

DEXUS Property Group (ASX: DXS)

ASX release

16 January 2014

Independent valuations as at 31 December 2013

DEXUS Property Group (DEXUS) today announced that five properties had been independently valued for the quarter ending 31 December 2013, resulting in a \$59.5 million increase on prior book values.

Darren Steinberg, CEO of DEXUS said: “The 5.1% average increase achieved across the five properties independently valued this period, reflects the positive impact on capital values as a result of leasing success at these properties and reinforces the importance of securing strong tenant covenants.”

The independent valuations completed for the quarter to 31 December 2013 comprised:

Property	New valuation (\$m)	Ownership	Variance to book value (\$m)	Variance to book value	Prior capitalisation rate	New capitalisation rate
Office						
Southgate Plaza, Melbourne	460.0	100%	28.3	6.6%	7.75%	7.45%
Woodside Plaza, Perth	500.0	100%	20.0	4.2%	7.75%	7.50%
8 Nicholson Street, Melbourne	105.0	100%	5.0	5.0%	8.0%	8.0%
The Zenith, Chatswood	125.0	50%	3.5	2.9%	8.50%	8.25%
Industrial						
1 Foundation Place, Greystanes	47.5	100%	2.7	6.0%	8.25%	8.0%
Total	1,237.5		59.5	5.1%	7.87%	7.62%

Southgate Plaza, Melbourne achieved a 6.6% uplift following the lease renewal with IBM in October 2013 for a new five-year term across 11,485 square metres which contributed to a 30 basis point tightening in the property’s capitalisation rate, increasing the valuation by \$28.3 million.

Woodside Plaza, Perth achieved a 4.2% increase in value driven by a market rent review where Woodside exercised a new five-year lease option across 4,281 square metres. This leasing contributed to a 25 basis point tightening in the property’s capitalisation rate and resulted in a \$20.0 million increase in valuation.

Driven by improved property and market fundamentals, the valuation for 8 Nicholson Street, Melbourne increased \$5.0 million or 5.0% at 31 December 2013. This followed a \$4.3 million valuation increase as at 30 June 2013 which, together with the 31 December 2013 valuation, has driven a 19.1% total return for the 12 months ended 31 December 2013.

Recent leasing success and a 25 basis point capitalisation rate tightening at The Zenith, Chatswood contributed to a \$3.5 million or 2.9% increase in value of the property.

1 Foundation Place, Greystanes achieved a 6.0% valuation uplift driven by an improved WALE following the renewal of Allied Pickford’s lease in August 2013, increasing the valuation by \$2.7 million and resulting in a 25 basis point capitalisation rate tightening.

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

The December 2013 quarter valuations follow the \$16.3 million uplift achieved in the September 2013 quarter when four of DEXUS’s properties were independently valued. The combined independent valuations from September and December 2013 have generated a total \$75.8 million increase in property values, equivalent to a 1.6 cent increase in DEXUS’s tangible asset backing (NTA) per security.

Darren Steinberg said: “We expect to see capitalisation rate compression continue for high quality office and industrial properties as we experience improving fundamentals. This will be more evident across the eastern seaboard markets, particularly in Sydney where we have seen an improvement in tenant enquiry.”

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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 over \$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 one of the largest institutional owners 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 19,000 investors from 19 countries. With over 25 years of experience in commercial 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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