

18 December 2023

Stockland extends Residential platform with ~\$1.06bn MPC¹ acquisition

Transaction highlights

- ~\$1,063m acquisition of 12 high-quality, actively trading masterplanned communities (MPC) from Lendlease Corporation (ASX:LLC)^{2,3}
- Acquired via the establishment of Stockland Residential Communities Partnership (SRCP) with Supalai Australia Holdings Pty Ltd (Supalai)
- Acquisition secured on capital efficient terms, with settlement expected to occur in three tranches
- Represents a step change in the reshaping of Stockland's portfolio and accelerates the execution of Stockland Group's strategic priorities: increasing Residential sector allocation while scaling capital partnerships, enhancing ROIC and generating new recurring income streams
- Strategically restocks the pipeline to position for market recovery, while extending Stockland's Residential platform and leveraging scale benefits to maximise the potential of the combined portfolio
- Potential to create further value over time through development opportunities in adjacent uses, including ~2,500 Land Lease Community home sites and Community Real Estate (CRE) assets e.g. childcare and medical centres
- Development returns are expected to be toward the upper end of Stockland's development ROIC target range of 14-18%⁴
- Expected to be accretive to Stockland Group FFO⁵ per security from FY25
- Pro-forma gearing impact of Stockland's initial equity tranche expected to be +0.5%, rising to +1.9% post all payments

Stockland (ASX: SGP) today announced it has entered into binding agreements to acquire 12 Masterplanned Communities (MPC) from Lendlease Corporation for ~\$1,063m^{2,3} via the establishment of the Stockland Residential Communities Partnership (SRCP) with Supalai.

Stockland will hold a 50.1% interest in SRCP, with Supalai holding a 49.9% interest.

The acquisition has been secured on capital efficient terms, with settlement expected to occur in three tranches over FY24-25³.

SRCP has also secured a right to acquire (at its election) additional parcels of land for up to \$239m. If SRCP elects to exercise this right, settlement is expected in 1Q FY25.

¹ Masterplanned Communities (MPC).

² Excluding transaction costs and subject to adjustments at completion.

³ Subject to Foreign Investment Review Board (FIRB) approval. Settlement of certain Project Delivery Agreement (PDA) projects are also conditional on the vendor obtaining relevant landowner Change of Control (CoC) consents. SRCP may also exercise its right to acquire (at its election) certain additional parcels of land for an additional payment of up to \$239m.

⁴ Development ROIC excludes the impact of fees generated from the portfolio, which sit within Recurring ROIC.

⁵ Funds From Operations.

Managing Director and Chief Executive Officer, Tarun Gupta, said “The acquisition represents a step change in the reshaping of our portfolio, and accelerates the execution of our strategy by increasing our capital allocation towards residential sectors while scaling our capital partnership platform and generating new sources of recurring income.

“We are pleased to be forming the Stockland Residential Communities Partnership with our existing partner Supalai, who has a strong track record of investing in residential developments across Australia, and is aligned with our strategic ambitions. SRCP achieves immediate scale with this acquisition, and we are excited to further develop the partnership alongside Supalai.”

Supalai Public Company Limited Chairman and CEO, Dr Prateep Tangmatitham said “We are delighted to be extending our relationship with Stockland beyond our existing Katalia joint venture and to partner in creating thriving, connected communities across Australia. We have been actively investing in the Australian residential sector since 2014. This investment further demonstrates our confidence in the underlying drivers of the market and provides us with exposure to a high quality, well-located portfolio of communities in partnership with one of Australia’s leading residential developers.”

The portfolio comprises 12 high-quality, actively trading MPC projects, totalling ~27,600 lots. The MPC projects are at scale, with an average size of ~2,300 lots and weighted primarily to deep markets across the Eastern Seaboard.

The acquisition takes Stockland’s landbank to ~95,600 lots and broadens Stockland’s customer reach into complementary residential corridors. These projects represent a potential increase in settlement volumes of ~2,500 lots per annum.

CEO, Development, Andrew Whitson said, “We have a market-leading Communities business, with a proven track record of creating successful communities for over 70 years. We are excited to extend our residential platform and leverage our strengths in brand, development and delivery to maximise the potential of the combined portfolio. The breadth and scale of our platform allows us to generate significant economies of scale and cost efficiencies as these communities are integrated into Stockland.”

“The fundamentals of the residential market in Australia remain compelling, with ongoing land supply constraints amid strong population growth. This acquisition has been secured on attractive terms, with active projects that are well-positioned to ramp up development activity into a potential recovery in the residential cycle. The size and scale of the acquired projects also present potential development opportunities in adjacent uses, including land lease communities and community real estate assets such as childcare and healthcare centres⁶.”

Pricing and transaction timing

Transaction pricing of ~\$1,063m^{7,8} reflects the MPC project values, with no consideration for potential upside from adjacencies⁶ and has been secured on capital efficient terms. SRCP is not acquiring the Lendlease Communities platform.

Three of the MPC projects are to be acquired directly from Lendlease’s balance sheet. Nine MPC projects are held via Project Delivery Agreements (PDAs), with the transfer of certain interests conditional on Lendlease obtaining relevant landowner Change of Control (CoC) consents.

The acquisition is subject to Foreign Investment Review Board (FIRB) approval. On a 100% basis, SRCP is expected to make an initial settlement of ~\$370m (Tranche 1) by 3Q FY24, relating to the three balance sheet projects. Settlement relating to the PDA interests will be deferred, with ~\$290m (Tranche 2) expected by 4Q FY24 and ~\$405m (Tranche 3) expected by 3Q FY25⁸.

If SRCP elects to exercise its right to acquire the additional parcels of land, a payment of up to \$239m is expected by 1Q FY25.

⁶ Up to nine future Land Lease Communities totalling ~2,500 homesites, and Community Real Estate assets including standalone medical, retail and childcare centres.

⁷ Excluding transaction costs and subject to adjustments at completion.

⁸ Subject to Foreign Investment Review Board (FIRB) approval. Settlement of certain Project Delivery Agreement (PDA) projects are also conditional on the vendor obtaining relevant landowner Change of Control (CoC) consents. SRCP may also exercise its right to acquire (at its election) certain additional parcels of land for an additional payment of up to \$239m.

Stockland Residential Communities Partnership (SRCP)

SRCP is intended to be a closed-end fund, with the objective to develop out the acquired portfolio. The partnership will initially be geared to ~25%, with a targeted gearing range of 20-30% over time.

Stockland will be responsible for development and delivery of the MPC projects on behalf of SRCP, and will earn ongoing fees for investment, development and project management, as well as sales, marketing and ancillary services. These fees have been set with reference to market rates.

Financial impact to Stockland Group

Stockland expects to receive the full economic entitlement of the acquisition by 4Q FY24. The transaction is expected to be accretive to Stockland Group's FFO per security from FY25⁹.

The MPC projects are expected to deliver returns toward the upper end of Stockland's through-cycle development ROIC targets of 14-18%¹⁰. The establishment of SRCP is expected to enhance ROIC and create additional development and recurring income streams.

Stockland expects its initial investment in the SRCP partnership (expected to occur in 3Q FY24) to result in a 0.5% increase to pro-forma gearing. Taking into account all tranches of its investment over FY24 and FY25, the pro-forma gearing impact is expected to be +1.9%^{9,11}.

As Stockland reshapes its portfolio, it expects to continue to actively recycle capital to fund opportunities in targeted growth areas, including the Residential sector.

Stockland expects gearing levels to be in the upper half of Stockland's 20-30% target range at 31 December 2023, reflecting capital deployment and a significant 2H FY24 skew in MPC settlements.

Market briefing

This ASX announcement should be read in conjunction with the investor presentation released today, available at <https://www.stockland.com.au/investor-centre>

Stockland will conduct a [market briefing](#) at 10.00am (AEST) today, 18 December 2023.

⁹ Subject to Foreign Investment Review Board (FIRB) approval. Settlement of certain Project Delivery Agreement (PDA) projects are also conditional on the vendor obtaining relevant landowner Change of Control (CoC) consents. SRCP may also exercise its right to acquire (at its election) certain additional parcels of land for an additional payment of up to \$239m.

¹⁰ Development ROIC excludes the impact of fees generated from the portfolio, which sit within Recurring ROIC.

¹¹ Expected gearing impact excludes the impact of the additional payment, if SRCP elects to exercise its right to acquire additional parcels of land.

Ends

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

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Supalai (BKK:SPALI)

Established in 1989, Supalai is a leading real estate development company listed on the Thai stock exchange. Supalai operates in real estate development and construction across office and residential (including detached homes, townhomes, apartments), as well as the operation of hotels and resorts. Supalai Australia Holdings (SAH) has been active in Australia since 2014 in a partnering arrangement with Gersh, with ~\$5bn in end value across 12 major residential development projects. SAH has existing partnerships with Stockland and several other leading Australian developers.

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.