

OBOS Eiendom AS

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N3

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geir.kristiansen@nordiccreditrating.com**OBOS Eiendom AS 'BBB-' long-term issuer rating affirmed;
Outlook stable**

Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB-' long-term issuer rating on Norway-based [OBOS Eiendom AS](#). The outlook is stable. At the same time, the 'N3' short-term issuer rating and the 'BBB-' issue ratings on the company's senior secured bonds were also affirmed.

Rating rationale

The long-term issuer rating reflects OBOS Eiendom's relatively solid property portfolio in generally attractive locations. Our assessment is supported by the strong fundamentals of the Oslo area, which accounts for almost all of the company'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 property 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 have revised our view of OBOS Eiendom's key credit metrics and expect them to weaken due to increased interest rates and substantial investments in project development, although we expect this to be mitigated by property divestments over time.

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. For this reason we add one notch of ownership support to our 'bb+' standalone credit assessment of OBOS Eiendom to bring the long-term rating on the company into line with our 'BBB-' long-term rating on the parent, in accordance with our methodology.

Stable outlook

The outlook is stable, reflecting our issuer rating on OBOS BBL. Given our view of OBOS Eiendom as 'vital' to the OBOS BBL group, we could revise our rating on the company due to changes in our issuer rating on the parent, which has a stable outlook.

We could raise the rating to reflect an improvement in the credit quality of the overall OBOS BBL group. We could lower the rating to reflect a change in ownership or a deterioration in group credit quality, or a reduction in strategic importance of the commercial real estate segment to OBOS BBL..

Rating list

	To	From
Long-term issuer credit rating:	BBB-	BBB-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N3	N3
Senior secured issue rating:	BBB-	BBB-

Figure 1. OBOS Eiendom rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bb+	bb+
Market position, size and diversification	12.5%	bb	bb
Portfolio assessment	12.5%	bbb-	bbb-
Operating efficiency	5.0%	bbb	bbb
Business risk assessment	50.0%	bb+	bb+
Ratio analysis		bb	bbb-
Risk appetite		bbb-	bbb-
Financial risk assessment	50.0%	bb+	bbb-
Indicative credit assessment		bb+	bbb-
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
Stand-alone credit assessment		bb+	bbb-
Support analysis		+1 notch	Neutral
Issuer rating		BBB-	BBB-
Outlook		Stable	Stable
Short-term rating		N3	N3

Figure 2. Capital structure ratings

Seniority	To	From
Senior secured	BBB-	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:	NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 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 nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
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: https://nordiccreditrating.com/governance/policies
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: nordiccreditrating.com/governance/policies .
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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