

# DEXUS Property Group (ASX: DXS)

## 2008 Annual Results

21 August 2008

### DEXUS Property Group delivers distribution growth of 5% for the full year

DEXUS Property Group today announced earnings from operating activities of \$498 million which resulted in a distribution of 11.9 cents per stapled security, a 5.3% increase on last year's distribution.

Announcing the results, CEO Victor Hoog Antink said, "These results are particularly pleasing against a background of volatile financial markets. During the year, we have achieved a number of key strategic milestones - including the sale of five retail assets in October 2007, the acquisition of Calwest's 20% Joint Venture interest in our US portfolio, the acquisition of the remaining 50% management rights from Deutsche Bank and the re-branding to DEXUS Property Group in February 2008.

The quality of our portfolio combined with our focus on active portfolio management and our prudent and conservative financial management approach, have delivered solid results in the period and have contributed to the further strengthening of our balance sheet".

#### Key financial highlights:

- Revenue from ordinary activities \$700 million (2007: \$702 million)
- Earnings from operating activities \$498 million (2007: \$513 million)
- Net profit attributable to security holders \$438 million (2007: \$1,169 million) (Primarily due to revaluations of \$185 million in 2008 versus \$865 million in 2007)
- Total distributions \$355.4 million, up 9.5%
- Distribution per security 11.9 cents, up 5.3%
- Funds under management total \$15.3 billion, up 12.5%
- Total assets \$9.3 billion down 1.45%
- Net tangible assets of \$1.77 per security, down 2.75% for the year
- Gearing has reduced to 33.2%, from 35.6% at 30 June 2007

Through continued proactive capital management we have further reduced gearing and are well within all our debt covenants. DEXUS has a strong capital management framework, limited secured debt and no off balance sheet debt. DEXUS has successfully refinanced all 2008 debt maturities well ahead of their expiries and has already secured financing commitments to refinance over 40% of 2009 maturities.

#### Key operational highlights:

- Like for like income growth 4.5%
- Portfolio occupancy steady at 93.7%
- Lease duration steady at 4.8 years
- Developments underway exceed \$834m and the future pipeline is \$1.2 billion
- Revaluations increased by \$185m, up 2% despite a softening in capitalisation rates

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### Office

#### Highlights:

- Office contributed \$242 million or 48% of net property income
- Like for like rental growth 4.4%

DEXUS Property Group's high-quality office portfolio (95% Premium or A-grade) continued to perform well driven by rental growth and following revaluation uplift of \$268 million.

Office net property income of \$242 million decreased by 4.7% over the year due to disposals, however on a like for like basis has gone up by 4.4%. Active portfolio management saw new leases and renewals negotiated on 93,000 square metres of office space with an average rental increase of 6.9%. The occupancy rate by area remains high at 97.7%, with an average lease duration of 5.7 years.

During the period, DEXUS made substantial progress with the \$1.2 billion development pipeline, with construction commencing at two premium-grade developments: 123 Albert Street, Brisbane and 1 Bligh in Sydney. Both projects are designed to achieve 6 Star Green Star and 5 Star NABERS Energy ratings, delivering world's best practice in sustainability and providing the highest levels of tenant amenity and quality workspace.

### Retail

#### Highlights:

- Strategic disposal of five retail assets to our unlisted platform for \$950 million

CEO Victor Hoog Antink commented, "The disposal of the retail portfolio was in line with our strategy to build on our leadership positions in the office and industrial sectors in Australia. The sale proceeds were used to retire debt and further strengthen the balance sheet."

### Industrial

#### Highlights:

- The combined Industrial portfolio contributed \$237.6 million or 47% of net property income
- Portfolio value declined to \$3.57 billion, down 2.4%
- Roll-out of development pipeline to provide future product and long-term growth

Australia: The Australian industrial portfolio, valued at \$1.6 billion, contributed \$106 million or 21% of net property income. Occupancy by area remains high at 98.6% and the average lease duration remains steady at 4.4 years. Three development projects were completed in the period, valued at approximately \$54 million. A further five projects are currently underway or in the planning phase, bringing the total future industrial development pipeline in Australia to approximately \$935 million.

In August 2007, the Group sold 50% of the Coles chilled distribution centre for \$58 million, to one of the Group's direct mandate clients. "This transaction further demonstrates our ability to realise the benefits of our integrated platform, recycling capital to fund future growth, while at the same time extracting value created through the development process" said Mr Hoog Antink.

Europe: The Group's assets in France and Germany are valued at \$314 million, contributed \$21 million or 4% of net property income. Occupancy and lease durations are at 85.1% and 3.6 years respectively.

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**North America:** Our North American portfolio, valued at \$1.9 billion, contributed \$110 million or 22% of net property income. Occupancy remains strong at 91.8% with average lease duration increasing to 3.9 years. Under the Whirlpool program, DEXUS acquired two additional distribution centres in Toronto, Canada and Perris, California, USA for a total of A\$225 million, bringing the total purchased to A\$257 million. Site assessment of three further properties has been completed in the period, construction has commenced and it is expected that DEXUS will acquire these properties, with an estimated value of A\$238 million, in 2009 and early 2010. No further Whirlpool acquisitions are currently contemplated.

### Third party funds

The Group's third party funds under management grew by \$1.8 billion to \$6.4 billion, over half of which was represented by the acquisition of the retail portfolio. The funds continued to deliver a strong investment performance, with a combined total return over five years ending 30 June 2008 of 14.3% p.a.

### Outlook

Mr Hoog Antink said, "Our high quality portfolio continues to perform well and we are working proactively to deliver further growth and maximise its potential through a continued focus on active portfolio management, development management and prudent financial management to build on our leadership positions in the office and industrial sectors in Australia.

Internationally, we are reviewing the portfolio strategies in the US and Europe to recycle non-core and non-performing assets and restructure the location of our assets to maximise portfolio performance and achieve scale in fewer, selected markets.

We will continue to focus on delivering service excellence to our customers and being the partner of choice to our corporate and government tenants. In the coming financial year, we will bring property management in-house in our Australian office portfolio. In addition to forging closer relationships with our tenants, these operational changes will enable DEXUS to maximise synergies and drive further efficiencies across the platform.

We have a strong, lowly geared balance sheet positioned to fund future prudent expansion and deliver development pipelines to meet the needs of our tenants today and in the future.

Our superior portfolio, experienced management team and focused strategy means we are well-positioned to weather the current market conditions and deliver sustainable returns for our investors.

The group is positioned to deliver increased earnings and distributions in the coming year".

For further information, please contact:

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### About DEXUS

DEXUS is one of Australia's largest diversified property groups and a leading owner, manager, developer of world-class industrial, office and retail properties with total assets under management of \$15.3 billion in Australia, New Zealand, the United States, Canada and Europe. DEXUS is committed to the long-term integration of sustainability practices throughout its property portfolio. [www.dexus.com](http://www.dexus.com)