



Stockland

# Acquisition of Halcyon

Expansion of Stockland's  
land lease communities business

19 July 2021

Halcyon Greens

# Executive summary

## Strategic acquisition of a leading land lease community operator and manager

### Transaction Overview

- The Group has entered into binding agreements with the vendors after being selected the preferred party in a sale process ("the Transaction")
- The Transaction increases Stockland's land lease community development portfolio to approximately 7,800 sites combined including 1,500 occupied sites, 1,600 in development and 4,700 in planning

### Summary of Halcyon

- Halcyon is Australia's most industry awarded land lease operator and developer with a strong brand, loyal home owners and a track record of successful sourcing, planning, delivering and operating of land lease in Queensland
- Halcyon owns and operates 13 land lease communities, 6 of which are established communities with a further 4 under development and 3 in planning

### Consideration and Funding

- The acquisition enterprise value of \$620 million<sup>1</sup> will be funded out of existing liquidity, noting gearing at 30 June 2021 is estimated to be around 22%<sup>2</sup>
- The first tranche of the purchase price will be paid upon completion of the transaction, expected to be in August 2021, with the balance of \$310 million deferred until July 2022
- Opportunity to introduce third party capital partners as the portfolio grows

### Integration into Stockland

- Stockland intends to fully integrate the Halcyon business, including all its employees, into the Group's existing land lease business
- The founders of Halcyon will remain involved and have agreed to provide consulting services to the Group for a minimum of 12 months
- Halcyon brand and capability to be leveraged nationally across the Stockland land lease business

### Financial impact to Stockland

- Returns above hurdle rates
- Accretive to FFO per security

1. Pre transaction costs and subject to certain adjustments at completion  
2. Subject to completion of usual financial year end audit processes

# Strategic rationale

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## Why Land Lease?

Capitalising on sector growth

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- ✓ Over 50s is the fastest growing demographic with underserviced housing options
- ✓ Land lease services the lifestyle demands of the market
- ✓ Strong development returns with high quality long term annuity income
- ✓ Leverages our competitive strengths in Masterplanned Community (MPC) creation

2

## Why Halcyon?

Leading market operator & brand in Qld

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- ✓ Access to the leading Qld market operator with a well recognised and trusted brand
- ✓ Provision of unique customer experience has driven sector leading referral network
- ✓ Above sector average sales velocity, price premiums and community size
- ✓ Qld portfolio provides significant footprint in one of Australia's premier retirement locations

3

## Integration Benefits

Accelerate business growth & drive returns

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- ✓ Significant increase in near term income generation and development activity
- ✓ Combined portfolio of 7,800 sites, including 1,500 occupied sites, 1,600 sites in development and 4,700 sites in planning
- ✓ Value creation by scaling Halcyon brand and capability across our landbank
- ✓ Returns above hurdle rates and accretive to FFO per security

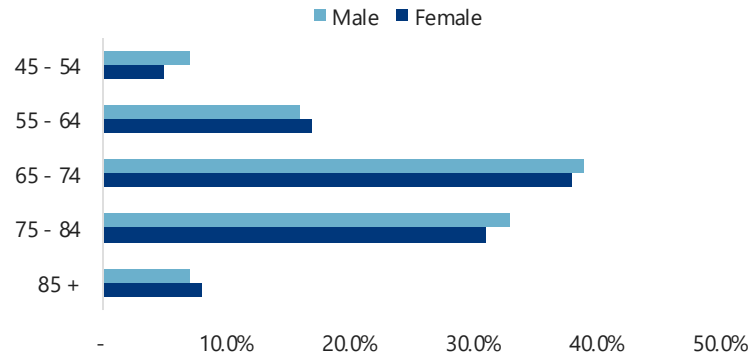
# 1 Over 50's population to grow at 2.4% p.a. over the next ten years

Land lease leverages demographic tailwinds and delivers on lifestyle aspirations

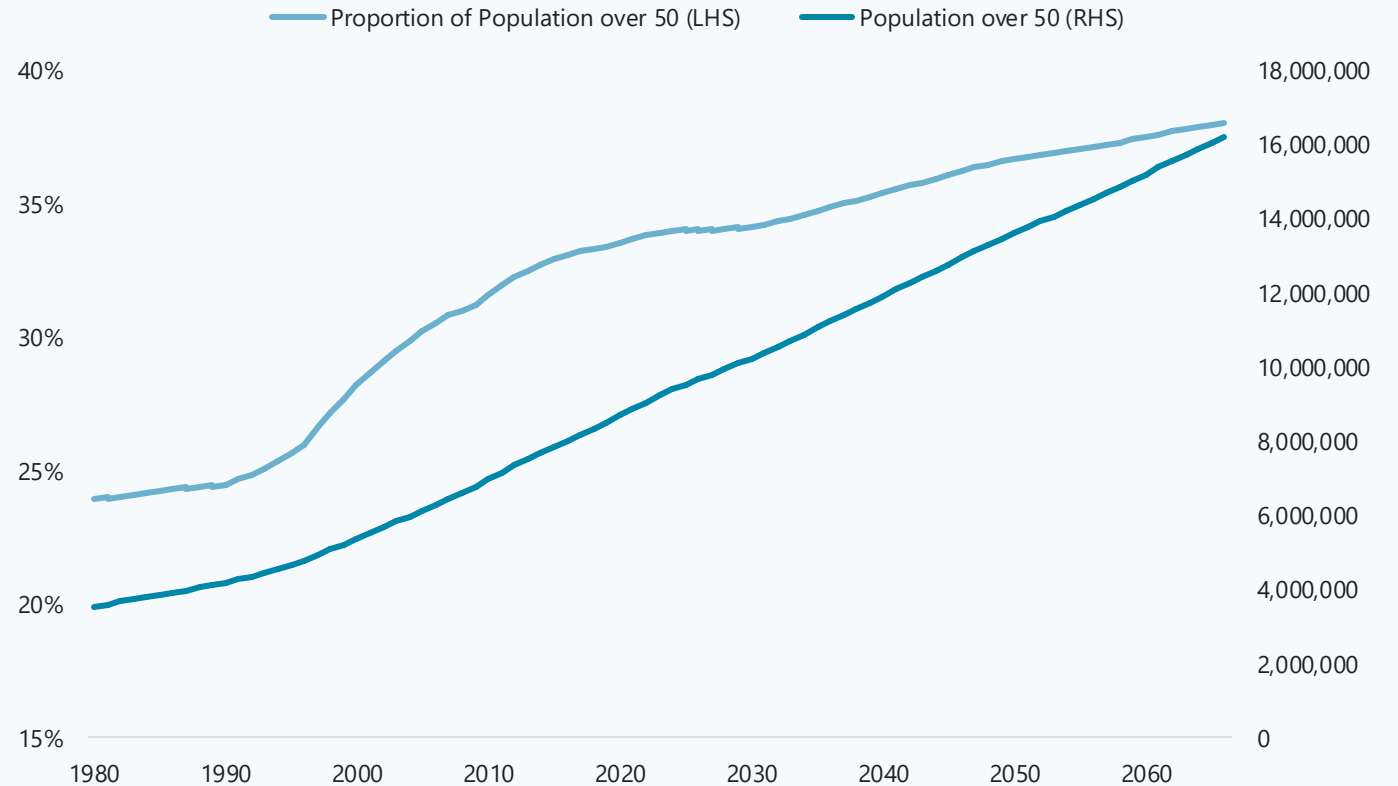
## Australia has a rapidly ageing population

- One in three Australians are over 50, an age cohort growing at a significantly faster rate than the broader population
- By 2030, there will be over 10.2 million Australians aged 50+, an increase of approximately 170,000 p.a.<sup>1</sup>
- Growing acceptance of lifestyle benefits of land lease to drive increased market penetration
- Ageing-in-place strategy aligns with Government policy with future upside from large inflow of retirees with superannuation

## Breakdown of land lease customers by age<sup>2</sup>



## Australia's population over 50 (1980 – 2065)<sup>1</sup>



1. ABS

2. Colliers International MHE Whitepaper 2014



# 1 Attractive model to service lifestyle demands of retirees

Provide exceptional customer experience and generate attractive returns



## Land Lease Business Model



Land Lease  
Operator



Home  
Owners

Sells new relocatable  
housing to a home owner

HIGH QUALITY  
RELOCATABLE HOME

Buys and owns the  
relocatable home and is  
responsible for maintenance

Development Return

Retains ownership of the  
land and common facilities  
and is responsible for  
maintenance

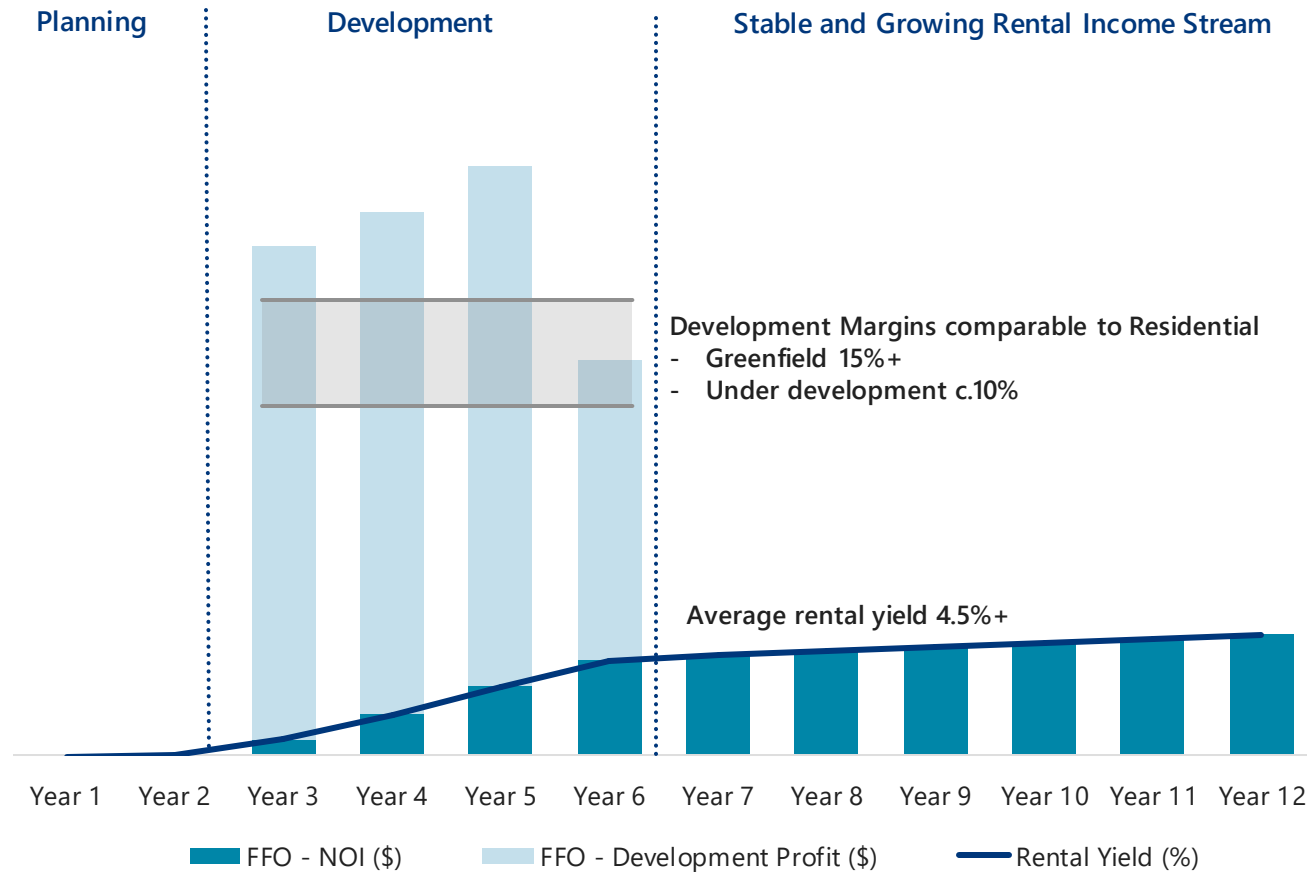
LAND / COMMON  
FACILITIES

Pays weekly ground rent  
for right to occupy land  
and use of facilities

Net Rental Income

# 1 Strong development returns with growing annuity stream

## Generic Return Profile



## High Quality Recurring Income For Occupied Portfolio

### Operating Margin

~65%

Strong revenue operating margins with low ongoing capital expenditure

### Medium Term Rental Growth

~3.0-3.5%

Contracts include a mix of fixed and CPI linked increases

### High quality income characteristics

### Land Lease

Long average lease tenure	✓
Minimal vacancy risk	✓
Fixed/CPI rental increases with market reviews	✓
High tenant diversification and strong tenant covenant	✓
Nil or low incentives	✓
Low capex requirements	✓
Government rental support	✓

# 1 Leveraging competitive advantages in MPC

Extends market reach further into over 50s market

## Leveraging our competitive strengths in MPC into land lease



### Brand

**Stockland brand built on the quality of Communities created for the last c.70 years**

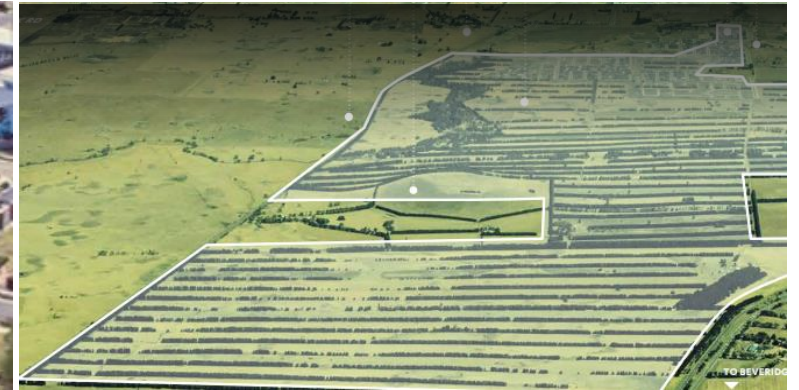
- As a top 50 ASX company and leader in MPC development Stockland further enhances the Halcyon brand
- Quality of Stockland MPC will add value to the integrated land lease business



### Scale

**Large scale MPC benefits land lease**

- Ability to drive cross selling opportunities from 2,000 new enquiries per week through existing residential business
- Buying power to drive lower development costs
- Attract and retain the best people with deep and diverse career opportunities across the business



### Landbank

**Size and quality of landbank difficult to replicate**

- ~81,000 lot landbank<sup>1</sup> has generated a significant land lease pipeline
- Acquisition of large engloba land parcels provides unparalleled ability to build land lease pipeline further
- Landbank provides optionality to expand our land lease pipeline in response to market conditions

1. As at 31 December 2020



## 2 Halcyon has a market leading business model

Industry award-winning operator and developer with a strong brand, loyal home owners and a track record of successful delivery



**6** established communities

**4** communities in development

**3** communities in planning



**~2,300** sites either under development or in planning



**Market leading, established and scalable platform**



**1,500** occupied sites

More than **2,500** customers call Halcyon home

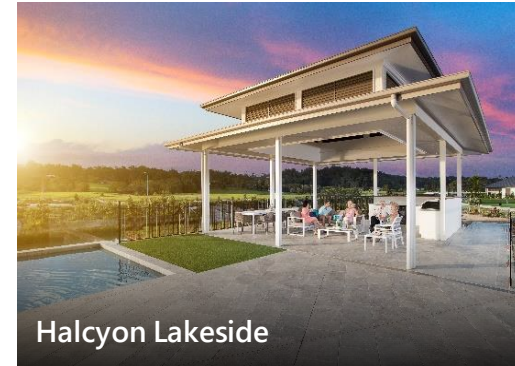


**Significant scale in Queensland**

One of the premier retirement locations in Australia



**Leading Integrated Capabilities**  
community-led vision with strong sense of belonging



Halcyon Lakeside



Halcyon Greens



Vision by Halcyon



Halcyon Glades



## 2 Strong customer satisfaction and referral network

Deep understanding of customer segments

### Referral rates

- Referrals comprise up to 50% of new sales
- Strong brand equity the driving force behind awareness of Halcyon product



**Focus on creating a sense of community** through industry leading community amenities and activities



**Home owners are Halcyon's best marketing tool** with referrals a major source of new sales

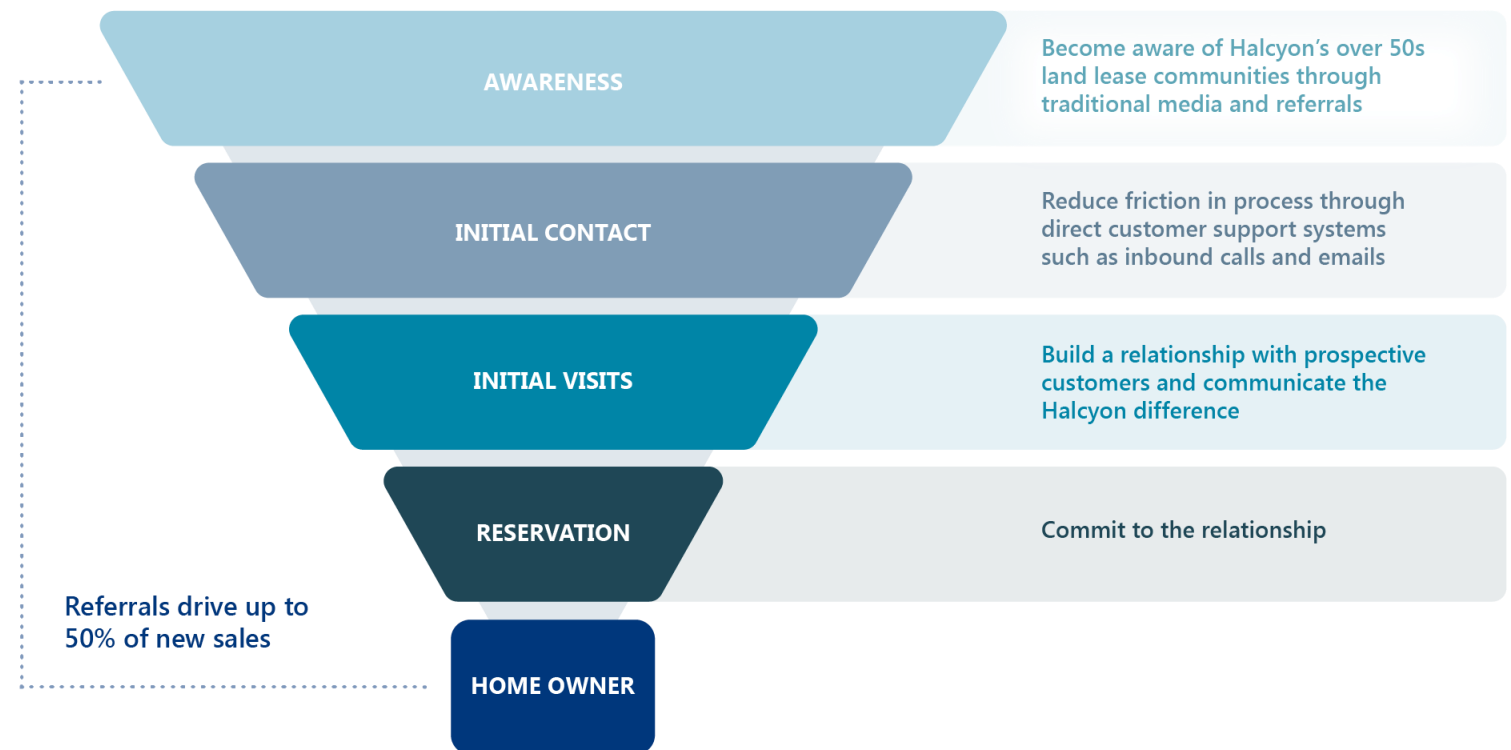


**Community consultation** as a core part of the planning process, driving substantial referrals from neighbouring residents



**60% of buyers are from the local precinct** around Halcyon, strengthening community relationships

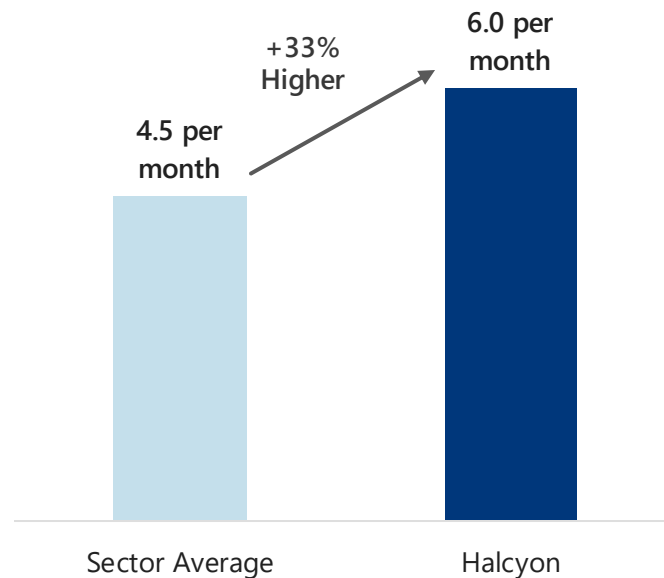
### Home owner customer journey



## 2 Operating performance above sector averages

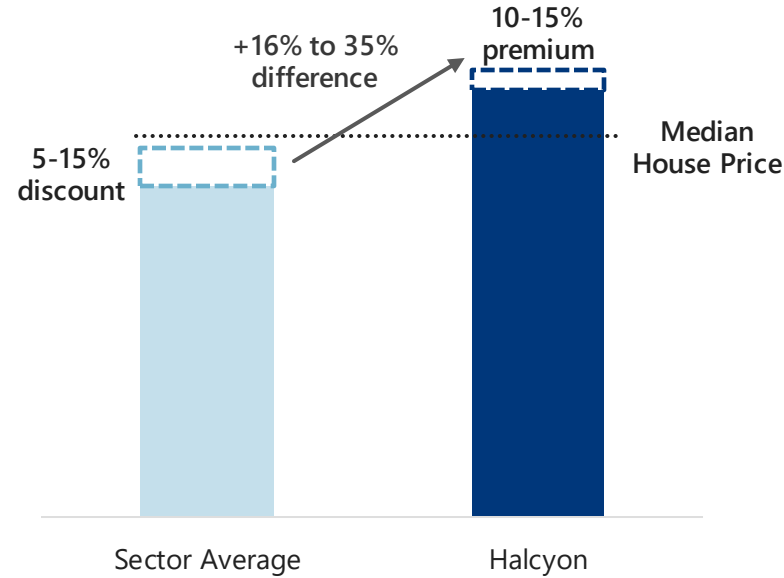
Superior Halcyon operating performance achieved through unique customer experience

### Sales Rates



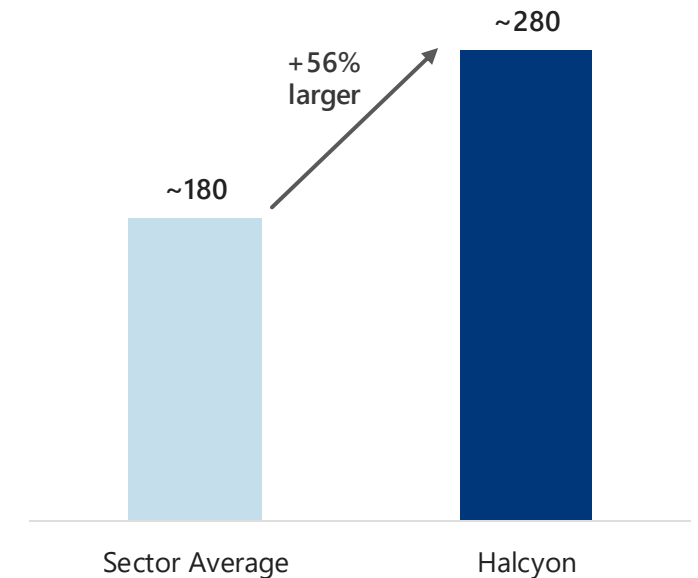
- Brand equity driven by high customer satisfaction generates sale rates materially above sector averages
- Customers are drawn from a broad catchment, including from interstate and international markets

### Sales Prices



- Halcyon creates lifestyle destinations with resort-style community facilities
- Generates significant price premiums to average median house prices
- Have successfully applied model in locations not traditionally considered desirable for over 50's

### Community Size

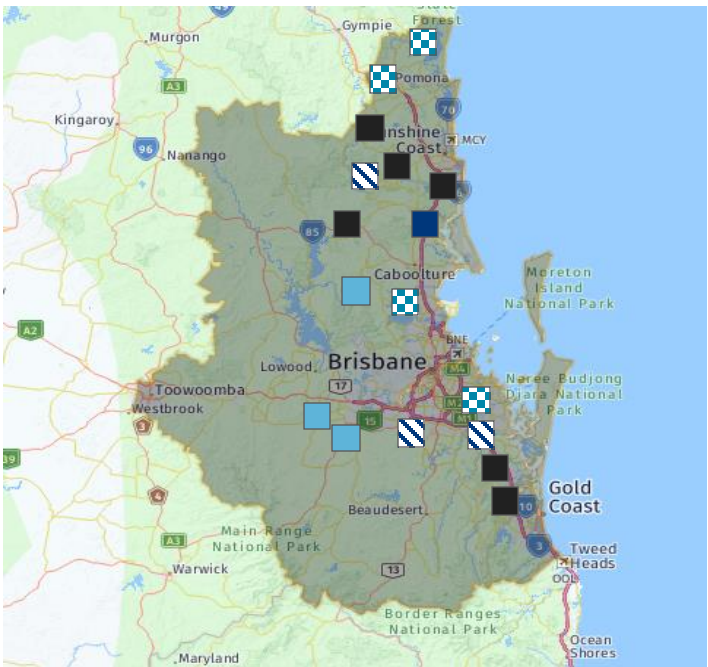


- Halcyon has increased average community size from 185 across the established portfolio to 400 across development pipeline
- Development economics of larger communities support more expansive community facilities, leading to revenue outperformance and broader customer reach

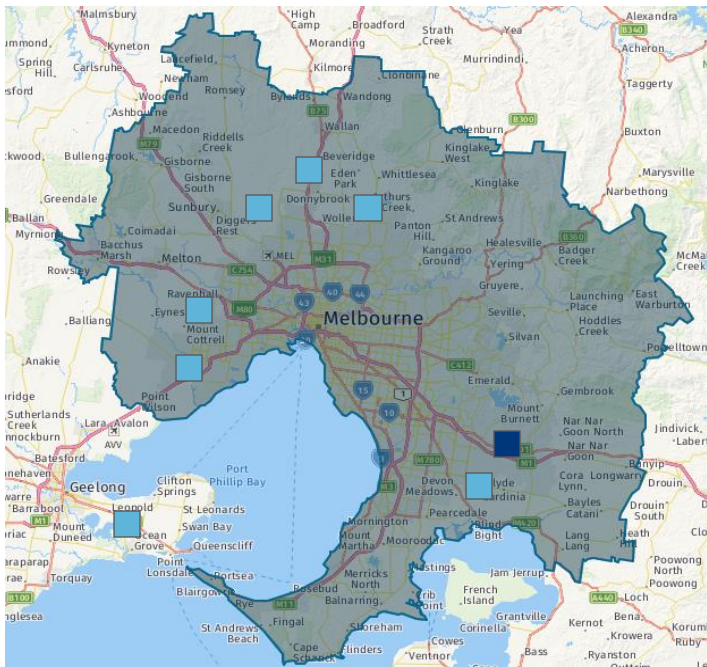
### 3 Combined platform with eastern seaboard focus

Strong presence across multiple lifestyle markets

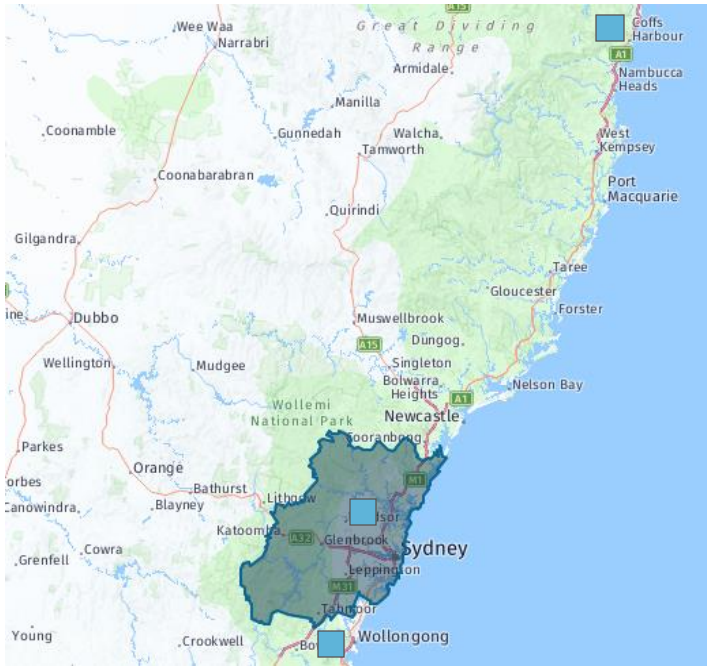
#### South East Queensland






#### Greater Melbourne



#### New South Wales



Occupied sites	1,500 sites	In Development	1,600 sites	In Planning	4,700 sites
 Halcyon	1,500 <sup>1</sup>	 Stockland	400	 Stockland	3,600
		 Halcyon	1,200	 Halcyon	1,100

Total

28 communities  
7,800 sites

1. Includes 1,100 occupied sites from established communities and 400 occupied sites from communities under development. For detailed breakdown refer to Appendix Portfolio Summary



### 3 Halcyon Acquisition: Value enhancing and accretive to FFO



1. Reflects 24 month reversionary yield
2. Average development operating profit margin across in development and in planning portfolio
3. Pre transaction costs
4. FFO per security

# Appendix: Portfolio Summary



# Substantial Qld portfolio and development pipeline

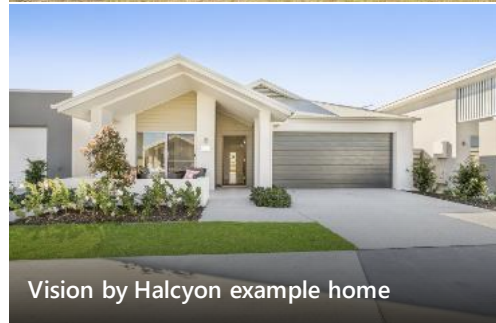
Total of 3,805 home sites within one of Australia's premier retirement locations



Halcyon Parks homes



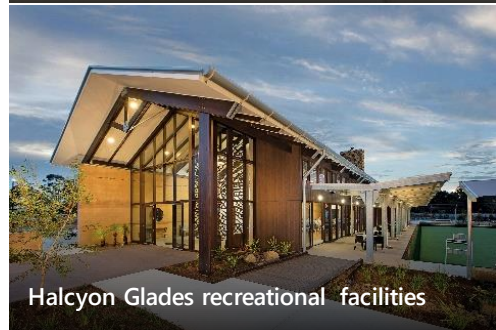
Halcyon Waters aerial view



Vision by Halcyon example home



Halcyon Landing example home



Halcyon Glades recreational facilities



Halcyon Lakeside pickleball courts

Community	Location	Occupied Sites	In Development Sites	In Planning Sites	Total Sites
Halcyon Parks	Caloundra	171	-	-	171
Halcyon Waters	Hope Island	227	-	-	227
Halcyon Landing	Bli Bli	171	-	-	171
Vision by Halcyon	Hope Island	88	-	-	88
Halcyon Glades	Caboolture	217	-	-	217
Halcyon Lakeside	Bli Bli	232	-	-	232
<b>Total established</b>		<b>1,106</b>	<b>-</b>	<b>-</b>	<b>1,106</b>
Halcyon Greens	Pimpama	328	194	-	522
Halcyon Rise	Logan Reserve	19	301	-	320
B by Halcyon	Buderim	40	290	-	330
Halcyon Bayside	Burpengary East	-	379	-	397
<b>Total in development</b>		<b>387</b>	<b>1,182</b>	<b>-</b>	<b>1,569</b>
Redland Bay	Redland Bay	-	-	471	471
Yandina	Yandina	-	-	188	188
Peregian	Peregian Beach	-	-	400	400
<b>Total in planning</b>		<b>-</b>	<b>-</b>	<b>1,130</b>	<b>1,130</b>
<b>Total Portfolio</b>		<b>1,493</b>	<b>1,182</b>	<b>1,130</b>	<b>3,805</b>



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