

Corporate Credit Rating

New Update

Sector: REIT

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

* Assigned by JCR on May 10, 2024

PASİFİK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

JCR Eurasia Rating, has evaluated the "Pasifik Gayrimenkul Yatırım Ortaklığı A.Ş." in the investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating as 'A (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/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

Pasifik Gayrimenkul Yatırım Ortaklığı (hereinafter referred to as "Pasifik GYO" or "the Group" or "the Company") was established in 2020. Pasifik GYO's shares have been listed on the Borsa İstanbul (BIST) index with the ticker-name of 'PSGYO' since December 2021. Although the Company was established in 2020, the experience of the founding partners in the construction sector is based on the activities in Pasifik Gayrimenkul Yatırım İnşaat A.Ş., which was established in 2008. Pasifik Gayrimenkul Yatırım İnşaat A.Ş. has completed over 4,000 independent units, mainly residential.

As a real estate investment trust, Pasifik GYO 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 investment property portfolio of the Company mainly consists of a shopping mall under construction and residences and offices for sale. The Company's portfolio includes the ongoing Merkez Ankara, Next Level İstanbul, Next Level Kemer, Next Kemer Country, and Next Level Bodrum projects.

The current shareholder structure of the Company is Fatih Erdoğan (13.68%), Abdulkerim Fırat (13.68%), Mehmet Erdoğan (13.68%), Pasifik Holding A.Ş. (14.06%), and others (44.90%). The head office of the Company is located in Çankaya, Ankara. As of 3Q2024, the average number of employees of the Group is 239 (FYE2023: 269).

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

Strengths

- Favorable Loan-to-Value (LTV) ratio evaluated as a sector-specific leverage metric, despite partial increase as of FYE2023 and 3Q2024
- Diversified portfolio structure with mixed concept projects located in outstanding location of Ankara and İstanbul
- Partnership with Emlak Konut GYO, the largest REIT company in Türkiye, for various projects
- Contribution of deferred income arising from pre-sales to funding composition and revenue predictability to a certain extent
- Equity structure supported by retained earnings and ongoing profitability as well as paid-in capital increases during the analysed periods
- Compliance with the corporate governance practices as a publicly listed company

Constraints

- Negative cash flow from operations (CFO) creating external funding needs and led to increase in financial indebtedness as of FYE2023 and 3Q2024
- High sensitivity to interest rate due to variable rate loans
- Increasing construction costs and market volatility may put potential pressure on profitability and sales figures
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront

Considering the aforementioned points together the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'A (tr)'. Reasonable loan-to-value ratio, ongoing large-scale real estate development project portfolio in key locations and expected cash flows from the projects, equity structure, development in market share have been evaluated as important indicators for the determination of the ratings and the outlooks for the Long and Short-Term National Ratings are determined as 'Stable'. The progress level and sales performance of ongoing projects, loan-to-value ratio, cash flow and liquidity metrics, risks associated with market fluctuations and regulatory factors 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.

