

# Quarterly Report

Dexus Australian Property Fund

APIR code: NML0337AU

December 2025





# Investment objective

The Fund's objective is to provide income and long-term capital growth by investing in a diversified portfolio of Australian commercial properties and Real Estate Investment Trusts (AREITs) through investing in Dexus Wholesale Australian Property Fund.

## Summary

### Dexus Australian Property Fund

- **Returns** – Over the year to 31 December 2025, the Fund returned 8.38% of which 5.63% was the distribution and 2.75% was growth. The quarterly total return in Q4/2025 was 2.75%.

### Dexus Wholesale Australian Property Fund

- **Valuations** – the portfolio value increased by 1.0% over the quarter. The retail portfolio increased by 1.6%, the office portfolio increased by 0.7% and the industrial portfolio increased by 0.8% over the quarter. The average cap rate for the investment portfolio is 6.32% and valuations have now increased for seven consecutive quarters, though remain well-below replacement cost.
- **Key metrics** – The Fund's occupancy was stable at 97.6% and the weighted average lease expiry increased to 4.8 years.
- **Divestments** – 2 Pound Rd & 384 Gippsland Hwy, Dandenong settled for \$40.0 million in November 2025. The sale price was ahead of the 30 June valuation of \$35.65 million.
- **Leasing** – during the quarter, Dexus executed lease renewals at Casula Mall, Sydney with both Coles (15 years) and Kmart (10 years). Casula Mall is the largest asset in the Fund and securing two of Australia's best tenants on long-term leases represents a show of confidence in the property and its catchment area. Occupancy in the office portfolio improved from 85% to 90% largely as a result of new leases at Gasworks Workspace and 199 Grey Street, South Brisbane.
- **Development** – a development proposal was lodged for 636 St Kilda Road. This project was accepted into the Victorian government's Development Facilitation Program (DFP) which allows faster decisions making and streamlining the planning process for priority projects.
- **New unit class** – A new PDS was issued on 26 June 2025 introducing Class D units which offer capped monthly liquidity.
- **Additional Units Offer** – in celebration of the 40<sup>th</sup> anniversary of the Fund, Dexus is making 2% 'additional units' available for those investing from 1 October 2025. The offer is open until 31 March 2026 or until \$100 million of Qualifying Investments are received by the Responsible Entity. Details of the offer are available at [dexus.com/dwapf](https://dexus.com/dwapf).

## Fund facts

Gross assets	\$58.2 million
Inception date	31 July 2001
Management costs	1.40%
Buy/sell spread	Nil
Distribution frequency	Quarterly
Distribution cents per unit	1.04
SIV compliant	Yes
Withdrawal payment time	12 months <sup>1</sup>

## Dexus Wholesale Australian Property Fund

Debt	41.0% of gross assets
No. of properties	19
Portfolio occupancy	97.6%

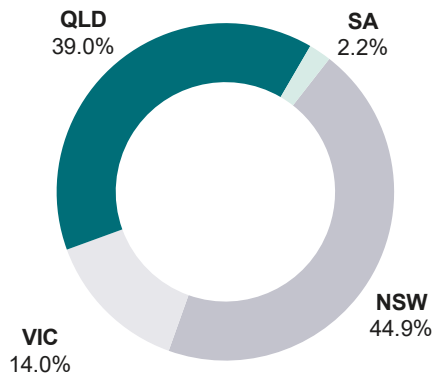
# Fund returns & Asset allocation

	3 months	1 year	3 years	5 years	10 years	Since inception
	%	%	%	%	%	%
Distribution return	1.36	5.63	5.55	5.43	4.00	7.25
Growth return	1.39	2.75	-8.28	-2.95	5.58	-1.20
<b>Total return (after fees)</b>	<b>2.75</b>	<b>8.38</b>	<b>-2.73</b>	<b>2.48</b>	<b>4.14</b>	<b>6.04</b>

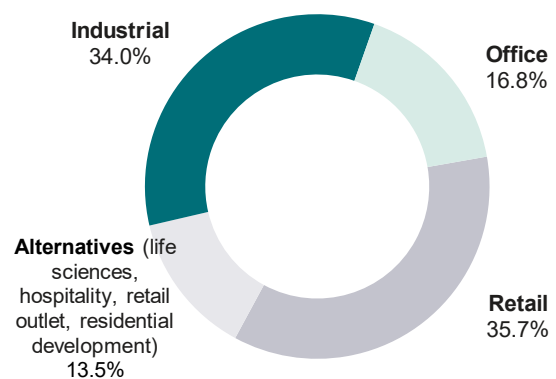
Past performance is not a reliable indicator of future performance.

Returns shown before tax and after fees. Performance is annualised for periods greater than one year. Distributions for future periods may vary.

## Asset allocation – by state



## Asset allocation – by sector



# Commentary

Over the year to 31 December 2025, the Fund returned 8.38% of which 5.63% was the distribution and 2.75% was growth. The quarterly total return in Q4/2025 was 2.75%.

## Dexus Wholesale Australian Property Fund

The overall portfolio value increased by 1.0% over the quarter, supported by leasing success at Casula Mall and Gasworks, increased property income, an uptick in market rents and a sharpening of cap rates on some properties. The retail portfolio increased by 1.6%, the industrial portfolio increased by 0.8% and the office portfolio increased by 0.7%. The average cap rate for the investment portfolio is 6.32% and valuations have now increased for seven consecutive quarters, though remain below replacement cost.

The Fund's occupancy maintained above 97% and the weighted average lease expiry increased to 4.8 years. The Fund's gearing was 41.0% as of 31 December 2025.

In October, 2 Pound Rd & 384 Gippsland Highway, Dandenong were sold by Cushman & Wakefield for \$40.0 million, ahead of the 30 June valuation of \$35.65 million. In Q4/2025, the properties were successfully settled.

During the quarter, lease renewals at Casula Mall, Sydney with both Coles and Kmart for respective terms of 15 years and 10 years were executed by both parties. Casula Mall is the largest asset in the Fund and securing two of Australia's best tenants on long-term leases represents a show of confidence in the property and its catchment area and contributed an increase in the value of the property. Occupancy at Gasworks improved as a result of a lease to new tenant, Picklebet and at 199 Grey St, Brisbane new tenants increasing the occupancy from 85.6% to 94.4%

The Fund's debt with National Australian Bank was refinanced, extending a \$200 million tranche of debt to December 2029. The refinancing resulted in the interest rate on drawn debt falling modestly. Since the current banking facility was created in 2012, all of the lenders have elected to either maintain or increase their exposure to the Fund which represents a strong external vindication of the quality of the portfolio.

A formal Development Application was submitted on 636 St Kilda Road, seeking approval for a residential scheme. The property has previously been accepted into the Victorian government's Development Facilitation Program (DFP) which provides a streamlined planning process for projects that demonstrate outstanding design. A response is expected in Q1/2026.



Class D units – offering alternative liquidity terms – are now available (please refer to PDS dated 26 June 2025). During the quarter, the new class was added to the investment menu of North, Hub24, CFS Edge, Netwealth and Praemium platform, and will soon be available on other platforms.

In celebration of the 40th anniversary of the Fund, Dexus is making 2% 'additional units' available for those investing from 1 October 2025. The offer is open until 31 March 2026 or until \$100 million of Qualifying Investments are received by the Responsible Entity. Details of the offer are available at [dexus.com/dwapf](https://dexus.com/dwapf).

# Market commentary

Global economic uncertainty has stabilised after peaking in the first half of the CY25, though domestic factors have now come to the fore. The inflation outlook has shifted materially over the past quarter, reshaping expectations for monetary policy and testing business sentiment.

GDP posted a 1.8% gain in the year to Q2 2025 and is forecast to grow by 2.1% in 2026. Business confidence has logged gains for seven straight months in November and may come under pressure in December following two successive inflation surprises. Underlying inflation jumped to 3.3% in October, up from 2.8% in June, with headline inflation reaching 3.8%. The Reserve Bank now faces a choice between tightening policy further or holding rates steady while waiting for labour market softening to do the work. Consensus now sees rates on hold through 2026, with the 10-year government bond yield sitting at around 4.7%.

Real estate transaction volumes grew for the second consecutive year, up 8.5% from 2024. Transaction volumes increased in all except the industrial sector. Office transaction volumes surged in Q4 2025, up 66.5% from Q3. Continued improvements in transaction volumes is reflective of emerging price consensus and improving investor sentiment. A potential headwind in the transactions market this year is the recent increase in government bond yields. If entrenched, higher bond yields may drag on returns.

The Australian office market is now delivering the rental growth that was anticipated as vacancy stabilised along with improving demands and constrained supply. Sydney CBD net effective rents grew 10.9% over the year to December 2025 and Brisbane CBD effective rents went up 15.7% year-on-year. Sydney CBD vacancy fell to 14.7%, Melbourne CBD vacancy declined to 18.8%, while Brisbane CBD vacancy rose modestly to 11.5%. Demand continues to strengthen across the major CBDs. Sydney CBD absorbed 86,000 sqm over the year, well above the ten-year average, while Melbourne CBD recorded net absorption of 53,000 sqm.

The industrial sector has experienced a period of normalising rent growth and slowly increasing vacancy. Demand through the year was steady with 3.0 million sqm of supply came online. Sydney recorded the most take-up over the year, with 1.1 million sqm, followed by Melbourne with 1.0 million sqm. Vacancy rates continue to creep up in most precincts, with the national vacancy rate now sitting at 3.2%. Melbourne continues to see the highest vacancy (4.7%), followed by Brisbane (3.1%). Rent growth was strongest through the year in Inner West Sydney (7.4% p.a.), Outer West Sydney (5.8% p.a.) and Southern Brisbane (4.7% p.a.). Incentives are continuing to climb, putting pressure on net effective rents

The investment case for retail property has strengthened throughout 2025. Tight supply dynamics have supported declining vacancy rates and firming rental growth prospects. Retail unlisted wholesale funds were the best-performing sector in the MSCI Australian Wholesale Index, jumping by 3.5% in the quarter and posting a strong total return of 10% p.a. (outperforming the 7.6% p.a. return for all funds).

Households recorded strong spending throughout 2025, growing 7.0% y-o-y to November 2025. The recent lift in inflation adds to potential risks for the consumer. The labour market remains strong, with solid employment growth and unemployment sitting at 4.3%. Throughout the year, consumer sentiment has fluctuated, with some improvement through the first half of the year, and in recent months, some wavering. Current sentiment is cautious, driven by the higher-than-expected inflation reads.

Looking ahead, the outlook for real estate markets is underpinned by stable interest rates, resilient business confidence, and a limited supply pipeline. As the market transitions into the next phase of the cycle, the Fund remains well-placed to deliver on its objectives of income and long-term capital growth for investors.

## Fund features & positioning

Fund features	* Income focus	quarterly distribution paid continuously since inception
	* Tax-deferred income	Tax deferred components can potentially reduce short term assessable income
	* Low target gearing	target range is 0-45% of gross assets with a long-term target of 0-15% of gross assets <sup>1</sup>
	* Quarterly valuations	generally, lower price volatility than listed investments
	* 2% bonus units	available if you opt into the Distribution Reinvestment Program
	* Liquidity	monthly redemption windows paid within 12 months <sup>2</sup>
	* Hardship & Deceased estates	monthly withdrawals available if criteria met <sup>3</sup>
Positioning	* Asset allocation	select mix of traditional and contemporary asset classes
	* Inflation & interest rates falling	provides opportunity to position for expected rate cuts in 2025
	* Strong population growth	supporting demand for real assets
	* Rising construction costs	have increased the replacement cost of existing assets
	* Factors constraining supply	elevated construction costs, finance costs and development risk
	* Valuations below replacement cost	buying below cost may prove an astute strategy

<sup>1</sup> As at 31 December, drawn debt was 41.0%.

<sup>2</sup> While the Fund is liquid, the Responsible Entity aims to pay redemptions within 12 months of the applicable window. This may be extended in certain circumstances.

<sup>3</sup> Please refer to the PDS.

# Fund focus:

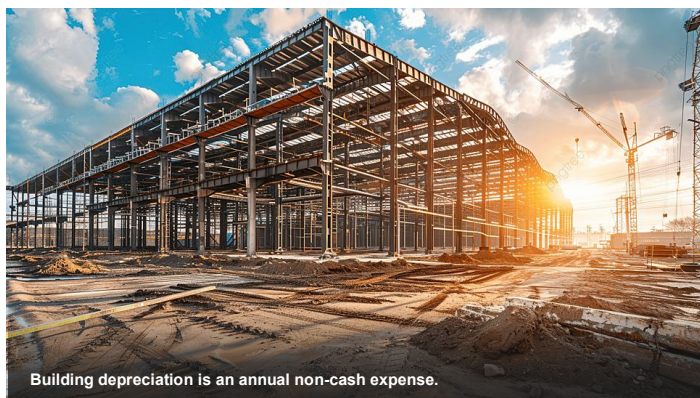
## Tax-deferred Income

Tax-deferred income is a powerful and often under-rated feature of commercial property investment. For investors seeking reliable, regular income and long-term tax efficiency, understanding how tax-deferred distributions work – and their implications for portfolio strategy – is essential.<sup>1</sup>

### What is depreciation?

Buildings don't last forever – they depreciate over time. There's no direct cash cost of 'ageing' but nevertheless it's a real cost to investors. In most cases, after around 40 years physical buildings will have exhausted their economic value and therefore each year 2.5% of the original construction cost can be treated as a tax-deductible expense.

The same principle applies to the plant and equipment used to run the building, from air conditioning units to lifts, lighting, IT systems and even the carpet. These don't last forever either, in fact they last a lot less than 40 years, so they can generally be depreciated over 4-20 years. As with buildings, depreciation on plant and equipment can also be treated as an annual tax-deductible expense over the item's life, even though there's no actual cash cost to the carpet looking a little dated over time.



### What is tax-deferred income?

Australian property funds distribute income as 'distributions', which can include taxable and tax-deferred components. Tax-deferred amounts usually come from non-cash deductions like depreciation. These amounts are not included in the investor's income tax return for the year; instead, they reduce the cost base, deferring tax until a capital gains tax (CGT) event.<sup>2</sup>

The key point is that although the tax system allows depreciation to be treated as an expense, it is a notional expense and doesn't impact the amount of cash that investors receive from the property year-to-year.

That said, there's no such thing as a free lunch. Because depreciation reduces the cost base, it can increase the capital gain when you go to sell the property or your units in a fund, and therefore the CGT bill. This is why this income is called 'tax-deferred' rather than 'tax-free'.

### How much of the distribution can be tax-deferred income?

Up to 100% of a property fund's distribution may be classified as tax-deferred income, depending on many factors including:

- The age of the property – if older, the buildings or the plant and equipment may have already been fully depreciated.

- How much value is in the land – land can't be depreciated so properties with high land value, may have relatively low levels of depreciation available.
- How much debt is used – generally, using more debt will increase the amount of tax-deferred income as a percentage of the distribution to the investor, but it adds more risk.

### Why tax-deferred income matters

Tax-deferred income should be taken into account for the following reasons:

#### 1. Lower tax leakage during your hold period

Property funds typically pay distributions monthly or quarterly, providing investors with regular cash flow. Tax-deferred components can enhance after-tax returns, especially for those on higher marginal tax rates or retirees seeking income stability.

#### 2. Compounding and reinvestment

Tax-deferred distributions can be reinvested, allowing investors to benefit from compounding until a CGT event occurs. Over time, this can significantly increase total returns.

#### 3. Strategic tax planning

Deferring tax until a capital gains event can let investors access CGT discounts. Individuals and trusts may get a 50% discount if they hold the investment for at least 12 months, while complying super funds may receive a 33.33% discount. In some cases, super funds in pension phase may pay no capital gains tax.

#### Case study: quantifying the benefit

Consider an investor on a 45% marginal tax rate, investing \$100,000 in a property fund paying 6% distributions, all tax-deferred, over three years.

Year	Distribution	Tax Deferred	Tax Payable	Net Income
1	\$6,000	\$6,000	\$0	\$6,000
2	\$6,000	\$6,000	\$0	\$6,000
3	\$6,000	\$6,000	\$0	\$6,000
<b>Total</b>	<b>\$18,000</b>	<b>\$18,000</b>	<b>\$0</b>	<b>\$18,000</b>

Upon redemption, the cost base is reduced by \$18,000, resulting in a capital gain. With a 50% CGT discount, the total tax on the commercial property investment is \$4,050.

Were the investor to have invested in cash at 6.0% p.a. the total tax would have been \$8,100 – twice the rate on the property fund.

### Conclusion

Tax-deferred income offers significant advantages for long-term investors, including enhanced after-tax returns, compounding benefits, and strategic tax planning.

While the mechanics can be complex, understanding how these work can help investors make informed decisions and optimise portfolio outcomes.

For advisers, this is especially important as tax outcomes are generally specific to an individual's circumstances. Leveraging depreciation benefits in future opportunities can improve returns and add long-term value to clients' portfolios.

For more information, consult your tax adviser and review the latest guidance from the Australian Taxation Office.

<sup>1</sup> This summary is of a general nature only and does not take into account the specific circumstances of an investor. This information is only current as of the date of this article. It is important that you seek professional taxation advice before you invest or deal with your investment, as the Australian taxation system is complex, and the taxation treatment of your investment will be specific to your circumstances and to the nature of your investment. It is your responsibility to consider and monitor the impact of any taxation reforms impacting your investment.

<sup>2</sup> Please note, once the cost base is reduced to nil, a capital gain may arise to the extent of any excess tax deferred distributions (above the nil cost base).



## Balance sheet – Dexus Wholesale Australian Property Fund

Assets/Liabilities	Valuation	Valuation Date	Cap rate	Occupancy	No. of Tenants	WALE* (years)
Casula Mall	\$207.0m	Dec-2025	5.75%	98.1%	62	7.5
Stud Park Shopping Centre	\$144.5m	Dec-2025	6.50%	98.8%	61	4.7
Gasworks Plaza	\$140.5m	Dec-2025	5.50%	100.0%	38	4.6
Brickworks	\$152.0m	Dec-2025	6.00%	100.0%	54	2.8
The Mill, Alexandria	\$185.0m	Dec-2025	5.50%	98.3%	20	4.0
Bond One, Walsh Bay	\$118.0m	Dec-2025	6.88%	100.0%	6	1.9
636 St Kilda Rd, Melbourne	\$76.1m	development				
199 Grey St, Brisbane	\$87.5m	Dec-2025	7.50%	100.0%	12	2.6
Gasworks Workspace, Brisbane	\$65.5m	Dec-2025	7.50%	62.0%	9	3.0
Stanley House, South Brisbane	\$33.0m	Dec-2025	6.00%	100.0%	2	5.7
Connect Corporate Centre B2, Mascot	\$87.5m	Dec-2025	7.75%	100.0%	9	4.0
Connect Corporate Centre B3, Mascot	\$148.0m	Dec-2025	7.75%	99.4%	17	4.1
Holbeche Industrial Estate, Arndell Park**	\$65.0m	Dec-2025	5.38%	100.0%	5	2.5
202-228 Greens Rd, Dandenong	\$50.0m	Dec-2025	6.25%	100.0%	2	3.5
Crossbank 161, Trade Coast, Brisbane	\$99.5m	Dec-2025	5.50%	100.0%	1	13.1
Crossbank 141, Trade Coast, Brisbane	\$53.2m	Dec-2025	5.50%	100.0%	1	8.9
Acacia Gate Industrial Estate, Acacia Ridge	\$39.7m	Dec-2025	6.50%	94.0%	10	2.4
7-9 French Ave, Brendale	\$32.3m	Dec-2025	5.88%	100.0%	1	4.0
2 Second Ave, Mawson Lakes	\$39.0m	Dec-2025	7.50%	100.0%	1	4.9
Cash & other assets	\$10.9m					
<b>Total / Portfolio Average</b>	<b>\$1,834.2m</b>		<b>6.32%</b>	<b>97.6%</b>	<b>311</b>	<b>4.8 yrs</b>
Debt	\$752.8m	41.0%				
Other liabilities	\$48.8m					
<b>Total</b>	<b>\$801.6m</b>					
<b>Net Assets</b>	<b>\$1,032.6m</b>					

\* Weighted Average Lease Expiry \*\* 50% interest

## Fund Management Team



**Christopher Davitt** is the Fund Manager for the Dexus Wholesale Australian Property Fund and has overarching responsibility for setting and executing the Fund's investment strategy and capital management plan.

Christopher works with Dexus's specialist teams to formulate asset plans for the properties, source and evaluate acquisitions and manage the portfolio's debt and equity. He joined the business in March 2010 having previously held research, transaction and funds management roles in Australia and Europe.



**Charlie Nguyen** is the Fund Analyst for the Dexus Wholesale Australian Property Fund.

Charlie is responsible for performing detailed analysis of fund performance, market trends, and investment opportunities available to the Fund. With a background in finance, financial modelling and portfolio analysis, she plays a key role in developing insights to help guide investment decisions.

Charlie works closely with stakeholders across the business to ensure accurate and timely reporting for investors.

### Important note

Dexus Capital Funds Management (ABN 15 159 557 721, AFSL 426455) (DCFM) is the responsible entity (Responsible Entity) of the Dexus Australian Property Fund (Fund) and the issuer of the units in the Fund. To invest in the Fund, investors will need to obtain the current Product Disclosure Statement (PDS) from DCFM. The PDS contains important information about investing in the Fund and it is important that investors read the PDS before making an investment decision about the Fund. A target market determination has been made in respect of the Fund and is available at [www.dexus.com/dapf](http://www.dexus.com/dapf). Neither DCFM, Dexus, nor any other company in the Dexus group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this document. While every care has been taken in the preparation of this document, DCFM and Dexus make no representation or warranty as to the accuracy or completeness of any statement in it including without limitation, any forecasts. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. Investors should consider the appropriateness of the information in this document, and seek professional advice, having regard to their objectives, financial situation and needs. This document should not be reproduced in whole or in part without the express written consent of DCFM.