Stockland

# 1H10 Results Presentation – 10 February 2010

Matthew Quinn, Managing Director
Hugh Thorburn, Finance Director

# Solid 1H10 results – upgrading full year guidance to 29c

## Operating results

- Underlying Profit up 17% on 1H09, EPS down 21% due to equity raised in May 2009
- Residential Communities lots settled up 70% on 1H09 and record level of contracts on hand - up 56%
- Commercial Property comparable NOI growth of 1.6% reflecting sound leasing and asset management outcomes despite tough conditions
- Retirement Living Operating Profit definition changed to include only development profits and DMF earned based on normal accrual accounting; DMF creation and revaluation now below the line and excluded from Underlying Profit

## Strong balance sheet and long dated debt maturity

- Gearing at 18%[1] remains below target range - average debt maturity > 6 years
- Cash and undrawn facilities of $2.2b available to fund organic growth

## Focus on value-enhancing growth opportunities in line with strategy

- Maintained disciplined assessment of growth opportunities in line with group strategic weightings
- $205m of Residential Communities acquisitions – circa 3,550 lots; profit contribution from FY11
- Development of Retirement villages proceeding to plan – development pipeline of circa 3,000 units
- Key Retail development projects to be activated – developments with total cost of $0.6b already underway

## Positive outlook

- All businesses enter second half in strong position
- FY10 EPS guidance upgraded to 29c (previously 28c)

[1] Net of cash balance

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# Underlying Profit up 17% on 1H09, EPS down 21% due to equity raised in FY09

| Summary of key metrics | 1H10 | | 1H09 |
|---|---|---|---|
| **Statutory Profit / (Loss)** | $213.7m | | ($726.9m) |
| **Underlying Profit**[1] | $334.6m | ▲ 17% | $286.9m |
| **Underlying Earnings per Security** | 14.1 cents | ▼ 21% | 17.8 cents[2] |
| **AFFO per security** | 12.7 cents | ▼ 5% | 13.3 cents[2] |
| **Distribution per security** | 10.8 cents | | 17.0 cents |
| **NTA per security** | $3.59 | | $4.86 |

[1] Underlying Profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of Stockland, in accordance with the AICD/Finsia principles for reporting underlying profit

[2] Prior period EPS and AFFO per security have been adjusted for the dilutionary impact of the Equity Raising announced on 13 May 2009 as required by accounting standards, and also exclude inventory write-downs

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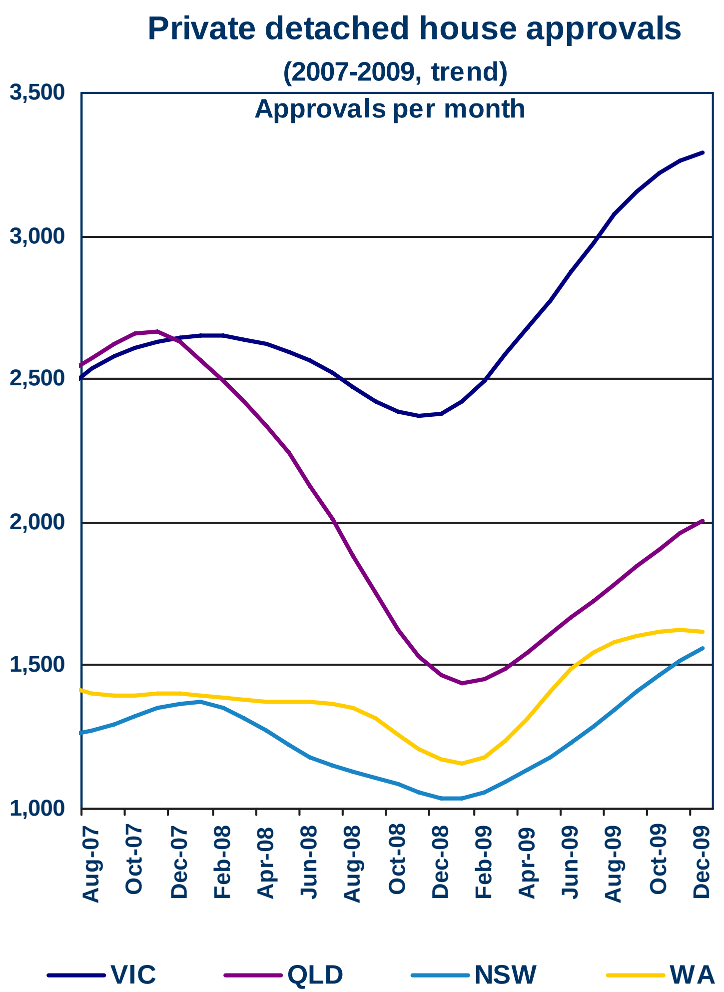
# Residential

# Residential market conditions - recovery underway in all states




Source: ABS

## National

- Major undersupply of housing continues to drive price growth
- End of FHOB was orderly – upgraders now the prominent buyer group

## Victoria

- Strong market recovery and ready supply of affordable housing
- High domestic and offshore migration underpinning demand

## Queensland

- Suffered the greatest slowdown and the mildest recovery to date
- Difficult investment climate; government levies increasing
- New housing starts remain below underlying demand

## New South Wales

- Solid market recovery driven by good demand
- Recent price growth in Sydney inner ring expected to filter to greenfield developments in 2010

## Western Australia

- Renewed investment by resource sector supporting residential demand

# Strong Residential Communities revenue and profit growth

## Revenue

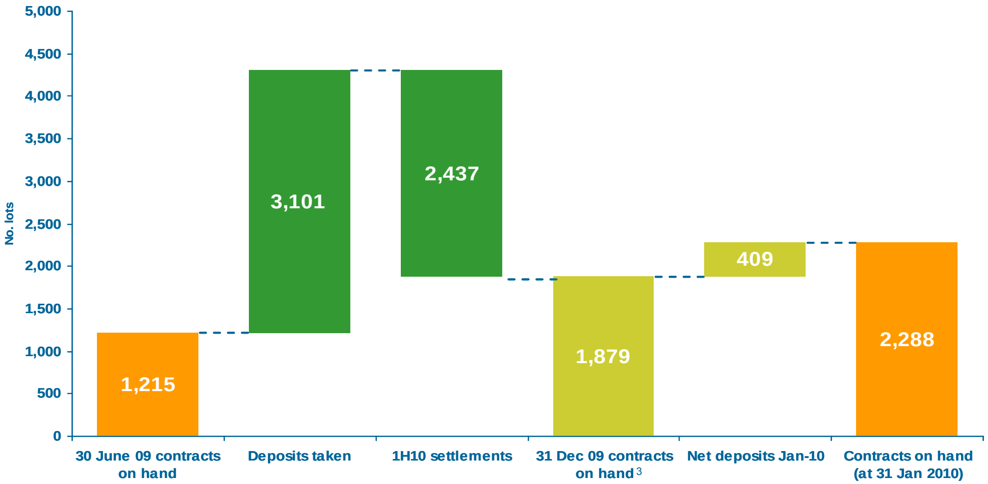
- Retail lots settled up 70% on 1H09
- Settlements up in all states and market segments
- Super lot settlements impacted by buyer inability to secure finance – only 3% of revenue in 1H10 versus circa 15% historically
- Revenue up 21% on 1H09

## Profit

- Communities performance now also shown as EBIT before capitalised interest expensed in COGS:
  - Interest in COGS makes it difficult to compare the underlying performance of the business across reporting periods
- EBIT up 16% on 1H09, Operating Profit up 9%
- Higher EBIT and Operating Profit expected in 2H10 than 1H10:
  - High level of lots under production at 31 December to be completed in 2H10
  - Significant portion of 2H10 revenue already contracted – record contracts on hand
  - Higher super lot sales expected in 2H10

| Residential Communities | 1H10 | 1H09 |
|---|---|---|
| Lots settled | 2,437 | 1,434 |
| Revenue | $425m[4] | $352m[4] |
| EBIT (before interest in COGS) | $107m | $92m |
| Operating Profit (incl. interest in COGS)[2] | $84m | $77m[1] |
| Contracts on hand[3] - no. | 1,879 | 1,205 |
| - $ | $408m | $225m |

**Residential Communities sales**




[1] Pre write-down
[2] Pre-tax
[3] 1,739 contracts on hand due to settle in 2H10, 140 due to settle in FY11
4 Excludes other revenue of $5m (1H09: $6m) included in Residential segment revenue

# Residential Communities buyer composition close to target mix

First Home Buyers (FHBs)

- Very high leads and deposits in 1H10 underpinned by First Home Owners Boost
- Leads now returning to 20% - 30% target range
- Remain buoyant in Victoria with State grant in place until 30 June 2010

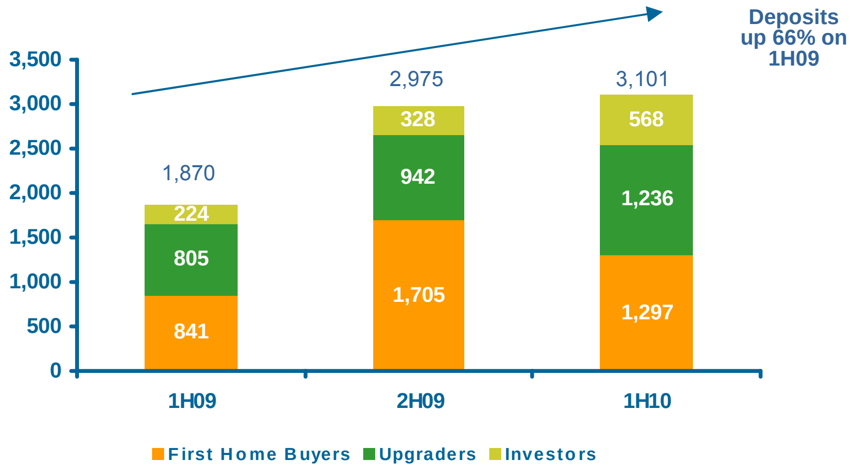
Upgraders

- Now the majority of leads and deposits with volumes at their highest level in 18 months
- Rising established house prices driving positive sentiment
- Rising interest rates and affordability are a growing concern, but not a barrier to purchase if affordable product is delivered
- In many locations, the cost difference of building new versus existing house prices is negligible

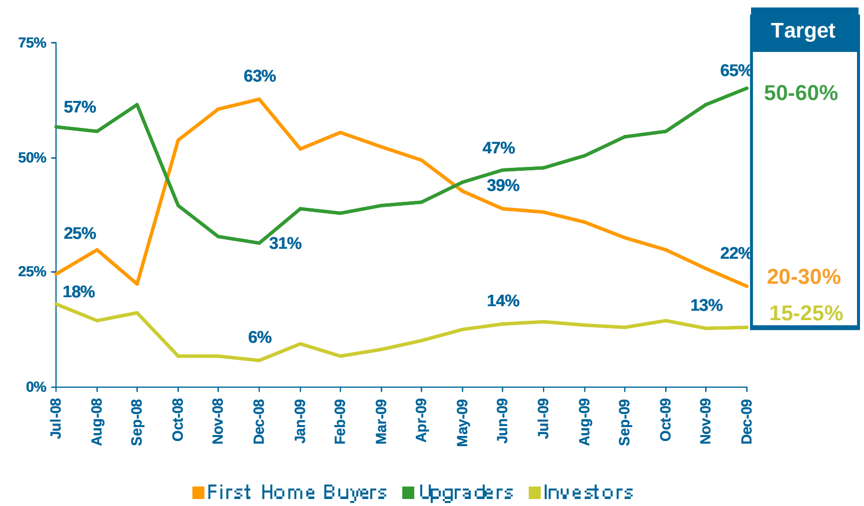
Investors

- Volumes at highest level in 18 months
- Rents likely to continue to rise in most capital cities
- Leads moving towards target range of 15% - 25%

## Buyer composition (# of deposits)




## Leads[1] by segment (%)




[1] Potential purchasers who have expressed interest in a specific Stockland project

# Recent Residential Communities price growth to benefit 2H10 margins

## Prices

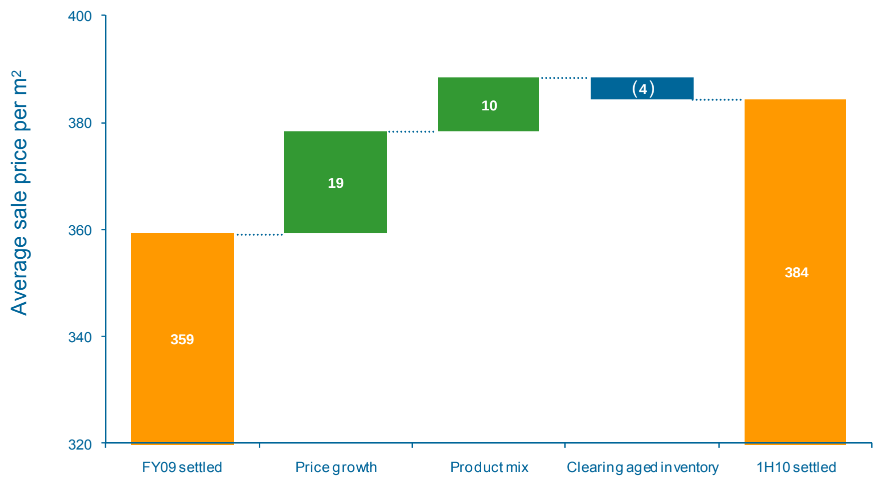
- Average price per sqm of lots settled up 7% due to price increases and product mix
- Price growth in 2Q10 deposits to flow through in 2H10 settlements

## Margins

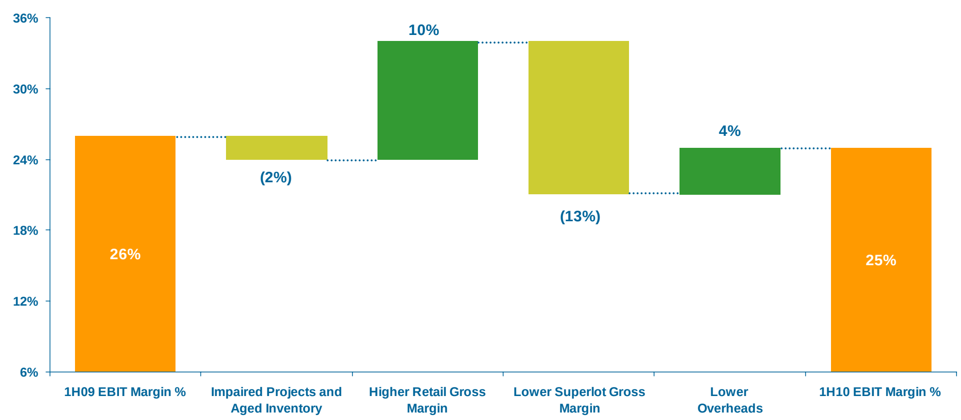
| Residential Communities | 1H10 | 1H09 |
|---|---|---|
| EBIT margin (before interest in COGS) | 25% | 26% |
| Operating Profit margin (incl. interest in COGS) | 20% | 22% |

- Margins down slightly from 1H09
- Price growth and overhead savings offset by:
  - Settlement of $95m low margin aged inventory
  - Negligible margin from settlement of lots from impaired projects – revenue $24m
  - Lower superlot sales (high margin in 1H09)
- Margins expected to increase by 1% -1.5% in 2H10

### Retail lot settlements - average price per $m^2$



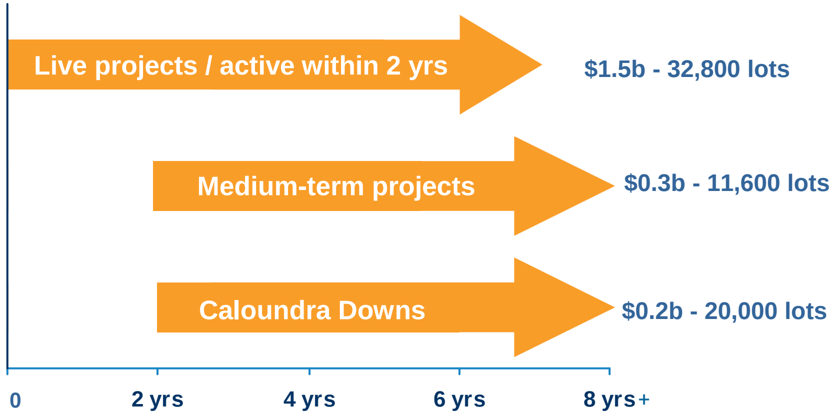

### Residential Communities 1H10 EBIT margin (before interest in COGS)



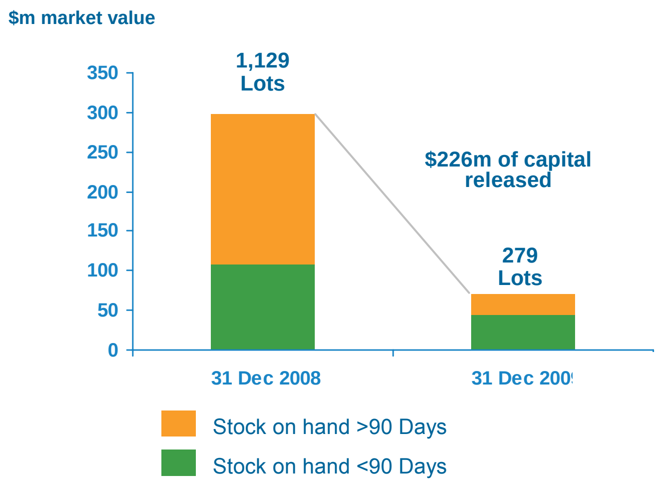
# Cash realisation from efficient management of inventory

- Large and diverse land bank - $2.0b[1] capital invested (64,400 lots):
  - Provides 90% coverage of revenue targets for next 3 years
  - 80% of book value relates to live projects and new projects to commence within 2 years
  - 75% of book value expected to be traded out within 5 years
- Inventory carried at lower of cost and net realisable value, no upward revaluations are booked
  - No impairment in 1H10
- Good cash flow generation through tighter inventory management:
  - $226m of capital released in 2009 through reduction in finished lots inventories
  - Only $19m of available completed stock on hand > 90 days

**Land bank comprises both active projects and strategic long-term holdings**




**Available completed stock on hand – reduction through tight management of production**

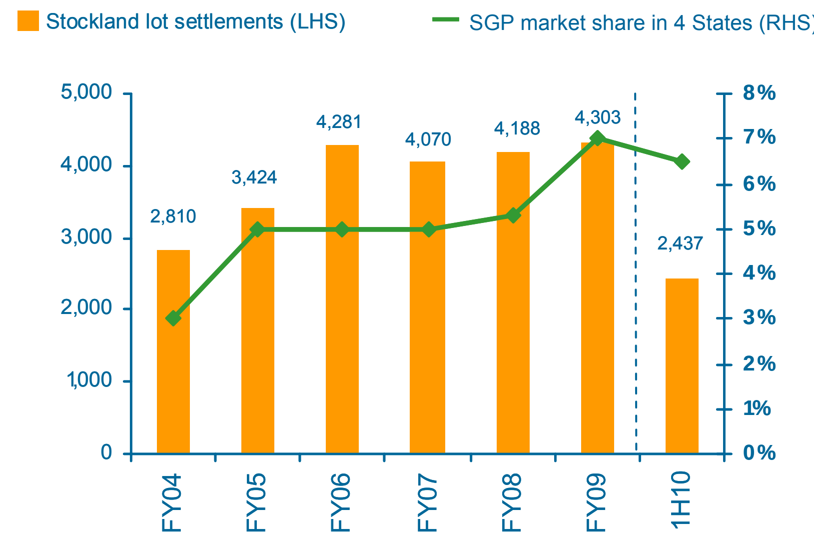



[1] Capital invested as at 31 December 2009 includes $140m of deferred payment terms on land acquisitions upon which Stockland pays no external interest

# Focussed on growing market share in Residential Communities

- Strategy to grow market share through increased lot sales:
  - Extend market-leading position into new growth corridors; 24 growth corridors identified and currently active in two thirds
- Disciplined acquisition assessment filters:
  - Project scale; population growth; undersupply; affordability; employment growth and speed to market (targeting profit by FY11/12)
- Land component of COGS available for stock replenishment through land acquisitions – circa $200m p.a.
- Strategy to grow above normal replenishment levels
- Four acquisitions to date in FY10 – $205m (3,550 lots)
  - In three new corridors where Stockland was not represented

**Lot settlements and market share in four key states[1]**




**Acquisitions**

| | | Est. future lots | Est. future revenue ($m) | Est. timing of first settlements |
|---|---|---|---|---|
| VIC | Truganina | 1,300 | $280m | FY11 |
| | Harvest Home Road, Epping | 600 | $135m | FY12 |
| | Eucalypt, Epping | 500 | $100m | FY11 |
| WA | Eglinton[2] | 1,150 | $435m | FY12 |
| Total | | 3,550 | $950m | |

[1] Source: RP Data, ABS, Stockland Research. Estimates based on latest market information provided as at the date of this presentation. Subject to further revision as market sales information is collated and reported. FY08 and FY09 market share figures have been restated

[2] 50% interest; project development agreement. Includes Stage 1 and option over Stage 2

# Apartments business delivered a small profit

- Good Apartments pre-sales and settlements in 1H10:
  - $23m EBIT (before interest in COGS), $6m Operating Profit mainly from The Village, Balgowlah
  - Strong pre-sales at The Hyde, Tooronga, Prince Henry
- Apartments projects currently under development will be progressively completed by FY12, releasing circa $485m of cash

| Apartments | 1H10 | 1H09 |
|---|---|---|
| Units settled | 236 | 59 |
| Revenue | $157m | $95m |
| EBIT (before interest in COGS) | $23m | $1m |
| Operating Profit (incl. interest in COGS) | $6m | ($5)m[1] |
| EBIT margin (before interest in COGS) | 15% | 1% |
| Operating profit margin (incl. interest in COGS) | 4% | (6%) |
| Contracts on hand - no. | 455 | 301 |
| - $ | $454m | $388m |
| Net funds employed | $0.5b | $0.8b |

**Projects under development**

| | | Est. cost to complete ($m) | Est. future revenue ($m) | % Presales @ 31 Dec 09[2] |
|---|---|---|---|---|
| NSW | Prince Henry | 55 | 100 | 64 |
| | The Village, Balgowlah | 5 | 50 | 76 |
| | The Hyde | 40 | 210 | 59 |
| Qld | Norman Reach | - | 10 | 93 |
| | Allisee – Stage 2 | 5 | 35 | 83 |
| Vic | Tooronga – Stage 1 (Tower 1+2) | 120 | 190 | 71 |
| WA | South Beach - Stages A&B | 10 | 125 | 91 |
| | **Total** | **235** | **720** | **75** |
| | **Net cash flow** | **$485m** | | |

[1] Pre write-down

[2] Based on revenue value of settled and contracts on hand over total project revenue

# Value creation from mixed-use urban consolidation

- Further urban consolidation is inevitable in order to meet the Federal Government's stated population growth targets
- However, Stockland's Apartments projects have not delivered appropriate returns in recent years:
  - Wrong style of project (e.g. high end lifestyle, non urban) that did not reflect our core markets and strengths
  - Planning blockages significantly impacted speed to market
- Further apartments projects will only be considered as part of mixed-use projects which play to our diversified asset class capabilities:
  - Working closely with government approval authorities to resolve planning and delivery blockages
  - Focus on right product / place / price with significant amenity and convenience
- Increasing evidence of our mixed-use capability through projects such as Balgowlah:
  - Returns from Balgowlah below benchmark, but lessons learned from post-completion assessment indicate appropriate risk adjusted returns can be achieved from future projects
  - Internal mixed-use expertise has been built up and will be retained – synergy with other areas such as Residential Communities town centres
- Currently no mixed-use projects in apartments pipeline and existing undeveloped apartment sites will be progressively sold (estimated proceeds circa $120m by FY12)

# In summary - Residential business is well placed for FY10 and beyond

- Product mix is being changed to suit upgraders (our core market) with upgrader deposits at their highest level in over 18 months
- Recent price growth to come through in 2H10 settlements, margins improving
- Profit skew between 1H and 2H:
  - High level of lots under production at 31 December to be completed in 2H10
  - Enter 2H10 with record Communities contracts on hand
  - Higher super lot sales expected in 2H10
- 3,550 lots acquired in 1H10, expected to deliver profit from FY11+
- Continue to develop out current Apartments projects and dispose of undeveloped sites not suitable for mixed-use developments:
  - Approx. $600m of cash to be freed-up by FY12 for reinvestment by Communities in key growth corridors to increase market share



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Retirement Living

# Changes to Retirement Living profit reporting

A [Retirement Living Operating Profit redefined](#):

- DMF accrual in Operating Profit calculated under normal accrual accounting (only DMF earned in the period is accrued)
- All other DMF amounts, including DMF creation/ revaluation, moved below the line
- Negative impact to Operating Profit in 1H10 of $2m

B Accounting standard (AASB140) change[1]:

- Required to record development profits[2] on a progressive basis during construction
- Positive impact in 1H10 of $7m (most of which would otherwise have been recognised upon settlement in 2H10)

| Retirement Living Operating Profit | 1H10 | 1H09[3] |
|---|---|---|
| Operating Profit – former definition | $16m | $28m |
| A **Exclude DMF valuation uplift amounts:** | | |
| • Remove all existing DMF profit elements | ($17m) | ($36m) |
| • Replace with DMF accrued during period | $15m | $18m |
| | $14m | $10m |
| B **Accounting standard change:** | | |
| • Development profit on % completion basis | $7m | $9m |
| **Operating Profit - revised** | **$21m** | **$19m** |

1 DMF creation on new units included below the line on a percentage completion basis – additional positive impact on statutory profit of $3m

2 Shown as "Fair value adjustment of Investment Properties" in the statutory accounts

3 1H09 adjusted for comparative purposes only to reflect the accounting changes. 1H09 results have not been restated in the statutory accounts. If accounting changes were applied historically, the equivalent figure in 1H10 would have been approx. $3.6m lower



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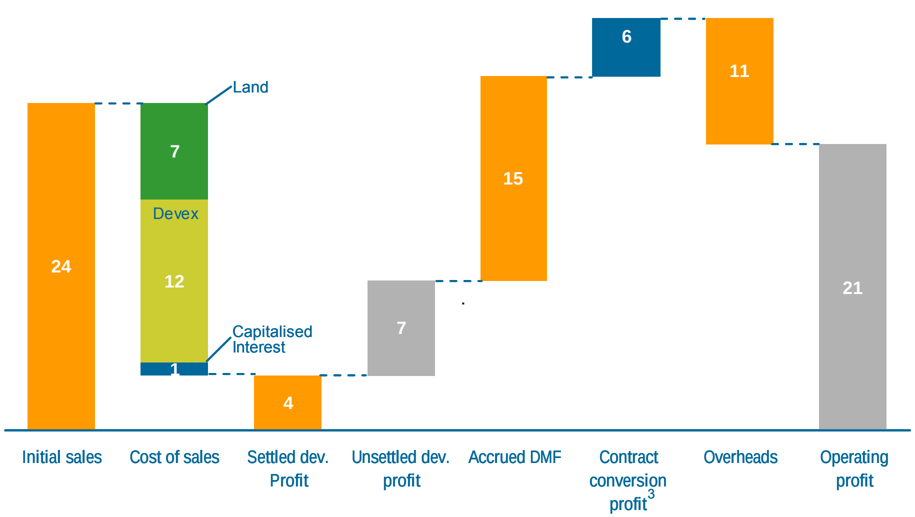
# Solid Retirement Living operating performance

- Established units tracking well:
  - 2% comparable price growth in 1H10
  - Virtually full occupancy
- Development pipeline gaining momentum:
  - Settlement volumes up 5% on 1H09
  - Good reservation levels
  - Commenced construction of 3 new projects
- Major strategic review of pipeline completed:
  - Below the line downward revaluation of $31m, triggered by site specific impairment[1] due to location and design considerations on 3 projects
- DMF valuation metrics remain unchanged, now only a balance sheet issue

| Retirement Living | 1H10 | 1H09[2] |
|---|---|---|
| Operating Profit | $21m | $19m |
| Established unit turnovers | 122 | 104 |
| Occupancy | 99% | 99% |
| New units settled | 65 | 62 |
| - Average price | $366k | $297k |
| - Development margin (pre-overhead) | 16% | 14% |
| Net funds employed | | |
| - Established villages | $306m | $281m |
| - Development projects | $108m | $114m |
| - Goodwill | $108m | $108m |

## Components of Operating Profit




[1] Required to be included as a downward adjustment to “Fair value adjustment of Investment Properties” in the statutory accounts

[2] 1H09 adjusted for comparative purposes only to reflect the accounting changes. 1H09 results have not been restated in the statutory accounts. If accounting changes were applied historically, the equivalent figure in 1H10 would have been approx. $3.6m lower

[3] Cash payments received upon conversion of legacy contracts - will progressively reduce over the next 10 years

# Retirement Living remains key growth platform

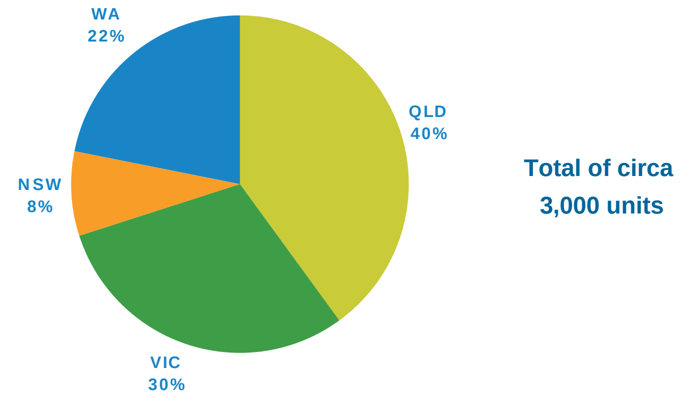
Strategy:

- Growth and diversification of the village portfolio:
  - Drive operational efficiencies in established villages
  - Develop new industry-leading villages
  - Enhance growth through acquisition
- Leverage benefits of Stockland diversified model:
  - Synergies with Residential (development) and Commercial Property (asset management)

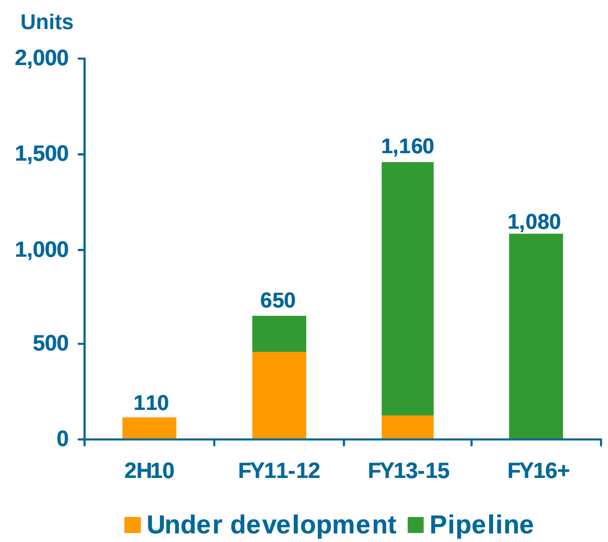
Development pipeline:

- 5 villages currently under development:
  - Approx. 700 units to complete and settle (120 already sold)
  - $200m cost to complete ($250m total project cost)
  - Margin range 15% - 20% (pre overhead, excludes DMF income)
- Pipeline of circa 2,300 units across VIC, NSW, QLD and WA

**Development pipeline (% of units)**




**Estimated delivery of pipeline**




# Commercial Property

# Commercial Property markets are stabilising

## Retail

- Retail market conditions are stable:
  - Robust business confidence and limited new supply keeping vacancies low
  - Rents are growing at a modest rate
  - Very little retailer distress and delinquency

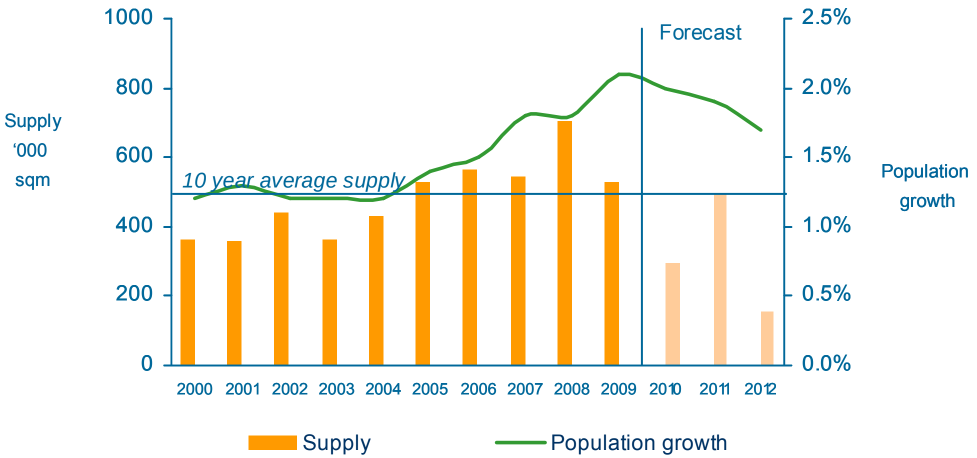
## Office

- Office markets are stabilising with vacancy levels set to peak in 2010

## Industrial

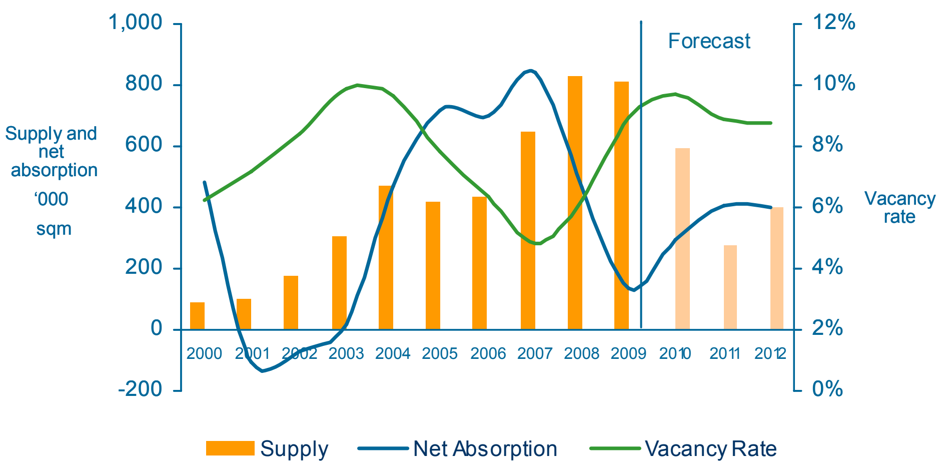
- Wide divergence in performance between:
  - Large industrial estates on major transport nodes which are performing well
  - Traditional industrial buildings which are struggling to keep tenants

**National retail supply and population growth**




Source: Jones Lang LaSalle, Access Economics

**National office supply and demand**

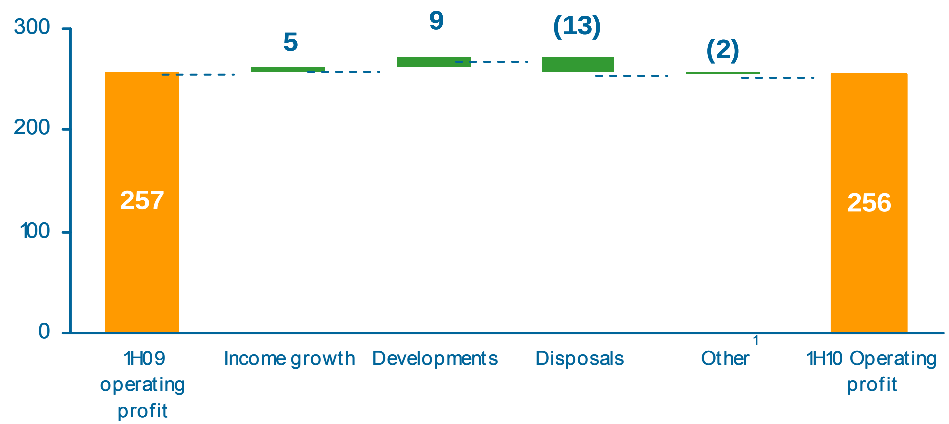



Source: Jones Lang LaSalle

# Commercial Property delivered solid performance in tough market

- Comparable income growth of 1.6% on 1H09
- 2H10 and FY11 office and industrial expiry profile significantly de-risked
- Nil trading profit in 1H10; $5m expected for full year
- Sale of $156m of non core assets – recent sales at or around 30 June 2009 book value

## Commercial Property Operating Profit ($m)




## Incremental rent at risk – Office & Industrial

| | Office | | Industrial | | Total | |
|---|---|---|---|---|---|---|
| | 2H10[2] | FY11 | 2H10[2] | FY11 | 2H10[1] | FY11 |
| Total vacant space/leases expiring | $3.6m | $11.0m | $4.5m | $7.1m | $8.1m | $18.1m |
| Likely renewal / new lease | ($0.4m) | ($6.0m) | ($0.7m) | ($4.4m) | ($1.1m) | ($10.4m) |
| Risk from vacant and uncommitted space | $3.2m | $5.0m | $3.8m | $2.7m | $7.0m | $7.7m |
| **% of rent roll** | | | | | **4.9%** | **2.7%** |

[1] Comprises overheads, fees, trading and UPF
[2] Reflects all remaining FY10 lease expiries and vacant space

# Sound leasing and asset management underpinned Retail result

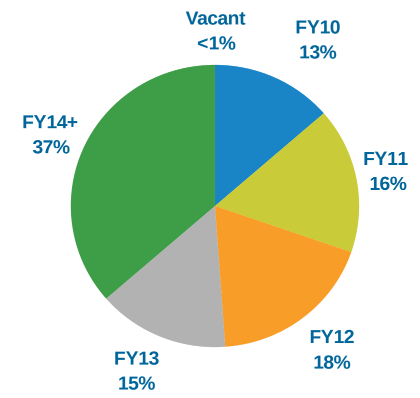
## 1H10 highlights

- Comparable MAT growth +1.6%
- NOI $132.1m
- Comparable income growth +4.0%
- 230 specialty shop lease transactions, +5.6% average rental growth
- Vacancies remain low at 0.4%[1] (33 shops out of total portfolio of 2,700)
- Specialty occupancy costs 13.6%

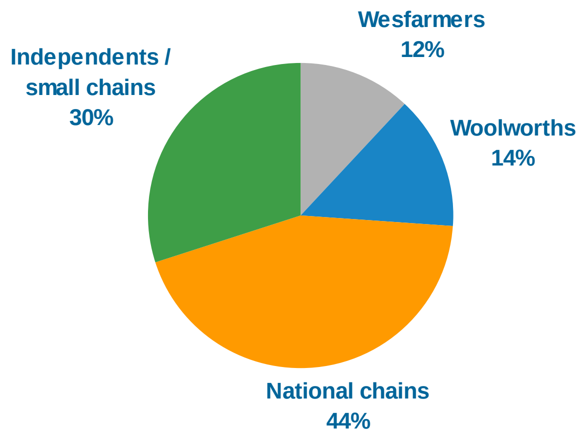
## 2H10 outlook

- Demand for new shops resilient
- No major increase in vacancy expected
- 240 specialty lease transactions to complete - expect marginal increase in passing rent
- Remaining 2,200 specialty leases are on either fixed annual (4% to 5% pa) or CPI+1.5% increases

### Specialty shop lease expiry profile[2]




### Tenant rent composition[3]




[1] Non-development centres
[2] By GLA
[3] By gross passing rent



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# Asset management focus in Office and Industrial portfolio

## 1H10 highlights

- 160,000m$^2$ of office and industrial space leased
- NOI:
  - Office $96.9m
  - Industrial $38.9m
- Comparable income growth:
  - Office +1.4%
  - Industrial -4.4%
- Office WALE increased from 4.3 to 4.6 years, vacancy 4.7%
- Industrial vacancy 7.3% - predominantly in Melbourne with two thirds due to refurbishment of assets for lease in 2H10/FY11

**Key leasing deals**

| | Property | Area (sqm) | Tenant | Start | Lease term |
|---|---|---|---|---|---|
| Office | BankWest Tower, Perth[1] | 27,000 | CBA | Nov 09 | 5 years |
| Office | 452 Flinders St, Melbourne | 10,400 | SKM | Jul 10 | 10 years |
| Office | 135 King Street, Sydney[1] | 6,000 | Brookfield/Russell Investments | Sept 10 | 7/10 years |
| Industrial | 10 Stubbs Street, Somerton | 21,300 | Toll Holdings | Nov 09 | 5 years |
| Industrial | Brooklyn Estate, Brooklyn | 17,300 | Unitised Building | Dec 09 | 7 years |
| Industrial | 11-25 Toll Drive, Altona | 16,100 | Toll Holdings | May 10 | 10 years |

[1] 50% owned, shown as 100%

## 2H10 outlook

- Small decline in comparable office rents expected due to incentives on vacant space/expiring leases
- Focus on securing quality, long-term tenants and extending office WALE

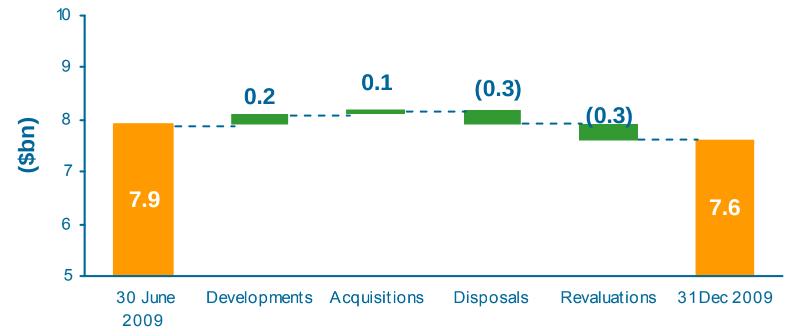
# Commercial Property asset values are stabilising

- Weighted average cap rate:
  - Increased by 10bps in 1H10
  - Appears to have stabilised
  - Softened a total of 140bps since peak in Dec 2007 (22% decline)
- Office values also impacted by softer rents / increased lease incentives
- 1H10 downward revaluation $330m:

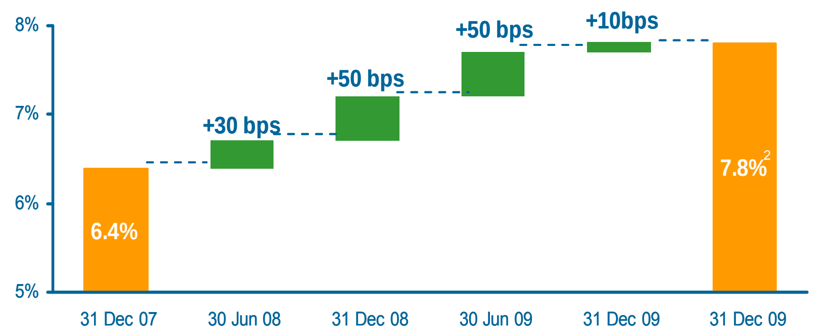
| Revaluation breakdown | $m |
|---|---|
| Change in cap rates | 196 |
| Lower office rents / higher lease incentives | 63 |
| Developments | 45 |
| Other | 26 |
| **TOTAL** | **330** |

- Further minor devaluation expected in 2H10 due to incentives to lease vacant/expiring office space

## Commercial Property – book values ($bn)[1]




## Commercial Property – weighted av. cap rate




**Composition**
Retail: 6.2%
Office: 6.4%
Industrial: 7.3%

**Composition**
Retail: 7.4%
Office: 8.0%
Industrial: 8.7%

[1] Includes all real estate related assets excluding sundry properties, WIP and inventory
[2] 80% of assets independently valued at Dec-09

# Commercial Property strategy to enhance asset quality and financial returns

## Commercial Property

- Continue to re-weight portfolio towards higher quality retail, larger urban industrial and quality office assets
- Undertake retail developments that:
  - Create value through development of new centres from existing land bank e.g. Kawana
  - Add value through addition of new space to high performing assets e.g. Green Hills
  - Defend value of strategically important assets under competitive threat e.g. Townsville
- Recycle capital from sale of non-core assets
- Drive returns through internal asset management, leasing and development capability

### Retail

- Ownership of assets that have high market share (number 1 or 2 in trade area) through:
  - Redevelopment to create large regional centres (e.g. Shellharbour, NSW)
  - Creation/expansion of good quality sub-regional centres (e.g. Baldivis, WA)
- Tactical early development of retail centres to support Residential Communities (e.g. Highlands, VIC)

### Office & Office Parks

- Own and manage a quality portfolio in major office markets

### Industrial

- Focus on large, flexible estates close to major transport hubs (e.g. Yennora, Moorebank)

# Retail development pipeline set to be reactivated in 2010

- Several projects already under construction:
  - 4 projects due for completion by FY12, including Merrylands, Rockhampton and Tooronga – total estimated cost to complete $275m[1]
- Progress with future projects:
  - 12 DAs in place for key projects
  - Agreements for lease with Myer in place for Shellharbour and Townsville
  - 5 projects expected to commence in 2H10/FY11 including Shellharbour and Townsville regional centres and Highlands and Newhaven neighbourhood centres – total estimated cost $0.6b over 2/3 years
  - Remaining projects being prepared for commencement in FY12+ – total cost circa $0.8b
- Filters for commencement:

Characteristics:

- ✓ Robust retailer demand for new shops
- ✓ Solid market share of trade area
- ✓ Strong population/economic growth underpinning increased sales

Commencement requirements:

- ✓ Leases signed with key anchor tenants
- ✓ DA in place
- ✓ Fixed price, fixed time building contract signed with tier 1 builder (for regional / subregional centres)
- ✓ Meets appropriate investment hurdles – typical ungeared project IRR 12%

[1] Total project cost $0.6b


Stockland

# UK

# Continued orderly work out of UK operations

- Review of UK operations completed in 2009 – decision made to exit:
  - Limited ability to achieve necessary scale
  - Better opportunities / higher risk adjusted returns available in Australia
  - Weak UK economic conditions likely to persist for some time
- Orderly work out and asset sale program anticipated to take 2 to 3 years
- Expected to return book value and potentially some upside if market rebounds strongly:
  - IPD all property total return index increased by 13.1% in 1H10
- Break-even operating result expected over this period

| | 1H10 |
|---|---|
| Operating Profit / (Loss) | $1.7m |
| Assets: | |
| - 100% owned, ungeared | $283m |
| - Joint ventures, net of non-recourse off balance sheet debt | $19m |
| | $302m |
| Sterling denominated debt | $280m |

Stockland

# Capital Management

# FY10 AFFO guidance maintained at 27 cents

- Increase in EPS guidance does not flow to AFFO as higher profit offset by other items including adjustment for cash effect of Retirement Living
- Gap between capitalised interest and interest expensed in COGS is narrowing:
  - Interest capitalised is lower (lower current interest rates and tighter inventory management)
  - Interest expensed through COGS is higher (higher interest rates in previous years and completion of Apartments projects)
  - Gap may widen again if there is a significant increase in Residential Communities capital employed through acquisitions
- 1H10 distribution 85% of 1H10 AFFO:
  - Due to skew in profits to 2H10
  - Full year distribution expected to be 80% of AFFO in line with policy

| AFFO calculation - $m | | 1H10 | | 1H09 |
|---|---|---|---|---|
| **Underlying Profit** | | **335** | | **287** |
| Amortisation of lease incentives | | 3 | | 5 |
| Maintenance capex | | (13) | | (18) |
| Straight lining of rent | | (2) | | (4) |
| Capitalised interest (net of tax) | (44) | | (71) | |
| Capitalised interest in COGS (net of tax) | 29 | | 15 | |
| Net impact of interest | | (15) | | (56) |
| Retirement Living DMF accrual (net of tax) | (10) | | n/a | |
| Retirement Living DMF receipts (net of tax) | 5 | | n/a | |
| Net impact of Retirement Living | | (5) | | n/a |
| **AFFO** | | **303** | | **214** |
| **Distribution** | | **257** | | **270** |
| **% AFFO** | | **85%** | | **126%** |

| Interest expense - $m | 1H10 | 1H09 |
|---|---|---|
| Interest paid | 83 | 154 |
| Less: capitalised interest | | |
| - Commercial Property | (4) | (14) |
| - Residential | (56) | (82) |
| - Retirement Living | (2) | (3) |
| - UK | - | (3) |
| | **(62)** | **(102)** |
| **Net borrowing cost in P&L** | **21** | **52** |
| Add: capitalised interest expensed in COGS | 40 | 21 |
| **Total interest expense in P&L** | **61** | **73** |

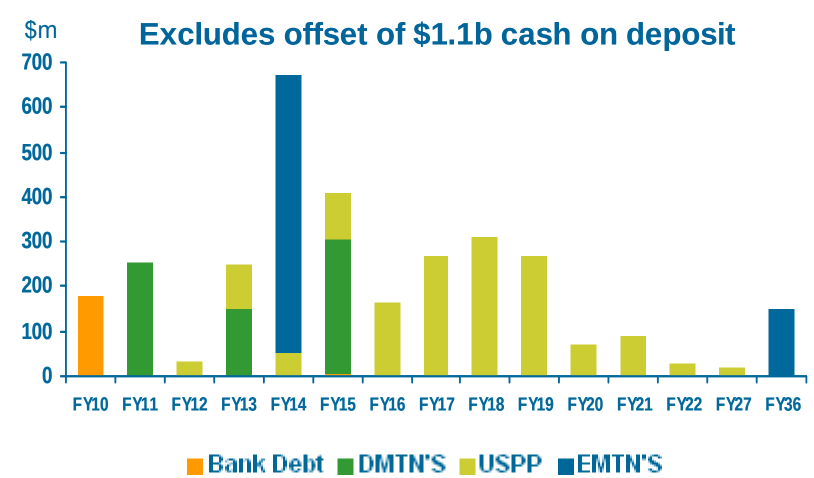
Gap narrowing

# Strong balance sheet

- Target gearing range 25% - 35% of tangible assets:
  - Currently below but will progressively move towards lower end of target range
- Long dated debt maturity:
  - Recently extended with domestic MTN restructure / issue
  - Most long term debt issued before credit spreads widened over the last 2 years – average spread only 70 bps[2]
- Based on current yield curve:
  - FY10 average cost of debt not expected to exceed 5.2%
  - FY11 expected to increase by circa 100 – 125 bps
- Cost of restructuring derivatives - $110m in 1H10 (in addition to $41m in FY09)

| Key Metrics – 1H10 | | |
|---|---|---|
| S&P rating | | A- / Stable |
| Gearing (net debt / total tangible assets) | | 18% |
| Interest cover | | 4.0 : 1 |
| Available undrawn committed facilities (in addition to $1.1b cash on deposit) | | $1.1b |
| Weighted average debt maturity | | 6.3 years |
| Weighted average maturity of fixed / hedged debt | | 4.8 years |
| Debt fixed / hedged | | 49% |
| **Weighted average cost of debt[1]:** | **Gross debt ($b)** | **Rate (%)** |
| $A | $2.9b | 5.2% |
| £ | $0.3b | 1.8% |
| Overall | $3.2b | 4.9% |

**Long-dated drawn debt maturity profile**




1 All foreign currency denominated debt is swapped into $A, except for the amount required to hedge UK subsidiary's net assets denominated in £

2 Of drawn debt, excluding fees

Stockland

# Strategy and Outlook

# Stockland's vision is to be a world class diversified property group

## Purely domestic Australian focus

**Commercial Property**
**$7.9b**

Quality portfolio producing stable, recurring earnings

Enhance quality and scale through retail development

**Retirement Living**
**$0.5b**

Mix of development profit and recurring earnings

Key growth platform in bulging demographic segment – large development pipeline

**Residential**
**$2.5b**

Market-leading Residential Communities business in Australia

Growing market share and geographic footprint through acquisition

**Target recurring earnings: 60 - 80%**

**1H10 Actual: 79%**

**Target trading earnings: 20 - 40%**

**1H10 Actual: 21%**

**Prudent capital management (A- credit rating and target gearing range 25% to 35%)**

**Diversified model drives competitive advantage through cross-business synergies and mixed-use project capability – now a key requirement of local and state government**

# Importance of sustainability and people to success

Global recognition of ongoing investment in sustainability

- Australian Ethical Investor 2009 Sustainable Company of the Year
- Davos/Corporate Knights Global 100 Most Sustainable Organisations
  - Overall ranking 24
  - Highest rated diversified property company globally
- Average NABERS energy office rating (excluding green power):
  - 3.4 stars, 4.5 star target by FY14
- Developing world class green buildings:
  - Stockland Sydney office - 6 star green fitout
  - 2 Victoria Ave, Perth – 6 star green star office design

9TH AUSTRALIAN SUSTAINABILITY AWARDS

FTSE4Good

Dow Jones Sustainability Indexes Member 2009/10

High performing people and culture

- Strong focus on employee development, retaining talent and promoting from within:
  - 9 senior leadership team promotions and 2 external appointments in 1H10
- Consistently high employee engagement:
  - 82% in 2009 (9% above Australian norm and also above global high performing norm)
- Strong focus on diversity:
  - Achieved target of 35% women in management (close to 50% within corporate functions)
  - Target now lifted to 40%


# Significant, attractive and fully funded growth opportunities

## Residential

- Grow market share and enhance market leading position of Residential Communities

## Retirement Living

- Increase market share and returns through development of new villages

## Commercial Property

- Extensive retail development pipeline to lift asset quality

## Growth fully funded

- Estimated $600m of net cash flow from Apartments completions and site sales
- Estimated $300m of net cash flow from UK asset sale program
- Circa $200m per annum of cash flow from Residential Communities sales available for restocking
- Circa $130m per annum of retained earnings following revised distribution policy[1]
- $1.1b undrawn committed facilities
- $1.1b cash balance at 1H10

[1] 80% of AFFO assuming no material capital gains from asset sales or other major changes that would increase Trust Taxable Income > 80% of AFFO



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# Strategic investments

- M&A activity will only be contemplated if it can secure high quality assets that fit with Stockland's business unit strategies and enhance securityholder returns

| | Strategic stakes | | | | |
|---|---|---|---|---|---|
| | | Cost | | Market value 31 December 2009 | |
| | % | Price ($) | Total $m | Price ($) | Total $m |
| GPT[1] | 13.1% | 0.72 | 877.3 | 0.61 | 735.1 |
| FKP | 14.9% | 0.76 | 132.1 | 0.79 | 137.0 |
| AVE | 10.1% | 1.50 | 26.9 | 1.40 | 25.0 |

## GPT

- Derivative structure extended at negligible cost[2] to May 2011

## FKP

- Largest retirement living operator in QLD, second largest nationally
- Perpetual first right of refusal over retirement living assets

## AVE

- Ownership interest diluted from 13.9% to 10.1% due to recent new issue by AVE in relation to IOR merger

[1] The GPT stake is held indirectly via equity derivatives. The values above reflect the historical cost and market value if the equivalent investment was held directly. Historical cost of $877.3m is before realised loss of $79m (representing approx. 7c per security) when indirect holding was created in FY09

[2] Average entry price has increased by $0.0013 per security ($1.6m)



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# In summary, well placed for FY10 - strong growth opportunities for FY11+

- All businesses enter 2H10 in good shape:
  - Expect record Residential Communities lot sales in FY10
  - Retail – low vacancy and modest rental growth
  - Office and industrial – lease expiries largely de-risked
  - Retirement Living profits growing; reporting changes provide greater transparency
- Continued conservative approach to capital management:
  - Gearing remains low at 18%
  - Debt maturity profile > 6 years
  - Cash and undrawn facilities of $2.2b
- Significant organic growth opportunities in each core business:
  - Continue to grow market share in Residential Communities through land acquisition in key growth corridors
  - Retirement Living pipeline of circa 3,000 units
  - Extensive Retail development pipeline
- FY10 guidance:
  - EPS upgraded to 29 cents (previously 28c)
  - AFFO maintained at 27 cents



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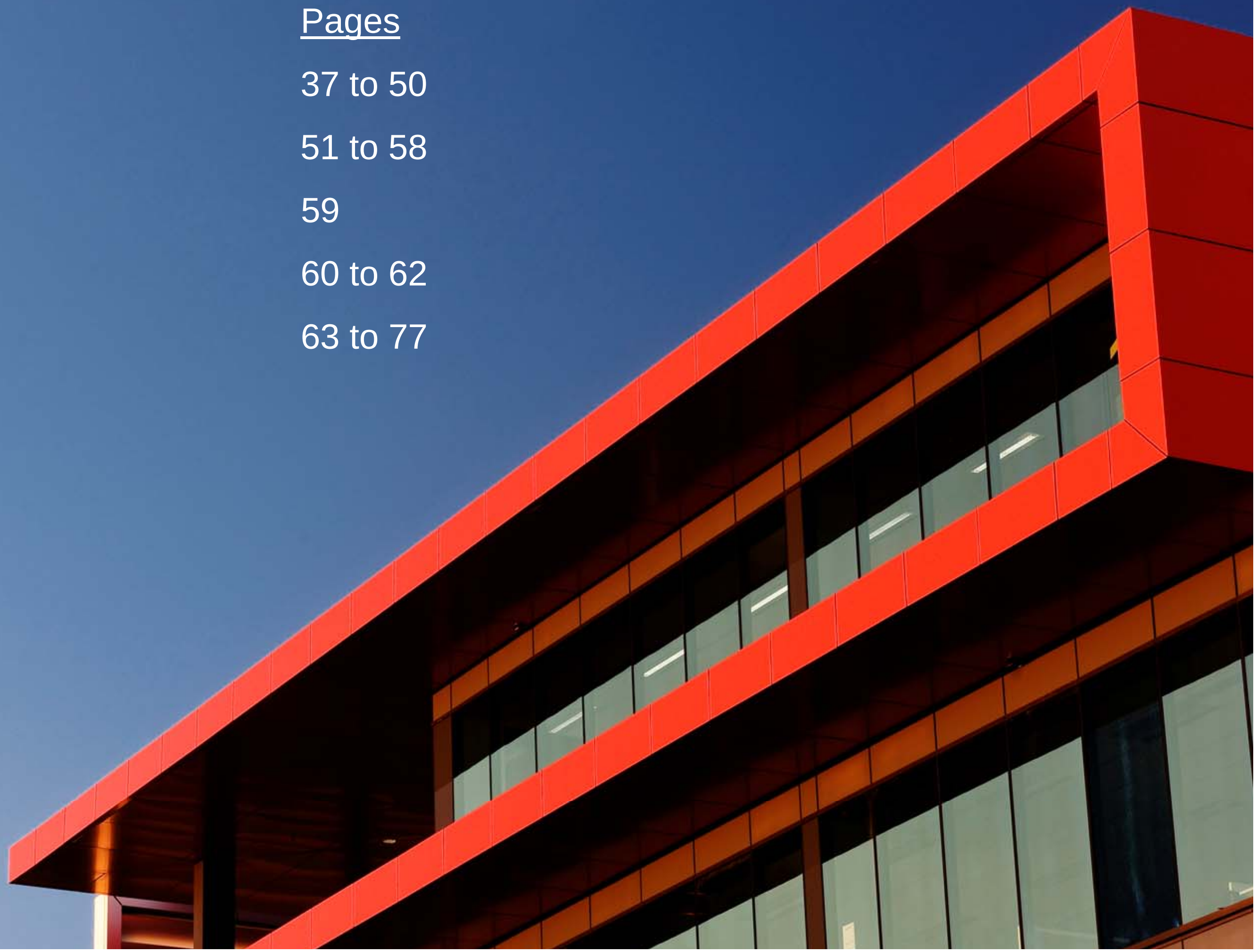
## Index to Annexures





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# 1H10 Results Annexures

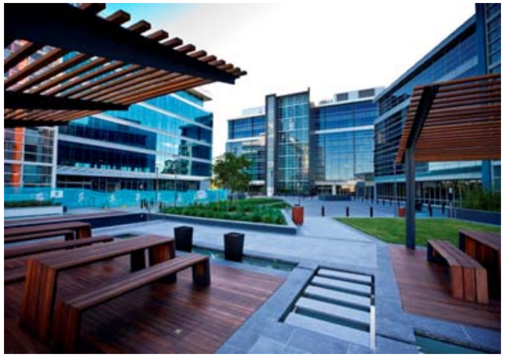
**10 February 2010**

Stockland 1H10 Results - Financial results

# Australia's largest diversified REIT

## Australian Commercial Property assets – A$7.9b (71%)[1]

Retail – $4.2b



Office – $2.6b

Industrial/Intermodal – $1.1b

## Australian Residential and Retirement assets – A$3.0b (27%)[1]

Communities – $2.0b

Apartments – $0.5b

Retirement – $0.5b[2]

[1] Balance of 2% relates to assets in the UK
[2] Includes goodwill

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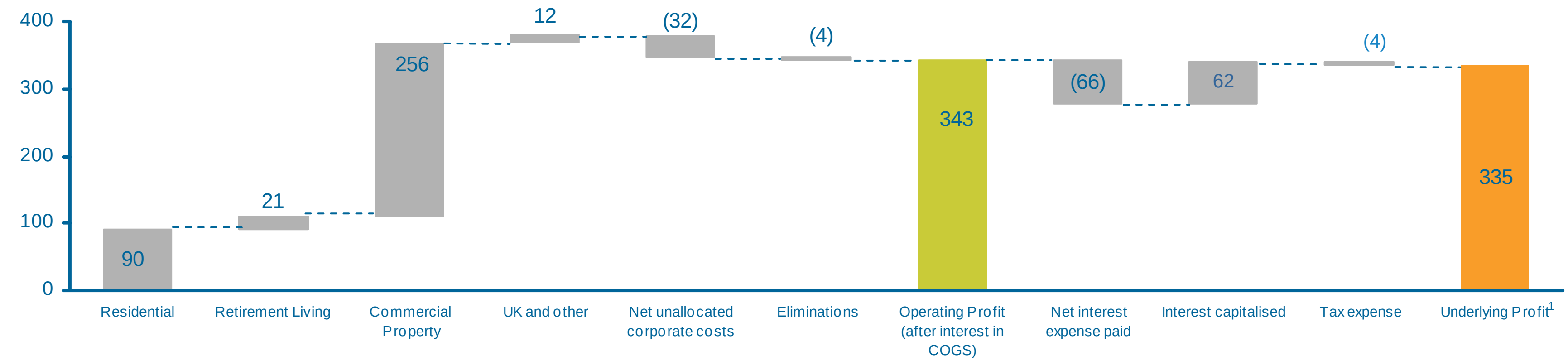
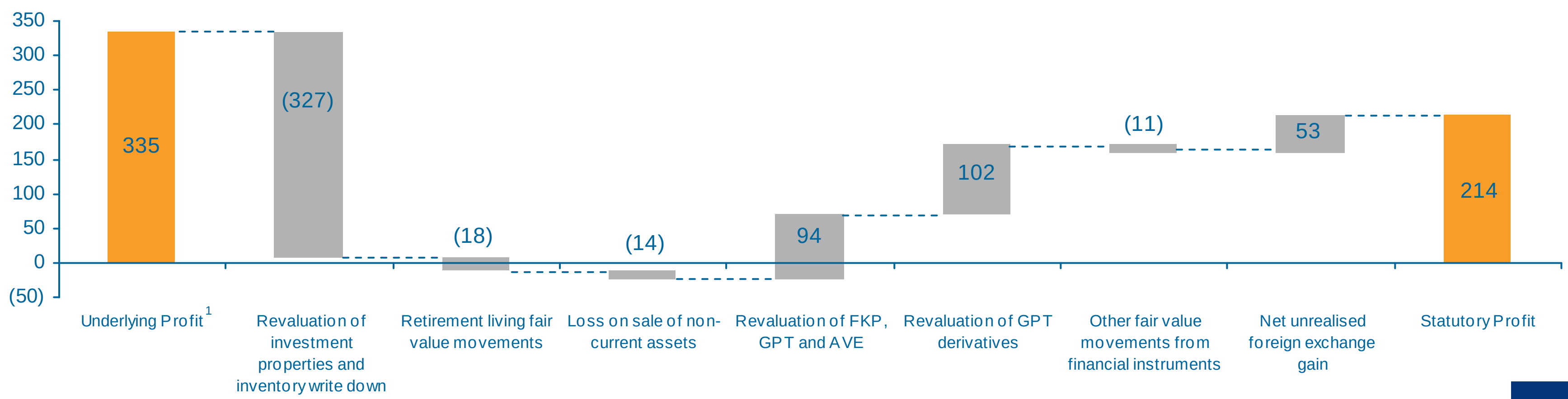
# Underlying Profit summary

## Composition of Underlying Profit[1]($m)




## Underlying Profit[1] – reconciliation to Statutory Profit ($m)




[1] Underlying Profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of Stockland, in accordance with the AICD/Finsia principles for reporting underlying profit

# Underlying Profit reconciliation

| | Gross ($m) | Tax ($m) | Net ($m) |
|---|---|---|---|
| Underlying Profit | 339 | (4) | 335 |
| ***Fair value adjustment of investment properties*** | | | |
| Provision for write-down of inventories | (4) | 1 | (3) |
| Net loss from fair value adjustment of investment properties (excluding Retirement Living) | (287) | 7 | (280) |
| Share of net loss from fair value adjustment of investment properties in associates and joint ventures | (44) | - | (44) |
| Net fair value movement of deferred management fee contracts | 6 | (2) | 4 |
| Net loss from fair value adjustment of undeveloped Retirement Living investment properties | (31) | 9 | (22) |
| Capital growth of operational Retirement Living communities | 20 | - | 20 |
| Existing Retirement Living resident obligations fair value movement | (20) | - | (20) |
| ***Fair value adjustment of other financial assets, impairment and net loss on sale of other non-current assets*** | | | |
| Net gain from fair value adjustment of other financial assets | 115 | (21) | 94 |
| Net loss on sale of other non-current assets | (14) | - | (14) |
| ***Fair value adjustment of financial instruments and foreign exchange movements*** | | | |
| Net unrealised gain from hedged items and financial instruments treated as fair value hedges | 19 | - | 19 |
| Net unrealised gain on other financial instruments that do not qualify as effective under hedge accounting rules | 102 | - | 102 |
| Net unrealised loss on financial instruments that do not qualify as effective under hedge accounting rules | (33) | - | (33) |
| Net realised gain on financial instruments that do not qualify as effective under hedge accounting rules | 3 | - | 3 |
| Net realised foreign exchange loss | (2) | 1 | (1) |
| Net unrealised foreign exchange gain | 54 | - | 54 |
| **Profit for the half year attributable to securityholders of Stockland** | **223** | **(9)** | **214** |

## Stockland 1H10 Results - Financial results

# Segment Note to Underlying profit reconciliation

| | Residential ($m) | Retirement Living ($m) | Commercial Property ($m) | UK ($m) | Other ($m) | Elimination ($m) | TOTAL ($m) |
|---|---|---|---|---|---|---|---|
| Total Segment revenue | 587 | 1 | 332 | 10 | 16[3] | (4)[4] | **942** |
| **Segment result before interest, share of profits of investments accounted for using the equity method** | **130** | **21** | **222** | **1** | **10** | **(4)** | **380** |
| Interest expense included in COGS | (40) | -[1] | - | - | - | **-** | **(40)** |
| Share of profits of investments accounted for using the equity method (excluding certain items below) | - | - | 34 | 1 | - | **-** | **35** |
| **Segment profit (before certain items below)** | **90** | **21** | **256** | **2** | **10** | **(4)** | **375** A |
| Unallocated corporate income and expenses | | | | | (32) | | **(32)** A |
| Interest Income | | | | | 17 | | **17** |
| Net borrowing costs | | | | | (21) | | **(21)** |
| **Underlying Profit before tax** | | | | | | | **339** |
| Income tax expense | | | | | (4) | | **(4)** |
| **Underlying Profit after tax** | | | | | | | **335** |
| Fair value adjustment of investment property | - | (25)[2] | (287) | - | - | | **(312)** |
| Share of fair value adjustment – equity method | - | - | (43) | (1) | - | | **(44)** |
| Provision for write down of inventories | - | - | (4) | - | - | | **(4)** |
| Net loss on sale of other non-current assets | - | - | (15) | - | - | | **(15)** |
| Net gain from fair value adjustment of other financial assets | | | | | 115 | | **115[5]** |
| Net gain on financial instruments and forex | | | | | 144 | | **144** |
| Income tax expense | | | | | (5) | | **(5)** |
| **Statutory Profit after tax for the half year** | | | | | | | **214** |

[1] $1m of capitalised interest is included within the cost of completed Retirement Living developments expensed during the year

[2] Consists of fair value DMF increment of $6m and net loss of ($31m) from fair value adjustment of undeveloped Retirement Living investment properties

[3] Includes distribution income and RE fees

[4] Internal fees

[5] Consists of the following fair value movement in strategic stakes:

| | |
|---|---|
| GPT | 45m |
| FKP | 61m |
| AVE | 9m |
| Total | $115m |

A **Total = Operating Profit $343m**

# 5 year profit summary

| | 1H10 ($m) | FY09 ($m) | FY08 ($m) | FY07 ($m) | FY06 ($m) |
|---|---|---|---|---|---|
| Residential EBIT (before interest in COGS) | 130 | 233 | 337 | 309 | 259 |
| Commercial Property EBIT (before interest in COGS) | 256 | 543 | 566 | 525 | 452 |
| Retirement Living EBIT (before interest in COGS)[1] | 21 | 43 | 41 | 4 | - |
| UK and Other (net of eliminations) | 8 | 18 | 8 | 19 | 8 |
| Unallocated corporate overhead | (32) | (73) | (97) | (55) | (55) |
| **Group EBIT (before interest in COGS)** | **383** | **764** | **855** | **802** | **664** |
| Net interest expense: | | | | | |
| Interest paid (net of interest income) | (66) | (271) | (289) | (214) | (154) |
| Interest capitalised to inventory | 56 | 170 | 181 | 135 | 113 |
| Interest capitalised to Investment Properties under development | 6 | 27 | 10 | 24 | 16 |
| Interest expensed in COGS | (40) | (60) | (53) | (63) | (24) |
| **Net interest expense** | **(44)** | **(134)** | **(151)** | **(118)** | **(49)** |
| Tax | (4) | 1 | (30) | (73) | (61) |
| **Underlying Profit** | **335** | **631** | **674** | **611** | **554** |

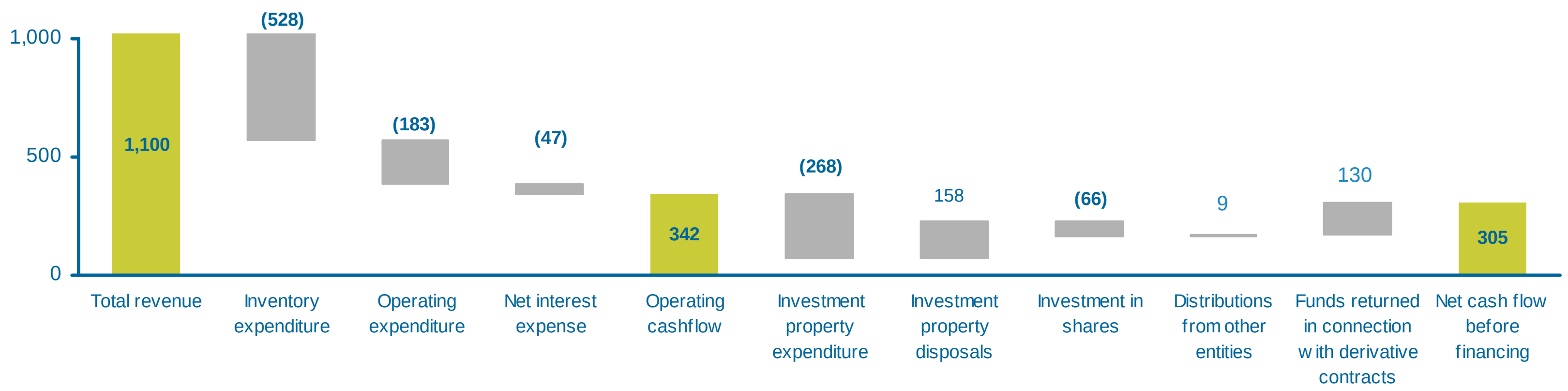
[1] Figures for previous periods as historically reported and does not include any accounting policy changes implemented in 1H10

# Group strategic weightings

| | Operating Profit 1H10 | | Assets 31 December 2009 | |
|---|---|---|---|---|
| | Actual | Strategic weighting | Actual | Strategic weighting |
| **Recurring** | | | | |
| Retirement Living<br>Commercial Property<br>Other | 4%<br>77%<br>(2%) | | 3%<br>70%<br>2% | |
| **Total recurring** | **79%** | **60-80%** | **75%** | **70-80%** |
| **Trading** | | | | |
| Residential<br>Retirement Living<br>Other | 27%<br>3%<br>(9%) | | 22%<br>1%<br>2% | |
| **Total trading** | **21%** | **20-40%** | **25%** | **20-30%** |

# Operating cash flow

## 1H10 operating cash flow



# GPT stake - accounting treatment

**Number of shares – 1,215m representing 13.1% of GPT securities on issue**

| Profit & Loss | 1H10 ($m) | FY09 ($m) | Total ($m) |
|---|---|---|---|
| Notional cost (opening balance) | 591 | 877 | 877 |
| Notional value at period end[1] | 738 | 591 | 738 |
| **Gain/(loss) recorded** | **147** | **(286)** | **(139)** |
| Recognised as: | | | |
| Loss on 1H09 disposal | - | (79) | (79) |
| Mark to market on equity derivatives | 102 | (207) | (105) |
| Mark to market | 45 | - | 45 |
| **Total gain/(loss) recorded in profit and loss** | **147** | **(286)** | **(139)** |

| Balance Sheet | 1H10 ($m) | FY09 ($m) | Movement ($m) |
|---|---|---|---|
| Current – other financial assets[2] | 236 | 191 | 45 |
| Current – other liabilities[3] | (368) | (368) | - |
| **Mark to market of financial assets** | **(132)** | **(177)** | **45** |
| Current – other liabilities (mark to market on equity derivatives)[3] | 72 | (30) | 102 |
| **Net GPT liability** | **(60)** | **(207)** | **147** |

[1] The notional cost is $3m higher than the market value at 31 December 2009 (slide 34), due to NPV element in derivatives mark to market

[2] MTM increased by $45m from June 2009

[3] $368m relates to cash received on transfer on an investment which did not qualify for derecognition under accounting standards. The remaining balance of $72m relates to the fair value of a number of equity derivative contracts held over the underlying investment

# Debt summary

| Facility | Facility limit ($m)[1] | Amount drawn ($m)[2] |
|---|---|---|
| Bank Debt | 1,385 | 184 |
| Domestic Medium Term Notes | N/A | 706 |
| European Medium Term Notes | N/A | 619 |
| US Senior Term Notes | N/A | 1,503 |
| Asian Medium Term Notes | N/A | 151 |
| **Total** | | **3,163** |

| Facility | Facility Limit ($m)[1] | Amount drawn ($m) | Facility maturity |
|---|---|---|---|
| **Bank Debt** | | | |
| - Multi option facility – UK | 179 | 178 | Jun 2010 |
| - Multi option facility – Australia | 200 | 0 | Nov 2010 |
| - Multi option facility – Australia | 200 | 0 | Feb 2011 |
| - Multi option facility – Australia | 600 | 0 | Jul 2011 |
| - Multi option facility – Australia | 200 | 0 | Aug 2011 |
| - Multi option facility – UK | 6 | 6 | Nov 2014 |
| **Total Bank Debt** | **1,385** | **184** | |

[1] Amount includes $140m of bank guarantees currently on issue
[2] Amount excludes borrowing costs and fair value adjustment required to reconcile to the accounts

# Debt summary

| Facility | Issued Debt ($m) | Facility maturity |
|---|---|---|
| **Domestic Medium Term Note Facility** | | |
| -MTN | 255.6 | Jun 2011 |
| -MTN | 150.0 | May 2013 |
| -MTN | 300.0 | Feb 2015 |
| **Total Domestic Medium Term Notes** | **705.6[1]** | |
| **European Medium Term Note Facility (MTN)** | | |
| - UK MTN | 619.3 | Oct 2013 |
| - Asia MTN | 151.3 | Aug 2035 |
| **Total Offshore Medium Term Notes** | **770.6** | |

| Facility | Issued Debt ($m) | Facility maturity |
|---|---|---|
| **US Senior Term Note Facility (STN)** | | |
| - US STN | 32.1 | Oct 2011 |
| - US STN | 51.4 | Jul 2012 |
| - US STN | 45.8 | Oct 2012 |
| - US STN | 51.4 | Jul 2013 |
| - US STN | 28.3 | Jul 2014 |
| - US STN | 74.7 | Jun 2015 |
| - US STN | 64.3 | Jul 2015 |
| - US STN | 99.2 | Oct 2015 |
| - US STN | 61.7 | Jul 2016 |
| - US STN | 27.5 | Oct 2016 |
| - US STN | 178.0 | Jun 2017 |
| - US STN | 61.1 | Oct 2017 |
| - US STN | 250.0 | Jun 2018 |
| - US STN | 268.6 | Oct 2018 |
| - US STN | 70.7 | Jul 2019 |
| - US STN | 90.0 | Jul 2020 |
| - US STN | 27.7 | Jun 2022 |
| - US STN | 20.5 | Jun 2027 |
| **Total US Senior Term Notes** | **1,503.0** | |

[1] Stockland repurchased $188.8m of its domestic medium term notes (maturing in June 2011) and cancelled $175.8m of these notes during 1H10. Stockland issued $300.0m of new domestic medium term notes during 1H10

# Fixed/ Hedged debt profile[1]


[1] Excludes margin and fees; excludes cash of $1.1b on deposit

# Proforma balance sheet

| | 1H10 ($m) | FY09 ($m) |
|---|---|---|
| Cash | 1,078 | 1,176 |
| Real estate related assets | | |
| - Commercial Property | 7,878 | 7,918 |
| - Residential | 2,492 | 2,491 |
| - Retirement | 414 | 416 |
| - UK | 302 | 330 |
| Other financial assets – GPT | 236 | 191 |
| Retirement living existing residents gross up | 994 | 944 |
| Intangibles | 108 | 108 |
| Derivative assets | 210 | 153 |
| Other | 466 | 734 |
| **Total assets** | **14,178** | **14,461** |
| Interest bearing liabilities | 2,877 | 3,010 |
| Retirement living existing residents gross up[1] | 994 | 944 |
| Derivative liabilities | 531 | 414 |
| Other | 1,129 | 1,400 |
| **Total liabilities** | **5,531** | **5,768** |
| **Net assets** | **8,647** | **8,693** |

[1] Retirement Living obligations in the statutory Balance sheet includes ex-resident obligations of $32m (1H10) and $35m (FY09)
Refer to slide 49 for balance sheet adjustments for the purpose of covenant calculations

# Covenant calculations

- All lenders have consistent covenants:
  - Total liabilities / total tangible assets (TL/TTA): 45%
    - 26% (TL net of cash)
    - 32% (cash in TTA)
  - Interest cover: 2:1 (write-downs and provisions are excluded from calculation)
- Gearing covenant limited to Stockland's balance sheet liabilities and excludes:
  - MTM of all derivatives (inc. GPT exposure) A
  - Gross up of Retirement Living obligations B

| As at 31 December 2009 | Statutory Balance Sheet $m | Adjustments $m | Gearing Covenant Balance Sheet $m |
|---|---|---|---|
| **Assets** | | | |
| Cash | 1,078 | - | 1,078 |
| Real estate related assets | 12,080 | B (994) | 11,086 |
| Other financial assets – GPT | 236 | A (236) | - |
| Intangibles | 108 | (108) | - |
| Derivative assets | 210 | A (210) | - |
| Other | 466 | A 77 | 543 |
| **Total assets** | **14,178** | **(1,471)** | **12,707** |
| **Liabilities** | | | |
| Interest bearing liabilities | (2,877) | A (278) | (3,155) |
| Retirement Living resident obligations | (1,026) | B 994 | (32) |
| Derivative liabilities | (531) | A 531 | - |
| Other | (1,097) | A 220 | (877) |
| **Total liabilities** | **(5,531)** | **1,467** | **(4,064)** |
| **Net assets** | **8,647** | **(4)** | **8,643** |

| | Interest Cover | D/TTA |
|---|---|---|
| **31 December 09** | **4.0:1** | **17.9%*** |
| 30 Jun 09 | 2.8:1 | 16.0%* |

* Debt = Interest bearing liabilities ($3,155m) + Transaction costs ($8m) – Cash ($1,078m)

* TTA = Total assets ($12,707m) - Cash ($1,078m)

Stockland

# Securities on issue

| | Number of securities |
|---|---|
| **Opening balance at 30 June 2009** | **2,379,317,384** |
| **Add:** | |
| - Employee share plan | 980,000 |
| **31 December 2009 closing balance of securities on issue[1]** | **2,380,297,384** |

[1] Refer to notes 6 and 17 of the statutory accounts for further details

# Portfolio overview

## Communities

### Communities – $1.8bn[1]

| | |
|---|---|
| No. of projects: | 65 |
| No. of active projects: | 41 |
| No. of projects launched 1H10: | 2 |
| Lots controlled: | 64,400 |
| End value of land bank: | $15.5bn |
| Average age of land bank: | 5.1 years |

## Apartments

### Apartments – $0.5bn[1]

| | |
|---|---|
| No. of projects: | 9 |
| No. of active projects: | 7 |
| No. of projects launched 1H10: | - |
| Units controlled: | 1,482 |
| End value of projects: | $1.3bn |
| Average age of projects: | 3.9 years |

[1] Net funds employed

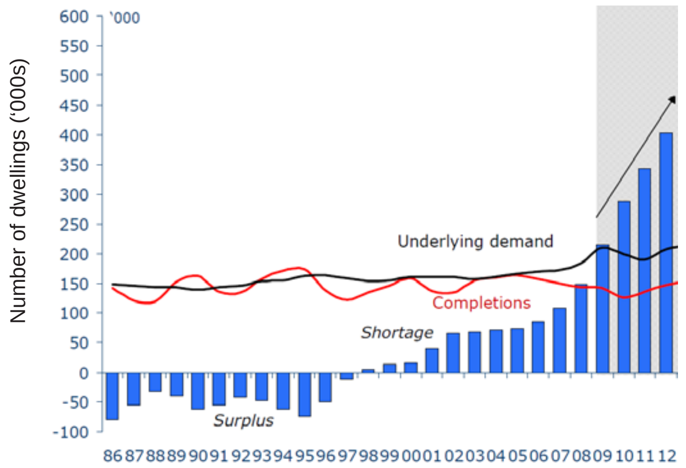
Stockland 1H10 Results - Residential

# Housing supply and demand

## Commentary

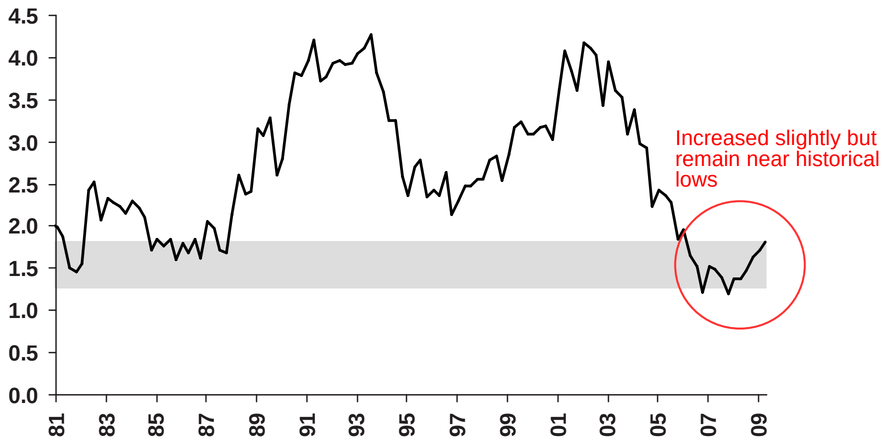
- Market fundamentals remain solid
- Population growth and supply /demand imbalance expected to drive long-term volume and price growth
- Rising interest rates may impact demand in the short/ medium term

## Large and growing housing undersupply



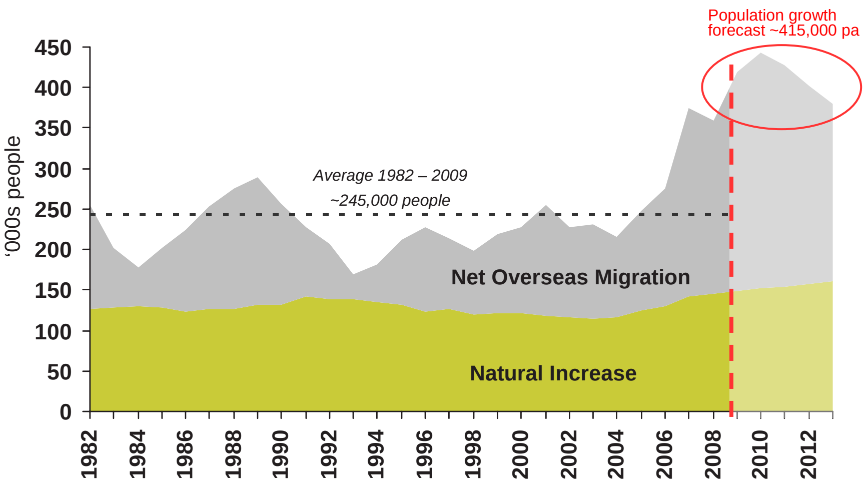

Sources: ABS, ANZ Economics and Markets Research

## Vacancy rates remain historically low




Source: REIA, ABS, Stockland Research

## Strong population growth



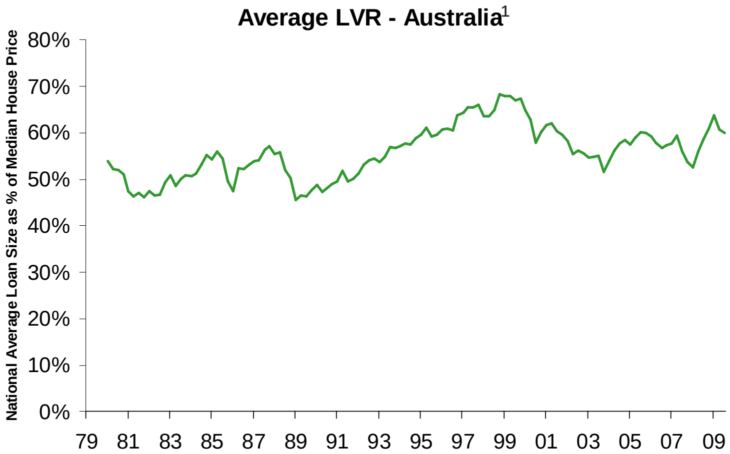

Source: ABS, Access Economics, Stockland Research

# Mortgage loans and repayments

## Commentary

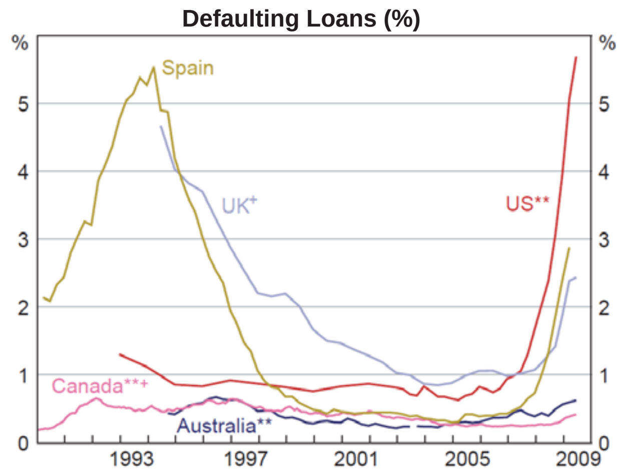
- Interest rate rises combined with house price growth threaten affordability particularly for FHBs
- Innovative housing packages are the key to overcoming affordability barriers
- Stringent lending standards ensure Australia's mortgage default rates remain low

## LVRs remain below historical highs




Source: ABS, REIA, Stockland Research

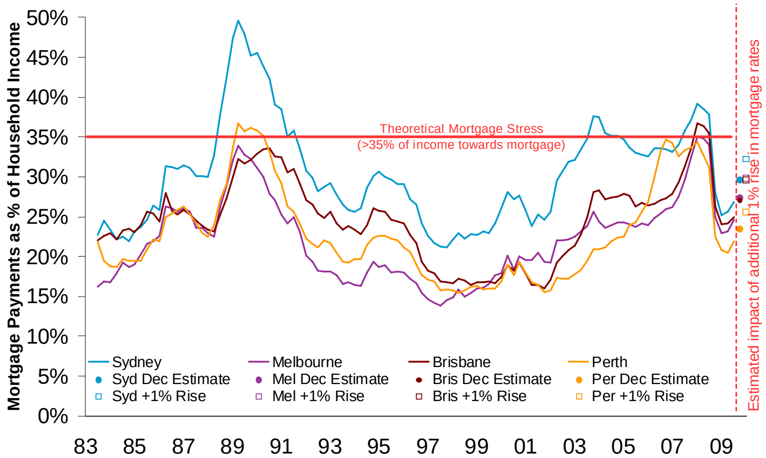
## Loan defaults remain low in Australia…




Source: RBA, APRA, Bank of Spain, Canadian Bankers' Association, Council of Mortgage Lenders, FDIC

[1] Per cent of loans by value. Includes impaired loans unless otherwise stated. For Australia, only includes loans 90+ days in arrears prior to September 2003. ** Banks only + Per cent of loans by number that are 90+ days in arrears

## Housing affordability reflects recent rate rises




Source: RBA, ABS, REIA, Stockland Research. Affordability represents percentage of household disposable income payable on 25 year mortgage at 80% LVR

# Market conditions

## Queensland

| Indicator | Level | Annual Change (%) |
|---|---|---|
| House Prices (Brisbane) | $449,850 | +5.79% |
| Unit Prices (Brisbane) | $375,000 | +10.13% |
| Vacancy Rate (Brisbane) | 3.3% | +1.6% |
| Housing Finance[1] (no.) | 112,994 | +20% |
| Construction Finance[1] (no.) | 15,613 | +19% |
| House Approvals[2] | 20,950 | *(-16%)* |
| Dwelling Commencements[2] | 26,951 | *(-38%)* |

## New South Wales

| Indicator | Level | Annual Change (%) |
|---|---|---|
| House Prices (Sydney) | $550,000 | +10.37% |
| Unit Prices (Sydney) | $417,000 | +10.31% |
| Vacancy Rate (Sydney) | 1.3% | +0.1% |
| Housing Finance[1] (no.) | 168,326 | +25% |
| Construction Finance[1] (no.) | 12,063 | +39% |
| House Approvals[2] | 15,579 | +8% |
| Dwelling Commencements[2] | 23,299 | *(-22%)* |

## Victoria

| Indicator | Level | Annual Change (%) |
|---|---|---|
| House Prices (Melbourne) | $486,400 | +14.28% |
| Unit Prices (Melbourne) | $402,500 | +17.46% |
| Vacancy Rate (Melbourne) | 1.3% | +0.2% |
| Housing Finance[1] (no.) | 123,703 | +21% |
| Construction Finance[1] (no.) | 23,606 | +63% |
| House Approvals[2] | 35,161 | +16% |
| Dwelling Commencements[2] | 42,534 | +1% |

## Western Australia

| Indicator | Level | Annual Change (%) |
|---|---|---|
| House Prices (Perth) | $485,000 | +5.22% |
| Unit Prices (Perth) | $385,000 | +8.45% |
| Vacancy Rate (Perth) | 4.8% | +2.2% |
| Housing Finance[1] (no.) | 62,041 | +19% |
| Construction Finance[1] (no.) | 13,931 | +57% |
| House Approvals[2] | 18,185 | +11% |
| Dwelling Commencements[2] | 18,744 | *(-15%)* |

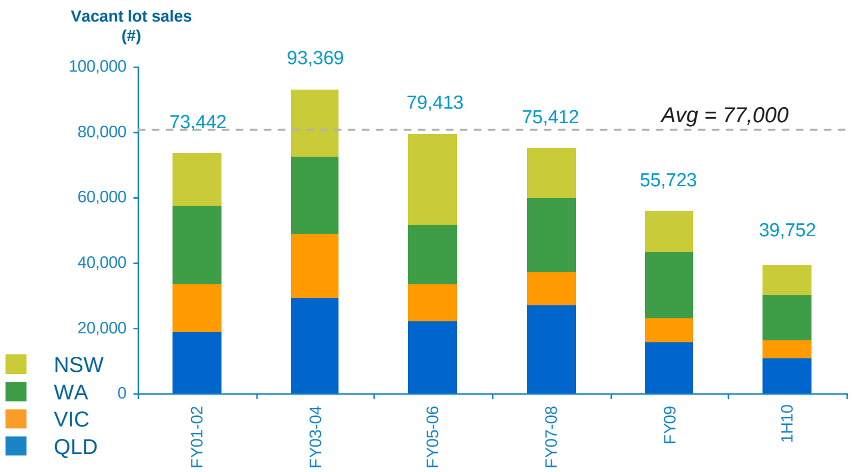
Source: RBA, ABS, REIA, RP Data, Rismark International, Stockland Research

[1] Represents annualised figures for owner occupier finance commitments. Excludes refinancing.

[2] Figures annualised

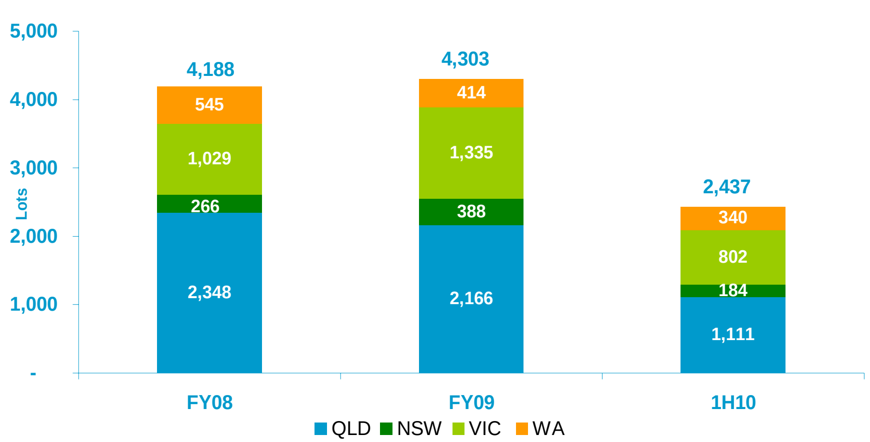
# Communities – Market share and lots settled

## Australian vacant lot sales




Source: RP Data, ABS, Stockland Research. Estimates based on data as at date of this presentation. Subject to further revision as market sales information is collated and reported

## Lots settled by location (units)

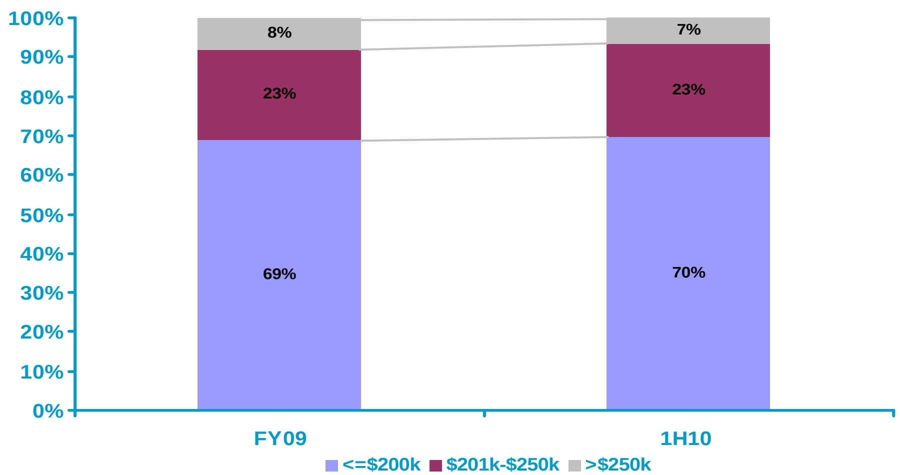


# Communities – Retail average sales prices

## Retail sales prices[1] – price per lot and price per m²

| State | FY09 Settlements | | | | 1H10 Settlements | | | |
|---|---|---|---|---|---|---|---|---|
| | No. Lots | Av. Size/Lot m2 | Av. Price/lot $k | $/m2 | No. Lots | Av. Size/Lot m2 | Av. Price/lot $k | $/m2 |
| NSW | 335 | 529 | 218 | 413 | 152 | 550 | 210 | 383 |
| QLD | 2,081 | 587 | 216 | 367 | 1,097 | 554 | 214 | 387 |
| VIC | 1,315 | 482 | 152 | 316 | 796 | 457 | 163 | 358 |
| WA | 402 | 567 | 226 | 398 | 338 | 522 | 225 | 431 |
| **Residential Communities Total** | **4,133** | **547** | **197** | **359** | **2,383** | **517** | **199** | **384** |

## Average price of retail lots sold – Portfolio Mix




[1] Average price of retail sales excludes sales of all lots over 1000m² and superlot sales. Average price includes GST.

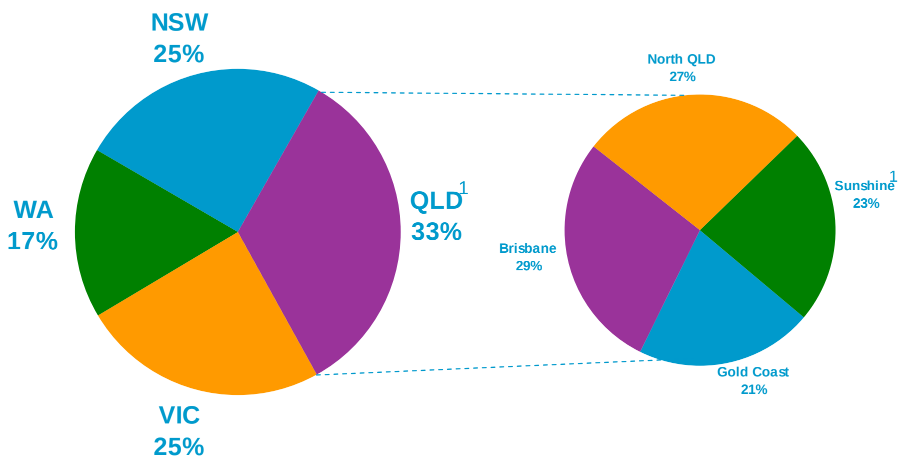
# Communities - Development pipeline

## Major projects

| | | Approximate lot sales per annum | Approximate remaining project lots |
|---|---|---|---|
| **QLD** | North Lakes | 600 | 2,200 |
| | North Shore | 200 | 3,900 |
| | Brightwater | 150 | 950 |
| | Pacific Pines | 250 | 200 |
| **VIC** | Highlands | 650 | 4,000 |
| | Mernda Villages | 300 | 1,950 |
| | Eve | 300 | 400 |
| **WA** | Newhaven | 250 | 1,300 |
| | Vertu | 250 | 100 |
| | Settlers Hill | 200 | 150 |
| **NSW** | Bridgewater | 100 | 100 |

## Pipeline - Geographic mix

### Total pipeline of 64,400 lots




**Major project launches in FY11:** Ormeau Ridge, QLD; Eucalypt, VIC; Brookdale, WA; Settlers East, WA; Illawarra, NSW

[1] Excludes 20,000 lots at Caloundra Downs

# First home buyer grant entitlements

| | | Until June 2009 | July – September 2009 | October – December 2009 | January – June 2010 | July 2010 onwards |
|---|---|---|---|---|---|---|
| NSW | **Total Entitlement** | **$24,000** | **$24,000** | **$17,000** | **$10,000** | **$7,000** |
| | Federal First Home Owner Grant | $7,000 | $7,000 | $7,000 | $7,000 | $7,000 |
| | Federal Boost | $14,000 | $14,000 | $7,000 | - | - |
| | State Supplement | $3,000 | $3,000 | $3,000 | $3,000 | - |
| | **+ Stamp Duty** | No stamp duty for property valued up to $500,000. | | | | |
| QLD | **Total Entitlement** | **$21,000** | **$21,000** | **$14,000** | **$7,000** | **$7,000** |
| | Federal First Home Owner Grant | $7,000 | $7,000 | $7,000 | $7,000 | $7,000 |
| | Federal Boost | $14,000 | $14,000 | $7,000 | - | - |
| | **+ Stamp Duty** | No stamp duty for land valued up to $250,000. | | | | |
| VIC | **Total Entitlement** | **$26,000** | **$32,000** | **$25,000** | **$18,000** | **$7,000** |
| | Federal First Home Owner Grant | $7,000 | $7,000 | $7,000 | $7,000 | $7,000 |
| | Federal Boost | $14,000 | $14,000 | $7,000 | - | - |
| | State Bonus | $5,000 | $11,000 | $11,000 | $11,000 | - |
| | **+ Stamp Duty** | Reduced stamp duty for property valued up to $550,000. | | | | |
| WA | **Total Entitlement** | **$21,000** | **$21,000** | **$14,000** | **$7,000** | **$7,000** |
| | Federal First Home Owner Grant | $7,000 | $7,000 | $7,000 | $7,000 | $7,000 |
| | Federal Boost | $14,000 | $14,000 | $7,000 | - | - |
| | **+ Stamp Duty** | No stamp duty for land with a home, up to $500,000. No stamp duty for land only, up to $300,000. | | | | |

**NSW State Supplement** For contracts made from November 2008 to 30 June 2010. Contract to build must commence in 26 weeks and be complete within 18 months. Off the plan contracts dated before 11 November 2009 must state a completion date / be complete by 10 May 2011 (otherwise by 31 December 2011)

**NSW First Home Owner Grant**: From 1 January 2010 this will be capped for properties valued up to $750,000

**Victorian State Bonus** Applies for contracts entered into between 1 July 2009 and 30 June 2010. The property value must not exceed $600,000

*This information applies to property purchased in metropolitan areas only. Eligibility criteria apply. Please visit www.firsthome.gov.au for full information.*

# Apartments - Development pipeline

| Projects under construction | | Costs to Complete ($m) 2H10 | FY11 | FY 12+ | Total | Expected Net Revenue ($m) 2H10 | FY11 | FY 12+ | Total |
|---|---|---|---|---|---|---|---|---|---|
| **NSW** | Prince Henry | 15 | 35 | 5 | 55 | 20 | 50 | 30 | 100 |
| | The Village, Balgowlah | 5 | - | - | 5 | 30 | 20 | - | 50 |
| | The Hyde | 30 | 10 | - | 40 | - | 210 | - | 210 |
| **QLD** | Norman Reach | - | - | - | - | 5 | 5 | - | 10 |
| | Allisee – Stage 2 | - | 5 | - | 5 | 15 | 20 | - | 35 |
| **VIC** | Tooronga – Stage 1 (Tower 1+2) | 50 | 70 | - | 120 | - | 135 | 55 | 190 |
| **WA** | South Beach – Stages A & B | 10 | - | - | 10 | 110 | 15 | - | 125 |
| **Total – Projects Under Construction** | | **110** | **120** | **5** | **235** | **180** | **455** | **85** | **720** |

| Cash Generation | 2H10 $m | FY11 $m | FY12 $m | TOTAL $m |
|---|---|---|---|---|
| **Projects Under Development:** | | | | |
| Forecast Revenue (100% sales) | $180 | $455 | $85 | $720 |
| Pre - sales already achieved | $165 | $290 | - | $455 |
| Forecast cost to complete | $110 | $120 | $5 | $235 |
| Estimated net cashflow: | | | | |
| - on completion of 100% sales | $70 | $335 | $80 | $485 |
| - on pre sales already achieved | $55 | $170 | ($5) | $220 |
| | | | | |
| Estimated proceeds from sale of undeveloped sites | | | | ~ $120 |
| Total estimated cash flow (on 100% sales) | | | | ~ $600 |

# Portfolio overview

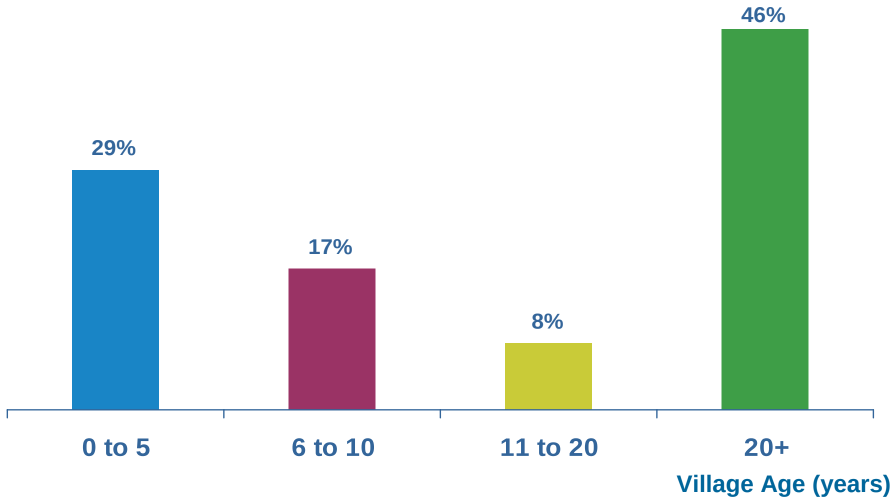
## Established units

| | |
|---|---|
| Established villages | 24 |
| Established portfolio units | 3,974[1] |
| Established units turned over | 122 |
| Average age of resident entry | 76.9 years |
| Average age of current resident | 80.3 years |
| Average tenure on exit 1H10 | 8.8 years |
| Average DMF margin 1H10 | 24%[2] |

## Development pipeline

| | |
|---|---|
| Development villages | 15 |
| Development pipeline units | 2,800 |
| Estimated end value | $1.0bn[3] |

## Age profile of established villages




## DMF valuation assumptions

| DMF Valuation Metrics | 31 Dec 2009 | 30 Jun 2009 |
|---|---|---|
| Discount rate | 12.55% | 12.55% |
| Average growth rate | 3.7% | 3.7% |

[1] Includes incomplete and unsold new units
[2] Excludes conversion profit
[3] Based on current average price

## Stockland 1H10 Results - Retirement Living

# Reconciliation to segment result and DMF asset

| Financial Performance ($m) | 1H10 | 1H09 | FY09 |
|---|---|---|---|
| New units settled (#) | 65 | 62 | 163 |
| Established unit turnovers (#) | 122 | 104 | 217 |
| Development Profit | | | |
| • Settled | 4 | 3 | 10 |
| • Unsettled | 7 | 9 | 7 |
| | 11 | 12 | 17 |
| Accrued DMF | 15 | 18 | 32 |
| Conversion Profit | 6 | 5 | 11 |
| Net overheads | (11) | (16) | (28) |
| **Operating Profit** | **21** | **19** | **32** |
| DMF other | 6 | 18 | 17 |
| Impairment | (31) | - | - |
| **Total of below the line items** | **(25)** | **18** | **17** |
| **Total profit before interest and tax** | **(4)** | **37** | **49** |

### Comments

- 1H09 and FY09 adjusted for comparative purposes only to reflect the accounting changes. Prior year results have not been restated in the statutory accounts. If accounting changes were applied historically, the equivalent figure would have been approx. $3.6m lower in 1H10
- Corresponds to the aggregate of fees earned during the period from existing occupants. See page 62 for sample calculation
- Reflects cash received on legacy contracts; will progressively reduce over 10 years
- Other DMF movement not in operating profit ( e.g. DMF creation and DMF revaluation)
- Site specific impairments on three projects

Stockland

# Example DMF accrual calculation

**Retirement Living Operating Profit redefined to include DMF accrual calculated under normal accrual accounting. Only DMF earned in the period is accrued**

**Accrual is a function of the current list price of units x total DMF fees at exit ÷ expected years of occupancy, discounted by the bond rate for expected remaining years of occupancy when cash is expected to be received**

***Example calculation – one unit***

| | |
|---|---|
| Current list price | $300,000 |
| DMF fees | 30% + admin fee of 2.5% |
| Average expected years of occupancy | 12 years |
| Average remaining years of occupancy | 5 years |
| Bond rate | 5.3% |
| DMF accrued each year 32.5% / 12 years | 2.7% per annum |

$$(\$300{,}000 \times 2.7\%) \div (1.053)^{5} \div 2 \text{ for 6 months} = \$3{,}128$$

DMF accrued is similar to straight lining property rent where income is accrued but the cash is received in the future

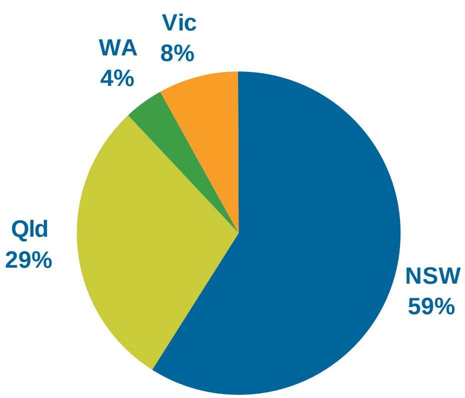
# Portfolio overview

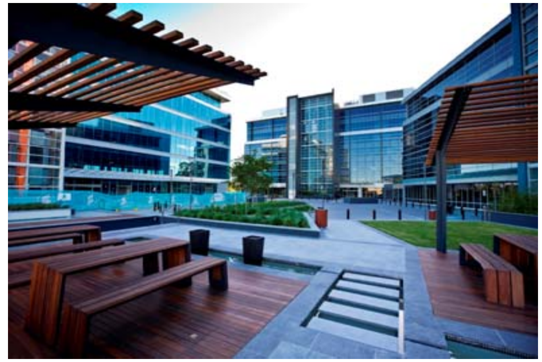
## Australian Commercial Property assets - $7.6b[1]

**Retail – $4.0bn**

**40 properties**

**812,103 sqm gross lettable area**

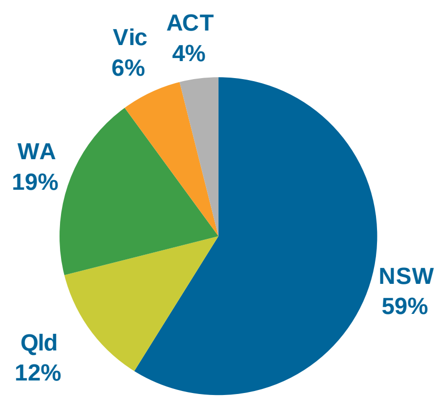


**Office – $2.6bn**

**31 properties**

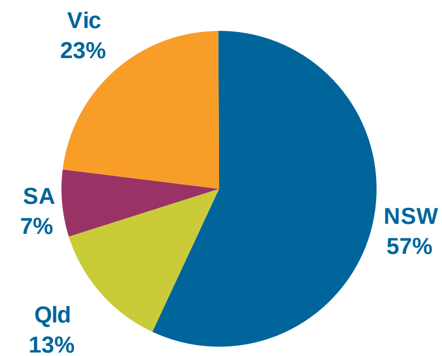
**663,739 sqm net lettable area**




**Industrial / Intermodal – $1.0bn**

**17 properties**

**1.3m sqm gross lettable area**

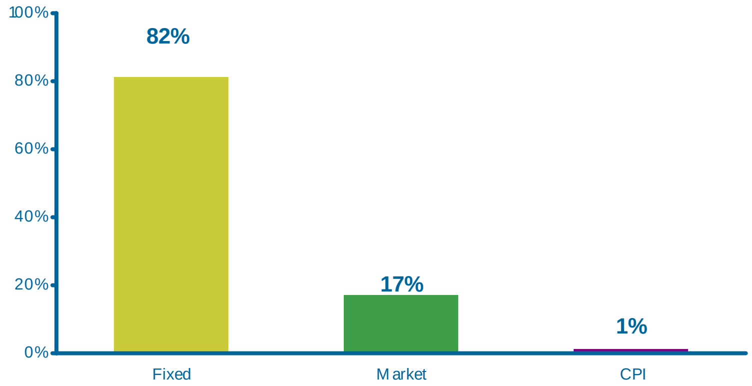



[1] Based on investment property excluding sundry properties, WIP and inventory. Geographic weightings by asset value

# Office and Industrial metrics

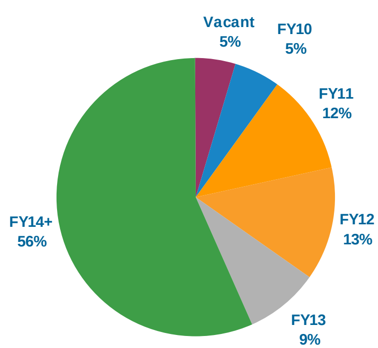
## Office

### FY10 rent reviews[1]




(Average review +4%)

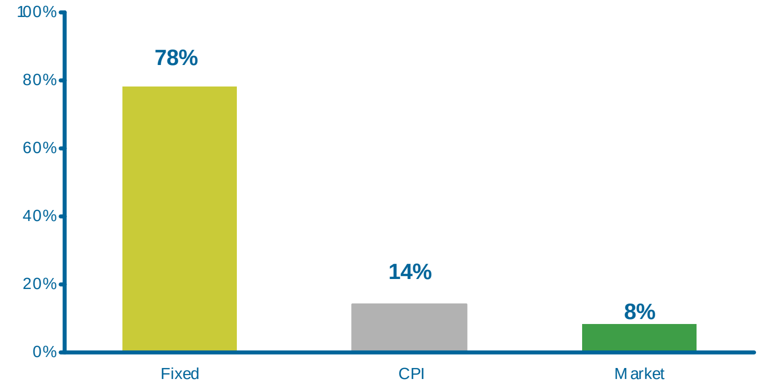
### Lease expiry profile[1]



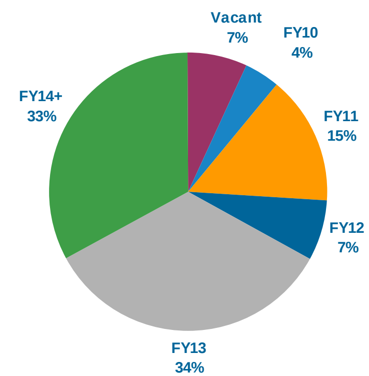

**WALE: 4.6 Years**

## Industrial

### FY10 rent reviews[1]




### Lease expiry profile[1]




**WALE: 3.5 Years**

[1] By Area

# Asset values

| | WACR 30 Jun 09 | Valuation ($m) | Previous Book Value ($m) | Movement ($m) |
|---|---|---|---|---|
| Retail | 7.4% | 4,221 | 4,402 | (181) |
| Office | 8.0% | 2,525 | 2,659 | (134) |
| Industrial | 8.7% | 976 | 989 | (13) |
| Assets held for sale | - | 89 | 91 | (2) |
| **Subtotal** | **7.8%** | **7,811[1]** | **8,141** | **330** |

[1] Excludes $66m of inventory

## Stockland 1H10 Results - Commercial Property

# Asset values - Retail

| Retail Portfolio | Valuation ($m) | Previous Book Value ($m) | Change % | Cap Rate % |
|---|---|---|---|---|
| Stockland Wetherill Park | 325.0 | 319.7 | 1.7 | 7.00 |
| Stockland Rockhampton[1] | 291.2 | 291.2 | - | N/A |
| Stockland Shellharbour | 265.0 | 271.2 | (2.3) | 7.00 |
| Stockland Merrylands[1] | 253.8 | 318.4 | (20.3) | N/A |
| Stockland Green Hills | 247.6 | 253.0 | (2.1) | 7.00 |
| Stockland Glendale | 227.6 | 222.6 | 2.2 | 7.00 |
| Stockland Townsville | 220.0 | 240.2 | (8.4) | 7.50 |
| Stockland Cairns | 195.0 | 200.4 | (2.7) | 7.25 |
| Stockland Bay Village | 167.9 | 173.9 | (3.5) | 8.00 |
| Stockland Burleigh Heads | 137.0 | 137.9 | (0.7) | 7.75 |
| Stockland The Pines | 136.5 | 140.3 | (2.7) | 7.50 |
| Stockland Jesmond | 116.0 | 116.2 | (0.2) | 7.75 |
| Stockland Forster | 113.0 | 114.1 | (1.0) | 7.50 |
| Stockland Balgowlah[1] | 109.8 | 114.6 | (4.2) | N/A |
| Stockland Wendouree | 98.0 | 99.0 | (1.0) | 7.75 |
| Stockland Baulkham Hills | 97.0 | 100.6 | (3.6) | 7.75 |
| Stockland Gladstone | 93.0 | 95.0 | (2.1) | 7.50 |
| Stockland Nowra | 76.3 | 80.1 | (4.7) | 7.75 |
| Stockland Bull Creek | 76.0 | 75.6 | 0.5 | 7.75 |
| Stockland Caloundra | 76.0 | 77.1 | (1.4) | 7.50 |
| Stockland Cleveland | 75.5 | 75.6 | (0.1) | 7.75 |
| Stockland Bathurst | 73.8 | 78.5 | (6.0) | 8.00 |
| Stockland Traralgon | 73.5 | 73.5 | 0.0 | 8.00 |

| | Valuation ($m) | Previous Book Value ($m) | Change% | Cap Rate % |
|---|---|---|---|---|
| Stockland Corrimal | 59.2 | 58.3 | 1.5 | 7.75 |
| Stockland Piccadilly | 52.5 | 52.0 | 1.0 | 7.50 |
| Stockland Wallsend | 48.7 | 50.0 | (2.6) | 8.25 |
| Shellharbour Retail Park | 43.5 | 44.0 | (1.1) | 8.25 |
| Stockland Baldivis | 39.9 | 38.9 | 2.6 | 7.75 |
| Stockland Riverton (50%)[1] | 38.7 | 43.2 | (10.4) | N/A |
| 135 King St | 36.2 | 36.5 | (0.8) | 7.50 |
| Stockland Cammeray | 28.0 | 29.6 | (5.4) | 8.00 |
| Stockland Lilydale | 26.0 | 26.6 | (2.3) | 8.50 |
| Woolworths Caloundra[1] | 17.9 | 17.9 | - | 7.50 |
| Jimboomba (50%) | 17.5 | 17.2 | 1.7 | 8.25 |
| Fremantle | 15.0 | 16.8 | (10.7) | 8.50 |
| Stockland Burleigh Central | 14.5 | 14.3 | 1.4 | 8.75 |
| Woolworths Toowong[1] | 13.2 | 13.2 | - | N/A |
| Stockland Vincentia | 11.0 | 13.4 | (17.9) | 9.00 |
| Merrylands Court | 9.0 | 9.6 | (6.3) | 9.00 |
| Stockland Belrose[1] | 8.0 | 10.0 | (20.0) | N/A |
| Sunvale/ Kingsvale | 5.0 | 8.8 | (43.2) | 9.50 |
| Auckland Creek | 4.0 | 4.2 | (4.8) | N/A |
| Sundry Properties | 188.7 | 229.2 | (17.7) | N/A |
| **Total Retail Portfolio** | **4,221.0** | **4,402.4** | **(4.1)** | **7.4%** |

[1] Directors valuations



* Directors Valuations

# Asset values - Office

| Office Portfolio | Valuation ($m) | Previous Book Value ($m) | Change % | Cap Rate % |
|---|---|---|---|---|
| Piccadilly Tower[1] | 246.3 | 252.9 | (2.6) | 7.50 |
| Waterfront Place (50%) | 217.5 | 235.6 | (7.7) | 7.50 |
| Colonial Centre (50%) | 167.5 | 174.8 | (4.2) | 7.13 |
| Riverside Plaza | 160.0 | 154.9 | 3.3 | 8.25 |
| 9 Castlereagh Street | 157.0 | 171.5 | (8.5) | 7.25 |
| Triniti Business Campus | 156.2 | 153.6 | 1.7 | 7.75 |
| Exchange Plaza (50%) | 133.5 | 139.0 | (4.0) | 7.75 |
| Durack Centre | 129.0 | 142.4 | (9.4) | 8.66 |
| Bankwest (50%) | 127.5 | 132.5 | (3.8) | 7.75 |
| Optus HQ (31%) | 108.5 | 109.0 | (0.5) | 7.50 |
| 135 King Street (50%) | 88.7 | 94.0 | (5.6) | 7.38 |
| 601 Pacific Hwy | 71.0 | 70.8 | 0.3 | 8.50 |
| 60-66 Waterloo Road | 65.7 | 67.5 | (2.7) | 8.50 |
| 78 Waterloo Road | 63.3 | 64.5 | (1.9) | 7.85 |
| 175 Castlereagh St | 53.0 | 53.3 | (0.6) | 8.75 |
| 77 Pacific Highway | 53.0 | 58.0 | (8.6) | 8.25 |
| 7 Macquarie Place (50%) | 48.2 | 49.9 | (3.4) | 7.50 |
| 45 St Georges Terrace | 48.0 | 52.3 | (8.2) | 9.50 |
| 40 Cameron Avenue | 48.0 | 54.8 | (12.4) | 8.50 |

| | Valuation ($m) | Previous Book Value ($m) | Change % | Cap Rate % |
|---|---|---|---|---|
| 333 Kent Street, Sydney | 39.0 | 41.9 | (6.9) | 8.50 |
| Garden Square | 37.0 | 37.6 | (1.6) | 9.25 |
| Macquarie Technology Centre | 35.2 | 38.6 | (8.8) | 8.64 |
| Piccadilly Court | 34.8 | 37.5 | (7.2) | 8.50 |
| 16 Giffnock Avenue | 32.0 | 37.0 | (13.5) | 8.75 |
| 1 Havelock Street | 30.5 | 31.9 | (4.4) | 9.25 |
| 150 Charlotte Street | 30.0 | 41.9 | (28.4) | 8.50 |
| 110 Walker Street | 23.0 | 26.5 | (13.2) | 8.50 |
| 255-267 St Georges Terrace | 22.8 | 25.7 | (11.3) | 9.50 |
| 118-120 Pacific Highway | 22.1 | 22.7 | (2.6) | 8.75 |
| 68 Northbourne Avenue | 20.1 | 24.4 | (17.6) | 9.50 |
| 80-88 Jephson Street | 19.5 | 19.8 | (1.5) | 9.25 |
| Cox & Drakeford | 14.9 | 16.7 | (10.8) | 9.61 |
| Trace & Todd | 14.8 | 17.3 | (14.5) | 9.25 |
| 23 High Street | 4.2 | 4.2 | 0.0 | 8.00 |
| 27-29 High Street | 3.5 | 3.8 | (7.9) | 7.75 |
| **Total Office Portfolio** | **2,525.3** | **2,658.8** | **(5.0)** | **8.0%** |

[1] Includes stapling adjustment due to owner occupied space

# Asset values – Industrial and other

| Industrial Portfolio | Valuation ($m) | Previous Book Value ($m) | Change % | Cap Rate % |
|---|---|---|---|---|
| Yennora Distribution Centre[1] | 337.2 | 337.2 | - | 8.00 |
| Defence Distribution Centre (55%)[1] | 138.7 | 138.7 | - | 7.50 |
| Hendra Distribution Centre[1] | 80.0 | 80.0 | - | 9.25 |
| Port Adelaide Distribution Park[1] | 77.0 | 77.0 | - | 9.75 |
| Brooklyn Estate | 72.0 | 74.8 | (3.7) | 9.50 |
| 9-11 Ferndell Street | 34.0 | 35.9 | (5.3) | 9.50 |
| 1090-1124 Centre Road, Oakleigh | 30.9 | 35.0 | (11.7) | 9.07 |
| 20-50 Fillo Drive & 10 Stubb Street, Somerton | 30.5 | 31.0 | (1.6) | 9.50 |
| 3676 Ipswich Road, Wacol | 29.8 | 28.3 | 5.3 | 8.75 |
| Altona Distribution Centre | 19.9 | 19.6 | 1.5 | 9.50 |
| 11-25 Toll Drive, Altona | 17.3 | 16.8 | 3.0 | 9.00 |
| Prestons Industrial Estate | 16.4 | 16.9 | (3.0) | 9.40 |
| 56-60 Toll Drive, Altona | 14.2 | 14.6 | (2.7) | 9.00 |
| 32-54 Toll Drive, Altona | 14.1 | 15.7 | (10.2) | 9.25 |
| 11A Ferndell Street | 14.0 | 14.3 | (2.1) | 10.00 |
| 76-82 Fillo Drive, Somerton | 13.7 | 12.9 | 6.2 | 9.25 |
| 9-13 Viola Place, Brisbane Airport | 11.3 | 13.2 | (14.4) | 9.80 |
| M1 Yatala Enterprise Park | 10.3 | 11.7 | (12.0) | N/A |
| 17 Scanlon Drive | 7.8 | 8.4 | (7.1) | 9.00 |
| 40 Scanlon Drive | 6.7 | 6.9 | (2.9) | 9.00 |
| **Industrial Total** | **975.8** | **988.9** | **(1.3)** | **8.7%** |

| Assets held for sale | Valuation ($m) | Previous Book Value ($m) | Change % | Cap Rate % |
|---|---|---|---|---|
| 72 Christie | 59.9 | 59.9 | - | N/A |
| 2 Davis Road | 16.2 | 17.5 | (7.4) | N/A |
| 11 Amour Street | 12.8 | 13.7 | (6.6) | N/A |
| **Asset held for sale Total** | **88.9** | **91.1** | **(2.4)** | |

[1] Directors valuations



Stockland

Stockland 1H10 Results - Commercial Property

# Asset transactions & development completions

| Disposals | | Disposal Date | Disposal Value ($m) | Initial Yield (%) | Difference to June-09 book value (%) |
|---|---|---|---|---|---|
| **QLD** | 509 Boundary Rd, Richlands | Sept 2009 | 17.9 | 9.5 | (1%) |
| | 735 Boundary Rd, Richlands | Oct 2009 | 11.2 | 9.8 | (8%) |
| | Mantra | Dec 2009 | 36.5 | 8.6 | 4% |
| **NSW** | 159 Newton Rd, Wetherill Park | Oct 2009 | 11.9 | 9.5 | (3%) |
| | 42 Birnie Ave, Lidcombe | Dec 2009 | 11.3 | 10.5 | (5%) |
| | 234 Sussex St, Sydney | Dec 2009 | 46.0 | 8.6 | (2%) |
| | 1 Amour St, Revesby | Dec 2009 | 6.6 | 9.1 | (3%) |
| **VIC** | 17 Mcnaughton Rd, Clayton | Nov 2009 | 9.0 | 8.6 | (5%) |
| | 9-11 Somerton Park Dr | Dec 2009 | 6.1 | 9.4 | (3%) |
| **Total asset disposals** | | | **156.5** | **8.1** | **(3%)** |

| Acquisitions | | Acquisition Date | Acquisition Value ($m) | Yield (%) |
|---|---|---|---|---|
| **ACT** | 40 Cameron Ave, Belconnen (50%) | Nov 2009 | 28.4 | 8.3 |
| **QLD** | Caloundra Woolworths | Dec 2009 | 17.9 | 7.5 |
| **WA** | Fremantle | Dec 2009 | 16.8 | 8.5 |
| **Total asset acquisitions** | | | **63.1** | **8.1** |

| Developments completed | | Total Cost $m | Yield on Cost % |
|---|---|---|---|
| **ACT** | Edmund Barton Building[1] | 122 | n/a |
| **WA** | Riverton (50% Share) | 18 | 6.1 |
| **NSW** | Balgowlah (Podium) | 18 | 5.9 |
| **NSW** | Triniti (Stages 1-2) | 147 | 7.7 |
| **Total developments completed** | | **305** | **7.4** |

[1] Deferred sale settled in 1H10

# Development pipeline

| TOTAL PIPELINE | No of projects | Planned GLA on completion (m2) | Total estimated cost ($b) | Estimated fully leased year one yield |
|---|---|---|---|---|
| Redevelopments - under construction | 2 | 116,000 | 0.5 | 6.9% |
| Neighbourhood centres - under construction | 2 | 13,000 | 0.1 | 6.0% |
| Redevelopments - to commence in next 18 months | 3 | 120,000 | 0.5 | 6.0-7.5% |
| Neighbourhood Centres - to commence in next 18 months | 2 | 13,000 | 0.1 | 6.0-6.5% |
| Masterplanning / future projects | 8 | n/a | 0.8 | - |
| **Sub-total** | **17** | **262,000** | **2.0** | |

| | | Estimated cost to complete ($m) | | | |
|---|---|---|---|---|---|
| UNDER CONSTRUCTION | Total estimated cost ($m) | 2H10 | FY11 | FY12 | Estimated fully leased year one yield |
| **Retail redevelopments - under construction** | | | | | |
| Merrylands (Stages 1-4) – regional | 390 | 26 | 74 | 114 | 6.5% |
| Rockhampton – regional | 120 | 21 | 5 | | 8.0% |
| **Sub-total** | **510** | **47** | **79** | **114** | **6.9%** |
| **Neighbourhood centres - under construction** | | | | | |
| North Shore, Townsville | 25 | 3 | 18 | | 6.0% |
| Tooronga | 55 | 13 | 1 | | 6.0% |
| **Sub-total** | **80** | **16** | **19** | **-** | **6.0%** |
| **Total under construction projects** | **590** | **63** | **98** | **114** | **6.7%** |

# Development pipeline (cont'd)

| CURRENT PROJECTS | Total estimated cost ($m) | Estimated cost to complete ($m) | Estimated fully leased year one yield | 2H10 | FY11 | FY12 |
|---|---|---|---|---|---|---|
| | | | | | | |
| **Redevelopments to commence in next 18 months Retail** | | | | | | |
| Belrose (demolition and remediation) | 10 | 9 | N/A | | | |
| Shellharbour – regional | 310 | 301 | 7.25-7.5% | | | |
| Townsville – regional | 190 | 181 | 6.0-6.5% | | | |
| **Sub-total** | **510** | **491** | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **Neighbourhood centres to commence in next 18 months** | | | | | |
| Highlands, VIC | 30 | 27 | 6.0-6.5% | | |
| Newhaven, WA | 30 | 30 | 6.0-6.5% | | |
| **Sub-total** | **60** | **57** | | | |
| **Total current projects – Retail** | **570** | **548** | | | |

# Development pipeline (cont'd)

| MASTERPLANNING / FUTURE PROJECTS | Planned development | FY10 | FY11 | FY12 |
|---|---|---|---|---|
| **Retail** | | | | |
| Baldivis | Sub-regional | | | |
| Belrose (build) | Neighbourhood | | | |
| Green Hills | Regional | | | |
| Jimboomba (50% share) | Sub-Regional | | | |
| Kawana | Sub-Regional | | | |
| Lilydale | Sub-Regional | | | |
| Nowra | Sub-Regional | | | |
| Wetherill Park | Regional | | | |

## Stockland 1H10 Results - Commercial Property

# Tenancy profile - Top 20 tenants[1]

| Rank | Retail Portfolio: Tenant | Retail Portfolio: Portfolio % | Office Portfolio: Tenant | Office Portfolio: Portfolio % | Industrial Portfolio: Tenant | Industrial Portfolio: Portfolio % |
|---|---|---|---|---|---|---|
| 1 | Wesfarmers | 27.9% | Singtel | 5.2% | ACI | 14.1% |
| 2 | Woolworths | 23.3% | Sinclair Knight Merz | 4.1% | Department of Defence | 11.5% |
| 3 | Retail Adventures (incl Crazy Clarks) | 1.9% | Australian Taxation Office | 3.1% | Toll | 10.5% |
| 4 | Best & Less | 1.5% | Bankwest | 3.1% | Australian Wool Handlers | 6.8% |
| 5 | Amalgamated Holdings (incl Greater Union) | 1.5% | Australian Federal Police | 2.7% | Linfox | 3.8% |
| 6 | Aldi | 1.0% | Stockland | 2.7% | Visy | 3.0% |
| 7 | The Reject Shop | 0.9% | IBM | 2.4% | Kmart | 2.5% |
| 8 | Specialty Fashion Group (incl Katies) | 0.8% | South East QLD Electricity Group | 2.3% | Ceva (TNT) | 2.1% |
| 9 | Australian Pharmaceutical Industries | 0.7% | STW Communication Group | 2.2% | P&O | 1.9% |
| 10 | McDonalds | 0.7% | NSW State Government | 2.2% | Hi-Fert | 1.8% |
| 11 | Premier Investments (Just Group) | 0.7% | Sony Australia Limited | 2.1% | Western Star Trucks | 1.7% |
| 12 | Pick n Pay (Franklins) | 0.6% | Central Queensland University | 1.8% | Yakka | 1.6% |
| 13 | Hoyts Multiplex Cinema | 0.6% | Colonial First State/CBA | 1.7% | Queensland Rail | 1.6% |
| 14 | Rebel Sports | 0.6% | Goodman Fielder | 1.7% | Unitised Building | 1.5% |
| 15 | Westpac Banking Corporation | 0.6% | Department of Public Works | 1.7% | CRT Group | 1.4% |
| 16 | Commonwealth Bank of Australia | 0.5% | Macquarie Bank | 1.7% | Envotec | 1.3% |
| 17 | Lowes-Manhattan | 0.5% | Symbion Health | 1.6% | Pack-Tainers | 1.1% |
| 18 | Yum (incl KFC and Pizza Hut) | 0.5% | Downer EDI Engineering | 1.4% | Impress Australia | 1.1% |
| 19 | Sussan Corporation | 0.5% | CSR | 1.3% | Kagan Bros | 1.1% |
| 20 | Harris Farm Markets | 0.4% | Worley Parsons | 1.2% | SCT | 1.0% |
| | | **65.7%** | | **46.3%** | | **71.4%** |

[1] Retail & Industrial by GLA, Office NLA

Stockland 1H10 Results - Commercial Property

# Tenancy retention and new leasing

## Office

| Retained tenants | 1H10 retention rate | Retained tenants ($m^2$) | Increase in base rent | Weighted average incentive[1] |
|---|---|---|---|---|
| CBD, Sydney | 45% | 5,362 | 5% | 26% |
| Qld | 26% | 1,160 | 36% | 10% |
| WA[2] | 40% | 5,025 | 47% | 7% |
| VIC & ACT | 3% | 297 | 5% | 5% |
| | 28% | 11,844 | 27% | 16% |

| New leasing (excluding developments) | New tenants ($m^2$) | Increase in base rent | Weighted average incentive[1] |
|---|---|---|---|
| CBD, Sydney | 6,201 | 0% | 31% |
| North Shore, Sydney | 307 | (5%) | 23% |
| Qld | 1,789 | 7% | 11% |
| Vic | 10,402 | 10% | 24% |
| WA | 894 | (8%) | 13% |
| | 19,593 | 4% | 25% |

| Development leasing | New tenants ($m^2$) | | Weighted average incentive[1] |
|---|---|---|---|
| Macquarie Park, Sydney | 12,771 | | 28% |
| WA | 194 | | 7% |
| | 12,965 | | 28% |

## Industrial

| Retained tenants | 1H10 retention rate | Retained Tenants ($m^2$) | Increase in base rent | Weighted average incentive[1] |
|---|---|---|---|---|
| Qld | 100% | 33,349 | 7% | 3% |
| SA | 63% | 10,597 | 24% | 0% |
| Vic | 33% | 37,463 | (7%) | 17% |
| | 49% | 81,409 | 2% | 9% |

| New leasing (excluding developments) | New tenants ($m^2$) | Increase in base rent | Weighted average incentive[1] |
|---|---|---|---|
| NSW | 3,431 | (18%) | 16% |
| Vic | 30,234 | (8%) | 16% |
| | 33,665 | (11%) | 16% |

[1] Total incentive weighted by area (office - gross rent, Industrial - net rent)

[2] Excluding Bankwest option of 27,000$m^2$

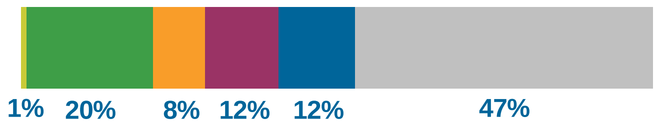
## Stockland 1H10 Results - Commercial Property

# Lease expiry profiles[1]

Vacant FY10 FY11 FY12 FY13 FY14+

## Retail

### June 2009



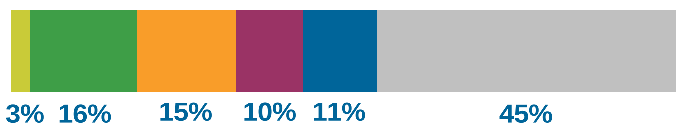

Wale: 5.1 Years

### December 2009


Wale: 6.1 Years

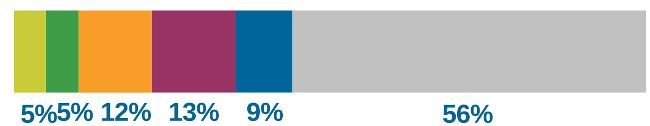
## Office

### June 2009




Wale: 4.3 years

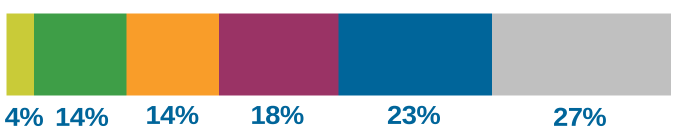
### December 2009




Wale: 4.6 years

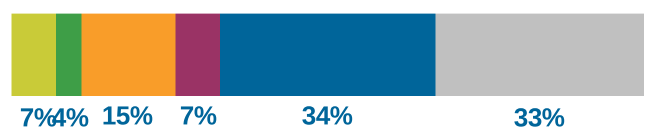
## Industrial

### June 2009




Wale: 3.5 Years

### December 2009




Wale: 3.5 Years



[1] By area

# Retail sales and Office & Industrial leasing

| | Total MAT ($m) | % MAT Growth | % Comparable Growth | % 6mth Comparable Growth | % 3mth Comparable Growth |
|---|---|---|---|---|---|
| Supermarkets | 1,882 | 4.6 | 2.5 | 2.6 | 1.7 |
| DDS | 810 | 0.8 | (0.7) | (1.5) | (2.5) |
| Specialties | 1,378 | 0.9 | 0.3 | (1.9) | (3.9) |
| Mini Majors/Cinemas/Other | 740 | 11.0 | 5.4 | 6.2 | 5.6 |
| | **4,810** | **3.8** | **1.6** | **0.9** | **(0.4)** |

## Office and Industrial portfolio - Key vacancies and action plan

| | Property | Area (sqm) | Status |
|---|---|---|---|
| Industrial | Brooklyn Estate, VIC | 42,000 | Refurbishing asset for lease - due to complete in 2H10 |
| Industrial | 17 Scanlon Dr, VIC | 13,000 | Suits owner-occupier, on the market to sell |
| Industrial | Oakleigh, VIC | 11,400 | Refurbishing asset for lease - due to complete in 2H10 |
| Office | 16 Giffnock, VIC | 4,200 | Currently in negotiation (3,000m²) |
| Office | Durack Centre, WA | 3,600 | Refurbishing asset for lease - due to complete in 2H10 |
| Office | Bankwest Tower, WA[1] | 6,000 | Currently undergoing tender to refurbish |

[1] Area represents 50% ownership interest



Stockland

# Leadership in sustainability – case study

## Triniti, Macquarie Park, NSW

- Awarded 5 star Green Star Office As Built v2
- Designed to achieve a 5 star NABERS Energy Office rating
- 28,000m² A-grade office campus encompassing three, high quality buildings in a shared environment
- Completed October 2009

Key features:

- High performance full height double glazing
- Energy efficient T5 lighting with motion sensors for out of hours lighting control
- Low volatile organic compound (VOC) paints and carpets
- Tenant exhaust risers to remove pollutants from printing and photocopy areas.
- On site storage for tenant office waste and recycling
- Energy and water sub-metering to monitor consumption and check for leaks
- Onsite rainwater collection for landscape irrigation
- Water efficient cooling towers
- 20% of all aggregate concrete used has a significant recycled content
- 90% of all steel (by mass) contains a post-consumer recycled content greater than 50%

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741

25th Floor
133 Castlereagh Street
SYDNEY NSW 2000