

Corporate Credit & Issue Rating

New Update

Sector: REIT

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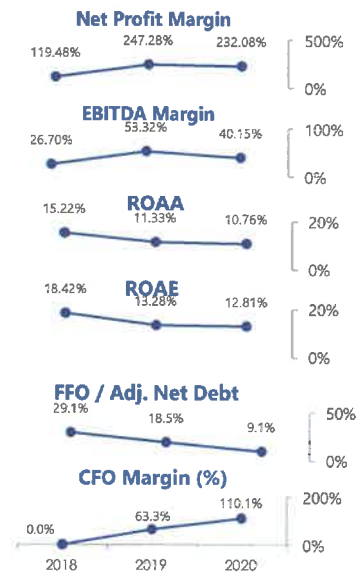
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RATINGS

	Long Term	Short Term
National	Local Rating	AA+ (Trk) / A-1+ (Trk)
	Outlook	Stable / Stable
	Issue Rating	AA+ / A-1+
International	Foreign Currency	BB+ / B
	Local Currency	BB+ / B
	Outlook	FC Negative / Negative LC Negative / Negative
Sovereign	Sponsor Support	1 / -
	Stand-Alone	A / -
	Outlook	FC Negative / Negative LC Negative / Negative

*Assigned by JCR on April 10, 2020



Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

JCR Eurasia Rating, has evaluated **Halk Gayrimenkul Yatırım Ortaklığı AŞ** in investment-level category on the national scale and assigned the ratings on the Long-Term National Scale as **'AA+ (Trk)'** and the Short-Term National Scale as **'A-1+ (Trk)'** with **'Stable'** outlooks. On the other hand, the Long-Term International Foreign and Local Currency Ratings have been assigned as **'BB+'** with **'Negative'** outlooks, the same level as the country ceiling.

Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (Halk GYO or the Company) was established in 2010 as an affiliate of Türkiye Halk Bankası A.Ş. ("Halkbank", was assessed by JCR Eurasia Rating in accordance with corporate governance principles and assigned a score of 9.43 as of July 2020). 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"). Portfolio investment policies are based on the Company's operating principles and compliance with the regulations of the CMB and relevant legislation in management restrictions. Investment property portfolio of the Company consists of lands and rental properties which are used as bank branches and bank headquarters.

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

Strengths

- Strong equity base supported with retained earnings
- Valuable real estate portfolio placing the Company in a prominent spot among REIT companies
- Revenue generation capacity via both periodic lease income and proceeds from construction segment
- Synergies provided by strong shareholder
- Solid corporate governance structure

Constraints

- High share of short-term funding, though refinancing risk is very low
- Contraction of global and local economic output, triggered by Coronavirus outbreak and reduction in lease income due precautionary and temporary measures

Considering the aforementioned points, the Company's the Long-Term National Rating has been assigned as **'AA+ (Trk)'**. Growth in the real estate portfolio, 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 ratings are determined as **'Stable'**. The Company's equity structure, debt level, recovery in lease income and portfolio net asset valuations 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.

Sponsor Support notes and their risk estimations reflect the financial and non-financial states and expected support by the qualified shareholder - Türkiye Halk Bankası A.Ş. (Halkbank, "AAA (Trk)") whose qualified shareholder is Türkiye Varlık Fonu. Halkbank is one of the leading banks in Turkey and due to its state-owned status along with large size, strong support is expected when financial needs arise in the short or long-term perspective. Within the consideration of these assessments, the Sponsor Support note of the Bank has been determined as **"1"**, which denotes a strong external support prospect.

Halk GYO's 'Stand-Alone Rating' has been determined with reference to the Company's market share, net asset value and sales growth, asset quality, risk management policies and the trends of the existing risks in the markets and the business environment via its internal means. Considering the Company's strong equity profile and cash flows, Stand-Alone rating of Halk GYO has been determined as **(A)**.