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South African real estate has repaired its balance sheet. Now it needs the right capital for growth

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15 October 2026: For much of the past five years, the South African real estate sector has been focused on survival rather than expansion. Rising interest rates, Covid-era disruptions, weak economic growth and shifting occupier behaviour forced listed and unlisted property owners into a period of balance sheet repair.

Capital allocation became defensive. Portfolios were rationalised, non-core assets were sold, debt levels were reduced and growth ambitions were deferred in favour of liquidity and resilience.

That phase is largely behind us. The focus is shifting towards growth, capital deployment and strategic repositioning. The sector has emerged with stronger balance sheets, more disciplined capital allocation and a clearer sense of where the next opportunities may lie.

Operating fundamentals have improved, balance sheets are stronger, access to capital markets has normalised and transaction activity is beginning to pick up.

Institutional capital is also starting to re-engage with the sector.

The opportunity now lies in how the sector uses that improved position. Growth will require capital, but the capital structures supporting the next cycle are likely to look different from those that dominated the last one.

From deleveraging to deployment

One of the most significant changes over the past few years has been the improvement in balance sheet quality across the sector. Many listed REITs entered the higher interest rate environment carrying elevated debt levels.

Management teams responded with disposal programmes, reduced leverage, stronger liquidity positions and extended funding maturities. As a result, many property companies are now in a materially stronger financial position than they were a few years ago.

Property valuations have also stabilised, vacancies have improved in many sectors, and financing conditions are becoming more constructive. Interest rates remain higher than the ultra-low-rate environment of the previous decade, but the market has adjusted. This has led investors to look beyond the recovery trade and focus more on earnings growth, portfolio

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repositioning and where capital can be deployed most effectively. This is typically when transaction activity starts to pick up.

Consolidation will shape the next phase

As balance sheets improve and discounts to net asset value narrow, companies have more room to consider strategic transactions again. That is likely to support a pick-up in Mergers & Acquisition (M&A), portfolio acquisitions and consolidation across the sector.

Growth is unlikely to come only from new development. A significant share is likely to come through acquisitions, consolidation, platform creation and portfolio aggregation as owners sharpen their strategic focus and position themselves in areas with stronger long-term growth prospects.

For management teams, this will put greater emphasis on portfolio choices, capital recycling and the ability to act when the right assets or platforms become available.

Capital will also be more selective. Investors are differentiating between sectors supported by structural demand and those relying mainly on a cyclical recovery. Investor appetite is strongest in areas where demand is supported by longer-term structural trends.

Logistics remains a clear example, while parts of the living and convenience retail sectors are also attracting interest.

There is also growing convergence between property and infrastructure in areas such as data centres, fibre, energy and logistics networks.

These assets are broadening the opportunity set for investors and changing the boundaries of what has traditionally been considered real estate.

The capital mix is changing

The next phase of growth will undoubtedly draw on a broader range of capital. Bank funding will remain a critical part of the capital stack, particularly for well-understood assets and established businesses. At the same time, private capital, structured funding, equity and co-investment are becoming more relevant as transactions become larger, more specialised or more complex.

This gives property businesses more options, but it also requires greater discipline around matching the source and structure of capital to the opportunity. Different strategies have different risk, return and duration profiles - and the funding needs to reflect that.

As the mix of capital available to the sector broadens, the relationship between real estate companies and their capital providers is also evolving. Property businesses increasingly need partners that understand the sector, can assess an opportunity in its wider commercial context

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and can help connect the business to the most appropriate form of capital. That role goes beyond supplying debt. It includes understanding where different pools of capital can be used most effectively, helping structure solutions around the underlying opportunity and supporting businesses as they move back into growth.

The opportunities and risks ahead

The next few years are likely to bring more M&A, selective development and continued capital deployment into parts of the market with strong structural demand. That should create a more active transaction environment than the sector has seen in recent years.

However, the improved outlook doesn't remove the risks. Valuations will remain sensitive to interest-rate movements, infrastructure constraints will continue to affect development feasibility and operating performance, and capital will always be selective. Competition for high-quality assets is also likely to increase.

In this changing environment, success will depend on disciplined underwriting, strong sponsorship, good governance and careful capital allocation. Companies will need to be clear about where they have an advantage and equally clear about the type of capital best suited to pursuing it.

So, the focus now shifts from repairing balance sheets to using them well and putting capital to work in a way that creates sustainable growth.

Ends.