

Research Update:

# Dutch Real Estate Fund Vesteda Affirmed At 'A-/A-2' As Liquidity Moves To Adequate On Higher Short-Term Financing

July 20, 2023

## Rating Action Overview

- Vesteda Residential Fund FGR made drawings on its credit lines during the second quarter of 2023, reducing the amount available under those credit lines to cover short-term liquidity needs.
- We have therefore revised our assessment of Vesteda's liquidity to adequate from strong.
- We affirmed our 'A-/A-2' ratings on Vesteda and our 'A-' ratings on the company's debt.
- The stable outlook reflects our view that Vesteda should maintain its adjusted ratio of debt to debt plus equity at about 27%-28%, debt to EBITDA at about 9.5x, and EBITDA interest coverage above 5x over the next 12-24 months.

## Rating Action Rationale

**We revised our liquidity assessment to adequate from strong because of the lower availability of committed credit lines to cover Vesteda's short-term financing needs.** To optimize interest costs, Vesteda increased its use of short-term committed credit lines, which has reduced available liquidity sources to cover short-dated financing needs, and the headroom under our liquidity calculation. Moreover, the company has an approved commercial paper program of almost €1.0 billion, of which about €220 million was drawn as of June 30, 2023, and about €725 million of undrawn credit facilities available versus €850 million in the first quarter of 2023. In addition, the company has approximately €450 million of capital expenditure (capex) and dividend requirements for the next 12 months. We now forecast liquidity sources will exceed uses by at least 1.2x but by less than 1.5x over the next 12 months. We expect net sources will remain positive even with more than a 10% decline in forecast EBITDA, which is aligned with our adequate assessment. Our assessment is also supported by qualitative factors, such as Vesteda's generally prudent risk management and no encumbered assets, which give it further financial flexibility.

Principal liquidity sources as of June 30, 2023:

### PRIMARY CREDIT ANALYST

**Teresa Stromberg**  
Stockholm  
(46) 8-440-5922  
teresa.stromberg  
@spglobal.com

### SECONDARY CONTACT

**Nicole Reinhardt**  
Frankfurt  
+ 49 693 399 9303  
nicole.reinhardt  
@spglobal.com

### ADDITIONAL CONTACTS

**Manish Kejriwal**  
Dublin  
+ 353 (0)1 568 0609  
manish.kejriwal  
@spglobal.com

**Corporate and IFR EMEA**  
RatingsCorpIFREMEA  
@spglobal.com

- About €2.4 million of unrestricted cash and about €725 million available under a revolving credit facility and European Investment Bank agreement; and
- Cash funds from operations that we forecast at €180 million-€190 million.

Principal liquidity uses as of the same date:

- About €292 million of commercial paper and an SMBC facility maturing in the next 12 months;
- About €230 million-€250 million of capex, including the project development pipeline, part of which is not fully committed; and
- €190 million-€200 million of cash dividend payments.

**The revision of our assessment of Vesteda's liquidity has not changed our long-term issuer credit rating or outlook.** We understand the company remains committed to maintaining adequate liquidity and sufficient headroom under its financial covenants in the future.

## Outlook

The stable outlook reflects our view that Vesteda should continue benefiting from stable rental income, thanks to high occupancy levels and favorable demand trends for its Dutch residential assets. We anticipate that Vesteda will maintain S&P Global Ratings-adjusted debt to debt plus equity of 27%-28%, debt to EBITDA of about 9.5x, and EBITDA interest coverage higher than 5x over the next 12-24 months.

## Downside scenario

We could lower the rating on Vesteda if, on a prolonged basis:

- Debt to debt plus equity increased well beyond 30%;
- EBITDA interest coverage fell to well below 3.8x; or
- Debt to annualized EBITDA increased above 9.5x.

This could occur if the company undertook large debt-financed acquisitions or much higher capex than we anticipate, or if it experienced significant negative portfolio revaluations beyond our current base case.

A deterioration of the company's current liquidity cushion, by more than we consider commensurate with an investment-grade rating, could also prompt us to lower the rating.

## Upside scenario

Rating upside is limited unless Vesteda significantly expands its portfolio's scale and scope so that it becomes more aligned with that of higher-rated peers, while maintaining its current financial policy and credit metrics. Such an expansion would also result in stronger portfolio diversification in markets and regions with favorable supply and demand trends and solid demographic prospects, implying a favorable operating environment and visibility of stable valuations.

## Company Description

Vesteda is an open-ended fund and one of the largest unlisted investment funds in the Netherlands. It focuses on residential properties in the Dutch midmarket unregulated sector (58% of the portfolio value as of Dec. 31, 2022), with limited exposure to the upper-middle-market rent segment (37%) and regulated rents (5%). As of Dec. 31, 2022, the portfolio comprised 27,661 residential units valued at €9.7 billion.

## Ratings Score Snapshot

Issuer Credit Rating	A-/Stable/A-2
Business risk:	Strong
Country risk	Very low
Industry risk	Low
Competitive position	Strong
Financial risk:	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb+
Modifiers:	
Diversification/Portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile:	a-

**ESG credit indicators: E-2, S-2, G-2**

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Vesteda Residential Fund FGR, May 11, 2023

## Ratings List

### Ratings Affirmed

---

#### Vesteda Residential Fund FGR

---

#### Vesteda Finance B.V.

---

Issuer Credit Rating A-/Stable/A-2

---

#### Vesteda Finance B.V.

---

Senior Unsecured A-

---

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at [https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/sourceId/504352](https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352) Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914

Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.