



**Rating Action: Moody's downgrades Canary Wharf Group Investment Holdings plc to Ba3; ratings remain placed on review for further downgrade**

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30 May 2023

London, May 30, 2023 – Moody's Investors Service (Moody's) has today downgraded to Ba3 from Ba1 and placed on review for further downgrade the long term corporate family rating (CFR) and the senior secured instrument ratings of Canary Wharf Group Investment Holdings plc (CWGIH or the company). The outlook remains unchanged at ratings under review.

A full list of affected ratings is provided towards the end of this press release.

#### RATINGS RATIONALE

Moody's downgraded the company because of (1) the difficult operating and funding environment for real estate companies that the rating agency expects will persist for at least the next twelve months and will make it difficult for CWGIH to improve its already weak credit metrics (2) elevated refinance risk given the more than Â£1.4 billion of debt that needs to be refinanced in 2024 and 2025, and (3) the likely high reliance on disposals (and potentially more shareholder support) to deleverage and refinance or repay upcoming maturities amid still constrained UK real estate investment markets with cautious investor appetite leading to low transaction volumes and making it difficult to sell assets without offering substantial discounts.

The recent banking turbulence has negatively impacted sentiment and softened the availability of funding for the sector, delaying a recovery of investment markets and putting further downward pressure on values. However there is no credit crunch and secured bank lending remains functional, representing an economically attractive refinancing alternative to the bond market, which is currently dislocated.

In Moody's view, the company has been somewhat aggressive in managing its refinance risk by overly prioritising obtaining the best covenant lite structure over refinancing debt well before its due date. More positively (1) all the upcoming secured debt maturities in 2024 and 2025 are in ringfenced SPVs with no recourse to CWGIH and (2) the company continues to benefit from strong shareholder support including lending Â£150m of residential proceeds into the CWGIH group to date (mostly to fund development capital spend).

CWGIH's Moody's adjusted fixed charge coverage remains weak and stood at 1.1x as of 31 December 2022 and is not expected to improve over the next 18 months. The capacity under the fixed charge coverage ratio of the bond incurrence covenant has reduced and the ratio stood at 1.33x as of 31 December 2022 versus a minimum level of 1.25x until 30 June 2023, 1.30x until 30 June 2024, and 1.35x thereafter. However if the bond incurrence covenants are not met under the bond documentation (1) the company is still able to refinance existing debt as long as the amount, security and collateral remain broadly unchanged and (2) CWGIH is able to raise additional debt under various buckets totaling up to Â£450 million.

#### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

Governance considerations the rating agency considers include the company's tolerance for leverage, and its approach to managing its liquidity and upcoming debt maturities.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade is unlikely given the ratings are on review for downgrade.

The review will focus on (1) the company's plans to refinance upcoming maturities and any mitigating actions the company takes to protect its balance sheet and liquidity including potential asset disposals and support from shareholders to maintain its financial policy target of keeping net LTV below 50% and (2) the potential impact of the worsening operating and funding environment on CWGIH's credit metrics.

## STRUCTURAL CONSIDERATIONS

The senior secured notes, which Moody's views as unsecured because they do not benefit from a direct fixed charge security over any properties, could be downgraded if there is a deterioration in the quality of the unencumbered pool or a weakening of unencumbered asset coverage for unsecured creditors.

In line with Moody's REITs and Other Commercial Real Estate Firms methodology, CWGIH's Ba3 CFR references a senior secured rating because secured funding forms most of the company's funding mix. Moody's rates CWGIH's senior secured notes, which it views as unsecured, at the same level as the CFR because the company's unencumbered asset pool is of sufficient quality and provides adequate asset coverage to unsecured creditors. However, there is a risk the company may pledge currently unencumbered assets to either raise new secured debt or to aid it in refinancing upcoming secured debt, which would weaken the credit standing of unsecured creditors. The company had Â£1.15 billion of unencumbered investment property assets (excluding land) as of 31 December 2022.

## LIST OF AFFECTED RATINGS

..Issuer: Canary Wharf Group Investment Holdings plc

Downgrades, Placed On Review for further Downgrade:

.... LT Corporate Family Rating, Downgraded to Ba3 from Ba1

....Senior Secured Regular Bond/Debenture, Downgraded to Ba3 from Ba1

Outlook Actions:

....Outlook, Remains on Ratings Under Review

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was REITs and Other Commercial Real Estate Firms published in September 2022 and available at <https://ratings.moodys.com/mc-documents/393395>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## COMPANY PROFILE

The company develops, manages and currently owns interests in approximately 9 million square feet of mixed-use space including over 1,100 Build to Rent apartments. The investment properties, developments, and development land it owns were valued in aggregate at Â£8.3 billion as of 31 December 2022, with 38 income-producing properties generating Â£294 million of gross rental income. The company is the largest private sector led developer in Europe. The Estate consists of 128 acres of land and includes 30 office buildings, five shopping malls with over 300 shops, cafés, bars, restaurants, and amenities, and over 16.5 acres of open space. In addition to directly managing its properties, the company also maintains the roads, car parks, open spaces, gardens and waterfront promenade and other common areas on the Estate. The company is one of the largest sustainable developers in the UK and has purchased 100% electricity from renewable sources since 2012 and sent zero waste to landfill since 2009.

CWGIH is ultimately owned on a 50/50 basis between Qatar Investment Authority (QIA) and Brookfield Property Partners L.P.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://ratings.moodys.com/documents/PBC\\_1288235](https://ratings.moodys.com/documents/PBC_1288235).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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