



Stockland

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



We are pleased to report that your Trust continued to perform well over the six months to 30 June 2011 with an increase in the value of the property and a total return of 17.81%.

The Optus Centre is located approximately 12 kilometres north-west of the Sydney CBD in Macquarie Park. The integrated campus comprises six low-rise office buildings with an NLA of 84,194sqm and parking for 2,100 vehicles. The floor plates average 3,000sqm and the prime office park is the largest single tenant workplace in Australia.

Highlights

- Unit price increased by 5% to \$0.98 per unit.
- A gross distribution of 3.40 cents per unit was paid to investors.

Trust performance

The Trust provided investors with a total return of 17.81% for the period, with a gross distribution of 3.40 cents per unit paid during the period. After deducting 1.89 cents per unit for interest expense, the net distribution totalled 1.51 cents per unit, providing an income return of 4.77%. The capital return of 13.04% was due to an increase in the value of the Optus Centre. The capital return is calculated using the Trust's NTA less the 60 cents per unit call payable by investors on 30 June 2013.

Property update

The management team remained focused on maintaining the strong relationship with Optus and ensuring the smooth running of the campus.

An independent valuation of the property was conducted during the period and resulted in the property value increasing by \$4.9 million to \$186.2 million (on a 49% basis).

Agreement has been reached with Optus regarding the proposed development of the Paul Street North car park. Construction of the car park is expected to be completed in early FY12.

We are targeting a NABERS rating of 4.5 stars for the property. An additional 12 months of data collection is required due to the installation of new meters. It is now anticipated that the rating application will be lodged in late 2012.

Debt update

SDOT2's \$106.23 million loan facility expires on 28 June 2013. The facility is currently drawn to \$103.23 million and there were no additional drawings on the loan facility during the period.

The Trust has a fixed interest rate swap in place until 28 June 2013. The current interest rate, including the line and margin fee, is 6.45%.

The Trust's loan to valuation ratio (LVR) improved as a result of the increase in the value of the property portfolio. At 30 June 2011, the LVR was 55.44%, well below the 70% maximum allowed by the Trust's financier.

Limited Liquidity Facility (LLF)

The LLF operated during the period, with acceptances for the March 2011 Quarter increasing Stockland's holding to 19.8%. As per the Product Disclosure Statement, Stockland's holding in the Trust may not exceed 19.9%. There are only 20,483 instalment warrants available until Stockland reaches this limit.

Investors with holdings of 20,483 instalment warrants or less will be invited to participate in the September 2011 Quarter LLF, the last quarter in which the LLF will operate.

UNIT PRICE
\$ PER UNIT

0.98

TOTAL
RETURN
%

17.81

LOAN TO
VALUATION
RATIO
%

55.4

TRUST PERFORMANCE*

PERFORMANCE	6 MTH %	12 MTH %	INCEPTION % P.A.
Income return	4.77	10.09	7.84
Capital return	13.04	13.31	-0.67
Total return	17.81	23.40	7.17

* Calculated in accordance with IFSA Standard No. 6.

DEBT*

	\$M
LOAN FACILITY	\$106.23
DRAWINGS	\$103.23
INTEREST RATE	6.45%
YEARS TO MATURITY	2.0

* As at 30 June 2011.

Economic update

Economic conditions remained challenging over the period. Concerns over the European financial crisis, ongoing impact of interest rates and uncertainty about the introduction of a price on carbon is undermining the confidence of consumers.

Interest rates remained on hold throughout the period, though the RBA has indicated that inflationary pressures may lead to future increases. Unemployment remained at 4.9%.

Market update

The Macquarie Park office market vacancy rate has halved over the last two years, due in part to a lack of new supply. This downward pressure on vacancy is expected to continue, with no new supply expected until at least 2013. There is currently over 233,000 sqm of new space in the Macquarie Park pipeline, however, of this only 10,300 sqm is under construction. Vacancy, now at 7.7%, is also being helped by leasing activity with 14,900 sqm of positive net absorption already recorded YTD.

Prime gross effective rents rose 3.5% over the first half of the year unassisted by incentives, which remain flat at 30%. Prime gross effective rents now average \$271 per sqm per annum, their highest point in nearly two years. Effective rents are likely to feel further upward pressure over the short term, thanks to a continuing lack of supply.

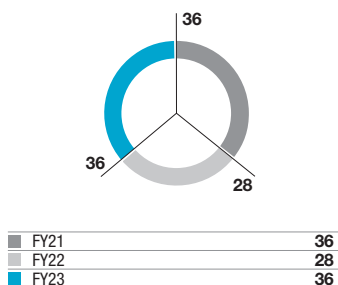
There have been no major office transactions greater than \$20 million in the past 12 months in Macquarie Park. Investment yields for prime grade space currently range between 7.50% and 8.50%, with no movement recorded. Optus sits outside this range reflecting its dominance in the marketplace.

Source: Jones Lang LaSalle.

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EXPIRY PROFILE JUNE 2011 BY AREA %



KEY PROPERTY STATISTICS AS AT JUNE 2011

PROPERTY NAME	OPTUS HQ
Independent valuation	Jun 2011
Valuation*	\$186,200,000
Val rate per sqm	\$4,513
Cap rate	7.25%
WALE	11.0
Major tenant	Optus
NLA (m ²)**	84,194
Lease expiry	Jun 21-22-23
Occupancy	100%

* Reflects SDOT2's 49% interest.

** NLA of Optus Centre in its entirety.



Unit Registry

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ARSN 115 017 466

Responsible Entity

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