ASX/Media Release

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133 Castlereagh Street T 02 9035 2000
Sydney NSW 2000 F 02 8988 2552

3Q18 UPDATE: COMMUNITY BUILDING STRATEGY CONTINUES TO DELIVER FOR STOCKLAND

For media enquiries
Larissa Webster
Senior Manager
Media Relations
Stockland
T +61 (0)2 9035 3328
M +61 (0)418 254 959
Larissa.webster@stockland.com.au

For investor enquiries
Antoinette Plater
National Manager
Investor Relations
Stockland
T +61 (0)2 9035 3148
M +61 (0)429 621 742
antoinette.plater@stockland.com.au

Group highlights:

- Continued to reshape the portfolio; exchanged unconditional contracts for Highlands Retail Town Centre (excluding McDonald's pad site) at a 20% premium to December 2017 book value (exchanged post-31 March), and settled Rosebud Retirement Village in Victoria at book value
- Strategy continues to deliver sustained growth and high customer satisfaction
- On track to settle around 6,500 residential lots for the full year
- Comparable specialty retail sales growth per square metre of 3.0% since December 2017
- Launched new Retirement Living contract options
- Continued strong results across L&BP leasing, maintaining high occupancy
- On track to achieve guidance of 5.0-6.5% FFO growth per security

Stockland's third quarter market update for FY18 highlighted that Group results remain on track, in a variable trading environment. Managing Director and CEO Mark Steinert announced that the results were driven by continuing positive residential market conditions, improving retail sales growth and the Group's focus on its customers across all asset classes.

Mr Steinert said: "I'm pleased to announce another solid quarter, with our strategy and diversified business model continuing to deliver growth opportunities across the Group.

"Our strong financial position and stable A- / A3 credit rating also enables us to continue diversifying our funding sources. Following the issuance of AU $475m of eight year European medium term notes last week and the USPP transaction executed in January, our weighted average debt maturity has increased to 5.9 years."

Commercial Property

Mr Steinert continued: "It's particularly pleasing to see positive sentiment and improving sales results across our Retail Town Centres, reflecting the success of our remixing and redevelopment activity. Over the quarter we've seen comparable speciality sales increase to $9,092 per square metre, up 3.0 per cent since December 2017.

"In March we opened the third stage of the flagship $414 million Green Hills redevelopment, where on-average sales for existing retailers are up almost 10 per cent since launch and customer visits to the centre exceeded 135,000 in the first three days alone. The project is targeted to deliver accretive returns, with a stabilised FFO yield of 7 per cent and an incremental internal rate of return (IRR) of around 11.9 per cent.

“We have recently commenced construction on the new $86 million Birtinya Town Centre on the Sunshine Coast and look forward to completing the $37 million Wendouree redevelopment at Ballarat in June this year. Both developments have seen a strong tenant response given the positive trade area fundamentals.

“High occupancy was maintained across our growing Logistics and Business Parks portfolio, with 56,000 square metres of leasing activity over the period, and we are progressing our $760 million development pipeline. We also recently completed a new logistics facility at Warwick Farm in Sydney, which is now fully leased.

“The sale of Stockland Highlands Retail Town Centre (excluding McDonald’s pad site) in Melbourne for $43 million last week achieved a 20 per cent premium to December book value, and we are actively working towards additional asset divestments in the coming months to fund incremental L&BP investment.”

Residential

Mr Steinert said: “Positive residential trading conditions continued throughout the quarter and we remain on track to complete around 6,500 residential settlements over the full year, with an operating profit margin around 17 per cent.

“Lower quarter-on-quarter net deposits reflect project release timing. We look forward to four new projects launching over the next six months, comprising a total 2,400 lots over the life of these projects, including approximately 1,800 lots in Victoria at Grandview and Waterlea, and approximately 600 lots in Queensland at Rothwell and Springview.

“This quarter we completed our first Queensland medium density project, delivering 120 townhomes at North Lakes with all homes sold prior to the project’s completion.

“We continue to see strong demand from our core market of first homebuyers and owner-occupiers, and I’m proud of our commitment to providing affordable, liveable and sustainable homes and communities for Australians.

“Residential trading conditions remain generally positive, particularly in Melbourne and Queensland. In line with expectations, Sydney has seen a slight moderation in demand from its peak. Across the country we have strong visibility of earnings over the medium term, with over 6,367 contracts on hand as at 31 March this year.”

Retirement Living

In line with guidance provided at the 1H18 results, reservations for units across the Retirement Living business remained subdued over the quarter.

Mr Steinert continued: “We are always looking for ways to provide more options for our customers and we recently launched a choice of contracts for new retirement living customers, in addition to our new range of ‘Aspire’ homes, where custom-designed communities provide low maintenance living for over 55s with no deferred management fees.

“We continue to focus on broadening our customer reach by providing more diverse living options and choice of homes, location and contract models across our growing development pipeline.

“Recently we sold Rosebud Retirement Village in Victoria and continue to assess options to divest other non-core villages, to recycle capital into our development pipeline and focus on scale properties.”

Outlook

Mr Steinert concluded: “In line with guidance, we are on track to achieve FFO growth of 5.0-6.5 per cent for the full year and are targeting a distribution per security of 26.5 cents, representing 4 per cent growth on FY17, assuming no material change in market conditions.

“Our ongoing commitment to creating liveable, affordable and sustainable communities and vibrant retail town centres across the country continues to underpin our profit growth.”

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