



Stockland Direct Half Year Investment Report

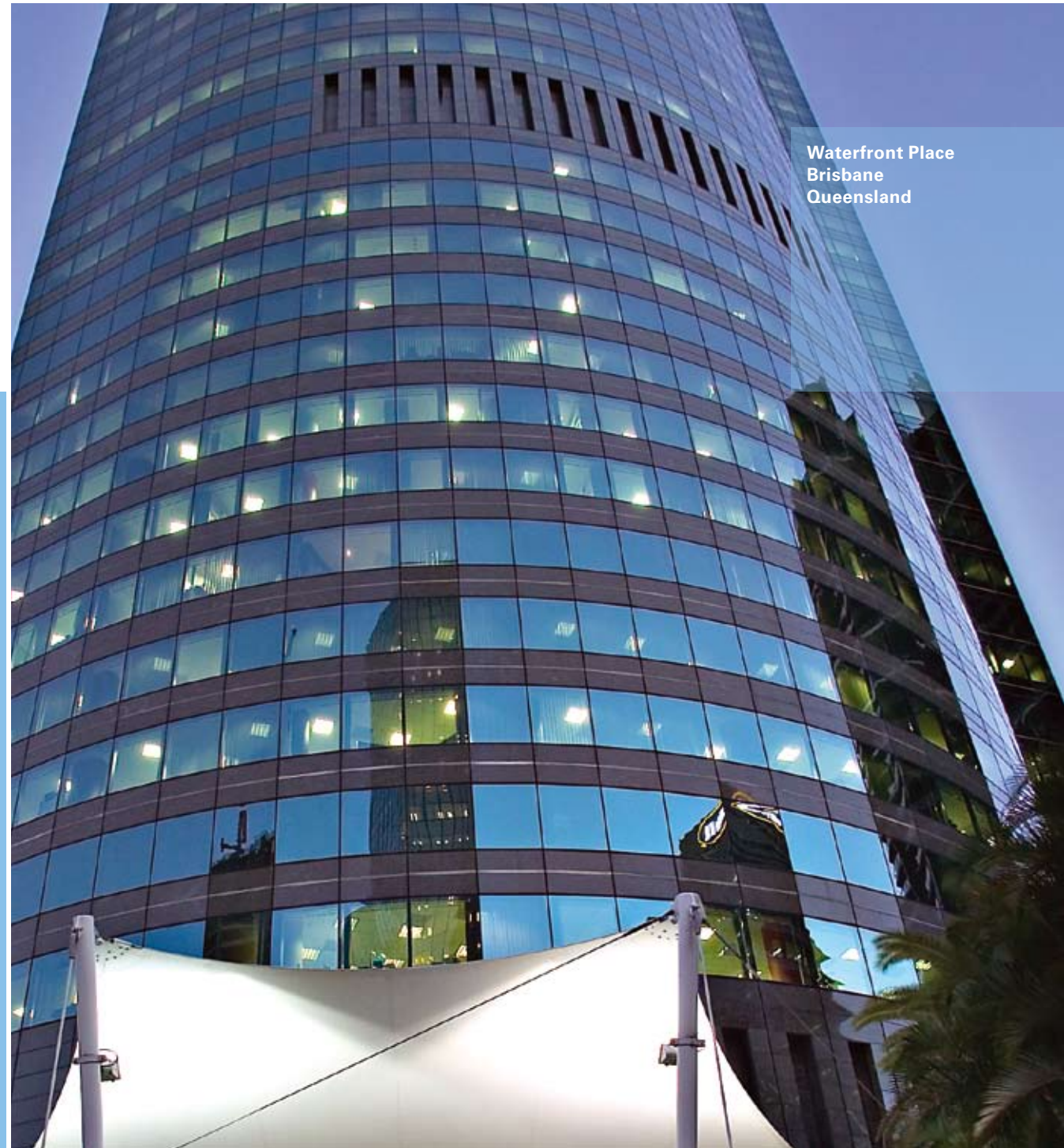
31 December 2006

Stockland Direct Office Trust No.1 ("SDOT1")

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Highlights

- SDOT1's 50% interest in Waterfront Place was independently valued upward to \$237.5 million as at 31 December 2006, up from \$177.5 million as at 31 December 2005.
- As a result, Net Tangible Assets ("NTA") per Unit increased by 64% to \$2.08.
- Distributions for the half year ended 31 December 2006 were in line with Product Disclosure Statement ("PDS") forecasts.
- Waterfront Place remains 100% occupied and the Brisbane CBD office market continues to perform strongly, underpinned by solid demand for office space and historically low vacancy rates.



Waterfront Place
Brisbane
Queensland

Distributions

We are pleased to advise the distribution for the half year ended 31 December 2006 is 4.045 cents per unit ("cpu") representing an annualised distribution yield of 8.09% for General Investors and 9.35% for Geared Investors, in line with the PDS forecasts.

The distributions for the half year are forecast to be 100% tax deferred.

Your distribution statement for the quarter ended 31 December 2006 accompanies this half year Investment Report.

Summary of Distributions For the half year to 31 December 2006	General Investors	Geared Investors
Distributions ¹ (cpu)	4.045	4.045
Less: Investment Loan Interest (cpu)	N/A	2.159
Cash distribution (cpu)	4.045	1.886
Yield (annualised) – actual	8.09%	9.35% ^{2,3}
Yield (annualised) – SDOT1 PDS forecast	8.09%	9.35% ²

¹ Includes the distributions for quarters ended 30 September 2006 and 31 December 2006.

² For Geared Investors, this represents the cash return on the First Payment of \$0.40 per Unit.

³ The Investment Loan interest is annualised for the half year.

Net Tangible Assets ("NTA")

An independent valuation of Waterfront Place was undertaken as at 31 December 2006, valuing SDOT1's 50% interest at \$237.5 million, up from \$177.5 million as at 31 December 2005, representing an increase of approximately 34% over the previous valuation. As a result, the NTA increased to \$2.08, up from \$1.27 as at 30 June 2006, delivering solid capital growth to investors.

The NTA includes a liability of approximately \$5.1 million in relation to performance fees payable to the Responsible Entity in the event the Property is sold or when SDOT1 is wound up. The performance fee is subject to future performance of the Trust (as outlined in Section 6.8 of the PDS).

Limited Liquidity Facility ("LLF")

Westpac continues to offer the LLF to acquire up to 521,000 units per quarter from Investors. The purchase price is equal to the NTA per unit less a 2.5% discount and transaction costs. The LLF application form and offer price are available on our website at www.stockland.com.au/upf.

Key Property Statistics

Valuation (\$m) ⁴	\$237.5
Valuation Date	31 December 2006
Net Lettable Area	59,166 square metres ("sqm")
Occupancy Rate	100% ⁵
Weighted Average Lease Term	6.1 years ⁵
Major Tenants	<ul style="list-style-type: none"> • Minter Ellison • Ernst & Young • Corrs Chambers Westgarth • Phillips Fox

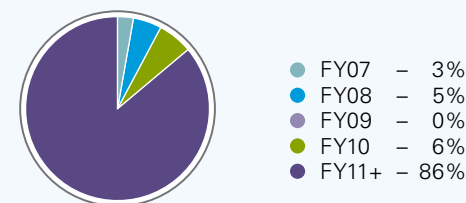
⁴ Represents SDOT1's 50% interest in Waterfront Place.

⁵ Includes agreed lease terms for which lease agreements are yet to be executed.

Lease Profile

During the half year, terms were agreed with new and existing tenants over 7,636 sqm (approximately 13% of total area). The active leasing campaign reduced financial year 2007 expiries from 13% (as at 30 June 2006) to 7% (as at 31 December 2006) and increased the weighted average lease term from 5.3 years (as at 30 June 2006) to 6.1 years for the same period.

The following graph shows the expiry profile as at 31 December 2006, including lease terms agreed for which lease agreements are yet to be executed:



Market Update

Brisbane's CBD vacancy remains at record lows, underpinned by solid white collar employment growth. Jones Lang LaSalle Research reports net absorption for Brisbane CBD remaining positive with total vacancy rate of 0.8% as at 31 December 2006. Low vacancy and supply have subsequently driven rental growth, fuelling investment demand. The investment market remains strong with the market experiencing a firming in yields and rising capital values.

Stockland Direct Office Trust No.2 ("SDOT2")

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Highlights

- Distributions more than 1% above Product Disclosure Statement ("PDS") forecasts.
- Construction of Optus' new Australian headquarters remains ahead of schedule.
- The Macquarie Park office market continues to strengthen, following a number of recent leasing deals.





Distributions

We are pleased to advise the distribution for the half year ended 31 December 2006 is 1.355 cents per unit ("cpu") representing an annualised distribution yield of 6.78% which is ahead of the PDS forecasts.

The distributions for the half year are forecast to be 100% tax deferred.

Your distribution statement for the quarter ended 31 December 2006 accompanies this half year Investment Report.

Summary of Distributions For the half year to 31 December 2006

Distributions ¹ (cpu)	1.355
Yield ² (annualised) – actual	6.78%
Yield ² (annualised) – PDS forecast	5.70%

¹ Includes the distributions for the periods ended 30 September 2006 and 31 December 2006.

² Yield is calculated as a percentage of First Instalment of \$0.40 per unit.

Net Tangible Assets ("NTA")

As at 31 December 2006, the NTA per unit remained unchanged at \$0.40, equivalent to the first capital instalment. The NTA includes the indemnity provided by Stockland Corporation Limited as detailed in the SDOT2 PDS. If no indemnity was provided the NTA per unit would be \$0.32, which is in line with the SDOT2 PDS and reflects the costs of establishing the trust.

Limited Liquidity Facility ("LLF")

Investors will have the opportunity to participate in the LLF from the commencement of the lease to Optus (scheduled for 1 July 2007). The LLF purchase price will be equal to the NTA per unit less a 2.5% discount and any transaction costs. The LLF application form and offer price will be available on our website from August 2007.

Key Property Statistics

Valuation (\$m) ³	\$172.0
Valuation Date	July 2005 (assuming completion)
Net Lettable Area	84,204 square metres ("sqm")
Occupancy Rate	100%
Weighted Average Lease Term	15 years ⁴
Major Tenant	Optus Administration Pty Ltd

³ Represents SDOT2's 49% interest in the property on the commencement of the Optus lease.

⁴ Assumes Optus does not exercise the right to break their lease on Building A in 2014.

Construction Update

Construction works remain ahead of schedule with all six buildings essentially complete. Installation of minor works, cleaning and landscaping will be progressively completed over the next few months.

Market Update

Tenant activity in the Macquarie Park office market continues to gain momentum with net absorption of 35,044 sqm for the year to 31 December 2006. Much of the recent activity has been generated by tenants already in the area, who are taking the opportunity to upgrade from high tech industrial space to office space. Vacancy remains low at just 5.9%, down from a vacancy of 8.3% in June 2006.

Anecdotal evidence suggests that the enquiry level of companies from outside Macquarie Park has increased. Macquarie Park's proximity to major transport routes, accessibility to other office precincts, infrastructure improvements and the comparatively affordable rents are all underlying influences drawing tenants to the market.

Stockland Direct Retail Trust No.1 ("SDRT1")

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Highlights

- Capital raising closed, successfully raising \$39.6 million.
- Coles Supermarkets agree new 15 year lease at Benowa Gardens Shopping Centre.
- Fremantle Shopping Centre on track for practical completion in mid July 2007.



Tamworth
Homespace
New South Wales



Capital Raising Complete

The capital raising for SDRT1 closed on 20 December 2006, successfully raising \$39.6 million. The offer was well received and supported by financial planners and investors seeking a quality manager with a strong brand and management capability.

The first distribution, for the period from allotment to 31 March 2007, will be paid in April 2007. Where applicable, this distribution may be accompanied by interest earned on application monies prior to allotment.

Portfolio Update

Stockland achieved leasing success at Benowa Gardens Shopping Centre, agreeing terms with Coles Supermarkets for a new 15 year lease over the existing Bi-Lo premises. The new lease was agreed at a rental slightly above PDS forecast and incorporates a re-branding of the store from Bi-Lo to Coles. The new lease will commence at the earlier of the date the store commences trading as a Coles Supermarket or 29 September 2007.

Tamworth Homespace remains 82% occupied with the balance of the area secured by Stockland's two year rental guarantee. The lease documentation to Beach House Gym and Furniture One at Tamworth Homespace were finalised.

The development of Fremantle Shopping Centre is currently on track with practical completion expected mid-July 2007. Lease pre-committments have now been received for approximately 67% of the Centre (including Woolworths) with terms agreed from various retailers including a café, health food shop, newsagency and pharmacy.

Pacific Pines Shopping Centre continues to perform well, maintaining full occupancy.

As at 31 December 2006, SDRT1 portfolio occupancy is 86% with a weighted average lease expiry (by income) of 6.9 years reflecting the new agreement to Coles Supermarket.

Key Property Statistics

	Pacific Pines Shopping Centre	Benowa Gardens Shopping Centre	Tamworth Homespace	Fremantle Shopping Centre
Valuation (\$m)	16.40	25.20	21.15	23.63 ¹
Valuation Date	1 July 2006	1 July 2006	31 August 2006	1 July 2006
Gross Lettable Area (sqm)	5,218	5,879	13,073	4,787
Occupancy (sqm)	100%	97%	82%	67% ²
Weighted Average Lease Expiry (Years)	9.89	3.71 ³	5.71	10.54
Major Tenant	Woolworths	Bi-Lo/Coles	Good Guys	Woolworths
Portfolio Weighted Average Lease Term				6.9 years
Portfolio Occupancy				86%

- 1 On an 'as if complete' basis.
- 2 Lease pre-committments.
- 3 Includes the new agreement to Coles Supermarkets.

Stockland Direct Upcoming Offers

Our focus is to be a leading fund manager in both retail and wholesale unlisted property funds.

Stockland Direct establishes and manages unlisted funds to provide investors with quality property investment opportunities across each of the major property sectors. Further information on Stockland Direct is available from our website www.stockland.com.au/upf.

Stockland Direct is currently developing a number of unlisted property funds, which will be offered to investors in due course.

If you are not an existing investor and would like to register your interest in future Stockland Direct offers, please do so by contacting Stockland Direct at the contact details on this page or registering your interest through our website.



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