



Stockland Direct Retail Trust No.1 (SDRT1)

The last financial year has been challenging and SDRT1's performance reflects this.

Distributions for the year ended 30 June 2009 were 7.07 cents per unit, representing a distribution return of 7.07%.

Independent valuations for all SDRT1 properties have been undertaken as at 30 June 2009. The weighted average capitalisation rate increased to 8.39%, resulting in an 8.7% decrease from December 2008 in valuations to \$77.8 million.

SDRT1's financier has provided a loan-to-value ratio covenant waiver to 22 December 2009. The Responsible Entity believes that the most appropriate way to avoid potential future breaches of SDRT1's financial covenants is to reduce the outstanding loan facility. One option to achieve this is via the sale of any or all of SDRT1's properties. It is likely that the Responsible Entity will reduce distributions and be required to call a further meeting of Investors to approve the sale of any or all of the properties. If a further meeting is called, it will be important for all Investors to vote to ensure that the outcome achieved is representative of all Investors.

At 30 June 2009, SDRT1's loan facility agreement was due to mature on 22 December 2009. SDRT1 and the financier are in ongoing discussions to extend the loan facility until 31 December 2011.

STATISTICS AND PERFORMANCE

as at 30 June 2009

Assets under management	\$81m
NTA per unit*	\$0.56
Debt	
Gearing	69%
Years to maturity	0.5
FY09 distribution return	7.07%
FY09 total return	(34.6%)
Total return since inception per annum	(13.1%)

* Net tangible assets per unit as calculated in accordance with Australian International Financial Reporting Standards.

KEY PROPERTY STATISTICS

Property	Pacific Pines Shopping Centre	Benowa Gardens Shopping Centre	Tamworth Homespace	Fremantle Shopping Centre
Independent valuation	\$18.3m	\$28.5m	\$14.2m	\$16.8m
Valuation date	30 Jun 09	30 Jun 09	30 Jun 09	30 Jun 09
Gross lettable area (m ²)	5,520	5,739	13,073	4,665
Occupancy rate	100%	96%	82%	86%
Weighted average lease expiry (years by income)	7.67	4.57	3.31	11.84
Major tenant	Woolworths	Coles	Good Guys	Woolworths
SDRT1 occupancy				89%
SDRT1 weighted average lease expiry (years by income)				6.48

PROPERTY UPDATE

Pacific Pines Shopping Centre exhibited strong performance during the half year ended 30 June 2009 with the anchor tenant Woolworths trading particularly well. Occupancy remains at 100%.

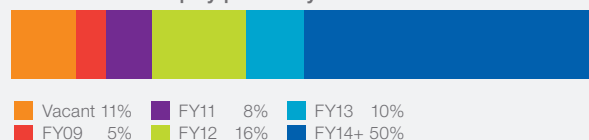
Benowa Gardens Shopping Centre has welcomed national tenants Flight Centre, EB Games and Zarraffa's during the 2009 financial year. The Centre exhibited strong performance during the half year ended June 2009 with the anchor tenant Coles trading particularly well. Minor landscaping works are underway and occupancy remains high at 96%.

Occupancy has improved marginally at Tamworth Homespace to 82% from 79% in December 2008. Leasing vacant tenancies remains a key priority for Stockland's leasing professionals as negotiations with potential tenants continue.

Marketing initiatives focused on branding and market presence are being implemented at Fremantle Shopping Centre to enhance trading performance. While trading performance of the Centre has been slow, Stockland management are working alongside tenants to resolve any difficulties they are experiencing. The construction of a right hand turn lane into the Centre to improve accessibility has recently been completed. The Centre remains 86% occupied and therefore leasing vacant tenancies remains a key priority for Stockland's leasing professionals and their agents.

The following graph illustrates the lease expiry profile of SDRT1 by area.

SDRT1 Lease expiry profile by area



Smart Monitoring has been implemented at Benowa Gardens Shopping Centre and Pacific Pines Shopping Centre leading to water savings of 21.0% and 10.5% respectively over corresponding periods in the 2007 and 2009 financial years.

MARKET UPDATE*

Non-discretionary sales at neighbourhood centres have proven resilient over the half year ending 30 June 2009 however uncertainty regarding the economic outlook and a more competitive retail market continue. Vacancy in the Perth market increased 1.5% to 6.6% during the half year whilst the South-East Queensland market remained stable at 3.1%.

Neighbourhood centre rents have decreased marginally during the half year with South-East Queensland rents decreasing 0.7% to \$548 per square metre and Perth rents decreasing 0.8% to \$487 per square metre.

The number of neighbourhood centre sales has declined since the 2007 peak however remains relatively strong compared to larger shopping centres. For the Perth market, June 2009 yields of 8.00% to 9.00% have increased from the December 2008 yields of 7.00% to 8.50%. Similarly, for the South-East Queensland market, June 2009 yields of 7.75% to 9.50% have increased from the December 2008 yields of 7.50% to 9.25%.

The Bulky Goods Retail Market has benefited from fiscal stimulus payments however uncertainty regarding the economic outlook continues. Nationally, eight bulky goods centres totalling over 140,000 square metres were completed during the half year. Rents have declined and are expected to continue to waver as tenants postpone expansion and relocation plans. Sales activity was considerable during the half year with 18 sales taking place. June 2009 yields of 8.00% to 10.50% are a substantial increase on the December 2008 yields of 7.50% to 9.50%.

* Sourced from the 2009 Neighbourhood Retail and Bulky Goods Retail Market Reports by Jones Lang LaSalle.

The Stockland story

Ervin Graf founded Stockland in 1952 with a vision to ***“not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country”***.

Pursuing that vision has seen Stockland grow to become one of Australia's leading diversified property groups – developing and managing a large portfolio of residential community, apartment, retirement living, retail, office and industrial assets.

With the benefit of our diverse property skills, we connect together property styles in shared locations, to create communities of uncommon diversity and connectedness; places that inspire people to gather, to share and to live life.

We recognise our responsibilities to the environment and are striving to become a leader in sustainable business practices. Our positive and adaptable team shares Graf's vision of making a worthwhile contribution to our community. We work hard, we expect a lot of one another, and we seek true work-life balance.

For over half a century, we've worked hard to grow our diverse portfolio of assets and projects while maintaining a conservative balance sheet. It's proven a sound approach and we're now Australia's largest diversified property group and a top 50 ASX listed company.

RESPONSIBLE ENTITY

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Stockland Direct Retail Trust No.1 – ARSN 121 832 086

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