



Stockland

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



We are pleased to report that the Trust continued to perform well over the 12 month period to 30 June 2013 with a distributed income return of 9.5%

The Optus Centre is an integrated campus comprising six low-rise office buildings with an NLA of 84,194 sqm and parking for 2,100 vehicles. The floor plates average 3,000 sqm and the prime office park is one of the largest single tenant workplaces in Australia.

30 June 2013

Highlights

- Gross distribution for the year totalled 7.1 cents per unit.*
- Distributed income return of 9.5 per cent for the 12 month period to 30 June 2013.
- The Optus Centre valuation remained unchanged at \$183.75 million.^

Trust performance

The gross distribution was 7.1 cents per unit over the 12 month period to 30 June 2013. After deducting 3.8 cents per unit for interest expense, the net distribution totalled 3.3 cents per unit, providing a distributed income return of 9.5 per cent for the 12 months to 30 June 2013.

The Optus Centre valuation remained the same over the period. The unit price was 91 cents per unit as at 30 June 2013, resulting in a growth return of -9.1 per cent for the 12 months to 30 June 2013.

The growth return reflects the downward movement in the unit price due to capital expenditure. Please refer to the Trust Performance table.

The growth return is calculated using the Trust net tangible assets (NTA), less the final instalment of 60 cents per unit payable by investors to Westpac (the Security Interest Holder) on the earlier of the sale of the Optus Centre or 30 September 2014. If the Optus Centre is not sold on or before 30 September 2014, investors will be required to pay the final instalment of 60 cents per unit.

Debt update

The SDOT2 loan facility with Westpac matures on 30 September 2014. The Trust's LVR as at 30 June 2013 was 56 per cent, well below the maximum 65 per cent allowed by the Trust's financier. The interest rate as at 30 June 2013, including the line fee and interest rate margin is 4.6 per cent.

There were no additional drawings on the loan facility during the 12 month period to 30 June 2013. The facility remains drawn to \$103.23 million.

Property update

An independent valuation of the property was undertaken as at 30 June 2013. The market value and capitalisation rate remained unchanged from 31 December 2012 at \$375 million and a capitalisation rate of 7.5 per cent.

In accordance with the requirements in the lease, the lease rent is to be reviewed to market as at 1 July 2013. The lease provides for a 'cap' and 'collar' on the rent whereby the rent cannot increase by more than 6 per cent, nor can it decrease by more than 3 per cent. Stockland management has commenced the formal market rent determination process with Optus in relation to the market rent review. Investors will be advised of the outcome in due course.

The weighted average lease expiry by income is 9 years as at 30 June 2013.

UNIT PRICE
\$ PER UNIT

0.91

12 MONTH
DISTRIBUTED
INCOME RETURN
%

9.5

LOAN TO
VALUATION
RATIO
%

56

TRUST PERFORMANCE^

PERFORMANCE	6 MTH %	12 MTH %	INCEP- TION % P.A.
Distributed return	5.0	9.5	8.1
Growth return	-4.6	-9.1	-3.0
Total return	0.4	0.4	5.1

^ Calculated in accordance with IFSA Standard No. 6.

DEBT	\$M
LOAN FACILITY	\$106.23
DRAWINGS	\$103.23
INTEREST RATE*	4.6%
YEARS TO MATURITY	1.25

* As at 30 June 2013
(including line fee and margin)

* Before deducting interest expense on the final instalment.

^ SDOT2 49% interest

Fund strategy

The Trust holds a 49 per cent ownership interest in the Optus Centre with the remaining ownerships held by Stockland Trust Management Limited (31 per cent) and Unisuper (20 per cent).

The sale and marketing campaign of the Optus Centre is continuing, however, due to the size and premium nature of the property, the sale process may take some time. Buyer interest has been received from both international and domestic parties. The offers received are being considered by the Trust's Responsible Entity (RE). The RE will undertake a detailed analysis of all offers received to determine the best possible sale price for the Trust's interest in the Optus Centre.

The unit price is calculated using the 30 June 2013 book value, however, the unit price at the termination of the Trust will ultimately be dependent upon the net sale proceeds. Therefore, the reported unit price may vary.

The date for payment of the final instalment (60 cents per unit) to Westpac (the Security Interest Holder) has been extended from the original repayment date of 30 June 2013 to the earlier of 21 days after the completion of the sale of the Optus Centre or 30 September 2014.

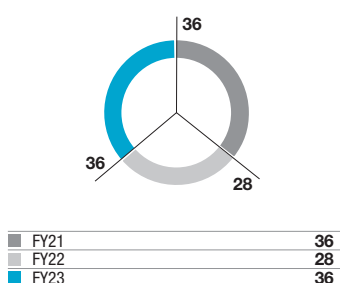
The Trust will continue to be managed by the RE until the sale of the Trust's interest in the Optus Centre is complete and the Trust has been terminated.

Economic update

The overall external economic environment has improved over the last six months. The U.S. economy handled the cuts to federal spending better than expectations, unemployment continues to fall, and the housing sector, both established prices and new construction, is improving, taking consumer confidence along with it. Eurozone risks continue to moderate, even though the growth prospects continue to be weak for the medium term. China is where the most risk lies for the Australian economy with growth expectations being wound back on concerns of investment levels being too dependent on loose credit conditions.



EXPIRY PROFILE JUN 2013 BY AREA %



Domestically, the economy is transitioning as mining investment reduces, as well as dealing with falling fiscal stimulus as state and local governments reign in spending. Commodity prices have recovered more recently, but are still forecast to fall. The lower Australian dollar is helping industries that have struggled with a high exchange rate, such as tourism, manufacturing, and education. Overall the expectation is for slightly below trend growth over the medium term.

Unemployment results have caught up with forecasts to hit 5.7 per cent and might go higher. Most forecasts don't see unemployment exceeding 6 per cent, but lead indicators like job advertisements and unemployment expectations remain weak. Inflation remains well contained, and is expected to allow the RBA to reduce interest rates at least once more in the current easing cycle.

KEY PROPERTY STATISTICS AS AT JUNE 2013

PROPERTY NAME	OPTUS CENTRE
Independent valuation	30 Jun 2013
Value*	\$183,750,000
Value rate per sqm**	\$4,454
Interest	49%
Capitalisation rate	7.50%
WALE (years)	9.0
Major tenant	Optus
NLA^	84,194
Lease expiry	Jun 21-22-23
Occupancy	100%

* Reflects SDOT2's 49% interest.

** Reflects 100% interest.

^ NLA of Optus Centre in its entirety.



Market update

Macquarie Park is a sub-market of the North Ryde office market, one of Sydney's largest business park precincts. North Ryde has continued to benefit from infrastructure improvements. The additional access ramps to the M2 have improved access to Macquarie Park, easing congestion to Epping Road. In addition, the Epping to Chatswood rail line provides a significant public transport link to the area, a key component which most other business parks lack.

Macquarie Park accounts for approximately 77% of the North Ryde office stock. Vacancy levels in North Ryde have gradually improved over the last two years with the total vacancy rate being 7.3 per cent as at January 2013. This includes 6.3 per cent of direct vacancy and 1.0 per cent of sublease space.

Net face rents for A Grade office space have been steady over the past 12 months to range between \$305/sq m and \$330/sq m. Incentives were also steady and range between 22 and 27 per cent, however, anecdotal evidence suggests that incentives are starting to decrease as the options available to tenants reduce.

Investment activity in the North Ryde market is showing early signs of improvement with a number of properties transacting or on the market for sale. Indicative yields for A Grade buildings are considered to range between 7.25 per cent and 8.5 per cent.

Source: Colliers International.

Unit Registry

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

Stockland Direct Office Trust No.2
ARSN 115 017 466

Responsible Entity

Stockland Capital Partners Limited
ABN 86 078 081 722
AFSL 241188
Email stocklanddirect@stockland.com.au
www.stockland.com.au/UnlistedPropertyFunds

DISCLAIMER OF LIABILITY

While every effort is made to provide accurate and complete information, Stockland does not warrant or represent that the information in this report is free from errors or omissions or is suitable for your intended use. The information provided in this report is of a general nature only and may not be suitable for your specific situation or needs. It should not be relied upon by you in substitution of obtaining independent advice. Subject to any terms implied by law and which cannot be excluded, Stockland accepts no responsibility for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of any error, omission or misrepresentation in information in this report. All information in this report is subject to change without notice.