



A Moderately Less Bleak House; GCR's 2021 outlook for South African REITs

Summary

15 April 2021 - GCR Ratings ("GCR") has published Credit Research on the 2021 Outlook for South African REITs.

The report is available for download at: <http://gcrresearch.com/reports/house/industry-reports/>.

Key highlights of the research are:

GCR believes that South African REITs' performance fundamentals will remain under pressure in 2021. However, if less restrictive COVID-19 lockdown levels remain in place, short-term operating risks should ease and allow for greater stability, although the longer-term trajectory is dependent on how REITs adjust the usage of their properties to meet the evolving requirements of tenants and their customers.

Liquidity and funding risks remain. GCR believes that, with a few exceptions, leverage headroom remains limited, whilst covenant risk remains elevated. While GCR considers that dividend retention policies support the credit profile, they may undermine the equity investment case over the medium-term.

Rating movements observed through 2020 reinforces GCR's view that an entity's creditworthiness is strongly underpinned by the operating climate(s) of the territories it operates in. The weakness in the commercial property sector was reflected in multiple downward adjustments in the GCR Risk Score during 2020. However, the score has been maintained recently as we believe the interim performance to have improved somewhat.

GCR will periodically provide insights on key sectors/industries across different territories in which various rated entities are domiciled, encompassing changes in the operating environment, performance trends and its view of the impact of an evolution in market dynamics on the credit risk profiles of rated entities in selected industries.

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Related Criteria and Research



Criteria for the GCR Ratings Framework, May 2019
GCR Ratings Scales, Symbols & Definitions, May 2019
Criteria for Rating Real Estate Investment Trusts and Other Commercial Property Companies, May 2019
GCR Country Risk Scores, March 2021
GCR South Africa Corporate Sector Risk Scores, April 2020