DEXUS Property Group

PORTFOLIO UPDATE

30 SEPTEMBER 2010

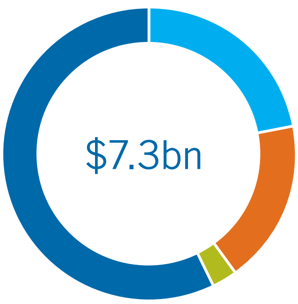
During the quarter to 30 September 2010, DEXUS has continued to focus on activities to strengthen our position as a leading owner, manager and developer of superior quality office and industrial properties in select locations in Australia and the United States.

Our activities are focused on taking advantage of the recovery in property markets, where in Australia, occupancy levels are high, demand is increasing and forecast supply is limited. In the US, vacancy remains high although leasing activity is increasing.

Recent activity included securing $255.75 million of industrial properties on behalf of DEXUS Wholesale Property Fund, the completion of construction of one of our industrial developments and progression of our office developments which are nearing completion.

Our earnings guidance, as previously provided, remains unchanged at 7.3 cents per security with distributions of 5.1 cents per security for the year ending 30 June 2011.

Property portfolio allocation at 30 September 2010 (by book value)



Office	57%
Industrial – AU	22%
Industrial – US	18%
Industrial – Europe	3%

Key portfolio data

	30 SEP 2010	30 JUN 2010
Occupancy by area	88.9%	89.9%
Occupancy by income	92.9%	93.2%
Weighted average lease expiry by income	5.1 years	5.1 years

Economic conditions and outlook

Despite continued global uncertainty, property markets in Australia are expected to benefit from forecast growth in the Australian economy in 2011 and 2012. Rents and capital values appear to have largely stabilised and most leading demand indicators, such as business confidence and employment growth, signal a positive outlook for markets in FY11. The US economic recovery remains slow and challenging, however industrial markets appear to be stabilising.

Office – Positive business confidence levels and employment growth have translated to growing tenant demand in the major office markets during the past 12 months. Tenant enquiry levels generally improved in Q3 2010. The national CBD vacancy rate is 8.3% and is expected to tighten in 2011.

Tenant incentives in prime properties appear to have peaked and are expected to decline once vacancy rates begin to fall. Rents are growing in the Melbourne CBD, remain stable in the Sydney CBD and the decline in Perth and Brisbane appears to be near an end. We anticipate growth in effective rents in the Sydney CBD in 2011, followed by Brisbane and Perth.

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L to R: 4190 Santa Ana Street, Ontario, CA; 201 Elizabeth Street, Sydney, NSW; 44 Market Street, Sydney, NSW

Industrial – In Australia, the availability of prime warehouse and distribution centre space is relatively limited as a result of reduced construction activity following the GFC. Tenant demand has been subdued over the past few months in line with a flat retail sector but is expected to increase as a result of rising imports and a greater volume of container movements through the east coast ports. Imports are forecast to rise by 19% in FY11, approximately double the 10 year average rate of growth. The requirement for expansion and consolidation by major tenants is driving an increase in pre-committed development in the major industrial markets. Rents remain relatively stable and we anticipate modest growth in 2011.

US industrial – Economic growth and industrial activity has improved since the lows of last year, but the rate of improvement has been patchy to date given continued weakness in the household sector. Exports and imports have strengthened and moving forward, an improvement in corporate confidence is forecast to lead to further employment growth and broader economic recovery. Tenants remain cautious but demand has generally stabilised after a period of negative net absorption in FY10. The availability of space averages 14% nationally, but varies by market, being somewhat below this in our key west coast markets of Los Angeles and Seattle and higher in Inland Empire. The decline in market rent is slowing with rents in our key markets flat or stabilising. Broadly, market rents are expected to remain stable in 2011 with growth expected in 2012. Transaction volumes appear to be improving from low levels as investment demand by well capitalised investors has been supported by the availability of finance for well occupied institutional quality assets. This is resulting in tightening capitalisation rates and an improved outlook for property values.

Our property portfolio

Office – Australia and New Zealand

Portfolio occupancy of 96% increased slightly over the three month period. Leasing markets continue to improve, evidenced by solid, positive net absorption levels in all major markets and an increase in the number of tenant enquiries received. In Melbourne this activity is translating into growth in rents, while in Sydney this activity continues to offset the impact of recent additions to the supply of A-Grade office space.

Major activity in the past quarter includes:

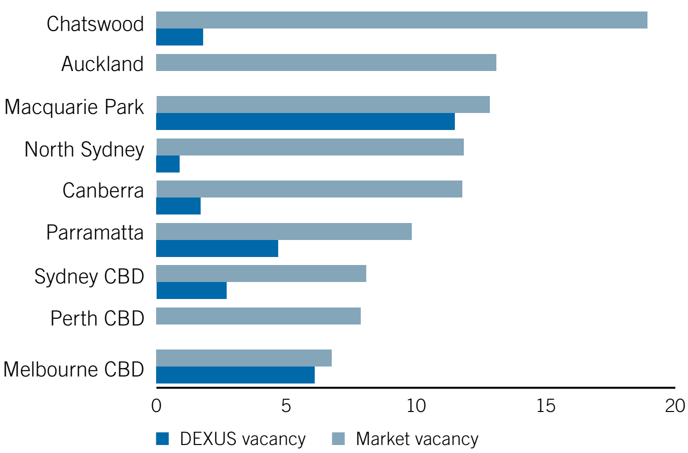
- 34 leases including heads of agreement were signed for circa 20,000 square metres of space. This includes heads of agreement on 4,988 square metres at 44 Market Street, Sydney to ABS, approximately 3,000 square metres on vacant or expiring space at 201 Elizabeth Street, Sydney, 2,035 square metres to Aon at 130 George Street, Parramatta and 1,233 square metres to Shadforth Financial Holdings at Southgate's HWT Tower
- Terms have also been agreed on 46% (by income) of our FY11 expiries
- 72% of leasing activity was in the Sydney CBD where our occupancy has increased to 96.9%
- Average leasing incentives for new and renewing space have decreased marginally from 20.5% at June to 19.4% in September
- Net face rents on renewals and new leases have achieved 2.9% growth for the portfolio with Sydney CBD transactions achieving the largest rent increase

L to R: Southgate Complex, 3 Southgate Avenue, Southbank, VIC; 123 Albert Street, Brisbane, QLD; 1 Bligh Street, Sydney, NSW

- The number of full floors available for lease has declined with just eight remaining across the portfolio
  - Contiguous vacancy has reduced and is now down to three full floors in the Melbourne CBD. Proposals have been issued on these floors
- Sub lease space continues to decline and now represents just 1.8% of our portfolio

The office portfolio continues to outperform not only the national occupancy benchmark of 92% but benchmarks in each of our markets as shown in the graph below.

DXS vacancy versus market vacancy



Source: Jones Lang LaSalle Q3 2010, DEXUS Research

During the quarter, 15% of the portfolio was subject to fixed or CPI reviews with an average rental increase of 3.9%.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	RETENTION RATE	WALE BY INCOME
30 Jun 2010	95.7%	96.2%	56%	5.4 years
30 Sep 2010	96.0%	96.4%	61%	5.4 years

Development update

In September, DEXUS commenced a $26 million refurbishment of Southgate's retail and restaurant plaza which will reposition the complex and provide a stronger food and leisure focus for the seven million office workers, residents and tourists who visit Southgate and the arts precinct each year. A heads of agreement with Melbourne's iconic Waterfront restaurant has been signed for a prime ground floor restaurant.

123 Albert Street – Construction of the $369 million development at 123 Albert Street, Brisbane, QLD is targeted for completion in Q1 2011. The structural works have topped out with the façade installed up to level 23. Rio Tinto's integrated fit-out is well progressed. The office tower is currently 80.5% leased and 65% of the total retail space has also been leased. The remaining five low-rise levels are currently being marketed for lease with multiple proposals issued.

1 Bligh Street – Construction of the development (DXS share 33% $222 million) at 1 Bligh Street, Sydney, NSW continues on target and on budget, with completion scheduled for May 2011. The concrete structure has reached level 27 of the 29 level tower with both the low and high rise cores now at level 29. 1 Bligh Street is currently 55% leased with good interest from a number of potential tenants. As practical completion is due in May 2011, it is unlikely that the building will be fully leased by that time.

L to R: Pound Road West, Dandenong, VIC; Solaris, Quarry Industrial Estate, Reconciliation Road, Greystanes, NSW

Industrial – Australia

Leasing and development activity continued to remain our focus during this quarter. We are seeing steady improvement in tenant demand across the portfolio with increased leasing activity, particularly in our south Sydney portfolio with our Mascot property fully leased and three new lease deals and one renewal completed at our property in Rosebery.

During the quarter, 17 new leases including a heads of agreement were signed in respect of 47,000 square metres or 4.2% of the portfolio. We also renewed 11 existing tenants in over 38,129 square metres including leasing successes achieved at Kings Park Industrial Estate, NSW with a four year renewal for 9,333 square metres and at Pound Road West, Dandenong, VIC with a three year lease over 21,473 square metres.

This leasing activity was offset by vacancy primarily in the inner western Sydney market. This resulted in portfolio occupancy easing to 97.6% at 30 September 2010, which remains above benchmark[1] levels. The average net face rental decreased by 5.3%, which was less than the portfolio over-renting level of 7.1% at 30 June 2010, with tenant incentives averaging only 1.7% across all leases in this quarter.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	RETENTION RATE	WALE BY INCOME
30 Jun 2010	98.4%	97.9%	80%	4.9 years
30 Sep 2010	97.6%	97.2%	71%	4.7 years

In August, we purchased a 7.6 hectare site at Erskine Park, NSW for $15 million. The acquisition reflects a competitive land cost and the site is levelled and serviced with existing development approvals. This expands our offer in our selected core market of outer west Sydney which is serviced by the M4 and M7 motorways.

1 Savills Industrial Stock Survey – H1 2010.

Development update

At Quarry Industrial Estate, Greystanes, NSW the internal road and utility services were completed in August 2010. Boral has since commenced works on the southern road connection which will extend Reconciliation Drive into Wetherill Park and is due for completion late next year.

At Quarry Industrial Estate, the following developments are underway or completed:

- Solaris – 18,600 square metre facility. The $22 million project has been completed delivering a yield on cost of 8.7%. The project returns have benefited from improving market conditions for prime industrial properties
- Symbion Health – 17,300 square metre facility. The base building is 85% complete and will be handed over to Symbion for fit-out ahead of schedule. Practical completion for the $32 million development is scheduled for February 2011. Forecast yield on cost of the development is 8.8%
- Fujitsu – 17,025 square metre facility. Work commenced on site in August 2010 with the first two floors of the data centre now complete. The $32 million development is scheduled to reach practical completion in October 2011 and is forecast to deliver a yield on cost of 10.0%

At Laverton North, VIC, the following development is underway:

- Loscam – 6,534 square metre facility. The earthworks are underway and construction of the warehouse structure is due to commence by the end of the year. Practical completion of the $10 million development is scheduled for June 2011. Forecast yield on cost of the development is 8.9%

We have been actively progressing pre-commitment enquiries at both Greystanes, NSW and Laverton North, VIC and we are currently in discussion with a number of prospective tenants for new pre-committed space across both estates.

Top: 9357 Richmond Place, Rancho Cucamonga, CA
Bottom: 19700 38th Avenue, Spanaway, WA

New DWPF industrial acquisition – 51 Eastern Creek Drive, Eastern Creek, NSW

Industrial – US

During the quarter, leasing activity more than doubled from the previous quarter, showing positive signs that the US industrial markets are beginning to stabilise as projected. Leases totalling approximately 115,000 square metres or 4.8% of the portfolio were concluded during the quarter, resulting in a first quarter retention rate of 69%.

Increased tenant enquiry is beginning to translate into take-up of vacant space. Over 17,400 square metres of vacancy including a heads of agreement was leased in the September quarter. A further 21,000 square metres of vacant space has been placed under heads of agreement since 30 September 2010. The decline in net face rents slowed to -10% and average tenant incentives, which were granted on 60% of the leases signed, averaged 8.1% across the portfolio, down from 11% at 30 June 2010.

Despite signs of improvement in fundamentals our occupancy levels decreased by 1.8 %. Approximately 0.6% of this reflects tenants that were in default during FY10 and subsequently vacated their premises. Provisions have already been made for these tenants and tenants occupying a further 2.1% of the portfolio who hold legal rights to their lease but remain in default. The impact on net income associated with these tenant defaults was reflected in 2010, with 2% of the decrease in like-for-like income representing provisions for these tenants. We expect that a proportion of the remaining tenants will vacate their premises during FY11. This will deliver the opportunity to access the space and secure new rent paying tenants as the markets improve.

While leasing conditions across the 17 markets in which DEXUS operates continued to show signs of improvement, with strong levels of new and renewal leasing, operating conditions are expected to remain challenging as we work through the bottom of the cycle. We remain focused on our strategy of repositioning the portfolio for the value creation phase of the property cycle, where market focus and on-the-ground capability are particularly key to success.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	RETENTION RATE	WALE BY INCOME
30 Jun 2010	86.4%	84.3%	56%	4.9 years
30 Sep 2010	84.6%	82.8%	69%	4.9 years

Industrial – Europe

Property markets in France and Germany are showing signs of improvement, particularly in Germany where confidence is driven by increasing export activity. During the quarter we exchanged on a property in Champlan, France for €5.7 million, slightly above book value. While we wait for the optimum time to sell this portfolio we continue to add value through leasing and lease extensions.

	OCCUPANCY BY AREA	OCCUPANCY BY INCOME	WALE BY INCOME
30 Jun 2010	78.1%	82.8%	2.9 years
30 Sep 2010	80.0%	84.3%	3.7 years

Third party funds management

The DEXUS Property Group's $5.9 billion third party property funds management business has undertaken significant activity since June 2010. The DEXUS Wholesale Property Fund (DWPF) was particularly active, acquiring $255.75 million of industrial properties in October 2010.

The acquisitions were in line with DWPF's objective of increasing its allocation to industrial property. DWPF continues to focus its investment on quality properties and, consistent with its stated strategy, will seek to increase its exposure to both office and industrial sectors.

During the quarter, DWPF secured an "A" rating from Standard & Poor's, following which it completed an inaugural Medium Term Note (MTN) issue. The notes issued have a term of five years at a margin of 185 basis points. In addition, DWPF is currently seeking to raise at least $300 million of equity. Proceeds of the offer will be used to repay debt and pursue other acquisition and development opportunities.

Capital management

We continue to proactively manage our balance sheet by extending debt duration and further diversifying the maturity profile through completion of $275 million of new bilateral bank debt facilities with several of DEXUS's existing bank relationships. The new facilities have an average maturity of around 4.3 years at margins in line with current market rates.

Corporate Responsibility and Sustainability (CR&S) update

During the quarter, we continued our focus on CR&S with key achievements including:

- Completion of a cleaning and security re-tender which included enhanced CR&S criteria and maximised operational efficiencies with the rationalisation of services to three national operators, achieving cost savings to our tenants of approximately $2.4 million
- Proactively responded to the requirements of the new Commercial Building Disclosure legislation which came into effect on 1 November 2010, with all applicable leasing marketing materials updated to include NABERS Energy ratings
- Reported under the National Greenhouse and Energy Reporting Act (NGER) for the second year
- Released our annual CR&S Report detailing our performance in 2010, available on www.dexus.com or by request at crs@dexus.com

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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 2 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)

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