



Highlights

We are pleased to provide investors with the investment report for Stockland Direct Office Trust No. 2 (SDOT2) for the six months to 31 December 2010. The highlights for the period include:

- The unit price remained steady at \$0.94 as at 31 December 2010.
- The Optus Centre continues to perform as forecast.
- Six month total return of 4.02%.



Stockland Direct Office Trust No.2 (SDOT2)

Key results

Assets under management as at 31 December 2010

Assets under management \$185.3 million

UNIT PRICE*
\$0.94

SDOT2's unit price remained steady at \$0.94 as at 31 December 2010. No external valuation of the Optus Centre was undertaken during the six months to 31 December 2010.

Distributions and returns to 31 December 2010

| | |
|--|-------|
| 1411 distribution return | 3.78% |
| 1411 total return | 4.02% |
| Total return since inception per annum | 4.08% |

YTD
DISTRIBUTIONS
3.40c per unit

The gross distributions for the six months to 31 December 2010 totalled 3.40 cents per unit. Allowing for the 1.89 cents interest expense deduction, net distributions were 1.51 cents per unit. This reflected a 3.78% distribution return for the period.

Debt as at 31 December 2010

| | |
|-------------------|-----------------|
| Loan facility | \$106.2 million |
| Drawings | \$103.2 million |
| Interest rate | 6.45% |
| Years to maturity | 2.5 |

LOAN TO
VALUATION
RATIO
56.94%

There were no drawings on the loan facility during the six months to 31 December 2010.

There was no change to SDOT2's interest rate over the period. There is an interest rate swap in place on the \$103.2 million of drawings. This fixes the interest rate, including the margin and line fees, at 6.45% until 30 June 2013.

The loan to valuation ratio was maintained at 56.94% and is well below the 70% maximum allowed by SDOT2's financier.

* Net tangible assets per unit as calculated in accordance with Australian International Financial Reporting Standards, adjusted to exclude the mark to market effect of the interest rate swap asset/liability.



Property overview

Key property statistics as at 31 December 2010

| Property | | Optus Centre |
|---|--|-----------------|
| Independent valuation* | | \$181.3 million |
| Valuation date | | 30 June 2010 |
| Net lettable area (sqm)** | | 84,194 |
| Occupancy rate | | 100% |
| Weighted average lease expiry (years by income) | | 11.50 |
| Major tenant | | Optus |
| * Reflects SDOT2's 49% interest in the Optus Centre. | | |
| ** Net lettable area of the Optus Centre in its entirety. | | |

Property update

The construction of a bus stop on-site has now been largely completed with some minor finishing works remaining.

Stockland is liaising with Optus regarding a proposal to develop a car park at the northern end of Paul Street.

The new meters installed in the first half of 2010, to monitor electricity usage at the asset, have continued to collate the necessary data to achieve a NABERS rating. Optus and Stockland are continuing to work together to achieve a targeted 4.5 star rating.

The following graph illustrates the lease expiry profile of SDOT2 by area.

SDOT2 lease expiry profile by area



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Market update*

No new office space was added to the Macquarie Park market during the six months to 31 December 2010. Given there are no new buildings under construction, it is unlikely that there will be any office space added to the market prior to 2012. This should help maintain downward pressure on the vacancy level in the short term. However, there is the prospect of some significant additions to the market beyond 2012, with 10 projects totalling more than 230,000 sqm of office space approved and waiting for significant pre-commitments prior to the commencement of construction.

Positive demand from tenants saw 11,213 sqm of net absorption over the period. As a result, the vacancy rate continued to decrease, falling by 210 basis points to 10.4% as at 31 December 2010. Average prime net face rents remained steady during the six months at \$295/sqm with incentives still averaging 30%.

Prime yields remained static over the period to 31 December 2010, ranging between 7.25% and 8.50%. There were no major office sales (greater than \$20 million) in the Macquarie Park market during the period.

* Sourced from the Q4 2010 Macquarie Park Office Market Report by Jones Lang LaSalle.