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4 August 2022

Fund update and FY23 Distribution Guidance

Dexus Regional Property Fund | ARSN 110 488 821

Dear Investor

We are writing to update you on the fund's activities and distribution guidance for FY23.

- The Fund undertook a sale process for the Fund's properties at 26 and 28 Honeysuckle Drive, Newcastle, NSW in Q4 FY22.
- Over the course of 2022, the Australian real estate market has faced an increasing number of challenges, including rising inflation and interest rates, as well as significant volatility across listed property markets. These factors have reduced the depth of buyers currently active in the market.
- Given the current market conditions, the Dexus Asset Management Limited Board reviewed the offers for the properties and has determined that withdrawing the properties from the market is in the best interests of the Fund's unitholders at this time. A future sale of the Fund's properties will be considered in due course.
- Following this process, the Fund's properties were independently valued in the usual course for the Fund's 30 June 2022 financial statements. The Fund's properties have been externally valued at \$61.5 million which reflects a capitalisation rate of 6.50%. The Fund's previous carrying value for the properties was \$67.5 million. The change to NTA represents approximately \$0.23 per unit.
- The Fund's audited financial statements and updated unit price are scheduled to be completed and provided to investors by the end of September 2022.

The leasing market within Newcastle CBD has been challenging with increased vacancy, new supply and reduced demand for larger space since COVID-19 restrictions have eased. As a result, leasing up of vacancy within the properties has been slower than anticipated.

This vacancy together with further anticipated vacancy in FY23 will impact the income generated by the Fund during the coming year. The Board has carefully considered the Fund's distribution rate and specifically the importance of ongoing distribution income to the Fund's investors. As a result, based on the current operating environment, the Board believes it is prudent to reduce the distribution rate to investors during FY23 to 6.00 cents per unit. This distribution will be paid in monthly instalments of 0.50 cents per unit.

The management team remain focused on the leasing up of existing and upcoming vacancy within the properties and we will keep investors updated as we progress through the year. The Fund's distribution rate will be reviewed periodically based on future leasing activity and the Fund's financial performance.

If you have any questions, please feel free to contact the Investor Services Team on 1800 996 456 (investor enquiries) or 1300 027 636 (for advisors). Alternatively, please email investorservices@dexus.com.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Tim Slattery', with a long horizontal line extending to the right.

Tim Slattery
Fund Manager, Head of Listed Funds and Private Capital