SESFIKILE CAPITAL
Property Investments

NIMBLE WISDOM

SA & GLOBAL LISTED PROPERTY
QUARTERLY COMMENTARY – Q2 2026

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01 LISTED PROPERTY AND MARKET COMMENTARY

The second quarter of 2026 marked a sharp reversal from the weak start to the year, as financial markets recovered following an easing of Middle East geopolitical tensions after the cessation of hostilities between the US, Israel and Iran. The FTSE/JSE All Property Index (ALPI) delivered a total return of 10.5%, significantly outperforming both the FTSE/JSE All Bond Index (ALBI: +7.9%) and the FTSE/JSE All Share Index (ALSH: -2.4%). Global listed property (FTSE EPRA Nareit Developed Rental Index; RNGR) returned 9.7% in USD terms (+5.8% in ZAR), outperforming global bonds (+0.7%) but trailing global equities (+13.9%). South African equities were weighed down by weaker commodity prices, while listed property benefited from the sharp recovery in bond markets.

SA government bonds rallied strongly during the quarter, with the 10-year government bond yield declining by 86 basis points to 8.45%. Earlier in the quarter, yields had risen as investors priced in inflation risks stemming from the Middle East conflict and higher oil prices. However, the subsequent ceasefire and peace agreement triggered a sharp decline in Brent crude prices, allowing much of this risk premium to unwind. Despite improving inflation expectations, the South African Reserve Bank maintained a hawkish stance, raising the repo rate by 25 basis points in May due to elevated inflation risks and concerns over second-round price effects. While inflation expectations have moderated, the two-year expectation remains at 3.9%, above the SARB's preferred level, leaving the possibility of further policy tightening if inflation proves more persistent.

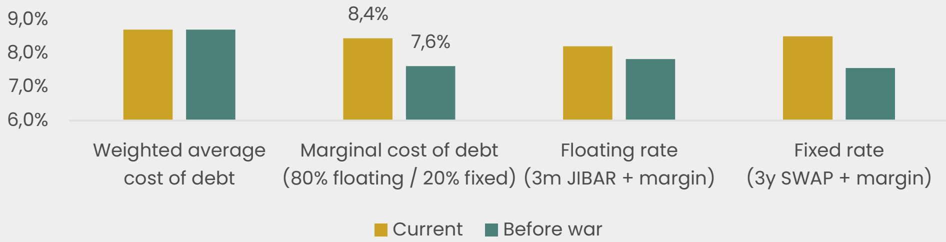
TABLE 01: TOTAL RETURN BY ASSET CLASS

South Africa (ZAR Returns)	Q1 2026	APRIL	MAY	JUNE	Q2 2026	YTD
SA Listed Property Index	-4.9%	5.4%	0.6%	3.7%	10.0%	4.6%
All Property Index	-5.3%	5.8%	0.7%	3.8%	10.5%	4.6%
Equities	-0.6%%	1.6%	-0.3%	-3.7%	-2.4%	-3.0%
Bonds	-3.4%	3.3%	2.9%	1.5%	7.9%	4.2%
Cash	1.7%	0.5%	0.5%	0.6%	1.7%	3.4%
Offshore (USD Returns)	**Q1 2026**	**APRIL**	**MAY**	**JUNE**	**Q2 2026**	**YTD**
Global Listed Property (RNGR)	1.2%	8.5%	-0.4%	1.5%	9.7%	11.0%
Global Equities	-3.5%	9.6%	4.6%	-0.7%	13.9%	10.0%
Global Bonds	-1.1%	1.1%	0.3%	-0.7%	0.7%	-0.4%
Offshore (ZAR Returns)	**Q1 2026**	**APRIL**	**MAY**	**JUNE**	**Q2 2026**	**YTD**
Global Listed Property (RNGR)	3.9%	6.7%	-3.4%	2.6%	5.8%	9.9%
Global Equities	-0.9%	7.8%	1.4%	0.5%	9.8%	8.8%
Global Bonds	1.6%	-0.6%	-2.7%	0.4%	-2.9%	-1.4%

Source: Bloomberg

Global REITs staged a strong recovery during the quarter as easing geopolitical tensions reduced inflation expectations and improved investor sentiment. Brent crude oil prices fell by approximately 20%, although central banks maintained a more hawkish stance amid concerns that inflation could remain persistent. Despite the prospect of higher-for-longer interest rates, REIT performance continued to be supported by improving property fundamentals, accelerating earnings growth, strong balance sheets and increasing merger and acquisition activity. While higher ZARONIA rates increased base funding costs in South Africa, tighter credit spreads offset much of the impact as banks competed for quality listed property issuers. During the quarter, Growthpoint raised R1.8 billion of senior unsecured debt, with five-year bonds priced at ZARONIA +100 basis points (JIBAR +84 basis points), representing approximately 65 basis points of spread compression compared with its equivalent 2023 issuance. This highlights the continued strength of investor demand for high-quality listed property credit.

CHART 01: ZAR DEBT FUNDING COSTS BEFORE AND AFTER THE WAR

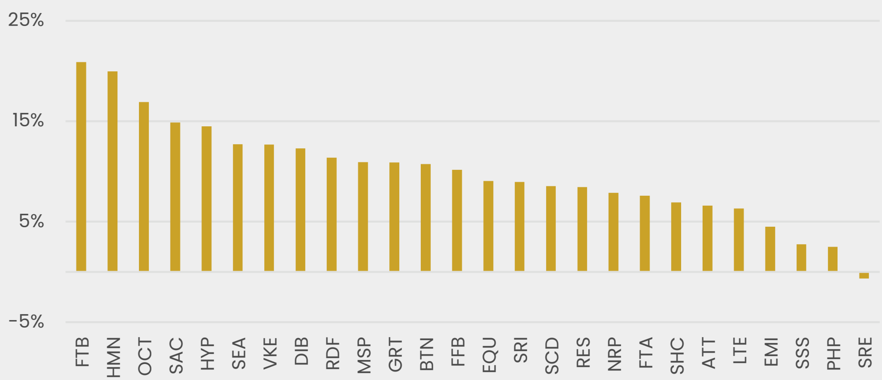


Source: Bloomberg, Sesfikile analysis

02 SA LISTED PROPERTY REPORT

Fairvest (FTB) was the best-performing SA REIT during the quarter, returning 20.9% after reporting another strong set of results, at a sector-leading 12.3% growth in distributable earnings. Hammerson (HMN) gained 20.0%, benefiting from the broader rally in UK property shares as the UK 10-year gilt yield declined by 15 bps to 4.75%. Octodec (OCT) advanced 16.9% after Emira (EMI) acquired a strategic 20.2% stake before increasing its holding to 23.2% through additional purchases. Emira's voluntary offer targets a 34.9% shareholding. SA Corporate rose 14.9% after management guided to approximately 6% distributable earnings growth, reducing uncertainty following the absence of guidance at the interim results.

CHART 02: Q2 2026 TOTAL RETURN BY COUNTER



Source: Bloomberg

At the other end of the spectrum, Sirius Real Estate (SRE) declined 0.7% despite reporting solid results and outlining plans to expand its self-storage platform. Stor-Age returned 2.8% as resilient SA trading was offset by weaker UK operations. Emira gained only 4.5% after guiding to subpar 3% distributable earnings growth for the coming financial year.

HYPROP
CANAL WALK, CAPE TOWN

03 SA LISTED PROPERTY FUNDAMENTALS

Recent company results continue to support the "operational recovery story" across the domestic property sector. Retail fundamentals remained resilient despite higher fuel prices, elevated interest rates, and pressure on household disposable income. Weakness in discretionary retail was driven more by margin pressure, poor cost management, and supply chain inefficiencies than by deteriorating consumer demand.

According to the MSCI SA **Retail** Trading Density Index, annualised trading density increased 3.8% year-on-year, vacancies remained low at 5.2%, and gross rents accelerated to 7.2%. Listed REITs outperformed, with Resilient, Vukile and Hyprop reporting vacancies of only 1.9%, 1.7% and 3.3%, respectively. Resilient also delivered 8.1% comparable net property income (NPI) growth while Vukile grew comparable NPI by 10.3%, largely driven by operating cost efficiencies. Super Regional and Small Regional shopping centres continued to outperform neighbourhood and community centres, while food retailers remained the primary driver of sales growth. By region, coastal markets continued to outperform, benefiting from 'semi-gration' and growing tourism. Township and rural retail remained resilient due to their higher share of non-discretionary tenants. **Note: Although the nationwide anti-immigration protests on 30 June resulted in precautionary store closures and higher security costs, disruption and violence were limited compared with the July 2021 unrest.**

The **office market** vacancies declined to 12.1%, the lowest level since early 2020. Prime, A-grade, and B-grade vacancies all improved. Furthermore, with only 138 000sqm of new office space under construction (0.7% of existing stock) that is 70% pre-let, we see further improvements ahead. Asking rentals increased 7.4% y/y. Cape Town remains the strongest office market, with vacancies at 6.2%, followed by Tshwane at 8.5%, while Johannesburg lags, with vacancy levels above pre-pandemic levels.

REIT portfolios showed Growthpoint's offices reported rental reversions of -7.1%, compared with -9.6% six months earlier, while vacancies are expected to remain stable at approximately 14.2%. Redefine reduced vacancies from 13.0% to 11.1%, although reversions remained weak at -15.8% due to several large renewals. Burstone's reversions fell -20.5% while Emira's office reversions were broadly flat.

The **Industrial property** sector has enjoyed low vacancies of 2-4% and positive reversions, supported by supply chain optimisation, onshoring, and e-commerce growth. Growthpoint and Redefine reported industrial reversions of 3% and 4%, respectively. Modern logistics facilities command rentals of c.R90/sqm compared with in-place rents at c. R70/sqm. Demand from fast-moving consumer goods (FMCG) operators and expanding e-commerce retailers like Amazon continues to support development activity, such as Equites' 90 000 sqm facility under development for Tiger Brands at Riverfields (Johannesburg).

Listed REITs remained active in capital markets with around R6.4 billion raised in the first half of the year, including Vukile raising R2.8 billion, Fortress raising R1.35 billion, and Spear raising R1 billion via accelerated book build (ABB). Vukile's capital raise supports its expansion into Italy through the €115 million acquisition of three shopping centres at a c. 10% yield. The transaction establishes its Italian platform, Esperia, and leverages Vukile's strategic investment in Pradera to source future acquisitions. Management views Italy as an attractive growth market and is targeting a portfolio exceeding €500 million.

FIGURE 01: LE DUE VALLI, TURIN, ITALY

Source: Tripadvisor

Hyprop reported the acquisition of Galleria Burgas (Bulgaria) from MAS Real Estate for approximately €180 million at an approximate 8% yield. MAS continued to shape its portfolio following the sale of six Romanian retail assets for €281 million (before debt), while also signalling its intention to diversify beyond traditional real estate investments. Separately, related entity PKMI launched a bid to acquire up to 30 million MAS shares.

On a look-through basis, Central and Eastern Europe now represents c.27% of SA listed property assets, primarily through NEPI Rockcastle (NRP) and Redefine's exposure to EPP. NRP reported 3.8% growth in like-for-like tenant sales (excluding hypermarkets) during Q1 2026, with new leases signed at rental uplifts of 2.2% above indexation. Management reaffirmed guidance for approximately 3% earnings growth in 2026. Although Romania (around 35% of NRP's portfolio) experienced slower economic growth, tighter fiscal spending and elevated inflation, other regions such as Poland (35% of NRP), Bulgaria and Croatia continued to show robust tenant sales.

HYPROP
GALLERIA BURGAS, BULGARIA

04 SA LISTED PROPERTY OUTLOOK

At the halfway point of the year, the South African listed property sector has delivered a total return of 4.6%, equivalent to 9.4% on an annualised basis. While this is below our beginning of the year expectation of approximately 13% for the year, the shortfall is largely explained by a more cautious interest rate outlook; earnings growth tailwinds that would have come from lower interest rates have dissipated, and share valuations or multiples are unlikely to expand.

Importantly, SA's bond yields remain broadly in line with where they started the year, due to domestic improvements and Fitch's sovereign debt upgrade in June 2026, providing a supportive backdrop for the sector.

The war between the US, Israel, and Iran in the Middle East remains fragile following recent ceasefire violations and renewed military strikes near the Strait of Hormuz. Nevertheless, provided current conditions persist, lower oil prices and, in turn, moderating inflation expectations have improved the macroeconomic outlook for South Africa. While markets now anticipate a shallower interest rate cycle and slightly weaker economic growth than previously expected, recent events are unlikely to alter the sector's long-term investment case.

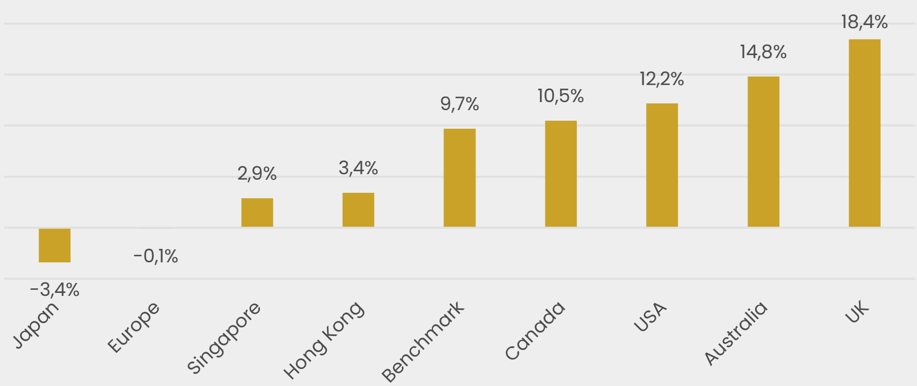
Over time, returns are driven primarily by operational performance and underlying earnings growth, both of which remain robust and continue to improve across the retail, industrial, and office sectors. We continued to expect distribution growth of 6% per annum over the next two years, which should significantly outpace inflation. With reduced bank debt margins, strong capital markets for ABBs, increased acquisitive activity, and greater cost efficiencies from solar, upside risk to growth projections remains. We therefore continue to expect the listed property sector to deliver attractive total returns of 12–14% over the next 12 months.

MIDTOWN MANHATTAN
NEW YORK CITY, UNITED STATES

05 GLOBAL LISTED PROPERTY REPORT

Global REITs, as measured by the **EPRA/NAREIT Developed Rental Index Net TR** (USD), achieved a total return of 9.7% for the quarter (+5.8% in ZAR), outperforming global bonds (**FTSE World Government Bond Index**, +0.7%) but underperforming global equities (**MSCI World Index**, +13.9%). UK REITs outperformed, delivering an 18.4% return, followed by Australia at 14.8%, while Japan and Europe lagged with returns of -3.4% and -0.1%, respectively.

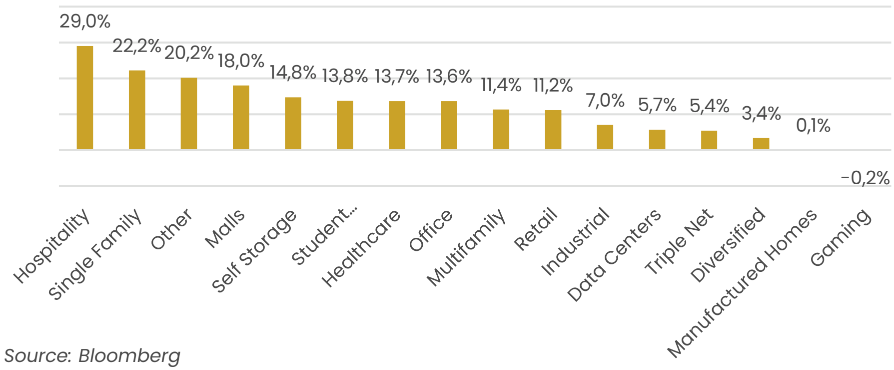
CHART 03: TOTAL RETURN BY REGION Q2 2026



Source: Bloomberg

The second quarter of 2026 showed a wide 29.2% spread between the best-performing sector (hospitality: +29.0%) and the worst-performing sector (gaming: -0.2%), once again underscoring the wide array of choice and specialisation that global REITs provide investors, with over 16 different sub-sectors to select from.

CHART 04: TOTAL RETURN BY SECTOR Q2 2026



Source: Bloomberg

Hospitality REITs (+29.0%) were the standout performers, driven by strong gains across US names, with Host Hotels & Resorts up 28.6%, as investors priced in tailwinds from FIFA World Cup demand and a strong US economy. Single-family rental REITs (+15.1%) outperformed as policy risk surrounding Trump's housing bill abated, with actual legislation expected to be better than initially feared. The latest version of the ROAD to Housing Act removed the requirement for build-to-rent (BTR) homes to be sold after seven years of institutional ownership. This, combined with an inflection in rental growth and near-cycle-low valuation multiples, supported a sector re-rating. The "other" category was driven by strong first-quarter results from US document and data storage REIT Iron Mountain (+24.5%), which reported 22% earnings growth and upgraded its 2026 earnings growth guidance to 13%. The mall sector (+18.0%) was led by US mall REITs Simon Property Group (+21.2%) and Macerich (+34.2%), which benefited from resilient consumer spending, rising rents, and improving foot traffic.

Gaming REITs lagged (-0.2%), weighed down by concerns over the credit ratings of major tenants, Caesars and MGM, both of which are subject to offers to be taken private. Manufactured housing REITs (+0.1%) and diversified REITs (+3.4%) also lagged, as their defensive characteristics fell out of favour amid the cyclical rotation. The triple net lease sector (+5.4%) also underperformed for similar reasons, as investors chased growth.

06 GLOBAL LISTED PROPERTY FUNDAMENTALS

The **industrial** sector continued to improve in Q2, with vacancies falling below the cyclical peaks in most regions. **US** vacancy held steady at 7.5% and is expected to decline in H2 2026 as demand exceeds supply by 4.6 million m², supporting an inflection in rental growth. **European** industrial vacancy rose 49bps y/y to 6.1% in Q1, while rental growth remained positive at 2.9%. Despite higher vacancies, demand for Grade A assets is expected to outpace supply in the second half of the year. In **Japan**, the Greater Tokyo vacancy rate declined 60 bps to 9.2%, while rents increased 0.9% q/q. **Australian** fundamentals continue to normalise, with national vacancy at 3.2%, although weakness is concentrated in older assets, while modern prime facilities continue to outperform.

In June, US industrial REIT Prologis made a £12.6 billion all-share bid for UK logistics REIT SEGRO, representing a 24.6% premium to the pre-bid share price, close to its last reported net asset value (NAV). Segro's board rejected the offer, stating that it undervalued the "quality, scarcity and growth embedded in the business."

US apartment fundamentals are showing early signs of an inflection, with vacancy declining by 20 bps in Q2 to 4.8%. While blended rents remained broadly flat (+0.2% y/y), steady demand and easing supply should support 2–3% rent growth over 2026–2027. Similarly, **single-family rentals** have inflected from negative to positive new lease growth (1–2%), while occupancy increased by 1% to 96.6% in May 2026. Supported by retirees, **Manufactured housing** remains the most defensive residential subsector, with c.98% occupancy rates and annual rent growth of 5–6%. **UK student accommodation** fundamentals remain soft. Leasing for the 2026/27 academic year is tracking in line with last year's c.86%, with final occupancy expected to reach 94–96%. However, rental growth is forecast to slow materially to just 0–1%. In contrast, **German residential** continues to benefit from a structural housing shortage, with vacancy below 2% supporting rental growth above 3%.

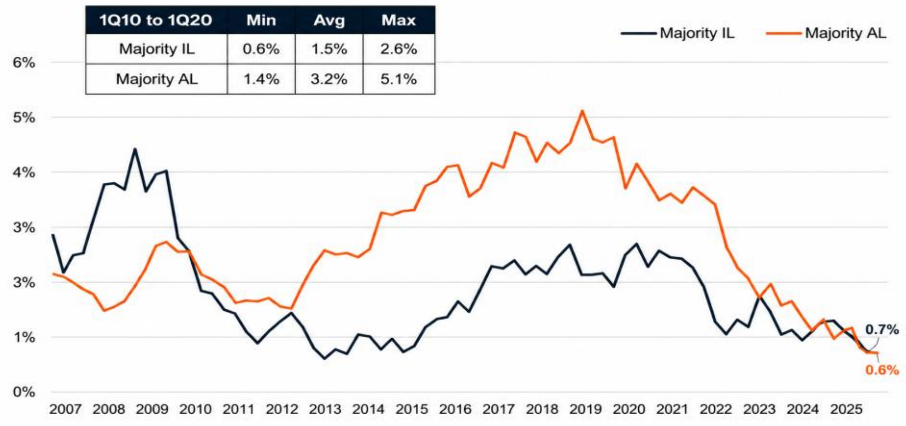
On 2 July, the German government announced plans to prevent regional governments from expropriating privately owned residential portfolios, removing 'expropriation risk' from the sector.

Triple net lease fundamentals remain solid, supported by long leases, predictable cash flows and stable investment spreads. We expect the sector to deliver earnings growth of 4–6% in 2026, driven by acquisitions, as REITs are trading well above NAV and at a cheap cost of capital. Gaming REITs (VICI and GLPI) have shown similar resilience; however, investors continue to monitor potential takeovers of Caesars Entertainment and MGM Resorts. Although leases are protected by master-lease agreements, the market has discounted the possibility that tenant credit risk could increase while transparency around rent coverage decreases.

US hotel fundamentals have exceeded expectations, with Revenue Per Average Room Rate (RevPARs) up 4.0% year-to-date through April, making Q1 the strongest first quarter on record. Performance was broad-based, although higher-end hotels outperformed. The FIFA World Cup is providing a meaningful summer tailwind, with markets such as Miami recording RevPAR growth of more than 50% during match weeks. **Japan's hotel** fundamentals remain resilient despite a sharp decline in Chinese visitor arrivals (down approximately 53% in the year to April). Average daily rates increased 8.6% in the year to March 2026, while occupancy improved from 82.3% to 83.3%. **Singapore** appears to be benefiting from Japan-China tensions, with Chinese arrivals increasing 10% y/y in Q1. RevPAR rose 4.9%, supported by a 2.4% increase in occupancy to 83%. However, a 3.2% increase in hotel supply is expected to moderate RevPAR growth during H2 2026.

Driven by ageing populations in developed economies, **Healthcare REITs** continue to enjoy the strongest demand visibility. US **senior housing operating portfolios** (SHOP) fundamentals continue to outperform; occupancy rose to 89.5% in Q1, while new supply remains constrained at just 0.6% of total stock. With rental rates expected to grow by around 5%, we believe SHOP REIT portfolios could show double-digit NOI growth over many years. **Skilled nursing** also continues its recovery, with occupancy approaching 85% and rent coverage ratios at approximately 1.5x, the highest level in 15 years. However, the sector remains exposed to Medicaid reimbursement and broader policy risks.

CHART 05: US SENIOR HOUSING SUPPLY



Source: NIC MAP data

Data centre demand outlook remains robust, with hyperscalers such as AWS and Google expected to invest US$769bn in AI infrastructure during 2026 (+70% YoY). The sector's key constraint has shifted to power availability, with vacancy rates at record lows in the US (c.1%) and Europe and Singapore tight at 2%, despite record levels of new supply (c.92% of US capacity under construction is pre-leased, JLL).In addition, data centres are facing increasing scrutiny from both local communities and policymakers, with moratorium bills introduced in at least 12 US states. While this should enhance the scarcity value of existing assets, it could increase the cost of new developments, thus reducing projected yields.

US office fundamentals improved during Q1 as the AI narrative shifted from job displacement concerns to AI supporting office demand. Vacancies declined to 18.6%, with supply at a record low of 0.4% of stock, driving rental growth to a six-year high of 2.2% in Q1. However, the recovery remains concentrated in prime assets, with prime vacancy tightening to 12.7% and Midtown Manhattan remaining exceptionally low at 2.9%. Although overall office vacancies are at 8.4%, **Central London** continues to benefit from constrained supply, with 42% of new developments pre-leased and newly built asset vacancy falling to a five-year low of 1.1%.

Japan's office market remains a global leader, with Tokyo vacancy declining to 2% and rents rising 10.1% YTD. **Singapore** CBD vacancy fell 0.6% to 4.7%, with rents projected to increase 3–5% in 2026 due to tight supply.

Retail fundamentals continue to strengthen globally, with low vacancies and tight supply improving landlords' pricing power. **US retail** occupancy remained stable at 96% q/q, while mall rental growth accelerated to 5% and strip centre leasing spreads reached c. 15%. In **Europe**, prime assets continue to outperform: vacancy declined 50 bps q/q to 4%, lease renewal uplifts of 5–10%, and Spain remains the standout, with footfall up 5.3% versus a European average of around 2%. **Singapore** retail rents rose 3% y/y in Q1, supported by strong tourism, which continues to drive demand for luxury retail and flagship stores. We expect prime retail rents to grow 2–4% in 2026. In **Australia**, household spending increased 4.6% y/y in Q1, retail occupancy exceeded 99%, and prime retail rents grew 2.2% q/q.

US **self-storage** fundamentals remain subdued, as housing turnover—which accounts for approximately 55% of demand—continues to be constrained by elevated mortgage rates. However, with new supply running at just 1.5% of existing stock, around 70% below the 2019 peak, market fundamentals appear to be bottoming. Occupancy has improved by 20 basis points year-on-year to 89%, while move-in rental rates are expected to turn positive in the second half of the year, supporting approximately 1.5% rental growth in 2026. The UK and European self-storage markets face similar housing turnover-related demand headwinds. In addition, however, these markets are experiencing elevated supply growth of 4–5% over the next two years, contributing to weaker pricing. Asking rents in Paris and London have declined 11% and 3% year-on-year, respectively.

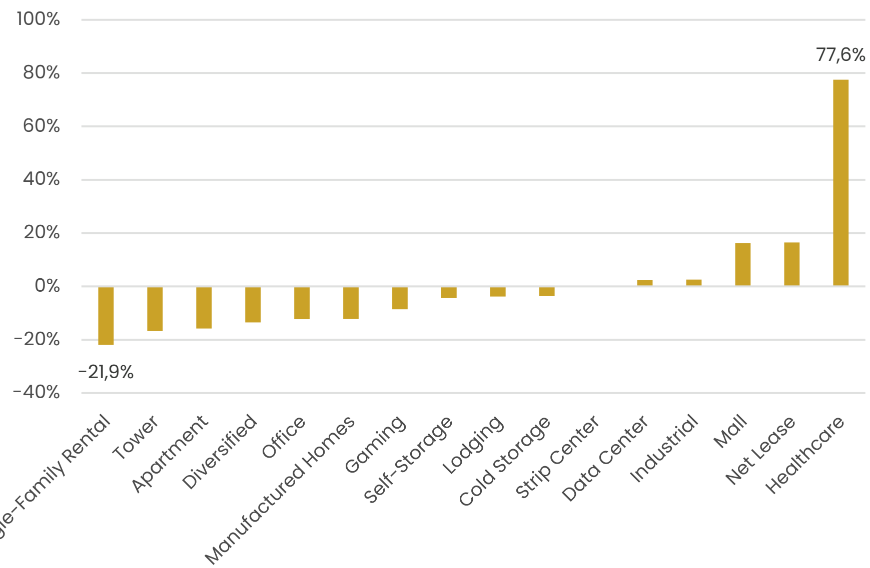
07 GLOBAL LISTED PROPERTY OUTLOOK

Global listed property delivered a strong second quarter, returning 9.7% and taking total returns for the first six months of 2026 to approximately 11%, outperforming global equities by around one percentage point. Despite higher interest rates and bond yields remaining a headwind, underlying property fundamentals continue to surprise positively.

Tenant demand has remained resilient despite elevated macroeconomic and geopolitical uncertainty, with occupiers continuing to execute expansion plans rather than delaying leasing decisions. All 16 property sectors we cover are now reporting improving fundamentals. Average vacancies remain reasonable at approximately 7%, while new supply across most sectors is 30–90% below previous development peaks. High levels of supply in Data centres remain the clear outlier, but our concerns are allayed by vacancies of just 1–2% and almost 90% pre-let levels.

With balance sheets averaging around 35% loan-to-value ratios and stronger share valuations lowering the cost of capital, REITs have returned to growth mode. US REITs have raised approximately US$14.5 billion of equity in this year, while merger and acquisition activity accelerated. Notable transactions included the proposed £12.6 billion acquisition of Segro by Prologis at a 24.6% premium and Public Storage's US$1.2 billion acquisition of Public Storage Canada. Although global REITs are no longer inexpensive, valuations remain reasonable, with the sector trading on a 6.0% forward Funds-from-Operations (FFO) yield and modest 5% discount to NAV. However. a closer look reveals that beneath these averages, valuation dispersion between sectors remains significant with Seniors' housing (Healthcare) at a large 78% premium while the Single-family-rental sector is at a wide 22% discount.

CHART 06: PRICE-TO-NAV BY GLOBAL REIT SECTOR



Source: Bloomberg, Sesfikile analysis

Looking ahead, the earnings outlook remains favourable. We forecast global REIT FFO growth of approximately 6% in 2026, accelerating to 6–7% in 2027, with all 16 sectors expected to deliver positive same-property net operating income growth. The key risks remain a more hawkish-than-expected response from the major central banks and a material slowdown in AI infrastructure spending by hyperscalers. While neither represents our base case, either could result in weaker earnings growth and a meaningful correction in REIT valuations, particularly Data centres. Overall, we continue to expect global listed property to deliver approximately 9% total returns in USD over the next 12 months.

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