

## Corporate Credit Rating

New  Update

Sector: REIT  
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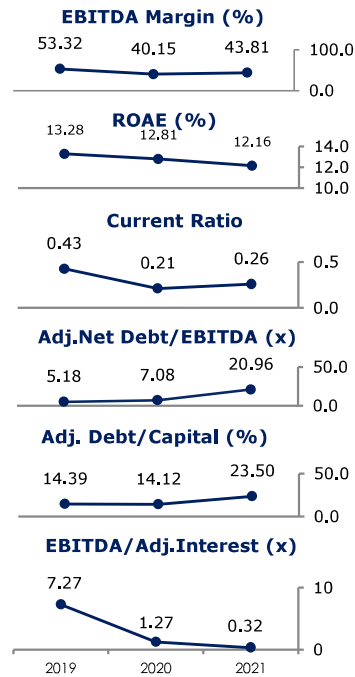
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Profile)	International LC ICR Outlooks	Stable	Stable
	National ISR	-	-
	International FC ISR	-	-
Sovereign	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 31, 2021



## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

JCR Eurasia Rating, has evaluated **Halk Gayrimenkul Yatırım Ortaklığı A.Ş.** in investment-level category and affirmed the Long-Term National Issuer Credit Rating at '**AA+ (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**'.

**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) index 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 and rental properties which are used as bank branches and bank headquarters. Halk GYO employed a total workforce of 42 as of FYE2021 (FYE2020: 41).

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

### Strengths

- Strong equity base supported with paid capital increases and retained earnings
- Sizable cash equity injection in 2022 expected to improve leverage metrics
- Valuable real estate portfolio placing the Company one of the prominent among REIT companies
- Revenue generation capacity via both periodic rent income and proceeds from construction segment
- Synergies provided by strong shareholder
- Solid corporate governance structure

### Constraints

- Increasing and high level of indebtedness as well as short-term weighted funding structure creating net working capital deficit
- Negative free cash flow mainly derived from Capex creating external funding needs
- Increasing construction costs may put pressure in profitability indicators
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and weakening the risk appetite towards EMs

Considering the aforementioned points together with synergy generated within Halkbank, the Company's Long-Term National Issuer Credit Rating has been affirmed at '**AA+ (tr)**'. Growth in the real estate portfolio, equity structure strengthened by cash capital increase, healthy occupancy rates and brand recognition in the sector 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.