



DEXUS
PROPERTY GROUP

20 October 2009

The Manager
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

DEXUS Funds Management Limited
ABN 24 060 920 783
AFSL: 238163

Level 9, 343 George Street
Sydney NSW 2000

PO Box R1822
Royal Exchange NSW 1225

Telephone 02 9017 1100
Direct 03 8611 2930
Facsimile 03 8611 2910

Email: karol.oreilly@dexus.com

Dear Sir/Madam

DEXUS Property Group (ASX: DXS)
Portfolio Update as at 30 September 2009

DEXUS Funds Management Limited, as responsible entity for DEXUS Property Group, provides portfolio update as at 30 September 2009.

For further information, please contact:

| | | |
|---------------------|----------------|----------------|
| Investor Relations: | Karol O'Reilly | (03) 8611 2930 |
| Media Relations: | Emma Parry | (02) 9017 1133 |

Yours sincerely

Tanya Cox
Company Secretary

DEXUS Property Group PORTFOLIO UPDATE

30 SEPTEMBER 2009



During the quarter to 30 September 2009, DEXUS has continued to focus on activities to strengthen our position as a leading owner, manager and developer of high quality office and industrial properties in select locations in Australia and the United States.

Cautious sentiment is now characterising property markets worldwide and we continue to focus on managing our properties, through leasing and active portfolio management, and our balance sheet through securing additional diversified funding sources. During the quarter we leased 160,000 square metres across the portfolio. As anticipated, occupancy decreased slightly from 91.5% to 90.8%.

The property sales program has progressed well with nine industrial properties exchanged in Australia and one in the USA, since 30 June 2009. In total, 20 transactions have been completed under the program for a total price of \$115 million.

During the quarter, we have been active in implementing our prudent debt management strategy, by further diversifying funding sources through both domestic and US debt capital markets.

DEXUS's policy is to distribute 70% of Funds From Operations and we remain on track to achieve our earnings guidance for the year ending 30 June 2010 of 7.3 cents per security, resulting in a distribution of 5.1 cents per security.

| DEXUS PORTFOLIO | SEP 09 | JUN 09 |
|------------------------------------------------|-----------|-----------|
| Occupancy by area | 90.8% | 91.5% |
| Occupancy by income | 93.5% | 94.3% |
| Weighted average lease expiry by income (WALE) | 4.7 years | 4.8 years |

Property portfolio

Australia and New Zealand

Our strategy is to build on our leadership position in office and industrial in quality properties in established markets, where we can achieve greater scale, deliver sustainable returns and implement our integrated property management model.

Office – Australia and New Zealand

The DEXUS office portfolio occupancy is 96.5%, remaining well above the PCA average of 91.7%¹ as at July 2009. The office leasing market remains challenging with tenant demand weak in most Australian CBDs.

Leases and heads of agreement were signed for over 18,000 square metres in 34 transactions to 30 September 2009. The average net face rental increase was 11.5%. Incentives were granted on 29 deals with an average tenant incentive of 17.8% of gross rent across all transactions.

During the quarter 19% of the portfolio was subject to fixed or CPI reviews with an average rental increase of 4.1%.

| OFFICE – AUS AND NZ | SEP 09 | JUN 09 |
|---------------------|-----------|-----------|
| Occupancy by area | 96.5% | 97.6% |
| Occupancy by income | 96.8% | 97.6% |
| Retention rate | 64% | 75% |
| WALE by income | 5.4 years | 5.4 years |

¹ Property Council of Australia (PCA) Australian average, all grades.



L to R: Construction underway at 1 Bligh Street, Sydney, NSW; Artist's impression – 123 Albert Street, Brisbane, QLD

Development update

1 Bligh Street – Construction of 1 Bligh Street Sydney, NSW continues on target and on budget, with completion scheduled for May 2011. The design of the fully integrated fit-out for Clayton Utz is well progressed. Marketing of the remaining 12 upper floors is underway.

123 Albert Street – Construction of 123 Albert Street, Brisbane QLD is progressing well for completion in December 2010. The structural works have reached level 6 above ground and planning on Rio Tinto's fit-out is well progressed. The property has limited competition from new developments in its projected completion timeframe and response to the marketing campaign for the remaining nine floors has been positive, with active leasing discussions underway.

Industrial – Australia

While enquiry for industrial space improved over the September quarter, tenants remain cautious, with existing tenants tending to seek shorter lease terms. The supply of smaller lease areas continues to exceed demand with resulting pressure on incentives and rents. Pre-commitment enquiry for larger industrial space is improving, reflecting the limited supply of larger, vacant space in key markets in Melbourne and Sydney.

Active management of our industrial portfolio has seen an increase in tenant retention and occupancy levels. Twenty percent of the FY10 lease expiries have been negotiated to date and no single vacancy or expiry represents more than 1% of the portfolio's income.

Leasing activity in the quarter has seen 16 new leases agreed with new or existing tenants taking over 42,000 square metres, with an average increase in passing rent of 3.8%. The average incentive across all deals was 3.7% for the quarter, compared to 3.1% for the year to 30 June 2009.

| INDUSTRIAL – AUS | SEP 09 | JUN 09 |
|---------------------|-----------|-----------|
| Occupancy by area | 97.5% | 96.9% |
| Occupancy by income | 96.7% | 96.4% |
| Retention rate | 82% | 75% |
| WALE by income | 4.0 years | 4.3 years |

International

Internationally, our strategy is to focus on fewer select markets, where we can achieve scale and implement our property management model. Over the long-term, we believe scale will ultimately allow us to own and manage larger, higher quality properties. By concentrating our portfolio in a smaller number of select locations we will be able to deliver a superior value proposition to our tenants and consequently sustained performance and maximum value for our investors.

Industrial – North America

Portfolio occupancy by area declined by 1.1% during the quarter, reflecting a lack of new leasing demand for space created by tenants downsizing or relocating.

Retention rates have reduced to 60%, below the long-term average of 70%.

Leasing activity was consistent with 99,000 square metres of space leased or approximately 4% of the portfolio for the quarter. Tenant incentives are up marginally compared to the prior period.



We have been selectively renewing strong tenants on longer leases with fixed 2-3% annual reviews. This initiative has increased the portfolio's WALE and improved the percentage of fixed growth leases.

| INDUSTRIAL – NORTH AMERICA | SEP 09 | JUN 09 |
|-----------------------------------|---------------|---------------|
| Occupancy by area | 86.9% | 88.0% |
| Occupancy by income | 84.1% | 86.7% |
| Retention rate | 60% | 68% |
| WALE by income | 4.5 years | 4.3 years |

The Whirlpool investment program remains on track with two properties acquired during the period. Columbus, Ohio settled in July 2009 for US\$64.5 million and Seattle, Washington settled early in October 2009 for US\$66.8 million, 10% under the original budget due mainly to construction cost savings. The final Whirlpool property in Atlanta, Georgia is expected to settle in early November 2009 at an estimated cost of US\$75 million. Whirlpool is our largest tenant in North America and appears to be directly benefitting from improved consumer confidence and spending.

Industrial – Europe

Portfolio occupancy by area was 87.5% at September 2009, down slightly from June 2009 and the average lease duration reduced to 2.8 years from 3.1 years, reflecting the continued difficult operating conditions.

| EUROPEAN PORTFOLIO | SEP 09 | JUN 09 |
|---------------------------|---------------|---------------|
| Occupancy by area | 87.5% | 87.8% |
| Occupancy by income | 91.3% | 91.3% |
| Retention rate | n/a | n/a |
| WALE by income | 2.8 years | 3.1 years |

Non-core property sales program update

At the time of the capital raising in April 2009, DEXUS commenced a two year non-core property sales program of approximately \$600 million. This comprised approximately \$100 million of Australian properties and the sale of the Group's European properties with the balance from the US portfolio.

To date we have sold approximately \$108 million of assets in Australia, comprising \$55 million from the sale of an office property and \$53 million from the sale of 17 industrial lots across six properties. Internationally we have sold two properties totalling \$7 million.

Negotiations consistent with achieving our US sales target are well advanced. The sale of the European assets has been deferred until local transaction volumes increase.

Additionally, in line with our strategy to concentrate on the office and industrial sectors, we have commenced marketing for sale our 50% interest in Westfield Whitford City Shopping Centre. This follows the signing of the Agreement For Lease with David Jones, with the short to medium term potential to expand the existing centre to include the department store.



1401 E Cedar Street, Ontario, California

Third party funds management

Third party funds under management as at 30 September were \$5.5 billion; a 3% decline in the quarter, predominantly due to property devaluations.

The management fee contribution from third party funds continues to be impacted by declining fee income arising from a reduction in development, leasing activity and property values.

Capital management

In the quarter, DEXUS has been active in diversifying funding sources through:

- A \$160 million issue of 5-year unsecured Medium Term Notes into the Australian debt market in July 2009
- A first time issue of 5-year US\$300 million fixed rate senior unsecured notes in the United States public bond market in September 2009. This issue opens up a new funding source and investor base for DEXUS.

In addition, DEXUS achieved a Moody's Rating of Baa1 (stable outlook). This rating supplements our current Standard & Poor's BBB+ rating (stable outlook).

Corporate responsibility and sustainability update

DEXUS continues to drive corporate responsibility and sustainability (CR&S) performance, focusing on resource efficiency projects, community engagement and sustainable developments. During 2008/09 we achieved resource consumption reductions across our Australian and New Zealand portfolios of 10% in electricity, 13% in natural gas and 12% in water.

In September 2009, we achieved our first listing on the Dow Jones Sustainability Index (DJSI World and DJSI Asia Pacific). The DJSI World Index comprises the leading 10% of the largest 2,500 companies worldwide assessed on long-term economic, environmental and social criteria.

DEXUS is committed to improving the performance of our existing portfolio and delivering sustainable buildings. Due to our long-term focus on risk management, a prudent development approach and proactive leasing efforts, our two major office developments at 1 Bligh Street and 123 Albert Street have achieved substantial pre-commitments secured with major companies who share our vision to deliver the next generation of sustainable office space.

Our 2009 CR&S Report provides detailed information on our progress during the year and will be available from 23 October 2009 via our website www.dexus.com

Further information

Investor Relations:

Karol O'Reilly

karol.o'reilly@dexus.com

(03) 8611 2930

0405 134 856

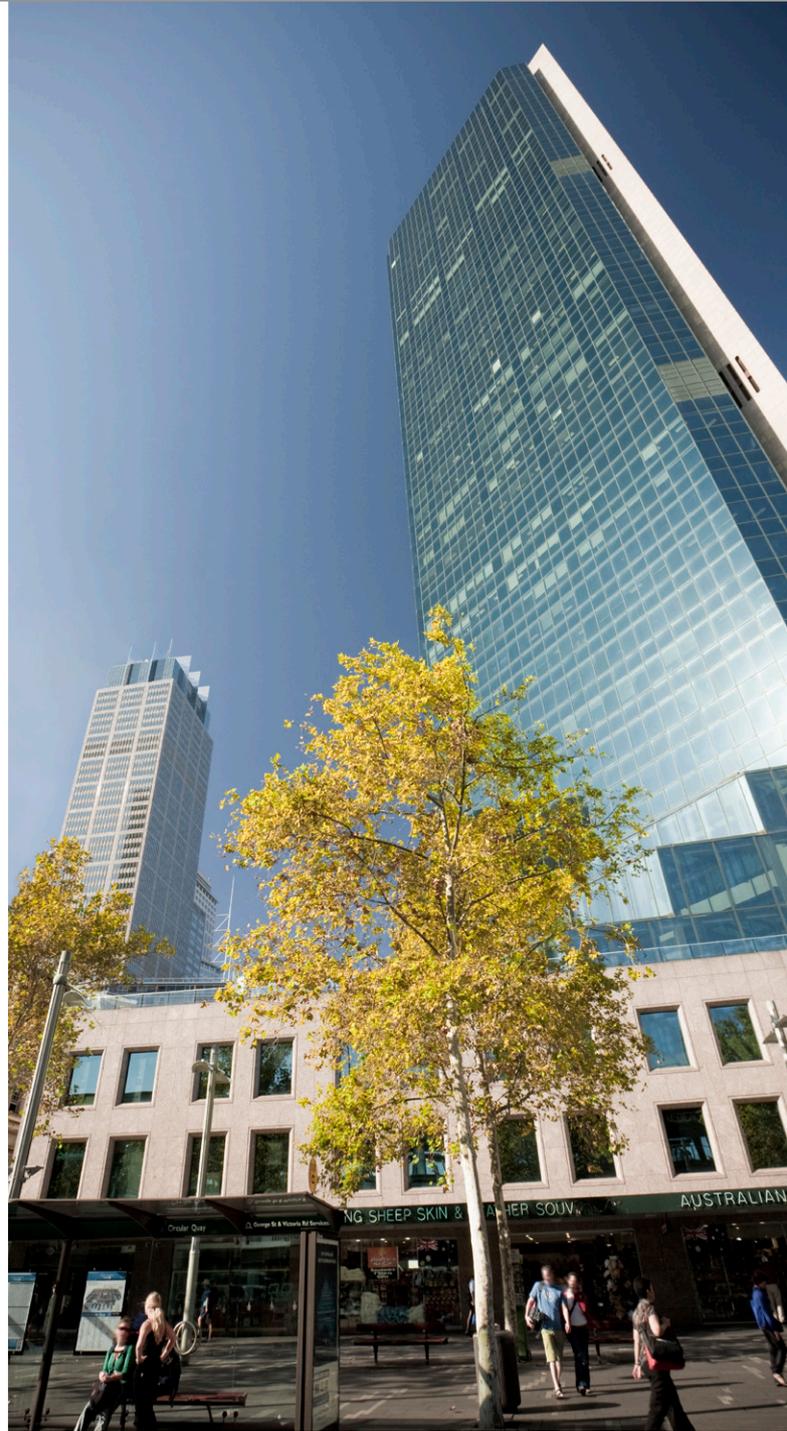
Media Relations:

Emma Parry

emma.parry@dexus.com

(02) 9017 1133

0421 000 329



L to R: Governor Phillip Tower and Gateway (owned by DWPF), Sydney, NSW

About DEXUS Property Group

DEXUS is one of Australia's largest diversified property groups and a leading owner, manager, developer of world-class office, industrial and retail properties with total assets under management of \$13.5 billion in Australia, New Zealand, the United States, Canada and Europe.

DEXUS is committed to the long-term integration of sustainability practices throughout its property portfolio and was recognised in February 2009 as one of the Global 100 Most Sustainable Corporations at the World Economic Forum in Davos, Switzerland.