

Dexus (ASX: DXS)

ASX release



3 May 2022

March 2022 quarter update – Continuing to deliver on strategic initiatives

Dexus provides its update for the quarter ended 31 March 2022, with significant progress made against its strategic objectives of generating sustainable income streams and being the real estate investment partner of choice.

Darren Steinberg, Dexus CEO said: “During the period, we continued to grow and diversify our funds management business, welcoming Cbus Super as a new joint venture investor in the \$1.3 billion Jandakot joint venture and securing Mercer Alternatives as a cornerstone investor in Dexus Real Estate Partnership 1.

“We transacted \$2.1 billion worth of properties across the group as we continue to recycle capital into higher returning opportunities including our \$17.8 billion development pipeline. Our industrial and office portfolios maintained high occupancy, with significant leasing volumes achieved across the portfolio.

“Post the period, we announced that we had entered into an agreement with Collimate Capital Limited to acquire Collimate’s real estate and domestic infrastructure equity business, with up to \$27.9 billion¹ of assets under management. This transaction positions Dexus as a leading real asset manager, with new capabilities and an expanded product offering, underpinned by our best practice governance and risk management framework.”

Highlights

- **Transacted \$2.1 billion** in properties across the group, further enhancing the group portfolio
- **Rent collections** remained strong at 98.1% for FY22 year-to-date
- **Completed 84 leasing transactions²** across the Dexus office portfolio (56,763 square metres leased²) and Dexus industrial portfolio (203,733 square metres leased²), and maintained high occupancy of 95.2% and 97.5% respectively
- **Continued progress at city-shaping developments** including exchanging binding transaction documents (subject to conditions) with Atlassian to fund, develop and invest in Atlassian’s new headquarters in Sydney, as well as lodging the final Development Application submission for Central Place to the City of Sydney
- **Secured three quality anchor tenants** for Waterfront and 123 Albert Street developments in Brisbane
- **Secured Cbus Super** as a new joint venture investor for the Jandakot Airport and industrial precinct in Perth
- **Post 31 March 2022** Dexus agreed to acquire Collimate’s real estate and domestic infrastructure equity business, with up to \$27.9 billion¹ of assets under management

Funds management

Dexus Wholesale Property Fund (DWPF) raised \$100 million of new equity during the quarter. Dexus continues to work through the AMP Capital Diversified Property Fund redemption requests, having fulfilled \$1.3 billion to date. Dexus remains on track to fulfill the remaining circa \$900 million redemption requests and complete the merger by the end of 2022.

Both Dexus Industria REIT (DXI) and Dexus Convenience Retail REIT (DXC) initiated on-market securities buyback programs to enhance Securityholder returns amidst market volatility. DXC also acquired two properties totalling \$30.4 million, including Glass House Mountains Dual Service Centre in Queensland.

Dexus settled on the remaining interest in the Jandakot Airport industrial precinct alongside DXI and Cbus Super. The circa \$1.3 billion Jandakot joint venture which owns 100% of Jandakot Airport and industrial precinct in Perth is now held in the following proportions: Dexus 33.4%, DXI 33.3% and Cbus Super 33.3%.

Post 31 March 2022 Dexus announced that it entered into a Share Sale and Purchase Agreement with Collimate Capital Limited (Collimate), a wholly owned subsidiary of AMP Limited, to acquire Collimate’s real estate and domestic infrastructure equity business, with up to \$27.9 billion¹ of assets under management. The business is split across real estate (\$18.2 billion¹) and Infrastructure (\$9.7 billion). Dexus is holding consultation sessions with Collimate investors over the coming weeks to discuss the merits of the

transaction and determine the Collimate AUM to be transferred to the Dexus platform as part of the transaction.

Environmental, Social and Governance (ESG) update

Dexus launched its inaugural Reflect Reconciliation Action Plan (RAP) that reinforces its commitment to promoting acknowledgement, respect, and reconciliation with Australia's First Nations peoples. Dexus's RAP is endorsed by Reconciliation Australia and will progress Dexus's reconciliation journey across a broad range of activities. The RAP focuses on raising awareness and engagement with First Nations peoples and promoting career development and economic participation within the property industry.

Dexus was named as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency for the fifth consecutive year, demonstrating its active commitment to, and progress towards, gender equality across its workforce.

Property portfolio

Dexus Office Portfolio

Key metrics	31 March 2022	31 December 2021
Occupancy by income	95.2%	95.1%
Occupancy by area	94.6%	94.5%
Weighted average lease expiry (by income)	4.9 years	5.0 years
Average incentives ³	29.9%	29.7%

Over the quarter, a total of 25,366 square metres⁴ of office space was leased across 61 transactions. In addition, 31,397 square metres was successfully leased across three transactions at Dexus's office developments.

Key leasing activity included:

- **In Sydney**, secured a total of 15,800 square metres across 43 leasing transactions
- **In Brisbane**, secured office development leasing across 19,341 square metres at Waterfront Brisbane and 12,056 square metres at 123 Albert Street
- **In Melbourne**, secured a total of 4,102 square metres across 13 leasing transactions
- **In Perth**, secured a new customer across 3,139 square metres at 58 Mounts Bay Road

Leasing conditions remained stable across Dexus's key office markets as evidence of a flight to quality continues with many customers upgrading and seeking to centralise into prime CBD offices. Sydney is showing signs of recovery driven by positive sentiment in the Sydney CBD, with market net effective rental growth turning positive during the quarter⁵.

Dexus's office portfolio occupancy by income increased to 95.2% during the quarter, supported by leasing success and divestment of properties with lower occupancy.

Average incentives edged up slightly to 29.9% as a result of a higher volume of leasing undertaken in the higher incentive Melbourne market and slightly higher incentives on select leases to fill longer-term vacancies in Melbourne. Incentives remained stable across Dexus's other key markets.

Dexus Industrial Portfolio

Key metrics	31 March 2022	31 December 2021
Occupancy by income	97.5%	98.6%
Occupancy by area	98.6%	99.2%
Weighted average lease expiry (by income)	5.0 years	5.1 years
Average incentives ³	14.2%	10.6%

Over the quarter, 180,647 square metres⁴ of industrial space was leased across 17 transactions. In addition, 23,086 square metres was leased across three transactions at industrial developments.

Key leasing activity included:

- **In New South Wales**, a new customer was secured across 3,778 square metres at Quarry Industrial Estate, Greystanes
- **In Victoria**, 117,294 square metres was renewed with an existing customer at the distribution facility at 250 Forest Road South, Lara, 21,385 square metres was secured at Lot 501, Innovation Drive, Merrifield and a combined 7,071 square metres was leased at AXXESS Corporate Park across eight existing and new customers
- **In Queensland**, renewed leasing across 15,582 square metres at 30 Bellrick Street, Acacia Ridge

- **In Adelaide**, Bevchain renewed their lease across 33,877 square metres at 15-23 Whicker Road, Gillman

Dexus's industrial portfolio occupancy by income decreased to 97.5%, driven by tenant departures at business park assets. Excluding business parks, occupancy by income was 98.8% (from 99.2% at HY22).

Average incentives increased to 14.2%, primarily driven by one large renewal whose net effective rent remained the same. Excluding this transaction, average incentives for the quarter were 11.1%.

Development and Trading

Dexus's group development pipeline was \$17.8 billion as at 31 December 2021, of which \$9.5 billion sits within the Dexus portfolio and \$8.3 billion within third party funds.

During the quarter, Dexus completed 81,400 square metres of industrial development, comprising 60,000 square metres across two facilities at Ravenhall and a 21,400 square metre facility at Lot 501 Innovation Drive, Merrifield in Victoria.

Dexus further progressed its city-shaping developments, exchanging binding transaction documents (subject to conditions) with Atlassian to fund, develop and invest in Atlassian's new headquarters in Sydney. The development will comprise a market-leading sustainable 40-level office tower, with retail amenities and new YHA accommodation space at its base, as well as new public realm around Central Station. Atlassian will occupy the office accommodation under a 15-year lease.

At Waterfront Brisbane, Dexus reached Heads of Agreement with two major customers across circa 19,300 square metres, representing approximately 28% of the total office space committed in the first of the two proposed office towers. In addition, Dexus is working closely with retailers preparing for the closure of Eagle Street Pier in the coming months to allow the start of construction.

At the 123 Albert Street development in Brisbane, Heads of Agreement was achieved with a major customer for circa 12,000 square metres of office space.

Transactions

Continuing an active year of transactions, \$2.1 billion of transactions were undertaken across the group and as Dexus continued to recycle capital toward higher returning opportunities. Key transactions include settlement of the sale of 12 Creek Street, Brisbane and 201 Miller Street, North Sydney and the acquisition of Jandakot Airport, Perth.

In addition, Dexus settled on the acquisition of 116-130 Gilmore Road, Berrinba, Queensland for \$37.5 million and secured two industrial opportunities in Brooklyn, Victoria and Chester Hill, New South Wales for a combined total of \$47.3 million.

Summary and outlook

Darren Steinberg said: "It has been another busy quarter as we continued to deliver on our strategic objective of being a real estate partner of choice by growing and diversifying our funds management business. In addition, we made solid progress towards activating key development projects, Waterfront in Brisbane and Atlassian in Sydney, and we expect we will be able to bring these city-shaping developments online this calendar year.

"We remain focused on enhancing the resilience of our portfolio and maintaining high occupancy. Pleasingly, industrial markets remain strong, and we are seeing the first signs of improvement in Sydney office market effective rents."

Based on current market conditions and barring unforeseen circumstances, Dexus upgrades its guidance to deliver distribution per security growth of not less than 2.5% for the 12 months ended 30 June 2022, with the upgrade primarily driven by better than expected outcomes across the business.

Authorised by Brett Cameron, General Counsel and Company Secretary of Dexus Funds Management Limited

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About Dexus

Dexus (ASX: DXS) is one of Australia's leading fully integrated real estate groups, managing a high-quality Australian property portfolio valued at \$45.3 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 \$18.3 billion of office, industrial and healthcare properties, and investments. We manage a further \$27.0 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$17.8 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. Sustainability is integrated across our business, and our sustainability approach is the lens we use to manage emerging ESG risks and opportunities for all our stakeholders. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange and is supported by more than 30,000 investors from 23 countries. With over 35 years of expertise in property investment, funds management, asset management and development, we have a proven track record in capital and risk management and delivering superior risk-adjusted returns for investors. www.dexus.com

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- ¹ Based on Collimate AUM as at 31 December 2021 net of the known transition of circa \$3 billion of AUM from the Collimate platform.
 - ² Including Heads of Agreement and development leasing transactions.
 - ³ Excludes development leasing.
 - ⁴ Including Heads of Agreement and excluding development leasing.
 - ⁵ Source: JLL.