



# Investor Briefing Mark Hunter, CEO Residential

24 September 2009

# Overview

## FY09 recap - Communities

- Strong sales – market leading position
- Adjusted quickly to First Home Buyer opportunity
- Record level of contracts on hand @ June 30 (1,659 @ 31 July)

## FY09 recap - Apartments

- Poor performance
- Strategic review of Apartments business underway

## Market outlook

- Economic conditions slowly improving
- Consumer confidence continues to lift, but interest rate environment remains uncertain
- We remain cautiously optimistic about FY10, with strong prospects for FY11+

## Communities FY09

Lots settled	4,303
Average retail price*	\$206k
Revenue	\$873m
Operating profit (pre-impairment)	\$184m
Net margin	21.1%
Contracts on hand - no.	1,215
- \$	\$205m
Net funds employed	\$1.8bn

## Apartments FY09

Units settled	175
Average retail price*	\$1,294k
Revenue	\$227m
Operating (loss)/profit (pre-impairment)	(\$9m)
Net margin	(4.0%)
Contracts on hand - no.	310
- \$	\$330m
Net funds employed	\$0.5bn



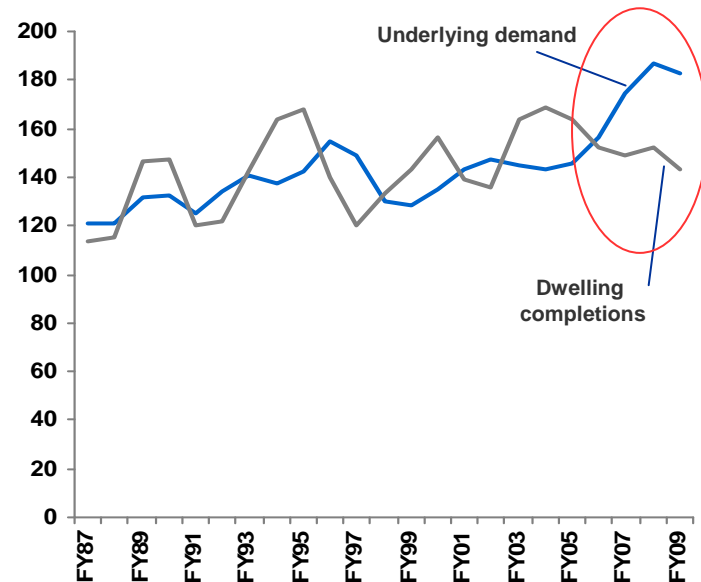
# Australia is undersupplied with housing

Major undersupply of housing has developed since 2006..

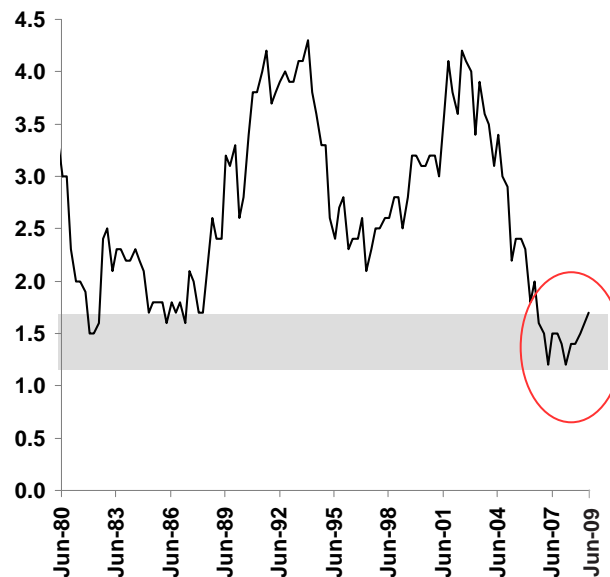
..causing rental vacancies to fall to record low levels..

.. strong population growth is expected to continue, causing further supply / demand imbalance

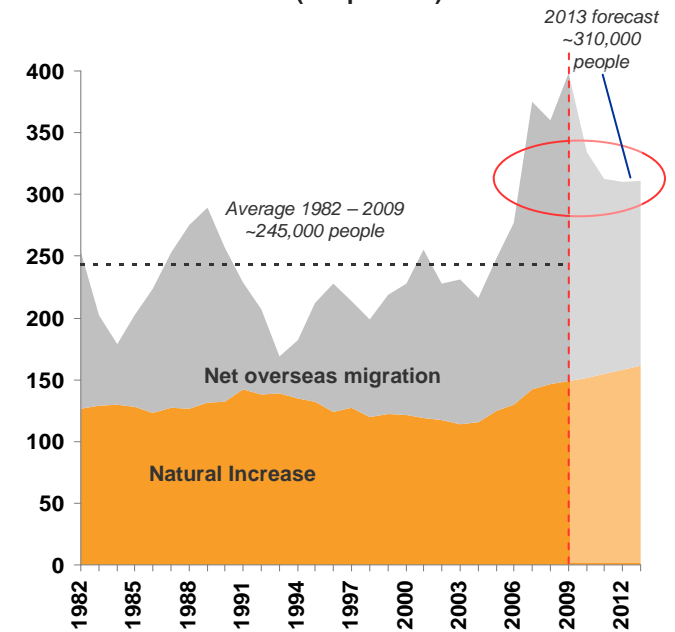
Underlying Demand & Supply of Dwellings  
(000s)



National Rental Vacancy Rate  
(%)




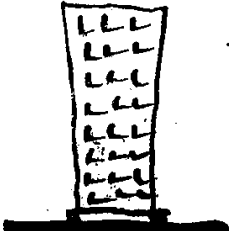





Annual Australian Population Growth p.a.  
(People '000)



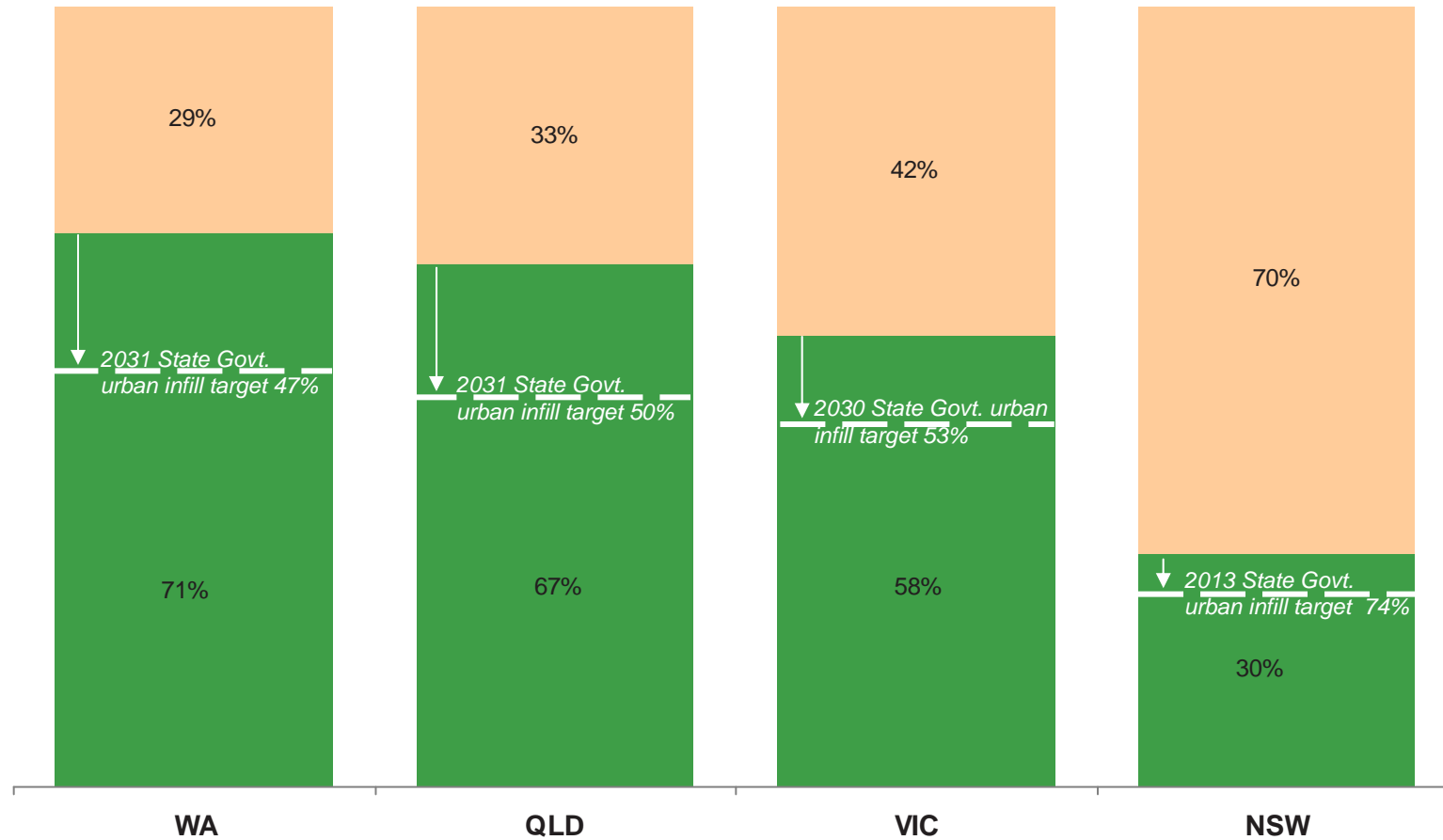
Leading economists estimate the cumulative housing shortage will reach 250,000 by the end of FY10


# Despite urban consolidation rhetoric, Australian residential market is still dominated by single detached housing

	Vacant lot sales	New dwellings	Infill medium density	Apartments	
					
Definition	<ul style="list-style-type: none"> <li>Separately contracted land</li> </ul>	<ul style="list-style-type: none"> <li>Knock down and rebuild</li> <li>Developer-builder lots</li> </ul>	<ul style="list-style-type: none"> <li>2 &amp; 3 storey domestic construction</li> </ul>	<ul style="list-style-type: none"> <li>3 storey+ developments</li> </ul>	
Typical annual dwelling commencements	80,000 – 90,000	20,000 – 30,000	45,000 – 55,000		<b>Underlying Demand</b> 150,000 – 170,000 dwellings pa
Stockland view	<ul style="list-style-type: none"> <li>Deep experience and success in broadacre developments</li> <li>Sustainable market</li> </ul>	<ul style="list-style-type: none"> <li>Smaller market</li> <li>Lower margins</li> <li>Not a core capability</li> </ul>	<ul style="list-style-type: none"> <li>Growing market</li> <li>Similar to Retirement Living village developments</li> <li>Potential extension of existing model</li> </ul>	<ul style="list-style-type: none"> <li>Growing market but difficult to execute profitably</li> <li>Significant planning hurdles</li> <li>Penalised by market if not able to get sufficient scale and smooth cashflow</li> </ul>	
Stockland approach	 <b>Core capability</b>	 <b>Not our space</b>	 <b>Under review</b>		

## Despite state government urban consolidation targets, there is significant growth potential in traditional greenfield development

Estimated Brownfield / Greenfield Composition  
(%)

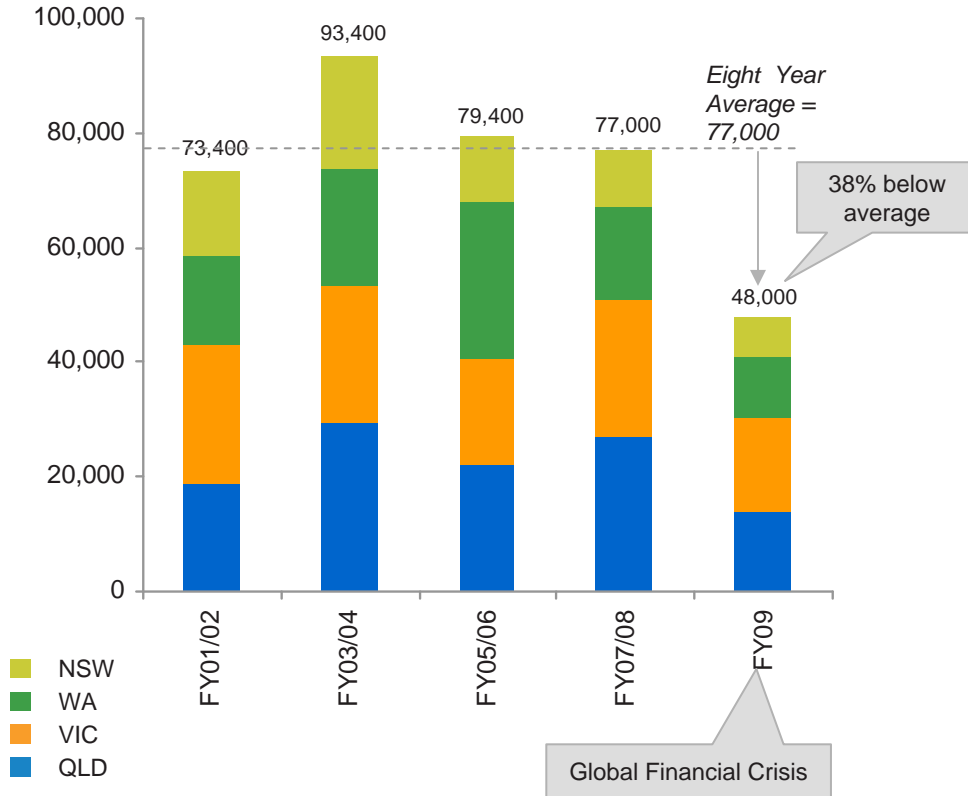


 Brownfield – medium density and apartments

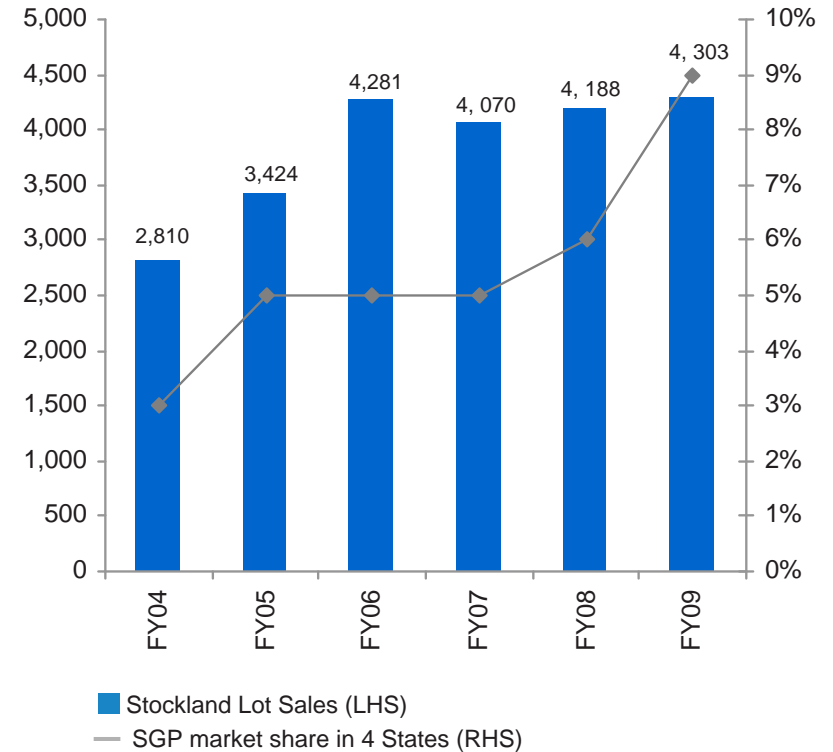
 Greenfield

# Despite the very weak market, we achieved increased lot sales in FY09

**Vacant Lot Sales<sup>1</sup> Across NSW, WA, VIC and QLD**  
(# p.a.)

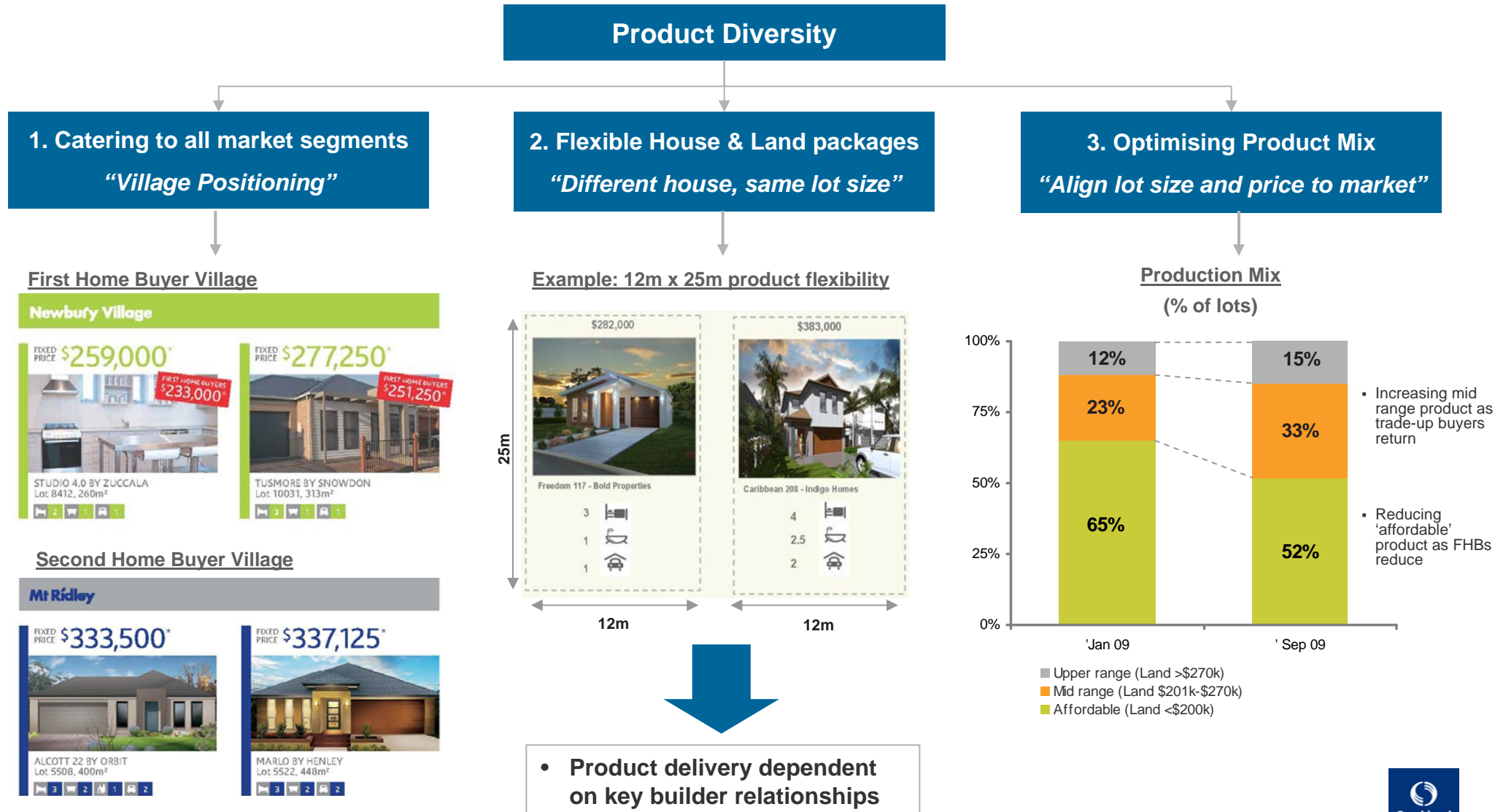


**SGP Lot Sales and Market Share In Four Key States**  
(# p.a., %)



**How did we increase market share....**

# We increased market share by delivering product diversity, meeting all key buyer segments



## We capitalised on the FHOB – but we are not solely dependent on it

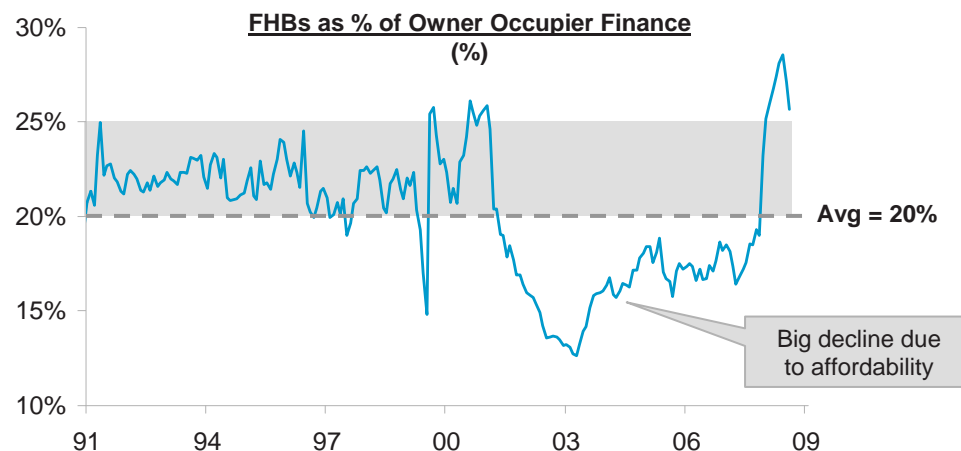
### FHBs are driven by a range of factors:

- Cost of owning – housing affordability is improving - lower interest rates, smaller product
- Cost of renting – rental vacancy rate is likely to remain low fuelling rent rises and FHB sales
- Employment / mobility – many buyers are moving for the house then find the job

### We are focused on maintaining a healthy share of FHB sales through:

- Product – smaller lots, more efficient design
- Price – target ~30% of packages below \$350,000

Over the long term, FHBs have averaged 20% - 25% of the owner occupier market



### Affordability returns to the market

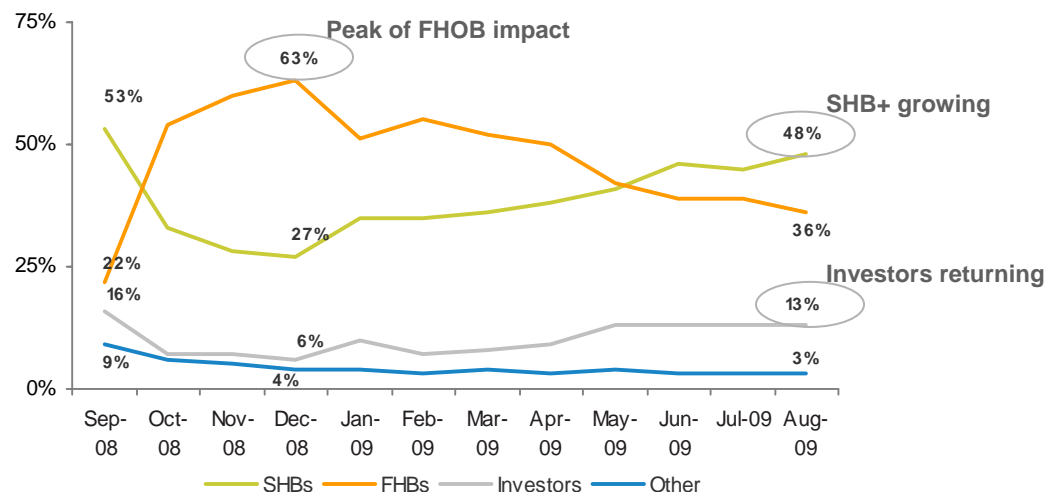




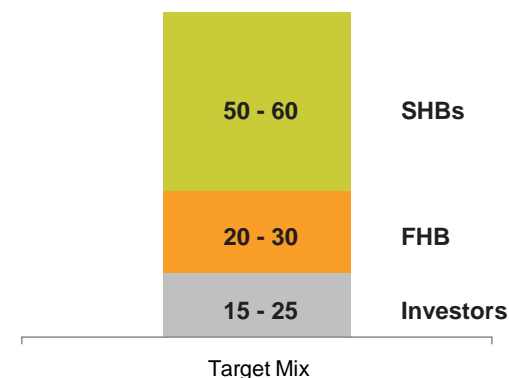
## We are well prepared for the end of the FHOB

- During 2009 we have transitioned our products towards second home buyers and investors
- Over the past 3 months we have seen second home buyers return to be the largest proportion of our leads
- Investors are also gaining momentum – rising rents, low interest, rising prices, negative gearing

### Residential Communities leads\* by segment (%)



### Long term target mix to maximise market share (%)



**To continue to grow the business we have therefore identified the key corridors within which we need to operate**

# Our goal is to increase annual lot sales to 5,000+ by growing market reach and market share in key population growth corridors

## Market fragmentation provides opportunity to grow:

- We are underrepresented in several key growth corridors
- Many smaller developers are sub-scale and undercapitalised

## Focus on speed to market

- Targeting acquisitions that can deliver profit within 3 years

## Rezoning / planning is a core competency

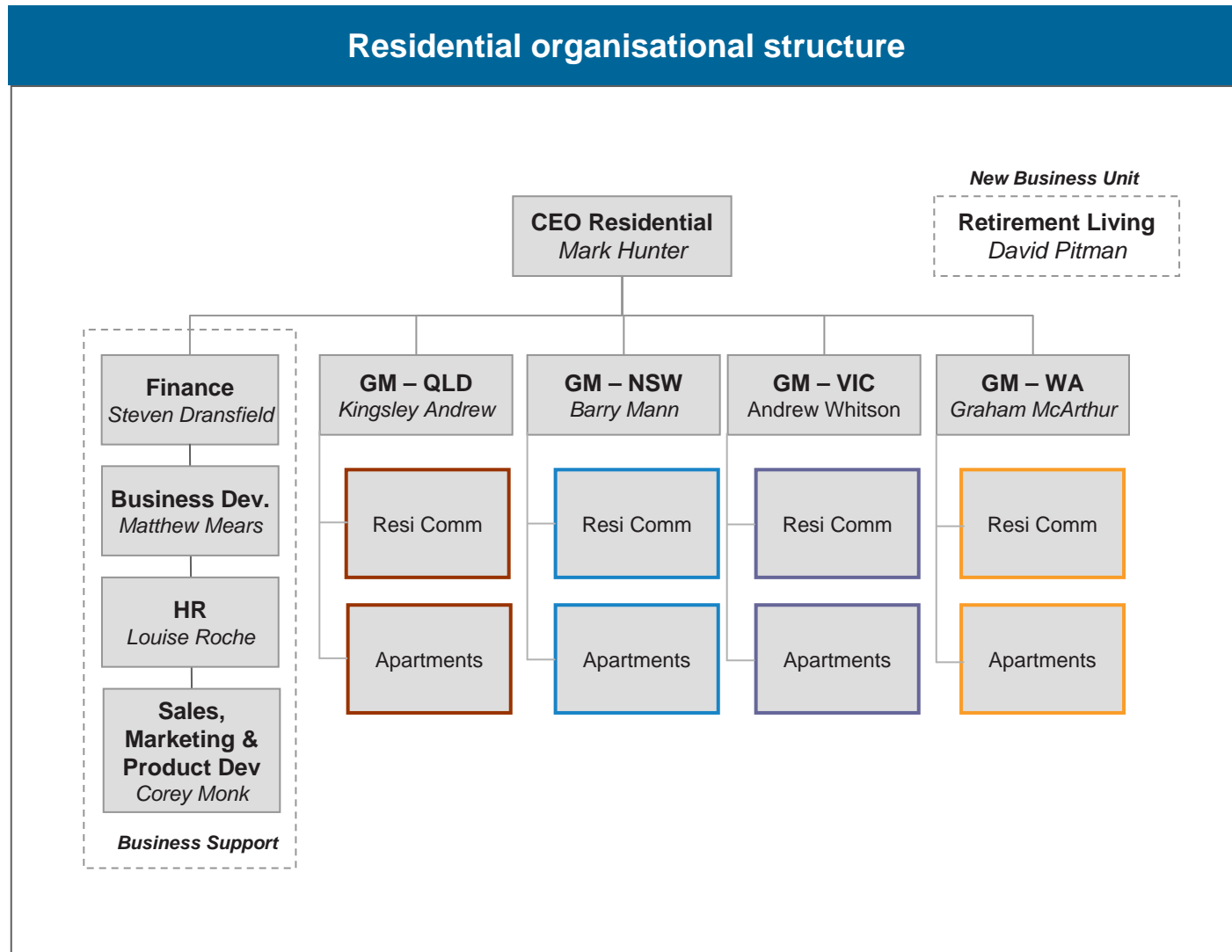
- We will retain our 5 year+ landbank as a proportion of total inventories
- Embedding future higher margins as we move through planning

## Wyndham acquisition – Truganina



- High growth corridor – Wyndham, VIC
- New corridor for Stockland
- ~1,300 lots, average house price \$300,000 - \$350,000
- Profit from FY11

## Management structure has been streamlined and simplified to deliver strategy



## In summary

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- **Market conditions continue to improve, but all eyes on end of FHOB**
- **February 2010 a key 'check-in' point for us**
- **Residential Communities is a sustainable growth business**
- **Clear strategy to grow market share and leverage our competitive advantage**

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