

29 April 2024

Stockland 3Q24 operational update

Key highlights

- Commercial Property portfolio delivered strong operational metrics over 3Q24, with leasing spreads of 42.0%¹ for Logistics and 3.5%² for Town Centres
- Essentials-based Town Centre portfolio delivered comparable total sales growth of 3.4% and comparable specialty sales growth of 1.3% on an MAT basis³
- Masterplanned Communities (MPC) net sales of 1,242 lots, reflecting continued improvement in sales over the last four quarters
- Land Lease Communities (LLC) net sales of 104 homes, reflecting five new project launches over FY24 year-to-date, and supported by improvements in the established housing market
- Settlement of ~\$260m⁴ of non-core Town Centre disposals over 3Q24
- The ~\$1.06bn acquisition of 12 actively trading MPC projects announced in December 2023 progressing through the regulatory approval process with FIRB and ACCC⁵
- Maintained a disciplined approach to capital management, further strengthening the balance sheet with a A\$400m medium-term note issuance for 10.5 years
- Gearing at 30 June 2024 is expected to remain within the top half of the 20-30% target range⁶
- FY24 pre-tax FFO per security guidance maintained at 34.5 to 35.5 cents, with tax expense expected to be a high single-digit percentage of pre-tax FFO⁶
- FY24 Distribution per security expected to be within Stockland's targeted payout ratio range of 75% to 85% of post-tax FFO on a full year basis⁶

3Q24 Summary

Managing Director and Chief Executive Officer, Tarun Gupta said: "Over 3Q24, Stockland has delivered strong operational performance, while continuing to execute against our strategic priorities.

"Our Commercial Property portfolio has achieved strong results, with leasing spreads accelerating to 42.0%¹ in our Logistics portfolio and continued positive leasing spreads of 3.5%² in our Town Centres portfolio. The skew towards essential-based categories has positioned our Town Centres portfolio well, delivering +3.4%³ total MAT growth.

"Our Masterplanned Communities business achieved 1,242 net sales, reflecting continued improvement in sales and enquiries over the past few quarters. In Land Lease Communities, net sales volumes of 104 homes and strong enquiries in 3Q24 reflected the launch of five new communities over the financial year-to-date and support from improvements in the established housing market."

¹ Average rental growth on new leases and renewals negotiated (executed & HoA) in FY24 YTD.

² Re-leasing spreads for stable portfolio on an annualised basis, FY24 YTD.

³ Comparable basket of assets as per the Shopping Centre Council of Australia (SCCA) guidelines, which excludes assets which have been redeveloped within the past 24 months.

⁴ Includes Stockland Nowra, NSW, and Stockland Balgowlah, NSW.

⁵ On a 100% basis (Stockland 50.1%, Supalai 49.9%), excluding transaction costs and subject to adjustments at completion, acquired via Stockland Supalai Residential Communities Partnership (SSRCP). SSRCP may also exercise its right to acquire (at its election) certain additional parcels of land for an additional payment of up to \$239m.

⁶ All forward looking statements, including FY24 earnings guidance, remain subject to no material change in market conditions.

Commercial Property

Logistics

The Logistics portfolio delivered strong operational metrics, achieving re-leasing spreads of 42.0%⁷ on new leases and renewals while occupancy levels remained high.

Stockland's current portfolio WALE of 3.5 years⁸ and expected development completions in well-located markets is positioned to benefit from strong tenant demand and presents opportunities to capture ongoing market rent growth.

Stockland continues to progress its ~\$1.1bn⁹ active Logistics development pipeline.

Workplace

Operating metrics across the Workplace portfolio reflects the smaller scale of the portfolio, the majority of the portfolio is currently being positioned for future development.

Over the March 2024 quarter, re-leasing spreads were (1.7)%⁷, primarily due to rental reversion at one asset. Portfolio occupancy of 91.7%⁸ and WALE of 5.4 years⁸ reflects the two recently completed buildings at MPark Stage 1¹⁰ (Macquarie Park, NSW).

Stockland continues to add value while maintaining optionality regarding development opportunities. Construction is progressing on the final two buildings at MPark Stage 1¹⁰.

Town Centres

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

Total comparable MAT across the portfolio grew by 3.4%, with comparable MAT specialty sales growth of 1.3%¹¹.

For the March 2024 quarter, total comparable sales grew by 2.0% and comparable specialty sales grew by 1.7%, demonstrating resilience in a moderating retail environment¹¹.

Leasing spreads remained positive over the quarter at 3.5%¹² (in-line with 3.5% for 1H24) and portfolio occupancy remains high at ~99%¹³.

Communities

Masterplanned Communities (MPC)

Stockland's MPC business achieved 1,242 net sales in 3Q24 (versus 1,049 sales in 3Q23), reflecting continued improvement over the past four quarters. Enquiry levels are up strongly over 3Q24, with month-on-month levels stable over the quarter.

Sales volumes are expected to remain around current levels in the near term, with further improvement dependent on the outlook for interest rates and the pace of market recovery in Victoria.

Default and cancellation rates¹⁴ are running above historical averages but remain below previous cyclical peak levels.

⁷ Average rental growth on new leases and renewals negotiated (executed & HoA) in FY24 YTD. Workplace excludes Walker Street Complex and 601 Pacific Highway in NSW.

⁸ By income. Workplace excludes Walker Street Complex and 601 Pacific Highway in NSW.

⁹ Forecast end value on completion as at 31 March 2024. Subject to relevant approvals.

¹⁰ MPark Capital Partnership with Ivanhoe Cambridge. First two buildings completed during 1H24.

¹¹ Comparable basket of assets as per SCCA guidelines, which excludes assets which have been redeveloped within the past 24 months.

¹² Re-leasing spreads for stable portfolio on an annualised basis, FY24 YTD.

¹³ Occupancy across the stable portfolio, based on signed leases and agreements at 31 March 2024.

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

The MPC business ended the period with 5,565 contracts on hand, with FY24 average settlement pricing expected to be 5-10% higher than FY23, reflecting settlement mix.

Stockland's FY24 target settlement range is tightened to 5,300-5,500 settlements¹⁵, with expected development operating profit margin maintained in the low 20%. Stockland expects a larger settlement and FFO skew to 2H than in FY23, in line with previous guidance.

Land Lease Communities (LLC)

Stockland's LLC platform delivered net sales of 104 homes (versus 50 homes in 3Q23) and a strong uptick in enquiries over the quarter, reflecting five new project launches over FY24 year-to-date, and supported by improvements in the established housing market.

Stockland's LLC platform is positioned for further growth and accelerated development activity, with up to 12 communities expected to launch during FY24¹⁶.

As at 31 March 2024, there were 502 contracts on hand at higher average prices versus 1H24 settlements, providing embedded value to the business¹⁷.

For FY24, the LLC business continues to target ~400-450 settlements¹⁵, 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 a range of 34.5 to 35.5 cents on a pre-tax basis, with tax expense expected to be a high single-digit percentage of pre-tax FFO.

Distribution per security is expected to be within Stockland's targeted 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 change 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.

¹⁵ Subject to no material change in market conditions.

¹⁶ Subject to relevant approvals and planning. Active defined as communities that have launched and are selling.

¹⁷ Average price per home of contracts on hand of ~\$760,000 vs ~\$755,000 average settlement price per home in 1H24.