

LETTER FROM THE CHAIR



L to R: Chair Christopher Beare and CEO Victor Hoog Antink

Dear Investor

I am pleased to present this Security Holder Review which forms part of my fifth annual report for DEXUS Property Group. As reported last year, the economic downturn continues to impact the Group's performance and during the year we have seen declining property values worldwide and reducing tenant demand.

Despite these challenging conditions, the quality of our portfolio, together with the underlying stability of operating earnings, derived principally from rental income, and our proactive and prudent approach to managing our balance sheet continues to deliver strong financial results.

The financial performance of the Group for the year was solid with operating earnings up 5.7% to \$526.3 million. The Australian portfolio delivered a relatively strong result, while the North American and European portfolios declined in line with their weaker economies. The impact of the economic downturn was largely felt in unrealised property devaluations and impairments, which totalled \$1.6 billion and contributed to a net loss of \$1.5 billion.

In volatile economic conditions, it is more important than ever to concentrate on the fundamentals and DEXUS has remained focused on our strategy to be Australia's leading owner, manager and developer of superior quality office and industrial properties in select markets.

We remain the No.1 owner of office and No.3 owner of industrial properties in Australia.

Highlights for the year include:

- Strengthening the balance sheet, with significant new equity and new and replacement debt facilities
- Revising our distribution policy to pay out 70% of Funds From Operations (FFO), retaining 30% to fund operating and leasing capital expenditure
- Commencing a selected property sales program, to achieve our strategic objectives and our capital management plans
- Completing the internalisation of our property management model within our office portfolio and commencing implementation in the Australian industrial portfolio
- Continuing to build on our market leadership position in sustainability, with external recognition achieved at Davos, Switzerland and more recently with our listing on the Dow Jones Sustainability World Index

As a result of all these initiatives, DEXUS continues to maintain one of the strongest balance sheets of any Australian listed REIT.

Getting the best from both our property portfolio and our balance sheet is only possible with a very capable and committed team. For the third year running we have conducted an employee opinion survey which pleasingly shows continued strong results in areas such as engagement, communications and leadership. This year we benchmarked our results against Australian and global indices so we can continue to improve our performance in line with best practice standards.

In April 2009, we expanded the Board with two new directors, John Conde AO and Peter St George. John and Peter bring a wealth of knowledge and experience, which will further strengthen the expertise of the Board. In April 2009, Charles Leitner III resigned from the Board, consequently his alternate Andrew Fay also left the Board. I would like to take this opportunity to thank Chuck and Andy for their contribution. Following these changes, the Board now comprises eight Directors, seven of whom are independent Directors.

In May 2009, the Board Committees were reviewed and memberships refreshed, with Committee Chairs being rotated in August 2009. The Board and Board Committee Terms of Reference and the Corporate Governance Statement are revised at least annually and are located on our website at www.dexus.com/Corporate-Governance

Looking ahead, the outlook for the market is for continued challenging times. We expect, however, that the quality of our portfolio and a continued focus on managing the property fundamentals will see DEXUS continue to be strongly positioned within each of our key markets.

On behalf of the Board, I would like to thank you for your support over the past 12 months. I look forward to reporting to you next year.

Yours sincerely,

Christopher T Beare
Chair
30 September 2009