

The Iberian Opportunity

The central and eastern European (CEE) region is a firm favourite for JSE listed-property funds looking to expand offshore. However, Vukile Property Fund and Lighthouse Properties have invested heavily into an alternate investment-grade region which has performed well in recent years: the Iberian Peninsula. Driven by record tourism inflows and steadily declining unemployment, the Peninsula's resilient GDP growth offers investors more than just a sunny Mediterranean holiday - it presents a compelling case for long-term property investment.

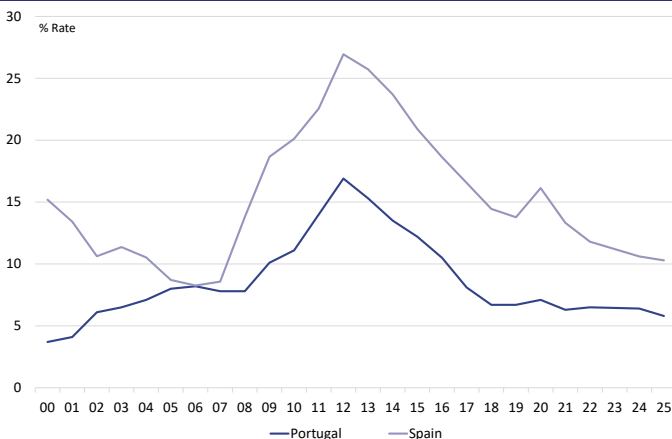


**Daniel
Reynard**

The Iberian Peninsula, comprising of Spain and Portugal, was among the hardest hit regions during the “Euro Crisis” of the early 2010s, with unemployment peaking at 27% in Spain and 18% in Portugal, alongside a sharp collapse in property prices. Longstanding clients might remember Intuition articles at the time describing entire suburbs lying empty after an unfettered construction boom.

Famously, Top Gear ran an episode that featured a brand-new airport in Spain that was completely dormant. In the years following, both countries received sizeable financial bailouts and in exchange, governments were required to implement sweeping economic reforms to stabilize their economies. Spain recovered more quickly than Portugal, as Spain's GDP returned to pre-2008 levels in 2016 while Portugal only achieved the same milestone in 2018.

IBERIAN UNEMPLOYMENT RATES



Both Spain and Portugal's unemployment rates have improved significantly since 2012

SPEED READ

- **Robust growth drivers: Iberia outpaces Europe on GDP, tourism, and services-led recovery, supported by EU funding.**
- **Smart strategies: Vukile grows through Castellana's value-add projects, Lighthouse through dominant mall acquisitions.**
- **Investor returns: Strong tenant sales and rising net operating income (NOI) have allowed both companies to guide for strong dividend growth of 8% (Vukile) and 5.2% (Lighthouse).**

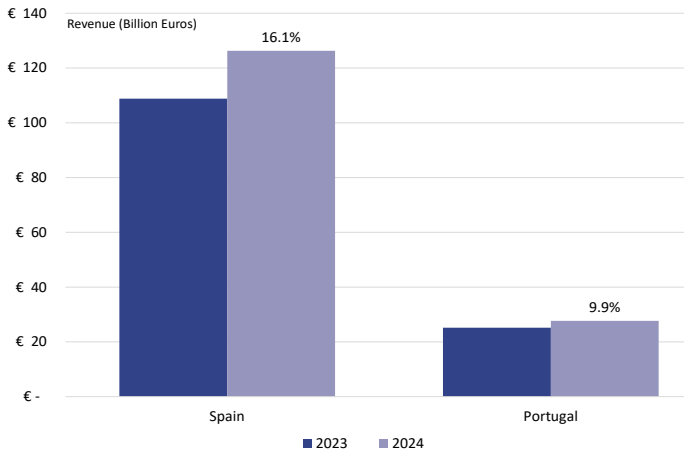
Against this rocky economic backdrop, the post-Covid period has marked a notable turnaround: both Spain and Portugal have delivered a robust recovery, outperforming the average GDP growth across Europe. This momentum is expected to continue as the International Monetary Fund (IMF) forecasts for average annual GDP growth of 1.7% in Spain and 1.8% in Portugal through to 2030. Several key factors underpin this growth:

1. A booming tourism sector, which welcomed a combined 112 million domestic and foreign visitors in 2024, generating €151 billion in tourism revenues, an uptick of 15% compared to 2023. Spain is the second largest earner of foreign tourism expenditure, only second to the USA but ahead of the UK, France and Italy.
2. A greater reliance on the services sector compared to its northern European neighbours, whose manufacturing industries were negatively impacted by the cut-off of Russian gas post the invasion of Ukraine and greater competition from China.
3. Significant investment from the European Union's Recovery and Resilience Facility, which has already

channelled €84 billion into social and energy projects, with a further €100 billion yet to be deployed to support medium-term growth.

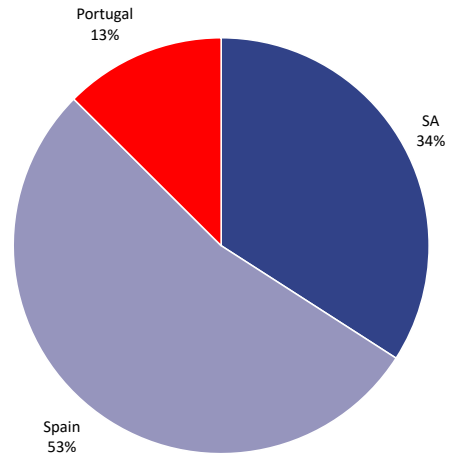
Centre, which is regarded as one of Spain’s top 10 shopping destinations by footfall and large catchment area, located in the tourist city of Valencia.

GROWTH IN TOURISM REVENUES



Spain and Portugal have seen tourist expenditures in 2024 grow by 16.1% and 9.9%, respectively over 2023 data. This has been a strong underpin for both economies.

VUKILE'S INVESTMENT PORTFOLIO BY VALUE



Vukile has aggressively diversified into Spain and Portugal, which now represents 65% of the portfolio, while retaining its retail portfolio in SA.

Despite strong GDP growth, Spain and Portugal face structural challenges. Spain’s ageing population threatens the sustainability of its welfare system, while both economies are unlikely to converge to the same GDP per capita as their northern European neighbours due to a shortage of high value-add jobs. Still, their track record of economic reform after economic crises suggests these risks are manageable, creating an opportunity for both SA-domiciled property funds to benefit from the economic tailwinds.

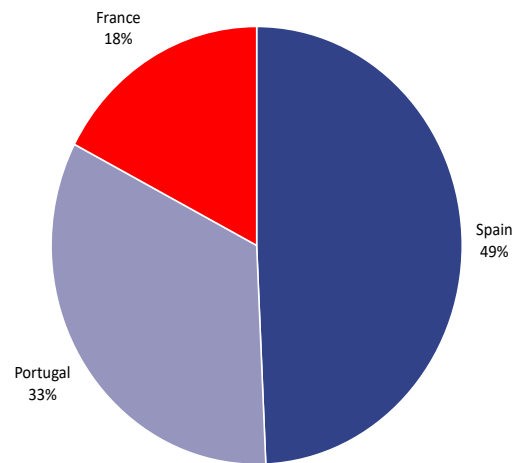
Lighthouse, meanwhile, has pivoted from its hybrid strategy of owning a combination of direct properties and listed property funds. Recently, Lighthouse divested from its 23% stake in Hammerson to focus on directly owning retail properties in Iberia. Its smaller portfolio now includes six properties in Spain and two in Portugal. Unlike Castellana’s value-add model, Lighthouse’s strategy targets dominant malls - centres that are the first-choice destination for consumers thanks to strong tenant mix and accessibility - in large, high-growth Western European cities. Management then adapts these assets to evolving consumer trends, aiming to sustain long-term relevance and rental growth.

The Iberian Opportunity:

Castellana and Lighthouse’s Strategies

Since entering Spain in 2017 through the acquisition of Castellana, now its Spanish subsidiary, Vukile has aggressively expanded its Iberian footprint, growing from nine to sixteen properties in Spain and adding 5 in Portugal in 2024. The portfolio attracts a sizable and diverse consumer base, reporting 78 million visits during the 2025 financial year alone. Castellana’s strategy centres on acquiring, refurbishing, and executing value-add projects to boost tenant sales and footfall, while actively managing properties through data analytics to better understand the performance of its tenants and find ways of trimming costs, boosting the efficiency of its properties. This approach, paired with disciplined capital management, has translated into stronger rental income and growing dividends for Vukile shareholders. Castellana also boasts an excellent track record in capital allocation, having exited its stake in LAR Espana for a €82 million profit - an investment that delivered more than a 40% annualized return over 2.5 years. Proceeds were reinvested into Bonaire Shopping

LIGHTHOUSE'S INVESTMENT PORTFOLIO BY VALUE

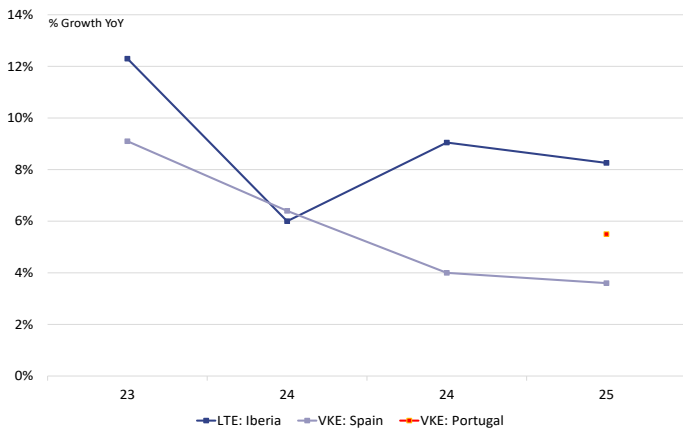


Lighthouse’s portfolio has a greater Portuguese exposure than Vukile’s, while co-investing in four properties in France with Resilient.

Investor Returns

Both property funds have reported strong like-for-like tenant sales in Iberia, supported by resilient post-pandemic consumer demand. Sales remain buoyant as leading retailers, including Inditex (the owner of Zara and other fashion brands), open flagship stores across Castellana and Lighthouse destinations, attracting the consumer's attention.

LIKE-FOR-LIKE TENANT SALES GROWTH

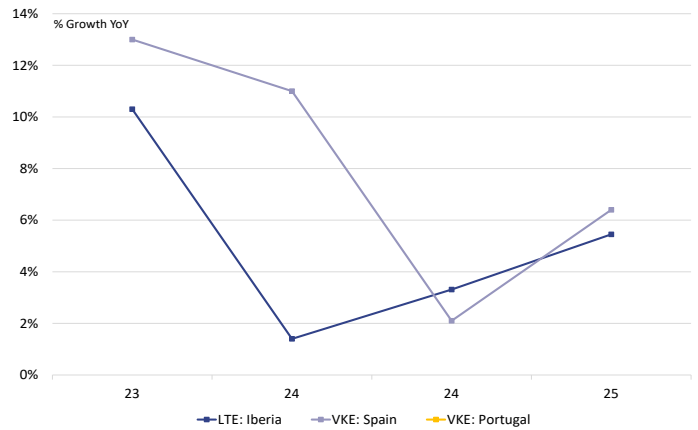


Both Vukile and Lighthouse's portfolios have benefited from strong retail sales across Iberia

Like-for-like NOI growth has been robust too, while Lighthouse's Iberian NOI growth was muted in 2024 due to underperformance in its sole Spanish property at the time. Encouragingly, NOI growth is now on an upward trend and is expected to strengthen further as both funds stabilise their rapidly expanding portfolios.

Future dividend growth is anticipated to be positive for

LIKE-FOR-LIKE NOI GROWTH



Like-for-like NOI is a great metric for assessing growth in a property fund's core portfolio.

both funds, with Vukile's management guiding for at least 8.0% growth next year after achieving 6.0% growth this year. Meanwhile, Lighthouse's management confirmed that they are on track to achieve 5.2% dividend growth in euros by the end of this year.

Conclusion

The Iberian Peninsula has shifted from crisis to opportunity, with resilient economic growth, buoyant tourism, and strengthening consumer demand creating fertile ground for property investment. Vukile, through Castellana, and Lighthouse have positioned themselves well to capture these tailwinds by targeting dominant, well-located retail assets and driving operational gains. While structural risks remain in Spain and Portugal, the combination of robust tenant sales, rising NOI, and visible dividend growth makes both funds well placed to deliver attractive long-term returns for investors.



Spanish tourism has boomed in the last decade, with the country now getting approximately 100m tourists annually.



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."



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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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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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