

SDOT3



Stockland Direct Office Trust No.3 & Stockland Holding Trust No.2 (SDOT3)

The last financial year has been challenging and SDOT3's performance reflects this. The disappointing FY09 total return is a direct result of the continued decompression of capitalisation rates as, in general, rents have increased.

Distributions for the year ended 30 June 2009 were 7.6 cents per unit representing a distribution return of 7.60%.

Independent valuations for all SDOT3 properties have been undertaken as at 30 June 2009. The weighted average capitalisation rate increased to 8.81%, resulting in an 8.5% decrease from December 2008 in valuations to \$118.05 million.

SDOT3's financier has provided a loan-to-value ratio covenant waiver for 30 June 2009. The Responsible Entity believes that the most appropriate way to avoid potential future breaches of SDOT3's financial covenants long term is to reduce the outstanding loan facility. One option to achieve this is via reducing distributions combined with the sale of any or all of SDOT3's properties. The Responsible Entity will notify Investors of any distribution reductions and/or the sale of any property.

At 30 June 2009, SDOT3's loan facility agreement was due to mature on 27 June 2010. SDOT3 and the financier are in ongoing discussions to extend the loan facility until 27 June 2012.

STATISTICS AND PERFORMANCE

as at 30 June 2009

Assets under management	\$122m
NTA per unit*	\$0.56
Debt	
Gearing	68%
Years to maturity	1.0
FY09 distribution return	7.60%
FY09 total return	(28.9%)
Total return since inception per annum	(17.4%)

* Net tangible assets per unit as calculated in accordance with Australian International Financial Reporting Standards.

KEY PROPERTY STATISTICS

Property	181 Great Eastern Hwy, Belmont	40 Cameron Ave, Belconnen	541 St Kilda Rd, Melbourne	222 Russell St, Melbourne	75 George St, Parramatta
Independent valuation	\$16.3m	\$28.25m*	\$25.4m	\$14.1m	\$34.0m
Valuation date	30 Jun 09	30 Jun 09	30 Jun 09	30 Jun 09	30 Jun 09
Net lettable area (m ²)	4,036	15,506	8,251	479 car park spaces	9,545
Occupancy rate	100%	100%	100%	100%	100%
Weighted average lease expiry (years by income)	2.17	2.68	2.93	1.10	3.60
Major tenants	Telstra Corporation	Commonwealth of Australia	Seek Limited	EziPark	St. George Bank
SDOT3 occupancy					100%
SDOT3 weighted average lease expiry (years by income)					2.74

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

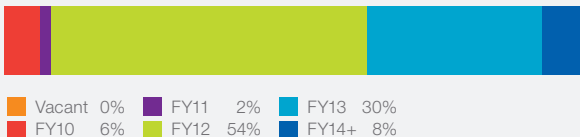


PROPERTY UPDATE

All SDOT3 properties remain 100% occupied. At 40 Cameron Avenue, Belconnen, the tenant has recently finished recarpeting and the external ongrade parking has reached 100% occupancy. Minor air-conditioning and lift capital works have been completed at 541 St Kilda Rd, Melbourne. At 222 Russell Street, Melbourne, an upgrade to the main lift car has been completed.

The following graph illustrates the lease expiry profile of SDOT3 by area.

SDOT3 Lease expiry profile by area



A 4.0 Star NABERS Energy rating and a 3.5 Star Water rating have been achieved at 541 St Kilda Road, Melbourne.

MARKET UPDATE*

The Perth CBD office market experienced an increase in supply of 87,400sqm during the half year ended 30 June 2009. This had a flow on impact to the secondary market where vacancy increased from 1.7% in December 2008 to 8.1% in June 2009 and rents decreased from \$723 per sqm in December 2008 to \$549 per sqm in June 2009. Yields have increased to between 9.00% and 10.00%.

The Canberra office market experienced an increase of supply of 49,200sqm during the half year. This had a flow on impact to the secondary market where vacancy increased from 4.3% in December 2008 to 7.7% in June 2009 and rents decreased from \$336 per sqm in December 2008 to \$307 per sqm in June 2009. Yields have increased to between 8.50% and 11.00%.

The Melbourne fringe office market experienced an increase in supply of 47,400sqm during the half year. This has a flow on impact to the secondary market where vacancy increased from 6.8% in December 2008 to 10.7% in June 2009 and rents decreased from \$276 per sqm in December 2008 to \$254 per sqm in June 2009. Yields have increased to between 8.50% and 10.50%.

The Parramatta office market experienced an increase in supply of 23,000sqm during the half year. Vacancy increased marginally from 12.5% in December 2008 to 13.3% in June 2009 and rents decreased from \$237 per sqm in December 2008 to \$226 per sqm in June 2009. Yields have increased to between 8.75% and 10.25%.

* Sourced from the 2009 Perth CBD, Canberra, Melbourne Fringe & Parramatta Office Market Reports by Jones Lang LaSalle.

The Stockland story

Ervin Graf founded Stockland in 1952 with a vision to *“not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country”*.

Pursuing that vision has seen Stockland grow to become one of Australia's leading diversified property groups – developing and managing a large portfolio of residential community, apartment, retirement living, retail, office and industrial assets.

With the benefit of our diverse property skills, we connect together property styles in shared locations, to create communities of uncommon diversity and connectedness; places that inspire people to gather, to share and to live life.

We recognise our responsibilities to the environment and are striving to become a leader in sustainable business practices. Our positive and adaptable team shares Graf's vision of making a worthwhile contribution to our community. We work hard, we expect a lot of one another, and we seek true work-life balance.

For over half a century, we've worked hard to grow our diverse portfolio of assets and projects while maintaining a conservative balance sheet. It's proven a sound approach and we're now Australia's largest diversified property group and a top 50 ASX listed company.

RESPONSIBLE ENTITY

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Stockland Direct Office Trust No.3 – ARSN 124 439 925
 Stockland Holding Trust No.2 – ARSN 132 129 134

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