



Managing Director's address: Matthew Quinn

Stockland AGM – 23 October 2007

Thank you Graham and good afternoon ladies and gentlemen.

Our objective has always been to deliver outstanding returns for you, our investors. I am therefore pleased to stand before you today and mark another record year for Stockland – as Graham said, our 25th consecutive year of profit growth.

At today's meeting I will share with you an overview of our performance in the 2007 financial year, including highlights from each of our operating divisions. I will also talk to you about the importance of a number of strategic initiatives that position our business very solidly for the future, as well as an outlook for the year ahead.

Our continued performance through changing market cycles is driven by the strength of our business model and the diversity of our operations. Our integrated real estate platform provides us with invaluable synergies, economies of scale and knowledge transfer across our business, which has now expanded onto the global stage.

There were many highlights in our 2007 results.

- Our gross revenue was an impressive \$3.3 billion last year, an increase of 43.5%
- A record operating profit of \$611 million, a 10.3% increase on the previous year.
- Earnings per security increased by 6% to 44 cents. And we have again lifted your distributions per security, to 44.3 cents, an increase of 7%.

We maintained our focus on delivering strong and consistent returns over the longer term and our total annual shareholder return performance over the last five years was an impressive 20.5% - outperforming our peer group average.

At the start of this financial year we took stock of our position in the marketplace, our capability and our competitive advantage.

At Stockland, strategy always comes first and opportunity second. Our strategy is driven by our competitive advantage, that is, what we bring to the table through our business model to deliver enhanced returns.

After careful planning, we assessed opportunities and executed our investment in our future growth platforms, via three key strategic initiatives:

- a move into the retirement living sector, which is a natural evolution of our residential communities business;
- a measured expansion into international markets in locations where we can use our diversified platform to create value, focusing on fundamental property skills such as development, asset management and leasing – not just financial structuring; and
- an enhanced approach to capital partnering and sharing risks and returns with a wider set of investors.

The acquisition of Australian Retirement Communities has given us a significant and potentially market leading position in the growing Australian retirement sector.

Our offshore growth platform was secured through the acquisition of Halladale, one of the UK's leading small cap property development and asset management groups.

And finally, we launched Stockland Capital Partners, to ensure we can fund our growth targets through a wider variety of sources of capital other than traditional listed equity and debt. This will entail solutions ranging from co-investment joint ventures, traditional funds management and structured financial solutions for a broader range of investors.

All of these initiatives are a means to an end and not an end in themselves. While we invested a reasonable portion of our balance sheet; we also managed the inherent risks. Both the ARC and Halladale acquisitions give us a solid platform for the future and will enable us to achieve critical mass in what are rapidly emerging and growing markets.

These strategic initiatives are very exciting for us, but rest assured we've maintained our focus on maximising returns from our existing operations and I'll now talk briefly about the performance of each of our operating divisions.

Our retail business, led by John Schroder, now comprises 43 retail centres valued at \$4.3 billion, accommodating more than 3,200 retailers and generating in excess of \$5 billion in annual retail sales.

With increased productivity driving strong income growth, our retail business delivered another outstanding result. Operating profit increased by 6.6% to \$252.1 million, with comparable rental income growth of 5.5%.

Our \$1.8 billion development pipeline continues to gather momentum, with a substantial increase in active projects across the country. This pipeline will drive the continued growth of our retail business and deliver solid returns.

One of the largest projects underway is a significant upgrade and extension of Stockland Merrylands.

Many of you will recognise this as our first shopping centre. We built the mall in 1973, and while it's a very productive centre today, it doesn't reflect current consumer taste. We now have the opportunity to create a leading-edge retail offering reflecting the growing trade area and changing retail trends.

The new Stockland Merrylands will see the addition of two new anchor stores, a state of the art food court, a five-level multi-deck car park, and 100 new specialty shops and cafes.

It's a very exciting project and one where we will use our development and delivery capabilities to create a world class shopping centre.

The retail market is pretty sound, we're seeing positive consumer sentiment, buoyed by strong employment, increasing wages, the strengthening east coast residential market and recent tax cuts. Our retail sales continue to grow ahead of the consumer price index and we expect continued positive conditions in retail markets in the year ahead.

We're also focused on driving increased productivity from our existing retailers and generating new income streams in the current financial year, with a number of exciting projects underway.

We will also generate improved efficiencies by investing in new customer facilities and improvements to amenities and services, encouraging more customers to shop in our centres, as part of our focus on increasing retail sales.

Turning now to our commercial and industrial business, headed by Steve Mann.

With an operating profit up 19.4% to \$251.6 million, our commercial and industrial business now comprises 66 office and industrial properties located in key growth corridors across Australia, with an asset base of over \$4 billion.

The business grew by over \$1 billion last year, through strategic acquisitions, revaluations and development completions.

Our portfolio is well positioned to unlock rental upside and our development pipeline expanded significantly to \$1.3 billion.

A primary example of our design, development and delivery capability was the completion of the \$410 million Optus Centre at Macquarie Park, Sydney.

Optus' new headquarters is the largest single tenant campus workplace in Australia, and is now home to more than 6,500 Optus employees.

Comprising six low-rise buildings with a total area equivalent to eight football fields, this project demonstrates our ability to combine expertise in large-scale commercial development with a focus on creating the new style of sustainable workplaces.

The site, which is designed to achieve a 4½ star Australian Building Greenhouse Rating, includes a landscaped lake, retail facilities and food court, child care centre, gymnasium and over 2,000 underground car parking spaces.

Office markets are in very good shape across the country as strong employment conditions continue to drive demand. The resource-rich states of Western Australia and Queensland continue to outperform and Sydney is set for rental growth due to limited supply of new office space available for its growing workforce.

Conditions remain buoyant in industrial markets, with growth in the transport and storage sector underpinned by strong GDP growth and the resulting demand for large scale warehousing and logistics facilities.

Our strategy for growth in the commercial market included the re-weighting of our portfolio to the high growth resource rich markets, with a 15% weighting now held in each of the Perth and Brisbane CBDs.

The momentum in our development pipeline is an important part of the growth of the business. This year more than \$320 million of projects were completed, and another eight projects will start in the 2008 financial year.

Moving now to the performance of our development division, led by Denis Hickey.

We have grown our residential portfolio to an end value of more than \$19 billion, with over 73,000 future lots in our residential community, apartments and retirement living projects across Australia. We have maintained our position as the leading residential developer in the country, and our track record of performance positions us well in this competitive market place.

The Division achieved another record profit of \$273 million, an increase of 14% on the previous year.

The team has successfully implemented key initiatives including the start of our Home Finance business, approvals for some exciting new development projects and the Australian Retirement Communities acquisition.

Australian Retirement Communities is a solidly performing business that complements our existing portfolio and it has already been successfully integrated into the group. We are now adding our management and development expertise to deliver further growth in our retirement living business in the year ahead.

As the residential market becomes increasingly fragmented, development, design and delivery capability will become a key competitive advantage.

Our integrated business model gives us access to wider market opportunities compared with sector specific business models, particularly as the rate of urbanisation and infrastructure consolidation gathers pace and we move towards more mixed-use developments.

We are focused on using the diverse capabilities of our business to deliver world-class mixed-use projects in prime locations. Making a positive aesthetic contribution to important sites in major cities is always a big challenge and one that we're more than capable of meeting.

The Village, at Balgowlah, Sydney, is testament to our urban transformation capability. Our residential and retail teams are working together on this \$340 million urban renewal project to transform a run-down shopping centre into a contemporary residential and retail precinct, integrating it with the existing town centre.

With 260 apartments and 13,000 square metres of retail space, the precinct will include a full-line supermarket, approximately 60 specialty stores and an underground car park. The mix of retail and residential accommodation has been designed to reflect the coastal location, and will rejuvenate a run down site to provide a new level of services and amenity for the local community.

The development division entered the 2008 financial year in a strong position, with a record number of contracts on hand, increased diversification from new businesses, and a clear platform for growth.

Although core demand drivers for the residential market remain robust across the country, conditions do vary by state.

Demand remains strong in Queensland; in Western Australia we have seen some easing off from the frenetic highs recorded last year; New South Wales is showing strong signs of recovery in the inner areas, but this is yet to be reflected in the outer suburbs; and we remain very confident about the Victorian residential market, with steady conditions and relatively high affordability compared with the other States.

Australia is currently enjoying the strongest population growth for 15 years and this, coupled with shrinking household sizes, is fuelling demand for housing. With unemployment at an all time low, residential vacancies are tightening and rents are growing strongly.

Some areas of concern for the housing market include interest rate fears, housing affordability and restrictions on planning affecting availability of new supply.

We believe that Governments at all levels need to work more collaboratively with our industry to bring more land to market, reduce the cost burden on new home owners and avoid the current major affordability issues becoming even more severe. We will continue to work with the authorities and the community to do our part in developing land in a timely and affordable manner, and we will continue to lobby hard for meaningful change from government in respect of planning and taxes.

Moving now to the retirement sector which is experiencing strong growth as the population ages.

Currently, the take-up rate for retirement village living in Australia is low relative to other markets such as the US, with only 3 to 4% of people aged over 70 moving into retirement villages. As groups like Stockland lift the quality of the product offering, we expect penetration rates to increase, and we will capitalise on these conditions to grow our business.

In summary, our development division is in great shape and well poised for further growth.

We will extract greater market share as our core projects mature and we will continue to bring quality new projects to market.

Our new and emerging business segments, such as retirement living, will attract new buyers and we will broaden our reach to new customers through initiatives such as affordable housing, integrated housing and home finance.

I am pleased to introduce you to the new CEO of our capital partners business, Brett Newman. Brett has extensive experience in Australia and the United Kingdom across a wide range of capital transaction and funds management activities.

This part of our business has previously focused on unlisted property funds and we will now broaden our Capital Partner initiatives to focus on unlocking the value of our development pipeline and further diversifying our capital sources as we continue to grow the business.

In Australia, our six existing managed funds are outperforming forecasts, with over \$850m of wholesale and retail assets under management.

Brett's team will work closely with our Stockland Halladale funds management platform in the UK and continental Europe, and we will cross sell our products between these two markets.

Our experience and capabilities in funds management, major transactions and new product development in Australia and the UK will ensure that our capital partners business is established as a key plank of our future strategy.

I'm pleased to report that the integration of our new UK business has gone very well. The business has been re-branded as Stockland Halladale and the combined Stockland and Halladale teams are working extremely well together under the leadership of David Lockhart, Lisa Scenna and Ken Lindsay.

Stockland Halladale provides us with an outstanding platform for growth, with a strong foothold in the UK retail and office sectors. We will now focus on growing our residential capability and developing excellence in the mixed-use space where we see real opportunity to create shareholder value, just as we have in Australia.

Looking forward we will strive to boost our emerging presence in continental Europe, via our capital partnering capabilities and investigate other international markets over coming years, building on our expertise.

The recent credit crunch and drying up of liquidity has vindicated our strategy of international expansion through property based skills rather than mere passive ownership or financial structuring. This is especially important in the UK where investment property values have fallen in the last few months. We don't expect this to have a material impact on the outlook of our UK business and we are excited by the increased opportunities now coming our way and the lesser competition for assets as the market softens. This may enable us to accelerate our growth, in this market through selective value based acquisitions in line with our strategy.

Our high performing people and culture, combined with our sound property skills, enable us to continually deliver on our objectives.

Diversity, employee engagement, leadership and innovation are core to the ongoing success of our business.

I am proud to say that our achievements in building an organisation with a strong performance based culture and high employee engagement have been widely recognised. We received recognition as a Hewitt Best Employer and we were globally recognised as a Hewitt Top Company for Leaders in 2007, while the Federal Government's Equal Opportunity for Women in the Workplace Agency named us an Employer of Choice for Women.

One of the challenges we will continue to face is attracting and retaining high performing people. In an environment of high employment and skills shortages, our culture, values and the quality of our work places are increasingly important as we strive to deepen our leadership and talent pool. We have made good progress in this critical area in 2007, with a strengthened executive and leadership team capable of taking the organisation forward to new levels.

I'd like to personally thank all of our employees, many of whom are here today as Stockland shareholders, for their hard work and commitment in driving our performance.

At our annual results presentation in August, we provided profit guidance for the 2008 financial year and I'm pleased to confirm that we are on track to achieve our target of 5% growth in earnings per security. As with last year, there is likely to be a skew in profits towards the second half of the year due to the timing of completion of some of our projects, however our dividend policy will ensure that our shareholders are evenly rewarded over the year.

In conclusion, let me reiterate that while property development has always been a complex business, developers like Stockland now need much greater property and capital markets expertise to successfully and efficiently bring our product to market. We recognised this trend early and have cemented an enviable brand capable of leveraging our design and delivery expertise to create world-class projects in Australia and in the UK.

We're well positioned , with a strong balance sheet, to be able to deliver great returns for you, our owners.

I would like to thank you for your attendance today and your continued support for Stockland.

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Stockland (ASX: SGP) is one of the largest and most diversified property groups in Australia with interests in retail, commercial, industrial, residential and retirement living investment and development, and funds management. Stockland currently has total assets in Australia, New Zealand and the United Kingdom of over \$13.7 billion, market capitalisation in excess of \$11 billion, and reported an operating profit of \$611 million for the year ended 30 June 2007. Additional information can be found on our website www.stockland.com.au