

# Stockland Update

## RESULTS BUILT ON SUSTAINABLE COMMUNITIES

April 2017

Cardinal Freeman  
The Residences, Sydney



**Stockland**  
*it's your place*



# Agenda

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# Group Update

## Continued solid performance in 3Q17:

- Retail sales growth relatively flat, continuing to grow specialty sales productivity per square metre
- Progressing our \$548m Retail and L&BP developments on schedule and feasibility
- Good momentum in L&BP leasing activity
- Solid Residential net deposits, record contracts on hand
- Net reservations for Retirement Living on track

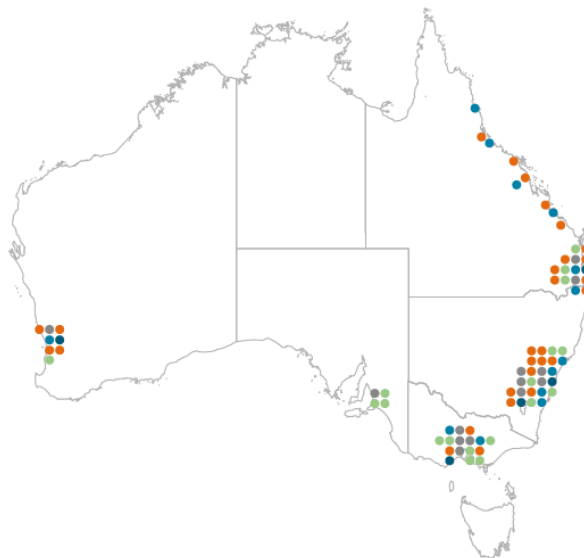


## Stockland is well positioned with a diverse portfolio

422,000+  
customers visit a Stockland shopping centre every day

109  
families move into a home in one of our residential communities every week

11,700+  
retirees call a Stockland retirement village home



- Retail
- Office
- Logistics & Business Parks
- Residential
- Retirement Living

### RETAIL

40  
properties



1,032,306  
sqm GLA\*

\$7.0 billion  
asset value†

### LOGISTICS & BUSINESS PARKS

27  
properties



1,329,752  
sqm GLA\*\*

\$2.0 billion  
asset value†

### RESIDENTIAL

53  
communities



72,600  
lots remaining

\$18.2 billion  
approx end value#

### RETIREMENT LIVING

65  
villages



9,400  
established units

\$1.3 billion  
book value‡

### OFFICE

8  
properties



141,046  
sqm NLA\*

\$0.7 billion  
asset value†

\* Reflects 100% interest. ^ GLA excludes development land. + Value of Stockland's ownership interest. # Excludes value on projects identified for disposal and assuming no material change in market conditions.  
‡ Includes established and development units. (GLA) Gross Lettable Area (NLA) Net Lettable Area.



# Strategy delivering sustainable, strong results in 1H17

## Community creation focus delivers growth across whole business

- Growth in FFO per security of 6.2% reflecting consistent implementation of our strategy
- Continued improvement across all business units
- ROE<sup>1</sup> grows to 11.0%
- Maintained strong balance sheet

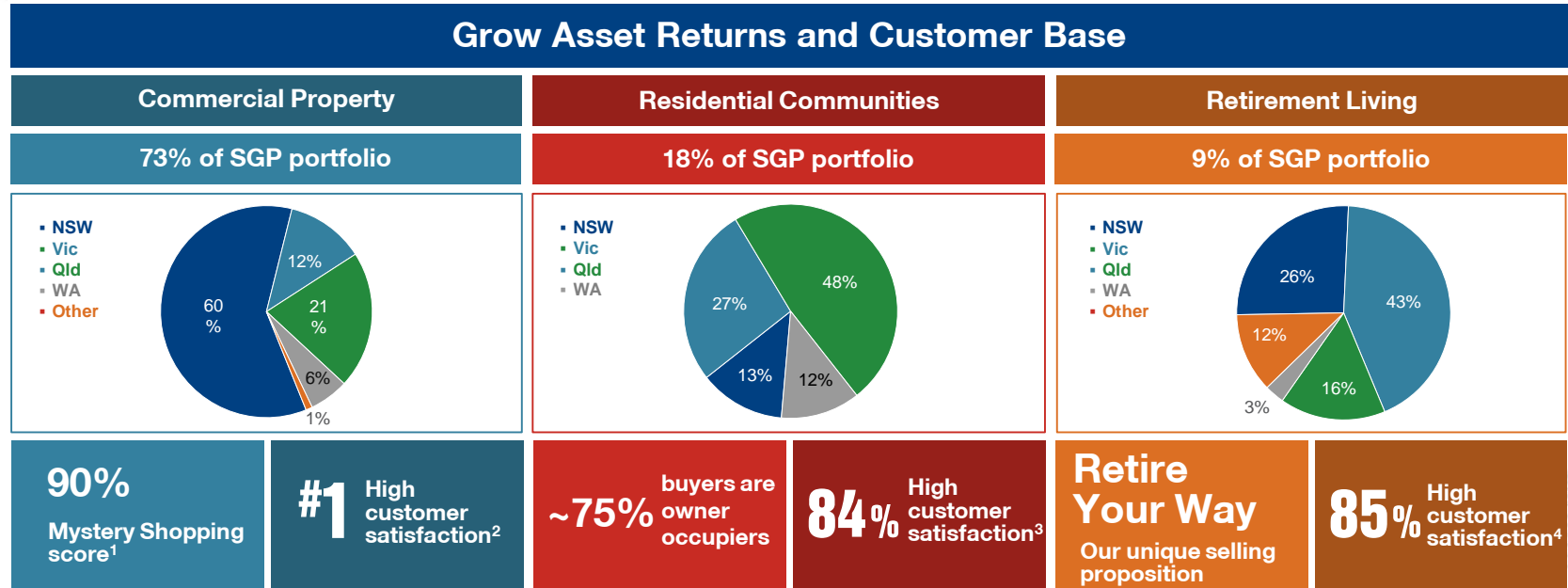
	1H17	1H16	Change
Statutory Profit	\$702m	\$696m	0.7%▲
Funds from Operations (FFO) <sup>2</sup>	\$369m	\$342m	7.8%▲
Statutory Earnings per security	29.3 cents	29.4 cents	0.3%▼
FFO per security	15.4 cents	14.5 cents	6.2%▲
Distribution per security	12.6 cents	12.2 cents	3.3%▲
Net Tangible Assets per security	\$4.00	\$3.87	3.4%▲
Gearing (D/TTA)	23.9%	23.1%	
Return on Equity	11.0%	10.3%	

1. Return on Equity accumulates individual business Return on Assets and incorporates cash interest paid and average drawn debt for the 12 month period. Excludes residential communities workout projects
2. Funds from Operations (FFO) is determined with reference to the PCA guidelines

## Elara Community, Sydney



# 1H17 Achievements



Data as at 31 December 2016

1. Retail Centre Mystery Shopping research rates customer experience

2. Retail tenant satisfaction TenSAT score produced by Monash University

3. Stockland National Liveability Index score

4. Stockland Residents' Voice Survey: average overall happiness with their village

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# 1H17 Achievements

## Operational Excellence and Capital Strength

Global Sector  
and Regional  
Sector Leader -  
Retail/Office



Leading  
global climate  
performance<sup>1</sup>

Salesforce  
launched in  
Residential



Third consecutive year



HR  
Success  
Factors  
launched

Maintained S&P  
credit rating

A-

For over ten years

#1 two years in a row, market leader for ten years



**ROBECOSAM**  
Sustainability Award  
Industry Leader 2016

DJSI  
**#1**  
Global

1. Leading sustainable ratings agency, formerly known as Carbon Disclosure Project

# Growth in FFO across all business units and good visibility of future cost of debt

## Funds from Operations

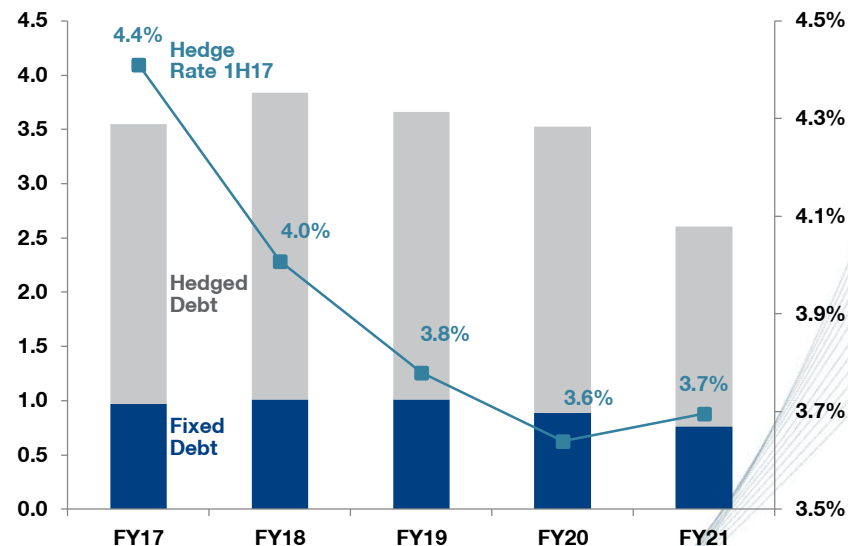
\$m	1H17	1H16	Change %	Comp. Growth %
Retail	207	197	5.2%	3.5% ▲
Logistics & Business Parks	72	66	8.7%	2.9% ▲
Office	34	36	(6.6%)	6.6% ▲
Trading profit	5	-	nm	
Commercial Property net overhead costs	(6)	(8)		
<b>Total Commercial Property</b>	<b>312</b>	<b>291</b>	<b>7.3%</b>	<b>3.7% ▲</b>
Residential Communities	100	98	1.4%	
Retirement Living	26	18	43.8%	
Unallocated corporate overheads	(29)	(27)	5.8%	
Net Interest	(40)	(38)	6.3%	
<b>Total Group</b>	<b>369</b>	<b>342</b>	<b>7.8%</b>	
<b>FFO per security (cents)</b>	<b>15.4</b>	<b>14.5</b>	<b>6.2%</b>	

1. Excludes fees and margins

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## Forward hedge rates<sup>1</sup> positively impact Group WACD

Billions(\$)





# Commercial Property

Stockland  
Shellharbour, NSW



# Retail

## Retail Sales:

- 3Q17 sales growth relatively flat, impacted by several issues
  - Easter shifts from 3Q16 to 4Q this year
  - Variable results from our Queensland centres, including disruption from Cyclone Debbie
- Specialty sales productivity for comparable centre retailers continues to improve, with MAT/MLA<sup>1</sup> increasing by 2.7%, driven by active remixing strategies

## Retail Development:

- Current developments progressing on time and in line with feasibilities
- \$412m Green Hills, NSW, stage one opening April 2017, completion mid 2018
- Bundaberg, Kensington, completed with new format Coles supermarket

1. Sales per sqm adjusted for moving lettable area (MLA). MLA reflects comparable sales per sqm adjusted for total number of days the store has traded in the full year, if trading for less than two years

Total Sales by Category to 31 March <sup>2</sup>	MAT Growth	Comp Annual Growth	3Q17 Comp Growth
Specialties excluding Dick Smith <sup>3</sup>	1.8%	1.0%	0.9%
Specialties	0.6%	0.0%	-0.4%
Supermarkets	2.1%	-0.2%	0.1%
DDS/DS	-3.3%	-3.3%	-6.6%
Mini-Majors and Other	5.2%	2.2%	3.1%
Total	1.4%	-0.2%	-0.4%

Progress on current development	Spend to 31 March (\$m)	Total cost (\$m)	Stabilised yield <sup>4</sup>	Total Leased	Incremental IRR <sup>5</sup>
Green Hills, NSW	146	412	7.0%	58%	11.9%
Bundaberg, Qld	26	30	7.1%	93%	7.8%

2. Sales data includes all Stockland managed retail assets

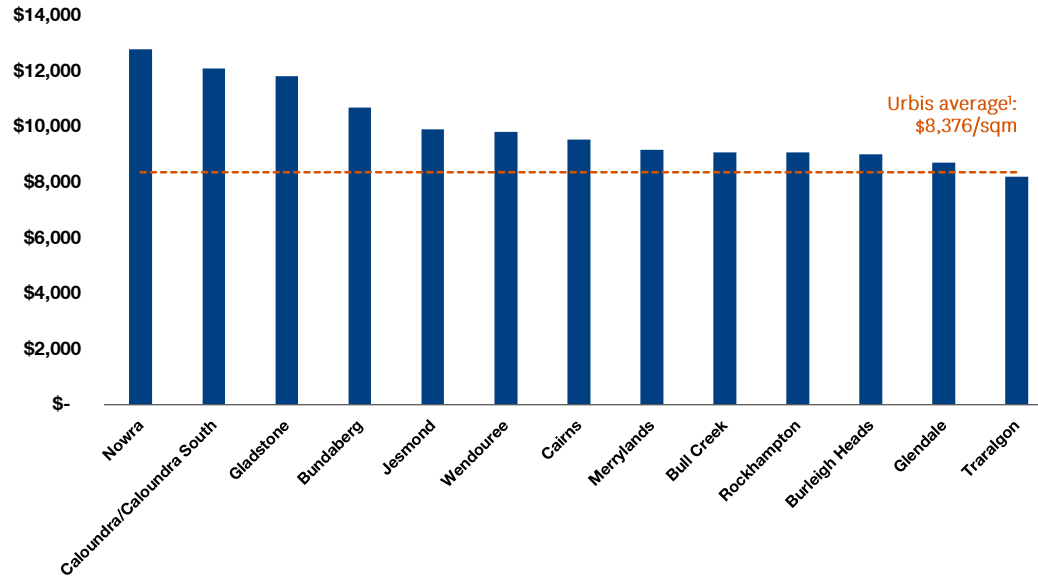
3. Excluding impact of Dick Smith closures

4. Incremental FFO yield

5. Forecast unlevered 10 year IRR on incremental development from completion

# Retail: Productive centres and diverse income base

## Specialty MAT/sqm, centres with future development potential



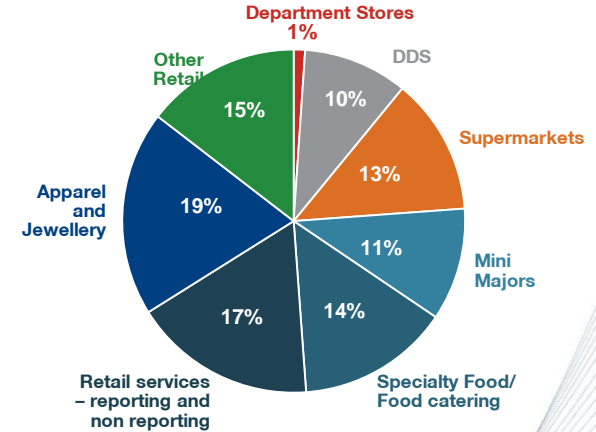
Stockland data as at 31 December 2016

1. Urbis Sub-regional Shopping centre Benchmarks June 2016

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## Strong diversity in rental income

Gross rent: Total portfolio



# Retail trends/Leasing strategy

## Entertainment and Leisure

To act as a community hub and meeting place for family and friends

## Fast food and casual dining

To cater to customer demand for diverse dining options

## Health and Services

To reflect trends in ageing demographics and focus on personal health and wellbeing

## Design and retailer mix

To deliver a wider range of choice and experiences, including emerging Mini-Majors

	2010	2017
Mini-Majors	92 shops	131 shops

## Wetherill Park – an example of evolving design and retailer mix



**Before:**  
Undifferentiated internalised environment, plan dominated by anchors and small shops



**After:**  
Collection of micro-environments, plan accommodates a wider range of sizes and uses

**Designed to evolve the centre from a linear and homogenous shopping mall into a diverse, walkable public precinct**

Trends reflected in our portfolio  
% of total store numbers

	2010	2017
Non-reporting Services	11%	14%
Reporting Retail Services	13%	15%
Food Catering	15%	19%



# Stockland Wetherill Park:

## A leading lifestyle, food, fashion and leisure centre

- Three extensions since 1983 completion
- Customer demand for a redevelopment based on fresh food, cafes, restaurants, mini-majors, theatre, lifestyle, health and services
- 5 Star Green Star Design rating and a significant 925 kw PV solar plant
- Completed centre, 70,000 sqm, fully leased and trading strongly:
  - First full year of trading: MAT \$354m, up 29%; traffic 7.7m up 18%
  - Specialty shops at \$9,533 psm and growing strongly
- Retailer demand for more space, future development potential of 30,000sqm

	Construction commencement	On completion
IRR <sup>1</sup>	~14.8%	~15.8%
FFO Yield <sup>2</sup>	7.3%	7.3%
Valuation	\$645-\$665m	\$740m

1. Incremental IRR
2. Incremental FFO yield

Stockland Wetherill Park, Sydney



# Logistics and Business Parks, Office

## Logistics & Business Parks:

- Strong leasing momentum with 345,000 sqm, 28% of the portfolio, executed or under heads of agreement
- Continuing progress with ~\$400m development pipeline:
  - Oakleigh, Melbourne (total development \$15m), practical completion stage two reached
  - Warwick Farm, Sydney (total project cost \$77m), early works underway
- 3 DAs submitted, total 56,000 sqm

## Office:

- Portfolio occupancy at 92%, reflects Perth and Canberra vacancies
- Majority of portfolio in Sydney CBD, North Sydney and St Leonards, which are all performing strongly

Logistics and Business Parks	Nine months to 31 March 2017	1H17
Leases executed	291,500 sqm	160,000 sqm
Leasing activity under HOA	53,100 sqm	152,000 sqm
Portfolio occupancy by income	96.2%	96.1%
Portfolio WALE <sup>1</sup>	4.4 yrs	4.6 yrs

Office	Nine months to 31 March 2017	1H17
Leases executed	3,200 sqm	2,900 sqm
Leasing activity under HOA	6,100 sqm	2,100 sqm
Portfolio occupancy by income	91.9%	93.5%
Portfolio WALE <sup>1</sup>	3.5 yrs	3.7 yrs

1. By income



# Retirement Living

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The Residences,  
Sydney



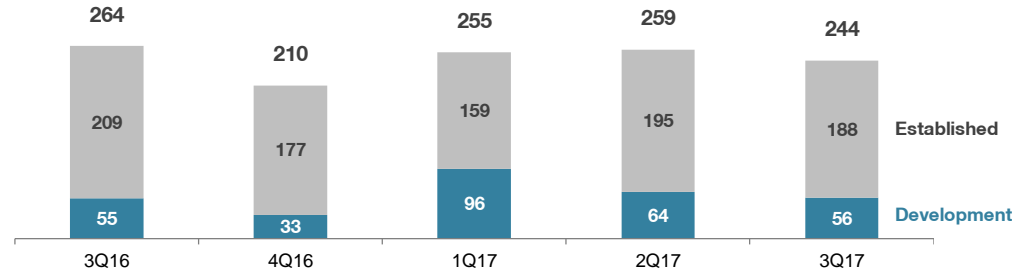
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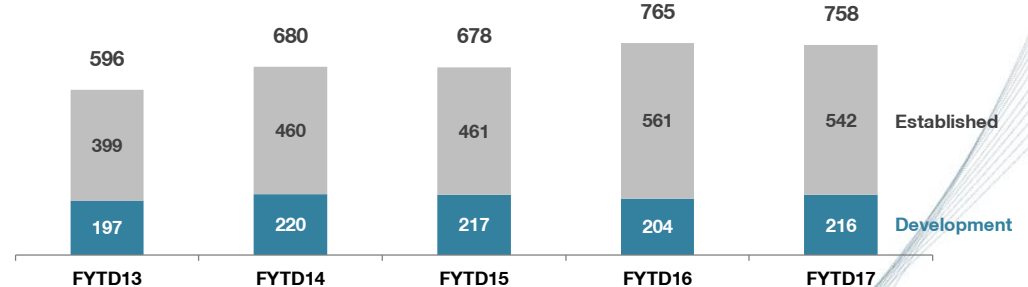
# Retirement Living

- Resale values benefitting from strength of Eastern seaboard Residential market
- Reservations impacted by units withheld for future development (Oak Grange, Melbourne and Castle Ridge, Sydney)
- Development reservations will continue to be variable, depending on timing of stage releases

Retirement Living net reservations - quarterly



Retirement Living net reservations – nine months to 31 March 2017





# Retirement Living: Building on success

## Broadening customer reach

- Developing Seniors apartments, Cardinal Freeman, Sydney, Oceanside, Qld
- Progressing repositioning of middle ring villages including Oak Grange, Melbourne
- Customising DMF, non DMF Seniors Living, Aspire at Elara, Sydney and trialing new DMF contracts with 100% capital gain to Stockland at villages in Victoria and South Australia

## Providing additional customer amenities

- Continuum of Care: four sites operated by Opal Aged Care, a further four in planning, and 20 existing sites with other operators
- Medical centres: first at Highlands, Melbourne
- Benefits Plus: over 4,500 customers, increased 11% in 2016
- Trialling strategic partnerships with home care providers to expand services, part of our “Retire Your Way” initiative

Artist's Impression - Oceanside, Sunshine Coast, Qld



# Residential

Minta Farm,  
Melbourne



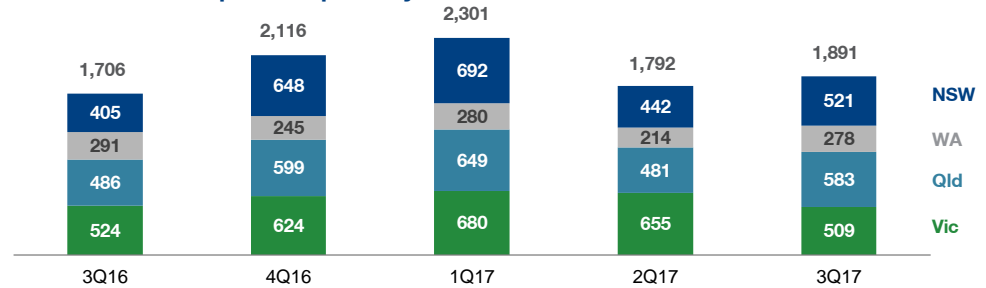
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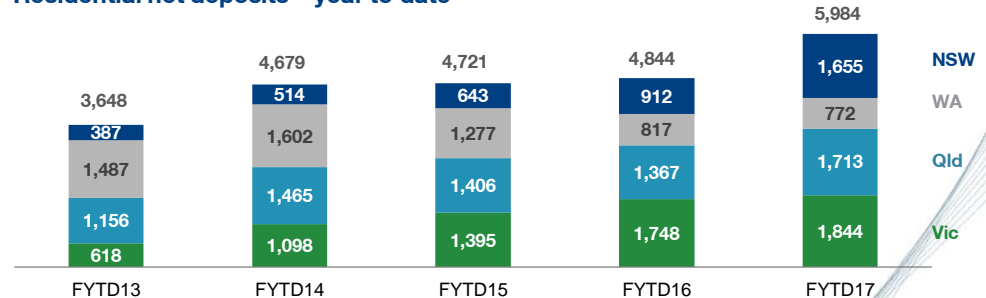
# Residential Communities

- Affordability focus differentiates our business
  - 77% of buyers were owner occupiers in the March quarter, 54% first home buyers
- Solid quarter for net deposits:
  - Continued strong market conditions in NSW and Vic
  - Qld market strengthening, supporting demand for new projects
  - Good response to sales campaign and increase in First Home Buyers grant in WA
  - Vic third quarter deposits impacted by timing of releases, Edgebrook (Melb) launched
- Willowdale (Sydney), town homes delayed by weather, limiting FY17 town home settlements to ~200, offset by additional land settlements

Residential net deposits - quarterly

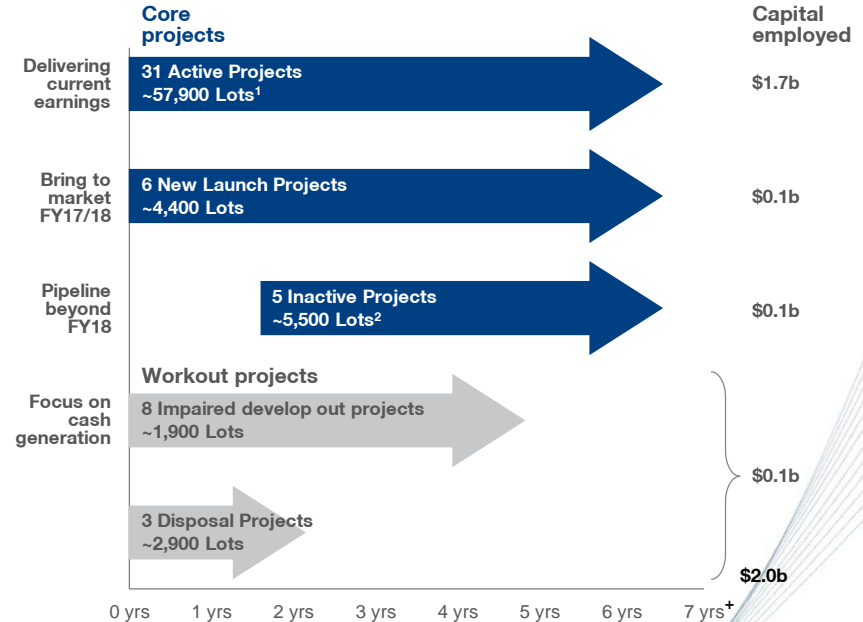


Residential net deposits - year to date



# Residential: Growing assets and customers

- Maintaining over 90% of funds employed in projects actively selling
- Strong customer demand for our new launch projects
  - Newport, Brisbane
  - Pallara, Brisbane
  - Foreshore (Coomera), Qld
- Strong sales at our largest ever masterplanned communities, Aura, Qld, and Cloverton, Melbourne, over 600 sales at each since launch
- Reduction in impaired projects with the sale of Wallarah, NSW, and Bahrs Scrub, Qld
- Continuing to see strong demand from Owner Occupiers, representing around 75% of our buyers



Data as at 31 December 2016

1. Excludes Elara (NSW) acquisition of ~1,500 lots in June 2016 pending settlement

2. Excludes Minta Farm (VIC) acquisition of ~1,700 lots in December pending settlement



# Leading in Housing Affordability

50

50 per cent<sup>1</sup> of Stockland's customers are first home buyers

75

75 per cent<sup>1</sup> of customers are owner-occupiers

100

Launched "100 homes in 100 days" – First Home Buyer initiative in Sydney



4,000 first home buyers have purchased in Stockland communities in the last year



Working with all levels of government to increase supply to help address affordability

1. Rolling 12 month data to 31 March 2017

2. House and land entry price as at December 2016

3. Source: Real Estate Institute of Qld (REIQ), December 2016

## Examples of entry house and land packages



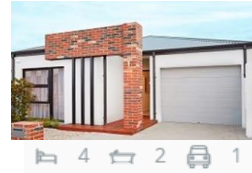
### Pallara (Qld)

Stockland Price <sup>2</sup>	Brisbane LGA Median Price <sup>3</sup>
\$454,870	\$655,000



### Highlands (Vic)

Stockland Price <sup>2</sup>	Craigieburn Median Price <sup>4</sup>
\$390,597	\$450,000



### Calleya (WA)

Stockland Price <sup>2</sup>	Cockburn Median Price <sup>5</sup>
\$389,516	\$535,000

4. Source: Real Estate Institute of Victoria (REIV), December 2016

5. Source: Real Estate Institute of WA (REIWA), December 2016

# Outlook

Willowdale Regional  
Park, Sydney



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# Summary & Outlook

- Remain on track to achieve FFO per security growth of 6–7% in FY17 with DPS targeted at 25.5 cents, assuming no material change in market conditions. Underpinned by:
  - Full year Residential settlements above 6,000 lots and operating profit margins at 15 – 16%
  - Comparable Retail FFO growth of 3 – 4%
  - Further improvement in Retirement Living returns as we continue to focus on operational efficiencies and our development pipeline
- Portfolio continues to be positioned for sustainable long term growth and value creation

**Our Purpose:** We believe there is a better way to live





# Annexures

Ingleburn Distribution  
Centre

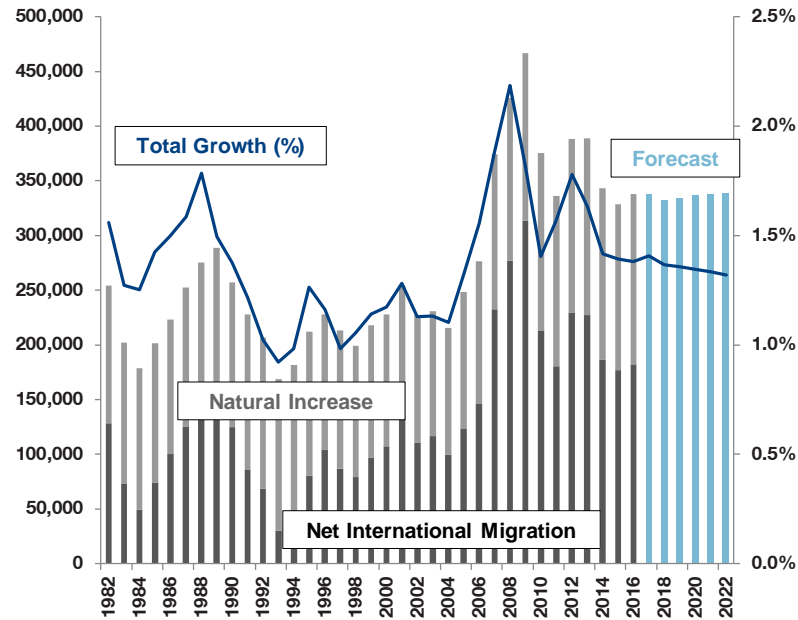


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# Population growth continues to underpin dwelling demand

AUS population growth – Annual<sup>1</sup>



Data as at September 2016

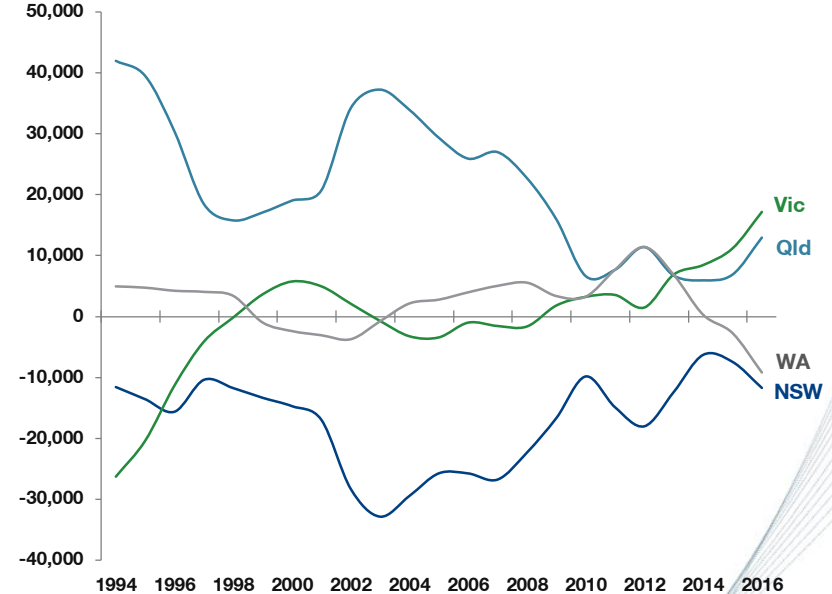
1. ABS, Deloitte Access Economics, Department of Immigration

2. ABS, Stockland Research

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Vic and Qld seeing strong positive interstate migration<sup>2</sup>

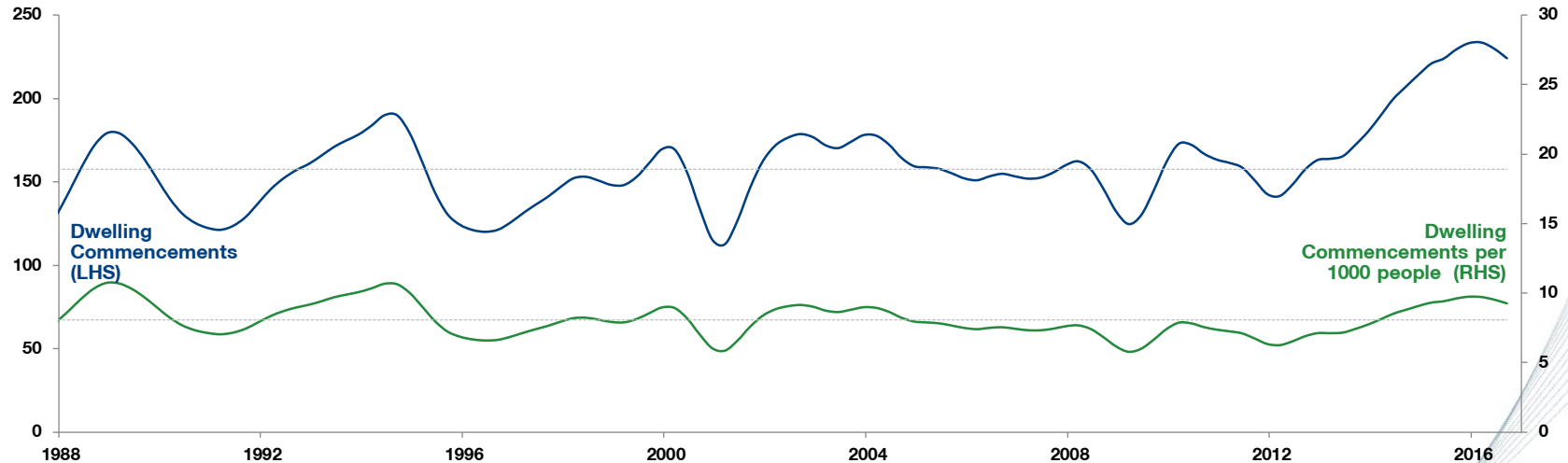
Annual Rolling Sum ('000s)



# Dwelling commencements have responded to accumulated undersupply

Dwelling commencements are elevated but close to long-term averages on a per capita basis. Both are moderating from peaks<sup>1</sup>

Thousands



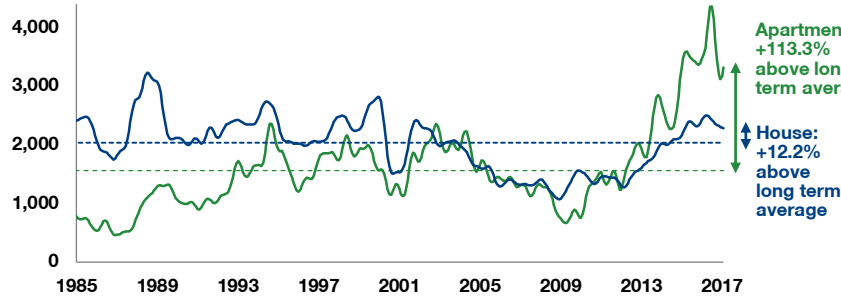
Data as at September 2016  
1. ABS, Stockland Research

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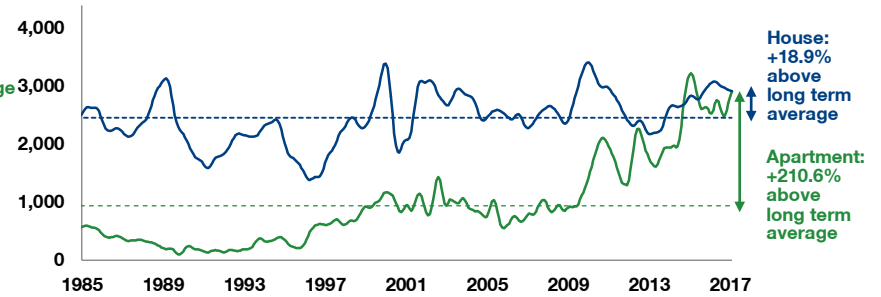


# National building approvals<sup>1</sup>

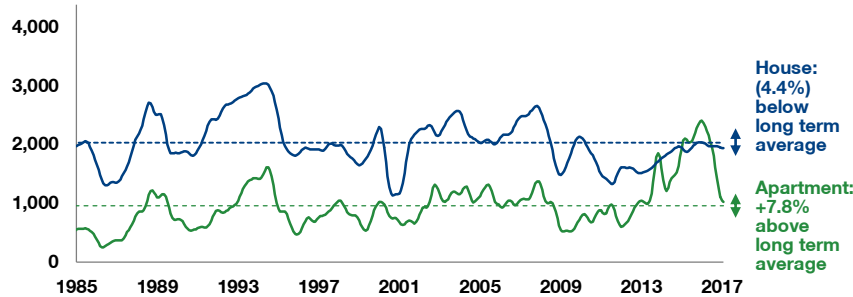
NSW house approvals around average; unit approvals remain high



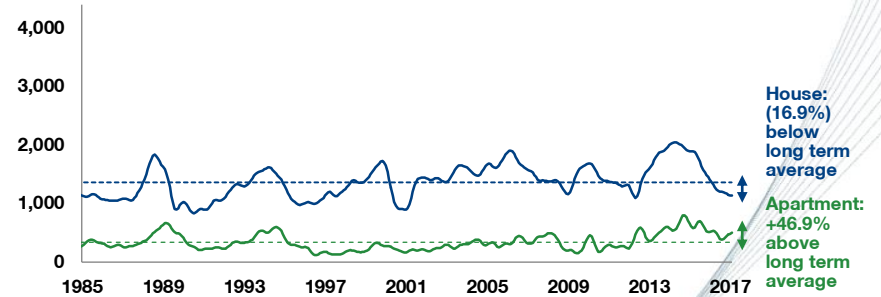
Vic house approvals moderating; unit approvals remain high



Qld house approvals at long term averages; unit approvals down sharply



WA house approvals stabilising; unit approvals rising



Data as at February 2017

1. ABS

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**Stockland Corporation Limited**

ACN 000 181 733

**Stockland Trust Management Limited**

ACN 001 900 741; AFSL 241190

**As a responsible entity for Stockland Trust**

ARSN 092 897 348

25th Floor

133 Castlereagh Street

SYDNEY NSW 2000

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