

Dexus (ASX: DXS)

ASX release



13 December 2019

\$656 million uplift from independent valuations

Dexus today announced that 109 of its 118 assets, comprising 43 office properties and 66 industrial properties were externally valued to 31 December 2019.

The external independent valuations completed have resulted in a total estimated \$656 million or circa 4% increase on prior book values for the six months to 31 December 2019. As a result of these valuations Dexus's net tangible asset backing (NTA) per security is expected to increase by 60 cents.

Darren Steinberg, CEO of Dexus said: "Investment demand for quality office and industrial properties combined with a lower for longer interest rate environment continue to flow through to the capital values of our properties."

The weighted average capitalisation rate across the total portfolio tightened 17 basis points over the past six months to 5.09%. The weighted average capitalisation rate of the office portfolio tightened 17 basis points from 5.15% at 30 June 2019 to 4.98% at 31 December 2019 and the industrial portfolio weighted average capitalisation rate tightened 14 basis points from 5.92% to 5.78%.

The majority of the office portfolio valuation uplift was driven primarily by capitalisation rate compression and market rent growth. One Farrer Place in Sydney increased in value by \$90.2 million due to market rent increases and a 28 basis point tightening in the property's capitalisation rate. The MLC Centre in Sydney increased by \$52.7 million driven by leasing success and 23 basis points of capitalisation rate tightening. 44 Market Street in Sydney increased \$34.5 million following completion of the retail redevelopment, an uplift in market rents and a 12.5 basis point tightening in the property's capitalisation rate.

Valuation increases across the industrial portfolio were driven by continued capitalisation rate compression at properties across key Eastern seaboard markets supported by an increase in transactional evidence.

Darren Steinberg said: "We've seen a significant increase in enquiries both from domestic and offshore investors seeking to invest directly in office and industrial properties through our funds management business. This increased interest is partly a function of the relative pricing at an attractive spread to bonds and rent growth prospects in Australia compared to global cities. As a result, we expect to see further valuation increases over the next six to 12 months."

Details relating to specific individual property valuations will be available in Dexus's 2020 half year results which will be released on Thursday, 6 February 2020.

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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 \$31.8 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 \$15.6 billion of office and industrial properties. We manage a further \$16.2 billion of office, retail, industrial and healthcare properties for third party clients. The group's circa \$8.7 billion development and concept 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 26,000 investors from 19 countries. With 35 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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