

## Corporate Credit & Issue Rating

New  Update

Sector: REIT

Publishing Date: 25.06.2021

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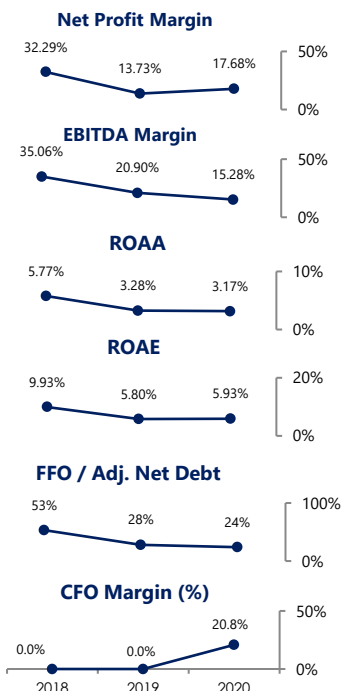
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### RATINGS

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

\*Assigned by JCR on May 31, 2021



## Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. and Consolidated Structure

JCR Eurasia Rating, has evaluated **Emlak Konut Gayrimenkul Yatırım Ortaklığı AŞ** in investment-level category on the national scale and assigned the ratings on the Long-Term National Scale as **'AAA (Trk)'** and the Short-Term National Scale as **'A-1+ (Trk)'** with **'Stable'** outlooks.

**Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş.** ("Emlak Konut REIT" or "The Company") was established on December 26, 1990 as a subsidiary of Türkiye Emlak Bankası A.Ş. The Company has been registered and started its activities on March 6, 1991. The Company was transformed into a Real Estate Investment Company on August 4, 1999. Emlak Konut REIT assumed the title of Real Estate Investment Trust on July 22, 2002. Subsequently Emlak Konut REIT was listed on Borsa Istanbul on November 26, 2010. As a real estate investment trust, Emlak Konut REIT has operations and investments in real estate projects and operates as defined in the regulations of the Capital Markets Board ("CMB") regarding real estate investment partnerships. The Company reached TRY 4.73bn in sales and TRY 28.64bn in total assets as of FYE 2020, which were TRY 5.67bn and TRY 24.18bn as of FYE 2019, respectively. As of 1Q2021, The Company reached TRY 1.29 bn in sales and TRY 28.71bn in total assets. Additionally, significant part of the Company's sales are pre-sales that not recorded as net sales. The Company's pre-sales revenue was TRY 1.8bn in 1Q2021, TRY 15.1bn in 2020, TRY 3.02bn in 2019.

The Covid-19 epidemic, which increased its spread in the world as of 2020, had an impact on almost every economic and social variable. As an unexpected systemic risk, many managerial processes from global business manners to decision-making processes had to be shaped according to new conditions. As in other sectors, the construction and real estate sectors have been affected by both business and demand-side processes.

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

Strengths	Constraints
<ul style="list-style-type: none"> <li>Low level of leverage as a result of financing a significant part of the activities with equity</li> <li>Guaranteed income streams from revenue sharing model and outsourcing of project related risks to the contractors</li> <li>Continuous growth in net assets owing to strong backlog</li> <li>High level of liquidity as a result of the impact of EBITDA generation and long-term spread of borrowing</li> <li>High level of corporate governance compliance</li> <li>Prestigious completed/ongoing projects on prime locations</li> <li>Demand of foreign investors for the real estate sector</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in EBITDA, excluding other income and expenses from principal activities, and FFO margin due to increase in construction costs across the sector and increase in share of turn-key projects in revenues</li> <li>High mortgage rates constrain demand for new house sales, potentially affecting revenue generation</li> <li>Potential contractor failure risks due to nature of the business, though limited with various forms of sureties &amp; diligent selection of contractors</li> </ul>

Considering the aforementioned points, The Company's Long-Term National Rating has been assigned as **'AAA (Trk)'**. Growth in the assets, healthy liquidity 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, ongoing projects and 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.

It is considered that the major controlling shareholders, possess the financial strength and willingness to provide liquidity for Emlak Konut REIT should such a need arise taking into consideration its long operational track record, the wide-recognition of the created brands by consumers, investments dispersed across the country and generated employment opportunities. Within this context, the Sponsor Support grade has been determined as **(1)** on JCR Eurasia Rating's notation scale denoting a highest level.

Emlak Konut REIT'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 by taking its internal sources into account. When these factors are considered, our opinion is that The Company has the desired level of experience, know-how and other required capabilities to manage the occurring risks in its financial structure through internal means. As a result of all of these factors, the stand-alone note of Emlak Konut REIT has been determined as **(A)**.