

## OBOS Eiendom AS

Rating Action Report

### LONG-TERM RATING

**BBB-**

### OUTLOOK

**Stable**

### SHORT-TERM RATING

**N3**

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## OBOS Eiendom AS assigned 'BBB-' long-term issuer rating; Outlook stable

Nordic Credit Rating (NCR) said today that it had assigned a 'BBB-' long-term issuer rating to Norway-based property manager [OBOS Eiendom AS](#). The outlook is stable. At the same time, an 'N3' short-term issuer rating was assigned. NCR also assigned 'BBB-' issue ratings to OBOS Eiendom's senior secured bonds.

### Rating rationale

The long-term issuer rating reflects OBOS Eiendom's relatively solid property portfolio in generally attractive locations. The assessment is supported by the strong fundamentals of the Oslo area, which accounts for almost all of OBOS Eiendom's rental income. We view the company's generally long lease terms and solid operating margins as positive.

These strengths are offset by the modest size of OBOS Eiendom's property portfolio, albeit mitigated by a market position bolstered by the company's close ties with its parent residential developer, OBOS BBL. Portfolio concentration is relatively high, which we view as a weakness. Our assessment is constrained by challenges in the retail property subsector, which accounts for more than half of rental income, while the company's concentrated project development pipeline, which includes speculative elements, also tempers our evaluation. We expect OBOS Eiendom's key credit metrics to weaken as it makes substantial investments in project development, although we expect this effect to be mitigated by property divestments.

Our assessment factors in OBOS Eiendom's relationship with its parent, OBOS BBL. We view OBOS Eiendom as a 'vital' component of the OBOS BBL group (as defined in our Group and Government Support Rating Methodology), due to a strong parent-subsidiary link, resulting from a long history of integration and a shared name. In line with our methodology, we align the long-term issuer rating of OBOS Eiendom with that of OBOS BBL. As of the date of publication, OBOS BBL had a 'BBB-' long-term issuer rating from NCR. As our 'bbb-' standalone credit assessment on OBOS Eiendom is at the same level as the issuer rating on OBOS BBL, we do not notch for owner support.

### Stable outlook

The stable outlook reflects our expectations of OBOS Eiendom maintaining its focus on commercial properties, primarily in the Oslo area. It also reflects a somewhat weakened financial risk profile, although we see metrics being kept at manageable levels. We also expect the strong ties with OBOS BBL to remain. We could raise the rating to reflect improving credit quality of the overall OBOS BBL group. We could lower the rating to reflect a change in ownership or deteriorating credit quality of the overall OBOS BBL group.

### Rating list

Long-term issuer credit rating:  
Outlook:  
Short-term issuer credit rating:  
Senior secured issue rating:

### Rating

BBB-  
Stable  
N3  
BBB-

**Figure 1. OBOS Eiendom rating scorecard**

Subfactors	Impact	Score
Operating environment	20.0%	bb+
Market position, size and diversification	12.5%	bb
Portfolio assessment	12.5%	bbb-
Operating efficiency	5.0%	bbb
<b>Business risk assessment</b>	<b>50.0%</b>	<b>bb+</b>
Ratio analysis		bbb-
Risk appetite		bbb-
<b>Financial risk assessment</b>	<b>50.0%</b>	<b>bbb-</b>
<b>Indicative credit assessment</b>		<b>bbb-</b>
Liquidity		Adequate
ESG		Adequate
Peer comparisons		Neutral
<b>Stand-alone credit assessment</b>		<b>bbb-</b>
Support analysis		Neutral
<b>Issuer rating</b>		<b>BBB-</b>
Outlook		Stable
<b>Short-term rating</b>		<b>N3</b>

**Figure 2. Capital structure ratings**

Seniority	Rating
Senior secured	BBB-

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 17 Jun. 2022.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	<a href="#">NCR's Corporate Rating Methodology published on 18 Feb. 2022</a> <a href="#">NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022</a> <a href="#">NCR's Rating Principles published on 24 May 2022</a> The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> . The historical default rates of entities and securities rated by NCR will be viewed on <a href="#">the central platform (CEREP) of the European Securities and Markets Authority (ESMA)</a> .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: <a href="https://nordiccreditrating.com/governance/policies">https://nordiccreditrating.com/governance/policies</a>
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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