

# DEXUS Property Group (ASX: DXS)

ASX release

28 February 2017

## 31 December 2016 distribution and HY17 Review

DEXUS Property Group (DEXUS) advises that the distribution for the six months ended 31 December 2016 will be paid to Security holders today. DEXUS provides a copy of the letter to be sent to Security holders and the 2017 Half Year Review.

For further information please contact:

### Investor relations

David Yates  
T: +61 2 9017 1424  
M: +61 418 861 047  
E: david.yates@dexus.com

### Media relations

Louise Murray  
T: +61 2 9017 1446  
M: +61 403 260 754  
E: louise.murray@dexus.com

### 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 \$22.7 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 1.7 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 30,000 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](http://www.dexus.com)

Download the DEXUS IR app to your preferred mobile device to gain instant access to the latest stock price, ASX Announcements, presentations, reports, webcasts and more.



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



# DEXUS

PROPERTY GROUP

28 February 2017

DEXUS Funds Management Limited

ABN: 24 060 920 783

AFSL: 238163

Australia Square Tower

Level 25, 264 George Street

Sydney NSW 2000

PO Box R1822

Royal Exchange NSW 1225

Tel: 61 1800 819 675

Dear Security holder

In the six months to 31 December 2016, DEXUS Property Group (DEXUS) achieved strong operational results, delivering growth in its underlying business and has upgraded guidance for growth in distribution per security from 2.5-3.5% to 3.5-4.5% for the 2017 financial year.

Details relating to the achievements during the six months to 31 December 2016 can be found in the 2017 Half Year Review, which is also available at [www.dexus.com](http://www.dexus.com)

Please find enclosed:

- Your distribution statement for the six months ended 31 December 2016
- DEXUS's 2017 Half Year Review

### **Distribution payment**

DEXUS achieved Funds from Operations (FFO) of \$296.0 million or 30.6 cents per security, delivering a distribution of 21.71 cents per security for the six months ended 31 December 2016.

If you believe you have unrepresented distribution income or cheques from past distribution periods, please contact the DEXUS Infoline on +61 1800 819 675.

### **Determining the value of your DEXUS holding**

The value of your security holding at 31 December 2016 is provided on your distribution statement. Current price information is available on DEXUS's website at [www.dexus.com](http://www.dexus.com) and is published daily in major Australian metropolitan newspapers.

### **Changing your details**

You can access your security holding information online to update your personal details via the Investor login link available in the 'My Security Holding' section at [www.dexus.com](http://www.dexus.com). You will require your Holder Identification Number (HIN) or Security Holder Reference Number (SRN) to access your security holding.

Forms are available for details that cannot be updated directly in this facility. Download the forms by clicking on the Forms menu item when you are logged into your Security holding or from the Link Market Services website at [linkmarketservices.com.au](http://linkmarketservices.com.au). Alternatively you can contact the DEXUS Infoline on +61 1800 819 675 or email [dexus@linkmarketservices.com.au](mailto:dexus@linkmarketservices.com.au) to request a form to be sent to you.

### **Receive your communications electronically**

DEXUS is committed to ensuring all investors have equal access to information about its business activities. You can elect to receive communications electronically by registering your email address using the enclosed email collection and online notification form.

## Communication methods

In line with DEXUS's commitment to the long term integration of sustainable business practices, investor communications are also distributed via various electronic methods including:

- **DEXUS website**  
www.dexus.com - DEXUS's website provides a wide range of information for investors including ASX announcements, reports, key dates and security price information. You can also subscribe to alerts to receive DEXUS communications immediately after release
- **DEXUS IR App**  
The DEXUS IR App provides current and future investors with instant access to the latest security price, ASX announcements, presentations, reports, webcasts and more. You can download the DEXUS IR App for free from Apple's App Store or Google Play
- **LinkedIn**  
DEXUS now engages with its followers via LinkedIn. It's as simple as logging into your LinkedIn account and following DEXUS Property Group

If you have any questions concerning your security holding, please contact us on the DEXUS Infoline on +61 1800 819 675.

Thank you for your continued support of DEXUS Property Group.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D Yates', with a stylized flourish at the end.

David Yates  
Executive General Manager  
Investor Relations, Communications & Research



# Half Year Review 2017

Dear Security holders,

We are pleased to report that DEXUS continued to deliver strong operational results over the past six months. Our commitment to delivering value for investors has seen us remain active through leasing, development and transactional activity, achieving growth in the underlying business (excluding trading) in HY17.

## FINANCIAL PERFORMANCE

Income growth from leasing activity and development completions helped to offset the impact of recent asset sales, driving a solid underlying result with underlying Funds from Operations (FFO) up by \$27.1 million on the previous corresponding period. Statutory net profit after tax of \$716.0 million was largely impacted by lower revaluations and lower trading profits which also drove the overall reduction in FFO, Adjusted Funds from Operations and distribution compared to the previous corresponding period.

Distribution per security for the six months ended 31 December 2016 is 21.71 cents per security.

Our balance sheet strengthened in the period with the proceeds of asset sales reducing gearing to 26.5%. In addition, we actively managed our capital by terminating interest rate swaps, reducing our weighted average cost of debt and reinstating our hedging back towards target levels.

## TRANSACTIONAL ACTIVITY

We had a busy period of transactional activity which included settlement of the sales of DEXUS's 50% interests in The Zenith, Chatswood (\$139.5 million), 108 North Terrace, Adelaide (\$43.2 million) and the first 50% tranche of the Southgate Complex, Melbourne (\$578.0 million in total). We also sold DEXUS's and DEXUS Wholesale Property Fund's (DWPF) combined 100% interest in 39 Martin Place, Sydney (\$332.0 million).

We announced the \$110.2 million acquisition of The Mill, Alexandria which settled in January 2017, providing us with a significant landholding in a prime South Sydney location and an opportunity to activate underutilised floor space and capitalise on rental growth.

## STRONG PROPERTY PORTFOLIO PERFORMANCE

Across DEXUS's office portfolio we leased 98,839 square metres of workspace, locking in future income streams. In Sydney we are experiencing incentive reductions and effective rental growth, while in Brisbane we secured deals involving multiple customers resulting in strong leasing outcomes.

Our focus on improving DEXUS's industrial portfolio occupancy resulted in a record leasing period in which 229,099 square metres of space was leased, improving key portfolio metrics. This was achieved through targeting industry groups with specific locational requirements and capitalising on the improving demand in West Melbourne.

Property values continued to grow in the six months to 31 December 2016, with our office portfolio recording a \$381.4 million or 4.3% increase on prior book values and partly reflecting rental growth at properties in Sydney and Melbourne. DEXUS also achieved an uplift of \$14.6 million or 0.8% across the industrial portfolio. While property fundamentals remain buoyant in Sydney and Melbourne, we expect to see underlying valuation assumptions improving and further capitalisation rate compression for Prime properties over the next 12 months to continue to support values in key markets over 2017.

We achieved excellent progress across our \$2.0 billion development pipeline, building on our established track record. The construction of the core of 100 Mount Street in North Sydney is underway and we completed construction of the first stage at Quarrywest, Greystanes, with this stage now 100% leased.

## DELIVERING CONTINUED PERFORMANCE FOR FUNDS

Continuing the delivery of our Funds Management clients' investment objectives, we acquired Carillon City, DWPF's first retail property in Perth, and sold DWPF's 50% interest in 324 Queen Street, Brisbane. The new Gateway and Grosvenor Place restaurant precincts in Sydney opened, enhancing returns for investors and improving office tenant amenity. Our funds continue to outperform their respective benchmarks, and we continued to progress the third party development pipeline which provides an opportunity to enhance future returns.

## TRADING PROFITS ON TRACK

In trading we settled on the sale of 57-65 Templar Road, Erskine Park, contributing \$8.3 million of trading profits post tax to our half year result. In January 2017, we settled on the sale of 79-99 St Hilliers Road, Auburn, which will contribute a further \$17 million of trading profits post tax to our full year result. The sale of one further trading property is expected to result in the achievement of our FY17 trading profit target of \$45-50 million post tax. We have progressed our priority trading projects and focused on opportunities to restock the future trading pipeline, receiving local Council and Regional Planning Panel endorsement of a concept scheme for an office building at 140 George Street, Parramatta.

## SUMMARY

While geopolitical uncertainty is expected to continue to impact business confidence in domestic and international markets, DEXUS is well positioned to deliver strong results for the 2017 financial year. Our team is focused on two simple objectives; office sector leadership which we will achieve by being the market's preferred workplace partner; and being a wholesale partner of choice. Driving investment performance remains a priority, and our portfolio is well placed to deliver income growth with strong fundamentals in key markets and an enhanced pipeline of development opportunities.

As a result of the improved performance in the underlying business and confidence in achieving trading sales, we have upgraded our market guidance for growth in underlying FFO per security from 3.0-3.5% to circa 4%, growth in FFO per security to circa 1% and distributions will be paid in line with free cash flow, delivering distribution per security growth of 3.5-4.5% for the 12 months ending 30 June 2017.

We look forward to keeping you updated on our progress over the remainder of the year.

**Darren Steinberg, CEO**

**\$716.0<sup>m</sup>**  
Statutory net profit  
(HY16: \$797.5m)

**30.6<sup>cents</sup>**  
FFO per security  
(HY16: 33.4¢)

**29.7<sup>cents</sup>**  
Underlying FFO per security  
(HY16: 26.9¢)

**21.71<sup>cents</sup>**  
Distribution per security  
(HY16: 23.05¢)

**\$8.05**  
NTA per security  
(FY16: \$7.53)

**DEXUS**  
PROPERTY GROUP



# LEASING SUPPORTS STRATEGIC OBJECTIVES

**98,839** <sup>sqm</sup>

**Office leasing**  
(HY16: 97,935sqm)

Leasing activity supports both our strategic objectives of leadership in office and being a wholesale partner of choice. An active six months of leasing activity across our office and industrial portfolios improved occupancy levels and, together with the development completions, drove 10.6% growth in underlying FFO per security.

**96.3** %

**Office occupancy**  
(FY16: 96.3%)

With 63% of our office portfolio located in Sydney, we have secured a number of new tenants displaced as a result of the construction of the Sydney Metro and residential conversions. Tiffany & Co. are intending to expand their footprint upon relocating to a proposed newly developed three-storey flagship store at 175 Pitt Street after the acquisition of 39 Martin Place by Transport for NSW.

**14.3** %

**Average office incentives**  
(FY16: 17.7%)

Capturing the flight to quality in the Sydney office market, we secured multiple leases at

**229,099** <sup>sqm</sup>

**Industrial leasing**  
(HY16: 144,661sqm)

1 Farrer Place and Grosvenor Place, and significant leasing at 385 Bourke Street in Melbourne helped maintain occupancy above 96% across the office portfolio. Office incentives reduced to 14.3% from 17.7% in FY16.

Occupancy across our industrial portfolio increased from 90.4% at 30 June 2016 to 94.9%. The leasing of a number of facilities at Axxess Corporate Park drove the improvement in occupancy. Notable deals undertaken at DEXUS Industrial Estate, Laverton North included CUB's lease renewal which involved expansion into the adjoining building (45,493sqm) and new leases with Best Bar (13,008sqm) and Unipod (17,470sqm).

Drawing on the strength of our national customer relationships, we secured leases in January 2017 which enables the commencement of construction of two industrial facilities at Laverton North.

**94.9** %

**Industrial occupancy**  
(FY16: 90.4%)

## Our customer focus

We believe that orientating our business around the customer will drive superior investment performance in the long run. Through the development of a suite of products and services that our customers want, we are building loyalty to the DEXUS brand through providing a great customer experience. Over the past six months we launched our second DEXUS Place meeting and training room offer in Sydney at 1 Farrer Place, increasing our presence to four locations nationally. We also launched ChildSpace, a new partner service offer with Guardian Early Learning Centres which connects our customers to a childcare solution.

**89**

**GBCA Accredited buildings**  
(81 certified during 2016)

## Our sustainability commitment

We are proud to have been identified as a 'green leader' by the Green Building Council of Australia (GBCA) through our achievement of the Green Star certification for our buildings' environmental credentials. Showing our commitment to sustainability, we certified 81 Green Star, as built and performance projects across the Group in 2016, bringing the total to 89 property certifications at 31 December 2016.

## Investor Information

If you have any questions regarding your security holding or wish to update your personal or distribution payment details, contact the DEXUS Infoline on +61 1800 819 675.

### SECURITY REGISTRY

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
DEXUS Infoline: +61 1800 819 675  
Fax: +61 2 9287 0303  
Email: [dexus@linkmarketservices.com.au](mailto:dexus@linkmarketservices.com.au)  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### RESPONSIBLE ENTITY

DEXUS Funds Management Limited  
ABN 24 060 920 783  
AFSL 238163  
Level 25, Australia Square  
264 George Street  
Sydney NSW 2000

### AUSTRALIAN SECURITIES EXCHANGE

ASX Code: DXS

### KEY DATES

**29 June 2017**

Final distribution ex-date

**30 June 2017**

Final distribution record date

**16 August 2017**

Annual results announcement

**29 August 2017**

Final distribution payable  
Annual Tax Statements dispatched

### DEXUS IR App

Download the DEXUS IR App to your preferred mobile device to gain instant access to the latest DXS stock price, ASX announcements, presentations, reports, webcasts or follow us on LinkedIn.



## About this review

This Half Year Review forms part of the HY17 reporting suite.

The HY17 reporting suite includes:

- HY17 ASX announcement
- HY17 results presentation
- Appendix 4D and Financial Statements as at 31 December 2016
- HY17 Property Synopsis spreadsheet