

Unlisted Property Funds

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20 May 2011

Dear Investor,

Stockland Direct Office Trust No.1 (SDOT1) – Waterfront Place Sale Update

I am pleased to confirm the sale of the SDOT1 interest in Waterfront Place to the Future Fund for \$216.4 million. Settlement of the sale occurred on 20 May 2011.

SDOT1 has provided a strong distribution in addition to capital growth on the sale of Waterfront Place. General Investors can expect to receive a total return (IRR) of approximately 14 per cent[#] per annum and Geared Investors can expect to receive a total return (IRR) of approximately 20 per cent[#] per annum over the life of the fund.

Proceeds from the sale will in part represent a capital gain which will be eligible for the CGT discount. The exact amount will be advised in the tax statement which will be issued on 31 August 2011 for inclusion in your 30 June 2011 income tax return.

Conditions of sale

Under the terms of the sale contract, SDOT1 is required to retain \$21 million in a retention fund (**Retention Fund**) until 15 June 2012 (**Retention Period**) to support warranties provided by SDOT1. The warranties are the usual warranties provided by a vendor in a transaction of this type.

Stockland Trust will retain its 50 per cent interest in Waterfront Place, with the property management of Waterfront Place to transition to an external property manager.

SDOT1 Loan Facility

As a consequence of the sale, SDOT1's loan facility with Westpac has been repaid.

Distributions and Wind Up of the Trust

An interim distribution consisting of the sale proceeds less sale costs and the Retention Fund will be paid to investors in June 2011. Further details of the interim distribution will be provided closer to the distribution date.

A final distribution to investors will be paid after expiry of the Retention Period, ie after 15 June 2012.

SDOT1 will therefore continue to exist until after 15 June 2012, with the payment of the final distribution and the wind up of SDOT1 expected to occur in the first quarter of FY13.

[#] Assumes Retention Fund remains undrawn as at 15 June 2012

Please contact me on (02) 9035 2695, or our Client Relations Manager on (02) 9035 3208, or visit our website www.stockland.com.au/unlistedpropertyfunds should you have any queries.

Yours faithfully,

A handwritten signature in cursive script that reads "Tracey Jordan".

Tracey Jordan
National Manager, Unlisted Property Funds
Stockland Capital Partners Limited