

# OVERVIEW

**W** E ENTER THIS FINANCIAL YEAR with record residential contracts on hand, good profits from Retirement Living and a strong lease expiry profile in our Commercial Property business.

**RESIDENTIAL OPERATING PROFIT**  
**\$175M**

## RESIDENTIAL

### Communities

- Strong net margin of 21.1%
- 4,303 lots settled and record contracts on hand to settle in FY10

Despite the overall decrease in Australian residential building approvals, Residential Communities single lot sales were up three per cent in FY09 reflecting Stockland's ability to quickly adapt its product mix to suit changing market dynamics and increase its market share. Clearing of aged inventory, the delivery of a more affordable product mix and price discounting at certain Sydney and Perth projects resulted in a reduction in the average sales price. However, cost efficiencies and price growth in Melbourne resulted in better than expected margins.

### Apartments

- 175 units settled
- Construction of current projects on track with a good level of pre-sales

The performance of the Apartments business was once again disappointing. Results are being improved in this business through a range of measures including the realignment of several projects to better meet market demand. Planning approvals will continue to be obtained for projects yet to start, but development will only commence if appropriate returns can be achieved. If not, sites will be sold in an orderly fashion over the next two to three years. The business is expected to be profitable in FY10 based on settlements from projects due for completion this financial year.

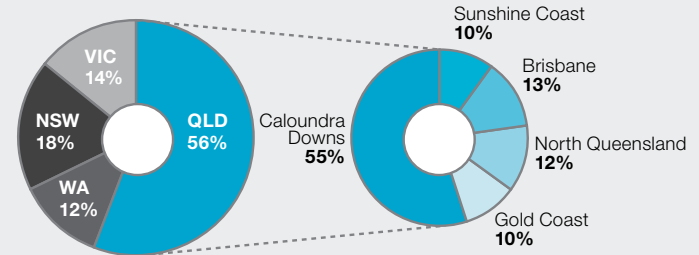
### Inventory impairment

A full review of Residential inventory carrying values and Apartments projects resulted in pre-tax impairment of \$425 million against seven of 66 Residential Communities projects and six of nine Apartments projects. These impairments related primarily to projects in NSW, where the market was particularly poor, and those at the high end of the market where prices have fallen. No further impairments are expected unless market conditions materially deteriorate.

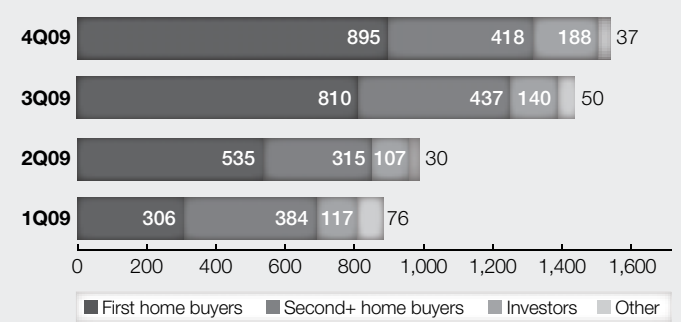


Lakewood, NSW

### Residential Communities geographic mix



### Residential Communities buyer composition (no. of sales)



Throughout the year we increased sales across buyer segments.



The Village Balgowlah, NSW

The Village in Balgowlah combines residential and retail elements in an innovatively designed project.

### THE VILLAGE – A WINNING MIX

An exciting new development in Sydney's north is demonstrating what can be achieved when the know-how gained across our diverse portfolio is put to use on a mixed-use development. Stockland acquired the site in Balgowlah in 2002 with a bold vision. We knew that our expertise in residential and retail projects would enable us to create something special that would meet the needs of the community.

Delivering a project of this complexity requires a high level of commitment to getting it right for the community. There are many elements to consider ranging from retail and residential needs to sustainability attributes, public art, public spaces, and car parking. All of these things impact on the end result for residents, tenants and the broader community. We've gone to a great deal of effort to develop a site that can become the heart of the Balgowlah community. We have residential experts and retail experts – a team of people who understand that the only way to deliver the best solution is to work cooperatively.

The Village features a large public plaza and provides easy access to all the surrounding streets. It incorporates 246 apartments, 25 townhouses and a shopping centre with 60 specialty stores and a Coles supermarket.

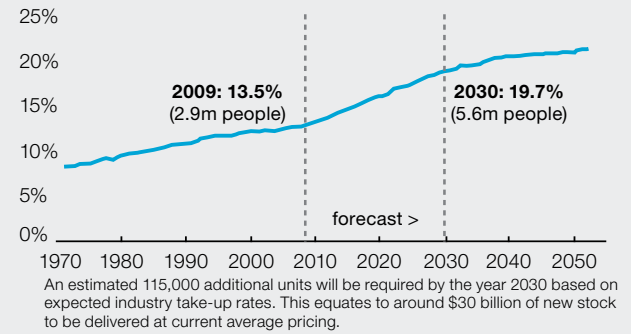
**RETIREMENT OPERATING PROFIT**  
**\$43M**

## RETIREMENT LIVING

- 163 new units sold
- 217 existing units settled
- High portfolio occupancy of 99%
- 4% average price growth from existing villages

This business continues to perform well, with good sales and price growth. Retirement Living has recently been organised as a separate business unit to give it greater focus and accountability. This move reflects Stockland's strategic commitment to growing this business both organically and through acquisition, providing high quality villages to cater for the growing ageing demographic.

### Retirement Living – Percentage of Australians aged 65+



An estimated 115,000 additional units will be required by the year 2030 based on expected industry take-up rates. This equates to around \$30 billion of new stock to be delivered at current average pricing.

**COMMERCIAL OPERATING PROFIT**  
**\$541M**

## COMMERCIAL PROPERTY

### Retail

- Comparable net rental income growth of 6.8%
- High portfolio occupancy of over 99%
- Specialty occupancy costs 12.8% of sales

Retail sales held up better than expected in FY09 and the business performed well. Vacancies have not materially increased, however rental growth has slowed.

### Office and Industrial

- Comparable net rental income growth of 5.7% in Office and 4.2% in Industrial
  - High portfolio occupancy of over 97% in Office and 96% in Industrial
- Increases in direct vacancy and sub-lease space continue to put downward pressure on rents, but Stockland has actively managed its lease expiry profile to minimise downside income risk in FY10.

### Revaluations

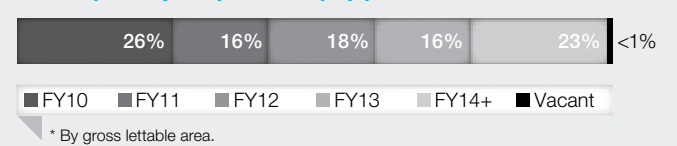
93 per cent of our assets were independently valued at 30 June 2009 (the remaining seven per cent are under development) with a total fall in values of \$1.1 billion.

## UK

- Operating loss \$0.7 million
- Pre-tax inventory impairment in FY09 of \$186 million

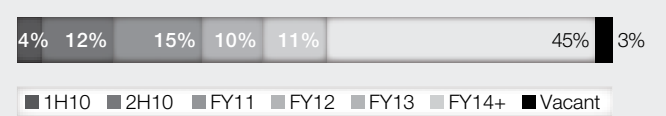
Market conditions in the UK remain difficult, but the property futures market is pricing in a modest recovery in FY10. In light of the changed market conditions, Stockland has decided to embark on an orderly sale of assets over the next two to three years. In the meantime, the Group will complete projects underway and manage its assets tightly to maximise returns.

### Retail specialty shop lease expiry profile\*



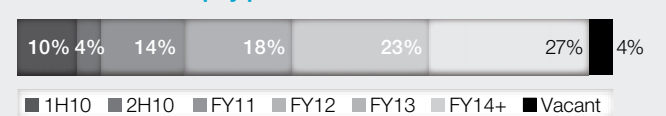
\* By gross lettable area.

### Office lease expiry profile\*



\* By net lettable area. Weighted average lease expiry: 4.3 years.

### Industrial lease expiry profile\*



\* By net lettable area. Weighted average lease expiry: 3.5 years.