

Svensk FastighetsFinansiering AB (publ) 'BBB+' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB+' long-term issuer rating on Sweden-based Svensk FastighetsFinansiering AB (publ) (SFF). The outlook is stable. At the same time NCR affirmed the 'N-1+' short-term rating.

Rationale

The affirmation reflects SFF's commitment to and role for its five owners, the company's low risk appetite, the creditworthiness and continuous support provided by its owners, and the security available for senior secured bondholders. The affirmation also reflects the relatively long average lease term and the high occupancy rates of the properties in the pledged portfolio, as well as the stable operating environment.

These strengths are partially offset by a relatively high net loan-to-value (LTV) ratio of 52% as of 31 Dec. 2020 and the company's short debt maturity profile, with large maturities concentrated on single years and quarters. Furthermore, the rating is constrained by the high tenant concentration in SFF's portfolio.

The concentration of both properties and tenants increased in 2020, but we note that the average lease term and occupancy rates in the portfolio are strong. We also note that SFF's operating environment, although deemed stable, has become more uncertain over the past year.

Although SFF is a finance company, NCR assesses the company using its real-estate methodology given that SFF's and its owners' risk profiles are associated with factors specific to real estate. Although there are material linkages, guarantees and liquidity commitments, NCR's view of SFF's creditworthiness is not directly connected to that of its overall owners, nor restricted by the weakest owner(s). Rather, SFF maintains its own liquidity reserves, mandated minimum equity requirements and the ability to sell all the properties in its portfolio for the benefit of its medium-term note (MTN) investors. We view SFF on a standalone basis, founded on the secured assets in its existing pool and the risk appetite defined in its MTN prospectus. Moreover, we add a notch to the final rating to reflect further credit support accruing regularly to SFF from its owners and outside of the pool of security available to bondholders.

Stable outlook

The stable outlook reflects our expectations of stable performance by both SFF's property segments and its owners. We see net LTV being maintained below 60% and the company's risk appetite remaining low, given the restrictions in SFF's MTN prospectus. Furthermore, we expect SFF to remain an attractive funding source for its five owners and its current ownership to stay unchanged. We could raise the rating to reflect a sustainable reduction in net LTV to below 45%, improved portfolio quality and/or an increased proportion of pledged residential properties, or a greater number of pledged properties, together with improved tenant diversification. We could lower the rating to reflect an increase in risk appetite or changes to/non-compliance with portfolio covenants, a deterioration in the creditworthiness or withdrawal of one or more of the owners, or an increase in portfolio level LTV to above 60%, potentially due to a market correction.

Rating list	To	From
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Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Stable	Stable
Short-term issuer credit rating:	N-1+	N-1+

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The methodology documents used for this rating are NCR's Corporate Methodology published on 14 Aug. 2018 and NCR's Rating Principles published on 16 Sep. 2019. For the full regulatory disclaimer please see the rating report.

About Us

Nordic Credit Rating AS is a credit rating agency headquartered in Oslo with a branch in Stockholm. The company provides credit ratings to companies and financial institutions in the Nordic region, and bases its analysis on local insights. Nordic Credit Rating is registered with the European Securities and Markets Authority (ESMA).

Attachments

[Svensk FastighetsFinansiering AB \(publ\) 'BBB+' long-term issuer rating affirmed; Outlook stable](#)