

CREDIT OPINION

30 June 2020

Update

✓ Rate this Research

RATINGS

Kungsleden AB

Domicile	Sweden
Long Term Rating	Baa3
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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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Kungsleden AB

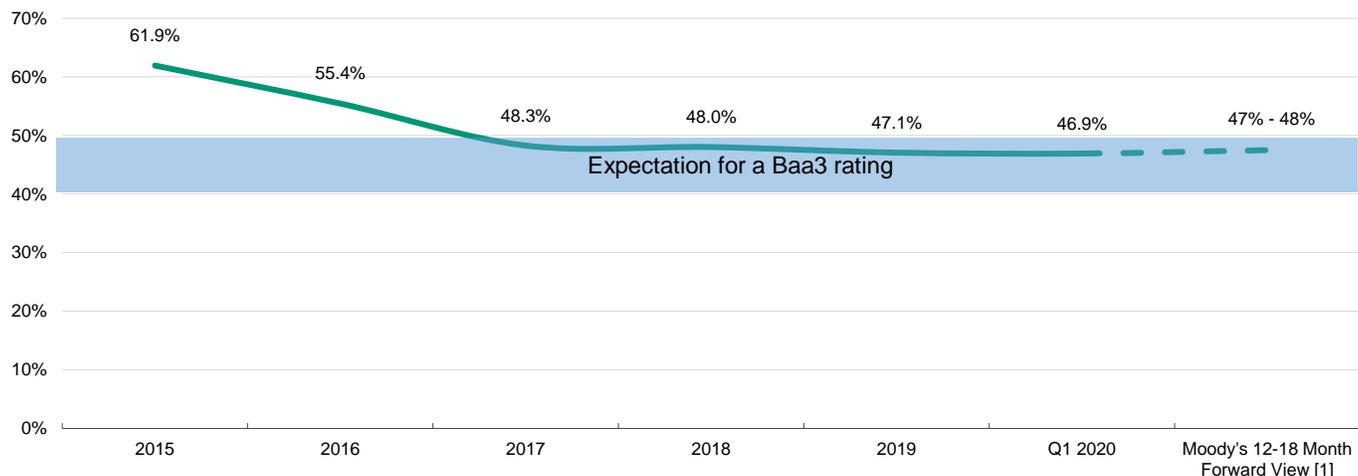
Update to discussion of key credit factors

Summary

[Kungsleden AB's](#) Baa3 rating primarily reflects the improving quality and geographical diversification of its commercial property portfolio, which was valued at about SEK39 billion as of 31 March 2020. The company's properties are increasingly concentrated in clusters in attractive inner-city locations and good secondary locations in or around growing Swedish cities, which together account for about 50% of the country's population. Properties in Stockholm County make up the largest share of the portfolio's value at 47%, while the Stockholm inner-city location accounts for 18%. The company has continued divesting of noncore assets, and its strategy of focusing exclusively on the four growth markets of Stockholm, Göteborg, Malmö and Västerås is credit positive. Kungsleden's controlled development programme and a few high-quality acquisitions will continue to gradually enhance its portfolio, while a good weighted average lease maturity of 4.2 years as of March 2020, compared with 4.0 years as of March 2019, provides rental income visibility. The unencumbered assets were at 32.1% as of 31 March 2020 from 2% in September 2017. Another credit strength is Kungsleden's strong fixed-charge coverage of 4.4x. We expect leverage, as measured by total debt/gross assets, to remain stable, between 47% and 48%, over the next 12-18 months, despite the weakening economic environment.

The coronavirus outbreak increases macroeconomic downside risk. The drop in GDP will directly affect hotel and retail assets, as well as potentially offices. More expensive financing or loss of rental revenue because of bankruptcies may lead to yield widening and could ultimately result in higher leverage. However, Kungsleden has a limited exposure towards the weaker segments such as hotel, retail and restaurants. Hotels and retail make up for 5% respectively 4% (2% groceries) of rental value. Kungsleden's rating is also constrained by the office portfolio being mostly located in secondary locations of Sweden's largest cities, which account for 69% of rental value; the company's exposure to industrial/warehouse properties (20%), although they have relatively long leases, and creditworthy counterparties such as [ABB Ltd.](#) (A3 stable); the moderately high vacancy rate of 7.2%, excluding development properties (9.1% including development properties), especially in view of the mature stage of the property cycle; some tenant concentration; and high net debt/EBITDA of 11.6x as of March 2020.

Exhibit 1

Moody's-adjusted debt/total assets

[1] This represents Moody's forward view, not the view of the issuer.

Sources: Moody's Financial Metrics and Moody's Investors Service estimates

Credit strengths

- » Good fundamentals in the portfolio's inner-city locations and secondary locations in growth cities
- » A medium-sized and geographically diversified portfolio focusing on office and industrial/logistics properties
- » Stable rental revenue, supported by an evenly spread lease maturity profile
- » Continued rebalancing of the portfolio towards more attractive assets and focusing on four main cities
- » Adequate liquidity and strong fixed-charge coverage

Credit challenges

- » Weaker economical environment with contracting GDP in the next 12 months, because of the coronavirus outbreak, but a sharp recovery in 2021
- » Somewhat high and increasing net debt/EBITDA
- » A moderately high vacancy rate for this point in the property cycle, of 7.2% (including development projects 9.1%)
- » Some tenant concentration, with the 10 largest tenants accounting for 23% of total rental value
- » Relatively short-dated debt maturity profile of 4.3 years and moderate interest-fixing period compared with European peers (above five years), but in line with most Swedish peers

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.com for the most updated credit rating action information and rating history.

Rating outlook

The stable outlook incorporates no significant impact on values or net debt/EBITDA from the coronavirus outbreak. Further, the stable outlook reflects our expectation that the company will continue to gradually improve its effective leverage, as measured in terms of gross debt/assets, towards 45% over the next 18 months while continuing to expand its pool of unencumbered assets to the upper end of the 35%-40% range when refinancing bank debt. The stable outlook also incorporates our expectation that Kungsleden will continue to generate stable cash flow that will support gradually declining net debt/EBITDA; increase occupancy levels; and continue to rebalance the portfolio towards large, well-located high-quality office properties while following a balanced growth strategy. In addition, the outlook reflects favourable occupier and investment markets.

Factors that could lead to an upgrade

- » Any rating upgrade predicated on the company expanding and enhancing the size and quality of its real estate portfolio while sustaining leverage well below 45%, as measured by Moody's-adjusted gross debt/assets, and observing financial policies that support the lower leverage
- » Sustaining a well-spread debt maturity profile and refinancing secured borrowing with senior unsecured lending, leading to an increase in unencumbered assets towards 50%

Factors that could lead to a downgrade

The rating could be downgraded if:

- » the company's operating performance deteriorates or property market fundamentals weaken sharply without being counterbalanced by lower leverage
- » gross debt/total assets rises to around or above 50% on a sustained basis or EBITDA/fixed charge coverage drops below 3.5x on a sustained basis
- » liquidity weakens or reliance on short-term debt increases
- » market fundamentals weaken, resulting in falling rents and asset values

Key indicators

Exhibit 2

Kungsleden AB

	12/31/2016	12/31/2017	12/31/2018	12/31/2019	3/31/2020(L)	12-18 Month Forward View [1]
Gross Assets (USD Billion)	\$3.3	\$3.9	\$4.0	\$4.2	\$4.1	\$4.1 - \$4.2
Unencumbered Assets / Gross Assets	0.0%	0.0%	31.5%	33.2%	32.1%	40%
Total Debt + Preferred Stock / Gross Assets	55.4%	48.3%	48.0%	47.1%	46.9%	47% - 48%
Net Debt / EBITDA	10.9x	10.4x	11.0x	11.8x	11.6x	12x -12.5x
Secured Debt / Gross Assets	47.9%	38.6%	29.1%	25.8%	25.9%	25% - 27%
Fixed Charge Coverage	3.0x	3.3x	4.0x	4.4x	4.4x	4x - 4.5x

[1] This represents Moody's forward view, not the view of the issuer.

Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Profile

Kungsliden is a Stockholm-headquartered, listed commercial real estate company that was established in 1994. The company owns, develops and manages a commercial property portfolio located in Sweden's largest growth markets, predominantly Stockholm, as well as Göteborg, Malmö and the Mälardalen region. As of March 2020, the company's property portfolio had a market value of SEK38.9 billion and a property yield of 4.6%.

Detailed credit considerations

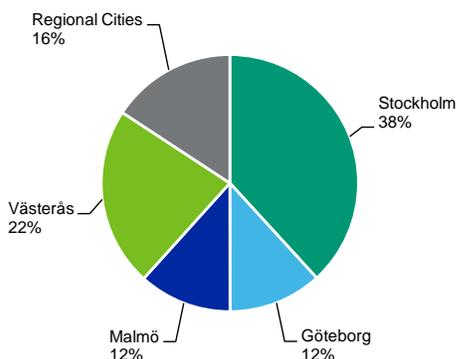
A medium-sized, diversified commercial property portfolio

Kungsliden owns a medium-sized SEK39 billion real estate portfolio, comprising 209 properties that span around 2 million square meters and generate around SEK2.5 billion in annual rental income. The holdings are located in the inner-city (18%) and the remainder in primary suburbs and secondary locations of Sweden's three largest and fastest-growing cities of Stockholm, Göteborg and Malmö, as well as in the fifth-largest city of Sweden, Västerås. The four growth markets of Stockholm, Göteborg, Malmö and Västerås account for 84% of the portfolio's rental value (see Exhibit 3). The company aims to increase its focus on offices in its existing portfolio and expects to increase the value of the portfolio towards SEK45 billion over the next three years.

Based on market value, offices made up 75% of the company's portfolio as of 31 March 2020, logistics/warehouses 15%, retail 4% and other 6%. Based on rental value, offices accounted for 69% of the total, industrial/logistics/warehouses 20%, retail 6% and other 5% (see Exhibit 4).

Exhibit 3

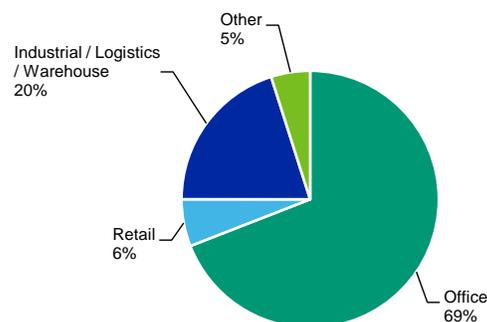
Balanced portfolio across Sweden's largest city regions Rental value by region as of 31 March 2020



Source: Company data

Exhibit 4

Office and industrial/logistics/warehouse properties represent most of the portfolio Rental value by asset class as of 31 March 2020



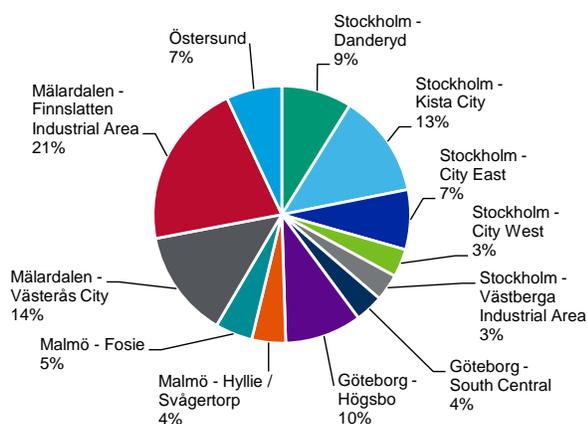
Source: Company data

Kungsliden focuses on the long-term ownership of properties in well-connected inner-city locations and good secondary locations in metropolitan areas. It also seeks to provide good services and facilities. The company has been rebalancing its portfolio by buying properties to create clusters in a few select areas. As of 31 March 2020, around 70% of its portfolio was located in 12 clusters. As part of its rebalancing strategy, the company disposed of SEK9 billion worth of nonmetropolitan properties during the last eight years while also growing its portfolio significantly. The repositioning and streamlining of the portfolio started in 2012. As such, the company's current strategy of focusing on clusters and offices, while gradually increasing its development pipeline, has a relatively short history. In the future, the company intends to acquire selected properties to increase the size of its clusters and achieve cost efficiencies. Five of Kungsliden's clusters are in Stockholm, while the Finsslätten cluster is the largest at 237,000 square metres (see Exhibits 5 and 6).

Exhibit 5

Largest Kungsleden clusters are located in the city of Västerås in the Mälardalen region

Distribution of clusters as of 31 March 2020 (square meters)



Sources: Company data and Moody's own geographical split up

Exhibit 6

Major Kungsleden clusters in Mälardalen and the Stockholm region

Cluster overview as of 31 March 2020

Select Cluster	Cluster Description
Danderyd	With 100,000 sq.m of leasable area across 4 office buildings, Kungsleden is the largest commercial property owner in Danderyd, a suburb located 15 kilometers north of downtown Stockholm. The area is well-connected via public transport and lies in direct proximity to the E18 freeway. In the close vicinity, Skandia Fastigheter is conducting major redevelopments of Mörby Centrum.
Kista City	Kista is located 11 kilometers north of Stockholm next to freeways E4 and E18, and in between the airports of Arlanda and Bromma. The area, which hosts a major shopping mall and approximately 1,300 companies predominantly operating within the ICT sector, is well-connected also via metro, commuter train, and in the future a new cross rail line. Kungsleden has 147,000 sq.m of leasable area.
Västerås City	With 153,000 sq.m of leasable area Kungsleden is the largest property owner in Västerås, a Mälardalen city located approximately 100 kilometers from Stockholm. The company owns both offices and hotels with reference tenants since several years being large industrial company ABB, and the City of Västerås.
Finnslätten Industrial Area	Finnslätten is an industrial area close to Västerås in which Kungsleden holds 237,000 sq.m of office and storage properties. Major industrial firms such as ABB, Westinghouse, Bombardier, Alstom, and Siemens operate in the area.

Source: Company data

Sweden's largest property markets are highly fragmented with many medium-sized and large real estate companies competing with one another, making it difficult for a company to achieve a strong position. However, Kungsleden is the largest commercial real estate owner in Västerås and Danderyd.

Kungsleden's total investments for 2020-23 amounts to SEK5.6 million and includes tenant improvements, maintenance and project development. The flexibility in the investments are significant and committed capex coming 18-months are approximately SEK0.8 billion compared to SEK 1.6 billion planned investments. The potential to grow organically provides the company with a degree of stability and predictability, and makes it less reliant on acquisitions in a highly competitive investment market. The company's concentration risk in Sweden is largely offset by its geographic diversification and exposure to varied underlying economic drivers.

The company's industrial/logistics properties are focused on four hubs located along important roads: Västberga in Stockholm, Fosie in the south of Malmö, Finnslätten in Västerås and Högsbo/Sisjön in Göteborg. Intelligent Logistik views these locations as being among the top 15 most attractive logistics sites in Sweden.

Concentration risk partly mitigated by properties' mix of locations

Kungsleden's focus markets of Stockholm, Göteborg and Malmö are the largest cities in Sweden in terms of population and GDP, and are growing in terms of number of people and businesses. Västerås, which Kungsleden also focuses on, is Sweden's fifth-largest city. Proximity to a well-educated workforce and a creative environment should underpin demand for Kungsleden's office space in these cities.

However, Kungsleden's strategy is to invest in locations that are mostly outside the city centers because the company believes that more value can be created in these areas from higher yields, an expected increase in demand and rental increases. This explains, to some extent, Kungsleden's moderately high vacancy rate of 7.2% and average property yield of 4.6% as of March 2020.

Kungsleden's largest holdings are in the Stockholm area, which represented 38% of rental value and 47% of total market value as of March 2020 (see Exhibit 3). However, we are comfortable with this level of concentration in Stockholm, which generates about a

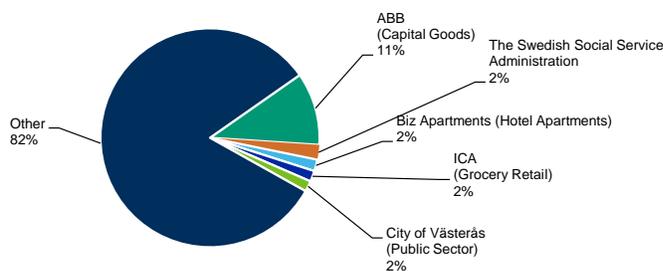
third of Sweden's GDP, because we do not believe it will lead to a significant divergence from overall economic and property trends. Moreover, Stockholm is likely to outperform other Swedish regions in terms of population and economic growth. The city is one of Sweden's strongest property markets, with strong corporate demand for office space, which will continue to drive rental growth.

Kungsleden has some customer concentration, with its 10 largest tenants representing around 23% of its rental value. ABB Ltd., the company's largest tenant, accounts for 11% of rental income and has a remaining lease period of five years (see Exhibit 7). However, ABB has divested a significant part of its activities to Hitachi, which reduced concentration, but raises the question if Hitachi will remain a tenant to Kungsleden. However, 15% of the company's rental income comes from government-related entities, such as municipalities and universities, which is credit positive.

Exhibit 7

Kungsleden's largest tenants

Rental value as of March 2020



*percentages may not add up to 100% due to rounding

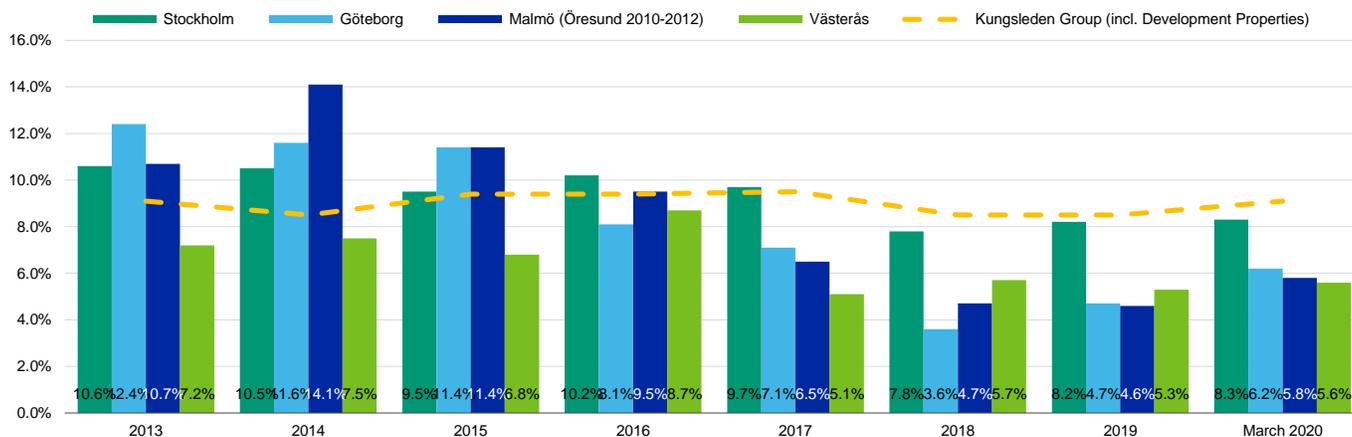
Source: Company data

The usual length of Kungsleden's office leases is three to five years. Lease agreements for storage, logistics and industry are somewhat longer, at five to 10 years. The lease maturities are evenly spread, with about 10%–20% expiring per year. The company's average remaining lease period is 4.2 years, about the average for the Swedish market, spread across around 1,500 tenants that operate in a broad range of sectors.

Kungsleden has a vacancy rate of 7.2% excluding development properties (including development projects 9.1%), which is somewhat high at this mature point in the property cycle but in line with some of its Swedish peers (see Exhibit 8). We expect the company to continue its reletting activities and to improve its occupancy rate supported by currently favourable market conditions. The fact that the vacancy rate is not lower could be indicative of structural issues in some markets, such as oversupply or property quality. For example, the vacancy rate in Kista is as high as 16%.

Exhibit 8

Vacancy rates across regions
Vacancy rate including project properties



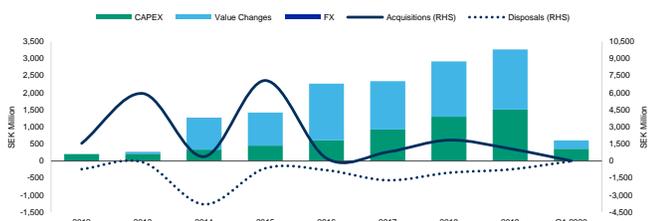
Source: Company data

Controlled development activities

The company expects to invest in its existing portfolio, increasing its fair value to around SEK45 billion by 2023. The investment programme amounts to around SEK5.6 billion over 2020-23, SEK2.4 billion of which is for developments. Of this amount, SEK1.4 billion is for committed developments, corresponding to 3.5% of total assets. Kungsliden's development projects include redevelopments, extension projects and new construction. The company has a pre-let ratio for development projects of at least 50% before construction has started, which reduces risk. A large proportion of the increase in the portfolio's value has been because of increasing future market rents, which has increased the future net operating income (NOI). The share of the change in value attributable to the increase in NOI has gradually increased and now accounts for more than half of the total.

Exhibit 9

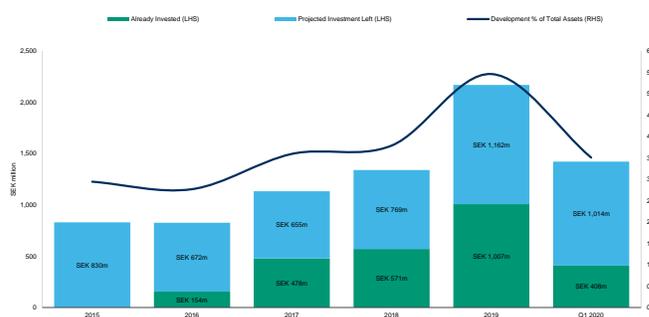
Property portfolio evolution



Source: Company data

Exhibit 10

Development project pipeline



Source: Company data

Largest shareholder contributes to stability and access to capital

Kungsliden's shares are quoted on the NASDAQ OMX Stockholm exchange. Ownership is fairly diversified, with around 54.8% of the company's shareholders being Swedish (25.4% institutional investors, 10.8% equity funds and 19.5% private investors) and 45.2% being foreign shareholders. Although the diversified ownership structure is positive, Gösta Welandson is the largest shareholder, controlling 14.5% of the votes and capital, and guaranteed to underwrite all of Kungsliden's last rights issue of SEK1.6 billion in 2017. Access to capital has improved as a result of several bond issuances, which increased the share of reported unsecured bonds to 42% (including 2% commercial paper) of debt as of March 2020, compared with 5% in December 2015. In the first quarter of 2018, Kungsliden also issued its first green bond, amounting to SEK2.5 billion, as part of its increased bond issuance. Green financing as of

March 2020 corresponds to 28% of the total borrowings. We expect the share of secured bank financing to be around 60% of total debt. Kungsliden scores Baa for Liquidity and Access to Capital in our methodology grid.

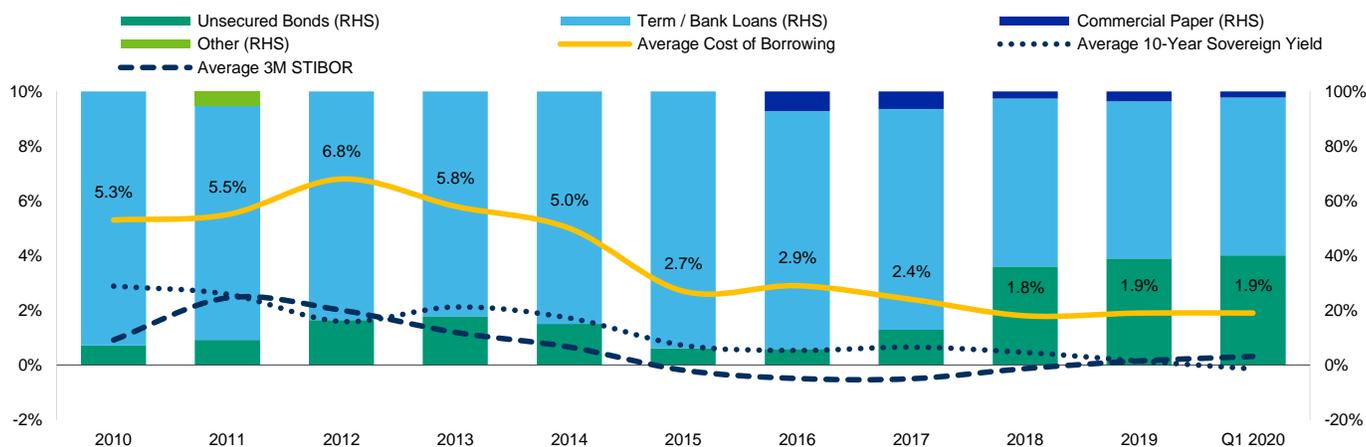
Strong fixed-charge coverage

Kungsliden has a policy of keeping interest coverage above 2.5x. Its Moody's-adjusted fixed-charge coverage ratio was 4.4x as of March 2020, up from 3.3x as of December 2017. Kungsliden renegotiates about 15%-20% of leases a year and, consequently, its EBITDA will gradually increase through its ability to renegotiate rents at higher levels at this point in the cycle. A large share of the contracts in Kungsliden's portfolio were renegotiated three to five years ago when lease levels were generally lower. Although this upside is limited to about 15%-20% of the portfolio each year, it is the most important factor contributing to real estate companies' stable net operating income. We expect the company to further increase the fixed-charge coverage ratio towards 4.5x, corresponding to a score of Baa-A in our methodology grid over the next three years.

The company's average cost of debt was around 1.9% as of March 2020. Kungsliden used interest swap hedges for about 57% as of March 2019, including fixed rate loans. The company's interest-rate swaps are not stapled to its debt, but are instead managed separately and on a shorter-dated profile of 3.6 years compared with the average debt maturity of 4.3 years as of 31 March 2020. The company's interest-fixing period is on the low side compared with that of its European peers, but slightly stronger compared with that of some of its Swedish peers. Increased bond issuances under the company's medium-term note (MTN) programme and refinancing debt at lower rates, coupled with a low interest rate environment, have significantly reduced Kungsliden's cost of borrowing to 1.9% as of March 2020 from a peak of 6.8% in 2012 (see Exhibit 11).

Exhibit 11

Kungsliden's average cost of borrowing and debt structure



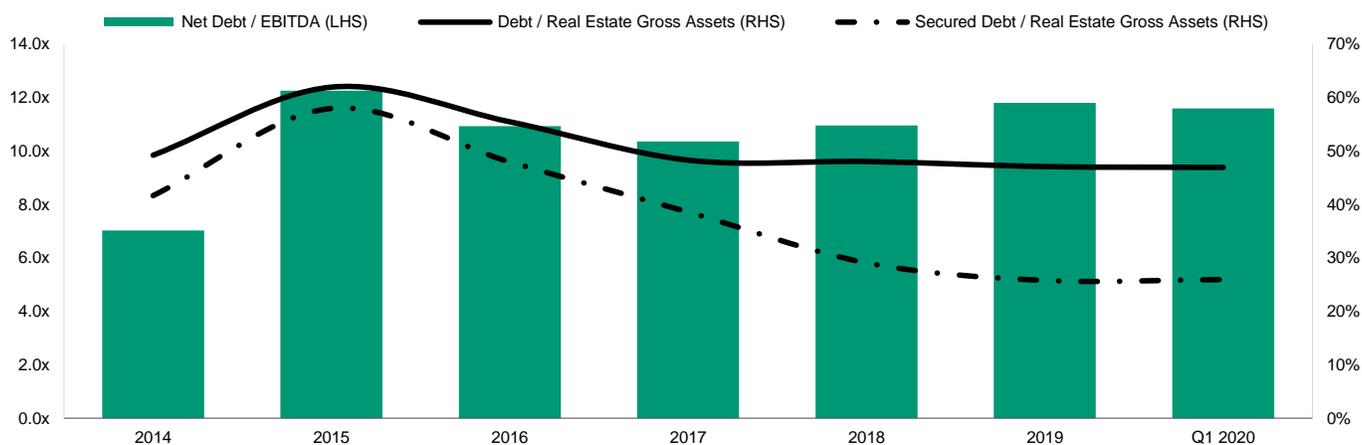
Debt (RHS) represents percentage of total debt for a period.

Sources: Company data, the Riksbank and FactSet

Moderate leverage

Kungsliden's Moody's-adjusted gross debt/total assets was at 46.9% as of March 2020, with SEK19 billion in Moody's-adjusted gross debt and total adjusted assets of around SEK40.5 billion (see Exhibit 12). We expect this ratio to remain stable in the next 12-18 months as the company develops its portfolio, leading to increased EBITDA and property values, which would somewhat counterbalance the softening macroeconomic environment. We do not include any revaluations in our forward-looking grid.

Exhibit 12

Moderating gross debt/total assets, although still fairly elevated net debt/EBITDA

Source: Moody's Financial Metrics™

Kungsliden has a loan/value policy of 50%. To maintain this financial policy, the company is prepared to cut dividends, dispose of assets, amortise debt, reduce its development programme and, to a lesser extent, issue equity, as it has carried out two rights issues in recent years. Kungsliden cancelled the dividend payment in 2020 because of the coronavirus outbreak, sending a strong message that the company protects its balance sheet when needed. Its Moody's-adjusted effective leverage, defined as total debt in relation to total assets, is likely to be below 50% during 2020-21. This ratio maps into the Baa score on our methodology scorecard.

The company's Moody's-adjusted net debt/EBITDA was a high 11.6x as of March 2020, partly reflecting its involvement in development projects, which require capital but do not generate EBITDA yet. In addition, the company has divested high-yielding, nonstrategic properties and acquired lower-yielding properties with greater long-term rental value growth potential as part of its business strategy. However, because of the rapid and significant market value increases for most real estate companies in the past three years, we place emphasis on net debt/EBITDA. The rental revenue element in Kungsliden's value adjustment increased to about 63% in Q1 2020. This trend is important because in the initial stage of the property cycle, this factor is low and increases over time and will initially offset increasing yields to some extent. Rental levels have increased the most in the Stockholm area and consequently property companies with most exposure to this area will have a higher degree of rental revenue in their yield compression. Although market values will stabilise or eventually fall, property companies' rental revenue will continue to rise for a period because of a lag effect. As of December 2019, 98.8% of Kungsliden's rental value was indexed to inflation.

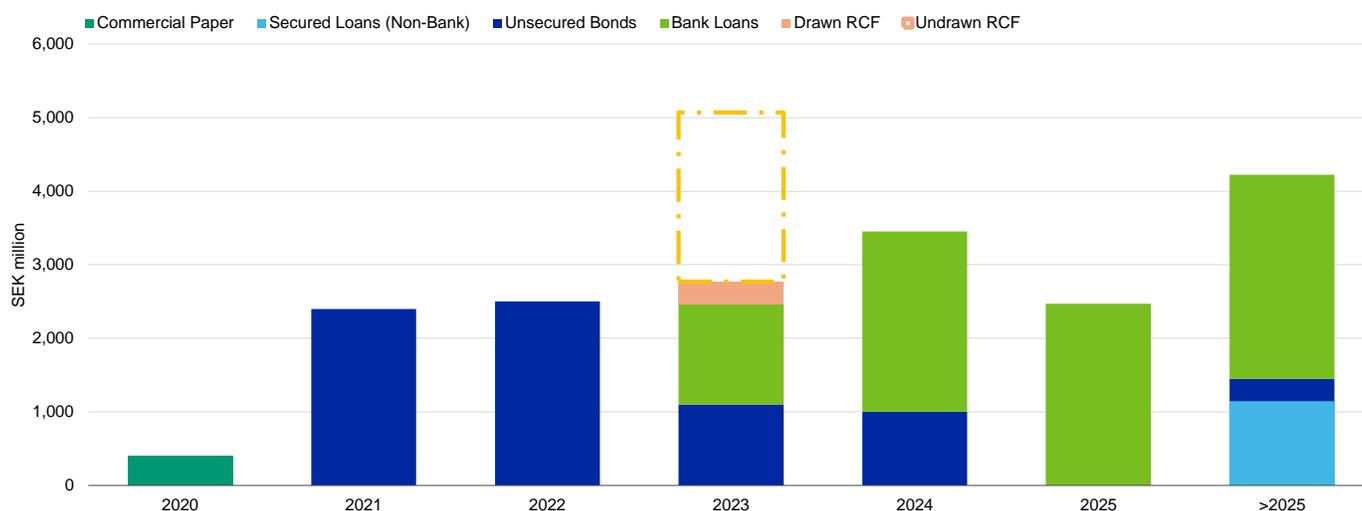
Kungsliden has a diversified funding mix, consisting of commercial paper, loans from commercial banks and mortgage banks, private placements, and bonds. As of March 2020, it had SEK6.6 billion in bank debt, SEK2.8 billion in mortgage loans, SEK1.1 in private placements, SEK7.3 billion in senior unsecured bonds and SEK0.4 billion in commercial paper outstanding.

However, we expect Kungsliden's bonds, including commercial paper, to represent around 40% of total debt in the next 12-18 months. Kungsliden has increased its SEK5 billion MTN programme to SEK12 billion to extend its debt maturities and continuously repay secured debt. The first bond issuance closed in the last quarter of 2017, with two additional issuances in early 2018. Kungsliden's refinancing needs during 2019-20 include SEK0.4 billion of commercial paper (fully backed by a revolving credit facility [RCF] maturing in 2023) and no bonds falling due in 2020. The heavy bond issuance increased the unencumbered assets to above 32.1% as of March 2020 from a very low 2% as of September 2017.

Exhibit 13

Most of the funding currently through secured bank borrowings

SEK million as of March 2020



Source: Company data

Kungsleden's own debt have different sets of covenants. ICR > 1.5x and equity/total assets > 15% at the group level. The company has adequate capacity under its financial covenants. This covenant package is standard for Swedish real estate companies. Kungsleden has no covenants in the MTN documentation.

Liquidity analysis

Adequate liquidity reflects capital spending flexibility and longer-than-average debt maturities, supported by significant unencumbered assets pool

Kungsleden has adequate liquidity, reflecting stable cash flow generation, a relatively even pace of maturing debt and part of its total RCF being tied up as a backup for issued commercial paper, thereby limiting its availability. However, Kungsleden's cash position of SEK490 million, available RCF of about SEK2.3 billion maturing in 2023 (about SEK400 million is the backup for the commercial paper programme), and expected cash flow generation of SEK1.7 billion could cover all cash shortfalls in the coming 18 months. Liquidity is supported by the company's good access to debt capital, both bank and bond debt, and its diversified banking relationships. Also, the company has shown an ability to access the equity market on several occasions. Over the next three years, we expect the funds from operations payout ratio to be around 45%. The board decided to withdraw the dividend proposal for the income year of 2019 due to Covid-19 uncertainty. All in all, Kungsleden has already refinanced all its 2020 bank and bond maturities, and has decided to cancel dividend payment of around SEK500 million to protect liquidity after the outbreak of the coronavirus.

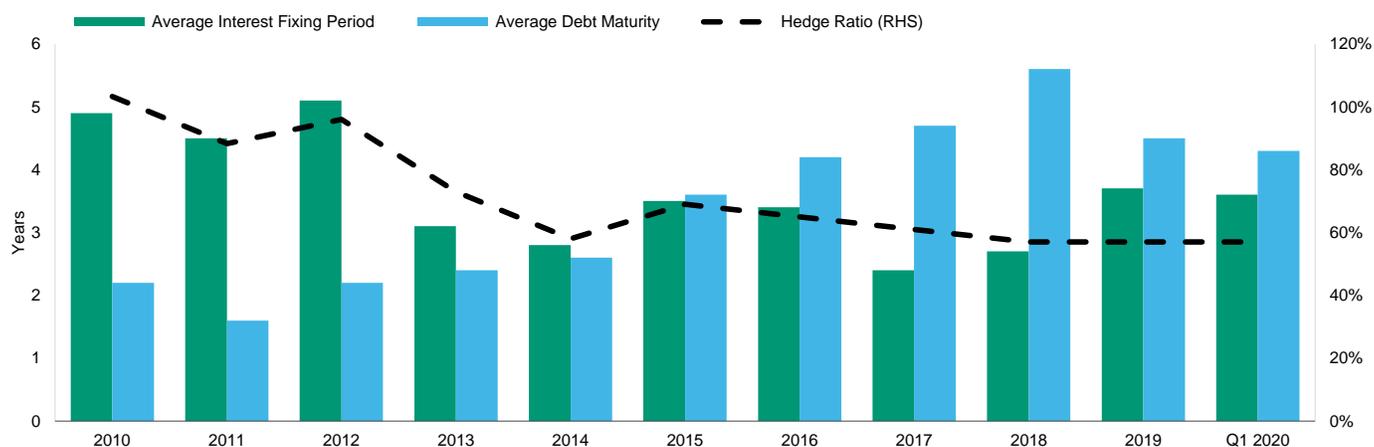
Kungsleden's unencumbered asset ratio, a measure of liquidity, reached 33% of total assets as of March 2020 following the company's issuance of unsecured bonds. We expect Kungsleden to increase the share of unencumbered assets over time towards 40%.

Kungsleden's weighted debt maturity profile was 4.3 years as of March 2020, which is in line with most of its Swedish real estate peers. The company started to use a commercial paper programme in 2016, which weakened this ratio. The outstanding amount of commercial paper is backed up by unused committed bank lines, which are fully secured with mortgage deeds with a longer duration. Around 15% of the company's debt will mature in 2020-21 and available RCF and cash on hand cover these redemption, which means low financing risk for the coming two years. The company has also increased its unsecured bond issuances, which has helped diversify its funding sources and improve its access to capital.

Exhibit 14

Moderate interest-fixing period and historically stable hedge ratio

Reported data as of period end



Source: Company data

Environmental, social and governance (ESG) considerations

Kungsleden is a publicly listed company on the stock exchange Nasdaq Stockholm AB — it has one influential shareholder but besides that the company is fairly widely held by institutional and private investors.

The company's portfolio benefits from 33% of ESG certifications that underpin its occupancy and good quality.

The real estate segment is weakened by the coronavirus outbreak-driven economic shock given its sensitivity to changes in GDP, employment prospects, and business and consumer confidence. Against the backdrop of an economic contraction in 2020, the uncertainty around the pace of recovery in 2021 and the expected rise in unemployment rates, we expect knock-on effects on occupier demand for commercial properties and a potentially more restrained investment sentiment. Pressure on market rents and valuations could put a greater strain on MERLIN's credit metrics. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Structural considerations

Kungsleden historically had a high proportion of secured debt, creating subordination for unsecured bondholders. As of December 2017, Kungsleden's coverage of unsecured debt/unsecured assets was 0.19x. This ratio increased significantly to above 1.58x as of March 2020 after refinancing.

Rating methodology and scorecard

The principal methodology used in this rating was the Global Rating Methodology for REITs and Other Commercial Property Firms, published in September 2018. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

The company is rated Baa3, in line with the scorecard-indicated outcome and our forward-looking view.

Exhibit 15

Rating factors

Kungsliden AB

REITs and Other Commercial Real Estate Firms Industry Scorecard [1][2]	Current LTM 3/31/2020		Moody's 12-18 Month Forward View As of 6/11/2020 [3]	
	Measure	Score	Measure	Score
Factor 1 : Scale (5%)				
a) Gross Assets (USD Billion)	\$4.1	Baa	\$4.1 - \$4.2	Baa
Factor 2 : Business Profile (25%)				
a) Market Positioning and Asset Quality	Baa	Baa	Baa	Baa
b) Operating Environment	Baa	Baa	Baa	Baa
Factor 3 : Liquidity and Access To Capital (25%)				
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	32.1%	B	40%	Ba
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	46.9%	Baa	47% - 48%	Baa
b) Net Debt / EBITDA	11.6x	Caa	12x - 12.5x	Caa
c) Secured Debt / Gross Assets	25.9%	Ba	25% - 27%	Ba
d) Fixed Charge Coverage	4.4x	Baa	4x - 4.5x	Baa
Rating:				
a) Scorecard-Indicated Outcome		Ba1		Baa3
b) Actual Rating Assigned				Baa3

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

[2] Source: Moody's Financial Metrics™

[3] 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™

Exhibit 16

Rating factors - Peer comparison

Real Estate / REIT Industry Grid	Kungsleden AB [2]		AB Sagax [2]		Summit Germany Limited [2]		Castellum [2]		Inmobiliaria Colonial SOCIMI, S.A. [2]	
Factors as of:	Forward View		Forward View		Forward View		Forward View		Forward View	
Factor 1 : Scale (5%)	Measure	Score	Measure	Score	Measure	Score	Measure	Score	Measure	Score
a) Gross Assets (USD Billion)	\$4.1 - \$4.2	Baa	\$4.1 - \$4.3	Baa	\$1.8 - \$1.9	Ba	\$10.3 -	A	\$13.7-\$14.2	A
Factor 2 : Business Profile (25%)										
a) Market Positioning and Asset Quality	Baa	Baa	Ba	Ba	Ba	Ba	Baa	Baa	A	A
b) Operating Environment	Baa	Baa	Baa	Baa	Baa	Baa	A	A	Baa	Baa
Factor 3 : Liquidity and Access To Capital (25%)										
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa	Ba	Ba	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	40%	Ba	59% - 61%	Baa	55% - 60%	Ba	60%	Baa	90% - 93%	A
Factor 4 : Leverage and Coverage (45%)										
a) Total Debt + Preferred Stock / Gross Assets [3]	47% - 48%	Baa	44% - 46%	Baa	36% - 38%	Baa	44% - 45%	Baa	39% - 41%	Baa
b) Net Debt / EBITDA	12.0x - 12.5x	Caa	7.0x - 7.4x	Ba	6.0x - 8.0x	Ba	10.5x -	B	16.7x-17.2x	Ca
c) Secured Debt / Gross Assets	25% - 27%	Ba	14% - 16%	Baa	15% - 20%	Baa	9% - 10%	Baa	2% - 4%	Aa
d) Fixed Charge Coverage [4]	4.0x - 4.5x	Baa	5.0x - 5.2x	A	4.5x - 5.0x	A	4.5x - 4.6x	Baa	2.8x - 3.0x	Baa
Rating:										
a) Indicated Outcome from Scorecard		Baa3		Baa3		Baa3		Baa2		Baa2
b) Actual Rating Assigned		Baa3		Baa3		Ba1		Baa2		Baa2
Gap		0		0		-1		0		0

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

[2] This represents Moody's forward view, not the view of the issuer. Forward views as published on latest Moody's Credit Opinion for the relevant peer.

[3] Debt includes a portion of hybrid securities considered to have debt-like features as explained in Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations revised in December 2016.

[4] Fixed Charges include capitalised interests explained in Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations revised in December 2016.

Source: Moody's Financial Metrics™

Ratings

Exhibit 17

<u>Category</u>	<u>Moody's Rating</u>
KUNGSLEDEN AB	
Outlook	Stable
Issuer Rating - Dom Curr	Baa3

Source: Moody's Investors Service

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