



Rooftop Returns

Many observant Harvard House clients may have noticed the rapid rollout of rooftop solar installations across South Africa's shopping centres over the past two to three years. Our own Midlands Mall boasts one of the largest solar installations on a mall in the country. A common assumption is that these projects are primarily driven by corporate Environmental, Social and Governance (ESG) objectives. While ESG considerations do play a role, the primary motivation for a landlord is far simpler: profit. Solar has become an increasingly attractive way to contain rising operating costs and protect net operating income (NOI) margins.

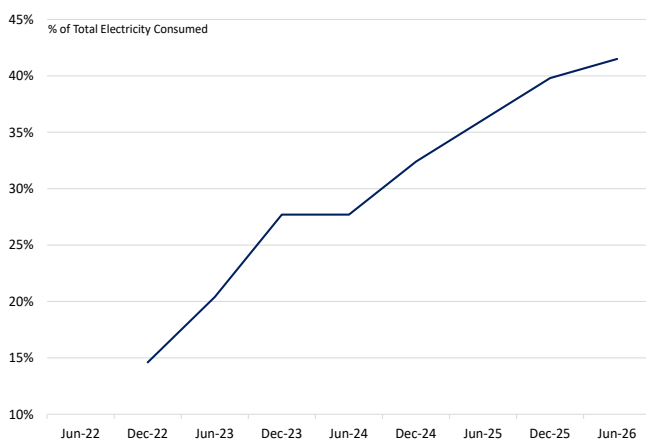


**Daniel
Reynard**

The urgency to deploy solar systems is driven by aggressive and compounding municipal utility inflation. As administered utility prices continue to rise well above inflation, they directly threaten the total cost of occupation for retail tenants. If landlords simply pass these compounding costs on, tenant affordability is squeezed, threatening base rentals and increasing vacancies. To hedge

against this threat, many landlords have become the electricity provider, using their rooftops and carparks to generate solar power at a significantly lower cost than purchasing electricity from the grid.

RESILIENT: ELECTRICITY CONSUMPTION GENERATED BY SOLAR



Resilient's rapid investment in solar aims to protect tenants' occupancy costs and its own net operating income margins. By substituting expensive grid purchases with self-generated power, the fund effectively de-risks its cost base and sustains tenant affordability.

SPEED READ

- Solar has become a profit tool for retail landlords, helping offset rising utility costs and protecting tenant affordability.
- Resilient's solar and battery investments are driving net operating income growth through lower energy costs and energy arbitrage.
- Strong returns are attracting capital, with Vukile generating a 16% first-year cash yield from solar investments.

Resilient REIT has been a trailblazer in rolling out solar alongside other operating-cost-reduction initiatives, such as battery installations, across its portfolio. During the 2025 financial year, Resilient expanded its solar capacity by 11.5MWp, bringing the portfolio's total generation capacity to a massive 88.0MWp. This infrastructure supplies 39.8% of Resilient's South African electricity needs and is expected to supply 43.2% by the end of 2026, as total installed solar capacity reaches 94.4MWp. In other words, Resilient's 94.4MWp solar generation capacity has the potential to power more than 60,000 three-bedroom South African homes or generate enough power in a single hour to charge your phone 6.2 million times, so you don't need to worry about plugging it in for at least the next 17 000 years.

Capital Allocation and Internal Rates of Return

The financial impact of this cost containment is highly tangible. Resilient has been able to grow like-for-like net operating income (NOI) by 7.2% on average over the past three years. Management explicitly noted that this performance was supported by the energy strategy, which continues to shield the portfolio against the continued rise of administered utility prices.

A peer retail property fund, Vukile, invested R167 million

in solar PV plants in 2026 and expects these projects to generate an impressive 16% cash yield in their first year. That implies a simple payback period of just over six years, before considering the potential for savings to increase as municipal electricity tariffs rise. With solar panels typically having an economic life of around 20 to 30 years, the attraction is not simply recovering the initial investment quickly but potentially harvesting lower-cost electricity for many years thereafter.

The benefits also extend beyond cost savings. By generating electricity at a lower cost than buying it from the grid, landlords can reduce the cost of supplying tenants while retaining part of the difference as an energy margin or over-recovery. This creates a useful second income stream alongside traditional rental income, increasing NOI and NOI margins for the landlord, while lower electricity costs help keep the total cost of occupation affordable for tenants. A win for both tenants and landlords!

Beyond Generation: Arbitrage and Storage

With the primary generation phase highly advanced, Resilient's capital allocation is pivoting heavily into complex energy management via Battery Energy Storage Systems (BESS). Total battery storage capacity reached 20.7MWh across the portfolio by December 2025, and the board has approved a massive 27.2MWh of additional battery capacity for 2026. These multi-megawatt systems - slated for assets like Brits Mall, Jubilee Mall, and Kathu Village Mall - unlock structural cost savings through two primary financial mechanisms:

RESILIENT'S NET PROPERTY COST-TO-INCOME RATIO



Resilient has successfully driven its net property cost-to-income ratio down to multi-year lows. The end of expensive diesel generators during loadshedding, aggressive portfolio rollout of rooftop solar and multi-megawatt battery storage systems has all actively driven the profitability of Resilient's properties.

1. **Energy Arbitrage:** Batteries are charged during off-peak periods when municipal tariffs are at their lowest and discharged to power the mall during peak periods when grid tariffs are highest.
2. **Demand Charge Management:** Battery-stored energy is used to supplement the municipal supply during periods of high energy demand, actively reducing the punitive maximum usage penalties billed by municipalities.

Investment Read Through

Resilient is not the only South African retail property fund

CHINESE SOLAR MANUFACTURING PLANT



China's dominance of solar manufacturing has led to rapid falls in panel prices meaning the up front cost of installation of large capacity solar units has fallen rapidly in the last decade.

investing in the solar opportunity and battery energy storage systems (BESS). While Resilient has been a clear first mover, many of its peers are now accelerating their own renewable energy programmes as the economics become increasingly compelling. The investment opportunity may, in fact, lie with the retail property funds that have been slower to adopt solar and BESS. With a smaller existing footprint, each incremental solar installation can have a more meaningful impact on earnings growth, operating margins and tenant affordability than it does for Resilient today.

That said, sticking with the frontrunner remains a perfectly valid strategy. Resilient continues to extract additional value from its solar and battery investments through optimisation initiatives, while competitors are only beginning their own journey. In many industries, leaders tend to extend their advantage rather than surrender it. Resilient has rewarded its shareholders handsomely, with dividends per share growing at an average compound rate of 8.5% over the past three years. Furthermore, it still has a fair runway of

Company	% of Electricity from Solar
Attacq	13.7%
Burstone	15.0%
Dipula	10.0%
Emira	16.8%
Fortress	24.0%
Fairvest	17.5%
Growthpoint	19.0%
Hyprop	14.0%
NEPI Rockcastle	6.0%
Redefine	12.8%
Resilient	41.5%
Spear	24.0%
Vukile	29.0%

growth ahead, despite the tough macro environment, and provided that interest rates do not get out of hand as they did in 2022/23.

LIBERTY MIDLAND MALL'S ROOF-TOP SOLAR



Liberty Midlands Mall has one of the largest rooftop solar plants in South Africa at 6.5MWp, reducing the mall's reliance on electricity from the grid by 36%



Our next seminar series will be held in November, when we traditionally review the past year and cast our eyes forward to the new year. We will do some with some trepidation, as we try to unpack whether 2027 will bring clam or chaos.



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Topic:

Outlook for 2027 – a more normal year?

Natal Midlands

Date:	3rd of December, 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	24th of November, 2026
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	26th of November, 2026
Venue:	J&J Belmont Square, Belmont Road, Rondebosch
Time:	7.30am
Venue:	Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town
Time:	5.30pm for 6pm



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Performance figures quoted for the portfolios are 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