DEXUS Property Group

PORTFOLIO UPDATE

31 MARCH 2011

During the quarter to 31 March 2011, DEXUS continued to see positive results from focusing on driving performance from our core business as well as improving market conditions.

Key highlights of the quarter:

Office – Tougher leasing stance and improving market conditions delivering results

- Executed 19,000 square metres of office leases with an average incentive of 10%
- Sydney western corridor: 5,878 square metres of office leases signed at face rents averaging 6% above market with average incentive of 16%

Industrial – Progress on leasing development activity and land sales

- Renewed 15% of FY12 industrial lease expiries at rents 32% higher than trailing market
- Commenced 21,000 square metres of speculative industrial development in Western Sydney
- Sold a $15.4 million non-core industrial property in Smithfield at 2% above book value

Industrial US – Internalisation benefits as market turns

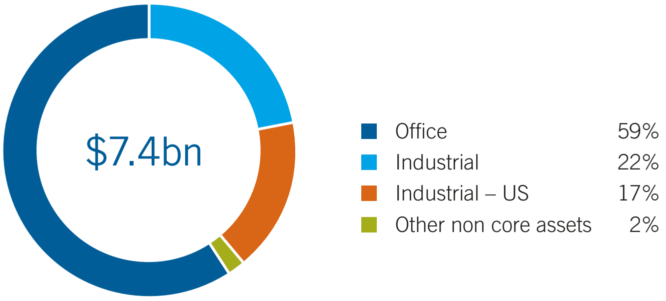
- Progression of asset management internalisation to DEXUS team has resulted in 6% increase in the west coast core portfolio occupancy to 94.8%

Capital management – Improvements in duration and diversity of debt as margins reduce

- US$250 million 10 year bond issued with a 5.6% coupon timed to take advantage of improving credit market conditions and historically low US interest rates
- Early renewal of A$250 million secured bank facility expiring in late 2011 on an unsecured basis

Upgraded earnings guidance provided to the market in February for the 12 months ended 30 June 2011, remains unchanged at 7.4 cents per security with distributions of 5.18 cents per security.

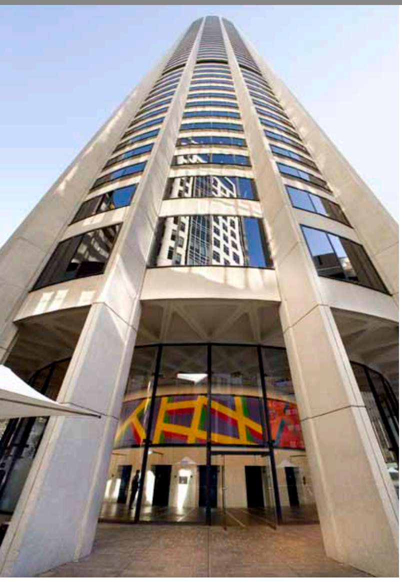
Property portfolio allocation at 31 March 2011 (book value)

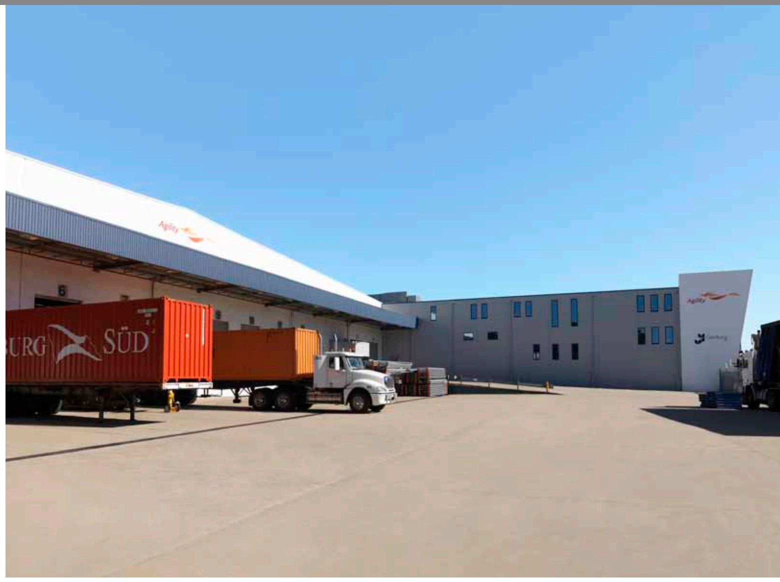


Key portfolio data

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	WALE BY INCOME
31 Dec 2010	90.0%	94.6%	5.1 years
31 Mar 2011	90.2%	94.6%	4.8 years

DEXUS PROPERTY GROUP





L to R: Australia Square, 264-278 George Street, Sydney, NSW; Southgate Complex, 3 Southgate Avenue, Southbank, VIC; 2-4 Military Road, Matraville, NSW

Economic conditions and outlook

The Australian property market continues to improve in line with the broader economic recovery. The improving labour market is now having a positive impact on demand with resultant rental growth being experienced in all sectors and across many markets.

In the office sector, all major markets excluding Canberra, have stabilised and are forecast to experience rental growth over the next 12 months. The industrial sector is also showing early signs of rental growth as market conditions continue to improve.

In the US, west coast fundamentals have rebounded strongly. Many markets on the east coast and in the mid-west have been slower to improve.

Office – Renewed business confidence during 2010-2011 has translated into growth in white collar employment in Australia of around 1.5% in the past year.

In March 2011, national CBD vacancy rates fell to 7.4% from 8.0% a year earlier, due to positive enquiries and limited new supply. In Australia's two largest office markets, Sydney and Melbourne, vacancy rates fell to 7.3% and 5.7% respectively. Tenant incentives in prime properties have started to fall. Effective rents rose by 4.6% in Sydney over the year, however, global concerns continued to impact on enquiry levels.

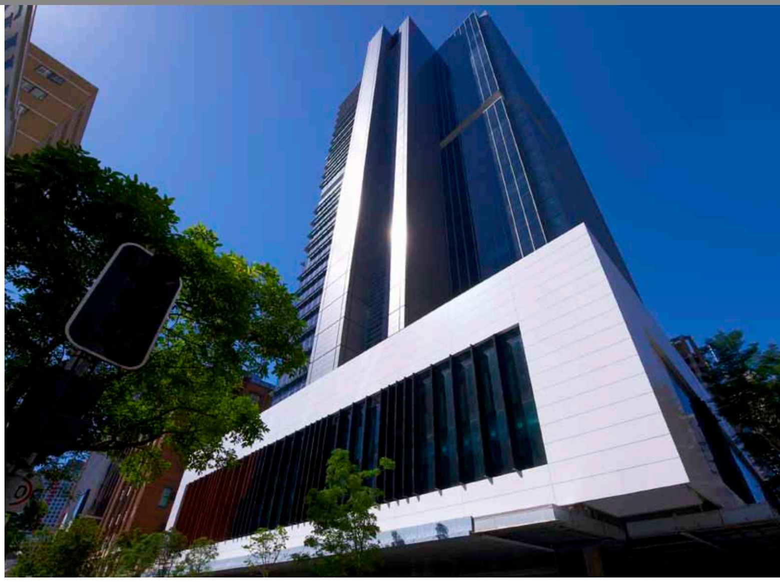
In Melbourne, the strong performance of the past 12 months with effective rents lifted by 6.5%, is expected to continue. Improving conditions in the resources sector have led to Perth experiencing effective rental growth of 5.9% over the past three months, while Brisbane has stabilised earlier than expected.

Industrial – In Australia, prime industrial markets continue to experience relatively low levels of vacancy as a result of 2010 being the lowest year for new supply in over a decade. National vacancy fell to 4.7% in December 2010 down from 5.1% six months earlier. After two years of relatively stable conditions, an increasing level of tenant demand is providing opportunities for the construction of new space as developers re-enter the market and begin to compete for tenant pre-commitments. As a result, rents across most industrial markets were stable or growing over the past year with 2.5% growth in outer western Sydney and 1.5% in west Melbourne.

US industrial – Economic indicators remain mixed across markets, with the gateway west coast markets improving while many of the inland markets continue to lag. However, fundamentals in the industrial property sector appear to be turning the corner with national vacancy edging down to 14.1% from 14.5% a year earlier. Improving sentiment and limited amounts of future supply will assist in shortening the recovery time. Supply is projected to be only 1.5% of total US stock over the next three years. The combination of these factors is expected to result in a bottoming of market rents in FY12.

While the Australian dollar has continued to strengthen against most currencies, our policy of hedging our foreign investments has ensured that both the value of our equity and net earnings are largely immune to changes in the value of the Australian dollar.





L to R: 44 Market Street, Sydney, NSW; 1 Bligh Street, Sydney, NSW; 123 Albert Street, Brisbane, QLD

Our property portfolio

Office – Australia and New Zealand

Office leasing market conditions improved during the March 2011 quarter due to increased tenant demand, stronger economic conditions and a decrease in the availability of quality office space. This improvement is most evident in the demand for A-grade space in Sydney. The premium end of the market, while improving, is lagging the A-grade market.

We continue to have confidence in the outlook for the office market. The improvement in conditions has supported the position we have been taking to achieve higher rents and hold firm on incentives. Tenant retention was 60% as some tenants vacated the portfolio to take advantage of higher incentives offered by competing landlords. We were able to replace the majority of these vacancies on significantly better terms than those required to retain the existing tenants. 27 leases including heads of agreement were signed for over 19,000 square metres at rents 5.9% higher than expiring leases with an average incentive of 10%. This included an average incentive on new leases of 19%, while incentives on leases renewed averaged 5%. The portfolio was 95.9% leased at 31 March (96.5% at 31 December).

Key leasing success was achieved at 44 Market Street, Sydney, NSW where occupancy increased from 89.9% in December 2010 to 97.9% at 31 March 2011. The average net rent achieved during the quarter reflected a 9% increase over the expiring rent. The largest of these leases was executed at rents 16% higher on a net effective basis than the rent required to retain the previous tenant.

During the quarter approximately 13% of the portfolio was subject to fixed or CPI reviews with an average rental increase of 3.8%.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	RETENTION RATE	WALE BY INCOME
31 Dec 2010	96.5%	97.0%	76%	5.6 years
31 Mar 2011	95.9%	96.7%	60%	5.3 years

Sustainability improvement programs continue to progress with the 4.5 star upgrade program on track for completion in 2012.

Development update

1 Bligh Street – Construction of the $227 million (DXS share) development at 1 Bligh Street, Sydney, NSW continues on target with completion and Clayton Utz lease commencement/occupation scheduled for June 2011. Leasing interest in the premium end of the market is strengthening and while the building remains 55% leased, we are seeing an increase in interest from prospective tenants as the building nears completion and market conditions improve.

123 Albert Street – Construction of the $382 million development at 123 Albert Street, Brisbane, QLD is targeted for completion in late July 2011. This has been delayed due to the impact of the floods in January 2011 and a requirement to replace some of the electrical systems. The building is now 88% leased or under heads of agreement (84% at 31 December 2010). There has been robust demand and significant progress in leasing the remainder of the building.

1 Foundation Place, Greystanes, NSW

Top: Loscam development, DEXUS Industrial Estate, Boundary Road, Laverton North, VIC
Above: Developments at Quarry Industrial Estate, Reconciliation Road, Greystanes, NSW

Industrial – Australia

In industrial, the limited availability of space and improving demand drivers has resulted in us increasing our development and trading activity toward the top end of the 20% allocation range. Furthermore, we are seeking to capture the benefit of increasing market demand by retaining occupancy of our smaller facilities on short term leases as underlying demand and market rents improve. For our larger leases, we are seeking to de-risk the portfolio with early leasing of future expiries.

During the quarter we executed a comparatively high number of leases with smaller tenants in challenged assets resulting in a slight decrease in occupancy. 11 new leases were signed for 5,609 square metres of vacant space. Additionally, 26 existing tenants were retained within the portfolio occupying over 69,400 square metres. The average net face rental decreased by 11% due primarily to the early renewal of a 41,477 square metre lease to Target expiring in 2012 at Altona in Victoria. While new rent on this lease was 18% lower than the expiring rent, this compares favourably to expectations based on market rents 10 months ago of a 32% negative reversion. Tenant incentives averaged 7% across all leases this quarter with tenant incentives granted on half the leases signed. 16% of the portfolio's income was subject to fixed or CPI reviews with an average rental increase of 3.3%.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	RETENTION RATE	WALE BY INCOME
31 Dec 2010	97.4%	97.0%	71%	4.5 years
31 Mar 2011	97.2%	96.8%	77%	4.6 years

We continue to improve energy and water consumption in the portfolio through installation of new light sensors and timers, replacing ageing equipment and improving Building Management Systems, water management practices and partnering with local Councils on resource consumption initiatives.

Development update

At Greystanes, NSW the following developments are underway:

Symbion Health – 17,300 square metre facility. This $29 million development was completed in February 2011 and delivered a yield on cost of 8.4%.

Fujitsu – 17,025 square metre facility. Work commenced on the site in August 2010 and is continuing in line with the development programme. The $32 million development is scheduled to reach practical completion in October 2011 and is forecast to deliver a yield on cost of 9.9%.

Erskine Park – Construction commenced on the 21,000 square metre warehouse in February 2011 and is on track for completion in October 2011. We are in leasing discussions with various parties looking to locate within the precinct.

At Laverton North, VIC, the following developments are underway:

Loscam – 6,534 square metre facility. Practical completion is scheduled for June 2011 for the $10.4 million development with works currently ahead of schedule. Forecast yield on cost of the development is 8.9%.

Speculative development – Practical completion of the 17,350 square metre facility is scheduled for August 2011.

We have been active in pursuing pre-commitment enquiries at both Greystanes, NSW and Laverton North, VIC and are in discussions with prospective tenants for pre-committed space across both estates.

Golden Pacific Business Park, 1100 S Hatcher Avenue & 17524-17531 Railroad Street, Industry, CA

Industrial – US

Leasing continues to be our main focus in the US. Tenant enquiry is starting to return to the market although demand is variable across the now 14 markets where DEXUS holds assets. Consistent leasing and retention performance combined with the impact of property transactions resulted in occupancy remaining stable at 86.5% by area.

Leasing activity was down slightly but commensurate with the lower level of expiries during the period. 92,000 square metres or 4.0% of the portfolio was leased during the quarter. New leases including heads of agreement were signed for over 62,000 square metres in 48 transactions to 31 March 2011 with over 30,000 square metres renewed in 64 transactions.

Leasing conditions across the country have continued to stabilise. There has been significant improvement in market conditions in DEXUS's west coast core markets. Operating conditions for the remaining properties (central portfolio) are expected to bottom in FY12 and while occupancies on the whole have stabilised, rents continue to soften, albeit marginally, in many of these markets.

The combination of DEXUS internalising asset management and improving market conditions resulted in the west coast core portfolio occupancy increasing by 5.8% to 94.8% during the quarter. Leasing conditions in the central portfolio by comparison have been more challenging, with occupancy falling 2.1% to 77.4% during the quarter. Overall portfolio occupancy remains stable at 86.5%. During the quarter, 5,482 square metres (representing less than 0.5% of the portfolio) that had been occupied by provisioned defaulting tenants was vacated and became available for lease. It is expected that operating conditions in the central portfolio will further stabilise and improve.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	RETENTION RATE	WALE BY INCOME
31 Dec 2010	86.4%	87.4%	65%	4.7 years
31 Mar 2011	86.5%	87.3%	62%	4.0 years

We acquired one property in La Mirada, Los Angeles in the quarter for US$26.3 million, representing a 9.0% yield. The 25,800 square metre property is 100% leased until 2016 to a single tenant. The property is located in the Mid-Counties submarket of Los Angeles which is one of the premier industrial submarkets in the country.

Five properties were sold in the quarter for a total US$24.4 million, 3% above book value and in line with strategy to reduce leasing risk. Two of these buildings were 100% vacant at time of sale and were sold to owner/occupiers. The investment market in the west coast core markets gained considerable traction during the quarter. The national markets, however, continue to be soft but are starting to show signs of strength as investors regain confidence in investing in secondary markets. We will continue to strategically evaluate property disposal opportunities in light of these changing market conditions.

PROPERTY	METRO	STATE	SALE PRICE US$m
1000-1200 Williams Street NW	Atlanta	Georgia	9.0
2550 John Glenn Avenue	Columbus	Ohio	4.5
8575 Monticello Lane, Osseo	Minneapolis	Minnesota	1.7
1999 Westbelt Drive	Columbus	Ohio	5.2
3003 NE 1-410 Loop	San Antonio	Texas	4.0

Industrial – Europe

As outlined previously, the European portfolio is scheduled to be sold when market conditions improve. During the last quarter, while property sales activity continues to be depressed, buyer interest started to emerge. We expect that improvements in the capital environment and operating conditions will assist with realising the sale of the portfolio over the next 12 to 18 months.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	WALE BY INCOME
31 Dec 2010	84.7%	90.5%	3.1 years
31 Mar 2011	83.6%	89.4%	2.8 years

Third party funds management

Third party funds under management as at 31 March 2011 was $6.0 billion.

DEXUS Wholesale Property Fund (DWPF), our flagship wholesale fund, has exceeded the target equity capital raised to total $313 million of new equity since November 2010. Capital raised to date has been applied to reduce debt to well within the long term target gearing range. This positions the Fund to deliver on its stated strategy to enhance the level and quality of DWPF returns through the implementation of the development pipeline and the pursuit of select new acquisitions such as the major industrial portfolio acquisition late in 2010.

DWPF is also well positioned with no liquidity requests outstanding at the end of the quarter, having raised an additional $577 million since early 2010 to satisfy investor transfer requests.

During the quarter, DWPF continued to perform well, outperforming its benchmark over a one and three year rolling basis.

Capital management

During the quarter, we secured $200 million of bank debt on a forward starting basis with an average term of 5.25 years to match debt facilities expiring in late 2011. In addition, DEXUS returned to the US public debt market with the US$250 million bond issue timed to take advantage of improving credit markets and historically low US interest rates to lock in ten year debt with a coupon of 5.6%. The proceeds were used to retire existing debt. The bond issue increases DEXUS's average debt maturity to over four years and, in conjunction with the associated restructure of fixed rate hedges, decreases the average rate of DEXUS's US fixed rate debt and hedges by approximately 70 to 100 basis points over the term of the debt issued.

Further information

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Corporate Responsibility and Sustainability (CR&S)

At DEXUS we believe that taking a leading position in corporate responsibility and sustainability will increase the value of our portfolio and position us to meet future tenant and market demands. Our program to achieve an average portfolio NABERS Energy rating of 4.5 Stars and NABERS Water rating of 3.5 Stars by 2012 across the DXS office portfolio progressed during the quarter. In addition, we have joined the City of Sydney's Better Building Partnership as a founding member and are working collaboratively with the City to reduce greenhouse gas emissions. The partnership aims to facilitate the rollout of green infrastructure and implementation of environmental strategies throughout the Sydney CBD.

In line with the *Energy Efficiency and Opportunity Act* (EEO), we have submitted our Assessment and Reporting Schedule setting out our objectives over the next five years for energy reduction.

Gateway, 1 Macquarie Place, Sydney, NSW

About DEXUS

DEXUS is one of Australia's leading property groups specialising in world-class office, industrial and retail properties with total assets under management of $13.6 billion. In Australia, DEXUS is the market leader in office and industrial and, on behalf of third party clients, a leading manager and developer of shopping centres. DEXUS is committed to being a market leader in Corporate Responsibility and Sustainability.

DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)