



**Investor Tour – Queensland  
March 2005**

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**Denis Hickey  
CEO - Development Division**



**Outline**

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- Stockland Business Model
- Lensworth Status
- Asset / Product Mix
- Finance & Risk Management

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## Stockland Business Model

### There Are Two Distinct Business Models

#### **Land Ownership**

- Land is 100% owned by developer (leveraged or un-leveraged)
- Developer receives 100% of revenue from end sale

#### **Land Management**

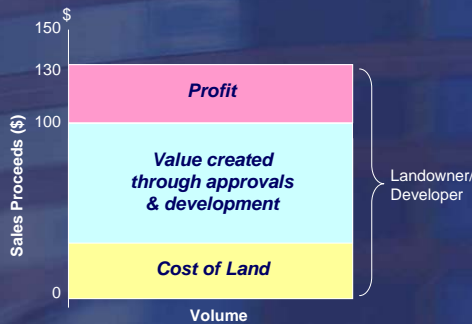
- Land owned by original owner
- Developer pays land owner out of revenues
- Project management fees generated
- Performance fees

# Stockland Business Model

## Where is Profit Driven From?

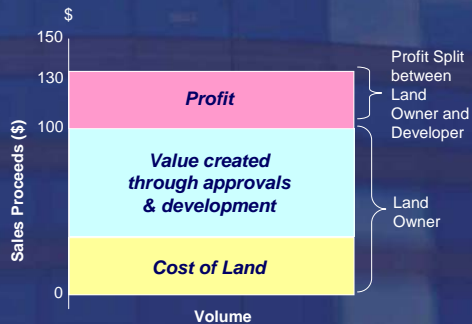
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# Stockland Business Model

## Major Differences

### LAND OWNERSHIP

#### Pro's

- 100% of value uplift
- Flexibility
- Security / Certainty

#### Con's

- Capital required

### LAND MANAGEMENT (Third Party)

#### Pro's

- Low capital required

#### Con's

- Requirements to manage Joint Venture parties
- Lack of control / flexibility
- Enhanced profit only comes from project over performance

## Stockland Business Model

### Stockland's Current Position

- 94% of projects 100% owned
- 5 projects under management model

Project	Lots / Units	End Value
• Prince Henry (NSW)	387	\$400 million
• Kleinschmidt (QLD)	814	\$148 million
• Newhaven (WA)	1283	\$140 million
• Macarthur Gardens (NSW)	899	\$66 million
• Hawkstowe (VIC)	320	\$45 million

## Stockland Business Model

### Future Approach

- Maintain our preference to fully owned projects
- Look to increase land management style projects – but only when it is a means to access projects
- Increase exposure to unlisted / syndicate (Stockland generated) as appropriate



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## Lensworth Status

- Took possession of the Lensworth business on 10 December 2004
- Whole of life project review on all projects complete – no surprises
- Fully transferred VIC & NSW projects into our Business Units
- Lensworth QLD projects to transfer by 31 March
- Inherited quality staff / resources

## Lensworth Status

### Lensworth Yield

- On 10 December we advised we acquired 29,576 residential lots
- Included in this figure are 85 sites that were classified as residential “Super lots”
- These 85 sites can yield 2,100 lots (@ 15 lots per hectare)
- Additionally, over and above the 29,576 lots, there is 230 ha of non-residential land – undeveloped land valued at \$66 million

## Lensworth Status

<b>Purchase Price</b>	<b>\$825 million</b>
Plus Working Capital	\$21 million
<b>Total Purchase Price</b>	<b>\$846 million</b>
Less value of non-residential	\$66 million
Value represented by Residential projects	\$780 million
<b>No. of Residential Lots</b>	
Stated portfolio balance	29,576
Plus yield from medium density sites	2,100
	<b>31,591</b>
<b>Average Value Per Residential Lot</b>	<b>\$24,691</b>

## Lensworth Status

Stockland has effectively paid \$24,691 per lot for the Lensworth portfolio

However, this is only a guide to determining “value” - as other considerations are:

- The quality and location of the land held
- The type and size of the lots
- Whether the lots are wholly owned, partially owned or held via a syndicate structure
- The zoning status of the property when purchased
- The extent to which development costs have been incurred on the lots

By any assessment, Lensworth represents outstanding value to Stockland

## Lensworth Status

### Why was Lensworth not valued on a P/E multiple?

- Proven industry practice to value land acquisitions on DCF basis (NPV)
- Inappropriate to value Lensworth on P/E because:
  - Firstly, currently only 7 out of the 17 projects have commenced sales therefore no value is attributed to the other projects
  - Secondly, it is inventory being acquired, not income producing assets
  - Finally, current year earnings bears no resemblance (except by coincidence) to potential future earnings
- We valued each property on the following assumptions:
  - Hurdle rates were applied to **un-leveraged** cash flows
  - No escalation was applied to the revenue or costs of any project that had a duration of less than 5 years
  - For projects with a lifespan greater than 5 years, no escalation was applied to the revenue and / or costs of any project until year 4

Importantly, Lensworth was a strategic acquisition due to the quality of the projects and the size of the portfolio being secured in one line

## Lensworth Status

Project	Period Ending,										End Date	
	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14		
Highlands Craigieburn (VIC)	█	█	█	█	█	█	█	█	█	█	█	→ 2024
North Lakes (QLD)	█	█	█	█	█	█	█	█	█	█	█	
Bellvista (QLD)	█	█	█	█	█	█	█	█	█	█	█	
Eastbank & KBV (QLD)	█	█	█	█	█	█	█	█	█	█	█	
Kawana Forest (QLD)	█	█	█	█	█	█	█	█	█	█	█	
Glenmore Park - (NSW)	█	█	█	█	█	█	█	█	█	█	█	
Kawana Island (QLD)	█	█	█	█	█	█	█	█	█	█	█	
Lake Doonella (QLD)	█	█	█	█	█	█	█	█	█	█	█	
Glenmore Park - (NSW)	█	█	█	█	█	█	█	█	█	█	█	
Regatta Park (QLD)	█	█	█	█	█	█	█	█	█	█	█	
Wallarah Peninsula (NSW)	█	█	█	█	█	█	█	█	█	█	█	→ 2022
Kawana Town Centre (QLD)	█	█	█	█	█	█	█	█	█	█	█	
Birtinya Island (QLD)	█	█	█	█	█	█	█	█	█	█	█	
Kawana Beach (QLD)	█	█	█	█	█	█	█	█	█	█	█	→ 2016
Bundilla (QLD)	█	█	█	█	█	█	█	█	█	█	█	→ 2015
Caboolture Waters (QLD)	█	█	█	█	█	█	█	█	█	█	█	→ 2015
Caloundra Downs (QLD)	█	█	█	█	█	█	█	█	█	█	█	→ >2022

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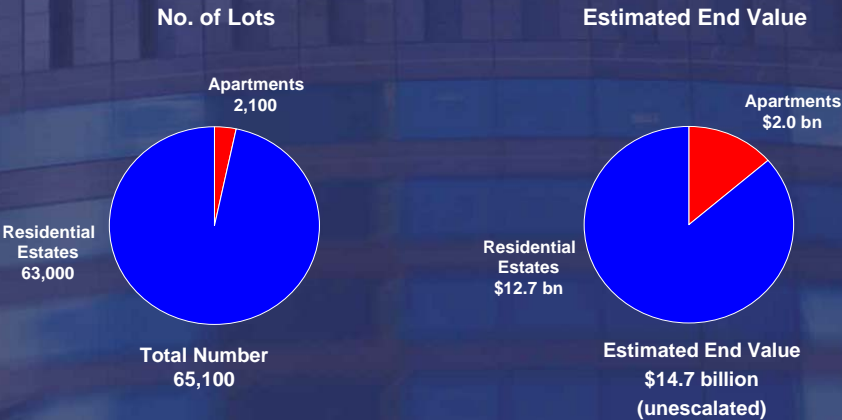
# Asset / Product Mix

## Good Geographic Mix



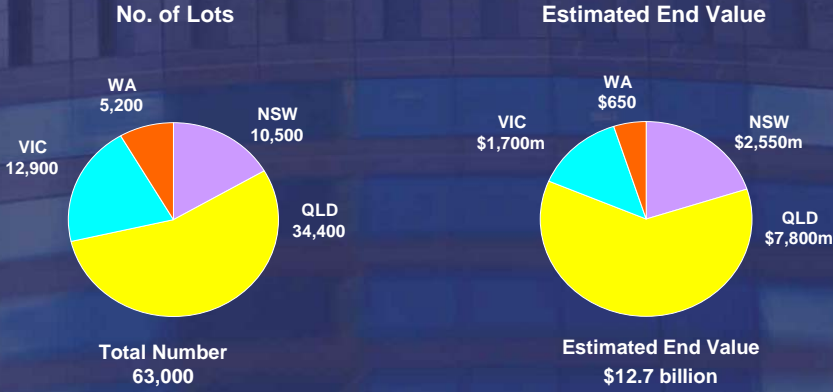
# Asset / Product Mix

## Lots / Units Controlled – Development Division



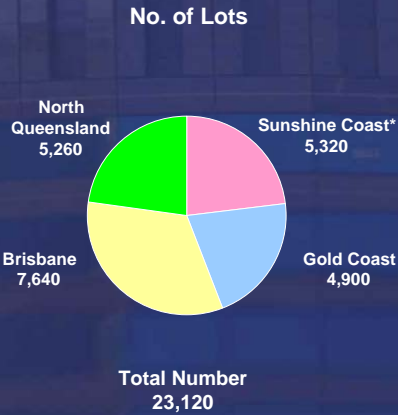
# Asset / Product Mix

## Lots Controlled – Residential Estates



# Asset / Product Mix

## Diverse Queensland Holdings



\* Excludes Caloundra Downs - estimated 12,000 lots commencing 2011

## Asset / Product Mix

- Stockland and Lensworth's combined Residential Estates portfolio has a good mix of small, medium and large scale projects

	Under 500 Lots	500-1,000 Lots	1,000 + Lots	Total
No. of Projects*	48	18	14	80
No. of Lots* #	7,800	13,000	42,200	63,000

### Key Benefits

- Greater flexibility and diversity
- Variety of projects to cater for specific market segments

\* Residential Estates Only  
# Balance of lots remaining

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## Finance & Risk Management

- Strong commitment to risk management practices
  - Full 5 year forecasts every 6 months
  - Whole of life project performance reviews every quarter
  - Regular contingency modelling
  - Robust authorisation process – thorough but not bureaucratic



## Finance & Risk Management

- Proven financial management
  - Consistent approach to accounting practices
  - Robust systems and monitoring practices
  - Factored in fair value accounting requirements into Lensworth modelling

## Finance & Risk Management

### Strong Sales Recorded this Financial Year

- Contracts on hand as at 28 February
  - Residential Estates      \$172 million
  - Apartments                \$37 million
- Approximately 80% of full year budget

### Good Flow of New Projects

- 9 projects to be released by 30 June 2005
- Further projects released during FY06

## Disclaimer

### **Corporation/ Responsible Entity**

Stockland Corporation Limited  
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Stockland Trust Management Limited  
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