

DEXUS Property Group (ASX: DXS)

ASX release

6 May 2015

Macquarie Australia Conference presentation

DEXUS Property Group (DEXUS) today releases an overview presentation that will be presented at the 2015 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 is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$18.5 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. The Group manages an office portfolio of 1.6 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest 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 32,000 investors from 18 countries. With 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for its 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)



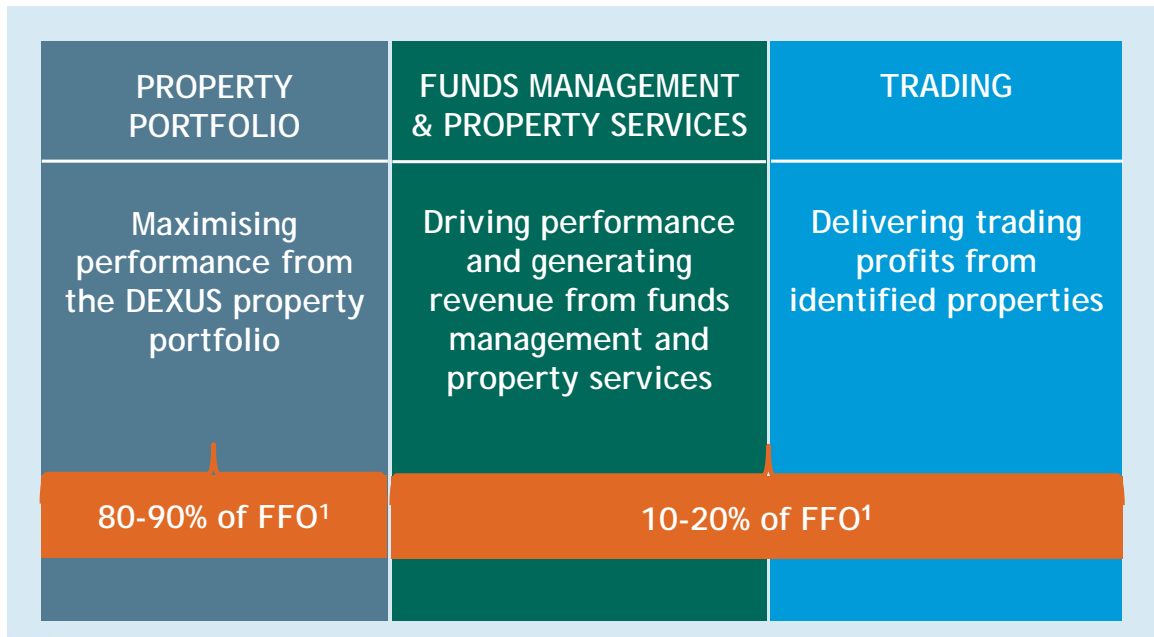
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DEXUS
PROPERTY GROUP

AGENDA

- DEXUS today
- Property portfolio
- Third party funds management
- Trading
- Summary

DEXUS TODAY



1. Represents target contribution to FFO. FFO means Funds from Operations. As previously announced, DEXUS adopted FFO as defined by the PCA White Paper "Voluntary Best Practice Guidelines for disclosing Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)" for its reporting from 1 July 2014.



PROPERTY PORTFOLIO – Overview

\$9.1bn
portfolio on balance sheet

\$7.6bn

Prime quality office portfolio

- Largest listed office portfolio in Australia
- 62% located in the Sydney CBD
- DEXUS and its capital partners own interests in four of the seven premium grade towers in Sydney

\$1.5bn

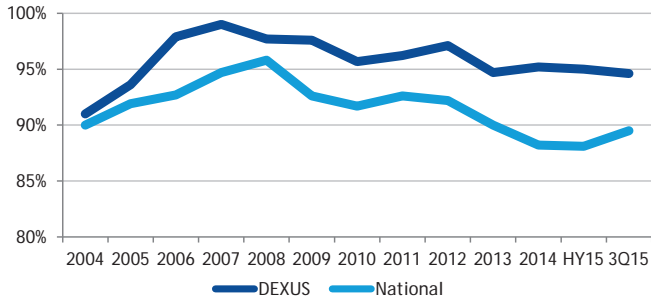
Prime quality industrial portfolio

- Focused on major industrial hubs and arterial roadways in Sydney, Melbourne and Brisbane
- Allocation to value add/repositioning and development in partnership with capital partners



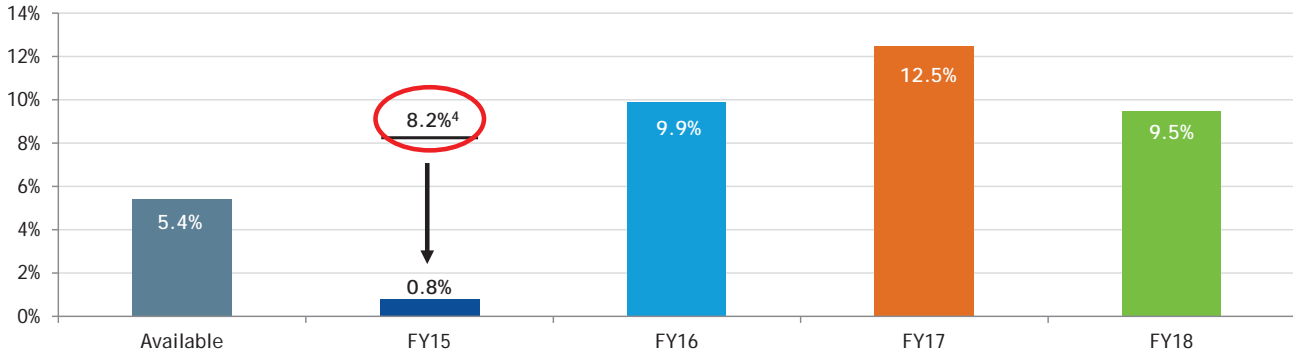
PROPERTY PORTFOLIO – Actively managing forward office leasing risks

Historical outperformance vs. National office occupancy rates¹



- DEXUS has maintained office occupancy rates well above National average and 90%² since 2004
- No more than 12.5%² of the Group's existing office leases expire in any single fiscal period for the next three financial years
- No single tenant represents more than 4.6% of income³

DEXUS office portfolio lease expiry as at 31 March 2015²



1. Source: DEXUS Research and Jones Lang LaSalle.
2. By income.
3. 31 December 2014 fully leased DEXUS Portfolio passing income annualised.
4. As at 30 June 2014 including DEXUS Office Partnership properties.



PROPERTY PORTFOLIO – Case study 1: DEXUS Office Partnership

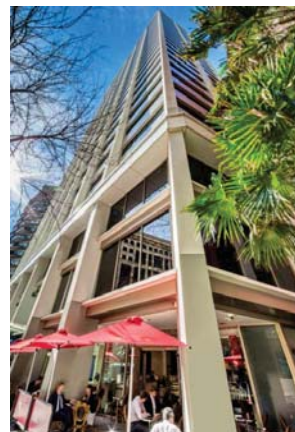
DEXUS APPROACH

- Successfully acquired Commonwealth Property Office Fund (CPA) with JV partner Canada Pension Plan Investment Board in April 2014 for \$3.4 billion
- Established the DEXUS Office Partnership comprising 21 properties
- Leased 106,241sqm from April 2014 to 31 March 2015

OUTCOMES SO FAR

- Improved occupancy from 92.2%¹ at April 2014 to 94.5% at 31 March 2015
- Achieved a \$125.3 million valuation² uplift across DEXUS Office Partnership properties at December 2014
- Achieved a 12.1%³ total return for the 12 months ending 31 March 2015

1. Occupancy of 92.2% excludes the five properties sold. Occupancy was 93.5% including these five properties at acquisition.
2. Valuation increase at 31 December 2014 represents 100% interest, of which DEXUS has a 50% share.
3. Unlevered total return based on acquisition price.



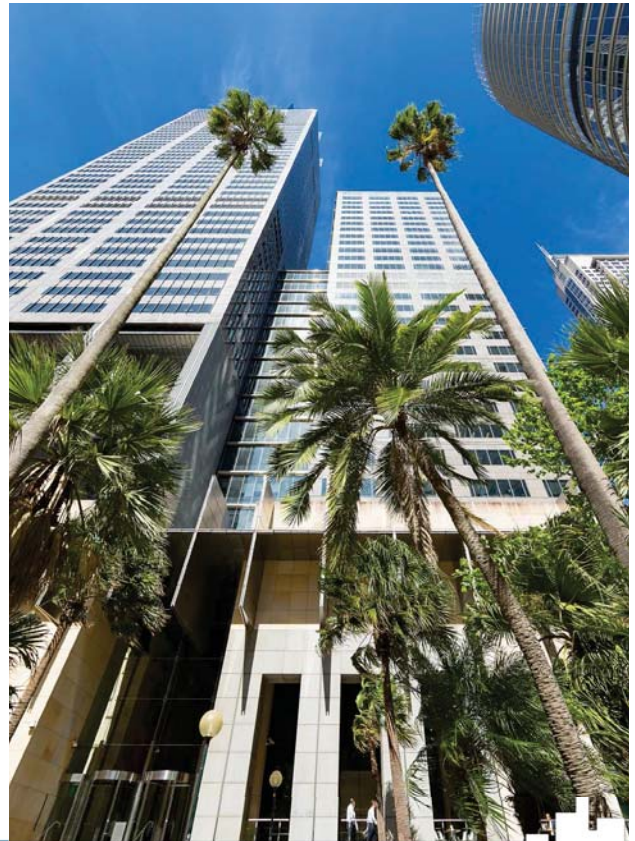
PROPERTY PORTFOLIO – Case study 2: 1 Farrer Place, Sydney

DEXUS APPROACH

- Faced with State Government vacating 20,000sqm at Governor Macquarie Tower in December 2014 and major tenant expiries in Governor Phillip Tower
- Leveraged strong tenant relationships to target potential tenants and secure existing tenants
- Improved End of Trip amenity and undertaking refresh focusing on ground floor amenity

OUTCOMES SO FAR

- Mitigated 68% of leasing risk since December 2013
- Governor Macquarie Tower - secured a long term lease across circa 9,500sqm with Minter Ellison
- Governor Phillip Tower - renewed long term leases with two existing tenants across circa 15,500sqm and is currently 98.5% leased
- Increased WALE from 3.3 years at September 2013 to 5.3 years at December 2014



PROPERTY PORTFOLIO – Case study 3: 480 Queen St, Brisbane development

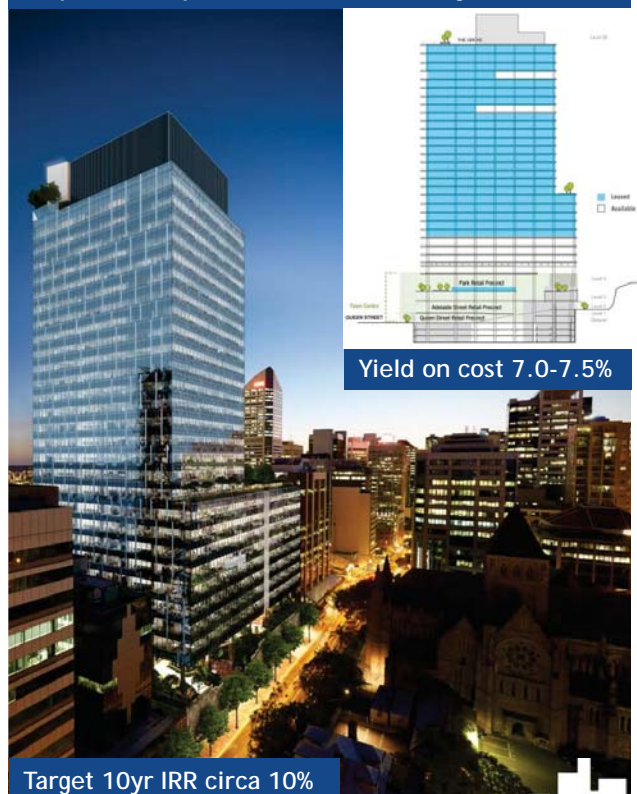
DEXUS APPROACH

- Acquired in April 2013 as a fund-through development¹ on attractive pricing metrics
- Accessed quality product in a market with limited new premium offerings in the medium term
- Building a high calibre tenancy profile that will underpin the long term investment value
- Satisfying the demand of key corporations looking to reposition their business through workplace solutions

OUTCOMES

- Ten tenants secured, with 80.7% office space² pre-committed
- Tenants include:
 - Allens
 - PricewaterhouseCoopers
 - BHP Billiton
 - Herbert Smith Freehills
 - The Executive Centre

Acquisition cap rate 7.06-7.25% sliding scale

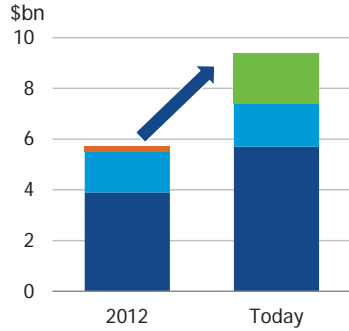


1. Grocon has provided DEXUS and DWPF (50%/50% ownership) with a two-year income guarantee on any remaining vacancies at practical completion.
2. Includes Heads of Agreement.

THIRD PARTY FUNDS MANAGEMENT

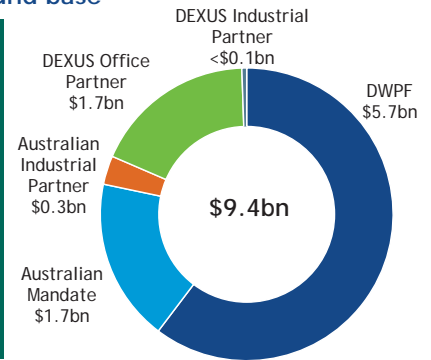
Significant growth of third party funds platform

>60%
growth through
new partnerships,
acquisitions and
developments



Growing investor/fund base

48
investors



Significant development pipeline of organic growth

\$2.2bn
of committed and
uncommitted
development
projects¹

Committed projects as at 31-Dec-14	FY15	FY16	FY17/FY18
Office - 4 properties	\$360m		
Retail - 6 properties		\$290m ²	
Industrial - 4 properties		\$130m	
Remaining spend - committed 3 rd Party		\$780m	

1. Third party funds' or partners' share of development spend as at 31 December 2014.
2. Including DEXUS third party funds' or partners' share of Westfield redevelopments.



THIRD PARTY FUNDS MANAGEMENT – DWPf pipeline of developments



Drive Industrial Estate, Richlands in Brisbane, a DWPf development.



THIRD PARTY FUNDS MANAGEMENT – DWPF pipeline of developments



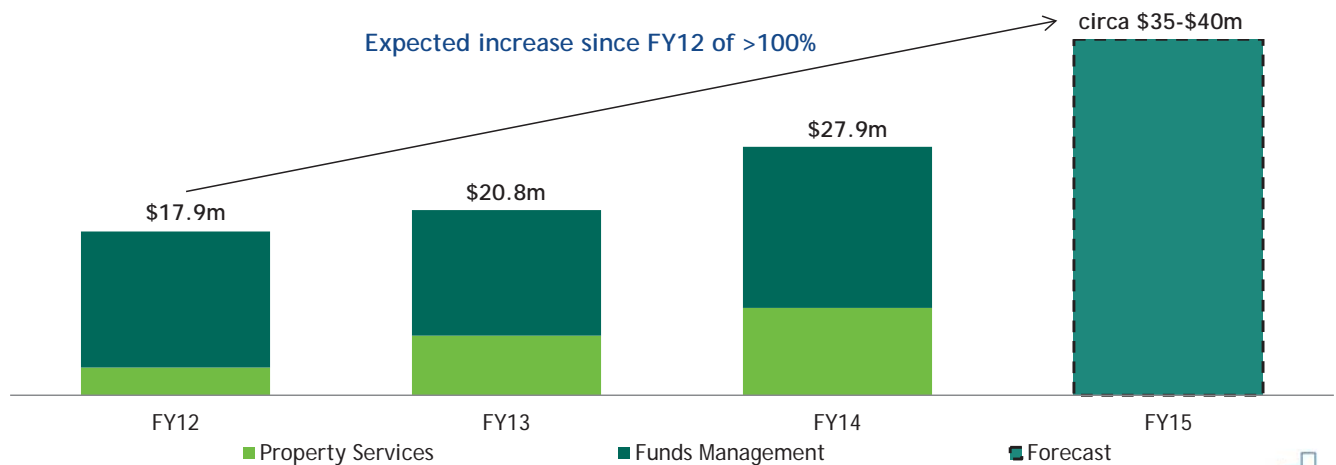
Gateway, 1 Macquarie Place, Sydney, NSW a DWPF development.



THIRD PARTY FUNDS MANAGEMENT – Significant revenue growth

- Funds Management revenues have increased from additional capital partners and expanded business
- Property services revenue to increase from growth in retail business and developments combined with leasing fees

Funds management & property services profit



TRADING – Types of trading opportunities

- 'Trading' is the activity of developing/repositioning assets with a view to selling for profit

TYPE OF TRADING OPPORTUNITY	Repositioning/ value-add	Development	Change of use
KEY ELEMENTS	Acquire, reposition, sell	Acquire, develop, sell	Transfer to trading package/develop and sell
PROPERTIES SOLD OR EXCHANGED	<ul style="list-style-type: none"> 50 Carrington Street, Sydney 40 Market Street, Melbourne 57 -101 Balham Road, Archerfield 	<ul style="list-style-type: none"> 163-183 Viking Drive, Wacol 30 Distribution Drive, Laverton North 94-106 Lenore Drive, Erskine Park 	<ul style="list-style-type: none"> 154 O'Riordan Street, Mascot 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery

TRADING – Case study 4: Repositioning/value-add – 40 Market Street, Melbourne

DEXUS APPROACH

- Packaging the value-add
 - Acquired in November 2012 for \$46.7m at a price per square metre of \$3,888
 - Set the trading strategy following market and feasibility analysis
 - Secured a 15 year lease renewal with Powercor
 - Undertook a capital works program to drive realisation of value

OUTCOMES

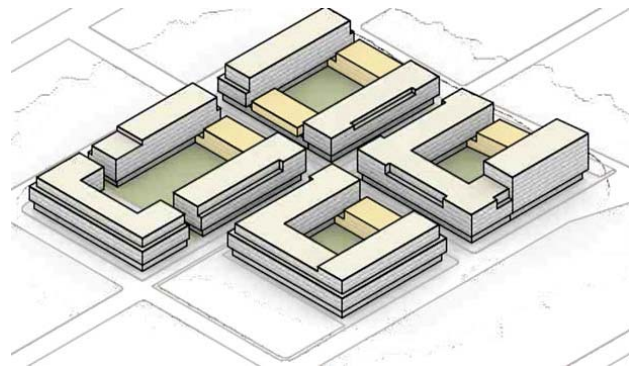
- Improved WALE from 6 years to 15 years
- Sold in September 2014 for \$105m at a price per square metre of \$8,770
- Expected IRR of circa 20%
- Settlement will contribute to FY15 trading profits



TRADING – Case study 5: Change of use - Rosebery NSW¹

DEXUS APPROACH

- Negotiated with council to extend LEP²
- Conducted packaging activities
 - Commenced residential development plans
 - Commenced JV discussions
- High value, low risk development
 - Strong and established residential market
 - DA risk minimal & vacant possession risk acceptable



OUTCOMES

- Sold properties to deliver trading profits in FY15-FY16 with limited risk and requiring no additional capital

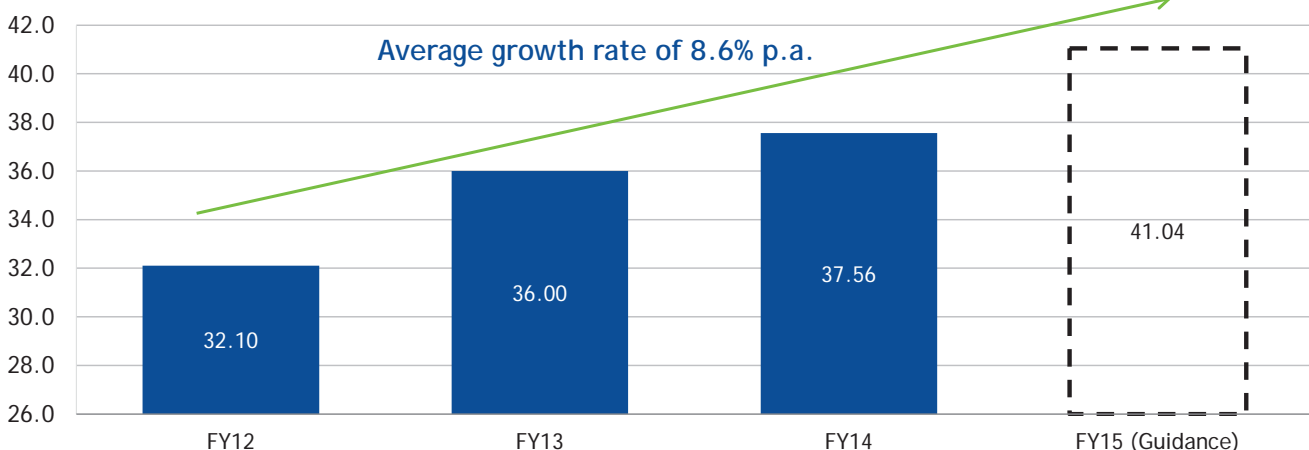
1. 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery.
2. Local environmental plan.



SUMMARY

- Solid operating business setup to deliver growth through the cycle
- Delivering consistent performance
- Third party funds management business is set up for strong organic growth
- FY15 distribution per security guidance¹ of 41.04 cents represents growth of 9.3%

Distribution growth - cents per security²



1. Guidance supported by: Targeting positive like-for-like income growth across the office and industrial portfolios, weighted average cost of debt of approximately 5.2%, trading profits of approximately \$40 million, Management Operations revenue of approximately \$35-40 million.
2. Previous corresponding per security figures are on a one-for-six consolidated basis.

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QUESTIONS

