

# Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust

No. 85/2019  
26 December 2019

## CORPORATES

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
Senior unsecured	A-
<b>Outlook:</b>	Stable

**Last Review Date:** 26/09/19

### Company Rating History:

Date	Rating	Outlook/Alert
26/09/19	A-	Stable

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## RATIONALE

TRIS Rating affirms the issuer rating on Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust (TPRIME) at “A-” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “A-” to TPRIME’s proposed issue of up to Bt2.5 billion in senior unsecured debentures. The proceeds from the debentures will be used to repay the trust’s outstanding bank loans.

The ratings reflect the trust’s quality assets in prime locations of Bangkok, reliable source of cash flow from contract-based rental income, and low financial leverage. However, these strengths are partially offset by portfolio concentration in only two assets and its exposure to contract renewal risk.

TPRIME manages around 67,000 sq. m. in total leasable area in two office buildings including a freehold office building “Exchange Tower” and a leasehold office building “Mercury Tower”. The fair value of these assets was Bt8.12 billion as of September 2019. Both assets have achieved high occupancy rates and favorable rental rates. For the first nine months of 2019, the average occupancy rates were above 96% for both buildings while the average rental rates were Bt1,040 per sq. m. per month for Exchange Tower and Bt1,010 per sq. m. per month for Mercury Tower.

The trust’s operating performance was in line with TRIS Rating’s expectations. It’s rental and service income came in at Bt732 million in the first nine months of 2019, an increase of 6% year-on-year. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin was 66% in the first nine months of 2019 compared with 62% in the same period last year. TPRIME’s financial leverage and liquidity remained sound. As of September 2019, the net debt to EBITDA ratio was 2.5 times, the net debt to capitalization ratio was 20%, and the funds from operations (FFO) to debt ratio stayed at 29%.

Regarding the financial covenants of TPRIME’s bank debt, the trust has to maintain the loan to fair value of the total asset ratio below 35% and the interest-bearing debt to EBITDA less than 6 times. At the end of September 2019, TPRIME’s loan to fair value of the total asset ratio was 23% and interest-bearing debt to EBITDA was 3.3 times, in compliance with the financial covenants.

Going forward, TRIS Rating expects the trust’s assets to generate rental and service income of around Bt940 million per annum during 2019-2021. EBITDA margin is expected to stay around 59%. We expect TPRIME to maintain its conservative financial policy. TPRIME’s debt to capitalization ratio should stay below 30% during 2019-2021 despite its plan to acquire new assets. TRIS Rating also expects TPRIME’s net debt to EBITDA ratio to stay below 3 times during 2019-2021.

## RATING OUTLOOK

The “stable” outlook reflects the expectation of TRIS Rating that TPRIME’s assets will generate stable cash flow. Under TRIS Rating’s base case forecast, TPRIME’s debt to total capitalization ratio should stay below 30% and its net debt to EBITDA ratio should not be higher than 3.5 times on a sustained basis.

## RATING SENSITIVITIES

We could lower the ratings should TPRIME engage in large, debt-funded acquisitions such that the debt to capitalization ratio exceeds 30% and/or the debt to EBITDA ratio rises above 4 times. We could also lower the ratings if TPRIME's operating performance deteriorates significantly, perhaps from stress in the office space for rent market. On the other hand, we would consider an upgrade for the ratings if the trust materially increases its scale and diversifies its asset base while maintaining its financial profile at the current level.

## RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Real Estate Investment Trust, 12 October 2016

## Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust (TPRIME)

<b>Company Rating:</b>	A-
<b>Issue Rating:</b>	
Up to Bt2,500 million senior unsecured debentures due within 7 years	A-
<b>Rating Outlook:</b>	Stable

### TRIS Rating Co., Ltd.

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