

Dexus (ASX:DXS)

ASX release



30 July 2020

Dexus secures future trading profits while growing Dexus Australian Logistics Trust (DALT)

Dexus today announced that it has entered into agreements to sell a high quality portfolio of industrial assets to the Dexus Australia Logistics Trust (DALT or the Fund), while at the same time contracting future trading profits for Dexus in FY21 and FY22.

The portfolio comprises five high quality industrial assets in Truganina, VIC and a high quality industrial business park in Botany, NSW including:

- 47-53 Foundation Drive, Truganina VIC
- 380 Doherty's Road, Truganina VIC
- 7 Custom Place, Truganina VIC¹
- 9 Custom Place, Truganina VIC²
- 58 Foundation Road, Truganina VIC
- 11 Lord Street, Botany NSW (Lakes Business Park South)

The Truganina assets comprise newly developed premium grade facilities located within Dexus's Foundation at Truganina industrial estate, located 18 kilometres west from the Melbourne CBD with convenient access to the Princes and West Gate Freeway, Western Ring Road and the Deer Park Bypass.

Lakes Business Park South is strategically located in Botany, 12 kilometres south-east from the Sydney CBD with immediate connections to Sydney Airport and Port Botany, together with easy freeway access via the Eastern Distributor.

The portfolio is 91% occupied with a WALE of 7.4 years and has been contracted to be sold to DALT at a price of \$269.4 million³ representing a passing yield of 5.3%.

For DALT, in which Dexus has an interest, this acquisition enables access to a portfolio of properties off-market, while delivering on its active acquisition and development mandate. When combined with the DALT acquisitions of two high quality assets at Greenacre, NSW and Mickleham, VIC which were announced to the Australian Securities Exchange (ASX) on 7 July 2020, this portfolio will increase the size of the Fund by circa \$445 million.

Dexus has exchanged contracts to sell the first tranche of the portfolio in October 2020 and entered into put and call option arrangements to sell the second tranche in mid-2021⁴. Details relating to the properties are included in the Appendix.

Deborah Coakley, Executive General Manager, Funds Management said: "These acquisitions continue to build on the Dexus Australian Logistics Trust's strategy to acquire high quality and well leased assets that deliver favourable total returns."

Dexus retains management and an ownership interest in the assets via its interest in DALT.

Darren Steinberg, CEO of Dexus said: "We are pleased to have been able to retain exposure to these quality industrial assets via our interest in the Dexus Australian Logistics Trust, while contracting trading profits for Dexus investors.

We have leveraged our extensive market knowledge, development and leasing capabilities and track record to successfully deliver these projects. Since 2010, we have developed and leased 47 industrial development projects across 784,000 square metres in Sydney, Melbourne and Brisbane."

For Dexus, this transaction is consistent with the strategy for these trading assets which was to develop, lease and sell for a trading profit. The sale is expected to contribute circa \$35 million in trading profits pre-tax over FY21 and FY22 (in the event the options are exercised), with further trading profits that could be realised, subject to favourable leasing outcomes being achieved.

Dexus has also exercised its put option in relation to the sale of its remaining 25% interest in 201 Elizabeth Street, Sydney for \$157.5 million, originally announced to the ASX on 9 August 2019. This sale will contribute circa \$34 million in trading profits pre-tax in FY21.

The sale of the North Shore Health Hub, Stage 1 currently under development at 12 Frederick Street, St Leonards and originally announced on 2 September 2019, will also contribute to trading profits in FY21.

Further details relating to trading profits will be provided at Dexus's Annual Results to be released to the ASX on Wednesday 19 August 2020.

Appendix

47-53 Foundation Drive, Truganina VIC (Tranche 1)

The property comprises two office/warehouse facilities across 33,637 square metres on two adjoining lots totalling 56,180 square metres and adjacent to existing DALT properties. The property is leased to Secon Freight Logistics and has a weighted average lease expiry by income of 6 years. The facility design includes single direction truck flow movements, LED daylight harvest lighting, centralised pumps and tanks, 99kW solar array for each facility and harvested rainwater for landscaping irrigation.

380 Doherty's Road, Truganina VIC (Tranche 1)

The property comprises a new office/warehouse facility across 9,180 square metres on a 1.49 hectare site and is adjacent to existing DALT properties. The property is leased to Primary Flooring Pty Ltd and has weighted average lease expiry by income of 6.3 years. The facility benefits from single direction truck flow with super canopies for all weather loading protection, integrated corporate office, harvested rain water for landscaping irrigation, 99kW solar array and LED daylight harvest lighting.

7 Custom Place, Truganina VIC (Tranche 2)

The property comprises a new purpose-built banana and avocado ripening facility across 7,280 square metres on a 2.07 hectare site and is adjacent to existing DALT properties. The warehouse is fully temperature controlled and leased to Coles Supermarkets Australia Pty Ltd with a weighted average lease expiry by income of 15 years. The facility also includes a 600kW extensive solar array for operational cost savings.

9 Custom Place, Truganina VIC (Tranche 2)

The property comprises two new separate office/warehouse facilities across 26,610 square metre and 18,810 square metres on a 7.78 hectare site and is adjacent to existing DALT properties. The properties are leased to AS Colour and eStore Logistics and have a weighted average lease expiry by income of 10 years, with staged practical completion of the facilities scheduled for July and October 2020. The facilities are designed with single direction truck movements and extended super canopies providing all weather loading protection. The facilities benefit from high internal clearance of 14.6 metres and point loading at 8 tonne as well as 99kW solar arrays, LED daylight harvest lighting and harvested rainwater for landscaping irrigation.

58 Foundation Road, Truganina VIC (Tranche 2)

The property comprises a new office/warehouse facility across 8,350 square metres, on a 1.37 hectare site and is adjacent to existing DALT properties. The property is leased to Speciality Packaging Group Pty Ltd and has a weighted average lease expiry by income of 7 years. The facility is designed with single direction truck flow movements, large circa 35 metre wide hardstands with super canopies for all weather loading protection, LED daylight harvest lighting, 99kW solar array, and harvested rainwater for landscaping irrigation.

11 Lord Street, Botany NSW (Lakes Business Park South) (50% in Tranche 1 and 50% in Tranche 2)

The property comprises a newly redeveloped 30-unit business park across 18,786 square metres and three buildings, on a 2.98 hectare site and is located adjacent to an existing DALT property. The property is leased to various tenants including Glassons, Medlab, Fedex and Sunbeam Corporation and has a weighted average lease expiry by income of 3.5 years.

Authorised by Brett Cameron, General Counsel and Company Secretary of Dexu Funds Management Limited.

1. Council changed address from 12A Felstead Drive, Truganina VIC.
2. Council changed address from 12B & 12C Felstead Drive, Truganina VIC.
3. 100% sales price.
4. Completion of Lakes Business Park South is subject to conditions precedent. Dexu is not aware of any reasons why these conditions will not be satisfied.

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About Dexus

Dexus is one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at \$33.8 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 \$16.8 billion of properties, with a further \$17.0 billion of properties managed on behalf of third-party clients. The group's \$11.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 million square metres of office workspace across 55 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 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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