

Unlisted Property Funds

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25 June 2012

Dear Investor,

Stockland Direct Office Trust No. 1 (SDOT1) Redemption Payment.

I am pleased to provide you with your statement for the Redemption Payment, which will be the final 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 received an annualised total return of approximately 11% and Geared Investors received an annualised total return of approximately 18% over the life of the Fund.

In my previous letter to you dated 21 May 2012, I referred to the Retention Amount and a contingency that was maintained for unforeseen and yet to be determined costs resulting from the sale of SDOT1's interest in Waterfront Place.

I am pleased to advise that there was no claim made against the Retention Amount. Consequently, final costs have been determined, and the redemption payment of 38.4870 cents per unit (being a return of capital) is being paid to you. SDOT1 will then be wound up.

Redemption Payment

For original investors who paid \$1.00 to acquire their units, each investor will receive a redemption payment of 38.4870 cents per unit, resulting in a capital loss of 5.7019 cents per unit. A Redemption Payment Notice and Tax Statement is attached to this letter. The capital loss can be claimed in your tax return for the financial year ending 30 June 2012.

As a consequence of this payment, your units have now been redeemed and SDOT1 will be wound up. There will be no further action required from you in relation to your unitholding in SDOT1.

What is the Tax Position for the Redemption Payment?

Investors who contributed \$1.00 per unit, and have held their investment since the inception of SDOT1, have received tax deferred distributions of 55.8111 cents to date. As tax deferred distributions are in effect a return of capital for tax purposes, the cost base in the units for such investors is currently 44.1889 cents.

The redemption payment is 38.4870 cents per unit and as such investors will incur a capital loss of 5.7019 cents per unit.

As an example, an investment of \$10,000 has the following cashflow over the life of SDOT1:

	Cash \$	Cost Base \$
Capital invested		10,000
Distributions		
- Tax Deferred	5,581	(5,581)
- Capital Gain	12,062	
Tax on Capital Gain ¹	(2,804)	
Redemption Payment	3,849	(3,849)
Cash to investor after tax	18,688	
CGT loss		(570)

¹Estimated CGT paid by investors after the 50% CGT discount and applying the top marginal tax rate.

The exact amount of your redemption payment, which is a return of capital, is contained in the Redemption Payment Notice attached to this letter. A Tax Statement is also attached.

We strongly recommend that you seek advice from your tax advisor regarding your particular circumstances and any tax implications likely to arise from the final return of capital.

If you wish to discuss any aspect of this letter, or have any additional queries, please contact me or our Client Relations Manager, Justin Wong, on (02) 9035 2736.

Yours faithfully,



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