

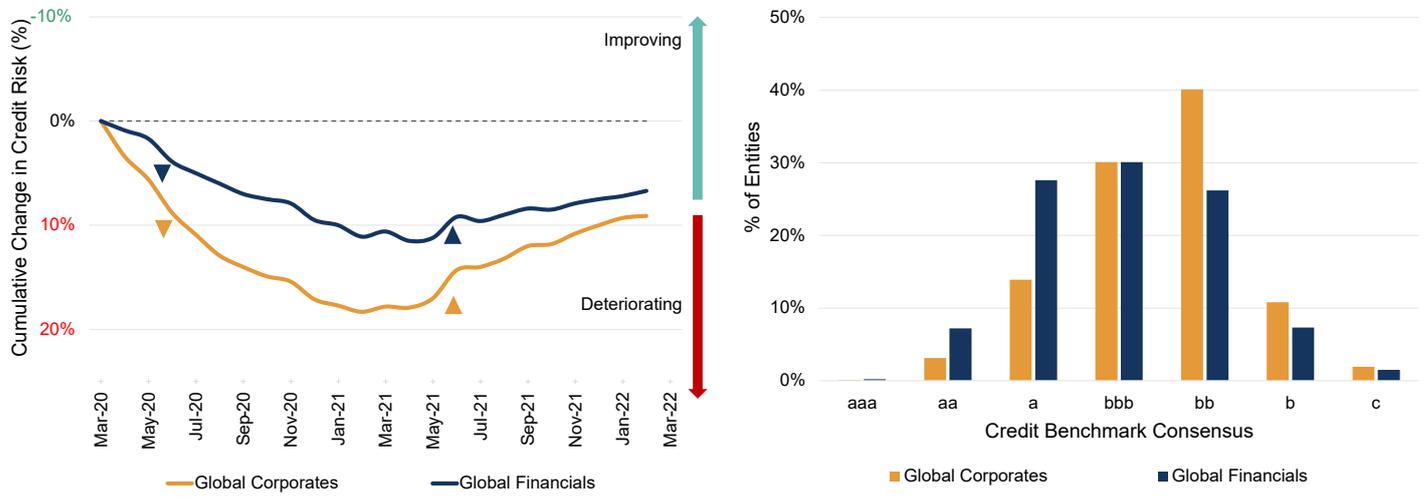
# Global REITs: Slow to Recover After Major Pandemic Downgrade

March 2022

The Real Estate market is being pulled in multiple directions. The “race for space” has driven up land prices, but supply chain issues are also pushing up the cost of newbuilds. Cities are returning to some form of normality, but existing offices are operating at less than full capacity while many new offices are struggling to find tenants in the face of hybrid working practices. Industrial property has been boosted by the need for huge fulfilment centres as online shopping thrives.

Real Estate is at the junction of Wall St and Main St. COVID did not affect these two pillars of the economy equally: Figure 1 shows that, in credit terms, global Financials were impacted less by COVID, but Corporates showed a faster recovery.

Figure 1: Credit Trend and Current Credit Distribution for Global Corporates and Financials



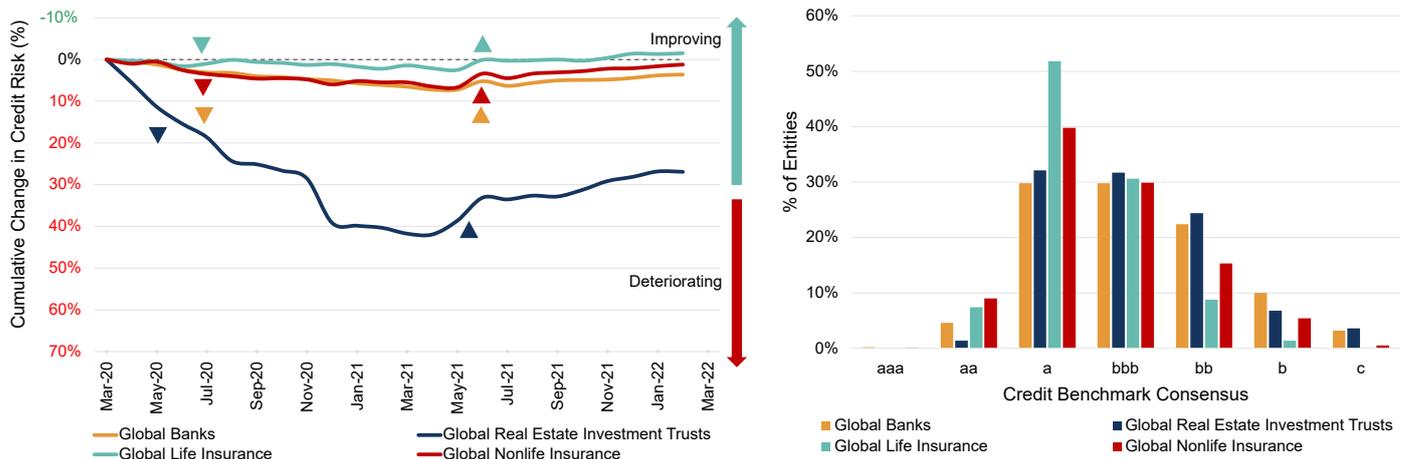
Source: Credit Benchmark

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Corporate credit risk was increased by more than 18% by the COVID crisis, while Financial credit risk was only increased by 11%. Recovery started in May-21 for both Corporates and Financials; Corporates have experienced a quicker recovery and are now more in line with Financials. However, the **bb** credit category still dominates the Corporate universe, whereas Financials are more evenly spread; with nearly 30% in the **a** category.

Within Financials, there is another split. Figure 2 shows Banks, Insurance (Life and Non-Life) and Real Estate Investment Trusts (as a proxy for all Real Estate) as separate series.

Figure 2: Credit Trend and Current Credit Distribution for Global Banks, Insurance and Real Estate Investment Trusts (REITs)



Source: Credit Benchmark

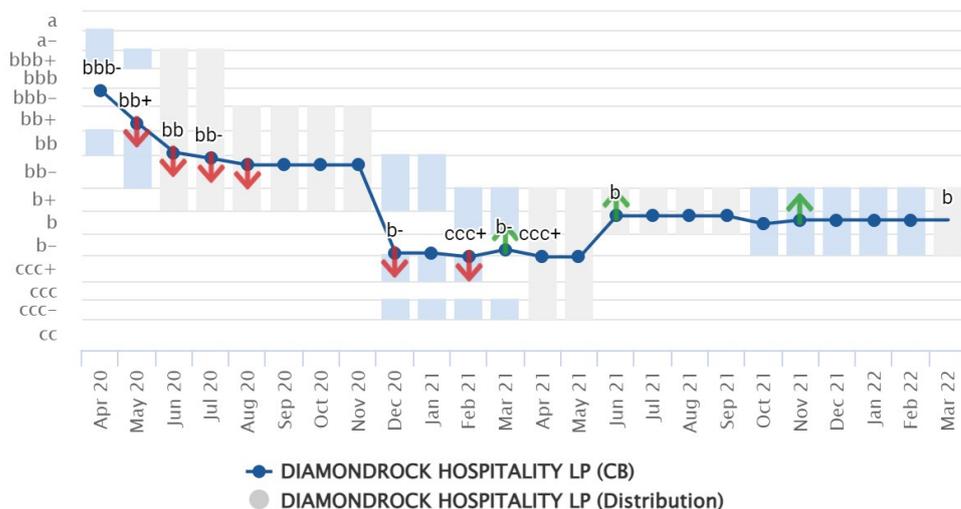
Source: Credit Benchmark

The Global Financial credit risk changes shown in Figure 1 are entirely driven by REITs – Banks and Insurance companies show minimal change over the same period. Banks and REITS still have very similar credit profiles (banks have more in **aa**, REITS in **bbb**).

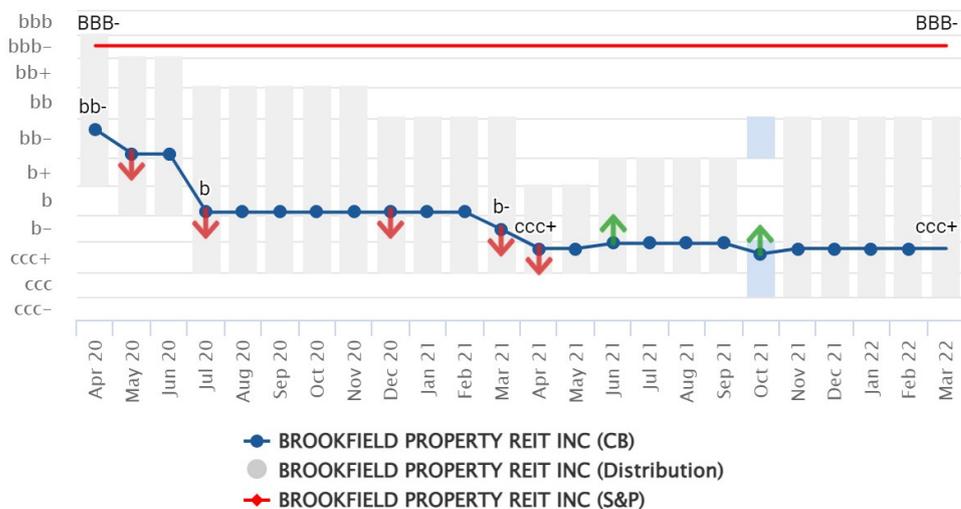
Figures 3 to 7 show detailed credit trends for REITs companies.

DiamondRock Hospitality LP, Brookfield Property REIT Inc and MGM Growth Properties Operating Partnership LP were substantially impacted by COVID and have been slow to recover.

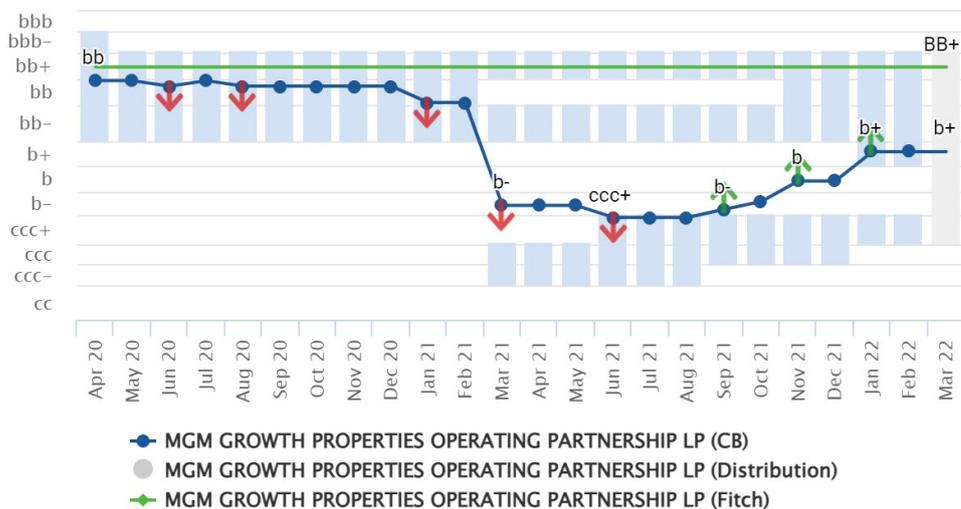
**Figure 3: DiamondRock Hospitality LP**



**Figure 4: Brookfield Property REIT Inc**

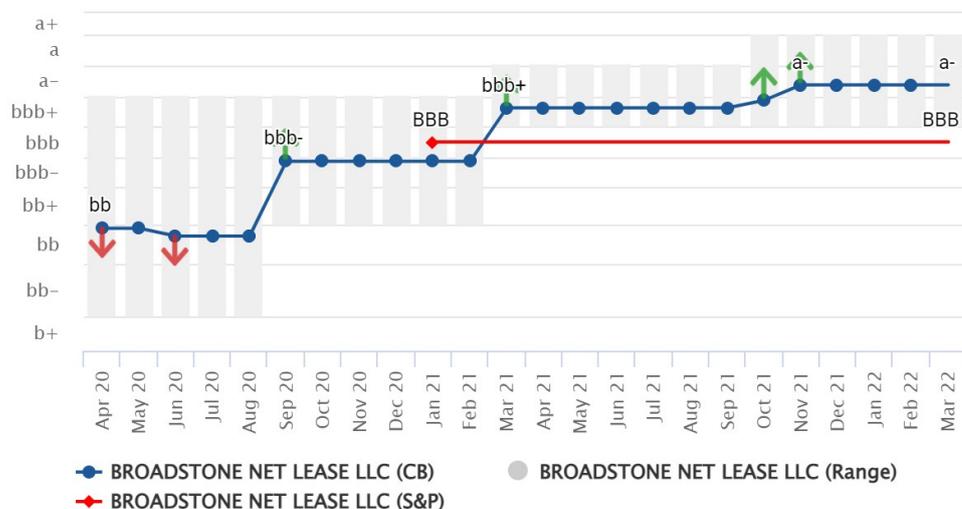


**Figure 5: MGM Growth Properties Operating Partnership LP**

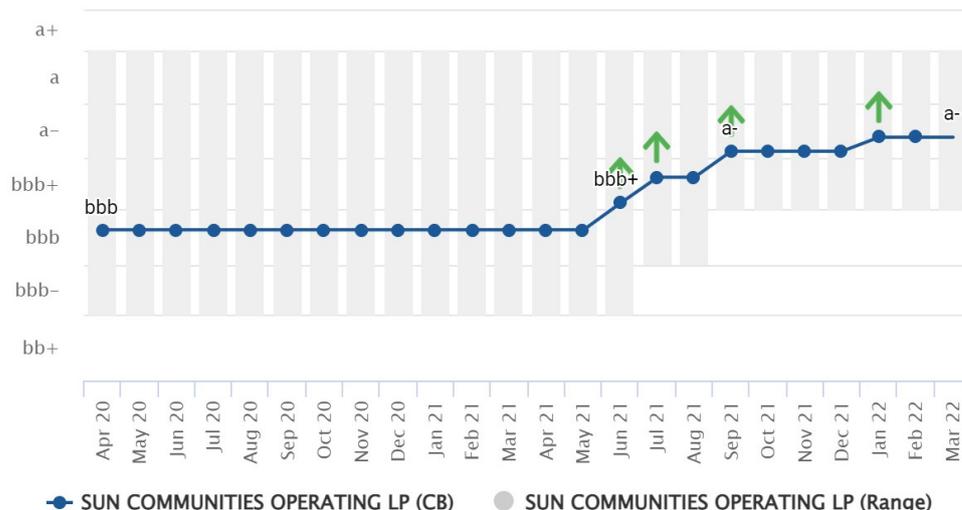


Broadstone Net Lease LLC and Sun Communities Operating LP were impacted less by COVID, currently holding better post-COVID credit ratings than pre-COVID.

**Figure 6: Broadstone Net Lease LLC**



**Figure 7: Sun Communities Operating LP**



REITs show some recovery from their COVID lows, but there is a long way to go. While real estate is traditionally a hedge against inflation, higher interest rates will hurt funding and profitability. Any recovery is likely to remain sluggish.

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- Systematic Credit Trading
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- Supply Chain Risk
- Trade Credit Insurance
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- Regulation, RWA & Capital
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- Accounts Payable & Receivable



**10 Million**

Contributed Credit Risk Estimates Per Year  
40 Million+ Estimates Collected Since Launch



**60,000+**

Entities Covered



**2x**

Twice Monthly Frequency



**75%**

Unrated by Major Credit Rating Agencies



**1,200+**

Aggregates



**120+**

Countries



**80+**

Months of Data



**50+**

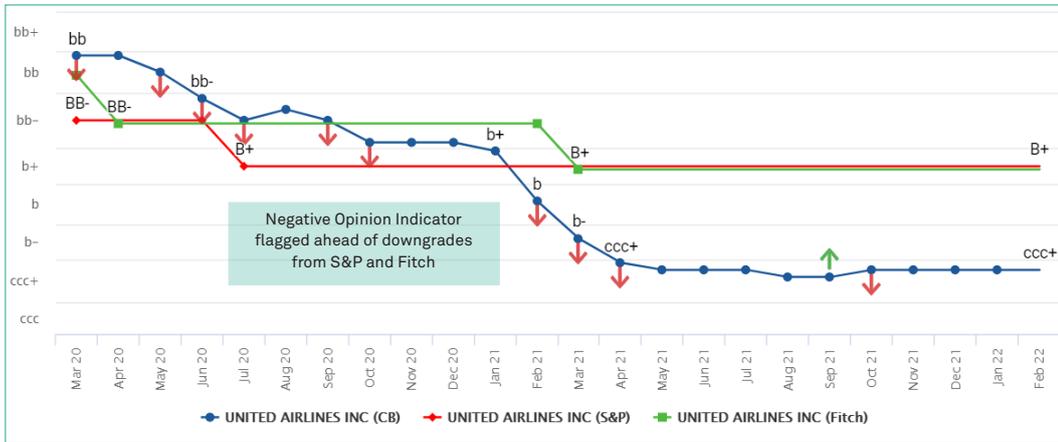
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CB0000000025	GYP HOLDINGS III CORP	bb	Unrated	Unrated
CB0000000080	GESTIELLE CEDOLA DUAL BRAND	a-	Unrated	Unrated
CB0000000087	TRANE TECHNOLOGIES LUXEMBOURG FINANCE SA	bbb+	Unrated	Unrated
CB0000000088	TECK HIGHLAND VALLEY COPPER PARTNERSHIP	bbb	Unrated	Unrated

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