

## Corporate Credit Rating

☐ New ☒ Update

**Sector:** REIT

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 10, 2024

### EBITDA Margin (%)

33.23 60.68

### Gross Profit Margin (%)

44.94 74.61

### Current Ratio (x)

0.74 0.76

### Adj.Net Debt/EBITDA (x)

7.08 7.57

### Adj. Debt/Capital (%)

15.86 20.78

### EBITDA/Adj.Interest (x)

0.70 0.56

2023 2024

## Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Halk Gayrimenkul Yatırım Ortaklığı A.Ş." in investment grade category with the highest credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AAA (tr)' and 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/Stable' 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 İstanbul (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 38 as of FYE2024 (FYE2023: 43).

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

### Strengths

- Solid equity structure strengthened by retained earnings besides the non-cash contribution of capital adjustment differences as well as paid-in capital increases during the analyzed periods
- Revenue diversification achieved through rental income in addition to real estate sales
- Contribution of deferred income arising from pre-sales to funding composition and revenue predictability to a certain extent
- Valuable real estate portfolio underpinning the Company's position as one of the leading REITs
- Sustained favorable Loan-to-Value (LTV) ratio evaluated as a sector-specific leverage metric, despite modest increase as of FYE2024
- Synergies provided by strong and well-known shareholder
- Compliance with the corporate governance practices as a publicly listed company

### Constraints

- High financing expenses putting pressure on coverage metrics during the examined periods
- Negative cash flow metrics leading external funding need both in FY2023 and FY2024
- Increasing construction costs and market volatility may put pressure on profitability and suppress the sales figures
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty

Considering the aforementioned points together with synergy generated within Halkbank, the Company's Long-Term National Issuer Credit Rating has been affirmed at '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, sizeable share of deferred revenue, brand recognition in the sector, global soft-landing actions along with ongoing uncertainties with potential to adversely affect global trade 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.