



Stockland Unlisted Property Funds

30 June 2008



Stockland

Investment Report

With our strong balance sheet and sound capital management focus, we are well placed to weather ongoing volatile conditions.

Stockland Unlisted Property Funds

Investment Report 30 June 2008

We are pleased to present investors with the June 2008 Investment Report. Despite a volatile market our unlisted property funds have delivered on their core investment strategies, providing investors with tax effective distributions. For the year to 30 June 2008, Stockland Direct Office Trust No.1 recorded total returns of 35.6% for General Investors and 48.4% for Geared Investors whilst Stockland Direct Office Trust No.3 and Stockland Direct Retail Trust No.1 recorded total returns of 10.7% and 9.5% respectively. The weighted average total return across the four funds for the year ended 30 June 2008 is 15.8% and 20.1% per annum since inception.

One Stockland

Stockland is one of Australia's leading diversified property groups with total assets over \$14.7 billion and operations in Australia and the United Kingdom. We are a major player in residential communities, apartments, retirement living, retail, office and industrial property. This year we again achieved our forecast earnings, delivering increased profits despite challenging market conditions.

Our 2008 operating profit¹ was \$674 million, an increase of 10.3% on the previous year. Our earnings per security grew 5% to 46.2 cents and our dividend and distribution rose 5% to 46.5 cents per security. Our ability to deliver in this environment is a testament to the strength of our business model, the quality of our people and our long-term focus on property fundamentals. With our strong balance sheet and sound capital management focus, we are well placed to weather ongoing volatile conditions.

¹ After certain significant items

Earnings per security 
5.0%

2008	46.2c
2007	44.0c
2006	41.5c
2005	39.1c
2004 ²	37.8c

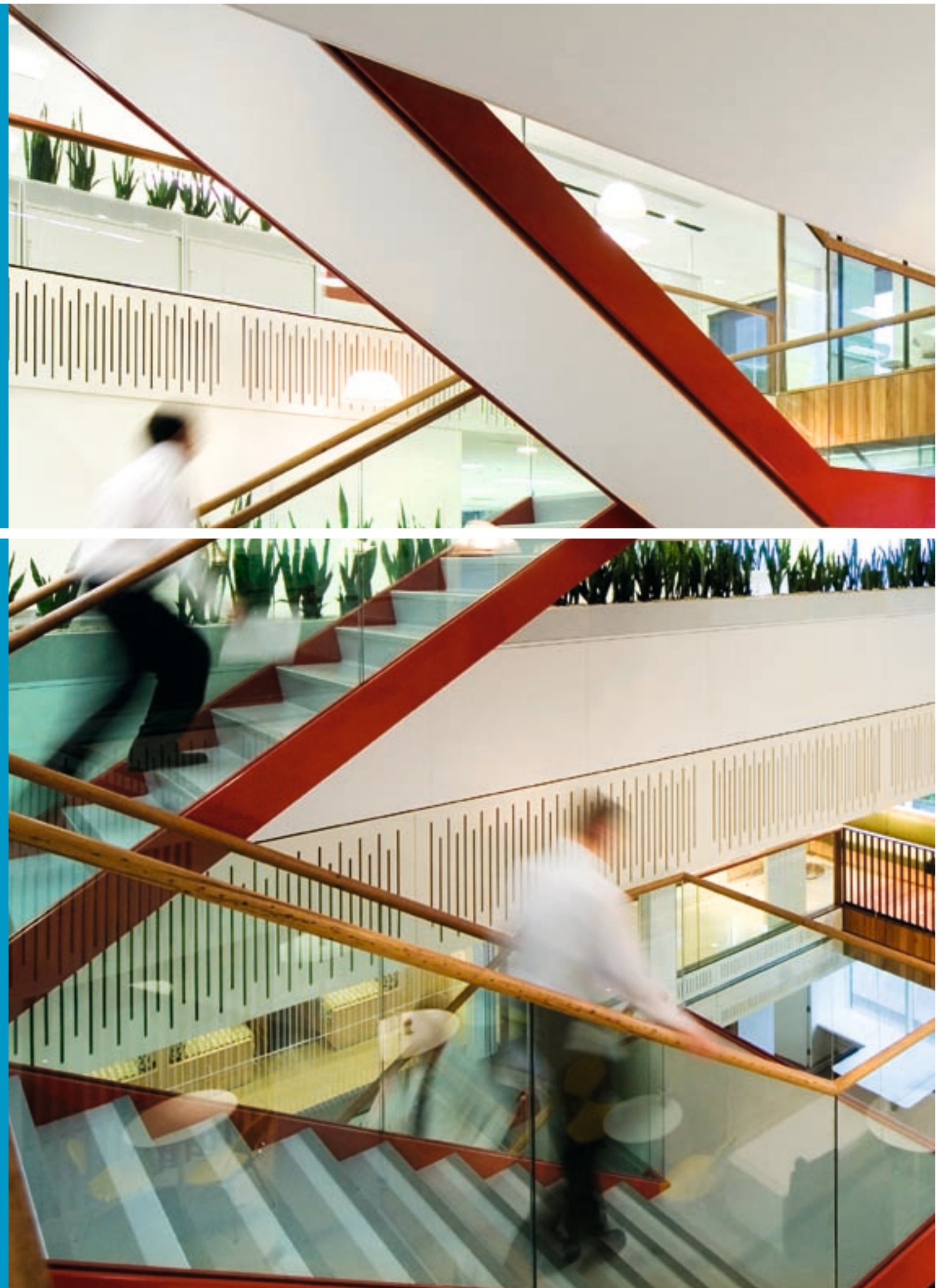
Dividend & distribution per security 
5.0%

2008	46.5c
2007	44.3c
2006	41.4c
2005	38.9c
2004	37.0c

Operating profit 
10.3%

2008	\$674.0m
2007	\$611.0m
2006	\$553.7m
2005	\$502.7m
2004 ²	\$455.5m

² Prepared under Australian Generally Accepted Accounting Principals (AGAAP) prior to transition to Australian equivalents to International Financial Reporting Standards (AIFRS)



Highlights:

Waterfront Place remained 100% occupied underpinned by solid demand and a successful tenant retention strategy. Distribution increased 5.1% on FY07. One year total return of 35.6% for General Investors and 48.4% for Geared Investors.

Stockland Direct Office Trust No.1

“SDOT1”

Trust Statistics and Performance

(for the year ended 30 June 2008)

Fund size:	\$289m
Net tangible assets (“NTA”) per unit	\$2.65
Debt	
Fund gearing	35.0%
Years to maturity	2.0
General Investor	
FY08 distribution yield	8.5%
1 year total return to 30 June 2008	35.6%
Total return since inception	39.1% p.a.
Geared Investor ¹	
FY08 distribution yield (annualised)	10.4%
1 year total return to 30 June 2008	48.4%
Total return since inception	66.7% p.a.

¹ For Geared Investors, this represents the cash return on the first payment of \$0.40 per unit.

The half year distribution to 30 June 2008 is 4.455 cents per unit, contributing to an annual distribution yield of 8.5% for General Investors and 10.4% for Geared Investors and an increase of 5.1% over the previous year distribution of 8.09 cents per unit.

An independent valuation of Waterfront Place was undertaken as at 30 June 2008, valuing SDOT1’s 50% interest at \$285 million, down from \$292.5 million as at 31 December 2007. As a result, net tangible assets decreased from \$2.81 per unit as at 31 December 2007 to \$2.65 per unit at 30 June 2008. Despite the softening market, SDOT1’s total return for Financial Year 2008 was 35.6% for General Investors and 48.4% for Geared Investors.

Key Property Statistics

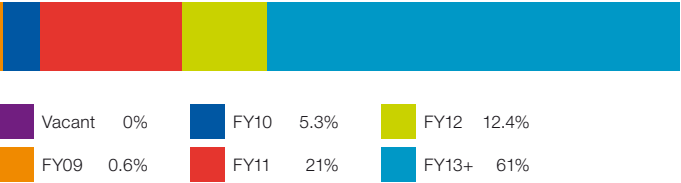
Property	Waterfront Place
Independent valuation	\$285m ²
Valuation date	30 June 2008
Net lettable area (sqm)	59,311
Occupancy rate	100% ³
Weighted average lease expiry (years by income)	5.6 ³
Major tenants	Minter Ellison Ernst & Young Phillips Fox Corrs Chambers & Westgarth Bank West Hopgood & Ganim Unit Trust Mallesons Wilson’s Parking

² Represent’s SDOT1’s 50% interest in Waterfront Place
³ Including lease terms agreed but not yet executed

Property Update

Waterfront Place is 100% occupied with a weighted average lease expiry of 5.6 years (by income), up from 5.4 years as at 31 December 2007. Over the past year, Waterfront Place has set new benchmark leasing transactions. Lease negotiations with 3 tenants (representing 2.2% of NLA) has resulted in an average 260% growth on passing rent. Car parking rates have also increased 35% during Financial Year 2008.

The following graph shows the lease expiry profile of the property (by income, including lease terms agreed but not yet executed):



Operationally, sustainability initiatives are being implemented to enhance Waterfront Place’s performance and efficiency. The National Australia Built Environment Rating Scheme (NABERS) water and energy ratings are both currently 3.5 stars with targets set for future improvement.

Market Update

According to Jones Lang LaSalle the June 2008 vacancy for the Brisbane CBD was 1.1% for the total market and 0.4% for prime assets, remaining close to historic lows. Tenant demand remained strong over the past six months however new completions over the same period outpaced demand resulting in a marginal rise in vacancy.

Despite the tight conditions, rental growth has reportedly begun to taper off-particularly during the June quarter. This trend is expected to continue over the coming months as an increasing number of developments complete.

Investment yields are generally considered to have softened across all asset classes. The extent of the softening has been more subdued for prime grade and well located stock at approximately 50 basis points.



Highlights:

Optus Headquarters won the Property Council of Australia Award for Business or Industrial Parks at the 2008 Innovation & Excellence Awards and two categories at the Green Globe Awards. Distributions in line with Product Disclosure Statement forecasts.

Trust Statistics and Performance

(for the year ended 30 June 2008)

Fund size:	\$209m
Net tangible assets ("NTA") per unit	\$1.13
Debt	
Fund gearing	51.4%
Years to maturity	5.0
FY08 distribution yield	7.5%
1 year total return to 30 June 2008	-5.7%
Total return since inception	17.7% p.a.

Distributions for Financial Year 2008 are in line with the SDOT2 Product Disclosure Statement, representing an annualised distribution yield of 7.50%. An independent valuation of the Optus Headquarters was undertaken as at 30 June 2008, valuing SDOT2's 49% interest at \$196 million, down from \$200.9 million as at 30 June 2007. As a result, NTA decreased from \$1.21 per unit as at 31 December 2007 to \$1.13 per unit at 30 June 2008.

Key Property Statistics

Property	Optus Headquarters
Independent valuation	\$196m ¹
Valuation date	30 June 2008
Net lettable area (sqm)	84,194
Occupancy rate	100%
Weighted average lease expiry (years by income)	13.96
Major tenant	Optus

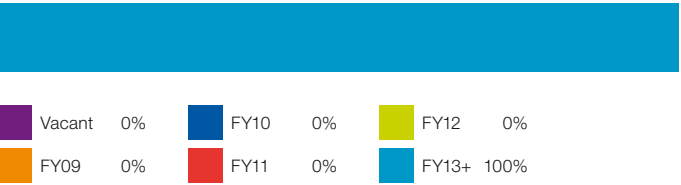
¹ Represent's SDOT2's 49% interest in the Optus Headquarters

Property Update

Optus employees are now making the most of the basketball courts, gym, BBQ areas and retail. High profile visitors to the Optus Headquarters include the Sydney Swans, David Campbell, So You Think You Can Dance Australia contestants, Thirsty Merc, Dragon and the Wiggles. Open air cinema nights have also been hosted during the warmer weather.

Optus Headquarters has received a number of awards during 2008 including the Property Council of Australia award for Business or Industrial Parks at the 2008 Innovation & Excellence awards. Stockland and Optus also won two categories in the 2008 Green Globe Awards in recognition of initiatives for environmental sustainability. The campus is currently compiling and analysing data to ensure the base building target of 4.5 (NABERS) star rating is obtained in early 2009.

The following graph shows the lease expiry profile of the property (by income, including lease terms agreed but not yet executed):



Market Update

According to Jones Lang Lasalle research, Macquarie Park vacancy rates have increased in the June 2008 quarter to 10.5%, up from 5.2% in the March 2008 quarter. A combination of speculative building completions and increased availability of sub-lease space are behind this result.

Speculative supply risk persists. Supply under construction will add approximately 30% to stock over the next 2 to 3 years. Approximately 28% of this stock is pre-committed leading to the expectation that vacancy rates may continue to rise.

Given higher funding costs and softening completion values, supply in addition to assets already under construction is becoming increasingly unlikely.

Whilst investment sales activity is limited, yields are considered to have softened across all asset classes, particularly for poorly located and/or secondary stock.

Stockland Direct Office Trust No.2
“SDOT2”



Highlights:

Seek Limited expanded at 541 St Kilda Road, Melbourne. Distributions in line with revised Product Disclosure Statement forecasts. 10.7% total return for the year to 30 June 2008.

Trust Statistics and Performance

(for the year ended 30 June 2008)

Fund size:	\$148m
Net tangible assets ("NTA") per unit	\$0.88
Debt	
Fund gearing	37.5%
Years to maturity	2.0
FY08 distribution yield	7.95%
1 Year total return to 30 June 2008	10.7%
Total return since inception	-4.1%

Distributions for the Financial Year ending 30 June 2008 are in line with the revised SDOT3 Product Disclosure Statement, representing an annualised distribution yield of 7.95%. All assets in the portfolio were valued at 30 June 2008. 181 Great Eastern Highway, Belmont held its valuation however softer capitalisation rates in the remaining assets resulted in valuation write downs. Consequently, NTA decreased by 6.4% from \$0.94 per unit as at 31 December 2007 to \$0.88 per unit as at 30 June 2008. Despite this, total return for the year to 30 June 2008 was 10.7%.

Property Update

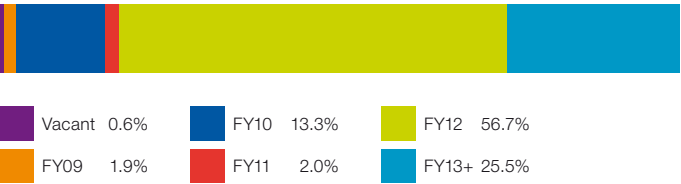
Recent activity within the portfolio includes the expansion of Seek Limited's tenancy at 541 St Kilda Road by 698 square metres due to be vacated by Westpac Banking Corporation in September 2008. Seek's tenancy will expand to 77.7% of the property's net lettable area. The refurbishment of the property's foyer has recently been completed including upgrades of the internal lift cars. A lift car upgrade was also completed at Russell Street Car Park. The introduction of Pay Parking at the Belconnen property for 166 external car bays previously available free of charge will commence in July 2008. This additional income was not forecast for the Product Disclosure Statement. As at 30 June 2008, portfolio occupancy is 99% and the weighted average lease expiry (by income) is 3.59 years (including lease terms agreed but not yet executed).

Key Property Statistics

	181 Great Eastern Highway, Belmont	40 Cameron Ave, Belconnen	541 St Kilda Road, Melbourne	222 Russell Street, Melbourne	75 George Street, Parramatta
Independent valuation	\$18.8m	\$32.5m ¹	\$29.8m	\$16.8m	\$37.5m
Valuation date	30 June 2008	30 June 2008	30 June 2008	30 June 2008	30 June 2008
Net lettable area (sqm)	4,036	15,506	8,251	479 car park spaces	9,545
Occupancy rate	100%	100%	96%	100%	100%
Weighted average lease term (years by income)	3.17	3.65	3.39	2.10	4.53
Major tenant	Telstra Corporation	Commonwealth of Australia	Seek Limited	EziPark	St.George Bank
Fund weighted average lease expiry (years by income)					3.59
Fund occupancy					99%

¹ Represents SDOT3's 50% interest in 40 Cameron Avenue, Belconnen.

The following graph shows the lease expiry profile of the property (by income, including lease terms agreed but not yet executed):



Market Update

Whilst investment sales activity is limited, yields are considered to have softened across all asset classes, particularly for poorly located and/or secondary stock.

Suburban Perth: According to Jones Lang LaSalle Research, the Perth office market has continued to perform strongly over the past 6 months with vacancy remaining at effectively zero (0.1%). This has been underpinned by limited new supply and strong demand arising from the state's strong economic performance. Strong demand is forecast to continue, absorbing a significant proportion of new supply as it comes online and helping to maintain rental growth.

Canberra: Tenant demand has begun to tail off however limited completions during the past 6 months have resulted in only a marginal increase in vacancy (5.2% at June 2008 up from 4.0% at December 2007 – Jones Lang LaSalle Research) and continued positive rental growth. The substantial supply pipeline is set to place further pressure on vacancy rates over the short to medium term with rental growth forecast to ease as a result.

Parramatta and St Kilda Road: Jones Lang LaSalle Research reports that tenant demand has remained positive in the Parramatta and St Kilda Road office markets. Vacancies have trended lower on the back of limited completions in Parramatta and a net decrease in stock levels in St Kilda Road. That said, good rental growth was recorded in St Kilda Road, whilst a competitive leasing market in Parramatta resulted in effective rents falling marginally.

Stockland Direct Office Trust No.3
“SDOT3”



Highlights:

Fremantle Shopping Centre reached practical completion and commenced trading in June 2008. Distributions in line with Product Disclosure Statement forecasts. 9.5% total return for the year to 30 June 2008. Benowa and Pacific Pines sustained 0% vacancy.

Trust Statistics and Performance

(for the year ended 30 June 2008)

Fund size:	\$100m
Net tangible assets ("NTA") per unit:	\$0.95
Debt	
Fund gearing	61.2%
Years to maturity	1.5
FY08 distribution yield (annualised)	7.85%
1 year total return to 30 June 2008	9.5%
Total return since inception	4.75% p.a.

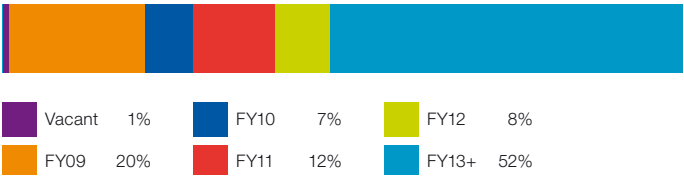
Distributions for Financial Year 2008 are in line with the SDRT1 Product Disclosure Statement, representing an annualised distribution yield of 7.85%. As previously reported, due to delayed practical completion of Fremantle Shopping Centre, a reduction of the tax deferred portion of the June 2008 distribution, resulted in the Financial Year distribution being 73% tax deferred. Two assets in the portfolio were independently valued as at 30 June 2008. As a result of softening capitalisation rates, Tamworth Homespace and Fremantle Shopping Centre posted decreases of \$1.65 million and \$1.50 million respectively. Consequently, NTA decreased by 5.0% from \$1.00 per unit as at 31 December 2007 to \$0.95 per unit as at 30 June 2008. Despite this, total return for the year to 30 June 2008 was 9.5%.

Portfolio Activity

Fremantle Shopping Centre reached practical completion in June 2008. Woolworths Supermarket, a newsagency, hairdresser and health food store commenced trading in June 2008. The centre is approximately 69.4% occupied with the balance of the area secured by a rental guarantee provided by the developer for a 12 month period.

Benowa Gardens and Pacific Pines Shopping Centres continue to perform well, maintaining 100% occupancy. Two lease renewals at Benowa Gardens have been negotiated over the last 6 months, resulting in an average increase of 37.2%.

As at 30 June 2008, the portfolio occupancy is 98.3% (including rental guarantee) with a weighted average lease expiry (by income) of 6.18 years (including lease terms agreed but not yet executed). The following graph illustrates the lease expiry profile of the fund (including Rental Guarantee).



Market Update

Slower turnover growth and softening retail volumes have resulted from higher interest rates and weakened investor demand and consumer spending. This subdued activity has contributed to a softening of investment yields by 25 to 50 basis points in the six months to June 2008.

According to Jones Lang Lasalle research, whilst the overall retail sector is showing signs of slowing, vacancy levels have remained low in Queensland, remaining at 3.5% as at 30 June 2008, while Perth vacancy has crawled up to 4.1% in June 2008 from 1.1% in December 2007.

Key Property Statistics

	Pacific Pines Shopping Centre	Benowa Gardens Shopping Centre	Tamworth Homespace	Fremantle Shopping Centre
Independent valuation	\$18.8m	\$31.0m	\$19.5m	\$22.5m
Valuation date	31 December 2007	31 December 2007	30 June 2008	30 June 2008
Net lettable area (sqm)	5,519	5,811	13,073	4,787
Occupancy rate	100%	100%	96.2% ¹	100% ²
Weighted average lease expiry (years by income)	7.52	4.17	4.73	9.54
Major tenant	Woolworths	Coles	Good Guys	Woolworths
Fund weighted average lease expiry (years by income)				6.18 ³
Fund occupancy				98.3% ⁴

¹ A rental guarantee for part of the remaining vacancy is provided until 19 December 2008. Occupancy rate excluding the rental guarantee is 90.8% (including lease terms agreed but not yet executed).
² A 12 month rental guarantee applies from opening date of 16 June 2008. Occupancy excluding rental guarantee is 69.4% (including lease terms agreed but not yet executed).
³ Fund weighted average lease expiry (years by income) excluding the rental guarantee is 6.12 years.
⁴ Fund occupancy excluding the rental guarantee 90.3% (including lease terms agreed but not yet executed).

Stockland Direct Retail Trust No.1 “SDRT1”



Highlights:

Two new aquisitions increased funds under management to \$156m.

Fund Summary

SREEF is a \$156 million residential communities development fund established in August 2006, offering wholesale investors the opportunity to invest alongside Stockland in a geographically diversified portfolio of residential community projects.

Project Summaries

Vertu Private Estate is a 54 hectare property located in the City of Armadale, 17 kilometres south from the centre of Perth. Vertu consists of five stages yielding 558 lots in total. The Fund has a 50% interest in Stages 2 to 5 (411 lots). Approximately 153 lots from Stages 2 and 3 have been released to the market.

The Boardwalk is a 31 hectare property located at Mount Coolum on the Sunshine Coast, 15 kilometres north of Maroochydore. The project offers premium beachside community living, with spectacular views of Mount Coolum and the Pacific Ocean. The Boardwalk consists of nine stages, yielding 268 lots in total. The Fund holds a 50% interest in Stages 4, 6, 7 and 9, consisting of 130 lots. Approximately 61 lots in stages 4 and 6 have been released to the market.

The Murwillumbah Project is an approved 316 lot subdivision (including one retail lot) located at Murwillumbah, NSW in the hinterland of the Tweed Shire Council. The project is approved for residential development and lots are due to be released to the market in late 2008.

Newbury Village is a 46 hectare property located in Craigieburn, VIC, 27 kilometres north of the Melbourne CBD and situated within one of Melbourne's key growth corridors. The Fund owns a 50% interest in the project (648 lots) and settlements are expected to commence late 2008.

Freshwater Estate is a 76 hectare property located in Griffin, QLD, approximately 24 kilometres north of the Brisbane CBD. The Fund owns an 80% interest in the project, which is expected to yield 797 lots (over 20 stages) within 6 years. Construction for Stages 1 and 2 is underway with settlements expected to commence in late 2008.

Key Projects

	Vertu Private Estate (Stages 2-5)	The Boardwalk (Stages 4, 6, 7 & 9)	Murwillumbah	Newbury Village	Freshwater Estate
Location	Perth, WA	Mount Coolum, QLD	Murwillumbah, NSW	Craigieburn, VIC	Griffin, QLD
Date acquired	November 2006	September 2007	November 2007	June 2008	June 2008
Fund interest	50%	50%	50%	50%	80%



Stockland Residential Estates Equity Fund No.1

“SREEF”

Stockland embraces UN Principles for Responsible Investment.

During the year Stockland became a signatory to the UN Principles for Responsible Investment (PRI). The UN Principles for Responsible Investment aims to assist investors to integrate considerations of environmental, social and governance (ESG) issues into investment decision-making and ownership practices, thereby improving long-term returns to beneficiaries.

Stockland was recognised for efforts in environmental sustainability with a win at the NSW Government Green Globes Sustainability Awards 2008 for environmental sustainability, in the Commercial Portfolio category which recognises achievements in Office, Industrial and Retail property.

Stockland uses the National Australian Built Environment Rating System ("NABERS") to benchmark their achievements, using third party certification from the Department of Environment and Climate Change (DECC). This benchmarking currently only exists for office properties. Targets are being set for the energy and water performance of each fund.



Corporate Responsibility & Sustainability (CR&S)

CR&S Highlights across Unlisted Property Funds

SDOT1

SDOT1's CR&S focus has been on the implementation of sustainability initiatives to improve eco efficiency at Waterfront Place. Stockland has used NABERS to benchmark their achievements with third party certification. In 2007 Waterfront Place achieved a 3.5 Star NABERS Energy Rating and a 3.5 Star NABERS Water Rating. A 3.5 Star NABERS rating is defined by DECC as "excellent". Waterfront Place's Water Efficiency Management Plan (WEMP) which provides for a 30% target reduction of water usage has seen Waterfront Place reduced its water consumption by 39.4% since June 2005 whilst simultaneously reducing electricity consumption by 14.4%.

SDOT2

Optus was recently recognised in the 2008 Green Globe awards by winning the Sustainable Commercial Tenant category. Both the tenancy and base building features contributed to the recognition with the campus's 1.2 million litre rainwater tank referenced in the Green Globes submission. Stockland also won the 2008 Property Council Award for Business/Industrial Park at the 2008 Innovation and Excellence Awards. The campus development has a commitment to achieve a 4.5 star NABERS Energy Rating against an industry average of 2.5 stars. Since August 2007, resources have been engaged to review building energy performance relative to its design and to identify abnormal or excessive usage. This process will continue through 2008. Sub-metering has been used to track rainwater usage. Currently over 60% of toilet flushing and over 25% of the site's total water usage is from rainwater.

SDOT3

SDOT3 has achieved substantial improvements in the sustainability ratings with SDOT3 exceeding the Stockland portfolio target of 3.5 Star NABERS ratings for energy and water. Standout examples include the Parramatta property which had a substantial improvement of 1.5 stars up to 3.0 stars for both water and energy (classified by DECC as "very good" performance). The St Kilda Road property maintained its high energy performance of 4 Star and increased its water rating to 4.5 Star (classified by DECC as "excellent" performance).

SDRT1

Stockland have created a retail specific energy and water training programme for centre management. Benowa Gardens Shopping Centre was included in this training process. "Smart" water meters have been implemented at Benowa Shopping Centre and Pacific Pines Shopping Centre to provide water consumption monitoring 24 hours per day in real time. These permanent meters will allow us to identify excessive water usage overnight and automatically detect leaks. Additionally, all urinals in public amenities at Benowa Shopping Centre have been converted to waterless operation.

Stockland has been developing a systematic approach to developments. The Stockland Retail Charter for all new developments and redevelopments has recently been completed and will be used to optimise outcomes with any future redevelopment to incorporate these approaches. By complementing this with Stockland's Retail Design and Fitout Guide we ensure that all new fitout works with have optimised environmental outcomes.

Stockland is due to release its third Corporate Responsibility and Sustainability Report. To download this report or to obtain further information please visit www.stockland.com.au/about



¹ Final validation from the Department of Environment & Climate Change is awaiting (ratings were submitted in April 2008).

Responsible Entity

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