

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 Feb. 3, 2025, to 10:00 a.m. GMT on Feb. 17, 2025.

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Research Highlights

North America

How GSE Privatization Could Impact Credit Risk Transfer Ratings (Feb. 12, 2025)

Practice: Structured Finance

Segment: Residential

As the new presidential administration takes office, there is growing speculation as to whether there will be housing finance reform, including the potential privatization of government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac. Exiting conservatorship could have ramifications for the creditworthiness of the GSEs, and it could impact U.S. mortgage and housing markets broadly. We are monitoring related developments and potential credit implications. While this commentary does not contemplate the likelihood of privatization, we discuss the possible impact on mortgage-backed securities (MBS) and associated single-family credit risk transfer (CRT) transactions of the GSEs and how our CRT ratings could be affected.

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Asia-Pacific

Bulletin: GPT Group's Diversity Supports Investments And Strategy

Practice: Corporates

Segment: Residential

GPT Group is well-positioned to transition toward funds management, thanks to the quality and diversity of its balance sheet assets. The Australian property company aspires to increase the share of management operations in its total earnings.

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Bulletin: Greentown's Proposed U.S.-Dollar Notes Point To Improving Funding Access (Feb. 13, 2025)

Practice: Corporates

Segment: Residential

Greentown China Holdings Ltd.'s proposed notes could boost its liquidity and provide headroom for new investments. It also indicates the company's access to funding channels may be expanding beyond onshore bonds and onshore banks.

The deal will be the first major issuance of U.S. dollar unsecured bonds by a Chinese residential property developer since early 2022, when China's prolonged property downturn was beginning. Domestic markets have stayed somewhat open for selected developers throughout. For example, in January 2025, Greentown issued Chinese renminbi (RMB) 1 billion unsecured onshore bonds.

The operating environment for Chinese property developers, including Greentown, remains challenging. This is because developers are now competing for a slice of a shrinking pie. Keen price competition among Chinese developers would continue to squeeze Greentown's margins, in our view.

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Hong Kong's Office Market: With Rents Down, Valuations Will Follow (Feb. 12, 2025)

Practice: Corporates

Segment: Commercial

Hong Kong's office rents will keep falling this year, and valuations likely won't be far behind. The major landlords with grade-A space are among those facing downward revaluation hits. Hong Kong landlords are contending with economic uncertainty and rising competition from new builds. We expect they will employ more tactics to retain tenants, including deeper cuts in rent rates for renewals.

By our forecasts, the city's grade-A office rents will likely decline by 8%-10% this year. This is steeper than our previous forecast of a 5% drop. It also implies that rents will retreat to 2012 levels. Distressed office sales could rise, with a knock-on hit to valuations for even the sturdiest landlords. Book valuations for major landlords have been fairly sticky, relative to the continual fall in rents over the past five years. Such transactions would provide pricing datapoints to benchmark valuations, likely leading to more aggressive fair-value hits for office assets in the city.

The news is not all bad. An increase in absorptions over the past year is a positive sign, one that suggests incremental demand may soak up some of the new supply still coming online. But demand remains weaker than in pre-COVID-19 times.

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Bulletin: Shinhan Financial Grapples With Nonbank Property Risk (Feb. 6, 2025)

Practice: Financial Institutions

Segment: Residential

Shinhan Financial Group Co. Ltd. (SFG) is tightening its risk management and taking steps to ensure an adequate capital buffer. This will likely help it withstand heightened macroeconomic uncertainties. We expect Korea-based SFG (A/Stable/A-1) to continue its focus on managing property risks of its nonbank subsidiaries, such as Shinhan Capital Co. Ltd., Shinhan Securities Co. Ltd. (A-/Stable/A-2), and Shinhan Asset Trust Co. Ltd.

While the group has modest exposure to financing of domestic real estate projects relative to its total assets, generally weak asset quality at nonbanks could drag on overall financial performance. Of a total of Korean won (KRW) 8.8 trillion in real estate project financing at the group at the end of 2024, we estimate the nonbanks extended about half.

We believe Korea's property market will remain sluggish over the next one to two years. Our view reflects still-high borrowing costs and government efforts to lower the ratio of high household debt to GDP. Uncertain domestic politics also weigh on market sentiment.

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Distress Event Could Derail Hong Kong's Home-Price Stabilization (Feb. 5, 2025)

Practice: Corporates

Segment: Residential

Hong Kong's residential property recovery may be slipping out of view. We believe that any distress event involving major Hong Kong developers could trigger cascading effects, hitting the financial strength of rated entities and raising the risks of bondholders.

Speculation is building in the Hong Kong market about credit pressures on some local developers. Indeed, New World Development Co. Ltd. (unrated) issued announcements on Jan. 20 and Jan. 23, 2025, on the Hong Kong exchange addressing "rumours and speculations in relation to the Group's operations as well as its financial indebtedness." The company added that it was carrying out its businesses as usual and that it had refinanced about HK\$17.8 billion of bank loans since July 2024. New World is a major Hong Kong developer and a well-known name among homebuyers.

The liquidity buffers among some unrated developers look thin. To replenish their liquidity, some have tapped shareholders for cash injections, or have sold assets. However, shareholders' willingness to support a developer may wane, and that negotiations on asset sales might fall through. In such scenarios, the weak liquidity positions of some developers may bloom into full-blown financial distress.

We believe a high-profile default by a major developer would hit market confidence. Prospective homebuyers may delay purchases. Under this scenario, sales volumes of primary residences in 2025 would fall to about half of our base-case forecast of 20,000 units. Hong Kong's home prices could fall 5%-7% in the year as demand shrinks amid a supply overhang.

We view the stabilization of Hong Kong's residential property market as something less than robust. Projected cuts to interest rates may falter, homebuyer sentiment seems fragile, and the market faces a supply overhang. Adding a default by a major developer to this mix would be destabilizing.

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Bulletin: CapitaLand Integrated Commercial Trust Can Future-Proof Portfolio (Feb. 5, 2025)

Practice: Corporates

Segment: Commercial

CapitaLand Integrated Commercial Trust (CICT) has sufficient financial capability to upgrade its assets and future-proof its portfolio. High quality and good positioning of the REIT's portfolio will continue to drive performance, in our view.

We expect CICT (A-/Stable/--) to prudently manage its credit ratios amid its efforts to enhance its portfolio. In our view, the Singapore-headquartered REIT might consider additional initiatives to enhance assets across its portfolio. This will keep CICT's assets competitive, particularly in weaker markets such as North Sydney, Australia. This is on top of two ongoing asset enhancement projects--its IMM Building in Singapore and Gallileo commercial building in Frankfurt, Germany--that it will complete in the second half of 2025.

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Bulletin: China Vanke Management Changes Signal Tighter State Control (Feb. 4, 2025)

Practice: Corporates

Segment: Residential

Changes to China Vanke Co. Ltd.'s board and senior management indicate that its largest shareholder is tightening its control. State-owned Shenzhen Metro Group Co. Ltd. had a 27.18% stake in the liquidity-stressed property developer as of Sept. 30, 2024. Shenzhen Metro is 100% owned by Shenzhen Municipal People's Government's State-owned Assets Supervision and Administration Commission.

Shenzhen Metro's increased control might help China Vanke maintain its relationships with banks and insurers, in our view. However, a lack of details remains as to how the new management will help alleviate pressure on China Vanke's liquidity. To properly manage China Vanke's mounting bond maturities in 2025, we believe the company needs to make timely cash collections from contracted disposals of noncore assets and raise incremental loans from financial institutions by pledging assets.

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Selected Rating Actions

Non-Financial Corporations

- [Beazer Homes USA Inc. Outlook Revised To Negative On Delayed Earnings; 'B+' Rating Affirmed](#), Feb. 14, 2025
- [KKR Real Estate Finance Trust Outlook Revised To Stable From Negative On Steady Asset Quality; 'B+' Rating Affirmed](#), Feb. 14, 2025
- [Retail Property Company IGD 'BB' Ratings Affirmed; Removed From CreditWatch On Signed Refinancing; Outlook Stable](#), Feb. 13, 2025
- [Adler Group Outlook Revised To Stable On Reduced Upcoming Refinancing Risk; 'B-' Ratings Affirmed](#), Feb. 10, 2025
- [Office Properties Income Trust Downgraded To 'CC' From 'CCC' On Proposed Debt Exchange Offer; Outlook Negative](#), Feb. 7, 2025
- [Simon Property Group Inc. Outlook Revised To Positive On Resilient Operating Performance; Ratings Affirmed](#), Feb. 6, 2025

Structured Finance – CMBS

- [Two Benchmark 2022-B37 Mortgage Trust Ratings Lowered, Five Affirmed](#), Feb. 14, 2025
- [Five Ratings Lowered And Three Affirmed From Benchmark 2018-B1 Mortgage Trust](#), Feb. 14, 2025
- [Seven BB-UBS Trust 2012-TFT Ratings Lowered](#), Feb. 14, 2025
- [Ratings Lowered On Six Classes From UBS Commercial Mortgage Trust 2017-C4; Six Ratings Affirmed](#), Feb. 13, 2025
- [Sequoia Logistics 2025-1 DAC CMBS Notes Assigned Ratings](#), Feb. 13, 2025

- [BBCMS Mortgage Trust 2025-C32 Certificates Assigned Ratings](#), Feb. 12, 2025
- [Two CG-CCRE Commercial Mortgage Trust 2014-FL1 Ratings Lowered And Five Affirmed](#), Feb. 7, 2025

Structured Finance – RMBS

- [COLT 2025-INV2 Mortgage Loan Trust Certificates Assigned Ratings](#), Feb. 14, 2025
- [Murray Trust Repo Series No.1 Class A Notes Rating Affirmed](#), Feb. 13, 2025
- [Thirty-Eight Ratings On Galton Funding Mortgage Trust 2019-1 Affirmed And Removed From CreditWatch](#), Feb. 13, 2025
- [Verus Securitization Trust 2025-INV1 Notes Assigned Ratings](#), Feb. 13, 2025
- [Jubilee Place 7 B.V. Dutch RMBS Notes Assigned Ratings](#), Feb. 13, 2025
- [Polaris 2025-1 PLC U.K. RMBS Notes Assigned Ratings](#), Feb. 13, 2025
- [Ratings Raised On Eight Classes Of Australian RMBS: 16 Classes Affirmed](#), Feb. 13, 2025
- [Together Asset Backed Securitisation 2025-2ND1 PLC U.K. RMBS Notes Assigned Ratings](#), Feb. 12, 2025
- [Ratings Raised On Nine Classes Of Notes From Three Triton Bond Trust RMBS Transactions](#), Feb. 11, 2025
- [Ratings Raised On 15 Classes Of Notes From Four Mortgage House Capital Mortgage Trust No.1 RMBS Transactions](#), Feb. 11, 2025
- [Ratings Raised On Two Pepper Prime Trust RMBS Transactions](#), Feb. 11, 2025
- [RESIMAC Triomphe Trust - Warehouse Series No.5 Class A1 Notes Rating Affirmed](#), Feb. 5, 2025
- [OBX 2025-NQM2 Trust Notes Assigned Ratings](#), Feb. 4, 2025
- [Canada Square Funding 7 PLC Class E-Dfrd U.K. RMBS Rating Lowered; Four Classes Affirmed](#), Feb. 4, 2025

Infrastructure

- [ULiving@Hertfordshire PLC Debt Rating Downgraded To 'BBB' On Declining Students And Higher Cash Flow Volatility; Outlook Remains Negative](#), Feb. 14, 2025

Covered Bonds

- [Transaction Update: DZ HYP AG \(Mortgage Covered Bond Program\)](#), Feb. 12, 2025
- [Transaction Update: Eurobank S.A. Global Covered Bond Program III](#), Feb. 10, 2025
- [Transaction Update: Danske Bank A/S \(Cover Pool C Mortgage Covered Bonds\)](#), Feb. 7, 2025

Upcoming Webinars And Events

- [Is A Storm Brewing For The Hong Kong Property Sector?](#), Feb. 20, 2025
- [Outlook 2025 For European Social Housing Providers](#), Feb. 6, 2025
- [Australia And New Zealand Structured Finance Outlook 2025: Exploring New Horizons](#), Feb. 4, 2025

Podcasts

- [Covered Bonds Uncovered - Episode 2](#), Feb. 7, 2025
- [Covered Bonds Uncovered](#), Dec. 17, 2024

Webinar Replays

- [Outlook 2025 For European Social Housing Providers](#), Feb. 6, 2025
- [Australia And New Zealand Structured Finance Outlook 2025: Exploring New Horizons](#), Feb. 4, 2025
- [European Structured Finance Outlook 2025](#), Jan. 21, 2025
- [U.S. and Canada Structured Finance 2025 Outlook](#), Jan. 16, 2025
- [U.S. Public Finance 2025 Outlook Series](#), Jan. 7 -23, 2025
- [Global Covered Bonds Outlook 2025](#), Dec. 10, 2024

Previous Edition Of Real Estate Digest

- [Real Estate Digest](#), Feb. 3, 2025

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