

DEXUS Property Group

ASX release

16 April 2012

DEXUS Property Group (ASX: DXS) announces sale of United States central portfolio and capital management initiatives

DEXUS today announced the sale of the United States central portfolio for US\$770 million and key capital management initiatives comprising an on-market securities buy back, a revised distribution policy effective from FY13 and a US debt restructure.

US central portfolio sale

The US central portfolio, consisting of 65 industrial properties including three properties leased to Whirlpool, is being sold to affiliates of Blackstone Real Estate Partners VII. The sale price of US\$770 million pre-transaction costs, is in line with the estimated net book value at 30 June 2012.

DEXUS CEO Darren Steinberg said, "This sale is consistent with DEXUS's current strategy to exit non-core US markets. The single-line transaction was made possible by the leasing success of our US team, who increased the occupancy in the US central portfolio by 12.8% in the six month period after DEXUS assumed leasing management in June 2011.

Following this transaction DEXUS's US portfolio will represent approximately 8% of total Group assets. The residual investment is a high quality portfolio concentrated in the core west coast markets. We are focused on driving the most effective outcome from this business, both in terms of returns and overall platform efficiency. The ongoing US west coast strategy will be determined as part of the overall Group strategy review but in the meantime US operating costs will be reviewed to reflect the revised scale of operations. A market update will follow at the Group's full year results presentation in August 2012."

A binding sale agreement has been entered into with the transaction expected to settle mid June 2012 subject to closing conditions. Proceeds will initially be used to repay debt.

DEXUS CFO Craig Mitchell said, "This transaction further strengthens our balance sheet with gearing and interest cover ratio improving, without compromising debt duration and diversity. We will retain approximately \$600 million in headroom and will have no debt expiring before June 2013."

Securities buy back

DEXUS will use part of the surplus capital arising from this transaction to commence a securities buy back of up to \$200 million, which will equate to approximately 5% of equity on issue based on the current trading price. Refer to Appendix 3C attached.

Darren Steinberg said, "A buy back represents a sensible use of surplus capital while DEXUS securities trade at a discount to their underlying value and, on this basis, it is expected to enhance value and returns to investors."

Payout policy

DEXUS continues to manage operating cash flow carefully with the objective that distributions are fully funded from free cash flow. Operating cash flows will benefit from reduced capital expenditure from the sale of the US central portfolio and completion of the office portfolio's NABERS upgrade program in 2012.

Accordingly DEXUS is revising its distribution policy effective from FY13. The new payout policy will be to distribute between 70% and 80% of funds from operations (FFO), in line with free cash flow, with the expectation that over time the average payout ratio will be around 75% of FFO.

The forecast distribution and payout ratio for FY13 will be announced at the Group's FY12 full year results announcement in August.

DEXUS Property Group

ASX release

US debt restructure and funding

Proceeds will initially be used to repay debt and, as a result, a restructure of US debt will be undertaken. This will involve prepaying certain debt obligations and unwinding various interest rate swaps associated with the US funding. The costs of this restructure are estimated to be around 12% of the gross proceeds of sale.

In accordance with International Accounting Standards our interest rate swaps are marked to market therefore losses have been substantially recognised in the 31 December 2011 net tangible assets (NTA).

Pre buy back, net sale proceeds after the restructure and transaction costs will be approximately US\$660 million and gearing will be reduced by approximately 6% on a pro-forma basis.

Financial impacts and costs

Impact on NTA

The sale price for the US central portfolio, pre costs, represents the estimated June 2012 book value. Transaction costs, including selling, legal and US restructure costs, represent approximately 2% of sale proceeds. Inclusive of the costs of restructuring debt as outlined above, pro-forma NTA per security will reduce by approximately 1%.

Impact on FFO and distributions

The transaction will have no impact on FY12 guidance for FFO of 7.65 cents per security and distribution of 5.35 cents per security¹.

Pro-forma FFO per security is estimated to reduce by 0.3 cents per annum as a result of the transaction prior to any offsetting benefit of the securities buy back.

The estimated pro-forma impacts of the transaction, including the effect of US debt restructure, are shown in the table below. This does not reflect any securities buy back impact.

Key financial metrics (31 December 2011)	Pro-forma post RENTS repurchase	Impact of this transaction	Pro-forma post this transaction
NTA (\$ps)	1.01	(0.01)	1.00
Gearing (%)	32%	(6%)	26%
Interest Cover Ratio (x)	3.2x	0.4x	3.6x
Debt duration (years)	4.3	0.3	4.6
Debt diversification (Bank:DCM)	56% : 44%	2% : (2%)	58% : 42%

Once the transaction has settled, further information regarding the pro-forma accounting, cashflow and capital management impacts will be provided.

¹barring any unforeseen circumstances

DEXUS Property Group

ASX release

The following table shows the impact of the transaction on a pro-forma basis, as at 31 December 2011. The impacts of capital expenditure since December 2011 are not shown in this table, however they have been factored into the financial impacts outlined above.

Pre Transaction	Number of properties	Book Value (U\$m)	Lettable Area ('000 sqf)	Occupancy
West coast	24	533	6,788	91.6%
Central	69	769	16,711	89.6%
Total - December 2011	93	1,302	23,499	90.2%

This transaction	Number of properties	Book Value (U\$m)	Lettable Area ('000 sqf)	Occupancy
Central	65	762	16,619	89.6%

Post Transaction (Pro-forma)	Number of properties	Book Value (U\$m)	Lettable Area ('000 sqf)	Occupancy
West coast	24	533	6,788	91.6%
Central ¹	4	8	92	n/a
Pro-forma - December 2011²	28	541	6,880	91.6%

¹includes 3 land parcels not sold and 1 property sold in a separate transaction

²In addition to the 28 properties owned, DEXUS manages properties totalling US\$230m on behalf of third party investors

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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 assets under management of \$14bn. 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. www.dexus.com

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

DEXUS Property Group (ASX:DXS)

ASX release

	Central properties sold in this transaction	Metro	NLA ('000 sqf)	Book Value Dec 11 (US\$m)
1	195 King Mill Road, McDonough	Atlanta	1,505	66.0
2	300 Townpark Drive, Kennesaw	Atlanta	121	6.0
3	Fort Holabird Industrial, 1811 & 1831 Portal Street, & 6615 Tributary Street,	Baltimore	172	10.8
4	MD Wholesale Food Market, 7951 Ocean Avenue & 7970 Tarbay Drive, Jessup	Baltimore	454	18.7
5	9112 Guilford Road, Columbia	Baltimore	55	7.2
6	8155 Stayton Drive, Jessup	Baltimore	126	6.8
7	8306 Patuxent Range Road & 8332 Bristol Court, Jessup	Baltimore	152	10.2
8	8350 & 8351 Bristol Court, Jessup	Baltimore	133	10.0
9	1015 & 1025 West Nursery Road, Linthicum Heights	Baltimore	88	5.5
10	Cabot Techs, 989-991 Corporate Boulevard, Linthicum Heights	Baltimore	131	14.5
11	NE Baltimore, 21 & 23 Fontana Lane, Rosedale	Baltimore	109	6.0
12	3520-3600 Westinghouse Boulevard, Charlotte	Charlotte	569	15.7
13	9900 Brookford Street, Charlotte	Charlotte	122	3.0
14	10013-11093 Kenwood Road, Cincinnati	Cincinnati	770	12.0
15	World Park, 9756 International Boulevard, Cincinnati	Cincinnati	192	4.0
16	1825 Airport Exchange Boulevard, Erlanger	Cincinnati	68	2.8
17	7453 Empire Drive, Florence	Cincinnati	197	3.7
18	7930 & 7940 Kentucky Drive, Florence	Cincinnati	347	10.8
19	1910 International Way, Hebron	Cincinnati	300	9.3
20	6241 Shook Road, Lockbourne, Columbus	Columbus	1,589	59.1
21	4343 & 4401 Equity Drive, 1614-1634 Westbelt Drive & 1901-1919 Dividend Drive,	Columbus	718	19.4
22	SE Columbus, 2626 Port Road, Columbus	Columbus	157	2.2
23	912 113th Street & 2300 East Randoll Mill Road, Arlington	Dallas	131	7.1
24	555 Airline Drive, Coppell	Dallas	141	5.3
25	11411, 11460-11480 & 11550-11560 Hillguard Road, Dallas	Dallas	248	8.7
26	1900 Diplomat Drive, Dallas	Dallas	83	4.0
27	2055 Diplomat Drive, Dallas	Dallas	53	2.0
28	CTC at Valwood, 13755 Hutton Drive, Dallas	Dallas	47	3.8
29	11011 Regency Crest Drive, Garland	Dallas	177	7.4
30	1600-1700 Capital Avenue, Plano	Dallas	101	6.5
31	1800-1808 10th Street, Plano	Dallas	209	9.3
32	2701, 2801, 2805 East Plano Parkway & 2700 Summit Avenue, Plano	Dallas	307	23.3
33	3601 East Plano Parkway & 1000 Shiloh Road, Plano	Dallas	287	12.9
34	820-860 F Avenue, Plano	Dallas	73	4.1
35	885 East Collins Boulevard, Richardson	Dallas	56	3.4
36	850 North Lake Drive, Weatherford	Dallas	230	12.5
37	Braemar Ridge, 7500 West 78th Street, Bloomington	Minneapolis	74	3.9
38	Eagandale Business Campus, 1285 & 1301 Corporate Centre Drive 1230 & 1270 Eagan	Minneapolis	243	14.0
39	6105 Trenton Lane North, Minneapolis	Minneapolis	122	6.8
40	2222-2298 Wooddale Drive, St Paul	Minneapolis	321	15.8
41	2950 Lexington Avenue South, St Paul	Minneapolis	185	8.4
42	300 & 405-444 Swann Avenue, 2402-2520 Oakville Street & 2412-2610 Jefferson Davis Highway, Alexandria	N. Virginia	440	41.6
43	326-446 Calvert Avenue & 401-403 Murry's Avenue, Alexandria	N. Virginia	51	4.9
44	CTC at Dulles, 13555 EDS Drive, Herndon	N. Virginia	104	24.0
45	13201 South Orange Avenue, Orlando	Orlando	503	32.9
46	7500 Exchange Drive, Orlando	Orlando	116	4.8
47	Orlando Central Park, 7600 Kingspointe Pky, 8259 Exchange Dr, 7451-7488 Brokerage Dr & 2900-2901 Titan Row, Orlando	Orlando	1,275	58.6
48	1000 South Priest Drive, Phoenix	Phoenix	55	2.9
49	105-107 South 41st Avenue, Phoenix	Phoenix	381	14.2
50	1429-1439 South 40th Avenue, Phoenix	Phoenix	253	8.3
51	220 South 9th Street, Phoenix	Phoenix	89	6.5
52	431 North 47th Avenue, Phoenix	Phoenix	163	6.3
53	601 South 55th Avenue, Phoenix	Phoenix	100	5.3
54	844 44th Avenue, Phoenix	Phoenix	145	6.1
55	1120-1150 West Alameda Drive, Tempe	Phoenix	122	5.4
56	10397 West Van Buren Street, Tolleson	Phoenix	278	11.8
57	1803 Grandstand Drive, San Antonio	San Antonio	134	9.3
58	202 S Tayman Street, San Antonio	San Antonio	275	8.9
59	302-402 N Tayman Street, San Antonio	San Antonio	416	16.1
60	8151-8161 Interchange Parkway, San Antonio	San Antonio	210	13.0
61	Cornerstone Building, 5411 I-10 East & 1228 Cornerway Boulevard, San Antonio	San Antonio	288	14.0
62	8171 Interchange Parkway, San Antonio	San Antonio	-	0.5
63	8181 Interchange Parkway, San Antonio	San Antonio	-	0.4
64	8191 Interchange Parkway, San Antonio	San Antonio	-	0.4
65	Tri-County 6, Tri-County Parkway, Schertz	San Antonio	59	2.5
	TOTAL - SOLD IN THIS TRANSACTION		16,619	761.5

Appendix 3C

Announcement of buy-back (except minimum holding buy-back)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001, 11/01/10

Name of entity	ABN/ARSN
DEXUS Property Group comprising the stapled securities of DEXUS Diversified Trust (DDF), DEXUS Office Trust (DOT), DEXUS Industrial Trust (DIT) and DEXUS Operations Trust (DXO)	60 575 572 573 (DDF) 45 098 862 531 (DOT) 27 957 640 288 (DIT) 69 645 176 383 (DXO)

We (the entity) give ASX the following information.

Information about buy-back

1	Type of buy-back	On Market
2	+Class of shares/units which is the subject of the buy-back (eg, ordinary/preference)	DEXUS Property Group stapled securities
3	Voting rights (eg, one for one)	One for one
4	Fully paid/partly paid (and if partly paid, details of how much has been paid and how much is outstanding)	Fully paid
5	Number of shares/units in the +class on issue	4,839,024,176
6	Whether shareholder/unitholder approval is required for buy-back	Security holder approval is not required
7	Reason for buy-back	Capital management

+ See chapter 19 for defined terms.

- | | | |
|---|--|---|
| 8 | Any other information material to a shareholder's/unitholder's decision whether to accept the offer (eg, details of any proposed takeover bid) | <p>See ASX/Media Release dated 16 April 2012 for further information including information required under ASIC Class Order 07/422.</p> <p>The Group intends to use part of the surplus capital from completion of the US central portfolio sale for the buyback.</p> <p>DEXUS's associates do not hold any DEXUS Property Group stapled securities.</p> |
|---|--|---|

On-market buy-back

- | | | |
|----|---|---|
| 9 | Name of broker who will act on the company's behalf | Deutsche Securities Australia Limited |
| 10 | Deleted 30/9/2001. | |
| 11 | <p>If the company/trust intends to buy back a maximum number of shares - that number</p> <p><small>Note: This requires a figure to be included, not a percentage.</small></p> | DEXUS will undertake an on market buy-back of up to \$200m (which will equate to approximately 5% of stapled securities on issue based on the current trading price). |
| 12 | If the company/trust intends to buy back shares/units within a period of time - that period of time; if the company/trust intends that the buy-back be of unlimited duration - that intention | DEXUS intends to complete the on market buy-back within 12 months. |
| 13 | If the company/trust intends to buy back shares/units if conditions are met - those conditions | There are no conditions. |

Employee share scheme buy-back

- | | | |
|----|---|-----|
| 14 | Number of shares proposed to be bought back | N/A |
| 15 | Price to be offered for shares | N/A |

Selective buy-back

- 16 Name of person or description of class of person whose shares are proposed to be bought back
- 17 Number of shares proposed to be bought back
- 18 Price to be offered for shares

Equal access scheme

- 19 Percentage of shares proposed to be bought back
- 20 Total number of shares proposed to be bought back if all offers are accepted
- 21 Price to be offered for shares
- 22 ⁺Record date for participation in offer
Cross reference: Appendix 7A, clause 9.

Compliance statement

1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.

or, for trusts only:

1. The trust is in compliance with all requirements of the Corporations Act as modified by Class Order 07/422, and of the trust's constitution, relevant to this buy-back.
2. There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.

Sign here



Director

Date: 16 April 2012

Print name: Darren Steinberg

⁺ See chapter 19 for defined terms.