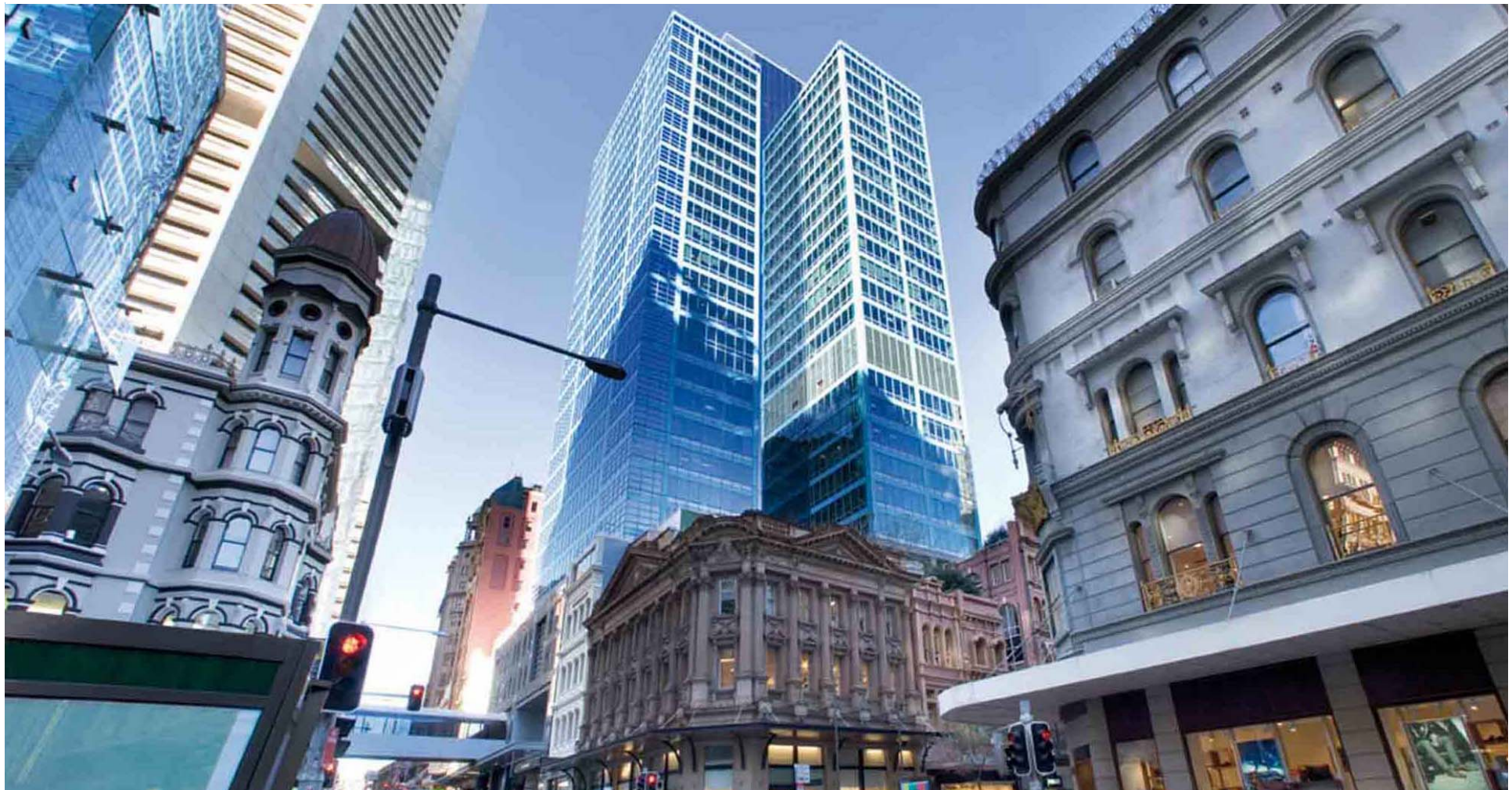


# COMMERCIAL UPDATE

21 September 2006



Stockland

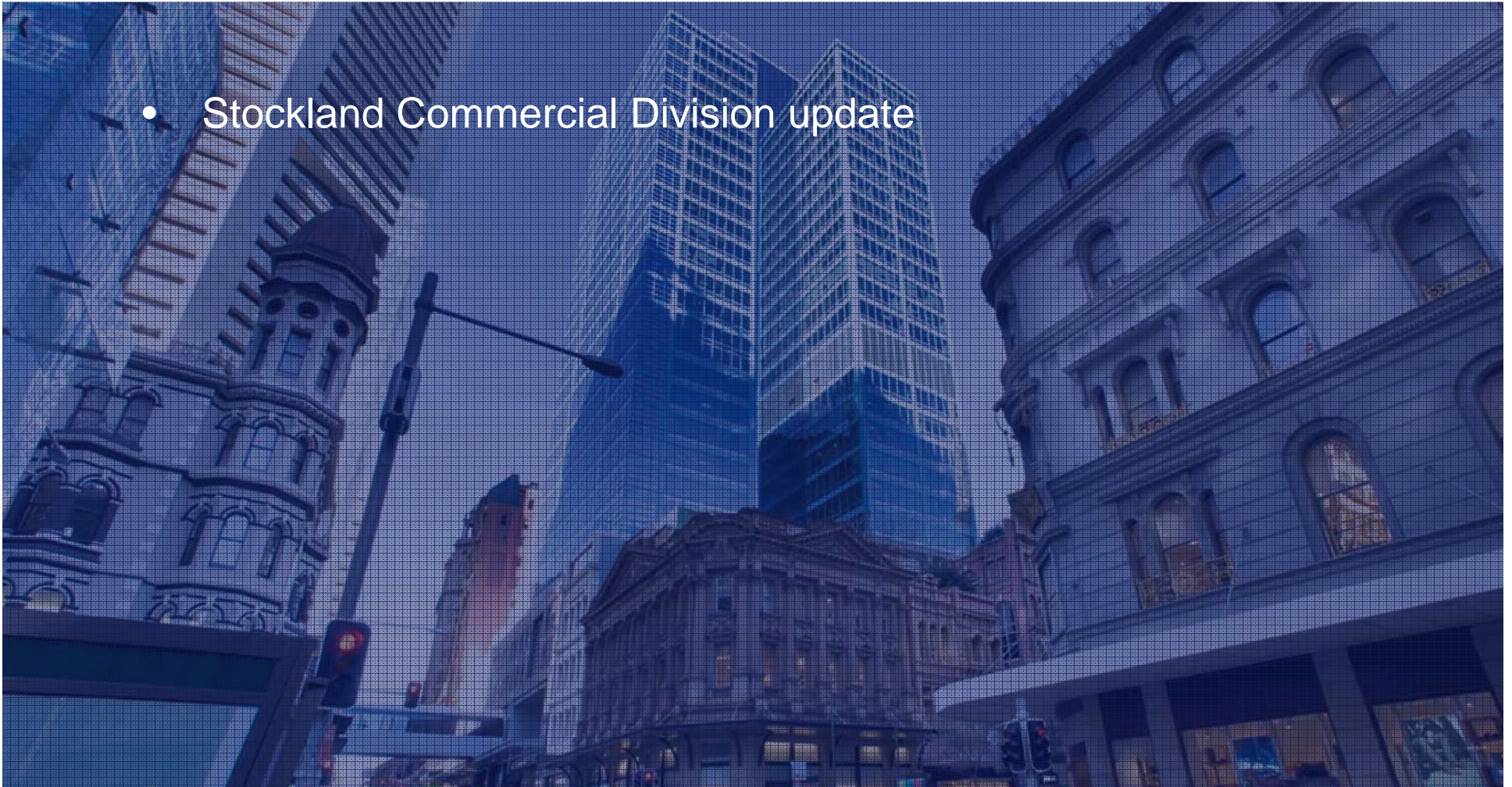




# STEVE MANN

CEO, Commercial & Industrial Division

- Stockland Commercial Division update



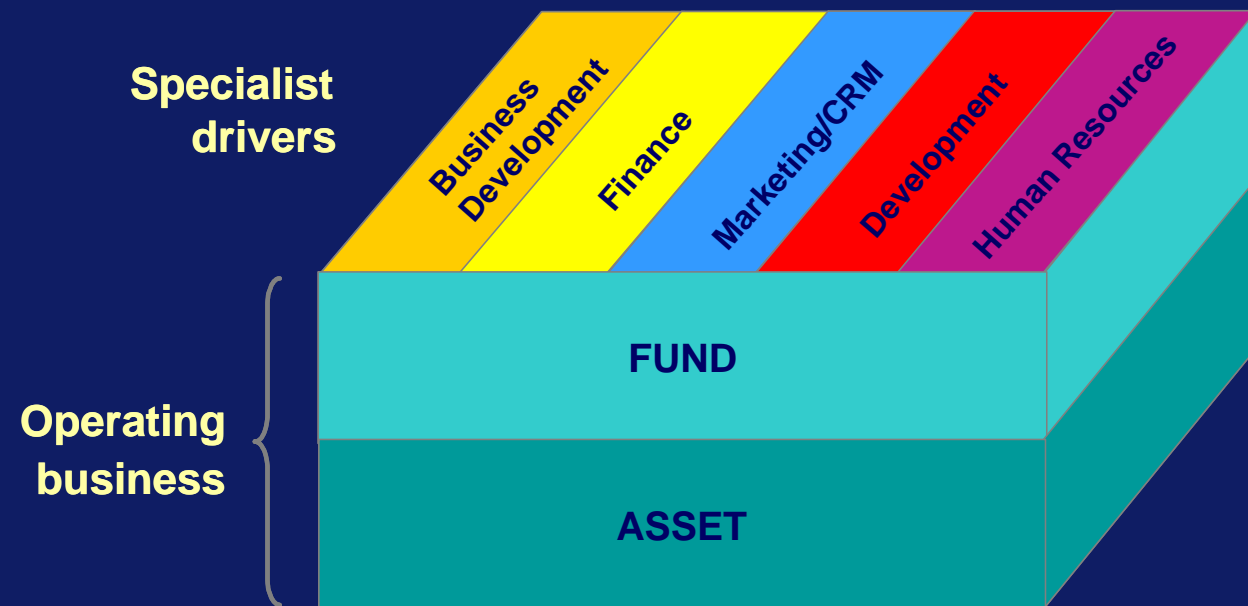
# PRESENTATION AGENDA

- C&I Business Model
- C&I Mission – SEE
- The Future of Australian Office Markets
- SEE Strategic Pillars
- C&I Business Wrap



# C&I OPERATING BUSINESS MODEL

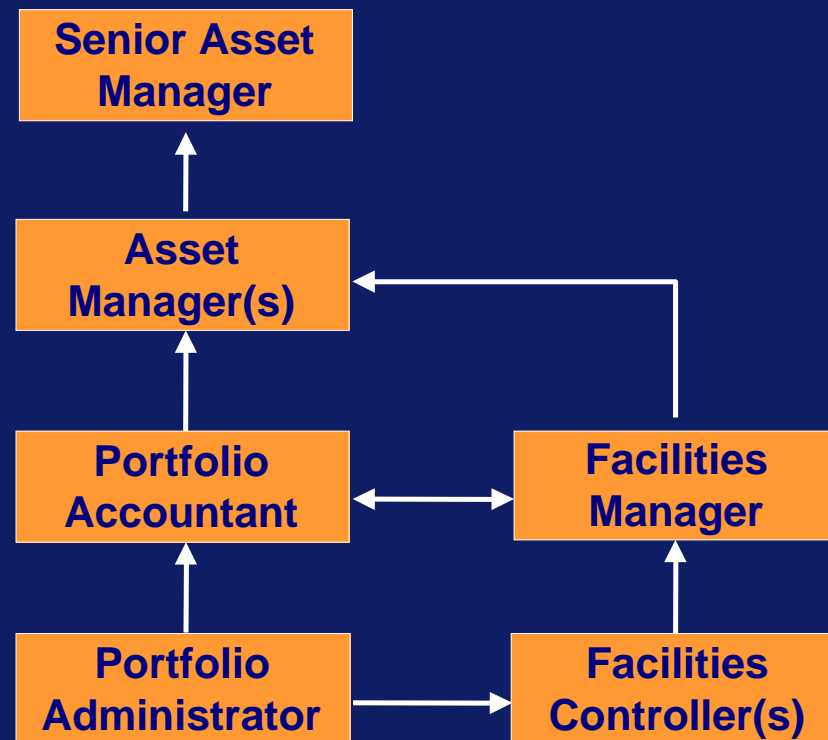
- Owner Manager Developer
- Best practice operating model



## C&I CLUSTER ASSET MODEL

### Office Clusters

- Sydney CBD
- North Shore
- Melbourne
- Brisbane
- Canberra



## STOCKLAND C&I MISSION: SEE



# SEE GROWTH

StocklandC&I  
Engaging  
Environments

**To grow by  
developing new  
opportunities,  
partnerships &  
excellence in  
benchmarking**

- Acquisitions
- Development & MPGs
- Joint Ventures
- Industry Relationships
- Research & forecasting
- Partnering internally with UPF



# **SIMON FAIRFAX**

General Manager, Business Development

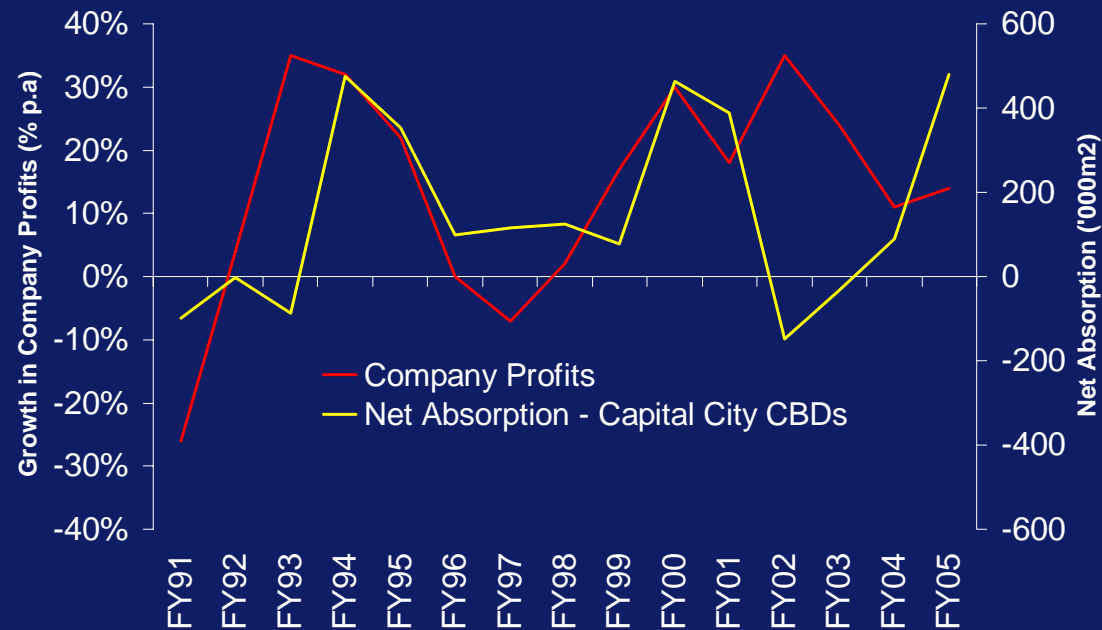
- The Future of Australia Office Markets





# OFFICE MARKET OVERVIEW – DEMAND

## Company Profit Growth & Office Demand

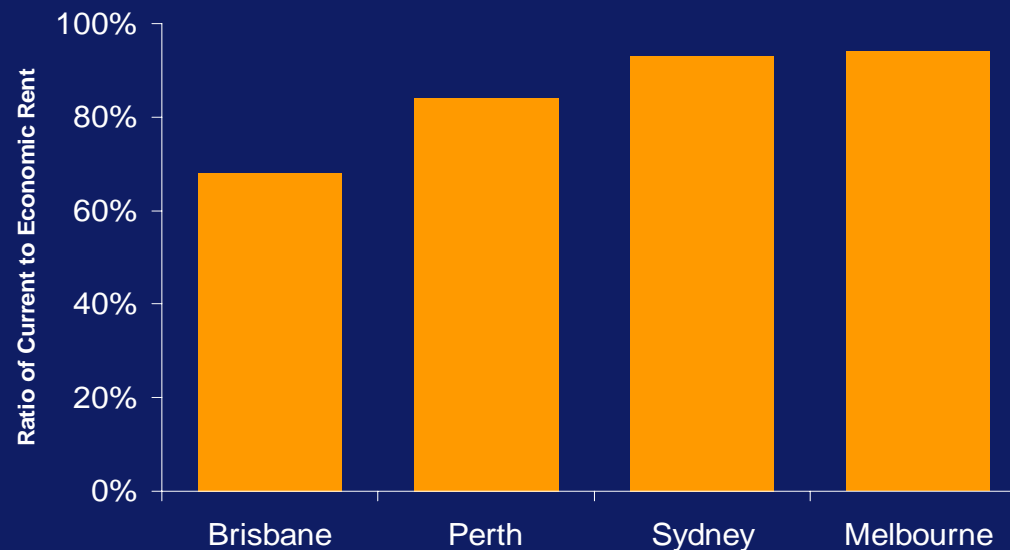


- Demand recovery since mid 2004
- Some moderation is expected in 2007
- Momentum of rental growth continues

# OFFICE MARKET OVERVIEW – SUPPLY

Current Rent as a % of Economic Development Rent

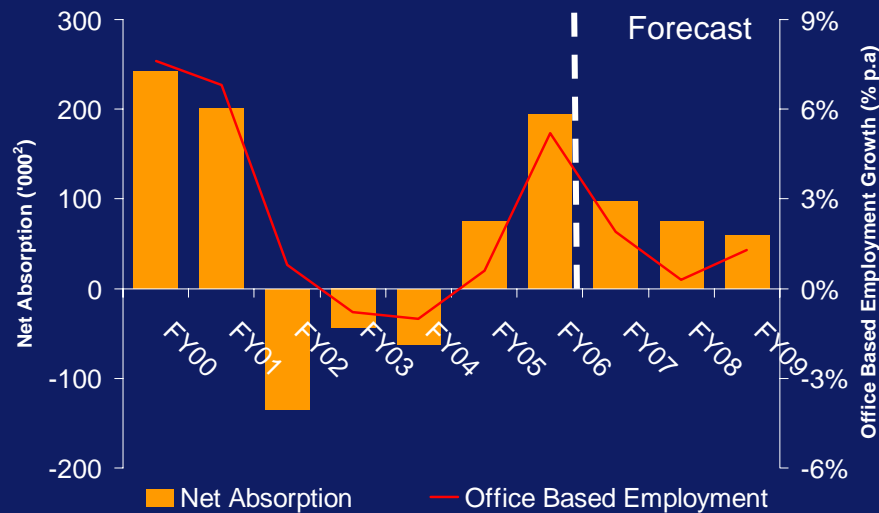
- Brisbane & Perth - the largest gap in rents for existing and brand new space.
- Gap expected to close....but supply capped by financial viability
- Sydney & Melbourne – relatively small differential. New supply may pose some risk for existing buildings..



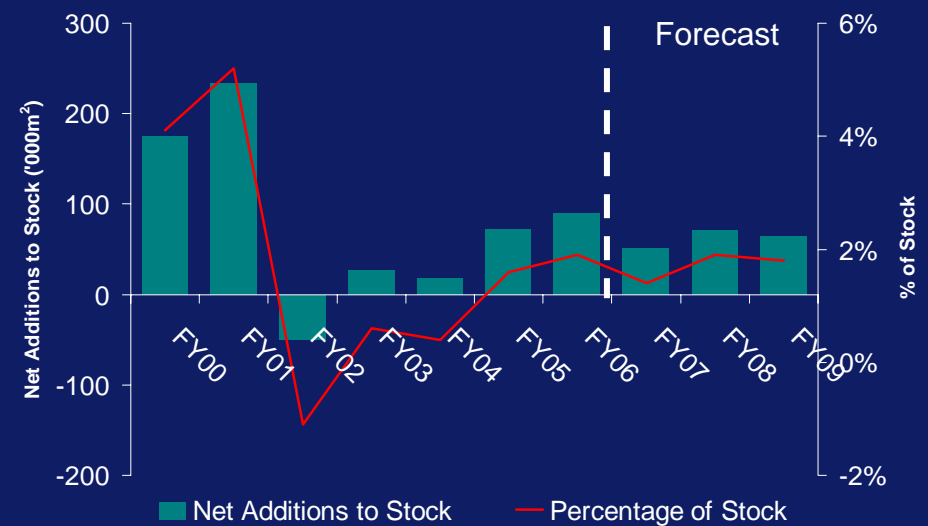


# SYDNEY – GROWTH DUE TO TIGHT SUPPLY

## Office Market Demand Sydney CBD



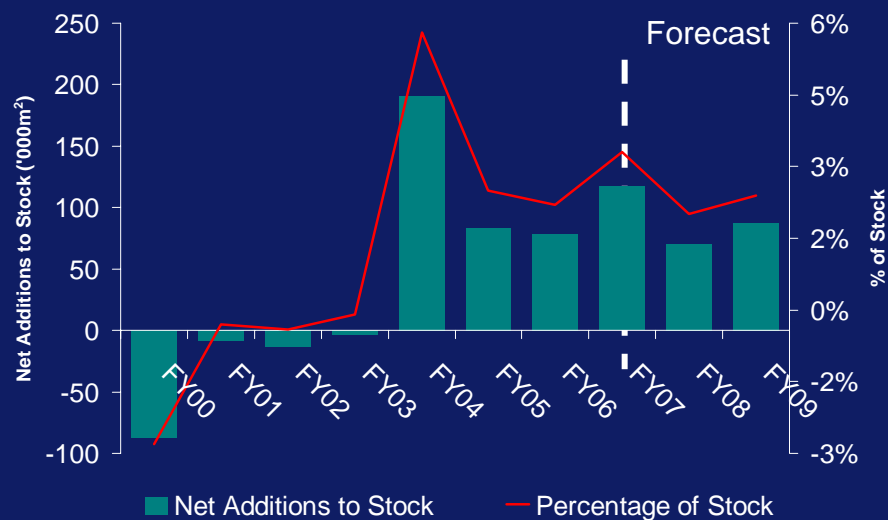
## Office Market Supply Sydney CBD



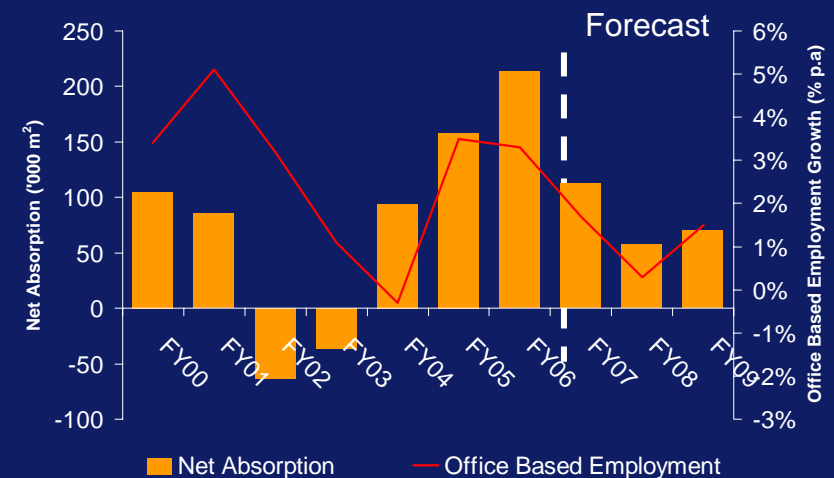
- Sustained positive absorption
- Low supply relative to size of market

# MELBOURNE – SOLID DEMAND BASE

## Office Market Supply Melbourne CBD



## Office Market Demand Melbourne CBD

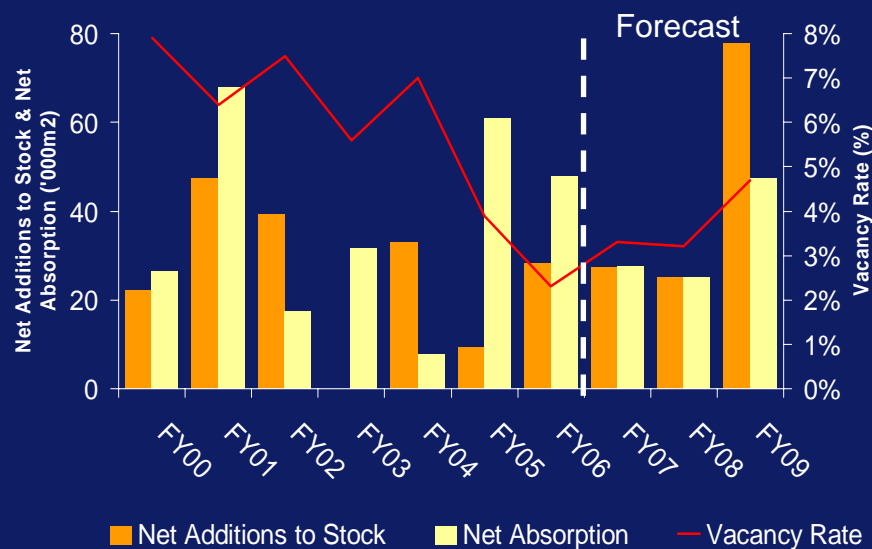


- Several strong years of supply & solid pipeline in the CBD
- Vacancy rate to edge up as supply starts outstripping demand

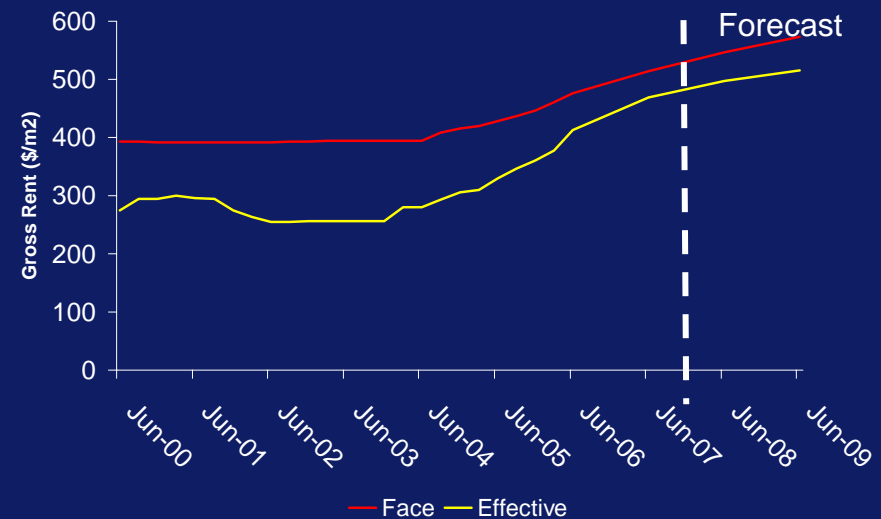


# BRISBANE – PENT-UP DEMAND REALISED

Office Market Supply & Demand  
Brisbane CBD



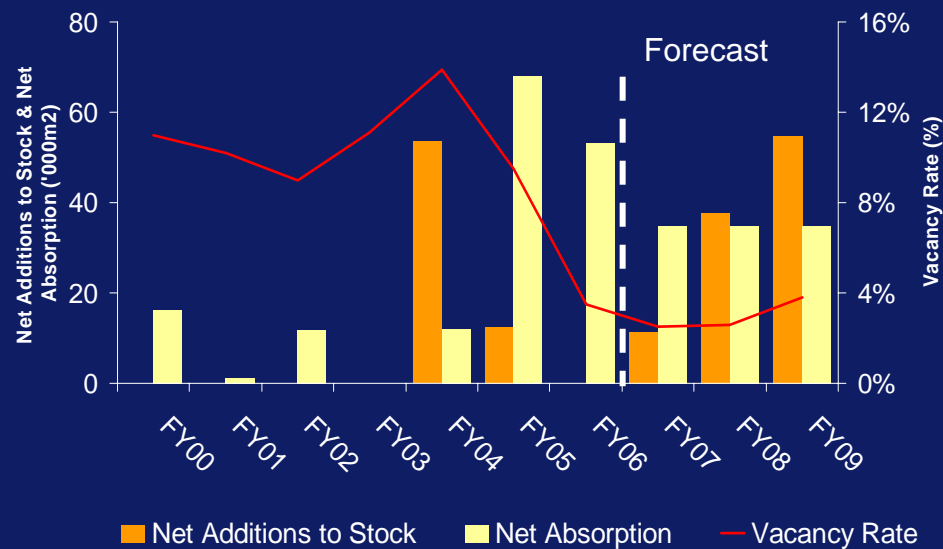
Prime Office Rents  
Brisbane CBD



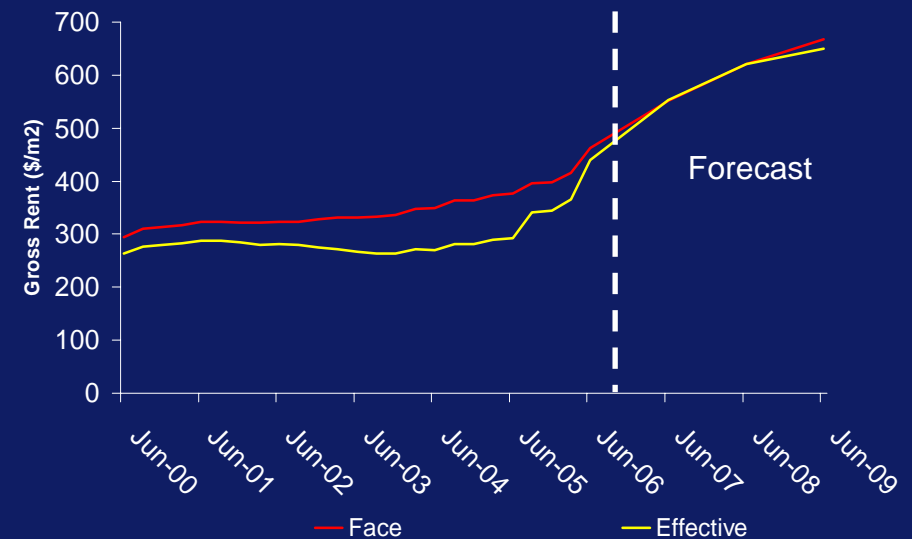
- Vacancy well below equilibrium as demand outstrips supply
- Incentives to rise as supply levels pick up

# PERTH – DEEP RESOURCES BOOM

## Office Market Supply & Demand Perth CBD



## Prime Office Rents Perth CBD

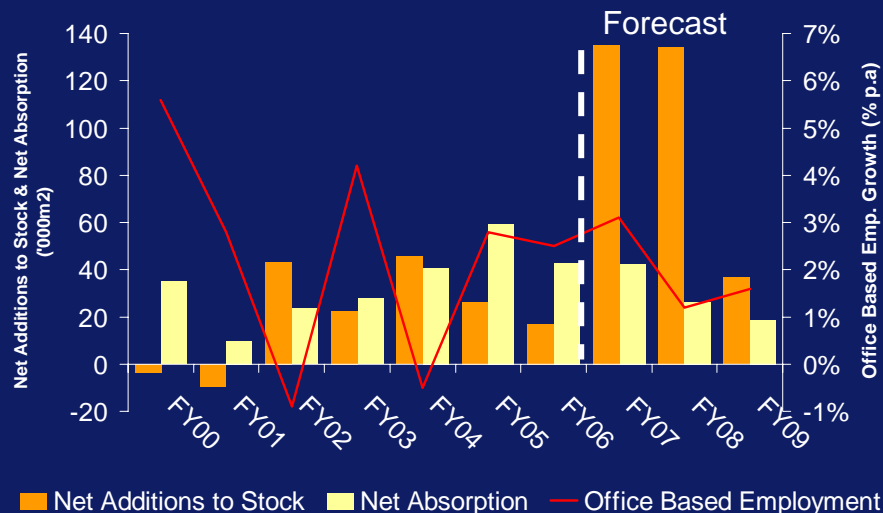


- High economic rent contributed to very tight supply
- Very strong demand has virtually extinguished incentives and is driving rent growth



# CANBERRA – SHORT TERM FAVOURABLE ADELAIDE – SUBDUED DEMAND

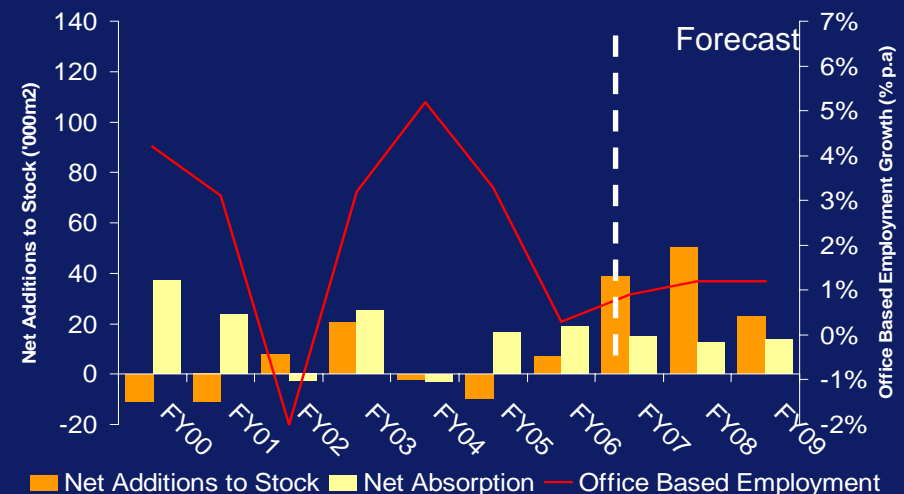
## Office Market Dynamics Canberra Region



### Canberra

- New supply 70% pre-committed but backfill space a long term issue
- Solid demand driven by short term strength in office based job growth

## Office Market Dynamics Adelaide CBD



### Adelaide

- New supply largely pre-committed but backfill space a long term issue
- Positive short term demand outlook with moderate rental growth



# JAMES MAH-CHUT

General Manager, Development

- Growth Through Development





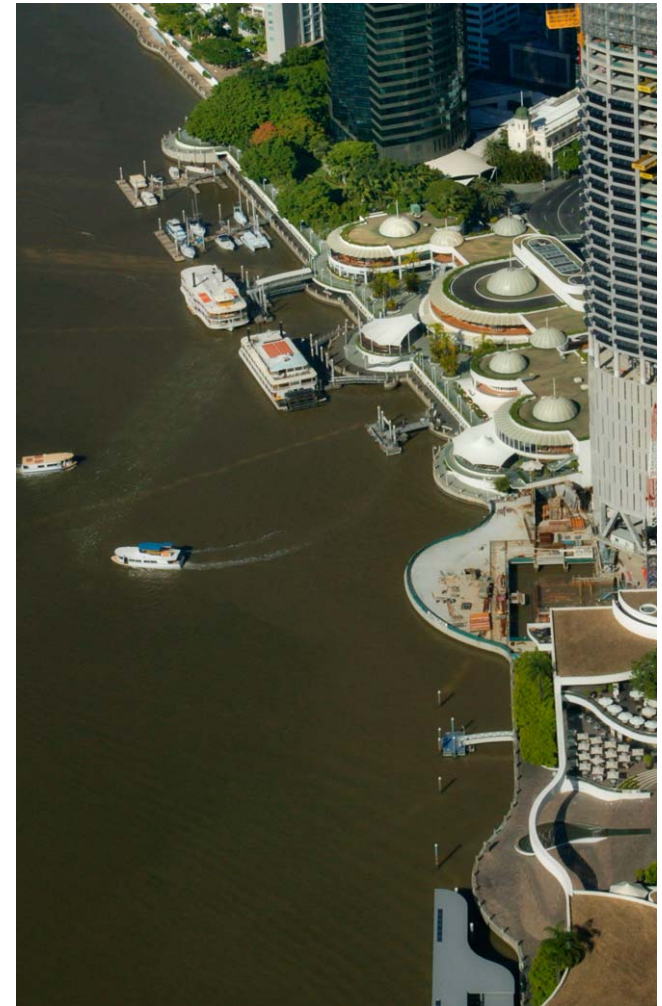
## GROWTH THROUGH DEVELOPMENT - PIPELINE

Project	Status	Total Cost (\$m)	Yield	Building Area m <sup>2</sup>
Pipeline – Under Construction				
Optus HQ	100% Pre lease	282	7.4%	84,000
66 Waterloo Road	33% Pre lease	34	8.4%	10,400
Yennora Building 8B	100% Pre lease	7	8.0%	8,000
Project	Status	Total Cost Est (\$m)	Est Yield	Building Area m <sup>2</sup>
Pipeline – Yet to Commence				
Lot 21, Riverside	Section 96 lodged	220	7.5%	54,000
Yennora Building 8A	DA approved, subject to pre lease	7	8.0%	8,000
North Lakes, QLD	Masterplanning	150	7.5%	100,000
Wacol – 3976 Ipswich Road, QLD (Joint Venture)	Design development	50	7.0% to 7.5%	53,000
<b>TOTAL PIPELINE</b>		<b>750</b>		<b>317,400</b>

# MIXED USE DEVELOPMENT

## Eagle Street Pier

Site area	1.0 ha
Zoning	Multi Purpose Centre 1 (MP1)
Design	Masterplanning commenced for Apartments, Retail and Commercial
Opportunity	Prime golden triangle location and views

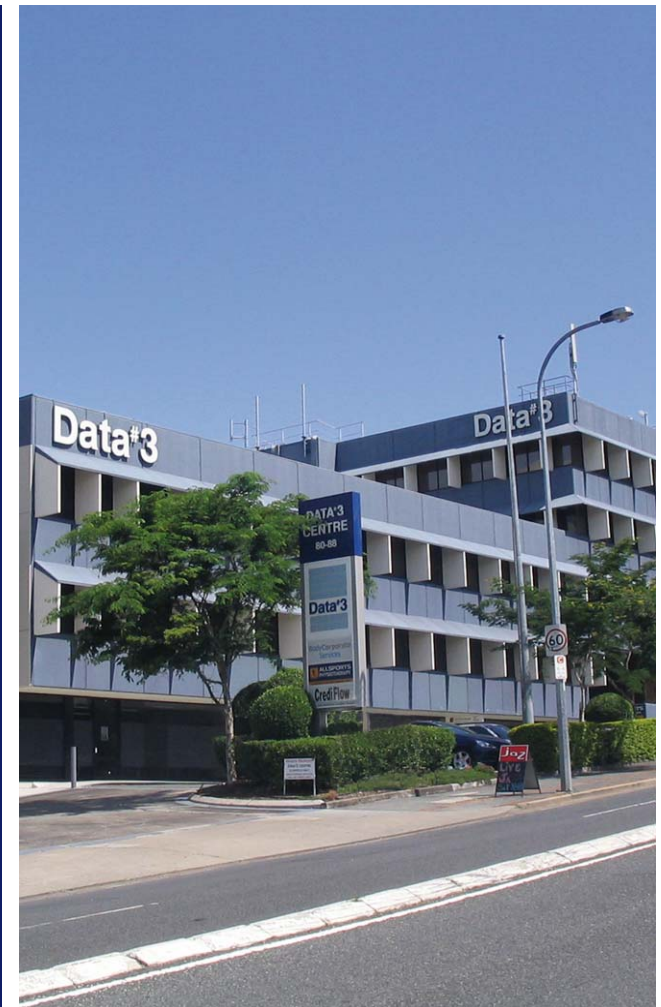




# MIXED USE DEVELOPMENT

Toowong

Site area	11,234sqm
Acquisitions:	27-29 High St 88 Jephson St
Design	Masterplanning commenced
Zoning	Multi purpose Centre (MP2)
FSR (Current)	2.5:1 (30,650 sqm)
FSR Potential (TOD)	5:1 (61,300 sqm)





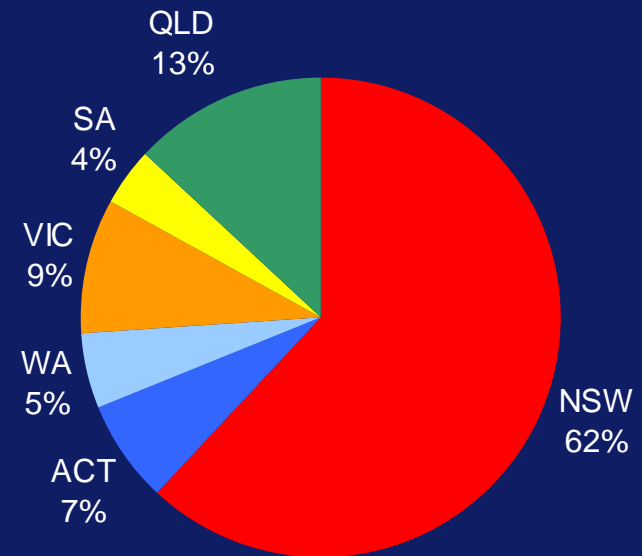
# GEORGE WEBSDALE

General Manager, Commercial

- Commercial Portfolio Update
- SEE Pillars
- SEE Stakeholders
- SEE Systems and Processes

## OFFICE PORTFOLIO SUMMARY

- Properties: 28
- Lettable Area: 516,720m<sup>2</sup>
- Grade: 72% prime
- Value: \$2.0b

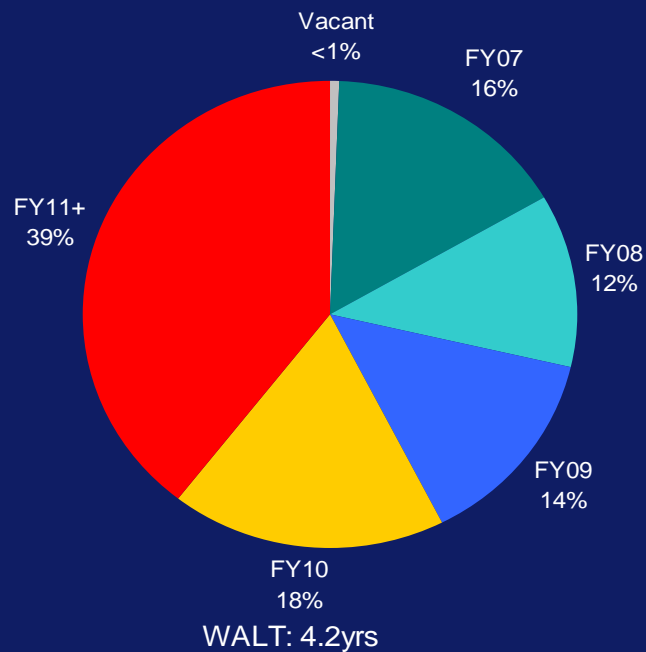




# CONTINUED LEASING MOMENTUM

## Commercial – Lease Expiry – June 06

### By Area

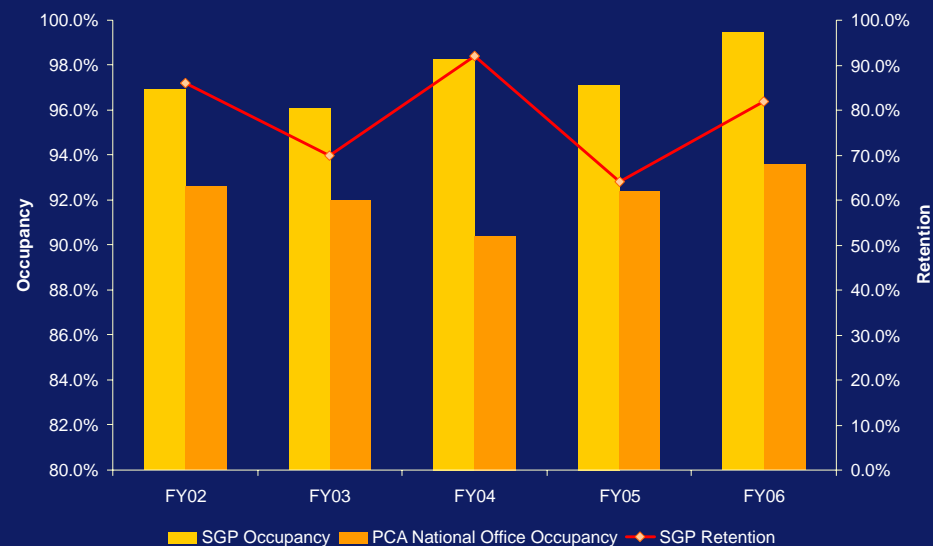


- 13,500sqm of new deals since June 2006
- Waterfront Place benchmark rents
- Addressing FY08 expiries
- Opportunities in strengthening markets



# CUSTOMER FOCUSED MANAGEMENT DRIVES GROWTH

- Strong retention driving occupancy levels
- Occupancies remained above 96% since June 2002
- Stockland Commercial have outperformed the National occupancy by over 5% for 5 years

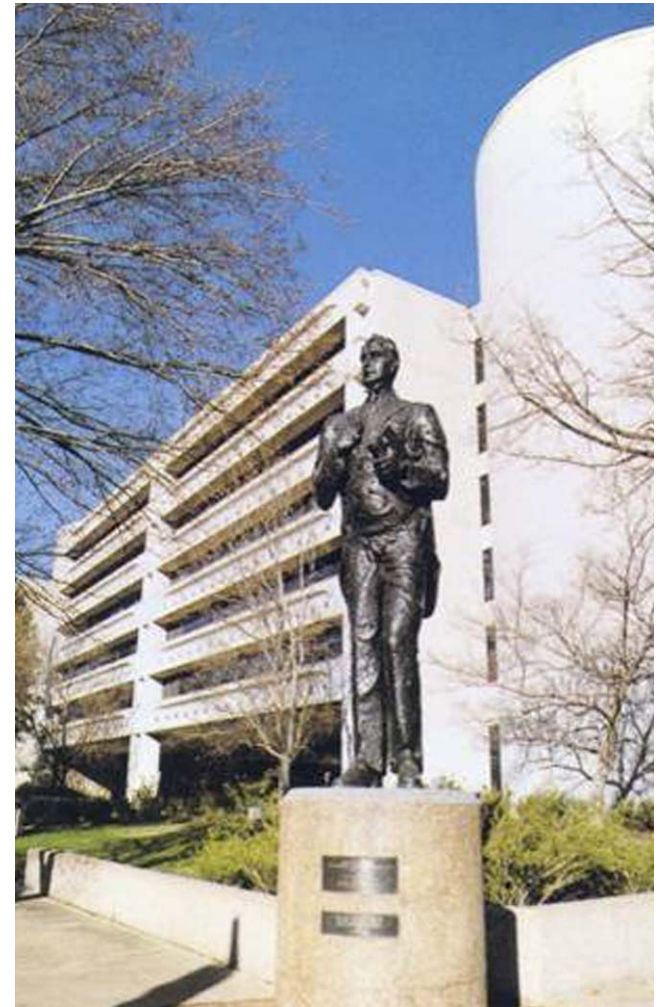


# MAJOR LEASING SUCCESS

Edmund Barton Building, Canberra

3 year extension agreed with Department of Agriculture, Forestry and Fisheries over 41,000m<sup>2</sup> from Mar 07 @ \$330 psm. Terms include:

- Rent reviews – 5% per annum
- Stockland assumes rights of access to undertake refurbishment of the asset, providing two years fully funded let up (\$26m)
- DAFF to pay Stockland full cost of make good



# REFURBISHMENT VALUE ASSESSMENT

175 Castlereagh Street & 50 Pitt Street

## 175 Castlereagh Street

- 40% vacancy with strong attraction to State Govt tenants
- 880m<sup>2</sup> rectangular floorplates, with side core, 2.7m ceiling height
- Circa \$50 psm rental uplift post refurbishment
- Solid capital gain projected (\$4m)

## 50 Pitt Street

- 90% vacancy with no pre-commitment
- Small, inefficient floors (590m<sup>2</sup>) with central core. Low ceiling height (2.4m)
- Inherent risk of achieving rents required to support feasibility
- Minimal development profit for refurbishment or strata conversion with significant risk

## SEE STAKEHOLDERS

StocklandC&I  
Engaging  
Environments

**Foster a customer  
centric culture and  
partner with our  
stakeholders to  
deliver mutually  
beneficial outcomes**

- Stockland Service Centre
- CRM program
- Industry relationships
- Customer satisfaction surveys



## KEY INITIATIVE – STOCKLAND SERVICE CENTRE

- Globally benchmarked Facilities Management Platform
- Integrated Call Centre
- FMA award winner 2005 and 2006
- Dashboard performance reporting
- Risk Arena
- Web portal



Stockland Super Service Man.  
One phone. One fax. One E-mail.  
**My Hero.**


# SEE SYSTEMS AND PROCESSES

StocklandC&I  
Engaging  
Environments

**Quality systems  
& efficient processes  
to facilitate best  
practice business  
operations**

- C&I Best Practice
- Lease admin system
- Budget, forecasting & valuation tool

# C&I BEST PRACTICE



C&I BeSt Practice  
► C&I BeSt Practice  
Stockland  
Stockland Tenant

C&I BeSt Practice  
Aquiserv > C&I BeSt Practice

## Welcome to C&I BeSt Practice!

C&I BUSINESS OVERVIEW

ASSET MANAGEMENT

FINANCE

PERFORMANCE MEASUREMENT

MARKETING & CRM

RESEARCH, ANALYSIS & FORECASTING

DEVELOPMENT

SUSTAINABILITY

FEEDBACK

### C&I BeSt Practice Business Overview


Welcome to C&I BeSt Practice - our process and procedure guidelines. These guidelines document the unique way we do things in Stockland C&I, so we are all empowered to play our role in delivering "great tenant solutions".

Before we launch into the operating detail it is important to remember our vision and how we will go about achieving this at Stockland C&I.

Our vision is, "to be recognised and respected as the Market Leader in Australia for Commercial and Industrial investment, development, leasing and integrated asset management."

And our mission explains how we go about achieving this vision.

"We deliver great tenant solutions for our diverse portfolio via proactive integrated management".



POWERED BY MOWLEM



# CHRISTINE CALLINAN

General Manager, Marketing

- SEE – Product & Sustainability
- SEE - Brand





## SEE PRODUCT AND SUSTAINABILITY

StocklandC&I  
Engaging  
Environments

**Manage and  
develop  
sustainable &  
engaging  
environments**

- A culture that strives to deliver smart sustainable solutions
- Tenant partnering and education
- Social initiatives
- Market leadership with benchmark new products

# SUSTAINABILITY

- **Energy**
  - Targeting 24% reduction by FY08
  - ABGR portfolio average is 2.6 and we are targeting 3.6 by 2007
  - New developments are committed to achieve a minimum 4.5
- **Water**
  - One of the first to rate portfolio using NABERS
  - Targeting a 30% water saving
- **Waste to landfill**
  - 50% diversion from landfill achieved

# SEE BRAND

StocklandC&I  
Engaging  
Environments

**Stockland C&I  
will be recognised  
and respected for  
creating “engaging  
environments”**

- Business positioning strategy
- Internal culture
- Promote and communicate internally and externally

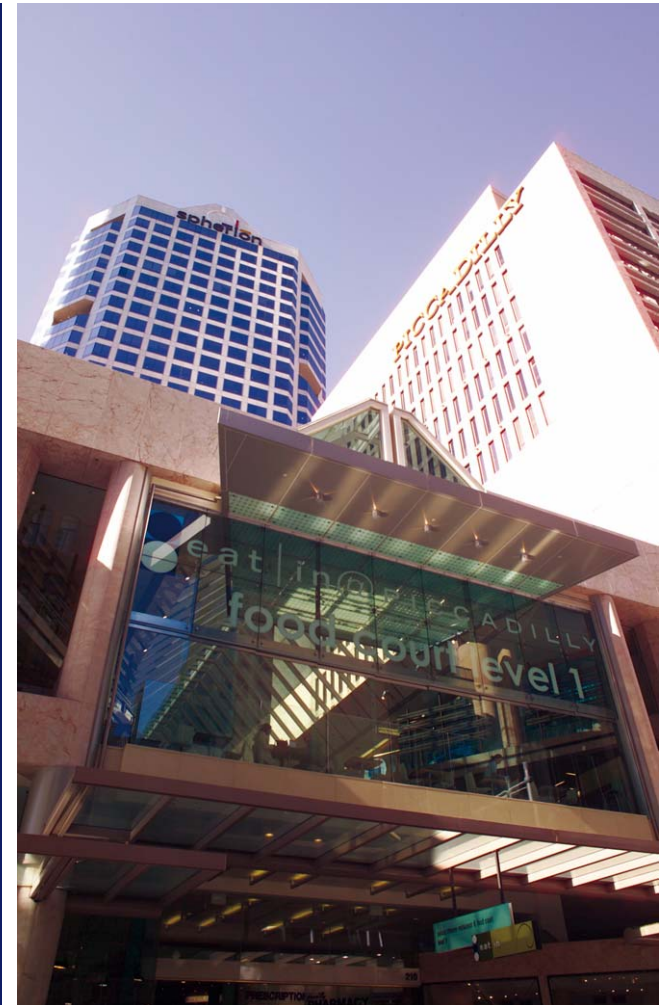
# STOCKLAND'S NEW HEAD OFFICE

## Project Vision

- The Stockland Head Office will be an Engaging Environment that unifies our business, fosters the potential of our people and expresses who we are.

## Opportunity

- To create a benchmark project which showcases our office refurbishment capability and brings Engaging Environments to life.





# STEVE MANN

CEO, Commercial & Industrial Division

- SEE – People
- Commercial & Industrial Business Wrap





# SEE PEOPLE

StocklandC&I  
Engaging  
Environments

**A high performance  
team built on a  
culture of  
collaboration  
and enjoyment**

- High calibre people
- Talent management
- Link performance & reward
- A culture of teamwork & individual empowerment
- Celebration & enjoyment

## COMMERICAL & INDUSTRIAL BUSINESS WRAP

- Best Practice Business Model
- Depth of management and experience
- Strategic Focus to deliver our mission

**StocklandC&I**  
**Engaging**  
**Environments**

- Platform with opportunities for growth

# DISCLAIMER

## **Corporation/ Responsible Entity**

Stockland Corporation Limited  
ACN 000 181 733

Stockland Trust Management Limited  
ACN 001 900 741

16<sup>th</sup> Floor  
157 Liverpool Street  
SYDNEY NSW 2000

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