



Stockland

Stockland Direct Retail Trust No.1 (SDRT1 or the Trust)



We are pleased to report that the Net Tangible Assets (NTA) of the Trust has increased by 24.7% to 94.43 cents per unit at 30 June 2015 from 75.75 cents per unit at 30 June 2014.

Pacific Pines Town Centre was developed by Stockland as part of a masterplanned community, situated in the northern Gold Coast region, near Helensvale. The neighbourhood shopping centre has an open plan style and is anchored by Woolworths plus 13 speciality stores and parking for 355 vehicles.

At 30 June 2015

NTA AT 30 JUNE 2015 CENTS PER UNIT
94.43

12 MONTH TOTAL RETURN %
35.6

AGGREGATE PROPERTY VALUATIONS \$M
78.6

LOAN TO VALUATION RATIO %
51.5

Highlights

- The total return of the Trust including distributions for the 12 month period ended 30 June 2015 was 35.6 per cent¹ which largely reflects a 24.7 per cent increase in the Net Tangible Assets (NTA) of the Trust to 94.43 cents per unit at 30 June 2015 and improved distributions to investors. The increase in the NTA is largely due to a 10.7% increase in the valuations of the Trust's properties to \$78.6 million at 30 June 2015 from \$70.95 million at 30 June 2014.
- The distributions of the Trust increased to 7.2 cents per unit for the 12 month period to 30 June 2015 from 6.0 cents per unit for the prior 12 month period.

Trust performance

We are pleased to report that the total return of the Trust since inception has increased to 7.0 per cent per annum at 30 June 2015 from 3.7 per cent per annum at 30 June 2014 because of increased distributions and recent increases in the valuations of the Trust's properties. Property valuations have increased as a result of a further firming of capitalisation rates due to continued strong demand for properties in this asset class from private and institutional investors.

TRUST PERFORMANCE

PERFORMANCE	6 MTHS	12 MTHS	SINCE INCEPTION
Total return ¹	15.2%	35.6%	7.0% p.a.

FY16 Distribution Outlook

Based on current cash flow projections for the Trust, distributions are expected to increase by 3 per cent to 7.42 cents per annum for the 12 month period ending 30 June 2016. Our outlook is subject to changes in the forecast capital expenditure of the Trust and assumes no material adverse variation in market, leasing and trading conditions.

Debt update

The loan facility of the Trust provides maximum available funds of \$41 million and ends on 19 December 2019. The borrowings of the Trust increased by \$0.3 million to \$40.5 million at 30 June 2015 from \$40.2 million at 31 December 2014 to finance capital expenditure at the Benowa Gardens and Pacific Pines centres.

The total borrowing cost of the Trust at 30 June 2015 was 4.3 per cent per annum. This includes the margin, line fee and establishment fee payable pursuant to the loan agreement and the fixed interest payable under the Trust's interest rate swap.

The recent increase in the property valuations resulted in the Loan to Value Ratio (LVR) of the Trust decreasing to 51.5 per cent at 30 June 2015 from 55.5 per cent at 30 June 2014.

DEBT AT 30 JUNE 2015	\$M
LOAN FACILITY LIMIT	\$41.0
DRAWINGS	\$40.5
TOTAL BORROWING COST	4.3% P.A.
YEARS TO MATURITY	4.5

1. Calculated in accordance with Investment and Financial Services Association Standard No. 6 which assumes distributions are re-invested in the Trust.

Portfolio update

The Benowa Gardens and Pacific Pines centres face strong local competition from new developments in their trade area either under construction or proposed. Both centres are likely to require additional maintenance and capital expenditure to improve their appearance and operational performance. Without this additional expenditure, it is likely the competitive position and future income of the centres will erode.

A total of eleven lease deals were completed at Benowa Gardens and Pacific Pines during the 6 month period ended 30 June 2015 which represents approximately 23 per cent of the aggregate annual specialty net rental income for the two centres. Occupancy, however, is likely to come under pressure from the increase in competition and the expected exit of some tenants whose leases expire in the short to medium term.

Benowa Gardens

The valuation of Benowa Gardens increased by 17.3 per cent to \$39 million at 30 June 2015 from \$33.25 million at 30 June 2014. The latest valuation takes into account the estimated impact of the completion of Benowa Village, a new neighbourhood shopping centre being developed by Coles approximately 1.7 kilometres to the north west of Benowa Gardens, expected to open in mid-2016. The valuation also allows for the anticipated expenditure required to refresh signage, upgrade amenities and complete other minor improvements at the centre.

An outlet of the national restaurant operator, Grill'd, commenced trading at the centre in July 2015 consistent with our strategy of enhancing the centre's food and convenience offering.

At 30 June 2015, the centre was 94 per cent occupied by rental income and had a weighted average lease expiry by rental income of 3.6 years. The lease expiry profile for the centre indicates a level of lease renewal risk during FY16 preceding the opening of Benowa Village. Negotiations have commenced with tenants whose leases expire during FY16 to minimise the risk of these tenants vacating the centre.

Pacific Pines Town Centre

The valuation of Pacific Pines Town Centre increased by 5.3 per cent to \$24.0 million at 30 June 2015 from \$22.8 million at 30 June 2014. At 30 June 2015, the centre was 95 per cent occupied by rental income and had a weighted average lease expiry by rental income of 5.4 years.

We are assessing the feasibility of expanding Woolworths, the centre's major tenant, in order to enhance the supermarket's appeal in the face of the potential development of a Coles supermarket within 3 kilometres of our centre. The cost of the expansion has not been allowed for in our forecast capital expenditure and is likely to require funding by way of additional borrowings if the expansion were to proceed. We will report to you again once we have completed our assessment.

Tamworth Homespace

The valuation of Tamworth Homespace increased by 4.7 per cent to \$15.6 million at 30 June 2015 from \$14.9 million at 30 June 2014. Tamworth Homespace continues to be fully occupied, however, one of the major tenants is occupying 600 square metres of the 2,400 square metres rent free until an alternative tenant is secured. The centre's weighted average lease expiry by rental income was 2.3 years at 30 June 2015.

The lease expiry profile for Tamworth Homespace reflects the expiry of four tenancies during FY16 including Your Homemaker, the second largest tenant at Tamworth Homespace.

Your Homemaker will not be renewing its lease when it expires before the end of this calendar year. Negotiations are progressing with a potential replacement for half of the Your Homemaker tenancy and we are in discussions with other parties for the balance.

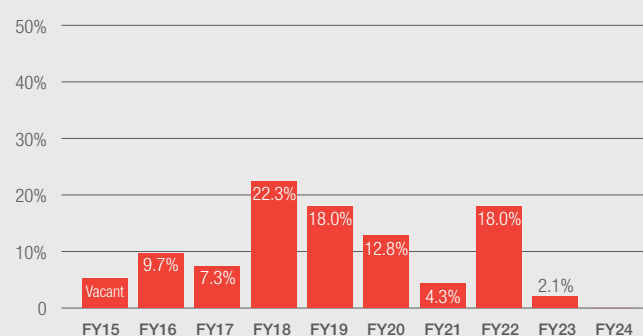
Negotiations for the renewal of the three other tenancies within the centre expiring during FY16 are also progressing.

KEY PROPERTY STATISTICS AT 30 JUNE 2015

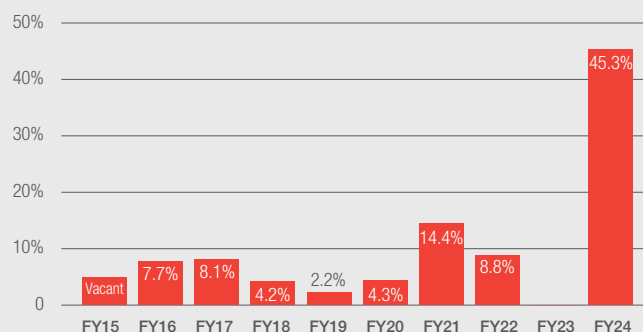
	BENOWA GARDENS SHOPPING CENTRE	PACIFIC PINES TOWN CENTRE	TAMWORTH HOMESPACE
Independent valuation date	30 June 2015	30 June 2015	30 June 2015
Valuation	\$39,000,000	\$24,000,000	\$15,600,000
Valuation rate per square metre	\$6,766	\$4,341	\$1,195
Trust Ownership	100%	100%	100%
Cap rate	7.25%	7.00%	9.5%
WALE by rental income ¹	3.6	5.4	2.3
Major tenant	Coles	Woolworths	The Good Guys
Major tenant GLA (square metres)	1,960	3,541	2,404
Major tenant lease expiry	April 2022	October 2023	March 2017
Occupancy by rental income ²	94%	95%	100%

1. The Weighted Average Lease Expiry (WALE) by rental income for the portfolio is 3.8 years.
2. The Occupancy by rental income for the portfolio is 96%.

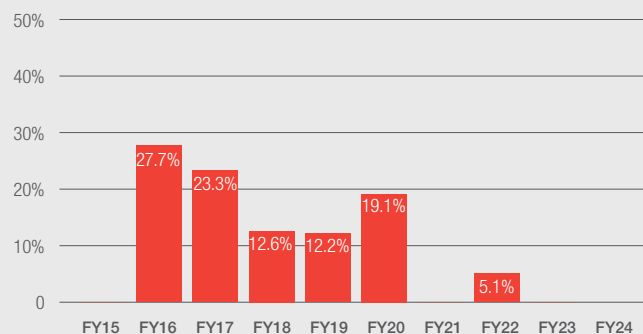
BENOWA GARDENS LEASE EXPIRY PROFILE (% OF NET RENTAL INCOME)



PACIFIC PINES TOWN CENTRE LEASE EXPIRY PROFILE (% OF NET RENTAL INCOME)



TAMWORTH HOMESPACE LEASE EXPIRY PROFILE (% OF NET RENTAL INCOME)



Unit Registry

Computershare Investor Services Pty Limited
Phone 1300 855 080
www.computershare.com

Stockland Direct Retail Trust No.1
ARN 12 1832 086

Responsible Entity

Stockland Capital Partners Limited
ABN 86 078 081 722
AFSL 241188
Email stocklanddirect@stockland.com.au
www.stockland.com.au/UnlistedPropertyFunds

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