



Stockland

UBS 2009 Global Real Estate Conference

December 2009

www.stockland.com

Stockland's vision is to create a world class diversified property group

- Stockland was founded in 1952 and is Australia's largest diversified property group
- Pioneered the stapled security structure
 - Alignment of shareholder and management interests
 - Investors benefit from tax 'pass-through' of unit trust
 - Efficient capital structure
 - No fee leakage
- Total assets of >A\$14bn
- c.15% of the A-REIT 200 Index*



Stockland Balgowlah, NSW

Stockland's Strategy

- Use our diversified model to drive competitive advantage
- Enhances returns through cross business synergies
- Balance of stable recurring income and trading profits
- Strategic weightings have remained unchanged over many years
- Opportunities are assessed in line with these strategic weightings
- Filter for assessment:
 - strategic fit
 - value enhancement
 - ability to execute

	EBIT FY09		Assets 30 June 2009 ¹	
	Actual	Strategic weighting	Actual	Strategic weighting
Recurring				
Retirement Living	5%		2%	
Commercial Property	75%		72%	
Net overheads & other	(1%)		0%	
Total recurring	79%	60-80%	74%	70-80%
Trading				
Residential	25%		23%	
Retirement Living	1%		0%	
Commercial Property	1%		0%	
Net overheads & other	(6%)		3%	
Total trading	21%	20-40%	26%	20-30%

1. Excludes goodwill and retirement living property, plant & equipment

Stockland - Australia's largest diversified REIT

Australian Commercial Property assets – A\$7.9b (72% of assets¹)



Retail – \$3.9b



Office – \$2.9b



Industrial / Intermodal – \$1.1b

Australian Residential and Retirement assets – A\$3.0b (25% of assets¹)



Communities – \$2.0b



Apartments – \$0.5b



Retirement – \$0.5b

1. As at 30 June 2009; represents percentage of real estate assets, the balance represents assets in the UK

Strategy – by business unit

Residential

- Leverage Residential Communities' competitive advantages and grow market share
- Target land investment opportunities in growth corridors to deliver short and medium-term profits
- Strategic review of Apartments business in light of capital intensity / low returns

Retirement Living

- Achieve economies of scale from development of existing land bank
- Optimise price growth from existing villages
- Increase cash proportion of total profit

Commercial Property

- Enhance asset quality through redevelopment of retail centres
- Acquisitions both individually and through JVs
- Continued disposal of non-core properties to free up capital for reinvestment

UK

- Orderly sale of assets over the next two or three years

Strategic investments

GPT

- Exposure is in efficient self-funding structure
- Parts of GPT's portfolio fit with our Commercial Property strategy and our stake provides option value

FKP

- Largest retirement living operator in Qld
- Perpetual first right over retirement living assets which fits with our Retirement Living strategy

AVE

- Largest for-profit retirement living operator in NSW

Strategic stakes

	%	Cost		Market value 26 November 09	
		Price (\$)	Total \$m	Price (\$)	Total \$m
GPT*	13.1%	0.72	877.3	0.590	716.9
FKP	14.9%	0.76	132.1	0.755	130.9
AVE	13.9%	1.50	26.9	1.39	24.9

* The GPT stake is held indirectly via equity derivatives. The values above reflect the cost and market value if the equivalent investment was held directly

Experienced management team

Managing Director



Matthew Quinn

Finance Director



**Hugh
Thorburn**

EGM, Corporate Affairs



**Karyn
Munsie**

EGM, Human Resources



**Rilla
Moore**

CEO Retirement Living, Corporate Strategy



**David
Pitman**

CEO, Commercial Property



**John
Schroder**

CEO, Residential



**Mark
Hunter**

MD, Stockland UK



**Ken
Lindsay**

New CFO
as of 8-Feb-10

Tim Foster

Residential Strategy

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
- Currently negotiating a number of opportunities

Rezoning / planning is a core competency

- 5 year+ landbank around 30% of total inventories
- Embedding future higher margins as we move through planning

Melbourne acquisition – Aug 2009



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

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

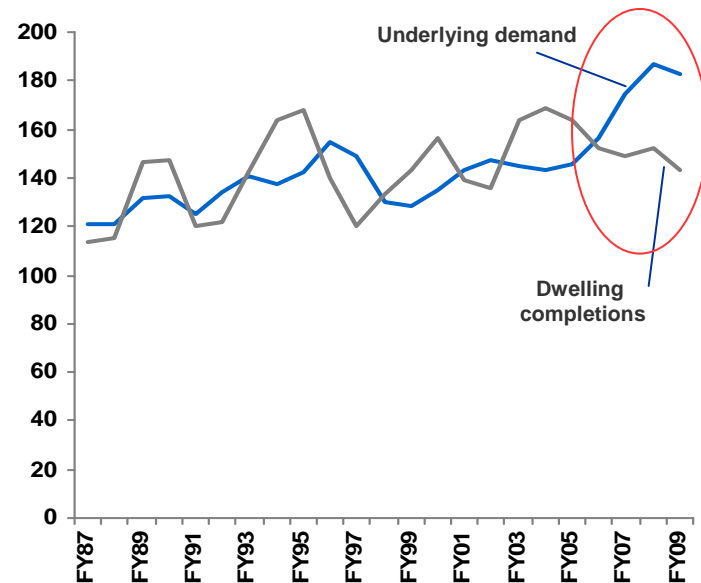
Australia is undersupplied with housing

Major undersupply of housing has developed since 2006..

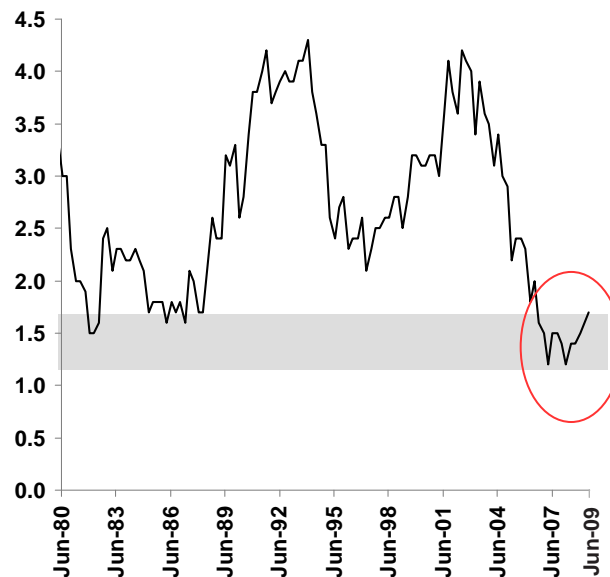
..causing rental vacancies to fall to record low levels..

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

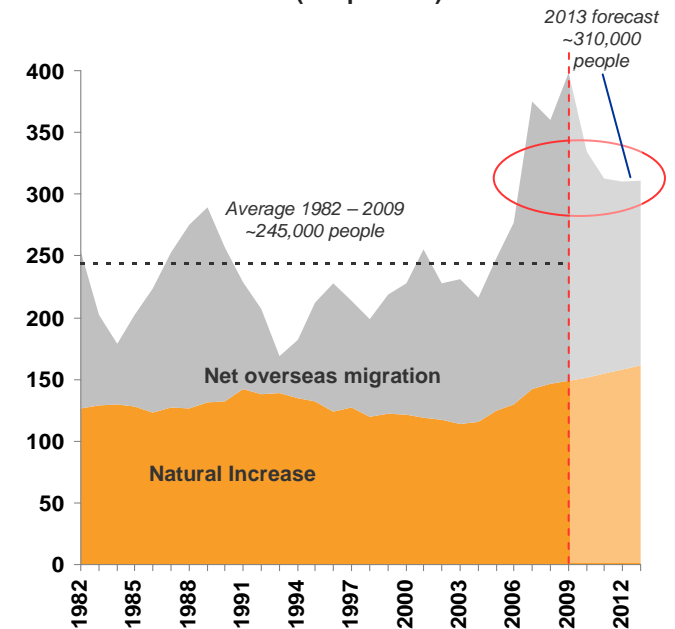
Underlying Demand & Supply of Dwellings
(000s)



National Rental Vacancy Rate
(%)



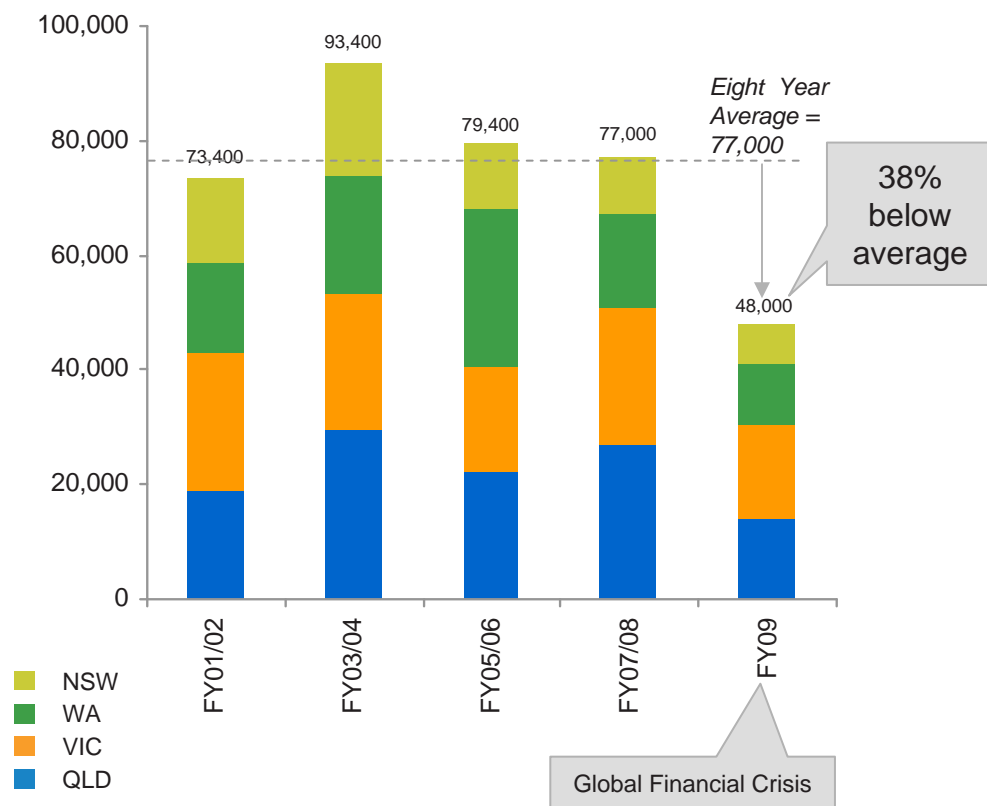
Annual Australian Population Growth p.a.
(People '000)



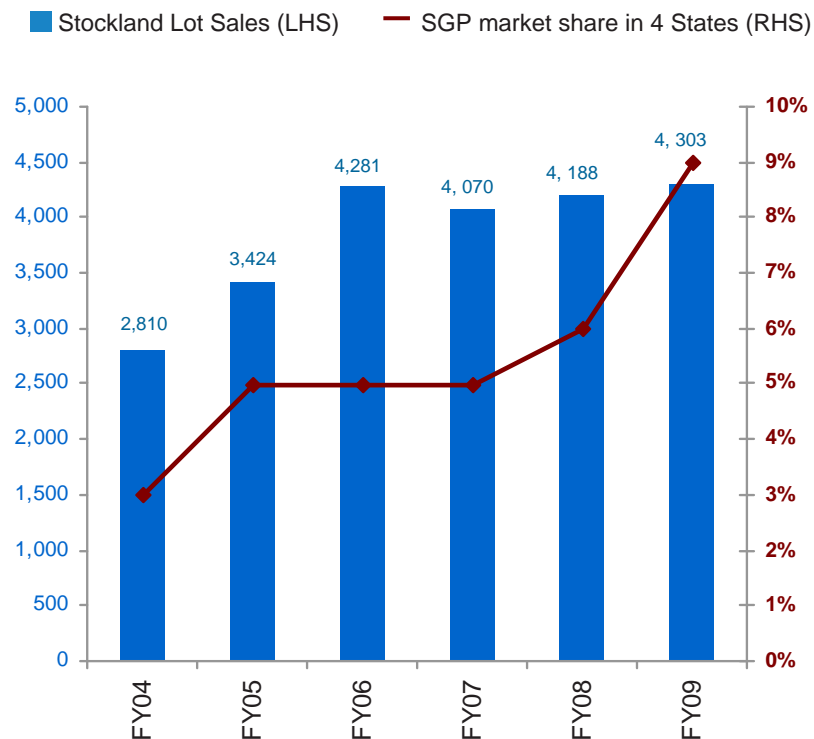
Leading economists estimate the cumulative housing shortage will reach 250,000 by the end of FY10

Despite the very weak market, we increased market share and lot sales in FY09

Vacant Lot Sales¹ Across NSW, WA, VIC and QLD
(# p.a.)



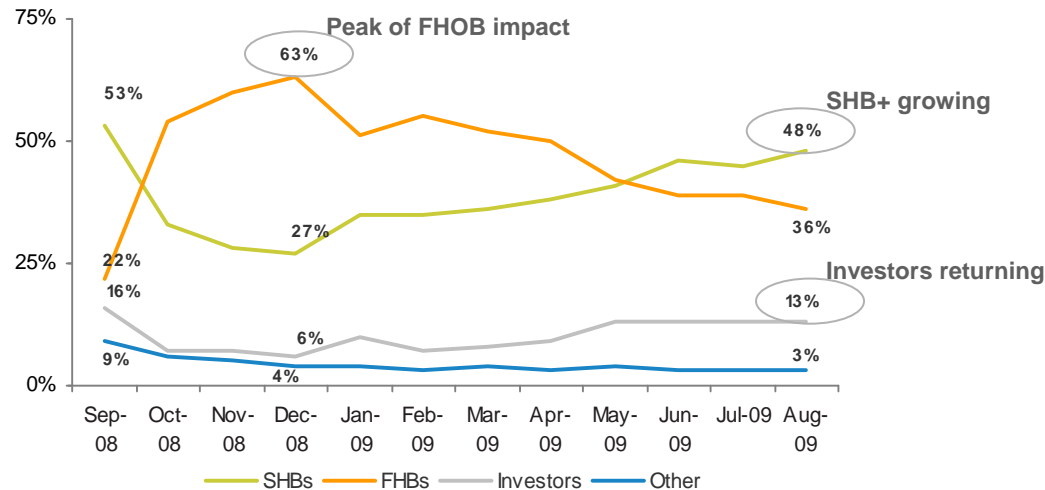
SGP Lot Sales and Market Share In Four Key States
(# p.a., %)



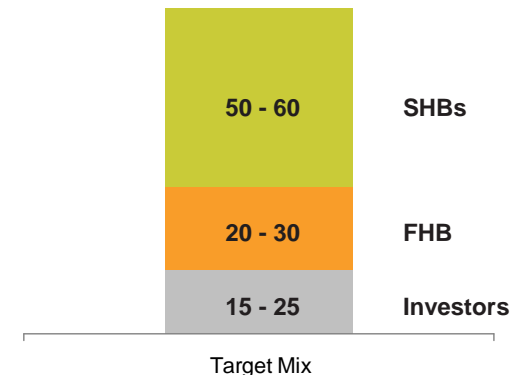
We are well prepared for the end of the First Home Owners Boost

- 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 (%)

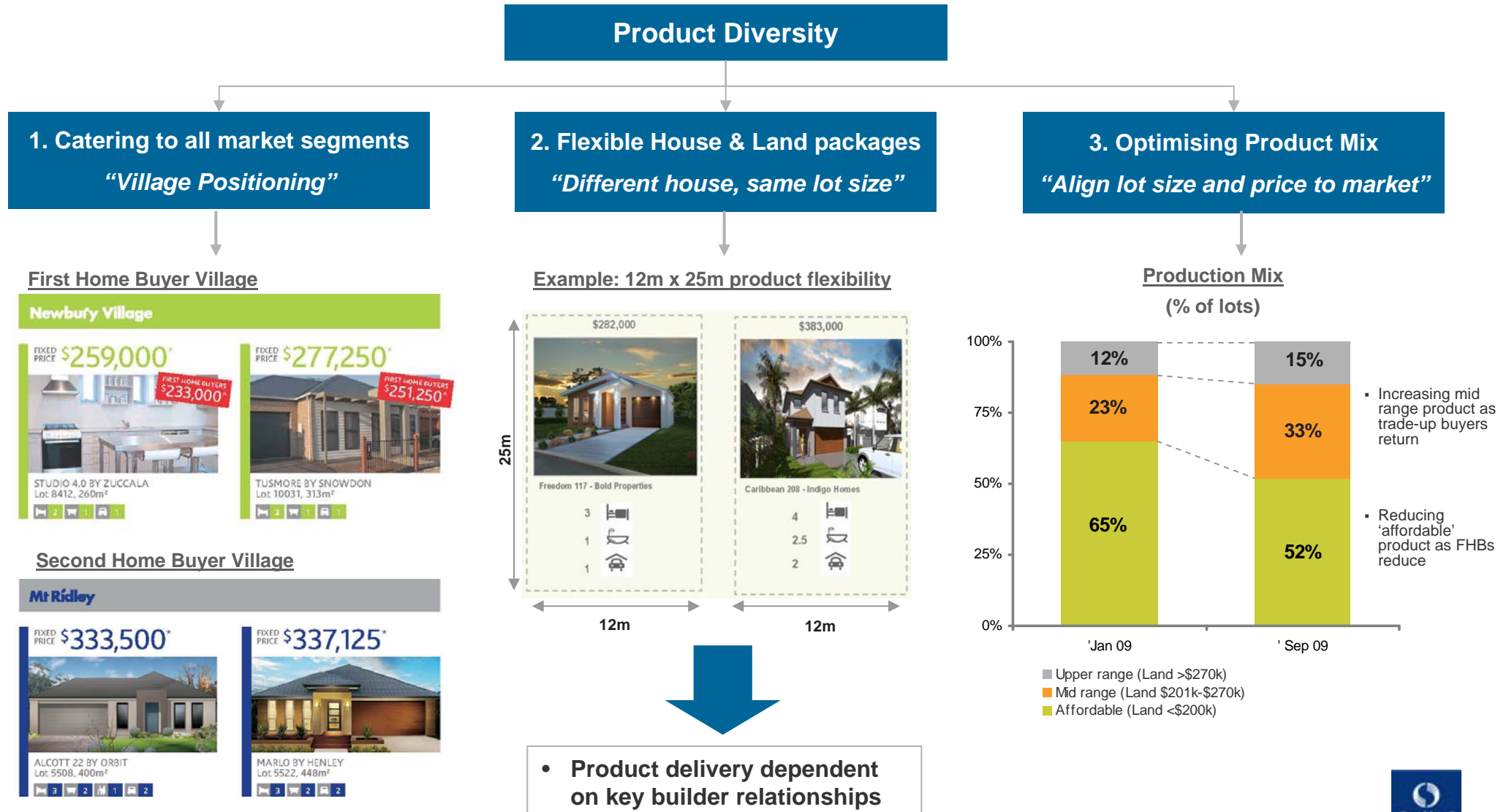


Long term target mix to maximise market share (%)



* Potential purchaser who has expressed interest in a specific Stockland project

Increasing market share by delivering product diversity, meeting all key buyer segments



Residential - summary

- Residential Communities is a sustainable growth business
- Clear strategy to grow market share and leverage our competitive advantage
- Lead indicators continue to improve, but all eyes on end of Federal government boost in Dec-09
- February 2010 a key 'check-in' point for us

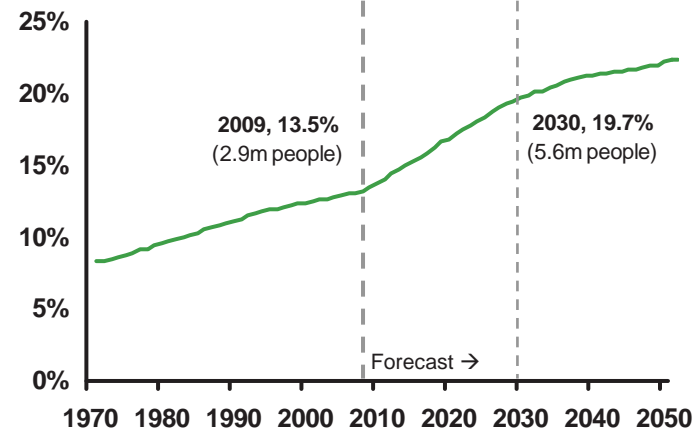


Stockland Caloundra Downs, QLD

Retirement Living Strategy

- 1. Develop new villages to capture a growing share of the bulging 65+ demographic**
 - Targeting middle and upper-middle Australians in metro and outer-metro areas; along Eastern seaboard and in WA
 - Make extensive use of Stockland's rich land bank
 - Selectively acquire mature villages
- 2. Actively manage the established portfolio**
 - Lift average yield
- 3. Draw on market-leading capabilities elsewhere in Stockland**
 - Residential Communities: land acquisition, masterplanning and execution
 - Commercial Property: asset management expertise
- 4. Deliver reliable portfolio returns providing the right mix of yield and growth**
 - Increase the proportion of cash earnings as villages mature
 - Improve economies of scale and lower earnings volatility through growth
 - Further streamline internal processes for efficiency

Percentage of Australians aged 65 and over



Source: ABS, Stockland analysis

- An estimated 115,000 additional units will be required by the year 2030 based on expected industry take up rates
- Equates to around \$30bn of new stock to be delivered at current average pricing

Retirement Living combines two basic property businesses and plays to Stockland's core strengths



Residential development

- Acquire land, re-zone, masterplan a community, build a village
- Development profit
 - Sales revenue less costs of development
 - Lower than pure residential due to community facilities

Asset management

- Manage a portfolio of tenanted assets; keep residents satisfied
- Replace outgoing residents efficiently
- Refurbish periodically to maintain economic value
- Deferred Management Fees (DMFs)
 - A fee on exit linked to the duration of stay
 - Effectively pays for the upfront community facilities

Commercial Property Strategy

Enhance quality of retail centres through redevelopment and acquisitions

- Building a high quality retail portfolio focussed on high performing regional and subregional retail centres with strong market share in their trade area

Industrial / Intermodal strategy

- Focus on large assets located close to major transport hubs

Office portfolio

- Actively manage lease expiry risk
- Continued disposal of non-core properties

Focus on cost and operational efficiency

- Building economies of scale and reducing MER

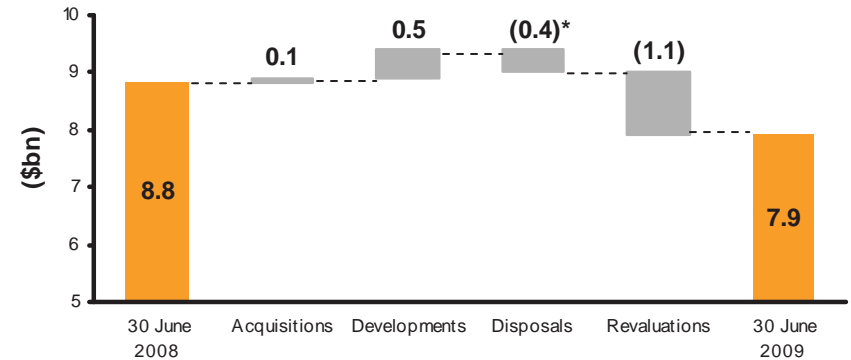


Stockland Baldvis, WA

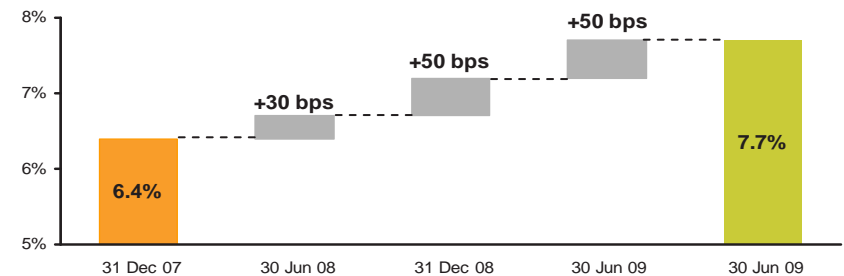
Commercial Property - asset values

- Weighted average cap rate softened 130bps since the peak of the cycle (20% decline)
- 93% of assets independently valued at 30 June 09 (remaining 7% under development)
- Anticipate only modest further softening in cap rates before they stabilise
- Development:
 - \$458m completed in FY09
 - \$368m underway (due for completion by FY12)
 - \$150m due to commence in FY10 (Merrylands stages 3+4)
 - DAs being secured for other major retail developments in anticipation of retailer demand improving and cap rates stabilising in 2010

Commercial Property – book values (\$bn)



Commercial Property – weighted av. cap rate



Composition

Retail: 6.2%
Office: 6.4%
Industrial: 7.3%

Composition

Retail: 7.3%
Office: 7.9%
Industrial: 8.6%

Commercial Property - summary

- Office and industrial markets:
 - Sydney and Melbourne stabilising, while downward pressure remains in Perth and Brisbane
 - Stockland portfolio is in good shape with minimal income at risk in FY10
- Retail sales are holding up reasonably well – retailers are increasingly positive about medium term outlook
- Anticipate only modest further softening in cap rates before they stabilise, although values will be impacted by softening office rents and rising lease incentives
- DA approvals for major retail developments being secured in anticipation of improving market conditions in 2010
- Comparable income growth in FY10 expected to be flat across the portfolio

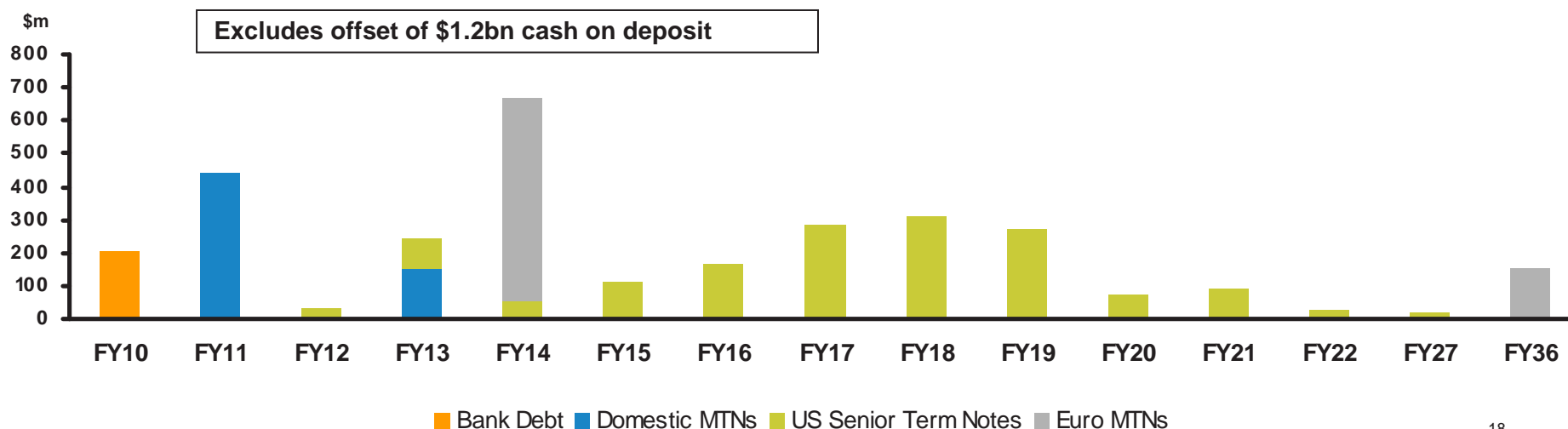
Capital management strategy

- Target gearing 25 – 30% of tangible assets
- Using “through the cycle” cap rates
- Long dated debt maturity matched with asset profile
- Diversity of debt sources

Key Credit Metrics - as at 30 June 2009

S&P rating	A- / Stable
Gearing (net debt / total tangible assets)	16.0%
Interest cover	2.8:1
Available undrawn committed facilities (in addition to cash on deposit)	\$1.3bn
Weighted average debt maturity	6.6 years
Weighted average maturity of fixed / hedged debt	6.9 years
Current position	
Debt fixed / hedged	Following June / July hedge restructure (using \$110m of the \$200m anticipated spend) {
Weighted average cost of debt	
	42%
	5.0%

Drawn debt maturity profile as at 30 June 09



Summary & outlook

- Stockland is financially strong and well-placed to capitalise on the expected economic recovery
- Residential Communities - entered FY10 with record contracts on hand and maintaining good rate of sales
- Apartments - strong cash flow expected in FY10 from projects due for completion
- Retirement Living - poised for growth
- Commercial Property - actively managing lease risk in office and industrial and will activate retail development pipeline when economic conditions stabilise
- UK - break-even result expected during orderly wind down over next 2 to 3 years
- FY10 guidance (assumes no material adverse change to economic conditions):
 - EPS 28 cents
 - AFFO 27 cents
- FY10 distribution - 80% of AFFO in line with our revised distribution policy*

*Assumes no material capital gains from asset sales or other major changes that would increase Trust Taxable Income > 80% of AFFO



Stockland

Annexures

Overview of FY09 - Residential

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 appears to be resilient, but interest rate environment remains uncertain
- Continue to see an increase in leads from second and subsequent home buyers – cautiously optimistic about FY10

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



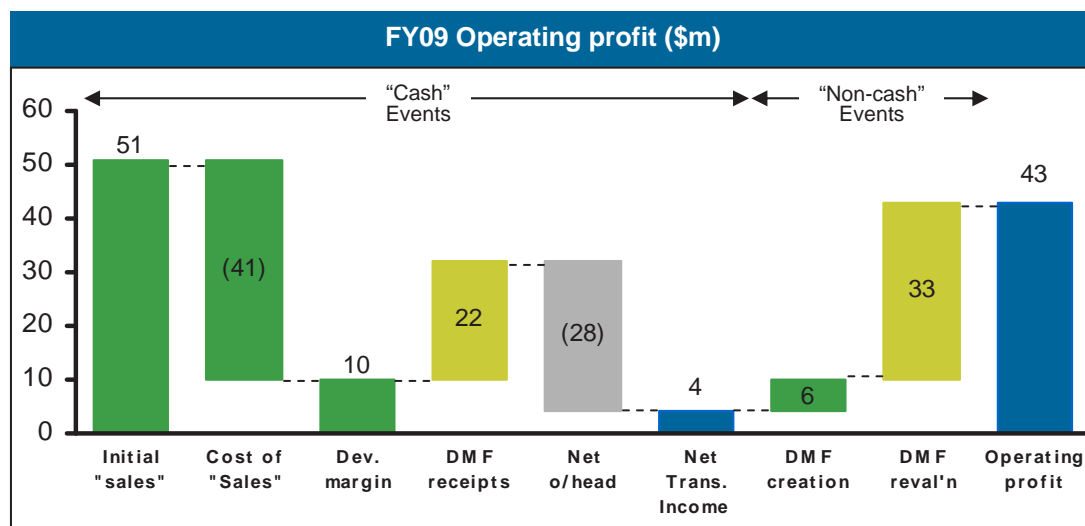
Overview of FY09 - Retirement Living

FY09 recap

- Solid profit performance
- Delays at new projects impacted number of new units settled (profits now expected in FY10)
- Established turnover volumes lower:
 - harder for new residents to sell existing homes (soft re-sale market)
 - now improving
- Independent valuation of all established villages*:
 - DMF revaluation - down \$8m
 - validates accuracy of internal valuation model and conservative assumptions on ARC acquisition

Retirement FY09

Operating profit	\$43m
New units settled	163
- Average price	\$313k
Established units settled	217
- Average price	\$229k
Occupancy	98.8%
Net funds employed ⁽¹⁾	
- Established villages	\$283m
- Development projects	\$126m
- Goodwill ⁽²⁾	\$108m



* Excluding two Rylands properties

1) NPV of DMFs + Construction WIP + Goodwill + Other; 2) Increase from Rylands acquisition

Overview of FY09 - Commercial Property

FY09 recap

- Strong earnings performance across all asset classes – comparable income growth +5.9%
- High portfolio occupancy
- Delivered on asset sales program - \$592m

Market outlook

Retail

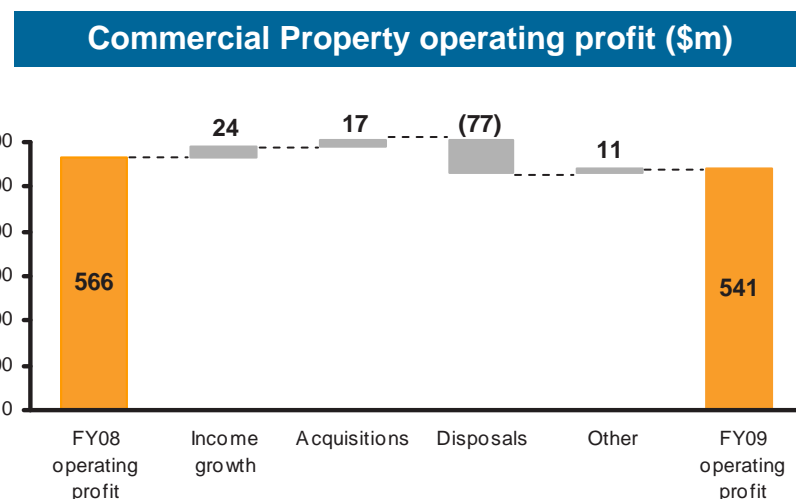
- Retailer sentiment is improving
- Arrears still low and no real signs of retailer distress
- Demand for new shops is improving albeit project leases require increased incentives

Office

- Softening rents and rising lease incentives
- Signs that demand is improving

Industrial

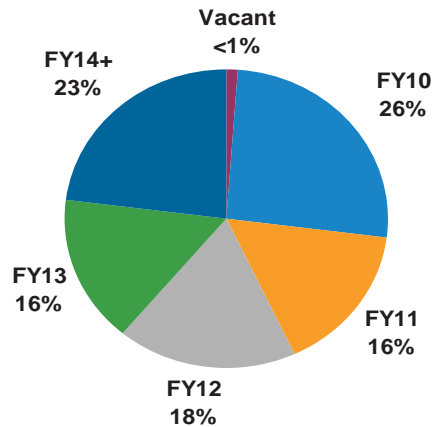
- Industrial market is challenging – early signs of improvement
- Major transport related hubs outperforming commodity space



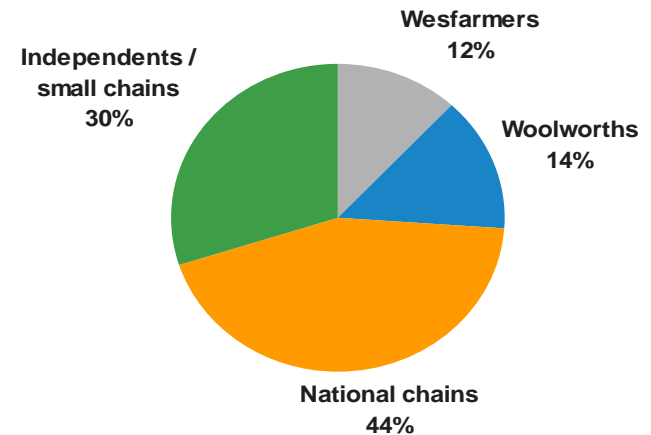
Retail performance

- Portfolio is well placed with shopping centres weighted towards non-discretionary expenditure
- Comparable income growth of +6.8% achieved in FY09
- Vacancies remain low
- Minimal oversupply – trade area specific

Specialty shop lease expiry profile*



Tenant rent composition^



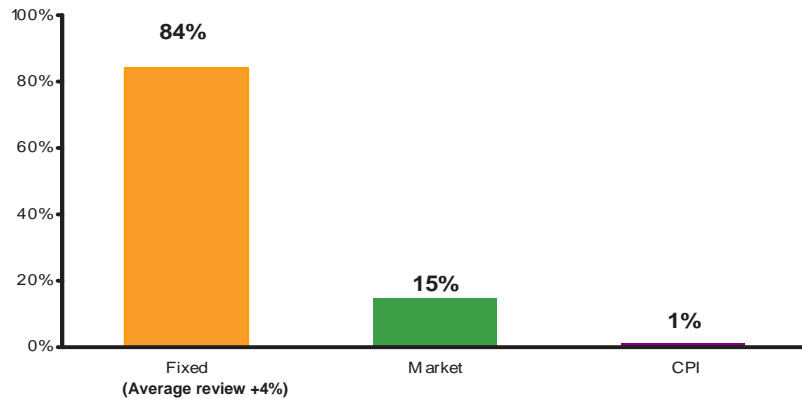
* By GLA; as at 30 June 2009

^ By gross passing rent; as at 30 June 2009

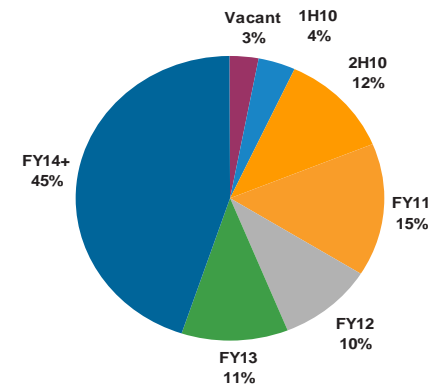
Office performance

- Comparable income growth of +5.7% achieved in FY09
- Actively managing lease expiry risk with minimal income at risk in FY10
- Office rent reviews due in FY10 – 84% subject to average 4% increase

FY10 rent reviews



Lease expiry profile*



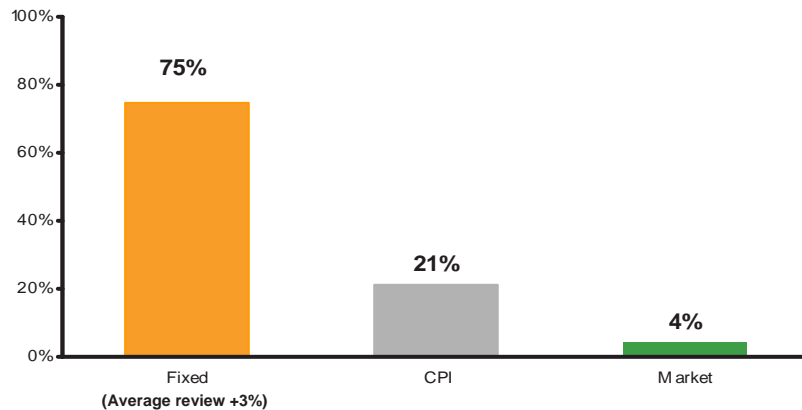
WALE: 4.3 years

* By NLA; as at 30 June 2009

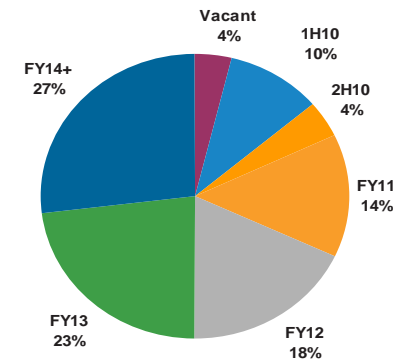
Industrial performance

- Comparable income growth of +4.2% achieved in FY09
- Vacancies stable at 4.4%
- Minimal FY10 lease expiry risk – strong focus on managing lease expiries

FY10 rent reviews



Lease expiry profile*



WALE: 3.5 years

* By NLA; as at 30 June 2009

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