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ASX/Media Release

Stockland

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# STOCKLAND ANNOUNCES NEW CAPITAL PARTNERSHIP TO DRIVE GROWTH OF LAND LEASE BUSINESS AND EXPAND THIRD PARTY CAPITAL PLATFORM

- New Stockland Residential Rental Partnership (SRRP)[1] established with Mitsubishi Estate Asia (MEA) to focus on the development and long-term ownership of land lease communities
- Delivers on Stockland's strategy to increase the scale of its land lease communities business and expand third party capital partnerships
- Creates new recurring management income and ongoing opportunities to accelerate the realisation of development margin for Stockland from its substantial land bank
- Expected to generate management fees and development margin for Stockland from FY23 as land lease communities are transferred into the partnership
- Forecast to be accretive to FFO per security from FY23[2]

Stockland (ASX: SGP) today announced that it has entered into a binding agreement with Mitsubishi Estate Asia (**MEA**) to establish the Stockland Residential Rental Partnership (**SRRP**), a long-term partnership to develop and own land lease communities.

CEO and Managing Director of Stockland, Tarun Gupta, said "We are executing on the strategy that we announced in late 2021 and are pleased to welcome Mitsubishi Estate Asia to our platform. This partnership will enable us to improve our market position by creating opportunities to scale up our Land Lease Communities business with a high quality capital partner via the delivery of the $4bn[3] secured development pipeline. The establishment of the Stockland Residential Rental Partnership will generate new, high-quality recurring management and rental income and opportunities to deliver ongoing development margins from our substantial land bank, leveraging our demonstrated leadership in masterplanned communities.

"This transaction will enhance the Group's return on invested capital and will enable us to drive growth in third party funds under management."

The initial portfolio of the SRRP will comprise six land lease communities currently in development, being four communities in QLD acquired as part of the Halcyon acquisition (Greens, B by Halcyon, Rise and Promenade) and two existing Stockland communities (Nirimba, QLD and Berwick, VIC).

The total current value of the initial portfolio is ~$500m and the six initial communities will yield approximately 2,000 home sites[4] when complete.

CEO, Communities, Andrew Whitson said the strength of Stockland's identified pipeline was key to the successful growth of the partnership.

"Given the scale of our development pipeline and strong customer demand, we see significant scope to grow our land lease platform. The introduction of a high-quality investment partner like Mitsubishi Estate Asia will help to support that growth while also providing an opportunity for us to accelerate development upside embedded in our land bank."

[1] Subject to approval being received from the Foreign Investment Review Board. Stockland 50.1% and MEA 49.9% interest
[2] Forward-looking statements, including statements regarding future earnings and distributions that are based on information and assumptions available to us as of the date of this release. Actual results, performance or achievements could be significantly different from those expressed in, or implied by these forward looking statements.
[3] Stockland's land lease development pipeline is forecast to generate gross development realisations of approximately $5bn. Of this approximately $4bn is expected to commence construction during the SRRP's five-year initial investment period.
[4] Includes home sites already occupied within the land lease communities.

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MEA's Head of Australia, Yuzo Nishiyama said "MEA is delighted to be partnering with Stockland in the lifestyle communities sector. This is a highly attractive residential product that offers customers a unique and affordable lifestyle choice. We regard this as a highly strategic opportunity with Stockland to be a market leader in this emerging sector through a long-term open-ended partnership. This transaction also reinforces MEA's commitment to Australia and our desire to expand into new real estate sectors."

During its initial five-year investment window, the SRRP will have a first right to acquire an identified pipeline of Stockland sites that are currently in planning. In addition to the identified pipeline, Stockland and MEA will explore opportunities to grow the portfolio via the acquisition of additional sites that meet the partnership's return requirements.

Stockland will retain full ownership of approximately 1,200 home sites within established communities that it acquired as part of the August 2021 Halcyon transaction.

**Pricing**

The four Halcyon communities will be acquired at a price consistent with Stockland's initial purchase consideration, adjusted for net cash flows subsequent to the settlement of the Halcyon acquisition on 17 August 2021.

Pricing for the two existing Stockland communities in the initial portfolio has been set with reference to agreed risk-return parameters. The transfer of these communities will result in realisation of cash-backed development margin for Stockland in FY23 relating to MEA's interest in the partnership.

The acquisition price for any additional sites purchased from Stockland by the SRRP will also be set with reference to the agreed risk-return parameters. Any future transfers will occur at the point of construction commencement and are expected to generate further realised development margin for Stockland.

**Management and Fee structure**

Stockland will be responsible for managing the portfolio of established land lease communities and carrying out the development of new land lease communities on behalf of the SRRP.

Stockland will earn ongoing fees for investment management, development management, property management and ancillary services. These fees have been set with reference to prevailing market rates. In addition, performance fees may be earnt by Stockland, subject to the partnership outperforming agreed parameters.

**Transaction timing**

The transaction is subject to approval by the Foreign Investment Review Board. Settlement of the four Halcyon communities will occur at completion[5], expected late FY22. Settlement of the transfer of Nirimba and Berwick will occur in July 2022.

**Financial impact**

Stockland expects the establishment of the SRRP to have a neutral impact on Funds From Operations (FFO) per security in FY22 and to be accretive to FFO per security in FY23[6].

The formation and funding of the SRRP and transfer of the six initial communities from Stockland is forecast to generate proceeds to Stockland of approximately $330m prior to transaction costs. MEA's 49.9% share of the initial portfolio is ~$250m. In addition, proceeds are expected to be generated by the introduction of debt financing within the SRRP structure. The SRRP will initially be geared to 34%. Over time, the targeted gearing range for the partnership is 50-60%.

[5] Subject to all necessary approvals.

[6] Forward-looking statements, including statements regarding future earnings and distributions that are based on information and assumptions available to us as of the date of this release. Actual results, performance or achievements could be significantly different from those expressed in, or implied by these forward looking statements.

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**About Mitsubishi Estate Asia Pte Ltd**

Mitsubishi Estate Co., Ltd. ("MEC") is one of Japan's largest real estate developers and is a highly active international investor with a strong balance sheet. MEC has net assets of JPY2.1 trillion (A$26 billion) as at 30 June 2021.

Since 2016, when Mitsubishi Estate Asia Pte. Ltd. ("MEA", a wholly owned subsidiary of MEC) entered the Australian market, it has closed 7 large real estate development joint venture transactions with c. A$7.5 billion end value.

Last year MEA established an Australian office to oversee its extensive Australian investments, as well as to capitalise more efficiently on new business opportunities like SRRP. This has contributed significantly to its ability to close over A$5 billion of transactions in the past 24 months.

**ENDS**

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

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