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Stockland Capital Partners

31 December 2007



Half Year Investment Report

Stockland Capital Partners – Investment Report 31 December 2007

We are pleased to present investors with the December 2007 Half Year Investment Report. Our unlisted property funds have continued to deliver solid returns to investors with Stockland Direct Office Trust No.1, Stockland Direct Office Trust No.3 and Stockland Direct Retail Trust No.1 recording capital returns of 34.5%, 9.3% and 6.4% respectively in the last six months. Our weighted average total returns (for funds operating for more than one year) since inception is an impressive 34.2% p.a. as at 31 December 2007.

At Stockland Capital Partners we continue to investigate a range of opportunities consistent with a broader mandate to develop product solutions that appeal to a wider stakeholder base. The business strategy is underpinned by genuine long term partnerships that are aligned to deliver investment opportunities with consistent returns. The business has grown its unlisted funds platform to over \$900 million of funds under management as at 31 December 2007.

Stockland reported a record result for the half year ended 31 December 2007. This success was driven by the strength and diversity of the business model and asset base, sound property skills and a strong balance sheet. All our operating businesses contributed to Stockland's strong result each delivering record operating profits. Office, industrial and retail businesses achieved impressive rental income and property revaluation gains across the portfolio.

The recent market turmoil had no material impact on Stockland's operating results or financial strength. Stockland's strong balance sheet and capital management position stands Stockland in good stead to deliver solid, long-term future growth.

Investment Report 31 December 2007

Stockland's highlights over the past six months include:

A solid result for the half year ended 31 December 2007 with a 10.7% increase in operating profit.¹

Strong balance sheet with
a conservative gearing ratio of 28.5%
supported by a Standard and Poor's A- stable credit rating

Successful integration of acquired businesses –
Stockland Halladale and
Australian Retirement Communities.

Property Investment Research awarded Stockland
Australia's Listed Property Trust
Manager of the Year 2007.

Stockland was selected for inclusion in the
2007-8 Dow Jones
Sustainability Index (DJSI) World.
DJSI World membership is arguably the most widely recognised
global index of environmental, social
and governance (ESG) performance of publicly
listed organisations.

Stockland was one of only five companies in Australia
and New Zealand to receive the
2007 Hewitt Top Companies
for Leaders Award.

¹ Before certain significant items

Stockland Direct Office Trust No.1

("SDOT1")

Achievements

SDOT1's 50% interest in Waterfront Place was independently valued upwards to

\$292.5 million

representing an increase of 23%.

Net tangible assets per unit increased from

\$2.09 to \$2.81

per unit.

The total return since inception is

47.3%p.a.

for General Investors and

82.2%p.a.

for Geared Investors.

Waterfront Place, Brisbane, Queensland

Trust Statistics and Performance

(for the half year to 31 December 2007)

Fund size:	\$298.7m
Net tangible assets ("NTA") per unit	\$2.81
Debt	
Fund gearing	31.4%
Years to maturity	2.5
General Investor	
FY08 distribution yield (annualised)	8.09%
1 year total return to 31 Dec 07	42.8%
Total return since inception	47.3% p.a.
Geared Investor ¹	
FY08 distribution yield (annualised)	9.3%
1 year total return to 31 Dec 07	57.9%
Total return since inception	82.2% p.a.

¹ For Geared Investors, this represents the cash return on the first payment of \$0.40 per unit.

An independent valuation of Waterfront Place was undertaken as at 31 December 2007, valuing SDOT1's 50% interest at \$292.5 million, up from \$237.5 million as at 31 December 2006. Consequently, net tangible assets increased from \$2.09 per unit as at 30 June 2007 to \$2.81 per unit at 31 December 2007. These are outstanding results delivering investors with total returns (since inception) of 47.3% per annum for General Investors and 82.2% per annum for Geared Investors.

Key Property Statistics

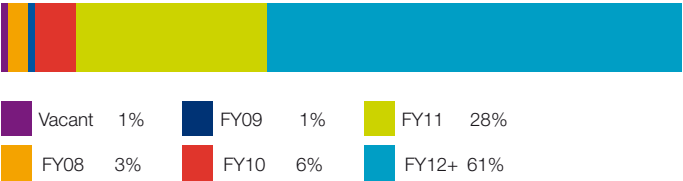
Property	Waterfront Place
Independent valuation	\$292.5m ²
Valuation date	December 2007
Net lettable area (sqm)	59,227
Occupancy rate	99%
Weighted average lease term (years by income)	5.4
Major tenants	Minter Ellison Ernst & Young Corrs Chambers & Westgarth Phillips Fox

² Represent's SDOT1's 50% interest in Waterfront Place

Property Update

Waterfront Place is currently 99% occupied with a weighted average lease expiry of 5.4 years (by income). New leases have been agreed with five tenants comprising 9.6% of the property at rentals significantly higher than the leases they replaced.

The following graph shows the lease expiry profile of the property (by income, including lease terms agreed but not yet executed):



We remain committed to enhancing the property's position in the Brisbane CBD market and have increased sustainability initiatives to improve the building's efficiency and appeal to a broader tenant base. Additional canopies are also being installed around the perimeter of the building to improve occupational health and safety issues.

Our debt facility has increased by \$10 million to implement these initiatives. The increase in the facility has a negligible impact on distributions.

Market Update

Tenant demand has remained strong over the last six months. According to Jones Lang LaSalle, the December 2007 vacancy rate for Brisbane dipped to just 0.6%. Over the short term, these tight conditions are expected to remain in place although will limit medium term growth.

Stockland Direct Office Trust No.2

("SDOT2")

Achievements

Optus has consolidated all

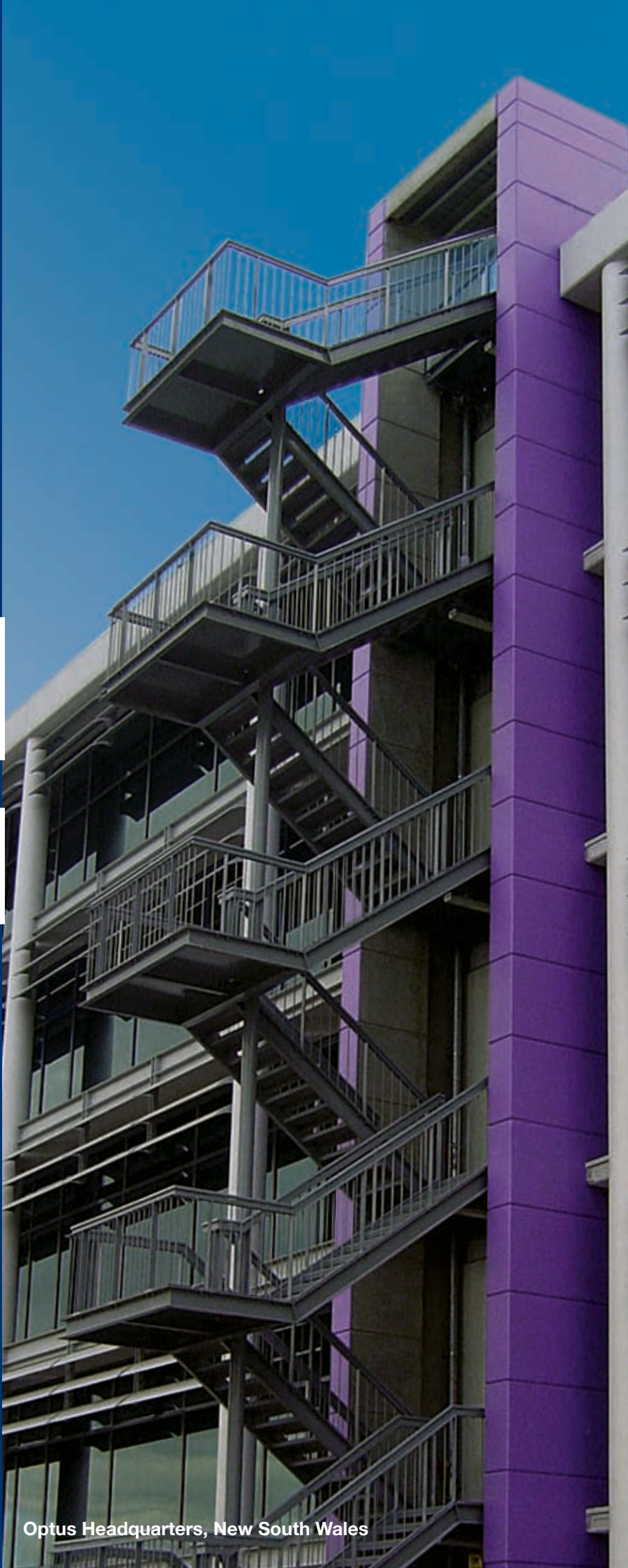
6,500 staff

into its new headquarters

Total return since inception of

27.8% p.a.

Optus Headquarters, New South Wales



Trust Statistics and Performance

(for the half year to 31 December 2007)

Fund size:	\$215.2m
Net tangible assets ("NTA") per unit	\$1.21
Debt	
Fund gearing	51.4%
Years to maturity	5.5
FY08 distribution yield (annualised)	7.50% ¹
1 year total return to 31 Dec 07	60.9%
Total return since inception	27.8% p.a.

¹ Net cash return on first instalment of \$0.40 per unit.

Distributions for the half year to 31 December 2007 are in line with the SDOT2 Product Disclosure Statement forecasts, representing an annualised distribution yield of 7.50%.

Key Property Statistics

Property	Optus Headquarters
Independent valuation	\$200.9m ²
Valuation date	June 2007
Net lettable area (sqm)	84.194
Occupancy rate	100%
Weighted average lease term (years by income)	14.5
Major tenants	Optus

² Represent's SDOT2's 49% interest in the Optus Headquarters

Property Update

Optus has now consolidated 6,500 staff into the property from several locations and two of the six buildings are operating 24 hours a day. All retail shops have commenced trading, offering a range of choice. The childcare facility opened in October 2007 and is operating to full capacity.

Market Update

The Macquarie Park office precinct has evolved over the last 10 years, transforming itself from a predominately industrial base to an office market, and the principal location for high tech companies in New South Wales. The introduction of higher development densities and lower parking ratios, combined with improving transport linkages is expected to further consolidate Macquarie Park's status as an office precinct.

Relatively limited new supply together with robust demand has driven down vacancy levels to 3.3% JLL Research (December 2007).

The outlook for demand is reasonably good, driven by positive employment growth, as well as recent and upcoming infrastructure improvements such as the completion of the Lane Cove Tunnel and the imminent opening of the Epping-Chatswood rail link. However, approximately 123,000 square metres of new supply is currently under construction (JLL Research, December 2007), representing a 30% increase in stock. The majority (60%) of this is speculative, and as a result we expect vacancies may rise from current low levels.

Stockland Direct Office Trust No.3

("SDOT3")

Achievements

Leasing success across the portfolio minimising leasing risk and increasing fund occupancy from

96% to 99%.

Telstra market rent review agreed at

23% above budget

at 181 Great Eastern Highway, Belmont.

Valuation of 181 Great Eastern Highway, Belmont increased from \$13.0 million to

\$18.8 million.

Net tangible assets increased from \$0.86 to \$0.94 per unit representing an increase

of over 9.3%.

181 Great Eastern Highway, Belmont

Trust Statistics and Performance

(for the half year to 31 December 2007)

Fund size:	\$149.3m
Net tangible assets ("NTA") per unit	\$0.94
Debt	
Fund gearing	62.3% ¹
Years to maturity	2.5
FY08 distribution yield (annualised)	7.95% ¹

¹ Includes future draw down to finance 75 George Street, Parramatta in July 2008

Following completion of the Telstra market rent review, 181 Great Eastern Highway, Belmont, was valued at \$18.75 million as at 31 December 2007, up 44.2% on the previous valuation of \$13.0 million. As a result, the net tangible assets of the fund increased from \$0.86 to \$0.94 per unit representing an increase of 9.3%. Distributions for the half year ended 31 December 2007 are higher than the SDOT3 Product Disclosure Statement forecasts, representing an annualised distribution yield of 7.95%

Property Update

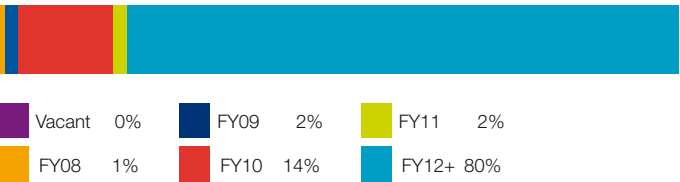
Over the last six months, Stockland has achieved further leasing success at 75 George Street, Parramatta with terms agreed on all vacant space bringing occupancy to 100% for the property. Seek Limited also agreed terms at 541 St Kilda Road for a further 1,167 square metres, increasing the property's occupancy from 83% to 96.7%.

As at 31 December 2007, the portfolio occupancy is 100% (including rental guarantees) with a weighted average lease expiry (by income) of 4.1 years (including lease terms agreed but not yet executed) as shown in the graph to the right.

Market Update

Canberra and Perth office markets are currently enjoying strong levels of demand, low vacancy rates and rental growth. Market conditions across Perth's office market remain buoyant, driven by the state's strong economic performance. Over the medium term, we anticipate rental growth and continued tenant demand to spur on new supply in the Perth market. For Canberra, supply is set to increase which we expect will put upward pressure on vacancy rates and limit market rental growth.

The Parramatta and St Kilda Road office markets have performed well with the Parramatta market experiencing reasonably strong net absorption over recent months, underpinned by demand from the State Government. Similarly, leasing activity in the St Kilda Road precinct has resulted in declining vacancy rates and increases in effective rents. The performance of Melbourne CBD car parks is somewhat correlated to that of the Melbourne CBD office market which remains strong.



Key Property Statistics

	181 Great Eastern Highway, Belmont	40 Cameron Avenue, Belconnen	541 St Kilda Road, Melbourne	222 Russell Street, Melbourne	75 George Street, Parramatta
Independent valuation	\$18.75m	\$32.8m ¹	\$30.1m	\$16.8m	\$40.0m
Valuation date	December 2007	March 2007	March 2007	March 2007	March 2007
Net lettable area (sqm)	4,036	15,506	8,228	479 car parking spaces	9,547
Occupancy rate	100%	100%	100%	100%	100%
Weighted average lease term (years by income)	3.7	4.2	3.6 ²	2.5	5.1
Major tenant	Telstra Corporation	Commonwealth of Australia	Seek Limited	EziPark	St. George Bank
Fund weighted average lease expiry (years by income)					4.1 ³
Fund occupancy					100% ³

¹ Represents SDOT3's 50% interest in 40 Cameron Avenue, Belconnen

² Includes the rental guarantee provided by Stockland. Occupancy rate excluding the rental guarantee is 96.7% (including lease terms agreed but not yet executed) for 541 St Kilda Road, Melbourne

³ Fund weighted average lease expiry and occupancy excluding the rental guarantee is 4.06 years and 99.3% respectively (including lease terms agreed but not yet executed).

Stockland Direct Retail Trust No.1

("SDRT1")

Achievements

Valuation gains of
\$4.3 million
across the portfolio

Net tangible assets increased from
\$0.94 to \$1.00 representing an increase
of over 6.4%.



Fremantle Shopping Centre (artist's impression)

Trust Statistics and Performance

(for the half year to 31 December 2007)

Fund size:	\$96.7m
Net tangible assets ("NTA") per unit:	\$1.00
Debt	
Fund gearing	59.1% ¹
Years to maturity	2.0
FY08 distribution yield (annualised)	7.85%
1 year total return to 31 Dec 07	8.1%
Total return since inception	7.8% p.a.

¹ Includes future drawdowns to finance the Fremantle Shopping Centre acquisition.

All assets in the Trust were valued as at 31 December 2007. Benowa Gardens Shopping Centre and Pacific Pines Shopping Centre booked increases of 9.9% and 9.3% over previous valuations. Tamworth Homespace held its valuation of \$21.15 million. Consequently, net tangible assets increased 6.4% from \$0.94 to \$1.00 per unit. Distributions for the half year ended 31 December 2007 are in accordance with the SDRT1 Product Disclosure Statement forecasts, representing an annualised distribution yield of 7.85%.

Portfolio Activity

The Trust completed the acquisition of Tamworth Homespace in December 2007 in accordance with the Product Disclosure Statement.

Completion of Fremantle Shopping Centre has been further delayed to April 2008 as a result of the limited availability of sub-contractors in Western Australia. This delay has no impact on the forecast distribution yield of the Trust as the development agreement is a fixed price contract and the developer is obligated to pay the Trust interest at 7% per annum on the progress payments made to date.

Key Property Statistics

	Pacific Pines Shopping Centre	Benowa Gardens Shopping Centre	Tamworth Homespace	Fremantle Shopping Centre (under construction)
Independent valuation	\$18.8m	\$31.0m	\$21.15m	\$24.0m ²
Valuation date	December 2007	December 2007	December 2007	December 2007
Net lettable area (sqm)	5,217	5,810	13,073	4,787
Occupancy rate	100%	99%	100% ³	100% ⁴
Weighted average lease term (years by income)	8.9	4.3	5.1	9.6
Major tenant	Woolworths	Coles	Good Guys	Woolworths
Fund weighted average lease expiry (years by income)				6.5 ⁵
Fund occupancy				99.8% ⁶

² On an 'As if complete' basis.

³ A rental guarantee for the remaining vacancy is provided until 19 December 2008. Occupancy rate excluding the rental guarantee is 94.7% for Tamworth Homespace (including lease terms agreed but not yet executed).

⁴ A 12 month rental guarantee applies from practical completion. Occupancy excluding rental guarantee is 66% for Fremantle Shopping Centre (including lease terms agreed but not yet executed).

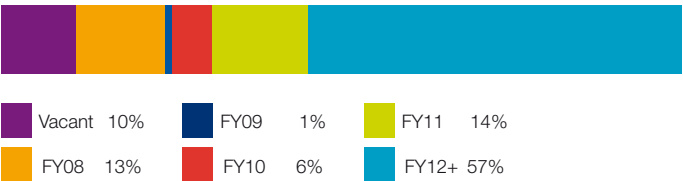
⁵ Fund weighted average lease expiry (years by income) excluding the rental guarantee is 6.33 years.

⁶ Fund occupancy excluding the rental guarantee 92% (including lease terms agreed but not yet executed).

However, we expect that the tax deferred portion of the distribution will reduce from PDS forecast of 100% to approximately 70% to 80% as a result of the delay, the additional interest income and because depreciation cannot be deducted until the development has been completed.

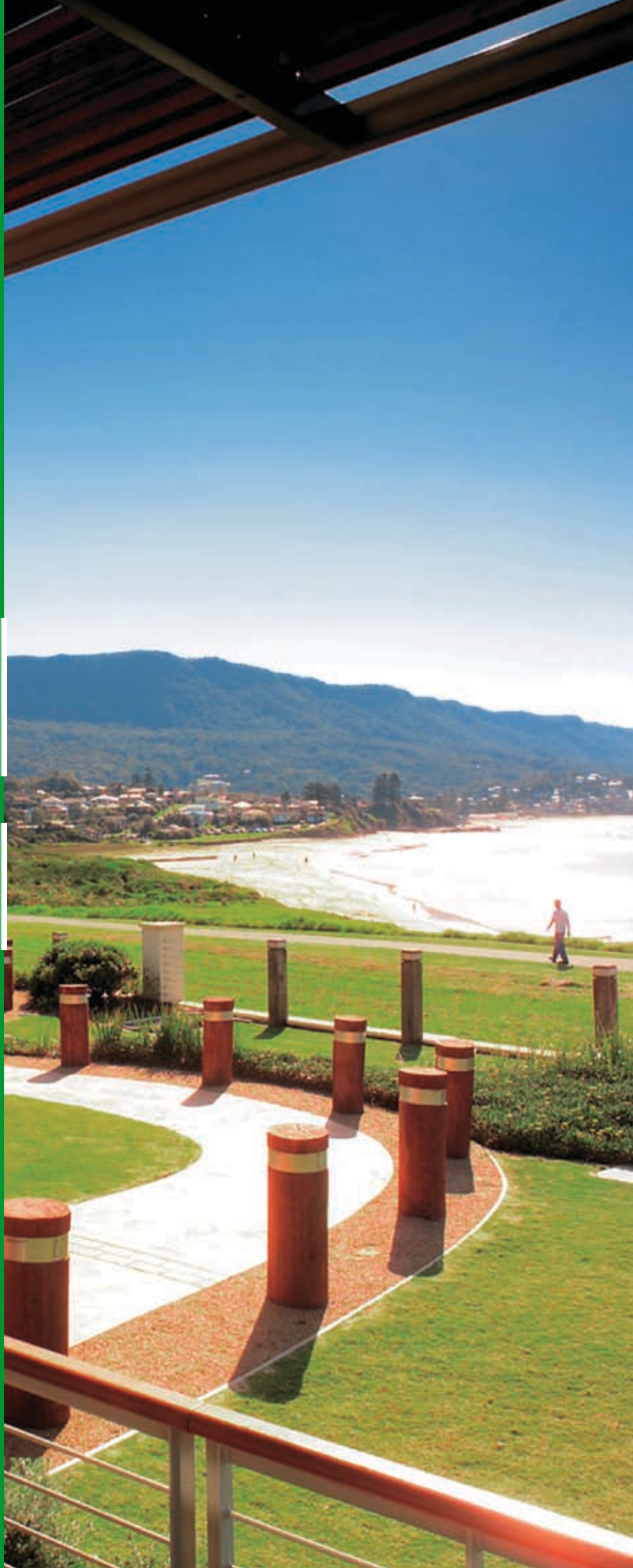
Heads of agreement have been secured for part of the commercial space above the centre at rentals in line with forecasts. Marketing of the remaining retail shops and 1,106 square metres of office space continues. A one year rental guarantee operates from completion of the shopping centre.

The following graph shows the lease expiry profile of the Trust (by income, including lease terms agreed but not yet executed):



Market Update

Retail yields have firmed in recent years, reflecting strong property investment demand. Retail outlook remains positive with steady consumer demand and a strong labour market. Sales growth is solid, but may moderate if interest rates continue to rise.



Stockland Residential Estates Equity Fund No.1 (“SREEF”)

Achievements

The fund has acquired a

50% interest

in a portfolio of residential development projects alongside Stockland in three mainland states.

Land Sales

have commenced at two projects – Vertu Private Estate (WA) and The Boardwalk (QLD)

Fund Summary

SREEF is an \$88 million residential communities development fund established in August 2006, offering wholesale investors the opportunity to invest alongside Stockland in a geographically diversified portfolio of residential community projects.

Project Summaries

Vertu Private Estate is a 54 hectare property located in the City of Armadale, 17 kilometres south from the Perth Central Business District (CBD). Vertu consists of five stages yielding 558 lots. The Fund has a 50% interest in Stages 2 to 5 (411 lots). Approximately 153 lots have been released to the market.

The Boardwalk is a 31 hectare property located at Mount Coolum on the Sunshine Coast, 15 kilometres north of Maroochydore. The project offers premium beachside community living, with spectacular views of Mount Coolum and the Pacific Ocean. The Boardwalk consists of nine stages, yielding 268 lots. The Fund holds a 50% interest in Stages 4, 6, 7 and 9, consisting of 130 lots.

The Murwillumbah Project is an approved 316 lot subdivision (including one retail lot) located at Murwillumbah, NSW in the hinterland of the Tweed Shire Council. The project is approved for residential development.

Key Projects

	Vertu Private Estate	The Boardwalk	Murwillumbah
Location	Perth, WA	Mount Coolum, QLD	Murwillumbah, NSW
Date acquired	November 2006	September 2007	November 2007
Fund interest	50% (Stages 2-5)	50% (Stages 4, 6, 7 & 9)	50%

Corporate Responsibility & Sustainability

Stockland's commitment to CR&S continues to evolve through ongoing development initiatives designed to support strategic business plans. In line with this commitment, Stockland recently became a signatory to investment focused initiatives – the Investor Group on Climate Change (IGCC) and is in the process of submitting an application to sign the UN Principles for Responsible Investment (PRI).

The IGCC represents Australian investors and aims to ensure that the risks and opportunities associated with climate change are incorporated into investment decisions for the ultimate benefit of individual investors.

The UN Principles for Responsible Investment aims to assist investors to integrate considerations of environmental, social and governance (ESG) issues into investment decision-making and ownership practices, thereby improving long-term returns to beneficiaries.

In addition, Stockland was also recently selected for inclusion in the **2007-8 Dow Jones Sustainability Index (DJSI) World**. The DJSI World comprises around 300 leading sustainability companies as selected from the biggest 2500 companies in the Dow Jones World Index. DJSI World membership is arguably the most widely recognised global index of environmental, social and governance (ESG) performance of publicly listed organisations. Complementing this, Stockland recently became a signatory to the Green Building Council of Australia's Green Star Business Partnership Accord, committing the organisation to a vision for a sustainable built environment that meets the needs of people – individuals, communities and future generations.

Other initiatives include the development of sustainability manuals for our office and industrial portfolios. The purpose of the manual is to introduce sustainability guidelines, protocols and tools that link sustainability to core business functions.

Achievements across Capital Partners Funds

SDOT1

SDOT1 initiatives continue to focus around implementation of various sustainability initiatives to improve eco efficiency at Waterfront Place, particularly in relation to water efficiency and utilities consumption. South East Queensland water restrictions have resulted in Waterfront Place implementing a Water Efficiency Management Plan (WEMP) which provides for a target reduction of water usage of 13,000kl by the end of 2008. Waterfront Place has reduced water consumption by some 37.5% since June 2005 whilst simultaneously reducing electricity consumption by 15.2%, resulting in a reduction in carbon emissions.

SDOT2

The Optus campus development has a commitment to achieve a 4.5 star Australian Building Greenhouse Rating (ABGR) against an industry average of 2.5 stars.

Since August 2007, resources have been engaged to assist with review of building energy performance relative to its design and to identify abnormal or excessive usage requiring management to facilitate the target 4.5 star rating. This is a process that will continue through 2008. Installation and commissioning of a water sub metering and remote monitoring system was completed at the Optus campus in late 2007 which now provides the effective data to monitor site usage.

SDOT3

Water conservation initiatives have commenced at 541 St Kilda Rd, Melbourne. SDOT3 properties leverage off Stockland's portfolio initiatives as well as specific asset objectives. Such initiatives includes the development of a centralised utilities database to manage utilities data to enable more efficient and accurate reporting where required for participation in the Dow Jones Sustainability Index.

SDRT1

Stockland is currently working with the Department of Environment and Climate Change (DECC) in the development of the Australian Building Greenhouse Rating (ABGR) tool for retail assets. This tool will assist in the longer term energy management & benchmarking of our portfolio. Whilst this tool is not yet available, Stockland currently undertakes measurement of all energy and water consumption across the portfolio including reduction targets on all assets. The collection of this data will be used to analyse the portfolio's ongoing energy and water management plan which will include reduction targets on all assets.

Stockland is also working with the Green Building Council of Australia (GBCA) in the development of the Green Star - Shopping Centre Design Tool which will guide the design of our redevelopment pipeline. The Green Star suite of tools assist in the holistic design of an asset for enhanced environmental outcomes.

To complement these initiatives, Stockland also released a Retail Design & Fitout Guide, which forms the design guidelines for all specialty retail tenancies in the Stockland portfolio. It incorporates a number of mandatory criteria and optional guidelines designed to improve the environmental performance of specialty tenants across all shopping centres in our portfolio, and is now embedded into lease documentation.

In August 2007, Stockland released its second Corporate Responsibility and Sustainability Report.

To download this report or to obtain further information please visit www.stocklandsustainability.com.au



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