

## Fairvest: Where the Supported Consumer shops

*A key investment theme at Harvard House is the “Supported Consumer” – a reference to that portion of spending underpinned by social grants and other government support. Market research and strong earnings results from companies which cater to the supported consumer - such as Shoprite, Boxer and Mr Price - suggests that this sector’s spending patterns remain resilient even when faced with tough economic conditions. Therefore, this theme remains an attractive investment destination. Fortunately, investors can gain exposure not only through the retailers themselves, but also via the landlords who lease space to them. In this article, we explore why Fairvest Property Fund is one of our preferred options in the listed property space.*

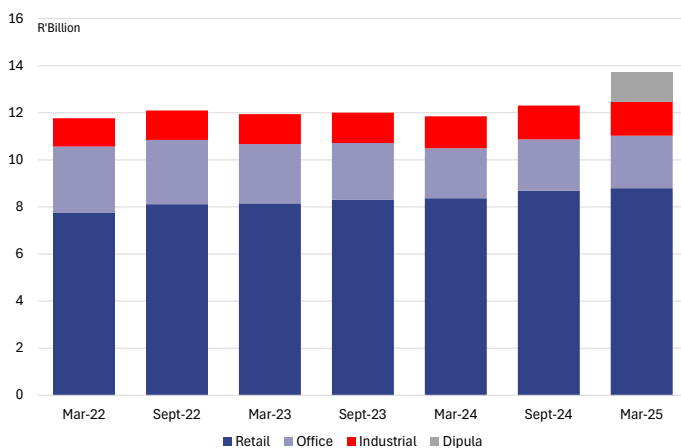


**Daniel  
Reynard**

Fairvest Property Fund is a diversified mid-cap REIT with a portfolio valued at R12.5 billion, following its reverse takeover of Arrowhead Properties in 2021. The fund is actively transitioning toward becoming a pure-play retail REIT, with a strategic focus on properties that serve the informal economy and lower-income communities across South Africa. Strengthening its positioning further, Fairvest recently increased its stake

in fellow JSE-listed REIT, Dipula Income Fund, from 5% to 26%, gaining additional exposure to a similarly focused retail portfolio. However, Fairvest’s transition is still underway, with 27% of the portfolio comprising office and industrial assets. Management is committed to a long-term, systematic disposal

### FAIRVEST’S INVESTMENT PORTFOLIO



*Fairvest’s portfolio has exposure to retail, industrial, and office property, as well as JSE-listed Dipula Income Fund.*

### SPEED READ

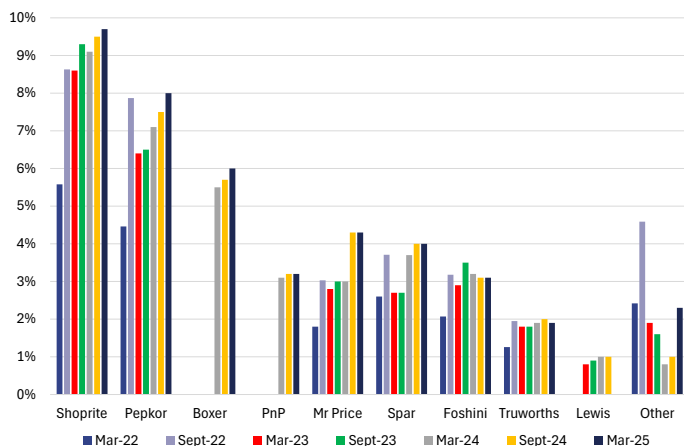
- **Strategic focus on “supported consumer” retail:** Fairvest is transitioning into a pure-play retail REIT, targeting properties that serve lower-income communities and the informal economy, aligning with resilient consumer spending trends.
- **A strong tenant base is driving performance:** The fund has increased exposure to high-performing national retailers like Shoprite, Boxer, Pepkor and Mr Price, leading to improved rental income, positive lease reversions, and consistent NOI growth.
- **Robust financial position and dividend growth:** With a declining loan-to-value ratio and cost of debt, Fairvest has maintained financial discipline, enabling portfolio expansion and strong returns to shareholders. The company is forecasting dividend growth of 8 -10% for 2025.

process of its office and industrial assets, aimed at maximising value for shareholders, while shifting the portfolio towards its pure retail focus

Fairvest’s performance is closely tied to the trading strength of its retail tenants, particularly those serving the supported consumer segment. Strong-performing tenants are more likely to meet rental obligations, absorb escalations, and renew leases at higher rates - supporting Fairvest’s rental income and earnings visibility. Recognising this, management has steadily increased exposure to high-quality national retailers such as Shoprite Checkers (+4.1%),

Pepkor (+3.5%), Pick n Pay Boxer (+3.8%), and Mr Price (+2.5%) over the short time frame of the past three years, enhancing the resilience and reliability of their income stream. The recent acquisitions of four retail properties valued at R477 million, anchored by Shoprite, Boxer and SuperSpar, demonstrate management's commitment to their strategy.

#### FAIRVEST'S TOP 10 RETAIL TENANTS

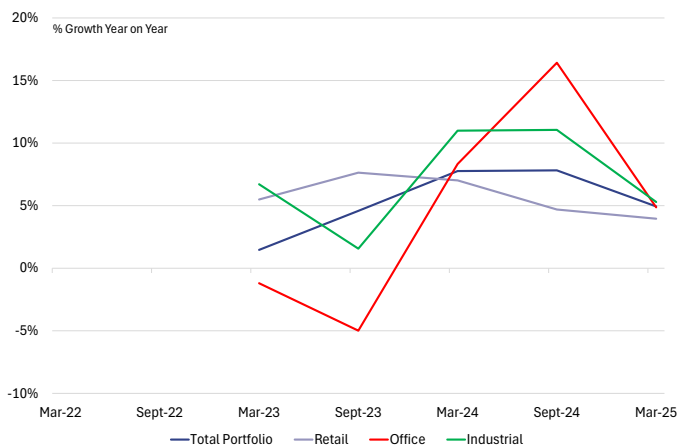


*Good progress has been made over the last three years to increase exposure to leading tenants.*

Strong tenants lead to strong fundamentals! This tenant strategy is now reflecting in the numbers. Over the past three years, average rent per square metre (sqm) has risen from R113.90 to R130.69, driven by improved leasing activity and pricing power. Retail rent has grown at an average rate of 5.5% since 2022, as reversions show positive momentum at 2.8% - a remarkable turnaround from negative levels experienced in 2022. Even as Fairvest views the industrial and office sectors as non-core to its long-term plans, it's important to note that the industrial sector has been the best performer of the three segments, growing its revenues by 7.6% per year on average. The office properties which Fairvest owns have not been a significant drag on earnings, reporting positive reversions too! This robust performance from all three sectors has underpinned the like-for-like NOI growth of 7.0%, 7.2% and 5.1% over the past three periods, earning Fairvest a spot in the "Robust NOI Club" alongside the likes of Resilient, Spear and Fortress. This operational strength supported robust growth in dividends per share of 1.3%, 8.5% and 8.8% over the last three periods. Fairvest's management team forecast that the dividend growth will continue its momentum of between 8.0% - 10.0% for 2025,

*"The office properties which Fairvest owns have not been a significant drag on earnings, reporting positive reversions too."*

#### GROWTH IN RENT PER SQUARE METRE



*Fairvest has grown the rent earned per sqm across all segments of its portfolio.*

which is really encouraging for shareholders.

Furthermore, Fairvest has a strong balance that underpins its operations. Over the past twelve months its Loan-to-Value ratio (LTV) has improved from 32.6% to 31.8% - well below the average for the sector - demonstrating disciplined financial management that enhances lender confidence and secures favourable access to capital. The cost of debt has declined from 9.6% to 9.4%, supported by the 1% cut in interest rates and the fund's stable balance sheet. This secure financial position enabled management to conduct a R400 million equity raise to expand its portfolio with the four retail acquisitions mentioned earlier, allowing the fund the resources to complete its transition to a pure-play retail REIT without compromising distribution growth or shareholder returns.

In conclusion, the old saying that simplicity is the ultimate sophistication certainly applies to Fairvest. It is one of the few listed REITS with operations solely in SA (Spear is another) which reduces the complexity and cost base, underpinning their investment case. Furthermore, their strategic alignment with the supported consumer segment, the strong tenant base, and steadily improving property fundamentals make it an attractive option in the local REIT space. While its transition toward a retail-only portfolio is still in progress, the fund is already showing strong distributable income growth and operational resilience. With robust rental growth, sound financial discipline and pleasing dividend growth expected, Fairvest is well positioned to continue rewarding its long-term investors.



Our next seminar will be held in September in Johannesburg and the Midlands. The topic will be communicated in due course."



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**Topic:** **To be announced**

### Natal Midlands

Date: 11th of September, 2025

Venue: Christ Church Howick, 23 Mare Street, Howick

Morning Time: 10am for 10.30am

Evening Time: 5.30pm for 6pm

### Johannesburg

Date: 9th of September, 2025

Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham

Time: 7am for 7.30am

### Cape Town

Date: N/A

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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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.

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