



Stockland Direct Investment Report

30 June 2006

2006

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

02

Highlights

- Distributions for the year ended 30 June 2006 were 8.05% p.a. and are in accordance with the forecasts in the SDOT1 Product Disclosure Statement ("SDOT1 PDS").
- SDOT1's 50% interest in Waterfront Place (the "Property") was revalued upward to \$177.5 million as at 31 December 2005, delivering a 41% increase in the net tangible asset ("NTA") backing per unit in SDOT1 since allotment on 19 November 2004.
- The property is 100% occupied and the Brisbane CBD office market is performing strongly, with solid demand and vacancy rates at historic lows.





Distributions

The Directors and management of Stockland Funds Management Limited ("SFML") are pleased to advise that the SDOT1 distributions for the year ended 30 June 2006 are in accordance with forecasts in the SDOT1 PDS and are 100% tax deferred.

Your Distribution Statement for the quarter ended 30 June 2006 and Tax Statement for the year ended 30 June 2006 accompany this report. The distribution was paid on 28 August 2006.

Summary of Distributions For the year to 30 June 2006	General Investors	Gear Investors
SDOT1 distributions ¹ (cents per unit)	8.05	8.05
Less: Investment Loan Interest (cents per unit)	N/A	4.35
Cash distribution (cents per unit)	8.05	3.70
Yield – actual	8.05%	9.25% ²
Yield – SDOT1 PDS forecast	8.05%	9.25% ²

¹ Includes the distributions for quarters ended 30 September 2005, 31 December 2005, 31 March 2006 and 30 June 2006.

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

Net Tangible Assets

As at 30 June 2006, the SDOT1 NTA per unit is \$1.27. The 41% increase in NTA per unit since allotment on 19 November 2004 (\$0.90 per unit) is due to the upward revaluation of the Property as at 31 December 2005.

The NTA per unit excludes a contingent liability of approximately \$3.5 million in relation to performance fees potentially payable to SFML as the Responsible Entity, due to the upward revaluation of the Property. The performance fee may be payable when the Property is sold or when SDOT1 is wound up, depending on the future performance of SDOT1 (as outlined in Section 6.8 of the SDOT1 PDS).

Limited Liquidity Facility ("LLF")

Westpac continues to offer the LLF to acquire up to 521,000 units per quarter from Investors. The LLF 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.

Market Update

The Brisbane CBD office market has experienced strong rental growth due to solid white collar based employment growth and limited new supply.

The Property Council of Australia has reported a total vacancy rate for the Brisbane CBD of 2.3% as at June 2006, which is the lowest on record. Vacancies are expected to remain at similar levels over the near to medium term, due to the lack of significant new supply.

With limited new supply, strong investor sentiment and tenant demand, the Property is well positioned to achieve future rental and capital growth.

Property Statistics

Waterfront Place is a 36 level premium grade office building located in Brisbane's prime commercial office precinct and enjoys panoramic river and city vistas.

The Property	Waterfront Place
Location	1 Eagle Street, Brisbane CBD, QLD
Acquisition Date ³	February 2004
Ownership/Title	50% interest/Freehold and leasehold
Purchase Price	\$145.5 million
Net Lettable Area ³	59,094 sqm
Car parking spaces ³	494
Occupancy Rate ³	100% ⁴
Weighted Average Lease Term ³	5.3 years ⁴
Major Tenants ³	<ul style="list-style-type: none"> • Minter Ellison • PricewaterhouseCoopers • Ernst & Young • Corrs Chambers Westgarth • Phillips Fox

Independent Valuation	31 December 2005	30 June 2004
Valuation	\$177.5 million	\$145.5 million

³ These statistics relate to a 100% interest in the Property.

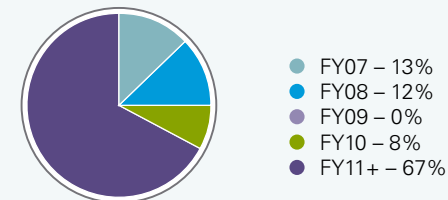
⁴ Includes lease terms agreed but not yet executed.

Property Update

- The Property was revalued from \$145.5 million as at 30 June 2004 (50% interest) to \$177.5 million as at 31 December 2005 (50% interest).
- During the financial year, terms were agreed with new and existing tenants over an area of 17,426 sqm (29% of the Property) and the Property is now 100% occupied.
- Replacement of the Property's Building Monitoring and Control System has commenced as planned to ensure the Property maintains its premium grade status in the Brisbane market.

Lease Expiry Profile as at 30 June 2006

The following diagram illustrates the expiry profile of the existing leases by area as at 30 June 2006, including terms agreed but not yet executed. An active leasing campaign has reduced the near term FY07 expiry to 13%, with good levels of enquiry on the remaining forthcoming vacant areas.



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

04

Highlights

- Distributions of 6.35% p.a. for the period ended 30 June 2006 were 0.65% p.a. higher than the 5.70% p.a. forecast in the Product Disclosure Statement ("SDOT2 PDS").
- Construction of the Optus Australian headquarters (the "Property") is ahead of schedule.
- The Macquarie Park office market is currently benefiting from strengthening office markets Australia-wide and diminishing new supply within the Macquarie Park precinct.



Optus at Macquarie
Park, NSW



Distributions

The Directors and management of Stockland Funds Management Limited are pleased to advise that the SDOT2 distributions for the period 28 September 2005 to 30 June 2006 are 6.35% p.a., which is 0.65% p.a. above SDOT2 PDS forecast and the distributions are 100% tax deferred. This increased distribution is expected to be paid on each distribution until the Optus lease commences, currently scheduled for July 2007.

Your Distribution Statement for the quarter ended 30 June 2006 and Tax Statement for the year ended 30 June 2006 accompany this report. The distribution was paid on 28 August 2006.

Summary of Distributions For the period from 28 September 2005 to 30 June 2006

SDOT2 distributions ⁵ (cents per unit)	2.52
Less: Establishment fee on instalment receipt (cents per unit)	0.60
Net cash distribution (cents per unit)	1.92
Yield ⁶ (annualised) – actual	6.35%
Yield ⁶ (annualised) – SDOT2 PDS forecast	5.70%

5 Includes the distributions from period ended 31 December 2005 and quarters ended 31 March 2006 and 30 June 2006.

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

Net Tangible Assets

As at 30 June 2006, the SDOT2 net tangible asset (“NTA”) per unit remains at \$0.40, equal to the First 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”)

The LLF will be available when the Optus lease commences, as detailed in the SDOT2 PDS. The LLF purchase price will be equal to the NTA per unit less a 2.5% discount and transaction costs. The LLF application form and offer price will be available on our website at www.stockland.com.au/upf from lease commencement.

Market Update

Strong leasing demand and enquiry has translated into increased levels of positive absorption and declining vacancy rates across the majority of Sydney’s metropolitan office markets, including Macquarie Park.

According to Savills Research, significant leasing activity at Macquarie Park has resulted in a vacancy level of 9.8%, a decrease of 4.6% since January 2005. This trend is expected to continue, with diminishing new supply and a number of large companies seeking office space in the locality.

Property Statistics

The Property will provide a campus style workplace for over 6,500 employees in six buildings, located on 7.6 hectares at Macquarie Park (formerly North Ryde), New South Wales, approximately 15 kilometres north west of the Sydney CBD.

As detailed in the SDOT2 PDS, SDOT2 will acquire a 49% interest in the property owner, Macquarie Park Trust (“MPT”) on commencement of the Optus lease. Until this time SDOT2 has provided a loan to MPT of \$25.2 million.

The Property	Optus at Macquarie Park
Location	Macquarie Park, NSW
Ownership/Title ⁷	49% interest/Freehold
Purchase Price ⁷	\$172.0 million
Net Lettable Area ⁸	84,000 sqm, subject to survey
Car parking spaces ⁸	2,002 underground car spaces and 98 above ground car spaces.
Occupancy Rate ⁸	100%
Weighted Average Lease Term ⁸	15 years ⁹
Major Tenant	Optus Administration Pty Ltd

Independent Valuation	July 2005 (assuming completion)
Valuation	\$351.1 million ⁸

7 Property statistics represent SDOT2’s interest in the Property at the commencement of the Optus lease.

8 These statistics relate to 100% interest in the Property.

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

Construction Update

Construction of the Property commenced in March 2005 and is currently ahead of schedule. The structures of all six buildings are now complete and Optus has commenced their fit out.

A modified design of the front entry wall and arrivals area has been agreed, improving the configuration and amenity of the complex.

Under Construction

06

Optus at Macquarie Park, NSW



- Construction of the Optus HQ is ahead of schedule.
- The 15 year lease to Optus represents the largest office lease in Australia.

Stockland Direct Upcoming Offers

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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 retail and wholesale 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 we anticipate will be offered to retail investors soon.

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 the back cover of the Investment Report or registering your interest through our website: www.stockland.com.au/upf.



Stockland

DIRECT

Responsible Entity

Stockland Funds Management Limited
ABN 86 078 081 722
AFS Licence: 241188

Directors of the Responsible Entity

Peter Scott (Chairman)
Lyn Gearing
David Kent
Tony Sherlock
Terry Williamson
Matthew Quinn

Company Secretaries of the Responsible Entity

Phillip Hepburn
Derwyn Williams

Responsible Entity's registered office

Level 16, 157 Liverpool Street
Sydney NSW 2000

Mail GPO Box 998
Sydney NSW 2001

Telephone (02) 9020 8320 or
1300 652 748 (local call cost)
Facsimile (02) 9020 8208

Email: stocklanddirect@stockland.com.au

Website: www.stockland.com.au/upf

Unit Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Mail GPO Box 2975
Melbourne VIC 3001

Telephone 1300 855 080
Facsimile (03) 9473 2500

Website: www.computershare.com

Custodian

Trust Company of Australia Limited
Level 4, 35 Clarence Street
Sydney NSW 2000

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

DISCLAIMER OF LIABILITY

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