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# 1Q24 Market Update

**16 October 2024**

# September 2024 quarter update

## Key highlights



### Group

- Strong balance sheet providing resilience and flexibility to take advantage of market opportunities
- Gearing levels expected to increase by December 2023 due to capital deployment and significant 2H24 skew in Masterplanned Communities (MPC) settlements but remain within 20-30% target range
- FY24 FFO per security guidance range maintained. As previously guided, there will be a larger Group FFO skew to 2H than in FY23, driven by timing of MPC settlements

### Commercial Property

- Strong operational metrics, with high occupancy levels maintained across the portfolio
- Leasing spreads accelerated to 36.4%[1] for Logistics and remained positive at 3.0%[2] for Town Centres
- Strong performance from essentials-based Town Centre portfolio with total comparable MAT growth of 7.6%[3] and comparable MAT specialty sales growth of 5.2%[3]
- Progressing the $6.4bn[4] Logistics development pipeline, with construction expected to commence on majority of the $1.1bn[4] active developments over FY24
- M_Park Stage 1[5], NSW construction progressing, with the first building completed and the second building expected to complete in 1H24. Construction of the final two buildings has commenced

### Communities

- 1Q24 MPC net sales of 991, in line with expectations
- MPC enquiry levels showing month-on-month improvement over the quarter
- 4,772 MPC contracts on hand in 1Q24, providing good visibility into FY24
- 1Q24 Land Lease Communities (LLC) net sales of 111 homes reflects resilient demand for land lease product
- 420 LLC contracts on hand at 9% higher average pricing vs FY23[6] and enquiries up quarter-on-quarter
- Strong operational LLC metrics, with 100% occupancy

1. Average rental growth on new leases and renewals negotiated (executed & 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.
5. M_Park Capital Partnership with Ivanhoé Cambridge.
6. Average price per home of contracts on hand vs FY23 settlements.

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# Commercial Property

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# Logistics & Workplace

## Strong operational metrics

### Logistics

- Maintained high occupancy levels of 99.1%[1]
- Focus on capturing positive rental reversion opportunities presented by portfolio WALE[1] of 3.7 years and strong tenant demand for well-located pipeline
- Achieved re-leasing spreads of 36.4% on new leases and renewals negotiated over the period[2]
- Progressing the $6.4bn[3] Logistics development pipeline, with construction expected to commence on majority of the $1.1bn[3] active developments over FY24

| | 1Q24<br>3 months ended<br>30 September 2024 | 1Q23<br>3 months ended<br>30 September 2023 |
|---|---|---|
| Leased area | 166,287 sqm | 44,563 sqm |
| Leases under HOA | 37,780 sqm | 93,883 sqm |
| Portfolio occupancy[1] | 99.1% | 99.9% |
| Portfolio WALE[1] | 3.7 years | 3.3 years |

### Workplace

- Majority of portfolio currently being positioned for future development
- Reflected in portfolio metrics with occupancy[1,4] of 93.5% and WALE[1,4] of 4.7 years
- Development pipeline providing value-add potential including mixed use opportunities
- M_Park Stage 1[5] (NSW) – Completion of the first building achieved, with the second building expected to complete in 1H24. Construction of the final two buildings has commenced

| | 1Q24<br>3 months ended<br>30 September 2024 | 1Q23<br>3 months ended<br>30 September 2023 |
|---|---|---|
| Leased area[4] | 11,775 sqm | 5,251 sqm |
| Leases under HOA[4] | 10,752 sqm | 11,273 sqm |
| Portfolio occupancy[1,4] | 93.5% | 90.5% |
| Portfolio WALE[1,4] | 4.7 years | 4.5 years |



1. By income.
2. Average rental growth on new leases and renewals negotiated (executed & HoA) in 1Q24.
3. Forecast end value on completion as at 30 June 2023. Subject to relevant approvals.
4. 1Q24 excludes Walker Street Complex and 601 Pacific Highway in NSW.
5. M_Park Capital Partnership with Ivanhoé Cambridge.

# Town Centres

## Resilient performance from essentials-based portfolio



- Total comparable MAT growth of 7.6% and comparable MAT specialty sales growth of 5.2%[1]
- Comparable specialty sales of $10,403 sqm, 18.1% above the Urbis average[2]
- Resilient sales underpinned by >70% exposure to essentials-based categories
- Maintained positive leasing spreads of 3.0%[3] and high levels of portfolio occupancy at 99.3%[4]

| To 30 September 2023 | Total portfolio[5] | | Comparable centres[1] | |
|---|---|---|---|---|
| **Retail sales by category** | **MAT $m** | **MAT growth** | **MAT growth** | **1Q24 vs 1Q23** |
| **Total** | **5,646** | **7.8%** | **7.6%** | **2.8%** |
| Specialties | 1,772 | 5.1% | 5.2% | (1.3)% |
| Supermarkets | 1,851 | 6.0% | 5.7% | 5.1% |
| DDS/DS | 748 | 6.4% | 6.2% | 0.7% |
| Mini majors | 791 | 3.0% | 3.0% | (0.9)% |

| To 30 September 2023 | Total portfolio[5] | | Comparable centres[1] | |
|---|---|---|---|---|
| **Specialty sales by category** | **MAT $m** | **MAT growth** | **MAT growth** | **1Q24 vs 1Q23** |
| Apparel | 476 | 2.4% | 2.2% | (7.1)% |
| Food catering | 370 | 12.4% | 12.5% | 3.4% |
| Food retail | 132 | 8.5% | 8.6% | 8.9% |
| Homewares | 67 | (2.0)% | (2.4)% | (11.5)% |
| Retail services | 284 | 10.7% | 10.8% | 3.4% |



1. Comparable basket of assets as per SCCA guidelines, which excludes assets which have been redeveloped within the past 24 months. Excludes the Mobile Phones category, due to reporting changes by one retailer resulting in sales data being not comparable.
2. Urbis Double DDS Sub-regional Shopping Centre benchmark, 2022.
3. Re-leasing spreads for stable portfolio on an annualised basis, in 1Q24.
4. By income.
5. Sales data includes all Stockland managed retail assets, including joint venture assets.

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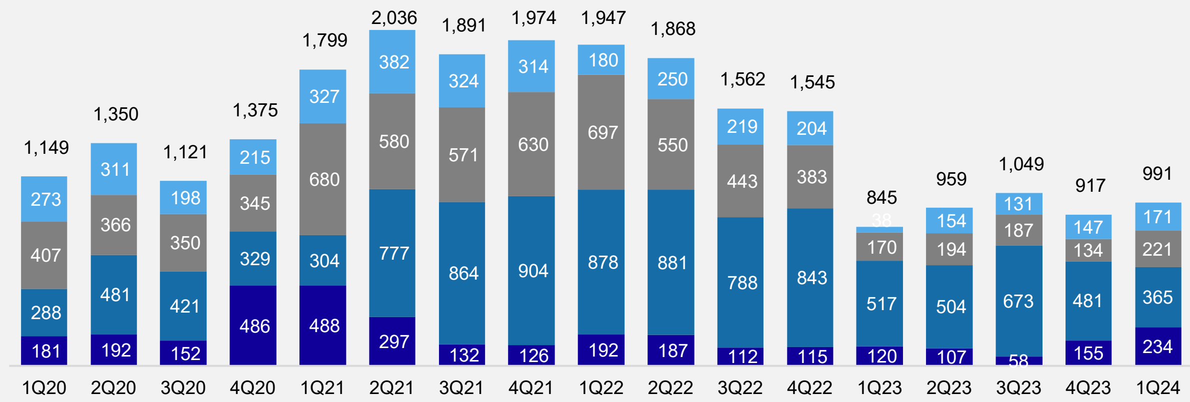
# Communities

# Masterplanned Communities

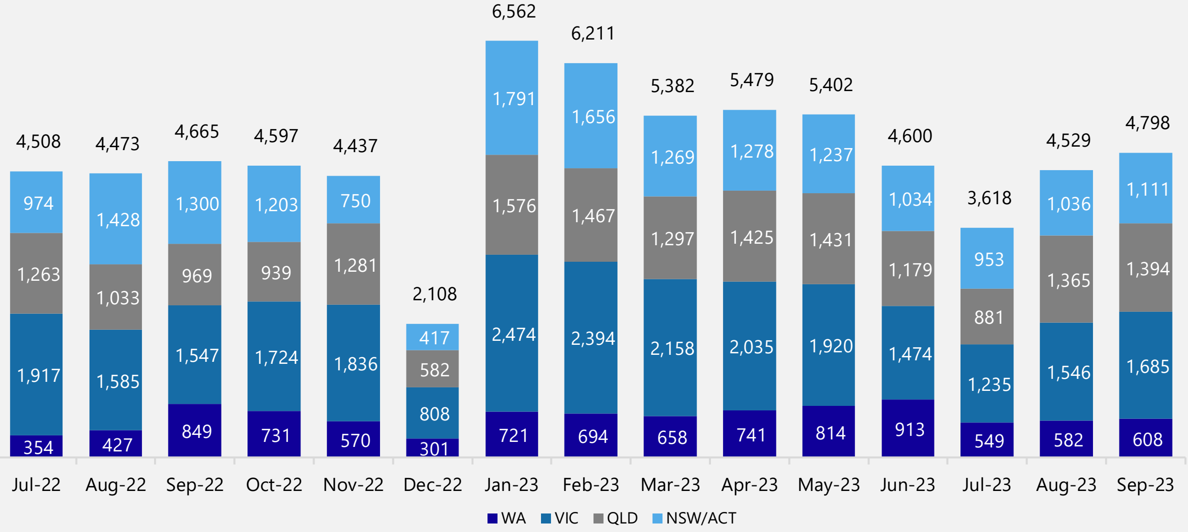
## Sales tracking in line with expectations

- 1Q24 net sales of 991 lots, reflecting a slight improvement versus 4Q23
- Sales and enquiry levels showing month-on-month improvement over 1Q24
- Default rates[1] are currently above historical levels but remain below previous cyclical peak levels
- Sales volumes likely to track at similar levels until the interest rate outlook stabilises
- 4,772 contracts on hand, with FY24 average settlement pricing expected to be 5-10% higher than FY23, reflecting settlement mix
- Maintaining FY24 target development operating profit margin in the low 20% range and settlements of ~5,200-5,600 lots[2], with a slightly larger settlement and FFO skew to 2H than in FY23

### Net sales by quarter




### Monthly enquiries[2]



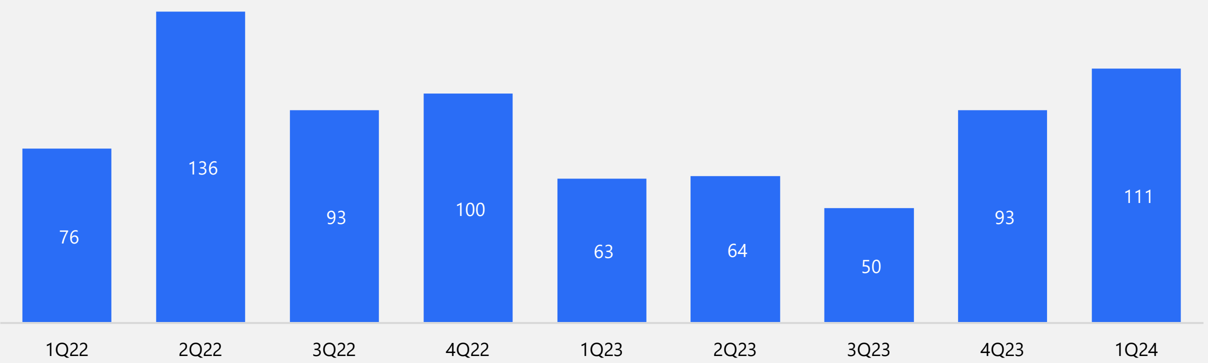

1. 12-month rolling average default rate vs 10-year average default rate.
2. Subject to no material deterioration in market conditions.

# Land Lease Communities

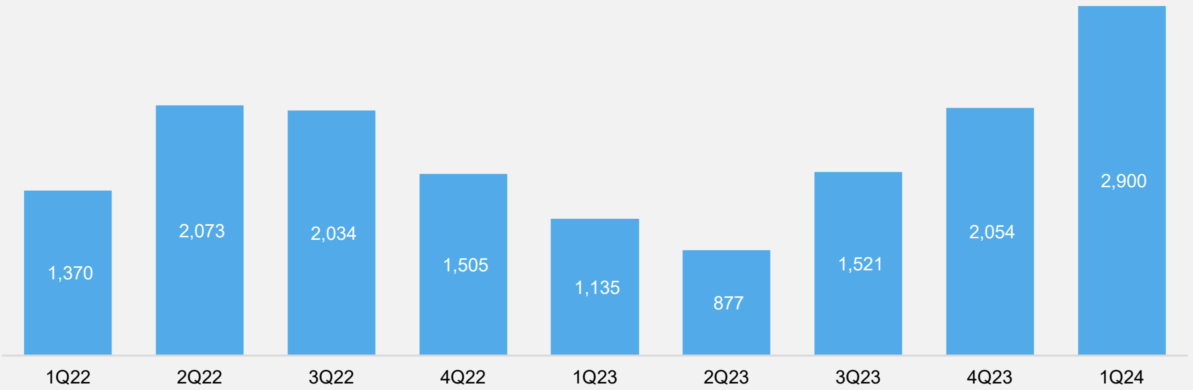
## Strong performance

- Strong 1Q24 net sales of 111, demonstrating resilience and sustained demand for over-50s communities
- Improved enquiries over the quarter, supported by a modest improvement in the established housing market
- Strong operating metrics across the established portfolio with 100% occupancy
- 420 contracts on hand at ~9% higher average pricing vs FY23[1]
- Accelerated development activity, with up to 12 new communities expected to launch by the end of FY24[2]
- Maintaining FY24 target settlements of 400-450[3] homes, with development operating profit margin slightly below the long-term target range of 22-27% due to launch costs associated with production ramp-up

### Net sales by quarter




### Quarterly enquiries




1. Average price per home of contracts on hand vs FY23 settlements.
2. Subject to relevant approvals and planning.
3. Subject to no material deterioration in market conditions.

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# Outlook

# Summary and outlook

## Outlook

- Essential-based Town Centres portfolio delivering strong performance
- Delivery of Logistics pipeline progressing, providing high-quality recurring income as developments complete
- Progressing potential pipeline of longer-dated mixed-use opportunities on existing sites, providing development optionality
- Active Communities landbank to support future FFO contributions, with new community launches across MPC and LLC over FY24
- Strong balance sheet providing resilience and flexibility to take advantage of market opportunities
- Gearing levels expected to increase by December 2023 due to capital deployment and significant 2H24 skew in MPC settlements, but remain within 20-30% target range
- As previously guided, there will be a larger Group FFO skew to 2H than in FY23, driven by the timing of MPC settlements

## **Maintained guidance** for FY24

- Maintained FY24 FFO per security guidance range of 34.5 to 35.5 cents on a pre-tax basis
- Tax expense expected to be a high single-digit percentage of pre-tax Group FFO
- Distribution per security within our 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.

**Stockland Corporation Limited**
ACN 000 181 733

**Stockland Trust Management Limited**
ACN 001 900 741; AFSL 241190

**As a responsible entity for Stockland Trust**
ARSN 092 897 348

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