S&P Global
Ratings

RatingsDirect®

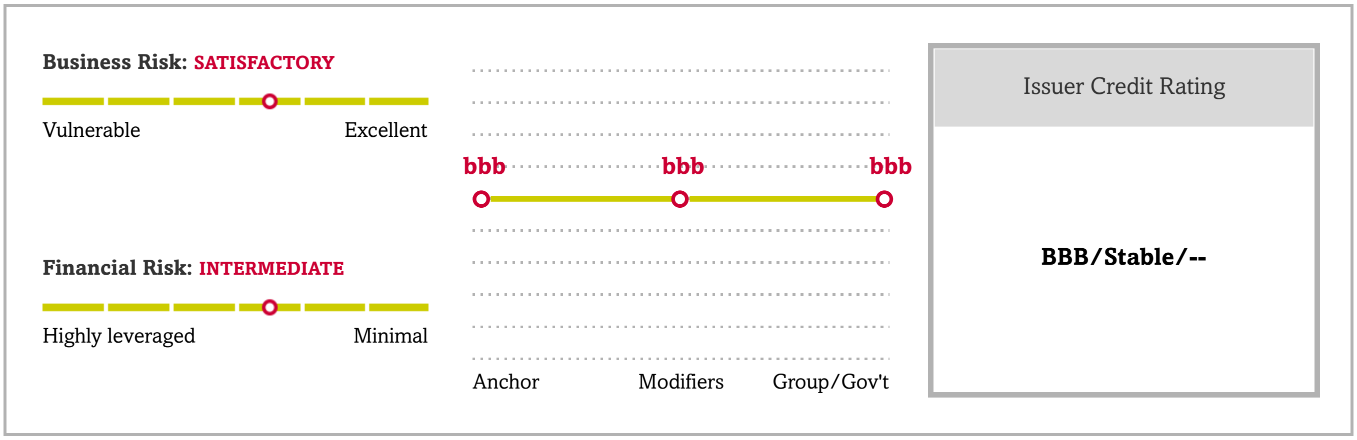
Blackstone Property Partners Europe Holdings S.a r.l.

Primary Credit Analyst:
Manish Kejriwal, Dublin + 353 (0)1 568 0609; manish.kejriwal@spglobal.com

Secondary Contact:
Marie-Aude Vialle, Paris (33) 6-1566-9056; marie-aude.vialle@spglobal.com

Table Of Contents

Blackstone Property Partners Europe Holdings S.a r.l.



Credit Highlights

Overview

Key strengths	Key risks
Continuous growth in portfolio through acquisitions, increasing the asset base to €6.2 billion (expected €7.2 billion by the end of 2020) and presence in 12 countries (mainly Germany, France, the Netherlands, Spain, Sweden and Denmark) as of June 30, 2020.	Exposure to the office segment (18% of GAV), which we believe could be affected by the economic uncertainty from the pandemic and evolving work-from-home culture; however, it could be more location-specific.
Good asset quality, because most of the residential and office assets strategically located in urban city centers and logistics assets located in key distribution corridors.	BPPEH's higher vacancy in office (7%) and residential (13%) assets as of first-half 2020, compared with that of close peers; however, higher residential vacancy is linked to refurbishment of assets.
Tailwinds in the logistics segment and structural demand for residential assets and good diversity in terms of segments, which should support the company's operating performance. The portfolio spread includes logistics (54% of GAV), residential (28%), and office (18%).	A limited operating track record since its inception in December 2017 compared with other rated players such as Prologis European Logistics Fund or Goodman European partnership.
A large, unencumbered capital structure, with limited upcoming debt maturities for the next 24 months and about €570 million available under revolving credit facility (RCF) as of Sept. 30, 2020, supporting solid liquidity.	Relatively high leverage with an adjusted debt-to-debt-plus-equity ratio of about 48.5% as of June 2020, compared with other peers, although well in line with the company's financial policy of loan to value (LTV) 45%-50%.

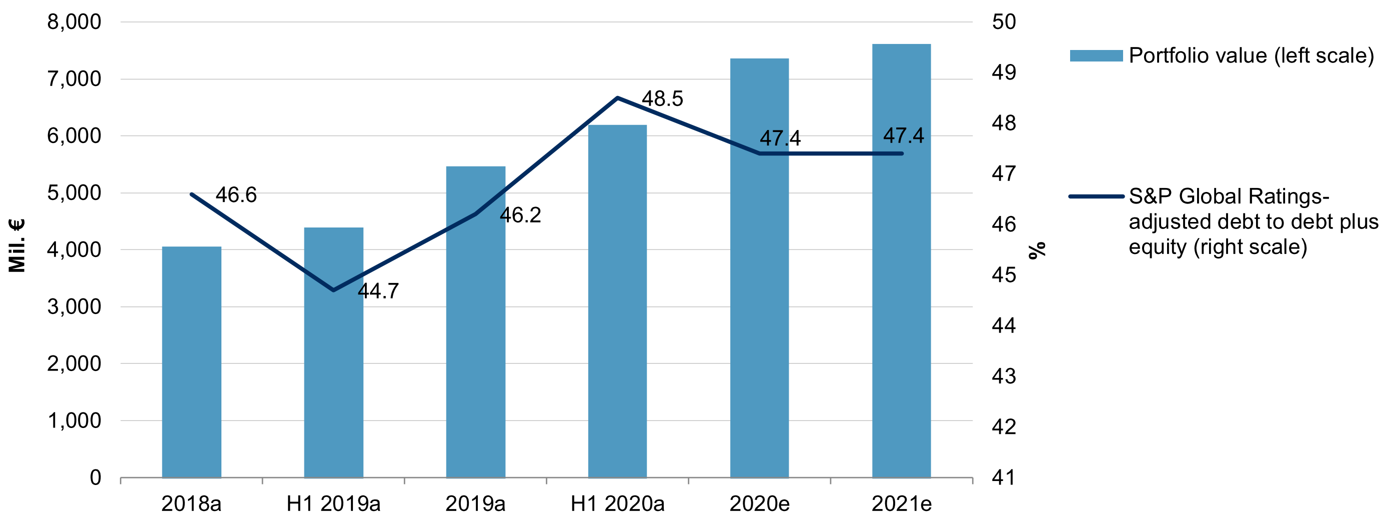
Blackstone Property Partners Europe Holdings S.à r.l's (BPPEH's) focus on logistics and residential assets supports the company's operating performance despite the global economic slowdown. S&P Global Ratings believes demand for logistics assets, which represents the highest share of BPPEH's portfolio (54% of gross asset value [GAV]) will continue to be supported by strong structural fundamentals such as urbanization, the rise of e-commerce across Europe, the continuous shift in consumer demand for rapid delivery of goods, and the ongoing reconfiguration of global supply chains. This is also reflected in the improved occupancy across BPPEH's logistics assets to 96% in first-half 2020 compared with 94% in 2019. Rent collections for second-quarter 2020 from the company's logistics portfolio (54.4% of GAV) were 4% below typical rates. The company supported a few tenants through deferred rent, but we understand most of it is collectable. The pandemic's impact on the residential segment (28.1% of GAV) remains limited as government measures supported the tenants. Rent collections for second-quarter 2020 from residential units were only slightly below historical levels, and including commercial units collections were 4% below typical rates. The collection rate for second-quarter 2020 rents in BPPEH's office portfolio (17.5% of GAV) was 14 percentage points below typical rates. This was primarily because of two tenants that represented only 2% of BPPEH's overall passing rent as of June 30, 2020. We understand a significant portion of the unpaid rent has sincebeen collected. The office assets occupancy declined to 93% in June 2020 from 95% in December 2019 due to several lease expires and slower leasing activity. However, we understand that this is expected to be temporary because a large portion of the space was vacated just before first-half 2020 results were announced, and the company is already in negotiation to lease these spaces. Overall, in our view, the global economic slowdown should not materially affect BPPEH's in the near term, given that the fundamentals across logistics and residential segments (83% of GAV) should remain healthy, to offset the expected flat performance of office assets.

BPPEH's continuous portfolio growth broadens rental income base while maintaining the focus on the logistics and residential segments. Since its inception in 2017, BPPEH has continued to expand its portfolio in line with its strategy of investing in high-quality assets in major European markets and gateway cities. The company has grown to €6.2 billion in June 2020 from €2.4 billion in August 2018. In the first nine months of 2020, BPPEH acquired €1.0 billion in assets (44 logistics assets primarily in Germany, France, and the Nordics for €842 million; and €189 million in residential assets in Amsterdam, Utrecht, and Rotterdam). The company further acquired about €700 million of assets in October 2020 (it acquired logistics assets in Sweden for SEK2.1 billion, [about €200 million]and acquired 22 logistics properties in the U.K. for a gross purchase price of £473 million [€527 million]). Overall, we expect the portfolio to grow to €7.2 billion by the end of 2020 and the share of logistics and residential segment to rise to about 85%, compared with 80% at the end of 2019, further improving the overall resilience of the portfolio.

We believe BPPEH will maintain its credit metrics within our rating thresholds while continuing to expand its portfolio. Despite the continuous external growth strategy, we expect debt to debt plus equity to remain below 50% (see chart 1) because we anticipate that the company will fund its acquisitions with balanced equity and debt for acquisitions, in line with its financial policy to maintain LTV at 45%-50%. Headroom has decreased to our downside threshold of debt to debt plus equity of 50% (48.5% as of June 30, 2020), however, we expect the ratio to improve to 46.0%-47.5% by the end of 2020, supported by recent capital raising. In addition, sustained acquisitions should keep BPPEH's debt-to-EBITDA ratio above 15x and EBIDTA interest coverage above 3x for the next 24 months.

Chart 1

Continuous Growth In Portfolio With Sustainable Leverage



a--Actual. e--Estimate. Source: S&P Global Ratings.

Outlook: Stable

The stable outlook reflects our view that BPPEH will likely continue to generate stable and predictable income from its assets in prime locations, with limited impact from the pandemic. We also expect it to benefit from the high occupancy rates and from the wide-ranging diversity within the portfolio. Our base-case scenario also factors in BPPEH continuing to expand and diversify its portfolio while maintaining its financial ratios and high-quality asset profile.

We forecast that BPPEH's:

- Debt-to-debt-plus-equity ratio will remain below 50%; and
- EBITDA interest coverage will remain near 3x.

Downside scenario

We could lower the rating if we saw evidence of deteriorating rental activities, such as falling occupancy and negative like-for-like growth. We would also take a negative view of acquisitions of properties with weaker characteristics, such as those located in less prime locations.

In addition, we could lower the rating if BPPEH's financial ratios weaken such that:

- Interest coverage falls below 2.4x; and
- Debt to debt plus equity rises above 50% over a sustained period.

Upside scenario

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

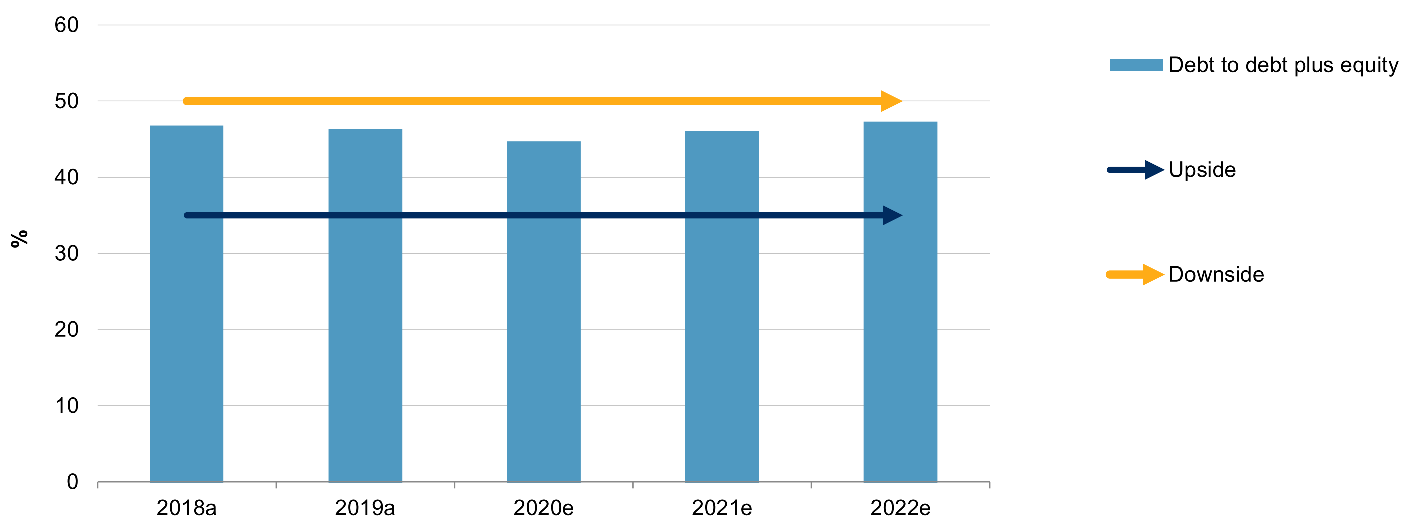
- EBITDA interest coverage stays comfortably above 3.8x; and
- Debt to debt plus equity falls below 35% over a sustained period.

We could also raise the rating if BPPEH were to significantly expand its portfolio and increase its diversity while maintaining its financial ratios and high-quality asset profile. An upgrade would also require the portfolio expansion to focus on prime assets in markets across Europe that benefit from sustained demand. We would also expect the debt-to-EBITDA ratio to stabilize so that it becomes more aligned with that of peers.

Our Base-Case Scenario

Chart 2

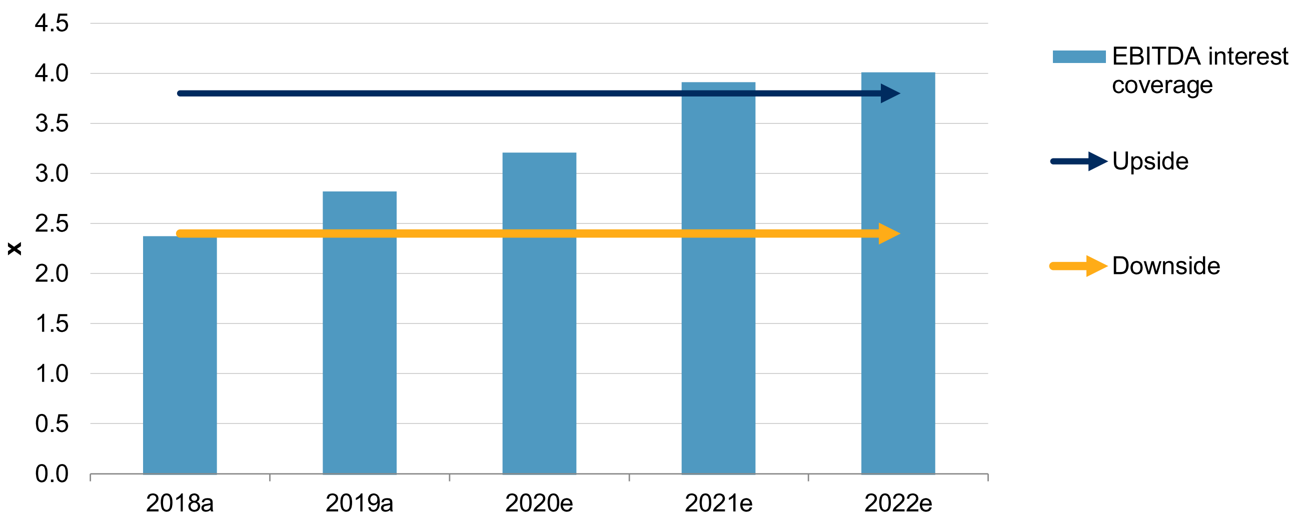
S&P Global Ratings-Adjusted Debt To Debt Plus Equity (%)



a--Actual. e--Estimate. Source: S&P Global Ratings.

Chart 3

S&P Global Ratings-Adjusted EBITDA Interest Coverage



a--Actual. e--Estimate. Source: S&P Global Ratings.

Assumptions

- Significant GDP decline in Europe of 6.9% in 2020 in light of the pandemic, before rebounding to 5.5% growth in 2021, with unemployment rising to about 8%-9% over the next two years.
- Slight decline in CPI growth in Europe of 1.3% in 2020, before rebounding to 1.9% in 2021.
- Like-for-like rental growth of 1%-2% over the next 12-24 months, supported by increasing demand for logistics and flat growth for its office assets.
- Occupancy levels to remain at about 95% in the coming 12-24 months.
- Flat or low-single-digit portfolio revaluation in line with rental income and we expect no yield compression for portfolio revaluation.
- Acquisitions amounting to about €1.8 billion in 2020, to be funded with a mixture of equity and debt, targeting an LTV ratio of below 50%.
- We expect overall revenue to increase by 30%-40% in 2020 compared with 2019, due to the significant increase in the portfolio size from acquisitions, alongside low-single-digit like-for-like growth.
- Steady EBITDA margin of about 75% in the next few years due to a relatively low-cost base.
- Capital expenditure (capex) of €40 million-€50 million across the portfolio annually, including on future acquisitions, mainly for properties refurbishment. However, all capex is not committed.
- No dividend payment obligation.

Key metrics

Blackstone Property Partners Europe Holdings S.à r.l--Key Metrics*					
	--Fiscal year ended Dec. 31--				
	2018a	**2019a**	**2020e**	**2021f**	**2022f**
Debt to EBITDA (x)	37.2	19.1	15.0-20.0	13.0-16.0	13.0-16.0
EBITDA interest coverage (x)	2.4	2.8	3.0-3.4	3.5-4.0	3.5-4.0
Debt to Debt plus Equity (%)	46.6	46.2	46.0-48.0	46.0-48.0	46.0-48.0

a--Actual. e--Estimate. f--Forecast. *All figures adjusted by S&P Global Ratings.

The external portfolio growth is supported by debt-equity funding and no mandatory dividend distribution and should allow BPPEH to maintain its credit metrics. We expect debt to debt plus equity to remain below 50% despite the company's growth profile, because we anticipate BPPEH would fund acquisitions equally with equity (50%) and debt (50%) in line with its financial policy of LTV at 45%-50% and its further supported by the absence of dividend-payment requirement.

Company Description

Table 1

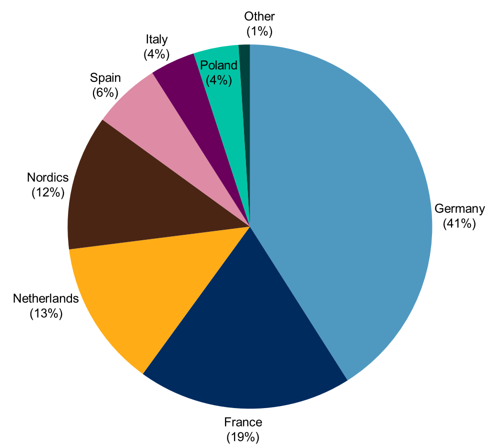
Blackstone Property Partners Europe Holdings S.à r.l--Portfolio Summary	
As of June 30, 2020	
Segment focus	Logistics, residential, and office
Total portfolio value	€6.2 billion
Total assets	553
Average occupancy(%)	95
Average lease maturity	4 years
Average portfolio net yield(%)	3.80%
Overall portfolio quality*	Good-quality assets

*S&P Global Ratings' view, based on June 2020 results.

BPPEH is a wholly owned subsidiary of Blackstone Property Partners Europe, an open-ended, core plus fund managed by Blackstone Group Inc. (A+/Stable/--). The company has a GAV of €6.2 billion as of June 30, 2020, across the logistics, residential, and office sectors in primarily Western European countries (see charts 4 and 5).

Chart 4

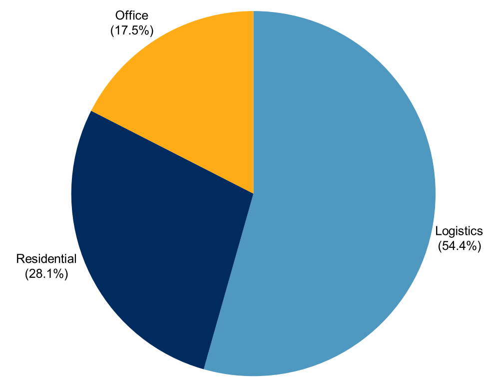
Blackstone Property Partners Europe Holdings--Geographic Diversity (% Of GAV)
As of June 2020



Source: S&P Global Ratings. GAV--Gross asset value.

Chart 5

Blackstone Property Partners Europe Holdings--Segment Diversification (% Of GAV)
As of June 2020



Source: S&P Global Ratings. GAV--Gross asset value.

Peer Comparison

Table 2

Blackstone Property Partners Europe Holdings S.à r.l.--Peer Comparison					
	Blackstone Property Partners Europe Holdings S.à r.l.	**Goodman European Partnership**	**Merlin Properties, Socimi, S.A.**	**Logicor Financing S.a.r.l.**	**CPI Property Group SA**
	BBB/Stable/--	BBB+/Negative/--	BBB/Stable/--	BBB/Stable/A-2	BBB/Negative/--
	--RTM as of June 30, 2020--				
(Mil. €)					
Revenue	206.3	196.8	488.1	687.0	466.8
EBITDA	158.2	173.4	383.7	569.0	292.0
Funds from operations (FFO)	93.8	153.1	260.4	415.5	198.3
Interest expense	52.2	23.4	131.6	132.0	93.8
Cash flow from operations	124.1	161.3	16.1	562.5	215.1
Capital expenditure	55.7	276.9	268.8	104.0	330.8
Free operating cash flow (FOCF)	68.4	(115.6)	(252.8)	458.5	(115.7)
Dividends paid	95.4	130.5	92.9	288.5	18.8
Discretionary cash flow (DCF)	(27.0)	(246.1)	(345.7)	170.0	(243.3)
Cash and short-term investments	201.8	40.3	896.7	224.0	310.5
Debt	2,992.7	1,180.5	5,439.2	6,345.0	4,801.5
Equity	3,175.2	2,283.0	6,702.5	6,431.0	4,785.7
Debt and equity	6,167.9	3,463.5	12,141.8	12,776.0	9,587.2

Table 2

Blackstone Property Partners Europe Holdings S.à r.l.--Peer Comparison (cont.)

	Blackstone Property Partners Europe Holdings S.à r.l.	Goodman European Partnership	Merlin Properties, Socimi, S.A.	Logicor Financing S.a.r.l.	CPI Property Group SA
Valuation of investment property	6,177.0	3,810.7	12,547.4	12,936.0	9,656.8
Adjusted ratios					
Annual revenue growth (%)	153.1	10.4	(3.5)	0.6	(0.1)
EBITDA margin (%)	76.7	88.1	78.6	82.8	62.6
Return on capital (%)	1.0	4.3	3.2	4.4	2.7
EBITDA interest coverage (x)*	3.0	7.4	2.9	4.3	3.1
Debt/EBITDA (x)*	18.9	6.8	14.2	11.2	16.4
FFO/debt (%)*	3.1	13.0	4.8	6.5	4.1
Debt/debt and equity (%)	48.5	34.1	44.8	49.7	50.1

*Blackstone figure doesn't reflect the annualized EBITDA contributions from recent acquistions. RTM--Rolling 12 months.

Table 3

Blackstone Property Partners Europe Holdings S.à r.l.--Operating Peer Comparison

Companies	Blackstone Property Partners Europe Holdings S.à r.l.	Goodman European Partnership*	Merlin Properties, Socimi, S.A.	Logicor Financing S.a.r.l.	CPI Property Group SA
Ratings	BBB/Stable/--	BBB+/Negative/--	BBB/Stable/--	BBB/Stable/A-2	BBB/Negative/--
Portfolio value (bil. €)	6.2	3.7	12.8	12.9	9.8
Share of development (including land)	<5%	<5%	<5%	<5%	<10%
WAULT (years)	4	4.9	Office 3.2 years, Retail 2.7 years, Logistics 3.8 years	3.8	3.3
Occupancy (%)	95	95.8	94	92.7	94.8
Geography diversity	41% Germany, 19% France, 13% Netherlands, 12% Nordics, 6% Spain, 4% Italy, 4% Poland, 1% Others	37% Germany, 23% France, 13% Poland, 9% Netherlands, 6% Belgium, 5% Spain, 3% Hungary, 2% Slovakia, 1% Italy, 1% Czech Republic	91% Spain, 9% Portugal	27% U.K., 17% France, 23% Northern Europe, 14% Southern Europe, 11% Nordics Region, 8% CEE	41% Czech Republic, 25% Germany, 16% Poland, 7% Hungary, 7% other CEE, 4% Other Western Europe
Assets diversity	54% logistics, 28% residential, 17% office	100% logistics	51% office, 31% logistics/net leases/others, 18% retail	100% logistics	52% office, 22% retail, 7% hotels and resorts, 7% residential, 7% land bank, 2% development, 3% other

Source: Company report. Data as of June 30, 2020; *Data as of Dec. 31, 2019. CEE--Central and Eastern Europe.

BPPEH's portfolio is well balanced across asset type and is diversified across Europe, which further supports our assessment. Logistics assets account for 54% of portfolio value, residential for 28%, and offices for 18% as of June 30,

2020. The continuously strong market dynamics for the logistics segment have been supported by strong e-commerce results, which were accelerated by the pandemic and enhances the resilience of BPPEH's overall portfolio, which was already supported by residential assets, considered more resilient than commercial assets. The company's assets are spread across 12 European countries, mainly in or close to large metropolitan areas or distribution corridors. We therefore continue to view BPPEH's geographical and segment diversity as a key competitive strength over the traditionally domestic and pure-play real estate players.

Business Risk: Satisfactory

BPPEH's satisfactory business risk profile is underpinned by the company's moderate property portfolio size of about €6.2 billion as of June 30, 2020. We expect it to reach to €7.2 billion by the end of 2020, based on the acquisition pipeline. We also expect BPPEH's growth to continue, because the company is committed to its strategy of investing in high-quality assets in major European markets and gateway cities, in line with the strategy of Blackstone's core+ fund in the U.S.

BPPEH's logistics assets continue to be in key distribution corridors across Europe (Mainly located in Germany, France, the Nordics, Netherlands, Spain, Italy, and Poland). The residential assets in Holland are in central locations primarily in Amsterdam and should continue generating stable and predictable rental income, although Berlin assets, where rents have been capped recently, might offset this somewhat. In addition, the office segment contains high-quality office assets in Berlin, Paris, Munich, Barcelona, and Rome.

Table 4

Blackstone Property Partners Europe Holdings S.à r.l.--Segment Details

As of June 2020

	Logistics	**Residential**	**Office**
Gross asset value (%)	54	28	17
Portfolio size (bil. €)	3.4	1.7	1.1
Number of assets/properties	102	443	8
Occupancy (%)	96	87	93
WALL (years)	3.9	N/A	3.7
Geographic spread	28% Germany, 28% France, 22% Nordics, 7% Poland, 5% Netherlands, 5% Spain, 4% Italy, and 2% others	56% Berlin, 33% Amsterdam, 3% Rotterdam, 1% Utrecht, and 6% other Germany	24% Berlin, 23% Paris, 21% Munich, 21% Barcelona, and 11% Rome

BPPEH has a limited track record compared with other established real estate peers. However, we recognize BPPEH's positive operating metrics since its inception in December 2017. This has been supported by a good occupancy rate of 95%, a weighted lease term of 3.8 years, excluding residential assets (3.9 years across logistics assets and 3.7 across office), and rent levels 15% below market rate, on average for the whole portfolio, supporting income growth potential. The low occupancy of 87% in residential is mainly due to assets under refurbishment. Otherwise, it is about 98% for assets lettable to the market as of June 2020.

Financial Risk: Intermediate

BPPEH's intermediate financial risk profile reflects our expectation that the company will maintain a debt-to-debt-plus-equity ratio below 50% (it was 48.5% as of June 30, 2020). Our assessment is also underpinned by BPPEH's prudent financial policy and its LTV target of 45%-50%, corresponding to a debt-to-debt-plus-equity ratio below 50%. We expect this ratio to remain below 50% despite the company's growth profile, because we anticipate that BPPEH will fund acquisitions with 50% equity and 50% debt, in line with its financial policy. In addition, we note that Blackstone Property Partners Europe, the open-ended, real estate fund that wholly owns BPPEH, has a leverage limit of 50%.

We also expect the EBITDA interest coverage ratio to remain above 3.0x (it was 3.0x at June 30, 2020) benefiting from a low and stable average cost of debt of 1.6%. However, the sustained pace of acquisitions and low yielding residential assets should keep BPPEH's debt-to-EBITDA ratio above 15x, which is materially higher than that of many rated real estate peers in the 'BBB' range. The company recently raised €600 million of 6.5 year unsecured notes with a coupon of 1.25%, which will further improve its average cost of debt and maturity profile. We continue to view favorably the absence of a dividend requirement from BPPEH and the lack of material upcoming debt maturities. In addition, the limited proportion of secured debt (2%) further enhances the company's capital management.

Financial summary

Table 5

Blackstone Property Partners Europe Holdings S.à r.l.--Financial Summary			
Industry sector: Real estate investment trust or company			
	June 2020	**December 2019**	**June 2019**
(Mil. €)			
Revenue	115.8	90.5	81.5
EBITDA	90.5	67.7	63.7
Funds from operations (FFO)	68.1	25.7	54.8
Interest expense	27.1	25.1	21.7
Cash flow from operations	65.4	58.7	20.2
Capital expenditure	32.7	23.0	22.4
Free operating cash flow (FOCF)	32.7	35.7	(2.2)
Dividends paid	19.9	75.5	3.6
Discretionary cash flow (DCF)	12.8	(39.8)	(5.8)
Cash and short-term investments	201.8	434.6	207.9
Debt	2,992.7	2,515.4	2,066.6
Equity	3,175.2	2,931.7	2,552.0
Debt and equity	6,167.9	5,447.1	4,618.6
Valuation of investment property	6,177.0	5,441.0	4,377.0
Adjusted ratios			
Revenue growth, past 12 months (%)	27.9	N.A.	N.A.
EBITDA margin (%)	76.7	76.4	71.6
Return on capital (%)	1.0	1.0	0.9

Table 5

Blackstone Property Partners Europe Holdings S.à r.l.--Financial Summary (cont.)

Industry sector: Real estate investment trust or company

	June 2020	December 2019	June 2019
EBITDA interest coverage (x)	3.0	2.8	2.6
Debt/EBITDA (x)	18.9	19.1	17.9
FFO/debt (%)	3.1	3.2	4.4
Debt/debt and equity (%)	48.5	46.2	44.7

Note: Doesn't reflect the annualized EBITDA contributions from recent acquistions. N.A.--Not applicable.

Reconciliation

Table 6

Blackstone Property Partners Europe Holdings S.à r.l.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Rolling 12 months ended June 30, 2020--									
Blackstone Property Partners Europe Holdings S.à r.l. reported amounts										
	Debt	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Dividends**	**Capital expenditure**
Reported	4,805.8	958.1	206.3	214.3	108.7	100.4	158.2	137.6	95.4	55.7
S&P Global Ratings' adjustments										
Cash taxes paid	--	--	--	--	--	--	(2.1)	--	--	--
Cash interest paid	--	--	--	--	--	--	(62.3)	--	--	--
Reported lease liabilities	3.5	--	--	--	--	--	--	--	--	--
Accessible cash and liquid investments	(201.8)	--	--	--	--	--	--	--	--	--
Nonoperating income (expense)	--	--	--	--	3.6	--	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	--	(13.5)	--	--
Noncontrolling interest/minority interest	--	231.1	--	--	--	--	--	--	--	--
Debt: Shareholder loans	(1,614.8)	--	--	--	--	--	--	--	--	--
Equity: Fair value adjustments	--	601.0	--	--	--	--	--	--	--	--
Equity: Other	--	1,385.0	--	--	--	--	--	--	--	--

Table 6

Blackstone Property Partners Europe Holdings S.à r.l.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)										
EBITDA: Gain (loss) on disposals of PP&E	--	--	--	(56.1)	(56.1)	--	--	--	--	--
Interest expense: Shareholder loan	--	--	--	--	--	(48.2)	--	--	--	--
Total adjustments	(1,813.1)	2,217.1	0.0	(56.1)	(52.5)	(48.2)	(64.4)	(13.5)	0.0	0.0
S&P Global Ratings' adjusted amounts										
	Debt	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Dividends**	**Capital expenditure**
Adjusted	2,992.7	3,175.2	206.3	158.2	56.2	52.2	93.8	124.1	95.4	55.7

PP&E--Property, plant, and equipment.

Liquidity: Adequate

We assess BPPEH's liquidity as adequate. We anticipate that liquidity sources will likely cover uses by more than 1.5x in the 12 months from Sep 30, 2020.

Our assessment is supported by the company's minimal debt maturities in the coming 12 months, no obligation to pay dividends, and largely undrawn revolving credit facility (RCF). Also, BPPEH's policy is to obtain hard commitments for the acquisition facility around the signing of each investment.

The company has €1.8 billion of acquisition facilities, which it could draw on in case of asset acquisitions.

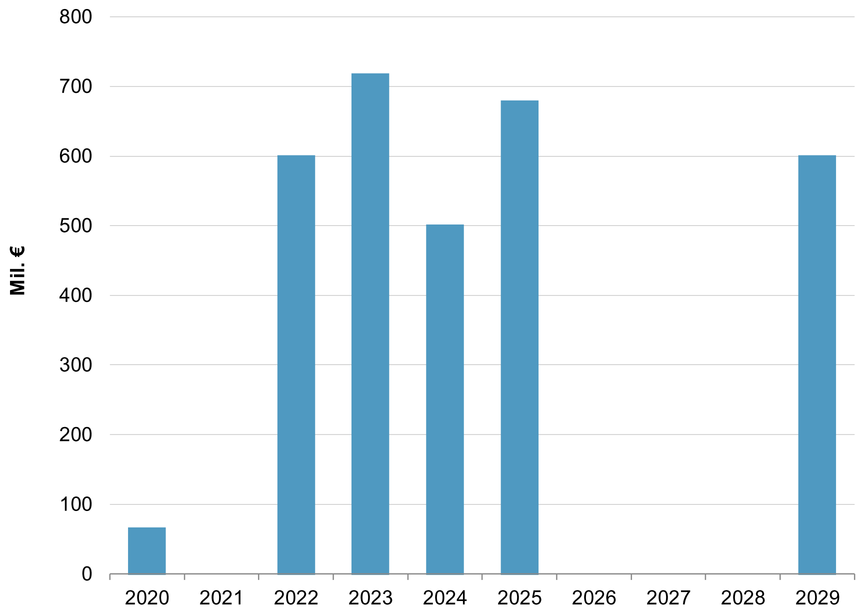
Principal Liquidity Sources	Principal Liquidity Uses
BPPEH's principal sources of liquidity for the 12 months started Sept. 30, 2020, are: • Our forecast of €110 million-€120 million of funds from operations under our base-case credit scenario • About €176 million of cash and liquid investments • About €570 million of undrawn RCF	The company's principal uses of liquidity for the same period are: • About €65 million of debt maturities • €40 million-€50 million of forecast capex • Dividend payment of about €60 million

Debt maturities

BPPEH's average debt maturity is 4.4 years as of June 30, 2020 (see chart 6).

Chart 6

Blackstone Property Partners Europe Holdings S.à r.l.--Debt Maturities
As of June 2020



Source: S&P Global Ratings.

Covenant Analysis

Compliance expectations

We understand that BPPEH has financial covenants for its existing debt. We estimate that the headroom for these covenants is adequate (more than 10%).

Requirements

The company has to comply with the following covenants over its unsecured notes:

- Total debt to total assets of less than 60%
- Secured debt to total assets of less than 40%
- Interest coverage ratio of more than 1.5x
- Unencumbered assets to unsecured debt of more than 150%

Issue Ratings - Subordination Risk Analysis

Capital structure

Table 7

Blackstone Property Partners Europe Holdings S.à r.l.--Capital Structure And Liquidity, June 2020	
Average interest cost (%)	1.6
Weighted average debt maturity (years)	4.4
Average fixed debt (including hedge; %)	92.0
Composition of debt (secured; %)	2.0
Liquidity (sources/uses)	Adequate

As of June 30, 2020, the company's capital structure comprises about 2% secured debt and 98% unsecured debt, spread across bond debt, bank debt, acquisition facilities, and revolving credit facilities.

Analytical conclusions

We expect BPPEH's secured debt to remain lower than 40% of total assets (2% as of June 30, 2020). As a result, although unsecured debt issuance is structurally subordinated to other debt obligations, the subordination does not affect the rating on the unsecured debt.

Ratings Score Snapshot

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

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	**bbb/bbb-**	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of November 12, 2020)*

Blackstone Property Partners Europe Holdings S.a r.l.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured	BBB
Issuer Credit Ratings History	
03-Sep-2019	BBB/Stable/--
08-Aug-2018	BBB-/Positive/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.