

An aerial photograph showing a two-lane asphalt road that curves through a dense, green forest. To the left of the road is a large, calm body of water with a dark blue-green hue. A single white car is visible on the road, moving away from the viewer. The overall scene is serene and natural.

SOUTH AFRICAN VS GLOBAL LISTED PROPERTY: WHERE IS THE GREATER UPSIDE?

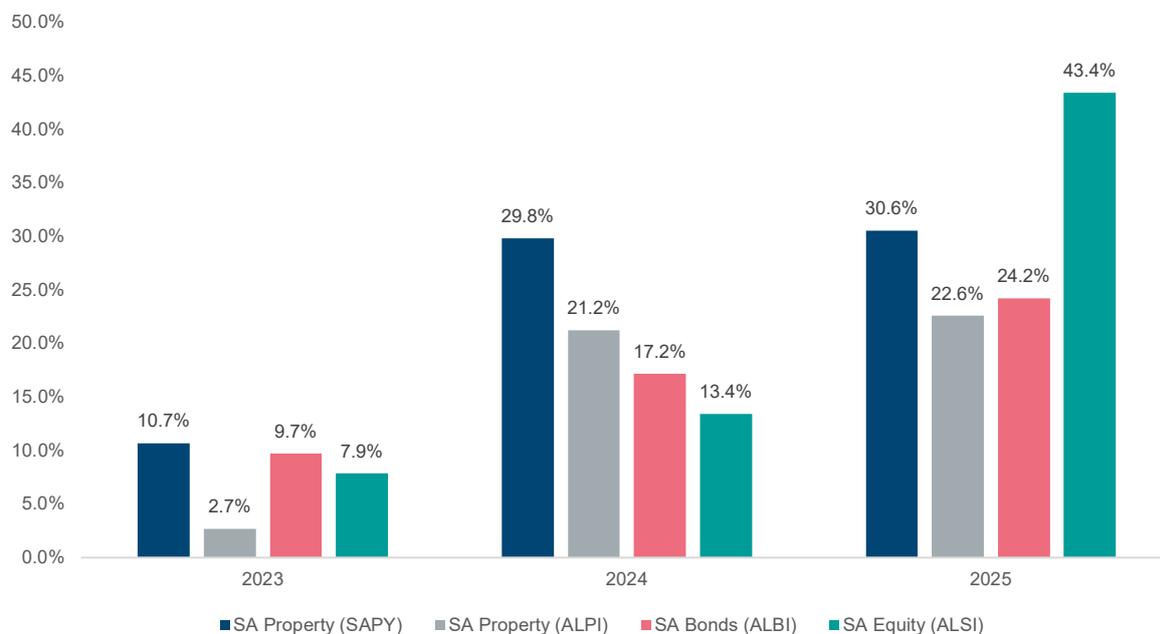
INCLUDING INSIGHTS FROM LOCAL
PROPERTY MANAGERS



South African vs Global Listed Property: Where is the Greater Upside?

The South African listed property market has enjoyed the limelight in recent years, being the best-performing asset class in both 2023 and 2024 when it delivered significantly higher returns than its local counterparts (as seen in Figure 1 below), while also providing impressive returns in 2025. However, investors may be wondering: is the greater upside to be found in local or global listed property?

Figure 1: Property was the best performing asset class in 2023 and 2024



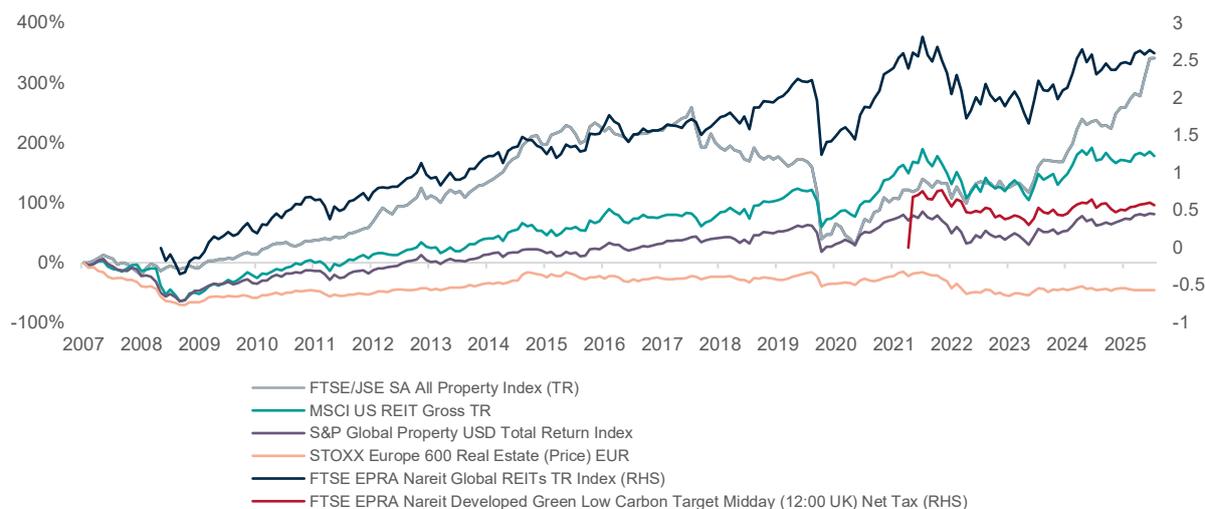
Source: Bloomberg

Similar to the local property market which struggled during the COVID-19 pandemic due to tight monetary policies, rising inflation and economic growth concerns, global property was also negatively impacted. However, the subsequent easing in monetary policies across the globe not only enabled the South African property market to emerge as a favourable asset class amongst investors but also saw global property reaping the benefits of lower interest rates. Global property indices, including the FTSE EPRA NAREIT DEVELOPED Total Return Index USD, delivered 10.9% in 2023 and 2.0% in 2024, while the FTSE EPRA NAREIT DEVELOPED Green Low Carbon Target Midday (12:00 UK) Net Tax Index provided investors with positive returns of 17.7% and 2.0% in 2023 and 2024, respectively. Although the global property indices produced gains for investors in those years, both indices ended 2025 negatively, with returns of -3.0% and -3.7%, respectively. Unlike the South African property market, which has outshone some of the other local asset classes over the past three years, the global property market significantly underperformed against its risky global counterpart as the MSCI World Total Return Index returned 33.4% in 2023, 23.3% in 2024 and 6.6% in 2025.

The significant outperformance of global equities was driven by market enthusiasm and demand for technology- and artificial intelligence-related stocks which has boosted this risky asset over the past few years, enabling it to attract investors and maintain its outperformance. Additional factors that boosted local property in 2024 include the positive election result, which culminated in the formation of the Government of National Unity, reduced loadshedding and improving fundamentals. Meanwhile, global property suffered due to higher-for-longer interest rates and the evolving geopolitical tensions impacting global supply chains, which drove up energy costs and inflation, as well as heightened volatility associated with the French and US elections.

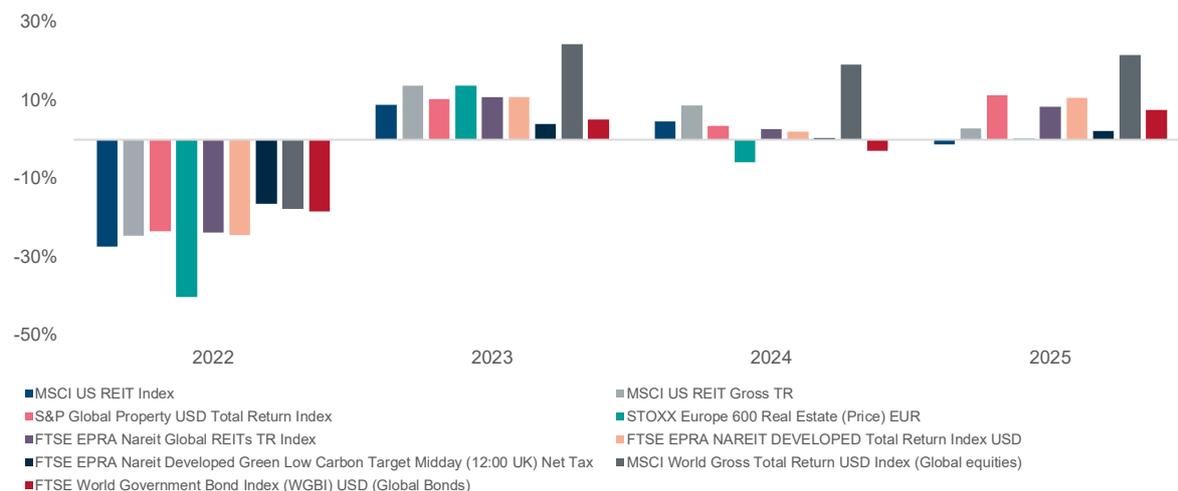


Figure 2: Global property indices reaped the benefits of easing monetary policies following the declines experienced during the COVID-19 era



Source: Bloomberg/Cumulative performance from 31 July 2007 to 31 December 2025

Figure 3: Most global property markets provided positive gains in local currency during 2023 and 2024 but still underperformed global equities



Source: Bloomberg

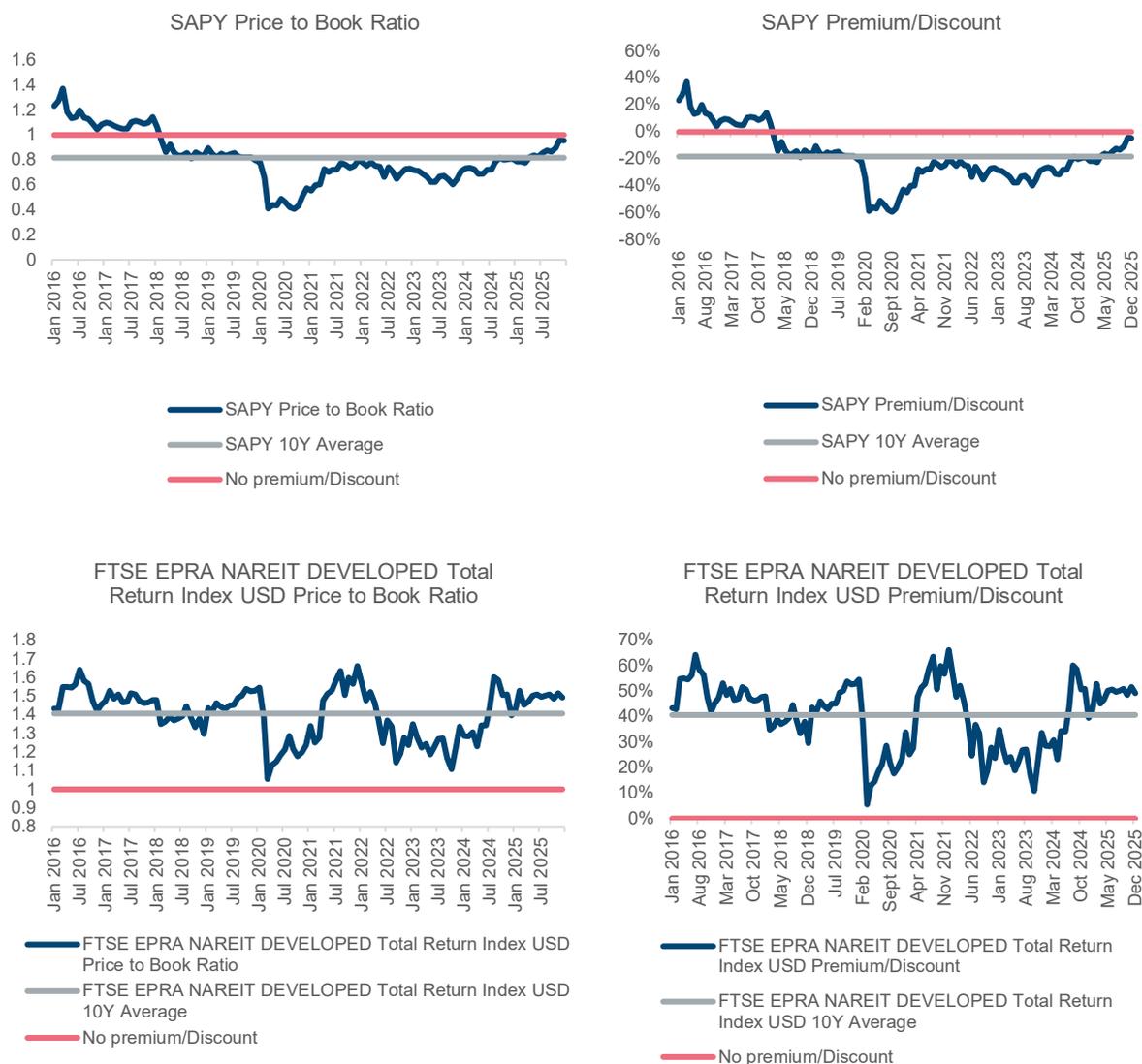
In the case of global listed property, the market experienced significant drawdowns associated with the Global Financial Crisis of 2007–2008, which resulted in property markets facing devaluations, rising debt costs, declining market sentiment and widespread panic selling by investors. More recently, the COVID-19 pandemic, which led to global shutdowns, and disrupted operations and cash flows, and escalating geopolitical turmoil and trade wars, which have impacted supply chains and inflation, have dented the performance of this asset class. However, the global property market has also witnessed favourable periods, in the wake of its recovery from the GFC, in which regions such as the United States and Europe have adopted monetary easing policies, allowing the property market to benefit from lower interest rates, cheaper borrowing costs and the yield differential between bonds and property, as well as recovery from the COVID-19 era. Given the various downward trends and upward swings seen in the global listed property market, investors may be curious about the current investment environment in this asset class and whether it presents a greater potential upside compared to the local property market.

Taking a closer look at the valuations, the South African Listed Property Index has been trading at a discount, with its price-to-book value standing at around 0.95 with an approximately 5% discount and its average 10-year price-to-book discount being close to 18%. In contrast, the FTSE EPRA NAREIT



DEVELOPED Total Return Index USD has a price-to-book value of 1.5, implying a premium of approximately 50% which exceeds its average 10-year price-to-book premium of 41%. Although both markets have a price-to-book value that exceeds their average price-to-book over the past 10 years up to December 2025, the local property market may provide a greater potential upside to investors as it still trades at a discount.

Figure 4: Comparison of valuations across local and global listed property markets

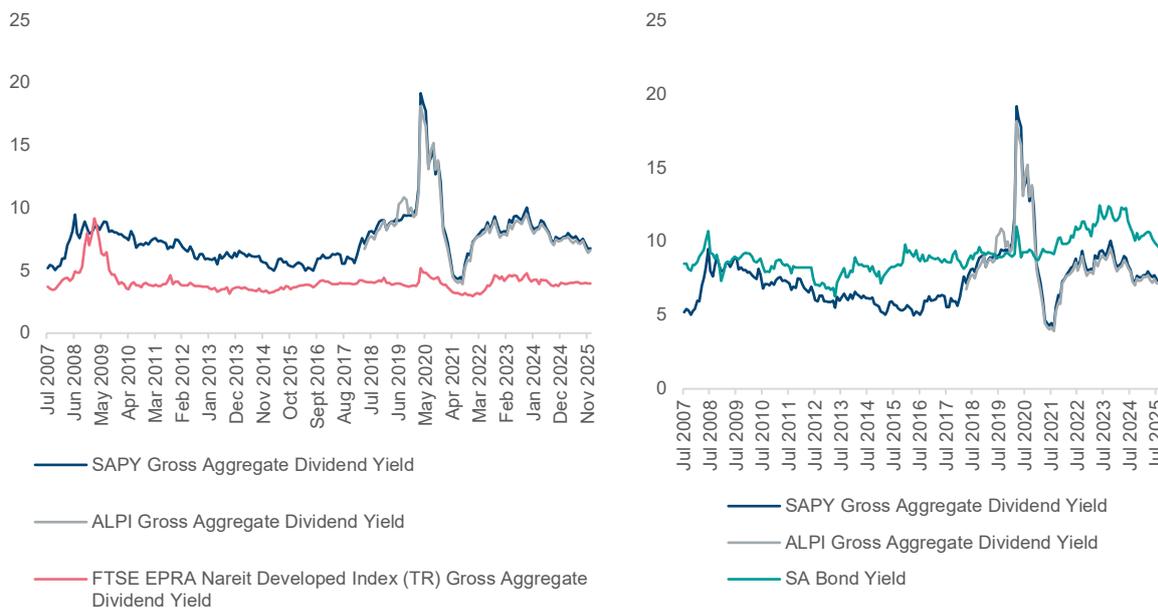


Source: Bloomberg

Furthermore, focusing on the yields offered in the local and global property markets, it can be seen that the Gross Aggregate Dividend Yield for both the SAPY and ALPI indices lies above the FTSE EPRA NAREIT DEVELOPED Total Return Index USD Gross Aggregate Dividend Yield, with local markets offering high yields of approximately 7%. This is in contrast to the global property markets which offer yields closer to 4%. However, comparing South African property and bond market yields, investors may prefer the higher yields found in the local risk-off asset class instead.



Figure 5: South African property markets offer higher yields than global property but lower yields than the local bond market



Source: Bloomberg

The valuation and performance of the global listed property market can also be influenced by the geographical regions to which it is exposed, with their distinctive macroeconomic environments and policies, as well as the various sectors in those regions which react differently to changing global trends and economic conditions. Examples of factors that lead to differing global property performance include the rallies seen in the US property markets following the interest rate easing cycle and the lagging performance of the European property market against global peers due to its higher-for-longer interest rate stance aimed at reducing its level of inflation. Additionally, while sectors such as retail suffered losses during the pandemic, industrial and logistics gained from increased online shopping and e-commerce.



Global Real Estate Property Sector Performance

FTSE EPRA Nareit Developed Extended
Calendar Year and YTD Total Returns as of Aug. 31, 2025

Index / Property Sector	Number of Constituents	Regional Sector Weights	Total Return (%)				
			2021	2022	2023	2024	2025: YTD
Developed Extended			28.5	(24.6)	9.9	0.6	10.1
Developed			27.2	(24.4)	10.9	2.0	10.1
North America			42.6	(24.8)	13.0	7.4	3.7
Developed Europe			10.0	(40.4)	21.5	(8.8)	18.5
Developed Asia			4.3	(11.0)	(0.6)	(7.5)	28.6
Developed							
Data Centers	6	7.1%	20.7	(27.9)	29.9	23.4	(9.3)
Diversified	94	18.9%	8.5	(14.9)	2.7	(5.9)	25.5
Health Care	23	11.2%	15.0	(22.9)	11.7	21.0	22.6
Industrial	37	10.5%	50.9	(31.9)	16.2	(18.4)	9.5
Industrial/Office Mixed	18	1.4%	19.0	(31.8)	16.1	(14.1)	15.6
Lodging/Resorts	16	2.0%	13.6	(11.6)	20.0	(2.0)	(1.2)
Office	42	4.7%	14.6	(31.2)	1.8	4.1	9.8
Residential	45	12.0%	33.1	(35.6)	11.3	7.1	(0.3)
Retail	57	14.3%	33.3	(12.9)	10.0	10.5	11.5
Self-Storage	10	4.7%	77.5	(27.3)	17.3	(2.3)	0.2
Specialty	9	4.0%	26.0	6.0	4.2	1.9	5.2
Telecommunications	4	7.9%	34.4	(28.6)	(1.5)	(14.2)	10.7
Timberland	3	1.3%	28.8	(19.5)	15.9	(16.3)	(2.9)
North America							
Data Centers	2	11.1%	22.0	(28.0)	30.1	25.2	(10.8)
Diversified	6	2.0%	30.0	(16.9)	(5.1)	(10.6)	21.7
Health Care	15	18.0%	15.9	(22.1)	12.9	24.2	21.6
Industrial	12	13.4%	60.8	(29.1)	19.0	(17.8)	6.7
Industrial/Office Mixed	1	0.1%	9.7	(13.6)	(10.7)	(15.3)	18.3
Lodging/Resorts	9	2.5%	17.2	(15.3)	25.2	(2.0)	(6.1)
Office	14	4.0%	20.8	(36.7)	2.3	21.2	(2.5)
Residential	21	15.9%	56.4	(31.7)	6.7	11.2	(3.0)
Retail	27	18.9%	51.3	(13.5)	9.6	12.9	5.9
Self-Storage	5	7.4%	79.4	(26.7)	18.1	(0.8)	(0.7)
Specialty	5	6.7%	25.1	7.5	4.5	2.2	4.7
Telecommunications	4	13.4%	34.4	(28.6)	(1.5)	(14.2)	10.7
Timberland	3	2.2%	28.8	(19.5)	15.9	(16.3)	(2.9)
Europe							
Diversified	25	31.5%	13.3	(34.7)	18.0	(2.4)	19.7
Health Care	5	5.1%	4.3	(32.0)	0.4	(12.6)	42.0
Industrial	10	12.4%	48.2	(49.3)	24.7	(21.4)	16.2
Industrial/Office Mixed	9	6.3%	33.4	(46.4)	25.6	(17.8)	11.3
Lodging/Resorts	2	1.0%	(8.8)	(30.7)	36.1	19.7	5.2
Office	13	7.4%	4.6	(31.0)	17.1	(19.8)	11.3
Residential	18	20.4%	(7.8)	(51.6)	29.3	(4.6)	9.3
Retail	17	13.4%	1.0	(15.0)	25.8	5.0	38.1
Self-Storage	3	2.3%	66.9	(37.2)	10.1	(22.6)	8.9
Asia							
Data Centers	4	2.7%	(10.3)	(24.9)	22.4	(0.8)	13.7
Diversified	61	67.6%	2.4	(6.6)	(0.3)	(6.1)	27.3
Health Care	3	0.4%	34.1	(27.6)	(0.7)	(14.4)	15.3
Industrial	15	6.2%	11.6	(28.3)	(5.1)	(18.4)	20.5
Industrial/Office Mixed	7	2.9%	2.0	(12.8)	8.2	(12.5)	18.8
Lodging/Resorts	5	1.9%	(1.7)	15.0	(3.4)	(5.6)	19.9
Office	15	7.4%	9.7	(18.6)	(5.6)	(5.4)	34.0
Residential	6	1.7%	11.0	(18.7)	(4.6)	(21.0)	18.2
Retail	13	8.3%	4.8	(7.9)	2.9	(1.0)	31.5
Self-Storage	2	0.6%	37.0	(14.7)	4.5	(4.4)	15.5
Specialty	2	0.4%	-	(22.1)	(1.8)	(7.8)	23.9

Source: Nareit analysis of returns from FactSet Research Systems as of August 31, 2025.

Nareit.

Country/Market Breakdown

Country/Market	FTSE EPRA Nareit Developed Extended			FTSE EPRA Nareit Developed		
	No. of Cons	Net MCap (USDm)	Wgt %	No. of Cons	Net MCap (USDm)	Wgt %
Australia	28	123,029	6.01	28	123,029	6.67
Austria	1	841	0.04	1	841	0.05
Belgium	12	19,172	0.94	12	19,172	1.04
Canada	17	38,460	1.88	17	38,460	2.09
Finland	2	2,108	0.10	2	2,108	0.11
France	9	32,109	1.57	9	32,109	1.74
Germany	8	34,778	1.70	8	34,778	1.89
Hong Kong	14	57,663	2.82	14	57,663	3.13
Ireland	1	543	0.03	1	543	0.03
Israel	3	8,891	0.43	3	8,891	0.48
Italy	2	3,773	0.18	1	220	0.01
Japan	57	172,167	8.41	57	172,167	9.34
Korea	5	2,364	0.12	5	2,364	0.13
Netherlands	3	2,416	0.12	3	2,416	0.13
New Zealand	5	3,984	0.19	5	3,984	0.22
Norway	2	932	0.05	2	932	0.05
Singapore	24	58,404	2.85	24	58,404	3.17
Spain	3	25,734	1.26	2	8,105	0.44
Sweden	24	34,079	1.66	24	34,079	1.85
Switzerland	7	27,451	1.34	7	27,451	1.49
UK	32	64,494	3.15	32	64,494	3.50
USA	109	1,334,409	65.16	100	1,151,333	62.45
Totals	388	2,047,800	100.00	357	1,843,541	100.00

Note: The FTSE EPRA Nareit Developed Extended Index represents the extension of real estate property sectors (e.g. Telecommunications and Timberland) and additional securities beyond what is currently eligible for the FTSE EPRA Nareit Developed Index based on membership in the FTSE Nareit All Equity REITs Index.

Source: Nareit/ FTSE Russell Factsheet

Insights from Local Property Managers

Insights from one of the local property managers revealed that the property market is driven by geography and that returns can be attributed to three factors, namely income returns (dividend yield), income growth and re-rating return. Property managers also identified Japan as having a strong real estate market which has benefitted from the weaker yen, foreign investment and tourism, with foreign investment increasing by 45% in the first half of 2025. Additionally, specialised properties are preferred over diversified ones, as seen in the case of Vukile Property Fund Limited which was originally diversified but has shifted its focus to retail in countries such as Spain and Portugal. Further property market insights are that South Africa is recovering from a lower rental growth base compared to the global market as low tenant demand and negative reversions previously impacted its performance, while global property rental growth is decelerating following high rental inflation experienced from 2021 to 2023, which is attributed to the residential and logistics sectors. Similarly, the local property market is experiencing strong e-commerce demand and a lack of new supply which boosts rentals within the industrial and logistics sectors. This is in contrast to the US and European REITs which are seeing reversion rates and rentals normalising in the face of lower inflation and tenant affordability. Additionally, developed economies are witnessing a shift in the property market to defend occupancy rather than to maintain pricing power.

South African property managers also believe that the local property market is positively influenced by the increased investments in sustainable resources, such as solar power which allows for self-



generated electricity by landlords and reduces grid dependency, as well as water security and energy efficiency investments. This allows property companies to mitigate the risk of increased operating expenses due to loadshedding disruptions and rising municipal costs, leading to stable net operating income and margin protections compared to the historically high costs that outpaced rental growth in the market. In contrast, local property managers believe that net operating margins in the global property markets are vulnerable. However, normalising inflation, declining growth momentum, lower operational cost flexibility from non-discretionary taxes, labour and energy costs, and costs associated with environmental, social and governance factors, together with compliance costs, weigh on capital expenditure.

Another significant factor contributing to the rallies seen in the South African property market is its improving fundamentals combined with declining inflation and the interest rate easing cycle by the South African Reserve Bank. This boosts the highly geared property market as it lowers borrowing and refinancing costs, improves growth in earnings and valuations due to wide forward yield spreads, with government bonds at around 400–500 basis points. Similarly, global property markets benefit from lower interest rates, but the modest easing across global central banks, such as the US Federal Reserve Bank, European Central Bank and Bank of England, may not be sufficient to reduce nominal interest rates below the REIT's average cost of debt over the short term. A local property manager further stated that capitalisation rates are unlikely to decline unless the US and European policy rates fall to 3%, possibly in 2026 or later.

Source: Ninety One/Allan Gray/ Fairtree/ Matrix

Conclusion

In line with the previous analysis, local property managers also indicate that the South African property market offers a greater potential upside compared to the global property market, as domestic factors such as recovery from a lower rental growth base, investment in sustainable resources that reduce operational costs, the downward trend in interest rates, discounts to net asset values and higher yield make local property investments more favourable than their global counterparts. Additionally, the property managers believe that the global property market has limited ability to expand its margins and profitability due to normalising rental growth, which leads to plateauing profitability. Furthermore, managers believe that local assets benefit from higher risk premiums and a more supportive macroeconomic environment driven by policy easing, declining inflation and energy stability.

Ultimately, even though the South African property market offers greater upside potential, the choice between local and global property may depend on whether South Africa can maintain the current positive macroeconomic environment by achieving its new inflation target of 3% with a +/- 1% tolerance band. If so, this can lead to further interest rate cuts, boosting the rate-sensitive local property market. Additional considerations for investors include the uncertainty surrounding the global economy, with fast-changing geopolitics, tariff uncertainties and trade wars weighing on markets globally.