

CREDIT OPINION

27 March 2018

Update

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RATINGS

CA Immobilien Anlagen AG

Domicile	Austria
Long Term Rating	Baa2
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CA Immobilien Anlagen AG

Update following affirmation at Baa2, outlook changed to stable

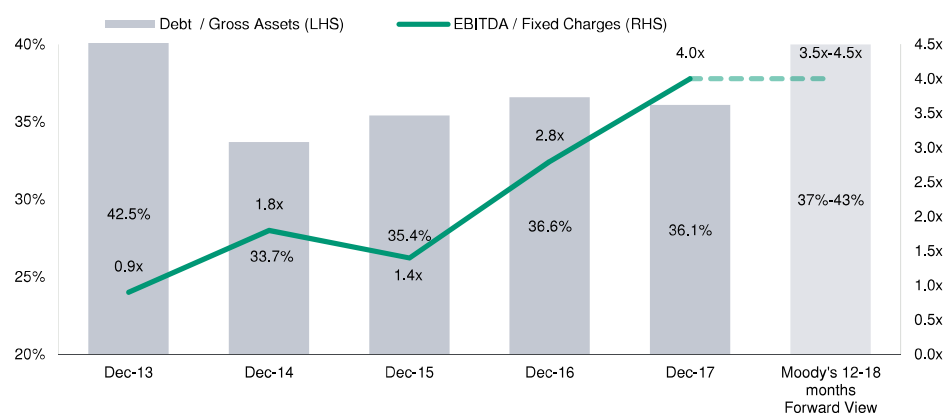
Summary

CA Immobilien Anlagen AG's (CA Immo) Baa2 long-term issuer rating reflects the good quality and geographical diversification of its office portfolio, limited tenant concentration risk, a valuable German land bank and modest leverage. We expect the positive macroeconomic outlook and strong property market fundamentals to underpin the company's cash flow and asset values. The company's liquidity position is supported by a substantial cash balance.

These credit strengths are offset by (1) the company's exposure to higher-yielding but more volatile Central and Eastern European (CEE) office markets, and (2) and moderately elevated business risk from a controlled development programme in Germany that improves portfolio quality. The possible merger with IMMOFINANZ AG, which is now less certain and not expected until 2019 at the earliest, might weaken the credit profile.

Exhibit 1

We expect CA Immo to gradually increase leverage and maintain stable coverage
Moody's-adjusted leverage and coverage metrics



Source: Moody's Financial Metrics™

Credit strengths

- » A high-quality geographically diverse office portfolio
- » A strong tenant base and a long-dated and well-staggered lease maturity profile, which will support cash flow
- » Moderate leverage and improving fixed-charge coverage

Credit challenges

- » CEE exposure generates higher returns but also greater volatility in rents and values
- » A moderate and controlled development programme adds value and improves the portfolio
- » Possible merger with IMMOFINANZ AG could increase leverage and raise exposure to weaker CEE markets

Rating outlook

The stable outlook reflects our expectation that the company will continue to generate stable cash flow and maintain good liquidity while retaining high occupancy levels and a balanced growth strategy. The outlook also reflects a favourable operating environment and the reduced likelihood of a merger with IMMOFINANZ AG, which in any case will not happen until 2019 at the earliest.

Factors that could lead to an upgrade

- » If the company continues to demonstrate solid execution and prudent financial policies through real estate cycles and maintains moderate leverage, strong interest coverage, a long-dated debt maturity profile and strong liquidity
- » If leverage, as measured by Moody's-adjusted total gross debt/gross assets, is sustained below 40%, alongside financial policies that support the lower leverage and a Moody's- adjusted fixed-charge coverage above 3.5x
- » If the company maintains a high proportion of unsecured borrowing in its funding mix, supported by a large pool of high-quality unencumbered assets across all its markets

Factors that could lead to a downgrade

- » If leverage is sustained above 45%
- » If fixed-charge coverage is sustained below 2.5x
- » If the company does not maintain an adequate liquidity profile at all times
- » If there is an imminent merger with IMMOFINANZ AG that results in a materially weaker credit profile

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

CA Immobilien Anlagen AG

	Moody's Forward View ¹	9/30/2017(L)	12/31/2016	12/31/2015	12/31/2014	12/31/2013
FFO Payout	55%-60%	55.3%	41.7%	368.8%	45.5%	-99.0%
Amount of Unencumbered Assets	55%-65%	45.0%	42.0%	43.9%	46.3%	52.1%
Debt / Gross Assets	37%-43%	36.1%	36.6%	35.4%	33.7%	42.5%
Net Debt / EBITDA	10x-11x	9.8x	9.0x	9.9x	6.6x	7.0x
Secured Debt / Gross Assets	15%-20%	21.5%	25.3%	25.0%	26.5%	28.7%
Gross Assets (USD Million)	\$5500-\$6000	\$5,309.1	\$4,551.1	\$4,336.4	\$4,453.1	\$5,578.5
Development Pipeline	9%-11%	10.0%				
EBITDA Margin (YTD)	70%-73%	69.8%	64.5%	67.2%	90.3%	67.2%
EBITDA Margin Volatility	5%	13.8%	15.0%	14.7%	14.6%	
EBITDA / Fixed Charges (YTD)	3.5x-4.5x	4.0x	2.8x	1.4x	1.8x	0.9x
Joint Venture Exposure (YTD)	2%	4.3%	4.3%	4.4%	4.1%	

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[1] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™

Profile

CA Immo is a publicly listed real estate company that manages, develops and acquires office properties in Austria, Germany and CEE. The company is listed and headquartered in Vienna, with a market capitalisation of €2.56 billion as of 15 March 2018, and owns a €3.4 billion office portfolio that is 93.6% occupied and generates around €200 million in annual rental.

Detailed credit considerations

A high-quality geographically diverse office portfolio

CA Immo's strategy is to develop and acquire prime office properties in the eight core cities of Berlin, Frankfurt, Munich, Vienna, Prague, Warsaw, Budapest and Bucharest. Forty-five percent of the properties by value are in Germany, 14% in Austria and 41% in CEE countries, giving the company good geographical diversification that is anchored by a large exposure to the stable and well-performing German market (see Exhibits 3 and 4). The company targets roughly a 50%-50% split between CEE countries and its combined German and Austrian exposure, although we expect completions from its development pipeline to increase the German exposure over the next few years. The broad geographical presence across multiple countries is a key credit strength because (1) it exposes the company to a more diversified set of underlying economic drivers that are less correlated to each other, and (2) it places the company in a better position to protect overall cash flow and values because it operates across multiple property markets that are at different stages of the occupational and investment cycle.

Exhibit 3

Good regional diversification

€4.1 billion portfolio as of 30 September 2017

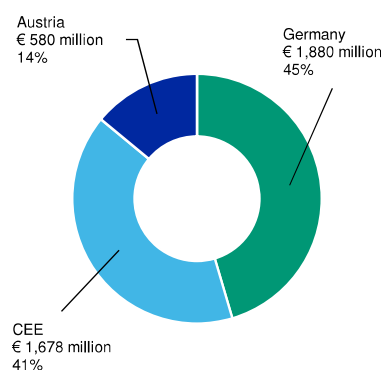
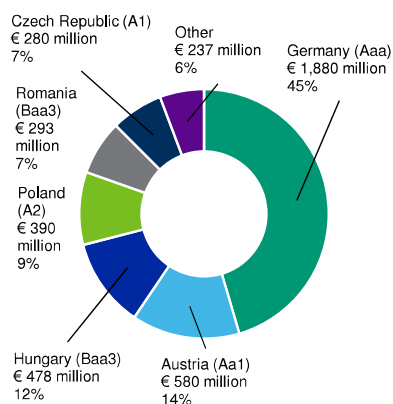


Exhibit 4

Anchored in a Aaa jurisdiction

€4.1 billion portfolio as of 30 September 2017

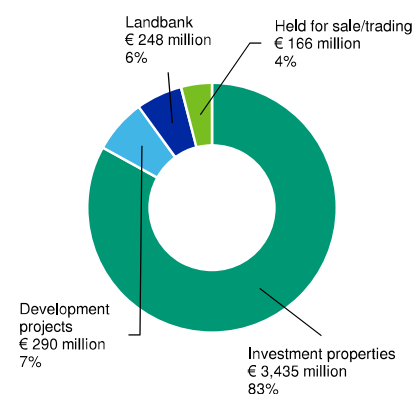


Other includes a €90 million exposure in Serbia.

Exhibit 5

Mostly income-producing properties

€4.1 billion portfolio as of 30 September 2017



Source for Exhibits 3, 4 and 5: Company reporting

CA Immo's income-producing investment portfolio accounts for 83% of its €4.1 billion of gross assets, with the balance consisting of a 7% active development pipeline, a 6% mostly German land bank and 4% of properties held for sale (see Exhibit 5). The company focuses on development activity in the three German cities to leverage its sizeable land bank and selectively acquires office properties in the remaining core cities outside Germany.

CA Immo has an established local platform in each of its eight core cities and prioritises strengthening these local asset management teams over entering new markets. The company targets a €300 million portfolio size in each location to ensure platform efficiency.

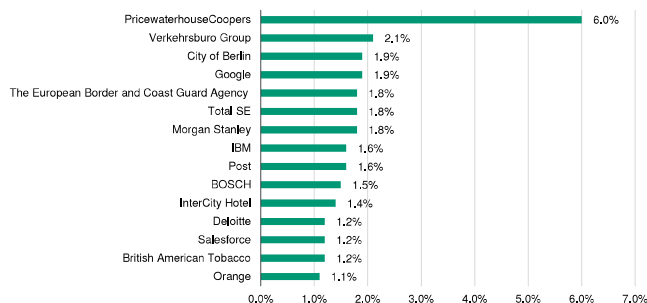
The company relies on its local teams for market knowledge and experience, and to help with asset selection, as well as tenant and property management. The decentralised organisation for asset management is a key aspect of CA Immo's business and success, with the managing directors of the eight platforms joining executive board meetings on a regular basis. The company exercises central coordination and control from its Vienna headquarters.

A strong tenant base and a long-dated and well-staggered lease maturity profile will support cash flow

CA Immo's cash flow is bolstered by the credit quality of its diverse tenant base and a 4.4-year average weighted lease term remaining. The largest 15 tenants, many of them investment grade, provided around 28% of total rent (see Exhibit 6). The single-largest tenant is a global accounting firm PricewaterhouseCoopers that represents 6% of annualised rental income. Other tenants include the city of [Berlin](#) (Aa1 stable), Google ([Alphabet Inc.](#) [Aa2 stable]), the European Border and Coast Guard Agency ([European Union](#) [Aaa stable]), [Total S.A.](#) (Aa3 stable), [Morgan Stanley](#) (A3 stable), [International Business Machines Corporation](#) (A1 stable) and [British American Tobacco p.l.c.](#) (Baa2 stable).

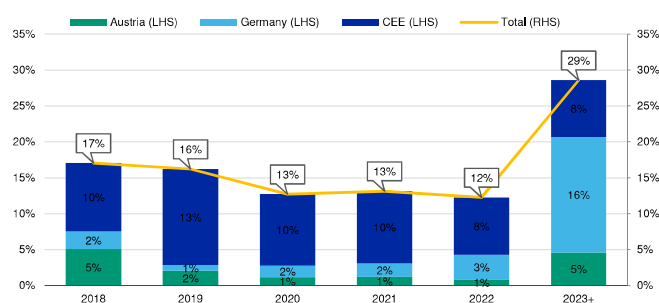
We expect the company to sustain its high occupancy rate and rental growth, aided by strong occupational demand and its limited lease roll-over risk with 17% of leases expiring in 2018 (see Exhibit 7). The company achieved a 9% growth in rental income for fiscal 2017 from the year earlier.

Exhibit 6

Top 15 tenants contribute 28% of rent

Source: Company reporting

Exhibit 7

Well-staggered lease maturity profile
% of expiring rent as of 31 December 2017

Source: Company reporting

CEE exposure generates higher returns but also greater volatility in rents and values

We expect CA Immo to maintain a balanced exposure between the generally more stable lower-yielding German and Austrian markets, and the riskier higher-yielding CEE markets.

The company's €3.4 billion income-producing investment portfolio had a 93.6% occupancy level and generates €199 million in annual rental income. CA Immo reported an overall 6% gross initial yield, with the yield on the German and Austrian portfolios in the 4.7%-5.7% range compared with the 6.9%-7.8% range on its CEE portfolio. The weighted average lease term across the portfolio was 4.4 years, with Germany at 6.9 years and most of the CEE countries between two and three years.

A moderate and controlled development programme adds value and improves the portfolio

CA Immo has developed franchise value in not only its large, diversified property investment portfolio but also its development activities and land reserves. The company has successfully completed €1.7 billion of developments over the last seven years and estimates its potential development pipeline until 2025 to be at around €4 billion. The company focuses its development activity on its large land bank concentrated in Berlin, Frankfurt and Munich, with residential making up around 40% of its pipeline. In the current competitive investment market, where prime offices are traded at very low yields, CA Immo's development activity allows it to retain high-quality buildings at a reasonable price and further strengthens its portfolio. CA Immo controls its development risk by limiting the number of ongoing projects at any one time and securing high pre-lease rates of at least 40% at the time projects start.

The company's subsidiary omniCon is responsible for construction management, including project management, tenders, the awarding of contracts, construction supervision and general planning. The company has established a successful track record of completing various large and complex development projects in Germany, including projects with renowned tenants such as Mercedes-Benz ([Daimler AG](#) [A2 stable]) and [Airbus SE](#) (A2 stable).

The company's committed development pipeline, including amounts spent to date and committed future expenditure, represents around 10% of gross assets according to our calculation. We expect the company to keep this ratio below 12% and continue its disciplined approach to development. We also expect the company to limit its development activities, should the favourable market conditions worsen. A significant increase in development activity as a proportion of company's assets, however, could create negative credit pressure, especially if the strategy changes and the company begins to overly focus on speculative projects in weaker markets.

Moderate leverage and improving fixed-charge coverage

CA Immo's leverage, defined as Moody's-adjusted debt/gross assets, was at the conservative level of 36.1% as of September 2017. We expect leverage to rise somewhat but remain below 45% as per the company's financial policy as the company rebalances the debt and equity component of its development programme and future acquisitions. CA Immo reported a €104 million valuation gain

on its portfolio as of 31 December 2017, largely driven by a strong property markets (especially in Germany) and the progress of its development pipeline.

The company continues to make good progress in reducing its long-term financing costs, which will continue to improve the company's profitability, as well as fixed-charge cover. The average weighted cost of debt was 1.87% as at 31 December 2017 compared with 2.37% a year earlier. As of September 2017, year-to-date fixed-charge cover was 4x (2016: 2.8x). Following the intended debt refinancing at current lower interest rates, we expect fixed-charge cover to remain above 3.5x over the next 18 months.

Possible merger with IMMOFINANZ AG could increase leverage and raise exposure to weaker CEE markets

On 18 April 2016, IMMOFINANZ AG announced its plan to acquire a 26% stake in CA Immo as the first step towards a merger of the two companies. The merger, if it does go through, is now not expected until 2019 or later and is subject to a 75% approval in the annual general meetings of both companies. Based on average historical turnout, IMMOFINANZ AG's 26% stake translates to around 50% voting rights in CA Immo's annual or extraordinary general meetings. On 28 February 2018, IMMOFINANZ AG announced that (1) it will continue the suspension of detailed discussions over a possible merger between CA Immo and IMMOFINANZ AG; and (2) it will evaluate other strategic options, which now include the possible sale of its 26% stake in CA Immo. The possible sale of IMMOFINANZ AG's 26% stake in CA Immo introduces some uncertainty and instability in CA Immo's shareholder base, which is credit negative in our view.

While the proposed merger will provide greater scale and cost savings, it could also increase leverage and exposure to weaker markets. Many details of the proposed merger remain uncertain, but it is our initial view that the proposed combination, if it does go ahead, will on balance have a weaker credit profile compared with CA Immo's current standalone credit profile.

Liquidity analysis

The company has good liquidity, which is supported by:

- » €383.5 million of cash based on the preliminary 2017 year-end balance sheet
- » €150 million liquidity inflow in January 2018 from the sale of the company's share in Tower 185
- » an undrawn €45 million unsecured revolving credit line
- » Around €1.8 billion pool of unencumbered assets, which provides a source of alternative liquidity
- » €218 million of short-term assets
- » around €120 million in reported annual operating cash flow

We expect cash resources to cover all of the company's cash outflows over the next 12-18 months, including debt repayments, capital spending and planned dividends. The company has a weighted average debt maturity of around six years, with only around €150 million of debt due in 2018.

Most of CA Immo's financial covenants are related to the financing of individual properties held in special-purpose vehicles and are typically loan-to-value and interest coverage ratios for the assets pledged. The credit lines available for development projects under construction have financial covenants, which refer to the individual projects as well. Among others, these are loan-to-value ratio less than 50% and interest coverage ratio more than 1.2x.

Rating methodology and scorecard factors

The principal methodology used in rating CA Immo was our Global Rating Methodology for REITs and Other Commercial Property Firms, published in July 2010. The company is rated in line with our Baa2 grid-indicated rating.

Exhibit 8

CA Immobilien Anlagen AG

REITs and Other Commercial Property Firms Industry Grid	Current LTM 9/30/2017		Moody's 12-18 Month Forward View As of 3/14/2018 ^[1]	
	Measure	Score	Measure	Score
Factor 1: Liquidity and Funding (24.5%)				
a) Liquidity Coverage	Ba	Ba	Ba	Ba
b) Debt Maturities	Baa	Baa	Baa	Baa
c) FFO Payout	55.3%	A	55% - 60%	A
d) Amount of Unencumbered Assets	45.0%	Ba	55% - 65%	Ba
Factor 2: Leverage and Capital Structure (30.5%)				
a) Debt / Gross Assets [4]	36.1%	Baa	37% - 43%	Baa
b) Net Debt / EBITDA	9.8x	B	10x - 11x	Caa
c) Secured Debt / Gross Assets	21.5%	Ba	15% - 20%	Baa
d) Access to Capital	Baa	Baa	Baa	Baa
Factor 3: Market Position and Asset Quality (22%)				
a) Franchise / Brand Name	Baa	Baa	Baa	Baa
b) Gross Assets (USD Million)	\$5,309.1	Baa	\$5500 - \$6000	Baa
c) Diversity: Location / Tenant / Industry / Economic	Baa	Baa	Baa	Baa
d) Development Pipeline	10.0%	Ba	9% - 11%	Ba
e) Asset Quality	Baa	Baa	Baa	Baa
Factor 4: Cash Flows and Earnings (23%)				
a) EBITDA Margin (YTD)	69.8%	A	70% - 73%	A
b) EBITDA Margin Volatility	5.0%	Baa	5%	Baa
c) EBITDA / Fixed Charges (YTD)	4.0x	A	3.5x - 4.5x	Aa
d) Joint Venture Exposure (YTD)	4.3%	Aa	2%	Aa
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned				Baa2

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[1] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™

Peers

[MERLIN Properties SOCIMI, S.A.](#) (Baa2 stable) is the largest real estate company in Spain, with a portfolio valued at around €10.5 billion as of 30 June 2017. The company is a REIT incorporated into the Spanish REIT tax regime in 2014. The company is listed on the Spanish Stock Exchange (IBEX-35), with a market capitalisation of €5.74 billion as of 15 March 2018.

[Inmobiliaria Colonial SOCIMI, S.A.](#) (Baa2 negative) is a real estate company that owns and manages a portfolio of office properties in Madrid and Barcelona (Spain), and through 58.6%-owned Société Foncière Lyonnaise S.A., in Paris (France). Based on a full consolidation of Société Foncière Lyonnaise S.A., the portfolio generated a gross rental income of €278 million in the 12 months ended 30 September 2017 and has an estimated fair value of €8.3 billion as of 30 June 2017. The portfolio mainly includes 63 offices mostly located in prime central locations, of which 20 in Paris represent 69% of fair value and 70% of rental income. The company is listed on the Madrid Stock Exchange, with a market capitalisation of €3.92 billion as of 15 March 2018.

[Dream Global Real Estate Investment Trust](#) (Baa3 stable) is headquartered and listed in Toronto, with a market capitalisation of CAD1.66 billion as of 15 March 2018. The company owns a €2 billion office portfolio that generates €127 million in annual rent and is located across Germany's major cities and Vienna. The company's properties are locally managed by a team of 60 professionals located across seven European offices.

[CPI Property Group](#) (Baa3 stable) owns a €5.7 billion diversified portfolio of 420 properties that includes offices, retail, 12,000 residential units and 10,300 hotel beds. The Czech Republic and Berlin account for 75% of the company's portfolio. The portfolio generates around €225 million in net annual rent plus an additional €40 million of net income from its hotel operations business. The company's portfolio split by value as of 30 June 2017 was 36% office, 31% retail, 10% hotels and 8% residential, and includes a sizeable land bank that makes up around 8% of its assets. The company is listed on the Frankfurt Stock Exchange, with a market cap of €6.55 billion as of 15 March 2018.

Exhibit 9

Peers grid

	CA Immo	MERLIN Properties SOCIMI, S.A.	Inmobiliaria Colonial SOCIMI, S.A.	Dream Global Real Estate Investment Trust	CPI Property Group
REITs and Other Commercial Property Firms Industry Grid					
Factor 1: Liquidity and Funding (24.5%)	LTM Sept 2017	LTM June 2017	LTM June 2017	FY2017	LTM June 2017
a) Liquidity Coverage	Ba	Baa	Ba	Ba	Ba
b) Debt Maturities	Baa	Aa	Baa	Baa	Ba
c) FFO Payout	55.3%	72.4%	97.3%	69.7%	0.0%
d) Amount of Unencumbered Assets	45.0%	75.8%	97.3%	19.6%	20.6%
Factor 2: Leverage and Capital Structure (30.5%)					
a) Debt / Gross Assets [4]	36.1%	46.1%	40.0%	49.9%	47.3%
b) Net Debt / EBITDA	9.8x	14.0x	15.2x	13.1x	13.0x
c) Secured Debt / Gross Assets	21.5%	11.2%	2.7%	37.7%	37.0%
d) Access to Capital	Baa	Baa	Baa	Ba	Ba
Factor 3: Market Position and Asset Quality (22%)					
a) Franchise / Brand Name	Baa	A	A	Baa	Baa
b) Gross Assets (USD Million)	\$5,309.1	\$12802.8	\$10,192.90	\$3846.3	\$7410.3
c) Diversity: Location / Tenant / Industry / Economic	Baa	Baa	Baa	Baa	Baa
d) Development Pipeline	10.0%	3.8%	3.6%	0.0%	1.8%
e) Asset Quality	Baa	Baa	A	Ba	Baa
Factor 4: Cash Flows and Earnings (23%)					
a) EBITDA Margin (YTD)	69.8%	72.7%	78.9%	60.6%	51.5%
b) EBITDA Margin Volatility	5.0%	5.0%	5.0%	2.3%	5.0%
c) EBITDA / Fixed Charges (YTD) [5]	4.0x	2.8x	2.6x	4.3x	2.2x
d) Joint Venture Exposure (YTD)	4.3%	0.0%	0.0%	11.0%	0.0%
Rating:					
a) Indicated Rating from Grid	Baa2	Baa2	Baa1	Baa3	Ba1
b) Actual Rating Assigned	Baa2	Baa2	Baa2	Baa3	Baa3
c) Gap	0	0	-1	0	1

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

LTM= Last 12 months.

Source: Moody's Financial Metrics™

Appendix: Property photos

Exhibit 10

SKYGARDEN, Erika-Mann-Straße, 80636, Munich



Exhibit 11

Millennium Towers, Lechner Ödön fasor, 1095 Budapest



Exhibit 12

Kontorhaus, Erika-Mann-Straße 31, 80636, Munich



Exhibit 13

Riverplace, Splaiul Independenței 319G, Sektor 5, Bucharest



Exhibit 14

John F. Kennedy Haus, Rahel-Hirsch-Straße 10, 10557, Berlin



Exhibit 15

Warsaw Spire Building B, Plac Europejski 1, 00-844, Warszawa

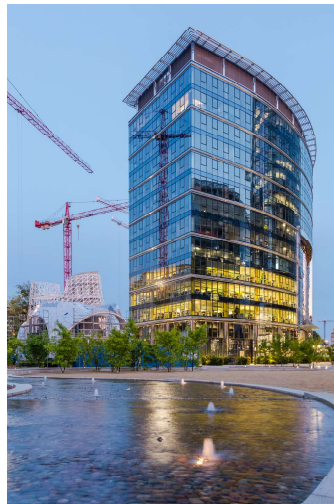


Exhibit 16

Kavčí Hory Office Park, Na Hřebenech II 1718/8-10, 140 00, Prague
4



Exhibit 17

The Hotel Savoyen at Rennweg 16, Mechelgasse 1, 1030 Vienna



Exhibit 18

TOUR TOTAL, Jean-Monnet-Straße 2, 10557, Berlin



Exhibit 19

Shopping Center Galleria, Landstraßer Hauptstraße 97-101, 1030, Vienna



Ratings

Exhibit 20

<u>Category</u>	<u>Moody's Rating</u>
CA IMMOBILIEN ANLAGEN AG	
Outlook	Stable
Issuer Rating -Dom Curr	Baa2
Senior Unsecured -Dom Curr	Baa2

Source: Moody's Investors Service

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