

Dexus (ASX: DXS)

ASX release



26 June 2019

\$250 million valuation uplift achieved across Dexus's portfolio

Dexus today announced that 109 of its 114 assets, comprising 45 office properties and 64 industrial properties have been externally valued as at 30 June 2019.

The external independent valuations have resulted in a total estimated \$250 million or circa 1.6% increase on prior book values for the six months to 30 June 2019. As a result of these valuations Dexus's net tangible asset backing (NTA) per security is expected to increase 23 cents.

Darren Steinberg, CEO of Dexus said: "Investment demand for quality office and industrial properties combined with a lower for longer interest rate environment continues to flow through to the capital values of our properties. Pleasingly we have seen two-thirds of the office portfolio uplift driven by rental growth, with strong market fundamentals in Sydney and Melbourne being reflected in our valuations."

The weighted average capitalisation rate across the total portfolio tightened 10 basis points over the past six months to 5.26%. The weighted average capitalisation rate of the office portfolio tightened 7 basis points from 5.22% at 31 December 2018 to 5.15% at 30 June 2019 and the industrial portfolio weighted average capitalisation rate tightened 22 basis points from 6.14% to 5.92%.

The key contributors to the valuation uplift were the Sydney and Melbourne office portfolios, where market rents continue to grow, and capitalisation rates have compressed further, albeit to a lesser extent than previous periods.

100 Mount Street, North Sydney increased by \$37.8 million following practical completion of the development, continued leasing success and a 12.5 basis point tightening in the property's capitalisation rate to 4.88%. 1 Farrer Place, Sydney increased by \$37.7 million driven by increased market rents and an 8 basis point capitalisation rate tightening. At 385 Bourke Street, Melbourne the valuation increased by \$24.5 million as a result of increased market rents and a 25 basis point capitalisation rate tightening. In Brisbane, 123 Albert Street has reduced in value by \$48 million due to the valuation now reflecting re-leasing and downtime allowances and the capitalisation rate expanding by 12.5 basis points. In Perth, 240 St Georges Terrace is now 92% leased which contributed to a 50 basis point tightening of the capitalisation rate to 6.25% and an uplift of \$18.1 million.

Valuation increases across the industrial portfolio were driven by continued capitalisation rate compression at properties across key Eastern seaboard markets.

Darren Steinberg said: "Going forward, we expect that transactional evidence and further rental growth will continue to drive values."

Details relating to specific individual property valuations will be available in Dexus's 2019 annual results which will be released on Wednesday, 14 August 2019.

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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 \$28.9 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 \$13.9 billion of office and industrial properties. We manage a further \$15.0 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$5.0 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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