

Dexus (ASX: DXS)

ASX release



4 May 2021

2021 Macquarie Australia Conference

Dexus releases the attached presentation to be presented virtually at the 2021 Macquarie Australia Conference today.

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About Dexus

Dexus is one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at \$32.1 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 \$16.5 billion of office and industrial properties. We manage a further \$15.6 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$11.5 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.6 million square metres of office workspace across 51 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 more than 29,000 investors from 24 countries. With 36 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

Dexus Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for Dexus (ASX: DXS)
Level 25, 264 George Street, Sydney NSW 2000

Macquarie Australia Conference

Ross Du Vernet, Chief Investment Officer

4 May 2021

Dexus Funds Management Limited
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AFSL 238163 as responsible entity for Dexus



Agenda

- › **Dexus overview**
- › **March 2021 quarter highlights and office update**
- › **Resilience of Dexus business model**
 - Funds Management business
 - Options for growth
- › **Summary**



Dexus overview

Our strategy: to deliver superior risk-adjusted returns for investors from high quality real estate in Australia's major cities

Our purpose: to create spaces where people thrive

- › Recognised as a global leader in sustainability
- › Dexus is a top 50 entity listed on the ASX with a market capitalisation of approximately \$11 billion¹
- › One of Australia's leading real estate groups managing a high-quality Australian property portfolio valued at \$36.5 billion²
- › Diverse capability set and options for growth
- › Strong balance sheet with low gearing of 24.9%³
- › \$1.1 billion contracted asset sales⁴

1. At 30 April 2021.
2. Figures are as at 31 December 2020, pro forma for the merger of ADPF and DWPF (prior to circa \$2 billion of redemptions) as well as the previously announced sales of Grosvenor Place, Sydney, 60 Miller Street, North Sydney, 10 Eagle Street, Brisbane, acquisition of an interest in 1 Bligh Street, Sydney, and previously announced industrial and healthcare acquisitions.
3. At 31 December 2020, look-through gearing adjusted for cash and debt in equity accounted investments, excluding the impact of the contracted divestments of 60 Miller Street, North Sydney and Grosvenor Place, Sydney.
4. Includes Dexus's share of the sale of 60 Miller Street, North Sydney, Grosvenor Place, Sydney and 10 Eagle Street, Brisbane.

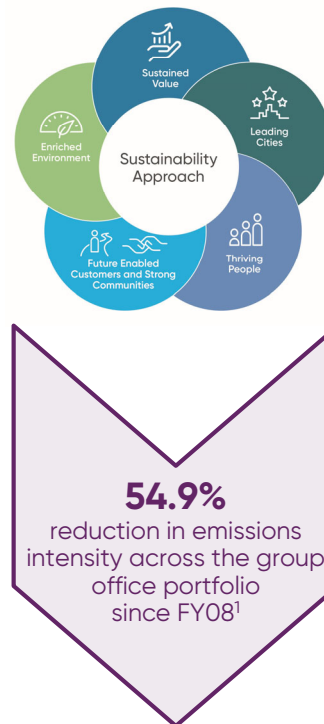


Rialto Towers, 525 Collins Street, Melbourne VIC.

Dexus sustainability approach

ESG is at the core of what we do

- › Our Sustainability approach is the lens that we use to effectively manage emerging ESG risks and opportunities, creating sustained value for our stakeholders
- › Strive for leadership and impact
- › Continuous improvement approach to sustainability
- › Long-term programs
- › Ensure we have alignment between capital partners and DXS investors



1. Calculated using a location-based method.

We are transitioning to net zero emissions by 2030

Transitioning to 100% renewable energy

Off-site renewables
On-site renewables
Electrification

Improving energy efficiency

Reducing occupancy costs and creating a unique customer experience

Offsetting remaining emissions

Nature based offsets to capture any remaining emissions

Vision for net zero emissions and smart, sustainable workplaces

Participation in ESG benchmarks drives continuous improvement

Global Industry Leader for the Real Estate Sector

Dow Jones Sustainability Indices

In collaboration with **SAM** a RoboSAM brand

Global Sector Leader for listed office entities (Dexus Office Trust)



CDP Climate A list



A+ rating for Strategy and Governance
A+ rating for Direct Property



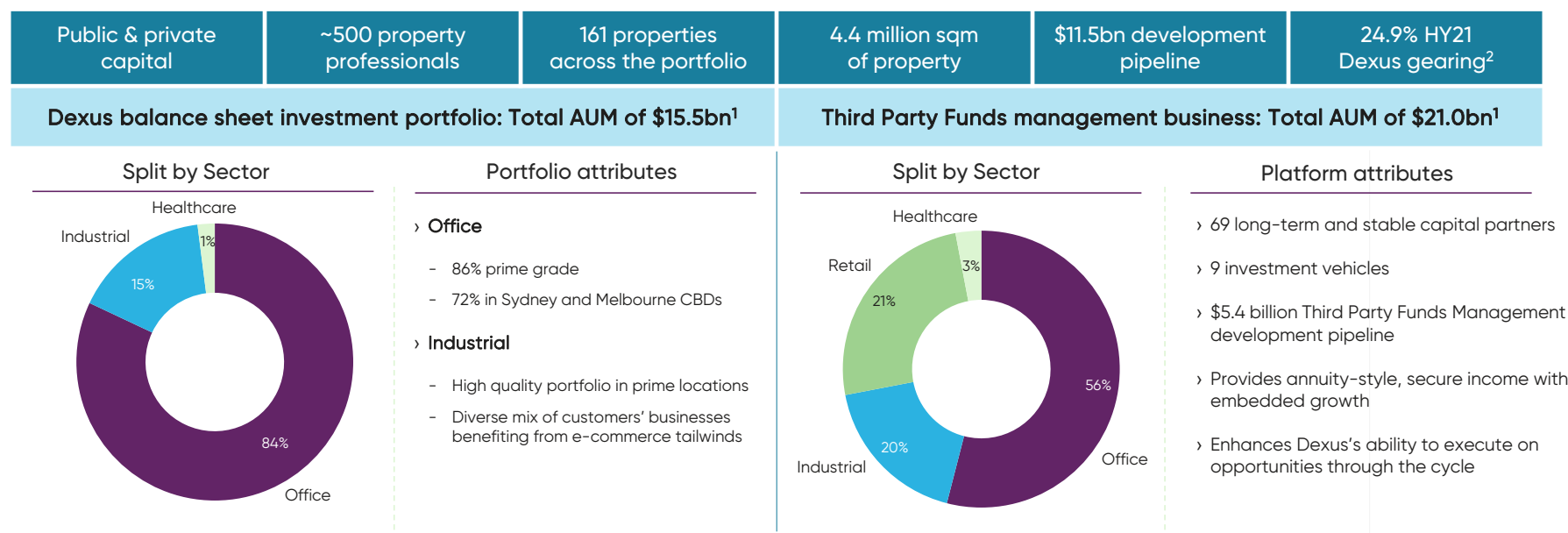


March 2021 quarter highlights and office update

Pro forma portfolio position

Quality office and industrial portfolio generating solid income streams

Dexus group: AUM = \$36.5bn¹



All figures on this slide are as at 31 December 2020 unless otherwise stated.

1. Figures are as at 31 December 2020, pro forma for the merger of ADPF and DWPF (net of circa \$2 billion of redemptions) as well as the previously announced sales of Grosvenor Place, Sydney, 60 Miller Street, North Sydney, 10 Eagle Street, Brisbane, acquisition of an interest in 1 Bligh Street, Sydney, and previously announced industrial and healthcare acquisitions.

2. Look-through gearing, adjusted for cash and debt in equity accounted investments, excluding the impact of the contracted divestments of 60 Miller Street, North Sydney and Grosvenor Place, Sydney.

March 2021 quarter update

Strong leasing activity across office and industrial portfolio

Dexus office portfolio

46,703sqm

office space
leased¹

24.6%

average incentives

95.4%

Occupancy²

4.1 years

WALE²

3.5-4.0%

average fixed rental increases

Dexus industrial portfolio

117,747sqm

industrial space
leased¹

18.6%

average incentives

97.8%

Occupancy²

4.4 years

WALE²

3.0-3.5%

average fixed rental increases

Development

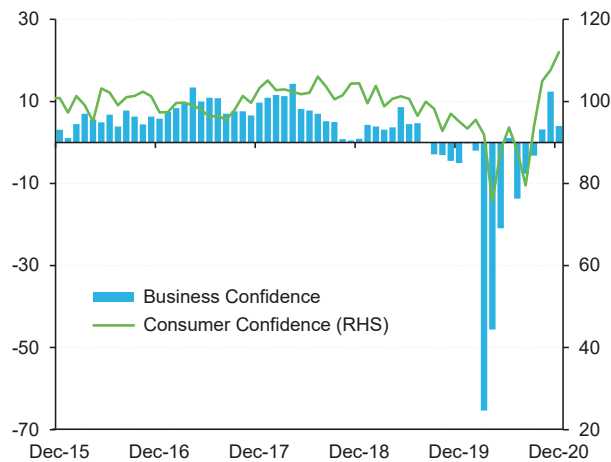
- › Completed North Shore Health Hub, St Leonards
- › Lodged plans for development of circa 130,000 square metres of workspace across two premium office towers at Central Place Sydney
- › Amended DA for 60 Collins Street, Melbourne (15,900 square metres incremental NLA)
- › Acquired additional 6.8 hectares at Horizon 3023, Ravenhall
- › Strong industrial development leasing across 29,067 square metres

1. Leased across 108 office transactions and 37 industrial transactions. Includes development leasing.
2. By income. WALE = weighted average lease expiry.

Leading indicators point to improving conditions

Recovery of the Australian economy is well underway

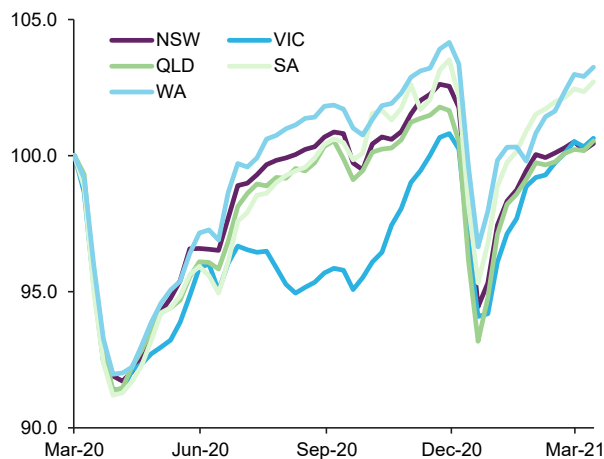
Business & consumer confidence



Business confidence rose to
16 index points

in February, being the highest level since early 2010¹

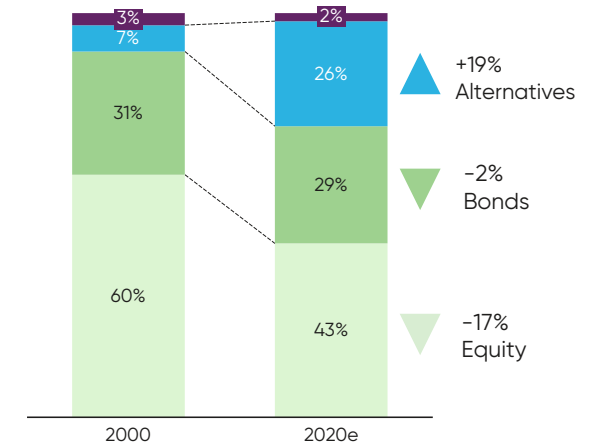
Payroll jobs



+1.0% increase

in payroll jobs over the year to March 2021
bringing it above pre-pandemic levels²

Asset allocation



+19% increase³

reallocation into real estate and other alternatives
with bonds now less appealing to investors

Source: Company filings and surveys, ABS, NAB, DAE, Thinking Ahead Institute

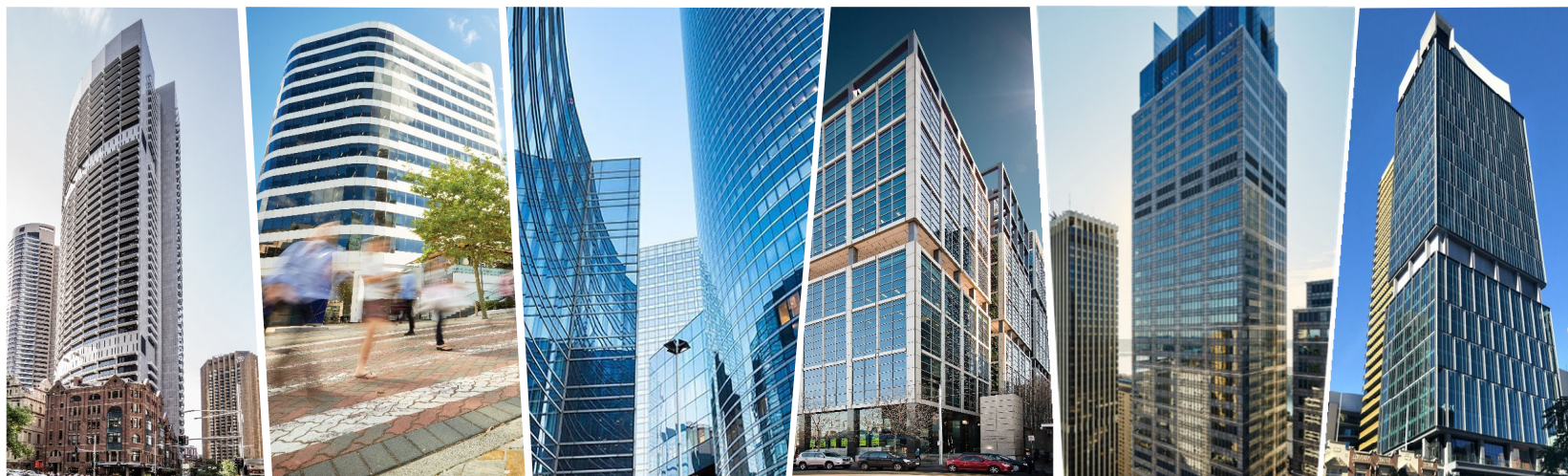
1. Business confidence rose +4 points in February 2021 to reach 16 index points. Chart data to December 2020.

2. 1% increase in payroll jobs between 14 March 2020 and 27 March 2021 (ABS).

3. Global Pension Assets Study 2021.

Persistent investment demand for quality assets

Underpins NTA and provides funding for growth



Asset	Grosvenor Place, Sydney	60 Miller Street, North Sydney	1-5 Thomas Holt Drive, Macquarie Park	452 Flinders Street, Melbourne	1 Farrer Place, Sydney	400 George Street, Sydney
Sale price	\$925m ¹	\$273m	\$289m	\$454m	\$585m	\$290m
Prem/disc to BV	-5% discount ²	+3% premium ²	Premium ³	+11% premium ²	At book value	Premium ³
Equivalent yield	4.83%	5.24%	5.70%	4.94%	4.59%	4.89%

Source: Company filings, online media, Cushman & Wakefield, CBRE, JLL.

1. Reflecting a 50% interest in Grosvenor Place Sydney. The sale will realise total net proceeds of \$925m for the 50% interest (\$694m realised for Dexus).

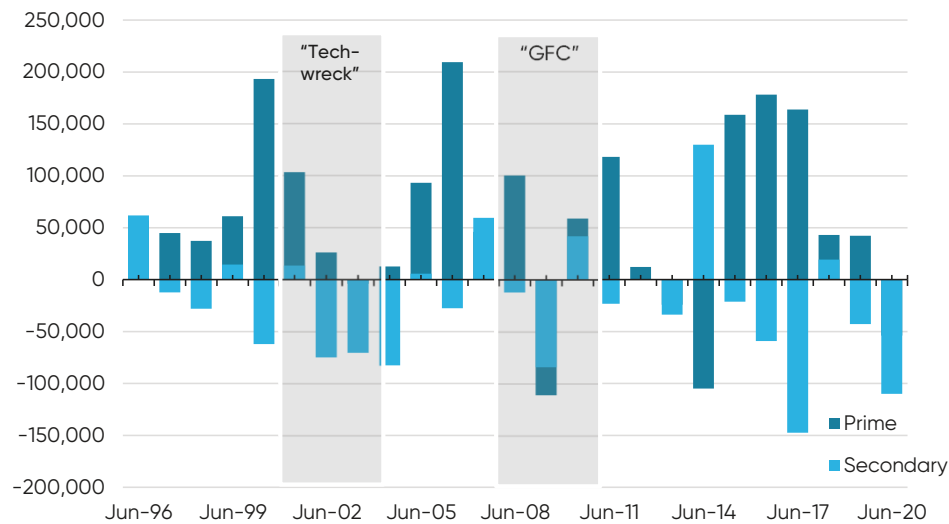
2. To June 2020 book value.

3. As reported in the media

Prime assets benefit from 'flight to quality'

Dexus portfolio well positioned

Sydney CBD net absorption over the past 25 years

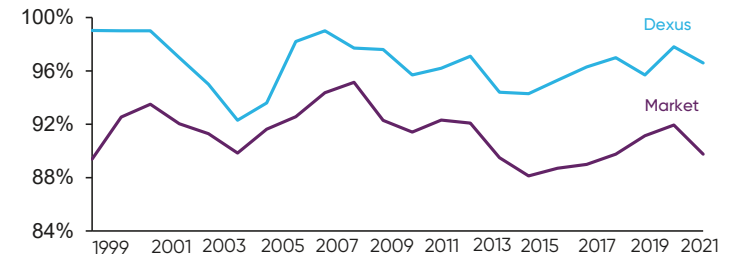


Grade	Tech-wreck '02-05'	GFC '09-12'
Prime	+128,253 sqm	+78,509 sqm
Secondary	-221,994 sqm	-65,217 sqm

Source: JLL, company information.

1. Prime grade buildings represented 93% of the office portfolio including stabilised assets only and excluding development-affected assets and land.

Historic Dexus occupancy vs market



Dexus is well positioned to perform

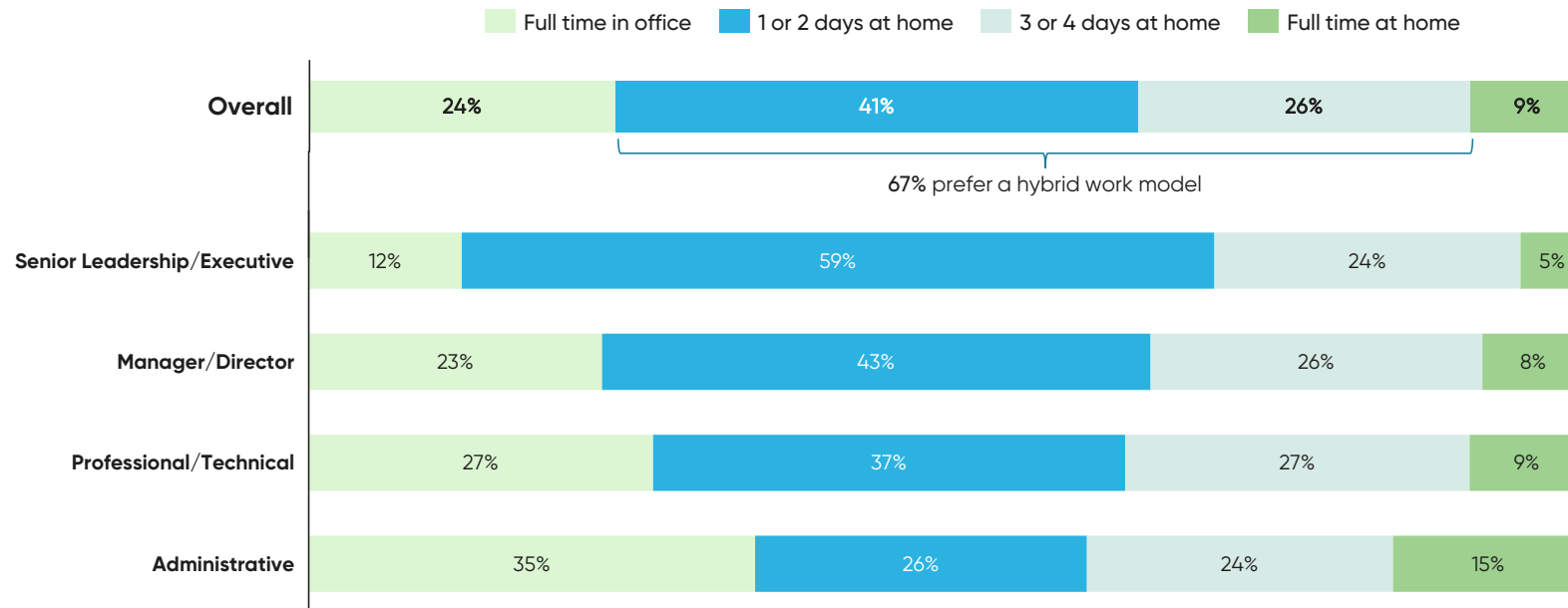
- › Flight to quality and centrality during market downturns
 - Prime grade assets represent 93% of Dexus office portfolio¹
- › Strong focus on capability to better service flexibility needs
 - Increased focus on amenity and customer demands
- › Improved control on capex spend and extracting better lifecycle value

Workspace flexibility – an evolution not a revolution

Ideal workspace arrangements differ amongst the population

Ideal work arrangements

% of survey respondents¹, Aug 2020



Majority of workers prefer a hybrid model

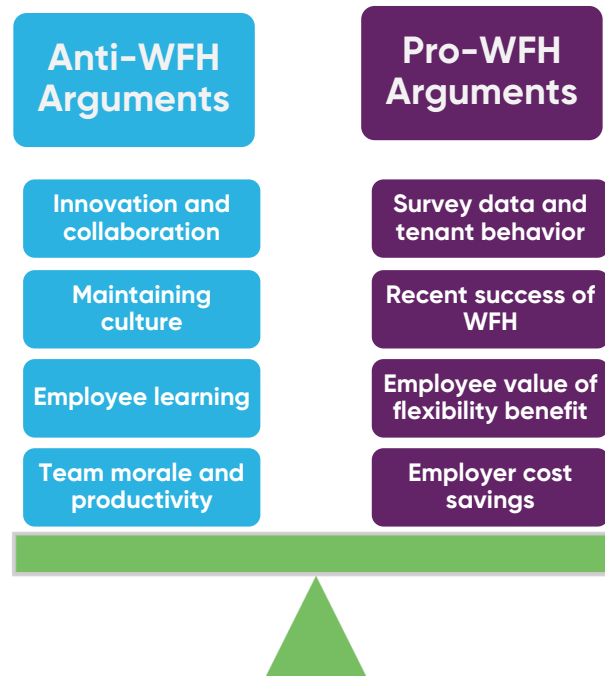
Work from home appeals more to those with higher income and experience

Source: Gensler Workplace Survey 2020.

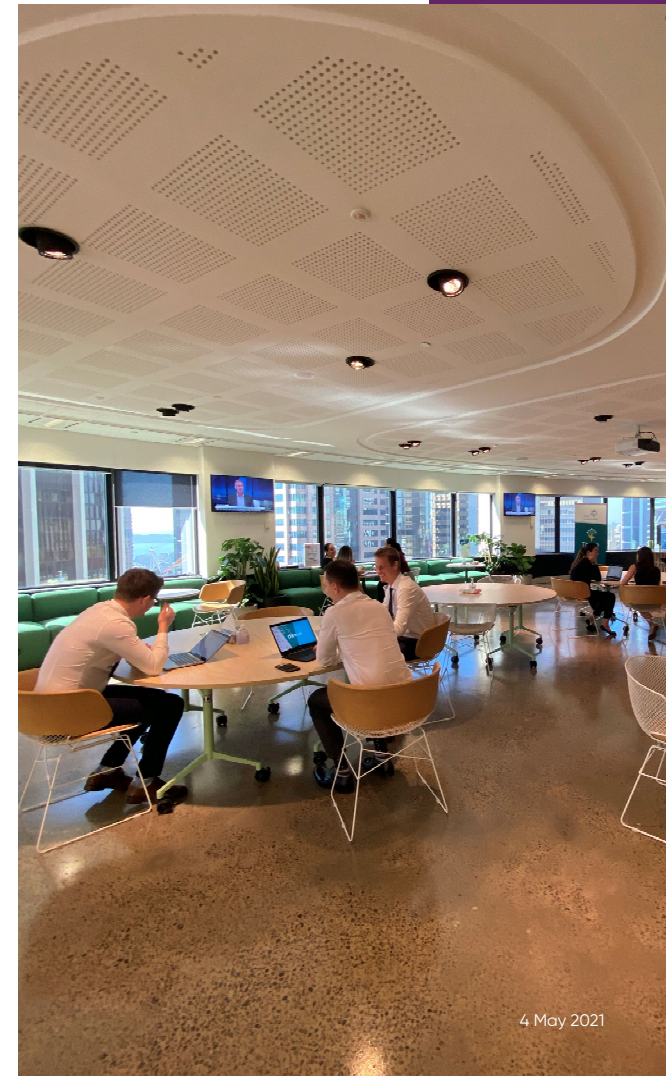
1. A survey of 2,430 Australian workers across 9 industries and a range of levels, roles, ages and cities was conducted in August 2020. Respondents were required to have worked in an office prior to COVID-19.

Workplace flexibly – a balancing act

Working From Home (WFH) considerations



Source: Green Street, Dexus.



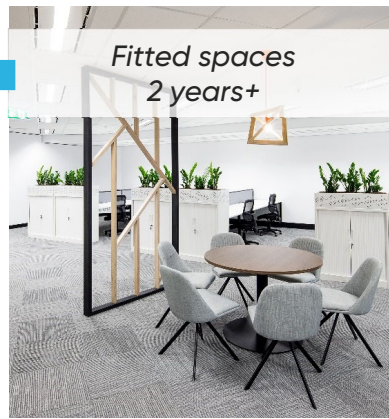
Dexus's product offering to meet increased flexibility

Collaborative fit-outs can be integrated across products

Workspace solutions from 1 hour to 10 years



Dominant portfolio offering. Customer demand expected to remain, however, customer requirements for flexibility will continue to evolve over time.



Fully fitted out suites with shorter lease terms. Targeted at reducing the pain points associated with real estate occupation for SMEs.



SuiteX provides high quality workspace that enables companies to remain agile while having access to turn-key solutions to support growth.



Dexus Place provides meeting, video conferencing and training facilities that facilitate cost effective interaction and collaboration across physical and virtual environments.

We continue to work with our customers on the future of workspace

Dexus business model

Core business activities



Managing

Dexus manages \$15.5 billion¹ of properties on behalf of Dexus investors and \$21.0 billion¹ on behalf of third party capital partners.



Developing

Utilising our expertise to access and manage development opportunities, enhance future returns and improve portfolio quality and diversification.



Transacting

Identifying, evaluating and executing acquisition and divestment opportunities across a range of sectors and asset types.

1. As at 31 December 2020, pro forma for the merger of APDF and DWPF (prior to circa \$2 billion redemptions) as well as the previously announced sales of Grosvenor Place, 10 Eagle Street, 60 Miller Street, and previously announced industrial and healthcare acquisitions.

Delivering on a key strategic initiative

Expanding and diversifying the Funds Management business




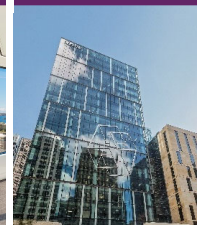






Funds management is a core part of Dexus's strategy

- › A focus on expanding and diversifying the funds management business will increase the resilience of Dexus's earnings in relation to current and future challenging office market conditions
- › Since the start of 2021, Dexus has:
 - Established a [new office partnership with Mercatus](#) to acquire 33.3% interest in 1 Bligh Street, Sydney
 - Received Unitholder approval for the [merger of the AMP Capital Diversified Property Fund with Dexus Wholesale Property Fund](#)
 - Received approval for [the Simplification of the Dexus corporate structure](#) by Dexus Security holders – this will increase flexibility to satisfy the growing demand from third party capital
 - Achieved practical completion of the [North Shore Health Hub, owned by Dexus Healthcare Property Fund](#) – adding quality and scale to meet growing investor demand for healthcare real estate



Funds management business

Scalable and expanding suite of products

Widely held funds			Joint Ventures						Venture Capital
									
DWPFP dexus Dexus Wholesale Property Fund \$15.3bn¹ <ul style="list-style-type: none"> Established 1995 43 properties Outperformed benchmark over 3, 5, 7 & 10 years⁵ 	DHPF dexus Dexus Healthcare Property Fund \$0.9bn² <ul style="list-style-type: none"> Established 2017 \$946 million² portfolio across 5 properties 	DREP1 dexus Dexus Real Estate Partnership New fund <ul style="list-style-type: none"> Marketing launched in 2020 First in a planned series of closed-end opportunity funds 	DOTA dexus Dexus Office Partnership \$5.4bn³ <ul style="list-style-type: none"> Established 2013 19 properties Acquired & de-listed CPA portfolio April 2014 	DACT dexus Dexus Australian Commercial Trust \$0.6bn³ <ul style="list-style-type: none"> Established in 2020 50% interest in iconic prime-grade Rialto Towers, located in Melbourne CBD 	DITA dexus Dexus Industrial Partnership \$0.4bn³ <ul style="list-style-type: none"> Established 2014, recapitalised in 2018 Core strategy with growth mandate 	AIP dexus Australian Industrial Partnership \$0.4bn <ul style="list-style-type: none"> Established 2012 20 properties Strong performance since inception 	DALT dexus Dexus Australian Logistics Trust \$2.6bn² <ul style="list-style-type: none"> Established 2018 Growth strategy through develop to core and acquisitions 	Mercatus Dexus Australia Partnership \$0.4bn⁵ <ul style="list-style-type: none"> Established 2021 Growth strategy through acquisitions 	TARONGA VENTURES Taronga Ventures Partnership⁴ Established 2020 <ul style="list-style-type: none"> Platform and fund investment Partnership with large, reputable real estate companies Driving real estate innovation by identifying and investing into next generation solutions

All figures as at 31 December 2020 unless otherwise stated.

1. As at 31 December 2020, pro forma for the merger of ADPF and DWPFP (prior to circa \$2 billion of redemptions).

2. Includes Dexus ownership interest and on completion value.

3. Includes Dexus ownership interest.

4. Dexus investment in the platform and fund.

5. New partnership formed in March 2021.

6. As at 31 March 2021.

Options for growth

Balance sheet strength and growing capital partners

Sources of capital

Divestments

- › Active asset recycling
- › Good liquidity for quality assets
- › \$1.1 billion¹ contracted sales awaiting settlement

Third party capital

- › Divesting interests in development projects to existing and new partners

Existing balance sheet capacity

- › Low gearing 24.9%² provides headroom against target gearing range of 30-40%

Deploy capital into initiatives and opportunities that deliver growth

Uses of capital

Funds management

- › Asset warehousing and co-investment
- › Capability and platform acquisitions

Opportunistic acquisitions

- › Focus on selective core and value-add development acquisition opportunities

Development pipeline

- › Activating the \$6.1 billion³ development pipeline

On-market securities buyback

- › Taking advantage of market volatility

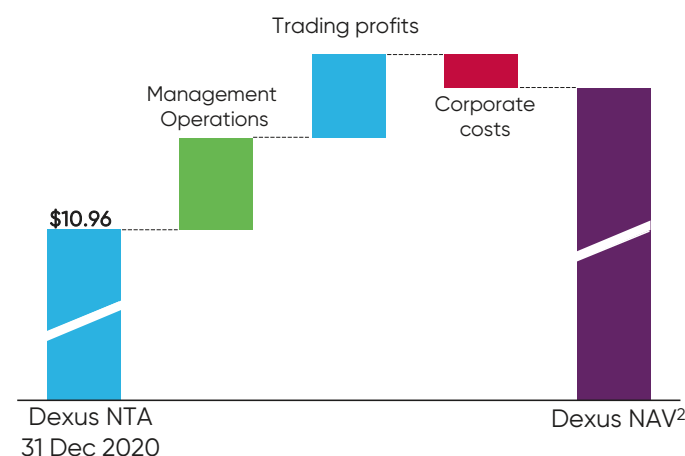
1. Includes Dexus's interest of the sale of 60 Miller Street, North Sydney, Grosvenor Place, Sydney and 10 Eagle Street, Brisbane.
 2. At 30 December 2020 adjusted for cash and debt in equity accounted investments, excluding the impact of the contracted divestments of 60 Miller Street, North Sydney and Grosvenor Place, Sydney.
 3. Dexus share.

Summary

Dexus is a unique business and more than just an office REIT

- › March 2021 quarter saw the commencement of the COVID-19 vaccine roll out in Australia and an increase in physical occupancy across CBD office locations
 - Positive economic indicators point to a continued economic recovery
- › Dexus is a diversified property platform that can leverage leading capabilities across a range of asset classes
 - Options for growth available and a strong balance sheet - ready to be put to use to enhance investor value
 - Will continue to execute on strategic initiatives to drive superior risk-adjusted returns for investors
- › Maintain guidance for an FY21 full year distribution per security amount consistent with FY20¹

Underlying value of overall Dexus business compares favourably to current security price



Note: Illustrative build up of underlying value across Dexus business.

1. Subject to there being no reinstatement of any major lockdowns or unforeseen circumstances. The FY20 full year distribution per security amount was 50.3 cents.
 2. Net Asset Value.

Important information

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