

DEXUS Property Group (ASX:DXS)

ASX release

27 November 2012

Acquisition of Melbourne CBD office property

DEXUS Property Group announces that late yesterday it exchanged contracts to acquire 40 Market Street, Melbourne for \$46.7 million (excluding acquisition costs), a value-add office property located in the core of the Melbourne CBD with strong repositioning potential.

The property is a nine level, B-grade office building providing 11,711 square metres of office accommodation, 300 square metres of ground floor retail space and 85 car spaces. The office space is 100% leased to Powercor Australia, Victoria's largest electricity distributor, until December 2018. Situated in Melbourne's western core precinct, 40 Market Street offers large floor plates, good natural light and tenant amenity, including significant car parking and storage.

DEXUS CEO Darren Steinberg said: "This purchase offers an opportunity for us to demonstrate our property expertise in driving enhanced performance, and is further evidence of the execution on our objective of being the leading owner and manager of office property in Australia. Our proven ability to move quickly and complete this transaction in a timely and efficient manner was a key factor for the vendor."

In line with DEXUS's investment criteria, 40 Market Street provides a cost effective way of accessing a high quality property, where the cost of acquisition plus repositioning is below replacement cost. 40 Market Street provides an opportunity for DEXUS to reposition the property through refurbishment, improving the property's NABERS Energy rating and extending the lease term with the existing tenant. This, combined with an acquisition yield of 8.9%, is forecast to deliver an internal rate of return¹ of greater than 13%, in excess of our hurdle returns.

This property complements the acquisition of 50 Carrington Street, Sydney, which was announced in August 2012. The refurbishment works involved to reposition the property will form part of our overall 15% maximum development exposure and will add value to the property.

The acquisition will be funded from existing debt facilities and is immediately accretive to earnings.

Settlement is expected to occur on 20 December 2012.

For further information please contact:

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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

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

1. Three year unlevered internal rate of return.

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Property details

	As at 27 November 2012
Acquisition price ¹	\$46.7m
Lettable area (sqm)	12,011
Acquisition rate per sqm	\$3,888
Initial yield (%)	8.9
Capitalisation rate (%)	8.5
IRR (3 year unlevered) (%)	13.3
Occupancy (% by area)	100
Occupancy (% by income)	100
WALE (years by income)	6.0
NABERS Energy rating (stars)	0
NABERS Water rating (stars)	0
Tenant	Powercor Australia

1. Excluding acquisition costs.

Location map

