

investor update

March 2012 ■ www.dnzproperty.com

PURCHASED Bunnings Mt Roskill

> See inside



CONTENTS

Occupancy at 98.7%	2
Portfolio Overview	2
Increased Cash Dividends	3
Reduced Finance Costs of \$2 million Per Annum	3
DNZ Gross Return Since Listing of 49.9%	4
Share Buyback Scheme	4
We Have Moved to Level 2	4
Bunnings Our Largest Tenant	5
DNZ Undertakes Seismic Review	5
“Solid 9th Place” in NZX50 Web Awards	6
Key DNZ Shareholder Dates	6
Subscribe to the DNZ Investor Update Service	6

Operational Excellence Enables Increased Dividends

It is pleasing to lead a management team that has performed extremely well in what continues to be uncertain times in local and international markets.

As at 31 December 2011, DNZ had an occupancy rate approaching 99%, with a weighted average lease term of 5.17 years, which will be further extended following the recent purchase of Bunnings Mt Roskill. These strong KPI's, combined with a diversified portfolio of quality office, retail and industrial properties, create a solid platform to maximize sustainable total returns to DNZ Shareholders.

This operational excellence has enabled the Board to increase cash dividends to DNZ Shareholders for two consecutive quarters. This, combined with the continuing closing of the gap between our share price

and the net tangible asset backing of the Company, has led to a significant total gross return to our Shareholders since listing on the NZX in 2010.

It is extremely satisfying to produce this sort of result for our Shareholders and I hope you find the contents of this Investor Update informative.

Yours sincerely,

Paul Duffy
Chief Executive
DNZ Property Fund Limited





Occupancy at 98.7%

Third Quarter Update as at 31 December 2011

During the quarter ended 31 December 2011, the DNZ management team completed 51 lease transactions over a total net lettable area of 70,708m².

Lease transactions included:

- 35 rent reviews over 61,788m² for a total annual rental of \$8.7 million
- 9 lease renewals completed over 4,819m² for a total annual rental of \$0.7 million
- 7 new lettings completed over 4,101m² for a total annual rental of \$1.2 million

The leasing in late December of 1,494m² for 6 years to a NZ Government tenant (the Inland Revenue Department), at 650 Great South Road, Auckland, was an excellent finish to yet another strong quarter for the Company.



IRD 650 GREAT SOUTH RD, AUCKLAND

IRD have leased 1,494m² of office space following Fonterra (ViaLactia) ending its occupation last year. The new lease is for a term of 6 years commencing March 2012.



PLACEMAKERS TARADALE ST, NAPIER

A new 3 year term with PlaceMakers that commenced in February 2012, was negotiated directly by the DNZ management team.



ANYTIME FITNESS BAY CENTRAL SHOPPING CENTRE, TAURANGA

Following the receivership of The BBQ Factory, Anytime Fitness, a 24 hour fitness centre, has taken the majority of the vacated space. An 8 year term that commenced in February 2012, was negotiated directly by the DNZ management team.



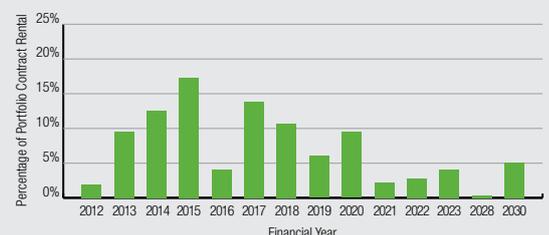
ELECTRICITY AND GAS COMPLAINTS COMMISSION 22 THE TERRACE, WELLINGTON

EGCC will be relocating from level 1 (425m²) to level 6 (518m²) at 22 The Terrace when Financial Markets Authority (FMA) move to their new 1,100m² offices at another DNZ owned property, 1 Grey Street. EGCC have committed to a new 6 year term commencing in April 2012, that was negotiated directly by the DNZ management team.

DNZ Portfolio Overview as at 31 December 2011

	As at 31 March 2011	As at 31 December 2011
Properties	50	51
Tenants	283	265
Net Lettable Area	371,481m ²	376,716m ²
Net Contract Rental	\$56,024,258	\$57,774,974
Weighted Average Lease Term (WALT)	4.32 years	5.17 years
Occupancy Rate (by area)	97.9%	98.7%
Portfolio Value (latest valuations)	\$637,705,000	\$649,405,000

Lease Expiry Profile by Contract Rental as at 31 December 2011





Increased Cash Dividends

Third Quarter Cash Dividend Increased to 2.2 Cents Per Share

In February 2012, the Board approved an increased cash dividend of 2.2 cents per share for the third quarter of the 2012 financial year. This dividend carried no imputation credits. The record date for this dividend was 2 March 2012, with payment to shareholders made on 15 March 2012. This follows the increase in the second quarter cash dividend announced in November 2011 from 2.0 cents to 2.1 cents per share.

Increased Dividend Guidance For 2013 Financial Year

Since listing, the Company has continued to undertake strategies to enhance value and profitability through improving the operating performance of the existing assets within the portfolio, and implementing initiatives to manage the cost base.

“... the Board expects to pay a sustainable cash dividend of 9.0c per share for the year ending 31 March 2013...”

Given DNZ's continuing strong performance, and that the Company is expected to move back to a tax paying position¹, the DNZ Board has decided to increase the Company's current distribution policy of 75-85% of distributable profit² to 95-100% in the 2013 financial year. This will be effective for the first quarter dividend of the 2013 financial year, which is expected to be paid in September 2012, and reflects DNZ's long term policy of paying dividends which are broadly in line with the Company's distributable profit and operating cash flows.

Following the amendment in policy, the Board expects to pay a sustainable cash dividend of 9.0 cents per share for the year ending 31 March 2013, given its current asset base and subject to economic conditions and trading performance.

1. DNZ expects to be in a tax paying position with imputation credits attached to dividends paid in the 2013 financial year. DNZ received the benefit of a positive binding tax ruling on the deductibility of the cost of internalising management and amended its distribution policy in May 2011 to reflect the effect of this on distributable profit. DNZ expects the benefit of that ruling will be fully utilised in the current financial year.

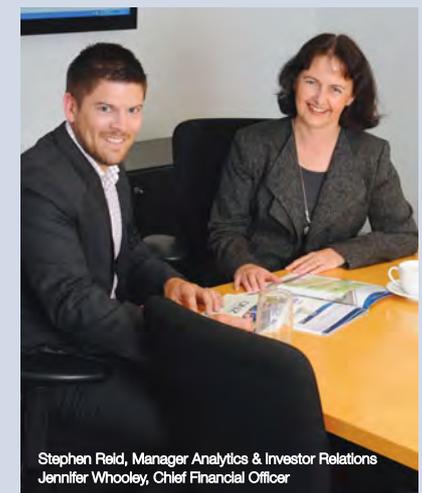
2. Distributable profit is a measure adopted by DNZ and is defined as net profit/(loss) before tax adjusted for non-recurring and/or non-cash items and current taxation.

Reduced Finance Costs of \$2 million Per Annum

Following on from a regular review of our financing arrangements, and given the current and continuing global uncertainty, the Board thought it appropriate to look to move to longer term financing. Following successful discussions with our banking partners, DNZ has secured a revised \$300m bank debt facility, evenly split with its existing bankers ANZ, CBA and BNZ.

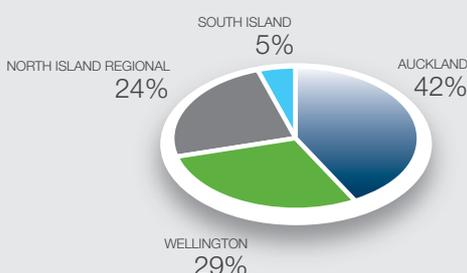
The facility comprises a \$150m three year tranche and a \$150m four year tranche, expiring in October 2014 and October 2015 respectively.

Further to the finance savings made by reducing the Company's debt facility amount from \$350m to \$300m, the revised bank debt facility contains reduced line fees and margins when compared with the Company's prior facility. This is expected to result in approximately \$2m annual savings in finance costs for DNZ from 31 October 2011.

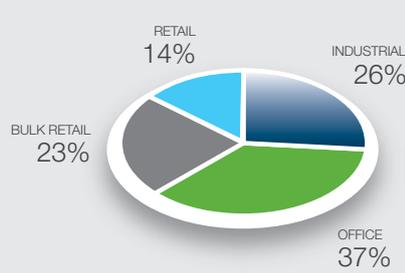


Stephen Reid, Manager Analytics & Investor Relations
Jennifer Whooley, Chief Financial Officer

Portfolio Contract Rental by Region as at 31 December 2011

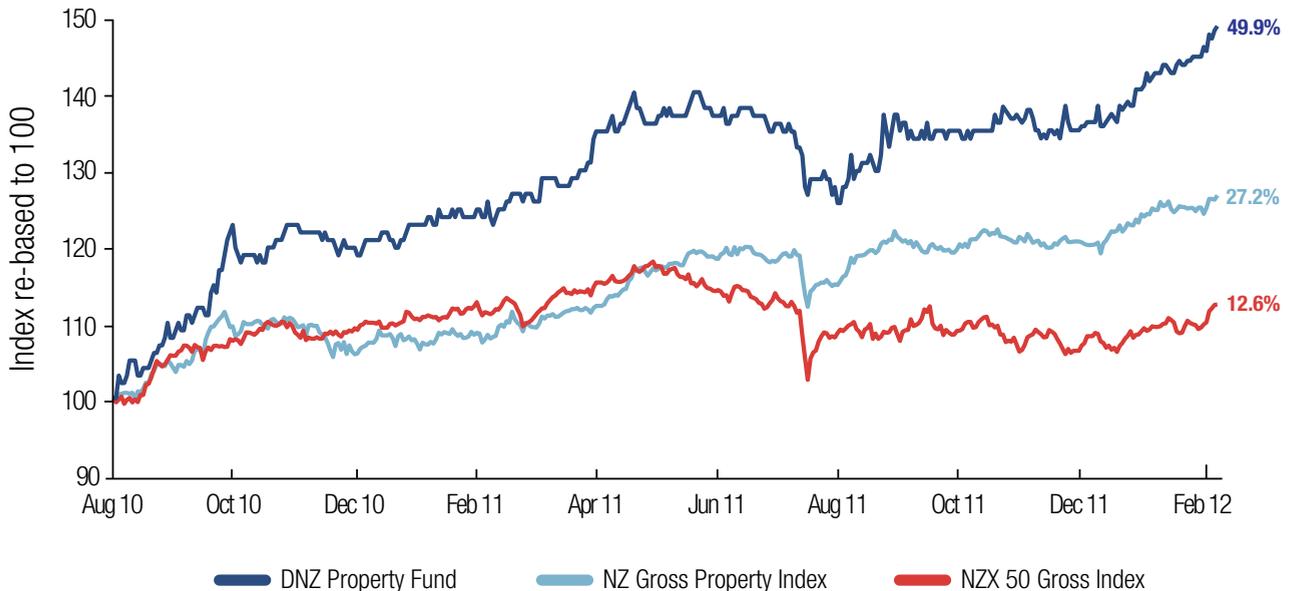


Portfolio Contract Rental by Sector as at 31 December 2011



DNZ GROSS RETURN SINCE LISTING **49.9%**

NZX Gross Returns*



* Assumes the re-investment of dividends (but not imputation credits) on the ex-date.

Source: IRESS

Share Buyback Scheme

On 17 November 2011, the Directors of DNZ decided to implement a Share Buyback Scheme where, pursuant to NZX Listing Rule 7.6.1 and section 65(1) of the Companies Act 1993 (Act), the Company may undertake an on-market buyback of up to 5% of its ordinary shares over a 12 month period.

In taking this action, the Board was of the opinion that the market price of the shares at that time was not reflective of the true value of the Company, given the strong performance of the underlying property portfolio and the significant cost savings achieved by the refinancing of the Company's debt facility. The Board continues to keep the Share Buyback Scheme under review, but is satisfied that it remains in the best interests of the Company and its Shareholders.

“... the market price of the (DNZ) shares ... was not reflective of the true value...”

During the period from 15 December 2011 to 24 January 2012 (inclusive), the Company acquired 213,000 ordinary shares on market at an average price of \$1.251 for a total consideration of \$266,421. As the shares were acquired by offers made by the Company through NZX's order matching market, the Company has not identified the seller or beneficial owner (as the case may be) of the shares acquired. The acquired shares are currently being held as Treasury Stock.

We Have Moved to Level 2

DNZ has moved offices to smaller premises on level 2 at 80 Greys Avenue, Auckland. The move was made to make level 4 available for the buildings' major tenant DDB, one of New Zealand's largest advertising agencies.

Following DNZ's move to Level 2, DDB now occupy contiguous floors 3 to 7, at 80 Greys Avenue.



Bunnings Now Our Largest Tenant

DNZ Property Fund Limited has purchased for \$24.5 million the Bunnings warehouse at 2 Carr Road, Mt Roskill, Auckland.

The lease to Bunnings Limited, for the near new 11,600m² building located on a 2.7 hectare site, is for 15 years, with annual contracted rental increases and 5 yearly market reviews. The property has extremely good car parking ratios, with two customer access points and a separate service entry, all on a high profile site.

DNZ already owns three Bunnings warehouses, in Hamilton, Rotorua and Palmerston North, that when combined with this Mt Roskill purchase, makes Bunnings DNZ's largest tenant* contributing approximately 10% of the Company's portfolio contract rental.

The covenant of a quality tenant such as Wesfarmers' owned Bunnings and a 15 year lease term for one of their best performing warehouses, makes this property an excellent investment and addition to the DNZ portfolio.

**DNZ's top 10 tenants by contract rental following the settlement of 2 Carr Rd, Mt Roskill, Auckland: Bunnings, Progressive Enterprises (Countdown), NZ Government, Fletcher Building, Foodstuffs (PAK'nSAVE and New World), ASB, Meridian Energy, Mitre 10, Lion and Westpac.*



Phil Brown, GM Investment, Development & Capital Management
Gavin Peebles, Investment Manager



Bunnings - Mt Roskill



Bunnings - Palmerston North



Bunnings - Rotorua



Bunnings - Hamilton

DNZ Undertakes Seismic Review

As a direct result of the devastating earthquakes, and the continuing aftershocks that have occurred in Christchurch since September 2010, building seismic performance is a particular focus for tenants and landlords. This has resulted in a Seismic report being a standard request from most current and prospective tenants.

DNZ believes it is important to be proactive in evaluating seismic risk and is committed to undertaking this review of its entire portfolio.

An Initial Evaluation Procedure (IEP) is the most basic report that is available. This evaluation provides an assessment of the seismic performance of a building based on age, underlying soil structure, building design, construction technique and seismic activity risk. From this information an initial assessment is provided as a percentage of the New Building Standard (NBS). DNZ has deemed IEP assessments as being sufficient for the Company's generally

single level industrial and bulk retail properties as the report indicates any structure that may warrant additional investigation.

For DNZ's office and retail properties built prior to 2000, comprehensive computer modelling is being undertaken by engineering firm Beca. A model is generated for each building by taking all the structural members within the building and then simulating seismic activity. This is the same process as would occur if the building was being newly designed and built, and is substantially more robust and accurate than an IEP assessment. For properties built after 2000, confirmation on the seismic rating is being obtained from the engineering firm that designed the building.

With over 50 assets within the portfolio, the reporting process is expected to take until the end of the next financial year to complete.



“Solid 9th Place” in NZX50 Web Awards

DNZ was recently awarded a top 10 place in the annual Best Investor Website Awards (BIWA) for NZX50 companies.

The press release from BIWA stated ‘in addition a special mention must go to new entrants DNZ Property Fund Ltd, who have come in at a solid 9th place.’

The awards evaluate how well listed companies’ websites meet the needs of investors. This is the fifth annual survey organised by Wired Internet in conjunction with Bruce Russell information design lecturer at Christchurch Polytechnic.

BIWA judge Bruce Russell said that this year’s results showed the continuing importance of online communication with investors, and that the best sites were those that directed this information clearly at the investment audience, as distinct from retail customers.

We are of course pleased with the result as we are committed to providing the best possible communication to our Shareholders. We are targeting a top 5 position next year.



Subscribe to the DNZ Investor Update Service

Become an e-investor

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 at www.dnzproperty.com under the heading “Investor Relations” and sub-heading “Documents & Reports”.

All Shareholders who subscribe to “Email Investor Updates” will receive email notifications whenever DNZ posts an announcement on the NZX as well as an electronic copy of newsletters, with the option to unsubscribe from the emails if they wish.

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



Key DNZ Shareholder Dates

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

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