

ASX RELEASE

22 DECEMBER 2023

## Property Update

- **Property Trust revaluation process completed; average cap rate increases to 5.0%**
- **Oakdale West Estate nearing completion; further development profit in 1H24**
- **Sale of 50% interest in “M7 Hub” Estate to Goodman Group**

### Property Trust revaluation process completed; average cap rate increases to 5.0%

At the recent Annual General Meeting on 21st November 2023, Brickworks announced that it had commenced an independent valuation process for its' Property Trust assets, and that this was expected to result in an increase in the average capitalisation rate across the portfolio in 1H24.

The Company can now confirm that the valuation process is complete, resulting in the average capitalisation rate increasing to 5.0%.

**Managing Director Mr. Partridge said:** “The property market is currently experiencing significant dislocation in response to economic volatility, rising interest rates and tighter credit conditions and this is driving a change in external valuation methods.

With limited property transactions taking place in the market, traditional valuation methods based on comparable sales have been replaced by methods focussed on discounted cashflow (taking into account increasing interest rates) and initial yield. Under this methodology, the valuation outcome across our portfolio varied significantly by property, with long lease assets that are unable to realise the immediate benefit of increased market rent, being significantly impacted.”

Despite this impact, we remain confident that structural trends towards e-commerce and the digital economy will continue to drive demand for our prime industrial facilities. We also note the recent reduction in long term bond rates across most major economies of the world, with US ten-year treasury notes now below 4%. We expect these improving conditions to stabilise the broader property market and also support the valuation of our portfolio over the long term.”

### Oakdale West Estate nearing completion; further development profit in 1H24

During the first half, development activity has continued at Oakdale West, including facilities for Maersk and EBOS, as well as two speculative units. This is expected to result in a development profit of \$40-50 million being recorded in 1H24.

**Mr Partridge said:** “Despite the volatility in the property market more broadly, we continue to experience strong lease enquiry for large-sized industrial facilities. Following the strong development progress achieved in the first half and the commencement of the final spec units at Oakdale West, we expect this Estate to be fully built out by the end of FY24.

As we recently announced, we have now achieved development approval at Oakdale East Stage 2, and this extends our development pipeline by a further five years. Given the limited supply of appropriately zoned and approved land in Western Sydney that is available for large-scale industrial development, this is a significant milestone.

In an extremely tight industrial property market, we are able to offer prospective tenants large lot sizes in prime locations, facilities of unrivalled quality, and a proven track record of delivering new developments on time and on budget.”

### Sale of 50% interest in “M7 Hub” Estate to Goodman

Brickworks is also pleased to advise that it has agreed the sale of its 50% interest in the “M7 Hub”, one of the Estates held by the Industrial JV Trust. The M7 Hub comprises three multi-unit industrial properties, located near the M7 motorway on Old Wallgrove Road, Eastern Creek (NSW). The units will be sold to JV partner, Goodman Group.

The sale will deliver \$117 million in gross proceeds to Brickworks. This represents a discount to the 31 July 2023 book value, marginally higher than the 1H24 revaluations to be recorded across the balance of the portfolio. Including tax, the transaction will deliver an estimated \$11 million net profit after tax uplift to Brickworks.

**Mr. Partridge said:** “The M7 Hub was one of the first sites developed within the Industrial JV Trust and is the smallest of the fully developed Estates. When all facilities were fully completed in 2012, our 50% interest in the M7 Hub was worth \$46 million. Since that time, we have benefitted from significant capital appreciation (+154%), as well as steadily increasing rental income.

We are taking an active approach to managing the assets across our portfolio. Having invested heavily across the Brickworks Group in recent years, including to enable the release of significant additional development land at Oakdale East, we feel that it is prudent to release funds through this sale and reduce our borrowings.

Following the sale, we expect Group debt to reduce to around \$600 million, resulting in a conservative gearing level of around 14%.

Overall, we expect a reduction in the net asset value of our Property Trusts of around 14%<sup>1</sup> in 1H24, with the negative impact of revaluations and the M7 Hub sale, partially offset by the development profits at Oakdale West.”

### About Brickworks (ASX: BKW)

Brickworks has been building the Australian dream for over a century. Today, Brickworks is more than Australia’s largest and most trusted brick manufacturer. It comprises a diversified portfolio of attractive assets, offering shareholders stability and long-term growth. The Company has a proud track record, having paid a dividend every year since listing on the ASX in 1962. Brickworks comprises four divisions – Building Products Australia, Building Products North America, Industrial Property, and Investments.

Building Products Australia includes Austral Bricks, the country’s largest bricks producer, and other leading brands such as Austral Masonry and Bristile Roofing. Building Products North America is the leading brick producer in the northeast of the United States and includes the flagship brand of Glen-Gery.

On surplus land assets, Brickworks has developed extensive industrial property assets in conjunction with Joint Venture partner Goodman Group. These facilities help our customers meet the supply chain needs of the growing digital economy.

Brickworks also has a long-standing investment in Washington H. Soul Pattinson, a diversified investment house and ASX100 company. This investment has delivered outstanding returns for the Company and provides stability and growing cash dividends.

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<sup>1</sup> The overall decrease in net asset value of 14% comprises an impact of -10% for property revaluations (ex M7 Hub), +2% for Oakdale West development completions and -6% for the M7 Hub sale transaction (which includes the impact of increased gearing across the remainder of the Industrial JV Trust portfolio).

*The Brickworks Managing Director has authorised the release of this announcement to the market.*

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