

DEXUS Property Group (ASX: DXS)

ASX release

18 November 2015

Morgan Stanley 14th Annual Asia Pacific Summit presentation

DEXUS Property Group (DEXUS) provides an overview presentation which will be used as a basis of discussion at the Morgan Stanley 14th Annual Asia Pacific Summit on Wednesday 18 and Thursday 19 November 2015 at the Mandarin Oriental in Singapore.

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About DEXUS

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$19.9 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. The Group manages an office portfolio of 1.7 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 32,000 investors from 21 countries. With 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for its investors. www.dexus.com

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DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)

DEXUS PROPERTY GROUP

MORGAN STANLEY ASIA-PACIFIC SUMMIT PRESENTATION – NOVEMBER 2015



AGENDA

- DEXUS today
- Property portfolio
- Property portfolio - Development
- Property Portfolio - Recent transactions
- Third party funds management
- Trading
- Market outlook
- Summary

All data as at 30 June 2015 unless otherwise stated.

Australia's largest prime office portfolio

A significant and growing Third Party Funds Management business

A deep pipeline of value enhancement opportunities

8.6% average growth in distributions p.a. and 15.8% p.a. TSR¹ since FY12

Underpinned by a strong balance sheet



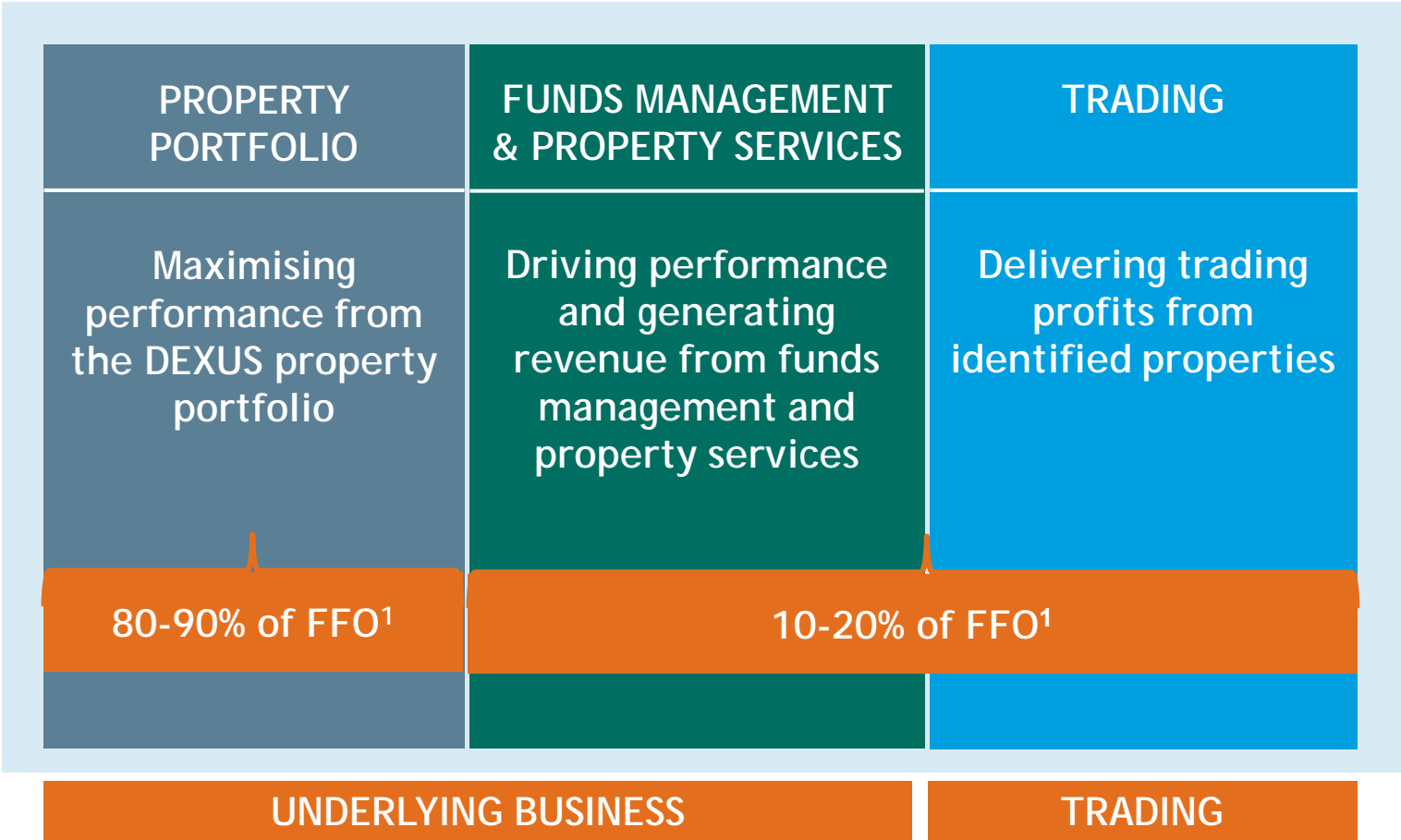
1. Compound annual total security holder return over the three years to 30 June 2015.

DEXUS TODAY

DEXUS PORTFOLIO ¹	THIRD PARTY FUNDS PORTFOLIO ²	TOTAL GROUP PORTFOLIO ^{1,2}
\$9.5bn	\$10.1bn	\$19.6bn
DEXUS owned and managed portfolio of Australian office and industrial properties	Management of a diverse portfolio of office, industrial and retail properties on behalf of third party partners and funds	
OFFICE: \$7.8bn	OFFICE: \$5.0bn	OFFICE: \$12.8bn
INDUSTRIAL: \$1.7bn	INDUSTRIAL: \$1.2bn	INDUSTRIAL: \$2.9bn
	RETAIL: \$3.9bn	RETAIL: \$3.9bn
DEVELOPMENT PIPELINE (future growth)¹		
DEVELOPMENT: \$1.2bn	DEVELOPMENT: \$2.3bn	DEVELOPMENT: \$3.5bn

1. DEXUS portfolio and Development pipeline information is as at 30 June 2015.
 2. Third party funds portfolio information is as at 30 September 2015.

DEXUS TODAY – Key earnings drivers



1. Represents target contribution to FFO before Finance costs and Group Corporate costs. FFO means Funds from Operations. As previously announced, DEXUS adopted FFO as defined by the PCA White Paper "Voluntary Best Practice Guidelines for disclosing Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)" for its reporting from 1 July 2014.

PROPERTY PORTFOLIO – DEXUS office – 82% of balance sheet assets

\$7.8bn

Prime office portfolio

>85%

Prime grade portfolio composition

94.1%¹

Occupancy (by income)

6.71%

Average capitalisation rate

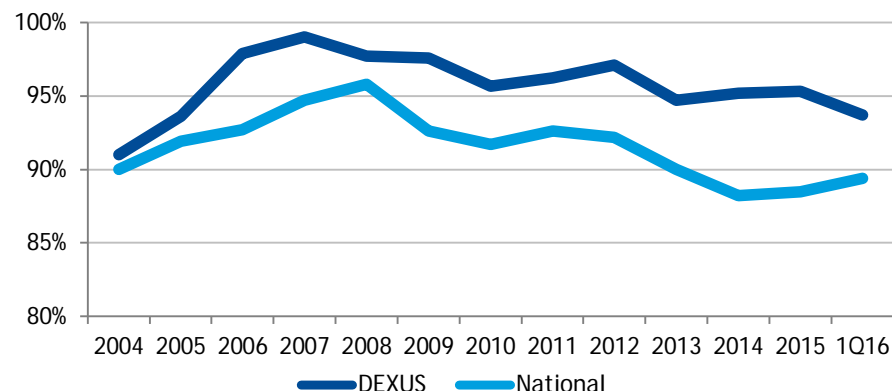


1. Occupancy was 93.7% at 30 September 2015 and increased to 94.1% at 22 October 2015 including heads of agreement signed post quarter end.

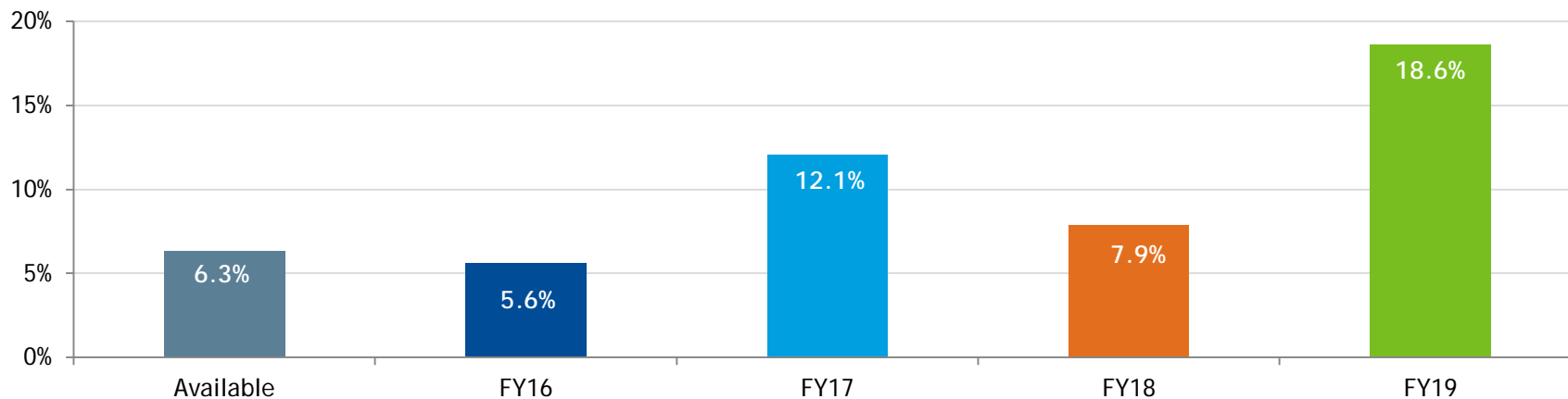
PROPERTY PORTFOLIO – DEXUS office occupancy and lease expiry profile

- Maintained office occupancy rates well above National average and 90%¹ since 2004
- No more than 12.1%¹ of the Group's existing office leases expire in any single fiscal period for the next three financial years
- High proportion of fixed rent reviews
- No single tenant represents more than 4.4% of income²

Historical outperformance vs. National office occupancy rates³



DEXUS Office portfolio lease expiry at 30 September 2015¹



1. By income.
 2. 30 June 2015 fully leased DEXUS Portfolio passing income.
 3. Source: DEXUS Research and Jones Lang LaSalle.

PROPERTY PORTFOLIO – DEXUS industrial – 18% of balance sheet assets

\$1.7bn

Prime industrial portfolio

93.4%¹

Occupancy (by income)

7.77%

Average capitalisation rate

Lakes Business Park, Lord Street, Botany



1 Foundation Place, Greystanes

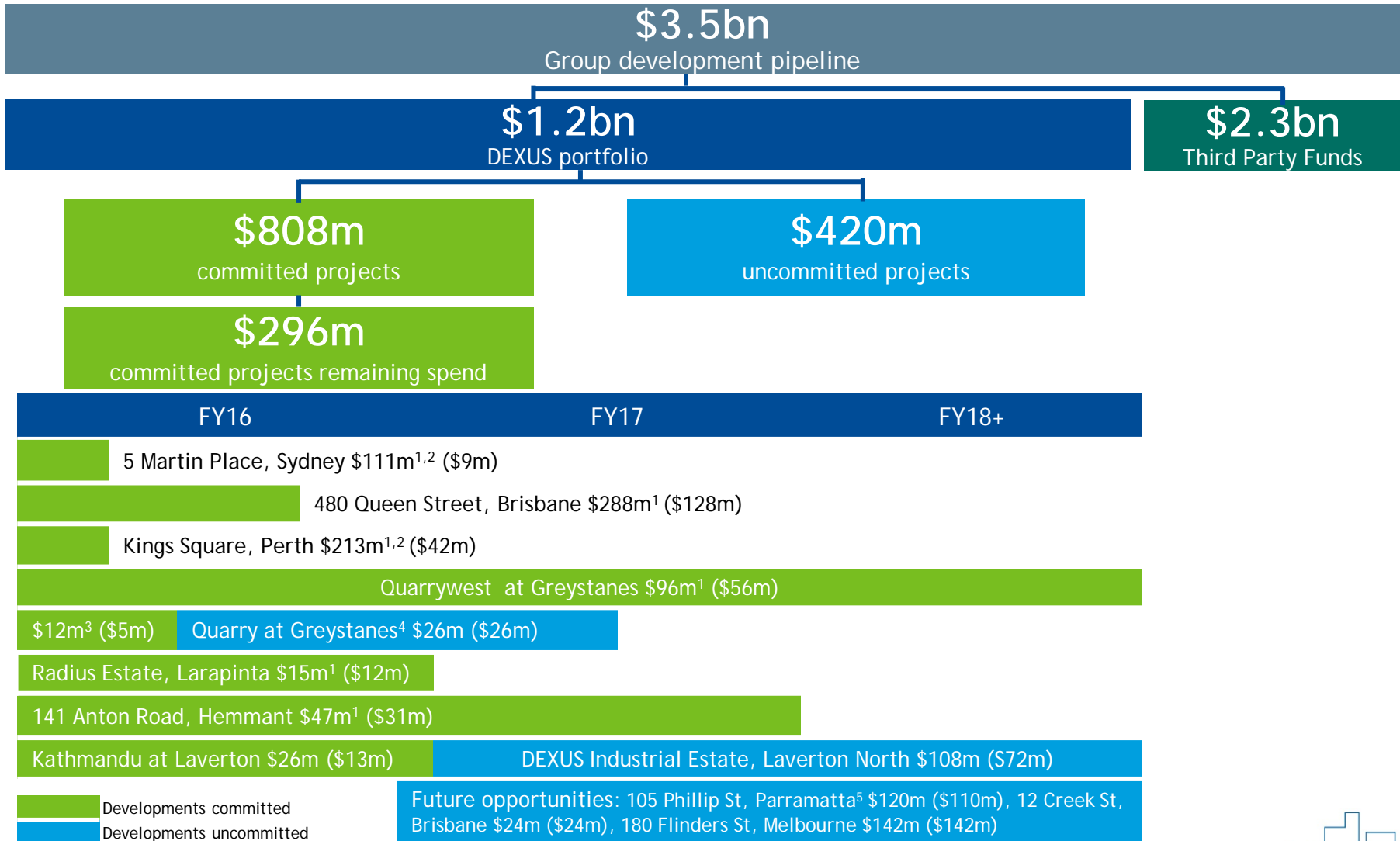


Quarry at Greystanes, 1 Basalt Road, Greystanes²



1. Occupancy as at 30 September 2015.
2. Jointly owned by DEXUS and Australian Industrial Partner.

PROPERTY PORTFOLIO – Development pipeline as at 30 June 2015



Note: Development pipeline shows total est. project cost and (est. cost to complete) at FY15.

1. DEXUS interest in development costs.

2. Practical completion expected in September 2015.

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Slide 9

3. Lots WH11, WH12 and A4 are committed.

4. Lot A2 is uncommitted.

5. Also included in DEXUS trading pipeline. Property has DA approval for an office project.

PROPERTY PORTFOLIO – Key office developments

5 Martin Place, Sydney¹

29% forecast project IRR

7.3% yield on cost



Kings Square, Perth²

15% forecast project IRR

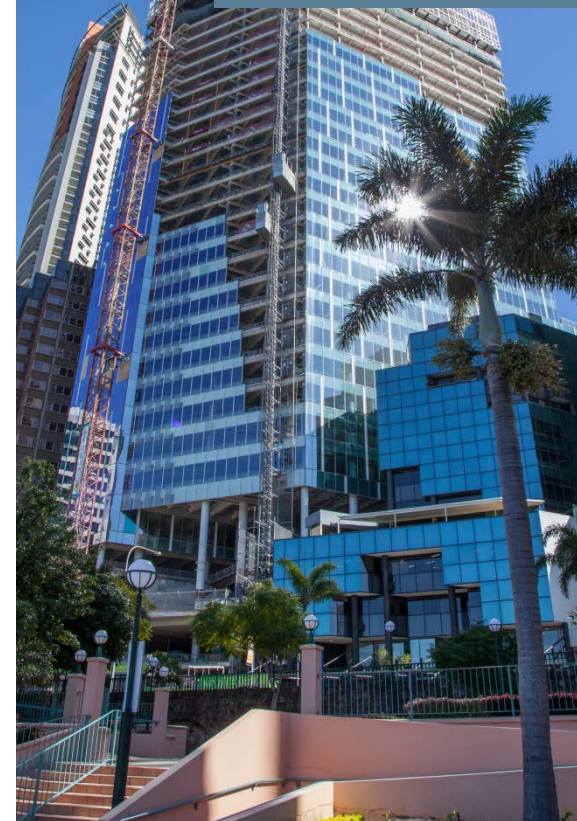
8.2% yield on cost



480 Queen Street, Brisbane²

17% forecast project IRR

7.0-7.2% yield on cost



1. Jointly owned by DEXUS and DEXUS Office Partner.
2. Jointly owned by DEXUS and DEXUS Wholesale Property Fund.

PROPERTY PORTFOLIO – Industrial development

Quarry¹ at Greystanes and Quarrywest²

319,000 square metres of prime industrial facilities



1. Jointly owned by DEXUS and Australian Industrial Partner.
2. Jointly owned by DEXUS and DEXUS Industrial Partner.

PROPERTY PORTFOLIO – Recent transactions

Acquisition of Waterfront Place Complex, Brisbane¹

Acquisition price: \$635m

Favourable rate of \$9,644/sqm

Long term core investment

Eagle Street Pier offers one of the best future development sites in Brisbane CBD

Sale of 36 George Street, Burwood²

Sale price: \$95m

44% premium to book value

Achieved a 32% IRR on investment

1. Jointly owned 50/50 by DEXUS and DEXUS Wholesale Property Fund.

2. DEXUS Office Partnership, in which DEXUS has a 50% interest, announced on 29 September 2015 that it had entered into an agreement to sell the property.

THIRD PARTY FUNDS MANAGEMENT – Platform set up for organic growth

\$10.1bn¹

Third Party Funds under management

48

Investors from seven countries

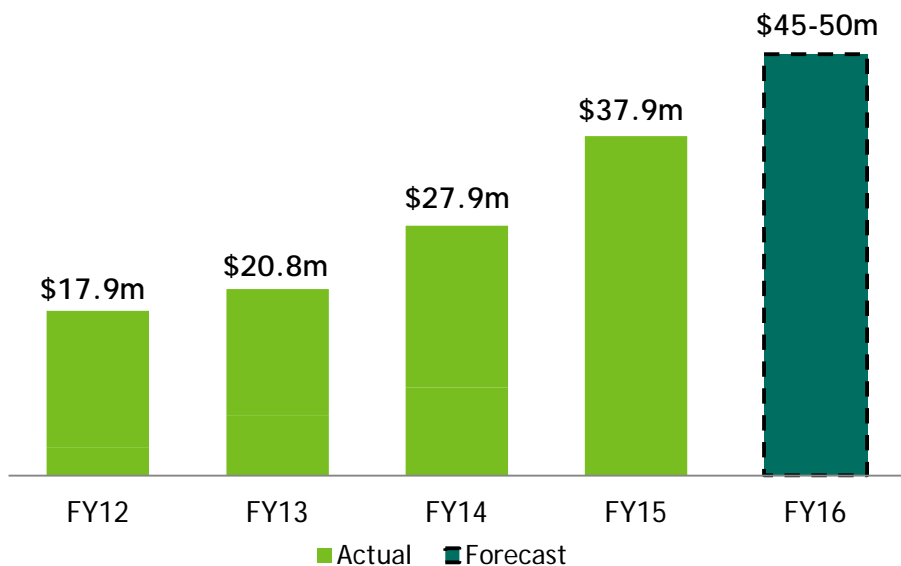
>70%

Growth in third party funds since June 2012¹

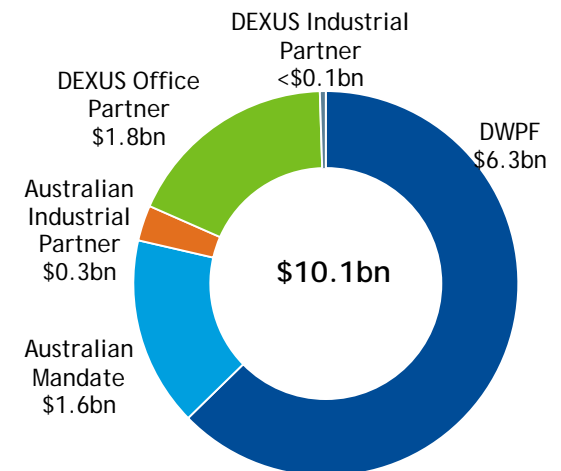
\$2.3bn

Development pipeline

Management operations profit



Growing investor/fund base¹

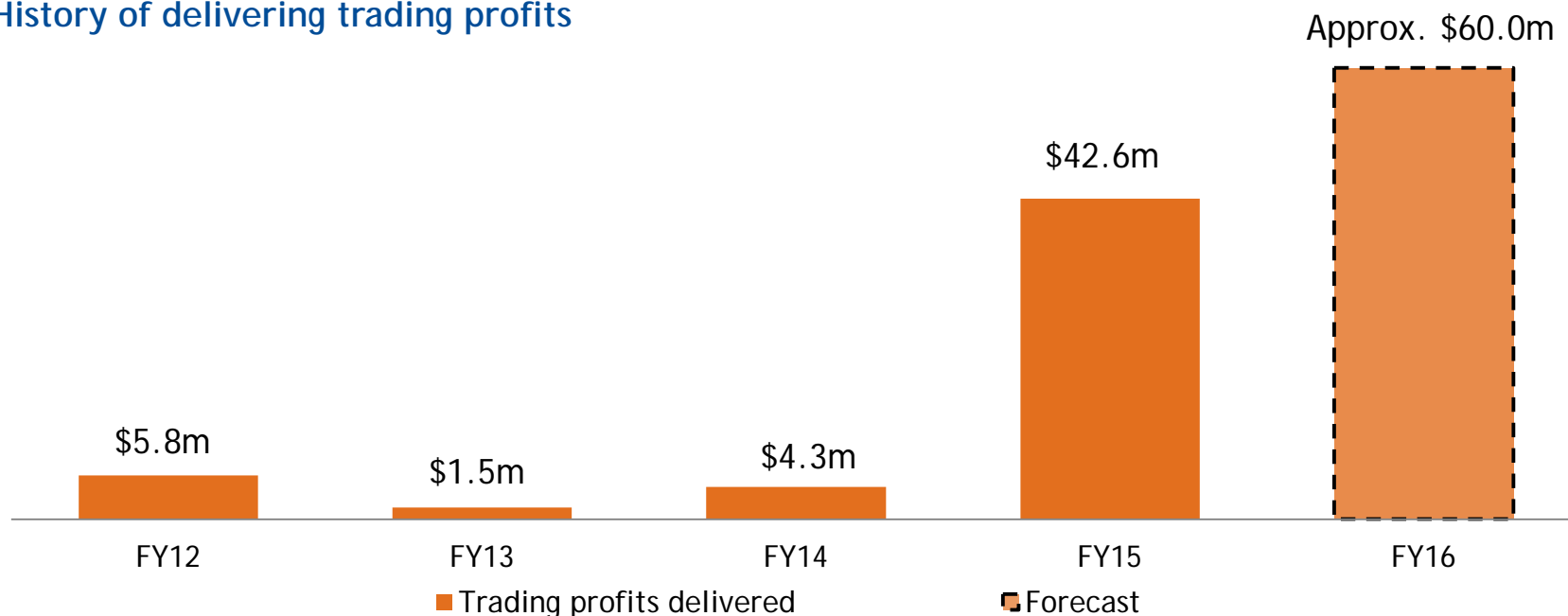


1. As at 30 September 2015.

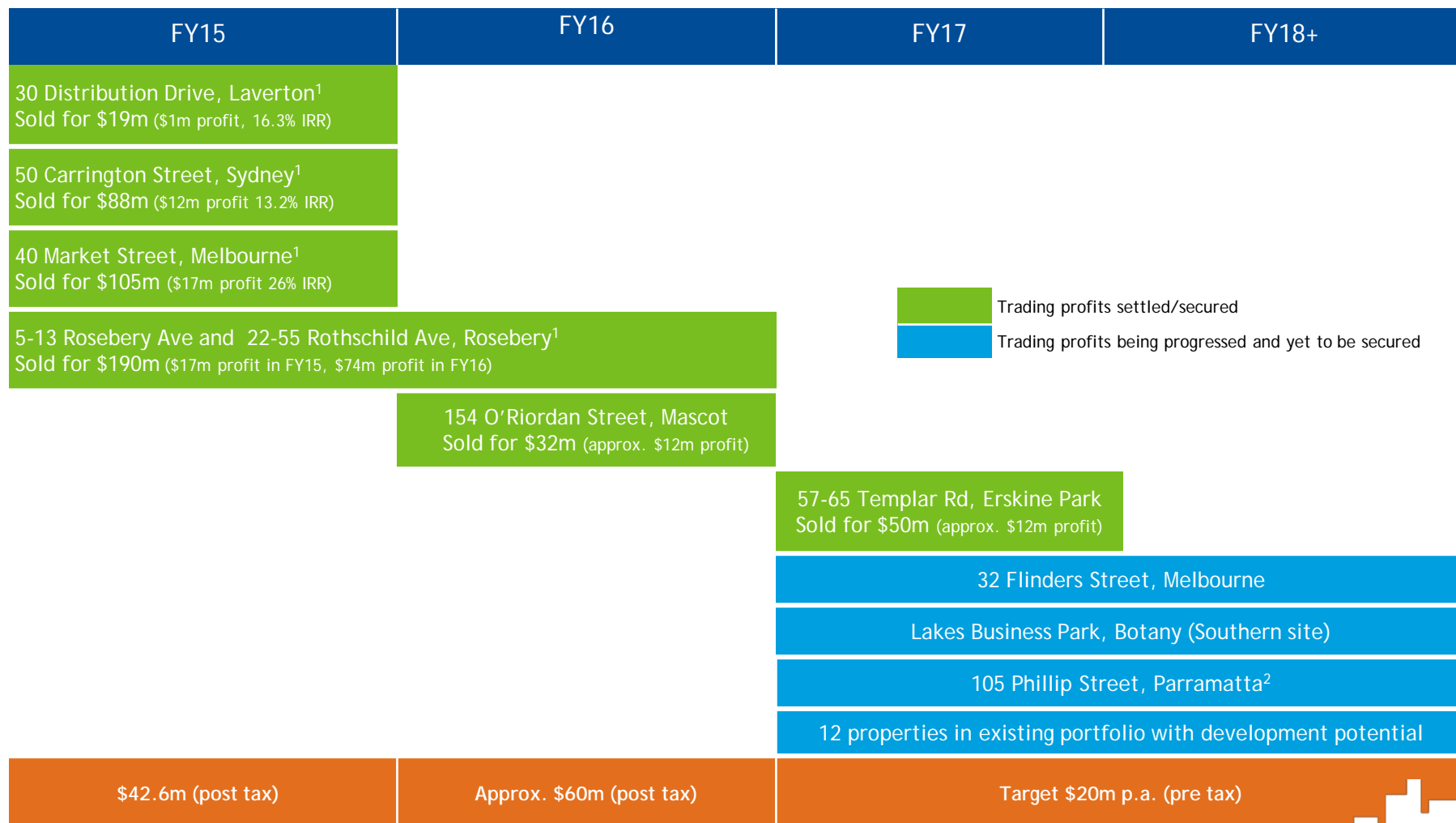
TRADING

- Since 2010, DEXUS has had a trading strategy and included trading profits in FFO
- Already settled on properties that comprise FY16 trading profits to deliver approximately \$60 million (post tax)
- In late October 2015, entered into an agreement to sell 57-65 Templar Road, Erskine Park contributing approximately \$12 million (pre tax) to trading profits in FY17

History of delivering trading profits



TRADING PIPELINE

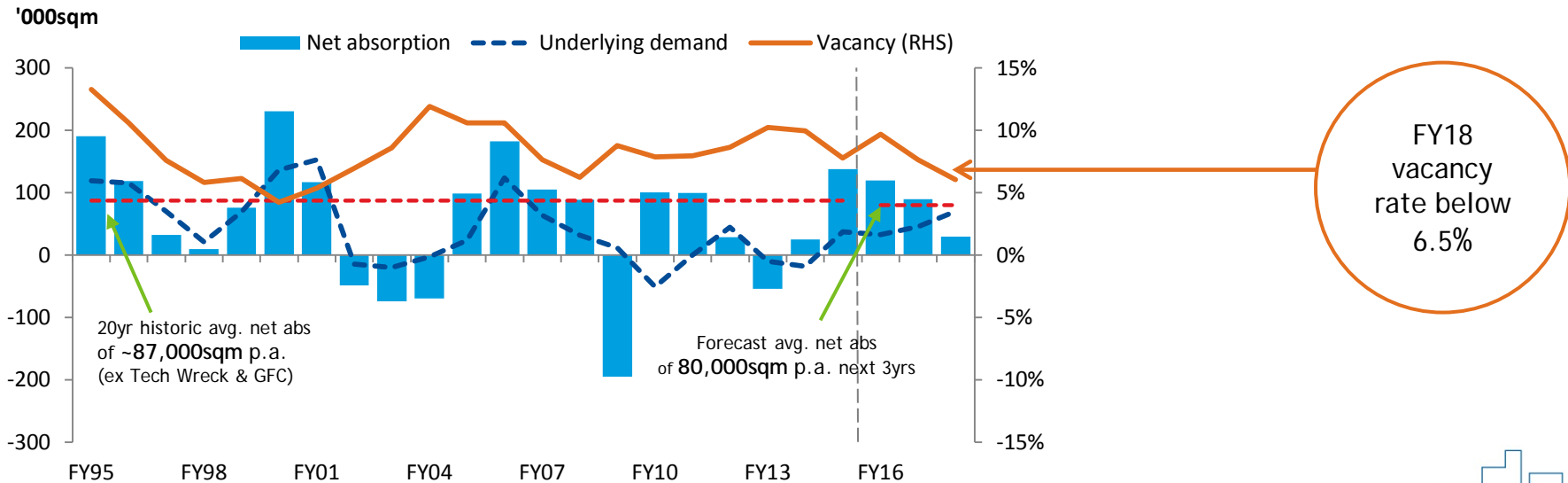


1. FY15, FY16 and FY17 trading profits quoted for each property are pre-tax.
 2. Also included in DEXUS development pipeline as property has DA approval for an office project.

MARKET OUTLOOK – Sydney CBD vacancy to fall below 6.5% by FY18

DEXUS EXPECTATIONS

<p>444,000sqm of supply over the next 3 years</p> <ul style="list-style-type: none"> 8.9% of stock, around 1.5 times average Barangaroo completion in FY17 followed by decline in supply in FY18 	<p>281,000sqm of withdrawals over the next 3 years</p> <ul style="list-style-type: none"> 42% of withdrawals will be permanent Withdrawal rate higher than previous decade average (~43,000sqm p.a.) 	<p>240,000sqm of net absorption over the next 3 years</p> <ul style="list-style-type: none"> Comparable with 20 year historic average net absorption of 87,000sqm p.a. (ex Tech Wreck & GFC) 	<p>Flight to quality above average take up in prime space</p> <ul style="list-style-type: none"> Past 12 months +158,000sqm net absorption of Prime Includes +21,000sqm net movement (secondary to prime) 	<p>Vacancy to increase in FY16 Barangaroo effect</p> <ul style="list-style-type: none"> 265,000sqm of supply (73% committed) Limited supply FY17-18 will see vacancy quickly reduce
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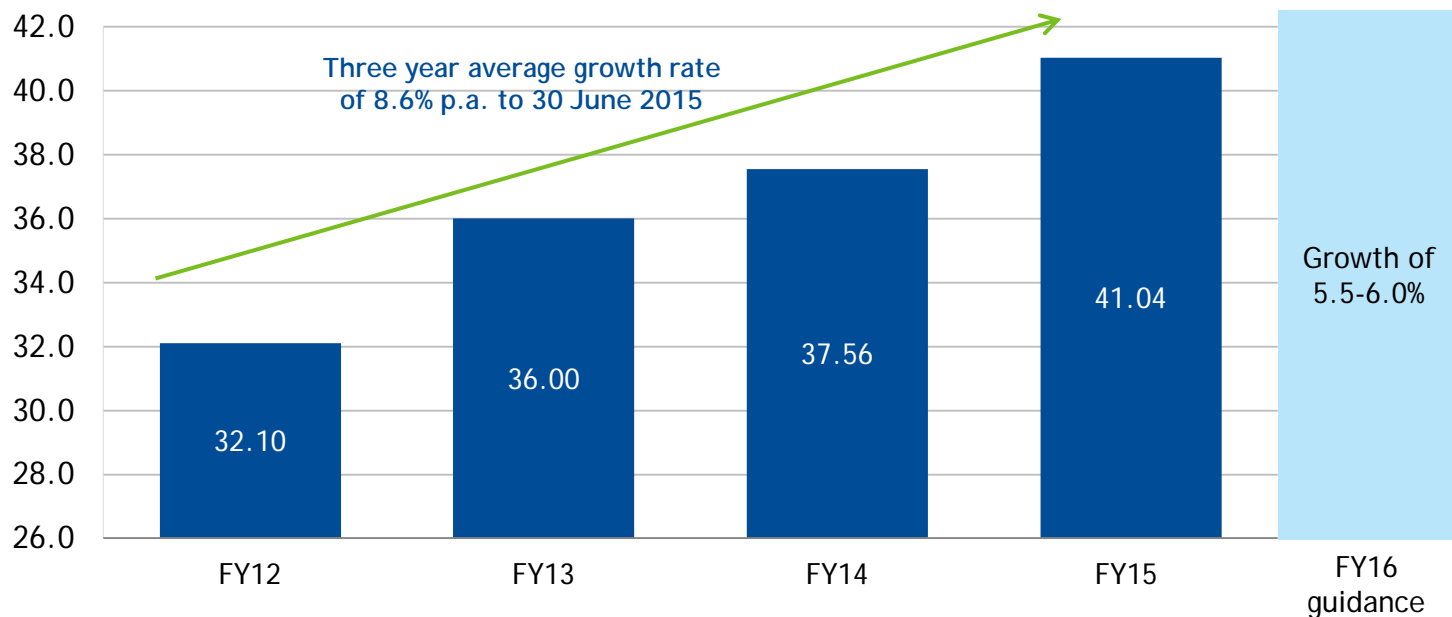


Source: DEXUS Research, JLL Research, Deloitte Access Economics.

SUMMARY

- Solid operating business set up to deliver growth through the cycle
- Delivering consistent performance
- Third party funds management business is set up for strong organic growth
- FY16 guidance¹ for growth in FFO and distribution per security of 5.5-6.0% from FY15

Distribution growth - cents per security



1. Barring unforeseen circumstances guidance is supported by the following assumptions: flat like-for-like income across the DEXUS combined portfolio, weighted average cost of debt of circa 4.9%, trading profits of approximately \$60m net of tax, Management Operations FFO of \$45-50m (including third party development management fees), approximately \$150m net proceeds from non-core property divestments during FY16, excluding any buy-back of DEXUS securities, and excluding any further transactions.

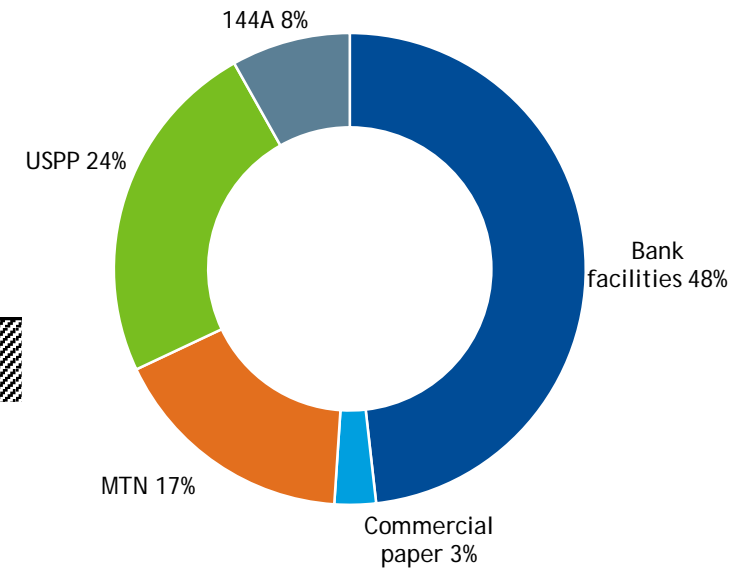
APPENDICES



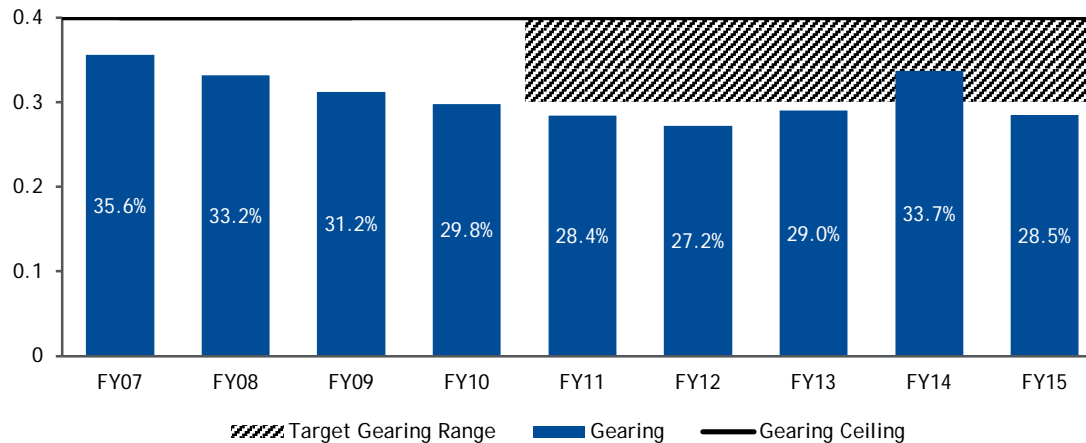
CAPITAL MANAGEMENT

Key metrics	30 Jun 15	30 Jun 14
Gearing (look-through) ¹	28.5% ²	33.7%
Cost of debt ³	5.2%	5.4%
Duration of debt	5.7 years	5.2 years
Hedged debt (ex caps) ⁴	69%	51%
S&P/Moody's credit rating	A-/A3	A-/A3

Diversified mix of facilities⁵



Gearing history



- Adjusted for cash and for debt in equity accounted investments.
- Pro-forma gearing is 29.3% post the disposal of Rosebery/Mascot and the acquisition of the Waterfront Place Complex which have all settled post 30 June 2015.
- Weighted average across the period, inclusive of fees and margins on a drawn basis.
- Average for the year. Hedged debt (including caps) was 76% for 12 months to 30 June 2015 and 60% for 12 months to 30 June 2014. DEXUS was 95% hedged (including caps) as at 30 June 2015.
- Position at 12 August 2015 including domestic MTN's in equity accounted investments.

SYDNEY CBD OFFICE PORTFOLIO



SYDNEY CBD OFFICE PORTFOLIO



L-R: 5 Martin Place, Australia Square and Governor Phillip and Governor Macquarie Towers, Sydney NSW.

SYDNEY CBD



Aerial view of Sydney CBD, NSW.

SYDNEY CBD



View of Sydney CBD from Milsons Point, NSW.

MELBOURNE CBD OFFICE PORTFOLIO



Southgate Complex, 3 Southgate Ave
100% DXS owned, 100% managed

Flinders Gate Complex, 172 Flinders St
(not visible) 100% DXS owned, 100% managed

32-44 Flinders Street (not visible)
100% DXS owned, 100% managed

34-60 Little Collins Street
100% DXS owned, 100% managed

8 Nicholson Street
100% DXS owned, 100% managed

452 Flinders Street
100% DWPF owned, 100% managed

40 Market Street (not visible)
100% DXS owned, 100% managed

360 Collins Street
100% DWPF owned, 100% managed

385 Bourke Street
50% DXS owned, 100% managed
50% DEXUS Office Partner owned

180-222 Lonsdale Street
50% DXS owned, 100% managed
50% DEXUS Office Partner owned

MELBOURNE CBD OFFICE PORTFOLIO



L:R: 385 Bourke Street, Southgate Complex and 180-222 Lonsdale Street, Melbourne, VIC.

BRISBANE CBD OFFICE PORTFOLIO

324 Queen Street
100% DWPF owned, 100% managed

123 Albert Street
100% DXS owned, 100% managed

145 Ann Street
50% DXS owned, 100% managed
50% DEXUS Office Partner owned

480 Queen Street (not visible)
50% DXS owned, 100% managed
50% DWPF owned

12 Creek Street
50% DXS owned, 100% managed
50% DWPF owned

10 Eagle Street
50% DXS owned, 100% managed
50% DEXUS Office partner owned

Waterfront Place Complex
50% DXS owned, 100% managed
50% DEXUS Office partner owned

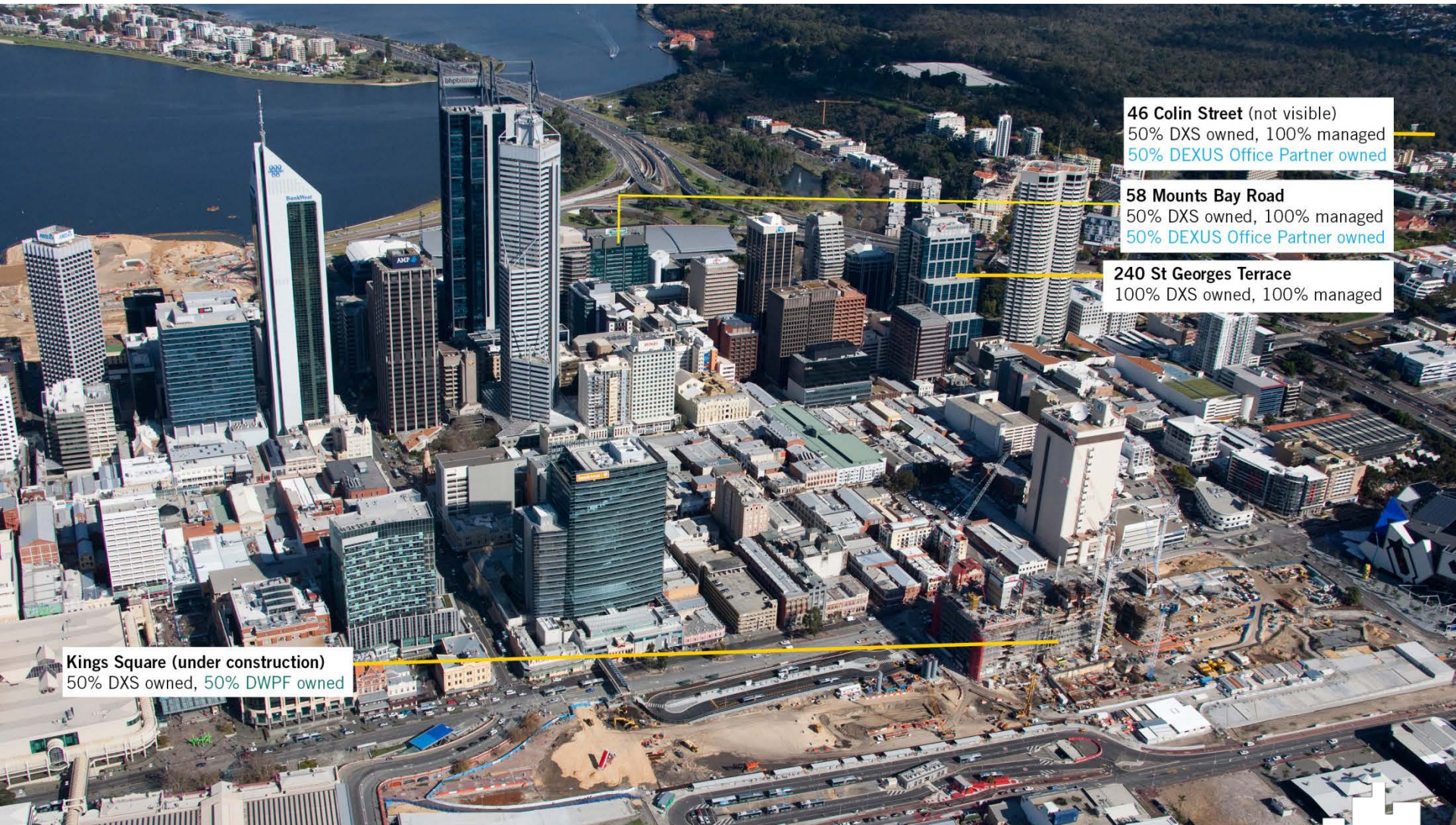
60 Albert Street
100% DWPF owned
100% managed

BRISBANE CBD OFFICE PORTFOLIO



L-R: 123 Albert Street, 480 Queen Street development, 10 Eagle Street and 12 Creek Street, Brisbane, QLD.

PERTH CBD OFFICE PORTFOLIO



Kings Square (under construction)
50% DXS owned, 50% DWPf owned

46 Colin Street (not visible)
50% DXS owned, 100% managed
50% DEXUS Office Partner owned

58 Mounts Bay Road
50% DXS owned, 100% managed
50% DEXUS Office Partner owned

240 St Georges Terrace
100% DXS owned, 100% managed

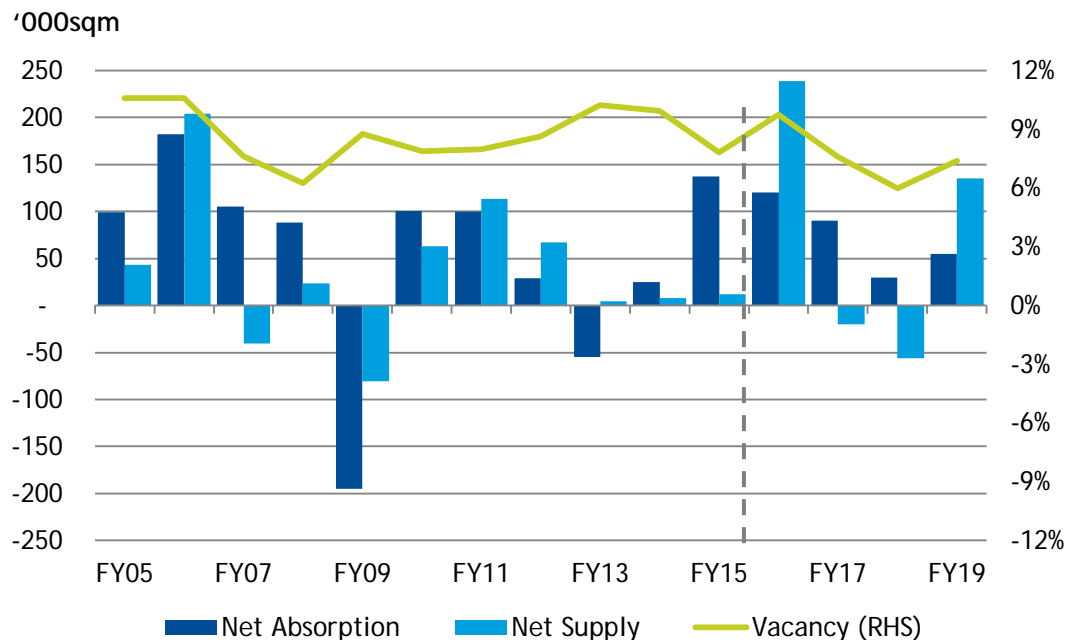
PERTH CBD OFFICE PORTFOLIO



L-R: 58 Mounts Bay Road, 240 St Georges Terrace and Kings Square development, Perth, WA.

MARKET OUTLOOK – Sydney CBD office

Sydney CBD office market



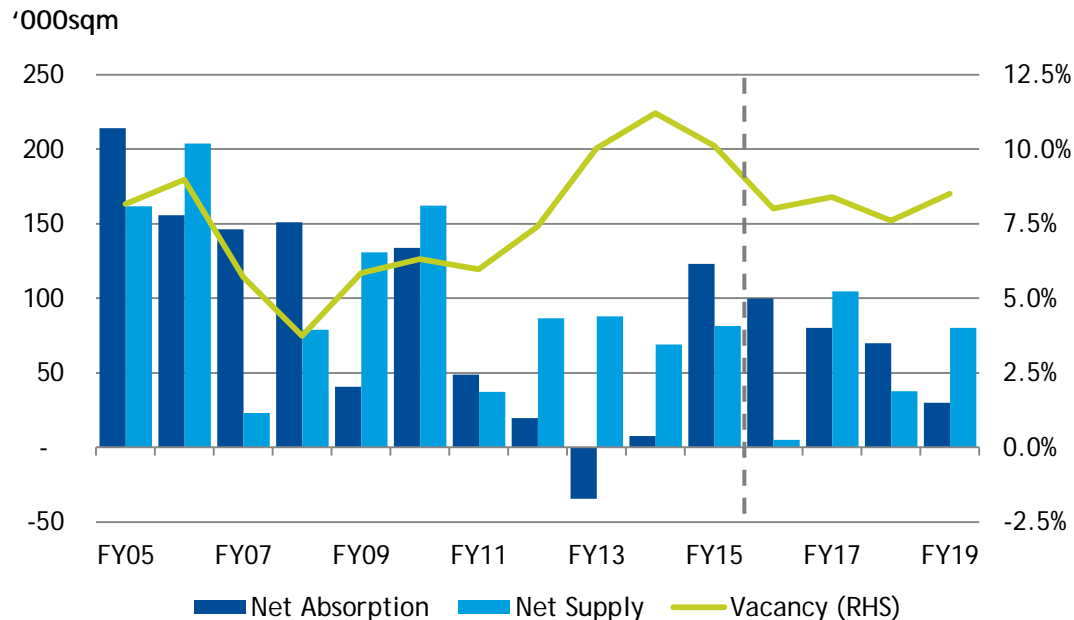
Sydney CBD office market		At 30 June 2015
Total net lettable area		5.00 million sqm
Prime vacancy average		7.5%
DEXUS Sydney CBD exposure		
Net lettable area		594,848
Number of properties		17
% of portfolio by value		50%
Occupancy by area		95.5%
Occupancy by income		94.7%
Weighted average lease expiry		4.5 years

- Recovery well underway with demand to remain firm FY16-FY17
- Vacancy has fallen to c7.8% (FY15), which is better than expected
- Vacancy to temporarily lift FY16 due to significant new supply
- Positive demand and withdrawal of older stock to drive vacancy down to 6.5% in FY18

Source: JLL Research actual & DEXUS Research forecast.

MARKET OUTLOOK – Melbourne CBD office

Melbourne CBD office market



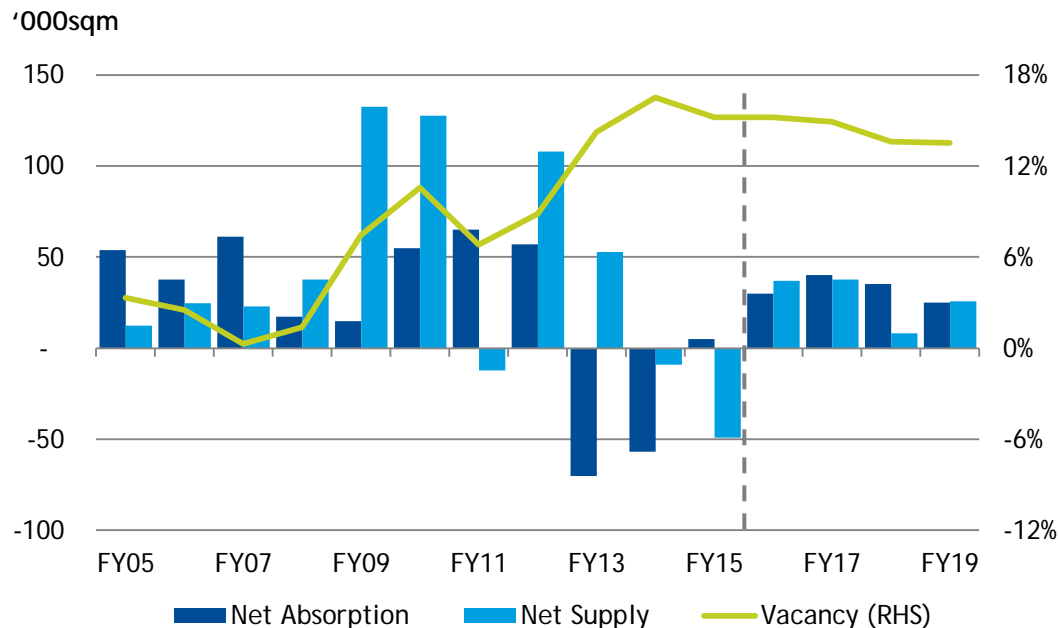
Melbourne CBD office market		At 30 June 2015
Total net lettable area		4.57 million sqm
Prime vacancy average		9.8%
DEXUS Melbourne CBD exposure¹		
Net lettable area		285,273
Number of properties		7
% of portfolio by value		14%
Occupancy by area		94.6%
Occupancy by income		93.1%
Weighted average lease expiry		3.9 years

- Demand strengthening due to growth in education and professional services
- Tenant migration from the fringe to the CBD anticipated to continue
- Vacancy to tighten over the medium-term due to muted supply

Source: JLL Research actual & DEXUS Research forecast.

MARKET OUTLOOK – Brisbane CBD office

Brisbane CBD office market



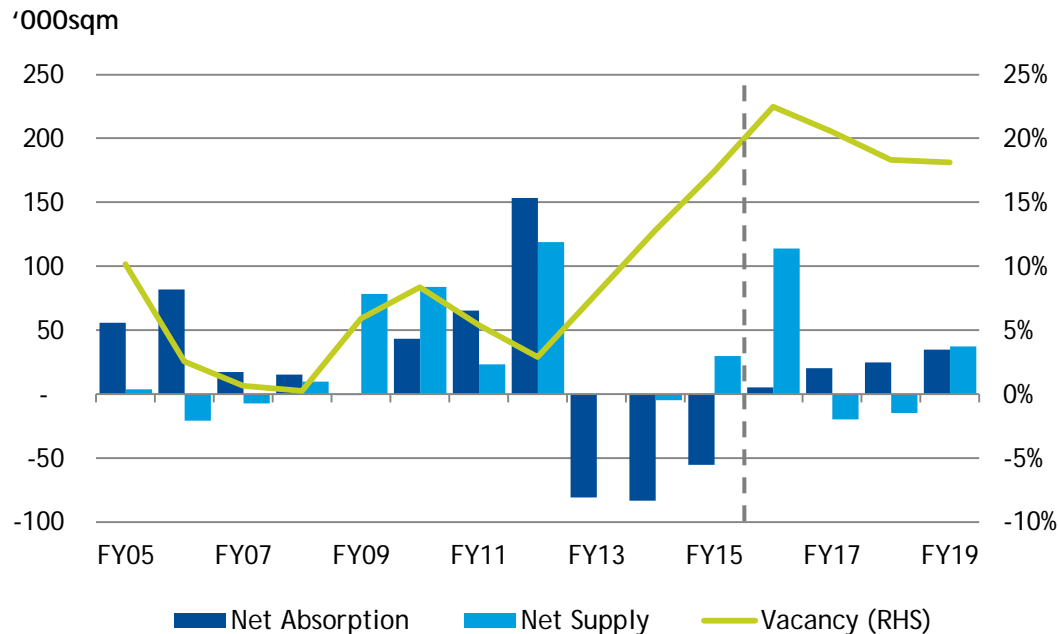
Brisbane CBD office market	At 30 June 2015
Total net lettable area	2.15 million sqm
Prime vacancy average	10.2%
DEXUS Brisbane CBD exposure¹	
Net lettable area	460,005
Number of properties	5
% of portfolio by value	12%
Occupancy by area	97.6%
Occupancy by income	97.7%
Weighted average lease expiry	5.3 years

- Government and mining sector consolidation is tapering
- Demand turning a corner with positive net absorption from FY15
- Two tier market as tenants migrate to high quality space
- Should benefit longer-term from significant withdrawals for residential conversion

Source: JLL Research actual & DEXUS Research forecast.

MARKET OUTLOOK – Perth CBD office

Perth CBD office market



Perth CBD office market		At 30 June 2015
Total net lettable area		1.64 million sqm
Prime vacancy average		15.9%
DEXUS Perth CBD exposure¹		
Net lettable area		422,916
Number of properties		4
% of portfolio by value		10%
Occupancy by area		99.6%
Occupancy by income		99.7%
Weighted average lease expiry		3.5 years

- Cyclical slowdown as the mining sector transitions from investment phase to production
- Vacancy to rise due to new supply, and further cutbacks in mining sector
- Rents likely to weaken further
- Perth's longer term prospects will be underpinned by rising exports and population growth

Source: JLL Research actual & DEXUS Research forecast.

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