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STOCKLAND 1Q23 UPDATE REFLECTS THE STRENGTH OF ITS DIVERSIFIED PLATFORM

Key highlights

Operational Updates

- Strong operational metrics achieved across the Commercial Property portfolio, with 98%[1] rent collection for 1Q23 and high occupancy levels maintained
- Logistics rental growth accelerated to 12.1%[2] and Town Centres leasing spreads remained positive over the quarter
- Masterplanned Communities (MPC) net sales of 845, in line with expectations, with enquiry returning to pre-COVID-19 levels
- 6,006 MPC contracts on hand at ~13.6% higher average pricing vs FY22[3]
- Strong operational metrics in the Land Lease Communities (LLC) established portfolio, with average rental growth of 6.3%[4] vs FY22
- 1Q23 LLC net sales of 63 homesites, reflecting the staging of releases to allow production to catch-up with demand

Progress against Strategic Priorities

- Divestment of Retirement Living business completed in July 2022
- Transfer of two land lease communities[5] into the Stockland Residential Rental Partnership (SRRP) completed in July 2022, generating cash-backed profit on settlement
- Settlement of disposal of Stockland Bull Creek (WA) for $78m, above book value
- Accelerated Logistics pipeline underway, with ~$1.2bn[6] of projects in active development, and the ~$600m[6] of targeted FY23 completions now 88% pre-leased
- Affinity Place (North Sydney, NSW) development design process progressing; Piccadilly (Sydney CBD, NSW) development project continuing through the authority approvals process
- Balance sheet strength and total available liquidity of $1.4bn[7] provides resilience and flexibility to take advantage of opportunities

1Q23 Summary

Managing Director and Chief Executive Officer, Tarun Gupta said: “Stockland has delivered a strong operational result for the quarter, against a backdrop of sustained macroeconomic uncertainty, and made further progress on our strategic priorities.

“Our first quarter result demonstrated the strength of our diversified portfolio and the success of the growth drivers enabled by the accelerated execution of our refreshed strategy in FY22.

“We delivered a strong operational performance across our Commercial Property portfolio, including strong rental growth in the rapidly growing Logistics portfolio and in our Town Centres, where we had

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[1] Rent collection rates across the Commercial Property portfolio up to 30 September 2022 on September year-to-date billings.
[2] Average rent growth for new leases and renewals executed over 112,000 sqm of space in 1Q23.
[3] Average price per lot of contracts on hand vs FY22 settlements.
[4] Average rental growth vs FY22, effective 1 July 2022.
[5] Transfer of Stockland Halcyon Nirimba (QLD) and Stockland Halcyon Berwick (VIC), as previously disclosed in 1H22.
[6] Forecast end value on completion.
[7] Total available liquidity of $1.4bn vs $1.0bn at 30 June 2022, reflecting the settlement of the Retirement Living divestment, payment of 2H22 distribution, early repayment of ~$250m domestic medium-term notes and the implementation of additional bank debt facilities.

double digit sales growth and maintained positive leasing spreads."

"The Masterplanned Communities business ended the quarter with 6,006 contracts on hand, providing good earnings visibility for this business. The strong demand for our Land Lease Communities development product means we have already sold all of our expected completions for FY23 and are now selling well into FY24."

Commercial Property

Logistics

The Logistics portfolio is well positioned to benefit from strong tenant demand, with a WALE[8] of 3.3 years providing opportunities to capture strong market rent growth. Over 112,000 sqm of leasing activity was undertaken over 1Q23, achieving an average rental uplift of 12.1%[9].

Occupancy was maintained at 99.9%[10] over the quarter, with a rent collection rate of 99%[11].

Stockland continues to progress and accelerate its $6.4bn[12] Logistics development pipeline. $1.2bn[12] of active developments are currently underway, with the targeted ~$600m[12] of FY23 development completions now 88% pre-leased.

Workplace

Stockland continues to progress its $5.8bn[12] Workplace development pipeline. The M_Park Stage 1 project (Macquarie Park, NSW) in partnership with Ivanhoé Cambridge, is under construction and proceeding in line with expectations. The Affinity Place (North Sydney, NSW) development design is progressing, and Piccadilly (Sydney CBD, NSW) is continuing through the authority approvals process.

Over the quarter, the Workplace portfolio maintained resilient performance, with rent collection rates of 98%[11], occupancy of 90.5%[10,11] and a WALE[8] of 4.5 years.

Town Centres

Stockland's Town Centres portfolio continues to deliver solid performance, underpinned by a 75% weighting to essentials-based categories[13].

Total comparable sales growth metrics remained strong over the quarter. For the 11 months post-lockdown to September 2022, total comparable sales grew by 10.3% and comparable specialty sales grew by 12.4%, compared with the pre-COVID-19 corresponding period in 2019[14].

Relative to 1Q22, total comparable sales rose by 36.0%, while comparable specialty sales rose by 79.3%[15]. This reflects the impact of extensive trade restrictions in NSW and VIC over 1Q22.

The portfolio maintained positive leasing spreads over the quarter, with rent collection and portfolio occupancy remaining high at 97%[11] and 99.1%[11,16] respectively.

In 1Q23, Stockland also completed the disposal of Stockland Bull Creek (WA) for $78m, above book value.

Communities

Masterplanned Communities

Stockland's MPC business ended the first quarter with 6,006 contracts on hand at ~13.6% higher average

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[8] Weighted average lease expiry, by income.
[9] Average rental growth on new leases and renewals negotiated and executed in 1Q23.
[10] By income.
[11] At 30 September 2022.
[12] Forecast value on completion.
[13] Weighting by sales.
[14] 11 months post lockdown (November 2021 to September 2022) vs pre-COVID-19 corresponding period (November 2018 to September 2019).
[15] 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.
[16] Occupancy across the stable portfolio based on signed leases and agreements at 30 September 2022.

pricing vs FY22[17], supporting FY23 settlement rates and providing good earnings visibility. Default rates across the business remain low compared with historical averages[18].

Over 1Q23, enquiry has returned to pre-COVID-19 levels. As expected, sales volumes for the MPC business moderated over the quarter to 845 lots. This reflected the cumulative impact of several successive interest rate increases on affordability.

Month-on-month sales and enquiries were stable during the quarter. Current conditions in the broader residential market are likely to persist until the interest rate outlook stabilises.

Over the quarter, there were early signs of moderation in the rate of construction cost escalation. Stockland continues to actively monitor supply chain pressures and wet weather conditions.

Stockland's FY23 targets are maintained at ~18% operating profit margin and ~6,000 settlements, with a skew to 2H23.

Land Lease Communities

Stockland's LLC platform continues to deliver strong operational performance.

In 1Q23, the established portfolio achieved average rental growth of 6.3%[19], with occupancy and rent collection rates remaining at 100%[20].

Relative to the broader residential market, underlying demand remained resilient. The net sales result of 63 homesites for the quarter reflects a slowing of releases in order to allow production to catch up with purchaser demand. Enquiry levels continue to be supported by the ongoing preference for over-50s lifestyle communities and a strong customer value proposition.

As at 1Q23, the business had 475 contracts on hand at ~14.2% higher average pricing vs FY22[21]. By the end of FY24, the LLC platform expects to launch seven new land lease communities.

Stockland completed the transfer of two land lease communities[22] into the Stockland Residential Rental Partnership (SRRP) in July 2022, generating cash-backed profit on settlement.

For FY23, the LLC business continues to target development operating profit margin within the range of 10-15% and settlements of ~350 pre-sold homesites, with 328[23] homesites currently under construction or already settled.

FY23 outlook and guidance

Managing Director and Chief Executive Officer, Tarun Gupta said: "Stockland is well-positioned for further sustainable growth. Our focus on operational excellence forms the foundation of continued strong performance across our diversified portfolio, and our strategic initiatives provide the drivers of growth across the platform, particularly as we continue to scale our Land Lease Communities business and deliver on our accelerated Logistics pipeline."

"Importantly, the strength of our balance sheet and liquidity position provides resilience in the current macroeconomic environment and flexibility to take advantage of the right opportunities that may arise in," said Mr. Gupta.

The FY23 FFO per security guidance range is maintained at 36.4 to 37.4 cents on a pre-tax basis, in line with prior guidance provided in August 2022. Tax payable in FY23 is expected to be in the range of 5-10% of pre-tax Group FFO, with the benefit of some remaining carry forward tax losses.

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 FY23 earnings guidance, remain subject to no material deterioration in current market conditions and the continued recovery from COVID-19.

[17] Average price per lot of contracts on hand vs FY22 settlements.
[18] 6-month rolling average default rate vs 10-year 6-month rolling average default rate.
[19] Average rental growth vs FY22, effective 1 July 2022.
[20] As at 30 September 2022.
[21] Average price per homesite of contracts on hand vs FY22 settlements.
[22] Transfer of Stockland Halcyon Nirimba (QLD) and Stockland Halcyon Berwick (VIC), as previously disclosed in 1H22.
[23] Includes 87 homesites settled in 1Q23.

ENDS

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

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