EMEA Real Estate – The Adverse Effects of Rising Interest Rates

Existing Long-Term Debt Delays Adverse Effects

Higher interest rates will increase the cost of debt, which will tighten property companies' interest coverage ratios and have a negative effect on real estate values. For many Fitch-rated property companies with long-dated debt and rate-fixing, rising interest costs will reduce profits only gradually as existing low coupon debt matures and is refinanced.

Most of the property sector has benefitted from a long period of decent rental growth and historically low funding costs, which have inflated values. In the new inflationary environment, to preserve property values, rents will need to rise to compensate for the additional funding costs. Lower operational profitability and stricter funding conditions will prompt property companies to reassess dividend payouts as profits decline.

Reflecting the September Global Economic Outlook, Fitch Ratings' updated rating cases (the 'interest rate case') include higher variable rates of interest and refinancing assumptions for fixed-rate debt (see *Cost of Debt Assumptions* page 2).

Effect Upon Sectors and Rated Companies

Under the interest rate case, no ratings will be affected by: a near-term debt maturity schedule that causes a marked refinancing risk; a resultant sudden adverse change in interest coverage ratios; or, from an increased average cost of debt. This analysis has not included the effect of company-specific interest rate derivatives fixing floating- to fixed-rate debt, which will soften the impact further.

Residential-for-rent companies are particularly affected as rising policy rates creep closer to their property income yields (for example, an all-in euro cost of 3.0%-4.0% versus the same rental or tighter EBITDA yields for prime assets). Heimstaden Bostad AB's 'BBB' was put on Negative Outlook by Fitch as the prospect of rising interest rates constraisnipns the group's deleveraging capacity. Similarly, for logistics companies' which acquired assets at recent 3.0%-3.5% income yields, with high net debt/EBITDA leverage, their interest coverage ratios will tighten.

The list of rated companies covered in this report ranks entities by the proportion of debt due to be refinanced soon, also indicating the risk of higher interest costs on refinanced debt. Often, 2025 and 2026 interest cover ratios, when a higher proportion of debt will be at new rates, remain consistent with the existing rating. Company-specific debt analysis is on the following pages.

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List of Rated Companies in this Report

Company	IDR/Outlook, Unsecured Rating	% of debt refinanced 2022-2023	Company Profile
1. Peach Property Group AG	BB/Stable, BB	30%-35% [a]	p.27
2. IGD SIIQ S.p.A.	BBB-/Stable, BBB-	25%-30% [a]	p.21
3. Sirius Real Estate Limited	BBB/Stable, BBB	25%-30% [a]	p.33
4. Akelius Residential Property AB	BBB/Stable, BBB+	25%-30% [a]	p.5
5. SELP Finance SARL	BBB/Stable, BBB+	25%-30% [a]	p.32
6. NEPI Rockcastle N.V.	BBB+/Stable, BBB+	25%-30% [a]	p.25
7. SBB – Samhallsbyggnadsbolaget i Norden AB	BBB-/Positive, BBB-	20%-25% [a]	p.29
8. Global Switch Holdings Limited	BBB/Stable, BBB	15%-20% [a]	p.15
9. Globalworth Real Estate Investment Limited	BBB-/Stable, BBB-	15%-20% [a]	p.16
10. VGP N.V.	BBB-/Stable, BBB-	15%-20% [a]	p.37
		% of debt refinanced 2022-2025	
11. Pinewood Group Limited	BBB-/Stable, SS BBB	60%-65%	p.28
12. Civitas Social Housing PLC	A-/Stable, SS A	60%-65%	p.12
13. Canary Wharf Group Investment Holdings plc	BB+/Stable, SS BBB-	35%-40%	p.11
14. Hammerson plc	BBB/Stable, BBB+	35%-40% [a]	p.19
15. Heimstaden Bostad AB	BBB/Negative, BBB	30%-35% [a]	p.20
16. British Land Company PLC (The)	A-/Stable, A	30%-35% [a]	p.10
17. Annington Limited	BBB/Stable, BBB	25%-30% [a]	p.7
18. AKROPOLIS GROUP, UAB	BB+/Stable, BB+	20%-30%	p.6
19. Globe Trade Centre S.A.	BBB-/Stable, BBB-	20%-30%	p.17
20. MAS PLC	BB/Positive, BB	20%-30%	p.24

Others	Rating	Others	Rating
21. NewRiver REIT plc	BBB/Stable, BBB+	29. AXA Logistics Europe Master S.C.A.	BBB+/Stable, A-
22. Derwent London plc	BBB+/Stable, A-	30. VIA Outlets B.V.	BBB+/Stable, BBB+
23. Land Securities PLC	S/T IDR: F1	31. D.V.I. Deutsche Vermogens- und Immobilienverwaltungs GmbH	BBB-/Stable, BBB-
24. Triple Point Social Housing REIT plc	A-/Stable, SS A	32. SCI LAMARTINE	BBB+/Stable, A-
25. Grainger plc	BBB-/Stable, SS BBB	33. Tritax EuroBox plc	BBB-/Stable, BBB
26. SEGRO PLC	A-/Stable, A		
27. Lar Espana Real Estate SOCIMI, S.A.	BBB/Stable, BBB		
28. Assura plc	A-/Stable, A-		

[a] This ranking is based on respective companies' year-end data. See company-specific commentaries on post-year-end events, or cash resource mitigants to these debt maturity profiles.
Fitch has excluded rated entities with no bond debt (Castellana, Supermarket Income REIT and M&G European Property Fund). SS = senior secured rating.
Source: Fitch Ratings

The New Normal – The Interest Rate Case

Given property companies' interest cover ratios were typically around 2x during the last 'normal' interest rate environment, before the global financial crisis in 2009, we may return to a world when these costs accounted for around half of their profits. Current interest coverage ratios, reflecting a historically low cost of debt, are typically above 5x.

Since 2012, investment-grade EMEA property companies have refinanced and raised new debt at rates that, together with central banks' participations in bond markets, have resulted in an average cost of typically 1.0%-1.5% for their euro-denominated debt, with Swedish krona and Swiss franc lower, and 3.0%-3.5% for sterling. These averages are set to increase.

The average cost will rise if a property company's debt is variable (typically bank debt using Euribor or Sonia), or, if fixed rate, debt due to be refinanced whether to higher fixed or variable rates. From existing low rates, and given long-dated maturities, the adverse effect will permeate slowly.

For many Fitch-rated property companies that recently raised unsecured debt (in some cases refinancing all secured debt), locking into low coupons, the cost benefit will flow to shareholders and credit profiles for at least four to five years. For companies set to expand with acquisitions or development, they will raise debt at contemporary interest rates, and metrics will transition to a new normal earlier. Some investment-grade companies have tested the market and raised debt at new interest rates in July and August 2022 (GBP: Annington Limited at equivalent 5%; EUR: SCI LAMARTINE at a headline 3.625%; SELP Finance SARL at 3.75%).

Given that interest coverage ratios are typically above 5x, however unpalatable these rising costs are, they are not jeopardising many Fitch-rated property companies' ratings.

Certainly, REITs' distributable profits for dividends are set to decrease. From a creditor's perspective, lower dividends will help mitigate higher interest costs on companies' credit profiles.

Real Estate Valuations

As an asset class and closely connected to the cost of debt, real estate valuations will decline due to the interest rate component within property yields. Property companies with assets bought at past years' low yields (potentially overpriced), unjustified by imminent rental growth, will need to re-assess their balance sheet leverage. Rental growth, even if aided by leases having contractual CPI-linked indexation, will be contested by tenants facing inflationary cost pressures and more cautious (retail tenant) consumers.

It is difficult to calculate the future spread between a currency regime's risk-free rates (policy rates) and property yields since 2011. The market had largely kept a disciplined yield gap of 300bp-350bp for quality assets. As policy rates rise, some of that gap (or property premium) may absorb some policy rate rise, some asset classes may not maintain their popularity from investors, yet Fitch believes assets like UK retail are unlikely to fall far from existing lows. Given that much real estate is debt-funded, comparative evidence of market transactions will feed through to valuers reducing real estate values.

Fitch does not have a crystal ball on the extent of the valuation decline – and neither do property companies - hence our ratings have concentrated on cashflow leverage (net debt/EBITDA). This is a ratio we can forecast with greater visibility, where longevity of rental-derived EBITDA is measured relative to long-dated debt and interest rate protection. This is a more meaningful ratio for a long-term bond investor riding through the cycle, rather than a short-term loan-to-value (LTV) where 'V' is unforecastable. All of Fitch's rating sensitivities for upgrade and downgrade quote cashflow leverage metrics rather than balance sheet LTVs. Where breach of LTV covenants can precipitate a debt refinancing, these ratios are important to monitor.

Interest Rate Case - Cost of Debt Assumptions

	2022	2023	2024	2025	2026
Increase in EUR policy rates (%) to	2.00	2.00	1.75	1.75	1.75
Increase in GBP policy rates (%) to	4.25	5.00	4.00	4.00	4.00
Incremental rise in a company's margin payable, in addition to the above policy rate for investment-grade entities	Additional +50bp				
Interest rating case's new debt (expansion) at new variable rate or new fixed-rate debt for 'A' rated entity	100bp above policy rate				
Interest rating case's new debt (expansion) at new variable rate or new fixed-rate debt for 'BBB' rated entity	200bp above policy rate				

Source: Fitch Ratings, September 2022 Global Economic Outlook for EUR policy rates; September 2022 UK GEO for GBP policy rates.

Illustrative Examples

	2022	2023 onwards
Existing RCF at 80bp margin refinanced in 2022 EUR	80bp+50bp+200bp	80bp+50bp+200bp
Existing BBB 3.5% bond refinanced in 2022 EUR	200bp+200bp	
Existing BBB 3.5% bond refinanced in 2023 EUR		200bp+200bp
Existing BBB 6.0% bond refinanced in 2024 EUR		175bp+200bp

Source: Fitch Ratings

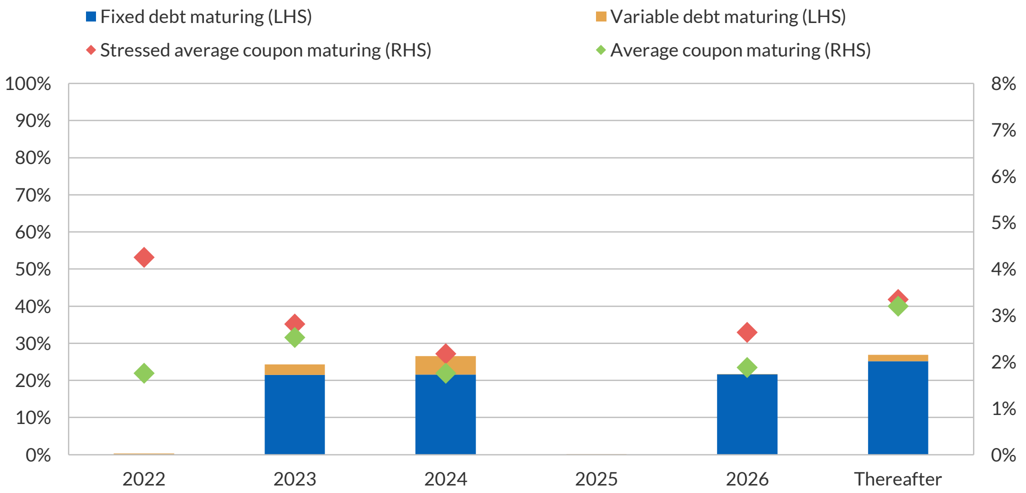
Explanation of the Interest Rate Case Charts

Fitch has put its rated companies' debt structures through a rising interest rate environment (the 'interest rate case') to quantify the effect on their future financial profiles. The following pages show these main charts for each company. Without replicating companies' specific and detailed derivative hedging, they show the long-term debt structure and limited exposure to rising rates.

Chart 1: Debt Maturity Chart and Average Coupon of Maturing Debt

This first chart's bars show the debt maturity of the rated entity, illustrating the extent of debt refinancing and longevity of interest-rate fixing. The green diamond denotes the rating case's weighted average coupon of the fixed- and variable-rate debt maturing in that year. The red diamond shows the same but under the new interest rate case's assumptions: where there is maturing variable rate debt, the red dot (if shown) is higher than the green diamond (which was probably fixed interest-rate weighted).

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, NEPI used for illustration

In most cases, there will be a rise in the average cost of debt as, say, 2012-2015 10-year or 2017-2018 five-year bond maturities are refinanced. Where companies are refinancing legacy higher-coupon debt interest, costs may decrease (see Derwent and Hammerson).

Chart 2: Interest Rate Effect on Interest Coverage Ratios

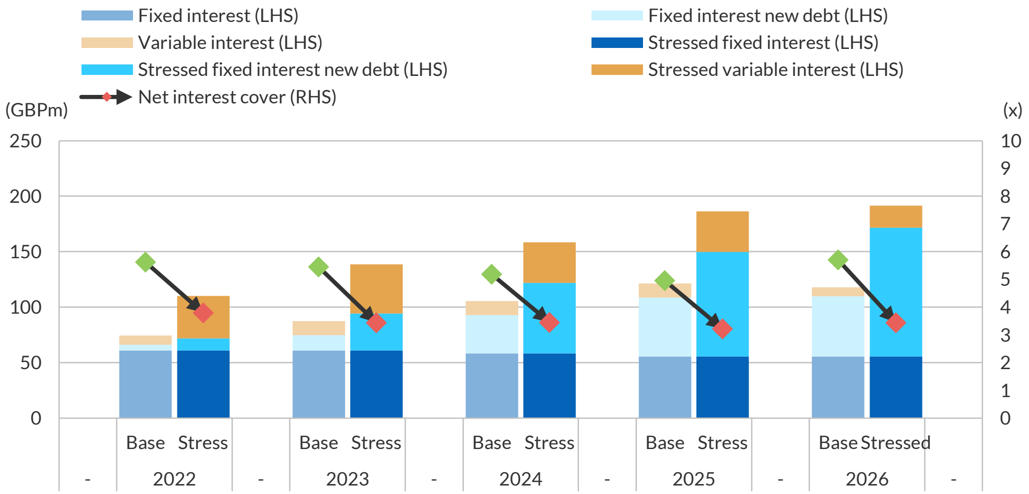
Using existing rating cases' recurring rental-derived EBITDA and the higher cost of debt assumptions:

- Variable policy rates increase the cost of variable-rate debt (orange bar);
- A refinanced debt credit spread (margin) increases the cost of variable-rate debt (orange bar);
- Maturing fixed-rate debt is refinanced at a higher cost of debt (dark blue bar).

Fitch's rating case may have had further issuance of debt for expansion plans, which are now at new policy rates and higher margins. This new (more expensive) debt could be at variable or the same equivalent fixed rate (brighter blue).

This second chart compares the original Fitch rating case with the interest rate case, often projecting a decrease in the interest cover ratio.

Interest Paid and Interest Coverage Ratio



Source: Fitch Ratings, SEGRO used for illustration

Rating Case: First Bar: Light blue – existing rating case fixed-rate debt;
Orange – existing rating case variable-rate debt
Interest Rate Case: Second Bar: Dark blue – unaffected interest rate case fixed-rate debt;
Bright Blue – further issuance of debt at new cost of debt (whether variable plus increased margin or the equivalent all-in fixed coupon);
Orange – refinanced variable -rate debt at higher cost
Line: Denotes the change in interest coverage ratio between the two cases (RHS axis).

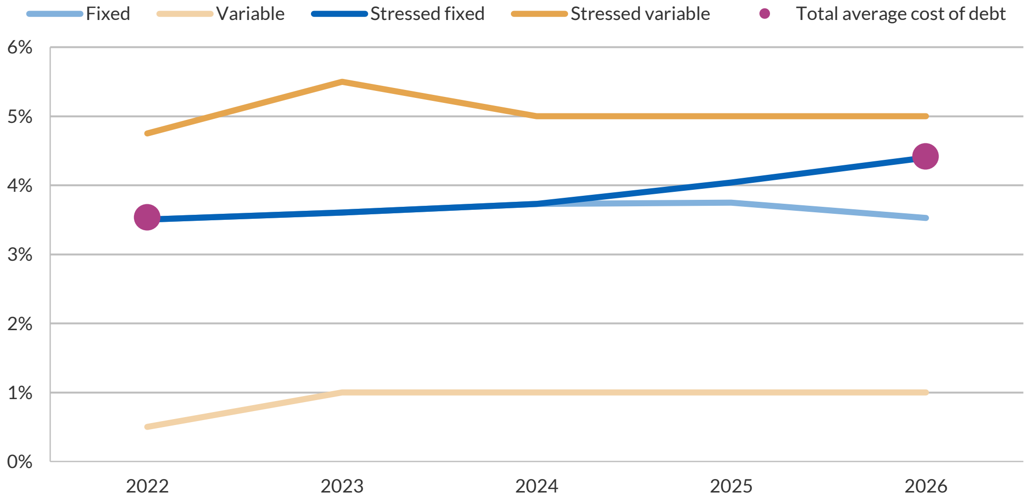
For some companies, interest costs increase because the rating case includes a rise in debt (and EBITDA). Other companies' rating cases do not have an expansionary portfolio with only the opening amount of debt refinanced.

Chart 3: Average Cost of Debt

This third chart shows the annual change in the cost of debt due to increasing rates. Where companies are refinancing legacy expensive debt, the average cost may improve.

In this chart, using the above assumptions, by FY26 this illustrative company's average cost of mainly GBP debt increases to 4.4% from 2022's 3.5%. In the original rating case, its variable rate debt had an average cost of, say, 0.5% which the rating case had assumed at slightly higher policy rates from 2023. Under the interest rate case of higher interest rates, the underlying policy rate changes to 5% in 2023 and 4% in 2024, to which we add the same margin for the unchanged revolving credit facility (RCF). In the fixed-interest cost line, legacy and refinanced debt is included. The blend of the two proportions of variable- and fixed-rate debt results in an average cost of debt of around 4.4% at 2026.

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Hammerson used for illustration

Akelius Residential Property AB

Long-Term IDR: BBB/Stable Outlook

Interest Rate Environment: EUR and others

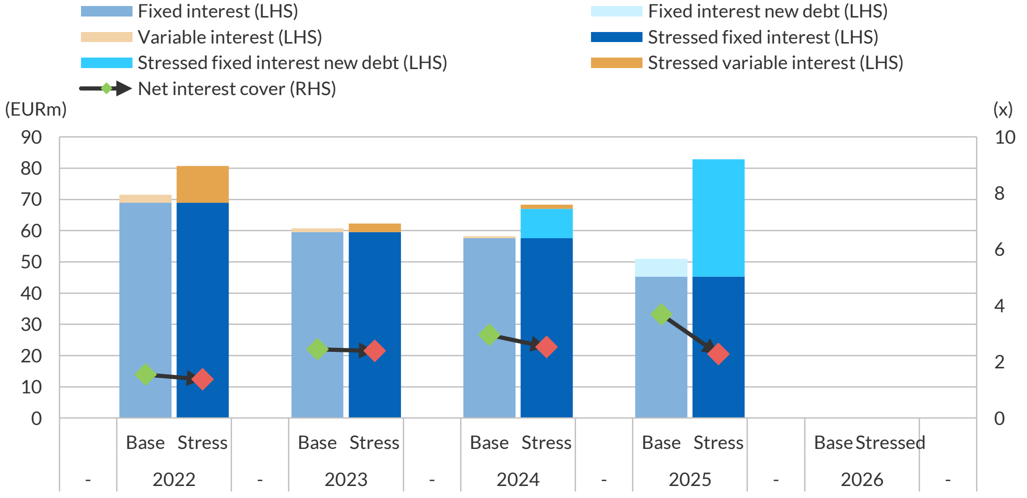
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE25
Debt maturing between FYE21 and FYE26 (%)	54	
Average cost of debt (%)	1.5	2.4
Net interest coverage ratio (x)	0.9	2.3

Source: Fitch Ratings, Akelius

Akelius has large cash resources to prepay existing debt, after selling its Nordic and German residential-for-rent portfolio in 2021 to Heimstaden Bostad for EUR9 billion. Fitch expects Akelius' future debt book to be sized in relation to the investment properties the group will attain (YE21: EUR6 billion) encompassing US, Canada, UK and France residential portfolios.

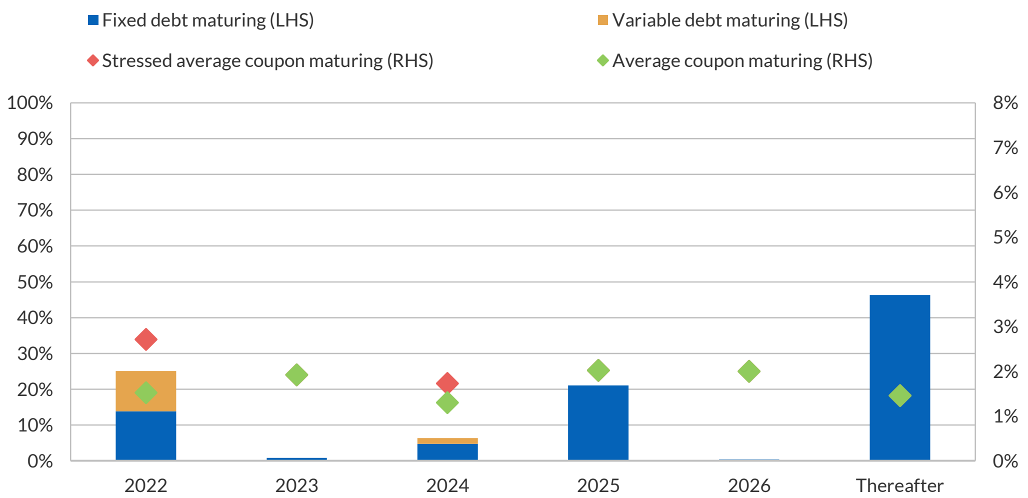
Consequently, we regard the debt schedule as "in flux".

Interest Paid and Interest Coverage Ratio



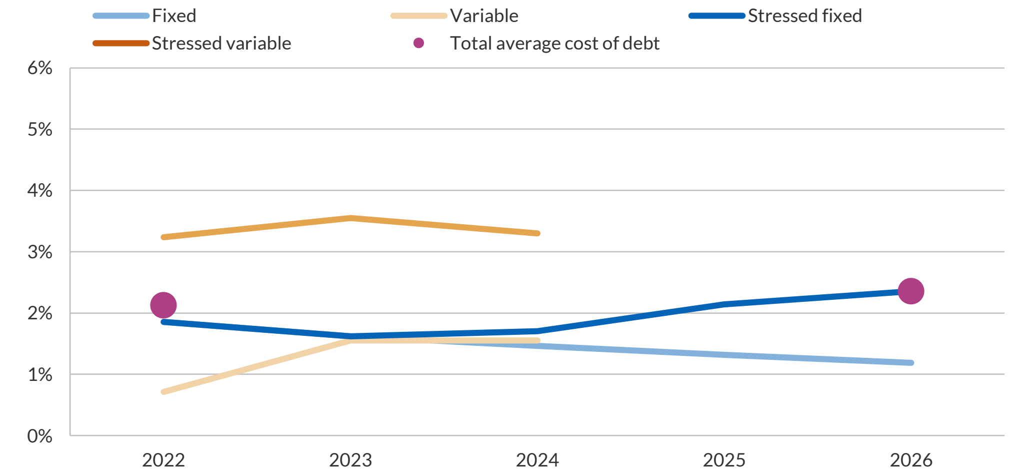
Source: Fitch Ratings, Akeliu

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Akelius

Average Cost of Debt: Rating Case versus Stressed Case



Source: Fitch Ratings, Akelius

AKROPOLIS GROUP, UAB

Long-Term IDR: BB+/Stable Outlook

Interest Rate Environment: EUR

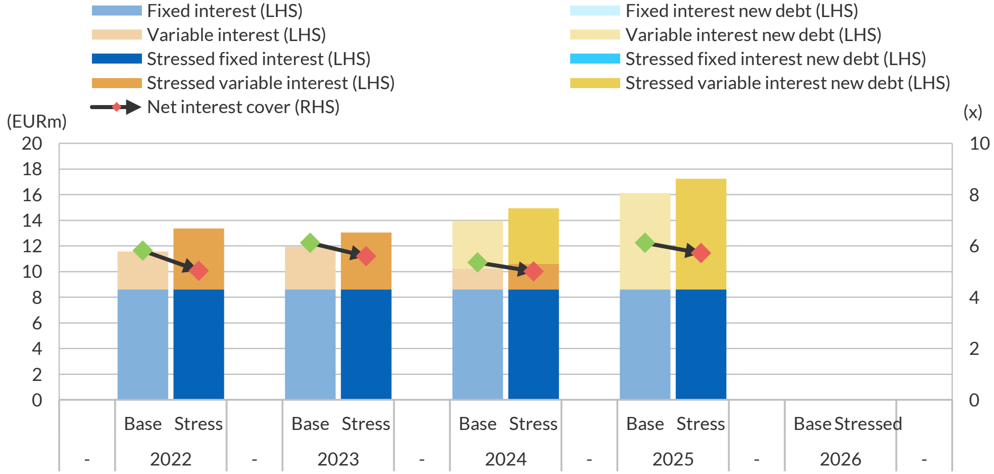
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE25
Debt maturing between FYE21 and FYE26 (%)	100	
Average cost of debt (%)	2.5	3.8
Net interest coverage ratio (x)	16.8	5.7

Source: Fitch Ratings, Akropolis

Akropolis refinanced substantially all of its debt in 2021, except for one secured loan, issuing a EUR300 million 2.9% unsecured bond due 2026. The group is around 70% unsecured debt-funded. The secured debt financing has exposure to variable interest rates.

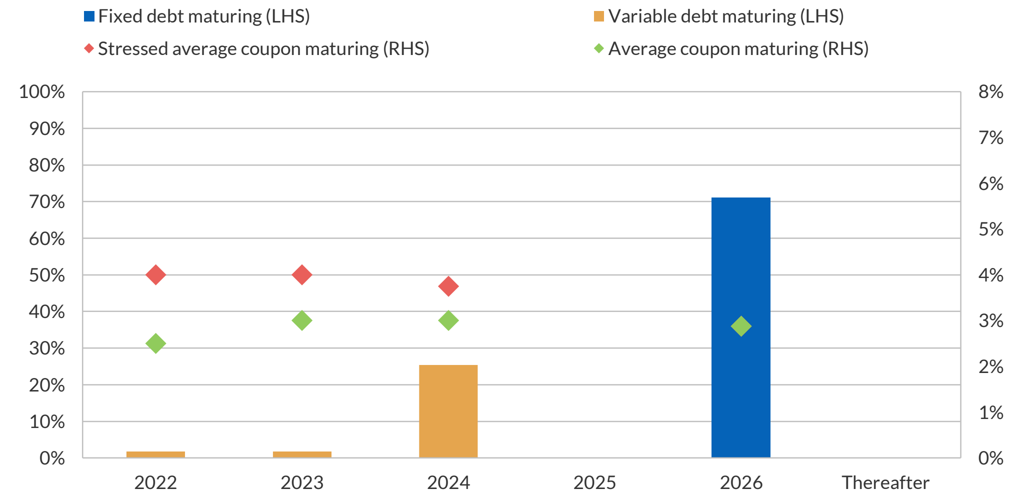
The next change in debt will be the secured debt maturing in 2024 (which we understand has recently been refinanced) and potentially raising additional debt to partly finance a prospective shopping centre development around that time.

Interest Paid and Interest Coverage Ratio



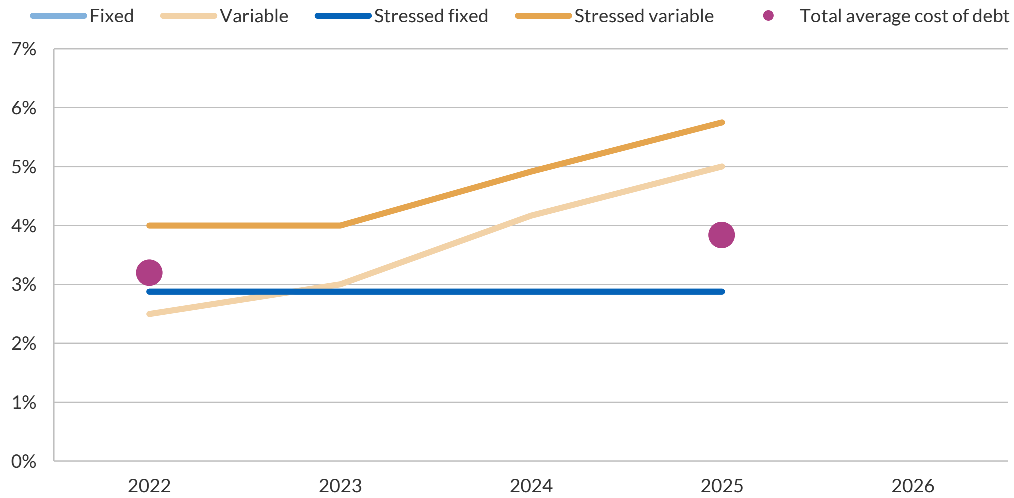
Source: Fitch Ratings, Akropolis

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Akropolis

Average Cost of Debt: Ratings Case Versus Stressed Case



Source: Fitch Ratings, Akropolis

Annington Limited

Long-Term IDR: BBB/Stable Outlook

Interest Rate Environment: GBP

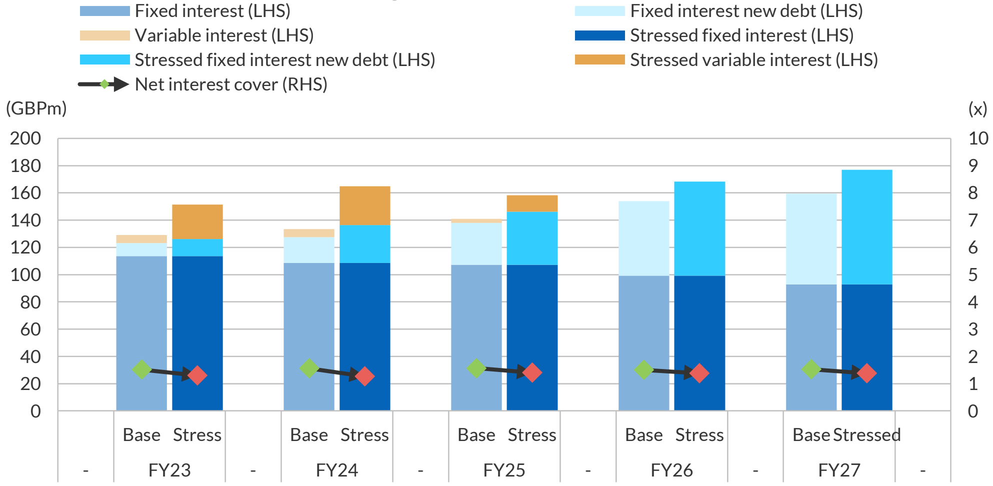
Financial Year-End: End-March 2022	Actual YE22	Interest Rate Case YE27
Debt maturing between FYE22 and FYE26 (%)	36	
Average cost of debt (%)	3.0	4.2
Net interest coverage ratio (x)	1.7	1.4

Source: Fitch Ratings, Annington

Not reflected in the first chart, in August 2022 Annington refinanced some of its FY25 and FY26 bond maturities, creating 2033 and tapping 25-year 2047 money. It paid the 'new' higher market interest rates (around 4.8% and an equivalent near-5%, respectively for these maturities). The group's weighted average cost of debt increased to 3.4% from 3.1%, as reflected in the second chart.

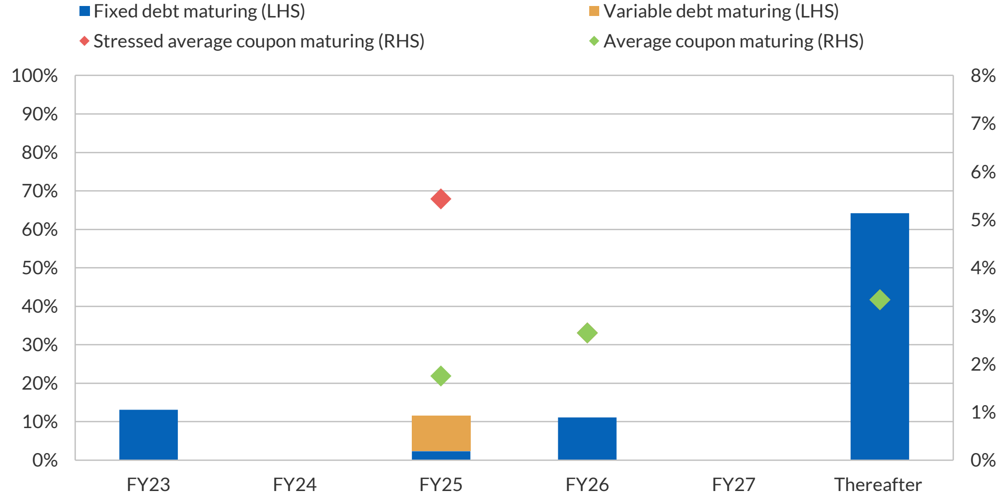
Annington wanted to reduce its debt maturities ahead of a potential change in its ownership which has been delayed due to a court case with its main tenant, UK Ministry of Defence (MoD). The MoD has initiated some test cases to exercise its statutory leasehold enfranchisement rights to buy out Annington's interest in properties it currently leases from Annington and gain full ownership rights.

Interest Paid and Interest Coverage Ratio



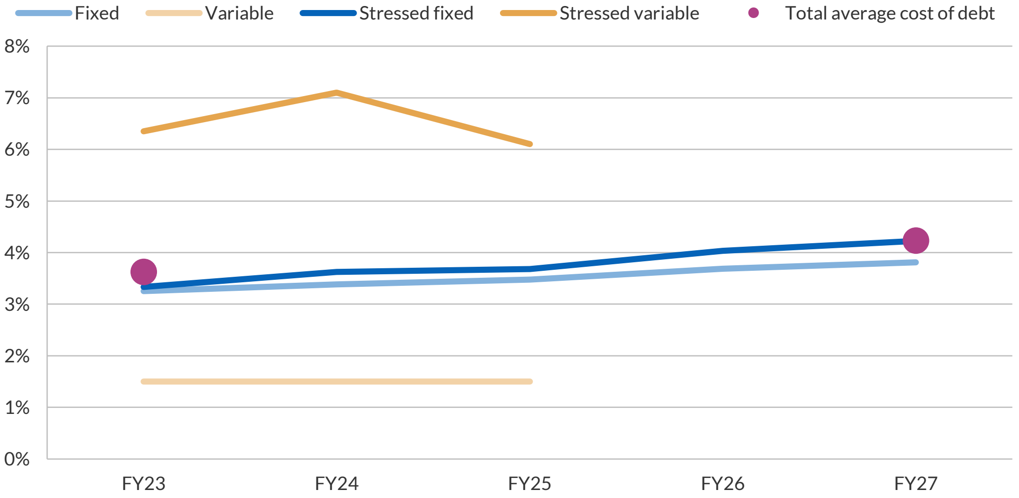
Source: Fitch Ratings, Annington

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Annington

Average Cost of Debt: Ratings Case Versus Stressed Case



Source: Fitch Ratings, Annington

Assura plc

Long-Term IDR: A-/Stable Outlook

Interest Rate Environment: GBP

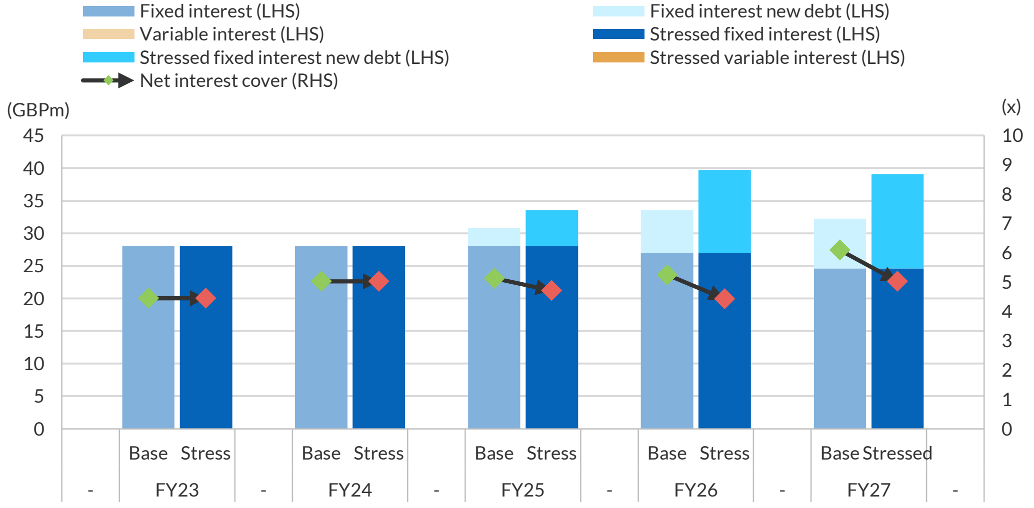
Financial Year-End: End-March 2022	Actual YE22	Interest Rate Case YE27
Debt maturing between FYE22 and FYE26 (%)	14	
Average cost of debt (%)	2.3	2.7
Net interest coverage ratio (x)	4.1	5.0

Source: Fitch Ratings, Assura

Assura has no debt maturities before 2026 and no variable rate exposure. Its cost of debt for a mainly GBP debt book averages 2.2% (its recent GBP300 million unsecured bond is at 1.63%).

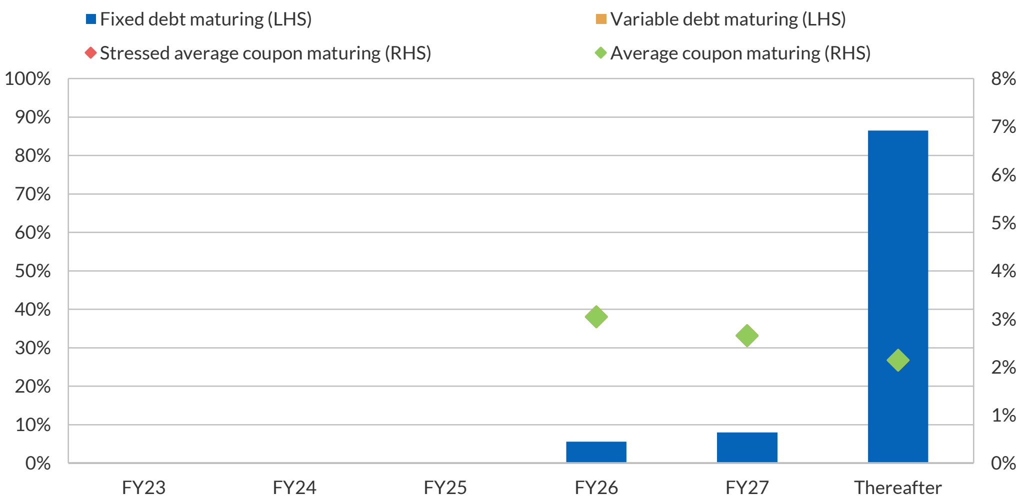
Not represented in Fitch's rating case, as the group expands its asset base, accessing equity and debt to maintain the template leverage for these community service assets, the group will fund itself with higher-coupon debt under contemporary interest rates. It will take time to dilute its 4.5x-5.0x interest cover ratio. Its assets' net initial yield was 4.4% at end-March 2022.

Interest Paid and Interest Coverage Ratio



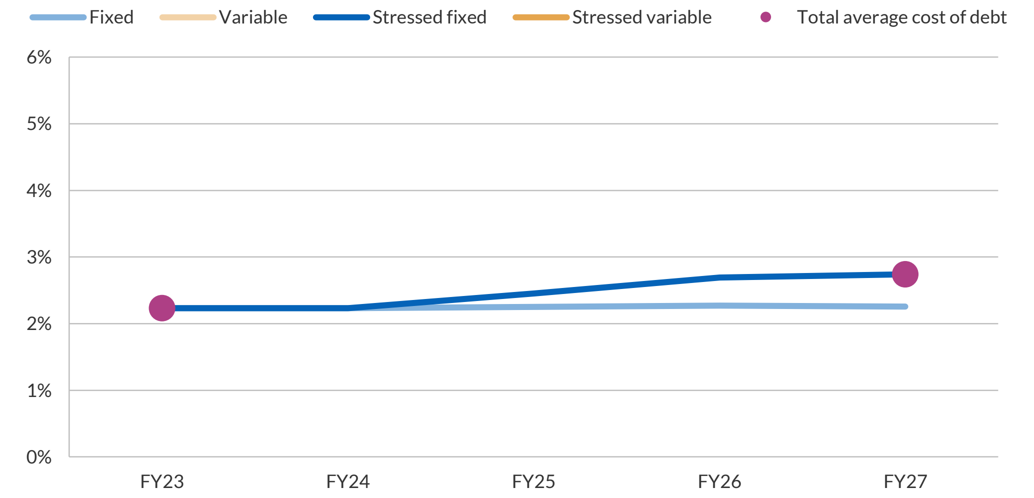
Source: Fitch Ratings, Assura

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Assura

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Assura

AXA Logistics Europe Master S.C.A.

Long-Term IDR: BBB+/Stable Outlook

Interest Rate Environment: EUR

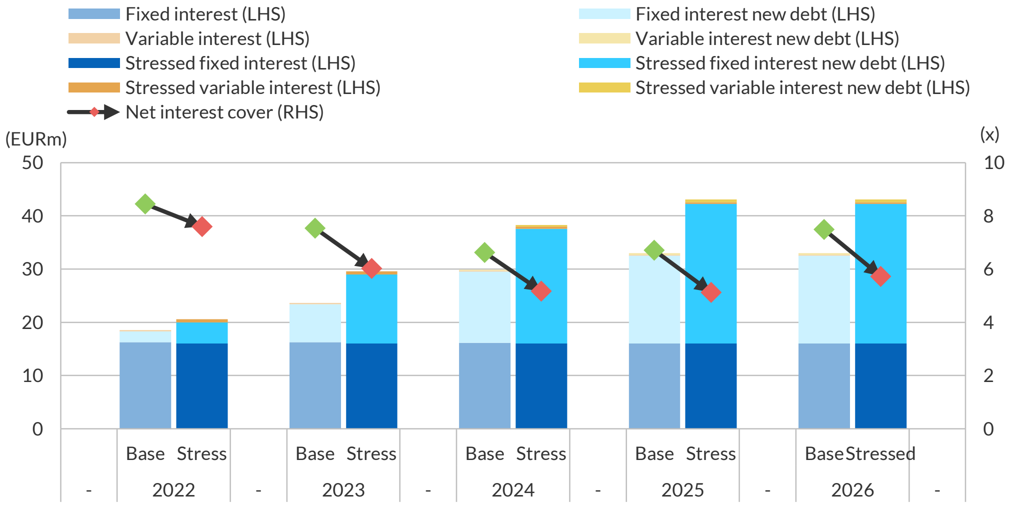
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	2	
Average cost of debt (%)	n.m.	2.8
Net interest coverage ratio (x)	n.m.	5.7

Source: Fitch Ratings, AXA Logistics Europe Master

AXA LEM refinanced its debt and shareholder loans with unsecured debt in 2021, accessing five- and eight-year money at 0.375% and 0.875% coupons, respectively. Consequently, all its debt is fixed rate.

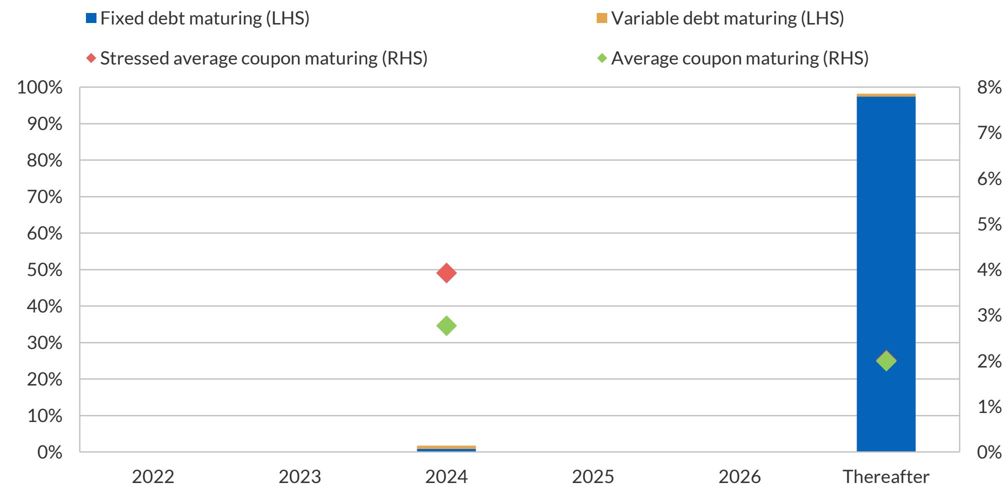
As the fund plans to expand, the logistics portfolio will be financed with new debt and equity from unitholders, maintaining its low appetite for leverage. New debt will be financed at new interest rates, probably under a new EUR2 billion EMTN programme. Fitch's rating case (right hand side top chart) assumes the stressed cost of additional debt for this euro-denominated debt, but interest coverage ratios are expected to be comfortable, at above 5x.

Interest Paid and Interest Coverage Ratio



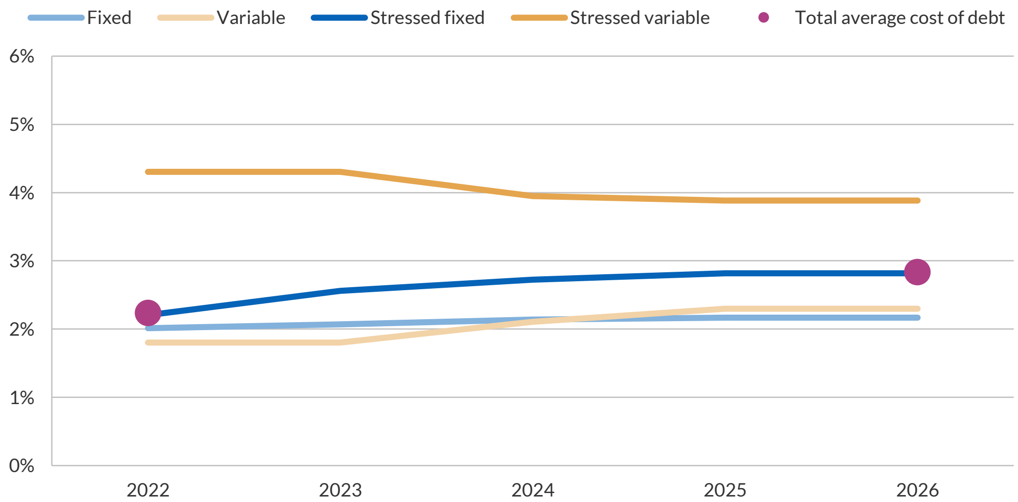
Source: Fitch Ratings, AXA Logistics Europe Master S.C.A

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source:Fitch Ratings, AXA Logistics Europe Master S.C.A

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, AXA Logistics Europe Master S.C.A

British Land Company PLC

Long-Term IDR: A-/Stable Outlook

Interest Rate Environment: GBP including USD

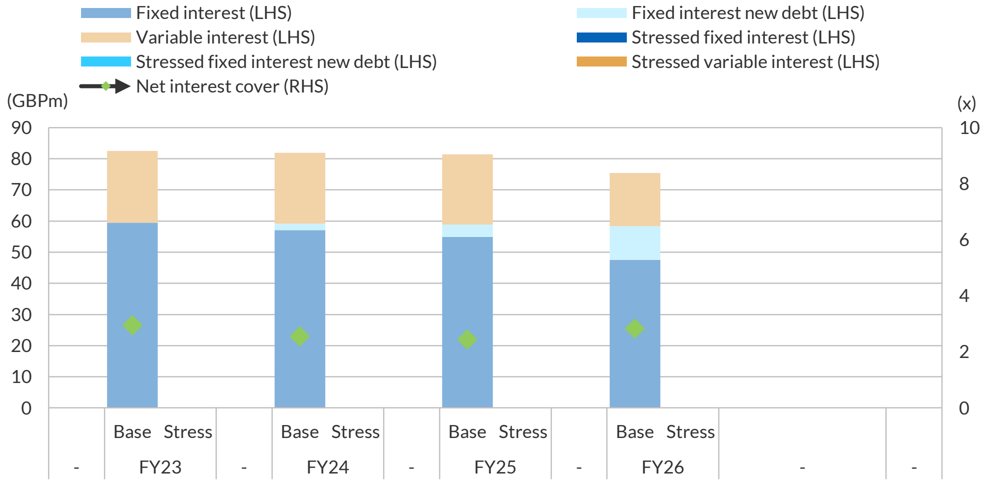
Financial Year-End: End-March 2022	Actual YE22	Interest Rate Case FYE26
Debt maturing between FYE22 and FYE26 (%)	42	
Average cost of debt (%)	2.9	not calculated
Net interest coverage ratio (x)	5.1	not calculated

Source: Fitch Ratings, British Land

This analysis of British Land Company PLC's (BL) debt only includes its on-balance sheet, rather than the long-term, non-recourse financings of the joint ventures. BL manages its debt financings so it will have a derivatives overlay that is not replicated in this analysis.

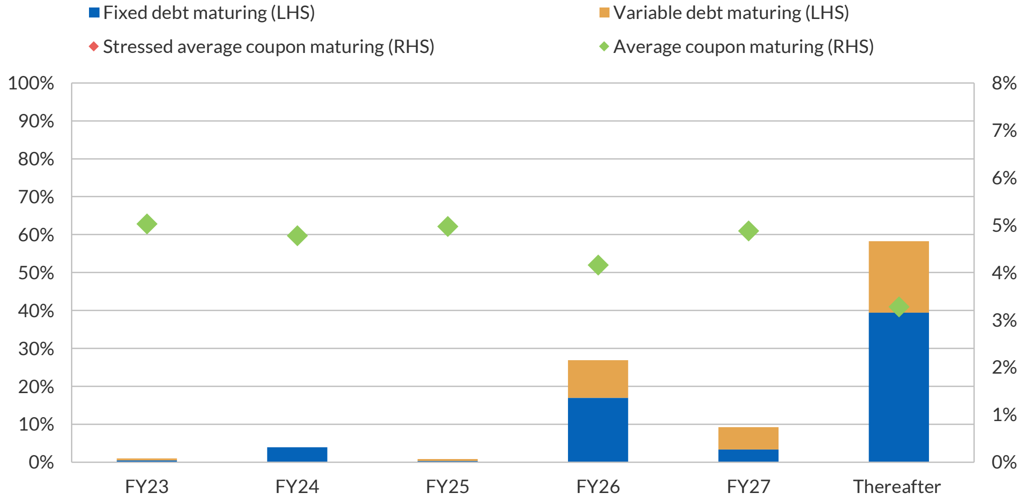
BL will receive proceeds from the sale of its 75% stake in the majority of its Paddington Central office campus which will result in an initial GBP700 million cash inflow in FY23 with further proceeds when this joint venture raises debt on these assets. After this, including derivatives, 79% of BL's debt is at fixed or capped rates.

Interest Paid and Interest Coverage Ratio



Source: Fitch Ratings, British Land

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, British Land

Following the completion of the Paddington Central transaction BL discloses that, on average, over the next five years it has interest rate hedging on 79% of its projected debt with 61% fixed (including swaps) and the balance capped.
(Source: March 2022 Annual Report)

Canary Wharf Group Investment Holdings plc

Long-Term IDR: BB+/Stable Outlook

Interest Rate Environment: GBP

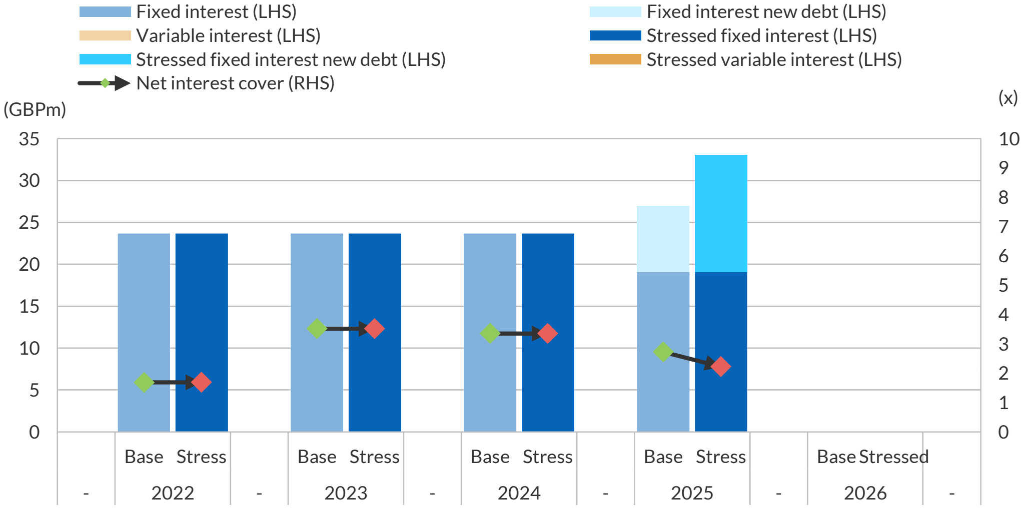
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE25
Debt maturing between FYE21 and FYE26 (%)	72	
Average cost of debt (%)	2.6	5.5
Net interest coverage ratio (x)	1.7	2.2

Source: Fitch Ratings, Canary Wharf Group Investment Holdings

Fitch does not rate the whole Canary Wharf group, only the above entity, which owns the bespoke pooled portfolio of the site's retail, car parking and smaller offices. Thus the following profiles are that of a sub-set of the group. The portfolio raised GBP900 million of debt at fixed rates with the EUR tranche swapped into GBP. When the earliest tranche of debt matures in 2025 this will be refinanced with a higher coupon.

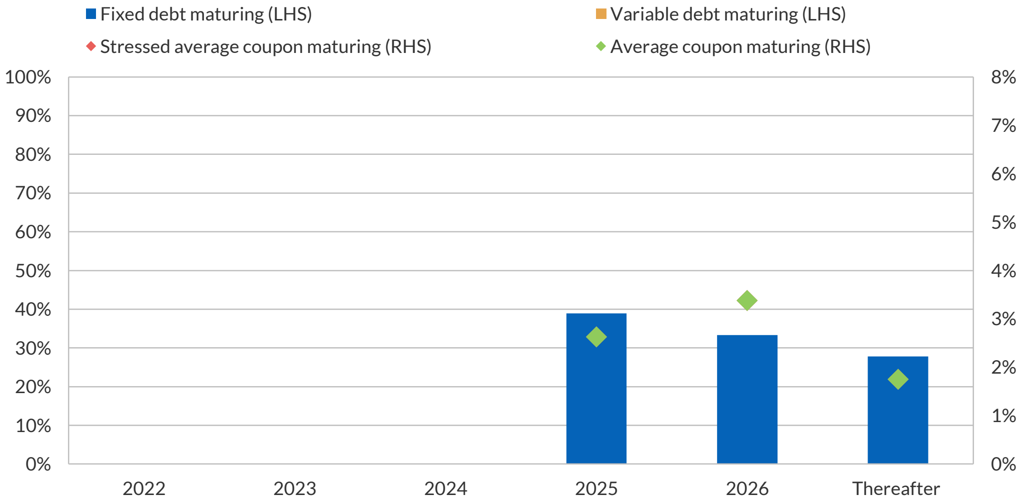
Interest cover ratios will rise as rental income from the retail assets is set to increase and subordinated income from other secured funded transactions flow to Canary Wharf Group Investment Holdings in 2023 and 2024.

Interest Paid and Interest Coverage Ratio



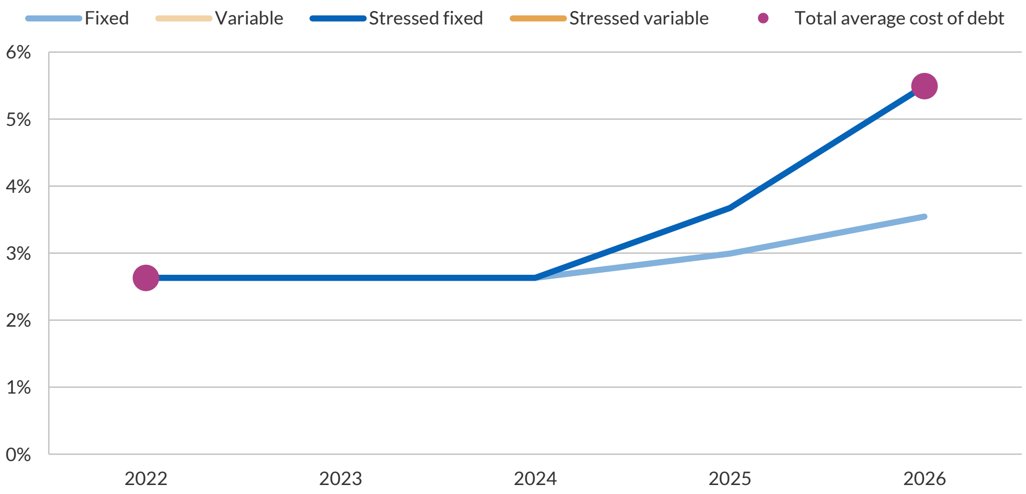
Source: Fitch Ratings, Canary Wharf Group Investment Holding plc's Pooled Portfolio

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Canary Wharf Group Investment Holding plc's Pooled Portfolio

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Canary Wharf Group Investment Holding plc's Pooled Portfolio

Civitas Social Housing Plc

Long-Term IDR: A-/Stable Outlook

Interest Rate Environment: GBP

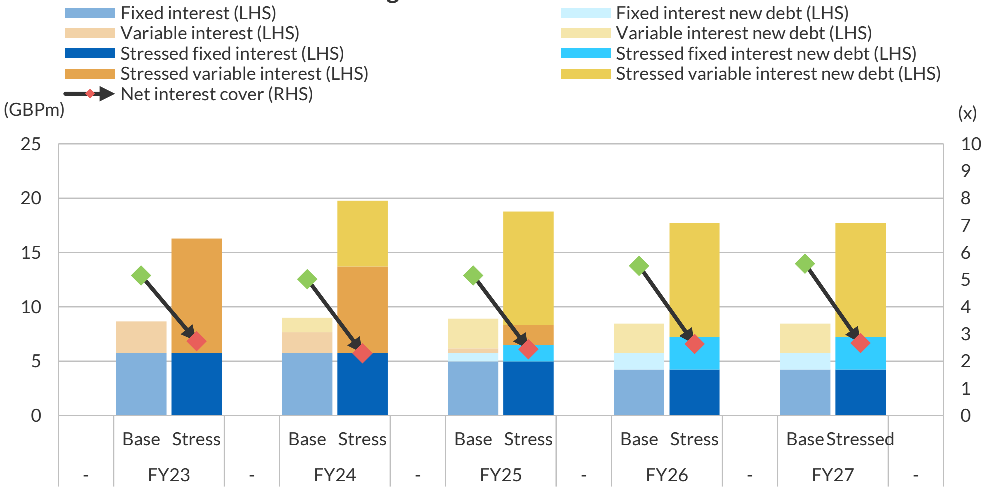
Financial year-end: End-March 2022	Actual YE22	Interest Rate Case YE27
Debt maturing between FYE22 and FYE26 (%)	62	
Average cost of debt (%)	2.5	5.0
Net interest coverage ratio (x)	4.9	2.7

Source: Fitch Ratings, Civitas Social Housing

Civitas has two drawn secured revolving credit facilities (RCFs) totalling GBP160 million which mature in 2023 and 2024 (the company's FY24 and 2025). Under the interest rate case, Civitas's interest coverage ratios decline to around 2.7x as this debt is refinanced at the higher cost assumptions of the interest rate case. Fitch's existing rating case has yet to include the significant inflation-linked increases in rent which are contractually due under its leases to Registered Providers.

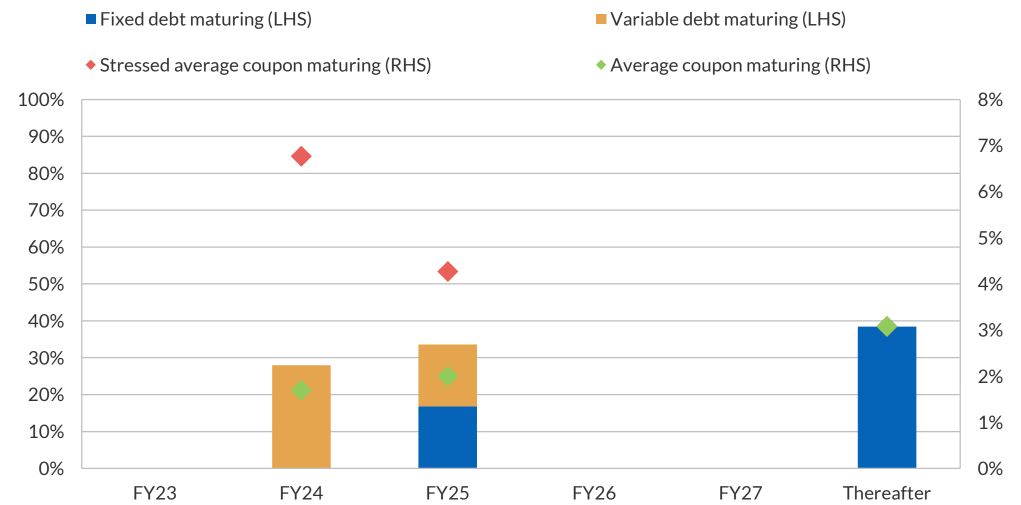
When the company acquires more assets, it will also raise equity to balance the fund at 40% loan-to-value for assets currently valued at net initial yields of around 5.2%.

Interest Paid and Interest Coverage Ratio



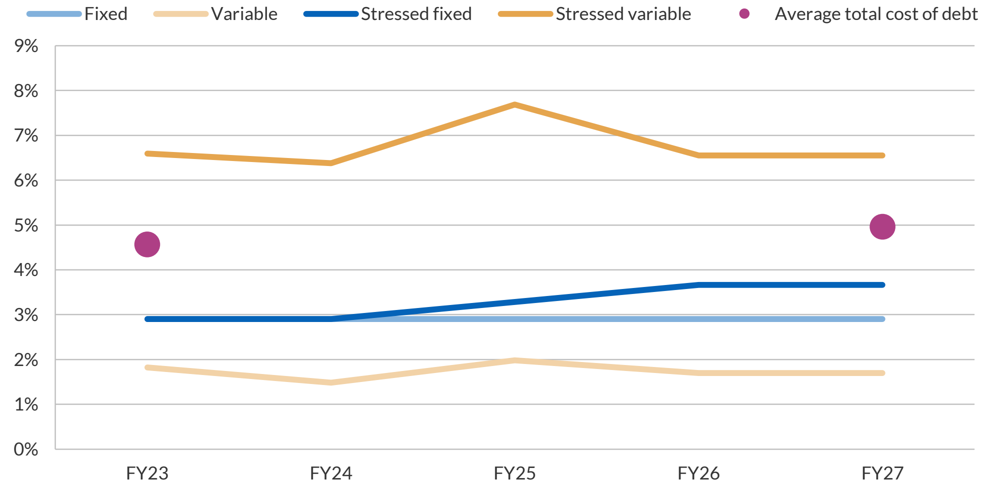
Source: Fitch Ratings, Civitas

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Civitas

Average Cost of Debt: Rating Case versus Stressed Case



Source: Fitch Ratings, Civitas

Derwent London plc

Long-Term IDR: BBB+/Stable Outlook

Interest Rate Environment: GBP

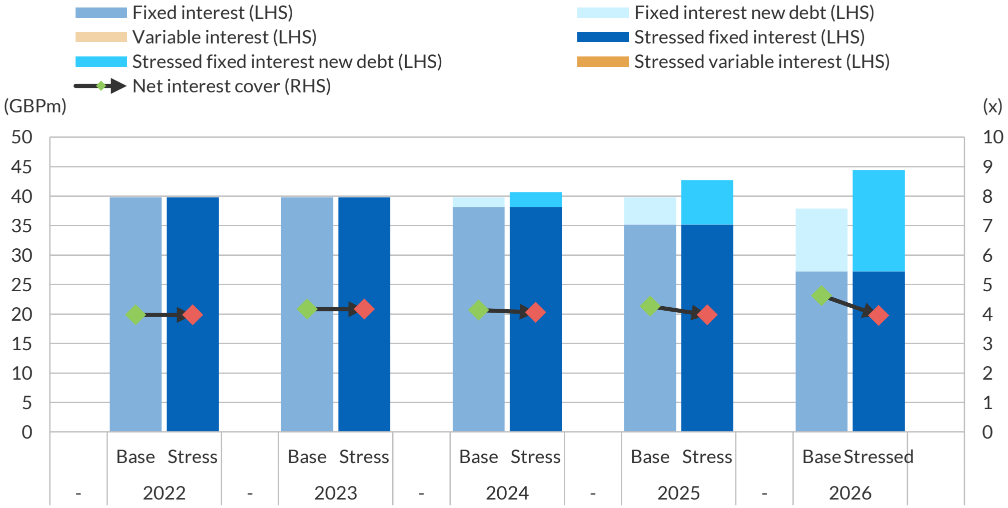
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	40	
Average cost of debt (%)	3.1	3.6
Net interest coverage ratio (x)	4.5	3.9

Source: Fitch Ratings, Derwent London

Derwent London plc's existing sterling-denominated debt is long-dated. The group has the unusual case of a due 2026 secured debenture at a legacy 6.5% coupon. Refinancing this at a Fitch interest rate case lower coupon would benefit future coverage ratios. Future years' debt included in Fitch's rating case is a blend of expected net disposal activity and funding for the scheduled London office development programme.

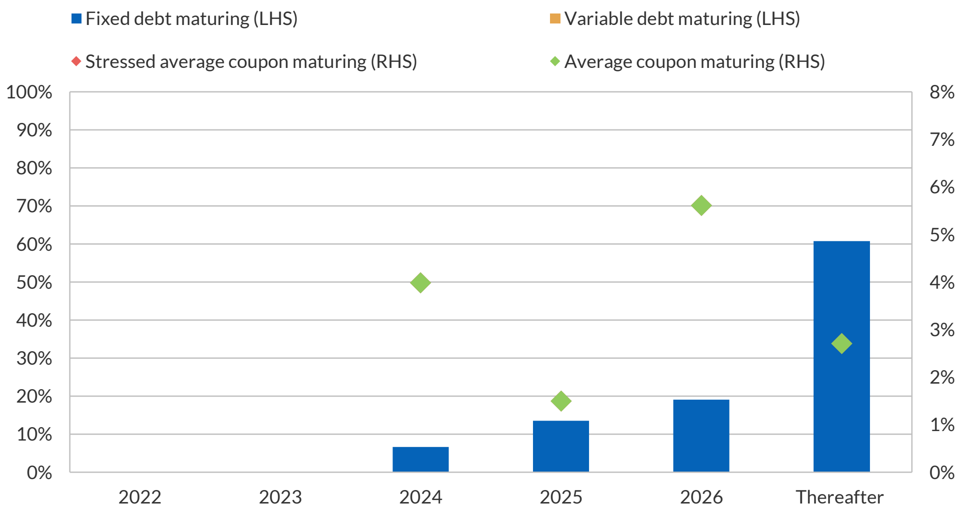
The interest coverage ratio under the interest rate case reduces slightly as the increased cost of refinanced debt is partly mitigated by an increase in rent from previous years' projects coming on-stream during the forecast period.

Interest Paid and Interest Coverage Ratio



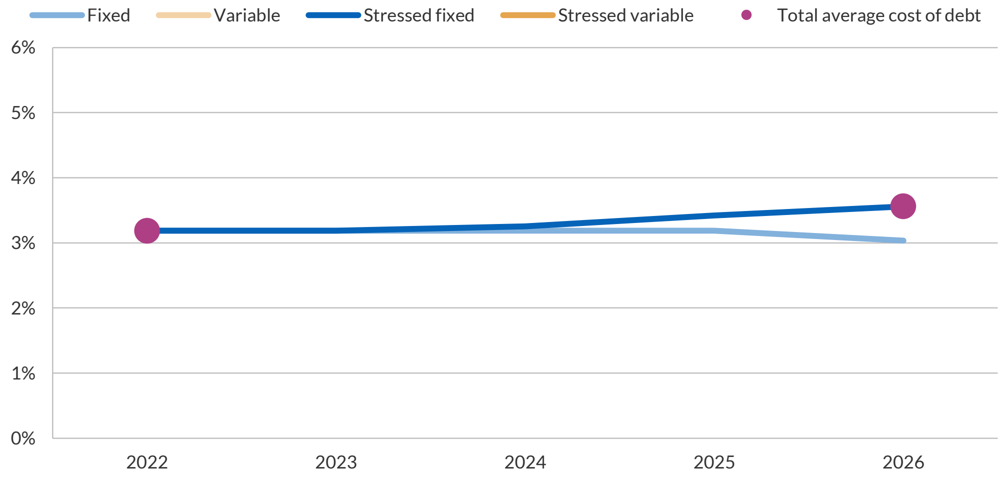
Source: Fitch Ratings, Derwent

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Derwent

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Derwent

D.V.I. Deutsche Vermogens- und Immobilienverwaltungs GmbH

Long-Term IDR: BBB-/Stable Outlook

Interest Rate Environment: EUR

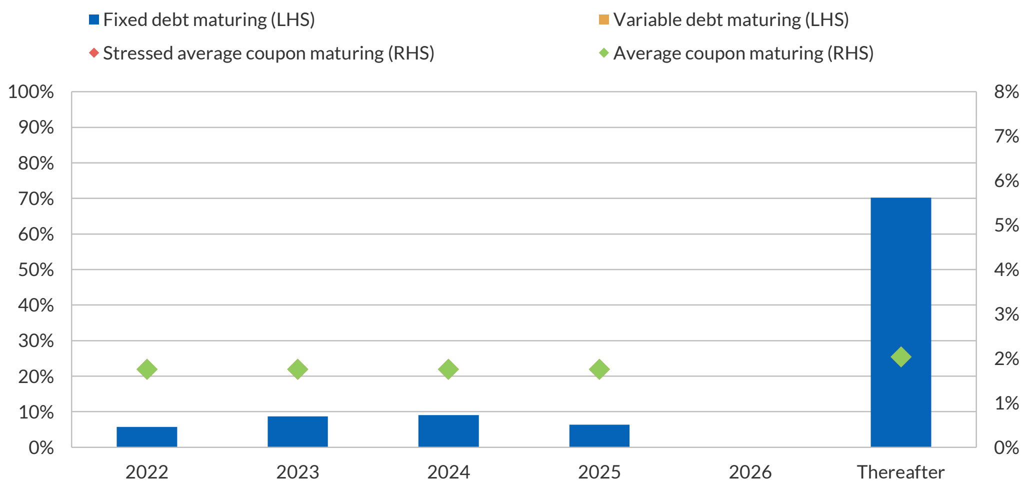
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE25
Debt maturing between FYE21 and FYE26 (%)	30	
Average cost of debt (%)	FY20: 2.0	2.6
Net interest coverage ratio (x)	3.0	3.3

Source: Fitch Ratings, DVI

DVI issued a EUR350 million bond in January 2022 with a 2.5% coupon, raising debt alongside its investments', or predominantly German (Berlin) residential-for-rent portfolio's, secured debt financings. Typically, these secured financings were arranged at fixed interest rates and average 30% loan-to-values. These amortising debt financings are the pre-2026 debt maturities shown in the chart below. The new, unsecured bond prepaid some secured debt to create a fledgling unencumbered portfolio.

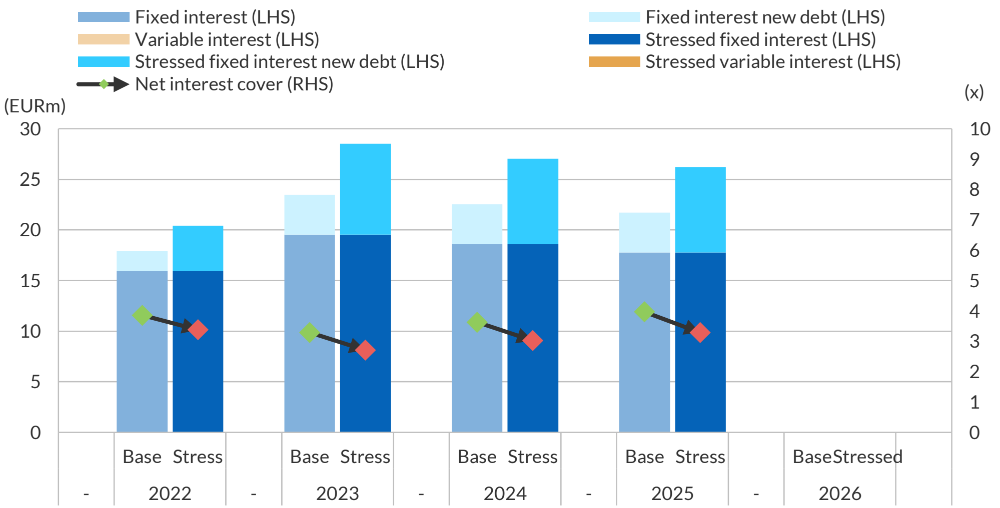
As the group expands into further Berlin residential and a wider geographic reach of German secondary offices, by buying into funds (with the aim of gaining controlling participations) or direct property investment, it had planned to raise additional debt under higher interest rates, as reflected in Fitch's rating case in 2021.

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



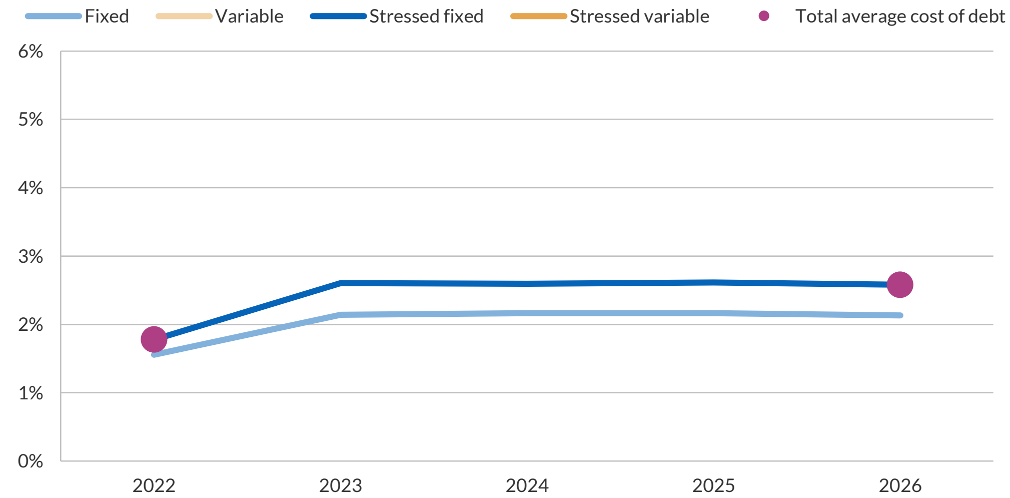
Source: Fitch Ratings, DVI

Interest Paid and Interest Coverage Ratio



Source: Fitch Ratings, DVI

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, DVI

Global Switch Holdings Limited

Long-Term IDR: BBB/Stable Outlook

Interest Rate Environment: GBP and EUR

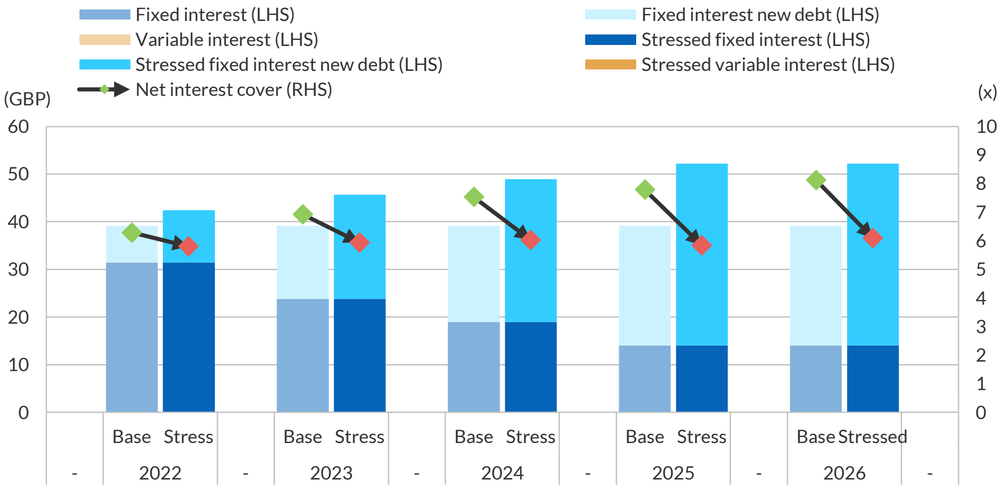
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26	44	
Average cost of debt (%)	2.2	3.0
Net interest coverage ratio (x)	5.4	6.1

Source: Fitch Ratings, GlobalSwitch

Global Switch funds itself with pound- and euro-denominated fixed-rate unsecured bonds, in a well-laddered maturity profile.

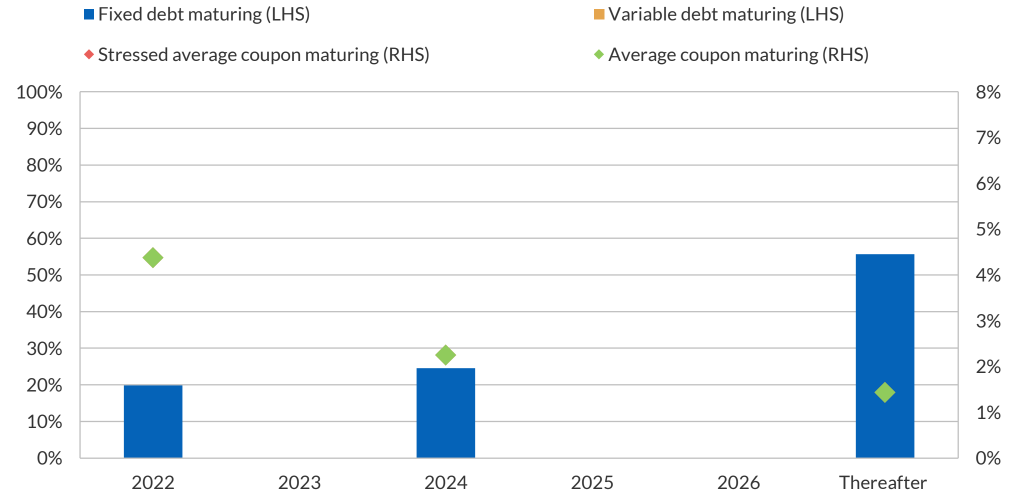
Its next debt maturity is an unsecured GBP350 million bond that matures in December 2022. Given the ongoing divestment initiated by Global Switch's shareholders, Fitch does not expect the refinancing of this bond to take place before end-2022. However, the liquidity available (YE21 GBP410 million cash and a new GBP375 million undrawn RCF) is sufficient to repay this maturity. Although the interest rate case reduces interest cover ratios, these parameters are consistent with the existing rating.

Interest Paid and Interest Coverage Ratio



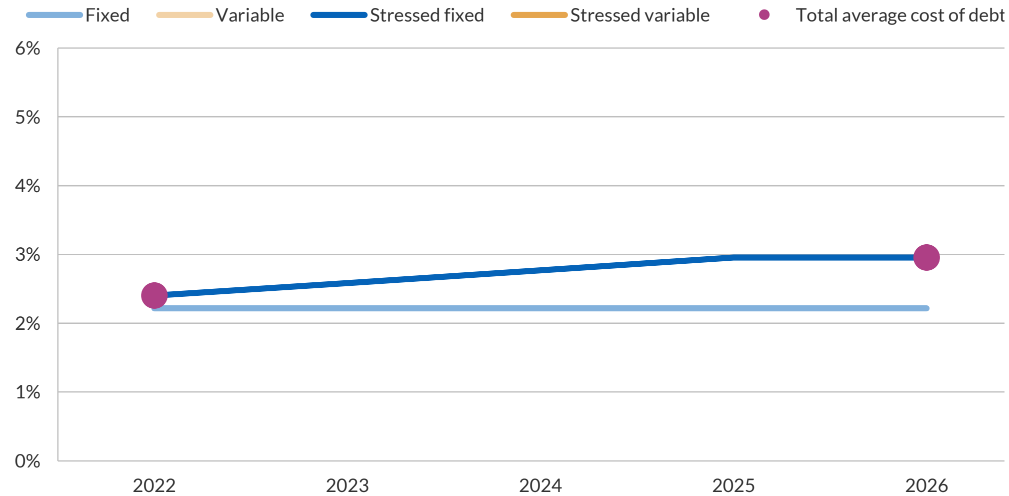
Source: Fitch Ratings, GlobalSwitch

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, GlobalSwitch

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, GlobalSwitch

Globalworth Real Estate Investment Limited

Long-Term IDR: BBB-/Stable Outlook

Interest Rate Environment: EUR

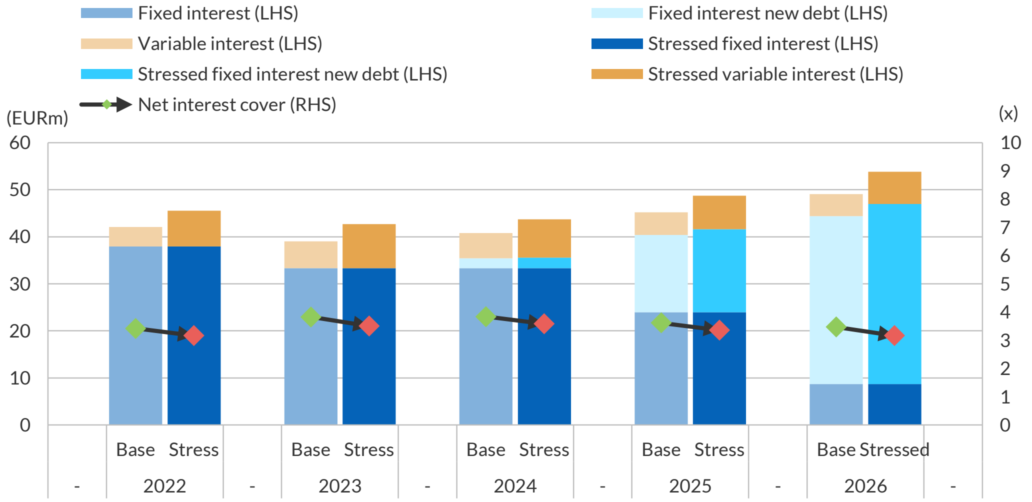
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	83	
Average cost of debt (%)	2.7	3.5
Net interest coverage ratio (x)	2.9	3.2

Source: Fitch Ratings, Globalworth

Globalworth used its YE21 EUR411 million readily available cash to repay a due June 2022 EUR323 million unsecured Eurobond (2.9% coupon). Also in June 2022, a EUR85 million unsecured International Finance Corporation loan was drawn. The next meaningful debt repayment is in 2025, when a EUR550 million unsecured Eurobond with a 3% coupon matures.

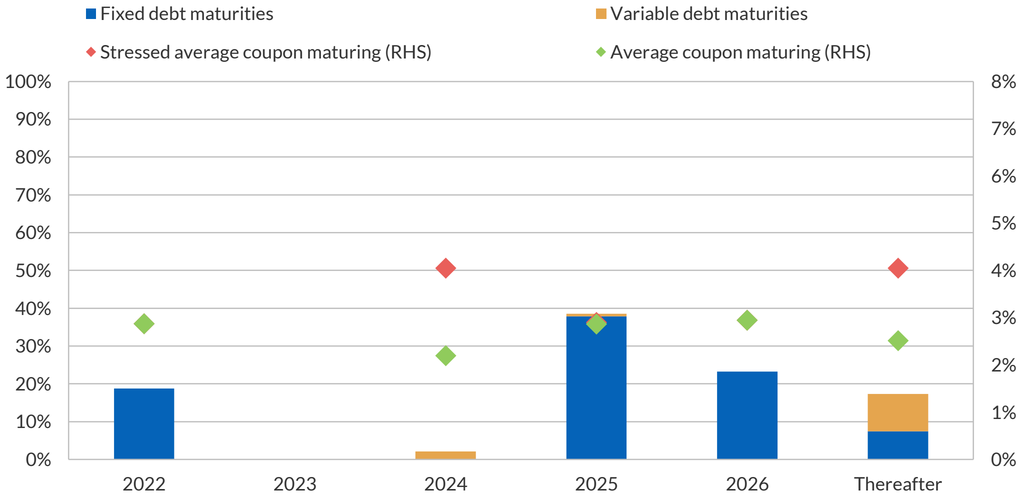
Globalworth has logistic assets development projects in Romania and the refurbishment of two mixed-use properties in Poland. This measured capex plan is not expected to require Globalworth to incur a large amount of new debt.

Interest Paid and Interest Coverage Ratio



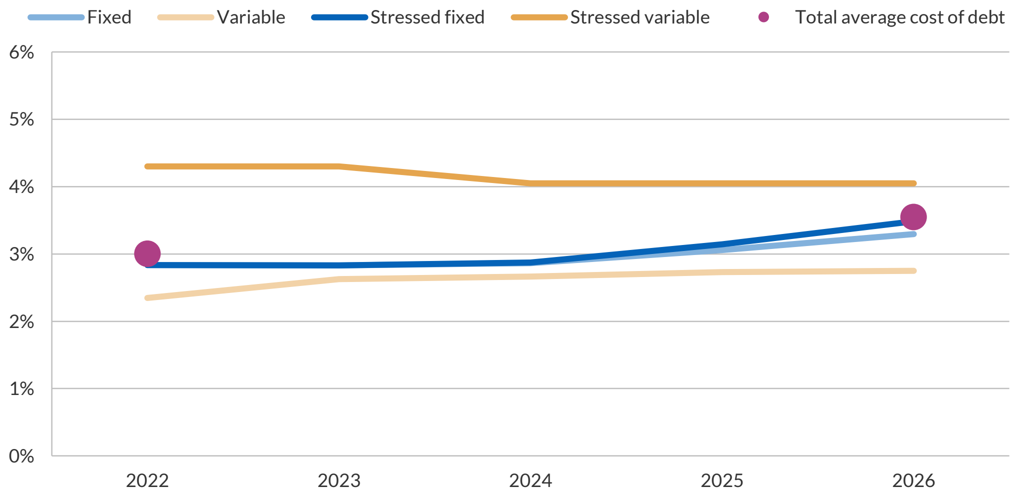
Source: Fitch Ratings, Globalworth

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Globalworth

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Globalworth

Globe Trade Centre S.A.

Long-Term IDR: BBB-/Stable Outlook

Interest Rate Environment: EUR

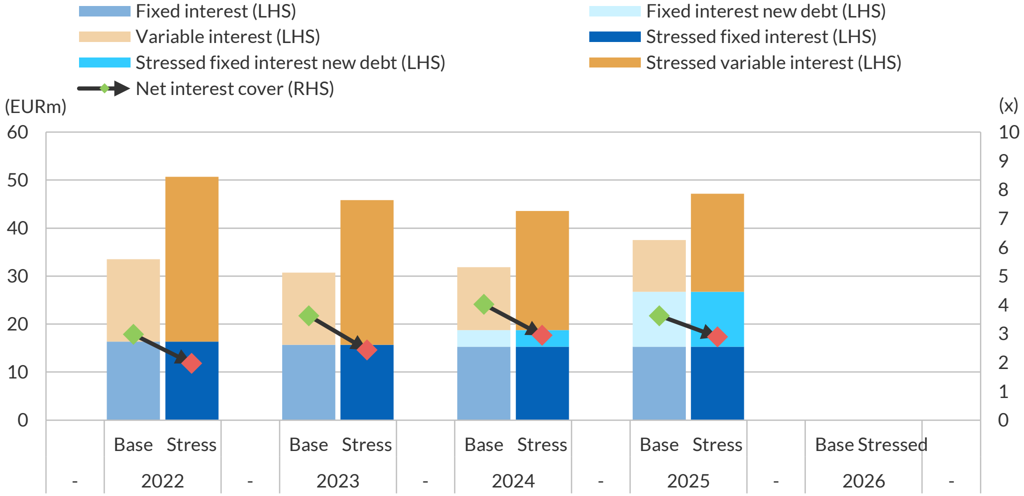
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE25
Debt maturing between FYE21 and FYE26 (%)	85	
Average cost of debt (%)	2.2	3.8
Net interest coverage ratio (x)	3.6	2.9

Source: Fitch Ratings, Globe Trade Centre

During 2021, GTC repaid EUR452 million of secured loans with the proceeds of a EUR500 million unsecured, due 2026 Eurobond with a 2.25% coupon. Around EUR140 million of secured loans were also repaid related to the disposal of its Serbian office portfolio in January 2022. The weighted average interest rate as of end-June 2022 was 2.2%. GTC's debt maturity profile is concentrated in 2026 when, apart from the bond, EUR228m of secured loans have to be repaid.

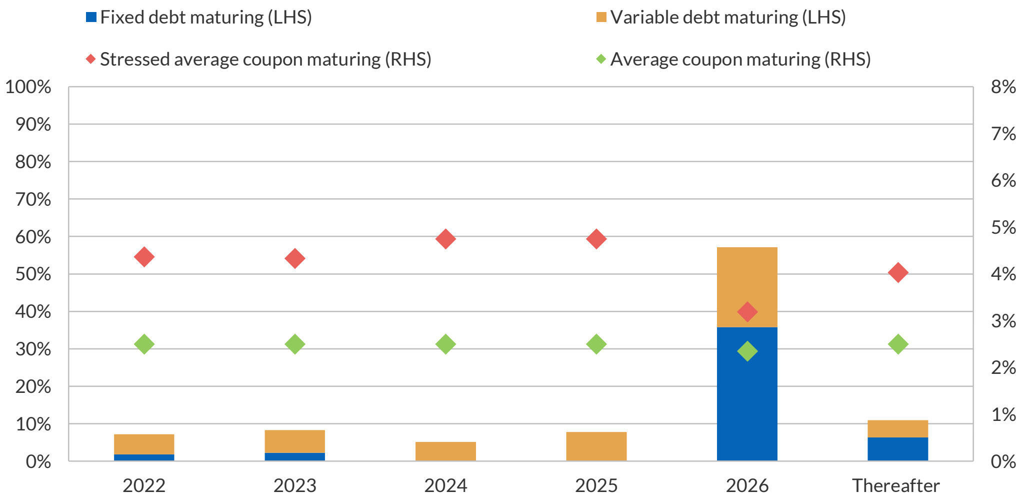
We expect that the recently announced EUR115 million investment in the technology park at Kildare Campus in Ireland will be financed by a planned equity increase in 4Q22 of up to EUR170 million rather than debt.

Interest Paid and Interest Coverage Ratio



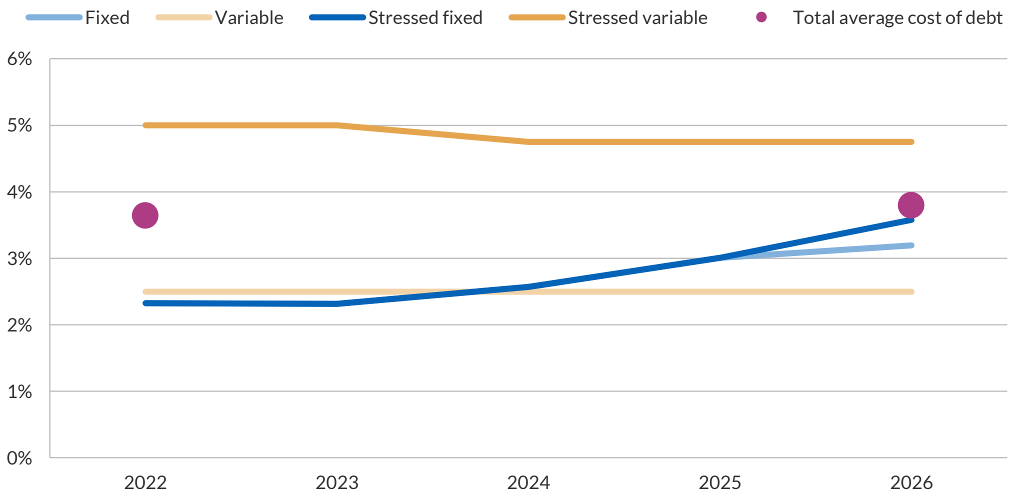
Source: Fitch Ratings, Globe Trade Centre

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Globe Trade Centre

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Globe Trade Centre

Grainger plc

Long-Term IDR: BBB-/Stable Outlook

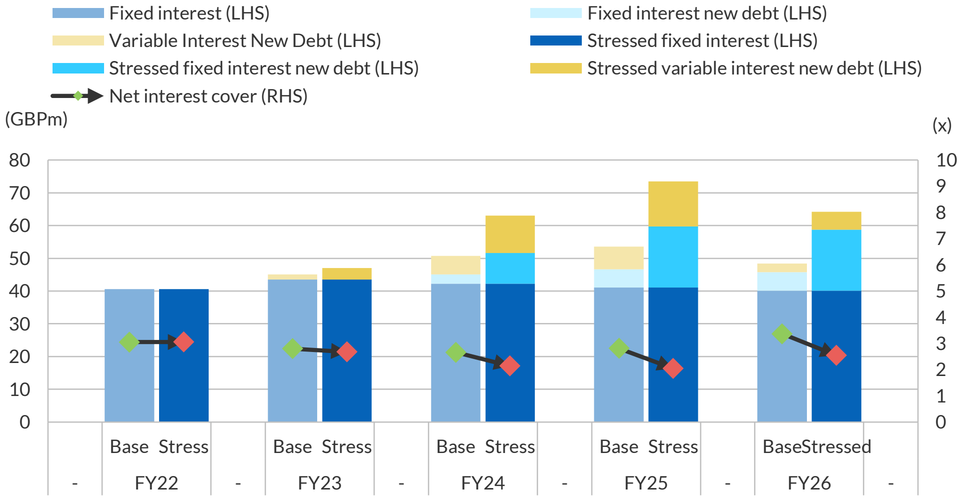
Interest Rate Environment: GBP

Financial Year-End: End-September 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	28	
Average cost of debt (%)	3.1	3.6
Net interest coverage ratio (x)	2.7	2.5

Source: Fitch Ratings, Grainger

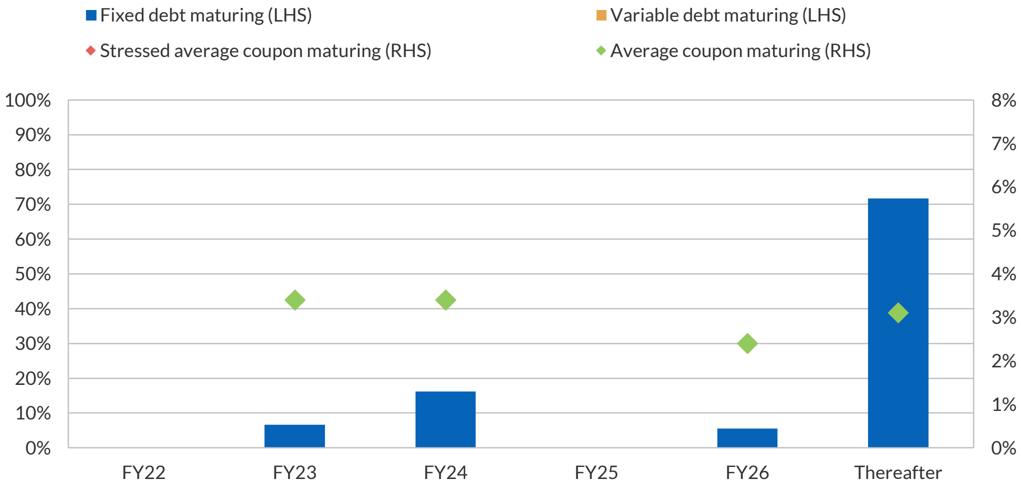
Grainger's all-secured debt (GBP1.4 billion) comprises two GBP350 million bonds maturing in 2028 and 2030, GBP350 million of private placements and bank loans. The average cost of debt at end-March 2022 was 3.1%, which is expected to increase as more debt is sourced for its development programme. Under Fitch's interest rate assumptions, this increases the group's average cost of debt to 3.6%. This decreases interest coverage ratios, balanced by completed developments' rental income coming onstream, to around (and above) 2.5x, consistent with the rating.

Interest Paid and Interest Coverage Ratio



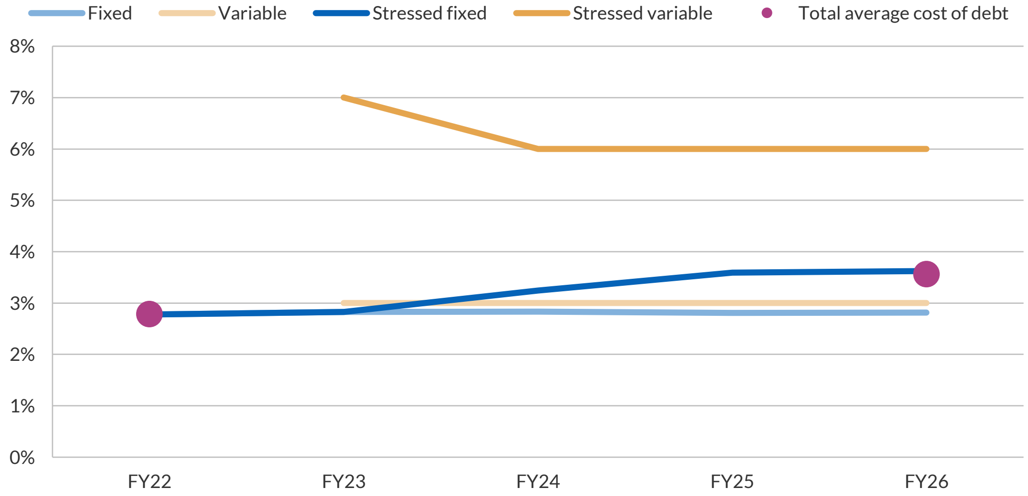
Source: Fitch Ratings, Grainger

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Grainger

Average Cost of Debt: Rating Case versus Stressed Case



Source: Fitch Ratings, Grainger

Hammerson plc

Long-Term IDR: BBB/Stable Outlook

Interest Rate Environment: GBP and others

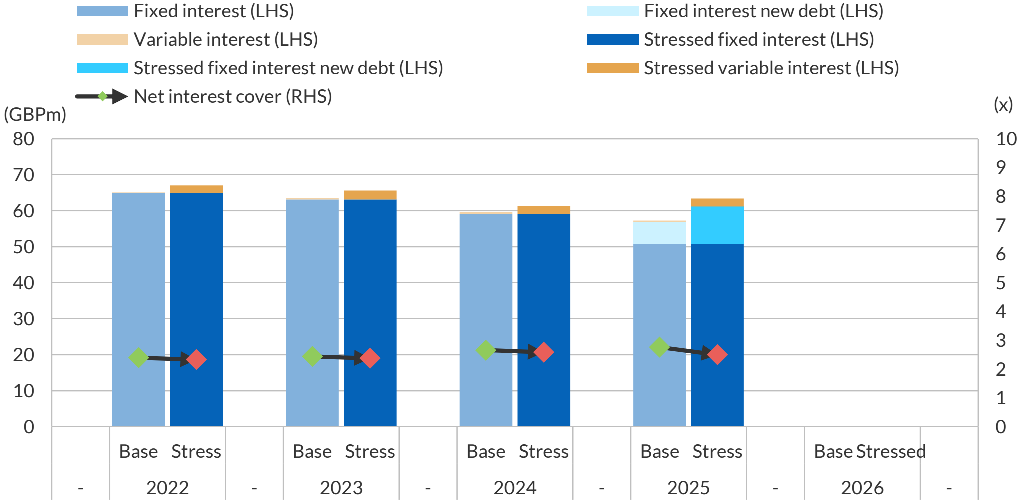
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE25
Debt maturing between FYE21 and FYE26 (%)	55	
Average cost of debt (%)	3.5	4.4
Net interest coverage ratio (x)	0.9	2.5

Source: Fitch Ratings, Hammerson

Hammerson's debt is denominated in pounds, euros and US dollars and swapped into euros or sterling. The company may refinance its near-term maturities or use existing cash, including undrawn RCFs to repay maturities. Fitch's rating case assumes the 2023 and 2024 debt maturities shown in the chart below are repaid with (existing YE21) cash, and the GBP350 million bond due 2025 could be refinanced with higher coupon debt.

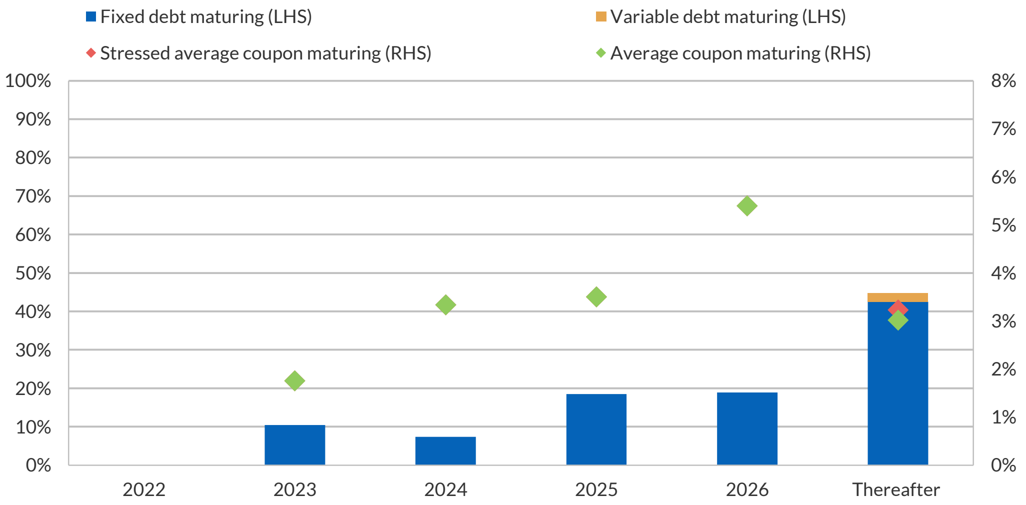
The group's most expensive debt is the 6% GBP300 million 2026 and the 7.25% GBP200 million 2028 bonds. Including the benefit of achieved and planned disposals (management has guided GBP500 million between 2022-2023), this equates to net debt of around GBP1.4 billion.

Interest Paid and Interest Coverage Ratio



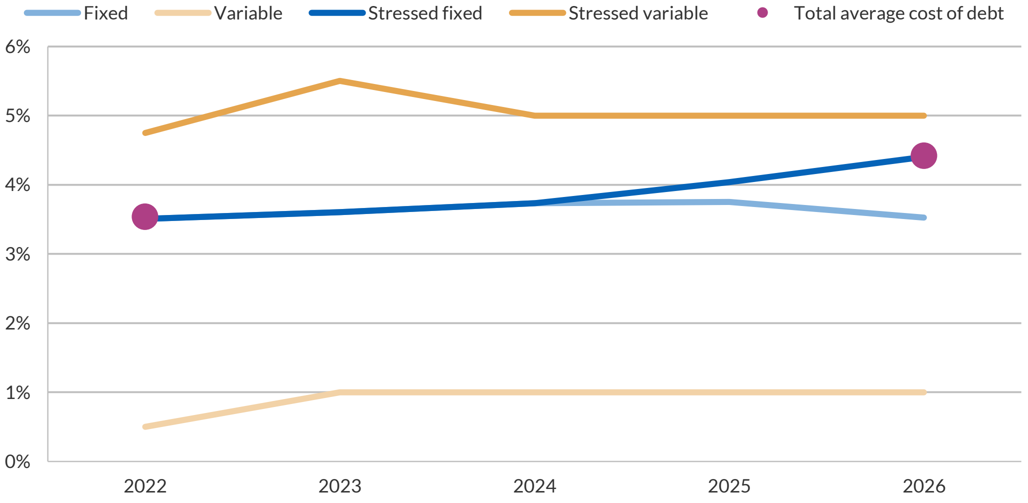
Source: Fitch Ratings, Hammerson

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Hammerson

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Hammerson

Heimstaden Bostad AB

Long-Term IDR: BBB/Negative Outlook

Interest Rate Environment: EUR

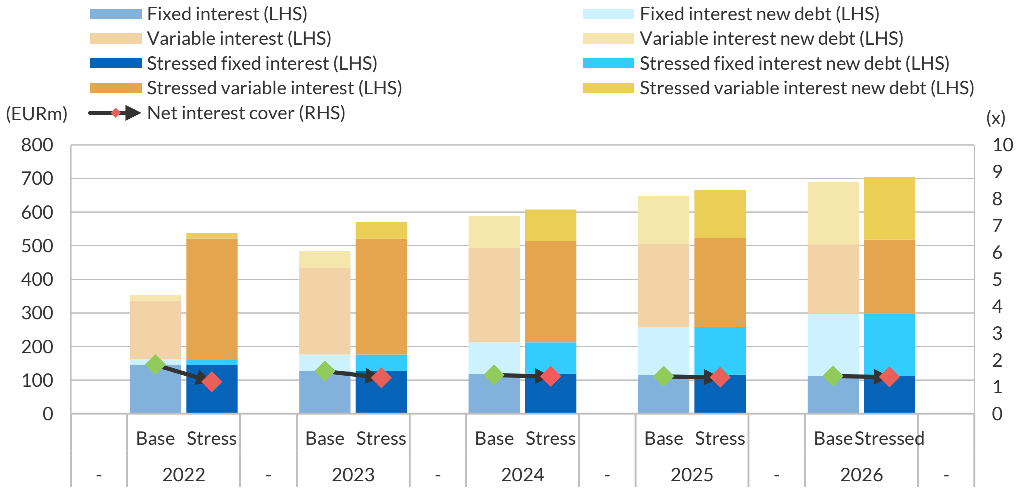
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	40	
Average cost of debt (%)	1.0	3.2
Net interest coverage ratio (x)	2.1	1.4

Source: Fitch Ratings, Heimstaden Bostad AB

During 1Q22, Heimstaden Bostad issued SEK20.8 billion (EUR2 billion) of unsecured bonds with two to seven-year maturities and repaid the 2021 Akelius acquisition bridge financing. In July 2022, Heimstaden Bostad bought back EUR868 million of higher coupon hybrid bonds at a discount to their nominal value using EUR649 million of equity from its shareholders. Its upcoming maturities are well covered by SEK24.7 billion in available credit facilities in addition to SEK6.7 billion in cash.

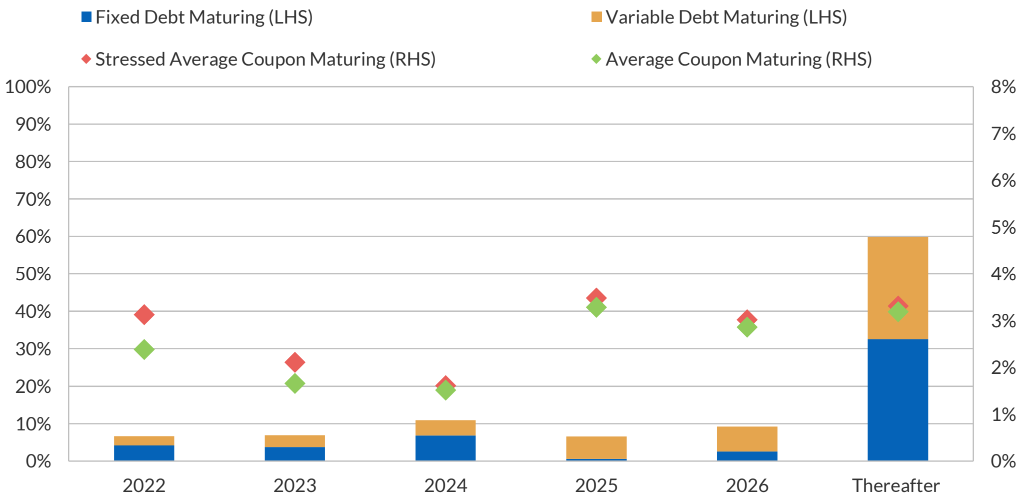
Heimstaden Bostad's average interest rate fixed period including derivatives is shorter at 3.3 years compared to its 9.1 years average remaining debt maturity reflecting its higher share of debt issued at variable rates at end-1H22.

Interest Paid and Interest Coverage Ratio



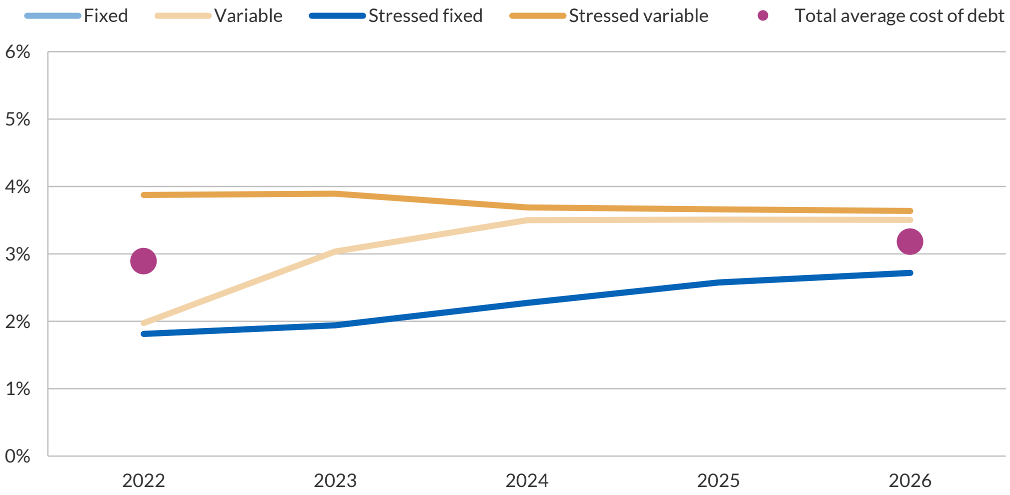
Source: Fitch Ratings, Heimstaden Bostad AB

Maturities as Percentage of Maturing Debt Average Coupon of Maturing Debt



Source: Fitch Ratings, Heimstaden Bostad AB

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Heimstaden Bostad AB

IGD SIIQ S.p.A.

Long-Term IDR: BBB-/Stable Outlook

Interest Rate Environment: EUR

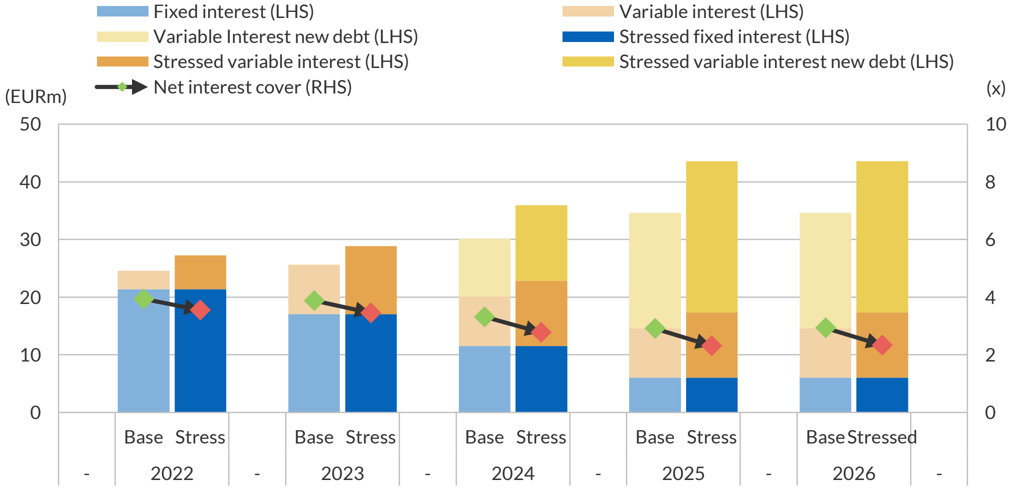
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	Adj. 38	
Average cost of debt (%)	2.2	4.6
Net interest coverage ratio (x)	3.5	2.3

Source: Fitch Ratings, IGD

IGD's debt is equally split between bonds and bank debt. The company has consistently accessed the debt capital market through a mix of US private placement and euro-denominated bonds, decreasing the secured portion of its debt in favour of a more balanced, unsecured, debt structure.

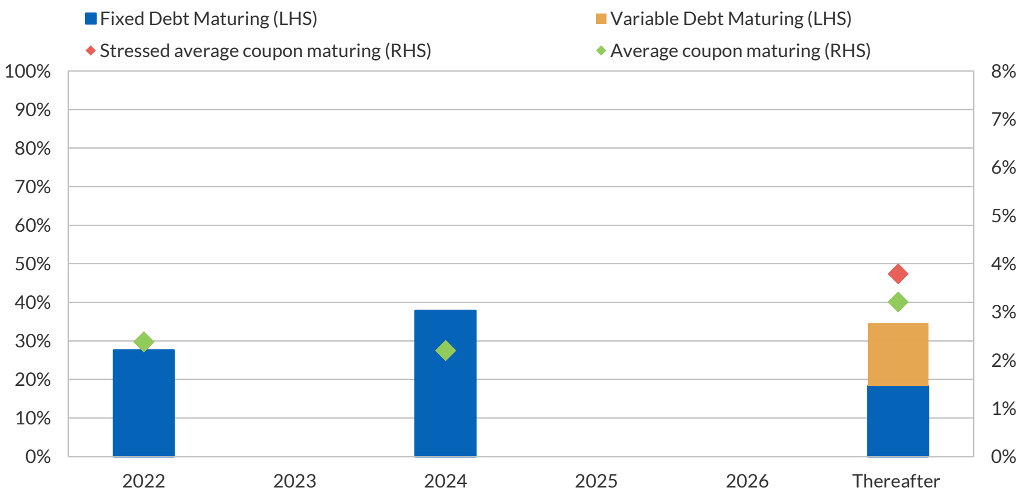
In August 2022, the company signed a EUR215 million senior unsecured green loan with a pool of banks for the early repayment of a EUR200 million loan maturing in 2023. Following this transaction, the average cost of debt should be around 2.4% (FY21: 2.2%). With this update (not reflected in the chart below), the company has no need to refinance debt until 2024, when a total EUR500 million of debt will mature. IGD's bank loans are variable rate, with interest costs hedged (YE21: 94% of group debt fixed and hedged).

Interest Paid and Interest Coverage Ratio



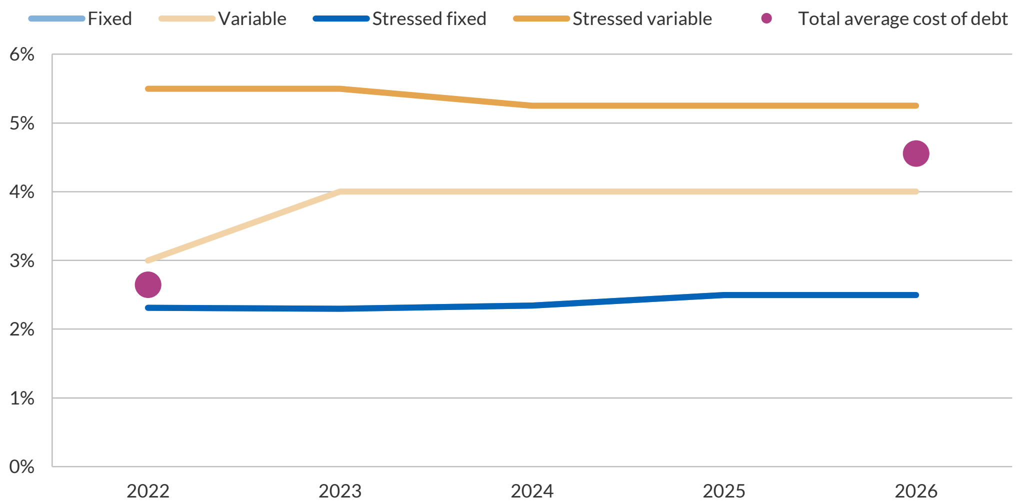
Source: Fitch Ratings, IGD

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, IGD

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, IGD

Land Securities plc

Short-Term IDR: F1

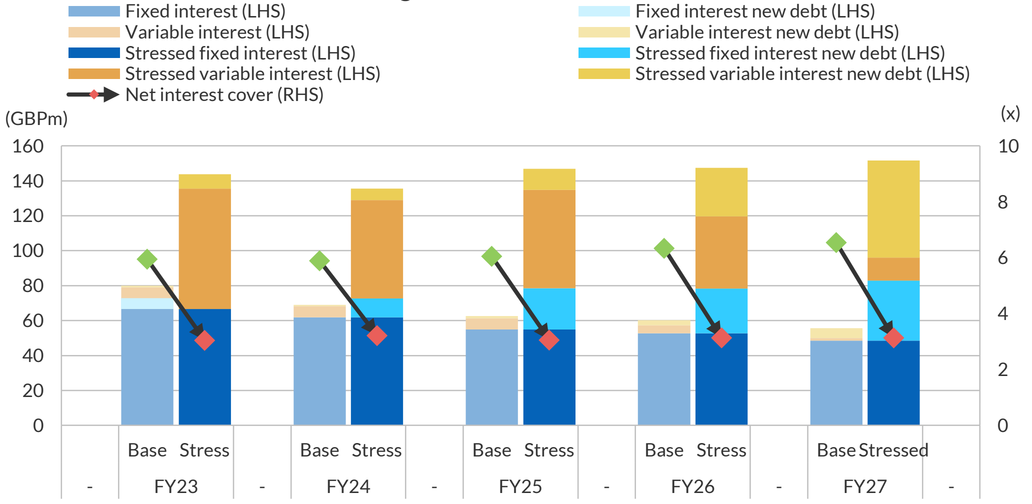
Interest Rate Environment: GBP

Financial Year-End: End-March 2022	Actual YE22	Interest Rate Case YE27
Debt maturing between FYE22 and FYE26 (%)	69	
Average cost of debt (%)	2.4	3.8
Net interest coverage ratio (x)	n.a.	3.1

Source: Fitch Ratings, Land Securities

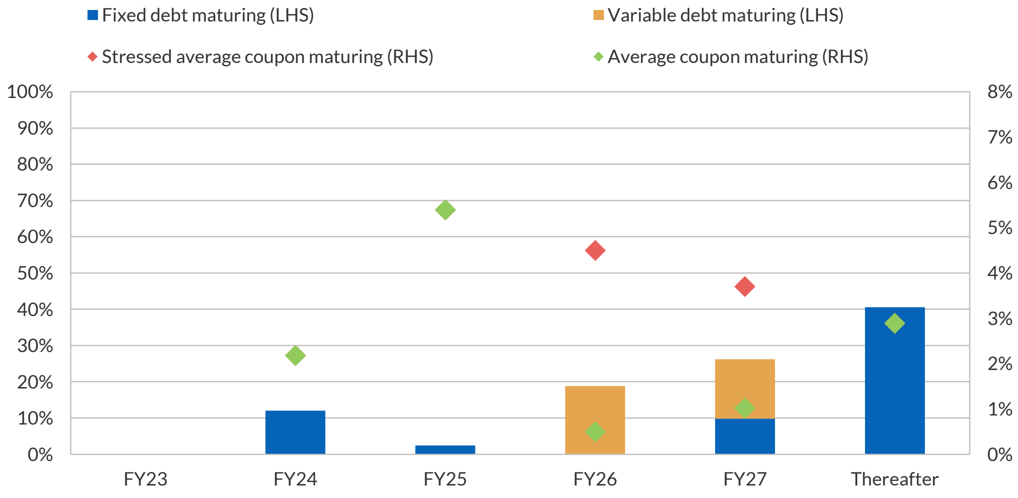
Land Securities has a secured, highly covenanted, potentially tranched, creditor-coordinated debt structure which encourages long-term debt and interest rate fixing. So, it is of no surprise that this entity has long-term debt and a high proportion of interest rate fixing. Not shown in the second chart, proceeds from 1H23 disposals will probably be used to decrease drawings under variable-rate revolving credit facilities.

Interest Paid and Interest Coverage Ratio



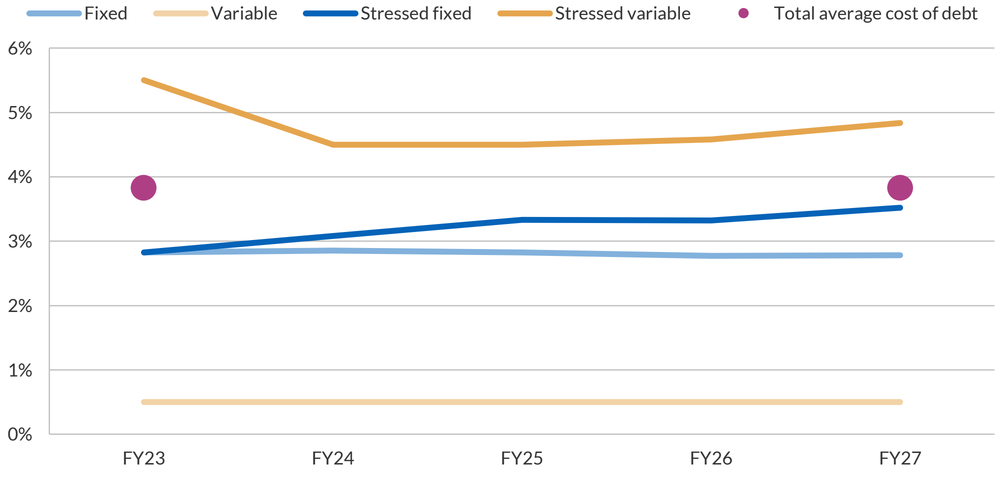
Source: Fitch Ratings, Land Securities

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Land Securities

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Land Securities

Lar Espana Real Estate SOCIMI, S.A.

Long-Term IDR: BBB/Stable Outlook

Interest Rate Environment: EUR

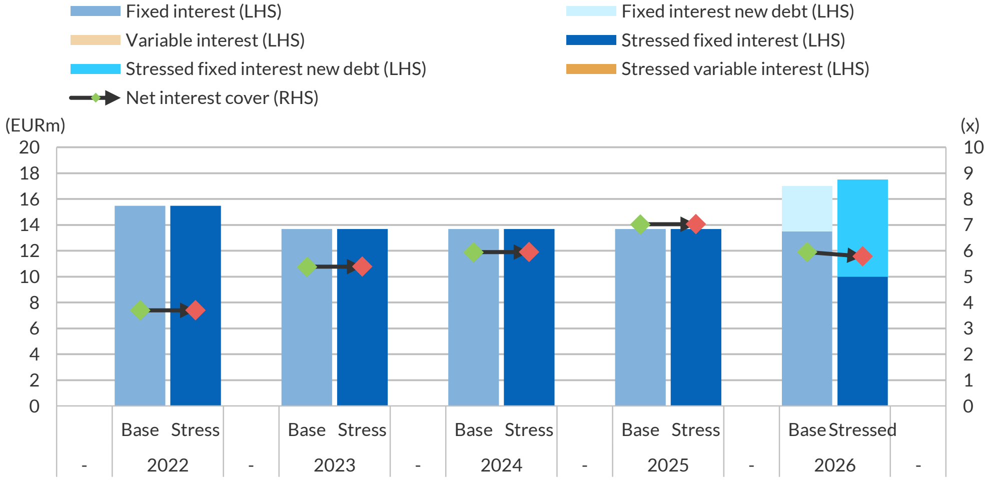
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	Adj. 48	
Average cost of debt (%)	1.9	2.3
Net interest coverage ratio (x)	2.4	5.8

Source: Fitch Ratings, Lar Espana

Lar Espana refinanced all of its secured debt and issued senior unsecured bonds in 2021 (EUR400 million due 2026 and EUR300 million due 2028, averaging around 1.8% cost of debt). It used bond proceeds to reduce the scheduled 2022 debt maturity in the bottom left hand side chart.

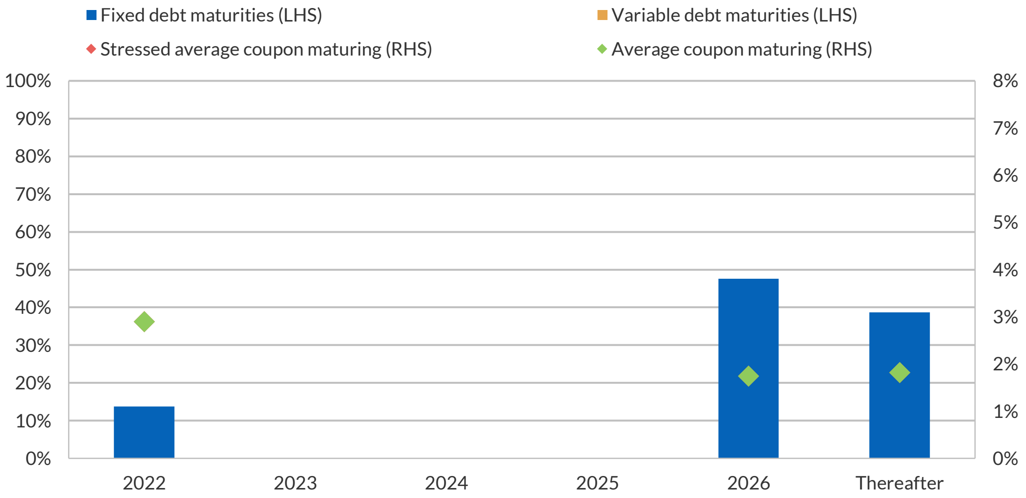
The group expects to churn its all-Spanish shopping centre and retail park portfolio, but this is not expected to require the raising of additional debt. Interest coverage ratios look set to remain comfortable (above 5x) for the rating.

Interest Paid and Interest Coverage Ratio



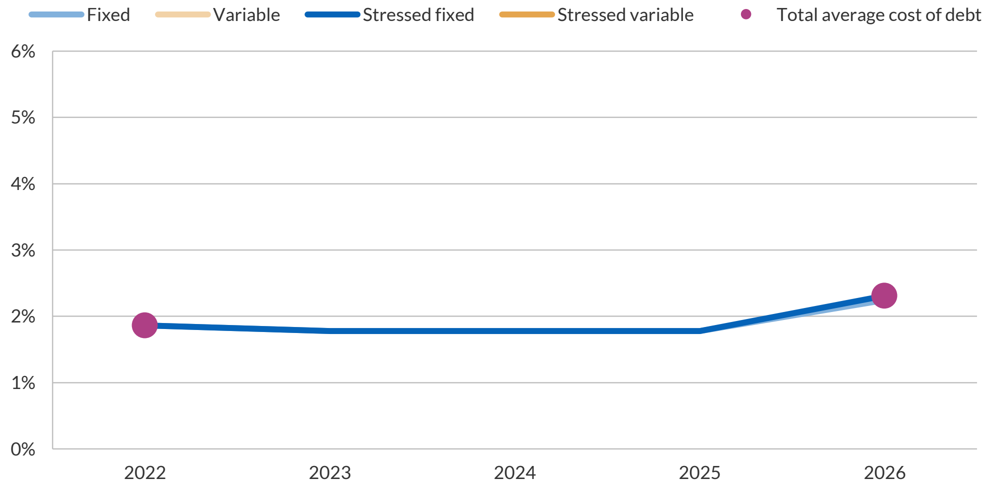
Source: Fitch Ratings, Lar Espana

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Lar Espana

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Lar Espana

MAS PLC (formerly MAS Real Estate Inc)

Long-Term IDR: BB/Positive Outlook

Interest Rate Environment: EUR

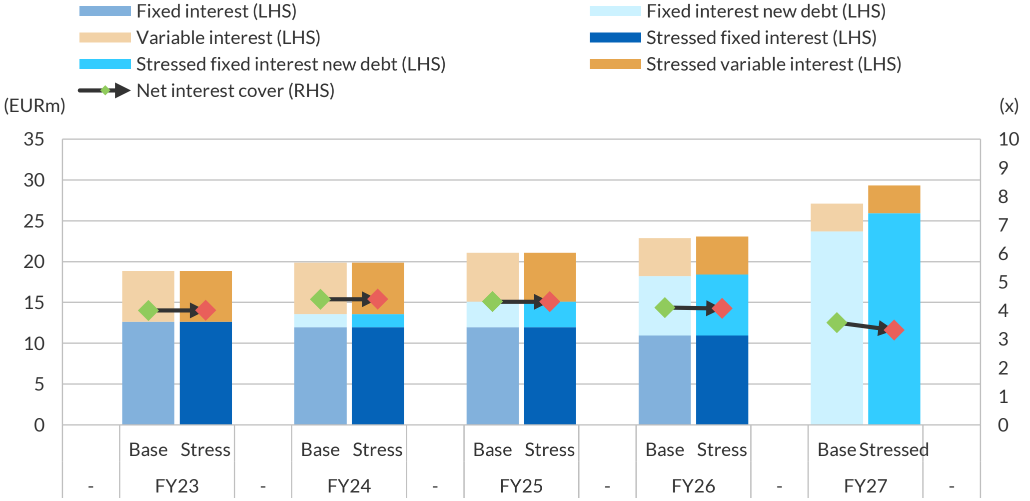
Financial Year-End: End-Jun 2022	Actual YE22	Interest Rate Case YE27
Debt maturing between FYE22 and FYE26 (%)	86	
Average cost of debt (%)	4.4	5.2
Net interest coverage ratio (x)	3.3	3.3

Source: Fitch Ratings, MAS

In May 2021, sub-investment-grade MAS issued a EUR300 million green, unsecured, five-year Eurobond maturing in May 2026 (4.25% fixed coupon). MAS used the proceeds to indirectly fund development and repay existing secured debt, except secured debt against its Western European portfolio which is being divested. On 30 June 2022, MAS acquired six retail assets from its 40%-owned development joint venture, PKM Development Limited, with secured and fully hedged variable-rated debt attached to the asset.

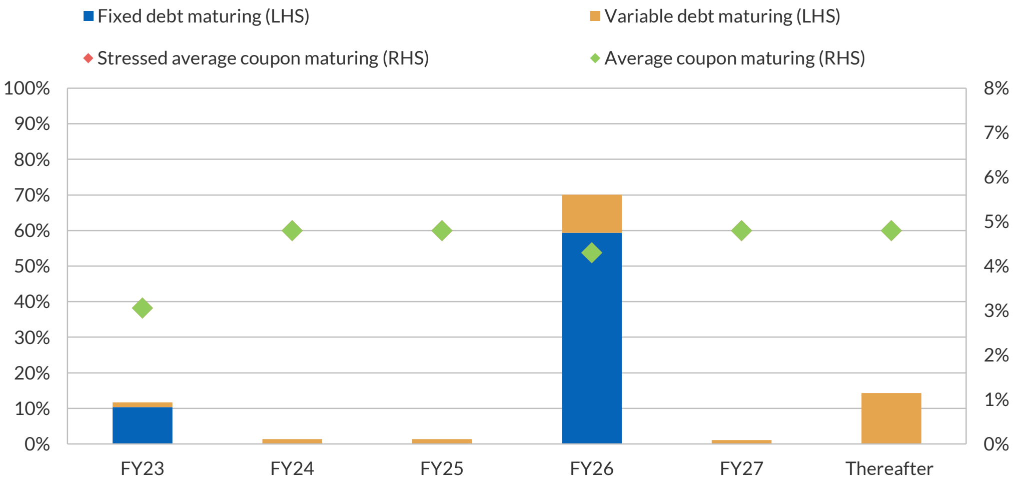
The next material change in debt will likely be the Eurobond refinancing in 2026.

Interest Paid and Interest Coverage Ratio



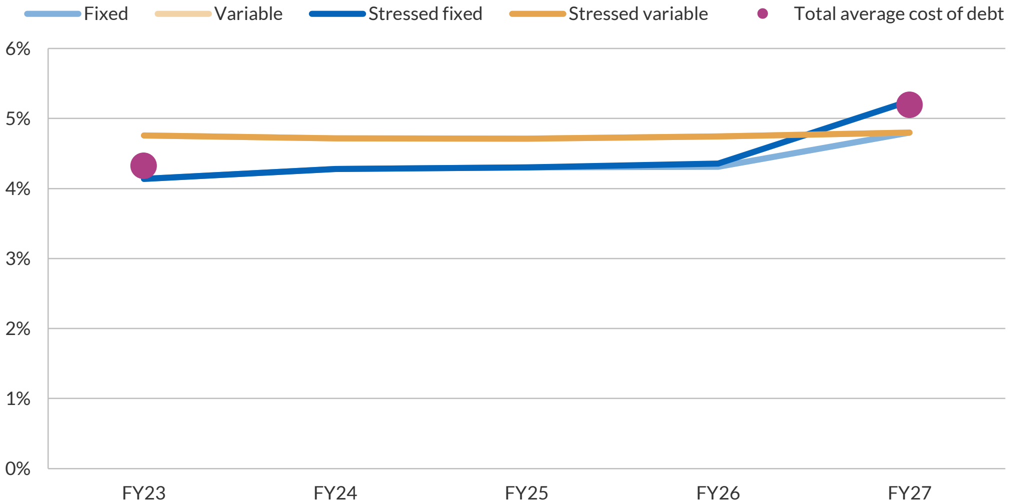
Source: Fitch Ratings, MAS

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, MAS

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, MAS

NEPI Rockcastle N.V.

Long-Term IDR: BBB+/Stable Outlook

Interest Rate Environment: EUR

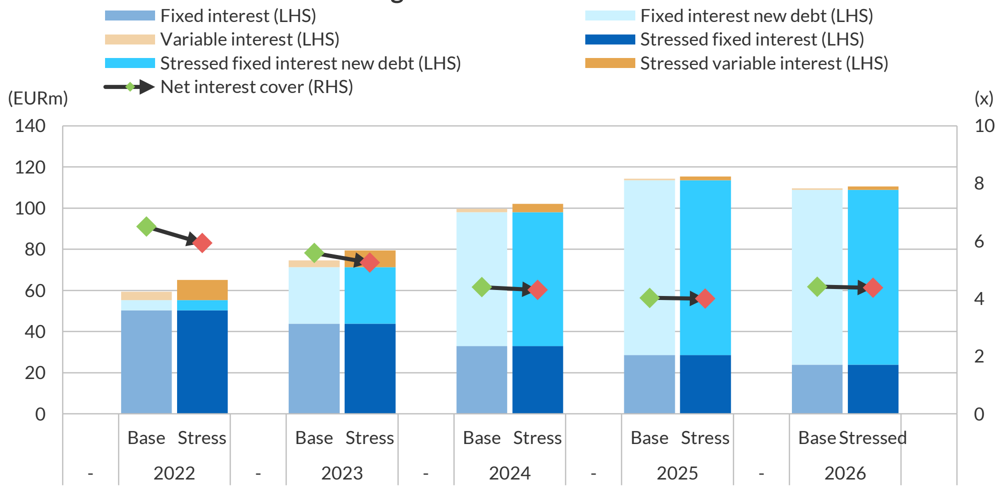
Financial Year-End: End-Dec 2020	Actual YE20	Interest Rate Case YE26
Debt maturing between FYE20 and FYE26 (%)	53	
Average cost of debt (%)	4.1	4.3
Net interest coverage ratio (x)	6.0	4.4

Source: Fitch Ratings, NEPI

At end-December 2021, after repaying EUR242 million of loans secured on certain properties in Slovakia and Poland, 87% of NEPI's outstanding debt consisted of fixed-rate bonds. Not reflected in the chart below in January 2022 the group issued a EUR500 million unsecured Eurobond due in 2030 with a 2% coupon. The proceeds were used to prepay EUR500 million of bonds due in May 2023 with 2.6% coupon. NEPI's average interest cost of debt was 2.4% as at 1H22.

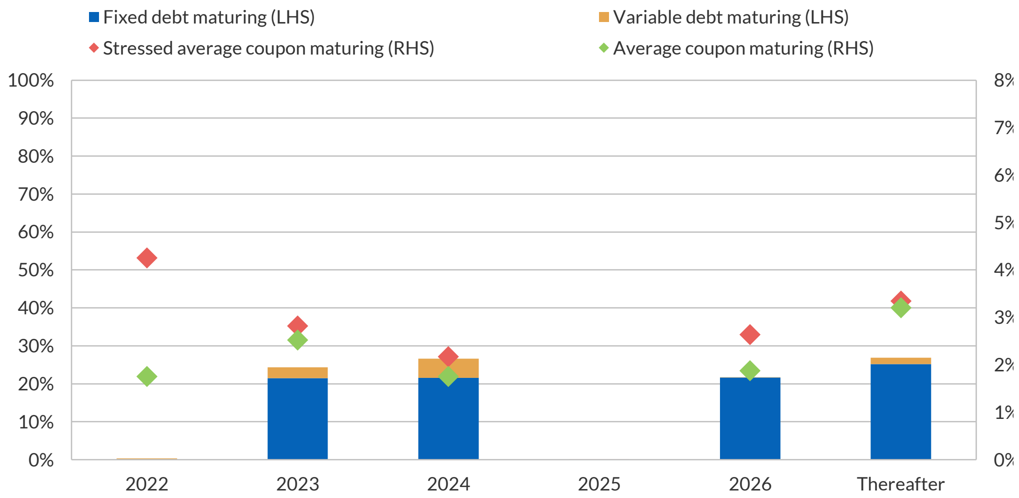
As at end-June 2022, NEPI held EUR450 million of cash relative to EUR35 million of debt maturing over the next 12 months. Having met the 2023 debt maturities, the next meaningful debt maturities fall in 2024, when a EUR500 million bond and over EUR100 million of bank loans are due.

Interest Paid and Interest Coverage Ratio



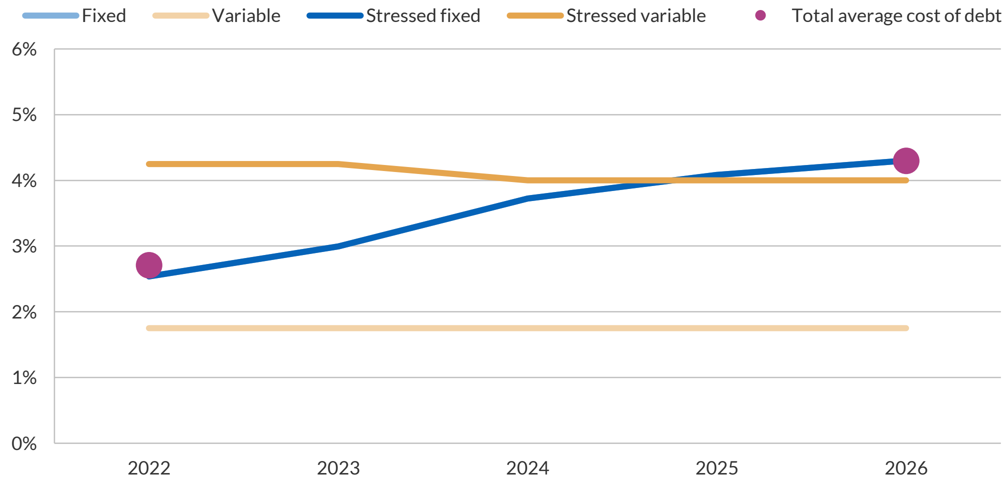
Source: Fitch Ratings, NEPI

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, NEPI

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, NEPI

NewRiver REIT plc

Long-Term IDR: BBB/Stable Outlook

Interest Rate Environment: GBP

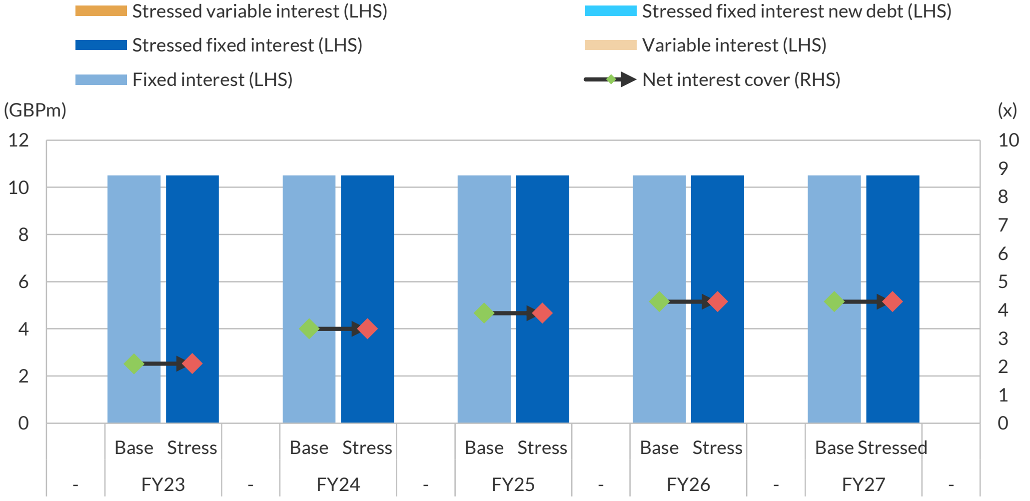
Financial Year-End: End-March 2022	Actual YE22	Interest Rate Case YE27
Debt maturing between FYE22 and FYE26 (%)	0	
Average cost of debt (%)	3.5	3.5
Net interest coverage ratio (x)	3.5	4.3

Source: Fitch Ratings, NewRiver

Following the 2021 sale of its pubs, NewRiver prepaid most of its bank debt, leaving the GBP300 million 2028 unsecured bond outstanding, with its 3.5% fixed coupon set in 2018. This analysis does not include the non-recourse financings of the group's joint ventures.

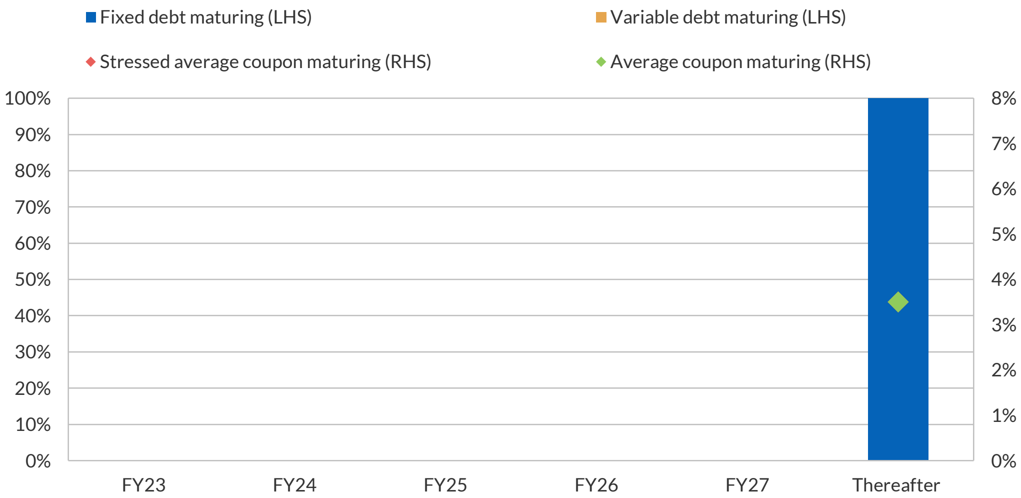
The group plans to churn some of its FYE22 GBP0.65 billion, all-UK shopping centre and retail parks portfolio to reinvest in replacement pro-growth retail assets. Together with a recovery in retail asset values, NewRiver's portfolio at the tenant-affordable convenience-led, community-based end of the spectrum, should support a refinancing of the 2028 bond nearer the time.

Interest Paid and Interest Coverage Ratio



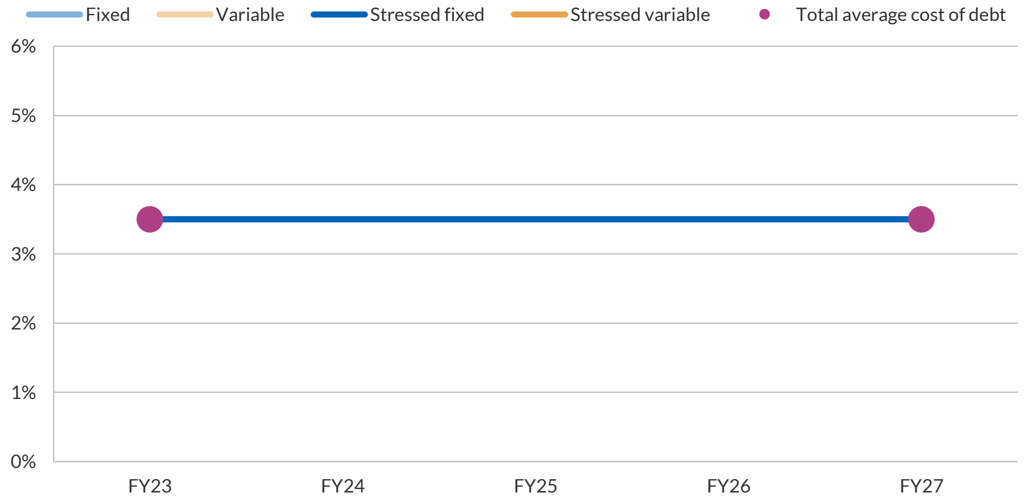
Source: Fitch Ratings, NewRiver

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, NewRiver

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, NewRiver

Peach Property Group AG

Long-Term IDR: BB/Stable Outlook

Interest Rate Environment: EUR

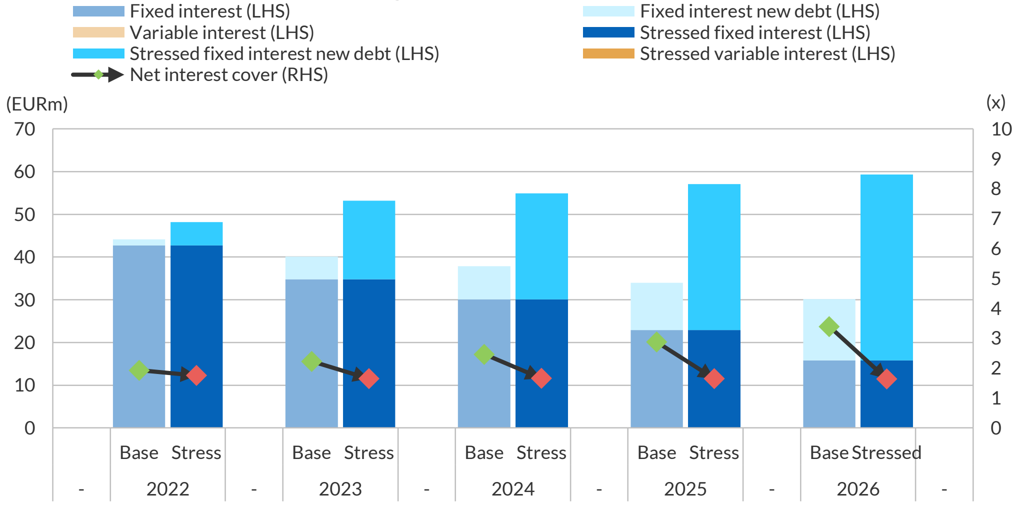
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	54	
Average cost of debt (%)	2.7	3.9
Net interest coverage ratio (x)	1.2	1.6

Source: Fitch Ratings, Peach Property Group AG

Peach has issued unsecured bonds for recent portfolio acquisitions, carving out an unencumbered collection of German residential-for-rent assets. Secured bank financings of regional portfolios are also fixed-rate, resulting in an average cost of debt at 2.7% (as at 1H22) for the group. To cover 2022 maturities, Peach procured secured credit facilities in 2H21.

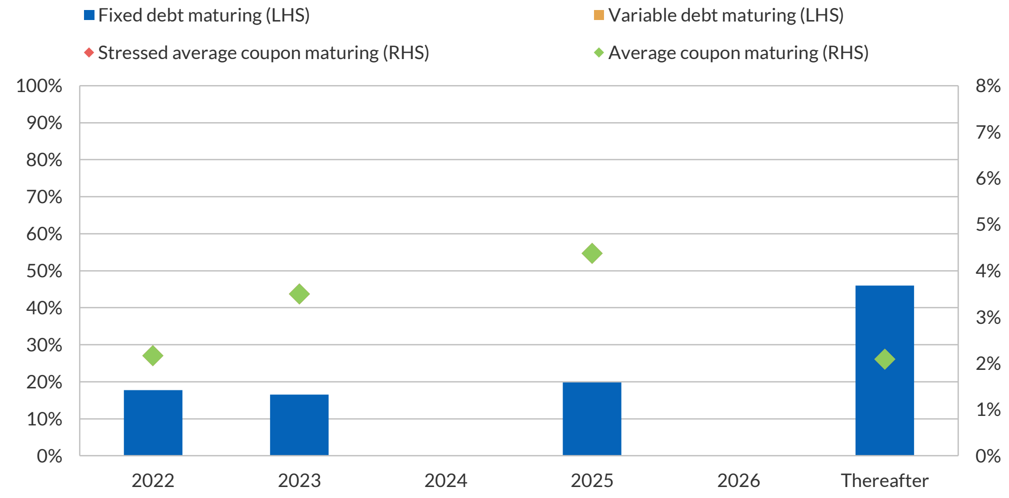
Debt maturities include the 3.5% coupon 2023 EUR180 million unsecured bond, which it will refinance with a EUR100 million bank line and existing RCFs.

Interest Paid and Interest Coverage Ratio



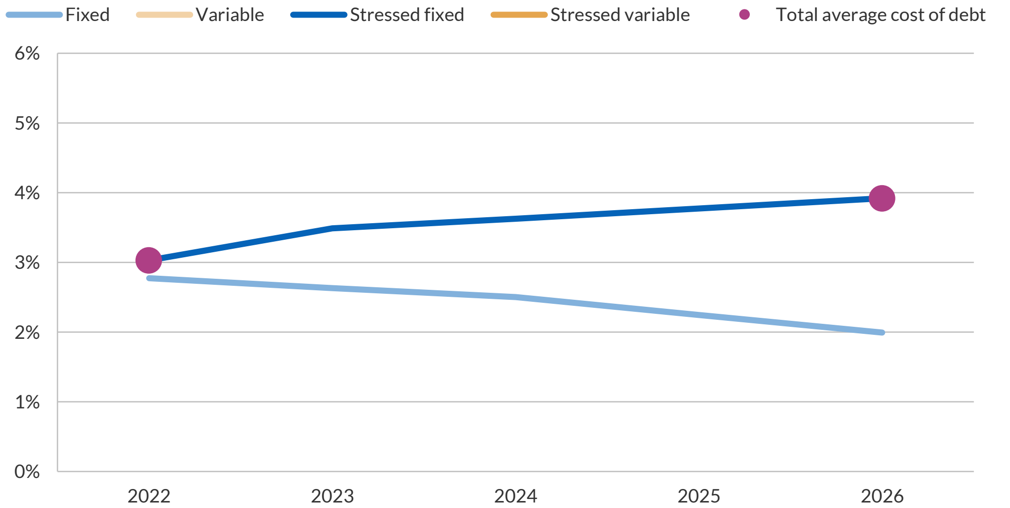
Source: Fitch Ratings, Peach Property Group AG

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Peach Property Group AG

Average Cost of Debt: Rating Case versus Stressed Case



Source: Fitch Ratings, Peach Property Group AG

Pinewood Group Limited

Long-Term IDR: BBB-/Stable Outlook

Interest Rate Environment: GBP

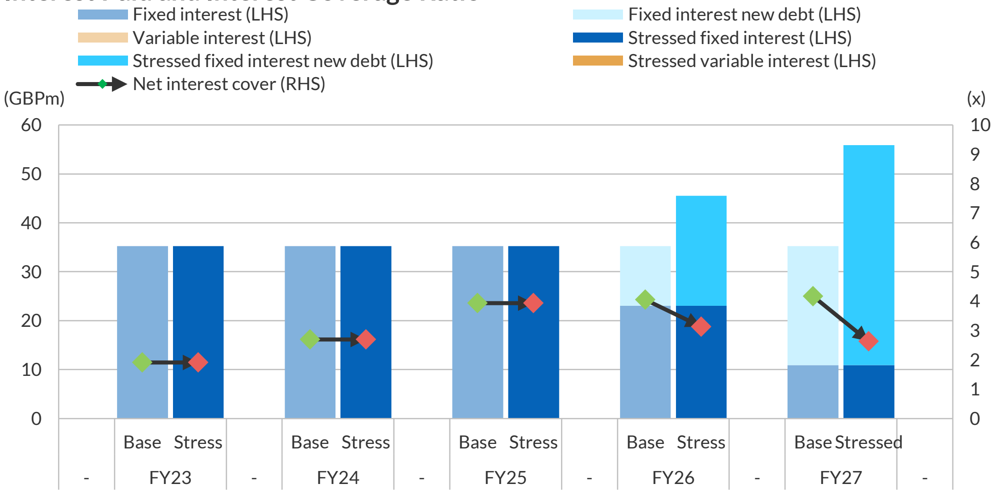
Financial Year-End: End-March 2022	Actual YE22	Interest Rate Case YE27
Debt maturing between FYE22 and FYE26 (%)	71	
Average cost of debt (%)	3.4	5.3
Net interest coverage ratio (x)	2.6	2.6

Source: Fitch Ratings, Pinewood

Pinewood has a GBP secured debt structure paying headline 3.25% coupons on 2025 and 3.625% on 2027 maturities.

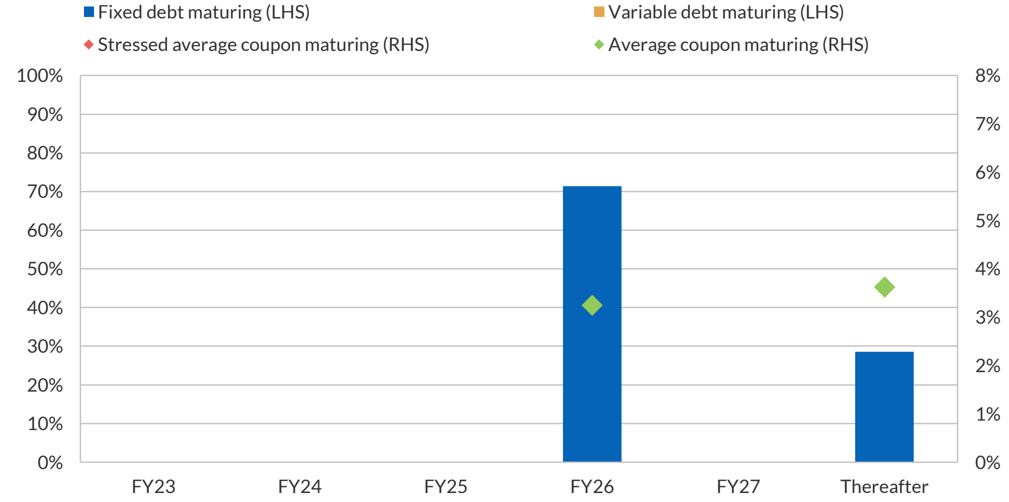
The company has issued debt when its balance sheet has been regeared for private equity-related (Aermont) one-off dividends, and to substantially pre-fund capex for new-build studios at Pinewood and Shepperton. These assets have been leased to Disney, Netflix and Amazon Prime. Income from completion of the new studios, mostly from FY24 onwards, should buffer the impact of higher interest rates when the 2025 bonds are refinanced in FY26.

Interest Paid and Interest Coverage Ratio



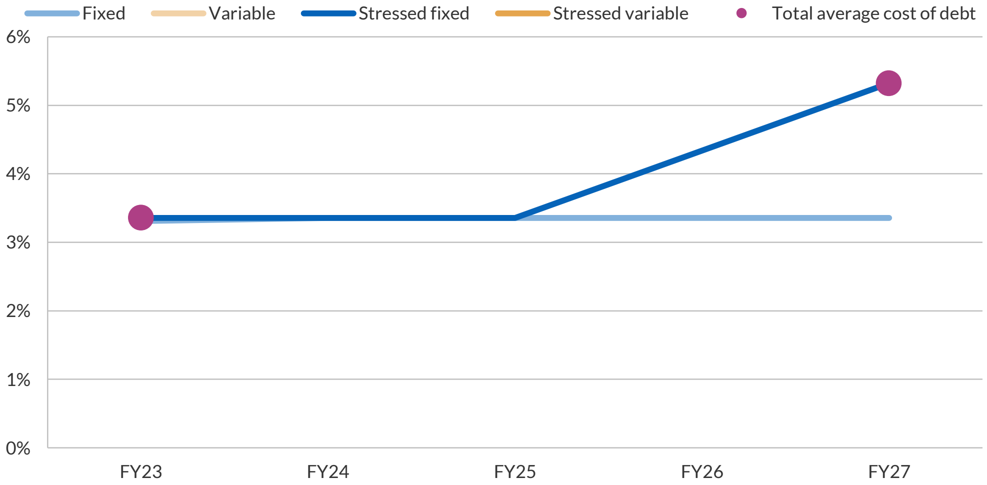
Source: Fitch Ratings, Pinewood

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Pinewood

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Pinewood

SBB – Samhallsbyggnadsbolaget I Norden AB

Long-Term IDR: BBB-/Positive Outlook

Interest Rate Environment: SEK, EUR and others

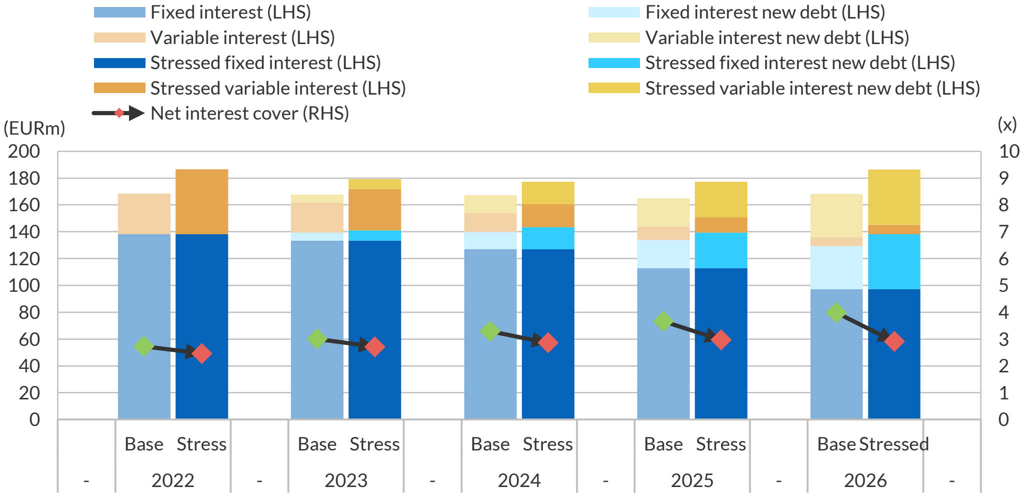
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	49	
Average cost of debt (%)	1Q22: 1.2	2.4
Net interest coverage ratio (x)	2.1	2.9

Source: Fitch Ratings, SBB

In June 2022, SBB tapped the Schuldschein market and in July SBB issued its inaugural USD100 million USPP. In September 2022, SBB signed a further SEK9 billion disposal which, in addition to others, will support its debt maturities and interest rate risk. At end-1H22, SBB had SEK5 billion in cash and SEK7.2 billion of credit facilities in addition to expected disposal proceeds, covering its SEK9.7 billion (including commercial paper) maturing debt within 12 months.

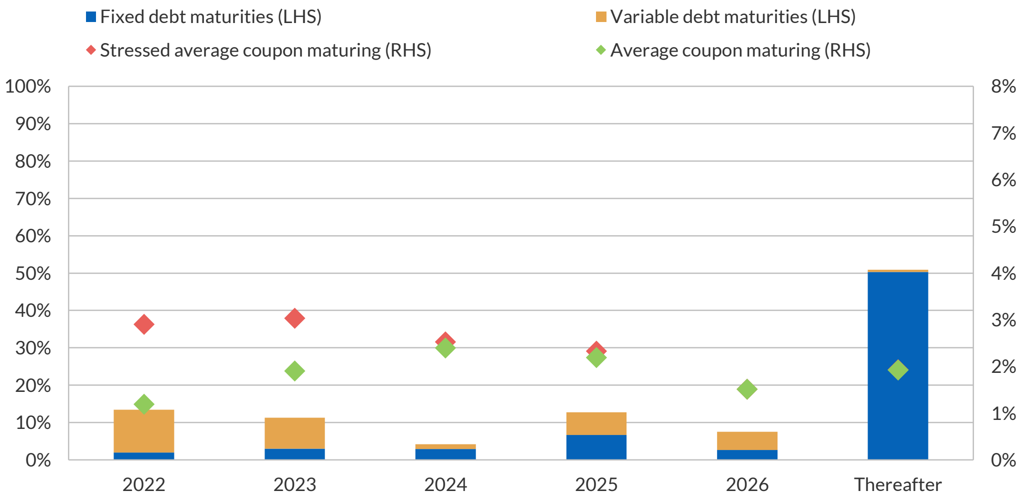
Similar to other Nordic companies that tend to issue variable local currency debt, SBB uses derivatives to manage its interest rate risk. The group's average interest maturity remains short at 3.2 years (1H22), although SBB reduced variable rate debt to 20% of total debt in September 2022.

Interest Paid and Interest Coverage Ratio



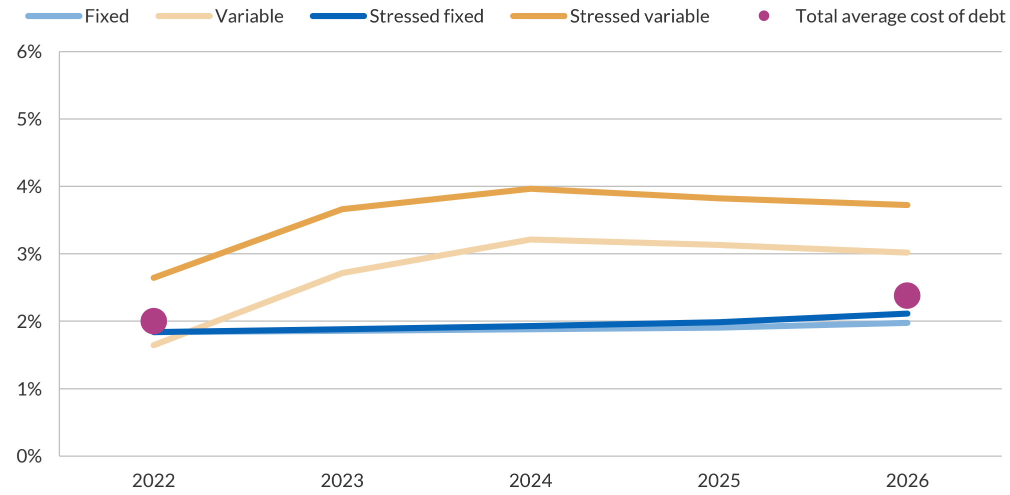
Source: Fitch Ratings, SBB

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, SBB

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, SBB

SCI LAMARTINE

Long-Term IDR: BBB+/Stable Outlook

Interest Rate Environment: EUR

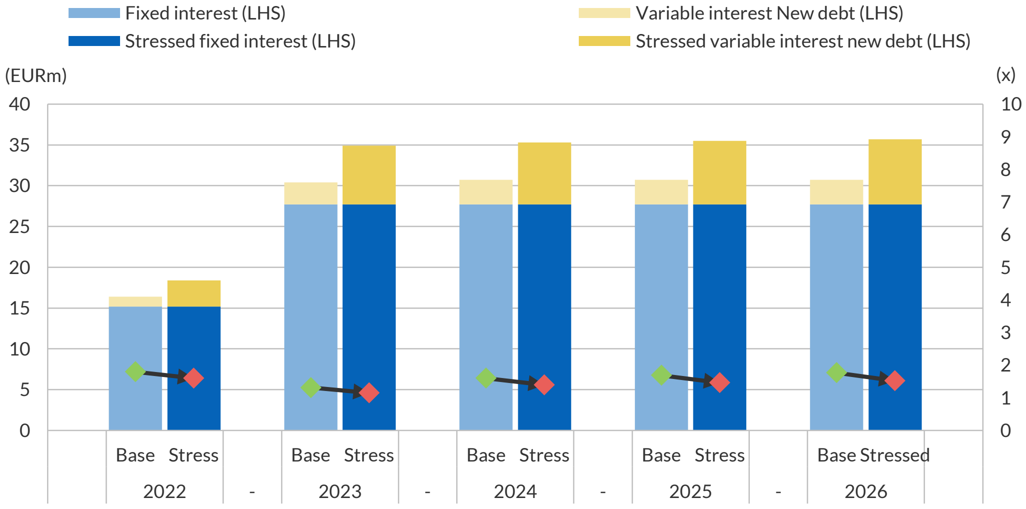
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	0	
Average cost of debt (%)	Not meaningful	3.2
Net interest coverage ratio (x)	Not meaningful	1.5

Source: Fitch Ratings, SCI Lamaratine

SAS Nerval, SCI LAMARTINE's financing vehicle, issued a due 2032 EUR500 million unsecured bond at a headline 2.875% coupon in April 2022, and a due 2028 EUR350 million bond with a coupon of 3.625% in July 2022. Including prehedging of the bonds (which Fitch's charts do not include), the group's average cost of debt is 2.2% including costs at YE22.

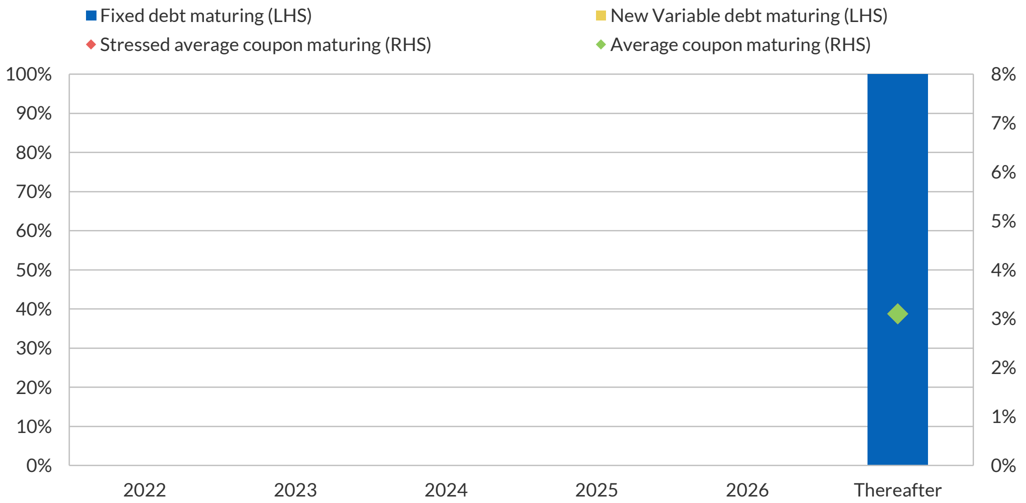
The proceeds of the bonds will cover the majority of its funding needs to complete property developments. Its maturities are limited to amounts drawn under a bridge loan, which it plans to refinance in 1H23.

Interest Paid and Interest Coverage Ratio



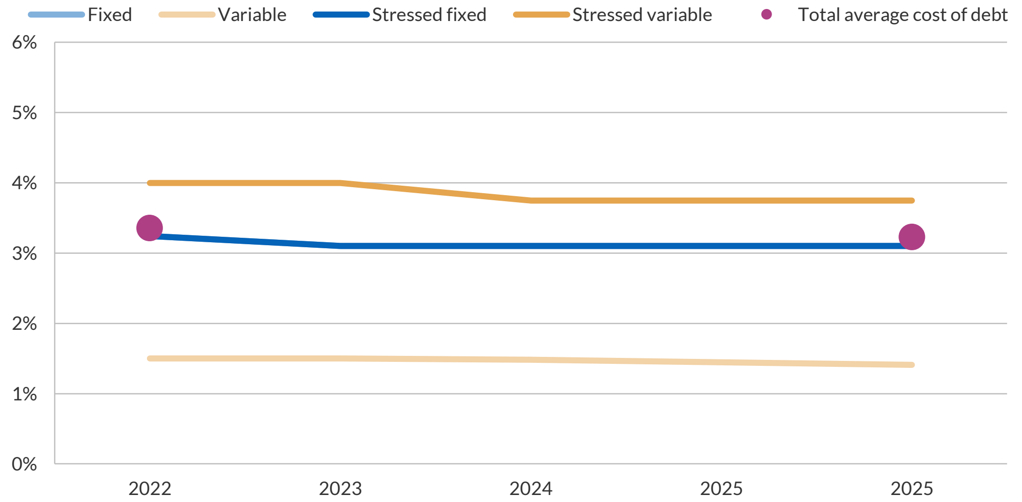
Source: Fitch Ratings, SCI Lamartine

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, SCI Lamartine

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, SCI Lamartine

SEGRO PLC

Long-Term IDR: A-/Stable Outlook

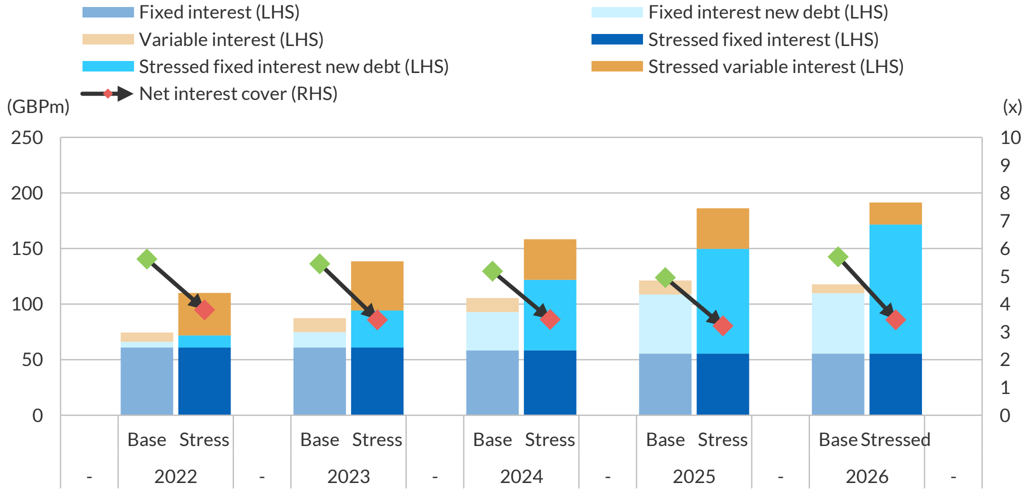
Interest Rate Environment: GBP and others

Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	26	
Average cost of debt (%)	1.5	3.6
Net interest coverage ratio (x)	7.1	3.4

Source: Fitch Ratings, SEGRO

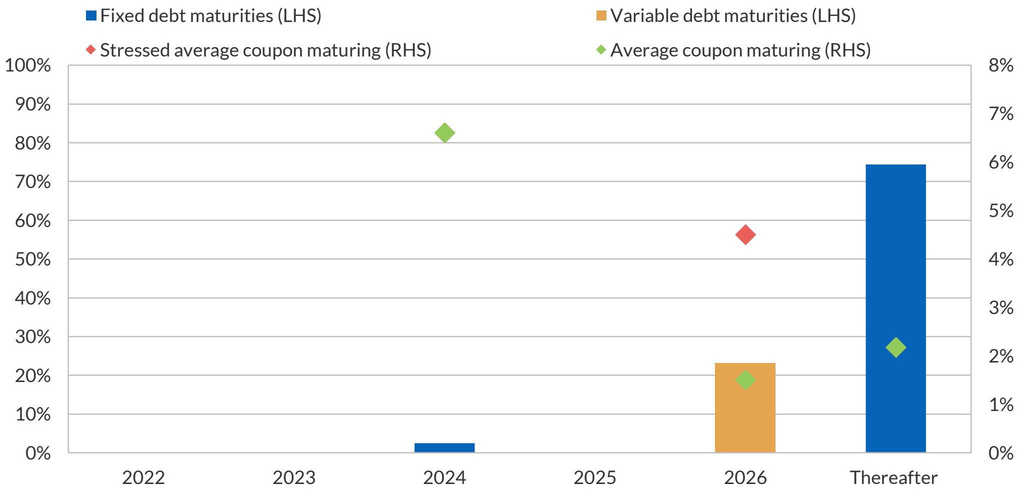
SEGRO's debt (excluding SELP) includes a mixture of coupons, with some legacy expensive GBP bonds and post-2025 US private placements cheaper all-in costs. With little debt maturing before 2026, SEGRO is less concerned by the refinancing of debt in the new interest rate regime. However, the group is expanding its portfolio, developing logistics and industrial properties, so may access a mix of new debt and equity. The interest cover ratio graphic shows that, under the interest rate case, its coverage ratios remain comfortable for the rating.

Interest Paid and Interest Coverage Ratio



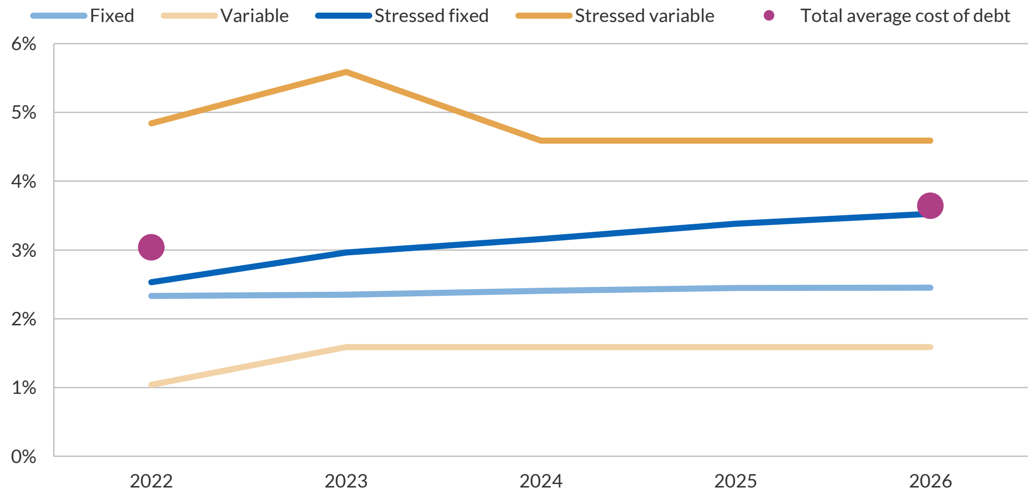
Source: Fitch Ratings, SEGRO

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, SEGRO

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, SEGRO

SELP Finance SARL

Long-Term IDR: BBB/Stable Outlook

Interest Rate Environment: EUR

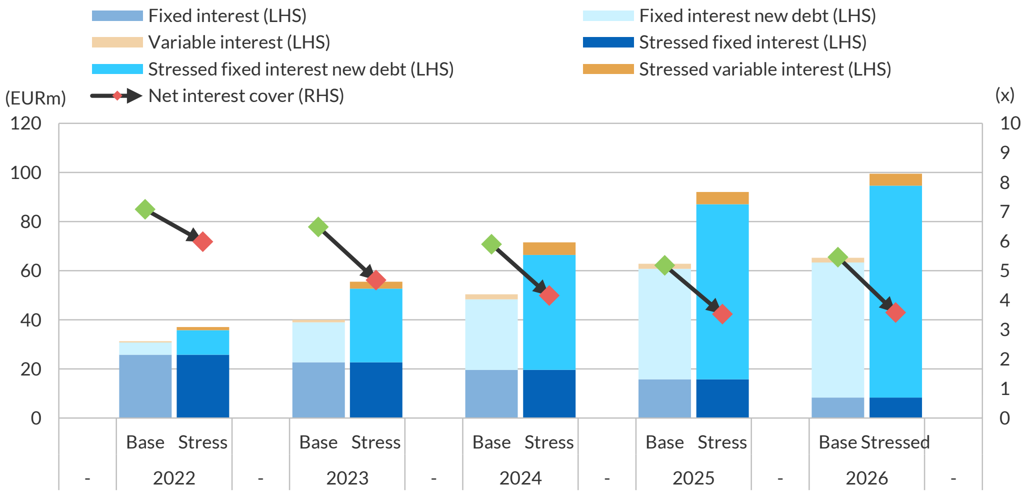
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	71	
Average cost of debt (%)	n.a.	3.1
Net interest coverage ratio (x)	9.7	3.6

Source: Fitch Ratings, SELP

SELP has a well-laddered debt maturity schedule and is a regular participant in the debt capital markets, issuing EUR750 million of 5-year unsecured bonds at 3.75% during summer 2022 prepaying the bond maturing in 2023 in the chart below. Much of the group's debt is fixed rate.

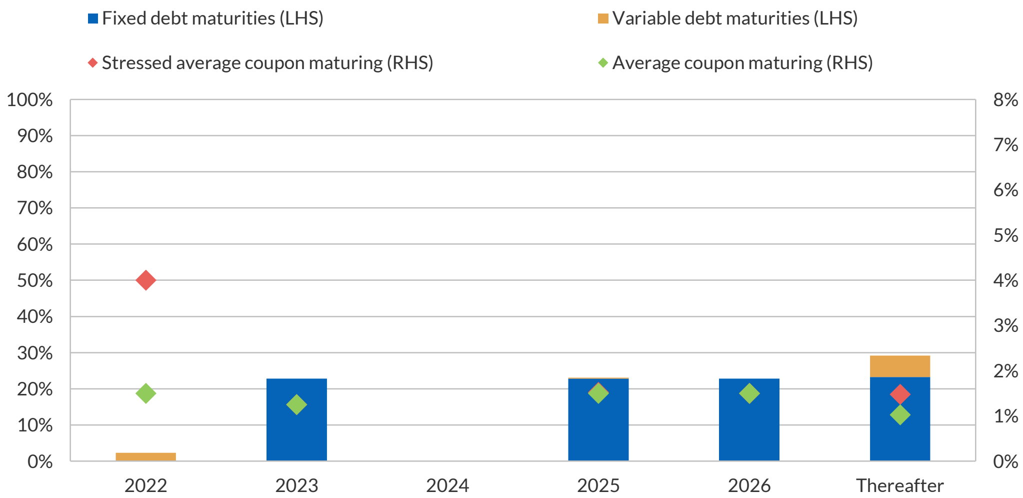
As SELP develops continental European industrial and logistics assets using its landbank, and acquires further assets, Fitch expects SELP to continue to access long-dated unsecured debt (as illustrated in Fitch's rating case) and equity. There are various Fitch assumptions behind the second chart's interest cover ratio – this will be a function of the rental yield-on-cost achieved on the real estate developments, or acquisitions, relative to the new policy rates and cost of debt.

Interest Paid and Interest Coverage Ratio



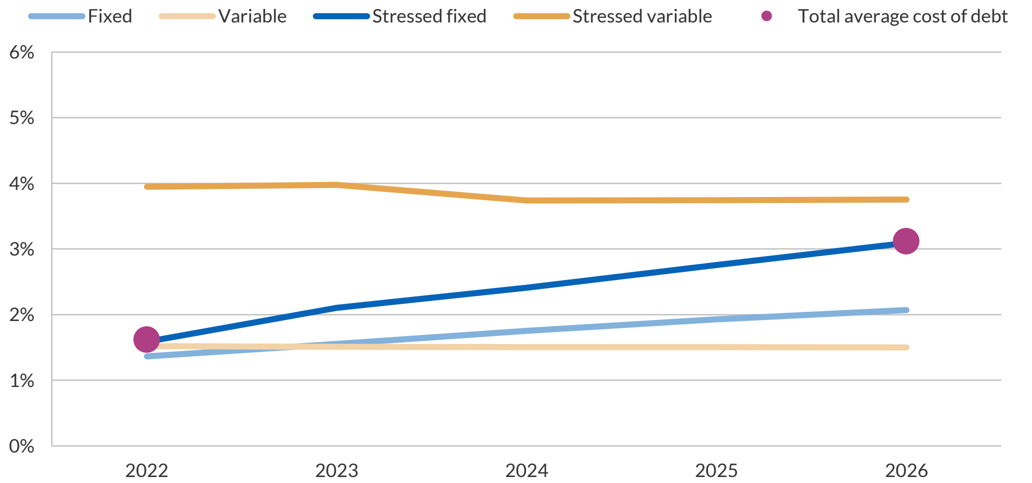
Source: Fitch Ratings, SELP

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, SELP

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, SELP

Sirius Real Estate Limited

Long-Term IDR: BBB/Stable Outlook

Interest Rate Environment: EUR

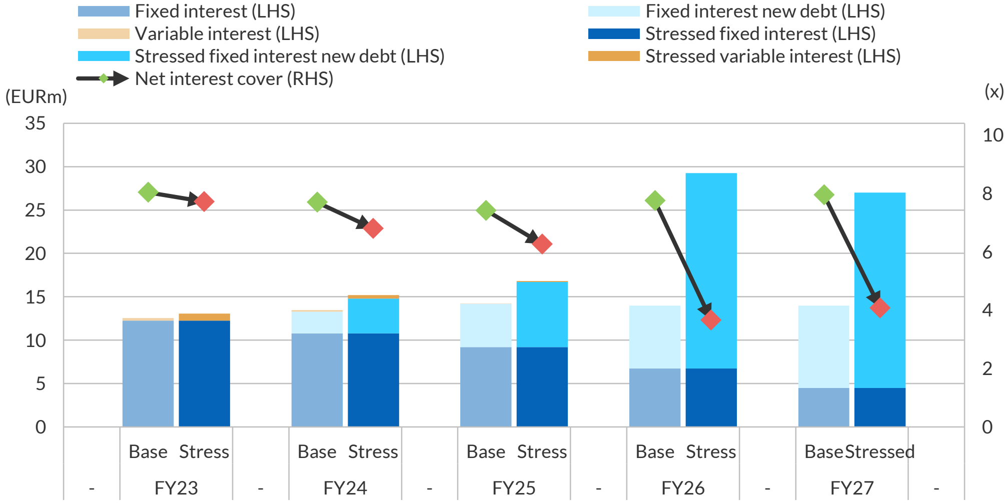
Financial Year-End: End-Mar 2022	Actual YE22	Interest Rate Case YE27
Debt maturing between FYE22 and FYE26 (%)	70	
Average cost of debt (%)	1.4	3.0
Net interest coverage ratio (x)	8.3	4.2

Source: Fitch Ratings, Sirius

Sirius refinanced some of its secured debt with a EUR400 million unsecured due 2026 bond issued at 1.125% and a EUR300 million bond due 2028 at 1.75%, connected to the acquisition of BizSpace (repaying its inherited, secured debt). The group's average cost of debt is around 1.4%.

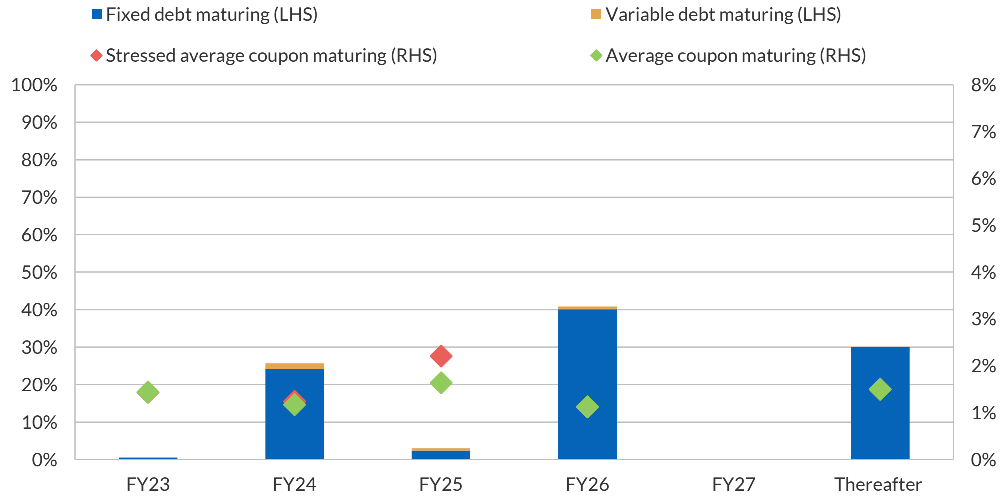
The main near-term debt maturities at end-2023 (Sirius's FY24) are two bank facilities, the bulk of which has already been refinanced. Sirius also had EUR127 million readily available cash at YE22.

Interest Paid and Interest Coverage Ratio



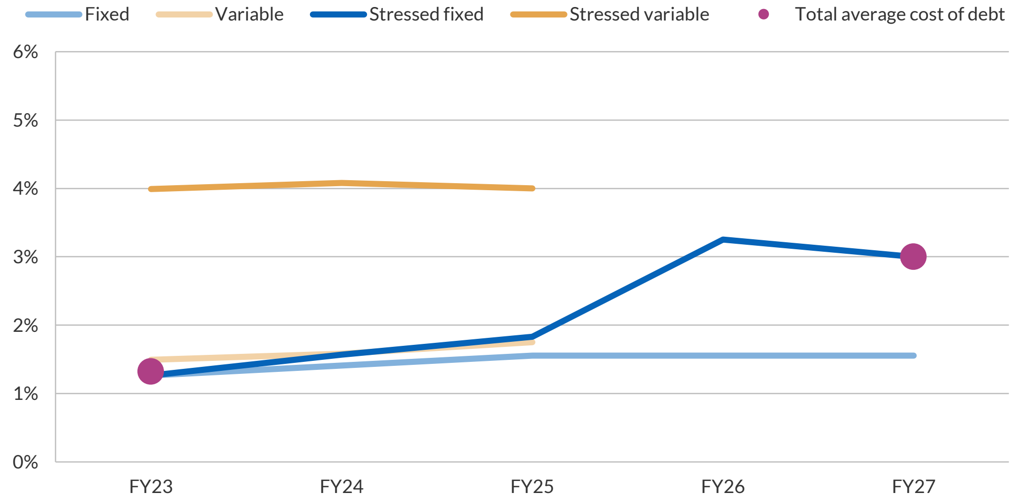
Source: Fitch Ratings, Sirius

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Company

Average Cost of Debt: Ratings Case ersus Stressed Case



Source: Fitch Ratings, Sirius

Triple Point Social Housing REIT plc

Long-Term IDR: A-/Stable Outlook

Interest Rate Environment: GBP

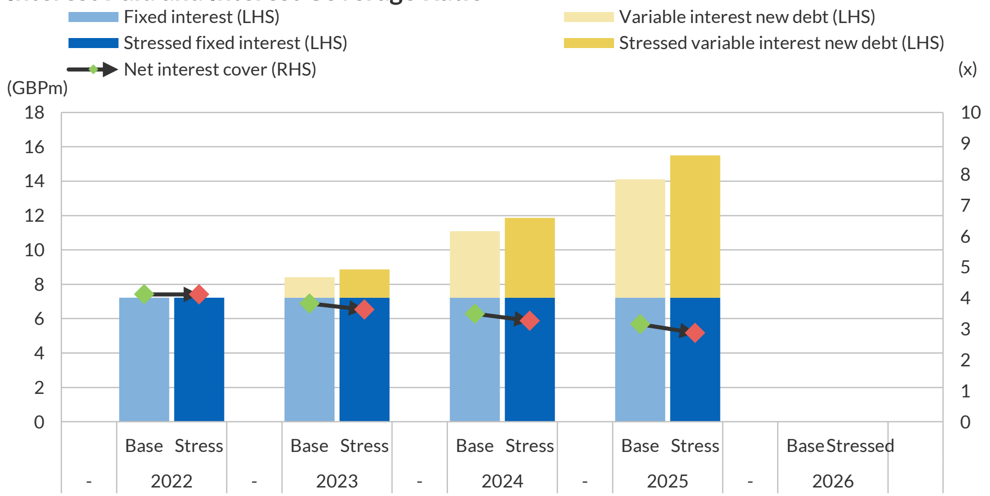
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE25
Debt maturing between FYE21 and FYE26 (%)	0	
Average cost of debt (%)	2.4	4.2
Net interest coverage ratio (x)	4.7	2.9

Source: Fitch Ratings, Triplepoint

Triple Point's debt is sterling-denominated, fixed rate and mainly secured, and includes private placements. It has an average cost of debt of 2.4% for 2028-2036 bullet debt maturities. When the company acquires further assets, it expects to raise equity to balance the fund at 40% LTV for assets valued at net initial yields of around 5.2%.

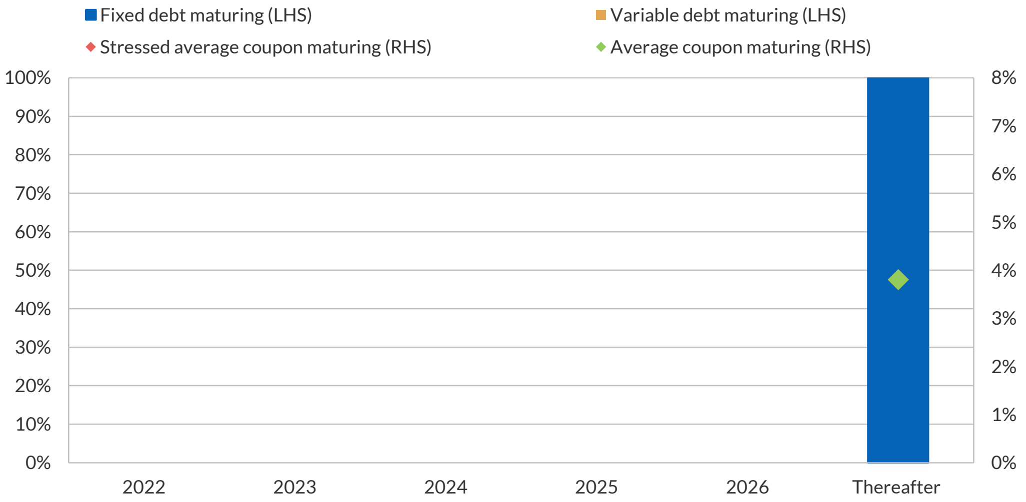
In the third chart, the rating case and the stress case debt cost are similar, as Fitch's analysis of the former had included the stressed interest cost assumption of higher policy rates for drawdowns under the company's variable rate RCF.

Interest Paid and Interest Coverage Ratio



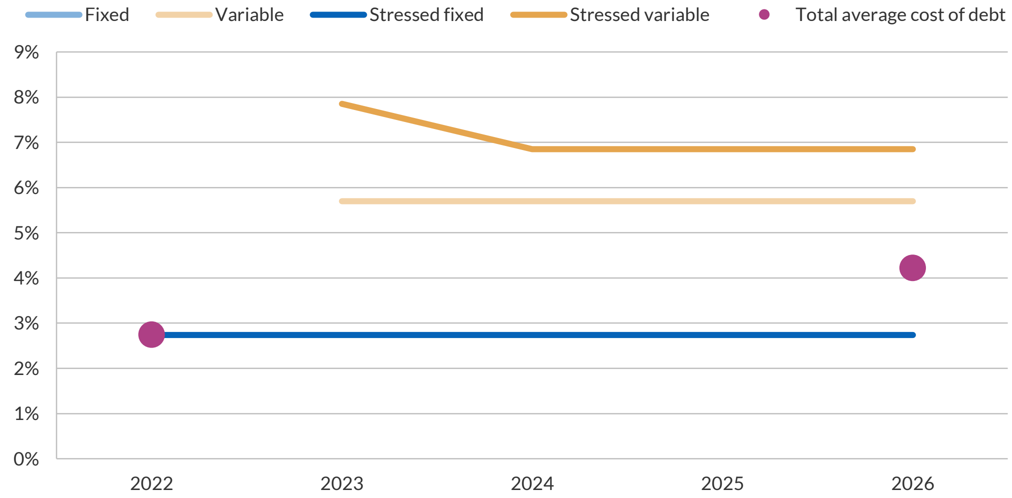
Source: Fitch Ratings, Triplepoint

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Triplepoint

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Triplepoint

Tritax EuroBox plc

Long-Term IDR: BBB-/Stable Outlook

Interest Rate Environment: EUR

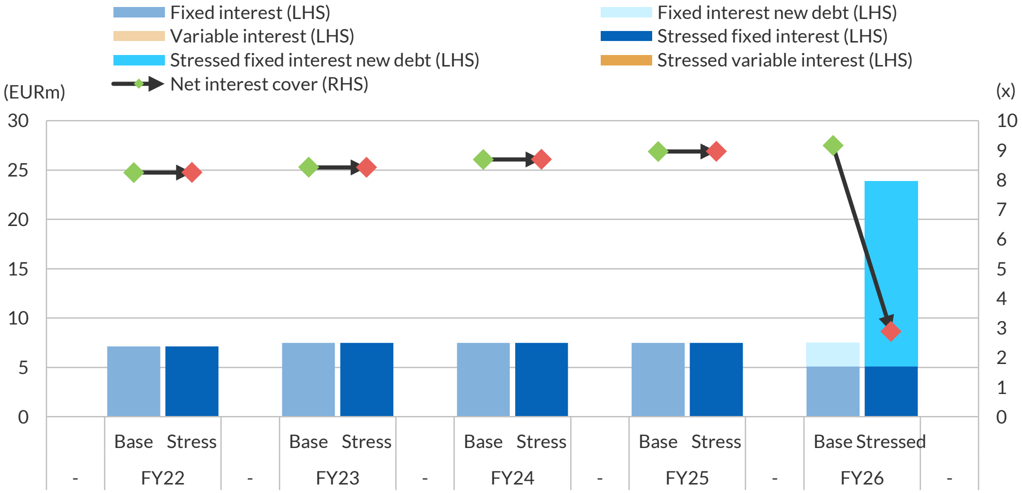
Financial Year-End: End-September 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	71	
Average cost of debt (%)	1.9	3.4
Net interest coverage ratio (x)	5.3	2.9

Source: Fitch Ratings, Tritax EuroBox

Tritax EuroBox plc's main debt is a due 2026 EUR500 million unsecured bond paying a 0.95% coupon. In November 2021, Tritax EuroBox issued EUR200 million of unsecured private placements at a blended 1.37%. The group also has unsecured RCFs (undrawn at YE21).

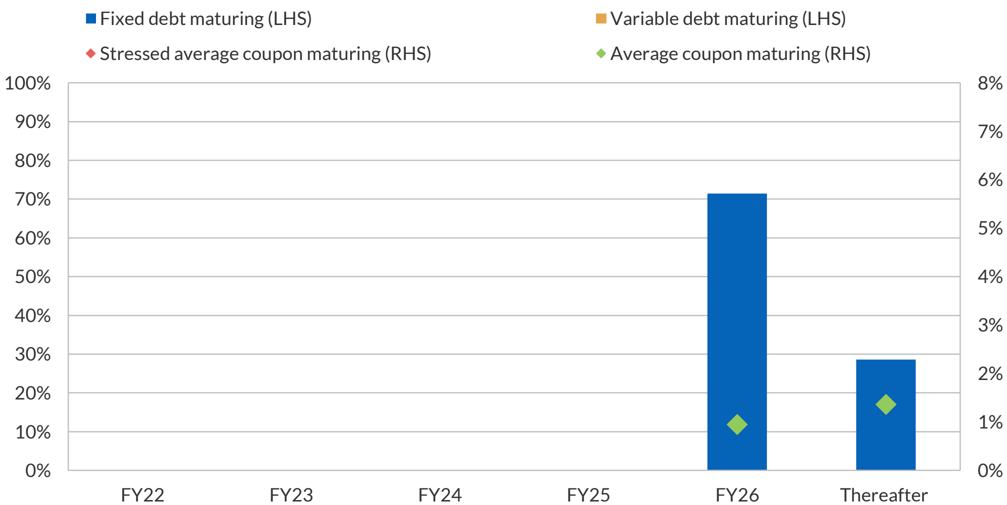
As the group plans for continued expansion in Europe, it plans to issue equity and debt. Rather than acquiring logistics assets at or below 3% rental income yields, it preferred assets with higher income yields or future redevelopment potential that would yield higher income. Fitch's rating case has not quantified additional debt from acquisitions. There is a large amount of financial headroom under the interest coverage ratio (above 8x) until the 2026 maturing debt is refinanced.

Interest Paid and Interest Coverage Ratio



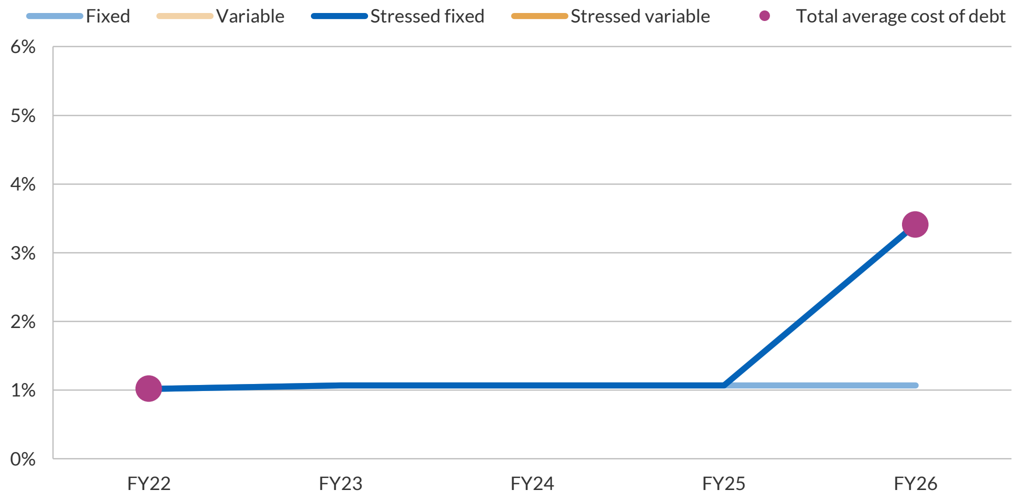
Source: FItch Ratings, Tritax EuroBox

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, Tritax EuroBox

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, Tritax EuroBox

VIA Outlets B.V.

Long-Term IDR: BBB+/Stable Outlook

Interest Rate Environment: EUR

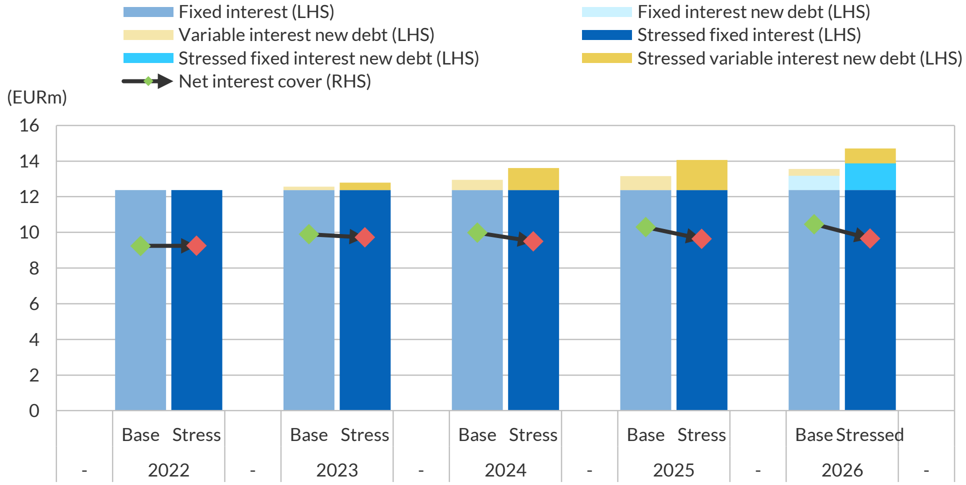
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	0	
Average cost of debt (%)	1.8	2.0
Net interest coverage ratio (x)	3.8	6.0

Source: Fitch Ratings, VIA Outlets

VIA Outlets refinanced most of its secured debt from the proceeds of a due 2028 EUR600 million bond with a 1.75% coupon. It also has a secured debt maturing in 2028. This has resulted in an interest coverage ratio with a lot of headroom (around 7x).

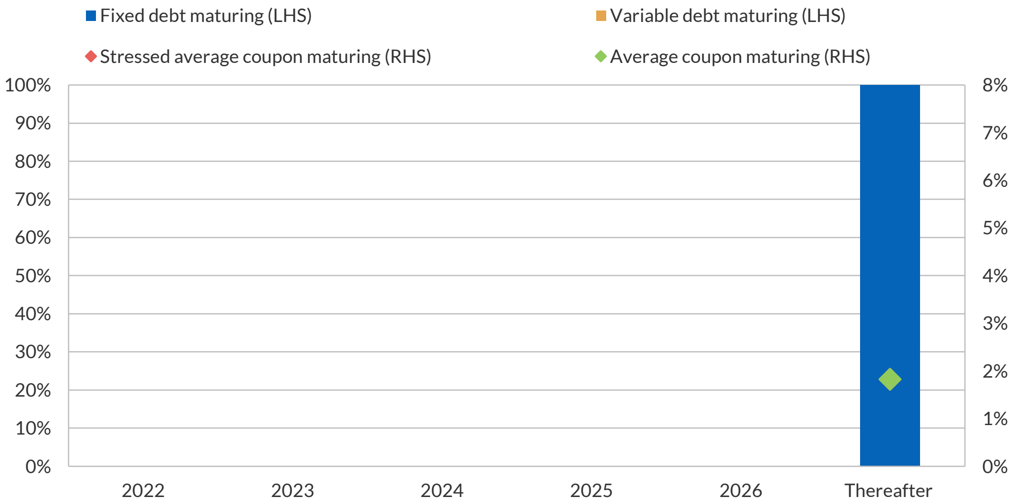
Although the group has redevelopment plans for existing sites, the capital outlay is not expected to require much debt, as free cash flow is retained to fund growth. Acquisitions of other retail outlets would prompt additional debt raising. The variable interest rate cost in the third chart refers to Fitch-assumed small drawdowns under the entity's RCF.

Interest Paid and Interest Coverage Ratio



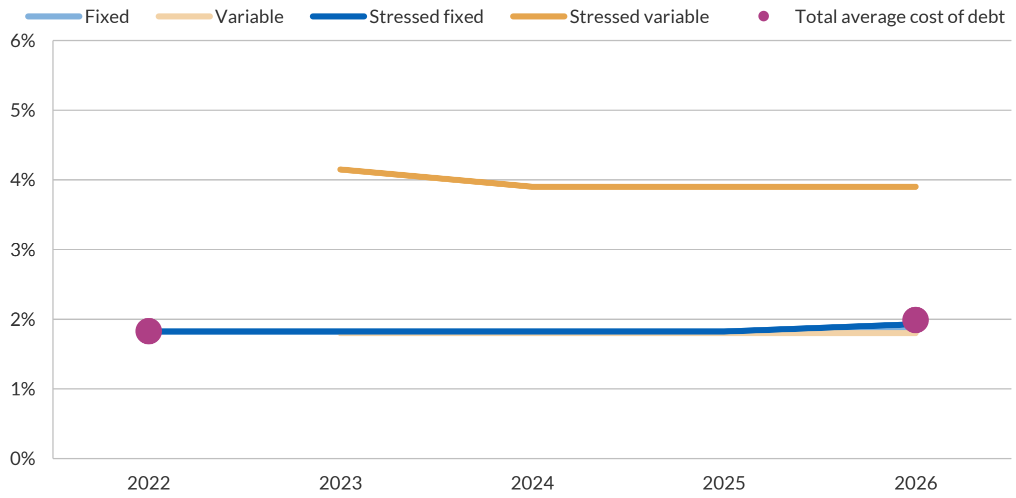
Source: Fitch Ratings, VIA Outlets

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, VIA Outlets

Average Cost of Debt: Rating Case versus Stressed Case



Source: Fitch Ratings, VIA Outlets

VGP N.V.

Long-Term IDR: BBB-/Stable Outlook

Interest Rate Environment: EUR

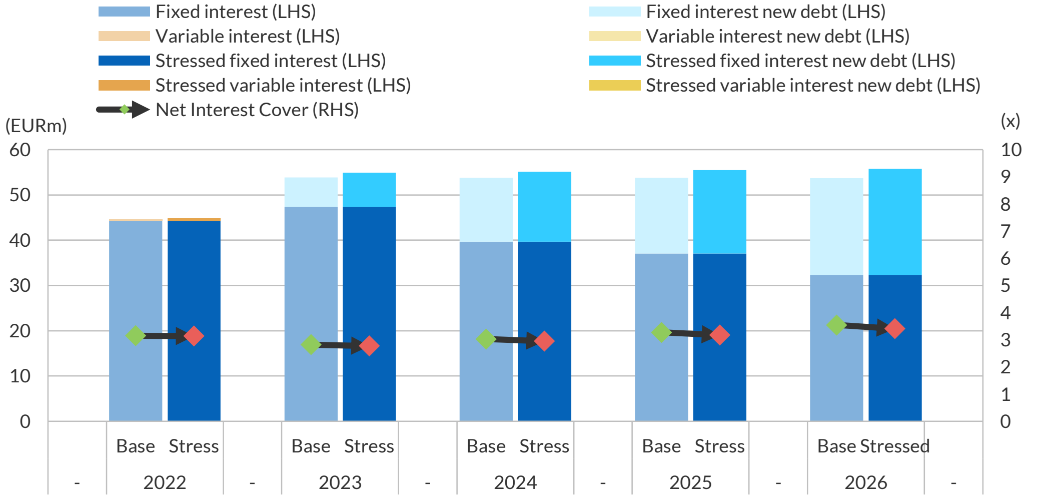
Financial Year-End: End-Dec 2021	Actual YE21	Interest Rate Case YE26
Debt maturing between FYE21 and FYE26 (%)	32	
Average cost of debt (%)	2.3	2.4
Net interest coverage ratio (x)	2.8	3.4

Source: Fitch Ratings, VGP N.V.

VGP has been migrating from small, shorter-dated, Belgian retail bonds to longer-dated, unsecured, international fixed-rate bonds. In January 2022, it issued EUR1 billion of bonds at a blended 2%, providing ample liquidity for its capex programme and scheduled bond maturities in 2022 (1H22: EUR23 million, 2023: EUR375 million). VGP reports that 97% of debt is fixed rate. The joint ventures' non-recourse funding (with 2026–2029 debt maturities) are not included in these charts.

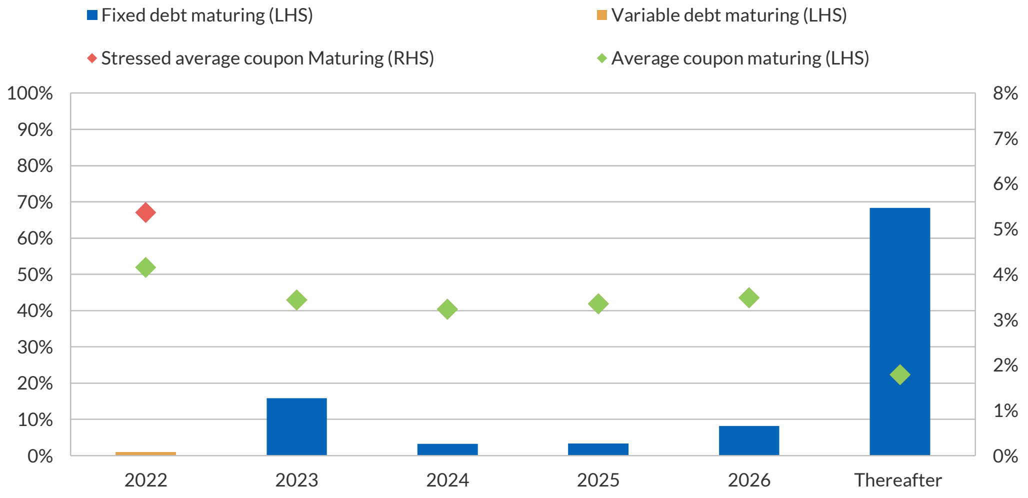
The rating case and above figures are based on the "VGP as HoldCo" analytical approach (see rating report). The interest rate case assumes that 2023 maturities (blended 3.4%) are refinanced at 3.75%.

Interest Paid and Interest Coverage Ratio



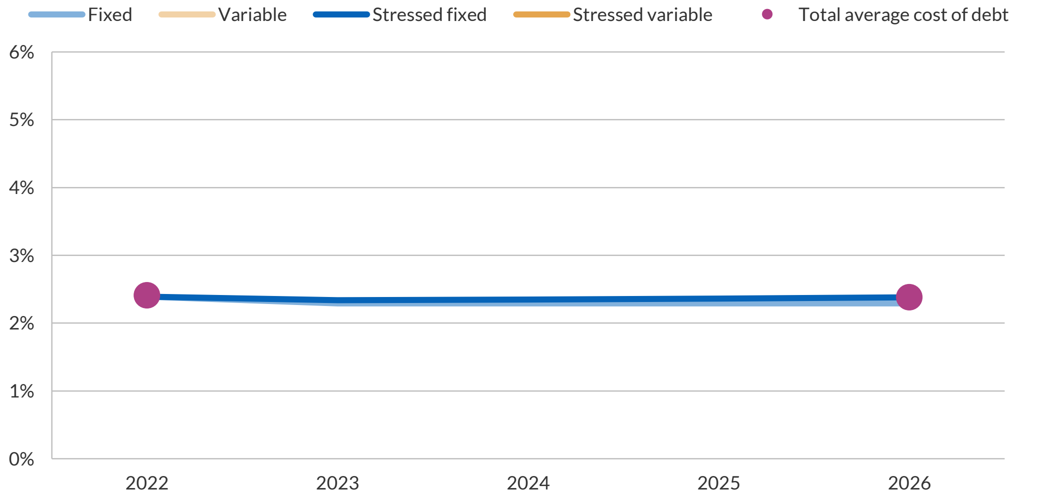
Source: Fitch Ratings, VGP N.V.

Maturities as Percentage of Maturing Debt/Average Coupon of Maturing Debt



Source: Fitch Ratings, VGP N.V.

Average Cost of Debt: Ratings Case versus Stressed Case



Source: Fitch Ratings, VGP N.V.

DISCLAIMER & DISCLOSURES