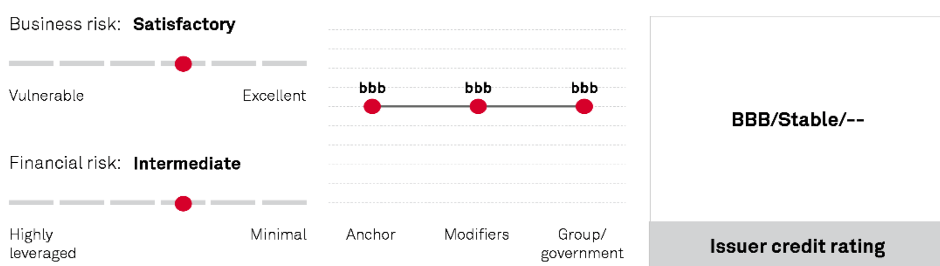
Blackstone Property Partners Europe Holdings S.a.r.l.

November 3, 2022

Ratings Score Snapshot



PRIMARY CONTACT

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

SECONDARY CONTACT

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

Credit Highlights

Overview

Key strengths	Key risks
Portfolio value reached close to €13.6 billion as of June 30, 2022, (versus €7.8 billion at Dec. 31, 2020) amid continued portfolio expansion over the past 18 months.	Exposure to the office, retail and logistics segment (83% of portfolio) could be more vulnerable in case there is a sharp economic downturn, since it can negatively impact demand for space and increase volatility.
Good asset quality, as most residential and office assets are strategically located in urban city centers and logistics assets are in key distribution corridors.	In first-half 2022, reported like-for-like property valuations were negative for office and residential assets and a potential recession and rising interest rates could apply further pressure over the next 12-18 months on overall portfolio valuation.
Strong focus on logistics and residential segments (79% of the property portfolio) and inflation-linked lease contracts or subject to regular rent reviews should support stable operating performance in the next 12 months.	Relatively high vacancy rates of about 9% in office and about 11% in residential (mainly related to refurbishments; about 1.0% vacancy excluding refurbishments) on June 30, 2022.
Large, unencumbered capital structure with about €1.6 billion of available liquidity at Sept. 30, 2022, should support upcoming debt maturities of about €1.5 billion in the next 18 months.	Relatively high leverage compared to peers with adjusted debt to EBITDA of about 19.1x (EBITDA contribution not annualized) and adjusted debt to debt plus equity of about 48.2% on June 30, 2022, and we forecast it at 48%-49% for full year 2022, which is getting closer to our downside limit of 50%.

S&P Global Ratings expects Blackstone Property Partners Europe Holdings S.a.r.l. (BPPEH)'s rental income to benefit from indexation and rent reviews in the wake of higher inflation but in general, we remain cautious on the long-term prospects (growth and occupancy) for commercial segments. BPPEH recorded a like-for-like passing rent growth of 4.8% in residential, 5.3% in office, 7.5% in luxury retail, and 0.6% in logistics during first-half 2022, mainly driven by positive releasing of space and indexation and rent reviews of existing leases. That said, we note overall occupancy declined about 0.8% to 93% on June 30, 2022, versus 94% on Dec. 31, 2021. This was mainly due to like-for-like declines in logistics 1.1% (94% versus 95%), office 1.8% (91% versus 93%), and luxury retail 4.1% (94% versus 98%), although partially mitigated by a 3.4% increase in the residential segment (89% versus 84%) as the company delivered and leased some units under refurbishment. We understand that the decline in occupancy mostly related to a few tenants not renewing leases (logistics and office) and retail leases were intentionally not renewed to capture higher rent levels. We understand that the company is in ongoing discussions with potential tenants to lease recently vacant space in the near future.

Overall, we remain cautious on our expectations for like-for-like growth and occupancy levels because a potential recession and increased remote working trends represent a major threat to operational growth for real estate landlords. Therefore, slowing demand could hit property landlords' occupancy levels and rental income over the medium term. We expect overall like-for-like rental growth of 2.0%-3.0% in 2022 and 1.5%-2.0% in 2023, mostly spurred by leases either linked annually to the consumer price index (CPI) or the domestic equivalent (about 90% of total leases), or subject to regular rent reviews and positive reversions (management says the portfolio is 16% under rented compared with market levels). We forecast stable occupancy levels in logistics, office, and retail, as well as slight improvements in residential as the company progresses with asset leasing over the next two years and completes refurbishments.

Despite some negative property valuation on June 30, 2022, BPPEH's prudent financial policy should support credit metrics in line with our 'BBB' rating, although with tighter headroom. BPPEH's portfolio expanded materially to €13.6 billion on June 30, 2022, from €7.8 billion in 2020, which is in line with its strategy of investing in high-quality assets in major European markets and gateway cities. During 2021and first half of 2022, the company acquired a nearly 100% stake in a portfolio of 14 high-quality assets located primarily in Milan's city center for €1.1 billion. This portfolio included a trophy luxury retail asset in Milan, which marked BPPEH's entry into luxury retail (6% of portfolio on June 30, 2022). BPPEH's growth in first-half 2022 was largely supported by other acquisitions of about €375 million and capital expenditure (capex) of about €51 million. Although the overall portfolio valuation was flat on June 30, 2022, we note negative like-for-like revaluations in office (-2.3%), and residential (-1.6%), which were mitigated by logistics (+2.3%) and luxury retail (+1.3%). We now see portfolio valuations being hit by widening capitalization rates, which could be partially mitigated by positive cash flow from rental growth. Therefore, we expect slightly negative portfolio revaluations of about 1%-2% in second-half 2022 and about 2%-5% for 2023. This could weigh on leverage, but we understand the company aims to focus on stabilizing the portfolio in the next 12 months and aims to remain in line with its financial policy of maintaining its loan to value (LTV) between 45% to 50%. In general, we believe REITs might also invest less in asset acquisitions, partially due to increasing costs for construction raw materials and energy supply prices, leading to lower profitability and flat-to-negative asset valuations in the future.

Increasing interest rates will have a nominal effect on BPPEH's credit metrics in the next 12-24 months. In May 2022, the company issued €500 million of senior unsecured notes due 2029 at 3.625% and £300 million of senior unsecured notes due 2032 at 4.875% to repay the €600 million notes at 1.4% and for general corporate purposes. Despite the debt issuance at higher cost, we expect S&P Global Ratings-adjusted EBITDA interest coverage to remain above 2.7x compared with our downside threshold of 2.4x in the next 12-24 months, although relatively weaker than 3.3x at year-end 2021. We also expect adjusted debt to debt and equity will remain below 50%, supported by our assumption of sufficient equity contributions from BPPEH's investors, if needed (for instance in case of acquisitions or a sharp portfolio devaluation), which is in line with the financial policy of maintaining an LTV of 45%-50% (47% on June 30, 2022). This corresponds to S&P Global Ratings-adjusted debt to debt plus equity of well below 50%. BPPEH's liquidity remains good, mainly supported by sound access to funding including capital commitments, cash, and cash equivalents of €481 million, €505 million undrawn under the revolving credit facility (RCF), and €600 million of committed unsecured bank facilities on Sept. 30, 2022. With the refinancing in early 2022, we understand the company has no major upcoming maturities this year and about €1.0 billion in 2023, which is fully covered by current liquidity sources. In addition, the company has about €1.1 billion of capacity remaining under its uncommitted unsecured bank facility, which we understand could be converted into a committed line to repay upcoming maturities, if needed. Moreover, we note 96% of the company's debt is fixed rate, which limits the risk from rising interest rates. BPPEH's current capital structure comprises 96% unsecured debt, which means it has flexibility to consider secured funding if access to capital markets is difficult to support its refinancing needs.

Blackstone Property Partners Europe, the parent of BPPEH, periodically receives redemption requests from equity investors. That said, we understand that redemption requests are satisfied at the discretion of the general partner of the fund, after giving due consideration to the fund's liquidity and leverage, which gives BPPEH flexibility to protect the long-term value of the portfolio in the interests of stakeholders. Furthermore, we understand that, as per the fund's documents, it is not required to sell assets to satisfy redemption requests. Therefore, we do not see material redemption risks at this stage. BPPEH's structure is established as an open-ended perpetual life fund and investors have delegated the management and investment decision-making process to the general partner of Blackstone Property Partners Europe.

Outlook

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 effects from the Ukraine-Russia conflict. We also expect the company to benefit from high occupancy rates, leases mostly indexed to inflation or regular rent reviews, and the wide-ranging diversification within its portfolio. In addition, our base-case scenario factors in that BPPEH will continue to expand and diversify its portfolio, although at a slower rate than in recent months, while maintaining its financial ratios and high-quality asset profile.

We forecast that BPPEH's:

- Debt to debt plus equity will remain below 50%; and
- EBITDA interest coverage will remain at 2.7x-2.8x in the next 12-24 months.

Downside scenario

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

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

- EBITDA 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 adopts 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 significantly expands its portfolio and increases its diversification while maintaining its financial ratios and high-quality asset profile. An upgrade would also require portfolio expansion to focus on prime assets in markets across Europe that benefit from sustained demand. In addition, we would expect debt to EBITDA to stabilize so that it becomes more aligned with that of peers.

Our Base-Case Scenario

Assumptions

- Eurozone GDP growth of 3.0%-3.5% in 2022 and 0%-0.5% in 2023 after a rise of 5.2% in 2021. Unemployment of about 6.5%-7.0% over the next 12-24 months. We expect CPI of about 8.0%-8.5% in 2022 and 5.0%-5.5% in 2023.
- Like-for-like rental growth of about 2.0%-3.0% in 2022 and about 1.5%-2.0% in 2023, supported by good market fundamentals for logistics and residential assets, improving occupancy for residential assets after refurbishments, and positive indexation via inflation-linked leases and rent reviews, partly offset by continued challenging market dynamics.
- Widening capitalization rates partially mitigate positive cash flow from rental growth. Therefore, we expect portfolio revaluations of about negative 1% to negative 2% in second-half 2022 and about negative 2% to negative 5% for 2023.
- Acquisitions of about €500 million-€550 million in 2022, most already completed in first-half 2022.

- Capex of about €75 million-€85 million across the portfolio annually, including mainly maintenance and refurbishment capex.
- EBITDA margins of about 80%, benefiting from the absence of one-off costs related to acquisitions.
- No major dividend payments in the next 12-24 months.
- Higher cost of debt for future refinancing, which would increase the average cost of debt to above 2.0% in the next two years.

Key metrics

Blackstone Property Partners Europe Holdings S.a.r.l. --Key Metrics*

Mil. €	2020a	2021a	2022e	2023f	2024f
EBITDA interest coverage (x)	3.3	3.3	3.0-3.2	2.6-2.8	2.5-2.7
Debt to EBITDA (x)	19.4	22.1	16-18	15-17	14-16
Debt to debt plus equity (%)	47.8	47.5	48-49	49-50	48-49

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

Company Description

Blackstone Property Partners Europe Holdings S.a.r.l.--Portfolio Summary

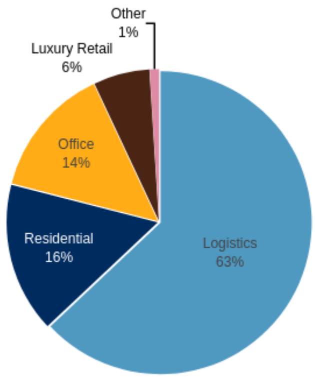
As of June 30, 2022	
Segment focus	Logistics, residential, office, and luxury retail
Total portfolio value	€13.6 billion
Total assets	801
Average occupancy (%)	93
Average lease maturity (years)#	6.0
Average portfolio net yield (%)	3.3 (including residential vacant assets under refurbishment)
Overall portfolio quality*	Good-quality assets

*S&P Global Ratings' view, based on June 2022 results. #Lease maturity term excludes residential assets.

BPPEH is a wholly owned subsidiary of Blackstone Property Partners Europe, an open-ended, core plus fund managed by Blackstone Inc. (A+/Stable/--). The company had a gross asset value (GAV) of €13.6 billion on June 30, 2022, primarily across the logistics, residential, office, and retail sectors mainly in Western European countries.

BPPEH's Segment Diversification (% of GAV)

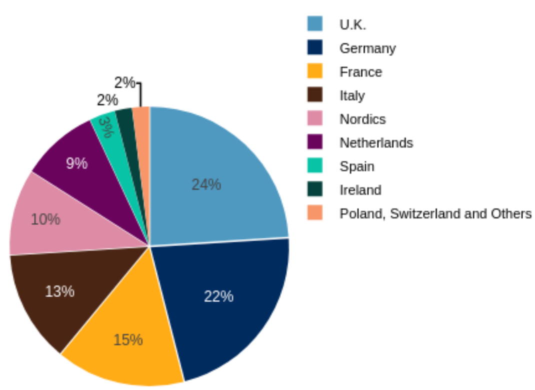
As of June 30, 2022



Source: S&P Global Ratings, Company Data. GAV: Gross Asset Value

BPPEH's Geographical Diversification (% of GAV)

As of June 30, 2022



Source: S&P Global Ratings, Company Data. GAV: Gross Asset Value

Peer Comparison

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

Companies	Blackstone Property Partners Europe Holdings S.a r.l.	Prologis European Logistics Fund, FCP-FIS*	Goodman European Partnership	Axa Core Europe Fund S.C.S., Sicav-Sif	Pan European Core Fund
Ratings	BBB/Stable/--	A-/Stable/A-2	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--
Portfolio value (bil. €)	13.6	18.7	4.6	6.4	6.8
WAULT (years)	6	NA	5.3	6.2	4.8
Occupancy (%)	93	98.1	99.9	98	95.1
Geographical diversity	U.K. 24%, Germany 22%, France 15%, Italy 13%, Nordics 10%, Netherlands 9%, Spain 3%, Ireland 2%, Poland 2%, Others <1%	Northern Europe 38.9%, Southern Europe 23.7%, Central Europe 16.1%, and U.K. 21.3%	Germany 39.7%, France 21.0%, Netherlands 16.9%, Spain 14.3%, Belgium 6.7%, Italy 0.8%, Poland 0.6%	France 26%, Germany 22%, U.K. 16%, Southern Europe 14%, Nordics 9%, Benelux 7%, Others 6%	Germany 26.1%, Benelux 16.9%, France 16.2%, United Kingdom 14.4%, CEE 10.4%, Nordics 5.9%, Southern Europe 4.7%
Asset diversity	63% logistics, 16% residential, 14% office, 6% Luxury Retail, 1% Other	100% logistics	100% logistics	Offices 37%, Residential 27%, Industrial 24%, Retail 8%, Hotel 4%	Logistics 33.6%, Offices 24.8%, Retail 18.7%, Residential 14.8%, Hotel & Other 2.7%

Source: Company reports. Data as of June 30, 2022. CEE--Central and Eastern Europe. GAV--Gross asset value. WAULT--Weighted average unexpired lease term. Benelux--Belgium, Netherlands, and Luxembourg. *Data as of Dec. 31, 2021.

Blackstone Property Partners Europe Holdings S.a.r.l.--Peer Comparisons

	Blackstone Property Partners Europe Holdings S.a.r.l.	Prologis European Logistics Fund, FCP-FIS	Goodman European Partnership	Axa Core Europe Fund S.C.S., Sicav-Sif	Pan European Core Fund
Foreign currency issuer credit rating	BBB/Stable/--	A-/Stable/A-2	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--
Local currency issuer credit rating	BBB/Stable/--	A-/Stable/A-2	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--
Period	RTM	RTM	RTM	RTM	RTM
Period ending	30/06/2022	30/06/2022	30/06/2022	30/06/2022	30/06/2022
Revenue	445.1	733.6	153.8	237.6	240.7
EBITDA	341.6	624.9	129.7	142.5	163.0

Funds from operations (FFO)	208.1	556.8	92.6	103.6	125.0
Interest expense	109.9	40.2	21.1	70.3	9.8
Operating cash flow (OCF)	195.4	534.4	42.0	57.2	138.3
Capital expenditure	122.2	138.7	499.2	138.1	391.1
Dividends paid	96.9	348.2	89.4	56.7	123.4
Cash and short-term investments	768.5	220.1	62.5	313.2	215.0
Debt	6,524	3,852	918.0	1459.4	1233.0
Equity	7,024	15,719	2854.9	4443.5	5438.6
Valuation of investment property	13583	21616.9	4363.7	3516.8	6844.4
Adjusted Ratios					
EBITDA margin (%)	76.7	85.2	84.3	60.0	67.7
EBITDA interest coverage (x)	3.1	15.5	6.1	2.0	16.7
Debt/EBITDA (x)	19.1	6.2	7.1	10.2	7.6
Debt/debt and equity (%)	48.2	19.7	24.3	24.7	18.5

*RTM--Rolling 12 months

Business Risk

BPPEH's business risk profile is underpinned by its solid portfolio size of about €13.6 billion on June 30, 2022, up from €7.8 billion in 2020. We expect BPPEH's portfolio to stabilize, given real estate market uncertainty has increased in the past three months.

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

As of June 30, 2022

	Logistics	Residential	Office	Luxury Retail
GAV (mil. €)	8526	2188	1912	820
GAV (% share)	63%	16%	14%	6%
Economic occupancy (%)	94%	89%	91%	94%
WALL (years)	6.4	NA	4.5	4.6
Geographical spread	U.K. - 38%; France - 21%; Germany - 15%; Nordics - 14%; Netherlands - 4%; Poland - 3%; Spain - 2%; Italy - 2%; Other - 1%	Berlin - 47%; Amsterdam - 34%; Milan - 8%; Other Germany - 5%; Rotterdam - 3%; U.K. - 3%; Utrecht - 1%	Milan - 21%; Dublin - 17%; Berlin - 15%; Munich - 13%; Paris - 12%; Barcelona - 11%; Rome - 6%; Stockholm – 6%	Milan - 100%
No. of properties/units	239	543	15	1

GAV--Gross asset value. NA--Not applicable

BPPEH's logistics assets remain in key distribution corridors across Europe (mainly the U.K., France, Germany, the Nordics, the Netherlands, Poland, Spain, and Italy). Its Netherlands residential assets are in central locations, primarily Amsterdam, and should continue generating stable and predictable rental income. BPPEH also holds high-quality office assets in Milan, Dublin, Berlin, Paris, Munich, Barcelona, Stockholm, and Rome. In addition, BPPEH recently acquired a high-quality portfolio comprising 14 assets primarily in Milan's city center, including one trophy retail asset. We note that BPPEH has not acquired traditional shopping centers and prefers to access the retail segment through high-end retail, which it believes is more resilient and could create good value if managed well. We remain cautious on the long-term prospects for the office and retail segments because they are going through a structural change.

We view BPPEH's exposure to the logistics and residential sectors as a strength. Notably, the logistics assets add to overall portfolio quality due to high demand in the sector, supported by structural factors such as the rise of e-commerce, consumer demand for rapid goods delivery, and the ongoing reconfiguration of global supply chains. In the past 12-18 months, demand was further supported by heightened e-commerce activity during pandemic lockdowns. The residential sector has also been the most resilient during the pandemic. We continue to see BPPEH's high exposure to these segments as a supporting pillar for its overall asset quality. That said the real estate industry is undergoing several challenges, which could erode landlords' cash flow generation and profitability metrics.

BPPEH has a limited historical track record compared with other established real estate peers, which have been operating for more than a decade (such as PELF, GEP, and CBRE) and went through the previous property market crash over 2009-2014. However, we recognize its good operating metrics since its inception in December 2017. These include a good occupancy rate of 93%, a weighted lease term of six years excluding residential assets, and rent levels 16% below market rates on average. The low occupancy of 89% in residential is mainly due to assets under refurbishment. Excluding refurbishment, residential occupancy was about 99% on June 30, 2022. We expect residential segment occupancy levels to improve in the next 12-24 months since some buildings being refurbished will be delivered to the market.

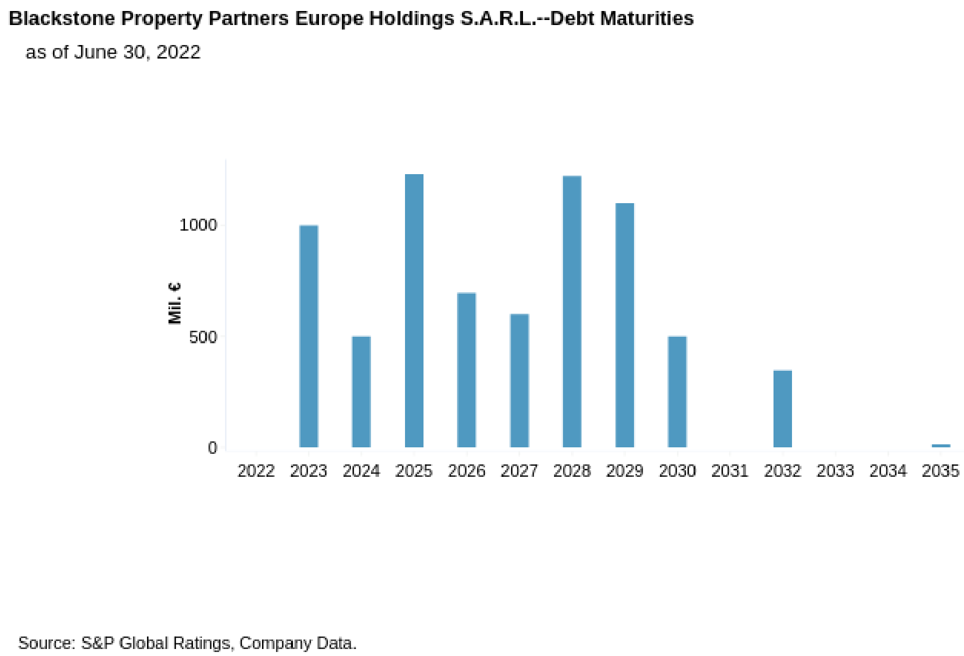
Financial Risk

BPPEH's financial risk profile reflects our expectation that the company will maintain debt to debt plus equity below 50% (48.2% on June 30, 2022). Our base case takes into account BPPEH's relatively prudent financial policy and its LTV target of 45%-50%, corresponding to a debt to debt plus equity below 50%. We anticipate that BPPEH will fund any future portfolio growth with 50% equity and 50% debt and would draw down equity in case of a severe devaluation to maintain its financial policy. In addition, we note that Blackstone Property Partners Europe, the open-ended, real estate fund that wholly owns BPPEH, also has a leverage limit of 50%.

We expect EBITDA interest coverage to remain at about 3.0x-3.2x in 2022 and about 2.6x-2.8x in 2023 (3.1x on June 30, 2022), declining mainly due to the increased cost of recent debt issuances. EBITDA growth from acquisitions completed in 2021 and first-half 2022 should improve BPPEH's debt to EBITDA to about 16x-18x in 2022 and 15x-17x in 2023 from 19.1x on June 30, 2022 (EBITDA contribution not annualized). In May 2022, the company issued €500 million and £300 million of senior unsecured notes to repay existing debt and for general corporate purposes.

Debt maturities

BPPEH's average debt maturity is 4.8 years as of June 30, 2022.



EMEA REIT Financial Summary

Blackstone Property Partners Europe Holdings S.a.r.l.--Financial Summary

Reporting Period	June 2022	December 2021	June 2021	December 2020	June 2020
Display Currency	EUR	EUR	EUR	EUR	EUR
Revenue	236.6	208.5	157.9	133.8	115.8
EBITDA	181.9	159.7	123.0	101.8	90.5
Funds from operations (FFO)	113.1	95.0	83.2	58.6	68.1
Interest expense	60.0	49.9	35.6	31.6	27.1
Cash flow from operations	87.7	107.7	85.6	53.5	65.4
Capital expenditure	65.8	56.4	27.6	23.8	32.7
Dividends paid	22.6	74.3	5.0	32.3	19.9
Cash and short-term investments	768.5	603.9	285.6	266.2	201.8
Debt	6,524.4	6,261.8	4,216.7	3,729.6	2,992.7
Common Equity	7,024.0	6,908.5	4,573.4	4,076.3	3,175.2
Valuation of investment property	13,583.0	13,221.0	8,687.0	7,787.0	6,177.0
Adjusted ratios					
EBITDA margin (%)	76.7	77.2	77.1	77.0	76.7
EBITDA interest coverage (x)	3.1	3.3	3.3	3.3	3.0

Debt/EBITDA (x)	19.1	22.1	18.8	19.4	18.9
Debt/debt and equity (%)	48.2	47.5	48.0	47.8	48.5

Reconciliation Of Blackstone Property Partners Europe Holdings S.a r.l. Reported Amounts With S&P Global Ratings' Adjusted Amounts - EUR (Millions)

	Debt	Shareholder equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adj. EBITDA	OCF	Dividends	Capex
Period date	2022-06-30									
Company reported amounts	10,214.7	2,323.1	445.1	411.0	174.5	150.3	341.6	218.8	96.9	122.2
Cash taxes paid	-	-	-	-	-	-	(17.2)	-	-	-
Cash interest paid	-	-	-	-	-	-	(116.3)	-	-	-
Reported lease liabilities	26.1	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(768.5)	-	-	-	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	28.0	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(23.4)	-	-
Noncontrolling/ minority interest	-	460.2	-	-	-	-	-	-	-	-
Debt: Shareholder loans	(2,947.9)	-	-	-	-	-	-	-	-	-
Equity: Fair value adjustments	-	2,010.0	-	-	-	-	-	-	-	-
Equity: Other	-	2,230.7	-	-	-	-	-	-	-	-
EBITDA: Gain/(loss) on disposals of PP&E	-	-	-	(69.4)	(69.4)	-	-	-	-	-
Interest: Shareholder loan	-	-	-	-	-	(40.4)	-	-	-	-
Total adjustments	(3,690.3)	4,700.9	0.0	(69.4)	(41.4)	(40.4)	(133.5)	(23.4)	0.0	0.0
S&PGR adjusted	6,524.4	7,024.0	445.1	341.6	133.1	109.9	208.1	195.4	96.9	122.2

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 Sept. 30, 2022.

Our assessment is supported by BPPEH's large cash balance, mostly undrawn RCF, and no obligation to pay dividends. We also note that BPPEH's policy is to obtain hard commitments for the unsecured bank facility around the signing of each investment. We understand that the company has €1.1 billion of capacity remaining under its uncommitted unsecured bank facility, which could be used to repay upcoming maturities if needed, once committed.

Principal liquidity sources

- About €481 million of cash and liquid investments.
- Our forecast of an estimated €230 million-€250 million of funds from operations.
- The €505 million undrawn portion of the RCF, maturing in more than 12 months.
- €600 million of committed unsecured bank facilities

Principal liquidity uses

- Debt repayment of about €500 million in the next 12 months.
- About €80 million of capex, which we understand is not fully committed.

Covenant Analysis

Requirements

BPPEH's unsecured notes have robust financial covenant requirements, including:

- Total debt to total assets of </=60%.
- Secured debt to total assets of </=40%.
- Interest coverage of >/=1.5x.
- Unencumbered assets to unsecured debt of >/= 150%.

Compliance expectations

We understand that BPPEH has financial covenants for its existing debt. It complied with all these covenants with adequate headroom on June 30, 2022 (more than 10%).

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

ESG factors are an overall neutral consideration in our credit rating analysis of BPPEH. In its office portfolio, 96% of properties have achieved green certifications, and the company is working to get the rest certified. BPPEH continues to carry out a capex program across its residential platform in Germany and the Netherlands, aimed at achieving A or B energy labels upon full renovations. BPPEH is also making efforts to collect data for its logistics portfolio to evaluate and execute the installation of solar panels in the assets. We see environmental standards to 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

Blackstone Property Partners Europe Holdings S.a.r.l.--Capital Structure And Liquidity	
As of June 30, 2022	
Average interest cost (%)	1.8
Weighted average debt maturity (years)	4.8
Average fixed debt (including hedge; %)	96.0
Composition of debt (secured; %)	4.0
Liquidity (sources/uses)	Adequate

Analytical conclusions

We expect BPPEH's secured debt to remain lower than 40% of total assets (about 2% on June 30, 2022). 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.

Rating Component Scores

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 (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)
Stand-alone credit profile	**bbb**

Related Criteria

- 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
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of November 04, 2022)*

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.