INTUITION
10 APRIL 2026

Listed Property Update

The JSE listed property sector entered 2026 after an extended period of improving fundamentals and lower costs of capital. Recent macro volatility - most notably the sharp rise in bond yields following geopolitical events - has weighed on share prices, but the market reaction reflects a shift in yield expectations rather than immediate deterioration in operating performance. Even as inflation and interest rate trajectories become less predictable, the fundamentals for the companies themselves remain somewhat insulated by interest rate hedging and multiyear lease contracts, providing income stability in the short- to medium-term. This article will also briefly touch on some of the recent results from across the sector.

Daniel Reynard

SPEED READ

- **Bond-yield volatility has weighed on share prices, but this reflects shifting market expectations rather than weakening operations, as recent results show strong distribution growth and healthy leasing metrics across the sector.**
- **Listed property fundamentals remain resilient, with most property companies cushioned from short-term macro shocks through high levels of interest-rate hedging and multiyear lease agreements that provide predictable income growth.**
- **Operational momentum is evident across major REITs, with companies like NEPI Rockcastle, Growthpoint, Resilient, Fortress, Attacq and Hyprop all reporting robust DPS growth, improved tenant trading and, in several cases, upgraded guidance for the year.**

Despite heightened uncertainty regarding the future trajectory of interest rates, inflation and economic growth, the fundamentals of JSE-listed property companies should remain remarkably resilient. Two structural features continue to shield the sector from short-term shocks: extensive interest-rate hedging and long-dated lease agreements.

Most REITs have already fixed 75% to 100% of their debt for several years ahead, which smooths out funding costs even as bond markets react to shifting inflation expectations. This ensures that rising interest rates, one of the sector's largest expenses, do not immediately erode distributable earnings. Fortress is a good example. The company has hedged about 85% of its debt, keeping its floating rate debt exposure at an attractive 7.1% into the medium term, with an average hedge maturity of 2.9 years. This provides meaningful cost stability while still leaving a small portion of debt able to benefit if interest rates fall more than expected.

Long term leases with annual escalations provide reliable income growth throughout the lease term. These increases act as an inflation pass through, giving landlords predictable rental uplift even when the economy is noisy. Logistics portfolios highlight this strength, with weighted average lease expiries of four to five years and annual escalations of roughly 5% to 6%. Retail leases are shorter at about three years on average but still offer consistent growth. This structure gives property companies clear visibility on future cash flows and helps protect income during uncertain periods.

Together, these features ensure that movements in bond yields - even sharp ones - do not immediately filter through to operational or cash-flow pressure. Instead, property companies retain the flexibility to focus on the areas they can control.

With reporting season now in full swing, the strength of these fundamentals is becoming even more evident. Many funds are releasing results that show robust distribution growth, supported by solid hedge positions and healthy WALEs. Management teams across the sector have offered some of the most confident guidance seen in years, underscoring that companies are entering this more uncertain period from a position of genuine strength.

NEPI Rockcastle

NEPI Rockcastle once again delivered results ahead of expectations, reporting significantly stronger euro-denominated DPS growth in 2025 than management originally guided a year ago. This continues the company's familiar pattern of under-promising and over-delivering – a trend that investors will hope persists as management guides to 3% DPS increase for 2026.

Three key factors drove the outperformance. Firstly, NEPI benefited from a slower-than-expected normalisation in its cost of debt. Instead of quickly rising to the market's long-term range of 3.5%-4.0%, funding costs adjusted more gradually to 3.2%, allowing NEPI to preserve the advantage of the exceptionally low rates it locked in before the interest rate hiking cycle began. Secondly, the impact of taxes was lower than management anticipated, and the property company intends to become a Dutch REIT in response to obligations to pay higher effective tax rates. The final factor was the strong performance from the new retail properties acquired in Poland, contributing 9.9% to distributable income growth.

DIVIDEND PER SHARE (DPS) GUIDANCE

Company	Initial Guidance	Interim DPS Growth	Final DPS Growth	Future DPS Growth
NEPI Rockcastle	1.5%		3.1%	3.0%
Fortress	6% to 7.5%	15.4%		10.0%
Growthpoint	3% to 5%	8.5%		6% to 8%
Resilient	At least 8%		11.4%	At least 9%
Attacq	7% to 10%	9.1%		11% to 14%
Hyprop	10% to 12%	4.9%		10% to 12%

Management shares their expected DPS growth for the year ahead. This table shows the initial guidance, the growth delivered at interim or full year, and the expected dividend going forward.

Although the future dividend growth looks less exciting than other property companies on the market, NEPI's scale and quality continues to be attractive at its current yield. The company also has an €845 million development pipeline to support future growth, with the first major projects scheduled to complete and contribute to distribution growth in the first half of 2027.

Growthpoint

Growthpoint delivered its strongest growth in many years, after management lifted the dividend payout ratio from 82.5% to 87.5%, boosting DPS growth to 8.5%. Total distributable income grew at a slower 2.3%, primarily supported by a significant reduction in interest costs.

The entire South African portfolio showed positive improvement with moderate growth of 2.6%, although the V&A Waterfront contributed less than usual after taking on debt at the subsidiary level.

Offshore investments remain the weak spot. Growthpoint Australia's portfolio of office and industrial properties reported a soft performance and now faces additional pressure from two recent rate hikes, while Globalworth's Central and Eastern European office portfolio continued to underperform, although management believes the current low point may form a base for recovery as the fundamentals have recovered.

RESILIENT REIT'S MALL OF THE NORTH

Resilient has rolled out the most aggressive extensive solar programs with the Mall of the North as good example.

Despite these headwinds, management remains confident in achieving its 6% to 8% DPS growth target for the year, even without the previously assumed May rate cut.

Resilient

Resilient continued to perform robustly, growing dividends by an impressive 11.4% on the back of healthy tenant turnover in its South African retail centres and its single Spanish asset. This was supported by a 10.5% increase in the Lighthouse dividend (thanks to savvy currency hedging) and lower funding costs. Resilient also remains the leader in rolling out solar, with plans to meet 43.2% of its electricity needs in 2026. This represents a major cost control advantage and supports management's guidance for at least 9% dividend growth in 2026.

Fortress

Fortress continues to benefit from its extensive logistics development pipeline, delivering standout interim dividend growth of 15.4%, supported by lower finance costs and reduced vacancies in its Central and Eastern European logistics portfolio.

All core sectors of the business are contributing positively, with like-for-like net operating income rising across multiple segments. A key highlight has been positive rental reversions of 7% in the South African logistics portfolio, something its peer Equites has been unable to achieve due to its higher starting rental levels. Fortress is now developing roughly the same amount of logistics space in Romania and Poland as in South Africa, a shift that will be monitored closely because of differing demand and supply dynamics in those markets.

Looking ahead, Fortress plans to develop a further R2.9 billion of projects over the next three years, which could support robust DPS growth well into the future.

Attacq

Much like Fortress, Attacq's focused development strategy at Waterfall City continues to deliver exceptional shareholder outcomes. Waterfall was entirely responsible for distributable income growth in the period, while the rest of the South African portfolio remained flat, resulting in both segments contributing an equal share to distributable earnings.

Retail performance remained solid, with the Mall of Africa posting a 4.2% increase in tenant turnover and the wider retail segment benefiting from positive rental reversions. The logistics portfolio also gained momentum, with vacancies improving sharply from 13.6% to 7.7%, although new leases were signed at a slight negative reversion. Office performance, while still challenging, showed early signs of stabilisation as vacancies declined to 11.4% despite elevated levels in Waterfall. The development pipeline remains a central driver of future growth, with three major projects currently underway.

Reflecting this operational and development momentum, management raised their DPS guidance from the previous 7.5% to 10% range to a significantly higher and impressive 11% to 14%.

"Hyprop grew tenant sales by 5.1% locally and 5.0% in Eastern Europe, with vacancies down and rental reversions turning positive"

Hyprop

Hyprop delivered solid DPS growth, supported by firm trading in both South Africa and Eastern Europe.

Management's 10% to 12% DPS guidance also still reflects the dilution from the 2025 capital raise for the unsuccessful attempt to acquire MAS.

Hyprop grew tenant sales by 5.1% locally and 5.0% in Eastern Europe, with vacancies down and rental reversions turning positive in both regions, helping drive distributable income higher. Even with this operational momentum, we continue to prefer Resilient and Vukile, since Hyprop's dominant super regional malls are costly to operate and harder to grow in South Africa's low growth environment. Still, their defensive positioning remains a strength.

Management expects to hit the upper end of its 10% to 12% DPS growth range for 2026.

HYPROP'S CANAL WALK, CAPE TOWN

Canal Walk is Cape Town's largest and most dominant mall, reporting strong trading density growth of 6.9%

Our next seminar will be held in June. As usual, we will review the first six months of the year and update our outlook for the remaining six months.

Harvard House is on Facebook

Harvard House is on YouTube

Topic: **2026: The first six months**

Natal Midlands

Date:	4 June 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	9 June 2026
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	11 June 2026
Venue:	Kelvin Grove Club, 144 Camp-ground Rd, Newlands, 7700
Time:	7.30am
Venue:	Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town
Time:	5.30pm for 6pm

CONTACT DETAILS:

For more information on the range of products and services offered by Harvard House Investment Management and its associated companies (including Harvard House, Chartered Accountants), or for any financial advice, please contact the Company at:

HARVARD HOUSE GROUP

3 Harvard Street, Howick, 3290, South Africa

P.O. Box 235, Howick, 3290, South Africa

+27 (0) 33 330 2164

+27 (0) 33 330 2617

@ admin@hhgroup.co.za

W www.hhgroup.co.za