

Stockland Halladale

Investor Presentation – 15 October 2007



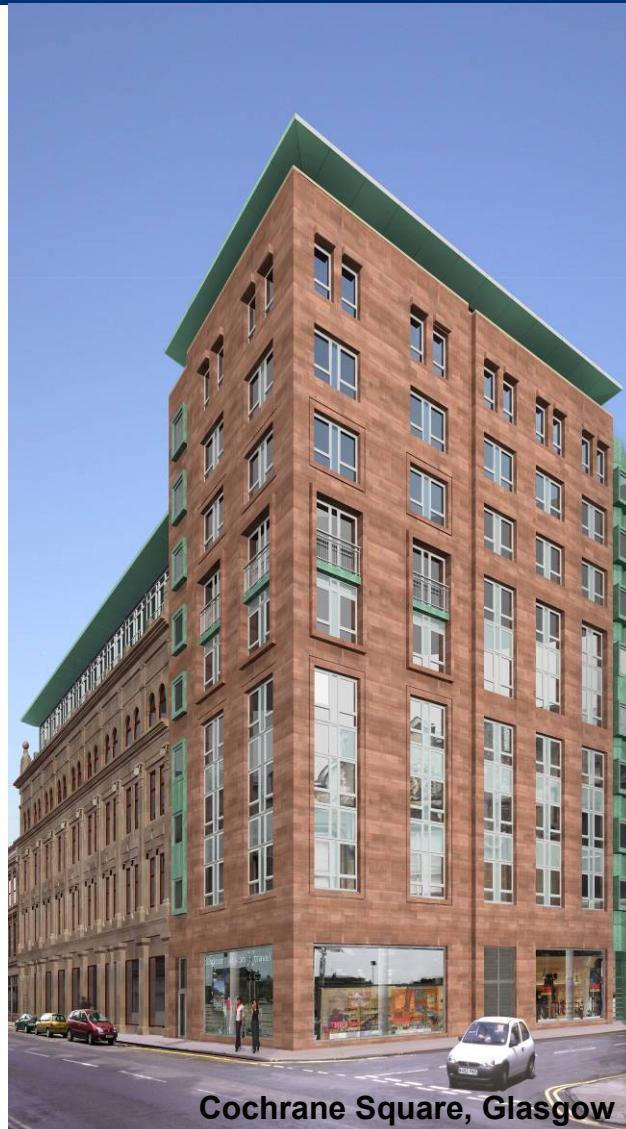
Stockland
HALLADALE



Shaftesbury House, Glasgow

Agenda

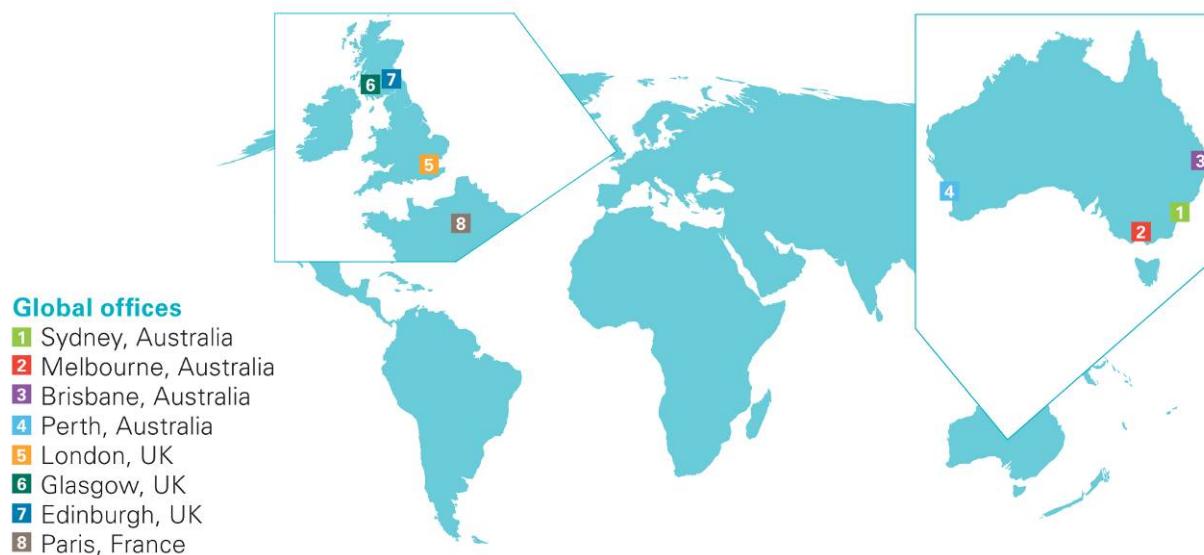
- Our International Strategy
- Why the UK?
- Why Halladale?
- Stockland Halladale
 - Business overview
 - Integration
 - Growth strategies
- Challenges and opportunities
- Summary and questions



Cochrane Square, Glasgow

Our International Strategy

- Capability led, not capital led
- Using our competitive advantage
 - Integrated, diversified real estate model
 - REIT expertise
- In markets where this model can add value



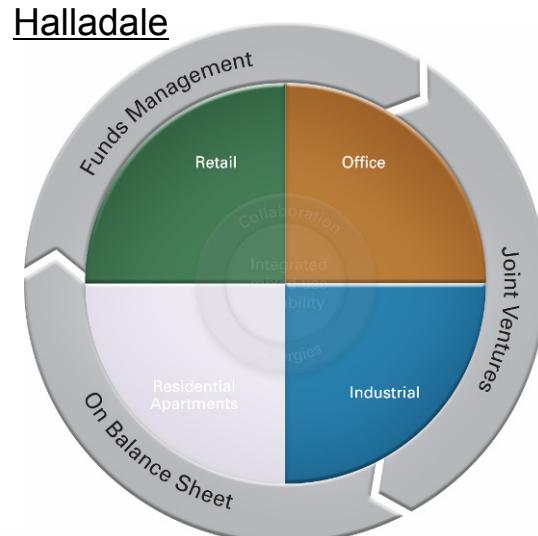
Why the UK?

- Strong economy – good population growth
- Common language, law, culture etc
- Integrated mixed use opportunities
 - UK planning environment supports mixed use developments and brown field regeneration
 - Limited groups in the market who combine both the diversified property and capital management skills to deliver these types of development
- Introduction of the UK REIT regime may unlock opportunities to use our skills in this area

Why Halladale?

Stockland's UK Strategy

- The right fit
 - Size (not too big, not too small)
 - Property & capital management skills
 - Culture
 - Platform for further substantial growth
- Listed entity
 - Visibility of pricing
 - Corporate governance
 - Focus on creating long term shareholder value
- Risk managed entry
 - Start with Retail & Office
 - Grow residential/mixed use capability later
- Good balance of recurring and trading profits
- Strong capital partnering with excellent strategic relationships



Stockland Halladale experience and platform

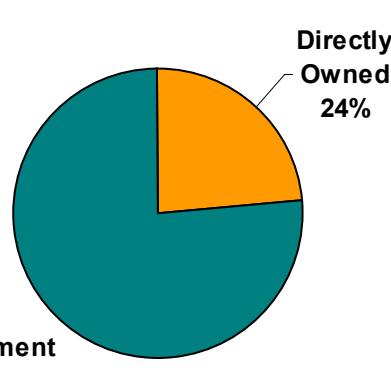
- Strong business development skills
- Focus on asset management, development skills and fee generation
- Development pipeline of major projects
 - Pipeline in excess £300m
 - Delivery over 4 years
- Emerging funds management – linking Australia with UK/European capital flows
- Existing relationships will continue to drive the business
- Considerable experience of all commercial and retail UK sectors
- Strong deal flow with first-class contact base
- Major JV partners

Stockland Halladale – Business Diversification

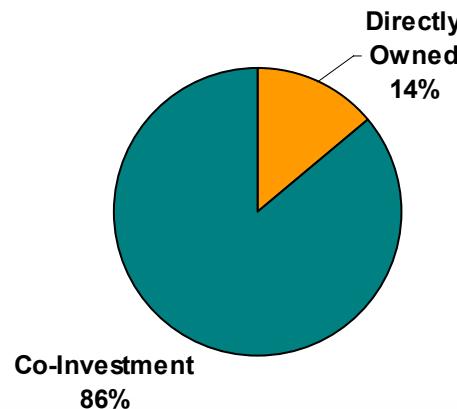
Total Assets Under Management	£ million	% allocation
Asset management	439	38%
Development	243	21%
Co-investment funds management	477	41%
TOTAL	1,159	100%



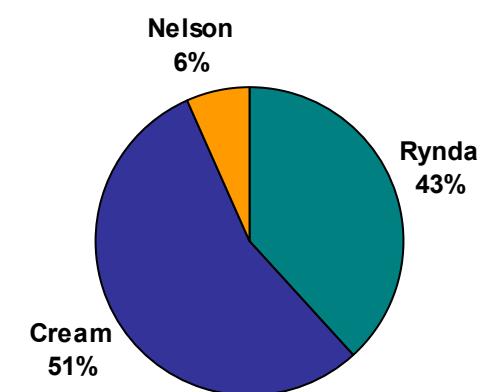
Asset Management



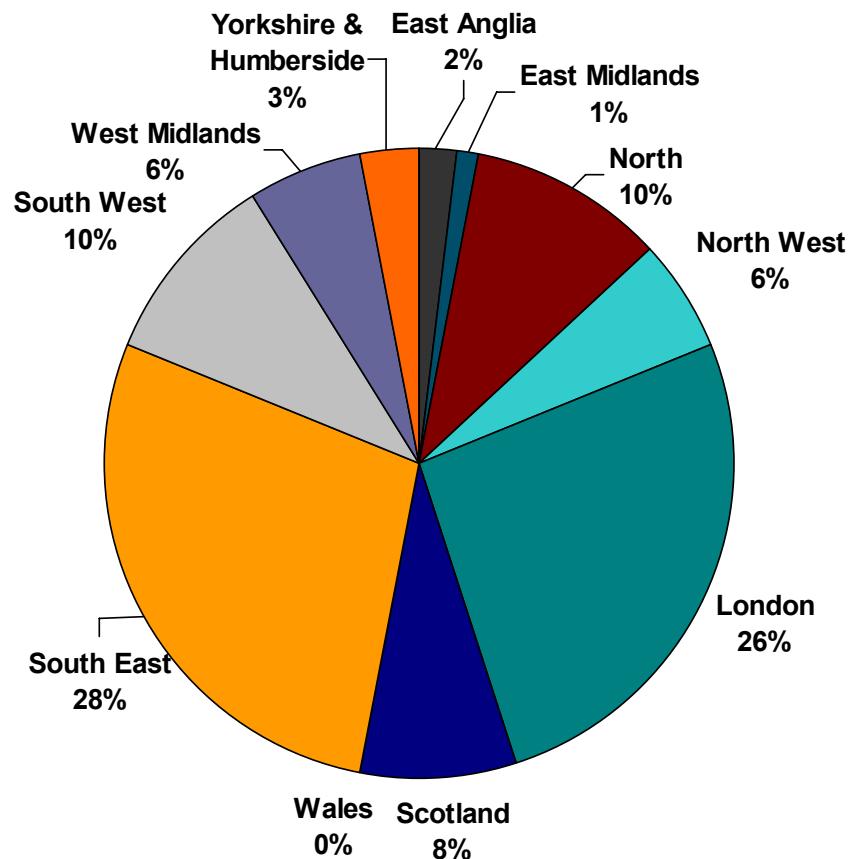
Development



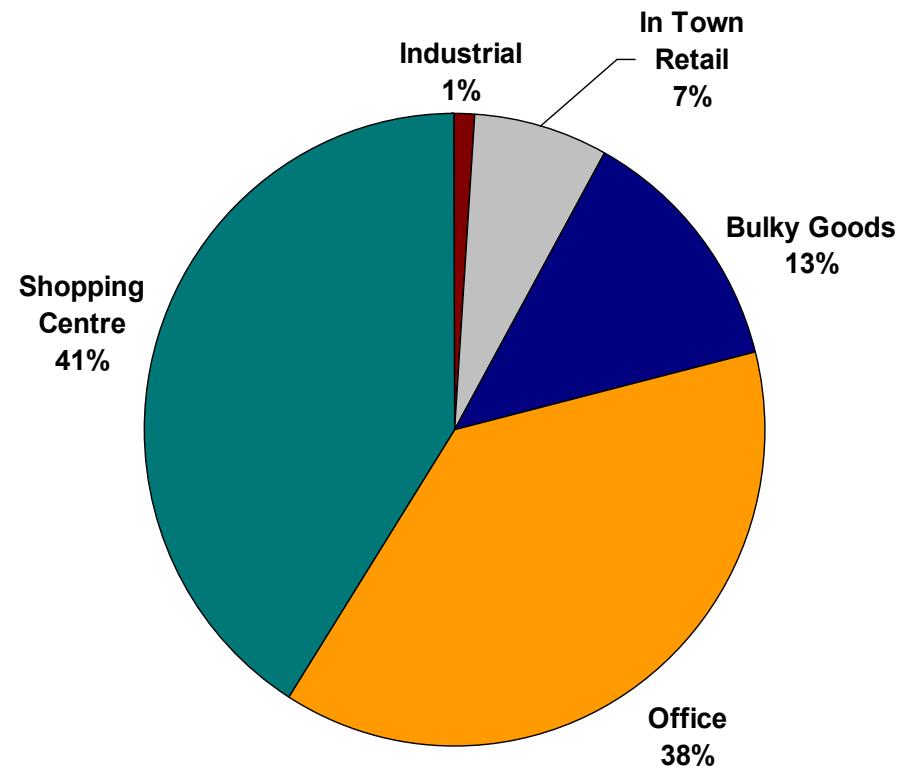
Co-investment fund management



Stockland Halladale – Geographic & Asset Diversification

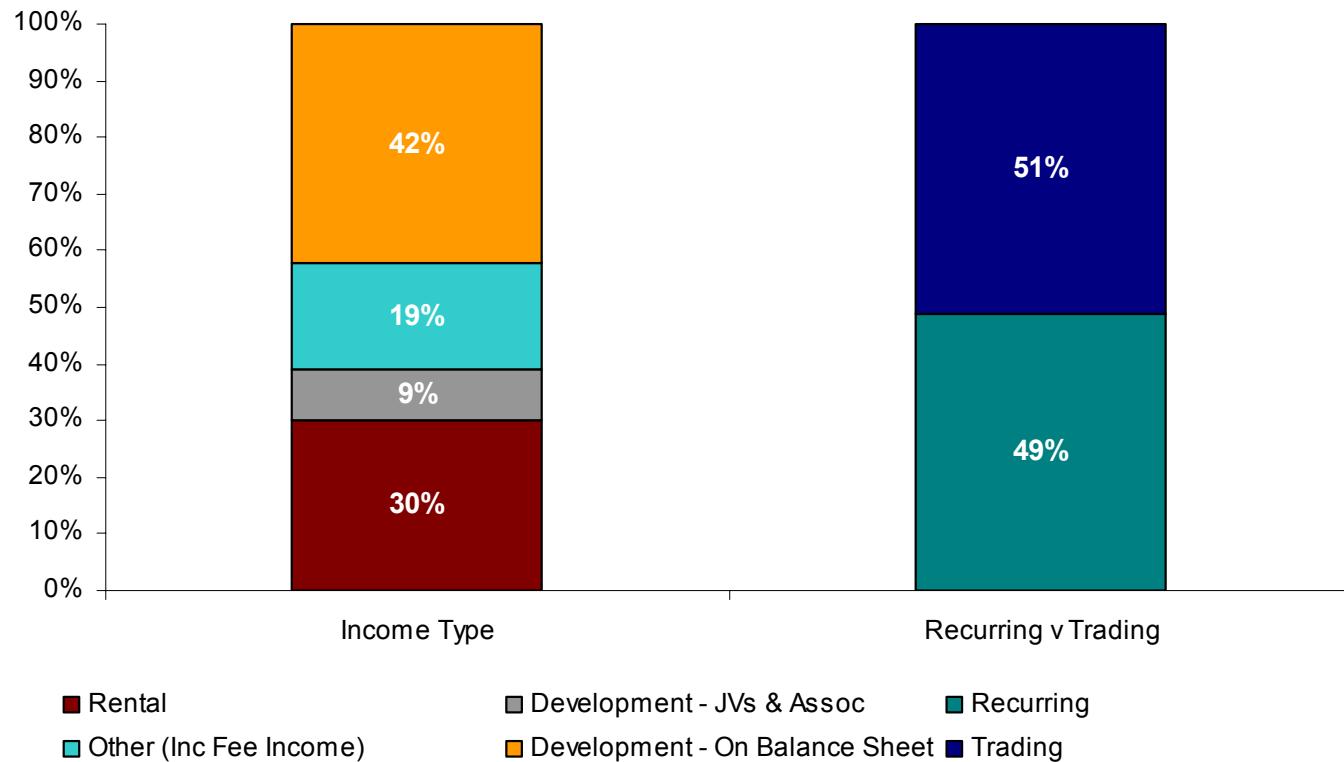


Geographic Diversity



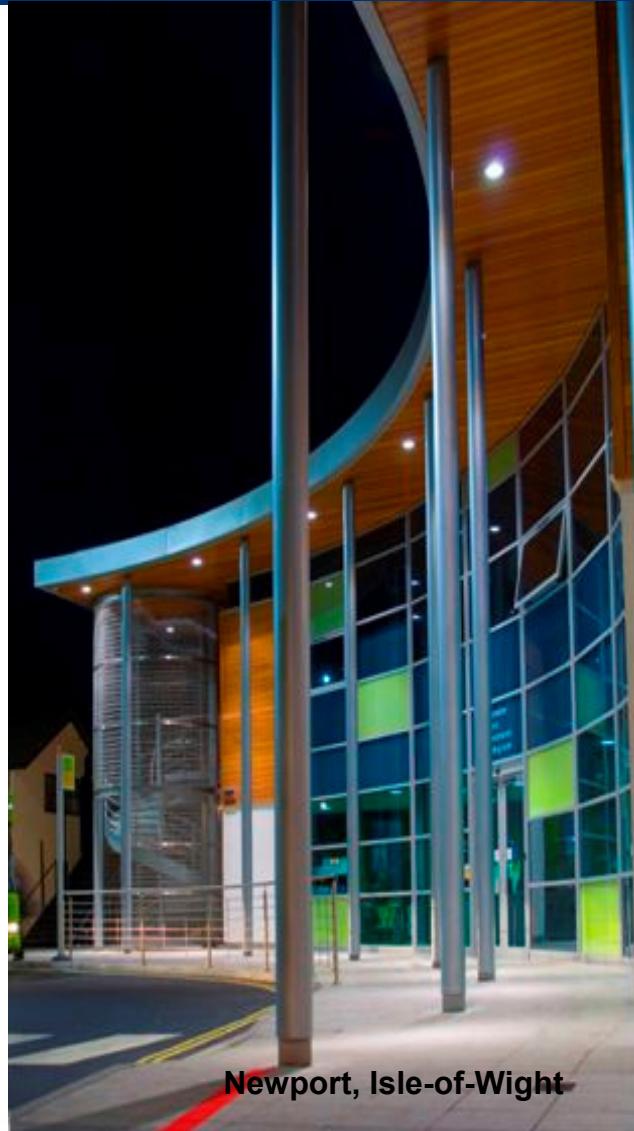
Asset Diversity

Stockland's Halladale Strategy – FY08 EBIT Splits



Integration – Key Achievements

- Integration
 - Re-branding
 - All staff retained
 - HR policies and structure
 - Common IT platform
- Lower cost of debt
 - New £125m revolving credit facility from Bank of Scotland
 - 3 year term at margin 40bps (previously 150bps)
- Transaction activity
 - Over £100m of purchases completed or under offer
 - Major office developments commenced in Glasgow and Central London with an end value of over £75m



Newport, Isle-of-Wight

Exco Structure



David Lockhart
Executive Chairman



Lisa Scenna
Joint Managing Director



Ken Lindsay
Joint Managing Director



Mark Harkin
Finance Director

Role	Person
Executive Chairman	David Lockhart
Joint Managing Director	Ken Lindsay Lisa Scenna
Finance Director	Mark Harkin
Corporate Development	Simon Taylor
Australian Directors	Matthew Quinn Hugh Thorburn



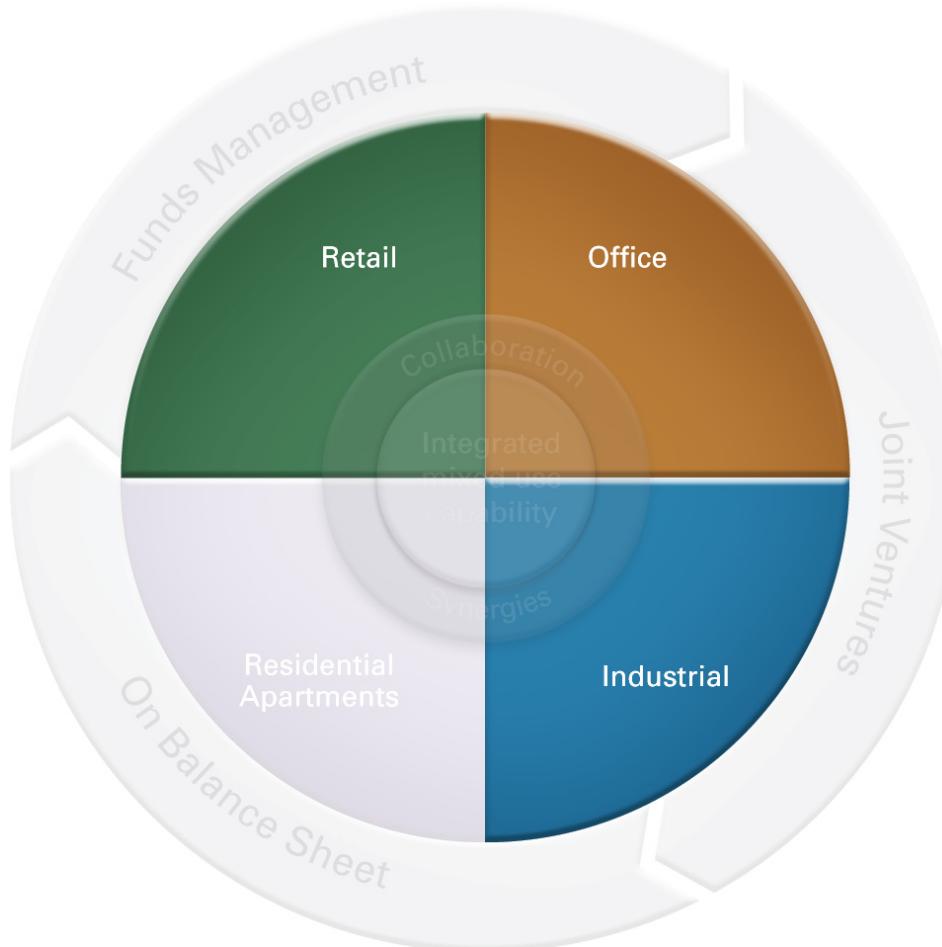
Simon Taylor
Corporate Development

Growth Strategies

- Upscale existing business
 - Increase pipeline
 - Larger scale projects
 - More on balance sheet
 - More profit share potential
- Expand operating platform
 - Develop residential capability
 - Grow mixed use capability
- Enhance and extend capital partnering



Growth strategies – Upscale existing business



Growth Strategies – Upscale existing business

Harlow Town Centre, Essex

Stockland Halladale is on the short list of four parties for the final stage of bids to regenerate the northern quarter of Harlow Town Centre.

This significant mixed use development will include the provision of a new retail area to include new anchor stores and a large food store, complemented by a selection of restaurants and cafes.

The development will also include a new iconic designed library, a theatre, significant parking, new urban living units in a variety of formats, and improved public transport interchange and high quality public realm throughout.



Growth Strategies – Upscale existing business

1 Tudor Street, London EC4

The purchase was completed in July 2007 for £9.15m with vacant possession.

The existing early seventies building had consent for circa 55,000sq.ft. of offices.

Development has commenced.



Three Shoes Shopping Centre, Warminster

An open 1970's centre of 62,000sq.ft purchased in June 2007 for £14.6m, an initial yield of 5.5%.

There are opportunities for tenant engineering and expanding the centre.



Growth Strategies – Upscale existing business

Phase 2 Billingham Town Centre

Forming a major component of the town centre extending to 170,000sq.ft. A number of retail properties were acquired in July 2007 for £16m, a 6% net initial yield.

Combined with our existing holding there is a major opportunity to carry out substantial development, improving the existing shopping offer.



St. Mungo's Retail Park, Cumbernauld

This first generation park of 50,000sq.ft. next to the town centre was purchased in June 2007 for £10.6m, a 5% net initial yield.

There are forthcoming rent reviews and the opportunity to undertake major tenant engineering and move rents forward.



Growth Opportunities – Project pipeline

PROJECT STATUS	No of Projects	Est. Construction Cost (£m)	Est. Profit on total cost* (%)
On Balance Sheet Assets			
Under Construction	3	42	
Planning Approval Received	1	3	
Planning Approval Awaited	5	50	
TOTAL ON BALANCE SHEET	9	95	17%
Joint Ventures – (shown as 100% of construction cost)			
Under Construction	2	22	
Planning Approval Received	3	71	
Planning Approval Awaited	6	113	
TOTAL JOINT VENTURES	11	206*	12%
TOTAL	20	301	13%

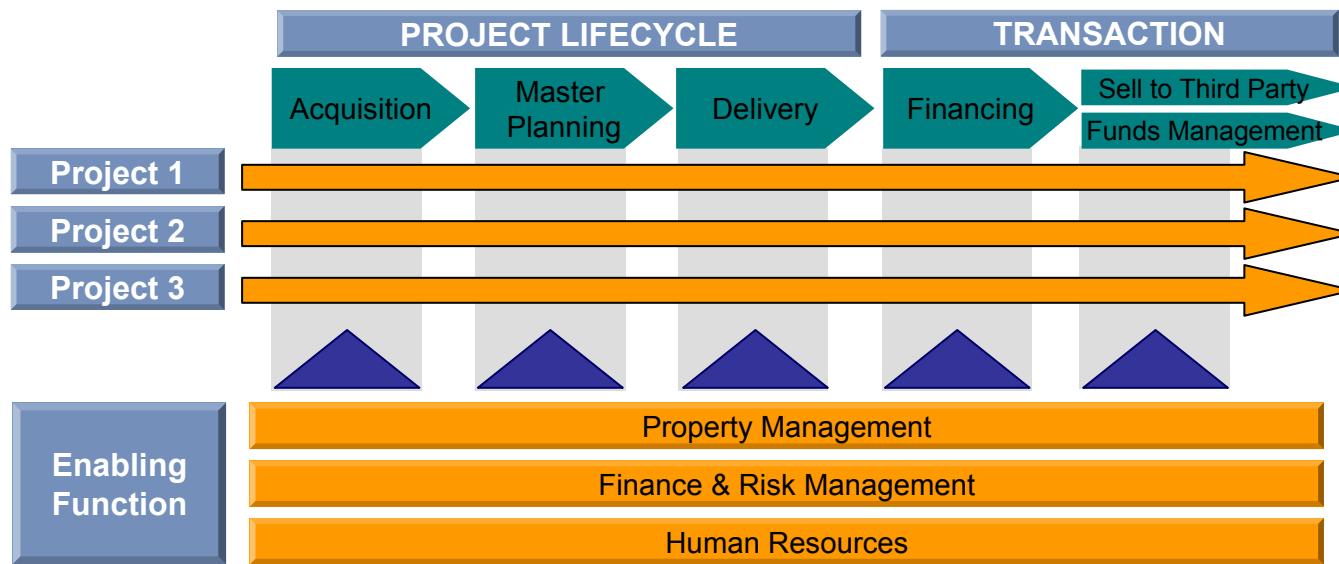
17 * Total cost includes land & holdings charges

Growth opportunities – Major Projects Pipeline

	FY08	FY09	FY10	FY11	FY12
Balance Sheet Pipeline - (Construction cost)					
Billingham Town Centre - Phase 1 (£8m)					
Onesixty (Fountain House), 160 Dundee Street (£13m)					
1 Tudor Street (£23m)					
Shaftesbury House (£14m)					
William Hunter Way, Brentwood (£25m)					
Other properties <£7m (£12m)					
Joint Venture Development Pipeline - (Construction cost)					
Queens Square Shopping Centre, West Bromwich (£55m)					
Queens Street Shopping Centre, Darlington (£59m)					
Aberdeen Gateway (£41m)					
Gracechurch Street, London (£12m)					
Eastbourne (£10m)					
Hammersmith Grove (£9m)					
Other properties <£7m (£20m)					

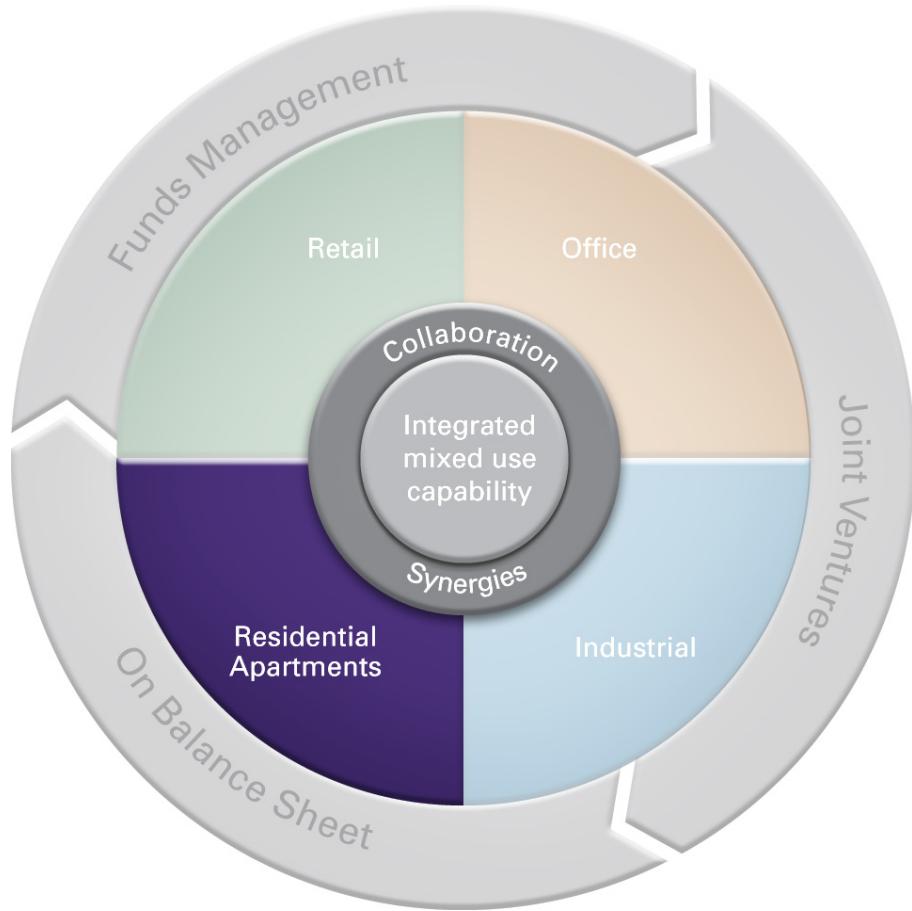
Strategic initiatives– Expand Operating Platform

- Residential capability to underpin mixed use
- Deepening of development capability across all sectors
- Increasing project management resources



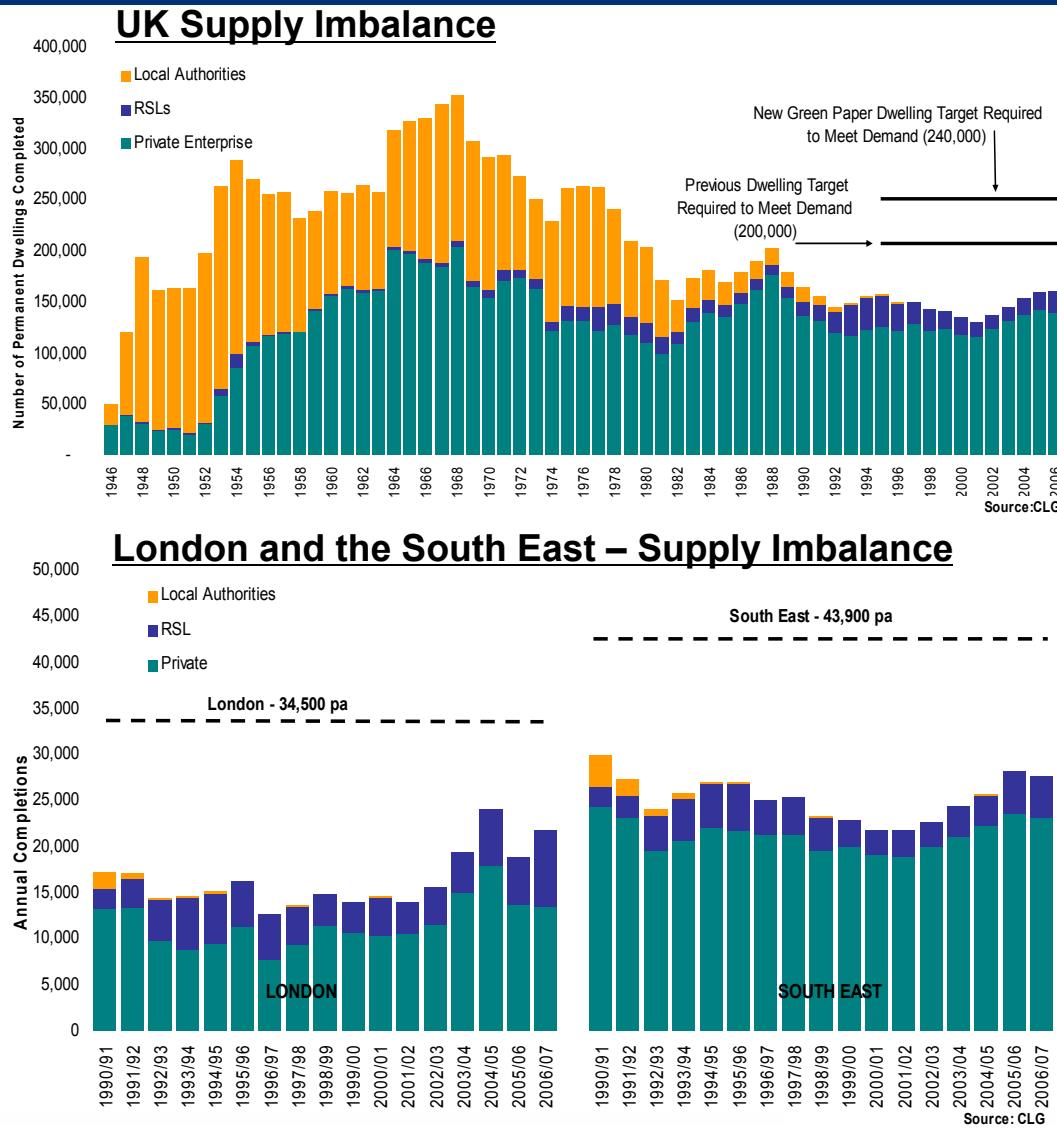
Strategic initiatives – Residential & Mixed Use Development

- Geographic focus on London and the South East
- Organic acquisition focus on mixed use development sites
- Potential bolt on opportunities of mixed use apartment-focused developers
- Supported by the acquisition and operating skills of our Australian team

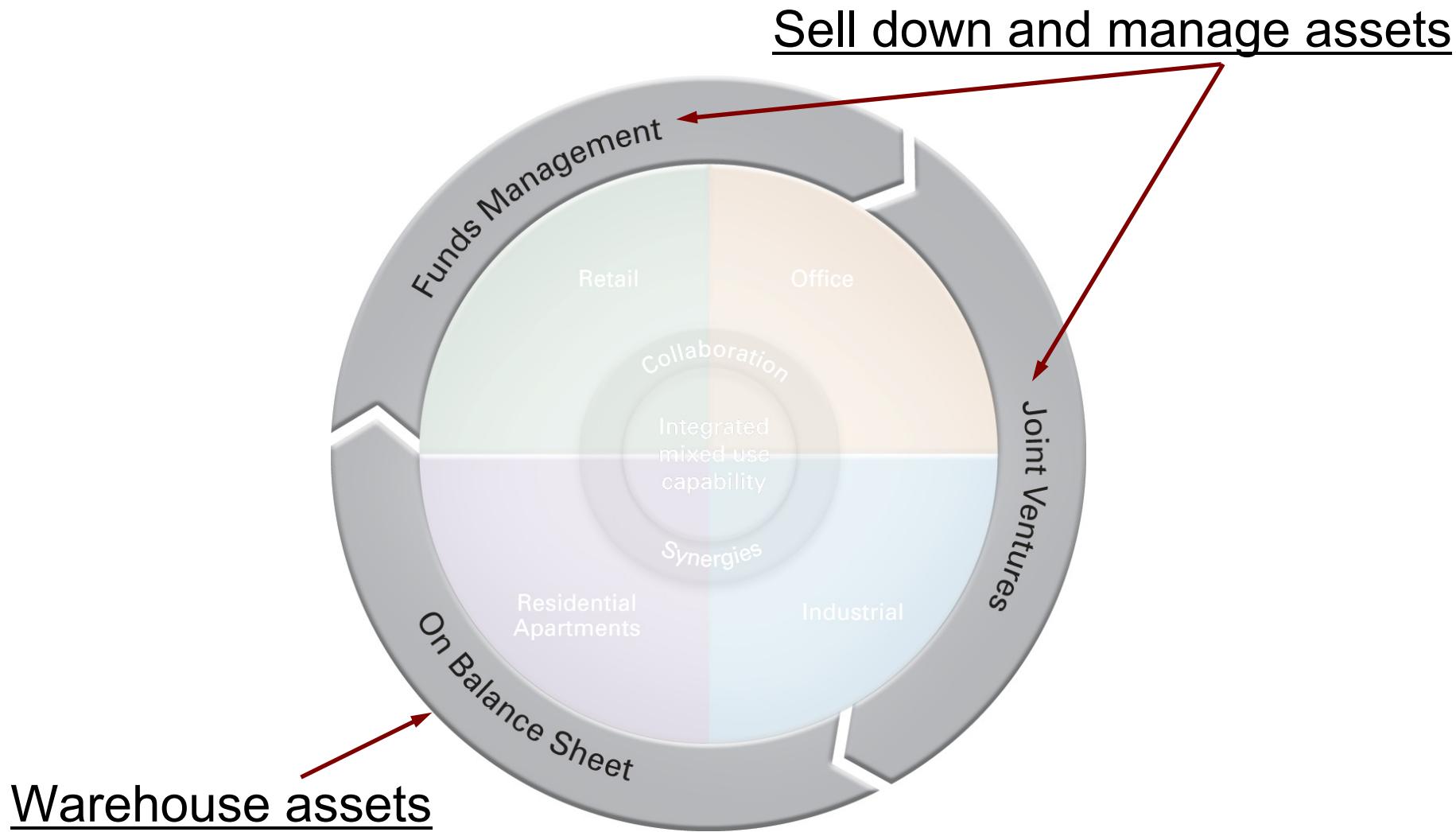


Strategic Initiatives – Residential Development

- Stockland Halladale has targeted residential development as a key growth driver.
- Long term supply imbalance
 - Underlying housing demand circa 240,000pa – 10 year average supply 160,000pa
 - Most pronounced in London and South East
- Affordability is an issue



Growth strategies - Enhance and extend capital partnering



Growth strategies – why Capital Partners?

- Larger scale project capacity
- Diversification of risk
- Enhance recurring fee income
- Alternative sources of capital
- Recycling capital
- Ability to take longer term view on asset added value and development initiatives



Shaftesbury House, Glasgow

* Artists Impression

Growth strategies – Capital Partners

- Established Funds
 - **Rynda - 'En Primeur' (Wholesale)**
 - Regional French assets
 - Current assets under Management >€300m*
 - Target assets under management €600m
 - Major investors include: GIC and Schroders
 - **CReAM (JV with Citigroup)**
 - 12 shopping centres UK wide value £240m
 - Active value adding via major refurbishment and development
 - Tenant engineering proceeding to move low rents forward
 - **Nelson (Retail)**
 - Small properties with a total value £30m
 - Active asset management initiatives

Growth strategies – Capital Partners

- Established Joint Ventures
- Examples of existing fee structures

Tyburn Lane Private Equity	
Equity Investment	30%
Fees	3-5% of rents
Promote/Profit Share	50/50 once 10% IRR achieved
Citigroup (range only as different from project to project)	
Equity Investment	5-25%
Fees	3-5% of rents 1-3% development costs
Promote/Profit Share	Sliding scales on IRR's from 10% with profit shares from 20% to 70%
Bank of Scotland	
Equity Investment	50%
Fees	1.5% - 5%
Promote/Profit Share	50/50 but utilising above average levels of leverage

Challenges & Opportunities

- Market Conditions
 - Short term challenges due to reduced asset demand and yield softening
 - Medium term opportunities as assets reprice and funding costs increase including potential corporate transactions
- Our diversity and property skills are a real differentiation in this market
 - Financial engineering is much less of a driver of value
 - Groups with strong asset management and development skills will drive value
- Opportunity to increase geographic and product diversity within the development programme
- Enhance recurring fee stream via management fees, development service fees and fund management fees

Summary

- Our international strategy has commenced and we're happy with progress
- The merger of Stockland and Halladale is going well
- No shocks or surprises
- Good opportunities for significant growth of this platform
- Target 10%+ of group EBIT within 3 years

Disclaimer

Corporation/ Responsible Entity

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