METOPE

Market Commentary

31 March 2026

Market Commentary for the quarter ending 31 December 2025

South African equity markets extended their positive momentum from late 2025 into the first two months of the year, with listed property rising 7.8% to 28 February, before correcting sharply by 12.2% in March. The escalation of conflict in the Middle East drove a broad increase in energy prices, raising global inflation risks and prompting central banks to reassess their rate outlook.

The resulting risk-off environment pushed South African bond yields up by approximately 125 bps to 9.25% as at end of March 2026 from below 8% in February 2026, triggering a broad-based sell-off across equities and listed property. The South African Reserve Bank elected to hold rates amid uncertainty around the inflationary impact of higher energy prices and indicated it will continue to monitor developments closely. Across Europe, market participants have hinted at a possibility of rate hikes later in the year, contingent on how inflation evolves. While conditions in the Middle East have stabilised somewhat with a cease-fire in place, the situation remains fluid.

The South African listed property sector recorded a quarterly decline of 5.3%, largely reflecting the sharp move in bond yields. This reversal follows a strong 30.6% total return delivered in 2025.

Octodec Investments (+5.5%) and Spear REIT (+2.9%) were the top performers for the quarter, supported by their inclusion—alongside Dipula Income Fund—in the ALPI index in March 2026.

Despite share price weakness, recent results and pre-close updates reaffirm that underlying fundamentals remain resilient. Companies continue to report strong cash flow generation, positive rental reversions, declining funding costs and gearing, improving property valuations, and enhanced earnings visibility. However, geopolitical tensions have reduced the likelihood of near-term rate cuts. Disruptions to oil supply from the Gulf are expected to sustain elevated inflation in the short term, delaying monetary easing in South Africa.

That said, balance sheets are materially stronger than in prior cycles, with improved cash flow profiles and reduced reliance on diesel due to increased solar capacity. While the anticipated tailwind from lower interest rates may be delayed, the sector remains well-positioned.

Among the notable results released during the quarter are Growthpoint Properties which reported interim results for the period ended 31 December 2025. Distributable income per share (DIPS) increased by 2.3%, while dividends per share (DPS) rose by 8.5% to 66.2 cents, supported in part by an increase in the payout ratio from 82.5% to 87.5%. Operational performance was driven by like-for-like rental growth of 6% and a reduction in vacancies from 8.2% to 7.2%. The V&A Waterfront continues to outperform, delivering 8.7% LFL Net Property income (NPI) growth, supported by strong domestic and international tourism. Offshore, Growthpoint Properties Australia (GOZ) reported a marginal decline in dividends received due to modest performance and higher taxation. Management maintained FY2026 guidance of 3–5% DIPS growth and 6–8% DPS growth.

Resilient REIT reported full-year results to 31 December 2025, with DPS (at a 100% payout ratio) increasing by 11.4%. Performance was underpinned by strong operational metrics, including low vacancies of 2.1%, LFL NPI growth of 8.1%, and tenant sales growth of 4.9%. Margins were further supported by solar initiatives, with renewable energy contribution increasing from 39.8% to 43.2% of total consumption. Offshore exposure via Lighthouse Properties contributed positively, with dividends increasing by 7.5%. Management is guiding for at least 9% dividend growth in FY2026.

NEPI Rockcastle reported full-year results to 31 December 2025, with DIPS and DPS (90% payout ratio) increasing by 3.1% in euros. Operational performance remains robust, with vacancies at 1.2%, LFL growth of 4.4%, and tenant sales up 3.6%. The company maintains one of the strongest balance sheets in the sector, with a loan-to-value ratio of 32.8%. Management is guiding for 3% DPS growth in euros for 2026.

Lighthouse Properties reported results for the period ended 31 December 2025, with DPS growth of 7.5%. Performance was supported by acquisitions and solid underlying operations, including LFL rental growth of 3.8% and tenant sales growth of 6%.The Iberian economies continue to outperform the broader Eurozone, supporting a favourable outlook. Management expects DPS growth of approximately 7% in FY2026.

At the time of writing, the sector is trading on a forward dividend yield of approximately 7.1%, with expected growth of 6–8%, and at an estimated 5% discount to NAV (ALPI weighted).

Metope Investment Managers (Pty) Ltd
Email: info@metopegroup.com | Web: www.metopegroup.com
Tel: +27 21 418 3760
Moorings 4 | Portswood Ridge | Portswood Road
V&A Waterfront | 8001 | PO Box 51316 | Waterfront | 8002
Registration No: 2004/035077/07
Directors: Liliane Barnard | Aimee Glisson | Zovuyo Magxala