Accelerated bookbuilds building property portfolios

In my mid-year property update published in June, I highlighted how improving operational performance, paired with lower interest rates, has driven a welcome revaluation across the listed property sector. The result of stronger valuations, improved sentiment, and lower cost of capital has reopened the growth pathway for management teams to raise equity capital and pursue strategic acquisitions to boost distributable income - a pathway closed since 2018 following the Resilient stable controversy, the pandemic, and the steep 2022-23 interest rate hiking cycle. Multiple management teams have now returned to equity markets. Most notably, Vukile raised a whopping R2.65 billion (10% of its market cap) in October in an oversubscribed bookbuild that closed within a few hours, while several smaller funds have entered the equity raising arena this year. This article summarises these recent equity raises and explores whether market conditions support further equity raising.

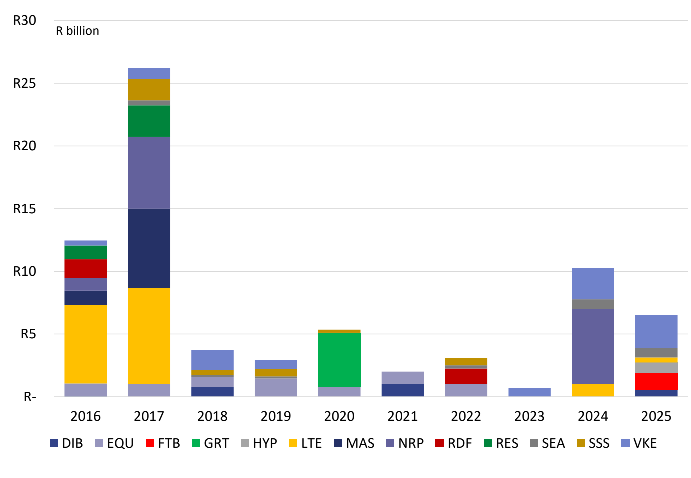
SPEED READ

- **Improving operating metrics and lower interest rates have reopened equity markets for listed property funds, with six REITs raising R6.5 billion in 2025 through accelerated bookbuilds.**
- **Mid-cap funds, including Fairvest, Dipula, and Spear successfully tapped investors for growth capital after yield compression made equity issuance viable again, signalling a broad-based recovery in sector sentiment.**
- **A lower inflation target could drive further yield compression and equity raising, but future performance depends on disciplined capital allocation and maintaining attractive acquisition yields.**

Daniel Reynard

In 2025, six funds - Spear, Lighthouse, Vukile, Hyprop, Dipula, and Fairvest - raised R6.5 billion of equity from their shareholders via a process known as an "accelerated bookbuild". An accelerated bookbuild usually involves a property fund approaching its large established shareholders to rapidly raise large sums of new equity to expand their portfolio, while keeping any fuss to a minimum. Although there was a smaller amount of equity raised in 2025 compared to 2024's R10.3 billion, midcap funds such as Dipula and Fairvest were able to successfully tap the equity market for the first time in many years. This equity raising from midcap funds shows how the positive rerating has broadened across the sector and is not just limited to the big offshore funds like NEPI Rockcastle, or the exclusively Western Cape-focused Spear.

CAPITAL RAISED FOR ACCELERATED BOOKBUILDS



The estimated new equity raised by property funds shows a significant uptick in 2024/25, after many depressed years post the sector's heyday in 2016/17.

At the start of 2024, both Fairvest and Dipula had high trailing 12-month dividend yields of 12.5% and 13.0%, respectively. These high yields priced by the market made it economically unviable for either fund to raise equity and invest the money into properties that would only yield between 7.5% and 11%, depending on the property's quality. But at the beginning of 2025, Fairvest and Dipula's trailing dividend yields had compressed to 9.1% and 9.2%, respectively, which lowered both funds' cost of capital and granted them the opportunity to raise the capital necessary to expand operations and grow distributable income.

Fairvest completed not one but two bookbuilds in 2025.

The first bookbuild raised R400 million to acquire five retail properties targeting the supported consumer market in northern KZN and George. The acquired portfolio offers an average yield of 9.8%, above Fairvest's own dividend yield, implying that the acquisition was accretive for distributable income per share and potentially supportive of future dividend growth. The second bookbuild this year was more interesting, as Fairvest initially sought to raise R400 million to invest into a township fibre business. However, strong investor demand far exceeded expectations, allowing Fairvest to raise a considerable R970 million - nearly two and a half times the original target!

Dipula followed suit, completing a R559 million bookbuild (up from an initial R500 million target) with the proceeds earmarked to snap up five properties, two of which are retail properties that cater to the supported consumer. These acquisitions further support Dipula's core investment strategy. Together, these raises across some of the JSE's mid-cap funds highlight that the mid-cap space - once starved of growth capital - is able to attract meaningful support from investors to grow materially again.

The Western Cape Specialist: Spear

Spear receives outsized attention from the investment community despite the relatively small scale of its portfolio. This is because it focuses exclusively on investing in the Western Cape. This has earned Spear a lower trailing dividend yield compared to other midcap peers, such as Dipula and Fairvest, making it economically viable for Spear to have executed on R770 million of equity raises in 2024. In 2025, Spear has raised an additional R749 million at a trailing dividend yield of 7.9%, using the funds to purchase three properties with accretive income yields between 9.4% and 9.7%.

The Iberian Opportunity: Lighthouse and Vukile

To briefly recap my previous intuition article, titled "The Iberian Opportunity", both Vukile and Lighthouse have repositioned their portfolios to capture the favourable retail conditions in Spain and Portugal. Shareholder support for both funds was well received and oversubscribed. Lighthouse raised R1 billion last year and an additional R400 million this year, expanding its portfolio by adding six premium retail properties in major Western European

SPEAR'S MAYNARD MALL, CAPE TOWN

Maynard Mall in Cape Town is one of the three properties acquired by Spear with the proceeds from its most recent bookbuild.

cities.

Vukile's October bookbuild, however, takes the cake with respect to speed and scale. Robust demand saw the planned R2 billion raise upsized to R2.65 billion. Vukile's management team has built a formidable reputation for disciplined capital deployment, earning investors' trust after last year's successful R2.5 billion raise at a 7.5% trailing yield. Those funds raised last year were deployed into investment opportunities yielding between 8.1% and 9.5% in Portugal, as well as a prime mall in Spain acquired at a 7.2% yield. The latest October bookbuild, concluded at an impressively tight 5.9% trailing dividend yield, remains light on details of how the money will be spent - with management noting plans to invest in one local mall and another one in Iberia. More details will emerge as negotiations are finalised.

The bookbuild from Hyprop's failed bid for MAS

Hyprop's bookbuild was an odd one. The bookbuild was the result of the company's involvement in the back-and-forth MAS saga. Hyprop's bookbuild in July raised R808 million (approximately 5% of its market cap), and when the shaky deal to acquire MAS fell through, management reassigned the proceeds into funding its solar roll out and paying down its more expensive debt instead.

More accelerated bookbuilds on the horizon?

There is growing market interest in the South African Reserve Bank's (SARB) potential move to lower South Africa's inflation target from a range of 3% to 6% to a fixed target of 3%. Such a shift would be a meaningful tailwind for asset valuations, including listed property, as inflation directly influences the cost of capital. Lower inflation expectations typically translate into lower dividend yields and cheaper debt funding, enabling property funds to raise

SAPY INDEX TRAILING DIVIDEND YIELD

The trailing dividend yield for the listed property index has compressed again to levels in line with the months following the formation of the GNU, while the index has rallied 15% in price from 400 points to 455 points.

equity at more attractive levels, scale their portfolios, and drive faster dividend growth. In essence, a lower target could ignite a sustained equity-raising cycle, greater transaction activity, and stronger distribution growth - all supportive of further upside over the next 12 months.

That said, this outcome depends on management teams' ability to deploy cheaper capital effectively, ensure property yields do not compress faster than dividend yields, and that the cost of capital declines meaningfully. Even so, we continue to remain constructive on the listed property sector at Harvard House, as the operating fundamentals continue to improve, while remaining vigilant to the excesses that may arise as capital becomes cheaper and more accessible.

Cape Town's property market continues to thrive.

Another year has come and gone, a year that has thrown up its fair share of surprises. Please join us for our year end seminar which will see us dusting off the crystal ball and looking into 2026 for clues as to what the new year might hold."

Topic: Outlook for 2026

Natal Midlands

Date:	Thurs, 4th of December, 2025
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	Thurs, 27th of November, 2025
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	Tues, 25th of November, 2025
Venue:	SSISA Conference Centre, Boundary Road, Newlands, Morne du Plessis Boardroom, 4th floor
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm

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