



PFI FY25 ANNUAL RESULTS

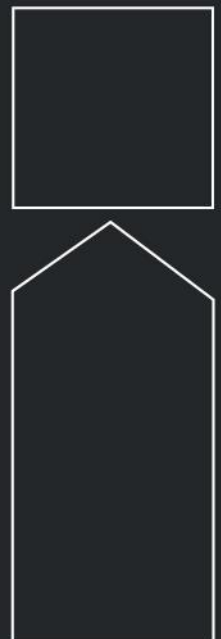
WEBCAST TRANSCRIPT.

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Start of transcript

Operator: Good day and thank you for standing by. Welcome to Property for Industry FY25 annual results conference call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. To ask a question during the session, you will need to press star one, one on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star one, one again. Please be advised, today's conference is being recorded. I'd now like to hand the conference over to your first speaker today, Mr Simon Woodhams, Chief Executive Officer of PFI. Please go ahead, sir.

Simon Woodhams: Good morning and welcome to PFI's FY25 annual results briefing. Alongside me today is Craig Peirce, our Chief Finance and Operating Officer. Before we get into the results, we just wanted to point out the following. The FY25 annual results to 30 June 2025 have been compared to the results for the 12-month period from 1 July 2023 to 30 June 2024, referred to as the prior comparable period or PCP. This differs from financial statements, which present FP24 as the comparative period for FY25 in accordance with applicable accounting standards.

If you turn to slide 3, this morning Craig and I will speak to the topics outlined here. I will begin by reviewing the highlights for the year and then give an overview of the portfolio and its performance. Craig is then going to take you through the annual results and the section on capital management before giving an update on sustainability. I'll then give an update on the market before reviewing our priorities. I'll then close the presentation, after which there'll be an opportunity for participants to the call to ask questions they may have.

If we turn to page 5 of the presentation, headed highlights. We're very pleased to report a strong result, reflecting PFI's strategic positioning and the resilience of our core industrial portfolio. Highlights that I'll expand on throughout the presentation with Craig include that positive momentum has continued across our \$2.17 billion industrial property portfolio, with fair value gains of \$70.7 million or 3.4% at the 30 June valuation.

Core assets have delivered annualised rental growth of 5.3% across the \$73.2 million of contract rent that was reviewed during the period. \$12.3 million of stabilised contract rent was leased during the year, with rents being agreed on \$7.9 million of contract rent at an average of 20.1% above previous contract rents. We're happy to report that our occupancy remains high, continuing to be almost 100% occupied at the end of the year.

Our Green Star development pipeline has been bolstered, with stage 2 of the redevelopment of 78 Springs Road tracking under budget and ahead of program, along with the advancement of development plans at both 92 to 98 Harris Road and the Spedding Road industrial estate.

Our balance sheet also remains in great shape. We've refinanced or established \$700 million of facilities since June 2024, leaving us with about \$320 million of available liquidity, while gearing remains well within our target range at 32.6%.

This activity has combined to deliver a strong annual result, with profit after tax of \$106 million for the period, which is up \$152 million on the prior comparable period. We've also announced a fourth quarter final cash dividend of \$0.025 per share. This takes full year FY25 dividends to \$0.086 per share, an increase of 3.6% on annualised FP24 dividends.

If you now turn to slide 7, headed portfolio snapshot. Our portfolios continued to benefit from strong re-leasing outcomes and structured rental growth supported by the Company's newly completed developments. Here, we have a summary of the statistics as at 30 June. You can see that the Company continues to own a portfolio of 91 properties, leased to 126 tenants. The portfolio is 99.9% occupied, reflecting the high quality of both our properties and the tenants in the portfolio. [Unclear] activity has also delivered significant increase in contract rent, which has risen from

\$99.7 million at the end of June 2024 to \$112.3 million at the end of June 2025. The Company's weighted average lease term, or WALT, has risen from 5.07 years to 5.47 years over that same period.

During the year, we recorded an increase in the value of our portfolio from independent valuations of \$70.7 million, or 3.4%, to \$2.17 billion. Around half of the valuation outcome came from firming market capitalisation rates with the balance attributable to realised rental growth. As a result of portfolio and valuation activity and excluding the Company's brownfield development properties, PFI's passing yield increased by 9 basis points to 5.23%, while the portfolio market cap rate firmed 14 basis points to 5.75%.

An independent market rental assessment of the entire portfolio was completed as part of the valuation process. This assessment estimates that PFI's portfolio is around 11.5% under-rented.

Turning to slide 9. During the financial year, the team completed leases on over 148,000 square metres of area, or 19.2% of the portfolio by rent, for an average lease term of 8.8 years. A total of \$21.6 million of contract rent was secured in FY25, with \$9.3 million of this contract rent relating to newly developed or acquired properties.

Of the remaining \$12.3 million of stabilised contract rent, rents were agreed on \$7.9 million of this, with rents settling 20.1% above previous contract rents. The remaining \$4.4 million of stabilised contract rent secured during FY25 is subject to market review on renewal. After factoring in review caps, those six leases have been assessed as being approximately 14% under-rented at the end of June 2025, with a weighted average review date of December 2026.

We move through to slide 10. As I mentioned earlier, the portfolio is essentially fully occupied at 99.9%, and the near-term expiries are very manageable. As the graph on the left-hand side illustrates, we only have 1.2% of contract rent due to expire during FY26. The largest expiry in the next 12 months is just 0.5% of contract rent. Lastly, post balance date, we've agreed an early lease surrender with GrainCorp at 92 to 98 Harris Road in East Tamaki. This lease has been excluded from any expiries analysis. This is now an attractive development project.

If you could turn to slide 11. 110 rent reviews were completed during the financial year, resulting in an average uplift of 6.2%, or 5.3% annualised, on \$73.2 million of contract rent. \$17.6 million of contract rent, or around 15.6% of the portfolio, is subject to a market rent review in FY25, and those market reviews are about 13% under-rented as at June 2025, after factoring in review caps. Around 88% of our portfolio is subject to some form of lease event during FY26, providing further opportunities for contract rental growth.

If you turn to slide 12. As we have mentioned already, PFI's core portfolio continues to deliver growth by its structure, rental growth and capturing re-leasing spreads. PFI's portfolio was 16.2% under-rented as at 30 June 2024. Market rents continued to grow over the year by 1.7% on a like-for-like basis. However, we achieved a 6.9% growth in [these same rents].

As a result, PFI's portfolio under-renting gap closed by approximately 4.7% to 11.5% as at 30 June 2025. This under-renting gap of almost 12% provides further tailwinds to our earnings, noting that market reversions continue to be settled in excess of valuer-assessed market rents. Assuming market rents remain flat on 30 June 2025, PFI expects its portfolio under-renting gap to close by a similar amount over FY26.

I'm now going to hand over to Craig, who's going to speak to several topics, including a review of the [end] results. Craig.

Craig Peirce: Thanks Simon, and good morning, everyone. Thanks for tuning in today as we share with you PFI's FY25 annual results. As Simon mentioned on the highlights slide, profit after tax of \$106 million was up \$152 million on the prior comparable period, incorporating fair value gains on properties of \$70.7 million as compared to fair value

losses of \$90 million in the prior comparable period. Funds from operations were up 5.4% on the prior period to \$0.1069 per share, and adjusted funds from operations were up 8.1% to \$0.0959 per share, with both measures reflecting strong growth in income tempered by increased interest and tax.

With a return to full year dividends after the short FP24 period, cash dividends for FY25 of \$0.086 per share have been declared, representing an increase of 3.6% on annualised FP24 dividends.

Let's dig into those numbers a bit. Please turn to slide 14. On this slide, we look at net rental income, which at \$108 million is up \$12.1 million, or 12.7%, on the prior comparable period. The completion of three significant 5 Green Star facilities at Bowden Road and Springs Road have contributed an increase in rent of \$6.3 million, with positive leasing activity across the portfolio contributing a further \$8.6 million and the acquisition of 316 Neilson Street providing a small contribution of \$0.2 million. Current and prior period divestment activity as well as vacancy together contributed a decrease of \$3 million.

Moving to slide 15. On this slide, we see how the year's activity translated into adjusted funds from operations, or AFFO. On the positive side, [AFFO level] net rental income was up \$10.3 million, or \$0.0205 per share on the PCP, and maintenance CapEx was down \$2.6 million or \$0.0052 per share. The largest offsetting factors [were] it was \$0.0079 per share increase in tax, driven by the removal of depreciation on building structures, as well as an additional \$3.8 million, or \$0.0076 per share, in interest expense, reflecting high debt levels and the loss of capitalised interest adjustments as developments completed.

If you could please now turn to slide 16. Turning our attention to dividends, the PFI Board has today resolved to pay a fourth quarter dividend of \$0.025 per share, with the dividend reinvestment scheme not operating. This fourth quarter dividend will take cash dividends for FY25 to \$0.086 per share, an increase of 3.6% on annualised FP24 dividends.

Dividends of \$0.086 per share result in a one-year FFO payout ratio of 80% and a one-year AFFO payout ratio of 90%. The dividend payout ratio based on PFI's dividend policy is 91% of AFFO on a rolling three-year historic average basis.

Looking ahead to FY26, at the beginning of August this year, we guided to FY26 dividends of at least \$0.089 per share, which we expect to sit below the lower bound of our dividend policy, at around 85% of AFFO, or 88% after normalising the early lease surrender payment at Harris Road. Acknowledging that this guidance is below our policy, we note that there is scope for further increases in FY26 dividends, but any decision to pay above \$0.089 per share will depend on several factors which are under review, including leasing progress for the remainder of stage 2 of Springs Road, clarity on development plans and timings for Harris Road, and progress on material FY27 lease expiries.

Turning to slide 17. Looking now at the balance sheet, here we provide more detail on the value of PFI's investment properties, which ended the year at \$2.17 billion. The increase from June '24 was largely driven by the \$70.7 million valuation gain that Simon talked about earlier, as well as deploying \$36.1 million of CapEx, with the vast majority being spent on the Company's Green Star development projects at Bowden Road and Springs Road.

Adding to these increases are movements on lease incentives, fees and fixed rental income adjustments, as well as the acquisition of 316 Neilson Street, Penrose, which settled in February 2025. This was somewhat offset by the divestment of 44 Mandeville Street in Christchurch, which settled in December 2024.

Turning now to slide 18, where we look at net tangible assets. NPA per share increased by \$0.129 per share, or 4.7%, with the increase being the result of that positive property valuation outcome and retained earnings, offset by a small amount from the fair value [of swaps].

Moving now to capital management. FY25 saw us refinance or establish \$700 million worth of facilities, including the issue of \$150 million PFI 030 bonds. We also successfully disposed of the Company's property at Mandeville Street in December 2024 and recycled those proceeds into development projects. Gearing remains comfortable at 32.6% at the end of FY25. When accounting for our committed projects, being the settlement of the Spedding Road land, the build-out of stage 2 of the redevelopment of Springs Road and the acquisition of 11C Norris Avenue, as well as the demolition of 92 to 98 Harris Road, we see gearing lifting to around 34.8%, excluding any development margin. Thinking next about interest rates, we have of course welcomed the 250 basis points of OCR cuts during the period, which has resulted in a significant decrease to our cost of debt. Looking over the page on slide 21, the lower chart illustrates a hedging profile which shows that interest rate hedging provides for an average of around 76% of the Company's debt to be hedged at an average fix rate of 3.08% during FY26. Turning now to slide 23 for an update on sustainability. The team at PFI has continued to deliver on our sustainability strategy during FY25.

Highlights of the year include achieving Green Star design ratings for the completed new buildings at Bowden Road and Springs Road, commencing construction of a 5 Green Star building at stage 2 Springs Road, installing solar at a further three buildings and achieving our solar installation targets, achieving Green Star performance certification on a portfolio of four buildings for the first time, with Green Star performance being a rating tool for existing buildings as opposed to new buildings. Finally, achieving our target to have power metering and monitoring installed at 90% of our properties.

Turning now to slide 24. With all that excellent progress made, meeting our solar and metering targets, we've completed a refresh of our sustainability strategy and targets for the year. Our new targets are set out on this slide. We'll continue to target 5 Green Star certifications for our significant new buildings, and we'll aim to double our solar capacity across the portfolio in the next two years. We've also introduced a new target to increase the LED lighting in our portfolio, with a view to increasing the energy efficiency of that core portfolio. We'll be releasing our full sustainability and climate report in September, which will include further information on our sustainability strategy and initiatives.

That's all from me for now. I'll hand you back to Simon and I'll be around for questions at the end. Simon.

Simon Woodhams: Thanks, Craig. I'm now on slide 26. Just a really brief touch on current market conditions. As you can see on this slide, we have continued to deliver significant re-leasing spreads of approximately 20% over FY25, as leases reset to market via rent reviews and renewals, with FY26 expiries and the market reviews currently [sitting] at 13% under-rented.

After the unprecedented growth of industrial rents over the past few years, CBRE expect modest levels of growth of FY26 before returning to more normalised growth from FY27 through to FY29. Our leasing profile has effectively no vacancy and very low levels of expiries in the next 12 months, with the return of more normal levels of expiries through FY27 and FY29 expected to coincide with increasing market rents.

If you turn to slide 28. As many of you on the call today will already know, when we look at our portfolio, we split it into four categories or buckets. During FY25, we refreshed our strategic allocations to better reflect how we think about our portfolio. This update was not just [cosmetic]. It was a deliberate move to align our categorisation with the evolving nature of our assets and the way we manage them.

You'll notice that some of the category names have changed and there's been a bit of movement between categories. These shifts are a natural part of our portfolio's evolution. We expect allocations to continue to move around. For example, the completion of stage 2 out at Springs Road will create a new core generic holding, whilst the settlement of the Spedding Road land acquisition will increase development opportunities.

Over the next few slides, I'll take you through some of the key priorities for the Company, including how these strategic allocations support our broader goals around capital deployment, earnings growth and sustainability.

Turning now to page 29. On this slide, we provide some colour on our development strategy, specifically the strategic rationale behind it and why it remains a compelling investment case for the business. Taking it clockwise from the top, development projects are currently targeting initial yield on costs of around 6.5%, which compares favourably to the low to mid 5% cap rate seen in the direct acquisition market. This makes development a more attractive use of capital in the current environment.

Feasibility models across the pipeline are showing healthy development margins in the range of 15% to 20%, helping to support gearing efficiency and long-term earnings growth. We remain disciplined in our approach, with development opportunities typically representing between 5% and 15% of the portfolio. These right-sized, well-managed projects allow us to regenerate the portfolio while maintaining balance sheet strength. While development does carry risk, our experienced in-house team and strong network of relationships gives us the capability and the confidence to deliver successful outcomes.

Finally, we see a growing opportunity in the sustainable industrial space. Recent research shows that only 16% of space occupied by the largest prime industrial tenants meets sustainability standards, highlighting a clear demand for the types of 5 Green Star rated facilities we are looking to deliver.

If you move on to slide 30. On the horizon, we have several near-term development opportunities. Following the successful delivery of stage 1 of the redevelopment of 78 Springs Road in October 2025, stage 2 is well underway and is tracking under budget and ahead of program. The balance of the site, being stage 3, could see the development of an additional 17,500 square metres of warehouse space, with stage 3 likely to be tenant-led.

The early lease surrender at 92 to 98 Harris Road in East Tamaki has unlocked and accelerated access to a site long earmarked for development. The prime 2.63-hectare site with apparently only 20% site coverage provides an opportunity to build approximately 18,000 square metres of 5 Green Star rated industrial area, and demolition of the existing structure is planned for the first half of FY26.

Titles for the 5.8 hectares of greenfield land at Spedding Road are expected to be delivered in H1 FY26. PFI's land at Spedding Road provides us with the opportunity to invest approximately \$130 million into a new industrial estate. Stage 1 has an estimated total incremental cost of about \$40 million, including land, and may commence in Q3 FY26 without any current tenant commitment. Commencement of this project would lift committed gearing to approximately 35.6%.

Moving on to slide 31. A little bit more detail. You can see a render for the plans at stage 2 of 78 Springs Road, along with some of the key development metrics. Stage 2 commenced in January, and as previously announced, we have secured MiTek on a 12-year lease over 6,500 square metres of warehouse and around 2,500 square metres of breezeway canopy, underpinning the second stage of the redevelopment of the site. Tenant commitment on the balance of the build has been sought during the construction phase.

Turning to slide 32. On this slide, we've given some visibility on the key development metrics for stage 1 at Spedding Road. The project has an estimated total cost of \$40 million including land and is targeting a return on cost of around 6.5%. On completion, we expect the development to generate approximately \$2.5 million in annual rent. The design includes around 10,800 square metres of 5 Green Star rated industrial space. We expect to commence the project in Q3 of FY26, without any tenant commitment at this point in time.

The flexible multi-unit layout is designed to appeal to a broad range of occupiers, particularly those seeking smaller high-quality warehouse space. With construction costs down around 20% from their peaks and demand expected to strengthen over the delivery period, this project positions us well to capture value in a recovering market.

If you move on to slide 33. We highlight the transition underway at 92 to 98 Harris Road. The existing tenant vacated the site in early August following an agreement to surrender their lease. The building is now obsolete and the site underutilised. We'll be moving ahead with demolition shortly. The site itself is large, well located and has long been earmarked for redevelopment. While we're still working through the design and the feasibility options, early concepts suggest it could support 14,500 square metres of warehouse. For now, the site will be cleared and secured, and we'll continue progressing plans in the background.

Moving on to slide 34. We currently have 11 planned projects across Auckland's key industrial precincts, representing around \$350 million of committed and potential capital investment. That figure excludes the value of land already owned. These projects are expected to deliver embedded value progressively over the next three to five years as they reach completion and leasing activity captures market-leading rents and development margins.

Since the start of 2024, we have completed over 55,000 square metres of 5 Green Star rated industrial space, all delivered on time and on budget, a strong track record we intend to build on.

Moving on to slide 35. Another key lever for us has been the completion of bolt-on acquisitions, targeting properties adjacent to our existing properties. In line with this strategy, we've acquired 11C Norris Avenue, which sits adjacent to 558 Te Rapa Road in Hamilton. As part of this acquisition, we were able to secure a new three-year lease with our existing tenant DEC Pharmaceuticals. The acquisition provides drive-through access to the combined site, unlocking greater development options and increasing re-leasability.

If you move through to the final slide, number 37. To summarise, we're very pleased to deliver this strong set of results, reflective of the successful execution of our strategy and the strength of our portfolio. We've [delivered] earnings and dividend growth, supported by an uplift in valuations, while bolstering our Green Star development pipeline and maintaining a strong capital position. With the operating environment improving, PFI enters FY26 well placed to harness its \$350 million development runway, driving long-term value and growing investor returns for investors.

Thank you. That now concludes the presentation. Welcome any questions you may have.

Operator: Thank you. We will now begin the question-and-answer session. As a reminder, to ask a question, please press star one, one on your telephone and wait for your name to be announced. To withdraw your question, please press star one, one again. Please stand by while we compile the Q&A roster. We will now take our first question from the line of Nicholas Hill from Craigs Investment Partners. Please ask your question, Nicholas.

Nicholas Hill: (Craigs Investment Partners, Analyst) Hi guys, good morning. Congratulations on the result. Just a couple from me. What does your FY27 lease expiry profile look like? Would it be possible to give us a breakdown?

Simon Woodhams: We've got a graph there on slide 10. [Look in there].

Craig Peirce: We haven't provided a breakdown of material...

Simon Woodhams: No, we haven't done that.

Craig Peirce: ...expiries in that pack there, Nick. Simon, there are a couple that we could perhaps talk to, into the more material ones, because there are some quite large...

Simon Woodhams: Off the top of my head, probably the three largest is one just off Rosebank Road to Southern Spars. The address of that, Craig, is 15 Jomac Place. The annual rent there is about \$1.8 million. We're expecting that to renew. They've got a 12-month notice period, so by the end of the year. The other large one is a property in Vestey Drive, leased to DHL. That's got an expiry towards the end of 2027. The third other one is one with Iron Mountain who are around the corner in Mount Richmond Road, and again, that's circa \$1.5 million.

So, there's three quite large ones. All three of them, obviously - and you can see from our track record, we try to get ahead of these [two to three years ahead. We've] been working with all three tenants, so we expect to have results on those in the next six to 12 months, is how [we're doing it].

Nicholas Hill: (Craigs Investment Partners, Analyst) Okay, thanks. Looking at the fixed lease events for FY26, you say that the average increase is 5%. That seems quite high for a fixed rent review. Is this simply due to the particular leases being reviewed or is this something reflective of your wider portfolio?

Craig Peirce: Included in that number, Nick, will be leases where we might have agreed a rent as part of a renegotiation of the lease or the like and it steps to that rent during that period there. So typically, as you know, a pure fixed rent review would be between, say, 2.5% and 3.5%. But the way we record it in our results is that if someone is going up 10%, for example, as part of a lease renegotiation, as they click into that new period, then we call that a fixed event, so that gets counted as part of those statistics. That's the nuance that sits in those numbers there.

Nicholas Hill: (Craigs Investment Partners, Analyst) Okay, thanks. That's all from me. I'll let someone else have a go.

Operator: Thank you. Our next question comes from Vishal Bhula from Jarden. Please ask your question, Vishal.

Vishal Bhula: (Jarden, Analyst) Morning, guys. Congrats on a strong result and thanks for a really detailed presentation. Just a couple of quick ones from me. You've given a lot of colour on the development strategy and it seems like it will be a greater focus from you given the material higher yields than direct acquisition. Could you just talk [to your sentiments and how you feel about the developments now] versus maybe six to 12 months ago.

Craig Peirce: The big difference between six to 12 months ago obviously is the construction numbers falling. We're seeing anywhere from 15% - depending on the project, 15% to 20% reduction in that construction number. If you look at our specific portfolio, a lot of our development is in this redevelopment or brownfield stuff where we've owned the properties for a long time, so they tend to be very well located, but probably older and more obsolete buildings. So, we see an opportunity there.

Also, there's probably a couple of areas where we think, in Auckland, where there's been an undersupply and will be an undersupply in product, particularly in West Auckland, Rosebank Road, and through Penrose, Onehunga, where we've got projects coming up in the next three to five years. East Tamaki, obviously the Harris Road lease surrender with GrainCorp, we're pretty confident on that as well.

It's been a - we haven't just turned the light on with development in the last six months. It's probably the last three years really that we've been building up experience internally, confidence in the team and in the market, being forecast to get better over the next one, two, three years. We think we're in a really good spot to deliver some good product and capture some of that growth as the market climbs out.

Vishal Bhula: (Jarden, Analyst) Thanks, that's great. Just on 686 Rosebank Road, I did note that the estimated project start date was before the current lease expiry?

Simon Woodhams: There's a number of different properties in there. That's not a redevelopment of the whole site, Vishal. There's one particular part of that site. This is the [unclear] one we're talking about here. There's a couple of smaller, older units there, which we've either got to the end of their lease expiry or they're coming to the end of the lease expiry, and that project is an extension of an existing warehouse that's there over those two smaller units which are rolling through their expiry.

Craig Peirce: We've got an estate at Rosebank Road which is approximately 8 hectares in size, so it will be an ongoing improvement project over the next three years to 10 years, really.

Vishal Bhula: (Jarden, Analyst) Perfect. Just the last one from me. Could you maybe provide some commentary on what you're seeing in the market around leasing incentives and stuff like that? FY25 [did come in a bit higher, don't you think]?

Craig Peirce: There's no doubt in the Auckland market in particular, [when I'm referring to - the vacancy has picked] up from the previous 24 months, really. I saw a Jones Lang report recently, a couple of weeks ago, we're almost at 3% in terms of vacancy. So, still very, very low from a historical point of view, but with vacancy, incentives do tick up, and we've seen that there.

There's a little bit of competition in certain areas that I think will drive incentives further. I look at the Wiri precinct in Auckland, there's a lot of new-build stuff coming on there. There's a lot of development activity down there. So, I'd expect incentives down there to tick up. But I think we're probably getting back to a more normalised stage of the market. If you went back five, six, seven years, and you were writing a six- to 10-year lease, you would expect to give away half a month of incentive or a month of incentive for each year of a new lease. 2025, I thought we did pretty well on the lease incentives.

Simon Woodhams: You can see on slide 9, Vishal, a very high proportion of the deals that we did were renewals [when it comes to our stabilised portfolio]. We manage a very low level of incentive when we roll someone through on a renewal. It's 0.2 months average incentive per year of term. We'll obviously continue to be very focused on renewing people and appropriately being able to get away with a lower level of incentive there.

Vishal Bhula: (Jarden, Analyst) Perfect, thanks guys. That's all from me. Appreciate it.

Operator: Thank you. Next question comes from the line of Nick Mar from Macquarie. Please ask your question, Nick.

Nick Mar: (Macquarie Group, Analyst) Morning, guys. Just on Spedding Road [sell off]. Can you just talk through the sort of discussion you're having with tenants there? When you bought the site, you said you were, not inundated, but you had a lot of interest in this, and we've previously talked about [getting some pre-commitments over the line], but now you're seemingly less confident, saying you'll go ahead without any commitment. [What's stopping you getting some tenants lined up for that]?

Simon Woodhams: That probably reflects the time that it's taken to deliver these sites. When they first came on through and we got them under contract, the industrial market was still running pretty hot. We're still dealing with a couple of tenants on larger warehouse sizes, that 4,500 square metres to 6,000 square metres.

The stage that we highlighted in this presentation, which is the middle of the three potential stages, we've taken a look at that and we've done a lot of research in and around West Auckland and the North Shore market, and there seems to be still quite a reasonable level of interest in smaller warehouses. When I say smaller, it's that 1,800 square metres to 2,500 square metres.

The building we're looking at pushing go on in the new year - sorry, second half of FY26 - will give us the ability to deliver up to four units, so a flexi-type warehouse. That sort of business, you tend to get leasing commitment later in the construction cycle. Generally towards when you're three to six months out, you'll have a tenant come along. So, we're still very confident in the Spedding Road location and the growth story, particularly in and around West Auckland.

There's still very low levels of vacancy on the North Shore and on Rosebank Road Peninsula, so we still think it's going to be a good location. In and around our site at Spedding Road, there's four owner-occupiers that will begin construction once titles come out, so we think there's going to be a good level inquiry and interest out there.

Craig Peirce: There's also quite a bit that will be going on as soon as those titles come through. Some of our neighbours out there are owner-occupiers and pushing go immediately out there. So, there will be quite a bit of activity once titles come through. Part of our belief is, putting some products into that activity would be a way of drumming up some interest out there, particularly as the construction costs are lower, as Simon was saying.

Operator: Thank you. Please go ahead, Nick.

Simon Woodhams: Any more, Nick?

Craig Peirce: I think he's dropped off.

Operator: Thank you. As a reminder, before we take our next question, it is star one, one if you wish to ask a question. We will now take our next question from the line of Rohan Koreman-Smit from Forsyth Barr. Please go ahead, Rohan.

Rohan Koreman-Smit: (Forsyth Barr, Analyst) Hi, guys. I'll step in in Nick's absence. Just maybe following on that, you've got interest in Spedding Road, can you give us some initial interest in what you're seeing for Harris Road as well? I guess that's one of the things that will impact '27 if you don't get it underway.

Craig Peirce: I would say there's been a reasonable level in Harris Road. Bear in mind, we've really only put it to the wider market that there's the potential for redevelopment there about five months ago. It took a while. Whilst we had some early engagement from the tenant who was surrendering the site, we didn't actually have full line of sight of that until about March this year.

But yes, we've got development plans, and we've shown those to market, which is about 14,500 square metres of warehouse. We've had one or two people show a reasonable level of interest in that, but that size building, whether we split it or lease it as one, will take some time to deliver. That size of the market, there's actually several buildings out there, particularly in the Wiri area, which are available now and vacant.

Whilst the economy, from our point of view, or the conditions in the economy, are improving, it's still pretty tough out there and people are wanting to make sure that that improvement is actually coming through in their own results. So, we're not expecting to land a big tenant in the next three months on that, but we'll keep working away on it.

With both Spedding Road, in terms of the settlement conditions there, and Harris Road, the deals we've structured have given us the ability to take our time to get it right, which is important.

Rohan Koreman-Smit: (Forsyth Barr, Analyst) Thanks. When you look at your non-core, you're down to 2%, and you're building things that will go into the core, and you've got land, so your development opportunities are going up. If we take the [\$350 million] in terms of development spend, you'll be well into the [40s in committed], and I know it's a long-dated thing. But can you just talk to funding the pipeline and some of the considerations you might put into filling any gaps when you do get into those thicker periods during - [there'll be quite a bit on] from say '27 onwards to '28, '29?

Craig Peirce: I think we've obviously tried to give a bit of visibility to what we could get up to, and equally, I think we've also tried to lay out how we think about being a bit disciplined about these sorts of things. For a number of these projects, absolutely, on the books, there'd be an intention to get on with them, and if we could get underway with each and every one within those time frames, that would be great. If we needed to hit pause due to funding constraints or the likes, then we might look to do that, just depending on gearing and checking these sorts of things.

The ones that we have immediately on the books there, by and large - in fact, they're all [out-of-Auckland assets], and they're all ones where we think the time is coming up to be right to get through those. There's another list that sits behind that there, where we could get out of, say, another \$60 million, \$70 million worth of properties, and we'd happily do that at the right time for the right reasons.

As we signalled, I think we feel like that valuation cycle has turned a little bit now, so might look to get a bit of gearing relief there. I think the benefit of that development strategy is that we can match the timing of these things with the availability of capital and manage our way through that carefully. But certainly, there's no intention to run up to above 40% gearing to get on with all of these, Rowan. I'm not sure if that answers your question, but that's the way we're thinking about it.

Rohan Koreman-Smit: (Forsyth Barr, Analyst) Yes, it does. Last one. Your target return on cost of a lot of this stuff is 6.5%. Your shares probably offer an implied cap rate similar to that. How do you balance, or what hurdle rate do you have to get some of these projects going? I appreciate things like Harris Road is not a re-leasable asset, so it needs to be redeveloped, but when you compare investing in the rest of your portfolio relatively risk-free, versus doing a development, particularly a [spec] development in West Auckland, how do you compare those two type of options?

Craig Peirce: As you know, the last time we tried to do a share buyback, we managed to get our hands on very few shares as a result of that process. From memory, it was less than \$10 million. So, I think at a pure economic level, it's absolutely as you described, \$8 million I'm being told right now. But at a apples with apples, that would be like investing \$8 million in our own portfolio. It's not something that we could do at the sort of scale that we're talking about here with the developments.

Obviously, there's those yield on cost hurdles, but there's also thinking about the sort of IRRs that these things can generate. When we look at those IRRs as compared to our weighted average cost of capital, we've got a pretty significant wedge there that we can take advantage of as well and try and capture some further development margin and those sorts of things as well. Again, as we outlined on slide 29, we try to be pretty disciplined about this sort of stuff, trying to generate a bit of return over and above that initial yield on cost - sorry, over and above our portfolio yield and over and above competing opportunities [as we go about these].

Operator: Thank you. Do you have any follow-up, Rohan?

Rohan Koreman-Smit: (Forsyth Barr, Analyst) No, that'll do. Thanks, guys.

Operator: Thank you. We will now take our next question from the line of Shane Solly from Harbour Asset. Please go ahead, Shane.

Shane Solly: (Harbour Asset, Analyst) Good morning, guys. Thanks for the run through. Two quick questions, if I may. Firstly, just on the economy over the period, you've obviously kept your portfolio well leased. Has that meant less - are you watching any tenants in particular? Is there any bad and doubtfuls you're keeping an eye on at all?

Craig Peirce: We've got one provision. That's not a tenant health issue. That's in relation to the specificities of the lease, I would say. We haven't lost a tenant during the period, and we haven't got any provisions in place for unpaid rent at the moment. In terms of August, we're now at 98%. I got the statistics Friday morning, and it was 97%, and I was told by the end of Friday, it was 98% of August's rent's already been received.

Every month, we continue to have really, really high levels of cash collection, which is a great credit to the team but also to the tenants that are in the portfolio. We acknowledge that it's a tough time out there, but we're not seeing that come through in our rental collections and the like.

Shane Solly: (Harbour Asset, Analyst) That's great. That's a great vindication of some of the things you've done with the portfolio over the last five years plus. Second question, replacement rents. If you look at, you're obviously developing, what do you need from a development - from a replacement rent? Where do you think the replacement rents are, is probably the best way of putting it.

Craig Peirce: The rents we're putting into those feasibilities are to generate 6.5 - around the 230 mark. So, if you're thinking about the rents to get a market yield on a portfolio, you work backwards from there. I don't have the maths in front of me, but I'm imagining it's lower 200s would be where that would land, Shane. But we could perhaps chat that through when we meet in a couple of days' time or something.

Shane Solly: (Harbour Asset, Analyst) Thanks guys. Appreciate your time.

Operator: Thank you. We will now take our next question from the line of Nick Mar from Macquarie. Please go ahead, Nick.

Simon Woodhams: Are you there, Nick?

Operator: Nick, we are not hearing your audio. Please unmute. We aren't getting a response. Once again, ladies and gentlemen, if you wish to ask a question, please press star one, one on your telephone. I'm showing no further questions. I'll now turn the conference back to Simon for his closing comments.

Simon Woodhams: Thanks very much everyone who chose to listen in today. Craig and I and Nick are obviously seeing a lot of you over the next couple of days, but as always, if you've got any questions, just pick up the phone or email them through. But appreciate your time. It's been a really strong year for PFI, and we're very, very proud of these results. We look forward to catching up with you over the next couple of weeks. Thank you very much.

Operator: Thank you for your participation in today's conference. This does conclude the program. You may now disconnect your lines.

End of transcript