Research Update

Alstria Office AG 'BB' Ratings Affirmed After Rating Action On Parent; Outlook Negative; SACP Revised To 'bb+'

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Rating Action Overview

- Following the launch of a senior secured bond by Alstria Office AG’s controlling holding company, Alexandrite Lake Lux Holdings S.a.r.l., we assigned our 'BB' issuer credit rating to Alexandrite (see "Alexandrite Lake Lux Holdings S.a.r.l. Assigned 'BB' Issuer Credit And 'B+' Issue Ratings; Outlook Negative," published July 22, 2025).
- We also received more details about the new group structure--including financial information at the parent level and on shareholder support--which led us to assess Alstria as a core group member of Alexandrite and integral to the group’s current identity and strategy.
- We affirmed our 'BB' issuer credit rating on Alstria and our 'BB+' issue rating on its debt, with a recovery rating of '2'.
- Additionally, we revised upward our stand-alone credit profile (SACP) assessment for Alstria to 'bb+' from 'bb'.
- The negative outlook mirrors that on Alexandrite and indicates that we could lower the rating if Alexandrite's EBITDA interest coverage ratio falls below 1.3x, or if the debt-to-debt plus equity ratio does not improve to well below 70% within the next 12 months.

Rating Action Rationale

We view Alstria as a core group member of Alexandrite. After we assigned our rating to Alexandrite, we have assigned our assessment of core status to its subsidiary Alstria, under our group rating methodology. Alexandrite, together with its co-issuer Savoy, holds a 100% stake in Alstria (with Alexandrite holding 88% and Savoy 12%. Alstria is the group's main operating entity, given all its assets are owned by Alstria. Therefore, our ratings on Alstria are aligned with our rating on Alexandrite. Brookfield appointed all four supervisory board members of Alstria.

Alexandrite's credit metrics are expected to benefit from the additional equity contribution of its shareholder but will likely remain tight over the next 12-18 months. We understand that the current loan of €800 million due January 2026 at the Alexandrite level will be refinanced with €515 million of equity. This will include €469 million of common equity and €46 million of shareholder loan provided by Brookfield's investment vehicles, and about €300 million senior secured notes, to be issued by Alexandrite and Savoy. We treat the shareholder loan as equity given it is deeply subordinated, non-cash interest payments and maturity after all of Alexandrite's and Savoy's outstanding debt obligations.

After the transaction closes, including the successful bond issuance, we expect Alexandrite's S&P Global Ratings-adjusted debt-to-debt plus equity ratio to remain high at about 69% in 2025 and improve toward 68% in 2026. Further, we expect Alexandrite's EBITDA interest coverage will remain close to 1.3x over the next 12 months, nearing our threshold for its current rating level. Our calculation includes approximately €12 million of non-cash financial expenses yearly in 2025 and 2026, mainly related to the amortization of bond issuance costs. The company's cash interest coverage remains about 30 basis points (bps)-50 bps higher at 1.6x-1.8x. Further, we forecast its debt to EBITDA to remain very high at 17x-18x over our forecast period. Our calculation for Alexandrite´s credit metrics includes the full consolidation of Alstria.

We revised upward our SACP assessment for Alstria to 'bb+' from 'bb'. Following our rating assessment of its parent, including the consolidation of Alstria, as well as clarity on the refinancing of the €800 million loan at the parent level, we have revised upward our SACP on Alstria to 'bb+' from 'bb'. Our SACP assessment now excludes the debt of Alexandrite, and we assess the company as core group member under our criteria. We forecast Alstria's S&P Global Ratings-adjusted ratio of debt to debt plus equity will stabilize at about 58%-60%. Further, the company's EBITDA interest coverage is expected to be at approximately 1.7x-1.8x, with debt to EBITDA to gradually improving toward 15x from 16x over the next 12-24 months. We view the company's metrics as better positioned than its peers in the same financial risk profile category and we also recognize the company's larger scale, and higher portfolio diversification compared with peers rated at the 'BB' ratings level. Therefore, we apply our comparable rating analysis adjustment which leads us to revise upward Alstria's SACP by one notch.

We expect the company's operating performance to remain broadly stable, despite slowing demand and rising vacancy rates in the German office market. During the first quarter of 2025, rent per square meter remained at about €15.3, slightly up from €15.2 reported at year-end 2024. The vacancy rate increased to 8.6% in first-quarter 2025 from 7.9% over the same period in 2024, mainly driven by expiring lease contracts with no new leases. We expect total rental income to decline by about 3%-4% in 2025 and positive rental growth of 0%-2% in 2026, based on our assumption of Alstria being a net seller over the expected period, not fully mitigated by capex and re-leasing expectations. We believe the vacancy rate will further increase to about 10%, reflecting a significant amount of expiring lease contracts, especially in 2026, accounting for approximately 18.3% of the annual rental income. We believe any delay in re-leasing activity or vacancy rates increasing beyond our forecast could harm the company's cash flow generation and therefore pressure its credit metrics for the current rating.

Outlook

The negative outlook on Alstria mirrors that on Alexandrite and indicates that we could lower the rating if Alexandrite's EBITDA interest coverage ratio falls below 1.3x, or if debt-to-debt plus equity ratio does not improve to well below 70% within the next 12 months.

Downside scenario

We could lower the ratings on Alexandrite, if over the upcoming 12 months:

- The company's debt-to-debt-plus-equity ratio does not improve to well below 70% on a sustained basis;
- EBITDA interest coverage falls below 1.3x; or
- Debt to annualized EBITDA deviates significantly from our base case.

We would also take a negative view of the company's liquidity position weakening, or if we observe the covenant threshold headroom tightening, or if its operating performance deteriorates, for example if the European Real Estate Association-determined vacancy rate increases to above 10% on a sustainable basis. We would also view negatively any change in the owner's support or an adjustment in any terms regarding financial support.

Although this would not lead us to lower the issuer credit rating due to our group assessment, we could revise downward our assessment of Alstria's SACP to 'bb' from 'bb+' if, on a prolonged basis:

- Its performance deteriorates, with higher vacancies in its portfolio, and credit metrics that deviated significantly from our base case. Specifically, if debt to debt plus equity did not remain close to 60% on a sustained basis and EBITDA interest coverage fell to well below 1.8x.

Upside scenario

We could revise the outlook on Alexandrite to stable if:

- Debt to debt plus equity improves to well below 70%;
- EBITDA interest coverage remains at or above 1.3x; and
- Debt to annualized EBITDA remains in line with our base case.

An outlook revision would also depend on a solid operating environment, including positive rental growth, active re-leasing of expiring contracts, and Alstria maintaining an adequate liquidity assessment. This would also assume no change on the support expectation from the owners on any financial support provided.

Although it would not result in an upgrade, we could revise our assessment of Alstria's SACP to 'bbb-' from 'bb+' if:

- Its debt to debt plus equity improved to close to 50% as part as a more conservative financial policy, and debt to EBITDA improved from current levels, while EBITDA interest coverage moved toward 2.4x; or
- The portfolio showed significant resilience, with occupancy levels improving well above 90% and the company successfully releases upcoming lease maturities to favorable terms.

Company Description

Alstria is a private company, ultimately owned by investment vehicles managed by Brookfield through its subsidiaries Alexandrite Lake Lux Holdings Sarl (88%) and Savoy (12%). The company focuses on acquiring and managing office properties across the country, with locations mainly in, or close to, metropolitan areas such as Hamburg, Frankfurt, Dusseldorf, Berlin, and

Stuttgart. Alstria's portfolio combines 106 assets with a market value of about €4.2 billion (as of March 31, 2025).

Our Base-Case Scenario

Assumptions

- Germany's GDP to increase by about 0.1% in 2025, after a decline of 0.2% over 2024, and to improve to 1.2% in 2026. We also expect annual inflation of 2.1% over 2025 and 1.8% in 2026, from 2.5% in 2024. The unemployment rate should remain broadly stable at 3.4% in 2025 and 3.6% in 2026.
- Total revenue decline of about 3.0%-3.5% in 2025, and rental growth turning slightly positive in 2026, based on our assumption of Alstria being a net seller over the forecast period, not fully mitigated by capex and releasing expectations.
- S&P Global Ratings-adjusted EBITDA of about €145 million-€150 million in 2025 and approximately €150 million in 2026, with an EBITDA margin of about 88% for the same periods.
- Like-for-like property valuation assumed conservatively of about 0% annually, although we understand the company could benefit from some uplift due to capex.
- Capex assumptions of €100 million-€150 million annually over the next two years.
- Gross disposal proceeds of €80 million in 2025 and €110 million in 2026, in line with the company's plan.
- No common dividend payments for the upcoming 24 months.
- We assume about €23 million of cash outflow related to the loss of its REIT status, costs occurred at Alstria's level.
- We assume noncash interest rate swap derivatives cost of €24 million to be amortized over the next two years with about €12 million each year in our adjusted interest expense.

Key metrics

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2023a	2024a	2025e	2026f	2027f
Revenue	164	172	165-168	166-169	165-170
EBITDA	147	156	145-150	145-150	145-150.0
Funds from operations (FFO)	74	72	~50	40-50	30-45
Interest expense	146	123	~115	110-115	~110
Capital expenditure (capex)	139	104	~100	~100	~150
Dividends	262	--	--	--	--
Debt	3,136	3,150	2,350	~2,275	~2,120
Equity	1,617	1,506	1,540	1,600	1,650
Adjusted ratios					
Annual revenue growth (%)	3.1	4.8	(3.0-3.5)	0.0-2.0	(1.5-2.0)
EBITDA margin (%)	90	91	~88	~88	~88

Debt/EBITDA (x)	21.3	20.2	16-17	15-16	14-15
EBITDA interest coverage (x)	1.0	1.3	1.7-1.8	1.6-1.7	1.6-1.7
EBITDA/cash interest (x)	2.0	1.9	2.0-2.1	1.9-2.0	1.7-1.8
Debt/debt and equity (%)	66.0	67.6*	60-61	58-59	56-58

*Includes Alexandrite's debt, which we are now excluding from our calculation following our assessment of the group core status.

Liquidity

Alstria’s liquidity remains adequate, based on our calculation that the company’s liquidity sources will cover uses by more than 1.2x over the next 12 months as of April 1, 2025.

Principal liquidity sources

- Unrestricted cash balance of about €134 million and an undrawn committed revolving credit facility (RCF) of €150 million, maturing in more than 12 months; and
- Forecast cash FFO of approximately €25 million-€35 million.

Principal liquidity uses

- Short-term debt maturities of €199 million; and
- Committed capex of about €90 million for the next 12 months.

Covenants

We understand that Alstria has financial covenants for its existing debt and that its headroom has remained below 10% for certain covenants, since 2023, after a significant property devaluation.

The company is also exposed to the following covenants related to its unsecured debt, as of December 2024:

- Consolidated net financial Indebtedness over total assets of maximum 60%, reported at 55%.
- Secured consolidated net financial indebtedness to total assets of maximum 45%, reported at 32%.
- Unencumbered assets to unsecured consolidated net financial indebtedness of at least 150%, reported at 186%.

The maintenance covenant--consolidated coverage ratio to be at a minimum of 1.8x--was reported at 2.4x in December 2024. This covenant is considered hard, and its breach would trigger cross-default and acceleration of payment.

Environmental, Social, And Governance

Governance factors are a moderately negative consideration in our credit ratings analysis of Alstria. Following the squeeze out of the minority shareholders in May 2025, Alstria became a private company. Although we view Brookfield as a strategic owner, and the company aims to continue with the same reporting standards as before, private companies would generally require less frequent and detailed publication of financial statements, and are subject to less regulations versus publicly listed companies. We also note that Brookfield appointed all four of Alstria's supervisory board members.

Environmental and social factors are an overall neutral consideration in our credit rating analysis of Alstria. The company has followed its sustainability guidance outlined in its 2022/2023 sustainability report and 2023 carbon accounting report, while we understand that Alstria is adapting its sustainability report in compliance with the Corporate Sustainability Reporting Directive guidance for the fiscal year 2025.

Issue Ratings--Recovery Analysis

Key analytical factors

Simulated default assumptions

- Year of default: 2030
- Jurisdiction: Germany

Simplified waterfall

- Gross enterprise value (EV) at emergence: €2,701 million
- Net EV at emergence after 5% administrative costs: €2,566 million
- Estimated priority debt (mortgages and other secured debt): €1,584 million
- Net EV available to senior unsecured bondholders: €983 million
- Senior unsecured debt claims: €1,116 million
- --Recovery expectation: 70%-90% (rounded estimate: 85%)
- --Recovery rating: ‘2’ as per S&P Global Ratings' recovery criteria.

All debt amounts include six months prepetition interest and 85% of RCF drawings on default.

Rating Component Scores

Rating Component Scores	
Component	
Foreign currency issuer credit rating	BB/Negative/--
Local currency issuer credit rating	BB/Negative/--
Business risk	Satisfactory
Country risk	Very low risk
Industry risk	Low risk
Competitive position	Satisfactory
Financial risk	Aggressive
Cash flow/leverage	Aggressive
Anchor	bb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Moderately negative (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	bb+
Group status	Core (-1 notch)

Related Criteria

- Criteria | Corporates | General: Methodology For Assessing Financing Contributed By Controlling Shareholders, May 15, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- 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: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Alexandrite Lake Lux Holdings S.a.r.l. Assigned 'BB' Issuer Credit And 'B+' Issue Ratings; Outlook Negative, July 21, 2025
- Bulletin: Alstria Office REIT-AG's Proposed Benchmark Sized Notes Will Support Liquidity, March 10, 2025
- Research Update: Alstria Office REIT-AG Affirmed At 'BB' On Equity Commitment By Brookfield; Outlook Negative, Dec. 16, 2024

Ratings List

Ratings list	
Ratings Affirmed	
Alstria Office REIT-AG	
Issuer Credit Rating	BB/Negative/--
Foreign Currency	BB/Negative/--
Ratings Affirmed; Recovery Ratings Unchanged	
Alstria Office REIT-AG	
Senior Unsecured	BB+
Recovery Rating	2(85%)