

DEXUS Property Group (ASX: DXS)

ASX release

25 October 2016

September 2016 quarter portfolio update

DEXUS Property Group (DEXUS) today announced an operational update across its property portfolio for the quarter ended 30 September 2016.

HIGHLIGHTS

- Leased 54,734 square metres¹ of office space across 78 transactions, with occupancy maintained at 96.0%
- Leased a significant amount of industrial space in a three month period securing 158,811 square metres¹ of industrial space across 47 transactions, with occupancy improving to 92.3%

DEXUS OFFICE PORTFOLIO

Key metrics	30 September 2016	30 June 2016
Occupancy by income	96.0%	96.3%
Occupancy by area	95.9%	96.3%
WALE by income	4.9 years	4.7 years
Average incentive	15.4%	17.7%

Kevin George DEXUS Executive General Manager, Office & Industrial said: "The strength of demand in the Sydney office market continued to flow through to the DEXUS portfolio during the quarter. We have seen our overall average incentives fall across the portfolio, driven by some properties which are in high demand and as a result have achieved solid growth in rents and reduced incentives at these properties."

Over the quarter to 30 September 2016, DEXUS leased 54,734 square metres¹ of office space across 78 transactions, which included 52 new deals and 26 renewals. Notable activity for the quarter included:

- Securing leasing commitments across 10,784 square metres of space at 30 The Bond, Sydney, after the surrender of office space previously occupied by Lend Lease - including securing a new lease with Roche across 4,418 square metres. Only 5,347 square metres remains to be leased at 30 The Bond
- Securing three new leases with various tenants across 4,000 square metres at Waterfront Place, Brisbane
- Renewing a lease with the South Australian State Government across 9,253 square metres at 11 Waymouth Street, Adelaide

Despite the surrender of lease by Lend Lease, occupancy (by income) only decreased slightly to 96.0% from 96.3% at 30 June 2016 across the total office portfolio, while the weighted average lease expiry (WALE) increased by 0.2 years to 4.9 years. Occupancy (by area) at Grosvenor Place, Sydney increased to 96.0% from 94.5% at 30 June 2016 and DEXUS secured 2,981 square metres of leasing at 385 Bourke Street, Melbourne increasing occupancy to 97.9% from 94.5% at 30 June 2016. The majority of income from leases secured in the quarter will flow through from the third quarter of FY17.

DEXUS INDUSTRIAL PORTFOLIO

Key metrics	30 September 2016	30 June 2016
Occupancy by income	92.3%	90.4%
Occupancy by area	92.9%	91.7%
WALE by income	4.5 years	4.1 years
Average incentive	13.1%	9.5%

¹ Including Heads of Agreement.

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Kevin George said: “We have experienced a solid uptick in leasing activity from a variety of smaller space users in our Melbourne portfolio, which has resulted in a significant amount of leasing activity with over 158,000 square metres of space being leased and occupancy improving from 90.4% at 30 June 2016 to 92.3% in only three months.”

Over the quarter, DEXUS leased 158,811 square metres² of industrial space across 47 transactions. Notable activity for the quarter included:

- Securing 23 leases at Axxess Corporate Park, Melbourne, which included 13 new deals and 10 renewals across 9,879 square metres
- Securing three leases across 65,238 square metres of space at DEXUS Industrial Estate in Laverton North, including a new lease with Unipod over 17,470 square metres
- Securing two new leases across 23,136 square metres at Radius Industrial Estate, Larapinta

Increased activity for the next quarter is expected to continue in the small to medium enterprise category. This activity is aligned to the food processing and material handling automation sectors seeking central west solutions in Sydney. Various negotiations are also underway within south east Melbourne involving tenants from the education and wholesale retail sectors for both metro office and warehousing space.

INVESTOR DAY PRESENTATION

Further information relating to DEXUS’s customer focus, leasing approach, funds management, development and trading business has been released in today’s Investor Day presentation.

The live webcast will be broadcast from 11am AEDST today, Tuesday 25 October 2016.

FY17 GUIDANCE

DEXUS reiterates its market guidance³ for the 12 months ending 30 June 2017 of

- Underlying FFO per security growth of 3.0-3.5%
- FFO per security in line with FY16
- Distribution per security growth of 2.5-3.5%

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About DEXUS

DEXUS Property Group is one of Australia’s leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$22.2 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. The Group manages an office portfolio of 1.8 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest 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 31,000 investors from 20 countries. With more than 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for its investors. www.dexus.com

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

² Including Heads of Agreement.

³ Barring unforeseen circumstances guidance is supported by the following assumptions: Impact of dilution from the divestment of: 36 George Street, Burwood; 57-65 Templar Road, Erskine Park; The Zenith, Chatswood; 108 North Terrace, Adelaide; the first 50% tranche of Southgate Complex, Melbourne and 79-99 St Hilliers Road, Auburn; 2-3% like-for-like income growth across the DEXUS Office portfolio and 3-4% like-for like income growth across the DEXUS Industrial portfolio, weighted average cost of debt of circa 4.6%, trading profits of circa \$45-50m net of tax, Management Operations FFO of circa \$45-50m (including third party development management fees), and excluding any further transactions.