

Unlisted Property Funds

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29 June 2011

Dear Investor,

Stockland Direct Office Trust No. 1 (SDOT1) Interim Distribution

I am pleased to provide you with your Statement for the Interim Distribution from SDOT1.

SDOT1 has performed well and provided strong distributions in addition to capital growth on the sale of Waterfront Place. Over the life of the fund, we have retained blue chip tenants in a competitive market and maintained the premium quality of the asset. General Investors can expect to receive a total return (IRR) of up to 14 per cent[#] per annum and Geared Investors can expect to receive a total return (IRR) of up to 20 per cent[#] per annum over the life of the Fund.

In a previous letter dated 20 May 2011, I advised that Waterfront Place had been sold to Future Fund for \$216.4 million. The sale proceeds were used to repay the loan facility with Westpac and, as a condition of the sale, a retention amount of \$21 million (**Retention Amount**) will be held until 15 June 2012 (**Retention Period**) to support warranties provided by SDOT1 to the Future Fund. Interest earned on the Retention Amount will be payable to SDOT1.

The following costs have also been deducted from the proceeds of sale (after repayment of the Westpac loan facility and Retention Amount noted above):

- Sale costs (including legal fees, and agents commission); and
- A contingency for unforeseen and yet to be determined costs that may be incurred by SDOT1 over the next 12 months until the expiry of the Retention Period.

The sale of Waterfront Place gave rise to a capital gain. It is this capital gain that is being distributed to investors in the form of an Interim Distribution, together with tax deferred income.

Interim Distribution

Each investor will receive an Interim Distribution of 128.5 cents per unit, representing a capital gain of approximately 120 cents per unit. This gain will be eligible for the CGT discount. The balance of approximately 8.5 cents per unit represents tax deferred income. Investors should note that the Interim Distribution is unaudited as the current financial year is yet to complete, however the amounts in the Tax Statement that investors will receive in August 2011 will have been audited.

Current estimates of the final distribution on the wind up of the Fund to investors range between 0 cents per unit (if the Retention Fund and contingency are exhausted), and 36 cents per unit if there are no claims against the Retention Fund and contingency.

Once the Retention Period has expired, monies remaining in the Retention Fund will be used to redeem the units in SDOT1. This will occur approximately in late June 2012, and the Fund will be wound up shortly afterwards.

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

You will be advised of the exact amount of the components of the distribution in the tax statement to be issued on 31 August 2011 for inclusion in your 30 June 2011 income tax return. You may wish to seek advice from your tax advisor regarding their particular circumstances and any tax implications arising from the interim distribution.

If you wish to discuss any aspect of this letter, or have any additional queries, please contact me or our Client Relations Manager Michael Radziowsky on (02) 9035 3208.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Tracey Jordan', with a stylized, cursive script.

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