Highlights

We are pleased to report that SDOT2 performed well over the last six months with an increase in NTA per unit as a result of improving market conditions in the Macquarie Park office market.

- NTA per unit increased from $0.83 at 31 December 2009 to $0.94 at 30 June 2010.
- Optus Centre valuation increase of 6 per cent.
- FY10 total return of 49.18 per cent.

Stockland

Stockland Direct Office Trust No. 2 (SDOT2)

Key Results

Assets Under Management
as at 30 June 2010

Assets under management	$184.7 million

NET TANGIBLE ASSETS*

$0.94 per unit

Due mostly to the upwards revaluation of Optus Centre, SDOT2's NTA per unit has increased from $0.83 at 31 December 2009 to $0.94 at 30 June 2010.

SDOT2's share of Optus Centre increased in value from $171.5 million at 31 December 2009 to $181.3 million at 30 June 2010, an increase of 6 per cent. Improving conditions in the Macquarie Park office market led to this increase with the Optus Centre capitalisation rate improving by 0.25 per cent.

* 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.

Distributions and Returns

FY10 distributions return	6.75%
FY10 total return	49.18%
Total return since inception per annum	3.68%

FY10 DISTRIBUTIONS

6.47c per unit

FY10 gross distributions totalled 6.47 cents per unit. After deducting 3.77 cents of interest expense, FY10 net distributions were 2.70 cents, reflecting a 6.75 per cent distribution return for FY10.

The March 2010 gross quarterly distribution was reduced to 1.38 cents per unit to fund capital expenditure at Optus Centre. No reduction was required for the June 2010 quarterly distribution which reverted to the historical 1.70 cents per unit gross.

The FY10 total return of 49.18 per cent is particularly high due to the upwards revaluation of Optus Centre. The total return since inception of 3.68 per cent per annum also improved on the back of this revaluation.

Debt
as at 30 June 2010

Loan facility	$106.2 million
Drawings	$103.2 million
Interest rate	6.45%
Years to maturity	3.0

LOAN TO VALUATION RATIO

56.94%

Drawings on the loan facility did not increase in FY10. Instead, the March 2010 quarterly distribution was reduced to fund capital expenditure. It is anticipated that any future capital expenditure will be funded by the loan facility rather than by a reduction in distributions.

The 6.45 per cent interest rate includes the line fee and margin. This has not changed during FY10 due to an interest rate swap on the $103.2 million drawings remaining in place.

The loan to valuation ratio of 56.94 per cent is well below the 70.00 per cent maximum allowed by SDOT2's financier.

Property Overview

Key Property Statistics as at 30 June 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)	12.01
Major tenant	Optus

* Reflects SDOT2's 49% interest in Optus Centre.

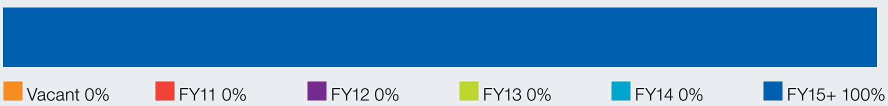
A building management system upgrade was completed in the first half of 2010, allowing on-site systems to be monitored more efficiently.

Various site works are commencing in the first half of FY11 including the construction of a bus stop on-site. In addition, plans to make aesthetic improvements to the forecourt areas have been submitted to Council for approval.

The deadline for the NABERS rating has been extended to February 2011. The installation of meters has now been completed and the collation of data has commenced. Optus and Stockland are continuing to work together to achieve a targeted 4.5 star NABERS rating.

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

SDOT2 Lease expiry profile by area



Market Update*

No new office space entered the Macquarie Park office market during the six months to 30 June 2010, marking the end of a three year development cycle. While there are 10 projects comprising 230,000 sqm of office space with development approval, funding remains difficult for developers to secure without significant pre-commitments. As a result, no new office stock is anticipated to enter the market for the next three years.

The vacancy rate fell by 149 basis points to 12.5 per cent during the period on the back of no new supply and positive tenant demand. This trend is forecast to continue as the market continues to absorb the current vacant space.

Average prime net face rents remained steady during the six months at $294 per sqm while incentives edged upwards to an average of 30 per cent, resulting in a fall of 2.0 per cent in gross effective rents to $260 per sqm.

Prime yields firmed during the half year to 30 June 2010 to range between 7.25 and 8.75 per cent. There were no major office sales, (greater than $20 million), in the Macquarie Park office market during the period.

*Sourced from the Q2 2010 Macquarie Park Office Market Report by Jones Lang LaSalle.

RESPONSIBLE ENTITY
Stockland Capital Partners Limited
ABN 86 078 081 722
AFSL 241188
Phone 61 2 9035 3208
www.stockland.com.au/UnlistedPropertyFunds

UNIT REGISTRY
Computershare Investor Services Pty Limited
Phone 1300 855 080
www.computershare.com

Stockland Direct Office Trust No.2
ARSN 115 017 466