

A tall, modern office building with a grid of windows and a flag on top. The building is the central focus of the image, with a flag flying from the top. The sky is clear and blue. The building has a light-colored facade with dark window frames. The windows are arranged in a regular grid pattern. The building is surrounded by other buildings and trees.

# 2012 DEXUS PROPERTY GROUP SYDNEY CBD OFFICE TOUR

OCTOBER 2012

## CONTENTS

DXS OFFICE PORTFOLIO	1
50 CARRINGTON STREET, SYDNEY	6
45 CLARENCE STREET, SYDNEY	10
AUSTRALIA SQUARE, 264-278 GEORGE STREET, SYDNEY	14
NOTES	20

NO. OF PROPERTIES

30

BOOK VALUE

\$4.9bn

NET LETTABLE AREA

623,391 sqm



Cover: 50 Carrington Street, Sydney, NSW

This page: Sydney CBD looking east

All figures are as at 30 September 2012 unless otherwise stated.

# DXS OFFICE PORTFOLIO

OCCUPANCY BY AREA

96.2%

WALE BY INCOME

5 years

TENANT RETENTION<sup>1</sup>

72%



<sup>1</sup> 12 month rolling tenant retention. Year to date tenant retention is 77%.



**201 Elizabeth St**  
50% owned, externally managed

**1 Bligh St**  
33% owned, 100% managed

**1 Bligh St**  
33% owned by DWPF, 100% managed

**GMT/GPT**  
50% owned, 100% managed



**44 Market St**  
100% owned, 100% managed

**383-395 Kent St**  
100% owned, 100% managed

**309-321 Kent St**  
50% owned, 100% managed

**83 Clarence St**  
100% owned by STC, 100% managed

**One Margaret St**  
100% owned, 100% managed

**45 Clarence St**  
100% owned, 100% managed

**50 Carrington St**  
100% owned, 100% managed

**Australia Square Complex**  
50% owned, externally managed

**30 The Bond**  
100% owned, 100% managed

**Gateway**  
100% owned by DWPF, 100% managed

## GEOGRAPHICAL WEIGHTING BY VALUE



## PROPERTY TYPE BY VALUE



## SUSTAINABILITY HIGHLIGHTS

AVERAGE NABERS ENERGY RATING 4.3 STARS

AVERAGE NABERS WATER RATING 3.3 STARS

ENERGY CONSUMPTION/INTENSITY



WATER CONSUMPTION/INTENSITY



GHG EMISSIONS/INTENSITY





1 50 Carrington St



2 44 Market St



3 383-395 Kent St



4 309-321 Kent St



5 One Margaret St



6 45 Clarence St



7 30 The Bond



8 1 Farrer Place Pl



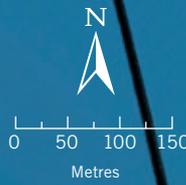
9 1 Bligh St



10 Australia Square



11 201 Elizabeth St



**TOUR PROPERTIES**



# 50 CARRINGTON STREET SYDNEY



50 Carrington Street is a core office property located in the heart of the Sydney CBD, with strong repositioning potential where we will be able to demonstrate our real estate expertise to drive enhanced performance.

DEXUS acquired 50 Carrington Street, Sydney for \$58.5 million (excluding acquisition costs) or \$5,180 per square metre and represents an acquisition capitalisation rate of 8.0%.

In line with our investment criteria, 50 Carrington Street provided a cost effective way of getting access to a high quality property, where the cost of acquisition plus repositioning is well below replacement cost.

The office property is a 15-level A-Grade building providing 10,920 square metres of office accommodation and 372 square metres of ground floor retail space. The property features a flexible floor plate design with the ability to occupy part of a floor or two contiguous and interconnecting floors.

50 Carrington is located within the core precinct of the Sydney CBD overlooking Wynyard Park, approximately 100 metres from Martin Place.

The property has been acquired off-market from the Retail Employees Superannuation Trust (REST) and is expected to settle on 30 November 2012.



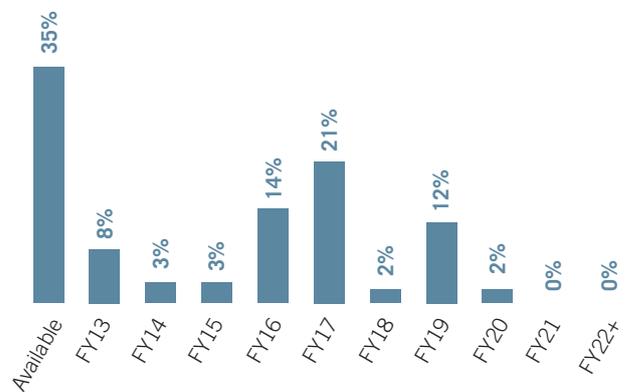
Artist's impression of proposed entrance

#### PROPERTY DETAILS AT 16 AUGUST 2012

Acquisition price excluding costs (A\$m)	58.5
Acquisition rate (\$ per sqm)	5,180
Net lettable area (sqm)	11,292
Initial yield (%)	5.2
Cap rate (%)	8.0
Target IRR <sup>1</sup> (%)	11.2
Occupancy by area (%)	61.3
Occupancy by income (%)	62.3
Weighted lease term by income (years)	2.2
NABERS Energy rating	3.0
Major tenants	Wham 22% REST 22% KANNFINCH 20%
Ownership	DXS 100%

1 Three year project IRR.

#### LEASE EXPIRY BY INCOME AT 16 AUGUST 2012



## Key achievements since exchange

Since exchange of contracts to acquire the property we have developed and commenced our leasing marketing strategy and we have commenced capital works in line with our repositioning strategy.

We anticipate having our new base building display floors 90% complete before settlement on 30 November 2012 and we will be able to immediately launch the new 50 Carrington Street from 1 December 2012.

A \$5.3 million capital expenditure program plan includes:

- upgrading the lobby and entrance experience of the property
- significant mechanical plant to provide on floor comfort for tenants and improve the NABERS rating to 4.5 stars
- upgrade works to lift cars
- significant refurbishment changes to the base building floors and amenity

We believe the newly refurbished floors will attract solid demand from target niche groups looking for modern and unique building accommodation rather than the more traditional office style often found in the Sydney CBD.

The façade glass<sup>2</sup> in the low rise floors will be replaced to provide 30% more natural daylight to penetrate the floors and further improve tenants' experience at 50 Carrington Street.

We have commenced a proactive leasing campaign and have been actively talking to tenants regarding upcoming lease expires. We have successfully renewed terms with two tenants for a total of 1,781 square metres and are finalising terms with another tenant for 396 square metres over a four year period.

As a result, we have already increased the building's average lease expiry from 2.2 years to 2.9 years and maintained occupancy at 61.3%

## Corporate Responsibility and Sustainability

50 Carrington Street provides us with an opportunity to acquire a well located boutique property and demonstrate our capabilities to add value in repositioning the property and enhancing the property's energy and water sustainability initiatives.

We have developed a strategic improvement plan to upgrade the building to a 4.5 star NABERS Energy rating through several initiatives including replacing the central plant equipment, installing variable speed drive controls and lighting upgrades.

As a result of these upgrade works, we are targeting over 200,000 kilowatt hours of energy savings per annum, equivalent to approximately \$45,000 per annum.

## Tenancy profile

Level 13	Wham	
Level 12	Wham	
Level 11	Australian Computer Society	
Level 10	REST	
Level 9	KANNFINCH	
Level 8	O'Connell Leasing	TPD Nominees
Level 7	REST	
Level 6	ADMA	Vacant
Level 5	Vacant	
Level 4	Vacant	
Level 3	Vacant	
Level 2	Vacant	
Level 1	Taiwan Cooperative Bank	Vacant
Mezzanine	KANNFINCH	
Ground retail	The Austral Brick Co	Green Bean Espresso

<sup>2</sup> Subject to council approval.

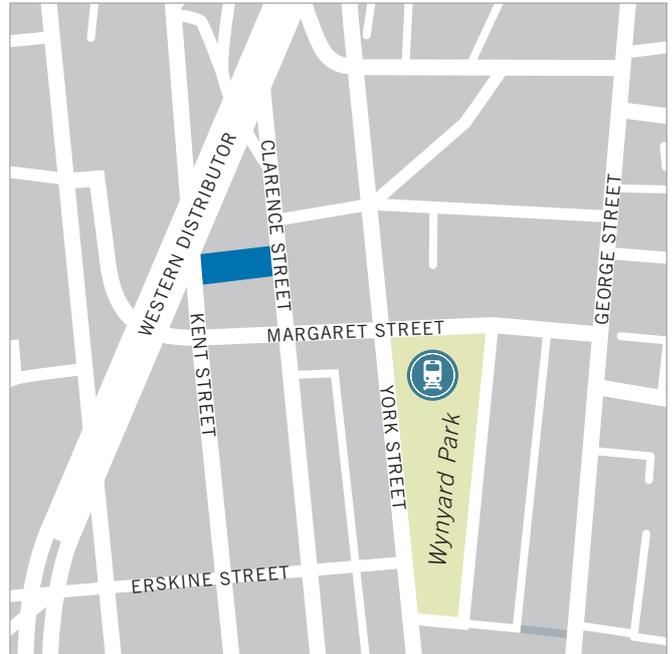


Existing floor space

### Typical floor plate



# 45 CLARENCE STREET SYDNEY



45 Clarence Street offers modern A-Grade office facilities located in the western corridor of the Sydney CBD.

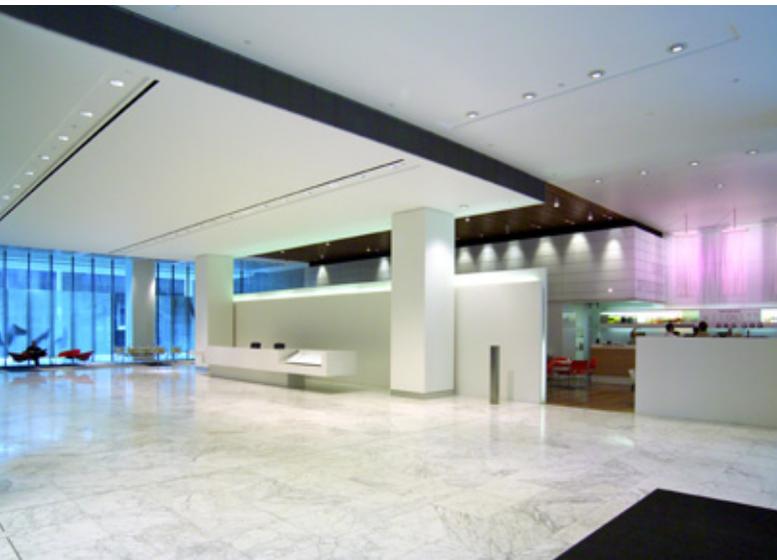
Benefiting from an extensive refurbishment, this 28 storey landmark tower offers a completely revitalised and technology driven office environment boasting large and efficient floor plates averaging 1,200 square metres.

45 Clarence Street also offers 162 car spaces and first class amenities including, five male and female showers, change rooms and locker facilities.

The building presents a bold entrance statement to impress all who step into its spacious and interactive lobby. Three distinct, yet open, spaces – a corporate entry, an airy and informal lounge area and a chic café – combine to create a truly inviting ambience.

45 Clarence Street is a landmark building with an address that maximises its position in the western corridor of the Sydney CBD. It is in a prime location, close to the corner of Margaret Street and will benefit from the proposed “Wynyard Walk” linking Wynyard railway station to Barangaroo via a pedestrian walkway under the city as well as the proposed new rail entrance to Wynyard on Clarence Street.

The property provides excellent vehicular access to the Sydney Harbour Bridge, Western Distributor and Eastern Suburbs.



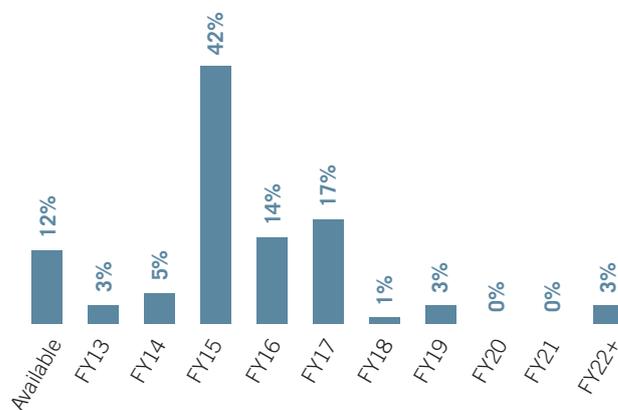
#### PROPERTY DETAILS AT 30 JUNE 2012

Building type	A-Grade office
Title	Freehold
Metro area	Sydney
Zoning	City centre
Site area (hectares)	0.4
Net lettable area (sqm)	32,091
Typical floor area (sqm)	1,250
Number of buildings	1
Car parking spaces	162
NABERS Energy rating (with GreenPower)	5.0
NABERS Energy rating (without GreenPower)	5.0
NABERS Water rating	3.5
Year built	1990
Major tenants	Lloyds International 26% Bank of Western Australia 14% International SOS 11%
Ownership	DXS 100%

#### PROPERTY STATISTICS AT 30 JUNE 2012

Acquisition date	Dec 1998
Book value (A\$m)	250.3
Independent valuation date	Jun 2011
Independent valuation (A\$m)	247.5
Market cap rate (%)	7.13
Initial yield (%)	6.48
Discount rate (%)	9.00
Leased by area (%)	88
Weighted lease term by income (year/s)	3.0

#### LEASE EXPIRY BY INCOME AT 30 JUNE 2012



### Key achievements

As a result of our proactive leasing approach we have successfully leased/renewed 49% of the property since 1 July 2011 including:

- renewed terms with two tenants for 3,057 square metres with expiries now in FY16/FY17
- extended two existing leases for 9,381 square metres, both for an additional two years
- assisted growth plans for two tenants by offering them additional space within the building
- introduced five new tenants occupying 2,765 square metres, on lease terms of five years or greater

A highlight of this new leasing was the successful retention of two tenants within the DEXUS portfolio:

- MYOB was previously at 383 Kent Street and were looking to reduce their tenancy size. Through our relationship and understanding of their business, we were able to meet their needs by offering them level 5 in 45 Clarence Street, Sydney
- similarly we have negotiated with a tenant to relocate from Australia Square to 45 Clarence Street in June 2013

### Corporate Responsibility and Sustainability

In line with the office portfolio NABERS Energy rating program, we have completed a full upgrade to the chiller plant, installed a new Building Management and Controls System, retro-commissioning, lighting and metering installations.

As a result, we achieved a 5 star NABERS Energy rating without GreenPower and delivered optimum comfort conditions.

Since the upgrade from 3 stars to 5 stars, the building now uses more than 1.5 million kilowatt hours per annum less electricity and 3.7 million megajoules less gas. This equates to approximately \$380,000 in annual savings or \$11 per square metre of outgoings per annum.

In addition, through an active procurement program, we have been able to leverage our buying power with key suppliers to add a premium design and enhance performance and functionality while reducing costs by approximately \$30 per square metre. Some key features include:

- installing a modular ceiling system with less visible runners and express jointing
- installing cushion backed carpet
- installing dimmable T5 lighting fully compatible with lighting controls system that could save approximately \$5,000 in energy per annum

### Tenancy profile

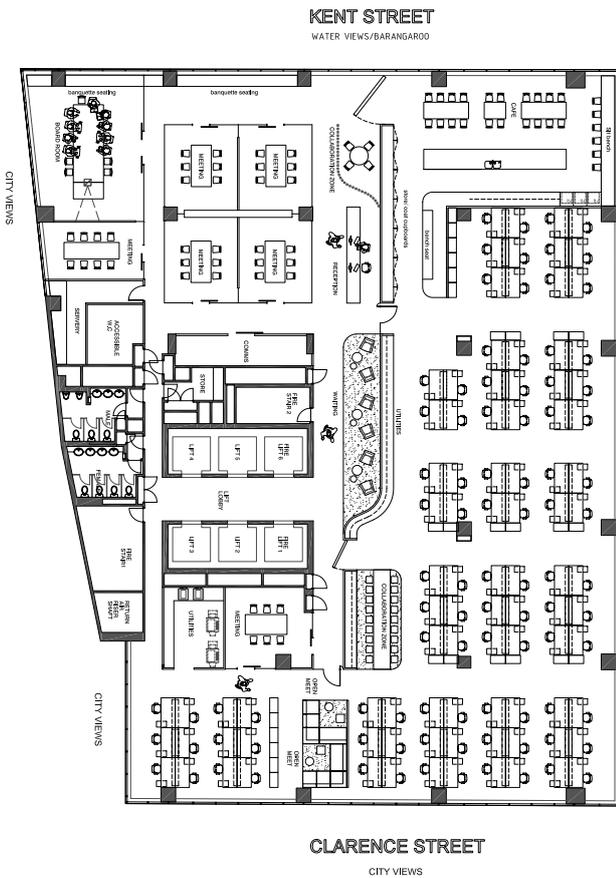
Signage	Lloyds International			
Level 28	Lloyds International			
Level 27	Lloyds International			
Level 26	Lloyds International			
Level 25	Lloyds International			
Level 24	Lloyds International	Lloyds International <sup>1</sup>		
Level 23	Lloyds International			
Level 22	Lloyds International	Bankwest		
Level 21	Benfield (AXIS)			
Level 20	Vacant			
Level 19	Vacant			
Level 18	Vacant			
Level 17	Bankwest			
Level 16	Bankwest			
Level 15	Media Super	QPL		
Level 14	Brennan IT			
Level 13	<b>Plant room</b>			
Level 12	Kaplan	Inovia	AOA	
Level 11	Bankwest			
Level 10	Scotiabank	Media Super	Jones Lang LaSalle	RGL International
Level 9	Resimac			
Level 8	International SOS		ERA Legal	
Level 7	IBM			
Level 6	Consulate General of Brazil	REED Personnel	Revolution IT	
Level 5	MYOB			
Level 4	Kaplan			
Level 3	International SOS			
Level 2	International SOS			
Level 1	International SOS			
Ground	RapidX			
B1	Car park			
B2	Car park			
B3	Car park			
B4	Car park			
B5	Car park			

1 HOA agreed for 462 square metres with new tenant from June 2013.

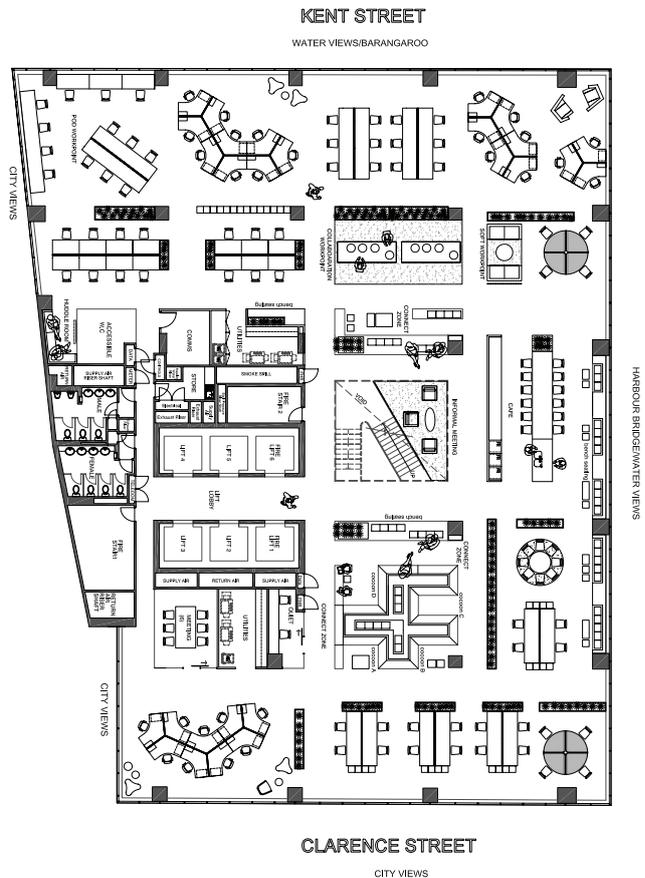
## Typical floor plates

The property provides a large flexible floor plate suitable for a number of different workspace scenarios. We have fully refurbished level 18, showcasing the diverse workspace opportunity the building provides for tenants. In addition, levels 19-20 are being refurbished to a blank canvas enabling tenants the opportunity to fit out in their own style.

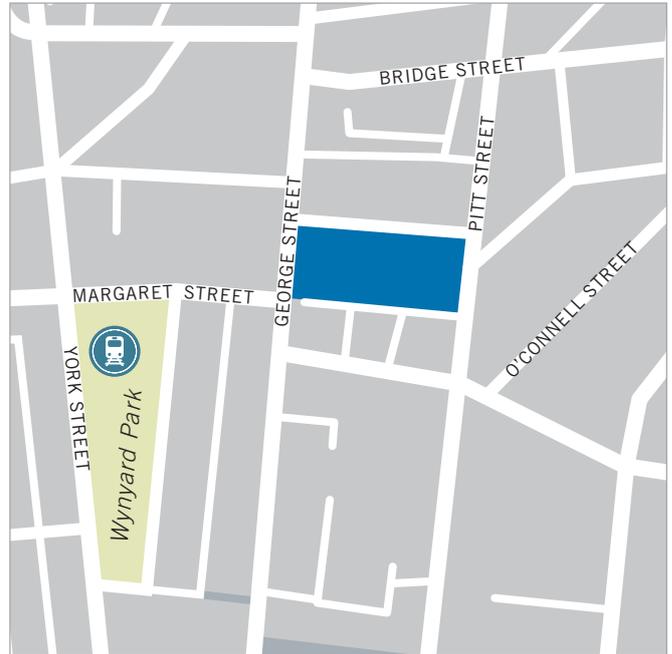
### A single tenant floor plan



### Activity based work space



# AUSTRALIA SQUARE 264-278 GEORGE STREET, SYDNEY



One of Sydney's premier office properties, designed by Australian architect Harry Seidler, Australia Square is situated in the heart of the Sydney CBD.

The complex comprises a 48-level A-Grade circular office Tower building fronting onto George Street and a 13-level Plaza building that fronts Pitt Street. The complex is uniquely situated on an island site, set well back from neighbouring properties with abundant natural light penetration and Sydney Harbour and Bridge views.

The Complex offers high grade office accommodation with large and efficient floor plates appealing to open plan users and activity based workspace designs and provides superior building services and tenant amenities.

The Tower building provides large column free floor plates of over 1,000 square metres, with more than 60% of each floor having a Level A classification for natural light penetration. The building offers tenants a remarkable mix of iconic architecture complemented with the latest modern day amenity to rival the latest developments in the CBD.

The experienced concierge offers tenants a premium hotel style service and the property provides ample tenant and visitor parking and end of trip facilities.

The external Plaza courtyard is an additional feature of the property offering a food court with specialty food retailers, Australia Post, service retailers including hairdressers, newsagency and four ATM's.



The Plaza building is a B+ Grade property offering A-Grade services and amenity, benefiting from its proximity to the Tower building. The Plaza building offers 10,100 square metres of lettable area and has a high retention record with a number of tenants who have been in the building for over 10 years.

Australia Square is currently being repositioned, which will ensure that it maintains its prominent placing within the Australian office market.

The repositioning includes:

- a full lift and controls refurbishment which will be completed in November 2012
- newly designed full floor refurbishments including Seidler designed bathrooms which will be rolled out over time
- in addition to the new cooling towers that have been installed recently, a mechanical works program is underway to enhance the systems performance and future proof the complex

#### PROPERTY DETAILS AT 30 JUNE 2012

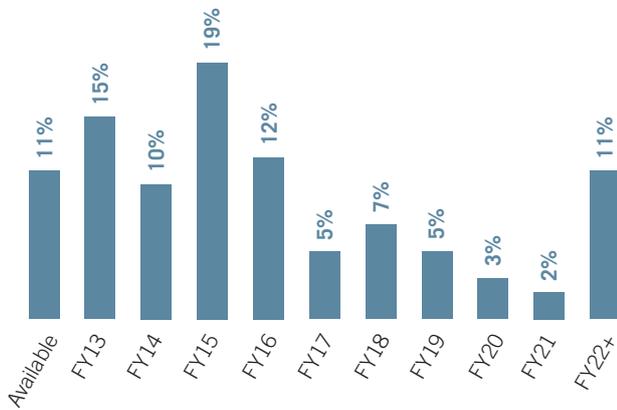
Building type	A-Grade Office
Title	Freehold
Metro area	Sydney
Zoning	City Centre
Site area (hectares)	0.6
Net lettable area <sup>1</sup> (sqm)	53,321
Typical floor area (sqm)	1,020
Number of buildings	2
Car parking spaces	385
NABERS Energy rating (with GreenPower)	Tower 4.5 Plaza 5.0
NABERS Energy rating (without GreenPower)	Tower 4.0 Plaza 4.5
NABERS Water rating	Tower 4.0 Plaza 4.0
Year built	1964
Major tenants	Origin Energy 10% Wilson Parking 8% HWL Ebsworth Lawyers 6%
Ownership	DXS 50%
Co-owner	GPT Group 50%

<sup>1</sup> 100% of the Complex.

#### PROPERTY STATISTICS AT 30 JUNE 2012

Acquisition date	Aug 2000
Book value (A\$m)	271.5
Independent valuation date	Dec 2011
Independent valuation (A\$m)	278.8
Market cap rate (%)	6.92
Initial yield (%)	6.52
Discount rate (%)	9.00
Leased by area (%)	87
Weighted lease term by income (year/s)	3.6

LEASE EXPIRY BY INCOME AT 30 JUNE 2012



### Key achievements

The Tower building has strong historical leasing demand due to its iconic status and location. Since July 2011, we have retained 11 tenants and introduced seven new tenants occupying 10,400 square metres or close to 20% of the property's net lettable area.

We are in active discussions with all tenants with upcoming expiries, working to provide solutions for growth opportunities and new fit-out options where required.

As a result of our leasing activity, the Complex is 90% occupied as at 30 September 2012 and the average lease duration is 3.9 years. Some of the key highlights include:

- DEXUS agreed terms to lease levels 25-26 (2,064 square metres) and we will be relocating our head office in the second quarter of 2013
- Renewed terms with Consolidated Travel on level 28 and suites 18.10 and 18.13 (total 1,432 square metres) for eight years and Littlewoods on level 21 (1,033 square metres) for a further five years
- In the Plaza building, we successfully retained Curwoods Lawyers and enabled them to expand their accommodation to an additional floor (a total of 3,125 square metres) for a further six years with options available

### Corporate Responsibility and Sustainability

In line with the office portfolio NABERS Energy rating program we have a capital works program in place to enhance the performance and future proof the property.

The Tower building currently provides a highly sustainable workspace for tenants with a 4.5 star NABERS Energy rating (with GreenPower). The Plaza building provides a 5.0 star NABERS Energy rating and leverages from the Tower building's reputation and amenities, at affordable rental levels.

At the conclusion of the repositioning program, which will include upgrading lifts, bathrooms, cooling towers, chillers and replacing the building management control systems, we expect to upgrade the Tower building from a 4.0 star NABERS Energy rating (without GreenPower) to 4.5 stars.



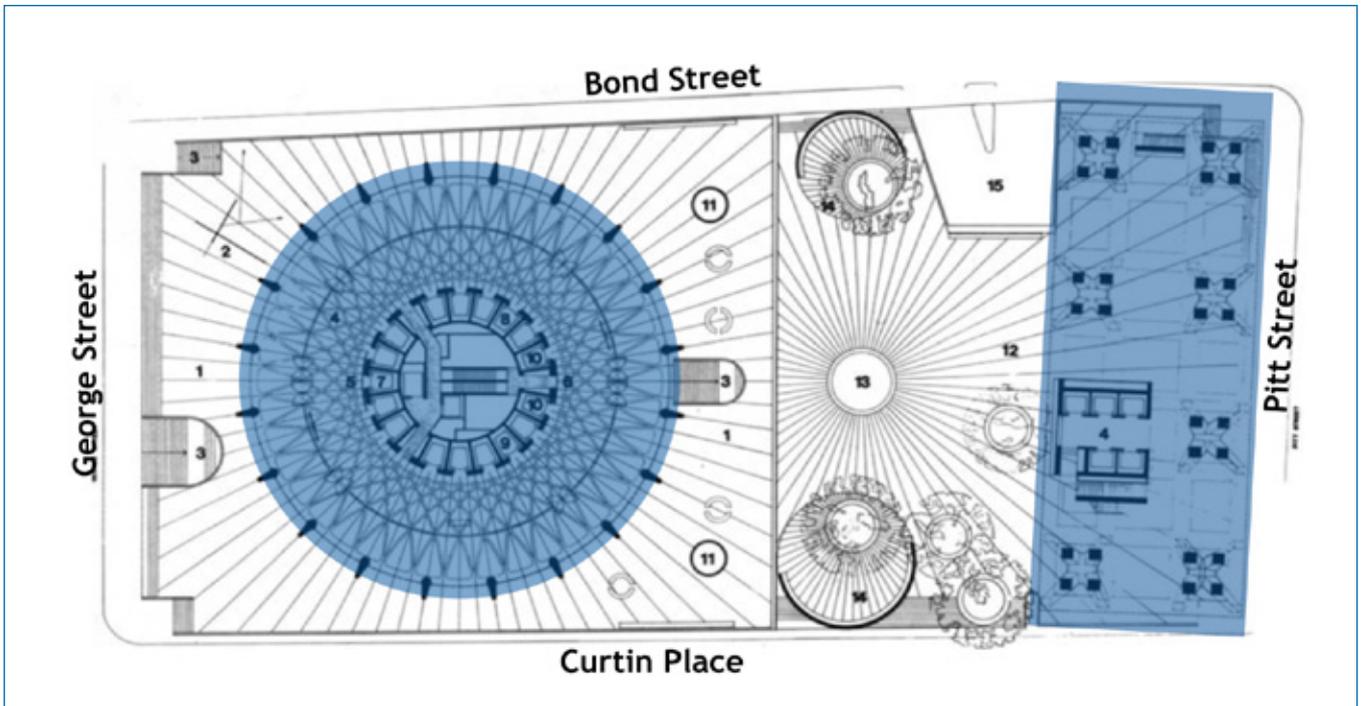
## Tower building tenancy profile

Level 50	<b>Plant room</b>
Level 49	<b>Plant room</b>
Level 48	Patersons Securities Limited
Level 47	O Bar and Dining
Level 46	Origin Energy
Level 45	Origin Energy
Level 44	Origin Energy
Level 43	Origin Energy
Level 42	Origin Energy
Level 41	Multiple tenants
Level 40	Multiple tenants
Level 39	Multiple tenants
Level 38	Multiple tenants
Level 37	Morningstar Australasia
Level 36	Morningstar Australasia
Level 35	<b>Plant room</b>
Level 34	Abacus
Level 33	The Executive Centre
Level 32	Multiple tenants
Level 31	Multiple tenants
Level 30	JWS Services
Level 29	Nexia Court & Co
Level 28	Consolidated Travel
Level 27	Multiple tenants
Level 26	DEXUS Property Group (HOA)
Level 25	DEXUS Property Group (HOA)
Level 24	Vacant
Level 23	Court & Co
Level 22	Vacant
Level 21	Littlewoods Services
Level 20	Multiple tenants
Level 19	<b>Plant room</b>
Level 18	Multiple tenants
Level 17	Multiple tenants
Level 16	Runge
Level 15	Vacant
Level 14	HWL Ebsworth Lawyers
Level 13	HWL Ebsworth Lawyers
Level 12	HWL Ebsworth Lawyers
Level 11	HWL Ebsworth Lawyers
Level 10	HWL Ebsworth Lawyers
Level 9	ninemsn
Level 8	ninemsn
Level 7	ninemsn
Level 6	ninemsn
Level 5	Lobby
Level 4	Retail
Level 3	Car park
Level 2	Car park
Level 1	Car park

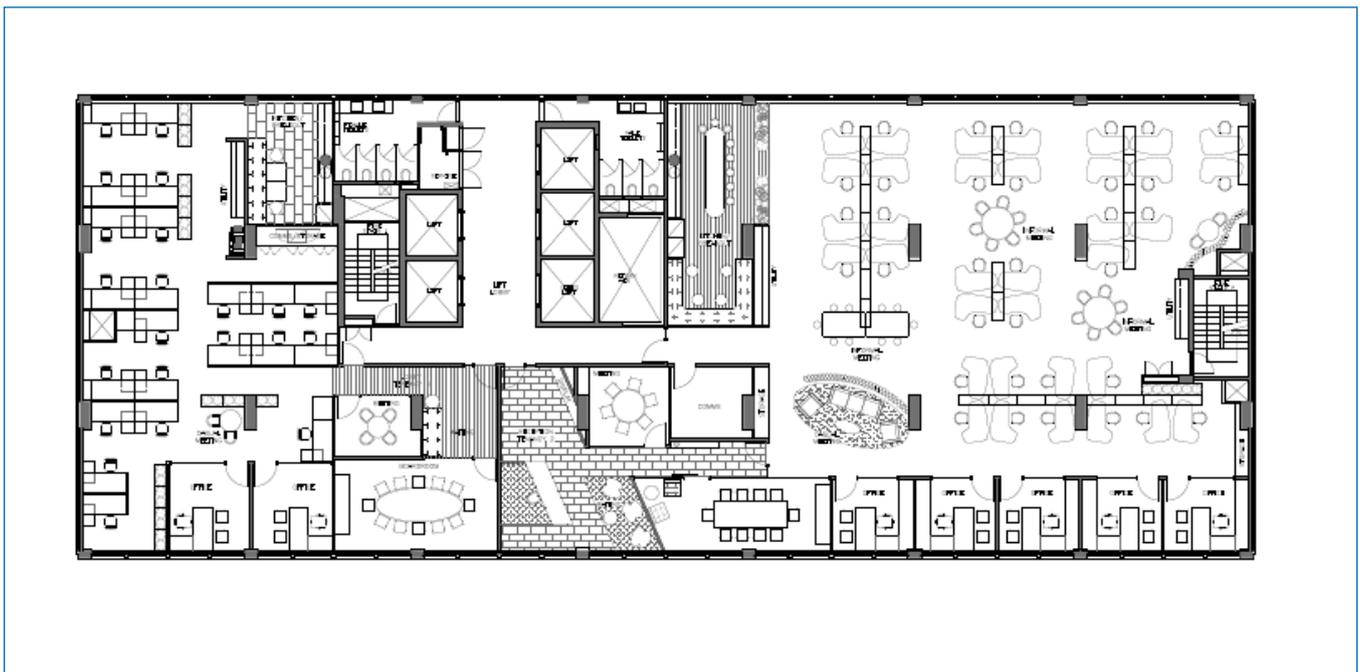
## Plaza building tenancy profile

Level 15	<b>Plant room</b>	
Level 14	<b>Plant room</b>	
Level 13	Vacant	
Level 12	Regus	
Level 11	Booking.com	Funds Services
Level 10	Johnson Pilton Walker	
Level 9	Curwoods Lawyers	
Level 8	Curwoods Lawyers	
Level 7	Curwoods Lawyers	
Level 6	Curwoods Lawyers	
Level 5	Regus	
Level 4	Regus	
Level 3	Australian Financial Marketing Association	
Level 2	Vacant	Allegro Funds Management
Level 1	Multiple tenants	
	Lobby	

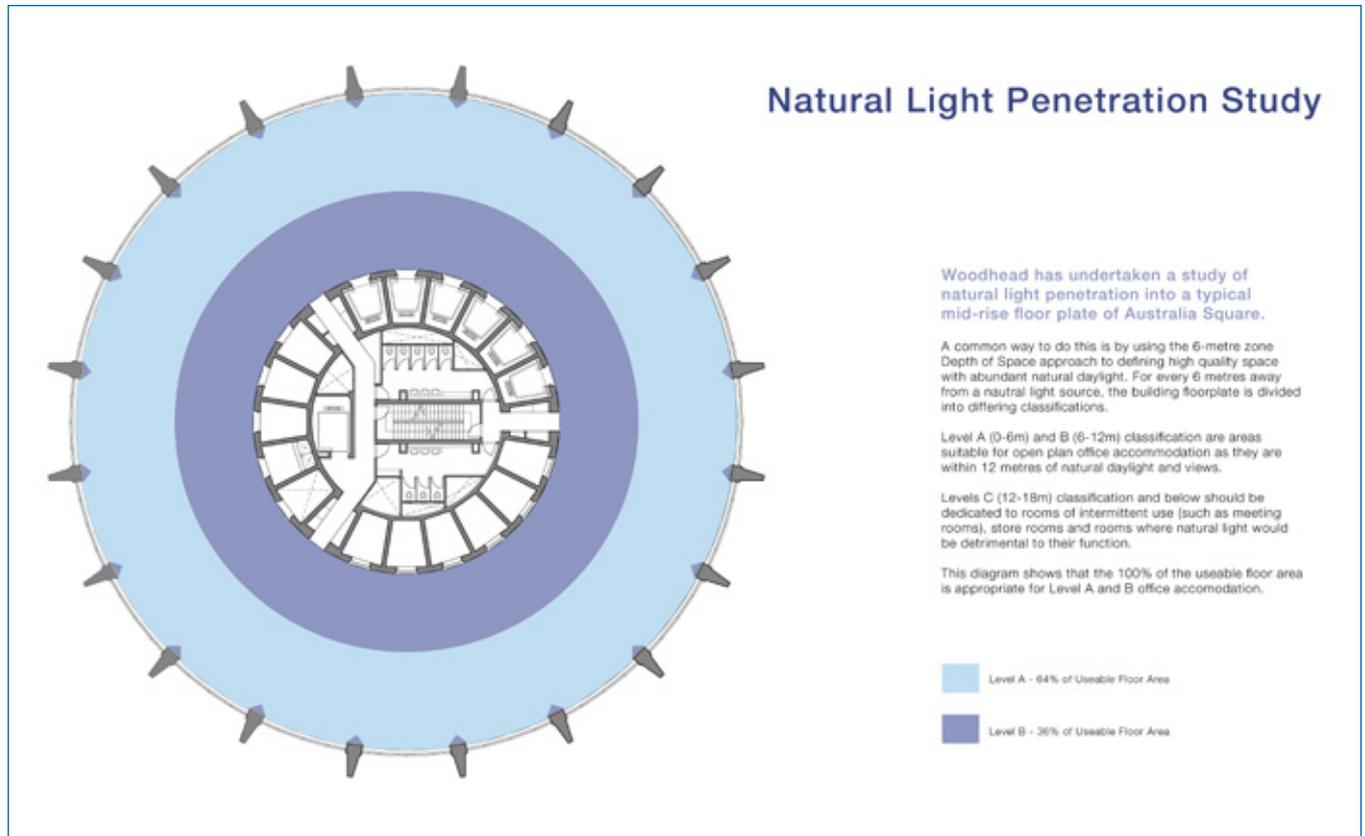
Site plan – Australia Square Complex



Typical floor plate – Plaza building



## Natural light penetration – Tower building







2012 DEXUS PROPERTY GROUP SYDNEY CBD OFFICE TOUR