



Stockland Direct Office Trust No.1 (SDOT1)

The last financial year has been challenging and SDOT1's FY09 total return reflects this, although it should be noted that the total return since inception is 23.0% per annum for General Investors and 38.6% per annum for Geared Investors.

Distributions for the year ended 30 June 2009 were 8.75 cents per unit representing a distribution return of 8.75% for General Investors and 11.00% for Geared Investors.

An independent valuation for Waterfront Place has been undertaken as at 30 June 2009. The capitalisation rate increased to 7.25%, resulting in an 11.9% valuation decrease from December 2008 to \$235.75 million for SDOT1's 50% share of Waterfront Place.

Given the impending expiry of SDOT1's original term, a comprehensive review is being undertaken by the Responsible Entity. Discussions with independent advisers have confirmed that current market conditions make the execution of a sale of a 50% share in a large premium grade property such as Waterfront Place extremely difficult. The Responsible Entity is likely to recommend to Investors that the term of SDOT1 be extended for a further four years with a mandate to sell SDOT1's 50% share of Waterfront Place within that term. The Responsible Entity considers that this would allow for an orderly sale and maximise value. A meeting of Investors is planned for late November 2009, with explanatory documentation to be issued late October 2009. Investors will vote on the proposed strategy by Special Resolution.

SDOT1's loan facility agreement matures 1 July 2010 and the Geared Investors' loan facility agreement matures 30 June 2010. These maturities will be addressed in the explanatory documentation to be issued late October 2009.

STATISTICS AND PERFORMANCE

as at 30 June 2009

Assets under management	\$236m
NTA per unit*	\$1.88
Debt	
Gearing	42%
Years to maturity	1.0
General Investor	
FY09 distribution return	8.75%
FY09 total return	(20.3%)
Total return since inception per annum	23.0%
Geared Investor**	
FY09 distribution return	11.00%
FY09 total return	(26.5%)
Total return since inception per annum	38.6%

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

** Returns on the \$0.40 per unit paid by Geared Investors.



KEY PROPERTY STATISTICS

Property	Waterfront Place
Independent valuation	\$235.75m [^]
Valuation date	30 Jun 09
Net lettable area (m ²)	59,368
Occupancy rate	100%
Weighted average lease expiry (years by income)	4.81
Major tenants	Minter Ellison Ernst & Young Phillips Fox Corrs Chambers & Westgarth BankWest Hopgood & Ganim Mallesons

[^] Represents SDOT1's 50% interest in Waterfront Place.

*Waterfront Place remains
100% occupied by quality tenants.*

PROPERTY UPDATE

Waterfront Place remains 100% occupied by quality tenants such as Ernst & Young who have recently entered into a new lease agreement extending their tenure by over 3 years.

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

SDOT1 Lease expiry profile by area



■ Vacant 0.1% ■ FY11 17.7% ■ FY13 5.7%
■ FY10 7.7% ■ FY12 12.0% ■ FY14+ 56.8%

A 4 Star NABERS Energy and Water rating has been achieved at Waterfront Place which is an "excellent" rating from the Department of Environment and Climate Change. Energy savings of 16.5% and water savings of 41.15% have been achieved for the July 2008 to May 2009 period compared to the July 2004 to May 2005 period.

MARKET UPDATE*

In the Brisbane CBD office market, six projects totalling 129,500sqm were completed during the half year ended 30 June 2009 and an additional 98,000sqm remain under construction. No new projects were started during the half year.

The vacancy rate increased to 7.5% which is the highest level experienced since 2000. This is attributable to the backfill space left by tenants relocating into newly completed buildings, the contraction of space by major tenants and smaller tenants leaving the market.

Average prime gross effective rents fell 14% to \$642 per sqm during the half year as a result of weak tenant demand and increasing vacancies.

June 2009 prime yields of 7.25% to 8.25% are a substantial increase on the December 2008 prime yields of 7.00% to 7.75%. Local private investors have been behind the majority of acquisitions.

* Sourced from the 2009 Brisbane CBD Office 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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UNIT REGISTRY

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Stockland Direct Office Trust No.1 – ARSN 110 688 009

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