

Dexus (ASX: DXS)

ASX release



1 May 2018

2018 Macquarie Australia Conference

Dexus today releases the attached presentation to be presented at the 2018 Macquarie Australia Conference, which is being held at The Sheraton on the Park, 161 Elizabeth Street, Sydney.

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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 \$26.5 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 \$13.1 billion of office and industrial properties. We manage a further \$13.4 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$4.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 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 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)



Agenda

- Dexus today
- Portfolio update – March 2018
- The changing face of Australian CBDs
- FY18 outlook

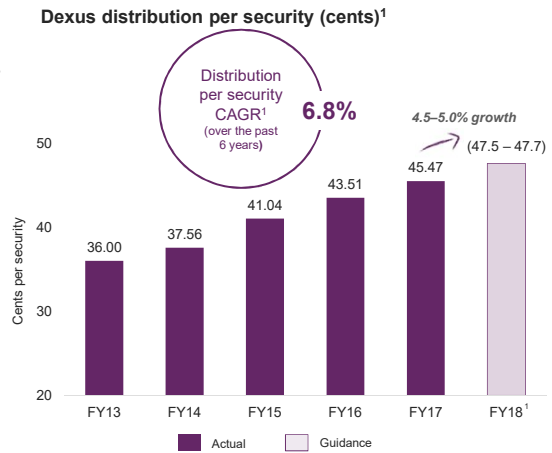


Proposed Waterfront Precinct, Brisbane

Dexus today

Overview

- Proxy for Australian office – overweight Sydney
- Outperforming and growing Funds Management business
- \$4.2 billion group pipeline of development/value enhancement opportunities
- Strong balance sheet with gearing of 26.5%
- Market cap of circa \$10 billion
- Current distribution yield of circa 5%

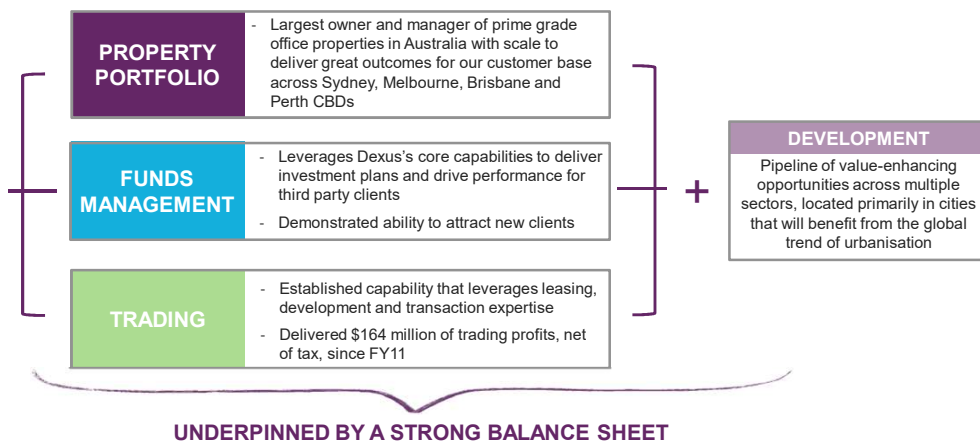


1. Adjusted for the one-for-six security consolidation completed in FY15. Compound annual growth rate (CAGR) is calculated over six years, assuming mid-point of FY18 guidance is met.



Dexus today

Overview



Dexus has ownership or management of 21 Sydney CBD and CBD Fringe assets valued at \$9.4 billion¹



Portfolio update – March 2018
Office: Sydney and Melbourne most active office markets

Leasing¹ by area

92,822sqm

Occupancy

96.8%

HY18: 96.5%

Average incentives¹

13.2%

HY18: 15.0%

WALE²

4.6 years

HY18: 4.6 years

March 2018 Dexus office demand barometer



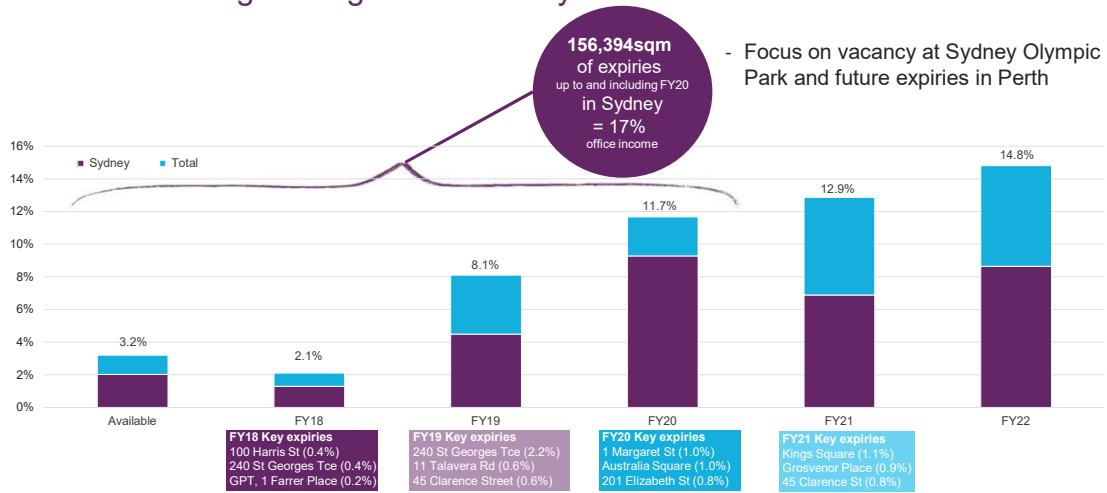
Barometer vs actual office demand



1. Excluding development leasing. Total including development leasing is 107,654 square metres.
2. Weighted average lease expiry.

Portfolio update – March 2018

Office: addressing leasing risk in future years



Portfolio update – March 2018

Industrial: maintained positive leasing momentum

Leasing by area

46,645sqm

Occupancy

97.9%

HY18: 97.5%

Average incentives

14.7%

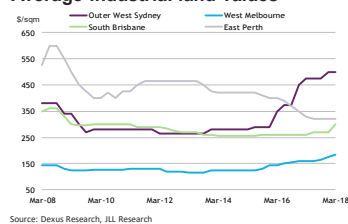
HY18: 15.8%

WALE¹

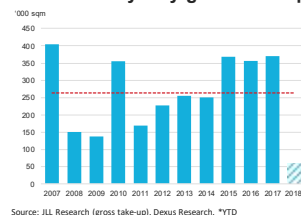
4.8 years

HY18: 5.0 years

Average industrial land values



Outer West Sydney gross take-up



1. Weighted average lease expiry.

Development and trading

Key project updates

Development		Trading	
<p>Waterfront Precinct, Brisbane</p>  <p>Significant Brisbane CBD development Progressed to Stage 2 of Market Led proposal process</p>	<p>100 Mount Street, North Sydney</p>  <p>41,700sqm North Sydney office development Construction on program with strong tenant enquiry</p>	<p>105 Phillip Street, Parramatta</p>  <p>Reached PC and final settlement Dexus retains management of property for five years post completion</p>	<p>Other Trading property updates</p> <p>140 George Street, Parramatta</p> <ul style="list-style-type: none"> Dexus entered into conditional heads of agreement to sell this trading opportunity, which when finalised, will contribute to FY18 trading profits
<p>180 Flinders Street, Melbourne</p>  <p>20,100sqm Melbourne CBD office development 39% leased and construction commenced</p>			<p>FY18 Trading Profits</p> <ul style="list-style-type: none"> Trading profits from both 105 Phillip Street and 140 George Street, Parramatta will achieve Dexus's FY18 target of \$35-\$40 million post tax

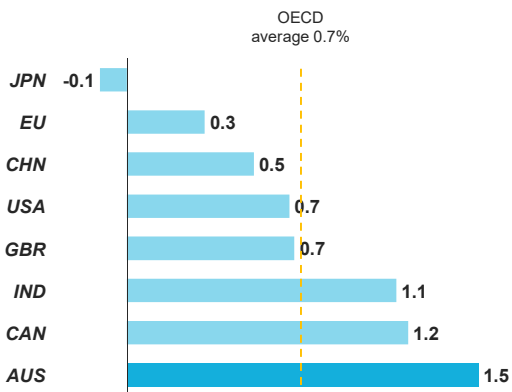


The changing face of Australian CBDs



Australian cities = highly liveable Where people want to be

Population growth % change p.a. (2016)



Source: World Bank Data.

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"Australia's four major cities all ranked in the top 20 most liveable cities globally"

EIU Liveability Rankings



"Melbourne ranked the world's most liveable city for seven years in a row"

EIU Liveability Rankings



75% of Australia's population growth is forecast to take place in just four cities - Sydney, Melbourne, Brisbane & Perth¹



1. Source: Infrastructure Australia

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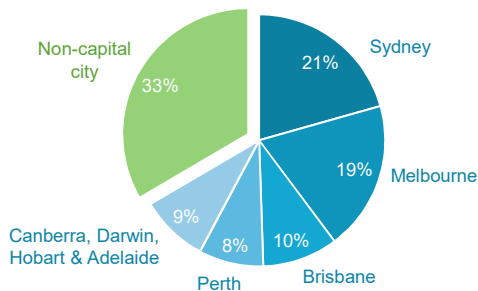
Our major cities are expected to grow significantly in size

Population expected to grow to circa 30 million by 2056

Our cities today:

Highly urbanised with over 90% of Australians living in urban areas¹ and more than two-thirds living in a capital city

Australian population by region (2016)



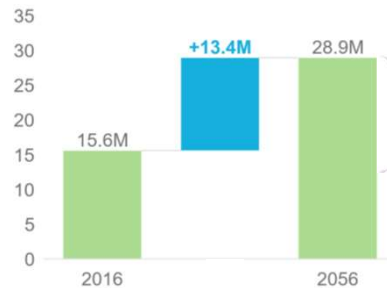
Source: ABS
1. Cities or towns of more than 1,000 people.

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Our cities by 2056:

With our capital cities projected to grow to circa 30 million people, our capital cities will need to accommodate an additional +13 million people

Australian capital cities population projections (millions)



Source: ABS

Sydney and Melbourne growing to cities of 8 million!

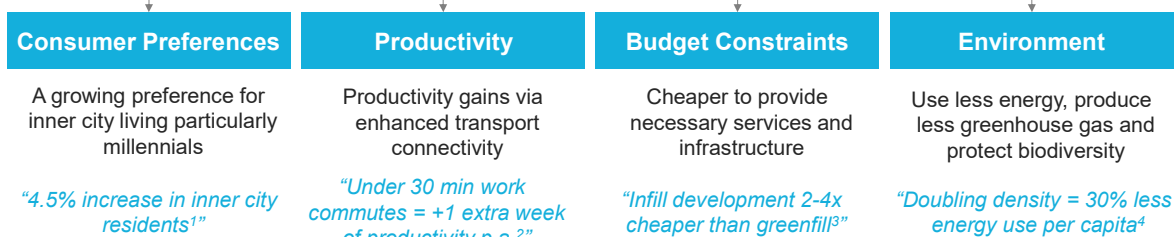
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To accommodate growth our cities will need to densify

Reinforcing the continued importance of our CBDs



Drivers of densification



Source: 1. ABS based on statistical level 3 areas of "Sydney Inner City", "Melbourne City", "Brisbane Inner" and "Perth City" (year to June 2017). 2. University of Cambridge. 3. SGS Economics and Planning. 4. ULL.

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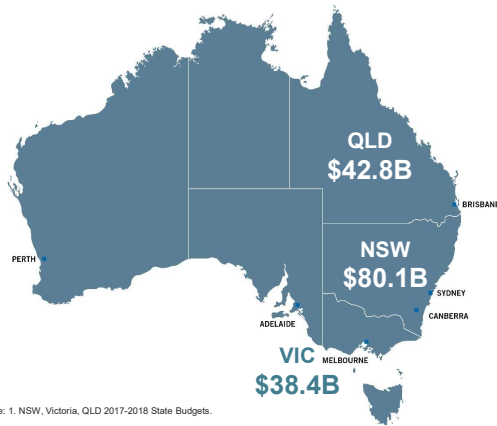
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Policy is currently supportive of densification in our cities

Long-term plans highlight importance of on-going investment

Infrastructure Outlook

Budget Commitments - total infrastructure spend next four years¹



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Longer-term plans for growth

Focused on accessibility & creating "20-30 minute" cities



Greater Sydney Region Plan
"a bold vision for three, integrated and connected cities"

NSW Future Transport Strategy 2056
"is an overarching strategy supported by a suite of plans to achieve a 40 year vision for our transport system"

Plan Melbourne
"will guide the growth of our city for the next 35 years"

30 Year Infrastructure Plan for Victoria
"identifies a pipeline of initiatives to be delivered over the next three decades"



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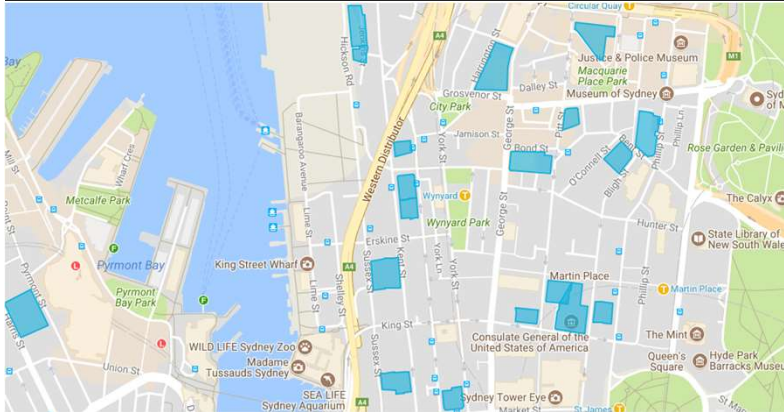
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Dexus has a significant presence in CBDs

Major holder of land in Sydney

Dexus Sydney CBD footprint¹



Source: Dexus Research, City of Sydney.
 1. Sites owned or managed by Dexus. Not adjusted for strata occupied sites

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Land controlled by Dexus

8 hectares

Equivalent to

circa 10%

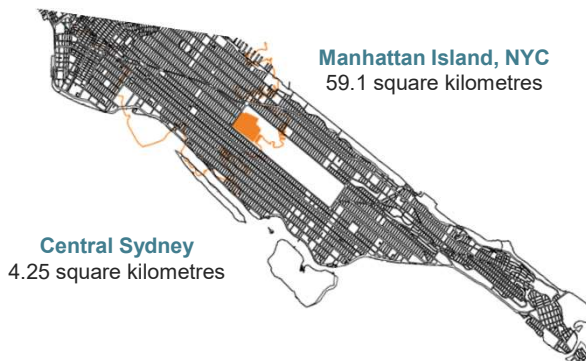
of developable land in Central Sydney!



CBDs are high demand locations with land constraints

Sydney CBD is highly constrained

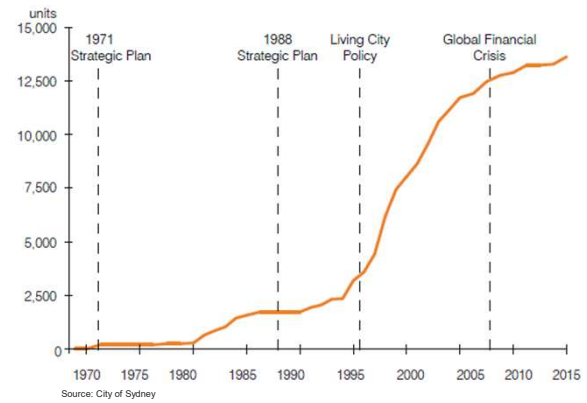
Sydney CBD is a constrained land area
 Relative area (Sydney CBD vs. Manhattan Island)



Source: City of Sydney

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Uses other than office have risen significantly
 No. of Residential strata unit



Source: City of Sydney



Dexus is acting to unlock value for Security holders

Office as highest and best use no longer a baseline

180 Flinders Street, Melbourne	201 Elizabeth Street, Sydney	Waterfront Precinct, Brisbane
		
<p>10-storey office tower with new retail and end-of-trip amenity</p>	<p>Mixed-use development including city retail, residential and hotel</p>	<p>Mixed-use precinct including office, residential, hotel and public open space</p>

Outlook

FY18 guidance on track

- Office portfolio like-for-like income growth of 4-5%
- Industrial portfolio like-for-like income growth of 3-4%
- On-track to deliver remaining FY18 trading profits
- Expect to deliver distribution¹ per security growth of 4.5-5.0%



1 Blich Street, Sydney

1. Barring unforeseen circumstances guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; underlying FFO per security growth of 2.5-3.0% 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; excluding any impact of the on-market securities buy-back and any further transactions.

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