



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

Distributions for the half year ended 31 December 2009 were 1.67 cents per unit representing an annualised distribution yield of 3.33 per cent. Distributions were reduced during the half year as part of prudent capital management strategies implemented.

Independent valuations have been undertaken for all properties as at 31 December 2009. Excluding the Belconnen Property, valuations decreased 5.1 per cent to \$85.2 million. This decrease was due mostly to capitalisation rate increases and a forecast reduction in rental income from Russell Street Car Park.

Following members' approval on 30 June 2009 to sell all or any of SDOT3's properties, SDOT3 sold its 50 per cent share of the Belconnen Property to Stockland Trust on 30 November 2009 for \$28.25 million, being the independent valuation as at 30 June 2009. Proceeds from the sale were used to reduce SDOT3's loan facility and therefore ensure compliance with SDOT3's loan-to-valuation ratio covenant as at 31 December 2009.

On 30 September 2009, SDOT3 and its financier agreed and finalised the terms of the refinanced loan facility that was due to mature on 27 June 2010. The loan facility was extended for a further two years with a maturity date of 27 June 2012.

STATISTICS AND PERFORMANCE as at 31 December 2009

Assets under management	\$89m
NTA per unit*	\$0.50
Debt	
Loan to valuation ratio	64%
Years to maturity	2.5
FY10 distribution return (annualised)	3.33%
Total return for the six months ended 31 December 2009	(9.1%)
Total return since inception per annum	(17.3%)

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



KEY PROPERTY STATISTICS AS AT 31 DECEMBER 2009

Property	181 Great Eastern Hwy, Belmont	541 St Kilda Rd, Melbourne	222 Russell St, Melbourne	75 George St, Parramatta
Independent valuation	\$15.5m	\$25.2m	\$13.0m	\$31.5m
Valuation date	31 Dec 09	31 Dec 09	31 Dec 09	31 Dec 09
Net lettable area (m ²)	4,036	8,251	479 car parking spaces	9,546
Occupancy rate	100%	100%	100%	100%
Weighted average lease expiry (years by income)	1.67	2.95	0.59	3.11
Major tenants	Telstra Corporation	Seek Limited	EziPark	St. George Bank
SDOT3 occupancy				100%
SDOT3 weighted average lease expiry (years by income)				2.42

PROPERTY UPDATE

All SDOT3 properties remain 100 per cent occupied.

At 181 Great Eastern Highway, Belmont, a market rent review is due to be finalised in the first quarter of 2010. A substantial increase is forecast due to current market conditions.

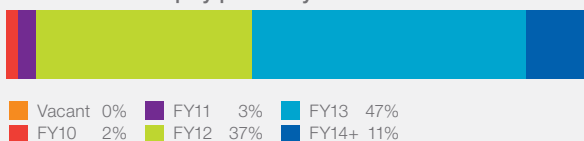
At 541 St Kilda Road, Melbourne, a new lease has been entered into with Thiess Pty Ltd and Degremont Pty Ltd as combined tenants to occupy level two for three years. The property has also become part of the City of Melbourne 1,200 Buildings Program which aims to reduce greenhouse gas emissions by improving energy performance through the retrofitting of 1,200 commercial buildings in the Melbourne CBD.

Given that the Ezipark lease is due to expire 30 June 2010, a leasing campaign has been undertaken at 222 Russell Street, Melbourne. Offers from three different operators are being considered. Due to current market conditions, a reduction in rental income is forecast.

Consultants have been engaged to review the air-conditioning system and produce tenders for lift upgrades for 75 George Street, Parramatta. Members will be kept informed of likely capital expenditure.

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

SDOT3 Lease expiry profile by area



MARKET UPDATE*

After a strong start to 2009 with 87,400m² of new stock entering the Perth CBD office market, new supply eased in the second half of the year, with a modest 4,800m² completed. The secondary vacancy rate increased from 6.9 per cent in June 2009 to 8.3 per cent in December 2009 on the back of weak tenant demand. The competitive leasing market resulted in secondary gross effective rents falling 21.1 per cent to \$432 per m² during the half year to 31 December 2009. Recent sales evidence indicates a moderate tightening in secondary market yields occurred during the six month period to range between 8.75 and 9.75 per cent.

The Melbourne fringe office market experienced a strong injection of new supply during 2009 with 113,400m² completed during the 12 month period. 58 per cent of this new supply came online in the half year ended 31 December 2009. New supply is forecast to be limited with only 12,100m² being under construction. The vacancy rate continued its upward trend during the six month period on the back of this new supply, increasing from 11.4 per cent in June 2009 to 12.1 per cent in December 2009. Secondary market gross effective rents fell 1.6 per cent to \$250m². Yields increased to range between 9.00 and 11.00 per cent.

No new supply entered the Parramatta office market during the half year and with no buildings currently being under construction, no new stock is set to enter the market over the short to medium-term. The secondary vacancy rate increased marginally from 13.3 per cent in June 2009 to 13.8 per cent in December 2009. Secondary rents stabilised, remaining at \$226 per m² in December 2009. Yields increased marginally to range between 8.75 and 10.50 per cent.

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

RESPONSIBLE ENTITY

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Stockland Holding Trust No.2 – ARSN 132 129 134

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