

Company Update Report

Growthpoint Properties Limited

Real Estate

Analyst thesis

Ticker	GRT-ZA
Share price	R16.05
Intrinsic value	R16.41
Upside/(Downside)	2%
Recommendation	Hold

As at: 21 September 2026

Our recommendation is based on:

- Improving SA property fundamentals: Leasing conditions are strengthening, vacancies are trending lower, and tenant retention is improving. The directly held SA portfolio comprises the Retail (40%), Office (39%), L&I (20%) and T&D (1%) segments. Retail and L&I remain the healthiest, while Office vacancies remain elevated.
- Growthpoint (GRT) has used asset recycling to reduce leverage and create capacity to reinvest. Management is directing capital away from lower-growth assets towards higher-quality developments and faster-growing sectors.
- Continued disposals may dilute near-term earnings, but the strategy simplifies the portfolio, strengthens the balance sheet and reallocates capital to assets with stronger growth prospects and better return profiles.
- L&I assets offer the strongest structural growth opportunity, supported by demand for modern logistics and warehousing space, low vacancies and GRT's ongoing rotation from older industrial assets into modern, secure logistics parks.
- The 50%-owned V&A Waterfront is a differentiated earnings platform spanning retail, tourism, hospitality, residential and marine activities. It contributed 18.6% to FY26 group DIPS and offers substantial development opportunities, including the planned Granger Bay development. Regulatory approval process remains under way, with final approvals expected towards the end of 2027.
- Offshore exposure remains a source of diversification, but it also introduces uncertainty. GOZ's like-for-like property FFO increased by 2.6%, while its weighted average cost of debt edged up to 5.1% from 5.0%.
- The Cape Winelands Airport investment provides longer-term development options for GRT's Western Cape logistics and precinct strategy, with scope for future logistics, commercial and related developments. Given the early stage of the project, we do not currently assume a material near-term earnings contribution.

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Key highlights

In this report, we review GRT's reported FY26 results, released in September 2026, and evaluate the impact on our outlook.

Financial results at a glance

- SA REIT FFO grew 10.2% to R4.92 billion, and FFO per share by 10.0% to 145.2 cents. Distributable income rose by 4.4% to R5.18 billion, while DIPS advanced by 4.3% to 152.6 cents and DPS by 7.4% to 133.5 cents, supported by a higher payout ratio of 87.5% (FY25: 85%). The improvement was driven primarily by lower SA finance costs, stronger V&A income and improved SA property performance, partly offset by weaker offshore distributions.
- Revenue decreased by 5.0% to R12.90 billion. At sector level, SA revenue was broadly flat in Retail, rose by 2.6% in Office and declined by 2.6% in L&I.
- NPI declined by 6.1% to R9.06 billion and operating profit fell by 7.9% to R7.99 billion. The decline largely reflected negative straight-line lease adjustments and portfolio disposals. However, SA like-for-like NPI rose 4.4% to R5.15 billion, with Retail rising by 5.3%, Office by 3.1% and L&I by 4.9%, reflecting lower vacancies, improved recoveries and expense efficiencies across the directly held SA portfolio.
- Profit for the year expanded by 53.9% to R8.37 billion, while basic EPS advanced by 38.8% to 223.6 cents, largely reflecting positive fair-value and other non-cash movements. Group SA REIT NAV per share grew by 3.8% to R21.31, while total property assets rose by 2.8%.
- The balance sheet strengthened, with Group LTV declining from 40.1% to 38.7% and SA LTV from 34.5% to 30.2%. Group ICR improved from 2.4x to 2.6x, supported by lower leverage and funding costs, as well as asset recycling and debt repayment. SA finance costs declined by 12.9%, as average borrowings fell and the weighted average cost of debt declined from 8.9% to 8.6%.
- Retail vacancies declined from 5.3% to 3.5%, while renewals reversions improved from -0.3% to 0.8%. L&I vacancies improved from 4.1% to 2.9%, while renewal success increased from 64.7% to 77.8%.
- Office vacancies declined from 14.6% to 14.1%; however, renewal reversions weakened from -3.2% to -6.3%, with Gauteng remaining particularly challenging.
- Cost pressures remain evident, with the group SA REIT gross total cost-to-income ratio increasing from 44.4% to 45.5% and the gross administration cost-to-income ratio rose from 6.5% to 7.0%.



Management's guidance and sector outlook

Management guides to FY27 DIPS and DPS growth of 1% to 3%, with the payout ratio maintained at 87.5%. Office reversions, cost pressures and softer offshore distributions are expected to offset improving SA fundamentals, V&A growth and lower finance costs. GRT plans to recycle R2 billion to R3 billion of assets annually and invest a similar amount in development. The largest share will be allocated to L&I, which represents around 20% of the SA portfolio and accounts for 19% of SA property revenue. Retail fundamentals are healthy, with low vacancies and positive renewal growth. The Office segment is stabilising but remains the key risk, particularly in Gauteng, where Office vacancy was 18.6% and FY26 renewal growth was negative 10.2%. The weaker reversions, driven by several material leases, including 144 Oxford, Microsoft and Inanda Greens, continued to weigh on rental economics. Renewal success nevertheless improved. The V&A Waterfront remains a high-quality growth engine. GOZ's operations are improving, although cash distributions remain softer. GIP offers longer-term growth options, while the higher leverage following the acquisition of Auria remains a key area to monitor. Overall, we view management's guidance as credible but conservative. FY27 is expected to focus more on improving earnings quality, strengthening the balance-sheet and optimising portfolio positioning than on delivering strong near-term earnings growth.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	The expected three-year revenue CAGR is negative 8.7%. The expected decline largely reflects GRT's ongoing portfolio-recycling and disposal programme, which reduces the consolidated revenue base as income-producing assets are sold. Management intends to continue recycling assets, creating near-term revenue dilution despite improving underlying SA property fundamentals and the redeployment of capital into higher-quality assets.
Valuation	★★★★☆	The share price is trading at a 2% discount to the intrinsic value (IV). The current NTM P:E ratio of 9.8x is at an 11% premium to the five-year average of 8.8x.
Dividend	★★★★☆	LTM dividend yield of 8.1%. NTM dividend yield of 8.6%.
Issuance	★★★★☆	The number of shares issued has decreased by 1% over the past five years.
Catalyst		Further improvement in SA vacancies and a recovery in currently negative office rental reversions; deployment of the R2 billion to R3 billion annual development pipeline, led by L&I; further asset recycling and debt reduction; lower funding margins due to lower debt levels; continued growth from the V&A Waterfront, including the EDITION Hotel and Superyacht Marina, as well as progress on the longer-dated Granger Bay development; and successful optimisation of GOZ, GWI and the broader offshore portfolio. Management expects R1.4 billion of FY27 L&I development, making this the principal domestic growth engine.
Quality of earnings	★★★★☆	The five-year average ROE is 7.2%. The five-year average operating margin is 68.6%. The business has recorded positive earnings growth in four of the past 10 years. GRT's recurring earnings are better assessed through SA REIT FFO and DIPS rather than IFRS EPS, as statutory earnings are materially affected by non-cash property revaluations, foreign-exchange movements and capital items.
Moat	★★★★☆	Switching costs: Tenant relocation involves fit-out costs, disruption and moving expenses, which support reasonable renewal retention. However, the significant negative Office reversions demonstrate that these switching costs do not give GRT strong pricing power. Cost advantage: GRT benefits from scale, broad capital-market access and diversified funding sources. The portfolio size provides greater refinancing flexibility than many smaller landlords. The advantage is meaningful but can be replicated by other large listed REITs. Efficient scale: The clearest structural moat is the V&A Waterfront, where location scarcity, mixed-use scale and limited ability to replicate a comparable competing precinct create a genuine, asset-specific advantage. Outside the V&A, GRT's Retail, Office and L&I portfolios face more conventional property competition.
Management and governance	★★★★☆	Management continues to demonstrate disciplined capital allocation, disposing of R4.9 billion of SA assets in FY26, reducing leverage and reallocating capital towards higher-quality logistics, retail and Western Cape assets. The leadership transition has been managed smoothly, with José Snyders appointed CFO in January 2026 and Estienne de Klerk appointed group CEO with effect from July 2026. The board comprises 10 directors, including seven independent non-executive directors.
Balance sheet	★★★★☆	The net debt-to-EBITDA ratio of 6.2x and the interest coverage ratio is 2.6x. The debt-to-assets ratio of 39.1% is below the five-year average of 40.9%.
Risks		Office remains the principal operating risk, particularly in Gauteng, where vacancy is 18.6% and rental reversions remain negative. Retail remains exposed to pressure on consumer affordability and weaker discretionary spending, particularly if cost-of-living pressures persist. Renewed inflation or energy-price shocks, including those arising from geopolitical tensions, could also keep interest rates and funding costs higher for longer. Other risks include continued municipal and operating-cost inflation, the earnings dilution associated with asset disposals, execution risk on the development pipeline, elevated offshore funding costs and uncertainty around GOZ/GWI cash distributions. GIP also carries higher leverage following the debt-funded Auria acquisition.

Source: FactSet

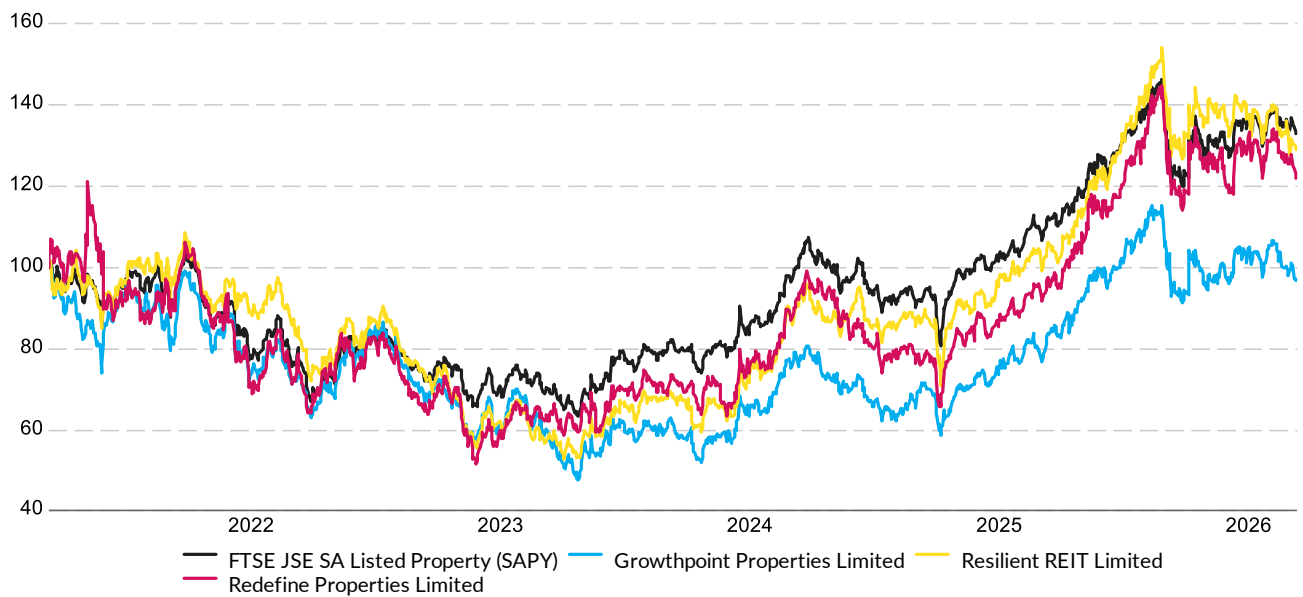


Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
GRT-ZA	-3.6%	0.9%	1.7%	-7.2%	18.4%	19.0%	40.1%	10.0%	-34.5%
RDF-ZA	2.3%	0.2%	4.2%	-6.8%	25.3%	30.6%	69.1%	42.1%	-44.2%
RES-ZA	-4.4%	-1.7%	-4.0%	-9.9%	19.2%	37.4%	89.3%	44.5%	-20.4%
SAPY	0.7%	0.5%	3.9%	-1.6%	15.4%	25.9%	63.0%	50.0%	-22.2%

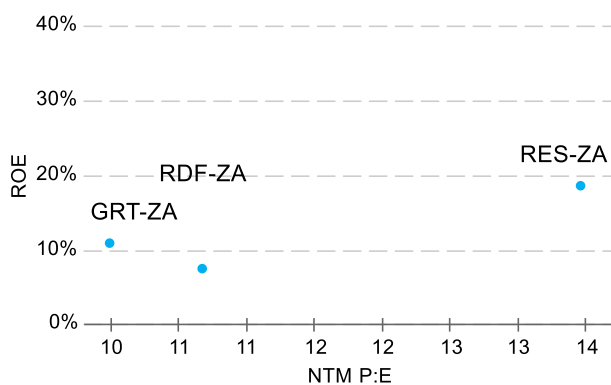
Source: FactSet

Graph 1: Five-year total return (indexed to 100)



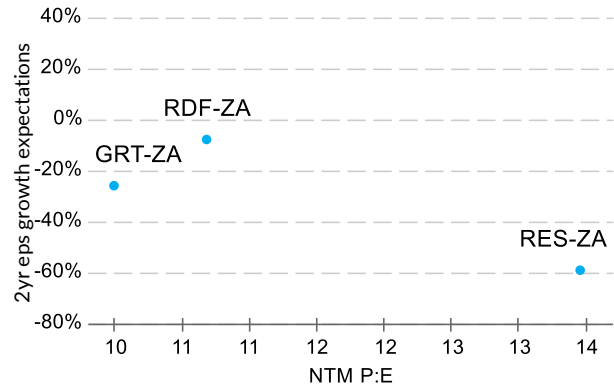
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs 2Y EPS growth forecast



Source: FactSet



Valuation

We maintain a Hold recommendation with a probability-weighted fair value of R16.41 per share, compared with the current share price of R16.05, implying 2% upside. FFO should be supported by improving SA leasing, continued L&I strength and V&A growth, although asset-disposal dilution, offshore earnings uncertainty and management's FY27 DIPS and DPS growth guidance of 1% to 3% point to modest near-term growth.

Our valuation applies 20% to the bear case, 60% to the base case and 20% to the bull case, producing a probability-weighted intrinsic value. The bear case reflects a lower terminal multiple should weaker SA leasing, continued Office pressure, softer offshore distributions and higher funding costs persist, while the base case reflects gradual improvement in SA fundamentals, resilient Retail and L&I, a stabilising Office segment and continued V&A growth. The bull case reflects a higher terminal multiple supported by stronger leasing and reversions, faster L&I growth, V&A outperformance and improved offshore earnings.

Table 3: Valuation table

Valuation probabilities			
	Bear	Base	Bull
FY29E FFO (Rbn)	6.4	6.4	6.4
Terminal P/FFO	7.0x	10.0x	13.0x
Probability	20%	60%	20%
Scenario intrinsic value	R12.49	R16.41	R20.33
Weighted intrinsic value	R16.41		
Upside/(downside)	2%		

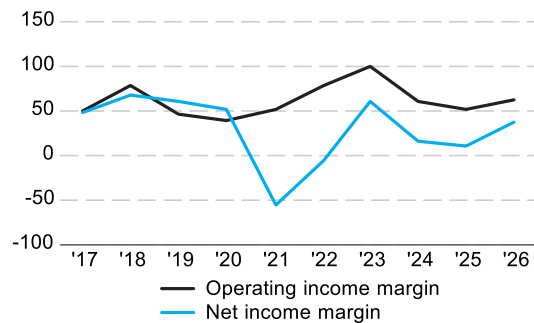
Sources: PSG Wealth Research, FactSet

Graph 4: LTM P:E relative to benchmark



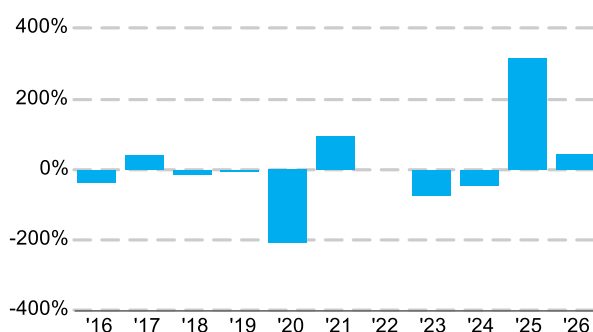
Source: FactSet

Graph 5: Profit margins (%)



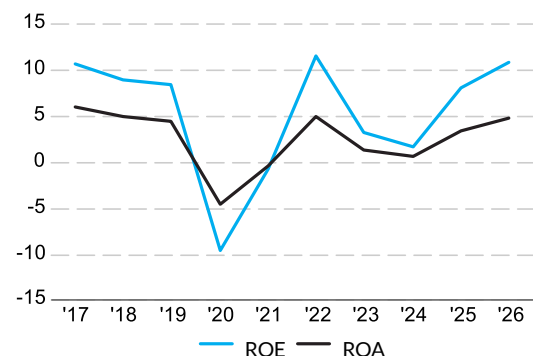
Source: FactSet

Graph 6: 10Y EPS year-on-year change



Source: FactSet

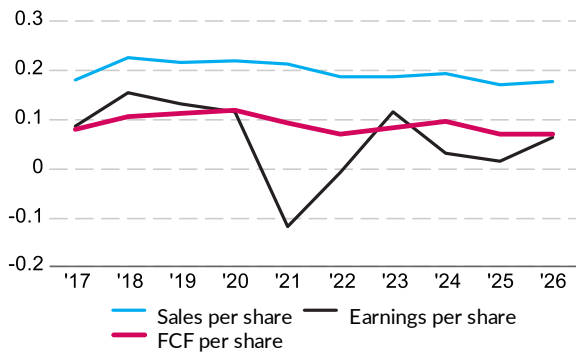
Graph 7: ROE and ROA (%)



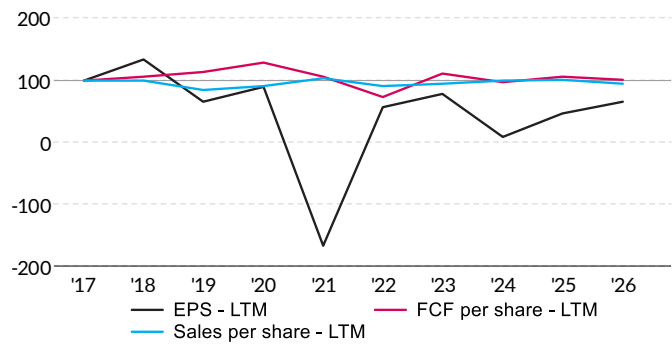
Source: FactSet



Graph 8: Sales, earnings and FCF per share (R)



Graph 9: Sales, earnings and FCF per share indexed



Graph 10: P/FFO (inversed) and SA 10-year bond yield



Table 4: Financials and ratios

Income statement (RMn)	FY22	FY23	FY24	FY25	FY26	1Y Growth	3Y CAGR	5Y CAGR
Revenue	13 048	13 740	12 897	13 568	12 896	-5.0%	-2.1%	-0.4%
Property-related costs	3 516	3 926	3 755	3 914	3 833	-2.1%	-0.8%	2.2%
NPI	9 532	9 814	9 142	9 654	9 063	-6.1%	-2.6%	-1.3%
Operating profit	8 700	8 883	8 218	8 673	7 991	-7.9%	-3.5%	-2.5%
SA REIT FFO	5 298	5 025	4 454	4 462	4 918	10.2%	-0.7%	1.1%
Basic EPS (R)	2.3	0.7	0.4	1.6	2.2	37.5%	46.5%	nm*
Balance sheet (RMn)	FY22	FY23	FY24	FY25	FY26	1Y Growth	3Y CAGR	5Y CAGR
Total assets	164 729	171 976	165 737	152 179	154 425	1.5%	-3.5%	0.0%
Shareholders' interest	71 212	71 911	68 267	67 325	70 234	4.3%	-0.8%	1.1%
Total liabilities	74 583	80 724	80 669	69 924	68 839	-1.6%	-5.2%	-1.4%
Key ratios/metrics	FY22	FY23	FY24	FY25	FY26	5Y Avg		
P/B	0.6	0.6	0.6	0.7	0.8	0.7		
Group ICR	3.1	2.9	2.4	2.4	2.6	2.7		
Group LTV	37.9%	40.1%	42.3%	40.1%	38.7%	39.8%		

*nm: Not meaningful

Sources: FactSet, PSG Wealth research and GRT's annual financial statements



Table 5: Standard finance and investment abbreviations

Abbreviation	Definition	Abbreviation	Definition
BPR	Best practice recommendations	P/FFO	Price-to-funds-from-operations ratio
CAGR	Compound annual growth rate	PV	Present value
DIPS	Distributable income per share	REIT	Real Estate Investment Trust
DPS	Dividend per share	ROA	Return on assets
EBITDA	Earnings before interest, tax, depreciation and amortisation	ROE	Return on equity
EPS	Earnings per share	SA	South Africa
FFO	Funds from operations	SA REIT FFO	South African REIT funds from operations
FY/FYXX	Financial year	SAPY	FTSE/JSE SA Listed Property Index
GIP	Growthpoint Investment Partners	T&D	Trading and Development
GOZ	Growthpoint Properties Australia Limited	V&A	Victoria & Alfred Waterfront
GRT/GRT-ZA	Growthpoint Properties Limited / JSE ticker	YoY	Year-on-year
GWJ	Globalworth Real Estate Investments	YTD	Year-to-date
ICR	Interest coverage ratio		
IV	Intrinsic value		
L&I	Logistics and Industrial		
LTM	Last 12 months		
LTV	Loan-to-value ratio		
MTD	Month-to-date		
NAV	Net asset value		
NPI	Net property income		
NTM	Next 12 months		
P/B	Price-to-book ratio		
P:E	Price-to-earnings ratio		



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*Share price as at closing.

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