

30 April 2019

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3Q19 UPDATE

Stockland today releases the attached presentation which provides the 3Q19 update and presentation to be used as a basis for discussion at the 2019 Macquarie Australia Conference this week.

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About Stockland

Stockland (ASX: SGP) was founded in 1952 and has grown to become Australia's largest diversified property group – owning, developing and managing a large portfolio of shopping centres, residential communities, logistic centres, business parks, office assets and retirement living villages. Stockland is rated as one of the most sustainable real estate companies in the world by the Dow Jones Sustainability World Index (DJSI). Stockland is also an Employer of Choice for Gender Equality, as recognised by the Workplace Gender Equality Agency.



Stockland

3Q19 update

Creating
Sustainable
Communities

30 April 2019

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3Q19 in line with expectations

Group Priorities	Update
Continuing improvement in the quality of our portfolio	<p>Completed \$284.5m of non-core Retail Town Centre divestments, on track to achieve \$400m target within 12 months</p> <p>3.8% growth in comparable specialty sales per square metre for year to March 2019, reflecting success of our remixing strategy, but retail leasing conditions remain difficult</p> <p>W&L leasing activity remains strong, 376,000 square metres leased FYTD, maintaining WALE</p>
Increase Workplace & Logistics asset allocation	Progressing our \$740m Logistics development pipeline
Creating vibrant communities focussing on owner occupiers and liveability	<p>On track to settle over 6,000 lots in FY19, but residential sales have declined and are expected to remain weak over CY19</p> <p>RL development sales responding to repricing strategy, in challenging market conditions</p>
Disciplined capital management	<p>Security buy-back, completed \$169m¹ of \$350m target at an average discount of 8% to NTA, accretive to earnings</p> <p>Secured new long term debt totalling \$551m post quarter end, at attractive interest rates</p>

1. As at 31 March 2019
2. Subject to no material deterioration in current market conditions. Guidance updated in February 2019 to lower end of range of 5-7% reflecting weaker market conditions



FY19 guidance:
~5%
FFO
per security
growth²



Continued improvement in retail sales

Retail Town Centres



Retail Sales

- Comparable¹ specialty retail sales +3.8% to \$9,253 per square metre for the year to March, Easter shifts from 3Q18 to 4Q this year
- Leasing conditions remain difficult with negative rental growth associated with remixing
- DDS delivering modest growth, growth in supermarket sales following extreme weather in Qld
- Strong growth in Homewares and Retail Services, driven by Beauty & Wellness
- Weaker apparel and some fresh food categories causing slower mini-majors growth
- Apparel continues to be disrupted, remixing strategy improving sales per square metre, +2.8%, with 30 less stores in the category compared to last year

**Enhancing customer experience
driving sales productivity**

By category to 31 March 2019	Total Sales	Comparable centre sales ¹	
	MAT Growth ²	MAT Growth	3Q19 growth
Specialties	+7.5%	+1.3%	+2.4%
Supermarkets	+2.7%	+1.1%	+2.3%
DDS/DS	+3.1%	+0.7%	+0.7%
Mini-majors	+5.9%	+0.1%	(1.1)%
Other – including pad sites	+0.2%	+4.1%	+1.2%
Total	+4.3%	+1.2%	+1.7%

Key specialty categories	Comparable centre annual growth	
	Specialty MAT Growth ³	Specialty sales per sqm
Apparel	(2.9)%	+2.8%
Food Retail	(0.2)%	+2.5%
Retail Services	+6.7%	+8.1%
Homewares	+3.5%	+11.0%

1. Comparable: Stable basket of assets as per SCCA guidelines, which excludes centres which have been redeveloped within the past 24 months such as Green Hills. 3Q19 basket is different to 3Q18 basket
2. Sales data includes all Stockland managed retail assets – including Unlisted Property Fund and JV assets
3. Does not allow for consolidation of stores and new stores trading for less than 12 months

Continuing to deliver good performance

Workplace and Logistics



Workplace

- Sydney CBD and North Sydney markets remain strong
- \$1b of future development opportunities, capital partnering focus
- Tactical assessment of disposal opportunities



Logistics

- Positive leasing enquiry across eastern seaboard markets
- Strong leasing performance with a further 55,100 square metres leasing terms agreed in 3Q19
- New project completions contributed to slightly higher vacancies

1. By income
2. Excludes assets held for development

Workplace	FY19 year to March	1H19
Leases executed	11,500 sqm	10,300 sqm
Leasing activity under HOA	19,300 sqm	22,700 sqm
Portfolio occupancy by income	94.7%	95.5%
Portfolio WALE ¹	3.7 years	3.8 years

Logistics	FY19 year to March	1H19
Leases executed	364,500 sqm	321,100 sqm
Leasing activity under HOA	204,400 sqm	149,300 sqm
Portfolio occupancy by income ²	97.1%	98.0%
Portfolio WALE ¹	5.3 years	5.2 years

Accretive development pipeline, repositioning assets

Logistics

- Joint Venture with Mount Atkinson Holdings to develop first 87 hectares of potential 260 hectares business park in the fastest growing logistics precinct in Melbourne, planning underway
- Eastern seaboard development remains active, with KeyWest Melbourne and Yatala Stage 1 Queensland, planning underway for next stages at Yatala and Willawong, Brisbane
- New 13 hectares industrial development site contracted in Gregory Hills, Sydney

Progress on current development	Est. Total Incremental Cost (\$m)	Gross Lettable Area (sqm)	Stabilised yield ²	Est. Return ³
Completed in 1H19¹				
Yennora (Blg 3 & 11), (Sydney)	~26	22,600	7.8%	~13 - 14%
Ingleburn Stage 2, (Sydney)	~50	36,850	7.7%	~10 - 11%
Willawong Distribution Centre (Brisbane)	~23	18,400	8.0%	~10 - 11%
Under construction				
KeyWest (Truganina, Melbourne)	~36	30,400	6.7%	~8 - 9%
Yatala Stage 1 (Qld)	~20	14,100	7.0%	~9 - 10%
Total	~155	122,350		

1. Indicative metrics on completion

2. Stabilised incremental FFO yield, includes property management fees

3. Forecast unlevered 10 year IRR on development from completion



Growing our portfolio

Logistics



Progressing our **\$740m**
current and future pipeline to deliver
6%+ FFO yields and **9%+** IRRs¹



1. Incremental IRR and FFO yield

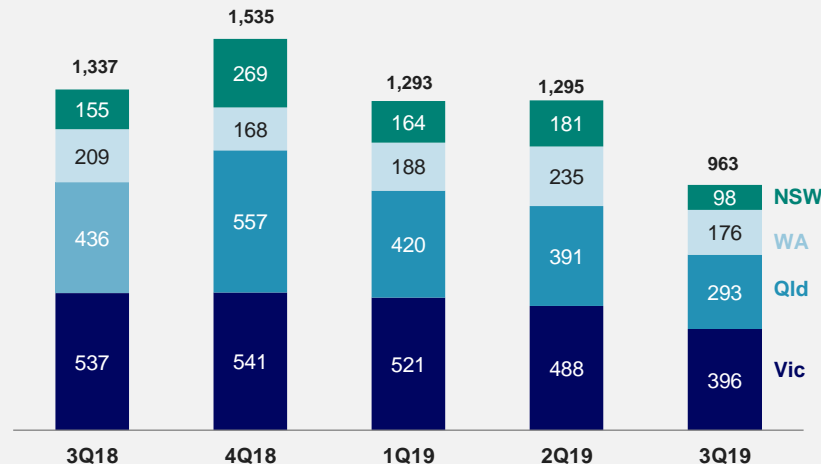
Challenging market conditions

Communities: Residential

- Expect 4Q19 sales around current levels, although the risk is to the downside given current challenging market conditions
- Moderate increase in cancellation rates over the quarter, default rates stable at around 3%
- 84% of sales for the quarter are to owner occupiers
- Settlement skew to 2H19
- On track for settlements above 6,000 lots in FY19¹, over 2,800 contracts on hand for settlement from FY20, challenging conditions expected to continue throughout 2019

**Leveraging our brand, scale,
product quality and customer focus
to drive sales in a challenging
market**

Residential net deposits - quarterly



1. Following the sale of The Grove, Melbourne and includes settlements from Brisbane Casino Towers

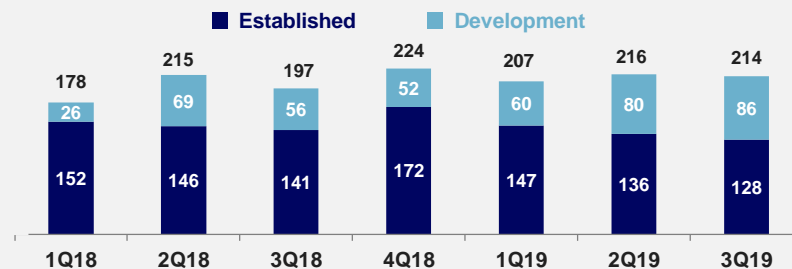
Repositioning the business to improve returns

Communities: Retirement Living

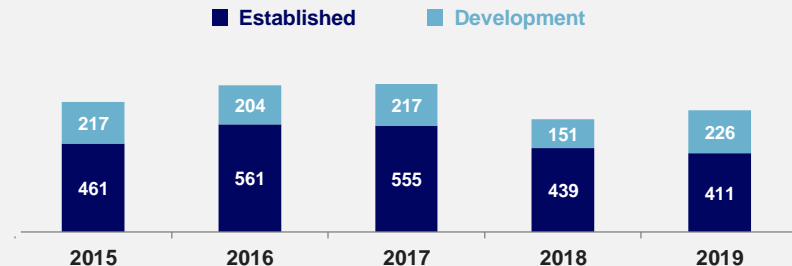
- Improved development sales reflecting product quality and repricing strategy
- Marginal reduction in established sales reflects lower volatility of RL market compared to broader housing market
- Progressing capital partnering strategy

Broadening our capital base and accelerating improvement in the performance of our portfolio

Retirement Living net reservations - quarterly



Retirement Living net reservations – FY19 year to March



Group Strategy



STOCKLAND BIRTINYA, QLD

Group Strategy



Our strategy is to deliver sustainable and growing returns by:

- Owning and managing leading retail town centres
- Growing our workplace and logistics asset base in Sydney, Melbourne and Brisbane
- Developing sustainable communities

Strategic priorities

Accelerate
improvement in the
quality of our Retail
Town Centre portfolio

Operational improvements and
non-core divestments

Broaden capital
partnering initiatives
across whole portfolio

Increase Workplace
& Logistics weighting

Stockland quick facts

Trust

Retail Town Centres



SGP portfolio



Assets

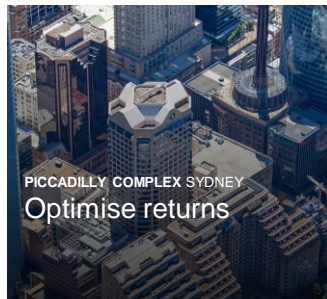


Ownership interests value



Gross book value

Workplace



SGP portfolio



Assets



Ownership interests value



Gross book value

Logistics



SGP portfolio



Assets



Ownership interests value



Gross book value

Corporation

Residential



SGP portfolio



Lots remaining



End Market value

Retirement living



SGP portfolio



Villages



Independent Living Units



Gross book value

Data as at 31 December 2018

Group Strategy

What investors can expect



Increased focus on improving retail operational performance



Concentrated exposure across higher quality assets



Increase Workplace & Logistics asset allocation through development pipeline



Funded by non-core retail divestments



Increase scale through capital partnering across Commercial Property



Continued focus on creating liveable, affordable and connected communities



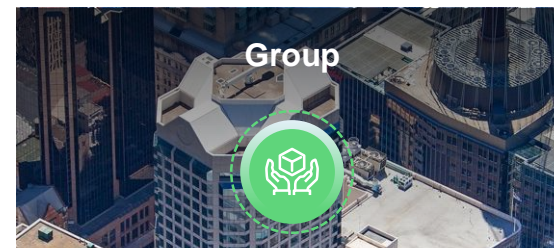
Counter cyclical residential acquisitions



Reshape Retirement Living portfolio through village disposals



Seeking a capital partner for Retirement Living



Sustainable growth



Maintain balance sheet capacity

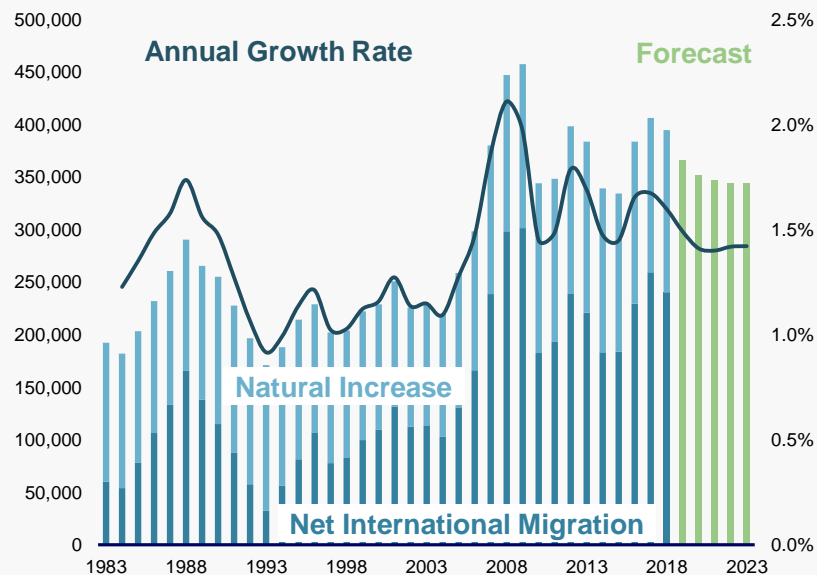
Research

Economic overview



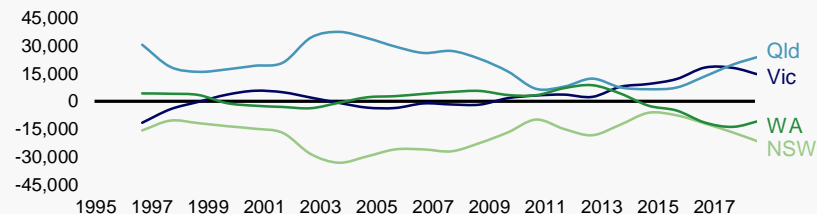
Population growth continues to underpin dwelling demand

AUS population growth – Annual^{1,2}



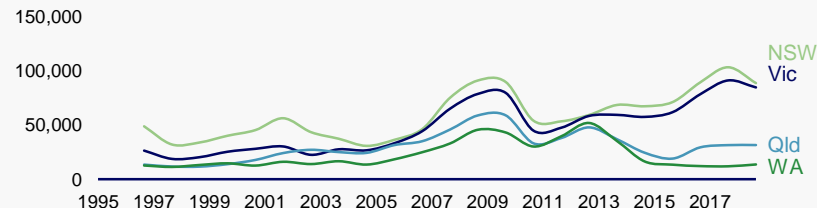
QLD and VIC - strong positive interstate migration¹

Annual Rolling Sum ('000s)



NSW and VIC - strong overseas migration¹

Annual Rolling Sum ('000s)

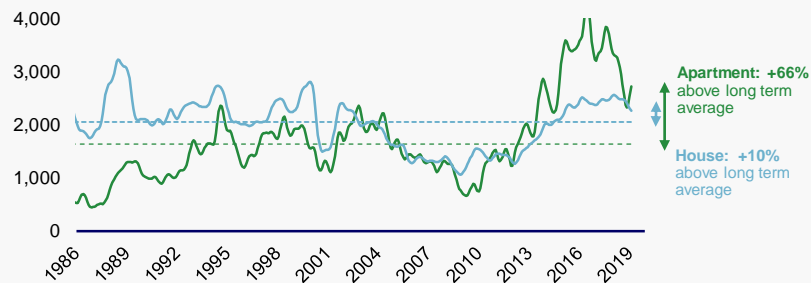


1. ABS 3101.0 - Australian Demographic Statistics, June 2018
2. Deloitte Access Economics Business Outlook Dec 2018

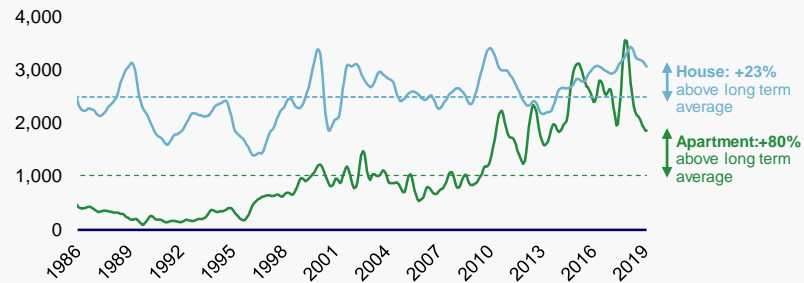
New supply is slowing

National building approvals¹

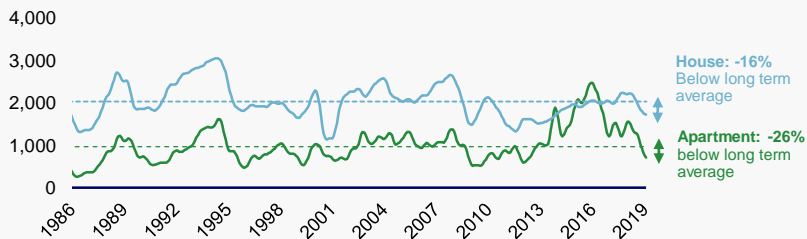
NSW house approvals trending down; unit approvals rebounding



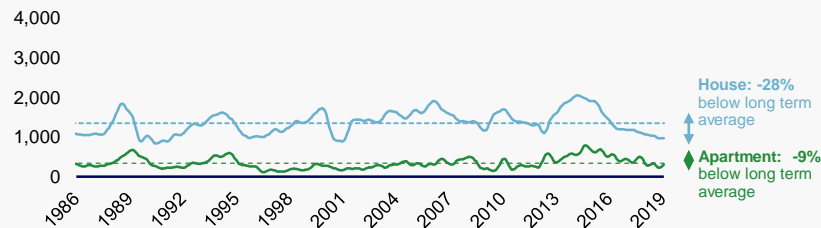
Vic unit approvals down heavily while house approvals moderate



Qld approvals now under long term average for both houses and units



WA house approvals still trending lower, units steady. Both remain below long term average

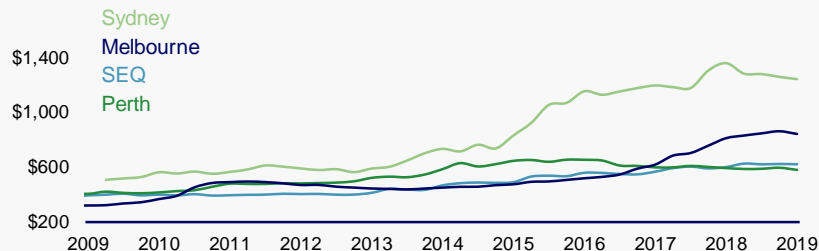


1. ABS 8731.0 – monthly Building Approvals, Feb 2019

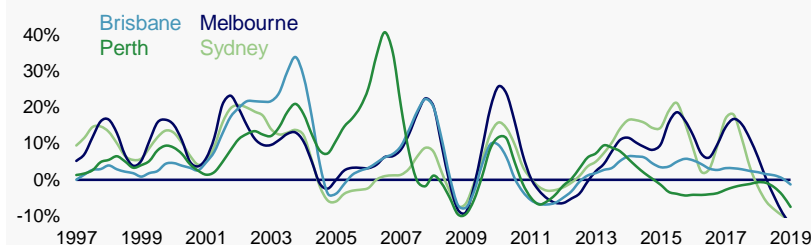
Prices continue to moderate, new land supply slowing

National house and land prices

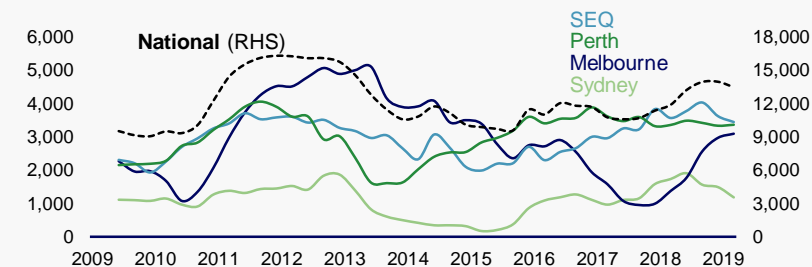
Land Price per sqm¹



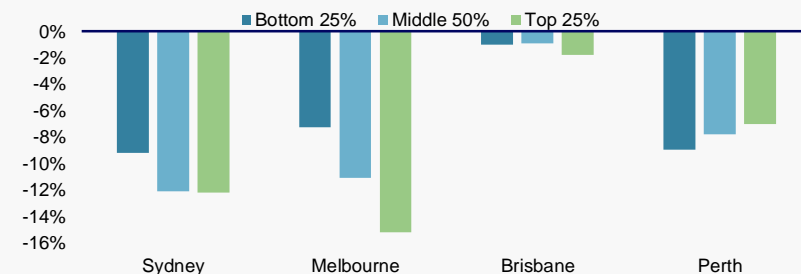
Capital City House Prices – Rolling Annual Change²



Closing stock of land lots¹



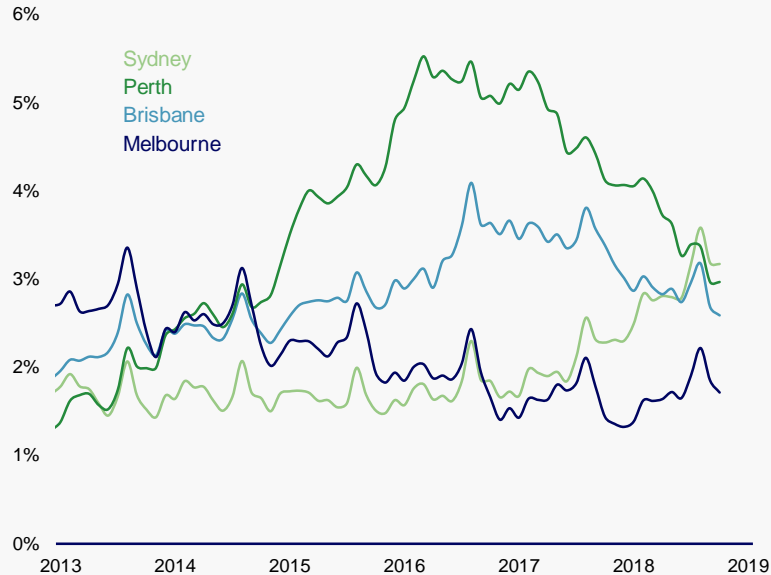
2018 price falls largest in more expensive regions of Sydney and Melbourne²



1. National Land Survey Program March Qtr. 2019, Research4
2. CoreLogic Jan 2019

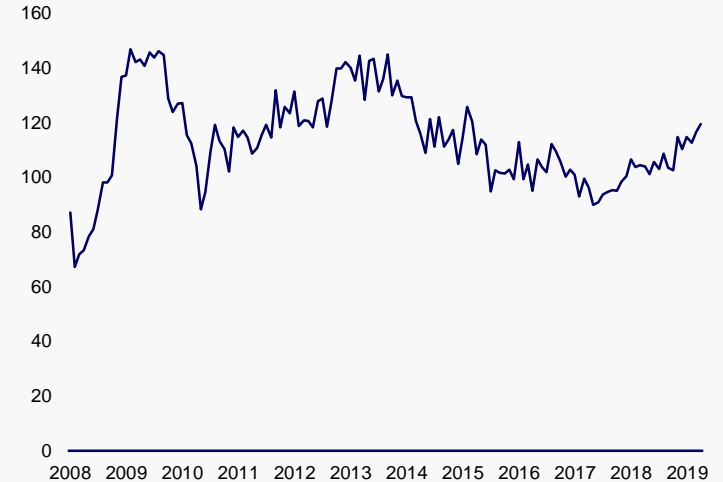
Residential vacancy rates falling, better time to buy

Residential vacancy rates¹ trending up in Sydney and Melbourne



Sentiment², now is a good time to buy

Time to buy a dwelling index

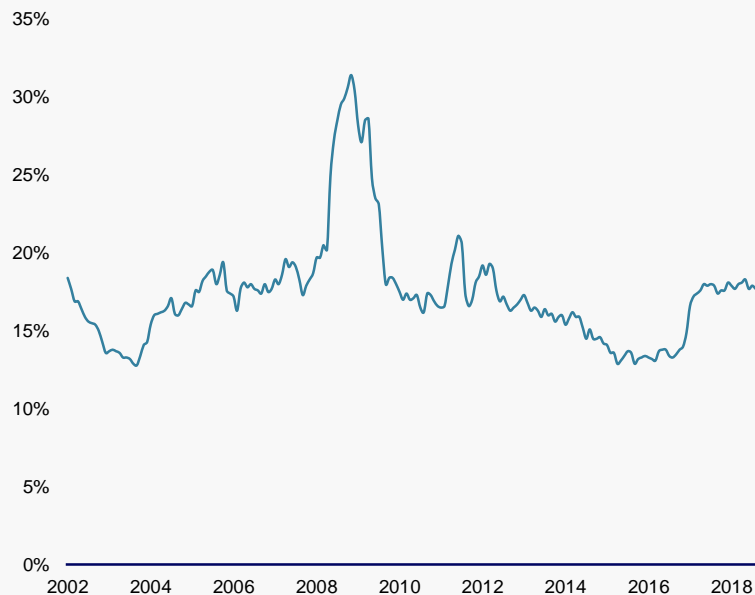


1. SQM Research February 2019
2. Westpac-Melbourne Institute Survey of Consumer Sentiment April 2019

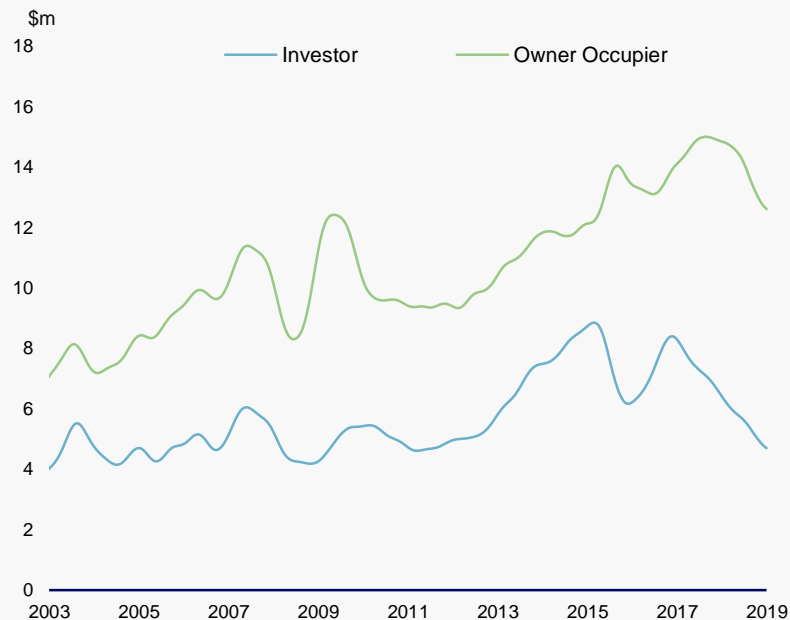
Lending to households

First home buyers proportion remains elevated, owner-occupied housing finance easing

First Home Buyer lending percentage close to six year highs¹



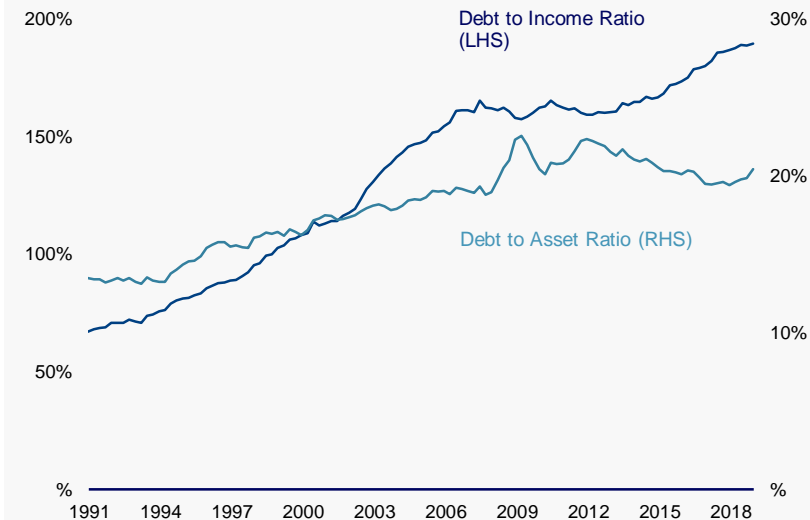
Total value of residential loans slowing



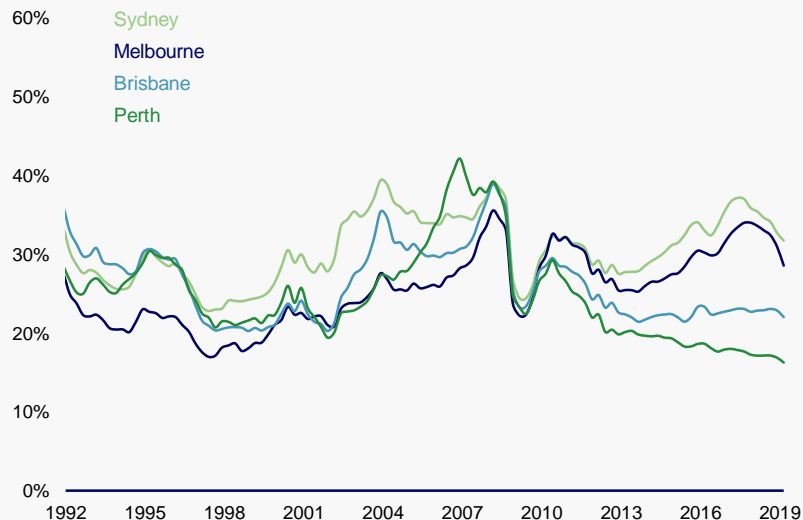
1. ABS Lending to Household and Businesses Feb 2019, Cat. No. 5601.0

Housing affordability improving

Household Debt-to-Asset ratio stable, Debt-to-Income rising¹



Affordability improving in all Stockland markets as house prices continue to ease, rates remain low and wage growth remains modest²



1. RBA Household Finances – Selected Ratios
2. Mortgage repayments as a percentage of household income, ABS, RBA, CoreLogic, Stockland Research



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