Cassia 2022-1 S.R.L. Italian logistics CMBS

Unsolicited preliminary credit ratings

Class	Initial balance (EUR m)	Initial balance1 (%)	Margin[2]	Coupon[2,7]	Subordination[1]	Loan to value[1,5]	Note to value[2,5]	Note debt yield[2,6]	Note ICR[2,3]	Liquidity reserve[4]	Expected maturity	Status	Scope's ratings
A	153.4	63.5%	2.5%	4.0%	36.5%	38.9%	40.7%	12.6%	3.14x	1.72x	May-27	Offered	(P) $A+_{SF}$
B	34.8	15.5%	3.5%	5.0%	21.0%	48.5%	50.0%	10.2%	2.44x	1.35x	May-27	Offered	(P) $BBB+_{SF}$
C	47.2	21.0%	5.0%	6.5%	0.0%	61.5%	62.6%	8.2%	1.76x	0.00x	May-27	Offered	(P) $B+_{SF}$
Total notes	235.5		3.1%	4.7%	0.0%	61.5%	62.6%	8.2%	1.76x	0.00x	May-27		
- including liquidity facility	11.50												
- including X notes	0.00												
Retained vertical interest	12.4												
Non-securitised pari-passu debt (Lcl m)	0.00												
Non-securitised junior debt (Lcl m)	0.00												

1: excluding liquidity facility portion (10.925m LcL) 2: including liquidity facility portion (10.925m LcL). 3: at 3m Euribor rate (at closing) (0%). 4: in years of interest servicing
5: excluding portfolio premium 6: net operating income basis 7: at loan interest rate cap

These unsolicited preliminary credit ratings are assigned based on factual information up to November 2022. Scope's structured finance ratings constitute an opinion about relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity. The ratings address the likelihood of full and timely payment of any interest due to the noteholders in respect of the notes on each note payment date; and full repayment of principal on the notes by a date that is not later than the final note maturity date. The ratings assigned to the notes do not address payment of any Euribor excess amounts or exit payment amounts in respect of the notes. The assigned preliminary rating on the class C notes addresses the ultimate payment of interest and repayment of principal on or before the final maturity date. See Scope's website for further details about credit ratings. Scope may assign final ratings subject to a review of rent roll, loan agreements, legal opinions, hedging agreements and any other documentation available to noteholders and credit rating agencies solicited by the issuer. Final credit ratings may deviate from preliminary ratings.

Transaction details

Transaction type	CMBS
Issuer	Cassia 2022-1 S.R.L.
Transaction sponsor, loan borrowers	Blackstone Group Inc. and affiliates
Transaction arrangers, loan lenders	Bank of America Europe DAC, Milan Branch Goldman Sachs Bank Europe SE

Rating rationale (summary)

Cassia 2022-1 S.R.L. is a EUR 235.47m commercial mortgage-backed securitisation (CMBS) transaction collateralised by two senior pari-passu non-cross collateralised and non-cross defaulted commercial real estate (CRE) loans (named Thunder II and Jupiter). Blackstone Group Inc. (Blackstone) is the loan sponsor, and Bank of America Europe DAC Milan Branch and Goldman Sachs Bank Europe SE are the transaction arrangers. The transaction closed on 7 April 2022.

The Thunder II loan is a EUR 164.01m five-year interest-only first-lien senior mortgage loan. The underlying collateral consists of 20 predominantly big-box logistics assets totaling 341,323 sq m. They are managed by Logicor, which is partially owned by the sponsor. The loan exhibited a debt yield (DY) ratio of 8.1% at closing in April 2022 and a loan-to-value (LTV) ratio of 61.4% based on an aggregate market value (MV) of EUR 266.92m. The portfolio exhibited an occupancy level of 99.8%, a weighted average unexpired lease to break (WAULB) of 4.1 years, and some in-place rental increase potential (4.3% under-rented) as at the October 2021 cut-off date.

The Jupiter loan is a EUR 72.35m five-year interest-only first-lien senior mortgage loan. The underlying collateral consists of 21 predominantly last-mile logistics assets offering 165,997 sq m. They are managed by Mileway, an affiliate of the sponsor. The loan exhibited a DY yield of 9.7% at closing and an LTV ratio of 61.5% based on an aggregate market value of EUR 117.67m. The loan's property portfolio exhibited a physical occupancy level of 93.2%, a WAULB of 3.9 years and some marginal in-place rental increase potential (1.4% under-rented) as at the cut-off date.

The CMBS comprises three classes paying interest sequentially and amortising principal on a sequential, modified pro-rata or reverse-sequential order basis. A EUR 11.5m liquidity reserve supports tranches A and B against interest payment shortfalls. A borrower-level interest-rate cap covering 100% of the respective outstanding senior loan balances partially mitigates class holders' interest-rate risk.

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Related Methodologies

CRE Security and CMBS Rating Methodology, Oct 2022

General Structured Finance Rating Methodology, Dec 2021

Counterparty Risk Methodology, Jul 2022

Related Research

European CMBS: stellar valuations but mixed operating performance; refinancing risks lurk, May 2022

A primer on European CRE CLOs. Same foundations as US CRE CLOs. Same success?, April 2022

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Bloomberg: RESP SCOP

Rating drivers and mitigants

Positive rating drivers

Experienced sponsor and affiliated asset managers. Blackstone is the worldwide leading real estate private equity firms and the main sponsor of European logistics CMBS. Logicor, originally founded and now partially owned by Blackstone, is the largest owner and operator of distribution and logistics warehouses across Europe. Mileway, an affiliate of Blackstone, is its counterpart in last-mile logistics. Both Logicor and Mileway have a robust track record and extensive experience managing assets.

Good location and quality property. The properties are good quality, and all are strategically located close to at least one of Italy's main logistics corridors and/or one of its main cities. Thunder II, which is secured predominantly by big-box logistics properties, is fully let (99.8%). Jupiter, which is secured predominantly by light industrial properties, is 93.2% let.

Moderate leverage and strong metrics. Both loans present a similar initial LTV ratio of 61.4%. The weighted average debt yield is 8.6%, which breaks down as 8.1% for Thunder II and 9.7% for Jupiter.

Strong main tenants' covenants. The top five and top 10 tenants, representing 42.9% and 61.9% of total gross income respectively, exhibit a long weighted average lease to break of 6.7 years and 5.3 years respectively – longer than each loan's five-year tenor. Finally, 70.4% of the top 10 tenants are either pure logistics/third-party logistics companies (37.9%) or in the food and consumer goods business (32.5%), which have been resilient and thriving sectors during the pandemic.

Strong tailwinds for the logistics sector. The logistics sector has benefited greatly from increased warehouse demand since the Covid-19 crisis. This is particularly true in Italy, which not only suffered from tight restrictions during the pandemic but also exhibits one of the lowest e-commerce penetration rates in Europe. Additionally, rental income currently benefits from high inflation given that most leases are indexed to the Istat CPI.

Negative rating drivers and mitigants

Weak liability structure. The transaction securitises two non-cross defaulted, non-cross collateralised loans and features limited excess spread partially mitigated by the ongoing issuer costs letters. It also features pro-rata allocation of principal proceeds to the loans' shares of each note, detrimental to the senior noteholders. There is a misalignment of interests between the noteholders and the vertical risk retention (VRR) instrument holders because payments of interests and principal following a loan failure event of the VRR instruments are senior to all other note payments. Shortfalls on the most junior classes of notes may not be fully repaid if the loans refinance.

Low liquidity coverage. A EUR 11.5m liquidity reserve shrank by EUR 1.7m at the first interest payment date because of an underestimated multiplier with the proceeds allocated pro-rata to class A to class C leading to a 1.3 years and 1.1 years of coverage to class A and class B at the then 2.0% Euribor rate. Amendments to the documentation, including a correction of the multiplier, reinstated the required liquidity reserve amount at EUR 11.5m. The liquidity reserve will be topped up through excess spread (if any) and/or principal repayments on the loans. We note that the excess spread stemming from the amortisation of the notes is unlikely to be sufficient to top it up to EUR 11.5m before the expected maturity of the notes.

Weak cash trap and financial covenants. There is no financial covenant prior to a permitted change of control. Furthermore, the cash trap mechanism allows costs to be deducted from the trapped amount prior to being swept and the LTV covenant is calculated considering an up to 5% portfolio premium.

Low tenant diversity. The Jupiter loan exhibits a high tenant concentration, with the top five tenants accounting for 76.5% of the gross rental income. Thunder II's top five tenants account for 48.8% of the gross rental income.

Low release premium. The release premium is flat for the first 10% of property disposal in market value, 5% for the subsequent 10% and 10% thereafter but decreasing to a floor of 2.5% after each disposal. The overall release premium ranges from 3.8% to 4.4% and is significantly below the 10%-15% observed average release premium of similar transactions.

No amortisation. The Thunder II and Jupiter loans are exposed to medium and high refinancing risk respectively. The Jupiter loan is particularly exposed, with its main tenant benefiting from a break option soon before the loan's scheduled maturity date.

Upside rating-change drivers

Collateral value increase: An increase in the value of collateral could positively impact the ratings.

Lease rollover management and rental income improvement: Positive management of the lease rollover combined with higher-than-expected rent indexation could positively impact the rating of the most senior class of note.

Downside rating-change drivers

Collateral value decline: A drop in the value of collateral could negatively impact the ratings.

Portfolio credit quality migration: Asset disposals could affect the overall credit quality of the transaction, particularly in light of the weak release premium and increased tenant concentration.

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1. Transaction summary

Cassia 2022-1 S.R.L is a EUR 235.5m CMBS securitisation. The transaction is collateralised by two non-cross-collateralised, non-cross-defaulted euro-denominated first-lien senior mortgage loans. The transaction has its legal final maturity on 22 May 2034, seven years after the latest maturity date of all the underlying loans.

The issued CMBS embeds two distinct waterfalls: i) interest proceeds, paid sequentially; and ii) principal proceeds, paid on a reverse-sequential order basis for voluntary prepayment, on a sequential basis for cash trap amounts and on a modified pro-rata basis in all other cases. At closing, a EUR 11.5m liquidity reserve[1] supports tranches A to B in meeting interest payment shortfalls and corresponds to 6.1% of the initial notional of those tranches. The reserve is predominantly funded from over-issuance of class A notes (95%) and for the remaining part by drawdown proceeds from the VRR instrument. The liquidity reserve can be replenished by loan interest income at each interest payment date and amortises in accordance with agreed formulas, pro-rata with the protected notes and on reductions in the appraised values of the underlying secured properties.

The ratings benefit from an experienced sponsor combined and the strong track record of the asset managers in the light industrial and logistics space. The ratings also benefit from the good location and quality of the properties, moderate leverage and robust metrics at closing, high quality main tenants and strong tailwinds for the logistics sector.

The ratings are constrained by a weak structure for senior noteholders, including the pro-rata allocation of proceeds to the loans' shares in each note and the low liquidity reserve coverage, taking into account the amortisation of the liquidity reserve at the first payment date. The ratings are also constrained by a low tenant diversity, weak cash trap and financial covenants, the release premium mechanism and the medium term and refinancing default risks of Thunder II and the high refinancing default risk for Jupiter.

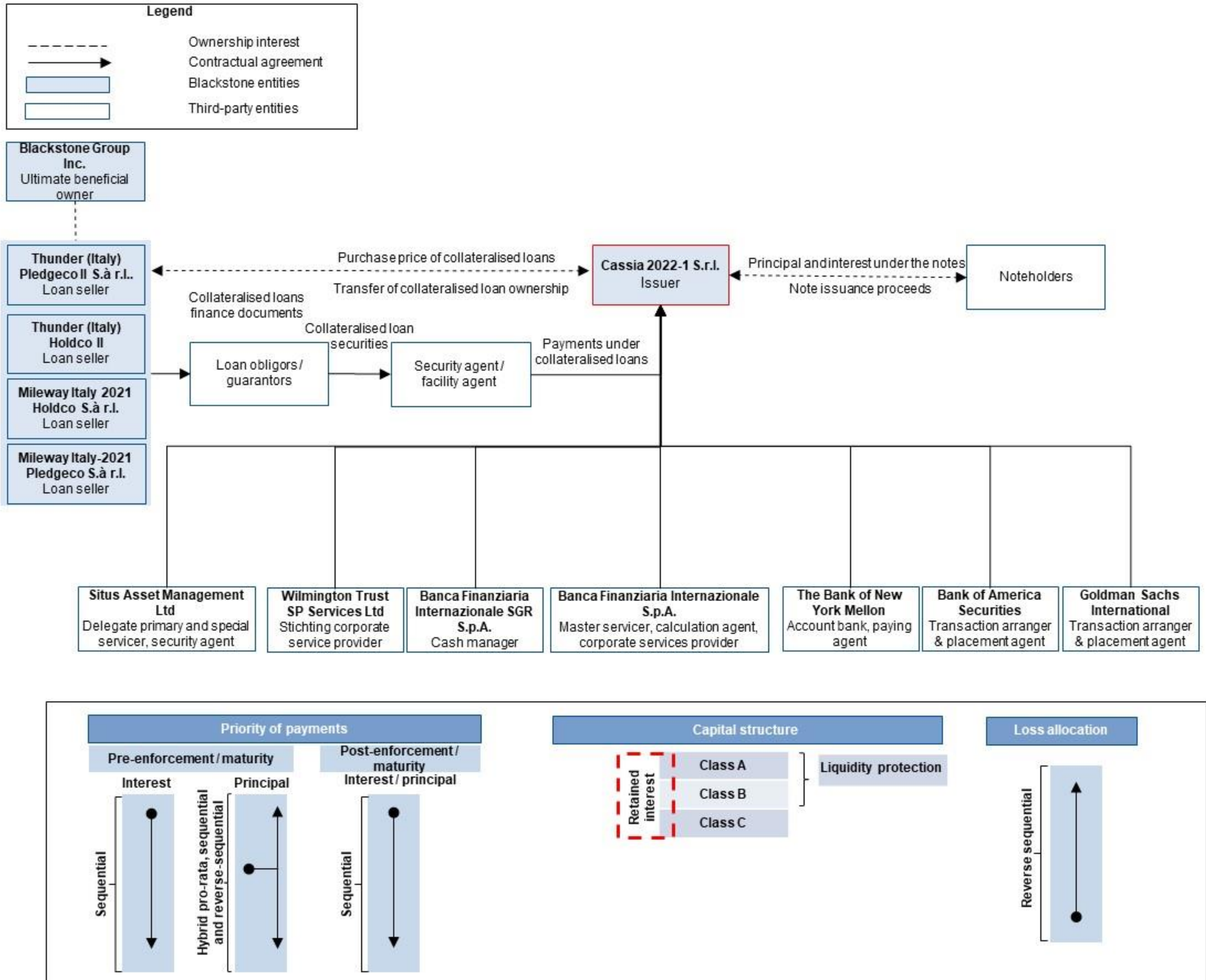
Figure 1. Transaction summary

Collateral details	Current[1]		Structural elements	Current[1]	
Trust balance (EUR m)	236.35		Liquidity reserve (EUR m)	11.5	
Loans (#)	2				
Loan sponsors (#)	1		**Financial metrics**	**Current[1]**	
Initial portfolio RTM (years)[2]	5		Loan-to-market value (%)	61.40%	
Extended portfolio RTM (years)[2]	5		Interest coverage ratio	1.87x	
Margin (weighted average)	3.18%		Debt yield (NRI to total debt)	8.70%	
Lifetime amortisation rate (p.a.)	0.00%				
Properties (#)	41		**Macro location**	**Market value (%)**	**GRI (%)[3]**
Total collateral market value (EUR r	384.6		Italy	100.0%	100.0%
Asset type concentration	**Market value (%)**	**GRI (%)[3]**	**Micro location**	**Market value (%)**	**GRI (%)[3]**
Industrial	98.10%	99.40%	Lombardy	42.80%	44.60%
Office	0.30%	0.60%	Tuscany	31.80%	28.20%
Land	1.60%	0.00%	Lazio	5.70%	5.70%
			Liguria	5.30%	6.10%
Transaction parties					
Issuer	Cassia 2022-1 S.R.L.		Loan sponsor	Blackstone Group Inc.	
Transaction sponsor	Bank of America Europe DAC Goldman Sachs Bank Europe		Master servicer	Banca Finanziaria Internazionale S.p.A.	

[1] As at cut-off date. [2] Remaining term to maturity. [3] Gross rental income.

[1] The liquidity reserve decreased to EUR 9.7m at the first payment date in line with the documentation

Figure 2. Simplified transaction structure and counterparties



Source : Transaction documents, Scope Ratings

2. Transaction sponsor

2.1. Financial capacity and market position

The sponsor, Blackstone International Inc., is an affiliate of Blackstone Group Inc.

Blackstone is one of the largest private investment firms with USD 208bn of real estate AUM

Blackstone Group is one of the largest private investment firms in the world, with USD 951bn of assets under management as of October 2022. Blackstone operates worldwide, seeking to generate attractive risk-adjusted returns for investors across cycles and over the long term.

Blackstone's real estate platform has USD 319bn of assets under management worldwide as of October 2022 and around 600 dedicated employees in nine offices around the globe.

2.2. Investment experience and risk management

Blackstone has originated 31 publicly rated, predominantly single-loan CMBS in Europe since 2015. It benefits from the expertise of the Blackstone Group, its real estate platform, well established relations with a network of leading institutional sponsors, and an entrenched financing network.

Top-tier asset managers affiliated with the loan sponsor

The assets for the Thunder II and Jupiter loans are managed by Logicor and Mileway respectively.

Logicor, the second-largest logistics and industrial platform in Italy, owns and operates 1m sq m of logistics space. Logicor has a strong footprint in Rome, the south belt, Bologna and Verona. Logicor's Italian managed portfolio is a combination of logistics parks and standalone buildings, where the majority of facilities are big-box distribution centres with an average size of 35,000 sq m. Logicor is owned by CIC and Blackstone on a 90%/10% basis.

Mileway, an affiliate of Blackstone, is Europe's largest owner of last-mile logistics real estate assets and light industrial assets close to urban areas. Its portfolio comprises over 1,700 assets amounting to 14.7m sq m across ten countries. In Italy, it owns and operates 700,000 sq m across more than 60 properties in Italy's largest cities.

2.3. Willingness to support the transaction

The transaction gives Blackstone an alternative to balance sheet and warehouse financing. The transaction frees up capital while avoiding mark-to-market and recourse risks. Blackstone is also the largest sponsor of European CMBS with 25 CMBS issued since 2017 (42% of CMBS). Blackstone is expected to continue tapping the market and support the re-emergence of a European real estate capital market. It also supports the transaction paying part of the issuer and transaction costs under the ongoing costs letters.

3. Securitised loans

The Jupiter loan (30.6% of MV and 33.6% of gross rental income (GRI) and the Thunder loan (69.4% of MV and 66.4% of GRI) refinance the existing indebtedness of the borrowers, including refinancing the acquisition of the respective portfolios.

3.1. Jupiter loan

The Jupiter portfolio consists of 20 predominantly light industrial logistics assets and one office (located in an industrial estate) totalling 165,997 sq m. The assets are located throughout Italy but are predominantly in the Lombardy, Lazio and Campania regions, which represent 68.0%, 13.7% and 7.0% of the MV respectively.

The sponsor's business plan is to maintain (or improve) occupancy to around 96% and increase rental income by increasing in-place rent as leases roll over. A capex budget of EUR 2.5m (2.1% of MV) is expected to be spent over five years when required by leasing events.

3.2. Thunder II loan

The portfolio consists of 17 predominantly big-box logistics assets and three plots of land totalling 341,323 sq m, managed by Logicor. Assets are also located throughout Italy but are predominantly in the Tuscany, Lombardy and Liguria regions, which represent 43.6%, 31.7% and 7.6% of the MV respectively.

The sponsor's business plan is to maintain strong occupancy (around 96%), re-gear in-place rent up to the estimated rental value as leases roll over and invest a capex budget of EUR 10.6m (4.0% of MV) over five years when required by leasing events.

Figure 3. Loan terms

Loan	Securitised balance (EUR m)	Securitised balance (%)	Initial term (years)	Remaining term to scheduled maturity (years)	Extension option (years)	Lifetime amortisation rate	Collateral type
Jupiter	72.35	30.61	5.00	5.00	0.00	0.0%	Light industrial logistics assets
Thunder II	164.00	69.39					Big-box logistics assets

3.2.1. Interest rate terms and hedging counterparty

Both loans are 100% hedged with a cap strike at 1.50%

Both securitised loan participations have floating rates referencing the three-month Euribor. They are hedged with a five-year cap rate at a 1.50% strike rate. Their margin is equivalent to the weighted average margin of the notes at the beginning of the interest payment date (but excluding the liquidity reserve portion), or 3.181% at closing.

Figure 4. Loan interest rate terms

Loan	Margin	Reference rate	Hedging coverage		
			Coverage	Index floor	Strike rate
Jupiter Thunder II	3.181%	Euribor 3m	100.00%	0.00%	Not more than the higher of 1.5% p.a. and a hedged ICR not less than 2.0x

4. Secured collateral characteristics

4.1. Overview

The securitised pool predominantly comprises one property type: light industrial and logistics (98.1% of MV). The remaining types are three plots of land (1.6% of MV) and one office property in an industrial estate (0.3% of MV).

Figure 5. Collateral type distribution

Property type	Number of properties	Market value[2] (EUR '000s)	Market value (%)	Gross rental income contribution (% total)
Industrial	39	377,297	98.1%	99.4%
Office	1	1,130	0.3%	0.6%
Land	3	6,158	1.6%	0.0%
Total	**41**	**384,585**	**100.0%**	**100%**

[2] Excluding the portfolio premium

4.2. Geographic distribution

Geographic exposure throughout Italy but predominantly the northwest

The properties are spread throughout Italy, with a predominant presence in the country's northwest (52.9% of the MV). The two main regions, Lombardy in the northwest and Tuscany in the centre, together represent 74.5% of the MV and 72.9% of GRI. Robust e-commerce development and a below-average penetration rate compared to European peers support the positive rental outlook for Italian logistics assets. Furthermore, wealthy northern Italy is inclined to e-commerce, with online purchasing and internet user percentages that are above the national average.

Figure 6. Collateral geographic distribution

Province	Region	Properties (#)	MV (EUR '000s)	MV (% total)	GRI (EUR '000s)	GRI (% total)
Lombardy	Northwest	18	164,508	42.8%	10,953	44.6%
Tuscany	Centre	6	122,130	31.8%	6,924	28.2%
Lazio	Centre	2	21,880	5.7%	1,398	5.7%
Liguria	Northwest	1	20,260	5.3%	1,503	6.1%
Emilia-Romagna	Northeast	2	19,809	5.2%	1,315	5.4%
Piedmont	Northwest	5	18,758	4.9%	1,279	5.2%
Veneto	Northeast	5	9,029	2.3%	464	1.9%
Campania	South	2	8,210	2.1%	695	2.8%
Total		41	**384,585**	**100%**	**24,532**	**100%**

4.1. Collateral analysis

More than half of the assets have access to two out of the four main Italian road corridors

The top 10 assets correspond to 61.5% of the MV and contribute 60.2% of gross rental income (GRI). Five of the top ten assets are single-let (26.6% of MV). All properties are owned freehold. Most of the assets are located near one (43.2% of MV) or two (56.6% of MV) of Italy's four main transport corridors.

Figure 7. Top 10 collateral distribution

Name	Loan	MV (EUR '000s)	MV (%)	Region	GRI (% total)	Single tenant	Last mile[3]	Number of corridors
Montelupo	Thunder II	59,690	15.5%	Tuscany	13.7%	No	Yes	1
San Miniato 3	Thunder II	24,890	6.5%	Tuscany	6.5%	Yes	No	1
Fizzonasco	Thunder II	23,870	6.2%	Lombardy	6.1%	Yes	Yes	2
Rho	Jupiter	20,570	5.3%	Lombardy	6.3%	Yes	Yes	2
Genoa	Thunder II	20,260	5.3%	Liguria	6.1%	No	Yes	2
Lainate	Jupiter	19,000	4.9%	Lombardy	4.4%	No	Yes	2
Piacenza	Thunder II	18,950	4.9%	Emilia-Romagna	5.4%	Yes[4]	No	2
San Miniato 2	Thunder II	18,920	4.9%	Tuscany	3.9%	Yes	No	1
Tivoli II	Jupiter	16,150	4.2%	Lazio	3.1%	No	Yes	1
Bracchi 4	Jupiter	14,190	3.7%	Lombardy	3.3%	Yes	No	2
Top 10		**236,490**	**61.5%**		**60.2%**			

[3] Defined as within 30 km of one of Italy's main cities (Florence, Milan, Genoa, Rome, etc.)
[4] TNT, the tenant, sent notice to break but is still paying rent until December 2023 and we understand it left the property.

Figure 8. Secured assets and Italian transport corridors

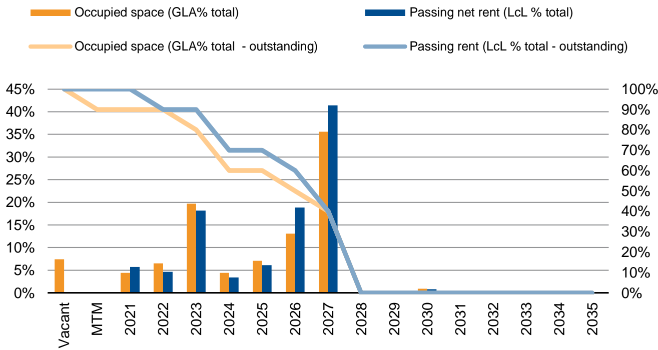
Sources : Scope Ratings, transaction documents

		Market value (%)			Gross rental income (%)		
		Thunder II	Jupiter	Total	Thunder II	Jupiter	Total
Mediterranean		54.3%	74.4%	**57.4%**	56.5%	76.6%	**63.2%**
Scandi – Mediterranean		47.5%	26.4%	**41.7%**	43.5%	23.4%	**36.8%**
Rhine – Alpine		48.1%	68.0%	**54.2%**	51.5%	69.3%	**57.5%**
Baltic Adriatic		0.0%	4.4%	**1.4%**	0.0%	5.6%	**1.9%**
Access to one corridor		50.1%	27.6%	**43.2%**	48.5%	25.1%	**40.6%**
Access to two corridors		49.9%	71.7%	**56.6%**	51.5%	74.9%	**59.4%**
Access to three corridors		0.0%	0.7%	**0.2%**	0.0%	0.00%	**0.00**

4.1. Tenancy analysis

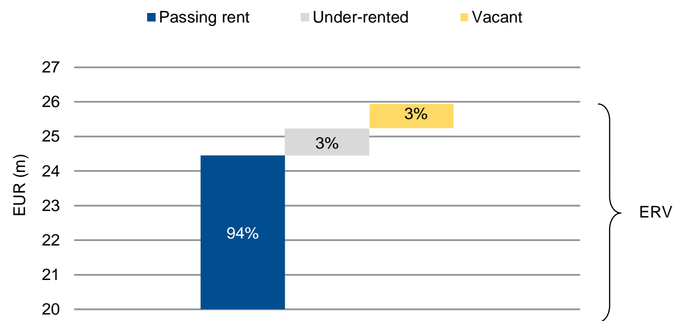
Tenancy is concentrated, with the top 10 tenants leasing 57% of gross lettable area (GLA) and providing 62% of GRI. We consider rental reversion during loan tenors to be limited by the current 97% rental performance and the above-average WAULT of 9.7 years.

Figure 9. Rent roll expiration by year (lease to break)



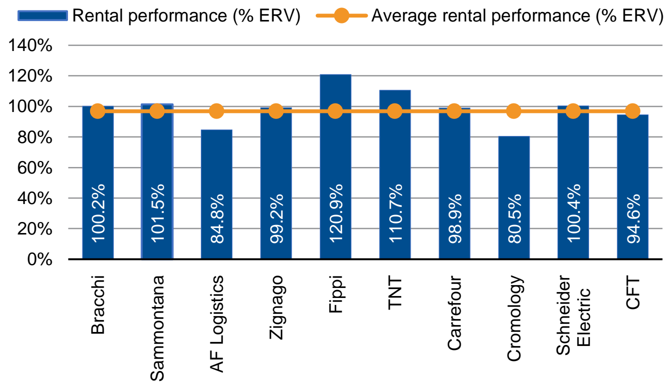
Source : Scope Ratings, transaction documents

Figure 10. Rental income – breakdown (% of ERV)



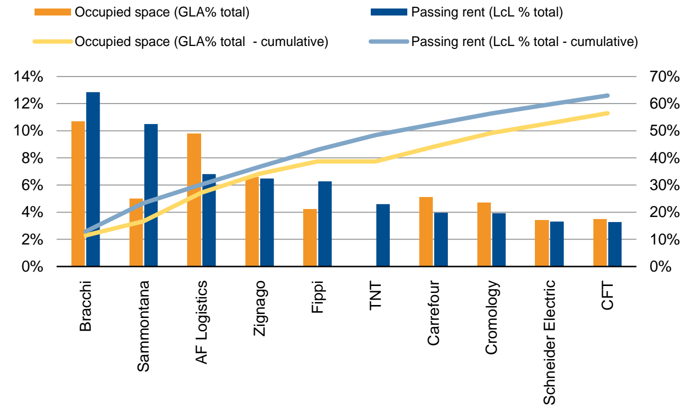
Source : Scope Ratings, transaction documents

Figure 11. Top 10 tenant rental performance



Source : Scope Ratings, transaction documents

Figure 12. Top 10 tenant analysis



Source : Scope Ratings, transaction documents

5. Liability analysis

5.1. Key terms of the transaction

Sequential interest priority of payments

The transaction is secured by participation interests in two euro-denominated senior loans with principal balances totalling EUR 236.36m.

Various principal priorities of payments

The CMBS comprises three offered classes (class A, B and C) paying interest sequentially and amortising principal on a modified pro-rata basis (for all principal proceeds other than cash trap amounts and voluntary prepayments).

Figure 13. Key terms of the financing

Class	Initial balance (EUR m)	Initial balance1 (%)	Margin[2]	Coupon[2,7]	Subordination[1]	Loan to value[1,5]	Note to value[2,5]	Note debt yield[2,6]	Note ICR[2,3]	Liquidity reserve[4]	Expected maturity	Status	Scope's ratings
A	153.4	63.5%	2.5%	4.0%	36.5%	38.9%	40.7%	12.6%	3.14x	1.72x	May-27	Offered	(P) A+$_{SF}$
B	34.8	15.5%	3.5%	5.0%	21.0%	48.5%	50.0%	10.2%	2.44x	1.35x	May-27	Offered	(P) BBB+$_{SF}$
C	47.2	21.0%	5.0%	6.5%	0.0%	61.5%	62.6%	8.2%	1.76x	0.00x	May-27	Offered	(P) B+$_{SF}$
Total notes	235.5		3.1%	4.7%	0.0%	61.5%	62.6%	8.2%	1.76x	0.00x	May-27		
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- including X notes	0.00												
Retained vertical interest	12.4												
Non-securitised pari-passu debt (Lcl m)	0.00												
Non-securitised junior debt (Lcl m)	0.00												

1: excluding liquidity facility portion (10.925m LcL) 2: including liquidity facility portion (10.925m LcL). 3: at 3m Euribor rate (at closing) (0%). 4: in years of interest servicing
5: excluding portfolio premium 6: net operating income basis 7: at loan interest rate cap

Key security details			
Total debt	236.4	Liquidity reserve (Lcl m)	11.50
Senior debt	236.4	Loan senior margin	3.18%
Senior securitised debt	224.9	Loan junior margin	0.0%
Senior costs (Lcl m)	0.2	Loan interest rate cap	1.50%
Excess spread	0.00%	3m Euribor rate (at closing)	0.0%

Key security ratios	Total debt	Senior loan
Investment yield (NOI)	5.27%	5.27%
LTV	61.5%	61.5%
Debt yield (NOI)	8.58%	8.58%
Interest coverage (NOI)	1.83x	1.83x

5.2. Priority of payments

Two distinct interest and principal waterfalls

An interest priority of payments and three principal priorities of payments govern the allocation of cash flows pre-acceleration and pre-loan failure event. Agent and security agent fees rank senior to the notes' interest payments in the interest priority of payments. Interest is paid sequentially while principal proceeds are allocated either sequentially, pro-rata or reverse sequentially based on the source of available funds.

The loans are not cross-defaulted or cross-collateralised. As a result, proceeds from an accelerated loan will be allocated sequentially to the notes, while proceeds from a non-accelerated loan will continue to be allocated pro-rata.

Class A and class B ratings address timely payments Class C rating address the ultimate payments

The priority of payments also features a Euribor excess amount mechanism. Any Euribor interest proceeds exceeding 4.0% due and unpaid to the noteholders is deferrable and subordinated unless it is due to the most senior outstanding class of notes. The assigned preliminary ratings address the timely payment of interest and repayment of principal on or before the final maturity date for the most senior outstanding class. We excluded the Euribor excess amount and the exit payment amount from the promise rate. Our ratings do not consider non-payment of the Euribor excess amount and the exit payment amount as a note event of default. The assigned preliminary rating on class C notes addresses

the ultimate payment of interest and repayment of principal on or before the final maturity date.

Figure 14. Simplified priorities of payments and available funds pre-acceleration priority of payments / pre-loan failure event

Simplified priorities of payments and available funds pre-acceleration priority of payments / loan failure event			
Available funds Issuer interest and liquidity line proceeds	**Available funds** Issuer forced prepayment principal proceeds (from principal prepayments pursuant to the exercise of a cure right or cash sweep)	**Available funds** Issuer voluntary principal prepayment proceeds	**Available funds** Issuer other moneys
Issuer senior costs and fees	Issuer senior costs and fees	Issuer senior costs and fees	Issuer senior costs and fees
Other senior costs	Other senior costs	Other senior costs	Other senior costs
Liquidity facility top-up amount			Pro-rata principal redemption of class A, class B, class C notes and the VRR
Pay interest on VRR loan			
Pay interest on class A notes	Redemption of class A notes until none are outstanding	Redemption of class C notes until none are outstanding	
Pay interest on class B notes	Redemption of class B notes until none are outstanding	Redemption of class B notes until none are outstanding	
Pay interest on class C notes	Redemption of class C notes until none are outstanding	Redemption of class A notes until none are outstanding	
Issuer reserve account			
Rebate of ongoing issuer costs			

Figure 15. Priorities of payments post failure event / post-Issuer security becoming enforceable / post acceleration

Post-loan failure event / post-Issuer security becoming enforceable	Post-acceleration
Available funds All defaulted securitised loan moneys including proceeds from interest, principal repayments	**Available funds** All issuer moneys including proceeds from interest, principal repayments, liquidity line and funds from liquidation of assets
Issuer senior costs and fees	Issuer senior costs and fees
Noteholder representative costs and fees	Noteholder representative costs and fees
Other senior costs	Other senior costs
Redemption of the VRR share of the defaulted security	Redemption of the VRR share of the defaulted security
Pay interest on class A notes share of the defaulted security	Redemption of class A notes and interests until none are outstanding
Pay interest on class B notes share of the defaulted security	Redemption of class B notes and interests until none are outstanding
Pay interest on class C notes share of the defaulted security	Redemption of class C notes and interests until none are outstanding
Redemption of class A notes share of the defaulted security until none are outstanding	Pay class A Euribor excess amount
Redemption of class B notes share of the defaulted security until none are outstanding	Pay class B Euribor excess amount
Redemption of class C notes share of the defaulted security until none are outstanding	Pay class C Euribor excess amount
Pro-rata payment of Euribor excess amount to class A, class B and class C notes	Pro-rata default interest amount due to each of class A, class B, class C notes
Pro-rata payment of default interest to class A, class B and class C notes	Rebate to the companies of the ongoing issuer costs
Rebate of ongoing issuer costs	

5.3. Other structural elements

5.3.1. Notes' coupon and step-up margin

The issued notes will yield the relevant margin plus an uncapped three-month Euribor reference rate compounded daily with a 0% floor.

5.3.2. Available fund cap and interest deferral

There is no available fund cap in the transaction. The noteholders are therefore exposed to non-payment risks of the coupon's Euribor component after the scheduled maturity of the securitised loans.

However, after the scheduled maturity on 22 May 2027, not only is the Euribor rate capped at 4.0% on the notes and the Euribor excess subordinated in the payment waterfall but any accrued and payable coupons can also be deferred if available funds are insufficient on any notes except the most senior one. Deferred amounts are accounted for in a separate ledger and accrue interest at the same rate as payables in the same class of note. Failure to pay deferred interest will not be an event of default until the final note maturity date or any earlier date on which the notes are fully redeemed.

We do not consider the Euribor excess amount as part of the promise rate.

5.3.3. Voluntary prepayment

A voluntary prepayment will be beneficial for class C while negatively affecting class B.

The borrower is authorised to voluntarily prepay part of the secured loans. The voluntary prepayment principal proceeds will prepay the notes in a reverse sequential order as per the vertical share of each loan. Consequently, the junior note metrics will improve following a voluntary prepayment event, while the most senior note metrics are likely to not be affected. Nevertheless, class B expected loss will increase due to a lower level of credit enhancement (see 10 Sensitivity analysis for further details). There has been one recent partial voluntary prepayment in the European CMBS market in 2022 (Ribbon Finance 2018 Plc).

Figure 16. Types of redemption event

Closing								
Assets	EUR	%				Margin		
Jupiter	72.4	31%				3.18%		
Thunder II	164.0	69%				3.18%		
Total / weighted average	236.4	100%				3.18%		
Liabilities	EUR	%	CE	DY	NTV	Margin	% L1	% L2
A	150.0	63.5%	36.5%	13.5%	38.0%	2.50%	45.9	104.1
B	36.6	15.5%	21.0%	10.9%	47.3%	3.50%	11.2	25.4
C	49.7	21.0%	0.0%	8.6%	59.9%	5.00%	15.2	34.5
Total / weighted average	236.4	100.0%				3.18%	72.4	164.0

33% voluntarily prepayment on Jupiter								
Assets	EUR	%				Margin	Volontary prepayment	
Jupiter	48.5	23%				2.55%	23.9	
Thunder II	164.0	77%				3.18%		0.0
Total / weighted average	212.5	100%				3.04%	23.9	
Liabilities	EUR	%	CE	DY	NTV	Margin	% L1	% L2
A	150.0	70.6%	29.4%	13.5%	38.0%	2.50%	45.9	104.1
B	28.0	13.2%	16.2%	11.4%	45.1%	3.50%	2.6	25.4
C	34.5	16.2%	0.0%	9.5%	53.8%	5.00%	0.0	34.5
Total / weighted average	212.5	100.0%				3.04%	48.5	164.0

33% voluntarily repayment on Thunder II								
Assets	EUR	%				Margin	Volontary prepayment	
Jupiter	72.4	40%				3.18%	0.0	
Thunder II	109.9	60%				2.55%		54.1
Total / weighted average	182.2	100%				2.80%	54.1	
Liabilities	EUR	%	CE	DY	NTV	Margin	% L1	% L2
A	150.0	82.3%	17.7%	13.5%	38.0%	2.50%	45.9	104.1
B	17.0	9.3%	8.4%	12.1%	42.3%	3.50%	11.2	5.8
C	15.2	8.4%	0.0%	11.1%	46.1%	5.00%	15.2	0.0
Total / weighted average	182.2	100.0%				2.80%	72.4	109.9

33% voluntarily repayment on both								
Assets	EUR	%				Margin	Volontary prepayment	
Jupiter	48.5	31%				2.55%	23.9	
Thunder II	109.9	69%				2.55%		54.1
Total / weighted average	158.4	100%				2.55%	78.0	
Liabilities	EUR	%	CE	DY	NTV	Margin	% L1	% L2
A	150.0	82.3%	4.6%	13.5%	38.0%	2.50%	45.9	104.1
B	8.4	4.6%	0.0%	12.8%	40.1%	3.50%	2.6	5.8
C	0.0	0.0%				5.00%	0.0	0.0
Total / weighted average	158.4	86.9%				2.55%	48.5	109.9

Figure 17. Redemption events

The issuer can fully repay the rated notes ahead of the respective maturity date at par value plus accrued and unpaid interest.

Figure 18. Types of redemption event

Period		Release price
Mandatory redemption	Final maturity date	In whole on the final maturity date
Optional redemption	Clean-up call	In whole at the direction of the subordinated noteholders once the outstanding principal note balance is less than 10% of the initial principal note balance
	Note tax event	In whole at the direction of the subordinated noteholders or the controlling class following a note tax event and subject to a minimum time period

5.3.4. Appraisal reduction mechanisms

An appraisal reduction mechanism is in place to prevent noteholders from being paid current interest on loans that are expected to suffer a loss or collateral devaluation. This

standard CMBS mechanism is protective for senior noteholders but exposes junior noteholders to interest shortfalls.

Figure 19. Valuation reduction mechanism

Appraisal reduction definitions	Levels
Appraisal reduction factor	$\frac{\sum_{k=1}^{2} Senior\ loan\ balance - appraisal\ reduction}{\sum_{k=1}^{2} Senior\ loan\ balance}$

Figure 20. Servicer valuation events

Servicer valuation events	Levels
Valuation anniversary date	Every 12-month period commencing 12 months after the closing date
Loan event of default	Following a valuation request
Property sale/disposal	In connection with a compulsory purchase or disposal of all or part of any property
Structural change	In connection with a permitted structural change
Ordinary resolution	Following an ordinary resolution of the noteholders

5.4. Quantitative analysis

Our CMBS class credit ratings are a function of a CMBS' expected loss rate for each rated class and its expected weighted average life as per our idealised expected loss tables. The CMBS' expected loss rate distribution is a function of the CRE loans' expected loss and weighted average life based on cash flows generated.

Our main rating-conditional loan stresses comprise loan-specific capitalisation rates, rental value haircuts and vacancy rates. The above-mentioned loan-by-loan specific assumptions are disclosed below.

Figure 21. Key loan-specific assumptions under assigned rating category

Credit rating assumptions	Jupiter			Thunder II		
	B	BBB	A	B	BBB	A
Properties						
Capitalisation rate	6.0%	7.2%	7.8%	6.0%	7.2%	7.8%
Rental value haircut	2.0%	11.6%	16.4%	2.0%	11.6%	16.4%
Vacancy rate	5%					
Void costs (months)	6	14	18	6	14	18
Asset / property manager fee (% of gross rental income)	0.5% – 3.0%					
Maintenance capex (EUR p sq m)	1.33			1.47		
Irrecoverable costs (% GRI)	21.9%			12.6%		
Leasing commissions (months)	3					
Tenant credit quality	BB unless publicly rated					
Liquidation costs	9.00% property value + 1.62% loan notional					
Foreclosure period	36	50	57	36	50	57
Inflation (p.a.)	2.0%					
Loans						
Loan amount	EUR 72.35m			EUR 164.01m		
Remaining term	5.0					
Coupon	3.181% + 3M Euribor (floored at 0.00%)					
Interest rate hedging	100% notional, cap strike of 1.50% for the whole term					
Senior costs	EUR 118,380					
Cash trap covenants	Not modelled					

6. Interest rate, liquidity and cross-currency risks

6.1. Cross-currency risk

The transaction and the securitised loans are not exposed to cross-currency risks. All liabilities are euro-denominated.

6.2. Liquidity risk

Liquidity reserve covers classes A to B and corresponds to 6.1% of their initial notional
Liquidity reserve fell to EUR 9.7m (5.2% of covered notes) at first interest payment date

A EUR 11.5m liquidity reserve, funded from the over-issuance of class A notes and from the VRR, covers interest payment shortfalls on note classes A to B. The liquidity reserve can be replenished following each drawing and will amortise following amortisation of class A to B notes or following an appraisal reduction event.

The liquidity reserve required amount formula lead to a de facto reduction in the initial amount to EUR 9.7m at the first interest payment date. The reduction in the liquidity reserve lead to a pro-rata amortisation of all the offered classes of note, while the loans' amounts remain unchanged, and no appraisal reduction event occurs. At closing, the EUR 11.5m liquidity reserve corresponds to 2.7 years and 2.1 years of senior expenses and debt interest servicing for class A and class B respectively (3M Euribor floored at 0.0%). Considering a stressed 3M Euribor rate of 5.0%, the coverage drops to 1.0 years and 0.8 years respectively. We generally expect a minimum one year of liquidity coverage for classes rated in A rating category. We derived additional comfort when assigning the class A notes rating from: a) the tenants' covenant strengths; b) some issuer costs paid by the sponsor in accordance with the ongoing issuer costs letters; and c) the marginal excess spread (EUR 55,000) stemming from expected amortisation of the notes on the first payment date.

Figure 22. Liquidity reserve reduction mechanism at closing

Liquidity reserve mechanism	Formula
Liquidity reserve required amount[5]	$LR = [(Class\ A\ and\ B\ principal - Class\ A\ liquidity\ reserve\ portion) + VRR\ proportion] * 5.18768395\% * Appraisal\ reduction\ factor$
Appraisal reduction factor	$\frac{\sum_{k=1}^{2} Senior\ loan\ balance - \text{appraisal}\ reduction\ amount}{\sum_{k=1}^{2} Senior\ loan\ balance}$
Appraisal reduction amount	$\frac{Senior\ loan\ unpaid\ interest + unpaid\ fees\ and\ expenses + taxes}{\text{90\% property value}}$

6.3. Interest rate risk

Interest rate risk is hedged with an interest rate cap for the total notional and a three-month Euribor strike rate of 1.50% for the tenor of the loans.

7. Counterparty risks

7.1. Securitised loan interest level

We identified the following main loan-level counterparty risks and accounted for them in our analysis.

Account bank change upon rating downgrade is at discretion of senior facility agent.

Loan account bank: Both loans are subject to account bank-requisite long-term ratings. The senior facility agent has the option, but not the obligation, to request a change of loan account bank within a 60-day maximum replacement period upon a breach of the loan

[5] The liquidity reserve multiplier has been amended and restated from 5.18768395% to 6,161873% at the first interest payment date.

account bank-requisite rating.

Replacement periods are not commensurate with Scope's expectations.

Loan hedging counterparties: Both loans must maintain hedging provider-requisite long-term ratings or, if unable to do so, procure a replacement as per the hedging agreement. The senior facility agent has the option, but not the obligation, to request a change of loan hedging counterparty within a 60-day maximum replacement period upon a breach of the loan hedging counterparty -requisite rating. The issuer hedging provider must continue performing its role and post collateral until the replacement is effective.

Figure 23. Issuer hedging provider requisite rating

Issuer hedging provider	Requisite ratings				Replacement period	Comment
	Short-term		Long-term			
	M	DBRS	M	DBRS		
N/A	R-1	P-1	A2	A+	60 days	All requisite ratings must be maintained

Insurance policies: Both loans are subject to insurer-requisite long-term ratings. The senior facility agent has the option, but not the obligation, to request a change of loan account bank within a 60-day maximum replacement period upon a breach of the loan's insurer-requisite rating. The standard insurance policies cover 36 months' rent loss following a business interruption and a full reinstatement value.

Figure 24. Insurance details

Loan insurance details		Jupiter	Thunder II
Insurer name		Not disclosed	Not disclosed
Current rating			
Requisite ratings	AM Best	A	A
	M	A2	A2
	DBRS	A	A
	F	A	A
	S&P	A	A
Comment		At least two of them	At least two of them
Coverage	Building	✓	✓
	Plant and machinery	⃠	⃠
	Natural disasters	✓	✓
	Fire, storm, flood	✓	✓
	Site clearance, shoring, professional fees	✓	✓
	Terrorism	✓	✓
	Loss of rent (3 years)	✓	✓
	Public liability risks	✓	✓
	Contractor, subcontractor	N/A	N/A
	Cessation of business	⃠	⃠
Basis		Reinstatement value	Reinstatement value

7.2. Issuer level

Direct counterparty exposure risks are mitigated

The transaction's counterparty risk supports the instruments' ratings. We consider any counterparty exposure to be either immaterial, or fully mitigated when material or excessive through the high credit quality and/or replacement mechanisms of counterparties.

7.3. Key transaction roles

7.3.1. Issuer

Cassia 2022-1 S.r.l is a newly incorporated designated activity company limited by shares and incorporated under Italian law for the sole purpose of acquiring loan participation interests and issuing notes.

7.3.2. Delegate special servicer

Situs Asset Management Limited acts as delegated servicer.

The servicer will service and administer each performing loan participation interest that is not subject to loan modification. Loan servicing must be performed in the best interests and for the benefit of the issuer and with a customary standard of care.

The servicer may be removed with cause, subject to at least 30 days' written notice and the appointment of a new servicer.

The delegated servicer services or liaises with the loans facility agent to service and administer securitised loans while respecting borrowers' obligations under the finance documents.

The appointment of the delegate servicer and special servicer can be terminated on request of the issuer upon a servicing termination event, with the consent of the representatives of the noteholders and with prior notification of the rating agencies.

Figure 25. Role and fees of servicers

Role	Delegate servicer	Special servicer
Servicing fee	EUR 30,000 (plus VAT)	0.12% of the special service loan principal balance
One-off servicing fee	Out-of-pocket expenses	Workout fee: 0.5% of any re-performing loan (principal plus interest) Liquidation fee: 0.5% of any liquidation loan proceeds

Figure 26. Special servicing transfer events

Special servicing transfer events	Exceptions / comments / periods
Repayment default	A loan event of default is outstanding on the relevant final loan repayment date.
Cross-default	A loan default arising from a cross-default or any creditors' process
Imminent payment default	21-day grace period
Insolvency, bankruptcy or similar actions	21-day grace period
Material non-monetary event of default	21-day grace period

7.3.3. Issuer account bank, paying agent and calculation agent

The Bank of New York Mellon SA/NV, Milan Branch, an indirect wholly owned subsidiary of Bank of New York Mellon, acts as the issuer account bank.

The issuer account bank replacement period is longer than Scope's expected period

The issuer must maintain these accounts with a financial institution satisfying the applicable account bank-requisite long-term ratings or, if unable to do so, procure a replacement as per the agency agreement within a 60-day maximum replacement period. We expect a replacement of the account bank within a 30-day period or within a 60-day period if the exposure is sufficiently collateralised.

Figure 27. Issuer account bank requisite and current ratings

Issuer account bank	Requisite / current ratings				Replacement period	Comment
	Short-term		Long-term			
	M	DBRS	M	DBRS		
The Bank of New York Mellon SA/NV, Milan Branch	R-1 / R-1	P-1 / P-1	A2 / Aa2	A / AA+	60 days	All requisite ratings must be maintained

7.3.4. Trustee

The Bank of New York Mellon SA/NV acts as trustee. It is one of the world's largest providers of corporate trust services and a subsidiary of BNY Mellon, the main banking subsidiary of The Bank of New York Mellon Corporation.

7.3.5. Cash manager

Finanziaria Internazionale Investments SGR S.p.A. acts as cash manager. The cash manager can withdraw funds from the liquidity reserve on behalf of the issuer to cover a relevant interest shortfall.

8. Legal and tax analysis

8.1. Securitised loan interest level

8.1.1. Loan bank accounts

Both loans have weak and permissive cash trap covenant structures

Both loan bank accounts are customary for financings of this nature. The bank accounts are all euro-denominated, and the facility agent has signing rights on the debt service account, the rental income account and the prepayment account. Both loans have weak and permissive cash trap covenant structures that authorise borrowers to use cash trap proceeds for corporate expenses, management fees, permitted capex projects, leasing commissions, letting costs, tenant improvements, taxes and rent collection fees.

8.1.2. Loan security package

Both loan security packages are customary for financings of this nature, such as legal mortgages, fixed charges on real estate and interest, pledges over lease agreements, accounts and insurances and subordinated debt.

8.1.3. Loan event of defaults

Absence of loan financial covenants unless a permitted change of control occurs

There are no financial covenants on the Jupiter and Thunder II loans unless a permitted structural change of control occurs, and their cash trap covenants will not trigger a cash sweep.

8.1.4. Loan legal opinions

The legal loan items covered in the offering circular are customary for financings of this nature. We did not receive transaction loan legal opinions. Covered loan legal items are customary for financings of this nature and cover status, binding obligations, powers and authority, absence of insolvency proceeds, securities, absence of stamp duties and no-conflict with other obligations, among other things.

8.2. Issuer level

8.2.1. Issuer security package

The issuer security package is customary for transactions of this nature. It mainly includes a first-ranking mortgage over each property, pledges over the borrowers' accounts, and the assignment of rights and receivables (insurance and proceeds from leases).

8.2.2. Issuer events of default

Issuer events of default are customary for transactions of this nature.

Figure 28. Issuer events of default

Events of default	Cassia 2022-1 S.R.L.
Non-payment of interest or principal (most senior class)	✔
Breach of other obligations	✔
Cessation of business or bankruptcy	✔
Insolvency proceedings	✔
Winding-up of the issuer	✔

8.2.3. Transaction opinion

The legal items covered in the offering circular are customary for financings of this nature. We did not receive transaction legal opinions.

Figure 29. Scope of the transaction opinion

Legal items covered	Cassia 2022-1 S.R.L.
Status: duly incorporated and validly existing	✓
Binding obligations: legal, valid, binding and enforceable obligations	✓
True sale (transfer of legal and beneficial ownership)	✓
Powers and authority: capacity and authorisation of signatories	✓
Absence of insolvency proceedings	✓
Absence of registration requirements	✓
Security: perfection, priority and enforceability of security interests	✓
Absence of transaction documents stamp duties	✓
Jurisdictions	Italy and Luxembourg

9. Data analysed

We have accessed the following documents publicly available.

Figure 30. Data shared with Scope

Transaction package	Cassia 2022-1 S.R.L.
Transaction-level	
Offering circular	✓
Collateral management agreement	⃠
Servicing agreement	✓
Trust deed	⃠
Agency agreement	✓
Side documents	⃠
Legal opinions	⃠
Asset summaries report	✓
Audited data tape	⃠
Securitised loan levels	
Sponsor/asset manager presentation	✓
Senior facility agreements	⃠
Intercreditor agreements (if any)	⃠
Legal opinions	⃠
Valuation reports	✓
Security package	⃠
Hedging documents	⃠

10. Sensitivity analysis

We tested the resilience of the credit ratings based on cash flow performance at closing. We applied credit rating-conditional stresses to the initial cash flows and the market value as described below. This sensitivity analysis has the sole purpose of illustrating the sensitivity of the credit ratings' levels to input assumptions and is not indicative of expected or likely scenarios.

We note that our credit ratings embed qualitative factors that are not considered in these quantitative results.

Figure 31. Sensitivity to deviations in main assumptions

Scenario	Deviation from assigned credit rating (in notches)		
	Class A	Class B	Class C
Higher rental value haircuts (+20%)	0	0	0
Higher structural vacancy rate (+20%)	0	0	0
Higher capitalisation rates (+20%)	0	0	0
Top two rated tenants jump-to-default	0	+3	0
Euribor excess amount considered in the rating promise	-3	0	-2
33% voluntary prepayment on both loans	0	-3	N/A (notes repaid)
Jupiter only (Thunder II repaid)	0	+3	+3
Thunder II only (Jupiter repaid)	+3	+3	+1
5% per annum inflation rate	0	+3	0
Rent rolled updated to the servicer's latest report (fewer breaks on the main tenants)	+3	+3	+1

11. Peer analysis

Securitised loans exhibit below average financial metrics compared to European CRE loan peers

The transaction's underlying loan metrics are lower than those of recently securitised European CRE loans reflecting a tight structuring.

The notes-to-value ratios are in the low end of the peer range of comparable CMBS classes reflecting an above average equity cushion.

The notes exhibit below average ICR metrics exposing them, and particularly the class C, to deferred and unpaid interest risks.

The notes ICR are in the low end of the range of peer comparable CMBS classes exposing them, and particularly the class C, to deferred and unpaid interest risks.

Respective class debt yield metrics are in the high end of the peer range, which reflects a stabilised rental income combined with an adequate leverage.

Class A and class B credit enhancement are in the high end of the range of peer comparable CMBS classes reflecting the robustness of these classes.

Figure 32. European securitised loan metrics

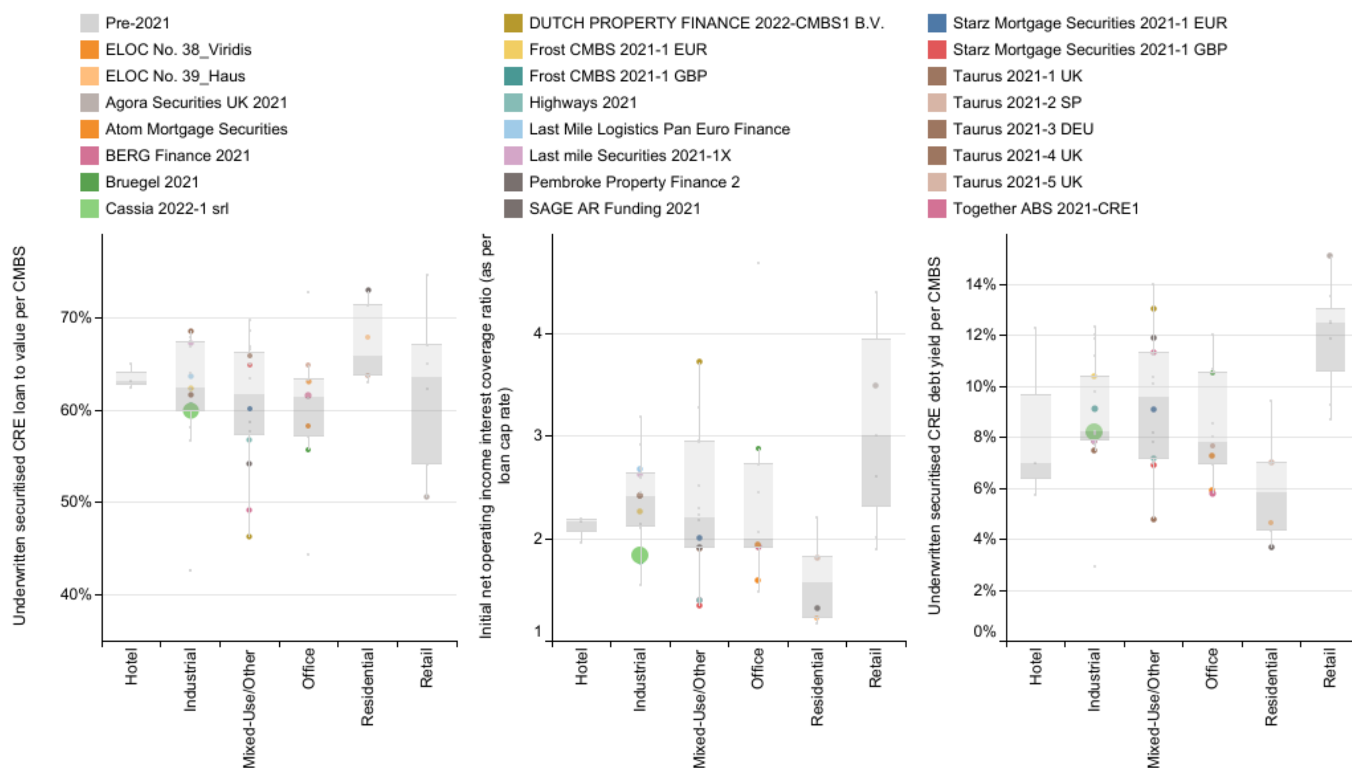
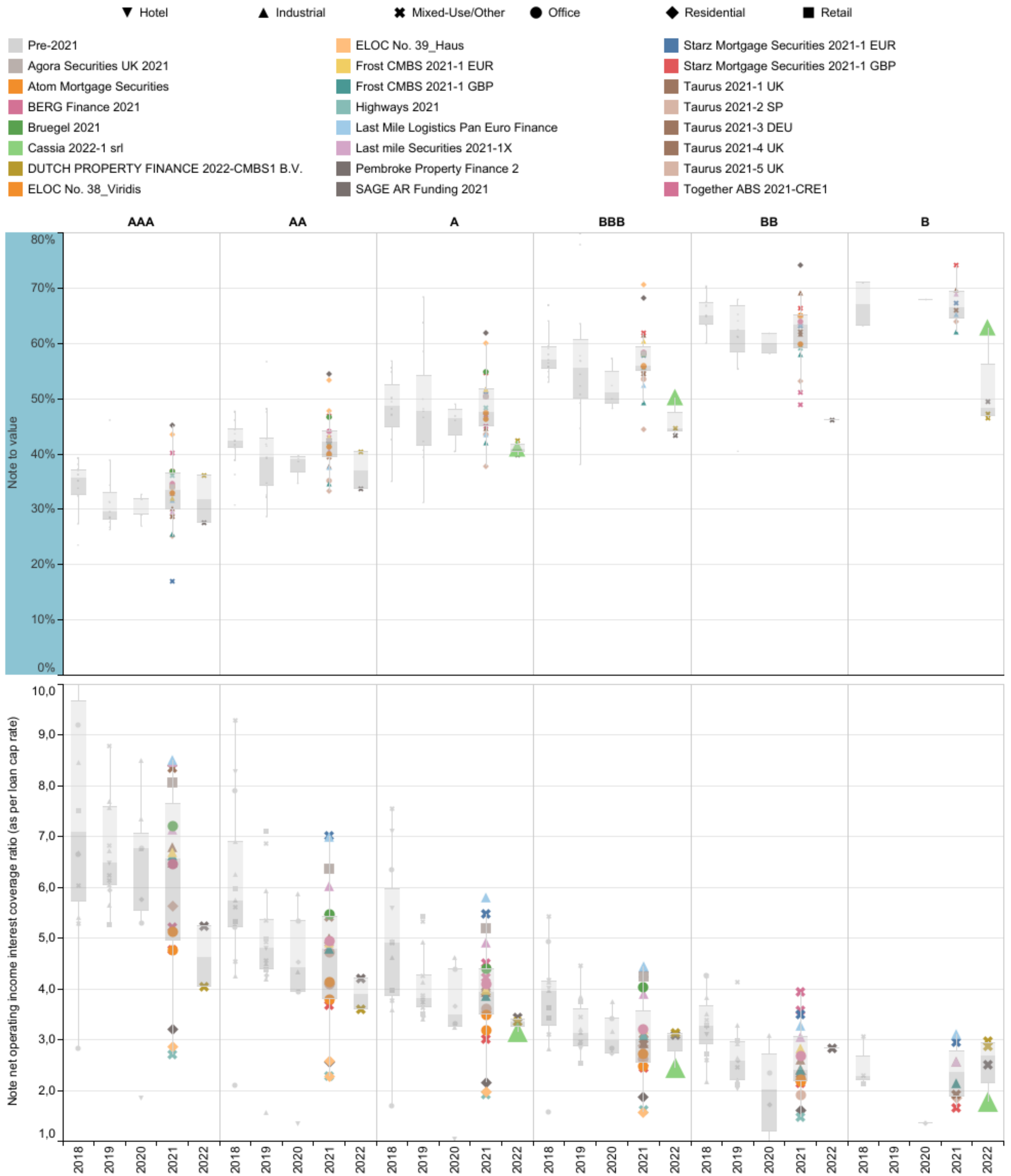
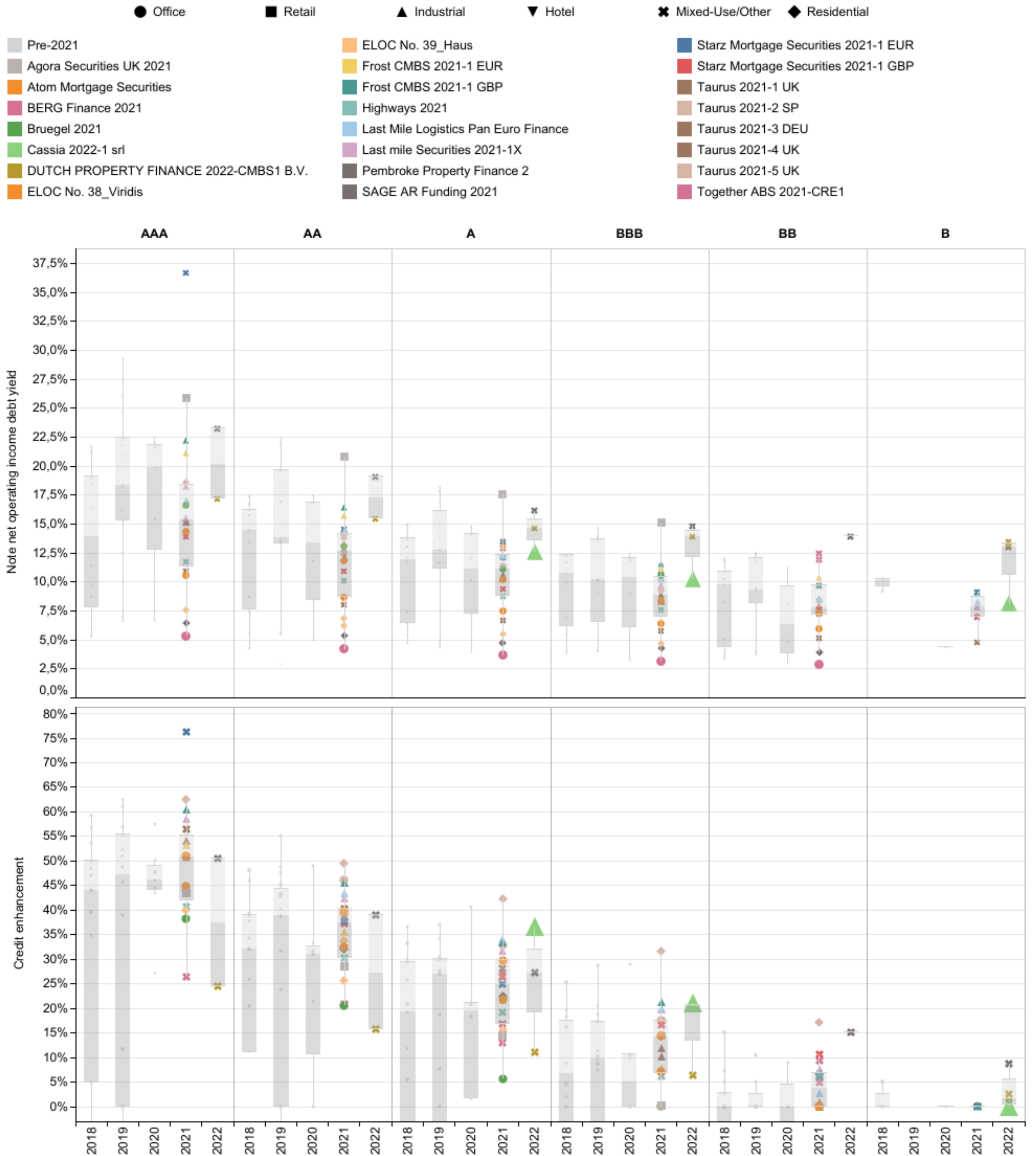


Figure 33. European CMBS note to value and ICR metrics per rating category[6]



[6] Outliers like Starz Mortgage Securities 2021-1 EUR Class A are removed for presentation purposes.

Figure 34. European CMBS note debt yield and credit enhancement metrics per rating category



12. ESG considerations

Environmental, social and governance (ESG) aspects are considered in our analysis when credit relevant. CRE loans and commercial mortgage-backed securities are generally subject to the following ESG elements, as is the subject transaction.

12.1. Environmental

EPC are missing for some properties

We did not receive any environmental-related reports in relation to the loans advanced by the loan sponsor. However, we notice the lack of a minimum energy performance certification for some properties as well as soil and groundwater contamination investigations, excavation works or potential contamination sources, such as underground storage tank systems and oil interceptors. This is mainly due to certain assets being in close proximity to sites used for certain polluting activities.

Three properties have been identified to be exposed to medium to high-risk environmental issues:

- Concorezzo property: The borrower expects to remove unused underground storage tanks located in the vicinity of the property if and only if doing so does not affect the building structure.
- Fizzonasco property: The soil and groundwater are contaminated by hydrocarbons, iron and manganese following its former usage as an aluminium manufacturing site. Soil investigations performed in 2021-22 reported no adverse findings and confirmed that no additional monitoring was necessary.
- Genoa property: The site contains underground storage tanks. A technical expert will assess whether these tanks can be removed and whether a soil investigation will be required in the area around the tanks.

The lenders have not incentivised borrowers to produce ESG reporting, including on the carbon footprint of their properties.

12.2. Social

Strong tailwinds for the logistic sector

The Jupiter and Thunder II portfolios are mostly exposed to the logistics sector. This sector has benefited greatly from a change in consumer behaviour from brick-and-mortar retail to e-commerce.

12.3. Governance

Covenant-lite loans

At the loan level, both Jupiter and Thunder II exhibit a covenant-lite legal structure with an absence of default mechanisms prior to a permitted change of control. Loan cash trap mechanisms allow costs to be deducted from the trapped amount prior to being swept. The loans also embed a dynamic release premium that is lower than the observed average release premium for similar transactions, creating exposure to selective asset disposal risks.

Misalignment of interest between class holders and VRR holders increasing risks of unpaid deferred interest.

The transaction features a misalignment of interest between noteholders and VRR instrument holders with the servicing of the risk retention interest and principal ranks senior to class A interest and principal. We expect deferred interest shortfalls on the most junior classes of notes may not be fully repaid if the loans refinance. In such scenario, the loan lenders, the loan sponsor and the VRR noteholders will not be incentivised to cure such shortfalls as they will not be exposed to such unpaid deferred interest.

Aggressive liquidity reserve amortisation

The transaction also embeds a low liquidity reserve that amortises even if the underlying loans do not amortise due to an understated initial multiplier. Consequently, the liquidity reserve amount shrank by EUR 1.7m at the first interest payment date with the proceeds allocated pro-rata to class A to class C. Amendments to the documentation, including a correction of the multiplier, reinstated the required liquidity reserve amount at

EUR 11.5m. The liquidity reserve will be topped up through excess spread (if any) and/or principal repayments on the loans. We note that the excess spread stemming from the amortisation of the notes is unlikely to be sufficient to top it up to EUR 11.5m before at least three years.

Figure 35. Issued instruments' credit relevant ESG factors

Environmental	Social	Governance
• Absence of minimum energy performance certification • Presence of underground storage tanks • Absence of borrower ESG reporting	• Logistic sector tailwinds	• Covenant-lite loans • Misalignment of interest between noteholders and VRR instrument holders • Low liquidity reserve amortising unconditionally of loan amortisation • Not a standard transparent and simple (STS) transaction

13. Sovereign risk

Scope rates Italy at BBB+, Stable Outlook

On 29 July 2022, Scope's sovereign ratings team affirmed Italy's credit rating of BBB+, Stable Outlook[7]. Sovereign risk does not limit the transaction's rating. The risks of an institutional framework meltdown or legal insecurity are immaterial for the rated instrument, especially given its short expected weighted average life.

Italy's BBB+/Stable rating benefits from:

i) Supportive European monetary and fiscal policy frameworks under the EU and euro area institutional architecture

ii) The Italian economy's size (EUR 1.8trn of GDP) and diversification. Combined with a high per-capita income of around EUR 30,000, a strong external sector, moderate non-financial private sector debt and financial system buffers, this supports economic resilience.

iii) A favourable public debt structure with an average cost of funding of around 2.5% and an average debt maturity of around seven years. Italy's significant economy, financial markets and political relevance as a founding member of the EU further underpin Scope's expectation of exceptional support from European institutions under stressed scenarios. This includes the ECB's flexible reinvestment of securities purchased via its asset purchase programmes and the Transmission Protection Instrument.

Rating challenges include:

i) Weak public finances, given high government debt of around 145%-150% of GDP and elevated annual funding needs (including bills) of 25%-30% of GDP that are expected to persist into the medium term

ii) Structural bottlenecks, which hinder medium-term growth by limiting productivity growth and creating labour market rigidities that curb employment growth and labour force participation

[7] Scope affirms Italy's BBB+/Stable long-term credit ratings

iii) Weak demographics, with an ageing and declining working population that will continue to weigh on government finances and growth; and iv) a fluid and fragmented political environment, with snap elections scheduled for 25 September and a risk of a long period of policy inertia.

The ratings/Outlooks could be upgraded if there was, individually or collectively: i) a firm downward trajectory in the debt-to-GDP ratio; and/or ii) improved medium-term economic growth resulting from effective implementation of public investments and structural reforms to which EU fund disbursements are subject.

Conversely, the ratings/Outlooks could be downgraded if, individually or collectively: i) support from European institutions weakened, increasing refinancing risk on Italy's high public debt stock; ii) the medium-term growth outlook weakened due to delays in public investment and/or reforms under the country's recovery and resilience programme; and/or iii) the fiscal outlook deteriorated, resulting in slower fiscal consolidation and an associated slower decline, or even reversal, in the debt-to-GDP ratio.

14. Monitoring

We may assign final ratings subject to a review of the latest rent roll, loan agreements, legal opinions, hedging agreements and any other documentation available to noteholders and credit rating agencies solicited by the issuer. Final credit ratings may deviate from preliminary ratings.

Scope will monitor final ratings if preliminary ratings were to be converted in final ratings

We will monitor final ratings based on performance reports from the management company as well as other available information. The ratings will be monitored continuously and reviewed at least once a year, or earlier if warranted by events.

Scope analysts are available to discuss all details surrounding the rating analysis

Scope analysts are available to discuss all the details surrounding the rating analysis, the risks to which this transaction is exposed and the ongoing monitoring of the transaction.

15. Applied methodology and data adequacy

For these credit ratings, Scope applied its CRE Security and CMBS Rating Methodology (6 Oct 2022), General Structured Finance Methodology (17 Dec 2021) and Counterparty Risk Methodology (14 Jul 2022). All methodologies are available on our website, www.scoperatings.com.

16. Appendix 1: Jupiter loan

Loan summary

Jupiter is a logistics portfolio composed of 20 predominantly northern Italian light industrial logistics assets and one office (located in an industrial estate) offering 165,997 sq m. Bank of America Europe DAC and Goldman Sachs Bank Europe SE refinance the existing indebtedness of the borrower, including refinancing the acquisition of the Jupiter portfolio.

As at the cut-off date, the transaction exhibits a debt yield ratio of 8.9% and an LTV ratio of 61.5%, a physical occupancy level of 93.2% and a WAULB of 3.8 years and some letting potential (1.4% under-rented) as at cut-off date.

Figure 36. Executive summary

Loan details	Jupiter Senior loan	Total
Loan amount (EUR m)	72.35	
Loan type	Senior	
Interest rate type (reference rate)	3M Euribor (floored at 0%)	
Margin	3.18%	
Remaining term to maturity (years)	5.00	
Amortisation rate (p.a.)	0.00%	

Transaction metrics[2]	Current[3]
Loan-to-market value (%)	61.5%
Interest coverage ratio (% of net rental income)	1.90x
Debt service coverage ratio (% of net rental income)	1.90x
NRI[4] debt yield (% total debt)	8.9%
NRI investment yield (%)	5.5%
Financial occupancy[5] (% of ERV[6])	91.7%
Physical occupancy (% of gross lettable area)	93.2%
Rental performance[7] (% ERV of leased units)	98.6%
WAULB / WAULT / WAULTtoLT[8] (years)	3.8 / 9.6 / 4.1

Collateral details	Current[3]	Per sqm
Properties (#)	21	
Units (#)	41	
Total collateral market value (EUR)	117.7	708.8
Net floor area (sq m '000s)	166.0	
Freehold properties	21	
Single-tenant properties	16	

Asset type	% of market value	% of GLA[9]
Industrial	99.0%	99.1%
Office	1.0%	0.9%

Tenancy details	Current[3]	Per sqm
Tenants (#)	29	
Leases (#)	37	
Gross rental income (EUR m passing rent p.a.)	8.3	49.8
Net rental income (EUR m passing rent p.a.)	6.4	38.7
Estimated rental value (EUR m p.a.)	9.0	54.1
Lease type (NNN, NN, N) (% passing NRI)	100%/ 0%/ 0%	

Structural enhancement	
Senior credit enhancement[10]	0%
Senior liquidity reserve	0
Interest rate hedging	Interest rate cap (100% / 1.5%)

Financial covenants (at closing)	Soft covenant	Hard covenant
Loan-to-value	69.9%	72.4%
Debt yield	8.8%	7.7%

Diversification score	Inverse Herfindhal	Diversification discount
CRE (#)	9	0.2%
CRE type (#)	1	0.0%
CRE location (#)	2	0.1%

Micro location	% of market value	% of GLA
Lombardy	68.0%	61.8%
Lazio	13.7%	11.8%
Campania	7.0%	4.8%
Tuscany	4.9%	7.8%
Veneto	3.7%	9.3%

Macro location	% of market value	% of GLA
Italy	100.0%	100.0%

Top tenant	Passing rent (% of GRI)	WAULB (y) / WAULT (y)
Bracchi	38.0%	5.4 / 11.4
Fippi	18.6%	4.6 / 10.6
DHL	8.7%	1.2 / 2.6
Nippon Express	5.9%	1.7 / 7.7
DC Italia	5.3%	3.6 / 11.6
Top 10	93.5%	3.9 / 9.7
Total	100.0%	3.8 / 9.6

Transaction parties			
Company	Mileway Italy 2021 Holdco S.à r.l. Mileway Italy 2021 Pledgeco S.à r.l.	Sponsor	The Blackstone Group Inc.
Originator/arranger	Bank of America Europe DAC Goldman Sachs Bank Europe SE	Asset manager	Mileway

[1] Modelled by Scope. [2] Calculated on a day-one basis, not forward-looking. [3] As at cut-off date. [4] Net rental income = passing rent – non-recoverable cost (as defined by Scope). [5] Financial occupancy = contracted gross rental income / portfolio estimated rental value. [6] Estimated rental value. [7] Rental performance = contracted gross rental income / estimated rental value of non-vacant units. [8] Cut-off weighted average unexpired lease term until the first break option, cut-off weighted average unexpired lease term, weighted average unexpired lease term from closing to loan term. [9] Gross lettable area. [10] Credit enhancement = 1 - (loan amount / market value).

Credit rating drivers and mitigants

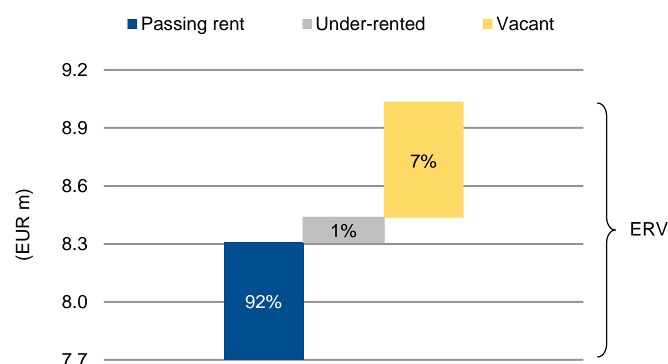
Positive loan credit rating drivers	Negative loan credit rating drivers
Experienced sponsor and asset managers. Blackstone is the leading real estate private equity firms in the world and the main sponsor of European logistics CMBS. Mileway, an affiliate of Blackstone, is its counterpart in last-mile logistics. Both Logicor and Mileway have a robust track record and extensive experience managing assets. **Good location and quality property.** The properties are good quality, and all are strategically located close to at least one of Italy's main logistics corridors and/or one of its main cities. **Moderate leverage and strong metrics.** Jupiter presents an initial LTV ratio of 61.5% and an 8.9% debt yield at cut-off.	**Top tenant break option risk upon loan maturity.** Bracchi, contributing to 38.0% of the passing rent, can exercise its lease break option few months before the loan maturity. Refinancing risks will increase because of Brachhi's departure. **Weak covenants.** There is no financial covenant prior to a permitted change of control. Furthermore, the cash trap mechanism allows costs to be deducted from the trapped amount prior to being swept and the LTV covenant is calculated considering an up to 5.0% portfolio premium. Consequently, we don't expect debt to amortise ahead of refinancing term.

Asset manager and business plan summary

Mileway, an affiliate of Blackstone, is the largest owner of last-mile logistics real estate assets and light industrial assets close to urban areas in Europe, including more than 60 properties across Italy's largest cities.

The sponsor's business plan is to maintain occupancy at around (or above) 96% and to invest a capex budget of circa EUR 1.0m (36% of MV) in the Arezzo asset to relet it at market rent.

Figure 37. Potential rental income breakdown (% ERV)



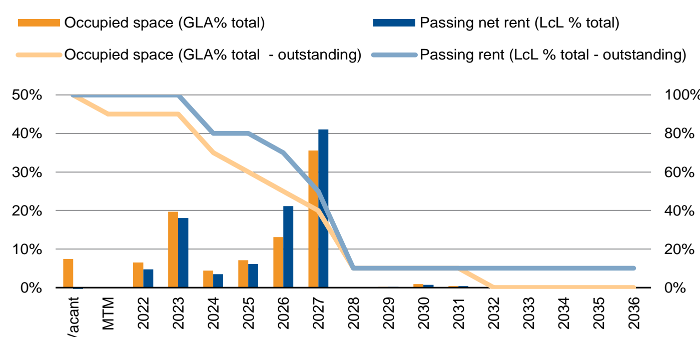
Source : Scope Ratings, transaction documents

Tenancy summary

The portfolio is slightly under-rented (1.4%) and exhibits a WAULB/T of 3.8/9.6 years at cut-off in October 2021. The WAULT is 4.1 years longer than the loan term at closing in April 2022.

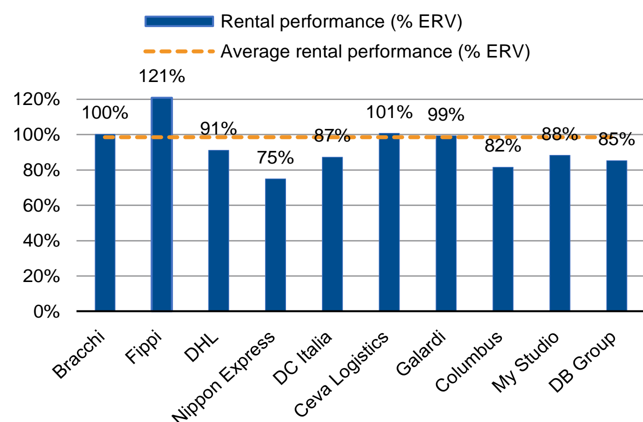
Tenancy is concentrated, with the top three and top 10 tenants contributing 65.3% and 93.5% of passing rent respectively. Bracchi, the largest tenant, contributes 38.0% of passing GRI with a 5.4-year WAULB and a 11.4-year WAULT.

Figure 38. Rent roll expiration



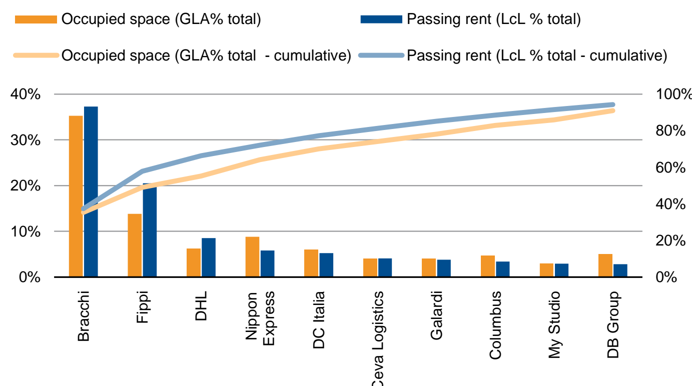
Source : Scope Ratings, transaction documents

Figure 39. Top 10 tenant rental performance



Source : Scope Ratings, transaction documents

Figure 40. Top 10 tenant analysis



Source : Scope Ratings, transaction documents

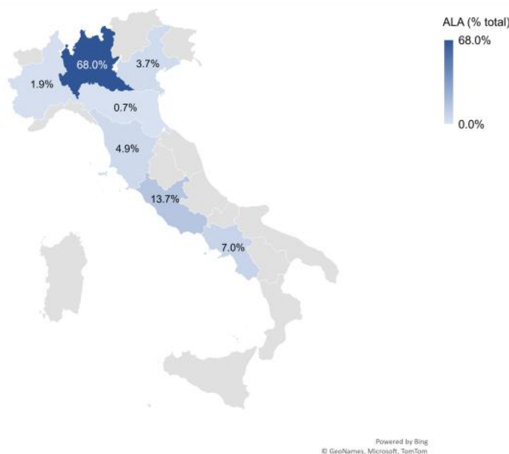
Collateral summary

The secured assets are mainly concentrated in Lombardy (68.0% of MV), Lazio (13.7%) of MV), Campania (7.0% of MV) and Tuscany (4.9% of MV). Sixteen of the properties are single-let.

The largest asset, Rho, accounts for 17.5% of portfolio MV and 18.6% of GRI. It is a large warehouse of 21,143 sq m located within 20kms of Milan featuring double-sided cross-dock, a small number of doors and a small eaves. It was renovated in 2019. The property is single-let and occupied by Fippi with a 10.6-year remaining lease term (4.6-year remaining lease to break option) at cut-off.

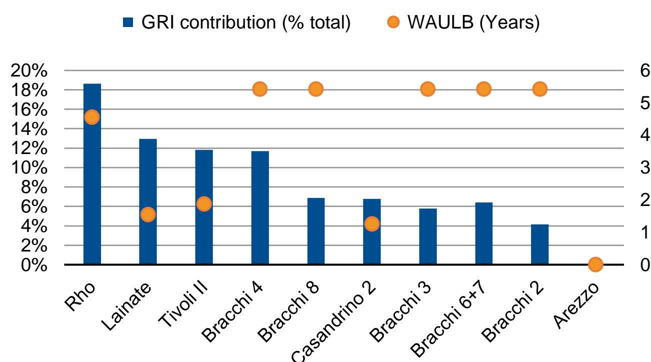
Strong occupier market fundamentals drive the Italian logistics market. Vacancy is at a record low (2.5%), rental trends are positive (2.2% seven-year CAGR) and new grade A supply is limited (7.1% of total stock in 2020 including 1.1% of speculative new supply).

Figure 41. Portfolio location (ALA %)



Source : Scope Ratings, transaction documents

Figure 42. Top 10 property analysis



Source : Scope Ratings, transaction documents

Liability summary

Figure 43. Key terms of the financing

<table>
<tr><th>Terms</th><th>Content</th></tr>
<tr><td>Loan amount</td><td>Senior loan EUR 72.35m</td></tr>
<tr><td>Additional pari passu or junior debt</td><td>Sponsor is permitted to put in place structurally subordinated mezzanine financing up to 75% LTV (EUR 6.0m) subject to pre-agreed conditions.</td></tr>
<tr><td>Origination date / term and extensions</td><td>April 2022 / Five years no extension</td></tr>
<tr><td>Interest rate</td><td>Interest rate: 3M Euribor + 3.18% p.a., quarterly payments
Default interest rate: 1.0% p.a.</td></tr>
<tr><td>Principal amortisation</td><td>None prior to a permitted change of control, 1% p.a. thereafter</td></tr>
<tr><td>Sponsor guarantee</td><td>N/A</td></tr>
<tr><td>Security package</td><td>Typical for a deal of this nature, including but not limited to first-ranking mortgages over real estate assets and share pledges over insurance, accounts and SPV shares</td></tr>
<tr><td>Key events of default</td><td>Customary for transactions of this nature, such as non-payment, breach of financial covenants, misrepresentation, cross-default, insolvency or financial indebtedness, non-completion of the project before completion date, developer insolvency
Change of control permitted under certain conditions</td></tr>
<tr><td>Financial covenants</td><td>
<table>
<tr><th rowspan="2"></th><th colspan="2">Cash trap</th><th colspan="2">Default</th></tr>
<tr><th>LTV*</th><th>Debt yield**</th><th>LTV***</th><th>Debt yield****</th></tr>
<tr><td>Year 1</td><td rowspan="5">69.85%</td><td>8.8%</td><td rowspan="5">N/A</td><td rowspan="5">N/A</td></tr>
<tr><td>Year 2</td><td>8.8%</td></tr>
<tr><td>Year 3</td><td>8.8%</td></tr>
<tr><td>Year 4</td><td>9.0%</td></tr>
<tr><td>Year 5</td><td>9.0%</td></tr>
</table>
*: calculated as the proportion expressed as a percentage of the aggregate market value of the collateral to the then most recent valuation plus a 5% portfolio premium
**: calculated as the ratio of adjusted net rental income for the relevant period to net debt on that interest payment date
***: There are no default covenants until triggered by a permitted change of control. Thereafter, the lower of 72.35% and the LTV ratio at the permitted change of control date plus 15%.
****: There are no default covenants until triggered by a permitted change of control. Thereafter, the lower of 6.13% and 85% of the debt yield ratio at the permitted change of control date
</td></tr>
<tr><td>Prepayment</td><td>
<table>
<tr><th>Prepayment fees</th><th></th></tr>
<tr><td>Year 1-5</td><td>Nine-month make-whole after the first 20% of total commitment free of prepayment costs</td></tr>
</table>
</td></tr>
<tr><td>Release mechanism</td><td>
<table>
<tr><th>Release mechanism (% allocated loan amount)</th><th>Pre-permitted CoC*</th><th>Post-permitted CoC*</th></tr>
<tr><td>First 10% of collateral value</td><td>100%</td><td rowspan="3">115%</td></tr>
<tr><td>10% to 20% of collateral value</td><td>105%</td></tr>
<tr><td>Thereafter</td><td>110%</td></tr>
</table>
* Release prices will be reduced pro rata by application of prepayment proceeds, subject to a floor of 102.5%.
</td></tr>
</table>

17. Appendix 2: Thunder II loan

Loan summary

The Thunder II loan consists of 17 predominantly northern Italian big-box logistics assets and three plots of land totalling 341,000 sq m. They are managed by Logicor.

The EUR 164.0m five-year interest-only first-lien senior mortgage loan refinances the existing indebtedness of the borrower including refinancing the acquisition of the Thunder II portfolio.

As at the cut-off date, the securitised loan exhibited a debt yield ratio of 8.7% and an LTV ratio of 61.4%, a physical occupancy level of 99.8%, a WAULB of 4.1 years and some letting potential (4.3% under-rented) as at cut-off date.

Figure 44. Executive summary

Loan details	Thunder II	Total
Loan amount (EUR m)	164.01	
Loan type	Senior	
Interest rate type (reference rate)	3M Euribor (floored at 0%)	
Margin	3.18%	
Remaining term to maturity (years)	5.00	
Amortisation rate (p.a.)	0.00%	

Transaction metrics[2]	Current[3]
Loan-to-market value (%)	61.4%
Interest coverage ratio (% of net rental income)	1.86x
Debt service coverage ratio (% of net rental income)	1.86x
NRI[4] debt yield (% total debt)	8.7%
NRI investment yield (%)	5.3%
Financial occupancy[5] (% of ERV[6])	96.1%
Physical occupancy (% of gross lettable area)	99.8%
Rental performance[7] (% ERV of leased units)	95.7%
WAULB / WAULT / WAULTtoLT[8] (years)	4.1 / 9.7 / 4.2

Collateral details	Current[3]	Per sq m
Properties (#)	20	
Units (#)	26	
Total collateral market value (EUR)	266.9	223.4
Net floor area (sq m '000s)	341.4	
Freehold properties	20	
Single-tenant properties	14	

Asset type	% of market value	% of GLA[9]
Industrial	97.7%	28.6%
Development	2.3%	0.0%

Tenancy details	Current[3]	Per sq m
Tenants (#)	21	
Leases (#)	24	
Gross rental income (EUR m passing rent p.a.)	16.2	47.4
Net rental income (EUR m passing rent p.a.)	14.2	41.7
Estimated rental value (EUR m p.a.)	17.0	49.7
Lease type (NNN, NN, N) (% passing NRI)	100%/ 0%/ 0%	

Structural enhancement	
Senior credit enhancement[10]	0%
Senior liquidity reserve	0
Interest rate hedging	Interest rate cap (100% / 1.5%)

Financial covenants (at closing)	Soft covenant	Hard covenant
Loan-to-value	69.9%	72.4%
Debt yield	7.0%	6.1%

Diversification score	Inverse Herfindhal	Diversification discount
CRE (#)	10	0.2%
CRE type (#)	1	0.0%
CRE location (#)	3	0.1%

Micro location	% of market value	% of GLA
Tuscany	43.6%	9.1%
Lombardy	31.7%	11.3%
Liguria	7.6%	3.4%
Emilia-Romagna	7.1%	1.7%
Piedmont	6.2%	2.2%

Macro location	% of market value	% of GLA
Italy	100.0%	100.0%

Top tenant	Passing rent (% of NRI)	WAULB (y) / WAULT (y)
Sammontana	15.8%	11.3 / 17.4
AF Logistics	10.3%	4.7 / 11.0
Zignago	9.8%	5.8 / 11.8
TNT	6.9%	2.3 / 2.3
Carrefour	6.0%	1.9 / 15.9
Top 10	73.8%	5.1 / 11.1
Total	100.0%	4.1 / 9.7

Transaction parties			
Company	Thunder (Italy) Holdco II S.à r.l. Thunder (Italy) Pledgeco II S.à r.l.	Sponsor	The Blackstone Group Inc.
Originator/arranger	Bank of America Europe DAC Goldman Sachs Bank Europe SE	Asset manager	Logicor

[1] Modelled by Scope. [2] Calculated on a day-one basis, not forward-looking. [3] As at cut-off date. [4] Net rental income = passing rent - non-recoverable cost (as defined by Scope). [5] Financial occupancy = contracted gross rental income / portfolio estimated rental value. [6] Estimated rental value. [7] Rental performance = contracted gross rental income / estimated rental value of non-vacant units. [8] Cut-off weighted average unexpired lease term until the first break option, cut-off weighted average unexpired lease term, weighted average unexpired lease term from closing to loan term. [9] Gross lettable area. [10] Credit enhancement = 1 - (loan amount / market value).

Credit rating drivers and mitigants

Positive loan credit rating drivers

Experienced sponsor and asset managers. Blackstone is the leading real estate private equity firms in the world and the main sponsor of European logistics CMBS. Logicor, originally founded and now partially owned by Blackstone, is the largest owner and operator of distribution and logistics warehouses across Europe and have a robust track record and extensive experience managing assets

Good location and quality property. The properties are good quality, and all are strategically located close to at least one of Italy's main logistics corridors and/or one of its main cities. The portfolio is fully let (99.8% of the gross leasable area) and exhibits a WAULB and WAULT of 4.1 years and 9.7 years respectively – longer than the loan's five-year tenor.

Rental uplift potential. The portfolio is under-rented (4.3%) providing potential additional income from active asset management.

Negative loan credit rating drivers

Tenant concentration. Tenancy is concentrated with top three and top 10 tenants contributing 35.9% and 73.8% of gross passing rent respectively. Sammontana, the largest tenant, contributes 15.8% of gross passing net rental income with a 11.3-year WAULB and a 17.4-year WAULT.

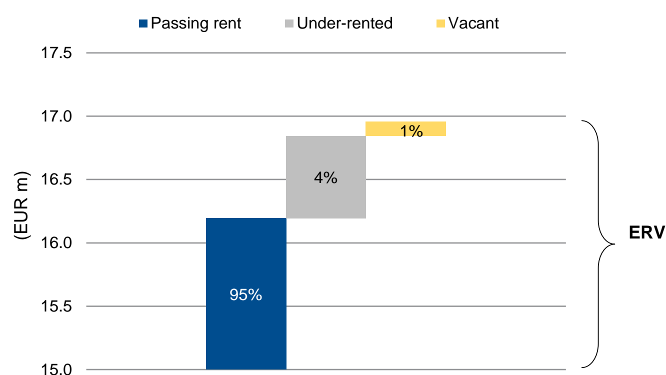
Some reletting risk in the second year. 22% of the leasable space and 27% of the passing rent are expiring in 2023. Mitigant:

Asset manager and business plan summary

Logicor, the second-largest logistics and industrial platform in Italy, owns and operates 1m sq m of logistics space among logistics parks and standalone buildings. The majority of facilities are big-box distribution centres with an average size of 35,000 sq m. Logicor has a strong footprint in Rome, the south belt, Bologna and Verona.

The sponsor's business plan is to maintain occupancy around 96%, re-gear in-place rent up to the estimated rental value as leases roll over, and to invest a capex budget of EUR 10.3m (3.9% of MV) over five years when required by leasing events.

Figure 45. Potential rental income breakdown (% of ERV)



Source : Scope Ratings, transaction documents

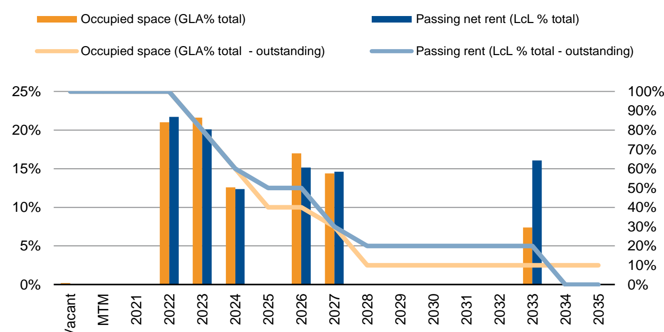
Tenancy summary

The portfolio is under-rented (4.3%) and exhibits a WAULB/WAULT of 4.1/9.7 years at cut-off in October 2021. The WAULT is 4.1 years shorter than the loan term at closing in April 2022.

Tenancy is concentrated with top three and top 10 tenants contributing 35.9% and 73.8% of gross passing rent respectively. Sammontana, the largest tenant, contributes 15.8% of gross rental income with a 11.3-year WAULB and a 17.4-year WAULT.

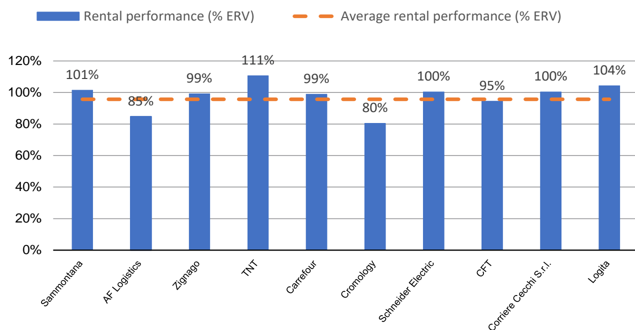
Note: TNT sent a break notice but continues to pay its EUR 1.3m rent until lease expiry in December 2023. We understand it vacated the property.

Figure 46. Rent roll expiration



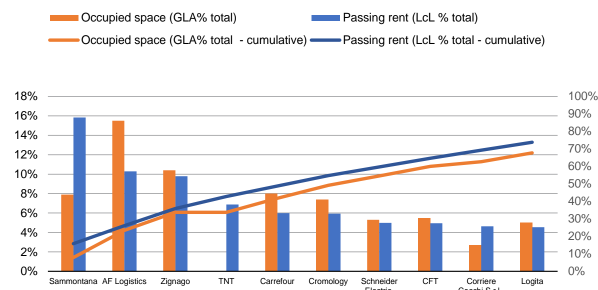
Source : Scope Ratings, transaction documents

Figure 47. Top 10 tenant rental performance



Source : Scope Ratings, transaction documents

Figure 48. Top 10 tenant analysis



Source : Scope Ratings, transaction documents

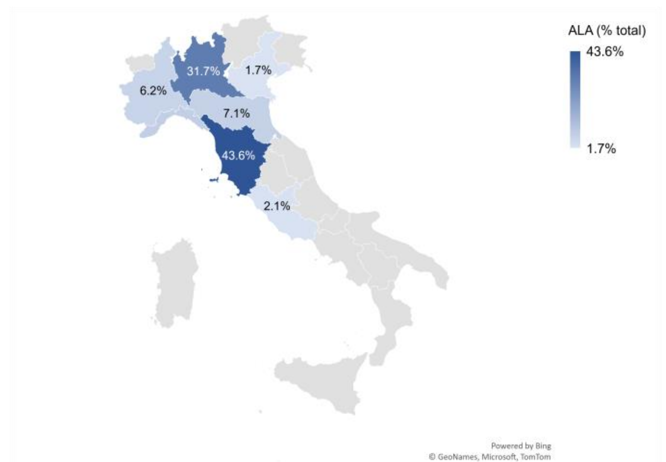
Collateral summary

The secured assets are mainly concentrated in Tuscany (43.6% of MV) and Lombardy (31.7% of MV). Eight of the top 10 assets are single-let.

The largest asset, Montelupo, accounts for 22.4% of portfolio MV and 20.7% of GRI. It is let to three tenants with a WAULB and WAULT of 9.2 years and 15.2 years respectively.

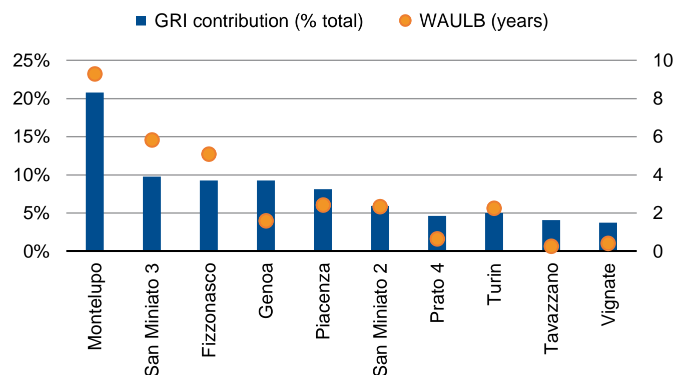
Strong occupier market fundamentals drive the Italian logistics market. Vacancy is at a record low (2.5%), rental trends are positive (2.2% seven-year CAGR) and new grade A supply is limited (7.1% of total stock in 2020 including 1.1% of speculative new supply).

Figure 49. Portfolio location (ALA %)



Source : Scope Ratings, transaction documents

Figure 50. Top 10 property analysis



Source : Scope Ratings, transaction documents

Liability summary

Figure 51. Key terms of the financing

Terms	Content
Loan amount	Senior loan EUR 164.0m
Additional pari passu or junior debt	Sponsor is permitted to put in place structurally subordinated mezzanine financing up to 75% LTV (EUR 13.8m) subject to pre-agreed conditions.
Origination date / term and extensions	April 2022 / Five years no extension
Interest rate	Interest rate: 3M Euribor (floored at 0%) + 3.18% p.a., quarterly payments Default interest rate: 1.0% p.a.
Principal amortisation	None prior to a permitted change of control, 1% p.a. thereafter
Sponsor guarantee	N/A
Security package	Typical for a deal of this nature, including but not limited to first-ranking mortgages over real estate assets and share pledges over insurance, accounts and SPV shares.
Key events of default	Customary for transactions of this nature, such as non-payment, breach of financial covenants, misrepresentation, cross-default, insolvency or financial indebtedness, non-completion of the project before completion date, developer insolvency Change of control permitted under certain conditions
Financial covenants	See table and notes below
Prepayment	See table below
Release mechanism	See table below

Financial covenants

	Cash trap		Default	
	LTV*	Debt yield**	LTV***	Debt yield****
Year 1	69.85%	7.0%	N/A	N/A
Year 2		7.0%		
Year 3		7.0%		
Year 4		7.6%		
Year 5		7.6%		

*: calculated as the proportion expressed as a percentage of the aggregate market value of the collateral to the then most recent valuation plus a 5% portfolio premium

**: calculated as the ratio of adjusted net rental income for the relevant period to net debt on that interest payment date

***: There are no default covenants until triggered by a permitted change of control. Thereafter, the lower of 72.35% and the LTV ratio at the permitted change of control date plus 15%

****: There are no default covenants until triggered by a permitted change of control. Thereafter, the lower of 7.70% and 85% of the debt yield ratio at the permitted change of control date

Prepayment

Prepayment fees	
Year 1-5	Nine-month make-whole after the first 20% of total commitment free of prepayment costs

Release mechanism

Release mechanism (% allocated loan amount)	Pre-permitted CoC*	Post-permitted CoC
First 10% of collateral value	100%	115%
10% to 20% of collateral value	105%	
Thereafter	110%	

*Release prices will be reduced pro rata by application of prepayment proceeds, subject to a floor of 102.5%.

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