

# DEXUS Property Group (ASX: DXS)

ASX release

24 October 2012

## September 2012 quarterly update and Sydney CBD office tour

DEXUS Property Group is hosting a quarterly update presentation and Sydney CBD office tour today for institutional investors and brokers and provides the attached ASX release, presentation and tour booklet.

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, and has \$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)

# DEXUS Property Group (ASX:DXS)

ASX release

24 October 2012

## September 2012 quarter portfolio update

DEXUS Property Group today announced its portfolio update for the quarter ended 30 September 2012. In an active quarter, the Group has executed a number of key strategic and operational initiatives, commencing on the delivery of the new strategy announced in August 2012.

### Delivering on strategy

DEXUS CEO, Darren Steinberg said: "We have made solid progress on our objective of being the leading owner and manager of Australian office demonstrated through our team's dedication and focus on retention and proactive negotiations with tenants. This has produced positive results, for example at our newly acquired properties in Sydney and Brisbane, where we secured early leasing access prior to settlement. We have focused our resources on leasing in anticipation of a soft period of growth in FY13 across our key Australian office markets of Sydney and Melbourne.

We have also made progress on our objective of having the best people and systems and strengthening our core capabilities. Our teams have embraced the focus on service excellence and high performance evidenced through increased communication, information exchange and teamwork across all our assets, producing positive results for the quarter across our portfolio. During the quarter, we implemented new tools and systems to improve our service offering, while adopting best in class systems to help drive total return outperformance.

Following an extensive review of our head office accommodation options, we are pleased to confirm our decision to move into a DEXUS owned building and will be relocating to levels 25 and 26 of Australia Square in Sydney, in the second quarter of 2013. The move will enable the creation of a new workplace that supports our culture of service excellence and high performance, through the adoption of leading technologies in a destination that aligns with our new vision and strategy."

A key milestone in achieving our objective to be a wholesale partner of choice was the settlement of the transaction relating to the formation of the partnership with the National Pension Service of Korea (who were advised by Heitman), demonstrating our commitment to the Australian industrial sector.

### PORTFOLIO HIGHLIGHTS

In a quarter of strong leasing, we leased or renewed a total of approximately 200,000 square metres<sup>1</sup> of space across 87 transactions, increasing occupancy from 93.4% at 30 June 2012 to 94.7% at 30 September 2012.

#### Office

- Leased 45,234 square metres<sup>1</sup> across 36 transactions including the securing of a 5-year option over 23,528 square metres with the Department of Finance at 8 Nicholson Street, Melbourne
- Secured heads of agreement for four new tenants at 1 Bligh Street, which is now 93% committed

#### Industrial

- Leased 96,931 square metres<sup>1</sup> across 29 transactions including securing heads of agreement for a seven year pre-lease for a new 18,670 square metre development at Laverton North
- At Gillman in South Australia, a further 30,057 square metres was leased at new rents averaging 32% higher than prior passing rents, increasing the property's occupancy to 96%

1. Including Heads of Agreement.

# DEXUS Property Group (ASX:DXS)

ASX release

## US industrial

- Progressed the sale of the remaining US portfolio with negotiations now underway and terms expected to be agreed prior to Christmas
- Leased 55,873 square metres<sup>2</sup> across 22 transactions, increasing occupancy to a historical high of 98.8%

## PORTFOLIO UPDATE

### Total portfolio metrics as at 30 September 2012

- Portfolio value: \$7.0 billion
- Total area: 2.5 million square metres
- Area leased during quarter: 198,038 square metres

	30 September 2012	30 June 2012
Occupancy by area	94.7%	93.4%
Occupancy by income	95.5%	95.8%
WALE by income	4.8 years	4.7 years
Retention rate (year to date)	78%	65%
Retention rate (rolling 12 months)	66%	65%

Valuations were completed at six properties at 30 September 2012 including three office and three industrial properties. An average six basis point tightening in capitalisation rates has driven a valuation uplift of \$21.6 million, representing a 3.6% increase in book value for the properties valued. The properties included 1 Margaret Street, Sydney (up \$9.6m); 60 Miller Street, North Sydney (up \$4.9m); 1 Bligh Street, Sydney (up \$4.7m); 15-23 Whicker Road, Gillman (up \$1.4m); 27-29 Liberty Road, Huntingwood (up \$0.7m); 30 Bellrick Street, Acacia Ridge (up \$0.3m).

## Office

- Portfolio value: \$4.9 billion<sup>3</sup>
- Total area: 623,391 square metres<sup>3</sup>
- Area leased during quarter: 45,234 square metres

	30 September 2012	30 June 2012
Occupancy by area	96.2%	97.1%
Occupancy by income	96.2%	96.8%
WALE by income	5.0 years	4.9 years
Average incentive	8.0%	17.3%
Average rental increase in rent	4.2%	4.6%
Retention rate (year to date)	77%	66%
Retention rate (rolling 12 months)	72%	66%

Darren Steinberg said: "While office market demand remains tempered, we are seeing some positive signs in core markets and solid interest in high quality buildings. Increased demand is coming from the legal, insurance and business sectors, as well as suburban based tenants looking to move to CBD locations due to competitive conditions and a reduced price differential."

During the September quarter 45,234 square metres of office space was leased across 36 transactions, including securing heads of agreement over 11,835 square metres.

2. Including Heads of Agreement.

3. Including the acquisitions of 12 Creek Street, Brisbane (50% interest) and 50 Carrington Street, Sydney.

# DEXUS Property Group (ASX:DXS)

## ASX release

The major success was the retention of the Department of Finance at 8 Nicholson Street, Melbourne for a further five years, at passing rents and an extended lease term to June 2018.

Occupancy by area for the office portfolio decreased 0.9%, but remains strong at 96.2%, 4.5% higher than the national CBD average of 91.7%. This follows the departure of Comcare at 14 Moore Street in Canberra, which is currently being actively marketed for lease.

At 50 Carrington Street, Sydney, we secured early access prior to settlement on 30 November 2012 and commenced our strategic leasing plan for the building. This proactive approach has resulted in terms being agreed on lease renewals with two existing tenants across a total of 1,781 square metres, increasing the WALE from 2.2 years at acquisition to 2.9 years. In addition we have commenced the refurbishment of two vacant floors as part of a \$5.3 million capital expenditure program to reposition the property which will include a lobby and lift upgrade. We are targeting niche businesses who seek modern office accommodation in a central, convenient location.

At 12 Creek Street, Brisbane, we also secured early leasing access prior to settlement on 31 October 2012 and have actively negotiated lease extensions with a number of tenants over a total of 2,060 square metres. This proactive approach has increased the property's weighted average lease term from 4.5 years at acquisition to 5.5 years.

Other key leasing achievements during the quarter included:

- Secured heads of agreement over 3,847 square metres with an existing tenant at Southgate
- Secured heads of agreement for four new tenants across 1,419 square metres on levels 17 and 18 at 1 Bligh Street, Sydney, which is now 93% committed

The office portfolio capital value increased \$19.2 million following the revaluation of three properties with the weighted average capitalisation rate for these properties tightening by 13 basis points.

The NABERS Energy rating for the DXS office portfolio increased from 3.9 stars at 30 June 2012 to 4.3 stars at 30 September 2012 and we are on track to achieve our 4.5 star target by 31 December 2012.

### Industrial

- Portfolio value: \$1.5 billion<sup>4</sup>
- Total area: 1,141,166 square metres
- Area leased during quarter: 96,931 square metres

	30 September 2012	30 June 2012
Occupancy by area	94.0%	91.7%
Occupancy by income	93.0%	92.8%
WALE by income	4.3 years	4.4 years
Average incentive	5.1%	5.5%
Average rental decrease in rent	(0.9)%	(5.0)%
Retention rate (year to date)	66%	59%
Retention rate (rolling 12 months)	57%	59%

4. Including the NPS partnership transaction.



# DEXUS Property Group (ASX:DXS)

ASX release

Solid demand continues for high quality industrial facilities located close to major road networks and the logistics trend continues for larger businesses seeking to integrate their diversified operations and consolidate their property and facility requirements to Sydney's outer western markets. This has driven demand for newer facilities on the arterial intersections at Greystanes, Erskine Park and Eastern Creek.

During the September quarter 96,931 square metres of industrial space was leased across 29 transactions, including securing heads of agreement over 18,670 square metres. Continuing the positive leasing momentum at Gillman in South Australia, a further 30,057 square metres has been leased at rents averaging 32% higher than June 2012 passing rents, increasing the property's occupancy to 96%.

Occupancy by area for the industrial portfolio increased from 91.7% at 30 June 2012 to 94.0% at 30 September 2012, primarily driven by the solid leasing at Gillman.

Other major leasing transactions included the leasing of a 3,551 square metre facility at Minna Close, Belrose to Nature's Care for three years and forward lease renewals at Huntingwood (6,829 square metres) and Rosebery (7,604 square metres) for three and five year terms respectively.

During the quarter trading profits of \$1.25 million were secured through the sale of two completed development properties as part of the partnership with the National Pension Service of Korea (NPS). The trading profit assumption for FY13 guidance has reduced from approximately \$5 million to approximately \$2 million, as we are considering our options whether to hold or sell several of our development projects, including Wacol in Queensland.

## DEVELOPMENTS

### Greystanes

We currently have two developments underway:

- A \$24.5 million, 18,200 square metre speculative warehouse and we have secured two heads of agreement over 43% of the facility. The estimated yield on cost is 9.1% with an estimated project IRR of 20%. Practical completion is expected in November 2012.
- A \$21 million development, in partnership with NPS, pre-leased to Brady Australia for a 10 year term and due for practical completion in November 2012.

### Laverton North

We will be commencing two developments at Laverton in the next quarter for a total cost of \$29.3 million, providing more than 30,500 square metres of lettable area. Toll has pre-committed to the larger of these two facilities, 18,670 square metres, for a seven year term.

### Erskine Park

In July 2012, construction commenced at 57-75 Templar Road, Erskine Park for a 30,145 square metre speculative multi-unit industrial estate. Construction is due to be completed in March 2013. We have already received solid leasing enquiry for this development.

### Wacol

Construction is continuing on our 7,830 square metre warehouse and distribution facility pre-leased to Nissan Australia and the adjacent 5,800 square metre speculative development, with practical completion due December 2012. In addition, works will commence on a new speculative development of 12,220 square metres in November 2012.

# DEXUS Property Group (ASX:DXS)

ASX release

## US industrial

- Portfolio value: US\$0.6 billion
- Total area: 630,568 square metres
- Area leased during quarter: 55,873 square metres

	30 September 2012	30 June 2012
Occupancy by area	98.8%	97.1%
Occupancy by income	99.2%	98.2%
WALE by income	4.4 years	4.4 years
Average incentive	7.2%	7.1%
Average rental increase/(decrease) in rent	(17.4)%	(8.5)%
Retention rate (year to date)	90%	66%
Retention rate (rolling 12 months)	77%	66%

During the September quarter 55,873 square metres of US industrial space was leased across 22 transactions including forward renewal of FedEx over 16,800 square metres in Los Angeles for a further five years.

Occupancy by area has reached a historical high of 98.8% a further increase of 1.7% from 30 June 2012 and 11.9% ahead of the national average of 86.9%.

Darren Steinberg said: "In September we commenced a formal marketing campaign to sell the remaining US portfolio comprising 24 west coast properties and three land parcels in Texas, based on strong investor demand for the asset class. The process is progressing well, with negotiations now underway. We are expecting a premium for the portfolio and are targeting no dilution to NTA or FFO, with terms expected to be agreed prior to Christmas. We will ensure to keep the market fully up to date on the progress of the sale."

## CAPITAL MANAGEMENT

	30 September 2012	30 June 2012
Gearing	29.3%	27.2%
Pro-forma gearing post transactions <sup>5</sup>	29.9%	n/a
Duration of debt	4.3 years	4.2 years
Current cost of debt <sup>6</sup>	6.0%	6.1%
Hedged debt	71%	73%
Undrawn facilities (approximately)	\$0.4bn	\$0.6bn

During the quarter we issued \$180 million in medium term notes (MTNs) over four transactions. The average all-in yield was 5.75% at an average duration of 5.8 years. Debt duration following these transactions increased from 4.2 years at 30 June 2012 to 4.3 years at 30 September 2012 while the Group's average cost of debt reduced marginally to 6.0%.

DEXUS CFO Craig Mitchell said "Over the past three months we have adopted a strategic and active approach in the MTN market taking advantage of improving conditions to refinance our short-dated bank debt with long-dated MTNs. This approach has helped us improve the cost, duration and diversity of the Group's debt profile and considerably improved our margins for MTN debt."

5. Post the settlement of the NPS partnership and the acquisitions of 12 Creek Street, Brisbane and 50 Carrington Street, Sydney.

6. Weighted average of the hedged rate and floating rates at period end date, inclusive of fees and margins on a drawn basis.

# DEXUS Property Group (ASX:DXS)

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The \$200 million on-market securities buyback continued during the quarter and is now 64% complete following the purchase of 81.9 million securities since 30 June 2012 at an average price of \$0.947 per security.

On 10 August 2012 the DEXUS treasury team was awarded Corporate Treasury Team of the Year at the Annual Capital/CFO Magazine awards, published by the *Australian Financial Review*. Particular recognition was given to the execution of the complex US central portfolio sale and the smooth settlement of the transaction.

## THIRD PARTY FUNDS MANAGEMENT

Our partnership with the National Pension Service of Korea, who were advised by Heitman, has now been established following settlement of the transaction on 2 October 2012. The joint venture currently includes 13 properties in Sydney and Melbourne, primarily in the Quarry at Greystanes Estate in NSW and the DEXUS Industrial Estate at Laverton North in Victoria (see Appendix 1). The initial partnership investment amount is \$360 million with the potential to increase to \$800 million.

DEXUS Wholesale Property Fund (DWPF) continues to deliver strong performance with a total return for the 12 months to September 2012 of 8.6%, outperforming its benchmark over one, three and five year periods to 30 September 2012. The Fund is now in the final stages of a due diligence process with a new investor for a capital investment of approximately \$300 million. The joint acquisition of 12 Creek Street, Brisbane also demonstrated our ability to partner with DWPF on investment opportunities and deliver an enhanced total return for DEXUS investors.

Our STC mandate also outperformed its benchmark over periods of one, three and five year periods to 30 September 2012.

## SUMMARY

Darren Steinberg said: "It's great to see the progress we are making in improving the business and that the strong commitment from the team is producing some positive results. In light of the performance during the quarter we are confident of delivering on our guidance<sup>7</sup> for earnings or FFO for the year ending 30 June 2013 of 7.75 cents per security, and a distribution of 5.8 cents per security."

For further information please contact:

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7. Barring unforeseen circumstances and assuming a 75% payout ratio, delivering 2% like-for-like NOI growth in office portfolio, approx. \$2m in trading profits, cost of debt at 6.0% and excluding impacts of any further on-market securities buy-back.

# DEXUS Property Group (ASX:DXS)

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## Appendix 1: NPS partnership properties

Location/facility	A\$m
Quarry at Greystanes, Sydney NSW	
Solaris Paper	25.25
Symbion Health	32.10
Fujitsu	40.00
UPS Australia	7.80
Brady Australia <sup>1</sup>	10.20
DEXUS Industrial Estate, Laverton VIC	
Fastline	15.90
Toll Transport	11.20
Visy Industries	19.00
Wrightson Seeds	7.00
Foster's Group	36.00
Best Bar	11.75
Coles Limited <sup>2</sup>	100.00
Target Distribution Centre, Altona VIC	32.47
<b>Total Joint Venture pre completion of Brady Australia facility</b>	<b>348.67</b>
Brady Australia facility costs to complete <sup>1</sup>	10.80
<b>Total Joint Venture post completion of Brady Australia facility</b>	<b>359.47</b>

1. The Brady Australia facility is currently under construction. Following settlement of the JV with NPS, the remaining development costs will be funded jointly by NPS and DEXUS.
2. DEXUS previously owned 50% of this property. NPS has acquired the balance 50% from the third party owner and now jointly owns the property with DEXUS. All other properties were 100% owned by DEXUS prior to the formation of the NPS partnership.



# 2012 DEXUS PROPERTY GROUP

## SEPTEMBER QUARTERLY UPDATE



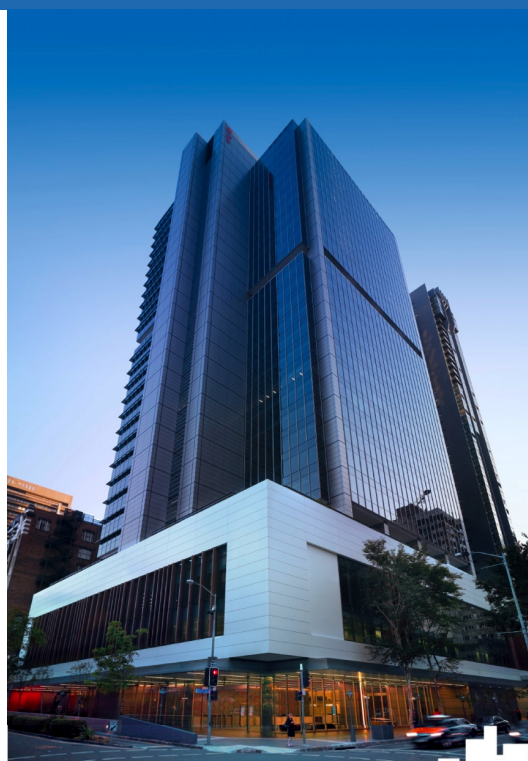
DEXUS Funds Management Limited  
ABN 24 060 920 783  
AFSL 238163 as responsible entity for DEXUS Property Group

**DEXUS**  
PROPERTY GROUP

## AGENDA

- **Strategy**
  - Progress on strategic objectives
- **Portfolio update**
  - Total portfolio
  - Office
  - Industrial
  - US industrial
- **Market outlook**
  - Australian office markets
  - Sydney CBD office market
  - Australian industrial markets
- **Summary**

123 Albert Street, Brisbane, QLD



## STRATEGY

A clear and focused strategy

## OUR VISION

To be globally recognised as Australia's leading real estate company

### OUR STRATEGY

To deliver superior risk-adjusted returns for our investors from high quality Australian real estate primarily comprising CBD office buildings

### OUR STRATEGIC OBJECTIVES

#### OFFICE

Being the leading owner and manager of Australian office

#### CORE CAPABILITIES

Having the best people, strongest tenant relationships and most efficient systems

#### CAPITAL PARTNERSHIPS

Being the wholesale partner of choice in Australian office, industrial and retail

#### CAPITAL & RISK MANAGEMENT

Actively managing our capital and risk in a prudent and disciplined manner

### OUR PEOPLE WILL BE RECOGNISED FOR

Property expertise

Institutional rigour

Entrepreneurial spirit

DEXUS Property Group 2012 September Quarterly Update – Slide 3

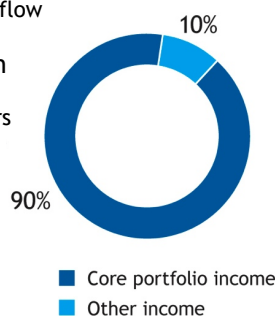


## STRATEGY

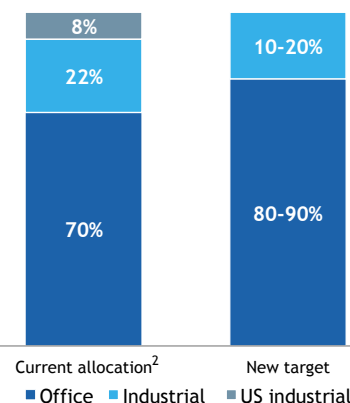
Earnings and portfolio targets

- Australian office – aspire for clear leadership
  - Most efficient and profitable operation
  - Leadership in leasing, tenant relationships and deal flow
- Australian industrial – retain leadership position
  - Industrial exposure provides benefits to DXS investors in terms of yield
  - NPS partnership demonstrates commitment to industrial
  - Developments underway at Wacol, QLD and Erskine Park, NSW
  - Portfolio composition to remain at upper end of target range in short to medium term
- Exit from non-core offshore markets

DXS earnings composition target<sup>1</sup>



DXS portfolio composition target<sup>1</sup>



Maximum of 15% of funds under management exposure to development in DXS portfolio

1. Target of 3-5 year timeframe.  
2. As at 30 September 2012, including the NPS partnership and the acquisitions of 50 Carrington Street, Sydney and 12 Creek Street, Brisbane.

DEXUS Property Group 2012 September Quarterly Update – Slide 4



# STRATEGY

## Progress on strategic objectives and initiatives

### STRATEGIC OBJECTIVES

**OFFICE**  
Being the leading owner and manager of Australian office

**CORE CAPABILITIES**  
Having the best people, strongest tenant relationships and most efficient systems

**CAPITAL PARTNERSHIPS**  
Being the wholesale partner of choice in office, industrial and retail

**CAPITAL & RISK MANAGEMENT**  
Actively managing our capital in a prudent and disciplined manner

### INITIATIVES

- Proactively managing and driving performance
- Redeploying excess capital into core Australian office markets
- Enhancing tenant relationships through implementing new systems and practices

- Implementing programs and systems to enhance core capabilities
- Embedding a culture of service excellence and high performance
- Creating operational efficiencies and reducing costs

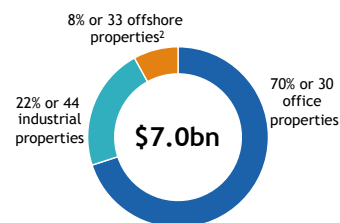
- Growing third party funds management business through
  - Developing new capital partners
  - Partnering with third party funds on investment opportunities

- Progressing the exit of non-core offshore markets
- Reducing the cost and improving the access to capital
- Progressing the recycling of non-core Australian properties

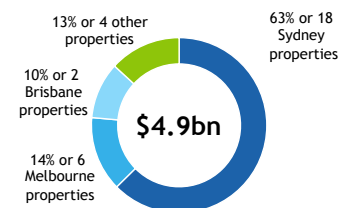
### FY13 PROGRESS



#### Total portfolio by value<sup>1</sup>



#### Office portfolio by value<sup>1</sup>



1. As at 30 September 2012, excludes cash and includes the acquisitions of 50 Carrington Street, Sydney and 12 Creek Street, Brisbane.  
2. Includes US west coast and European portfolios.

# STRATEGY

## Progress on strategic objective – Office

### STRATEGIC OBJECTIVE

**OFFICE**  
Being the leading owner and manager of Australian office

### INITIATIVES

- Proactively managing and driving performance of the office portfolio
- Redeploying excess capital into core Australian office markets
- Enhancing tenant relationships through implementing new systems and practices

### FY13 PROGRESS

- Achieved leasing success at newly acquired properties, prior to settlement
- Exchanged contracts to acquire 50 Carrington Street, Sydney and 12 Creek Street, Brisbane
- Progressed implementation of enhanced property services platform

### Progress in detail

- Early leasing access to newly acquired properties producing positive results
  - At **50 Carrington Street, Sydney** we have renewed 1,781sqm ahead of settlement due on 30 November 2012
    - Commenced \$5.3m capital program including refurbishment of two floors, lobby and lift upgrades and improved amenity
    - Increased WALE<sup>1</sup> from 2.2 years to 2.9 years
  - At **12 Creek Street, Brisbane**<sup>2</sup> we have leased 2,060sqm ahead of settlement due on 31 October 2012
    - Increased WALE<sup>1</sup> from 4.5 years to 5.5 years with occupancy up 0.8% to 95.4%
- Established customer relationship management (CRM) system to enhance tenant relationships
- Enhanced property services platform to be implemented prior to Christmas
  - Platform to improve property services and facilities management capabilities, accessing best in class technology to drive total return outperformance

1. Weighted average lease expiry by income.  
2. Owned jointly with DEXUS Wholesale Property Fund.



## STRATEGY

### Progress on strategic objective – Core capabilities

#### STRATEGIC OBJECTIVE

**CORE CAPABILITIES**  
Having the best people, strongest tenant relationships and most efficient systems

#### INITIATIVES

- Implementing programs and systems to enhance core capabilities
- Embedding a culture of service excellence and high performance
- Creating operational efficiencies and reducing costs

#### FY13 PROGRESS

- ✓ Implemented the DEXUS Leasing Console
- ✓ Decision to relocate our head office to Australia Square
- ✓ Announced a new remuneration framework
- ✓ Appointment of new Head of office and industrial pre Christmas

#### Progress in detail

- Leasing console launched on 30 July
  - Dashboard-style application, enabling leasing analysis and decisions to be made real-time
  - Operates from an iPad and other portable devices, allowing on-the-run analysis
  - 22 active users allowing team to focus on value-add and income generating activities
  - 600+ lease calculations have been completed since 30 July, saving over 200 hours
- DEXUS head office to relocate to levels 25 and 26 of Australia Square from May 2013
  - DEXUS to be located in a building owned by the Group and expected to save approx. \$1m p.a. in rent
  - The move will enable the creation of a new workplace that supports our culture of service excellence and high performance in a location that aligns with our new vision
- DEXUS's new remuneration framework to be voted on at the AGM on 5 November
- The appointment of a new Head of office and industrial to be announced pre Christmas

DEXUS Property Group 2012 September Quarterly Update – Slide 7



## STRATEGY

### Progress on strategic objective – Capital partnerships

#### STRATEGIC OBJECTIVE

**CAPITAL PARTNERSHIPS**  
Being the wholesale partner of choice in office, industrial and retail

#### INITIATIVES

- Growing third party funds management business through
  - Developing new capital partners
  - Partnering with third party funds on investment opportunities

#### FY13 PROGRESS

- ✓ Capital partnership with NPS now established
- ✓ In final stages for new capital for DWPF
- ✓ Currently exploring other capital partnership opportunities

#### Progress in detail

- Partnership with the National Pension Service of Korea (NPS), advised by Heitman, has been established following settlement on 2 October
  - Initial investment of \$360m<sup>1</sup> with potential to increase to \$800m
- DWPF delivered a 12 month<sup>2</sup> total return of 8.6%, outperforming its benchmark over 1, 3 and 5 years
- STC outperformed its benchmark over 1, 3 and 5 years
- DWPF in final stages with a new investor for approximately \$300m of new capital
- DXS partnered with DWPF for the acquisition of 12 Creek Street, delivering an IRR<sup>3</sup> of 10.2% for DXS investors

#### Capital partners seek

- Governance: best practice corporate governance and strong conflict identification and management
- Capability: experienced people with a strong reputation as well as defined, robust processes and established practices
- Performance: track record of outperformance together with financial strength and liquidity

#### DEXUS seeks

- Fewer, deeper relationships with like minded parties
- Alignment with our investment strategy and participation through the cycle
- Market based fees
- Partners who recognise our specialist skills and the value we add

1. Joint venture ownership of 13 industrial properties in Sydney and Melbourne.  
2. 12 months ended 30 September 2012.  
3. Forecast 10 year unlevered internal rate of return including DEXUS funds management fees.

DEXUS Property Group 2012 September Quarterly Update – Slide 8





# STRATEGY

## Progress on strategic objective – Capital and risk management

### STRATEGIC OBJECTIVE

**CAPITAL & RISK MANAGEMENT**  
Actively managing our capital in a prudent and disciplined manner

### INITIATIVES

- Progressing the exit of non-core offshore markets
- Reducing the cost and improving the access to capital
- Progressing the recycling of non-core Australian properties

### FY13 PROGRESS

- ✓ Progressed sale of remaining US portfolio
- ✓ Issued \$180m in four MTN transactions
- ✓ Progressing on-market securities buy-back
- ➔ Non-core Australian properties to be divested over the next 3 years

### Progress in detail

- Sale of the remaining US portfolio is progressing well, with negotiations underway
  - Expect terms to be agreed prior to Christmas
- Issued \$180m in four separate MTN transactions
  - Average all-in yield of 5.75% and 5.8 year tenor
  - Improving the cost, duration and diversity of debt
- On-market buy-back continued with a total of \$128m in securities bought back and now 64% complete
- DEXUS Treasury team awarded Corporate Treasury Team of the Year at the Annual Capital/CFO Magazine award

Capital management	30 Sep 12	30 Jun 12
Cost of debt <sup>1</sup>	6.0%	6.1%
Duration of debt <sup>2</sup>	4.3 years	4.2 years
Hedged debt <sup>3</sup>	71%	73%
Gearing	29.3%	27.2%
Pro-forma gearing <sup>4</sup>	29.9%	n/a
Undrawn facilities (approx.)	\$400m	\$570m
S&P/Moody's credit rating	BBB+/Baa1	BBB+/Baa1

1. Weighted average of the hedged rate and floating rates at period end date, inclusive of fees and margins on a drawn basis.  
2. Weighted average.

3. Average across the period.  
4. Adjusted for the settlement of the NPS partnership and the acquisitions of 50 Carrington Street, Sydney and 12 Creek Street, Brisbane.

## PORTFOLIO UPDATE



## PORTFOLIO UPDATE

### Total portfolio

#### Achievements

- Leased a total of 198,038sqm<sup>1</sup> across the portfolio, in 87 transactions over the quarter
- 6 properties revalued during quarter
  - \$21.6m valuation uplift or 3.6% on book value<sup>2</sup>
- On track to complete four industrial developments by 31 Dec 2012
  - Greystanes: 31,510sqm over two facilities with cost of \$45.5m and 8.8% yield on cost – 67% pre-leased
  - Wacol: 13,630sqm over two facilities with cost of \$17.8m and 9% yield on cost – 57% pre-leased
- Secured \$1.25m of trading profits through the sale of two completed developments<sup>4</sup> as part of the NPS partnership
  - Trading profit guidance for FY13 reduced from approx. \$5m to approx. \$2m as we are considering our options whether to hold or sell several development projects, including Wacol

DXS portfolio	30 Sep 12	30 Jun 12
Total number of properties <sup>3</sup>	107	106
Total NLA (sqm)	2.5m	2.5m
Occupancy by area	94.7%	93.4%
Occupancy by income	95.5%	95.8%
Weighted average lease expiry	4.8 years	4.7 years

Funds under management	30 Sep 12 DXS	30 Sep 12 Group
Total property portfolio <sup>3</sup>	\$7bn	\$13bn
Office portfolio <sup>3</sup>		
Value	\$4.9bn	\$6.8bn
% FUM	70%	53%
Target	80-90%	n/a
Development and repositioning		
Value	\$0.2bn	n/a
% FUM	3%	n/a
Target	<15%	n/a

1. Includes heads of agreement (HOA).

2. Based on prior book values of properties valued.

3. Includes 50 Carrington Street, Sydney and 12 Creek Street, Brisbane.

4. Fastlane and Toll facilities at Laverton North, VIC.

## PORTFOLIO UPDATE

### Office

#### Achievements

- Leased 45,234sqm across 36 transactions, including heads of agreement (HOA) over 11,835sqm
  - Department of Finance exercised a five year option over 23,528sqm at 8 Nicholson Street, Melbourne
  - HOA over 3,847sqm at Southgate in Melbourne
  - HOA over four suites totalling 1,419sqm at 1 Bligh Street, Sydney – now 93% committed
- Occupancy<sup>3</sup> decreased 0.9% to 96.2%
  - Comcare vacated 14 Moore Street, Canberra with active negotiations now underway
- WALE increased to 5 years
- \$19.2m valuation uplift from three properties, 3.6% increase on prior book value
- On track to achieve NABERS Energy 4.5 stars rating by 31 Dec 2012
  - At 30 Sep 2012 the average NABERS Energy rating is 4.3 stars

DXS office portfolio	30 Sep 12	30 Jun 12 <sup>1</sup>
Number of properties <sup>2</sup>	30	30
Occupancy by area <sup>3</sup>	96.2%	97.1%
Occupancy by income	96.2%	96.8%
Number of leases signed	11	48
Number of lease terms agreed	25	30
Retention rate YTD <sup>4</sup>	77%	66%
Retention rate 12 months <sup>4</sup>	72%	66%
Weighted average lease expiry	5.0 years	4.9 years

Office markets	Vacancy	Incentives
Sydney	8.6%	26%
Melbourne	8.3%	22%
Brisbane	8.8%	24%
Perth	4.0%	7%
National average	8.3%	21%
DXS portfolio average	3.8%	8.0% <sup>5</sup>

1. As at 30 June 2012 except leases signed and terms agreed which represent 12 months to 30 June 2012.

2. Includes the acquisitions of 50 Carrington Street, Sydney and 12 Creek Street, Brisbane.

3. By ownership.

4. By area.

5. DXS incentives for quarter ended 30 September 2012, average across all office leases.

## PORTFOLIO UPDATE

### Office

Leasing focus	Tenant	Area (sqm) <sup>1</sup> 16 Aug 2012	Area (sqm) <sup>1</sup> 24 Oct 2012	Ownership	Expiry status	Status
<b>FY13</b>						
1 Bligh Street	Vacant	4,482	3,063	33%	Available	1,419sqm secured under heads of agreement, part of remaining space under negotiation
45 Clarence Street	Vacant	3,735	3,735	100%	Available	Refurbishment completed, part under negotiation
Australia Square	Vacant	7,045	5,135	50%	Available	DEXUS to lease 2,064sqm from May 13. Marketing balance
14 Moore Street	Comcare	7,267	7,267	100%	Sep 12 - May 13	Active negotiations underway
8 Nicholson Street	Government	23,528	0	100%	Jun 13	Tenant exercised five year option
<b>FY14</b>						
Woodside Plaza	Woodside	4,281	4,281	100%	Nov 13	In discussions with current tenant
30 The Bond	Lend Lease	17,547	17,547	100%	Mar 14	In discussions with current tenant
GPT, 1 Farrer Place	Corrs	7,371	7,371	50%	May 14	Marketing
<b>FY15</b>						
GMT, 1 Farrer Place	NSW Gov't	20,406	20,406	50%	Dec 14	Continuing discussions with tenant and marketing the space

1. At 100%.

DEXUS Property Group 2012 September Quarterly Update – Slide 13



## PORTFOLIO UPDATE

### Industrial

#### Achievements

- Leased 96,931sqm across 29 transactions, including HOA over 18,670sqm
- Leased a further 30,057sqm at Whicker Road Gillman
  - Currently 96% leased with average rents 32% higher than June 2012 passing rents
- Occupancy<sup>2</sup> increased 2.3% to 94.0%
- Other major leasing transactions include
  - Minna Close: leased entire warehouse (3,551sqm) for three years commencing 10 September 2012
  - Huntingwood: renewed 6,829sqm for three years commencing 1 December 2012
  - Rosebery: renewed 7,604sqm for five years commencing 1 March 2013
- HOA over a new 18,670sqm development for a seven year pre-lease at Laverton North
- \$2.4m valuation uplift from three properties, a 4.3% increase on prior book value

DXS industrial portfolio	30 Sep 12	30 Jun 12 <sup>1</sup>
Number of properties	44	45
Occupancy by area <sup>2</sup>	94.0%	91.7%
Occupancy by income	93.0%	92.8%
Average incentive	5.1%	5.5%
Number of leases signed	26	91
Number of lease terms agreed	3	—
Retention rate YTD <sup>3</sup>	66%	59%
Retention rate 12 months <sup>3</sup>	57%	59%
Weighted average lease expiry	4.3 years	4.4 years

1. As at 30 June 2012 except leases signed and terms agreed which represent 12 months to 30 June 2012.  
 2. By ownership.  
 3. By area.

DEXUS Property Group 2012 September Quarterly Update – Slide 14





## PORTFOLIO UPDATE

Industrial – 15-23 Whicker Road, Gillman, SA



DEXUS Property Group 2012 September Quarterly Update – Slide 15

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## PORTFOLIO UPDATE

US industrial

### Achievements

- Leased 55,873sqm across 22 transactions at market rents and average incentives of 7.2%
- Occupancy<sup>3</sup> increased 1.7% to 98.8%
- Achieved 90% retention year to date
  - Achieved 100% retention at Riverbend Corporate Park, Seattle where 91% of total area was due to expire in FY13
- WALE remains stable at 4.4 years
- Portfolio well positioned for sale

DXS US industrial portfolio	30 Sep 12	30 Jun 12 <sup>1</sup>
Number of properties <sup>2</sup>	27	27
Occupancy by area	98.8%	97.1%
Occupancy by income	99.2%	98.2%
Average incentive	7.2%	7.1%
Number of leases signed	20	49
Number of lease terms agreed	2	1
Retention rate YTD <sup>3</sup>	90%	66%
Retention rate 12 months <sup>3</sup>	77%	66%
Weighted average lease expiry	4.4 years	4.4 years

US industrial market	Vacancy
Los Angeles	6.4%
Inland Empire	11.3%
San Diego	14.3%
Seattle	10.2%
DXS portfolio average	1.2%

1. As at 30 June 2012 except leases signed and terms agreed which represent 12 months to 30 June 2012.  
 2. Comprises 24 properties in west coast markets and 3 land parcels in Texas.  
 3. By area.

DEXUS Property Group 2012 September Quarterly Update – Slide 16

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## MARKET OUTLOOK



DEXUS Property Group 2012 September Quarterly Update – Slide 17

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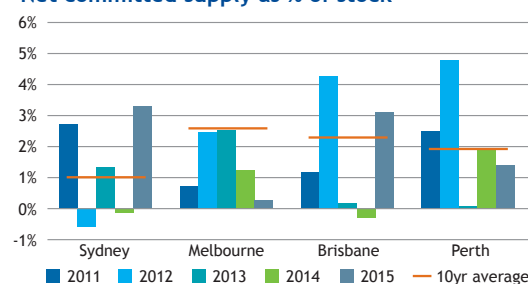
## MARKET OUTLOOK

### Australian office markets – reasonably balanced mid-term outlook

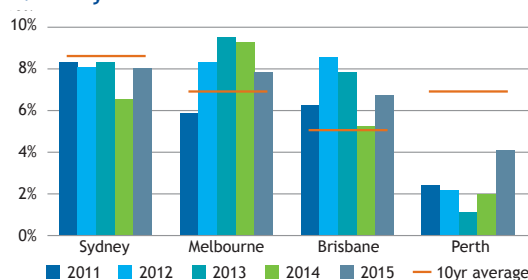
#### Markets well positioned for soft period of demand

- Demand subdued due to weak business confidence and global uncertainty
- Demand is cyclical, expected to improve in FY14 as monetary policy stimulus improves business confidence and jobs growth
- Overall, national committed supply is low during 2013-2014, with vacancy levels close to long term averages
- In Sydney, low supply and below average demand should see vacancy trend sideways and down over the next three years
- In Melbourne, above average supply will cause vacancy to rise, limiting growth in the short term
- In Perth and Brisbane, below average supply will keep vacancy low over the next three years

#### Net committed supply as % of stock



#### Vacancy forecast 2011-15



Source: Jones Lang LaSalle actual and DEXUS forecast.

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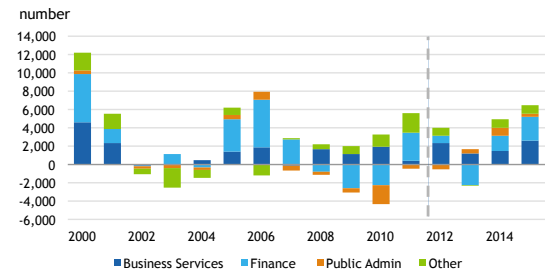
## MARKET OUTLOOK

### Sydney CBD office – demand

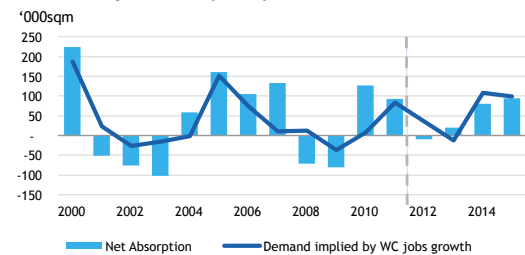
#### Mixed demand outlook in the short term

- Jobs growth in the finance sector expected to remain weak over the next 12 months before improving as lower interest rates stimulate credit growth
- Government sector not a major contributor to jobs growth the CBD in the past – or future
- Business services, including lawyers and accountants to show steady growth medium term
- Medium to longer term view more positive
- Access Economics are forecasting a cyclical improvement in demand in the period 2014 and 2015, which means demand would be peaking at the same time as new supply in 2015

#### White collar employment by industry – Sydney CBD



#### Net absorption – Sydney CBD



Source: Deloitte AE, DEXUS Research.

DEXUS Property Group 2012 September Quarterly Update – Slide 19



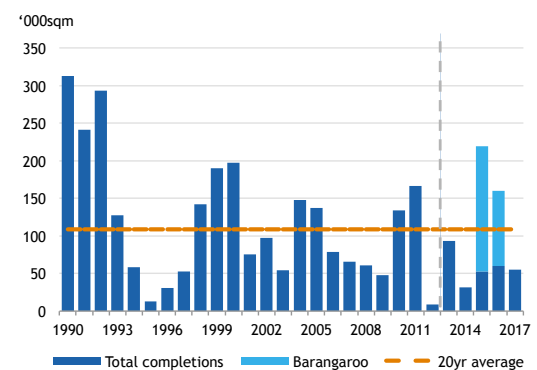
## MARKET OUTLOOK

### Sydney CBD office – supply and availability

#### Below average supply in the short term rising to above average in 2015

- Current vacancy at 8.6%, below the 10 year average of 8.8%
- A large number of prime contiguous floors are available, primarily in the core
- Two projects due to complete in 2013 offset by a number of withdrawals
- Forecast supply is at a similar magnitude to historical supply cycles
- Barangaroo office supply is:
  - Approximately 5% of Sydney CBD's stock
  - 28% of Sydney CBD's forecast gross supply over the next decade

#### Total completions – Sydney CBD



DEXUS Property Group 2012 September Quarterly Update – Slide 20

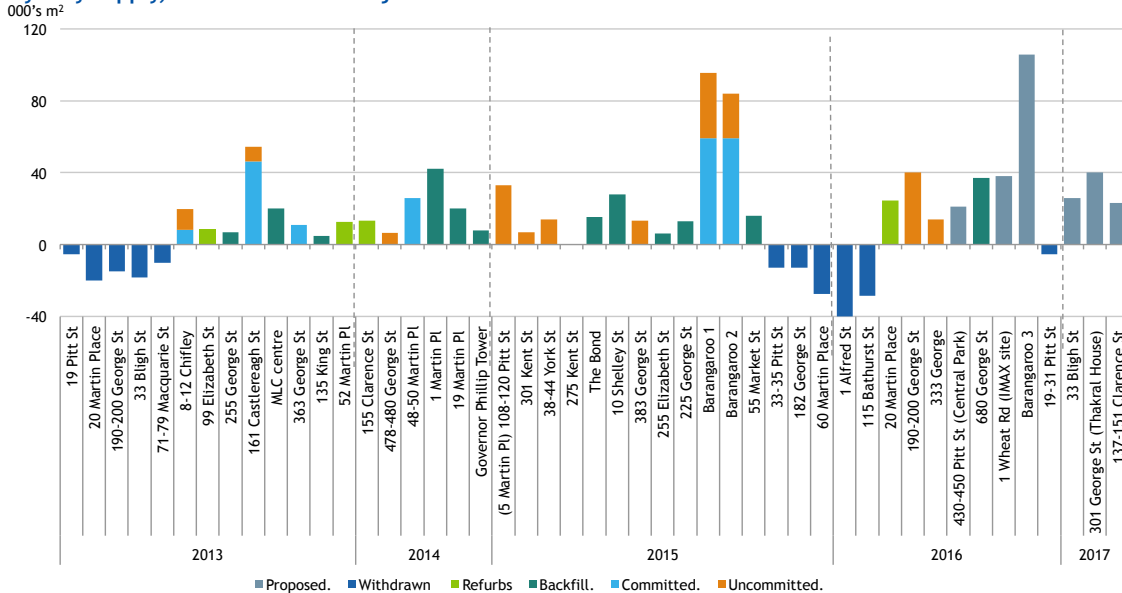


## MARKET OUTLOOK

### Sydney CBD office – supply and availability

- Continual focus on leasing and managing lease expiry risk will be required in Sydney market
  - Proactive asset managers with superior expertise will be the winners

#### Sydney supply, withdrawals and major backfill



DEXUS Property Group 2012 September Quarterly Update – Slide 21

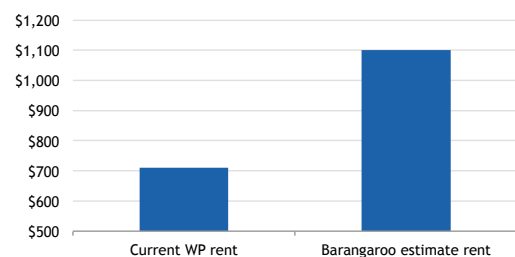
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## MARKET OUTLOOK

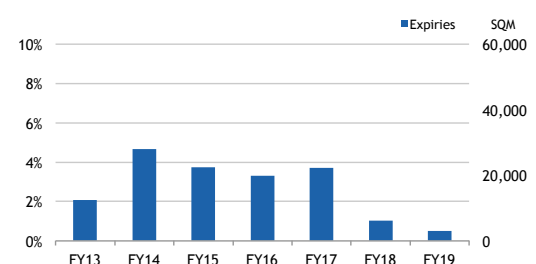
### Sydney CBD office – Barangaroo

- Western Precinct (WP) is undergoing a positive transformation with high quality tenants moving to the area
- Delivery of approx. 300,000sqm of premium office space, world class retail and dining, luxury residential apartments, cultural and entertainment offerings and a premium hotel
- DEXUS properties to benefit from:
  - Improved accessibility with new transport links including buses and ferries along with better access to Wynyard station
  - Rents on existing buildings to re-rate due to higher benchmark rents on new developments
  - Market rent reviews to capture expected uplift in precinct over the longer term

#### Western precinct market rents vs Barangaroo rents



#### DEXUS western precinct lease expiry profile<sup>1</sup>



Source: DEXUS Research \*gross face rents.  
1. As percentage of total DEXUS office portfolio.

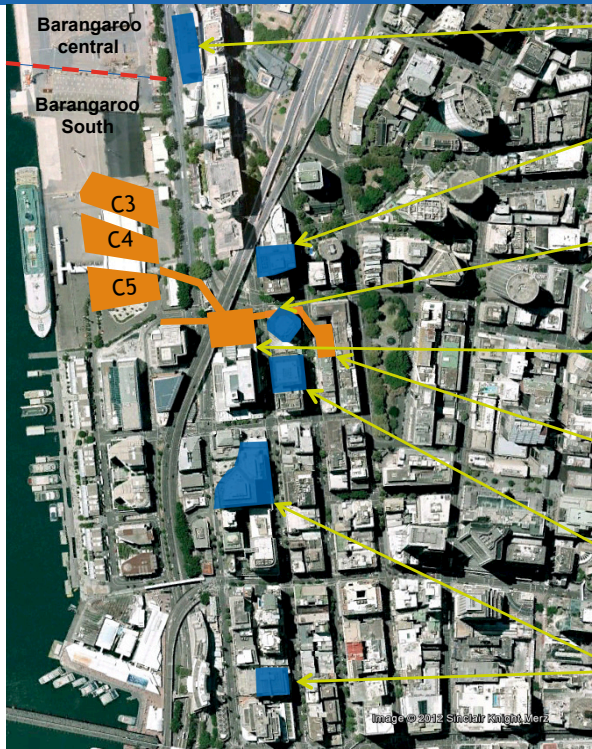
DEXUS Property Group 2012 September Quarterly Update – Slide 22

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## MARKET OUTLOOK

### Sydney CBD office – Barangaroo



#### 30 The Bond

- Different product from offering at Barangaroo - building expected to be re-rated

#### 45 Clarence Street

- Benefit from close proximity and entrance via Margaret Street and proximity to Barangaroo

#### One Margaret Street

- New podium entrance into Wynyard Walk to be constructed near property providing direct and improved access to Wynyard railway station

#### Napoleon Plaza

- Proposed pedestrian open space area between the Sussex Street bridge and Wynyard Walk tunnel and will integrate with existing Westpac Place

#### Wynyard Walk

- Proposed underground tunnel connecting Wynyard railway station and lower Western Precinct with a bridge over Sussex Street

#### 83 Clarence Street (Third party property)

- Rents in property benefitted from completion of Westpac Place and are expected to benefit from Barangaroo

#### 309-321 and 383 Kent Street

- Potential increase in amenity from public transport links including buses and ferries

DEXUS Property Group 2012 September Quarterly Update – Slide 23



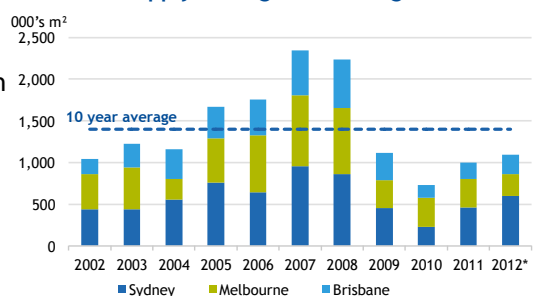
## MARKET OUTLOOK

### Australian industrial markets – well positioned

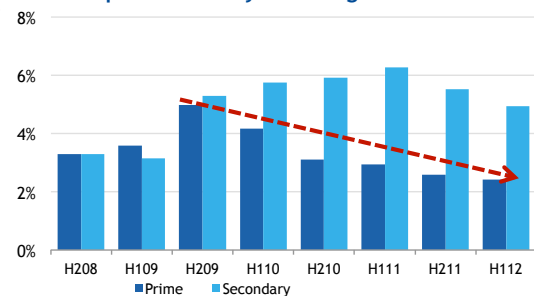
#### Lack of supply leading to low vacancy

- Subdued demand in the short term, expected to improve in FY14 in line with economic conditions and import growth
  - Steady flow of inquiries in western Melbourne and outer western Sydney but overall pre-commitment market competitive
- Prime vacancy has fallen and is expected to stay low in FY13 and secondary vacancy remains high but is beginning to fall
  - Western Melbourne and outer western Sydney prime vacancy <1%
- Net prime face rents are expected to remain relatively stable in FY13, with incentives elevated in Melbourne
- Investment market for prime stock remains strong and well supported
- Opportunity for speculative development based on low construction tenders and lack of quality available stock

#### East Coast supply vs long term average



#### National prime vacancy declining



Source: Jones Lang LaSalle, Savills Industrial Stock Survey, DEXUS Research.

DEXUS Property Group 2012 September Quarterly Update – Slide 24





## SUMMARY

- Solid progress and execution of revised strategy
- Strong leasing results in office and industrial portfolios
- High exposure to deal flow, on and off-market
- We are confident we have the scale, expertise and strategy to continue to grow earnings
- Market guidance<sup>1</sup> for FY13 reaffirmed:
  - FFO per security: 7.75 cents
  - Distribution per security: 5.8 cents

1 Bligh Street, Sydney, NSW



1. Barring unforeseen circumstances and assuming a 75% payout ratio, delivering 2% like-for-like NOI growth in office portfolio, approx. \$2m in trading profits, cost of debt at 6.0% and excluding impacts of any further on-market securities buy-back.

DEXUS Property Group 2012 September Quarterly Update – Slide 25

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# 2012 DEXUS PROPERTY GROUP SYDNEY CBD OFFICE TOUR

OCTOBER 2012



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45 CLARENCE STREET, SYDNEY	10
AUSTRALIA SQUARE, 264-278 GEORGE STREET, SYDNEY	14
NOTES	20

NO. OF PROPERTIES

30

BOOK VALUE

\$4.9bn

NET LETTABLE AREA

623,391 sqm



Cover: 50 Carrington Street, Sydney, NSW

This page: Sydney CBD looking east

All figures are as at 30 September 2012 unless otherwise stated.



# DXS OFFICE PORTFOLIO

OCCUPANCY BY AREA

96.2%

WALE BY INCOME

5 years

TENANT RETENTION<sup>1</sup>

72%



<sup>1</sup> 12 month rolling tenant retention. Year to date tenant retention is 77%.





**201 Elizabeth St**  
50% owned, externally managed

**1 Bligh St**  
33% owned, 100% managed

**1 Bligh St**  
33% owned by DWPF, 100% managed

**GMT/GPT**  
50% owned, 100% managed





**44 Market St**  
100% owned, 100% managed

**383-395 Kent St**  
100% owned, 100% managed

**309-321 Kent St**  
50% owned, 100% managed

**83 Clarence St**  
100% owned by STC, 100% managed

**One Margaret St**  
100% owned, 100% managed

**45 Clarence St**  
100% owned, 100% managed

**50 Carrington St**  
100% owned, 100% managed

**Australia Square Complex**  
50% owned, externally managed

**30 The Bond**  
100% owned, 100% managed

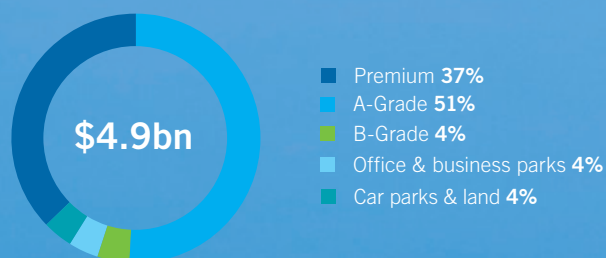
**Gateway**  
100% owned by DWPF, 100% managed



## GEOGRAPHICAL WEIGHTING BY VALUE



## PROPERTY TYPE BY VALUE

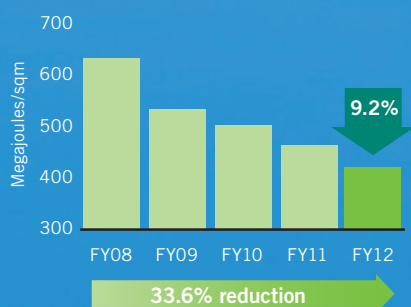


## SUSTAINABILITY HIGHLIGHTS

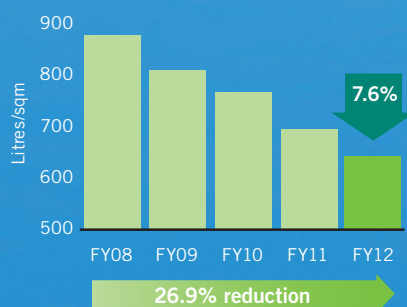
AVERAGE NABERS ENERGY RATING 4.3 STARS

AVERAGE NABERS WATER RATING 3.3 STARS

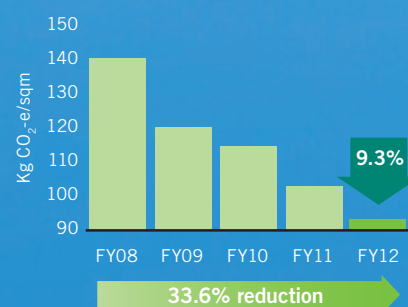
### ENERGY CONSUMPTION/INTENSITY



### WATER CONSUMPTION/INTENSITY



### GHG EMISSIONS/INTENSITY





1 50 Carrington St



2 44 Market St



3 383-395 Kent St



4 309-321 Kent St



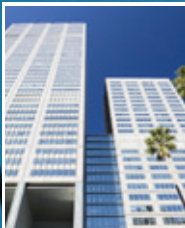
5 One Margaret St



6 45 Clarence St



7 30 The Bond



8 1 Farrer Place Pl



9 1 Bligh St



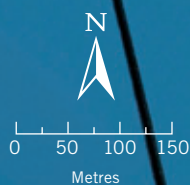
10 Australia Square



11 201 Elizabeth St



10 Australia Square

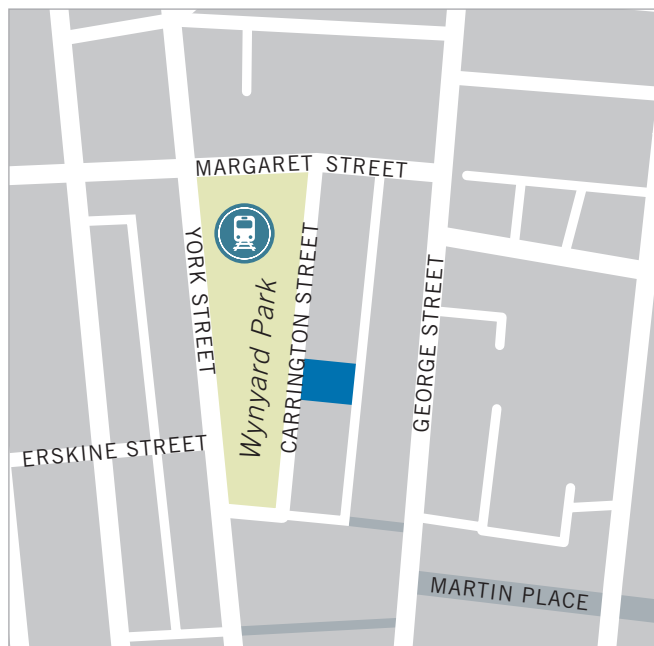


TOUR PROPERTIES





# 50 CARRINGTON STREET SYDNEY



50 Carrington Street is a core office property located in the heart of the Sydney CBD, with strong repositioning potential where we will be able to demonstrate our real estate expertise to drive enhanced performance.

DEXUS acquired 50 Carrington Street, Sydney for \$58.5 million (excluding acquisition costs) or \$5,180 per square metre and represents an acquisition capitalisation rate of 8.0%.

In line with our investment criteria, 50 Carrington Street provided a cost effective way of getting access to a high quality property, where the cost of acquisition plus repositioning is well below replacement cost.

The office property is a 15-level A-Grade building providing 10,920 square metres of office accommodation and 372 square metres of ground floor retail space. The property features a flexible floor plate design with the ability to occupy part of a floor or two contiguous and interconnecting floors.

50 Carrington is located within the core precinct of the Sydney CBD overlooking Wynyard Park, approximately 100 metres from Martin Place.

The property has been acquired off-market from the Retail Employees Superannuation Trust (REST) and is expected to settle on 30 November 2012.



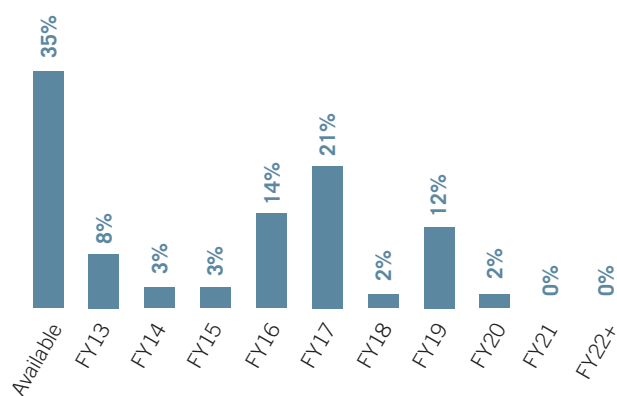
Artist's impression of proposed entrance

#### PROPERTY DETAILS AT 16 AUGUST 2012

Acquisition price excluding costs (A\$m)	58.5
Acquisition rate (\$ per sqm)	5,180
Net lettable area (sqm)	11,292
Initial yield (%)	5.2
Cap rate (%)	8.0
Target IRR <sup>1</sup> (%)	11.2
Occupancy by area (%)	61.3
Occupancy by income (%)	62.3
Weighted lease term by income (years)	2.2
NABERS Energy rating	3.0
Major tenants	Wham 22%
	REST 22%
	KANNFINCH 20%
Ownership	DXS 100%

1 Three year project IRR.

#### LEASE EXPIRY BY INCOME AT 16 AUGUST 2012



## Key achievements since exchange

Since exchange of contracts to acquire the property we have developed and commenced our leasing marketing strategy and we have commenced capital works in line with our repositioning strategy.

We anticipate having our new base building display floors 90% complete before settlement on 30 November 2012 and we will be able to immediately launch the new 50 Carrington Street from 1 December 2012.

A \$5.3 million capital expenditure program plan includes:

- upgrading the lobby and entrance experience of the property
- significant mechanical plant to provide on floor comfort for tenants and improve the NABERS rating to 4.5 stars
- upgrade works to lift cars
- significant refurbishment changes to the base building floors and amenity

We believe the newly refurbished floors will attract solid demand from target niche groups looking for modern and unique building accommodation rather than the more traditional office style often found in the Sydney CBD.

The façade glass<sup>2</sup> in the low rise floors will be replaced to provide 30% more natural daylight to penetrate the floors and further improve tenants' experience at 50 Carrington Street.

We have commenced a proactive leasing campaign and have been actively talking to tenants regarding upcoming lease expires. We have successfully renewed terms with two tenants for a total of 1,781 square metres and are finalising terms with another tenant for 396 square metres over a four year period.

As a result, we have already increased the building's average lease expiry from 2.2 years to 2.9 years and maintained occupancy at 61.3%

## Corporate Responsibility and Sustainability

50 Carrington Street provides us with an opportunity to acquire a well located boutique property and demonstrate our capabilities to add value in repositioning the property and enhancing the property's energy and water sustainability initiatives.

We have developed a strategic improvement plan to upgrade the building to a 4.5 star NABERS Energy rating through several initiatives including replacing the central plant equipment, installing variable speed drive controls and lighting upgrades.

As a result of these upgrade works, we are targeting over 200,000 kilowatt hours of energy savings per annum, equivalent to approximately \$45,000 per annum.

## Tenancy profile

Level 13	Wham	
Level 12	Wham	
Level 11	Australian Computer Society	
Level 10	REST	
Level 9	KANNFINCH	
Level 8	O'Connell Leasing	TPD Nominees
Level 7	REST	
Level 6	ADMA	Vacant
Level 5	Vacant	
Level 4	Vacant	
Level 3	Vacant	
Level 2	Vacant	
Level 1	Taiwan Cooperative Bank	Vacant
Mezzanine	KANNFINCH	
Ground retail	The Austral Brick Co	Green Bean Espresso

<sup>2</sup> Subject to council approval.

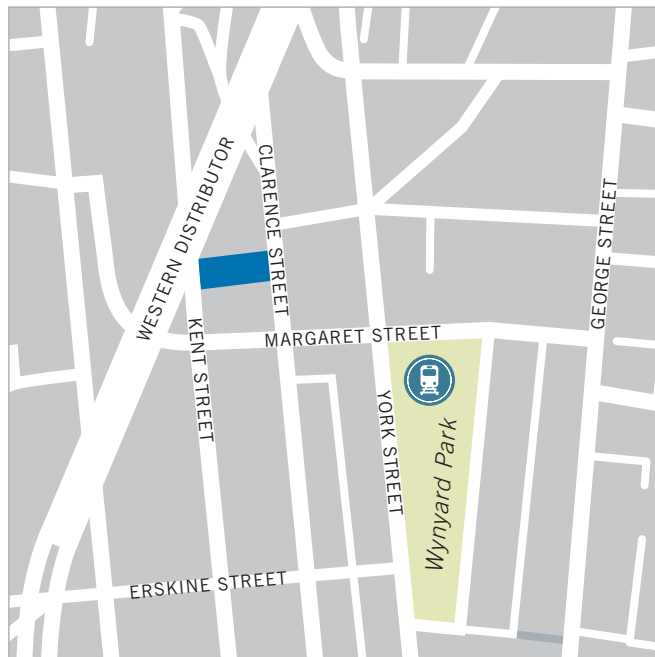




Typical floor plate



# 45 CLARENCE STREET SYDNEY



45 Clarence Street offers modern A-Grade office facilities located in the western corridor of the Sydney CBD.

Benefiting from an extensive refurbishment, this 28 storey landmark tower offers a completely revitalised and technology driven office environment boasting large and efficient floor plates averaging 1,200 square metres.

45 Clarence Street also offers 162 car spaces and first class amenities including, five male and female showers, change rooms and locker facilities.

The building presents a bold entrance statement to impress all who step into its spacious and interactive lobby. Three distinct, yet open, spaces – a corporate entry, an airy and informal lounge area and a chic café – combine to create a truly inviting ambience.

45 Clarence Street is a landmark building with an address that maximises its position in the western corridor of the Sydney CBD. It is in a prime location, close to the corner of Margaret Street and will benefit from the proposed “Wynyard Walk” linking Wynyard railway station to Barangaroo via a pedestrian walkway under the city as well as the proposed new rail entrance to Wynyard on Clarence Street.

The property provides excellent vehicular access to the Sydney Harbour Bridge, Western Distributor and Eastern Suburbs.





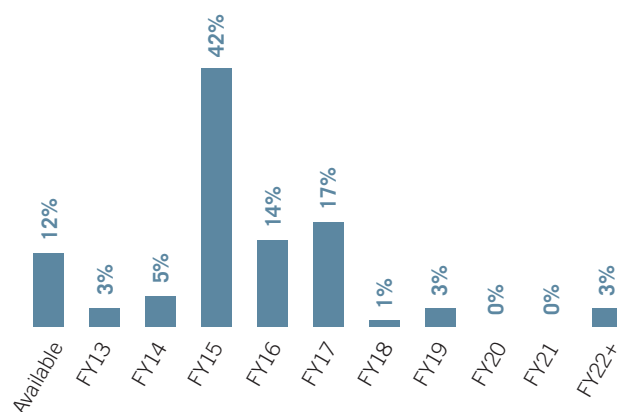
## PROPERTY DETAILS AT 30 JUNE 2012

Building type	A-Grade office
Title	Freehold
Metro area	Sydney
Zoning	City centre
Site area (hectares)	0.4
Net lettable area (sqm)	32,091
Typical floor area (sqm)	1,250
Number of buildings	1
Car parking spaces	162
NABERS Energy rating (with GreenPower)	5.0
NABERS Energy rating (without GreenPower)	5.0
NABERS Water rating	3.5
Year built	1990
Major tenants	Lloyds International 26% Bank of Western Australia 14% International SOS 11%
Ownership	DXS 100%

## PROPERTY STATISTICS AT 30 JUNE 2012

Acquisition date	Dec 1998
Book value (A\$m)	250.3
Independent valuation date	Jun 2011
Independent valuation (A\$m)	247.5
Market cap rate (%)	7.13
Initial yield (%)	6.48
Discount rate (%)	9.00
Leased by area (%)	88
Weighted lease term by income (year/s)	3.0

## LEASE EXPIRY BY INCOME AT 30 JUNE 2012



## Key achievements

As a result of our proactive leasing approach we have successfully leased/renewed 49% of the property since 1 July 2011 including:

- renewed terms with two tenants for 3,057 square metres with expiries now in FY16/FY17
- extended two existing leases for 9,381 square metres, both for an additional two years
- assisted growth plans for two tenants by offering them additional space within the building
- introduced five new tenants occupying 2,765 square metres, on lease terms of five years or greater

A highlight of this new leasing was the successful retention of two tenants within the DEXUS portfolio:

- MYOB was previously at 383 Kent Street and were looking to reduce their tenancy size. Through our relationship and understanding of their business, we were able to meet their needs by offering them level 5 in 45 Clarence Street, Sydney
- similarly we have negotiated with a tenant to relocate from Australia Square to 45 Clarence Street in June 2013

## Corporate Responsibility and Sustainability

In line with the office portfolio NABERS Energy rating program, we have completed a full upgrade to the chiller plant, installed a new Building Management and Controls System, retro-commissioning, lighting and metering installations.

As a result, we achieved a 5 star NABERS Energy rating without GreenPower and delivered optimum comfort conditions.

Since the upgrade from 3 stars to 5 stars, the building now uses more than 1.5 million kilowatt hours per annum less electricity and 3.7 million megajoules less gas. This equates to approximately \$380,000 in annual savings or \$11 per square metre of outgoings per annum.

In addition, through an active procurement program, we have been able to leverage our buying power with key suppliers to add a premium design and enhance performance and functionality while reducing costs by approximately \$30 per square metre. Some key features include:

- installing a modular ceiling system with less visible runners and express jointing
- installing cushion backed carpet
- installing dimmable T5 lighting fully compatible with lighting controls system that could save approximately \$5,000 in energy per annum

## Tenancy profile

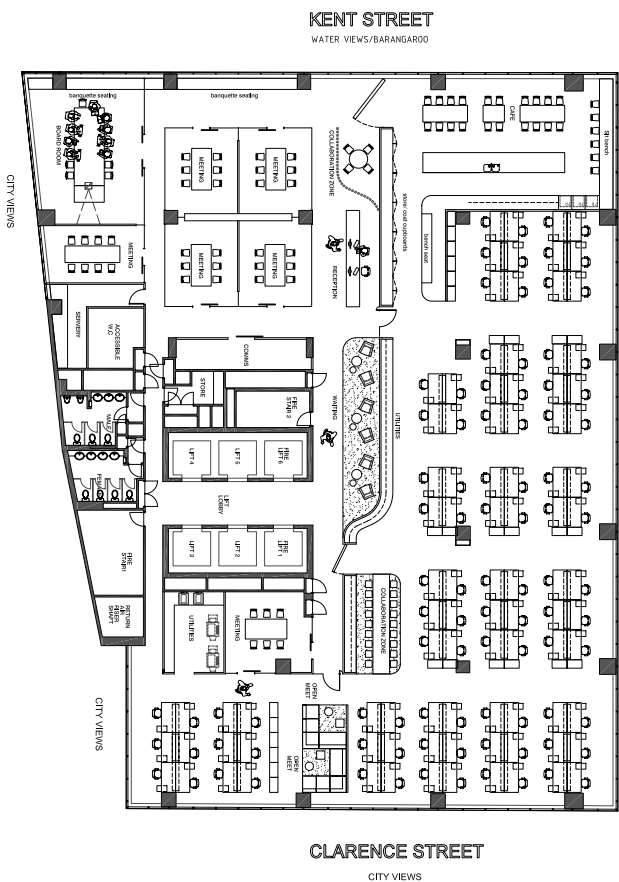
Signage	Lloyds International			
Level 28	Lloyds International			
Level 27	Lloyds International			
Level 26	Lloyds International			
Level 25	Lloyds International			
Level 24	Lloyds International		Lloyds International <sup>1</sup>	
Level 23	Lloyds International			
Level 22	Lloyds International		Bankwest	
Level 21	Benfield (AXIS)			
Level 20	Vacant			
Level 19	Vacant			
Level 18	Vacant			
Level 17	Bankwest			
Level 16	Bankwest			
Level 15	Media Super		QPL	
Level 14	Brennan IT			
Level 13	Plant room			
Level 12	Kaplan	Inovia	AOA	
Level 11	Bankwest			
Level 10	Scotiabank	Media Super	Jones Lang LaSalle	RGL International
Level 9	Resimac			
Level 8	International SOS		ERA Legal	
Level 7	IBM			
Level 6	Consulate General of Brazil	REED Personnel	Revolution IT	
Level 5	MYOB			
Level 4	Kaplan			
Level 3	International SOS			
Level 2	International SOS			
Level 1	International SOS			
Ground	RapidX			
B1	Car park			
B2	Car park			
B3	Car park			
B4	Car park			
B5	Car park			

<sup>1</sup> HOA agreed for 462 square metres with new tenant from June 2013.

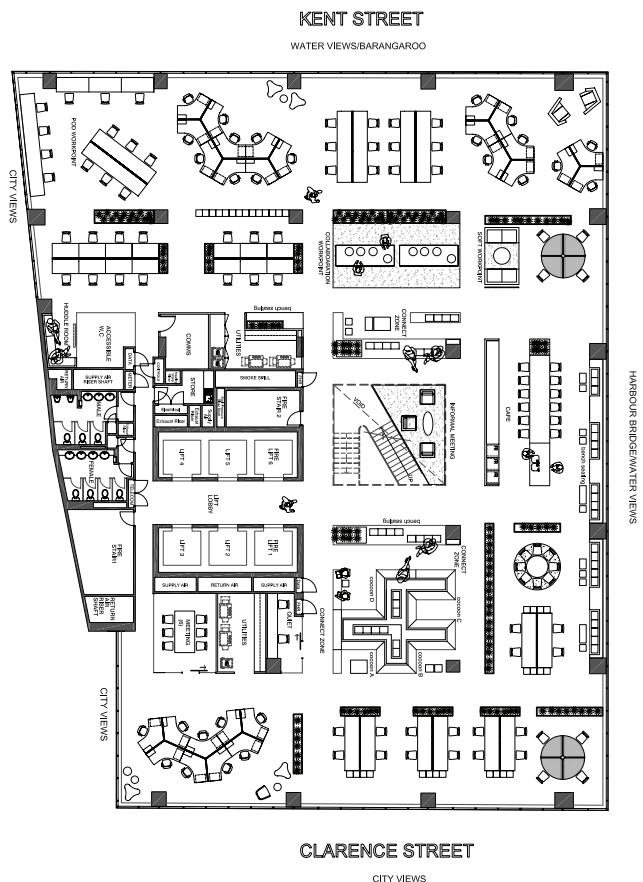
## Typical floor plates

The property provides a large flexible floor plate suitable for a number of different workspace scenarios. We have fully refurbished level 18, showcasing the diverse workspace opportunity the building provides for tenants. In addition, levels 19-20 are being refurbished to a blank canvas enabling tenants the opportunity to fit out in their own style.

### A single tenant floor plan



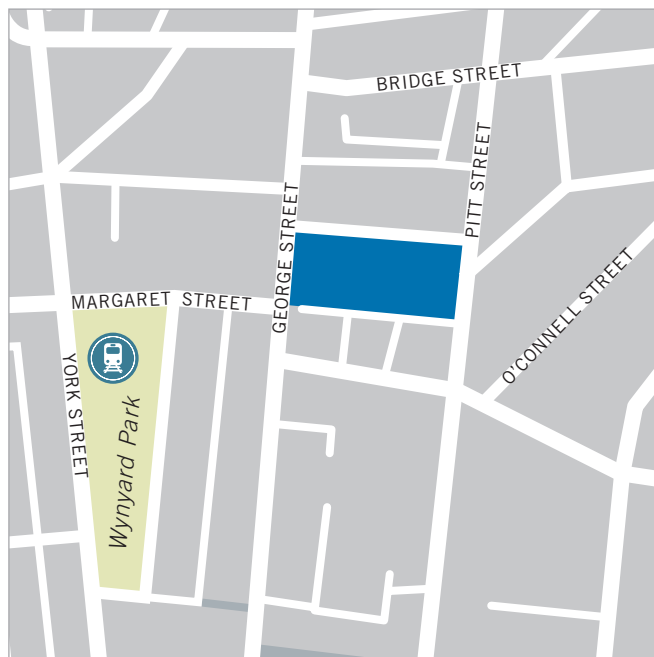
### Activity based work space





# AUSTRALIA SQUARE

## 264-278 GEORGE STREET, SYDNEY



One of Sydney's premier office properties, designed by Australian architect Harry Seidler, Australia Square is situated in the heart of the Sydney CBD.

The complex comprises a 48-level A-Grade circular office Tower building fronting onto George Street and a 13-level Plaza building that fronts Pitt Street. The complex is uniquely situated on an island site, set well back from neighbouring properties with abundant natural light penetration and Sydney Harbour and Bridge views.

The Complex offers high grade office accommodation with large and efficient floor plates appealing to open plan users and activity based workspace designs and provides superior building services and tenant amenities.

The Tower building provides large column free floor plates of over 1,000 square metres, with more than 60% of each floor having a Level A classification for natural light penetration. The building offers tenants a remarkable mix of iconic architecture complemented with the latest modern day amenity to rival the latest developments in the CBD.

The experienced concierge offers tenants a premium hotel style service and the property provides ample tenant and visitor parking and end of trip facilities.

The external Plaza courtyard is an additional feature of the property offering a food court with specialty food retailers, Australia Post, service retailers including hairdressers, newsagency and four ATM's.



The Plaza building is a B+ Grade property offering A-Grade services and amenity, benefiting from its proximity to the Tower building. The Plaza building offers 10,100 square metres of lettable area and has a high retention record with a number of tenants who have been in the building for over 10 years.

Australia Square is currently being repositioned, which will ensure that it maintains its prominent placing within the Australian office market.

The repositioning includes:

- a full lift and controls refurbishment which will be completed in November 2012
- newly designed full floor refurbishments including Seidler designed bathrooms which will be rolled out over time
- in addition to the new cooling towers that have been installed recently, a mechanical works program is underway to enhance the systems performance and future proof the complex

#### PROPERTY DETAILS AT 30 JUNE 2012

Building type	A-Grade Office
Title	Freehold
Metro area	Sydney
Zoning	City Centre
Site area (hectares)	0.6
Net lettable area <sup>1</sup> (sqm)	53,321
Typical floor area (sqm)	1,020
Number of buildings	2
Car parking spaces	385
NABERS Energy rating (with GreenPower)	Tower 4.5 Plaza 5.0
NABERS Energy rating (without GreenPower)	Tower 4.0 Plaza 4.5
NABERS Water rating	Tower 4.0 Plaza 4.0
Year built	1964
Major tenants	Origin Energy 10% Wilson Parking 8% HWL Ebsworth Lawyers 6%
Ownership	DXS 50%
Co-owner	GPT Group 50%

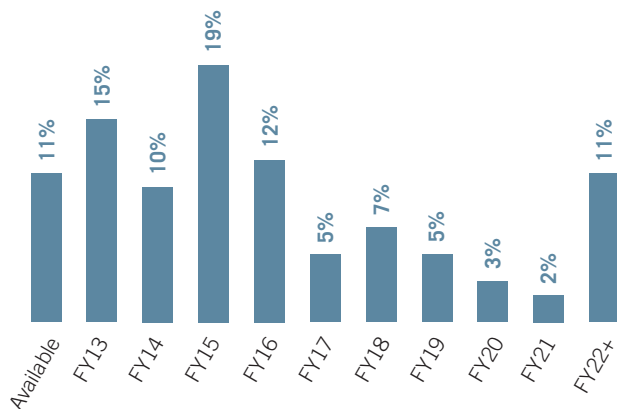
1 100% of the Complex.

#### PROPERTY STATISTICS AT 30 JUNE 2012

Acquisition date	Aug 2000
Book value (A\$m)	271.5
Independent valuation date	Dec 2011
Independent valuation (A\$m)	278.8
Market cap rate (%)	6.92
Initial yield (%)	6.52
Discount rate (%)	9.00
Leased by area (%)	87
Weighted lease term by income (year/s)	3.6



LEASE EXPIRY BY INCOME AT 30 JUNE 2012



### Key achievements

The Tower building has strong historical leasing demand due to its iconic status and location. Since July 2011, we have retained 11 tenants and introduced seven new tenants occupying 10,400 square metres or close to 20% of the property's net lettable area.

We are in active discussions with all tenants with upcoming expiries, working to provide solutions for growth opportunities and new fit-out options where required.

As a result of our leasing activity, the Complex is 90% occupied as at 30 September 2012 and the average lease duration is 3.9 years. Some of the key highlights include:

- DEXUS agreed terms to lease levels 25-26 (2,064 square metres) and we will be relocating our head office in the second quarter of 2013
- Renewed terms with Consolidated Travel on level 28 and suites 18.10 and 18.13 (total 1,432 square metres) for eight years and Littlewoods on level 21 (1,033 square metres) for a further five years
- In the Plaza building, we successfully retained Curwoods Lawyers and enabled them to expand their accommodation to an additional floor (a total of 3,125 square metres) for a further six years with options available

### Corporate Responsibility and Sustainability

In line with the office portfolio NABERS Energy rating program we have a capital works program in place to enhance the performance and future proof the property.

The Tower building currently provides a highly sustainable workspace for tenants with a 4.5 star NABERS Energy rating (with GreenPower). The Plaza building provides a 5.0 star NABERS Energy rating and leverages from the Tower building's reputation and amenities, at affordable rental levels.

At the conclusion of the repositioning program, which will include upgrading lifts, bathrooms, cooling towers, chillers and replacing the building management control systems, we expect to upgrade the Tower building from a 4.0 star NABERS Energy rating (without GreenPower) to 4.5 stars.

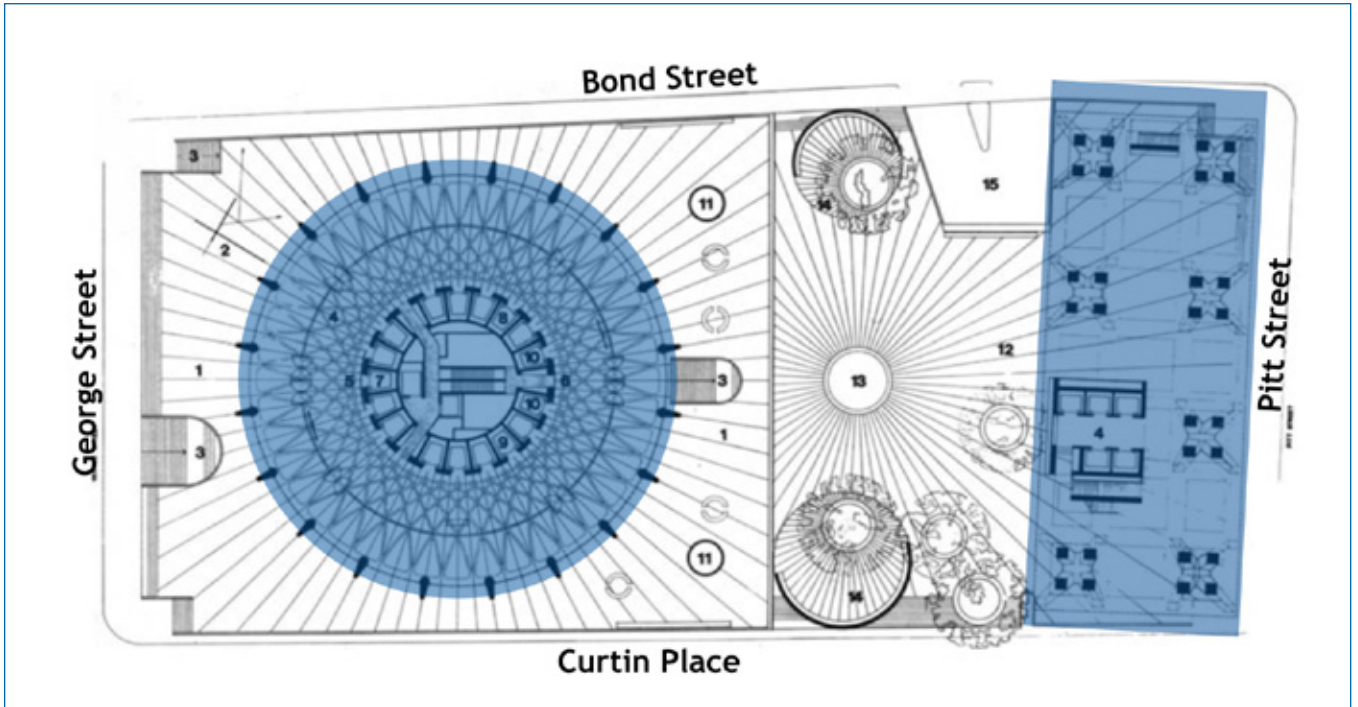
## Tower building tenancy profile

Level 50	<b>Plant room</b>
Level 49	<b>Plant room</b>
Level 48	Patersons Securities Limited
Level 47	O Bar and Dining
Level 46	Origin Energy
Level 45	Origin Energy
Level 44	Origin Energy
Level 43	Origin Energy
Level 42	Origin Energy
Level 41	Multiple tenants
Level 40	Multiple tenants
Level 39	Multiple tenants
Level 38	Multiple tenants
Level 37	Morningstar Australasia
Level 36	Morningstar Australasia
Level 35	<b>Plant room</b>
Level 34	Abacus
Level 33	The Executive Centre
Level 32	Multiple tenants
Level 31	Multiple tenants
Level 30	JWS Services
Level 29	Nexia Court & Co
Level 28	Consolidated Travel
Level 27	Multiple tenants
Level 26	DEXUS Property Group (HOA)
Level 25	DEXUS Property Group (HOA)
Level 24	Vacant
Level 23	Court & Co
Level 22	Vacant
Level 21	Littlewoods Services
Level 20	Multiple tenants
Level 19	<b>Plant room</b>
Level 18	Multiple tenants
Level 17	Multiple tenants
Level 16	Runge
Level 15	Vacant
Level 14	HWL Ebsworth Lawyers
Level 13	HWL Ebsworth Lawyers
Level 12	HWL Ebsworth Lawyers
Level 11	HWL Ebsworth Lawyers
Level 10	HWL Ebsworth Lawyers
Level 9	ninemsn
Level 8	ninemsn
Level 7	ninemsn
Level 6	ninemsn
Level 5	Lobby
Level 4	Retail
Level 3	Car park
Level 2	Car park
Level 1	Car park

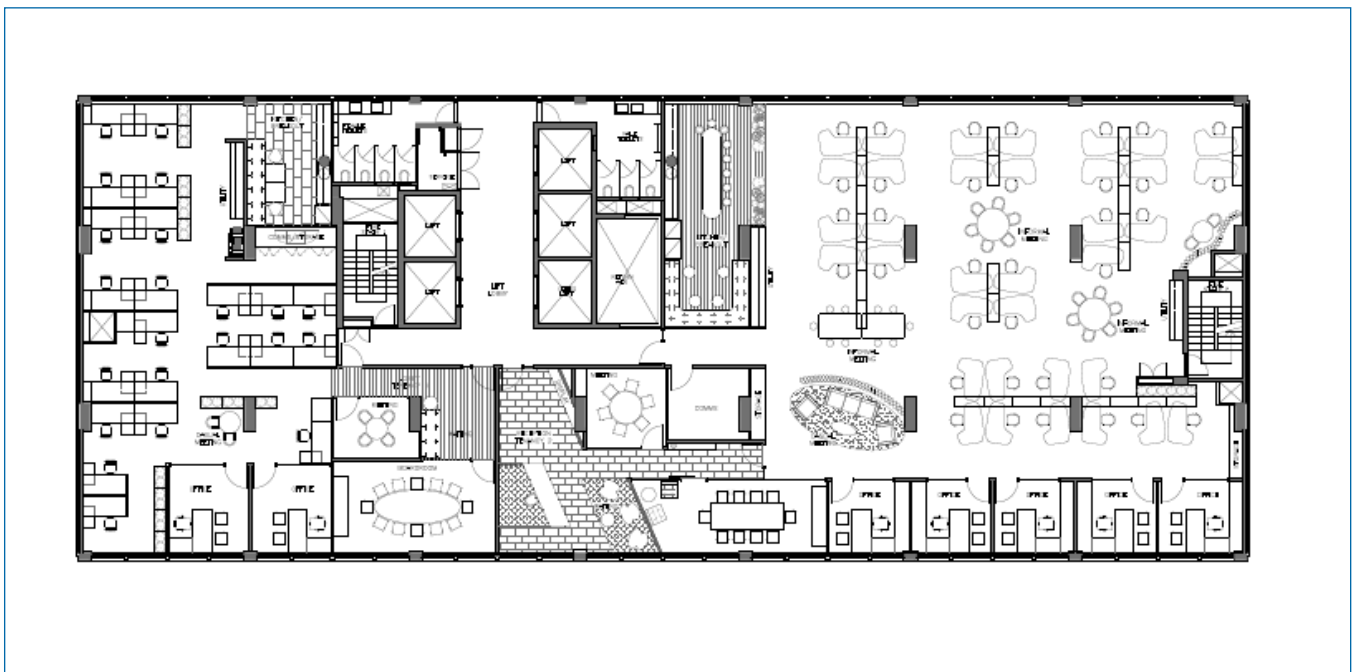
## Plaza building tenancy profile

Level 15	Plant room	
Level 14	Plant room	
Level 13	Vacant	
Level 12	Regus	
Level 11	Booking.com	Funds Services
Level 10	Johnson Pilton Walker	
Level 9	Curwoods Lawyers	
Level 8	Curwoods Lawyers	
Level 7	Curwoods Lawyers	
Level 6	Curwoods Lawyers	
Level 5	Regus	
Level 4	Regus	
Level 3	Australian Financial Marketing Association	
Level 2	Vacant	Allegro Funds Management
Level 1	Multiple tenants	
	Lobby	

Site plan – Australia Square Complex

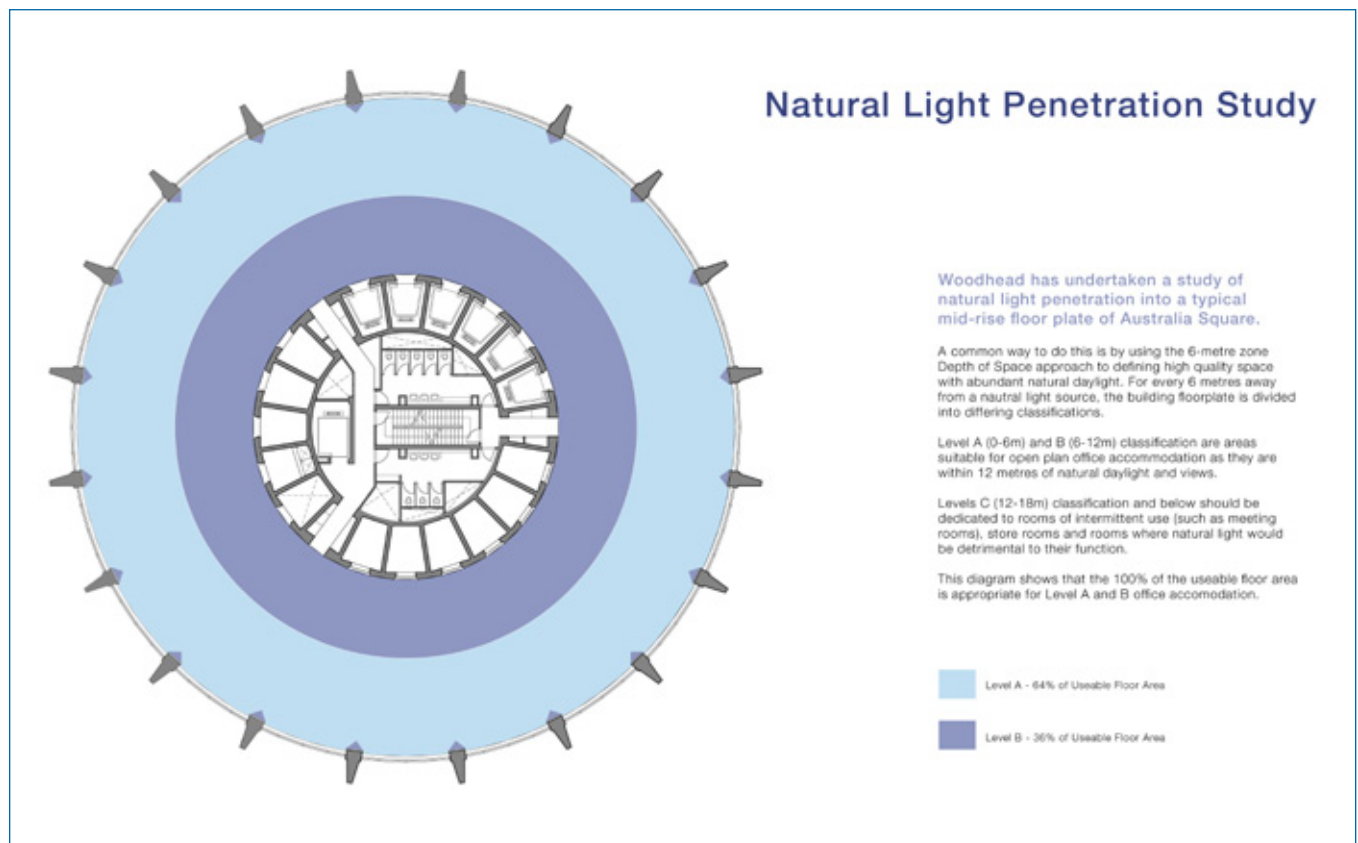


Typical floor plate – Plaza building





## Natural light penetration – Tower building



[illegible]



2012 DEXUS PROPERTY GROUP SYDNEY CBD OFFICE TOUR