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ASX/Media Release

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STOCKLAND 1Q22 OPERATIONAL UPDATE REFLECTS MOMENTUM AND PORTFOLIO RESILIENCE

Key highlights

Communities

- Residential net sales volumes up 8% on 1Q21 to 1,947 lots
- Residential enquiry remains strong
- Strategic restocking continues with ~5,900 additional lots acquired
- Retirement Living sales of 156 for 1Q22 in line with expectations
- Land Lease Communities sales momentum sustained; on track for ~300 settlements in FY22 with Halcyon integration progressing well

Commercial Property

- Retail rent collection at 75% before abatements for the quarter; tenant negotiations re COVID-19 rent relief underway
- Total comparable retail sales MAT growth 2.0%
- Logistics portfolio occupancy improved to 98.9% (Jun-21: 98.0%)
- 112,900 sqm leased across the Logistics portfolio
- 98% of 1Q22 rent collected across the Workplace and Logistics portfolio
- Executing our $3.9 billion Workplace pipeline with planning progressing during the period

1Q22 Summary

Managing Director and Chief Executive Officer, Tarun Gupta said: “While COVID-19 restrictions impacted various states across the quarter, it has been pleasing to see the strong rise in vaccination numbers across Australia and the resulting steps being taken to re-open impacted state economies.

During this quarter we continued to deliver on our key strategic priorities, rebalancing our portfolio to provide future growth while generating stable long-term returns. Our Communities business maintained its strong residential sales momentum with new enquiries remaining elevated. The Commercial Property business saw occupancy rise to 99% across the Logistics and Retail portfolio.

The Group’s strong financial position was maintained at the end of the quarter with low gearing and ample liquidity, underpinned by our solid operational business performance.

Our strategic review is progressing well and I look forward to updating the market on 8 November 2021. In undertaking the review, we have considered four key long-term drivers that we expect to shape our industry: urbanisation; the impact of rapid technological advancement; the continued growth of institutional capital flows; and the critical importance of environmental, social and governance (ESG).

We have continued our focus on sustainability leadership by joining the United Nations Race to Zero and the Business Ambition for 1.5°C campaign with a commitment to developing science-based targets through the Science Based Targets initiative.

We made several senior executive appointments across our business during the quarter to scale and enhance our capabilities in apartments and mixed-use execution. We also look forward to welcoming two new members of the Stockland Leadership Team: Alison Harrop, who will be joining us in January as our new Group Chief Financial Officer; and Justin Louis, who joins early next month as our new Chief Investment Officer."

Communities

Residential

The Residential business reported 1,947 net sales over the quarter, continuing the strong momentum seen in 4Q21. Purchaser demand has remained elevated nationally despite the roll off of HomeBuilder in March 2021 and COVID-19 restrictions throughout the period.

Strategic restocking continued with ~5,900 lots acquired including an additional 430 consolidation lots at The Gables in New South Wales, 1,400 lots across Victoria and 4,100 lots in Western Australia.

Stockland continues to closely monitor any risks to production arising from COVID-19 lockdowns and the emerging post-lockdown environment as well as the impact of current and potential macro prudential settings. Based on progress to date and the acceleration of construction across our projects, we do not expect any material impact on production although there will be a higher volume of settlements in 4Q22.

Retirement Living

As anticipated, COVID-19 restrictions impacted activity levels over the quarter, with 156 sales generated over the period. Enquiry levels across the business remain elevated and in keeping with previous trends stronger sales are anticipated as restrictions ease over coming months.

Stockland remains committed to reducing its capital exposure to the Retirement Living business and has a strong focus on driving efficiency across the operating platform.

Land Lease

The integration of the Halcyon platform is progressing well, in line with expectations.

Across the combined portfolio 119 sales were achieved in 1Q22, which is on track to deliver the target of approximately 300 settlements in FY22. Stockland continues to grow its Land Lease development pipeline, with more than 600 additional sites acquired over the quarter contributing to our future total pipeline of 7,800 sites.

Opportunities to introduce third party capital will be considered at the appropriate time.

Commercial Property

Retail Town Centres

For 1Q22 the portfolio delivered comparable total sales growth of 2.0% and total speciality sales growth was 3.9%. This result was impacted by COVID-19 restrictions including the continuing lockdowns in both New South Wales and Victoria.

Portfolio occupancy was maintained at 99% over the quarter. Stockland completed 156 leasing deals over the quarter, with negotiated rents tracking ahead of expectations.

75% of contracted rent before any adjustment for abatement or deferral was collected for the quarter across the Retail Town Centre portfolio.

Negotiations with small to medium enterprise tenants impacted by COVID-19 are underway with the majority expected to be completed by calendar year end. The timing of rental abatements is expected to result in a skew to 2H22 for Retail Town Centre funds from operations (FFO).

With increasing levels of buyer interest in retail assets, negotiations continue on further non-core divestments. During the quarter the sale of Bundaberg (QLD) settled above book value at $140m.

Logistics, Life Sciences & Technology

Logistics, Life Sciences & Technology portfolio occupancy increased to 98.9%.

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Over 112,900sqm of space was leased across the period with an additional 72,700sqm under heads of agreement. Leasing activity is positive with rental growth of 2.6% for the quarter.

Workplace
The Workplace development pipeline is progressing well. The development application for Affinity Place, North Sydney is expected to be received by late 2021.

Workplace leasing spreads improved, with a number of smaller deals completed across the portfolio.

WALE currently sits at 2.4 years, reflecting the positioning of our portfolio for potential future development.

Reconfirming FY22 outlook and guidance

FY22 estimated FFO per security is forecast to be in the range of 34.6 to 35.6 cents.

Stockland expects the FFO skew to 2H to be greater in FY22 than in recent years. This reflects a combination of: the concentration in 1H22 of Retail rental abatement; a more material than usual skew to 2H22 in Residential settlement volumes; and recognition of previously flagged Retirement Living village disposal profits in 2H22.

Distribution per security is forecast to be within our target payout ratio of 75% to 85% of FFO.

Current market conditions remain uncertain and challenging with ongoing lockdowns and community transmission of COVID-19. All forward looking statements including FY22 earnings guidance are provided on the basis that the vaccination roll out continues and COVID-19 restrictions ease towards the end of CY21 and are underpinned by the following business assumptions:

- Residential settlements around 6,400 lots
- Residential operating margin ~18%
- Land Lease communities delivering ~300 settlements in FY22
- Retail rent collection returning to levels experienced prior to recent lockdowns towards the end of CY21

ENDS

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

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