

Dexus (ASX: DXS)

ASX release



2 May 2023

March 2023 quarter update – Resilient high occupancy maintained

Dexus provides its update for the quarter ended 31 March 2023, continuing to demonstrate resilience with milestones achieved across its funds management business and high occupancy maintained across its office and industrial portfolios.

Darren Steinberg, Dexus CEO said: “During the quarter we achieved First Completion of the Collimate Capital real estate and domestic infrastructure equity business acquisition. As a result, we now manage circa \$44.5 billion of external funds across both infrastructure and real estate.”

Highlights

- **Achieved First Completion** of the acquisition of Collimate Capital’s real estate and domestic infrastructure equity business
- **Completed 81 leasing transactions**¹ and maintained high occupancy across the Dexus office portfolio of 95.4% and Dexus industrial portfolio of 97.8%
- **Rent collections remained strong** at 99.3%
- **Completed circa \$400 million of debt extensions**, reducing debt maturities by the end of FY24 to below \$400 million
- **Secured a new customer at Waterfront Brisbane**, taking the total committed space to 52% in the North Tower
- **Dexus was ranked within the top 20 global organisations by Equileap** as part of its 2023 Global Report on Gender Equality

Funds management

Dexus and AMP Limited (“AMP”) finalised binding documentation for an alternative Transaction structure for the acquisition of Collimate Capital’s real estate and domestic infrastructure business under a two-stage completion process, with First Completion occurring on 24 March 2023. The alternative transaction structure allows First Completion of the Transaction without satisfaction of the condition precedent relating to the transfer of AMP’s ownership interest in China Life AMP Asset Management (“CLAMP”) out of entities being acquired by Dexus under the Transaction.

First Completion enables integration of the Collimate Capital business into the Dexus platform, with Dexus entitled to the economics from First Completion. Final Completion remains dependent on the ownership of CLAMP being transferred out of the relevant entities that Dexus has agreed to purchase.

Dexus is now working to integrate the portfolios and people onto the Dexus platform. The acquisition diversifies Dexus’s funds management platform with an expanded investor base and a significantly expanded product offering across real assets with immediate scale in the infrastructure asset class. Dexus’s third party Funds Under Management (FUM) now stands at circa \$44.5 billion².

Dexus opened its Singapore office during the quarter to support the growth of its funds business and its expanding relationships across the region in an environment where Australasian real asset investments are attractive to international capital partners. Dexus achieved milestones across a number of funds including:

- Dexus Wholesale Property Fund (DWPF) has fully satisfied the legacy ADPF redemption requests and completed the merger of DWPF and ADPF
- Dexus Healthcare Property Fund (DHPF)’s fund-through development, Bethesda Health Care facility at Cockburn, Perth, completed and opened in March 2023
- Dexus Real Estate Partnership 1 (DREP1) continued to deploy its circa \$1 billion investment capacity, investing in a loan for a land subdivision in the Yatala Enterprise Area, Queensland in April

Environmental, Social and Governance (ESG)

Dexus was ranked within the top 20 global organisations by Equileap as part of its 2023 Global Report on Gender Equality, demonstrating Dexus’s commitment to equality in the workplace.

Dexus partnered with Atlassian, TOGA and a not-for-profit organisation ‘My Foundations Youth Housing’ to provide temporary accommodation to at-risk youth and refugees at the former Adina Apartment Hotel.

In April, Dexus was awarded Climate Active certification, the only government accredited carbon neutral certification scheme in Australia. This certification recognises Dexus's net zero achievement across its corporate business operations and managed property portfolio in FY22.

Capital management

Since December 2022, Dexus has substantially reduced its FY24 debt maturities. In addition to the \$300 million of new and refinanced bank facilities announced at the HY23 result in February 2023, Dexus secured an additional circa \$400 million of loan extensions, reducing FY24 debt maturities to below \$400 million (on a look-through basis). Dexus has no material debt maturities occurring across the remainder of CY23 and retains substantial headroom.

Property portfolio

Dexus Office Portfolio

Key metrics	31 March 2023	31 December 2022
Occupancy by income	95.4%	95.3%
Occupancy by area	94.5%	94.8%
Weighted average lease expiry (by income)	4.5 years	4.6 years
Average incentives ³	30.8%	31.8%

Over the quarter, a total of 24,050 square metres⁴ of office space was leased across 55 transactions, broadly in line with the previous corresponding quarter.

In addition, Dexus secured a customer across 4,836 square metres at its Waterfront Brisbane development, reflecting an 18% increase on that customer's current Brisbane footprint. This brings total committed space in the North Tower to 52%.

Key leasing activity included:

- **In Sydney**, secured a total of 3,802 square metres across nine leasing transactions at Australia Square, 3,017 square metres across 10 leasing transactions at 25 Martin Place, 2,063 square metres across three transactions at 44 Market Street, and 1,163 square metres at 1 Margaret Street
- **In Melbourne**, secured 4,245 square metres across eight leasing transactions at Rialto Towers and 731 square metres at 80 Collins Street
- **In Brisbane**, renewed a customer across 4,086 square metres at 480 Queen Street, and secured 1,105 square metres at 145 Ann Street

Flight-to-quality remains a key theme, with well-located higher quality buildings attracting stronger demand. Net absorption for prime grade stock has materially outperformed secondary stock for the past eight quarters⁵.

Dexus's office portfolio occupancy by income was maintained at 95.4% during the quarter, supported by leasing success across Dexus's core markets. Upcoming expiries remain manageable with 2.3% of the portfolio expiring for the remainder of FY23 and 9.4% in FY24. Leasing and enquiry levels for our Prime grade properties remains strong.

Average incentives improved slightly to 30.8%, as a result of the lower incentive Sydney market reflecting a higher proportion of our leasing and a slight improvement in Brisbane CBD incentives this quarter.

Dexus Industrial Portfolio

Key metrics	31 March 2023	31 December 2022
Occupancy by income	97.8%	97.4%
Occupancy by area	98.9%	98.6%
Weighted average lease expiry (by income)	4.6 Years	4.7 years
Average incentives ³	11.7%	10.9%

Over the quarter, 63,671 square metres⁴ of industrial space was leased across 25 transactions.

Key leasing activity included:

- **In New South Wales**, renewed customers at Kings Park Industrial Estate, Marayong across 7,675 square metres and 3 Basalt Road, Greystanes across 3,910 square metres
- **In Victoria**, secured a new customer at Pound Road West, Dandenong South across 10,612 square metres and secured leasing across 4,200 square metres at Axxess Corporate Park, Mt Waverley
- **In Perth**, renewed six customers across 25,924 square metres at Jandakot Airport industrial precinct

Dexus's industrial portfolio occupancy by income increased to 97.8% due to the lease-up of our distribution centre in Gillman and leasing success across the business parks portfolio. Excluding business parks, occupancy by income was 99.9%.

Average incentives increased slightly to 11.7%, predominantly due to effective deals comprising a lower proportion of leasing in the quarter. We continue to see examples of strong releasing spreads across the core industrial portfolio.

The portfolio is now 10.5% under rented, driven by continued strong market rent growth across Dexus's core markets, particularly in Sydney, Melbourne and Perth.

Development

Dexus's group development pipeline was \$15.8 billion as at 31 December 2022, of which \$8.8 billion sits within the Dexus portfolio and \$7.0 billion within third party funds.

Dexus continues to progress its city-shaping developments, as well as its committed group industrial development pipeline across 389,550 square metres.

During the quarter, Dexus completed the second stage of the development at 1-21 McPhee Drive, Berrinba Queensland, with the 13,800 square metre property fully leased at completion. At Ravenhall, construction commenced on a 40,100 square metre project and continued at three development sites across 120,800 square metres.

Transactions

Dexus has exchanged or settled approximately \$300 million of transactions across the group since 31 December 2022, all of which were divestments.

During the quarter, Dexus settled on the previously announced sale of 112 Cullen Avenue, Eagle Farm Queensland for \$31.9 million in January 2023 and 145-151 Arthur Street, Flemington New South Wales for \$73.3 million in February 2023 from its balance sheet portfolio.

Summary and outlook

Darren Steinberg said: "We are pleased to have achieved First Completion of the AMP Capital platform acquisition. This transaction significantly expands our opportunity set and capabilities, and positions Dexus to emerge as a leading real asset manager in Australia.

"We maintained a strong balance sheet through proactive debt management and asset recycling. Our property portfolio continues to demonstrate its resilience with high portfolio occupancy, despite the challenging macroeconomic environment."

Barring unforeseen circumstances, Dexus reaffirms its guidance to deliver distributions of 51.0 - 51.5 cents per security for the 12 months ended 30 June 2023.

Authorised by Scott Mahony, 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 asset groups, managing a high-quality Australasian real estate and infrastructure portfolio valued at \$62.3 billion (pro forma post final completion of the AMP Capital acquisition). 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 directly own \$17.8 billion of office and industrial assets and investments. We manage a further \$44.5 billion of investments in our funds management business (pro forma post final completion of the AMP Capital acquisition) which provides third party capital with exposure to quality sector specific and diversified real asset products. The funds within this business have a strong track record of delivering outperformance and benefit from Dexus's capabilities. The group's \$15.8 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. We consider sustainability (ESG) to be an integral part of our business with the objectives of Leading Cities, Future Enabled Customers, Strong Communities, Thriving People and an Enriched Environment supporting our overarching goal of Sustained Value. Dexus is listed on the Australian Securities Exchange and is supported by more than 31,000 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

Dexus Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for Dexus (ASX: DXS)
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- 1 Including Heads of Agreement and development leasing transactions.
 - 2 Reflects Dexus and AMP Capital FUM as at 31 December 2022.
 - 3 Excludes development leasing.
 - 4 Including Heads of Agreement and excluding development leasing.
 - 5 Source: JLL.