Research Update:

Blackstone Property Partners Europe Holdings 'BBB' Ratings Affirmed On Lower Leverage Post Disposals; Outlook Stable

July 7, 2025

Primary contact

Luis Peiro Camaro, CFA
Madrid
34-91-423-31-97
luis.peiro-camaro
@spglobal.com

Secondary contacts

Marie-Aude Vialle
Paris
33-6-15-66-90-56
marie-aude.vialle
@spglobal.com

Manish Kejriwal
Dublin
353-0-1-568-0609
manish.kejriwal
@spglobal.com

Rating Action Overview

- Following a significant amount of stabilized, lower growth, asset sales in 2024 totaled €2.1 billion; Blackstone Property Partners Europe Holdings (BPPEH) has significantly reduced adjusted leverage to 44.0% as of year-end 2024 from 49.1% in 2023, with a further €630 million of dispositions completed year to date.
- The increased headroom under current rating downside thresholds and BPPEH's own financial policy of 45%-50% reported net loan-to-value (LTV), provides additional financial flexibility. We expect BPPEH to increase its dividend distributions or increase investments. However, we understand the level of distribution or amount of acquisitions will be set in line with BPPEH's financial policy.
- Following the recent group restructuring, with certain U.K. logistic assets transferred outside the BPPEH consolidated perimeter to benefit from the U.K. REIT status, we now look at special combined accounts, which better reflect our view of the rated group, in line with our group rating methodology.
- Therefore, we affirmed our 'BBB' long-term issuer credit rating on BPPEH, and our 'BBB' issue rating on the company's senior unsecured debt instruments.
- The stable outlook reflects our view that BPPEH will likely continue to generate stable and predictable income on the back of a high-quality portfolio. While we expect leverage to increase from low-level, we expect BPPEH to maintain leverage metrics commensurate with the 'BBB' rating with the debt-to-debt plus equity ratio of about 44.0%-46.0%, EBITDA interest coverage of 2.6x-2.8x, and debt to EBITDA of about 14.0x-15.0x over the next 12 months.

Rating Action Rationale

A significant amount of dispositions of stabilized assets totaling €2.1 billion in 2024 and disposals of €630 million year to date have built headroom under current downside thresholds increasing BPPEH's financial flexibility to increase distributions or fund potential acquisitions. BPPEH successfully secured €2.1 billion in gross disposal proceeds in 2024. BPPEH used €1.4 billion of disposal proceeds for gross debt repayment, which contributed to reduce S&P Global Ratings-adjusted net debt to €5.3 billion in 2024 from €6.6 billion as of end-2023. As a result, reported net LTV improved to 43.0% from 48.0% which translated to our adjusted leverage improving to 44.0% from 49.1%. S&P Global Ratings-adjusted debt-to-EBITDA ratio also improved to 14.0x in 2024 compared to 17.0x a year earlier. BPPEH has closed an additional €630 million in asset sales year to date, which should further increase headroom under the current downside thresholds for the current 'BBB' rating (including 50% debt-to-debt-plus-equity ratio). We understand part of the headroom may potentially be used to increase investments or shareholder distributions, in line with BPPEH's financial policy to maintain reported LTV between 45%-50%, commensurate with the current rating level. Therefore, we assume dividend distributions of €500 million per year in 2025, 2026, and 2027 resulting in leverage increasing in line with BPPEH's financial policy. We understand dividends are not committed at this stage and remain dependent on BPPEH complying with its own financial policy. We do not anticipate further disposals other than those already closed year to date. We forecast S&P Global Ratings-adjusted debt-to-debt-plus-equity ratio to increase to 44%-46% in 2025 and to 46%-48% in 2026 as BPPEH increases dividend distributions, weighing on overall leverage. We expect that the leverage increase will be partially mitigated by our assumption of annual asset disposals of about €200 million in 2026 and 2027 as part of BPPEH's capital recycling asset rotation strategy, which we would note is below BPPEH's recent disposition pace, as well as sustained cash flow generation. Although the cash flow base will shrink due to asset disposals, lower overall leverage should contribute to partially mitigating higher funding costs. We expect BPPEH's average cost of debt to increase to about 2.5%-2.7% by end-2027 compared with 2.0% as of end-2024, as the company refinances upcoming debt maturities with new, costlier funding. As a result, we forecast EBITDA interest coverage to deteriorate slightly to about 2.6x-2.8x in 2025 and 2026 compared to 2.9x as of Dec. 31, 2024.

Rental reversionary potential, resilient occupancy, and positive like-for-like rental growth should contribute to mitigating income loss from asset sales and higher funding costs. Associated rental income loss to asset disposals will weigh on cash flow generation in the short term. However, significant reversionary rental potential, which management assessed at 17% as of Dec. 31, 2024; and a solid track record of rental increases beyond indexation, with a like-for-like rental increase of 6.0% in 2024, should partially mitigate the effect of asset sales on cash flow generation. We forecast a like-for-like growth of 3.5%-4.0% in 2025 and about 3.0%-3.5% in 2026, supported by indexation. This is because of consumer price index (CPI) estimates in the eurozone and the U.K., BPPEH's high asset quality, and capacity to capture the positive reversionary potential. As a result, despite an additional €630 million in asset sales year to date and the effect of significant disposals completed in 2024, we expect overall rental income, including asset rotation, to decrease by about 6% in 2025 to about €470 million from €496.9 million in 2024. We expect rental growth to offset rental income loss from disposals resulting in overall rental income growth of about 1%-3% in 2026 and 2027. Rental income growth potential should contribute to EBITDA generation offsetting the impact of rising funding costs on the BPPEH's interest servicing capacity, on the back of BPPEH's high quality asset base and

BPPEH's continuous capital expenditure (capex) program focusing on improving further asset quality.

BPPEH's commitment to its financial policy underpins leverage evolution because we anticipate a limited effect from further valuation correction to drive leverage metrics going forward. As we expect asset values and yields to stabilize, we expect cash flow generation and financial policy commitment to be the main determinants of leverage evolution going forward. BPPEH's like-for-like valuation declined by 0.6% in 2024, driven mainly by office assets that represented 14% of total portfolio gross asset value (GAV) as of end-2024 (a decline of 6.9% like-for-like valuation), as logistics (61% of total portfolio GAV) and residential assets (19% of total portfolio GAV) were able to compensate yield expansion with cash flow growth--slightly increasing asset valuation by 0.8% and 0.4% on a like-for-like basis, respectively. We assume flat portfolio revaluation of about 0.0%-0.5% in 2025, mainly due to further, although lower, negative valuation movements in office assets, offset by slight valuation growth of logistics and residential assets. We expect further positive valuation growth of about 0.5%-1.0% in 2026 and 2027 driven mainly by cash flow growth. We do not anticipate yield compression over the forecast period. As a result of our expectations of sustained positive cash flow generation and no further negative impact of asset valuation correction, leverage trajectory will depend on BPPEH's commitment to its 45%-50% LTV financial policy. We understand that management is committed to its financial policy and maintaining sufficient headroom under the current rating downside thresholds. Therefore, we expect any dividend distributions or potential acquisitions to be dimensioned so that leverage metrics remain commensurate with the current rating and BPPEH's financial policy.

We continue to view the unconsolidated entities as part of the group, in line with our criteria. To benefit from the U.K. REIT regime., BPPEH reorganized its structure by transferring certain of its U.K. logistic assets under two subsidiaries (U.K. Master REIT LP and BPPE Defender 2 Jersey LP), wholly owned by BPPEH's parent, Blackstone Property Partners Europe L.P. (BPPE). While BPPEH no longer consolidates these entities directly, the assets continue to guarantee the EMTN program. Although they are not consolidated, we view the two unconsolidated entities holding the U.K. logistic assets, as well as the ArchCo Guarantor (which was already structured in a similar way), as part of the BPPEH rating group in line with our Group Rating Methodology criteria. This is because we view the unconsolidated guarantors and BPPEH as entities with interlocking business relations as they share common financing, common management, have cross ownerships as all entities are ultimately subsidiaries of BPPE and have a shared corporate history as the nonconsolidated entities continue to guarantee BPPEH's EMTN program despite no longer being consolidated at BPPEH level. Looking at the perimeter of the special combined accounts provided by BPPEH, which are audited and publicly available, we understand that management will prepare this set of accounts going forward, reflecting the group nature of the entities guaranteeing the EMTN program. At the end of 2024, adjusted credit metrics were relatively similar between the consolidated accounts and the special combined accounts (which include nonconsolidated guarantor assets in entities outside the consolidated perimeter amounting to about €1 billion GAV and generated about €36 million-€38 million EBITDA for 2024).

Despite the significant upcoming debt maturities over the next 12-24 months of about €1.2 billion (of which the €521 million bond was repaid on June 30, 2025 with cash on balance sheet)-- the group's liquidity is supported by large cash balances, the recently upsized €800 million revolving credit facility (RCF), and expected asset disposal proceeds. This is in addition to the €2.3 billion of in place uncommitted unsecured bank facilities. Large cash balances of about €830 million as of March 31, 2025; the upsizing of its committed RCF to €800 million from €600 million, with a five-year maturity in the first quarter of 2025; and expected asset disposal proceeds anchor BPPEH's liquidity profile ahead of significant upcoming debt maturities. The company faces debt maturities in 2025, 2026, and 2027 totaling over €1.4 billion. As a result, weighted average debt maturity stood at 3.6 years as of Dec. 31, 2024 (pro-forma around five years assuming near-term maturity debt is refinanced with the unsecured bank facilities on a three-year term), close to our 3.0 year weighted average debt maturity threshold for real estate companies. That said, the BPPEH's proven access to debt capital markets as well as access to diversified funding sources such as the unsecured bank facilities soft commitments totaling €2.3 billion support its liquidity assessment which we continue to assess as adequate and mitigate the refinancing risks. BPPEH also has a track record of successful asset disposals despite tough market conditions, on the back of its high asset quality portfolio, providing additional sources of liquidity.

Outlook

The stable outlook reflects our view that BPPEH will likely continue to generate stable and predictable income from its assets in good locations. We also expect the company to benefit from leases mostly indexed to inflation or regular rent reviews, and the wide-ranging diversification within its portfolio. Our base-case scenario also factors in that BPPEH will increase its dividend distributions, while maintaining its financial ratios in line with its financial policy of 45%-50% reported LTV, commensurate with the current rating. Therefore, we forecast that BPPEH will maintain debt to debt plus equity of about 45.0%-48.0%; debt to EBITDA about 14.0x-15.0x; and EBITDA interest coverage of approximately 2.6x-2.8x in the next 12-24 months.

Downside scenario

We could lower our rating on BPPEH in the next 12-24 months if, on a prolonged basis:

- Debt to debt plus equity increases above 50%;
- EBITDA interest coverage falls below 2.4x; or
- Debt to EBITDA deviates significantly from our base case.

This could happen if BPPEH fails to comply with its financial policy or experiences higher portfolio devaluation than we currently assume.

Upside scenario

We could take a positive rating action if the company adopts a significantly more conservative financial policy such that:

- EBITDA interest coverage remains comfortably above 3.0x;
- Debt to EBITDA decreases to about 11.0x;
- Debt to debt plus equity decreases to 40% or below over a sustained period; and
- BPPEH maintains the scale and underlying diversity of its portfolio, with robust operating performance indicators.

We could also raise the rating if BPPEH significantly expands its portfolio and increases its diversification while maintaining its financial ratios and high-quality asset profile. An upgrade would also entail portfolio expansion focusing on prime assets in markets across Europe that benefit from sustained demand.

Company Description

BPPEH is a wholly owned subsidiary of BPPE, an open-ended, core plus fund managed by Blackstone Inc. (A+/Stable/--). BPPEH's portfolio consisted of 752 individual assets spread across 13 countries, mainly western Europe, with a GAV of €12.1 billion as of Dec. 31, 2024, primarily across the logistics, residential, and office.

Our Base-Case Scenario

Assumptions

- Eurozone real GDP to increase by 0.8% in 2025 and 1.1% in 2026, with CPI growth to soften to about 1.9% in 2025 and 1.7% in 2026 from 2.4% in 2024. We expect the labor market to remain tight with unemployment rate at about 6.3% in 2025 and 6.2% in 2026. We forecast similar real GDP growth in the U.K. in 2025 of 0.9% and 1.4% in 2026, with higher inflation levels at 3.1% in 2025 and 2.3% in 2026. In line with our forecasts for the eurozone we expect unemployment in the U.K. to remain low at 4.6% in 2025 and 4.7% in 2026.
- Like-for-like rental growth of about 3.5%-4.0% in 2025 and about 3.0%-3.5% in 2026. We expect BPPEH to increase rental income above indexation, capturing positive rental reversion across the portfolio on the back of solid market fundamentals for its main segments such as logistics and residential and its asset management initiatives focusing mainly on capturing rental reversion across its logistics portfolio and on the refurbishment of its residential assets enabling BPPEH to capture further rental growth.
- We expect occupancy levels to remain at about 91%-93% over the forecast period with the disposal of mature, fully occupied assets, weighing on overall occupancy and we expect occupancy of its residential portfolio to improve as refurbished units are delivered.
- EBITDA margins of about 76%-77% over the forecast period on the back of increasing rental income base on a like-for-like basis, offset by cost inflation and asset management fees.
- Flattish portfolio valuation in 2025, driven mainly by negative valuation evolution of office assets, offset by the positive rental impact from indexation. We expect slightly positive value growth of about 0.5%-1.0% in 2026 and 2027 driven mainly by cash flow growth. We assume no yield compression over the forecast period.
- Capex of about €140 million-€150 million in 2025 including maintenance and refurbishment capex, followed by approximately €80 million-€100 million in 2026.
- No acquisitions assumed over the forecast period.
- Asset disposals of about €630 million in 2025--which have already been closed year to date--and approximately €200 million in disposal proceeds per year over the forecast period.
- Dividend payments of about €500 million per year over the next two years at management's full discretion.
- Increasing average cost of debt to about 2.5%-2.7% by year-end 2027, as BPPEH partially refinances upcoming debt maturities with new capital market instruments with a higher cost

of debt compared to maturing instruments. The increase will be partially mitigated using cash on balance sheet to repay upcoming debt maturities.

Key metrics

- EBITDA to interest coverage at about 2.6x-2.8x over 2025-2026;
- Debt-to-debt-plus-equity ratio of about 44.0%-46.0% in 2025, and toward to 46.0%-48.0% in 2026; and
- Debt to EBITDA of about 14.0x-15.0x in 2025 and 2026.

Liquidity

We assess BPPEH's liquidity as adequate. We anticipate that liquidity sources will likely cover uses by more than 1.2x in the 12 months from March 31, 2025. BPPEH's large cash balance, the fully undrawn and recently upscaled €800 million RCF, €2.3 billion of in place uncommitted unsecured bank facilities and no obligation to pay dividends support our assessment, despite sizable upcoming debt maturities. We also consider BPPEH's policy is to obtain hard commitments for the unsecured bank facility around the signing of each investment.

Principal liquidity sources

- About €830 million of cash and liquid investments;
- €800 million available under the RCF which matures beyond 12 months;
- We forecast about €160 million-€180 million of funds from operations; and
- About €400 million of proceeds from committed assets sales to be completed over the next six months.

Principal liquidity uses

- Debt repayment of about €650 million in the next 12 months, of which €521 million bonds were repaid on June 30 with cash on hand;
- About €130 million of capex, which is not fully committed; and
- €400 million-€500 million of dividend, although we understand it is discretionary and not committed.

Covenants

We understand BPPEH had adequate headroom (more than 10%) under its EMTN program as of Dec. 31, 2024. We expect BPPEH will maintain sufficient headroom under these covenants in the future.

The main bond covenants include the following consolidated ratios:

- Total debt to total assets to be lower than 60% (compared with 49.6% as of year-end 2024);
- Secured debt to total assets below 40%;
- Interest coverage ratio to remain above 1.5x; and
- Unencumbered assets to unsecured debt above 150%.

Environmental, Social, And Governance

Environmental and social factors are an overall neutral consideration in our credit analysis of BPPEH. However, governance aspects are a moderately negative consideration in our analysis of the company. The limited transparency and public disclosure around the ownership structure and complex structure constrains the score--especially compared with other open-ended funds, as unit holders are part of the parent fund (BPPE), where transparency is limited.

With regards to environmental factors, BPPEH is carrying out a capex program across its residential platforms in Germany and the Netherlands, aimed at achieving A or B energy labels upon full renovations. We understand that approximately 38% of residential assets in the Netherlands currently have an Energy Performance Certificate (EPC) rating of B or higher. BPPEH has installed 11.3 megawatt of solar capacity on its logistic assets contributing to reducing carbon dioxide generation via the use of renewable energy as well as reducing the overall energy costs of tenants. We note that 77% of logistics assets have an EPC rating of C or higher. It is likely that environmental standards will form part of real estate asset quality because energy-efficient buildings are significantly easier to lease or sell than those with weaker environmental credentials.

Issue Ratings--Subordination Risk Analysis

Capital structure

BPPEH's capital structure includes a very limited portion of secured mortgage debt (about 16% of total debt as year-end 2024). As a result, secured debt to total assets stood at 7.4%. In addition, BPPEH is subject to a secured debt to total assets covenant limitation in the bond documentation for BPPEH, set at 40%, in line with our threshold to reflect subordination risk.

Analytical conclusions

We see limited subordination risk for BPPEH's unsecured lenders as secured debt to total assets remains well below 40% (about 7.4% as of Dec. 31, 2024). Therefore, we continue to align our issue rating on the unsecured bonds with our long-term issuer credit rating on BPPEH at 'BBB'.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB/Stable/--
Local currency issuer credit rating	BBB/Stable/--
Business risk	Satisfactory
Country risk	Low
Industry risk	Low
Competitive position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Moderately negative
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb

Related Criteria

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Blackstone Property Partners Europe Holdings Outlook Revised To Negative On Increased Leverage; Affirmed At ‘BBB’, June 23, 2023

Ratings List

Ratings list	
Ratings Affirmed	
Blackstone Property Partners Europe Holdings S.a.r.l.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured	BBB