S&P Global Ratings

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Inmobiliaria Colonial, Socimi, S.A.

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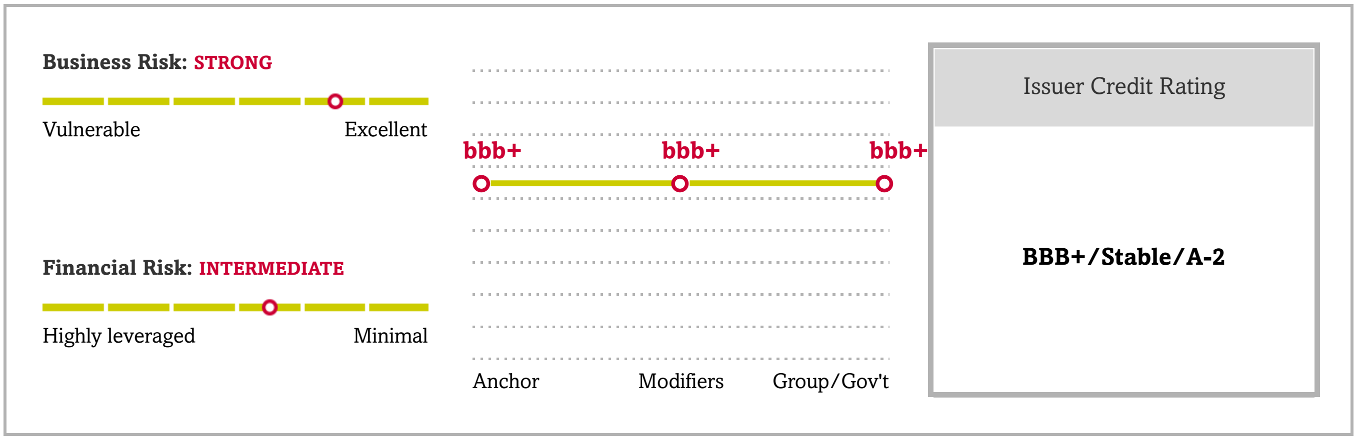
Inmobiliaria Colonial, Socimi, S.A.



Credit Highlights

Overview

Key strengths	Key risks
Supportive structural fundamentals in the coming years for the central business district (CBD) office market in Paris, Madrid, and Barcelona	Significant exposure to Spain (about 44% of total gross rental income), an office market that has proven more volatile and less mature than that of New York, Paris, or London
Sizable and high-quality portfolio mainly located in the CBDs, and solid track record of good operating performance	Concentration in the office segment, an asset class that has proven less resilient than other real estate segments in Europe, such as the German residential market
Moderate debt leverage (adjusted debt-to-debt-plus-equity ratio of 40.4%), strong liquidity position, and a prudent financial policy	Weaker interest and debt coverage ratios than 'BBB+' peers, reflecting its assets' low-risk profile. Ratios are also affected by development activities
Office landlords with prime locations and large tenants, which at this point should be less affected by COVID-19 than retail or hotel property owners	Uncertainty around how COVID-19 could affect the office sector in the long term, with macroeconomic forecasts showing a general recession in the eurozone

Weaker corporate sentiment could affect office properties and the leasing market. S&P Global Ratings believes office landlords will see slower rental growth as corporate sentiment weakens. In the near term, we believe office landlords, especially to large multinational tenants, will be more protected than the retail or hotel property sectors given their tenants are less directly affected by the lockdown measures obliging retail stores and hotels to close. Office tenants, especially large corporates, have often switched to work-from-home solutions allowing them to keep running their businesses. That said, the office sector and its leasing dynamics generally find support from GDP growth, which is falling, as well as job creations and corporates' expansion plans. As for the latter, we think these could be put on hold or scaled back. Cost cutting and staff reduction are a risk, which could result from a prolonged disruption, and would reduce the need for additional office space and might affect overall market occupancy.

Table 1

Economic Indicators

	2019A	2020F	2021F	2022F
Eurozone real GDP growth (Y-o-Y; %)	1.2	(7.3)	5.6	3.7
Eurozone CPI (Y-o-Y; %)	1.2	0.6	1.1	1.4
Eurozone unemployment (%)	7.6	8.6	8.6	8.1
France real GDP growth (Y-o-Y; %)	1.3	(8.0)	6.1	4.5

Table 1

Economic Indicators (cont.)	2019A	2020F	2021F	2022F
France CPI (Y-o-Y; %)	1.3	0.7	1.2	1.5
France unemployment (%)	8.5	9.5	9.7	9.1
Spain real GDP growth (Y-o-Y; %)	2.0	(8.8)	5.1	4.3
Spain CPI (Y-o-Y; %)	0.8	0.8	1.3	1.3
Spain unemployment (%)	14.1	16.4	16.5	16.1

Source: S&P Global Ratings. Y-o-Y: Year-over-year. F--Forecast.

We expect Inmobiliaria Colonial, Socimi, S.A. to withstand the COVID-19 pandemic on the back of its high quality assets and robust tenant base. At this stage, we do not assume negative like-for-like rental growth for Colonial in 2020, in comparison, for example, with our base-case assumptions for retail landlords (negative 15%-negative 20%). This is because we believe that the company's high quality assets mainly in the undersupplied CBDs of Paris, Madrid, and Barcelona will continue to attract sustained demand. Besides, Colonial benefits from long leases (average lease maturity of contracts till their expiry date is 6.1 years) and only 20% of them expire in 2020 (as of March 31, more than a half of the tenants have already renewed or confirmed they will stay). The company also enjoys strong tenant base that is mainly composed of large creditworthy corporates (more than 95%), with only a limited share of small and medium enterprises. This should mitigate any nonpayment or rent-reduction risk. Colonial expects certain effect in the segment of small clients linked to retail and leisure, which represent less than 2% of gross rental income. In these cases, the company is deferring payments for tenants facing financial difficulties.

We assume Colonial's leverage will remain relatively stable over the next two-to-three years, while the company proceeds with its development pipeline. We expect Colonial to focus on asset management initiatives and that pipeline, which will deliver approximately 200,600 square meters (about €1.3 billion of estimated cost) from 2020-2023. We forecast debt to debt plus equity to remain near 40%, thanks to limited debt funded acquisitions and prudently staggered cash calls from its development pipeline. Cash flow will also maintain EBITDA interest coverage near 3x and debt to EBITDA will progressively decline to 15x beyond our outlook horizon as the new developments start to contribute to rent generation.

Outlook: Stable

The stable outlook reflects S&P Global Ratings' view that Colonial should withstand the effects of the COVID-19 pandemic on the back of the high quality of its portfolio, mainly in the CBD of Paris, Madrid, and Barcelona, and its robust tenant base.

Downside scenario

We would downgrade the company if, on a prolonged basis:

- EBITDA interest coverage dropped below 2.4x;
- Debt to debt plus equity increased meaningfully above 45%; or
- We saw material divestment or dilution of its Paris operations.

Upside scenario

We would upgrade the company if, on a prolonged basis:

- EBITDA interest coverage increased above 3.8x;
- Debt to debt plus equity decreased below 35%; and
- Colonial ensured a stronger and more diversified cash flow base, as well as a new financial policy consistent with these stronger credit metrics.

Our Base-Case Scenario

Assumptions

- Contraction of real GDP in France and Spain of 8%-9% in 2020 followed by growth of 5%-6% in 2021. We estimate CPI growth in both countries of about 1.0% in 2020 and 1.5% in 2021
- Flat rental income like-for-like growth in 2020 and 1%-2% in 2021, affected by a challenging macroeconomic environment and a slight decline in current occupancy
- Overall occupancy of about 93%-95% in the coming two years because of the entry of new assets and certain refurbishment projects
- Like-for-like portfolio growth in the coming two years in line with rental growth. We do not assume further yield compression on Colonial's assets

Key Metrics

	2019A	2020E	2021F
EBITDA interest coverage (x)	3.0	~3.0	~3.0
Debt to debt plus equity (%)	40.4	~40.0	~40.0
Debt to EBITDA (x)	16.6	16-17	16-17

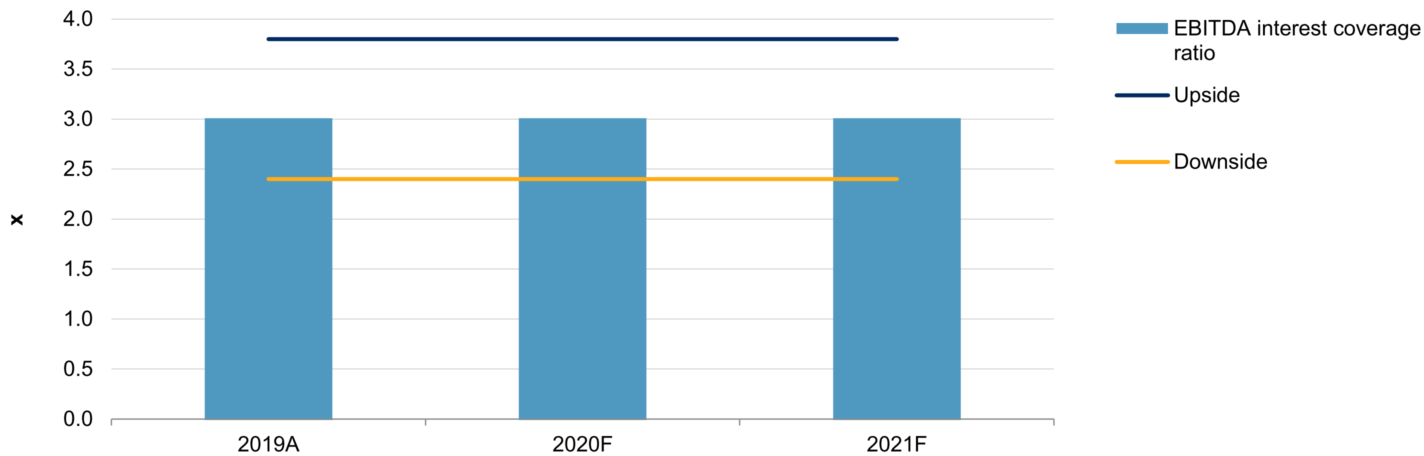
A--Actual. E--Estimate. F--Forecast.

- A stable EBITDA margin of 78%-79% over the coming two years
- Balanced asset rotation. Asset acquisitions on an opportunistic basis would be absorbed by asset disposals
- Dividend distribution of about €130 million-€140 million per year in 2020 and 2021

Base-case projections

Chart 1

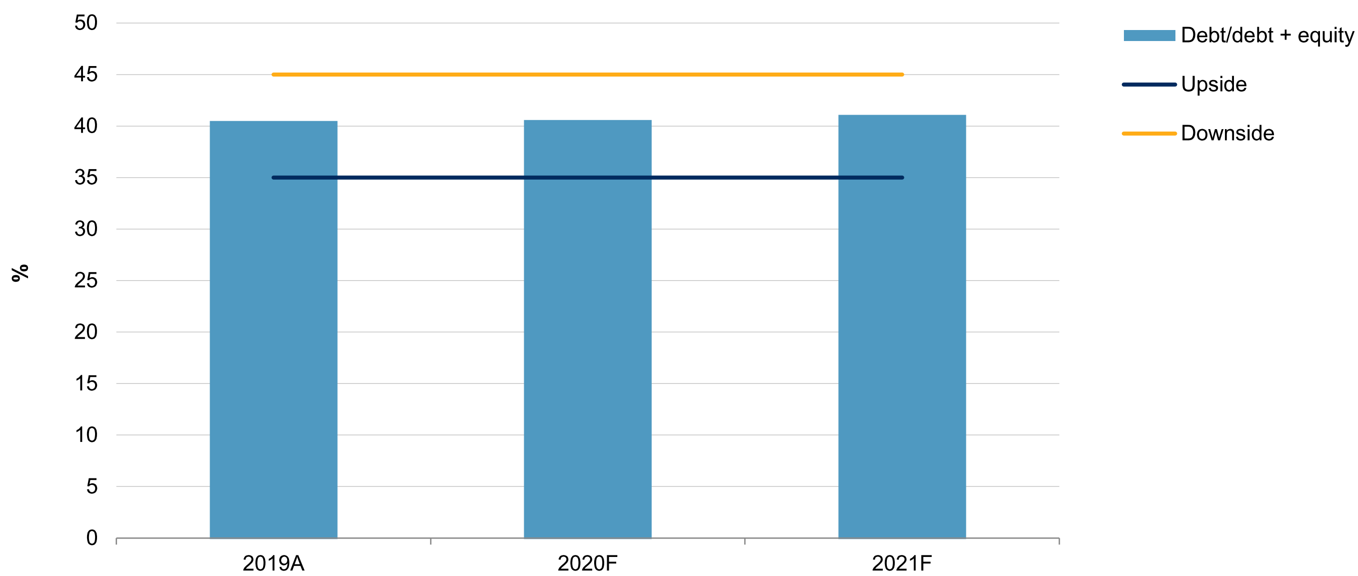
Inmobiliaria Colonial, Socimi, S.A.--EBITDA Interest Coverage



A--Actual. F--Forecast. Source: S&P Global Ratings.

Chart 2

Inmobiliaria Colonial, Socimi, S.A.--Debt To Debt Plus Equity



A--Actual. Forecast. Source: S&P Global Ratings.

Company Description

Table 2

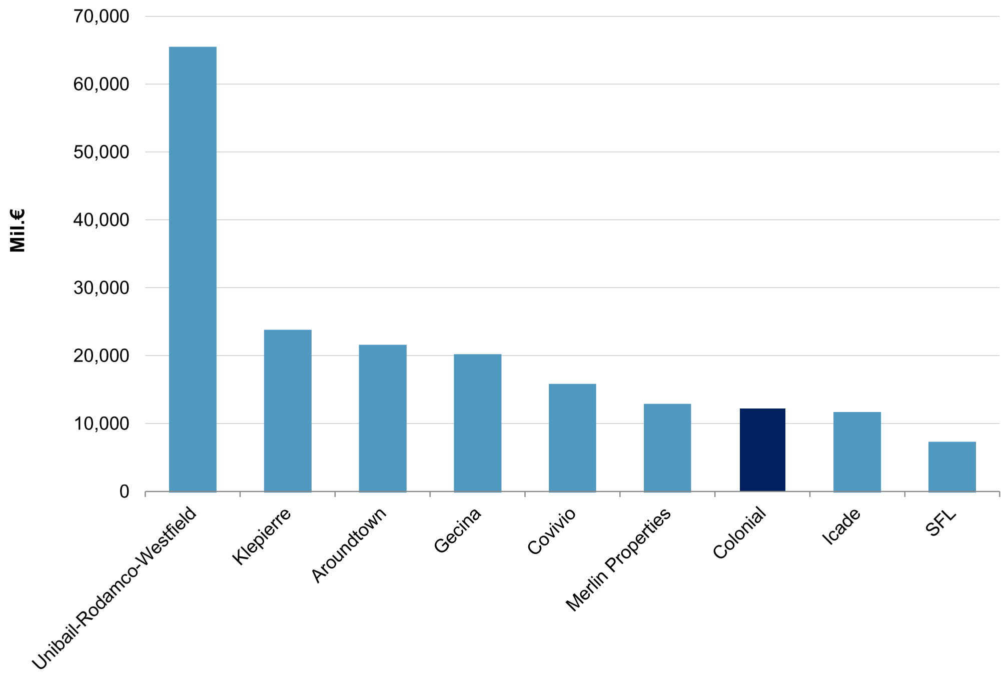
Inmobiliaria Colonial, Socimi, S.A.--Portfolio Summary	
Segment focus	Offices
Total portfolio value (bil. €)	12.2
Total GLA (square meters)	1,396,311
Occupancy (%)	97.3
Average lease maturity (Years)*	Paris, 6.6 years; Madrid, 5.8 years; Barcelona, 4.6 years
Overall portfolio quality§	Prime portfolio in terms of location and asset quality (net yield, Paris: 3.21%; gross yield Madrid, 4.27%; gross yield, Barcelona: 4.35%)
Operational properties with sustainability certifications (%)	92 (BREEAM/LEED certificates)
Market capitalization (bil. €)†	About 5.1

*Average lease maturity of contracts till their expiry date. §S&P Global Ratings' view. †As of March 31, 2020. GLA--Gross leasable area.

Colonial is one of the key players in the European prime office market, with presence in the main business areas of Barcelona, Madrid, and Paris (see table 2).

Chart 3

Gross Asset Value For Rated European Commercial REITs

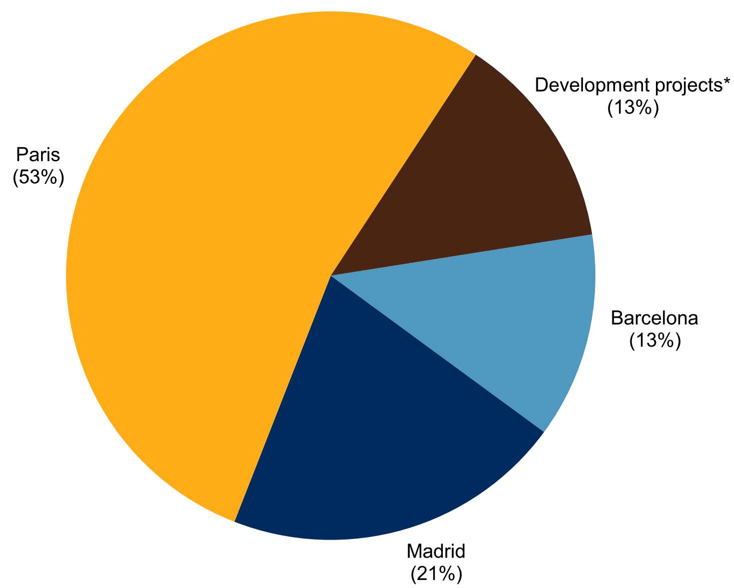


Source: S&P Global Ratings, company reports.

Colonial's portfolio mainly includes office assets (more than 90% of total gross asset value [GAV]) with a clear focus on CBDs, where about 76% of its assets are. As of Dec. 31, 2019, Colonial owned a portfolio of 89 assets valued at €12.2 billion (see charts 3 and 4). Its stake on its core subsidiary Societe Fonciere Lyonnaise (BBB+/Stable/A-2) is 81.71% as of Dec. 31, 2019.

Chart 4

Inmobiliaria Colonial, Socimi, S.A.--Geographical Diversity By GAV



*Madrid 49%, Paris 45%, and Barcelona 6%. Source: Company report. GAV--Gross asset value.

Business Risk: Strong

We continue to view the high quality of Colonial's office real estate portfolio in France and Spain, reaching €12.2 billion by year-end 2019, as positive. The company's properties are mostly in the CBDs of Paris, Madrid, and Barcelona, where supply of good-quality assets remain scarce. The number of Cononial's properties in these areas compares favorably with that of some other office players we rate.

At this stage, we expect the company to withstand the effects of the COVID-19 pandemic thanks to the high quality of its assets, and its lease structure and tenant base. We believe Colonial's assets would continue to attract demand in its three undersupplied markets. Besides, we believe that the length of its leases (average lease maturity of contracts till their expiry date is 6.1 years and only 20% expire in 2020) and the quality of its tenant base (98% of total tenants are large creditworthy corporates) mitigates the risk of nonpayment or significant rent reductions. The company's limited exposure to retail assets (less than 10% of its tenant base) should mean limited effect on overall performance, because the majority of its tenants are names such as Uniqlo or Zara, which enjoy solid credit profiles. We do not expect either any material effect coming from Utopicus (Colonial's flexible office brand) or WeWork-leased assets (less than 5% of total rental income), given the leases' structure (including bank guarantees for amounts equivalent in some cases to more than 12 months of rent), length (usually more than one year), and tenant profile (no significant exposure to small companies). The company expects some impact from small clients linked to retail and leisure, which represent less than 2% of gross rental income. In these cases, it is deferring payments for tenants facing financial difficulties.

At year-end 2019, Colonial's portfolio benefited from good reversionary potential (market rent versus current passing rent could imply an increase of 19%, 8%, and 7% in Barcelona, Madrid, and Paris, respectively, if all leases were adjusted to market rent levels). This would also give some downside protection to the company in this economic environment.

We expect Colonial's operating performance to soften significantly compared with 2019, but do not forecast negative like-for-like rental growth (compared with positive 4% in 2019) or any significant decrease in occupancy (97.3% as of Dec 31. 2019). We also expect some revaluation gains in the company's portfolio in the coming years, but not at a level comparable with that of previous years (9% like-for-like total GAV growth as of Dec. 31, 2019).

In 2019, Colonial decreased the vacancy rate of assets in Madrid coming from the Axiare acquisition, lowering it by more than 6% in one year (to 4.3% as of December 2019 from 10.5% as of December 2018). We expect the operational entry of new assets in Spain and some refurbishment projects, mainly in Paris, will affect occupancy in the coming two years. That said, we expect it will remain strong, at 93%-95% given supportive tenant demand.

Colonial remains, however, exposed to higher country risk in Spain, where a high portion of its assets are based (about 44% of total gross rental income). Our assessment of the company's business risk profile factors in the historical volatility of the Spanish office market, especially when compared with more mature and deep markets such as New York, Paris, or London. Colonial is also concentrated in the office segment, an asset class that we continue to view less resilient than other real estate segments in Europe, such as the German residential segment.

Table 3

Inmobiliaria Colonial, Socimi, S.A.--Operating Peer Comparison

Companies	Inmobiliaria Colonial, Socimi, S.A.	Gecina	Aroundtown S.A.	Icade S.A.	Societe Fonciere Lyonnaise S.A.	Merlin Properties, Socimi, S.A.
Ratings	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB/Stable/--
Portfolio Value (bil. €)	12.2	20.1	21.4	11.5	7.2	12.8
% development	7.2%	18%	7.6%	9.5%	0.4%	<5%
WAULT (years)	Paris 6.6, Madrid 5.8, and Barcelona 4.6	~5.8	8.6*	Offices 4.5, health care 8.0	6.6	5.6
Occupancy (%)	97.30	94.10	92.4*	92.60	97.40	94.80
Top 10 tenants as % of GRI	26.0%	N/A	<20%*	40.9%	38.0%	32.6%
Geography diversity	France 56%, Spain 44%	Paris and region 92.5%, other regions 7.5%	Berlin 19%, NRW 12%, Munich 9%, Frankfurt 9%, U.K. 5%, rest of Netherlands 7%, rest of Germany 39%	Greater Paris region 92%, rest of France 8%,	Paris CBD 83, Paris Other 15%, Western Crescent 2%	Spain 91%, Portugal 9%

Table 3

Inmobiliaria Colonial, Socimi, S.A.--Operating Peer Comparison (cont.)

Companies	Inmobiliaria Colonial, Socimi, S.A.	Gecina	Aroundtown S.A.	Icade S.A.	Societe Fonciere Lyonnaise S.A.	Merlin Properties, Socimi, S.A.
Assets diversity	Offices 94%,Retail, Logistics and Others 6%	Offices 82%, residential 17%, hotels and finance leases 1%	Office 45%, hotels 28%, residential 15%, retail 5%, logistics/wholesale/other 7%	Office 66.6%, health care 33.4%	Offices 79%, retail 19%, residential 2%	High street retail 14.7%, shopping centers 20.3%, offices 49.3%, logistics 9.9%, hotels, noncore land, and miscellaneous 5.8%

*Excluding GCP. Source: Company Reports N/A--Not applicable.

Peer comparison

Table 4

Inmobiliaria Colonial, Socimi, S.A.--Peer Comparison

Industry sector: Real estate investment trust or company

	Inmobiliaria Colonial, Socimi, S.A.	Gecina	Aroundtown S.A.	Icade S.A.	Societe Fonciere Lyonnaise S.A.	Merlin Properties, Socimi, S.A.
Ratings as of April 13, 2020	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/--
	--Fiscal year ended Dec. 31, 2019--					
(Mil. €)						
Revenue	364.1	708.1	1,115.4	1,527.2	198.7	517.7
EBITDA	284.7	574.9	762.1	601.6	176.4	409.5
Funds from operations (FFO)	188.7	431.7	478.0	449.3	131.3	283.9
Interest expense	95.8	125.8	194.9	109.8	28.2	110.1
Cash flow from operations	228.3	486.2	503.1	389.3	142.3	294.9
Capital expenditure	257.5	543.3	268.8	785.9	64.5	240.7
Free operating cash flow (FOCF)	(29.2)	(57.1)	234.3	(396.6)	77.8	54.2
Dividends paid	132.3	409.3	209.4	412.8	131.0	187.1
Discretionary cash flow (DCF)	(164.9)	(574.1)	24.9	(816.4)	(53.2)	(133.6)
Cash and short-term investments	216.8	37.8	3,038.6	767.1	54.0	254.0
Debt	4,727.7	7,411.9	9,934.0	6,157.7	1,789.8	5,269.6
Equity	6,960.5	12,726.6	12,505.6	8,522.4	5,037.0	6,708.7
Adjusted ratios						
Annual revenue growth (%)	2.9	6.4	16.4	(14.0)	2.7	6.6
EBITDA margin (%)	78.2	81.2	68.3	39.4	88.8	79.1

Table 4

Inmobiliaria Colonial, Socimi, S.A.--Peer Comparison (cont.)

Industry sector: Real estate investment trust or company

	Inmobiliaria Colonial, Socimi, S.A.	Gecina	Aroundtown S.A.	Icade S.A.	Societe Fonciere Lyonnaise S.A.	Merlin Properties, Socimi, S.A.
EBITDA interest coverage (x)	3.0	4.6	3.9	5.5	6.3	3.7
FFO cash interest coverage (x)	3.0	4.2	3.4	5.1	5.5	3.6
Debt/EBITDA (x)	16.6	12.9	13.0	10.2	10.1	12.9
FFO/debt (%)	4.0	5.8	4.8	7.3	7.3	5.4
Debt/debt and equity (%)	40.4	36.8	44.3	41.9	26.2	44.0

Financial Risk: Intermediate

Our assessment of Colonial's financial risk profile is underpinned by the company's prudent financial policy and commitment to maintain robust credit metrics commensurate with our rating. This includes an EBITDA interest coverage ratio above 2.5x and a loan-to-value ratio of 36%-40% (equivalent to a debt-to-debt-plus-equity ratio of 40%-44%; s).

Table 5

Inmobiliaria Colonial, Socimi, S.A.--Capital Structure And Liquidity

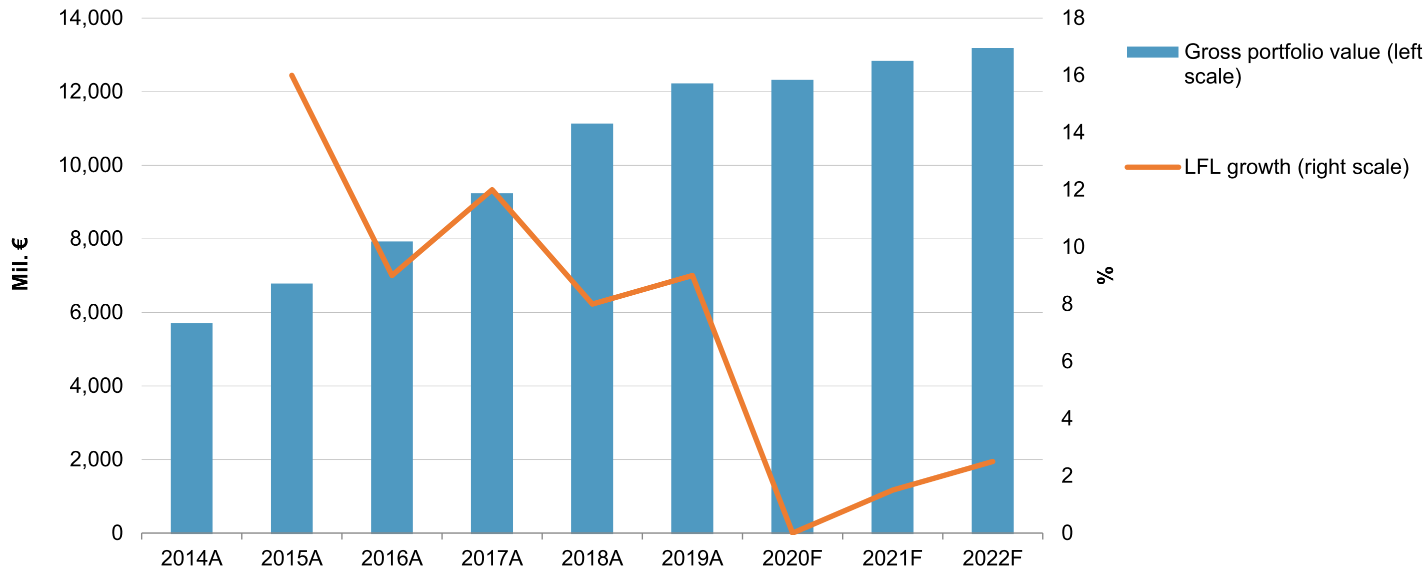
	December 2019
Spot cost of debt* (%)	1.63
Weighted average debt maturity (years)	4.9
Average fixed debt (including hedge; %)	>85
Composition of debt (secured; %)§	5.6

*Cost of debt considering ECP program (1.81% excluding ECP program) without considering commissions. §Mortgage debt as % of total debt.

We expect Colonial will focus on asset management initiatives and its development pipeline, at an estimated cost of about €1.3 billion (including acquisition cost or last valuation plus incurred and future capex) until 2023. We assume that potential opportunistic acquisitions in the coming two years could be fully absorbed with the sale of noncore assets (mainly remaining logistics assets coming from Axiare's portfolio to be disposed in 2020 for a total value of about €165 million). We forecast debt to debt plus equity will remain near 40%, supported by some positive revaluation in Colonial's portfolio.

Chart 5

Inmobiliaria Colonial, Socimi, S.A.--Gross Portfolio Value And LFL Growth

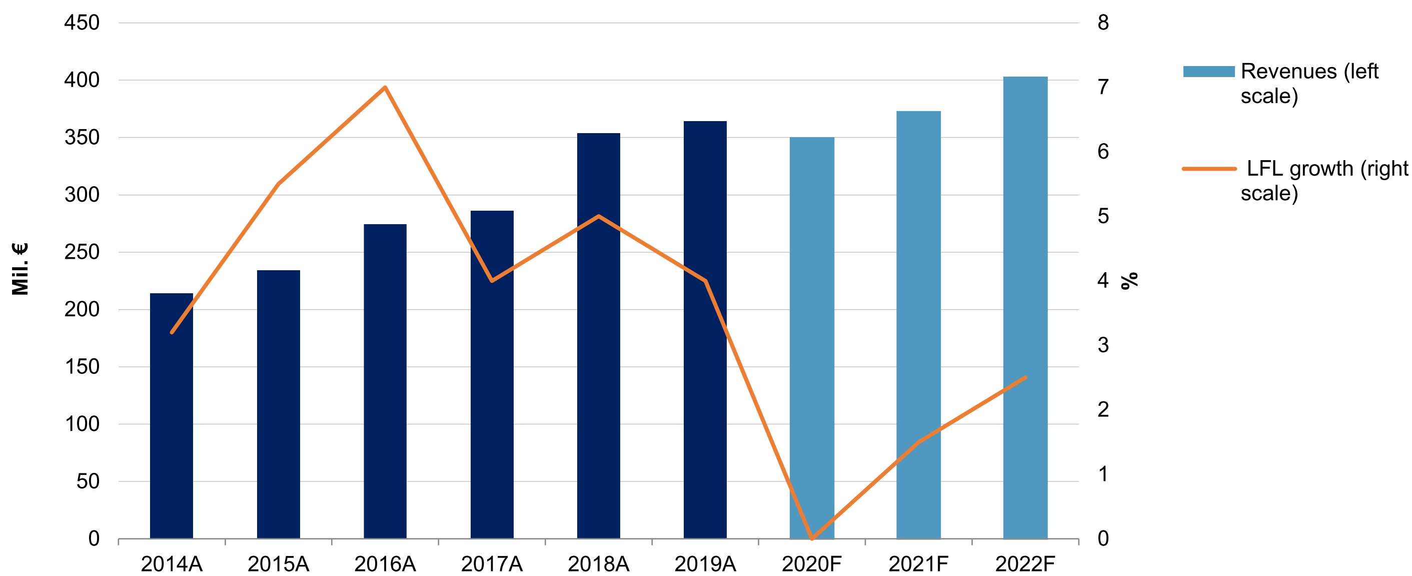


LFL--Like-for-like. A--Actual. F--Forecast. Source: Company Reports, S&P Global Ratings.

Colonial's debt service and payback ratios continue to compare slightly negatively with those of other 'BBB+' rated companies, but it reflects the low-risk profile of its assets, especially in Paris where the yield on its assets is close to 3%. This translated into debt to EBITDA of 16.6x and EBITDA interest cover of 3.0x at year-end 2019. We expect EBITDA interest coverage to remain near 3x in the next few years on the back of stable recurring rental income growth and a low cost of debt (1.63% as of Dec. 31, 2019). We also forecast Colonial's debt to EBITDA to move progressively beyond the outlook horizon toward 15x as the new developments start to contribute to rent generation. In addition, the company benefits from a staggered maturity profile, with an average debt maturity of about five years.

Chart 6

Inmobiliaria Colonial, Socimi, S.A.--Revenue And LFL Growth



LFL--Like-for-like. A--Actual. F--Forecast. Source: Company reports, S&P Global Ratings.

Financial summary

Table 6

Inmobiliaria Colonial, Socimi, S.A.--Financial Summary				
Industry sector: Real estate investment trust or company				
	--Fiscal year ended Dec. 31--			
	2019	**2018**	**2017**	**2016**
(Mil. €)				
Revenue	364.1	354.0	286.0	274.5
EBITDA	284.7	278.5	210.7	215.9
Funds from operations (FFO)	188.7	123.4	84.2	91.9
Interest expense	95.8	112.1	86.5	82.0
Cash flow from operations	228.3	30.7	153.3	52.5
Capital expenditure	257.5	309.4	130.5	174.1
Free operating cash flow (FOCF)	(29.2)	(278.7)	22.9	(121.6)
Dividends paid	132.3	129.9	89.7	96.6
Discretionary cash flow (DCF)	(164.9)	(409.8)	(73.6)	(269.0)
Cash and short-term investments	216.8	68.3	1,104.6	105.2
Debt	4,727.7	4,762.7	4,215.4	3,589.8
Equity	6,960.5	6,101.8	5,679.7	4,007.9

Table 6

Inmobiliaria Colonial, Socimi, S.A.--Financial Summary (cont.)

Industry sector: Real estate investment trust or company	--Fiscal year ended Dec. 31--			
	2019	2018	2017	2016
Adjusted ratios				
Annual revenue growth (%)	2.9	23.8	4.2	17.1
EBITDA margin (%)	78.2	78.7	73.7	78.7
EBITDA interest coverage (x)	3.0	2.5	2.4	2.6
FFO cash interest coverage (x)	3.0	1.9	1.9	1.8
Debt/EBITDA (x)	16.6	17.1	20.0	16.6
FFO/debt (%)	4.0	2.6	2.0	2.6
Debt/debt and equity (%)	40.4	43.8	42.6	47.2

Liquidity: Strong

We view Colonial's liquidity as strong, with a ratio of liquidity sources to uses of about 2.3x for the 12 months to Dec. 31, 2019, and higher than 1x over the following 12 months. Our strong liquidity assessment is supported by the country's €1.9 billion available backup facilities and its moderate capital expenditure (capex) and refinancing needs in the next 24 months. Colonial has also demonstrated broad access to both the equity and debt capital markets, enhancing our assessment of its liquidity.

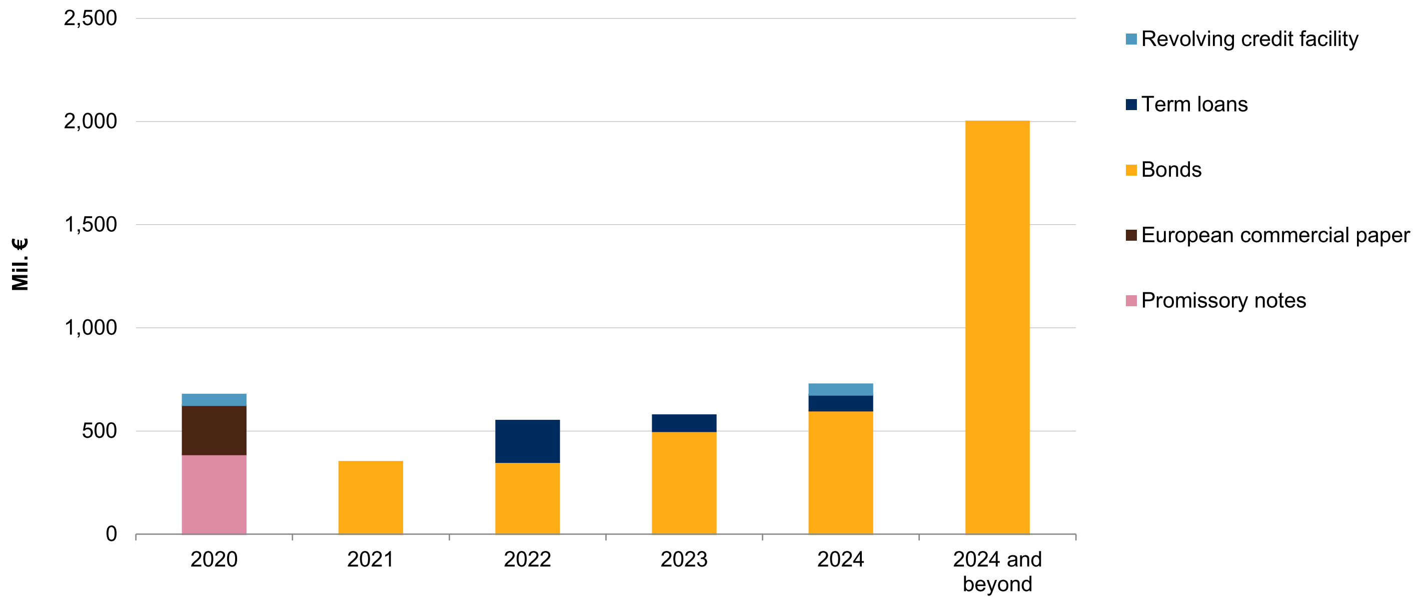
We have not included further acquisitions or disposals in the liquidity assessment because none are currently committed.

Principal Liquidity Sources	Principal Liquidity Uses
• €238.0 million of unrestricted cash and cash equivalents • €1.9 billion of undrawn committed backup facilities • €200 million-€210 million of annual funds from operations • €8.4 million related to Hotel Mojacar disposal in March 2020	• €628.1 million of debt maturities, mainly related to commercial paper • €250 million-€260 million of capex • About €130 million of planned dividend payment, including payment related to minorities

Debt maturities

Chart 7

Inmobiliaria Colonial, Socimi, S.A.--Debt Maturity Profile



Source: Company reports.

Environmental, Social, And Governance

We believe Colonial's environmental commitment is a key differentiator, and the company is more favorably positioned compared with other rated office landlord peers. Most of the company's operating portfolio, 92% of its gross asset value, has obtained green certification from several organizations (including BREEAM, LEED, and HqE). These features emphasize the quality of its assets and translate into solid rental growth and high occupancy levels. Tenants are demanding greener buildings and it has become necessary in order to attract high quality occupants.

The company is working on increasing its energy efficiency further enhanced through technological solutions (named PropNet) that optimize sustainable portfolio management. Colonial's objective is to reduce Energy and carbon-dioxide emissions, consumption of materials, waste, and water usage through the production of high-efficiency buildings.

Issue Ratings - Subordination Risk Analysis

Capital structure

As of Dec. 31, 2019, Colonial's pool of unencumbered assets is significant, and less than 6% of its debt profile is mortgage debt.

Analytical conclusions

We see limited subordination risk for Colonial's unsecured debt with regard to secured debt outstanding in its capital structure. The ratio of secured debt to total assets remain well below 40%, so we continue to align our issue rating on the unsecured bonds with the issuer credit rating on Colonial.

Reconciliation

Table 7

Reconciliation Of Inmobiliaria Colonial, Socimi, S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2019--							
Inmobiliaria Colonial, Socimi, S.A. reported amounts								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
Reported	4,874.8	5,558.6	299.0	299.1	90.8	284.7	321.8	262.6
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	(2.5)	--	--
Cash taxes paid: Other	--	--	--	--	--	--	--	--
Cash interest paid	--	--	--	--	--	(88.4)	--	--
Reported lease liabilities	14.4	--	--	--	--	--	--	--
Accessible cash and liquid investments	(216.8)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	5.1	(5.1)	(5.1)	(5.1)
Share-based compensation expense	--	--	5.6	--	--	--	--	--
Nonoperating income (expense)	--	--	--	875.9	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(88.4)	--
Noncontrolling interest/minority interest	--	1,401.9	--	--	--	--	--	--
Debt: Guarantees	55.3	--	--	--	--	--	--	--
EBITDA: Gain (loss) on disposals of PP&E	--	--	(19.9)	(19.9)	--	--	--	--

Table 7

Reconciliation Of Inmobiliaria Colonial, Socimi, S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)

Total adjustments	(147.1)	1,401.9	(14.3)	856.0	5.1	(96.1)	(93.5)	(5.1)
S&P Global Ratings' adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditure**
Adjusted	4,727.7	6,960.5	284.7	1,155.1	95.8	188.7	228.3	257.5

PP&E--Property, plant, and equipment.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Stable/A-2

Business risk: Strong

- **Country risk:** Low
- **Industry risk:** Low
- **Competitive position:** Strong

Financial risk: Intermediate

- **Cash flow/leverage:** Intermediate

Anchor: bbb+

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Related Criteria

- Criteria - Corporates - Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013

- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- COVID-19: Implications For European Real Estate Investment, As Tenants Begin To Suspend Rent Payments , March 26, 2020

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	**a-/bbb+**	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of April 30, 2020)*

Inmobiliaria Colonial, Socimi, S.A.	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured	BBB+
Issuer Credit Ratings History	
18-Oct-2018	BBB+/Stable/A-2
19-Apr-2017	BBB/Stable/A-2
29-May-2015	BBB-/Stable/A-3
Related Entities	
Societe Fonciere Lyonnaise S.A.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	A-2
Senior Unsecured	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.