

STOCKLAND DIRECT OFFICE TRUST NO. 1

Investment Report to 31 December 2004



Stockland
DIRECT

Dear Investor,

On behalf of Stockland Funds Management Limited (SFML), I have the pleasure of providing you with the first investment report for the Stockland Direct Office Trust No.1 (SDOT1).

Interim Distribution

Following an overwhelming response from investors, the public offer of units in SDOT1 closed early and 66,500,000 units were issued on 19 November 2004 at \$1.00 per unit. Accordingly, investors will receive an interim distribution for the period 19 November 2004 to 31 December 2004.

The interim distribution is consistent with the forecasts in the Product Disclosure Statement (PDS) for the SDOT1 offer:

Summary of Interim Distribution For the period from 19 November 2004 to 31 December 2004	General Investors	Geared Investors
Trust distribution (cents per unit)	0.9425	0.9425
Forecast tax deferred component	100%	100%
Investment Loan interest – Geared Investors only (cents per unit)	N/A	0.5125
Cash distribution (cents per unit)	0.9425	0.4300
Cash yield on units (annualised) – actual	8.00%	9.13% ⁽¹⁾
Cash yield on units (annualised) – forecast	8.00%	9.13% ⁽¹⁾

⁽¹⁾ For Geared Investors, this represents the cash return on the First Payment of \$0.40 per unit (annualised).

Net tangible assets as at 31 December 2004 (cents per unit)	90.4 ⁽²⁾
Number of units on issue	66.5 million
Number of Unitholders	1,597

⁽²⁾ The net tangible assets excludes the impact of financial instruments (i.e. interest rate swap hedges)

Your personal Interim Distribution Statement is enclosed, and provides details of the payment instructions for the distribution and the interest earned on your application monies before the issue of units on 19 November 2004.

Investment Outlook

The Brisbane office market performed strongly during 2004 with a vacancy rate of 4.6%, the lowest level in over 20 years. The demand for premium office space, where Waterfront Place is positioned, has been strong, with vacancies at only 0.6%, which has placed upward pressure on rents during the period. Over the medium term, the outlook is positive with Waterfront Place well positioned to achieve further growth in rents.

The occupancy of Waterfront Place continues to be solid with the building 98.7% leased. Since launch of the SDOT1 offer, new leases for over 1,220m² were negotiated and terms have been agreed on a further 2,300m² in line with forecast.

I am pleased therefore to confirm that SFML expects to meet its distribution forecast set out in the PDS for the period 19 November 2004 to 30 June 2005 of 4.91 cents per unit (or 8.00% annualised) for General Investors and 2.24 cents per unit (or 9.13% annualised) for Geared Investors.

If you have any queries regarding your investment or this report, please contact the SDOT1 unit registry on 1300 855 080 or email stockland.unlisted@computershare.com.au.

We thank you for your support and look forward to reporting further success.

Yours sincerely,

Robb Macnicol
Chief Executive Officer
Stockland Unlisted Property Funds