

Dexus (ASX: DXS)

ASX release



24 June 2020

Resilience in property portfolio valuations at 30 June 2020

Dexus today announced that 107 of its 118 assets, comprising 42 office properties and 65 industrial properties have been externally valued as at 30 June 2020.

The external independent valuations have resulted in a total estimated decrease of circa \$195 million or 1.2% on prior book values for the six months to 30 June 2020.

Darren Steinberg, CEO of Dexus said: "Our high quality property portfolios were in a strong position as we entered into a period of uncertainty driven by the onset of the COVID-19 pandemic, with their high occupancy levels, diversified tenant base, and limited new supply coming online in our key office markets.

"The latest independent valuations demonstrate the resilience of our property portfolios in this uncertain environment. The office portfolio experienced a circa 1.5% decline on prior book values as a result of the softer assumptions relating to rental growth, downtime and incentives over the next 12 months. The industrial portfolio experienced a circa 0.7% increase on prior book values, reflecting the quality of the portfolio and investment attractiveness of the asset class."

The valuation result to 30 June 2020 followed the strong portfolio valuation uplift of \$656 million recorded in the six months to 31 December 2019.

The weighted average capitalisation rate across the total portfolio tightened circa 4 basis points over the past six months from 5.09% to circa 5.05%. The weighted average capitalisation rate of the office portfolio tightened circa one basis point from 4.98% at 31 December 2019 to circa 4.97% at 30 June 2020 and the industrial portfolio weighted average capitalisation rate tightened circa 12 basis points from 5.78% at 31 December 2019 to circa 5.66% at 30 June 2020.

Darren Steinberg said: "While the operating environment remains uncertain, over the next six to 12 months we expect quality office and industrial asset values to remain resilient with pricing supported by an attractive yield spread over bonds and lower for longer interest rate environment, with some impact from a softer outlook for rental growth, downtime and incentives.

"Investment demand for quality assets is expected to remain positive, with Australia well positioned for a recovery in foreign investment due to efforts relating to the control of the COVID-19 pandemic ahead of other countries and our longer term economic growth prospects."

Details relating to specific individual property valuations will be available in Dexus's 2020 annual results which will be released on Wednesday, 19 August 2020.

Authorised by the Board of Dexus Funds Management Limited.

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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 \$33.8 billion. We believe that the strength and quality of our relationships is 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 \$16.8 billion of properties, with a further \$17.0 billion of properties managed on behalf of third-party clients. The group's \$11.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 million square metres of office workspace across 55 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 27,000 investors from 20 countries. With 35 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

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