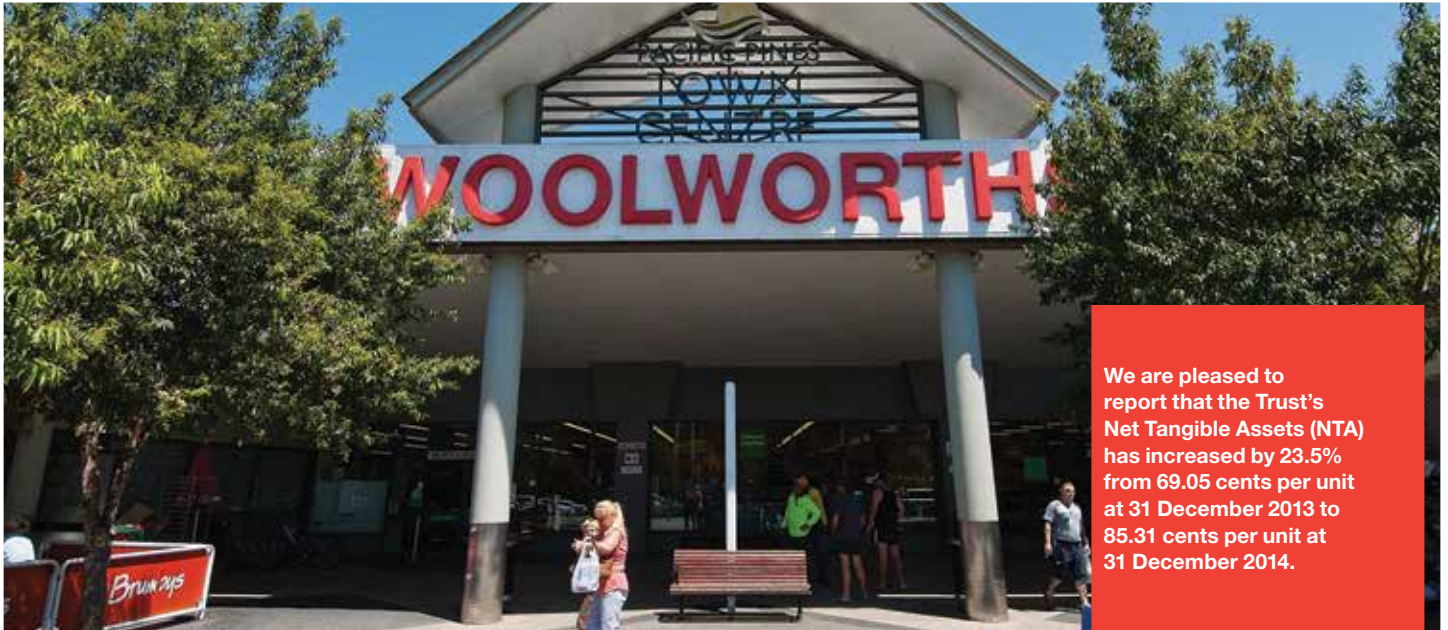




Stockland

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



We are pleased to report that the Trust's Net Tangible Assets (NTA) has increased by 23.5% from 69.05 cents per unit at 31 December 2013 to 85.31 cents per unit at 31 December 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 31 December 2014

12 MONTH TOTAL RETURN %	PROPERTY VALUATION \$M	NTA AT 31 DEC 2014 CENTS PER UNIT	LOAN TO VALUATION RATIO %
35.7	74.7	85.31	54

Highlights

- The Trust's 12 month total return, including the payment of distributions, has increased to 35.7 per cent at 31 December 2014, up from 18.1 per cent at 31 December 2013, due to an increase in distributions and an increase in the underlying property valuations.
- The Trust declared distributions of 7.2 cents per unit over the 12 months to 31 December 2014 compared to 4.8 cents per unit over the prior 12 month period.
- The valuation of the Trust's properties increased by 10.2 per cent to \$74.7 million at 31 December 2014 largely due to a further firming of capitalisation rates reflecting continued strong demand for properties in this asset class.
- The increase in the Trust's property valuations resulted in a 23.5 per cent increase in the Trust's Net Tangible Assets (NTA) to 85.31 cents per unit at 31 December 2014 from 69.05 cents per unit at 31 December 2013.
- Stockland Capital Partners Limited, as responsible entity of the Trust, has entered into a new five-year loan facility agreement with the Commonwealth Bank of Australia (CBA). Based on the Trust's current Loan to Value Ratio of 54 per cent, the new facility provides a 60 basis point per annum reduction in the Trust's margin and line fee compared to the previous funding cost.

Trust performance

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

We are pleased to report that the Trust's total return since inception has increased to 5.6 per cent per annum at 31 December 2014 from 3.7 per cent per annum at 30 June 2014 as a result of increased distributions and higher property valuations.

TRUST PERFORMANCE			
PERFORMANCE	6 MTHS	12 MTHS	SINCE INCEPTION
Total return	17.7	35.7	5.6% p.a.

Debt update

A new loan facility was entered into with CBA on 19 December 2014, following the repayment and termination of the facility with National Australia Bank. The new facility provides maximum available funds of \$41 million for a term of 5 years. As at 31 December 2014, \$40.2 million was drawn down.

The standby loan facility offer from Stockland Trust Management Limited of up to \$40 million was not required under the new facility and accordingly, was terminated on 19 December 2014.

DEBT	
LOAN FACILITY LIMIT	\$41.0M
DRAWINGS	\$40.2M
INTEREST RATE*	4.9% p.a.
YEARS TO MATURITY	5

*Average interest rate on the loan facility during the year ended 31 December 2014 including margin, line fee and attributable transaction costs.

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. However, Benowa Gardens and Pacific Pines face increased competition from new developments proposed to be located near the centres. Accordingly, capital expenditure will be required to maintain the competitive position of the Benowa Gardens and Pacific Pines centres and assist in retaining and attracting both customers and tenants.

KEY PROPERTY STATISTICS AT 31 DECEMBER 2014

	BENOWA GARDENS SHOPPING CENTRE	PACIFIC PINES TOWN CENTRE	TAMWORTH HOMESPACE
Independent valuation at	31 December 2014	31 December 2014	31 December 2014
Valuation	\$36,000,000	\$23,500,000	\$15,200,000
Valuation rate per square metre	\$6,236	\$4,088	\$1,164
Ownership	100%	100%	100%
Cap rate	7.75%	7.25%	10.0%
WALE by income*	4.0	6.3	2.8
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%	98%	100%

*The Weighted Average Lease Expiry (WALE) by income for the entire portfolio is 4.4 years.

Benowa Gardens

The valuation of Benowa Gardens increased by 14.3 per cent to \$36.0 million at 31 December 2014 from \$31.5 million at 31 December 2013. The property was 96 per cent occupied at 31 December 2014 and had a weighted average lease expiry by income of 4.0 years.

As reported previously, a new neighbourhood shopping centre is proposed at a site approximately 1.7 kilometres north-west of Benowa Gardens. Construction of the new centre has commenced and is due to be completed in mid-2016. The estimated impact of this development has been reflected in the latest property valuation.

Since our last report, we have sought to remix the tenancies to enhance the centre's food offering and maintain the centre's appeal in light of the expected increased competition.

Pacific Pines Town Centre

The valuation of Pacific Pines Town Centre increased by 6.8 per cent to \$23.5 million at 31 December 2014 from \$22.0 million at 31 December 2013. The centre's weighted average lease expiry by income at 31 December 2014 was 6.3 years.

We have made good progress during the half year ended 31 December 2014 remixing the tenancies at the centre and executing a number of new leasing deals, including the lease of a 293 square metre premises which has been vacant since October 2013. Following the completion of these deals, the centre's occupancy has increased to 96 per cent at 31 December 2014.

A development application has been approved for a proposed 3,537 square metre Coles supermarket located within 3 kilometres of the Pacific Pines centre. The estimated impact of the proposed new Coles supermarket has been reflected in the latest property valuation.

Tamworth Homespace

The valuation of Tamworth Homespace increased by 6.3 per cent to \$15.2 million at 31 December 2014 from \$14.3 million at 31 December 2013. Tamworth Homespace continues to be fully occupied, albeit with one of the major tenants having the right to hand back 600 square metres if they elect to trade from a smaller store. The centre's weighted average lease expiry by income was 2.8 years.

Unit Registry

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

Stockland Direct Retail Trust No.1
AFSN 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

DISCLAIMER OF LIABILITY

While every effort is made to provide accurate and complete information, Stockland does not warrant or represent that the information in this report is free from errors or omissions or is suitable for your intended use. The information provided in this report is of a general nature only and may not be suitable for your specific situation or needs. It should not be relied upon by you in substitution of obtaining independent advice. Subject to any terms implied by law and which cannot be excluded, Stockland accepts no responsibility for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of any error, omission or misrepresentation in information in this report. All information in this report is subject to change without notice.