

SkyGreen Buildings Kft

Hungary, Real Estate

Rating composition

Business risk profile		
Industry risk profile	BB	B
Competitive position	B	
Financial risk profile		
Credit metrics	BBB	BBB
Liquidity	+/-0 notches	
Standalone credit assessment		B+
Supplementary rating drivers		
Financial policy	+/-0 notches	-1 notch
Governance & structure	-1 notch	
Parent/government support	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		B

Key metrics

Scope credit ratios*	Scope estimates			
	2023	2024	2025E	2026E
Scope-adjusted EBITDA interest cover	3.3x	4.5x	3.8x	3.7x
Scope-adjusted debt/EBITDA	11.1x	9.4x	9.5x	9.4x
Scope-adjusted loan/value	45%	40%	40%	40%
Scope-adjusted free operating cash flow/debt	1%	6%	4%	4%
Liquidity	>200%	175%	>200%	>200%

Rating sensitivities

The upside scenarios for the rating and Outlook:

- Elimination of key person risk (remote scenario)
- Reduced concentration risk through geographic expansion and improved tenant diversification (remote scenario)

The downside scenarios for the rating and Outlook:

- EBITDA interest cover at or below 1.7x

*All credit metrics refer to Scope-adjusted figures

Issuer

B

Outlook

Stable

Short-term debt

S-4

Senior secured bond
(ISIN HU0000360201)

BB-

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Related methodologies

General Corporate Rating
Methodology, Feb 2025
European Real Estate
Rating Methodology, Jun 2025

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1. Key rating drivers

Positive rating drivers

- High but vulnerable profitability given the concentrated portfolio
- Well-diversified and stable tenant mix, with some long-term leases
- Well-maintained buildings with good average occupancy of around 90%
- Exposed to second-tier investment market with healthy demand from tenants

Negative rating drivers

- Key person risk, with high dependency on few individuals for strategic direction and operational oversight (ESG factor: credit negative)
- Weak visibility of cash flows, with weighted average unexpired lease term of 3.2 years
- High concentration in office real estate subsegment
- Weak geographic diversification and high tenant concentration
- Small property company (more sensitive to unforeseen shocks; more volatile cash flows) amid increasing competition

2. Rating Outlook

The **Stable Outlook** reflects our expectation that SkyGreen will maintain stable operating performance and conservative debt service capacity. We expect the company to sustain EBITDA interest cover above 3.5x, debt/EBITDA of around 10x, and a stabilised loan/value ratio at around 40%. Liquidity coverage is projected to remain robust, comfortably exceeding 200% over the next three years, supported by recurring free cash flows and low short-term refinancing needs.

3. Corporate profile

SkyGreen Buildings Kft. (SkyGreen) is a real estate company founded in 2016 with headquarters in Budapest, Hungary. Its operations focus on letting out the real estate it owns in Budapest, which include office space.

Since 30 June 2024, SkyGreen Buildings Kft. has been owned by Sky I (57.4%) and Sky II (42.6%), two private equity funds managed by Magyar Strat-Alfa Zrt., itself owned by Ádám Matolcsy and MBH Bank.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
17 November 2025	New	B/Stable

5. Financial overview (financial data in HUF m)

Scope credit ratios	Scope estimates					
	2022	2023	2024	2025E	2026E	2027E
EBITDA interest cover	3.1x	3.3x	4.5x	3.8x	3.7x	3.9x
Debt/EBITDA	11.1x	11.1x	9.4x	9.5x	9.4x	8.9x
Loan/value	45%	45%	40%	40%	40%	40%
Free operating cash flow/debt	4%	1%	6%	4%	4%	5%
Liquidity	>200%	>200%	175%	>200%	>200%	>200%
EBITDA						
Reported EBITDA	5,173	4,983	5,751	5,591	5,628	5,841
Other items (incl. one-offs)	-	-	-	-	-	-
EBITDA	5,173	4,983	5,751	5,591	5,628	5,841
Funds from operations (FFO)						
EBITDA	5,173	4,983	5,751	5,591	5,628	5,841
less: interest	(1,677)	(1,488)	(1,283)	(1,466)	(1,506)	(1,500)
less: cash tax paid	(401)	(481)	(466)	(341)	(338)	(355)
Other non-operating charges before FFO	575	(845)	(259)	-	-	-
Funds from operations	3,670	2,169	3,743	3,785	3,783	3,985
Free operating cash flow (FOCF)						
Funds from operations	3,670	2,169	3,743	3,785	3,783	3,985
Change in working capital	(3)	489	(2,254)	(364)	(9)	(1)
Non-operating cash flow	53	1	19	-	-	-
less: capital expenditures (net)	(1,249)	(2,344)	1,862	(1,467)	(1,542)	(1,623)
Free operating cash flow	2,471	315	3,370	1,953	2,232	2,361
Interest						
Net cash interest per cash flow statement	1,677	1,488	1,283	1,466	1,506	1,500
add: other items	-	-	-	-	-	-
Interest	1,677	1,488	1,283	1,466	1,506	1,500
Debt						
Reported financial (senior) debt	57,336	55,450	54,121	53,169	52,719	51,961
less: cash and cash equivalents ¹	-	-	-	-	-	-
Debt	57,336	55,450	54,121	53,169	52,719	51,961
Total assets						
Total assets	129,250	124,165	136,929	135,445	133,515	131,645
less: cash and cash equivalents	(2,607)	(1,474)	(2,283)	(1,366)	(1,396)	(1,381)
Total assets	126,643	122,691	134,646	134,079	132,119	130,264

¹ Netting of cash: generally, this is only applicable to issuer ratings in the BB category or higher, and only if the cash is permanent and accessible.

6. Environmental, social and governance (ESG) profile²

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk) 
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate) 
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity) 
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests) 

ESG factors:  credit-positive  credit-negative  credit-neutral

Governance is a relative weakness and results in a governance-related negative adjustment under supplementary rating drivers (ESG factor: credit-negative). SkyGreen’s operational structure is thin, with only a few individuals undertaking strategic decisions, creating key person risk and limiting institutional oversight.

ESG profile: credit-negative

SkyGreen operates a concentrated real estate portfolio located entirely in Budapest, primarily focused on modern office assets. Around half of its buildings have green certifications, reflecting a moderate alignment with environmental standards and addressing the growing tenant preference for energy-efficient spaces. Social risk is limited, given the passive lease structure and lack of employees beyond a single internal resource.

² These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity’s cash flow and, by extension, its credit quality.

7. Business risk profile: B

SkyGreen’s business risk profile is constrained by its small scale, limited diversification and exposure to a single regional market, despite good asset locations and stable tenant demand.

We consider the commercial real estate industry to have medium cyclicalty overall, with medium barriers to entry and medium substitution risk (industry risk of BB).

Industry risk: BB

SkyGreen is engaged in letting out the real estate that it owns in Budapest, which include office spaces. We consider SkyGreen a small property company, with a total portfolio market value of EUR 357m and a gross lettable area (GLA) of around 112,000 sqm, both as of March 2025.

Small property company in a highly fragmented market

Despite recent investments, the company’s market share in the Budapest office segment remains modest at around 3% based on GLA. This limits its ability to capture economies of scale and exposes it to greater cash flow volatility. The company’s main presence in the Váci Corridor (45% of GLA as at March 2025) provides some visibility in a prime submarket, though does not materially improve its competitive standing. The company’s portfolio includes Uri72, Kalmann, Infopark (including Infopark B, C, D, I, parking garage), Vaci Greens (buildings E, F), and Millenáris Classic.

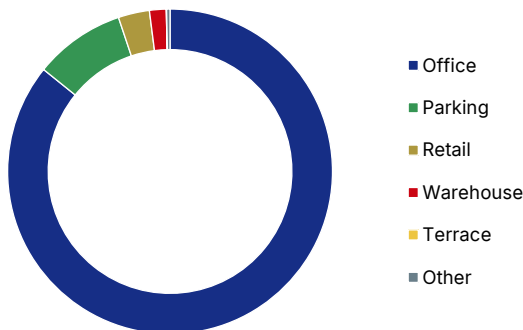
Budapest remains well positioned in Central Europe given the city’s infrastructure, economic role, and ability to attract and retain businesses, which supports tenant demand in the office submarket. Importantly for credit quality, SkyGreen’s portfolio appears well aligned with evolving tenant preferences: the company’s properties cater to the demand for modern, energy-efficient office spaces, with 75% of assets already holding BREEAM certification (as of June 2025). This supports rentability, mitigates vacancy risk, and enhances the marketability of the portfolio. While SkyGreen operates with a long-term investment horizon of 5–10 years, it remains open to selective disposals under favourable market conditions.

Diversification remains a material constraint. The company operates exclusively in Budapest and has taken no tangible steps towards geographic expansion, despite preliminary interest in Croatia. Tenant concentration is high: the top 10 tenants contribute circa 58% of rental income, with the top 3 tenants alone accounting for 29%, both as at June 2025. Office assets dominate the portfolio (86% of rental income as at March 2025), exposing the company to cyclical shifts in office demand. While Budapest’s office market showed some signs of stabilization, with the vacancy rate falling to 12.8% as of Q2 2025, net take-up declined 21% YoY, and demand fell by 16%, highlighting the importance of diversifying beyond a single segment and geography.

Weak geographic diversification and high tenant concentration

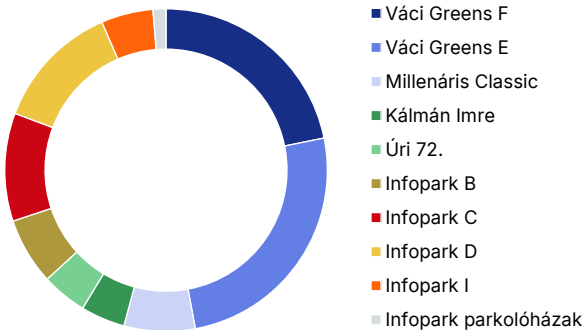
Without a meaningful increase in asset number or sector and geographic expansion, diversification will remain a structural constraint for SkyGreen.

Figure 1: Gross rent by property type, as at March 2025



Source: SkyGreen, Scope

Figure 2: Gross rent by property, as at March 2025



Source: SkyGreen, Scope

As of June 2025, SkyGreen’s properties are located mainly around the Váci Corridor and the Southern Buda. The locations benefit from relatively strong demand for Grade A buildings. As of Q2 2025, market activity remained concentrated in the Váci Corridor, with 136 lease agreements and an average deal size of 882 sqm. The Váci Corridor submarket also displayed the highest

Exposed to second-tier investment market with healthy demand from tenants

occupational activity, with 37% of the total Budapest office take-up, while South Buda followed with 22% in Q2 2025³.

The company's exclusive focus on Budapest places it in a second-tier investment market with relatively limited liquidity. In times of macroeconomic stress or interest rate volatility, second-tier markets may face stronger pricing corrections and limited investor appetite compared to tier-one European cities. This creates valuation and refinancing risk. However, SkyGreen's assets benefit from good micro-locations and access to public infrastructure, with green certification across much of the portfolio helping rentability.

The operating office portfolio had an average occupancy of around 92% as of December 2024. Two assets are fully let; the rest have occupancies of between 74% and 99%. The portfolio's weighted average unexpired lease term (WAULT) is low at around 3.2 years, with only one office space (Uri72) having a long WAULT of 11.2 years. The low WAULT comes with a higher risk of lease expirations and vacancies in the near future, which could lead to increased turnover and lower rental income. This increases the likelihood of tenant churn, requiring additional effort and cost to maintain occupancy.

profitability to remain around 80-85%, supported by recurring income and low-cost base. Profitability is strong, driven by high occupancy (92% as at December 2024) and efficient cost pass-through through triple-net lease structures. Thus, we expect profitability to remain around 80%-85% (2024: 86%), supported by recurring income and a low-cost base.

High and stable profitability despite concentrated portfolio

8. Financial risk profile: BBB

SkyGreen's financial risk profile is supported by solid interest coverage and internal cash generation that covers its modest investment needs. Leverage remains manageable, underpinned by stable rental income.

SkyGreen's investment requirements are modest, with average annual capital expenditure of around HUF 1.2bn between 2022 and 2024, with broadly similar levels expected in the future. These needs are comfortably met by FOCF, which reached HUF 2.1bn in the first half of 2025 and HUF 5.8bn on an LTM basis to June 2025. Although the full-year 2025 FOCF forecast is HUF 2.0bn, current performance suggests potential for growth, particularly if operating momentum is sustained. Thus, the company maintains good capex coverage, supported by internal funding, with no reliance on external capital. There are currently no plans for significant refurbishments or development activity, which reinforces the stability of capex coverage.

Low investment needs comfortably covered by internal cash flows

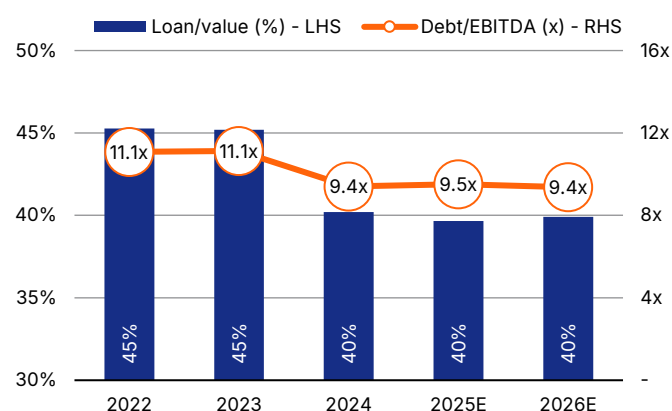
Debt/EBITDA continues to improve, reducing to 7.2x (LTM to end-June 2025), from 9.4x at YE 2024 and 11.1x at YE 2023. The recent improvement was due to lower debt combined with higher EBITDA. We expect leverage to remain to around 9-10x over the forecast period, supported by recurring cash flow, limited external funding needs, and no major capex or acquisition plans.

Debt/EBITDA improving but still high; LTV still moderate and stable

Loan/value slightly increased to 42% in H1 2025 (up 2pp YTD) and we expect moderate fair value depreciation to exert some pressure on the LTV. However, amortisation and cash flow stability will help prevent excessive leverage build-up keeping loan/value at around 40%.

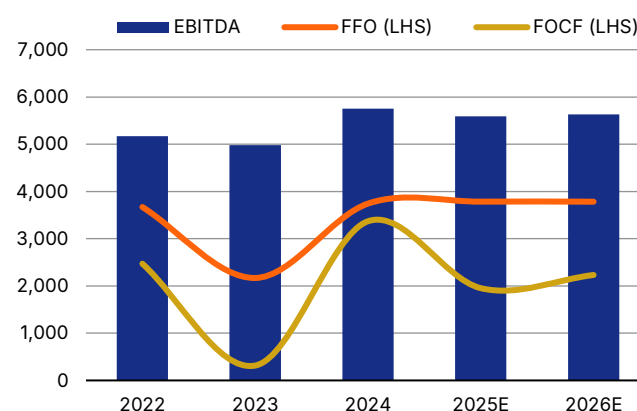
³ Budapest office market sees vacancy rate decline in Q2 2025: <https://www.property-forum.eu/news/budapest-office-market-sees-vacancy-rate-decline-in-q2-2025/20223>

Figure 3: LTV (%) and debt/EBITDA (x)



Source: SkyGreen, Scope estimates

Figure 4: Cash flow (HUF m)



Source: SkyGreen, Scope estimates

Debt protection is strong with EBITDA interest cover rose to 6.1x (LTM to end-June 2025), from 4.5x at YE 2024. The improvement reflects stronger operating performance and stable financing costs. H1 2025 results suggest a slight upward trend in net interest expense, but we expect coverage to remain adequate over the forecast period supported by stable cash flow.

Strong debt protection metrics driven by solid EBITDA

SkyGreen's internal liquidity coverage is adequate. Cash sources, namely: cash and cash equivalents (YE 2024: HUF 2.3bn) and forecasted FOCF (2025: HUF 2.0bn; 2026: HUF 2.2bn), adequately cover cash uses (short term debt of HUF 2.0bn in 2025; HUF 1.3bn in 2026). There are no committed credit lines, but internal liquidity provides enough headroom under base case assumptions.

Adequate liquidity

Table 1: Liquidity sources and uses (in HUF m)

	2023	2024	2025E	2026E	2027E
Cash and marketable securities equivalents (t-1)	2,607.0	1,474.0	2,283.0	1,366.4	1,396.0
Non-accessible cash (t-1) ⁴	(260.7)	(147.4)	(228.3)	(136.6)	(139.6)
FOCF (t)	315.0	3,370.5	1,953.3	2,232.2	2,361.0
Short-term debt (t-1)	1,260.0	2,677.0	1,952.0	1,249.7	1,258.5
Liquidity	211%	175%	205%	277%	287%

Source: SkyGreen, Scope estimates

9. Supplementary rating drivers: - 1 notch

SkyGreen's governance structure results in a one-notch negative adjustment to the standalone credit assessment of B+. Our view is based on the company's lean organisational setup – one employee and limited managerial depth – which creates high key person risk (ESG factor: credit-negative). Further, only a few individuals undertake strategic decision-making and day-to-day oversight, with no visible institutional framework for delegation, oversight or succession planning.

We note that SkyGreen's financial policy also prioritises the parent company's needs, upstreaming liquidity via dividends and intercompany loans, which keeps net cash balances low and limits the company's ability to build financial buffers.

⁴ Haircut of 10% applied to available cash.

10. Debt ratings

We have assigned a short-term debt rating to SkyGreen of S-4. The rating is based on the underlying B/Stable issuer rating and reflects the better-than-adequate liquidity position and adequate access to bank funding and capital markets.

Senior secured debt rating: BB-

We have assigned a BB- rating to the issuer's senior secured bond (ISIN HU0000360201), two notches above the issuer rating. This reflects the 'excellent' recovery expectations of the bond, based on the anticipated liquidation value in a hypothetical default in 2026. This scenario assumes outstanding debt of HUF 51.9bn, most of which is secured by properties. This includes the HUF 27.2bn outstanding bond principal at the end of 2026, which is secured by a solid collateral structure, mortgages on income-generating properties – Váci Greens E and InfoPark (Buildings B, C and I), valued at HUF 65.4bn at March 2025 – as well as a second-ranked mortgage on InfoPark D.

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