

Sweden-based Svensk FastighetsFinansiering AB (publ) Assigned 'BBB+' Rating; Outlook Stable

Nordic Credit Rating AS assigned its 'BBB+' long-term and 'N-1+' short-term issuer credit ratings. The outlook is stable.

Today, Nordic Credit Rating AS (NCR) assigned its 'BBB+' long-term and 'N-1+' short-term issuer credit ratings to Svensk FastighetsFinansiering AB (publ) (SFF), a Swedish secured-debt financing vehicle for its five owner companies. The outlook is stable. NCR has also assigned 'BBB+' issue ratings to SFF's outstanding and future senior secured bonds issued within its medium-term note program.

"Our 'BBB+' rating on SFF reflects the company'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," said Sean Cotten, Chief Rating Officer at NCR and primary analyst for SFF. "While SFF is a finance company, we assess it using our real estate methodology given SFF's and its owners' risk profile is associated with factors specific to commercial real estate."

Rating rationale

SFF is a joint venture with common stock divided equally among Fabege AB, Catena AB, Diös Fastigheter AB, Platzter Fastigheter Holding AB and Wihlborgs Fastigheter AB. The company is a financing vehicle for its owners, issuing secured debt and secured green bonds for selected commercial real estate properties associated with its owners' core business.

While there are material linkages, guarantees and liquidity commitments, NCR's view of SFF's creditworthiness is not directly connected to that of its aggregate owners, nor restricted by the weakest owner(s). Rather, SFF maintains its own liquidity reserves, mandated minimum equity requirements and ability to sell all the properties in its portfolio for the benefit of its investors. We view SFF on a standalone basis based on the secured assets in its existing pool and risk appetite defined within its bond covenants. In addition, we add an additional notch to the final rating reflecting further credit support accruing regularly to SFF from its owners and outside of the pool of security available to bondholders.

We expect SFF to grow by around 10% per annum through 2021 and to increase its loan-to-value (LTV) levels given higher LTV on newly financed properties. Because the issuance of senior secured bonds requires 10% minimum equity requirements to maintain liquidity buffers, NCR does not adjust gross debt levels for cash on the balance sheet as we view this as restricted cash. NCR views earnings metrics as neutral to the rating given the pass-through nature of coupon and principal payments and focus on lowering its owners' financing costs.

Outlook

Our stable outlook for SFF reflects our view that the commercial real estate market and the creditworthiness of its owners is generally stable, our expectation that the company's LTV metrics will remain below 60% and the company's risk appetite will remain low given restrictions within the company's bond covenants.

Positive rating drivers

- Improved portfolio quality and/or diversification as the portfolio grows.
- Longer and more diverse debt maturity profile.
- Reduced portfolio-level LTV below 50%.

Negative rating drivers

- Increased risk appetite, or changes/non-compliance with portfolio covenants.
- Deterioration in the creditworthiness or withdrawal of one or more of the owners.
- Portfolio-level LTV increasing to 60%, potentially due to a market correction.

If you have any questions, please contact:

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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

[Sweden-based Svensk FastighetsFinansiering AB \(publ\) Assigned 'BBB+' Rating; Outlook Stable](#)