | 360 |
| | McKeachies Run | 175 | 730 |
| | Glenmore Ridge | 180 | 300 |

## Total pipeline of 90,200 lots - Geographic mix





1. Includes the adjoining SREEF1 site - Highlands Newbury Village
2. Average of FY11 actual, FY12/FY13 estimate

# Residential Communities - FY11 projects secured

## Detail on future projects

| | | Estimated lots | Estimated revenue ($m) | Estimated timing of first settlements |
|---|---|---|---|---|
| Active | Stone Ridge, QLD | 600 | $130 | FY11 |
| | Sovereign Pocket, QLD | 750 | $140 | FY12 |
| | Paradise Waters, QLD | 1,800 | $510 | FY13 |
| | The Vale, WA | 2,750 | $780 | FY12 |
| | Whiteman Edge, WA | 1,200 | $330 | FY12 |
| | **Total Active** | **7,100** | **$1,890** | |
| Medium/ long-term | Davis Road, VIC | 2,600 | $690 | FY15 |
| | Lockerbie, VIC | 11,500 | $4,300 | FY15 |
| | Rockhampton, QLD | 1,900 | $490 | FY14/15 |
| | East Leppington, NSW | 3,200 | $1,080 | FY14 |
| | **Total Medium / long-term** | **19,200** | **$6,560** | |
| **FY11 to date** | | **26,300[1]** | **$8,450** | |



1. Total excludes project extensions of circa 800 lots

# Residential Communities - New projects launched in 2H11 and to be launched in FY12

| New project settlements | | | | |
|---|---|---|---|---|
| Project | | Timing of first settlements | Approximate total lots in project | Approximate life of project |
| NSW | Brooks Reach | 2H12 | 600 | 2-3 years |
| QLD | Stone Ridge | 2H11[1] | 600 | 4-5 years |
| | Sovereign Pocket | 2H11[1] | 750 | 6-7 years |
| | The Ridge (Vale) | 1H12 | 600 | 4-6 years |
| | Bellvista II | 2H12 | 650 | 4-6 years |
| VIC | The Point | 2H12 | 500 | 11-13 years |
| | Truganina | 2H12 | 1,100 | 4-6 years |
| WA | Wungong Reach | 2H12 | 2,750 | 9-11 years |
| | Eglinton (Amberton) | 2H12 | 2,350 | 9-11 years |
| | The Vale | 1H12 | 2,700 | 7-8 years |
| | Whiteman Edge | 2H12 | 1,200 | 4-5 years |
| | | **Total lots** | **13,800** | |

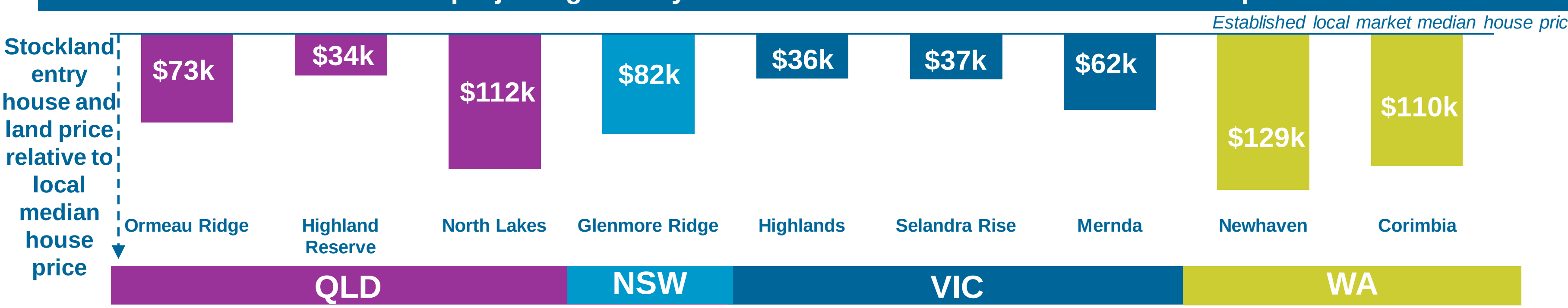


1. Immaterial number of settlements in FY11

# Residential Communities - Strong focus on product innovation to meet affordability

| Home | Package & Price[1] | Median House Price[2] | Mortgage Repayments[3] | Rental Equivalent[4] | Gap to Own vs Rent |
|---|---|---|---|---|---|
|  VIC | 3 Bed, 2 Bath **Highlands, Craigieburn** $315,250 | $388,500 | $421pw | $330pw | +$91pw |
|  NSW | 3 Bed, 2 Bath **Glenmore Ridge, Penrith** $393,900 | $480,200 | $526pw | $425pw | +$101pw |
|  QLD | 3 Bed, 2 Bath **North Lakes, Mango Hill** $313,365 | $421,250 | $419pw | $390pw | +$29pw |
|  WA | 3 Bed, 2 Bath **Settlers Hills, Baldivis** $366,060 | $425,000 | $489pw | $380pw | +$109pw |

## Stockland projects generally more affordable than local median house price[1,2]




1. Fixed Price House and Land packages for sale within the Stockland House and Land Finder , July 2011
2. RP Data: Median value of established houses in surrounding suburbs as at April/May 2011
3. Based on nominated package price under a 30 year Principal and Interest loan, using a full recourse variable mortgage rate of 7.86% (RBA indicative lending rate at June 2011) and a 20% deposit
4. Based on the rental cost of a comparable size new established house in surrounding suburb at May 2011

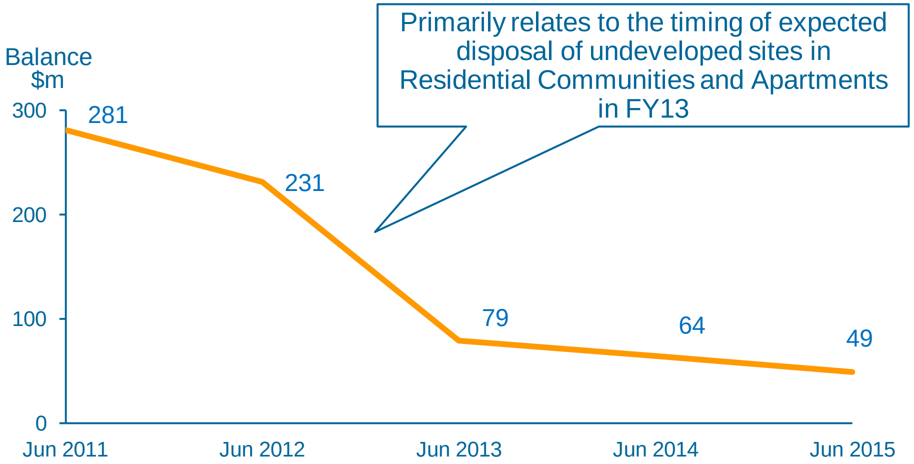
# Residential Communities - Details of previously impaired projects settled in FY11

- Net profit on settlements from previously impaired projects excluded from Underlying Profit:
  - 9% of total lots settled in Residential Communities (nil profit impact)
  - 72% of total lots settled in Apartments (excess profit of $3.1m shown "below the line")

| FY11 | Residential Communities ($m) | Apartments ($m) | Total ($m) |
|---|---|---|---|
| Reduction in provision for impairment in FY11 | 10.6 | 38.0 | 48.6 |
| Utilisation of impairment provision in FY11 | (10.6) | (34.9) | (45.5) |
| **Excess profit from impaired projects** | - | 3.1[2] | 3.1 |
| **Recognition:** | | | |
| Residential Operating Profit | - | - | - |
| Excess profit - below the line | - | 3.1 | 3.1 |

| | Estimated future revenue[1] ($m) | Impairment provision balance 30/6/11[1] ($m) | Final settlement |
|---|---|---|---|
| **Residential Communities** | | | |
| Projects to be completed | 378 | 112 | 5 years |
| Disposal of undeveloped sites | 46 | 99 | 4 years |
| **Apartments** | 118 | 70 | 4 years |
| **Total** | **542** | **281** | |

**Residential - Forecast utilisation of provision[1]**




1. Forecast impairment provision balance as at 30 June based on forecast settlement dates, revenue and costs by project
2. Includes directly related project costs

# Apartments projects

| Projects under construction | | Estimated Costs to Complete ($m) | | | | Expected Future Revenue ($m) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | FY12 | FY13 | FY 14+ | Total | FY12 | FY13 | FY 14+ | Total |
| **NSW** | Prince Henry | 20 | - | - | 20 | 35 | - | - | 35 |
| | The Village, Balgowlah | <5 | - | - | <5 | <5 | - | - | <5 |
| | The Hyde | <5 | - | - | <5 | 20 | - | - | 20 |
| **QLD** | Allisee - Stage 2 | <5 | - | - | <5 | 15 | - | - | 15 |
| **VIC** | Tooronga - Stage 1 | 10 | - | - | 10 | 10 | - | - | 10 |
| **WA** | The Islands - A and B | <5 | - | - | <5 | 40 | - | - | 40 |
| | The Islands - C and D | 15 | - | 40 | 55 | - | - | 105 | 105 |
| **Total - Projects Under Construction** | | **50** | **-** | **40** | **90** | **125** | **-** | **105** | **230** |

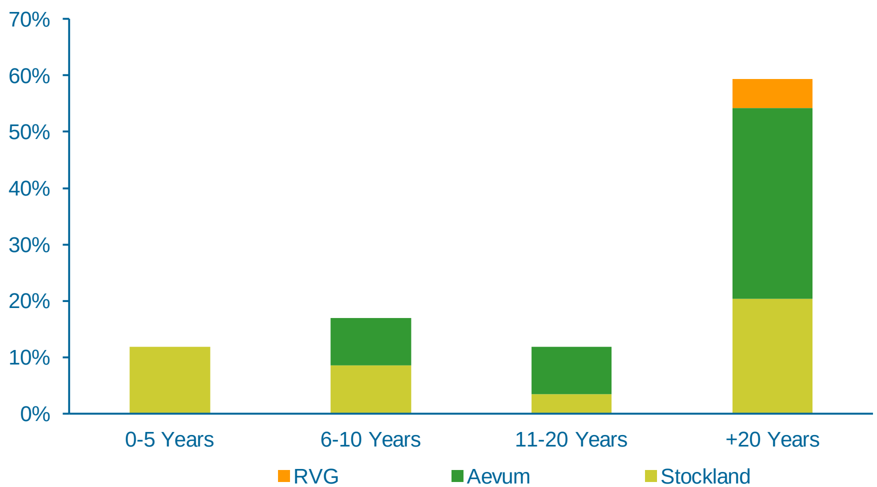
| Cash Generation | FY12 ($m) | FY13 ($m) | FY14+ ($m) | Total ($m) |
|---|---|---|---|---|
| **Projects Under Development:** | | | | |
| Forecast Revenue (100% sales) | 125 | - | 105 | 230 |
| Pre - sales already achieved | 90 | - | - | 90 |
| Forecast cost to complete | 50 | - | 40 | 90 |
| Estimated net cash flow: | | | | |
| - on completion of 100% sales | 75 | - | 65 | 140 |
| **Estimated net proceeds from sale of undeveloped sites** | | | | **~ 40** |
| **Total estimated cash flow (on 100% sales)** | | | | **~ 180** |

# Portfolio overview

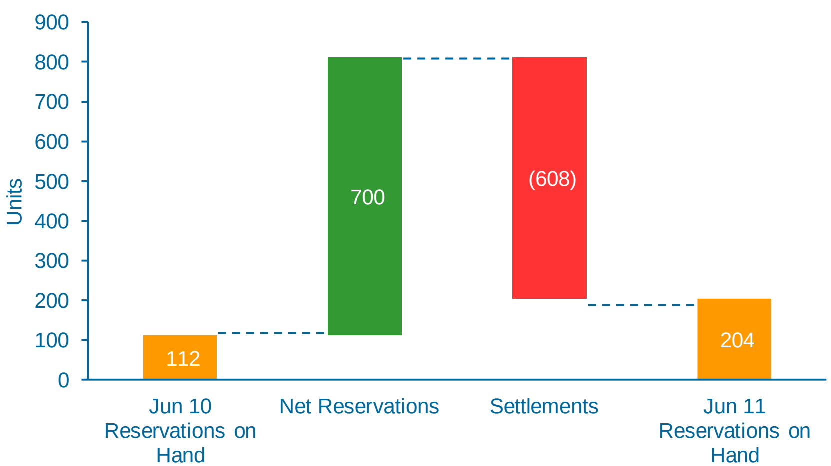
| Portfolio Statistics | FY11 | FY10 |
|---|---|---|
| Established villages | 59 | 26[1] |
| Established units | 7,535 | 3,843 |
| Established units turned over | 416 | 253 |
| Occupancy[4] | 94% | 97% |
| Average age of resident entry | 73.9 years | 75.3 years |
| Average age of current residents | 80.7 years | 79.8 years |
| Average tenure on exit | 8.3 years | 8.3 years |

| Development pipeline | |
|---|---|
| Development villages[2] | 25 |
| Development pipeline units | 3,413 |
| Estimated end value[3] | $1.5 b |

## Age profile of established villages




## Established and development village reservations[5]






1. Excludes Macarthur Gardens greenfield development. North Lakes extension is combined with North Lakes
2. Includes 10 villages underway & 15 pipeline
3. Based on current average price
4. Newly completed units are classified as unoccupied
5. Stockland recognises a reservation when a prospective buyer has entered into a contract for sale on their existing home

# Valuation overview

Stockland policy is to revalue the portfolio every 3 years

- Valuation assumptions validated by independent valuer as at 30 June 2011
- Modelling techniques and valuation assumptions aligned across the portfolio
- DMF asset valuation has increased from $670.2m at 31 Dec 2010 to $698m in line with the changes of key valuation assumptions across the portfolio and addition of newly constructed units

Acquisition accounting of Aevum complete

- Net $3m adjustment to aged stock and development sites during 2H11
- Goodwill increased from $5m at 31 Dec 2010 to $8m at 30 June 2011

**Key valuation assumptions**

| | Jun 2011 SGP + AVE | Jun 2010 AVE | Jun 2010 SGP |
|---|---|---|---|
| Discount rate | 12.78% | 13.88% | 12.55% |
| Average growth rate | 4.0% | 4.3% | 3.7% |
| Average tenure | 12 years | 11 years | 12 years |

## Stockland FY11 Results - Retirement Living

# Operating Profit and statutory profit

| | Actual FY11[1] | Pro forma FY11[2] |
|---|---|---|
| New units settled (#) | 192 | 206 |
| Established unit turnovers (#) | 416 | 491 |
| | | |
| **Development Profit** | | |
| Settled | 11 | 12 |
| Unsettled | 4 | 5 |
| Accrued DMF | 67 | 79 |
| Conversion Profit | 9 | 9 |
| Aged Care profit contribution | 3 | 4 |
| Net overheads | (41)[3] | (47) |
| **Operating Profit** | **53** | **62** |
| Less: Accrued DMF | (67) | (79) |
| Add: Turnover cash | 36 | 44 |
| **Cash coverage** | **22** | **27** |
| ***Cash coverage ratio*** | 41% | 43% |
| | | |
| Operating profit | 53 | 62 |
| Turnover cash | 36 | 44 |
| Accrued DMF | (67) | (79) |
| DMF creation and revaluation | 16 | 18 |
| Impairment | - | - |
| Acquisition and integration costs[4] | (20) | - |
| **Statutory profit before interest and tax[5]** | **18** | **45** |

Includes 15% annualised synergies



1. Includes 8 month contribution from Aevum
2. Includes 12 month contribution from Aevum
3. Excludes overheads relating to Aged Care
4. One-off acquisition and integration costs for Aevum and RVG transactions
5. Includes eight months Aged Care contribution of $3m

## Stockland FY11 Results - Retirement Living

# Development pipeline

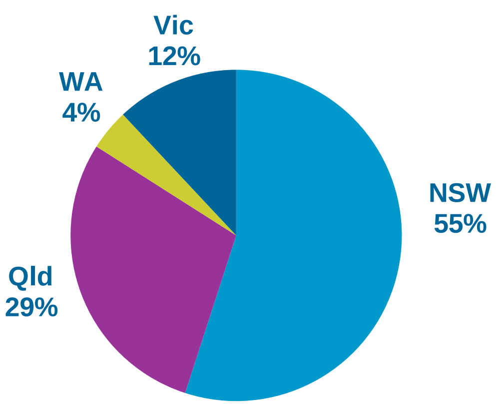
| State | Project | Yet to be released | Anticipated Settlements FY12 | FY13 | FY14 | FY15 | FY16+ |
|---|---|---|---|---|---|---|---|
| ***Active Developments*** | | | | | | | |
| Vic | Gowanbrae | 40 | | | | | |
| Vic | Highlands | 138 | | | | | |
| Vic | Arilla | 145 | | | | | |
| Vic | Tarneit Skies | 36 | | | | | |
| Qld | Fig Tree | 99 | | | | | |
| Qld | North Lakes | 52 | | | | | |
| NSW | Waratah Highlands | 57 | | | | | |
| NSW | The Willows | 68 | | | | | |
| NSW | Macarthur Gardens | 238 | | | | | |
| WA | Settlers East | 220 | | | | | |
| ***Development Pipeline*** | | | | | | | |
| Vic | Selandra Rise | 200 | | | | | |
| Vic | Mernda | 240 | | | | | |
| Vic | Gillin Park | 40 | | | | | |
| Vic | Highlands Extn | 50 | | | | | |
| Vic | Eucalypt | 180 | | | | | |
| Vic | Highlands II | 240 | | | | | |
| Qld | Northshore (Townsville) | 220 | | | | | |
| Qld | Brookbent Road | 170 | | | | | |
| Qld | Caloundra | 400 | | | | | |
| NSW | Lourdes | 10 | | | | | |
| NSW | Golden Ponds | 40 | | | | | |
| NSW | Maybrook | 20 | | | | | |
| NSW | Cardinal Freeman | 220 | | | | | |
| NSW | The Cove | 60 | | | | | |
| WA | Banjup | 230 | | | | | |
| ***Total ILUs yet to be released*** | | ***3,413*** | | | | | |

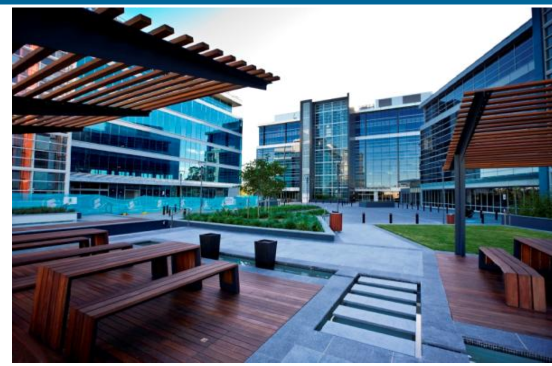
NSW Qld Vic WA

# Portfolio overview

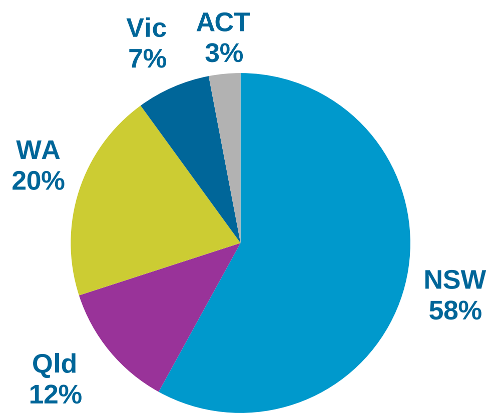
## Australian Commercial Property assets - $8.1b[1]

**Retail - $4.6b**
**42 properties**
**881,667 sqm gross lettable area**

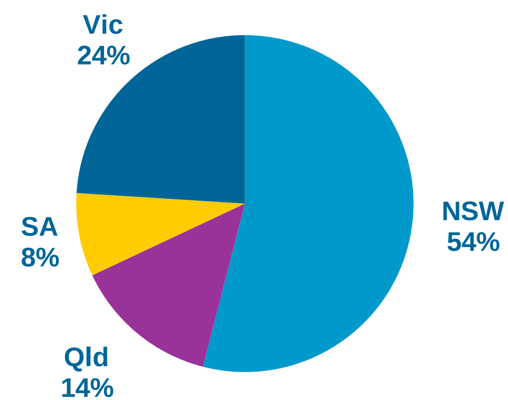


**Office - $2.5b**
**28 properties**
**638,988 sqm net lettable area**




**Industrial / Intermodal - $1.0b**
**15 properties**
**1,211,671 sqm gross lettable area**




1. Based on investment property excluding Capital WIP and sundry properties. Geographic weightings by asset value

# Portfolio overview

| | WACR Jun-11 | Valuation ($m) | Previous Book Value ($m) | 2H11 Movement ($m) |
|---|---|---|---|---|
| Retail | 7.2% | 4,576.7 | 4,537.3 | 39.4 |
| Office | 7.8% | 2,359.4 | 2,337.2 | 22.2 |
| Industrial | 8.5% | 954.6 | 948.5 | 6.1 |
| Assets held for sale | - | 232.1 | 258.0 | (25.9) |
| Capital works and sundry properties | - | 302.5 | 312.8 | (10.3) |
| **Total** | **7.5%** | **8,425.3**[1] | **8,393.8**[1] | **31.5** |


1. Excludes $69m of inventory

## Stockland FY11 Results - Commercial Property

# Asset values - Retail

| Retail Portfolio | Book Value ($m) | Valuation Increment / (Decrement) ($m) | Change (%) | Cap Rate (%) | FY11 AIFRS NOI ($m)[2] |
|---|---|---|---|---|---|
| Stockland Rockhampton[1] | 343.0 | - | - | 6.75 | N/A |
| Stockland Wetherill Park | 330.0 | - | - | 7.00 | 23.5 |
| Stockland Merrylands[1] | 324.9 | - | - | N/A[3] | N/A |
| Stockland Shellharbour[1] | 272.2 | - | - | N/A[3] | N/A |
| Stockland Green Hills | 259.0 | 3.8 | 1.5 | 7.00 | 18.0 |
| Stockland Glendale | 247.0 | 17.5 | 7.6 | 6.75 | 16.8 |
| Stockland Cairns | 205.2 | - | - | 7.00 | 13.5 |
| Stockland Townsville[1] | 201.5 | - | - | N/A[3] | N/A |
| Stockland Point Cook | 186.3 | - | - | 7.50 | N/A |
| Stockland Bay Village | 163.3 | - | - | 8.00 | 12.6 |
| Stockland Burleigh Heads | 138.6 | - | - | 7.75 | 10.8 |
| Stockland The Pines | 137.9 | - | - | 7.50 | 10.8 |
| Stockland Forster | 129.0 | - | - | 7.50 | 8.6 |
| Stockland Jesmond | 120.2 | - | - | 7.75 | 9.3 |
| Stockland Balgowlah | 112.5 | - | - | 7.00 | 6.4 |
| Stockland Wendouree | 110.0 | 11.4 | 11.6 | 7.50 | 7.7 |
| Stockland Baulkham Hills | 106.6 | - | - | 7.50 | 7.3 |
| Stockland Caloundra | 100.1 | - | - | 7.50 | 7.9 |
| Stockland Gladstone | 99.0 | 0.5 | 0.5 | 7.50 | 7.6 |
| Stockland Nowra | 85.0 | 5.2 | 6.5 | 7.75 | 6.4 |
| Stockland Cleveland | 80.0 | 1.5 | 1.9 | 7.50 | 6.9 |
| Stockland Bull Creek | 79.1 | - | - | 7.75 | 6.6 |
| Stockland Traralgon | 76.8 | - | - | 7.75 | 6.0 |
| Stockland Bathurst | 75.4 | - | - | 8.00 | 5.7 |

| | Book Value ($m) | Valuation Increment / (Decrement) ($m) | Change (%) | Cap Rate (%) | FY11 AIFRS NOI ($m)[2] |
|---|---|---|---|---|---|
| Stockland Hervey Bay | 70.4 | - | - | 7.50 | N/A |
| Stockland Corrimal | 58.0 | (3.2) | (5.2) | 8.00 | 4.7 |
| Stockland Piccadilly | 53.6 | - | - | 7.25 | 3.1 |
| Stockland Wallsend | 51.4 | - | - | 8.25 | 3.9 |
| Stockland Tooronga[1] | 48.7 | - | - | 7.25 | N/A |
| Stockland Riverton (50%)[1] | 47.5 | - | - | 7.50 | N/A |
| Stockland Baldivis | 45.4 | 5.3 | 13.2 | 7.50 | 2.4 |
| Shellharbour Retail Park | 44.0 | - | - | 8.25 | 3.8 |
| 135 King Street | 41.0 | - | - | 7.00 | 3.0 |
| Stockland Cammeray | 30.4 | - | - | 7.50 | 1.7 |
| North Shore Townsville | 19.0 | 0.2 | 1.1 | 7.50 | N/A |
| Jimboomba (50%) | 15.9 | (1.8) | (10.2) | 8.75 | 1.4 |
| Stockland Burleigh Central | 15.2 | - | - | 8.75 | 1.3 |
| Adelaide Street Plaza, Fremantle | 13.6 | - | - | 8.75 | 1.0 |
| Woolworths Toowong | 13.3 | - | - | N/A | 0.3 |
| Stockland Vincentia | 12.3 | 1.2 | 10.8 | 9.00 | 1.0 |
| Merrylands Court | 8.9 | - | - | 9.00 | 0.4 |
| Sunvale/Kingsvale[1] | 5.5 | (2.2) | (28.6) | N/A | N/A |
| **Subtotal** | | | | | **220.4** |
| Other[4] | | | | | 66.0 |
| **Total Retail** | **4,576.7** | **39.4** | **0.9** | | **286.4** |



1. Properties impacted by development
2. NOI includes AIFRS adjustments for straight-lining rental income, amortisation of lease fees and amortisation of incentives
3. Capital works are in progress. An independent valuation will be performed on completion of the capital works
4. Relates to assets held for sale, sundry properties and properties impacted by development and acquisitions (Hervey Bay)

## Stockland FY11 Results - Commercial Property

# Asset values - Office

| Office Portfolio | Book Value ($m) | Valuation Increment / (Decrement) ($m) | Change (%) | Cap Rate (%) | FY11 AIFRS NOI ($m)[2] |
|---|---|---|---|---|---|
| Piccadilly Tower[1] | 262.1 | - | - | 7.25 | 15.6 |
| Waterfront Place (50%) | 218.2 | - | - | 7.50 | 14.6 |
| Riverside Plaza | 182.0 | 7.0 | 4.0 | 7.50 | 12.5 |
| Colonial Centre (50%) | 167.7 | - | - | 7.00 | 13.4 |
| 9 Castlereagh Street | 162.6 | - | - | 7.25 | 9.2 |
| Triniti Business Campus | 156.3 | - | - | 7.50 | 9.6 |
| Exchange Plaza (50%) | 150.0 | 12.9 | 9.4 | 7.75 | 10.1 |
| Durack Centre | 142.8 | - | - | 8.25-8.75 | 9.5 |
| Optus HQ (31%) | 117.8 | 2.4 | 2.1 | 7.25 | 8.8 |
| 135 King Street (50%) | 97.2 | - | - | 7.20 | 5.8 |
| 601 Pacific Highway | 71.8 | - | - | 8.50 | 6.2 |
| 60-66 Waterloo Road | 69.0 | - | - | 8.25-8.50 | 5.2 |
| 78 Waterloo Road | 64.3 | - | - | 7.50 | 3.8 |
| 45 St Georges Terrace | 54.8 | 3.1 | 6.0 | 8.75 | 5.4 |
| 175 Castlereagh Street | 54.4 | - | - | 8.50 | 4.4 |
| 77 Pacific Highway | 52.7 | - | - | 8.25 | 3.9 |
| 7 Macquarie Place (50%) | 52.6 | - | - | 7.25 | 3.1 |

| | Book Value ($m) | Valuation Increment / (Decrement) ($m) | Change (%) | Cap Rate (%) | FY11 AIFRS NOI ($m)[2] |
|---|---|---|---|---|---|
| 40 Cameron Avenue | 41.8 | (3.4) | (7.5) | 9.25 | 5.1 |
| Piccadilly Court | 39.1 | - | - | 8.25 | 2.2 |
| Macquarie Technology Centre | 38.1 | - | - | 8.50-9.00 | 2.7 |
| Garden Square | 38.0 | - | - | 9.00 | 3.2 |
| 16 Giffnock Avenue | 33.0 | 0.2 | 0.6 | 8.90 | 2.0 |
| 255-267 St Georges Terrace | 23.9 | - | - | 9.31 | 2.2 |
| 110 Walker Street | 23.4 | - | - | 8.50 | 1.7 |
| 118-120 Pacific Highway | 20.0 | - | - | 9.00 | 1.7 |
| 80-88 Jephson Street | 18.0 | - | - | 9.25 | 1.6 |
| 23 High Street | 4.2 | - | - | 8.00 | 0.2 |
| 27-29 High Street | 3.6 | - | - | 7.75 | 0.2 |
| **Subtotal** | | | | | **163.9** |
| Other[3] | | | | | 18.9 |
| **Total Office** | **2,359.4** | **22.2** | **1.0** | | **182.8** |



1. Includes stapling adjustment due to owner occupied space
2. NOI includes AIFRS adjustments for straight-lining rental income, amortisation of lease fees and amortisation of incentives
3. Relates to assets held for sale and disposed during the period

# Asset values - Industrial and assets held for sale

| Industrial Portfolio | Book Value ($m) | Valuation Increment / (Decrement) ($m) | Change (%) | Cap Rate (%) | FY11 AIFRS NOI ($m)[1] |
|---|---|---|---|---|---|
| Yennora Distribution Centre | 335.7 | - | - | 8.00 | 25.5 |
| Defence Distribution Centre (55%) | 133.4 | - | - | 7.00 | 9.2 |
| Brooklyn Estate | 82.8 | 5.3 | 6.8 | 9.00 | 6.1 |
| Port Adelaide Distribution Park | 82.3 | - | - | 9.50 | 7.3 |
| Hendra Distribution Centre | 81.7 | - | - | 9.00 | 6.8 |
| 9-11A Ferndell Street | 44.8 | - | - | 9.50-10.25 | 4.6 |
| 1090-1124 Centre Road, Oakleigh | 33.8 | - | - | 8.79 | 2.6 |
| 20-50 Fillo Drive & 10 Stubb Street, Somerton | 31.0 | - | - | 9.25 | 2.7 |
| Altona Distribution Centre | 20.8 | - | - | 9.50 | 1.5 |
| 11-25 Toll Drive, Altona | 17.4 | - | - | 8.50 | 1.6 |
| 2 Davis Road | 16.4 | - | - | 9.50 | 1.7 |
| 32-54 Toll Drive, Altona | 15.8 | - | - | 8.75 | 1.3 |
| 56-60 Toll Drive, Altona | 15.2 | - | - | 8.75 | 1.1 |
| 76-82 Fillo Drive, Somerton | 13.7 | - | - | 9.25 | 1.1 |
| Export Park, 9-13 Viola Place, Brisbane Airport | 11.4 | - | - | 9.88 | 1.3 |
| M1 Yatala Enterprise Park | 10.7 | - | - | N/A | - |
| 40 Scanlon Drive | 7.7 | 0.8 | 11.6 | 8.75 | 0.3 |
| **Subtotal** | | | | | **74.7** |
| Other[2] | | | | | 2.2 |
| **Total Industrial** | **954.6** | **6.1** | **0.6** | | **76.9** |

| Assets held for sale | Book Value ($m) | Valuation Increment / (Decrement) ($m) | Change (%) | Cap Rate (%) | FY11 AIFRS NOI ($m)[1] |
|---|---|---|---|---|---|
| BankWest Tower | 130.0 | (2.3) | (1.7) | 8.00 | 10.9 |
| Stockland Lilydale | 29.5 | (1.0) | (8.2) | 8.50 | 2.4 |
| 150 Charlotte Street | 25.0 | (7.1) | (22.1) | 8.50 | 3.6 |
| Myuna Complex | 24.0 | (15.5) | (39.2) | 9.50-10.00 | 0.8 |
| 3676 Ipswich Road, Wacol | 23.6 | - | - | 8.75 | 1.3 |
| **Total held for sale** | **232.1** | **(25.9)** | **(10.0)** | | |



1. NOI includes AIFRS adjustments for straight-lining rental income, amortisation of lease fees and amortisation of incentives
2. Relates to assets held for sale and disposed during the period

# Asset disposals and acquisitions

| State | Property Disposed | Asset Class | Disposal Date | Disposal Value ($m) |
|---|---|---|---|---|
| **NSW** | 333 Kent St, Sydney | Office | Aug 2010 | 41.5 |
| | 72 Christie St, St Leonards | Office | Nov 2010 | 61.5 |
| | Prestons Industrial Estate, Prestons | Industrial | Dec 2010 | 15.5 |
| **WA** | 1 Havelock St, West Perth | Office | Dec 2010 | 30.0 |
| **Total asset disposals FY11** | | | | **148.5** |
| | BankWest Tower | Office | July 2011 | 130.0 |
| | Lilydale | Retail | July 2011 | 29.5 |
| **Total asset disposals** | | | | **308.0** |

| State | Property Acquired | Asset Class | Acquisition Date | Acquisition Value ($m) | Cap Rate (%) |
|---|---|---|---|---|---|
| **Qld** | Hervey Bay | Retail | Apr 2011 | 65.0 | 7.5 |
| **Vic** | Point Cook | Retail | Jun 2011 | 176.0 | 7.5 |
| **Total asset acquired FY11** | | | | **241.0** | |

1. 8.50% cap rate. Initial yield not relevant as the asset included development land

## Stockland FY11 Results - Commercial Property

# Development pipeline

| PROJECTS | Total project cost ($m) | Estimated cost to complete ($m) | Estimated fully leased year one yield | FY12 | FY13 | FY14 | FY15 | +FY16 |
|---|---|---|---|---|---|---|---|---|
| Merrylands | 395 | 145 | 6.50% | | | | | |
| Townsville | 175 | 115 | 6.50% | | | | | |
| Highlands (neighbourhood centre) | 35 | 20 | 6.10% | | | | | |
| Shellharbour | 330 | 270 | 7.60% | | | | | |
| | **935** | **550** | | | | | | |
| Harrisdale (neighbourhood centre) | 45 | 45 | 7.00-7.50% | | | | | |
| Hervey Bay | 120 | 120 | 7.25-7.75% | | | | | |
| Green Hills | 350 | 350 | 7.25-7.75% | | | | | |
| Gladstone | 125 | 125 | 7.25-7.75% | | | | | |
| | **640** | **640** | | | | | | |
| Baldivis | | | | | | | | |
| Wetherill Park | | | | | | | | |
| Caloundra Downs | | | | | | | | |
| Traralgon | | | | | | | | |
| North Shore Townsville - Stages 2 & 3 | | | | | | | | |
| Wendouree | | | | | | | | |
| Jimboomba | | | | | | | | |
| Kawana | | | | | | | | |
| Glendale | | | | | | | | |
| Nowra | | | | | | | | |
| Burleigh | | | | | | | | |
| Caloundra | | | | | | | | |
| Townsville - Stage 2 | | | | | | | | |
| Rockhampton - Stage 2 | | | | | | | | |
| Harrisdale - Stage 2 | | | | | | | | |
| | **1,075** | **1,075** | | | | | | |
| **TOTAL** | **2,650** | **2,265** | | | | | | |

# Stockland FY11 Results - Commercial Property
# Retail sales

| | Total MAT ($m) | % MAT Growth | % Comparable Growth | % 6mth Comparable Growth | % 3mth Comparable Growth |
|---|---|---|---|---|---|
| **Supermarkets** | 2,153 | 8.4 | 5.5 | 5.6 | 5.8 |
| **DDS** | 809 | (1.0) | (1.1) | (1.0) | 0.3 |
| **Specialties** | 1,478 | 5.9 | 2.4 | 3.6 | 4.0 |
| **Mini Majors/Cinemas/Other** | 834 | 2.7 | (0.4) | (0.7) | 1.0 |
| **Total** | **5,274** | **5.2** | **2.8** | **3.2** | **3.9** |

| | Urbis Average for Sub-Regional 2009/10[1] | Stockland Jun 2010 | Stockland Jun 2011 | Stockland Year on Year Increase |
|---|---|---|---|---|
| Comparable Specialty MAT psm | 7,562 | 8,732 | 8,884 | 1.7% |


1. Source: Urbis Retail Averages 2010 Sub-Regional Centres report

# Impact of online retailing on traditional bricks and mortar

## Independent research commissioned[1]

- The Quantium group undertook analysis using its Market Blueprint data which comprises of de-identified transactional data for 2 million customers:
  - Included transactions with credit and debit cards, BPAY and PayPal made between January 2010 and February 2011
- Research was to determine the size, future growth, penetration by region and categories most impacted by online retailing

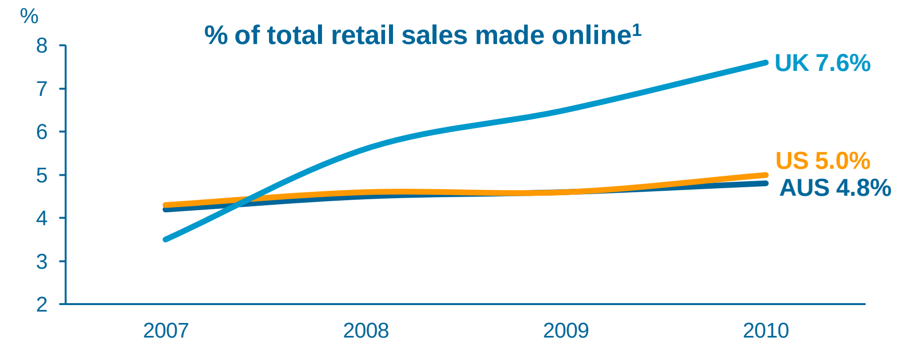
## Key findings

- Online retail sales account for 4-5% of total retail market
- Online penetration varies widely by category and geographic location
- Some correlation with the strengthening Australian dollar and the proportion going overseas; international transactions limited to 15% of total online sales in 2010

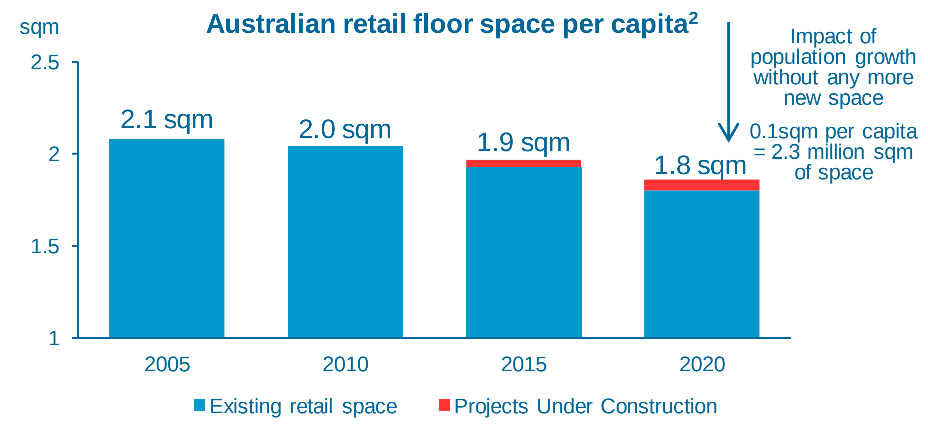
## Responding to the retail evolution

- Continue to offer customer experiences - places to meet, taste, touch, feel
- Remain flexible, monitor and adapt at trade area level with appealing tenancy mixes

### Penetration of online retailing is increasing




### Less development is a natural shock absorber






1. Quantium and Market Blueprint: Refer to disclaimer page
2. National statistical agencies, Michael Baker Independent Retail Consulting; Australia: Morgan Stanley

# Tenancy retention and new leasing

| | | Operational Portfolio | | | | | |
|---|---|---|---|---|---|---|---|
| **Office** | **NLA Leased (sqm)[1]** | **Retention (sqm)[1]** | **Increase on Base rents** | **Weighted Average Incentives** | **New Leases (sqm)[1]** | **Increase on Base rents** | **Weighted Average Incentives** |
| Sydney CBD | 9,884 | 7,078 | 3% | 15% | 2,806 | 5% | 29% |
| Sydney metropolitan | 9,722 | 5,011 | 1% | 17% | 4,711 | N/A[2] | 22% |
| Qld | 14,333 | 11,530 | 14% | 14% | 2,803 | 10% | 9% |
| Vic | 7,115 | 5,515 | 12% | 4% | 1,600 | N/A[2] | 15% |
| WA | 8,668 | 3,287 | 9% | 12% | 5,381 | 30% | 11% |
| **Total** | **49,722** | **32,421** | **9%** | **13%** | **17,301** | **19%** | **18%** |
| | | **65% retention** | | | | | |

| | | Operational Portfolio | | | | | |
|---|---|---|---|---|---|---|---|
| **Industrial** | **GLA Leased (sqm)[1]** | **Retention (sqm)[1]** | **Increase /decrease on Base rents** | **Weighted Average Incentives** | **New Leases (sqm)[1]** | **Increase /decrease on Base rents** | **Weighted Average Incentives** |
| NSW | 62,279 | 38,830 | 0% | 5% | 23,449 | (17%)[3] | 10% |
| Qld | - | - | - | - | - | - | - |
| SA | 112,884 | 112,884 | 16% | 6% | - | - | - |
| Vic | 81,614 | 55,095 | (3%) | 9% | 26,519 | 0% | 3% |
| **Total** | **256,777** | **206,809** | **8%** | **7%** | **49,968** | **(12%)** | **6%** |
| | | **81% retention** | | | | | |



1. Area represents SGP ownership only
2. Previously vacant space
3. Decrease represents one 11,900 sqm new deal at Yennora Distribution Centre in secondary grade space representing 4% of the asset's GLA

# Office and industrial leasing – FY11

| | Property | Building Area (sqm) | FY11 Area Leased (sqm) | Leased to | Remaining Vacancy (sqm) | Building WALE (years) | Comments |
|---|---|---|---|---|---|---|---|
| Office | Riverside Plaza | 38,349 | 7,115 | Primus / Nokia | 1,101 | 4.9 | Continues recent leasing success with SKM (10,000sqm) in FY10 and reinforces refurbishment strategy |
| | 9 Castlereagh Street | 21,461 | 4,592 | Various | 4,730 | 2.7 | Lobby refurbishment complete - focus on creating a diverse expiry profile with quality medium size occupiers |
| | Durack Centre | 25,138 | 2,310 | Isis / Various | 2,538 | 6.0 | Foyer & floor refurbishment complete with service upgrade. Focusing on securing long-term leases with strong covenants |
| | 16 Giffnock Avenue | 11,780 | 4,272 | Bausch & Lomb / Apotex | - | 3.5 | 100% leased during a difficult market |
| | Garden Square | 12,698 | 6,093 | Government | - | 2.2 | 100% retention of all tenants |
| Industrial | Port Adelaide | 167,063 | 112,884 | ACI / P&O / ABB Grain | - | 2.9 | Asset significantly de-risked following ACI renewal |
| | 32-54 Toll Drive | 18,727 | 18,727 | Toll (Nike) | - | 4.3 | Tenant renewal |
| | Brooklyn DC | 129,891 | 42,267 | Unitised Building / Kagan Bros and P&O | - | 3.6 | Expansion from incumbent tenant |
| | Yennora DC | 291,812 | 53,958 | Toll / Simon Transport / Silk Logistics | - | 2.6 | Toll /Simon Transport retained |
| | 9-11 Ferndell St | 30,734 | 8,321 | Frucor Beverages / British American Tobacco | - | 2.8 | Tenant renewal |

Stockland FY11 Results - Commercial Property

# Tenancy profile - Top 20 tenants[1]

| Rank | Retail Portfolio: Tenant | Retail Portfolio: Portfolio (%) | Office Portfolio: Tenant | Office Portfolio: Portfolio (%) | Industrial Portfolio: Tenant | Industrial Portfolio: Portfolio (%) |
|---|---|---|---|---|---|---|
| 1 | Wesfarmers | 28.7% | Singtel | 6.2% | ACI | 15.0% |
| 2 | Woolworths | 23.1% | Sinclair Knight Merz | 5.0% | Department of Defence | 12.1% |
| 3 | Retail Adventures (incl. Crazy Clarks) | 1.8% | Australian Taxation Office | 3.7% | Toll | 11.2% |
| 4 | Best & Less | 1.5% | Stockland | 3.3% | Australian Wool Handlers | 7.2% |
| 5 | Amalgamated Holdings (Greater Union, Birch Carroll & Coyle) | 1.4% | IBM | 2.8% | P&O | 4.2% |
| 6 | Aldi | 1.1% | The State Property Authority | 2.6% | Ceva (TNT) | 4.1% |
| 7 | The Reject Shop | 1.0% | Sony | 2.5% | Linfox | 4.0% |
| 8 | Rebel Sport | 0.9% | Schneider | 2.3% | Visy | 3.2% |
| 9 | Specialty Fashion Group (incl. Katies) | 0.9% | Colonial First State/CBA | 2.1% | Unitised Building | 3.0% |
| 10 | McDonald's | 0.7% | Goodman Fielder | 2.0% | Kmart | 2.6% |
| 11 | Terry White Chemists | 0.7% | Department of Public Works | 2.0% | Hi-Fert | 1.9% |
| 12 | Australian Pharmaceutical Industries | 0.7% | Symbion Health | 1.9% | Yakka | 1.7% |
| 13 | Westpac Banking Corporation | 0.7% | Downer EDI | 1.7% | CRT Group | 1.5% |
| 14 | Harris Scarfe | 0.6% | CSR | 1.6% | Envotec | 1.3% |
| 15 | Franklins | 0.6% | Worley Parsons | 1.4% | Pack-Tainers | 1.2% |
| 16 | Commonwealth Bank of Australia | 0.6% | Shell | 1.4% | Kagan Bros | 1.1% |
| 17 | Just Group (incl. Just Jeans, Jacqui E) | 0.6% | Primus Telecommunications | 1.3% | Simon Transport | 1.1% |
| 18 | IGA Metcash | 0.5% | Victoria Police | 1.3% | Isuzu | 1.1% |
| 19 | Hoyts Cinemas | 0.5% | Schering Plough | 1.3% | Silk Logistics | 1.1% |
| 20 | Kentucky Fried Chicken | 0.5% | Uniting Church | 1.2% | Amcor | 1.1% |
| | | **67.1%** | | **47.6%** | | **79.7%** |

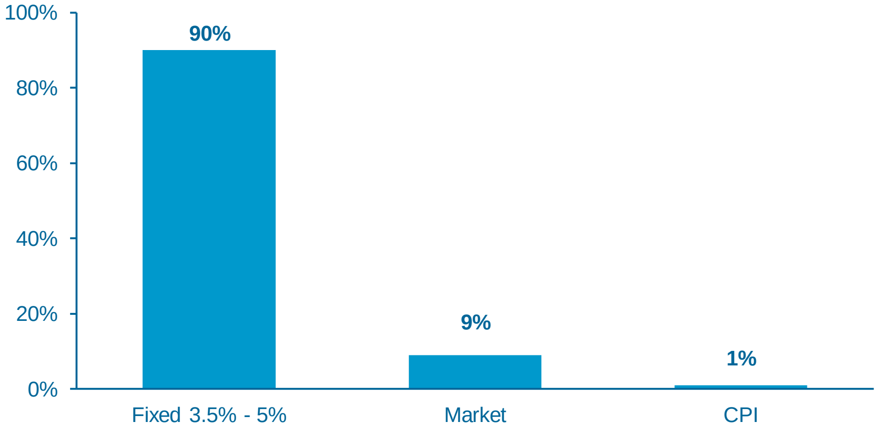


1. Retail & Industrial by GLA, Office by NLA

# Office and Industrial metrics

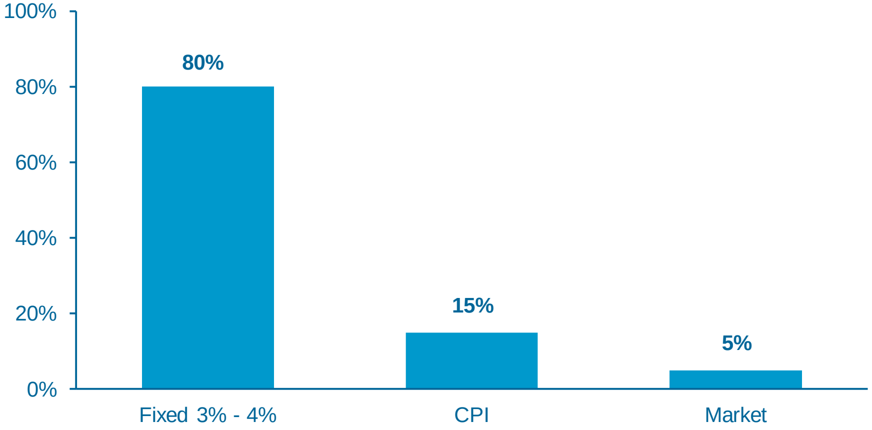
## Office

### FY12 rent reviews[1]




## Industrial

### FY12 rent reviews[1]






1. By Area

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741

25th Floor
133 Castlereagh Street
SYDNEY NSW 2000



Slide 74:Independent research by the Quantium group using Market Blueprint data. Independent research commissioned. De-identified transactional data for over 2 million customers.Data re-weighted using Census; bias-free and population representative. Includes credit card, debit card, BPay and PayPal transactions. Over 1.5 million transactions per day; 1 billion plus in aggregate. 25,000 retailers across a broad range of Stockland relevant categories. Includes transactions from Jan 2010 to Feb 2011 inclusive