

DEXUS Property Group (ASX: DXS)

ASX release

8 May 2014

Macquarie Australia Conference presentation

DEXUS Property Group today releases an overview presentation that will be presented at the 2014 Macquarie Australia Conference which is being held at Sheraton on the Park, 161 Elizabeth Street, Sydney.

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About DEXUS

DEXUS Property Group (DEXUS) is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$17.6 billion of assets under management, DEXUS also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. DEXUS manages an office portfolio of 1.4 million square metres across Sydney, Melbourne, Brisbane and Perth and is the largest institutional owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 30,000 investors from 21 countries. With nearly 30 years of expertise in property investment, development and asset management, DEXUS has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns to investors. www.dexus.com

Download the DEXUS IR app to your preferred mobile device to gain instant access to the latest stock price, ASX Announcements, presentations, reports, webcasts and more.



DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)

DEXUS PROPERTY GROUP

MACQUARIE AUSTRALIA CONFERENCE PRESENTATION - MAY 2014



DEXUS Funds Management Limited
ABN 24 060 920 783
AFSL 238163 as responsible entity for DEXUS Property Group

DEXUS
PROPERTY GROUP

AGENDA

- Overview
- Strategy
- Commonwealth Property Office Fund (CPA) transaction
- Portfolio overview
- Third party funds management
- Capital management
- Market outlook
- Summary

Note: All figures in Australian dollars as at 31 March 2014, and all portfolio figures include the CPA transaction unless otherwise stated.

OVERVIEW

Group property portfolio including third party funds

\$17.6bn

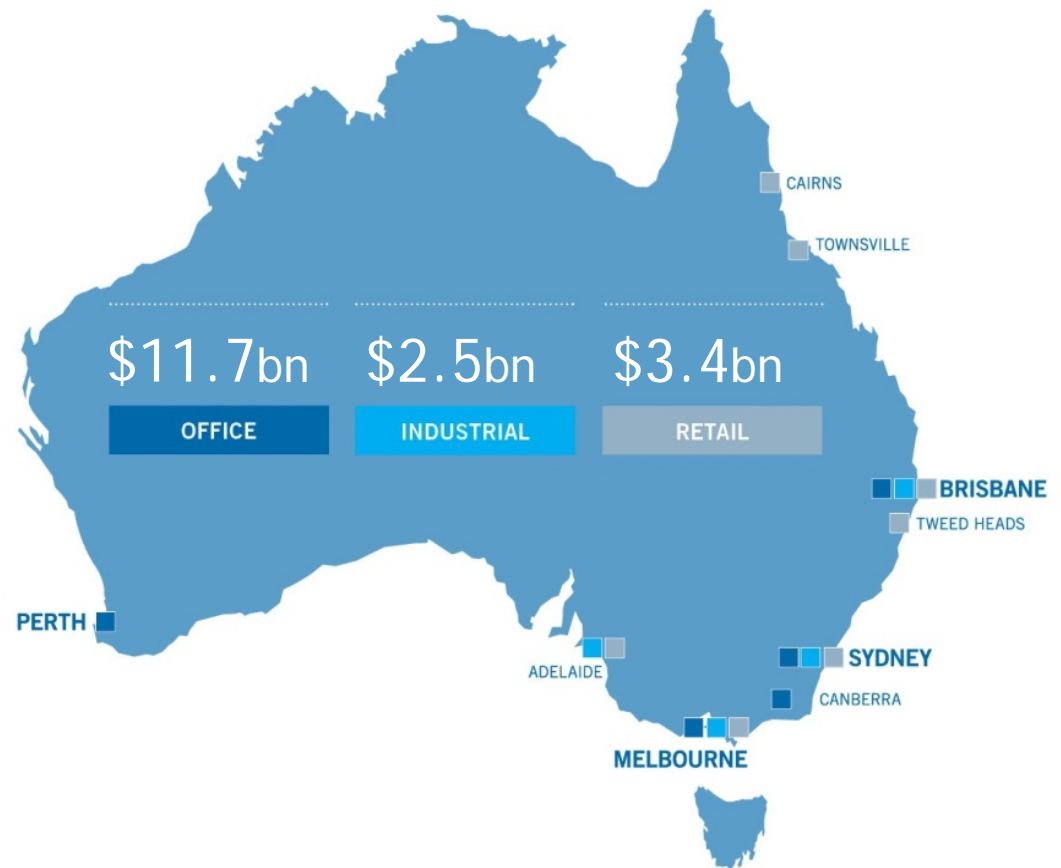
Total funds under management

\$9.1bn

DXS portfolio investments

\$8.5bn

Third Party Funds Management



STRATEGY

A clear and focused strategy

OUR VISION To be globally recognised as Australia's leading real estate company

OUR STRATEGY

To deliver superior risk-adjusted returns for our investors from high quality Australian real estate, primarily comprising CBD office buildings

OUR STRATEGIC OBJECTIVES

OFFICE

Being the leading owner and manager of Australian office

CORE CAPABILITIES

Having the best people, strongest tenant relationships and most efficient systems

CAPITAL PARTNERSHIPS

Being the wholesale partner of choice in Australian office, industrial and retail

CAPITAL & RISK MANAGEMENT

Actively managing our capital and risk in a prudent and disciplined manner

OUR PEOPLE WILL BE RECOGNISED FOR

Property expertise

Institutional rigour

Entrepreneurial spirit

COMMONWEALTH PROPERTY OFFICE FUND (CPA) TRANSACTION

Overview

- DEXUS and Canada Pension Plan Investment Board (CPPIB) joint takeover of CPA now completed
 - Compulsory acquisition of CPA Units concluded on 14 April 2014
 - Transition of management of the CPA portfolio progressing well and expected to be finalised by 1 July 2014
- The CPA portfolio increases Group FUM by \$3.4bn and adds a portfolio of 21 office properties
- The transaction reinforces DEXUS's objective of leadership in Australian office, brings together two complementary office portfolios and provides earnings accretion to security holders



PORTFOLIO OVERVIEW

Scale in key CBD office markets



SYDNEY

\$5.5bn
Office Assets Under Management¹

525,000sqm
Existing Office NLA²

17,000sqm
NLA Under Construction²

25%
Prime Grade CBD Share³



BRISBANE

\$1.2bn
Office Assets Under Management¹

138,000sqm
Existing Office NLA²

55,600sqm
NLA Under Construction²

12%
Prime Grade CBD Share³



MELBOURNE

\$1.6bn
Office Assets Under Management¹

272,000sqm
Existing Office NLA²

Nil
NLA Under Construction²

11%
Prime Grade CBD Share³



PERTH

\$0.6bn
Office Assets Under Management¹

58,000sqm
Existing Office NLA²

53,000sqm
NLA Under Construction²

7%
Prime Grade CBD Share³

- PCA CBD Definition¹
- DEXUS Core Target Market
- DEXUS property
- DEXUS Office Partnership property

1. AUM includes assets owned by DEXUS and DEXUS Third Party managed funds. Represents assets within the CBD, as defined by the Property Council of Australia (PCA) Office Market Report plus DEXUS Core Target Markets of Kings Square, Perth and Southbank, Melbourne. Values based on book values as at 30 June 2013.

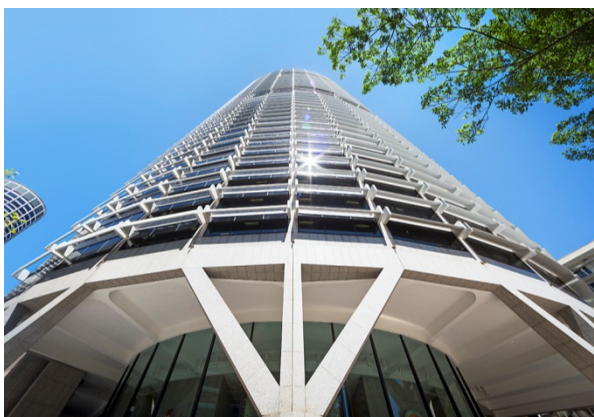
2. NLA represents Net Lettable Area. Proportional for ownership percentage.

3. Represents the percentage of total NLA in Prime Grade assets within each CBD market in which the merged entity will have a representation via assets under management.

Calculation excludes developments in progress and is not proportional to ownership percentage. Total market NLA sourced from PCA July 2013 Office Market Report and company filings. Market includes PCA defined boundaries plus DEXUS Core Target Markets of Kings Square, Perth and Southbank, Melbourne.

PORTFOLIO OVERVIEW

Direct office portfolio – 82% of balance sheet with 87% prime grade



T: Australia Square, 264-278 George Street, Sydney
A-grade \$311m (50% interest)
B: Grosvenor Place, 225 George Street, Sydney
Premium grade \$291m (25% interest)



1 Bligh Street, Sydney, Premium grade \$251m
(33% interest)



Governor Phillip & Macquarie Towers 1 Farrer Place, Sydney
Premium grade \$674m (50% interest)

Note: all values are at DXS ownership level.

PORTFOLIO OVERVIEW

Direct office portfolio

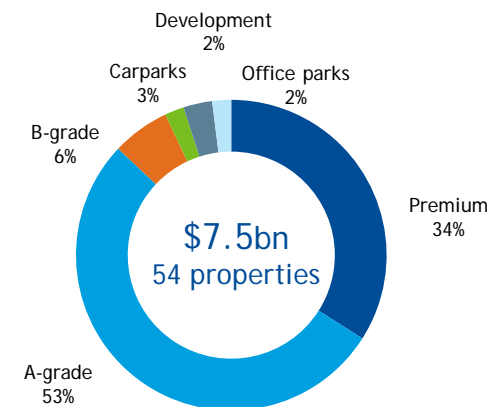
\$7.5bn

Prime quality office portfolio

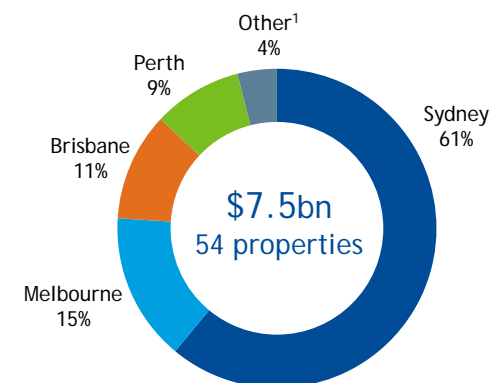
- Largest listed office portfolio in Australia
 - Largest institutional owner of office in Sydney CBD with 25% share
 - DEXUS direct portfolio (DXS) owns interests in 54 office buildings
 - DEXUS and its capital partners own interests in four of the seven premium grade towers in Sydney
- March 2014 quarter achievements:
 - Leased² 47,965sqm during the quarter and 115,975sqm financial year to date, across 125 transactions
 - Launched sales campaign for 50 Carrington Street, Sydney following successful repositioning of this trading property
 - Secured 15 year commitment with Powercor across 11,615 square metres at its existing tenancy at 40 Market Street, Melbourne

1. Including Canberra, Adelaide and Auckland, NZ.
2. At 100%, including Heads of Agreement (HOA).

Property type by book value



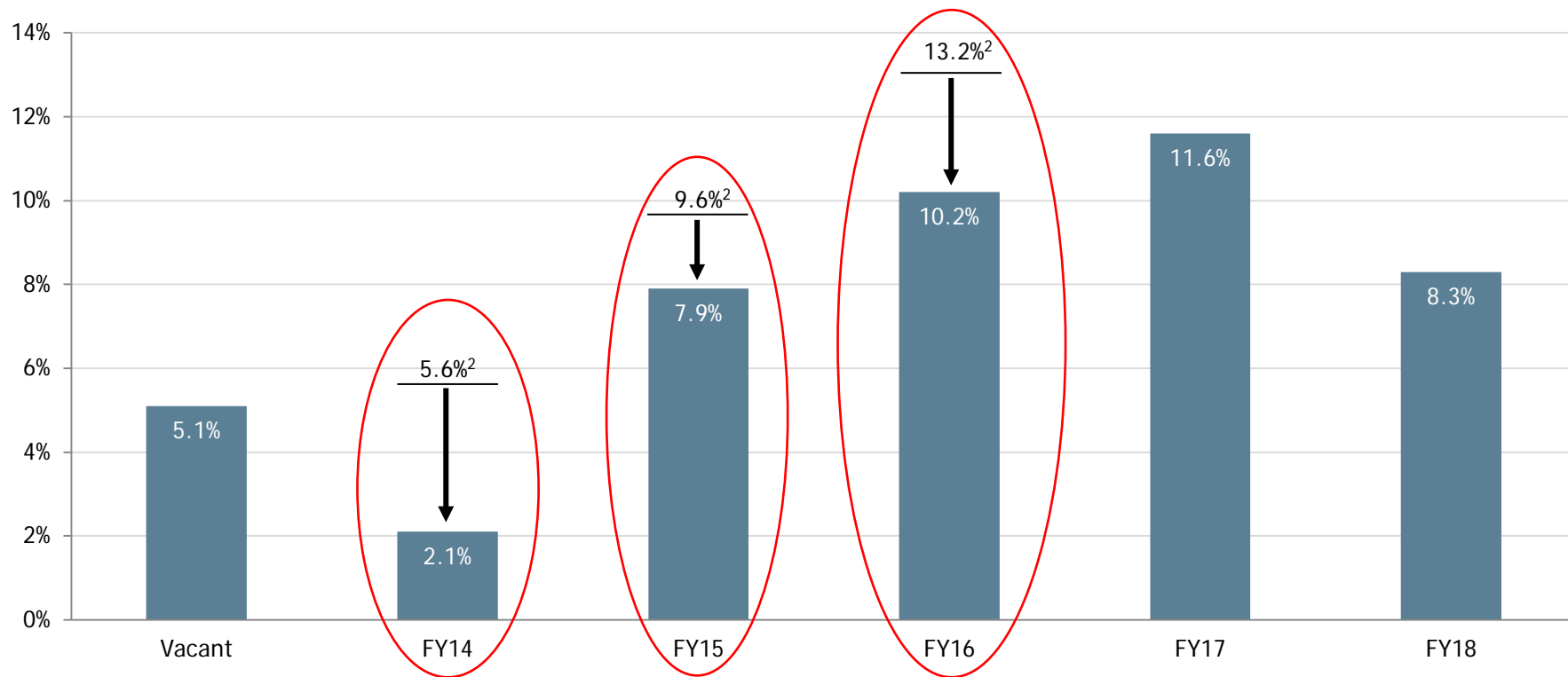
Geographical weighting by book value



PORTFOLIO OVERVIEW

Direct office portfolio – lease expiry profile

Lease expiry profile¹ by income as at 31 March 2014



1. Excluding CPA portfolio.
2. 30 June 2013 position.

PORTFOLIO OVERVIEW

Direct industrial portfolio – 18% of balance sheet



T: DEXUS Industrial Estate, 27 Distribution Drive, Laverton North \$9.2m (50% interest)
B: Quarry Industrial Estate, 1 Bellevue Circuit, Greystanes \$15.4m (50% interest)

T: DEXUS Industrial Estate, 1-3 Distribution Drive, Laverton North \$6.0m (50% interest)
B: Quarry Industrial Estate, 3 Basalt Road, Greystanes, \$14.3m (50% interest)

Note: all values are at DXS ownership level.

PORTFOLIO OVERVIEW

Direct industrial portfolio

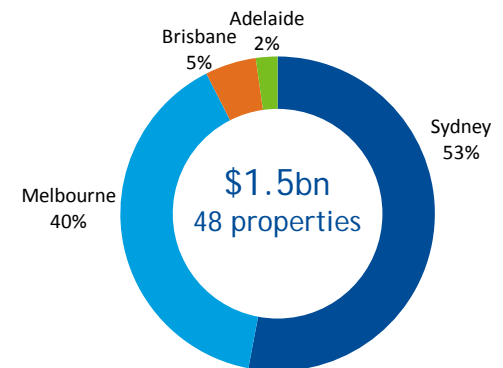
\$1.5bn

Prime quality industrial portfolio

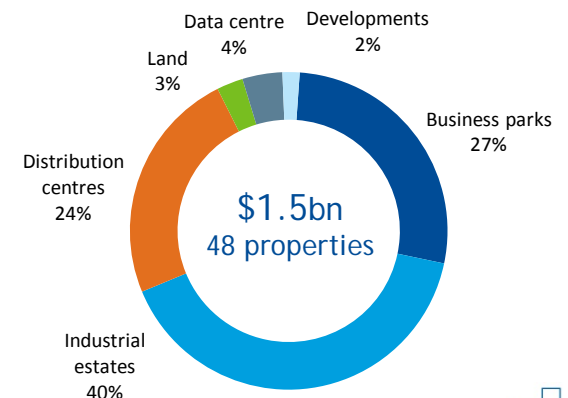
- Focused on major industrial hubs and arterial roadways in Sydney, Melbourne and Brisbane
- Allocation to value add/repositioning and development
- March 2014 quarter achievements:
 - Leased¹ 20,364sqm during the quarter and 93,051sqm year to date
 - Completed the sale of two trading properties delivering a combined trading profit of \$4.4 million
 - Pre-leased two further facilities at Quarry at Greystanes totalling 7,900sqm with construction to commence later this year

1. At 100%, including Heads of Agreement (HOA).

Geographical weighting by book value



Property type by book value



PORTFOLIO OVERVIEW

Development and fund-through pipeline – Group

\$3.0bn

Total Group development pipeline

- DEXUS allocates up to 15% of funds under management on its balance sheet to development and value-add opportunities

DXS developments and fund-throughs	Total est cost ¹	Est cost to complete ¹	Total estimated project cost		
			FY14	FY15	FY16+
DEXUS Industrial Estate, Laverton North	\$122m	\$97m		\$122m	
Quarry at Greystanes	\$77m	\$46m	\$40m		\$37m
5 Martin Place, Sydney ²	\$107m	\$67m	\$107m		
105 Phillip Street, Parramatta	\$120m	\$112m		\$120m	
12 Creek St, Brisbane ²	\$19m	\$19m		\$19m	
180 Flinders Street, Melbourne	\$230m	\$148m			\$230m
480 Queen Street, Brisbane ²	\$272m	\$194m		\$272m	
Kings Square, Perth ²	\$217m	\$158m		\$217m	
DXS pipeline	\$1,164m	\$841m			
Completed developments for trading	\$34m	\$4m			
DXS pipeline including trading	\$1,198m	\$845m			
Third party development pipeline	\$1,342m	\$1,179m			
Third party fund-through pipeline	\$489m	\$381m			
Total Group pipeline	\$3,029m	\$2,405m			

DXS value-add and repositioning	Inventory ³
50 Carrington Street, Sydney	\$59m
40 Market Street, Melbourne	\$47m
1-15 Rosebery Avenue, Rosebery	\$59m
25-55 Rothschild Avenue, Rosebery	\$37m
154 O'Riordan Street, Mascot	\$14m
Total DXS value-add properties	\$216m

	Developments underway
	Uncommitted development pipeline
	Fund-through office investments

1. Costs shown at 100%, including land.

2. DXS share.

3. Acquisition or transfer price excluding costs and does not represent the trading price for the property.

THIRD PARTY FUNDS MANAGEMENT

Overview

\$8.5bn

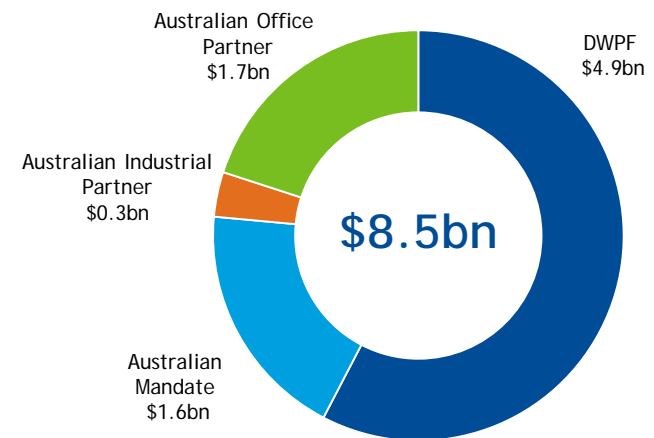
Third party funds management platform

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Institutional investors

- DEXUS strives to be the wholesale partner of choice in Australian office, industrial and retail
- Substantial funds management platform including
 - \$4.9bn DEXUS Wholesale Property Fund (DWPF) - diversified
 - \$1.6bn Australian mandate - diversified
 - \$0.3bn¹ Australian Industrial Partnership with global pension fund
 - New \$1.7bn¹ Australian Office Partnership
- Third party funds represents 48% of total Group FUM
- Continued to deliver top quartile index performance and benchmark outperformance at 31 March 2014

Third party funds under management post CPA transaction



1. Portfolio value shown at 50% to represent 50:50 joint partnership with DEXUS direct portfolio.

THIRD PARTY FUNDS MANAGEMENT

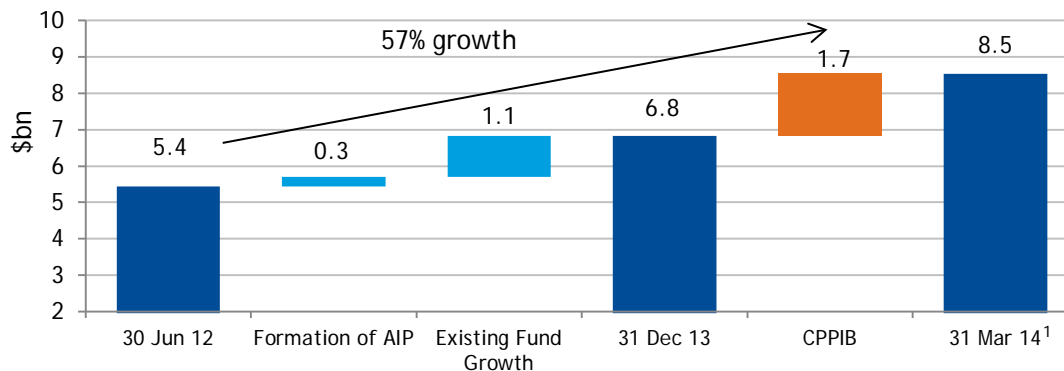
Delivering on strategy

57%

Growth in third party funds since June 2012

- Proven track record in attracting third party capital
 - Launched two new partnerships since October 2012 representing \$2 billion in new capital
 - In addition, DWPF has raised \$2.7 billion since 2010
- Demonstrated ability to manufacture and secure attractive investment opportunities
 - Acquired over \$1 billion of office, industrial and retail property across third party platform during 2013
 - \$1.2 billion third party development pipeline in addition to two fund-through investments underway

Growth in funds under management since 2012



1. Including CPA transaction.

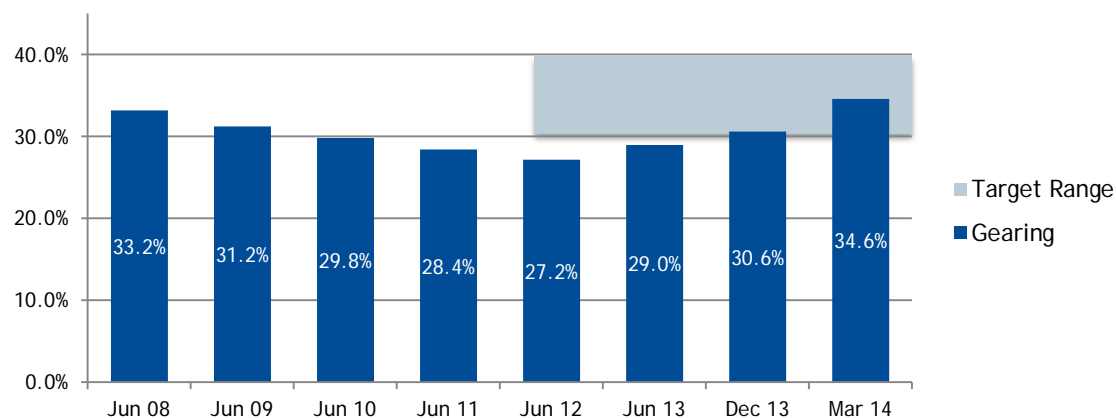
CAPITAL MANAGEMENT

Prudent and disciplined approach to capital management

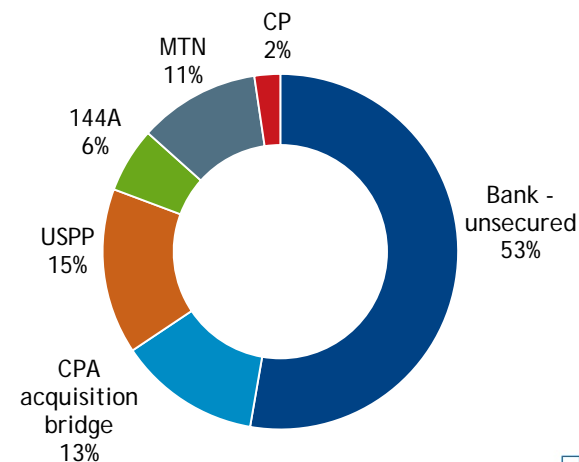
- March 2014 quarter achievements:
 - Reduced cost of debt to 5.6%, down 30 bps since 30 June 2013
 - S&P credit rating upgraded from BBB+ to A-
 - Sourced \$1.3 billion of new funding commitments for CPA transaction
 - Settled US\$200m US Private Placement transaction

Key metrics	31 Mar 13
Gearing ¹	34.6%
Cost of debt ²	5.6%
Duration of debt	5.6 years
Headroom (approx.)	\$0.5bn
S&P/Moody's credit rating	A-/Baa1

Historical gearing ratio¹



Diversified mix of facilities



1. Pro-forma including the impact of the CPA transaction and committed property disposals.
 2. Weighted average across the period, inclusive of fees and margins on a drawn basis.

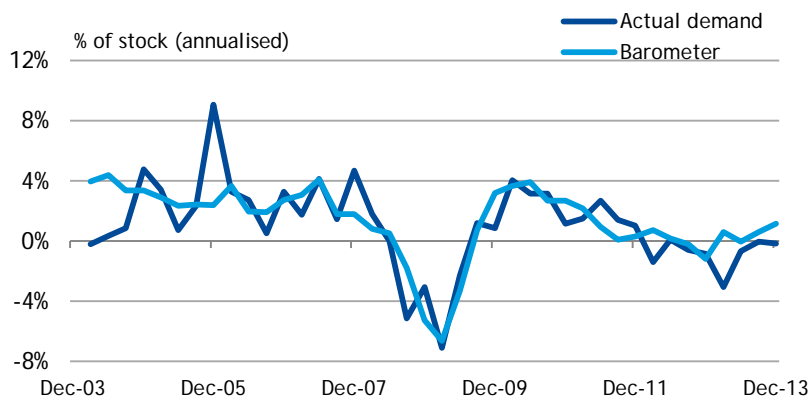
MARKET OUTLOOK

Why office demand will improve from FY15

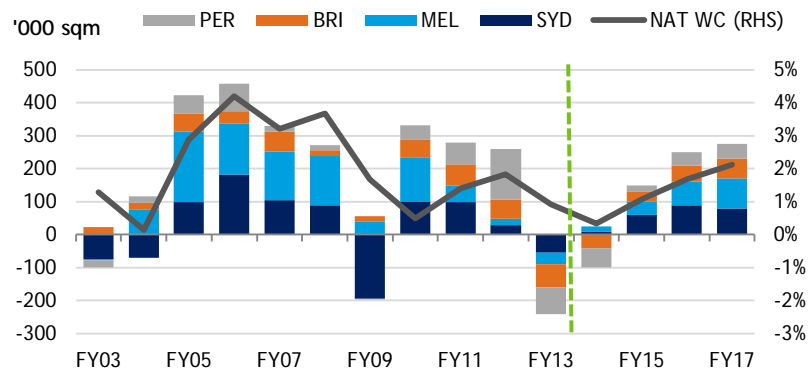
- Demand to improve in FY15 due to
 - Economy responding to easing monetary policy and lower AUD
 - Improving business conditions and confidence
 - Recovery in employment to be led by business services, accounting, legal, IT, education and pharmaceuticals
 - Tenant migration into CBD areas

- Sydney and Melbourne to lead improvement with Brisbane and Perth to follow

DEXUS Office Demand Barometer points to improvement



Office demand in the four main CBDs vs employment growth



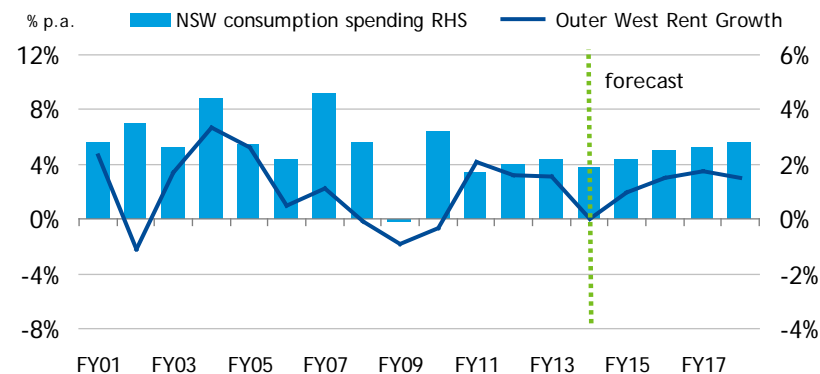
Source: Jones Lang LaSalle, Bloomberg, NAB, DEXUS Research.
 DEXUS Office Barometer includes five variables: S&P/ASX 200 Index, NAB Business Confidence Index, ANZ job ads, US ISM Manufacturing Index and short-term business travel departures.

MARKET OUTLOOK

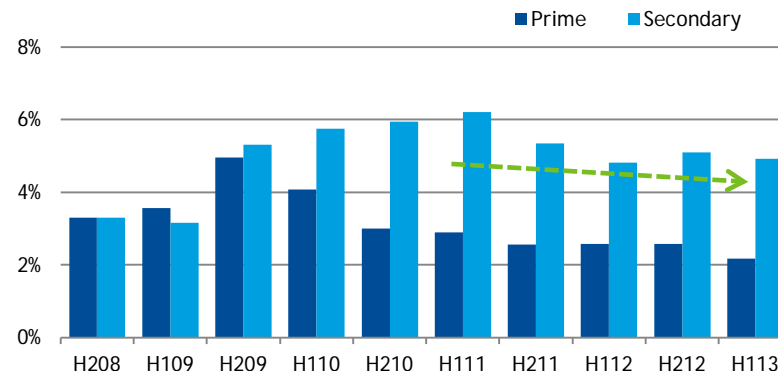
Industrial markets relatively stable

- Lead indicators for demand now improving (business confidence, consumer confidence)
- Demand to be driven by tenants consolidating and seeking efficiencies eg. logistics and retail
- Limited availability of prime space
- Rents flat in FY14, then upside in medium term
- Melbourne very competitive
- Sydney subdued but stable
- Brisbane has paused but could recover quickly

Consumption - to drive rental growth



National prime vacancy remains low



Source: Jones Lang LaSalle, Savills, Deloitte Access Economics, DEXUS Research.

SUMMARY

- Continue to deliver on strategy
- Expect office market conditions to improve in FY15
- Focus moving forward:
 - Ensure CPA portfolio is successfully integrated
 - Continue to drive earnings from existing business
- Market guidance for FY14¹
 - FFO of 8.34 cents per security, representing 7.6% growth from FY13
 - Distribution of 6.26 cents per security

1. Barring unforeseen circumstances. Assumptions include: 75% payout ratio, delivering 2.5-3.5% like-for-like income growth across the office and industrial portfolios, \$4-5m in trading profits and circa 5.6% cost of debt.

1 Bligh Street, Sydney NSW



IMPORTANT INFORMATION

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