

Corporate Credit Rating

New Update

Sector: REIT

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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	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of **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 as '**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**'.

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 İstanbul (BIST) 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, bank headquarters and hotels. Halk GYO employed a total workforce of 45 as of FYE2022 (FYE2021: 42).

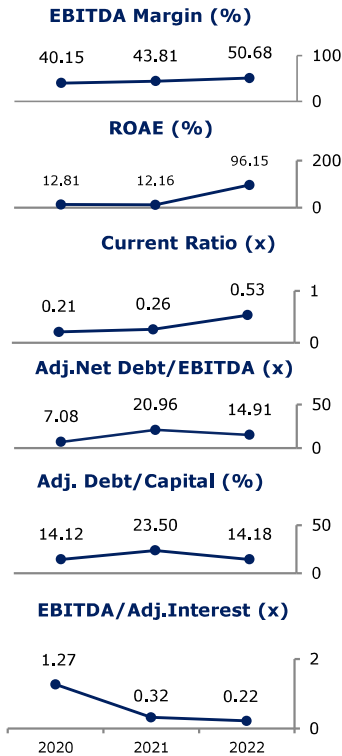
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Revenue diversification through rental income and construction segment
- Valuable real estate portfolio placing the Company as one of the prominent among REIT companies
- Long-term contracts provide high earnings predictability
- Synergies provided by strong shareholder
- Sizeable paid-in capital increase via cash injection in 2022
- Demand growth expectation thanks to recently introduced campaign
- High level of compliance with the corporate governance practices as a publicly listed company

Constraints

- Despite the improvement in 2022, financial leverage indicators still at high levels
- Persistent net working capital deficit during the review period
- Free operating cash outflow stemming from Capex leading external funding requirement
- Fluctuations in construction costs may put pressure on profitability margins
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections



Considering the aforementioned points together with synergy generated within Halkbank, the Company's Long-Term National Issuer Credit Rating has been affirmed as '**AA+ (tr)**'. The Company's valuable real estate portfolio, predictable cash flow via long terms lease contracts, access channels to the financial markets, equity structure strengthened by cash capital increase and brand recognition in the sector along with ongoing uncertainties arisen from geopolitical tensions as well as global interest rate hiking cycle 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.