

## CREDIT OPINION

10 March 2021

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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Americas	1-212-553-1653
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EMEA	44-20-7772-5454

## Kungsleden AB

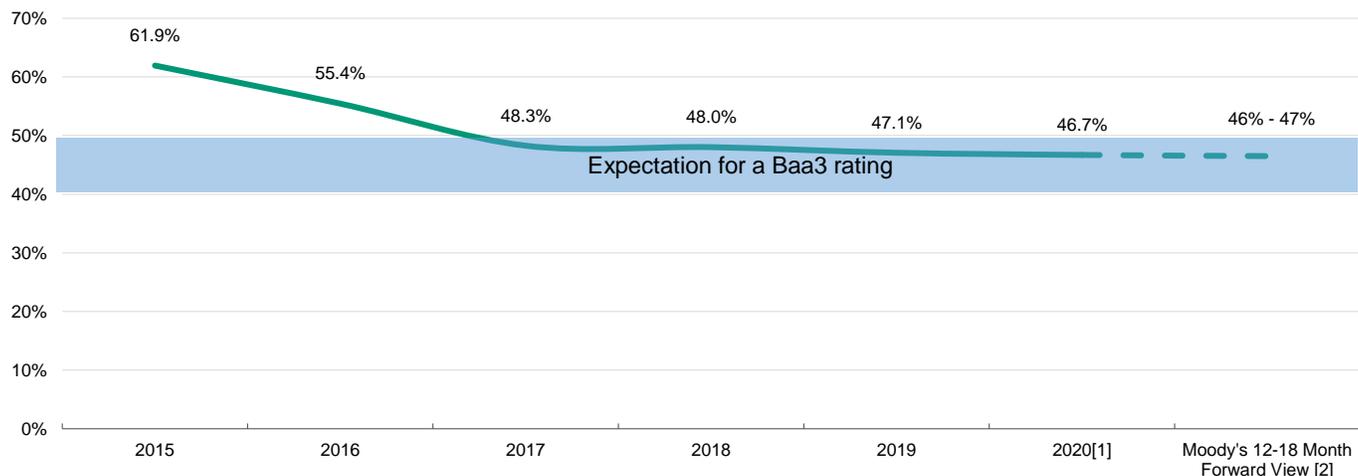
### Update to discussion of key credit factors

#### Summary

[Kungsleden AB's](#) Baa3 rating primarily reflects the improving quality and geographical diversification of its commercial property portfolio, which was valued at about SEK41 billion as of 31 December 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 46%, while the Stockholm inner-city location accounts for 20%. 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 4.0 years as of December 2020, at the same level as last year, provides rental income visibility. The unencumbered assets were at 33% as of 30 December 2020 from 2% in September 2017. Another credit strength is Kungsleden's strong fixed-charge coverage of 4.3x. Additionally, the change of LTV policy to 45% is credit positive. We expect leverage, as measured by total debt/gross assets, to remain stable, between 46% and 47%, 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 70% 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 7.1%, excluding development properties (9.3% 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 December 2020.

Exhibit 1

**Moody's-adjusted debt/total assets**

[1] The 2020 financials are based on Q4 2020 Year End Report. Final 2020 Moody's adjusted financials could differ slightly due to different Moody's adjustments based on the FY2020 Financial Statements.

[2] 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
- » Revised updated LTV policy of 45%

## 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 7.1% (including development projects 9.3%)
- » Some tenant concentration, with the 10 largest tenants accounting for 21% of total rental value
- » Relatively short-dated debt maturity profile of 3.8 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's.com](http://www.moody's.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 maintain the effective leverage, as measured in terms of gross debt/assets, around 46% over the next 18 months while continuing to expand its pool of unencumbered assets to above 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

USD Billion	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20[1]	12-18 Month Forward View [2]
Gross Assets	\$3.3	\$3.9	\$4.0	\$4.2	\$5.2	\$5.3 - \$5.5
Unencumbered Assets / Gross Assets	0.0%	0.0%	31.5%	33.2%	32.8%	40% - 45%
Total Debt + Preferred Stock / Gross Asset:	55.4%	48.3%	48.0%	47.1%	46.7%	46% - 47%
Net Debt / EBITDA	10.9x	10.4x	11.0x	11.8x	11.6x	11.2x - 11.7x
Secured Debt / Gross Assets	47.9%	38.6%	29.1%	25.8%	23.9%	20.0%
Fixed Charge Coverage	3.0x	3.3x	4.0x	4.4x	4.3x	4.1x - 4.5x

[1] The 2020 financials are based on Q4 2020 Year End Report. Final 2020 Moody's adjusted financials could differ slightly due to different Moody's adjustments based on the FY2020 Financial Statements.

[2] 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 December 2020, the company's property portfolio had a market value of SEK40.7 billion and a property yield of 4.6%.

## Detailed credit considerations

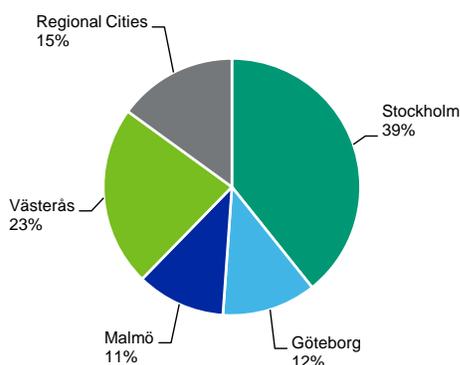
### A medium-sized, diversified commercial property portfolio

Kungsliden owns a medium-sized SEK41 billion real estate portfolio, comprising 211 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 (20%) 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 85% 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 above SEK55 billion over the next five years.

Based on market value, offices made up 74% of the company's portfolio as of 31 December 2020, logistics/warehouses 16%, retail 4% and other 6%. Based on rental value, offices accounted for 70% of the total, industrial/logistics/warehouses 20%, retail 6% and other 4% (see Exhibit 4).

Exhibit 3

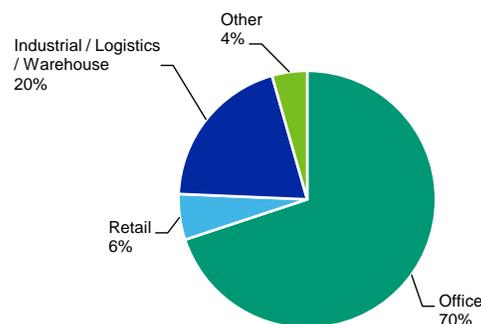
#### Balanced portfolio across Sweden's largest city regions Rental value by region as of 31 December 2020



Source: Company data

Exhibit 4

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

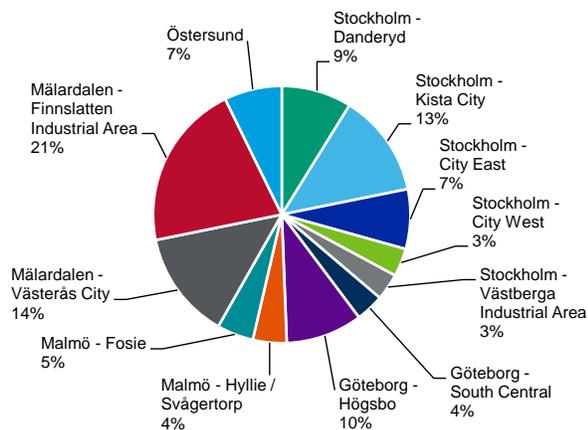


Source: Company data

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 December 2020, around 70% of its portfolio was located in 12 clusters. As part of its rebalancing strategy, the company disposed of above 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 Finslätten 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 December 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 December 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 154,000 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 2021-23 amounts to SEK4.2 billion and includes tenant improvements, maintenance and project development. The flexibility in the investments are significant and committed capex coming 18-months are approximately SEK0.7 billion compared to SEK 1.7 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, Finnlätten 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 7.1% and average property yield of 4.6% as of December 2020.

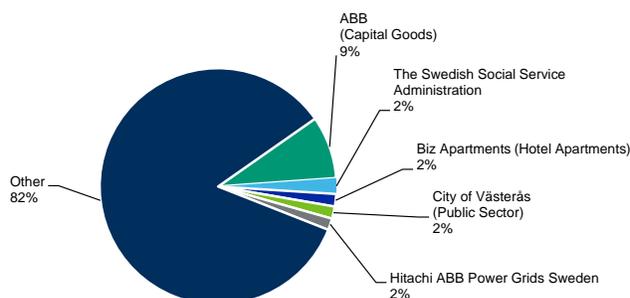
Kungsleden's largest holdings are in the Stockholm area, which represented 39% of rental value and 46% of total market value as of December 2020 (see Exhibit 3). However, we are comfortable with this level of concentration in Stockholm, which generates about a

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 21% of its rental value. ABB Ltd., the company's largest tenant, accounts for 9% of rental value and has a remaining lease period of four years (see Exhibit 7). However, ABB has divested a significant part of its activities to Hitachi, which reduced concentration. Hitachi is currently the fifth largest tenant of Kungsleden with 2% of rental value. However, 18% of the company's rental value comes from government-related entities, such as municipalities and universities, which is credit positive.

Exhibit 7

**Kungsleden's largest tenants**  
Rental value as of December 2020



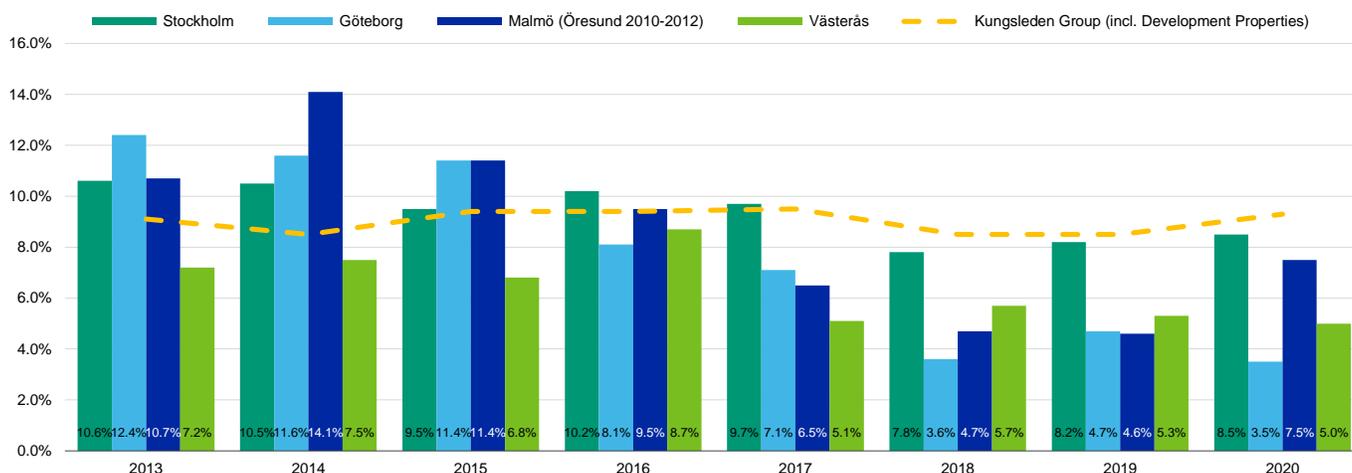
\*percentages may not add up to 100% due to rounding  
Source: Company data

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 4.0 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 7.1% excluding development properties (including development projects 9.3%), 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 13%.

Exhibit 8

**Vacancy rates across regions**  
Vacancy rate including project properties



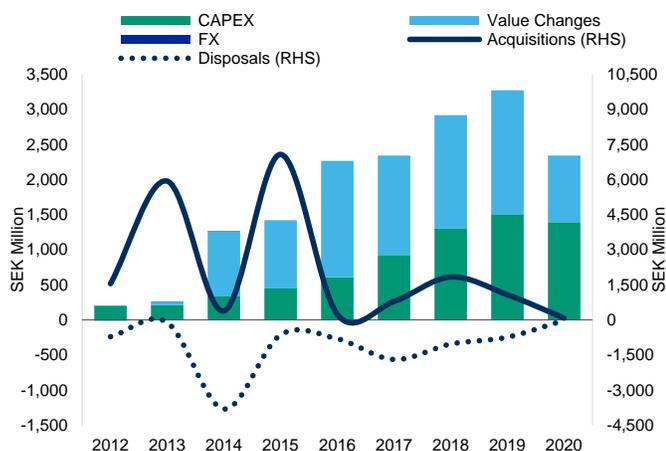
Source: Company data

**Controlled development activities**

The company expects to invest in its existing portfolio, increasing its fair value to around SEK55 billion by 2025. The investment programme amounts to around SEK4.2 billion over 2021-23, SEK1.8 billion of which is for developments. Of this amount, SEK1.3 billion is for committed developments, corresponding to 3.1% 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

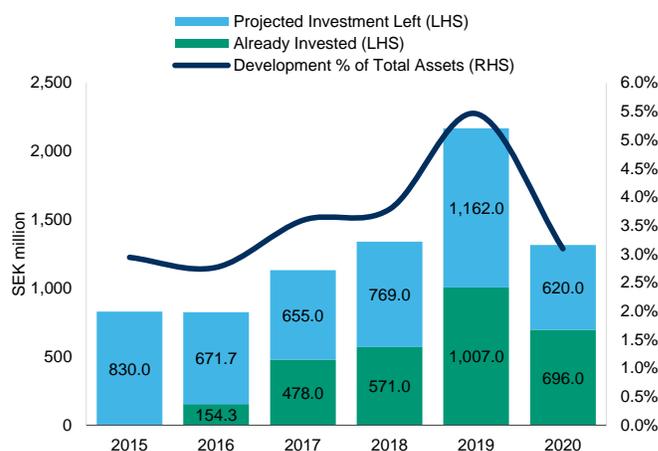
**Property portfolio evolution**



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 61% of the company's shareholders being Swedish (31% institutional investors, 9% pension & insurance and 19% private investors) and 39% 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 47% (including 1% commercial paper) of debt as of December 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. Including the most recent issue after year-end 2020, the share of green financing corresponds to 40% of the total borrowings. Kungsliden scores Baa for Liquidity and Access to Capital in our methodology grid.

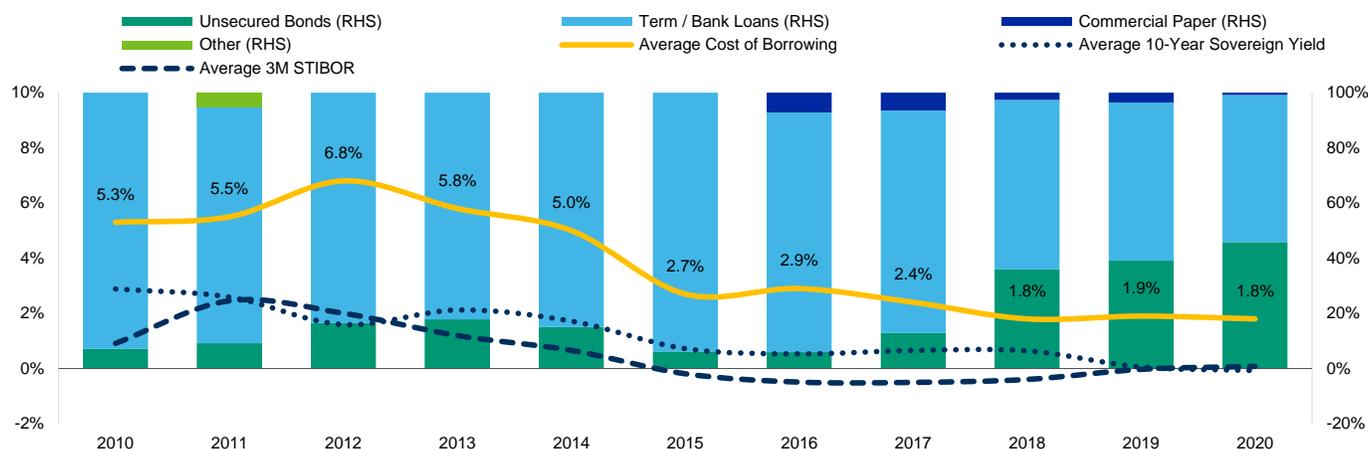
### Strong fixed-charge coverage

Kungsliden has a policy of keeping interest coverage above 2.5x. Its Moody's-adjusted fixed-charge coverage ratio was 4.3x as of December 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 maintain the fixed-charge coverage ratio between 4.1x-4.5x, corresponding to a score of Baa-A in our methodology grid over the next 18 months.

The company's average cost of debt was around 1.8% as of December 2020. Kungsliden used interest swap hedges for about 65% as of December 2020, including fixed rate loans. The company's interest-rate swaps are not stapled to its debt, but are instead managed separately and on a similarly dated profile of 3.7 years compared with the average debt maturity of 3.8 years as of 31 December 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 1.8% as of December 2020 from a peak of 6.8% in 2012 (see Exhibit 11).

Exhibit 11

### Kungsliden's average cost of borrowing and debt structure



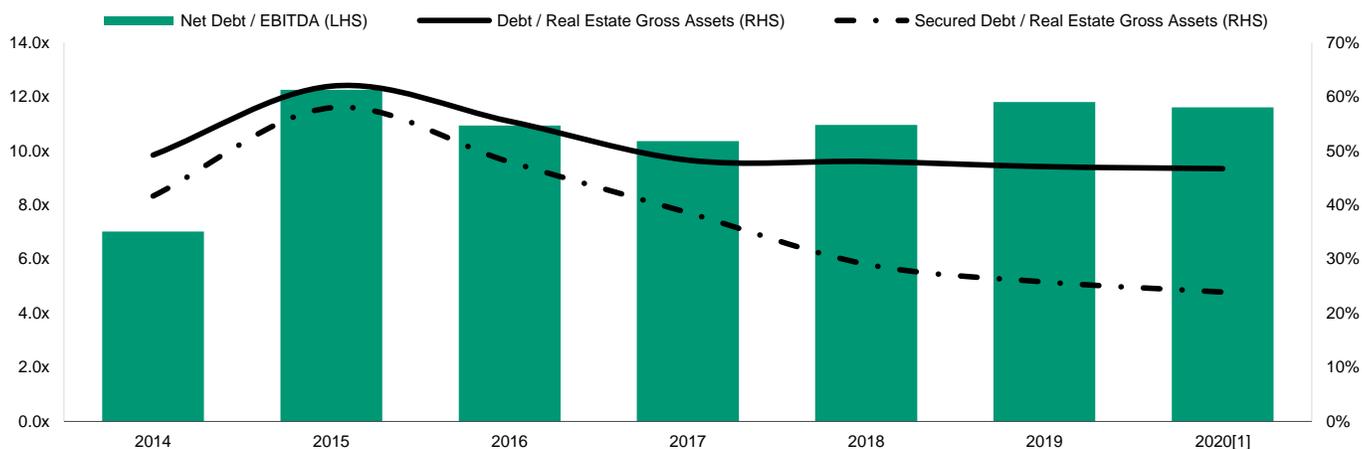
Debt (RHS) represents percentage of total debt for a period.

Sources: Company data, the Riksbank and FactSet

### Moderate leverage

Kungsliden's Moody's-adjusted gross debt/total assets was at 46.7% as of December 2020, with SEK20 billion in Moody's-adjusted gross debt and total adjusted assets of around SEK42.5 billion (see Exhibit 12). We expect this ratio to decrease slightly in line with the tighter financial policy 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**

[1] The 2020 financials are based on Q4 2020 Year End Report. Final 2020 Moody's adjusted financials could differ slightly due to different Moody's adjustments based on the FY2020 Financial Statements.

Source: Moody's Financial Metrics™

Kungsliden announced in February 2021 a change of the public net loan/value policy from 50% to 45%. We view the revised more restrictive LTV target as credit positive because it indicates Kungsliden's intention to maintain lower leverage over time than we previously expected. 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 canceled the dividend payment in 2020 because of the coronavirus outbreak, sending a strong message that the company protects its balance sheet when needed. They subsequently paid out dividend and repurchased shares in total amount of SEK472m (SEK513m in 2019) on the back of strong operating performance in the year.

Kungsliden's Moody's-adjusted effective leverage, defined as total debt in relation to total assets, is likely to be between 46-47% during 2021-22. This ratio maps into the Baa score on our methodology scorecard.

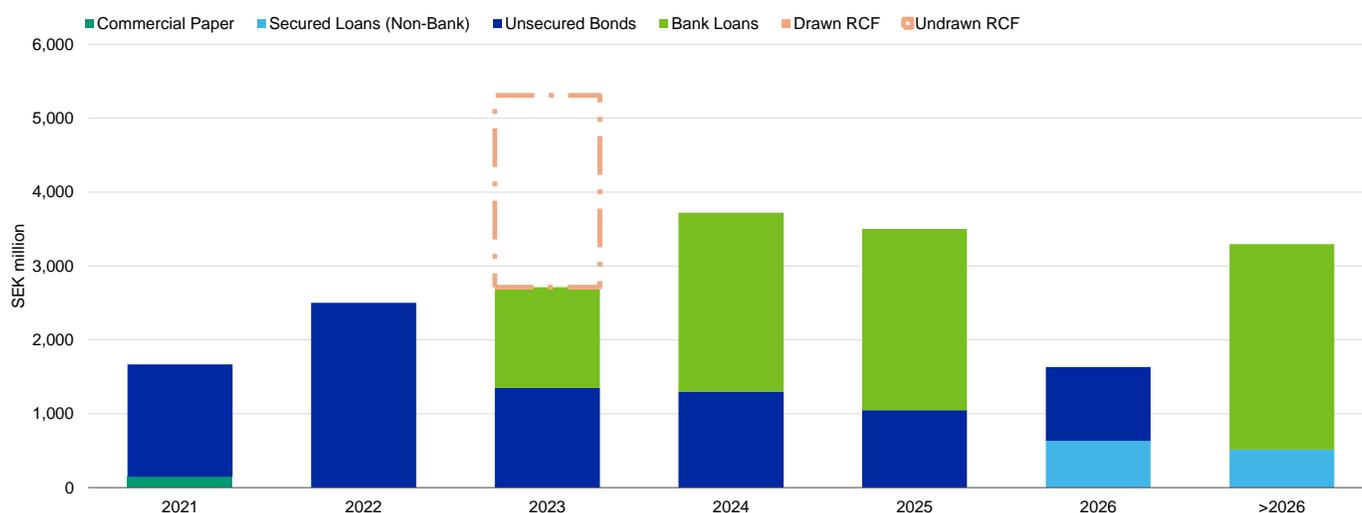
The company's Moody's-adjusted net debt/EBITDA was a high 11.6x as of December 2020, partly reflecting its involvement in development projects, which require capital but do not generate EBITDA yet. In addition, the company has divested high-yielding, nonstrategic properties and acquired lower-yielding 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 was around 47% in 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 2020, 99.1% of Kungsliden's rental value was indexed to inflation (excl. parking and residential).

Kungsliden has a diversified funding mix, consisting of commercial paper, loans from commercial banks and mortgage banks, private placements, and bonds. As of December 2020, it had SEK6.3 billion in bank debt, SEK2.8 billion in mortgage loans, SEK1.1 in private placements, SEK8.7 billion in senior unsecured bonds and SEK0.2 billion in commercial paper outstanding.

Kungsliden has increased its SEK5 billion MTN programme to SEK12 billion to extend its debt maturities and continuously repay secured debt. Kungsliden's refinancing needs during 2021 include SEK0.2 billion of commercial paper (fully backed by a revolving credit facility [RCF] maturing in 2023) and SEK1.5bn of bonds. The heavy bond issuance increased the unencumbered assets to above 33% as of December 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 December 2020



Source: Company data

Kungsliden'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. Kungsliden has no covenants in the MTN documentation.

## Liquidity analysis

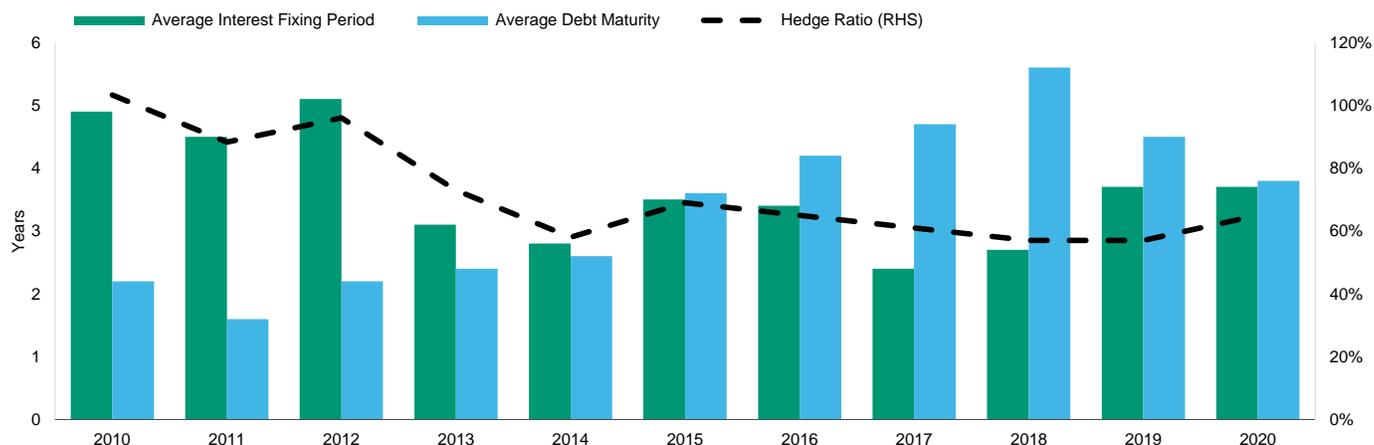
### Adequate liquidity reflects capital spending flexibility but decreasing debt-maturity profile

Kungsliden 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, Kungsliden's cash position of SEK685 million, available RCF of about SEK2.6 billion maturing in 2023 (about SEK150 million is the backup for the commercial paper programme), and expected cash flow generation of SEK1.9 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%. We expect Kungsliden to continue paying above SEK500m of dividends per year.

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

Kungsliden's weighted debt maturity profile has decreased to 3.8 years as of December 2020 from above 5 years in 2018, which is in line with most of its Swedish real estate peers but short in the context of the long-term nature of its assets. 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 22% of the company's debt will mature in 2021-22. 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**

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 42% 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 Kungsleden'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 1.4x as of December 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's.com](http://www.moody's.com) for a copy of this methodology.

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

Exhibit 15

### Rating factors

Kungsleden AB

	Current Year-end 12/31/2020		Moody's 12-18 Month Forward View As of 2/15/2021 [3]	
REITs and Other Commercial Real Estate Firms Industry Scorecard [1][2]	Measure	Score	Measure	Score
<b>Factor 1 : Scale (5%)</b>				
a) Gross Assets (USD Billion)	\$5.2	Baa	\$5.3 - \$5.5	Baa
<b>Factor 2 : Business Profile (25%)</b>				
a) Market Positioning and Asset Quality	Baa	Baa	Baa	Baa
b) Operating Environment	Baa	Baa	Baa	Baa
<b>Factor 3 : Liquidity and Access To Capital (25%)</b>				
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	32.8%	B	40% - 45%	Ba
<b>Factor 4 : Leverage and Coverage (45%)</b>				
a) Total Debt + Preferred Stock / Gross Assets	46.7%	Baa	46% - 47%	Baa
b) Net Debt / EBITDA	11.6x	Caa	11.2x - 11.7x	Caa
c) Secured Debt / Gross Assets	23.9%	Ba	20%	Baa
d) Fixed Charge Coverage	4.3x	Baa	4.1x - 4.5x	Baa
<b>Rating:</b>				
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] As of Year-End Report 12/31/2020; 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 Properties Limited [2]		Castellum [2]		Inmobiliaria Colonial SOCIMI, S.A. [2]	
	Forward View		Forward		Forward		Forward		Forward	
Factors as of:	Measure	Score	Measure	Score	Measure	Score	Measure	Score	Measure	Score
<b>Factor 1 : Scale (5%)</b>										
a) Gross Assets (USD Billion)	\$5.3 - \$5.5	Baa	\$5.3 - \$6.0	Baa	\$1.7 - \$1.9	Ba	\$10.3 - \$10.5	A	\$13.2-\$14.0	A
<b>Factor 2 : Business Profile (25%)</b>										
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
<b>Factor 3 : Liquidity and Access To Capital (25%)</b>										
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa	Ba	Ba	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	40% - 45%	Ba	63% - 65%	Baa	50%-55%	Ba	60%	Baa	89% - 90%	A
<b>Factor 4 : Leverage and Coverage (45%)</b>										
a) Total Debt + Preferred Stock / Gross Assets [3]	46% - 47%	Baa	44% - 46%	Baa	38% - 40%	Baa	44% - 45%	Baa	42% - 43%	Baa
b) Net Debt / EBITDA	11.2x - 11.7x	Caa	7.5x - 8.5x	Ba	7.5x - 8.3x	Ba	10.5x - 11.0x	Caa	16.8x-17.8x	Ca
c) Secured Debt / Gross Assets	20%	Baa	13% - 14%	Baa	15% - 20%	Baa	9% - 10%	A	4% - 5%	A
d) Fixed Charge Coverage [4]	4.1x - 4.5x	Baa	5.0x - 6.0x	A	4.5x - 5.0x	A	4.5x - 4.6x	A	2.7x - 3.0x	Baa
<b>Rating:</b>										
a) Indicated Outcome from Scorecard		Baa3		Baa3		Ba1		Baa2		Baa2
b) Actual Rating Assigned		Baa3		Baa3		Ba1		Baa2		Baa2
Gap		0		0		0		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>
<b>KUNGSLEDEN AB</b>	
Outlook	Stable
Issuer Rating - Dom Curr	Baa3

Source: Moody's Investors Service

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