

# DEXUS Property Group (ASX:DXS)

ASX release

21 December 2012

## DEXUS acquires interests in three Sydney office properties

DEXUS Property Group today announced that it has exchanged contracts to acquire interests in a portfolio of three Sydney office properties ('Sydney portfolio'), including the purchase of one property jointly with DEXUS Wholesale Property Fund (DWPF).

The properties to be acquired include:

- A 25% interest in 225 George Street, Sydney, a premium-grade office building also commonly known as Grosvenor Place
- A 50% interest in 2 and 4 Dawn Fraser Avenue, Sydney Olympic Park, and
- The joint (50/50) purchase of 39 Martin Place, Sydney with DWPF.

The total consideration for the Sydney portfolio is \$503.7 million<sup>1</sup> (excluding acquisition costs), being the vendor's combined 31 December 2012 book value for these properties.

The Sydney portfolio has been acquired off-market from the Direct Property Investment Fund (DPIF), a wholesale office fund, managed by the property division of Colonial First State Global Asset Management. DPIF is a closed-end fund and is currently in its wind-down phase.

Darren Steinberg, DEXUS CEO said: "We are pleased to be able to announce the reinvestment of a significant portion of the sale proceeds from the US industrial portfolio into quality Australian office assets in one of our core office markets. The unique off-market nature of this transaction and our team's ability to confidentially execute on an accelerated timetable concurrently with the US sale, reinforces our strength in the origination and execution of deals.

"The joint purchase of 39 Martin Place with DWPF reflects the strength of our funds management business and reinforces our strategic objective of being the wholesale partner of choice in Australian office, industrial and retail.

"The high quality, core nature of the properties being acquired enhances the quality and diversification of our office portfolio and is a key milestone in our strategy of delivering superior risk-adjusted returns from high quality Australian real estate primarily comprising CBD office buildings. DEXUS now holds interests in four out of seven premium office buildings in the Sydney market."

The Sydney portfolio includes:

	DXS ownership interest %	DWPF ownership interest %	Price <sup>1</sup> \$Am	Capitalisation rate %
225 George Street, Sydney	25 <sup>2</sup>	-	271.25	6.5
2 and 4 Dawn Fraser Avenue, Sydney Olympic Park	50	-	82.70	8.0
39 Martin Place, Sydney <sup>3</sup>	50	50	149.75	7.6
Total Sydney portfolio			503.70	7.08

### Impact on the DEXUS portfolio

The purchase of the Sydney portfolio increases DEXUS's footprint<sup>4</sup> in the Sydney office market from 365,075sqm to 403,599sqm (approximately 8% of the market), deepening DEXUS's market presence, knowledge and tenant relationships in Australia's largest office market. The office portfolio occupancy, weighted average lease expiry (WALE) and allocation to prime grade properties remain stable.

1. Total consideration including DWPF's interest in 39 Martin Place, Sydney of \$74.88m. DXS interest alone is \$428.83m.
2. Representing 50% of the value of units in the Grosvenor Place Holding Trust, which holds a 50% interest in the property.
3. Comprising 39 Martin Place office building valued at \$143m with a cap rate of 7.5% and Martin Place Shopping Circle valued at \$6.75m with a cap rate of 10.25%.
4. DEXUS Group proportional share.

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Kevin George, DEXUS EGM of Office & Industrial said: “The Sydney office market is a deep, liquid market making it an attractive location for office investment and it is likely to retain a high level of interest from domestic and international investors over the long term.”

“We are in a balanced market where short-term new supply will be limited, keeping vacancy relatively stable. While we recognise there will be leasing pressures in the medium-term, the current settings of rents and cap rates in the cycle and the level of rents required for new development are reducing downside risks, particularly in the CBD.”

### Transaction funding (DXS)

The transaction will be principally funded from new bank debt facilities totalling \$445 million with an average duration of approximately four years. These new bank facilities include terms of three and five years. The shorter term facilities (three year duration) give us flexibility to issue further capital markets debt in order to maintain diversity and duration into FY14.

In addition, on 19 December, the Group secured a \$25 million medium term note (MTN) issue, increasing the existing MTN tranche expiring in September 2018. We have raised approximately \$100 million through responding to reverse enquiry from investors this year. The latest transaction was completed at a yield to maturity of 5.14% and on an implied credit spread of 170 basis points.

Craig Mitchell, DEXUS CFO said: “The transaction is expected to result in the Group’s gearing increasing from 24% post the US transaction settlement to 29%, at the lower end of the Group’s target gearing range of 30-40%. The residual gearing capacity will enable us to remain well placed to make further investments should suitable opportunities become available.”

Initially the transaction is expected to be neutral to earnings with FY13 FFO or earnings guidance of 7.75 cents per security and distribution guidance of 5.8 cents per security remaining unchanged. The transaction will be accretive to earnings from FY14 onwards.

### In line with DWPF’s investment strategy

Graham Pearson, DWPF Fund Manager said: “The acquisition of a 50% interest in 39 Martin Place and Martin Place Shopping Circle is in line with DWPF’s investment strategy of increasing the Fund’s allocation to the office sector. It builds on our activity over the past three months including the purchase of a 50% interest in 12 Creek Street in the Brisbane CBD.”

### Property details

#### **225 George Street, Sydney (DXS 25% interest)**

Grosvenor Place is a landmark Premium-grade office building located near Circular Quay in the Sydney CBD. The building comprises 84,527sqm of office accommodation (86% occupancy by income) over 44 levels together with 984sqm of retail space (100% occupancy by income), parking for 566 cars and an impressive 3 storey lobby. Designed by renowned architect Harry Seidler, the complex also includes the heritage listed Royal Naval House and Johnson’s Building, and the Brooklyn Hotel.

The building was opened in 1988 and won a number of architectural awards for its unique design, including the two large crescent shaped floor plates. Grosvenor Place has a 4 star NABERS Energy rating and 4 star NABERS Water rating. Major tenants include international accounting firm Deloitte, Norton Rose and McCann WorldGroup.



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## 2 and 4 Dawn Fraser Avenue, Sydney Olympic Park (DXS 50% interest)

2 and 4 Dawn Fraser Avenue comprises two adjoining seven level A-Grade office towers with a total lettable area of 34,157sqm (100% occupancy by income) and is located opposite the Sydney Olympic Park railway station. The office accommodation represents 32,318sqm and is fully leased to Commonwealth Bank on an average lease term of 5.8 years. The property also includes ground floor retail space and parking for 593 cars. Built in 2006, the property is 5 Star Green Star rated with a 5 star NABERS Energy rating and a 5.5 star NABERS Water rating.

While not located within DEXUS's core CBD markets, this property provides a strong annuity income for investors from a blue-chip tenant and is currently under-rented, providing potential rental upside in the medium term.

## 39 Martin Place, Sydney including Martin Place Shopping Circle (DXS and DWPF 100% (50% each))

39 Martin Place is a B-Grade property located in a prominent position adjacent to Martin Place railway station, providing 14,525sqm of office accommodation (74% occupancy by income) over 20 levels together 1,816sqm of retail space (100% occupancy by income), comprising 6 retail shops with major anchor being Tiffany & Co. The adjoining Martin Place Shopping Circle provides a further 805sqm of retail space as part of a convenient underground pedestrian link to the railway station.

The construction of 39 Martin Place was completed in 1972 and major refurbishments were completed in 1997 and 2011, with the latest including \$15 million of improvements incorporating lift cars and the full refurbishment of six floors. The building currently provides basement parking for approximately 68 vehicles over 2 levels.

The property presents DXS and DWPF with an attractive medium-term repositioning opportunity in a precinct being revitalised through the current refurbishment of neighbouring properties.

Further details, including major tenants and the lease expiry profile, for the Sydney portfolio are included in the appendices.

The Sydney portfolio transaction is expected to settle on 28 February 2013 and is subject to third party consents and approvals.

For further information please contact:

### Investor and media queries

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### About DEXUS

DEXUS's vision is to be globally recognised as the leading real estate company in Australia, with market leadership in office. With \$13 billion of assets under management, DEXUS invests in high quality Australian office and industrial properties and, on behalf of third party clients, is a leading manager and developer of industrial properties and shopping centres in key markets. The Group's stock market trading code is DXS and more than 18,000 investors from 15 countries invest in the Group. At DEXUS we pride ourselves on the quality of our properties and people, delivering world-class, sustainable workspaces and service excellence to our tenants and delivering enhanced returns to our investors. DEXUS is committed to being a market leader in Corporate Responsibility and Sustainability.

[www.dexus.com](http://www.dexus.com)

DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)

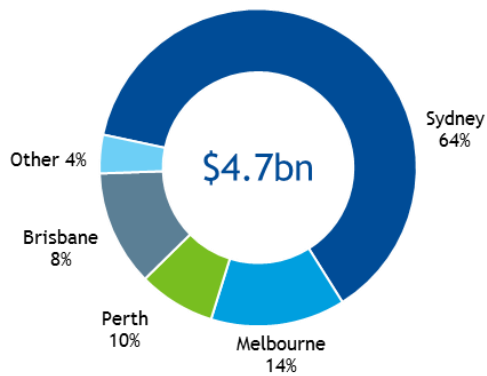


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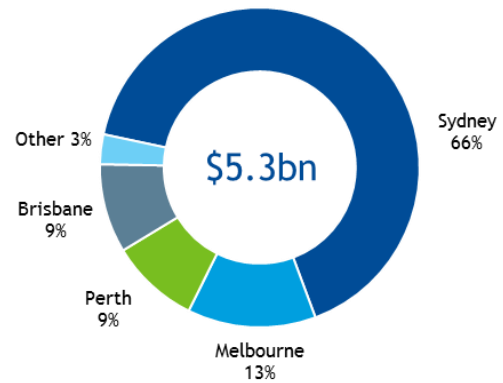
## Appendices

### Appendix 1: Impact on the DXS portfolio

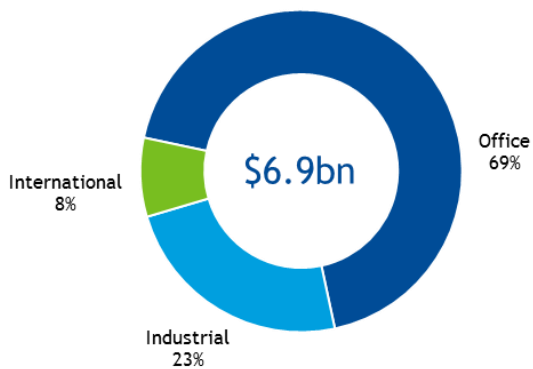
Office geographic weighting at 30 June 2012<sup>1</sup>



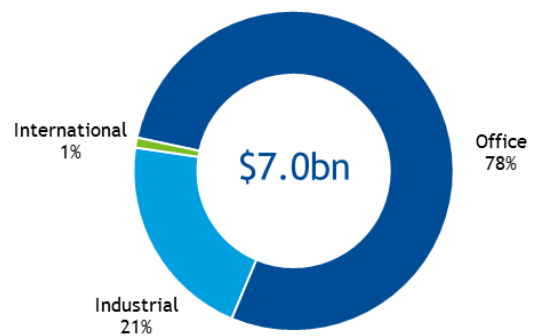
Office geographic weighting - pro-forma<sup>2</sup>



Portfolio diversification at 30 June 2012<sup>1</sup>



Portfolio diversification - pro-forma<sup>2</sup>



1. 30 June 2012 weightings prior to establishment of the NPS partnership and the acquisitions announced since 30 June 2012.
2. Including this transaction and the sale of the US industrial portfolio announced on 20 December 2012.

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## Appendices

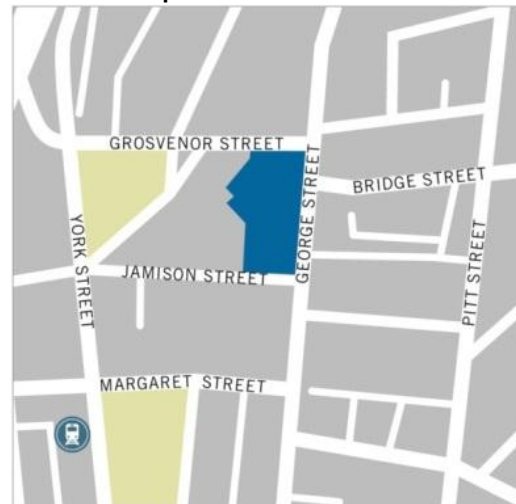
### Appendix 2: Property details

#### 225 George Street, Sydney (Grosvenor Place)

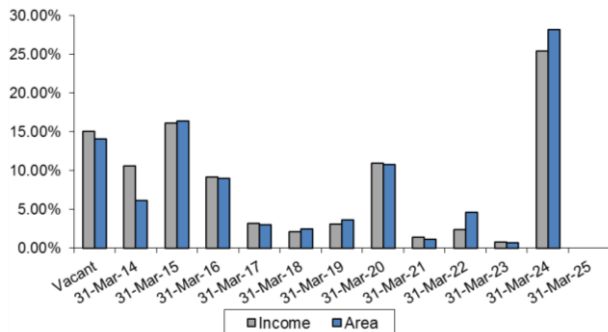
	As at 20 December 2012
Acquisition price <sup>1</sup>	\$271.25m
Lettable area (sqm)	85,511
Acquisition rate per sqm	\$12,688
Land title	Leasehold (85 years)
Initial yield (%)	5.4
Capitalisation rate (%)	6.5
IRR (10 year unlevered) (%)	8.9
Occupancy (% by area)	86
WALE (years by income)	5.3
NABERS Energy rating (stars)	4.0
NABERS Water rating (stars)	4.0
Major tenants	Deloitte, Norton Rose, McCann GlobalGroup

1. DXS 25% share excluding acquisition costs.

#### Location map



#### Lease expiry profile



# DEXUS Property Group (ASX:DXS)

## Appendices

### 225 George Street, Sydney (Grosvenor Place) Tenant profile

Level 45	Plant Room		
Level 44	Blackrock		
Level 43	Blackrock		
Level 42	Barclays Capital	Timber Hill	
Level 41	Ashurst		
Level 40	Ashurst		
Level 39	Ashurst		
Level 38	Ashurst		
Level 37	Ashurst		
Level 36	Ashurst		
Level 35	Ashurst		
Level 34	Plant room	Vacant	
Level 33	Plant room	Vacant	
Level 32	ex JP Morgan		
Level 31	IPAC Securities		
Level 30	IPAC Securities		
Level 29	Itochu Australia	ex JP Morgan	
Level 28	ex JP Morgan		
Level 27	ex JP Morgan	Vacant	Mathews Capital
Level 26	ex JP Morgan		
Level 25	ex JP Morgan		
Level 24	ex JP Morgan	Colliers	Vacant
Level 23	RGA		
Level 22	NAB	JN Solutions	Babson Capital
Level 21	Main		Vacant
Level 20	Norton Rose		
Level 19	Norton Rose		
Level 18	Norton Rose		
Level 17	Norton Rose		
Level 16	Norton Rose		
Level 15	Deloitte		
Level 14	Deloitte		
Level 13	Ferrier Hodgson		
Level 12	Colliers International (NSW)		
Level 11	Deloitte	Plant room	
Level 10	Deloitte	Plant room	
Level 9	Deloitte		
Level 8	Deloitte		
Level 7	Deloitte		
Level 6	Deloitte		
Level 5	Deloitte		
Level 4	Deloitte		
Level 3	Deloitte		
Level 2	Deloitte		
Level 1	Deloitte		
Ground	Foyer		
Basement	Carpark - 5 levels		

Johnson's Building	
JB 6	DEGW
JB 5	Vacant
JB 4	Madston Black
JB 3	GPPL
JB 2	Carbine
JB 1/2	233 George Street
Royal Naval House	
RNH 4	McCann
RNH 3	McCann
RNH 2	McCann
RNH 1	McCann
RNH G	McCann
Lobby	
Lobby 3	Bar Bene
Lobby 2	Euro
Lobby 1	Oriental Elements



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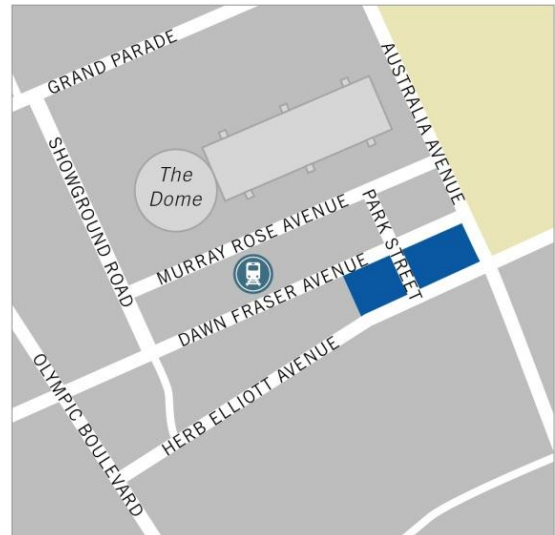
### 2 and 4 Dawn Fraser Avenue, Sydney Olympic Park

As at 20 December 2012	
Acquisition price <sup>1</sup>	\$82.7m
Lettable area (sqm)	34,157
Acquisition rate per sqm	\$4,842
Land title	Leasehold (94 years)
Initial yield (%)	7.8
Capitalisation rate (%)	8.0
IRR (10 year unlevered) (%)	8.9
Occupancy (% by area)	100
WALE (years by income)	6.2
NABERS Energy rating (stars)	5.0
NABERS Water rating (stars)	5.5
Green Star rating <sup>2</sup>	5.0
Major tenant	Commonwealth Bank of Australia

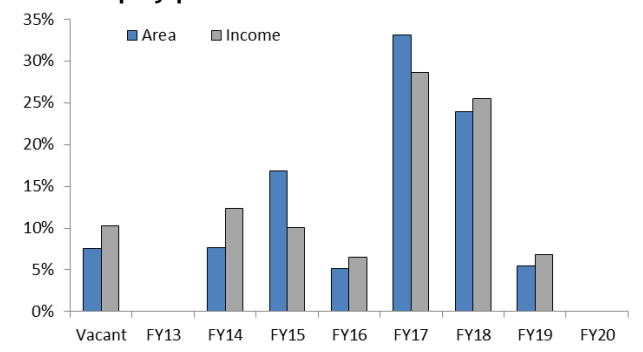
1. DXS 50% share excluding acquisition costs.

2. 5.0 star Office As Built v2 and 5.0 star Office as Designed v2.

### Location map



### Lease expiry profile



# DEXUS Property Group (ASX:DXS)

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### 2 and 4 Dawn Fraser Avenue, Sydney Olympic Park

#### Tenant profile

Level 7	Commonwealth Bank	Commonwealth Bank
Level 6	Commonwealth Bank	Commonwealth Bank
Level 5	Commonwealth Bank	Commonwealth Bank
Level 4	Commonwealth Bank	Commonwealth Bank
Level 3	Commonwealth Bank	Commonwealth Bank
Level 2	Commonwealth Bank	Commonwealth Bank
Level 1	Commonwealth Bank	Commonwealth Bank
Ground	Commonwealth Bank	Commonwealth Bank
Basement	Carpark - 6 levels	





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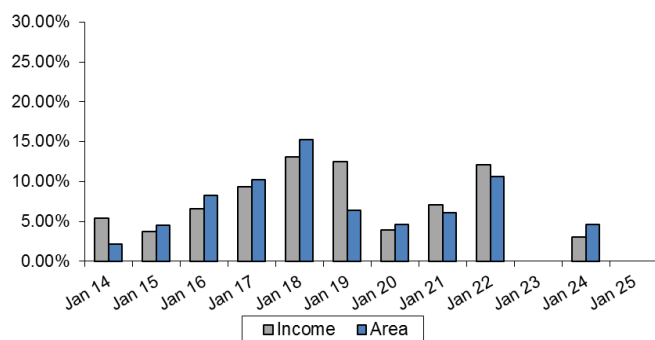
### 39 Martin Place, Sydney (39MP) and Martin Place Shopping Circle, Sydney (MPSC)

As at 20 December 2012	39MP	MPSC
Acquisition price <sup>1</sup>	\$143.0m	\$6.75m
Lettable area (sqm)	16,341	805
Acquisition rate per sqm	\$8,751	\$8,385
Land title	Freehold	Leasehold (28 years)
Initial yield (%)	5.7	14.1
Capitalisation rate (%)	7.5	10.25
IRR (10 year unlevered) (%)	9.4	11.3
Occupancy (% by area)	74	100
WALE (years by income)	4.0	4.0
NABERS Energy rating (stars) <sup>2</sup>	n/a	n/a
NABERS Water rating (stars) <sup>2</sup>	n/a	n/a
Major tenants	Tiffany & Co, Wardell Chambers	McDonald's

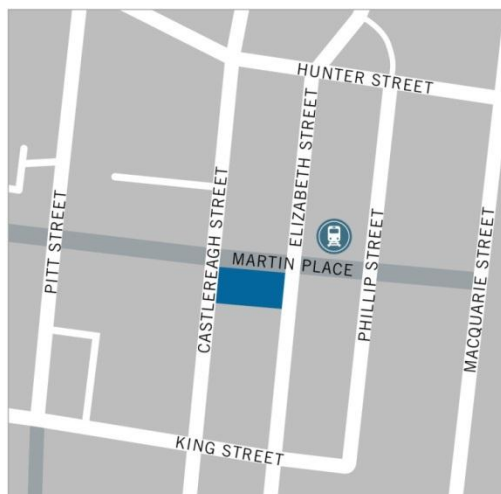
1. DXS 50% share excluding acquisition costs.

2. An exemption is currently in place, however the NABERS Energy rating is estimated at 3 stars.

#### Lease expiry profile



#### Location map



# DEXUS Property Group (ASX:DXS)

## Appendices

### 39 Martin Place, Sydney Tenant profile

Level 20	Ariadne			
Level 19	JETRO	Mars Partnership		
Level 18	Carrill Services			
Level 17	Tiffany & Co			
Level 16	Wardell Chambers			
Level 15	CALGAR			
Level 14	Treasury Group	Vacant	Heymann-Cohen	
Level 13	Turner Freeman			
Level 12	Stacks Lawyers			
Level 11	Vacant			
Level 10	IMF Australia	American Appraisal	Vacant	
Level 9	Amber	BTS Australasia	Signature Consulting	
Level 8	AFC	Vacant		
Level 7	FRV	Voyager Travel	Kapstream	
Level 6	Vacant			
Level 5	Vacant			
Level 4	Vacant	Ajuria	Macroplan	
Level 3	Legal Super	Enterprise Architects	Gillard Lawyers	Schurgott Noolan
Level 2	YPOL			
Level 1	Vacant			
Upper Ground	Good Co Cafe	Martin Place Bar	St George Bank	Hunt Leather
Ground	Tiffany & Co			Vacant
Basement	Carpark			

### Martin Place Shopping Circle, Sydney Tenant profile

Eateries	Services	Retail
Deli De Lite	Aady's Alterations	Bogart's House of Fine Cigars
EasyWay Tea Martin Place	Prime Beauty	Young Mi
The Lab Cafe	Moses Shoe Repairs & Keys	Zippy Pharmacy
Little Vienna	Taroo Cuts	
McDonald's	WE Massage	
Masaki Sushi	Westpac ATM	
Taste Baguette	Clean as a Whistle	
Wrapz		
Yummy Cuisine		

