

Dexus (ASX:DXS)

ASX release



20 June 2017

Market evidence drives increases in valuations

Dexus today announced its six monthly valuation results in which 62 of its 102 properties, comprising 25 office properties and 37 industrial properties have been externally valued as at 30 June 2017, reflecting 59% of the total Dexus property portfolio by value. Combined with internal valuations across the remainder of the portfolio, this has resulted in an estimated \$240 million or 2.1% increase on prior book values for the six months to 30 June 2017.

Taking into account the valuation uplifts booked up to December 2016, this has resulted in an estimated \$636 million or 5.9% increase on prior book values for the 12 months to 30 June 2017.

Darren Steinberg, CEO of Dexus said: "Our valuations for the six months to 30 June 2017 have taken into account comparable property transactions as well as the leasing success achieved at our properties in the buoyant Sydney and Melbourne markets."

The weighted average capitalisation rate across the total portfolio tightened 38 basis points over the past 12 months to 5.95%, and 18 basis points since December 2016. Over the past six months, the weighted average capitalisation rate of the Dexus office portfolio tightened 16 basis points from 5.95% at 31 December 2016 to 5.79% at 30 June 2017 and the Dexus industrial portfolio weighted average capitalisation rate tightened 41 basis points from 7.28% to 6.87%.

External valuations across Dexus's Sydney office properties resulted in an estimated combined \$190 million or 3.3% increase in the value of these properties for the six months to 30 June 2017.

One Farrer Place achieved a 5.0% increase in value as a result of continued leasing success and positive market fundamentals, increasing the valuation by \$48 million and resulting in a 12 basis point tightening in the property's capitalisation rate to 4.92%.

Following leasing success, 60 Miller Street in North Sydney achieved a 26.2% or \$45 million increase in value resulting in a capitalisation rate of 6.00%.

At 240 St Georges Terrace in Perth, the impending lease expiry of Woodside in FY19 has resulted in an 11.3% or \$41 million devaluation. Dexus is committed to repositioning and leasing up this property given the Group's experience in the Perth market.

Development completions accompanied with comparable property transactions and leasing success contributed to valuation increases across the Dexus industrial portfolio.

Darren Steinberg said: "The strength of property fundamentals in both Sydney and Melbourne combined with persistent investment demand from both global and local players attracted to the stable returns from quality well leased properties, should see further support for real estate valuations into FY18."

Further details relating to individual properties that have been externally valued will be provided at Dexus's Annual Results to be released to the Australian Securities Exchange on Wednesday 16 August 2017.

For further information please contact:

Melanie Bourke
Investor Relations
+61 2 9017 1168
+61 405 130 824
melanie.bourke@dexus.com

Louise Murray
Media
+61 2 9017 1446
+61 403 260 754
louise.murray@dexus.com

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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