Dexus (ASX:DXS)

ASX release

2 May 2017

March 2017 quarter portfolio update

Dexus today announced its property portfolio operational update for the quarter ended 31 March 2017.

Highlights

- Leased 42,295 square metres[1] of office space across 65 transactions, with office portfolio occupancy increasing to 96.7%
- Leased a significant amount of industrial space in the quarter securing 148,792 square metres[1] of industrial space across 28 transactions, with industrial portfolio occupancy increasing to 95.7%
- Progressed the development of 105 Phillip Street, Parramatta and secured six industrial customers across 72,000 square metres activating six new industrial developments

Dexus Office Portfolio

Key metrics	31 March 2017	31 December 2016
Occupancy by income	96.7%	96.3%
Occupancy by area	96.7%	96.5%
WALE by income	4.7 years	4.7 years
Average incentive	12.5%	14.3%

Kevin George Dexus Executive General Manager, Office & Industrial said: “We have benefited from the more active office markets of Sydney and Melbourne, recording average incentives of 11% and 7% respectively. Brisbane is seeing a flight to quality, and Perth is experiencing an uptick in enquiry with occupiers looking to upgrade or relocate to the CBD from fringe and suburban locations to take advantage of competitive pricing.”

Over the quarter to 31 March 2017, Dexus leased 42,295 square metres[1] of office space across 65 transactions, which included 45 new deals and 20 renewals. Notable activity during the quarter included:

- Securing IOOF at 30 The Bond, Sydney across 2,661 square metres, resulting in only one floor remaining to lease at the building.
- Securing Flight Centre across 6,566 square metres at Victoria Cross, North Sydney
- Renewing The Nielsen Company across 4,122 square metres at 11 Talavera Road, Macquarie Park

Occupancy (by income) increased to 96.7% from 96.3% at 31 December 2016 across the total office portfolio, while the weighted average lease expiry (WALE) remained stable. The majority of income from leases secured in the quarter will flow through from September 2017.

Dexus has an opportunity to capitalise on the strength of the Sydney office market, with the majority of its portfolio located in this market. This is expected to be achieved through negotiating favourable terms on the lease expiries located in the Sydney market which represent 62% of expiries over the next three years.

Dexus Industrial Portfolio

Key metrics	31 March 2017	31 December 2016
Occupancy by income	95.7%	94.9%
Occupancy by area	96.3%	94.0%
WALE by income	4.8 years	4.6 years
Average incentive	14.6%	14.6%

Over the quarter, Dexus leased 148,792 square metres[1] of industrial space across 28 transactions including six new development leases over 72,000 square metres.

Notable activity during the quarter included:

- Securing Unitrans at Knoxfield Industrial Estate, Melbourne, across 23,716 square metres
- Renewing 14,775 square metres of space at Gillman, Adelaide and renewing Alspec across 8,712 square metres at 26-40 Pound Road West, Dandenong
- Securing new tenant Hufcor at 7-9 Distribution Drive, Laverton North across 7,869 square metres

Development

Works at 105 Phillip Street, Parramatta have progressed with construction at level three of the 12 level building. At 100 Mount Street, North Sydney a second crane has been erected and excavation is complete with the core of the building starting to emerge above street level.

In industrial, notable activity resulted in the leasing and activation of six new developments including:

- Securing the leasing of more than 37,000 square metres of space at Dexus Industrial Estate, Laverton North to Isuzu across 21,700 square metres and Anmar Group across 15,700 square metres
- Securing the leasing of 34,700 square metres at Quarrywest, Greystanes with four new customers. As a result, approximately 34,000 square metres remains to be developed of the 123,000 square metres of total development space at Quarrywest.

FY17 guidance

As a result of the consistent performance across the property portfolio, Dexus reiterates its market guidance[2] for the 12 months ending 30 June 2017 of:

- Underlying FFO per security growth of circa 4%
- Growth in FFO per security of circa 1%
- Distribution per security growth of 3.5-4.5%

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About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high quality Australian property portfolio valued at more than $22 billion. As property innovators, we are deeply committed to working with our customers to provide spaces that engage and inspire, as well as delivering quality, sustainable returns for our investors. We invest only in Australia, and directly own $11 billion of office and industrial properties. We manage a further $11.7 billion of office, retail and industrial properties for third party clients. The Group's $4.5 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With more than 1.7 million square metres of office workspace across 55 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by 30,000 investors from 20 countries. With more than 30 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

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

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1 Including Heads of Agreement.

2 Barring unforeseen circumstances guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; 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).