



Stockland

# Retail Development Pipeline Update

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# Retail growth strategy

- Well positioned assets in strong non-metro and metro locations
- Grow assets to create value uplift and generate increased recurring income
- Drive assets up the retail hierarchy – convert strong sub-regionals into major regionals and larger sub-regionals
- Create shopping destinations that are relevant, significant and sustainable for the regions in which they are located
- Position Residential Communities to continue to be market leading by delivering shopping experiences to residents ahead of competitors

## Retail development projects spread across non-metro and metro locations



# Rigorous redevelopment process supported by strong team

## Strategic criteria

- Fundamentals of the trade area:
  - Sales volume and growth
  - Population size and growth
  - Research led
- Existing centre performance:
  - Total sales
  - Sales per sqm
- Competitive landscape:
  - Customer demand
  - Anchor and specialty tenant demand
  - Retail supply

## Strong team capability

- Appropriately resourced & experienced team:
  - 45 people with diverse backgrounds
  - Average of 23 years across each of the six senior executives
- Well supported by strong internal capability:
  - Project Management
  - Leasing
  - Tenancy, Design and Delivery
  - Management, Marketing, Sustainability

## Rigorous development process

- Systematic and well defined
  - Disciplined assessment of opportunities
- Clear adherence to financial investment hurdles

# Retail development pipeline - a sustainable pipeline for growth

		Total Project Cost (\$m)	Estimated Cost to complete (\$m)	Estimated fully leased year one yield	% specialty shops leased <sup>3</sup>	FY11	FY12	FY13	FY14	FY15	FY16+
Under Construction:	Rockhampton	120	20	8.0%	100%						
	Merrylands	395	215	6.5% <sup>1</sup>	56%						
	Townsville	175	160	6.5% <sup>2</sup>	n/a						
	Shellharbour	330	315	7.6%	n/a						
		<b>1,020</b>	<b>710</b>	<b>7.0%</b>							
To commence in next 18 months:	Wetherill Park	110	110	7.5% - 8.0%							
	Green Hills	350	350	7.5% - 8.0%							
		<b>460</b>	<b>460</b>	<b>7.5% - 8.0%</b>							
Master planning / future projects:	Glendale										
	Wendouree										
	Baldivis										
	Caloundra										
	Jimboomba										
	Belrose										
	Nowra										
	Townsville - Stage 2										
	Kawana										
		<b>865</b>	<b>865</b>	<b>7.0% - 8.0%</b>							
	Retail centres within Residential Communities	155	95								
	<b>TOTAL</b>	<b>2500</b>	<b>2130</b>								



# Rockhampton - consolidating two assets to create a significant regional centre

## Trade area

- Total retail spend: **\$1.9bn (5.8% growth p.a.)**
- Population: **155,000 (1.8% growth p.a.)**

## Pre-commencement centre performance (2007)

- MAT: **\$265m**
- MAT per sqm (specs): **\$7,935 (combined)**

## Competitive landscape

- Most significant retail offer in the region
- Opportunity to solidify this number one position

## The development

- Total development cost: **\$120m**
- Completion date: **December 2010**
- Incremental initial yield: **8.0%**



# Rockhampton - consolidating two assets to create a significant regional centre

## PRE-DEVELOPMENT







# Merrylands - creating a regional centre out of obsolescence

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## Trade Area

- Total Retail Spend: **\$1.4bn (4.5% growth p.a.)**
- Population: **140,000 (1.3% growth p.a.)**

## Pre-commencement centre performance (2007)

- MAT: **\$159m**
- MAT per sqm (specs): **\$10,866**

## Competitive landscape

- No significant convenient competition
- Convenient retail offer in the trade area was disjointed and of low quality

## The development

- Total development cost: **\$395m**
- Completion date: **November 2012**
- Initial yield: **6.5%**
- Initial yield impacted by extended duration of the project and difficult economic conditions associated with the GFC





# Merrylands - creating a regional centre out of obsolescence

## UPPER LEVEL



### Pre-development

- GLA: **22,000m<sup>2</sup>**
- Anchors: **3**
- Specialty shops: **85**

## LOWER LEVEL



### Post-development

- GLA: **58,000m<sup>2</sup>**
- Anchors: **6**
- Specialty shops: **200**

# Townsville - creating the only regional shopping centre in the market

## Trade area

- Total retail spend: **\$2.5bn (4.9% growth p.a.)**
- Population: **215,000 (1.5% growth p.a.)**

## Pre-commencement centre performance (2009)

- MAT: **\$222m**
- MAT per sqm (specs): **\$10,350**

## Competitive landscape

- History of being the strongest performing asset in the trade area
- Significant competition entered the market

## The development

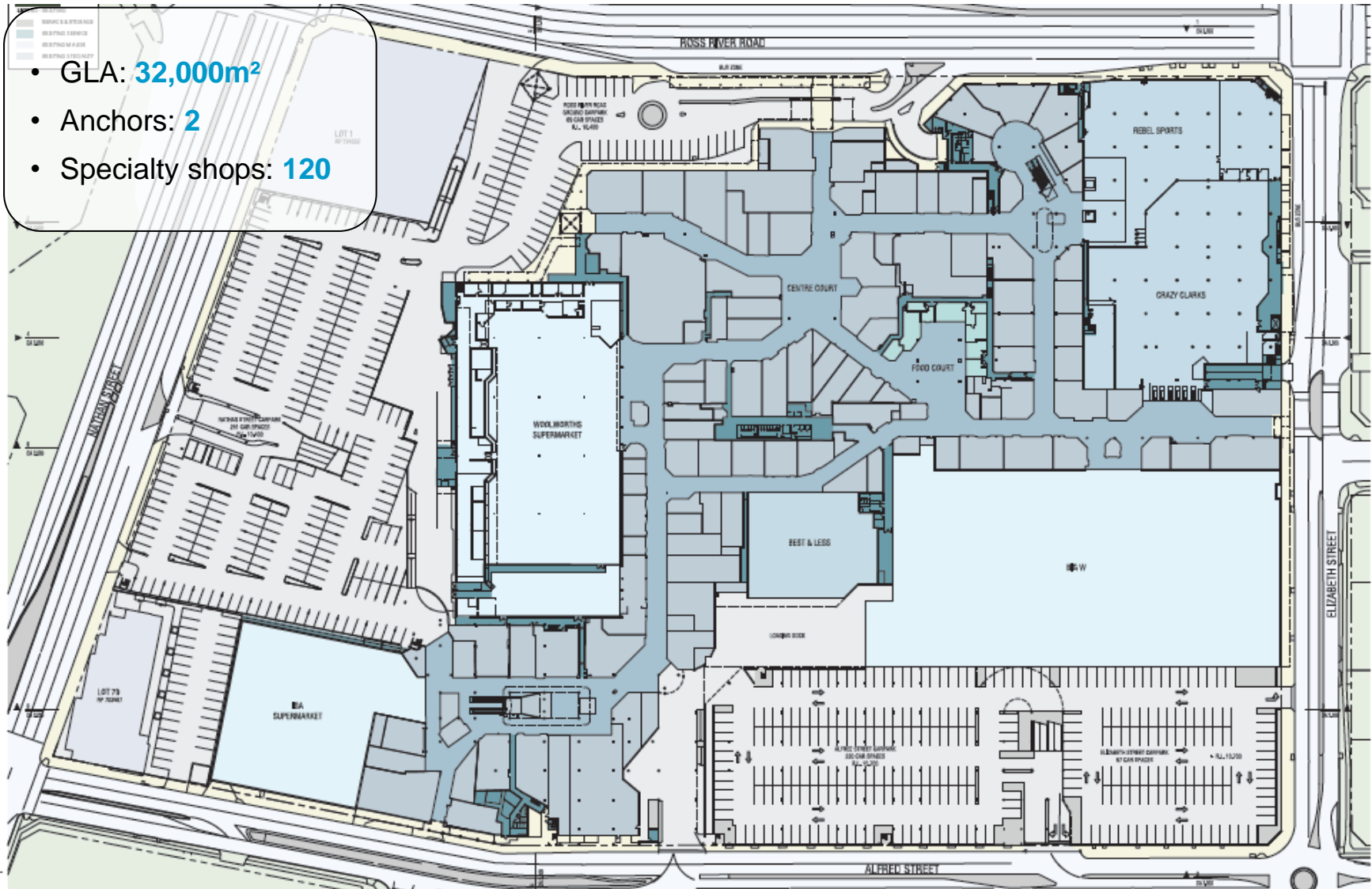
- Total development cost: **\$175m**
- Completion date: **July 2012**
- Incremental initial yield: **6.5%**
- Initial yield impacted by need to move quickly to secure Myer in order to protect existing asset value and position the asset for future growth in the face of strong competition



# Townsville - creating the only regional shopping centre in the market

## PRE-DEVELOPMENT

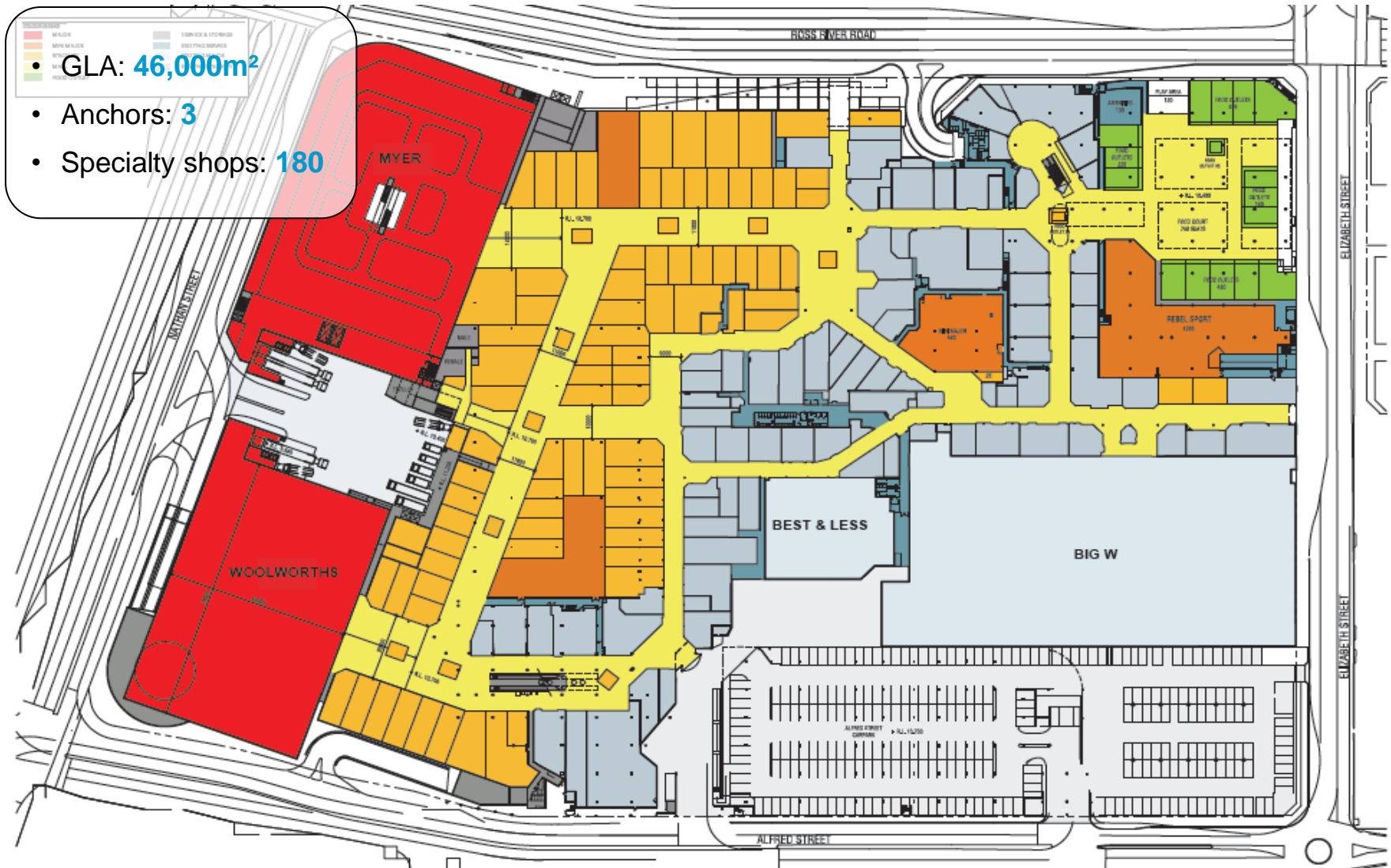
- GLA: **32,000m<sup>2</sup>**
- Anchors: **2**
- Specialty shops: **120**





# Townsville - creating the only regional shopping centre in the market

## POST DEVELOPMENT



# Shellharbour - an opportunity to capture leakage from the trade area

## Trade area

- Total retail spend: **\$2.3bn (5.3% growth p.a.)**
- Population: **200,000 (1.4% growth p.a.)**
- Significant regional escape expenditure: **\$1.2bn**

## Pre-commencement centre performance (2010)

- MAT: **\$225m**
- MAT per sqm (specs): **\$9,762**

## Competitive landscape

- Limited significant competition in the trade area
- Opportunity to be first to market to capture significant escape expenditure

## The development

- Total development cost: **\$330m**
- Completion date: **September 2013**
- Incremental initial yield: **7.6%**



# Shellharbour - an opportunity to capture leakage from the trade area

## Pre-development

- GLA: **39,000 sqm**
- Anchors: **3**
- Specialty shops: **120**

## Post development

- GLA: **75,000 sqm**
- Anchors: **5**
- Specialty shops: **220**



## A new benchmark in sustainability

- Illawarra's first 4 star Green Star shopping centre
- Australia's largest retail application of renewable solar energy combined with a trigeneration system:
  - Approx 7,000 sqm of photovoltaic cells
  - 35% of common area power for entire centre
  - Capex of \$4.5m on discretionary sustainability initiatives over and above 4 star requirement



# Leveraging the benefits of a diversified model

## Making best and highest use of Stockland's landbank

- Providing a retail element to Stockland's masterplanned communities is a significant advantage:
  - Generates stronger and earlier enquiry from residential customers
  - Lower initial yield from retail centre easily offset by higher returns from residential
  - Increased sales volume drives whole of project returns
- Ability to grow portfolio through centre expansion as the community develops over time:
  - Examples include North Shore, Harrisdale and Caloundra Downs

	PROJECTS	Total Project Cost (\$m)	Estimated Cost to complete (\$m)	Estimated fully leased year one yield	% specialty shops leased <sup>1</sup>	FY11	FY12	FY13	FY14	FY15	FY16+
Residential Projects	Tooronga, VIC	60	5	6.0%	94%						
	North Shore - Townsville	25	20	6.0%	77%						
	Highlands, VIC	35	35	6.8%	n/a						
	Harrisdale, WA	35	35	6.0% - 6.5%							
		155	95	6.0% - 6.8%							

# North Shore - Retail development drives whole of project returns

- Total land area: **1,000 hectares**
- Number of residential lots: **5,200**
- Future population: **15,000**
- Town centre size: **80 hectares**
- Project timeframe: **15-20 years**
- Total retail on completion: **40,000 sqm**
- Commercial and bulky goods on completion: **30,000 sqm**



# North Shore - How retail development drives whole of project returns

## North Shore - Stage 1 retail development

- Development cost: **\$25m**
- GLA: **5,400 sqm**
- NOI on completion: **\$1.5m**
- Project fully-leased year-one yield: **6.0%**
- Initial stage of retail generally achieves lower yield on completion due to early development during community formation



## Whole of project returns

- Benchmark initial yield for neighbourhood centres would normally be ~7.5% - 8.5%
- Difference of ~1.5% - 2.5% is equivalent to ~\$375k - \$625k per annum during establishment phase
- Equivalent to approximately 6 - 10 additional land lot sales per annum<sup>1</sup> (total 240 lot sales per annum)
- 39% increase in residential enquiry at North Shore since construction commenced



