



2009

DEXUS Property Group
HALF YEAR RESULTS
31 December 2009

DEXUS Funds Management Limited
ABN 24 060 920 783
AFSL 238163 as responsible entity for DEXUS Property Group



DEXUS
PROPERTY GROUP

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DEXUS PROPERTY GROUP

Victor Hoog Antink
Chief Executive Officer



RESULTS SUMMARY

Financial and operational performance

Financial

- Operating EBIT: \$240.5m
 - Stable operating income
- FFO per security: 3.8c
 - Dilution impact of capital raisings
- Shareholder total return (3yrs to Dec 2009)
 - Outperformed index² by 8.8% pa

Operational

	Dec 2009	Dec 2008
– Occupancy (by area)	91.2%	93.1%
– WALE	5.0yrs	4.8yrs
– Like for like growth	(0.3%)	1.5%

1. Excluding Whitford City shopping centre, cash and other assets
2. S&P/ASX 200 Property Accumulation Index

Portfolio weighting¹



OPERATIONAL ACHIEVEMENTS

Delivering on strategy

OWN

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

- Sold \$108m in Australia and US\$206m in US
- Commenced US repositioning to fewer markets
- Sold remaining retail property A\$256m
- Acquired Australian industrial property A\$46m
- Acquired 3 remaining Whirlpool properties US\$202m
- Raised MTN finance A\$160m
- Raised US public market debt US\$300m

MANAGE

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

- Management internalisation driving performance
 - Office - completed
 - Industrial - progressing
 - North America - commenced

DEVELOP

SELECTIVE DEVELOPMENTS, CREATING VALUE
SUSTAINABLE DESIGN
HIGH QUALITY WORKSPACES

- 123 Albert Street on track Dec 2010 - 68%+ leased
- 1 Blich Street on track May 2011- 55% leased
- Greystanes - pre-commitments under construction
- Laverton - final 65ha re-zoned

RESULTS SUMMARY

Achievements in CR&S and Employee Engagement

Corporate Responsibility & Sustainability (CR&S)

- Inclusion in DJSI World Index, SAM 2010 Real Estate Sector Mover
- 100 Most Sustainable Corporations at Davos - 2 yrs running

Resource consumption	Energy	GHG
– Office - Aus	(8.6%)	(6.8%)
– Industrial - Aus	(3.7%)	(3.6%)
– Industrial - US	(13.6%)	(10.5%)



Employee engagement

- High engagement maintained at 94%
- Outperformed Australian Norm in Top 19 of 20 categories



Members of DEXUS team at Australia Square, Sydney

FINANCIAL PERFORMANCE



FINANCIAL RESULTS

At a glance

	HY Dec 2009 \$'m	HY Dec 2008 \$'m
Operating EBIT	240.5	243.2
Net loss after tax to stapled security holders ¹	(107.0)	(975.2)
Funds from Operations	181.1	188.7
Funds from Operations per security	3.8c	5.4c

1. Refer to a full reconciliation at <http://www.dexus.com/Investor-Centre/DXS/Property-Synopsis>

CORE OPERATING METRICS

	HY Dec 2009 \$'m	HY Dec 2008 \$'m
Office - Aust/NZ	121.9	119.1
Industrial - Aust	52.7	53.4
Industrial - North America	54.0	66.0
Management EBIT	6.3	5.4
Non core ¹	18.6	19.3
Other	(13.0)	(20.0)
Operating EBIT	240.5	243.2
Finance costs	(68.1)	(76.6)
Other ²	8.7	22.1
Funds from Operations	181.1	188.7
FFO per security (cps)	3.8	5.4

1. Retail and European industrial

2. Refer to a full reconciliation at <http://www.dexus.com/Investor-Centre/DXS/Property-Synopsis>

VALUATIONS

- Devaluations affect NTA by 6 cents
NTA now 95c
- Portfolio valuations have likely bottomed
 - Australia has stabilised
 - North America still lags
- New accounting standards now fair value development properties

	Fair value movement \$'m	Change %	WACR %
Office - Aus	(22)	(1%)	7.6
Industrial - Aus	(21)	(2%)	8.8
Industrial - US ¹	(153)	(10%)	8.7
Developments - Aus ²	(68)	(14%)	n/a
Non-Core ³	(22)	(5%)	7.5
Total⁴	(286)	(4%)	8.0%

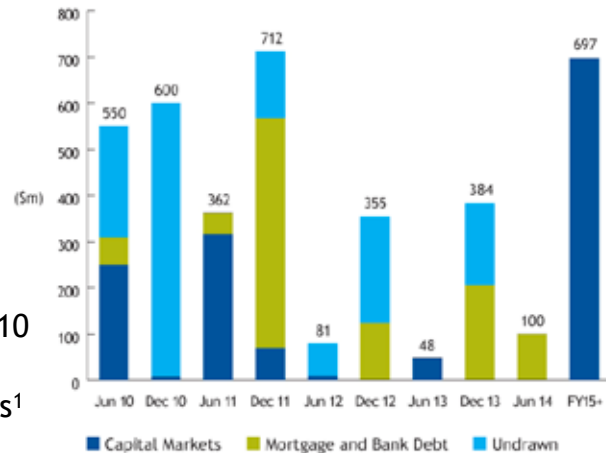
1. Includes US development properties of \$11m
2. Includes a \$27m decrement for Bligh Street which is equity accounted for statutory reporting purposes
3. Retail and European industrial
4. Refer full reconciliation in appendices

CAPITAL MANAGEMENT

Pro-actively maintaining a strong balance sheet

- Gearing 31.9%
- Accessing multiple debt sources (MTN, US Bonds)
- Undrawn facilities \$1.5bn
- 2010 maturities of \$1.1bn
- Next debt refinancing: mid to late 2010
- All metrics well within key covenants¹

Maturity profile



1. Refer to appendices for reporting on covenants

LOOKING FORWARD

- Australian earnings and valuations are stabilising
- North America shows early signs of stabilisation
- Strong capital structure

GPT/GMT, 1 Farrer Place, Sydney NSW



OFFICE PORTFOLIO



GMT/GPT
50% owned, 100% managed

Gateway
100% owned (DWPF), 100% managed

Australia Square Complex
50% owned, externally managed

1 Bigh St (in construction)
33% owned, 100% managed

45 Clarence St
100% owned, 100% managed

One Margaret St
100% owned, 100% managed

302-321 Kent St
50% owned, 100% managed

30 The Bond
100% owned, 100% managed

NOT SHOWN

- 83 Clarence St - 100% owned (STCI), 100% managed
- 383-395 Kent St - 100% owned, 100% managed
- 44 Market St - 100% owned, 100% managed
- 201-217 Elizabeth St - 50% owned, externally managed
- Bond One - 100% owned (AXA), 100% managed

OFFICE

Solid performance - challenging times

- Stable portfolio performance continues due to:
 - Active management - team focus
 - Quality portfolio - retains appeal
 - Tenant mix - diversity
- Demand drivers improving
- Strength returning to our core markets



Woodside Plaza, 240 St Georges Terrace, Perth WA

OFFICE

Sound portfolio fundamentals

- Stable income - NPI at \$122m
- Like for like growth at 2.7%
- Occupancy rate well above market benchmark
- Retention rates reflect market conditions
- Value bottomed at December 2009

DXS office value movement history



	Net Property Income	Like-for-like	Occupancy (area)	Occupancy (income)	Over/under rented	Retention rates	Lease duration (income)	Portfolio value	Avg cap rate
HY Dec 09	\$121.9m	2.7%	95.8%	96.5%	4% under	61%	5.4 yrs	\$4.0bn	7.6%
HY Dec 08	\$119.1m	3.1%	98.0%	98.2%	9% under	74%	5.5 yrs	\$4.5bn	7.0%

OFFICE SUSTAINABILITY

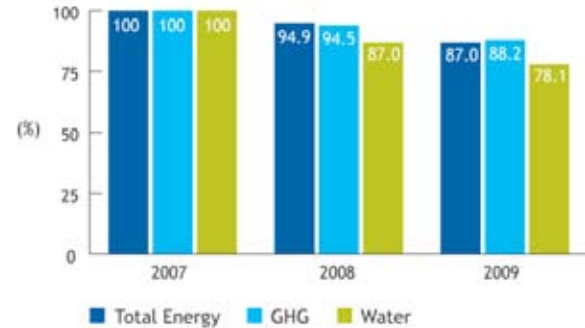
Continuous commitment and improvement

- Resource consumption reductions¹

	3yrs	1yr
– Energy	↓ 13.0%	↓ 8.6%
– Water	↓ 21.9%	↓ 10.3%
– GHG	↓ 11.8%	↓ 6.8%

- Average portfolio NABERS energy rating 3.2 Star and water rating 3.0 Star
- Commitment to average portfolio NABERS energy rating of 4.5 Star by 2012

Improved sustainability performance - consumption reductions



1. Rolling 12 month reductions to September

OFFICE

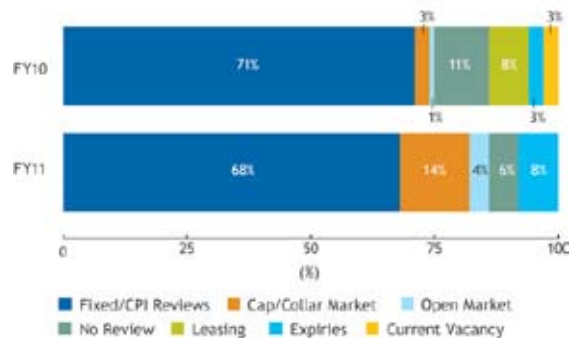
Leasing outcomes driving growth in FY11

- Started FY10 with 10% expiries - ½ completed
- 40,226sqm leased in investment portfolio (ownership level) - 57 transactions¹
- Average rental increase was 9.2%
- Average tenant incentive was 23.6%²
- Current vacancy 3.5%: half under negotiation

Looking forward

- Limited upside in 2H10
 - Fixed increases offset by increased vacancy
- Strong effective rent growth expected from FY11 as demand increases and incentives decline

Stable income profile



1. 53,558sqm at 100% levels. Includes vacancies, new deals and renewals. Excludes leased developments

2. Incentives: new tenants 26.8%, renewals 21.6%. Tenant incentives were given on 47 of 57 transactions averaging 27.2%. Across the 57 transactions, including those where no incentive was given, the average was 23.6%

OFFICE DEVELOPMENTS

On schedule

- **123 Albert Street, Brisbane - 38,000sqm**

- On schedule for completion Dec 2010
- 68% leased at 31 Dec 2009
- Of the remaining 8 floors:
 - 1 floor is under Heads of Agreement
 - 3 floors in final negotiations
- Forecast yield on cost 6.8%

- **1 Bligh Street, Sydney - 43,000sqm**

- On target for completion May 2011
- 55% leased at 31 Dec 2009
- Forecast yield on cost 7.0%



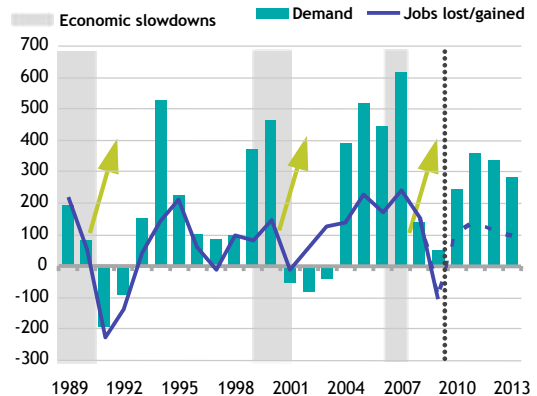
Artist's impression: 1 Bligh Street, Sydney NSW

OFFICE 2010 focus

- Demand now returning with lag effect on income
- Growth expected in FY11 due to:
 - Rising business confidence & earnings
 - Employment growth
 - Limited new supply for Sydney & Melbourne
 - Brisbane & Perth leveraged to resources
- Quality portfolio positioned to perform - ‘flight to quality’
- Building on leadership position in office

Australian CBD demand

('000, sqm net absorption & number of jobs)



Source: Jones Lang LaSalle, Access Economics

1. Sydney 1.6% of stock vs average of 3.0%

INDUSTRIAL PORTFOLIO



INDUSTRIAL

Increased activity and consistent performance

- Delivering continued performance in a tough market
 - Key metrics improved
 - Positive income growth
 - Asset values now stable
- Repositioning portfolio through sales and acquisitions
- Development activity capitalising on rebound in tenant demand



DEXUS Industrial Estate, Laverton North Vic

INDUSTRIAL

Sound portfolio fundamentals

- Consistent income growth
- High occupancy and tenant retention
- Lease duration up 9% since June 2009
- Cap rates peaked, asset values now stabilised
- Portfolio underpinned by strong passing rents

DXS industrial value movement history



	Net Property Income	Like-for-like	Occupancy (area)	Occupancy (income)	Over/under rented	Retention rates	Lease duration (income)	Portfolio value	Avg cap rate
HY Dec 09	\$52.7m	1.9%	97.7%	97.3%	6.6% over	76%	4.7 yrs	\$1.5bn	8.8%
HY Dec 08	\$53.4m	3.4%	96.8%	96.6%	3.5% over	79%	4.5 yrs	\$1.6bn	8.1%

INDUSTRIAL

Active management delivering results

- Intensive leasing focus
 - 72,000sqm¹ existing space and 36,000sqm pre-leased
 - Average rents down 1.1%, incentives at 6.0%²
- Property transactions - repositioning portfolio
 - \$62m disposals since May: yield of 7.6%
 - \$46m acquisition: passing yield of 9.3%

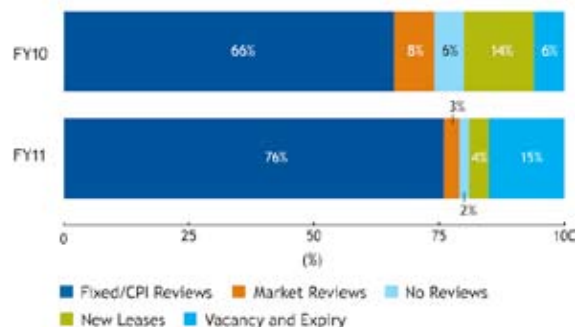
Looking forward

- FY10 largely de-risked
- FY11 80% locked away

1. Includes vacancies, new deals and renewals

2. Tenant incentives were given on 12 of 38 transactions, averaging 9%. The weighted average of all deals done was 6%

Stable income profile



INDUSTRIAL

Staged developments underway - acted early to capture growth



Greystanes approved development plan

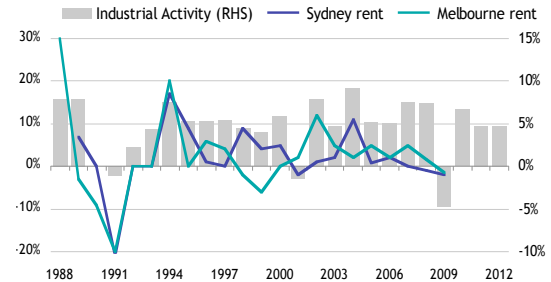
- Greystanes 47.2ha (15% pre-leased)
 - Major project approval in Nov 2009
 - Two tenant pre-commitments at 8.8% yield
 - EQBD Converting - 18,600sqm, 10 yrs
 - Symbion Pharmacy Services - 17,300sqm, 15 yrs
- Laverton 149ha (3 stages)
 - Stage 1 55ha - 65% developed
 - Stage 2 29ha - DA approved for infrastructure
 - Stage 3 65ha - re-zoned in Dec 2009
- Well positioned to fulfil growing tenant demand

INDUSTRIAL

2010 focus

- Early signs of market activity returning
- 2010 improving with stronger growth expected in FY11
- Experienced team building leadership position
- Further enhance & position portfolio for growth
 - Strengthen quality, diversity & flexibility with scale
 - Active management delivering consistent performance
 - Key developments and tenant pre-commitments driving growth

Industrial drivers



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

NORTH AMERICAN INDUSTRIAL PORTFOLIO



NORTH AMERICA

Market conditions weak but improving

- **Leading economic indicators turning positive**
 - Property markets lag economy
 - Wide variances from market to market
- **Portfolio performance in line with expectations**
 - Market oversupply impacting rents and values
- **Strategic portfolio repositioning underway**
 - US\$206m in property sales
 - US platform down from 21 to 17 markets

Substantial improvement in business confidence



Source: Deutsche Bank, DEXUS Research Updated Feb 2010

NORTH AMERICA

Portfolio fundamentals reaching cyclical lows

- Portfolio continues to track industry benchmarks
- Portfolio earnings down
 - US\$ half year income down 6.6%
- Occupancy down
 - Impacted by assets sales and Whirlpool but like for like down
- Valuations US\$1.2bn down 10%
 - Average cap rate out 50bp to 8.7%, likely peaked

North America value movement history



	Net Property Income ¹	Like-for-like	Occupancy (area)	Occupancy (income)	Over/under rented	Retention rates	Lease duration (income)	Portfolio value ¹	Avg cap rate
HY Dec 09	US\$46.9m	(10.8%)	87.8%	83.2%	6.3% over	60%	4.7 yrs	US\$1.2bn	8.7%
HY Dec 08	US\$50.2m	(2.2%)	90.8%	90.0%	0.0%	70%	4.3 yrs	US\$1.5bn	7.9%

1. Refer to appendices for exchange rates

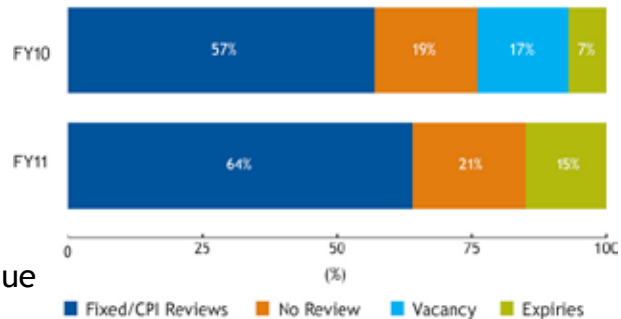
NORTH AMERICA

Half year results reflect improving business confidence

- Continued focus on leasing & retention

- 2.3m sf (214,000sqm) leased
- 67 transactions (include 31 new lease deals)
- First positive absorption in 6 quarters

Stable income profile



Looking forward

- FY10 income trend expected to continue
 - Full year impact of increased vacancy
- FY11 opportunity for new leasing, timing uncertain

NORTH AMERICA

Capital transactions

- Whirlpool program now complete
 - Atlanta, Seattle & Columbus acquired for US\$202.6m
 - New 10 year triple net leases
- US property sales initiate portfolio repositioning
 - 22 properties sold for US\$206m
 - Transactions driven by leasing and valuation risk, scale and group strategy



19700 38th Avenue East, Spanaway, Seattle

NORTH AMERICA

Preferred west coast markets



- Preferred markets: Los Angeles, San Francisco, Seattle
 - Represents 70% of US trade
- Major gateways for US trade with Asia
 - US largest economy (8th largest in world)
 - Lower cost and more flexible employment base
 - Combined population 43m people
- 30% of DEXUS assets already located in these markets

NORTH AMERICA

Repositioning portfolio over time

Objectives

- To build local DEXUS capability over time
 - Establish DEXUS office
 - RREEF continue as asset and transaction managers
 - CBRE directly appointed for property management
- Reposition the portfolio
 - National 'footprint' now down to 17 markets
 - Future property sales to be reinvested in core markets

North American markets



NORTH AMERICA

2010 focus

- Market conditions showing signs of improvement
- Transactions underpinning values
- Continued focus on leasing
- Recovery likely to be slow and patchy

Substantially through the worst leasing conditions in 20 years



Source: RREEF Research / Torto Wheaton

3691 North Perris Boulevard, Perris, California



THIRD PARTY FUNDS MANAGEMENT



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THIRD PARTY FUNDS MANAGEMENT

- Funds under management of \$5.5 billion

- Early signs of fund inflows

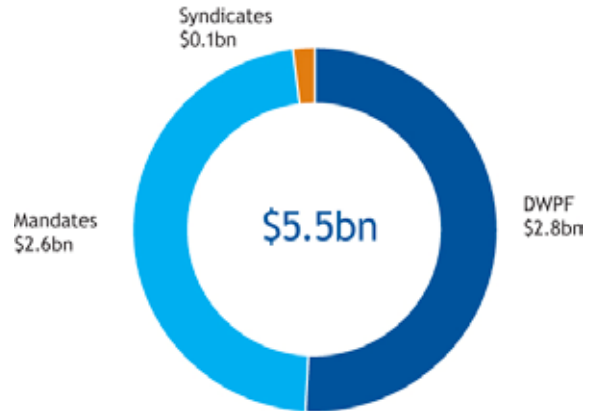
- Equity from new and existing investors
- Domestic funds increasingly at under weight
- Australia attractive to international capital

- Institutional investors looking for:

- Largely core style investment
- Best of breed managers

- Well positioned to introduce 3rd party investors as partners

Funds breakdown



SUMMARY AND OUTLOOK



OBJECTIVES INTO 2011

OWN

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

Objectives

- Continue to focus on high quality Australian office assets
- Capitalise on demand from large industrial space users
- Continue to reposition US portfolio
- Dispose of European portfolio

MANAGE

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

- Outperform domestic operational benchmarks
- Build US operational platform

DEVELOP

SELECTIVE DEVELOPMENTS, CREATING VALUE
SUSTAINABLE DESIGN
HIGH QUALITY WORKSPACES

- Target 90% leased at 123 Albert and 1 Bligh by PC
- Build out development pipeline
- Increase funds under management

OUTLOOK AND GUIDANCE

- **Property operations**
 - Office: stable FY10 with growth in FY11
 - Industrial: consistent growth FY10 and FY11
 - US: stabilising in FY11

- **Property values**
 - At or near bottom
 - Value returning in FY11

- **FY10 guidance reconfirmed¹**
 - FFO per security: 7.3 cents
 - Distribution per security: 5.1 cents

1. Barring unforeseen circumstances

Artist's impression: 123 Albert Street, Brisbane Qld





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