

investor update

September 2011 ■ www.dnzproperty.com

Dear Shareholder

On the 16th of August 2011, DNZ celebrated its first birthday as an NZX listed company, a significant milestone for all stakeholders. I am sure you will agree the benefits of an internal management team and of listing on the NZX have been evident over the past year.

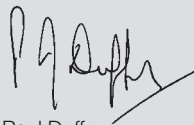
It is also pleasing to report an excellent start to the 2012 financial year for our Shareholders. A number of significant transactions have been completed by the management team to maintain the Company's occupancy level at over 98% and reduce the portfolio's lease expiry risk for the 2012 year.

DNZ continues to evaluate opportunities to drive value for our Shareholders.

I trust you find the contents of this September 2011 Investor Update informative.

I also welcome any feedback you may have. Please e-mail me at paul.duffy@dnzproperty.com or phone 09 912 2690.

Yours sincerely,



Paul Duffy
Chief Executive
DNZ Property Fund Limited



DNZ secures Foodstuffs for 18 years

DNZ has purchased three Foodstuffs supermarkets, located in Wellington, Napier and New Plymouth, for \$40.73m, with settlement scheduled for 4 October 2011.

This transaction secures the strong tenant covenant of Foodstuffs for DNZ, with new long term leases in three strategic regional north island locations that have excellent growth potential. The new 18 year leases contain fixed annual rent increases, with market reviews every five years.

This transaction enhances the Company's portfolio, adds another quality tenant, will further improve the portfolio's strong weighted average lease term, and provides contracted income growth in the future for DNZ Shareholders.

New World, Napier



PAK'nSAVE, New Plymouth



New World, Wellington





Christchurch Earthquake Update

DNZ owns two properties in Christchurch and we are very pleased to confirm that no staff or customers have been injured at these sites from the earthquakes that are continuing in the region. The properties consist of a distribution centre located in Hornby, which is leased by Progressive Enterprises (the owner of Countdown, Foodtown and Woolworths), and an office building in Papanui. The distribution centre has not suffered any damage, however the office building suffered some internal damage to areas such as ceilings and walls. All repair works have subsequently been completed, with the tenants returning to occupy the office building in August. All remedial works and loss of rents were covered by DNZ's insurance.

Insurance Premiums to Rise

Insurance premiums are an integral cost within any property portfolio. As the cost estimates of the Christchurch earthquakes increase to over \$7 billion, it is inevitable that insurance premiums will rise for all property types in New Zealand. The impact will increasingly be felt as insurance policies expire and renewals not only become more costly, but will have greater earthquake excesses and more stringent policy conditions. There is also the possibility that a flow on effect will occur with other property cost components. Local authority rates, for example, will either have to absorb these increased insurance costs or pass them on to ratepayers.

DNZ concluded its insurance negotiations prior to the devastating February earthquake in Christchurch. This resulted in premium increases being held to modest levels for the current financial year. We expect, however, that there will be upward pressure on the portfolio's insurance premium cost in the future.

DNZ's rigorous process for insurance placement is regarded as a best practice model throughout the industry, and DNZ has consistently negotiated premium costs in the lower quartile. These processes, with attention to detail and forward thinking on risk management, will assist in managing this cost component going forward.

DNZ Sponsor of FYD

DNZ is committed to being a responsible member of the corporate community.

DNZ is proud to be a sponsor of FYD (Foundation for Youth Development) which carries out important work in our communities to provide support to some of New Zealand's less privileged children.

FYD's aim is to inspire all school age New Zealand children to reach their full potential through programmes that help build self-esteem, promote good values, and teach valuable life, education and health skills.

The FYD Sponsorship complements the sponsorship of the Keystone New Zealand Property Education Trust. This trust provides grants to students who would not normally be able to afford tertiary education, with specific emphasis relating to the property profession.



DNZ Sells Two Properties Above Valuation

DNZ has unconditionally sold 129 Hurstmere Road, Auckland, for \$18.067 million and 99-105 Customhouse Quay, Wellington, for \$13.500 million, for a total gross realisation of \$31.567 million. Both sales are scheduled to settle on 15 September 2011.

These two property sales were transacted off market by the DNZ management team, and concluded slightly above the 31 March 2011 valuations. Net proceeds from the sales will be utilised to repay bank debt ahead of the purchase of the three Foodstuffs supermarkets, which further improve the quality of the DNZ portfolio.

These transactions should also give Shareholders comfort as to the accuracy of the carrying value of the DNZ portfolio, and the ability of the management team to transact quickly off market at or above valuation.

Appointment of PwC as Company Auditor

DNZ has appointed PricewaterhouseCoopers as the Company's auditor through to the next Annual General Meeting, which is expected to take place in August of next year.

Shareholders will be asked to confirm PricewaterhouseCoopers as DNZ's new auditor at that meeting.

The appointment has been made to fill the casual vacancy following the resignation of the Company's previous auditor, Staples Rodway, in providing audit services to the Company, Staples Rodway will remain as tax advisor to DNZ. The Board of DNZ would like to thank Staples Rodway for their audit services which have been provided since 1999.

DNZ Portfolio Overview

	As at 31 March 2011	As at 30 June 2011
Properties	50	50
Tenants	283	285
Net Lettable Area	371,481m ²	372,279m ²
Net Contract Rental	\$56,024,258	\$56,521,256
Weighted Average Lease Term (WALT)	4.32 years	4.47 years
Occupancy Rate (by area)	97.9%	98.1%
Asset Valuation (31 March 2011)	\$637,705,000	\$637,705,000

Note: The increase in Net Lettable Area is due to the canopy extension at 968 Great South Road, Auckland. The above table does not include the purchase of three Foodstuffs supermarkets (with settlement scheduled for 4 October 2011). If these three properties, with 18 year leases, were included, the Company's WALT (as at 30 June 2011) would increase to 5.17 years.



An Active First Quarter

20 of the 28 lease renewal and new letting transactions were negotiated directly by the management team.

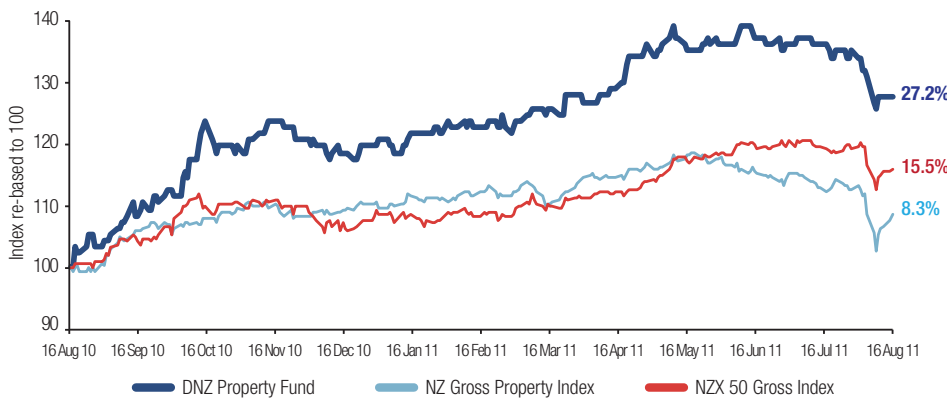
The DNZ management team completed 51 lease transactions during the 1 April to 30 June quarter which included:

- 23 rent reviews over 54,624m² for a total rental of \$7.1 million
- 13 lease renewals completed over 22,056m² for a total rental of \$2.7 million
- 15 new lettings completed over 17,092m² for a total rental of \$3.0 million

Key components of achieving rental income growth in the portfolio are lease renewals and rental reviews. DNZ currently has a target of having 25% of the portfolio's rental reviews being a combination of fixed and/or stepped increases at a review date, or being linked to an increase in inflation based on movements in the CPI.

Solid Performance for the 12 Months Since Listing on 16 August 2010

NZX Gross Returns

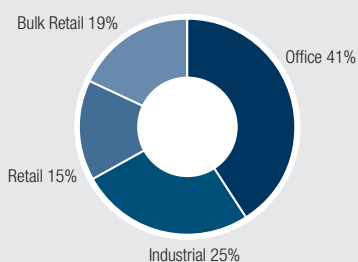


Source: IRESS

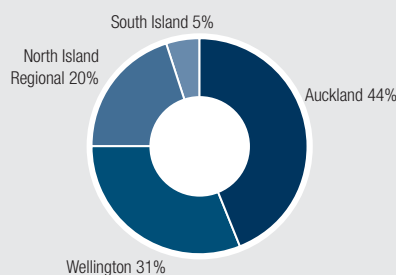
First Quarter Dividend 2.0 Cents per Share

On 10 August 2011, the Board approved a first quarter cash dividend of 2.0 cents per share. This dividend carries no imputation credits. The record date for this dividend was 25 August 2011, with payment to Shareholders made on 8 September 2011.

Portfolio Contract Rental by Sector (As at 30 June 2011)



Portfolio Contract Rental by Region (As at 30 June 2011)



Recent Transactions



NZ Post
Commencement: September 2011
Area: 6,027m²
Term: 6 years




MYOB
Commencement: April 2011
Area: 817m²
Term: 3 years



NZACU
Commencement: August 2011
Area: 819m²
Term: 9 years




Pacific Coilcoaters
Commencement: April 2011
Area: 6,747m²
Term: 9 years



DDB*
Commencement: June 2012
Area: 3,659m²
Term: 6 years



ANZ Bank
Commencement: July 2011
Area: 375m²
Term: 5 years



Canon
Commencement: August 2011
Area: 337m²
Term: 6 years



Goodyear**
Commencement: September 2015
Area: 9,727m²
Term: 5.5 years



Progressive Enterprises
Commencement: August 2011
Area: 12,665m²
Term: 1 year

* Actual lease commencement on the completion of building works.

** Sublease from Chrisco Hampers from April 2011 to September 2015.

AUCKLAND

Level 4, 80 Greys Avenue
Auckland 1010
PO Box 6320, Wellesley Street
Auckland 1141
New Zealand
Telephone: +64 9 912 2690
Facsimile: +64 9 912 2693

WELLINGTON

Level 1, 16 Broderick Road
Johnsonville, Wellington 6037
PO Box 2879
Wellington 6140
New Zealand
Telephone: +64 4 910 3400
Facsimile: +64 4 910 3401

www.dnzproperty.com



DNZ Property Fund 2011 Annual Meeting Results

All three resolutions were passed as follows:

Resolution 1

That the Directors be authorised to fix the fees and expenses of the auditor of the Company.

Votes for: 81,195,492 (99.80%) Votes against: 166,260 (0.20%) **Resolution passed.**

Resolution 2

That Timothy Ian Mackenzie Storey be re-elected as a director of the Company pursuant to clause 20.3 of the Constitution.

Votes for: 77,267,640 (94.91%) Votes against: 4,141,835 (5.09%) **Resolution passed.**

Resolution 3

That Edward John Harvey be re-elected as a director of the Company pursuant to clause 20.3 of the Constitution.

Votes for: 77,782,467 (95.76%) Votes against: 3,445,400 (4.24%) **Resolution passed.**

The Board has also determined, in accordance with listing rule 3.3.3(a), that Tim Storey, John Harvey, Michael Stiassny and David van Schaardenburg are "Independent Directors".

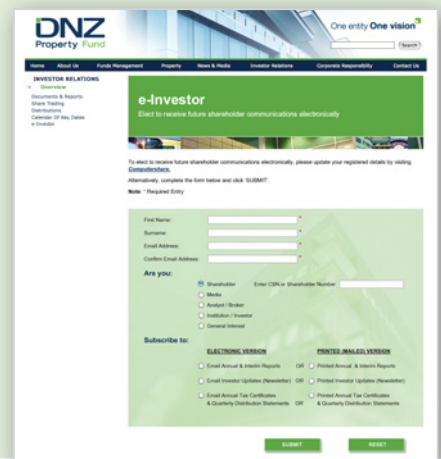
Subscribe to the DNZ Investor Update Service

Become an e-investor

As some Shareholders will know, DNZ has recently started sending DNZ Investor Update emails whenever the Company posts an announcement with the New Zealand Stock Exchange (NZX). All Shareholders who subscribe to "Email Investor Updates" will receive these email notifications, with the option to unsubscribe from the Emails if they wish.

We introduced the e-investor facility earlier in the year for Shareholders to help minimise costs and to reduce DNZ's impact on the environment. DNZ's Investor Updates, Interim Reports and Annual Reports are available in electronic form on DNZ's website at www.dnzproperty.com under the heading "Investor Relations" and sub-heading "Documents & Reports".

To subscribe to this service, please visit www.dnzproperty.com/e-investor to select your preference.



Key Shareholder Dates

8 September 2011	First Quarter Interim Dividend
November 2011	Interim Report Distributed
December 2011	Second Quarter Interim Dividend
March 2012	Third Quarter Interim Dividend
May 2012	Annual Result Announcement
June 2012	Final Quarter Dividend
June 2012	Annual Report Distributed
August 2012	Annual Meeting

Please note: These dates are indicative only and may be subject to change.