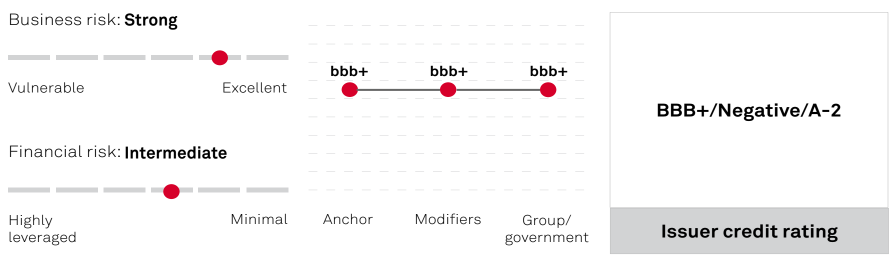
Grand City Properties S.A.

December 11, 2024

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
Large portfolio of average-quality residential assets, mainly located in or close to metropolitan German cities (81% of asset value) and in London (19% of asset value), valued at €8.4 billion as of Sept. 30, 2024.	S&P Global ratings-adjusted debt to debt plus equity expected to remain close to our stand-alone credit profile (SACP) downside threshold of around 45% over the next 12 months (45.6% as of Sept. 30, 2024).
Strong track record of positive like-for-like rental income growth, supported by a highly diversified asset and tenant base and long tenant stays.	The final rating on Grand City Properties (GCP) could face pressure due to a negative development at Aroundtown S.A.
Exposure to the regulated German residential segment, which continues to benefit from strong market fundamentals, such as a demand-supply imbalance and a relatively high share of renting households.	Rising affordability risk in the German residential market due to rising rents and growing local Mietspiegels, which could lead to political pressure to introduce further tenant-friendly measures
Strong liquidity with available cash and liquid assets of €1.45 billion as of Sept. 30, 2024, which covers debt maturities well until 2027 and good access to diversified funding sources, which limit refinancing risks.	

GCP's leverage is still slightly above our downside threshold of 45% as regards its SACP, but this is likely to ease by year-end 2024 or early 2025. We note that the debt-to-debt plus equity ratio peaked at 49.3% as of Dec. 31, 2023, and has improved to 45.6% as of Sept.30, 2024 (remaining slightly above our downside threshold of 45%). The improvement mainly owes to the successful exchange of its hybrid notes with effective maturity below 20 years, suspension of common dividends, partial completion of asset disposal and strong operating performance. We believe the ratio will likely move just below 45% in the fourth quarter of 2024 and around 44% in 2025, as we expect valuations to stabilize, and a large part of vendor loans and signed sales (signed asset disposals of about €230 million year to date) will be cashed in, and that company will not resume common dividends until the end of 2025. We note that GCP did not perform a valuation in the third quarter but will include an updated valuation in its full-year results. We anticipate that GCP's debt to EBITDA ratio will improve to between 11.0x and 12.0x over the next 12 to 24 months, from 13.2x in December 2023. This expectation is based on our projections of increased EBITDA generation driven by strong like-for-like rental growth, as well as a slight reduction in net debt levels based on our assumptions the that a significant portion of vendor loans and signed sales will be realized within the next 12 months.

Higher refinancing cost and hybrid coupons affected its EBITDA interest coverage ratio in 2023 and 2024, though we expect the ratio to remain above 2.4x. GCP's S&P Global Ratings-adjusted EBITDA interest coverage ratio declined to around 2.6x as of Sept. 30, 2024, mainly due to the impact of higher hybrid coupon on exchanged hybrid notes, higher cost of debt (1.4% margin+ three months Euribor) on its signed bank loans and loss of EBITDA from assets disposals. The recent refinancing increased the average cost of debt to 2.1% (excluding hybrid notes) from 1.9% in December 2023. We also assume that the company would use its high cash balance toward debt repayment over the next 12-18 months, which could reduce absolute interest expense and benefits the overall EBITDA interest coverage ratio. Hence, we forecast the EBITDA coverage ratio to remain around 2.6x-2.7x in the next 12-24 months due to low refinancing requirements during this period (long weighted average debt maturity profile of 5.1 years as of Sep 30, 2024), and relatively high exposure to fixed or hedged interest rates of 95%, mitigates the risk associated with potential rises in interest rates. For the purpose of our calculations, we do not net interest income from interest expenses.

GCP's operating results remain resilient and in line with our expectations, mainly supported by positive structural fundamentals in Germany's and London's residential markets. In the first nine months of 2024, the company reported like-for-like rental growth of 3.5% with stable occupancy rate of 96.1% (96.2% for 2023) for its overall portfolio. We anticipate GCP's operating performance will remain strong, underpinned by positive rental growth and existing supply and demand imbalances in Germany's and London's residential markets. Overall, GCP's portfolio benefits from solid demand and limited supply in both markets. We expect positive like-for-like rental growth of 3.0.%-3.5% in 2024 and 2.0.%-2.5% annually in 2025 and 2026, thanks to strong uplifts in rent renewals, slowly increasing indexation, and stable and sustained occupancy of about 96.5%-97.0%.

We continue to view GCP as a highly strategic subsidiary of Aroundtown **S.A. (AT; BBB+/Negative/A-2).** We think AT's stake in the company (62% as of Sept. 30, 2024), combined with the absence of a strong minority shareholder and the presence of several of AT's leadership in GCP's management bodies, gives AT the ability to influence GCP's strategy and disposition of cash flow. Therefore, we continue to apply our group rating methodology to our assessment of GCP's creditworthiness, and we regard the company as a highly strategic subsidiary of AT. This is because we think GCP is almost integral to the group's identity and future strategy, and we think AT would be likely to support GCP under almost all foreseeable circumstances. Hence, the issuer credit rating on GCP could face pressure due to negative developments at AT.

Outlook

The negative outlook on GCP reflects that on AT.

In our view, there is a one-in-three likelihood of a downgrade over the next six to nine months if AT's credit metrics deteriorated beyond our base-case assumptions with debt to debt plus equity remaining above 50%, or EBITDA interest coverage below 2.4x. This could happen due to slower-than-anticipated asset disposal progress, a higher devaluation of its properties, or a weakening operational performance with slower growing EBITDA base or a decline in margins.

Downside scenario

We could downgrade GCP, if AT's:

- Debt to debt plus equity remains above 50%; or
- EBITDA interest coverage remains below 2.4x;
- Debt to EBITDA deviated materially from our forecast.

Rating pressure would also stem from a material deterioration in AT´s operating environment, leading to a further increase in vacancy rates in its commercial property portfolio or a further devaluation of its asset base than we currently anticipate. Similar pressure would come from a delayed recovery of GCP's credit metrics, resulting in a deviation from our base case--specifically, if debt to debt plus equity did not improve to below 45% and EBITDA interest coverage fell to well below 2.4x or below on a sustained basis.

Upside scenario

An outlook revision to stable hinges on AT achieving:

- Debt to debt plus equity improving to below 50%;
- EBITDA interest coverage improving above 2.4x; and
- Debt to EBITDA moving toward 13x.

A continuing strong operating environment would also be supportive, with improvement in occupancy levels in all segments, including the commercial portfolio, positive like-for-like rental income growth, and flat or positive portfolio value growth of its property portfolio.

Our Base-Case Scenario

Assumptions

- Real GDP growth in Germany of 1.1% in 2025 and 1.3% in 2026. We forecast consumer price index (CPI) growth of 2.2% in 2025, reducing to below 2.0% in 2026.
- Real GDP in the U.K. of 1.3% 2025 and increase to 1.6% in 2026; we forecast a CPI to remain around 2.0%-2.2% over the next two years.
- Annual like-for-like rental income growth of 3.0%-3.5% in 2024 and 2.0%-2.5% annually in 2025 and 2026, mainly supported by progressive growth in indexation but partly offset by rent affordability rent uplifts.
- Overall occupancy to stay broadly stable at around 96%-97% in the coming 12-24 months.
- Negative 2.0% like-for-like portfolio revaluation in 2024, as we assume stable property portfolio valuation for the second half of 2024 (2.0% devaluation as of June 30, 2024) and flat thereafter.

- Total annual capital expenditure (capex) of roughly €100 million each year over the next few years, mainly linked to repositioning activities and the modernization of existing assets.
- We expect asset disposals of about €250 million-€275 million in 2024 and we understand that the company has already disposed of about €170 million and signed about €230 million so far this year. We don't assume any further asset disposal over the next few years.
- We assume an acquisition of €150 million-€200 million in 2025 and €200 million-€250 million in 2026 because we understand that the company plans to expand once it creates headroom under its credit metrics.
- No dividends for 2024 as announced by the company, and we assume no dividends for 2025 to support the credit metrics and 2026 onward a dividend of around €40 million-€50 million annually.
- Replacement of its hybrids that have first call dates in 2026 with an equivalent instrument that would be treated as being at least 50% equity with a coupon of 5%-6%.
- Average cost of debt to increase slightly to about 2.2% (excluding hybrid coupon payments) from 1.9% in December 2023, for the next 12 months, assuming 4.5%-5.0% rate on new refinancings in 2024 and 3.5%-4.0% in 2025.

Key metrics

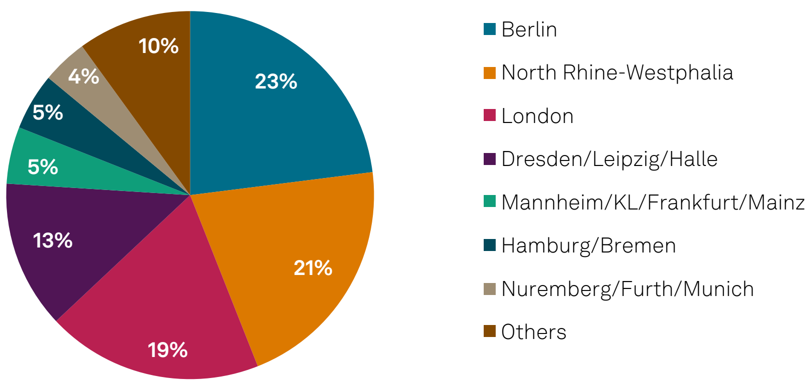
Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. EUR)	2022a	2023a	2024e	2025f	2026f
Revenue	583	606	620	630	663
EBITDA	308	318	331	337	358
Funds from operations (FFO)	218	217	184	180	181
Interest expense	64	99	127	123	128
Cash flow from operations (CFO)	156	181	154	152	166
Capital expenditure (capex)	75	79	100	100	100
Debt	4,190	4,207	3,690	3,730	3,865
Equity	5,289	4,330	4,571	4,697	4,800
Adjusted ratios					
EBITDA margin (%)	52.9	52.5	53.5	53.5	54.0
EBITDA interest coverage (x)	4.8	3.2	2.6	2.7	2.8
Debt/EBITDA (x)	13.6	13.2	11.1	11.1	10.8
Debt/debt and equity (%)	44.2	49.3	44.7	44.3	44.6

Company Description

GCP is a Luxembourg-based investment company, focusing on investing in and managing properties with upside potential in the German residential real estate market and London. The total portfolio as of Sept. 30, 2024, consisted of 62,014 units, mostly located in densely populated areas, with a focus on Berlin (23% of portfolio value), North Rhine-Westphalia (21%), London (19%), and Dresden/Leipzig/Halle (13%). GCP is one of the top players in the German residential market, with a total owned portfolio valued at approximately €8.4 billion as of Sept. 30, 2024. The company is listed on the SDAX on the Frankfurt Stock Exchange. On Sept. 30, 2024, the shareholder structure comprised a free float of 36%; AT, through its subsidiary Edolaxia Group, owns a 62% stake; and treasury shares accounted for 2%.

Grand City Properties' geographic diversity

Distribution by value as of Sept. 30, 2024



Source: S&P Global Ratings.

Peer Comparison

Grand City Properties S.A.--Peer Comparison--Operating Metrics

	Grand City Properties S.A.	Aroundtown S.A.	Vonovia SE	Heimstaden Bostad AB	Vesteda Residential Fund FGR*
Foreign currency issuer credit rating	BBB+/Negative/A-2	BBB+/Negative/A-2	BBB+/Stable/A-2	BBB-/Negative/--	A-/Stable/A-2
Business risk profile	Strong	Strong	Excellent	Strong	Strong
Financial risk profile	Intermediate	Intermediate	Significant	Aggressive	Intermediate
Portfolio value (Billion)	€8.4	€24.0	€78.7	€29.2	€8.7
Geographic diversity	81% Germany, 19% London	73% Germany, 18% UK, Netherlands, 11% Others	89% Germany, 3% Austria, 8% Sweden	27.6% Sweden, 24.4% Germany, 21.6% Denmark, 9.0% Netherlands, 8.3% Czech Republic, 5.1% Norway, 1.6% UK, 1.4% Finland & 1.1% Poland	100% Netherlands (10 cities)
Asset diversity	100% residential	39% office, 33% residential, 22% hotel, 4% Retail & 2% Logistics/others	100% residential	100% residential	100% residential
Occupancy (%)	96.1	92.1	97.9	98.7	99.0

All figures are as of September 2024. *Data as of December 2023.

Grand City Properties S.A.--Peer Comparisons

	Grand City Properties S.A.	Aroundtown S.A.	Vonovia SE	Heimstaden Bostad AB	Vesteda Residential Fund FGR

Foreign currency issuer credit rating	BBB+/Negative/A-2	BBB+/Negative/A-2	BBB+/Stable/A-2	BBB-/Negative/--	A-/Stable/A-2
Period ending	Sep-24	Sep-24	Sep-24	Sep-24	Dec-23
Period	RTM	RTM	RTM	RTM	RTM
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR
Revenue	595	1,507	3,331	1,530	378
EBITDA	327	946	2,144	869	258
Funds from operations (FFO)	212	496	1,099	236	209
Interest expense	129	446	870	559	56
Operating cash flow (OCF)	203	484	1,568	571	213
Capital expenditure	105	428	1,038	518	302
Dividends paid	0	34	664	192	199
Cash and short-term investments	1,457	3,258	2,043	1,275	4
Debt	3,767	13,730	42,142	17,262	2,597
Equity	4,489	12,132	28,606	12,660	6,392
Valuation of investment property	8,464	24,014	78,667	29,208	8,674
Adjusted Ratios					
EBITDA margin (%)	54.9	62.8	64.4	56.8	68.3
EBITDA interest coverage (x)	2.6	2.1	2.5	1.6	4.6
Debt/EBITDA (x)	11.5	14.5	19.7	19.9	10.1
Debt/debt and equity (%)	45.6	53.1	59.6	57.7	28.9

Business Risk

GCP's business risk profile is underpinned by its large income-producing asset portfolio of about €8.4 billion as of Sept. 30, 2024, generating stable and recurring cash flows across Germany. The company benefits from a broad geographic spread across densely populated regions, with good growth prospects in Germany. It focuses mainly on metropolitan areas with favorable macroeconomic fundamentals and solid demand for residential premises.

GCP is present in regions with healthy rental growth prospects, such as North Rhine-Westphalia--which includes cities such as Cologne, Duisburg, and Dortmund--as well as Berlin, and the cities of Dresden and Leipzig. Demand continues to outpace the supply of new property developments in GCP's core regions, further facilitating improvements in occupancy rates (overall vacancy reduced to 3.9% in September 2024 from 4.4% in September 2022). The exposure in London remains stable at around 19% of the total gross asset value as of Sept. 30, 2024. Although the exposure is small compared with the overall portfolio size, we believe that challenging macroeconomic conditions could affect rents and valuations given our view of the market as more volatile and challenging than regulated markets like Germany. Vacancy rates in GCP's London portfolio declined to 3.1% as of Sept. 30, 2024, from 4.0% as of Sept. 30, 2022. We expect GCP will remain mainly a player in Germany and understand that its overall exposure to London will remain below 20% in the long term, in line with the company's strategy.

We also think that that GCP's high concentration in Germany, with about 81% of assets, leaves it strongly exposed to Germany's economy and regulation, regarding social, regulatory, and reputational uncertainties, compared with more diversified residential real estate peers. In addition, the German government's climate protection law ("Klimaschutzgesetz") sets high targets for carbon dioxide (CO2) reduction in coming years, which is likely to result in higher investments over the medium to long term, potentially impacting profitability.

We see the asset quality of most apartments in GCP's portfolio as in line with the German average, reflecting that the company still has some exposure to lower-quality premises, located in more rural areas where demand-supply-trends are less favorably compared to metropolitan areas.

GCP has limited exposure to development activities. Investments relate mainly to the maintenance and renovation of acquired premises. GCP's property portfolio now comprises 62,014 owned units and, like its residential property peers, it has broad asset and tenant diversity. GCP's assets are also rented below market average rates, providing headroom in a market downturn scenario when rents would start declining. There is scope for rents to increase further with rising local Mietspiegels and the strong undersupply in many metropolitan areas. We think the residential asset class, especially in Germany, is more resilient than commercial properties, which are more cyclical and vulnerable to economic downturns.

Financial Risk

We expect GCP's credit metrics to remain relatively stable in the coming years, in line with its moderate financial policy, but we note headroom will remain tight. GCP's debt to debt plus equity improved to 45.6% as of Sept. 30, 2024, from 49.3% as of Dec. 31, 2023, mainly supported by successful completion of its hybrid exchange exercise with newly issued hybrids reassessed to intermediate equity content. Furthermore, suspension of common dividends and solid operating performance supported its credit metrics this year. We forecast that the company's debt to debt plus equity will remain just below 45% in 2024-2026, maintaining a tight headroom with our downside threshold of 45%.

The company's long average debt maturity profile, high exposure to fixed or hedged interest rates (95% as of Sept. 30, 2024), and still low average cost of debt will help it to maintain the EBITDA interest coverage in the range of 2.6x-2.8x for 2024-2026, That said, the headroom under the downside threshold for EBITDA interest coverage of 2.4x has reduced due to the impact of higher coupon on the recently issued hybrids, bank loans, and bonds. We expect GCP's debt to EBITDA to remain at 11x-12x in 2024-2026, supported by higher EBITDA generation due to solid like-for-like rental growth.

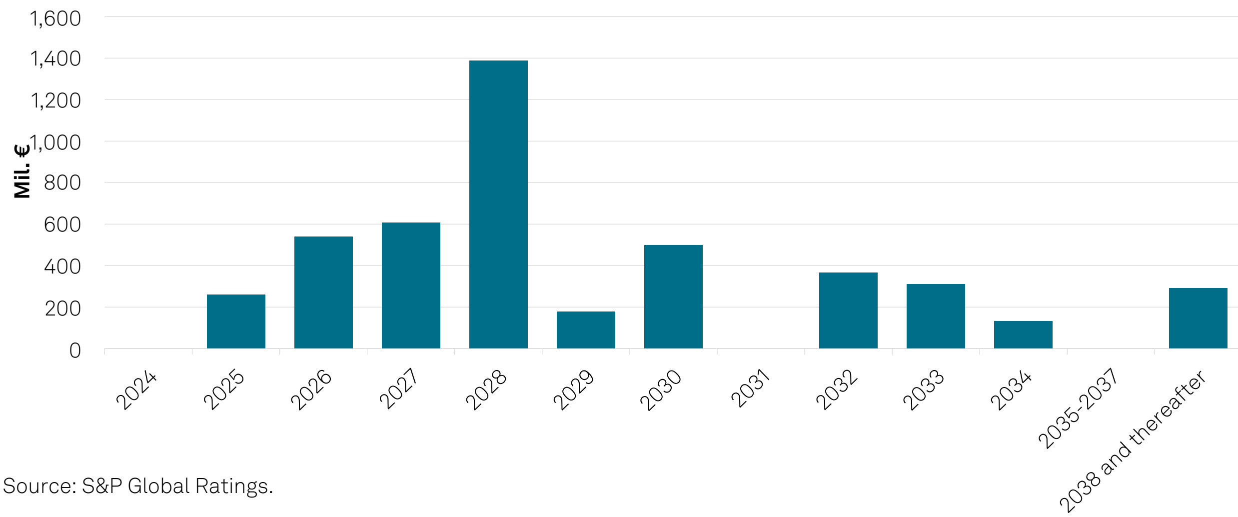
GCP's capital structure benefits from no significant debt maturities until 2026, an average debt maturity of 5.1 years, and a low average cost of debt on Sept. 30, 2024, of 2.1% (slightly increased from 1.9% for the same period last year). GCP's proportion of unencumbered assets is relatively high at about 72% (about €6.0 billion) of the total portfolio value as of Sept. 30, 2024. The company has well-diversified funding sources, including mortgage debt, convertible and straight bonds, perpetual notes, and common equity. Partly offsetting these strengths is the company's somewhat weaker cash flow generation, mainly due to the low-yield profile of its assets (EPRA rental yield of 5.0% as of Sept. 30, 2024) compared with those of other residential peers operating in a higher yielding environment (such as the U.S.) or other commercial landlords.

Debt maturities

At the end of Sept. 30, 2024, the average remaining debt maturity of GCP's borrowing was a comfortable 5.1 years.

Grand City Properties' debt maturity profile

As of Sept. 30, 2024



Source: S&P Global Ratings.

Financial Summary

Grand City Properties S.A.--Financial Summary

Period ending	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Reporting period	RTM	RTM	RTM	RTM	RTM	RTM	RTM	RTM
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	583	599	619	613	606	604	593	595
EBITDA	308	311	315	316	318	320	323	327
Funds from operations (FFO)	218	217	217	208	217	210	217	212
Interest expense	64	64	71	82	99	114	123	129
Operating cash flow (OCF)	156	154	158	167	181	187	200	203
Capital expenditure	75	80	77	76	79	83	89	105
Dividends paid	56	56	56	0	0	0	0	0
Cash and short-term investments	427	571	709	1,071	1,230	1,287	1,122	1,457
Debt	4,190	4,210	4,105	4,003	4,207	4,145	3,849	3,767
Common equity	5,289	5,165	4,793	4,783	4,330	4,377	4,435	4,489
Valuation of investment property	9,530	9,452	8,990	8,983	8,629	8,681	8,369	8,464
Adjusted ratios								
EBITDA margin (%) *	52.9	51.9	50.9	51.7	52.5	52.9	54.4	54.9
EBITDA interest coverage (x)	4.8	4.9	4.4	3.9	3.2	2.8	2.7	2.6
Debt/EBITDA (x)	13.6	13.5	13.0	12.7	13.2	13.0	11.9	11.5
Debt/debt and equity (%)	44.2	44.9	46.1	45.6	49.3	48.6	46.5	45.6

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR—euro; * Margin is based on gross revenue.

Reconciliation Of Grand City Properties S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts - EUR (Millions)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Period date	2024-09-30									
Company reported amounts	4,468	4,645	599	319	(197)	97	327	278	-	105
Cash taxes paid	-	-	-	-	-	-	(40)	-	-	-
Cash interest paid	-	-	-	-	-	-	(48)	-	-	-
Lease liabilities	115	-	-	-	-	-	-	-	-	-
Debt-like hybrids	76	(76)	-	-	-	20	(21)	(21)	(21)	-
Intermediate hybrids (equity)	566	(566)	-	-	-	11	(5)	(5)	(5)	-
Accessible cash and liquid investments	(1,457)	-	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	-	2	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	39	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(48)	-	-
Noncontrolling/ minority interest	-	485	-	-	-	-	-	-	-	-
Revenue: Finance/interest income	-	-	(4)	(4)	(4)	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	9	9	-	-	-	-	-
D&A: Asset valuation gains/(losses)	-	-	-	-	509	-	-	-	-	-
EBIT: Finance /interest income	-	-	-	-	4	-	-	-	-	-
Dividends: other	-	-	-	-	-	-	-	-	27	-
Total adjustments	(701)	(156)	(4)	7	557	31	(115)	(75)	(0)	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	3,767	4,489	595	327	360	128	212	203	(0)	105

Liquidity

We assess GCP's liquidity as strong because we forecast the liquidity sources will exceed its funding needs by at least 1.5x over the 12 months started Oct 1, 2024, and by more than 1x over the subsequent 12 months. The company benefits from the absence of large debt maturities in the short term, along with high cash balances and good access to capital markets.

Principal liquidity sources

- About €1.45 billion of unrestricted cash and liquid market investments as of Sept. 30, 2024.
- Undrawn bank facilities of €50 million under its back-up facilities, maturing in more than 12 months.
- About €100 million from signed sales proceed over the next 12 months.
- Our forecast of about €175 million-€200 million in cash funds from operations for the next 12 months.

Principal liquidity uses

- About €260 million of short-term debt maturities (in the next 12 months), including regular debt amortization followed by €540 million of maturities in following 12 months.
- Our forecast of €100 million of capex annually for property, plant, and equipment, and property investment, most of which is not committed.
- No common dividend payment in the next 12 months.

Covenant Analysis

Requirements

GCP has several covenants under its bond and bank loan documentation. The straight bonds and convertible bonds are unsecured and have the following covenants:

- Limitation of debt: Total debt to assets of less than or equal to 60%.
- Limitation on secured debt: Secured debt to total assets of less than or equal to 45%.
- Interest coverage ratio: Adjusted EBITDA to net cash interest of greater than or equal to 2.0x.
- Maintenance of unencumbered assets: Unencumbered assets to unsecured net debt of greater than or equal to 125%.

Compliance expectations

GCP complied with all its covenants as of Sept. 30, 2024. We expect GCP will maintain sufficient headroom (more than 10%) under the financial maintenance covenants in its various debt agreements.

Environmental, Social, And Governance

ESG factors are an overall neutral consideration in our credit rating analysis of GCP. The company has exposure to residential assets in Germany, including Berlin and other metropolitan cities, where social and political debates on rent affordability could increase again. We note that the company report by the Energy Performance Certificates (EPCs) details for the property portfolio and about 65% of the property portfolio is rated below 'C' level (rated between 'A+' to 'H') of EPC certification as of Dec. 31, 2023 (A 0.4%, B 8.3%, C 26.3%, D 24.6%; E

19.4%; F 12.8%; G 5.6%; and H 2.8%), and in line with 2020 German average for multifamily of 65%. To meet its carbon emissions targets—aiming for a 40% reduction in CO_2 intensity and a 20% reduction in energy intensity by 2030 compared to 2019—GCP may need to increase capital expenditures over the long term to enhance energy efficiency in its buildings. We understand that GCP is continuously evaluating its capex requirements for these initiatives and prioritizing investments based on EU taxonomy criteria and its internal sustainability targets to improve energy efficiency and reduce CO_2 emissions. AT's significant stake in GCP (62% as of Sept. 30, 2024) is factored into our rating. However, we do not believe AT has had any negative influence over GCP over the past few years.

Group Influence

AT's stake in GCP was 62% as of Sept. 30, 2024. We think AT's stake, combined with the absence of a strong minority shareholder and the presence of several of AT's leadership in GCP's management bodies, gives AT the ability to influence GCP's strategy and disposition of cash flow. Therefore, we continue to apply our group rating methodology to our assessment of GCP's creditworthiness, and we regard the company as a highly strategic subsidiary of AT. This is because we think GCP is almost integral to the group's identity and strategy. We think AT would be likely to support GCP under almost all foreseeable circumstances. That said, we note the significant stake still owned by other shareholders and the independence of GCP's funding strategy, with no cross-default clauses in the existing debt instruments. Our assessment of the group does currently not have a positive or negative influence on our issuer credit rating on GCP given that we view AT's credit quality as comparable with GCP's.

Issue Ratings--Subordination Risk Analysis

Capital structure

GCP's proportion of secured debt remains limited and its ratio of secured gross debt to total assets was about 9% as of June 30, 2024, well below our 40% threshold.

Analytical conclusions

We continue to align the ratings on the senior unsecured debt with our 'BBB+' issuer credit rating.

We assign intermediate equity content to GCP's €1.1 billion outstanding subordinated hybrid instrument with its first call date in 2026 and the hybrid instruments issued in 2024 with its first call date in 2029. We assign no equity content for the portion of hybrids which remain outstanding after the exchange and where the effective maturity became less than 20 years (as of Sep. 30, 2024, about €75 million). The issue rating on all GCP's hybrid instruments is 'BBB-', two notches below our issuer credit rating, one notch for subordination and one for deferability. We understand that the company sees a very low likelihood of deferring hybrid coupon payments at this stage. If the likelihood of coupon payment deferral increases, we will reassess the hybrid bond ratings.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB+/Negative/A-2**
Local currency issuer credit rating	**BBB+/Negative/A-2**
Business risk	**Strong**
Country risk	Very Low
Industry risk	Low
Competitive position	Strong
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb+**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb+**

Related Criteria

- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Aroundtown, Dec. 11, 2024
- Grand City Properties' Proposed Hybrid Notes Under Exchange Offer Assigned 'BBB-' Rating, April 2, 2024
- Grand City Properties S.A., Dec. 6, 2023

Ratings Detail (as of December 11, 2024)*	
Grand City Properties S.A.	
Issuer Credit Rating	BBB+/Negative/A-2
Senior Unsecured	BBB+
Subordinated	BBB-
Issuer Credit Ratings History	
23-Jun-2023	BBB+/Negative/A-2
21-Dec-2016	BBB+/Stable/A-2
23-Nov-2016	BBB+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.