15 December 2014

European Real Estate Corporates

Application Study Methodology Guidance

Scope Ratings

www.scoperatings.com

European Real Estate Corporates

This study provides an outlook for the European real estate sector and assesses the credit quality of 15 European real estate corporates based on the proposed Rating Methodology Guidance for European Real Estate Corporates published on 17 November[1]. Five of these companies operate in the commercial real estate sector, six in the residential real estate sector and four are property developers. Some of these companies have not been rated by Scope; in those cases, Scope assessed their credit quality with the information publicly available to produce an indicative credit assessment.

Commercial Real Estate: The credit quality of the corporates assessed is at the higher end of the rating spectrum and can attain the ‘A’ rating category. Their generally solid credit quality is based on their high profitability, moderate debt protection measures and moderate leverage.

Residential Real Estate: The assessed credit quality of the residential real estate corporates ranges from ‘BB’ to ‘BBB’. Debt protection, leverage and profitability tend to be weaker than for commercial real estate. Due to the inelastic and granular tenant structure, cash flow generation tends to be relatively stable. Given the different national legislations, local market knowledge is important to succeed in the industry.

Property Development: Real Estate developers generally exhibit the strongest financial risk profile of all sectors. Exceptional profitability in some periods accompanies the higher business risk the sector is generally exposed to. The sector’s main weakness is the volatility on its cash flow generation especially if focussing on commercial real estate development.

2015 Outlook

Structure: Consolidation is expected to continue in the European real estate sector, driven mainly by German residential real estate. This follows continuous growth in total asset volumes (+82%) of the top five listed German residential corporates since 2009. The intended takeover of Gagfah S.A by Deutsche Annington Immobilien S.A. for EUR 9.4bn announced in December 2014 sounds the bell for the next round of consolidation in the German residential real estate sector. The companies assessed in this report are likely to participate in increased M&A activity, which is mainly driven by larger economies of scale and the low interest environment. Scope anticipates only limited M&A activity in the commercial real estate sector in 2015. The EUR 7bn merger of Klépierre and Corio is likely to be one of the biggest deals, since most of the larger market players have already achieved critical mass.

Rents: Rental values have stagnated due to the sluggish economic recovery in Europe and this is expected to continue. Performances are likely to vary between the prime and secondary markets as well as between core and peripherical Europe.

Yields: Property prices are expected to remain under pressure from massive capital inflows, as evidenced by the combined EUR 52bn in capital commitments by Europe-focused private real estate funds looking for investment opportunities (Source: Preqin). Scope Ratings expects spreads between good secondary and prime property to narrow due to the lack of prime property supply.

[1]under call for comments

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1. The European Real Estate Industry

A fragmented industry

European real estate is a fragmented industry. Market participants tend to have smaller market share compared with more consolidated industries, such as the tobacco or automotive industries.

Different business models

The industry features different types of business models. They comprise letting, which generates relatively predictable rental income, and development, in which assets are bought or constructed with the purpose of being sold for profit. Development activity tends to lead to relatively volatile cash flow generation and profitability. The latter depends greatly on the number and the phases of the projects in the property company's development pipeline, and the stage of the economic cycle.

Capital intensive industry

Real estate is a capital intensive industry requiring significant investment to buy or maintain the properties. Development and heavy refurbishments are an integral part of a real estate company's activities. Many companies in the sector finance a large portion of their properties via debt, which leads to higher leverage than for the average industrial company. However, these higher debt levels are also frequently matched by higher levels of more stable asset values, which in many cases are easily realizable.

Real estate industry sectors

The main industry sectors are commercial real estate (incl. among others offices, retail and hotels), residential real estate and industrial real estate. Each is affected differently by the economic cycle.

Local market knowledge is important

Most market players concentrate on only a few countries and, within these countries, on certain regions, because local market knowledge is essential to succeeding in this industry.

If they are well diversified in terms of tenants and geographies, real estate companies with a focus on letting activity tend to benefit from stable and predictable cash flows as a result of the generally non-cancellable, long-term lease contracts.

Real estate companies that focus on development activities can also benefit from relatively stable and predictable cash flows if they have a full and balanced development pipeline and high pre-let and pre-sale rates.

Investment-grade property companies

Many of the investment-grade rated property companies concentrate on managing and generating rental income from properties and usually have a strong market positioning. They are well diversified in terms of geography and sectors, have a high quality, granular tenant base and good quality assets. These companies' cash flows tend to be predictable with solid profitability and strong financial measures.

Non-investment-grade property companies

Non-investment-grade companies, in contrast, are generally smaller, less diversified in terms of geography, sectors and tenants and often derive a significant share of revenues from development activities. The quality of their assets is also weaker. In addition, many of these companies have more volatile cash flow generation, volatile profitability and weaker financial measures.

The nature of the business makes it challenging for real estate companies to achieve the highest investment-grade ratings.

15 European real estate corporates covered in this report

European real estate corporates assessed in this report

Five of these corporates — Unibail Rodamco S.A., Klépierre S.A., Deutsche EuroShop AG, TLG Immobilien AG and POLIS Immobilien AG — are commercial real estate corporates.

Six of the assessed corporates — Deutsche Annington Immobilien SE, Deutsche Wohnen AG, Gagfah S.A., LEG Immobilien AG, Grand City Properties plc., and Adler Real Estate AG — are active in the German residential real estate market.

Four of the assessed corporates operate in the French development market: Nexity S.A., Kaufman & Broad S.A., CODIC International S.A. and Réalités S.A.

Of the above mentioned companies, Adler Real Estate AG is rated by Scope, CODIC International S.A. and Réalités S.A. were rated but the ratings have been withdrawn. For the other 12 entities, which are not rated by Scope, a credit quality assessment was carried out based on a limited information base; as a result, these assessments are only indicative.

For its analysis, Scope has considered the public information available up to Q3 2014. In some cases Scope considers private information as well as the companies' forecasts.

Commercial Real Estate

Highly cyclical business

Capital values still below 2007 levels

The European commercial real estate sector is highly cyclical. It enjoyed high growth from 2001 to 2007, driven by the general rise in value of commercial real estate assets in Europe. In the aftermath of the financial crisis of 2008/09, however, the sector suffered from declining capital values. Although capital values have recovered since 2010, they are still below their pre-crisis levels, except for the so-called "super-core" properties.

1.1 2015 European Retail Property Market Outlook

Key Drivers

Slight recovery of retail sales

Lower GDP growth expected

Despite the still tentative growth of the European economy (+0.3% in Q3 2014;+1.3% yoy) private expenditure experienced stronger growth and European retail sales are expected to recover with 1.7% growth in 2014, after six years of weak growth at best. This growth came even though the increasing geopolitical tensions have had a negative impact on consumer confidence. The flash estimate of consumer confidence in the Eurozone established by the Directorate General for Economic and Financial Affairs has declined in five of the six months since June. In addition, institutions such as the IMF, the World Bank and Oxford Economics revised their growth prospects for Europe downwards.

Low interest-rate environment expected going forward

In November 2014, the European Central Bank (ECB) left interest rates at a historical 0.05% low and announced a purchase program of covered bonds and ABS. If the ECB starts buying other kinds of bonds (full blown QE programme), interest-rate spreads between government bonds and yields from many other asset classes are likely to increase. As such, the ECB's policies may support investment activity.

Outlook for the Letting Market

No rise in rental values

Variable performances between prime locations and the rest of the market

Overall, rental values are not expected to rise, with the potential exception of prime retail space in major European cities or shopping centres. This is due to sustained demand from international retailers, many of which focus on international markets. However, apart from rents in these 'A' locations, demand and rental performance are likely to continue to be driven by the economic situation, with landlords attempting to keep occupancy rates stable.

Outlook for the Investment Market

Incoming yields for good quality secondary products expected

Somewhat overheated market

Fragile asset values outside prime locations

Scope does not believe that the generally stagnating letting market will influence the investment market in the short term, primarily because of the low interest rate environment and the lack of alternative investment opportunities amongst the lower risk assets. In 2015, Scope expects yields to decline further, especially for good secondary shopping centres, driven by the shortage of prime product supply. We anticipate prime yields similar to the last price peak in 2007. But asset values remain relatively fragile, particularly outside the prime locations. Scope considers the market to be slightly overheated, but its fundamentals are stronger due to the higher portion of equity used for financing versus 2007.

Nonetheless, recent geopolitical and economical uncertainties might create slight deflationary pressure on property prices in 2015. .

Asian institutional investors becoming more important

Scope expects institutional investors to continue to account for the highest net investment activity given the combined EUR 52bn in capital commitments (Q3 2014 Source: Preqin) of Europe-focused private real estate funds looking for investment opportunities. Furthermore, we see a shift from US-based investors towards Asian investors, such as POBA and NPS, which are attempting to obtain a foothold in the European commercial real estate market.

The largest deal expected in 2015: the takeover of Corio N.V. by Klépierre S.A.

Major M&A activity in the sector includes the acquisition of Corio N.V. by Klépierre S.A. for ca. EUR 7bn, which was announced in July 2014. If successful, Klépierre S.A. will significantly close the size gap with the leading European property company Unibail Rodamco S.A.

Residential Real Estate

A less cyclical and highly fragmented market

Germany is the most mature market

The European residential property sector is less cyclical than the commercial real estate sector because of the lower geographical mobility of its granular tenant base. The stability in demand keeps asset values in the sector relatively stable over time. The European residential real estate sector is quite fragmented with the largest companies holding a negligible market share far below 1%. The ownership structure of residential real estate properties varies throughout Europe. Countries like Spain, Poland and Italy exhibit owner-occupation rates of above 75% (Source: Euroconstruct/ifo), whereas in countries like Sweden, Austria and Denmark public housing plays an important role. Scope expects Germany to continue to be the only country in Europe with a significant number of apartments held by privately-owned property companies.

1.2 2015 German Residential Property Market Outlook

Key Drivers

Uplift of private consumption possible

Stable labour market

The Deutsche Institut für Wirtschaftsforschung (DIW) recently adjusted its estimates of 2014 GDP growth rates downwards to 1.3% from the 1.8% communicated in Q1 2014. However, the anticipated low inflation rates of 1.0% in 2014 and 1.3% in 2015, combined with expected gross increases in available household income of 1.4% in 2014 and 3.0% in 2015 (Source: Oxford Economics) could lift private consumption. This would be additionally supported by Germany's stable labour market, in which unemployment rates are expected to stay below 7.0% in the next few years.

Strong demand growth expected in the seven largest German cities (BIG 7) and in university towns

Demand is also driven by the population increase expected until 2020 in economically strong regions like Munich (+10%), Hamburg (+6%), Berlin (+3%) and university towns such as Münster (+7%) and Heidelberg (+6%) (Source: Oxford Economics). This is amplified by forecast growth in the number of households (+2.3% until 2025 Source: DESTATIS) caused mainly by the declining size of households. Other factors supporting demand growth are the low interest rate environment, the feasible LTV ratios, which are among the highest ones in Europe, and the low finance margins.

Lack of supply

Supply in growing regions is still restricted by the relatively low number of newly built apartments or single family housing. The German Federal Ministry for Building (BMUB) estimates annual demand of 250,000 newly built apartments until 2030, versus building completions of just 225,000 apartments in 2013 (Source: DESTATIS). As indicated by the number of building permits (242,000 apartments in 2013, +54% since 2009 I Source: DESTATIS), this gap could potentially be closed within the next few years.

Outlook for the Letting Market

Further rent growth for the BIG 7

No material impact of "Mietpreis-bremse" on rental levels expected

Given the lack of supply versus demand, which is reflected in the low vacancy rates for residential properties in growing regions (e.g. Munich: 0.5%, Hamburg: 0.7%, Berlin: 2.0%), Scope Ratings expects rents for residential properties to continue rising in these regions. From Scope's point of view the planned "Mietpreisbremse" (law introducing a cap on residential rent increases) - if it comes into effect - is not expected to have a material influence on rental levels within the next few years in the above-mentioned regions/cities. This is mainly because of the pull-in effects seen since 2013.

Outlook for the Investment Market

No further decline in yields expected, Berlin is an exception

For 2015, Scope expects no further declines in yields on block sales in general. However, in certain regions, like Berlin, yields remain under pressure. This will be driven by the public housing companies, which represent major investors with the aim of increasing government-owned stock to 300,000 apartments in 2016 (340,000 in 2020) from 285,000 in H1 2014. Moreover, Munich recently announced that it will exercise its pre-emptive rights and invest up to EUR 400m to buy apartments of GBW AG.

Investment market driven by strong market consolidation

The German residential property segment experienced major consolidation in the past few years. As a result, the total asset volume of the top 5 publically listed residential corporates grew by 82% since 2009 to EUR 36bn in 2013. Scope expects the consolidation process to continue with the companies assessed in this report being among the main investors. This was observed recently with the take-over offer from Deutsche Annington Immobilien SE for its competitor Gagfah S.A. for EUR 9.4bn.

Real Estate Development

Highly cyclical business

The real estate development market in Europe is relatively volatile due its cyclical nature, which is amplified by a business model characterized by a time lag between the start and delivery of a project. Demand for properties can fluctuate strongly depending on the economic cycle. Therefore, property companies focusing on development activities are exposed to the commercial risk of disposing of their developed properties on time. France is the largest European real estate development market with an average annual construction output that averaged EUR 288bn p.a. (5-year average to 2013), followed by the UK (EUR 264bn) and Germany (EUR 243bn) (Source: Oxford Economics).

1.3 2015 French Development Market Outlook

Key Drivers

Weak GDP growth

High unemployment rate

France's economic growth is weak (CAGR since 2007: 0.3%) and its government deficit has exceeded 4% p.a. for the sixth consecutive year. The unemployment rate has stabilized at around a high 10% in recent months and consumer spending is projected to grow by only 0.2% in 2014, but rising to 1% in 2015. Therefore challenges to the development market arise from the limited buying power of homebuyers as well as the high unemployment rate. In addition we see restrictions on bank financing, the reduction of tax benefits offered to homebuyers and investors and the impact of new thermal standards and regulations.

After a sluggish 2014, the French economy is expected to gain some momentum in 2015 on the back of modestly positive growth in consumer spending and investment.

Outlook for Residential Real Estate Development

Decreasing demand expected to flatten out in 2016

Demand for properties has fallen rapidly since 2006 with the strongest contraction seen in 2008. Although a recovery was observed in 2009 and 2010, total reservations are still lower than in the years prior to the crisis. Contrary to the Ìle de France area, where demand has remained fairly stable, all other regions have been affected by peak to trough declines, e.g. -58% for Aquitaine (Source: Ministère de l'Écologie, du Développement Durable et de l'Énergie, Enquête sur la Commercialisation des Logements Neufs (ECLN) – as stated in the 2013 annual report of Kaufman & Broad). Scope expects a challenging market going forward with a possible further decline in demand. The recently announced "Pinel" law offering fiscal incentives might support investor demand and halt the decline in 2016.

Outlook for Commercial Real Estate Development

Development activity is dipping as well

Development of commercial real estate properties in France has contracted as well. The most relevant commercial real estate submarket is the greater Paris area, which represents 80% of investment turnover, according to CBRE. Sales of commercial property in Ile-de-France are slowing at a rate similar to residential properties across France. The influx of new/refurbished space has been well absorbed but the share of new/refurbished space declined by 20% y-o-y to Q3 2014, below its 5-year historical average (Source: CBRE). Scope observes that pre-letting is becoming necessary when launching a project in order to secure financing and limit speculative developments.

The main demand group, large corporates, are putting off spending

Large corporates, which are the main potential demand group for newly built space, are waiting for the French economy to recover. Until then, they are continuing to delay spending due to their squeezed profit margins, deflationary pressures as well as their high leverage.

2. Business and Financial Risk Drivers

Scope applies its Corporate Rating Methodology to property companies as outlined below. The following business risk and financial risk indicators are non-exhaustive and might not be fully applicable to all property companies. Each company's business model determines the applicable indicators.

Business Risk Drivers

Competitive positioning

A property company's size and competitive positioning determine its market strength and ability to benefit from economies of scale. Large size often goes hand in hand with broad diversification in terms of geography, sectors and tenants.

Scope considers the indicators for a real estate company's market positioning to be the market value of its assets, its FFO and its share in its individual markets.

Diversification

A property company's geographical, sector, tenant and tenant industry diversification determines its ability to offset the cash flow volatility arising from economic cycles, industry dynamics, regulatory changes and the loss of single tenants.

Asset quality

The quality of a property company's assets determines the strength and stability of its operating cash flow and its asset values through the economic cycle. A high quality asset like a Grade A/Core building tends to achieve higher occupancy rates, more stable cash flows, higher profitability and therefore less peak-to-trough price volatility compared with lower quality assets. Furthermore, higher quality assets tend to be more liquid than lower quality assets and thus can be sold more easily.

When assessing the quality of assets, Scope's analysis covers the following four factors: (1) property location ('A', 'B' and 'C'); (2) economic age of the property portfolio (in years); (3) the occupancy rate of the property portfolio; (4) the Weighted Average Unexpired Lease Term ("WAULT") of the property portfolio (in years).

Profitability

A property company's EBITDA margin (%) and its return on assets (%) are indicators of its profitability and efficiency.

Scope evaluates the volatility of a property company's EBITDA margin and return on assets as these measures determine the stability of the property company's internal financing capacity. Scope therefore regards highly stable EBITDA margins and returns on assets as credit positives.

Financial Risk Drivers

Debt protection

Scope calculates a property company's leverage by taking into account the market value of the company's assets [Loan-To-Value "LTV" defined as Debt/Market value of Total Assets (%)].

Scope also assesses the cash flow adjusted leverage of a property company measured as FFO/Debt (%) and Debt/EBITDA (x). Many of these companies finance a large portion of their properties via debt and thus tend to have higher leverage than average industrial companies. However, this relatively high leverage is also frequently matched by higher levels of more stable asset values. The asset values can often be realized easily.

Scope's assessment of debt protection measures takes into account: (1) LTV (%); (2) FFO/Debt (%); (3) Debt/EBITDA (x); (4) FFO/Fixed Charge (x).

Liquidity

When conducting a liquidity analysis, Scope assesses the internal and external sources of liquidity available to a property company to meet its debt obligations. In addition to internal cash flows this also includes the assessment of cash and liquid investments, proceeds from asset sales (when planned), undrawn, available committed bank lines and expected ongoing cash injections from owners or third parties, such as governments.

When assessing liquidity, Scope generally excludes the non-recourse loans of special purpose vehicles (SPV's) from its calculation of the property company's short-term debt position. This exclusion is applied unless there is a strong indication of the property company's support for these loans.

Unibail Rodamco S.E.

European Commercial Real Estate Corporates

Corporate name:	**Unibail Rodamco S.E.**
Country of origin:	France/Netherlands
Main countries exposure:	France, Spain Germany
Real Estate Sector:	**Commercial**
Commercial Space (SQM):	4,619,433

Unibail-Rodamco S.E. (Unibail) is Europe's largest listed commercial property company. It is specialised in shopping centres, offices and convention & exhibition centres with activities in the main European cities, such as Paris, Barcelona and Stockholm.

Business Risk Profile

Largest listed property company in Europe

With total assets of EUR 35bn at end-June 2014 and FFO of EUR 935m for the LTM to June 2014, Unibail is Europe's largest listed property company. Unibail has moderate market shares, for example 4% in the French retail property market.

Excellent geographical and tenant diversification

With operations in more than 20 regions, Unibail has excellent geographical diversification. Its tenant portfolio is well diversified too. In 2013, Unibail's top 10 tenants only accounted for a low 0.7% of total rental revenues. Since 80% of its tenants operate in the retail industry, the company is sensitive to Europe-wide cycles in this sector.

Strong asset quality

The quality of Unibail's asset portfolio is strong with an property economic age of 8.3 years and a high occupancy rate of above 98% at year-end 2013. With activities spread across Europe, the majority of Unibail's property portfolio (65% at YE2013) is in 'B' and 'C' locations. However a moderate 35% of Unibail's assets are situated in 'A' locations and thus quite liquid. Although Unibail has a weak WAULT (2.4 years at YE2013) compared with peers like Klépierre or Deutsche EuroShop, its WAULT was relatively stable since 2008. High occupancy rates and the stable WAULT provide Scope with comfort regarding the stability of Unibail's future cash flow generation. Unibail's intention to further build up its portfolio in the stronger German market should support asset quality and geographical diversification.

Stable and high profitability

Unibail's profitability is in line with that of peers. Its EBITDA margin stood at 84% and Return on Assets was 4% for the LTM to June 2014. Unibail's higher diversification ion terms of property types (with business activities in the office, convention and exhibition segment too) mitigates the return's volatility, which is one of the lowest in the industry.

Financial Risk Profile

Low cost of debt drives FFO/Fixed Charge (x) to an above average of 3.2x despite relatively high leverage

Unibail showed a modest Loan-to-Value (LTV) ratio of 52% in the first half of 2014. Although the company's FFO/Debt (%) stood at a low 5% in H1 2014, thanks to the low cost of debt (approx. 2.9%), its FFO/Fixed Charge (x) remained at adequate levels above 3.2x in the considered period.

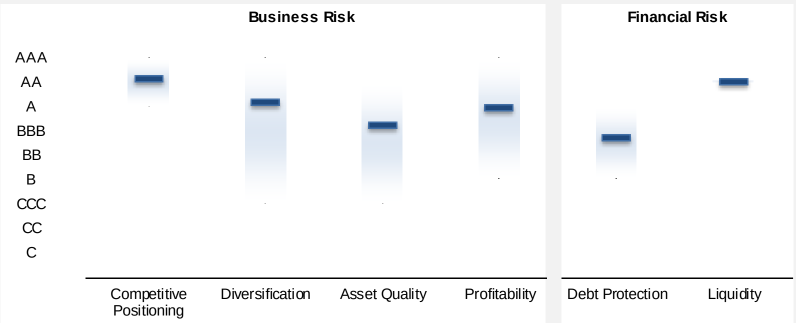
Liquidity improving to a strong 3.0x for the LTM (H1 2014)

Unibail's liquidity position as measured by Scope was a solid 3.0x in June 2014.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	24,977	26,403	29,571	32,345	34,500
Total Debt (EURm)	12,431	13,512	14,728	15,815	17,832
Cash & Equivalents (EURm)	72	80	63	94	307
Revenues (EURm)	1,576	1,482	1,544	1,465	1,541
Net Rents (EURm)	1,462	1,446	1,528	1,457	1,520
EBITDA (EURm)	1,313	1,257	1,304	1,215	1,289
FFO (EURm)	1,041	936	990	893	935
EBITDA margin (%)	*83%*	*85%*	*84%*	*83%*	*84%*
Return on Assets (%)	*5%*	*5%*	*5%*	*4%*	*4%*
LTV (%)	*50%*	*51%*	*50%*	*49%*	*52%*
FFO/Debt (%)	*8%*	*7%*	*7%*	*6%*	*5%*
Debt/EBITDA (x)	*9x*	*11x*	*11x*	*13x*	*14x*
FFO/Fixed Charge (x)	*4.0x*	*3.4x*	*3.3x*	*3.2x*	*3.2x*
Liquidity (x)	*1.9x*	*1.8x*	*2.3x*	*3.2x*	*3.0x*

Source: Scope based on company's financial reports



Source: Scope

Corporate name:	**Klépierre S.A.**
Country of origin:	France
Main country exposure:	France
Real Estate Sector:	**Commercial**
Commercial Space (SQM):	2,809,594

Klépierre S.A. (Klépierre) is a shopping centre specialist based in Paris. French locations accounted for 51% of its shopping centre portfolio in 2013. The remainder are spread across 13 different countries in Europe, including Italy and Spain. Klépierre's strategic focus is "buy and let".

Business Risk Profile

Large company with a moderate market share

Despite the recent disposals (126 retail galleries in April 2014; and five shopping centres located in Sweden in July 2014), Klépierre's total asset value of EUR 14.5bn in June 2014 underpins its status as a large player in the retail property segment in Europe. Klépierre's FFO was moderate with EUR 551m in the LTM to June 2014. Klépierre's exchange offer for its competitor Corio N.V. in July 2014 testifies to its aim to increase size as measured by total assets (+51%) and market share significantly throughout Europe. The rentable floor area of its core shopping centres in France represents a moderate 3% of the French retail property market.

Solid, internationally diversified portfolio of shopping centres

Klépierre is geographically well diversified across more than 20 European regions with a focus on France. Its tenant diversification is sound as well, with its largest 10 tenants accounting for no more than 0.5% of its total 2013 revenue. As a shopping centre specialist Klépierre is highly exposed to the retail industry. Retail sector tenants accounted for an estimated 95% of its 2013 revenues. The company is thus sensitive to Europe-wide cycles in this sector, particularly in France and Belgium where it generated a total of 47% of 2013 rental revenues.

Medium quality of asset exposed to quite illiquid markets

Klépierre owns shopping centres mostly in 'C' locations, which are less liquid. In addition these properties have a relatively high economical age of 10.6 years (YE2013). Capex might thus soon be required to keep the shopping centres attractive for tenants. As of 2013, the occupancy rate of the company's properties stood at a high 97%. This - together with a relatively long WAULT of 4.7 years – should enable Klépierre to benefit from relatively stable and predictable rental cash flows for the next few years.

Consistently high profitability rates

With a stable EBITDA margin of around 80% over the past years, Klépierre has consistently generated profits. The company exhibited also stable return on assets of 4% over the considered period (LTM to June 2014 adjusted for one-time effects like the sale of 126 retail galleries). These stable ratios ensure high visibility over Klépierre's future profitability and are considered positive by Scope.

Financial Risk Profile

Relatively high leveraged company with moderate FFO/Fixed Charge (x)

Klépierre's Loan-to-Value (LTV) ratio stood at a high 58% at end-June 2014. The FFO/Debt (%) for the LTM to June 2014 amounted to a low 7%, while its FFO/Fixed Charge (x) stood at a moderate 2.4x in the LTM to June 2014.

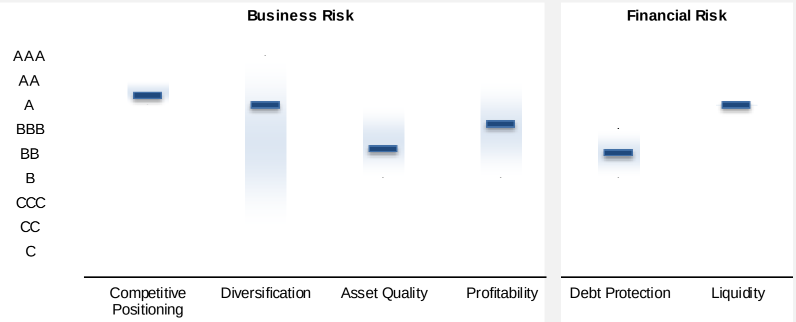
Liquidity at its best level since 2008

Klépierre's Liquidity ratio stood at 2.5x for the LTM to June 2014.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	15,850	16,965	17,174	16,531	14,512
Total Debt (EURm)	10,226	10,683	10,482	9,869	8,449
Cash & Equivalents (EURm)	214	188	179	125	168
Revenues (EURm)	1,131	1,042	1,280	1,253	1,144
Net Rents (EURm)	930	959	992	1,009	948
EBITDA (EURm)	909	870	1,027	991	899
FFO (EURm)	543	544	559	615	551
EBITDA margin (%)	*80%*	*83%*	*80%*	*79%*	*79%*
Return on Assets (%)	*4%*	*4%*	*4%*	*4%*	*4%*
LTV (%)	*65%*	*63%*	*61%*	*60%*	*58%*
FFO/Debt (%)	*5%*	*5%*	*5%*	*6%*	*7%*
Debt/EBITDA (x)	*11x*	*12x*	*10x*	*10x*	*9x*
FFO/Fixed Charge (x)	*2.3x*	*2.2x*	*2.2x*	*2.4x*	*2.4x*
Liquidity (x)	*1.2x*	*1.3x*	*2.4x*	*1.1x*	*2.5x*

Source: Scope based on company's financial reports



Source: Scope

Deutsche EuroShop AG

European Commercial Real Estate Corporates

Corporate name:	**Deutsche EuroShop AG**
Country of origin:	Germany
Main country exposure:	Germany
Real Estate Sector:	**Commercial**
Commercial Space (SQM):	696,200

Deutsche EuroShop AG (Deutsche EuroShop) is a Hamburg-based property company. As of September 2014, its property portfolio included 19 shopping-centres in Germany (Manheim), Austria (Klagenfurt), Poland (Gdansk) and Hungary (Pécs) and was valued at EUR 3.4bn.

Deutsche EuroShop's strategy is to buy, hold and develop properties mainly located in secondary markets.

Business Risk Profile

Medium-sized company with moderate market share in its core markets

With an asset market value of EUR 3.4bn at end-September 2014 and FFO of EUR 115m for the LTM to September 2014, Deutsche EuroShop is among the largest German-based owners of shopping centres alongside the open-ended real estate funds, ECE and Unibail. In 2013 it had a moderate 6% share of its core market, the German retail (shopping centre) property market.

Geographically well diversified but high reliance on top tenants

Deutsche EuroShop is geographically well diversified with an international presence in 19 regions spread across four countries. Its tenant diversification is weaker, compared to larger peers, with the top 10 tenants accounting for 26% of total revenues in 2013. Given its shopping centres, the retail industry represents a high 90% of Deutsche EuroShop's rental revenues. The latter leaves Deutsche EuroShop vulnerable to adverse market movements and is judged as a slight negative by Scope Ratings.

Strong quality of assets in secondary markets

Shopping centres owned by Deutsche EuroShop are mainly located in 'C' locations. This locations tend to be less liquid than 'A' or 'B' locations. On the positive side, however, Deutsche EuroShop exhibits strong asset quality with a stable and high occupancy rate of 99% as well as a WAULT of over 6.0 years in 2013. This gives Scope comfort with regard to the predictability of future positive cash flows. Given that the average economical age of its properties is 7.1 (YE2013) and a solid Capex to Sales ratio of 10% in 2013, there is little risk that Deutsche EuroShop's property portfolio will become less attractive due to aging.

High and stable profitability

Deutsche EuroShop had a high 89% EBITDA margin in LTM to September 2014, as well as a moderate 5% Return on Assets. Scope Ratings expects this profitability to stay high in the next few years.

Financial Risk Profile

Sound trend of improving debt protection measures

Buoyed by a 60% increase in FFO since 2010, Deutsche EuroShop's FFO/Debt (%) rose to a modest 8% for the LTM to September 2014 (up from 5% in 2010), while its Loan-to-Value (LTV) was relatively stable at between 43% and 47% from 2010 to end-September 2014. The company's FFO/Fixed Charge (x) stood at a solid 2.9x at LTM to September 2014, driven by the steady reduction in interest expenses and the significant increase of the FFO.

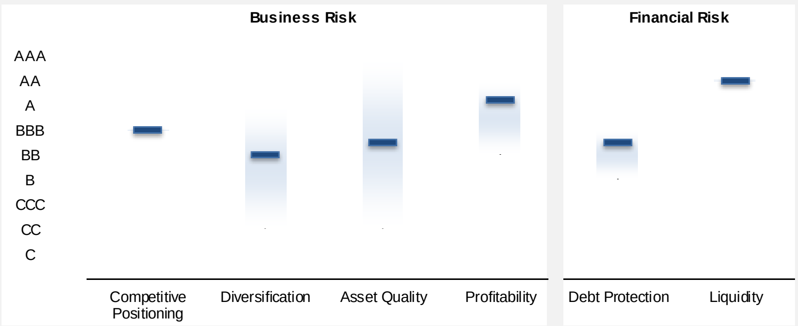
Constantly high levels of liquidity

Deutsche EuroShop's liquidity stood at a high 5.0x at end-September 2014.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	2,964	3,225	3,549	3,395	3,380
Total Debt (EURm)	1,288	1,472	1,657	1,487	1,461
Cash & Equivalents (EURm)	66	64	168	41	64
Revenues (EURm)	143	189	210	187	199
Net Rents (EURm)	143	189	210	187	199
EBITDA (EURm)	124	166	181	166	178
FFO (EURm)	71	97	101	106	115
EBITDA margin (%)	*87%*	*88%*	*86%*	*88%*	*89%*
Return on Assets (%)	*3%*	*4%*	*5%*	*5%*	*5%*
LTV (%)	*43%*	*46%*	*47%*	*44%*	*43%*
FFO/Debt (%)	*5%*	*7%*	*6%*	*7%*	*8%*
Debt/EBITDA (x)	*10x*	*9x*	*9x*	*9x*	*8x*
FFO/Fixed Charge (x)	*2.3x*	*2.5x*	*2.4x*	*2.8x*	*2.9x*
Liquidity (x)	*4.3x*	*4.7x*	*2.8x*	*3.9x*	*5.0x*

Source: Scope based on company's financial reports



Source: Scope

TLG Immobilien AG

European Commercial Real Estate Corporates

Corporate name:	**TLG Immobilien AG**
Country of origin:	Germany
Main country exposure:	Germany
Real Estate Sector:	**Commercial**
Commercial Space (SQM):	1,336,000

TLG Immobilien AG (TLG) is a Berlin-based real estate company, which has operated in Berlin and the eastern regions of Germany for the past 20 years. The company is an active portfolio manager of high-quality offices as well as of diversified retail properties. It was listed on the stock exchange at the end of October 2014.

Business Risk Profile

Small to medium sized company without large market share

With the market value of its total assets amounting to EUR 1.6bn and FFO of EUR 48m at the end of September 2014, TLG is small in size. Its market share based on total space in its core retail and office markets in Berlin amounted to 1.6% / 0.8% respectively.

Inter-regional player with low tenant diversification

TLG is diversified across five German regions, with a focus on Berlin (44% of H1 2014 total assets), the Baltic coast and the centre of Germany. The company holds mostly retail and office properties (38% and 25% of total assets, respectively). TLG is highly exposed to its largest retail tenants (e.g. Netto, Rewe, Kaiser's, etc.), which accounted for 24% of its H1 2014 rental income. In terms of cities, the company's core market is Berlin. Other significant cities are Dresden (16%) and Rostock (9%). TLG's geographical diversification is thus limited.

Moderate asset quality driven by relatively high WAULT

TLG's assets are mainly in 'A' and 'B' locations. The occupancy rate of the properties, which stood at 95% in end-September 2014, and the WAULT of 7.6 years provide some visibility on the company's revenues in the next few years.

Moderate, but improving profitability

TLG's EBITDA margin has increased since 2010 and stood at a high 75% in the LTM to September 2014. The company's Return on Assets was 4% for the same period (2010: 3%). The volatility of both measures is high, but given the positive trend Scope sees a low probability risk of a material reversal of profitability during the next few years.

Financial Risk Profile

Increasing debt and declining cash flows worsen debt protection

TLG had a moderate Loan-to-Value (LTV) of 47% at the end of September 2014 (2013: 43%, 2012: 30%). Its FFO/Debt (%) ratio stood at 6% down from 20% in 2010. FFO/Fixed Charge (x) also lost ground and decreased from 5.4x in 2010 to 2.4x for the LTM to September 2014.

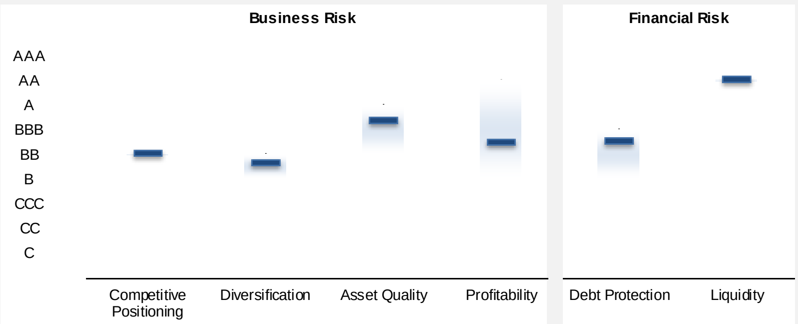
Highest liquidity seen in the past four years

TLG's Liquidity ratio increased to 3.1x during the LTM to end-September 2014, the highest level in the past three years and is mostly explained by reduction of short-term debt to EUR 29.1m (end-September 2014) from EUR 393m at YE2012.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	1,846	1,912	1,615	1,448	1,608
Total Debt (EURm)	658	699	481	627	757
Cash & Equivalents (EURm)	15	34	51	135	53
Revenues (EURm)	212	218	166	149	151
Net Rents (EURm)	190	195	116	118	117
EBITDA (EURm)	119	137	115	109	114
FFO (EURm)	130	119	87	48	48
EBITDA margin (%)	*56%*	*63%*	*69%*	*73%*	*75%*
Return on Assets (%)	*3%*	*3%*	*3%*	*4%*	*4%*
LTV (%)	*36%*	*37%*	*30%*	*43%*	*47%*
FFO/Debt (%)	*20%*	*17%*	*18%*	*8%*	*6%*
DEBT/EBITDA (x)	*6x*	*5x*	*4x*	*6x*	*7x*
FFO/Fixed Charge (x)	*5.4x*	*4.7x*	*4.9x*	*2.3x*	*2.4x*
Liquidity (x)	*2.2x*	*11.5x*	*0.6x*	*1.4x*	*3.1x*

Source: Scope based on company's financial reports



Source: Scope

POLIS Immobilien AG

European Commercial Real Estate Corporates

Corporate name:	**POLIS Immobilien AG**
Country of origin:	Germany
Main country exposure:	Germany
Real Estate Sector:	**Commercial**
Commercial Space (SQM):	141,983

POLIS Immobilien AG (POLIS) is a Berlin-based listed property company specialising in the letting of office properties in Germany's economically strongest cities.

Business Risk Profile

Small size and market share

POLIS is a small real estate company with EUR 333m of total assets and EUR 8m of FFO in LTM to September 2014. Its small size, limited market share and exposure to the economic cycle led to volatile cash flow generation in the past seven years. This is reflected in its EBITDA, which peaked at EUR 12.5m in 2008 and fell to EUR 6.7m in 2010. Its 2013 EBITDA was EUR 11.3m.

Broad tenant portfolio offset by sole focus on Germany

POLIS' tenant portfolio is well diversified. A modest 23% of rental revenues are coming from letting to retail and wholesale, while 20% come from lettings to the finance industry. POLIS benefits from a solid tenant diversification. Its top 10 tenants accounted for a moderate 7.7% of 2013 rental income. Due to POLIS' geographical focus on the economically strongest cities in Germany, its success is highly correlated to the German economic cycle.

Medium asset quality driven by good location but risk regarding future Capex needs

POLIS' has a moderate asset quality. This is supported by its focus on properties in 'A' locations such as Cologne (25% of rental revenues for 2013), Stuttgart (19%) and Berlin (18%). Occupancy rates stood at 93% in September 2014 (up from 65% in 2009). Due to the relatively high economic age of Polis' assets (14 years) Capex, which already stood at a relatively high 33% of rental revenues in 2013, might potentially increase in the future.

Moderate and volatile profitability limited by company's size

POLIS benefits from some economies of scale but generally shows lower levels of profitability than larger competitors. In the LTM to September 2014, profitability measured by the EBITDA margin stood at 69% and the return on assets was 3%.

Financial Risk Profile

Adequate debt protection minimizes the risk on financial obligations

One of POLIS' strengths is the comparatively low LTV (September 2014: 45%). Although its FFO/Debt (%) ratio was a 5% relatively weak in LTM September 2014, POLIS benefits from a moderate FFO/Fixed Charge cover (x) (LTM September 2014: 2.4x). The relatively low LTV and the positive trend in FFO are likely to help the refinancing of POLIS' upcoming maturities in the next four years (2015: EUR 25.5m; 2016; EUR 4.3m, 2018: EUR 20.8m).

Liquidity expected at 1.0x at YE2014

POLIS' Liquidity ratio stood at a solid 9.9x in September 2014. Short-term debt amounted to EUR 2m, while cash flow from operations doubled to EUR 8m from YE2013 to LTM September 2014. Liquidity is expected to decline close to 1.0x at YE2014 given the EUR 23.5m falling due in December 2015.

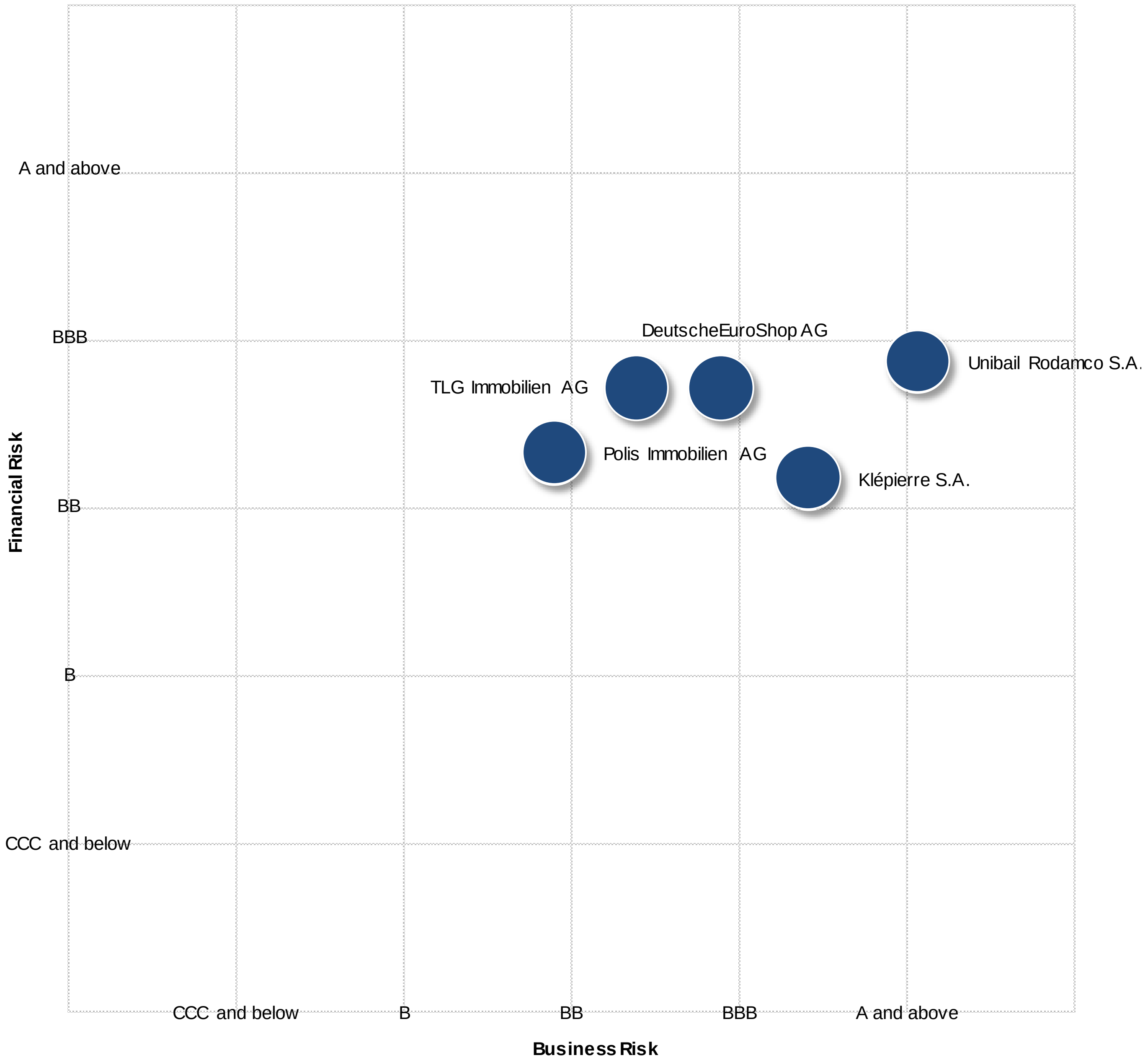
Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	317	302	310	334	333
Total Debt (EURm)	155	135	139	156	148
Cash & Equivalents (EURm)	6	2	8	6	8
Revenues (EURm)	13	16	16	19	19
Net Rents (EURm)	13	15	16	18	19
EBITDA (EURm)	7	8	8	11	13
FFO (EURm)	2	2	2	6	8
EBITDA margin (%)	*51%*	*50%*	*50%*	*60%*	*69%*
Return on Assets (%)	*2%*	*2%*	*2%*	*3%*	*3%*
LTV (%)	*49%*	*45%*	*45%*	*47%*	*45%*
FFO/Debt (%)	*1%*	*2%*	*2%*	*4%*	*5%*
Debt/EBITDA (x)	*23x*	*17x*	*17x*	*14x*	*11x*
FFO/Fixed Charge (x)	*1.4x*	*1.4x*	*1.4x*	*2.1x*	*2.4x*
Liquidity (x)	*0.7x*	*2.8x*	*3.5x*	*2.7x*	*9.9x*

Source: Scope based on company's financial reports

Source: Scope

Mapping European Commercial Real Estate Corporates



Source: Scope

Deutsche Annington Immobilien SE

European Residential Real Estate Corporates

Corporate name:	**Deutsche Annington Immobilien SE**
Country of origin:	Luxemburg
Main country exposure:	Germany
Real Estate Sector:	**Residential**
Apartments (No.):	184,000

Deutsche Annington Immobilien SE (Deutsche Annington) is the largest privately held residential real estate company in Germany. Most of the company's assets are located in the western part of Germany but also in Berlin. The company's headquarters are in Bochum.

Business Risk Profile

Largest listed property company in Germany with an outstanding market share in Dortmund

With total assets of EUR 12.9bn at end-September 2014 and FFO expected to amount to about EUR 265m at YE2014, Deutsche Annington is the largest listed property company of Germany. Its market share is estimated at 0.5% in Germany, with Dortmund representing its core market in which it held t 5.6% at September 2014.

Deutsche Annington underpins its ambition to grow further with the recent takeover offer for Gagfah S.A. the third largest listed residential property company in Germany.

A regional well diversified German company with relatively high bad debt impairments

Deutsche Annington is present in nine regions across Germany. The company's tenants portfolio is well diversified, with the top three and top ten accounting for neglible shares. Allthough having a well diversified tenant portfolio, Deutsche Annington's Bad Debt Impairment/Revenues of 2.4% for 2013 is relatively high.

Well-located assets, but facing lease expiry risks

Deutsche Annington's properties are mostly in attractive, liquid 'A' and 'B' locations. Although the company's overall occupancy rate stood at a high 96% in September 2014, the WAULT was at a low 0.3 years. While a low WAULT is typical for the sector, it does not give much visibility on future cash flow generation.

Profitability still low, but improving slightly

In the LTM to September 2014, Deutsche Annington's EBITDA margin was a modest 46% and its Return on Assets 2%. The margin volatility increased due to the recent decline in profitability, caused by rising administrative expenses (+38% since 2012) which were not offset by rising revenues.

Financial Risk Profile

Decreasing LTV but still low debt protection measures

At 30 September 2014, Deutsche Annington's LTV stood at a solid 57%. FFO/Fixed Charge (x) was modest at 1.7x and the FFO/Debt (%) ratio was a weak 3%. Leverage is likely to decline further towards year-end 2014, under the impact of the disposal of 9,600 apartments to LEG Immobilien AG in October 2014 and the EUR 451m capital increase in November 2014.

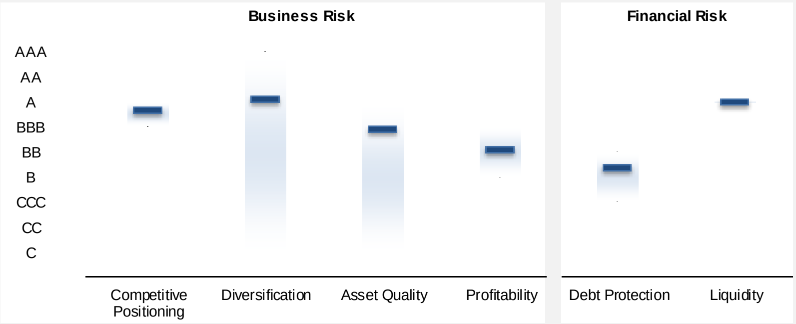
Increasing short-term debt and declining in cash

Even though the liquidity ratio of Deutsche Annington has deteriorated from 3.5x in 2013 to 2.4x in the LTM to September 2014, it is still at adequate levels.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	10,526	10,697	10,608	11,093	12,892
Total Debt (EURm)	7,272	6,910	6,590	5,908	7,361
Cash & Equivalents (EURm)	195	233	107	499	159
Revenues (EURm)	815	815	782	775	814
Net Rents (EURm)	724	731	729	728	755
EBITDA (EURm)	483	478	430	362	376
FFO (EURm)	196	212	139	15	205
EBITDA margin (%)	*59%*	*59%*	*55%*	*47%*	*46%*
Return on Assets (%)	*5%*	*3%*	*4%*	*1%*	*2%*
LTV (%)	*69%*	*65%*	*62%*	*53%*	*57%*
FFO/Debt (%)	*3%*	*3%*	*2%*	*0%*	*3%*
Debt/EBITDA (x)	*15x*	*14x*	*15x*	*16x*	*20x*
FFO/Fixed Charge (x)	*1.6x*	*1.6x*	*1.3x*	*1.0x*	*1.7x*
Liquidity (x)	*5.7x*	*4.8x*	*0.8x*	*3.5x*	*2.4x*

Source: Scope based on company's financial reports



Source: Scope

Deutsche Wohnen AG

European Residential Real Estate Corporates

Corporate name:	**Deutsche Wohnen AG**
Country of origin:	Germany
Main country exposure:	Germany
Real Estate Sector:	**Residential**
Apartments (No.):	147,000

Deutsche Wohnen AG (Deutsche Wohnen) is the second-largest listed residential property company in Germany. It focusses on the letting and development of residential real estate assets. Deutsche Wohnen's properties are mainly located in Berlin, the Rhein-Main region and Hannover.

Business Risk Profile

Germany's second largest property company with a large market share in Berlin

Deutsche Wohnen has a significant market share of about 5% in its core market Berlin in which it is one of the leading players. Following the takeover of GSW Immobilien AG (GSW) in December 2013, which added 60,000 apartments to Deutsche Wohnen's asset portfolio, and further acquisitions of 11,100 apartments, Deutsche Wohnen's assets grew significantly from EUR 4.9bn in 2012 to 10.5bn in September 2014 (+114%), while its FFO increased to EUR 220m in the LTM to September 2014, up from EUR 113m at YE2013 (+94%). Strong growth is expected to continue, with Deutsche Wohnen's FFO estimated to reach EUR 250m by YE2014, driven by the crystallization of synergies related to the GSW acquisition.

Moderate geographical diversification with a focus on Berlin

Deutsche Wohnen features moderate geographical diversification with presence in more than 10 German regions and a historical focus on Berlin (75% of asset values) and the "Rhein-Main" region (9%). Its granular tenant base leaves its credit quality relatively unaffected by potential defaults of single tenants.

Comparatively high asset quality gives confidence regarding predictability of future cash flows

Scope sees the asset quality of Deutsche Wohnen as moderate. It benefits from a high occupancy rate of 98% at end-September 2014 and a focus on relatively liquid 'A' and 'B' locations. Scope Ratings sees it as positive for Deutsche Wohnen's credit quality that about 14% of its rental income is derived from the letting of nursing homes, as long-term lease agreements exist in this market sub-sector. Deutsche Wohnen's WAULT thus stood at a comparatively high 1.8 years at YE2013.

Profitability in line with those of peers

Deutsche Wohnen's profitability as measured by its EBITDA margin was a moderate 58% for the LTM to September 2014. Together with a Return on Assets of 4% for the same period, Deutsche Wohnen's profitability is in line with its German peers operating in residential properties. A further improvement in the EBITDA margin in 2015 might result from the realization of synergies arising on the GSW acquisition.

Financial Risk Profile

Relatively high leverage but at low costs of debt

The FFO/Debt (%) ratio is at a low level of 4%. This is expected to improve with the realization of synergies related to the GSW acquisition. Like most of its peers, Deutsche Wohnen benefits from the low interest environment. This is reflected in its moderate FFO/Fixed charge cover of 2.2x in LTM September 2014. This ratio is expected to increase further over the next few years, helped by the recent EUR 1.8bn debt refinancing at lower interest rates.

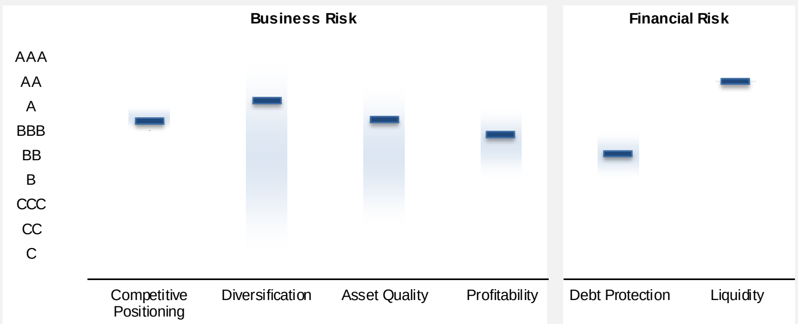
Improving liquidity driven by increase of cash flow from operations

Deutsche Wohnen's liquidity ratio is solid and stood at 4.6x at end-September 2014, buoyed by a EUR 581m cash position.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	3,038	3,302	4,908	10,173	10,493
Total Debt (EURm)	1,797	1,844	2,783	5,432	5,559
Cash & Equivalents (EURm)	29	142	74	157	581
Revenues (EURm)	244	255	314	466	707
Net Rents (EURm)	200	204	248	387	603
EBITDA (EURm)	136	142	197	253	411
FFO (EURm)	48	64	104	113	220
EBITDA margin (%)	*56%*	*56%*	*63%*	*54%*	*58%*
Return on Assets (%)	*2%*	*3%*	*2%*	*2%*	*4%*
LTV (%)	*59%*	*56%*	*57%*	*53%*	*53%*
FFO/Debt (%)	*3%*	*3%*	*4%*	*2%*	*4%*
Debt/EBITDA (x)	*13x*	*13x*	*14x*	*21x*	*14x*
FFO/Fixed Charge (x)	*1.6x*	*1.8x*	*2.2x*	*1.9x*	*2.2x*
Liquidity (x)	*0.4x*	*3.0x*	*2.1x*	*1.1x*	*4.6x*

Source: Scope based on company's financial reports



Source: Scope

Gagfah S.A.

European Residential Real Estate Corporates

Corporate name:	**Gagfah S.A.**
Country of origin:	Luxemburg
Main country exposure:	Germany
Real Estate Sector:	**Residential**
Apartments (No.):	146,000

Gagfah S.A. (Gagfah) is a Luxembourg-based real estate company engaged in the ownership, management and trading of a geographically diversified real estate portfolio in Germany. Its core markets are Dresden and Berlin.

Business Risk Profile

Medium-sized company with a stronghold in Dresden

With an asset value of EUR 8.3bn and FFO of EUR 191m in the LTM to September 2014, Gagfah is the third largest listed property company in Germany. The company holds a dominant 13% share of the residential market in Dresden and a small 0.4% share of the fragmented German real estate market.

Well-diversified portfolio throughout Germany

Gagfah has a well-diversified real estate portfolio with operations spread across German regions. Its tenant portfolio is also well diversified, with the top 10 tenants accounting for a low 0.01% of group revenues. The company is thus not likely to be materially impacted by potential defaults of single tenants.

Modest asset quality with a rather strong focus on ‘B’ and ‘C’ locations

Gagfah’s assets are mainly in ‘B’ and ‘C’ locations, which tend not to be as liquid as ‘A’ locations. Gagfah’s overall occupancy rate stood at a comparatively high 96% in September 2014. Its relatively low WAULT of only 0.3 years in 2013 is, however, in line with those of peers. This is due to the regulatory environment in Germany, which is favourable to tenants and allows for 3-month notice periods.

Moderate and stable profitability with some headroom given the generally under-rented portfolio

Gagfah had a moderate 61% EBITDA margin in LTM to September 2014. The Return on Assets stood at 2% for the same period. Both measures are among the more profitable compared to that of peers focusing on the residential property market segment. Scope Ratings expects a slight improvement in the EBITDA margin in the next few years, because Gagfah’s rental portfolio is under-rented in many of the regions it operates in. This leaves some potential for a profitable organic growth in rental revenues.

Financial Risk Profile

Highly leveraged company profiting from the low interest rate environment

Gagfah’s Loan-to-Value (LTV) ratio stood at a high 59% at end-September 2014. The 4% FFO/Debt (%) ratio and the Debt/EBITDA of 14x for the LTM to September 2014 also reflect Gagfah’s relatively high debt level. However, helped by the low interest rate environment Gagfah’s FFO/Fixed Charge of 2.3x improved from 1.6x in 2013.

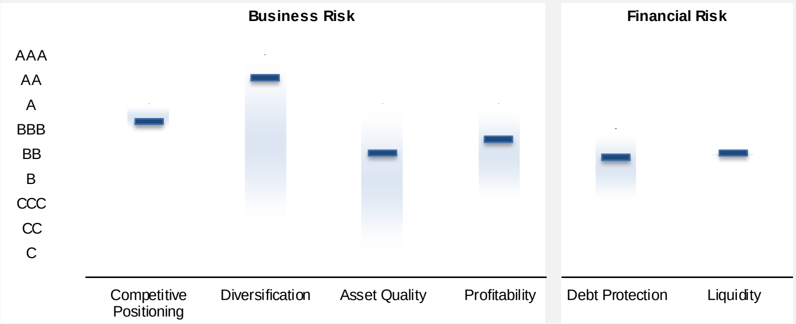
Low liquidity improving since 2012

Gagfah’s undrawn committed bank facilities of EUR 320m in September 2014 lift liquidity ratio together with available cash above 1.0x.

Scope’s credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	9,262	8,366	8,111	7,960	8,327
Total Debt (EURm)	6,046	5,432	5,235	4,880	4,880
Cash & Equivalents (EURm)	87	101	71	40	66
Revenues (EURm)	657	623	592	576	584
Net Rents (EURm)	630	594	567	555	560
EBITDA (EURm)	427	340	355	335	358
FFO (EURm)	126	31	102	124	191
EBITDA margin (%)	*65%*	*54%*	*60%*	*58%*	*61%*
Return on Assets (%)	*3%*	*3%*	*3%*	*2%*	*2%*
LTV (%)	*65%*	*65%*	*65%*	*61%*	*59%*
FFO/Debt (%)	*2%*	*1%*	*2%*	*3%*	*4%*
Debt/EBITDA (x)	*14x*	*16x*	*15x*	*15x*	*14x*
FFO/Fixed Charge (x)	*1.5x*	*1.1x*	*1.5x*	*1.6x*	*2.3x*
Liquidity (x)	*0.6x*	*0.3x*	*0.0x*	*0.4x*	*1.1x*

Source: Scope based on company’s financial reports



Source: Scope

LEG Immobilien AG

European Residential Real Estate Corporates

Corporate name:	**LEG Immobilien AG**
Country of origin:	Germany
Main country exposure:	Germany
Real Estate Sector:	**Residential**
Apartments (No.):	97,000

LEG Immobilien AG (LEG) is a North-Rhine-Westphalia (NRW) based property company. It focusses on letting and developing its residential portfolio of ca. 97,000 apartments.

Business Risk Profile

Medium-sized company with strong market power in NRW

With a total asset value of EUR 5.8bn at end-September 2014 and FFO of EUR 133m in the LTM to September 2014, LEG is a medium-sized property company in the fragmented German residential property market. Its market positioning in its core market of North-Rhine Westphalia (NRW) improved in October 2014 when LEG completed the acquisition of 9,600 apartments from Deutsche Annington for EUR 484m.

Moderate diversification with no material tenant default risk

LEG focusses on the major cities of NRW including Dortmund, Münster, Recklinghausen and Düsseldorf. As a result, its geographical diversification is limited. Similar to other companies concentrating on the residential property segment, LEG has a well diversified tenant portfolio. This limits the effect from potential tenant defaults on the companies revenues.

Comparatively high fluctuation rate limits asset quality

A positive feature of LEG's asset quality is its high 97% occupancy rate as at end-September 2014. However LEG's assets are mainly located in 'B' locations, which are defined as 'large cities of national or regional significance' but are less liquid than 'A' locations. As the majority of LEG's properties are located in NRW (98% of LEG's 2013 asset value) LEG is likely to keep high occupancy rates going forward and should profit from increasing rents. Both are due to the expected mid-term stability in demand for NRW, with the number of households to remain more or less stable until 2030. As typical for the German residential property segment, LEG's WAULT is low at 0.4 years at end-September 2014. A comparatively high tenant fluctuation rate of 11.3% in H1 2014 generates significant uncertainty with regard to predictability of future cash flows.

Below average but stable profitability

Profitability is one of LEG's strongest business drivers. With a 43% EBITDA margin and a 3% Return on Assets for the LTM to September 2014, LEG's EBITDA margin is, however, low compared with that of peers in the residential property segment because its economies of scale are limited as is.

Financial Risk Profile

Debt protection in line with thos of peers

LEG's LTV stood at a low 50% and its FFO/Debt (%) ratio was a weak 5% in September 2014. LEG's FFO/Fixed Charge (x) stood at 2.0x for the same period and has been benefiting from the low interest environment.

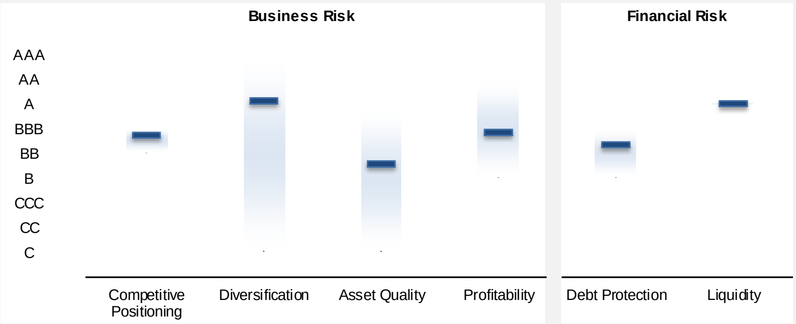
Liquidity of 2.2x

LEG's Liquidity ratio reached 2.2x at end-September 2014, while its average debt maturity was 11 years. Both give confidence in LEG's abilities to serve its financial obligations for the next few years.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	5,002	4,988	5,238	5,423	5,810
Total Debt (EURm)	2,210	2,307	2,526	2,582	2,911
Cash & Equivalents (EURm)	82	80	132	109	302
Revenues (EURm)	509	512	514	543	570
Net Rents (EURm)	487	499	500	532	561
EBITDA (EURm)	195	177	191	201	245
FFO (EURm)	0	65	91	99	133
EBITDA margin (%)	*38%*	*35%*	*37%*	*37%*	*43%*
Return on Assets (%)	*3%*	*3%*	*4%*	*3%*	*3%*
LTV (%)	*44%*	*46%*	*48%*	*48%*	*50%*
FFO/Debt (%)	*0%*	*3%*	*4%*	*4%*	*5%*
Debt/EBITDA (x)	*11x*	*13x*	*13x*	*13x*	*12x*
FFO/Fixed Charge (x)	*1.0x*	*1.4x*	*1.5x*	*1.8x*	*2.0x*
Liquidity (x)	*0.7x*	*1.0x*	*0.7x*	*1.1x*	*2.2x*

Source: Scope based on company's financial reports



Source: Scope

Grand City Properties S.A.

European Residential Real Estate Corporates

Corporate name:	**Grand City Properties S.A.**
Country of origin:	Luxemburg
Main country exposure:	Germany
Real Estate Sector:	**Residential**
Apartments (No.):	43,000

Grand City Properties S.A. (Grand City) is a real estate company investing in and managing properties in Germany. Its operations are in North Rhine-Westphalia, Berlin, Bavaria and other highly populated areas. Grand City's strategy is to buy and develop properties in order to increase their value.

Business Risk Profile

Strong growth but still small market share

Grand City increased its total assets nearly ten-fold to EUR 2.4bn between 2011 and end-September 2014. Scope expects growth to continue, but at a slower pace. FFO stood at EUR 79m in the LTM to September 2014. Due to its wide spread of activities over different German regions, Grand City's share of its respective markets tends to be low.

Increasing geographical diversification

Grand City benefits from the granular tenants portfolio typical for residential property companies. Its exposure to the residential property segment is not seen as a credit negative because of the company's geographical diversification and focus on growing regions, and because the residential property segment is less cyclical than, for example, the commercial segment.

Improving occupancy rate expected going forward

Grand City's asset quality improved as a result of recent acquisitions in 'A' and 'B' locations such as Berlin and Mannheim. Even if the occupancy rate remains a relatively low 87% as seen at November 2014, Grand City successfully increased the share of its 'stabilized portfolio' of assets to 40% by November 2014 (2011: 10%) - exhibiting occupancy rates of above 95% and a significant uplift in rents since purchase. This development is supported by Grand City's comparatively high capex of 8.20 EUR/SQM p.a. (LTM to September 2014), which might lead to higher occupancy rates of the total portfolio over the next few years.

Weak profitability expected to reach competitive levels in the next few years

With an EBITDA margin of 21% for the LTM to September 2014, Grand City is less profitable than its larger peers. Scope expects Grand City's EBITDA margin to increase to about 40% in 2016 due to expected improvements in occupancy rates.

Financial Risk Profile

Strong debt protection and high portion of unencumbered assets

Grand City had a moderate Loan-to-Value (LTV) of 46% at end-September 2014 and EUR 950m in unencumbered assets, while its FFO/Fixed Charge cover (x) stood at a strong 4.4x in LTM to September 2014.

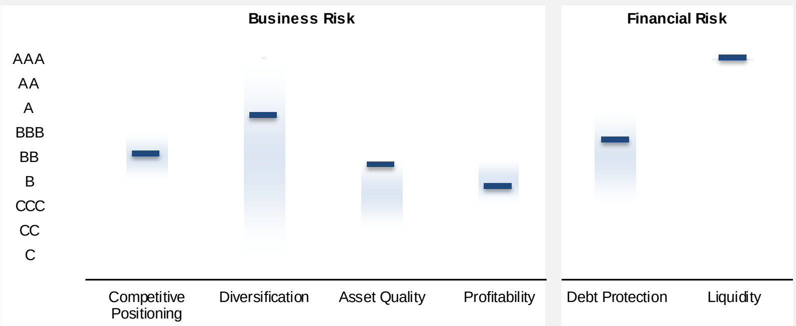
High Liquidity driven by long-term financing of expansion process

Grand City's Liquidity ratio stood at 20.7(x) in September 2014 (2013: 20.8x), driven by Grand City's debt maturity profile with no material debt due until 2017.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	200	288	555	1,651	2,369
Total Debt (EURm)	111	141	276	672	1,096
Cash & Equivalents (EURm)	9	8	87	171	228
Revenues (EURm)	10	20	42	115	202
Net Rents (EURm)	8	16	40	100	201
EBITDA (EURm)	-4	4	9	41	43
FFO (EURm)	1	3	13	52	79
EBITDA margin (%)	*-41%*	*22%*	*21%*	*36%*	*21%*
Return on Assets (%)	*2%*	*-1%*	*1%*	*2%*	*2%*
LTV (%)	*56%*	*49%*	*50%*	*41%*	*46%*
FFO/Debt (%)	*1%*	*2%*	*5%*	*8%*	*7%*
Debt/EBITDA (x)	*-26x*	*32x*	*32x*	*16x*	*25x*
FFO/Fixed Charge (x)	*1.2x*	*1.5x*	*2.3x*	*4.5x*	*4.4x*
Liquidity (x)	*13.2x*	*2.5x*	*28.3x*	*20.8x*	*20.7x*

Source: Scope based on company's financial reports



Source: Scope

Adler Real Estate AG*

European Residential Real Estate Corporates

BB- STABLE
Corporate Rating

Corporate name:	**Adler Real Estate AG**
Country of origin:	Germany
Main country exposure:	Germany
Real Estate Sector:	**Residential**
Apartments (No.):	21,000

Adler Real Estate AG (Adler) is a German property company, which follows a buy-and-hold approach after a major shift in strategy in 2012. It focusses on the German residential real estate segment with residual development activity in Germany.

Business Risk Profile

Small property company on the verge of becoming medium sized

Adler is a small property company that has reported strong growth in total assets over the past three years. Since 2012, Adler has multiplied its assets by 30x, reporting a total asset volume of EUR 1.3bn at end September 2014. Adler's FFO stood at EUR 20m in the LTM to September 2014. Adler's market share does not amount to more than 2% in any of the cities in which it operates.

Excellent tenant diversification accompanied by moderate geographical diversification

As of September 2014, Adler's portfolio was spread over approximately 50 cities, mainly in North-Rhine Westphalia, Lower Saxony and Saxony (accounting for 66% of total rental income). Geographical diversification is therefore moderate. Adler's tenant diversification is excellent, although focussed solely on the residential segment. Tenant quality is moderate with a ratio of Bad Debt Impairment/Revenues of 0.7% for 2013.

Medium asset quality determined by an occupancy rate of 90% and exposure to declining markets

Adler's asset quality is determined by an occupancy rate of 90% at end-September 2014, which is below than that of many of its peers, and a low WAULT (typical for the residential segment). Scope Ratings expects a longer term demand contraction in the majority of Adler's core markets. The impact is, however, partially mitigated by Adler's low average rents per SQM compared with market rents in those regions.

Profitability expected to catch up with that of peers

Due to Adler's relatively aggressive growth strategy, Scope estimates that Adler's EBITDA margin and Return on Assets will increase in 2014 to about 66% (up from 25% in 2013) and 5% (2013: 2.4%), respectively. It is expected to stabilise at a lower level from 2015 onwards.

Financial Risk Profile

Higher leverage than of many of its listed peers

With an LTV of 71% at end-September 2014, Adler's leverage is higher than that of many of its peers. Scope expects no significant deleveraging over the short term due to the investment policy currently pursued. The same applies to the cash flow leverage with a FFO/Debt (%) ratio of 2% for the LTM to September 2014. However FFO/Fixed Charge (x) improved to a modest 1.7x and is expected to stabilize at this level for the next few years.

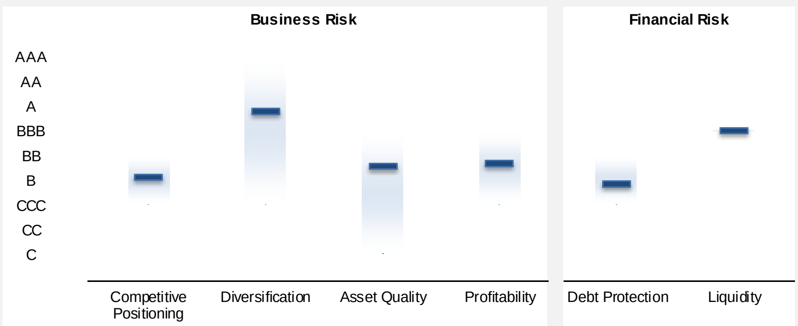
Moderate liquidity position due to a limited short-term debt position

Adler benefits from a moderate liquidity position, with 1.3x expected going forward.

Scope's credit quality assessment

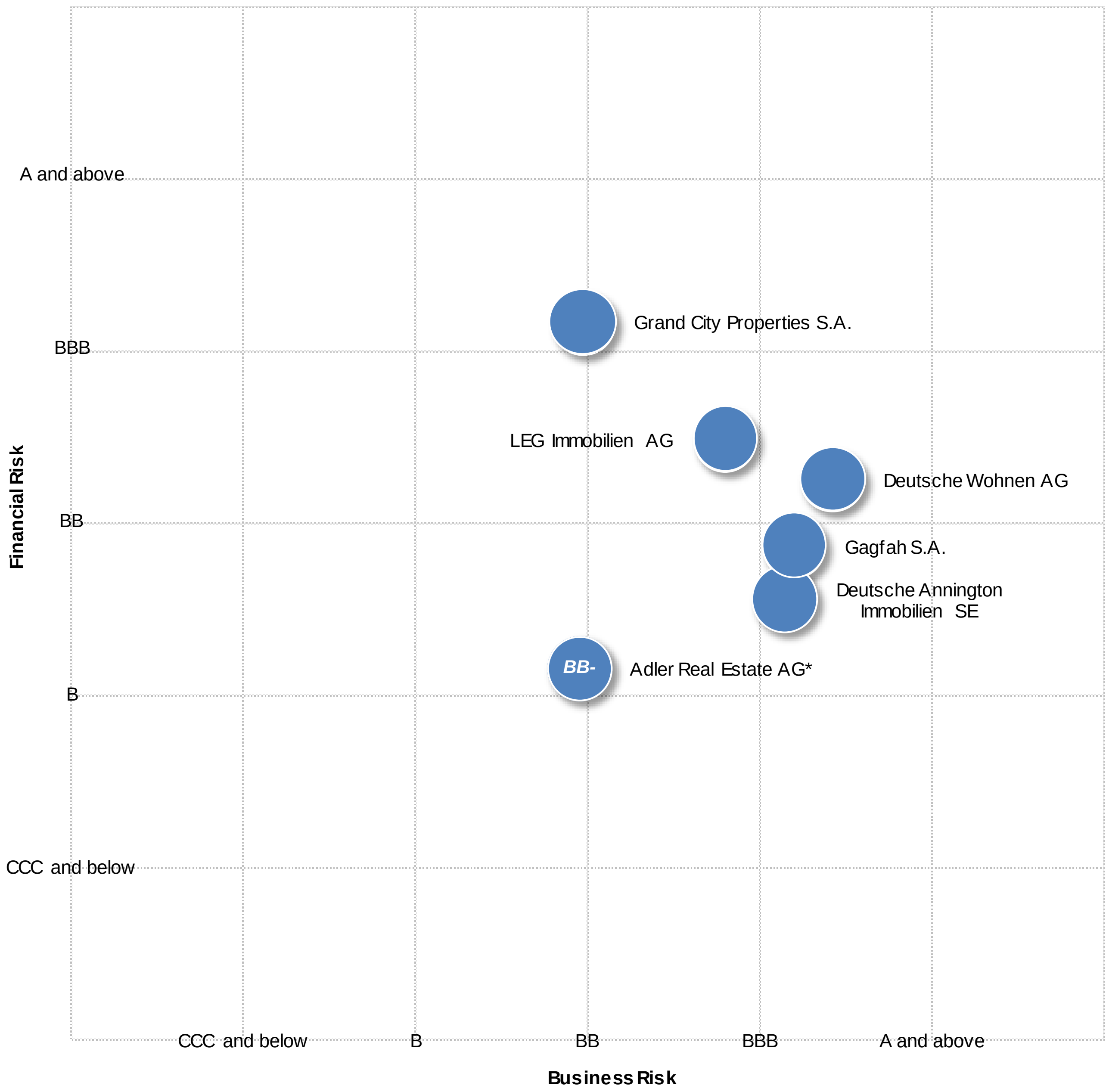
	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	36	35	44	461	1,297
Total Debt (EURm)	6	5	15	340	925
Cash & Equivalents (EURm)	0	4	1	6	36
Revenues (EURm)	1	2	3	18	64
Net Rents (EURm)	1	8	6	19	71
EBITDA (EURm)	-1	1	1	5	42
FFO (EURm)	-1	0	1	0	20
EBITDA margin (%)	*-60%*	*30%*	*56%*	*26%*	*66%*
Return on Assets (%)	*-1%*	*2%*	*0%*	*-1%*	*1%*
LTV (%)	*16%*	*15%*	*33%*	*74%*	*71%*
FFO/Debt (%)	*-23%*	*5%*	*7%*	*0%*	*2%*
Debt/EBITDA (x)	*-7x*	*9x*	*10x*	*71x*	*22x*
FFO/Fixed Charge (x)	*-1.1x*	*1.3x*	*2.6x*	*1.0x*	*1.7x*
Liquidity (x)	*-1.0x*	*9.2x*	*0.7x*	*0.8x*	*1.3x*

Source: Scope based on company's financial reports



Source: Scope

Mapping German Residential Real Estate Corporates



Source: Scope

*Scope rated Corporates

Nexity S.A.

European Real Estate Development Corporates

Corporate name:	**Nexity S.A.**
Country of origin:	France
Main country exposure:	France
Real Estate Sector:	**Development**
Pipeline (EURm):	1.3 years

Nexity S.A. (Nexity) is a public real estate development and service group based in Paris. The group mainly sells properties in France, but is also present in Italy, Belgium and Poland. It is involved in residential and commercial real estate, in real estate services to companies and distribution networks, as well as in major urban development projects.

Business Risk Profile

Leading property developer in France with 10% market share

Nexity is among the leading real estate development and service corporates in France with a total asset market value of EUR 4.2bn and a 10% market share in France in 2013. In the LTM to June 2014, Nexity generated FFO of EUR 51m, which was negatively impacted by an early tax payment of EUR 51m for 2014. Scope expects FFO to increase to above EUR 100m for the FY 2014.

Geographically diversified and adequate product diversity

The group's residential division operates in 31 regions in France (94% of LTM's revenue to June 2014) as well as in Italy and Poland (accounting for a combined 6% of revenue). In addition to its development actvities, Nexity also offers real estate services such as rental management, managing agent services, rentals and brokerage. This recurring revenue accounted for 17% of the company's total revenue for the LTM to June 2014.

Operations mainly concentrated in markets with decreasing demand

The asset quality is the weakest aspect of Nexity's credit profile. By selling apartments mainly in 'B' and 'C' locations in France, the group is very exposed to relatively illiquid French property markets, in which demand/reservations have declined steadily since 2010. This is, however, somewhat offset by Nexity's order backlog of 1.3 years and its recurring income base, which has a stabilizing impact on Nexity's cash flow generation.

Low but stable profitability in line with peers

Nexity's EBITDA margin stood at about 8% in the four years to 2013 and is in line with those of peers such as Kaufman & Broad and Réalités. Nexity's Return on Assets was 5% in the LTM to June 2014 (2013: 3%).

Financial Risk Profile

Strong debt protection measures

Nexity's financial risk profile is strong, with improving debt protection measures seen since 2009. Nexity's LTV stood at 25% as at end-June 2014, one of the lowest in the company's peer group. FFO/Debt (%) decreased to 5% in the LTM to June 2014, down from 15% in 2013 and 41% in 2012. Scope expects Nexity's FFO/Debt ratio to improve to the levels seen in 2013, driven by expected FFO for 2014 of over EUR 100m. Nexity had a high FFO/Fixed Charge (x) of 3.6x in the LTM to June 2014, which is expected to improve to close to that achieved in 2013.

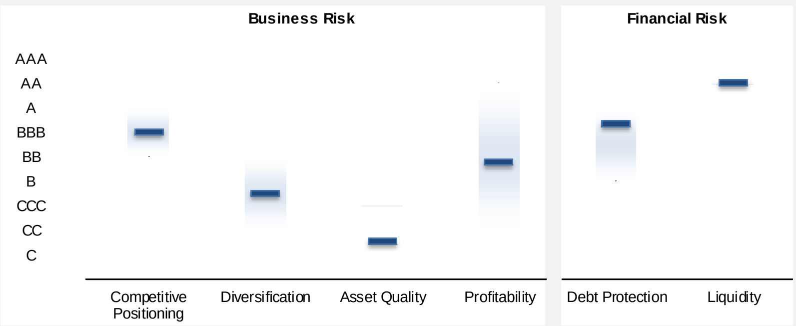
High liquidity of 3.7x

The company's liquidity stood at a high 3.7x for the LTM to June 2014, the highest level since 2009.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	4,550	4,273	4,143	4,187	4,435
Total Debt (EURm)	2,027	461	472	778	1,127
Cash & Equivalents (EURm)	34	65	67	78	76
Revenues (EURm)	2,747	2,603	2,831	2,737	2,542
EBITDA (EURm)	215	213	214	207	309
FFO (EURm)	171	159	192	115	51
FCF (EURm)	248	-156	5	-71	-181
EBITDA margin (%)	*8%*	*8%*	*8%*	*8%*	*12%*
Return on Assets (%)	*3%*	*2%*	*2%*	*3%*	*5%*
LTV (%)	*45%*	*11%*	*11%*	*19%*	*25%*
FFO/Debt (%)	*8%*	*34%*	*41%*	*15%*	*5%*
Debt/EBITDA (x)	*9.4x*	*2.2x*	*2.2x*	*3.8x*	*3.6x*
FFO/Fixed Charge (x)	*6.4x*	*9.6x*	*13.2x*	*7.1x*	*3.6x*
Liquidity (x)	*1.3x*	*1.9x*	*2.8x*	*3.4x*	*3.7x*

Source: Scope based on company's financial reports



Source: Scope

Kaufman & Broad S.A.

European Real Estate Development Corporates

Corporate name:	**Kaufman & Broad S.A.**
Country of origin:	France
Main country exposure:	France
Real Estate Sector:	**Development**
Pipeline (EURm):	1.0 years

Kaufman & Broad S.A. (Kaufman & Broad) is a Paris-based property developer and builder. Kaufman & Broad operates in the largest French cities and develops residential and commercial properties as well as offices in France.

Business Risk Profile

Medium-sized company with a relatively high market share

Kaufman & Broad's total assets amounted to EUR 978m on 31 May 2014. All of its properties under development are located in France, where the group has a relativily high market share estimated at 6%. The group's cash flow has trended downwards with FFO falling to EUR 658m during the LTM to June 2014, down by 19% since 2011.

Developer of residential properties fully exposed to the French real estate market

Kaufman & Broad only operates in France and is thus fully exposed to the the French real estate market. Within France, Kaufman & Broad is, however, well diversified with operations in all major French regions. Revenues from its operations in Paris represented 47% of H1 2014 group revenues, while sales from the south-west accounted for 21% and sales from the south-east accounted for 17%. In 2013, 96% of group revenues were derived from the development of residential properties.

Half of business operations in markets with decreasing demand

The group's customer base comprises first- and second-time home buyers and investors. Kaufman & Broad has a significant percentage of revenues stemming from B2C business (80% of revenues). With approximately 50% of operations situated in 'B' and 'C' locations, the company is exposed to areas where housing industry has experienced a continued downturn in demand/reservations since 2010. This could probably impact Kaufman & Broad's future cash flow generation.

Low but stable profitability

The return on Kaufman & Broad's assets stood at 5% for the LTM to June 2014, while its EBITDA margin was 7% in the same period. This profitability is in line with that of peers.

Financial Risk Profile

Higher leverage than of many of its listed peers but with strong FFO/Fixed Charge (x)

Kaufman & Broad's Loan-to-Value (LTV) of 59% at end-May 2014 is among the highest of its peer group. The company's FFO/Fixed Charge Cover (x) stood at 20.1x at end-May 2014, while its FFO/Debt (%) ratio stood at 10%. Scope Ratings expects debt protection measures to remain at these levels with revenues hovering around EUR 1bn in the next few years.

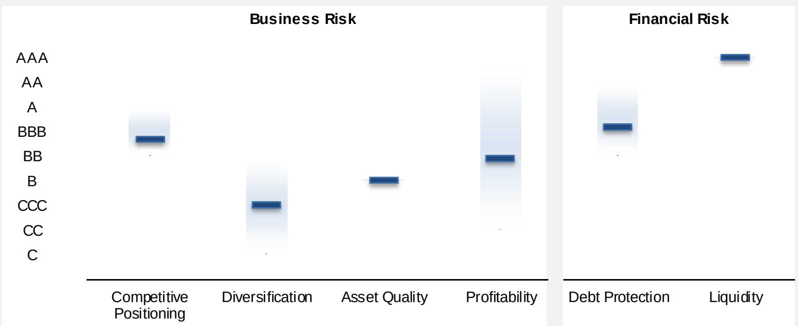
Outstanding liquidity level

Kaufman & Broad had an outstanding Liquidity ratio of 40.8x at end-May 2014.

Scope's credit quality assessment

	'10	'11	'12	'13	LTM'14
Total Assets (EURm)	965	1,034	1,052	1,146	978
Total Debt (EURm)	600	580	535	595	581
Cash & Equivalents (EURm)	82	58	89	116	73
Revenues (EURm)	936	1,044	1,030	1,026	1,006
EBITDA (EURm)	67	89	85	76	67
FFO (EURm)	56	72	69	67	58
FCF (EURm)	58	31	106	41	-5
EBITDA margin (%)	*7%*	*9%*	*8%*	*7%*	*7%*
Return on Assets (%)	*7%*	*7%*	*6%*	*5%*	*5%*
LTV (%)	*62%*	*56%*	*51%*	*52%*	*59%*
FFO/Debt (%)	*9%*	*12%*	*13%*	*11%*	*10%*
Debt/EBITDA (x)	*9x*	*7x*	*6x*	*8x*	*9x*
FFO/Fixed Charge (x)	*2.8x*	*5.8x*	*12.7x*	*20.0x*	*20.1x*
Liquidity (x)	*897.3x*	*21.1x*	*991.3x*	*21.2x*	*40.8x*

Source: Scope based on company's financial reports



Source: Scope

CODIC International S.A.*

European Real Estate Development Corporates

Corporate name:	**CODIC International S.A.**
Country of origin:	Belgium
Main country exposure:	France
Real Estate Sector:	**Development**
Pipeline (EURm):	1.5 years

CODIC International S.A. (CODIC) is a Brussels-based real estate developer with operations in Belgium, France, Luxembourg, Hungary and Romania. The company's activities are diversified mainly in office and retail development projects.

Business Risk Profile

Real estate developer with a limited size but significant market share

With a total asset value of EUR 219m in 2013/14, CODIC is a Real estate developer with a limited size, which limits CODIC to benefit from economies of scale. With an expected market share of between 11% in Luxemburg and 32% in Brussels in the next 2-3 years, CODIC is one of the major office developers in those markets. CODIC's significant presence in these strong investment markets is seen as positive for CODIC's credit quality.

Modest geographical and product diversification

Following the sale of its last Spanish asset in 2013/2014, CODIC has concentrated on its core markets in Luxemburg, France and Belgium. These markets show decreasing yields and increasing investment volume. CODIC's diversification of products is modest, with offices comprising 44%, retail 41% and others, such as residential and parking, 15% of its development pipeline.

Focus on 'B' locations

While following a strategy of tapping good-growth niche markets, such as Kirchberg (Luxemburg) in 2008, CODIC focusses mainly on 'B' locations and a few 'A' locations.

Volatile margins, as well as a low gross margin of 4.6% in 2013/14

CODIC's profitability measured by its EBITDA margin stood at 6% for 2013/14, up from a negative 20% in 2012/13 and is in line with that of peers. Driven by a time gap between the development and the disposal of projects CODIC's gross margin declined sharply to 4.7% in 2013/14 from 24.3% in 2011/12, which is below that of peers (20% to 30%). Scope expects the company's gross margin to improve to 22% in 2014/15 thanks to the pre-sold portion of CODIC's solid development pipeline.

Financial Risk Profile

Weak debt protection likely to recover

CODICs LTV was modest at 54% in FY2013/14, while FFO/Debt (%) and FFO/Fixed Charge (x) stood at -12% and -2.3x, respectively. Driven by its robust development pipeline of 300,000 sqm for the next 5 years, Scope expects the debt protection to improve to positive levels in the next few years.

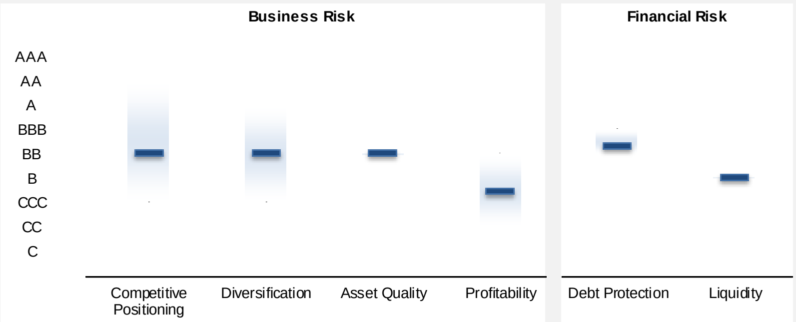
Improving liquidity going forward

Due to a recent change in shareholder structure, CODIC is able to tap new sources of financing. An expected positive cash flow from operations is also likely to support liquidity going forward.

Scope's credit quality assessment

	'10	'11	'12	'13	'14
Total Assets (EURm)	235	242	232	215	219
Total Debt (EURm)	125	107	92	86	118
Cash & Equivalents (EURm)	0	21	37	9	7
Revenues (EURm)	110	22	69	27	51
EBITDA (EURm)	18	-40	5	-5	3
FFO (EURm)	9	4	-17	-13	-14
FCF (EURm)	4	-72	24	-32	-4
EBITDA margin (%)	*16%*	*-178%*	*8%*	*-20%*	*6%*
Return on Assets (%)	*2%*	*4%*	*1%*	*-1%*	*3%*
LTV (%)	*53%*	*44%*	*40%*	*40%*	*54%*
FFO/Debt (%)	*7%*	*4%*	*-19%*	*-34%*	*-12%*
Debt/EBITDA (x)	*7x*	*-3x*	*17x*	*-16x*	*38x*
FFO/Fixed Charge (x)	*7.0x*	*1.5x*	*-3.4x*	*-2.3x*	*-2.3x*
Liquidity (x)	*0.1x*	*-1.0x*	*2.8x*	*-0.2x*	*0.5x*

Source: Scope based on company's financial reports



Source: Scope

* Scope had a public rating outstanding on the company of BB, stable outlook. This was withdrawn on 30.09.2014 at the request of the issuer

Réalités S.A.*

European Real Estate Development Corporates

Corporate name:	**Réalités S.A.**
Country of origin:	France
Main country exposure:	France
Real Estate Sector:	**Development**
Pipeline (EURm):	4.4 years

Réalités S.A. (Réalités) is a French real estate developer based in Nantes with operations in the western regions of France. The company's key markets are Nantes, Angers, Le Mans, Rennes and La Rochelle.

Business Risk Profile

Small property developer with moderate market share

With total assets of EUR 95m at the end of 2013, Réalités is a small company in the French real estate development market. Despite a market contraction that led to a decrease in apartment bookings of more than 41% since the last peak in 2010, Réalités' share of the development market for residential properties in the western regions of France has grown significantly (2010: 0.3%; 2013:7.5%). The larger market share provides the company with better pricing power.

Limited geographic diversification drives risk

The majority of revenues are generated in western France, in particular in the strong growth areas of Nantes (57%), Angers (19%) and Rennes (12%). In addition, Réalités profits from its range of products composed of residential building projects for first-time buyers and investors, and large-scale projects (retirement homes, tourist accommodations, student residence halls and sites undergoing reconversion). However, due to its focus on France, Réalités is dependent on the development of the French property market.

B2C business partially mitigates risk of illiquid markets

Réalités mainly develops properties in 'B' locations, but offsets this markets illiquidity with a B2C business model (54% of revenues).

Recovering margins and good visibility on future revenue streams

Réalités' EBITDA margin improved to 5.5% in 2013, up from 0.0% in 2012. It is however lower than that of its peers, mainly because of the company's small size, which constrains opportunities for economies of scale. The company has a strong order backlog representing 4.4x the 2013 revenues (1,189 units in total), which provides good visibility over potential future revenues.

Financial Risk Profile

Strong debt protection

The company has low leverage with a Loan-to-Value (LTV) of 37% (YE2013), which is expected to stay solid over the next few years. In 2013, the company had a strong FFO/Fixed Charge (x) of 5.1x. This ratio is expected to stay at above 4.0x over the next few years.

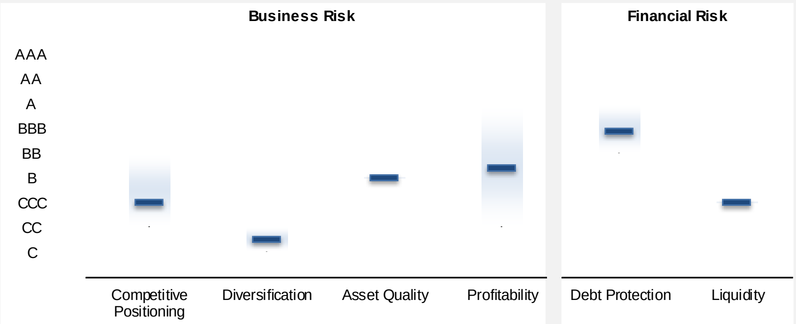
Expansion dries up the company's Liquidity

The company reported relatively low liquidity levels in recent years due to the ongoing negative cash flow from operations. This was a result of the expansion process started 2010. Scope anticipates a relatively low liquidity ratio going forward, driven by further expansion in its core markets and the fact that most of the debt is short-term (58% in 2013). The company policy is to have a pre-sale rate of 40%, which has a positive impact on liquidity.

Scope's credit quality assessment

	'10	'11	'12	'13	'14F
Total Assets (EURm)	---	73	110	95	105
Total Debt (EURm)	---	16	31	35	36
Cash & Equivalents (EURm)	---	4	3	3	8
Revenues (EURm)	---	26	42	56	69
EBITDA (EURm)	---	2	0	3	5
FFO (EURm)	---	1	-1	3	3
FCF (EURm)	---	-8	-14	-5	-2
EBITDA margin (%)	---	*7%*	*0%*	*5%*	*7%*
Return on Assets (%)	---	*2%*	*0%*	*3%*	*4%*
LTV (%)	---	*22%*	*28%*	*37%*	*34%*
FFO/Debt (%)	---	*7%*	*-2%*	*7%*	*9%*
Debt/EBITDA (x)	---	*9x*	*-2812x*	*11x*	*7x*
FFO/Fixed Charge (x)	---	*4.8x*	*-0.2x*	*5.1x*	*4.5x*
Liquidity (x)	---	*-0.2x*	*-0.4x*	*0.1x*	*0.4x*

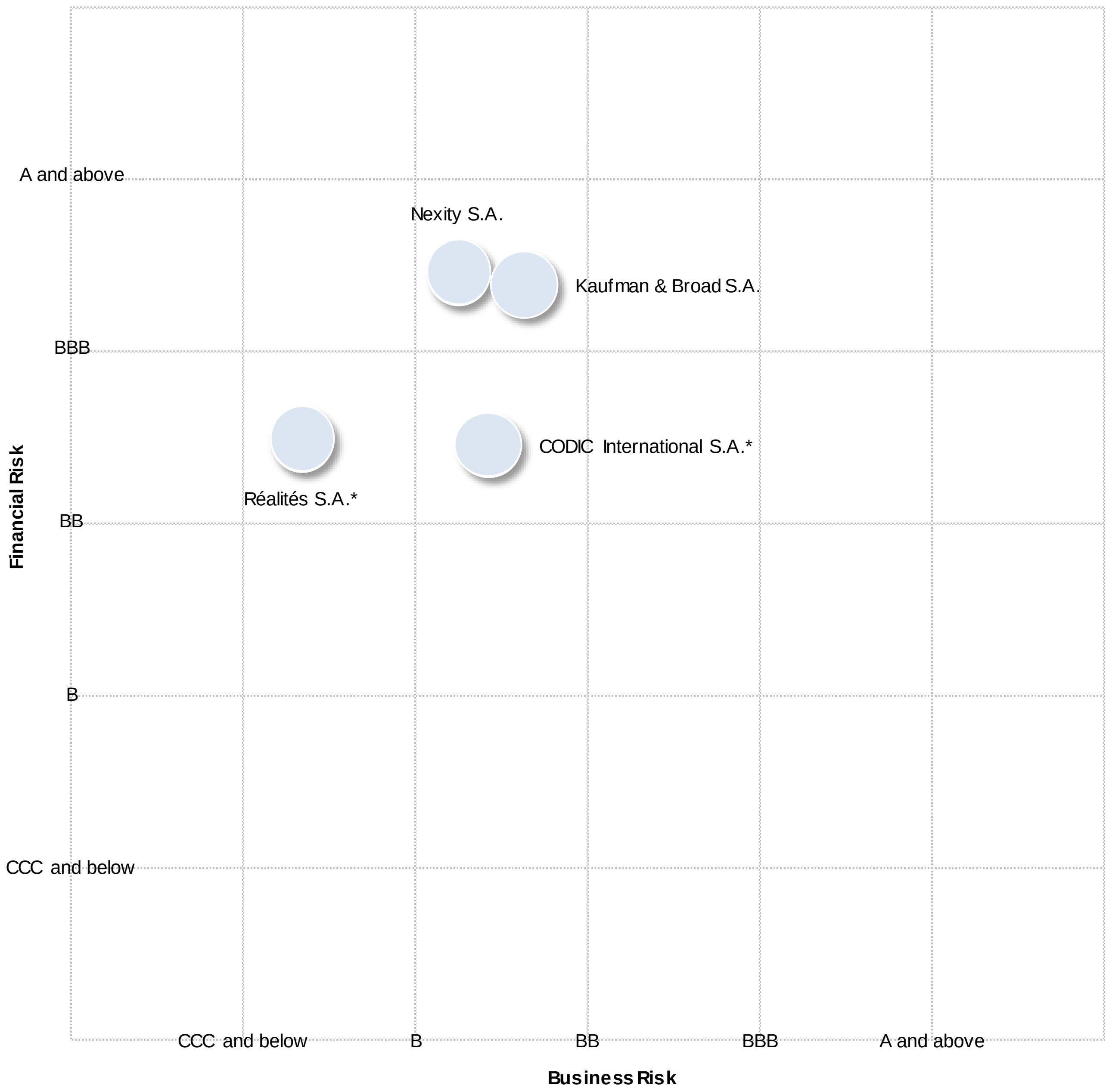
Source: Scope based on company's financial reports



Source: Scope

* Scope had a public rating outstanding on the company of B+, stable outlook. This was withdrawn on 27.11.2014 at the request of the issuer

Mapping European Real Estate Developers Corporates



Source: Scope

*Scope had a public rating outstanding on the company, which was withdrawn at the request of the issuer

4. Summary

This application study has confirmed a clear pattern of credit quality amongst the assessed European real estate companies.

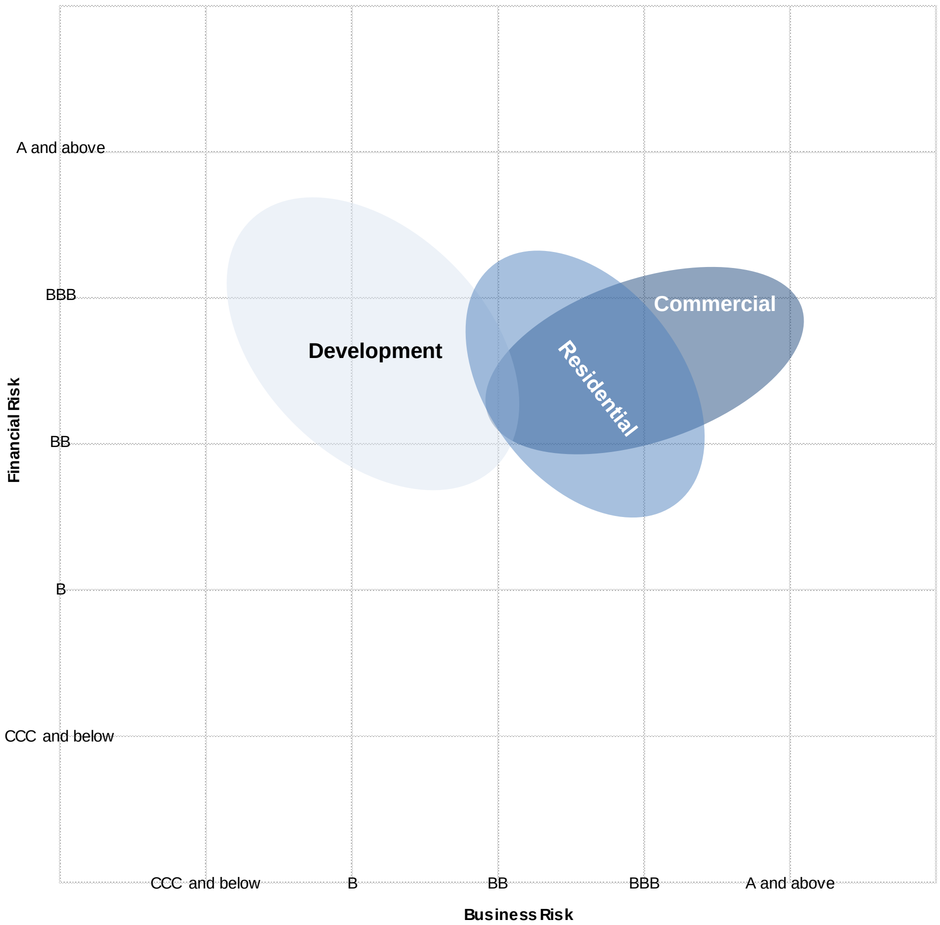
The commercial real estate corporates show the strongest credit quality. The companies generally have financial risk profiles in the ‘BB’ to ‘BBB’ rating category. This reflects the fact that the sector tends to implement a more conservative financial policy in order to be able to partially mitigate the cyclical nature of the industry. The business risk profiles of the assessed companies vary widely between the ‘BB’ and ‘A’ rating category. The variation depends mainly on the company’s size, which determines its: (1) ability to achieve diversification, (2) profitability and (3) cash flow volatility.

The second-best credit quality is seen for residential real estate corporates. The residential real estate companies’ business risk is generally in the ‘BB’ to ‘BBB’ rating category. Given the relatively inelastic and granular tenant structure, the residential real estate sector is less dependent on the economic cycle and thus tends to be more stable. The financial risk profiles of the assessed companies range between the single ‘B’ and ‘BBB’ rating category.

For the property developers, the cash flow generation volatility inherent to the development business limits these companies' abilities to achieve investment grade ratings. Their financial risk profile ranges from the ‘BB’ to the ‘A’ rating categories. The business risk profile falls within the ‘CCC’ to ‘BB’ rating categories.

Scope expects this pattern to prevail over the next few years.

Sector Cluster European Real Estate Corporates



Source: Scope

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