

# 2009

DEXUS Property Group  
ANNUAL RESULTS  
PRESENTATION



DEXUS Funds Management Limited  
ABN 24 060 920 783  
Australian Financial Services Licence Holder

**DEXUS**  
PROPERTY GROUP

# 2009 Annual Results

Victor Hoog Antink  
Chief Executive Officer



# 2009 Results highlights

## Financial results

- Operating earnings \$526m up 5.7%
- FFO per security 10.43¢
- Devaluations \$1.6bn
- Total assets \$8.4bn

## Operating results

	Australia	International	Group
- Like for like income (%)	4.4	(4.9)	1.7
2008	3.8	7.2	4.5
- Occupancy <sup>1</sup> (%)	97.2	88.0	91.5
2008	98.3	90.9	93.8
- Lease duration <sup>1</sup> (yrs)	5.1	4.2	4.8
2008	5.3	3.9	4.8

## Active capital management strengthening balance sheet

- Equity raised \$1.1bn
- New and refinanced debt \$860m
- Gearing lowered 31.2%

1. Occupancy by area, lease duration by income

# Delivering on strategy

## OUR VISION

### OWN

WORLD-CLASS QUALITY PORTFOLIO  
STRATEGIC LOCATIONS IN AUSTRALIA AND SELECT MARKETS  
MARKET LEADER IN OFFICE AND INDUSTRIAL

### MANAGE

FULLY INTEGRATED PROPERTY MANAGEMENT MODEL  
DELIVERING SERVICE EXCELLENCE TO OUR TENANTS AND INVESTORS  
MAXIMISING RETURNS

### DEVELOP

SELECTIVE DEVELOPMENTS, CREATING VALUE  
SUSTAINABLE DESIGN  
HIGH QUALITY WORKSPACES

Australia's leading owner, manager,  
developer of superior quality office and  
industrial properties

- No. 1 in office and No.3 in industrial in Australia
  - Quality portfolio delivering strong results
  - Progressed selected non-core asset sales
  - Repositioning international portfolio
- 
- Property management model integration
    - Completed in office portfolio
    - Underway in Australian industrial portfolio
  - Recognised leadership position in Corporate Responsibility & Sustainability
- 
- Creating the next generation of quality office and industrial workspaces
  - 6 Star office developments: 1 Bligh Street and 123 Albert Street
  - Quality industrial development pipeline: Laverton and Greystanes

# Financial performance

Craig Mitchell  
Chief Financial Officer



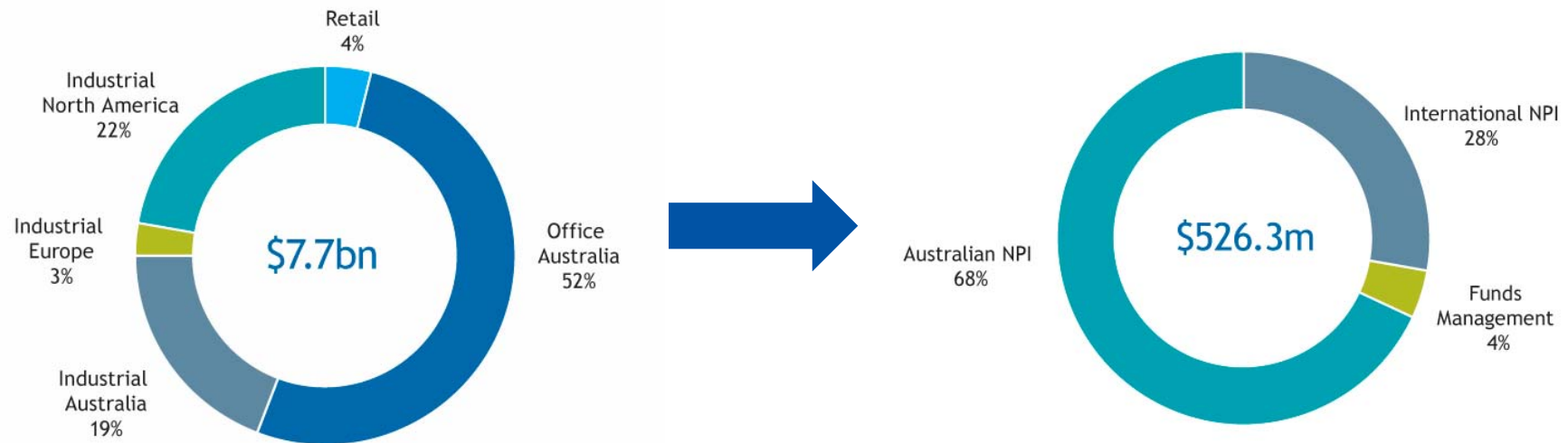
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# Financial results

	June 2009 \$'m	June 2008 \$'m
Operating earnings	526.3	498.0
Finance costs and other <sup>1</sup>	(185.8)	(175.1)
<b>Profit after tax and minority interests, before non-cash items</b>	<b>340.5</b>	<b>322.9</b>
Non-cash items	(1,799.6)	115.4
<b>Net profit/(loss) attributable to stapled security holders</b>	<b>(1,459.1)</b>	<b>438.3</b>

1. Includes finance costs, other income/expenses, current tax expense and minority interests

# High quality portfolio delivering sustainable results



- Property assets represent 92% of total assets
- Rental income represents 96% of operating earnings

# Rental income drives operating earnings

	June 2009 \$'m	June 2008 \$'m
Office - Australia/New Zealand	246.8	242.6
Industrial - Australia	109.2	105.7
Industrial - International (at Constant currency)	130.0	131.9
Currency impact on Industrial - International	25.9	-
Retail - Australia	16.1	27.6
Development gains	-	5.9
Management EBIT	21.0	16.2
Responsible Entity fees	(22.7)	(31.9)
<b>Operating earnings</b>	<b>526.3</b>	<b>498.0</b>
Net finance cost and other <sup>1</sup>	(185.8)	(175.1)
Distribution adjustments		
- Cum-distribution adjustment for equity raisings	59.3	-
- Incentive amortisation/other	24.0	32.5
<b>Funds from Operations (including cum-distribution adjustment for equity raisings)</b>	<b>423.8</b>	<b>355.4</b>
FFO per security (cents)	10.43	11.90

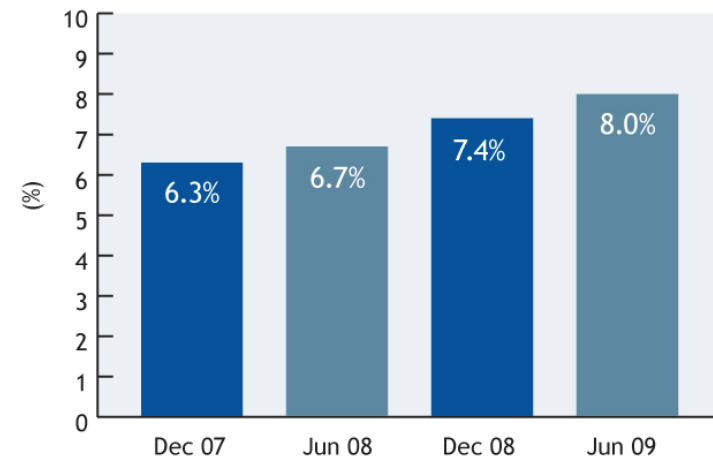
1. Includes finance costs, other income/expenses, current tax expense and minority interests



# Portfolio fundamentals drive valuations

- Portfolio revaluation decrease of \$1.6bn or 16.7%
- Average capitalisation rates have continued to soften across the portfolio
  - 130 bps in the last 12 months
  - 170 bps since the peak in Dec 2007
  - Average cap rate at 8%
- Softer property fundamentals becoming more influential on valuations
  - Weaker income assumptions impacting valuations

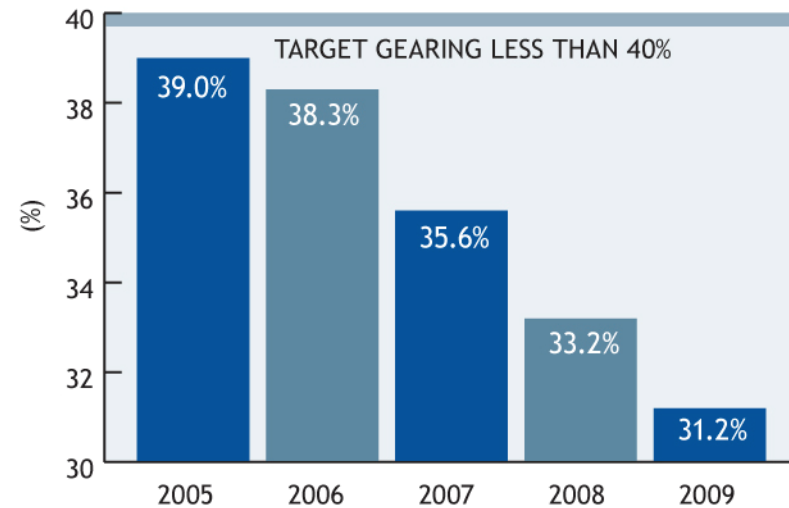
DEXUS weighted average capitalisation rates



# Strong capital management

- Distribution policy
  - Payout ratio 70% of FFO
- Equity raising of more than \$1bn
  - Natural DRP participation continues
- Asset sales
  - JV with Cbus at 1 Bligh Street
  - Commenced \$600m asset sale program over 2 years
- Committed developments and acquisitions fully funded until completion

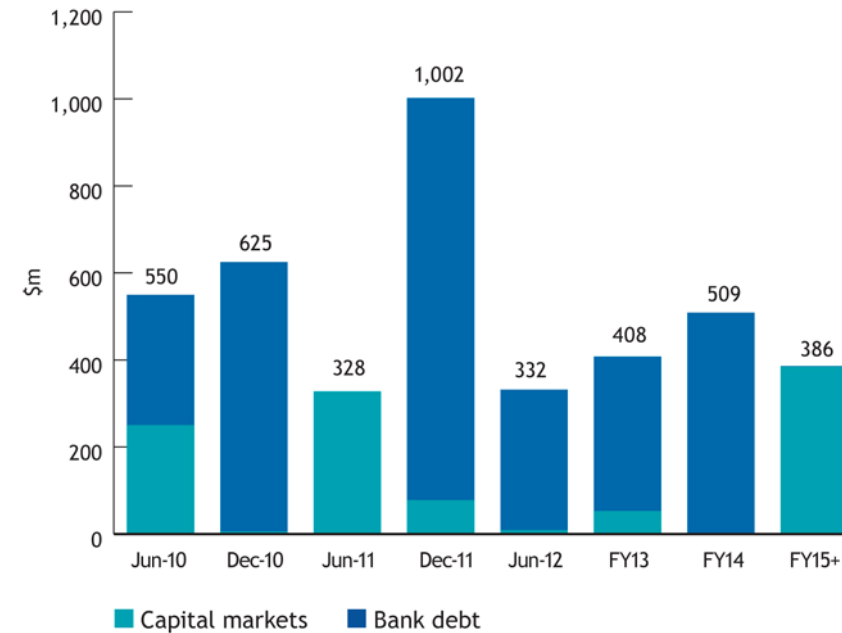
Gearing at 30 June 2009 - 31.2%



# Pro-active debt management

- Undrawn facilities of \$1.45bn
- Refinanced debt in FY09 of \$860m
- Active negotiations of 2010 maturities
- 5 year MTN issue of \$160m July 2009
- Debt duration steady at 2.6 years<sup>1</sup>
- All metrics well within key covenants<sup>2</sup>
  - S&P rating reaffirmed at BBB+
- Focus 2010
  - Increasing the diversity and duration of debt
  - Refinancing FY10 debt maturities

June 2009 Maturity profile<sup>1</sup>



1. Includes July 2009 MTN issue  
2. Refer to appendices for covenants

# Office portfolio

Louise Martin  
Head of Office



# Highlights - solid performance in difficult times

- Solid portfolio performance in times of difficult economic conditions
- Active management
- Substantial progress of developments
- Highest quality portfolio
- Quality integrated team

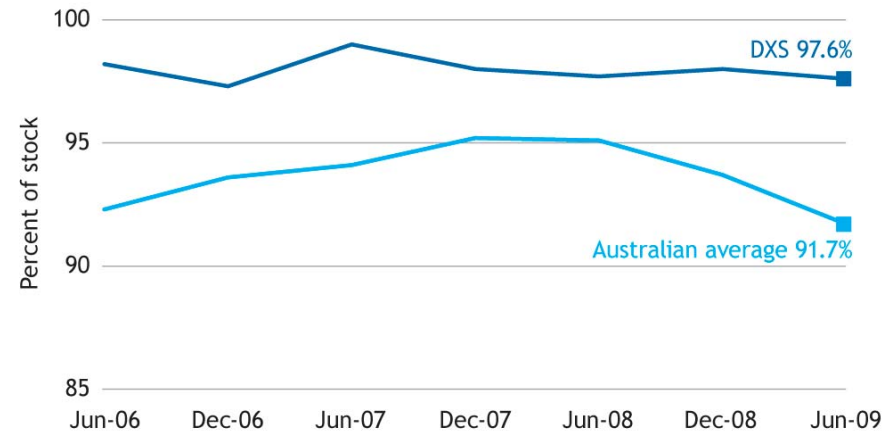
GPT/GMT, 1 Farrer Place, Sydney, NSW



# Strong portfolio fundamentals

- Solid like on like growth NPI
- Occupancy rates above market
- Limited market exposure
- Retention rates maintained
- Good lease duration
- Capitalisation rates have softened
- Sustainability initiatives delivering savings: energy (6%), water (15%) and GHG (7%)

DXS office occupancy rate vs market



Australian average source: Access Economics, Jones Lang LaSalle

Year	Net Property Income	Like-for-like	Occupancy (area)	Occupancy (income)	% Over/Under Rented	Exposure to Open Market Reviews	Retention rates	Lease duration <sup>1</sup>	Portfolio value	Avg cap rate
FY09	\$246.8m	4.5%	97.6%	97.6%	6% Under	FY10-1%	75%	5.4 yrs	\$4.0bn	7.7%
FY08	\$242.6m	4.4%	97.7%	97.9%	13% under	FY09-4%	72%	5.7 yrs	\$4.6bn	6.4%

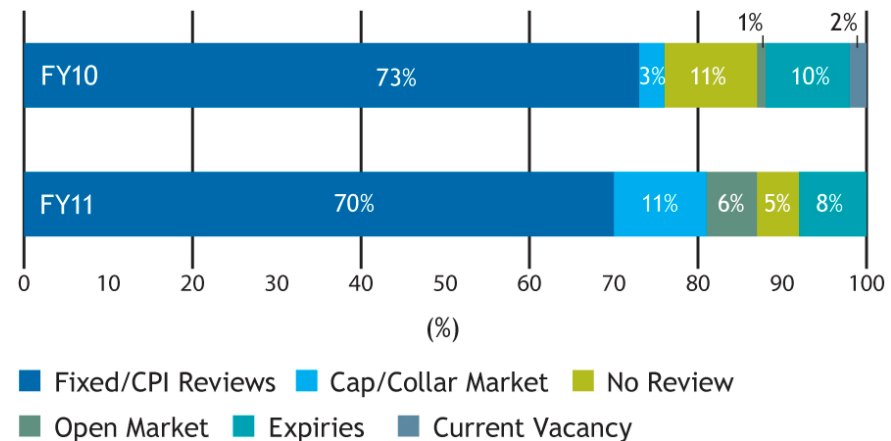
1. By income



# Office leasing - strong performance, active management

- 52,475sqm leased (including 15,902sqm in developments)<sup>1</sup>
- 36,500sqm leased in investment portfolio - 103 transactions<sup>2</sup>
- Average rental increase was 6.6%<sup>2</sup>
- Average tenant incentive was 12.6%<sup>3</sup>
- Major deals with NSW Police, Clayton UTZ, Carnival and IPA Personnel
- 87% (FY10) and 87% (FY11) are fixed, CPI or cap/collar
- FY10 expiries 10%
  - 24% already negotiated

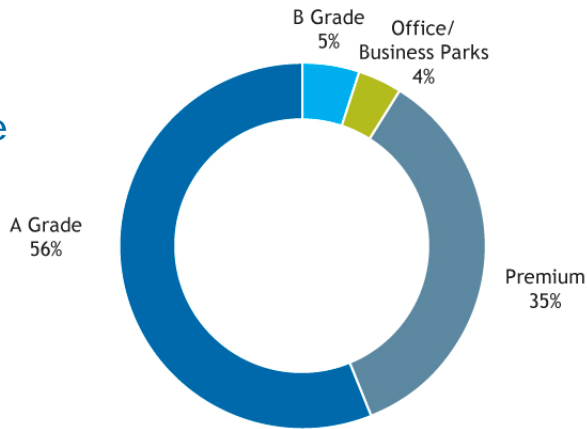
Rent review profile



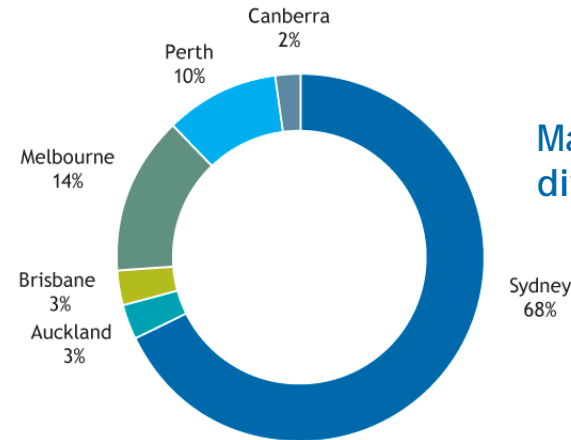
1. 77,070sqm and 31,400sqm respectively at 100% levels  
 2. Includes vacancies, new deals and renewals. Excludes leased developments  
 3. Tenant incentives were given on 69 of 106 transactions averaging 12.6%. Across the 106 transactions, including those where no incentive was given, the average was 7.2%

# Diversification delivering sustained income

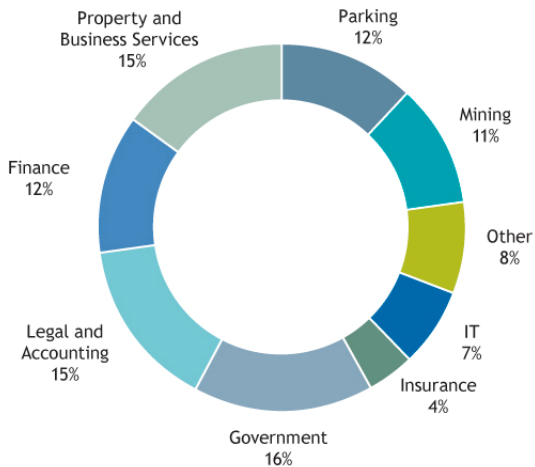
94% prime assets



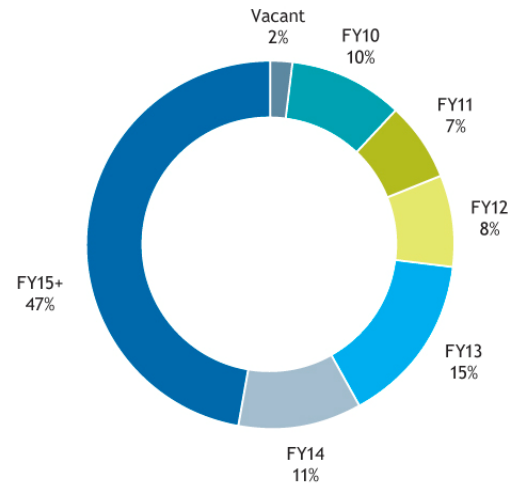
Market diversification



Economic diversity of tenants



Smooth expiry profile

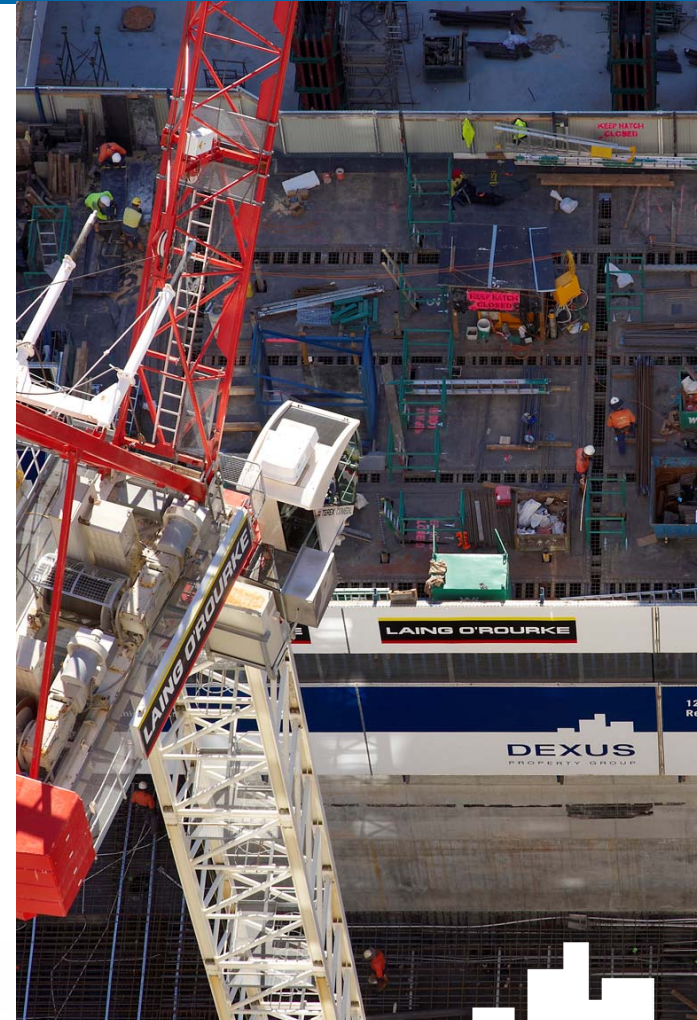




# Office developments and non-core asset sales

- 123 Albert Street, Brisbane - 38,000sqm
  - 68% leased, marketing underway
  - On schedule for completion Dec 2010
- 1 Bligh Street, Sydney - 42,000sqm
  - 55% leased, marketing underway
  - On schedule for completion May 2011
- Non core sales - 343 George Street, Sydney
  - \$55 million, 7.1% initial yield
  - 0.7% discount to book value

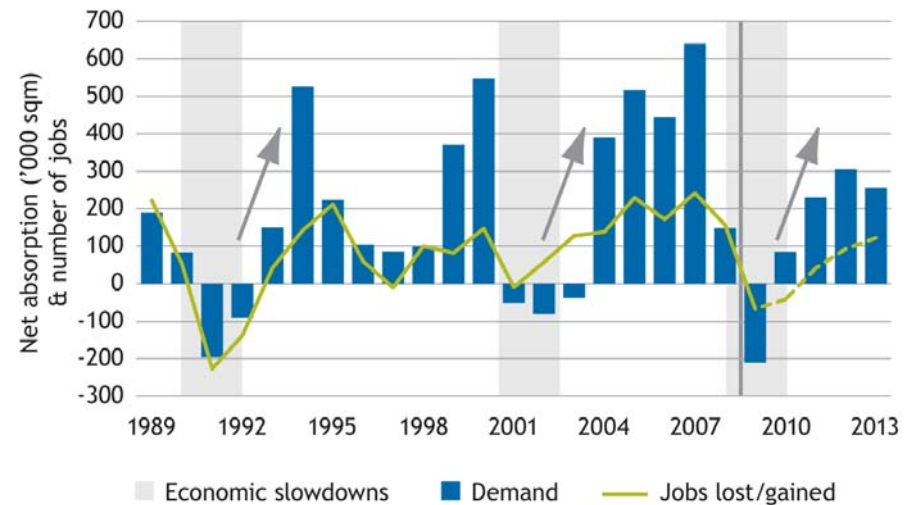
Development: 123 Albert Street, Brisbane, Qld



# Australian CBD office outlook

- Office demand is currently weak, but expected to recover in FY11
- Supply under construction for Sydney and Melbourne CBD's well below average
- Brisbane and Perth are experiencing a deeper slowdown
- Vacancy rates are expected to tighten quickly in recovery phase
- Effective rents are expected to grow from FY11

Australian demand periodically weakens and recovers



Source: Jones Lang LaSalle, Access Economics

# 2010 office focus

- FY10 will continue to be challenging
- Quality portfolio to withstand difficult times
- Active management through integrated model
  - Property, asset and development management
  - Leasing focus
  - Tenant retention through service excellence
  - Operational efficiencies
  - Sustainability performance initiatives
- Delivering sustainable results

309-321 Kent Street, Sydney, NSW



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# Industrial portfolio

Andrew Whiteside  
Head of Industrial



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# Highlights - active management delivering results

- Sound portfolio fundamentals
  - Stable income profile
  - Strong passing income
- Active management approach
  - Intensive leasing and management of leasing risk
  - Solid growth in NPI
- Driving value and positioned for growth
  - Repositioned the team
  - Adapted development approach
  - Progressed asset sales

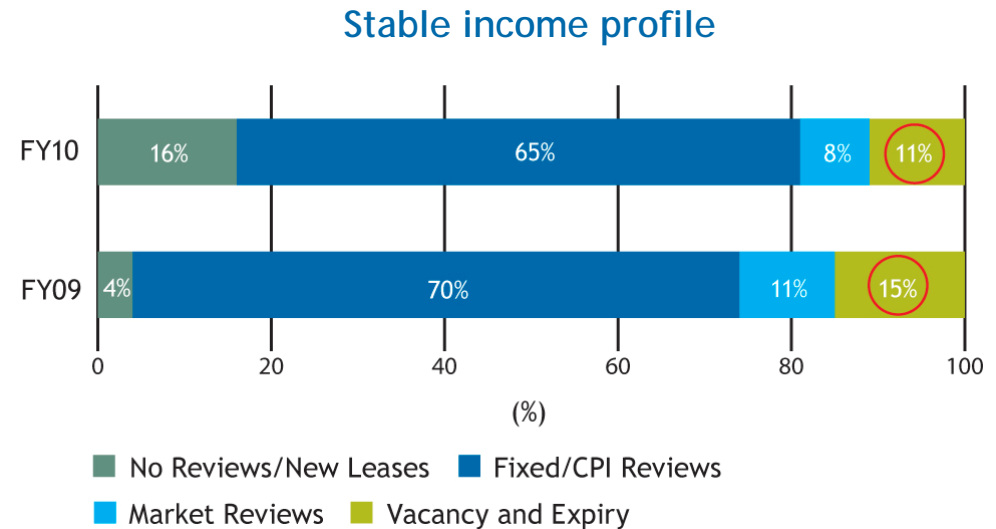
Pound Road West, Dandenong, Vic



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# Portfolio fundamentals - relative outperformance

- 4.1% like for like income growth
  - 3.6% growth from rent reviews
  - Limited market risk in FY10
- High occupancy and tenant retention
- Book value supported by strong passing yield 8.9%



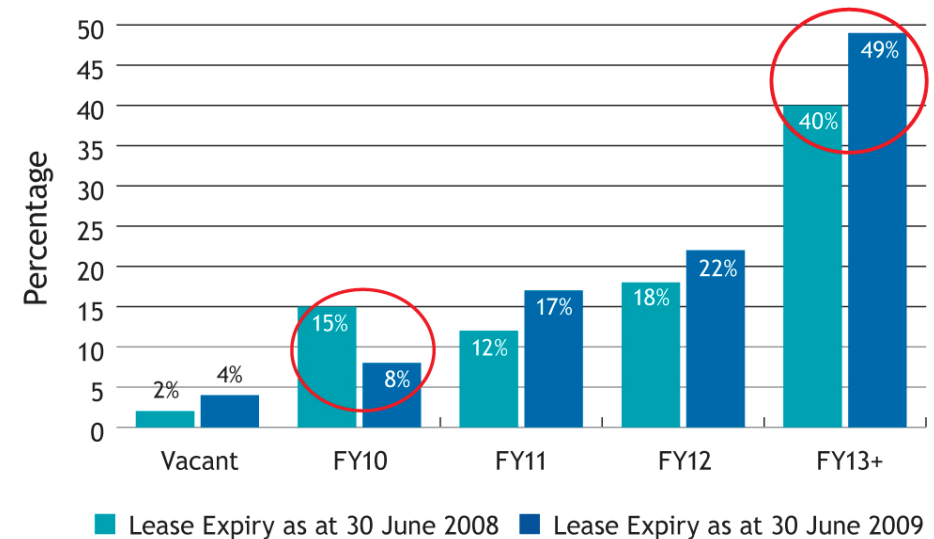
	Net Property Income	Like-for-like	Occupancy (area)	Occupancy (income)	% Over/Under Rented	Mkt review next 12 months	Retention rates	Lease duration <sup>1</sup>	Portfolio value	Avg cap rate
FY09	\$109.2m	4.1%	96.9%	96.4%	4.9% over	8%	75%	4.3 yrs	\$1.5bn	8.8%
FY08	\$105.7m	2.3%	98.6%	98.5%	4.0% over	11%	78%	4.4 yrs	\$1.6bn	7.5%

1. By income

# Industrial leasing - intensive activity

- Strong leasing with 203,000sqm leased
  - 113 deals: 85% negotiated in-house
  - Average rents down 1%, incentives at 3%
- Major leasing deals:
  - Toll, DHL and Atlas Copco, Hagemeyer OO, BOC, Getronics, Tyco
  - Lease expiry beyond FY12 increased
- FY10 largely de-risked
  - No major expiries >1% income
  - Largest current vacancy <3,500sqm

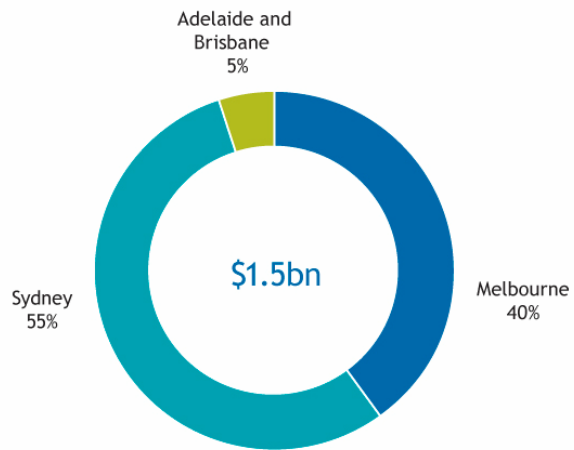
Lease expiry profile (by income)



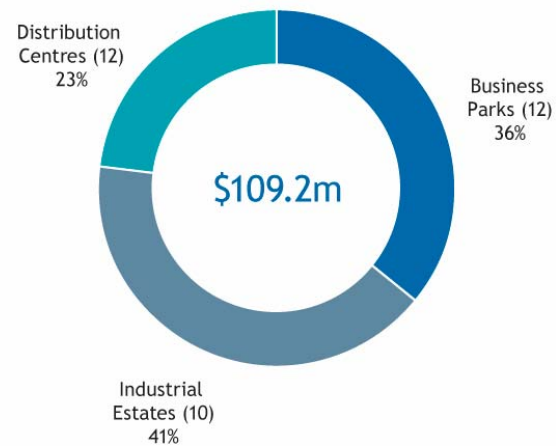
# Diversified portfolio - driving growth

- Quality assets, strategically located in key markets
- Secure income diversified by sector
- Development capability, proven market appeal

### Geographic weighting



### Flexible product



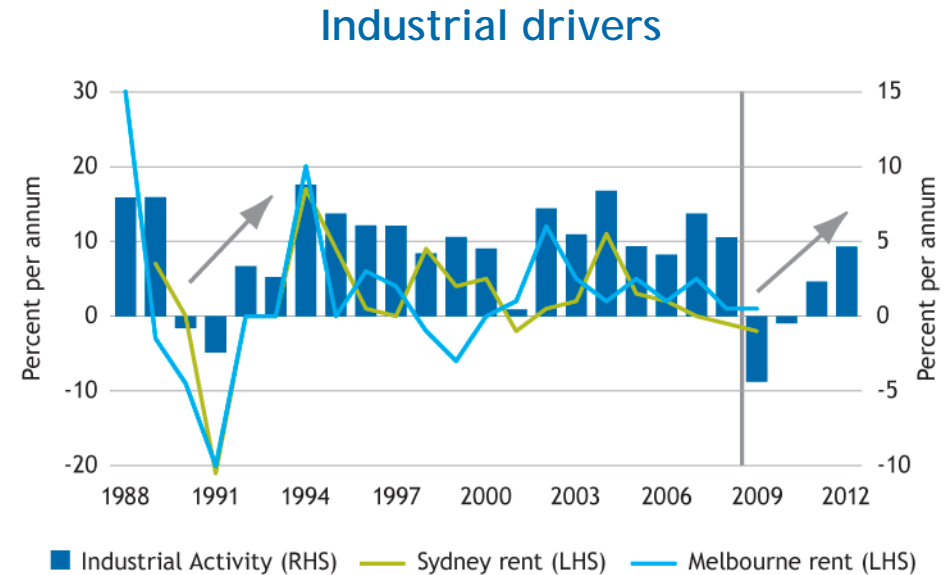
SEL, Greystanes Estate, Greystanes, NSW





# Industrial sector outlook

- Limited supply with low vacancy in prime space in key markets
- Current slowdown continues to affect leasing demand
- Weak rental growth expected in FY10
- Business sentiment and pre-leasing enquiry starting to improve with economic recovery expected FY11
- Well-positioned in key markets for growth



Source: Jones Lang LaSalle (Western precincts), Access Economics

# 2010 industrial focus

- Focus on the fundamentals
  - Experienced team, delivering results
  - Active management driving income
  - Expanding integrated platform
- Positioned for future growth
  - Quality, diversified portfolio with capacity
  - Repositioning portfolio via divestment of non-core assets
  - Focus on securing tenant pre-commitments

DEXUS Industrial Estate, Laverton North, Vic



# International industrial portfolio

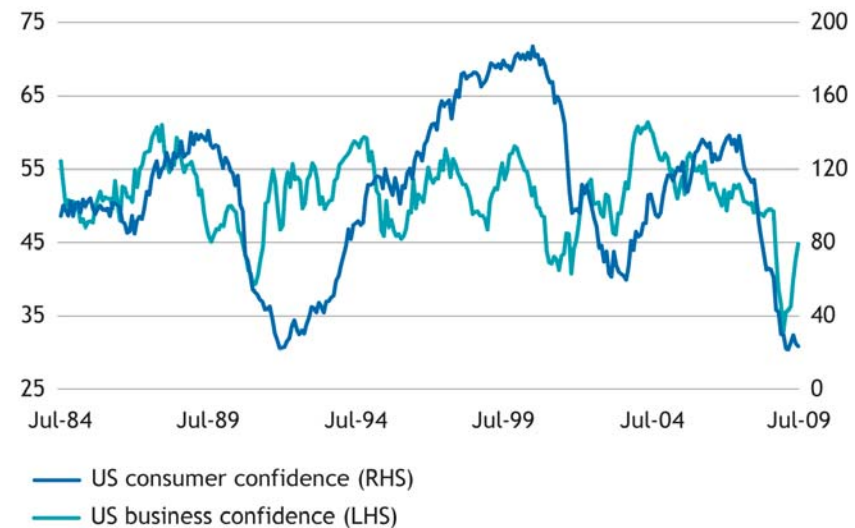
Paul Say  
Head of International



# Challenging market conditions but early signs of stabilisation

- Recession has reduced demand and increased supply
- Oversupply is now impacting rents
- Lower market rents the key factor in valuations
- Some early signs of improved confidence emerging

US Business and Consumer Confidence

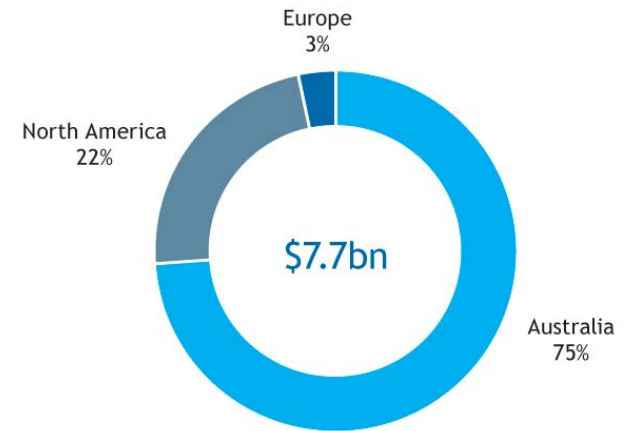


Source: Deutsche Bank, DEXUS Research

# International valuers adjusting quickly

- 100% of the international portfolio externally valued
  - International valuations down by 27.1% from June 2008
  - US portfolio value down by 29.6% from Dec 2007
- Progressively declined over year
  - 1H impact of cap rates
  - 2H impact of rents
- Cap rate expansion appears to be peaking now

Portfolio weighting



	Portfolio value	FY09 impact	Avg cap rate	IRR
North America	A\$1.7bn	(27.0%)	8.2%	9.4%
Europe	A\$0.2bn	(28.3%)	8.1%	8.8%

# Portfolio returns down, in line with expectations

- Like on like earnings down 4.9%
  - North America down 4.6%
  - Germany up 5.8%
  - France down 31.8%
- Active management approach delivered
  - 88% occupancy, above market benchmarks
  - 68% tenant retention rate, in line with targets

	Net Property Income	Like for like	Occupancy by area	% Over/Under Rented	Fixed review next 12 months	Retention rates	Lease duration <sup>1</sup>
North America	A\$132.8m	(4.6%)	88.0%	8.2% over	50%	68%	4.3 yrs
Europe	A\$23.1m	(6.4%)	87.8%	2.8% over	16%	n/a	3.1 yrs

1. By income

# Actively adding value through leasing

- Solid leasing activity: 382,300sqm leased
  - 343,300sqm in USA (114 deals)  
Summit Oaks 10 year lease Advanced Bionics
  - 30,300sqm in Germany
  - 8,700sqm in France
- Occupancy rates marginally down
  - North America down 4%
  - Europe up 3%

Kent West Corporate Park, Kent, Washington, USA



# Executing strategy remains key priority

- Repositioning the international portfolio
- Asset sales on track
  - European campaign commenced
  - US in active negotiation
- International strategy implementation
  - Create critical mass in fewer markets
  - Improved quality and sustainability
  - Servicing major corporate and government tenants

Whirlpool, 3691 North Perris Boulevard, Perris, California, USA

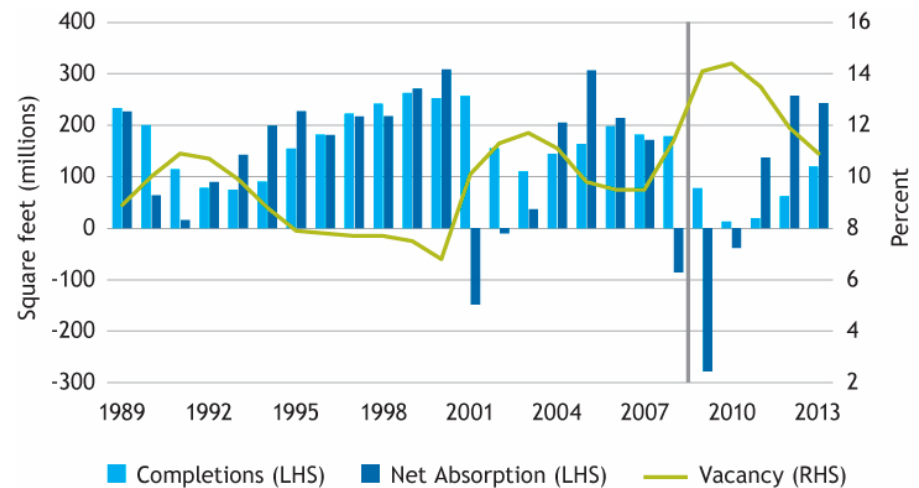




# 2010 outlook

- Conditions to remain tough
- Cautious approach to earnings forecast
  - Lower retention rates and occupancy
  - Increased downtime allowances and lower rents for vacant space
- Active management focus can deliver upside via:
  - Active leasing and retention strategies
  - Strategic non-core asset sales

US demand periodically weakens and recovers



Source: Torto Wheaton, RREEF 3Q09 forecast

# Third party funds management

Victor Hoog Antink  
Chief Executive Officer

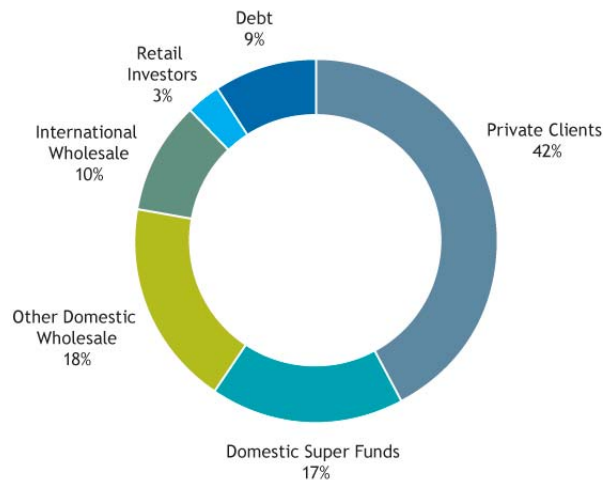


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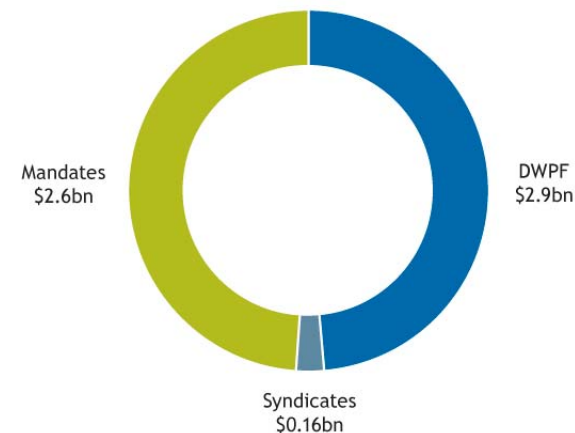
# Third party funds management business

- Funds under management as at 30 June 2009 of \$5.6 billion
- Lower asset values, development and leasing fees will impact FY10 income
- Annuity style income stream - no reliance on performance fees

Diversified investor base



Fund breakdown



- Wide network of capital partners now including Cbus

# Summary and outlook

Victor Hoog Antink  
Chief Executive Officer

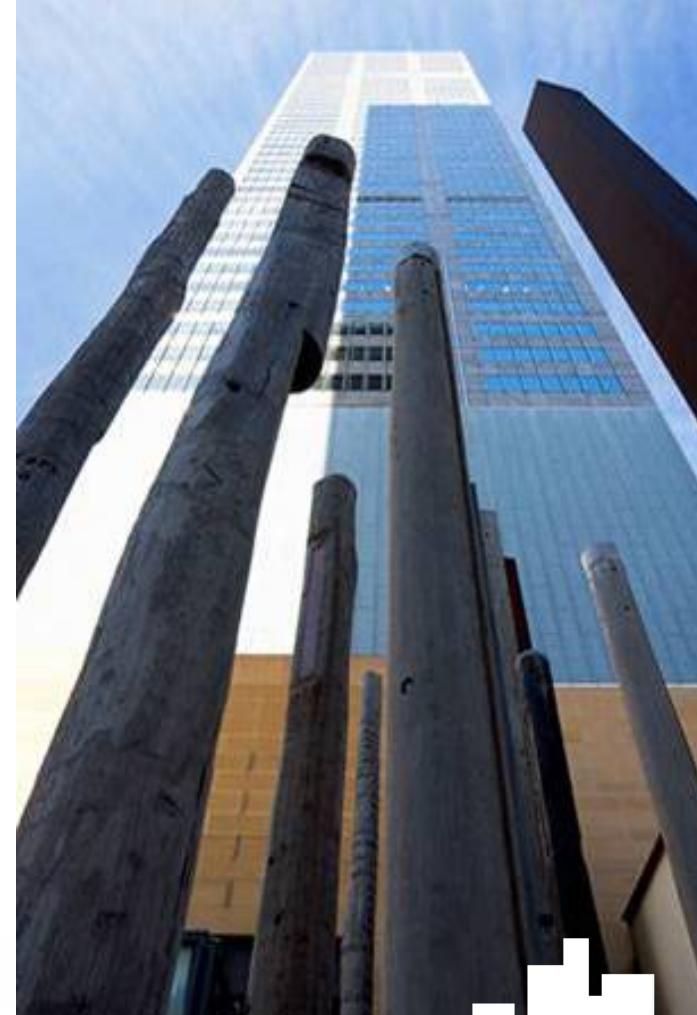


# Summary and outlook

## Well positioned to create value

- Focused strategy
- Highest quality portfolio
- Quality risk managed developments
- Active integrated property management
- Strong balance sheet
- Active capital management
- Experienced management team
  
- FY10 guidance, barring adverse changes to operating conditions
  - FFO: 7.3 cents per security
  - Distribution 70% of FFO: 5.1 cents per security

GPT/GMT, 1 Farrer Place, Sydney, NSW



# Questions



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