DEXUS Property Group

PORTFOLIO UPDATE

3 JULY 2009

DEXUS PROPERTY GROUP PROVIDES AN UPDATE ON PORTFOLIO VALUATIONS AND OPERATING PERFORMANCE SINCE 31 DECEMBER 2008.

DEXUS has continued to focus on activities to strengthen our position as a leading owner, manager and developer of high quality office and industrial properties in selected locations, predominately within Australia.

Operational performance remains solid, with good performance from the Australian office and industrial portfolios, and weaker internationally, particularly in North America. Total portfolio occupancy as at 31 May 2009 was 92% by area (93.1% 31 December 2008), with a weighted average lease term to expiry by income of 4.7 years (4.8 years 31 December 2008).

The entire DEXUS property portfolio is being re-valued as at 30 June 2009. Approximately 41% of the portfolio by value is being conducted by independent valuers, including all of the North American and European portfolios. Our portfolio weighted average capitalisation rate has continued to increase by approximately 50 to 70 basis points and leasing assumptions have also weakened. Consequently, the total expected valuation decrease as at 30 June 2009 is in the range of $870 million to $890 million for the portfolio. The resultant gearing is expected to be approximately 32%.

Property portfolio performance update

Office

- Occupancy was steady at 97.9% as at May 2009 with the average lease duration reducing slightly to 5.3 years
- Proactive leasing and tenant retention remains a key management focus, retention rate is at approximately 72%
- Leasing is becoming increasingly challenging with market supply increasing in both the direct and sub-lease markets. Current enquiry in the market place is well below the amount of stock immediately available for lease. Office space currently for sub-lease within the DEXUS portfolio is approximately 2% of the total portfolio's net lettable area (NLA)
- Overall face rents remain relatively stable, although some markets are experiencing falls such as Brisbane and Perth and incentives are trending upwards
- New leases, including heads of agreement (excluding developments) and renewals, were negotiated over more than 12,300 square metres during the period, for an average rental increase of 6.5%

OFFICE	MAY 09	DEC 08
Occupancy by area	97.9%	98.0%
Occupancy by income	98.1%	98.2%
Retention rate	72%	74%
Average lease duration by income	5.3 yrs	5.5 yrs

Construction at 1 Bligh Street, Sydney remains on schedule for completion in mid 2011. The anchor tenant, Clayton Utz representing 55% of the total NLA, is well advanced in the design and procurement of their integrated fit-out. DTZ and Savills have been appointed as joint leasing agents to market the remaining floors from 17 to 28. 1 Bligh Street remains on target to be the first high rise office tower in Sydney to achieve a 6 Star Green Star rating.

Construction of 123 Albert Street, Brisbane is well progressed and remains on schedule for completion in December 2010. The anchor tenant, Rio Tinto who pre-committed to 67% of the total NLA, have been developing their integrated fit-out design and procurement. Knight Frank and Jones Lang LaSalle were appointed as joint leasing agents for the remaining office levels 4 to 12.

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L to R: Construction underway at 123 Albert Street, Brisbane, QLD; Artist's impression of 123 Albert Street, Brisbane, QLD; Summit Oaks, Valencia, CA

We are re-valuing the Australian office portfolio as at 30 June 2009, with approximately 21% (by value) of the portfolio being independently re-valued. The portfolio's weighted average capitalisation rate has continued to increase by 60 to 80 basis points while leasing fundamentals have also softened. Consequently, we expect a valuation decrease in the range of $410 million to $430 million for the Australian office portfolio.

Industrial – Australia

- Following continued management focus on leasing, occupancy increased to 97.9% as at May 2009
- Portfolio retention rate is in line with historical averages of 72%
- Average lease duration has reduced slightly to 4.3 years
- New leases, including heads of agreement and renewals represent 78,600 square metres (6.9% of the portfolio), with average rents down 2.2% for this space.

INDUSTRIAL – AUSTRALIA	MAY 09	DEC 08
Occupancy by area	97.9%	96.8%
Occupancy by income	97.4%	96.6%
Retention rate	72%	79%
Average lease duration by income	4.3 yrs	4.5 yrs

Approximately 22% (by value) of the portfolio is being independently re-valued. The portfolio's weighted average capitalisation rate has continued to increase by 70 to 80 basis points while leasing fundamentals have also softened. Consequently, we expect a valuation decrease in the range of $135 million to $145 million for the Australian industrial portfolio.

Industrial – International

Market conditions in North America and Europe are weaker than in Australia, reflecting the greater impact of the Global Financial Crisis. As a result, tenant and investor demand has fallen with consequential impacts on market rents and values.

Industrial – North America

- Portfolio occupancy is currently 88% down from 90.8% at December 2008
- Reflecting the weak economic conditions, leasing activity has slowed. Tenant retention is 67%, with particular weakness evident with larger space users
- New leases or renewals have been negotiated over approximately 110,000 square metres (or 4.7% of the portfolio), with average rents down 1.5%
- In June, the 13,563 square metre development at Summit Oaks, Valencia, California was fully leased for 10 years to Advanced Bionics, who will take occupation in two phases: 40% in September 2009 and the remaining 60% in September 2010
- The Whirlpool program remains on track with settlement of Columbus today for US$65 million and the final two projects in Atlanta and Seattle due to be acquired by December 2009

INDUSTRIAL – NORTH AMERICA	MAY 09	DEC 08
Occupancy by area	87.8%	90.8%
Occupancy by income	86.4%	90.0%
Retention rate	67%	70%
Average lease duration by income	4.2 yrs	4.3 yrs

The entire North American portfolio is being independently valued in June 2009. Capitalisation rates and leasing assumptions in the portfolio have continued to soften and the average capitalisation rate for the North American portfolio is expected to be 8.2%. We expect that this will result in a valuation decrease in the order of US$210 million to US$220 million at 30 June 2009.

Industrial – Europe

- Overall portfolio occupancy as at May 2009 was stable at 87.8% with occupancy in Germany at 94.9% and France at 70.9%
- Leasing enquiries in France remain weak with resultant downward pressure on rental levels
- Overall, the average lease duration for the European portfolio was 3.1 years

INDUSTRIAL – EUROPE	MAY 09	DEC 08
Occupancy by area	87.8%	87.7%
Occupancy by income	91.1%	90.6%
Retention rate	n/a	n/a
Average lease duration by income	3.1 yrs	3.3 yrs

The entire European portfolio is being independently valued, with the average capitalisation rate expected to be 8.1%. Consequently, we expect that this will result in a valuation decrease in the order of €20 million to €25 million.

Asset sale program

As announced on 21 April 2009, DEXUS commenced a selected asset sales program that is expected to realise approximately A$600 million over the next two years.

In the United States, where the strategy is to progressively reduce the number of sub-markets in which we invest, we have commenced a selected asset sales program and are seeking expressions of interest.

In Europe, where we are seeking to sell the French and German properties, marketing has commenced, initially focussing on the German properties.

In Australia, unconditional contracts have been exchanged on five non-core industrial assets for $31 million. These properties are 68 Hasler Road Herdsman WA, two properties at Redwood Gardens Industrial Estate Dingley VIC, 239-251 Woodpark Road Smithfield NSW and 3-7 Bessemer Street Blacktown NSW.

Capital management

DEXUS has continued to focus on actively managing its capital position. The proceeds from the $749 million placement and Entitlement Offer in May 2009, together with the $313 million Placement and Security Purchase Plan in December 2008, were used to reduce debt and consequently strengthen the balance sheet.

The equity raisings have significantly strengthened DEXUS's liquidity position. As at 30 June 2009, available headroom is expected to be approximately $1.4 billion and gearing (net of cash) is expected to be approximately 32%.

At the Annual General Meeting in October 2008, Funds From Operations (FFO) guidance for the year ending 30 June 2009 was confirmed at 11.7 cents per security (cps).

30 The Bond, Hickson Road, Sydney, NSW

In conjunction with the subsequent equity raisings, DEXUS confirmed the following:

- the dilutive impact on FFO of the December 2008 $313 million Placement and SPP was 0.84 cps for the remaining seven months of the financial year ending 30 June 2009, or 1.2 cps on an annualised basis
- the dilutive impact on FFO of the April 2009 $749 million equity raising was 0.43 cps for the remaining two months of the financial year ending 30 June 2009, or 2.4 cps on an annualised basis

Accordingly, following these equity raisings, revised 30 June 2009 FFO guidance is 10.43 cps (8.1 cps on an annualised fully diluted basis) resulting in a distribution to security holders of 7.3 cps (5.7 cps on an annualised fully diluted basis).

DEXUS has completed refinancing all 2009 debt maturities and has sufficient liquidity to fund medium term note maturities in both 2010 and 2011. DEXUS is also progressing discussions regarding the refinancing of 2010 bank debt maturities.

On 2 April 2009, Standard & Poors confirmed DEXUS Property Group's BBB+ (Stable) credit rating.

Corporate responsibility and sustainability update

In February 2009, DEXUS was named one of the "100 Most Sustainable Corporations in the world" in the fifth annual "Global 100" list, announced at the Davos World Economic Forum in Switzerland. DEXUS is one of only four Australian companies to make this list.

Further information

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About DEXUS Property Group

DEXUS is one of Australia's largest diversified property groups and a leading owner, manager, developer of world-class industrial, office and retail properties with assets in Australia, New Zealand, the United States, Canada and Europe.

DEXUS is committed to the long-term integration of sustainability practices throughout its property portfolio and has been recognised as one of the Global 100 Most Sustainable Corporations at the World Economic Forum in Davos.