DEXUS Property Group

PORTFOLIO UPDATE

30 SEPTEMBER 2011

While local markets slowed in response to increased uncertainty particularly in Europe, the DEXUS portfolio continued to gain traction.

Key highlights of the quarter:

Office

- Leased 6,846 square metres with average incentives of 15.3%
- Melbourne City Council has approved a 20,000 square metre development at the Flinders Gate complex
- Signed heads of agreement to lease three floors at 1 Bligh Street

Industrial

- Total space leased of 17,600 square metres over 12 transactions
- Signed heads of agreements for speculative developments at Erskine Park, Greystanes and Laverton North
- A heads of agreement for a pre-lease was also secured for Laverton North
- Completed $71 million of developments

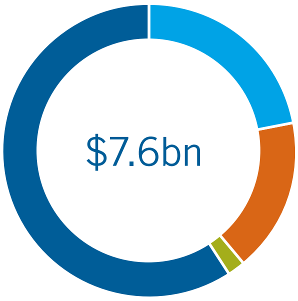
Industrial US

- Increased central portfolio occupancy by 6% to 80%

Capital management

- Completed approximately $250 million of debt refinancing for an average duration of five years and average margin of less than 2%
- Reconfirmed FFO guidance of 7.65 cents per security

Property portfolio allocation at 30 September 2011



Key portfolio data

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	WALE BY INCOME
30 Jun 2011	88.7%	93.6%	5.0 years
30 Sep 2011	90.5%	94.3%	4.9 years

NOTE: All values and areas are stated at DXS ownership levels.

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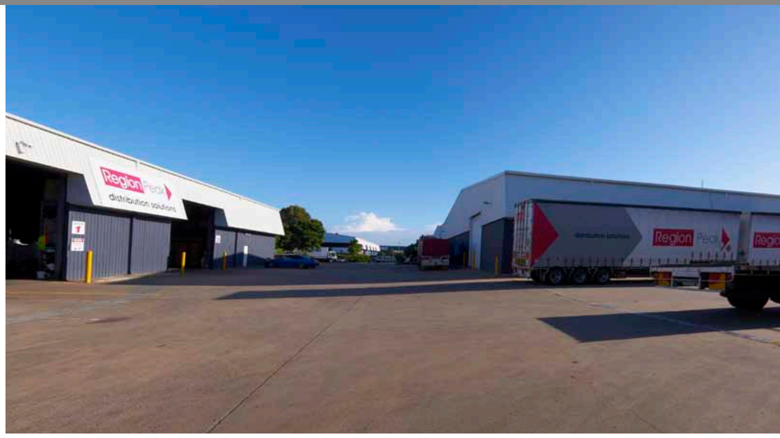


L to R: Governor Phillip Tower, 1 Farrer Place, Sydney, NSW; 57-101 Balham Road, Archerfield, QLD; Axxess Corporate Park, Mt Waverly, VIC

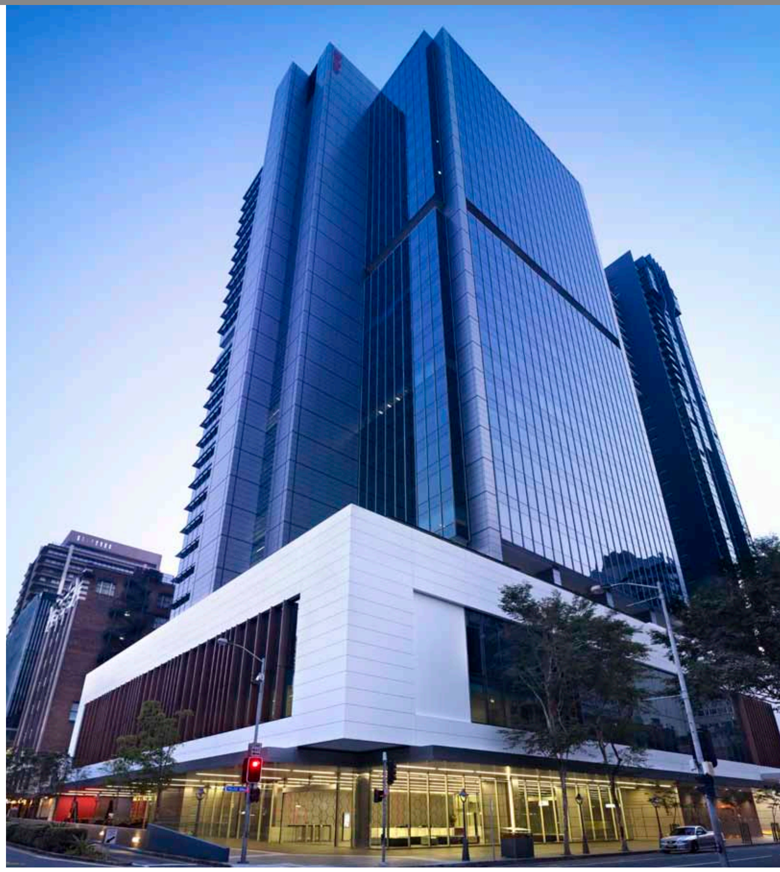
Economic conditions and outlook

The Australian property market and economy are well placed in the event of uncertainty in the US and Europe. While a drop in confidence in Australia has moderately impacted leasing markets, the slowdown in activity appears consistent with a typical economic cycle. According to the International Monetary Fund, Australia has one of the strongest medium term growth outlooks in the developed world.

Office – Australian office markets are showing signs of improvement with vacancy falling to 7.5%, off the back of positive absorption in all major markets. Most CBDs have seen rental growth over the past year, however recent activity has been somewhat patchy given the volatility in the global financial markets. Perth continues to outperform the rest of the Australian markets with strong absorption pushing vacancy to 3.2%, which is leading to solid rental growth. The Sydney office market has performed reasonably well despite mixed demand from multinational tenants. Nevertheless the market still saw positive absorption of just under 20,000 square metres in Q3 2011 and vacancy stands at 8.4%. Melbourne has improved and has a vacancy rate of 5.9%.

Industrial – A disparity in the supply and demand of stock, particularly larger warehouses, continues to support the case for development. Along the east coast, rents remained stable in a majority of precincts; however Brisbane South, outer Western Sydney and South East Melbourne experienced growth over the year. Current development activity is still below the 10 year average and is anticipated to trend higher in 2012. Build-to-lease developments are making a return in Sydney and Melbourne with institutional owners taking advantage of low construction tenders to capture demand from logistics users.

US industrial – Economic indicators have slowed in the past few months but to date there has been little impact on net absorption. Rental growth has been mixed with stronger markets like Los Angeles showing a mild increase while other markets, such as Cincinnati, are lagging. While there is increased uncertainty about the short term outlook, fundamentals in the industrial market appear to be turning the corner with national vacancy edging down to 13.7% from 13.9% a year earlier. Supply in 2012 is anticipated to be less than one third of the long term average which provides scope for vacancy to reduce further.



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

Our property portfolio

Office – Australia

As conditions improve in the office market and national vacancy rates fall to 7.5% we have continued to secure high quality tenants into our portfolio at above benchmark rents and at lower incentives.

During the quarter, leases covering 6,846 square metres of space were completed at rates on average 2.2% higher than expiring leases and an average incentive of 15.3%. As at 30 September 2011, 50% of the FY12 leasing task has been completed and like-for-like growth remains on track to exceed 4%.

Lease renewals included NSW Treasury at Governor Phillip Tower, 1 Farrer Place for 1,020 square metres and Dairy Australia at Southgate IBM tower for 2,158 square metres. Leases transacted during the quarter were at an average term of 6.4 years, which resulted in the portfolio having an average lease term of 5.2 years at quarter end.

DEXUS's two flagship 6 Star Green Star developments at 123 Albert Street and 1 Bligh Street were completed in July. 123 Albert Street in Brisbane is currently 90% leased and we expect it to be 100% leased by Christmas.

During the quarter, 1 Bligh was awarded the 2011 Development of the Year award by the Australian Property Institute NSW. 123 Albert Street was awarded the best office development by Urban Development Institute of Australia QLD.

Leasing enquiry at 1 Bligh Street has improved significantly now that the building is complete. We have signed a heads of agreement and expect to execute a lease in respect of three floors at 1 Bligh Street prior to Christmas. This will increase the percentage leased on the building to 67% and we expect to be 80% leased by June 2012.

During the quarter approximately 15% of the portfolio was subject to fixed or CPI reviews with an average rental increase of 4%

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	WALE BY INCOME	RETENTION RATE
30 Jun 2011	96.2%	95.3%	5.3 years	53%
30 Sep 2011	96.3%	95.5%	5.2 years	68%

Development update

Flinders Gate Complex – A planning application was lodged for the development of a 20,000 square metre office tower and a 560 bay car park. This application has now been approved by Melbourne City Council. Marketing for tenant pre-commitments and the design and construct tender process is currently underway.


L to R: Quarry Industrial Estate, Greystanes, NSW; Speculative warehouse, DEXUS Industrial Estate, Boundary Road, Laverton North, VIC

Industrial – Australia

Primary industrial markets are showing signs of improvement while secondary markets continue to stabilise.

During the quarter, leases covering 17,600 square metres of space in 12 transactions were completed. While rents were struck 2% below passing rates, they were above prevailing market rents and the weighted average incentive was 7.5%. Our retention rate for the quarter was 75%, in line with the rolling 12 month retention rate.

Signalling improving activity, four deals were completed in our inner west Sydney portfolio in a market which represents 40% of our total portfolio vacancy.

Major leases included a new five year lease of 2,117 square metres of vacant space at 81 Egerton Street, Silverwater, NSW and the renewal of 4,119 square metres at Victoria Road, Gladesville, NSW for a five year term.

Occupancy at 30 September 2011 was steady at 96%. The weighted average lease expiry reduced from 4.7 years to 4.4 years, consistent with logistics based tenants seeking to match lease terms to their underlying supply contract terms.

During the quarter 27% of the portfolio's income was subject to fixed or CPI reviews with an average rental increase of 3.5%.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	WALE BY INCOME	RETENTION RATE
30 Jun 2011	96.2%	95.1%	4.7 years	61%
30 Sep 2011	96.0%	95.1%	4.4 years	75%

Development update

During the quarter, we completed $71 million of developments at our key sites in western Sydney and Melbourne and committed a further $56 million.

Developments completed during the quarter include:

- a 21,000 square metre speculative warehouse development at Erskine Park. Heads of agreement have since been signed for a seven year lease deal to a global logistics user commencing in February 2012. The forecast project IRR is circa 20%
- a 17,025 square metre data storage facility at Quarry at Greystanes. The project was precommitted on a 15 year lease. The yield on cost is 9.9%
- a 17,347 square metre speculative warehouse facility at Laverton North with a 9.1% forecast yield on cost. Heads of agreement have since been reached for a lease on 50% of the space

Developments underway at 30 September 2011 include:

- a $30 million, 23,340 square metre speculative development at Quarry at Greystanes with a forecast yield on cost of 9.0%. At 30 September 2011, we had secured heads of agreement for a five year term with a transport company for 46% of the space. Construction is due to complete in April 2012
- a $26 million development at Laverton North with 47% of space secured by a 13,600 square metre pre-lease to Toll for a seven year term. The project is due for completion in July 2012 with a forecast yield on cost of 8.4%

Trading activity

Earlier this year we completed a 6,534 square metre development for Loscam in Laverton North and have since sold that property for $11.7 million.

In July 2011 we sold 3.5 hectares of land from our site at Templar Road, Erskine Park in line with our strategy.

L to R: 3590 De Forest Circle, Mira Loma, CA; US Xpress facility, Colton, Riverside, CA

Industrial – US

The US portfolio experienced strong leasing activity in the first quarter with over 145,000 square metres or 6.6% of the total portfolio leased during the period at rents 15% below prior rental levels. US portfolio occupancy increased by 3.5% to 87.9%, ahead of the CBRE National Occupancy benchmark of 86.3%. New leases were signed for 81,000 square metres in 29 transactions and over 64,000 square metres were renewed with existing tenants in 31 transactions. The retention rate for the quarter was 83% with a rolling annual retention of 64%. Positive absorption was seen in almost all our markets and there are clear signs that conditions have bottomed. However, as our portfolio is still over rented, we expect to see like-for-like income slightly negative for FY12 as new leases revert to market rents.

Following the success of the internalisation of asset management for the core portfolio in December 2010, DEXUS internalised the leasing management for the central portfolio on 1 July 2011. This has had an immediate impact with the central portfolio representing 92% of all leasing during the quarter, lifting the occupancy for the central portfolio from 74% at June 2011 to 80% in September 2011. Occupancy in the core markets decreased 1.2% to 97.3%, 40% of this decrease is related to the impact of property acquisitions.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	WALE BY INCOME	RETENTION RATE
30 Jun 2011	84.4%	87.9%	4.4 years	55%
30 Sep 2011	87.9%	90.0%	4.5 years	64%

Industrial – Europe

The European portfolio sales program is underway and despite the continued financial challenges in Europe, we have sold five properties for €54 million (A$72 million), at a premium of 1% to book value. This leaves us with 13 properties with a book value of €75 million (A$100 million) to sell.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	WALE BY INCOME
30 Jun 2011	79.7%	84.9%	3.0 years
30 Sep 2011	76.8%	85.3%	3.8 years

Third party investment management

Third party funds under management as at 30 September 2011 were $6.2 billion.

DEXUS Wholesale Property Fund (DWPF), our flagship wholesale fund, continues to attract new equity with an additional $100 million secured during the quarter from existing investors and an additional $23 million raised through its distribution reinvestment plan. Fund focus is currently on the implementation of its development pipeline and acquiring additional properties to further increase its geographic and sector diversification.

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

Capital management

Capital management continues to be a core focus as we continue to diversify our funding sources, increase debt duration and reduce funding costs.

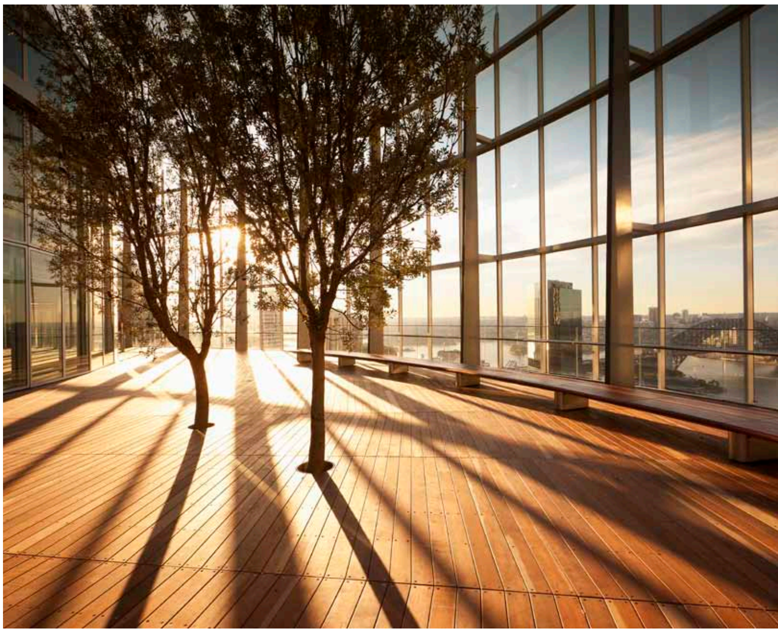
During the quarter, we refinanced $250 million of expiring debt at margins below 2%, and now have only $140 million of debt expiring this financial year. We currently have headroom of $600 million and are already negotiating the renewal of $350 million of the $400 million of debt expiring in the 2013 financial year.

Corporate Responsibility and Sustainability (CR&S)

We have commenced implementation of our 2012 objectives across the business which will see the achievement of clearer stakeholder engagement measures, investment guidelines, tenant engagement and improved environmental performance. Our 4.5-star NABERS Energy and 3.5-star NABERS Water targets are progressing with our average energy rating currently at 3.5-stars and our average water rating at 3.1-stars. To date the program is more than 50% complete and on track to achieve our 4.5-star performance target by December 2012.

Through our participation in the City of Sydney's Better Building Partnership we are engaging with the Sydney City Council to work to towards a more energy efficient infrastructure. Major initiatives include the investigation of centralised co-generation power, recycled water usage as well as waste and recycling strategies that will improve efficiency across the CBD.

Our first integrated Annual Review was released this quarter highlighting our 2011 financial and non-financial results. As one of the first Australian REITs to embrace integrated reporting we further have demonstrated our commitment to leading practice in transparent reporting. Our online reports are now available at www.dexus.com



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About DEXUS

DEXUS is one of Australia's leading property groups specialising in world-class office, industrial and retail properties with total funds under management of $14.0 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)

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