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CREDIT OPINION
29 June 2023

Update

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RATINGS

CA Immobilien Anlagen AG

Domicile	Austria
Long Term Rating	Baa3
Type	LT Issuer Rating - Dom Curr
Outlook	Negative

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 to credit analysis

Summary

CA Immobilien Anlagen AG's (CA Immo) high-quality office portfolio in key European cities and high property standards continue to support its Baa3 rating. The quality of its office portfolio further improved following the disposals and completed developments in Germany. CA Immo also benefits from low standalone leverage after successful disposals, some geographic diversification in select key cities in Germany and four other countries, and historically solid operating performance.

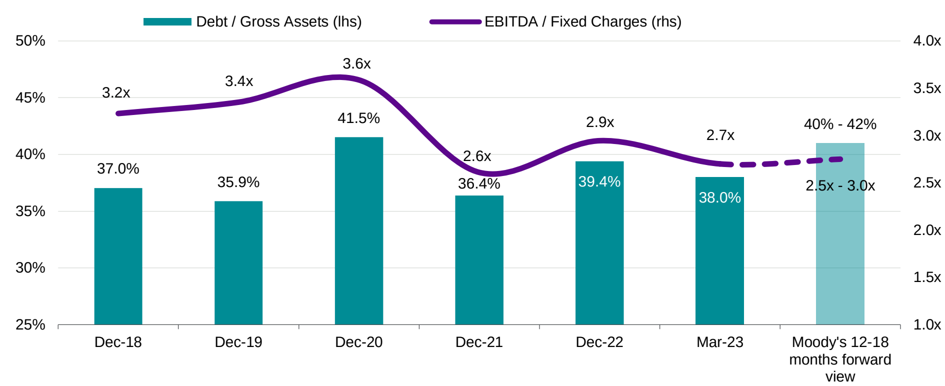
CA Immo's rating is constrained by an increased risk of special dividends. Its main shareholder, a private equity fund managed by Starwood, has higher leverage tolerance and took additional debt to fund part of its equity share. Without this event risk that has materialised in the past, CA Immo's credit ratings could be higher. Furthermore, the operating environment for property owners has turned difficult, with rising interest rates reducing property values and increasing the marginal cost of debt. The outlook for office properties is weak because of both structural and cyclical reasons. We also take into account the company's sizeable development pipeline, although it has moderated strongly from the historical highs.

We expect the company to use its large cash resources derived from successful disposals for capital spending and debt repayment, to avoid a weakening of its fixed charge cover ratio in the next 12-18 months. Its standalone gross debt/assets will remain well below 45% and fixed charge cover at 2.5x-3.0x over the next 12-18 months.

Exhibit 1

We expect CA Immo's debt/assets to increase

Moody's-adjusted leverage and coverage metrics



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

Credit strengths

» A high-quality office portfolio, which improved further following disposals and completed developments in Germany

» Geographic diversification in select key European cities

» Historically solid occupancy

» A valuable German land bank

» Moderate leverage on a standalone basis

Credit challenges

» An increased risk of special dividends because of higher leverage tolerance and additional debt at the level of CA Immo's main shareholder, a private equity fund managed by Starwood

» A weaker operating environment for property owners because of the rising interest rates constraining property values and increasing the marginal cost of debt

» A weaker business outlook because of structural and cyclical reasons, which limits occupancy and rental growth

» A sizeable but strongly moderated development exposure compared with the historical highs

Rating outlook

The negative rating outlook reflects a difficult operating environment with rising interest rates, a likely decline in property values and a weaker operating performance outlook. Fixed charge cover is currently the most restrictive financial metric for CA Immo to retain a Baa3 rating. The negative outlook also highlights high event risk stemming from shareholder-friendly actions like additional dividends because of its main shareholder.

Factors that could lead to an upgrade

» Lower event risk related to special dividends triggered by the main shareholder

» Easing of operating performance concerns, reflected in growing occupancy and stable rental and ERV growth

» Moody's-adjusted debt/assets maintained well below 35%

» Moody's-adjusted fixed charge remaining above 3.25x

Factors that could lead to a downgrade

» Aggressive extraordinary dividend distribution to CA Immo's main shareholder that significantly erodes the company's liquidity and weakens its refinancing capabilities

» Building up of further leverage at the shareholder level, or inability to address in advance existing debt at that level, which increases the risk of significant cash leakage from CA Immo to its main shareholder

» Failure to stabilise operating performance after a period of weaker occupancy and rental growth

» Moody's-adjusted debt/assets maintained above 40%

» Moody's-adjusted fixed charge cover remaining below 2.75x

» Failure to maintain an unencumbered assets ratio well above 30%

The above indications of leverage and coverage at CA Immo's level reflect the event risks stemming from its main shareholder.

Key indicators

Exhibit 2
CA Immobilien Anlagen AG

EUR millions [1]	Dec-19	Dec-20	Dec-21	Dec-22	Mar-23	Moody's 12-18 Month Forward View [2]
Gross Assets	5,882.4	6,815.4	7,108.7	7,165.1	7,009.9	6,000 - 6,400
Debt / Gross Assets	35.9%	41.5%	36.4%	39.4%	38.0%	40% - 42%
Net Debt / EBITDA	10.1x	10.4x	14.0x	12.2x	12.0x	12.0x - 14.0x
Secured Debt / Gross Assets	18.3%	15.3%	15.6%	19.7%	19.7%	20% - 25%
EBITDA / Fixed Charges	3.4x	3.6x	2.6x	2.9x	2.7x	2.5x - 3.0x
Amount of Unencumbered Assets	52.1%	55.3%	49.5%	46.5%	46.3%	40% - 45%

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments.
[2] Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Profile

CA Immobilien Anlagen AG (CA Immo) is a publicly listed real estate company that manages, develops and acquires mainly office properties in capital and large cities in Germany, Austria, Poland, Hungary and Czechia. Germany accounts for 62% of the portfolio, followed by Poland (11%) and the Czech Republic (10%) based on investment properties. The standing property portfolio is valued at €5.0 billion, with an 89.4% occupancy ratio and a weighted average lease term (WALT) to first break of 4.5 years, generating around €205 million annually in gross rental income.

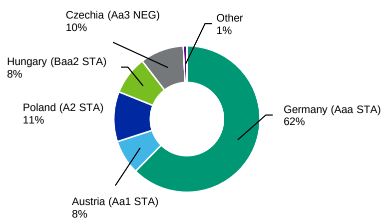
The company is listed and headquartered in Vienna, with a market capitalisation of €2.8 billion as of 7 June 2023. The main shareholder is a Starwood Capital-advised fund (Starwood) with more than 60% of voting rights.

Detailed credit considerations

A high-quality, geographically diversified office portfolio

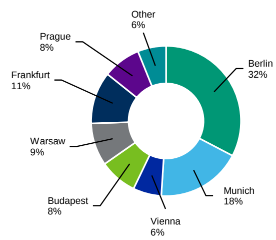
CA Immo's strategy is to develop and acquire prime office properties mostly in the core European cities of Berlin, Frankfurt, Munich, Vienna, Prague, Warsaw and Budapest. CA Immo exited Croatia and Romania and reduced its exposure to Serbia as a non-core market, a credit positive. More than half of CA Immo's asset base is located in Germany in terms of gross asset value (GAV). The remainder is largely in Central and Eastern Europe (CEE), and Vienna (see Exhibits 3 and 4). In addition to its standing assets, the company has around €700 million of assets attributed to active development projects, land reserves and short-term properties. The German exposure will continue to grow strongly because of capital rotation out of CEE countries and substantial investments in German developments. A high share of energy-certified buildings also reflects the good portfolio quality; around 70% of the company's assets have energy certifications such as LEED, BREEAM or DGNB, with more assets' certification in progress.

Exhibit 3
Good regional diversification
As a percentage of €5.0 billion investment properties as of 31 March 2023



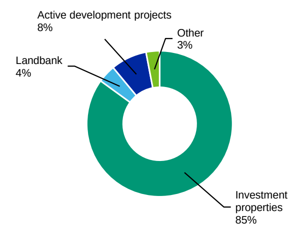
STA = Stable, POS = Positive, NEG = Negative.
Source: Company

Exhibit 4
Spread across major cities in Germany, Austria and CEE
As a percentage of €5.8 billion GAV as of 31 March 2023



Source: Company

Exhibit 5
Mostly income-producing properties
As a percentage of €5.8 billion GAV as of 31 March 2023



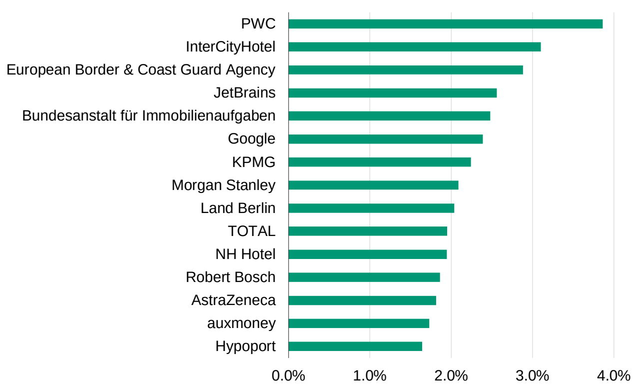
Source: Company

CA Immo has an established local platform in each of its core cities and prioritises strengthening these local asset management teams over entering new markets. Historically, the company has aimed for a minimum investment volume per market to ensure platform efficiency. The company relies on its local teams for market knowledge and experience, and for help with asset selection, as well as for tenant and property management.

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

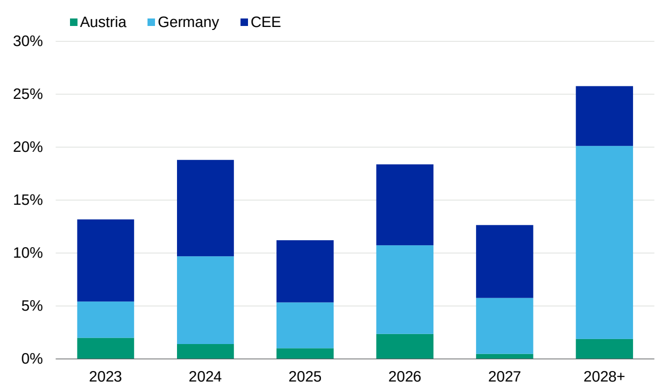
The credit quality of its diversified tenant base and a remaining WALT to break of 4.5 years support CA Immo's credit quality. The largest 10 tenants, many of them investment grade, provide around 26% of total rent (see Exhibit 6). We expect CA Immo to successfully pass through higher costs from inflation; the company's high tenant quality helped it maintain good collection rates in the office sector throughout the pandemic. More than 90% of CA Immo's leases are fully indexed.

Exhibit 6
Top 15 tenants contribute 35% of rent
As a percentage of annualised rent as of Q1 2023



Source: Company

Exhibit 7
Well-staggered lease maturity profile
As a percentage of expiring rent as of 31 March 2023



Source: Company

A difficult operating performance outlook, particularly in CEE, while the average portfolio quality improved with portfolio shift

CA Immo's operating performance has remained stable for the last quarters. Vacancy rate has been hovering around 9%-10% since mid-2021 after an increase because of the pandemic. CA Immo excludes a fair share of assets completed in the last 12 months from its vacancy metrics, which slightly distorts the number. Key occupancy concerns persist in the Hungarian portfolio with a more than 30%

vacancy in Q1 2023. Like-for-like rents grew 6.0% in the first quarter of 2023, reflecting the positive effect of inflation indexation, this compares well with 4.7% in 2022 and rent decline in 2021.

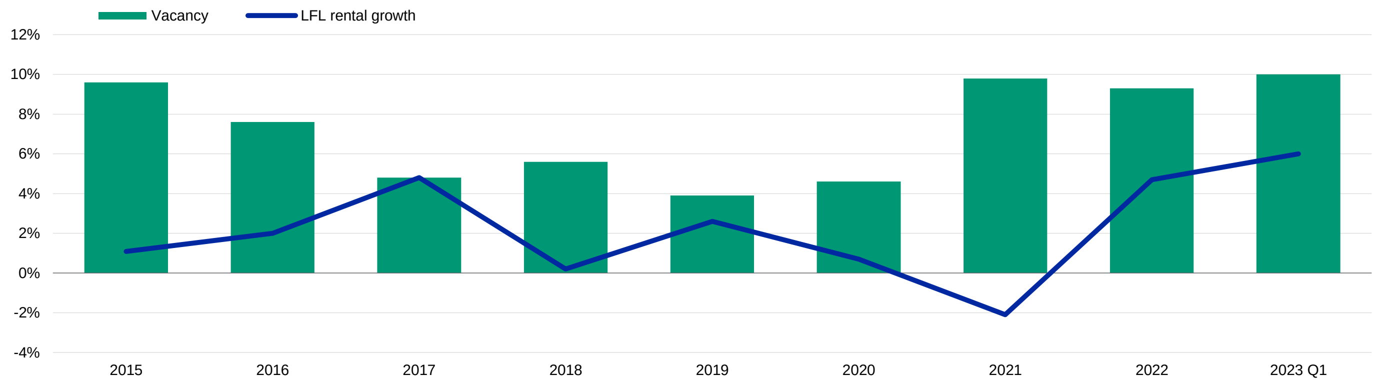
Cyclical concerns from weaker macroeconomic activity, as well as structural concerns arising from increased working-from-home trends, continue to exist. Because of rather shorter lease terms, supply-demand characteristics are less favourable in a number of CEE markets, where the pressure on operating performance is likely to be higher. CA Immo's German assets benefit from high occupancy rates and will perform better in the next two years.

While the performance outlook has weakened, rental income will grow because of indexation until leases expire, because CA Immo has a high-quality tenant base and, hence, higher likelihood of being able to pass through the inflation indexation. Its higher-quality offices will also help mitigate the challenges to growing rental income; market bifurcation between higher- and lower-quality assets will support CA Immo's operating performance.

Exhibit 8

CA Immo's vacancy has increased since 2020

Operating key performance indicators



Source: Company

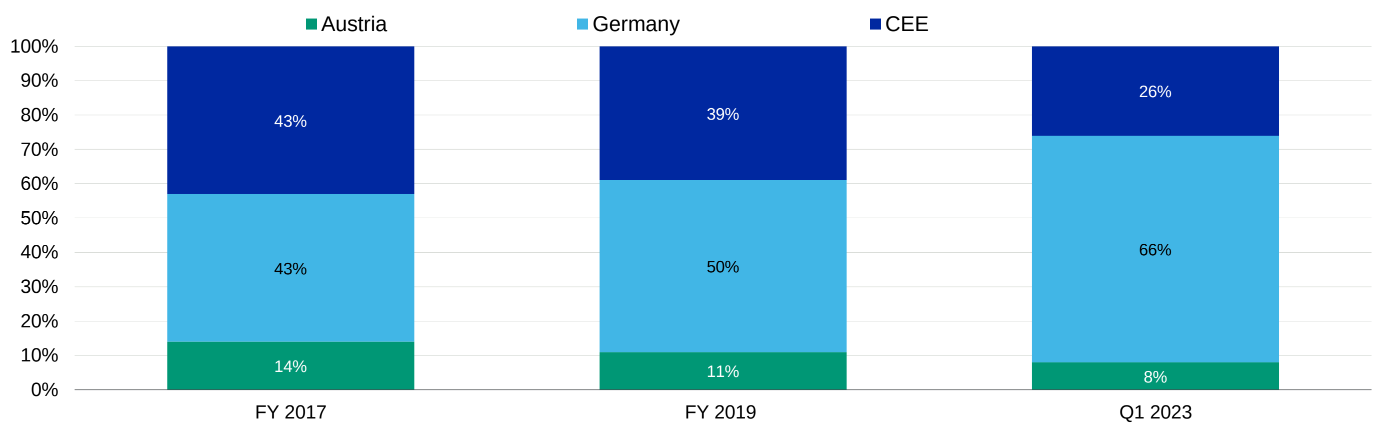
CA Immo's average asset quality and market quality mix have improved following disposals

CA Immo has exited many traditionally weaker, less liquid investment markets via disposals. At the same time, the company develops new assets or purchases assets in high-quality locations, largely in Germany. Despite the current geopolitical turbulences weighing on Germany's economy, German real estate still commands one of the lowest yields in the European real estate sector and benefits from good local debt funding. Hence, the portfolio shift improved CA Immo's portfolio credit quality.

Exhibit 9

CA Immo's portfolio mix has shifted towards Germany

Share of total portfolio by GAV



Sources: Moody's Investors Service estimates and company

Sizeable but strongly moderated development exposure compared with historical highs

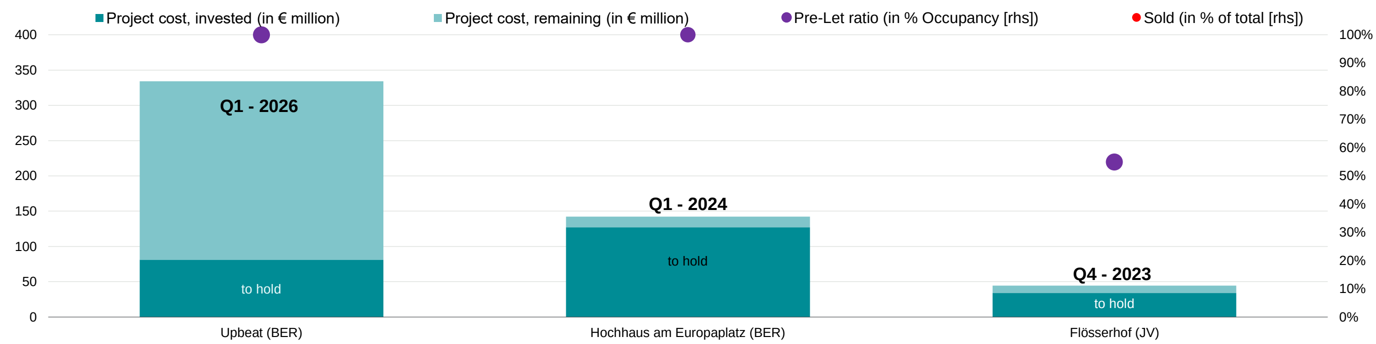
CA Immo's business risk from its developments has reduced with the completion of its large ONE development in Frankfurt and the Grasblau asset in Berlin. The remaining current projects under development cover €520 million in total investment cost, compared with around €1 billion as of year-end 2021. In addition, CA Immo strongly reduced the leasing risk with prelets in the remaining two projects. While we recognize the recently transferred ONE and Grasblau assets as not yet fully occupied, they are already 87% and 95% let respectively.

We expect CA Immo to be more cautious while adding new assets to its development pipeline with respect to prelet ratios and profitability targets. CA Immo owns significant land plots in Germany, which conceptually allow for a multibillion development volume, but the development pipeline is still unlikely to grow above 10% of total assets. We measure the development exposure as total costs for the completion of committed developments (excluding undeveloped land bank exposures)/total assets.

Exhibit 10

Three projects are currently in the development phase, with significant prelets

Overview of the current development pipeline



BER = Berlin.
Source: Company

Event risk of shareholder-friendly actions continues to weigh on credit quality

CA Immo is controlled by its majority shareholder SOF-11 Klimt CAI S.à r.l (Klimt), a fund managed by Starwood. Starwood has asked for special dividends in the past (around €250 million in both 2021 and 2022). Noteholders face event risks arising from additional shareholder-friendly changes to the capital structure of the group. With the takeover offer in 2021, Starwood publicly announced its objective to maintain an investment-grade rating and, hence, sensitivity exists with respect to shareholder-friendly actions. At the same time, CA Immo paid two extra dividends while keeping within the range of its financial policy. We do factor in the higher risk of special dividends in rating CA Immo. The company announced a share buyback of around €60 million in December 2022 (around €30 million in 2022), which is low compared with the total volume of disposal proceeds.

Klimt partially used debt financing to purchase further shares in CA Immo. Exact amounts are non-public. Our current understanding is that further debt is not available at the Klimt level, but Starwood may elect to purchase further shares and seek further debt funding for that.

Refinancing needs from existing debt or potential additional debt, both at a sponsor level, increase the risk of additional dividends to service debt or improve returns. Overall event risk of significant cash leakage from CA Immo to its main shareholder remains a major credit constraint.

Recent disposals increase financial flexibility and support financial policies

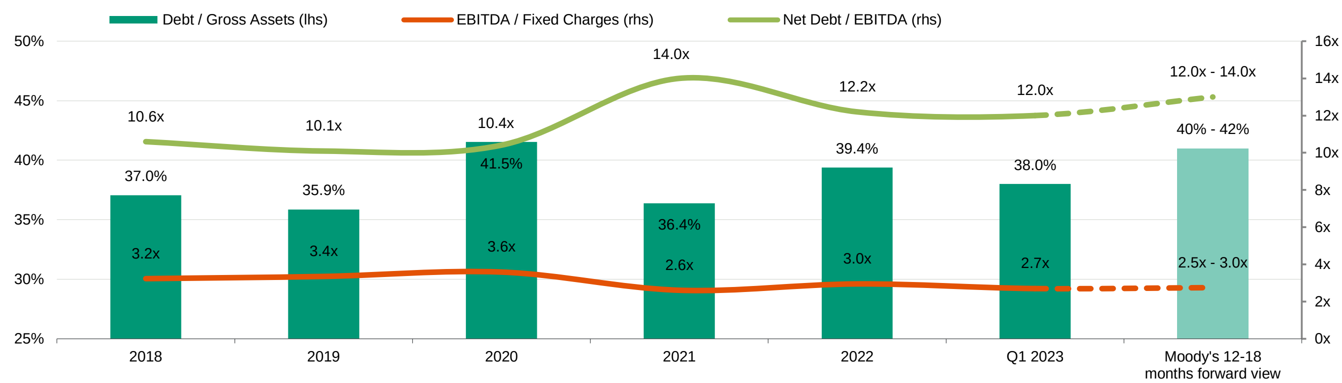
CA Immo announced significant disposals in 2022 and Q1 2023, despite a very difficult environment for property disposals. The successful disposals prove CA Immo's ability to execute complex transactions in the current market environment, and its commitment to a disposal strategy. The company has announced a net loan-to-value ratio target of 30%-35%, which will be easier to achieve with those disposals completed. The company aims to dispose of more assets in the coming months, which is difficult with transaction activity having reduced further towards year-end 2022 and the beginning of 2023. Nevertheless, CA Immo will be able to complete some of those disposals because of its track record and the attractiveness of the assets.

We expect the company to use sales proceeds to repay in particular unsecured debt, which will help mitigate the currently high funding cost on unsecured debt. This will help keep its Moody's-adjusted gross debt/total assets around or slightly above 40%, despite allowing for an around 13% cumulative value decline from what we consider a peak value in H1 2022 until year-end 2023. CA Immo announced a 4.4% value decline in Q4 2022 versus the 2021 valuation.

Given the increasing cost of debt, maintaining a high fixed charge cover will be a key challenge. We expect interest cover to remain within 2.5x-3.0x in the next 12-18 months, depending on further disposal success and use of proceeds. As of 31 March 2023, the company had around €125 million of debt maturities due until year-end 2023. In 2024, around €270 million of debt is due (out of which unsecured bonds are €175 million). Over the next 12 to 18 months we expect CA Immo to repay the vast majority of its unsecured debt from sales proceeds or additional liquidity raised by refinancing activities through secured debt, unless funding cost for unsecured debt reduce significantly.

Net debt/EBITDA will increase, with part of the cash being used for debt repayment and the reduction in EBITDA because of disposals. However, we expect stronger EBITDA contributions from finalised developments over time.

Exhibit 11
Credit metrics are stable to weakening, depending on disposal success, use of proceeds and value declines



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

ESG considerations

CA Immobilien Anlagen AG's ESG Credit Impact Score is Highly Negative CIS-4

Exhibit 12
ESG Credit Impact Score

CIS-4
Highly Negative

NEGATIVE IMPACT
POSITIVE IMPACT

For an issuer scored CIS-4 (Highly Negative), its ESG attributes are overall considered as having a discernible negative impact on the current rating. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-3.

Source: Moody's Investors Service

The **CIS-4** reflects increased risk and leverage stemming from additional debt on the level of its majority owner that needs to be ultimately served by CA Immo via dividends. The company is also moderately negative exposed to carbon transition risks as well as reduced demand from hybrid working trends, alongside the office real estate industry

Exhibit 13
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-3	G-4
Moderately Negative	Moderately Negative	Highly Negative

Source: Moody's Investors Service

Environmental

E-3: CA Immo is moderately exposed to carbon transition risk. Tenants and investors require increased efforts to decarbonise real estate portfolios, in addition to tangible energy performance regulation for properties being implemented in the EU. CA Immo has a relatively modern portfolio of assets, and the good asset locations should enable any required capital spending to attract tenant and investor interest.

Social

CA Immo is exposed to social risks, in particular those related to hybrid work arrangements that reduce general demand for office space. However the impact on higher quality assets in central locations, such as those owned by CA Immo, will be less pronounced.

Governance

CA Immo's **G-4** reflects the impact of additional debt on the level of its majority owner, a Starwood-controlled fund. Refinancing needs from existing debt or potential additional debt, both at a sponsor level, increase the risk of additional dividends to service debt or improve returns.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Following the recently closed and announced portfolio disposals, CA Immo's liquidity is good. The company had €783 million of cash and short-term deposits as of March 2023, including the net receipts of its €377 million closed Romanian deal in Q4 2022. The company will also receive net proceeds from other signed or closed disposals after Q1 2023 mainly in Berlin, Belgrade and Budapest. CA Immo aims for more disposals as part of its business model and to maintain its leverage targets.

Furthermore, CA Immo has access to a fully undrawn €300 million revolving credit facility maturing in December 2025. The company will mainly use its liquidity to repay debt and invest in its property portfolio. As of 31 March 2023, the company had around €125 million of debt maturities due until year-end 2023 after a bond repayment in February (€117 million). In 2024, around €270 million of debt is due. We expect CA Immo to also repay the unsecured bonds due in 2024 (€175 million) unless funding cost for unsecured debt reduces significantly. We also expect CA Immo to continue to invest in developments and other capital spending within its portfolio that will enable quality improvements or reletting efforts. CA Immo has announced a €60 million share buyback programme as well.

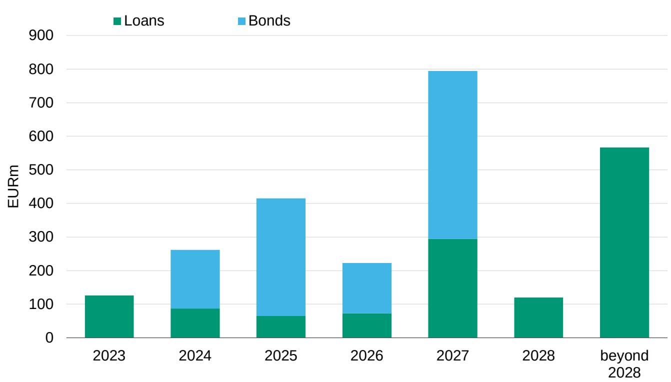
The company had a weighted average debt maturity of 4.2 years with a 92% hedging ratio as of 31 December 2022.

Most of CA Immo's financial covenants relate to the financing of individual properties held in special-purpose vehicles, and typically have loan-to-value and interest coverage ratios for the assets pledged. The credit lines are often available for development projects under construction and have financial covenants, which refer to individual projects as well. CA Immo also regularly includes options within development loans to convert them into longer-term asset loans upon completion of the developments.

Exhibit 14

Solid maturity profile

Maturity profile as of 31 March 2023

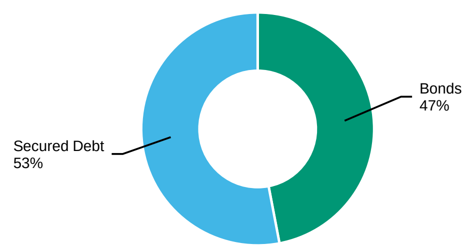


Sources: Company and Moody's Investors Service calculations

Exhibit 15

Equal split between secured and unsecured debt

Debt type as a percentage of total debt as of 31 March 2023



Source: Company

Methodology and scorecard

The principal methodology used in these ratings was the REITs and Other Commercial Real Estate Firms rating methodology, published in September 2022.

The actual rating assigned is in line with the scorecard-indicated outcome as of financials in 2022 but one notch higher than the one in the forward view of Ba1 because of CA Immo's good asset quality and conservative stand-alone leverage.

Exhibit 16

Rating factors

CA Immobilien Anlagen AG

REITs and Other Commercial Real Estate Firms Industry Scorecard [1][2]	Current LTM 3/31/2023		Moody's 12-18 Month Forward View As of 6/26/2023 [3]	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets (USD Billion)	$7.6	Baa	$6.1 - $6.5	Baa
Factor 2 : Business Profile (25%)				
a) Market Positioning and Asset Quality	A	A	A	A
b) Operating Environment	Baa	Baa	Baa	Baa
Factor 3 : Liquidity and Access To Capital (25%)				
a) Liquidity and Access to Capital	Ba	Ba	Ba	Ba
b) Unencumbered Assets / Gross Assets	46.3%	Ba	40% - 45%	Ba
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	38.0%	Baa	40% - 42%	Baa
b) Net Debt / EBITDA	12.0x	Caa	12x - 14x	Caa
c) Secured Debt / Gross Assets	19.7%	Baa	20% - 25%	Ba
d) Fixed Charge Coverage	2.7x	Baa	2.5x - 3x	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Ba1
b) Actual Rating Assigned				Baa3

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments.
[2] As of 03/31/2023.
[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.
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Appendix

Exhibit 17

Moody's-adjusted debt breakdown

CA Immobilien Anlagen AG

(in EUR Million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	FYE Mar-23
As Reported Debt	**1,943.4**	**2,097.3**	**2,827.5**	**2,583.9**	**2,822.5**	**2,663.2**
Pensions	1.5	3.0	3.2	2.6	0	0
Operating Leases	37.4	0	0	0	0	0
Non-Standard Adjustments	12.9	9.6	0	0	0	0
Moody's-Adjusted Debt	**1,995.1**	**2,109.9**	**2,830.6**	**2,586.5**	**2,822.5**	**2,663.2**

Source: Moody's Financial Metrics™

Ratings

Exhibit 18

Category	Moody's Rating
CA IMMOBILIEN ANLAGEN AG	
Outlook	Negative
Issuer Rating -Dom Curr	Baa3
Senior Unsecured -Dom Curr	Baa3

Source: Moody's Investors Service

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