

## Corporate Credit Rating

New  Update

**Sector:** REIT

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

\* Assigned by JCR on August 18, 2022

## EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

JCR Eurasia Rating, has evaluated "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/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Emlak Konut 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, then has been transformed into a Real Estate Investment Company on August 4, 1999. Emlak Konut assumed the title of Real Estate Investment Trust ("REIT") on July 22, 2002. Subsequently, Emlak Konut was listed on Borsa İstanbul on November 26, 2010. As a REIT, 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 to TRY 8.12bn in sales (1Q2023: TRY 4.04bn) and TRY 46.96bn in total assets (1Q2023: TRY 51.33bn) as of FYE2022, which were TRY 6.74bn and TRY 30.76bn as of FYE2021, respectively. Additionally, significant part of the Company's pre-sales is not recorded as net sales. The Company's pre-sales revenue was TRY 15.3bn in 1Q2023, TRY 57.4bn in FY2022, TRY 17.1bn in FY2021.

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

### Strengths

### Constraints

- Steady EBITDA generation capacity with increased margin in 2022
  - Low financial leverage indicators thanks to strong equity level
  - Remarkable liquidity metrics thanks to high cash assets
  - Continuous asset growth with new projects
  - Prestigious completed/ongoing projects on prime locations that generate important demand from high income groups
  - As a state subsidiary, being the largest company in the market
  - Strengthened business model by guaranteed income streams from revenue sharing projects and the transfer of project-related risks to contractor companies
  - High level of compliance with the corporate governance practices as a publicly listed company
  - Ongoing demand of foreign investors for the real estate sector in Türkiye
- High sensitivity of real estate demand to changes in mortgage rates
  - Potential contractor failure risks due to nature of the business, though limited with various forms of sureties & diligent selection of contractors
  - Fluctuations in construction costs may put pressure on profitability margins
  - Global economic growth slows down evidenced commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed at 'AAA (tr)'. The Company's strong EBITDA generation capacity, leverage indicators, liquidity metrics, prestigious projects on prime locations 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 REIT sector are going to be monitored by JCR Eurasia Rating, as well as the macroeconomic indicators at national and international markets and legal frame about the sector.

