

# 2017 Annual Results

## 16 August 2017

# Agenda

---

FY17 highlights and strategy

Darren Steinberg – Chief Executive Officer

Financial results

Alison Harrop – Chief Financial Officer

Property portfolio performance

Kevin George – EGM, Office and Industrial

Transactions, developments and trading

Ross Du Vernet – Chief Investment Officer

Customer

Deborah Coakley – EGM, Customer and Marketing

Funds management

Darren Steinberg – Chief Executive Officer

Summary and outlook

Appendices

---



# A year of growth across the group

## FY17 highlights

- **Strong operational performance**
  - **Office occupancy<sup>1</sup> of 97.2%**, the highest since 2011
  - Group office portfolio **outperformed** IPD index over one, three and five years<sup>2</sup>
  - **Record level of industrial leasing**, with occupancy<sup>1</sup> of 96.5% the highest since 2010
- **Delivered \$47.2 million of trading profits<sup>3</sup>** and secured approximately 60% of FY18 trading profits<sup>3</sup>
- **Delivered strong performance across all funds** and launched a **new unlisted healthcare property fund**
- **Achieved gender pay equity** for like-for-like roles



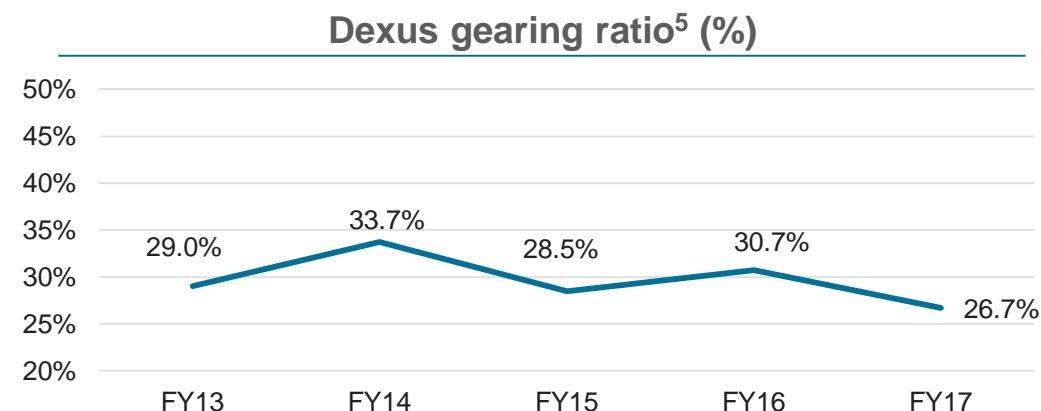
MLC Centre, Sydney

1. By income.  
2. As at 31 March 2017.  
3. Net of tax.

# 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 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.



# Committed to strategy

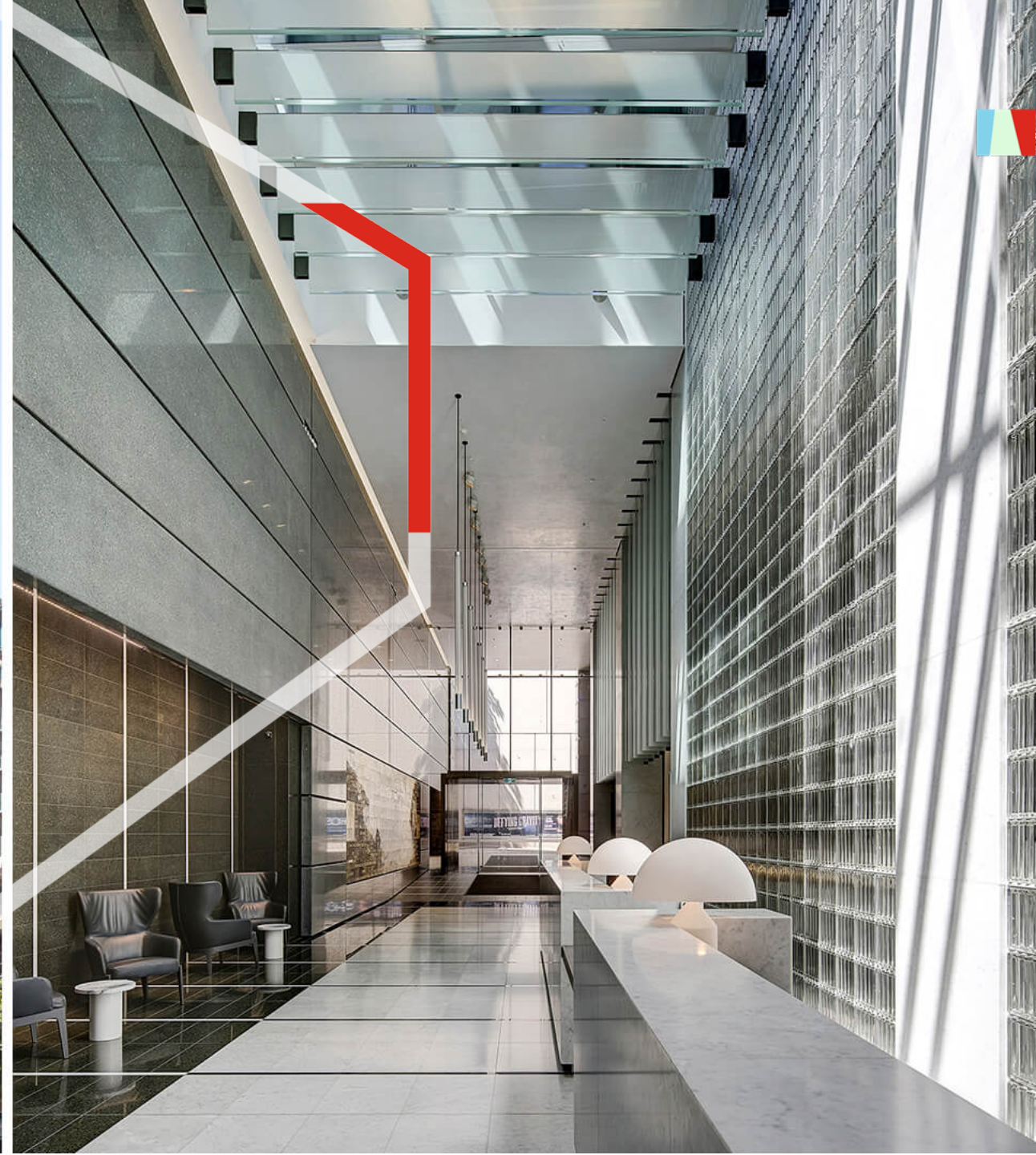




# Financial results



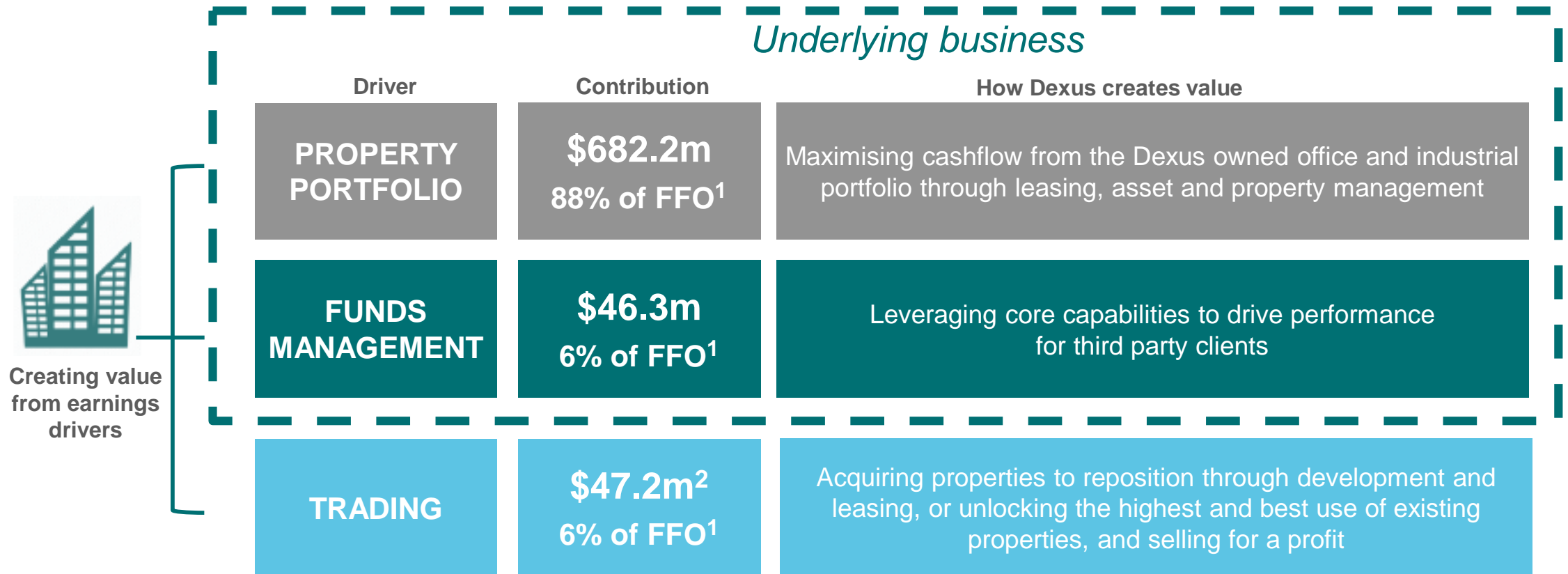
Dexus 2017 Annual Results Presentation





# 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.



# Delivered strong financial performance in FY17

	FY17 \$m	FY16 \$m	Change %	
Office property FFO	567.4	567.2	<1%	→ - Like-for-like office income growth offset by c.\$640m of asset sales
Industrial property FFO	114.8	106.1	8.2%	→ - Industrial FFO growth driven by increased occupancy and completed developments
Total property FFO	682.2	673.3	1.3%	
Management operations <sup>1</sup>	46.3	44.8	3.3%	→ - Management operations increase as a result of increased FUM
Group corporate	(23.7)	(25.4)	6.7%	→ - MER reduced to 34 basis points
Net Finance costs	(121.8)	(142.0)	14.2%	
Other <sup>2</sup>	(12.5)	(3.2)		
<b>Underlying FFO<sup>3</sup></b>	<b>570.5</b>	<b>547.5</b>	<b>4.2%</b>	- Achieved a Return on Contributed Equity (ROCE) of 7.6% and a Return on Equity (ROE) of 18.2%
<b>Trading profits (net of tax)</b>	<b>47.2</b>	<b>63.3</b>	<b>(25.4%)</b>	
<b>FFO</b>	<b>617.7</b>	<b>610.8</b>	<b>1.1%</b>	
<b>Adjusted Funds from Operations (AFFO)</b>	<b>439.7</b>	<b>413.9</b>	<b>6.2%</b>	
Distribution payout <sup>4</sup> (% AFFO)	100.2%	101.7%		
<b>Distribution</b>	<b>451.7</b>	<b>421.1</b>		

	FY17	FY16	Change
Underlying FFO per security <sup>3</sup>	58.9 cents	56.5 cents	4.2%
FFO per security	63.8 cents	63.1 cents	1.1%
Distribution per security	45.47 cents	43.51 cents	4.5%
NTA per security	\$8.45	\$7.53	12.2%

1. Management operations income includes development management fees.

2. Other FFO includes non-trading related tax expense.

3. Underlying FFO excludes trading profits net of tax.

4. FY17 Distribution payout ratio has been adjusted to exclude the \$11.6 million of distributions paid on new securities issued through the institutional placement announced on 21 June 2017, which were fully entitled to the distribution for the six months ending 30 June 2017. The Distribution payout ratio was 102.7% including this amount.

# 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

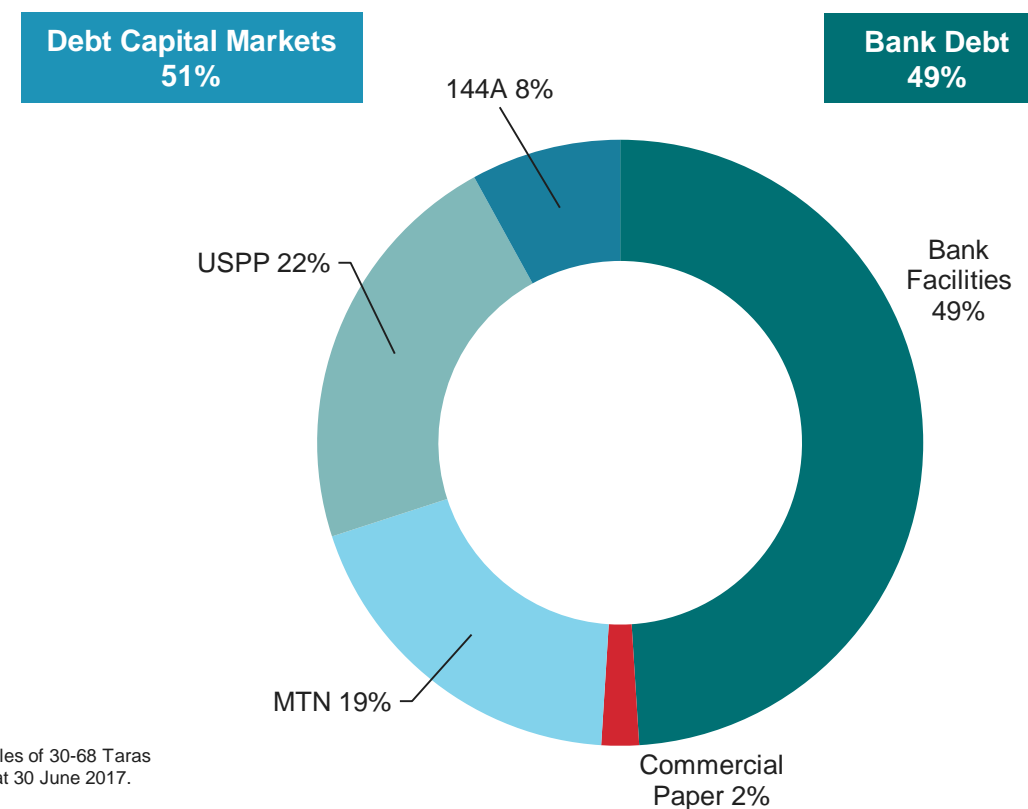
**FY18  
Focus**

**Maintain strong balance sheet**

**Maintain diverse sources of debt**

- Adjusted for cash and debt in equity accounted investments.
- 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.
- Weighted average across the year, inclusive of fees and margins on a drawn basis.
- Includes \$60 million of Medium Term Notes issued in July 2017 and three bank facilities for \$325 million that commenced in July 2017.
- 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.

**Diversified sources of debt<sup>4</sup>**





# Property portfolio performance



# Achieved strong results across office portfolio

## Total return outperformance at key assets

### Strong operating metrics

**97.2%** **Occupancy**  
(FY16: 96.3%)

**2.6%** **Effective LFL income growth**  
(FY16: 1.0%)

**14.5%** **Average incentives**  
(FY16: 17.7%)

**4.8 years** **WALE<sup>1</sup>**  
(FY16: 4.7 years)

### Key assets outperforming

#### One-year asset total return



**18.4%**

One Farrer Place,  
Sydney

98%  
leased



**36.1%**

60 Miller Street,  
North Sydney

99%  
leased



**20.8%**

385 Bourke Street,  
Melbourne

98%  
leased



**28.1%**

30 The Bond,  
Sydney

100%  
leased

### Market evidence contributing to values

**14.1%** **One-year unlevered office portfolio total return**  
(FY16: 16.0%)

**\$625.8m** **FY17 office valuation uplift**  
(FY16: \$769.1m)

**5.78%** **FY17 office cap rate<sup>2</sup>** (FY16: 6.16%)

1. Weighted average lease expiry by income, including the acquisition of MLC Centre, Sydney and 100 Harris Street, Pyrmont.

2. Weighted average capitalisation rate.

# Continued to reduce leasing risk in future years

## Opportunity to capitalise on Sydney office expiries

**Solved  
in FY17**

16,200sqm leased at 30 The Bond, resulting in  
100% occupancy

8,000sqm leased at 60 Miller Street

**Focus  
in FY18**

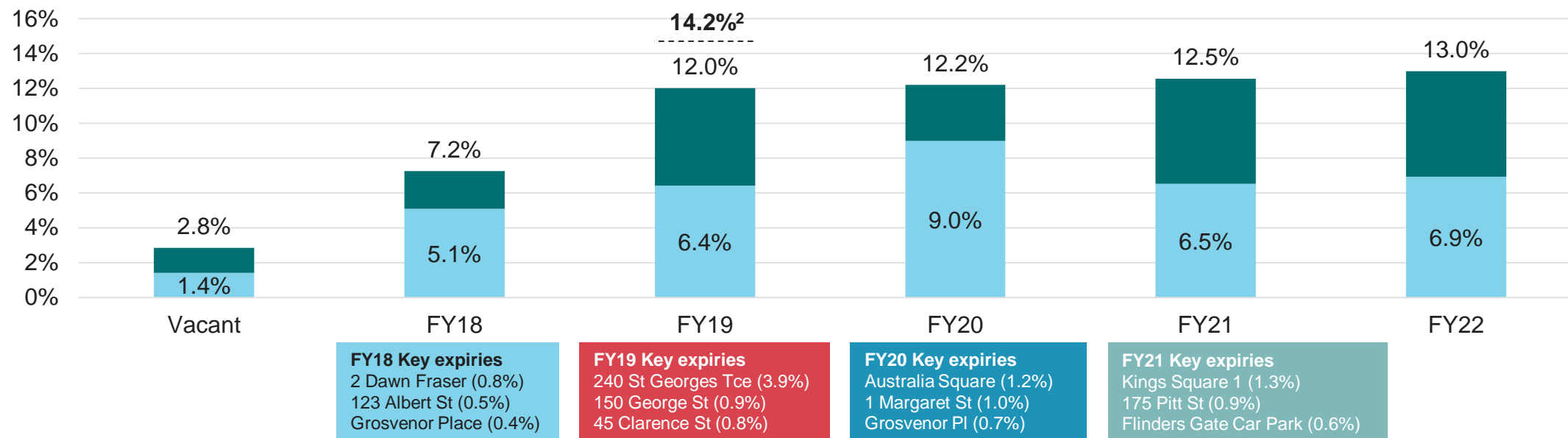
18,800sqm expiring at 2 Dawn Fraser Ave in FY18

40,000sqm expiring at 240 St Georges Tce in FY19  
representing 3.2% of total property income

- Sydney accounts for 64% of Dexu's office portfolio expiries<sup>1</sup>, up to and including FY20 representing 22% of office portfolio income

### Office portfolio lease expiry profile<sup>1</sup>

■ Sydney ■ Remainder



1. By office income including the acquisition of MLC Centre, Sydney and 100 Harris Street, Pyrmont.

2. Position at 30 June 2016.



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

## 14 Lee Street

50% DXS owned, 100% managed  
50% DEXUS Office Partner owned

## 201 Elizabeth Street

50% DXS owned, externally managed

## MLC Centre

25% DXS owned  
25% DWPF owned, externally managed

## 60 Castlereagh Street

50% DXS owned, 100% managed  
50% DEXUS Office Partner owned

## 175 Pitt Street

50% DXS owned, 100% managed  
50% DEXUS Office partner owned

## 5 Martin Place

25% DXS owned, 100% managed  
25% DEXUS Office Partner owned

## GMT/GPT, 1 Farrer Place

50% DXS owned, 100% managed

## 1 Bligh Street

33% DXS owned, 100% managed  
33% DWPF owned

## 56 Pitt Street

50% DXS owned, 100% managed  
50% DEXUS Office Partner owned

## 44 Market Street

100% DXS owned, 100% managed

## 383–395 Kent Street

100% DXS owned, 100% managed

## 309–321 Kent Street

50% DXS owned, 100% managed

## 83 Clarence Street

Mandate owned 100% managed

## 100 Harris Street

100% DXS owned 100% managed

## One Margaret Street

100% DXS owned 100% managed

## 45 Clarence Street

100% DXS owned, 100% managed

## Australia Square Complex

50% DXS owned, jointly managed

## 225 George Street

37.5% DXS owned, externally managed  
12.5% DEXUS Office Partner owned

## 30 The Bond & 36 Hickson Road

100% DXS owned, 100% managed

## Gateway

100% DWPF owned, 100% managed

1. 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

Record year of leasing  
**432,105sqm** (FY16: 204,238sqm)

**96.5%** Occupancy  
 (FY16: 90.4%)

**3.6%** Effective LFL  
 income growth  
 (FY16: -7.1%)

### Lengthened expiry profile

**5.1 years** WALE<sup>1</sup>  
 (FY16: 4.1 years)

### Capital growth driving valuations

**\$78.9m** FY17  
 industrial  
 valuation uplift  
 (FY16: \$45.3m)

**6.88%** FY17 industrial  
 cap rate<sup>2</sup>  
 (FY16: 7.38%)

### Leasing contributing to total returns

**12.6%** One-year  
 unlevered  
 industrial portfolio  
 total return  
 (FY16: 16.0%)

### One-year asset total return



**25.6%** 100%  
 leased  
 Fosters,  
 Laverton



**19.0%** 100%  
 leased  
 IBM,  
 Baulkham Hills

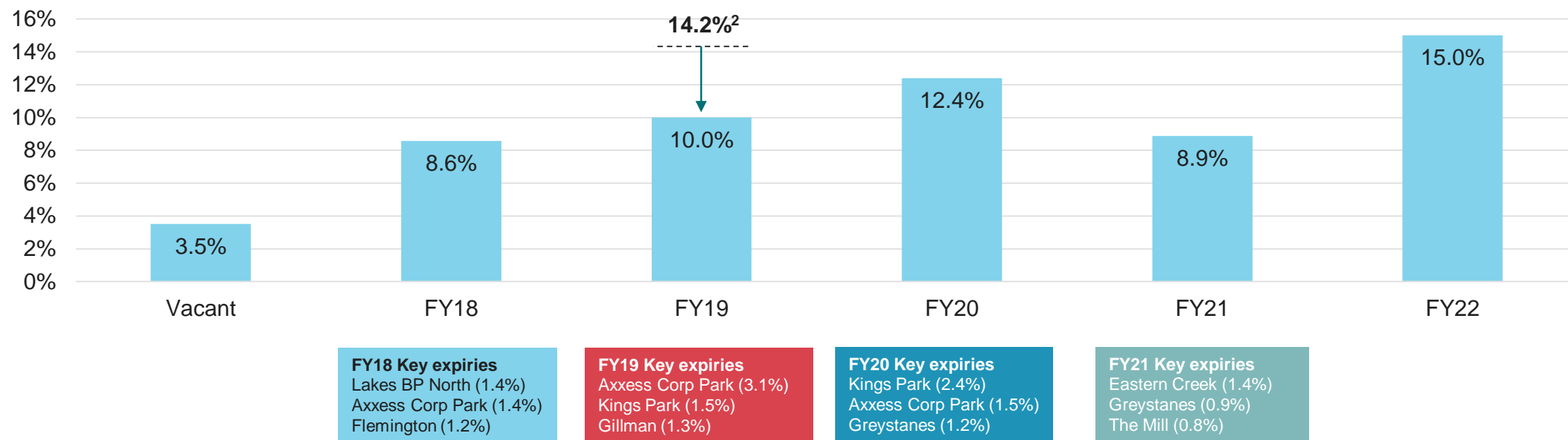
1. Weighted average lease expiry by income, including completed developments and acquisitions.  
 2. Weighted average capitalisation rate.

# Reduced leasing risk

## Improving the industrial expiry profile

- Significantly reduced near term expiry risk in Sydney and Melbourne in FY17
- Renewal of IBM reduced FY19 expiries

### Industrial portfolio lease expiry profile<sup>1</sup>



1. By industrial income including completed developments and acquisitions.

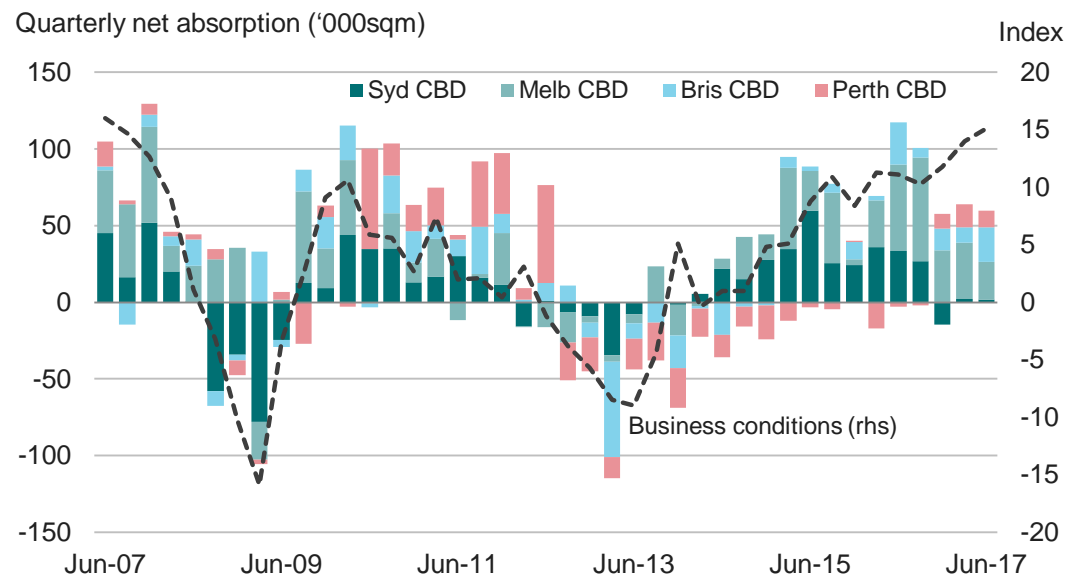
2. Position at 30 June 2016.

# Positive outlook for Sydney and Melbourne office markets

## Next 18 months: market dynamics expected to support continued rental growth

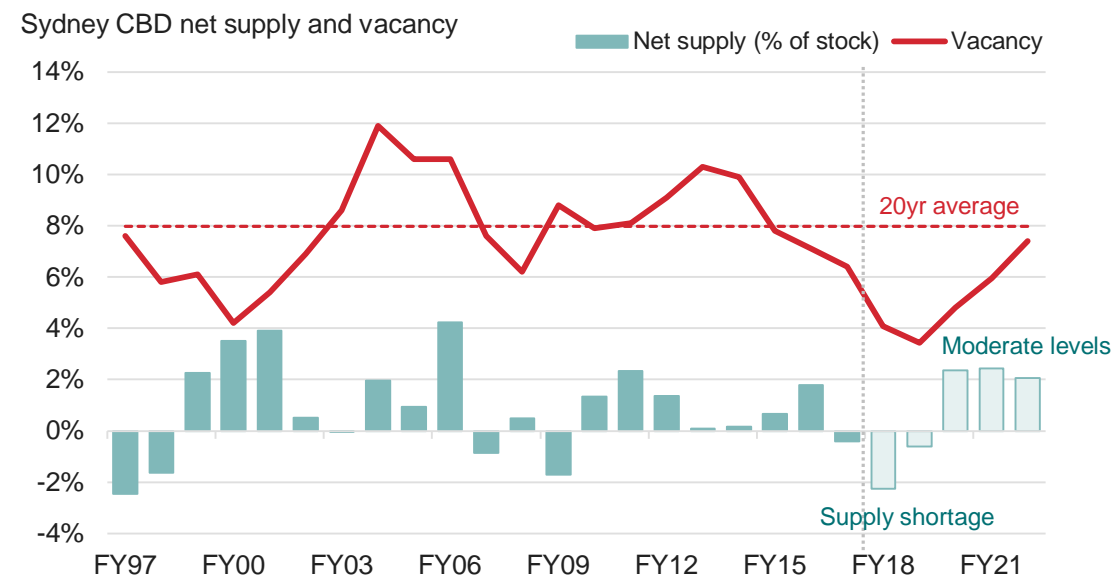
### Outlook is supported by positive lead indicators

- Business confidence and conditions are up
- Full-time employment growth is positive across all states



### Next supply wave is still two years away for Sydney

- Material supply not expected until FY20 and looks moderate by historical standards
- Vacancy rates starting from a low base, expected to remain below average levels



Source: NAB, JLL, Dexus Research.



# Concentrated focus for FY18

## Managing lease expiry profile and reducing capital expenditure

### FY18 Focus

Continue selective forward leasing to manage expiry risk

Target \$165-170 million of capital expenditure<sup>1</sup>

Target like-for-like income growth in office of 4-5%

Target like-for-like income growth in industrial of 3-4%



100 Harris Street, Pyrmont

1. Includes maintenance capex, cash incentives and leasing costs and rent free incentives.



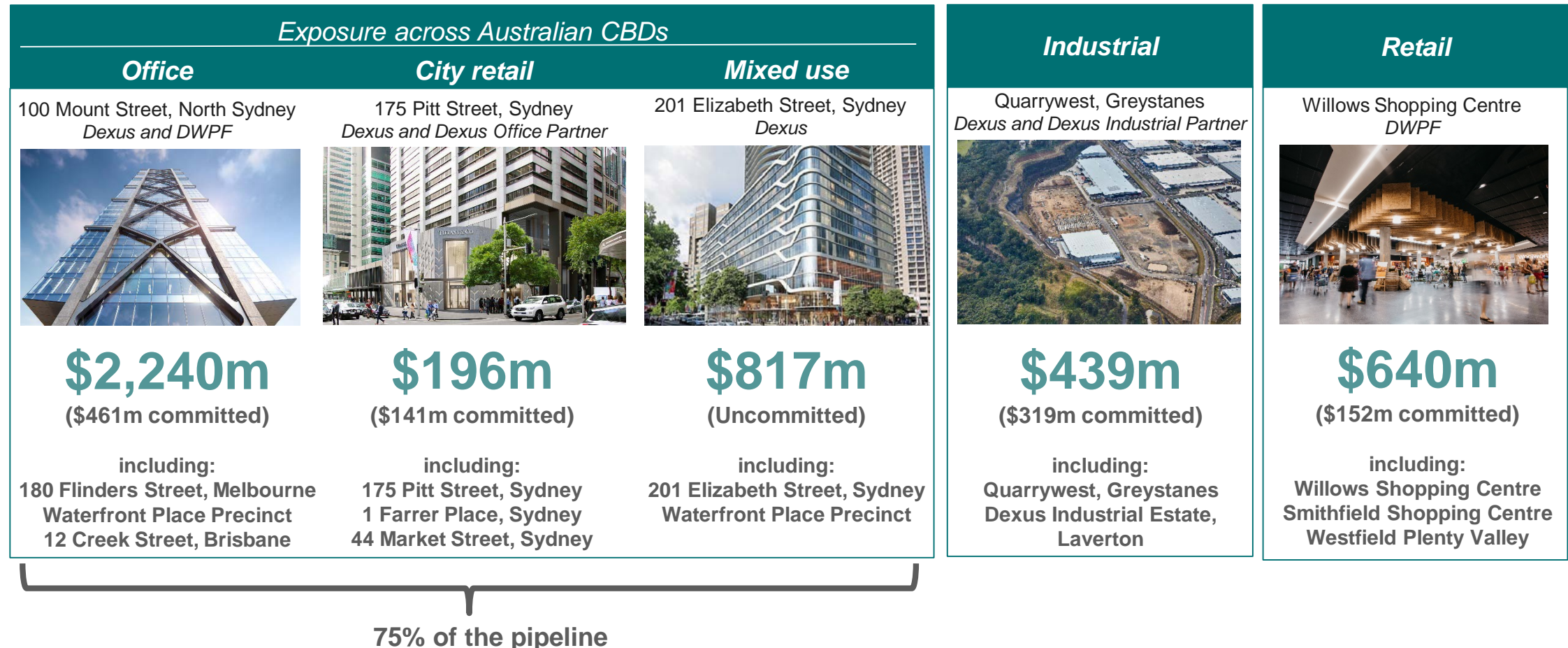


# Transactions, Developments and Trading



# \$4.3 billion group development pipeline

## Concentrated in major cities and supported by broad capability





# 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%

1. Metrics at acquisition.

2. Reflects Dexus's and DWPF's joint 50% interest in the property.

3. 10 year unlevered property internal rate of return.

4. Includes rental guarantee.

# 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 Hillers Road, Auburn



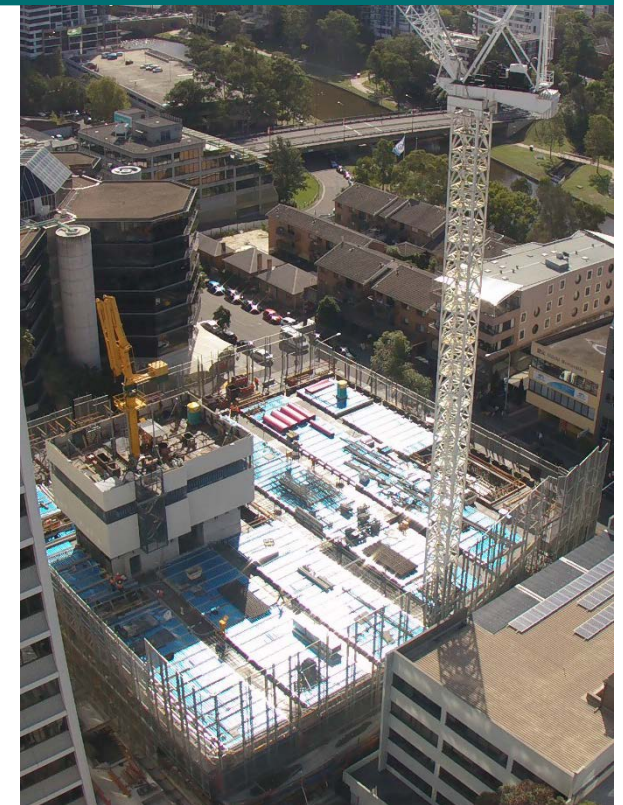
**\$21.3m profit<sup>1</sup>**

**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's investment strategy

## Driving long term and sustainable portfolio returns

### Transaction outlook and capital allocation

- Continue program of non-core asset sales
- Activate and fund development pipeline
- Discrete investments to support the growth in funds management (new products / existing products)
- Selective core acquisitions aligned with customer strategies with an east coast city focus

### Target investment characteristics

**Land holdings in major economic hubs**

**Proximity to transport and amenity**

**Attractive to wide range of customers**

**High degree of decision making influence**

**Optionality to unlock incremental value**

**Target 10 year unlevered internal rate return of 7-8%+**



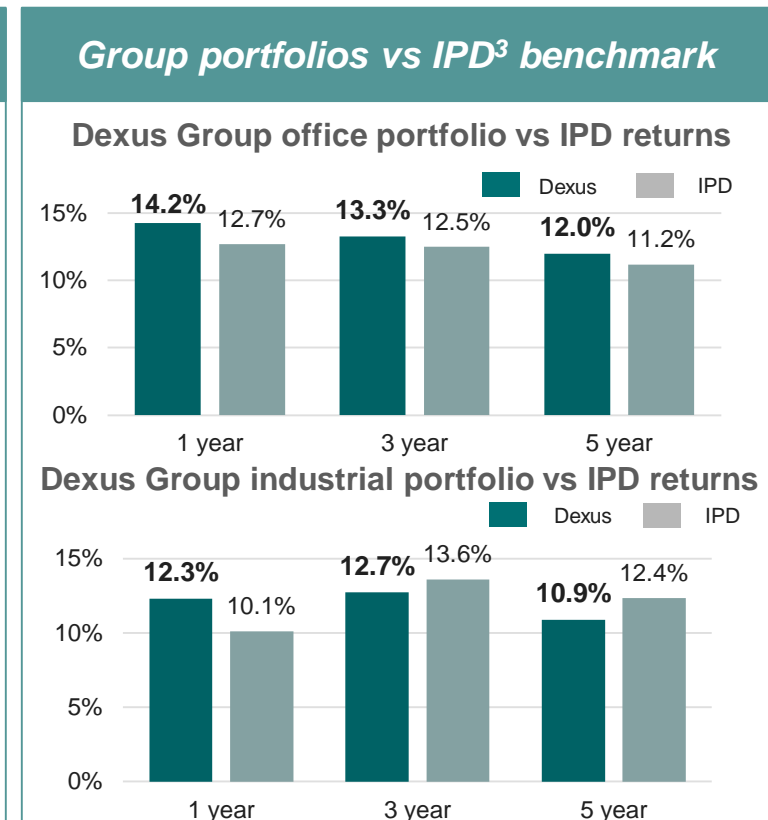
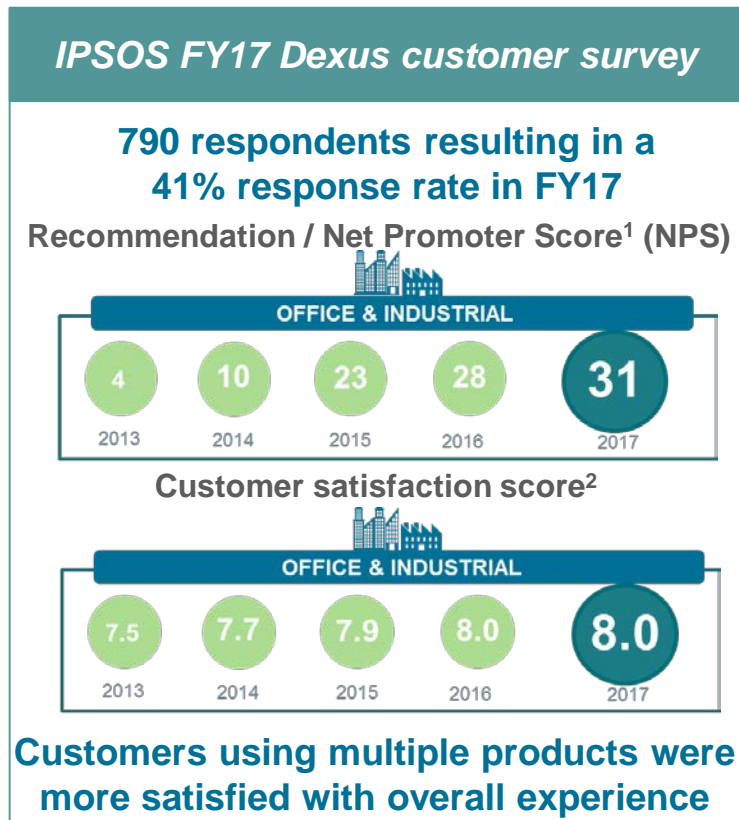
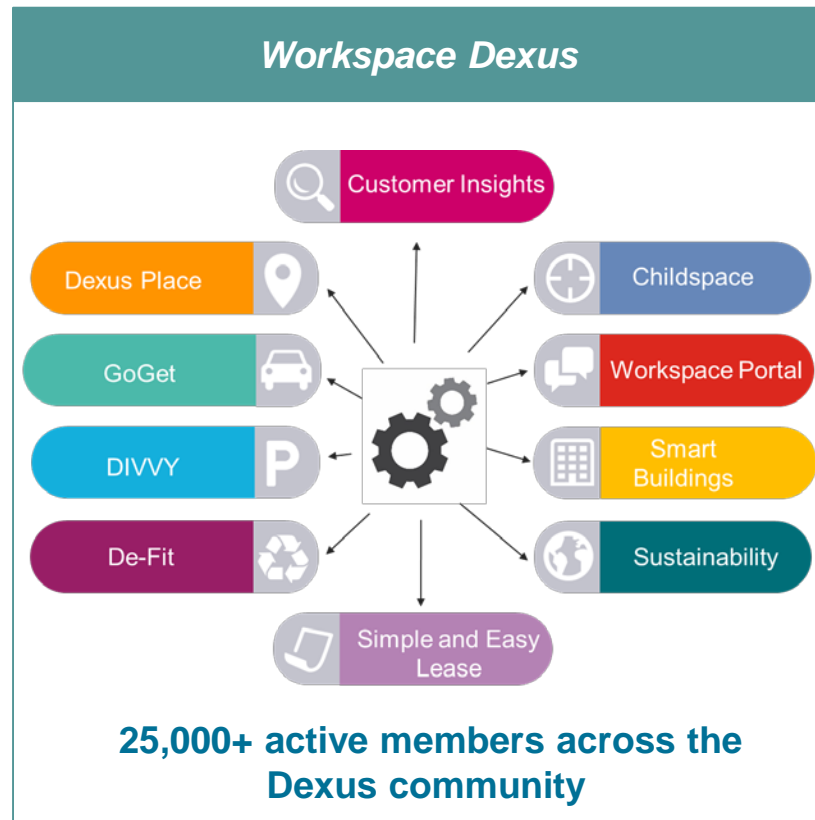
# Customer



# 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.



# Demonstrated benefits of customer centric focus

## Dexus Place assisting in customer attraction and retention

### Attracting customers to the platform

A financial technology firm became an office customer after utilising Dexus Place facilities across Australia.



5 year lease secured



3 months downtime  
(vs 6 months budget)



Saved \$75k on marketing



13.1% positive to forecast

### Retaining customers on the platform

A global financial services firm was able to access additional meeting facilities by supplementing their renewal with a Dexus Place membership.



5 year lease secured



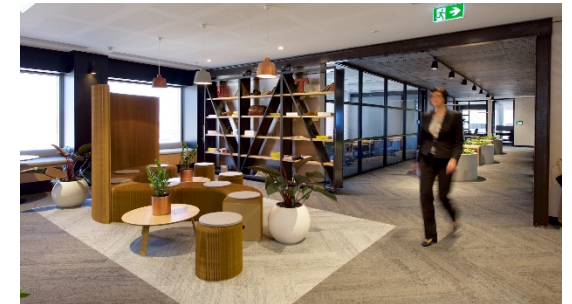
Zero downtime



Saved \$75k on marketing



20.5% positive to forecast



# 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



1<sup>st</sup>

in Australia Listed Office  
and 5<sup>th</sup> globally<sup>1</sup>

Dexus Office Trust



A+

Scored 30 out of 30 for  
strategy and governance<sup>2</sup>

Dexus

1<sup>st</sup>

in Australia diversified  
office/retail unlisted fund  
and 39<sup>th</sup> globally<sup>1</sup>

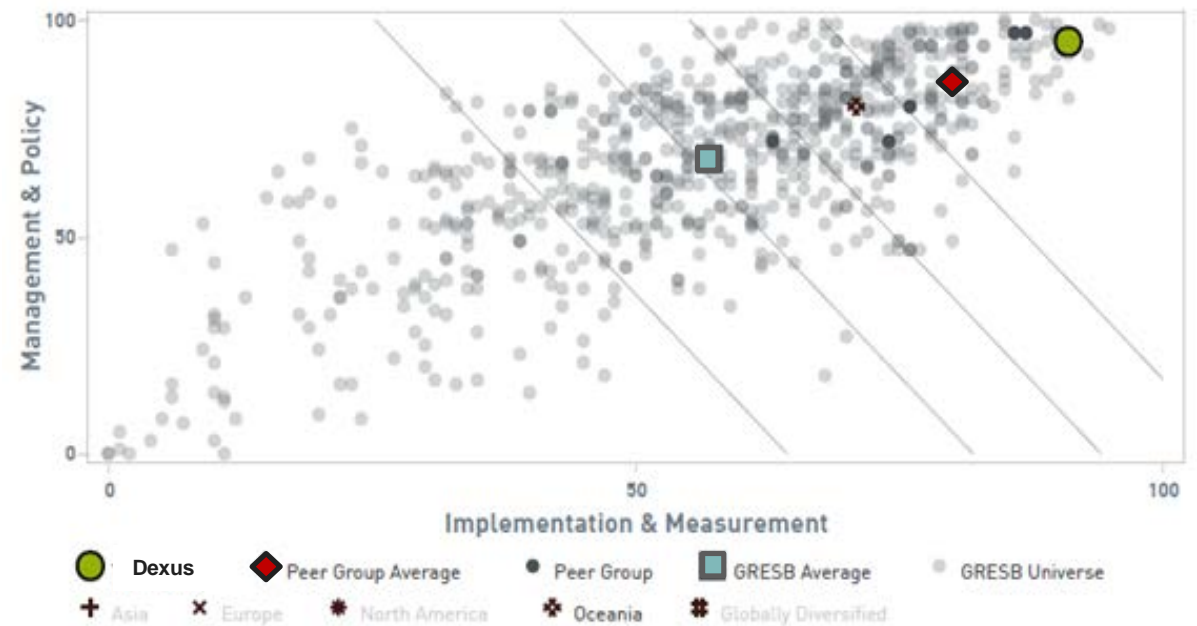
Dexus Wholesale Property  
Fund

A

Scored 50 out of 54 for  
direct property responsible  
investment approach<sup>2</sup>

Dexus

### Performing above world class rankings for GRESB



1. 2016 Global Real Estate Sustainability Benchmark (GRESB) Survey.  
2. 2017 UNPRI Assessment.

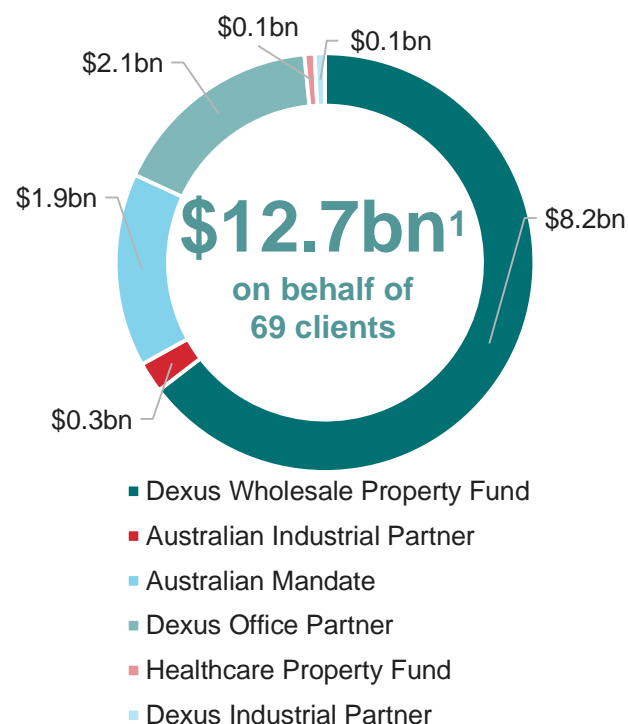


# Funds Management

# Continuing to deliver for Funds Management clients

## Driving performance for clients

### Current position



### Driving performance & satisfying investor demand

#### All funds delivered strong performance

##### DWPF outperformed its benchmark

1 year	+183bps	3 years	+124bps
5 years	+89bps	7 years	+101bps
10 years	+24bps		

##### Dexus Office Partnership delivered strong returns

- 1 year unlevered total property return of 14.7%
- Annualised unlevered total property return since inception of 14.6%

#### Satisfied DWPF investor demand

**\$550m** New equity raised for DWPF<sup>2</sup>

### Opportunities for future growth

#### Third party development pipeline

**\$2.2bn**

- Active projects in retail sector
- \$1.6 billion uncommitted

**Launched a new unlisted healthcare property fund to be finalised in FY18**

1. Includes transactions settled up to 16 August 2017.

2. Includes \$300 million of equity raised subsequent to 30 June 2017.



# 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

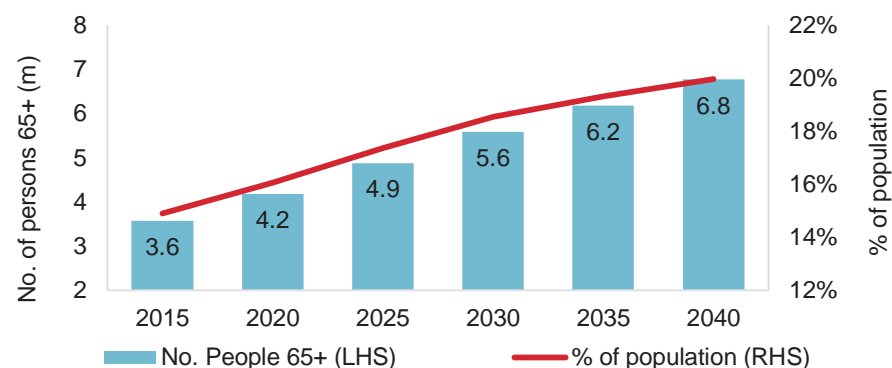
Healthcare property will benefit from ageing demographics, longer life expectancy and population growth

Healthcare is a substantial asset class with limited institutional investment in Australia to date

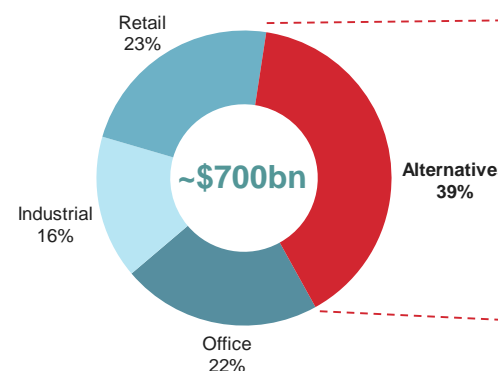
Non discretionary characteristics insulate demand from economic cycles

Strong attributes delivering diversifying benefits and lower volatility in returns

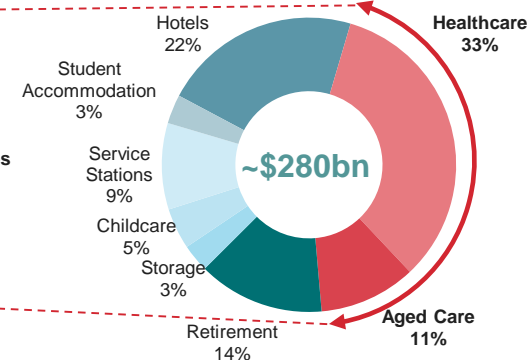
Australian population aged 65+ years<sup>1</sup>



Australian Property Market<sup>2</sup>



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



- Source: Australian Bureau of Statistics (ABS), Australian Institute of Health and Welfare (AIHW) and Australian Prudential Regulation Authority (APRA).
- 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 and Summary





# Outlook

We are constantly assessing our operating environment

Market forces	<p><b>Macro environment</b></p>  <ul style="list-style-type: none"> <li>- Optimistic about Australian economic outlook</li> <li>- Risk of global “black swan” style event remains</li> </ul>	<p><b>Customer demands</b></p>  <ul style="list-style-type: none"> <li>- Demographic shifts and technological advancements are changing how customers use and consume workspace</li> </ul>	<p><b>Urbanisation</b></p>  <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>
Dexus's response	<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%



1 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.



# Appendices





# Contents

## Overview

- Total Group portfolio composition

## Financial results

- Reconciliation to statutory profit
- Management operations profit
- Cash flow reconciliation
- Interest reconciliation
- Change in net tangible assets and revaluations
- Direct property portfolio book value movements

## Capital management

- FY17 position
- Interest rate hedging profile

## Property portfolio

- Total return composition and valuation metrics
- Dexus office and industrial key metrics at 30 June 2017
- Dexus office portfolio
- Dexus industrial portfolio
- Office and industrial portfolio sustainability metrics
- Dexus completed developments
- Dexus committed developments and portfolio capex
- Dexus uncommitted developments
- Dexus development pipeline

## Transactions

## Fund management

- Development pipeline

## Market outlook

## Exchange rates and securities used in statutory accounts

## Glossary

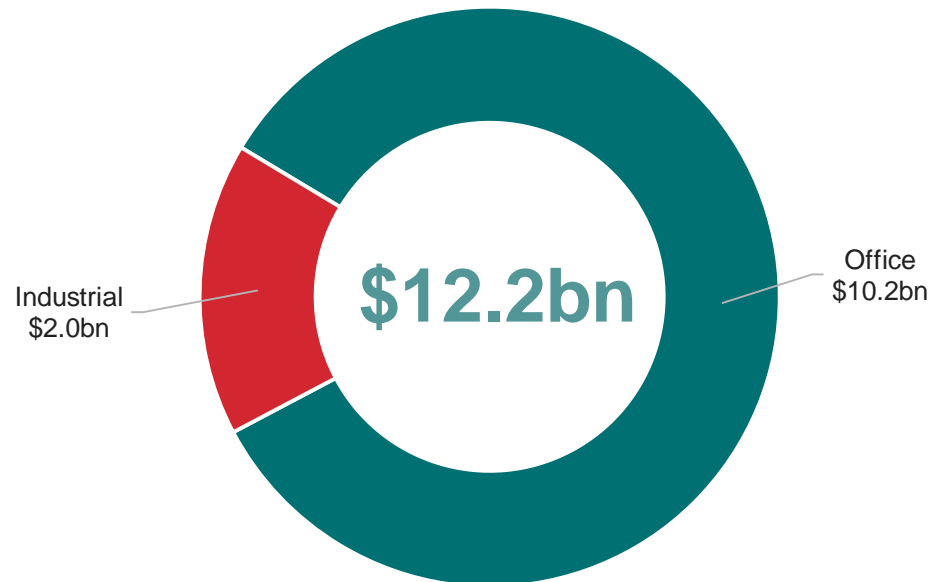
## Important information



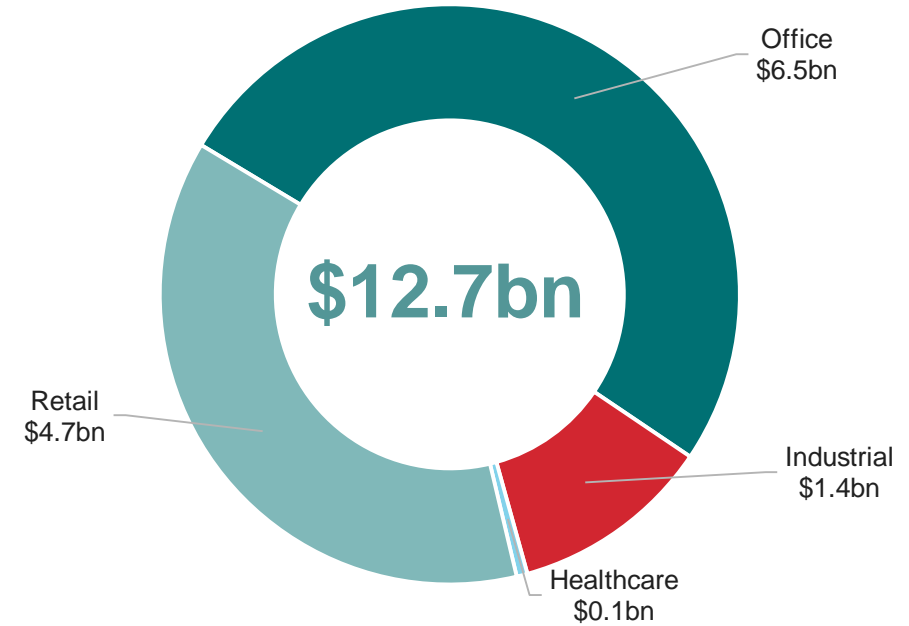
# Overview

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

Dexus portfolio



Funds Management portfolio



1. Includes transactions settled up to 16 August 2017.

# Financial results

## Reconciliation to statutory profit

Reference	Item	30 June 2017 \$m	30 June 2016 \$m
<b>Statutory AIFRS net profit after tax</b>		1,264.2	1,259.8
<b>Investment property and inventory</b>	(Gains)/losses from sales of investment property	(70.7)	(15.0)
	Fair value gain on investment property	(704.7)	(814.4)
<b>Financial instruments</b>	Fair value (gain)/loss on the mark-to-market of derivatives	91.1	(70.5)
<b>Incentives and rent straight-lining</b>	Amortisation of cash and fit out incentives	49.9	44.7
	Amortisation of lease fees	12.1	8.5
	Amortisation of rent-free incentives	54.9	51.0
	Rent straight-lining	(16.8)	(11.3)
<b>Tax</b>	Non-FFO tax expense	8.0	13.1
<b>Other unrealised or one-off items</b>	Other unrealised or one-off items <sup>1</sup>	(70.3)	144.9
<b>Funds From Operations (FFO)</b>		<b>617.7</b>	<b>610.8</b>
<b>Maintenance and leasing capex</b>	Maintenance capital expenditure	(57.5)	(76.2)
	Cash incentives and leasing costs paid	(58.6)	(61.9)
	Rent free incentives	(61.9)	(58.8)
<b>AFFO</b>		<b>439.7</b>	<b>413.9</b>
<b>Distribution</b>		<b>451.7</b>	<b>421.1</b>
<b>AFFO Payout ratio<sup>2</sup></b>		<b>100.2%</b>	<b>101.7%</b>

- Includes \$87.5m of unrealised fair value gains on interest bearing liabilities, \$4.5m amortisation of intangible assets, \$12.7m coupon income, rental guarantees received and other. Excludes interest income of \$1.1m.
- FY17 Distribution payout ratio has been adjusted to exclude the \$11.6 million of distributions paid on new securities issued through the institutional placement announced on 21 June 2017, which were fully entitled to the distribution for the six months ending 30 June 2017. The Distribution payout ratio was 102.8% including this amount.



# Financial results

## Management operations profit

FY17 (\$m)	Property Management	Funds Management	Development Management	Management Operations
Revenue	61.1	52.7	6.7	<b>120.5</b>
Operating expenses	(48.2)	(20.1)	(5.9)	<b>(74.2)</b>
<b>FY17 net profit</b>	<b>12.9</b>	<b>32.6</b>	<b>0.8</b>	<b>46.3</b>
FY17 margin	21%	62%	12%	<b>38%</b>
FY16 margin	25%	64%	18%	<b>41%</b>

# Financial results

## Cash flow reconciliation

		30 June 2017 \$m	30 June 2016 \$m
<b>Cash flow from operating activities</b>		<b>657.1</b>	<b>663.7</b>
	<b>add back:</b> payment for inventory acquisition and capex	73.1	33.8
	<b>less:</b> cost of sale of inventory	(156.9)	(114.3)
	<b>add:</b> proceeds from sale of Rosebery received in advance	-	1.7
	<b>add/(less):</b> receivable from sale of Mascot	(5.0)	5.0
	<b>add:</b> tax on sale of 88 Shortland Street	-	4.5
	<b>less:</b> tax on trading profits not yet paid	(20.2)	(27.1)
	<b>add back:</b> capitalised interest	9.8	9.3
	<b>less:</b> adjustments for equity accounted distributions	(1.7)	(23.2)
	<b>add back:</b> other working capital movements	6.8	4.1
<b>Adjusted cash flow from operating activities</b>		<b>563.0</b>	<b>557.5</b>
Rent free income		61.9	58.8
Depreciation and amortisation (incl. deferred borrowing costs)		(7.2)	(5.6)
<b>FFO</b>		<b>617.7</b>	<b>610.8</b>
Less: maintenance capex and incentives <sup>1</sup>		(178.0)	(196.9)
<b>AFFO</b>		<b>439.7</b>	<b>413.8</b>
Less: gross distribution		(451.7)	(421.1)
Add: distributions paid on new securities <sup>2</sup>		11.6	-
<b>Cash deficit</b>		<b>(0.4)</b>	<b>(7.3)</b>

1. Includes cash and fitout incentives, lease fees and rent free incentives.

2. Distributions paid on new securities issued through the institutional placement announced on 21 June 2017, which were fully entitled to the distribution for the six months ending 30 June 2017.



# Financial results

## Interest reconciliation

	30 June 2017 \$m	30 June 2016 \$m
<b>Total statutory finance costs<sup>1</sup></b>	<b>108.1</b>	<b>171.3</b>
Add: unrealised interest rate swap MTM gain/(loss) <sup>2</sup>	9.8	(35.8)
Add: finance costs attributable to investments accounted for using the equity method	5.1	7.6
<b>Net finance costs for FFO<sup>1</sup></b>	<b>123.0</b>	<b>143.1</b>
Add: interest capitalised	9.8	9.5
<b>Gross finance costs for cost of debt purpose</b>	<b>132.7</b>	<b>152.6</b>

1. Excludes interest income of \$1.1 million.

2. Net fair value gain of interest rate swap of \$0.8m (per note 4 of the Financial Statements) includes realised interest rate swap expense of \$9.0m and unrealised interest rate swap MTM gain of \$9.8m.

# Financial results

## Change in net tangible assets and revaluations

			Investment portfolio	Valuation change \$m	Weighted average cap rate	% of portfolio
	\$m	\$ps				
Opening net tangible assets (30 June 16)	7,289	7.53	Dexus Office portfolio	625.8	5.78%	84%
Revaluation of real estate	705	0.73	➔ Dexus Industrial portfolio	78.9	6.88%	16%
Retained earnings <sup>1</sup>	166	0.17	Total Dexus portfolio	<b>704.7</b>	<b>5.95%</b>	<b>100%</b>
Amortisation of tenant incentives <sup>2</sup>	(100)	(0.10)				
Fair value and other movements <sup>3</sup>	36	0.04				
<b>NTA</b>	<b>8,096</b>	<b>8.37</b>				
Issue of additional equity <sup>4</sup>	492	0.08				
<b>Closing net tangible assets (30 June 17)</b>	<b>8,588</b>	<b>8.45</b>				

1. Represents FY17 FFO less distributions.

2. Includes rent straight-lining.

3. Primarily includes fair value movements of derivatives and interest bearing liabilities, deferred tax, gain from sale of investment properties, movement in reserves and other.

4. Net of transaction costs.



# Financial results

## Direct property portfolio book value movements

	Office <sup>1</sup> \$m	Industrial <sup>1</sup> \$m	Dexus total <sup>1</sup> \$m	Trading assets <sup>2</sup> (inventory)
<b>Opening direct property</b>	9,238.1	1,749.3	10,987.4	276.0
Lease incentives <sup>3</sup>	99.0	21.5	120.5	3.2
Maintenance capex	45.6	12.0	57.5	1.6
Acquisitions	66.9	116.5	183.4	-
Developments <sup>4</sup>	147.4	60.5	208.0	79.9
Disposals <sup>5</sup>	(621.0)	(77.8)	(698.8)	(148.3)
Revaluations	625.8	78.9	704.7	-
Amortisation	(104.5)	(12.4)	(116.9)	(1.7)
Rent straightlining	13.2	3.6	16.8	0.6
<b>Closing balance at the end of the period</b>	<b>9,510.5</b>	<b>1,952.1</b>	<b>11,462.6</b>	<b>211.3</b>

1. Includes Dexus's share of equity accounted investments.

2. Trading assets are included in Office, Industrial and Dexus total amounts.

3. Includes rent free incentives.

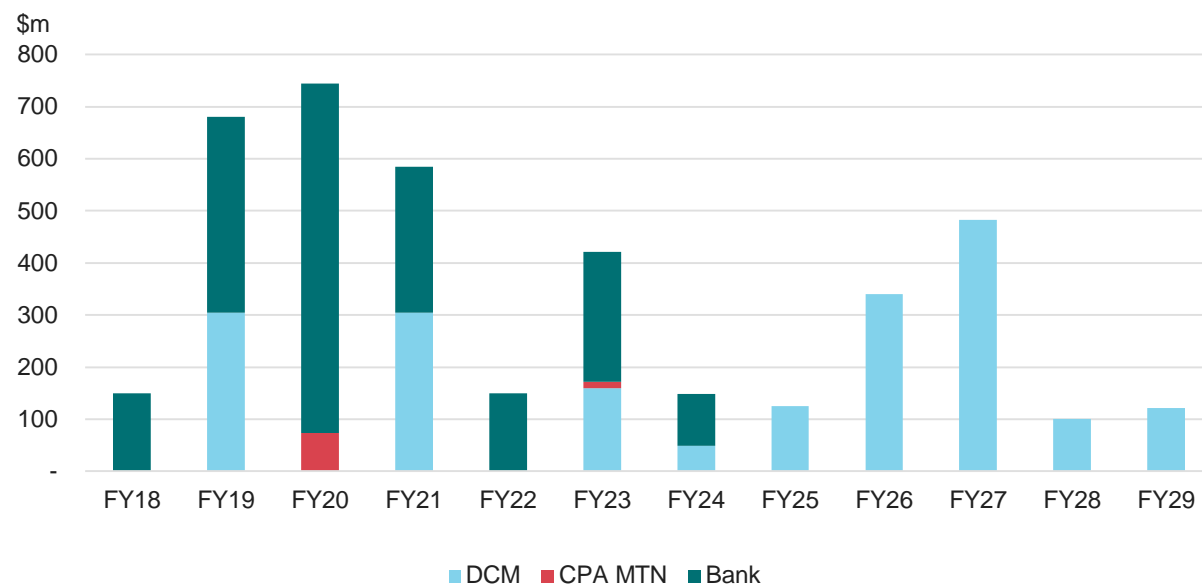
4. Includes capitalised interest.

5. At book value.

# Capital management

## FY17 position

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



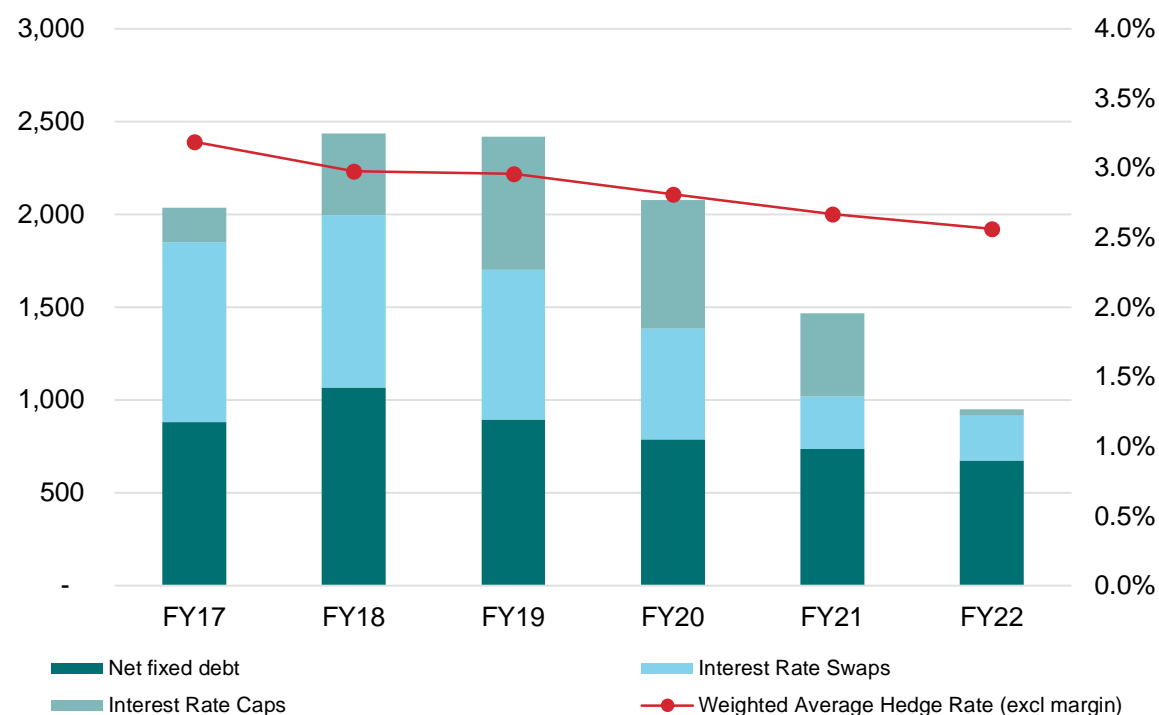
Key metrics	30 June 2017	30 June 2016
Total debt <sup>2</sup>	\$2,698m	\$3,687m
Headroom (approximately) <sup>3</sup>	\$1.1bn	\$0.4bn
Covenant gearing (covenant <sup>4</sup> <55%)	21.4%	30.3%
Interest cover (covenant <sup>4</sup> >2.0x)	5.6x <sup>5</sup>	4.4x
Priority debt (covenant <sup>4</sup> <30%)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

# Capital management

## Interest rate hedging profile

### Hedge maturity profile



Hedging profile	30 June 2017	30 June 2016
Average amount of debt hedged <sup>1</sup>	65%	71%
Average amount of debt hedged excluding caps	59%	64%
Weighted average interest rate on hedged debt <sup>2</sup>	3.2%	3.4%
Weighted average fixed & floating rate <sup>3</sup>	4.1%	4.8%
Weighted average maturity of interest hedges <sup>4</sup>	4.9 years	4.0 years

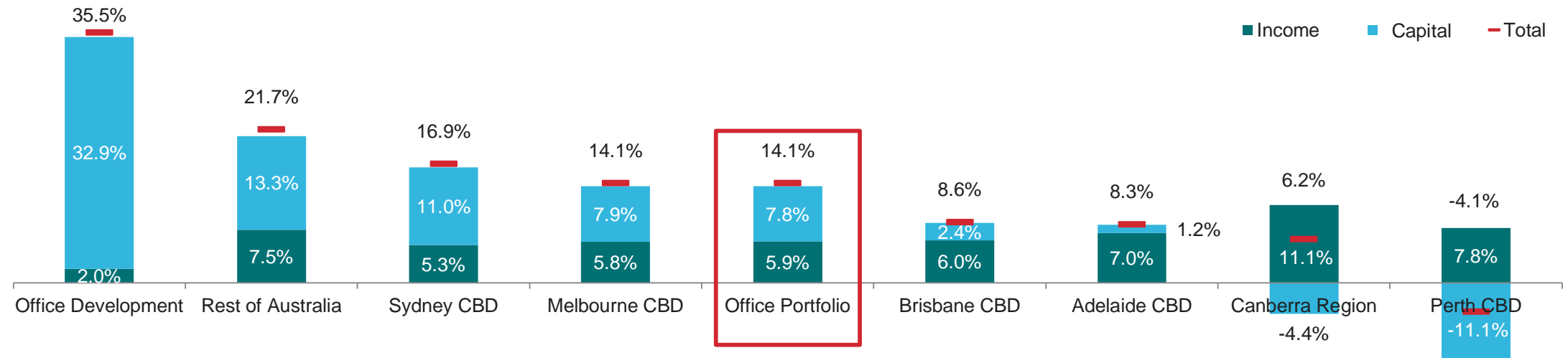
1. Average amount hedged for the period (including caps).
2. Including fixed rate debt (without credit margin).
3. Including fees and margins.
4. Includes \$60 million of Medium Term Notes issued July 2017.



# Property portfolio

## Total return composition and valuation metrics

### Office portfolio total return composition<sup>1</sup>



Portfolio valuation metrics	HY14	FY14	HY15	FY15	HY16	FY16	HY17	FY17
Dexus Office portfolio cap rate	7.07%	6.87% <sup>2</sup>	6.79%	6.71%	6.30%	6.16%	5.95%	5.78%
Dexus Industrial portfolio cap rate	8.40%	8.32%	8.07%	7.77%	7.56%	7.38%	7.28%	6.88%
NTA per security	\$6.49 <sup>2</sup>	\$6.36 <sup>3</sup>	\$6.47	\$6.68	\$7.25	\$7.53	\$8.05	\$8.45

1. Returns exclude acquisition costs.
2. Excluding Dexus Office Partnership properties.
3. Adjusted for the one-for-six security consolidation completed in November 2014.

# Property portfolio

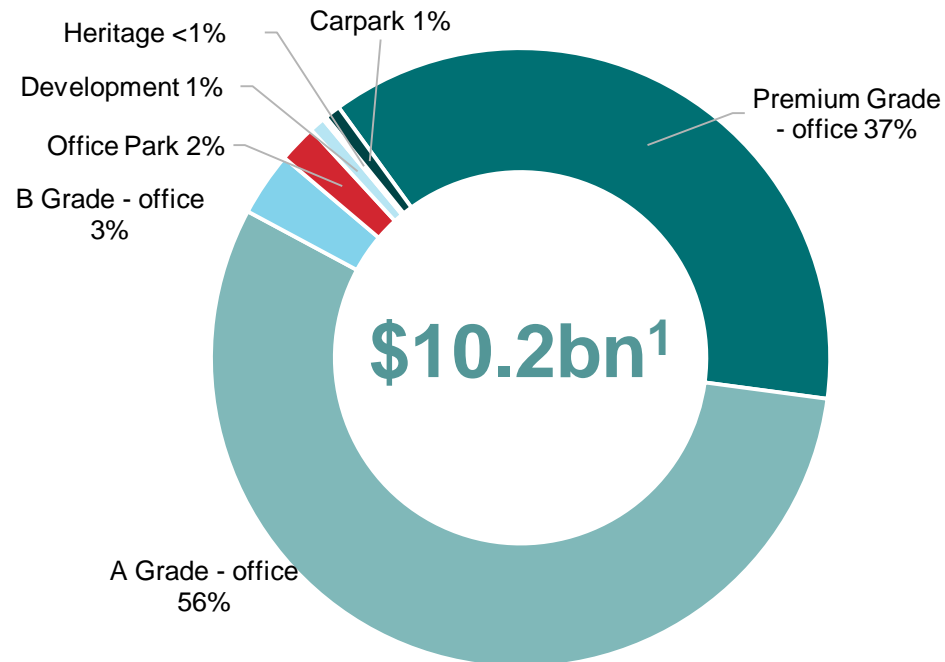
## Dexus office and industrial key metrics at 30 June 2017

Key metrics	Office	Industrial
Amount of space leased	197,122 sqm	432,105 sqm
No. of leasing transactions	317	117
Occupancy by income	97.2%	96.5%
Occupancy by area	97.0%	96.6%
Average incentives	14.5%	14.5%
No of effective deals	145	40
Weighted Average Lease Expiry (WALE)	4.8 years	5.1 years
Retention	46%	74%
Like-for-like income growth - face	4.8%	3.8%
Like-for-like income growth - effective	2.6%	3.6%

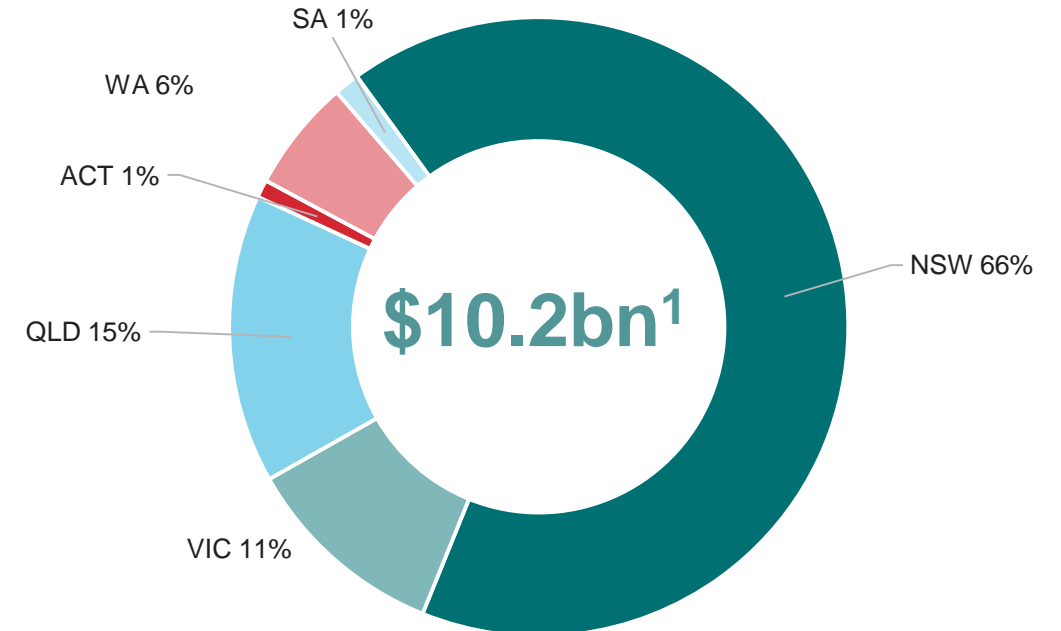
# Property portfolio

## Office portfolio diversification

Office by asset type



Office by location

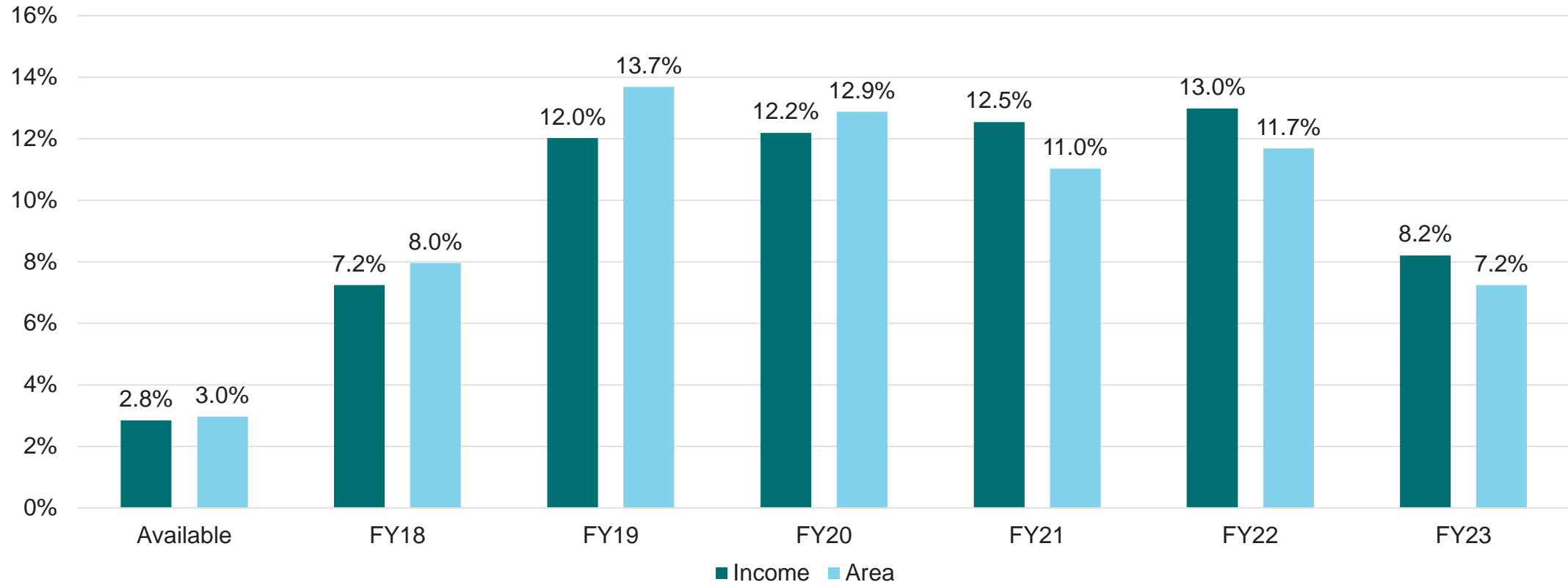


1. Including transactions settled up to 16 August 2017.



# Property portfolio

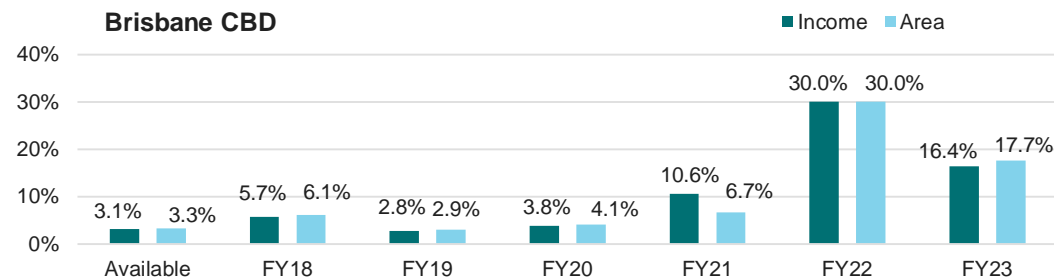
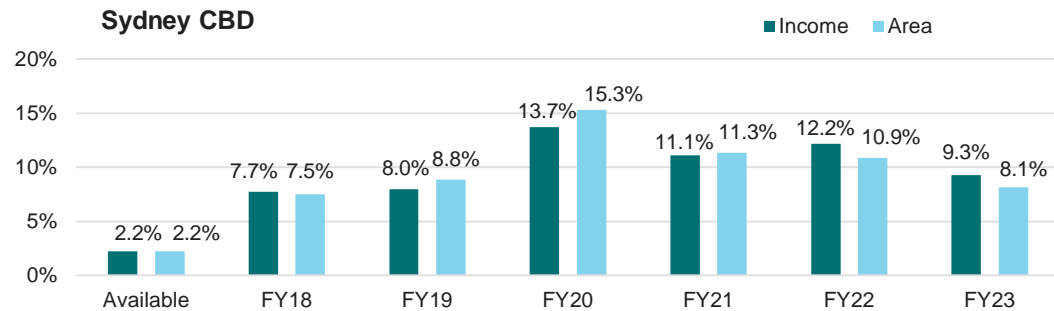
## Office lease expiry profile<sup>1</sup>



1. Including transactions settled up to 16 August 2017.

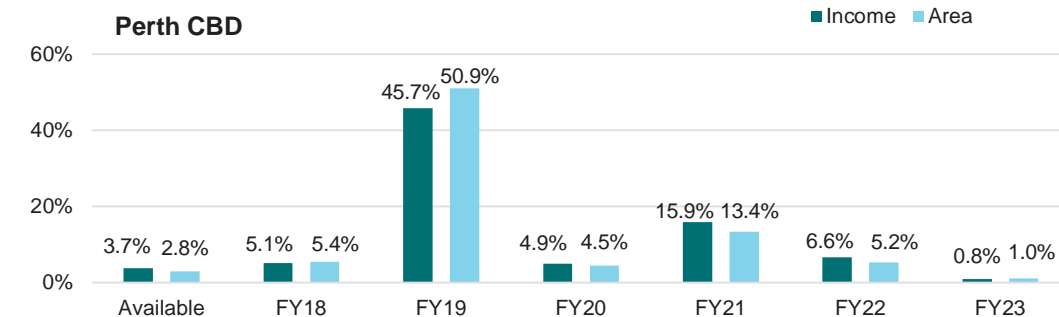
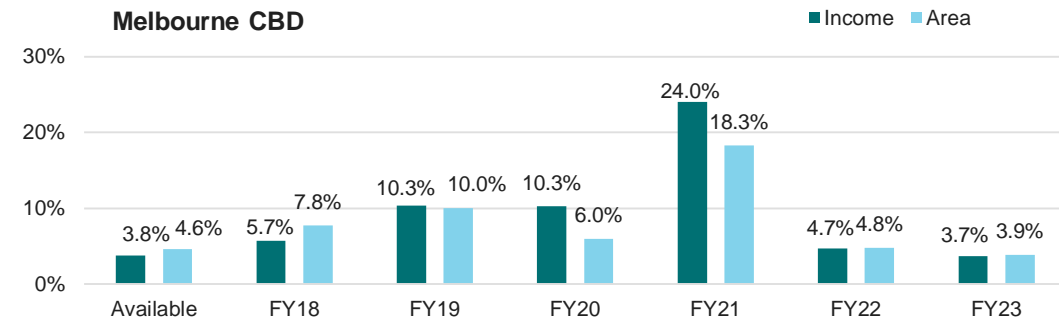
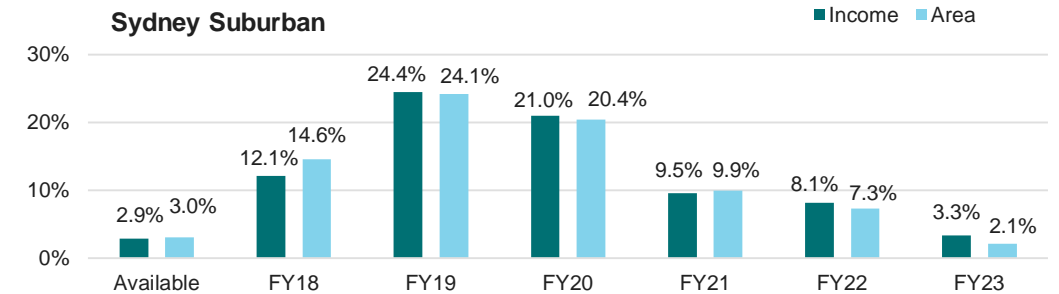
# Property portfolio

## Office lease expiry profiles by region



Dexus Office <sup>1</sup>	Value (\$m)	Cap rate (%)	Yield <sup>2</sup> (%)
Sydney CBD	5,769	5.4%	5.4%
Sydney Suburban	911	6.5%	6.3%
Melbourne CBD	766	5.9%	6.7%
Brisbane CBD	1,584	6.0%	6.5%
Perth CBD	596	6.8%	8.5%

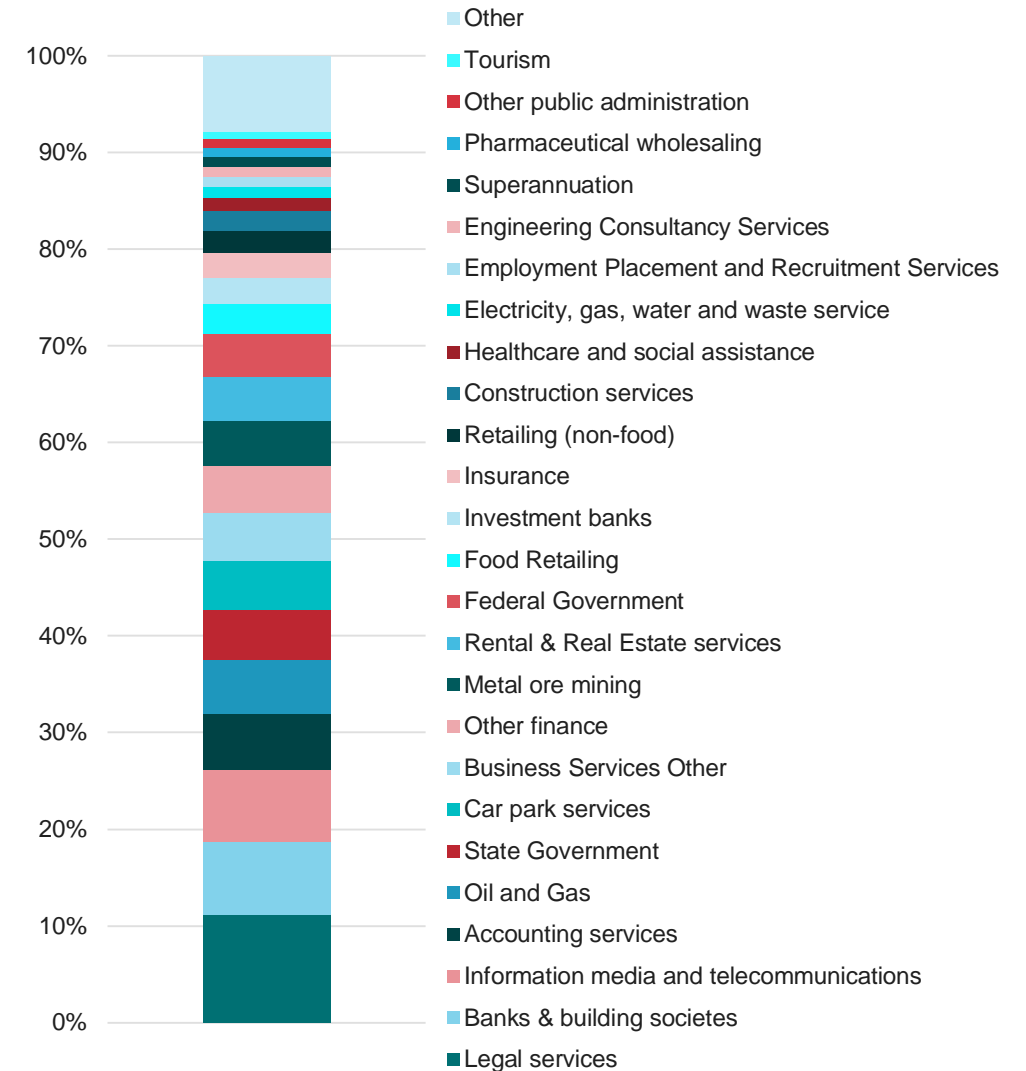
- Includes MLC Centre, Sydney, 100 Harris Street, Pyrmont and excludes Adelaide and Canberra office properties.
- Passing FFO yield based on annualised Property Funds From Operations for the month of July 2017.



# Property portfolio

## Office top 10 customers

Office customer	S&P rating	% of income <sup>1</sup>
Commonwealth of Australia	AAA negative	3.8%
Wilson Parking	Not rated	3.7%
Woodside Energy	BBB+ negative	3.2%
Rio Tinto	A- positive	2.8%
Commonwealth Bank of Australia	AA- negative	2.7%
Deloitte	Not rated	1.7%
State of NSW	AAA negative	1.6%
State of Victoria	AAA negative	1.5%
King Wood Mallesons	Not rated	1.0%
Clayton Utz	Not rated	0.9%

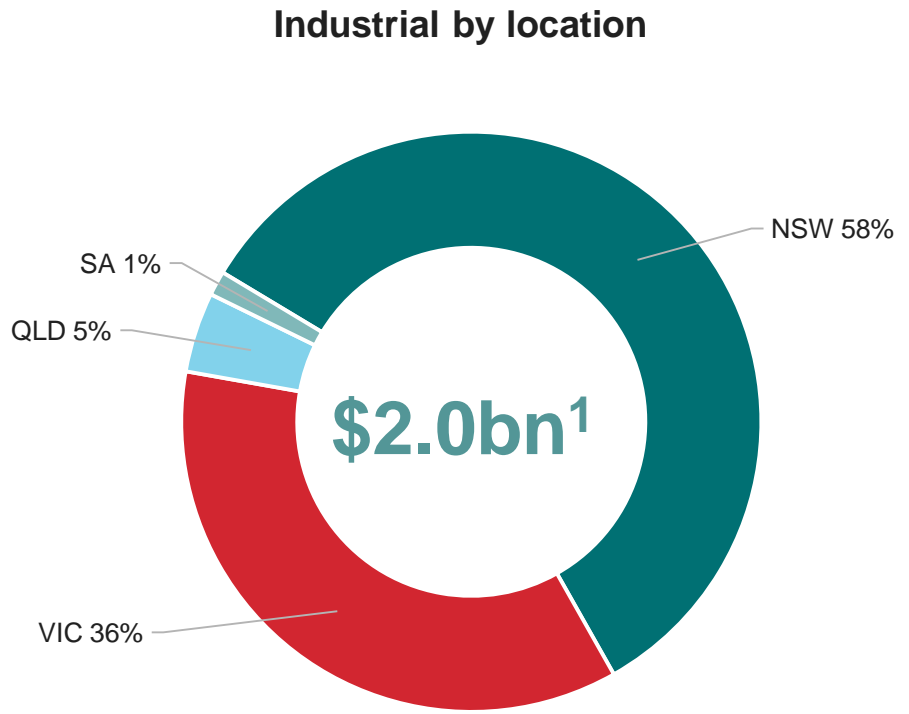
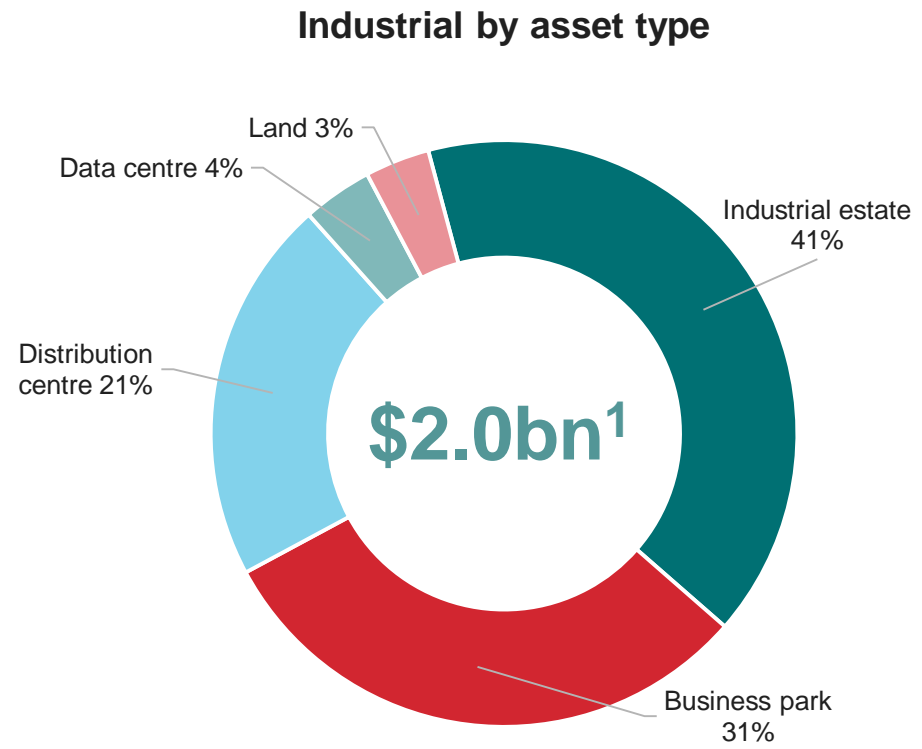


1. 30 June 2017 total Dexu portfolio passing income.



# Property portfolio

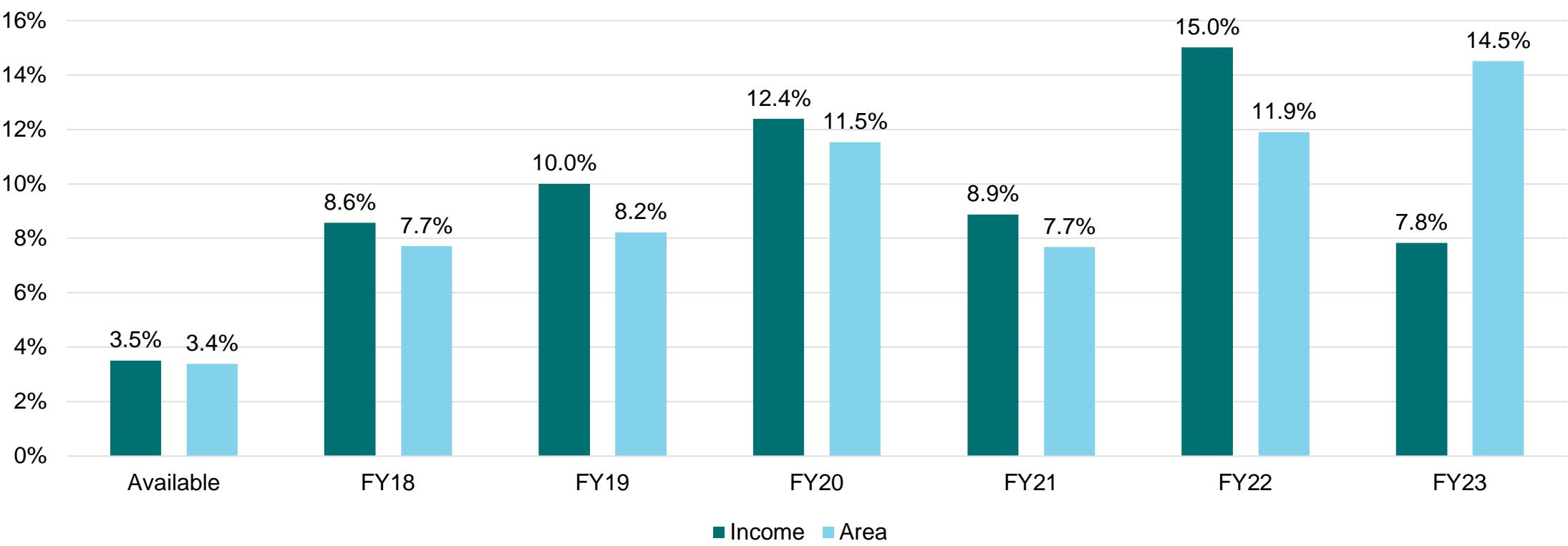
## Industrial portfolio diversification



1. Including transactions settled up to 16 August 2017.

# Property portfolio

## Industrial lease expiry profile<sup>1</sup>

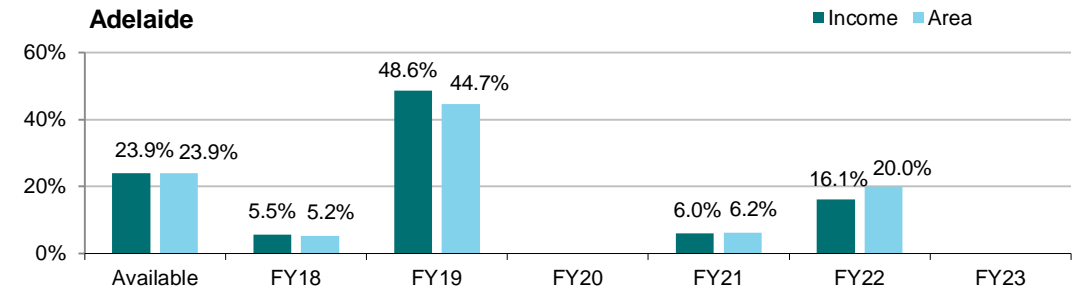
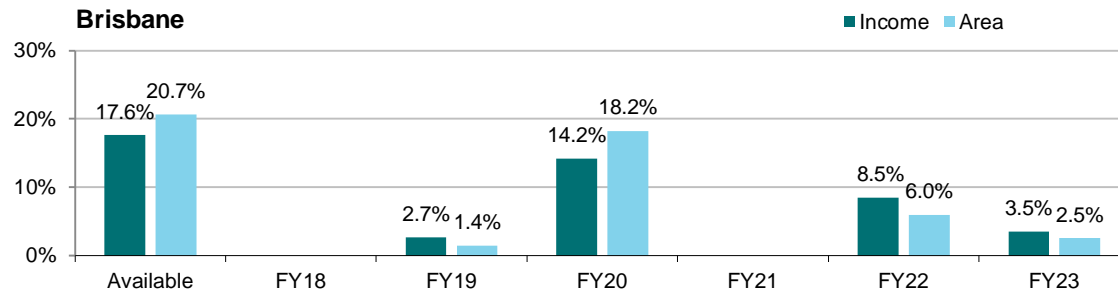
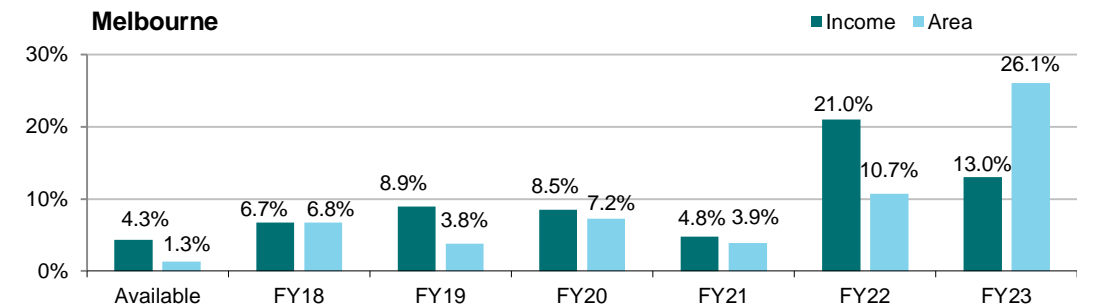
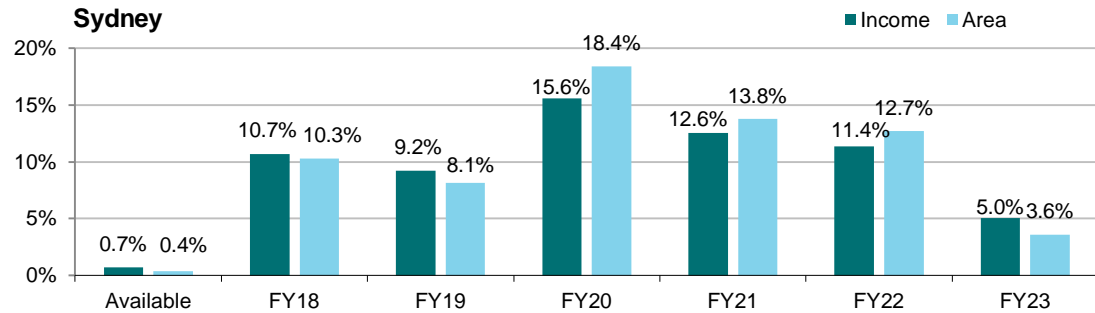


1. Including transactions settled up to 16 August 2017.



# Property portfolio

## Industrial lease expiry profiles by region



Dexus Industrial	Value (\$m)	Cap rate (%)	Yield <sup>1</sup> (%)
Sydney	1,064	6.3%	6.5%
Melbourne	632	6.9%	7.2%
Brisbane	89	5.9%	4.7%
Adelaide	27	11.0%	10.6%

1. Passing FFO yield based on annualised Property Funds From Operations for the month of July 2017.

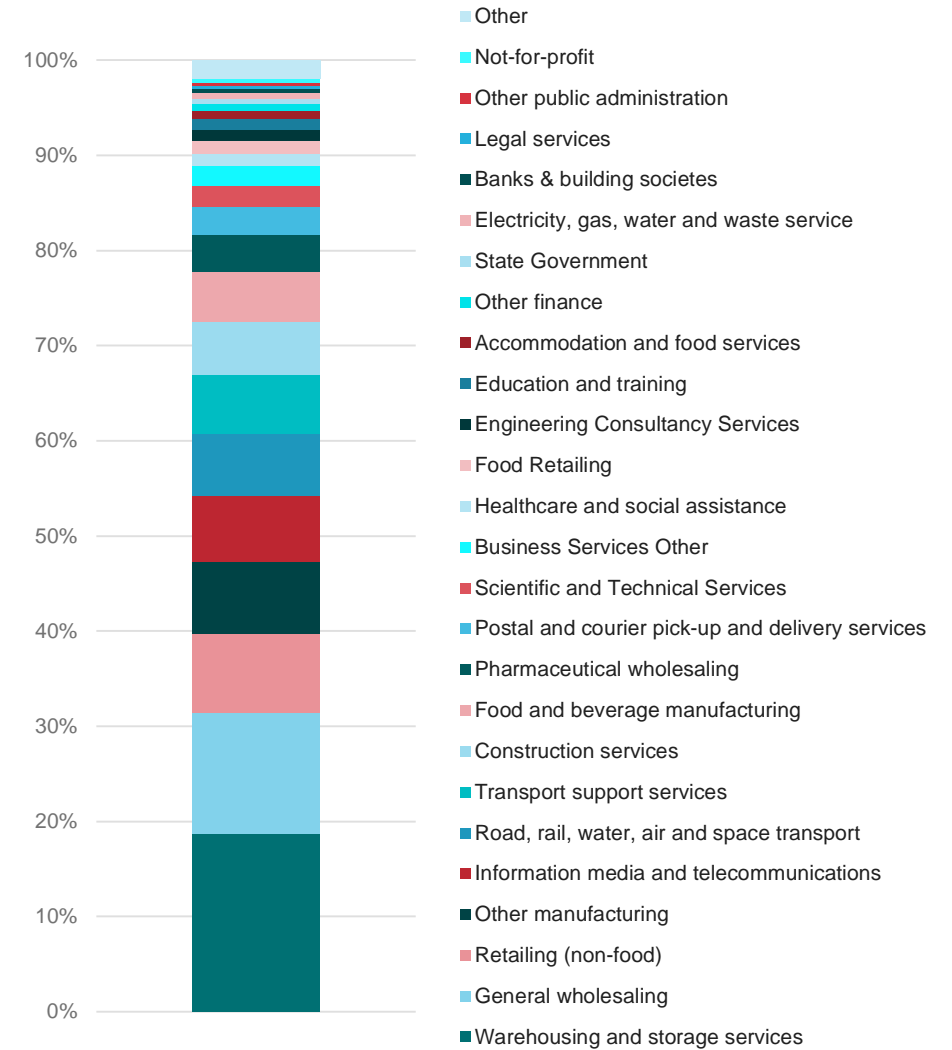


# Property portfolio

## Industrial top 10 customers

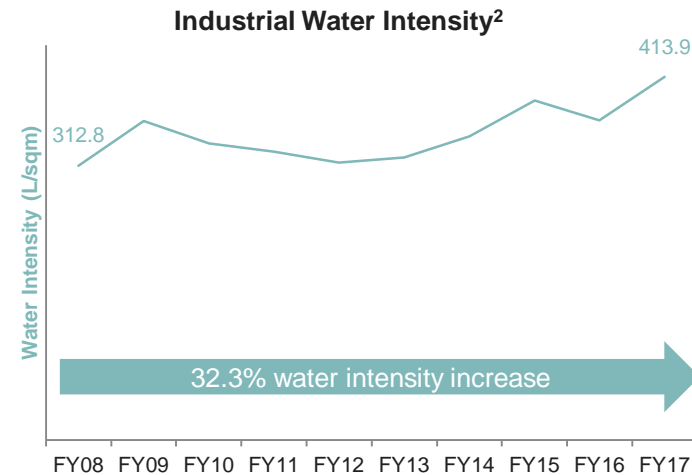
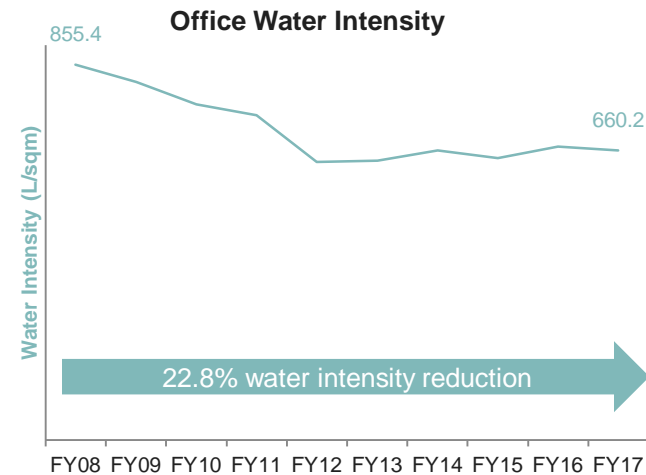
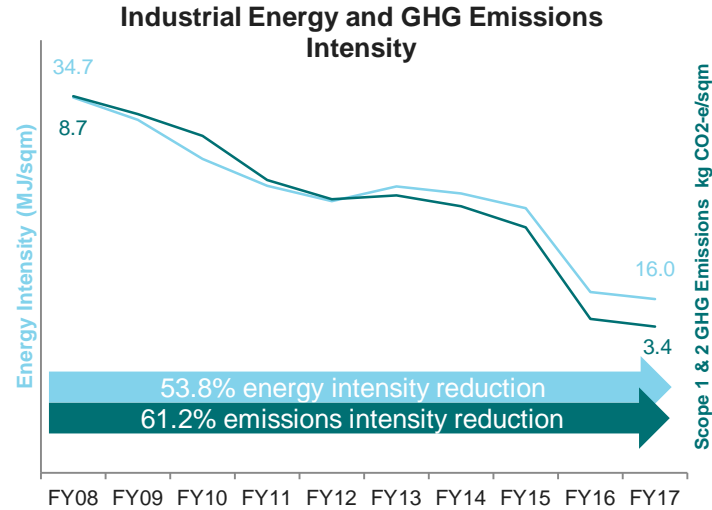
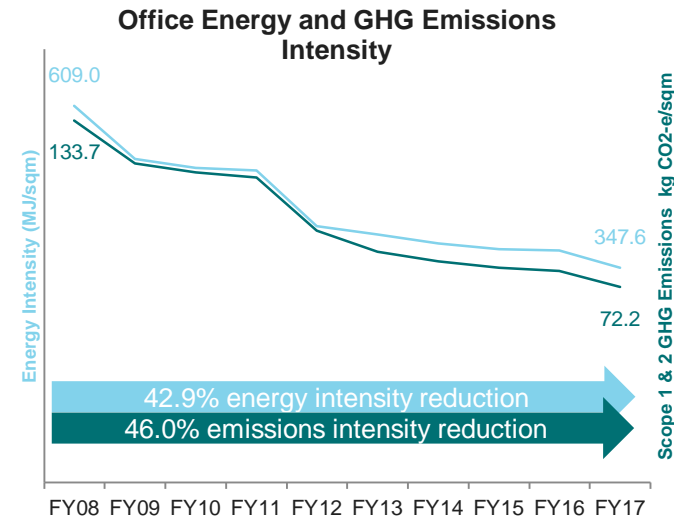
Industrial customer	% of income <sup>1</sup>
Wesfarmers	0.9%
AWH Pty Ltd	0.6%
IBM Australia	0.5%
Reece	0.5%
Visy Industry Packaging Pty Ltd	0.5%
Simon National Carriers	0.4%
Fedex	0.4%
Fonterra	0.3%
Toll	0.3%
Unitrans	0.3%

1. 30 June 2017 total Dexu portfolio passing income.

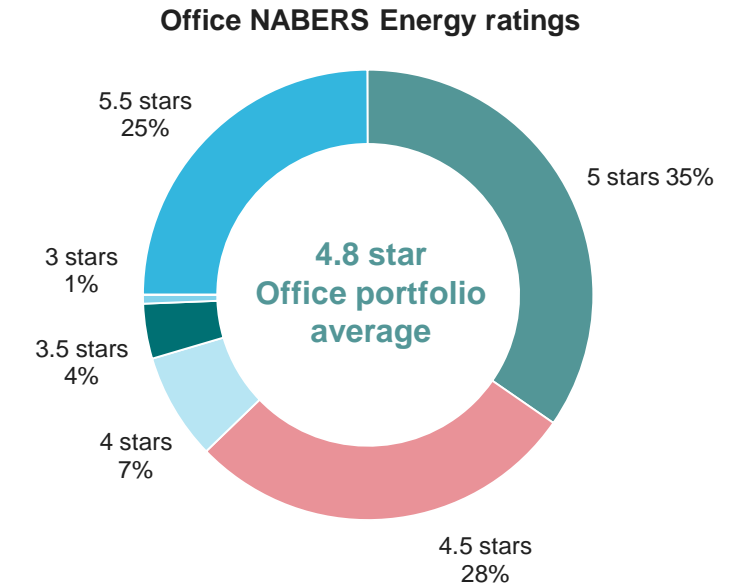


# Property portfolio

## Office and industrial portfolio sustainability metrics<sup>1</sup>



Dexus office portfolio	NABERS Energy average rating	NABERS Water average rating
June 14	4.6	3.5
June 15	4.7	3.8
June 16	4.8	3.7
<b>June 17</b>	<b>4.8</b>	<b>3.6</b>



1. Data in charts is unaudited.
2. Water consumption for industrial properties is primarily under the control of tenants.

# Property portfolio

## Dexus completed developments

Pipeline		Building area <sup>1</sup> sqm	Project cost <sup>2</sup> \$m	Yield on cost <sup>3</sup> %	Space leased %	Final completion
<b>Industrial</b>	Quarrywest, 2A Basalt Road, Greystanes, NSW	36,152	36	8%	100%	Sep 2016
	13 Felstead Drive, Laverton North, VIC	10,318	12	7%	100%	Dec 2016
	5 Dolerite Way, Greystanes, NSW	10,122	9	8%	100%	Feb 2017
	<b>Total industrial</b>	<b>56,592</b>	<b>57</b>			
<b>Total developments completed</b>		<b>56,592</b>	<b>57</b>			

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.



# Property portfolio

## 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>			

Dexus total portfolio capital expenditure	FY17	FY18E
Maintenance capital expenditure	\$57.5m	c. \$65m
Cash incentives and leasing costs	\$58.6m	c. \$40m
Rent free incentives	\$61.9m	c. \$60m
<b>Total capital expenditure</b>	<b>\$178.0m</b>	<b>\$165-170m</b>

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.

# Property portfolio

## 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>	

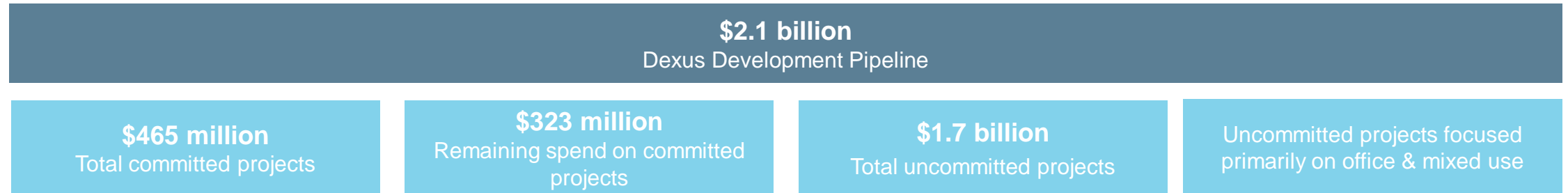
1. At 100%.

2. Dexus interest in development cost (including cost of land where purchased for development).

3. Yield on cost calculation includes cost of land.

# Property portfolio

## Dexus development pipeline



### Project cost on uncommitted projects

Uncommitted projects	FY18	FY19	FY20+
Office / City Retail - 10 properties	\$1,033m		
Industrial – 2 properties	\$119m		
Mixed use - 2 properties	\$546m		
Project cost on uncommitted projects	\$1,698m		



# Transactions

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

Dexus acquisitions	Purchase price \$m	Interest	Settlement date
36 Hickson Road, Sydney NSW	17.1	100%	5 Sep 2016
The Mill, Alexandria NSW	110.2	100%	19 Jan 2017
100 Harris Street, Pyrmont NSW	327.5	100%	18 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>866.7</b>		

Dexus divestments	Sale price \$m	Interest	Settlement date
56-75 Templar Road, Erskine Park NSW	50.0	100%	1 Jul 2016
The Zenith, Chatswood NSW	139.5	50%	29 Jul 2016
108 North Terrace, Adelaide SA	43.3	50%	7 Sep 2016
Southgate Complex, Melbourne VIC	289.0	50%	4 Nov 2016 <sup>2</sup>
39 Martin Place, Sydney NSW	166.0	50%	14 Nov 2016 <sup>3</sup>
79-99 St Hilliers Road, Auburn NSW	65.0	100%	31 Jan 2017
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>		

Funds management acquisitions	Purchase price \$m	Interest	Settlement date
Carillon City, Perth WA	140.0	100%	30 Nov 2016
5 Inglis Road, Ingleburn NSW	31.0	100%	5 Jun 17
MLC Centre, Sydney NSW	361.3	25%	19 Jul 2017
<b>Total</b>	<b>532.3</b>		

Funds management divestments	Sale price \$m	Interest	Settlement Date
108 North Terrace, Adelaide SA	43.3	50%	7 Sep 2016
39 Martin Place, Sydney NSW	166.0	50%	14 Nov 2016 <sup>3</sup>
324 Queen Street, Brisbane QLD	66.0	50%	1 Dec 2016
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>305.2</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.

# Funds management

## Development pipeline



### Project cost on uncommitted projects in Third Party Funds

Uncommitted projects	FY17	FY18	FY19/20
Office / City Retail - 4 properties		\$883m	
Retail - 4 properties		\$488m	
Mixed use - 1 property		\$270m	
Project cost on uncommitted Third Party projects		\$1,641m	

1. Third party funds' or partners' share of development spend and including Dexus third party funds' or partners' share of Westfield redevelopments.

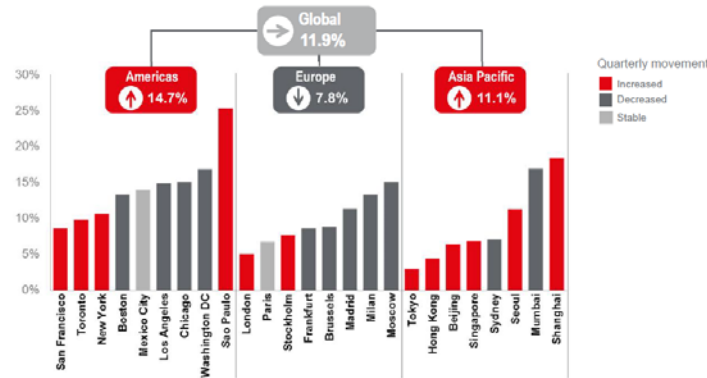
# Market outlook

## Sydney CBD in a global context

Strong fundamentals relative to global office markets

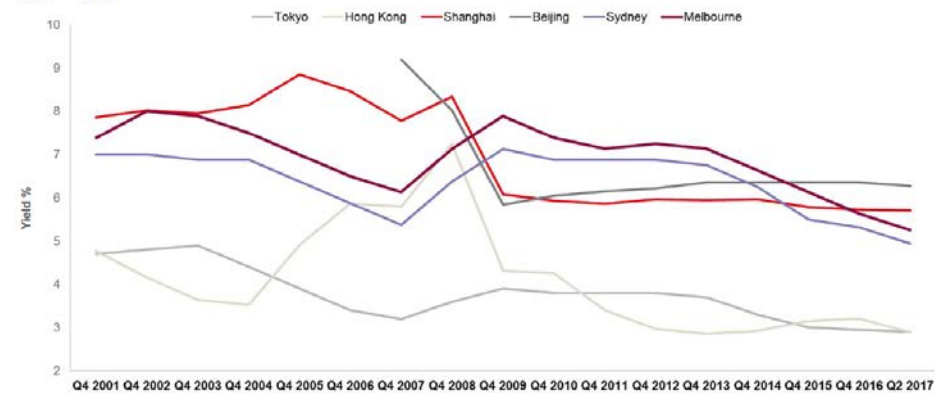
### Office Vacancy Rates - Major Markets

Q2 2017



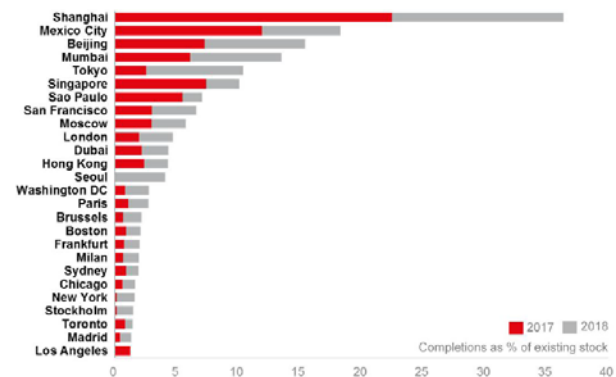
### Prime Office Yields – Asia Pacific Cities

2001 – 2017

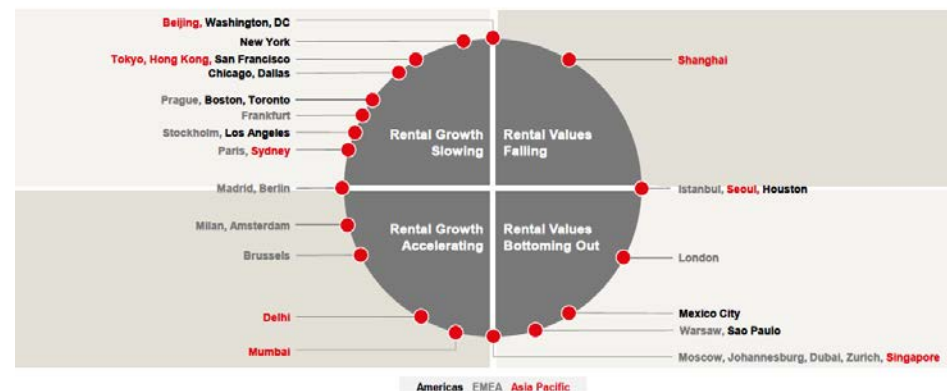


### Office Supply Pipeline - Major Markets

2017– 2018



### Global Office Property Clock Q2 2017



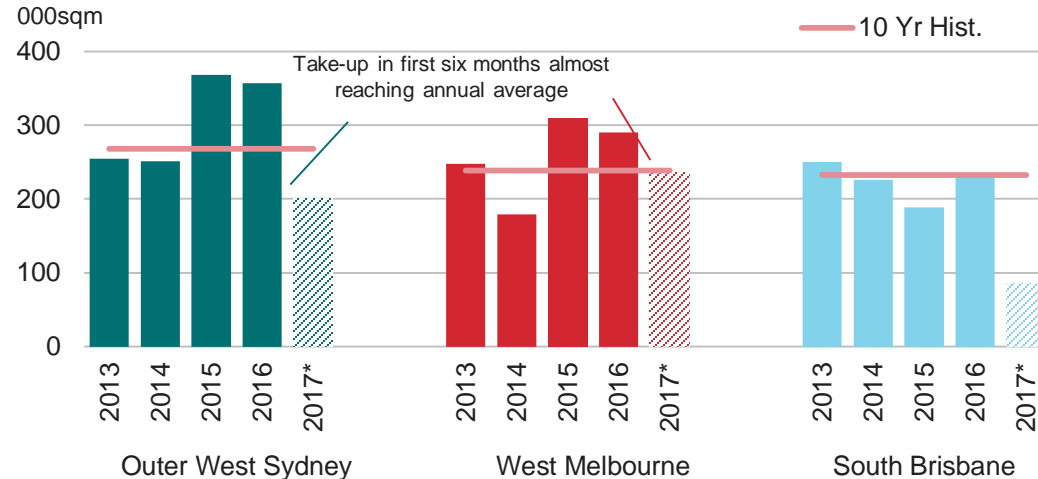
Source: JLL, Global Real Estate Market Outlook, August 2017.

# Market outlook

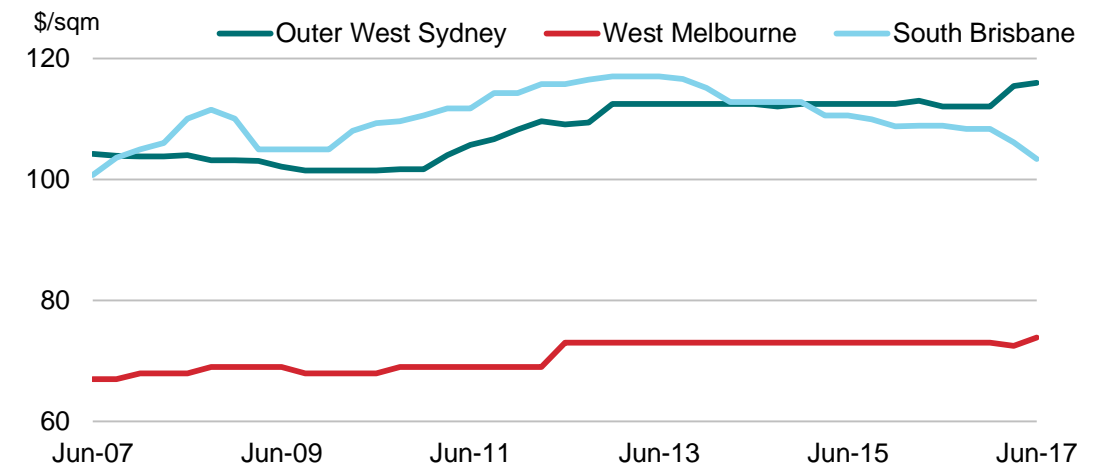
## Industrial take-up benefiting from supply chain optimisation

- Solid take-up in the short term supported by infrastructure projects (NSW and VIC) and economic growth
- Supply chain repositioning boosting demand for new industrial product
- E-commerce supporting growth in demand
- Rents stable to firming in parts of Sydney and Melbourne

**Industrial take-up in key markets**



**Industrial rent growth in key markets (net face)**



Source: JLL Research, Dexus Research. \*YTD.

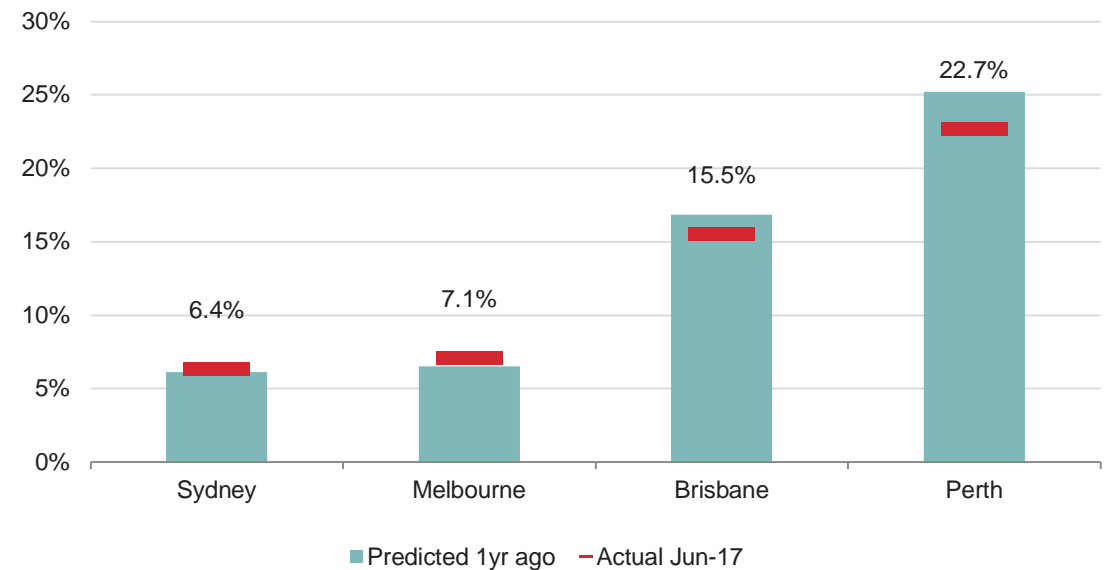


# Market outlook

## Office markets are stronger than predicted

- Positive absorption in all major markets has seen vacancy rates tighten in FY17
- A stronger demand recovery in Perth and Brisbane has led to lower vacancy rates than predicted
- Sydney and Melbourne vacancy rates are broadly in line with predictions from a year ago

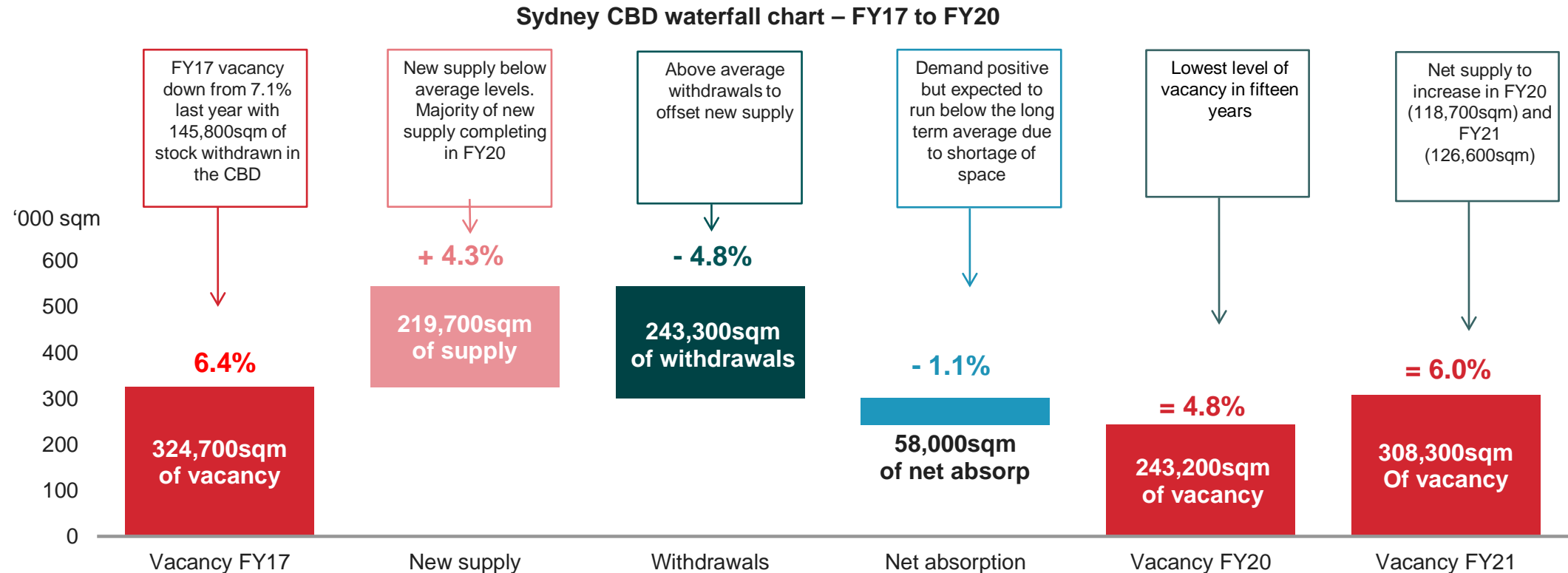
Vacancy rate by city – actual vs predicted



Source: Dexus Research, JLL Research.

# Market outlook

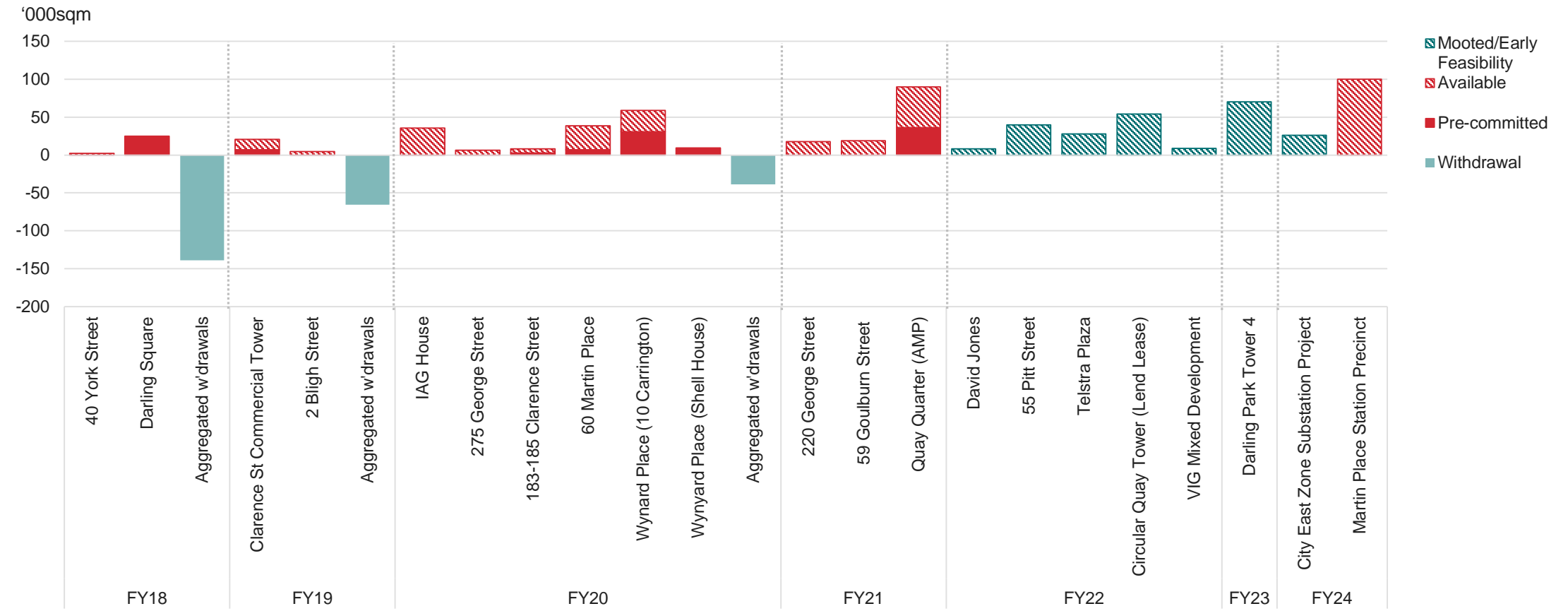
## Sydney office: solid fundamentals to support growth



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

# Market outlook

## Sydney CBD supply assumptions: major projects

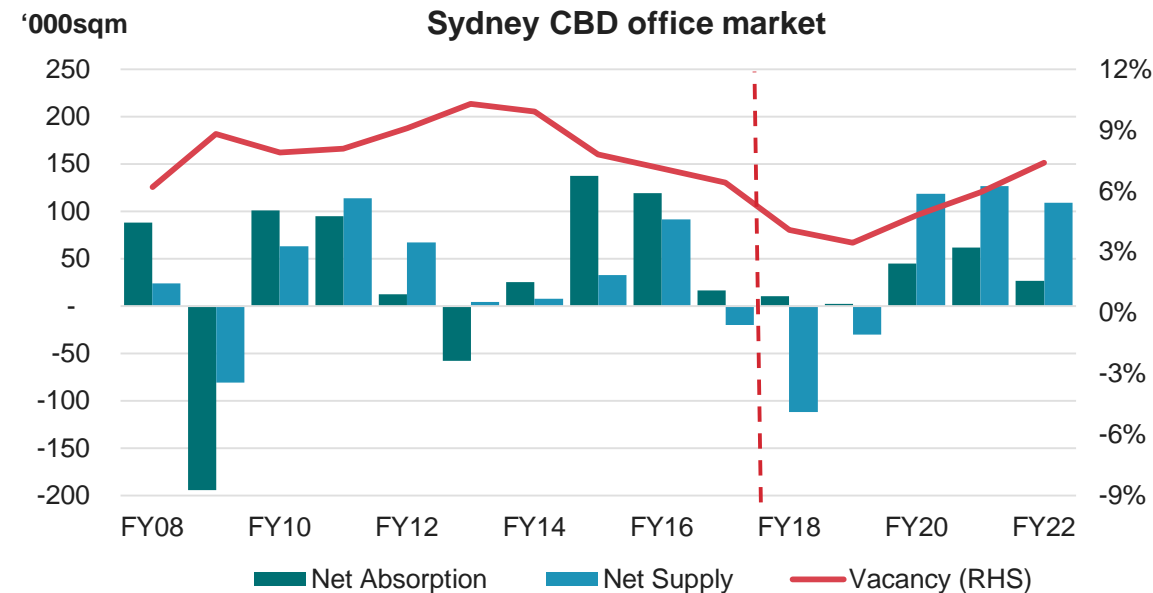


Source: Dexus Research.

# 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 & Dexu Research forecast.

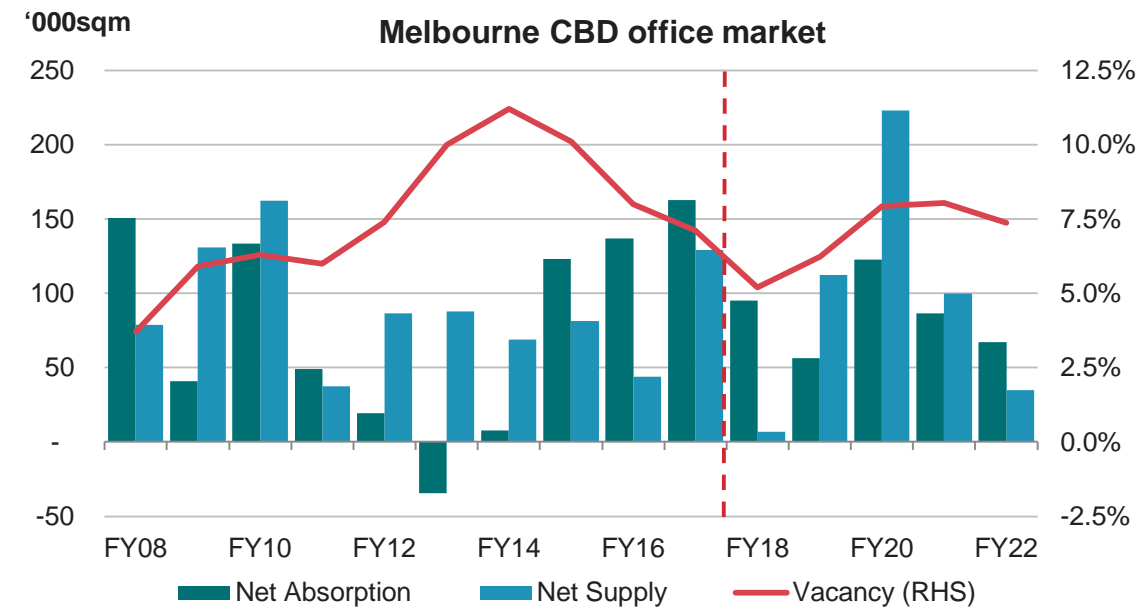
Sydney CBD office market	At 30 June 2017
Total net lettable area	5.08 million sqm
Prime vacancy average	6.7%
Dexus Sydney CBD exposure	
Net lettable area	697,946sqm
Number of properties	21
% of portfolio by value	59%
Occupancy by area	97.5%
Occupancy by income	97.8%
Weighted average lease expiry	5.0 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



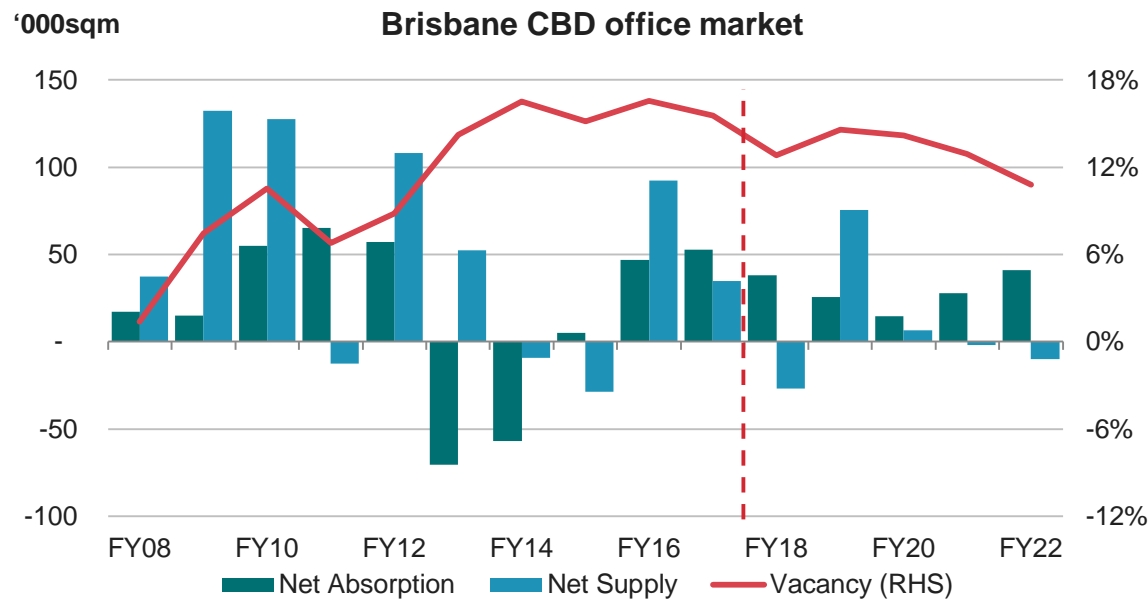
Source: JLL Research actual & Dexu Research forecast.

Melbourne CBD office market	At 30 June 2017
Total net lettable area	4.74 million sqm
Prime vacancy average	6.5%
Dexus 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



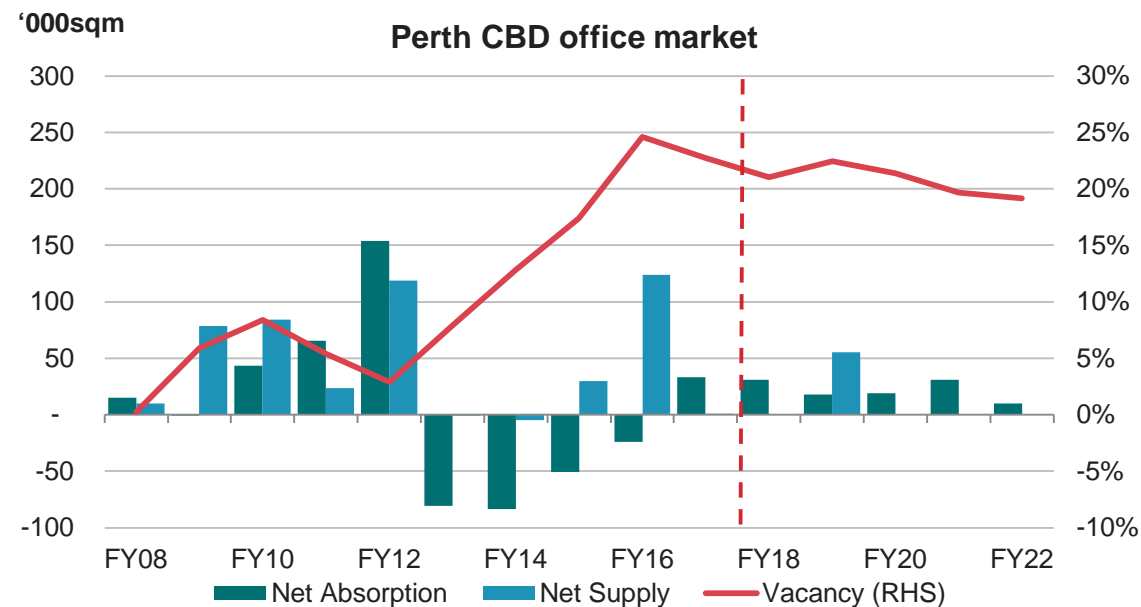
Source: JLL Research actual & Dexu Research forecast.

Brisbane CBD office market	At 30 June 2017
Total net lettable area	2.27 million sqm
Prime vacancy average	12.4%
Dexus 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 & Dexu Research forecast.

Perth CBD office market	At 30 June 2017
Total net lettable area	1.77 million sqm
Prime vacancy average	19.46%
Dexus 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

# Exchange rates and securities used in statutory accounts

		30 Jun 2016	31 Dec 2016	30 June 2017
Closing rates for Statement of Financial Position	USD	0.7426	0.7236	0.7692
Average rates for Statement of Comprehensive Income	USD	0.7287	0.7546	0.7545

Post consolidation equivalent amounts	12 mths to 30 Jun 2016	6 mths to 31 Dec 2016	12 mths to 30 Jun 2017
Average weighted number of securities <sup>1</sup>	968,639,060	967,947,692	968,484,893
Closing number of securities	967,947,692	967,947,692	1,016,967,300

1. Used to calculate FFO per security.



# Glossary

Distribution payout policy:	Policy is to distribute in line with free cash flow.
Funds From Operations (FFO):	FFO is in line with Property Council of Australia definition and comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, transaction costs, amortisation of intangible assets, rental guarantees and coupon income
Adjusted FFO (AFFO):	AFFO is calculated in line with the Property Council of Australia definition and comprises PCA FFO and adjusted for: maintenance capex, incentives (including rent free incentives) given to tenants during the period and other items which have not been adjusted in determining FFO.
Gearing:	Gearing is represented by Interest Bearing Liabilities (excluding deferred borrowing costs and including the currency gains and losses of cross currency swaps) less cash divided by Total Tangible Assets (excluding derivatives and deferred tax assets) less cash. Covenant gearing is the same definition but not adjusted for cash.
Gearing (look through):	Represents Gearing defined above adjusted to include debt in equity accounted investments.
Portfolio value:	Unless otherwise stated, portfolio value is represented by investment properties, inventories and investments accounted for using the equity method, and excludes cash and other assets.
Return on Equity (ROE):	ROE is calculated as the growth in net tangible assets per security plus the distribution paid/payable per security divided by the opening net tangible assets per security.
Return on Contributed Equity (ROCE):	ROCE is calculated as AFFO plus the net tangible asset impact from completed developments divided by the average contributed equity during the period.
Weighted Average Lease Expiry (WALE):	A measure in years of the average term to expiry of in-place rent. Includes vacancies.

# Important information

- This presentation is issued by Dexus Funds Management Limited (DXFM) in its capacity as responsible entity of Dexus (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 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 security holder or potential investor may require in order to determine whether to deal in Dexus 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 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.

dexus