

# DEXUS Property Group

## Quarterly update

April 2008



Welcome to the DEXUS Property Group (ASX:DXS) quarterly update to 31 March 2008.

### Strategy update

#### Our vision

At DEXUS, our vision is to be a leading diversified property owner, manager, developer in Australia and selected international markets, providing world-class property solutions to achieve optimal outcomes for our investors, employees and wider community.

#### Delivering on strategy

DEXUS Property Group's domestic strategy is to build on our leadership positions in office – where we are proud to be the largest owner/manager of the highest quality office space and in industrial – where we are the [third] largest provider of premium industrial facilities in Australia.

The March quarter saw considerable progress in the realisation of the group's strategic focus to concentrate on our core competencies in property and extract maximum value from our activity for our stakeholders.

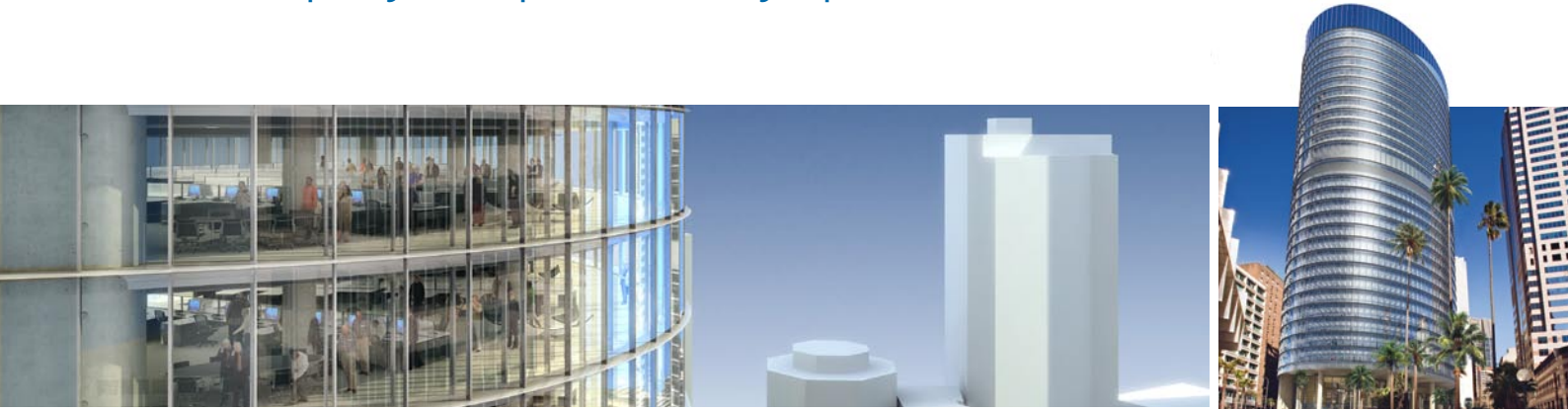
In March 2008, we announced the restructure of our senior team to further deepen the property management expertise of our Executive team and provide additional integration and focus in our sector teams. This followed the acquisition of Deutsche Bank's residual 50 percent interest in the management company in late February and the rebrand to DEXUS Property Group, which was initiated by DEXUS to both maximise returns to investors and enable DEXUS to expand and fully implement our property management model internationally in the future.

The group's international strategy is to concentrate on selected, established markets where DEXUS can achieve scale, deliver sustainable returns and replicate/implement our property model in the office and industrial sectors. We commenced the first step in October 2007, with the acquisition of the 20 percent interest in the CalPers US portfolio. This will enable future restructuring of the US portfolio to focus on geographically concentrated areas, allowing DEXUS to achieve greater economies of scale. International markets of focus include the United States, Western Europe and a watching brief on mature Asian markets. Consistent with our strategy to date, we will look to enter or expand in selected markets prudently, when the proposition has both strategic fit i.e. enables us to achieve scale, long-term growth and value. We will look to establish or expand our platforms to provide our tenants an integrated "cradle to grave" service in international locations with our brand of service excellence. Timing will be dependent on opportunities meeting our strategic requirements and when market conditions are favourable.

#### Looking forward

In the coming quarters, our strategic focus will be to continue to deliver solid performance from our world-class portfolio and build on our leadership positions in office and industrial. We will continue to look at opportunities to leverage our core competencies and operate across more of the value chain, whilst delivering service excellence to our customers and sustainable outcomes for our investors, the community and our people.

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Above: Artist's impressions of Space 1 Bligh, Sydney NSW

## Portfolio update

During the quarter, the Australian Office portfolio performed well, in line with expectations, maintaining strong occupancy rates. The Group's office development projects are tracking on schedule, including the commencement of preliminary works at Space 1 Bligh Street, Sydney NSW, and the demolition of the car park at 123 Albert Street, Brisbane QLD, making way for a 23-level office tower to be 67 percent occupied by global mining group Rio Tinto upon completion in late 2010.

The Australian Industrial portfolio experienced strong leasing activity during the period and the development program in Victoria continued to progress. The North American Industrial portfolio performed well, despite tough market conditions, and is on target to meet expectations.

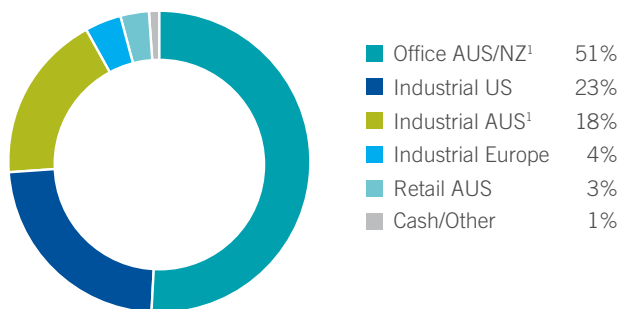
## Property portfolio as at 31 March 2008

The portfolio's overall occupancy was 94.2 percent by area (95.0 percent as at 31 December 2007) and the weighted average lease term to expiry by income was 4.8 years (4.8 years as at 31 December 2007).

The Australian and New Zealand Office portfolio's<sup>1</sup> occupancy was 98.2 percent by area, including heads of agreement (98.0 percent as at 31 December 2007) and the weighted average lease term to expiry was 5.6 years by income (5.8 years as at 31 December 2007). New leases and lease renewals or extensions, including heads of agreement, were negotiated over more than 1,611 square metres during the quarter.

The Australian Industrial portfolio's<sup>1</sup> occupancy was 98.5 percent (98.4 percent as at 31 December 2007) and the weighted average lease term to expiry by income was 4.2 years (4.3 years as at 31 December 2007). New leases and lease renewals or extensions, including heads of agreement, were negotiated over more than 33,950 square metres during the quarter.

## Direct property portfolio by sector and geography as at 31 March 2008



<sup>1</sup> 40 Talavera Road, 11 Talavera Road and 144 Wicks Road, Macquarie Park, North Ryde NSW, previously classified in the industrial portfolio, were reclassified during March 2008 to form part of the Office portfolio. The December occupancy and weighted average lease term have been adjusted accordingly for the Macquarie Park assets for a like-on-like comparison.

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Above: Summit Oaks, Valencia CA and 10–16 South Street, Rydalmere NSW

The North American Industrial portfolio's occupancy was 91.5 percent (92.3 percent as at 31 December 2007) and the weighted average lease term to expiry by income was 4.0 years (3.6 years as at 31 December 2007). New leases and lease renewals or extensions, including heads of agreement, were negotiated over more than 46,417 square metres during the quarter.

The 11 percent increase in weighted average lease term to expiry is largely due to the acquisition of the Whirlpool facility in Perris CA in January 2008. In addition, the Chicago IL portfolio acquired in December 2007 is performing well, with occupancy increasing from 27 percent at the time of purchase to 43 percent as at 31 March 2008.

The European Industrial portfolio's occupancy was 91.5 percent (92.0 percent as at 31 December 2007) and the weighted average lease term to expiry by income was 3.8 years (3.9 years as at 31 December 2007).

The Group's sole retail asset is the Whitford City Shopping Centre in WA, with total centre moving annual turnover (MAT) of \$7,238 per square metre, speciality MAT of \$9,119 per square metre and total MAT growth as at 31 March 2008 of 10.8 percent.

Major leases	Tenant	Area (sqm)	Term (yrs)	Commences
<b>Office portfolio – Australia</b>				
123 Albert Street, Brisbane	Rio Tinto	25,000	10	2010
<b>Industrial portfolio – Australia</b>				
10–16 South Street, Rydalmere	Altech Computers	5,294	1	Oct 2008
1 Foundation Place, Greystanes	Kobelco	3,761	6	Feb 2009
12 Frederick Street, St Leonards	Advanced Surgical Design & Manufacture	3,086	5	Mar 2008
Kings Park Industrial Estate	Cardinal Health	3,243	2	Feb 2008
<b>Industrial portfolio – North America</b>				
4343 Equity Drive, Columbus, Ohio	Calltech	5,767	3	Apr 08
Lake Forest Drive, Cincinnati, Ohio	DalTile	4,876	5.5	Jan 08
Westinghouse Boulevard, Charlotte, North Carolina	CPP International	5,620	3	Feb 08

## Acquisitions

The Whirlpool investment program will achieve its initial program acquisition objective of \$450 million following the acquisition of the three facilities currently under development. Any future acquisitions under the program will be evaluated on an individual basis.

Current program details are as follows:

Location	Status	Approximate facility area ('000 sqm)	Estimated cost* (\$m)	Estimated acquisition date
Orlando, FL USA	Completed	47	US\$25	
Perris, CA USA	Completed	157	US\$129	
Toronto, ONT Canada	Completed	70	US\$73	
Columbus, OH USA	In development	145	US\$70	Mar Qtr 2009
Seattle, WA USA	In development	84	US\$77	Mar Qtr 2010
Atlanta, GA USA	In development	139	US\$82	Sep Qtr 2009
<b>Program Total</b>			<b>US\$456 (A\$499)</b>	

\* All numbers represent DEXUS Property Group's interest AUD/USD = 0.913



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Above: Construction is underway at 123 Albert Street, Brisbane QLD (left and centre) and an artist's impression of the completed office tower (right)

## Development activities

- Australian Office developments – Laing O'Rourke was awarded the Design and Construction Contract for 123 Albert Street, Brisbane QLD, and commenced demolition works on the existing car park in February 2008 as scheduled. Grocon was awarded the Design and Construction Contract for Space 1 Bligh Street, Sydney NSW, and has moved onto the site. In the June quarter 2008, hoardings will be erected and demolition will commence.
- Australian Industrial developments – The development of facilities for Best Bar Limited at North Laverton VIC and Sperian Protection Australia Limited at Dingley VIC, are on schedule for completion in the September quarter 2008. The development of the Orica Limited facility at Pound Road, Dandenong VIC, was completed during the quarter and the lease to Orica Limited has commenced.
- North America Industrial developments – The developments at Atlantic Corporate Park, Sterling VIR and Summit Oaks, Santa Clarita CA, are progressing as scheduled. The let-up periods for both Atlantic Corporate Park and Summit Oaks have commenced and are budgeted to be 12 and 18 months respectively.

Development activity	Area (sqm)	Estimated cost* (\$m)	Estimated completion
<b>Underway</b>			
<b>Industrial – Australia</b>			
Pound Road West, Dandenong VIC – Orica Australia	4,965	A\$9	Apr 2008
DEXUS Industrial Estate, Laverton North VIC – Best Bar	12,950	A\$12	Sep Qtr 2008
Redwood Gardens, Dingley VIC – Sperian Protection Australia	3,400	A\$4	Sep Qtr 2008
<b>Industrial – North America</b>			
Summit Oaks, Valencia, Santa Clarita, California US	12,950	US\$45	Jun 2008
Atlantic Corporate Park, Sterling, Virginia US	20,441	US\$48	Aug 2008
Beaumeade, Ashburn, Virginia US	12,740	US\$20	Jun HY 2009
San Antonio, Texas US – Stage 1	61,277	US\$44	Jun HY 2010
<b>Office – Australia</b>			
60 Miller Street, North Sydney NSW	4,531	A\$28	Jun HY 2009
Space 1 Bligh Street, Sydney NSW	42,000	A\$393	Jun HY 2011
123 Albert Street, Brisbane QLD	38,167	A\$350	Dec HY 2010
<b>Total underway</b>		<b>A\$968</b>	

\* All numbers represent DEXUS Property Group's interest AUD/USD = 0.913

## Capital markets

### Debt

Following DEXUS Property Group's acquisition of Deutsche Bank's 50 percent interest in DEXUS Holdings for \$130 million, and the purchase of the Whirlpool property in Perris CA for US\$128 million, pro-forma gearing as at 31 March 2008 was approximately 33.5 percent. This is on a look through basis, as DEXUS Property Group has no off balance sheet debt, and excludes intangible assets.

The refinance of the \$300 million bank facility (maturing in September 2008) is well progressed with credit terms approved and documentation expected to be finalised by the end of May.

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## Capital markets (continued)

### Interest rate hedging

As at 31 March 2008, DXS had 88 percent of debt hedged at a weighted average cost of 5.45 percent inclusive of margins and fees, with a weighted average term to maturity of 6.5 years.

### Currency hedging

As at 31 March 2008, foreign net assets were 96 percent hedged. Foreign income was 94 percent hedged, including foreign interest expense (“natural hedging”) and foreign exchange contracts (“FECs”). Over the next three years, over 96 percent of DXS’s total foreign distributable earnings are hedged against currency movements.

## Corporate responsibility and sustainability

### Community engagement

During the quarter, we further progressed our community engagement programs.

In March we continued our support of the Earth Hour campaign, encouraging almost 100 percent tenant participation across our Australian and New Zealand Office portfolio. This year, more than 770 tenants across our 43 office buildings took part in the event, compared to just over 600 tenants in 2007. Nine retail centres along the Eastern seaboard, including the Southgate retail precinct, also participated, switching off common area lighting and non-essential equipment. DEXUS was again proud to be a major sponsor of the Earth Hour event in Sydney.



Above: Australia Square, Sydney NSW before and during Earth Hour 2008

### Environment

In January 2008, DEXUS was listed on the Australian SAM Sustainability Index (AuSSI), an annual index of Australia’s top performing sustainability leaders. The AuSSI lists the country’s top companies in terms of economic, environmental and social criteria, applying the same general and industry-specific research criteria as the Dow Jones Sustainability indexes.

DEXUS also achieved its first listing on the Goldman Sachs JB Were Climate Disclosure Leadership Index.

In the coming quarter, we will release our rebranded CR&S report, which follows the Global Reporting Initiative (GRI) G3 framework for reporting on economic, environmental and social performance.

More information about these initiatives can be found at [www.dexus.com/sustainability](http://www.dexus.com/sustainability)

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