

## Corporate Credit Rating

New Update

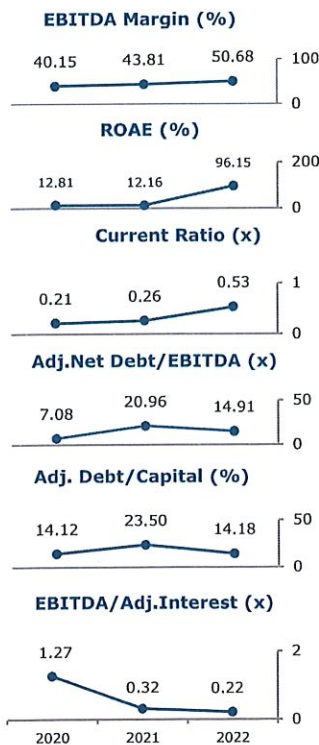
**Sector:** REIT  
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AAA (tr)	31+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
Sovereign*	Local Currency	BB (Negative)	-

\* Assigned by JCR on August 18, 2022



## Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of **Halk Gayrimenkul Yatırım Ortaklığı A.Ş.** in investment-level category and revised the Long-Term National Issuer Credit Rating to '**AAA (tr)**' from '**AA+ (tr)**' and affirmed the Short-Term National Issuer Credit Rating at '**J1+ (tr)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as '**BB/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

**Halk Gayrimenkul Yatırım Ortaklığı A.Ş.** (hereinafter referred to as 'Halk GYO' or 'the Company') was established in 2010 as an affiliate of Türkiye Halk Bankası A.Ş. Halk GYO's shares have been listed on the Borsa Istanbul (BIST) with the ticker symbol of 'HLGYO' since February 2013 with a current free-float rate of 28% whilst the Halkbank is the qualified shareholder with a rate of 71.96%. The main operating field of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. is to operate a portfolio consisting of real estate, real estate projects, rights based on real estate, capital market instruments and other assets and rights to be determined by the Capital Market Board ("CMB"). The Company's operating principles, portfolio investment policies and management restrictions are based on compliance with the regulations of the CMB and the relevant legislation. Investment property portfolio of the Company consists of lands, ongoing projects and rental properties which are used as bank branches, bank headquarters, store and hotels. Halk GYO employed a total workforce of 45 as of FYE2022 (FYE2021: 42).

Key rating drivers, as strengths and constraints, are provided below.

Strengths	Constraints
<ul style="list-style-type: none"> <li>Strong equity structure supported by sizeable paid-in capital increases through cash injection in 2022 and 2024</li> <li>Steady improvement in financial leverage ratios during the review periods</li> <li>Rental and interest income besides real estate sales provides resilience for the Company</li> <li>Significant pre-sales alleviating funding concerns for ongoing projects</li> <li>Valuable real estate portfolio placing the Company as one of the prominent among REIT companies</li> <li>Sustained low level of loan-to-value (LTV) ratio evaluated as a sector-specific leverage metric</li> <li>Long-term contracts provide high earnings predictability</li> <li>Synergies provided by strong shareholder</li> <li>High level of compliance with the corporate governance practices as a publicly listed company</li> </ul>	<ul style="list-style-type: none"> <li>Free operating cash outflow stemming from Capex leading external funding requirement</li> <li>Increasing construction costs pressuring profitability in the construction industry along with the contraction in the housing market</li> <li>Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side</li> </ul>

Considering the aforementioned points together with synergy generated within Halkbank, the Company's Long-Term National Issuer Credit Rating has been revised to '**AAA (tr)**'. The Company's valuable real estate portfolio, predictable cash flow via long terms lease contracts, access channels to the financial markets, equity structure strengthened by cash capital increase and brand recognition in the sector along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as '**Stable**'. The Company's growth strategy, profitability indicators, financial leverage and asset quality will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.