



Stockland Direct Office Trust No.1 (SDOT1)

Distributions for the half year ended 31 December 2009 were 4.375 cents per unit representing an annualised distribution yield of 8.75 per cent for General Investors and 10.91 per cent for Geared Investors.

An independent valuation for Waterfront Place has been undertaken as at 31 December 2009. The capitalisation rate softened to 7.50 per cent, resulting in a valuation decrease of 7.7 per cent to \$217.5 million for SDOT1's 50 per cent share of Waterfront Place.

In December 2009, investors voted in favour of selling SDOT1's 50 per cent share of Waterfront Place and winding up SDOT1. As disclosed in the Product Disclosure Statement and under the Joint Owners Deed, which governs the relationship between SDOT1 and Stockland Trust in relation to their joint ownership of Waterfront Place, Stockland Trust has pre-emptive rights over the sale of SDOT1's 50 per cent share of Waterfront Place. Stockland Trust has been informed of the terms and conditions of the sale based on two independent property valuations. If Stockland Trust does not exercise its right to purchase SDOT1's 50 per cent share of Waterfront Place, a public sale process will commence.

SDOT1's loan facility agreement matures on 1 July 2010 and we have begun discussions with SDOT1's financier to extend SDOT1's loan facility in the event that SDOT1's 50 per cent share of Waterfront Place is not sold by 1 July 2010.

Geared Investors' loan agreements mature on 30 June 2010. If SDOT1's 50 per cent share of Waterfront Place is not achieved by 30 June 2010, Geared Investors will need to repay their loans by the earlier of the receipt of sale proceeds or 30 September 2010.

STATISTICS AND PERFORMANCE as at 31 December 2009

Assets under management	\$216m
NTA per unit*	\$1.61
Debt	
Loan to valuation ratio	46%
Years to maturity	0.5
General Investor	
FY10 distribution return (annualised)	8.75%
Total return for the six months ended 31 December 2009	(10.4%)
Total return since inception per annum	18.0%
Geared Investor**	
FY10 distribution return (annualised)	10.91%
Total return for the six months ended 31 December 2009	(16.2%)
Total return since inception per annum	29.7%

* 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 AS AT 31 DECEMBER 2009

Property	Waterfront Place
Independent valuation	\$217.5m [^]
Valuation date	31 Dec 09
Net lettable area (m ²)	58,948
Occupancy rate	98%
Weighted average lease expiry (years by income)	4.44
Major tenants	Minter Ellison Ernst & Young Phillips Fox Corrs Chambers & Westgarth BankWest Hopgood & Ganim Mallesons

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

PROPERTY UPDATE

As at 31 December 2009, Waterfront Place was 98 per cent occupied.

Negotiations to renew or enter into new leasing agreements with several existing tenants are currently underway. In addition, capital works expenditure to upgrade plant and equipment will progressively be implemented in order to maintain the property's market position.

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

SDOT1 Lease expiry profile by area



Vacant	2%	FY11	18%	FY13	6%
FY10	5%	FY12	12%	FY14+	57%

Energy savings of 22.8 per cent and water savings of 36.1 per cent were achieved for the July to November 2009 period compared to the July to November 2004 period. A review of waste disposal is underway at Waterfront Place following an audit conducted in 2009.

MARKET UPDATE*

In the half year ended 31 December 2009, 92,700m² of new space was released to the Brisbane office market across five buildings. One new project comprising 28,700m² commenced construction during the half year. A further 163,700m² of new space is due for completion over the next three years.

The vacancy rate increased by 2.7 per cent to 10.2 per cent which is the highest level reached since 1996. The primary reason for the increase is the vacancies left by tenants relocating into newly completed buildings.

Average prime gross effective rents fell by 19.6 per cent to \$516 per m² during the half year as a result of weak tenant demand and increasing vacancies.

Eight properties were sold in the half year totalling \$320.6 million. The sale of 145 Ann Street for \$208.1 million is the largest sale to occur in the market since late 2007. After 18 months of yield decompression, prime yields stabilised during the half year to December 2009 to range between 7.25 and 8.25 per cent.

* Sourced from the 2009 Brisbane CBD Office Market Reports by Jones Lang LaSalle.

In December 2009, investors voted in favour of selling SDOT1's 50 per cent share of Waterfront Place.



RESPONSIBLE ENTITY

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