

This report does not constitute a rating action.

The aim of this newsletter is to provide a periodic update of selected commentaries and rating actions from S&P Global Ratings related to real estate. This edition covers the period from Aug. 12, 2024, to 11:00 a.m. BST on Aug. 27, 2024.

If you have comments or feedback on this edition, please [click here](#).

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Research Highlights

North America

No Quick Fix For The U.S. Affordable Housing Shortage (Aug. 21, 2024)

Practice: Public Finance

Segment: Residential

More than ever, finding affordable housing in the U.S. is a challenge. Not-for-profit lenders and developers are responding to demand with limited impact on credit--for now.

In this research, we examine how access to affordable housing has changed over time, particularly since the COVID-19 pandemic began; the role of affordable housing to help improve socioeconomic outcomes; and the credit implications of these trends on the affordable housing entities we rate.

[Click here to access the report »](#)

Latin America

Latin America Structured Finance Surveillance Chart Book: August 2024 (Aug. 21, 2024)

Practice: Structured Finance

Segment: Commercial, Residential

This report includes a roundup of the latest new issuance and credit developments that we have observed across structured finance sectors in Latin America, along with data on issuance drivers and underlying performance indicators.

[Click here to access the report »](#)

Europe, Middle East, Africa

European Covered Bonds Resist Commercial Real Estate Jitters (Aug. 27, 2024)

Practice: Structured Finance

Segment: Commercial

Europe's ongoing commercial real estate (CRE) valuations correction is increasing credit risk, particularly for the office and retail sectors. Covered bonds have remained resilient to this risk, although a few issuers face challenging funding conditions.

Higher interest rates, expanding e-commerce, and the rise in remote working accelerated by the COVID-19 pandemic have produced unprecedented levels of stress in European CRE. Some sectors now face market value declines that exceed those during the global financial crisis. Despite falling prices, CRE performance in covered bonds has remained relatively stable, although we have observed a meaningful deterioration recently.

[Click here to access the report »](#)

European RMBS Index Report Q2 2024 (Aug. 16, 2024)

Practice: Structured Finance

Segment: Residential

Our European RMBS index tracks the collateral performance of the transactions we rate.

Quarter-on-quarter total delinquencies were stable in most indices, with notable exceptions being U.K. nonconforming pre 2014, Ireland other, U.K. buy-to-let (BTL) post 2014, and Dutch BTL. The increase in U.K. BTL post 2014 and Dutch BTL relates to a relatively small number of specific transactions rather than an across-the-board deterioration.

For several jurisdictions, arrears will likely continue to increase as borrowers refinance into the higher-rate environment and/or deal with softening labor markets and wage growth. However, proactive servicing and forbearance may increase collection rates for delinquent loans than in previous periods of stress.

[Click here to access the report »](#)

Bulletin: Deutsche Pfandbriefbank Continues To Navigate Difficult Commercial Real Estate Markets (Aug. 14, 2024)

Practice: Financial Institutions

Segment: Commercial

Deutsche Pfandbriefbank AG's (pbb) second quarter results showed that credit losses on commercial real estate (CRE), particularly in the U.S., remained elevated and weighed on the bank's profitability. Reported earnings were in line with our expectations, and we continue to project that stabilizing CRE market indicators will cause credit losses to ease through the second half of 2024 and in 2025.

We project that pbb will report significant but decreasing levels of credit losses in the second half of 2024, as we anticipate abating pressure due to rate cuts. Lower interest rates could mean reducing pressures on market values and coverage ratios, and could also allow the bank to release some of the modeled and interest-rate sensitive Stage 1 and 2 credit loss provisions. For full-year 2024, we expect credit losses to materialize toward the upper end of our previously forecast range of 35 basis points (bps)-45bps. However, if interest rates remain higher for longer than anticipated, this could further pressure asset quality.

[Click here to access the report »](#)

2023 Annual European Structured Finance Default And Rating Transition Study (Aug. 12, 2024)

Practice: Structured Finance

Segment: Commercial, Residential

The European structured finance default rate was 0.11% in 2023, up from 0.07% in 2022. Of the five defaults in 2023, one was investment-grade (rated 'A'). Nevertheless, we believe our European structured finance ratings continue to correspond with creditworthiness over time. Four of the defaults, including the investment-grade default, came from structured credit. The other came from residential mortgage-backed securities.

[Click here to access the report »](#)

Asia-Pacific

Bulletin: Longfor's Rental Portfolio Will Help Counter Weakness In Property Development (Aug. 26, 2024)

Practice: Corporates

Segment: Commercial, Residential

Longfor Group Holdings Ltd.'s cash flow from its property rental businesses and scope for refinancing bank borrowings should help the Chinese property company maintain adequate liquidity. However, we expect the company's leverage to remain elevated due to a prolonged weakness in China's property development market.

[Click here to access the report »](#)

Bulletin: China Overseas Grand Oceans Can Control Leverage With Margin Recovery (Aug. 26, 2024)

Practice: Corporates

Segment: Residential

A likely margin recovery and disciplined land spending will help China Overseas Grand Oceans Group Ltd. (COGO) control leverage over the next 12-18 months. We expect lower property deliveries and margin compression will likely push COGO's debt-to-EBITDA ratio to 5.6x-5.8x in 2024, from 4.4x in 2023. Leverage, however, should retreat to 4.6x-4.8x in 2025 as margins improve and the Chinese property developer continues to reduce debt.

[Click here to access the report »](#)

Rising Unemployment Will Lead To Higher Arrears Across Australian RMBS, Report Says (Aug. 26, 2024)

Practice: Structured Finance

Segment: Residential

Australian RMBS mortgage arrears fell during the second quarter of 2024. This partly reflects strong new issuance activity across the RMBS sector, which is diluting the SPIN, masking debt serviceability pressures. Arrears are yet to peak, with the lagging impacts of rising unemployment yet to emerge, according to S&P Global Ratings' recently published "RMBS Performance Watch: Australia."

"RMBS Performance Watch: Australia" provides a comprehensive analysis of arrears statistics on loans underlying Australian RMBS. The report is broken into eight parts.

[Click here to access the reports »](#)

Bulletin: The Bank of East Asia Will Keep Tackling Commercial Real Estate Risks (Aug. 23, 2024)

Practice: Financial Institutions

Segment: Residential

The Bank of East Asia Ltd. (BEA; A-/Stable/A-2) will continue to tighten risk control and reduce exposure to commercial real estate (CRE) amid weak property markets in mainland China and Hong Kong. The Hong Kong-based bank's 2024 interim results were broadly within our expectations.

[Click here to access the report »](#)

RMBS Performance Watch: New Zealand Q2 2024 (Aug. 23, 2024)

Practice: Structured Finance

Segment: Residential

"RMBS Performance Watch: New Zealand" provides a comprehensive analysis of arrears statistics on loans underlying New Zealand RMBS.

[Click here to access the report »](#)

Your Three Minutes In China Infrastructure REITs: Hard Reality For China LGFVs (Aug. 22, 2024)

Practice: Corporates

Segment: Commercial, Residential

China's broadening of eligibility for infrastructure REITs won't meaningfully address LGFV debt, in our view. Local government financing vehicles (LGFVs) from developed regions may have limited need for the instrument. Those from less affluent regions have few REIT-eligible assets.

The new eligibility rules expanded the assets that could be injected into trusts, including certain tourism properties, elderly care facilities, some rental housing, and some industrial properties. It also relaxed minimum returns and proportion of proceeds for working capital use.

In theory, REITs could be a useful tool for monetizing the rich trove of assets held by China's LGFVs, aiding in their deleveraging, which is critically needed. In practice, REITs have not been well utilized and are less useful to the entities that need them the most.

[Click here to access the report »](#)

Selected Rating Actions

Non-Financial Corporations

- [Swire Pacific 'A-' Ratings Affirmed On Portfolio Resilience; Outlook Stable](#), Aug. 27, 2024
- [PulteGroup Inc. Outlook Revised To Positive On Sustained Positive Operating Momentum, Ratings Affirmed](#), Aug. 26, 2024
- [PODS LLC Downgraded To 'B-' On Weaker Credit Metrics; Outlook Stable](#), Aug. 20, 2024
- [NNN REIT Inc. 'BBB+' Ratings Affirmed On Sound Operating Performance; Outlook Stable](#), Aug. 16, 2024

- [European Real Estate Company Shurgard Self Storage Ltd. Assigned 'BBB+' Rating; Outlook Stable](#), Aug. 13, 2024
- [Cousins Properties L.P. Assigned 'BBB' Issuer Credit Rating. Outlook Negative; Senior Unsecured Notes Rated 'BBB'](#), Aug. 13, 2024
- [Goodman Group 'BBB+' Rating Affirmed As Development Earnings Grow; Outlook Stable](#), Aug. 13, 2024
- [Serbia-Based Marera Investment Group Ltd. Downgraded To 'CCC+' From 'B-'; Outlook Negative](#), Aug. 12, 2024

Public Finance

- [German Public Housing Provider HOWOGE Wohnungsbaugesellschaft mbH 'A/A-1' Ratings Affirmed; Outlook Stable](#), Aug. 22, 2024
- [U.K. Social Housing Provider Home Group Ltd. 'A-' Ratings Affirmed; Outlook Stable](#), Aug. 22, 2024

Structured Finance – CMBS

- [Eight CALI Mortgage Trust 2019-101C Ratings Lowered](#), Aug. 26, 2024
- [Four COMM 2016-787S Mortgage Trust Ratings Lowered](#), Aug. 26, 2024
- [Four BX Commercial Mortgage Trust 2021-MC Ratings Lowered And Two Affirmed](#), Aug. 23, 2024
- [Dutch Property Finance 2022-CMBS1 B.V. Class C To F Ratings Raised; Class B Notes Affirmed](#), Aug. 23, 2024
- [Salus \(European Loan Conduit No. 33\) DAC U.K. CMBS Ratings Lowered](#), Aug. 22, 2024
- [Seven BAML Commercial Mortgage Securities Trust 2015-ASTR Ratings Lowered](#), Aug. 21, 2024
- [Five COMM 2016-667M Mortgage Trust Ratings Lowered And One Affirmed](#), Aug. 19, 2024
- [Three Ratings Lowered On GS Mortgage Securities Trust 2016-GS3](#), Aug. 15, 2024
- [Seven BAML Commercial Mortgage Securities Trust 2016-ISQR Ratings Lowered](#), Aug. 15, 2024

Structured Finance – RMBS

- [Ratings On 32 Classes Of Australian Prime RMBS Affirmed; 13 Ratings Removed From UCO](#), Aug. 27, 2024
- [Primus Trust 2023-1R Class A Notes Rating Affirmed And Removed From UCO](#), Aug. 26, 2024
- [Ratings On 12 Australian RMBS Classes Raised; 49 Ratings Affirmed; 48 Ratings Removed From UCO](#), Aug. 26, 2024

- [Series 2019-1 REDS Trust Class A-R Notes Assigned Rating: Five Note Classes Affirmed, One Withdrawn](#), Aug. 23, 2024
- [Various Rating Actions Taken On 31 Classes From 27 U.S. RMBS Transactions](#), Aug. 22, 2024
- [Ratings On 60 Classes Of Australian Prime RMBS Affirmed; 26 Ratings Removed From UCO](#), Aug. 22, 2024
- [Eurosail 2006-2BL PLC Class E1c And F1c U.K. Nonconforming RMBS Ratings Lowered; Class B1a To D1c Notes Affirmed](#), Aug. 21, 2024
- [Light Trust 2019-1 Class A-R Notes Assigned Rating; One Rating Withdrawn; Four Ratings Affirmed, Three Removed From UCO](#), Aug. 21, 2024
- [Apollo Series 2008-1R Trust Ratings Affirmed And Removed From UCO](#), Aug. 21, 2024
- [Kookaburra Securitisation Trust 2021-1R Class A Notes Rating Affirmed And Removed From UCO](#), Aug. 21, 2024
- [Hunter Trust Repo Series No.1 Class A Notes Rating Affirmed And Removed From UCO](#), Aug. 19, 2024
- [Six Ratings Raised, Two Affirmed In Landmark Mortgage Securities No.1 And No.3 PLC U.K. Nonconforming RMBS Transactions](#), Aug. 16, 2024
- [MTG SCU Trust Repo Series No.1 Class A Notes Rating Affirmed And Removed From UCO](#), Aug. 16, 2024
- [Progress 2008-1R Trust Ratings Affirmed And Removed From UCO](#), Aug. 15, 2024
- [Murray Trust Repo Series No. 1 Class A Notes Rating Affirmed](#), Aug. 15, 2024
- [Firstmac Ltd. STRONG Prime Residential Loan Servicer Ranking Affirmed; Outlook Stable](#), Aug. 13, 2024

Covered Bonds

- [Transaction Update: Sp Mortgage Bank PLC \(Mortgage Covered Bond Program\)](#), Aug. 15, 2024
- [Transaction Update: Jyske Realkredit A/S \(Capital Center E Mortgage Covered Bonds\)](#), Aug. 14, 2024

Upcoming Events

- [European Structured Finance Conference 2024](#), Sept. 5, 2024

Webinar Replays

- [Asia-Pacific Quarter 3 2024 Banking Update: A Choppier Ride For The Rest Of The Year](#), Aug. 21, 2024
- [U.S. Banking Update](#), Aug. 20, 2024

- [Australian Property Spotlight 2024](#), July 30, 2024
- [S&P Global Ratings' Analytical Approaches To Data Center Ratings](#), Aug. 1, 2024
- [Q3 2024 European Structured Finance Insights: Basel 3.1, Data Center Securitizations, And IO Risk In RMBS](#), July 17, 2024
- [Australian Property Spotlight Seminar 2024](#), July 24, 2024

Previous Edition Of Real Estate Digest

- [Real Estate Digest](#), Aug. 12, 2024

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