Dexus Industria REIT (ASX:DXI)

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DXI delivers upgraded guidance and advances evolution to a focused industrial REIT

Dexus Industria REIT (DXI) today announced its results for the full year ended 30 June 2025.

Summary

- **Delivered upgraded FY25 guidance**, with FY25 Funds From Operations[1] (FFO) per security of 18.2 cents, up 4.6% on the prior year and ahead of initial guidance of 17.8 cents, alongside distributions per security of 16.4 cents
- **Statutory net profit after tax of $84.2 million**, reflecting property valuation gains this year compared to valuation losses driving a statutory net loss in the prior year
- **Valuation uplifts** supported a 3.1% increase in Net Tangible Asset (NTA) per security
- **Resilient portfolio like-for-like income growth of 5.9%[2]**, underpinned by average rent reviews of 3.5% and maintained high occupancy of 98.6%[3]
- **Leasing secured on 209,600 square metres[4] across the portfolio**, including 93,100 square metres of development leasing, **doubling leasing volumes** of the prior year
- **44,000 square metres[5] of new, high-quality developments completed** at ASCEND Industrial Estate at Jandakot Airport and Moorebank
- **Progressed transition to a focused industrial REIT** through the expected divestment of Brisbane Technology Park (BTP)[6] and the acquisition of an urban logistics warehouse at Glendenning, NSW[7]
- **Well placed to fund growth initiatives** with look-through gearing of 29.0%, remaining below the 30–40% target range and no debt expiries until FY27

Gordon Korkie, DXI Fund Manager said: "DXI delivered on its upgraded guidance for the year, driven by our high performing portfolio that continues to generate resilient and growing income. Our active management approach has helped achieve close to full occupancy and strong leasing outcomes over FY25. We remain focused on leveraging our strong balance sheet to pursue higher-returning opportunities, with the momentum across our accretive development pipeline a key highlight.

"Today's result demonstrates DXI's ability to deliver resilient income growth and development upside through our active management and disciplined approach to capital allocation."

Strategy

Gordon Korkie said: "DXI's portfolio changes support our evolution to a focused Australian industrial REIT. The expected divestment of BTP and the acquisition of a well-located urban logistics asset at Glendenning represent a deliberate reweighting toward high-quality, well-located growth-oriented industrial assets. These transactions will enhance DXI's portfolio quality and increase our exposure to the Sydney industrial infill market."

Industrial market conditions remain favourable, supported by continued low vacancy across core markets. Demand has moderated from the extraordinary levels reached in recent years. However, strong population growth, higher online penetration rates, and a more supportive interest rate outlook are expected to continue to support industrial activity and demand. With continued high land and construction costs, supply levels are expected to remain moderate, supporting rental growth and occupancy levels.

Financial result

The statutory result reflected a net profit after tax of $84.2 million, compared to a loss of $11.8 million in the prior corresponding period, primarily reflecting property valuation gains recorded this year compared to valuation losses in the prior year.

FFO increased 4.6% to $57.9 million, or 18.2 cents per security, driven by development completions and strong portfolio like-for-like growth of 5.9%[2] supported by 3.5% average rent reviews. These positive contributors were partially offset by reduced property income from divestments and higher net finance costs which reflected an increased average cost of debt, partially offset by a lower average debt balance from divestments.

All assets were independently valued in the 12 months to 30 June 2025, with BTP's valuation updated to the expected divestment price of $155.5 million following exchange of option agreements on 6 August 2025[6]. These valuations resulted in a net valuation uplift of $37.6 million, representing a 2.6% increase on prior year book values. Contracted rental growth and strong leasing outcomes offset the impact of 11 basis points of industrial capitalisation rate expansion. Net Tangible Assets (NTA) per security increased 10 cents, or 3.1%, to $3.34[8].

Look-through gearing was 29.0%, below the target range of 30–40%. Look-through gearing is expected to reduce by five percentage points following the post balance date acquisition of Glendenning[9] and expected divestment of BTP, both announced post 30 June 2025. During the year, $65 million of new facilities were executed and $199 million[10] of facilities were extended at competitive rates. As at 30 June 2025, DXI's weighted average debt maturity is 3.3 years with no debt maturities until FY27. Hedged debt averaged 70% for the year.

Property portfolio, asset management and development

DXI's portfolio comprises interests in 97 properties valued at $1.5 billion with a weighted average industrial capitalisation rate of 5.91%. The portfolio generates a stable income yield, underpinned by occupancy of 98.6%, a weighted average lease expiry of 5.4 years[11] and minimal near-term lease expiries.

The portfolio generates embedded rental growth, with circa 84% of income subject to average fixed rental increases of 3.3% per annum. During the year, the portfolio achieved an average rent review of 3.5%, supported by CPI-linked rent reviews. In addition, operating performance benefited from positive re-leasing spreads.

Industrial

DXI's industrial portfolio was valued at $1.3 billion as at 30 June 2025 at a weighted average capitalisation rate of 5.91%. The industrial portfolio delivered average rent reviews of 3.5%, and like-for-like income growth of 4.6%[12]. 113,100 square metres[13] of stabilised leasing was achieved, with incentives on renewals at levels below market and occupancy remaining high at 99.5%. Key leasing deals included renewing two of the largest tenants in the portfolio across 73,500 square metres at Jandakot, significantly de-risking our near-term lease expiry profile by extending each lease expiry to FY31 and beyond.

ASCEND Industrial Estate at Jandakot Airport delivered like-for-like income growth of 6.7%[14], supported by 99.4% occupancy, positive releasing spreads and mid-term market reviews. Over 100,000 square metres[15] was leased during the period, with a further circa 87,000 square metres[16] of development leasing achieved.

The total development pipeline at ASCEND at Jandakot is valued at $230 million across six committed projects and four uncommitted projects totalling 263,300 square metres, with over 76%[17] of the committed development projects pre-leased. This pipeline is expected to deliver additional income upside potential over FY26-FY30, targeting yields on cost of 6.25% and above.

Brisbane Technology Park

The business park assets at BTP continued to perform over the year, benefiting from continued proactive asset management and recent upgrades. FY24 leasing successes supported like-for-like income growth of 13.2%[18] and an average income yield of 7.8%. Following a significant improvement in occupancy and operating performance since FY23, the expected divestment of BTP presents a compelling opportunity to sharpen DXI's focus and transition to a focused industrial REIT.

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 maintained its carbon neutral position for Scope 1, 2 and some Scope 3 emissions across its business operations and controlled building portfolio for FY25[19] as part of the Dexus managed portfolio emissions. DXI achieved a 4.9 star average NABERS Energy rating and maintained a 4.8 star average NABERS Water rating across its portfolio.

DXI's focus on customer prosperity has seen a combined 1.96MW of rooftop solar installed at Westrac at Tomago, Velociti at Moorebank and ASCEND at Jandakot during the year, while 532kW of solar is currently being progressed at other DXI assets. At BTP, a waste management initiative has diverted more than 1,200kg 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
- Continuing an active approach to portfolio management
- Remaining disciplined in pursuing growth initiatives (including delivering the development pipeline)
- Maintaining a strong capital position
- 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, while delivering on its development pipeline. With gearing currently below the target range, DXI retains significant balance sheet flexibility to redeploy capital into value-creating opportunities, including its development pipeline.

Barring unforeseen circumstances, DXI expects to deliver FY26 FFO per security of 17.3 cents and distributions per security of 16.6 cents[20], reflecting a distribution yield of 5.8%[21].

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

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1 The Directors consider the Property Council of Australia's (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, derivative mark-to-market impacts, 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, rental guarantees and coupon income.
2 On a face basis (excluding amortisation). On an effective basis (including amortisation), like-for-like income growth was 5.2% for the portfolio.
3 By income.
4 Represents 116,490sqm stabilised leasing at 100% (or 48,227sqm at DXI ownership) and 93,114sqm development leasing at 100% (or 32,004sqm at DXI ownership).
5 At 100%, or 17,600 sqm at DXI ownership. DXI's interest in ASCEND at Jandakot is 33.3% and Moorebank is 50%.
6 Subject to final adjustments and capital raising. Exchange of option agreements for the divestment of BTP was announced on 6 August 2025.
7 Acquisition of 32 Cox Place, Glendenning NSW on 11 July 2025.
8 Calculated as total net assets less goodwill on a look-through basis, divided by total securities on issue.
9 Excludes potential impact of the Glendenning refurbishment opportunity.
10 On a look-through basis. Includes $60m (reflecting DXI's ownership) of debt refinanced within the DJAF Jandakot joint venture.
11 By income.
12 On a face basis, or 3.5% on an effective basis.
13 At 100%, or 44,900sqm at DXI ownership.
14 On a face basis. On an effective basis, like-for-like income growth was 5.6% for Jandakot.
15 At 100%, or 34,100sqm at DXI ownership.
16 At 100%, or 29,000sqm at DXI ownership.
17 Includes Heads of Agreements reached post 30 June 2025. As at 30 June 2025, 70% of committed development projects were pre-leased.
18 On a face basis, or 17.0% on an effective basis.
19 Covers Scope 1, 2 and some Scope 3 which received limited assurance. In line with Climate Active Carbon Neutral Standard for Organisations, net emissions for the year ended 30 June 2025 include offsets purchased and allocated for retirement during the year and up to the date of this announcement. Final Climate Active certification expected to be achieved post-reporting period. Refer to the Sustainability Data Pack for Scope 3 inclusions, which will be made available by Dexus on 20 August 2025 on the Dexus website.
20 Based on property income growth supported by contracted rental increases, contracted transactions and current interest rate expectations.
21 Based on closing security price as at 7 August 2025.