



Stockland

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



We are pleased to report that the Trust's Net Tangible Assets (NTA) has increased by 11.7% from 68 cents per unit at 30 June 2013 to 76 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 2014

Highlights

- The Trust's 12 month return has increased from 14.8 per cent at 30 June 2013 to 21.5 per cent at 30 June 2014 due to an increase in distributions and underlying property valuations.
- The Trust declared distributions of 6 cents per unit over the 12 months to 30 June 2014 compared to 4.8 cents per unit over the prior 12 month period due to improved occupancy at the centres and capital expenditure savings.
- The valuation of the Trust's properties increased by 5.3 per cent from \$67.4 million at 30 June 2013 to \$70.95 million at 30 June 2014.
- The increase in the Trust's property valuations contributed to an 11.7 per cent increase in the Trust's Net Tangible Assets (NTA) from 67.81 cents per unit at 30 June 2013 to 75.75 cents per unit at 30 June 2014.

Members' meeting

The resolution to sell the Trust's properties and wind up the Trust did not receive the required 75 per cent majority of votes at the meeting of Members held on 27 June 2014. Accordingly, Members voted in favour of a second resolution requiring the Responsible Entity of the Trust to convene another meeting to consider termination of the Trust prior to 30 June 2019.

Following the extension of the Trust, we will continue to actively manage the portfolio with the objective of increasing the portfolio's weighted average lease expiry and attracting tenants to provide the best possible returns for unitholders. We are currently preparing 5 and 10 year asset plans for each of the Trust's properties to determine the extent of any upgrades required, particularly at Benowa Gardens and Pacific Pines, to maintain the competitive position of the centres.

We are also undertaking a full review of each centre's vacancies, leases and tenant mix and investigating potential options for refreshing or expanding the anchor tenancies to ensure they maintain their role as major drawcards for the centres.

Trust performance

The Trust's total returns below have been calculated in accordance with Investment and Financial Services Association Standard (IFSA) No.6, and accordingly, assume distributions are re-invested in the Trust.

TRUST PERFORMANCE			
PERFORMANCE	6 MTHS	12 MTHS	SINCE INCEPTION
Total return	15.2	21.5	3.7% p.a.

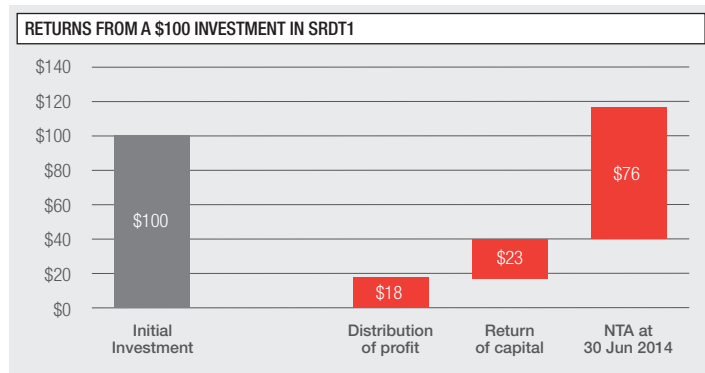
The total return since inception has increased from 1.9 per cent per annum at 31 December 2013 to 3.7 per cent per annum at 30 June 2014 as a result of increased distributions and higher property valuations.

NTA AT 30 JUNE 2014	12 MONTH TOTAL RETURN %
0.76	21.5
LOAN TO VALUATION RATIO %	PROPERTY VALUATION \$M
55	71.0

DEBT*	\$M
LOAN FACILITY	\$40.00
DRAWINGS	\$39.28
INTEREST RATE	4.7 p.a.
YEARS TO MATURITY	0.5

* At 30 June 2014.

To provide a simplified explanation of the trust's investment performance, the chart below shows the returns to unitholders, from inception to 30 June 2014, based on a \$100 investment in the Trust.



UNITHOLDER RETURNS FOR A \$100 INVESTMENT IN SRDT1 FROM INCEPTION TO 30 JUNE 2014	AMOUNT
Distribution of profit	\$18
Return of capital	\$23
NTA at 30 June 2014	\$76
Total Unitholder Returns	\$117

The chart and table above show that from inception to 30 June 2014, returns to unitholders amounted to \$117 for an outlay of \$100. This represents a total return of approximately 17 per cent or 3.7 per cent per annum over that period, assuming re-investment of distributions in accordance with IFSA Standard No. 6. This return is calculated before taking into account the benefit to unitholders of receiving distributions that are tax deferred and the concessional rate of tax applicable to capital gains.

Outlook for FY15

Based on current cash flow projections for the Trust, the distribution is expected to be maintained at 1.8 cents per quarter during the financial year ending 30 June 2015.

This outlook is subject to the outcome of the asset plans, referred to on the previous page, currently being prepared for the Trust's properties and assuming no material adverse change in market, leasing and trading conditions.

Debt update

The Trust's existing loan facility with NAB expires on 31 December 2014. Following the unitholder vote to continue the Trust for up to 5 years, we will seek to extend or refinance the existing loan facility for a longer duration. The Trust's loan to valuation ratio (LVR) has reduced from 58 per cent at 31 December 2013 to 55 per cent at 30 June 2014, as a result of the increase in the property valuations.

Limited Liquidity Facility (LLF)

As disclosed in the Explanatory Memorandum prepared for the Members' meeting held on 27 June 2014, the Trust's LLF was closed prior to 30 June 2014.

KEY PROPERTY STATISTICS AT 30 JUNE 2014

	BENOWA GARDENS SHOPPING CENTRE	PACIFIC PINES TOWN CENTRE	TAMWORTH HOMESPACE
Independent valuation	19 May 2014	19 May 2014	19 May 2014
Valuation	\$33,250,000	\$22,800,000	\$14,900,000
Valuation rate per square metre	\$5,801	\$4,132	\$1,142
Interest	100%	100%	100%
Cap rate	8.25%	7.5%	10.5%
WALE by Income*	4.00	6.70	3.30
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	96%	95%	100%

*The weighted average lease expiry for the entire portfolio is 4.7 years by income.

Portfolio update

Strong investor demand for neighbourhood and bulky goods centres has resulted in an increase in the valuations of all properties owned by the Trust.

The valuation of Benowa Gardens increased by 5.6 per cent from \$31.5 million at 30 June 2013 to \$33.25 million at 30 June 2014. The property was 96 per cent occupied at 30 June 2014 and had a weighted average lease expiry of 4.0 years by income. Coles is proposing to develop a 4,265 square metre supermarket with additional specialty shops on a site located within 3 kilometres of Benowa Gardens. The Gold Coast City Council provided conditional approval of Coles' application for the proposed development in May 2014.

The Pacific Pines centre valuation increased by 3.6 per cent from \$22.0 million at 30 June 2013 to \$22.8 million at 30 June 2014. The centre's weighted average lease expiry at 30 June 2014 was 6.7 years by income. The property was 95 per cent occupied at 30 June 2014, however, Greater Building Society surrendered its lease in August 2014 which has resulted in occupancy declining to 92 per cent. A surrender payment has been negotiated to cover the rental income that would have been payable by Greater Building Society. A replacement tenant is anticipated to commence occupation within 6 months. A casual lease tenant will be sourced in the interim.

As reported previously to unitholders, Coles has submitted a development application for a 3,537 square metre supermarket proposed to be located within 5 kilometres of the Pacific Pines centre. The outcome of the Coles application is expected to be known before 31 December 2014.

The valuation of Tamworth Homespace increased by 7.2 per cent from \$13.9 million at 30 June 2013 to \$14.9 million at 30 June 2014. Tamworth Homespace continues to be fully occupied, albeit with one of the major tenants having the right to hand back 600 square metres in the event they want to trade from a smaller store. The centre's weighted average lease expiry was 3.3 years by income at 30 June 2014.

Unit Registry

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