

## Corporate Credit Rating

New  Update

**Sector:** REIT

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (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 Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 31, 2021

## EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

JCR Eurasia Rating, has evaluated the "Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş." (referred to as "the Company" or "Emlak Konut") in the investment-level category 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'.

Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. 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 assumed the title of Real Estate Investment Trust on July 22, 2002. Subsequently, Emlak Konut was listed on Borsa Istanbul on November 26, 2010. As a real estate investment trust, Emlak Konut 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 6.74bn in sales and TRY 30.76bn in total assets as of FYE2021, which were TRY 4.73bn and TRY 28.64bn as of FYE2020, respectively. As of 1Q2022, the Company reached TRY 2.23 bn in sales and TRY 35.47bn 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 6.4bn in 1Q2022, TRY 17.1bn in 2021, TRY 15.1bn in 2020.

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

### Strengths

- Low level of leverage as a result of high equity level and EBITDA generation capacity
- Guaranteed income streams from revenue sharing model and outsourcing of project related risks to the contractors
- Continuous growth in net assets owing to strong backlog
- High level of liquidity as a result of the remarkable liquid asset level
- High level of corporate governance compliance
- Prestigious completed/ongoing projects on prime locations
- Demand of foreign investors for the real estate sector in Turkey

### Constraints

- High mortgage rates constrain demand for new house sales, may affect revenue generation
- Potential contractor failure risks due to nature of the business, though limited with various forms of sureties & diligent selection of contractors
- Increasing construction costs suppressing profitability in the industry

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed at 'AAA (Tr)'. The Company's 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'. Sustainability of the Company's profitability performance, changes in market share and equity level together with the trends in financing sector are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

