

16 October 2023

Stockland 1Q24 operational update

Key highlights

- Strong operational metrics achieved across the Commercial Property portfolio, with high occupancy levels maintained
- Leasing spreads accelerated to 36.4%¹ for Logistics and 3.0%² for Town Centres for the financial year-to-date
- Essentials-based Town Centre portfolio delivered comparable total sales growth of 7.6%³ and comparable specialty sales growth of 5.2%³ on an MAT basis
- Progressing the \$6.4bn⁴ Logistics development pipeline, with construction expected to commence on majority of the \$1.1bn⁴ of active developments over FY24
- Construction is progressing on M_Park Stage 1 (NSW), in partnership with Ivanhoe Cambridge, with the first building completed and the second building expected to complete in 1H24. Construction of the final two buildings has commenced
- Masterplanned Communities (MPC) net sales of 991 lots, in line with expectations
- Land Lease Communities (LLC) net sales of 111 homes, demonstrating sustained demand for land lease product
- Strong balance sheet providing resilience and flexibility to take advantage of market opportunities
- Gearing levels expected to increase by December 2023 due to ongoing capital deployment and significant 2H24 skew in MPC settlements, but remain within 20-30% target range
- FY24 FFO per security guidance range of 34.5 to 35.5 cents on a pre-tax basis maintained. As previously guided, there will be a larger Group FFO skew to 2H than in FY23, driven by the timing of MPC settlements

1Q24 Summary

Managing Director and Chief Executive Officer, Tarun Gupta said: "Stockland's strong operational result for the quarter reflects the quality and resilience of our portfolio in an uncertain macroeconomic environment."

"Over 1Q24, our Commercial Property portfolio has achieved strong operational metrics, including accelerated rental growth in the Logistics portfolio and positive leasing spreads in our Town Centres portfolio. The skew towards essential-based categories in our Town Centres underpinned sales growth of 7.6%³ against a backdrop of increasing cost-of-living pressures."

"The Masterplanned Communities business achieved 991 net sales, reflecting month-on-month improvement in both sales and enquiries over the quarter. In Land Lease Communities, net sales volumes of 111 homes and improved enquiries over the quarter demonstrated sustained demand for land lease product."

¹ On new leases and renewals negotiated (executed & under HOA) in 1Q24.

² Re-leasing spreads for stable portfolio on an annualised basis, in 1Q24.

³ Comparable basket of assets as per SCCA guidelines, which excludes assets which have been redeveloped within the past 24 months.

⁴ Forecast end value on completion as at 30 June 2023. Subject to relevant approvals.

Commercial Property

Logistics

The Logistics portfolio is positioned to benefit from strong tenant demand, with a WALE of 3.7 years⁵ and expected development completions providing opportunities to capture strong market rent growth.

The portfolio achieved releasing spreads of 36.4%⁶ on new leases and renewals negotiated over the financial year-to-date, while maintaining high occupancy levels of 99.1%⁵.

Stockland is progressing its \$6.4bn⁷ Logistics development pipeline, with construction expected to commence on majority of the \$1.1bn⁷ active developments over FY24.

Workplace

The majority of Stockland's Workplace portfolio has value add potential, including mixed use opportunities. These assets are currently being positioned for future development, which is reflected in the portfolio's occupancy of 93.5%⁵ and WALE of 4.7 years⁵.

Construction is progressing at the M_Park Stage 1 project (Macquarie Park, NSW), in partnership with Ivanhoe Cambridge, with the first building completed and the second building expected to complete in 1H24. Construction of the final two buildings has also commenced.

Town Centres

Stockland's Town Centres portfolio continues to deliver strong operational and financial performance, underpinned by its >70% weighting (by sales) to essentials-based categories.

On a MAT basis, total comparable sales grew by 7.6% with comparable specialty sales up by 5.2%⁸.

For the September quarter, total comparable sales grew by 2.8%, while comparable specialty sales declined by 1.3%, with the cumulative effect of successive interest rate increases reflected in a decline in discretionary categories. Sales growth for essentials categories to which our portfolio is heavily skewed, such as food retail and food catering, remain positive.

Leasing spreads remained positive over the quarter and have averaged 3.0%⁹ for the financial year-to-date (versus 3.1% for FY23), while portfolio occupancy remains high at 99.3%⁵.

Communities

Masterplanned Communities (MPC)

Stockland's MPC business achieved 991 net sales, with both sales and enquiries reflecting month-on-month improvement over 1Q24.

Sales volumes are expected to track at similar levels until the interest rate outlook stabilises.

Default rates¹⁰ are currently above historical averages but remain below previous cyclical peak levels.

The MPC business ended the period with 4,772 contracts on hand, with FY24 average settlement pricing expected to be 5-10% higher than FY23.

⁵ By income. Workplace excludes Walker Street Complex and 601 Pacific Highway in NSW.

⁶ Average rental growth on new leases and renewals negotiated (executed & HoA) in 1Q24.

⁷ Forecast end value on completion as at 30 June 2023. Subject to relevant approvals.

⁸ Comparable basket of assets as per SCCA guidelines, which excludes assets which have been redeveloped within the past 24 months.

⁹ Re-leasing spreads for stable portfolio on an annualised basis, in 1Q24.

¹⁰ 12-month rolling average default rate vs 10-year average default rate.

Stockland's FY24 settlement target is maintained at ~5,200-5,600 settlements¹¹, with a slightly larger settlement and FFO skew to 2H than in FY23. The FY24 development operating profit margin is expected to be in the low 20% range, in line with previous guidance.

Land Lease Communities (LLC)

Stockland's LLC platform delivered strong operational performance in 1Q24, with net sales of 111 homes (versus 63 homes in 1Q23) reflecting sustained demand for over-50s communities development product.

Enquiry levels also improved over the quarter, supported by a modest improvement in the established housing market.

The established portfolio continues to deliver strong operational metrics, with occupancy at 100%¹².

Stockland's LLC platform is positioned for further growth, with the number of active communities expected to more than triple over FY24 versus FY23. At the end of FY23, 5 communities were actively trading. Stockland has launched 2 new communities over 1Q24 and expects to launch up to 10 communities over the remainder of FY24¹³.

As at 1Q24, the business had 420 contracts on hand at ~9% higher average pricing vs FY23¹⁴. For FY24, the LLC business continues to target ~400-450¹¹ settlements, with development operating profit margin slightly below the long-term target range of 22-27% due to launch costs associated with production ramp-up.

FY24 Outlook and guidance

FY24 FFO per security guidance is maintained at 34.5 to 35.5 cents on a pre-tax basis.

Gearing is expected to increase over 1H24 as Stockland continues to deploy capital and the majority of MPC settlement receipts are expected in 2H24. As previously guided, the timing of MPC settlements is also driving a larger Group FFO skew to 2H than in FY23.

Tax expense in FY24 is expected to be a high single-digit percentage of pre-tax Group FFO.

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

Current market conditions remain uncertain. All forward looking statements, including FY24 earnings guidance, remain subject to no material deterioration in market conditions.

Ends

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

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Stockland (ASX:SGP)

We are a leading creator and curator of connected communities with people at the heart of the places we create. For more than 70 years, we have built a proud legacy, helping more Australians achieve the dream of home ownership, and enabling the future of work and retail. Today, we continue to build on our history as one of Australia's largest diversified property groups to elevate the social value of our places, and create a tangible sense of human connection, belonging and community for our customers. We own, fund, develop and manage one of Australia's largest portfolios of residential and land lease communities, retail town centres, and workplace and logistics assets. Our approach is distinctive, bringing a unique combination of development expertise, scale, deep customer insight, and diverse talent – with care in everything we do. We are committed to contributing to the economic prosperity of Australia and the wellbeing of our communities and our planet.

¹¹ Subject to no material deterioration in market conditions.

¹² As at 30 September 2023.

¹³ Subject to relevant approvals and planning.

¹⁴ Average price per home of contracts on hand vs FY23 settlements.