

Scope Real Estate Review June 2021

Vonovia, Deutsche Wohnen plan to merge; European house prices look frothy; UK build-to-rent segment gains momentum; ESG considerations grow

Scope Group's regular round-up of analyst research on real estate - from the perspective of corporate credit, structured finance, banking, public finance, investment funds and ESG.

Research highlights from Scope Ratings, Scope Analysis and Scope ESG

Vonovia, Deutsche Wohnen merger: housing squeeze, energy transition, politics drive deal

(26th May)

 FULL REPORT

“The companies are trying to bring greater stability and predictability to Berlin residential tenants by reducing the burden of housing costs and thereby minimise the risk of further political intervention... ”



Philipp Wass

Executive director, corporate ratings, Scope Ratings

European house prices: time for regulators to hit the brakes? (23rd April)

 FULL REPORT

“Given that economic fundamentals only partly justify price increases, the sustainability of these growth rates is in question.”



Mathias Pleissner

Director, covered-bond ratings, Scope Ratings

Austrian house prices: little risk of an abrupt price correction, at least for now (27th May)

 FULL REPORT

“By allowing for multiple mortgage-backed programmes, the new law could foster innovation among Austrian issuers in the shape of dedicated ESG covered-bond programmes with only green or other ESG-compliant cover assets.”



Karlo Fuchs

Head of covered-bond ratings, Scope Ratings

Open-ended real estate funds – Covid-19 ends upward trend in occupancy rates (29th April)

 FULL REPORT

“One of the most important data points for evaluating open-ended real estate funds is the occupancy rate. It fell noticeably in 2020 and the upward trend that had held intact since 2011 has come to an end for the time being.”



Sonja Knorr

Head of alternative investments, Scope Analysis

European real estate: red tape, rent controls complicate efforts to meet ESG investment challenge (20th May)

 FULL REPORT

“Rental caps and/or other limits on the ability of landlords to pass on sustainability-related and other costs to tenants can deter investment in the sector, with a knock-on effect on the construction industry.”



Philipp Wass

Executive director, corporate ratings, Scope Ratings

Open-ended real estate funds: yield differential to government bonds falls, still elevated (25th March)

 FULL REPORT

“The Covid-19 crisis is weighing on the performance of open-ended real estate funds. In 2020, the performance of the funds averaged 2.3%. A year earlier, it was 2.9%. The yield gap with government bonds has also narrowed.”



Frank Netscher

Deputy Head of alternative investments, Scope Analysis

ESG considerations for the credit ratings of real estate companies (23rd April)

 FULL REPORT

“The investment required to upgrade real estate stock to minimise GHG emissions mostly exceeds the penalties for not doing so and the benefits of related government subsidies and savings in running costs...”



Philipp Wass

Executive director, corporate ratings, Scope Ratings

Financing the UK Build to Rent sector: credit risks for lenders (20th April)

 FULL REPORT

“Worsening affordability, mortgage financing difficulties, supply/demand imbalances and Covid-19 impacts all favour UK build-to-rent.”



Florent Albert

Director, structured-finance ratings, Scope Ratings

Europe office property: evolution, not revolution; Covid-19, remote-working have uneven impact

(24th February)

 FULL REPORT

“The trend toward more remote working will have an uneven impact across buildings types: high-quality, modern and flexible premises which owners can more easily adapt to the new market requirements will remain in demand.”



Rigel Patricia Scheller

Director, corporate ratings, Scope Ratings

European real estate: a selection of recent developments and latest opinion

Political concerns linger over Vonovia deal, Europe's house price surge, Canary Wharf reinvents itself

- Vonovia SE agreed to buy Deutsche Wohnen in an EUR 18bn [in an EUR 18bn all-cash deal](#). Vonovia's offer is roughly equal to Deutsche Wohnen's reported Q1 net asset value. The lack of a de facto premium suggests [political concerns about residential property companies](#) are on investors' mind, reports the Financial Times.
- British Land said Covid-19 pandemic had big impact on the value of its real estate portfolio, [falling nearly 11% in the year to end-March](#), a drop equivalent to more than GBP 1bn.
- London's Canary Wharf faces [the challenge of reinventing itself](#) after Brexit and the Covid-19 crisis, by encouraging people to live in the heart of a mini-city largely designed for business. The site, home to hugely important docks in the 1800s, is still inextricably linked to finance, reports Bloomberg.
- Ireland will increase [a tax on the bulk buying of homes](#), amid growing outrage over investment funds acquiring local real estate and squeezing out first-time buyers, reports Bloomberg.
- A lack of new homes and strong demand is [pushing up prices in France's provincial towns and cities](#), reports Les Echos.
- Dutch [residential real estate prices are soaring](#). The average price of a home was 11.5% higher in April compared with a year earlier, the largest increase in housing market prices for nearly 20 years, according to research by Statistic Netherlands (CBS) showed.
- Rising house prices across Europe have [taken policy makers by surprise](#), reports Politico.
- The drastic drop in the number of tourists during the pandemic has [transformed Barcelona's property market](#), as rents have plummeted, reports the FT.

All Scope Group's latest rating actions, commentary and analysis are available at www.scoperatings.com and www.scopeexplorer.com.

Scope Ratings methodologies related to real estate:

A blue-tinted photograph of several modern skyscrapers with glass facades, viewed from a low angle looking up.

European Real Estate
Corporates

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A blue-tinted photograph of a city skyline with a body of water in the foreground, reflecting the buildings.

CRE Security and CMBS
Rating Methodology

[LEARN MORE](#)

A blue-tinted photograph of a modern office building with large glass windows, showing interior office spaces.

Covered Bond Rating
Methodology

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