



Highlands, Vic



Market Update - 1 May 2012

Agenda

Presentation and Webcast – 9am

- Group Update - **Matthew Quinn, Managing Director**
- Capital and Cost Management - **Tim Foster, Chief Financial Officer**
- Q & A - Matthew Quinn, Tim Foster, John Schroder, Mark Hunter, David Pitman

Morning Tea

Roundtable discussions – 10:30am

- Commercial Property - **John Schroder, CEO**
- Residential Communities - **Mark Hunter, CEO**
- Retirement Living - **David Pitman, CEO**



Stockland

Group Update

Matthew Quinn, Managing Director

What we will cover today

Matthew Quinn

- FY12 Group performance update
- New Retirement Living accounting methodology to closely align with cash flow
- Our strategy and the transition over the next few years
- Our growth expectations for each business unit

Tim Foster

- Financial KPIs
- Capital Management
- Cost Management

FY12 Group performance update

We are on track to achieve FY12 revised EPS guidance of 30.5 cents

- Retail NOI comparable growth expected to be 3.5 – 4%¹
- Residential Communities leads remain strong, but customers cautious and conversion rates lower
- Retirement Living on track to achieve forecast, and cash returns growing quickly
- Significant progress on non-core asset sales – ~\$970m to date in FY12
- Active share buy-back – acquired ~7% at average of \$3.02

We will recognise some impairments in FY12

- Five “lifestyle” residential projects will be impaired by \$48m (~2% of total inventory book value)
- UK market conditions have delayed our exit until 2013, requiring a \$15m impairment
 - Residual value down to \$80m

Change of Retirement Living accounting to closely align with cash flow

We are simplifying Retirement Living accounting

- Historically earnings were a combination of cash and accrual/accounting adjustments
- Going forward, underlying profit will be closely aligned with cash flows
- Very clear, simple and no subjectivity

At year end, two measures of EPS will be reported (existing and new)

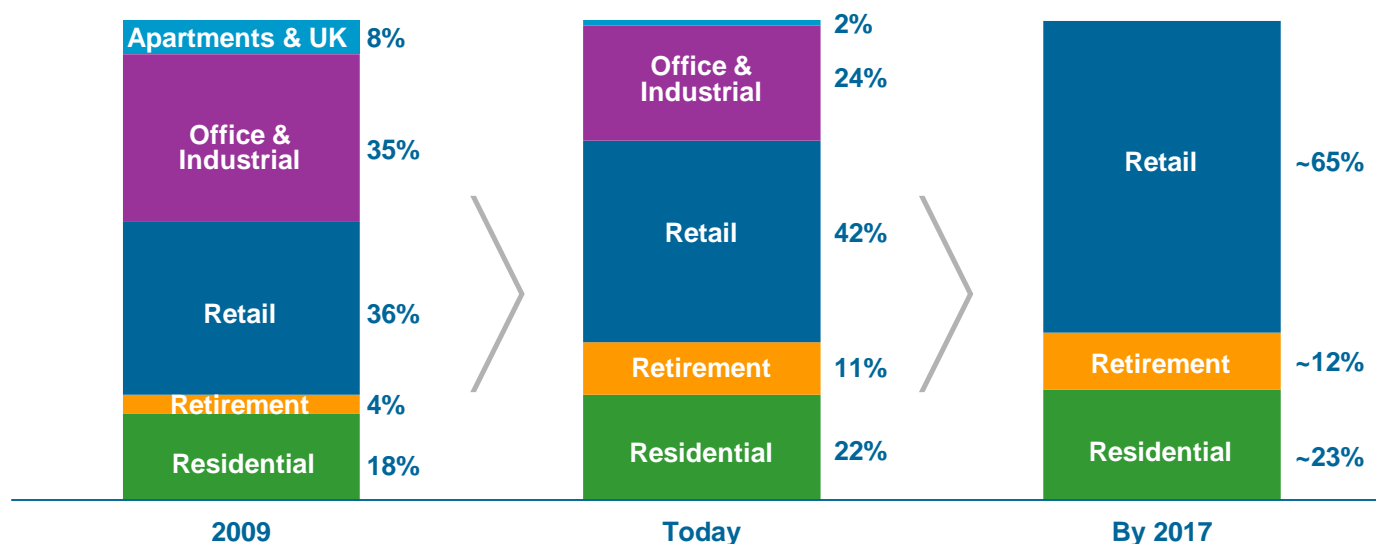
- Under the existing measure we are on track to achieve revised FY12 EPS guidance of 30.5 cents
- Under the new measure guidance reduces to 29.8 cents, but earnings quality improves
- Retirement Living expected to hit its original profit target – this is not a downgrade
- After FY12 EPS will only be reported on the new measure

Importantly, we are lifting our payout ratio to reflect higher quality Underlying Profit under the new methodology

- Payout increases to greater of 75% - 85% of Underlying Profit and Trust Taxable Income
- FY12 payout ratio will be around 80%

We are focused on executing our strategy and increasing returns

Asset mix over time



Focus on Retail, Residential and Retirement Living

- These businesses are a natural fit and we have competitive advantage

Aim to achieve market leadership in each business through careful investment and focused execution

- Measured by market share, brand recognition and ROA

It is an orderly transition

We are efficiently managing our capital

- Growth funded by non-core asset sales
- No need for new equity or significant additional debt
- Return on new investment in each core business is well above our cost of capital
- \$2.9 bn to be released for reinvestment from exit of UK and Apartments (by 2013) and Office and Industrial (by 2017)
- Core businesses will not require all of this capital to fund organic growth and we will continue to return surplus capital to shareholders over time

An orderly transition is preferable to a “big bang”

- Growing rental income through retail development (14% IRR) is preferable to acquiring assets on market (10% IRR)
- But there is a time lag of two to three years between loss of rental income from asset sales and new rent from retail developments
- Therefore, selling assets too quickly would result in more volatile earnings

Retail, Residential and Retirement Living are a natural fit



> Vibrant communities

- Enjoyable places for our customers to live, shop and connect with others

> Speed to market

- Governments endorse us being on the ground faster as we deliver broader amenity than our competitors

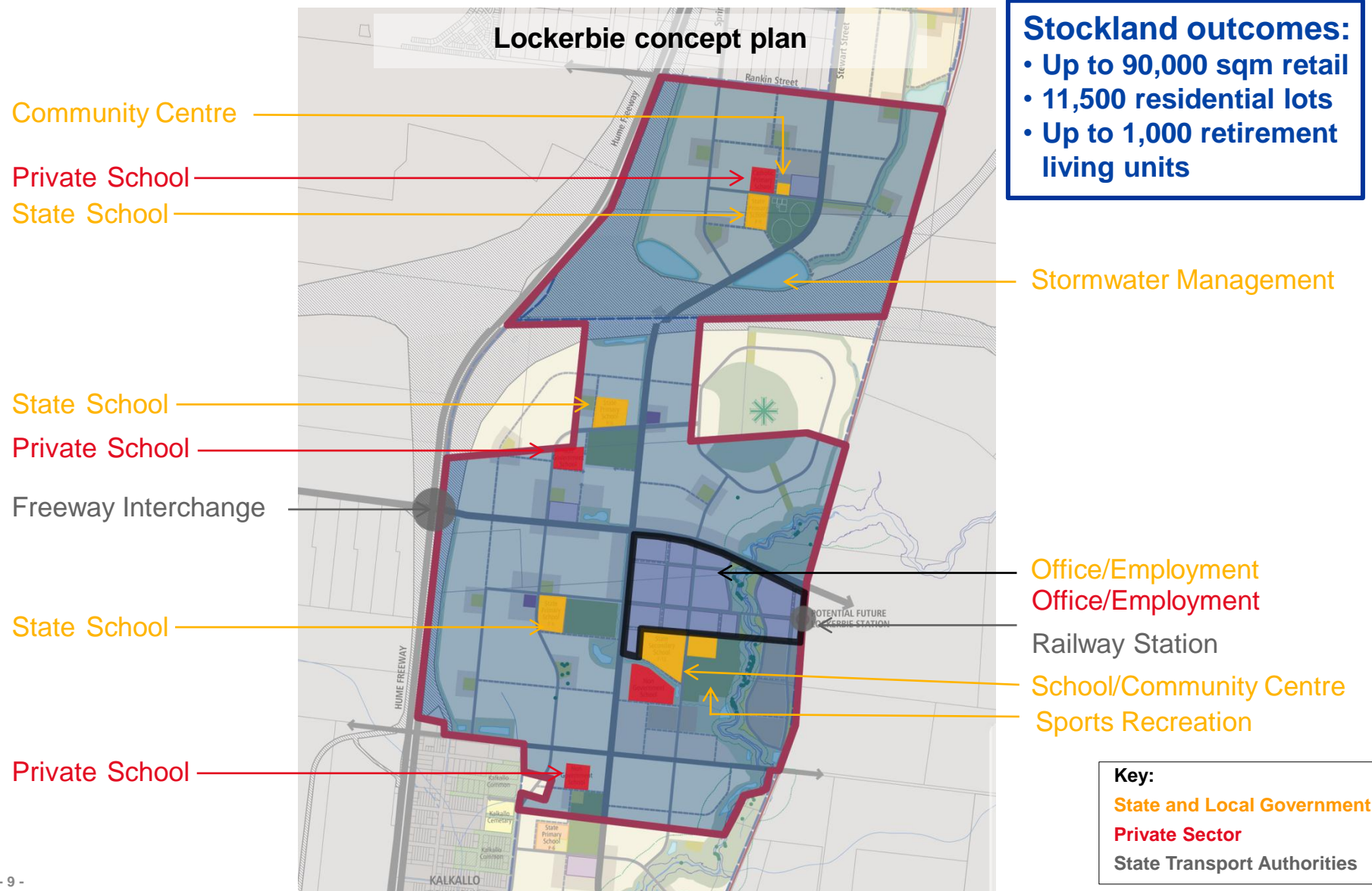
> Efficiency and cost reduction

- Consistent, repeatable processes across all three businesses
- Economies of scale in support functions

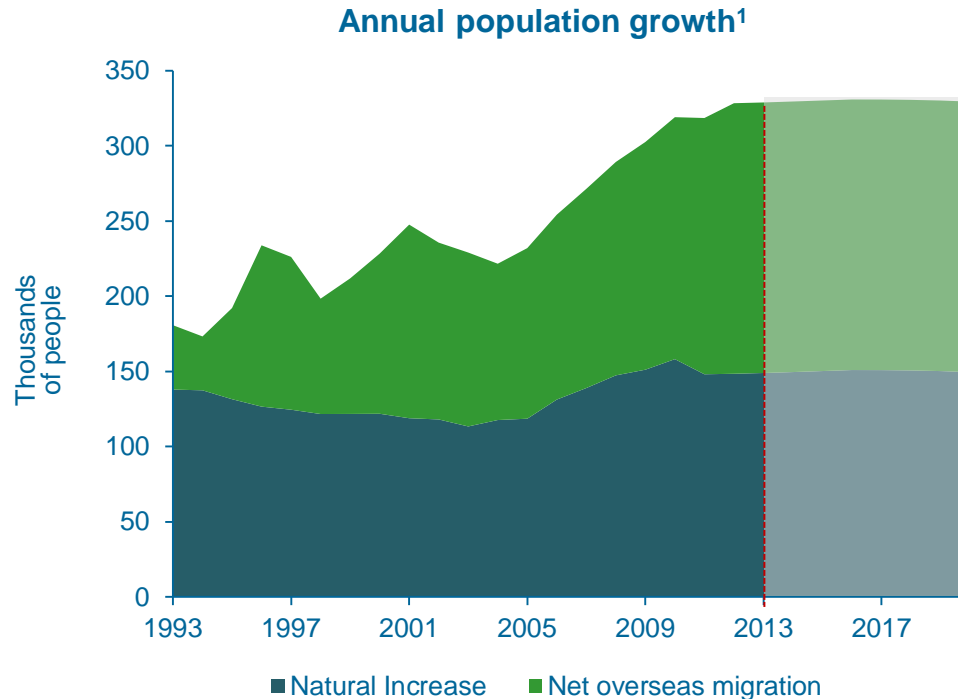
> Demand creation

- Retail centres grow with the local communities we create
- Residents can remain in the local area as they grow older

Lockerbie: An example of partnering for better outcomes



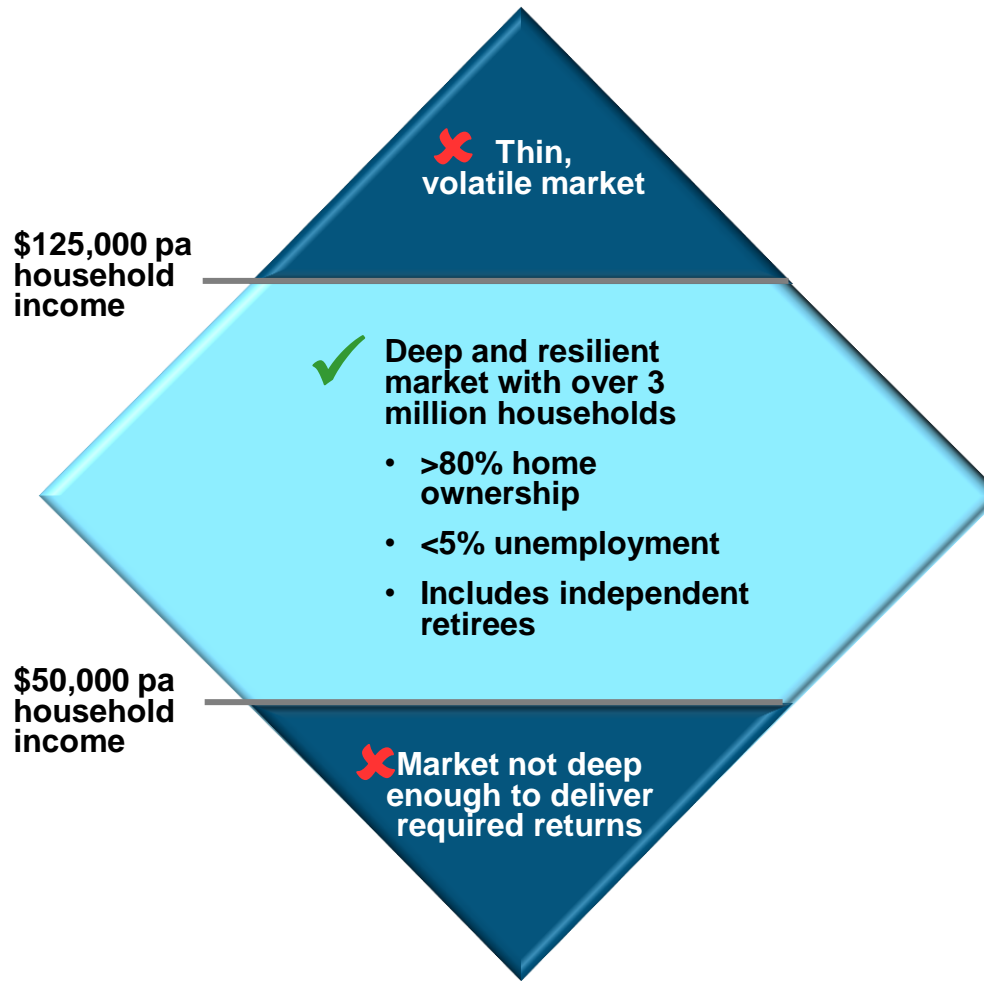
Our strategy is built on population growth – it's a safe bet



Bipartisan political support
for population growth of
330,000 people p.a. requiring:

- **160,000 new dwellings**
(100,000 detached homes)
- **>500,000 sqm new retail floor space**
- **Up to 5,000 retirement homes**
(growing as the population ages)

We provide affordable products for the mass market



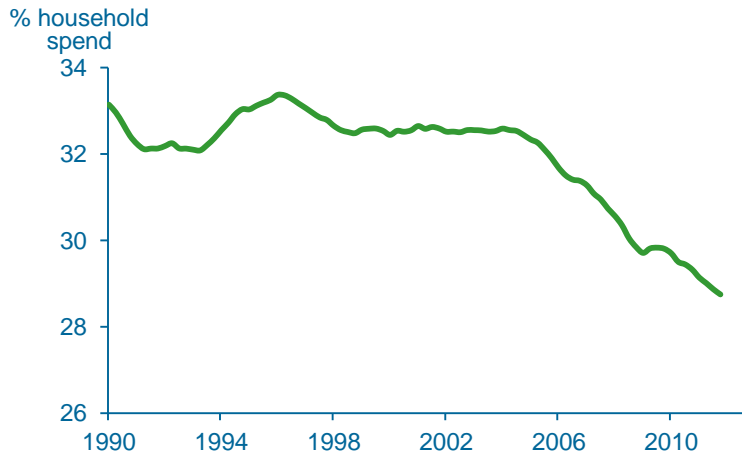
- All businesses target the same customer demographic
- Focus on corridors with high population growth
- Tailor products to specific local markets
- Deliver value, affordability and convenience

We are responding to the structural changes in retail

Spending habits are changing

- Discretionary spending is declining
- Online retailing is growing
 - Music and books are leaking to online
 - Food and services are lower risk
 - Clothing is the big “swing factor” for retail landlords

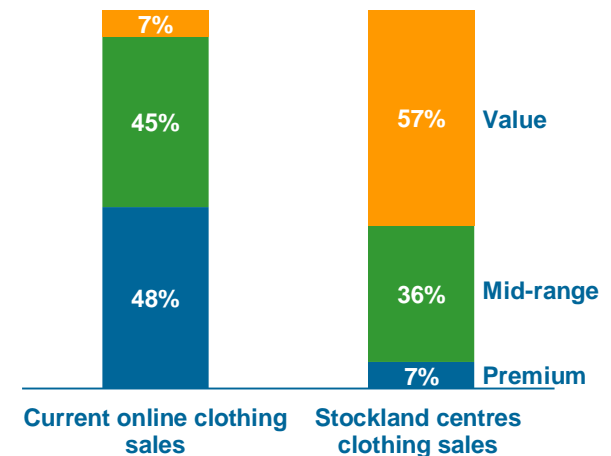
Discretionary spending declining



Continued focus on value and convenience

- Our centres are heavily weighted towards food and services
- Specialty retailers are predominantly “value” focused
- We are investing to ensure we are the “first choice” for retailers and shoppers

High end clothing sales most at risk from online



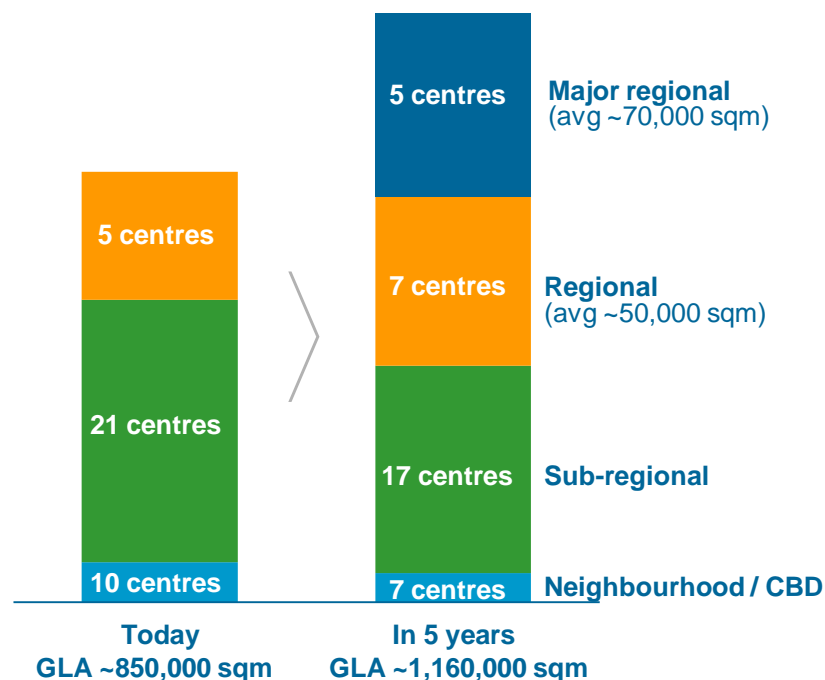
We are developing our retail centres for resilience and growth

Investing to create leading centres in growing trade areas

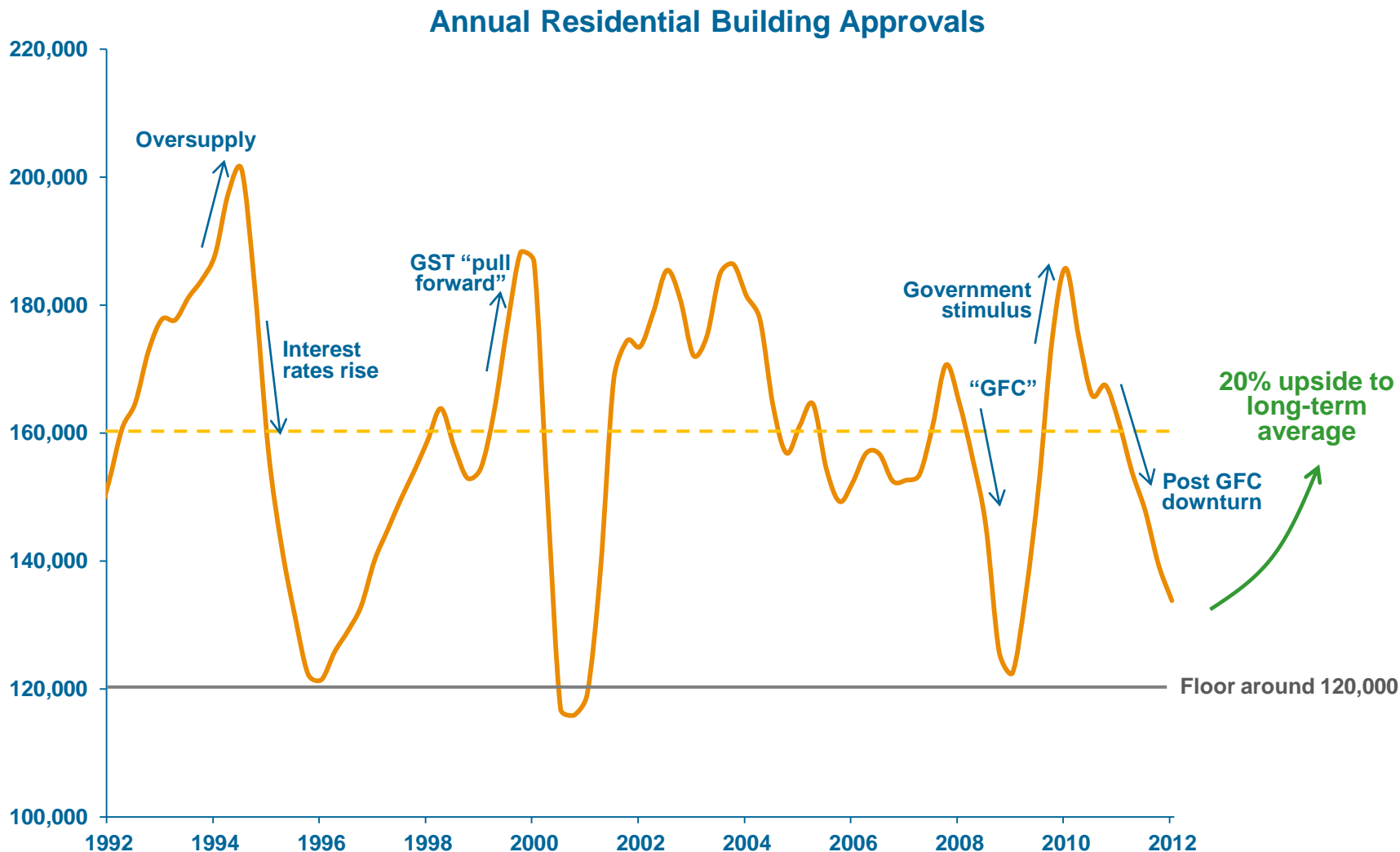
- Development capex ~\$2bn over 5 years
- Average 14% incremental IRR
- Increasing market share to be number 1 in trade area, or number 2 with strong point of difference
- Centre size will be appropriate for each trade area, at this stage maximum ~75,000 sqm and ~250 specialty stores

Strategy will continue well beyond FY17

Moving up the retail hierarchy¹



The market for new housing is nearing a cyclical low



Residential buyers are actively looking but more cautious

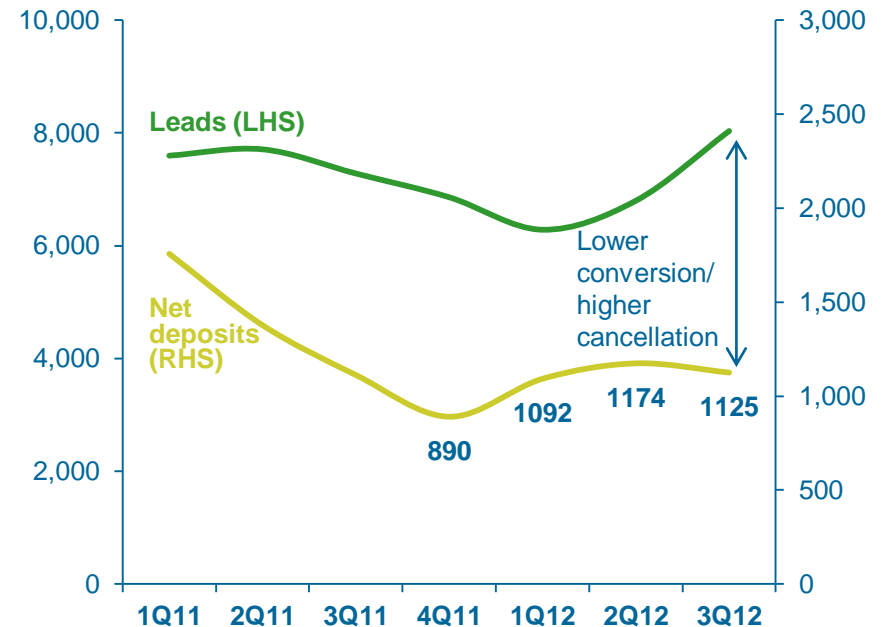
Customer leads are at record levels

- House prices are stabilising
- Rents are going up
- Interest rates are trending down

But conversion rates are lower than normal

- Consumers cautious due to employment concerns and conflicting interest rate signals
- Banks are more cautious in residential mortgage lending

Stockland leads¹ vs net deposits



The yield curve points to a more positive outlook

Sentiment towards home buying follows interest rates

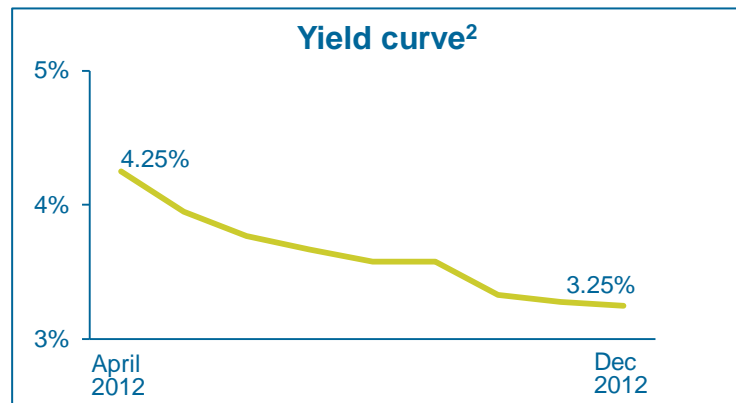
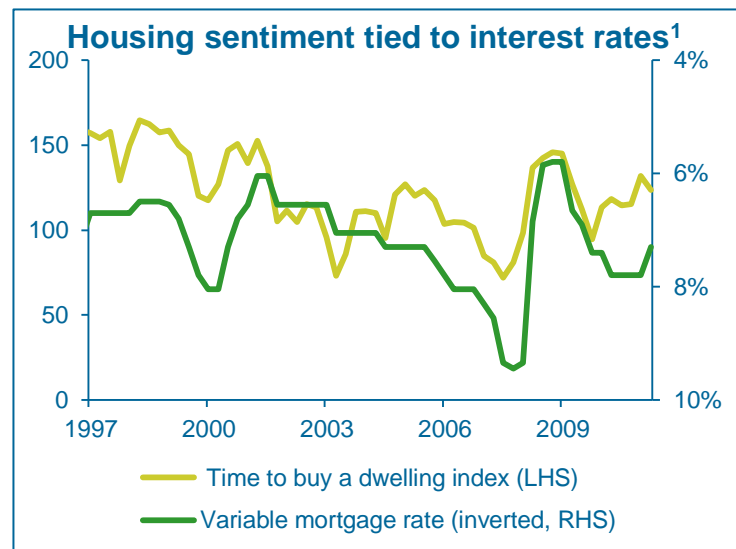
- The mood can change quickly

The market is pricing in significant rate cuts

- Futures pricing suggests a 100 bps rate cut by December 2012
- Banks' fixed rates indicate they are anticipating rate cuts

Expect to see increase in residential demand if rates are cut

- Assumes banks follow RBA moves
- 50 bps likely to make a difference
- 100 bps would have a big impact



Mortgage rates
(best on offer from big 4 banks)

Standard variable	7.31%
1 yr fixed	6.19%
3 yr fixed	5.99%

Our affordable products are attracting value-conscious buyers

~\$200k is the affordability threshold for residential lots

- Need to reduce lot sizes to capture sales and maintain margins

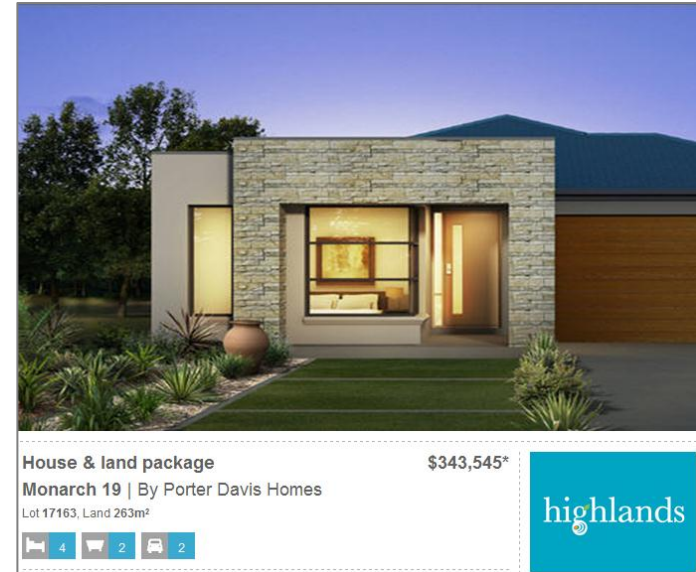
Our product strategy is a clear differentiator

- Delivering innovative products that meet customer needs

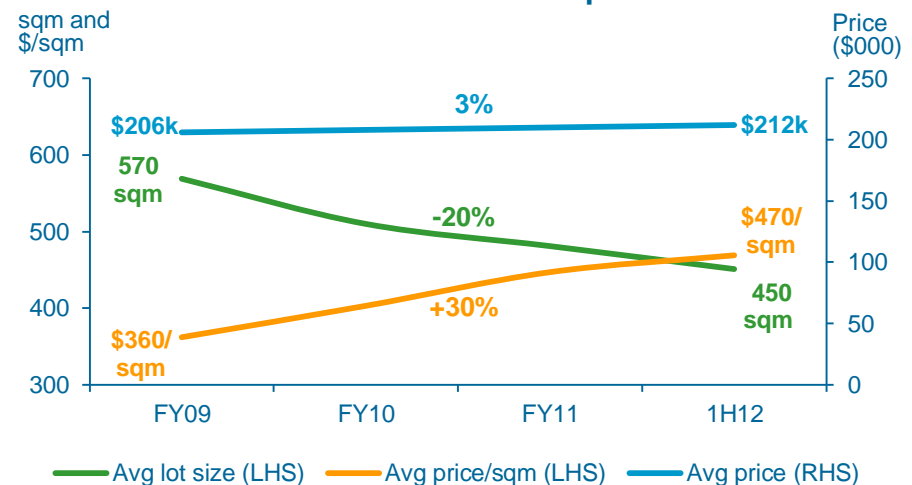
Smaller products enhance price per sqm

- Resilient margins even when house prices are under pressure

Despite being at a low point in the cycle, Residential Communities is expected to settle >5,000 lots in FY12

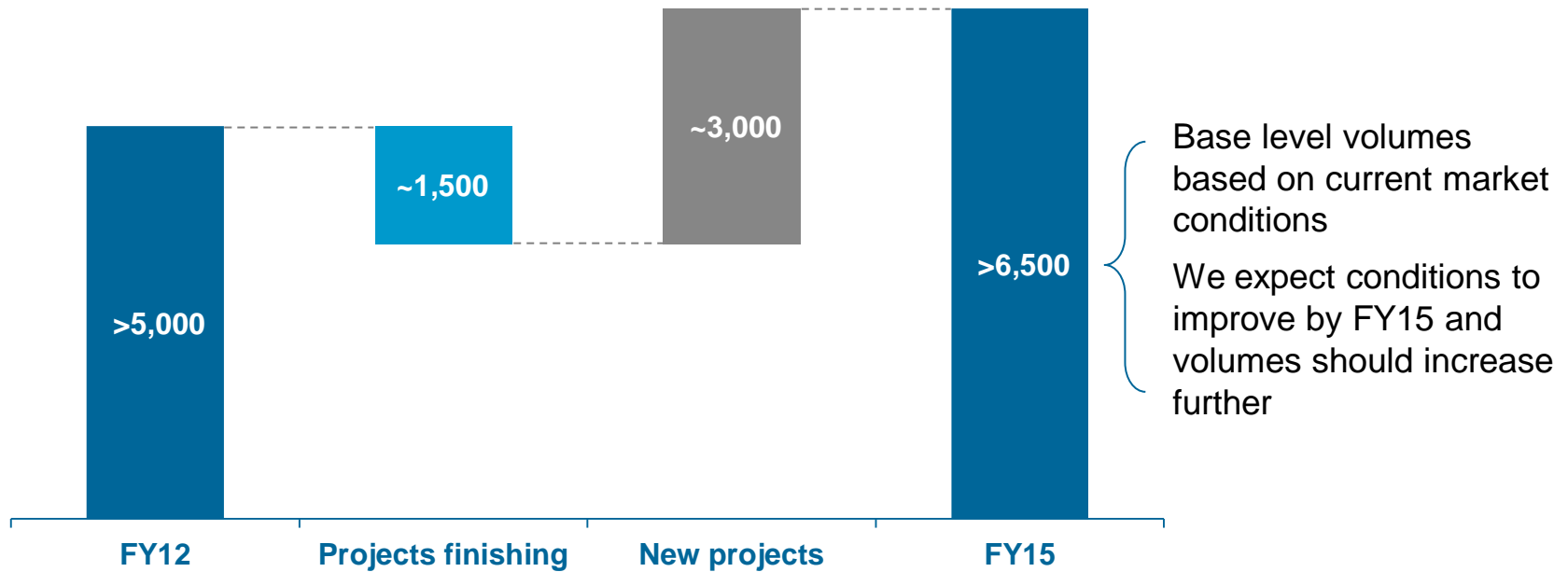


Stockland lot sizes and prices



Our existing land bank will deliver a big volume increase by FY15

Expected annual lot sales from existing land bank



Our Residential portfolio is in good shape but some impairment is required

We carry Residential inventory at the lower of cost or Net Realisable Value (NRV)

- We review carrying values each quarter
- We do not revalue if $NRV > \text{cost}$: after allowing for a 20% IRR we have an unbooked net gain of ~\$320m
- We impair if $NRV < \text{cost}$:
 - No impairment since FY09
 - In FY12 we expect \$48m impairment from five lifestyle projects reflecting price pressure at the top end of the market

Category	No. projects	No. lots
Core projects outperforming	39	75,000
Core projects in line with expectations	11	8,000
Core projects below expectations	9	4,000
Non-core "lifestyle" projects	13	4,000
	72	91,000

← \$48m impairment

Retirement Living underpinned by attractive industry fundamentals

Compelling demand drivers

- Expect demand for new developments of circa \$35b over the next 20 years
- Industry will struggle to meet demand, given fragmented structure

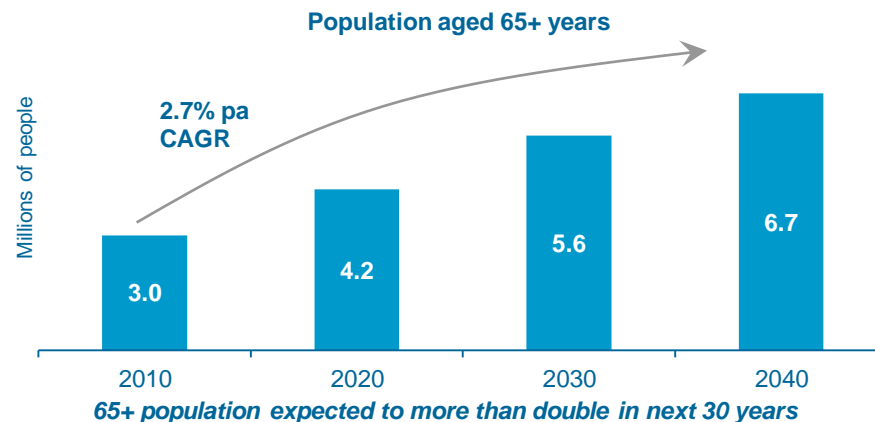
Attractive long-run investment returns

- 12.5% IRR on mature assets
- 20% return on marginal development expenditure

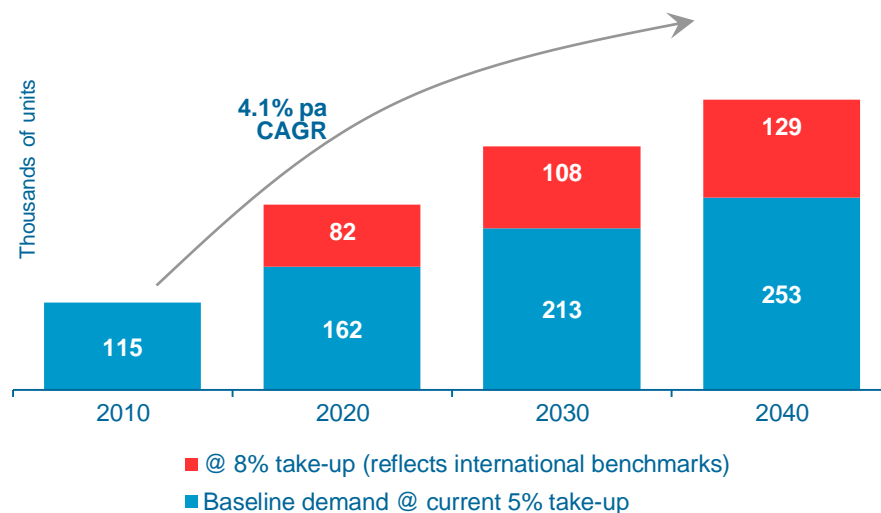
Stockland villages are appealing to residents

- 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



Expect large increase in retirement village demand



Retirement Living has strong growth prospects

Cash returns will continue to grow

- Strong customer demand for retirement living products
- ROA expected to grow through operational efficiency and increased development volumes

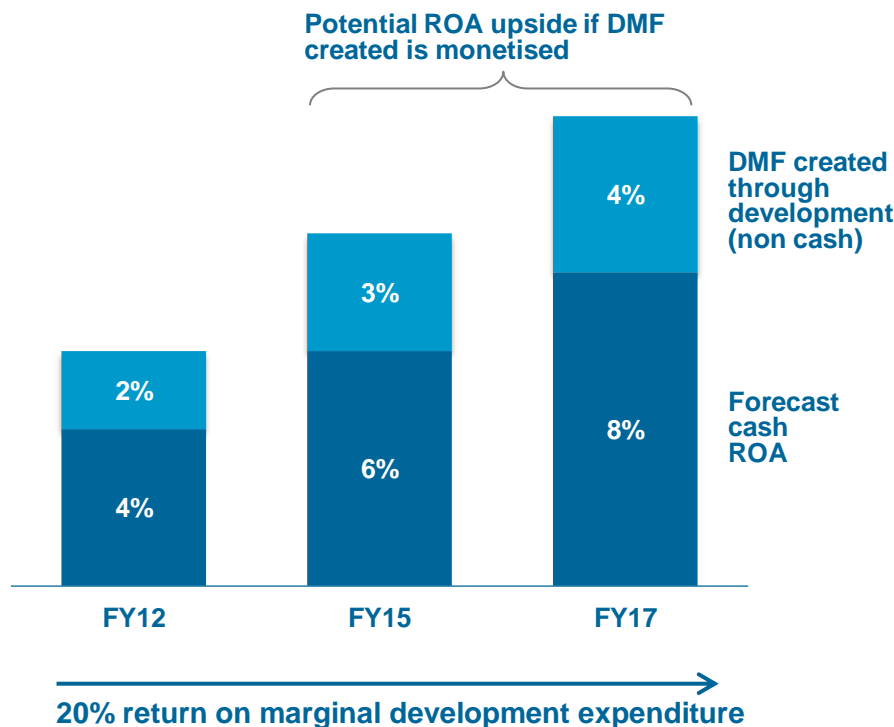
Significant future DMF created through development

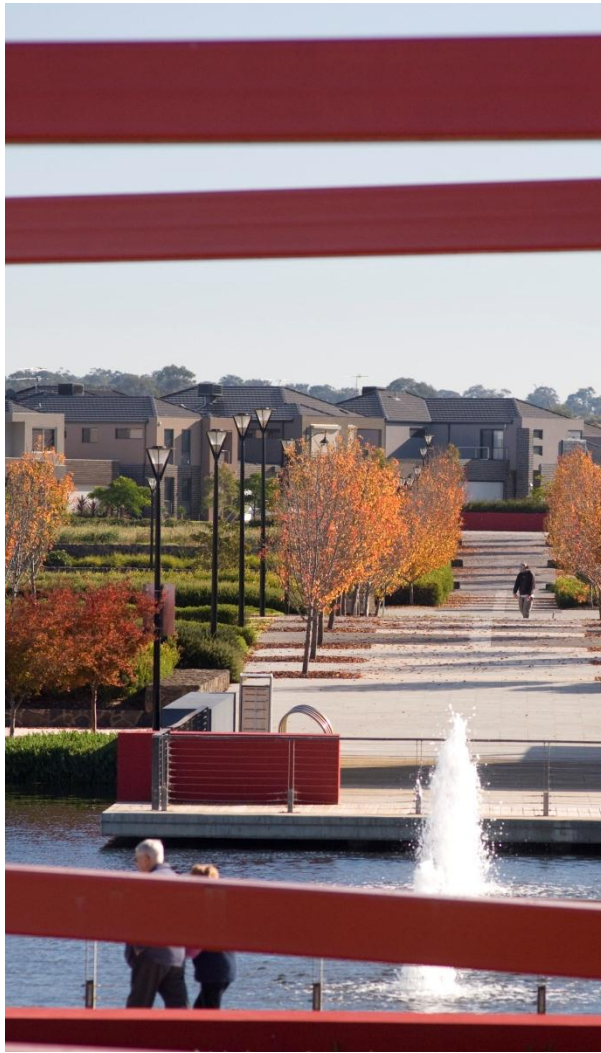
- Present value of income streams from future resident turnover – nil cost to create and excluded from underlying profit
- We currently retain these assets and the future revenue stream is strong but long-dated

Potential ROA upside

- We are investigating monetising DMF created to deliver greater ROA

Retirement Living returns growing quickly





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Capital and Cost Management

Tim Foster, Chief Financial Officer

Delivering our strategy through strong financial discipline

EPS growth:	Average 5-6% per annum through the cycle
ROE:	Focusing on cash returns on cash invested Will disclose FY12 actuals in August
Earnings mix:	60-80% recurring, 20-40% trading Delivering earnings resilience and growth potential
Gearing:	20 – 30% (Debt/TTA) Maintaining balance sheet strength
Credit rating:	S&P A-/stable Providing access to long term and diverse debt sources
Payout ratio:	75 – 85% of Underlying Profit ¹ Providing flexibility to deliver consistent and sustainable DPS growth

Enhancing shareholder returns through capital management

$$\text{Business Unit ROA} = \frac{\begin{array}{c} \triangle \text{Grow} \quad \nabla \text{Reduce} \\ \text{Revenue} - \text{Cost} \end{array}}{\begin{array}{c} \text{Cash invested} \\ \nabla \text{Be more efficient} \end{array}}$$

A simple and transparent measure...

- Numerator akin to EBITDA
- Cash invested adds back impairment provision
- Debt applied/interest expensed at Group level to show business unit ROA
- Group ROE and/or Business Unit ROA will be KPIs for STI for all executives

... reflecting our focus on efficient growth

- Sale of lower returning non-core assets
- Capital efficient acquisition and development of core assets to increase revenue
- Maximising value from existing investments (eg. increasing speed to market)
- Reducing costs by improving operational efficiency and leveraging scale

We have several accretive investment options

Redeveloping Retail centres

- Investing \$400m pa in retail development
- Average incremental IRR 14%

Buying Residential land

- Opportunistically investing in our growth corridors
- Buying on capital efficient terms where possible
- Incremental IRR 20%

Developing Retirement villages

- ~\$250m of incremental devex required to reach scale in developing new villages
- Incremental IRR 20%

Returning capital to shareholders

- Share buyback
- Flexible distribution policy

Pay down debt

- Maintain low and long-dated debt

Through asset sales, we can afford all options that meet our return hurdles

We continue to drive operational efficiencies

Focus on reducing overheads across all businesses and support functions

Generating economies of scale from growth

- Example: Retirement Living

Cross-business synergies

- Example: Project management

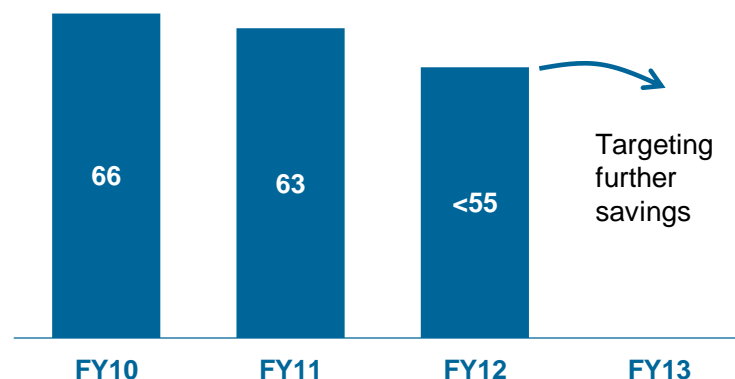
Centralising functions which are not customer facing

- Example: IT

Outsourcing activities where no longer cost efficient in-house

- Example: Office and Industrial property management

Unallocated Group overheads (\$m)¹



Aligning Retirement Living reporting to focus on cash returns

We are simplifying Retirement Living accounting

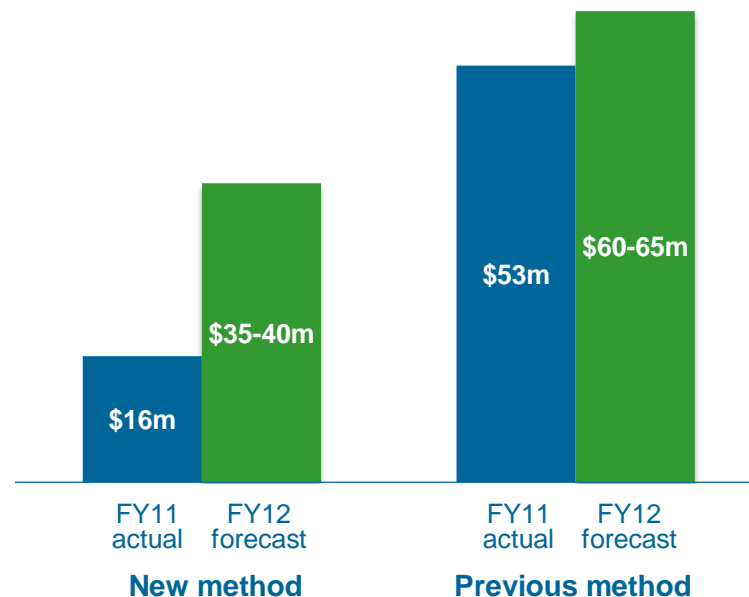
- Replacing DMF accrual with actual turnover cash margin
- Removing unsettled development profit
- Community facilities are a fixed asset and costs will be capitalised

Retirement Living performance is as forecast

- Retirement Living is expected to hit its original earnings target
- As a result of methodology change, reported FY12 Underlying Profit will be \$25m - \$30m (0.7c EPS) lower, but much higher quality

Payout ratio to increase to 75-85% of Underlying Profit¹ to reflect higher earnings quality

Underlying Profit under both methods



Outlook and summary

- We have a clear strategy with a path to be a market leader in each of our core businesses
- We have a pool of non-core assets that will be progressively sold to fund growth at higher returns and return capital to shareholders
- There is plenty of upside in our residential inventory, but some non-core “lifestyle” projects require impairment
- FY12 has been a challenging year but we are on track to meet revised guidance
- FY13 earnings growth will be influenced by interest rate movements and the speed of the residential market recovery
- Our prospects in FY14/15 are very positive and will build on our continued investment in our core businesses



Stockland Shellharbour, NSW



Stockland

Commercial Property – Roundtable

John Schroder, CEO Commercial Property

A leading retail developer and manager

Our strategic objectives

- Deliver stronger, stable returns by moving our retail assets up the hierarchy
- Have the number one shopping centre in our trade area or number two with a strong point of difference
- Be a retail landlord of choice

How we will deliver

- Develop our productive assets into the best real estate in the trade area, enhancing asset quality
- Continue to focus on the deep, mass market customer segment
- Create true community and entertainment hubs
- Strong retailer relationships and sustainable rents

We are delivering on our strategy

Developing the best assets in the trade area

Non core
asset sales

Leverage capability and
maintaining sustainable rents

Deliver Retail development pipeline

Key achievements since 2009

- ✓ Sold ~\$1.1bn of Office and Industrial, and \$30m of Retail
- ✓ Masterplanning, design, development and project management now core capabilities
- ✓ Occupancy costs 14%, new large assets will be 15-17%
- ✓ Launched My Stockland App, and real time Stockland casual leasing website
- ✓ Internet and e-commerce research completed quarterly to monitor retail expenditure patterns
- ✓ Reinvesting in Retail development pipeline:
 - ✓ Completed \$0.5b of development
 - ✓ \$0.9b under construction
 - ✓ \$1.1b development approvals secured or submitted
 - ✓ Incremental 14% IRR on new expenditure

Continue to optimise performance of Office and Industrial assets

Portfolio occupancy remains high

- Office 94% - majority of vacancy in Sydney CBD, which remains a tough market
- Industrial 99%

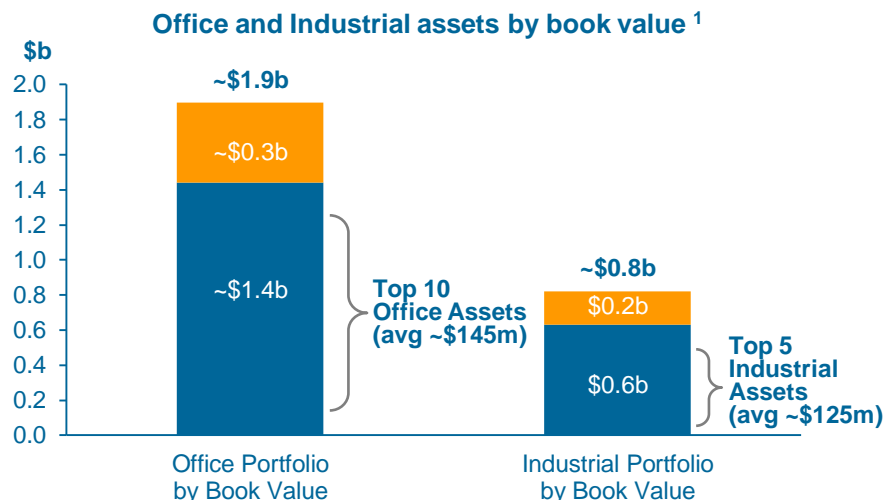
De-risking the portfolio to optimise rents and ultimate sale prices

- Office assets:
 - Biggest focus is our Sydney CBD assets, book value ~\$630m (1/3 of office portfolio)
 - Incentives and capex will remain high in the medium term
- Industrial – almost fully leased; short WALE at Yennora, which has development, refurbishment and re-tenanting focus before sale

Continuing to improve operational efficiencies

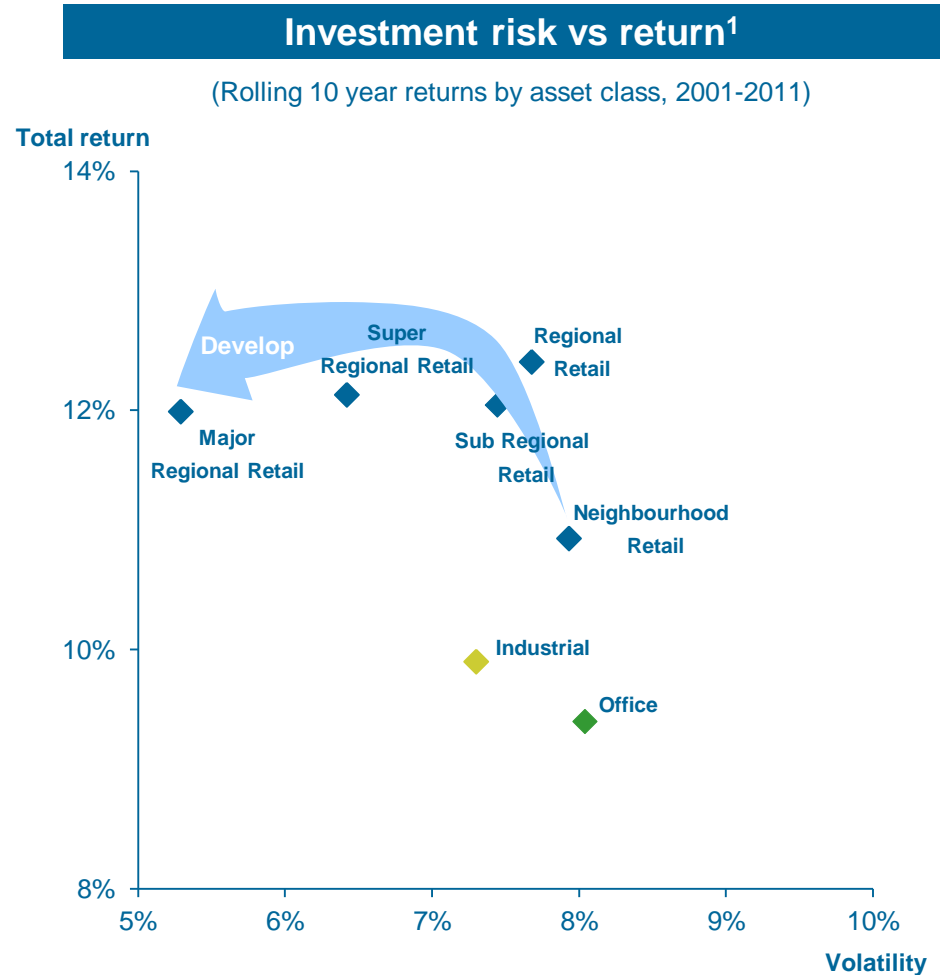
- Management outsourced to CBRE – transition completed
- Retain control of strategic asset management and leasing

Portfolio concentrated in large quality assets

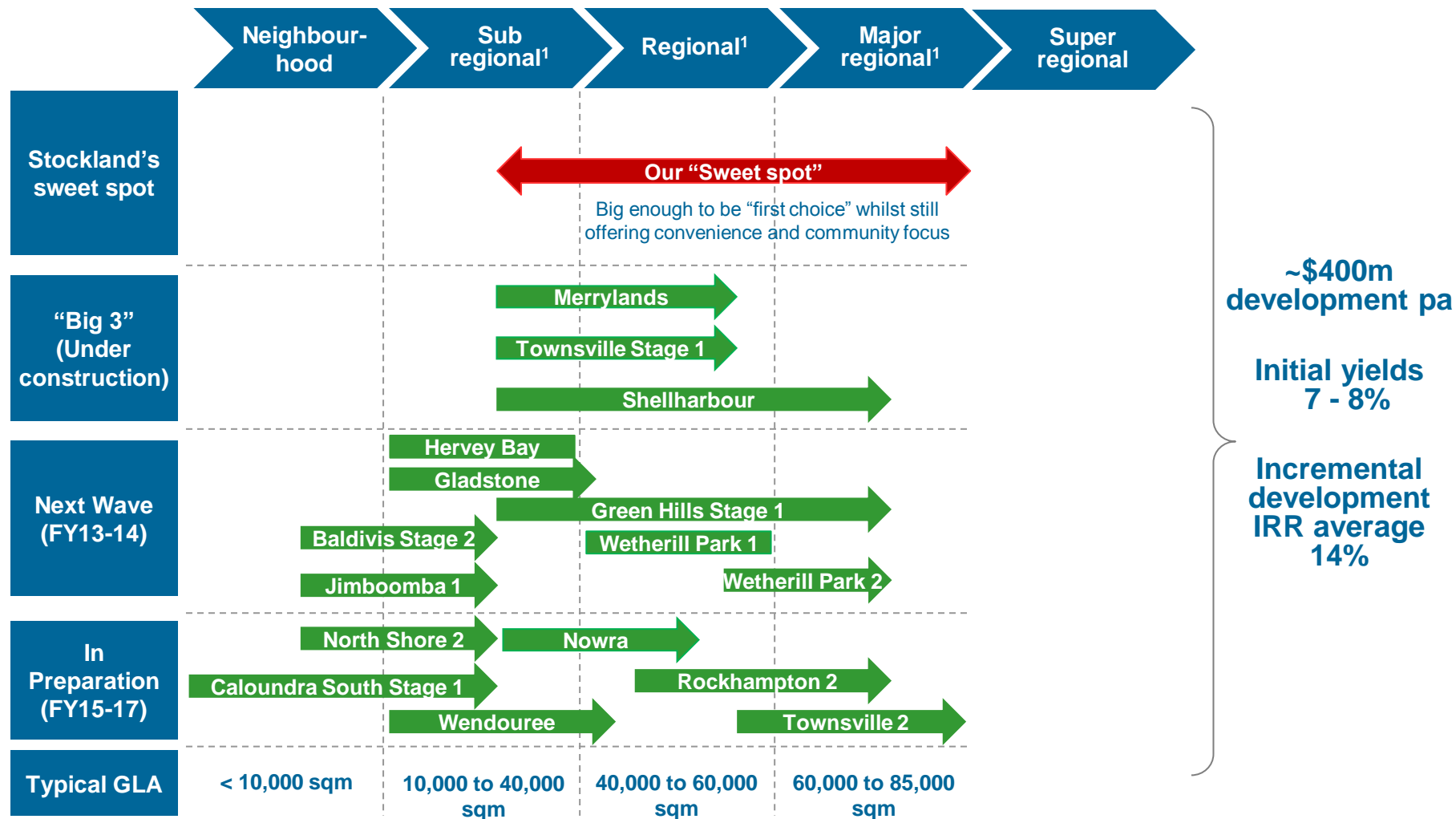


Weighting the portfolio to larger retail centres creating better returns

- Quality retail rarely changes hands – product creation is an essential capability in this sector
- The risk/return balance improves as retail assets are developed up the hierarchy
- We will not overbuild :
 - Right size for the specific trade area demand
 - Current maximum GLA ~75,000 sqm and ~250 specialty shops for the major regionals being developed



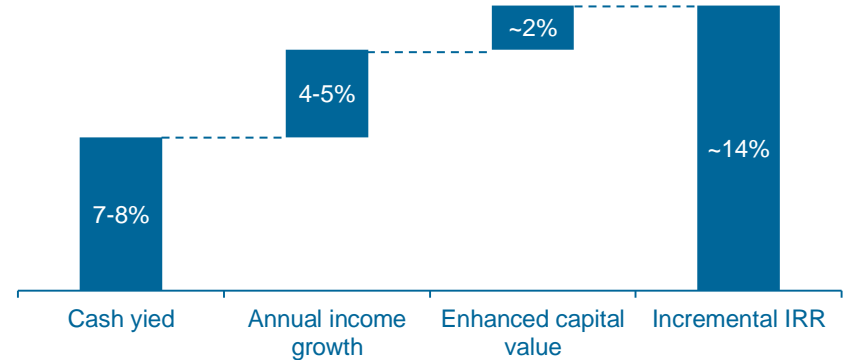
We are moving our assets up the hierarchy



Development unlocks value in our existing portfolio

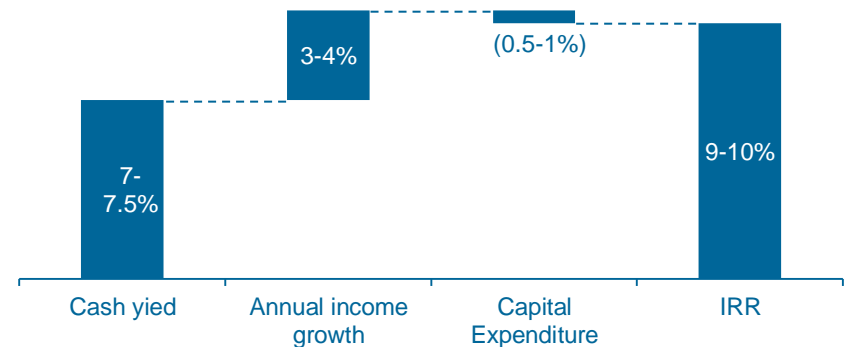
- Developing highly productive retail assets in strong trade areas to achieve average incremental IRRs of 14%
- Harnessing internal capability advantages in development and project management:
 - Efficient and attractive design
 - Development Approvals secured faster
 - Strong cost control and project management

Strong incremental development returns

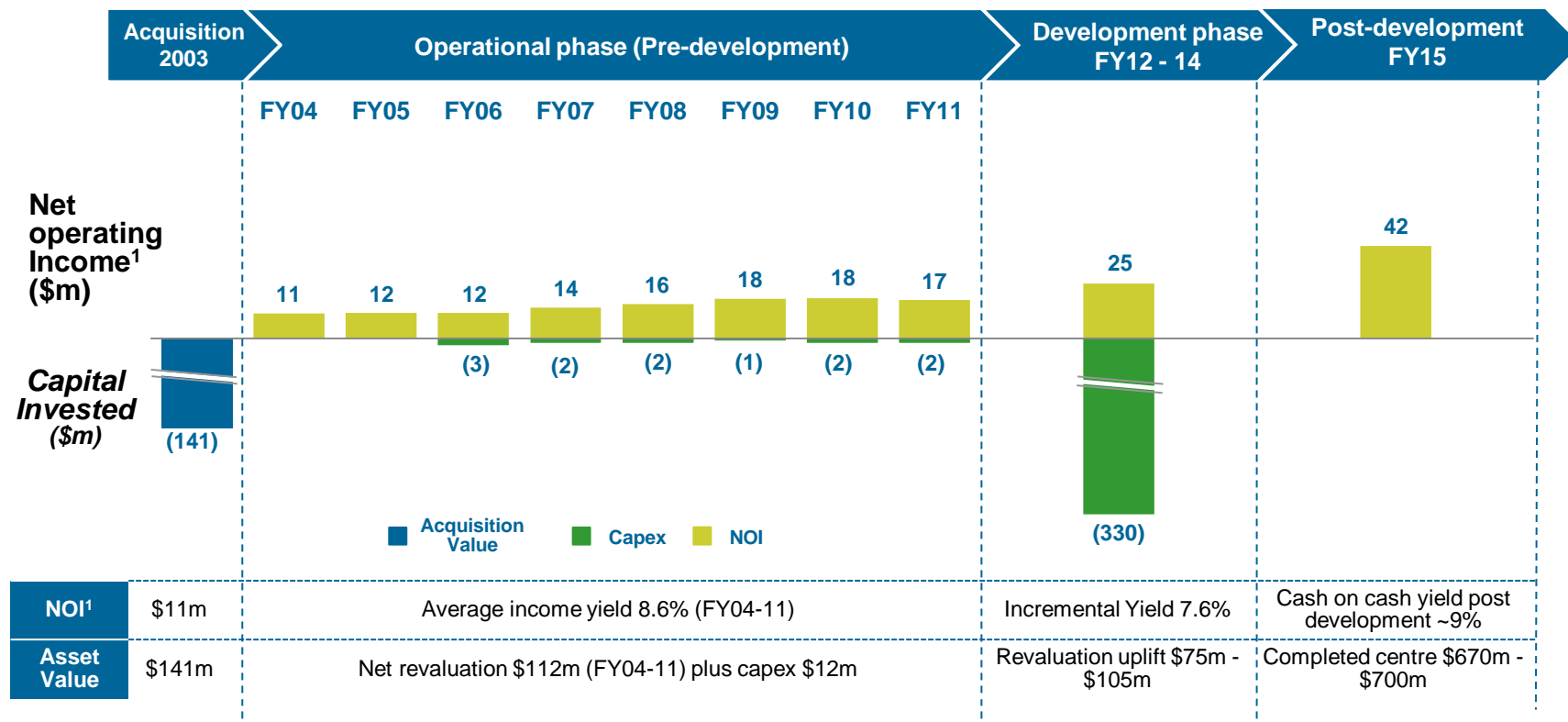





More profitable than acquiring centres on market

Typical returns from acquisition of vanilla shopping centre



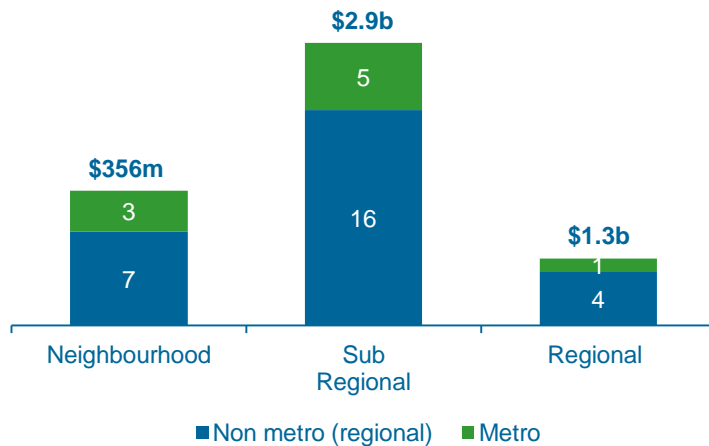
Shellharbour Case Study: The value creation journey



Developing Shellharbour lifts the overall rate of return from 9.2% to 12.5%			
Project Type			
	No development	Incremental	Blended
IRR	9.2%	14.5%	12.5%

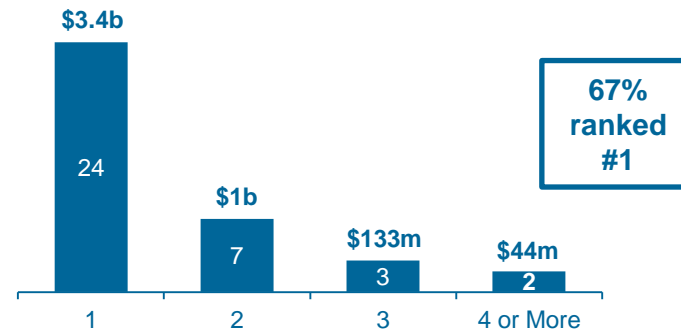
We have some of the best real estate in the trade area

Larger centres in growing regions



Most of our Retail assets are #1 by market share¹

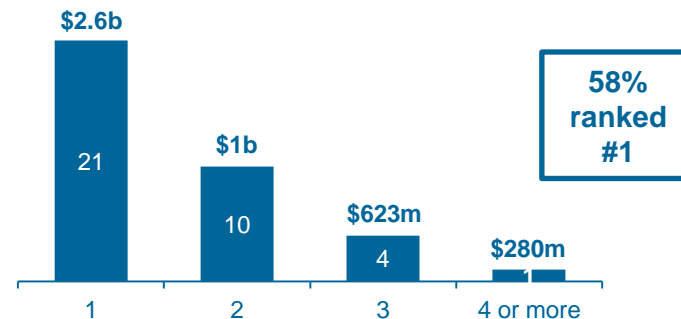
Retail spend ranking in main trade area



67%
ranked
#1

Most of our Retail assets are #1 by productivity¹

Spec sales / sqm ranking in main trade area



58%
ranked
#1

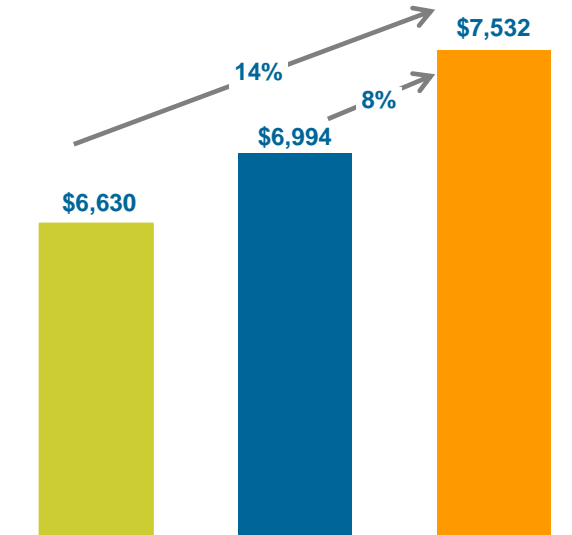
75%
ranked #1
in one or
both

An excellent base to leverage the retail development pipeline

Our centres have higher productivity than industry benchmarks

Above average centre productivity

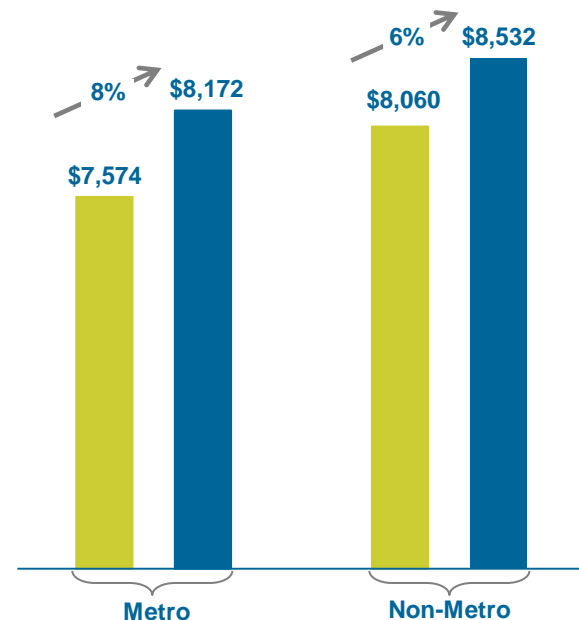
National shopping centre productivity¹
(Turnover per sqm)



- Urbis Sub-Regional Metro Average 2010/11
- Urbis Sub-Regional Non-Metro Average 2010/11
- SGP Average March 2012

Stronger specialty shop performance

Specialty productivity²
(Specialty turnover per sqm)



- Urbis Sub-Regional Average 2010/11³
- SGP Average March 2012

Our centres have 99.5% occupancy and are well positioned in their trade areas

Our strong relationships with retailers underpin sustainable growth

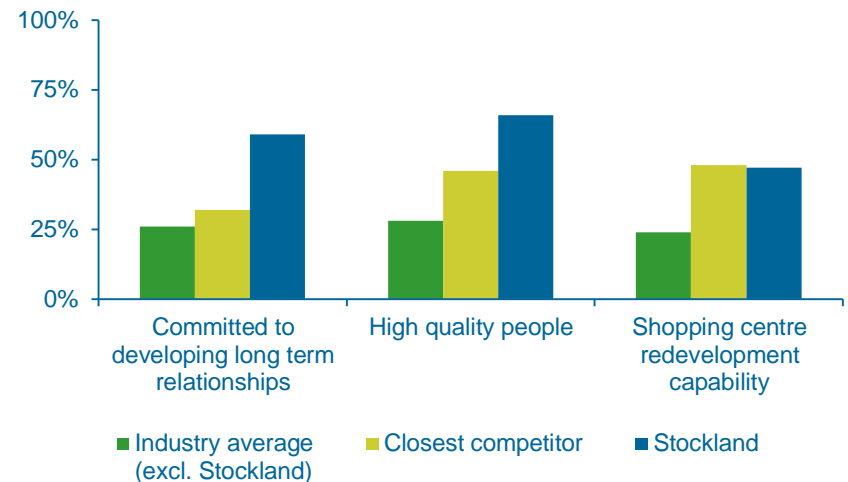
Research shows we are well respected

- Continue to develop and nurture retailer relationships to increase retention and new project leasing
- Our strong market position in growing non metro trade areas is attracting new retailers to our portfolio
- We have sustainable rents underwritten by profitable retailers

Development leasing is progressing well

- Three major projects on schedule and will be unique in their trade areas:
 - Townsville will have 40 retailers who are not present elsewhere in the total trade area

Retailer perception of Stockland and peers¹



Our retail sales and rents continue to grow

Value and convenience supporting MAT growth

- Supermarkets, food catering and services supporting 3.4% total comparable MAT
- Low vacancy and arrears underpinned by solid sales growth and affordable occupancy costs

FY12 NOI guidance

- Retail comparable NOI guidance 3.5 - 4%

Solid retail sales growth	
	SGP Comparable MAT growth ¹
Specialty shops	▲ 3.4%
Supermarkets	▲ 3.8%
Discount Department Stores	▼ 0.2%
Other ²	▲ 6.0%
Total comparable MAT growth (12 months to Mar 12)	▲ 3.4%



North Shore, Townsville, Qld



Stockland

Residential Communities – Roundtable

Mark Hunter, CEO Residential Communities

Creating affordable high quality residential communities for middle Australia

Our strategic objectives

- To be Australia's leading greenfield community developer
- To be a trusted partner with government
- Maintain market share above 25% in active corridors
- Increase profits and ROA

How we will deliver

- Target high growth corridors for improved market reach
- Focus on the mass market and deliver innovative and affordable products
- Leverage scale, control costs, and operate capital efficiently
- Build partnerships to enhance speed to market and differentiate our offering
- Create integrated communities with Retail and Retirement Living

We are delivering on our strategy

Delivering affordable high quality residential communities for middle Australia

Extend market reach

Acquired projects capital efficiently

Increased focus on affordable product

Exit apartments

Key achievements since 2009

- ✓ Portfolio mix now more balanced across four states
- ✓ Entered new corridors
- ✓ Several projects acquired on deferred terms e.g. Lockerbie (Vic), Marsden Park (NSW) and Leppington (NSW)
- ✓ Continue to reduce lot sizes to maintain affordability
- ✓ Launched innovative products e.g. House and Land packages from \$205,000
- ✓ All but one site under contract and due to settle over the next two to three years

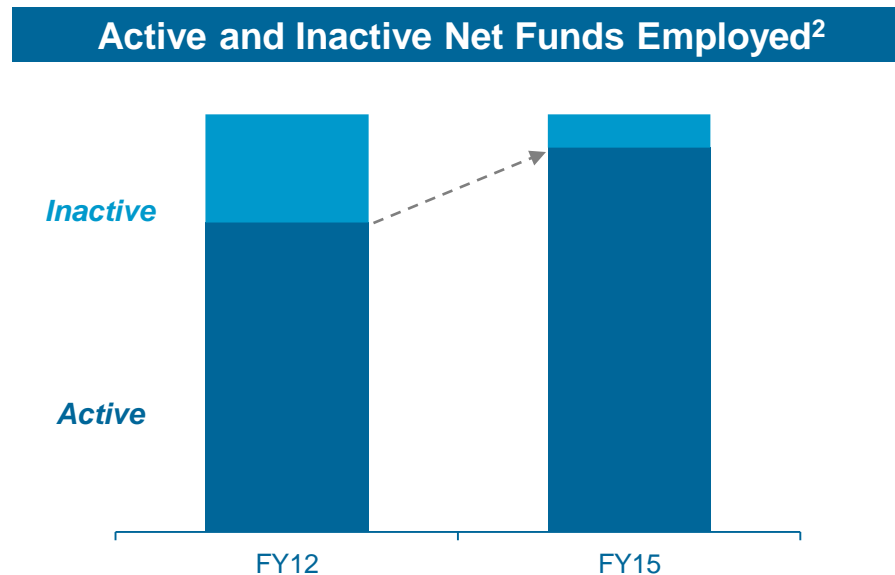
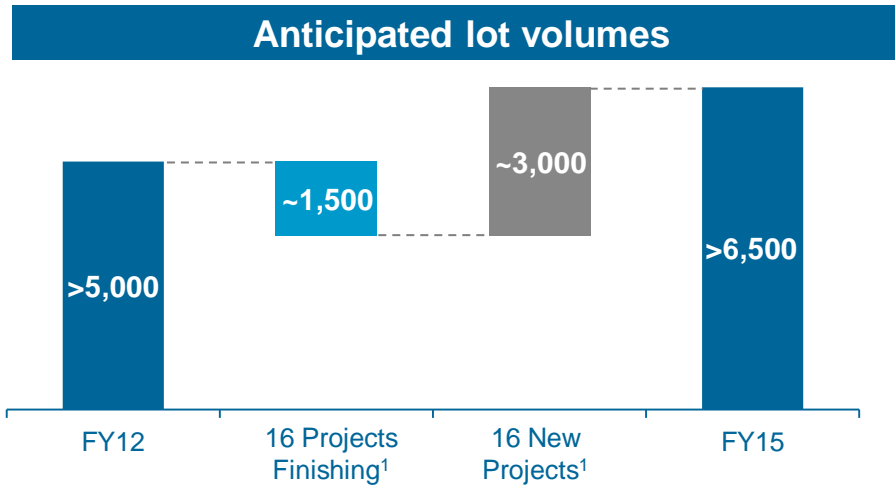
We will activate our land bank to increase volumes and returns

Growing the business

- Grow lot volumes to ~6,500 in FY15 assuming no market improvement
- EBIT margins in line with 25% target
- Achieve project IRRs >20%

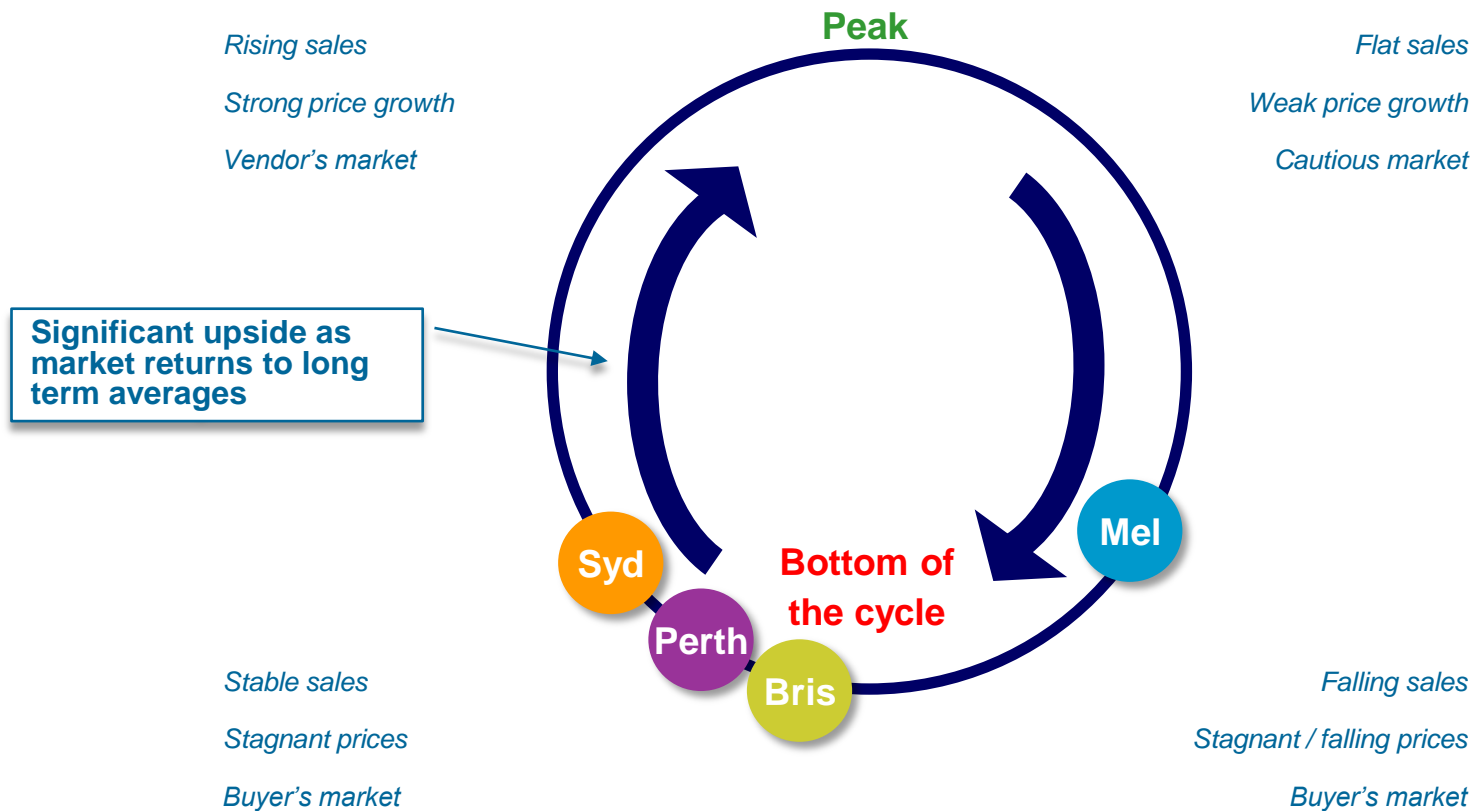
Converting inactive land bank to active

- Being a trusted partner with government facilitates speed to market
 - More of our capital will be actively generating returns



The markets where we operate are near the bottom of the cycle

Vacant land market property clock

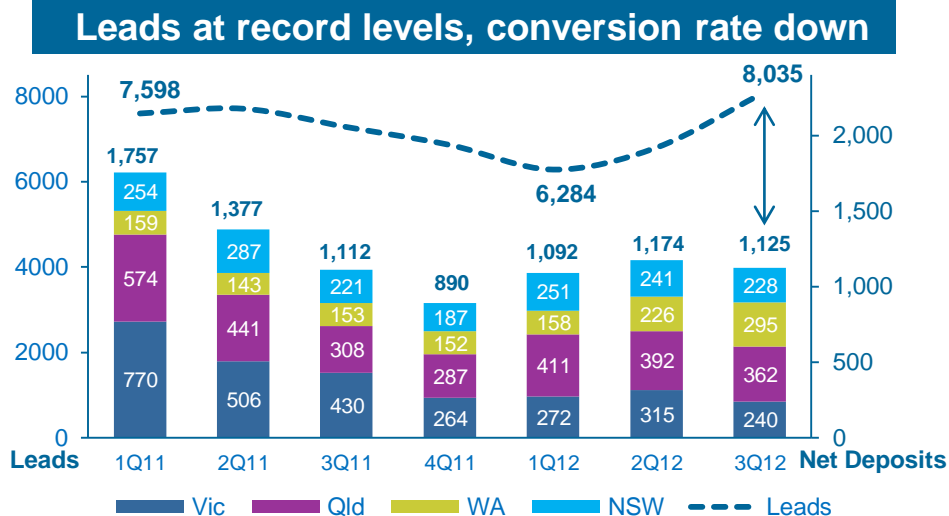


Expect FY12 settlements ~5,000 lots at the 'bottom of the cycle'

Third quarter sales were impacted by the soft conditions

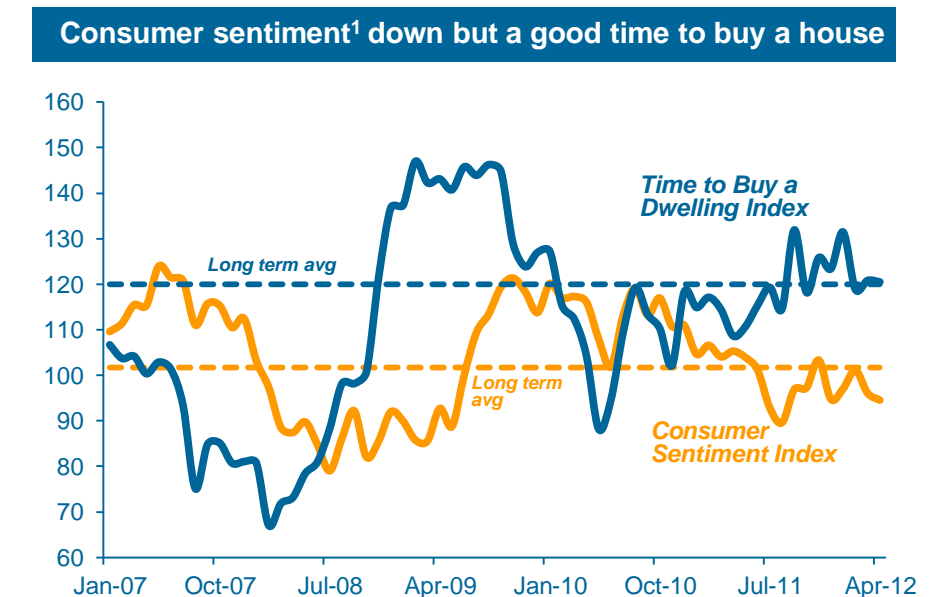
Leads remain strong, deposits are subdued

- Sales improving in WA
- Vic impacted by increased cancellations and competition
- Qld still subdued, NSW holding



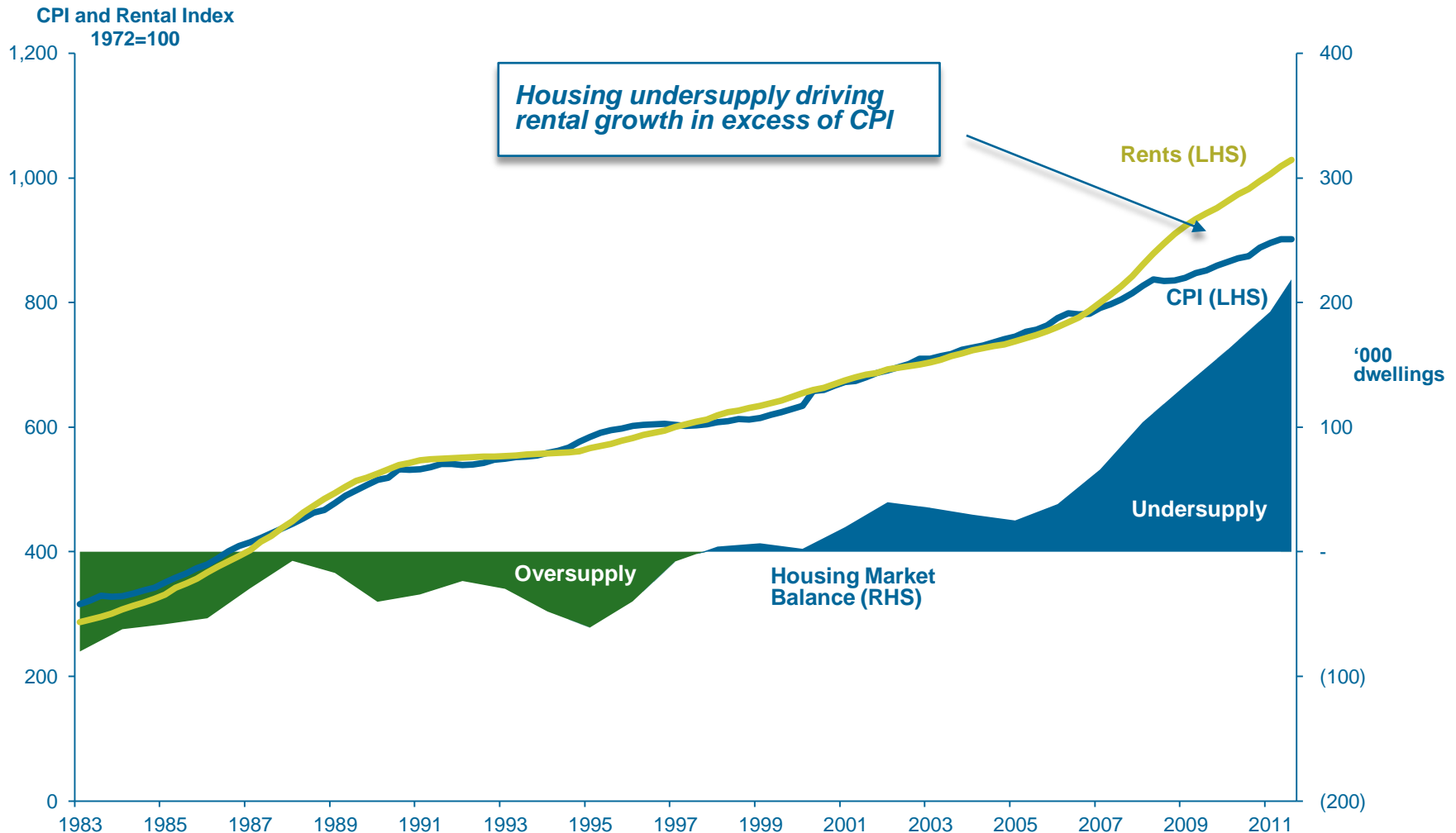
Consumer sentiment impacting conversion

- Market seeking certainty on interest rates, employment, and macro economic conditions
- Customers focused on value for money and tangible differentiators



Current downturn not structural – rents rising and undersupply growing

Rents and Housing Market Balance¹



Affordability continues to improve and renters are looking to buy

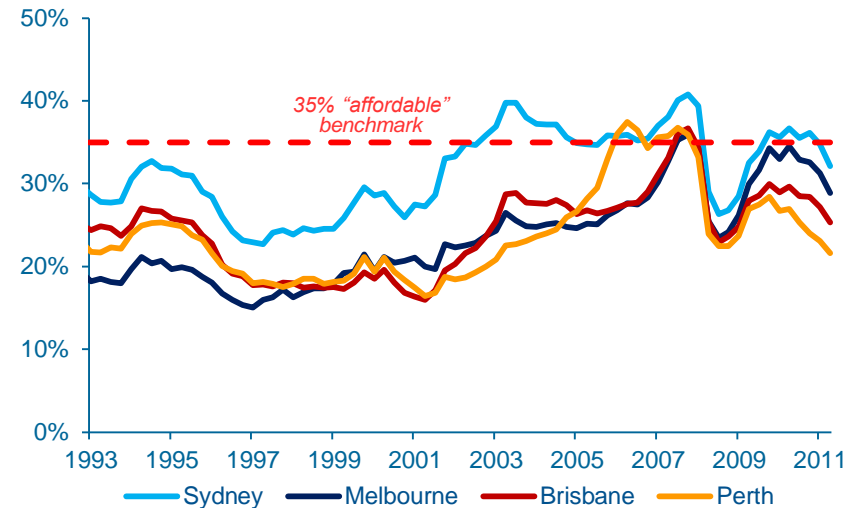
Affordability improving across all states

- Incomes growing faster than house prices
- Resource states most affordable

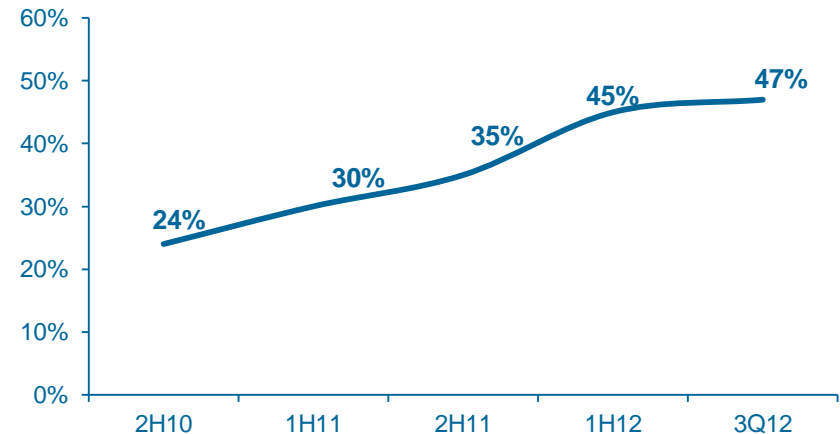
Leads currently renting have doubled in two years

- Renters are tired of renting – they want to own their home
- Cost differential between renting and owning has narrowed
- Stockland affordable product is attractive to this customer segment

Mortgage repayments as % of household income¹



Proportion of Stockland leads currently renting

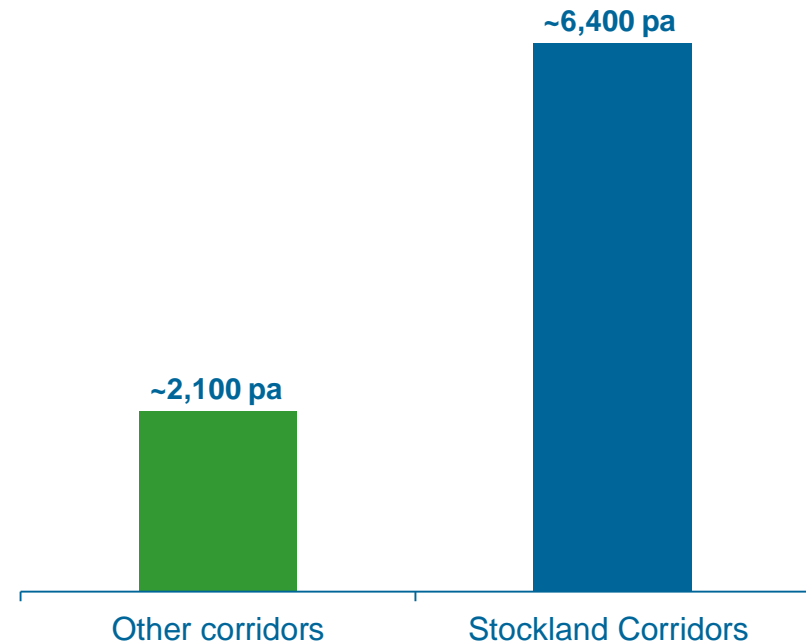


As the market improves we are well positioned in key growth corridors

Our 26 Corridors capture >50% of future national population growth

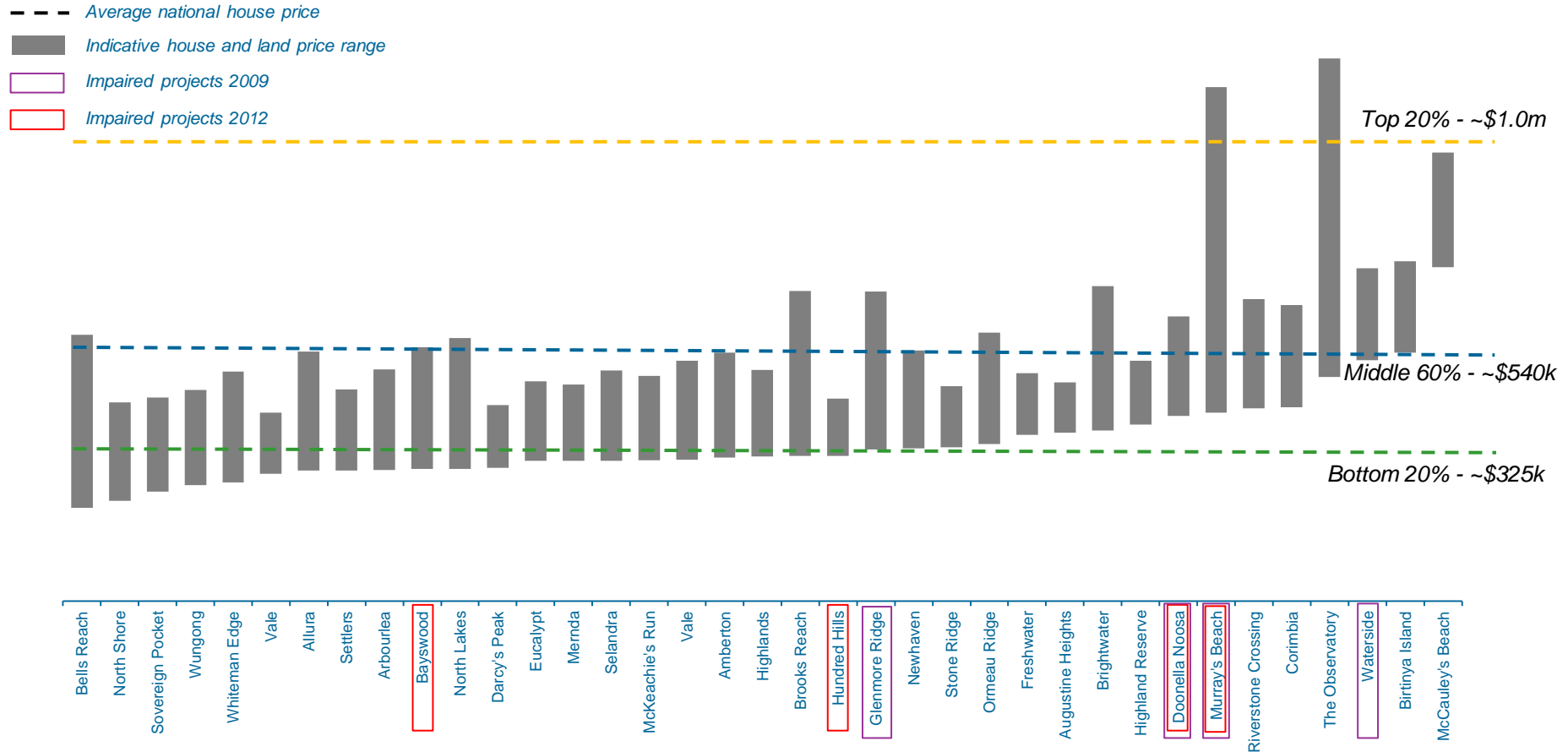
- We select high growth corridors based on deep market analysis
- We secure the best sites in these corridors
- We acquire on capital efficient terms

Projected annual population growth per corridor¹



Stockland Communities target the affordable mass market

Our active projects are in the affordable range¹



Leading customer insight used to determine product offer

Innovative affordable products are widening our appeal

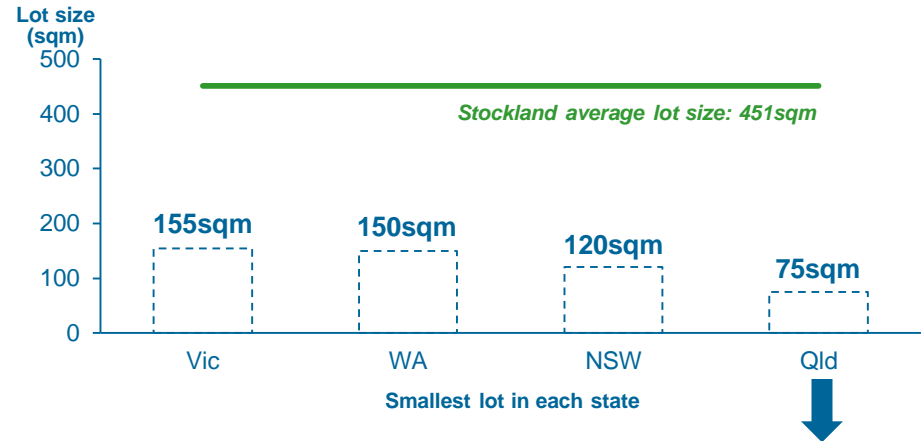
Significant scope to reduce lot sizes

- House and land packages under \$300,000 in all main states
- Partnerships with key stakeholders unlock these opportunities
 - Strong builder relationships
 - Government approvals – faster speed to market

Innovative product opening new market segments

- Highly successful launches:
 - Mode at North Lakes (Qld) – house and land from \$269,000
 - Bower Series at Bells Reach (Qld) – house and land from \$205,000

We continue to drive down lot sizes and prices



Bower Series at Bells Reach - from \$205k



Short term market outlook is challenging, medium term improving

- FY13 will be challenging in the absence of an improvement in buyer sentiment
- Projects coming to market in FY14 and FY15 will require early investment in infrastructure and amenity, impacting FY13 cashflows from additional development expenditure
- Returns in FY14 and FY15 will benefit from 14 new projects e.g. Lockerbie (Vic) and Marsden Park (NSW)



Stockland

Retirement Living – Roundtable

David Pitman, CEO Retirement Living

Building a profitable, investment-grade asset class

Our strategic objectives

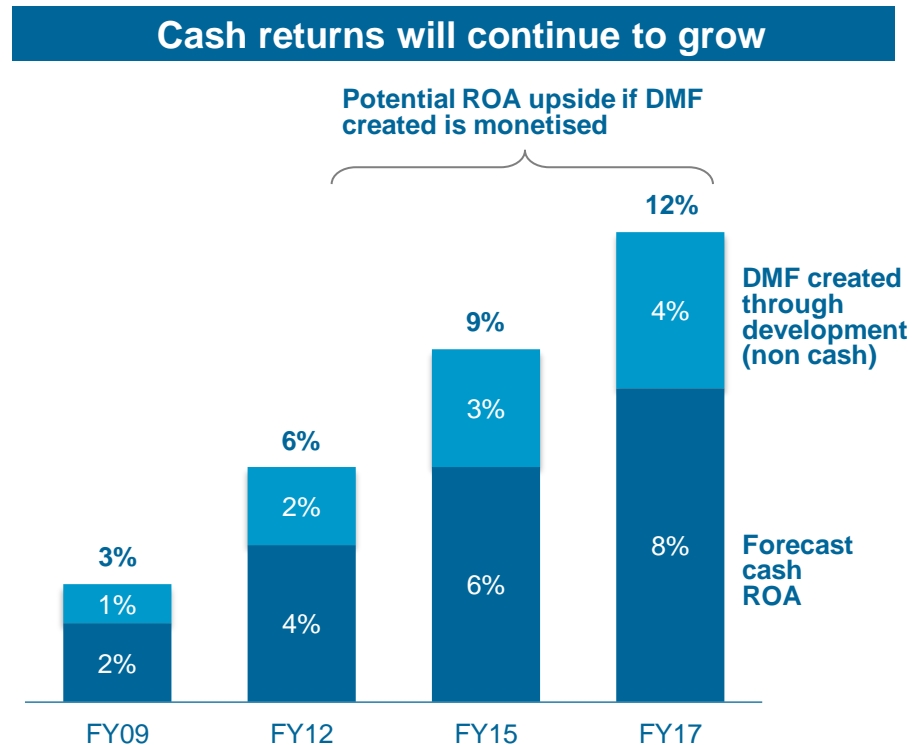
- Be Australia's leading Retirement Living operator
- Full, happy villages
- Demonstrate investment value by increasing cash returns

How we will deliver

- Profitably developing new villages on Stockland land
- Achieving operational efficiencies through repeatable processes and scale
- Leveraging Group capabilities in operations and development
- Developing excellence in sales and service
- Providing transparency of business performance

We are increasing returns through scale and development

- Portfolio ROA of at least 8% by FY17:
 - Upside potential of 12% ROA by FY17 by securitising DMF created through development
- Returns will be driven by:
 - Scale in both development and operations
 - Increased development volumes by delivering affordable product in the right locations – over 800 new homes being developed pa by FY17
 - Operating efficiencies, including improved occupancy



Robust business performance - the strategy is working

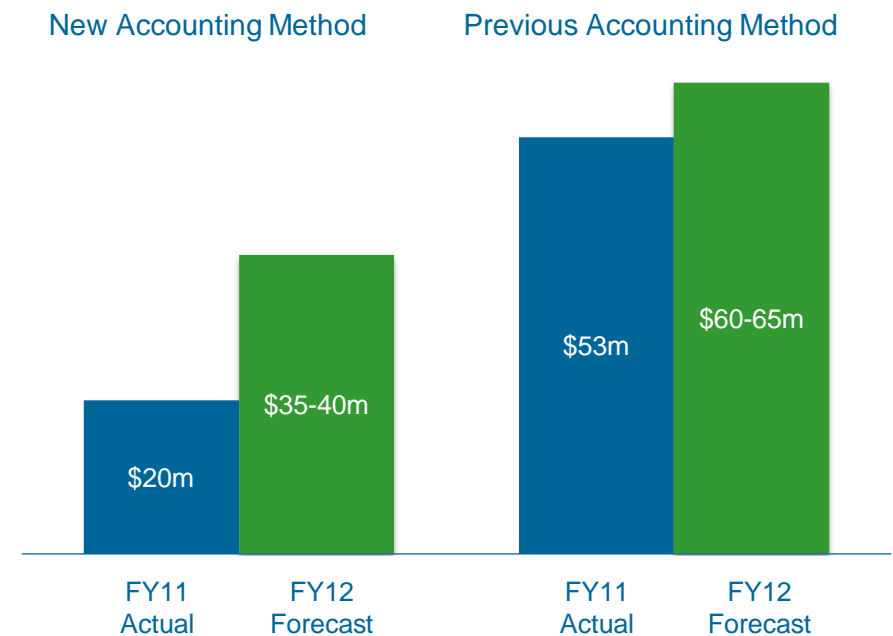
Resilient demand

- Strong sales in FY12:
 - On track to settle over 800 total sales in established and development villages
 - Margins slightly better than FY11
 - Many developments now selling off-the-plan
- How:
 - Affordable villages, attractive value proposition
 - Customers are selling affordable homes in affordable locations
 - Improved sales management

FY12 earnings targets will be met

- Turnover cash volumes and margins stronger
- Increased development volumes

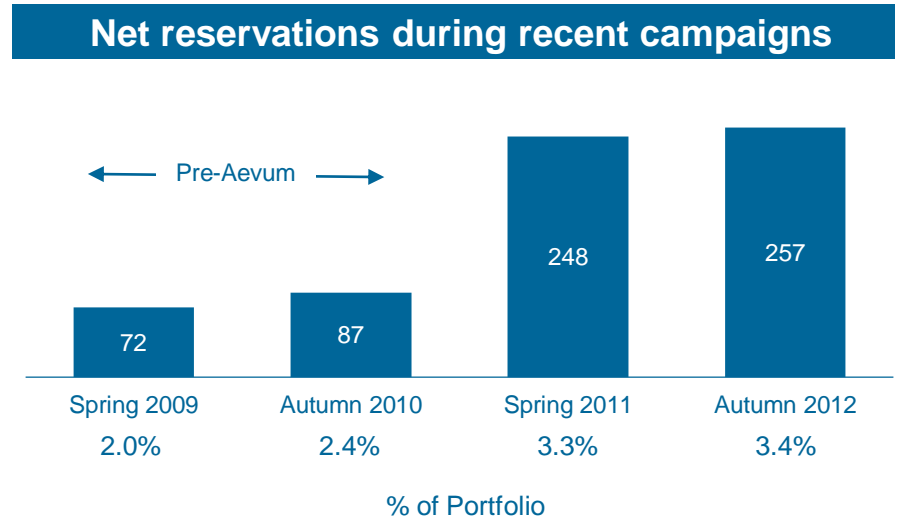
Good underlying profit growth under both methods



Sales are tracking well despite softer residential markets

Recent campaign result an all-time record

- Net reservations of 257 homes over an 8 week campaign:
 - 150 established
 - 107 development
 - All states and regions performed well
 - 35% of established village sales were referrals from existing residents
- For many customers, the decision to move to a village cannot be deferred and is needs-based:
 - Many have already waited and now accept that their local housing market has re-based
 - Have seen a reduction in the time to convert from lead to reservation
 - Time to settle remains stable



Our customers are less affected by cycles in the residential market

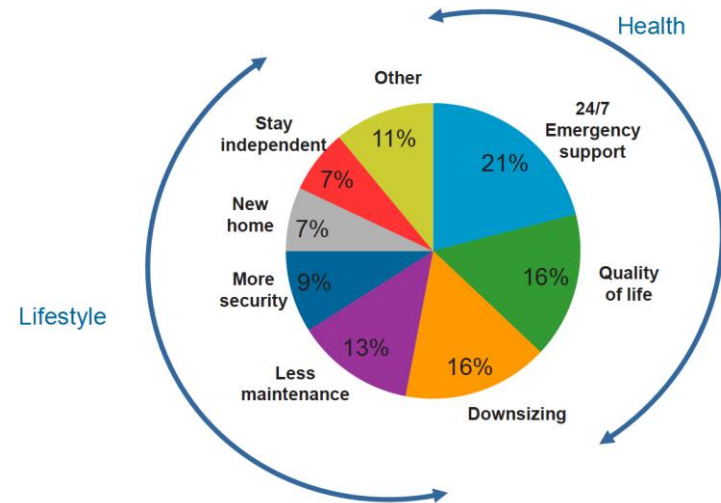
Moving decision is influenced by life events

- Key driver of demand is an actual or expected health issue which will make it harder to live in a full-size home
 - Moving to a retirement village is a needs-based decision
- Also frees up capital for residents
 - Average \$150k net cash remaining after selling previous house and funding retirement unit

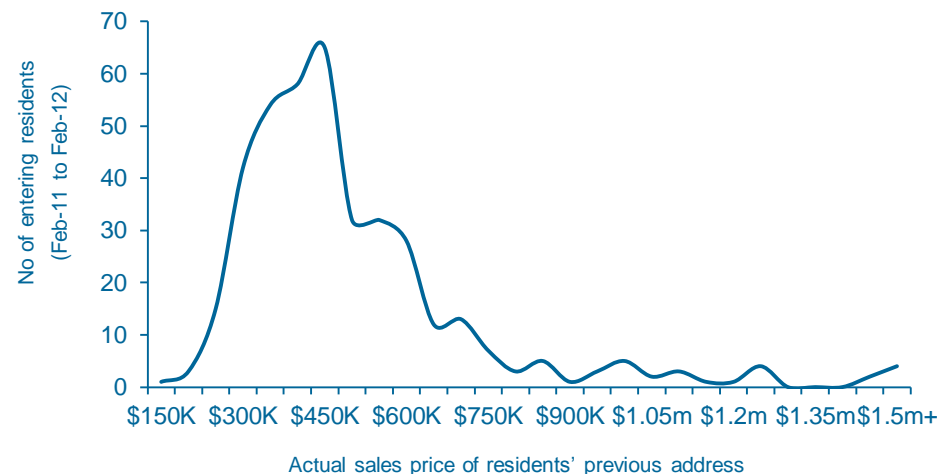
Customers well positioned to sell existing home

- Most customers fund their purchases by selling existing homes in affordable locations at affordable price points
 - 60% of our customers in the last year sold their previous house for under \$500,000

Reasons for moving to a retirement village



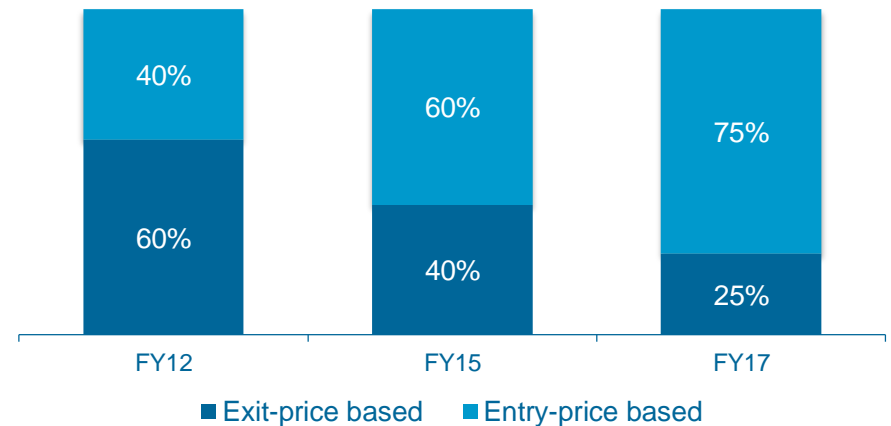
Majority of previous residences in affordable markets



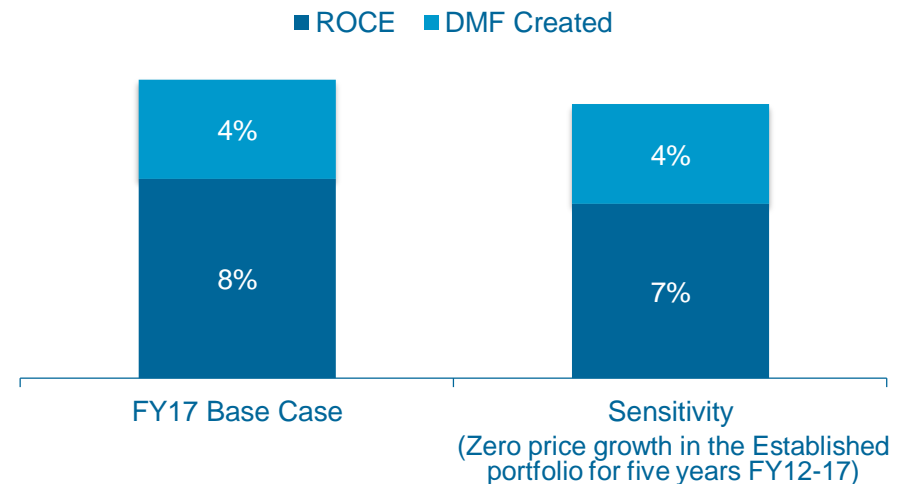
Future returns less sensitive to residential price growth

- Turnover cash has two components
 - Base fees (DMF)
 - Share of capital gain (50% shared with resident)
- Base fees historically account for circa 50% of turnover cash
- Base fees on entry-price based contracts are locked in once contract settles and resident enters
 - No risk from residential price growth
- All new contracts are now entry-price based on standard terms
 - Due to new developments and turnovers, in-place contract mix will shift significantly to entry-price based
 - FY17 cash returns more resilient as a result

Contract mix becoming less sensitive to changes in prices

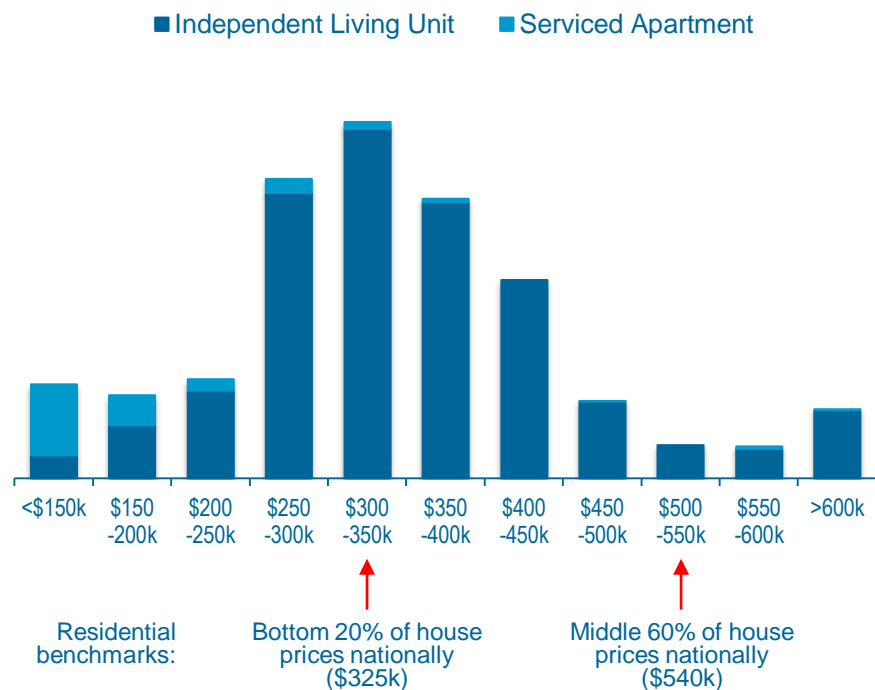


Cash returns therefore more resilient



Affordable to enter, affordable to live in

Affordable product: Price-points in Stockland portfolio



Potential energy savings from downsizing¹

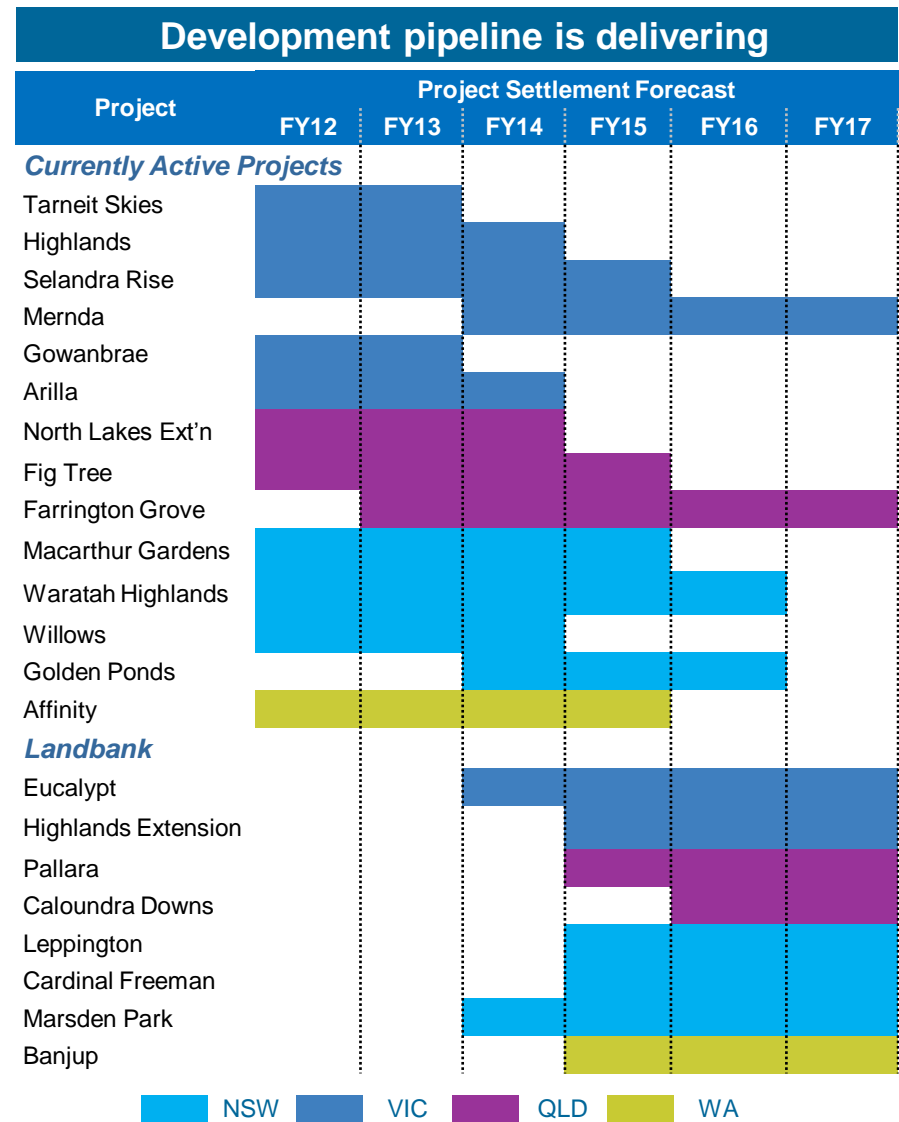
	Potential Annual Energy Costs		Annual Saving	
	3 Bed Single Story 1970s/80s Home	2 Bed Stockland Retirement Home	\$	%
NSW	\$3,910	\$795	\$3,155	80%
Vic	\$1,790	\$1,050	\$740	41%
WA	\$3,495	\$895	\$2,600	74%
Qld	\$1,430	\$550	\$880	62%

- In some cases, annual energy savings can be enough to pay for village levies (typically \$300-360/month)

1. Thermal Performance, 2012; modelled in accordance with National Energy Efficiency Framework and NatHERS national standards. Includes gas and electricity associated with lighting, hot water, fridge, levels of comfort and television entertainment; Construction methods reflect typical housing stock and common practices for the year, location and mainstream builders; dwelling designs as supplied were used and are of typical style, size and layout; the assessment uses the 2011 cost of services/utilities for the comparison to today's cost of living; most calculations were done on reverse cycle air conditioning with typical efficiency; not all customers will accrue these savings – it depends on how modern their appliances are and how they operate equipment such as air conditioners and heaters

We have created an industry-leading development capability

- Largest developer in the sector
 - Currently producing a new home every calendar day on average
 - Capabilities well-established from Residential Communities experience
- 90% of land required for next 5 years' production already owned
- Continuously improving and evolving product
 - Builder partner strategy leverages proven design and construction expertise – better, faster, cheaper
 - Reduced time-to-build by 18% in the last 12 months
 - Improving land efficiency: density up from 19-21 homes/Ha to 25-27
 - Industry-leading community centres
- Increasing scale and capital efficiencies
 - Small-stage production (average \$10m cost per stage)
 - Recycling of capital, increasing marginal returns



We are delivering on what we outlined a year ago

From cottage industry to investment-grade asset class

Build the foundation

Leverage group capabilities

Innovate for advantage

Key achievements last 12 months

- ✓ Aevum acquisition finalised; targets exceeded
- ✓ Asset management platform established
- ✓ DMF contracts standardised
- ✓ 40 out of 62 villages now internalised
- ✓ Builder partner strategy implemented
- ✓ Sharing in-house project management expertise
- ✓ Additional 3R communities being built at Selandra Rise (Vic), Baldivis (WA)
- ✓ Affordable Lifestyle services being rolled out under partnership model with Not-for-Profits (e.g. Macarthur Gardens food and beverage services)

Retirement Living delivering profitable growth

Customers well positioned against softness in residential market

- Record sales campaign with 257 reservations on hand
- Customers are able to sell their existing homes as they are located in affordable markets, at affordable prices
- Have achieved price growth on established portfolio in 2H12 of 1%

Strategy to create affordable living options for older Australian is working

- Decision to purchase is needs-based
- Customers finding value proposition attractive
- Making good progress on our strategic initiatives outlined a year ago

Transparent reporting and higher returns

- Focus on cash returns – transparency means simpler to model and analyse performance improvements
- Will exceed 8% ROA by FY17; higher if DMFs created through development can be crystallised
- Acquisitions at the right price have potential to accelerate timing





Stockland

Annexure

Stockland Return on Assets methodology

	Numerator	Denominator
Residential	EBIT (including EBIT from impaired projects ¹) less overheads	Average Net Funds Employed (NFE) (excluding capitalised interest and adding back impairment provision ²) Add: Working capital allocation (including development WIP)
Commercial Property	AIFRS net operating income plus amortisation of lease incentives less overheads	Average cost plus additions plus lease incentives Add: Average development work in progress Add: Working capital allocation
Retirement Living	EBIT ³ less overheads	Average Net Funds Employed (including inventory, cash paid for acquired DMFs and goodwill, excluding capitalised interest, impairment and revaluations) Add: Working capital allocation (including development WIP) Add: Average net value of Aged Care assets

Note: EBIT is before capitalised interest in COGS

ROA – Residential example

Example of an active project delivering benchmark returns. ROA calculation for Residential also takes into consideration overheads and non active projects, in accordance with definitions on page 65.

Numerator	\$m	Denominator	\$m
Revenue	53	Land	40
COGS (Land and development expenditure)	(27)	Development expenditure	30
COGS Capitalised interest	(8)	Capitalised interest	20
Underlying profit	18	Net Funds Employed	90
Post-interest return	20%		

Adjustments to ROA calculation to exclude interest

Exclude: COGS Capitalised Interest	8	Exclude: Capitalised Interest	(20)
EBIT	26	Capital Employed	70
ROA (pre-interest)	37%		

ROA – Residential impairment example

Example of an impaired project. ROA calculation for Residential also takes into consideration overheads and non active projects, in accordance with definitions on page 65.

Numerator	\$m	Denominator	\$m
Revenue	30	Land	40
COGS (Land and development expenditure)	(27)	Development expenditure	30
COGS Capitalised interest	(8)	Capitalised interest	20
COGS Impairment Release	5	Impairment	(10)
Underlying profit	0	Net Funds Employed	80
Post-interest return	0%¹		

Adjustments for interest and impairment ROA calculation

Exclude: COGS Capitalised Interest	8	Exclude: Capitalised Interest	(20)
Add back: Impairment release	(5)	Add back: Impairment	10
EBIT	3	Capital Employed	70
ROA (pre-interest and impairment)	4%		

16 projects with first settlements by FY15

Summary of new projects				
Project		Timing of first settlements	Approximate total lots in project	Approximate life of project
NSW	Lochinvar	FY14	660	6 yrs
	Anambah	FY14	2,050	8 yrs
	East Leppington	FY14	3,200	10 yrs
	Marsden Park	FY14	2,300	8 yrs
	Brooks Reach 2	FY15	600	7 yrs
QLD	Paradise Waters	FY14	1,800	12 yrs
	Pallara	FY14	900	6 yrs
	Bahrs Scrub	FY14	1,200	7 yrs
	Rockhampton	FY15	2,100	14 yrs
	Caloundra South	FY15	20,000	20+ yrs
	Twin Waters	FY15	850	12 yrs
VIC	Point Lonsdale	FY13	520	11 yrs
	Arbourlea	FY13	300	2 yrs
	Lockerbie	FY14	11,500	20+ yrs
	Davis Rd	FY14	2,620	10 yrs
WA	Banjup	FY14	1,700	10 yrs
Total lots			52,300	

16 projects completing prior to FY15

Summary of completing projects

Project	Timing of final settlements	Total Lots	Lots remaining to sell (as at 1H12)
NSW	McKeachies Run	FY14	1,017
	Darcys Peak	FY13	222
	Waterside	FY14	609
	Lakewood	FY12	517
	McCauleys Beach	FY13	285
	Glenmore Ridge	FY13	505
	Brooks Reach	FY14	618
QLD	Cane Bridge	FY12	217
	Woodgrove	FY12	304
	Parkwood	FY13	659
	Pacific Pines	FY12	5,000
VIC	Hawkestone	FY12	749
	Eve	FY12	799
WA	South Beach	FY13	231
	Townside	FY13	428
	Baldivis Town Centre	FY14	137
Total lots		~12,300	

Commercial Property asset disposals – FY12

Property Disposed	Asset Class	Settlement Date	Disposal Value (\$m)
Bank West Tower	Office	Jul 2011	130.0
Lilydale	Retail	Jul 2011	28.0
Wacol	Industrial	Nov 2011 – Dec 2011	35.2
52 Martin Place	Office	Nov 2011	172.2
Riverside Plaza	Office	Nov 2011	193.6
Exchange Plaza	Office	Dec 2011	157.7
7 Macquarie Place	Office	April 2012	55.0
Moorebank	Industrial	Jun 2012	123.0
150 Charlotte Street	Office	Jun 2012	53.5
Myuna	Office	Jun 2012	24.0
Total Asset Disposals – FY12			972.2

Retail development case studies

Shellharbour - Financial Metrics

Masterplan

Forecast Total Development Cost	\$330 million
Forecast Value on Completion	\$670 – 700 million
Forecast Enhanced Valuation	\$75 – 105 million
Forecast Incremental Yield	7.6%
Forecast Incremental IRR	14 - 15%

Wetherill Park - Financial Metrics

Masterplan

Forecast Total Development Cost	\$125 million
Forecast Value on Completion	\$570 – 600 million
Forecast Enhanced Valuation	\$75 – 100 million
Forecast Incremental Yield	7.5 – 8.0%
Forecast Incremental IRR	13 - 15%

New reporting pro forma

Re-stated historical performance of Stockland Retirement Living in new reporting format

	Units	FY09	FY10	FY11	1H12	FY12F	
Development							• Total value of newly-developed properties settled in the period
First lease receipts	\$m	51.0	66.7	72.4	37.7	TBD ¹	
Development costs	\$m	(39.6)	(53.8)	(58.6)	(30.6)	TBD ¹	• All cash in the period (e.g. 100 new units priced at \$400k with a 15% margin delivers income of \$6m)
A Development margin	\$m	11.4	12.9	13.8	7.1	TBD ¹	• No unsettled profit
Development margin	%	22%	19%	19%	19%	TBD ¹	
Turnovers							• Cash receipts for units re-leased in the period; essentially, the value of the properties re-leased in the period
Turnover receipts	\$m	49.7	71.9	126.0	71.7	TBD ¹	• Net cash from turnovers, recognised when new residents settle (e.g. 100 turnovers re-leased @ \$400k and a 25% margin delivers income of \$10m)
B Turnover cash margin (DMF + capital gain share)	\$m	9.8	13.4	35.3	18.3	TBD ¹	
Turnover cash margin	%	20%	19%	28%	26%	TBD ¹	
C Conversion profit	\$m	11.9	11.8	8.7	3.9	TBD ¹	• No change from previous method
D Other income including Aged Care	\$m	0.8	(0.2)	(1.3)	1.1	TBD ¹	
Total income	\$m	34.0	37.9	56.5	30.4	TBD ¹	• Sum of lines A, B, C and D
Selling, general and operational expenses	\$m	(28.0)	(28.0)	(37.0)	(19.5)	TBD ¹	
E Underlying Profit	\$m	6.0	9.9	19.5	10.9	35-40	• Average cash invested in each period; excludes revaluation gains; includes goodwill
F Capital Employed	\$m	415	443	687	960	960-980	
Pre-interest Net ROA	%	1.9%	2.9%	3.4%	2.7%	4.3-4.6%	• Line E divided by line F, adjusted to exclude capitalised interest in Development Cost and Capital Employed
Reported profit (previous method)	\$m	31.7	35.8	53.4	23.0	60-65	

Aevum acquisition targets exceeded

Target	Guidance provided during bid	Outcome
EPS accretion - FY12	~2.5% accretive in FY12	+2.9% in FY12
Cash coverage	Expect to achieve ~45% cash coverage in FY12	70% in FY12
Synergies	Estimated savings of ~15% of combined costs per annum by end of FY12	23%
Cash return on investment	Circa 8.5%pa by FY13	8.8% in FY12

Note: Since the Cash Coverage metric is redundant under the new reporting method (being as underlying profit is now reflective of cash profits), it will no longer be reported

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