Dexus

DXS.AX | Real Estate | Office REITs

KEY METRICS

Price	Mkt Cap	Fwd P/E	EV/EBITDA
A$6.69	A$6.9B	Pending	Pending
52wk Range	**Div Yield**	**Revenue**	**NPAT**
Pending	Pending	Pending	Pending

Coverage of DXS.AX is currently in Phase 1 (Baseline Ingest). As a provider in the Office REITs sector, we are prioritising narrative weight assessment and signal divergence tracking while detailed financial history is being audited.

OVERALL SENTIMENT

Overall Sentiment	+0 NEUTRAL
External Environment	+0
Company Research	+0

KEY TAKEAWAYS

- The T2 narrative ('Steady-State REIT') currently dominates the valuation math with 45.0% probability. Evidence suggests: Dexus continues its strategic pivot from pure office toward a diversified real assets platform. Industrial development delivers strong returns, funds management fees grow steadily, and distributions remain well-covered. The stock...

- Risk profiling for DXS.AX prioritises If office valuations continue to decline, the NTA discount persists and distributions may come under pressure.. We are monitoring FY26 distribution guidance and AFFO per security. If AFFO holds above 45 cents and distributions are maintained, the base case holds. as the primary diagnostic milestone for narrative survival (ACH-2).

- Market-wide regime is neutral (score: +0). External signals are dampening the Real Estate sector's baseline trajectory.

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COMPANY OVERVIEW

Dexus is Australia's largest listed office REIT and a leading integrated real asset manager with $50.1 billion in assets under management. The company owns, manages, and develops premium office, industrial, and alternative assets primarily in Australian CBDs.

NARRATIVE ASSESSMENT

Dexus is Australia's largest listed office REIT and a leading integrated real asset manager with $50.1 billion in assets under management. The company owns, manages, and develops premium office, industrial, and alternative assets primarily in Australian CBDs.

The narrative structure for DXS.AX follows the REIT OFFICE framework. Our assessment focuses on the divergence between stated management goals and the cross-domain evidence aggregate. Current survival scores reflect this probabilistic weighting.

MARKET CONTEXT

Macro Environment: NEUTRAL (external signal: +0)

Indicator	Value	Change
ASX 200	9,101.3	+3.2% 1mo
AUD/USD	0.7066	-0.8% 5d
RBA Cash Rate	4.10%	cutting gradually
VIX	19.6	

The regime is currently in a neutral transition phase. Direct macro/sector influence is minimal, increasing the importance of company-specific execution and idiosyncratic evidence (ACH-1/2).

SECTOR CONTEXT

Model: REIT OFFICE | Sector signal: -5 (reit rate)

COMPETING HYPOTHESES

Dominant Narrative: T2: Steady-State REIT (survival probability: 45%)

T2: Steady-State REIT [DOMINANT]   45%

Dexus continues its strategic pivot from pure office toward a diversified real assets platform. Industrial development delivers strong returns, funds management fees grow steadily, and distributions remain well-covered. The stock trades at a discount to NTA but reflects the market's fair assessment of the office headwinds.

Watch: FY26 distribution guidance and AFFO per security. If AFFO holds above 45 cents and distributions are maintained, the base case holds.

Supporting evidence:

- Earnings Report: FY25 AFFO 45.0 cents per security; delivered on guidance; distribution 37.0 cents

- Market Data: Positive net absorption across all four major Australian CBDs; Sydney CBD vacancy declining from peak

- Operational Data: 190,400 sqm industrial construction across 10 projects; 6 fully leased pre-completion

T1: Office Market Recovery   35%

The worst of the Australian office downturn is over. CBD net absorption is turning positive, vacancy rates are stabilising, and Dexus's premium office portfolio in Sydney and Melbourne is well-positioned to capture the recovery. If cap rates compress and rents grow, NTA per unit will recover and close the gap with the current share price.

Watch: H1 FY26 results (18 February 2026): office occupancy, like-for-like income growth, and cap rate movements. Positive net absorption across CBDs would confirm the recovery thesis.

Supporting evidence:

- Market Data: Positive net absorption across all four major Australian CBDs; Sydney CBD vacancy declining from peak

T3: Structural Office Decline   30%

The shift to hybrid work is permanent and accelerating. Companies continue to reduce their office footprint, sublease space floods the market, and CBD vacancy rates stay elevated. Dexus's office-heavy portfolio suffers ongoing valuation writedowns, and the NTA discount to share price persists or widens.

Watch: CBD vacancy rates (PCA data), tenant lease expiry profiles, and any major tenant downsizing announcements. Rising sublease availability is the clearest negative signal.

Contradicting evidence:

- Earnings Report: FY25 AFFO 45.0 cents per security; delivered on guidance; distribution 37.0 cents

T4: Interest Rate & Refinancing Risk   25%

If interest rates stay higher for longer than the market expects, REIT valuations face a double hit: higher discount rates compress asset values, and higher debt costs eat into distributable earnings. Dexus, with significant debt facilities, is exposed to refinancing risk at higher rates.

Watch: RBA cash rate trajectory and bond yields. If the 10-year government bond yield rises above 5%, REIT valuations face further pressure.

Diagnostic milestones (synthesized):

- Monitor: RBA cash rate trajectory and bond yields.

- Assess divergence between price signal and narrative weight.

- Audit evidence for incoming contradictory signals (ACH-3).

DIAGNOSTIC EVIDENCE

The following evidence items have the highest discriminating power between hypotheses:

Evidence Item	T2	T1	T3	T4	Diagnosticity
FY25 AFFO 45.0 cents per security; delivered on guidance; distribution...	C	N	I	N	**HIGH**
Positive net absorption across all four major Australian CBDs; Sydney...	C	C	I	N	**HIGH**
190,400 sqm industrial construction across 10 projects; 6 fully leased...	C	N	N	N	**MEDIUM**
Funds management platform grown to $50.1B AUM; fee income diversifying...	C	N	N	N	**MEDIUM**

C = Consistent, I = Inconsistent, N = Neutral. Diagnosticity = ability to discriminate between hypotheses. HIGH/CRITICAL items are most informative.

KEY DISCRIMINATORS

The following high-diagnosticity evidence items are most informative for discriminating between hypotheses:

- FY25 AFFO 45.0 cents per security; delivered on guidance; distribution 37.0 cents (Supports: T2; Contradicts: T3)

- Positive net absorption across all four major Australian CBDs; Sydney CBD vacancy declining from peak (Supports: T1, T2; Contradicts: T3)

TRIPWIRES

Condition	Trigger	Action
FY26 distribution guidance and AFFO per security. If AFFO holds above 45...	Per hypothesis thresholds	Reassess T2 narrative
H1 FY26 results (18 February 2026): office occupancy, like-for-like income growth, and...	Per hypothesis thresholds	Reassess T1 narrative
CBD vacancy rates (PCA data), tenant lease expiry profiles, and any major...	Per hypothesis thresholds	Reassess T3 narrative

TECHNICAL PICTURE

Technical analysis pending - signals will be incorporated when the TA agent is deployed.

ANALYTICAL GAPS

The following information would materially improve the confidence of this analysis:

RESEARCH AGENDA: 90-Day Analytical Objectives

As this ticker is in baseline coverage, our primary research agenda focuses on the following idiosyncratic drivers:

- Management guidance on Real Estate demand trajectory - required to validate narrative survival for dominant hypothesis (ACH-1).

- Independent institutional positioning audit - needed to assess sentiment concentration and de-risking triggers.

- Balance sheet stress-test under 100bps rate move - required to stress-test valuation integrity.

- Historical narrative flip frequency analysis - to calibrate model sensitivity for upcoming earnings events.

UPCOMING CATALYSTS

Catalyst calendar pending. Key items to monitor:

- Last narrative event: 2025-08-20 - FY25 results delivered on AFFO guidance; office occupancy stabilising; positive net absorption in Sydney CBD

- Next results date: Pending (monitor ASX announcements)

- Monitor hypothesis tripwires for narrative-change signals.

IMPORTANT INFORMATION

This document is prepared by DH Capital Partners Pty Ltd for informational purposes only. It does not constitute financial advice, a recommendation, or an offer to buy or sell any securities.

METHODOLOGY

This analysis uses the Analysis of Competing Hypotheses (ACH) framework, originally developed by Richards Heuer at the CIA for intelligence analysis and adapted here for equity research. ACH evaluates multiple competing explanations against diagnostic evidence, ranking hypotheses by the fewest inconsistencies rather than the most confirmations. This approach is designed to reduce confirmation bias and anchoring effects common in traditional equity research.

Sentiment scores are generated by a three-layer decomposition model separating macro environment, sector/commodity factors, and company-specific research. The 40/60 rule ensures company-specific research always contributes at least 60% of the overall sentiment, maintaining focus on idiosyncratic stock drivers.

NARRATIVE INTELLIGENCE PHILOSOPHY

Our approach is based on the principle that market prices represent the probability-weighted aggregate of multiple competing stories. By decomposing price action into macro, sector, and idiosyncratic narrative streams, we identify "Narrative Friction" — points where the market is pricing in a story that is increasingly at odds with observable evidence.

In our view, the most profitable opportunities occur when a dominant narrative becomes "fragile" (high survival score, high inconsistency), preceding a sharp de-rating or narrative flip.

LIMITATIONS

- Hypothesis scores are model outputs, not price targets or investment recommendations.
- Evidence assessment involves subjective judgement and may contain errors.
- Past price performance is not indicative of future returns.
- This analysis does not account for individual investor circumstances, risk tolerance, or tax position.
- Data sources include ASX announcements, broker research, company filings, and market data. Errors in source data will propagate.

CONFLICTS

DH Capital Partners and/or its principals may hold positions in securities discussed in this document. Positions may change without notice.

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