

# Dexus (ASX: DXS)

## ASX release



25 October 2017

### Bank of America Merrill Lynch Australian Real Estate Conference presentation

Dexus today provides the attached presentation to be used as a basis of discussion with institutional investors at the 2017 Bank of America Merrill Lynch Australian Real Estate Conference. The conference is being held at the offices of Bank of America Merrill Lynch in Sydney.

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#### About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high quality Australian property portfolio valued at \$24.9 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 \$12.2 billion of office and industrial properties. We manage a further \$12.7 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$4.3 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 million square metres of office workspace across 54 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 28,000 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](http://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)

# Bank of America Merrill Lynch 2017 Australian Real Estate Conference

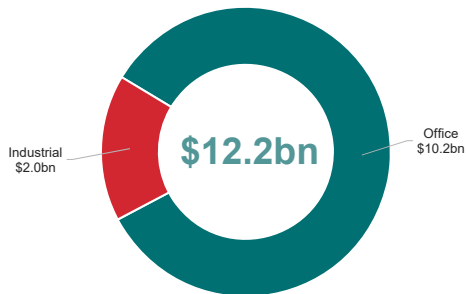
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Dexus Funds Management Limited  
ABN 24 060 520 783  
AFSL 233163 as responsible entity for Dexus  
All data in this presentation is as at 30 June 2017 unless otherwise stated

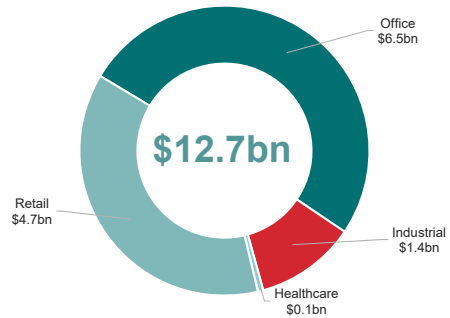
Overview

## Overview Total group portfolio composition<sup>1</sup>

Dexus portfolio



Funds Management portfolio



1. Includes transactions settled up to 16 August 2017.  
2. Bank of America Merrill Lynch 2017 Australian Real Estate Conference

# Committed to strategy



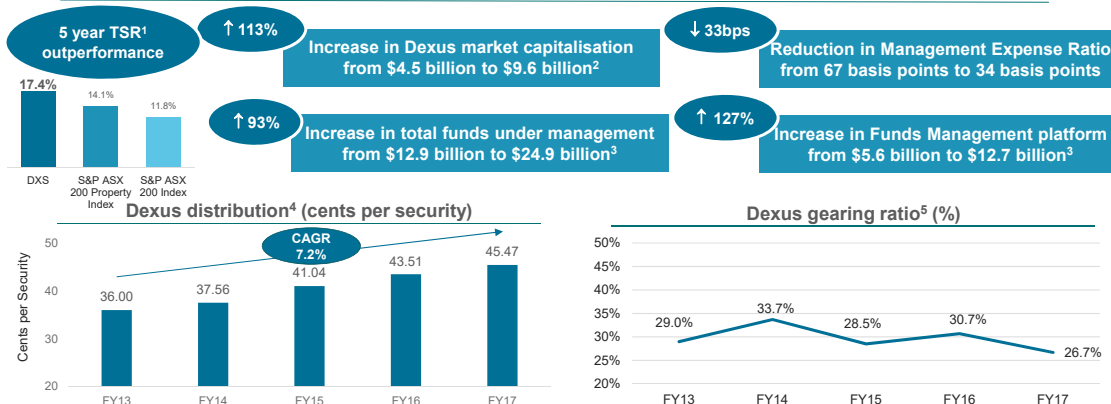
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# Five-year journey of creating value

## Delivered growth while maintaining conservative approach

Five years of change in Dexus's key metrics from FY12 to FY17



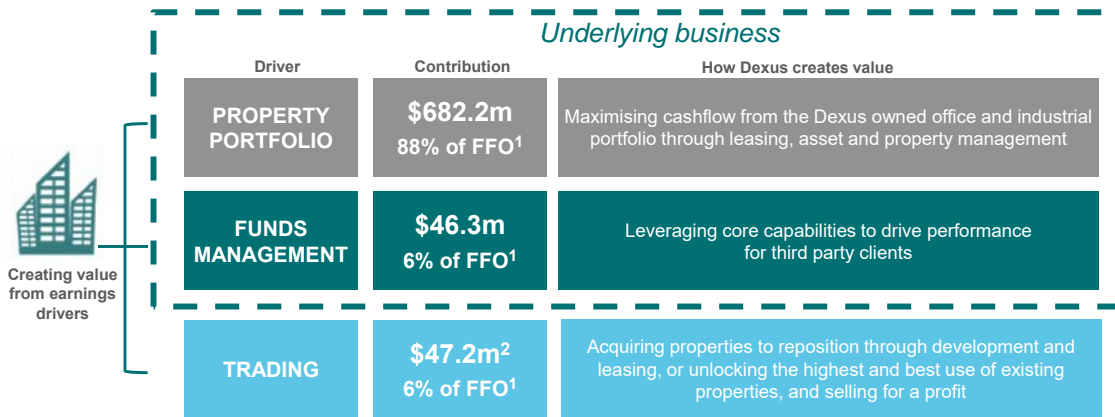
1. Total security holder annualised compound return. Source: UBS Australia.  
 2. As at 30 June 2017.  
 3. Includes transactions settled up to 16 August 2017.  
 4. Adjusted for the one-for-six security consolidation completed in FY15. Compound annual growth rate (CAGR) is calculated over five years.  
 5. FY17 pro forma gearing is adjusted for the acquisitions of MLC Centre Sydney, 100 Harris Street Pymont, 90 Mills Road Braeside and the sales of 30-68 Taras Avenue, Altona North and 46 Colin Street, West Perth, including the impact of transactions costs. Actual gearing (look-through) is 22.1% at 30 June 2017.

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## Key earnings drivers deliver results

### Dexus property portfolio is the largest driver of value



1. FFO contribution is calculated before finance costs, group corporate costs and tax.  
 2. Net of tax.  
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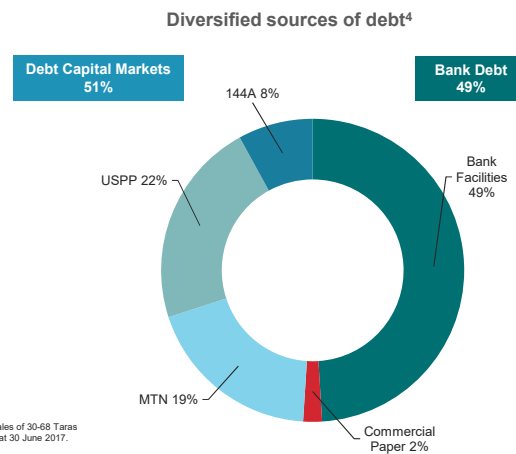
## Maintained balance sheet strength

### Cost of debt reduced

Key metrics	30 June 2017	30 June 2016
Pro forma gearing (look-through) <sup>1</sup>	26.7% <sup>2</sup>	30.7%
Cost of debt <sup>3</sup>	4.1%	4.8%
Duration of debt	5.6 years <sup>4</sup>	5.5 years
Hedged debt (incl caps) <sup>5</sup>	65%	71%
S&P/Moody's credit rating	A-/A3	A-/A3

**FY18 Focus**

- Maintain strong balance sheet
- Maintain diverse sources of debt



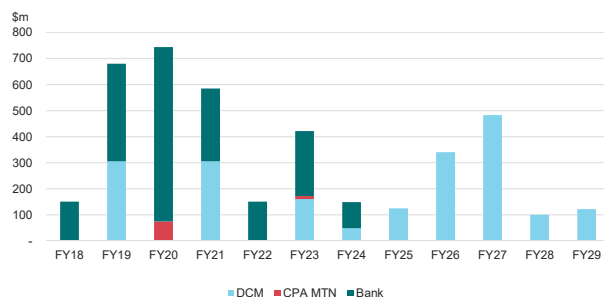
1. Adjusted for cash and debt in equity accounted investments.  
 2. Pro forma gearing is adjusted for the acquisitions of MLC Centre, Sydney, 100 Harris Street, Pyrmont, 90 Mills Road, Braeside and the sales of 30-68 Taras Avenue, Altona North and 46 Colin Street, West Perth, including the impact of transactions costs. Actual gearing (look-through) is 22.1% at 30 June 2017.  
 3. Weighted average across the year, inclusive of fees and margins on a drawn basis.  
 4. Includes \$60 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 64% for the 12 months to 30 June 2016.  
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# Capital management

## FY17 position

### Debt maturity profile<sup>1</sup>



Key metrics	30 June 2017	30 June 2016
Total debt <sup>2</sup>	<b>\$2,698m</b>	\$3,687m
Headroom (approximately) <sup>3</sup>	<b>\$1.1bn</b>	\$0.4bn
Covenant gearing (covenant <sup>4</sup> <55%)	<b>21.4%</b>	30.3%
Interest cover (covenant <sup>4</sup> >2.0x)	<b>5.6x<sup>5</sup></b>	4.4x
Priority debt (covenant <sup>4</sup> <30%)	<b>0%</b>	0%

1. Includes \$60 million of Medium Term Notes issued in July 2017 and three bank facilities for \$325 million that commenced in July 2017.  
 2. Total debt does not include \$85m of debt in an equity accounted investment.  
 3. Undrawn facilities plus cash.  
 4. As per public bond covenants.  
 5. Look-through interest cover is 5.4x.



# Achieved strong results across office portfolio

## Total return outperformance at key assets

Strong operating metrics	Key assets outperforming	Market evidence contributing to values
<p><b>97.5%</b> Occupancy<sup>3</sup></p> <p><b>2.6%</b> Effective LFL income growth (FY16: 1.0%)</p> <p><b>18.0%</b> Average incentives<sup>3</sup></p> <p><b>4.6 years</b> WALE<sup>1,3</sup></p>	<p><b>One-year asset total return</b></p> <ul style="list-style-type: none"> <li><b>18.4%</b> One Farrer Place, Sydney (98% leased)</li> <li><b>36.1%</b> 60 Miller Street, North Sydney (99% leased)</li> <li><b>20.8%</b> 385 Bourke Street, Melbourne (98% leased)</li> <li><b>28.1%</b> 30 The Bond, Sydney (100% leased)</li> </ul>	<p><b>14.1%</b> One-year unlevered office portfolio total return (FY16: 16.0%)</p> <p><b>\$625.8m</b> FY17 office valuation uplift (FY16: \$769.1m)</p> <p><b>5.78%</b> FY17 office cap rate<sup>2</sup> (FY16: 6.16%)</p>

1. Weighted average lease expiry by income, including the acquisition of MLC Centre, Sydney and 100 Harris Street, Pymont.  
 2. Weighted average capitalisation rate.  
 3. As at 30 September 2017.

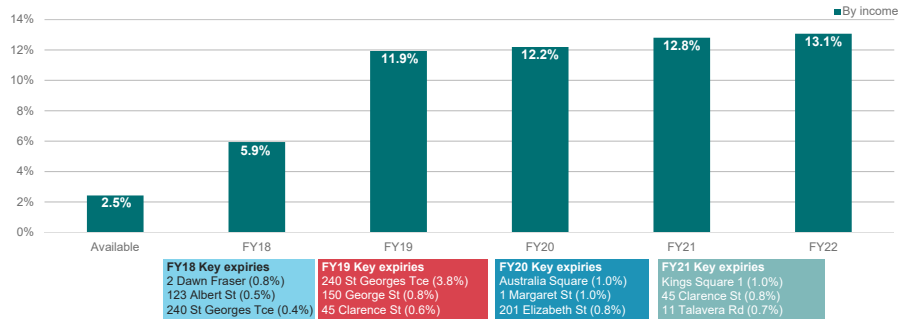


# Continued to reduce leasing risk in future years

## Opportunity to capitalise on Sydney office expiries

<b>Solved in FY17</b>	16,200sqm leased at 30 The Bond, resulting in 100% occupancy	<b>Focus in FY18</b>	18,800sqm expiring at 2 Dawn Fraser Ave in FY18
	8,000sqm leased at 60 Miller Street		40,000sqm expiring at 240 St Georges Tce in FY19 representing 3.2% of total property income

- Sydney accounts for 63% of Dexus's office portfolio expiries, up to and including FY20 representing 21% of office portfolio income



Lease expiry profile at 30 September 2017.

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### Dexus has ownership or management of 21 Sydney CBD and CBD Fringe assets valued at \$8.7 billion<sup>1</sup>

100 Mount Street, North Sydney 50% DXS owned, 100% managed 50% DWPF owned	60 Miller Street, North Sydney 100% DXS owned, 100% managed
225 George Street 37.5% DXS owned, externally managed 12.5% Dexus Office Partner owned	201 Miller Street, North Sydney 50% DXS owned, 100% managed 50% Dexus Office Partner owned
Gateway 100% DWPF owned, 100% managed	QMT/GPT, 1 Farrer Place 50% DXS owned, 100% managed
30 The Bond & 36 Hickson Road 100% DXS owned, 100% managed	1 Bligh Street 33% DXS owned, 100% managed 33% DWPF owned
Australia Square Complex 50% DXS owned, jointly managed	56 Pitt Street 50% DXS owned, 100% managed 50% Dexus Office Partner owned
45 Clarence Street 100% DXS owned, 100% managed	MLC Centre 25% DXS owned 25% DWPF owned, externally managed
One Margaret Street 100% DXS owned, 100% managed	60 Castlereagh Street 50% DXS owned, 100% managed 50% Dexus Office Partner owned
309-321 Kent Street 50% DXS owned, 100% managed	5 Martin Place 25% DXS owned, 100% managed 25% Dexus Office Partner owned
175 Pitt Street 50% DXS owned, 100% managed 50% Dexus Office partner owned	14 Lee Street (not visible) 50% DXS owned, 100% managed 50% Dexus Office Partner owned
44 Market Street 100% DXS owned, 100% managed	201 Elizabeth Street 50% DXS owned, externally managed
100 Harris Street 100% DXS owned, 100% managed	
383-395 Kent Street 100% DXS owned, 100% managed	
83 Clarence Street Mandate owned, 100% managed	

<sup>1</sup> Based on Dexus and Dexus managed fund ownership share. Portfolio value based on 30 June 2017 values for existing owned and managed properties, MLC Centre and 100 Harris Street based on stated acquisition price.

# Record year of leasing across industrial portfolio

## Significant improvement in portfolio metrics

Strong improvement in metrics	Lengthened expiry profile	Leasing contributing to total returns
<p><b>Record leasing in FY17</b></p> <p><b>432,105sqm</b> (FY16: 204,238sqm)</p> <hr/> <p><b>96.6%</b> Occupancy<sup>3</sup></p> <hr/> <p><b>3.6%</b> Effective LFL income growth (FY16: -7.1%)</p>	<p><b>5.0 years</b> WALE<sup>1,3</sup></p> <hr/> <p><b>Capital growth driving valuations</b></p> <p><b>\$78.9m</b> FY17 industrial valuation uplift (FY16: \$45.3m)</p> <p><b>6.88%</b> FY17 industrial cap rate<sup>2</sup> (FY16: 7.38%)</p>	<p><b>12.6%</b> One-year unlevered industrial portfolio total return (FY16: 16.0%)</p> <hr/> <p><b>One-year asset total return</b></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p><b>25.6%</b> 100% leased</p> <p>Fosters, Laverton</p> </div> <div style="text-align: center;">  <p><b>19.0%</b> 100% leased</p> <p>IBM, Baulkham Hills</p> </div> </div>

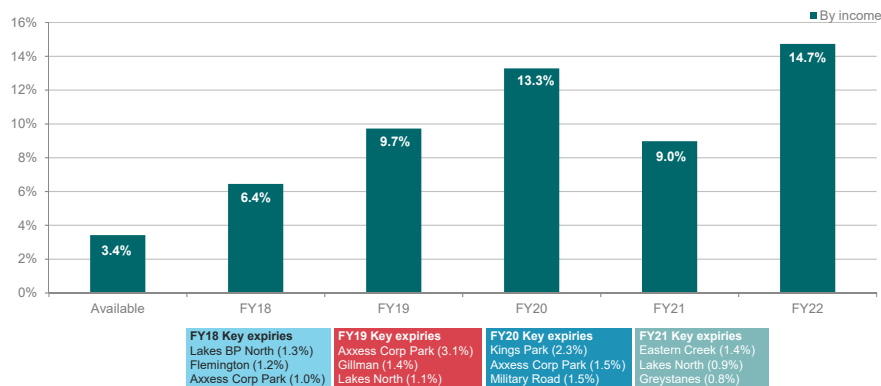
1. Weighted average lease expiry by income, including completed developments and acquisitions.  
 2. Weighted average capitalisation rate.  
 3. As at 30 September 2017.



# Reduced leasing risk

## Improving the industrial expiry profile

- Significantly reduced near term expiry risk in Sydney and Melbourne



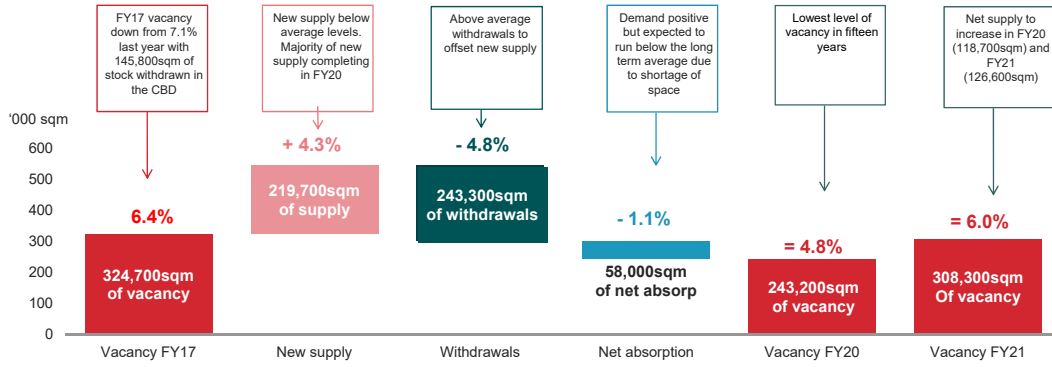
Lease expiry profile at 30 September 2017.



# Market outlook

## Sydney office: solid fundamentals to support growth

Sydney CBD waterfall chart – FY17 to FY20

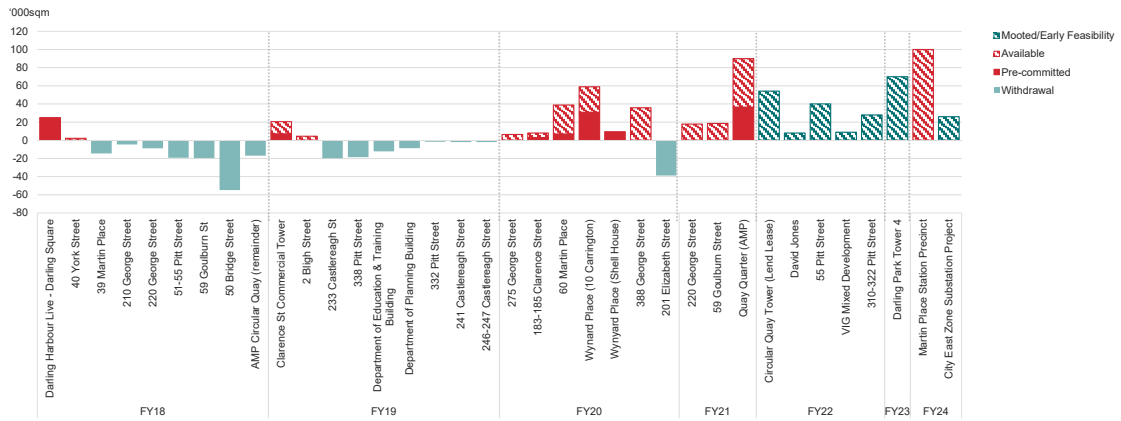


Source: Dexus Research, LT average based on 20 year average as % of stock.



# Market outlook

## Sydney CBD supply assumptions: major projects

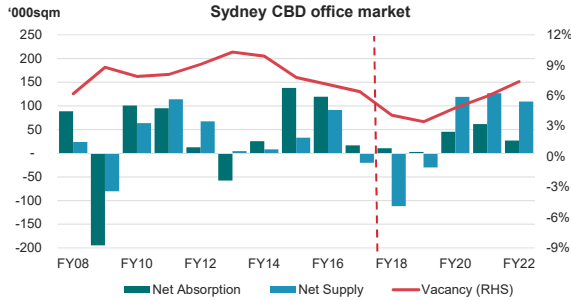


Source: Dexus Research.



# Market outlook Sydney CBD office

- Growth cycle in full swing with a lack of supply leading to rent growth
- Vacancy rate is forecast to fall to 3.4% in FY19
- Planned new supply is still a long way off – scheduled for FY20 to FY22



Source: JLL Research actual & Dexis Research forecast.

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### Sydney CBD office market At 30 June 2017

Total net lettable area	5.08 million sqm
Prime vacancy average	6.7%

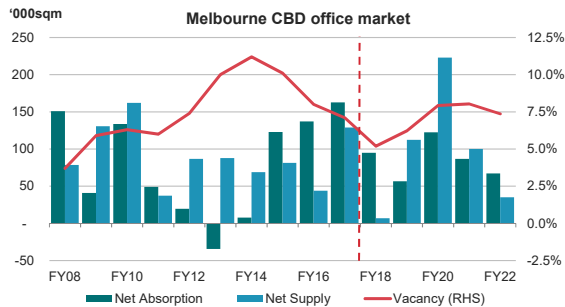
### Dexis Sydney CBD exposure

Net lettable area	697,946sqm
Number of properties	21
% of portfolio by value	59%
Occupancy by area	97.5%
Occupancy by income	97.8%
Weighted average lease expiry	5.0 years



# Market outlook Melbourne CBD office

- Recorded the strongest net absorption of all CBD office markets
- Solid demand is supported by strong population and employment growth
- Vacancy to tighten over the short-term due to minimal supply



Source: JLL Research actual & Dexis Research forecast.

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### Melbourne CBD office market At 30 June 2017

Total net lettable area	4.74 million sqm
Prime vacancy average	6.5%

### Dexis Melbourne CBD exposure

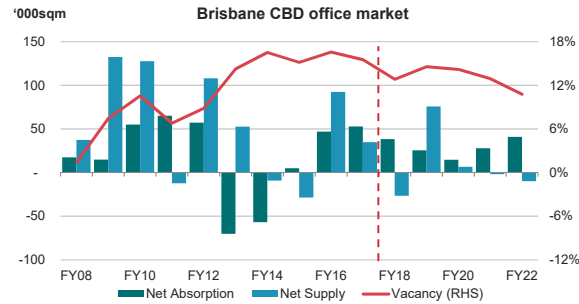
Net lettable area	275,799sqm
Number of properties	8
% of portfolio by value	8%
Occupancy by area	95.4%
Occupancy by income	96.2%
Weighted average lease expiry	5.1 years



# Market outlook

## Brisbane CBD office

- Clearly in recovery mode after experiencing the highest level of net take-up in 5yrs
- Market benefiting from significant withdrawals and centralisation of tenants
- No significant new supply expected until FY19



Source: JLL Research actual & Dexis Research forecast.

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### Brisbane CBD office market At 30 June 2017

Total net lettable area	2.27 million sqm
Prime vacancy average	12.4%

### Dexis Brisbane CBD exposure

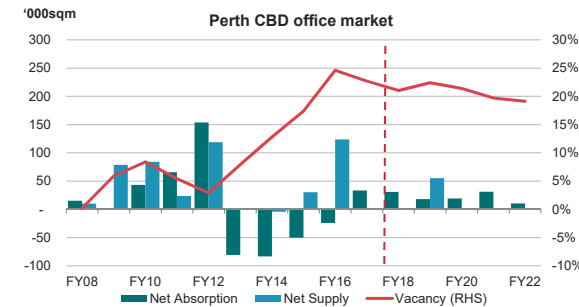
Net lettable area	250,853sqm
Number of properties	6
% of portfolio by value	16%
Occupancy by area	96.7%
Occupancy by income	96.9%
Weighted average lease expiry	5.0 years



# Market outlook

## Perth CBD office

- Market has bottomed with demand expanding +33K sqm in FY17
- Vacancy is falling after peaking at 24.7% in Q3 FY16
- Pace of the recovery will be dependent on the performance of the economy



Source: JLL Research actual & Dexis Research forecast.

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### Perth CBD office market At 30 June 2017

Total net lettable area	1.77 million sqm
Prime vacancy average	19.46%

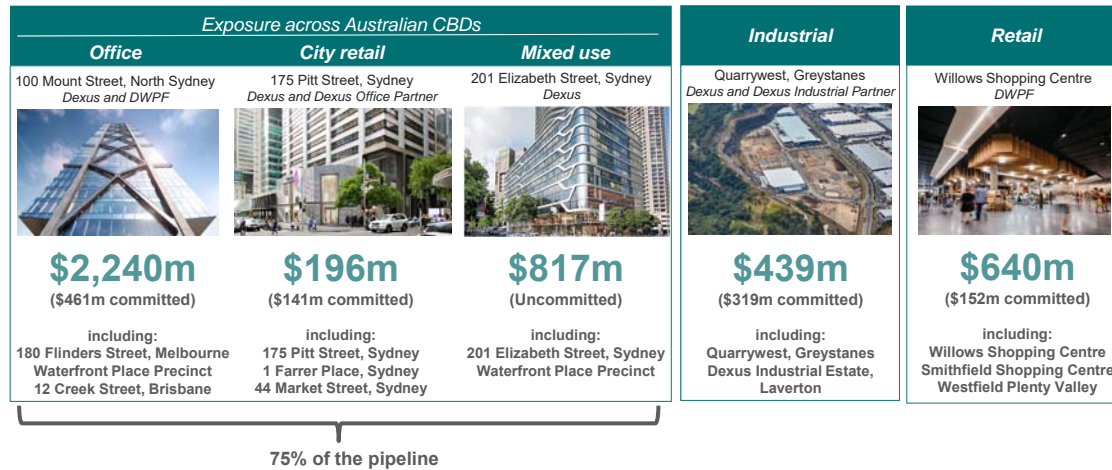
### Dexis Perth CBD exposure

Net lettable area	122,155sqm
Number of properties	3
% of portfolio by value	6%
Occupancy by area	97.2%
Occupancy by income	96.3%
Weighted average lease expiry	3.2 years



## \$4.3 billion group development pipeline

### Concentrated in major cities and supported by broad capability



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## Development

### Dexus committed developments & portfolio capex

Pipeline		Building area <sup>1</sup> sqm	Project cost est. <sup>2</sup> \$m	Est. cost to completion <sup>2</sup> \$m	Yield on cost <sup>3</sup> %	Leased %	Completion due
Office	100 Mount Street, North Sydney, NSW	41,700	231	152	7%	15%	Jan 2019
<b>Total office</b>		<b>41,700</b>	<b>231</b>	<b>152</b>			
Industrial	14 Felstead Drive, Laverton North, VIC	15,700	18	7	7%	100%	Oct 2017
	66 Foundation Road, Laverton North, VIC	21,300	26	18	7%	100%	Feb 2018
	1-5 Felstead Drive, Laverton North, VIC	21,900	22	19	8%	-	Feb 2018
	41 Foundation Road, Laverton North, VIC	20,700	24	24	7%	100%	Mar 2018
	7 Dolerite Way, Greystanes, NSW	26,700	23	13	7%	100%	Jan 2018
	9 Dolerite Way, Greystanes, NSW	6,800	5	3	8%	-	Jan 2018
	1-3 Dolerite Way, Greystanes, NSW	8,000	8	5	7%	100%	Dec 2017
	Quarrywest, Greystanes, NSW	33,900	28	22	7%	-	Jun 2018
	141 Anton Road, Hemmant, QLD	68,400	50	35	8%	-	Apr 2020
<b>Total industrial</b>		<b>223,400</b>	<b>204</b>	<b>146</b>			
City retail	175 Pitt Street, Sydney, NSW	5,300	30	25	6%	71%	Apr 2019
<b>Total city retail</b>		<b>5,300</b>	<b>30</b>	<b>25</b>			
<b>Total developments committed</b>		<b>270,400</b>	<b>465</b>	<b>323</b>			
<b>Dexus total portfolio capital expenditure</b>		<b>FY17</b>	<b>FY18E</b>				
Maintenance capital expenditure		\$57.5m	c. \$65m				
Cash incentives and leasing costs		\$58.6m	c. \$40m				
Rent free incentives		\$61.9m	c. \$80m				
<b>Total capital expenditure</b>		<b>\$178.0m</b>	<b>\$165-170m</b>				

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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.

## Development

### Dexus uncommitted developments

Pipeline		Building area <sup>1</sup> sqm	Project cost est. <sup>2</sup> \$m	Est. yield on est. project cost <sup>3</sup> %
Office	Waterfront Place Precinct Masterplan, Brisbane, QLD (Office)	81,700	275	
	Sydney CBD Office Opportunity, NSW	51,200	276	
	11 Talavera Road, Macquarie Park, NSW	32,300	202	
	180 Flinders Street, Melbourne, VIC	22,800	153	
	12 Creek Street, Brisbane, QLD	6,700	31	
<b>Total office</b>		<b>194,700</b>	<b>937</b>	<b>6-8%</b>
Industrial	Dexus Industrial Estate (Stage 3), Laverton North, VIC	44,800	49	
	Axxess Corporate Park, Mount Waverley, VIC	16,000	70	
<b>Total industrial</b>		<b>60,800</b>	<b>119</b>	<b>6-9%</b>
City retail	321 Kent Street Retail Podium, Sydney, NSW	4,800	7	
	44 Market Street, Sydney, NSW	1,500	19	
	1 Farrer Place, Sydney, NSW	600	5	
	201 Elizabeth Street, Sydney, NSW	4,900	24	
	MLC Centre, 19 Martin Place, Sydney, NSW	12,200	41	
<b>Total city retail</b>		<b>24,000</b>	<b>96</b>	<b>6-8%</b>
Other	Waterfront Place Precinct Masterplan, Brisbane, QLD (Resi & Hotel)	58,000	270	
	201 Elizabeth Street, Sydney, NSW	54,600	276	
<b>Total other</b>		<b>112,600</b>	<b>546</b>	<b>n/a</b>
<b>Total uncommitted</b>		<b>392,100</b>	<b>1,698</b>	

- At 100%.
- Dexus interest in development cost (including cost of land where purchased for development).
- Yield on cost calculation includes cost of land.

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## Recent acquisition activity

### Improving portfolio quality and providing long term optionality

#### MLC Centre, Sydney<sup>1</sup>



**Investment rationale:** rent reversion and development opportunity on a large freehold site in Sydney's CBD

Interest <sup>2</sup>	50%
Gross price <sup>2</sup>	\$722.5m
Cap rate	5.6%
WALE	4.1 years
Occupancy	95%
10 year IRR <sup>3</sup>	7.2%

#### 100 Harris Street, Pyrmont<sup>1</sup>



**Investment rationale:** large land holding in a growing office market and exposure to customers in technology sector

Interest	100%
Gross price	\$327.5m
Cap rate	5.4%
WALE <sup>4</sup>	7.6 years
Occupancy <sup>4</sup>	100%
10 year IRR <sup>3</sup>	7.3%

#### The Mill, Alexandria<sup>1</sup>



**Investment rationale:** rent reversion and leasing opportunity on a large landholding in a prime South Sydney location

Interest	100%
Gross price	\$110.2m
Cap rate	6.5%
WALE	5.3 years
Occupancy	83%
10 year IRR <sup>3</sup>	7.9%

#### 90 Mills Road, Braeside<sup>1</sup>



**Investment rationale:** flexible, high quality logistics facility with strong tenant covenant near improving infrastructure

Interest	100%
Gross price	\$50.6m
Cap rate	6.1%
WALE	12.3 years
Occupancy	100%
10 year IRR <sup>3</sup>	7.7%

- Metrics at acquisition.
- Reflects Dexus's and DWPF's joint 50% interest in the property.
- 10 year unlevered property internal rate of return.
- Includes rental guarantee.

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## Transactions Group activity<sup>1</sup>

Dexus acquisitions	Purchase price \$m	Interest	Settlement date	Funds management acquisitions	Purchase price \$m	Interest	Settlement date
36 Hickson Road, Sydney NSW	17.1	100%	5 Sep 2016	Carillon City, Perth WA	140.0	100%	30 Nov 2016
The Mill, Alexandria NSW	110.2	100%	19 Jan 2017	5 Inglis Road, Ingleburn NSW	31.0	100%	5 Jun 17
100 Harris Street, Pymont NSW	327.5	100%	18 Jul 2017	MLC Centre, Sydney NSW	361.3	25%	19 Jul 2017
MLC Centre, Sydney NSW	361.3	25%	19 Jul 2017				
90-110 Mills Road, Braeside VIC	50.6	100%	25 Jul 2017	<b>Total</b>	<b>532.3</b>		
<b>Total</b>	<b>866.7</b>						
Dexus divestments	Sale price \$m	Interest	Settlement date	Funds management divestments	Sale price \$m	Interest	Settlement Date
56-75 Templar Road, Erskine Park NSW	50.0	100%	1 Jul 2016	108 North Terrace, Adelaide SA	43.3	50%	7 Sep 2016
The Zenith, Chatswood NSW	139.5	50%	29 Jul 2016	39 Martin Place, Sydney NSW	166.0	50%	14 Nov 2016 <sup>3</sup>
108 North Terrace, Adelaide SA	43.3	50%	7 Sep 2016	324 Queen Street, Brisbane QLD	66.0	50%	1 Dec 2016
Southgate Complex, Melbourne VIC	289.0	50%	4 Nov 2016 <sup>2</sup>	30-68 Taras Road, Altona North VIC	13.1	50%	7 Jul 2017
39 Martin Place, Sydney NSW	166.0	50%	14 Nov 2016 <sup>3</sup>	46 Colin Street, West Perth WA	16.8	50%	1 Aug 2017
79-99 St Hilliers Road, Auburn NSW	65.0	100%	31 Jan 2017	<b>Total</b>	<b>305.2</b>		
105 Phillip Street, Parramatta NSW	229.0	100%	31 May 2017 <sup>4</sup>				
30-68 Taras Road, Altona North VIC	13.1	50%	7 Jul 2017				
46 Colin Street, West Perth WA	16.8	50%	1 Aug 2017				
<b>Total</b>	<b>1,011.7</b>						

1. All transactions that settled during FY17 and subsequent to 30 June 2017.  
 2. Southgate Complex divestment will occur in two equal tranches with a net sale price of \$578 million. The first 50% tranche settled on 4 November 2016 with the second tranche expected to settle during FY18.  
 3. Settlement date for office component. Retail component not settled as at 30 June 2017.  
 4. 105 Phillip Street divestment settled on 31 May 2017 with proceeds received in two tranches. The first tranche of \$107 million was received on settlement and the second is expected in FY18.

## Secured FY17 trading profits Leveraging capabilities across the platform

### FY17 trading profits - \$47.2 million<sup>1</sup>



**\$8.3m profit<sup>1</sup>**

**15% IRR**

57-65 Templar Road, Erskine Park



**\$17.6m profit<sup>1</sup>**

**59% IRR**

79-99 St Hilliers Road, Auburn



**\$21.3m profit<sup>1</sup>**

**50% IRR**

105 Phillip Street, Parramatta

### Successful packaging of 105 Phillip Street, Parramatta

- Highlights Dexus's ability to leverage its capabilities in development, leasing and transactions to package an asset and deliver trading profits
- Achieved a sale price of \$229 million reflecting a 5.3% implied cap rate
- Sale contributes to trading profits in both FY17 and FY18
- Dexus will continue development management until completion and retain property management for five years post completion



1. Net of tax.

# Trading pipeline

## Positioned well for FY18 and FY19

- Approximately 60% of trading profits secured for FY18 through the sale of 105 Phillip Street, Parramatta
- Pipeline of \$100-\$120 million of trading profits (pre-tax) over the next four years
- Continued review of broader portfolio opportunities

**FY18 Focus**

**Target \$35-40 million of trading profits, net of tax, for FY18**

**Advance future opportunities**

Projects	Sector	Trading strategy	FY18	FY19	FY20	FY21	FY22
32 Flinders Street	Office	Rezoning					
140 George Street <sup>1</sup>	Office	Development					
Gladesville <sup>2</sup>	Industrial	Rezoning					
Lakes South	Industrial	Rezone/develop					
Frederick Street – Stage 1	Industrial	Healthcare					
Frederick Street – Stage 2	Industrial	Healthcare					

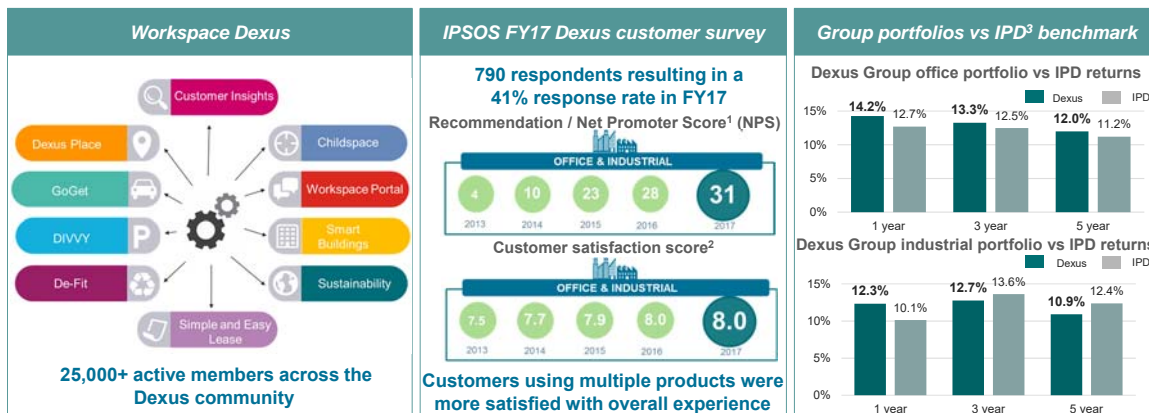
1. Potential addition to future pipeline.  
2. Transferred to trading book in July 2017.



# Dexus customer centric focus

## Positively impacting customer perception and performance

What we offer our customers.....affects what our customers think about Dexus.....which is starting to reflect in performance



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 lying between -100 and +100.

2. The Customer Satisfaction Score is out of 10 points.

3. IPD is an independent measure of property market performance and is widely accepted as an industry benchmark. Data for Dexus portfolios and IPD as at 31 March 2017.



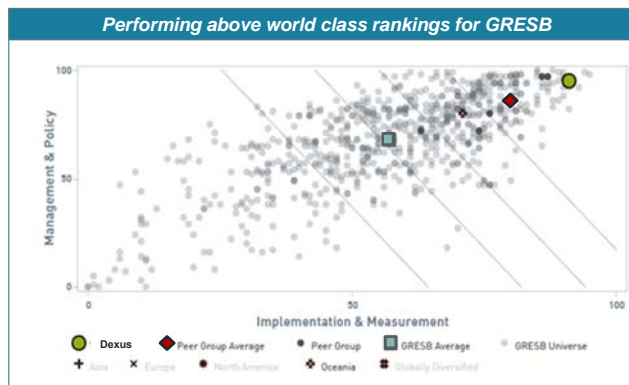
# Corporate Responsibility & Sustainability (CR&S)

## Leading performance in surveys and benchmarks

Sustainability initiatives allow us to engage with our customers and materially impact satisfaction and reduce outgoings



<b>1st</b> in Australia Listed Office and 5 <sup>th</sup> globally <sup>1</sup> Dexus Office Trust	<b>A+</b> Scored 30 out of 30 for strategy and governance <sup>2</sup> Dexus
<b>1st</b> in Australia diversified office/retail unlisted fund and 39 <sup>th</sup> globally <sup>1</sup> Dexus Wholesale Property Fund	<b>A</b> Scored 50 out of 54 for direct property responsible investment approach <sup>2</sup> Dexus



1. 2016 Global Real Estate Sustainability Benchmark (GRESB) Survey.  
 2. 2017 UNPRI Assessment.  
 27 Bank of America Merrill Lynch 2017 Australian Real Estate Conference



# Continuing to deliver for Funds Management clients

## Driving performance for clients

<p><b>Current position</b></p> <p><b>\$12.7bn<sup>1</sup></b> on behalf of 69 clients</p> <ul style="list-style-type: none"> <li>Dexus Wholesale Property Fund</li> <li>Australian Industrial Partner</li> <li>Australian Mandate</li> <li>Dexus Office Partner</li> <li>Healthcare Wholesale Property Fund</li> <li>Dexus Industrial Partner</li> </ul>	<p><b>Driving performance &amp; satisfying investor demand</b></p> <p><b>All funds delivered strong performance</b></p> <p><b>DWPF outperformed its benchmark</b></p> <table border="0"> <tr> <td>1 year +183bps</td> <td>3 years +124bps</td> </tr> <tr> <td>5 years +89bps</td> <td>7 years +101bps</td> </tr> <tr> <td colspan="2">10 years +24bps</td> </tr> </table> <p><b>Dexus Office Partnership delivered strong returns</b></p> <ul style="list-style-type: none"> <li>1 year unlevered total property return of 14.7%</li> <li>Annualised unlevered total property return since inception of 14.6%</li> </ul> <p><b>Satisfied DWPF investor demand</b></p> <p><b>\$550m</b> New equity raised for DWPF<sup>2</sup></p>	1 year +183bps	3 years +124bps	5 years +89bps	7 years +101bps	10 years +24bps		<p><b>Opportunities for future growth</b></p> <p><b>Third party development pipeline</b></p> <p><b>\$2.2bn</b></p> <ul style="list-style-type: none"> <li>Active projects in retail sector</li> <li>\$1.6 billion uncommitted</li> </ul> <hr/> <p><b>Launched a new unlisted healthcare property fund to be finalised in FY18</b></p>
1 year +183bps	3 years +124bps							
5 years +89bps	7 years +101bps							
10 years +24bps								

1. Includes transactions settled up to 16 August 2017.  
 2. Includes \$300 million of equity raised subsequent to 30 June 2017.  
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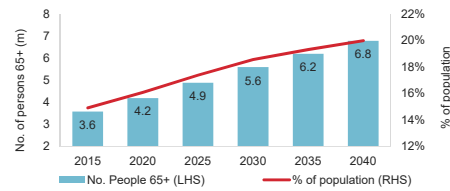


# Healthcare sector offers significant long term opportunity Strategically aligned with being a wholesale partner of choice

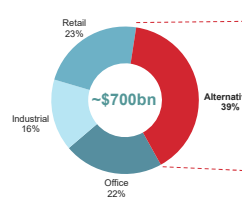
Opportunity for Dexus to establish significant scale in a growing property sector

Healthcare property will benefit from ageing demographics, longer life expectancy and population growth	Healthcare is a substantial asset class with limited institutional investment in Australia to date
Non discretionary characteristics insulate demand from economic cycles	Strong attributes delivering diversifying benefits and lower volatility in returns

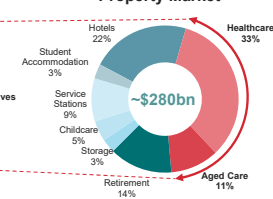
Australian population aged 65+ years<sup>1</sup>



Australian Property Market<sup>2</sup>



Australian Alternatives Property Market<sup>2</sup>



1. Source: Australian Bureau of Statistics (ABS), Australian Institute of Health and Welfare (AIHW) and Australian Prudential Regulation Authority (APRA).  
2. Market size figures are indicative only, and estimated based on information sourced from publicly available documentation. The market size figures should not be treated as exhaustive. The alternative market size suggested in this presentation only includes the sectors stated. Source: Jones Lang LaSalle, Savills, Colliers International, Knight Frank, Emerge Capital, IBIS World, Australian Bureau Of Statistics, company filings, Dexus estimates.



## Outlook

We are constantly assessing our operating environment

	Macro environment	Customer demands	Urbanisation
<b>Market forces</b>	<ul style="list-style-type: none"> <li>- Optimistic about Australian economic outlook</li> <li>- Risk of global "black swan" style event remains</li> </ul>	<ul style="list-style-type: none"> <li>- Demographic shifts and technological advancements are changing how customers use and consume workspace</li> </ul>	<ul style="list-style-type: none"> <li>- Population and economic growth concentrated in cities around key economic and transport hubs, will drive increased density and integration of uses within assets</li> </ul>
<b>Dexus's response</b>	<ul style="list-style-type: none"> <li>- Committed to maintaining a conservative and diverse capital structure to protect Security holder value and enable growth opportunities through the cycle</li> </ul>	<ul style="list-style-type: none"> <li>- Evaluate customer needs and invest in workspace offerings that enhance our ability to attract and retain an increasingly diverse set of customers</li> </ul>	<ul style="list-style-type: none"> <li>- Focus remains on the ownership and development of high quality real estate in major Australian cities</li> <li>- Gradual evolution of capabilities to maximise value for Security holders</li> </ul>



## Strong market fundamentals flowing through FY18 outlook and guidance

- Well positioned for a year of growth in FY18 due to:
  - Expected strong performance in office markets in Sydney and Melbourne and improving dynamics in Brisbane and Perth
  - Progress opportunities in the development pipeline
  - Further growth in Funds Management business
- Market guidance<sup>1</sup> for the 12 months ending 30 June 2018
  - Distribution per security growth of 4.0-4.5%



<sup>1</sup> Bligh Street, Sydney

1. Barring unforeseen circumstances guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; underlying FFO per security growth of 2.0-2.5% underpinned by Dexu office portfolio like for like growth of 4-5%, Dexu industrial portfolio like for like income growth of 3-4%, management operations FFO of c.\$50 million and cost of debt in line with FY17; trading profits of \$35-40 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of \$165-170 million; and excluding any further transactions.

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