

Dexus (ASX: DXS)

ASX release



30 October 2024

September 2024 quarter update – Resilient investment portfolio and delivering for funds clients

Ross Du Vernet, Dexus Group Chief Executive Officer & Managing Director said: “Dexus remains focused on driving performance across the platform, through actively managing our high-quality well-located investment portfolio and delivering for fund clients.

“Our strong balance sheet, continued focus on capital recycling, disciplined approach to capital allocation and our sector aligned operating model set us up to deliver investment performance for our Security holders and clients in the next phase of the investment cycle.”

Key highlights

- **Property portfolio continues to demonstrate resilience**, with Dexus office portfolio occupancy at 93.5% and Dexus industrial portfolio at 96.2%
- **Rent collections** remain strong at 99.5%
- **Exchanged or settled on circa \$0.7 billion** of transactions across the platform, the majority of which were divestments on behalf of a number of funds
- **Delivering continued outperformance** from Dexus Wholesale Property Fund, Dexus Wholesale Shopping Centre Fund and Dexus Diversified Infrastructure Trust
- Dexus’s opportunity funds have partnered with a local Brisbane developer to repurpose a B Grade Brisbane office building into student accommodation, with **DREP1 now fully deployed**
- Welcomed **Nik Kemp to lead Growth Markets** as Executive General Manager, with end-to-end responsibility across Infrastructure, Alternatives and Healthcare sectors

Outlook

Ross Du Vernet said: “There are now clear signs that real asset transaction markets are strengthening. Deal flow in both real estate and infrastructure markets is up significantly compared to this time last year as investors respond to an apparent peaking of the global interest rate cycle. These trends should support improved liquidity and greater asset value discovery in the year ahead.

“We are well positioned with a new sector aligned operating model to unlock opportunities across real assets. Despite near-term headwinds, we are focused on driving sustainable growth for Security holders over the long-term.

“Barring unforeseen circumstances, for the 12 months ended 30 June 2025¹ Dexus reiterates its expectation for AFFO of circa 44.5-45.5 cents per security and distributions of circa 37.0 cents per security.”

Environmental, Social and Governance (ESG)

Dexus commenced scenario analysis to test climate risks and opportunities against the Dexus strategy and risk management framework. The results will inform decision making, will be included in the next iteration of Dexus’s Climate Transition Action Plan and will support our preparations for mandatory climate disclosures in FY26.

At Horizon 3023 in Ravenhall, alongside its partner Electrolux Group, Dexus was awarded its first 6 Star Green Star rating, defined as world leadership under the Green Building Council of Australia tool, within its managed industrial portfolio.

Dexus continues to be recognised as a global leader in sustainability in the Global Real Estate Sustainability Benchmark (GRESB) 2024 results, with 11 funds and investments across Real Estate and Infrastructure achieving 5 star GRESB ratings.



Funds management continues to deliver for investors

Key highlights across the funds platform include:

- Dexus Wholesale Property Fund (DWPF) outperformed its benchmark across all time periods, delivering a 373-basis point and 142-basis point outperformance over one-year and 10-year periods respectively
- After transitioning to Dexus's platform, Dexus Wholesale Shopping Centre Fund (DWSF) significantly outperformed its benchmark in the past 12 months by 478 basis points
- Dexus Diversified Infrastructure Trust (DDIT) also outperformed its benchmark² over the past 12 months

Dexus's opportunity funds have partnered with a local Brisbane developer to repurpose a B Grade office building in Brisbane's CBD into a modern, purpose-built student accommodation providing 1,200 beds with an expected on-completion value of circa \$500 million.

This transaction demonstrates Dexus's ability to leverage the broad set of capabilities across the platform to create value for clients and investors. This includes special situations investing, office development and refurbishment, and the infrastructure team's deep experience within the Australian student accommodation sector.

As a result of this investment, DREP1 is now fully deployed, having executed 15 investments. The success of DREP1 has enabled Dexus to establish DREP2, already having raised more than \$300 million of commitments and on track to be a larger fund than DREP1.

Dexus exchanged or settled on circa \$0.6 billion of transactions across the funds platform during the quarter, the majority of which were divestments on behalf of a number of funds.

High-quality property portfolio supports resilient cashflows

Key metrics (stabilised portfolio)	Office		Industrial	
	30 Sep 2024	30 Jun 2024	30 Sep 2024	30 Jun 2024
Occupancy by income	93.5%	94.8%	96.2%	96.8%
Occupancy by area	93.0%	94.7%	97.1%	97.3%
Weighted average lease expiry (by income)	4.5 years	4.7 years	4.2 years	4.3 years
Square metres leased ³	21,900	160,400	105,400	170,500
Number of lease transactions ³	60	271	14	40
Average incentives ⁴	26.3%	27.9%	20.1%	16.5%

In office, location remains a key differentiator for asset performance, with the Sydney core and Melbourne eastern core again reporting lower vacancy compared with their respective CBD averages. The Sydney CBD experienced positive net absorption and a reduction in market vacancy during the quarter.

Dexus's office portfolio occupancy by income reduced slightly to 93.5%, predominantly due to an anticipated expiry at 80 Collins Street in Melbourne, a high-quality asset in the eastern core of the Melbourne CBD. Dexus's portfolio occupancy remains well above the wider market at 86.4%⁵. Average incentives of 26.3% were below FY24 levels, largely reflecting a higher proportion of leasing with smaller customers and at premium assets.

Dexus's industrial portfolio occupancy of 96.2% was supported by leasing success at a Sydney Outer West property. This was broadly offset by two Sydney expiries that are being actively addressed, one of which is in advanced discussion with potential customers. The industrial sector remains resilient with take-up rates in key markets holding up well and vacancy rates generally below pre-COVID levels albeit rising slowly. Across Dexus's stabilised industrial portfolio, rent growth remained above trend with double digit effective releasing spreads. The portfolio is 12.4% under-rented, benefiting from continued market rent growth across our key markets.

Developments

Construction at Dexus's city shaping office developments continues to progress to plan. Dexus also progressed construction of 174,500 square metres across its committed industrial developments and secured 26,900 square metres of development leasing at Jandakot.



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About Dexus

Dexus (ASX: DXS) is a leading Australasian fully integrated real asset group, managing a high-quality Australasian real estate and infrastructure portfolio valued at \$54.5 billion. The Dexus platform includes the Dexus investment portfolio and the funds management business. We directly and indirectly own \$14.8 billion of office, industrial, retail, healthcare, infrastructure and alternatives. We manage a further \$39.7 billion of investments in our funds management business which provides third party capital with exposure to quality sector specific and diversified real asset products. The funds within this business have a strong track record of delivering performance and benefit from Dexus's capabilities. The platform's \$16.1 billion real estate development pipeline provides the opportunity to grow both portfolios and enhance future returns. We believe that the strength and quality of our relationships will always be central to our success and are deeply connected to our purpose Unlock potential, create tomorrow. Our sustainability approach is focused on the priority areas where we believe we can make a significant impact: Customer Prosperity, Climate Action and Enhancing Communities. Dexus is supported by more than 37,000 investors from 23 countries. With four decades of expertise in real estate and infrastructure investment, funds management, asset management and development, we have a proven track record in capital and risk management and delivering returns for investors. www.dexus.com

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- 1 Based on current expectations relating to asset sales, performance fees and trading profits, and subject to no material deterioration in conditions.
 - 2 Australian 10 Years Government Bond yield plus 450 basis points.
 - 3 Including Heads of Agreement and excluding development leasing transactions.
 - 4 FY25 to date, excluding development leasing.
 - 5 Australian CBD average by Property Council Australia July 2024.