PFI FY26 INTERIM RESULTS

WEBCAST TRANSCRIPT.

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START OF TRANSCRIPT

Operator: Good day, and thank you for standing by. Welcome to Property for Industry FY26 Interim Results. 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 need to press star one, one on your telephone keypad. 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 that today's conference is being recorded. I would now like to hand the conference over to your first speaker today, Simon Woodhams, Chief Executive Officer. Please go ahead.

Simon Woodhams: Thank you, and good morning, and welcome to Property for Industry's FY26 Interim Results Briefing. It's Simon Woodhams speaking, the CEO of PFI, and on the line with me today is Craig Peirce, our Chief Finance and Operating Officer, and Nick Moloney, our Senior Investment Manager and Acting Financial Controller. Moving through to slide 2.

You can see that we have a slightly larger deck than normal. The plan is Craig and I will take you through the presentation, and then there will be an opportunity for participants to the call to ask any questions they may have. I'm going to start on page 4 of the presentation headed highlights.

We're very pleased to deliver another strong interim result, reflecting resilience of PFI's industrial portfolio, and the benefits of our long-term strategy. Highlights include valuation growth, which has continued across our $2.25 billion industrial property portfolio, with the 19 properties that received full valuations at the half year delivering an average uplift of 3.2%.

Core assets have delivered annualised rental growth of 7.3% across the $46.2 million of contract rent that was reviewed during the period. $6.6 million of stabilised contract rent was leased during the year, with rents being agreed on $3.1 million of contract rent at an average of 14.9% above previous contract rents. We're happy to report that occupancy remains high, continuing to be almost 100% occupied at the end of the [interim] period.

Our key Green Star development projects have been advanced with stage 2 of the redevelopment of 78 Springs Road nearing completion, and continuing to track well under budget and ahead of program. Demolition is complete at 92-98 Harris Road, and stage 1 of Spedding Road is set to commence next month on a speculative basis.

Our capital position also remains robust with approximately $154 million of available liquidity, while gearing remains well within our target range at 34.2%. This activity is combined to deliver a very strong interim result, with profit after tax of $46.9 million for the period, which is up $18.2 million on the prior interim period.

We've also announced a second quarter interim cash dividend of $0.022 per share, with FY26 dividend guidance increased to at least $0.0905 per share, representing an increase of at least 5.2% on the FY25 dividends.

We now turn to slide 6 headed, delivering strong, stable returns. Before we get into the interim result itself, we wanted to just take a moment to reflect on our longer-term measures. Delivering strong, stable returns has always been a core focus for PFI, and it remains central to how we manage and grow the portfolio today and into the future.

Providing investors with exposure to a diversified portfolio of hard-working industrial property through shares listed on the NZX is fundamental to that approach.

Across a wide range of market conditions, PFI has consistently delivered dependable outcomes for investors, reflecting the quality of the portfolio and the discipline applied to its management. Since inception in 1994 through 31 December 2025, this focus has translated into an average annual total return of around 9.27%.

In practical terms, a $10,000 investment made at inception with all dividends reinvested would today be worth more than 15 times that original investment. Moving to the next slide.

Delivering regular and growing income has also been fundamental to the PFI investment proposition. Our policy is to distribute 90% to 100% of AFFO on a rolling three-year basis with the clear objective of providing investors with a reliable income stream that grows over time and protects the real value of that income. Since 1994, we have paid a dividend every year, and importantly, that dividend has grown steadily over time, with dividends per share increasing at an average rate of 1.9% per annum since inception.

Looking to FY26, we are pleased to continue this trajectory, guiding cash dividends per share of at least $0.0905 per share, an expected increase of at least $0.0045 per share, or 5.2% on last year's dividends. Turning to slide 8.

Growth in net tangible assets, or NTA, is another key measure in terms of how we create long-term value for investors. While valuations will fluctuate with market conditions, since listing, PFI has grown NTA per share by remaining disciplined through multiple cycles. That discipline starts with a clear focus on industrial property, where we acquire and actively manage high quality assets, drive rental growth, and maintain high occupancy.

We recycle capital where appropriate by vesting assets to reinvest in opportunities with superior returns, including developments, where we also capture development margin. This is supported by a prudent balance sheet with diversified funding sources, and disciplined gearing and hedging. Together, these elements have worked across cycles to grow NTA to $2.88 per share as at 31 December 2025. So if we turn to slide 10 we'll start to take a look at the last six months.

PFI's portfolio has continued to benefit from strong releasing outcomes and structured rental growth. Here we have a summary of the statistics as at 31 December. You can see that the Company now owns a portfolio of 94 properties leased to 125 tenants. Through structured rental growth and asset management initiatives, contracted rents grew to $116.3 million at the end of December 2025.

The portfolio remains essentially fully occupied at 99.9%, reflecting the high quality of both our properties, and the tenants in our portfolio. Lastly, the Company's weighted average lease term decreased slightly to 5.37 years over that period. This is a function of having low levels of expiries in the current financial year. Turning to slide 11.

In line with our valuation policy, we revalued 19 properties at the end of the interim period, resulting in a write-up on those properties of $17.1 million, or an average increase of 3.2%. The valuation outcome was attributable to realised rental growth and development progress at stage 2 of 78 Springs Road.

As a result of portfolio and valuation activities, PFI's passing yield increased by 13 points to 5.34%, while the portfolio market cap rate remained stable at 5.74%. On a like-for-like basis, market rents were estimated to have grown by around 3.2% over the period across the 19 properties that received full valuations. PFI's portfolio is now assessed at being around 9.1% under-rented at the end of the interim period. Turning to slide 12.

During the interim period, the team completed leases on almost 50,000 square metres of area, or 5.8% of the portfolio by rent, for an average lease term of 7 years. Of the $6.6 million relating to stabilised contract rent, rents were agreed on $3.1 million of this, with those rents settling 14.9% above previous contract rents. The remaining $3.5 million of stabilised contract rents cured during H1 FY26 is subject to market review on renewal.

After factoring in review caps, those four leases have been assessed as being around 14% under-rented at the end of December 2025, with a weighted average review date of October 2026. Moving to the next slide.

As I mentioned earlier, the portfolio is essentially fully occupied at 99.9% and the near-term expiries are very, very manageable. As the graph on the left hand side illustrates, all material FY26 expiries have now been leased, excluding properties held at development opportunities. $10.2 million or 8.8% of contract rent is due to expire in FY27, with the team continuing to make meaningful progress on some of the more material FY27 expiries post-balance date. Turn to slide 14.

Fifty-seven rent reviews were completed during the interim period, resulting in an average uplift of 8% or 7.3% annualised on $46.2 million of contract rent. Almost 40% of our portfolio is subject to some form of lease event during the second half of FY26, with just 0.1% of contract rent due to expire. $7.7 million of contract rent, or 6.6% of the portfolio, is subject to a market review in the second half of FY26, and those market reviews are about 15% under-rented as at December 2025 after factoring in review caps.

PFI's core portfolio continues to deliver growth via structured rental growth and re-leasing spreads with a portfolio under-renting gap of around 9%, providing further tailwinds, noting that market reversions continue to be settled in excess of value-assessed market rents. Now I'm going to hand over to Craig, who's going to speak to several topics, including a review of the interim results. Craig.

Craig Peirce: Well thanks, Simon, and good morning, everyone. Thanks for tuning in as we share PFI's FY26 interim results. As Simon mentioned earlier on the highlight slide, profit after tax of $47 million was up $18 million on the prior interim period. FFO was up 32% to $0.064 per share, and AFFO was up 24% to $0.0539 per share, with all measures buoyed by the early lease surrender payment at Harris Road.

As a result of the strong results, cash dividends for year - for the half year, sorry, of $0.044 per share have been declared, and we'll dig into the numbers a bit more now. Turning to slide 16.

On this slide, we take a look at net rental income, which at $62.6 million is up $10.7 million, or 21% on the prior interim period. A key contributor during the half was an additional $4.3 million from the early lease surrender at Harris Road. The other main drivers were positive leasing activity across the portfolio, contributing an increase of $5 million, and the completion of development projects at Bowden and Springs Road contributing a further $1.6 million of additional rental income. Moving now to slide 17.

Here we see how the six months of activity has translated into adjusted funds from operations or AFFO. On the positive side, AFFO level net rental income was up $9.2 million or $0.0183 per share on the prior interim period. The largest offsetting factors were $0.0043 per share increase in tax, driven by higher earnings, as well as an additional $2.1 million, or $0.004 per share of maintenance CapEx, which is tracking at around 37 basis points on an annualised basis.

After normalising for the early lease surrender payment at Harris Road, underlying AFFO earnings were up $0.0042 per share, or 9.6% on the prior interim period. Turn now to slide 18.

Turning our attention to dividends, PFI Board has today resolved to pay a second quarter dividend of $0.022 per share, with the dividend reinvestment scheme not operating for this dividend. The second quarter dividend will take cash dividends for the first half of FY26 to $0.044 per share.

At the beginning of FY26 we guided to dividends of at least $0.089 per share. Today, reflecting a strong first half performance and positive trading conditions, we are upgrading that guidance to at least $0.0905 per share, which is an increase of $0.0045, or 5.2% on FY25 dividends.

Cash dividends at that level are anticipated to result in a dividend payout below the lower bound of PFI's dividend policy range, and around 86% of AFFO on a one-year basis. However, after normalising FY26 earnings for the early lease surrender payment at Harris Road, dividends of at least $0.0905 per share are expected to be consistent with the payout ratio at the bottom of the dividend policy range, and represent around 90% of AFFO on a one year basis. So turning now to slide 19 and looking at the balance sheet, here we provide more detail on the change in value of PFI's investment properties, valued at $2.25 billion at the end of the period. So during the period, we completed acquisitions in Hamilton and on Mount Wellington Highway in Auckland. We also deployed $30 million on capital expenditure, with the majority of this being spent completing stage - or getting near to completing stage 2 of the Company's Green Star development at Springs Road.

In addition, as Simon mentioned earlier, full valuations were undertaken on 19 properties, resulting in a valuation write-up of $17.1 million, or 3.2%.

Turning to the next slide, slide 20, where we look at net tangible assets, which increased by $0.047 per share or 1.7%, with the increase being the result of that positive interim revaluation gain and retained earnings, with - ever so slightly offset by a decrease in the fair value of our swaps.

Speaking of swaps, and moving on to capital management on slide 22. First half of FY26, saw us repay the $100 million PFI020 bonds, as well as reclassified tranche C of our syndicated bank facility as green debt, aligning PFI's overall green facilities with a continued growth in PFI's green assets.

After the end of the interim period, we announced the unconditional agreement to dispose of properties in New Plymouth and Christchurch for a combined $19.1 million, with those proceeds being recycled back into that Green Star Development pipeline. Looking forward, whilst the bank loan market remains very supportive of PFI, as announced this morning, we are considering an offer of 6.5-year senior secured fixed-rate bonds to further extend the duration and diversify our borrowings. Moving on to slide 23.

On this slide, the top chart shows our bank and non-bank facilities, and the lower chart illustrates our hedging profile. As can be seen by that lower chart, interest rate hedging provides for an average of around 74% of the Company's debt, to be hedged at an average fixed rate of 3.07% during the second half of FY26. Turning to slide 24.

Here we have a bit more detail on committed gearing. So following all committed acquisitions, divestments and projects, and excluding any future revaluation impacts, development margins, or general portfolio CapEx, we see gearing lifting to around 36.3%, well within PFI's target range. PFI's sufficient facilities available within our existing funding envelopes fund the Company's near-term development pipeline, and a potential bond offer announced this morning potentially providing further liquidity. Moving now to slide 26.

This slide summarises our progress against our sustainability targets. First, all significant new developments continue to target a minimum five Green Star certification, with all completed developments achieving the standard, and projects in progress remaining 100% on track.

Second, our solar power target is to reach 1.4 megawatts by the end of FY27. During the interim period, we've progressed scoping work and tenant discussion with this initiative largely in the scoping phase. Pleasingly, an additional installation was secured as part of a lease deal post-balance date.

Third and finally, on LED lighting, our target is to achieve 80% of tenancies by FY28, with 63% of the portfolio already converted, representing great progress towards that goal.

So 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. We're on slide 28 now. I'm just going to touch on current market conditions. While e-commerce has grown steadily over the past decade, online penetration in New Zealand remains low compared to other developed nations, providing a meaningful runway for future growth. Its structural theme remains an important demand driver for industrial and logistics assets.

Looking ahead, CBRE expects online spending growth to remain resilient, broadly in line with recent history, supporting continued expansion into logistics and distribution requirements over the medium term. As a result, Auckland's industrial prime occupancy requirements are forecast to increase by around 30% by the end of the decade, reflecting ongoing demand from e-commerce linked tenants.

Turning to vacancy, we have seen some modest normalisation over the past year, with vacancy lifting from historically low levels. Importantly, however, vacancy remains around long-run averages and below levels typically associated with a softer market.

Looking forward, as economic recovery gains momentum and e-commerce continues to underpin demand, forecast net absorption is expected to exceed new supply over the next several years, which should place renewed downward pressure on vacancy rates. Turning to slide 29.

Following several years of exceptionally strong rental growth, prime net effective rent softened slightly through 2025, driven largely by higher incentives. Importantly this reflects a period of vacancy normalisation rather than a structural shift in tenant appetite.

Looking forward, CBRE expects rental growth to resume from 2026 before strengthening more meaningfully from 2027 onwards as net absorption once again outpaces new supply. This is consistent with prior cycles, where periods of incentive expansion have been followed by renewed rental growth. From a valuation perspective, improving vacancy, a return to rental growth and a more accommodative interest rate environment are expected to support yield firming over the medium term across both prime and secondary industrial assets.

Taken together, CBRE has forecasted an attractive total returns through to 2029, underpinned by resilient income returns and a renewed contribution from capital growth, as shown in the lower chart.

Overall, this outlook remains supportive for PFI's portfolio, given its income quality, leasing profile, and exposure to well-located industrial assets. Turning to slide 30.

This slide highlights our positioning in context of the current market environment and the outlook ahead. Following a period of exceptional rental growth, the industrial market has entered a phase of normalisation, which is reflected in leasing incentives and near-term rental outcomes. Importantly, the forward indicators point to improving conditions, and PFI's portfolio is well positioned to manage through this period with limited risk.

From an earnings perspective, the portfolio remains around 9% under-rented, providing a clear runway for organic growth as rents reset over time. In the near term, second half FY26 market reviews represent a meaningful portion of contract rent, and remain materially under-rented, even after the application of review caps. At the same time, near-term lease expiry exposure is minimal. All material FY26 expiries have been leased, and FY27 expiries are at manageable levels, with good progress already made post-balance date to further reduce exposure to market conditions.

This resilience is supported by strong tenant demand, reflected in an average tenant retention rate of around 77% since 2021, underscoring the quality, location, and functionality of the portfolio.

Finally, PFI retains strategic flexibility through its approximately $325 million Green Star development pipeline, providing optionality to deploy capital selectively and in a disciplined manner as conditions and returns allow.

Taken together, PFI is well positioned to navigate the near term and capture growth as market conditions improve, supported by [embedded] rental growth, limited near-term expiries, and disciplined capital deployment. Turning now to slide 32.

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. Over the next few slides, we'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. Looking at our priorities through the lens of our development opportunities first. Developments continue to be an attractive use of capital, with current feasibilities targeting initial yields on cost of 6.5%, providing a significant spread to recent acquisition yields.

Target development margins of 15% to 20% allow us to create value that's accretive to NTA and supports gearing efficiency. Typically representing 5% to 15% of the portfolio, developments also enable us to regenerate older assets into best-in-class 5 Green Star industrial facilities, aligning with growing demand for sustainable space. Moving over the page, slide 34.

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 nearing completion, and tracking under budget and ahead of program. The balance of the site being stage 3 could see the development of a 17,500 square metre warehouse, and could commence in H2 FY29 following the completion of demolition and asbestos removal works relating to the existing warehouse at the site.

PFI settled the acquisition of 5.8 hectares of greenfield land at Spedding Road last week, providing us with the opportunity to invest a total of around $140 million over the next three to four years. I've got more on that in a moment. The early lease surrender at 92-98 Harris Road unlocked and accelerated access to a site long earmarked for development. Demolition of the existing structures is complete with the prime 2.63 hectare site to be cleared and held until an anchor tenant is secured. We have a number of other development opportunities within the portfolio with more details on these provided in appendix 4, but today I'm going to focus on the near-term. So moving through to slide 35. Here you can see the progress being made at stage 2 of Springs Road, along with some of the key development metrics. Stage 2 is due to complete at the start of Q4 FY26, and as previously announced, PFI has secured MiTek on a 12-year lease over 6,500 square metres warehouse and around 2,500 square metres of breezeway canopy. This underpins the second stage of the redevelopment of this site.

Leasing inquiry on the speculative component, in a 4,800 square metre warehouse, ramped up during the first half of FY26. Securing a tenant for this development remains a key priority for the Company over the second half of the financial year.

Based on current cost and leasing assumptions, we remain confident this stage will deliver a yield on value in excess of 6.5% including land. Turning to slide 36.

On this slide we set out the key development metrics for stage 1 at Spedding Road. Stage 1 is set to commence in March, and will proceed on a speculative basis, with the completion expected in Q4 of FY26. The initial stage comprises around 8,500 square metres of Green Star rated industrial warehousing, with a flexible design allowing for multiple units ranging from approximately 1,800 square metres through to the full building.

The project is expected to involve an investment of around $40 million including land, and is targeting a yield on cost of 6.5%. That flexibility is a key feature of the plan for stage 1, as it allows us to respond to a broad range of tenant demand, particularly for high quality mid-sized warehouse space, while positioning the project well to capitalise on any leasing momentum through the delivery period. Moving on to slide 37.

Here you can see a render for the plans at 92-98 Harris Road, again with some of the key development metrics. Following the tenants' early lease surrender in August 2025, we moved quickly to take advantage of the softer construction market conditions, with demolition now complete. The site has been cleared and secured, leaving us well positioned for the next phase.

Current master planning provides for a circa 14,500 square metre industrial facility. Redevelopment would involve around $40 million of additional investment excluding land, and is targeting a yield on cost of 6.5%, including land. Importantly, any redevelopment is expected to be tenant-led. Now the site will be held ready, allowing us to respond quickly once an anchor tenant is secured. Moving now on to slide 38.

We currently have 11 planned projects across Auckland's key industrial precincts, representing around $325 million of committed and potential capital investment. That figure excludes the value of land. These projects are expected to deliver embedded value progressively over the next five years as they reach completion and leasing activity captures market rents and development margins.

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

Moving to slide 39, and our core generic assets. These are established, well-located industrial properties with long-standing tenants providing stable income and low vacancy risk. The broad tenant appeal supports strong leasing depth and liquidity, while modest maintenance requirements add flexibility. Core generic assets also include completed developments. As we progress through our Green Star development pipeline, overall portfolio continues to improve. Moving on to slide 40.

This slide highlights the acquisition of 505 and 507 Mt Wellington Highway, which sits firmly within our core generic portfolio for now, yet offers redevelopment opportunity over the much longer-term, given the acquisition has created around 3.3 hectares of contiguous industrially zoned land in the heart of Mount Wellington.

At $36 million, this represents our first acquisition of scale since late 2021, delivering immediate income at an initial yield of 5.75%, supported by leases to high quality tenants, JA Russell and Johnson & Johnson. Importantly, acquisition reflects a measured return to purchasing existing core assets as a means for growth, as market conditions improve. Turning to slide 41.

The last category for today, non-core holdings sit outside the long-term strategic focus of the portfolio and are actively managed for value realisation. Asset recycling is a key part of our capital management strategy. Since transitioning to a pure-play industrial vehicle at the end of 2021, we've divested $93.5 million of non-core assets at an average of around 2.5% above valuation, which doesn't include the recently announced divestments on the following slide.
As announced, on 16 February, we have agreed to sell 2 Smart Road and 18 Constance Street in New Plymouth, along with 41-55 Foremans Road in Christchurch in a single transaction for a combined $19.1 million, representing a small premium to their most recent valuations. Since acquiring the assets in 2017, they've delivered a combined property level IRR of around 9.8%. The proceeds will be recycled into our development program with settlement expected in late March 2026. Moving on to the final slide.

So to summarise, we are very, very, pleased with this result, which reflects the disciplined execution of our strategy, and the underlying strength of the portfolio. We've delivered strong earnings and dividend growth with [FOR] almost 10% even after normalising for the early lease surrender at Harris Road, and increased FY26 dividend guidance to at least $0.0905 per share, representing at least a 5.2% increase on last year's dividends.

This performance has been supported by continued valuation growth, strong leasing outcomes, and near full occupancy across the portfolio. At the same time, we've advanced our five Green Star development pipeline, maintained gearing below the midpoint of our target range, giving us flexibility as conditions continue to improve. With a high quality well-leased portfolio and roughly $325 million of development pipeline, PFI enters the second half of FY26 well positioned to deliver sustainable earnings growth and growing returns for our shareholders.

Thank you for your time. That concludes the presentation. We would happily take any questions you may have. Operator: Thank you, management. 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 as we compile the Q&A roster. Just a moment for our first question, please. First question comes from Nicholas Hill from Craigs Investment Partners. Please go ahead.

Nicholas Hill: (Craigs Investment Partners, Analyst) Good morning, and congratulations on the solid result. Just a couple of questions from me. Would you be able to provide some more commentary on the post-balance date progress you have made on the FY27 lease expiries? What needs to happen from now for a contract to be signed?

Simon Woodhams: So there's two reasonably large expiries that we've agreed commercial terms and are in the process of documenting. So both - one's $1 million, and one's close to $2 million, so circa $3 million rent has been agreed in principle, and just waiting for documentation to be signed.

Nicholas Hill: (Craigs Investment Partners, Analyst) Okay, that's great. Then on your leasing, are you able to give an indication where the $3.1 million of contract rent was against the market-assessed rents from valuers?

Craig Peirce: Sorry, Nick, could you just give us a bit more colour on that? So, the - which [unclear]?

Nicholas Hill: (Craigs Investment Partners, Analyst) You had some releasing of expiries over the period, I believe, with a - I think it was a 14% or so uplift on previous rents.

Craig Peirce: Yes.

Nicholas Hill: (Craigs Investment Partners, Analyst) Are you able to give an indication of where those rents sit against the market-assessed rents from the independent valuers? Like, were they above or below? I believe this is something that you've previously disclosed.

Craig Peirce: Yes, okay. Look, I don't have that detail in front of me. I think in a general sense, we were settling around or above those value-assessed market rents unless there was a cap involved in some of those deals. Let me just have a look here. Nick's saying we're about 8.5% above the market assessment when we look at the detail of those.

Nicholas Hill: (Craigs Investment Partners, Analyst) Okay, thanks, that's very helpful. I'll let someone else have a go.

Craig Peirce: Great.

Operator: Thank you. Just a moment for our next question, please. Next we have Vishal Bhula from Jarden. Please go ahead.

Vishal Bhula: (Jarden, Analyst) Morning, guys. Congrats on the solid result, and apologies, I was a bit late to get on the call so I may have missed the update on Spedding. Could you provide a bit of colour about what's actually going out there? Is there a lot of development activity currently in that area, and is anyone else doing anything on a spec basis?

Simon Woodhams: Yes. So the official opening of Spedding Road was actually this morning, Vishal. There might be some press on that. Yes, there's - three people have already started development works on site. So two adjacent to us, and one across the road.

So, yes, if you go out there this morning, [Kohler Bathrooms] are about 60% of the way through their development. They started ahead of title being issued. [Tranzit Bus] have completed an electric bus terminal out there, and there's another large occupier across the road from us, CDB, who is an owner-occupier building 13,000 square metres. So a lot of activity already on site ahead of settlement of titles, which gives us some confidence.

We're building a single building structure around 8,500 square metres that we can split into up to four separate units. So we call it a flexible building pod essentially. So we can service anyone from 1,800 square metres up to the full building depending on delivery. So yes, nice flexible building. We're pretty confident that during the build period, which I think in the presentation I might have said Q4 2026, I meant Q4 2027 is when we'll be completing that.

Craig Peirce: Yes. So probably just a little bit of further colour there, Vishal, there are some people who we understand may consider [to spec] some space out there as well. For instance, we understand someone might be doing three units ranging from 750 square metres to 1500 square metres and the like, but as we can see, there's not a lot of additional space being put up out there.

In the broader Hobsonville, Westgate, that sort of thing, again, there is a little bit of space out there that's available, but as Simon said, we're building a pretty flexible space there. It can go between - anything between one and four parties, and we think that that's the right place to be pitching the product in that market.

Vishal Bhula: (Jarden, Analyst) Thanks for that comprehensive update. I appreciate that. Then on Harris Road, given you guys have done all the demo and prep work and you're just waiting to get a tenant before you [hit go], are you able to cap interest on that site now?

Craig Peirce: No, I think we - just looking at Nick here, I think we don't cap interest while we're just sitting on our hands on that. So…

Simon Woodhams: Unless we're actively underway.

Craig Peirce: Unless we're actively underway, we don't in terms of our numbers.

Vishal Bhula: (Jarden, Analyst) No, perfect, that makes sense. Then just lastly, before I give someone else a shot, just in terms of your guidance you've normalised for Harris Road to say it'll be about 90%-ish payout. Are you able to give a bit of detail on what sort of investment boost you assume in that guidance?

Craig Peirce: Yes, I think the main item will be that we will be completing the Springs Road projects through that period, and so obviously that's a pretty significant project, and 20% of the cost of that gets capitalised [unclear]…

Simon Woodhams: [Unclear] as well.

Craig Peirce: Yes. Sorry, 20% gets counted under investment boost for that. Again, you will have seen, I guess, slightly elevated maintenance CapEx this time around. Those items are also eligible for that as well.

Vishal Bhula: (Jarden, Analyst) No, cool. Thanks, guys, appreciate it.

Operator: Thank you. Next we have Paul Koraua from Forsyth Barr. Please go ahead.

Paul Koraua: (Forsyth Barr, Analyst) Hey, morning guys. Maybe I'll just pick up on the guidance comment there. So you've guided to 90% AFFO payout of underlying, that's sort of second year running now. What are you guys thinking about in terms of your three-year rolling AFFO payout, and what you need to see to pick up that payout through '26 and '27?

Obviously your expiries for the rest of this year is pretty low, and if you roll into next year, you've now got two years running where you're paying right at the bottom of that range. So should we expect a larger pickup through '27 or what should we expect there?

Craig Peirce: Yes, I think on one of the slides quite early on in the pack we talk about targeted earnings growth. When you look at the slide - one before that. The slide that shows the dividend there, slide 7, and we talk a little bit around targeted earnings growth and those sorts of things. I think when it comes to moving up that payout ratio, clearly we have a number of moving parts when it comes to developments, and some of those larger expiries, and those sorts of things like that.

So as we tidy those sorts of things away, pre-commits on Harris, that sort of thing, you might see us start to move up that range there, but I would say it's a good position to be in to be at 90% rather than some who perhaps are further up that range there. Because it does give us the flexibility as we go into these projects and deal with these bigger leases.

Paul Koraua: (Forsyth Barr, Analyst) Yes. No, that makes sense. It's just with some of the comments you guys are talking about with net absorption over the medium-term looking pretty supportive, as well as your development completions, it looks like except for those development completions that you need tenants for, you guys are pretty well positioned to move up that range.

Craig Peirce: Yes, hopefully, yes.

Paul Koraua: (Forsyth Barr, Analyst) Maybe we just move to some of the commentary around the leasing then on - you're - obviously Spedding Road, you're now kicking that off spec. I think there was commentary last time around that, having discussions with a potential tenant, and then maybe just on stage 2 you said leasing interest has picked up through the half. Maybe any more colour you can give on stage 2 of that build as well?

Simon Woodhams: Yes, so stage 2 is Springs Road, we noticed a noticeable uptick probably October, November last year. We haven't actually landed anyone yet, and as we said, that's a key priority for us going forward. It went a bit quiet through December and the start of January. So we're dealing with a couple of potential tenants, but we're not at paperwork with anyone at this stage for stage 2.

The Spedding Road tenant that we were dealing with failed to get offshore approvals for the deal that had been agreed onshore. So we are picking the whole building off on a speculative basis, and as Craig said, we can deal with anyone from 1,800 square metres up.

We're probably not expecting too much tenant engagement. When you get down to that smaller size, sort of 1,800 square metres, 2,000 square metres, they tend to move a little bit later in the piece. So given we won't be starting till March and completing till April, May next year, we're looking towards the end of this calendar year is how we're thinking from a tenant point of view, but we're very comfortable with where everything else sits.

Paul Koraua: (Forsyth Barr, Analyst) So maybe just picking up on that, and more broadly, where has the tenant demand been the deepest in terms of shed size? Is it in that mid to small size where it's been deeper?

Simon Woodhams: At the moment, I would say that, yes. There's probably- if you look at the market currently, it's getting up around that 3% vacancy. There are several larger sheds that are available. If you wanted a 10,000 square metre shed, there's quite a few options out there compared to a couple of years ago. So yes, it seems to be the activity towards the second half of last year was in that 1,500 square metres up to 5,000 square metres range.

So it's that part of the cycle where there is some absorption to happen. I saw the retail figures that came out last night looked pretty good for the last three months through to December 30. So that takes a little while to flow through, but there's definitely some better commentary coming through from various sectors. So yes, as we move through the year, we'd expect some of that smaller stuff to be swallowed up, and then it moves up the range as people get more confidence.

Craig Peirce: I think - sorry, just to [unclear] on that, the key for us when we're looking at some of these projects, the likes of the yet-to-be-leased part at Springs or at Spedding, is just about having a size unit that hits that part of the market, or there is a bit of flexibility to flex up or down, depending on what's out there, and that's how we're responding to the market dynamics in that way.

Paul Koraua: (Forsyth Barr, Analyst) Yes, awesome. I'll leave it there. Thanks, guys.

Craig Peirce: Thank you.

Operator: Just a reminder, to ask a question, please press star one, one on your telephone keypad and wait for your name to be announced. Next question, we have Shane Solly from Harbour Asset. Please go ahead.

Shane Solly: (Harbour Asset, Analyst) Good morning, guys, it's Shane Solly from Harbour Asset. I've got three questions, if I may. First one, it is a bit of a mixed economy out there. Can you talk about how you're positioning the portfolio perhaps versus other cycles, is the first question. When you look at it, slightly different positioning, how do you think you see it for a mixed economy?

Simon Woodhams: I think if you go back 18 months, Shane, we recognised that vacancy was at historic lows, and the portfolio was close to 100% full, and we had some rather large expiries coming up through '26, '27, and we made a pretty conscious decision to get ahead of that. So a lot of what you're seeing today in terms of full occupancy was part of a deliberate management action 18 months to 24 months ago. So that's playing out quite well for us. As you know, everything moves in a cycle. So when it's very strong, that's the time to try and tidy things up.

So it is mixed out there. We are at 99.9%, so we're very, very happy with that and we think that's a strong result. So really just getting ahead of what we can control, and that's engaging - just good asset management, engaging with tenants early, being prepared to manufacture deals that work for everyone, and keep that portfolio 100% occupied. Then I guess on the capital side…

Craig Peirce: Yes, building on that, there's also the financial settings. When it comes to the financial settings, the question was earlier, we're at the bottom end of our dividend payout range, so that gives us some flexibility to deal with demand changes. We've got a pretty decent level of hedging there in terms of 75%. Committed gearing's very much under control. We've got liquid assets if we need to be matching that capital against some of our development activity.

So I think there's a good suite of measures there, and that slide that we put - the third slide under the market part of the pack as well, I think that tries to capture how we're thinking about our positioning at this point in time. Thank you.

Shane Solly: (Harbour Asset, Analyst) Second question, debt margins are coming in, they're falling. In terms of your guidance, what are you assuming in terms of debt costs?

Craig Peirce: I think with 75% hedging, there's not a huge amount of movement in there. Obviously this morning we've announced the senior secure bonds, so we'll look to put that in place if we can get the right demand profile and pricing for that.

Yes, so we're clearly getting a little bit of benefit, 25% of our bookers on those really nice low floating rates, but I don't think you're going to see a material change from the number that we put out this morning in terms of our weighted average cost of debt. Clearly, we're through the easing cycle now, and to the other side of it.

Shane Solly: (Harbour Asset, Analyst) Thank you. Just a final one. In terms of capital allocation - thanks for the detail there. So in terms of the best use of capital for PFI for the next foreseeable future, it is the development pipe is what you're favouring within the mix?

Simon Woodhams: Yes, I think if you look at that recent acquisition we made at Mount Wellington Highway, there was a strategic reason for buying that. It gives us 3.3 hectares in Mount Wellington, but we paid 5.75% for it, whereas the development pipeline's bringing in best-in-class assets, typically with long leases at 6.5%.

So there's a good margin there. There's better building quality and quite often really good underwritten income from tenants. So at the moment, it's probably the key focus, but we're always looking outside of that as well.

Shane Solly: (Harbour Asset, Analyst) Thanks guys, nice work. Appreciate it.

Operator: Thank you. I see no further questions at this time. I will now pass back to Simon.

Simon Woodhams: Thanks very much for taking the time to listen, and again we're catching up with a lot of you either later on today or across the coming weeks, I'd say. Up and down the country, actually, which will be good. So as always, any questions, just feel free to reach out to Craig, Nick, or myself. Thank you for your time.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

ENDS