DEXUS Property Group (ASX: DXS)

ASX release

2 July 2013

Independent valuations as at 30 June 2013

DEXUS Property Group (DXS) today announced that 21 of its 84 properties had been independently valued for the quarter to 30 June 2013, resulting in an estimated $58.0 million or 4.4% increase on prior book values[1].

Darren Steinberg, CEO of DEXUS said: "The uplift in independent valuations has been driven by our proactive approach to leasing which has delivered results across both office and industrial properties in an uncertain and challenging market."

The independent valuations completed for the quarter to 30 June 2013 comprised:

Property	DXS share (%)	New valuation ($m)	Variance to book value[1] ($m)	Variance to book value[1] (%)	Prior capitalisation rate	New capitalisation rate
Office						
30 The Bond, Sydney	100%	$179.0	$23.3	15.0%	7.13%	7.00%
44 Market Street, Sydney	100%	$241.0	$2.3	1.0%	7.00%	7.00%
Australia Square, Sydney	50%	$305.0	$22.9	8.1%	6.92%	6.69%
1 Bligh Street, Sydney	33.3%	$250.3	$8.1	3.3%	6.25%	6.13%
14 Moore Street, Canberra	100%	$24.0	$(4.1)	(14.6)%	9.50%	10.00%
88 Shortland Street, Auckland	100%	NZ$127.5	NZ$3.1	2.5%	8.50%	7.63%
Industrial						
Quarry Industrial Estate[2]	50%	$96.5	$1.5	1.6%	7.86%	7.79%
Laverton Industrial Estate[3]	50%	$108.3	$1.2	1.1%	8.40%	8.49%
Taras Avenue, Altona North	50%	$16.3	$(0.1)	(0.6)%	8.75%	8.75%
Centrewest, Silverwater	100%	$23.4	$0.3	1.3%	8.75%	8.75%
154 O'Riordan Street, Mascot	100%	$14.5	-	-	8.00%	8.00%
Total[4]		**$1,365.4**	**$58.0**	**4.4%**	**7.27%**	**7.11%**

30 The Bond, Sydney achieved a 15.0% increase in value following the exercising of a new five-year option by Lend Lease across 17,547 square metres in March 2013, increasing the valuation by $23.3 million and resulting in a 13 basis point tightening in the property's capitalisation rate.

Strong leasing success and tenant retention at Australia Square, Sydney has contributed to a $22.9 million or 8.1% increase in value and resulted in a 23 basis point tightening in the property's capitalisation rate.

The $4.1 million valuation decrease and 50 basis point capitalisation rate softening at 14 Moore Street, Canberra reflects the office vacancy following the expiry of the Commonwealth of Australia's lease in May 2013. This office space is currently being marketed for lease with terms agreed for approximately 10% of the vacancy with several interested parties in discussion for multiple floors.

It is expected that there will be no material valuation changes for the balance of the property portfolio.

1. Figures based on unaudited built-up book values at 30 June 2013.
2. Quarry Industrial Estate consists of 7 individual properties.
3. Laverton Industrial Estate consists of 5 individual properties.
4. Based on AUD/NZD exchange rate of $1.19.

DEXUS PROPERTY GROUP

The June 2013 quarter valuations follow the $23.2 million uplift achieved in the March 2013 quarter when four of DXS's assets were independently valued. Together, the independent valuations in the second half of FY13 have generated an $81.2 million increase in property values, equivalent to a 1.7 cents increase in the net tangible asset backing (NTA) per security. Gearing[5] is estimated to be 29.5% at 30 June 2013.

Outlook

Darren Steinberg said: "This latest round of independent valuations provides further evidence of cap rate compression in quality properties that have income security and sound fundamentals. Our view is the strength in the weight of capital seeking quality Australian office buildings combined with recent transactional evidence will contribute to further cap rate tightening in buildings with strong fundamentals over the next 12 to 18 months."

"We expect tenant demand to remain tempered in the coming year as a result of current economic conditions which has led to business uncertainty, with pressure on both market rents and incentives. Despite the current conditions, our portfolio is well positioned for solid growth underpinned by strong like-for-like office income growth and an expected increase in trading profits."

"Barring unforeseen changes to operating conditions, our guidance for earnings or FFO[6] for the year ended 30 June 2014 is 8.15 cents per security, a 5.2% increase from FY13, delivering at the top end of our FFO growth target range of 3-5% per annum. Our distribution policy to pay out between 70% and 80% of FFO, in line with free cash flow, remains unchanged, with the distribution payout ratio for FY14 expected to be 75%."

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About DEXUS

DEXUS Property Group (DEXUS) is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With a total of $13 billion of assets under management, DEXUS also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. DEXUS manages an office portfolio of over 900,000 square metres across Sydney, Melbourne, Brisbane and Perth and is the largest institutional owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 18,000 investors from 15 countries. With over 25 years of experience in property investment, development and asset management, DEXUS has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns to investors. **www.dexus.com**

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

5. Gearing is represented by Interest Bearing Liabilities (excluding deferred borrowing costs and including the fair value of cross currency swaps) less cash divided by Total Tangible Assets (excluding derivatives and deferred tax assets) less cash.
6. FFO or Funds From Operations calculated in accordance with FY13 definition.