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STOCKLAND 3Q22 UPDATE REFLECTS STRONG OPERATIONAL PERFORMANCE AND PROGRESS AGAINST STRATEGIC PRIORITIES

Key highlights

Operational Updates

- Solid operational metrics across the Commercial Property portfolio, with 95%¹ rent collection for 3Q22 and high occupancy levels maintained. Commercial Property leasing spreads remained positive over the quarter
- Settlement of disposal of Stockland Cairns, QLD for \$146m, in line with book value
- Positive price momentum in Masterplanned Communities (MPC) with enquiries remaining well above historical averages
- MPC sales volumes of 1,562 were impacted by the trade out of key projects in NSW, with new project launches skewed to the fourth quarter
- 855 MPC lot settlements over 3Q22, reflecting weather-related delays and the previously flagged settlements skew to 4Q22
- Continued strong performance in Land Lease Communities (LLC) with average sale price up 4.3% vs 2Q22 and net sales of 94 over 3Q22

Progress against Strategic Priorities

- Previously announced formation of Stockland Residential Rental Partnership (SRRP) and M_Park Capital Partnership on track for completion in late FY22 and July 2022, respectively
- Retirement Living business divestment progressing well, with targeted completion late FY22 or early FY23²
- Exploring capital partnership for the Retail Essentials portfolio
- Accelerating delivery of the Logistics development pipeline. Approximately \$800m of projects in active development, and on track to deliver targeted ~\$400m p.a. of development completions³
- Piccadilly and Affinity development projects continue to progress through the authority approvals process

3Q22 Summary

Managing Director and Chief Executive Officer, Tarun Gupta said: "While COVID-19 restrictions and extreme weather events impacted various states during the quarter, we have maintained solid operational metrics whilst progressing our strategic priorities to rebalance our portfolio, accelerate the development pipeline, and scale capital partnerships to generate long-term sustainable growth."

The Communities business maintained positive price momentum and elevated enquiry levels during the quarter, whilst the Commercial Property portfolio achieved high occupancy and rent collection rates.

Stockland has maintained a strong financial position, with disciplined cash management, low gearing and solid operational business performance. The balance sheet will be further strengthened with proceeds

¹ Rent collection rates across the Commercial Property portfolio up to 31st March 2022 on March year-to-date billings, net of applied COVID-19 abatements.

² Subject to Foreign Investment Review Board (FIRB) approval.

³ Forecast 5-year average end value on completion.

from previously announced transactions, reducing gearing by approximately 7% on a pro-forma basis.

“Our business has performed well through 3Q22, as we maintained focus on operational excellence across the business whilst implementing our key strategic initiatives. We are well-positioned for sustainable growth and are in a strong financial position, despite near term macro-economic volatility,” said Mr. Gupta.

Commercial Property

Town Centres

CEO, Commercial Property Louise Mason said: “Over the quarter we have seen resilient sales performance from our Town Centre portfolio. Total comparable sales rose by 2.8% in 3Q22, while comparable Specialty sales rose by 1.5%⁴.”

Despite COVID-19 challenges and the extension of the Code of Conduct to June 2022, the portfolio maintained positive leasing spreads over the quarter, with rent collection and portfolio occupancy remaining high at 93%⁵ and 99.1%⁶ respectively. As at 31st March 2022, 88%⁷ of rental support negotiations have been completed.

Severe weather events in NSW and QLD did not have a material impact across the Town Centre portfolio, as 99.1% of stores remained open and trading through the quarter.

Stockland also completed the disposal of Stockland Cairns, QLD for \$146m, in line with book value.

Logistics

The Logistics portfolio continued to deliver strong operational metrics in 3Q22, with both rent collection⁵ and portfolio occupancy⁶ at 99.0%.

The portfolio has a weighted average lease expiry (WALE) of 3.6 years⁶, and the business is focused on maximising the opportunities for income growth presented by upcoming lease expiries. Approximately 269,000 sqm of space was leased over the nine months to 31st March 2022, with an additional ~124,000 sqm under heads of agreement. Over this time period, Stockland continued to see positive rent reversions across the Logistics portfolio.

Demand for industrial space remains strong, underpinned by growing investments in onshore supply chains, driving growth in prime net face rents across Sydney and Melbourne markets.

Stockland continues to progress and accelerate its Logistics development pipeline, with \$0.8bn⁸ of active developments currently underway. Development approval was received for the initial build-to-hold stage of Melbourne Business Park, VIC – Lot 45 in April 2022, with construction expected to commence in early FY23. Construction also commenced at Yatala Distribution Centre, QLD – Stage 3 and Willawong Distribution Centre, QLD – Stage 3 over the quarter.

Workplace

Stockland’s Workplace portfolio maintained solid performance over the quarter, with high rent collection rates of 99%⁵ and occupancy of 90.2%⁶ across the portfolio. The portfolio’s WALE of 4.6 years⁶ provides flexibility to implement Stockland’s Workplace development strategy.

Stockland’s M_Park Stage 1 development, in capital partnership with Ivanhoé Cambridge, is underway with tenant discussions and construction progressing well. Piccadilly and Affinity development projects continue to progress through the authority approvals process.

⁴ Comparable basket of assets as per SCCA guidelines, which excludes assets which have been redeveloped within the past 24 months. Excludes the Mobile Phones category, due to reporting changes by one retailer resulting in sales data being not comparable.

⁵ As at 31st March 2022.

⁶ By income.

⁷ Completion of negotiations by number of stores.

⁸ Forecast value on completion.

Communities

Residential

Enquiry levels across the Residential business remain elevated and well above historical levels. The business also saw positive price momentum, reflecting strong ongoing purchaser demand for Stockland's high quality masterplanned communities (MPC) product.

Net sales of 1,562 in 3Q22 were in line with expectations, reflecting the trade out of key projects in NSW as well as the timing of new project launches skewed to 4Q22.

CEO, Communities, Andrew Whitson said: "Our enquiry levels remain strong and there is considerable unsatisfied purchaser demand, given the supply constraints experienced over the last 12 months. Current market fundamentals remain positive; however, we expect the strength of market conditions to moderate over the medium term in line with rising interest rates."

Stockland is actively managing the impacts of supply and labour disruptions due to ongoing COVID-19 restrictions and extreme weather events, particularly across the eastern seaboard. To date, the impact of cost inflation has been more than offset by price growth and contingency allowances.

Despite wet weather delays, the business is targeting close to 6,000 settlements for FY22, with target operating profit margin guidance of over 18%. Underlying price growth and the deferral of some settlements into FY23 is expected to result in a higher 2H22 operating profit margin than previously anticipated.

Land Lease Communities

Stockland's Land Lease Communities (LLC) platform is performing well, notwithstanding supply chain constraints and associated cost increases.

The average sale price increase of 4.3% over 3Q22 demonstrates continued demand for over-50s product and the appeal of Stockland Halcyon lifestyle and community living.

Net sales of 94 home sites in 3Q22 reflect the slowdown of releases to allow for production catch-up following extreme wet weather conditions. Despite supply chain and production delays, the business is on track to deliver the target of 220-240 home site settlements in FY22.

Stockland continues to leverage the combined Stockland Halcyon platform to drive value creation, including unlocking incremental pipeline opportunities from its masterplanned communities landbank.

The Stockland Residential Rental Partnership (SRRP) with Mitsubishi Estate Asia is on track for completion in late FY22.

FY22 outlook and guidance

The FY22 estimated FFO per security guidance range is maintained at 35.1 to 35.6 cents, in line with prior guidance provided at the 1H22 Result.

Distribution per security for the full year is expected to be within target payout ratio of 75% to 85% of FFO.

Current market conditions remain uncertain. All forward looking statements, including FY22 earnings guidance, remain subject to no material deterioration in current market conditions and the continued recovery from COVID-19 restrictions, and are underpinned by the following business assumptions:

- Residential settlements targeting close to 6,000 lots
- Residential operating profit margin above 18%
- Land Lease Communities delivering 220-240 home site settlements in FY22
- Rent collection trends continue at current levels

ENDS

This announcement is authorised for release to the market by Ms Katherine Grace, Stockland's Company Secretary.

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