

investor update

March 2011 ■ www.dnzproperty.com

COMPLETED

The Laminex Group
O'Rorke Road, Penrose, Auckland

> See inside



From the Chief Executive

Welcome to DNZ Property Fund's first Investor Newsletter since we listed on the NZX late last year.

This newsletter provides our shareholders with an overview of recent Company performance and activity and gives an insight into what we are doing to meet our 31 March 2011 forecasts.

To help minimise costs and to reduce the impact on the environment, I encourage you to sign-up to receive future Investor Updates, Distribution Statements, Tax Certificates and Annual / Interim Reports by Email. To do so please visit www.dnzproperty.com/e-investor

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Duffy'.

Paul Duffy
Chief Executive
DNZ Property Fund Limited





Christchurch Earthquake Update

Our team conveys its support to the people of Christchurch, and we want you to know our thoughts are with you.

Following news of the 4 September 2010 and the devastating 22 February 2011 earthquakes in Canterbury, our asset management team responded quickly. Staff members immediately got in touch with our tenants to ascertain if anyone was injured, the extent of any damage, and to provide as much assistance as possible. Fortunately, there were no injuries at these sites. The two properties the Company owns suffered only minor damage following the large earthquakes and the 5,000-plus aftershocks.

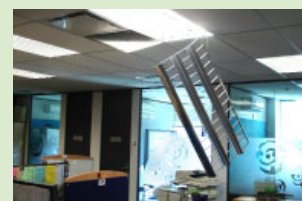
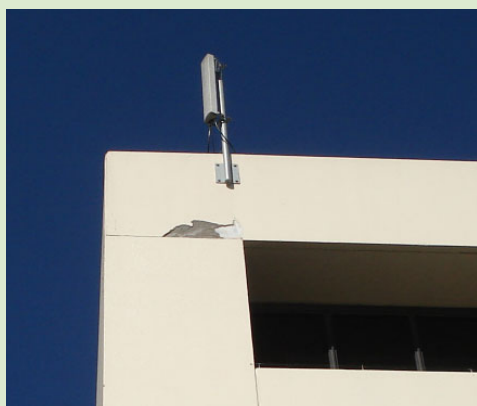
The 7 Winston Avenue, Papanui, property reopened four days after the September earthquake and only suffered minor damage. The February earthquake also caused only minor damage and the ground level of the building reopened on 7 March, with the remainder of the levels being available for

occupation following the completion of all remedial repairs.

In our other Christchurch property at 62 Columbia Avenue, Hornby, the tenant's racking systems and stock suffered damage in the September earthquake, but it remained operational. The facility was not damaged by the February earthquake.

Engineering reports confirmed that both buildings are structurally sound. Only minor works are required to repair lifts, suspended ceilings, plumbing and electrical systems in the Winston Avenue property.

These two properties constitute less than 3% (by value) of our total portfolio. The DNZ property portfolio is fully insured for earthquake damage, business interruption and loss of rent.



The Winston Avenue property suffered minor damage in both major earthquakes, as shown by these images; (left to right) exterior plaster cracking, the elevator switch gear was dislodged, cracking of glass panes, light fittings and ceiling tiles were also dislodged.

DNZ Property Portfolio as at 28 February 2011

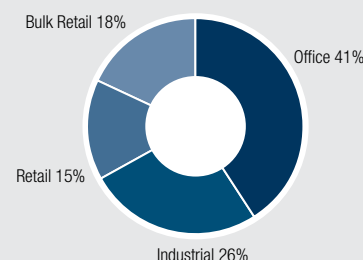
Occupancy at a solid 98%

While we have sold down some assets, DNZ remains one of New Zealand's largest diversified investment property portfolios with 50 properties and 285 tenants. The weighted average lease term (WALT) is 4.3 years and our occupancy rate of 98% has risen from 95% in May last year. Our net lettable area is 371,481m², with net contract rental of \$56m and a portfolio value of \$649m*.

Portfolio as at 28 February 2011	
Properties	50
Tenants	285
Net Lettable Area	371,481m²
Net Contract Rental	\$56,014,283
WALT (years)	4.3
Occupancy Rate	97.9%
Portfolio Value*	\$648,845,000

* 31 March 2010 valuations or later valuations if they exist

Portfolio Contract Rental by Sector





Capital Management

DNZ has an appropriate capital structure going forward

Our team has worked tirelessly to strengthen the company's financial position through a series of capital management initiatives. These include:

- raising \$45m capital
- renewing debt facilities to 30 September 2013
- entering into \$150m of interest rate swaps
- completing the asset sales programme

The asset sales programme realised \$71.1 million (gross) during the period to 28 February 2011. These sales have been at, or close to, valuations despite the challenging market

conditions. We used the net proceeds from the sales to repay bank debt.

As a result of raising capital, selling assets, reducing bank debt, and entering into favourable interest rate swaps, we have reduced total interest costs. With this successful balance sheet reform complete, we now have a capital structure appropriate for the current economic climate. We also have capacity to fund future growth opportunities and enhance shareholder returns.

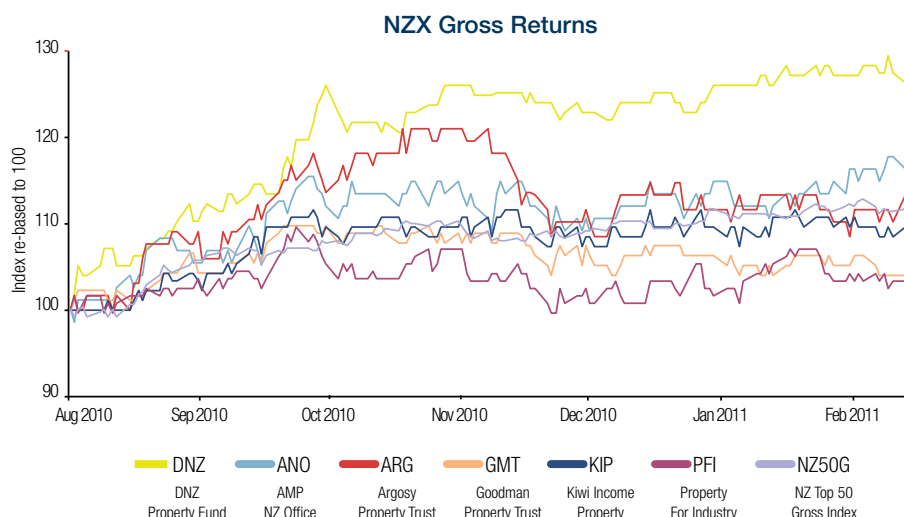
Third Quarter Dividend 2.0 Cents per Share

On 10 February the Board approved a third quarter cash dividend of 2.0 cents per share. This dividend carries imputation credits of 0.228 cents per share. The record date for this dividend was 24 February 2011, with payment to shareholders made on 10 March 2011. The final dividend payment for the financial year is scheduled for June 2011.

Giving You A Better Return

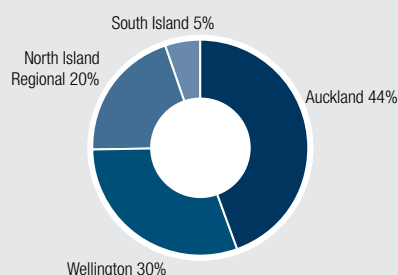
DNZ's objective is to out-perform the listed property sector

It is satisfying to see the underlying value we believed was held in the portfolio being reflected in our share price. Since listing in August DNZ shares have risen 23.7% (at close 4 March 2011), plus shareholders received a 2 cent dividend in December 2010 and also in March 2011.

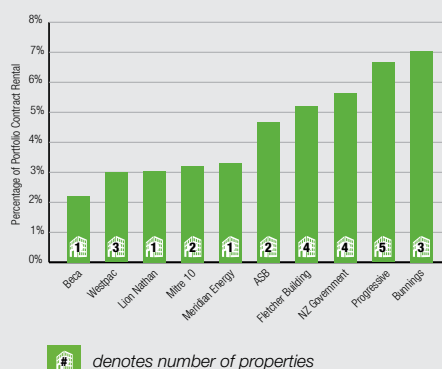


Source: Goldman Sachs

Portfolio Contract Rental by Region



Top 10 Tenants by Contract Rental



DNZ
Property Fund

One entity **One vision**

www.dnzproperty.com



An Active 11 Months

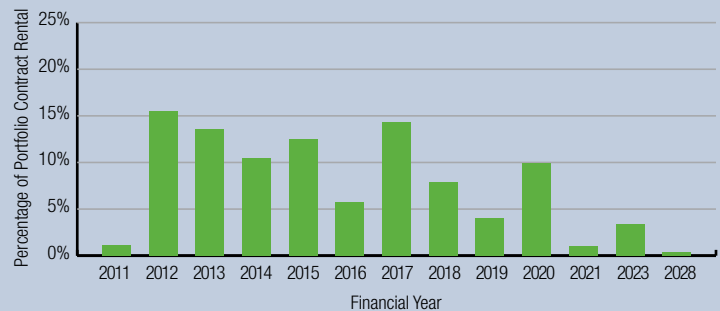
178 transactions completed
to 28 February 2011

The management team completed 178 lease transactions over 194,015m² in the 11 month period to 28 February 2011, resulting in an occupancy rate increase from 95% last May to 98% as at 28 February 2011.

The transactions included:

- 94 rent reviews for a total rental of \$25.0 million
- 30 lease renewals completed for a total rental of \$2.6 million
- 54 new lettings completed for a total rental of \$7.9 million

Lease Expiry Profile by Contract Rental



Teed Street Refurbishment & Leasing

An excellent opportunity to reposition this Newmarket property

With the major tenant in the building relocating, this was an excellent opportunity to refurbish and reposition this five level office building in the heart of Auckland's Newmarket commercial and retail centre.

Architects Creative Spaces developed a master plan for a 4 green star rating for the refurbished building utilising the latest in sustainable products including:

- Automatic edge daylight and occupancy sensor controlled lighting with low wattage lamps

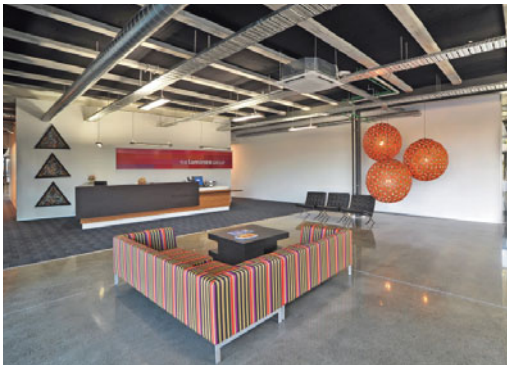
- All walls painted in Environmental Choice low VOC paints
- Environmental Choice 600x600 carpet tiles
- Waterless urinals and very low flush WC suites
- On site showers, lockers and secure bike racks

The repositioning has been successful. This is shown by the leasing of 50% of the vacant space to Beam Global, MYOB and Wisdom Management. We are in negotiation with a number of potential tenants over the remaining space. We also expect green-star accreditation in the next few months. Our submission is currently being finalised.



New Laminex Head Office & Distribution Centre

Another quality asset to add to the DNZ portfolio



The new Fletcher Building Laminex Group head office and distribution centre achieved practical completion late last year following four months of demolition works and an 11 month construction period. The new facility, built by Fletcher Construction, boasts:

- 12,100m² warehouse (the equivalent of two rugby fields)
- 360m² of warehouse office
- 4,000m² of canopies
- 1,900m² Head Office building
- 195m² café (leased by Kreem Café and completed as part of the development)

The facility is leased to Fletcher Building for 12 years, commencing 22 November 2010. Jason Wong of DNZ led the project, which was completed on time and within budget.

Our management team is currently negotiating terms for a design/build facility for the residual 2.28 hectares of the site.

About Laminex

The Laminex Group, a division of Fletcher Building Products Ltd, are manufacturers of well known brands Formica, Laminex and Melteca. The Laminex Group in New Zealand was formed by the amalgamation of three companies - Scott Panel & Hardware, Fletcher Wood Panels and Formica.



Securities Commission at The Terrace

The Securities Commission have leased an entire level at 22 The Terrace, Wellington. The new agreement provides a smooth transition following Chen and Palmer vacating the premises, with minimal rental downtime.



Rebel and Briscoes Renew at Bay Central

The two large format retailers have committed to the shopping centre for a further 6 years. The transaction encompasses 4,600m² (Rebel Sports 2,100m² – Briscoes 2,500m²) of retail space and confirms Bay Central's position as the premier destination bulk retail shopping centre for Tauranga.





Key Shareholder Dates

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

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

Become an e-Investor

Receive this newsletter by email

To help minimise costs and to reduce our 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".

Although DNZ's reports are available electronically, you have the right to receive (free of charge) a printed copy of the current Interim Report and future Annual Reports. If you wish to receive electronic copies of Investor Updates, Annual / Interim Reports, Annual Tax Certificates and Quarterly Distribution Statements, please visit www.dnzproperty.com/e-investor to select your preference.



The image shows two screenshots from the DNZ Property Fund website. The top screenshot displays the 'e-Investor' registration page, which includes a form for users to select their communication preferences (electronic or printed) for various reports and statements. The bottom screenshot shows the 'Investor Relations' section of the website, featuring a 'DNZ Share Price' widget showing a price of \$1.20 and a 'News' section with recent updates.