

DEXUS Property Group (ASX: DXS)

ASX release

11 February 2016

DEXUS and DWPF acquire North Sydney site for premium office development

DEXUS Property Group (DEXUS) and DEXUS Wholesale Property Fund (DWPF) today announced that they have jointly entered into an agreement to each acquire a 50% interest in 90 and 100 Mount Street in North Sydney ("100 Mount Street") for an initial acquisition price of \$41.0 million¹. A new premium office tower will be developed at the site by DEXUS, and the project will be completed at a time when tight supply fundamentals are expected in the Sydney office market.

DEXUS and DWPF have also entered into a fixed price Design and Construction contract with Laing O'Rourke Australia for the demolition of the two existing buildings and the construction of a DA approved 41,163 square metre premium office tower.

Darren Steinberg, DEXUS CEO said: "This is an excellent opportunity for us to develop a well-located premium office tower in the North Sydney CBD. This development is set to benefit from improved amenity in the North Sydney market, including the proposed Sydney Metro line, as well as continued tenant demand for quality product in a market which has limited Prime grade options. The project is also expected to be completed at an opportune time in relation to Sydney office market supply fundamentals."

Penny Ransom, DWPF Fund Manager said: "We are excited by this opportunity to further diversify DWPF's office exposure into the North Sydney market, while increasing the quality of the Fund's portfolio."

DEXUS notes the intentions regarding the sale of the Laing O'Rourke Australian construction business. The project team together with DEXUS brings together the best in Australian and international expertise including Chicago headquartered architects SOM working in conjunction with local firm Architectus. Laing O'Rourke combines a local and global high rise construction pedigree on the project and has agreed contract conditions to ensure that this standard is maintained throughout the proposed sale of the Laing O'Rourke Australian construction business.

Further details in relation to the acquisition are provided in the Appendices.

Development overview

DEXUS will develop 100 Mount Street, North Sydney as a 34-level premium office tower spanning 41,163 square metres. This prime development site occupies one of the best locations in North Sydney on the corner of Mount and Walker Streets with a third street frontage to Spring Street. The site has prime retail exposure and benefits from its proximity to key transport infrastructure, in addition to excellent natural light and Harbour views from its eastern and southern aspects.

The anticipated total development cost including the initial acquisition price is \$467.5 million². Subject to the final settlement date, the development is expected to commence in July 2016 with a staged practical completion from June 2018 to December 2018 to enable early access and integrated fit-out works prior to final practical completion. A long term lease across 6,229 square metres has also been secured with Laing O'Rourke Australia from final practical completion in December 2018, with lease up expected to continue throughout 2019.

The development will target 5 star Green Star and 5 star NABERS Energy ratings, and will offer office floor plates ranging from 1,200-1,300 square metres.

¹ Excluding acquisition costs.

² Reflects 100% of development cost in which DEXUS and DWPF each have a 50% interest. Includes initial acquisition price of \$41.0 million, acquisition costs, demolition, construction and other associated costs.

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Impact on DEXUS

As a result of this transaction, the office weighting within DEXUS's total property portfolio will increase by 0.4% on a fully completed pro-forma basis.

Settlement is subject to a number of conditions precedent and is expected to occur during or after April 2016 once those conditions are met. The acquisition will have no impact on DEXUS's FFO per security or distribution per security guidance for FY16.

DEXUS will fund its share of the initial acquisition price through debt facilities and will continue to maintain gearing within its target gearing range of 30-40%.

For further information please contact:

Investor relations

Rowena Causley T: +61 2 9017 1390
M: +61 416 122 383
E: rowena.causley@dexus.com

Media relations

Louise Murray T: +61 2 9017 1446
M: +61 403 260 754
E: louise.murray@dexus.com

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 \$19.6 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 1.7 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 21 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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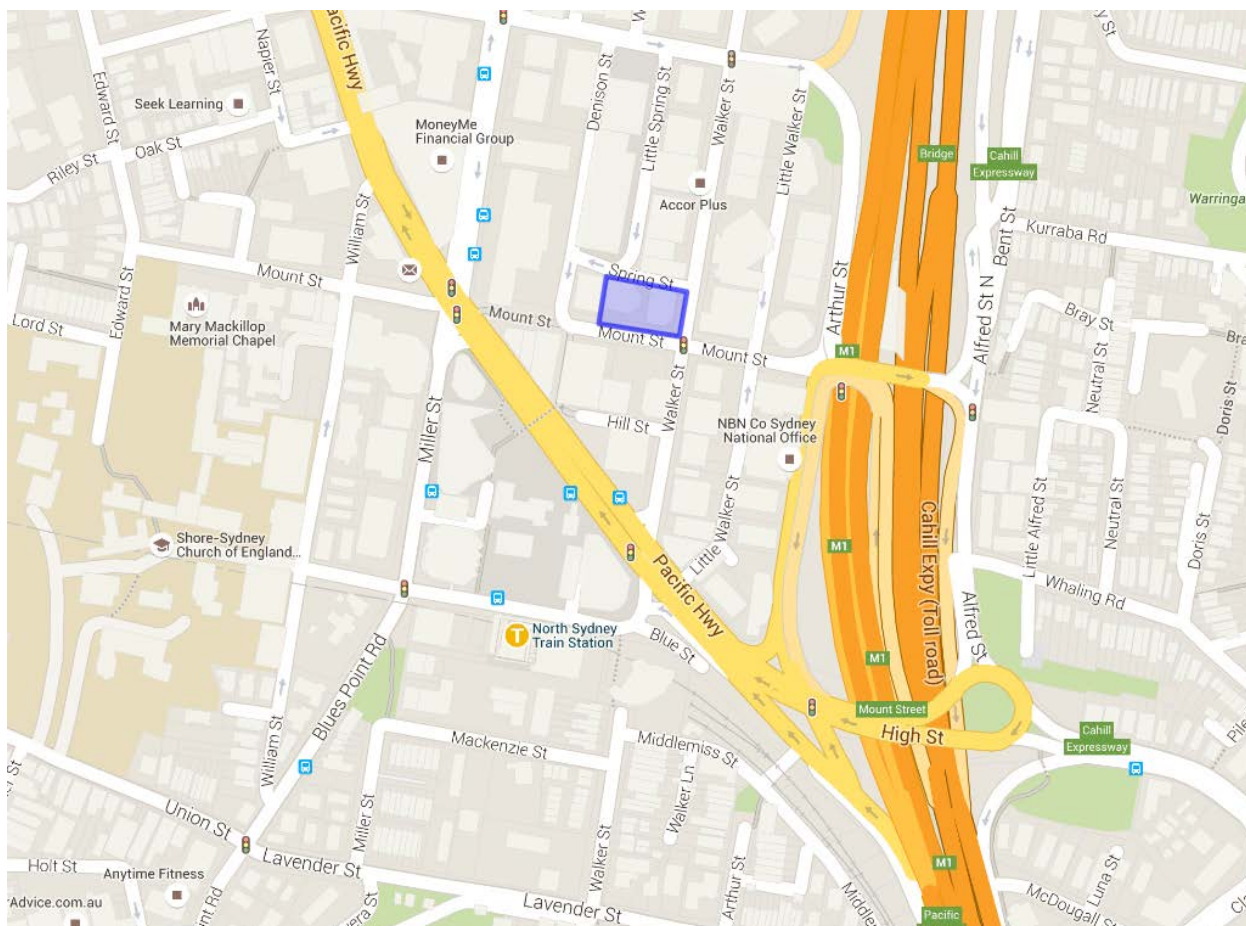
Appendix 1 - Property details

100 Mount Street, North Sydney - property profile

Property profile at Final Practical Completion

Development cost ³	\$467.5 million
Office Net lettable area	40,608 sqm
Retail Net lettable area	555 sqm
Floor plate	1,200 - 1,300 sqm
Car spaces	113 spaces
Yield on cost	>7%
Forecast unlevered Project IRR	circa 12-14%
Pre-commitment (by area)	15.1%
Major tenants secured	Laing O'Rourke Australia

100 Mount Street, North Sydney - location map



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100 Mount Street, North Sydney - Artist's impressions



Proposed building - premium tower design, aspect, view and high rise office floors



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Area	Lettable area (m ²)	Rise	
Rooftop Terrace - 125 m² (approx. subject to approval)			
Level 34	400		
Level 33	1,303	High rise 13,162m ²	
Level 32	1,303		
Level 31	1,303		
Level 30	1,303		
Level 29	1,303		
Level 28	1,303		
Level 27	1,303		
Level 26	1,303		
Level 25	1,169		
Level 24	1,169		
Level 23 (transfer)	1,207		
Level 22	1,241		Mid rise 15,979m ²
Level 21	1,241		
Level 20	1,241		
Level 19	1,241		
Level 18	1,241		
Level 17	1,241		
Level 16	1,241		
Level 15	1,241		
Level 14	1,241		
Level 13	1,265		
Level 12	1,169		
Level 11 (transfer)	1,169	Low rise 13,193m ²	
Level 10	1,203		
Level 9	1,203		
Level 8	1,203		
Level 7	1,203		
Level 6	1,203		
Level 5	1,203		
Level 4	1,203		
Level 3	1,203		
Level 2	1,203		
Level 1	642		
Mount St Retail	250		
Walker St Retail	305		
TOTAL	41,163		



Appendix 2

North Sydney CBD office market

The outlook for the North Sydney market is favourable over the medium term, with expected continued improvement in tenant demand supported by growth in the employment and service sectors of the NSW economy.

The supply outlook is set to benefit from permanent stock withdrawals in the North Sydney and Sydney markets. Post completion of 177 Pacific Highway in FY17, no new supply is anticipated until the completion of 100 Mount Street in FY19.

Tenant demand for high quality accommodation is strong and new or refurbished buildings have leased up relatively quickly as North Sydney's relatively old stock profile has driven a 'flight to quality'.

Proposed infrastructure investment, including the new Sydney Metro line, will provide direct connectivity to the Sydney CBD.

