

DEXUS Property Group (ASX: DXS)

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2016 Annual results presentation

DEXUS Property Group provides its 2016 Annual results presentation and appendices.

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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 \$22.2 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 1.8 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 31,000 investors from 21 countries. With more than 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. View our new website at 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 Limited ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)



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

DEXUS
PROPERTY GROUP

AGENDA

- Overview Darren Steinberg, Chief Executive Officer
 - Commitment to strategy
 - Track record of value creation
- FY16 results highlights
- Strong start to FY17
- Financial results Alison Harrop, Chief Financial Officer
 - Capital management
- Property portfolio Kevin George, EGM Office and Industrial
- Transactions, development and trading Ross Du Vernet, Chief Investment Officer
- Market outlook
- Funds management Darren Steinberg, Chief Executive Officer
- Summary
- Appendices

OVERVIEW

Australia's largest owner of Prime office properties - overweight Sydney

Outperforming and growing Funds Management business

An expanded pipeline of value enhancement opportunities

Underpinned by a strong balance sheet



OVERVIEW – Commitment to strategy

VISION

TO BE GLOBALLY RECOGNISED AS AUSTRALIA'S LEADING REAL ESTATE COMPANY

STRATEGY

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

STRATEGIC OBJECTIVES

LEADERSHIP IN OFFICE

FUNDS MANAGEMENT PARTNER OF CHOICE

Being the leading owner and manager of Australian office property

Being the wholesale partner of choice in Australian property

UNDERPINNED BY

CORE CAPABILITIES

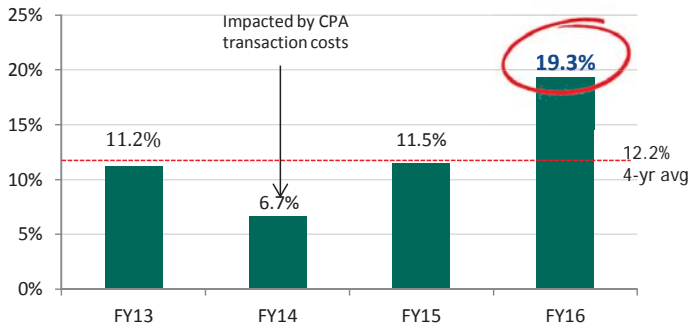
Having the best people, strongest customer relationships, utilising the most efficient systems and technologies

CAPITAL & RISK MANAGEMENT

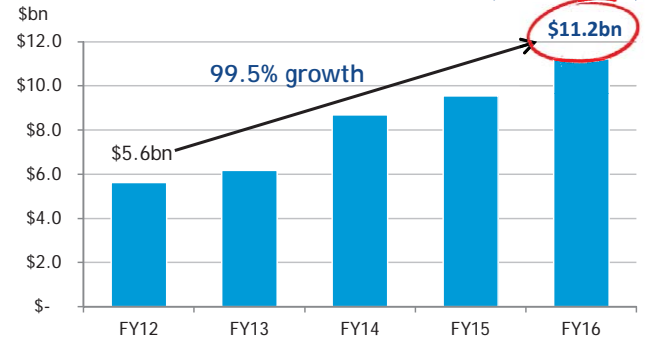
Actively managing capital and risk in a prudent and disciplined manner

OVERVIEW – Track record of value creation

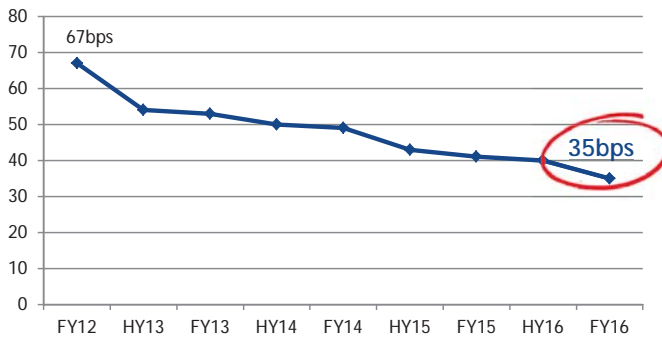
RETURN ON EQUITY¹ (FY13 - FY16)



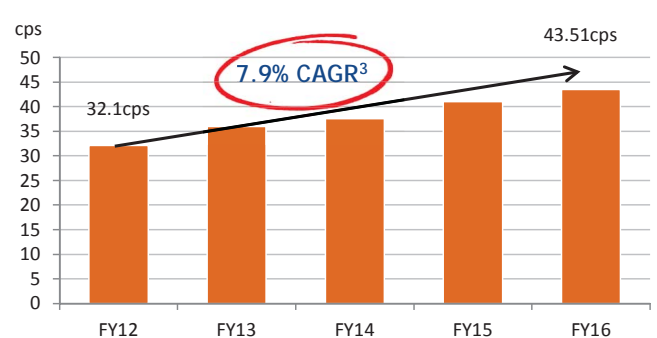
FUNDS MANAGEMENT PLATFORM GROWTH (FY12 - FY16)



MANAGEMENT EXPENSE RATIO² (FY12 - FY16)



DISTRIBUTION PER SECURITY GROWTH⁴ (FY12 - FY16)



1. Return on Equity is calculated as the growth in NTA per security plus the distribution paid/payable per security divided by the opening NTA per security. Starting point for ROE is the 12 months ending 30 June 2013.
2. Management Expense Ratio is calculated as costs arising from managing DEXUS assets and corporate costs for the 12 months divided by closing balance sheet funds under management at the end of the financial year.
3. Compound Annual Growth Rate.
4. Adjusted for 1-for-6 securities consolidation in FY15.

FY16 RESULTS HIGHLIGHTS

KEY RESULTS ACHIEVED

6.0% Growth in FFO and distribution per security

16.0% Strong one-year office and industrial portfolio returns

96.3% Office portfolio occupancy by income

HOW RESULTS WERE ACHIEVED

269,866sqm Record year of office leasing¹

\$63.3m Trading profits² realised

\$720m Developments completed in DEXUS portfolio

1. DEXUS office portfolio leasing, including Heads of Agreement.
2. Trading profits net of tax.

STRONG START TO FY17

Exchanged to sell two investment properties for \$665 million¹

\$62 million aggregate premium to DEXUS's prior book value

6 cent uplift to Net Tangible Assets (NTA) per security

Contracted approximately \$25 million of additional FY17 trading profits²
through priority trading property in Auburn

108 North Terrace, Adelaide



Investment property

Southgate Complex, Melbourne



Investment property

79-99 St Hilliers Road, Auburn



Trading property

1. Includes Southgate Complex, Melbourne for a contracted net sale price of \$578.0 million (in which DEXUS has a 100% interest) and 108 North Terrace, Adelaide for a contracted gross sale price of \$86.5 million (owned by the DEXUS Office Partnership, in which DEXUS has a 50% interest).

2. Trading profits pre-tax. DEXUS also settled on Erskine Park in July 2016, contributing approximately \$12 million to FY17 trading profits pre-tax.

FINANCIAL RESULTS



FINANCIAL RESULTS – FY16 highlights across key earnings drivers

	PROPERTY PORTFOLIO	FUNDS MANAGEMENT & PROPERTY SERVICES	TRADING
FY16 TARGET	circa +1% office I-f-I income growth ¹ circa -7% industrial I-f-I income growth ¹	Management Operations FFO of circa \$45m	Approximately \$60m trading profits ²
FY16 RESULT	FFO of \$673.3 million +1.0% office I-f-I income growth ¹ -7.1% industrial I-f-I income growth ¹	FFO of \$44.8 million	FFO of \$63.3 million ²
	86% FFO ³	6% FFO ³	8% FFO ³
	UNDERLYING BUSINESS		TRADING

1. Like-for-like income growth on an effective basis.
2. Trading profits net of tax.
3. FFO contribution is calculated before Finance costs, Group corporate costs and tax.

FINANCIAL RESULTS – Key financial performance metrics

Key financial performance metrics		FY16	FY15	Change
Adjusted Funds from Operations (AFFO) ¹	\$m	413.9	369.8	↑ 11.9%
Distribution per security	cents	43.51	41.04	↑ 6.0%
Statutory Net profit	\$m	1,259.8	618.7	↑ 103.6%
Other key metrics		FY16	FY15	Change
Gearing ²		30.7%	28.5%	+2.2ppt
NTA per security		\$7.53	\$6.68	+12.7%
Business contributions to FY16 FFO		FY16	FY15	Change
Underlying FFO ³	\$m	547.5	501.9	↑ 9.1%
Trading profits (net of tax) ⁴	\$m	63.3	42.6	48.6%
Funds from Operations (FFO)	\$m	610.8	544.5	↑ 12.2%
Underlying FFO per security	cents	56.5	54.8	↑ 3.1%
FFO per security	cents	63.1	59.5	6.0%

1. AFFO is calculated in line with the Property Council of Australia definition and comprises PCA FFO adjusted for: maintenance capex, incentives (including rent free incentives) given to tenants during the period and other items which have not been adjusted in determining FFO. Refer to slide 39 for a detailed breakdown.
2. Adjusted for cash and for debt in equity accounted investments.
3. 'Underlying' FFO contribution excludes Trading profits (net of tax).
4. Trading profits net of tax.

FINANCIAL RESULTS – Funds From Operations in detail

	FY16 \$m	FY15 \$m	Change \$m	Change %
Office property FFO	567.2	533.3	33.9	6.4%
Industrial property FFO	106.1	112.3	(6.2)	(5.5)%
Total property FFO	673.3	645.6	27.7	↑ 4.3%
Management operations ¹	44.8	37.9	6.9	18.2%
Group corporate	(25.4)	(30.4)	5.0	(16.4)%
Net Finance costs	(142.0)	(150.8)	8.8	(5.8)%
Other ²	(3.2)	(0.4)	(2.8)	
Underlying FFO³	547.5	501.9	45.6	↑ 9.1%
Trading profits (net of tax) ⁴	63.3	42.6	20.7	48.6%
FFO	610.8	544.5	66.3	↑ 12.2%
Adjusted Funds from Operations (AFFO)	413.9	369.8	44.1	↑ 11.9%
Distribution payout (% AFFO)	101.7%	100.5% ⁵		
Distribution	421.1	385.6⁵	35.5	↑ 9.2%

1. 'Management Operations' income includes Development management fees.

2. 'Other' FFO includes non-trading related FFO tax expense.

3. 'Underlying' FFO excludes Trading profits net of tax.

4. Trading profits net of tax.

5. The FY15 AFFO payout ratio has been adjusted to exclude the \$13.9m of distributions paid on new securities issued through the institutional placement and SPP announced in April 2015 which were fully entitled to the distribution for the six months ending 30 June 2015. The AFFO payout ratio was 104.3% including this amount.

CAPITAL MANAGEMENT – Maintained conservative gearing

FY16 ACHIEVEMENTS

Key metrics	30 Jun 16	30 Jun 15	Change
Gearing (look-through) ¹	30.7% ²	28.5%	2.2 ppt
Cost of debt ³	4.8%	5.2%	40 bps
Duration of debt	5.5 years	5.7 years	0.2 years
Hedged debt (ex caps) ⁴	64%	69%	5 ppt
S&P/Moody's credit rating	A-/A3	A-/A3	No change

FY17 FOCUS

Maintain diverse sources of debt funding

Average cost of debt of circa 4.6% for FY17

Maintain a strong balance sheet

1. Adjusted for cash and for debt in equity accounted investments.

2. Gearing is expected to reduce to circa 27% post the receipt of proceeds from recent divestments. This includes the sale of 57-65 Templar Road, Erskine Park (trading property); The Zenith, Chatswood; 108 North Terrace, Adelaide; the first 50% tranche of Southgate Complex, Melbourne and 79-99 St Hilliers Road, Auburn (trading property).

3. Weighted average across the period, inclusive of fees and margins on a drawn basis.

4. Average for the period. Hedged debt (including caps) was 71% for 12 months to 30 June 2016 and 76% for 12 months to 30 June 2015. DEXUS was 70% hedged (including caps) as at 30 June 2016.

PROPERTY PORTFOLIO



PROPERTY PORTFOLIO – VALUES: Contribute to portfolio returns

FY16 VALUES

Office portfolio values up \$769.1m or 9.1%	Industrial portfolio values up \$45.3m or 2.7%	Total portfolio valuation uplift of \$814.4m or 8.0%
---------------------------------------------	------------------------------------------------	------------------------------------------------------

FY16 RETURNS

16.0% Office portfolio one-year total return ¹	16.0% Industrial portfolio one-year total return ¹	Key drivers of capital contribution to Return on Equity of 19.3%
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DEXUS'S PORTFOLIO CAPITALISATION RATES

	30 Jun 2016	Change from 30 Jun 2015
DEXUS Office portfolio	6.16%	↓ 55bps
DEXUS Industrial portfolio	7.38%	↓ 39bps
Total DEXUS portfolio	6.33%	↓ 55bps

FY17 OUTLOOK

Investment demand to continue as investors seek the secure yields & defensive nature of quality assets

Prime cap rates² expected to tighten a further 15-25 basis points over the next 12 months

Solid tenant demand will provide further support for valuations

1. Returns exclude acquisition costs.

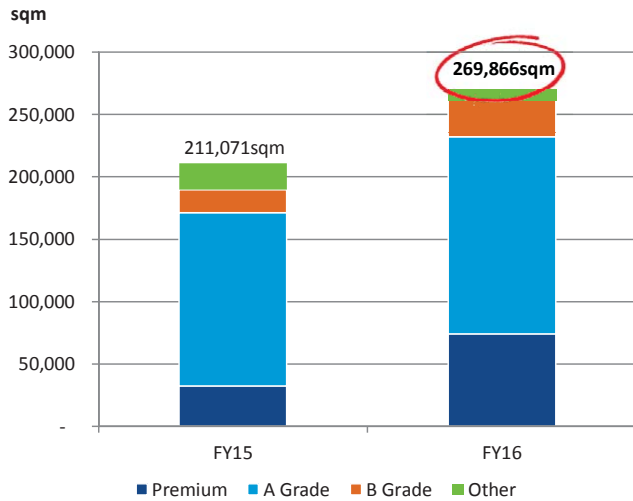
2. Prime office properties located in Sydney and Melbourne.

PROPERTY PORTFOLIO – OFFICE: A record year of leasing in FY16

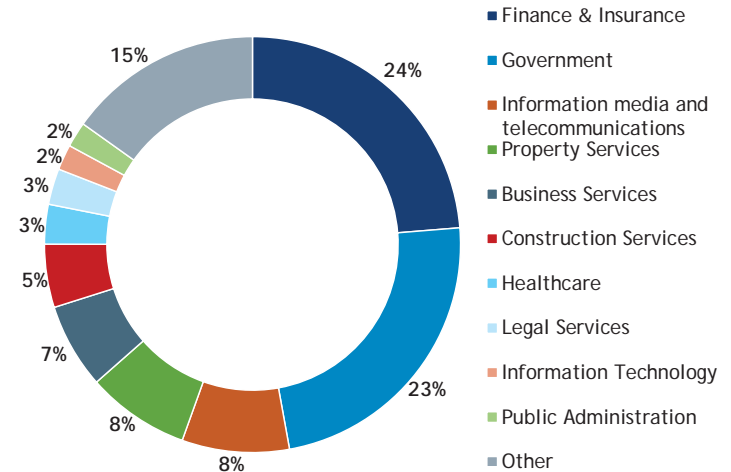
269,866sqm
Total office space leased¹

385 leasing transactions

DEXUS office leasing by grade



DEXUS office leasing by Industry (by area)



1. Including Heads of Agreement.



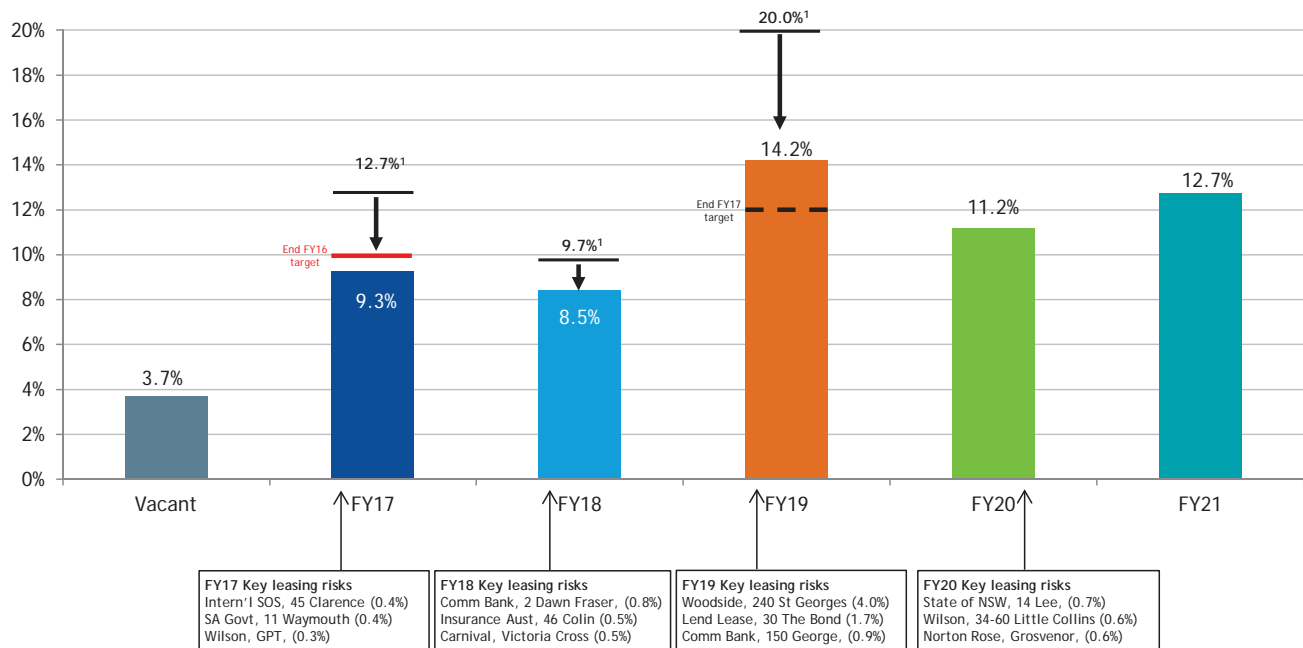
PROPERTY PORTFOLIO – OFFICE: Portfolio performing well

OFFICE	OCCUPANCY improvement	96.3% (FY15: 95.3%)
	INCENTIVES lower than market	17.7% Average incentives (FY15: 15.0%) Secured 119 effective deals
	WALE increase via developments	4.7 years (FY15: 4.3 years)
	RETENTION remained steady	62% (FY15: 61%)
	LIKE-FOR-LIKE INCOME as forecast	2.3% Face 1.0% Effective



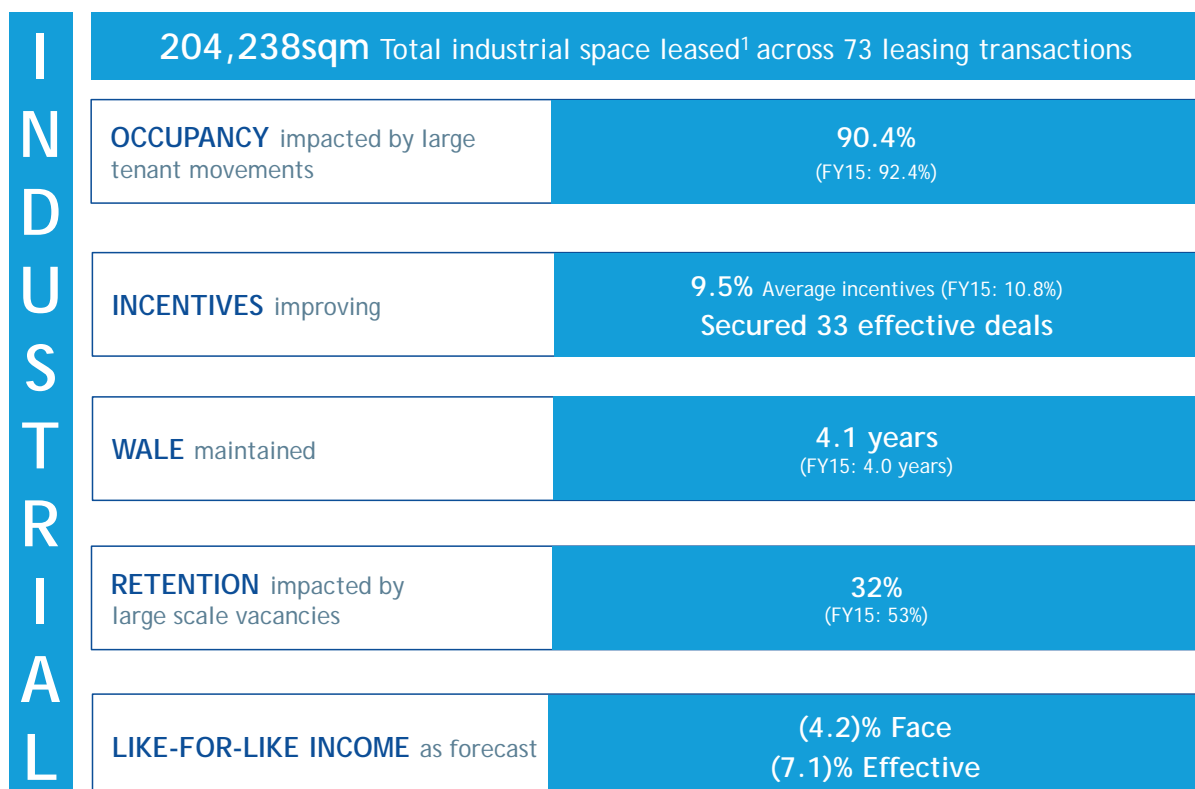
PROPERTY PORTFOLIO – OFFICE: Leasing activity improves expiry profile

- Continued implementation of strategies to reduce vacancy and maximise cash flow
- In FY17, 59% of office expiries are located in Sydney
- In a solid position to extract value with focus on addressing exposures in FY19



Note: Key leasing risks boxes represent tenant; property; and percentage of DEXUS office portfolio income.
1. As at 30 June 2015.

PROPERTY PORTFOLIO – INDUSTRIAL: Impacted by large scale departures



1. Including Heads of Agreement.

PROPERTY PORTFOLIO – FY17 opportunities and focus

FY17 OPPORTUNITIES

57% of FY17 expiries across office & industrial portfolios in Sydney

Capture the flight to quality in Sydney office market

Improve industrial portfolio occupancy from current levels

FY17 FOCUS

Maintain >96% occupancy in the DEXUS office portfolio

Target effective like-for-like income growth of:
2-3% in the DEXUS office portfolio (3.5-4.5% excluding Perth¹)
3-4% in the DEXUS industrial portfolio

Reduce FY19 DEXUS office lease expiries to 12% by end of FY17

1. Like-for-like income growth was forecast to be 3.5-4.5% before the impact of Woodside's rent review at 240 St Georges Terrace, Perth (with cap & collar).

TRANSACTIONS, DEVELOPMENT AND TRADING



TRANSACTIONS – Actively recycling properties

- Capitalising on strong investment demand
- Realising value from non-core properties located in non-core markets
- Proceeds initially used to repay debt and to be progressively drawn upon to fund future development pipeline opportunities

36 George Street, Burwood¹



Gross sale price: \$95.0m
 Premium to book value: 44%
 Settlement: 13 Nov 2015

The Zenith, Chatswood²



Gross sale price: \$139.5m
 Premium to book value: 7%
 Settlement: 29 Jul 2016

108 North Terrace, Adelaide¹



Gross sale price: \$86.5m
 Premium to book value: in line
 Settlement: 7 Sept 2016

Southgate Complex, Melbourne³



Net sale price: \$578.0m
 Premium to book value: 12%
 Settlement: Dec 2016/Jul 2017

1. 100% sale proceeds and owned 50/50 by DEXUS and DEXUS Office Partnership.
2. DEXUS 50% interest.
3. Settlement date is subject to purchaser receiving FIRB approval and will occur in two equal tranches. The first 50% is expected to settle prior to the end of 2016 calendar year with the remaining 50% expected to settle in late July 2017.

DEVELOPMENT – Strong returns achieved on development completions

5 Martin Place, Sydney, NSW

Cost¹: \$111m
 Yield on cost²: 7.0%
 Profit to Jun-2016¹: \$31.9m
 Project IRR at PC: 35.8%
 Occupancy: 97.9%



Kings Square, Perth, WA

Cost¹: \$217m
 Yield on cost²: 8.1%
 Profit to Jun-2016¹: \$18.4m
 Project IRR at PC: 13.6%
 Occupancy: 100%

57% of office space committed with 100% of income secured under a 5 year guarantee from practical completion



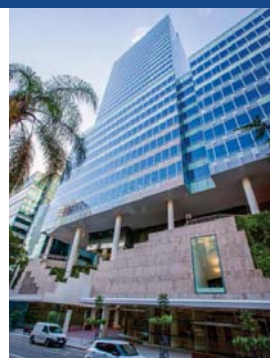
Radius Industrial Estate, Larapinta, Qld

Cost¹: \$14m
 Yield on cost²: 8.5%
 Profit to Jun-2016¹: \$2.7m
 Project IRR at PC: 19.4%
 Occupancy³: 100%



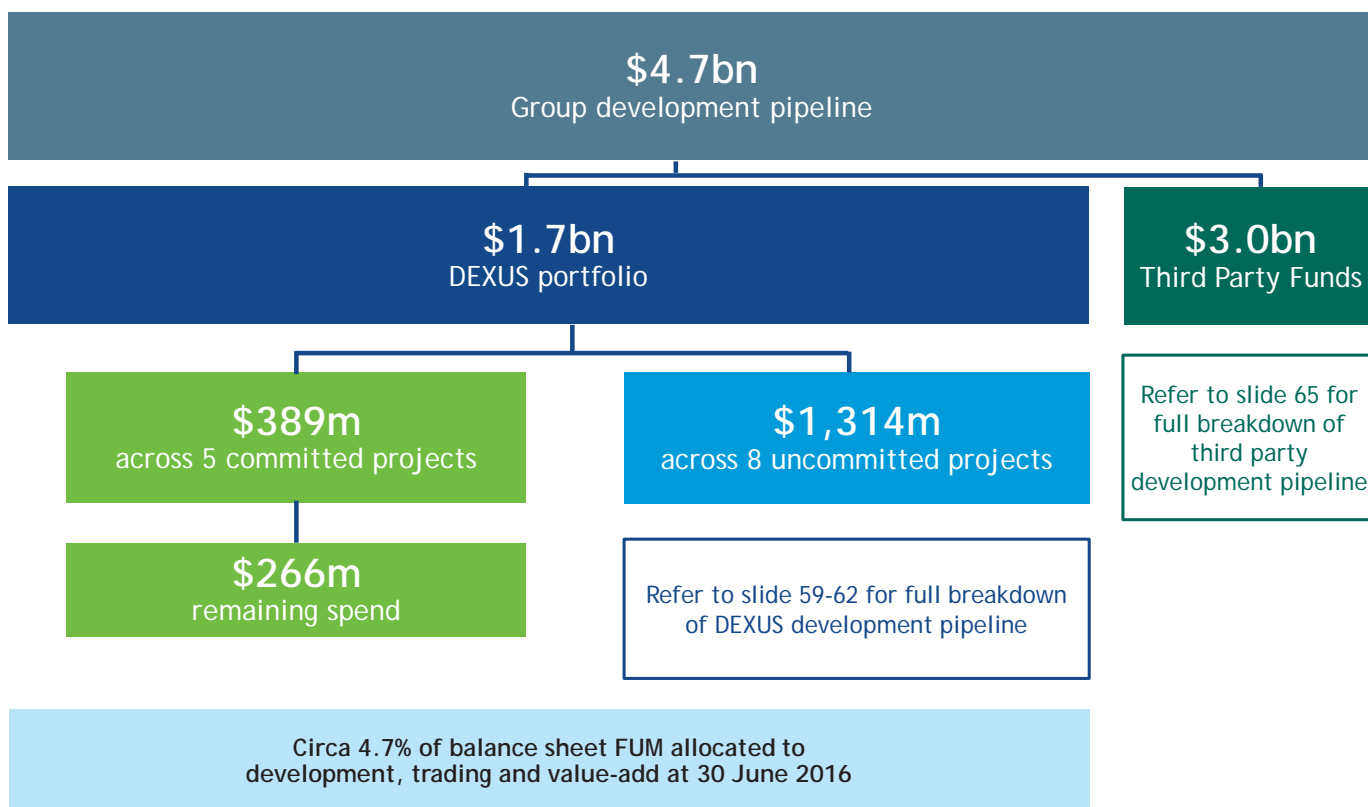
480 Queen Street, Brisbane, Qld

Cost¹: \$298m
 Yield on cost²: 7.0%
 Profit to Jun-2016¹: \$80.6m
 Project IRR at PC: 20.9%
 Occupancy: 100%



1. DEXUS ownership interest.
2. Initial net property income at completion divided by total development cost (including capitalised interest).
3. Occupancy has increased to 100% post 30 June 2016 as a result of securing two separate Heads of Agreements.

DEVELOPMENT – Expanded pipeline of development opportunities



TRADING – 2 priority projects materialise into FY17 trading profits¹



TRADING PIPELINE



Priority projects	Sector	Trading strategy	Status
Lakes Business Park South, Botany	Industrial	Pursuing residential re-zoning	Progressing
32 Flinders Street, Melbourne	Car park	Pursuing residential re-zoning	Planning permit received on 26 July 2016
105 Phillip Street, Parramatta	Office	Develop and lease	AFL with Government Property NSW and construction underway
12 Frederick Street, St Leonards	Mixed use	Rezone, lease and develop	Secured HoA with major tenant for long term lease

1. Trading profits are pre-tax.

TRANSACTIONS, DEVELOPMENT AND TRADING – FY17 focus & opportunities

FY17 OPPORTUNITIES

Capitalise on strong investment demand to enhance returns and continue to improve portfolio quality

FY17 FOCUS

Advance pre-commitments to activate identified projects

Progress committed development projects

Progress pipeline of trading and development prospects

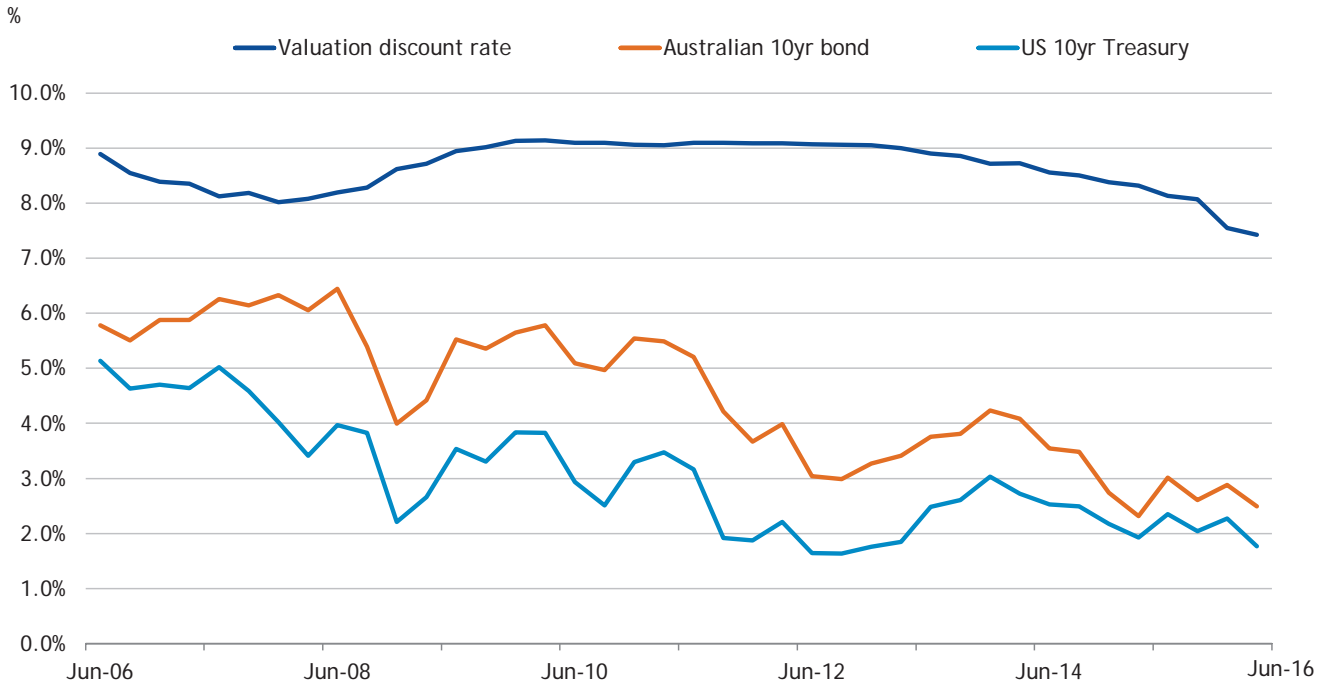


MARKET OUTLOOK



MARKET OUTLOOK – Office pricing is maintaining a wide spread to bond yields

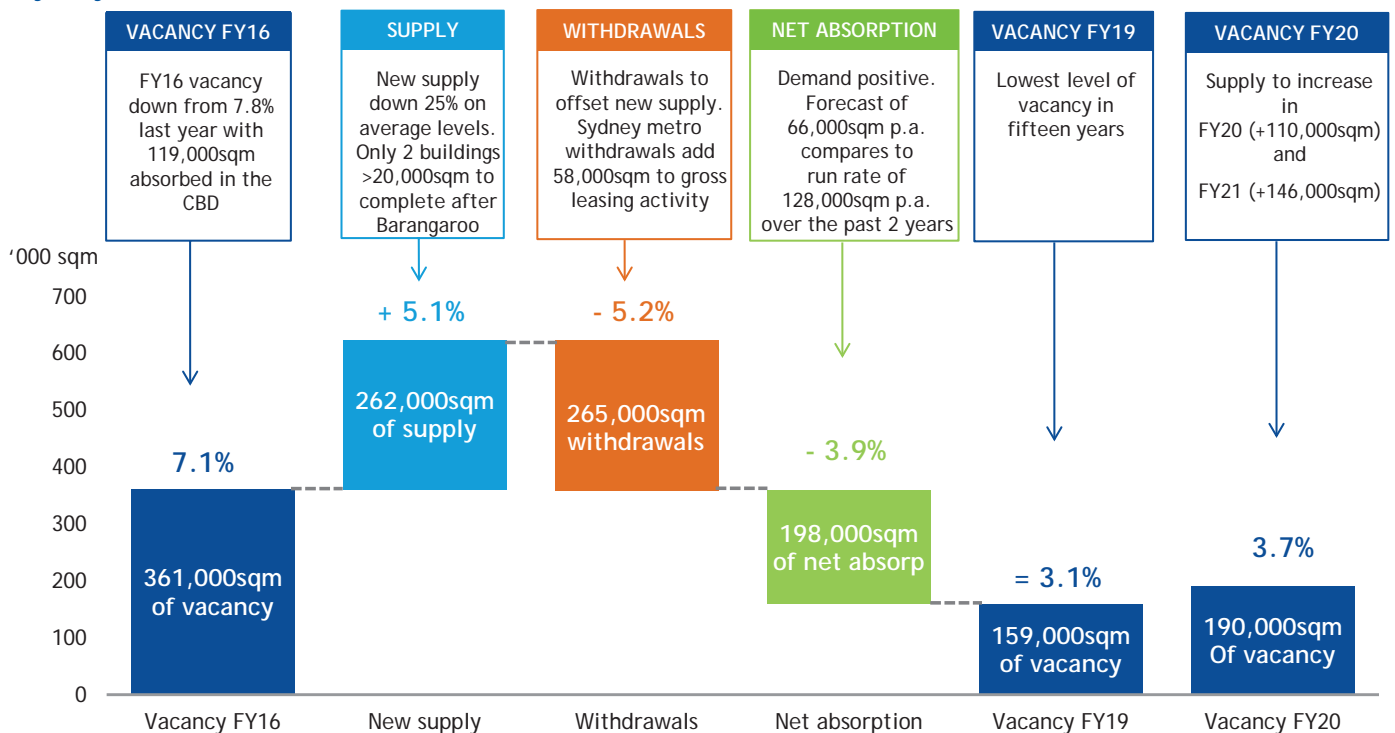
Average valuation discount rates for Sydney CBD A-grade office properties



Source: IPD/MSCI, DEXUS Research estimate for June 2016.

MARKET OUTLOOK – Why the Sydney market will tighten significantly by FY19

Sydney CBD waterfall chart - FY16 to FY19



Source: DEXUS Research, long term average based on 20 year average as a percentage of total stock.



FUNDS MANAGEMENT – Performing for third party clients

Total third party FUM
increased 17% from \$9.6bn to **\$11.2bn**

DEXUS Wholesale
Property Fund (DWPF)
outperformed
benchmark over all
periods

DWPF outperformance¹

1 year	+200bps
3 years	+80bps
5 years	+70bps
7 years	+110bps

DEXUS Office Partnership
achieved **17.7%** one-year unlevered
property return

\$658m of equity
raised by DWPF, from existing Unitholders and
10 new investors attracted to DWPF



1. DWPF outperformance per annum against its benchmark which is the Mercer IPD Australian Pooled Property Fund Index.

FUNDS MANAGEMENT – Adding value for third party clients

Completed **9** developments
and replenished
\$3.0 billion¹
third party development pipeline
(\$2.5 billion remaining spend¹)

Leveraged industrial development capabilities
to achieve
36,645sqm
of pre-commitments at
Quarrywest, Greystanes

Leveraged retail leasing and development capabilities at new City Retail offerings



Gateway Retail opening from September 2016



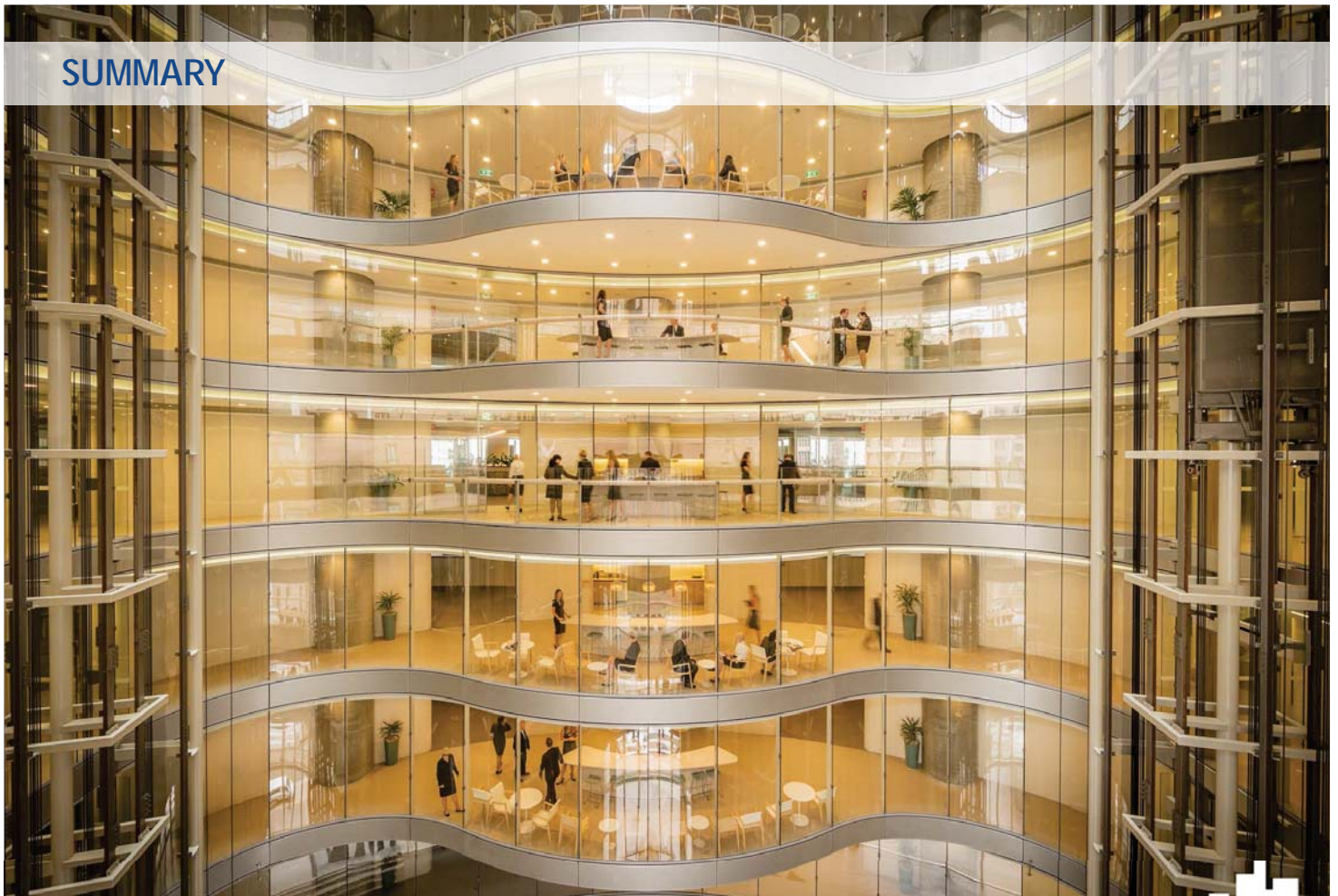
Grosvenor Place restaurant precinct, opening late 2016



Galleria, Melbourne ambiance upgrade largely completed in June 2016

1. Third party funds' or partners' share of development spend and including DEXUS Wholesale Property Fund's share of Westfield developments.

SUMMARY



SUMMARY – FY17 outlook for key drivers of business

	PROPERTY PORTFOLIO	FUNDS MANAGEMENT & PROPERTY SERVICES	TRADING
FY17 OUTLOOK	<ul style="list-style-type: none"> Portfolio income underpinned by high occupancy and fixed rental increases Focus on maintaining >96% office occupancy Like-for-like income¹ recovering: Target 2-3% growth for office Target 3-4% growth for industrial 	<ul style="list-style-type: none"> Solid annuity-style income stream Organic growth supported by \$3.0bn development pipeline Target circa \$45-50m contribution to FFO 	<ul style="list-style-type: none"> Capital deployed to trading is modest and relatively low risk De-risked FY17 trading profits through securing \$37m (pre-tax) across two priority projects Target FY17 trading profits of circa \$45-50m (net of tax)
	UNDERLYING BUSINESS		TRADING

1. Like-for-like income growth on an effective basis.

SUMMARY

- Grown FFO and distributions while de-risking the business:
 - Enhancing office portfolio metrics and quality
 - De-levering the balance sheet with recent divestments
- Positioned for future growth
- Taking into account recent divestments, market guidance¹ for the 12 months ending 30 June 2017
 - Underlying FFO per security growth of 3.0-3.5%
 - FFO per security in line with FY16
 - Distribution per security growth of 2.5-3.5%



1. Barring unforeseen circumstances guidance is supported by the following assumptions: Impact of dilution from the divestment of: 36 George Street, Burwood; 57-65 Templar Road, Erskine Park; The Zenith, Chatswood; 108 North Terrace, Adelaide; the first 50% tranche of Southgate Complex, Melbourne and 79-99 St Hilliers Road, Auburn; 2-3% like-for-like income growth across the DEXUS Office portfolio and 3-4% like-for like income growth across the DEXUS Industrial portfolio, weighted average cost of debt of circa 4.6%, trading profits of circa \$45-50m net of tax, Management Operations FFO of circa \$45-50m (including third party development management fees), and excluding any further transactions.



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OVERVIEW – Total Group portfolio composition

DEXUS PORTFOLIO	FUNDS MANAGEMENT PORTFOLIO	TOTAL GROUP PORTFOLIO
\$11.0bn	\$11.2bn	\$22.2bn
DEXUS owned and managed portfolio of Australian office and industrial properties	Management of a diverse portfolio of office, industrial and retail properties on behalf of third party partners and funds	
OFFICE: \$9.2bn	OFFICE: \$5.7bn	OFFICE: \$14.9bn
INDUSTRIAL: \$1.8bn	INDUSTRIAL: \$1.3bn	INDUSTRIAL: \$3.1bn
	RETAIL: \$4.2bn	RETAIL: \$4.2bn
DEVELOPMENT PIPELINE (future growth)		
DEVELOPMENT: \$1.7bn	DEVELOPMENT: \$3.0bn	DEVELOPMENT: \$4.7bn

OVERVIEW – Creating value and delivering on strategy over the past 4 years

LEADERSHIP IN OFFICE	
Divested \$1.7 billion from offshore markets, and reinvested in office	Delivered enhanced returns to Security holders through acquisitions:
95.7% average office occupancy, well above 89.8% national average	Unlevered IRR
15.6% average office incentives, well below market	DPIF ¹ Sydney portfolio 9.3%
Scale in CBD office has enabled implementation of best practice systems and roll out of DEXUS Place in Sydney, Melbourne and Brisbane	CPA transaction ² 21.1%
	480 Queen Street, Brisbane 20.9%
	5 Martin Place, Sydney 35.8%
	Kings Square, Perth 13.6%
FUNDS MANAGEMENT PARTNER OF CHOICE	
Raised \$4.9 billion in third party capital	
Attracted 19 new capital partners/wholesale investors	
Increased Management Operations profit by 143% since FY12	
Involved in \$5.3 billion of transactions ³ for third party clients, driving performance and returns	

1. Three Sydney office properties acquired from the Direct Property Investment Fund (DPIF) in December 2012.

2. DEXUS's annualised levered IRR which includes the DEXUS Office Partnership portfolio return and the initial 14.9% interest in CPA.

3. From FY12 to FY16.

FINANCIAL RESULTS – Reconciliation to statutory net profit

- The table below shows the breakdown of DEXUS's FFO and AFFO which is in accordance with the PCA definition outlined in the PCA white paper "Voluntary best practice guidelines for disclosing FFO and AFFO"

Reference	Item	30 Jun 2016 \$m	30 Jun 2015 \$m
Statutory AIFRS net profit after tax		1,259.8	618.7
A Investment property and inventory			
A2	(Gains)/losses from sales of investment property	(15.0)	3.1
A3	Fair value gain on investment property	(814.4)	(241.0)
C Financial instruments			
C2	Fair value (gain)/loss on the mark-to-market of derivatives	(70.5)	31.1
D Incentives and rent straight-lining			
D1	Amortisation of fit out incentives	44.7	42.2
D2	Amortisation of lease fees	8.5	6.5
D4	Amortisation of rent-free periods	51.0	40.4
D5	Rent straight-lining	(11.3)	(9.2)
E Tax			
E1	Non-FFO deferred tax benefits	13.1	19.2
F Other unrealised or one-off Items			
F1	Recycling of foreign currency translation reserve (FCTR)	-	2.1
F2	Other unrealised or one-off items ¹	144.9	31.4
FFO		610.8	544.5
G Maintenance and leasing capex			
G1	Maintenance capital expenditure	76.2	52.9
G2	Cash incentives and leasing costs paid	61.9	65.4
G3	Rent free incentives	58.8	56.4
AFFO		413.9	369.8
Distribution		421.1	385.6
AFFO Payout ratio (Distribution/AFFO)		101.7%	100.5% ²

1. Includes \$110.8m of unrealised fair value losses on interest bearing liabilities, \$23.7m coupon income and rental guarantees received, \$3.3m amortisation of intangible assets and \$7.1m transaction costs.

2. The FY15 AFFO payout ratio has been adjusted to exclude the \$13.9m of distributions paid on new securities issued through the institutional placement and SPP announced in April 2015 which were fully entitled to the distribution for the six months ending 30 June 2015. The AFFO payout ratio was 104.3% including this amount.

FINANCIAL RESULTS – Management operations profit

MANAGEMENT OPERATIONS PROFIT

FY16 (\$m)	Property Management	Funds Management	Development Management	Management Operations
Revenue	57.6	46.1	6.7	110.4
Operating expenses	(43.3)	(16.8)	(5.5)	(65.6)
FY16 net profit	14.3	29.3	1.2	44.8
FY16 margin	25%	64%	18%	41%
FY15 margin	27%	61%	3%	

FINANCIAL RESULTS – Cash flow reconciliation

	30 Jun 2016 \$m	30 Jun 2015 \$m
Cash flow from operating activities	663.7	661.4
add back: payment for inventory acquisition and capex	33.8	53.3
less: cost of sale of inventory	(114.3)	(172.2)
add: proceeds from sale of Rosebery received in advance	1.7	(1.7)
add: receivable from sale of Mascot	5.0	-
add: tax on sale of 88 Shortland Street	4.5	-
less: tax on trading profits not yet paid	(27.1)	(5.3)
add back: capitalised interest	9.3	6.0
adjustments for equity accounted distributions	(23.2)	(55.9)
other working capital movements	4.1	8.9
Adjusted cash flow from operating activities	557.5	494.5
Rent free income	58.8	56.4
Depreciation and amortisation (incl. deferred borrowing costs)	(5.6)	(6.4)
FFO	610.8	544.5
Less: maintenance capex and incentives	(196.9)	(174.7)
AFFO	413.8	369.8
less: gross distribution	(421.1)	(385.6)
Add back distribution paid on new DEXUS Securities	-	13.9
Cash surplus	(7.3)	(1.9)

FINANCIAL RESULTS – Interest reconciliation

	30 Jun 2016 \$m	30 Jun 2015 \$m
Total statutory finance costs	171.3	192.4
Less: unrealised interest rate swap MTM loss ¹	(35.8)	(48.5)
Add: finance costs attributable to investments accounted for using the equity method	7.6	7.9
Net finance costs for FFO²	143.1	151.8
Add: interest capitalised	9.5	7.2
Gross finance costs for cost of debt purpose	152.6	159.0

1. Net fair value loss of interest rate swap of \$47.3m (per note 2 of the Financial Statements) includes realised interest rate swap expense of \$11.5m and unrealised interest rate swap MTM loss of \$35.8m.
2. Excludes interest income of \$1.1m.

FINANCIAL RESULTS – Change in net tangible assets and revaluations

	\$m	\$ps	Investment portfolio	Valuation change \$m	Cap rate %	% of portfolio
Opening net tangible assets (30 Jun 15)	6,485	6.68	DEXUS office portfolio	769.1	6.16	84%
Revaluation of real estate	814	0.84	DEXUS Industrial portfolio	45.3	7.38	16%
Retained earnings ¹	190	0.20	Total DEXUS portfolio	814.4	6.33	
Amortisation of tenant incentives ²	(93)	(0.10)				
Buyback of equity	(20)	-				
Fair value movements ³	(87)	(0.09)				
NTA changes in comprehensive income	804	0.85				
Closing net tangible assets (30 Jun 16)	7,289	7.53				

1. Represents FY16 FFO less distributions.

2. Includes rent straight-lining.

3. Primarily includes fair value movements of derivatives and interest bearing liabilities, deferred tax, gain from sale of investment properties, movement in reserves and other.

FINANCIAL RESULTS – Direct property portfolio movements

	Office ¹ \$m	Industrial ¹ \$m	DEXUS total ¹ \$m	Trading assets ² (inventory)
Opening direct property	7,822	1,711	9,533	275
Lease incentives ³	106	15	121	-
Maintenance capex	60	16	76	-
Acquisitions	371	1	372	-
Transfer to inventories ⁴	-	-	-	80
Developments ⁵	227	89	316	36
Disposals ⁶	(33)	(119)	(152)	(114)
Revaluations	769	45	814	-
Amortisation	(93)	(11)	(104)	(1)
Rent straightlining	9	2	11	-
Closing balance at the end of the period	9,238	1,749	10,987	276

1. Includes DEXUS's share of equity accounted investments.

2. Trading assets are included in Office, Industrial and DEXUS total amounts.

3. Includes rent free incentives.

4. Transfers to inventories are eliminated within the Office, Industrial and DEXUS total amounts.

5. Includes capitalised interest.

6. At book value.

CAPITAL MANAGEMENT – FY16 overview

Key metrics	30 June 2016	30 June 2015
Total debt ¹	3,687m	\$2,774m
Cost of debt ²	4.8%	5.2%
Gearing (look-through) ³	30.7%	28.5%
Headroom (approximately) ⁴	\$0.4bn	\$0.8bn
Debt duration	5.5 years	5.7 years
S&P/Moody's rating	A-/A3	A-/A3
Covenant gearing (covenant ⁵ <55%)	30.3%	27.2%
Interest cover (covenant ^{5,6} >2.0x)	4.4x	4.8x
Priority debt (covenant ⁵ <30%)	0%	0%

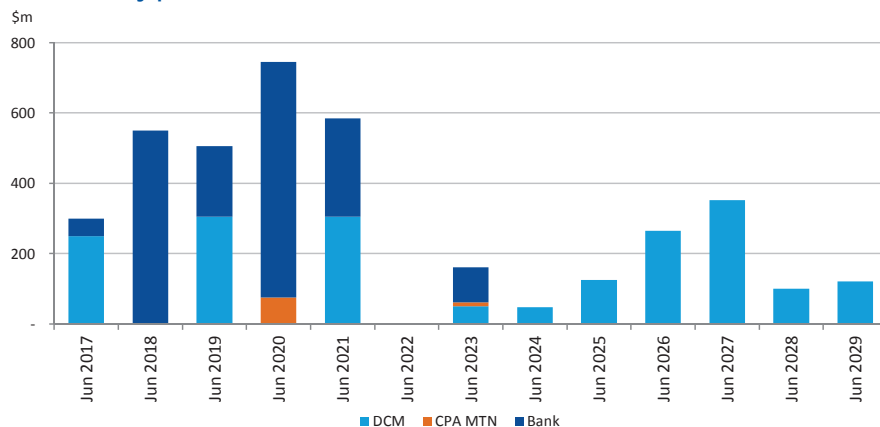


1. Total debt does not include \$86m of debt in an equity accounted investment.
2. Weighted average for the year.
3. Adjusted for cash and for debt in equity accounted investments.
4. Undrawn facilities plus cash.
5. As per public bond covenants.
6. Look-through interest cover is 4.2x.

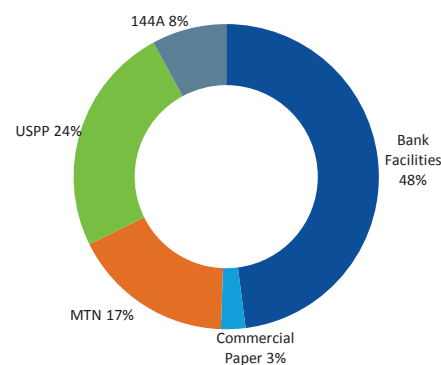
CAPITAL MANAGEMENT – Debt position at 30 June 2016

- Increased diversity and duration of debt profile issuing via reverse enquiry
 - \$160 million of Medium Term Notes at an average duration of 9 years
 - A\$100 million of US Private Placement (USPP) notes at an average duration of 12 years
- Gearing¹ of 30.7%² at low end of target 30%-40% range
- DEXUS bought back 2.9m securities at pricing ranging from \$7.055-\$7.200

Debt maturity profile



Diversified mix of facilities



1. Adjusted for cash and for debt in equity accounted investments.
2. Gearing is expected to reduce to circa 27% post the receipt of proceeds from recent divestments. This includes the sale of 57-65 Templar Road, Erskine Park (trading property); The Zenith, Chatswood; 108 North Terrace, Adelaide; the first 50% tranche of Southgate Complex, Melbourne; and 79-99 St Hilliers Road, Auburn (trading property).

CAPITAL MANAGEMENT – Interest rate hedging profile at 30 June 2016

Hedging profile	30 June 2016	30 June 2015
Average amount of debt hedged ¹	71%	76%
Average amount of debt hedged excluding caps	64%	69%
Weighted average interest rate on hedged debt ²	3.4%	3.7%
Weighted average fixed & floating rate ³	4.8%	5.2%
Weighted average maturity of interest hedges	4.0 years	3.8 years

Hedge maturity profile

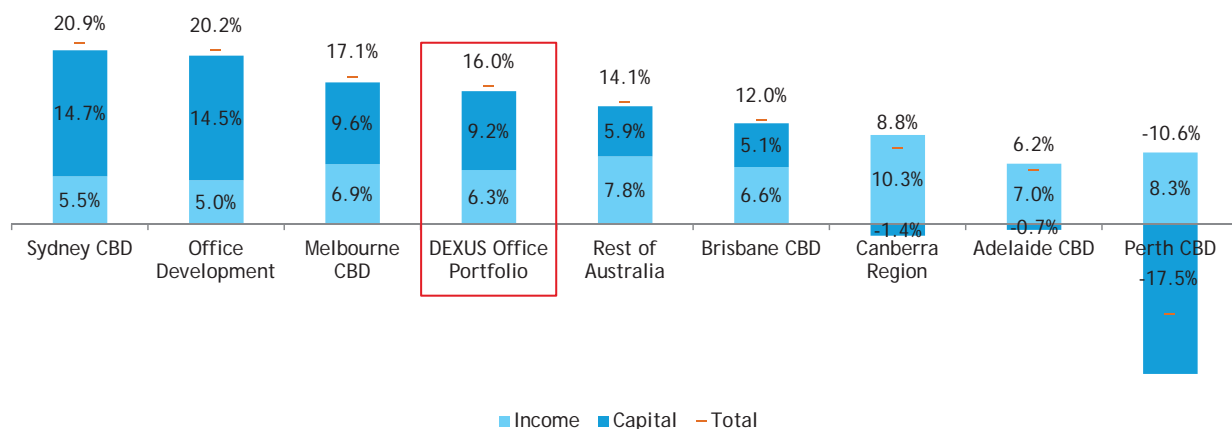


1. Average amount hedged for the period (including caps).
2. Including fixed rate debt (without credit margin).
3. Including fees and margins.

PORTFOLIO RESULTS – Developments and Sydney portfolio drive returns

- Strong contribution from key markets of Sydney and Melbourne (73% of the office portfolio)
- Cap rate compression of 55bps across the portfolio equates to 9.1% of capital growth
- Three development projects that were completed during the period added 30bps to the portfolio return

Office portfolio total return composition¹



1. Returns exclude acquisition costs.

PORTFOLIO RESULTS – Office portfolio leasing¹ achievements at key properties

Sydney properties 100% occupied

- 1 Margaret Street, Sydney
- 30 The Bond, Sydney
- 44 Market Street, Sydney
- 383-395 Kent Street, Sydney
- 175 Pitt Street, Sydney
- 150 George Street, Parramatta
- 101 George Street, Parramatta
- 14 Lee Street, Sydney

385 Bourke Street, Melbourne



25 leases over 15,491sqm,
increasing occupancy² to 95%

Southgate Complex



12 leases over 20,533sqm,
increasing occupancy² to 88%

1 Farrer Place, Sydney



40 leases over 22,673sqm,
increasing occupancy² to 92%

Grosvenor Place, Sydney

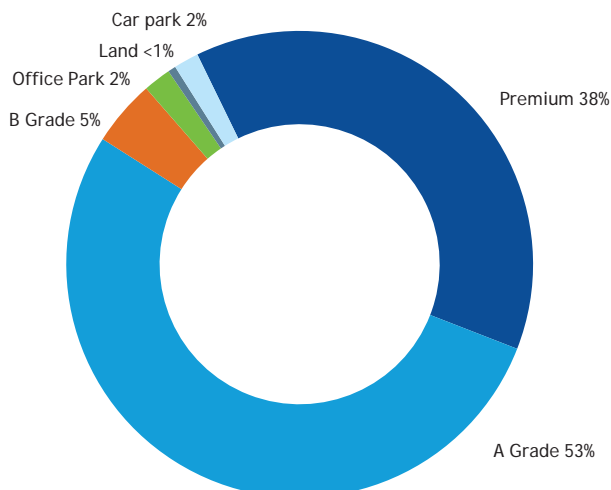


28 leases over 17,494sqm,
increasing occupancy² to 94%

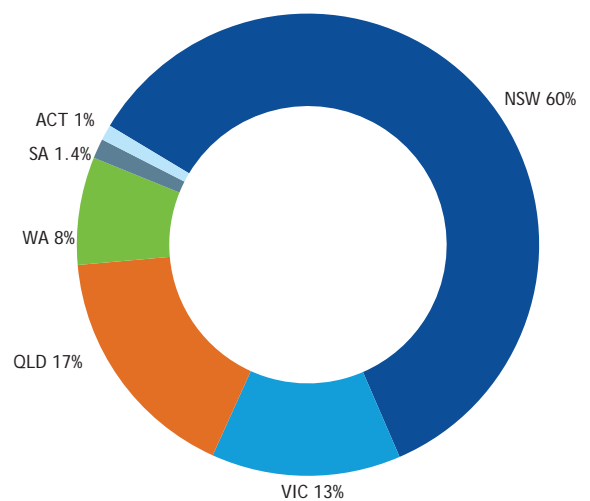
1. Including Heads of Agreement.
2. Occupancy by area.

PORTFOLIO RESULTS – Office portfolio diversification

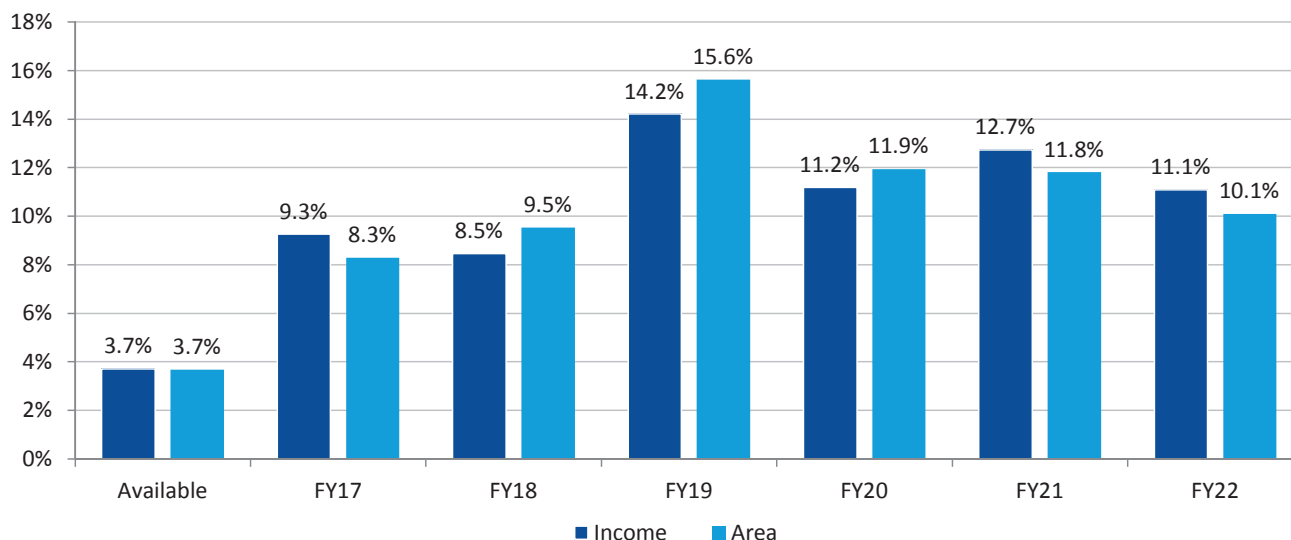
DEXUS office by asset type



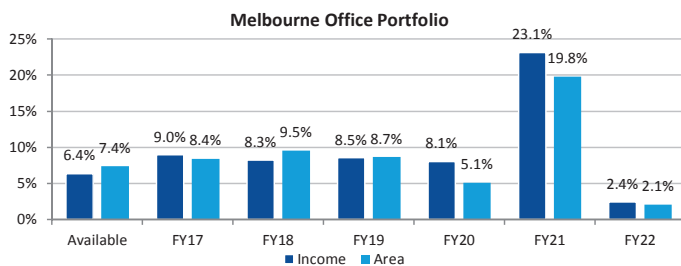
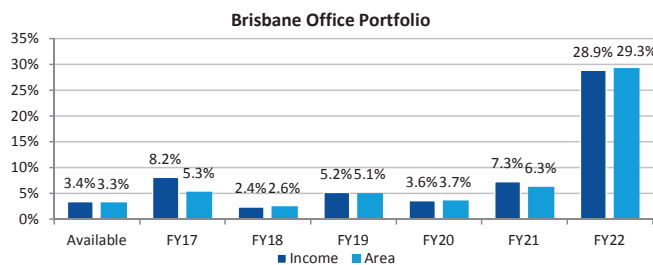
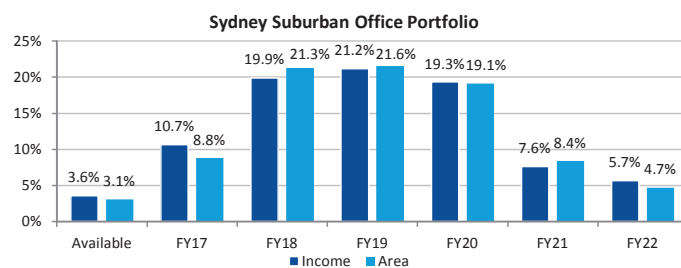
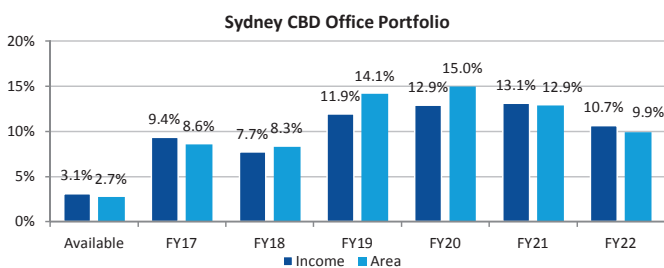
DEXUS office by location



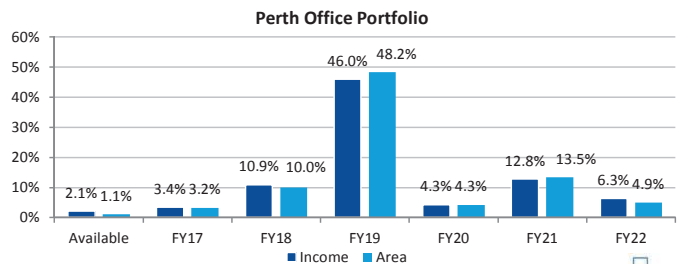
PORTFOLIO RESULTS – Office portfolio lease expiry profile at 30 June 2016



PORTFOLIO RESULTS – Office portfolio lease expiry profiles at 30 June 2016



DEXUS Office ¹	Value (\$m)	Cap rate (%)	Yield ² (%)
Sydney CBD	4,647	5.7%	5.5%
Sydney Suburban	773	7.1%	7.3%
Melbourne CBD	1,199	6.1%	6.2%
Brisbane CBD	1,524	6.3%	6.4%
Perth CBD	682	7.0%	7.5%



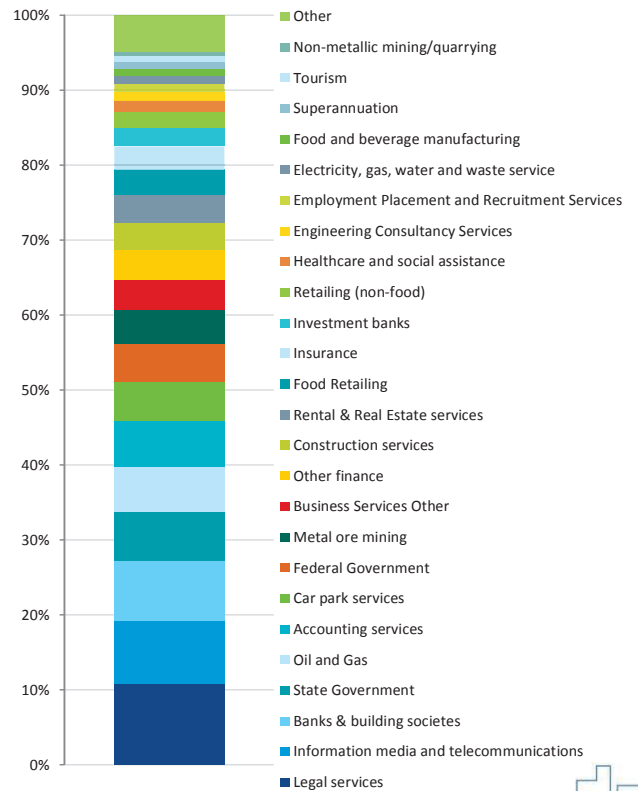
1. Includes stabilised properties only. Excludes Adelaide and Canberra office properties.

2. Passing FFO yield based on annualised Property Funds From Operations for the month of July 2016.

PORTFOLIO RESULTS – Office portfolio top 10 customers

Office customer	S&P rating	% of income ¹
Commonwealth of Australia	AAA negative	4.0%
Wilson Parking	Not rated	3.6%
Woodside Energy	BBB+ negative	3.2%
Rio Tinto	A- negative	2.7%
Commonwealth Bank of Australia	AA- negative	2.6%
State of NSW	AAA negative	1.8%
Deloitte	Not rated	1.6%
State of Victoria	AAA negative	1.4%
Lend Lease	BBB- stable	1.4%
The Herald and Weekly Times	BBB+ stable	1.0%

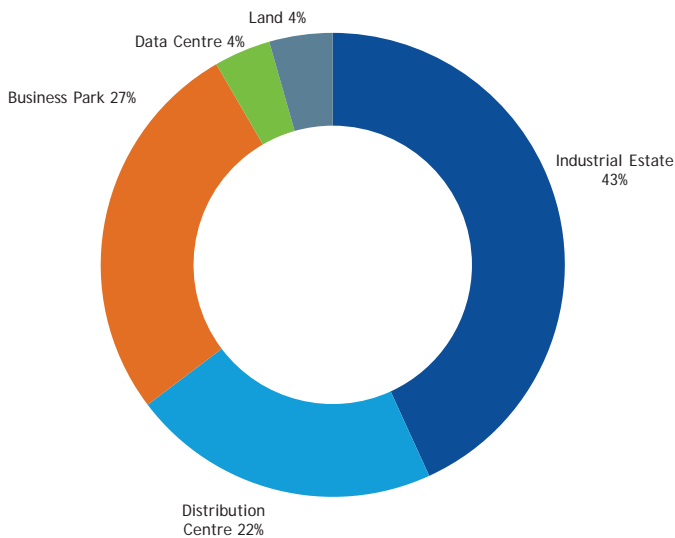
Diversity of office customers by income



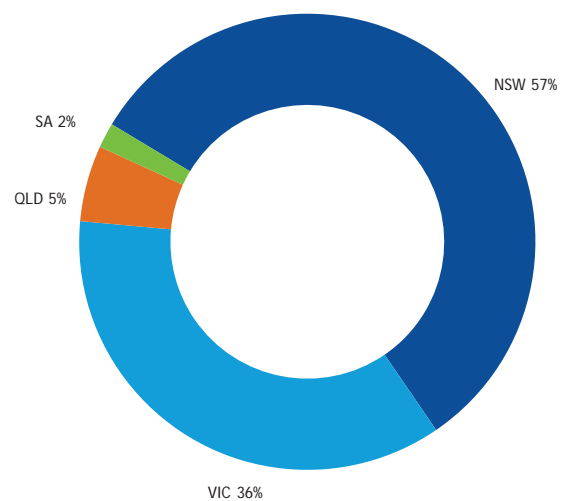
1. 30 June 2016 fully leased total DEXUS portfolio passing income.

PORTFOLIO RESULTS – Industrial portfolio diversification

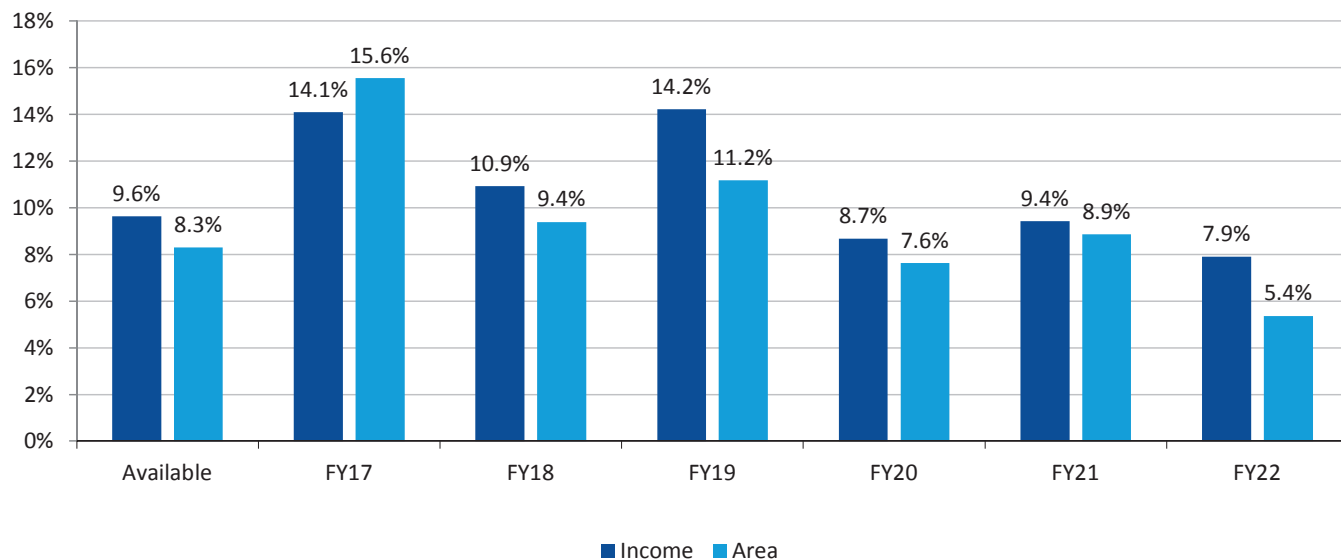
DEXUS industrial by asset type



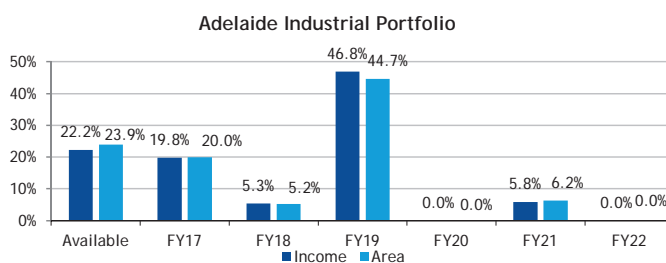
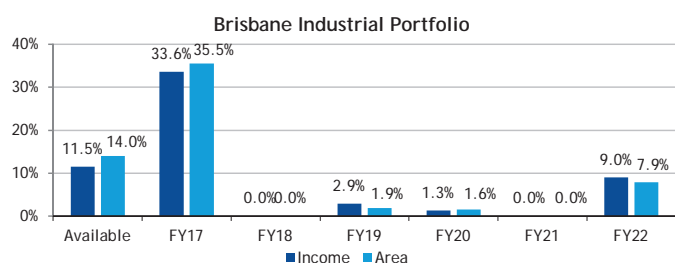
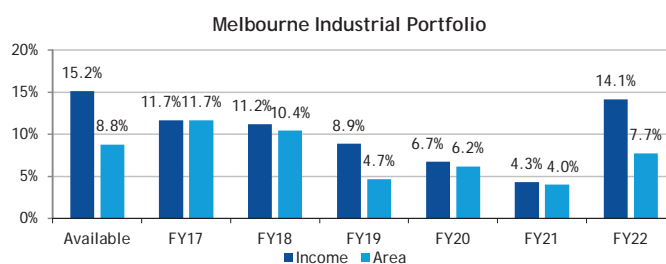
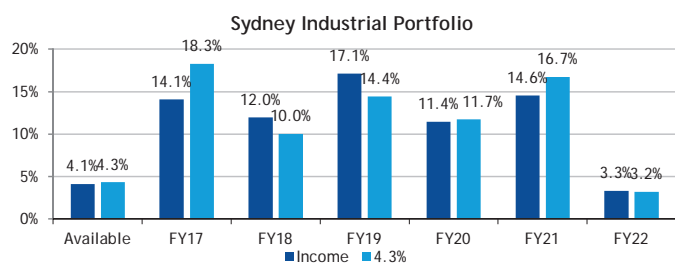
DEXUS industrial by location



PORTFOLIO RESULTS – Industrial portfolio lease expiry profile at 30 June 2016



PORTFOLIO RESULTS – Industrial portfolio lease expiry profiles at 30 June 2016



DEXUS Industrial ¹	Value (\$m)	Cap rate (%)	Yield ² (%)
Sydney	805	7.2%	6.9%
Melbourne	548	7.3%	6.9%
Brisbane	53	7.3%	7.2%
Adelaide	27	11.0%	10.9%

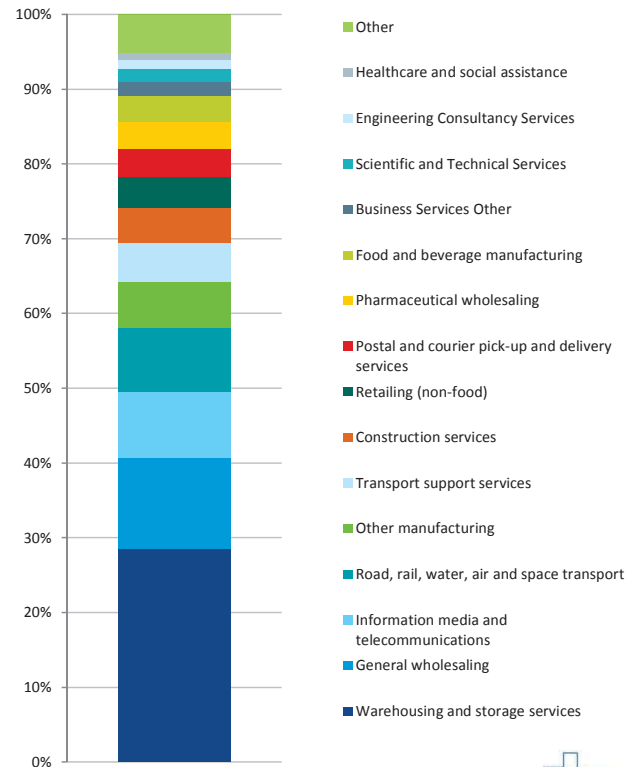
1. Includes stabilised properties only.

2. Passing FFO yield based on annualised Property Funds From Operations for the month of July 2016.

PORTFOLIO RESULTS – Industrial portfolio top 10 customers

Industrial customer	% of income ¹
Wesfarmers Limited	1.1%
AWH Pty Ltd	0.5%
Reece	0.5%
IBM Australia	0.5%
Visy Industry Packaging Pty Ltd	0.4%
Fedex	0.4%
Blackwoods	0.4%
Fonterra Co-Operative Group	0.3%
Toll Transport Pty Ltd	0.3%
Device Technologies	0.3%

Diversity of industrial customers by income



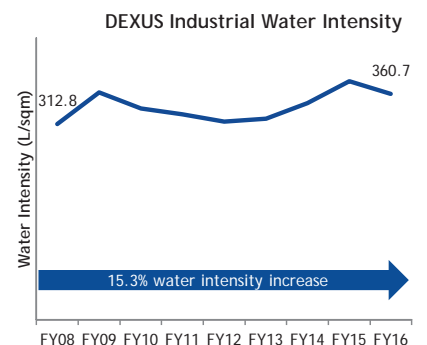
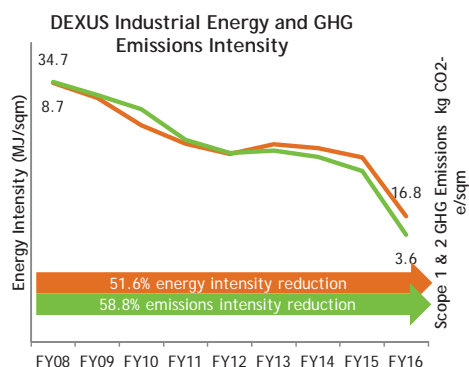
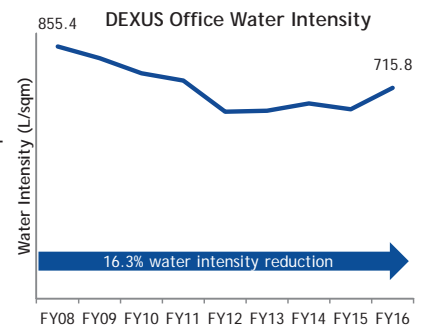
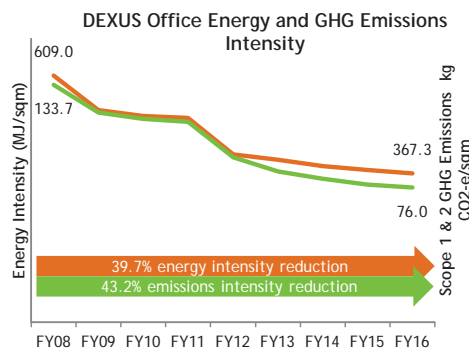
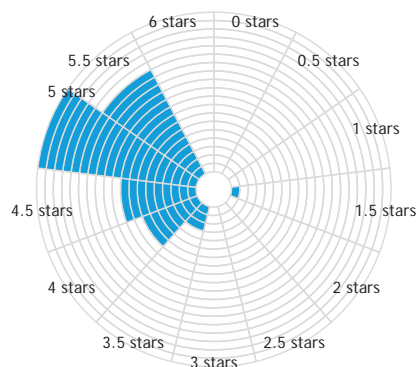
1. 30 June 2016 fully leased total DEXUS portfolio passing income.



PORTFOLIO RESULTS – Office and Industrial portfolio sustainability metrics

DEXUS office portfolio	NABERS Energy average rating	NABERS Water average rating
Jun 13	4.7	3.2
Jun 14	4.8	3.5
Jun 15	4.7	3.8
Jun 16	4.8	3.7

Office: NABERS Energy Ratings by Area



Note: Data in charts is unaudited.

1. NABERS ratings on a like-for-like basis.

2. NABERS ratings on an absolute basis.

3. Water consumption is primarily under the control of tenants, with the increase in 2014 and 2015 due to tenant demand for water at Kings Park Industrial Estate.



PORTFOLIO RESULTS – DEXUS completed developments and pipeline

Pipeline	Building area sqm ¹	Project cost A\$m ²	Yield on cost %	Space leased %	Final Completion
Office/City Retail					
480 Queen St, Brisbane, QLD	56,754	298	7.0%	100%	Mar 2016
Kings Square, Wellington St, Perth, WA ³	53,647	217	8.1%	100%	Nov 2015
5 Martin Pl, Sydney, NSW	33,638	111	7.0%	98%	Sep 2015
385 Bourke St (Galleria), Melbourne, VIC ⁴	918	4	8.1%	54%	Jun 2016
Total office/city retail	144,957	630			
Industrial					
1 Litton Cl, Quarry Industrial Estate, Greystanes, NSW	20,755	33	7.6%	100%	Jun 2016
1 & 2 Turnbull Cl, Quarry Industrial Estate, Greystanes, NSW	7,900	8	7.0%	100%	Oct 2015
4 Bellevue Cct, Quarry Industrial Estate, Greystanes, NSW	1,831	8	7.9%	100%	Oct 2015
50 Foundation Rd, Laverton North, VIC	25,650	28	7.2%	100%	Mar 2016
Radius Industrial Estate, Larapinta, QLD ⁵	22,950	14	8.5%	100%	Feb 2016
Total industrial	79,086	91			
Total developments completed	224,043	721			

1. At 100%.
2. DEXUS interest in development cost.
3. 57% of office space committed with 100% of income secured under a 5 year guarantee.
4. City retail developments.
5. Radius Industrial Estate space leased increased to 100% post 30 June 2016 as a result of securing two separate heads of agreement.



DEXUS
PROPERTY GROUP

PORTFOLIO RESULTS – Range of development opportunities across portfolio

Circa. \$1.7 billion DEXUS development pipeline (excluding trading)

Completion over	2-5 years	Beyond 5 years
OFFICE	100 Mount Street, North Sydney	12 Creek Street, Brisbane
	180 Flinders Street, Melbourne	Waterfront Place Precinct, Brisbane (mixed use) Sydney CBD office opportunity
Total of 5 projects over 289,609sqm / cost of c. \$1.3bn¹		
INDUSTRIAL	Laverton North (Wrightson Seeds)	Laverton North (two stages)
	Quarrywest, Greystanes (three stages)	
	141 Anton Road, Hemmant	
	Axxess Corporate Park, Mount Waverley	
Total of 5 projects over 305,181sqm / cost of c. \$344m¹		
TRADING	105 Phillip Street, Parramatta ²	12 Frederick Street, St Leonards ²
	Lakes Business Park (South), Botany ²	32 Flinders Street, Melbourne ²
Total of 4 priority trading projects		
CITY RETAIL	321 Kent Street, Sydney	
	175 Pitt Street, Sydney	
	44 Market Street, Sydney	
Total of 3 projects over 11,337sqm / cost of c. \$71m¹		

Note: bold indicates properties identified in DEXUS development pipeline as at 31 December 2015.

1. Estimated total development cost (DXS share).
2. Priority trading projects not yet exchanged.



DEXUS
PROPERTY GROUP

PORTFOLIO RESULTS – DEXUS committed developments & portfolio capex

Pipeline	Building area sqm ¹	Project cost est. \$m ²	Est. cost to completion \$m	Yield on cost %	Leased %	Completion due
Office						
100 Mount Street, North Sydney, NSW	41,419	226	176	>7.3%	15%	Jan 2019
Total office	41,419	226	176			
Industrial						
2A Basalt Rd & 1 Charley Cl (Precinct E) Quarrywest, Greystanes, NSW	36,045	34	7	8.0%	74%	Sep 2016
13 Felstead Dr, Laverton North, VIC	10,194	12	8	7.2%	100%	Nov 2016
5 Dolerite Way (Precinct B), Quarrywest, Greystanes, NSW	10,100	9	5	7.5%	100%	Mar 2017
Quarrywest, Greystanes, NSW	80,480	58	34	8.1%	nil	Aug 2018
141 Anton Road, Hemmant, QLD	68,410	50	36	8.0%	nil	Jan 2019
Total industrial	205,229	163	90			
Total developments committed	246,648	389	266			

DEXUS total portfolio capital expenditure	FY16	FY17E
Maintenance capital expenditure	\$76.2m	\$50-55m
Cash incentives and leasing costs	\$61.9m	\$40-45m
Total capital expenditure	\$138.1m	\$90-100m

1. At 100%.
2. DEXUS interest in development cost (including land).

PORTFOLIO RESULTS – DEXUS uncommitted developments

Pipeline	Building area ¹ sqm	Project cost est. ² \$m	Est. cost to completion \$m	Est. yield on est. project cost %
Office/City Retail				
Waterfront Place Precinct, Brisbane, QLD	167,500	495	495	N/A
Sydney CBD office opportunity	51,195	382	382	7%
180 Flinders St, Melbourne, VIC	22,765	154	154	7%
12 Creek St, Brisbane, QLD	6,730	31	31	7%
321 Kent St Retail Podium, Sydney, NSW ³	4,655	21	21	7%
175 Pitt St, Sydney, NSW ³	3,915	28	28	7%
44 Market St, Sydney, NSW ³	2,767	22	22	8%
Total office/city retail	259,527	1,133	1,133	
Industrial				
DEXUS Industrial Estate (Stage 3 & 2B), Laverton North, VIC ⁴	83,952	107	43	6%
Axxess Corporate Park, Mount Waverley, VIC	16,000	75	75	9%
Total industrial	99,952	182	118	
Total uncommitted	359,479	1,315	1,251	

1. At 100%.
2. DEXUS interest in development cost.
3. City retail developments.
4. DEXUS Industrial Estate (stage 3 & 2B) Laverton North VIC excludes 50 Foundation Rd (completed during FY16) and 13 Felstead Dr (committed during FY16).

TRANSACTIONS – Group activity

DEXUS acquisitions ¹	Purchase price \$m	Interest	Cap rate	Settlement Date
193 Mary St, QLD	7.0	50%	7%	30 Oct 15
100 Mount St, NSW	20.5	50%	n/a	22 Apr 16
36 Hickson Rd, NSW	17.1	100%	6%	Sep 16
Total	44.6			

DEXUS divestments	Sale price \$m	Interest	Settlement date
36 George St, NSW	47.5	50%	13 Nov 15
57-65 Templar Rd, NSW	50.0	100%	1 Jul 16
The Zenith, NSW	139.5	50%	29 Jul 16
108 North Tce, SA	43.2	50%	Sep 16
79-99 St Hilliers Rd, NSW	65.0	100%	Jan 17
Southgate Complex, VIC ²	578.0	100%	Dec 16/Jul 17
Total	923.2		

Third party acquisitions	Purchase price \$m	Interest	Cap rate	Settlement date
193 Mary St, QLD	7.0	50%	7%	30 Oct 15
100 Mount St, NSW	20.5	50%	n/a	22 Apr 16
Total	27.5			

- Note that the acquisition of Waterfront Place was included in reported transaction metrics at DEXUS's FY15 result. The acquisition settled in October 2015.
- Southgate Complex, VIC settlement date is subject to purchases receiving FIRB approval and will occur in two transactions. The initial 50% tranche is expected to settle prior to the end of calendar year 2016 with the remaining 50% tranche expected to settle on or after 31 July 2017.

Third party divestments	Sale price \$m	Interest	Settlement date
2 Costello Pl, NSW	14.8	100%	25 Sep 15
Acacia Gate, QLD	21.6	100%	14 Dec 15
Cannon Park, QLD	31.5	100%	23 Dec 15
36 George Street, NSW	47.5	50%	13 Nov 15
108 North Tce, SA	43.2	50%	Sep 16
Total	158.6		



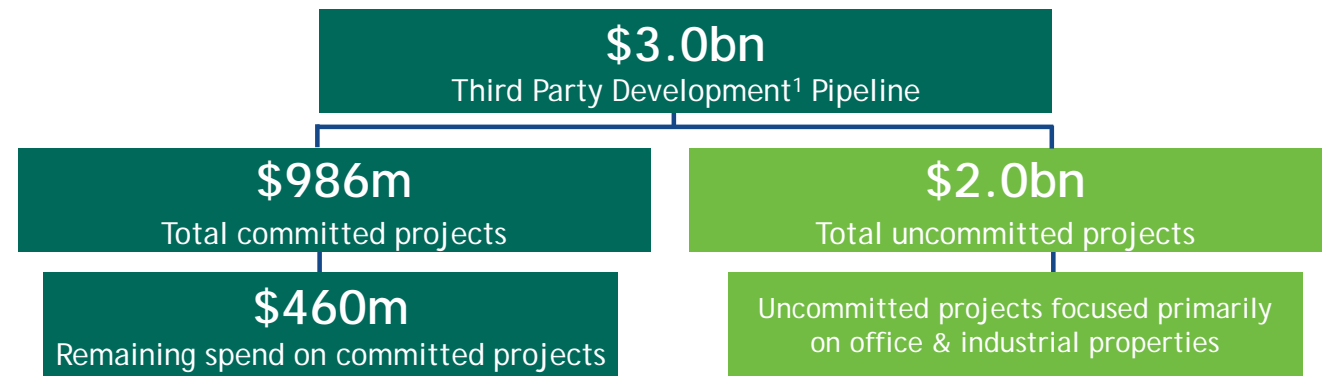
TRADING – Track record since 2012

TRADING PROFITS DELIVERED - developed or repositioned and sold eight properties

Settlement date	Property	Sector	Trading strategy	Sale price (\$m)	Trading profit ¹ (\$m)	Unlevered project IRR
15 Jun 12	Lenore Dr, Erskine Park	Industrial	Develop	38.1	4.5	22.3%
12 Mar 14	57-101 Balham Rd, Archerfield	Industrial	Reposition	24.5	0.8	9.4%
12 Mar 14	163-183 Viking Dr, Wacol	Industrial	Reposition	38	3.2	14.6%
1 Jul 14	30 Distribution Dr, Laverton North	Industrial	Develop	9.5	1.0	16.3%
1 Dec 14	50 Carrington St, Sydney	Office	Reposition	88	12.2	13.2%
22 May 15	40 Market St, Melbourne	Office	Reposition	105.3	17.4	26.0%
21 Jul 15	5-13 Rosebery & 22-55 Rothschild Ave, Rosebery ⁴	Industrial	Reposition	190	91.8	49.9% ²
31 Jul 15	154 O'Riordan St, Mascot	Industrial	Reposition	32	15.9	36.7% ²
Total				\$525.4m	\$146.8m	23.5%³

- Pre-tax.
- Levered IRR and includes the weighted cost of debt at 5.0% for the duration of the project.
- Calculated as an arithmetic average.
- Trading profits recognised over FY15 (\$17.1m) and FY16 (\$74.7m).

FUNDS MANAGEMENT – Development pipeline



Remaining spend on committed projects in Third Party Funds

Committed projects	FY16	FY17	FY18/19
Office - 3 properties		\$243m	
Retail - 4 properties		\$135m	
Industrial - 4 properties		\$82m	
Remaining spend on committed Third Party projects		\$460m	

1. Third party funds' or partners' share of development spend and including DEXUS third party funds' or partners' share of Westfield redevelopments.

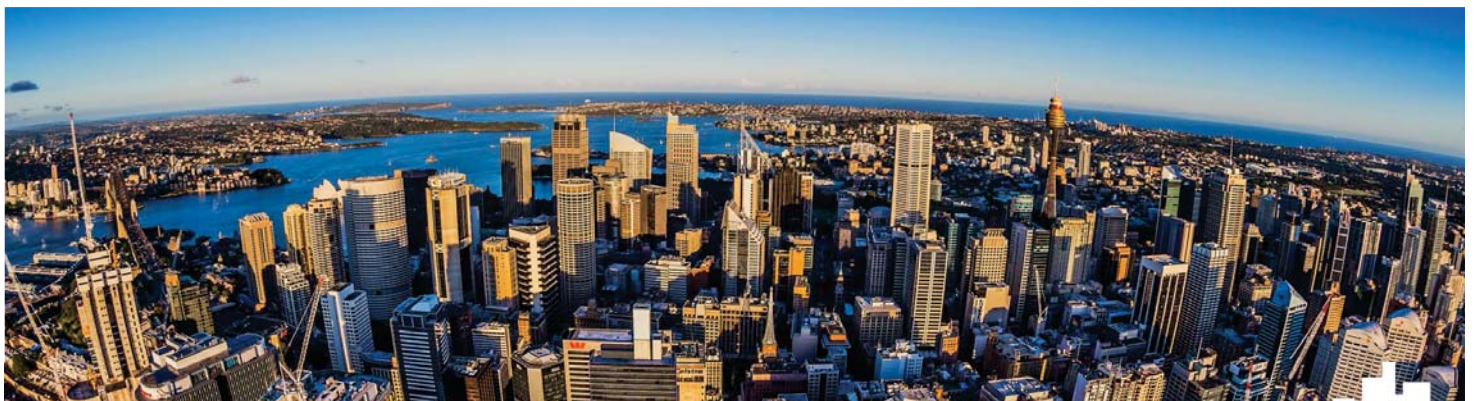
FUNDS MANAGEMENT – FY17 focus and opportunities

FY17 OPPORTUNITIES



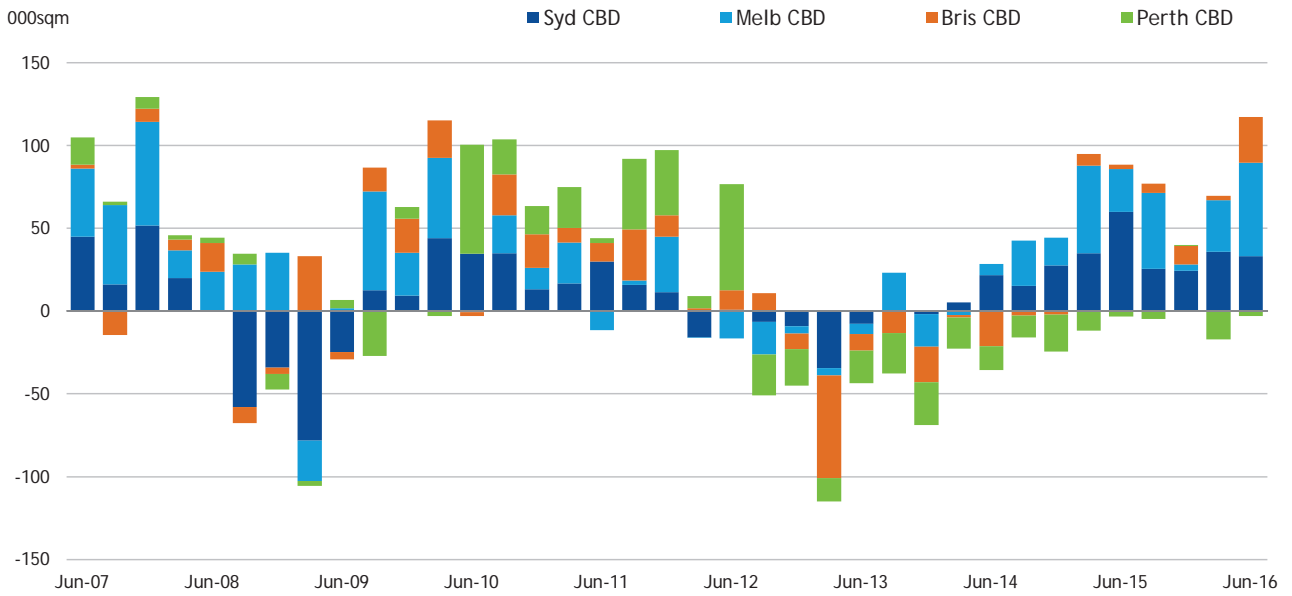
FY17 FOCUS

- Deliver on third party clients' investment objectives and drive investment performance
- Leverage transaction capabilities to enhance third party portfolio composition
- Seek new development and enhanced return opportunities to satisfy third party clients' investment strategies



MARKET OUTLOOK – East Coast office net absorption is strongly positive

Net absorption by office market (qtly)



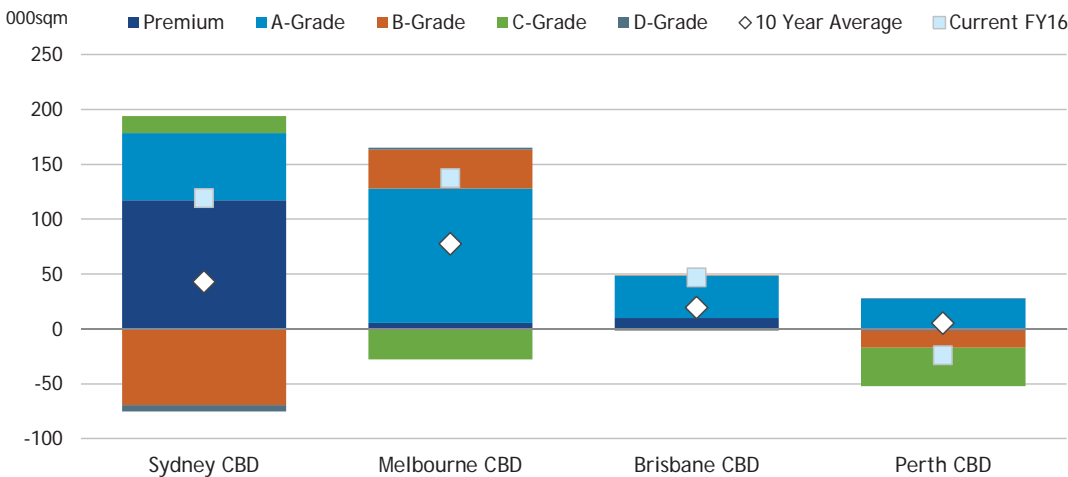
Source: JLL, DEXUS Research.



MARKET OUTLOOK – Prime space is benefiting from flight to quality

- There is a pronounced net movement of tenants into prime space and out of secondary space
- Withdrawals are reducing the availability of secondary stock
- Vacancy rates are forecast to decline over the next 2-3 years

Net absorption by grade FY16: Four major CBDs

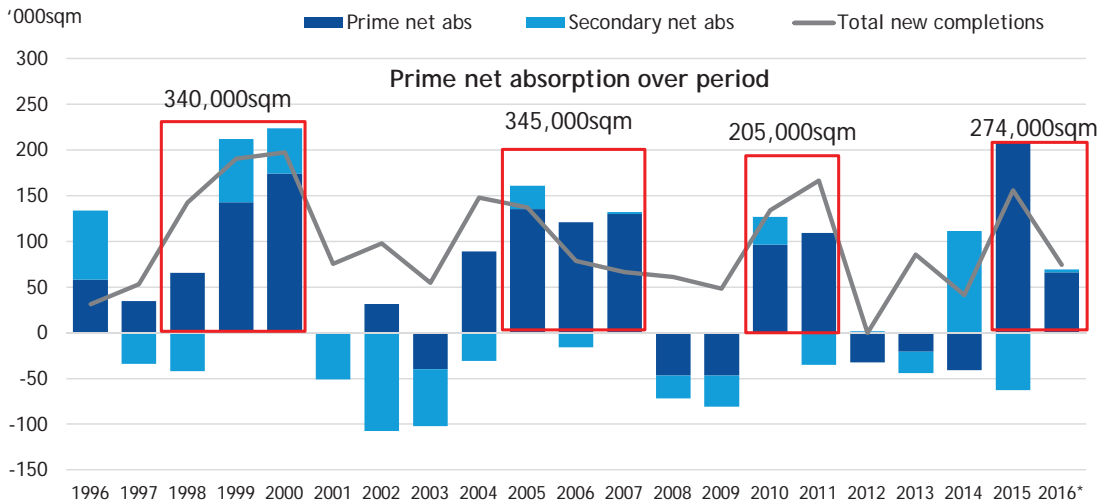


Source: JLL, DEXUS Research.



MARKET OUTLOOK – Flight to quality is a regular phenomenon

Sydney CBD net absorption by grade and total completions



Source: JLL Research, DEXUS Research.
* Calendar year to date.

MARKET OUTLOOK – Sydney CBD market has been stronger than predicted

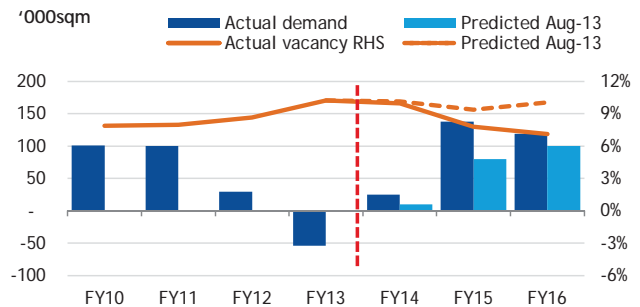
Sydney CBD market has outperformed even DEXUS's positive view for the period FY14-16

- ✓ Actual demand has been approx. 260,000 vs predicted 180,000sqm
- ✓ Vacancy rate is tracking lower than predicted
- ✓ Business services; finance and IT have led demand
- ✓ Employment growth has outweighed the effect of workplace changes
- ✓ Flight to quality is absorbing prime space

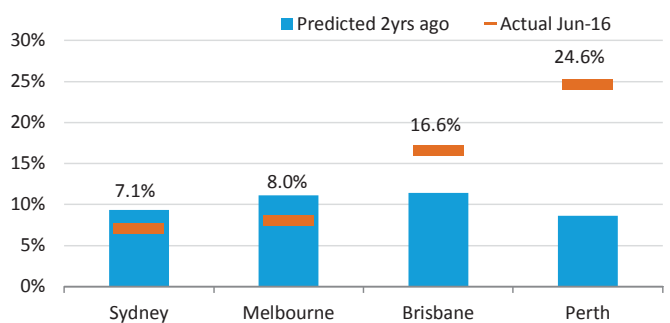
Similarly, Melbourne has outperformed with current vacancy lower than predicted

Brisbane and Perth have underperformed as weak economic activity impacts demand

Office demand for Sydney CBD - actual vs predicted



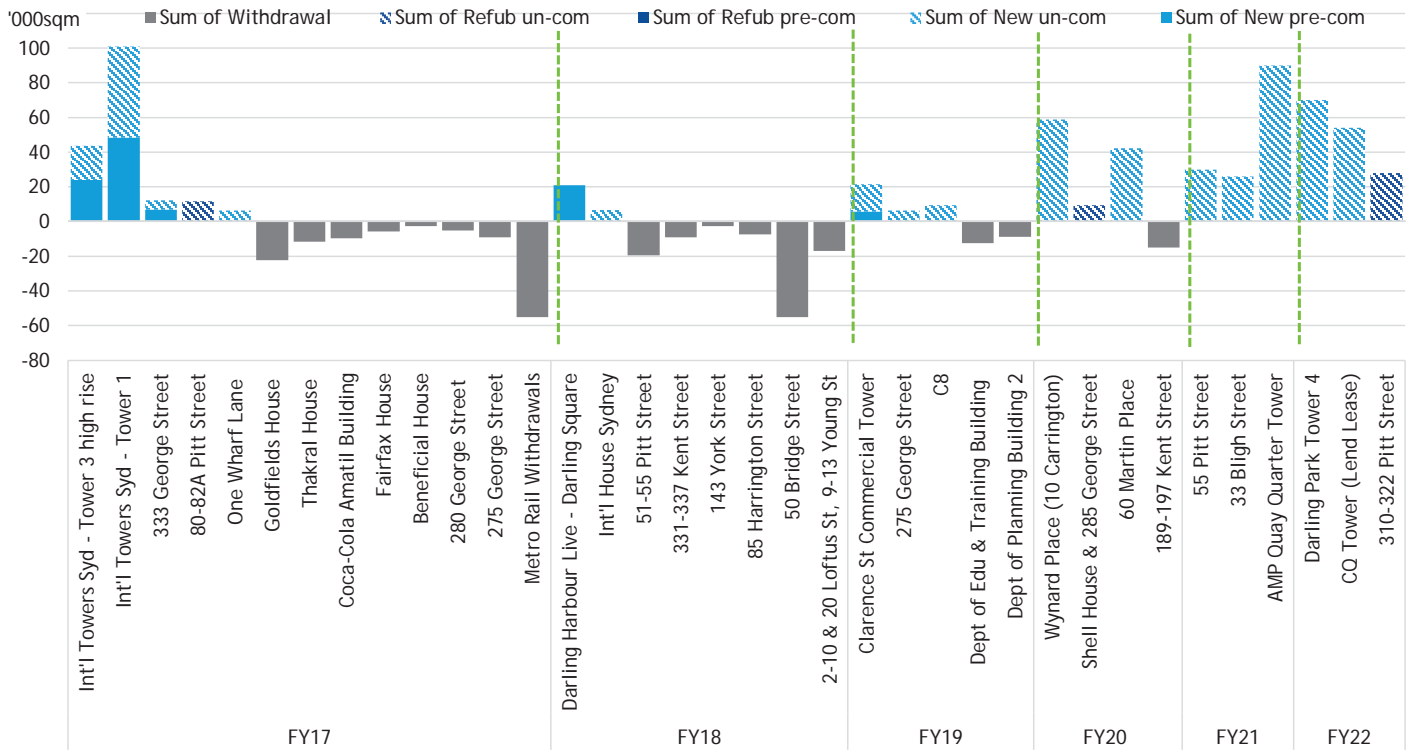
Vacancy rate by city - actual and predicted



Source: DEXUS Research, JLL Research.

MARKET OUTLOOK – Sydney’s limited new supply and substantial withdrawals

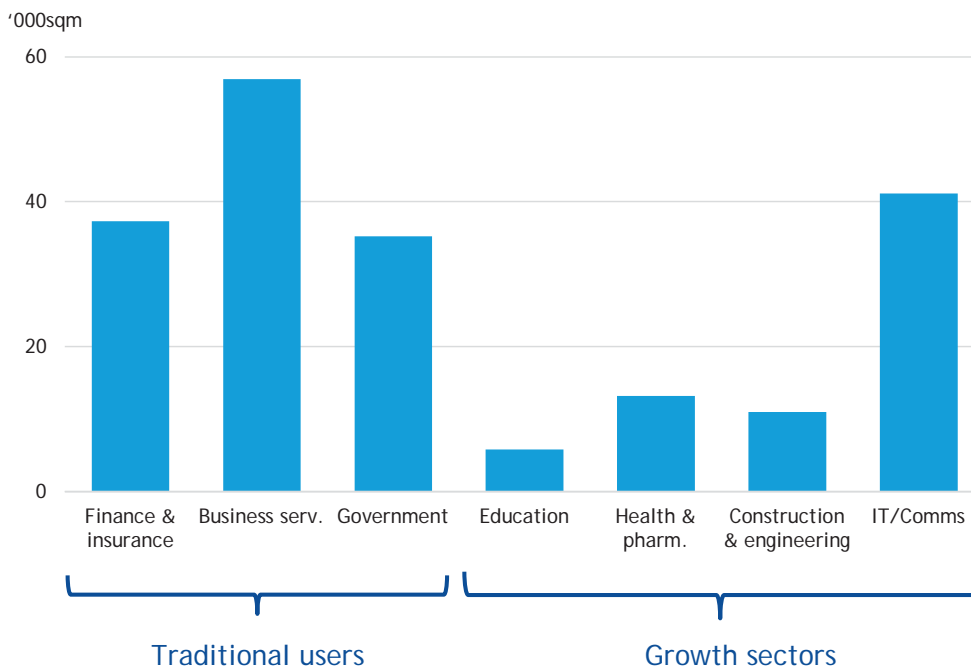
Sydney CBD office supply FY17-FY22



Source: DEXUS Research.

MARKET OUTLOOK – Sydney office enquiry from traditional & growth sectors

Sydney CBD leasing enquiry by industry in FY16

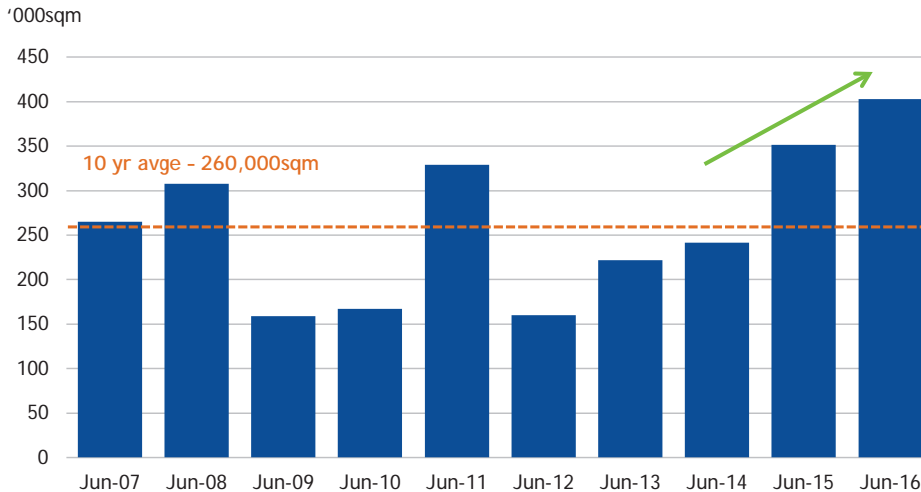


Source: Colliers Edge.

MARKET OUTLOOK – Industrial market demand is strong in NSW & VIC

- Solid economic growth in NSW and VIC is flowing through to demand for industrial space
- Retailers and transport/logistics providers remain key occupiers
- Rising values are facilitating a solid supply pipeline, limiting growth in rents
- Growth is occurring in inner city and port markets (helped by withdrawals)

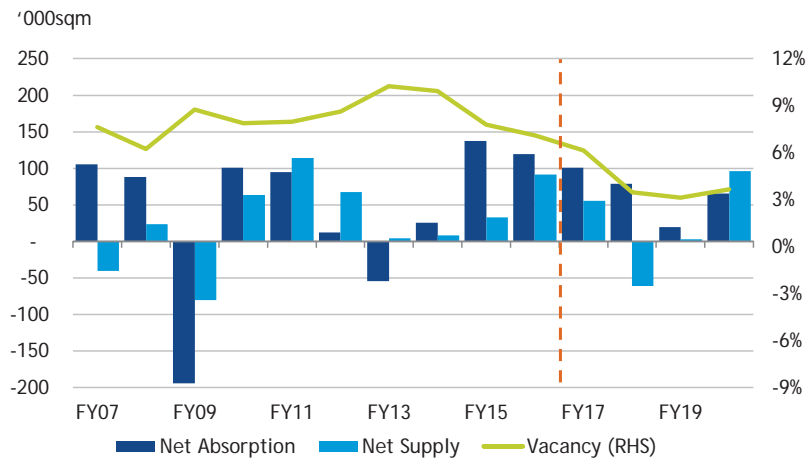
Outer West Sydney annual take-up rate (year to June)



Source: DEXUS Research, JLL Research.

MARKET OUTLOOK – Sydney CBD office

Sydney CBD office market



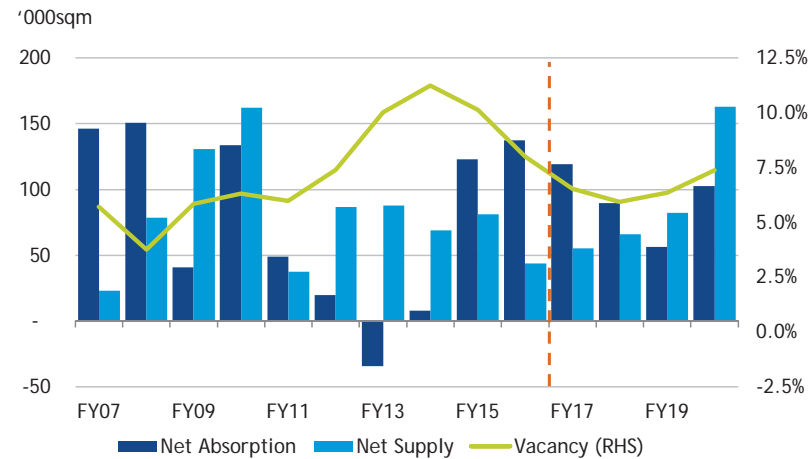
Sydney CBD office market	At 30 June 2016
Total net lettable area	5.09 million sqm
Prime vacancy average	8.3%
DEXUS Sydney CBD exposure	
Net lettable area	607,200 sqm
Number of properties	18
% of portfolio by value	50%
Occupancy by area	97.3%
Occupancy by income	96.9%
Weighted average lease expiry	4.9 years

- Recovery well underway with demand to remain firm FY17
- Vacancy is sitting at 7.1% (Jun-16), well below the 10 year average
- Positive demand and withdrawal of older stock to drive vacancy down

Source: JLL Research actual & DEXUS Research forecast.

MARKET OUTLOOK – Melbourne CBD office

Melbourne CBD office market



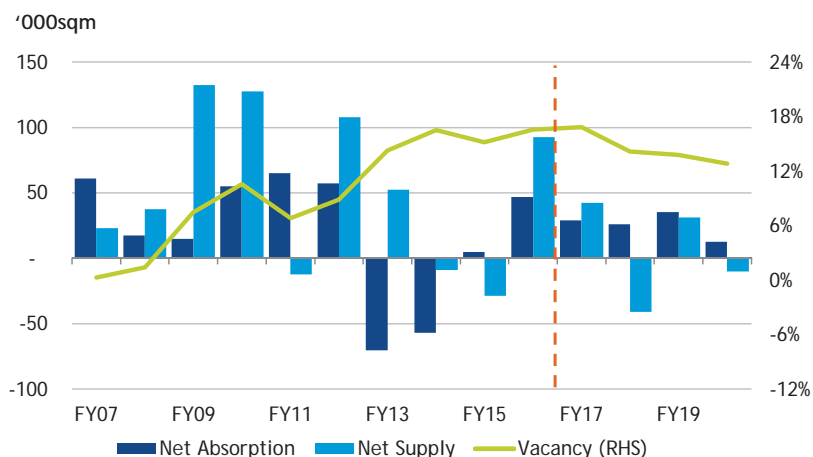
Melbourne CBD office market	At 30 June 2016
Total net lettable area	4.61 million sqm
Prime vacancy average	6.7%
DEXUS Melbourne CBD exposure	
Net lettable area	274,300 sqm
Number of properties	7
% of portfolio by value	13%
Occupancy by area	92.6%
Occupancy by income	93.6%
Weighted average lease expiry	5.1 years

- Solid demand supported by improving state economy and strong population growth
- Tenant migration from the fringe to the CBD anticipated to continue
- Vacancy to tighten over the short-medium term due to muted supply

Source: JLL Research actual & DEXUS Research forecast.

MARKET OUTLOOK – Brisbane CBD office

Brisbane CBD office market



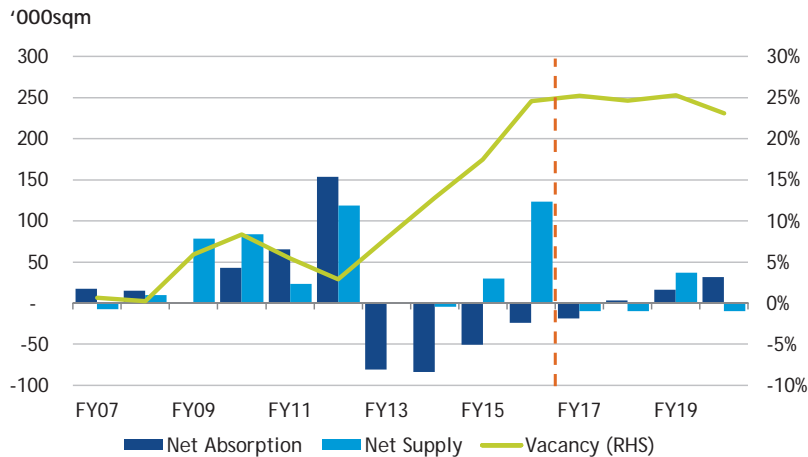
Brisbane CBD office market	At 30 June 2016
Total net lettable area	2.24 million sqm
Prime vacancy average	14.6%
DEXUS Brisbane CBD exposure	
Net lettable area	251,000 sqm
Number of properties	6
% of portfolio by value	17%
Occupancy by area	96.7%
Occupancy by income	96.6%
Weighted average lease expiry	5.6 years

- Demand has turned the corner with 4 quarters of positive demand
- Demand to benefit from centralisation of tenants and improving economy
- Supply high in short term, but to decline post FY17
- Should benefit longer-term from significant withdrawals for alternative use

Source: JLL Research actual & DEXUS Research forecast.

MARKET OUTLOOK – Perth CBD office

Perth CBD office market



Perth CBD office market	At 30 June 2016
Total net lettable area	1.77 million sqm
Prime vacancy average	24.0%
DEXUS Perth CBD exposure	
Net lettable area	131,100 sqm
Number of properties	4
% of portfolio by value	7%
Occupancy by area	98.9%
Occupancy by income	97.9%
Weighted average lease expiry	3.4 years

- Soft demand conditions as falling commodity prices and Chinese slowdown weighs on investment
- Elevated levels of new supply have driven vacancy rates to 20yr highs of 24.6%
- Limited future development will allow market to work through vacancy
- Perth's longer term prospects will be underpinned by rising exports and population growth

Source: JLL Research actual & DEXUS Research forecast.

EXCHANGE RATES AND SECURITIES USED IN STATUTORY ACCOUNTS

		30 June 2015	31 Dec 2015	30 Jun 2016
Closing rates for Statement of Financial Position	USD	0.7680	0.7286	0.7426
Average rates for Statement of Comprehensive Income	USD	0.8367	0.7231	0.7287

Post consolidation equivalent amounts ¹	12 mths to 30 June 2015	6 mths to 31 Dec 2015	12 mths to 30 Jun 2016
Average weighted number of securities ²	915,462,824	969,319,156	968,639,060
Closing number of securities	970,806,349	967,947,692	967,947,692

1. Where the number of securities held by a security holder following the consolidation resulted in a fraction of a security, the fraction was rounded up to the nearest whole number.
 2. Used to calculate FFO per security.

GLOSSARY

Distribution payout policy:	Policy is to distribute in line with free cash flow.
Funds From Operations (FFO):	FFO is in line with Property Council of Australia definition and comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, transaction costs, amortisation of intangible assets, rental guarantees and coupon income.
Adjusted FFO (AFFO):	AFFO is calculated in line with the Property Council of Australia definition and comprises PCA FFO and adjusted for: maintenance capex, incentives (including rent free incentives) given to tenants during the period and other items which have not been adjusted in determining FFO.
Gearing:	Gearing is represented by Interest Bearing Liabilities (excluding deferred borrowing costs and including the currency gains and losses of cross currency swaps) less cash divided by Total Tangible Assets (excluding derivatives and deferred tax assets) less cash. Covenant gearing is the same definition but not adjusted for cash.
Gearing (look through):	Represents Gearing defined above adjusted to include debt in equity accounted investments.
Portfolio value:	Unless otherwise stated, portfolio value is represented by investment properties, inventories and investments accounted for using the equity method, and excludes cash and other assets.
Securities on issue:	FFO per security is calculated based on the weighted average number of DEXUS securities for the relevant period.
Weighted Average Lease Expiry (WALE):	A measure in years of the average term to expiry of in-place rent. Includes vacancies.

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