

# Dexus Industria REIT (ASX:DXI)

## ASX release

9 February 2022

### Active period of leasing and transactions increases portfolio value to \$1.78 billion

Dexus Industria REIT (DXI) today announced its results for the half year ended 31 December 2021, confirming a distribution of 8.7 cents per security.

#### Highlights

- **Statutory net profit** of \$113.7 million, up 257.0% on the previous corresponding period, primarily driven by higher revenue and valuation gains on investment properties
- **Funds from Operations (FFO)** of \$24.8 million up \$5.0 million, or 25.5%, with FFO per security of 9.5 cents, down 5.0% on the previous corresponding period, as a result of the timing difference between the \$350 million equity raising launched in September 2021 and capital deployment
- \$91.0 million of **valuation gains**<sup>1</sup> were the primary driver of a 35 cent (10.9%) uplift in **Net Tangible Assets (NTA)** per security to \$3.55<sup>2</sup>
- **Strongly positioned balance sheet**, with gearing at 28.5%, or 33.9% on a look-through basis, and at the lower end of the 30 – 40% target range
- **Acquired \$584 million of properties** and increased the total portfolio value to \$1.78 billion, with further upside anticipated from the \$378 million development pipeline in Sydney and Perth
- **Achieved record leasing activity**, with 45,700 square metres of portfolio leasing completed at an average 15% premium to market rents, as well as 16,100 square metres<sup>3</sup> of development leasing

Alex Abell, DXI Fund Manager said: “The financial results for the first half reflect an active period of leasing and transactions, as well as the focus across the Dexus platform to generate outperformance for DXI securityholders. Key drivers of the result included 45,700 square metres of leasing; acquiring \$584 million of industrial assets including a 33.3% stake in 51 assets and 80 hectares of development land at Jandakot Airport, Perth; and raising \$350 million of equity and additional debt to fund growth initiatives.

#### Strategy

“We have demonstrated solid progress on our strategy to leverage Dexus’s fully-integrated real estate platform to execute our vision of becoming the premier industrial A-REIT. We continued our active approach to acquiring new opportunities across the market while remaining disciplined in our execution, focusing on assets that will enhance our portfolio and provide the ability for us to generate long-term value for our securityholders.

“The acquisitions undertaken during the period will deliver transformational growth over the coming years. On completion of these acquisitions, the portfolio is 79% weighted towards industrial and logistics assets, which continue to benefit from strong underlying industry fundamentals. We remain focused on delivering securityholder value over the long term and actively managing our assets, including the significant development projects at Jandakot Airport, WA and Kemps Creek, NSW.”

#### Financial result

DXI reported a statutory net profit of \$113.7 million for the half year ended 31 December 2021, up \$81.8 million, or 257.0%, on the previous corresponding period. The increase in net profit was primarily driven by valuation gains on investment properties of \$91.0 million<sup>1</sup>, which were \$72.0 million higher than the previous corresponding period.

FFO increased 25.5% to \$24.8 million. FFO per security was 9.5 cents, down 5.0% largely due to anticipated timing delays between the \$350 million equity raising launched in September 2021 and capital deployment relating to acquisitions. Net rental income increased \$4.0 million, or 15.6%, with rental uplifts embedded in lease contracts and new acquisitions contributing to the growth. The industrial portfolio achieved strong like-for-like growth of 7.4%, while the entire portfolio recorded like-for-like growth of 2.5%<sup>4</sup>.

All 39 properties that were held in DXI’s portfolio for the full six-month period to 31 December 2021 were externally valued. The valuation uplift above prior book values was 8.3% on a like-for-like basis<sup>1</sup>, largely driven by industrial assets in Victoria and NSW increasing by 9.8% and 14.8% respectively. Valuation gains were the primary driver of a 35 cent (10.9%) uplift in NTA per security to \$3.55<sup>2</sup>.

Gearing was 28.5%, or 33.9% on a look-through basis, towards the lower end of the target band of 30 – 40%, providing capacity to fund growth opportunities. DXI will continue to deploy capital to the most attractive opportunities that align with its strategy, including utilising the active on-market securities buyback program. The weighted average cost of debt was 2.3%, and the weighted average debt maturity increased from 2.9 years to 3.8 years with no near-term refinancing requirements through the securing of \$176 million of new facilities with a 4.4-year average term, and extending \$244 million of existing facilities.

### Property portfolio and asset management

During the period the portfolio grew from 39 properties valued at \$1.10 billion to 93 properties valued at \$1.78 billion. The growth in the portfolio included three new joint ventures with Dexus, enhancing the alignment of interest between Dexus as manager, and DXI securityholders.

The acquisitions included:

- 33.3% interest in Jandakot Airport, Perth (WA), an industrial precinct comprising 51 assets, approximately 80 hectares of developable land, and airport infrastructure operations (alongside a co-investment by Dexus)
- 100% interest in 2 Maker Place, Truganina (VIC), a 30,364 square metres logistics facility fully leased to Australia Post
- 50% interest in Lot 2, 884-928 Mamre Road, Kemps Creek (NSW), a 42,500 square metres fund-through development project to be delivered in May 2023 (remaining 50% owned by Dexus)
- 50% interest in 12 Church Street, Moorebank (NSW), a last-mile logistics development site which is expected to deliver approximately 34,000 square metres of multi-level warehousing across 15 to 20 units (remaining 50% is owned by Dexus)
- 100% interest in 9 Boron Street, Narangba (QLD), a 11,840 square metre modern warehouse facility that is across 36,800 square metres of land, reflecting low site coverage of 32% and providing potential scope to add value over the medium term

Key leasing activity included the extension of leases at 89 West Park Drive (17,000 square metres), 140 Sharps Road (14,600 square metres), and 5 Butler Boulevard (8,300 square metres). 2,800 square metres was leased at Rhodes Corporate Park including 2,100 square metres to Booktopia at Building A, while 3,000 square metres was agreed at Brisbane Technology Park with life science tenants remaining active and contributing to over 2,000 square metres. Leasing outcomes exceeded valuation rent assumptions by an average of 15%, demonstrating Dexus's ability to outperform the market and drive NTA growth.

The weighted average capitalisation rate for the portfolio is 5.1% and the weighted average lease expiry by income is 5.9 years. 74% of portfolio income grows at contracted rent reviews of 3% or more<sup>5</sup>. Total occupancy remained strong at 97%.

### Development

DXI's total development pipeline stands at \$378 million, of which \$128 million is committed.

At Jandakot Airport<sup>6</sup>, heads of terms had been agreed with new occupiers at the time of acquisition across 42,000 square metres. During the half, terms were agreed across an additional 16,100 square metres. These initial developments are scheduled to complete by the end of 2022.

The developments in Sydney, at Kemps Creek and Moorebank, remain on schedule for completion in early-2023 and early-2024 respectively.

Dexus is a co-owner of each development, and is also the development manager at Jandakot Airport.

### Overview and outlook

Tenant demand remains strong across the industrial market, with 4.3 million square metres of space being taken up in 2021, double the 10-year average. This activity is the result of the transition from bricks and mortar to ecommerce accelerating; just-in-time inventory management moving to just-in-case; and a significant upswing in Australian manufacturing. DXI's portfolio is well positioned to continue to benefit from these strong structural trends, while also providing a reliable income stream underpinned by a 5.9 year weighted average lease expiry.

Less than 1% of income expires throughout the remainder of FY22, and the leasing completed this period has reduced FY23 lease expiries to 11% of the portfolio, down from 19% as at 30 June 2021.

Dexus is a strongly aligned manager of DXI, with a 17.4% principal interest and three asset co-ownerships. Dexus's fully-integrated real estate management platform continues to generate strong asset performance, as well as attractive capital deployment opportunities to support future capital and income growth.

DXI reiterates its FY22 guidance of FFO of 18.1 – 18.5 cents per security and a distribution of 17.3 cents per security, subject to the continuation of current market conditions and no unforeseen events.

*Authorised by the Boards of Dexus Asset Management Limited and Industria Company No. 1 Limited*

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**About Dexus Industria REIT**

Dexus Industria REIT (ASX code: DXI) (formerly APN Industria REIT) is a listed Australian real estate investment trust which owns interests in office and industrial properties that provide functional and affordable workspaces for business. The fund's portfolio is valued at \$1.78 billion and is located across the major Australian cities, providing sustainable income and capital growth prospects for securityholders over the long term. The fund has a target gearing band of 30 – 40%, providing flexibility for future growth without compromising the low-risk approach to management. Dexus Industria REIT is governed by a majority Independent Board and managed by Dexus (ASX code: DXS), one of Australia's leading fully integrated real estate groups, with over 35 years of expertise in property investment, funds management, asset management and development.  
[www.dexus.com](http://www.dexus.com)

Dexus Asset Management Limited (ACN 080 674 479, AFSL No. 237500) (the "Responsible Entity") is the responsible entity and issuer of the financial products in respect of Industria Trust No. 1 (ARSN 125 862 875), Industria Trust No. 2 (ARSN 125 862 491), Industria Trust No. 3 (ARSN 166 150 938) and Industria Trust No. 4 (ARSN 166 163 186), and Industria Company No 1 Limited (ACN 010 794 957), collectively the Dexus Industria REIT (ASX code: DXI) stapled group. The Responsible Entity is a wholly owned subsidiary of Dexus (ASX code: DXS).

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<sup>1</sup> Before rent straight lining adjustments.

<sup>2</sup> Calculated as total net assets less intangible assets on a look-through basis, divided by total securities on issue. NTA per security as at 31 December 2021 includes capitalised estimated transaction costs equating to 6 cents per security.

<sup>3</sup> Development leasing at 100%, or 5,400 square metres at DXI ownership.

<sup>4</sup> Excludes Rhodes Building A. Including Rhodes Building A, total portfolio like-for-like growth was (5.3%).

<sup>5</sup> Assuming CPI of 2.25%.

<sup>6</sup> DXI has a 33.3% interest in Jandakot Airport. Areas and leasing figures are disclosed at 100%.