Dexus (ASX: DXS)

ASX release

18 February 2025

2025 Half year results – Leading real asset manager with well positioned platform

Dexus today announced its results for the six months ended 31 December 2024, confirming a distribution of 19.0 cents per security.

Ross Du Vernet, Dexus Group Chief Executive Officer & Managing Director said: "We have progressed our medium-term priorities of transitioning the balance sheet, maximising the contribution from the funds business and unlocking our deep sector expertise.

"We have contracted over $515 million of balance sheet divestments since the FY24 result, and we committed $50 million of retained earnings in DREP2 alongside further external capital. We have finalised key executive appointments, reduced costs, closed two sub-scale products, and are in the process of reviewing opportunities to launch new products. We are actively assessing infrastructure opportunities and remain focused on modernising and stabilising funds to position the platform for when the cycle turns."

Key highlights

- **AFFO**[1] of $251.8 million or 23.4 cents per security, in line with expectations. **Distributions** of $204.4 million or 19.0 cents per security reflected a payout ratio of 81.2%, aligned to the updated distribution policy
- **Statutory net profit after tax** of $10.3 million, compared to a statutory net loss after tax of $597.2 million in HY24, with the movement a result of stabilising capitalisation rates driving lower fair valuation losses
- **Pro forma gearing** (look-through)[2] of 31.3% is at the lower end of the 30-40% target range despite the impact of valuation declines
- **Property portfolio continues to demonstrate resilience**, maintaining high occupancy[3] across the Dexus office portfolio of 93.5% and Dexus industrial portfolio of 95.7%, with **rent collections** remaining strong at 99.6%
- **Dexus Real Estate Partnership 2 (DREP2)** has raised circa $470 million in equity commitments across its first two closes, with further equity commitments expected in FY25
- **Dexus Wholesale Property Fund (DWPF)** and **Dexus Wholesale Shopping Centre Fund (DWSF)** both outperformed their benchmarks across all time periods, and **Dexus Diversified Infrastructure Trust (DDIT)** outperformed its benchmark over the past 12 months
- **Secured circa $1.7 billion**[4] of real asset transactions across the platform, including circa $665 million of exchanged or settled Dexus divestments (of which circa $515 million was secured since the FY24 result), maintaining balance sheet strength and further enhancing portfolio quality

Outlook

Ross Du Vernet said: "Barring unforeseen circumstances, for the 12 months ending 30 June 2025 Dexus reiterates its expectation for AFFO of circa 44.5 - 45.5 cents per security and distributions of circa 37.0 cents per security[5], aligned with our updated distribution policy announced at the full-year results.

"The high-quality assets we own, manage and develop, the capabilities we build, and the relationships we forge with clients and customers continue to position us to deliver superior risk-adjusted returns for Dexus Security holders and our capital partners over the long term. Markets move in cycles and we are now reaching a turning point for real asset markets. Longer-term trends remain sound with demand underpinned by strong population growth."

Financial result

Operationally, AFFO of $251.8 million was 13.9% below the previous corresponding period, largely as a result of higher interest rates, lower trading profits and the continued impact of higher incentives flowing through the portfolio. Rent collections for the Dexus office and industrial portfolio remained strong at 99.6%.

Key drivers of the movement in AFFO included:

- Office and industrial property FFO both decreased, primarily due to the impact of divestments and lower industrial one-off income, partially offset by completion of 123 Albert Street and contracted rent growth across the portfolio.
- Income from co-investments in pooled funds grew due to the impact of new co-investments made during and post HY24.
- Management operations FFO increased driven by higher performance fees ($23.5m in HY25 compared to $14.0m in HY24) and net cost savings, partly offset by the impact of redemptions, disposals and lower valuations on average FUM. The impact of redemptions and disposals is expected to continue into next year. Dexus expects further performance fees in the second half of FY25 and has secured circa $20 million of performance fees for FY26.
- Group corporate costs decreased by $4.4 million driven by active management of the cost base.

- Net finance costs increased by $16.8 million largely as a result of higher interest rates and cessation of capitalised interest at 123 Albert Street. Higher funding costs are expected to impact in FY26.
- Trading profits were lower following reduced trading volume. Circa $35 million of trading profits (post tax) have been secured for FY26.
- Maintenance and leasing capex increased due to the continued impact of higher incentives from deals struck in prior periods flowing through the portfolio this half.

Dexus's statutory net profit after tax was $10.3 million, compared to a statutory net loss after tax of $597.2 million in HY24. This movement was primarily driven by lower fair valuation losses on investment property as a result of stabilising capitalisation rates across the portfolio compared to HY24.

The weighted average capitalisation rate softened 12 basis points from 6.05% at 30 June 2024 to 6.17% at 31 December 2024 for the Dexus stabilised office portfolio, and softened 9 basis points from 5.45% at 30 June 2024 to 5.54% at 31 December 2024 for the Dexus stabilised industrial portfolio.

The portfolio valuations resulted in a total circa 1.6% decrease on prior book values for the six months to 31 December 2024. These revaluation losses primarily drove the 16 cent or 1.8% decrease in net tangible asset (NTA) backing per security during the half to $8.81 at 31 December 2024.

Dexus maintained a strong balance sheet with pro forma gearing (look-through)[2] of 31.3%, at the lower end of the 30-40% target range, and $2.9 billion of cash and undrawn debt facilities. Dexus has a weighted average debt maturity of 4.5 years, manageable near-term debt expiries and remains within all of its debt covenant limits, retaining its credit ratings of A-/A3 from S&P and Moody's respectively. On average, 83% of Dexus's debt was hedged throughout HY25, providing material interest rate protection.

Sustainability

Dexus's commitment to delivering strong sustainability outcomes underpins long-term performance. During the half, Dexus progressed the priority areas of its sustainability strategy:

- **Customer prosperity:** Activations held across 17 assets with partners such as Banish, Planet Ark and Friendly to improve customer engagements and waste diversion rates. The GreenPower Buyers Group program, which supports customers' climate transition, has collectively purchased 4,687 megawatt-hours of renewable electricity since inception and avoided 3,246 tonnes of greenhouse gas emissions, equivalent to 1,943 Sydney to Melbourne return flights
- **Climate action:** Continued to source 100% renewable energy for the managed portfolio and play a role in the energy transition through our funds' investments in Macarthur Windfarm and PowerCo. Dexus is well progressed in its preparation for the new FY26 ASRS climate related financial disclosure regulations
- **Enhancing communities:** A focus on activating community programs at scale saw close to 300 participants, including staff and customer teams across assets, take part in STEPtember and raise funds in support of Cerebral Palsy Alliance. Alongside Foodbank, food was collected across office, industrial and health assets, raising awareness on the challenges of food insecurity and donating the equivalent of 20,000 meals

Dexus has continued its strong sustainability performance in the Global Real Estate Sustainability Benchmark 2024 Real Estate and Infrastructure Assessments with seven entities achieving 5-Star GRESB ratings for 2024. Dexus Office Trust, Dexus Office Partnership and Dexus Wholesale Shopping Centre Fund also ranked in the top 10% of participants globally. All participating infrastructure assets maintained or improved their GRESB star ratings.

High quality property portfolio remains resilient

Dexus's $14.5 billion high quality portfolio comprises predominantly $9.6 billion in office and $3.5 billion in industrial.

	Office		Industrial	
Key metrics[6]	**31 Dec 2024**	**30 Jun 2024**	**31 Dec 2024**	**30 Jun 2024**
Occupancy by income[3]	93.5%	94.8%	95.7%	96.8%
Weighted average lease expiry (by income)	4.4 years	4.7 years	4.5 years	4.3 years
Average incentives	26.4%	27.9%	21.1%	16.5%
Effective like-for-like income[7]	1.6%	(0.9)%	(1.2)%	3.5%
Weighted average cap rate	6.17%	6.05%	5.54%	5.45%
Leasing volumes	**6 months**	**12 months**	**6 months**	**12 months**
Stabilised leasing (sqm)	48,500	160,400	239,700	170,500
Number stabilised lease transactions	131	271	34	40
Development leasing (sqm)	-	8,700	58,800	82,100
Number development lease transactions	-	4	5	10

Office portfolio

In office, location remains a key differentiator for asset performance, with the Sydney core and Melbourne eastern core again reporting materially lower vacancy compared with their respective market CBD averages. Dexus continues to benefit from this dynamic, with 76% of its office portfolio located in core CBD locations. The Brisbane market continues to improve, benefiting from strong demand and limited medium-term supply.

Dexus's portfolio occupancy[3] remains well above market average at 93.5%, albeit reducing since FY24 predominantly as a result of the Victorian Government departing 80 Collins Street in Melbourne. Leasing volumes of 48,500 square metres for the half were weighted towards smaller deals in the Sydney CBD, and incentives on deals in Brisbane and Sydney CBD Premium assets reduced. As a result, Dexus's average incentives reduced to 26.4%. Effective like-for-like income[7] improved by 1.6%, with fixed rent increases partially offset by amortisation impacts and downtime on vacancies. On a face basis, excluding amortisation, like-for-like growth was 2.1%.

We are seeing a positive shift in tenant confidence for high quality product, for example in our leasing experience at managed property 33 Alfred Street in Sydney (50% owned by DWPF), where the vast majority of the tenants are expanding their footprint.

Industrial portfolio

Leasing momentum was strong across Dexus's industrial portfolio during the half, with leasing volumes more than double that achieved in HY24. There was a slight reduction in portfolio occupancy due to vacancy at select assets and the impact of disposals.

Effective like-for-like income[7] declined 1.2%, impacted by a reduction in portfolio occupancy due to vacancy at select assets. Dexus is in active leasing discussions on the vacant space and remains focused on delivering strong total returns across the lifecycle of its assets. The 38% releasing spreads achieved this period, which included lease up of some previously vacant space, provide support to this approach.

Incentives rose to 21.1% which is in line with what is being observed across most markets as customers look to invest more in automation and sustainability initiatives.

The portfolio remains materially under-rented at 13.5%, creating the opportunity to grow income by resetting the rents on vacancy and upcoming lease expiries across approximately one-third of the portfolio by FY27.

Developments

The platform's real estate development pipeline now stands at a cost of $15.6 billion[8], of which $7.6 billion[8] sits within the Dexus portfolio and $8.0 billion[8] within third party funds.

Dexus has circa $1 billion remaining committed spend on its pipeline until the end of FY26. Dexus's city-shaping office developments have been materially de-risked via fixed price contracts and 71% of weighted average leasing pre-commitments. Atlassian Central (completing FY27) and Waterfront Brisbane (completing FY28) will become next generation assets and enhance portfolio quality for Dexus and its capital partners.

At the flagship industrial development precincts of Horizon 3023, Ravenhall and ASCEND Industrial Estate, Jandakot Airport, Dexus progressed 150,300 square metres of construction across nine projects, five of which are fully leased. Dexus completed construction at 5 Spartan Street in ASCEND at Jandakot Airport across 20,300 square metres and is 100% leased. Construction also progressed at development projects at Moorebank and Marsden Park in NSW.

Transactions and trading

Despite a challenging transactions market, Dexus undertook circa $1.7 billion of transactions[4] across the platform, comprising $1.5 billion of divestments and $0.2 billion of acquisitions. This includes circa $665 million of exchanged or settled Dexus divestments since 30 June 2024.

Since the FY24 result announcement, Dexus has secured circa $515 million of balance sheet divestments including the sale of 100-130 Harris Street, Pyrmont for $229 million, 145 Ann Street, Brisbane for $107 million (reflecting Dexus's 50% leasehold interest) and 3 Brookhollow Avenue, Baulkham Hills[9] for circa $110 million, contributing toward Dexus's circa $2 billion divestments earmarked across FY25-FY27. The divestment of 3 Brookhollow Avenue has secured circa $35 million of trading profits (post tax) for FY26.

Funds management platform continues to deliver for investors

Dexus manages $38.9 billion of funds across its diversified funds management business.

The funds platform continues to deliver performance for investors. Flagship funds Dexus Wholesale Property Fund (DWPF) and Dexus Wholesale Shopping Centre Fund (DWSF) outperformed their benchmarks across all time periods, while Dexus Diversified Infrastructure Trust (DDIT) outperformed its benchmark over the past 12 months.

Dexus has secured circa $975 million of transactions across the funds platform during the half, the vast majority of which were divestments on behalf of a number of funds to enhance portfolio quality, maintain strong gearing levels and facilitate circa $800 million of redemption requests to meet client needs, which is an important part of its proposition as a leading fund manager.

Despite the subdued capital raising market, Dexus continued to harness the pockets of opportunity where there is investor appetite. DREP2 raised circa $470 million in equity commitments across its first two closes, with further equity commitments expected in FY25. Funds from DREP1 and 2 were also deployed, including the acquisition of an office conversion to student accommodation opportunity.

Dexus continues to modernise and stabilise funds and retains its focus on delivering strong investment outcomes over the long term for its clients.

HY25 Results

This ASX announcement should be read in conjunction with the 2025 Half Year Results Presentation, 2025 Half Year Financial Statements and HY25 Property Synopsis, released to the Australian Securities Exchange today and available on www.dexus.com/investor-centre

Investor conference call

Dexus will hold an investor conference call at 9.30am (AEST) today, Tuesday 18 February 2025, which will be webcast via the Dexus website (www.dexus.com/investor-centre) and available for download later today.

Authorised by the Board of Dexus Funds Management Limited

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About Dexus

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1 AFFO in accordance with guidelines provided by the Property Council of Australia (PCA) comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments and reversal of impairments, derivative and foreign exchange mark-to-market impacts, fair value movements on financial assets held at fair value through profit or loss, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, non-FFO tax expenses, certain transaction costs, one-off significant items, amortisation of intangible assets, movements in right of use assets and lease liabilities, rental guarantees and coupon income, less maintenance capital expenditure and lease incentives.

2 Adjusted for cash and debt in equity accounted investments and excluding Dexus's share of co-investments in pooled funds. Pro forma gearing includes committed transactions post 31 December 2024. Look-through gearing at 31 December was 32.4%. Pro forma look-through gearing including Dexus's share of equity accounted co-investments in pooled funds was 33.0% at 31 December 2024.

3 By income.

4 Includes disposals of $1.3 billion real assets and $0.2 billion of real asset securities.

5 Based on current expectations relating to asset sales, performance fees and trading profits, and subject to no material deterioration in conditions.

6 Dexus balance sheet portfolio performance statistics exclude co-investments in pooled funds and excludes development leasing.

7 Includes provision for expected credit losses.

8 Includes Central Place Sydney scheme which is under review.

9 Divestment exchanged post 31 December 2024.