

Dexus (ASX:DXS)

ASX release



24 October 2017

September 2017 quarter portfolio update

Dexus today announced its property portfolio operational update for the quarter ended 30 September 2017.

Highlights

- Leased 58,788 square metres¹ of office space across 74 transactions, with office portfolio occupancy increasing to 97.5%
- Leased 43,114 square metres¹ of industrial space across 28 transactions, with industrial portfolio occupancy increasing to 96.6%
- Secured NBN at 100 Mount Street, North Sydney across 20,364 square metres increasing the pre-committed area to 60%

Dexus Office Portfolio

Key metrics	30 September 2017	30 June 2017
Occupancy by income	97.5%	97.2%
Occupancy by area	97.4%	97.0%
WALE by income	4.6 years	4.8 years
Average incentive	18.0%	14.5%

Kevin George, Executive General Manager, Office & Industrial said: “Robust activity in the Sydney and Melbourne office markets resulted in increased occupancy across the portfolio. Average incentives increased in the three month period, reflecting leasing undertaken in Brisbane where we have recorded incentives in the low 30% range compared to Sydney and Melbourne which recorded 13.5% and 19.2% respectively.

“Pleasingly after only a few months of ownership, four deals were completed at the recently acquired MLC Centre in Sydney with all deals supporting our acquisition metrics in relation to rents and incentives.”

Over the quarter to 30 September 2017, 58,788 square metres¹ of office space was leased across 74 transactions, reducing Dexus's FY18 expiries from 7.2% at 30 June 2017 to 5.9%. Notable activity during the quarter included:

- Securing heads of agreement across 7,160 square metres at 385 Bourke Street, Melbourne, solving a FY19 leasing risk
- Leasing 4,363 square metres across four transactions at 45 Clarence Street, Sydney
- Leasing 3,073 square metres across six transactions at 56 Pitt Street, Sydney

Occupancy (by income) increased to 97.5% from 97.2% at 30 June 2017 across the total office portfolio, while the weighted average lease expiry (WALE) reduced marginally to 4.6 years. Through negotiating favourable terms on lease expiries, Dexus has an opportunity to capitalise on the strength of the Sydney market, which represent 63% of expiries over the next three years to the end of FY20.

Dexus Industrial Portfolio

Key metrics	30 September 2017	30 June 2017
Occupancy by income	96.6%	96.5%
Occupancy by area	96.8%	96.6%
WALE by income	5.0 years	5.1 years
Average incentive	4.8%	14.5%



Over the quarter, 43,114 square metres¹ of industrial space was leased across 28 transactions, reducing Dexus's FY18 lease expiry from 8.6% at 30 June 2017 to 6.4%.

Notable activity during the quarter included:

- Securing new tenant Kalari Transport across 17,696 square metres at Gillman in Adelaide increasing occupancy to 100%
- Securing 16 leasing deals across 7,394 square metres at Axxess Corporate Park, Mt Waverley in Victoria
- Securing two tenants across 6,420 square metres at 30 Bellrick Street, Acacia Ridge in Queensland

Occupancy (by income) increased to 96.6% from 96.5% at 30 June 2017, while WALE reduced marginally to 5.0 years. Strong leasing activity in the quarter was impacted by vacancy in Dandenong South, Victoria.

Development

At 100 Mount Street, North Sydney, Dexus secured NBN across 20,364 square metres, the first major leasing deal at the project, since construction commenced in early 2016. As a result, the building is now 60% pre-committed by area prior to its completion in early 2019.

Works at 105 Phillip Street, Parramatta are on track with construction topping out in September 2017.

In industrial, construction continues at seven properties located in Greystanes, NSW and Laverton North in Victoria with five properties 100% pre-leased.

FY18 guidance

Consistent performance across the portfolio has resulted in Dexus reiterating its market guidance² for the 12 months ending 30 June 2018 of distribution per security growth of 4.0-4.5%.

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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 \$24.9 billion. We believe that the strength and quality of our relationships will always be central to our success, and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own \$12.2 billion of office and industrial properties. We manage a further \$12.7 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$4.3 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 million square metres of office workspace across 54 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 28,000 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)

1 Including Heads of Agreement.

2 Barring unforeseen circumstances guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; underlying FFO per security growth of 2.0-2.5% underpinned by Dexus office portfolio like for like growth of 4-5%, Dexus industrial portfolio like for like income growth of 3-4%, management operations FFO of c.\$50 million and cost of debt in line with FY17; trading profits of \$35-40 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of \$165-170 million; and excluding any further transactions.