

Dexus (ASX: DXS)

ASX release



15 August 2018

2018 Annual Results Presentation

Dexus provides its 2018 Annual Results Presentation.

The investor briefing will be webcast at 9.30am today and available at www.dexus.com

For further information please contact:

Investor Relations
Rowena Causley
+61 2 9017 1390
+61 416 122 383
rowena.causley@dexus.com

Media Relations
Louise Murray
+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 \$27.2 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 \$13.3 billion of office and industrial properties. We manage a further \$13.9 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 1.7 million square metres of office workspace across 53 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 27,000 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)

2018 Annual Results

15 August 2018

Dexus Funds Management Limited
ABN 24 060 920 768
AFSL 238163 as responsible entity for Dexus

Agenda

Overview	Darren Steinberg – Chief Executive Officer
Financial results	Alison Harrop – Chief Financial Officer
Property portfolio performance	Chris Hynes – Head of Office and Industrial Leasing
Transactions, developments and trading	Ross Du Vernet – Chief Investment Officer
Funds management	Deborah Coakley - EGM, Funds Management
Outlook and summary	Darren Steinberg – Chief Executive Officer
Appendices	

Delivering sustained value

Track record of delivering superior risk-adjusted returns

FY18 HIGHLIGHTS

5.1%

Distribution and AFFO per security growth

7.6%

Return on Contributed Equity

\$1.2 billion

Total property portfolio valuation uplift

\$36.6 million

Trading profits (net of tax)

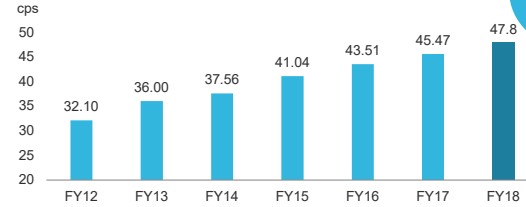
24.1%

Gearing (look-through)

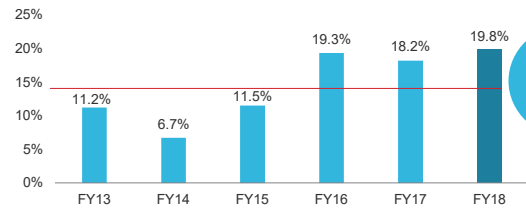
19.8%

Return on Equity

Dexus distribution per security (cents)¹



Return on equity (ROE)



1. Adjusted for the one-for-six security consolidation completed in FY15. Compound annual growth rate (CAGR) is calculated over six years.

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Positive momentum on strategy

FY18 highlights across strategic objectives and key areas of focus

STRATEGIC OBJECTIVES

LEADERSHIP IN OFFICE

- Strong leasing results maintained office portfolio occupancy above 95%
- Dexus-owned and group office portfolios outperformed IPD¹ over one, three and five years
- Activated two office developments in Melbourne and Brisbane. Successfully leased² 51% of the space at 240 St Georges Terrace in Perth, with works commencing in July 2018

FUNDS MANAGEMENT PARTNER OF CHOICE

- Strong performance across all third party funds, with top quartile performance for DWPF
- Completed first round equity raising for Healthcare Wholesale Property Fund
- Planning underway that will see the launch of new unlisted funds or partnerships over the next 12-18 months

- **Customer:** Improved Net Promoter Score and customer satisfaction scores
- **People:** Strong employee engagement score of 87% and recognised as WGEA³ Employer of Choice for Gender Equality





1. Investment Property Databank index.
2. Including Heads of Agreement signed post 30 June 2018, with 57% of the impending Woodside vacancy now solved.
3. Workplace Gender Equality Agency.

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Sustainability focus reinforced

Launch of new target - Net zero emissions by 2030

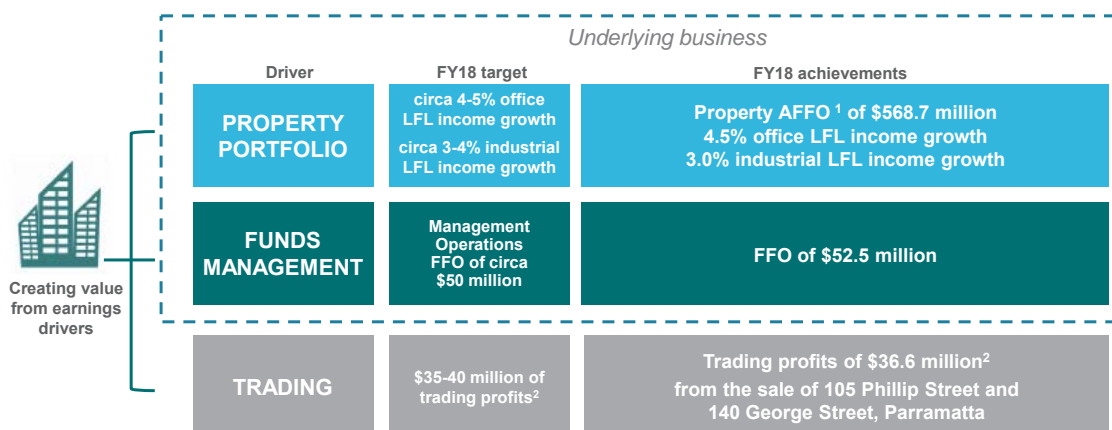
FY18 achievements	New energy, new opportunities
<p>Progressed minimum 5 star NABERS Energy rating across</p> <p>89%</p> <p>of the office portfolio towards target of 1,000,000sqm by 2020</p> <p>892,000sqm</p> <p>rated 5 stars or above across</p> <p>35 properties</p>	<p>2017 GRESB¹ results</p>  <p>First</p> <p>Global/Office/Listed category</p> <p>Out of 51 participants</p> <p>Public disclosure level</p> <p>A-level</p> 
<p>1. Global Real Estate Sustainability Benchmark.</p> <p>5. Dexus 2018 Annual Results Presentation</p>	<p>Launch of new target to achieve</p> <p>Net Zero</p> <p>emissions by 2030</p> <p>Pathway involves</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="893 546 1136 798">  <p>Improving energy efficiency</p> <p>Reduction in energy usage by up to 50% from today</p> </div> <div data-bbox="1136 546 1396 798">  <p>Increasing renewables</p> <p>Uptake of renewables within properties (on-site) and through leveraging market procurement opportunities off-site</p> </div> </div> <p style="text-align: right;">dexus </p>



Financial results

Key earnings drivers

All drivers delivering in FY18



1. AFFO contribution is calculated before finance costs, group corporate costs and tax. Property AFFO is equal to Property FFO of \$736.5 million less total portfolio capex of \$167.8 million.
2. Net of tax.

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A strong financial result in FY18

	FY18 \$m	FY17 \$m	Change %	
Office property FFO	603.8	567.4	6.4%	- Office property FFO growth due to lease commencements across the portfolio and acquisitions in July 2017, offset by divestments
Industrial property FFO	132.7	114.8	15.6%	- Industrial property FFO growth driven by increased occupancy from lease commencements, acquisitions and developments
Total property FFO	736.5	682.2	8.0%	
Management operations ¹	52.5	46.3	13.4%	- Management operations increased as a result of revaluation growth and a strong year of leasing undertaken by the Dexus team
Group corporate	(27.4)	(23.7)	(15.6%)	- Continued investment in customer, marketing and technology initiatives
Net Finance costs	(134.4)	(121.8)	(10.3%)	- Management Expense Ratio (MER) benefited from increased revaluations, reducing to 33 basis points
Other ²	(10.5)	(12.5)	16.0%	
Underlying FFO³	616.7	570.5	8.1%	
Trading profits (net of tax)	36.6	47.2	(22.5%)	
FFO	653.3	617.7	5.8%	
Adjusted Funds from Operations (AFFO)	485.5	439.7	10.4%	
Distribution payout (% AFFO)	100.2%	100.2% ⁴		
Distribution	486.4	451.7	7.7%	

	FY18	FY17	Change
Underlying FFO per security ³	60.6 cents	58.9 cents	2.9%
FFO per security	64.2 cents	63.8 cents	0.6%
Distribution per security	47.8 cents	45.47 cents	5.1%
AFFO per security	47.7 cents	45.4 cents	5.1%
NTA per security	\$9.64	\$8.45	14.1%

1. Management operations income includes development management fees.

2. Other FFO includes non-trading related tax expense.

3. Underlying FFO excludes trading profits net of tax.

4. FY17 distribution payout ratio has been adjusted to exclude the \$11.6 million of distributions paid on new securities issued through the institutional placement announced on 21 June 2017, which were fully entitled to the distribution for the six months ending 30 June 2017. The distribution payout ratio was 102.7% including this amount.

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Strong and diversified balance sheet Well positioned from a cost and duration perspective

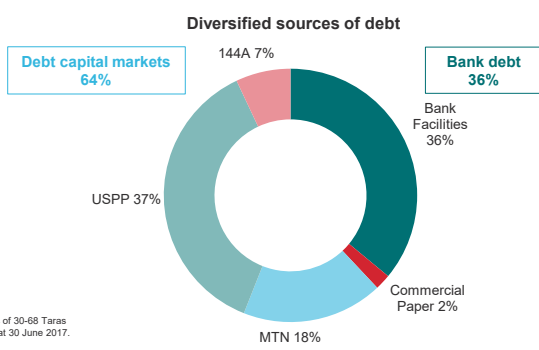
- Improved debt duration and diversity through issuance of long-dated capital markets debt
 - \$653 million dual currency US Private Placement at an average duration of 13.5 years, including \$150 million A\$ fixed debt
- Increased hedged debt across FY20–FY23, taking advantage of the continued low interest rate environment

FY19
focus

Maintain a strong balance sheet

Strengthen debt diversification options

Key metrics	30 June 2018	30 June 2017
Gearing (look-through) ¹	24.1%	26.7% ²
Cost of debt ³	4.2%	4.1%
Duration of debt	7.0 years	5.6 years ⁴
Hedged debt (incl caps) ⁵	71%	65%
S&P/Moody's credit rating	A-/A3	A-/A3

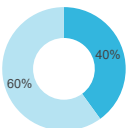



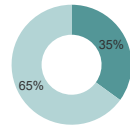




1. Adjusted for cash and debt in equity accounted investments.
 2. Pro forma gearing at 30 June 2017 is adjusted for MLC Centre, Sydney, 100 Harris Street, Pyrmont, 90 Mills Road, Braeside and the sales of 30-68 Taras Avenue, Altona North and 46 Colin Street, West Perth, including the impact of transaction costs. Actual gearing (look-through) was 22.1% at 30 June 2017.
 3. Weighted average across the year, inclusive of fees and margins on a drawn basis.
 4. Includes \$90 million of Medium Term Notes issued in July 2017 and three bank facilities for \$325 million that commenced in July 2017.
 5. Average for the year. Hedged debt (excluding caps) was 59% for the 12 months to 30 June 2017 and 58% for the 12 months to 30 June 2018.



Strong FY18 valuation uplift

Values reflecting increases in market rents

Total portfolio	Office	Industrial
<p>\$1.2bn Dexus portfolio valuation uplift¹</p> <p>5.52% ↓ 43 bps total portfolio cap rate² FY17: 5.95%</p> <p>Potential further 10-15 basis points cap rate tightening over next 12 months</p>	<p>Valuation uplift \$1,054.0m</p> <p>FY17: \$625.8m</p> <p>Cap rate² 5.37% ↓ 41 bps FY17: 5.78%</p>  <p>■ Rental growth ■ Cap rate compression</p> <div style="display: flex; flex-direction: column;"> <div style="margin-bottom: 10px;"> <p>Grosvenor Place Up \$100m or 17.2% to \$679m DXS 37.5% interest</p>  </div> <div style="margin-bottom: 10px;"> <p>Australia Square Up \$115m or 26.9% to \$545m DXS 50% interest</p>  </div> <div> <p>45 Clarence Street Up \$90m or 24% to \$467m DXS 100% interest</p>  </div> </div>	<p>Valuation uplift \$141.9m</p> <p>FY17: \$78.9m</p> <p>Cap rate² 6.40% ↓ 48 bps FY17: 6.88%</p>  <p>■ Rental growth ■ Cap rate compression</p> <div style="display: flex; flex-direction: column;"> <div style="margin-bottom: 10px;"> <p>Axcess Corporate Park Up \$13.3m or 6.1% to \$232m DXS 100% interest</p>  </div> <div> <p>Lakes Business Park Up \$17.9m or 15% to \$137m DXS 100% interest</p>  </div> </div>

1. Includes healthcare property revaluation gain of \$5.9 million in 12 months to 30 June 2018.
2. Stabilised portfolio weighted average capitalisation rate.

Office leasing activity

Spread across all core markets

242,957sqm
Office portfolio leasing¹

309-321 Kent Street, Sydney
Undertook 9 leasing deals across 15,934sqm



QV Building, Melbourne
Completed 3 leasing deals across 19,885sqm including RMIT for 10,634sqm



Kings Square, Perth
Completed 4 leasing deals over 15,552sqm at KS1, with 5,276sqm available space²



52,589sqm
Office development leasing

100 Mount St, North Sydney development
Secured NBN Co across 20,364sqm in FY18, with committed³ space now at 63%



180 Flinders Street, Melbourne development
Secured John Holland across 7,693sqm taking committed space to 39%



240 St Georges Terrace, Perth development
Completed 6 leasing deals across 19,899sqm in FY18, with leased⁴ space now at 51%



1. Excluding development leasing
2. Subject to rental guarantee until November 2020.
3. Including Heads of Agreement signed post 30 June 2018.
4. Including Heads of Agreement signed post 30 June 2018, with 57% of the impending Woodside vacancy now solved.

Office portfolio strength Enhanced by leasing success

Dexus office portfolio



Leasing by area¹

242,957sqm

Average incentives¹

13.9%

FY17: 14.5%

Effective LFL income

+4.5%

Face: +4.3%

Office lease expiries

Sydney accounts for **circa 190,000sqm** of expiries up to and including FY21 refer to slide 45

Occupancy

96.0%

FY17: 97.2%

WALE²

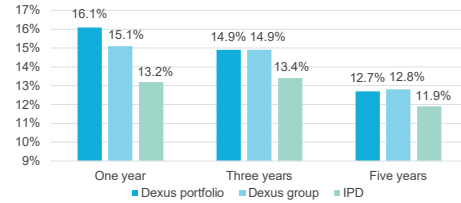
4.6 years

FY17: 4.8 years

Portfolio one-year total return³

16.9%

Dexus office portfolio vs IPD at 31 March 2018⁴



- Outperformance driven by Sydney, Melbourne and Brisbane

FY19 Focus

Target like-for-like income growth in office of 4-5%

1. Excluding development leasing.
2. Weighted average lease expiry.
3. Portfolio unlevered total return for 12 months to 30 June 2018.
4. Period to 31 March 2018 which reflects the latest available IPD data.

Industrial portfolio performing Key metrics reflect strong demand fundamentals

Dexus industrial portfolio



Leasing by area

192,116sqm

Average incentives

12.6%

FY17: 14.5%

Effective LFL income

+3.0%

Face: 7.6%

Occupancy

98.3%

FY17: 96.5%

WALE¹

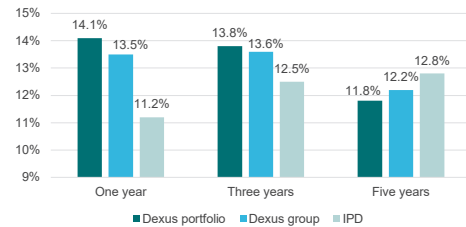
4.8 years

FY17: 5.1 years

Portfolio one-year total return²

13.6%

Dexus industrial portfolio vs IPD at 31 March 2018³



- Outperformance driven by inner and outer-west Sydney with development and leasing enhancing performance

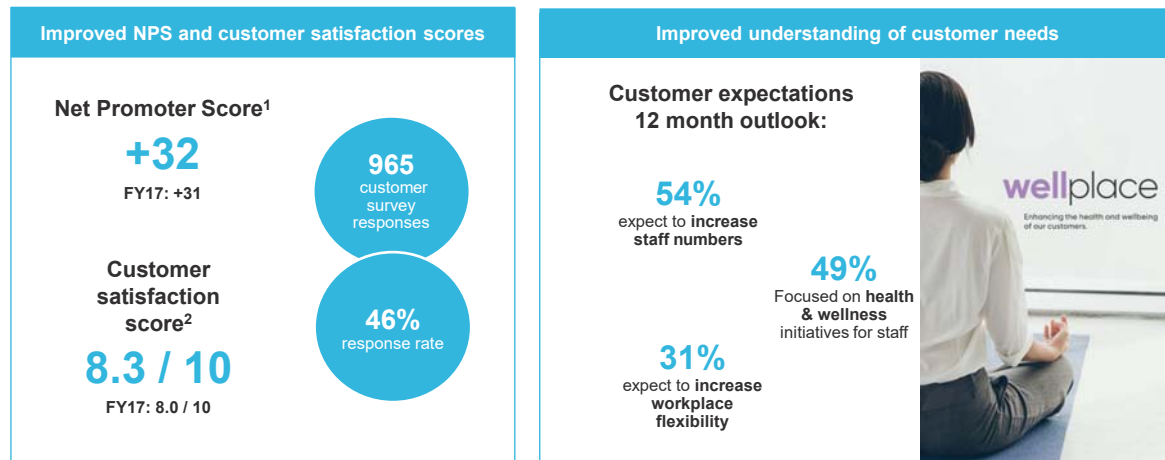
FY19 Focus

Target like-for-like income growth in industrial of 2.5-3.5%

1. Weighted average lease expiry.
2. Portfolio unlevered total return for 12 months to 30 June 2018.
3. Period to 31 March 2018 which reflects the latest available IPD data.

Customer focus underpins performance

Improved understanding of customers



1. The Net Promoter Score (NPS) is calculated as the difference between the percentage of Promoters and Detractors. The NPS is not expressed as a percentage but as an absolute number between -100 and +100.
2. The Customer Satisfaction Score is out of 10 points.

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Office market outlook

Strong markets to continue to drive portfolio performance

Stronger for longer in Sydney

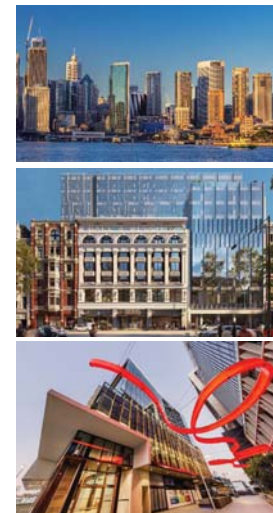
- Vacancy to fall **below 3.5% in FY19**
- Upcoming supply to provide options for customers, however is spread out over a number of years to FY24
- Even with new supply, vacancy is expected to peak below long term average of 8%

More upside for Melbourne

- Vacancy to fall **below 4.0% in FY19** and stay below long term average in medium term
- Market is well-placed to absorb new supply and backfill
- Demand is expected to remain strong due to the local economy

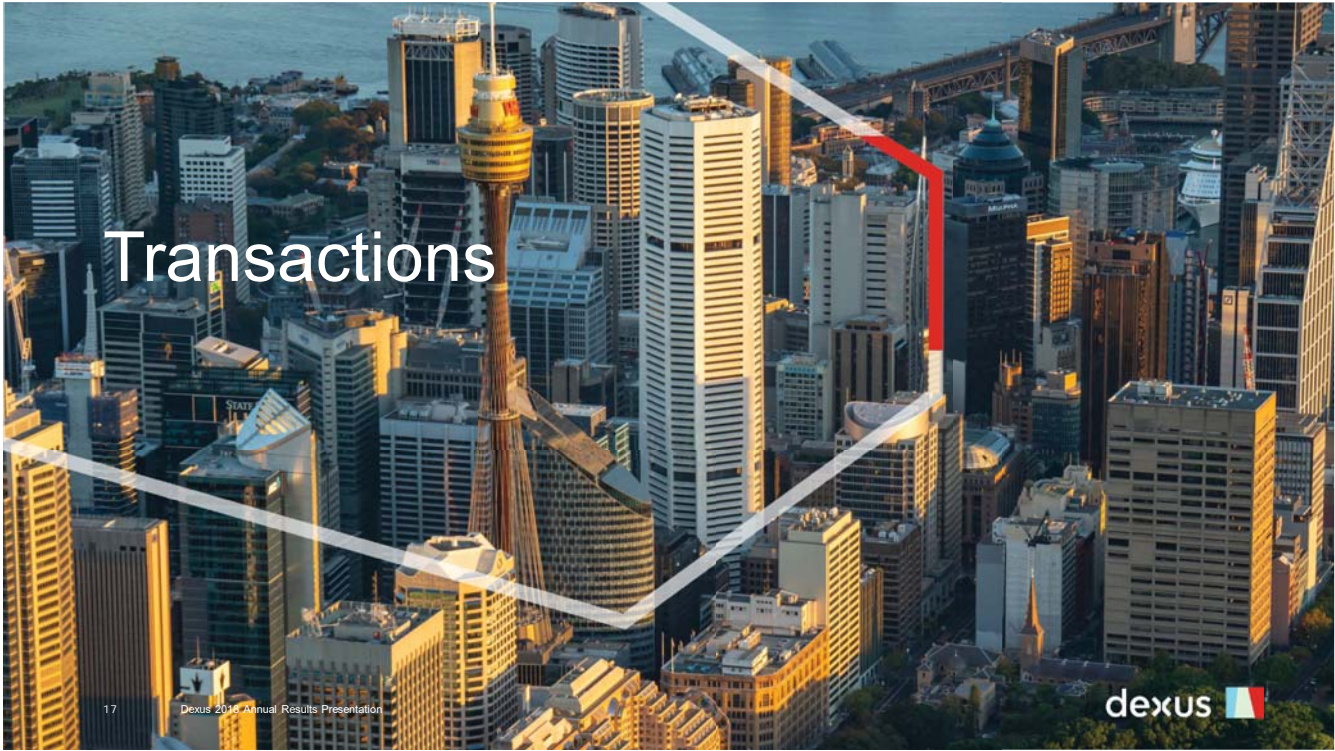
Recovery underway in Brisbane and Perth

- Improving economic conditions to support positive demand
- Rent growth subdued in FY19, rising in the medium term off a low base
- Incentives to decline in Perth from FY20 as prime vacancy falls
- Supply remains a risk in Brisbane given size of projects, but most will depend on pre-commitment



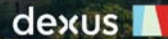
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Transactions

Transactions

\$2.4 billion¹ transactions including restocking industrial development pipeline

Replenished group industrial pipeline in core locations through \$188 million of acquisitions, with an end value of circa \$700 million

11-167 Palm Springs Road, Ravenhall, VIC	54 Ferndell Street, South Granville, NSW	425-479 Freeman Road, Richlands, QLD
Circa \$480 million over 5-7 years	Circa \$140 million over 2 years	Circa \$80 million over 2-3 years
<ul style="list-style-type: none"> • 127-hectare site in core West Melbourne industrial precinct • DXS 50%, DWPF 50% • Up to 380,000sqm prime commercial and industrial development planned over 5-7 years 	<ul style="list-style-type: none"> • 10-hectare brownfield opportunity in a tightly held industrial market with constrained land supply • DXS 100% • 54,000sqm across four buildings with varying tenancy sizes 	<ul style="list-style-type: none"> • 9-hectare brownfield opportunity is located in close proximity to DWPF's Drive Industrial Estate • DXS 100% • 52,000sqm with a flexible design to suit varying tenancy sizes
<p>Over the past eight years, Dexus has demonstrated its ability to develop and lease 730,000 square metres of industrial projects in Sydney, Melbourne and Brisbane.</p>		

1. Includes transactions settled or announced post 30 June 2017, as well as three acquisitions announced post 30 June 2018 being 11-167 Palm Springs, Ravenhall, VIC, 425-479 Freeman Road, Richlands, QLD and 54 Ferndell Street, South Granville, NSW.

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Developments (Core & Trading)







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Developments & Trading

Core pipeline extends across mixed uses and locations \$4.2 billion group pipeline + circa \$2 billion potential concept opportunities

Exposure across Australian CBDs			Industrial	Retail	Healthcare
Office	City retail	Mixed use			
The Annex, 12 Creek St, Brisbane <i>Dexus and Dexus Wholesale Property Fund</i>	175 Pitt Street, Sydney <i>Dexus and Dexus Office Partner</i>	Waterfront Precinct, Brisbane <i>Dexus and Dexus Wholesale Property Fund</i>	Quarrywest, Greystanes <i>Dexus and Dexus Industrial Partner</i>	Carillon City, Perth <i>DWPF</i>	Calvary Adelaide Hospital <i>HWPF</i>
					
\$1,860m (\$863m committed)	\$218m (\$108m committed)	\$540m (Uncommitted)	\$942m (\$94m committed)	\$320m (Uncommitted)	\$325m¹ (committed)
including: 180 Flinders Street, Melbourne 12 Creek Street, Brisbane 11 Talavera Road, Macquarie Pk Waterfront Precinct, Brisbane	including: 175 Pitt Street, Sydney 1 Farrer Place, Sydney 44 Market Street, Sydney 321 Kent Street, Sydney	including: Waterfront Precinct, Brisbane	including: Quarrywest, Greystanes Dexus Industrial Estate, Laverton North Recent land bank acquisitions	including: Knox City Shopping Ctr Carillon City, Perth	including: Calvary Private Hospital

62% of the pipeline

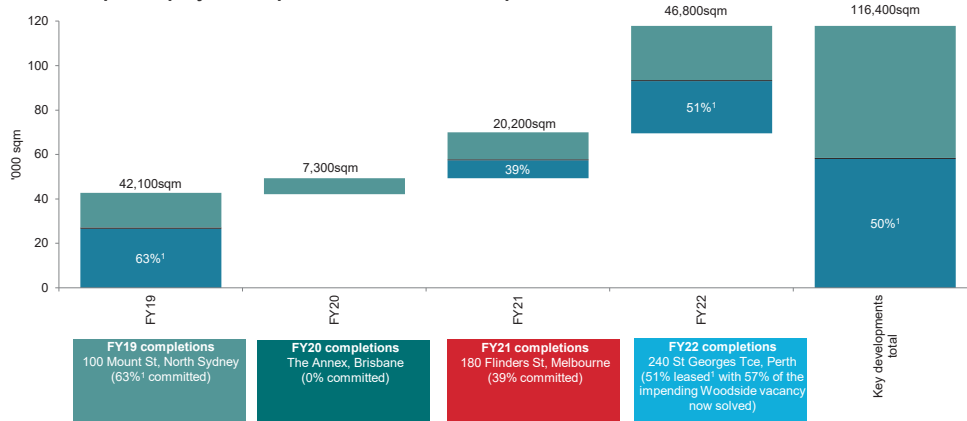
Circa 7.4% of balance sheet FUM is allocated to development² at 30 June 2018

1. Calvary Adelaide Hospital estimated completion value.
2. Includes trading and value-add opportunities.

Key office developments contributing to future years

58,000sqm or 50% of space committed¹ at developments underway

Dexus development project completion timeframes and space committed



1. Includes Heads of Agreement signed post 30 June 2018.



Trading business delivers

FY19 profits de-risked and pipeline enhanced

- Delivered \$36.6 million (net of tax), in line with target
 - 105 Phillip and 140 George Street, Parramatta contributed to FY18
- Announced sale of 32 Flinders Street, Melbourne de-risking FY19 trading profits
- Future trading pipeline of \$260-280 million of trading profits (pre-tax) from six trading projects

Trading profit track record since FY12

12 Trading properties sold and settled

\$267m Trading profits realised (pre-tax)

30% Average unlevered project IRR

Trading projects	Current use	Trading strategy	FY19	FY20	FY21	FY22+
32 Flinders Street	Carpark	Rezoning				
12 Frederick Street – Stage 1	Industrial	Healthcare development				
Lakes Business Park South	Industrial	Development				
201 Elizabeth Street, Sydney ¹	Mixed	Rezoning and development				
Gladesville	Industrial	Rezoning				
12 Frederick Street – Stage 2	Industrial	Healthcare development				

1. 201 Elizabeth Street, Sydney transferred to trading book in May 2018.



Dexus's focused investment strategy

Contributing to long term and sustainable portfolio returns

Transaction outlook and capital allocation

- Activate and fund development pipeline
- Discrete investments to support clients' investment objectives in funds management (new or existing funds)
- Selective core acquisitions aligned with customer strategies with an east coast city focus
- Continue to assess options for industrial portfolio while at the same time strengthening existing portfolio

Target investment characteristics

Land holdings in major economic hubs

Proximity to transport and amenity

Attractive to wide range of customers

Optionality to unlock incremental value

Preference for management control

Target 10 year unlevered internal rate return of 7-8%+



Funds Management

Diversified platform leverages core capabilities with strong outlook

Diversified Funds Management platform

+148%
Growth in FUM over past six years

\$5.6bn

\$13.9bn
on behalf of 73 clients from 9 countries

Year	Office	Industrial	Retail	US Industrial	Healthcare
2012	32%	11%	54%	3%	1%
2018	51%	11%	37%	1%	1%

Leverages core capabilities and has a strong outlook

- Leverages Dexus's transactional, development, asset and property management expertise to deliver on clients' investment objectives
- Supported by best practice corporate governance principles and alignment of interests via Dexus co-ownership in direct properties or in Funds
- Attracted over \$7.4 billion of third party equity since FY12
- Planning underway that will see the launch of new unlisted funds or partnerships over the next 12-18 months

Funds Management development pipeline \$2.0bn

- Active projects in retail, office, industrial and healthcare sectors
- \$1.3 billion uncommitted

Funds Management

All funds performing strongly

Continuing to deliver strong performance and meet investment objectives in FY18

- Completed \$151 million worth of developments at Willows, Smithfield and Plenty Valley
- Completed first round equity raising for Healthcare Wholesale Property Fund (HWPF), seeded with \$370 million of properties
- Undertook 12 transactions worth \$801 million¹ and progressed the \$2.0 billion development pipeline on behalf of third party partners

Dexus Office Partnership delivered strong returns

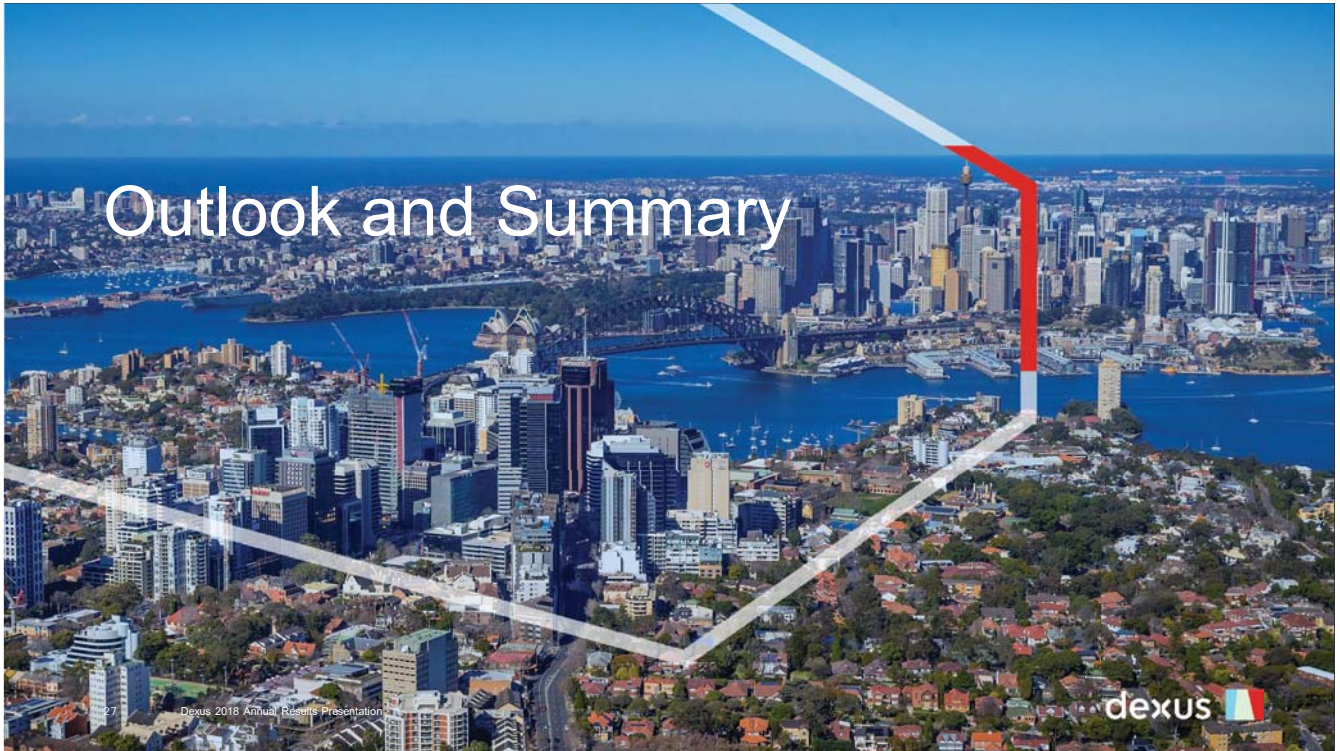
- 1 year unlevered total property return of **16.0%**
- Annualised unlevered total property return since inception of **14.9%**

DWPF outperformed benchmark over all time periods

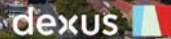
Period	DWPF return	Mercer IPD Australian Pooled Property Fund Index
1 year	13.81%	11.97%
3 years	14.14%	12.23%
5 years	12.28%	11.07%
7 years	11.37%	10.34%
10 years	7.97%	7.05%

¹ Includes transactions settled or announced post 30 June 2017 as well as the acquisition of 11-167 Palm Springs Road, Ravenhall, VIC, which was announced post 30 June 2018.

Outlook and Summary







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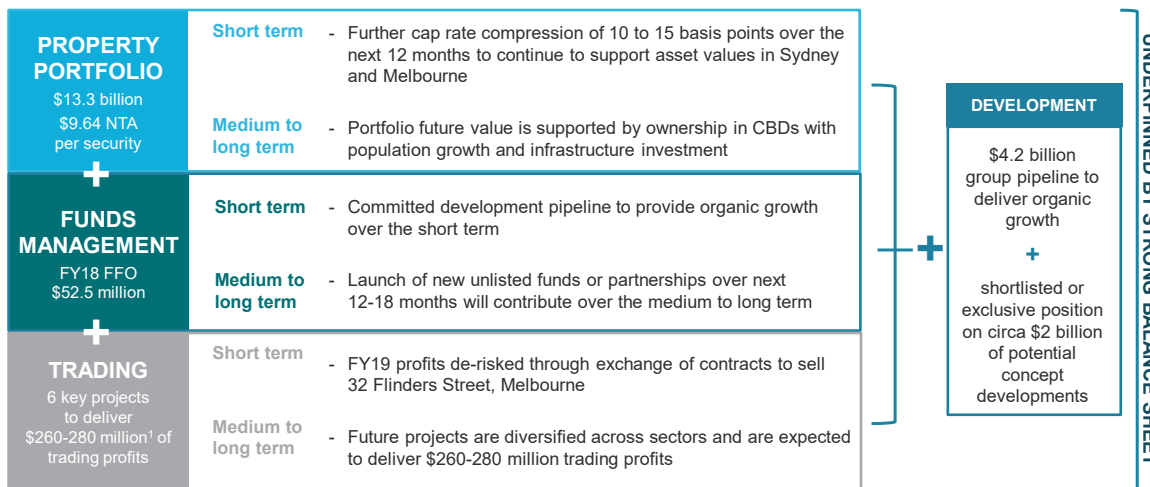
Outlook

Established strong foundations To respond to external forces and trends in operating environment

	Macro environment	Customer demands	Urbanisation	Sustainability
External forces	 <ul style="list-style-type: none"> - Positive Australian economic outlook - Risk of global "black swan" style event remains 	 <ul style="list-style-type: none"> - Demographic and technological advancements are changing how customers use workspace 	 <ul style="list-style-type: none"> - Growth concentrated in cities will drive increased density and integration of uses within assets 	 <ul style="list-style-type: none"> - Greenhouse gas emissions are contributing to global climate change
Dexus's response/ position	<ul style="list-style-type: none"> - Conservative and diverse capital structure 	<ul style="list-style-type: none"> - Focus on the customer and continue to invest in initiatives 	<ul style="list-style-type: none"> - Manage, develop and transact high quality real estate in major Australian cities 	<ul style="list-style-type: none"> - Initiatives in place to improve environmental performance and resilience, transitioning to a low carbon future

Outlook

Strong foundations and positive outlook show value extends beyond NTA



1. Pre-tax.



Summary

Strategy set up to deliver distribution growth through the cycle

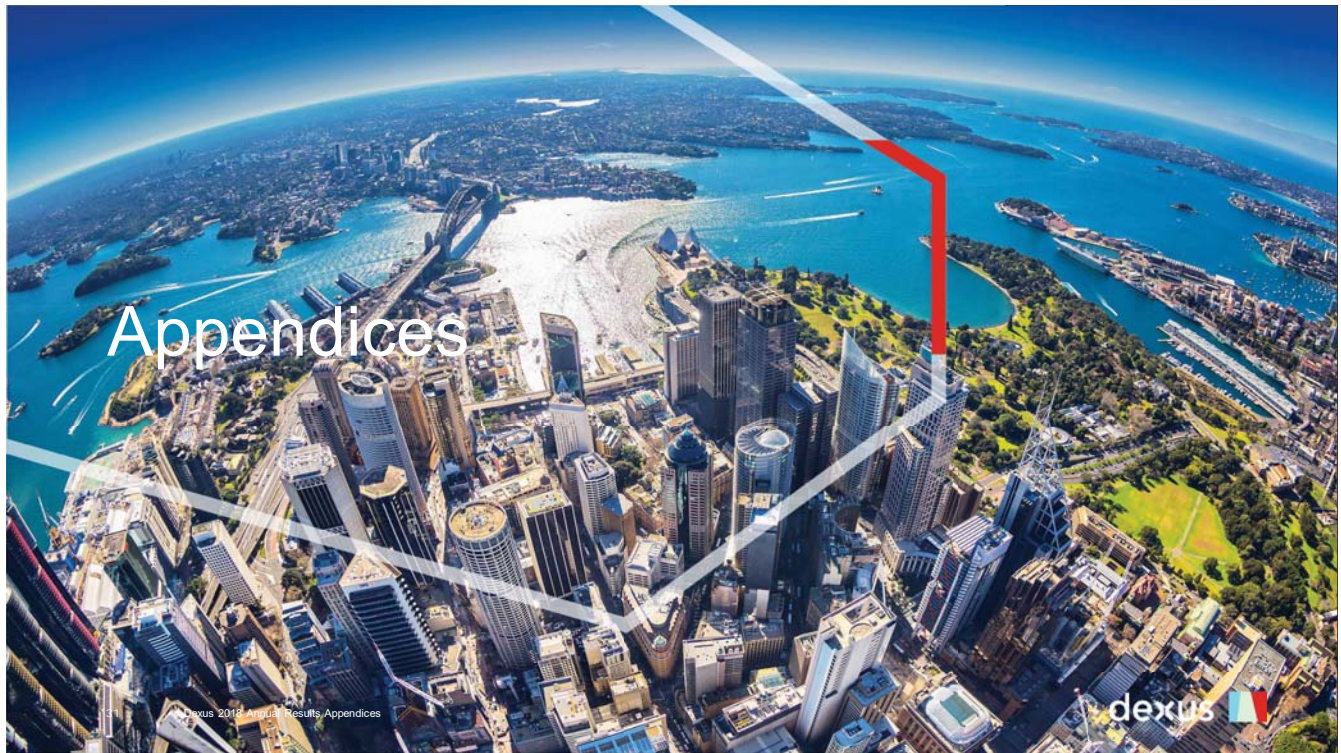
- Strong foundations and well positioned for continued success in a rapidly changing business environment
- Highly engaged workforce continuing to deliver results
- Balance sheet strength provides capacity for current and future development projects
- Market guidance¹ for the 12 months ending 30 June 2019 for distribution per security growth of circa 5%



100 Mount Street, North Sydney

1. Barring unforeseen circumstances, guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; FFO per security growth of circa 3%, underlying FFO per security growth of circa 3% underpinned by Dexus office portfolio like-for-like growth of 4-5%; Dexus industrial portfolio like-for-like income growth of 2.5-3.5%; management operations FFO and cost of debt in line with FY18; trading profits of \$35-40 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of \$155-165 million; and excluding any further transactions.





Contents

Overview

- Total group portfolio composition

Financial results

- Reconciliation to statutory profit
- Management operations profit
- Cash flow reconciliation
- Interest reconciliation
- Change in net tangible assets and revaluations
- Direct property portfolio book value movements

Capital management

- FY18 position
- Interest rate hedging profile
- Debt facilities

Property portfolio

- Dexus office and industrial key metrics at 30 June 2018
- Dexus office portfolio
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- Dexus office and industrial portfolio sustainability metrics
- Dexus completed developments
- Dexus committed developments & portfolio capex
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- Dexus development pipeline

Transactions

Funds management

- Development pipeline

Market outlook

Exchange rates and securities used in statutory accounts

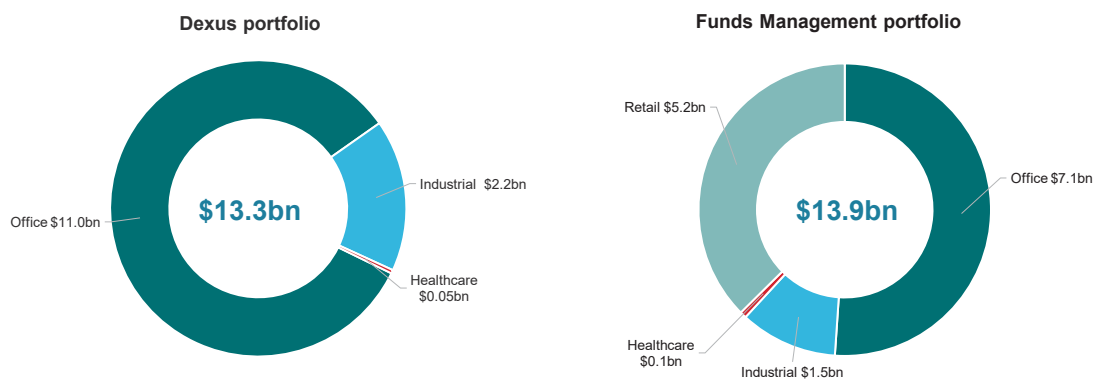
Glossary

Important information

Overview

Total group portfolio composition

Total group FUM \$27.2 billion



Financial results

Reconciliation to statutory profit

Reference	Item	30 June 2018 \$m	30 June 2017 \$m
Statutory AIFRS net profit after tax		1,728.9	1,264.2
Investment property and inventory	(Gains)/losses from sales of investment property	0.9	(70.7)
	Fair value gain on investment property	(1,201.8)	(704.7)
Financial instruments	Fair value loss on the mark-to-market of derivatives	77.5	91.1
Incentives and rent straight-lining	Amortisation of cash and fit out incentives	51.2	49.9
	Amortisation of lease fees	12.9	12.1
	Amortisation of rent-free incentives	61.8	54.9
	Rent straight-lining	(24.5)	(16.8)
Tax	Non-FFO tax expense	7.3	8.0
Other unrealised or one-off items	Other unrealised or one-off items	(60.9) ¹	(70.3)
Funds From Operations (FFO)		653.3	617.7
Maintenance and leasing capex	Maintenance capital expenditure	(72.9)	(57.5)
	Cash incentives and leasing costs paid	(33.2)	(58.6)
	Rent free incentives	(61.7)	(61.9)
Adjusted Funds From Operations (AFFO)		485.5	439.7
Distribution		486.4	451.7
AFFO Payout ratio		100.2%	100.2% ²

1. FY18 other unrealised or one-off items includes \$85.8 million of unrealised fair value gains on interest bearing liabilities, \$5.5 million amortisation of intangible assets, \$19.4 million coupon income, rental guarantees received and other.
 2. FY17 distribution payout ratio has been adjusted to exclude the \$11.6 million of distributions paid on new securities issued through the institutional placement announced on 21 June 2017, which were fully entitled to the distribution for the six months ending 30 June 2017. The distribution payout ratio was 102.7% including this amount.

Financial results

Management operations profit

FY18 (\$m)	Property Management	Funds Management	Development Management	Management Operations
Revenue	68.0	58.0	5.0	131.0
Operating expenses	(51.9)	(22.1)	(4.5)	(78.5)
FY18 net profit	16.1	35.9	0.5	52.5
FY18 margin	24%	62%	10%	40%
FY17 margin	21%	62%	12%	38%

Financial results

Cash flow reconciliation

	30 June 2018 \$m	30 June 2017 \$m
Cash flow from operating activities	609.7	657.1
add back: payment for inventory acquisition and capex	138.3	73.1
less: cost of sale of inventory	(80.8)	(156.9)
less: adjustment on sale to joint venture	(12.5)	-
less: deferred settlement of sale of Mascot	-	(5.0)
less: tax on trading profits not yet paid	(15.7)	(20.2)
add back: capitalised interest	13.1	9.8
less: adjustments for equity accounted distributions	(82.2)	(1.7)
add back: other working capital movements	34.8	6.8
Adjusted cash flow from operating activities	604.7	563.0
Rent free income	61.7	61.9
Depreciation and amortisation (including deferred borrowing costs)	(13.1)	(7.2)
FFO	653.3	617.7
Less: payments from maintenance capex and incentives ¹	(167.8)	(178.0)
AFFO	485.5	439.7
Less: gross distribution	(486.4)	(451.7)
Add: distributions paid on new securities ²	-	11.6
Cash surplus/(deficit)	(0.9)	(0.4)

1. Includes cash and fitout incentives, lease fees and rent free incentives.

2. Distributions paid on new securities issued through the institutional placement announced on 21 June 2017, which were fully entitled to the distribution for the six months ending 30 June 2017.

Financial results

Interest reconciliation

	30 June 2018 \$m	30 June 2017 \$m
Total statutory finance costs¹	128.5	108.1
Add: unrealised interest rate swap MTM gain/(loss) ²	2.4	9.8
Add: finance costs attributable to investments accounted for using the equity method	4.9	5.1
Net finance costs for FFO¹	135.8	123.0
Add: interest capitalised	13.1	9.8
Gross finance costs for cost of debt purpose	148.9	132.7

1. FY18 excludes interest income of \$1.4 million (FY17: \$1.1 million).
2. Net fair value loss of interest rate swap of \$12.9 million (FY17: \$0.9 million) (per note 4 of the Financial Statements) includes realised interest rate swap expense of \$15.3 million (FY17: \$9.0 million) and unrealised interest rate swap MTM gain of \$2.4 million (FY17: \$9.8 million).

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Financial results

Change in net tangible assets and revaluations

	\$m	\$ps	Investment portfolio	Valuation change \$m	Weighted average cap rate	% of portfolio
Opening net tangible assets ¹ (30 June 17)	8,588	8.45	Dexus Office portfolio	1,054.0	5.37%	83%
Revaluation of real estate	1,202	1.18	Dexus Industrial portfolio	141.9	6.40%	17%
Retained earnings ²	167	0.16	Total Dexus portfolio⁶	1,195.9	5.52%	
Amortisation of tenant incentives ³	(101)	(0.10)				
Fair value and other movements ⁴	(52)	(0.05)				
NTA	9,804	9.64				
Issue of additional equity ⁵	2	(0.00)				
Closing net tangible assets¹ (30 June 18)	9,806	9.64				

1. Net tangible assets exclude \$73.2 million deferred tax liability relating to management rights.
2. Represents FY18 FFO less distributions.
3. Includes rent straight-lining.
4. Primarily includes fair value movements of derivatives and interest bearing liabilities, deferred tax, gain from sale of investment properties, movement in reserves and other.
5. Security Purchase Plan proceeds net of transaction costs and security buy backs.
6. Excludes healthcare property revaluation gain of \$5.9 million.

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Financial results

Direct property portfolio book value movements

	Office ¹ \$m	Industrial ¹ \$m	Dexus total ¹ \$m	Trading assets ² (inventory) \$m
Opening direct property	9,510.5	1,952.1	11,462.6	211.3
Lease incentives ³	76.1	18.8	94.9	2.6
Maintenance capex	61.9	11.0	72.9	0.4
Acquisitions	778.5	52.2	830.7	-
Developments ⁴	97.3	98.6	195.9	46.5
Disposals ⁵	(452.8)	(14.6)	(467.4)	(10.0)
Revaluations	1,054.0	141.9	1,195.9	-
Impairment	-	(0.6)	(0.6)	(0.6)
Amortisation	(107.8)	(18.0)	(125.8)	(2.0)
Rent straightlining	20.7	3.7	24.4	0.6
Closing balance at the end of the period	11,038.4	2,245.1	13,283.5	544.7

1. Includes Dexus's share of equity accounted investments and excludes healthcare.
2. Trading assets are included in Office, Industrial and Dexus total amounts.
3. Includes rent free incentives.
4. Includes capitalised interest.
5. At book value.

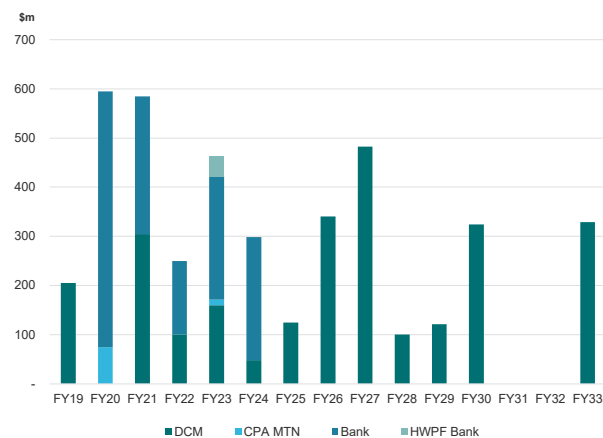
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Capital management

FY18 position

Debt maturity profile



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Key metrics	30 June 2018	30 June 2017
Total debt ¹	\$3,360m	\$2,698m
Headroom (approximately) ²	\$0.9bn	\$1.1bn
Gearing (look-through) ³	24.1%	26.7% ⁶
Covenant gearing (covenant ⁴ <55%)	23.7%	21.4%
Interest cover (covenant ⁴ >2.0x)	4.9x ⁵	5.6x
Priority debt (covenant ⁴ <30%)	0%	0%

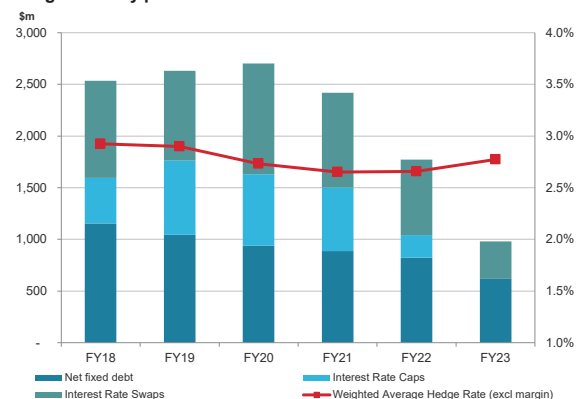
1. Total debt does not include debt in equity accounted investments.
2. Undrawn facilities plus cash.
3. Adjusted for cash and debt in equity accounted investments.
4. As per public bond covenants.
5. Look-through interest cover is 4.8x.
6. Pro forma gearing at 30 June 2017 is adjusted for the acquisitions of MLC Centre, Sydney, 100 Harris St, Pyrmont, 90 Mills Rd, Braeside and the sales of 30-68 Taras Ave, Altona North and 46 Colin St, West Perth, including the impact of transactions costs. Actual gearing (look-through) was 22.1% at 30 June 2017.



Capital management

Interest rate hedging profile

Hedge maturity profile



1. Average amount hedged for the period (including caps).
2. Including fixed rate debt (without credit margin).
3. Weighted average across the period, inclusive of fees and margins on a drawn basis.
4. 30 June 2017 pro forma includes \$60 million of Medium Term Notes issued July 2017.

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Hedging profile	30 June 2018	30 June 2017
Average amount of debt hedged ¹	71%	65%
Average amount of debt hedged excluding caps	58%	59%
Weighted average interest rate on hedged debt ²	2.9%	3.2%
Cost of debt ³	4.2%	4.1%
Weighted average maturity of hedges	4.8 years	4.9 years ⁴



Capital management

Debt facilities¹

	Facility limit A\$m	Drawn A\$m	Maturity	Currency
Bilateral bank debt	520	50	FY20	A\$
	280	220	FY21	A\$
	150	50	FY22	A\$
	250	100	FY23	A\$
	250	100	FY24	A\$
Commercial paper²	100	100	FY22	A\$
Medium term notes	205	205	FY19	A\$
	160	160	FY23	A\$
	185	185	FY26	A\$
	130	130	FY27	A\$
US senior notes (144A)³	305	305	FY21	US\$
US senior notes (USPP)³				
Series 1	291	291	Jul-23 - Jul-28	US\$
Series 2	225	225	Feb-24 - Feb-27	US\$
Series 3	286	286	Dec-24 - Dec-26	US\$
Series 4 (A\$)	100	100	Jun-28	A\$
Series 5	503	503	Nov-29 - Nov-32	US\$
Series 5 (A\$)	150	150	Nov-29 - Nov-32	A\$

	Facility limit A\$m	Drawn A\$m
Sub total	4,089	3,159
Currency translation and fair value adjustments	212	212
Deferred borrowing costs	(11)	(11)
Total interest bearing liabilities	4,290	3,360
Bank guarantee utilised		(43)
Cash		33
Headroom including cash		920

1. Does not include debt facilities in equity accounted investments: \$74.8 million (December 2019), \$11.5 million (December 2022), \$42.8 million (August 2022).
2. Maturity date of commercial paper standby facility.
3. 144A and USPP amount shown at the cross-currency swap contract rate.

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Property portfolio

Office and Industrial key metrics as at 30 June 2018

Key metrics	Office	Industrial
Amount of space leased ¹	242,957sqm ²	192,116sqm
No. of leasing transactions	293	91
Occupancy by income	96.0%	98.3%
Occupancy by area	95.7%	98.8%
Average incentives	13.9% ³	12.6% ⁴
No of effective deals	104	36
Weighted Average Lease Expiry (WALE)	4.6 years	4.8 years
Retention	54%	48%
Like-for-like income growth	Face 4.3%	Face 7.6%
	Effective 4.5%	Effective 3.0%



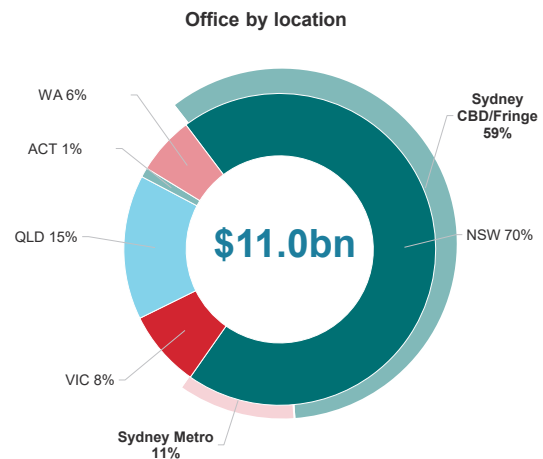
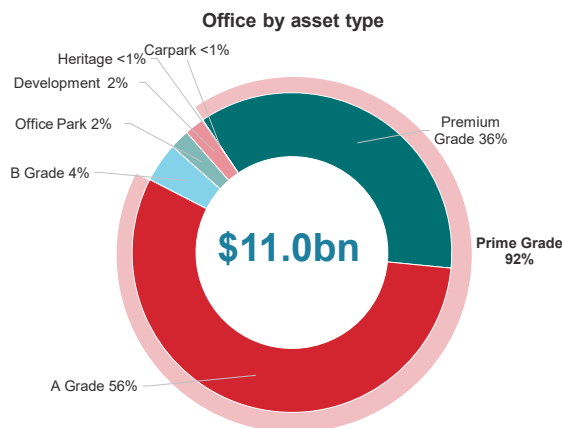
5 Martin Place, Sydney

1. Including Heads of Agreement.
 2. Excluding development leasing of 52,589sqm across 15 leasing transactions.
 3. Gross basis excluding development leasing.
 4. Net basis.



Property portfolio

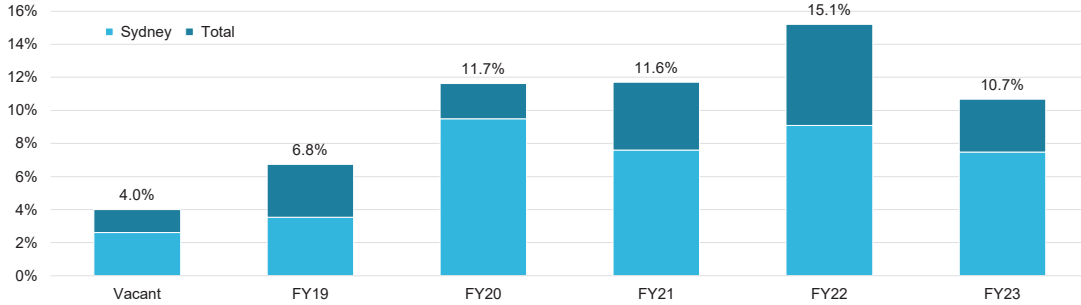
Office portfolio diversification



Property portfolio

Diversified office lease expiry profile¹ with well-timed exposure to Sydney

- Sydney accounts for 68% of office portfolio expiries, up to and including FY21 representing 23% of office portfolio income



FY19 Key expiries

240 St Georges Terrace (2.1%)
11 Talavera Rd (0.7%)
45 Clarence St (0.5%)

FY20 Key expiries

1 Margaret St (1.0%)
Australia Square (1.0%)
Grosvenor Place (0.7%)

FY21 Key expiries

Grosvenor Place (0.9%)
45 Clarence St (0.9%)
175 Pitt St (0.7%)

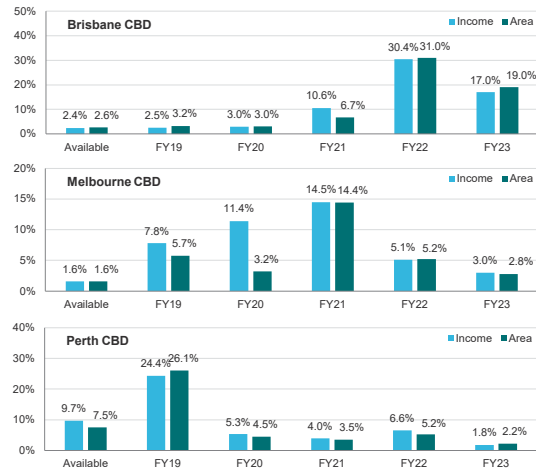
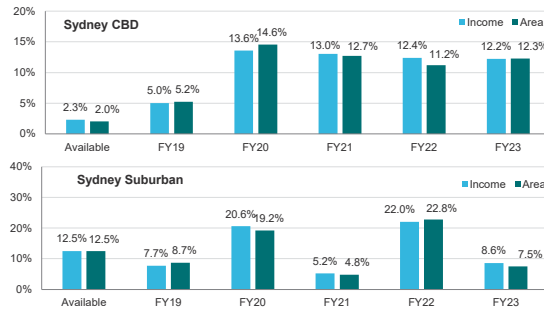
FY22 Key expiries

123 Albert St (4.1%)
383 Kent St (1.0%)
44 Market St (1.0%)

1. 240 St Georges Terrace, Perth is included in the stabilised portfolio at 30 June 2018 however becomes a development property from 1 July 2018. As at 30 June 2018, 240 St Georges Terrace had reported occupancy by area of 88%.

Property portfolio

Office lease expiry profiles by region



Dexus Office ¹	Value (\$m)	Cap rate (%)	Yield ² (%)
Sydney CBD	6,386	5.0%	4.8%
Sydney Suburban	1,136	6.0%	4.7%
Melbourne CBD	864	5.4%	5.5%
Brisbane CBD	1,655	5.5%	6.0%
Perth CBD	590	6.8%	7.8%

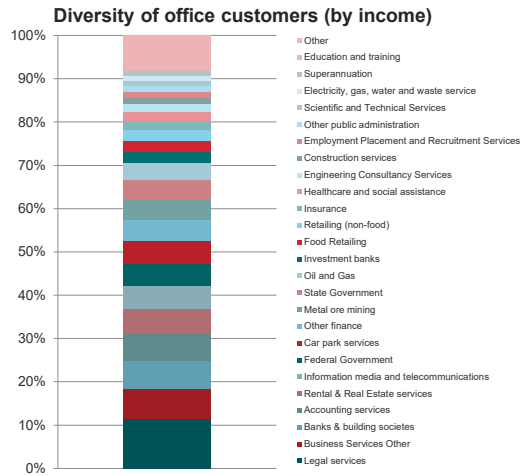
1. Includes stabilised properties only. Excludes Canberra and Adelaide office properties.
2. Passing FFO yield based on annualised Property Funds From Operations for the month of July 2018.

Property portfolio Office top 10 customers

Office customers ¹	S&P rating	% of income ²
Wilson Parking	Not rated	3.2%
Commonwealth of Australia	AAA	3.0%
Rio Tinto	A	2.9%
Commonwealth Bank of Australia	AA-	2.2%
Woodside Energy	BBB+	1.7%
Deloitte Services	Not rated	1.6%
State of Victoria	AAA	1.5%
NBN Co.	Not rated	1.0%
Shell	A+	1.0%
BDO Services	Not rated	1.0%

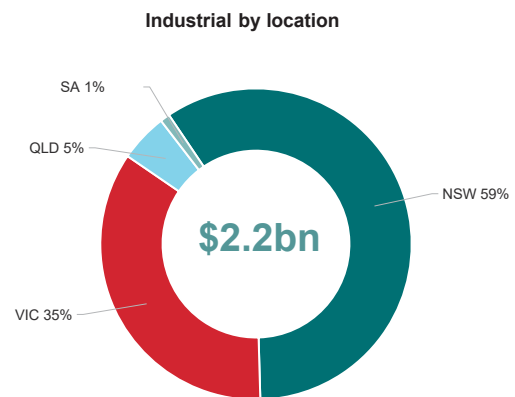
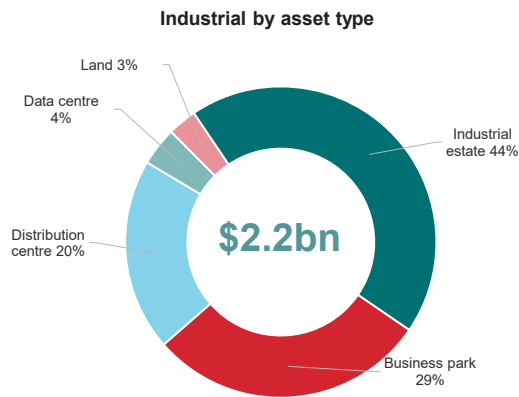
1. Total Dexus portfolio includes executed Heads of Agreement at 30 June 2018.
 2. Annualised income is based on 30 June 2018 (for leases which have already commenced) or first month post lease commencement (for leases which have not yet commenced).

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dexus

Property portfolio Industrial portfolio diversification



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dexus

Property portfolio

Limited industrial leasing risk¹

Solved in FY18

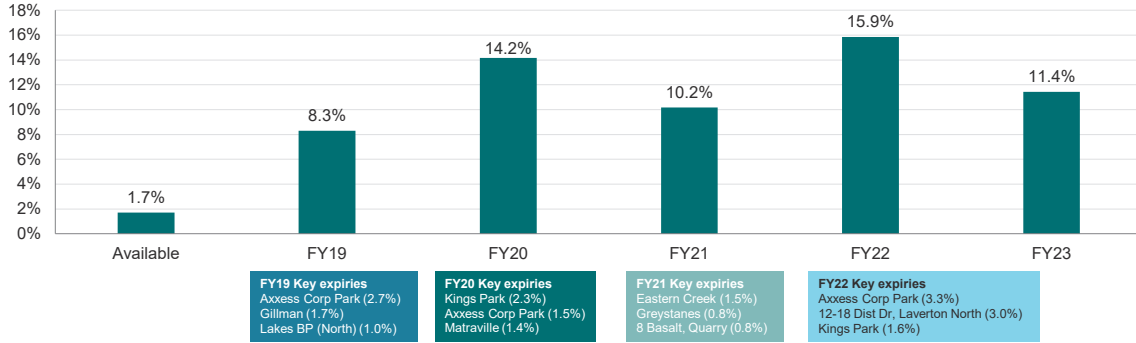
21,532sqm leased at Pound Road West, resulting in 100% occupancy

13,383sqm leased at Kings Park, resulting in 100% occupancy

Focus in FY19

3,350sqm vacancy and 43,709sqm FY19 expiry at Gillman

29,933sqm FY20 expiry at Kings Park Industrial Estate

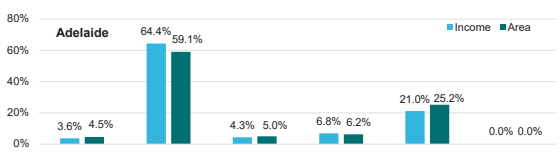
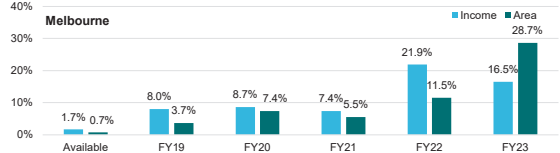
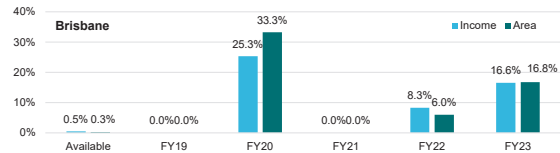
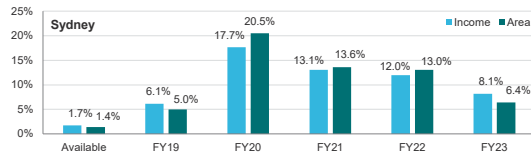


1. By industrial income including completed developments and acquisitions.



Property portfolio

Industrial lease expiry profiles by region



Dexus Industrial ¹	Value (\$m)	Cap rate (%)	Yield ² (%)
Sydney	1,158	6.0%	6.1%
Melbourne	698	6.0%	6.7%
Brisbane	91	5.7%	5.6%
Adelaide	28	11.0%	12.6%

1. Includes stabilised properties only.
2. Passing FFO yield based on annualised Property Funds From Operations for the month of July 2018.



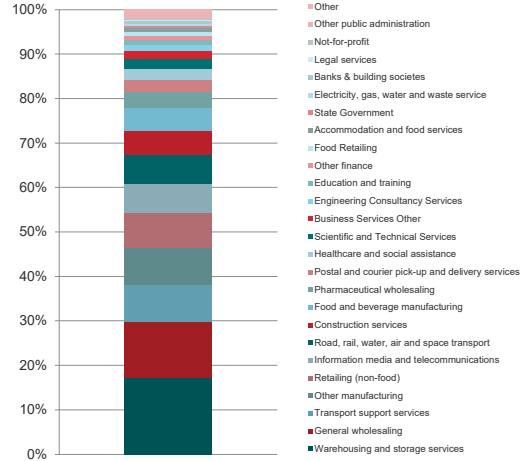
Property portfolio

Industrial top 10 customers

Industrial customers ¹	% of income ²
Wesfarmers	1.0%
Reece	0.7%
AWH Pty Ltd	0.6%
IBM Australia	0.5%
Visy Industry Packaging Pty Ltd	0.5%
Simon National Carriers	0.4%
Fedex	0.4%
Symbion Health	0.4%
Toll	0.4%
UniTrans	0.4%

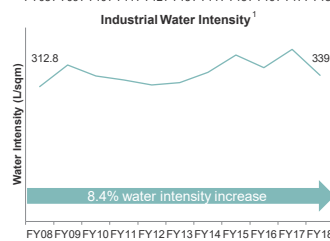
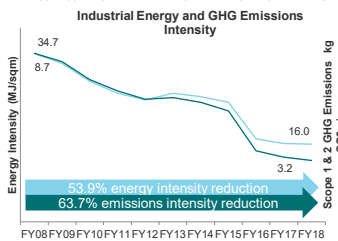
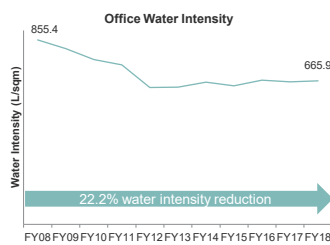
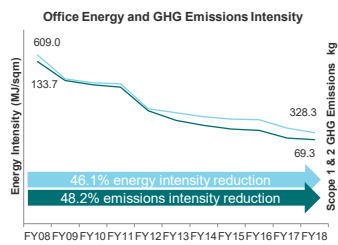
1. Total Dexus portfolio includes executed Heads of Agreement at 30 June 2018.
 2. Annualised income is based on 30 June 2018 (for leases which have already commenced) or first month post lease commencement (for leases which have not yet commenced).

Diversity of industrial customers (by income)



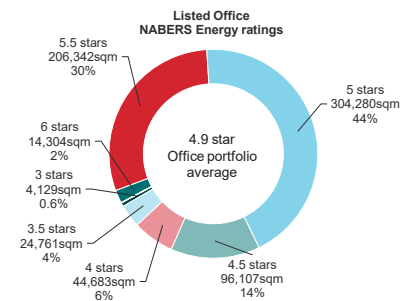
Property portfolio

Office and industrial sustainability metrics



Note: Data in charts is unaudited. GHG = greenhouse gas
 1. Water consumption for industrial properties is primarily under the control of tenants.

Dexus office portfolio	NABERS Energy average rating	NABERS Water average rating
June 14	4.6	3.5
June 15	4.7	3.8
June 16	4.8	3.7
June 17	4.8	3.6
June 18	4.9	3.6



Property portfolio

Dexus completed developments – Core hold

Pipeline		Building area ¹ sqm	Project cost ² \$m	Yield on cost ³ %	Leased %	Final completion	Third Party partner interest %
Industrial	14 Felstead Drive, Laverton North, VIC	15,900	18	7.0%	100%	Nov 2017	
	9 Dolerite Way, Greystanes, NSW	6,800	5	7.9%	100%	Jan 2018	50%
	66 Foundation Road, Laverton North, VIC	21,900	26	6.7%	100%	Feb 2018	
	41 Foundation Road, Laverton North, VIC	20,900	24	6.7%	100%	Mar 2018	
	7 Dolerite Way, Greystanes, NSW	27,100	24	7.2%	100%	Mar 2018	50%
	1-3 Dolerite Way, Greystanes, NSW	8,100	9	6.9%	100%	Mar 2018	50%
	1-5 Felstead Drive, Laverton North, VIC	21,800	22	7.3%	100%	Jun 2018	
Total developments completed		122,500	128				

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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Property portfolio

Dexus committed developments & portfolio capex – Core hold

Pipeline		Building area ¹ sqm	Project cost est. ² \$m	Est. cost to completion \$m	Yield on cost ³ %	Leased %	Completion due	Third Party partner interest %
Office	100 Mount Street, North Sydney, NSW	42,100	231	111	7-8%	63% ⁴	Feb 2019	50%
	180 Flinders Street, Melbourne, VIC	20,200	146	136	6-7%	39%	Mid 2020	
	Annex, 12 Creek Street, Brisbane, QLD	7,300	31	29	7-8%	0%	Late 2019	50%
	240 St Georges Terrace, Perth, WA	46,800	193	188	6-7%	51% ⁴	Late 2021	
Total office		116,400	601	464				
Industrial	2-6 Dolerite Way, Greystanes, NSW	33,900	30	16	7-8%	41%	Early 2019	50%
	47 & 53 Foundation Road, Laverton North, VIC	33,300	35	27	c.7%	0%	Mid 2019	
Total industrial		67,200	65	43				
City retail	175 Pitt Street, Sydney, NSW	5,300	31	16	c.6%	87%	Mid 2019	50%
	44 Market Street, Sydney, NSW	1,400	20	16	c.6%	54%	Mid 2019	
	1 Farrer Place, Sydney, NSW	500	5	3	c.5%	0%	Early 2019	
	321 Kent Street, Sydney, NSW	4,100	21	16	c.6%	85%	Mid 2019	
Total city retail		11,300	77	51				
Total developments committed		194,900	743	558				
Dexus total portfolio capital expenditure			FY18	FY19E				
Maintenance capital expenditure			\$72.9m	\$60-65m				
Cash incentives and leasing costs			\$33.2m	\$30-35m				
Rent free incentives			\$61.7m	\$60-65m				
Total capital expenditure			\$167.8m	\$155-165m				

1. At 100%.
2. Dexus interest in development cost (including cost of land where purchased for development).
3. Target yield on cost calculation includes cost of land.
4. Includes Heads of Agreement signed post 30 June 2018.

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Property portfolio

Dexus uncommitted developments – Core hold

Pipeline		Building area ¹ sqm	Project cost est. ² \$m	Est. yield on est. project cost ³ %	Third Party partner interest %
Office	Waterfront Precinct Masterplan, Brisbane, QLD (Office)	81,700	405		50%
	11 Talavera Road, Macquarie Park, NSW ⁴	22,600	188		
Total office		104,300	592	7-8%	
Industrial	Dexus Industrial Estate (Stage 2B & 3), Laverton North, VIC	47,300	64		
	Axxess Corporate Park, Mount Waverley, VIC	16,000	70		
	11-167 Palm Springs, Ravenhall, VIC	380,100	240		50%
	425-479 Freeman Road, Richlands, QLD	52,000	78		
	54 Ferndell Street, South Granville, NSW	54,700	133		
Total industrial		550,100	585	6-9%	
City retail	MLC Centre, 19 Martin Place, Sydney, NSW	10,200	55		25%
Total city retail		10,200	55	5-6%	
Other	Waterfront Precinct Masterplan, Brisbane, QLD (Resi & Hotel)	58,000	270		50%
Total other		58,000	270		
Total uncommitted		722,600	1,502		

1. At 100%.
2. Dexus interest in development cost (including cost of land where purchased for development).
3. Target yield on cost calculation includes cost of land.
4. Includes associated refurbishment works.

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Transactions¹

Dexus acquisitions	Purchase price \$m	Interest	Settlement
MLC Centre, Sydney, NSW	\$361.3	25%	19 Jul 2017
100 Harris Street, Pyrmont, NSW	\$327.5	100%	18 Jul 2017
90-110 Mills Road, Braeside, VIC	\$50.6	100%	25 Jul 2017
56 Berry Street, North Sydney, NSW ²	\$31.0	50%	1 Dec 2017
570-586 Wickham Street, Fortitude Valley, QLD	\$91.2	100%	12 Jul 2018
11-167 Palm Springs Road, Ravenhall, VIC	\$50.0	50%	Dec 2018
425-479 Freeman Road, Richlands, QLD	\$26.5	100%	Dec 2018
54 Ferndell Street, South Granville, NSW	\$61.5	100%	Sep 2018
Total acquisitions	\$999.6		
Dexus divestments	Sale price \$m	Interest	Settlement
30-68 Taras Avenue, Altona North, VIC	\$13.1	50%	7 Jul 2017
46 Colin Street, West Perth, WA ²	\$16.8	50%	1 Aug 2017
GP Plus, Adelaide, SA	\$43.9	100%	22 Dec 2017
Lot 37, Quarry at Greystanes, NSW ³	\$1.3	50%	16 Mar 2018
11 Waymouth Street, Adelaide, SA ²	\$101.3	50%	21 Mar 2018
Southgate Complex, Melbourne, VIC (Tranche 2)	\$289	100%	31 May 2018
140 George Street, Parramatta, NSW ⁴	\$13.5	50%	22 Jun 2018
Land parcels, Laverton North, VIC	\$6.2	100%	Jul/Aug 2018
32 Flinders Street, Melbourne, VIC ⁵	\$87.1	100%	Aug 2018
Total divestments	\$572.2		

Funds Management acquisitions	Purchase price \$m	Interest	Settlement
MLC Centre, Sydney, NSW	\$361.3	25%	19 Jul 2017
Calvary, Adelaide, SA	\$107.4	100%	7 Aug 2017
GP Plus, Adelaide, SA	\$43.9	100%	22 Dec 2017
56 Berry Street, North Sydney, NSW ²	\$31.0	50%	1 Dec 2017
140 George Street, Parramatta, NSW ⁴	\$13.5	50%	22 Jun 2018
20 Williamson Road, Ingleburn, NSW	\$23.5	100%	27 Jun 2018
11-167 Palm Springs Road, Ravenhall, VIC	\$50.0	50%	Dec 2018
Total acquisitions	\$630.6		
Funds Management divestments	Sale price \$m	Interest	Settlement
30-68 Taras Avenue, Altona North, VIC	\$13.1	50%	7 Jul 2017
46 Colin Street, West Perth, WA ²	\$16.8	50%	1 Aug 2017
Myer Distribution Centre, VIC	\$38.2	100%	31 Jan 2018
11 Waymouth Street, Adelaide, SA ²	\$101.3	50%	21 Mar 2018
Lot 37, Quarry at Greystanes, NSW ³	\$1.3	50%	16 Mar 2018
Total divestments	\$170.6		

1. Transactions include properties in Property synopsis and exclude sundry properties.
2. Dexus Office Partnership property in which Dexus owns a 50% interest.
3. Dexus Industrial Partnership in which Dexus owns a 50% interest.
4. Dexus sold to Dexus Office Partnership in which Dexus has a 50% interest.
5. Announced sale of 32 Flinders Street in May 2018 with settlement expected in August 2018.

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Funds management

Funds management development pipeline



Project cost on uncommitted projects in Funds Management business

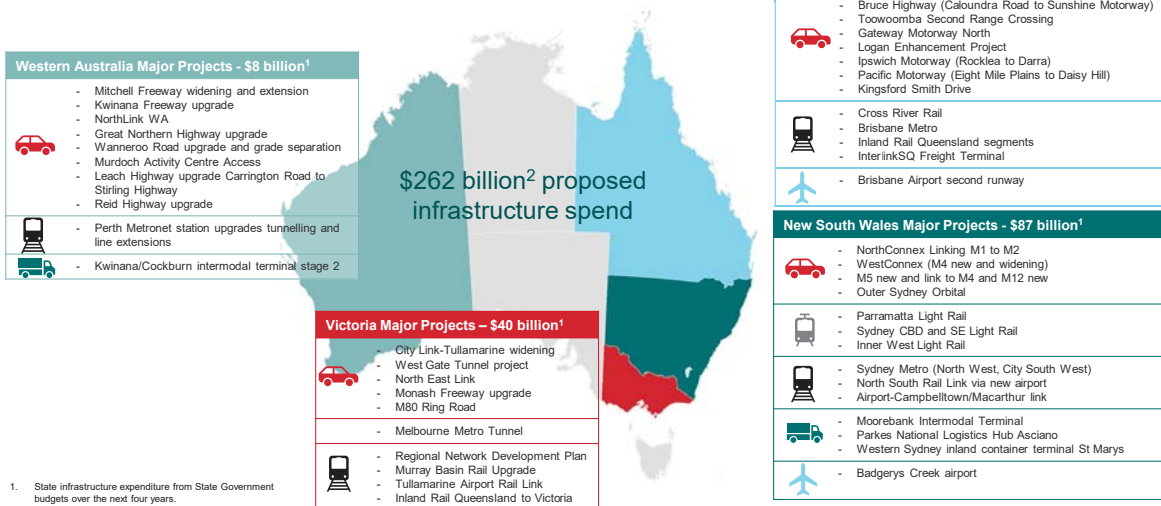
Uncommitted projects	FY19	FY20	FY21+
Office - 2 properties incl. city retail		\$460m	
Retail - 2 properties		\$320m	
Industrial - 2 properties		\$263m	
Mixed use - 1 property		\$270m	
Project cost on uncommitted Funds management projects		\$1,313m	

1. Third party funds' or partners' share of development spend and including Dexus third party funds' or partners' share of Westfield redevelopments and estimated completion value for Calvary Adelaide Hospital.



Market outlook

Infrastructure pipeline to support demand



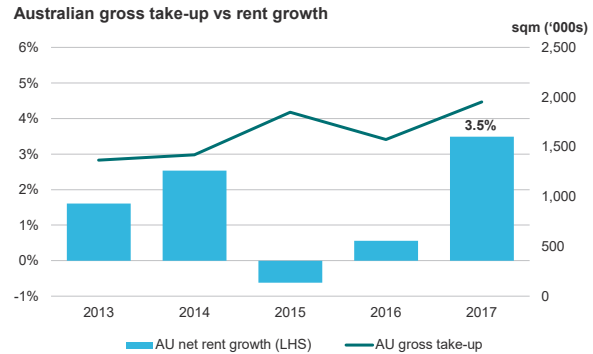
1. State infrastructure expenditure from State Government budgets over the next four years.
2. Deloitte Access Economics forecast including uncommitted projects under consideration.



Market outlook

Industrial sector benefiting from the e-commerce thematic

- Industrial activity supported by population growth, infrastructure investment and e-commerce
- E-commerce tenants accounted for ~20% of new industrial leasing activity globally, up from less than 5% five years ago
- Studies show e-commerce tenants require more industrial floorspace (2-3 times more) than traditional retailers
- Australian online sales grew by 17.2% in the year to May 2018¹
- Industrial rents and land values rising in Sydney & Melbourne
- Positive investor sentiment and strong investment demand



1. NAB online retail sales index. Source: JLL Research.

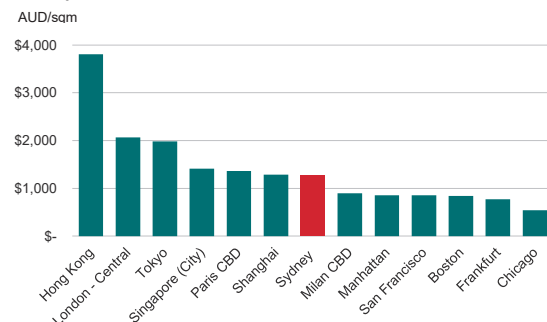


Market outlook

Sydney office rents in perspective

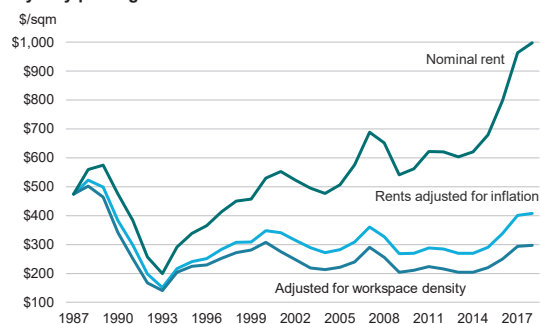
- Sydney not as expensive as many other global office markets
- Companies have steadily increased the density of workers per square metre of office space – so rent paid goes further now than in the past

Gross prime face rents



Source: Dexus Research, CBRE, JLL Research.

Sydney prime gross effective rent

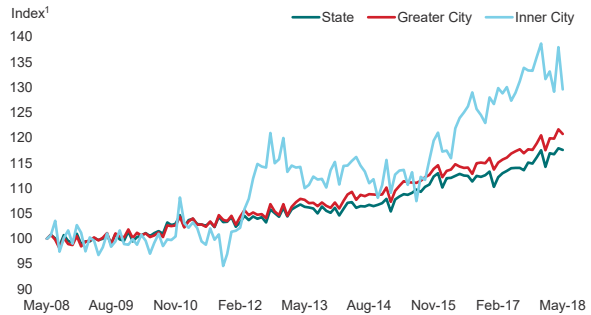


Market outlook

CBD office market to benefit from 'cities' thematic

- Employment growth in inner city areas and CBDs is faster than other regions
- Australian capital cities to add circa 13 million people by 2056
- CBDs to benefit from new infrastructure investment (e.g. light rail, metro rail)
- Trend to inner-city living and a 'live/work/play' ethos
- Businesses value CBD locations for attracting and retaining talented staff
- CBDs foster ideas, collaboration and productivity

NSW Employment growth by region



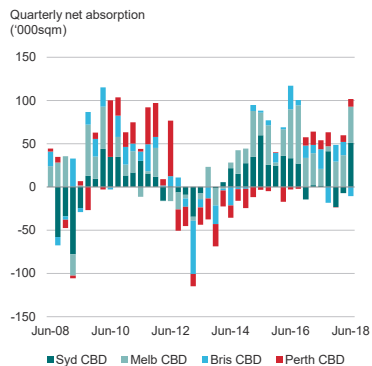
Source: ABS, Dexis Research.
1. Index based on monthly change in employment series.



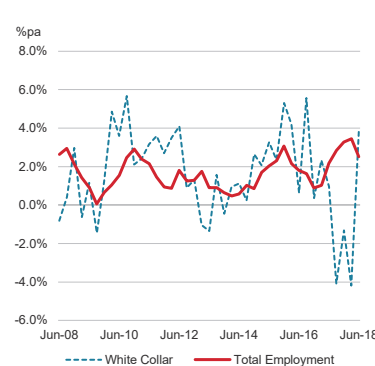
Market outlook

Lead indicators for office demand are positive

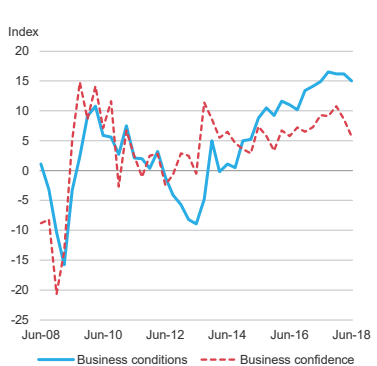
Office demand positive across the CBDs



Total employment is on the rise



Business conditions & confidence remain elevated



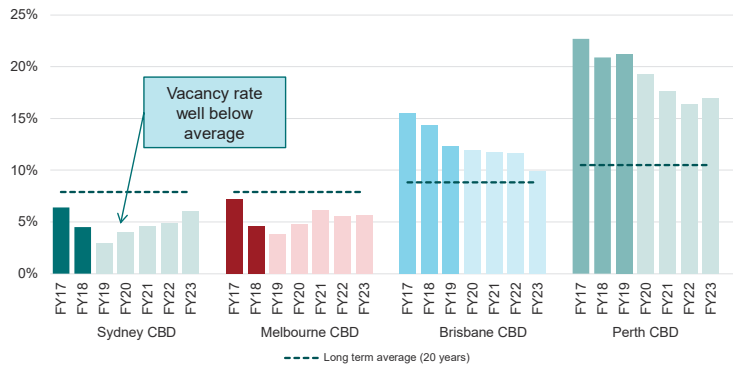
Source: JLL Research, NAB, ABS, Dexis Research.



Market outlook

Office rents expected to rise as vacancy declines further

Forecast vacancy rates



- Vacancy in Sydney and Melbourne is well below average driving strong growth in rents
- Brisbane and Perth fundamentals improving with demand positive over the past year

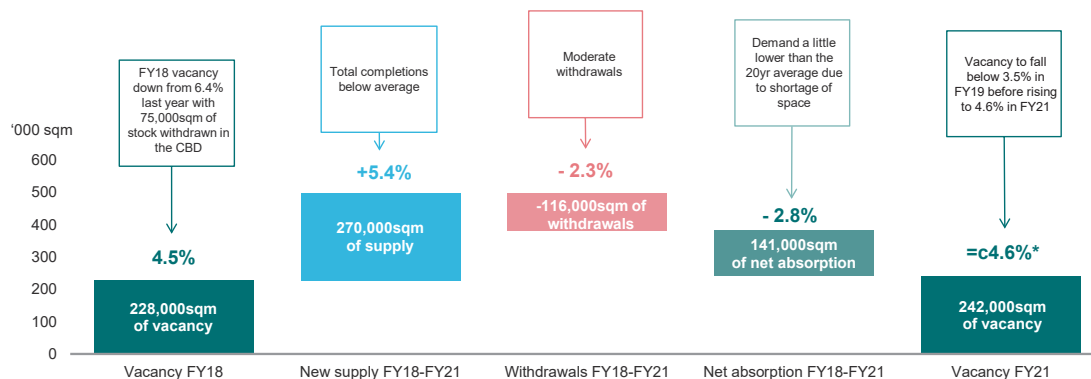
Source: Dexis Research, JLL Research.



Market outlook

Sydney office: solid fundamentals to support growth

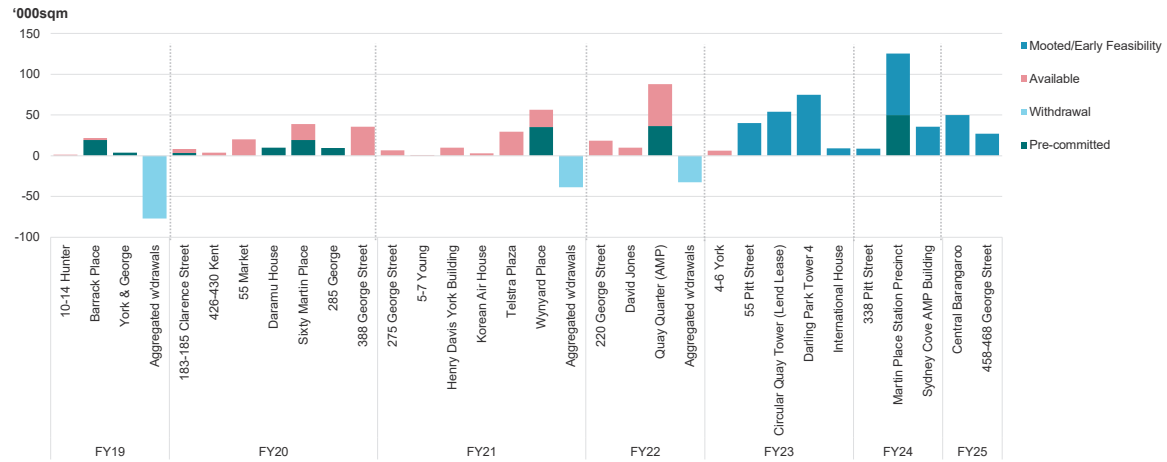
Sydney CBD waterfall chart – FY18 to FY21



Source: Dexis Research, LT average based on 20 year average as % of stock.
* Difference due to rounding.



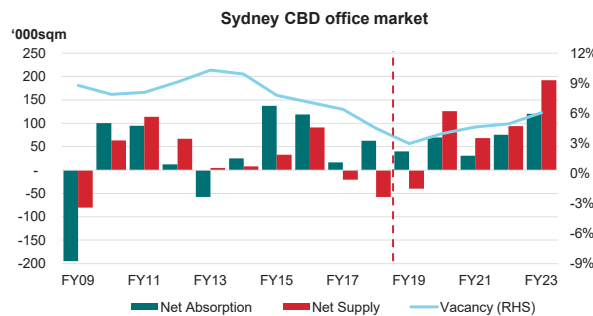
Market outlook Sydney CBD supply assumptions: major projects



Source: Dexis Research.

Market outlook Sydney CBD office

- Strong growth as vacancy fall below 3.5% in FY19
- Negative net supply in FY18 and FY19
- Vacancy to rise from FY20 but remain below long term average of 7.9%

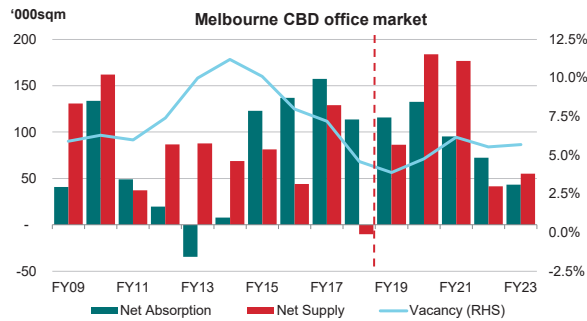


Source: JLL Research actual & Dexis Research forecast.
1. Includes stabilised properties only.

Sydney CBD office market	At 30 June 2018
Total net lettable area	5.04 million sqm
Prime vacancy average	5.2%
Dexis Sydney CBD exposure¹	
Net lettable area	700,035sqm
Number of properties	19
% of portfolio by value	59%
Occupancy by area	97.6%
Occupancy by income	97.6%
Weighted average lease expiry	4.7 years

Market outlook Melbourne CBD office

- Net absorption is the highest of all CBD office markets
- Strong supply pipeline with 447,000sqm of net supply in FY19-21
- Short-term outlook is for growth given vacancy is below average



Source: JLL Research actual & Dexus Research forecast.
1. Includes stabilised properties only.

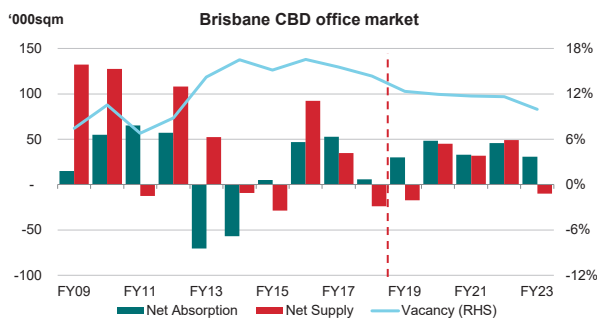
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Melbourne CBD office market	At 30 June 2018
Total net lettable area	4.73 million sqm
Prime vacancy average	4.2%
Dexus Melbourne CBD exposure¹	
Net lettable area	190,531sqm
Number of properties	5
% of portfolio by value	7%
Occupancy by area	98.4%
Occupancy by income	98.4%
Weighted average lease expiry	6.0 years



Market outlook Brisbane CBD office

- The Queensland economy has turned the corner and jobs growth is strong
- Demand strengthened with 5,750 of net absorption in FY18
- Market is into recovery phase given falling prime vacancy



Source: JLL Research actual & Dexus Research forecast.
1. Includes stabilised properties only.

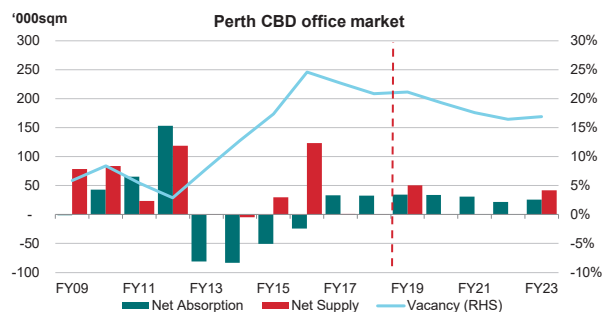
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Brisbane CBD office market	At 30 June 2018
Total net lettable area	2.25 million sqm
Prime vacancy average	9.6%
Dexus Brisbane CBD exposure¹	
Net lettable area	250,477sqm
Number of properties	6
% of portfolio by value	15%
Occupancy by area	95.0%
Occupancy by income	97.6%
Weighted average lease expiry	4.7 years



Market outlook Perth CBD office

- Conditions have improved as investment turns the corner
- Market has bottomed with positive take-up and vacancy declining
- Well placed for recovery with rents stabilising in FY18



Source: JLL Research actual & Dexis Research forecast.
1. Includes stabilised properties only.

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Perth CBD office market	At 30 June 2018
Total net lettable area	1.77 million sqm
Prime vacancy average	16.2%
Dexis Perth CBD exposure¹	
Net lettable area	121,666sqm
Number of properties	3
% of portfolio by value	6%
Occupancy by area	92.5%
Occupancy by income	90.3%
Weighted average lease expiry	4.9 years



Exchange rates and securities used in statutory accounts

		30 June 2017	31 Dec 2017	30 June 2018
Closing rates for Statement of Financial Position	USD	0.7692	0.7800	0.7391
Average rates for Statement of Comprehensive Income	USD	0.7545	0.7791	0.7691
Post consolidation equivalent amounts		12 mths to 30 June 2017	6 mths to 31 Dec 2017	12 mths to 30 June 2018
Average weighted number of securities ¹		968,484,893	1,017,292,855	1,017,299,246
Closing number of securities		1,016,967,300	1,017,404,542	1,017,196,877

1. Used to calculate underlying FFO, FFO and AFFO per security.

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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.
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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