

Real Estate Insight

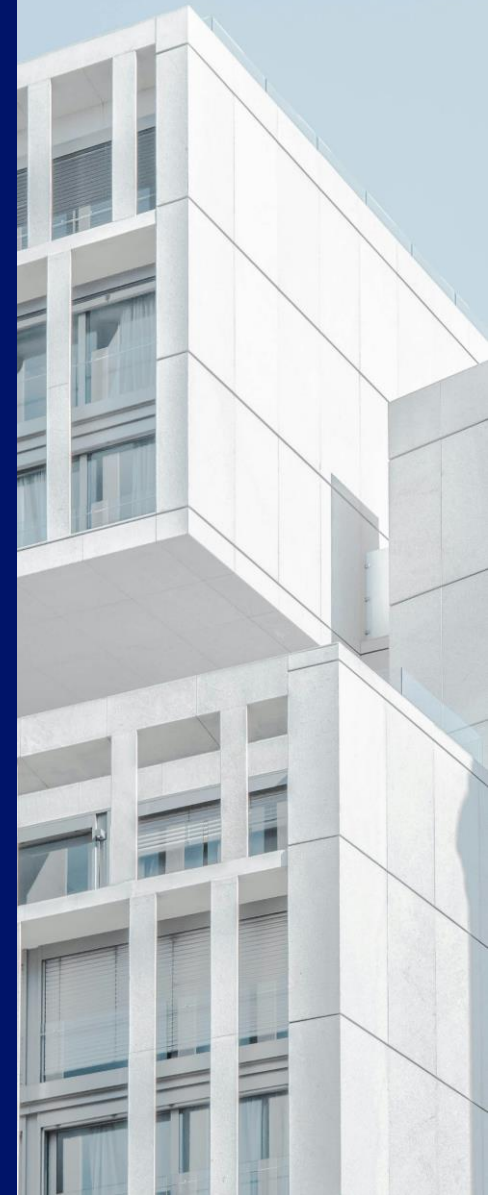
April 2024

Scope Group's regular round-up of recent research on the real estate sector, from companies and markets to funds and structured products

Europe's real estate companies grapple with negative credit outlook; German banks look resilient despite CRE risks; bond market access a differentiator for property companies; systemic risks still high in European housing

The logo for SCOPE, featuring the word "SCOPE" in a blue serif font, centered within a white square that has a dark grey circle cutout behind the letters.

SCOPE



Webinar: Commercial real estate – how concerned should debt investors be?

April 2024 — “Stressed commercial real estate valuations and European bank and investor exposure continue to be key areas of concern. But is talk of contagion risk and even financial stability risk justified?” Analysts from Scope’s corporate, banking and covered bonds teams outlined their thoughts and answered investor questions in a panel discussion. [Watch Webinar →](#)



Philipp Wass
Managing Director



Matthias Pleissner
Senior Director

Real estate outlook: negative credit prospects in sector where scale, diversification crucial

February 2024 — “The credit outlook in European real estate will diverge further this year: stable for firms with higher-quality assets, low leverage, robust business models and sufficient scale to refinance debt without sacrificing investment– and negative for the rest.”



Philipp Wass
Managing Director



Thomas Faeh
Executive Director

German banks: systemic crisis unlikely amid persistent concerns about real estate slump

March 2024 — “Germany’s specialist mortgage lenders and Landesbanken have large real estate portfolios, however, and some of their exposure is outside Germany, particularly in the US office sector. These banks have had to contend with noticeable increases in NPL ratios and some have booked significant loan-loss provisions.”



Christian van Beek
Director

European ESG corporate bonds: pick-up expected after slow 2023

February 2024 — “We believe the increase in ESG issuance will partly be driven by a mild recovery in volumes from the real estate sector, which is facing significant refinancing requirements this year. Further support in the second half of the year may also come from anticipated interest-rate cuts.”



Eugenio Piliego

Director



Anne Grammatico

Associate Director

Bond market access a credit differentiator for real estate companies

February 2024 — “The return of European real estate companies to the bond market is noteworthy because reasonable-cost capital market funding will be vital to de-risk balance sheets. But the market will not be open to all and this will drive divergences in credit quality.”



Philipp Wass

Managing Director

Structured Finance Activity Report: negative rating drift continues recent reversal

February 2024 — “Most downgrades were on NPLs (68%) and CRE/CMBS instruments (20%). In the case of NPLs, downgrades were mainly attributable to depressed sales prices; in the case of CRE/CMBS, to refinancing risk and depressed values against a backdrop of persistent inflation and rising interest rates.”



Shashank Thakur

Analyst



Stefano Bracchi

Associate Analyst

Systemic risk remains high in European housing market

January 2024 — “Assessing each mortgage market’s exposure to real estate encumbrance in general, Sweden, Netherlands and Norway come out as having high risk. Switzerland and Austria will be less systemically affected by mortgage turmoil as they have low owner-occupancy rates and below-average debt leverage.”



Mathias Pleissner

Senior Director



Karlo Fuchs

Managing Director

European CRE/CMBS outlook: stormy seas to continue

January 2024 — “We estimate 40% of fully-extended securitised loans present high or very high refinancing risks in 2024, on a par with last year’s performance, which saw slightly more securitised CRE loans defaulting or being modified at maturity than we expected at the start of the year.”



Florent Albert

Director



Benjamin Bouchet

Director

European commercial real estate: Signa insolvency rattles sentiment; wider impact to be modest

December 2023 — “The insolvency of Signa Holding GmbH has unsettled Europe’s commercial property market, but the Austrian company’s troubles are an amplified rather than typical example of the challenges the sector faces.”



Philipp Wass

Managing director



Thomas Faeh

Executive director

Asset-quality review: European banks at a crossroads in 2024

December 2023 — “There is no broad-based deterioration of asset quality at this point; the focus is on identified pockets of risk such as commercial real estate and corporate credit exposures that tend to be granular; economic recovery in the euro area is likely to be modest but we do not foresee recession; and higher interest rates boost earnings generation and loss-absorption capacity.”



Nicolas Hardy

Deputy head, Financial Institutions



Pauline Lambert

Executive Director

Europe hybrid bond market: issuance to steady after strong but partial rebound to EUR 20bn in 2023

December 2023 — “Tighter financial conditions in Europe have weighed particularly heavily on the interest-rate sensitive real estate sector – marked by some high-profile insolvencies and credit rating downgrades – with a corresponding impact on the hybrid issuance from property companies.”



Azza Chammem

Associate Director

European real estate: companies face jump in bond refinancing in 2024-26 as investment burden grows

October 2023 — “Deleveraging through asset sales is essential for most issuers to meet creditors’ expectations of de-risked balance sheets. However, this confronts the sector with a potentially vicious circle given the danger that the selling will only be possible at valuations below latest appraisals, thus leading to a sharp drop in asset values, further weakening balance sheets.”



Philipp Wass

Managing Director