

# DEXUS Property Group (ASX: DXS)

ASX release

15 February 2017

## 2017 Half year results presentation

DEXUS Property Group provides its 2017 Half year results presentation.

The property synopsis spreadsheet is also available on our website at [www.dexus.com/financialresults](http://www.dexus.com/financialresults)

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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 \$22.7 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 30,000 investors from 20 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. [www.dexus.com](http://www.dexus.com)

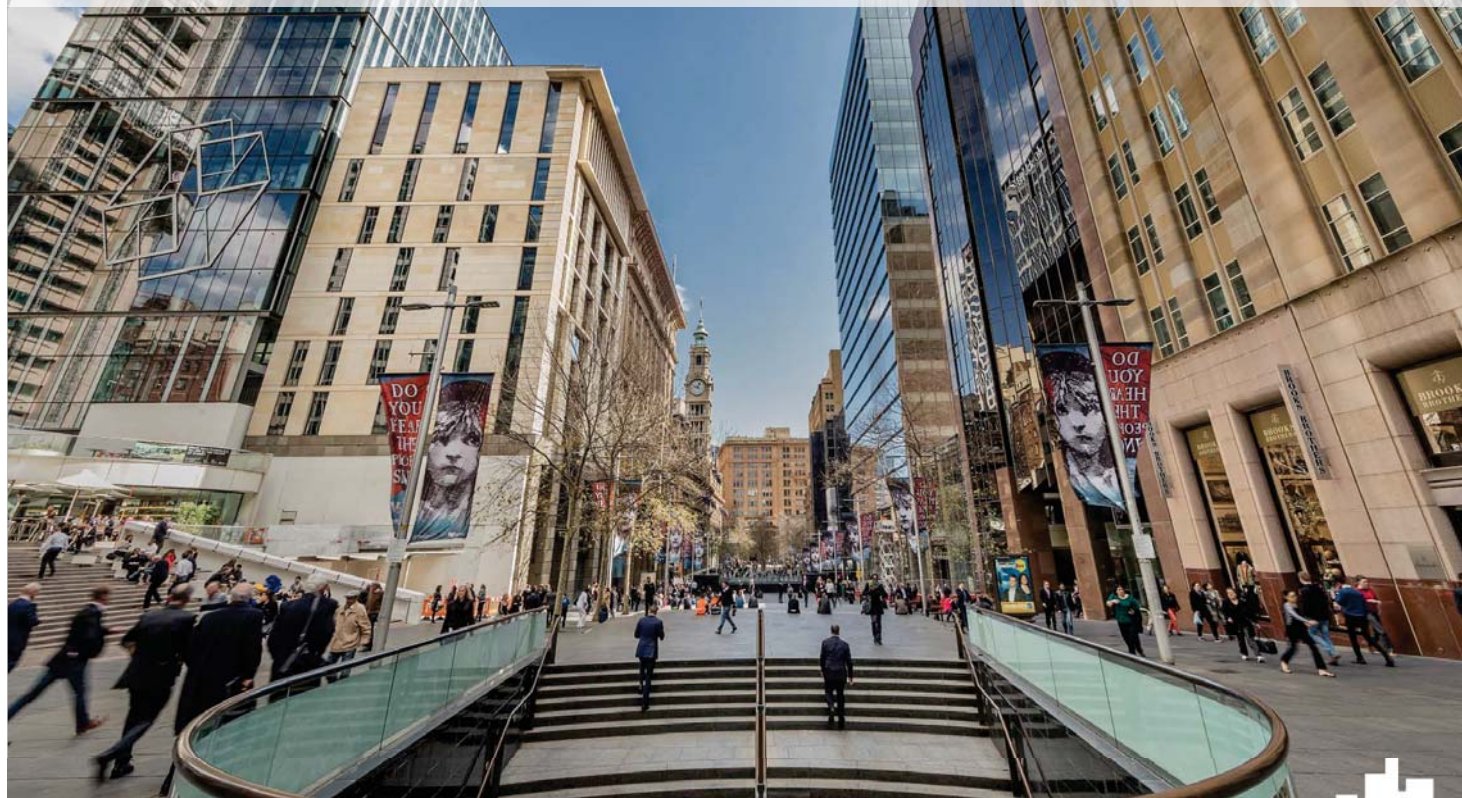
Download the DEXUS IR app to your preferred mobile device to gain instant access to the latest stock price, ASX announcements, presentations, reports, webcasts and more.



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

# DEXUS PROPERTY GROUP

## 2017 HALF YEAR RESULTS PRESENTATION - 15 FEBRUARY 2017



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

**DEXUS**  
PROPERTY GROUP

## AGENDA

- HY17 results highlights Darren Steinberg, Chief Executive Officer
- Financial results Alison Harrop, Chief Financial Officer
  - Capital management
- Property portfolio Kevin George, EGM Office and Industrial
  - Market outlook
- Development, transactions & trading Ross Du Vernet, Chief Investment Officer
- Funds management Darren Steinberg, Chief Executive Officer
- Summary
- Appendices

# HY17 RESULTS HIGHLIGHTS

## POSITIVE MOMENTUM DURING HY17

10.6% Growth in Underlying FFO per security

13.9% Strong one-year DEXUS Office portfolio total return

94.9% Industrial portfolio occupancy by income, up 4.5 ppt

## HOW RESULTS WERE ACHIEVED

327,938sqm Strong six months of Office and Industrial leasing<sup>1</sup>

\$467.4m Uplift from revaluations & gains on sale of investment properties

Development and leasing upside offsetting impact of asset sales

1. DEXUS portfolio leasing, including Heads of Agreement.

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Slide 3



## FINANCIAL RESULTS



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Slide 4



## FINANCIAL RESULTS – HY17 progress across key earnings drivers

	PROPERTY PORTFOLIO	FUNDS MANAGEMENT & PROPERTY SERVICES	TRADING
<b>FY17 TARGET</b>	circa +2-3% office I-f-I income growth <sup>1</sup> circa +3-4% industrial I-f-I income growth <sup>1</sup>	Management Operations FFO of circa \$45-50m	Approximately \$45-50m trading profits <sup>2</sup>
<b>HY17 PROGRESS</b>	<b>FFO of \$346.3 million</b> +9.6% office I-f-I income growth will normalise to 2.5-3% for FY17 <sup>1</sup> +1.0% industrial I-f-I income growth <sup>1</sup> will grow to 3-4% for FY17	<b>FFO of \$21.0 million</b> Funds are outperforming respective benchmarks	<b>FFO of \$8.3 million<sup>2</sup></b> Settlement of Auburn in Jan-17 secures a further circa \$17m post-tax and progressed priority projects
	<b>91% FFO<sup>3</sup></b>	<b>6% FFO<sup>3</sup></b>	<b>3% FFO<sup>3</sup></b>
	<b>UNDERLYING BUSINESS</b>		<b>TRADING</b>

1. Like-for-like income growth on an effective basis. For office this includes the impact of the Woodside rent review and the surrender payment from Lendlease which has been fully booked in HY17.
2. Trading profits net of tax.
3. FFO contribution is calculated before Finance costs, Group corporate costs and tax.

## FINANCIAL RESULTS – Key financial metrics

Business contributions to HY17 FFO		HY17	HY16	Change
Underlying FFO <sup>1</sup>	\$m	287.7	260.6	10.4%
Trading profits (net of tax)	\$m	8.3	63.3	(86.9)%
<b>Funds from Operations (FFO)</b>	<b>\$m</b>	<b>296.0</b>	<b>323.9</b>	<b>(8.6)%</b>
Underlying FFO per security	cents	29.7	26.9	10.6%
FFO per security	cents	30.6	33.4	(8.4)%
Key financial metrics		HY17	HY16	Change
Adjusted Funds from Operations (AFFO) <sup>2</sup>	\$m	214.3	230.7	(7.1)%
Distribution per security	cents	21.71	23.05	(5.8)%
Statutory Net profit	\$m	716.0	797.5	(10.2)%
		HY17	FY16	Change
NTA per security		\$8.05	\$7.53	6.9%

FFO and distribution per security were impacted by the lower trading profits secured versus HY16, with the majority of FY17 trading profits skewed to the second half of the year. Despite asset sales, DEXUS is well positioned to deliver stronger underlying growth in FY17 than previously forecast

1. 'Underlying' FFO contribution excludes Trading profits (net of tax).
2. 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 35 for a detailed breakdown.

## FINANCIAL RESULTS – Funds From Operations in detail

	HY17 \$m	HY16 \$m	Change \$m	Change %	
Office property FFO	292.6	272.3	20.3	7.5%	<b>PROPERTY PORTFOLIO</b> Total property FFO of \$346.3m increased \$21.5m, driven by leasing success and surrender income
Industrial property FFO	53.7	52.5	1.2	2.3%	
<b>Total property FFO</b>	<b>346.3</b>	<b>324.8</b>	<b>21.5</b>	<b>6.6%</b>	
Management operations <sup>1</sup>	21.0	18.9	2.1	11.1%	<b>FUNDS MANAGEMENT</b> Management operations up \$2.1m, driven by increased third party FUM
Group corporate	(10.7)	(16.0)	5.3	(33.1)%	
Net Finance costs	(64.5)	(66.9)	2.4	(3.6)%	
Other <sup>2</sup>	(4.4)	(0.2)	(3.6)		<b>GROUP CORPORATE</b> Group corporate costs reduced by \$5.3m → MER reduced to 36bps
<b>Underlying FFO<sup>3</sup></b>	<b>287.7</b>	<b>260.6</b>	<b>27.1</b>	<b>10.4%</b>	
Trading profits (net of tax)	8.3	63.3	(55.0)	(86.9)%	<b>TRADING</b> Trading profits reduced, as all FY16 trading profits were realised in HY16, and only \$8.3m in HY17
<b>FFO</b>	<b>296.0</b>	<b>323.9</b>	<b>(27.9)</b>	<b>(8.6)%</b>	
<b>Adjusted Funds from Operations (AFFO)</b>	<b>214.3</b>	<b>230.7</b>	<b>(16.4)</b>	<b>(7.1)%</b>	
Distribution payout (% AFFO)	98.0%	96.7%			
<b>Distribution</b>	<b>210.1</b>	<b>223.1</b>	<b>(13.0)</b>	<b>(5.8)%</b>	

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.

## CAPITAL MANAGEMENT – HY17 activities and progress

### HY17 activities

- Issued \$125.5 million<sup>1</sup> of Medium Term Notes via reverse enquiry at an average duration of 7.8 years
- Cancelled \$300 million of debt facilities post the settlement of \$688 million of asset sales
  - 57-65 Templar Road, Erskine Park, \$50.0 million
  - The Zenith, Chatswood, \$139.5 million
  - 108 North Terrace Adelaide, \$43.2 million
  - Southgate, Melbourne (Tranche 1), \$289.0 million
  - 39 Martin Place, Sydney, \$166.0 million
- Divestments resulted in a substantial increase in percentage of hedged debt
- Terminated expensive interest rates swaps, reducing hedging back towards target levels and reducing the average cost of debt, with no impact on NTA

### Progress on focus areas at HY17

Debt duration remains strong at 5.6 years<sup>1</sup>.  
Increased diversification of debt facility mix

Achieved 4.3% average cost of debt in HY17.  
FY17 expected cost of debt circa 4.2%

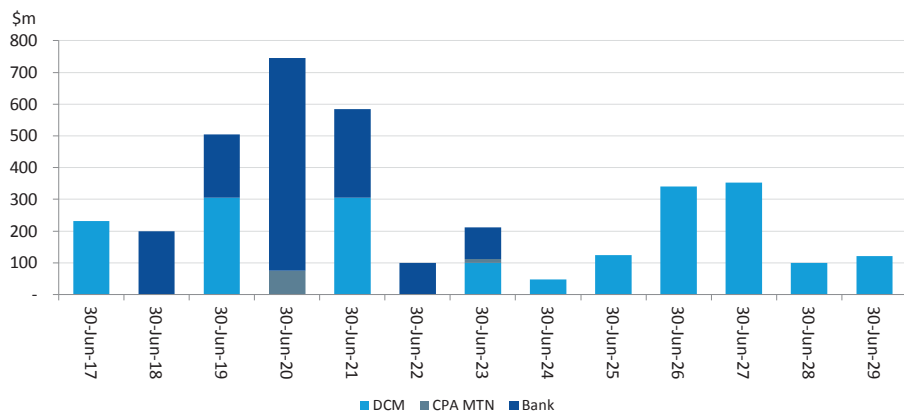
Gearing<sup>2</sup> of 26.5% at 31 December 2016

1. Includes \$75.5 million of Medium Term Notes issued in January 2017.
2. Adjusted for cash and for debt in equity accounted investments. Pro forma gearing adjusted for the acquisition of The Mill, Alexandria and the sale of 79-99 St Hilliers Road, Auburn is 26.8%.

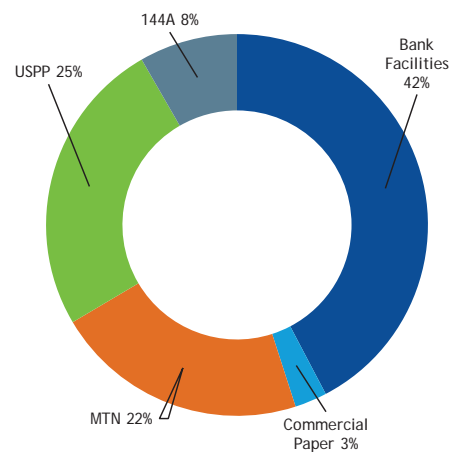
# CAPITAL MANAGEMENT – Reduction in gearing and cost of debt

Key metrics	31 Dec 16	30 Jun 16	Change
Gearing (look-through) <sup>1</sup>	26.5% <sup>2</sup>	30.7%	(4.2) ppt
Cost of debt <sup>3</sup>	4.3%	4.8%	(50) bps
Duration of debt	5.6 years <sup>4</sup>	5.5 years	0.1 years
Hedged debt (incl caps) <sup>5</sup>	64%	71%	(7) ppt
S&P/Moody's credit rating	A-/A3	A-/A3	No change

## DEBT MATURITY PROFILE<sup>4</sup>

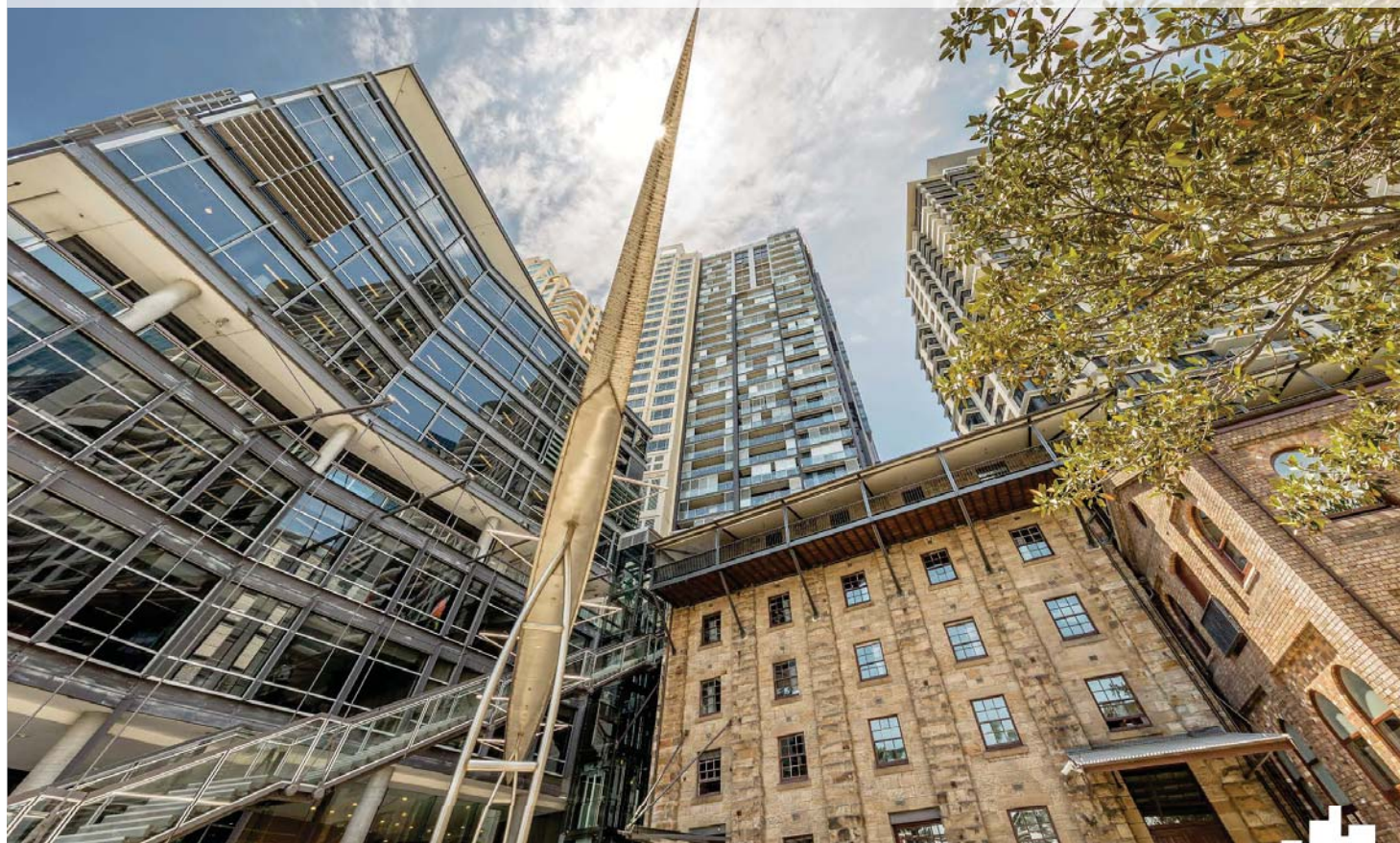


## DIVERSIFIED MIX OF FACILITIES<sup>4</sup>



- Adjusted for cash and for debt in equity accounted investments.
- Pro forma gearing adjusted for the acquisition of The Mill, Alexandria and the sale of 79-99 St Hilliers Road, Auburn is 26.8%.
- Weighted average across the period, inclusive of fees and margins on a drawn basis.
- Includes \$75.5 million of Medium Term Notes issued in January 2017.
- Average for the period. Hedged debt (excluding caps) was 61% for 6 months to 31 December 2016 and 64% for 12 months to 30 June 2016. DEXUS was 64% hedged (including caps) as at 31 December 2016.

## PROPERTY PORTFOLIO



## PROPERTY PORTFOLIO – Future valuation uplifts expected

### HY17 VALUES

Office portfolio values up  
**\$381.4m** or 4.3%  
Cap rate 5.95%  
(FY16 6.16%)

Industrial portfolio values up  
**\$14.6m** or 0.8%  
Cap rate 7.28%  
(FY16 7.38%)

Total portfolio valuation uplift of  
**\$396.0m** or 3.7%

### HY17 OBSERVATIONS

- Strong contribution from key office markets of Sydney and Melbourne (74% of the office portfolio)
- Developments boosted total returns, offsetting weakness in Perth market

### HY17 RETURNS

**13.9%**  
Office portfolio one-year total return<sup>1</sup>

**10.4%**  
Industrial portfolio one-year total return<sup>1</sup>

Key drivers of capital contribution to Return on Equity of **9.8%**

### OUTLOOK

Investment demand expected to continue for quality assets

Underlying valuation assumptions expected to continue to improve

Current cap rate to bond spread is 2.6% versus 10-year average of 2.1%

Over the next 12 months, DEXUS expects a further 12.5 bps of cap rate compression for Prime office & industrial properties

1. Returns exclude acquisition costs.

## PROPERTY PORTFOLIO – HY17 progress

Maintained office portfolio occupancy of 96.3%, above the target of > 96.0% for FY17

Reduced FY19 office lease expiries from 14.2% to 12.4%

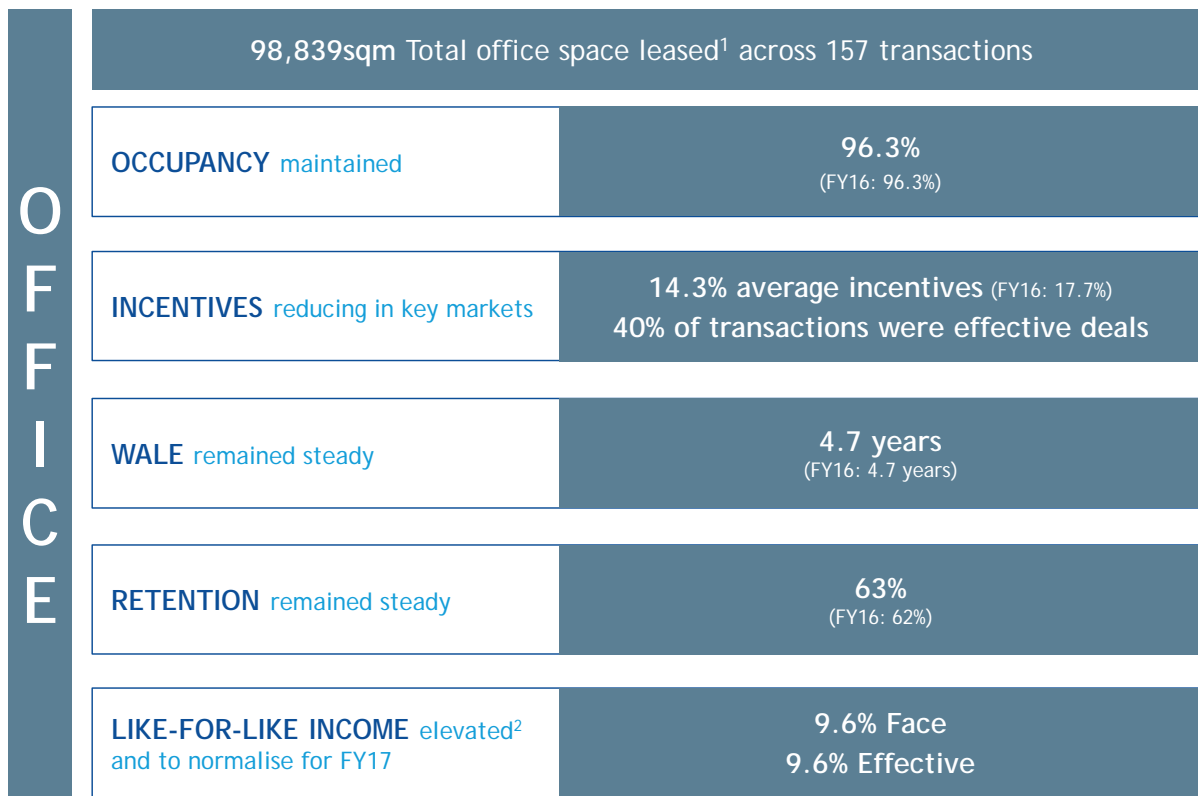
Achieved 9.6% like-for-like income growth<sup>1</sup> across office and 1.0% for industrial portfolios.  
Confident of achieving FY17 target of 2.5-3% for office 3-4% for industrial

Improved industrial occupancy from 90.4% at 30 June 2016 to 94.9% at 31 December 2016



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

## PROPERTY PORTFOLIO – OFFICE: Portfolio performing consistently well



1. Including Heads of Agreement.

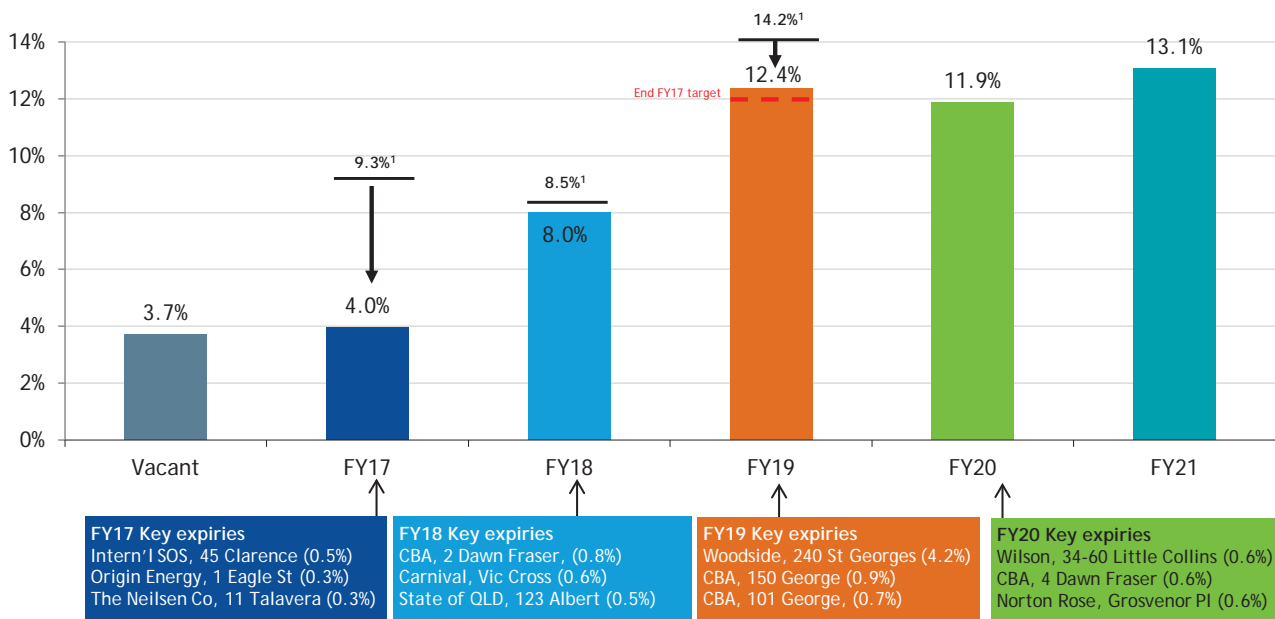
2. Includes the impact of the Woodside rent review and the surrender payment from Lendlease which has been fully booked in HY17.

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## PROPERTY PORTFOLIO – OFFICE: Leasing activity improves expiry profile

- Continued implementation of strategies to reduce vacancy and maximise cash flow
- 64% of office vacancies and expiries up to and including FY20 are located in Sydney



Note: Key leasing risks boxes represent tenant; property; and percentage of DEXUS office portfolio income.

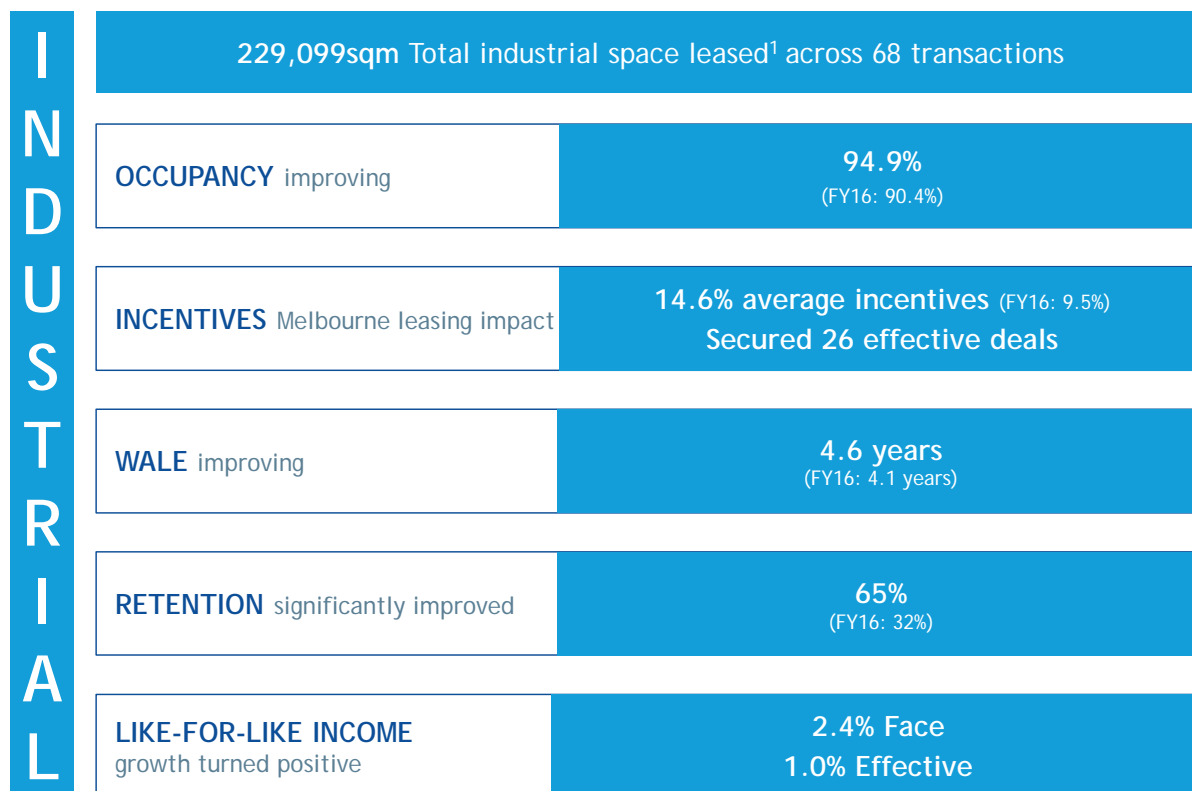
1. As at 30 June 2016.

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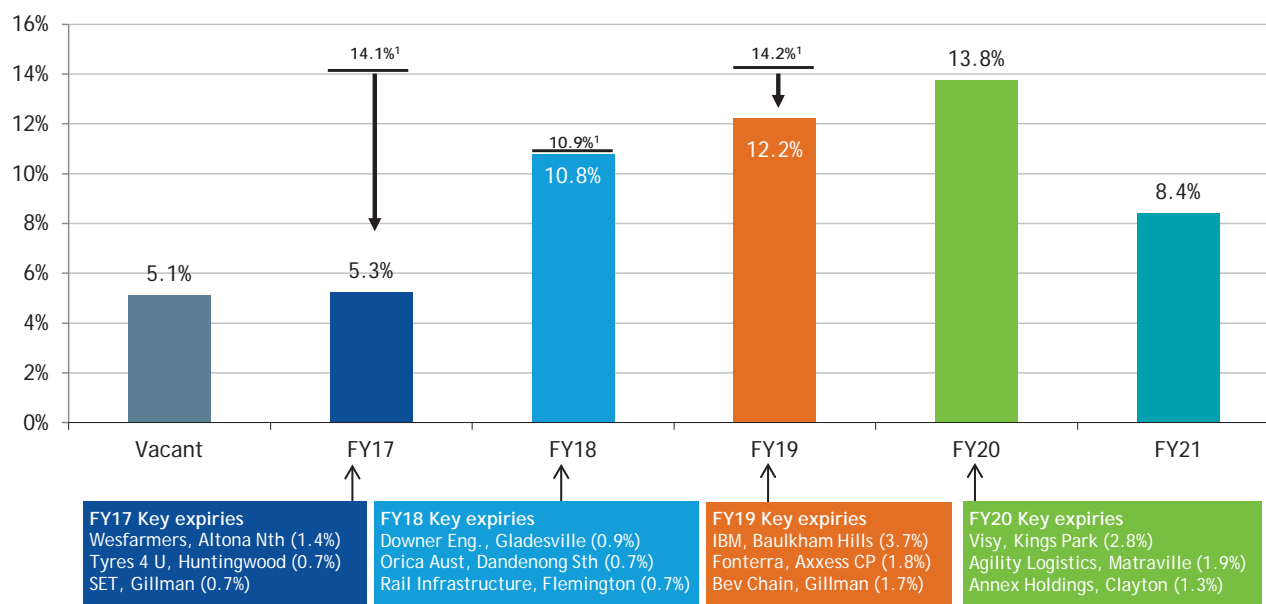
## PROPERTY PORTFOLIO – INDUSTRIAL: Record period of leasing



1. Including Heads of Agreement.

## PROPERTY PORTFOLIO – INDUSTRIAL: Leasing activity improves expiry profile

- Improved Melbourne portfolio occupancy from 84.8% at FY16 to 92.3% at HY17
- 52% of industrial vacancies and expiries up to and including FY20 are located in Sydney



Note: Key leasing risks boxes represent tenant; property; and percentage of DEXUS office portfolio income.  
1. As at 30 June 2016.

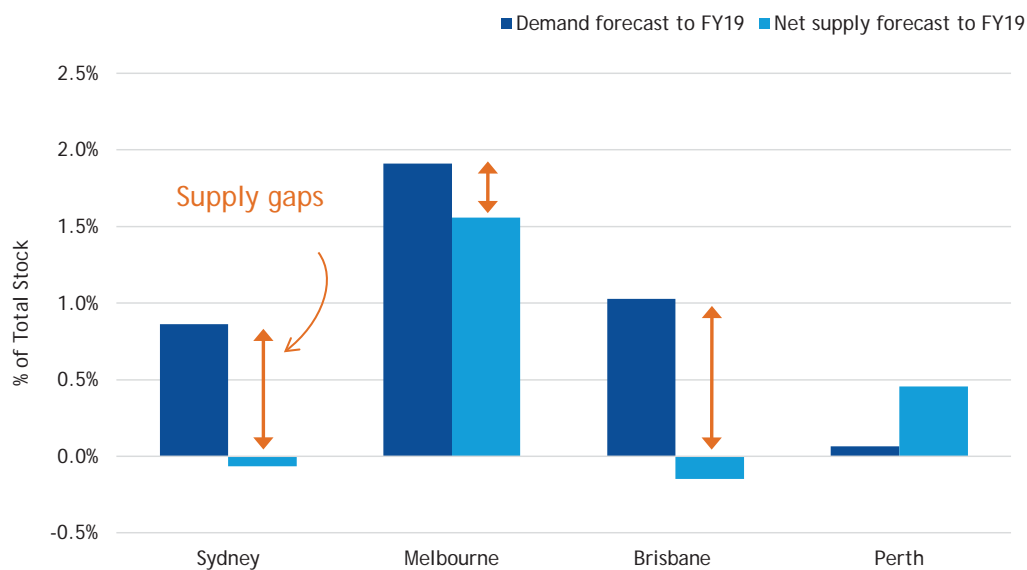
# MARKET OUTLOOK



## MARKET OUTLOOK – Positive outlook for key office markets FY17 to FY19

- Expected 'supply gap' in Sydney, Melbourne and Brisbane will lead to higher occupancy levels
- Withdrawals of older stock a significant factor with timing of new supply FY20+

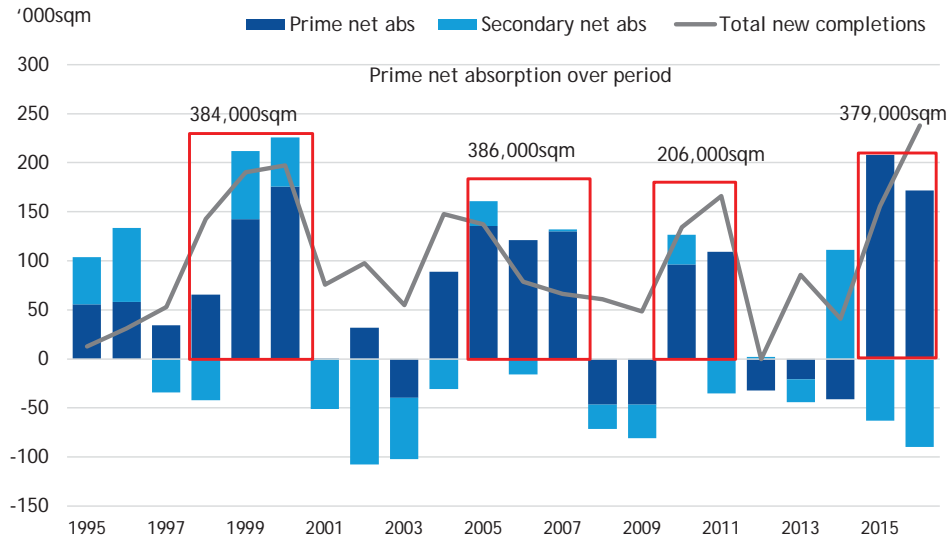
### Average demand and net supply outlook to FY19



## MARKET OUTLOOK – Flight to quality is a regular phenomenon

- Tenants are migrating to premium and A Grade buildings in preference to older stock
- Modern buildings are better able to support changing workplace and culture requirements of office users

### Sydney CBD net absorption by grade and total completions



Source: JLL Research, DEXUS Research \*YTD.

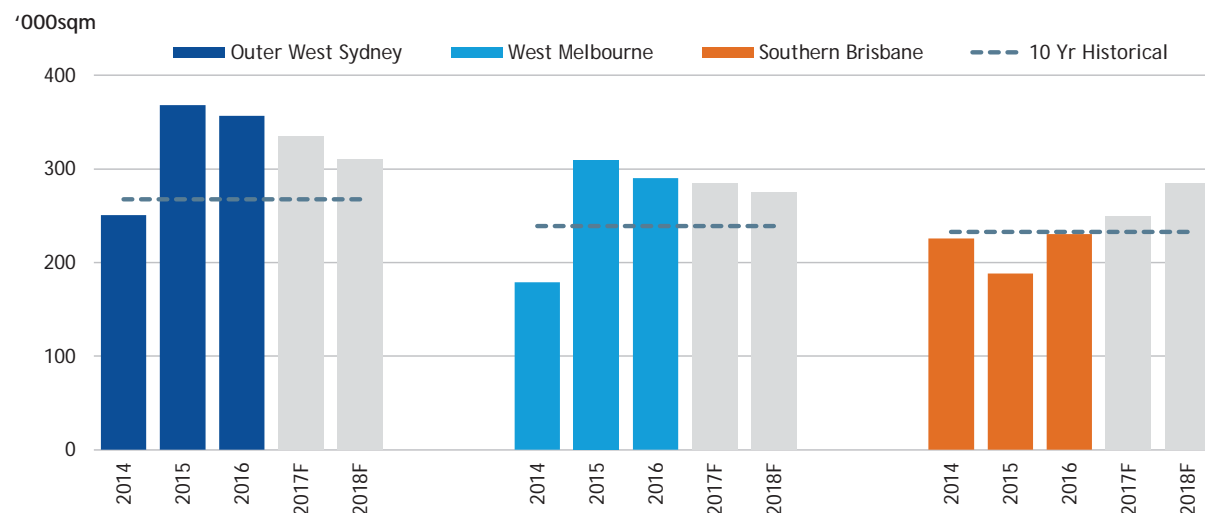
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## MARKET OUTLOOK – Industrial markets strong in Sydney and Melbourne

- Conditions favourable for development (due to economic activity and supply chain re-configuration)
- Sydney and Melbourne expected to record above average levels of take-up
- Brisbane is showing signs of improvement with some large pre-lease deals
- Strong supply pipelines keeping downward pressure on rental growth in the short term

### Annual take-up (key markets)



Source: JLL Research, DEXUS Research.

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DEVELOPMENT – A period of increased industrial activity

INDUSTRIAL

Quarrywest, Greystanes<sup>1</sup>

- Completed Precinct E
- Secured HelloFresh across 9,526sqm
- Precinct E now 100% leased
- 90,580sqm remaining to develop



DEXUS Industrial Estate, Laverton North<sup>2</sup>

- Completed Wrightson Seeds facility across 10,194sqm
- Secured two pre-commitments across 39,112sqm post HY17<sup>3</sup>



BUILDING ON ESTABLISHED TRACK RECORD

Developed more than 500,000sqm of prime industrial facilities since 2010

Delivered 48 high quality facilities with average 10,600sqm size and 8.5 year WALE since 2010

1. Owned 50/50 by DXS and DEXUS Industrial Partner.  
 2. Owned 50/50 by DXS and Australian Industrial Partner. Wrightson Seeds facility is 100% owned by DXS.  
 3. Including Heads of Agreement.  
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## DEVELOPMENT – HY17 progress across office and city retail projects

OFFICE		CITY RETAIL
100 Mount Street, North Sydney <sup>1</sup>	201 Elizabeth Street, Sydney	175 Pitt Street, Sydney <sup>2</sup>
		
Excavation near complete, crane erected and construction of building core underway	Mixed-use State Significant Development Application lodged	Tiffany & Co. intend to expand their footprint across 2,275 square metres of office and retail space

1. Owned 50/50 by DXS and DWPF.  
2. Owned 50/50 by DXS and DEXUS Office Partner.

## DEVELOPMENT – Pipeline of development opportunities

**\$4.5bn<sup>1</sup>**  
Group development pipeline

<b>\$2.0bn<sup>1</sup></b> DEXUS portfolio including \$432m across 7 committed projects (\$317m remaining spend)	<b>\$2.5bn<sup>1</sup></b> Third Party Funds
Refer to slide 58-59 for full breakdown of DEXUS development pipeline	Refer to slide 62 for breakdown of third party development pipeline

Completion over	2-5 years		Beyond 5 years
<b>OFFICE</b>	100 Mount Street, North Sydney 180 Flinders Street, Melbourne	12 Creek Street, Brisbane 11 Talavera Road, Macquarie Park	Waterfront Place Precinct, Brisbane (mix-use) Sydney CBD office opportunity
<b>Total of 6 projects over 223,609sqm / cost of c. \$1.1bn<sup>1</sup></b>			
<b>INDUSTRIAL</b>	Laverton North (committed & uncommitted) Quarrywest, Greystanes (Precinct B and remainder of estate)	141 Anton Road, Hemmant Axxess Corporate Park, Mt Waverley	
<b>Total of 6 projects over 258,942sqm / cost of c. \$294m<sup>1</sup></b>			
<b>CITY RETAIL</b>	175 Pitt Street, Sydney 321 Kent Street, Sydney	44 Market Street, Sydney 1 Farrer Place, Sydney	201 Elizabeth Street, Sydney (mix-use)
<b>Total of 5 projects over 17,751sqm / cost of c. \$91m<sup>1</sup></b>			

Circa 3.3% of balance sheet FUM allocated to development, trading and value-add at 31 December 2016

1. Includes uncommitted development costs associated with non-commercial uses (Refer to slide 57 for further details).

## TRANSACTIONS – Lower levels of transaction activity

- Proceeds from recent divestments initially used to repay debt and to be progressively drawn upon to fund future development pipeline opportunities
- Acquisition opportunities pursued where DEXUS's and third party partners' investment criteria are met

DEXUS portfolio		Third party funds portfolio	
<p><b>Acquisition of The Mill, Alexandria</b></p>  <p>Significant landholding in a prime South Sydney location - expected to benefit from tenant demand and active management of underutilised space to achieve rental growth</p>	<p><b>Divestment of 39 Martin Place, Sydney<sup>1</sup></b></p>  <p>27% unlevered IRR since acquisition</p> <p>Sold following completion of compulsory acquisition negotiations with Transport for NSW for construction of the Sydney Metro</p>	<p><b>Acquisition of Carillon City, Perth</b></p>  <p>Value add opportunity that provides exposure to the tightly held Perth city retail market and is DWPF's first retail investment in WA</p>	<p><b>Divestment of 324 Queen Street, Brisbane</b></p>  <p>Sale represented an opportunity for DWPF to divest a B grade Brisbane office building and reinvest sale proceeds in its active development pipeline</p>

1. Owned 50/50 by DXS and DWPF.






## TRADING – Leveraging capabilities to deliver profits

### SECURED

Erskine Park and Auburn priority projects settled in July 2016 and January 2017 contributing **circa \$26m** to FY17 trading profits post tax

### PROGRESSING

Remaining 4 priority projects c. \$90-100m profits pre tax from FY17-FY19

Remaining 4 priority projects c. \$90-100m profits pre tax from FY17-FY19				Potential addition to future pipeline
<p><b>105 Phillip Street, Parramatta</b></p>  <p>Under construction &amp; on track for March-18 completion</p>	<p><b>Lakes South, Botany</b></p>  <p>Undergoing rezoning</p>	<p><b>32 Flinders Street, Melbourne</b></p>  <p>Reviewing planning permit</p>	<p><b>12 Frederick Street, St Leonards</b></p>  <p>Planning Application for hospital use has been supported</p>	<p><b>140 George Street, Parramatta</b></p>  <p>Local Council endorsed concept scheme for office tower</p>



FUNDS MANAGEMENT – HY17 progress

Continued outperformance against benchmark returns

Undertook \$372 million of transactions on behalf of third party clients

DWPF acquired Carillon City retail centre in Perth CBD, satisfying the Fund's investment plan



# FUNDS MANAGEMENT – Delivering on clients' objectives

70 investors from 7 countries

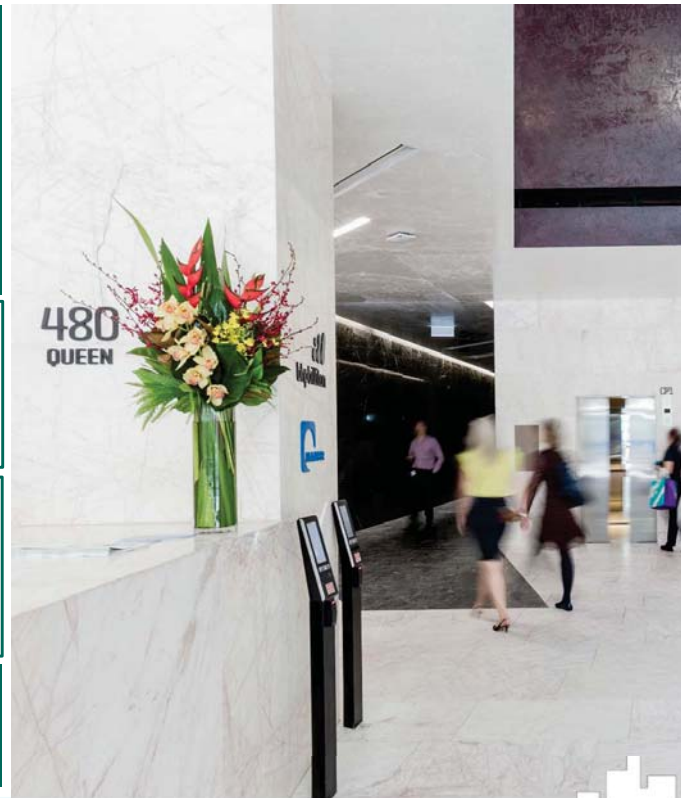
## DEXUS Wholesale Property Fund (DWPf) outperformance<sup>1</sup>

1 year	+239bps
3 years	+142bps
5 years	+90bps
7 years	+103bps

DEXUS Office Partnership achieved a **12.9% p.a.** one-year unlevered property return

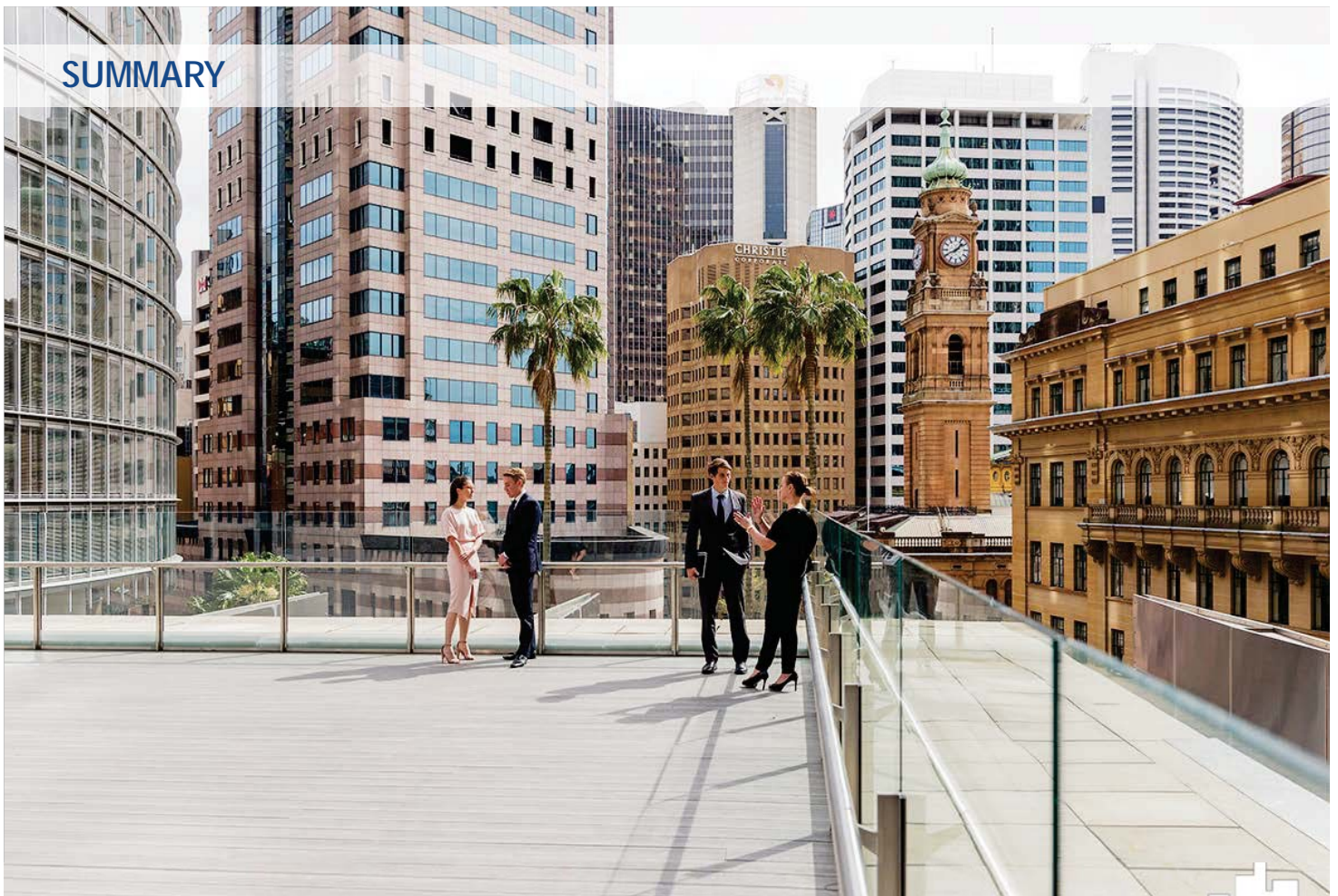
Opened new Gateway and Grosvenor Place restaurant precincts enhancing investor returns and improving office tenant amenity

**\$2.5 billion** Development pipeline<sup>2</sup> (\$2.0 billion remaining spend)



1. DWPf outperformance per annum against its benchmark which is the Mercer IPD Australian Pooled Property Fund Index (post fees).  
2. Includes \$1.65 billion uncommitted third party development pipeline.

## SUMMARY





## SUMMARY

- Well positioned to deliver strong results
- Focused on two strategic objectives:
  - Office sector leadership by being the preferred workplace partner
  - Wholesale partner of choice in Australian property
- Portfolio is well placed to deliver income growth with strong fundamentals in key markets and an enhanced pipeline of development opportunities
- Improved performance in underlying business and confidence in achieving trading sales has resulted in an upgrade to market guidance<sup>1</sup> for the 12 months ending 30 June 2017
  - Underlying FFO per security growth of circa 4%
  - FFO per security growth of circa 1%
  - Distribution per security growth of 3.5-4.5%

1. Barring unforeseen circumstances guidance is supported by the following assumptions: Impacts of announced divestments and acquisition; 2.5-3% 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 4.2%, trading profits of circa \$45-50m net of tax, and Management Operations FFO of circa \$45-50m (including third party development management fees).



## APPENDICES



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## OVERVIEW – Total Group portfolio composition

DEXUS PORTFOLIO	FUNDS MANAGEMENT PORTFOLIO	TOTAL GROUP PORTFOLIO
\$11.0bn	\$11.7bn	\$22.7bn
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: \$5.8bn	OFFICE: \$15.0bn
INDUSTRIAL: \$1.8bn	INDUSTRIAL: \$1.3bn	INDUSTRIAL: \$3.1bn
	RETAIL: \$4.6bn	RETAIL: \$4.6bn
DEVELOPMENT PIPELINE (future growth)		
DEVELOPMENT: \$2.0bn	DEVELOPMENT: \$2.5bn	DEVELOPMENT: \$4.5bn

## 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	31 Dec 2016 \$m	31 Dec 2015 \$m
<b>Statutory AIFRS net profit after tax</b>		<b>716.0</b>	<b>797.5</b>
<b>A Investment property and inventory</b>			
A2	(Gains)/losses from sales of investment property	(71.4)	(15.0)
A3	Fair value gain on investment property	(396.0)	(533.7)
<b>C Financial instruments</b>			
C2	Fair value (gain)/loss on the mark-to-market of derivatives	80.9	(21.2)
<b>D Incentives and rent straight-lining</b>			
D1	Amortisation of cash and fit out incentives	24.4	22.8
D2	Amortisation of lease fees	4.8	3.9
D4	Amortisation of rent-free periods	25.5	23.5
D5	Rent straight-lining	(4.4)	(4.0)
<b>E Tax</b>			
E1	Non-FFO deferred tax benefits	(1.2)	7.9
<b>F Other unrealised or one-off Items</b>			
F1	Other unrealised or one-off items	(82.6)	42.2
<b>FFO</b>		<b>296.0</b>	<b>323.9</b>
<b>G Maintenance and leasing capex</b>			
G1	Maintenance capital expenditure	(21.5)	(34.8)
G2	Cash incentives and leasing costs paid	(28.6)	(30.7)
G3	Rent free incentives	(31.6)	(27.7)
<b>AFFO<sup>1</sup></b>		<b>214.3</b>	<b>230.7</b>
<b>Distribution</b>		<b>210.1</b>	<b>223.1</b>
<b>AFFO Payout ratio (Distribution/AFFO)</b>		<b>98.0%</b>	<b>96.7%</b>

1. Excludes the termination and restructuring of derivatives, funded from asset sales.

## FINANCIAL RESULTS – Management operations profit

HY17 (\$m)	Property Management	Funds Management	Development Management	Management Operations
Revenue	31.2	25.6	3.5	60.3
Operating expenses	(24.8)	(10.0)	(4.5)	(39.3)
<b>HY17 net profit</b>	<b>6.4</b>	<b>15.6</b>	<b>(1.0)</b>	<b>21.0</b>
HY17 margin	21%	61%		35%
HY16 margin	20%	62%		

## FINANCIAL RESULTS – Cash flow reconciliation

	31 Dec 2016 \$m	31 Dec 2015 \$m
<b>Cash flow from operating activities</b>	<b>301.6</b>	<b>438.5</b>
add back: payment for inventory acquisition and capex	27.2	22.4
less: cost of sale of inventory	(38.1)	(114.3)
add: proceeds from sale of Rosebery received in advance	-	1.7
add/(less): receivable from sale of Mascot	(5.0)	5.0
add: tax on sale of 88 Shortland Street	-	4.5
less: tax on trading profits not yet paid	(3.6)	(27.1)
add back: capitalised interest	4.8	3.7
adjustments for equity accounted distributions	(19.9)	(38.2)
other working capital movements	0.8	4.5
<b>Adjusted cash flow from operating activities</b>	<b>267.8</b>	<b>300.7</b>
Rent free income	31.6	27.7
Depreciation and amortisation (incl. deferred borrowing costs)	(3.4)	(4.5)
<b>FFO</b>	<b>296.0</b>	<b>323.9</b>
Less: maintenance capex and incentives	(81.7)	(93.2)
<b>AFFO</b>	<b>214.3</b>	<b>230.7</b>
Less: gross distribution	(210.1)	(223.1)
<b>Cash surplus</b>	<b>4.2</b>	<b>7.6</b>

## FINANCIAL RESULTS – Interest reconciliation

	31 Dec 2016 \$m	31 Dec 2015 \$m
<b>Total statutory finance costs</b>	<b>49.9</b>	<b>73.3</b>
Add: unrealised interest rate swap MTM gain/(loss) <sup>1</sup>	12.7	(10.3)
Add: finance costs attributable to investments accounted for using the equity method	2.5	4.4
<b>Net finance costs for FFO<sup>2</sup></b>	<b>65.1</b>	<b>67.4</b>
Add: interest capitalised	4.8	3.9
<b>Gross finance costs for cost of debt purpose</b>	<b>69.9</b>	<b>71.3</b>

1. Net fair value gain of interest rate swap of \$7.8m (per note 2 of the Financial Statements) includes realised interest rate swap expense of \$4.9m and unrealised interest rate swap MTM gain of \$12.7m.  
2. Excludes interest income of \$0.6m.

## 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 16)	7,289	7.53	DEXUS office portfolio	381.4	5.95%	84%
Revaluation of real estate	396	0.41	DEXUS Industrial portfolio	14.6	7.28%	16%
Retained earnings <sup>1</sup>	86	0.09	<b>Total DEXUS portfolio</b>	<b>396.0</b>	<b>6.13%</b>	
Amortisation of tenant incentives <sup>2</sup>	(50)	(0.05)				
Fair value movements <sup>3</sup>	75	0.08				
<b>NTA changes in comprehensive income</b>	<b>507</b>	<b>0.52</b>				
<b>Closing net tangible assets (31 Dec 16)</b>	<b>7,796</b>	<b>8.05</b>				

1. Represents HY17 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 <sup>1</sup> \$m	Industrial <sup>1</sup> \$m	DEXUS total <sup>1</sup> \$m	Trading assets <sup>2</sup> (inventory)
Opening direct property	9,238	1,749	10,987	276
Lease incentives <sup>3</sup>	52	8	60	1
Maintenance capex	18	4	22	1
Acquisitions	64	-	64	-
Transfer to inventories <sup>4</sup>	-	-	-	-
Developments <sup>5</sup>	64	26	90	28
Disposals <sup>6</sup>	(549)	(38)	(587)	(38)
Revaluations	381	15	396	-
Amortisation	(49)	(6)	(55)	(1)
Rent straightlining	3	1	4	-
<b>Closing balance at the end of the period</b>	<b>9,222</b>	<b>1,759</b>	<b>10,981</b>	<b>267</b>

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 – HY17 position

Key metrics	31 Dec 2016	30 June 2016
Total debt <sup>1</sup>	\$3,170m	\$3,687m
Cost of debt <sup>2</sup>	4.3%	4.8%
Gearing (look-through)	26.5% <sup>3</sup>	30.7%
Headroom (approximately) <sup>4</sup>	\$0.6bn	\$0.4bn
Debt duration	5.6 years <sup>5</sup>	5.5 years
S&P/Moody's rating	A-/A3	A-/A3
Covenant gearing (covenant <sup>6</sup> <55%)	25.7%	30.3%
Interest cover (covenant <sup>6,7</sup> >2.0x)	5.1x	4.4x
Priority debt (covenant <sup>6</sup> <30%)	0%	0%

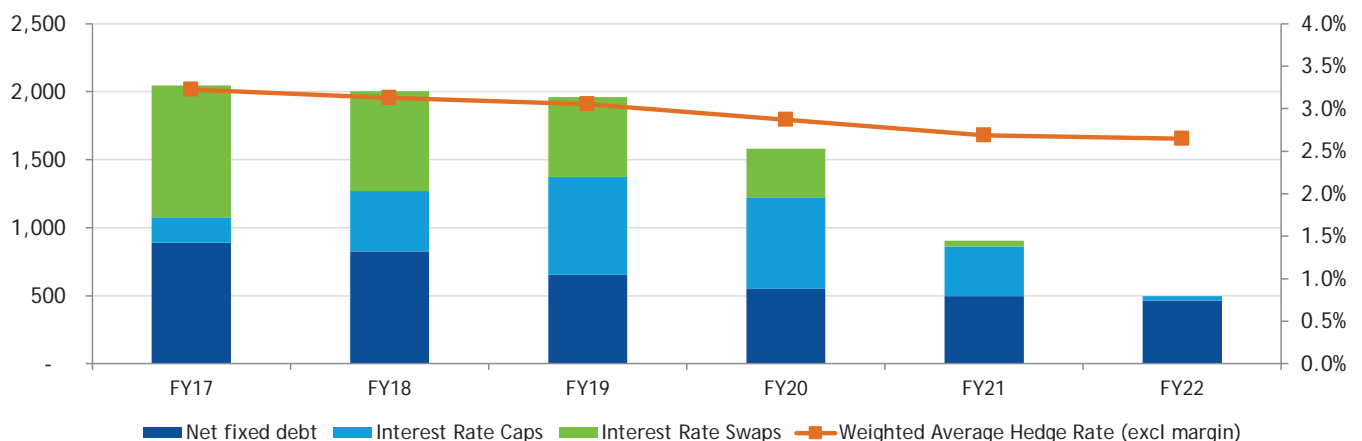
- Total debt does not include \$85m of debt in an equity accounted investment.
- Weighted average for the period.
- Adjusted for cash and for debt in equity accounted investments. Pro forma gearing adjusted for the acquisition of The Mill, Alexandria and the sale of 79-99 St Hilliers Road, Auburn is 26.8%.
- Undrawn facilities plus cash.
- Includes \$75.5m Medium Term Notes issued in January 2017.
- As per public bond covenants.
- Look-through interest cover is 4.9x.



## CAPITAL MANAGEMENT – Interest rate hedging profile

Hedging profile	31 Dec 2016	30 June 2016
Average amount of debt hedged <sup>1</sup>	64%	71%
Average amount of debt hedged excluding caps	61%	64%
Weighted average interest rate on hedged debt <sup>2</sup>	3.3%	3.4%
Weighted average fixed & floating rate <sup>3</sup>	4.3%	4.8%
Weighted average maturity of interest hedges	4.7 years <sup>4</sup>	4.0 years

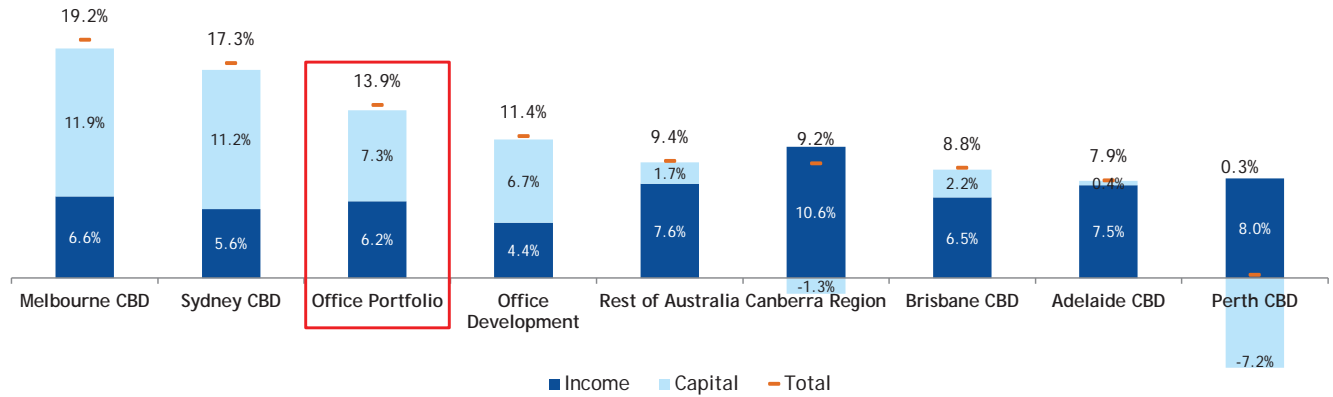
### Hedge maturity profile<sup>4</sup>



- Average amount hedged for the period (including caps).
- Including fixed rate debt (without credit margin).
- Including fees and margins.
- Includes \$75.5 million Medium Term Notes issued in January 2017.

# PROPERTY PORTFOLIO – Total return composition and valuation metrics

## Office portfolio total return composition



## DEXUS'S Portfolio valuation metrics

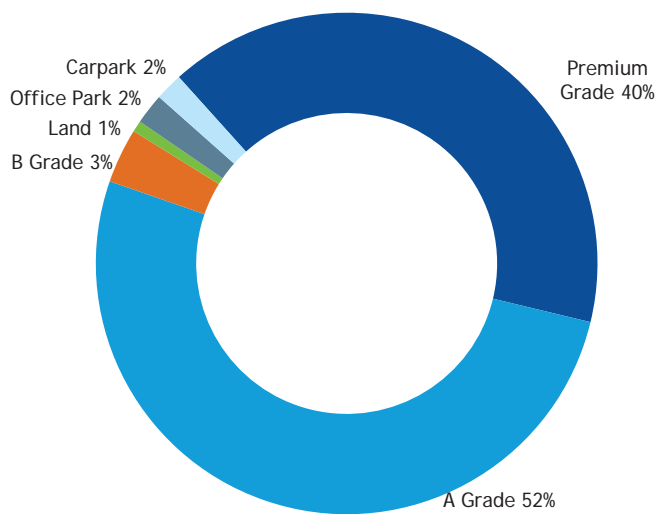
	HY14	FY14	HY15	FY15	HY16	FY16	HY17
DEXUS Office portfolio cap rate	7.07%	6.87% <sup>1</sup>	6.79%	6.71%	6.30%	6.16%	5.95%
DEXUS Industrial portfolio cap rate	8.40%	8.32%	8.07%	7.77%	7.56%	7.38%	7.28%
NTA per security	\$6.49 <sup>2</sup>	\$6.36 <sup>2</sup>	\$6.47	\$6.68	\$7.25	\$7.53	\$8.05

1. Excluding DEXUS Office Partnership properties.  
 2. Adjusted for the one-for-six security consolidation completed in November 2014.

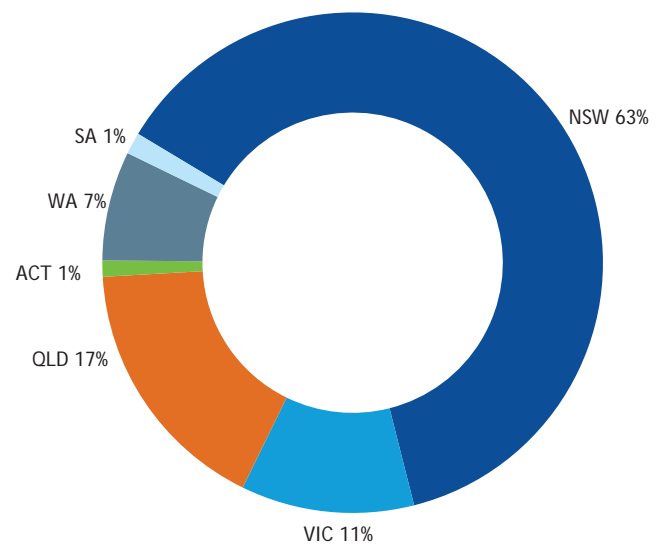


# PROPERTY PORTFOLIO – OFFICE: Portfolio diversification

## DEXUS office by asset type



## DEXUS office by location



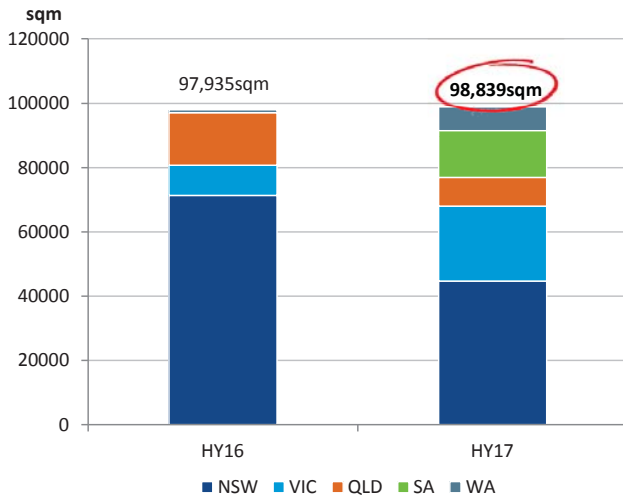
# PROPERTY PORTFOLIO – OFFICE: Leasing volumes remain strong

## 98,839sqm

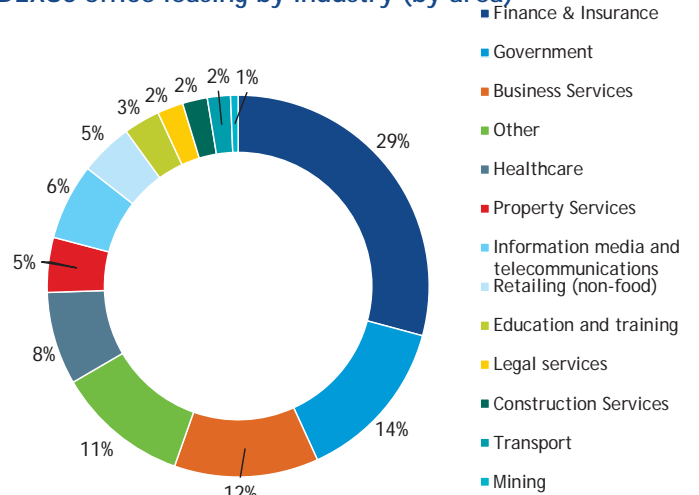
Total office space leased<sup>1</sup>

## 157 leasing transactions

DEXUS office leasing by market



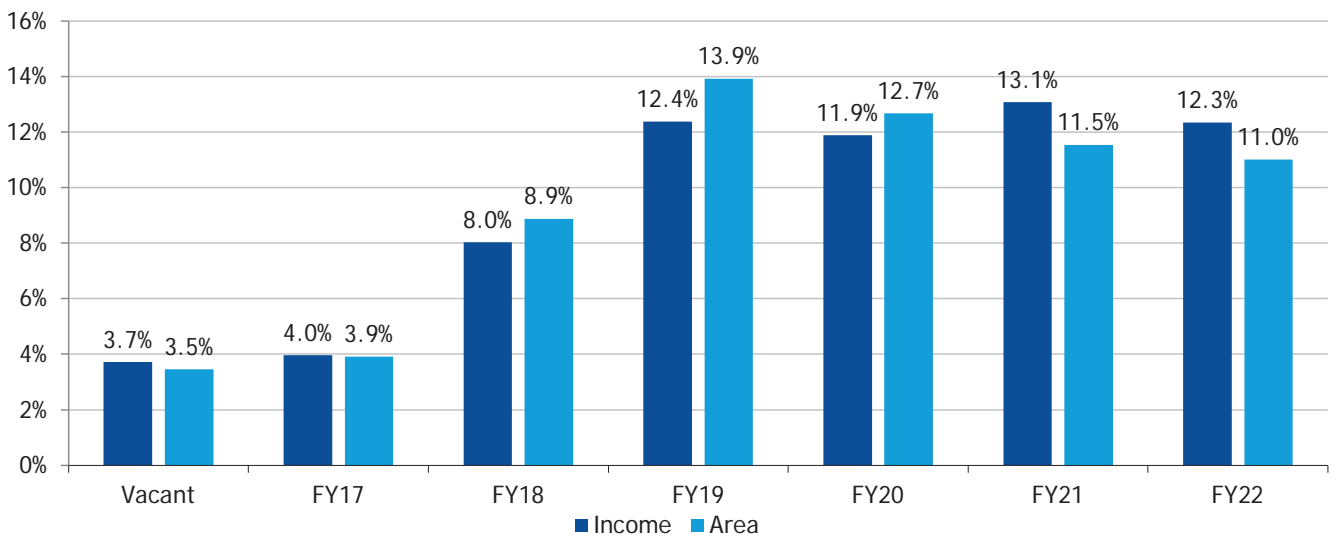
DEXUS office leasing by Industry (by area)



1. Including Heads of Agreement.

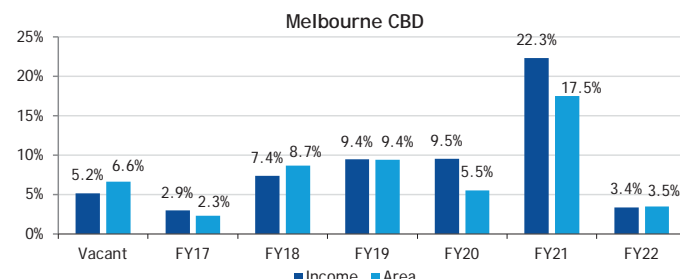
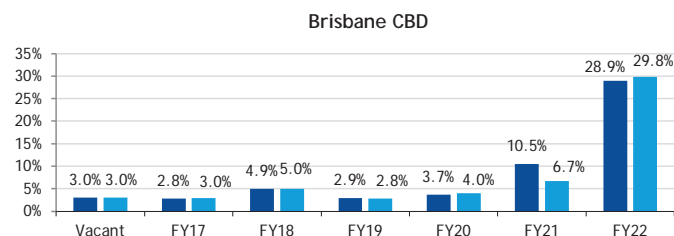
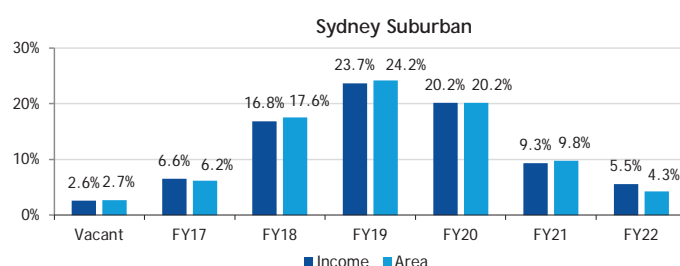
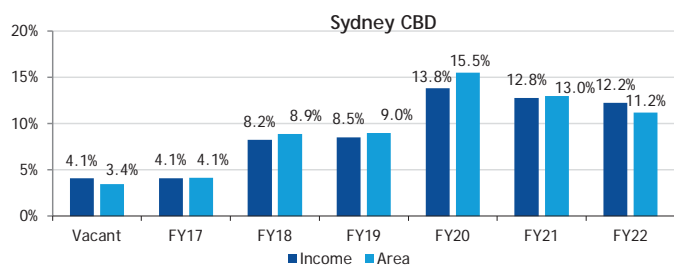


# PROPERTY PORTFOLIO – OFFICE: Lease expiry profile at 31 December 2016

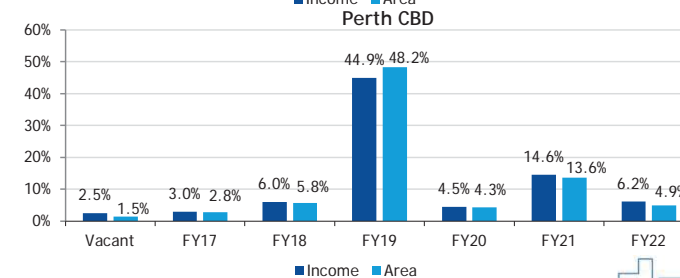




# PROPERTY PORTFOLIO – OFFICE: Lease expiry profiles at 31 December 2016



DEXUS Office <sup>1</sup>	Value (\$m)	Cap rate (%)	Yield <sup>2</sup> (%)
Sydney CBD	5,100	5.6%	4.8%
Sydney Suburban	554	7.0%	8.1%
Melbourne CBD	718	6.1%	6.5%
Brisbane CBD	1,555	6.2%	6.3%
Perth CBD	652	7.0%	7.8%

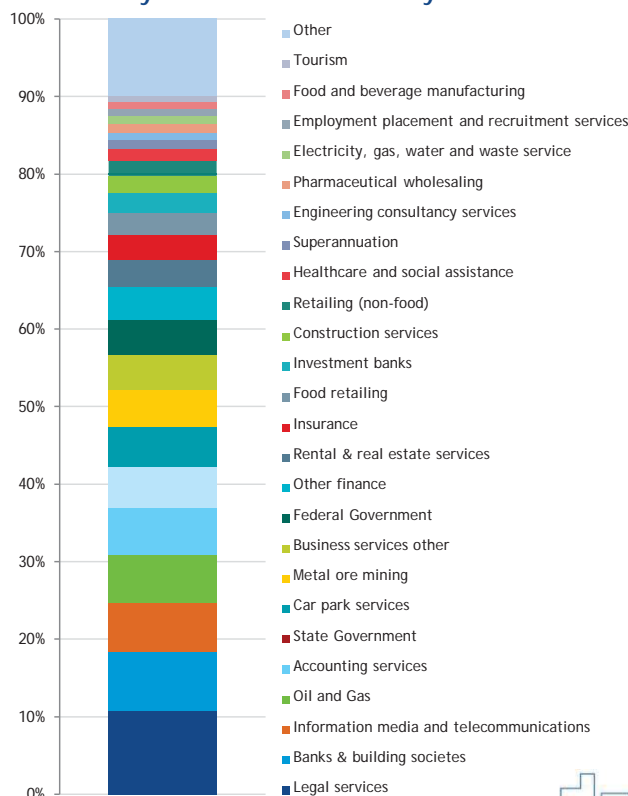


1. Includes stabilised properties only. Excludes Adelaide and Canberra office properties.  
2. Passing FFO yield based on annualised Property Funds From Operations for the month of January 2017.

# PROPERTY PORTFOLIO – OFFICE: Top 10 customers

Office customer	S&P rating	% of income <sup>1</sup>
Wilson Parking	Not rated	3.8%
Commonwealth of Australia	AAA negative	3.4%
Woodside Energy	BBB+ negative	3.2%
Rio Tinto	A- negative	2.8%
Commonwealth Bank of Australia	AA- negative	2.6%
Deloitte	Not rated	1.7%
State of Victoria	AAA negative	1.5%
State of NSW	AAA negative	1.1%
Budge Times	Not rated	1.0%
BDO	Not rated	1.0%

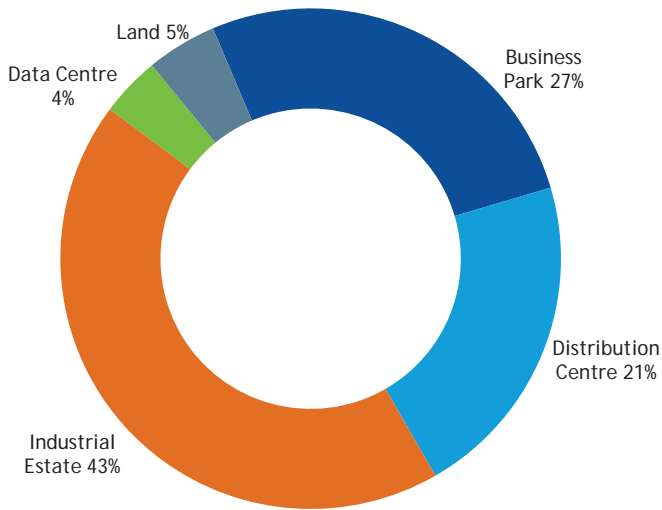
## Diversity of office customers by income



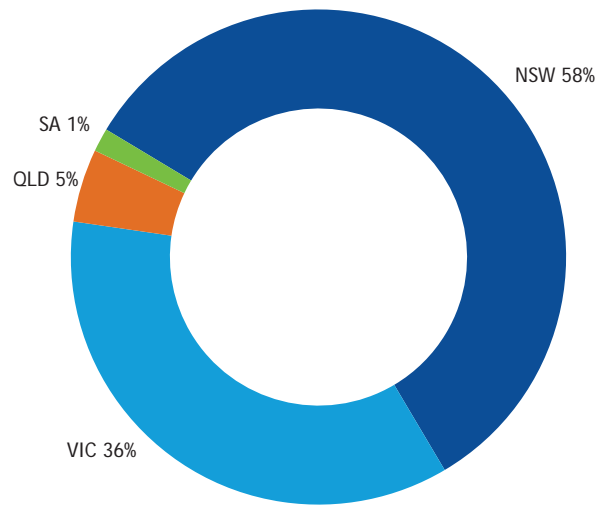
1. 31 December 2016 fully leased total DEXUS portfolio passing income.

# PROPERTY PORTFOLIO – INDUSTRIAL: Portfolio diversification

DEXUS industrial by asset type



DEXUS industrial by location

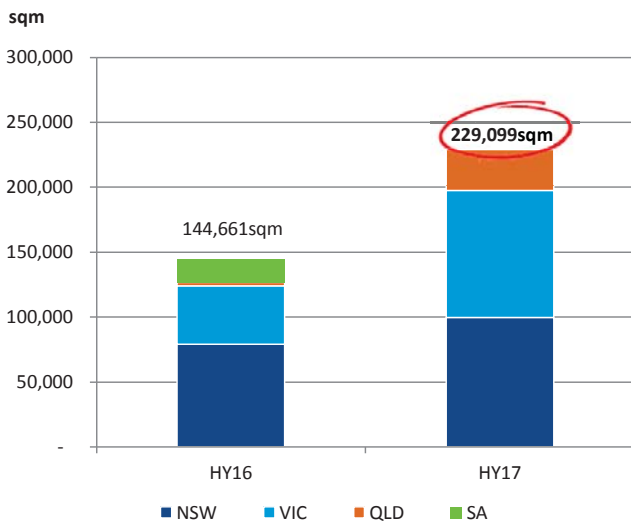


# PROPERTY PORTFOLIO – INDUSTRIAL: Leasing re-setting portfolio

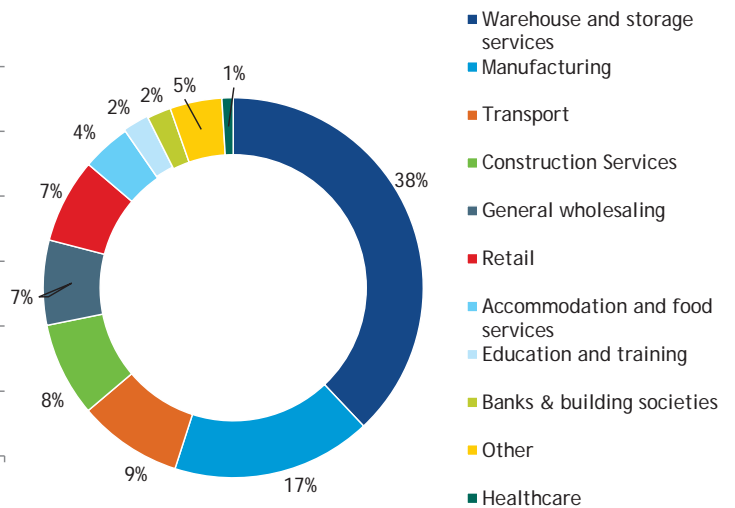
**229,099sqm**  
Total industrial space leased<sup>1</sup>

**68** leasing transactions

DEXUS industrial leasing by market



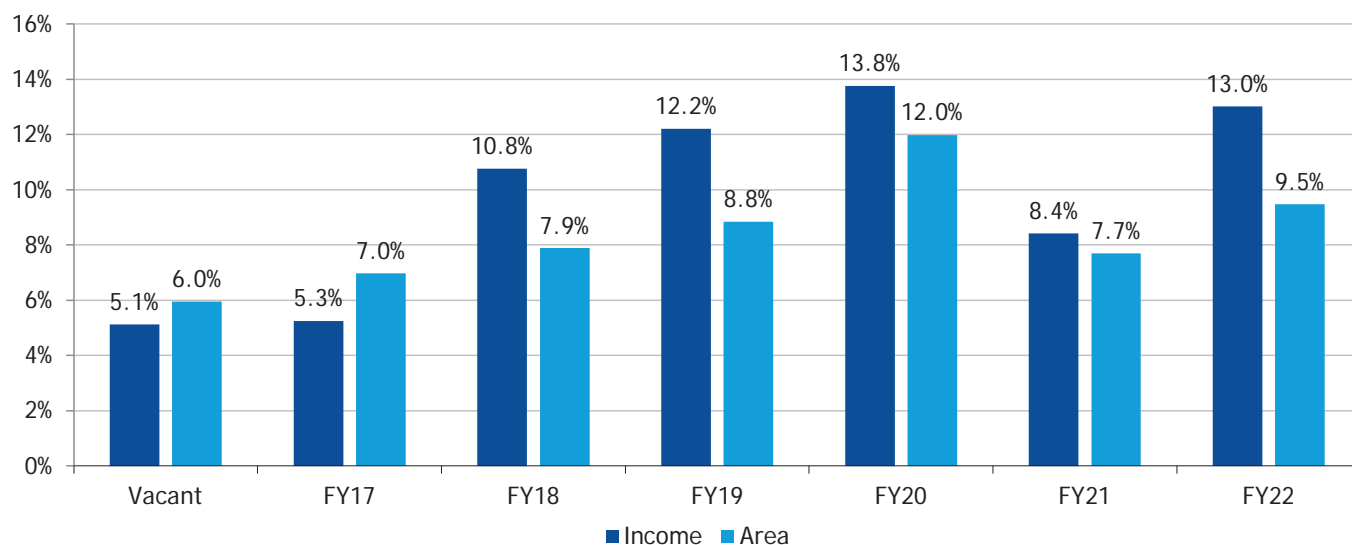
DEXUS industrial leasing by Industry (by area)



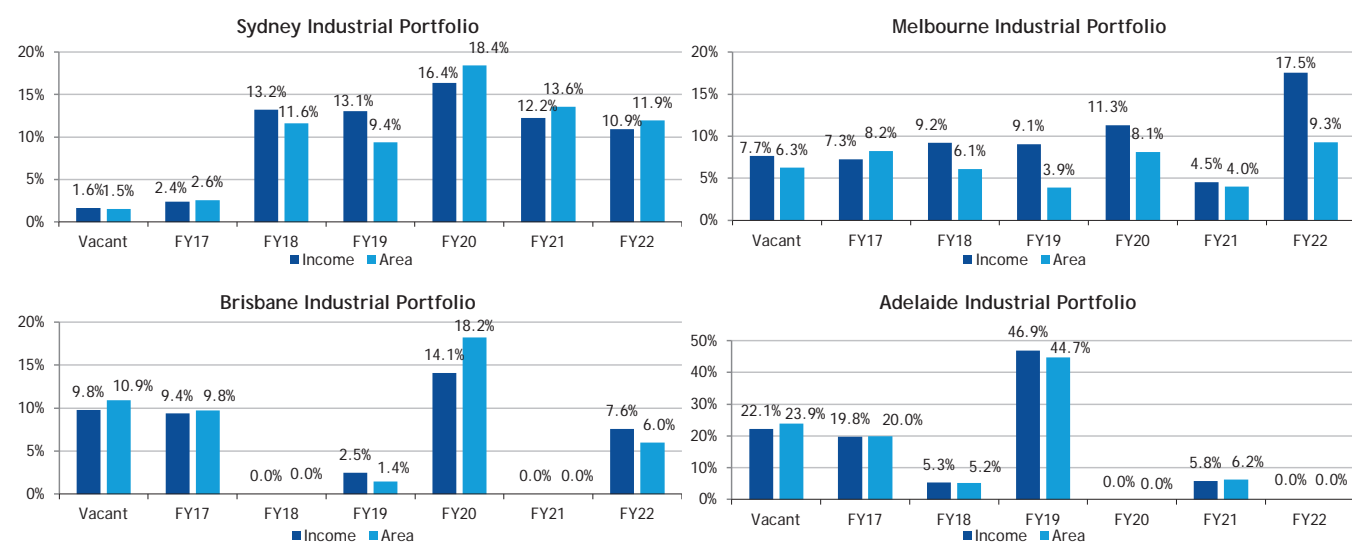
1. Including Heads of Agreement.



## PROPERTY PORTFOLIO – INDUSTRIAL: Lease expiry profile at 31 December 2016



## PROPERTY PORTFOLIO – INDUSTRIAL: Lease expiry profiles at 31 December 2016



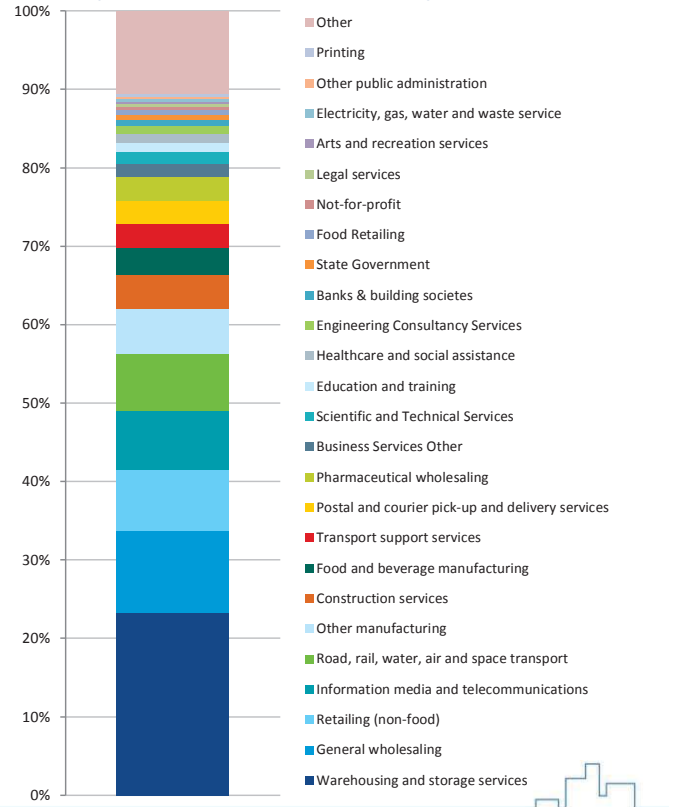
DEXUS Industrial <sup>1</sup>	Value (\$m)	Cap rate (%)	Yield <sup>2</sup> (%)
Sydney	889	7.0%	6.7%
Melbourne	557	7.3%	6.7%
Brisbane	84	7.3%	5.8%
Adelaide	27	11.0%	11.1%

1. Includes stabilised properties only.  
2. Passing FFO yield based on annualised Property Funds From Operations for the month of January 2017.

# PROPERTY PORTFOLIO – INDUSTRIAL: Top 10 customers

Industrial customer	% of income <sup>1</sup>
Wesfarmers Limited	1.1%
AWH Pty Ltd	0.6%
Reece	0.5%
IBM Australia	0.5%
Visy Industry Packaging Pty Ltd	0.5%
Blackwoods	0.4%
Fedex	0.4%
Toll Transport Pty Ltd	0.3%
Fonterra Co-Operative Group	0.3%
Device Technologies	0.3%

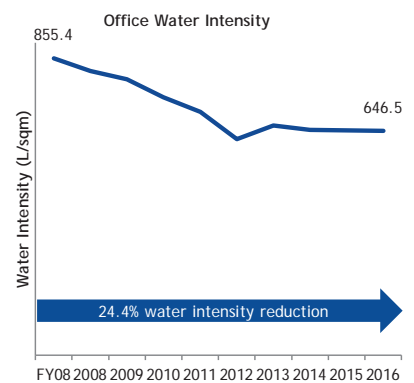
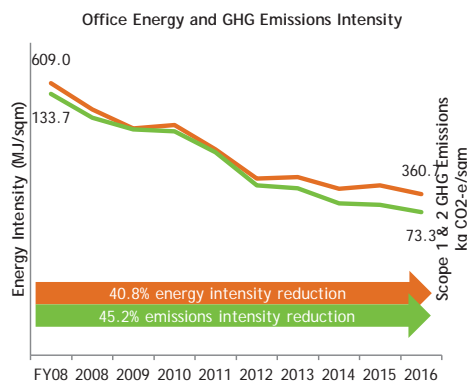
## Diversity of industrial customers by income



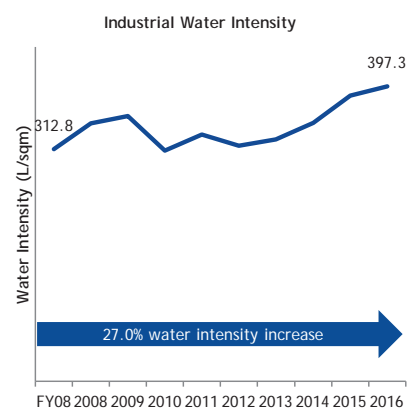
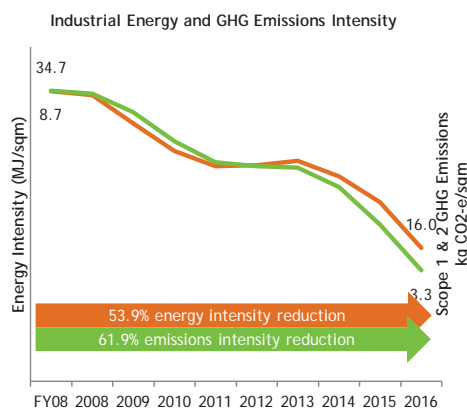
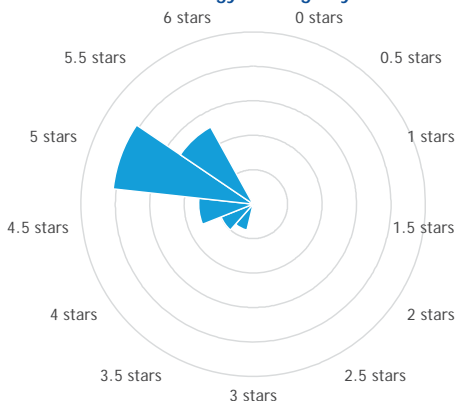
1. 31 December 2016 fully leased total DEXUS portfolio passing income.

# PROPERTY PORTFOLIO – Office and Industrial portfolio sustainability metrics

DEXUS office portfolio	NABERS Energy average rating	NABERS Water average rating
Dec 13	4.8 <sup>1</sup>	3.5 <sup>1</sup>
Dec 14	4.6 <sup>2</sup>	3.5 <sup>2</sup>
Dec 15	4.7 <sup>2</sup>	3.8 <sup>2</sup>
Dec 16	4.8 <sup>2</sup>	3.6 <sup>2</sup>



## 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.

## PROPERTY PORTFOLIO – DEXUS completed developments

Pipeline	Building area <sup>1</sup> sqm	Project cost <sup>2</sup> \$m	Yield on cost <sup>3</sup> %	Space leased %	Final Completion
<b>Industrial</b>					
Quarrywest, 2A Basalt Rd & 1 Charley Cl (Precinct E), Greystanes, NSW	36,045	38	8.0%	100%	Sep 2016
13 Felstead Dr, Laverton North, VIC	10,194	13	7.2%	100%	Dec 2016
<b>Total industrial</b>	<b>46,239</b>	<b>51</b>			
<b>Total developments completed</b>	<b>46,239</b>	<b>51</b>			



1. At 100%.
2. DEXUS interest in development cost (including cost of land where purchased for development).
3. Yield on cost calculation includes cost of land.

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**DEXUS**  
PROPERTY GROUP

## PROPERTY PORTFOLIO – DEXUS committed developments & portfolio capex

Pipeline	Building area <sup>1</sup> sqm	Project cost est. <sup>2</sup> \$m	Est. cost to completion <sup>2</sup> \$m	Yield on cost <sup>3</sup> %	Leased %	Completion due
<b>Office</b>						
100 Mount Street, North Sydney, NSW	41,419	231	167	7.3%	15%	Jan 2019
<b>Total office</b>	<b>41,419</b>	<b>231</b>	<b>167</b>			
<b>Industrial</b>						
Quarrywest, 5 Dolerite Way (Precinct B), Greystanes, NSW	10,100	10	2	7.9%	100%	Mar 2017
Quarrywest, Greystanes, NSW	80,480	65	40	8.0%	nil	Aug 2018
DEXUS Industrial Estate, Laverton North, VIC	39,112	47	47	6.8%	100%	Dec 2017
141 Anton Road, Hemmant, QLD	68,410	49	35	8.1%	nil	Apr 2020
<b>Total industrial</b>	<b>198,102</b>	<b>171</b>	<b>123</b>			
<b>City retail</b>						
175 Pitt Street, Sydney, NSW	5,276	30	27	6.3%		Apr 2019
<b>Total city retail</b>	<b>5,276</b>	<b>30</b>	<b>27</b>			
<b>Total developments committed</b>	<b>244,797</b>	<b>432</b>	<b>317</b>			

DEXUS total portfolio capital expenditure	HY17	FY17E
Maintenance capital expenditure	\$21.5m	\$55-60m
Cash incentives and leasing costs	\$28.6m	\$55-60m
<b>Total capital expenditure</b>	<b>\$50.1m</b>	<b>\$110-120m</b>

1. At 100%.
2. DEXUS interest in development cost (including cost of land where purchased for development).
3. Yield on cost calculation includes cost of land.

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**DEXUS**  
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## PROPERTY PORTFOLIO – DEXUS uncommitted developments

Pipeline	Building area <sup>1</sup> sqm	Project cost est. <sup>2</sup> \$m	Est. yield on est. project cost <sup>3</sup> %
<b>Office</b>			
Sydney CBD office opportunity, NSW	51,195	276	
11 Talavera Road, Macquarie Park, NSW	34,000	202	
180 Flinders St, Melbourne, VIC	22,765	155	
Waterfront Place Precinct, Brisbane, QLD (Office)	67,500	236	
12 Creek St, Brisbane, QLD	6,730	27	
<b>Total office</b>	<b>182,190</b>	<b>896</b>	<b>6-8%</b>
<b>Industrial</b>			
DEXUS Industrial Estate (Stage 3), Laverton North, VIC	44,840	53	
Axxess Corporate Park, Mount Waverley, VIC	16,000	70	
<b>Total industrial</b>	<b>60,840</b>	<b>123</b>	<b>6-9%</b>
<b>City retail</b>			
321 Kent St Retail Podium, Sydney, NSW	4,228	12	
44 Market St, Sydney, NSW	2,767	22	
1 Farrer Place, Sydney, NSW	580	5	
201 Elizabeth Street, Sydney, NSW (City Retail)	4,900	23	
<b>Total city retail</b>	<b>12,475</b>	<b>61</b>	<b>6-8%</b>
<b>Other</b>			
201 Elizabeth Street, Sydney, NSW (Resi & hotel)	54,646	278	
Waterfront Place Precinct, Brisbane, QLD (Resi & hotel)	100,000	204	
<b>Total other</b>	<b>154,646</b>	<b>481</b>	<b>N/A</b>
<b>Total uncommitted</b>	<b>410,151</b>	<b>1,562</b>	

1. At 100%.
2. DEXUS interest in development cost (including cost of land where purchased for development).
3. Yield on cost calculation includes cost of land.

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## TRANSACTIONS – Group activity

DEXUS acquisitions	Purchase price \$m	Interest	Cap rate	Settlement Date
The Mill, Alexandria, NSW	110.2	100%	6.6%	19 Jan 2017
<b>Total</b>	<b>110.2</b>			

DEXUS divestments	Sale price \$m	Interest	Settlement Date
39 Martin Place, Sydney, NSW	166.0	50%	14 Nov 2016 <sup>1</sup>
<b>Total</b>	<b>166.0</b>		

Third party acquisitions	Purchase price \$m	Interest	Cap rate	Settlement Date
Carillon City, Perth, WA	140.0	100%	7.05%	30 Nov 2016
<b>Total</b>	<b>140.0</b>			

Third party divestments	Sale price \$m	Interest	Settlement Date
324 Queen Street, Brisbane, QLD	66.0	50%	1 Dec 2016
39 Martin Place, Sydney, QLD	166.0	50%	14 Nov 2016
<b>Total</b>	<b>232.0</b>		



1. Settlement date for office component. Retail component not settled as at 31 December 2016.

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## TRADING – Track record since 2012

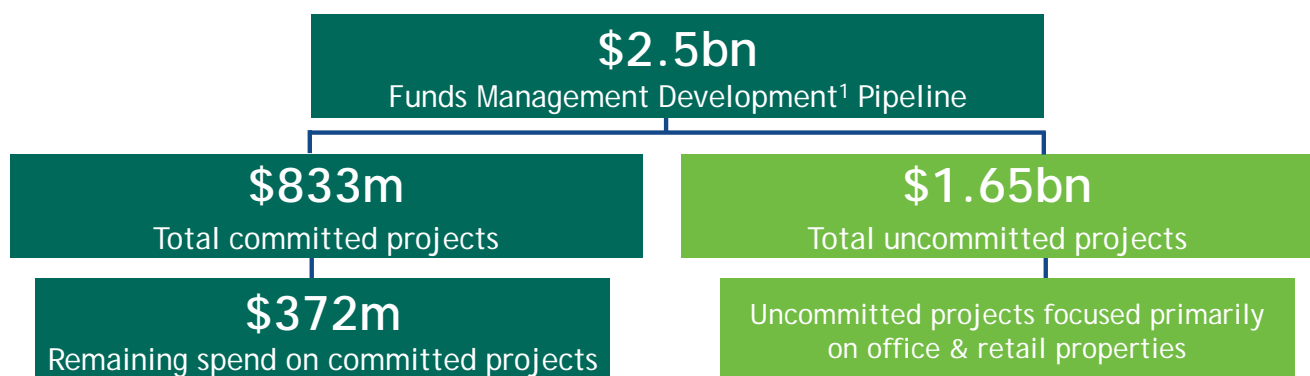
### TRADING PROFITS DELIVERED - developed or repositioned and sold nine properties

Settlement date	Property	Sector	Trading strategy	Sale price (\$m)	Trading profit <sup>1</sup> (\$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	Industrial	Reposition	190	91.8	49.9% <sup>2</sup>
31 Jul 15	154 O'Riordan St, Mascot	Industrial	Reposition	32	15.9	36.7% <sup>2</sup>
1 Jul 16	57-65 Templar Road, Erskine Park	Industrial	Development	50	11.9	22.0%
	<b>Total</b>			<b>\$575.4m</b>	<b>\$158.7m</b>	<b>23.4%<sup>3</sup></b>

1. Pre-tax.
2. Levered IRR and includes the weighted cost of debt at 5.0% for the duration of the project.
3. Calculated as an arithmetic average.



## FUNDS MANAGEMENT – Development pipeline



### Remaining spend on committed projects in Third Party Funds

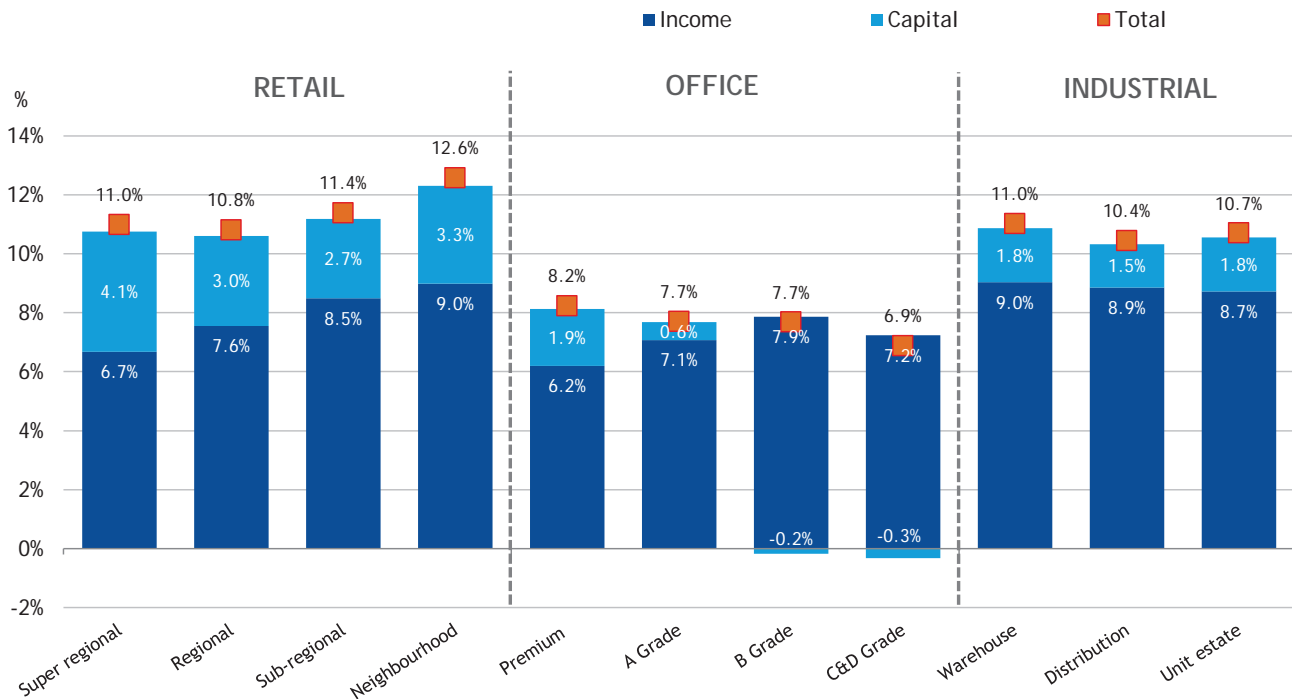
Committed projects	FY17	FY18	FY19/20
Office / City Retail - 3 properties		\$216m	
Retail - 3 properties		\$80m	
Industrial - 3 properties		\$76m	
<b>Remaining spend on committed Third Party projects</b>		<b>\$372m</b>	

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



# MARKET OUTLOOK – Sector comparison of total returns over the past 25 years

Returns rolling annual % per annum, 25 years to September 2016



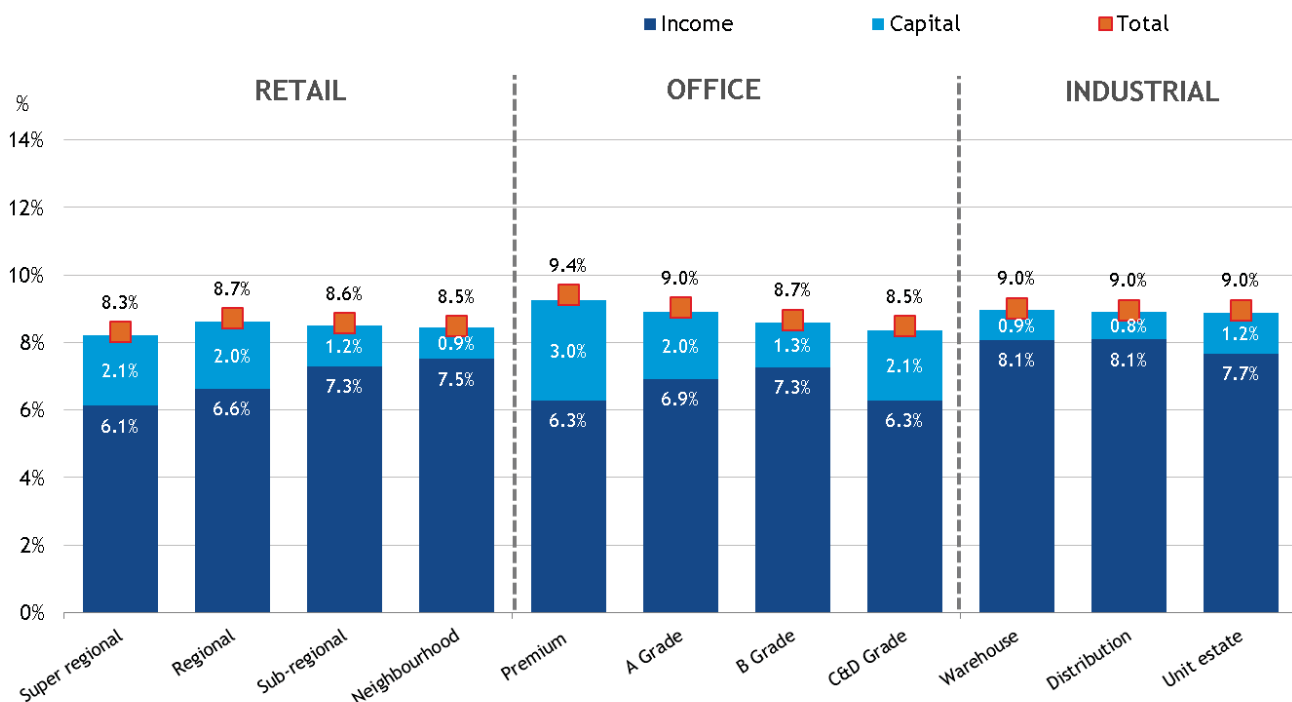
Source: IPD/MSCI, DEXUS Research

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# MARKET OUTLOOK – Sector comparison of total returns over the past 10 years

Returns rolling annual % per annum, 10 years to September 2016



Source: IPD/MSCI, DEXUS Research

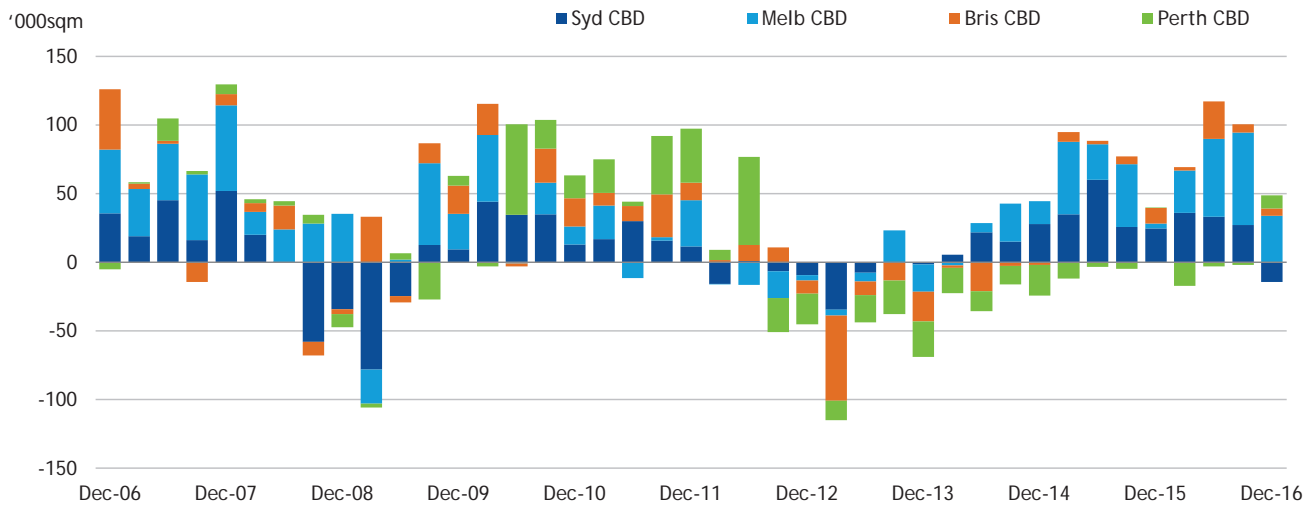
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## MARKET OUTLOOK – East coast office demand remains positive

### Net absorption by office market (qly)



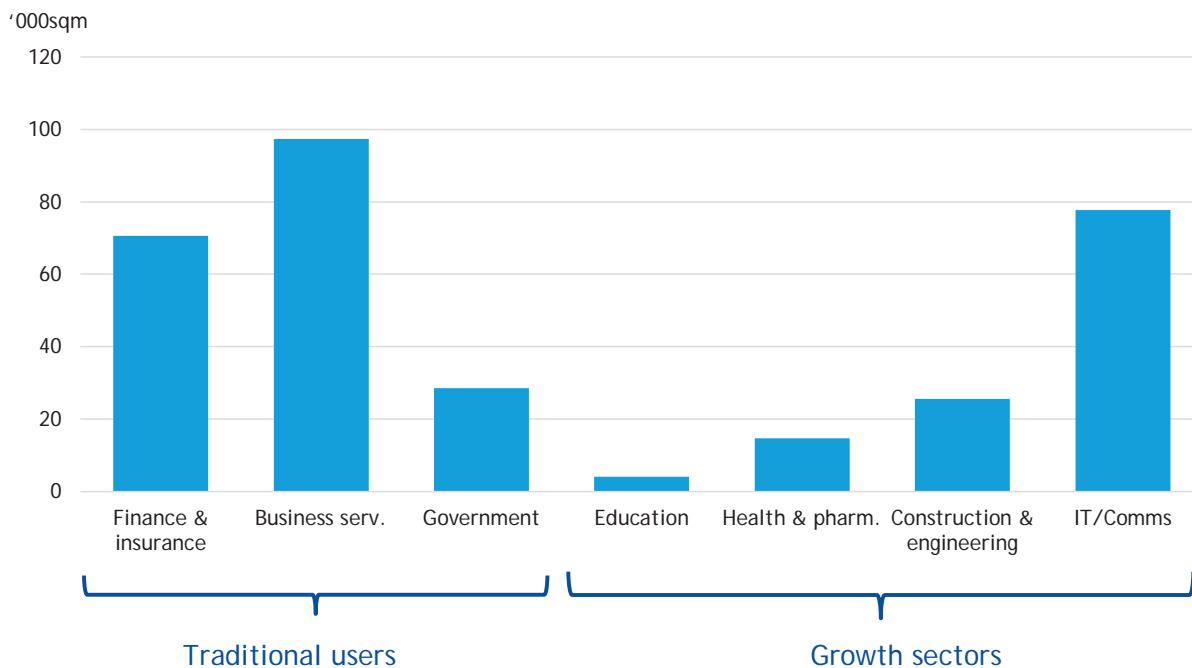
Source: JLL Research, DEXUS Research.

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## MARKET OUTLOOK – Sydney office enquiry from a diverse range of sources

### Sydney CBD lease enquiry by industry in 2016



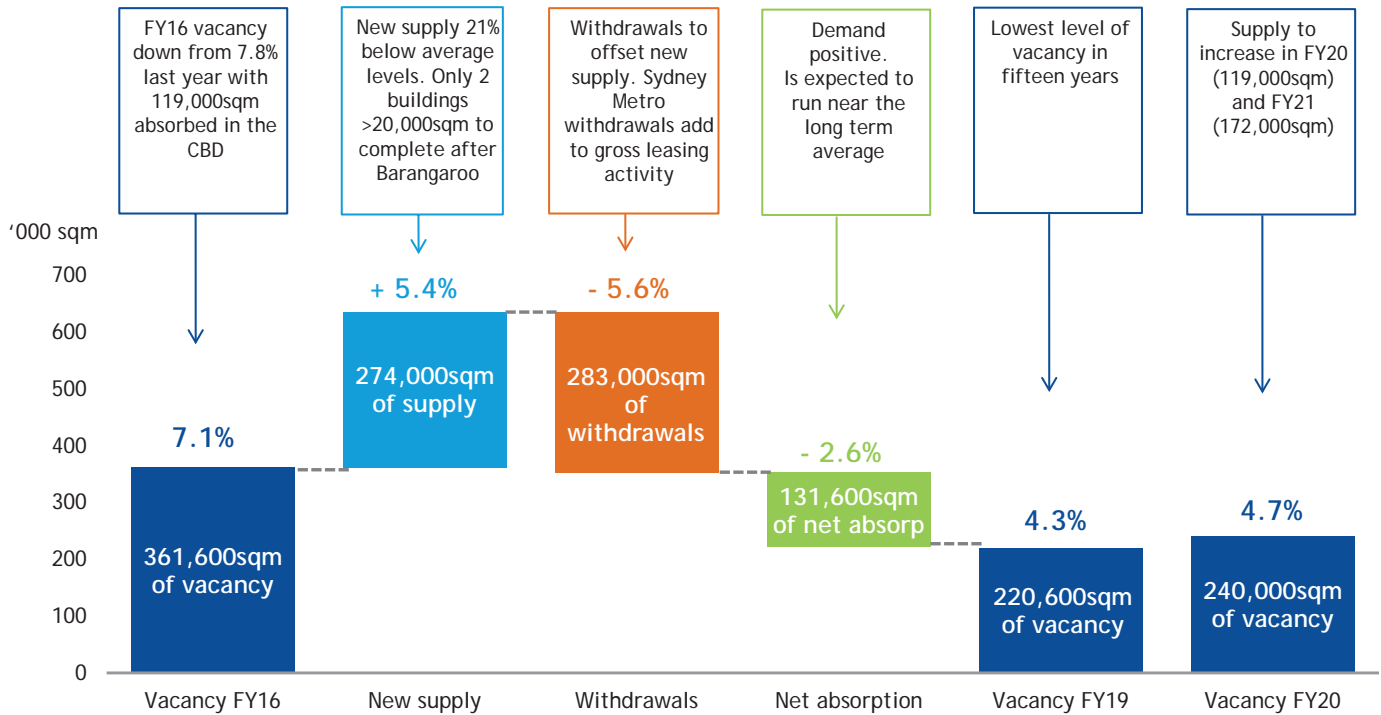
Source: Colliers Edge.

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# MARKET OUTLOOK – SYDNEY OFFICE: Solid fundamentals to support growth

## Sydney CBD waterfall chart - FY16 to FY19



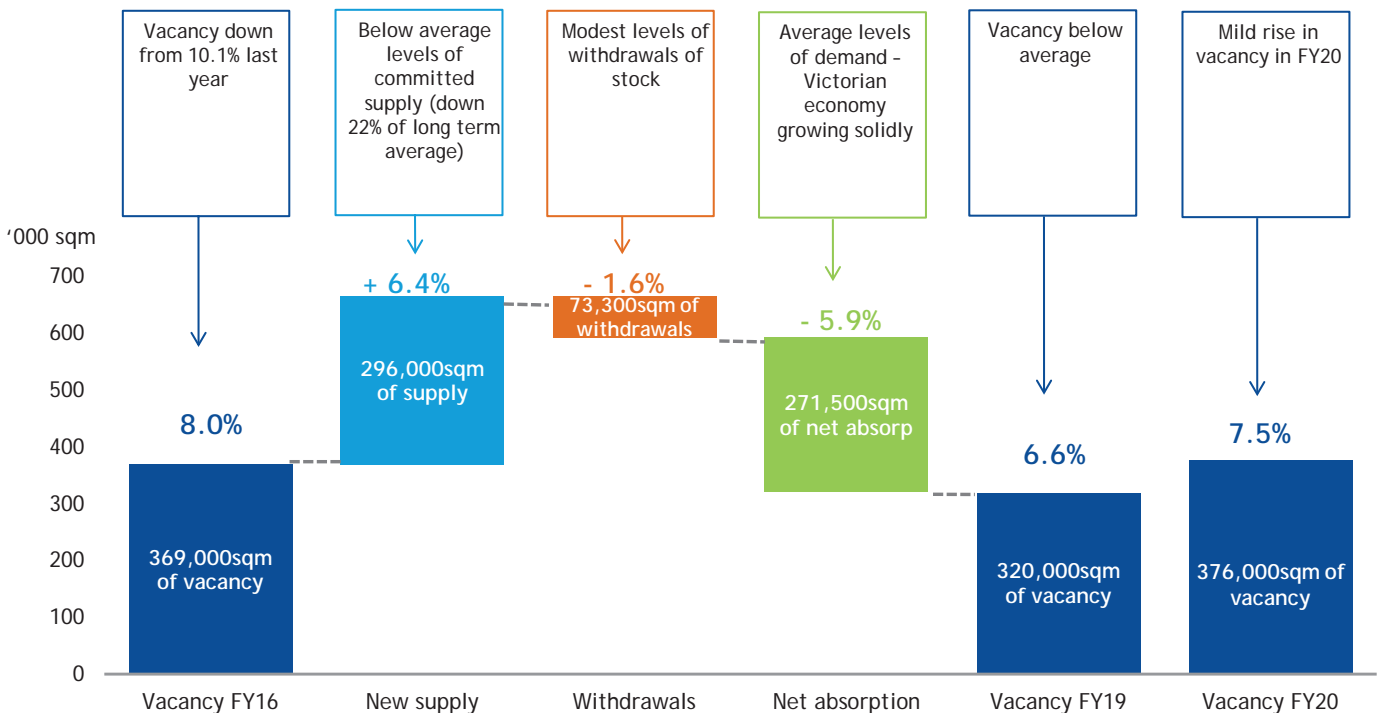
Source: DEXUS Research, long term average based on 20 year average as % of stock.

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# MARKET OUTLOOK – MELBOURNE OFFICE: Why the market will tighten FY17-19

## Melbourne CBD waterfall chart - FY16 to FY19



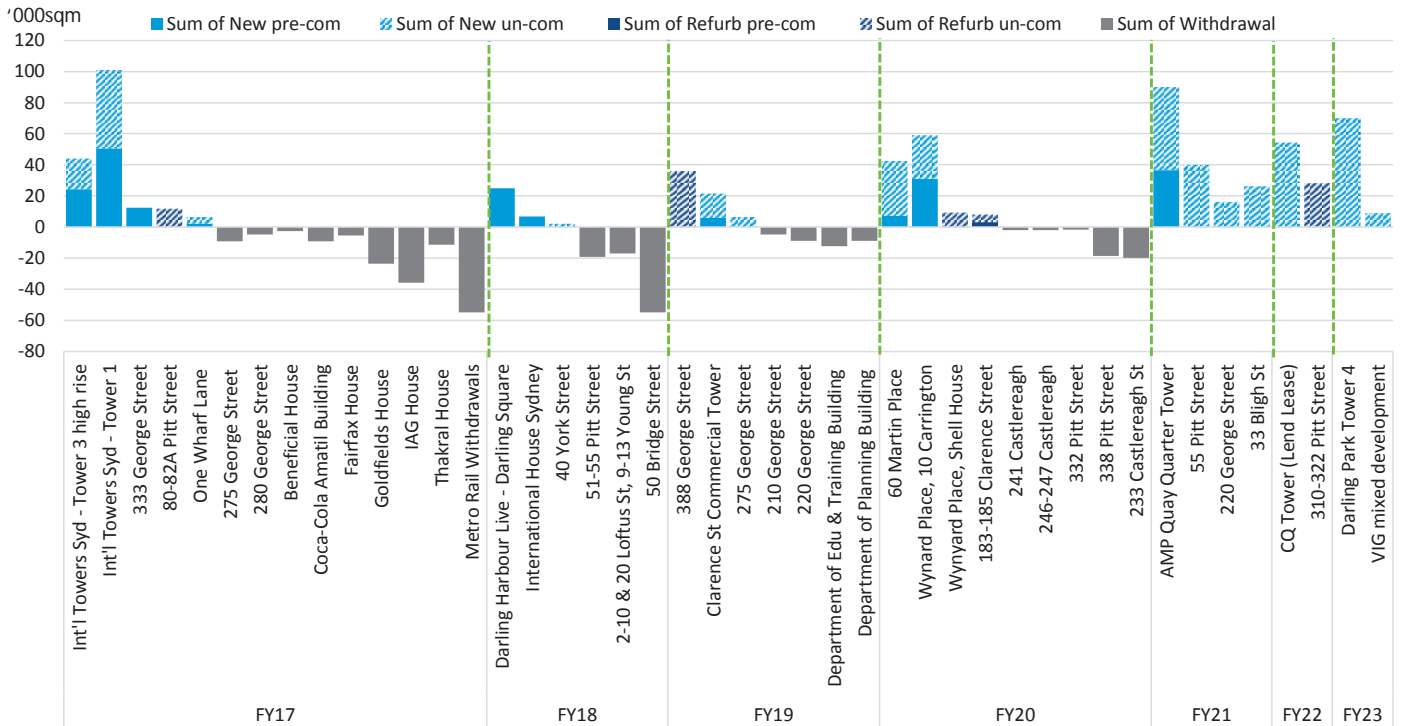
Source: DEXUS Research, long term average based on 15 year average as % of stock.

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# MARKET OUTLOOK – Sydney faces near term supply shortage

- Planned supply still a long way off - most projects scheduled for FY20 to FY23



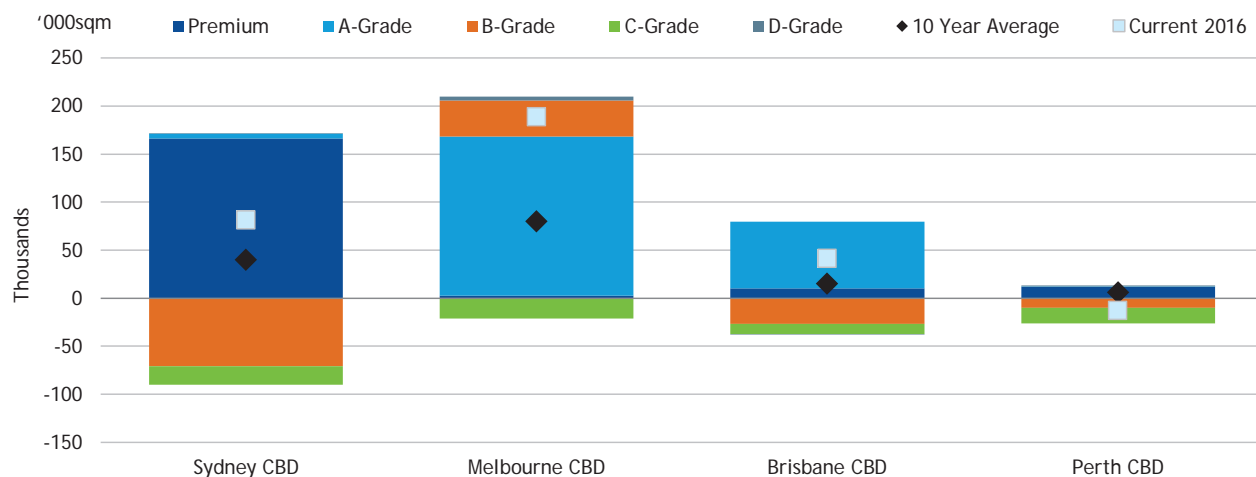
Source: DEXUS Research.



# MARKET OUTLOOK – Office customers migrating to high quality space

- Pronounced net movement of tenants into prime space and out of secondary space - all CBD markets
- Sydney - withdrawals are leading to a shortage of B and C grade stock and migration to A and Premium
- Other markets - A Grade and Premium stock is both available and cost effective
- Customers aspire to high quality and functional space

## Net absorption by grade 2016: Four major CBDs

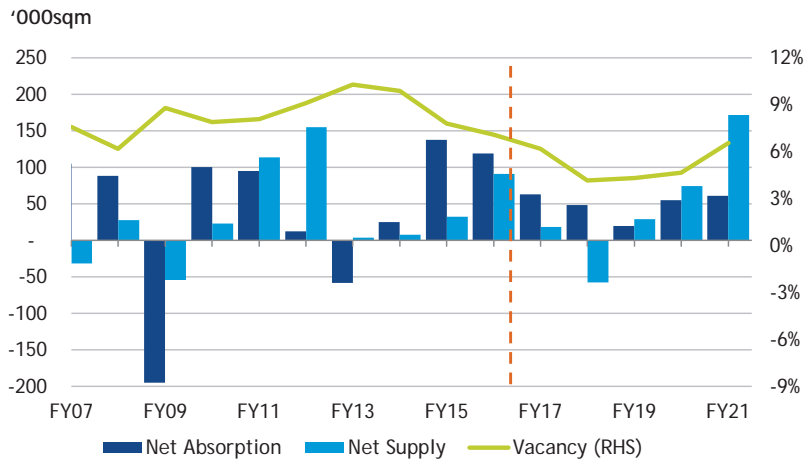


Source: JLL Research, DEXUS Research.



## MARKET OUTLOOK – Sydney CBD office

### Sydney CBD office market



Sydney CBD office market		At 31 Dec 2016
Total net lettable area		5.14 million sqm
Prime vacancy average		8.7%
<b>DEXUS Sydney CBD exposure</b>		
Net lettable area		592,643sqm
Number of properties		18
% of portfolio by value		56%
Occupancy by area		96.9%
Occupancy by income		95.9%
Weighted average lease expiry		4.8 years

- Growth cycle in full swing with a lack of supply leading to rent growth
- Vacancy rate is forecast to fall to 4.3% in FY19
- Planned new supply is still a long way off - scheduled for FY20 to FY22
- NSW economy performing well - service sector growing

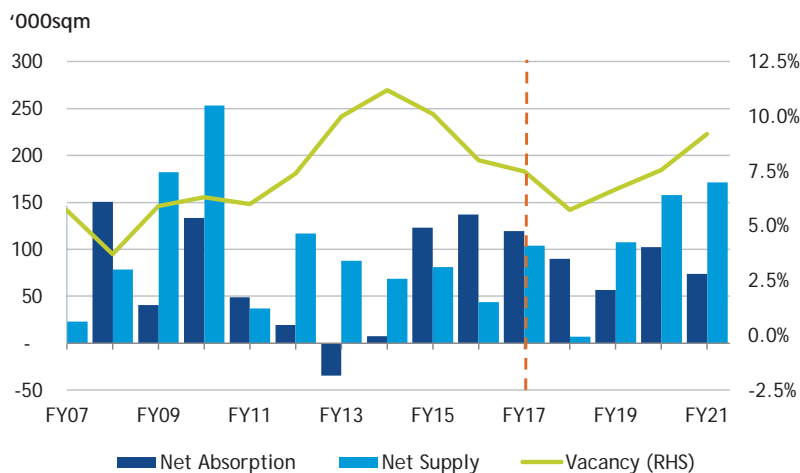
Source: JLL Research actual & DEXUS Research forecast.

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## MARKET OUTLOOK – Melbourne CBD office

### Melbourne CBD office market



Melbourne CBD office market		At 31 Dec 2016
Total net lettable area		4.72 million sqm
Prime vacancy average		7.9%
<b>DEXUS Melbourne CBD exposure</b>		
Net lettable area		274,823sqm
Number of properties		8
% of portfolio by value		8%
Occupancy by area		93.4%
Occupancy by income		94.8%
Weighted average lease expiry		5.3 years

- Melbourne is experiencing a mild growth cycle
- Solid demand supported by growing 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

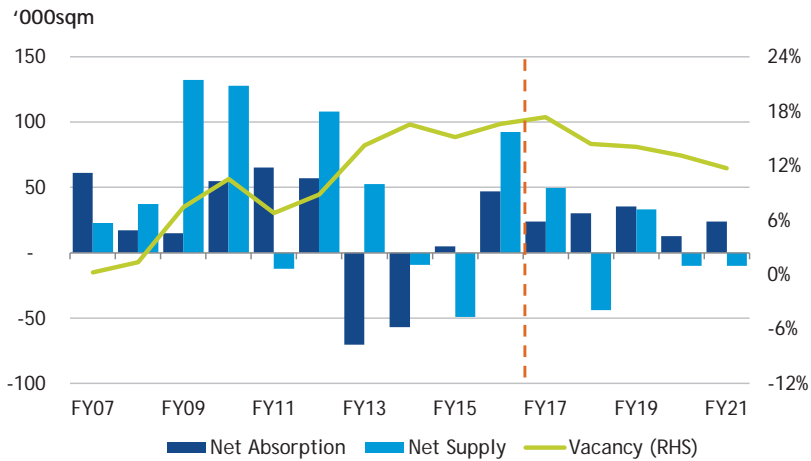
Source: JLL Research actual & DEXUS Research forecast.

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## MARKET OUTLOOK – Brisbane CBD office

### Brisbane CBD office market



Brisbane CBD office market		At 31 Dec 2016
Total net lettable area		2.27 million sqm
Prime vacancy average		14.7%
<b>DEXUS Brisbane CBD exposure</b>		
Net lettable area		250,969sqm
Number of properties		6
% of portfolio by value		18%
Occupancy by area		97.0%
Occupancy by income		97.0%
Weighted average lease expiry		5.4 years

- Demand has turned the corner with 4 quarters of positive demand
- Demand to benefit from centralisation of tenants into the CBD and improving economy
- Supply cycle is behind us with little new supply expected in the next three years
- Market is benefiting from significant withdrawals for alternative use

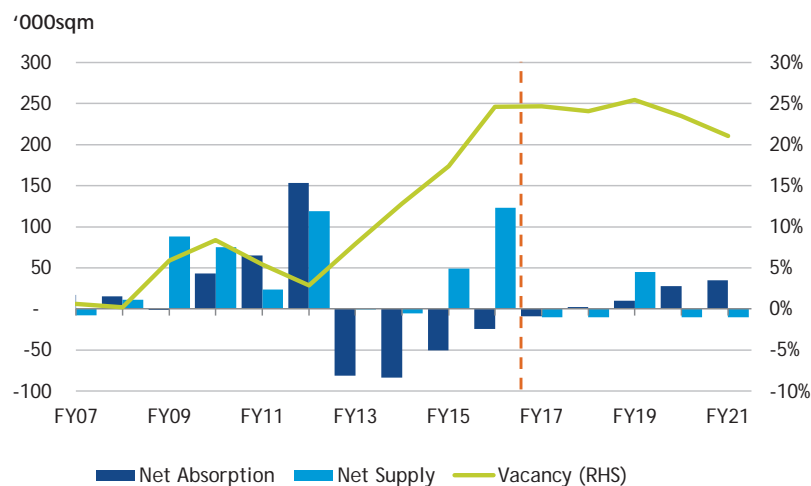
Source: JLL Research actual & DEXUS Research forecast.

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## MARKET OUTLOOK – Perth CBD office

### Perth CBD office market



Perth CBD office market		At 31 Dec 2016
Total net lettable area		1.77 million sqm
Prime vacancy average		22.3%
<b>DEXUS Perth CBD exposure</b>		
Net lettable area		130,895sqm
Number of properties		4
% of portfolio by value		7%
Occupancy by area		98.5%
Occupancy by income		97.5%
Weighted average lease expiry		3.5 years

- Soft demand conditions due to contraction in state economy
- Elevated levels of new supply have driven vacancy rates to 20 year highs of 24.6%
- Recent rises in commodity prices are a welcome sign
- Rents are expected to reach a base in the next 12 months
- Market likely to take some years to recover, depending on demand

Source: JLL Research actual & DEXUS Research forecast.

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## EXCHANGE RATES AND SECURITIES USED IN STATUTORY ACCOUNTS

		31 Dec 2015	30 Jun 2016	31 Dec 2016
Closing rates for Statement of Financial Position	USD	0.7286	0.7426	0.7236
Average rates for Statement of Comprehensive Income	USD	0.7231	0.7287	0.7546

Post consolidation equivalent amounts <sup>1</sup>	6 mths to 31 Dec 2015	12 mths to 30 Jun 2016	6 mths to 31 Dec 2016
Average weighted number of securities <sup>2</sup>	969,319,156	968,639,060	967,947,692
Closing number of securities	967,947,692	967,947,692	967,947,692

- 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.
- 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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## DEXUS PROPERTY GROUP 2017 HALF YEAR RESULTS PRESENTATION - 15 FEBRUARY 2017