

DEXUS Property Group (ASX: DXS)

ASX release

4 May 2016

Macquarie Australia Conference presentation

DEXUS Property Group (DEXUS) today releases the attached presentation to be presented at the 2016 Macquarie Australia Conference, which is being held at The Sheraton on the Park, 161 Elizabeth Street, Sydney.

For further information please contact:

Investor relations

Rowena Causley T: +61 2 9017 1390
M: +61 416 122 383
E: rowena.causley@dexus.com

Media relations

Louise Murray T: +61 2 9017 1446
M: +61 403 260 754
E: louise.murray@dexus.com

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 \$21.5 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 1.8 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 20 countries. With more than 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

Download the DEXUS IR app to your preferred mobile device to gain instant access to the latest stock price, ASX Announcements, presentations, reports, webcasts and more.



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

An aerial photograph of a city skyline, likely Sydney, Australia, showing a dense cluster of skyscrapers and buildings along a waterfront. A large cruise ship is docked at a pier on the right side of the image. The water is a deep blue-green color, and there are some smaller boats and structures in the harbor. The sky is clear and blue.

DEXUS PROPERTY GROUP

MACQUARIE AUSTRALIA CONFERENCE PRESENTATION - 4 MAY 2016

DEXUS Funds Management Limited
ABN 24 060 920 783
AFSL 238163 as responsible entity for DEXUS Property Group

DEXUS
PROPERTY GROUP

DEXUS TODAY

Australia's largest prime office portfolio

A significant and growing Third Party Funds Management business

A deep pipeline of value enhancement opportunities

8.6% p.a. growth in distributions from FY12 to FY15

Underpinned by a strong balance sheet



DEXUS TODAY – Key earnings drivers

All key areas of the business are in a strong position

PROPERTY PORTFOLIO

Focus on increasing office occupancy >95%



80-90% of FFO²

FUNDS MANAGEMENT & PROPERTY SERVICES

Organic growth supported by \$2.1bn development pipeline¹



10-20% of FFO²

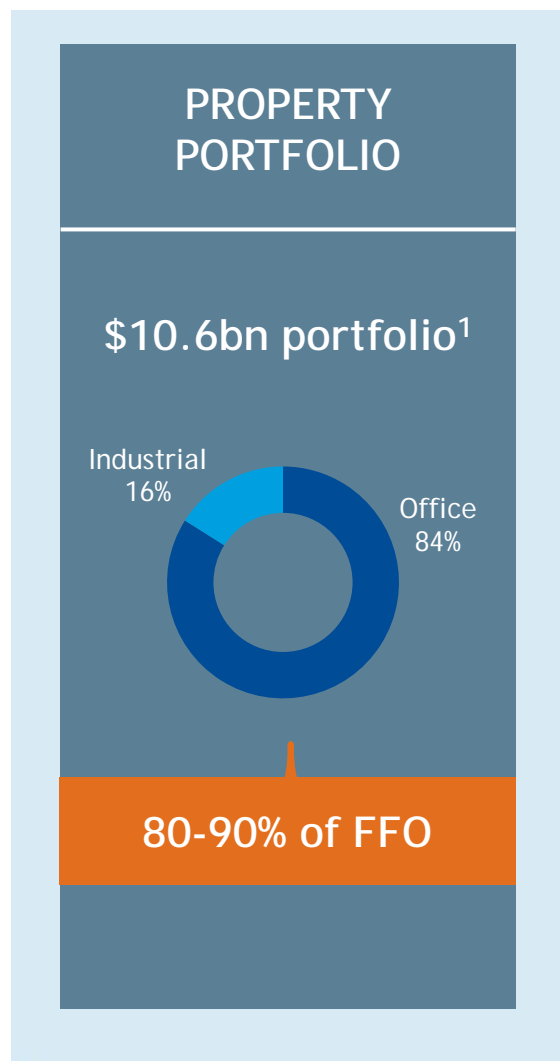
TRADING

Pipeline enhanced with priority projects to FY20



1. Remaining spend on Third party funds management development pipeline is \$1.5bn, including \$718m of uncommitted projects.
2. 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 – Stable predictable income representing 80-90% of FFO



- Largest listed office portfolio in Australia
 - 91% Prime grade (Premium and A-grade quality)
- Industrial portfolio focused on major industrial hubs and arterial roadways
- Properties generate a stable and predictable income stream
 - Lease terms contain annual fixed increments of circa 3.0-4.0%
 - Office portfolio weighted average lease term of 4.7 years¹
 - Largest asset exposure represents 8% of property portfolio by book value²
 - Largest tenant exposure represents 4% of property income³

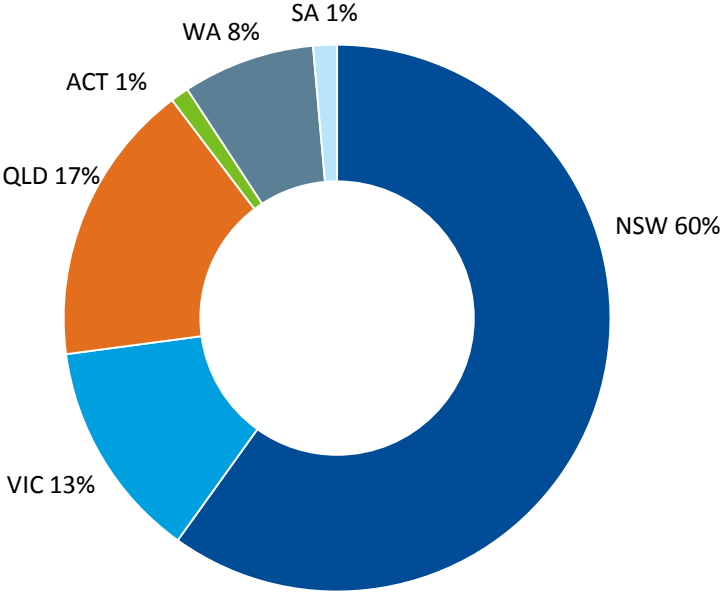
1. As at 31 March 2016.

2. Based on 31 December 2015 book valuations.

3. 31 December 2015 fully leased DEXUS Portfolio passing income annualised.

PROPERTY PORTFOLIO – Concentrated exposure to the Sydney office market

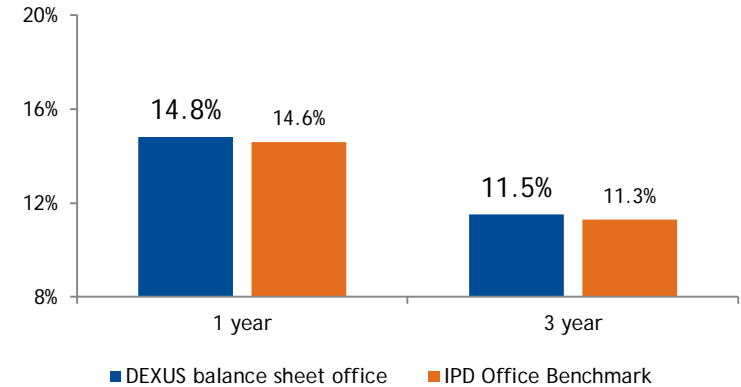
DEXUS office portfolio
geographic diversification



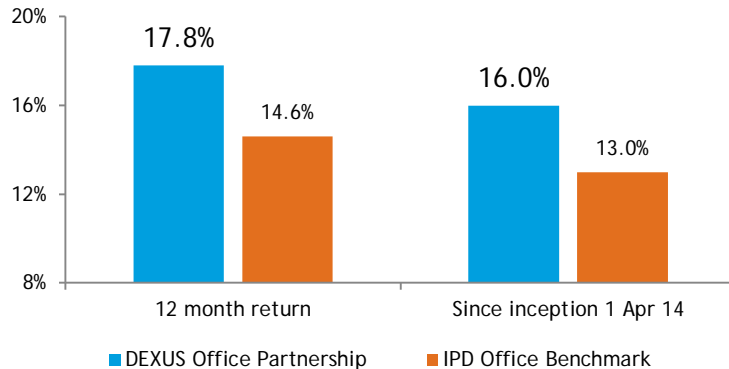
PROPERTY PORTFOLIO – Strong track record of outperformance

- Proven track record of delivering returns for investors
 - Above benchmark total returns at the asset level
 - Execute and generate returns from portfolio acquisitions demonstrated by 300bps outperformance by DEXUS Office Partnership (former CPA portfolio) since inception
 - 8.6% average distribution growth per DEXUS security per annum (from FY12-FY15)

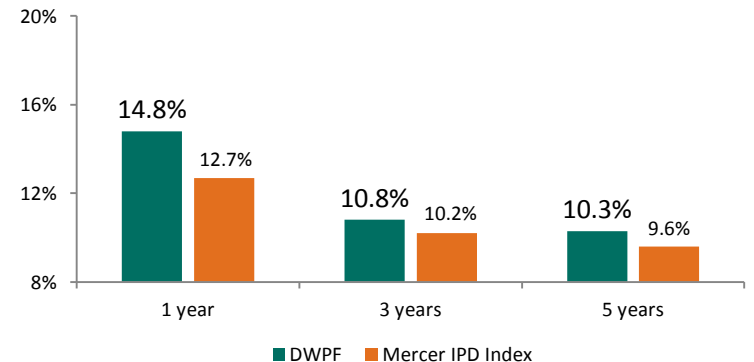
DEXUS office portfolio outperformance¹



DEXUS Office Partnership outperformance¹



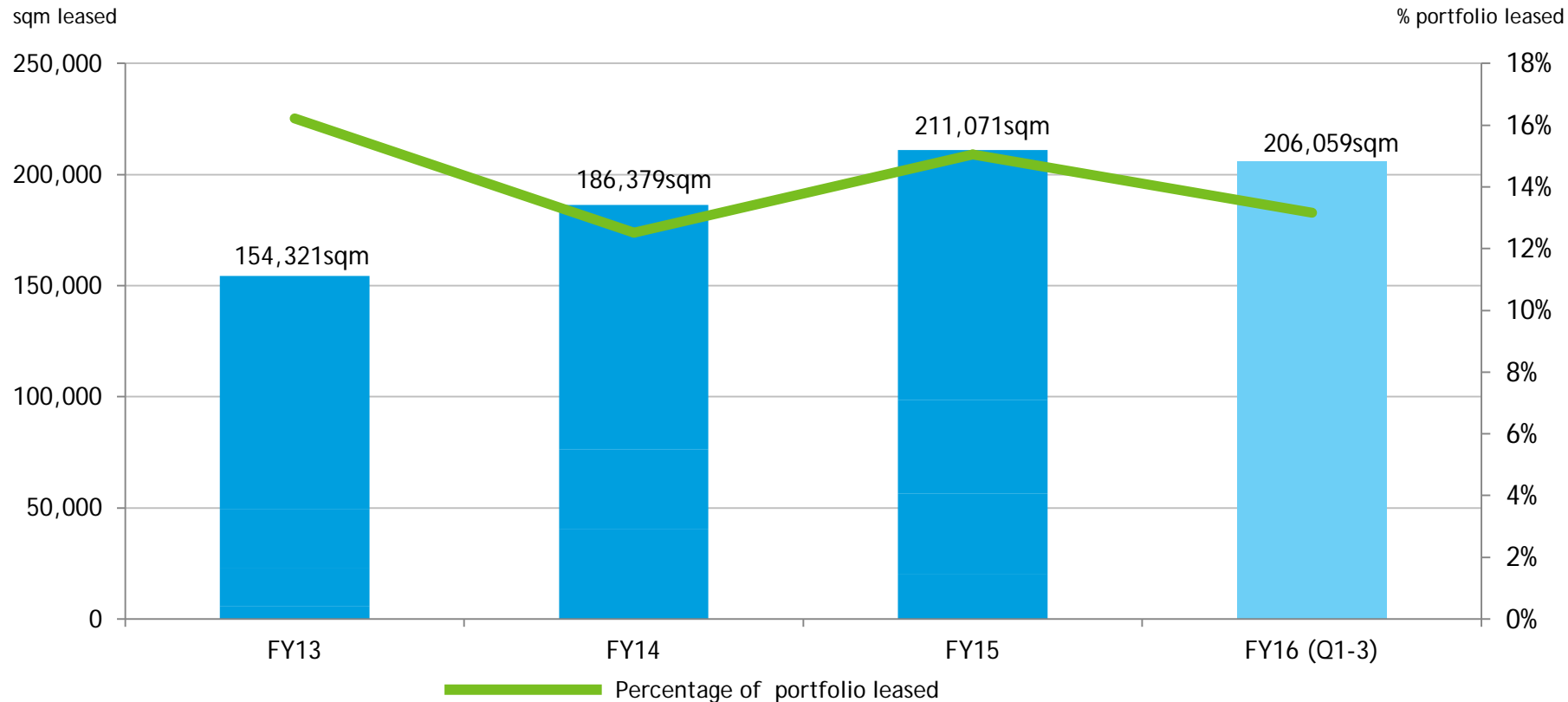
DEXUS Wholesale Property Fund outperformance²



1. Based on performance to 31 December 2015. IPD office benchmark total return to 31 December 2015 published by IPD on 25 February 2016 and calculated as sum of capital growth and net income in a single period expressed as a percentage of capital employed, with income reinvested.
 2. Mercer IPD Post Fee Net Asset Weighted Index (Net Return, Net Asset Weighed).

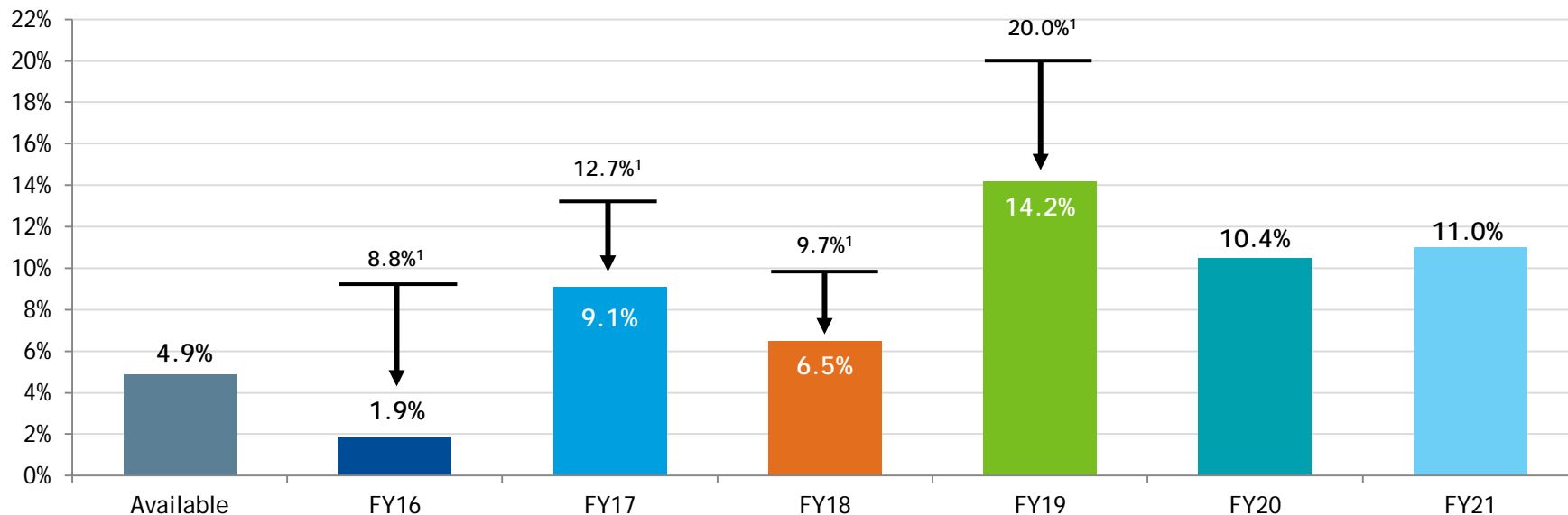
PROPERTY PORTFOLIO – Significant office leasing volumes in FY16

DEXUS office portfolio leasing activity



PROPERTY PORTFOLIO – Actively managing future office leasing risks

DEXUS office portfolio lease expiry as at 31 March 2016



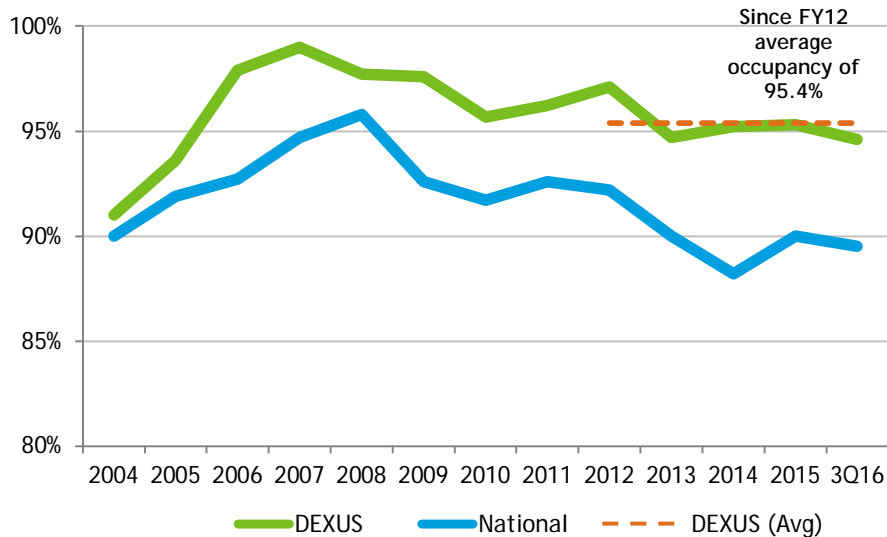
- Adopted strategies, such as fitted suites, to reduce vacancy and maximise cash flow
- Reduced FY16 expiries from 8.8% at 30 June 2015 to 1.9% at 31 March 2016
- Reduced FY19 expiries from 20.0% at 30 June 2015 to 14.2% at 31 March 2016
- On track to achieve 95% occupancy² target at 30 June 2016

1. As at 30 June 2015.
2. By income.

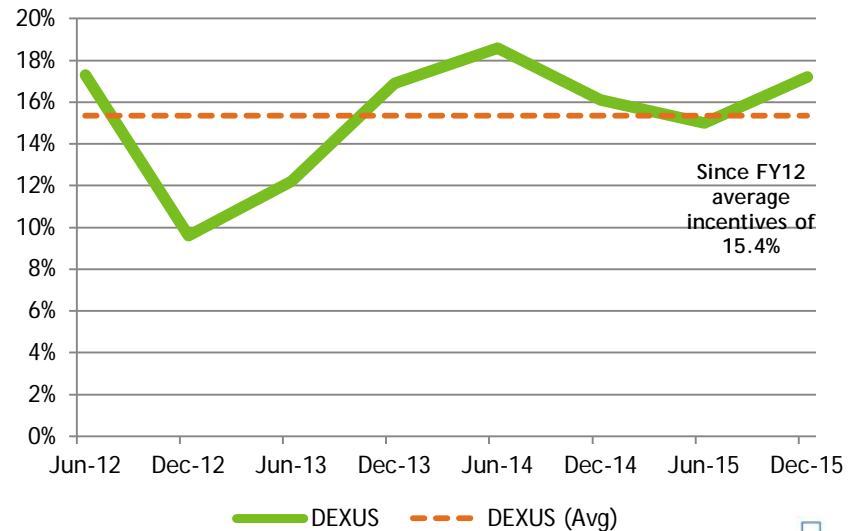
PROPERTY PORTFOLIO – Delivering superior office metrics

- Maintained office occupancy rates well above National average and 90%¹ since 2004
- Continue to achieve market-low incentives of 17.4% for the first three quarters of FY16
- FY15-16 has seen a period of significant churn across the office portfolio with like-for-like income growth expected to normalise from FY17

Historical DEXUS office outperformance vs. National occupancy rates



Historical DEXUS office average incentives



Source: DEXUS Research and Jones Lang LaSalle.
1. By income.

PROPERTY PORTFOLIO – Sydney CBD office market vacancy to tighten quickly

DEXUS expectations as at 31 December 2015

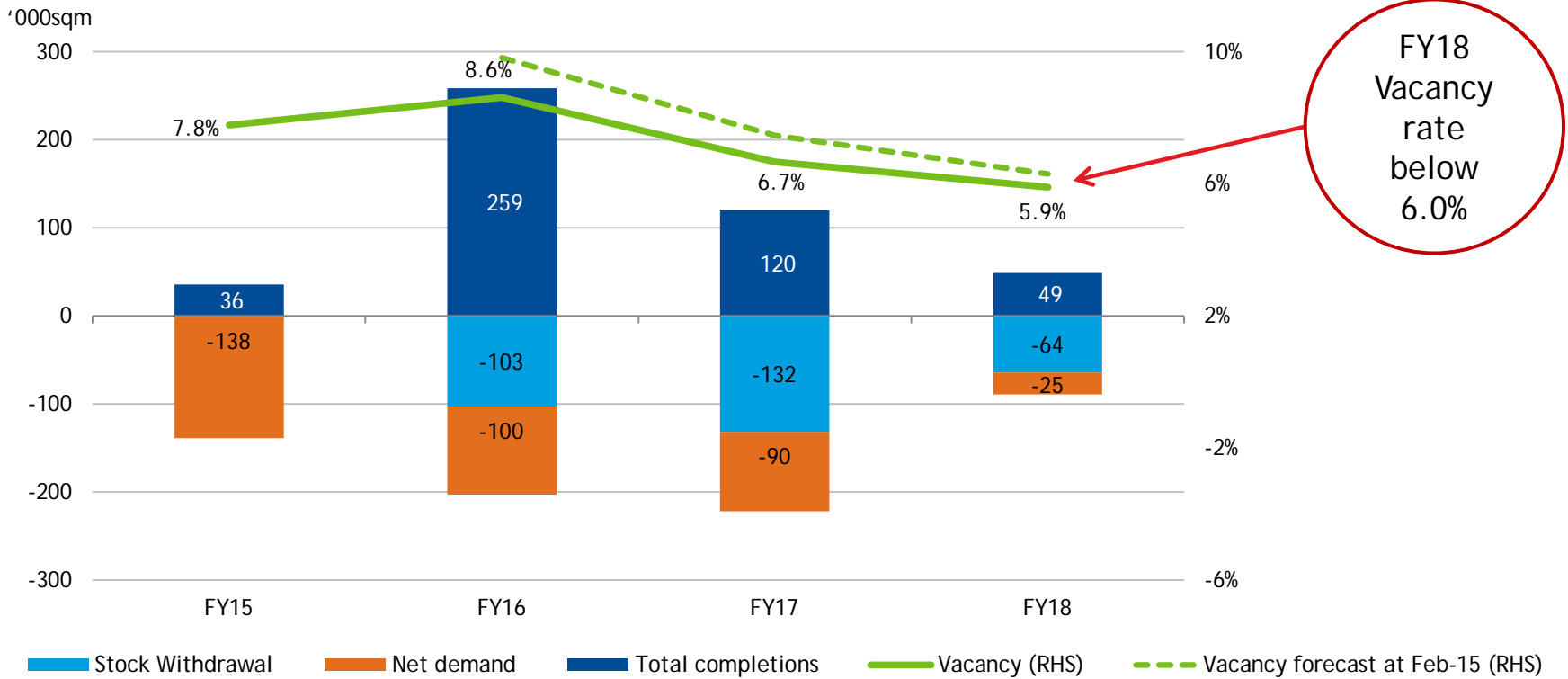
428,000sqm of supply over the next 3 years

299,000sqm of withdrawals over the next 3 years

215,000sqm of net absorption over the next 3 years

Flight to quality above average take up in prime space

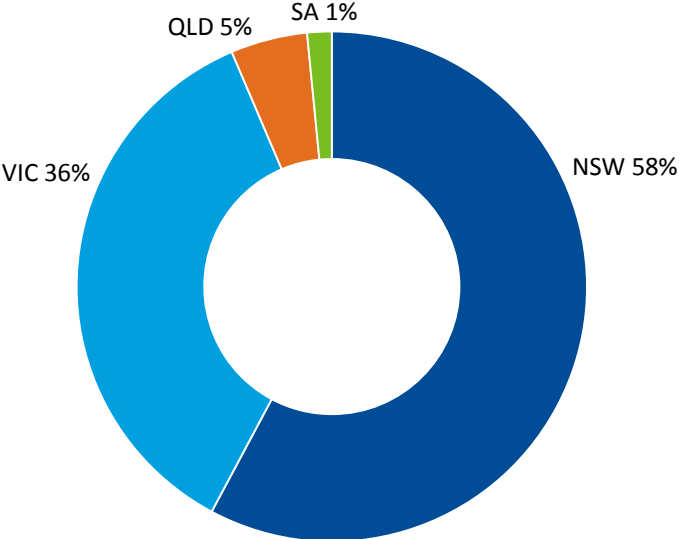
Vacancy to increase in FY16 Barangaroo effect



Source: DEXUS Research, JLL Research.

PROPERTY PORTFOLIO – Industrial portfolio has large exposure to NSW & VIC

DEXUS industrial portfolio geographic diversification



PROPERTY PORTFOLIO – Enhanced quality and returns through development



Why DEXUS develops office and industrial properties

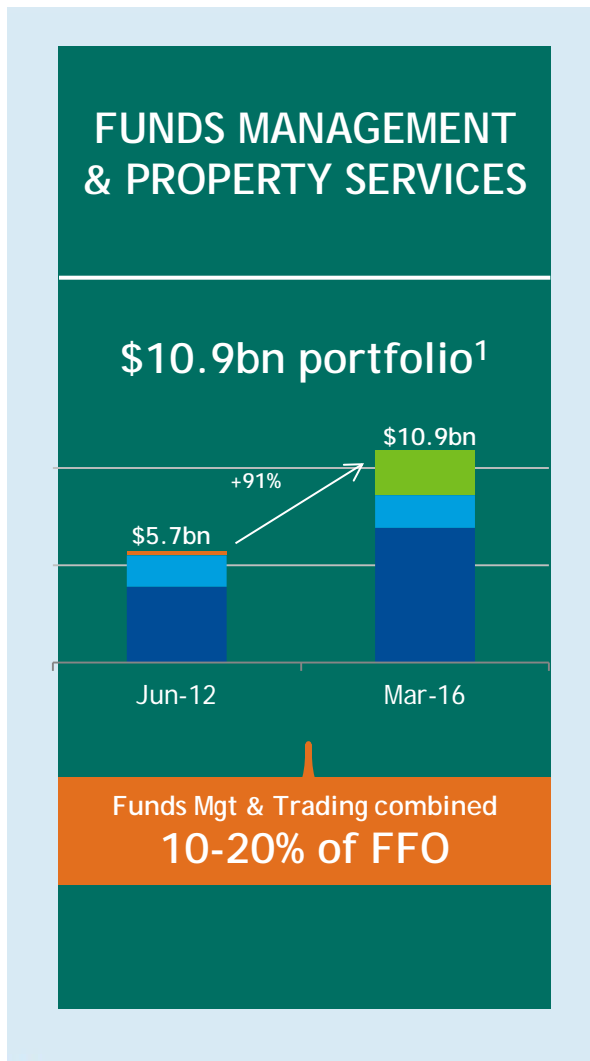
- Improves portfolio quality and diversification
- Provides access to quality product at favourable rate per sqm and yield metrics when investment markets are tight
- Strong track record in delivering quality office and industrial developments
 - Premium Grade office: 1 Bligh Street, Sydney; 123 Albert Street, Brisbane; 240 St Georges Terrace, Perth; 5 Martin Place, Sydney
 - Fund-through office: 480 Queen Street, Brisbane and Kings Square, Perth
 - Industrial: Quarry, Greystanes and DEXUS Industrial Estate, Laverton North
- Up to 15% of DEXUS's portfolio is allocated to development/trading/value-add opportunities

100 Mount Street, North Sydney¹

- Commenced development of 41,163sqm premium office tower
- Forecast year-one yield on cost >7%
- Forecast unlevered Project IRR of circa 12-14%
- Staged completion in late 2018, an opportune time in the cycle

1. Owned by DEXUS and DEXUS Wholesale Property Fund.

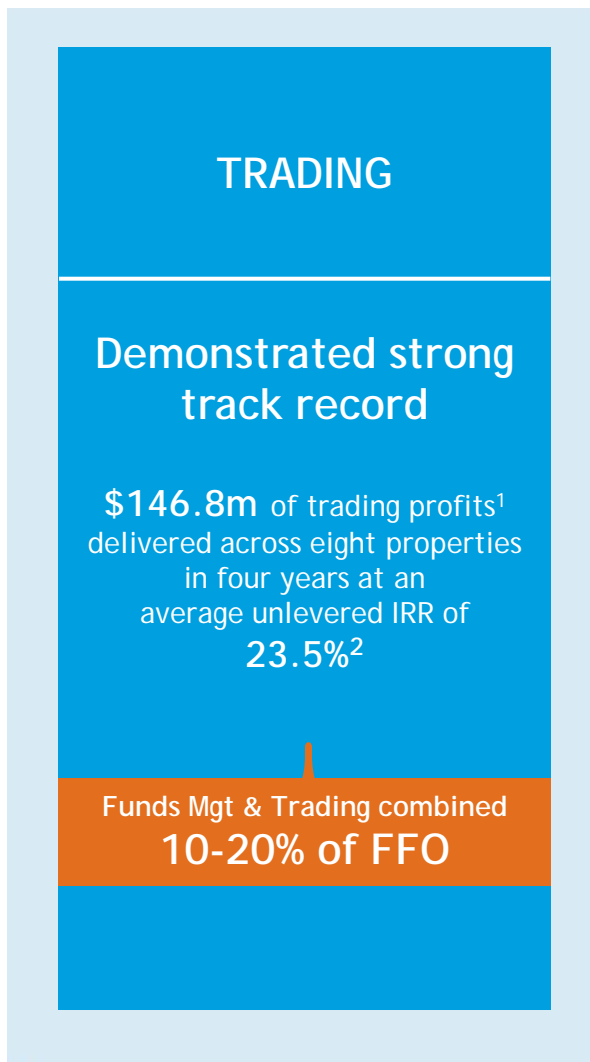
FUNDS MANAGEMENT – Strong outlook through development



- High quality wholesale partners
- Annuity-style revenue stream
- Alignment of interests via partnerships and DEXUS co-ownership in direct properties
- Recent partnerships and equity raisings reflect capital partner support of the Group's capabilities and best-practice corporate governance principles
- Additional scale enables the Group to attract and retain top talent
- Management operations profit has increased by more than 150% since FY12 with an FY16 target of circa \$45m

1. As at 31 March 2016.

TRADING – Established track record and strong outlook



Six priority projects in progress to generate circa \$110m trading profits¹

- Capital deployed in trading is modest and relatively low risk
- Trading properties are generally income producing assets where DEXUS uses its development expertise to realise the value from a higher and better use
- Six priority trading projects identified to generate trading profits over the next four years
- Of the six priority projects, Erskine Park has already exchanged for \$50 million, and will contribute \$12 million¹ to FY17 trading profits

1. Pre-tax.
2. Calculated as an arithmetic average.

SUMMARY

- Well positioned property portfolio
 - Stable predictable income stream representing 80-90% of FFO
 - Concentrated exposure to the Sydney office market where vacancy will tighten quickly
 - Strong track record of total return outperformance
 - Significant office leasing volumes in FY16
 - Actively managing future office leasing risks
 - Delivering superior office metrics
 - Enhanced quality and returns through development
- Guidance¹ for the 12 months ending 30 June 2016
 - FFO per security growth of 5.5-6.0%, with Underlying FFO per security growth of 3.0-3.5%
 - Payout in line with free cash flow to deliver in distribution growth per security of 5.5-6.0%

1. Barring unforeseen circumstances guidance is supported by the following assumptions: circa 1% like-for-like income growth across the DEXUS Office portfolio and circa 7% decline in like-for like income across the DEXUS Industrial portfolio, weighted average cost of debt of circa. 4.9%, trading profits of \$63m net of tax, Management Operations FFO of circa \$45m (including third party development management fees), and excluding any further transactions.



IMPORTANT INFORMATION

- This presentation is issued by DEXUS Funds Management Limited (DXFM) in its capacity as responsible entity of DEXUS Property Group (ASX:DXS). It is not an offer of securities for subscription or sale and is not financial product advice.
- Information in this presentation including, without limitation, any forward looking statements or opinions (the Information) may be subject to change without notice. To the extent permitted by law, DXFM, DEXUS Property Group and their officers, employees and advisers do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of the Information and disclaim all responsibility and liability for it (including, without limitation, liability for negligence). Actual results may differ materially from those predicted or implied by any forward looking statements for a range of reasons outside the control of the relevant parties.
- The information contained in this presentation should not be considered to be comprehensive or to comprise all the information which a DEXUS Property Group security holder or potential investor may require in order to determine whether to deal in DEXUS Property Group stapled securities. This presentation does not take into account the financial situation, investment objectives and particular needs of any particular person.
- The repayment and performance of an investment in DEXUS Property Group is not guaranteed by DXFM, any of its related bodies corporate or any other person or organisation.
- This investment is subject to investment risk, including possible delays in repayment and loss of income and principal invested.