

Dexus (ASX:DXS)

ASX release



19 June 2018

Higher market rents contribute to valuation uplift

Dexus today announced that 99 of its 103 assets, comprising 44 office and 55 industrial properties have been externally valued as at 30 June 2018.

The external independent valuations have resulted in a total estimated \$408 million or circa 3% increase on prior book values for the six months to 30 June 2018. As a result of these valuations, Dexus's net tangible assets per security is expected to increase by circa 40 cents.

Taking into account the valuation uplifts booked up to December 2017, this has resulted in an estimated \$1.13 billion or 9.3% increase on prior book values for the 12 months to 30 June 2018.

Darren Steinberg, CEO of Dexus said: "It is pleasing to see higher market rents being reflected in our latest round of valuations across many of our assets. In addition, valuers have taken into account recent transactions where there has been no softening in the underlying investment demand for good quality office and industrial properties which continue to attract a variety of domestic and offshore buyers."

The weighted average capitalisation rate across the total portfolio tightened 43 basis points over the past 12 months to 5.52%, and 14 basis points since December 2017. Over the past six months, the weighted average capitalisation rate of the Dexus office portfolio tightened 13 basis points from 5.50% at 31 December 2017 to 5.37% at 30 June 2018 and the Dexus industrial portfolio weighted average capitalisation rate tightened 25 basis points from 6.65% to 6.40%.

The valuation uplift was driven primarily by the Sydney office portfolio where capitalisation rates have compressed further, and the buoyant leasing market has delivered higher market rents, which for the Dexus office portfolio drove 58% of the valuation uplift. In Sydney, market rent increases drove a \$39.7 million increase in the Australia Square complex and a \$24.5 million increase in 1 Farrer Place. Grosvenor Place increased by \$59.0 million as a result of market rent increases combined with a 12.5 basis point firming in the capitalisation rate to 4.88%. Capitalisation rate firming also occurred in the Melbourne and Brisbane markets.

In the industrial portfolio, the increase in market rents and further capitalisation rate compression in the core industrial markets of South Sydney, Western Sydney and Western Melbourne led to valuation increases.

Details relating to specific individual property valuations will be released in Dexus's FY18 result to be announced on Wednesday 15 August 2018.

Darren Steinberg said: "As a result of continued investment demand, combined with strong market fundamentals in Sydney and Melbourne and improving conditions in Perth and Brisbane, we expect further cap rate compression of circa 10 to 15 basis points over the next 12 months."

For further information please contact:

Investor Relations
Rowena Causley
+61 2 9017 1390
+61 416 122 383
rowena.causley@dexus.com

Media Relations
Louise Murray
+61 2 9017 1446
+61 403 260 754
louise.murray@dexus.com

About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high quality Australian property portfolio valued at \$26.5 billion. We believe that the strength and quality of our relationships will always be central to our success and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own \$13.1 billion of office and industrial properties. We manage a further \$13.4 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$4.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 million square metres of office workspace across 55 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by 28,000 investors from 20 countries. With more than 30 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

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