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STOCKLAND DIRECT
HALF YEAR INVESTMENT REPORT
31 DECEMBER 2005



Stockland
DIRECT





STOCKLAND DIRECT OFFICE TRUST NO.1

HALF YEAR INVESTMENT REPORT 31 DECEMBER 2005

THE DIRECTORS AND MANAGEMENT OF STOCKLAND FUNDS MANAGEMENT LIMITED ("RESPONSIBLE ENTITY") ARE PLEASED TO PRESENT THE 2005 HALF YEAR INVESTMENT REPORT FOR THE STOCKLAND DIRECT OFFICE TRUST NO.1 ("SDOT1").

HIGHLIGHTS

- SDOT1's interest in Waterfront Place ("Property") has been revalued upward to \$177.5 million as at 31 December 2005.
- This represents an increase of 41% in the net tangible asset ("NTA") backing for each unit in SDOT1 since allotment of units on 19 November 2004.
- The distributions for the Half Year ended 31 December 2005 are in accordance with forecasts in the Product Disclosure Statement ("SDOT1 PDS").

DISTRIBUTIONS

We are pleased to confirm that the SDOT1 distributions for the Half Year ended 31 December 2005 are in accordance with the SDOT1 PDS.

The distributions for the Half Year are forecast to be 100% tax deferred.

Your Distribution Statement for the quarter ended 31 December 2005 accompanies this Half Year Investment Report. This distribution was paid on 17 February 2006.

Summary of Distributions For the Half Year to 31 December 2005	General Investors	Gear Investors
SDOT1 distributions ¹ (cents per unit)	4.0250	4.0250
Less: Investment Loan Interest (cents per unit)	N/A	2.1810
Cash distribution (cents per unit)	4.0250	1.8440
Yield (annualised) – actual	8.05%	9.25% ^{2,3}
Yield (annualised) – SDOT1 PDS forecast	8.05%	9.25% ²

¹ Includes the distributions for the quarters ended 30 September 2005 and 31 December 2005.

² For Geared Investors, this represents the cash return (annualised) on the First Payment of \$0.40 per unit.

³ The Investment Loan interest is annualised for the Half Year.

As at	31 December 2005
No. of Unitholders	1,575
No. of units on issue	66.5 million

NET TANGIBLE ASSETS

As at 31 December 2005, the NTA per unit is \$1.27. This increase in NTA is attributable to the strong increase in the value of the Property.

Following the introduction of International Financial Reporting Standards ("IFRS") on 1 July 2005, the NTA of SDOT1 for financial reporting is reduced to zero due to the classification of unitholders' funds as a liability. Accordingly, the definition of NTA has been amended to exclude the impact of this reclassification and continues to exclude the impact of financial instruments. The amended definition of NTA is the gross assets of SDOT1 (excluding any intangible assets), less liabilities of SDOT1 (excluding liabilities to unitholders), plus any adjustments to IFRS considered necessary by the Responsible Entity to fairly represent the NTA of SDOT1.

LIMITED LIQUIDITY FACILITY ("LLF")

Consistent with the SDOT1 PDS, Westpac continues to offer the Limited Liquidity Facility to acquire up to 521,000 units per quarter from Investors. The purchase price is equal to the NTA per unit less a 2.5% discount and any transaction costs including stamp duty and processing fees. The LLF price is available on the Responsible Entity's web site at www.stockland.com.au/upf/.

PROPERTY UPDATE

- New leases and lease renewals were executed and agreed for over 15,614 sqm, with an average lease term of 8.6 years.
- Replacement of the Property's Building Monitoring and Control System ("BMS") commenced as planned. The replacement of the BMS will provide a level of automated controls in line with other premium commercial buildings within Brisbane.

WATERFRONT PLACE BRISBANE, QLD

PROPERTY STATISTICS

Waterfront Place is a 36-level premium grade office building. Located on Eagle Street and fronting the Brisbane River, it is Brisbane's prime commercial location providing panoramic river and Brisbane vistas from all commercial levels.

The Property	Waterfront Place
Location	Brisbane CBD, QLD
Acquisition Date	Feb 2004
Ownership/Title	50% interest/Freehold and leasehold
Cost including additions	\$151.1 million
Net Lettable Area ⁴	59,145 sqm
Car parking spaces ⁴	494
Occupancy Rate ⁴	99.7%
Weighted Average Lease Term ⁴	5.5 years

Major Tenants⁴

Minter Ellison	7,750 sqm
PwC	7,288 sqm
Ernst & Young	5,376 sqm
Corrs Chambers Westgarth	3,733 sqm
Phillips Fox	3,679 sqm

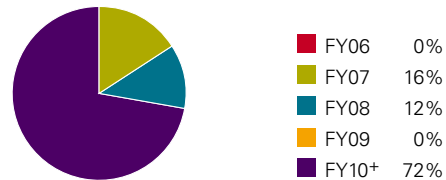
Independent Valuation	31 December 2005	30 June 2004
Valuation / (\$ per sqm)	\$177.5 million (\$ 6,002 per sqm ⁴)	\$145.5 million (\$ 4,942 per sqm ⁴)

⁴ These statistics relate to 100% interest in the Property.

LEASE EXPIRY PROFILE

AS AT 31 DECEMBER 2005

The following diagram illustrates the expiry profile of the existing leases as at 31 December 2005.



MARKET OUTLOOK

Commercial office leasing activity in Brisbane CBD remains strong and the market is characterised by strong tenant demand, shortage of available space and falling vacancy rates. The average vacancy in the Brisbane CBD as at 31 December 2005 was 3.0%, the lowest in the Brisbane CBD market since 1981.

With limited supply over the medium term, strong investment sentiment and strong tenant demand, the Property continues to be well positioned to achieve further rental growth over the medium to long term.



STOCKLAND DIRECT OFFICE TRUST NO.2

HALF YEAR INVESTMENT REPORT 31 DECEMBER 2005

THE DIRECTORS AND MANAGEMENT OF STOCKLAND FUNDS MANAGEMENT LIMITED ("RESPONSIBLE ENTITY") ARE PLEASED TO PRESENT THE 2005 HALF YEAR INVESTMENT REPORT FOR THE STOCKLAND DIRECT OFFICE TRUST NO.2 ("SDOT2").

HIGHLIGHTS

- The SDOT2 offer successfully closed on 16 September 2005 and instalment receipts issued on 28 September 2005.
- The interim distribution for the period from 28 September 2005 to 31 December 2005 is 6.35% which is 0.65% p.a. higher than the 5.70% forecast in the Product Disclosure Statement for the SDOT2 offer ("SDOT2 PDS").
- It is expected this premium will be paid on each distribution until the Optus lease commences, which is currently scheduled for July 2007 as forecast in the SDOT2 PDS.
- Construction is ahead of schedule.

We are pleased to confirm that the unitholder distribution performance of SDOT2 for the period to 31 December 2005 is in excess of that forecast in the SDOT2 PDS.

DISTRIBUTIONS

Summary of Distributions

For the period from 28 September 2005 to 31 December 2005

SDOT2 distributions (cents per unit)	1.2538
Less: Establishment fee on instalment receipt (cents per unit)	0.6000
Net cash distribution (cents per unit)	0.6538
Yield ¹ (annualised) – actual	6.35%
Yield ¹ (annualised) – SDOT2 PDS forecast	5.70%

¹ Yield is calculated as a percentage of First Instalment.

As at	31 Dec 2005
No. of instalment receipt holders	515
No. of instalment receipts on issue	85.867 million

The distributions to date are forecast to be 100% tax deferred.

Your Distribution Statement for the quarter ended 31 December 2005 accompanies this Half Year Investment Report. This distribution was paid on 17 February 2006.

NET TANGIBLE ASSETS

As at 31 December 2005, the net tangible asset ("NTA") per unit of SDOT2 is 40 cents, compared to 40 cents per First Instalment. The NTA includes the indemnity provided by Stockland Corporation as detailed in the SDOT2 PDS. If no indemnity was provided, the NTA would be 32.7 cents per unit compared to a First Instalment of 40 cents per unit. This NTA is in line with the SDOT2 PDS and reflects the offer costs in establishing the trust.

LIMITED LIQUIDITY FACILITY ("LLF")

As detailed in the SDOT2 PDS, the Limited Liquidity Facility will be available once the Optus lease commences. The LLF will adopt a purchase price equal to the NTA per unit less a 2.5% discount and any transaction costs (including stamp duty and processing fees). The LLF price will be published on the Fund Managers website from commencement of the Optus lease.

ADMINISTRATIVE AMENDMENT TO SECURITY TRUST DEED

In accordance with the SDOT2 PDS (page 16), a transfer form must be received no later than 15 business days before the end of a Quarter for the transfer to be processed during that quarter. The Security Trust Deed, which regulates the instalment receipts, was amended on 23 December 2005 to be consistent with the SDOT2 PDS, as it previously required transfers received more than 15 days prior to the end of the calendar quarter to be effected on the first day of the following calendar quarter. This change is in accordance with the Security Trust Deed provision that parties may amend the deed to correct an error.

OPTUS AT MACQUARIE PARK, NSW

PROPERTY STATISTICS

The new Optus Australian headquarters ("Property") will provide a workplace for over 6,500 employees located on 7.6 hectares of landscaped secure surrounds at Macquarie Park (formerly North Ryde) in New South Wales, approximately 15 kilometres north west of the Sydney CBD.

As detailed in the SDOT2 PDS the Property is owned by Macquarie Park Trust ("MPT") and, SDOT2 will acquire a 49% interest in MPT on commencement of the Optus lease. Until this time, SDOT2 has provided a loan to MPT of \$25.2 million.

The Property ²	Optus at Macquarie Park
Location	Macquarie Park, NSW
Acquisition Date	September 2005
Ownership/Title	Freehold
Net Lettable Area	84,000 sqm subject to survey
Car parking spaces	2002 underground spaces and 98 above ground car spaces.
Occupancy Rate	100%
Weighted Average Lease Term	15 years
Major Tenant	Optus

Independent Valuation	July 2005
Valuation/ (\$ per sqm)	\$351.1 million (\$ 4,179 per sqm)

² These statistics relate to 100% interest in the Property.

MPT WHOLESALE INVESTOR

We are pleased to report that the negotiations with a wholesale investor to acquire an interest in MPT, as disclosed in the SDOT2 PDS, were concluded on 19 December 2005. UniSuper, one of Australia's leading superannuation funds, will take a 20% interest in MPT, on commencement of the Optus lease in mid 2007.

At the time of announcing the transaction, UniSuper's Chief Investment Officer, David St John, said "This investment provides UniSuper with further diversity in its \$1.3 billion domestic property portfolio. The high quality office campus is expected to deliver an attractive long term risk-adjusted return, underpinned by a 15 year average lease to Optus".

CONSTRUCTION UPDATE

Construction of the Property commenced in March 2005 and is progressing well, with the shell of three of the buildings now complete, and the remaining three buildings close behind. The construction program is approximately two months ahead of schedule.



UNDER CONSTRUCTION

OPTUS AT MACQUARIE PARK, NSW



The 'all-in-one village' to be the new Australian headquarters for Optus. The 15 year lease for six buildings for 84,000 sqm represents the largest office lease in Australia.

Construction commenced in March 2005 and the development is on track for practical completion in June 2007.

STOCKLAND DIRECT UPCOMING OFFERS

Our focus is to be a leading fund manager in both retail and wholesale unlisted property funds.



Stockland Direct establishes and manages unlisted funds to provide retail and wholesale investors with quality property investment opportunities across each of the major property sectors. Further information on Stockland Direct is available from our website: **www.stockland.com.au/upf**

In addition to SDOT1 and SDOT2, Stockland Direct is currently developing a number of unlisted property funds which we anticipate will be offered to retail investors soon.

If you are not an existing investor and would like to register your interest in future Stockland Direct offers, please do so by contacting Stockland Direct at the contact details on the back cover of the Investment Report or registering your interest through our website: www.stockland.com.au/upf



Stockland

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DISCLAIMER OF LIABILITY

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