European Real Estate Outlook 2021

The credit outlook for the European real estate sector remains stable despite the fallout from the Covid-19 pandemic on the European economy. Weak spots are the retail sector, the UK market and second-tier properties.

Real Estate, Scope Ratings GmbH, 3 February 2020

Executive summary

The 2021 credit outlook for the European real estate sector remains stable despite the fall-out from the Covid-19 pandemic on the European economy. Weak spots are still the retail sector, the UK market in general and second-tier properties, while demand continues to be strong for some industrial property, namely logistics and data centres.

Delays in Covid-19 vaccination programmes and further partial or full lockdowns are likely to delay a generalised recovery in Europe's property market to next year. The worst may be ahead of us, as government support schemes are gradually unwound, and the full economic impact of the pandemic becomes apparent. Reduced new building construction during the pandemic (which has helped offset the slump in demand in many subsectors), continued low interest rates, and conservative financial policies all support the credit outlook. The composition of each company's property portfolio remains a critical factor.

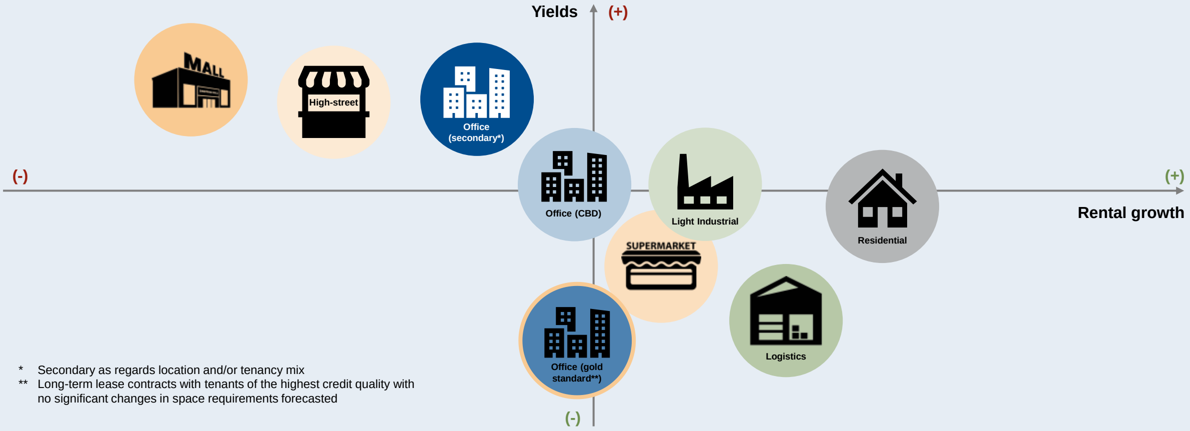
Retaining existing tenants and protecting cash flow as far as possible will be the priorities for real estate firms most exposed to distressed asset classes, such as retail and hospitality. This also applies to companies facing transformation risk through their exposure to office property or second-tier portfolios. The risk of tenant defaults and/or reductions in tenants' real-estate footprint is the sword of Damocles hanging over the sector. In either case, real estate companies would face a larger-than-expected decline in cash flow, squeezed profit margins, a lower weighted average of unexpired lease terms and reduced like-for-like rental growth – to say nothing of higher leverage ratios.

Large, diversified property companies and/or those with a focus on more resilient asset classes, such as logistics and data centres, will able to cope with the 'new normal', keeping business- and financial-risk profiles stable.

The main trends we expect for 2021 are:

- **Retail:** accelerated transformation of the sector marked by widening yields, higher leverage, reduced development pipelines, and pressure to streamline portfolios with faster shift to online shopping.
- **Office:** stable rental growth but falling net rents following incentives; slow rather than drastic increases in vacancy rates as employers reassess working-space requirements amid remote-working phenomenon.
- **Industrial:** rising rental income, stable occupancy, further convergence of logistics and shopping centre yields in addition to more growth in demand for data centres.
- **Residential:** stable rental growth, occupancy, and yields, ensuring leverage ratios hold steady; prices will continue to rise; companies will focus on diversification as regulatory pressure – from rent control to meeting greenhouse-gas emission targets – intensifies.
- **Capital markets:** companies will raise less money on Europe's capital markets in 2021, preferring to refinance maturing bonds and bolster liquidity while holding off from aggressive expansion and M&A.

Figure 1: Main trends in 2021



* Secondary as regards location and/or tenancy mix
** Long-term lease contracts with tenants of the highest credit quality with no significant changes in space requirements forecasted

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Key trends for 2021

The end of the real estate super cycle

The question is not whether the European commercial real estate sector will be affected by Covid-19 but how severely and for how long.

Delays in vaccine rollout in Europe and the extension of lockdown measures will likely postpone a generalised recovery in the property market to next year. Real estate markets were shielded from a collapse in 2020 by various forms of government support for households and business, loose monetary policy and record low interest rates, as well as a slowdown in new building construction.

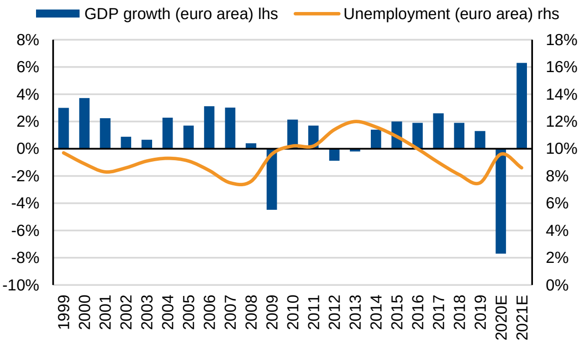
The sector may come under increased pressure this year as government support is gradually unwound and we see a rise in private sector bankruptcies. The coronavirus crisis has not only accelerated the transformation of the retail and logistics sectors, it has also put many investment decisions on hold, with market participants reassessing trends that might reshape the industry's future.

After 10 years of continuous growth in European real estate prices, capital values remained flat overall last year. However, the performance of different asset classes varied widely.

Prime yields fell further for light-industrial and logistics property, as we had expected. Demand in these areas remains particularly healthy, reflecting the further shift toward e-commerce in European retailing (see our European retail outlook 2021). Yields rose for retail properties, reflecting the digital transformation of the retailing sector, and will continue to do so this year, particularly in continental Europe.

We expect stable, if not higher, demand for data, logistics and healthcare centres in addition to residential property, with shortages in supply set to push prices higher.

Figure 2. EU GDP growth and unemployment



Sources: EUROSTAT, Scope Ratings

Prime rents rose steadily in 2020 across property types, with the exception of retail where they fell by 3% to 31%, according to Bloomberg Intelligence and Cushman & Wakefield. The retail segment was characterised by weak rent collection and diminished demand from brick-and-mortar retailers, hit hard by lockdowns and other physical-distancing restrictions introduced across Europe to slow coronavirus transmission.

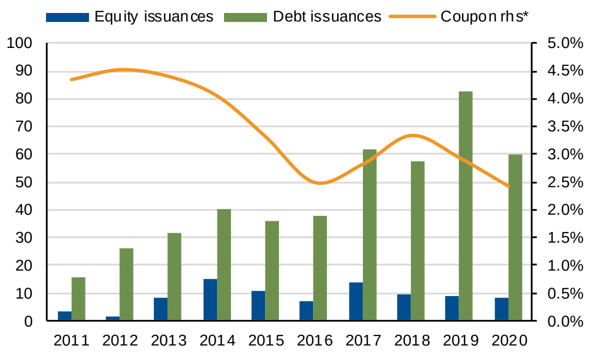
The slump in business sentiment in the EU will limit the prospects of a rebound in rents, despite the expected economic recovery in 2021. EU GDP fell by around 9% in 2020, and is forecasted to recover by 5.6% in 2021 (see our Sovereign Outlook 2021). A key determining factor for real estate in general is the state of the labour market. Unemployment rose to 9.6% (+2.1pp YoY) in the EU last year. However, job losses have not been as severe as expected due to emergency government support, which will likely continue in 2021. Furlough schemes and government-backed loans for business, among other forms of support, should help shore up domestic consumption and demand for residential and commercial property.

Capital markets: reduced issuance volume in 2020

Europe's real estate sector continues to benefit from accommodative monetary policy across Europe. Plentiful liquidity explains the ease with which real estate corporates have tapped capital markets, raising EUR 60bn in debt and EUR 8bn in equity in 2020. This takes the amounts raised cumulatively to EUR 450bn and EUR 86bn respectively between 2011 and 2020.

The decline in capital market issuance (-26% YoY[1]) was not as severe as that experienced during the global financial crisis in 2008, when fund raising contracted by 66%. Only small developers found themselves with reduced access to capital markets, leading to the cancellation of some bond and equity issuance in 2020.

Figure 3. Equity and debt capital raised by real estate sector (EUR bn)[2]



*Average coupon of senior unsecured debt of European real estate corporates Sources: public information, Scope Ratings

[1] For both capital market debt and equity
[2] Real estate investment trusts have jumped in number in the past 10 years, following the creation of REIT regimes across Europe in the years before and after the global financial crisis. Their growth explains the steep rise in real estate sector bond issuance in recent years.

Corporate treasurers have altered their priorities as the pandemic has unfolded. Between 2011 and 2020, they reduced reliance on bank debt and took advantage of falling financing costs to fund large-scale acquisitions and development projects. In 2020, the focus shifted: capital market issuance activity predominately turned to the refinancing of maturing debt and bolstering liquidity. Companies' efforts to strengthen their equity in order to counter the increase in leverage have been modest to date, largely confined to cancelling dividends in some cases. The longer the crisis and the bumpier the recovery, the more likely creditors will want shareholders to step in to shore up corporate finances.

We expect real estate companies to raise less money on Europe's capital markets in 2021, preferring to refinance maturing bonds (EUR 18bn will fall due in 2021, according to Bloomberg) and bolster liquidity. Companies will not be aggressively expanding asset portfolios, so there will be less need to tap the market.

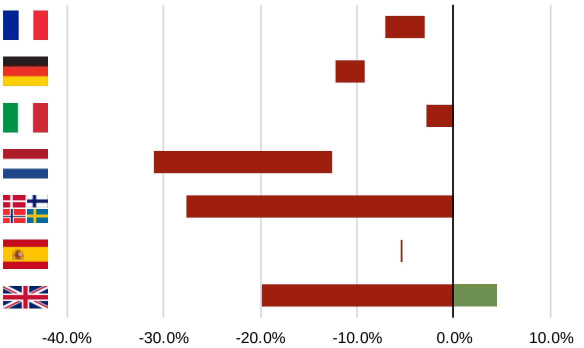
Retail: accelerated transformation

The main trends in 2021 will be:

- Negative rental growth
- Increase in vacancy
- Widening yields
- Rise in leverage
- Reduction of development pipeline
- Streamlining of portfolios
- Essential retail shielded best against downswing

Demand has collapsed during the pandemic, amid lockdowns and curfews, but the crisis has also accelerated secular trends, most clearly the shift toward e-commerce and multi-channel sales from brick-and-mortar retailing. Retail was one of the weakest performing commercial real estate classes in 2020 alongside hospitality. Retail rents in Europe's largest economies dropped in 2020, with only few exceptions such as prime retail space in the Nordic region[3].

Figure 4. Rental growth Q3 2020 (YoY)[4]



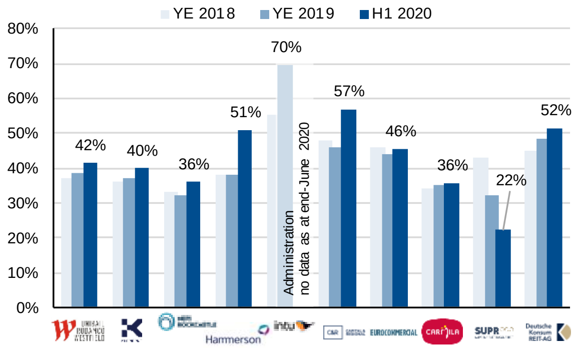
Sources: Cushman & Wakefield, JLL, BI, Scope Ratings

The full economic impact of Covid-19 on businesses is yet to be seen. Tenant protection ended in 2020 in many countries. A combination of lease renegotiations and the phasing out of government support is likely to lead to an increase in vacancies – and hence a more substantial decline in rental income, with very limited reversionary potential for new lettings or lease extensions.

We expect more shop closures in 2021 across Europe. Revenues among brick-and-mortar retailers are shrinking fast in the face of coronavirus-containment measures and the relentless growth in online shopping. Ever more shops will struggle to stay in business and defaults will rise. Anchor tenants benefiting from rapid growth in online sales will continue to scale back their least profitable physical outlets even more aggressively than they did before the pandemic.

Store closures will impair free operating cash flow at real estate companies exposed to the retail segment. They face the challenge of investing in their portfolios to maintain or re-establish competitiveness while revenues remain flat. Not doing so is to risk a downward spiral of falling footfall and retailer sales, limiting growth in rents and triggering further asset devaluations beyond what the sector has experienced in the past couple of months. Yields widened by even more in 2020 than they did in 2019.

Figure 5. Loan-to-value of European retail REITs



Sources: public information, Scope Ratings

Loan-to-values peaked at end-June 2020 due to declining rents and widening yields, notably for UK-focused REITs such as intu Properties PLC, Hammerson PLC, and Capital & Regional PLC. The REITs face shrinking headroom under debt covenants, especially in the UK where intu Properties has been in administration since June 2020.

Falling rental income will lead to more negative fair value adjustments, with even stronger devaluations than those observed up to end-June 2020. This will particularly be the case for continental European retail REITs, mimicking the past experience of UK retail properties. We believe the UK property market priced future uncertainty for this asset type much faster than continental Europe, given its higher degree of maturity and liquidity.

Companies with large portfolios of second-tier assets face rising financing costs and tenant-default risk.

[3] The Nordics (excl. Sweden) benefitted from: i) light and short lockdowns; ii) relatively positive general economic sentiment; and iii) increased domestic spending.

[4] Prime retail rents

Consequently, management will probably aim to cut losses by selling non-strategic assets, handing over the keys to creditors, and paring back development plans. Treasurers will focus on refinancing existing debt and maximising liquidity rather than raising money to fund expansion.

Larger continental European retail REITs remain relatively well prepared for the downswing, having stabilised or extended the weighted average maturity of their debt, lowered financing costs, slowed development pipelines and sold assets (see **Figure 6**).

Figure 6. Financing metrics (YE 2015 vs H1 2020)

	Cost of debt	Weighted average maturity
Unibail-Rod.-Westfield S.E.	2.2% / 1.7%	6.5 / 8.5 years
Klépierre S.A.	2.5% / 1.2%	5.5 / 6.0 years
NEPI Rockcastle Plc[5]	2.2% / 2.1%	4.4 / 3.6 years
Hammerson plc	3.8% / 3.0%	5.8 / 3.9 years
intu Properties plc[6]	4.6% / 4.3%	7.8 / 5.0 years
Capital & Regional Plc	3.5% / 3.4%	3.4 / 4.9 years
Eurocommercial Properties	3.6% / 2.0%	c.4 / 4.9 years
Carmila REIT SA[7]	na / 1.8%	5.6 / 4.7 years
Supermarket Income REIT Plc[7]	2.2% / 2.0%	4.5 / 4.0 years
Deutsche Konsum REIT-AG[7]	3.0% / 1.9%	4.9 / 4.4 years

Sources: public information, Scope Ratings

In contrast with the overall sub-sector, commercial real estate companies with portfolios including a high proportion of retail tenants selling essential goods will remain relatively resilient. For these firms, such as Deutsche Konsum REIT-AG and Supermarket Income REIT PLC, tenants' revenue growth is still robust, mitigating the risk related to the real estate companies' shorter debt maturities.

Office: higher scrutiny of investments

The main trends in 2021 will be:

- Stable rental growth, but falling net rents (following incentives)
- Increase in vacancy, as companies reassess their needs for office space
- Stable yields
- Governmental tenants will become 'gold standard'
- Stable leverage
- Manage-to-green instead of manage-to-core strategies

While headline rents for prime European office space grew in 2020, helped by a strong first quarter[8], vacancies increased as new stock was delivered just as demand slumped. Tenants across Europe held off making important investment decisions as they assessed the highly uncertain medium- and long-term implications of the Covid-19 outbreak on business. Landlords steadily offered more incentives[9], effectively nullifying rent reversion for some new leases. As a consequence, the net effective prime rental index decreased by -0.5% in Q4 2020 (YoY), according to JLL. 2020 is the first year since 2013 that an annual rental decline has been recorded in Europe.

We forecast a further push by landlords to stabilise rents in 2021, at the cost of providing more incentives. We also foresee an increase in vacancy rates for new office space. Landlords will support struggling tenants in return for longer leases, betting on economic recovery and stable demand once the pandemic is contained.

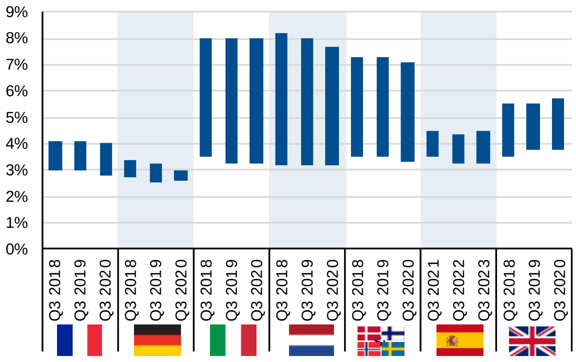
However, we expect employers' behaviour to change. Efforts to limit the spread of Covid-19 have led to a worldwide experiment in remote working, which has turned out to be largely successful. Companies look set to adjust down their real estate requirements in the medium term. That said, we expect the decline in demand for office space to be gentle rather than drastic for two main reasons.

Firstly, employers will require significant amounts of office space to accommodate new health and safety standards stipulating less densely populated working space, even if more staff work remotely more often. Employers will also have to allow for an increase in recreational areas and the addition of meeting facilities to encourage a minimum of staff to return to offices.

Secondly, companies will still want prestigious, high-quality buildings to impress clients and recruit and retain staff.

We also believe that economic uncertainty in 2021 and beyond will lead to a flight to quality, with stronger differentiation of yields. Yields will move sideways for European markets overall, with some exceptions depending on the quality and predictability of cash flow from the property concerned. For example, space occupied by government agencies with long-term leases will become the new 'gold standard' as it will benefit from low counterparty risk and typically has 'sticky' tenants. Yields will decline.

Figure 7. Prime office yield spreads



Sources: Cushman & Wakefield, BI, Scope Ratings

5 2017 vs H1 2020

6 2015 vs 2019 as most current data indicate that the company has been in administration since June 2020.

7 2016 vs H1 2020

8 London being the only exception with negative rental growth for the City and the West End, according to data from Cushman & Wakefield up to Q3 2020.

9 Such as rent-free periods or up-front cash payments to the lessee to cover relocation/moving costs

Generally, we expect no immediate pressure on capital values for office properties in Europe except in the UK, where the market faces the twin pressures of economic fallout from Covid-19 and the costs of Brexit.

Leverage for major European companies as measured by the loan-to-value ratio will remain stable in 2021. Companies will scrutinise potential investments more intensely, thinning development pipelines, and the appetite for M&A will be diminished.

Institutional investors such as pensions funds and insurance companies will determine the performance of investment markets in 2021 – either directly or through asset managers. These investors have ample liquidity to deploy and a long-term focus. Real estate corporates with a strong fund/asset management capability will benefit most in this changed market environment, recording stable top-line growth and improving their financial headroom.

Credit risk profiles are set to deteriorate in the medium term. Loan-to-value ratios are likely to come under pressure if yields widen and rental growth flattens out. Net debt/EBITDA multiples are also on the rise (**Figure 8**) as management has tended to return spare cash to investors rather than reduce debt in the past.

Figure 8. Reported leverage (YE 2015 vs H1 2020)

	Loan/value ratio	Net debt/ EBITDA	Dividend payout ratio
Aroundtown S.A.	35% / 36%	10.0x / 10.0x	65%[10]
Gecina S.A.	36% / 35%	11.9x / 13.6x	limited[11]
Land Securities plc	22% / 28%	5.8x / 13.6x	suspended[12]
GTC S.A.	42% / 48%	8.7x / 10.3x	suspended

Sources: public information, Scope Ratings

Environmental, social and governance considerations are set to become increasingly important for the real estate sector this year, as for many other parts of the economy, particularly in Europe. The introduction of the EU-wide uniform classification system – the EU Taxonomy – in July 2020, will push investors to focus more on certified newly built property and/or, renovations to improve the environmental/sustainability profile of their property stock. One question is whether investors will be willing to accept lower coupons for green bonds or lower yields for 'green' compared to 'brown' buildings.

Office property will be at the forefront of these changes. Less regulatory pressure on landlords to keep rents low as they invest in more 'sustainable buildings' will be accompanied by an increasing share of tenants willing to pay extra to go green.

'Manage-to-green' is becoming an essential component of a 'manage-to-core' strategy, in that no core strategy is now tenable without it being green. Related investments still need to be profitable. Investment flows will only pick up slowly as long as the risk-averse climate created by the pandemic persists.

Industrial: e-commerce boom tilts investment balance away from retail

The main trends in 2021 will be:

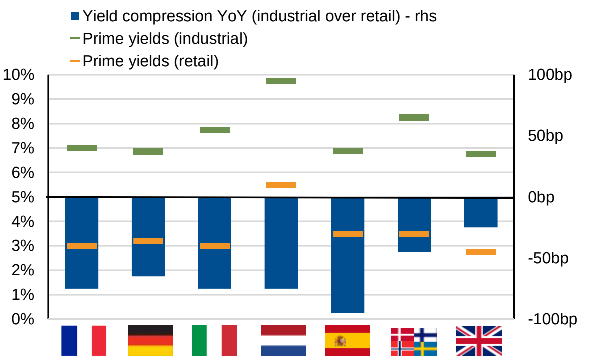
- Improving rental growth
- Stable occupancy
- Convergence of logistics and shopping centre yields
- Increase in demand for data centres
- Stable leverage

Industrial properties[13] were the only asset class for which yields fell last year. Absolute investment volume was almost as high and yields as low as for retail in some jurisdictions. This reflects: i) the amount of money looking for investment opportunities with more stable cash flow; and ii) shortages of new property in the sub-sector. Developers have yet to catch up with pandemic-induced demand for prime logistics and distribution space, driven by the boom in e-commerce and efforts by companies to optimise supply chains.

Investors also see further reversionary potential for rents in the segment where large real estate corporates have historically been under-represented. Facilities for light industry and logistics are mostly owned by occupiers or small regional players. Rents grew slightly last year – more strongly than for any other asset class – but not as fast as in 2019.

Rents rose primarily in Germany, Poland and large cities and urban agglomerations, such as Paris, Copenhagen-Malmo, Amsterdam, Madrid and Barcelona. Rental growth was predominately driven by demand for increased space due to supply-chain optimisation, changing end-customer expectations and surging e-commerce sales across Europe during the first lockdown.

Figure 9. Industrial property yield, Q3 2020[14]



Sources: JLL, Cushman & Wakefield, BI, Scope Ratings

These trends will prevail in 2021, pushing up demand for **logistics** properties, in particular, with a continuous supply-demand imbalance that should drive up capital

[10] Of FFO
[11] To maximum under SIIC tax regime
[12] To be reinstated in January 2021

[13] Includes light industrial, logistics, and data centres
[14] Yield compression of lowest trading industrial yields compared to lowest trading retail yields

values based on stronger rental growth and further yield compression.

We forecast sluggish growth, if any, for other **light-industry facilities**. This follows the massive economic contraction in 2020 and the prospect of only modest recovery this year. Though government support has kept businesses afloat, we expect to see a sharp rise in failures this year, among larger companies and small and medium-sized enterprises.

Property to house **data centres** will increasingly be in demand. Changes in consumer behaviour and working habits, together with other trends (further digitalisation and other technological advances such as wider use of cloud computing and streaming) require enormous increases in data capacity and appropriate infrastructure. Data centres will become an asset class in its own right, helped by their sticky blue-chip tenants[15] and an average lease length of 10 years, according to Savills, offering secure long-term cash flow, similar to governmental leases for offices.

We expect credit metrics for companies with industrial exposure to continue to improve – if management refrains from deploying spare financial resources for growth at any cost. The risk of breakneck expansion seems low, given the scarcity of available sites and fierce competition from deep-pocketed asset managers, such as Singapore-based GLP, Teachers Insurance and Annuity Association of America-subsidiary Nuveen, Blackstone Group Inc. and insurers.

Real estate companies will invest more in new developments and modernising premises to meet demand from logistics operators for multi-storey, easy-to-automate sites with large floor space or for smaller urban hubs, despite higher development costs given land scarcity.

Residential: rising prices draw growing regulatory scrutiny

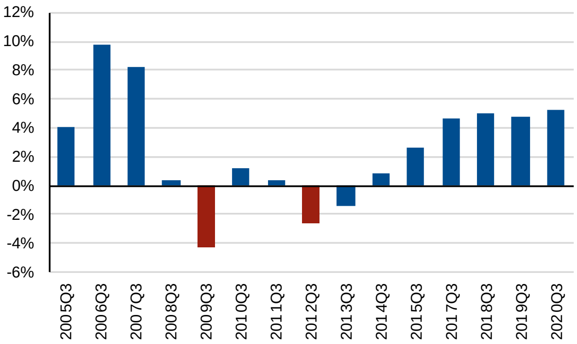
The main trends in 2021 will be:

- Stable rental growth, occupancy, and yields
- Leverage ratios holding steady
- Inexorable rise in prices
- Corporate focus on diversification by country, segment and services
- Growing regulatory pressure: rents, environment

The lack of new housing stock continued to push rents and house prices higher across European metropolitan areas in 2020. Occupancy and demand remain high, indicated by the decreasing number of building permits across major European economies – Germany being an exception[16].

House prices will rise further in 2021, helped by the peculiar circumstances of the pandemic. Firstly, public-health protocols are forcing people to spend much more time at home – for work, study, socialising and entertainment – making people eager to invest more in their homes. Secondly, the economic crisis has led to a spike in household savings at the same time as interest rates have fallen to record lows, making home-buying more affordable. The depth and length of the economic crisis will ultimately determine the health of Europe's housing market in the medium to long term, particularly if unemployment rises and the number of bankruptcies increases.

Figure 10. YoY change in Residential House Price Index (EU 27)



Sources: EUROSTAT, Scope Ratings

Rising rents are drawing increasing regulatory scrutiny, as landlords discovered in Berlin (2019 rent freeze), Lisbon (a secure rental income programme in 2020), Paris (tightening control of rental caps introduced in 2019) and Catalonia[17]. Further measures are up for discussion in the European parliament.

The rate of rent increases slowed in cities with rental caps and/or those most vulnerable to pandemic-related travel restrictions, such as top tourist destinations and university cities. We believe rental growth will gain momentum in 2021, as the implementation of rental caps has mostly led to a (sharp) decline in supply[18] on the one hand and growing demand on the other. The trend will accelerate with the revival of tourism and return of students to in-class lectures, assuming that the authorities ease travel and other physical-distancing restrictions later in the year.

Residential real estate corporates are eager to diversify and expand, taking advantage of rising rents and property prices to invest in future growth and spread risk, either by country, in the context of tightening regulation, or sector, given the uneven performance of the economy exaggerated by the pandemic. Vonovia SE (rated A-/Stable by Scope) has mainly pursued geographic expansion in Austria and Sweden since 2018. Deutsche Wohnen AG has diversified by acquiring nursing-home operator Katharinenhof.

[15] High initial investment for the installation of equipment and high reallocation cost (as business deals with highly sensitive data and downtimes have a particularly negative impact in the industry).

[16] European building permits down by 10.3% (YoY) as at Q3 2020 according to EUROSTAT; Germany: +0.3%, France: -14.5%; Spain: -43.1%; Poland: -0.1%; the United Kingdom: -21.8%, Italy: -25% (YoY as at Q2 2020).

[17] Ley de limitación de alquileres

[18] For example, listings on Immobilienscout for rental flats built before 2014 have fallen by 47% in one year.

Vertical integration is another strategy that European companies have followed, bringing property development in-house, e.g. Adler Group SA's acquisition of Consus Group.

Meeting tougher environmental regulations, particularly limiting greenhouse-gas emissions, is a growing challenge for the residential real estate sector too. Landlords with large residential property holdings are positioning themselves as forerunners to reach net-zero emissions before the EU target of 2050. These large corporates could implement the required measures at lower costs given their scale and cheap available financing, due to their strong balance sheets and cash flow. The prize will be a rise in rents to match the extra investment needed, without attracting even more onerous regulatory scrutiny.

These initiatives will support the healthy credit-risk profiles of larger or more agile companies, while smaller, regional residential landlords may have to cope with greater regulatory scrutiny. In Germany, for example, if the country's federal constitutional court approves the Berlin rent freeze (the decision is expected in Q2 2021), it might become a blueprint for other Germany cities. This has already happened in France, where Lille followed the example set by the Paris rental cap. Ironically, large, multinational property companies may benefit from such government intervention if rent controls push down prices and rents, driving consolidation in a still fragmented sector as the measures put financial pressure on smaller landlords.

Outlook 2021 and medium-term risks

Delays in Covid-19 vaccination programmes and further partial or full lockdowns are likely to postpone a generalised recovery in Europe's property market to next year. The worst may be ahead of us, as government support schemes are gradually unwound, and the full economic impact of the pandemic becomes apparent. We expect the credit quality of Europe's real estate corporates to remain stable on average in 2021. Limited new building construction during the pandemic (which has helped offset the slump in demand in many subsectors), continued low interest rates, and conservative financial policies all support the credit outlook. The composition of each company's property portfolio will remain a critical factor.

Retaining existing tenants and protecting cash flow as far as possible will be the priorities for real estate firms most exposed to distressed asset classes, such as retail and hospitality. The same will be the case for those facing transformation risk through their exposure to office property or second-tier portfolios. The risk of tenant defaults and/or reductions in tenants' real-estate footprint is the sword of Damocles hanging over the sector. In either case, real estate companies would face a larger-than-expected fall in cash flow, squeezed profit margins, a lower weighted average of unexpired lease terms and reduced like-for-like rental growth, to say nothing of higher leverage ratios.

Needless to say, it is large, diversified property companies and/or those with a focus on more resilient asset classes, such as logistics and data centres, which will be able to cope with the 'new normal', keeping their business- and financial risk profiles stable.

Annex I: Related research

"European house prices back to trend though sensitive to length and severity of pandemic," published January 2021, available here

"Logistics real estate: safe-haven status grows. Nordic sector reveals lure, risks for investors," published December 2020, available here

"Sweden real estate sets trend for Nordic hybrid issuance: investor scrutiny grows," published December 2020, available here

"Investors should assess debt yield alongside traditional financial covenants to capture CRE risk," published December 2020, available here

"European house prices hinge on managing support measures as growth moderates," published October 2020, available here

"Commercial real estate in Europe: retailing-exposed segment faces tough months ahead; UK in focus," published September 2020, available here

"UK affordable housing: public policy uncertainty vs assets in high demand," published September 2020, available here

"Residential real estate: Lisbon's secure rental income initiative unlikely to stop gentrification," published July 2020, available here

"What will the European CRE sector look like when the dust settles?," published May 2020, available here

"Europe commercial real estate: retail-exposed firms can weather Covid-19 crisis in the short-term," published April 2020, available here

"European logistics CRE: outdated assets unlikely to ride the momentum," published April 2020, available here

"Growth in German house prices to shift to more sustainable levels," published February 2020, available here

"European real estate outlook 2020: property companies ride super-cycle; retail a weak spot," published February 2020, available here

"Leasehold property: attractive investment opportunities with diverse risk drivers," published January 2020, available here

"Swedish house price correction shouldn't lead to looser policy measures," published January 2020, available here

Annex II: Scope's 2020 real estate ratings and rating actions

Figure 12: Scope's real estate ratings, as of 31 December 2020

Europe				Other countries
EU		EFTA		
ADLER Real Estate AG	BB/Stable	JSC Lisi Lake Development	B+/Stable	
Akelius Residential Property AB*	---	Steen & Strøm ASA*	---	
Appenin Holding Nyrt.	B+/**			
Budapesti Ingatlan Nyrt.	B+/Stable			
Cordia International Zrt	BB/Stable			
Crown Holding Kft.	B/Stable			
Deutsche Konsum REIT-AG	BB+/Stable			
EUROBODEN GmbH	B+/Stable			
Fastpartner AB	BBB-/Stable			
Globe Trade Centre S.A.	BBB-/Stable			
Grand City Properties S.A.*	---			
Inmobilaria Colonial SOCIMI S.A.*	---			
Klépierre S.A.*	---			
Klövern AB	BBB-/Stable			
LEG Immobilien AG*	---			
Merlin Properties SOCIMI S.A.*	---			
NEPI Rockcastle plc*	---			
Proform Ingatlanbefektetesi Zrt.	B+/Stable			
SEGRO plc*	---			
SkyGreen Buildings Kft.	B+/Stable			
SunDell Estate Nyrt.	B/Stable			
Unibail-Rodamco-Westfield S.E.*	---			
Vonovia S.E.	A-/Stable			
Wingholding Zrt.	B+/Stable			

* Available for subscribers to Scope's subscription platform (ScopeOne) only.

Figure 13: Scope's rating actions in 2020 as of 31 December 2020

	Date	Issuer	Rating action	Rating & Outlook
Q1	16.01.2020	Unibail-Rodamco-Westfield S.E.*	Outlook change	---
	31.01.2020	Klépierre S.A.*	Affirmation	---
	04.02.2020	JSC Lisi Lake Development	Outlook change	B+/Stable
	27.02.2020	Deutsche Konsum REIT-AG	Affirmation	BB+/Stable
	30.03.2020	Crown Holding Kft	Initial Rating	B/Stable
Q2	05.05.2020	Deutsche Konsum REIT-AG	Affirmation	BB+/Stable
	06.05.2020	Wingholding Zrt.	Downgrade	B+/Stable
	11,05,2020	Unibail-Rodamco-Westfield S.E.*	Downgrade	---
	14.05.2020	Klépierre S.A.*	Affirmation	---
	21.05.2020	NEPI Rockcastle plc*	Initial rating	---
	22.05.2020	Inmobilaria Colonial SOCIMI S.A.*	Initial rating	---
	01.06.2020	Klövern AB	Initial rating	BBB-/Stable
	15.06.2020	Grand City Properties S.A.*	Initial rating	---
	15.06.2020	Akelius Residential Property AB*	Initial rating	---
	26.06.2020	Cordia International Zrt	Affirmation	BB/Stable
Q3	17.07.2020	LEG Immobilien AG*	Initial rating	---
	17.08.2020	Vonovia S.E.	Affirmation	A-/Stable
	31.08.2020	Fastpartner AB	Initial rating	BBB-/Stable
	07.09.2020	Proform Ingatlanbefektetesi Zrt.	Affirmation	B+/Stable
	16.09.2020	FCR Immobilien AG	Affirmation + withdrawal	B+/Stable
	30.09.2020	EUROBODEN GmbH	Affirmation	B+/Stable
	30.09.2020	ADLER Real Estate AG	Outlook change	BB/Stable
Q4	02.10.2020	Appenin Holding Nyrt.	Review for downgrade	B+/---
	12.10.2020	SkyGreen Buildings Kft.	Affirmation	B+/Stable
	30.10.2020	SundDell Estate Nyrt.	Initial rating	B/Stable
	12.11.2020	Globe Trade Centre S.A.	Initial rating	BBB-/Stable
	24.11.2020	Budapesti Ingatlan Nyrt.	Affirmation	B+/Stable
	01.12.2020	SEGRO plc*	Initial rating	---
	14.12.2020	SkyGreen Buildings Kft.	Affirmation	B+/Stable
	17.12.2020	Steen & Strøm ASA*	Affirmation	---

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