DEXUS Property Group

PORTFOLIO UPDATE

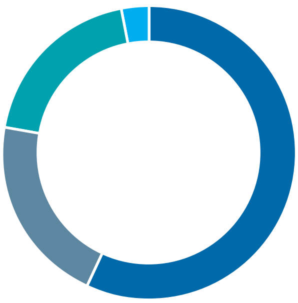
31 MARCH 2010

During the quarter to 31 March 2010, 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 select locations in Australia and the United States.

Signs of improved conditions, while tempered, continued to emerge across the portfolio. Our earnings guidance provided at half year remains unchanged at 7.3 cents per security with distributions of 5.1 cents per security for the year ending 30 June 2010.

Our $7 billion[1] property portfolio is currently invested in line with our long term target asset allocation of 60% Australian office, 20% Australian industrial and 20% US industrial. The differing pace and nature of the global real estate recovery is expected to result in improved operating outcomes for our office portfolio in the near term. Our Australian industrial portfolio and development pipeline is expected to result in improved operating outcomes in the near to medium term and our US industrial portfolio in the medium to longer term. We continue to target activity aimed at further capturing and enhancing those opportunities.

PROPERTY PORTFOLIO ALLOCATION AS AT 31 MARCH 2010



Office	57%
Industrial	21%
US Industrial	19%
Other non core assets	3%

Excludes cash.

1 At 31 December 2009.

Key portfolio data

	31 MAR 2010	31 DEC 2009
Occupancy by area	90.7%	91.2%
Occupancy by income	93.3%	93.4%
Weighted average lease expiry by income	4.89 years	4.95 years

Economic conditions and outlook

The Australian property market is in an early stage of recovery. Rents and capital values appear to have largely stabilised and most leading demand indicators, such as business confidence and employment, signal a stronger outlook for occupancy markets in FY11.

Office – The rebound in business confidence in 2009 has translated into strengthening employment growth across Australia. All our markets showed a decline in sub-lease space, as firms re-evaluated space requirements. Vacancy rates appear to be close to peak levels and increasing enquiry levels are expected to result in stronger demand for space later in calendar year 2010. Tenant incentives in prime properties appear to have peaked and are expected to reduce as demand returns. Consequently, effective rent growth is expected over calendar year 2010 and into 2011 as conditions tighten particularly in Sydney and Melbourne CBDs.

Industrial – In Australia, prime industrial markets continue to experience relatively low levels of vacancy as a result of limited new supply during 2008/09. After two years of relatively stable conditions, subdued but increasing levels of tenant demand for expansion space is being met by the construction of new space as landlords re-enter the market and begin to compete for tenant pre-commit requirements. As a result rents across most industrial markets were stable across the period.

DEXUS PROPERTY GROUP



L to R: The Zenith, 821 Pacific Highway, Chatswood, NSW; Construction underway at 1 Bligh Street, Sydney, NSW and 123 Albert Street, Brisbane, QLD

US industrial – Economic indicators and sentiment are improving, however fundamentals in the industrial property sector remain weak with low levels of demand and elevated vacancy rates in most markets. Improving sentiment and limited amounts of future supply will assist in shortening the time for a market recovery. Tenants remain cautious but are increasingly attracted by lower market rents creating further signs of market bottoming. Some further decline in rents is expected in 2010 before stabilisation and improvement from FY12. Transaction volumes remain low and while tight lending conditions continue, increasing demand from recapitalised investors is resulting in an improved outlook for property values. As a result, we expect that cap rates will tighten and values increase in FY11.

Our property portfolio

Office – Australia and New Zealand

Office leasing market conditions during the first quarter of 2010 saw tenant demand improving slowly as economic conditions improved. While there has been an increase in the number of tenant enquiries, the lead time between lease negotiations and receiving income means that an increase in occupancy rates and income growth will not be seen in improved net property income until late calendar year 2010 and into 2011.

During the quarter to 31 March 2010, 21 leases including heads of agreement were signed for over 16,000 square metres of which 6,300 square metres were in the challenged Chatswood and North Ryde area. Incentives have begun to show signs of stabilising with an average incentive of 18.1% of gross rent on all transactions recorded during the March quarter. Net face rents on new leases remained flat relative to expiring leases.

Key leasing success has been achieved at The Zenith where the occupancy rate increased from 82% in June 2009 to 97% at 31 March 2010. During the quarter 16% of the portfolio was subject to fixed or CPI reviews with an average rental increase of 4.0%.

As a result the office portfolio occupancy at 31 March 2010 is 95.9%, remaining well above the PCA average of 92%[1] at January 2010.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	RETENTION RATE	WALE BY INCOME
31 Mar 2010	95.9%	96.6%	60%	5.3 years
31 Dec 2009	95.8%	96.5%	61%	5.4 years

1 Property Council of Australia (PCA) Australian average, all grades.

Development update

1 Bligh Street – Construction of the $640 million development (DXS share 33%) at 1 Bligh Street, Sydney, NSW continues on target and on budget, with completion scheduled for May 2011. The concrete structure has reached level 17 of the 29 level tower and the installation of Australia's first high rise double skin façade has reached level four. The design of the fully integrated fit-out for Clayton Utz is largely complete and works on site are well underway. During the quarter, the development was awarded a 6 star Green Star Design rating by the Green Building Council of Australia and a new private operator's licence for our blackwater treatment plant.

123 Albert Street – Construction of the $348 million development at 123 Albert Street, Brisbane, QLD is targeted for completion at the year end. The structural works have reached level 13 above ground with a new level being added every 4 to 5 days and all key trades fully mobilised on site. Planning and execution of Rio Tinto's integrated fit-out is well progressed. Rio Tinto increased their pre-commitment to 76.5% of net lettable area of the 38,600 square metres total floor area, taking a heads of agreement over levels 10, 11 and the remainder of level 12. Level 9 is also under heads of agreement with another party, taking the building total pre-commitments to 80.4%. The remaining five low rise uncommitted levels are currently being marketed for lease with multiple proposals issued.

Greystanes Industrial Estate, Reconciliation Road, Greystanes, NSW

Industrial – Australia

Active management has been a feature of this quarter's activity. Leasing in the small to medium size tenant market remains challenging while demand from large space users continues to be healthy.

During the quarter we executed a relatively high number of leases with smaller tenants in challenged assets. This activity, while reflected in improved occupancy and tenant retention, has come at a slight reduction in face and effective rents.

During the March quarter, 18 new leases including heads of agreement were signed over 24,300 square metres of space, of which 36% was vacant space. The average net face rental decreased by 6.6% and tenant incentives were granted on half the leases signed. Tenant incentives averaged 9.8% across all leases this quarter and key leasing success has been achieved at 30-32 Bessemer Street, Blacktown, NSW with a 10 year renewal for 14,652 square metres and a new four year lease at 145-151 Arthur Street, Flemington, NSW for 3,300 square metres. During the quarter, 18.5% of the portfolio income was subject to fixed or CPI reviews with an average rental increase of 3.4%.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	RETENTION RATE	WALE BY INCOME
31 Mar 2010	98.2%	97.7%	84%	4.5 years
31 Dec 2009	97.7%	97.3%	76%	4.7 years

During the March quarter we continued to sell the final individual units at Redwood Gardens, Dingley, VIC and at 352 Macaulay Road, Kensington, VIC. Contracts have been exchanged on five units totalling $5.2 million, reflecting a premium of 15% to the December 2009 book values. Looking forward, one unit remaining at Redwood Gardens and two units at Kensington are planned to be sold.

Development update

At Greystanes Industrial Estate, construction of new internal roads is 75% complete and on schedule for completion by mid June 2010. The two pre-committed developments under construction for EQBD Converting and Symbion Health are on budget and on schedule.

EQBD Converting, 18,600 square metres – The warehouse structure is complete, the internal floor slabs have been poured and the external hardstand works have commenced. The $22 million project is on schedule to be completed by 30 June 2010 with a forecast yield on cost of 8.8%

Symbion Health, 17,300 square metres – The required earthworks have commenced and the construction of the warehouse structure will commence soon. Tenant fit-out is on schedule to commence 1 November 2010 with practical completion for the $33 million development scheduled for 1 February 2011. Forecast yield on cost of the development is 8.8%.

We have been active in progressing pre-commitment enquiries at both Greystanes and Laverton and we are currently in discussions with a number of prospective tenants for pre-committed space across both estates.

145-151 Arthur Street, Flemington, NSW

Industrial – US

Leasing continues to be our main focus with activity and tenant enquiries starting to return to the market. Consistent leasing and retention resulted in occupancy remaining stable at 83.6% by income.

Leasing activity was down slightly but commensurate with a lower level of expiries during the period. Some 32,000 square metres or 1.4% of the portfolio was leased during the quarter. New leases including heads of agreement were signed for over 10,000 square metres in eight transactions to 31 March 2010 with 22,000 square metres renewed in 11 transactions.

While leasing conditions across the 17 markets in which DEXUS operates showed signs of improving during the quarter, with some pleasing level of traction on a number of long term vacancies, operating conditions are expected to remain challenging. Vacancy remains high across most markets and in-place rents will continue to reset down as leases expire and are reset to market. At 31 December 2009 in place portfolio rents were 6.6% above market rents with incentives remaining elevated. The lag effect of increased activity and demand is expected to result in FY11 being characterised by improving leasing conditions offset by the impact of in-place expiring rents resetting lower to market.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	RETENTION RATE	WALE BY INCOME
31 Mar 2010	87.7%	83.6%	55%	4.6 years
31 Dec 2009	87.8%	83.2%	60%	4.7 years

Note: We will be hosting an investor property tour in Los Angeles on 4 June 2010.

Third party funds management

The third party funds under management as at 31 March 2010 remained stable at $5.5 billion reflecting an improvement in property valuations which was offset by asset sales. In respect of the DEXUS Wholesale Property Fund we are seeing growing interest from existing and new investors seeking to invest in the Fund.

Capital management

During the quarter, DEXUS retired and repaid $550 million of maturing committed debt from existing headroom, including $250 million of Medium Term Notes and $300 million of bank lines of credit.

DEXUS continues to proactively manage its balance sheet and maintain access to multiple funding sources while extending our debt maturity profile. Recently, DEXUS conducted a buyback of $178.9 million of existing February 2011 Medium Term Notes and subsequently issued $180 million of seven year Medium Term Notes.

Top: 13602 12th Street, Chino, CA; Below: Gateway, 1 Macquarie Place, Sydney, NSW

Non-core property update

In line with our strategy to concentrate on the office and industrial sectors, we completed the sale of our 50% interest in Westfield Whitford City Shopping Centre for $256 million on 31 March 2010. Sale proceeds were used to repay debt.

Industrial – Europe

As outlined previously the European portfolio is scheduled to be sold when market conditions improve. During the last quarter property sales activity continues to be depressed and pricing remains unattractive. While operating and capital market conditions remain challenging, we continue to focus on managing the assets to maximise operational performance and improve their sale appeal. It is expected that an improvement in the level of transactional activity and the return of more compelling pricing in European property markets will take some time.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	WALE BY INCOME
31 Mar 2010	80.3%	85.0%	2.3 years
31 Dec 2009	87.8%	92.1%	2.6 years

Corporate responsibility and sustainability update

DEXUS continues to drive corporate responsibility and sustainability (CR&S) performance, focusing on resource efficiency projects, community engagement and sustainable developments.

At a corporate level, DEXUS was named the 2010 Sector Mover in the Dow Jones Sustainability Index. This title is awarded to the company that has made the biggest improvement in 2009/10 performance compared to the prior year.

In our property portfolio we achieved the following:

- In the March 2010 quarter, the 1 Bligh Street office development in Sydney was awarded a 6 star Green Star Office Design v2 certified rating with the highest Green Star rating score in Sydney and NSW. The rating includes the maximum allowable five points for innovation in categories such as environmental design and exceeding Green Star benchmarks
- 1 Bligh was awarded the first combined private network and retailer's water recycling licence, making it Sydney CBD's first high rise office tower to incorporate black water recycling technology. This licence is the first of its kind to be granted to a Sydney high rise office tower and will save 100,000 litres of water per day

1 Bligh Street, Sydney, NSW

Further information

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About DEXUS

DEXUS is one of Australia's leading property groups specialising in world-class office, industrial and retail properties with total assets under management of $13 billion. In Australia, DEXUS is the number 1 owner/manager of office, number 3 in industrial and, on behalf of third party clients, a leading manager and developer of shopping centres.

DEXUS is committed to being a market leader in Corporate Responsibility and Sustainability and has been recognised for the second year running as one of the Global 100 Most Sustainable Corporations at the World Economic Forum in Davos.

DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)