S&P Global Ratings

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Inmobiliaria Colonial, SOCIMI, S.A.

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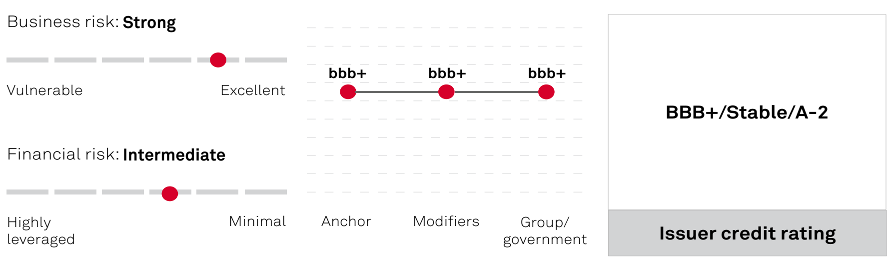
This report does not constitute a rating action.

Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Sizable office assets worth €11.6 billion, with 78% of gross asset value (GAV) in the Paris, Madrid, and Barcelona central business districts (CBDs), where supply remains scarce.	Economic volatility hindering job creation, dampening office space demand.
Well-located and high-quality portfolio (99% of GAV with high rankings green certifications), which should continue to attract tenants and result in high occupancy rates and positive release spreads.	Higher interest rate environment and volatile capital markets potentially weighing on EBITDA-interest-coverage ratio (2.9x-3.0x per our forecasts) and real estate valuations, reducing rating headroom.
Solid tenant base, mainly large corporations and multinationals, with low turnover and so-far limited impacts from work-from-home trends and hybrid working models.	Moderate debt leverage, with S&P Global Ratings-adjusted debt to debt plus equity at 39.9% at year-end 2024 as a result of recent equity raise and expected to be at 42%-43% over 2025-2027 due to reloaded capital expenditure (capex) program.

Strong liquidity and prudent hedging policy that will continue to limit the effects of rising interest rates.

Limited supply of prime office assets in CBDs and scheduled project deliveries should boost Inmobiliaria Colonial's (Colonial) cashflow generation over the coming 24 months. Colonial should continue benefitting from its strong market position in Grade-A office properties in prime CBDs across Paris, Madrid, and Barcelona (around 80% of portfolio), where supply remains very limited. The company reported a strong 6.3% like-for-like growth in gross rental income over 2024, driven by 3.7% of indexation, 2.0% of rental growth through reletting, and 0.7% of positive occupancy evolution. Even if we expect indexation to reduce along with inflation and occupancy rates to slightly decrease due to assets under renovation, we still assume 0.5%-2.0% like-for-like growth in rental income over the forecast horizon. At the same time, Colonial announced the reloading of its capex pipeline during 2024, with four new projects in addition to its investment in Deeplabs, which should further boost cashflow generation from 2026-2027.

Colonial's expected growing cashflow generation, prudent liquidity position and hedging policy, and staggered debt maturity profile partially mitigate its refinancing risks and increase in interest expense. We forecast the company's EBITDA-interest-coverage ratio to remain broadly stable at 2.8x-3.0x over 2025-2027, as growing EBITDA generation would likely compensate for the increase of the interest burden over the coming 24 months. Colonial's track record of access to the capital markets, as seen in the €500 million green bond issuance in January 2025, together with its sizable cash balances of €542.7 million as of year-end 2024 and over €2.4 billion in committed credit lines maturing beyond 12 months, reduce the refinancing risks of the upcoming €685 million debt maturities for 2025 and €700 million for 2026. While we expect the average cost of debt to progressively increase as Colonial refinances its existing stock of debt in a higher interest rate environment, it still benefit from its pre-hedging contract secured a few years ago through a swap notional of €1.8 billion (after the January 2025 issuance) which can be used over the next 5 to 10 years for future bond issuances. This, and the hedging strategy on existing debt (100% of the debt as of year-end 2024 either fixed or hedged) should partially mitigate the impact of higher interest rates on Colonial's interest burden, at least in the next few years.

Broadly stable portfolio valuation after years of yield compression would likely compensate the increase in leverage from capex program, but current volatility in the capital markets could leave its mark. Over the forecast horizon, we believe yields would likely stabilize after a material expansion over the past few years--valuation yields of 4.2% in Paris (net yield), 4.9% in Madrid (gross yield) and 5.1% in Barcelona (gross yield) end of 2024, versus 3.3% in Paris, 4.3% in Madrid, and 4.4% in Barcelona end of 2022--even though we still view a risk of further expansion in light of the remaining high volatility in reference rates and relatively subdued transaction market. We have assumed a conservative negative 1% potential decrease in valuations in 2025 and flat from 2026 onward, after 2.8% revaluation reported in 2024, mostly impacted by positive cashflow generation fueled by like-for-like growth of rental income and project deliveries, versus a 9% deterioration over 2023. At the same time, Colonial announced in 2024 reloading its capex pipeline with four new projects, in addition to the investment in Deeplabs. While they will be partly funded by the €622 million capital increase completed in 2024, we forecast the company's debt-to-debt-plus-equity ratio to progressively increase from 39.9% end of 2024 to 41.0%-43.5% over 2025-2027, albeit remaining within the 45% thresholds for the current rating.

We view the merger between Colonial and Societe Fonciere Lyonnaise (SFL; a subsidiary of Colonial) as neutral for the rating. In November 2024, the boards of directors of both Colonial and SFL announced a plan to merge SFL into Colonial to simplify the company's structure. This is in line with approach taken over the past few years, with Colonial increasing the stake it holds in SFL (98.3%), and we expect the merger to conclude in second-half 2025, subject to the approval by Colonial and SFL shareholders at the general meetings to be held by the end of April 2025 and to corporate formalities necessary for a transaction of this kind. From a ratings perspective, we already viewed SFL as core to Colonial due to the unlikely disposal of SFL, the long-term commitment from Colonial toward SFL, and the significant portion of the consolidated group that SFL represents, among other factors. It means that the rating on SFL was already in line with that on Colonial, and we therefore do not expect any change to the ratings of Colonial as a result of the merger.

Outlook

The stable outlook reflects our view that Colonial will continue to generate stable and predictable income despite economic uncertainty, on the back of the high quality of its portfolio, mainly in the CBDs of Paris, Madrid, and Barcelona, and its robust tenant base. Its credit metrics should also stay within the current thresholds for the rating despite higher interest rates environment thanks a prudent financial policy.

Downside scenario

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

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

Upside scenario

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

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

Our Base-Case Scenario

Assumptions
• Real GDP growth in France and Spain of 0.7% and 2.6% in 2025, and 1.1% and 2.0% in 2026, respectively. We estimate consumer price inflation in both countries of 1.5%-2.5% in 2025 and 1.0%-2.0% in 2026. • Like-for-like rental income growth of 0.5%-1.0% in 2025, supported by persistent, although slowing, indexation in France and Spain, partially offset by our assumption of slightly lower letting activity on the back of subdued economic activity and some vacancies related to ongoing projects, followed by around 1.5%-2.0% over 2026-2027. • Conservative negative 1% devaluation of the portfolio in 2025, considering currently volatile capital markets, and stable evolution over 2026-2027. • EBITDA margin around 77%-79%, in line with historical performance. • Annual capex of about €200 million-€250 million in 2025, and €250 million-€300 million in 2026. These investments mostly comprise of the restructuring projects of Scope and Condorcet in Paris (expected delivery in 2026 and 2027 respectively), Sancho de Avila in Barcelona (expected delivery in 2027), and Santa Hortensia

in Madrid (excepted delivery in 2028), in addition to ongoing modernization and renovation capex. We have assumed that the company's projects will be delivered as per the company's plan, with related rental income generation realized the same year and the year after.

- Investment of €200 million in Deeplabs in 2025, following Colonial announcement to create a joint venture with Stoneshield Capital to develop pan-European platform in Science & Innovation (S&I).
- Asset disposals for around €250 million-300 million in 2025, and none afterward.
- Dividend distributions of about €200 million-€230 million per year over the forecast horizon.

Key metrics

Inmobiliaria Colonial, Socimi, S.A.--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	322	371	400	404	419	440	490
EBITDA	244	285	317	318	325	346	385
Funds from operations (FFO)	89	173	198	200	215	220	246
EBIT	241	270	309	330	341	354	386
Interest expense	133	96	111	111	108	120	134
Cash flow from operations (CFO)	127	149	148	244	203	200	220
Capital expenditure (capex)	309	709	207	172	421	293	165
Free operating cash flow (FOCF)	(182)	(560)	(58)	73	(218)	(93)	55
Dividends	139	168	143	180	207	219	231
Debt	4,732	5,283	4,864	4,464	4,606	4,915	5,089
Equity	7,184	7,343	5,947	6,726	6,638	6,650	6,670
Adjusted ratios							
EBITDA margin (%)	75.9	76.7	79.4	78.8	77.6	78.6	78.6
EBITDA interest coverage (x)	1.8	3.0	2.9	2.9	3.0	2.9	2.9
Debt/EBITDA (x)	19.4	18.6	15.3	14.0	14.2	14.2	13.2
Debt/debt and equity (%)	39.7	41.8	45.0	39.9	41.0	42.5	43.3

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Company Description

Colonial is a key player in the European prime office market, with a presence in the main business areas of Barcelona, Madrid, and Paris. Colonial's portfolio mainly includes office assets (more than 90% of total GAV) with a clear focus on CBDs, where about 80% of its assets are located. As of Dec. 31, 2024, Colonial owned a portfolio valued at €11.6 billion. Its stake in core subsidiary Societe Fonciere Lyonnaise (BBB+/Stable/A-2) is 98.2% as of Dec. 31, 2024.

The company is listed on the Spanish stock exchange IBEX 35 and its main shareholders are Criteria (17%), Qatar Investment Authority (16%), Grupo Finaccess (13%) and Puig S.A. (8%).

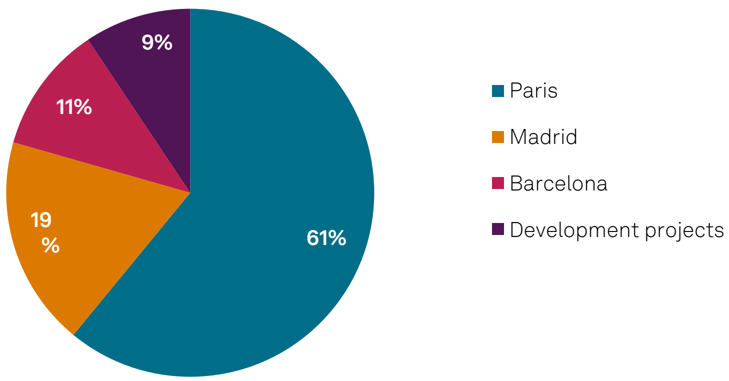
Inmobiliaria Colonial, Socimi, S.A. --Portfolio Summary

Segment focus	Office
Total portfolio value	€11.6 billion
Total gross leasable area	1.6 million sqm
Occupancy	95%
Average lease maturity*	Paris- 7.3 years; Madrid- 5.6 years; Barcelona- 6.5 years
Overall portfolio quality§	Prime portfolio in terms of location and asset quality (valuation yields, Paris: 4.2% (net yield); Madrid, 4.9% (gross yield); Barcelona: 5.1% - gross yield)
Operational properties with sustainability certifications	99% of gross asset value iscertified BREEAM “Very good” at least and LEED Gold
Market capitalization†	€3.57 billion

***Average lease maturity of contracts until their expiry date. § S&P Global Ratings' view. † As of April 24, 2024.**

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

As of December 31, 2024



Source: S&P Global Ratings.

Peer Comparison

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.
	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Negative/A-2	BBB/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/--
Business risk profile	Strong	Strong	Strong	Satisfactory	Strong	Satisfactory
Financial risk profile	Intermediate	Intermediate	Intermediate	Intermediate	Intermediate	Intermediate
Portfolio value (bil. €)	11.6	17.4	24.4	6.4	7.6	11.5

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.
Assets diversity	Offices 96%; Retail and others 4%	Offices 80%; Residential 18%; Student Housing 2%	Offices 38%; Residential 34%; Hotel 22%; Retail 4%; Logistics/Other - 2%	Office 82%; Light Industrial 12%; Others & Landbank 6%	Offices 79%; Retail 20%; Residential 1%	Offices 60%; Shopping centers 17%; Logistics 17%; Data Centers 5%, Other 6%
Occupancy (%)	95.0	93.4	92.5	84.7	99.4	96.7
WAULT (years) (until first break)	Paris: 7.3 years; Madrid: 5.6 years; Barcelona: 6.5 years	4.5	7.6	3.4	5.7	3.2
Top 10 tenants (as a % of GRI)	29	25	<20	N/A	~40	21
Geography diversity	France 66%; Spain 34%	France 100% (Majority office portfolio in central Paris)	Germany 88%; U.K & Netherlands 12%	France 100%	France 100% (Paris CBD 78%; Paris other 21%; Western Crescent 1%)	Spain ~88%; Portugal ~12%
Development exposure (as a % of GAV)	<5	<5	~8	<5	~10	<5

Source: S&P Global Ratings, latest company reports. N/A--Not applicable. WAULT--Weighted average unexpired lease term. GRI--Gross rental income.

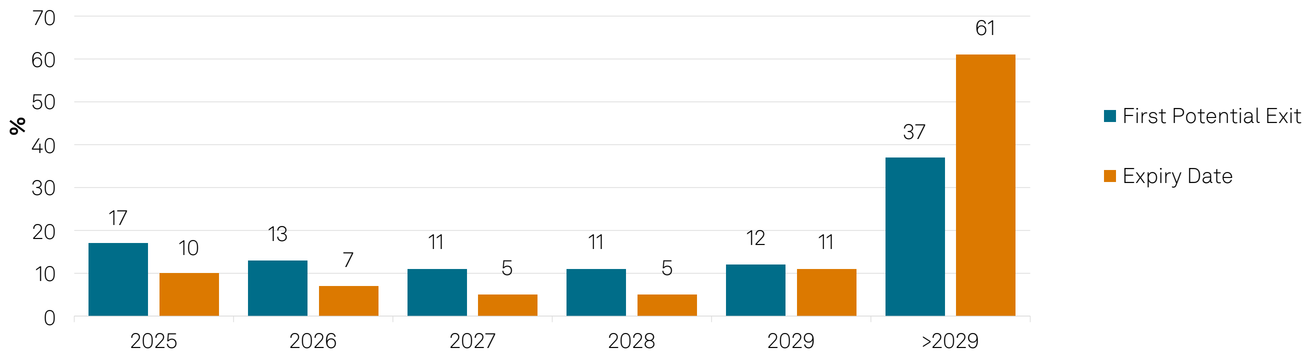
Business Risk

Our business risk profile assessment incorporates our view of the particularly high quality of Colonial's office real estate portfolio in France and Spain, valued at €11.3 billion at year-end 2023. Its properties are mostly in the central businesses districts (CBD) of Paris, Madrid, and Barcelona, where the supply of good-quality assets remains scarce. Colonial's exposure to these areas (around 80% of total GAV as of year-end 2024) compares favorably with other European office owners, such as Icade and Covivio. We believe the shortage of high-quality, green-certified office space in these three cities, particularly in the CBDs, as well as continuously high demand from tenants for this type of assets, should support rental income growth over the next 12-24 months despite the lower CPI growth and the economic and job creation slowdown we forecast because of the higher interest rate environment.

Additionally, Colonial benefits from long leases (average remaining term of 7.3 years in Paris, 5.6 years in Madrid, and 6.5 years in Barcelona) and 10% of leases expiring in 2025 with a supportive track record of contract renewal. The company also enjoys a strong tenant base, mainly large creditworthy corporates, with only a limited share of small and midsize enterprises. This should mitigate any nonpayment or rent-reduction risk in the challenged market environment. We view Colonial's creditworthy tenant base as supportive of its cash flow growth and predictability.

Colonial should also benefit from additional rental income from Utopicus (although we estimate it would represent less than 5% of total rental income), its flexible office-offering subsidiary in Spain. The shorter-term nature of Utopicus' leases, compared to traditional lease contracts, offers Colonial's tenants additional flexibility to align floorspace with their needs. We understand Utopicus' contracts are short-to-medium term (usually more than one year) and that its tenant profile is robust, with no significant exposure to small companies.

Inmobiliaria Colonial, Socimi, S.A. -- Commercial Lease Expiry
As of December 31, 2024



Source: S&P Global Ratings.

We expect the subdued macroeconomic context to weigh on job creation and therefore new demand for office space, leading to a potential slowdown in new office space uptake. That said, office supply remains historically low in Colonial's locations, especially in CBDs, and therefore the supply-demand imbalance should continue to drive growth in market rents (6.4% like-for-like growth in gross rental income and 8% release spread achieved for Colonial in 2024). Additionally, we expect indexation to continue supporting rental growth, given that the majority of its lease contracts are inflation indexed (3.7% indexation in 2024), albeit at a slower pace as inflation has become lower versus previous years (consumer price index [CPI] growth of 5.4% in 2023, 2.4% in 2024, and 2.0%-2.1% expected for 2025-2027).We expect exits from some tenants and ensuing refurbishment periods to increase vacancy temporarily and partially offset the indexation, as it was the case in Barcelona a couple of years ago with a vacancy still at 20% at year-end 2024 due to the entry into operation of the renovation program of Diagonal 197 and vacancy in two assets for which we understand commercial discussions are progressing well.

Our assessment of Colonial's business risk profile is also supported by the diversification in terms of asset base and geographical exposure. This diversified asset base has enabled Colonial to dispose of smaller ticket assets in its Spanish office portfolio in the past couple of years (€490 million in 2023 and €251 million in 2024) in a market where liquidity for large office assets has been compromised by rising interest rates and economic headwinds.

Financial Risk

Our assessment of Colonial's financial risk profile is underpinned by the company's prudent financial policy and commitment to maintaining robust credit metrics commensurate with our rating. This includes an EBITDA-interest-coverage ratio above 2.4x and loan-to-value ratio of 35%-40% (equivalent to adjusted debt-to-debt-plus-equity ratio of 40%-45%).

The company's €622 million capital increase completed in May 2024 has restored some headroom under its adjusted debt-to-debt-plus-equity ratio for current rating, decreasing from 45% at year-end 2023 to 39.9% at year-end 2024. Over 2025-2027, we forecast this ratio to gradually increase to 41.0%-43.5%, remaining within the thresholds for the current rating. This is because simultaneously to the announcement of the equity raise, the company announced reloading its capex pipeline. This includes four new projects worth a total investment volume (asset value and redevelopment capex) of €400 million across 2024-2027 (Scope, Condorcet, Santa Hortensia, Sancho de Avila). The company targets overall returns from these projects of more than 9% and representing €83 million in additional rents starting from 2026-2027. In addition, Colonial announced investing around €200 million in a pan-European platform Deeplabs in 2025, with a 7-8% stabilized yield on cost. Lastly, we now forecast a broadly stable evolution of the portfolio valuation for 2025-2027, as we believe yields have already expanded materially over the past few years and any further decompression would likely be compensated by growing cashflow generation.

We forecast debt to EBITDA to increase slightly from 14.0x end of 2024 to 14.0x-14.5x, before reducing to 13.0x-13.5x by 2027. The impact from the company's expanded capex pipeline on this ratio would likely become compensated by the EBITDA generation from the contribution of new deliveries by 2027 onwards, in addition to our expectation of like-for-like growth, fueled by positive indexation, over our forecast horizon.

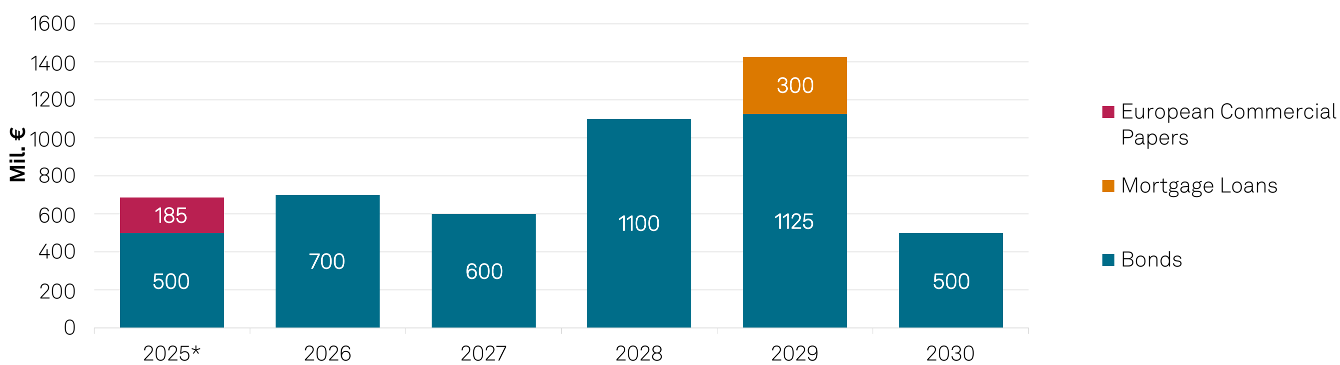
Lastly, Colonial's entire debt is either at fixed cost or hedged against interest rate changes, which provides significant interest expense protection. Still, the higher interest rates environment will continue to progressively increase Colonial’s average cost of debt (1.7% end of 2024). The company issued a €500 million green bond issuance at 3.25% coupon in January 2025. We expect the increase in the company's interest expense to be compensated by growing EBITDA generation over 2025-2027, with a forecasted EBITDA-interest-coverage ratio of 2.9x-3.0x over the period. Colonial's interest incomes are excluded from our ratio calculation, and its EBITDA-interest-coverage ratio would stand at 3.7x end of 2024 (versus 2.9x in our calculations) if we were netting them from our interest expense calculation. Still, the high amount of cash of €542.7 million at year-end 2024 further demonstrates company's prudent financial policy.

Debt maturities

Colonial’s average debt maturity is 4.1 years.

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

As of December 31, 2024



* Proforma refinancing of €500 million bond carried out in Q1 2025

Source: S&P Global Ratings.;

Inmobiliaria Colonial, Socimi, S.A.--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024

Inmobiliaria Colonial, Socimi, S.A.--Financial Summary

Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	364	347	322	371	400	404
EBITDA	285	275	244	285	317	318
Funds from operations (FFO)	199	114	89	173	198	200
Interest expense	103	132	133	96	111	111
Operating cash flow (OCF)	233	90	127	149	148	244
Capital expenditure	263	209	309	709	207	172
Dividends paid	132	135	139	168	143	180
Cash and short-term investments	217	269	219	160	438	541
Debt	4,728	4,651	4,732	5,283	4,864	4,464
Common equity	6,960	6,833	7,184	7,343	5,947	6,726
Valuation of investment property	12,196	12,020	12,436	13,005	11,336	11,646
Adjusted ratios						
EBITDA margin (%)	78.2	79.4	75.9	76.7	79.4	78.8
EBITDA interest coverage (x)	2.8	2.1	1.8	3.0	2.9	2.9
Debt/EBITDA (x)	16.6	16.9	19.4	18.6	15.3	14.0
Debt/debt and equity (%)	40.4	40.5	39.7	41.8	45.0	39.9

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

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2024									
Company reported amounts	4,986	5,677	404	342	436	106	318	362	180	172
Cash taxes paid	-	-	-	-	-	-	(1)	-	-	-
Cash interest paid	-	-	-	-	-	-	(118)	-	-	-
Lease liabilities	14	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(541)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	5	-	-	-	-
Share-based compensation expense	-	-	-	7	-	-	-	-	-	-
Income (expense) of unconsolid. cos.	-	-	-	(2)	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	26	-	-	-	-	-
Reclassification of interest and	-	-	-	-	-	-	-	(118)	-	-

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

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
dividend cash flows										
Noncontrolling/ minority interest	-	1,049	-	-	-	-	-	-	-	-
Debt: Guarantees	5	-	-	-	-	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(15)	(15)	-	-	-	-	-
EBITDA: other	-	-	-	(15)	(15)	-	-	-	-	-
D&A: Asset valuation gains/(losses)	-	-	-	-	(102)	-	-	-	-	-
Total adjustments	(522)	1,049	-	(24)	(106)	5	(119)	(118)	-	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	4,464	6,726	404	318	330	111	200	244	180	172

Liquidity

We view Colonial's liquidity as strong, with a ratio of liquidity sources to uses above 1.5x for the 12 months started Jan. 1, 2025, and higher than 1x over the following 12 months. This is supported by its €2.47 billion of available backup facilities and moderate capex, enhancing its ability to withstand high-impact, low-probability events with limited need to refinance. Colonial has also demonstrated broad access to both the equity and debt capital markets, enhancing our assessment of its liquidity. Additionally, the company's long track record of solid relationships with banks supports its liquidity profile, in our view.

Principal liquidity sources

- €541 million of unrestricted cash and cash equivalents;
- €2.47 billion of undrawn committed backup facilities;
- About €225 million - €250 million of annual funds from operations.

Principal liquidity uses

- €685 million of debt maturities, including commercial paper in the upcoming 12 months and another €700 million in the subsequent 12 months;
- About €400 million-€425 million of capex in next 12 month and €275 million -€300 million in the subsequent 12 months; and
- About €200 million-€225 million of planned annual dividend payments.

Environmental, Social, And Governance

Environmental factors are a positive consideration in our credit rating analysis of Colonial. 99% of its portfolio per GAV is certified BREEAM “Very good” at a minimum or LEED “Gold”. Its buildings are centrally located close to public transport, we believe this helps to attract high-quality occupants and supports its strong competitive position, given that tenants have increased their focus on the sustainability of buildings. These features emphasize the quality of its assets and translate into solid rental growth and high occupancy levels. In line with the company's commitment to develop nearly zero-energy buildings, Colonial has developed the first office building in Spain made entirely of wood in 2022 (Wittywood). This pioneer project reflects Colonial's engagement with emissions reduction and its search for building processes that are less harmful to the environment, at all stages of the building life cycle, from construction to operation. The building benefits from a LEED Platinium certification. Additionally, more than 90% of Colonial's outstanding debt and 100% of its bonds are classified as green, becoming the first IBEX35 company with such a high proportion of sustainable unsecured financing.

Social and governance factors are neutral to our credit analysis of Colonial.

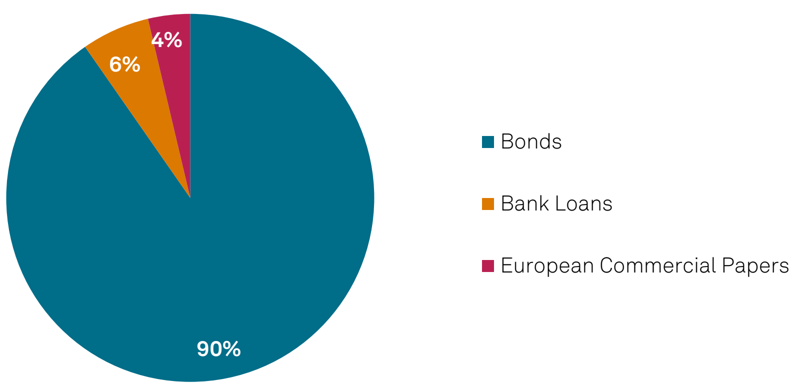
Issue Ratings--Subordination Risk Analysis

Capital structure

As of Dec. 31, 2024, Colonial's debt is all unsecured, Colonial no longer has mortgage debt in its capital structure.

Inmobiliaria Colonial, Socimi, S.A.--Debt Structure

As of December 31, 2024



Source: S&P Global Ratings.

Analytical conclusions

We see limited subordination risk for Colonial's unsecured debt with regards to secured debt outstanding in its capital structure. The ratio of secured debt to total assets at the end of 2024 was 0% (no outstanding secured debt), well below our threshold 40%, so we continue to align our issue rating on the unsecured bonds with the issuer credit rating on Colonial.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB+/Stable/A-2**
Local currency 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+**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb+**

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
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Related Research

- Colonial's Equity Raise Restores Financial Headroom To Fund Growth Capex Program, May 17, 2024

- Colonial's Solid Operating Performance And Capex Pipeline Underpin Future Cash Flow Growth, November 18, 2024
- Industry Credit Outlook 2025: Real Estate, January 14, 2025

Ratings Detail (as of April 28, 2025)*	
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.