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STOCKLAND WELL POSITIONED TO DELIVER SUSTAINABLY INTO THE FUTURE – 1Q19 MARKET UPDATE

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The Chairman and Directors of Stockland will update securityholders on progress over the past year and plans for the year ahead at the company's Annual General Meeting today.

Stockland also released its first quarter FY19 market update, with Managing Director and CEO Mark Steinert announcing a steady start to FY19 in a variable trading environment.

Mark Steinert said: "We have maintained a disciplined approach to implementing our strategy during the quarter. Stockland is well-positioned for the future as we remain focused on creating the best communities around the country, and building resilience across our diverse portfolio.

"Residential trading conditions continue to moderate, with lower net deposits over the period, as bank lending conditions tighten. We remain on track to achieve over 6,000 settlements for FY19, including 400 townhomes, with 1,293 net deposits for lots and townhomes during 1Q19 and 5,741 contracts on hand as at 30 September 2018.

"Our residential portfolio is skewed to the most resilient part of the market, with over 85 per cent of sales for the quarter to owner occupiers. We are seeing solid demand for our new launch projects which, consistent with the portfolio, are focussed on affordable, liveable communities that are connected to transport and jobs.

"We continue to benefit from a flight to affordable quality as the market moderates, as our projects gain market share in this environment. We have gained market share in NSW, Victoria and Queensland over the last 12 months, with our national market share* rising from 11.4 per cent in June 2017 to 14.5 per cent in June 2018.

"In our Retirement Living portfolio, reservations for existing units in our established villages remained consistent with the comparable period in FY18, with 147 reservations, and we have seen some improvement in sales for our new development projects.

"We continue to focus on our customer-centric approach, which is reflected in our high Retirement Living Resident Satisfaction score of 8.6 out of 10, our best result since 2009."

Mr Steinert said the group's Commercial Property portfolio also continued to deliver results in line with expectations.

** Research4 Quarterly land sales market share June 2018*

“Our retail town centres saw moving annual turnover (MAT) growth of 4.2 per cent for the 12 months to September, reflecting the benefits of our remixing and development activity in a challenging environment. We have also seen improvements in specialty sales, which are up by 4.3 per cent to $9,313 per square metre, with solid MAT growth in resilient categories such as retail services, including health and wellbeing, leisure and homewares.

“Having sold ~$335 million of Commercial Property assets in FY18, we continue to target up to an additional $400 million of retail divestments over the next 12-24 months, as we reshape our portfolio, and recycle capital into our retail town centre and logistics development pipelines.”

Mr Steinert said: “We continue to strategically reposition our retail town centres, with a focus on customer experience and retail remixing towards growth categories, to ensure the resilience of our portfolio in this changing environment.

“Our $87 million development of Stockland Birtinya remains on track to open the first stage in December, and we commenced work on the $33 million Stockland Baringa retail town centre located within our award-winning Aura community on the Sunshine Coast.

The group’s Workplace and Logistics portfolio continued to experience strong growth, with good leasing demand in Sydney and Melbourne and high workplace occupancy.

Mr Steinert said: “We have continued to capitalise on the growing demand for logistics assets. We are making good progress with our $600 million development pipeline, and remain focused on our strategy to grow the national workplace and logistics portfolio to greater than 25 per cent of total assets.

“In August we completed a $50 million development of Ingleburn stage 2, and $26 million development at Yennora in Sydney’s west, with Silk Contract logistics leasing 13,600 square metres of high clearance office/warehouse space in the project. Developments are progressing at the $23 million Willawong facility in Brisbane, and our $36 million greenfield project at Truganina in Melbourne will commence in the coming months.

“Logistics leasing demand remains strong with 101,700 square metres of space leased over the quarter, and a further 243,300 square metres under heads of agreement.”

Stockland received international recognition for its long-standing sustainability commitment during the period, receiving the Dow Jones Sustainability Index award for most sustainable real estate company in the world, and recognition as global sector leader by the Global Real Estate Sustainability Benchmark (GRESB). Early in October, we were recognised as ‘Best of the Best’ and awarded the 10 year Sustainability Green Globe Award by the NSW Office of Environment and Heritage, which recognises our ten years of continued sustainability achievements.

“We continue to find innovative ways to improve our sustainability performance across our business to deliver both financial returns to our securityholders, and long-term shared value benefits to our customers and stakeholders. Sustainability is integral to what we do, creating vibrant and thriving places to live, shop, and work, now and into the future," said Mr Steinert.

Mr Steinert said the group was continuing to pursue capital partners for our Retirement Living business and Retail Town Centres, and progressing our retail centre divestments.

The $350 million share buyback announced by the group on 6 September 2018 also remains active in line with the terms announced.

Stockland confirmed it remained on track to deliver profit in line with its guidance for FY19. Assuming no material change in market conditions, Stockland expects to achieve FFO per security growth of 5-7 per cent for the full year and is targeting a distribution per security of 27.6 cents, representing 4 per cent growth on FY18.

"Whilst residential market conditions are clearly moderating, overall fundamentals remain supportive, underpinned by our customer focus, affordable quality, low interest rates, continued population growth and long-term undersupply.

"We have forged a community strategy that is resilient to market cycles and will continue to focus on delivering sustainable growth for our securityholders into the future," said Mr Steinert.

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