

# Half Year Review 2015

31 December 2014



We deliver value to all stakeholders  
by creating places where communities thrive.  
A place we make, but you make your own.



## Our strategy in action

### Cloverton – our largest Melbourne community



Stockland will soon embark on the largest project we have ever undertaken in Victoria, creating around 11,000 new homes in a thriving, masterplanned community. The 30-year project in Melbourne's northern growth corridor, with an approximate end

value of \$4.6 billion, will significantly increase our residential exposure in Victoria.

Our new community, Cloverton, will eventually become a city in its own right, providing homes and recreational areas for more than 30,000 people.

The project will feature a 60 hectare city centre with a regional shopping centre, a future train station, four additional local town centres and a retirement village.

This is a transformative project for our business which will further strengthen our returns and lift profit margins. We acquired the rights to the landholding on capital-efficient terms and it is expected to achieve returns above our hurdle rates.

The project represents the second of two major new development fronts for Stockland in Victoria, following our recent launch of The Grove at Tarneit, west of the Melbourne CBD, which sold out with 55 lot sales on its first day of release.

Both Cloverton and The Grove, in the northern and western growth corridors will offer a diverse mix of lot sizes and home styles. We'll also be implementing our new strategy to create completed, turnkey homes and medium density housing to expand our customer reach in these communities.

Construction is underway with the first land sales planned in 2H15 and the first settlements scheduled for FY16.

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## KEY DATES

**30 June 2015**  
Record date  
**19 August 2015**  
Full year result announcement  
**27 October 2015**  
Annual General Meeting



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Note: All figures are in Australian dollars unless otherwise indicated.

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# Our strategy in action



Dear Securityholders

We continue to achieve profitable growth across our core portfolios as we actively implement our strategy and capitalise on supportive market conditions.

Our Underlying Profit<sup>1</sup> for the half year to December 2014 grew 8.5 per cent to \$290 million compared to the same period last year, with a particularly strong contribution from our Residential business.

Positive movements in the valuation of our Commercial Property assets and profit on the sale of our investment in Australand led to a 55.1 per cent improvement in our statutory profit to \$462 million.

Our first half distribution was steady at 12 cents per security, half of our expected total full year distribution of 24 cents per security.

During the half we continued to deliver on our core strategic priorities of growing asset returns and our customer base; capital strength; and operational excellence. This included the launch of 10 new projects, four strategic acquisitions, significant progress extending our customer reach with the introduction of new medium density and Completed Home products, and the launch of our refreshed brand.

## GROW ASSET RETURNS AND CUSTOMER BASE

Our Residential business was a standout performer in the first half with Operating Profit increasing by a substantial 72.8 per cent on the corresponding period last year. We have benefitted from both improved market conditions, and the strategies we've implemented to reshape our portfolio, increase speed to market, and extend our customer reach.

Our newest communities in Sydney and Perth ramped up to full production with successive stages at each community selling out on their first respective day of release. We have also made important progress selectively restocking and activating a greater proportion of our portfolio, launching two new major projects, and delivering Completed Homes and medium density developments.

Our Commercial Property business remains a key driver of our overall success. On a comparable basis we achieved operating profit growth of 4.7 per cent across the portfolio, with 3.3 per cent in Retail, 5.7 per cent in Logistics and Business Parks and 7.8 per cent in Office, reflecting our strong focus on property fundamentals.

We are making good progress with our retail developments at Hervey Bay, Qld, Wetherill Park, NSW, and Baldivis, WA. We also announced two new projects at Point Cook in Melbourne, and Glasshouse in the Sydney CBD. These five projects represent a total investment cost of \$501 million.

Despite subdued consumer sentiment, our shopping centres recorded improvements in retail sales over this half, achieving strong speciality store comparable growth of 4.5 per cent in the December quarter.

Our Logistics and Business Parks portfolio is showing the benefits of increased strategic focus and investment. We have continued to optimise the performance of our existing assets and made three acquisitions in key Sydney and Melbourne markets that meet our return criteria.

Our Retirement Living business has also continued to grow lifting profit 5.8 per cent on 1H14. The business delivered a 6.6 per cent increase in new unit settlements in 1H15 compared to 1H14, and commences the June half with a 22 per cent increase in net reservations on hand.

## CAPITAL STRENGTH

We maintain a strong balance sheet with an A-/stable credit rating. At 22 per cent our gearing remains well within our target range of 20-30 per cent. Our dividend reinvestment plan remains active with a take up of 20 per cent.

In October, we further diversified our funding sources, becoming the first Australian corporate to link sustainability with its funding strategy by issuing the first Australian corporate green bond.

## OPERATIONAL EXCELLENCE

During the half we continued to focus on maximising efficiency through process and system improvements. Key initiatives included internalising the leasing, asset and property management of our logistics assets and realising positive outcomes from improvements in Retirement Living turnover processes. This saw renovation costs reduced by 20 per cent and downtime by 50 per cent over the past 18 months.

Sustainability remains a key focus for Stockland, providing long term benefits to our customers and the communities in which we operate, as well as enhanced operational efficiencies. We are proud to be rated as one of the most sustainable real estate companies in the world by the Dow Jones Sustainability World Index 2014/2015, for the eighth consecutive year. We are also proud to be recognised as an Employer of Choice for Gender Equality.

## OUTLOOK

We have commenced the second half with strong momentum in our Residential and Retirement Living businesses; with over 3,700 residential contracts on hand at the start of January 2015, and construction underway at nine of our Retirement Living villages. In the coming months we will complete our redevelopment of Stockland Baldivis, WA, and Stockland Hervey Bay, Qld.

While consumer confidence and employment growth are likely to remain constrained, we expect population growth and interest rates to remain generally supportive of residential markets for some time. Stockland is well positioned with the right strategy, assets and people to produce sustainable returns for our securityholders into the future.

For more detailed insight on our half year performance and outlook, we encourage you to visit our investor centre [www.stockland.com.au/investor-centre.htm](http://www.stockland.com.au/investor-centre.htm)

Statutory Profit/(Loss) (\$m)	Statutory Earnings per security (¢)	Underlying Profit <sup>1</sup> (\$m)	Underlying earnings per security (¢)	Distribution per security (¢)
462	19.8	290	12.4	12.0
1H14	298	1H14	12.9	1H14
		1H14	267	11.6
			1H14	12.0

<sup>1</sup> Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of the Directors, the ongoing operating activities of Stockland in a way that appropriately reflects its underlying performance. Underlying Profit is the basis on which distributions are determined. Refer to the Interim Statutory Accounts for the complete definition.