

DEXUS Property Group (ASX: DXS)

ASX release

11 September 2013

2013 Global Real Estate Conference presentation

DEXUS Property Group (DEXUS) today releases an overview presentation on the Group that will be presented to investors at the Bank of America Merrill Lynch 2013 Global Real Estate Conference. The conference will be held at The Westin New York at Times Square on Wednesday 11 September and Thursday 12 September 2013.

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About DEXUS

DEXUS Property Group (DEXUS) is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With over \$13 billion of assets under management, DEXUS also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. DEXUS manages an office portfolio of over 900,000 square metres across Sydney, Melbourne, Brisbane and Perth and is one of the largest institutional owners 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 18,000 investors from 15 countries. With over 25 years of experience in commercial property investment, development and asset management, DEXUS has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns to 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)

DEXUS PROPERTY GROUP

BANK OF AMERICA MERRILL LYNCH – GLOBAL REAL ESTATE CONFERENCE SEPTEMBER 2013



AGENDA

- Overview
- Strategy
- Portfolio overview
- Third Party Funds Management
- Capital management
- Financial results
- Market outlook
- Summary

OVERVIEW

DEXUS Property Group

- One of Australia's leading real estate groups investing in \$13.4 billion of high quality office, industrial and retail properties including
 - DXS, a \$7.3 billion portfolio investing directly in high quality Australian office and industrial properties
 - A \$6.1 billion third party funds management platform investing in office, industrial and retail properties
- DXS is a Top 50 entity by market capitalisation listed on the ASX
- Over 25 years' experience in property investment, development and asset management
- Adopts a conservative and disciplined approach to capital management
- Strong investment grade credit ratings of Standard & Poor's BBB+ (stable) and Moody's Baa1 (stable)

Australia Square, 264-278 George Street, Sydney, NSW

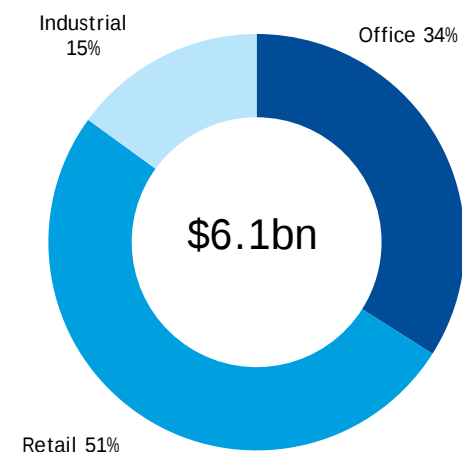
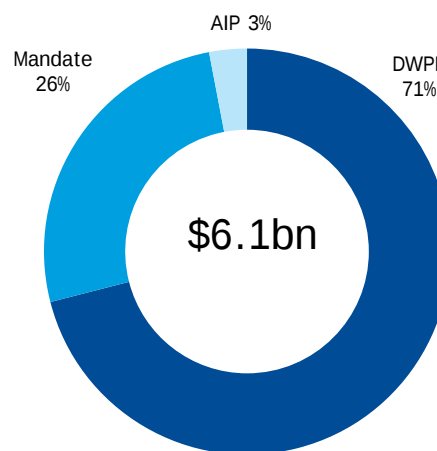
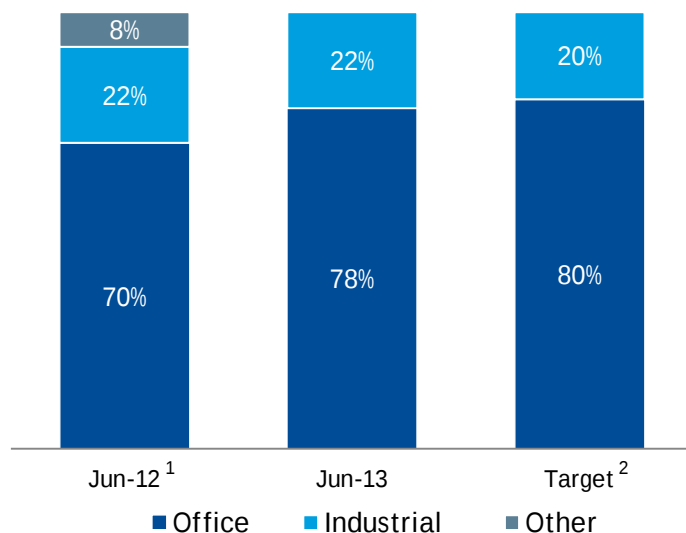


OVERVIEW

DEXUS Property Group

DEXUS Property Group platform \$13.4bn AUM

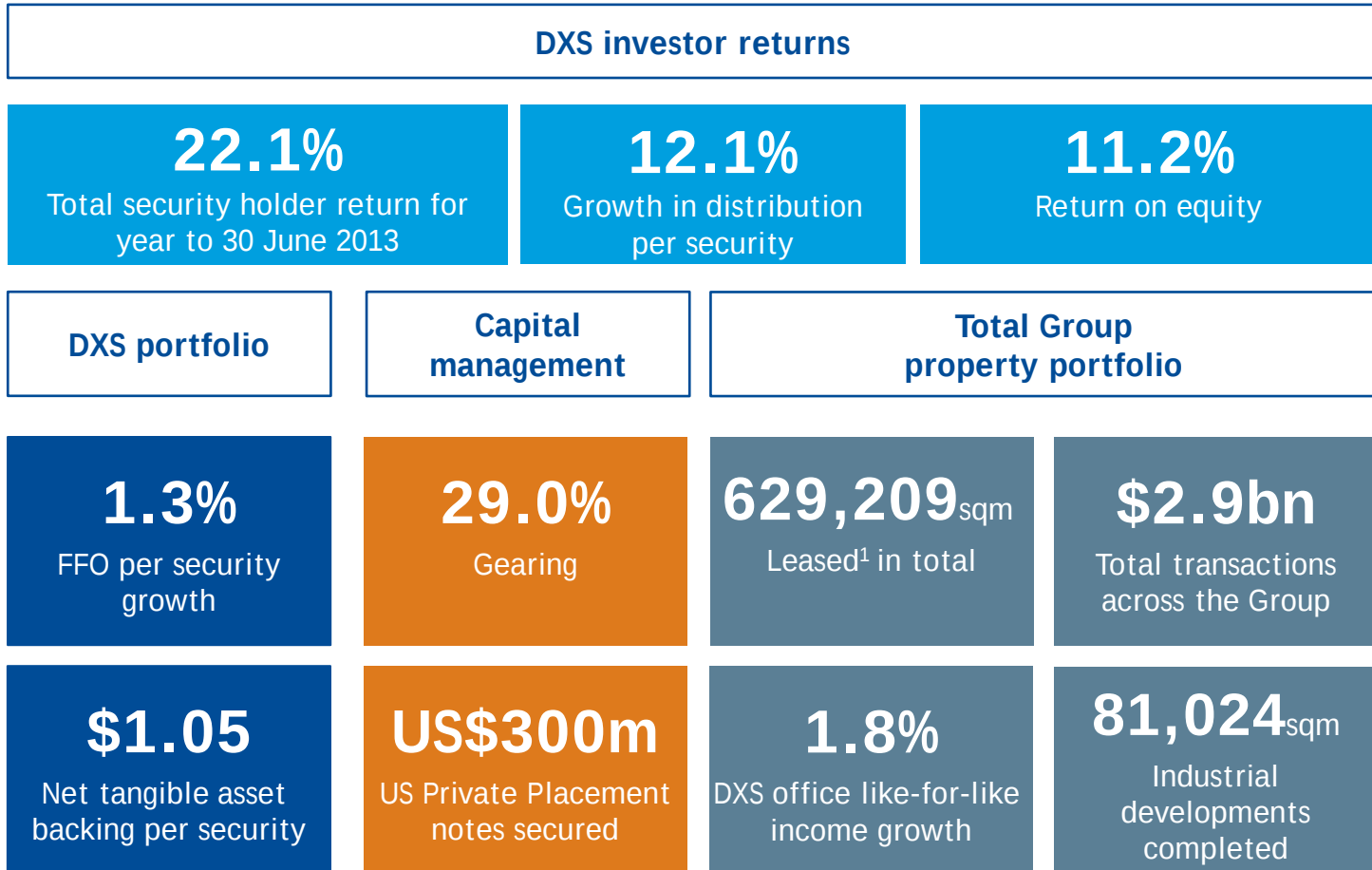
Public and private capital	235 property professionals	123 properties	2,975,545sqm NLA
Office \$7.8bn	Industrial \$2.5bn	Retail \$3.1bn	Development pipeline ³ \$2.9bn
DXS portfolio investments \$7.3bn		Third Party Funds Management \$6.1bn	



1. 30 June 2012 includes the Australian Industrial Partnership and the acquisitions of 50 Carrington Street, Sydney and 12 Creek Street, Brisbane.
2. Target of 3-5 year timeframe.
3. Includes fund-through investments of 480 Queen Street, Brisbane and Kings Square, Perth.

OVERVIEW

Group highlights for the year ended 30 June 2013



1. At 100%. Including Heads of Agreement, across total Group office, industrial and retail properties.

STRATEGY



STRATEGY

A clear and focused strategy

OUR VISION

To be globally recognised as Australia's leading real estate company

OUR STRATEGY

To deliver
superior risk-adjusted
returns for our investors from
high quality Australian real estate primarily
comprising CBD office buildings

OUR STRATEGIC OBJECTIVES

OFFICE

Being the leading
owner and manager
of Australian office

CORE CAPABILITIES

Having the best people,
strongest tenant
relationships and most
efficient systems

CAPITAL PARTNERSHIPS

Being the wholesale
partner of choice in
Australian office,
industrial and retail

CAPITAL & RISK MANAGEMENT

Actively managing
our capital and risk
in a prudent and
disciplined manner

OUR PEOPLE WILL BE RECOGNISED FOR

Property expertise

Institutional rigour

Entrepreneurial spirit

STRATEGY

Repositioned to quality office assets – divested offshore and reinvested in Australia

- Exited US industrial market ahead of expected timeframe
 - Part of revised strategy to re-focus on core Australian markets
 - Realised US\$617m (A\$598m) achieving a 12% premium
- Reinvested into DXS office acquisitions totalling \$1.1bn
 - \$550m core office¹ at a cap rate of 7.2% with a forecast 10 year IRR of 9.3%
 - \$489m fund-through² strategic office investments
 - \$105m value-add³ office with a forecast 3 year IRR of over 12%
- As a result, higher quality of earnings
 - Office portfolio weighting increased to 78% (target 80%)

1. Including 12 Creek Street, Brisbane (DXS 50% interest \$120.8m); 225 George Street, Sydney (DXS 25% interest \$271.2m); 39 Martin Place, Sydney (DXS 50% interest \$74.9m); 2 and 4 Dawn Fraser Avenue, Sydney Olympic Park (DXS 50% interest \$82.7m).
2. 480 Queen Street, Brisbane and Kings Square, Perth (DXS 50% interest).
3. 50 Carrington Street, Sydney (\$58.5m) and 40 Market Street, Melbourne (\$46.7m).

Grosvenor Place, 225 George Street, Sydney NSW

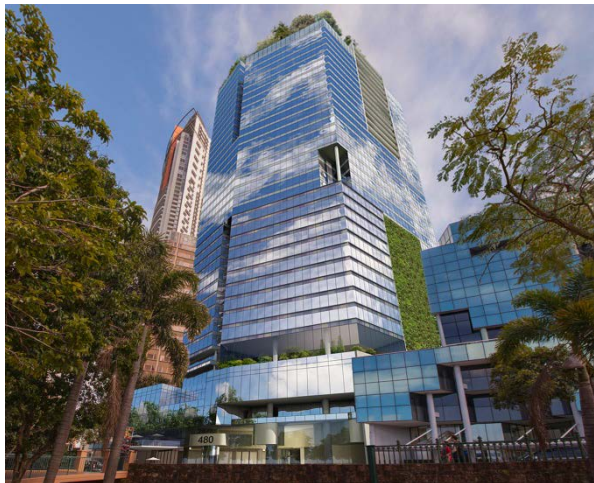
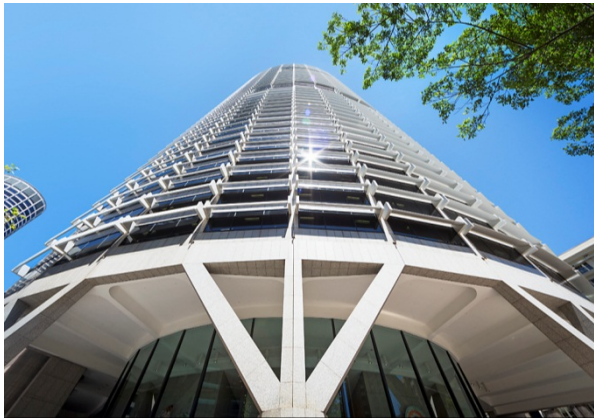


PORTFOLIO OVERVIEW



PORTFOLIO OVERVIEW

Office portfolio — 78% of balance sheet with 87% prime grade



T: Grosvenor Place, 225 George Street, Sydney
Premium grade \$289.2m (DXS 25%)
B: 480 Queen Street, Brisbane (under construction)
Premium grade \$272m¹ (DXS 50%)



1 Bligh Street, Sydney, Premium grade \$250.3m (DXS 33%)



Governor Phillip & Macquarie Towers, 1 Farrer Place, Sydney
Premium grade \$671.8m (DXS 50%)

Note: all values are at DXS ownership level.

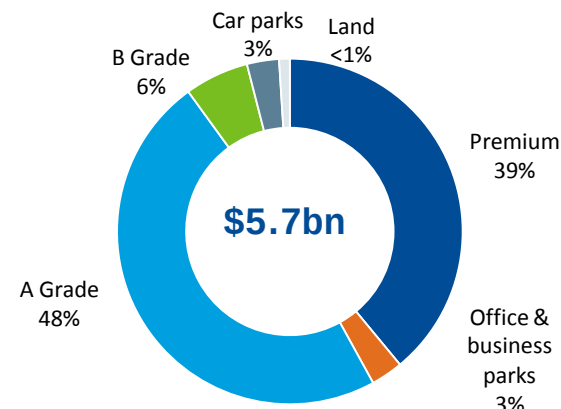
1. Expected cost on completion.

PORTFOLIO OVERVIEW

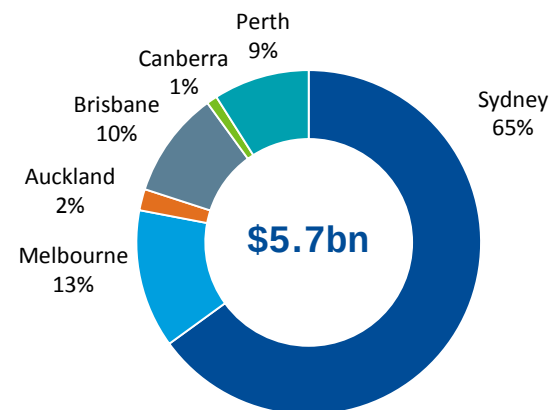
Office portfolio

- Prime quality \$5.7bn office portfolio
- Largest listed office portfolio in Australia
 - Largest institutional owner of office in Sydney CBD
 - DXS owns interests in 36 office buildings
 - The Group owns interests in four of the seven premium grade towers in Sydney
- FY13 achievements
 - Generated strong total return of 10.6%
 - Leased a total of 156,024sqm or approx. 16% of the portfolio
 - Occupancy at 94.4%¹ and WALE of 5.0 years²

Premium and A-grade represents 87% of total value¹



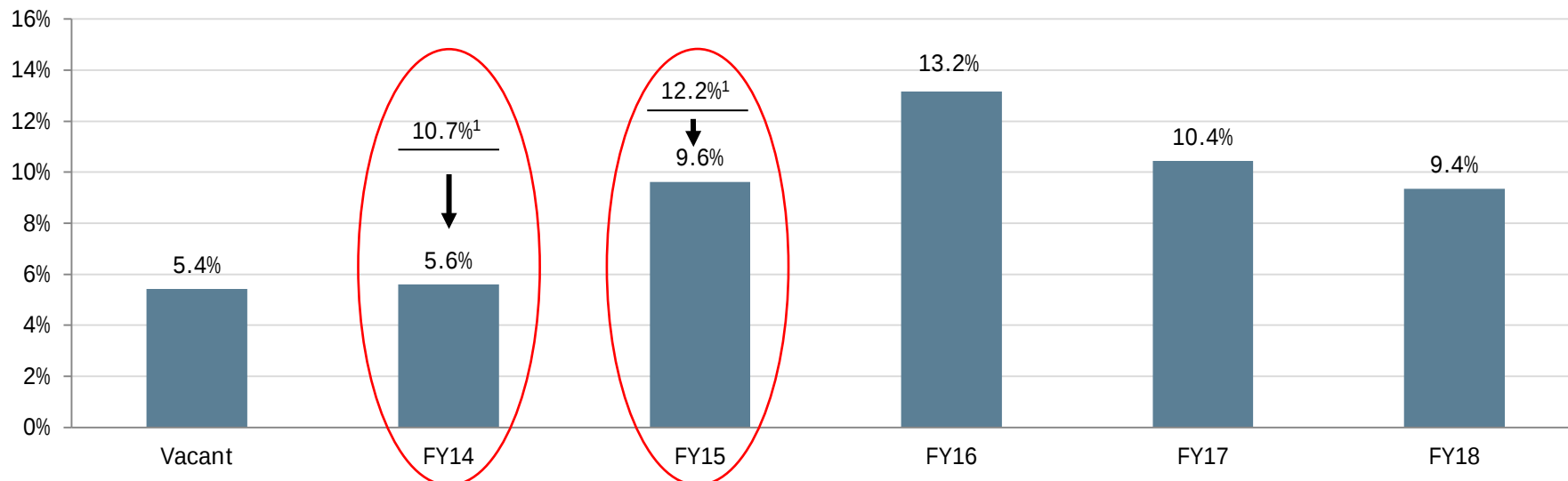
High allocation to Sydney¹



1. By area.
2. By income.

PORTFOLIO OVERVIEW

Office portfolio — lease expiry profile by income



Key future expiries – at 30 June 2013

Vacant	%	FY14	%	FY15	%	FY16	%	FY17	%
ex-ATO 14 Moore St	0.7	Corrs GPT/GMT	0.9	NSW Gov't GPT/GMT	1.7	IBM Southgate	2.0	Malleons GPT/GMT	2.0
ex-JP Morgan Grosvenor Place	0.6	CMC Markets GPT/GMT	0.5	Lloyds 45 Clarence St	1.0	Merrill Lynch GPT/GMT	0.9	Promina 321 Kent St	0.7
ex-Goldman/other GPT/GMT	0.4	PKF and XL 1 Margaret St	0.3	DLA Piper 201 Elizabeth St	0.8	Ashurst Grosvenor Place	0.7	Covermore Victoria Cross	0.6
ex-Chep/other 11 Talavera Rd	0.4	Corrs Woodside Plaza	0.3	Deloitte Woodside Plaza	0.6	Sparke Helmore 321 Kent St	0.7	International SOS 45 Clarence St	0.5

1. At 30 June 2012.

PORTFOLIO OVERVIEW

Industrial portfolio — 22% of balance sheet



T: 27 Distribution Drive, Laverton North \$6.5m (DXS 50%)
B: 2-10 Distribution Drive, Laverton North \$8.0m (DXS 50%)

T: 1-3 Distribution Drive, Laverton North \$6.0m (DXS 50%)
B: 2-6 Basalt Road, Greystanes \$15.9m (DXS 50%)

T: 3 Basalt Road, Greystanes \$13.7m (DXS 50%)
B: 2 Bellevue Circuit, Greystanes \$11.1m (DXS 50%)

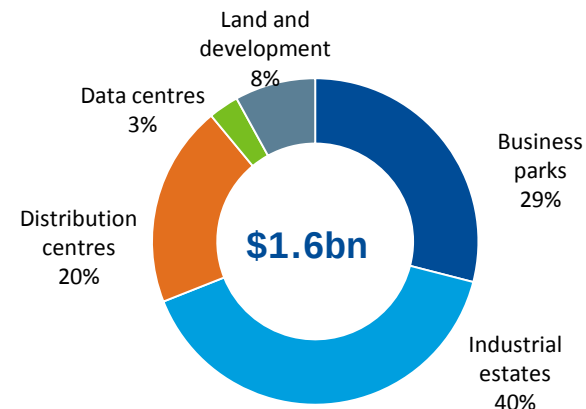
Note: all values are at DXS ownership level.

PORTFOLIO OVERVIEW

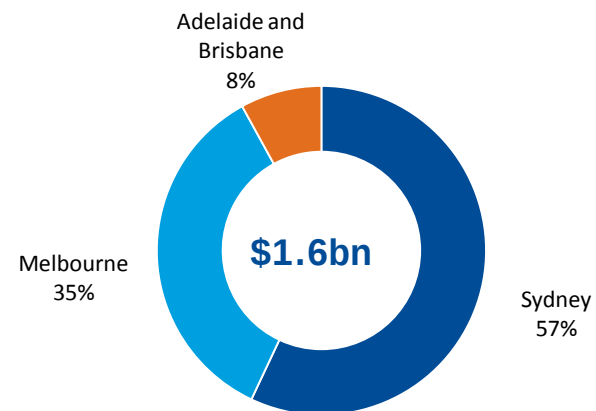
Industrial portfolio

- Quality \$1.6bn industrial portfolio
- Focused on 48 properties located in major industrial hubs and arterial roadways in Sydney, Melbourne and Brisbane markets
- Allocation to value-add/development
- FY13 achievements
 - Generated a total return of 8.8%
 - Leased 327,432sqm across the portfolio
 - Occupancy at 95.9%¹ and WALE² of 4.1 years

Diverse mix of building types



High allocation to Sydney and Melbourne



1. By area.
2. By income.

PORTFOLIO OVERVIEW

Development and fund-through pipeline — Group

DXS developments and fund-throughs	Total est cost ¹	Est cost to complete ¹
Completed developments for trading	\$55m	\$6m
Development under construction	\$111m	\$46m
Future developments	\$556m	\$423m
Fund-through investments ²	\$489m	\$411m
Total DXS pipeline	\$1,211m	\$886m

Third party developments and fund-throughs	Total est cost ¹	Est cost to complete ¹
Office and industrial developments ³	\$77m	\$75m
Retail developments	\$1,079m	\$1,042m
Fund-through investments ²	\$489m	\$411m
Total third party pipeline	\$1,645m	\$1,528m

\$2.9 billion
Total Group
pipeline

1. Costs shown at 100%.

2. At ownership.

3. Excludes land costs.

PORTFOLIO OVERVIEW

DXS development activity

- Strong development track record and substantial pipeline

DXS developments and fund-throughs	Total est cost ¹	Est cost to complete ¹	Total estimated project cost		
			FY14	FY15	FY16+
57-65 Templar Road, Erskine Park	\$38m	\$5m	\$38m		
163-183 Viking Drive, Wacol	\$33m	\$4m	\$17m	\$16m	
DEXUS Industrial Estate, Laverton North	\$162m	\$110m	\$26m	\$136m	
Quarry at Greystanes	\$120m	\$77m	\$69m	\$51m	
Phillip Street, Parramatta	\$120m	\$112m		\$120m	
12 Creek St, Brisbane ²	\$19m	\$19m		\$19m	
180 Flinders Street, Melbourne	\$230m	\$148m			\$230m
480 Queen Street, Brisbane ²	\$272m	\$223m		\$272m	
Kings Square, Perth ²	\$217m	\$188m		\$217m	
Total DXS pipeline	\$1,211m	\$886m			

■ Completed developments
 ■ Uncommitted development pipeline
■ Developments underway
 ■ Fund-through office investments

DXS value add and repositioning	Inventory ³
50 Carrington Street, Sydney	\$59m
40 Market Street, Melbourne	\$47m
57-101 Balham Road, Archerfield	\$22m
154 O'Riordan Street, Mascot	\$14m
Total DXS value add properties	\$142m

DXS capital expenditure	Est FY14
Maintenance capital expenditure	\$40-50m
Tenant incentives and leasing costs	\$40-50m
Total capital expenditure	\$80-100m

1. Costs shown at 100% including land.

2. DXS share.

3. Acquisition or transfer price excluding costs and does not represent the trading price for the property.

THIRD PARTY FUNDS MANAGEMENT

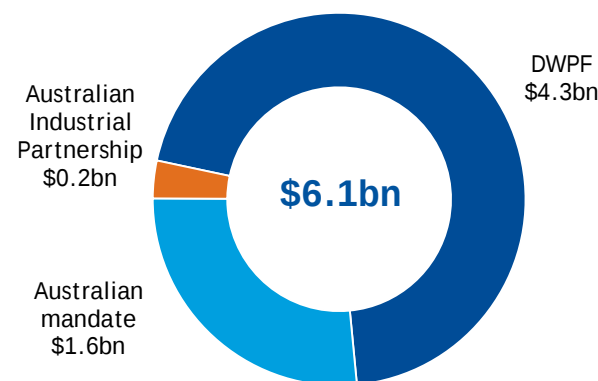


THIRD PARTY FUNDS MANAGEMENT

Overview

- \$6.1bn funds management platform comprising
 - \$4.3bn DEXUS Wholesale Property Fund (DWPF) - diversified
 - \$1.6bn Australian mandate – diversified
 - \$0.5bn Australian Industrial Partnership (AIP) – DEXUS partnered with a global pension fund
- FY13 achievements
 - Third party funds under management increased 9.5%
 - Strong support from DWPF investors raising over \$820m of equity including \$290m from a new investor
 - Established the Australian Industrial Partnership and grew the partnership to \$0.5bn across 18 properties
 - DWPF acquired four office properties jointly with DXS and two industrial properties (total¹ approx. \$728m)

Third Party Funds Management platform



DWPF key statistics	30 Jun 2013
Gearing target range	10-20%
S&P credit rating	A (Stable)
Retail/Office/Industrial	47%/41%/12%

1. Excluding acquisition costs.

CAPITAL MANAGEMENT



CAPITAL MANAGEMENT

Prudent capital management

- Active management of capital and risk with a conservative and disciplined approach
- Highly experienced team with proven track record
- Solid stable credit ratings — Standard & Poor's BBB+ and Moody's Baa1
- Acquired 137m securities in 2012 buy-back program and announced a new \$245m (5%) buy-back program on 2 July 2013
- FY13 achievements
 - Successfully restructured US debt facilities associated with the sale of US properties
 - Raised over \$1 billion of debt with an average duration of seven years, increasing duration to 5.4 years
 - Diversified debt sources through access to MTN and USPP markets

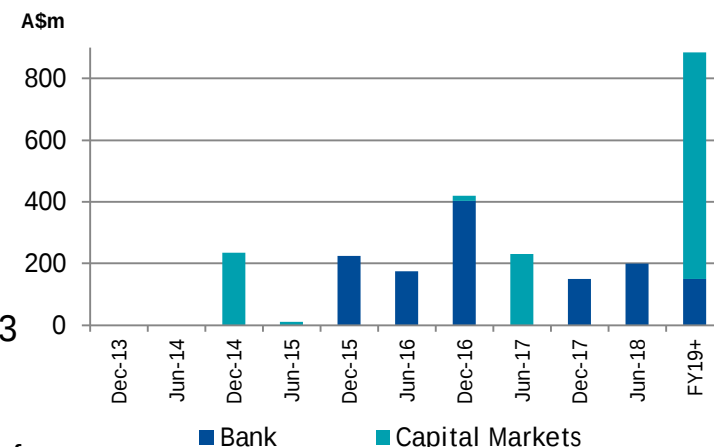
Capital management key statistics

Cost of debt ¹	5.9%
Duration of debt	5.4 years
Hedged debt	64%
Gearing	29.0%

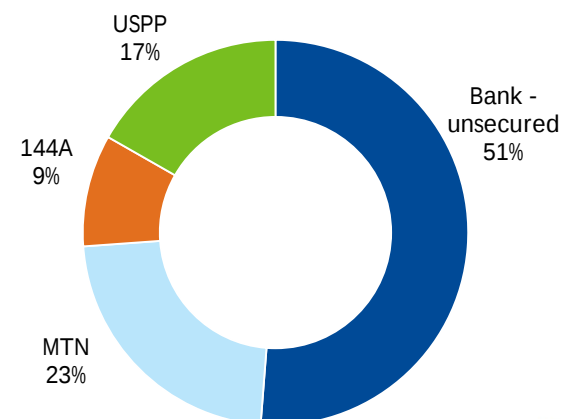
1. Weighted average across the period

2. Pro-forma facilities, adjusted for US\$300m USPP that settled in July 2013 and associated bank facility cancellations.

Debt maturity profile²



Diversified mix of facilities²



FINANCIAL RESULTS



FINANCIAL RESULTS

		12 months to 30 June 2013	12 months to 30 Jun 2012	12 months to 30 Jun 2011	12 months to 30 Jun 2010
Key financial metrics	Statutory net profit	\$514.5m	\$181.1m	\$553.0m	\$31.4m
	FFO ¹	\$365.4m	\$367.8m	\$358.0m	\$350.0m
	FFO per security	7.75c	7.65c	7.40c	7.30c
	Distribution per security	6.00c	5.35c	5.18c	5.10c
	Gearing	29.0%	27.2%	28.4%	29.8%
	NTA per security	\$1.05	\$1.00	\$1.01	\$0.95

FY13 Achievements

- Achieved 5% growth in NTA
- Achieved FFO guidance of 7.75 cents per security and increased distribution per security by 12.1%
- 95% of earnings derived from property EBIT

1. FFO (Funds from Operations): net profit adjusted to exclude property revaluations, unrealised mark-to-market changes, changes in deferred tax, amortisation of tenant cash and fit-out incentives, gain/loss on sale of certain assets, rent straightlining, rental guarantees and coupon income.

MARKET OUTLOOK

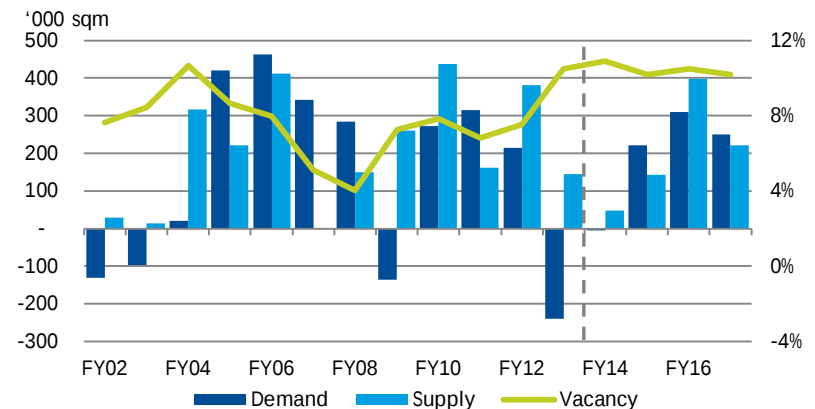


MARKET OUTLOOK

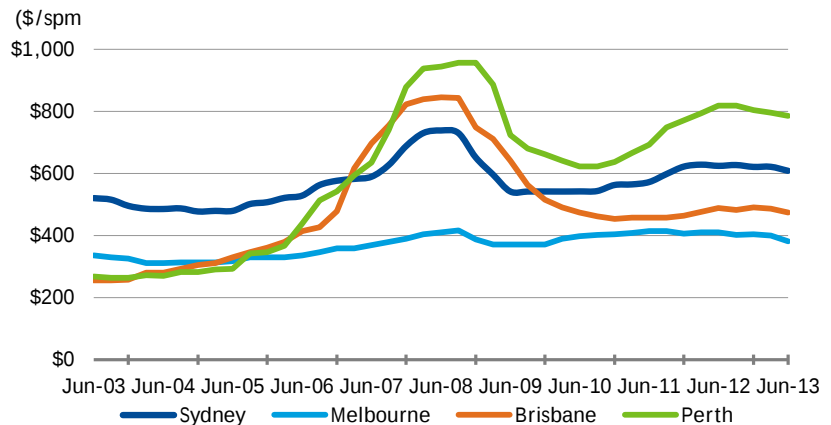
Office markets subdued in FY14 with upside in demand FY15

- Leasing enquiry and net absorption subdued, tenants taking longer to make decisions
- Vacancy rates have risen
- Supply is expected to be low in FY14 and FY15 (excluding Melbourne)
- Rents are likely to ease in FY14 with incentives increasing to secure quality tenants
- In Sydney, Brisbane and Perth a low construction pipeline in FY14 will limit movement in vacancy
- In Melbourne, above average levels of supply will lead to elevated vacancy in FY14 before improving
- Demand to improve in FY15

Office - supply/demand forecast (4 CBDs)



Office - gross effective rents



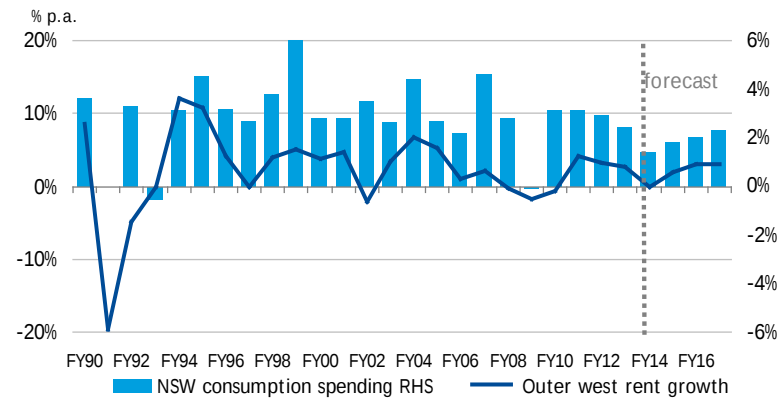
Source: Jones Lang LaSalle, DEXUS Research, Deloitte Access Economics June 2013.

MARKET OUTLOOK

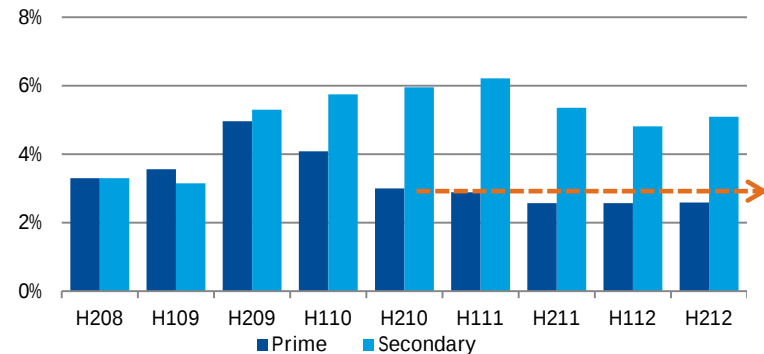
Industrial markets maintain good occupancy

- Demand in the industrial sector constrained
- Improved outlook for late FY14 and FY15
- Demand to be driven by tenants relocating and seeking improved efficiencies and infrastructure investment especially logistics and retail
- Occupancy rates high – limited availability of prime space
- Rents flat/easing in FY14, eventual upside in medium term due to increasing development costs
- Investor demand for industrial assets remains strong, however prime stock is limited
- Total return supported by high income yield
- Melbourne very competitive; Sydney subdued but stable; Brisbane has paused but has good medium term prospects

Consumption - to drive rental growth



National prime vacancy remains low



Source: Jones Lang LaSalle, Savills, Deloitte Access Economics June 2013, DEXUS Research.

SUMMARY

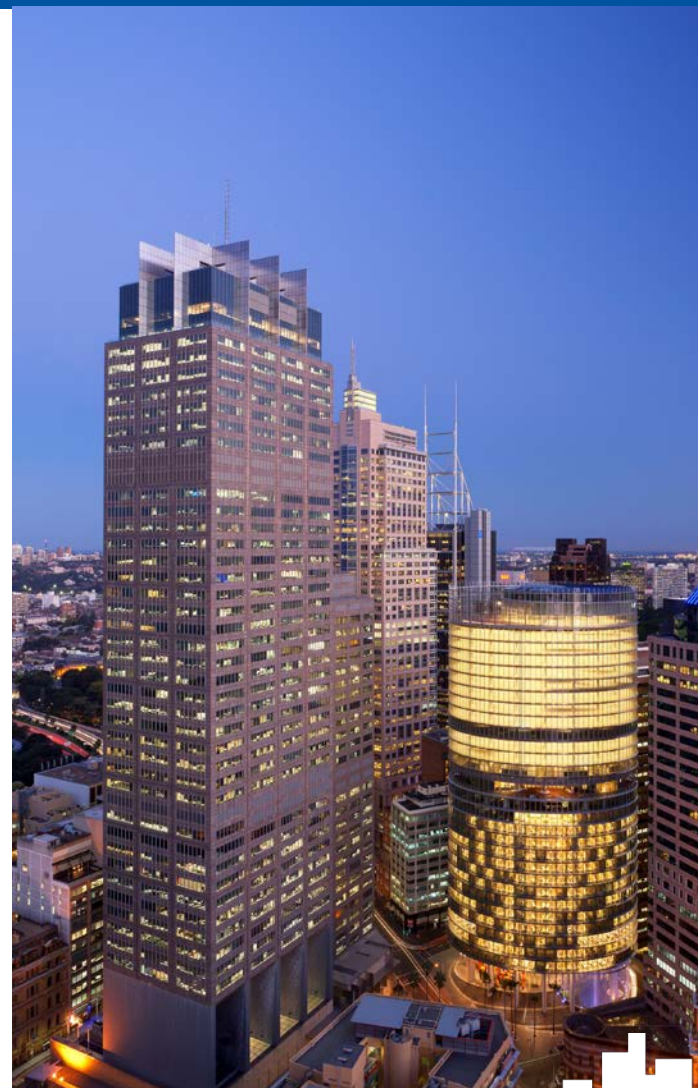


SUMMARY

- Enhanced portfolio quality and diversity
- Experienced management team with strong corporate and leasing backgrounds will continue to drive high performance
- Strong Third Party Funds Management business
- Market guidance for FY14¹
 - FFO per security 8.15 cents, representing 5.2% growth
 - Distribution per security 6.12 cents

1 Bligh Street and Governor Phillip Tower, 1 Farrer Place, Sydney, NSW

1. Barring unforeseen circumstances. Assumptions include: 75% payout ratio, delivering circa 4% like-for-like income growth in the office portfolio, \$4-5m in trading profits, cost of debt at 6.0% and excluding further on-market buy-back.



DEXUS PROPERTY GROUP

APPENDICES



FINANCIAL RESULTS

	30 June 2013 \$m	30 June 2012 \$m
Statutory net profit	514.5	181.1
Net fair value gain of investment properties ¹	(220.6)	(82.8)
Impairment of inventories	2.2	14.9
Net fair value loss of derivatives	17.7	97.1
Net loss on sale of investment properties	3.6	32.6
Finance break costs attributable to sales transactions	18.8	44.3
FX translation reserve transfer ²	21.5	41.5
Incentive amortisation and rent straightline	30.5	31.7
RENTS capital distributions	–	(10.2)
Deferred tax (benefit)/expense and other	(22.8)	17.6
Funds From Operations (FFO)	365.4	367.8

1. 30 June 2013 includes \$12.9 million of revaluations related to DXS's share of its equity accounted investments and \$21.9 million of net revaluations relating to discontinued operations (US and Europe). Further details are included in the DXS Group financial statements.

2. Foreign currency translation reserve transfer on disposal of foreign operations.

KINGS SQUARE, PERTH

Overview

- Comprises three A-grade buildings providing over 52,000sqm of office and retail accommodation and 134 parking spaces
- Total estimated cost of \$434.8 million and an initial yield on completion of 8.0%
- Jointly acquired by DXS and DWPF in May 2013
- Construction commenced in June 2013 and expected to be completed by mid-2015
- Acquired on a fund-through basis
- Developed by Leighton Properties with construction undertaken by Leighton subsidiaries John Holland and Broad Construction Services
- Targeting 5 star NABERS Energy ratings



KINGS SQUARE, PERTH

Compelling acquisition metrics

	Kings Square 1	Kings Square 2	Kings Square 3	Total on completion
Acquisition price ¹ (\$m)	200.7	173.8	60.3	434.8
Lettable area (sqm) ²	23,156	20,440	9,185	52,781
Acquisition rate (per sqm)	\$8,669	\$8,503	\$6,565	\$8,239
Capitalisation rate (%)	8.0	7.9	8.25	8.0
Initial yield (pre-costs) (%)	8.00	7.90	8.25	8.00
Initial yield (post-costs) (%)	7.95	7.84	8.22	7.95
IRR (10-year unlevered) (%) ³	9.7	9.9	10.4	9.9
Pre-commitment (% by area)	3	70	97	45
Occupancy (% income) ⁴	100	100	100	100
WALE (years by income) ⁴	5.1	8.5	10.7	7.3
Parking spaces ⁵	42	76	16	134
Major tenants	–	Shell	John Holland ⁶	

1. Estimated cost on completion at 100%.

2. Comprising all licenced areas.

3. From practical completion.

4. Including a five-year income guarantee from Leighton Properties on remaining vacancies post completion.

5. Excluding 19 motorbike bays.

6. John Holland's lease provides flexibility to occupy either Kings Square 1 or Kings Square 3.

KINGS SQUARE, PERTH



480 QUEEN STREET, BRISBANE

Overview

- DXS and DWPF to jointly acquire 480 Queen Street, Brisbane fund-through investment
 - 55,561sqm¹ premium office asset to be developed by Grocon
- Project acquired via a de-risked fund-through structure
 - Purchase price a factor of lease commitments at practical completion (PC)
 - Anchor tenant leases capped at 7.0%, new leases pre-PC capped at 7.1%
 - Vacancy at PC priced at circa \$6,000/sqm²
 - Two year rent guarantee on vacancy from PC to February 2018 (implies a 5 year WALE with no new leasing)
 - 7.0% p.a. coupon received on development payments until September 2014, then 7.25% p.a. until PC
 - Caps and collars on rents and incentives to protect asset value and avoid price manipulation
 - Look forward purchase price and cost to complete tests
 - Developer profit back-ended
 - Significant security package attained from the developer
 - High degree of transparency and control in project decisions
- Forecast IRR circa 10%

1. Includes 1,661sqm of retail space.

2. Average rate includes retention for incentives on vacant tenancies of circa \$2,000/sqm.

480 QUEEN STREET, BRISBANE

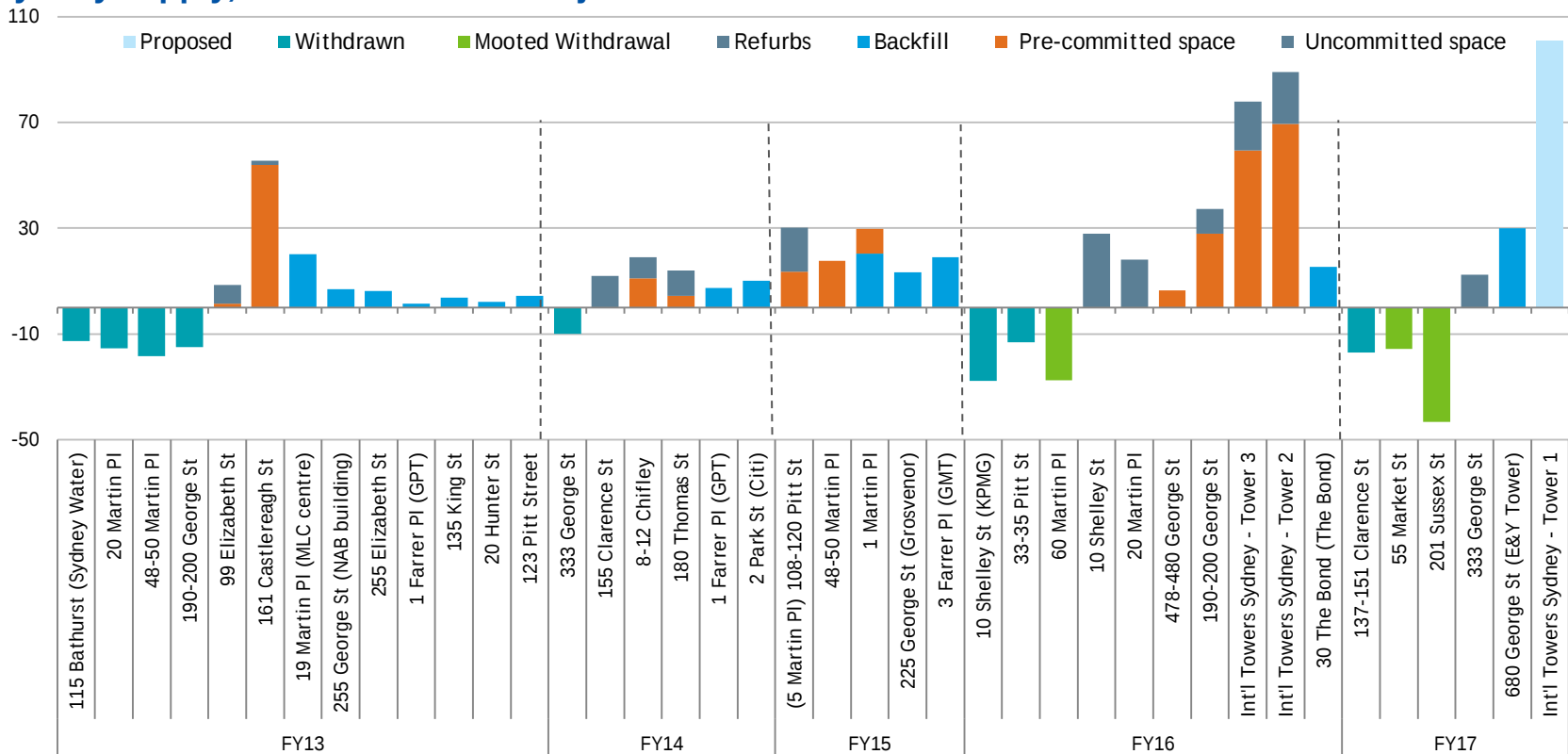


MARKET OUTLOOK — OFFICE

Sydney CBD office market — supply and availability

- Continual focus on leasing and managing lease expiry risk will be required in Sydney market
 - Proactive asset managers with superior expertise will be the winners

Sydney supply, withdrawals and major backfill



Source: DEXUS Research, Savills.

MARKET OUTLOOK — OFFICE & INDUSTRIAL

Australian market trends in FY14/FY15

Australian office markets

Australian industrial markets

Tenant demand



To improve from late FY14 in line with confidence & employment forecasts



To improve FY14/FY15 in line with confidence & growth in consumption

Supply



National supply levels below average



Supply to remain around average levels

Vacancy rates



Prime vacancy rates to remain relatively stable at mildly above average levels



Prime properties to remain relatively low

Buyer demand



To remain strong for quality properties



To remain strong for quality properties

Cap rates



At or above long term averages and expected to tighten for prime grade/well covenanted properties



Mild tightening for prime grade/well covenanted properties, flat for secondary

Asset values



Prime grade/well covenanted properties expected to firm due to tighter cap rates



Prime grade/well covenanted properties expected to firm due to tighter cap rates

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