

Grand City Properties S.A.

Luxembourg / Real Estate
 Frankfurt
 Bloomberg: GYC GR
 ISIN: LU0775917882

Q1 results

RATING
BUY

PRICE TARGET
€ 14.20

Return Potential 38.4%
 Risk Rating Medium

ON SCHEDULE

Q1 reporting showcased a good operating performance led by 3.8% LFL rental growth, matching the pace set in 2024. This provided the basis for a solid uptick in earnings with FFO up 6% Y/Y to €48m. The landlord also booked a positive revaluation result for the January-to-March period confirming the positive developments seen in late 2024. The company has decided not to pay a dividend on 2024 results but management sounded noticeably upbeat on restarting the payout for 2025. We trace the conservative posture strictly to the macro-uncertainty that continues to swirl worldwide, because operations and resi market dynamics look decidedly positive. We remain Buy-rated on GCP with a €14.2 TP (upside 38%).

On schedule The residential landlord continues to deliver steady LFL rental growth—mostly through indexation—and top line rental income shows no sign of ending the incremental upward march of recent quarters. If rates continue their descent, GCP even has a path to drive bottom line FFO 1 growth with its attractive DE / London portfolio mix supported by a revamped capital structure and well-oiled operations. But shareholders will have to wait another year to be rewarded with a dividend. GCP brass opted once again to pass the dividend, preferring to maintain financial flexibility and the ample headroom to bond covenants. However, they did sound optimistic that the company will restart the dividend next year, while noting that the payout policy (75% of FFO 1) is unchanged "for now". GCP also booked revaluation gains of some €55m (0.6% LFL) in Q1, thanks to: (1) the good operational performance; (2) a still recovering transaction market; and (3) the ECB's latest rate cut. The landlord remains well on schedule to hit its 2025 targets including the FFO 1 guide (€185m to €195m).

Other conference call takeaways Management also discussed: (1) the new government's "plans" to extend the rent-brake another 4 years, while concurrently implementing measures to stimulate supply (new build) to whittle down the shortage of flats in Germany that now tops . . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024	2025E	2026E
Rental income (€m)	524.6	582.5	607.7	597.0	607.3	625.7
Y/Y growth	-2.0%	11.0%	4.3%	-1.8%	1.7%	3.0%
Adj. EBITDA (€m)	298.6	308.1	319.6	335.0	342.4	358.1
Net income (€m)	617.1	179.1	-638.1	242.1	383.2	410.7
EPRA NTA (€m)	5,020.2	4,655.6	4,013.8	4,279.8	4,640.2	4,874.3
EPRA NTAPS (€)	30.4	27.0	23.2	24.3	26.3	27.6
DPS (€)	0.83	0.00	0.00	0.00	0.81	0.81
FFO 1* (€m)	186.3	192.2	183.9	187.5	190.4	190.6
FFOPS 1* (€)	1.11	1.14	1.07	1.08	1.08	1.08
Liquid assets (€m)	1,113.5	436.8	1,253.8	1,519.8	1,612.6	1,448.6

RISKS

Risks include, but are not limited to, unfavourable interest rate developments, unfavourable macroeconomic developments, and departure of key personnel.

COMPANY PROFILE

Grand City Properties is a specialist real estate company focused on investing in and managing value-add opportunities in the German real estate market. The overarching strategy is to improve the portfolio through targeted modernisation and intensive tenant management and thus create value by subsequently raising occupancy and rental levels.

MARKET DATA

As of 14 May 2025

Closing Price € 10.26
 Shares outstanding 176.19m
 Market Capitalisation € 1,807.71m
 52-week Range € 9.26 / 13.19
 Avg. Volume (12 Months) 150,896

Multiples	2024	2025E	2026E
P/FFO 1	9.5	9.5	9.5
P/NTA	0.4	0.4	0.4
FFO 1 Yield	10.6%	10.5%	10.5%
Div. Yield	0.0%	7.9%	7.9%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2025

Liquid Assets € 1,662.0m
 Investment Properties € 8,708.6m
 Total Assets € 11,345.7m
 Current Liabilities € 718.4m
 EPRA NTA € 4,343.3m
 Total Equity € 5,486.2m

SHAREHOLDERS

Edolaxia Ltd. 62.0%
 Treasury 0.0%
 Free float 38.0%



. . . 600k units. We note this echoes goals set by past coalitions that failed to make a dent in the flat shortfall that only continues to widen; (2) hopes that the targeted public investment into Germany's creaking infrastructures can jumpstart a still sputtering Teutonic economy that was the basis of S&P's recent downgrade of Aaroundtown's credit rating and consequently GCP's, which is linked to AT (see note of 5 May 2025). But we highlight that GCP's stand-alone credit profile (SACP) stayed unchanged at BBB+; (3) the non-impact of the S&P downgrade on GCP's bond yields; (4) a transaction market that is pointed in the right direction but still hasn't fully recovered; and (5) overall satisfaction with the trend of balance sheet ratios that featured a 32% LTV in Q1 vs 33% at YE24 and 37% in 2023.

Q1 RESULT HIGHLIGHTS

GCP realised total LFL net rental growth of 3.8% driven mainly by indexation with re-lettings largely constrained by low tenant turnover. The strong performance once again owes to the macro trends in the London and German markets, which continue to put upward pressure on rents. The British capital spearheaded the KPI with 5.0% LFL, while German properties chipped in with 3.4% LFL growth for the period.

As in recent quarters, the higher rate environment and tight apartment supply also mean that tenants are far more reluctant to move out of their rented flats. Portfolio vacancy thus remained at a low 3.8% on the YE24 comp, and GCP expects occupancy growth to remain limited until market fundamentals change.

Table 1: 1st quarter vs FBe and prior year

in €m	Q1/24	Q1/24E	Variance	Q1/23	Variance
Rental income	151	150	0.9%	149	1.5%
Net rent	106	105	1.1%	105	0.9%
Adjusted EBITDA	85	84	0.7%	82	3.2%
margin	80%	80%	-	78%	-
FFO 1	48	47	2.4%	45	6.4%
FFOPS 1 (€)	0.27	0.25	2.4%	0.26	3.8%

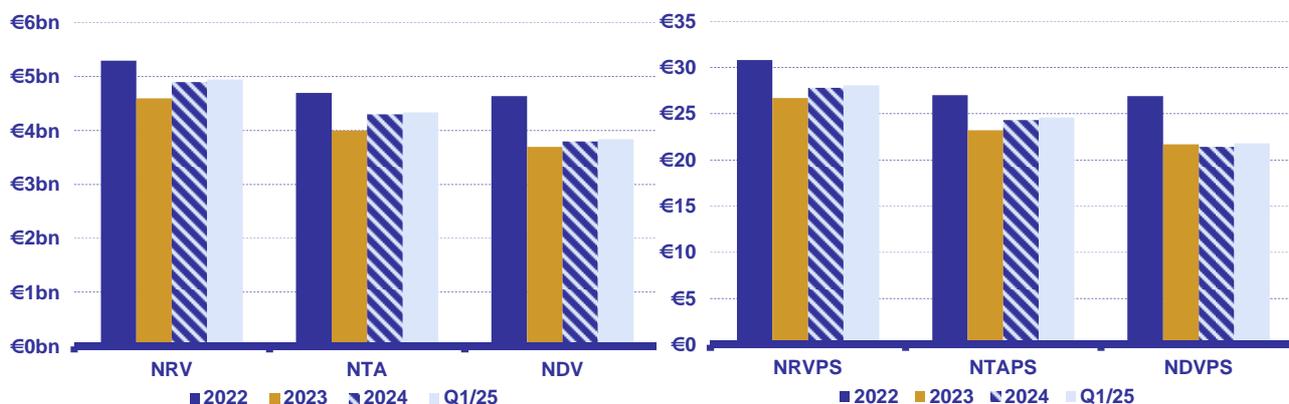
Source: First Berlin Equity Research; Grand City Properties

AEBITDA climbed 3% Y/Y in the January-to-March period, driven chiefly by the rise in net rental income. FFO 1, the key industry indicator for recurring operational cash flow, rose at an even better clip (+6%), mainly due to the work done on the capital structure last year, and was within shooting distance of our Q1 estimate (+2%). FFOPS 1 of €0.27 was up ~4% Y/Y. FFO 2 tallied €99m in Q1 on the €120m in disposals executed a shade higher than book value (+0.2%).

Q1 revaluations supportive of our full year target (€196m) GCP booked a €55m result for the period equal to a LFL revaluation gain of 0.6%. Good operational growth (+3.8% LFL rent growth), amplified by the systemic supply-demand imbalance in key German metropolitan hubs and London, drove the result. No revaluations were undertaken in the same period last year, as management preferred to have to the entire stable of properties assessed for six month reporting. The revaluation schedule has now reverted back to a quarterly cadence, and ~20% of the portfolio was reassessed in Q1.



Figure 1: EPRA BPR reporting



Source: First Berlin Equity Research; Grand City Properties

Portfolio value up to €2,230 / m² (YE24: €2,203 / m²) In-place rent climbed to €9.3 / m² vs €9.2 / m² at YE24, while the portfolio vacancy rate remained at a low of 3.8%. Annualised net rent tallied €416m at the end of the reporting period compared to €413m at YE24. The portfolio currently has rent reversionary potential to €510m (~23%) to be captured over the mid- to long-term.

Table 2: Financial highlights

in €m	3M/25	2024	Variance
Cash & liquid assets	1,662	1,515	10%
Investment property	8,709	8,629	1%
Unencumbered assets	6,267	6,449	-3%
Unencumbered assets ratio	71%	73%	-
Total equity	5,486	5,414	1%
EPRA NTA	4,343	4,280	1%
Loans and borrowings	956	929	3%
Straight & convertible bonds	3,507	3,506	0%
Loan-to-Value (LTV)	32%	33%	-
Equity ratio	48%	48%	-

Source: First Berlin Equity Research; Grand City Properties

Balance sheet in good shape with LTV down to 32% The KPI dipped 100 basis points incrementally lower, thanks to the roughly €120m in disposals during the January-to-March period and repayment of around €65m in vendor loans combined with the aforementioned revaluation gains. The current structure gives the company comfortable headroom to its bond covenants.



VALUATION MODEL

Maintain Buy rating and €14.2 TP We think GCP is in an excellent position to deliver steady operational growth for the foreseeable future with its residential portfolio scattered across German hubs and London. Germany's apartment shortage is a problem. But lawmakers have failed time and again to tackle the cause (too few new flats being built) by focusing on the symptoms (soaring rents). Expect rents to continue to march upwards. Plus, if rates come down in time to impact the next large refinancings, bottom line FFO may be able to move more in lock step with AEBITDA.

Table 3: DCF model

All figures in EURm	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
AEBITDA	342	358	377	394	413	431	450	470
(-) Tax	-46	-48	-51	-53	-56	-58	-61	-63
(=) Net operating cash flow	296	310	326	341	357	373	389	407
(-) Total investments (CapEx and WC)	100	-98	-203	-197	-189	-184	-188	-192
(-) Capital expenditures	94	-87	-192	-188	-180	-174	-178	-182
(-) Working capital	6	-10	-11	-9	-9	-9	-10	-10
(=) Free cash flows (FCF)	396	212	123	144	168	189	202	214
PV of FCF's	383	195	107	119	132	141	143	144

All figures in EUR '000		Terminal AEBITDA margin							
		80.7%	81.2%	81.7%	82.2%	82.7%	83.2%	83.7%	
PV of FCFs in explicit period	2,236	4.7%	21.4	21.8	22.2	22.6	23.0	23.4	23.8
PV of FCFs in terminal period	4,372	4.9%	18.4	18.7	19.1	19.5	19.8	20.2	20.5
Enterprise value (EV)	6,608	5.1%	15.7	16.0	16.3	16.7	17.0	17.3	17.7
(+) Net cash / (-) net debt	-2,921	5.3%	13.3	13.6	13.9	14.2	14.5	14.9	15.2
Hybrid capital	-1,179	5.5%	11.2	11.5	11.8	12.1	12.4	12.6	12.9
Shareholder value	2,508	5.7%	9.4	9.6	9.9	10.2	10.4	10.7	10.9
Fair value per share in EUR	14.2	5.9%	7.7	8.0	8.2	8.4	8.7	8.9	9.2
		Terminal growth rate							
		1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	
Cost of equity	7.6%	4.7%	19.3	20.3	21.4	22.6	23.9	25.3	26.8
Pre-tax cost of debt	3.0%	4.9%	16.6	17.5	18.4	19.5	20.5	21.7	22.9
Tax rate	13.5%	5.1%	14.2	15.0	15.8	16.7	17.6	18.6	19.6
After-tax cost of debt	2.6%	5.3%	12.1	12.8	13.5	14.2	15.0	15.9	16.8
Share of equity capital	45.0%	5.5%	10.2	10.8	11.4	12.1	12.8	13.5	14.3
Share of debt capital	55.0%	5.7%	8.5	9.1	9.6	10.2	10.8	11.4	12.1
WACC	5.3%	5.9%	7.0	7.5	7.9	8.4	9.0	9.5	10.1

*Please note our model runs through 2038 and we have only shown the abbreviated version for formatting purposes; net debt includes hybrid notes for DCF purposes



INCOME STATEMENT

All figures in EURm	2021	2022	2023	2024	2025E	2026E
Net rent	375	396	411	423	429	442
Rental and operating income	525	583	608	597	607	626
Property revaluations & capital gains	695	118	-890	44	196	200
Result from equity-accounted investees	4	0	0	0	0	0
Property expenses	-218	-266	-279	-254	-257	-259
Cost of buildings sold	0	0	0	0	0	0
Administration expenses	-11	-11	-11	-11	-11	-11
Depreciation & amortisation	-8	-10	-9	-6	-7	-7
Operating income (EBIT)	986	413	-582	370	529	549
Finance expenses	-46	-47	-57	-59	-63	-67
Other financial results	-149	-137	-86	-11	-15	0
Pre-tax income (EBT)	791	229	-724	300	451	481
Current tax	-39	-39	-41	-41	-43	-45
Deferred tax	-135	-11	127	-17	-25	-26
Tax result	-174	-50	86	-58	-68	-71
Minority interests	-69	-25	124	-3	-5	-5
Hybrid note investors	-25	-25	-34	-42	-41	-51
Net income	524	129	-548	197	337	355
AEBITDA	299	308	320	335	342	358
Ratios						
AEBITDA margin (% of net rent)	79.7%	77.8%	77.7%	79.3%	79.7%	80.9%
Tax rate	13.1%	12.7%	-12.8%	-12.3%	12.5%	12.5%
Expenses (% of net rent)						
Property expenses	58.2%	67.2%	67.8%	60.0%	59.7%	58.6%
Administration expenses	3.0%	2.7%	2.7%	2.5%	2.5%	2.5%
Y-Y Growth						
Rental and operating income	-2.0%	11.0%	4.3%	-1.8%	1.7%	3.0%
Total revenues	-2.0%	11.0%	4.3%	-1.8%	1.7%	3.0%
Operating income	54.0%	-58.1%	n.m.	n.m.	42.9%	3.7%
Adjusted EBITDA	-0.4%	3.2%	3.7%	4.8%	2.2%	4.6%
Net income/ loss	44.5%	-75.3%	n.m.	n.m.	71.2%	5.3%
Funds from Operations (FFO)						
Operating profit	986	413	-582	370	529	549
Depreciation and amortisation	8	10	9	6	7	7
EBITDA	994	423	-572	377	536	555
Property revaluations & capital gains	-695	-118	890	-44	-196	-200
Others	-1	3	2	2	2	2
Adjusted EBITDA	299	308	320	335	342	358
Financial expense	-46	-47	-57	-59	-63	-67
Tax	-39	-39	-41	-41	-43	-45
Minority & JV contributions	-2	-5	-4	-5	-5	-5
FFO 1 (before perpetuals)	211	217	218	230	232	241
Perpetual note adjustment	-25	-25	-34	-42	-41	-51
FFO 1	186	192	184	188	190	191



BALANCE SHEET

All figures in EURm	2021	2022	2023	2024	2025E	2026E
Current assets, total	1,679	1,134	1,841	2,202	2,145	1,994
Cash and cash equivalents	895	325	1,129	1,373	1,464	1,299
Traded securities at fair value though P&L	218	112	125	147	148	150
Trade and other receivables	452	353	391	449	424	437
Inventories - Trading property	0	0	0	0	0	0
Assets held for sale	114	344	196	233	108	108
Non-current assets, total	9,883	9,997	9,078	9,017	9,265	9,574
Equipment and intangible assets	15	11	16	17	18	20
Investment property	9,364	9,550	8,650	8,650	8,877	9,164
Equity accounted investees	0	0	0	0	0	0
Other LT assets	453	382	345	266	277	288
Deferred tax assets	51	54	66	84	93	102
Total assets	11,562	11,131	10,918	11,219	11,409	11,568
Current liabilities, total	773	309	654	705	974	1,030
Short-term debt	455	5	299	270	549	592
Trade and other payables	216	225	254	279	260	263
Other current liabilities	103	79	101	156	165	175
Long-term liabilities, total	4,986	4,908	5,034	5,099	4,680	4,556
Long-term debt	353	319	863	917	1,000	1,420
Convertible and straight bonds	3,642	3,612	3,271	3,248	2,711	2,131
Deferred taxes	760	789	662	692	717	743
Other LT liabilities	231	189	239	243	252	263
Minority interests	615	666	516	502	507	512
Shareholders' equity	5,188	5,249	4,714	4,913	5,248	5,470
Total consolidated equity and debt	11,562	11,131	10,918	11,219	11,409	11,568
Ratios						
EPRA NTA* (€m)	5,020	4,656	4,014	4,280	4,640	4,874
EPRA NTAPS* (€)	30.4	27.0	23.2	24.3	26.3	27.6
Net debt (€m)	3,342	3,506	3,202	2,921	2,647	2,694
Net debt / equity (x)	0.6	0.7	0.7	0.6	0.5	0.5
Net debt / EBITDA (x)	11.2	11.4	10.0	8.7	7.7	7.5
Interest cover (x)	6.4	6.6	5.6	5.7	5.5	5.3
Loan-to-value (LTV)	36%	36%	37%	33%	30%	29%
Equity ratio	50%	53%	48%	48%	50%	52%
Return on equity (ROE)	10.6%	3.0%	-12.2%	4.5%	6.7%	6.9%

* updated to exclude RETT



CASH FLOW STATEMENT

All figures in EURm	2021	2022	2023	2024	2025E	2026E
Net income	617	179	-638	242	383	411
Depreciation and amortisation	8	10	9	6	7	7
Profit from equity accounted investees	-4	0	0	0	0	0
Change in fair value of investment properties	-695	-118	890	-44	-196	-200
Net finance expenses	195	184	143	70	78	67
Tax result	174	50	-86	58	68	71
Others	3	3	2	2	0	0
Operating cash flow	299	308	320	335	340	356
Change in working capital	-45	-61	-38	-10	16	0
Tax paid	-37	-31	-32	-41	-43	-45
Net cash flow from operating activities	217	216	249	284	314	311
Investment in fixed/intangible assets	-8	-5	-3	-3	-8	-9
Net property investments / disposals	-465	-242	51	-32	94	-87
Acquisition of subsidiaries	333	-4	0	0	0	0
Proceeds from investments in financial assets	-58	82	99	87	-12	-13
Cash flow from investing	-198	-168	148	52	73	-109
Debt financing, net	-71	-486	496	38	-175	-117
Equity financing, net	17	0	0	0	0	0
Share buyback	-272	0	0	0	0	0
Dividend paid	-54	-56	0	0	0	-143
Treasury share disposal	0	0	0	43	-15	0
Other financing activities	-108	-27	-42	-109	-42	-41
Net paid financing expenses	-50	-47	-49	-65	-63	-67
Cash flow from financing	-537	-617	405	-93	-296	-368
Assets held for sale	0	-1	2	0	0	0
Fx effects	2	-1	0	1	0	0
Net cash flows	-517	-571	804	244	91	-166
Cash, start of the year	1,412	895	325	1,129	1,373	1,464
Cash, end of the year	895	325	1,129	1,373	1,464	1,299
AEBITDA / share (€)	1.69	1.75	1.81	1.90	1.94	2.03
FFO 1	186	192	184	188	190	191
FFOPS 1 (€)	1.11	1.14	1.07	1.08	1.08	1.08
Y-Y Growth						
Operating cash flow	-10.4%	-0.4%	15.4%	14.1%	10.3%	-0.7%
Adjusted EBITDA / share	-2.8%	3.2%	3.7%	4.8%	2.2%	4.6%
FFO 1	2.3%	3.2%	-4.3%	2.0%	1.5%	0.1%
FFOPS 1	3.6%	2.8%	-6.8%	1.8%	-0.5%	0.1%

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	21 January 2013	€4.37	Buy	€14.30
2...59	↓	↓	↓	↓
60	15 April 2024	€10.64	Buy	€12.90
61	17 May 2024	€11.56	Buy	€13.70
62	15 August 2024	€11.70	Buy	€14.40
63	24 September 2024	€12.64	Buy	€15.10
64	15 November 2024	€11.97	Buy	€15.40
65	12 March 2025	€9.50	Buy	€14.40
66	20 March 2025	€9.47	Buy	€14.20
67	5 May 2025	€10.50	Buy	€14.20
68	Today	€10.26	Buy	€14.20

INVESTMENT HORIZON

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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