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## Research Update:

# German Residential Real Estate Company Grand City Properties Assigned 'A-2' Short-Term Rating

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## Research Update:

# German Residential Real Estate Company Grand City Properties Assigned 'A-2' Short-Term Rating

## Overview

- Grand City Properties (GCP) owns and manages a portfolio of about 84,000 units with a fair value of approximately €4.6 billion.
- We think that GCP has a good track record of accessing the equity and capital markets and strong liquidity, with no major debt maturities in the next few years.
- We are assigning GCP our 'A-2' short-term corporate credit rating.

## Rating Action

On Dec. 21, 2016, S&P Global Ratings assigned its 'A-2' short-term corporate credit rating to Germany-based residential real estate company Grand City Properties S.A.

The 'BBB+' long-term corporate credit rating and stable outlook are unchanged.

## Rationale

The 'A-2' short-term rating reflects our 'BBB+' long-term rating on GCP and our view of the company's strong liquidity profile.

GCP's business risk profile, in our opinion, is underpinned by its large portfolio of income-producing residential properties, worth about €4.6 billion as of Sept. 30, 2016. It is one of the largest listed residential property holding companies in Germany.

Our assessment of GCP's financial risk profile is based on our forecast of an adjusted ratio of debt to debt plus equity of approximately 44% in the next 12-24 months and a sound EBITDA interest-coverage ratio well above 4x. In view of the favorable equity and debt capital markets, we consider that management has the means to undertake moderately sized acquisitions without increasing leverage in its capital structure.

## Liquidity

We assess GCP's liquidity as strong, including if EBITDA declined by 10%. We forecast that GCP's liquidity sources will exceed its funding needs by well above 1.5x over the next 12-24 months. The company's liquidity position is supported by a substantial cash balance and the absence of large debt maturities in the next few years. In addition, GCP's liquidity is supported by

undrawn committed credit lines maturing in more than 12 months.

We expect GCP will maintain significant headroom under the financial maintenance covenants in its various debt agreements.

For more details on our rationale on the company, see "Germany-Based Grand City Properties Upgraded To 'BBB+' On Vacancy Reduction And Lower Leverage; Outlook Stable" published Nov. 23, 2016, on RatingsDirect.

## **Ratings Score Snapshot**

Corporate Credit Rating: BBB+/Stable/A-2

Business risk: Strong

- Country risk: Very low
- Industry risk: Low
- Competitive position: Strong

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: bbb+

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Strong (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable ratings analysis: Neutral (no impact)

## **Related Criteria**

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 01, 2016
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- Criteria - Corporates - General: Standard & Poor's Maalot (Israel) National Scale: Methodology For Nonfinancial Corporate Issue Ratings, Sept. 22, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Real Estate Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013

- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 07, 2013
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Related Research

- Germany-Based Grand City Properties Upgraded To 'BBB+' On Vacancy Reduction And Lower Leverage; Outlook Stable, Nov. 23, 2016

## Ratings List

New Rating

Grand City Properties S.A.  
Corporate Credit Rating

--/--/A-2

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