

BENOWA GARDENS, QUEENSLAND

## Highlights

We are pleased to provide investors with the investment report for Stockland Direct Retail Trust No. 1 (SDRT1) for the six months to 31 December 2010. The highlights for the period include:

- Quarterly distributions increased from the prior financial year.
- Strong leasing activity at Tamworth Homespace.
- The loan to valuation ratio of 62.07% is below the 65% maximum allowed by SDRT1's financier.
- Stockland has provided SDRT1 with a letter of offer for a loan facility to replace the current external loan facility if required.



# Stockland Direct Retail Trust No. 1 (SDRT1)

## Key results

### Assets under management as at 31 December 2010

**Assets under management** **\$66.5 million**

**UNIT PRICE\***  
**\$0.62**

SDRT1's unit price was \$0.62 as at 31 December 2010, with no change from the 30 June 2010 figure. All of the SDRT1 properties were externally valued at 31 December 2010, with the total value of the portfolio increasing by \$1.3 million to \$63.4 million. The increase in the valuations was primarily offset by a \$0.23 million decrease in the value of the interest rate swap and a \$0.51 million reduction in the cash held by SDRT1.

### Distributions and returns to 31 December 2010

<b>1H11 distribution return</b>	<b>2.02%</b>
<b>1H11 total return</b>	<b>2.71%</b>
<b>Total return since inception per annum</b>	<b>(5.15%)</b>

**YTD DISTRIBUTIONS**  
**2.02c** per unit

Distributions for the six months totalled 2.02 cents per unit, reflecting a 2.02% distribution return.

The quarterly distributions were increased in the September 2010 quarter and December 2010 quarter from the prior financial year. A conservative approach to distributions is still being maintained to protect SDRT1's capital position. This is to ensure that SDRT1 has the ability to fund future capital expenditure and leasing incentives from its cash flow.

### Debt as at 31 December 2010

<b>Loan facility</b>	<b>\$40.0 million</b>
<b>Drawings</b>	<b>\$39.3 million</b>
<b>Interest rate</b>	<b>6.45%</b>
<b>Years to maturity</b>	<b>1.0</b>

**LOAN TO VALUATION RATIO**  
**62.07%**

There were no drawings on the loan facility for the six months to 31 December 2010. SDRT1 funded all capital expenditure and leasing incentives from cash reserves. It is anticipated that SDRT1 will continue to fund these items by utilising cash flow rather than by drawing on the loan facility. The loan to valuation ratio improved to 62.07% and remains below the 65% maximum allowed by the financier.

Stockland has provided SDRT1 with a letter of offer for a loan facility. The facility offer is capable of acceptance by SDRT1 until 31 August 2012 and gives SDRT1 access to a Stockland provided facility if the existing facility is required to be repaid or is not renewed. The terms and conditions of the Stockland facility would be the same as those available in the market place to SDRT1 at the time of acceptance. The current loan facility is due to expire on 31 December 2011 and discussions with the financier regarding an extension of the loan facility are expected to commence shortly. The facility offer provides SDRT1 with certainty while the extension of the existing facility is being negotiated.

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



# Property overview

## Key property statistics as at 31 December 2010

Property	Benowa Gardens Shopping Centre	Stockland Pacific Pines	Tamworth Homespace
Independent valuation	\$30.5 million	\$18.6 million	\$14.3 million
Valuation date	31 December 10	31 December 10	31 December 10
Net lettable area (sqm)	5,734	5,518	13,070
Occupancy rate	95%	92%	96%
Weighted average lease expiry (years by income)	3.99	7.04	3.58
Major tenants	Coles	Woolworths	Good Guys
SDRT1 occupancy rate			95%
SDRT1 weighted average lease expiry (years by income)			4.68

## Property update

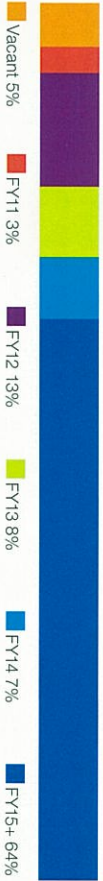
Benowa Gardens Shopping Centre is trading very well, with sales up 10.8% for the 12 months to 31 December 2010. The centre currently has an occupancy rate of 95%. Some minor tenant remixing was completed over the period with BWS moving within the centre to a larger shop and extending its lease. The leasing team will continue to focus on re-letting the three minor vacancies at the centre.

Stockland Pacific Pines had an occupancy rate of 92% as at 31 December 2010. The vacancy resulted from Stockland vacating its sales office located at the centre. Some capital works are expected to be carried out on the vacant space to prepare it for prospective tenants, and the leasing team is currently working to lease the space. The centre continues to trade well with sales growth up 3.6% for the 12 months to 31 December 2010.

A number of leasing deals were successfully completed at Tamworth Homespace over the six months to 31 December 2010, including the introduction of the first BCF store to the Tamworth area. The interest in the new BCF store has led to a substantial increase in foot traffic throughout the centre since its opening on 4 December 2010. As a result of the recent leasing deals the occupancy rate for the centre increased to 96%, a significant improvement on the 30 June 2010 occupancy rate which stood at 72%. Stockland's leasing team continues to remain focused on reletting the remaining vacant space and managing leases expiring over the next 12 months.

The following graph illustrates the lease expiry profile of SDRT1 by area.

SDRT1 lease expiry profile by area



RESPONSIBLE ENTITY	UNIT REGISTRY
Stockland Capital Partners Limited	Computershare Investor Services Pty Limited
ABN 86 078 081 722	Phone 1300 855 080
AFSL 241188	www.computershare.com
Phone 61 2 9035 3208	Stockland Direct Retail Trust No. 1
www.stockland.com.au/UnlistedPropertyFunds	ARSN 121 832 086



## Market update\*

The vacancy rate for neighbourhood centres in the south-east Queensland market remained unchanged at 4.4% as at 30 September 2010 with rents remaining relatively steady at \$548/sqm. While the supply of new space is down on recent years, the market is still expected to add 47,000 sqm over 2011 and 2012. This represents 38% of Australia's new neighbourhood centre stock.

The investment market showed an increased level of activity over 2010, with 23 centres totalling \$478 million sold Australia-wide. Only two of these sales occurred in the south-east Queensland market, where yields remained stable at 7.50% to 9.50% during the period.

The Bulky Goods retail market remained flat over the half year to 31 December 2010. Rents remained stable as did yields, ranging from 8.00% to 10.50%. There was limited sales activity over the period, with seven transactions totalling \$221.7 million occurring.

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\* Sourced from the Q3 2010 Neighbourhood Retail and Q4 2010 Bulky Goods Retail Market Reports by Jones Lang LaSalle.