



20 September 2004

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Dear Sir/Madam

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DEUTSCHE DIVERSIFIED TRUST – PORTFOLIO UPDATE

DB Real Estate Australia Limited the Responsible Entity ("DBRE") of the Deutsche Diversified Trust ("DDF") is pleased to provide the following portfolio update for the Trust.

Acquisition of Westfield Mount Druitt

Pursuant to put and call arrangements entered into between DBRE as Responsible Entity of DDF and SAS Trustee Corporation, DBRE exchanged and settled late last week on the acquisition of a 50% interest in Westfield Mt Druitt Shopping Centre.

The acquisition will generate to the Trust, before acquisition costs, an initial yield of 7.25% on the consideration paid of \$132.5 million. The acquisition has been funded by the Trust's borrowing facilities.

Leasing Activity

130 George St, Parramatta

DBRE is pleased to confirm that the NSW Police has entered into a lease at 130 George Street for 7,200 m². The lease commencing 20 July 2004, is for a 5 year term at \$280 per m² gross and is subject to annual fixed reviews of 3.5% and with a market review in year 3. In addition, the tenant has taken a further 1,440 m² at \$257 per m² gross for a minimum term of 6 months.

Terms of the police lease permit the refurbishment of the property while the tenant remains in occupation. This provides significant flexibility in the proposed redevelopment of 130 George Street to provide A Grade accommodation.

383 Kent Street, Sydney

DBRE has negotiated a new lease to Custom Call Pty Limited for 3,590 m². The lease, commencing 1 January 2005, is for a 5 year term at an average of \$355 per m² net and is subject to fixed reviews of 4.0% per annum. The lease increases total occupancy to 94%.

44 Market St, Sydney

The Commonwealth Bank of Australia has exercised its option on level 5 for a further term of 1 year to 31 December 2005, for 1,245 m².

Redwood Gardens Industrial Estate

Edag Australia Pty Ltd has been retained on a new lease for 6,032 m². The lease, commencing 11 June 2004, is for a term of 5 years at \$67 per m² net and is subject to annual fixed reviews of 4.0% per annum.

Axxess Corporate Park, Mount Waverley

DBRE has negotiated a new lease to the Dennis Family Corporation for 680 m² of office space. The lease commencing 1 February 2004 is for a 3 year term at \$242 per m² net and is subject to annual fixed reviews of 4.0% per annum.

Talavera Rd, North Ryde

DBRE has negotiated new leases to:

- Kimberly-Clark Australia for 1,538 m² of refurbished office/warehouse space. The lease, commencing 1 August 2004, is for a ten year term at \$143 per m² net, and is subject to annual rent increase of 3.5% with a mid term market rent review. The facility will be used as a base for Kimberly Clark's NSW research and sales division which was previously located in Silverwater.
- Smith & Nephew for 2,085 m² of office/warehouse space. The lease commencing 1 December 2004 is for a 5 year term at \$160 per m² net and is subject to annual fixed reviews of 3% per annum.

12 Frederick Street, St Leonards

DBRE has negotiated a new lease to Australia Post for 1,913 m². The lease, expiring February 2009 is at \$125 per m² net with annual CPI reviews.

Asset Sales

Redwood Gardens Estate, Dingley

DDF has exchanged unconditional sales contracts for 6 vacant office/warehouse units in the Estate to individual owner occupiers for a gross consideration of \$4.6 million. The sale proceeds will be used to reduce Trust borrowings.

Exercise of Options by Kings Parking

DDF has received exercise of options by Kings Parking for

- Flinders Gate for two years at \$3,932,589 per annum (represents an increase of 3% on current passing) commencing 1 March 2005.
- Lt Collins St for two years at \$3,983,368 per annum (represents an increase of 1.25% on current passing) commencing 1 February 2005.

Whilst the effect of all these transactions is accretive to earnings it will have no material effect on the distribution forecasts for the periods to June 2006 as contained in the Explanatory Memorandum issued to investors in September 2004 as part of the merger proposal of Deutsche Diversified Trust, Deutsche Office Trust, Deutsche Industrial Trust and DB RREEF Operations Trust.

Yours faithfully



Ian Thompson
Company Secretary