541 ST KILDA RD, MELBOURNE

Summary

As part of our ongoing strategy for SDOT3, continuing efforts are being made to:

- Maintain the loan to valuation ratio covenant within the level required by SDOT3's financier;
- Manage lease expiry risk ahead of time given the majority of SDOT3's leases expire in financial years 2012 and 2013; and
- Fund substantial future capital expenditure and leasing incentives.

Stockland

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

Key Results

Assets Under Management
as at 30 June 2010

Assets under management	$87.4 million

NET TANGIBLE ASSETS*

$0.48 per unit

SDOT3's NTA per unit decreased from $0.50 as at 31 December 2009 to $0.48 as at 30 June 2010. This result is due mostly to the downward revaluation of the Belmont property and a change in value of the interest rate swap.

The Belmont property was valued at $14.2 million at 30 June 2010, a 8 per cent decrease from 31 December 2009. Market conditions and the impending lease expiry of single tenant Telstra in August 2011 led to the decrease. All other SDOT3 properties retained their values at 30 June 2010 however will be impacted by shortening weighted average lease expiries from 31 December 2010. The leasing team are currently working with existing and prospective tenants to minimise the impact of these upcoming expiries.

The interest rate swap decreased $1.2 million in value due mostly to increasing market interest rates.

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

Distributions and Returns

FY10 distributions return	2.50%
FY10 total return	(11.95%)
Total return since inception per annum	(15.75%)

FY10 DISTRIBUTIONS

2.50c per unit

FY10 distributions totalled 2.50 cents per unit, reflecting a 2.50 per cent distribution return.

Given the requirements to maintain the loan to valuation ratio, manage lease expiry risk and the funding of future capital expenditure, and in light of current market conditions, a distribution has not been paid for the 30 June 2010 quarter.

The ability of SDOT3 to pay future distributions will be subject to achieving these objectives.

Debt
as at 30 June 2010

Loan facility	$60.8 million
Drawings	$55.2 million
Interest rate	8.25%
Years to maturity	2.0

LOAN TO VALUATION RATIO

64.82%

Drawings on the loan facility have not increased during the half year ended 30 June 2010. It is anticipated that capital expenditure and leasing incentives will continue to be funded by cash flow rather than by drawing on the loan facility.

The 8.25 per cent interest rate includes the line fee and margin and has not changed from 31 December 2009 due to an interest rate swap being in place.

The loan to valuation ratio of 64.82 per cent is close to the 65.00 per cent maximum allowed by SDOT3's financier. We are currently reviewing SDOT3's strategy to ensure that this covenant can continue to be met given that shortening weighted average lease expiries will impact valuations.

Stockland Trust Management Ltd has provided SDOT3 with a loan facility offer valid to August 2011. In light of this, SDOT3's financier has agreed to waive a breach in the Loan to Value Ratio up to 80 per cent for this period.

Property Overview

Key Property Statistics as at 30 June 2010

Property	181 Great Eastern Hwy, Belmont	541 St Kilda Rd, Melbourne	222 Russell St, Melbourne	75 George St, Parramatta
Independent valuation	$14.2 million	$25.2 million	$13.0 million	$31.5 million
Valuation date	30 Jun 2010	31 Dec 2009	31 Dec 2009	31 Dec 2009
Net lettable area (sqm)	4,036	8,251	479 car parking spaces	9,545
Occupancy rate	100%	100%	100%	100%
Weighted average lease expiry (years by income)	1.17	2.46	4.69	2.60
Major tenants	Telstra	Seek	Wilson Parking	St. George
SDOT3 occupancy				100%
SDOT3 weighted average lease expiry (years by income)				2.59

All SDOT3 properties remain 100 per cent occupied at 30 June 2010. However, a substantial 85 per cent of SDOT3's lease expiries are due to occur in FY12 and FY13. These impending lease expiries are forecast to impact on property valuations over the short term. The leasing team are currently working with existing and prospective tenants to minimise the impact of these upcoming expiries.

The market rent review for Telstra at 181 Great Eastern Highway, Belmont was completed in March 2010 with the rent from the entire property increasing 32 per cent. Telstra recently advised they will be consolidating their operations and therefore will not renew their lease beyond the lease expiry at 31 August 2011. A leasing campaign has commenced to secure a new tenant.

541 St Kilda Road Melbourne continues to be 78 per cent occupied by Seek Limited. A staged upgrade of the air conditioning system continued in the six months to 30 June 2010 with further works planned for the coming year. With no imminent expiries in the coming year and a refurbishment carried out in 2007, no major leasing or capital expenditure is forecast for the coming year.

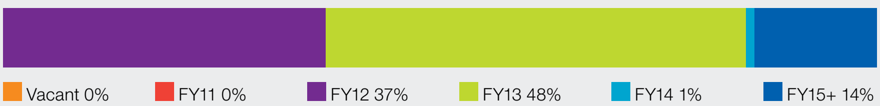
541 St Kilda Road remains part of the City of Melbourne 1200 Buildings Program which aims to reduce greenhouse gas emissions by improving energy performance through the retrofitting of 1200 commercial buildings in Melbourne's CBD.

Following the leasing campaign undertaken in 2009, Wilson Parking has entered into a five year lease at 222 Russell Street, Melbourne.

At 75 George Street, Parramatta lease terms have been reached on an impending expiry with a tenant that is downsizing. Tenders have been received and are being reviewed on the required lift upgrade. An energy rating of 3.5 stars was secured for 2009, up from 2.5 stars in 2008.

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

SDOT3 Lease expiry profile by area



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Stockland Holding Trust No.2
ARSN 132 129 134

75 GEORGE ST, PARRAMATTA

Market Update*

The **Perth** CBD market is set to experience another year of strong supply in 2010, with 94,300 sqm due for completion. 75 per cent of this stock was completed in the six months to 30 June 2010. This new supply has a strong level of pre-commitment of 85 per cent. Supply levels will ease over the medium term with 86,000 sqm across four projects due for completion over 2011-2012. While tenant demand for the six month period was strong, the vacancy rate edged upwards as tenants relocated to newly completed stock. The secondary vacancy rate increased 224 basis points to 10.6 per cent over the six month period. The competitive leasing market hindered rental growth with secondary gross effective rents remaining steady at $434 per sqm during the half year to June 2010. Recent sales figures indicate a moderate tightening in secondary market yields to range between 8.50 and 9.75 per cent.

The **St Kilda Road** market remained relatively static over the six months to June 2010. No new supply entered the market and there are no developments in the pipeline. Telstra departed the market, vacating 3,500 sqm during the six month period, contributing to the increase in vacancy. The vacancy rate at 30 June 2010 was 11.9 per cent, up from 11.6 per cent in December 2009. Secondary market gross effective rents remained relatively steady at $250 per sqm. Yields firmed to range between 8.50 and 10.25 per cent.

The need to secure pre-commitments prior to commencing construction has brought development in the **Parramatta** market to a standstill and no new stock is due to enter the market over the medium term. The secondary vacancy rate decreased 69 basis points to 13.3 per cent in the six months to June 2010 on the back of positive tenant demand. Secondary gross effective rents increased 1.6 per cent to $229 per sqm over the half year. Yields decreased marginally to range between 8.75 and 10.25 per cent.

*Sourced from the Q2 2010 Perth CBD, Melbourne Fringe & Parramatta Office Market Reports by Jones Lang LaSalle.