

Dexus Industria REIT (ASX:DXI)

ASX release

12 February 2025

Improving portfolio quality through high-quality developments

Dexus Industria REIT (DXI) today announced its results for the half year ended 31 December 2024, confirming a distribution of 8.2 cents per security.

Summary

- **On-track to deliver FY25 guidance**, with HY25 Funds From Operations (FFO) per security up 5.7% to 9.1 cents, and distributions of 8.2 cents
- **Practical completion achieved at 5 Spartan Street, ASCEND at Jandakot, delivering a new, high-quality development**, 100% leased, at a yield on cost of 6.6%
- **Leasing secured of 89,160 square metres¹ across the portfolio** including development leasing of 58,831 square metres¹
- **Maintained high portfolio occupancy of 99.5%²** following strong leasing outcomes
- **+12.1% re-leasing spreads** achieved across the portfolio
- **Resilient portfolio like-for-like income growth of 4.7%³**, underpinned by average rent reviews of 3.7%, with like-for-like income growth of 17.6% at Brisbane Technology Park (BTP)
- **Well placed to fund growth initiatives** with look-through gearing of 27.7% remaining below the 30 – 40% target range
- **Valuation uplifts** supported a 2.5% increase in Net Tangible Asset (NTA) per security

Gordon Korkie, DXI Fund Manager said: “Our portfolio continues to deliver a resilient income stream with embedded growth, and solid leasing outcomes underpinning future growth. Valuation growth has resumed for the first time since FY22, with industrial assets continuing to attract significant interest from a diverse range of investors, as evidenced by transaction volumes above pre covid levels. We remain focused on leveraging our strong balance sheet to invest in attractive investment opportunities to enhance portfolio quality and deliver strong returns.”

Strategy

“Today’s result demonstrates the benefits of our active management and disciplined approach to capital allocation.

“We continue to deploy capital into our development pipeline. The projects completed during the half and committed projects are earnings accretive and improve overall portfolio quality through an investment in modern, highly functional warehouses. Momentum has been generated with four new developments activated after achieving two pre-commitments at ASCEND at Jandakot during the half, which are expected to deliver yields on cost above our target threshold of 6.25%.

“Industrial market conditions remain favourable. While demand has moderated from the extraordinary levels reached in recent years, strong population growth and higher online penetration rates are expected to continue to support demand. In addition, supply levels are moderate which continues to support strong operating conditions, as evidenced by the double-digit re-leasing spreads achieved across our industrial re-leasing during the half and high occupancy levels.”

Financial result

The statutory result reflected a net profit after tax of \$53.7 million, compared to a loss of \$10.2 million in the prior corresponding period, primarily reflecting property valuation gains recorded this half compared to valuation losses in the prior corresponding period.

FFO increased 5.7% to \$28.8 million, or 9.1 cents per security. Strong portfolio like-for-like growth of 4.7%³ was offset by reduced property income from divestments. Net finance costs were lower due to a reduction in the average debt balance following divestments, reducing the impact of higher interest rates.

All assets were independently valued in the six months to 31 December 2024. The external independent valuations resulted in a net valuation uplift of \$34.0 million, representing a 2.4% increase on prior book values. Contracted rental growth and strong leasing outcomes offset the impact of nine basis points of capitalisation rate expansion. Net Tangible Assets (NTA) per security increased 8 cents, or 2.5%, to \$3.32⁴.

Look-through gearing was 27.7%, below the target range of 30 – 40%. Hedged debt averaged 81% for the half, providing material protection from higher interest rates. \$83 million of incremental hedging was executed at an attractive average hedge rate of 3.5%. During the half, \$116 million⁵ of facilities were extended and as at 31 December 2024, DXI’s weighted average debt maturity is 3.5 years with no debt maturities until November 2026.

Property portfolio, asset management and development

DXI's portfolio comprises interests in 93 properties valued at \$1.4 billion with a weighted average capitalisation rate of 6.07%. The portfolio generates a secure income yield, underpinned by occupancy of 99.5%², a weighted average lease expiry of 5.6 years² and minimal near-term lease expiries.

The portfolio generates embedded rental growth, with 85% of the portfolio generating average fixed rental growth (including strong inflation protection) of 3.3% per annum. During the half, the portfolio achieved an average rent review of 3.7%, benefiting from positive re-leasing spreads and CPI-linked rent reviews.

Industrial

DXI's industrial portfolio was valued at \$1.3 billion at 31 December 2024 at a weighted average capitalisation rate of 5.90%.

The industrial portfolio delivered average rent reviews of 3.8%, and like-for-like income growth of 2.4%⁶, with an intra-period vacancy dampening growth by 280 basis points. Re-leasing spreads of +12.2% were achieved across 28,830 square metres of stabilised leasing⁷, with incentives on re-leasing achieved at levels below market. Occupancy remained high at 99.7%² following strong leasing outcomes.

DXI's total development pipeline is valued at \$269 million and equates to interests in 287,900 square metres in major hubs in Sydney and Perth, providing additional income upside potential, targeting yields on cost of 6.25% and above. DXI has circa \$179 million of spend remaining on its pipeline, of which \$47 million is committed.

At ASCEND at Jandakot, one project was completed at 5 Spartan Street over 20,300 square metres, 100% leased and at a yield on cost of 6.6%.

DXI's industrial portfolio secured leasing deals⁸ across 87,661 square metres, including development deals of 58,831 square metres. Notable development leasing at ASCEND at Jandakot included:

- 46,448 square metres across 8 Centurion Place and 5 Spartan Street, with both properties now 100% leased
- Leasing pre-commitments signed with two blue chip tenants across 26,900 square metres (including heads agreed post December 2024), taking the committed development pipeline at ASCEND at Jandakot to 57% pre-leased

Post 31 December 2024, a further two development deals achieved heads of agreement at ASCEND at Jandakot⁹ and Moorebank⁹ across 5,800 square metres in aggregate at strong rent levels.

Brisbane Technology Park

Brisbane Technology Park was valued at \$162 million at 31 December 2024 at a weighted average capitalisation rate of 7.37%.

At Brisbane Technology Park, occupancy remained strong at 98.2%¹ following 1,499 square metres of leasing at positive re-leasing spreads. Substantial leasing success in FY24 supported like-for-like income growth of 17.6%¹⁰ and an average income yield of 8.3%. The asset continues to generate interest from a diverse range of tenants, with average rents circa 50% below the broader Brisbane CBD office market and average incentives circa 20 percentage points lower¹¹.

Environmental, Social and Governance (ESG)

DXI is committed to delivering meaningful sustainability outcomes which align to the Dexus sustainability strategy, which aspires to unlock the potential of real assets to create a lasting positive impact and a more sustainable tomorrow. This includes delivering against the sustainability priority areas of Customer Prosperity, Climate Action and Enhancing Communities.

Recognising the importance of climate action, 100% renewable electricity is sourced for assets where DXI has operational control. DXI also maintained a carbon neutral position (scope 1, 2 and some scope 3 emissions) across its business operations and controlled building portfolio for FY24¹². DXI improved to a 5.0 star NABERS energy rating and maintained a 4.8 star NABERS Water rating across its portfolio.

DXI's focus on customer prosperity has seen 198kW of rooftop solar installed at the Moorebank development during the half-year, while 2.1MW of solar is currently being advanced across the DXI portfolio. At Brisbane Technology Park, a trial waste management initiative has diverted more than 350kg of e-waste from landfill.

Overview and outlook

DXI remains focused on generating strong risk-adjusted returns for investors over the long term by:

- Enhancing portfolio attributes that deliver organic income growth
- Maintaining a strong capital position
- Continuing an active approach to portfolio management
- Remaining disciplined in pursuing growth initiatives (including delivering the development pipeline)
- Leveraging Dexus's capabilities across transactions, leasing, development and asset management

DXI is well positioned to continue generating a secure income stream with embedded rental growth, supported by minimal near-term lease expiries. DXI will focus on retaining balance sheet flexibility, with gearing currently below the target range, prudent interest rate hedging and liquidity providing additional earnings resilience.

Barring unforeseen circumstances, DXI reiterates FY25 guidance for FFO per security of 17.8 cents, reflecting growth of 2.3%, and distributions per security of 16.4 cents, reflecting a distribution yield of 6.0%¹³.

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) is a listed Australian real estate investment trust which is primarily invested in high-quality industrial warehouses. At 31 December 2024, the fund's investment property portfolio is valued at \$1.4 billion and is located across the major Australian cities, providing sustainable income and capital growth prospects for security holders over the long term. The fund has a target gearing range of 30–40%. Dexus Industria REIT is governed by a majority Independent Board and managed by Dexus (ASX code: DXS), a leading Australasian fully integrated real asset group, with four decades of expertise in real estate and infrastructure investment, funds management, asset management and development. 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).

The registered office for the Responsible Entity and Industria Company No. 1 Limited is Level 30, 50 Bridge Street, Sydney NSW 2000 and their principal place of business is Level 5, 80 Collins Street (South Tower), Melbourne VIC 3000.

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- 1 Represents total leasing at 100%, or 36,130sqm at DXI ownership. Development leasing for the period was 58,831sqm at 100%, or 19,602sqm at DXI ownership.
 - 2 By income.
 - 3 On a face basis. On an effective basis, like-for-like income growth was 4.8% for the portfolio, or 20.6% for BTP.
 - 4 Calculated as total net assets less goodwill on a look-through basis, divided by total securities on issue.
 - 5 Includes \$60m (reflecting DXI's ownership) of debt refinanced within the DJAF Jandakot joint venture.
 - 6 On a face basis, or 2.5% on an effective basis.
 - 7 Represents stabilised leasing at 100%, or 15,029sqm at DXI ownership. Development leasing for the period was 58,831sqm at 100%, or 19,602sqm at DXI ownership.
 - 8 At 100%, or 34,631sqm and 19,602sqm at DXI ownership respectively.
 - 9 DXI's ownership interest in ASCEND at Jandakot is 33.3%, and at Moorebank is 50%.
 - 10 On a face basis, or 20.6% on an effective basis.
 - 11 Compared to Brisbane CBD prime stock at December 2024. Sourced from JLL.
 - 12 As part of the Dexus group submission under the Climate Active Standard. Covers scope 1, 2 and some scope 3. In line with Climate Active Carbon Neutral Standard for Organisations, net emissions for the year ended 30 June 2024 include offsets purchased and allocated for retirement during the year and up to the date of this report. Final Climate Active certification expected to be achieved post-reporting period. Refer to 2024 Sustainability Data Pack available on Dexus website for scope 3 inclusions.
 - 13 Based on closing security price as at 10 February 2025.