Summary

- In December 2009, investors voted in favour of selling SDOT1's 50 per cent share of Waterfront Place and winding up SDOT1.
- The public sale campaign to sell SDOT1's share of Waterfront Place commenced in April 2010. Due to the complexity of the transaction and current market conditions, it is unlikely that a sale will be completed prior to 30 September 2010.
- As previously communicated, Geared Investors will need to repay their loans on or before 30 September 2010.
- Further updates will be provided as the sale campaign continues.

Stockland

Stockland Direct Office Trust No. 1 (SDOT1)

Key Results

Assets Under Management
as at 30 June 2010

Assets under management	$219.5 million

NET TANGIBLE ASSETS*

$1.68 per unit

SDOT1's NTA per unit increased from $1.61 as at 31 December 2009 to $1.68 as at 30 June 2010. This positive result was due partly to the increase in value of SDOT1's share of Waterfront Place from $217.5 million as at 31 December 2009 to $219.0 million as at 30 June 2010. The Waterfront Place capitalisation rate remained stable at 7.50 per cent between December 2009 and June 2010.

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

Distributions and Returns

General Investors

FY10 distributions return	6.63%
FY10 total return	(4.09%)
Total return since inception per annum	17.70%

Geared Investors*

FY10 distributions return	5.69%
FY10 total return	(10.03%)
Total return since inception per annum	28.51%

FY10 DISTRIBUTIONS

6.63c per unit

FY10 gross distributions totalled 6.63 cents per unit, giving General Investors a 6.63 per cent distribution return. For Geared Investors, after deducting 4.35 cents per unit of interest expense, the FY10 net distributions totalled 2.28 cents per unit, giving a 5.69 per cent distribution return.

The March and June 2010 gross quarterly distributions were reduced to 1.13 cents per unit to enable the funding of leasing incentives and capital expenditure without drawing on SDOT1's loan facility.

The FY10 total returns were impacted by the decrease in the Waterfront Place valuation from June 2009 to December 2009. However, the overall increase in the value of Waterfront Place since fund establishment is reflected in strong total returns since inception.

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

Debt
as at 30 June 2010

Loan facility	$108.4 million
Drawings	$100.2 million
Interest rate*	BBSY + 0.60%
Maturity date	30 September 2010

LOAN TO VALUATION RATIO

45.77%

Drawings on the loan facility have not increased in FY10. Subsequent to 30 June 2010, the loan facility has been extended to 30 September 2012 at an interest rate of BBSY + 2.30 per cent. There are no cancellation or prepayment fees on this extended facility.

The interest rate swap on the main facility expired on 1 July 2010. A new swap contract has not been entered into for the September 2010 quarter. However, negotiations for a new swap contract from October 2010 are progressing.

The loan to valuation ratio of 45.77 per cent is below the 50.00 per cent maximum allowed by SDOT1's financier as at 30 June 2010. Under the extended loan facility, the maximum loan to valuation ratio has increased to 55.00 per cent.

* Excludes the interest rate swap that expired on 1 July 2010.

Property Overview

Key Property Statistics as at 30 June 2010

Property	Waterfront Place
Independent valuation*	$219.0 million
Valuation date	30 June 2010
Net lettable area (sqm)**	58,847
Occupancy rate	96%
Weighted average lease expiry (years by income)	4.16
Major tenants by net lettable area	Minter Ellison Ernst & Young Phillips Fox Corrs Chambers & Westgarth BankWest

* Represents SDOT1's 50 per cent interest in Waterfront Place.
** Net lettable area of Waterfront Place in its entirety.

Waterfront Place maintained a high occupancy rate of 96 per cent. A number of leases with existing and new tenants were secured during the first half of 2010 and negotiations to fill existing vacant space and minimise the impact of upcoming expiries continue.

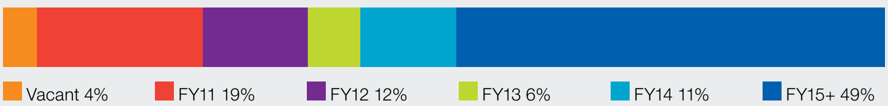
A refinement program which includes capital works expenditure to upgrade existing plant equipment commenced in 2010. The purpose of the program is to ensure Waterfront Place remains competitive against new stock entering the market and continues to retain and attract tenants by maintaining its premium grade market position in Brisbane's CBD.

Negotiations with the Brisbane Ports Authority regarding the rent payable under the riverbed lease were finalised in the six months to June 2010. This increased rent will now be recouped from tenants where possible.

Waterfront Place has a 4 star NABERS rating for energy and water. Energy and water savings of 22 per cent and 36 per cent respectively were achieved during the July 2009 to May 2010 period versus the same period in 2005.

The following graph illustrates the lease expiry profile of SDOT1 by area:

SDOT1 Lease expiry profile by area



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Stockland Direct Office Trust No.1
ARSN 110 688 009

Market Update*

The Brisbane CBD vacancy rate continued to climb in the six months to 30 June 2010, increasing 31 basis points to 10.6 per cent which is the highest level reached since 1996. The primary cause of the vacancy increase was new supply entering the market exceeding tenant demand for the six month period.

The prime market, in which Waterfront Place sits, continued to fare well recording a vacancy of 7.5 per cent. This is significantly lower than the secondary market vacancy of 12.9 per cent.

Tenant demand was unbalanced between Q1 2010 and Q2 2010 with the mining tax debate and general economic uncertainty weighing on the market. Net absorption for Q1 was 22,400 sqm while Q2 recorded –2,300 sqm. The resolution of the mining tax issue is likely to bring some confidence back to the market.

New supply was low in the six months to 30 June 2010, with one 29,600 sqm refurbishment project re-entering the market. Supply is forecast to remain subdued for the next three years with 129,800 sqm due for completion across three buildings. Approximately 33 per cent of this new supply is pre-committed.

Average prime gross effective rents fell by 8.2 per cent to $473 per sqm during the half year on the back of rising vacancy and increasing incentives required for owners to attract and retain tenants.

Investment activity in the market remained suppressed with four properties sold in the half year totalling $217.45 million. For the first time since 2007, prime indicative yields experienced modest compression to range between 7.25 per cent and 8.00 per cent.

*Sourced from the Q2 2010 Brisbane CBD Office Market Report by Jones Lang LaSalle.