

Dexus (ASX: DXS)

ASX release



7 November 2018

Perth Property Tour

Dexus is hosting a Perth property tour today for institutional investors and brokers and provides the attached tour book.

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About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high quality Australian property portfolio valued at \$27.2 billion. We believe that the strength and quality of our relationships is central to our success, and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own \$13.3 billion of office and industrial properties. We manage a further \$13.9 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$4.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.7 million square metres of office workspace across 53 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by 27,000 investors from 20 countries. With more than 30 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

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

dexus

Dexus Perth Property Tour

Wednesday, 7 November 2018



Agenda

Time

Details

1.15pm start

Lunch - Perth Market Overview

2.00pm - 2.30pm

240 St Georges Terrace

2.45pm - 3.00pm

58 Mounts Bay Road

3.15pm - 4.00pm

Kings Square, Wellington Street

4.15pm - 5.00pm

Carillon City - DWPF* city retail asset

5.00pm - 5.30pm

Travel to dinner venue (transport provided)

5.30pm - 8.00pm

Drinks and Dinner



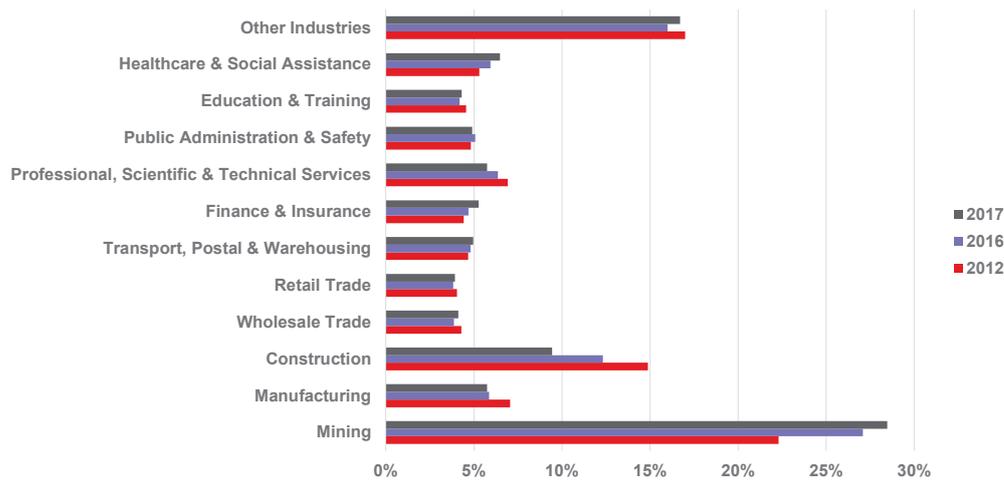
Perth Market Overview



GSP share by industry



Mining continues to lead the way, with increased dominance



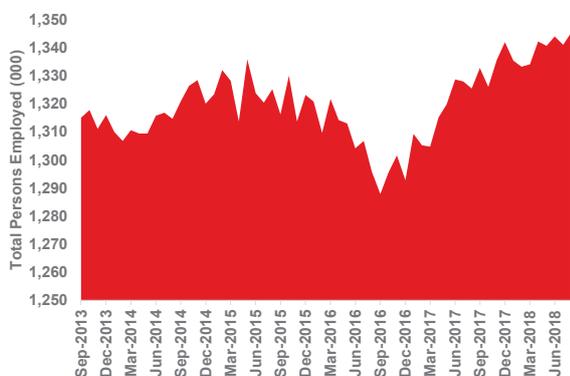
Source: ABS, JLL Research

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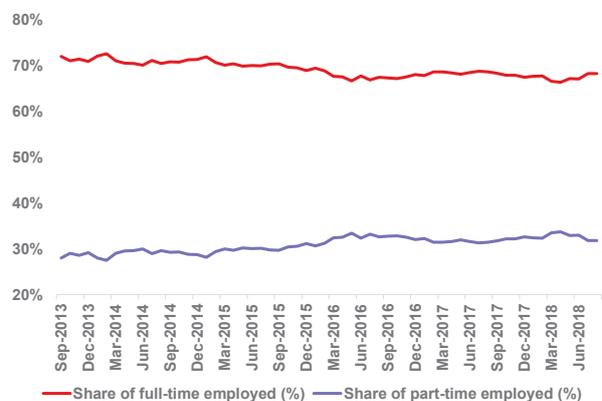
WA labour market trends



Employment levels at all-time highs



Share of full-time persons employed beginning to improve



Source: ABS, JLL Research

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WA private sector employment



Mining employment is on the rise once again

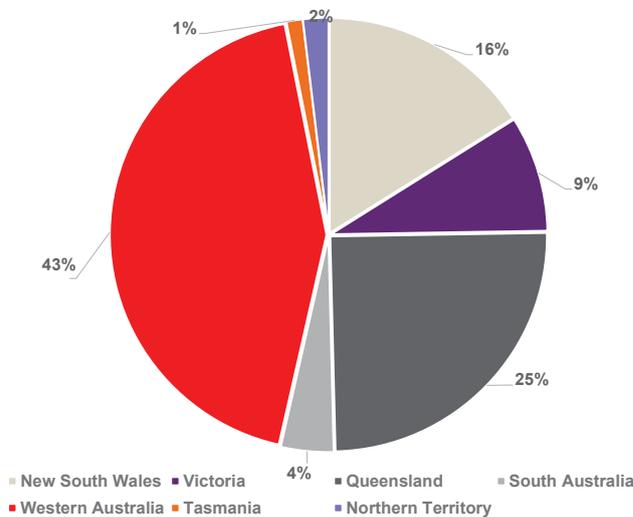


Source: ABS, JLL Research
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Merchandise Exports by State



WA dominates the export industry

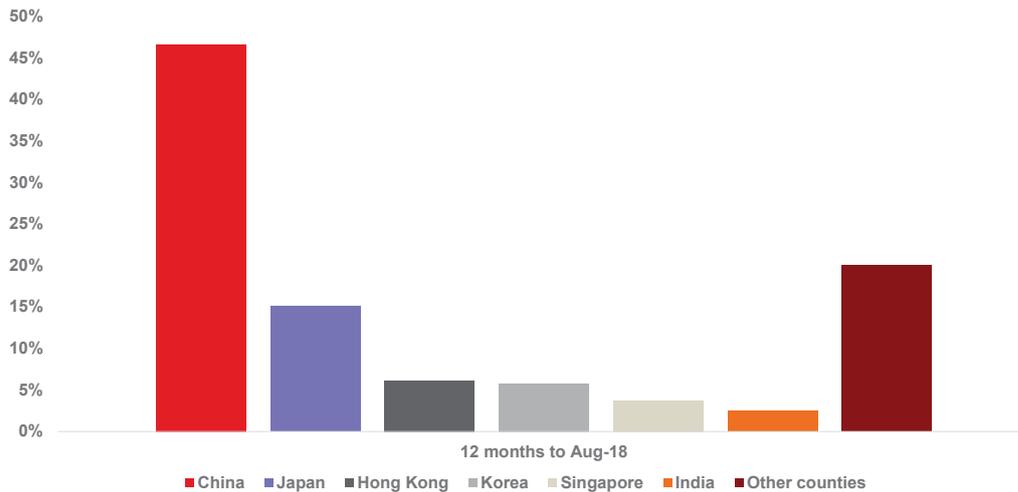


Source: ABS, JLL Research
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WA merchandise exports by destination



China is by far the dominant consumer of WA merchandise exports



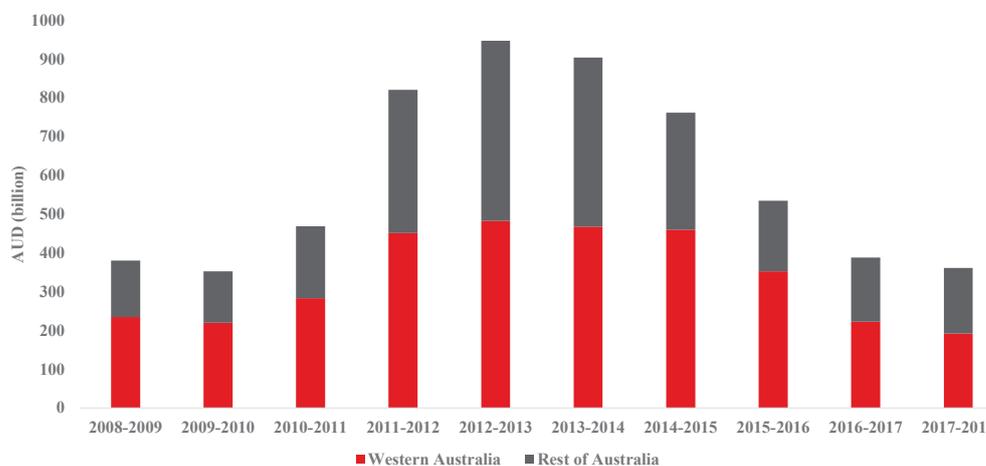
Source: ABS, JLL Research

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WA share of mining investment



WA leads the way in mining capital investment



Source: DMIRS, JLL Research

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Could the Perth recovery be stronger?



Perth CBD underlying demand model (no. people employed - forecast)						
Industry Sector	2018	2019	2020	2021	2022	Total
Professional services	11,000	11,500	15,400	17,700	16,600	72,200
Public administration	1,200	4,000	3,700	4,500	4,300	17,700
Finance & Insurance	4,600	2,300	3,600	4,400	4,300	19,300
Others	4,700	4,600	9,200	10,300	10,400	39,300
Total	21,500	22,400	32,000	36,800	35,700	148,400
JLL	15,000	15,000	30,000	10,000	10,000	80,000

Source: JLL Research, Deloitte Access Economics

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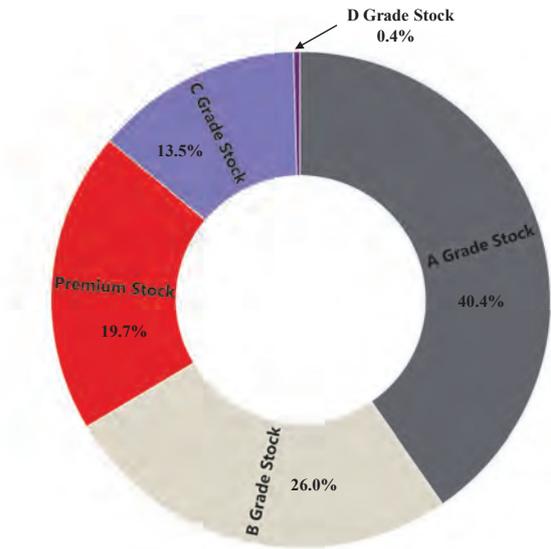
Perth CBD Office Market

	Q3 2018	Q3 2017
Total Stock	1,816,441 m ²	1,768,323 m ²
Vacant Stock	400,228 m ²	386,147 m ²
Vacancy	22.0%	21.8%



Source: JLL Research

Perth CBD Office Market by Quality



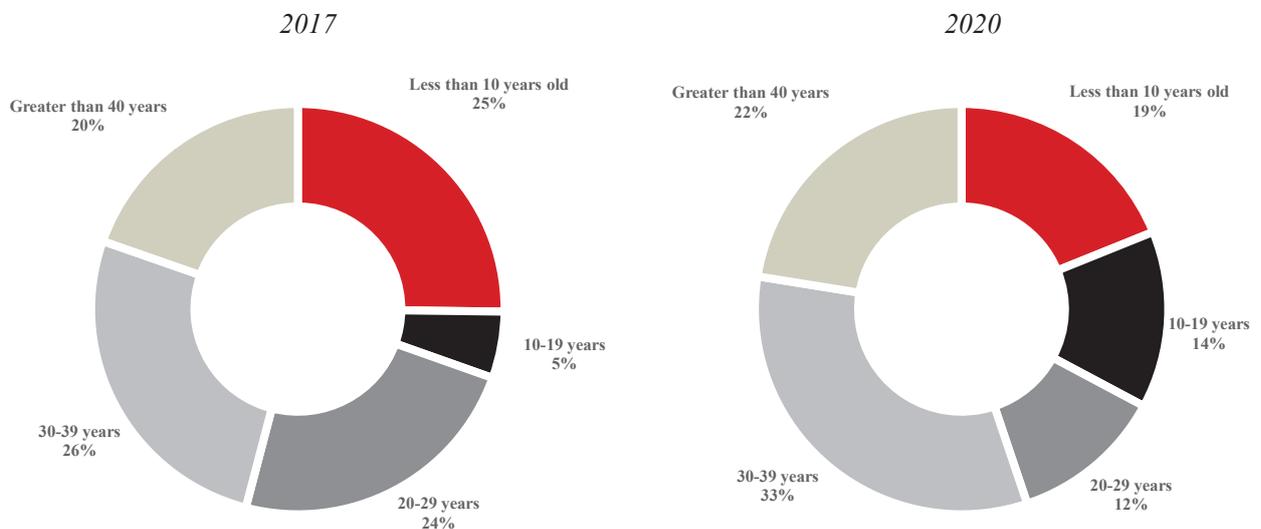
Source: JLL Research

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Perth CBD stock is ageing



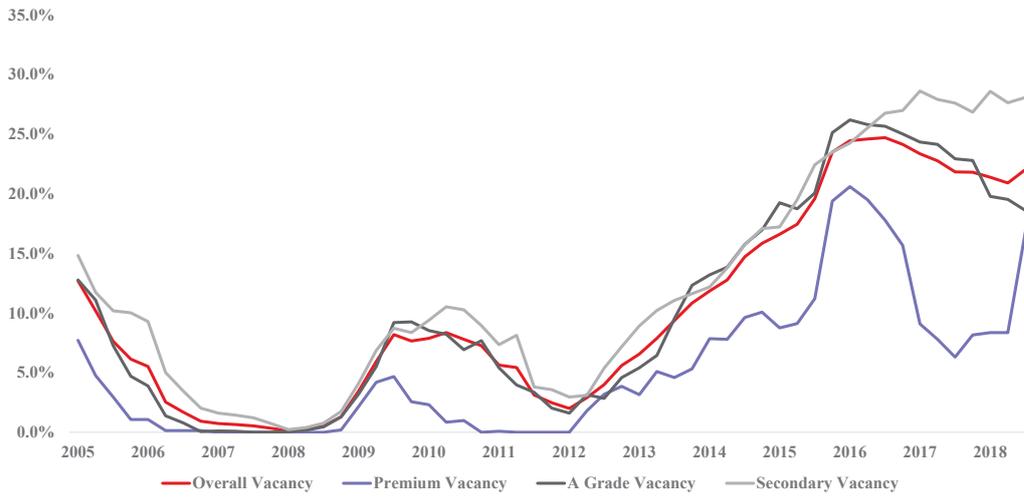
Age profile of stock, 2017 and 2020



Source: JLL Research

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Perth CBD vacancy rate by Grade, 2005 to 2018



Source: JLL Research

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Achieve Ambitions

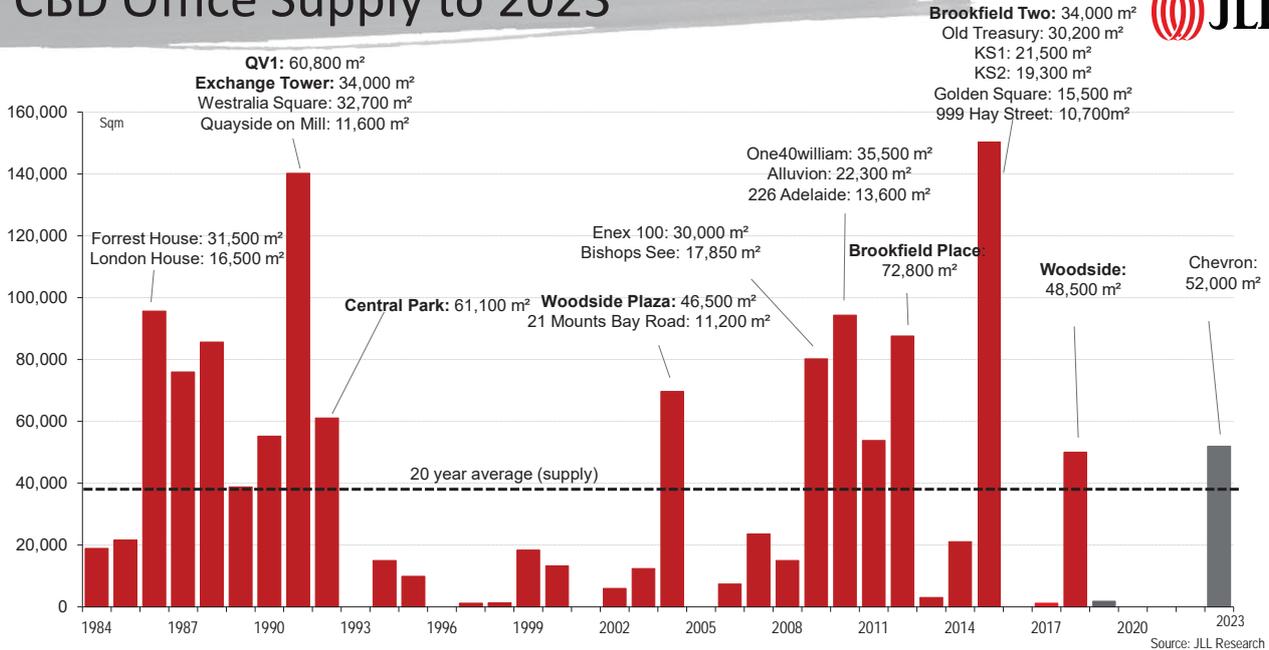
Supply



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CBD Office Supply to 2023

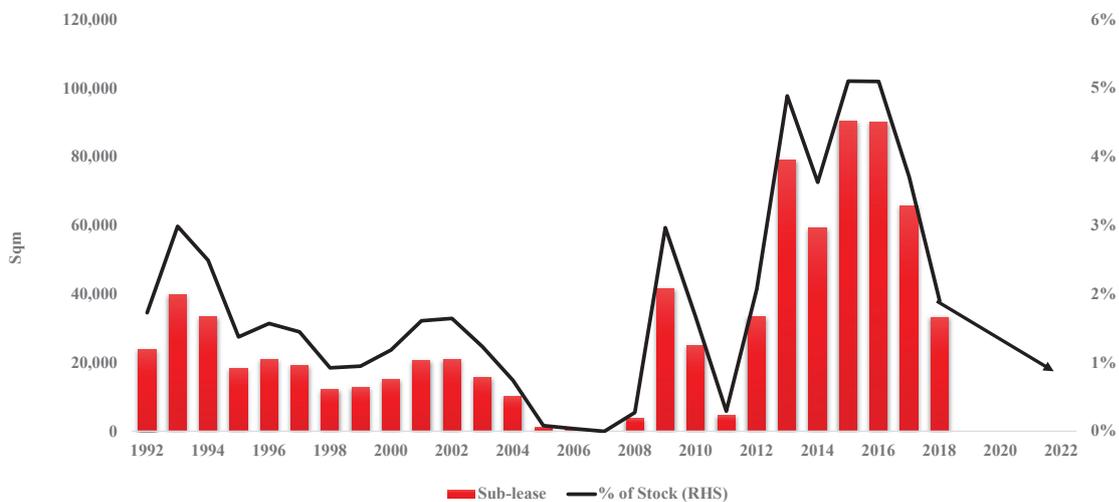


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Sharp reduction in sublease availability



Perth CBD sub-lease availability, 1992 to 2018



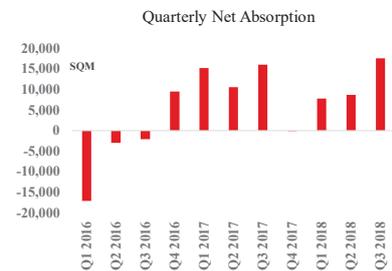
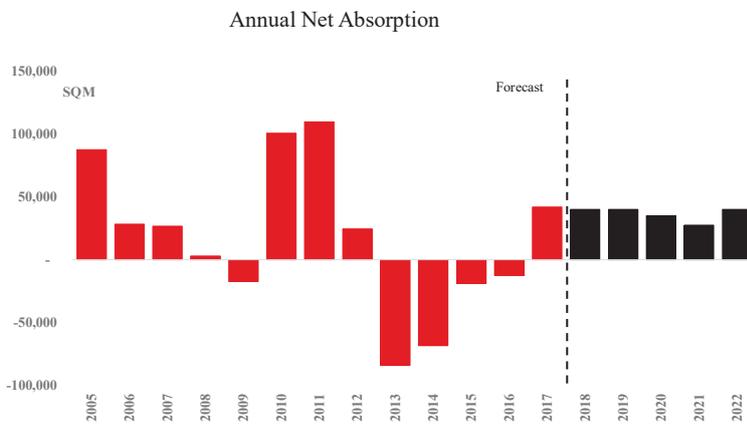
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Perth Market Overview continued



Tangible signs of recovery

Perth CBD net absorption, 2005 to 2022 (f)



Source: JLL Research

Centralisation to Perth CBD



Tenant	Area - sqm	From	To	Tenant	Area - sqm	From	To
33 Mullian Lowe	600		Subiaco 1 Forrest Place	Bethany	1,000		Claremont Workzone
Institute of Chartered Accounting	300		South Perth 1008 Hay Street	JUFPEC Petroleum	1,500		Subiaco 123 St Georges Tce
Renascent	250		Subiaco 267 ST Georges Terrace	Gibert & Tobin	1,000		West Perth 123 St Georges Tce
Vix Tech	1200		Balcatta 105 St Georges Terrace	Titan Recruitment	400		West Perth 507 Murray Street
Greenbase Minerals	250		Welshpool 267 St Georges Terrace	Titan Recruitment	250		West Perth 216 ST Georges Tce
Mind Max	200		West Perth 2 Mill Street	Horizon Power	4,000		Bently Francis Street, Northbridge
Adcorp	500		West Perth 225 St Georges Terrace	IPA	200		Como 1008 Hay Street
Borello Legal	400		West Perth 863 Hay Street	Ray White Commercial	600		Burswood 12 The Esplanade
Allion Legal	1100		West Perth Australia Place	JDSI	1,950		East Perth Workzone
Pro Build	1200		South Perth 253, 255, 267 ST Georges Terrace	Hill International	280		West Perth 111 St Georges Terrace
Channel 9	3000		Dianella 125 St Georges Terrace	Deep Sea Mooring	295		West Perth 197 ST Georges Tce
Navitas	1650		Mt Pleasant 225 St Georges Terrace	Samsung C & T	1,200		SUbiaco 182 St Georges Tce
Aquilla Resources	736		South Perth 225 St Georges Terrace	Code Group	148		Applecross 5 Mill Street
Modec	400		Suburbs 1 Nash Street	NG Council	499		South Perth 216 St Georges Tce
BP	660		Suburbs 50 Williams Street	API	700		Como 225 ST Georges
Anglican Grammar School	2500		West Perth Exchange Tower	Aurizon	600		Welshpool 15-17 William Street
Arup	1600		Suburbs 99 ST Georges Terrace	Scentre Group	741		Booragoon 5 Mill Street
Built	400		West Perth 235 St Georges Terrace	Moray and Agnew	1,091		West Perth 2 The Esplanade
Intertek	600		Suburbs Pier Street	Telstra	3,300		Northbridge 125 St Georges
NBN	1800		Belmont 225 St Georges Terrace	Leach Legal	766		West Perth 240 St Georges
Evolution Mining	400		West Perth 37 St Georges Terrace	Grant Thornton	1,781		West Perth 152 ST Georges
Bentleys	930		West Perth 216 St Georges Terrace	The Brand Agency	1,367		West Perth KS1
				Canning Purple	365		West Perth 123 St Georges Tce
				Wrays	854		West Perth 863 Hay Street
				AJ Gallagher	2,000		Burswood 235 ST Georges
				TOTAL	48,164		

HoAs signed. Leases are pending

P&N 3,000sqm , Department of Human Service 8,000 sqm, Technip 6,000sqm, St. John of God 5,000sqm

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Why the City?

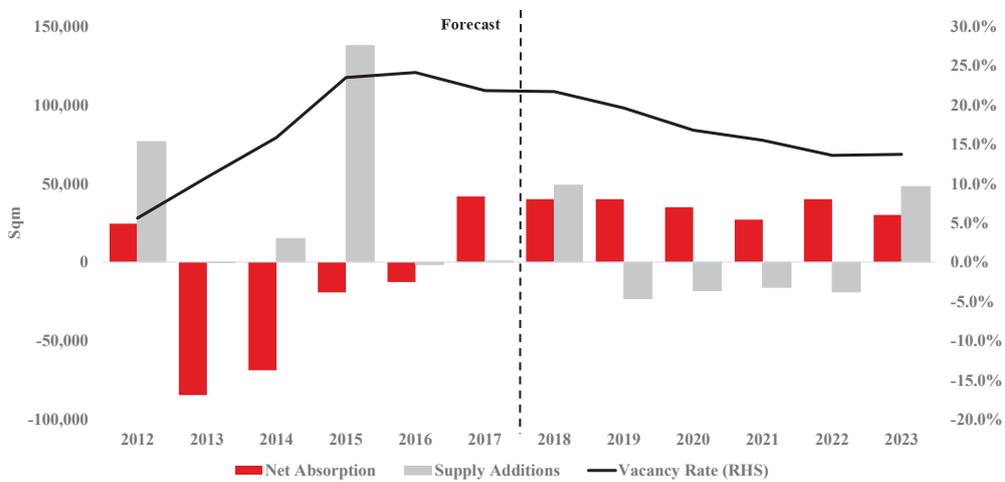


- Net effective deals
- Transport
- Amenity
- Overall quality of accommodation
- Floor plate size
- Workplace environment



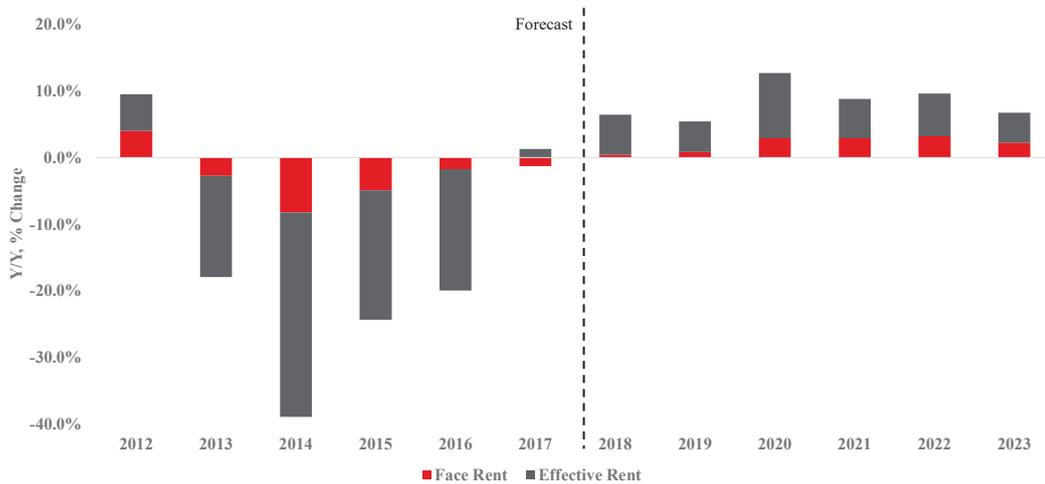


Vacancy to recover gradually



Source: JLL Research
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Effective rents have passed the cyclical trough

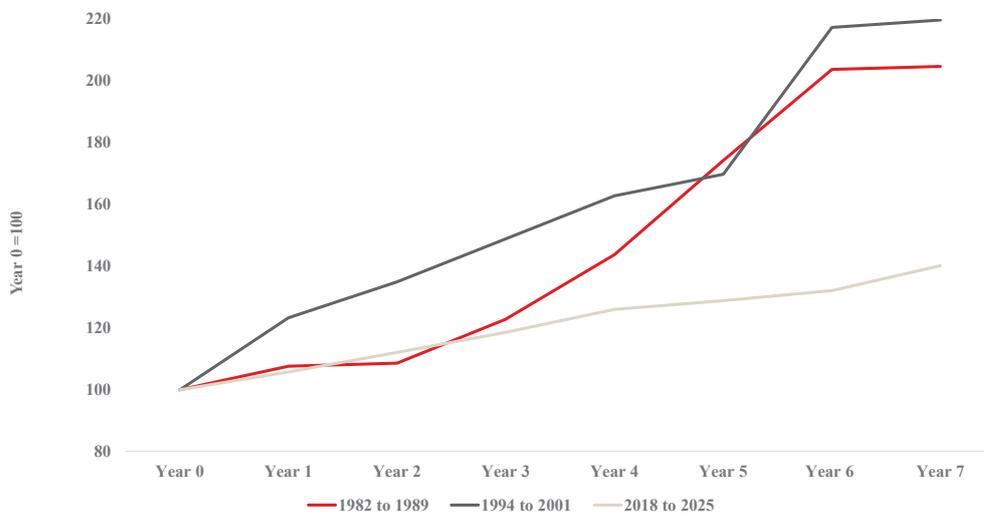


Source: JLL Research
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Rental upswings post economic down-turns



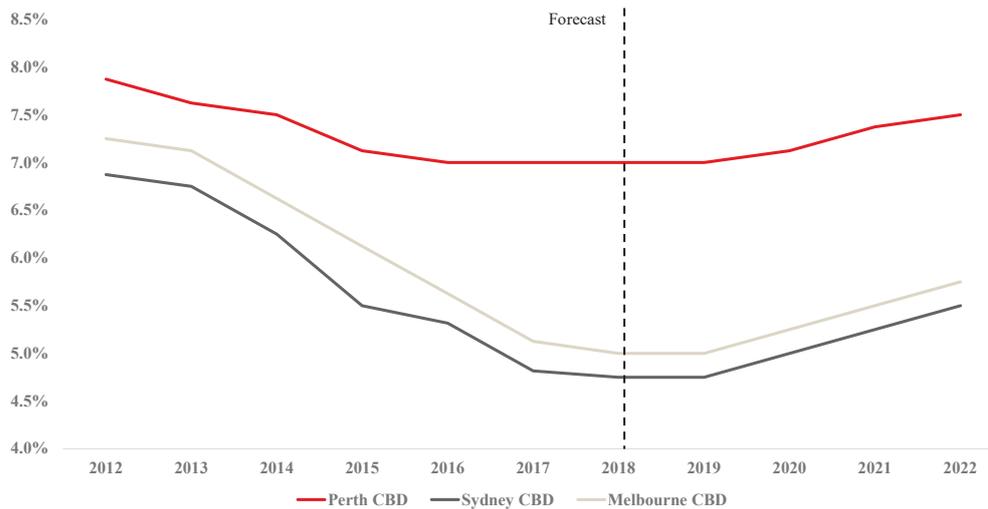
Based on net effective rental growth



Source: JLL Research
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Sydney, Melbourne and Perth prime equivalent yields (mid-point)



Source: JLL Research
25

Perth office sales - 2018



Address	45 St Georges Terrace	6-8 Bennett Street	55 St Georges Terrace	182 St Georges Terrace	441 Murray Street	202 Pier Street, Workzone West	836 Wellington Street	1 Havelock Street	The Optima Centre
Sale Price	\$53,570,000	\$43,500,000	\$44,200,000	\$21,100,000	\$22,000,000	\$125,250,000	Est. \$103,000,000	\$33,000,000	Circa \$125,100,000
Vendor	Credit Suisse	Buckeridge Estate	Select Property Holdings	Select Property Holdings	Centuria Capital	Charter Hall	Investa Office Fund	Ascot Capital	Blackrock
Purchaser	Straits Trading / Redhill Partners	HSB / OKP Holdings	Zone Q	Zone Q	Redhill Partners	Elanor Investors	Growthpoint	Offshore Private	Charter Hall
Sale Date	Jan 2018	Jan 2018	Jan 2018	Jan 2018	Apr 2018	Jun 2018	Jun 2018	Sep 2018	Oct 2018
Yield (Initial)	8.30%	6.31%	0.25%	3.14%	-3.40%	9.18%	6.23%	7.72%	7.21%
Yield (Equiv.)	8.66%	7.77%	7.92%	8.58%	7.25%	7.21%	6.21%	7.49%	6.36%
WALE	5.02 years	6.02 years	4.40 years	2.38 years	0.00 years	7.27 years	8.67 years	3.29 years	11.23 years
10 year IRR	8.88%	8.34%	8.12%	8.13%	7.93%	8.13%	7.41%	6.80%	7.58%
Rate / sqm	\$5,351	\$4,257	\$5,152	\$3,897	\$3,761	\$8,028	\$8,603	\$6,444	\$7,762
Total NLA	10,010 sqm	10,219 sqm	8,579 sqm	5,414 sqm	5,849 sqm	15,602 sqm	11,973 sqm	5,121 sqm	16,116 sqm

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Dexus's Perth CBD portfolio



Carillon City - city retail
100% DWPF owned
100% managed

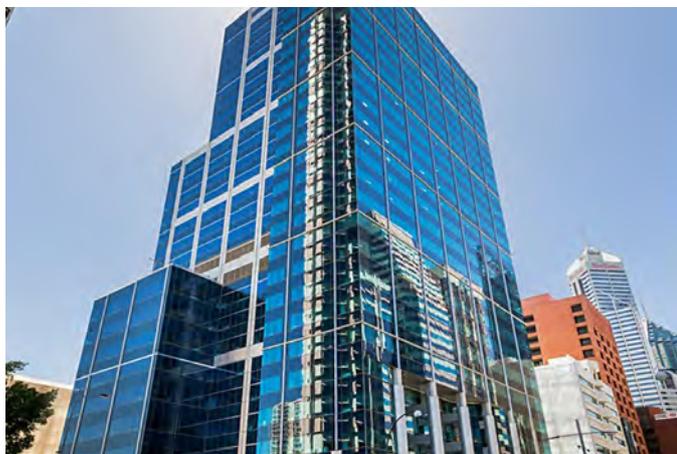
Kings Square
50% DXS owned
50% DWPF owned
100% managed

58 Mounts Bay Road
50% DXS owned
50% Dexus Office
Partner owned
externally managed

240 St Georges Terrace
100% DXS owned
100% managed



240 St Georges Terrace, Perth



Description

240 St. Georges Terrace is a modern Premium office tower located in the prestigious western-end of the Perth CBD at the intersection of St. Georges Terrace and Milligan Street.

The 24 level office tower is highly specified and provides large, efficient floor plates ranging from 2,360 square metres in the low rise to 1,656 square metres in the high rise. The low-sill windows maximise natural light and feature views over Kings Park, the Swan River and the Indian Ocean to Rottnest Island.

The property is currently undergoing renovations to enhance the overall feel of the building to provide a new, updated structure along with modern amenities for customers. These renovations aim to create a vibrant, working environment while enhancing the overall street appeal and will include:

- A renewed and more open frontage to St Georges Terrace
- State-of-the-art wellness centre with new end-of-trip facilities
- New retail food offering with open access to the existing external plaza
- Onsite childcare facility
- Refurbished office floors, including LED tenancy lighting
- Dexus Place providing a tailored extension to your work environment
- The Terrace, a perfect contemporary outdoor space for events

The property is well connected to public transport with Elizabeth Quay Railway Station and Perth Railway and Underground stations nearby; while motorists entering via the city's major motorways have access to a basement car park with 247 spaces.

Property Details

Building type	Premium Grade - office
Title	Freehold
Site area (hectares)	0.6
Lettable area ('000sqm)	46.9
Lettable area adjusted for ownership ('000sqm)	46.9
Typical floor area (sqm)	2,000
Number of buildings	1
Car parking spaces	247
NABERS Energy rating (with Green Power)	5.0
NABERS Energy rating (without Green Power)	5.0
NABERS Water rating	3.0
Year built	2003
Major tenant	Woodside Energy
Owner	DXS
Ownership (%)	100

Property Statistics

Metro area	Perth CBD
Zoning	Central City Area
Acquisition date	January 2001
Book value at ownership (\$m)	320.0
Independent valuation date	June 2018
Independent valuation at ownership (\$m)	320.0
Market cap rate (%)	6.75
Initial yield (%)	6.99
Leased by area (%)	88
Weighted lease term by income (years)	4.1



58 Mounts Bay Road, Perth



Description

58 Mounts Bay Road, also known as Alluvion, is a contemporary A-Grade office building located in the central forefront of the Perth CBD with dual access on St George Terrace. The 20 level tower features an impressive triple height marble clad ground floor lobby with a plaza café on the external landscaped terrace.

The property benefits from large, efficient, column-free floor plates with breathtaking views of the Swan River and the city on all but the first level.

The building has direct access to public transport from walkway bridges over Mounts Bay Road to the Esplanade Train and Bus Stations. For motorists there are 96 car parking bays and 24 motorcycle bays across three basement levels, as well as end-of-trip facilities including bicycle racks and lockers.

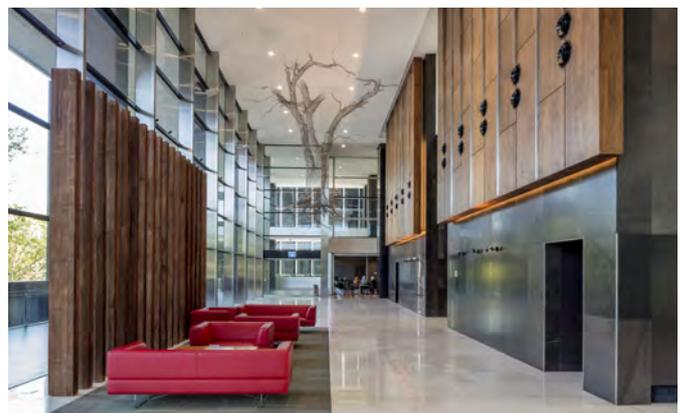
Being at the heart of the city centre the building is surrounded by a variety of clothing retailers, world class restaurants, bars and cafés, fitness facilities, hotels and childcare services.

Property Details

Building type	A Grade - office
Title	Freehold
Site area (hectares)	0.3
Lettable area ('000sqm)	22.4
Lettable area adjusted for ownership ('000sqm)	5.6
Typical floor area (sqm)	1,570
Number of buildings	1
Car parking spaces	96
NABERS Energy rating (with Green Power)	5.0
NABERS Energy rating (without Green Power)	5.0
NABERS Water rating	4.0
Green star rating	4.0 Star (Office Design v2)
Year built	2010
Major tenant	Clough Projects
Owner	DXS
Ownership (%)	25
Co-owner	Dexus Office Partner / Cape Bouvard Investments Pty Ltd

Property Statistics

Metro area	Perth CBD
Zoning	City Centre
Acquisition date	April 2014
Book value at ownership (\$m)	53.8
Independent valuation date	June 2018
Independent valuation at ownership (\$m)	53.8
Market cap rate (%)	6.75
Initial yield (%)	8.99
Leased by area (%)	97
Weighted lease term by income (years)	3.8



Kings Square, Wellington Street, Perth



Description

Kings Square comprises three A-Grade office buildings located in Perth's emerging mixed-use precinct adjacent to the CBD. The buildings comprise Kings Square 1 (19 levels), Kings Square 2 (11 levels) and Kings Square 3 (9 levels) providing in excess of 50,000 square metres combined office and retail space.

Kings Square is surrounded by the city's entertainment and cultural precincts bookended by the recently completed Yagan Square Civic space and the RAC Arena.

The King Square precinct provides unprecedented connectivity being at the heart of Perth's transport hub of underground rail and bus infrastructure, and the junction of four commuter cycle paths.

At its heart lies a vibrant plaza with financial and retail services, bars, restaurants and cafés. There are also extensive end-of-trip facilities including hundreds of bicycle racks, lockers and fully-equipped shower and change facilities, as well as a large onsite childcare service.

Property Details

Building type	A Grade - office
Title	Freehold
Site area (hectares)	0.6
Lettable area ('000sqm)	52.3
Lettable area adjusted for ownership ('000sqm)	26.2
Typical floor area (sqm)	1,400
Number of buildings	3
Car parking spaces	155
NABERS Energy rating (with Green Power)	KS1 NR / KS2 5.5 / KS3 NR
NABERS Energy rating (without Green Power)	KS1 NR / KS2 5.5 / KS3 NR
NABERS Water rating	KS1 NR / KS2 NR / KS3 NR
Green star rating	KS1 5.0 Star (Office As Built v3) / KS2 5.0 Star (Office As Built v3) / KS3 5.0 Star (Office Design v3)
Year built	2015
Major tenant	Shell
Owner	DXS
Ownership (%)	50
Co-owner	Dexus Wholesale Property Fund

Property Statistics

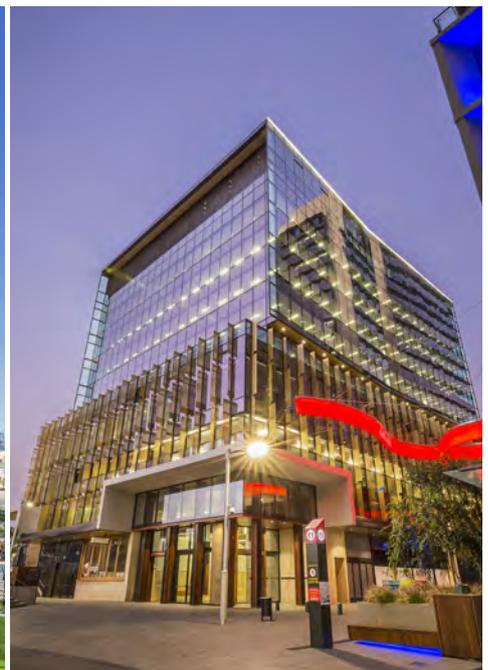
Metro area	Perth CBD
Zoning	City Centre
Acquisition date	May 2013
Book value at ownership (\$m)	216.0
Independent valuation date	June 2018
Independent valuation at ownership (\$m)	216.0
Market cap rate (%)	6.79
Initial yield (%)	8.73
Leased by area (%)	100
Weighted lease term by income (years)	6.6



Kings Square 1, 556 Wellington Street



Kings Square 2, 562 Wellington Street



Kings Square 3, 10 Telethon Avenue

Kings Square
50% DXS owned
50% DWPF owned
100% managed

240 St Georges Terrace
100% DXS owned
100% managed

Carillon City - city retail
100% DWPF owned
100% managed

58 Mounts Bay Road
50% DXS owned
50% Dexus Office Partner owned
externally managed



Carillon City, Hay Street, Perth



Description

Carillon City is located in the geographical heart of the Perth CBD, occupying a super-prime foothold between Murray and Hay Street Malls – Perth’s premier retail destination. Carillon City is a major CBD shopping centre with key linkages to Forrest Chase, Perth Railway Station, bus and ferry interchanges and the office core on St Georges Terrace. The centre is constructed over five levels with an additional 14 levels of offices situated above the Murray Street end of City Arcade.

Location

Carillon City is located in the city centre of Perth. It is approximately 70 metres south of Perth’s GPO. Carillon City is strategically positioned between Murray and Hay Street Malls. The Perth CBD houses over 800 retailers, making the city the premier retail destination in Western Australia.

Development Opportunity

Development Approval has been received for a major refurbishment. Proposed to deliver approximately 15,000 square metres of retail space that will span across four levels.

Property Details

Ownership (%)	100
Co-Owner	-
Classification	City Retail
Year Built	1970
Site Area (sqm)	5,724
Gross Lettable Area (sqm)	17,619
Occupancy by Area (%)	72.7
Weighted Average Lease Expiry by Income (years)	1.9
Car Parking Spaces	-
NABERS Energy Rating	n/a
NABERS Water Rating	n/a

Independent Valuation

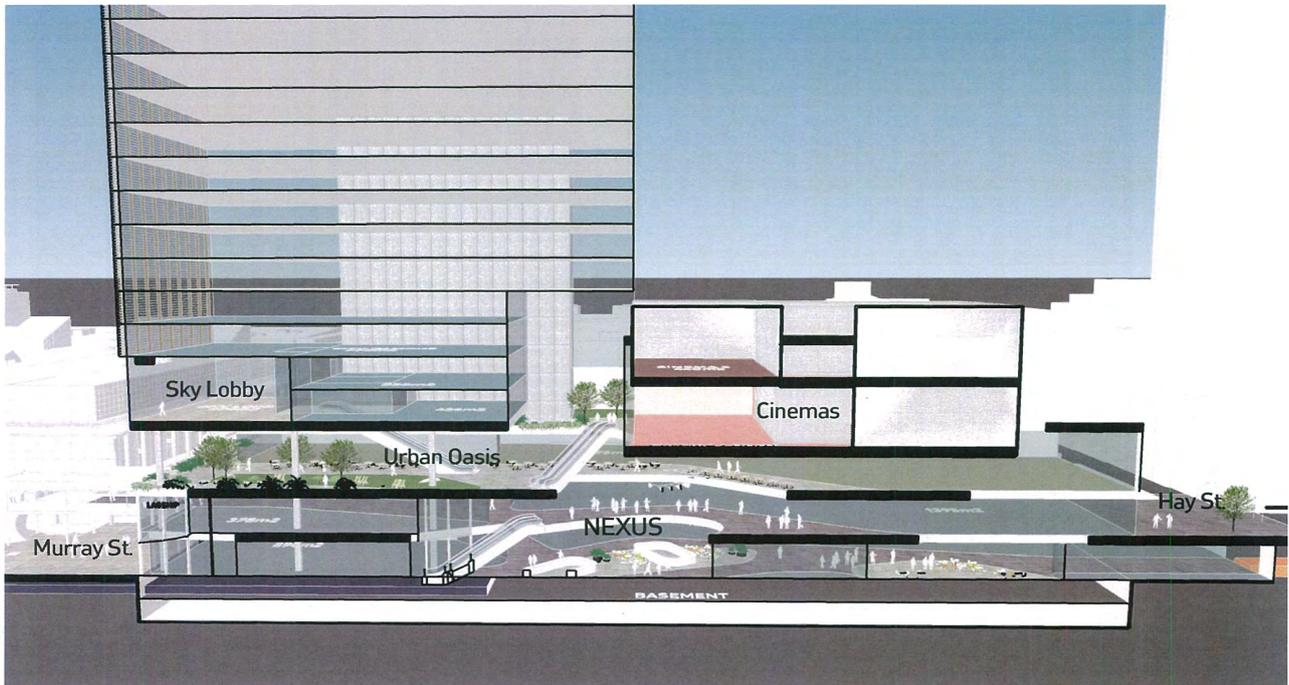
Independent Valuation (A\$m)	135.00
Independent Valuation Date	September 2018
Valuation Agency	JLL
Cap Rate (%)	6.50
Discount Rate (%)	7.00

Lease Expiry Profile by Income

Available (%)	16.6%
FY 2019	14.9%
FY 2020	33.1%
FY 2021	15.5%
FY 2022	8.3%
FY 2023	0.0%
FY 2024	1.0%
FY 2025	4.1%
FY 2026	4.7%
FY 2027	0.0%
FY 2028+	1.8%

Major Tenants

Major Tenant 1	Hype DC
Income (%)	8.65
Lettable Area (sqm)	381.0
Lease Expiry Date	May 2026
Major Tenant 2	Mazzuchellis
Income (%)	6.70
Lettable Area (sqm)	224.6
Lease Expiry Date	October 2024
Major Tenant 3	Cotton On
Income (%)	2.91
Lettable Area (sqm)	2,190.0
Lease Expiry Date	November 2019



Artist's impression

New energy, New opportunities

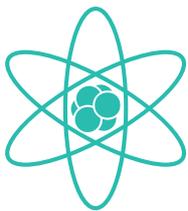
Pathway to net zero and smart, sustainable workplaces

Our goal is to achieve a net zero position for all carbon emissions across Dexu's managed property portfolio by 2030 through improving energy efficiency and increasing renewables

We will achieve net zero emissions by 2030 through a prioritised approach to avoid, reduce, re-source and offset our impacts.

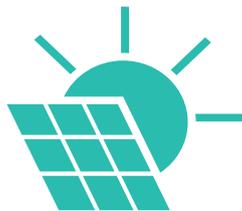
The target is in line with the Paris Climate Agreement which is advocating significant reductions in emissions to keep global warming under two degrees against a pre-industrial baseline.

Net zero emissions by 2030



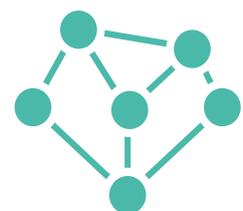
Improving energy efficiency

Achieve up to 50% energy savings by 2030



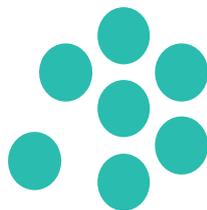
On-site renewables

Increase uptake of solar panels across our portfolio



Off-site renewables

Leverage large-scale renewable sources as they become available on national energy grid



Water, waste and refrigerants

Reduce or eliminate emissions from operational waste, wastewater, and impacts from air conditioning refrigerants



Electrification

Transition to all-electric buildings powered by clean energy

To learn more about our sustainability performance visit www.dexu.com/sustainability

