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CREDIT OPINION
30 September 2019

New Issue

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RATINGS

Aldar Investment Properties LLC

Domicile	Abu Dhabi, United Arab Emirates
Long Term Rating	Baa1
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Aldar Investment Properties LLC

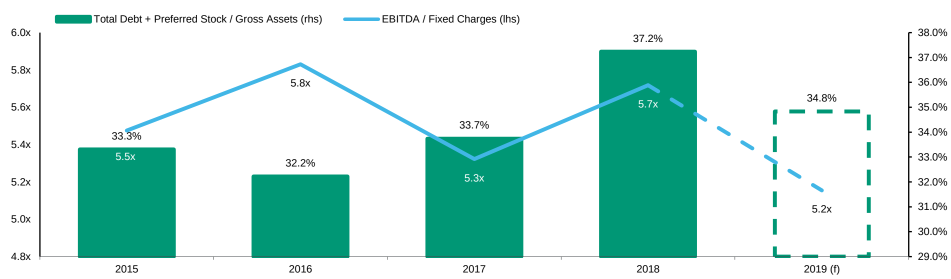
Update to credit analysis

Summary

Aldar Investment Properties (Aldar Investments) was established as a subsidiary of Aldar Properties PJSC (Baa2 stable) to hold and manage its recurring revenue properties. Aldar Investments' Baa1 issuer rating takes into account the company's (1) strong market position in Abu Dhabi and its stable recurring income from investment properties; (2) high-quality portfolio diversified across asset classes (residential, retail, office and hospitality); (3) high occupancy rates and diversified tenant base; and (4) healthy financial profile and limited development risk.

Conversely, the rating also factors in (1) Aldar Investments' geographic concentration, namely its exposure solely to Abu Dhabi; and (2) expected softness in the emirate's real estate market in 2019 with continued pressure on rents. Aldar Investments' Baa1 rating is positioned one notch higher than that of its parent, Aldar Properties PJSC, as Aldar Investments holds Aldar Properties' lower business risk recurring revenue property assets.

Exhibit 1
Strong credit metrics



Note: As of 31 December 2018, ratios take into account the full asset value and full debt value for TDIC assets and other assets transferred. However, revenue and profit for these assets are not reflected on the income statement. The Net Debt to EBITDA for 2018 would have been 5.5x without TDIC and other assets debt.
All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (f) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end (31 December) unless indicated.
Source: Moody's Financial Metrics™

THIS REPORT WAS REPUBLISHED ON 2 OCTOBER 2019 DUE TO NON-SUBSTANTIVE FACTUAL CHANGES.

Credit strengths

» Strong position in the Abu Dhabi real estate market with recurring income from investment properties

» High-quality, diversified property portfolio

» Healthy financial profile and limited development risk

Credit challenges

» Geographic concentration; exposed solely to the Emirate of Abu Dhabi

» Pressure in the Abu Dhabi real estate market with further falls in rents expected in 2019-2020

Rating outlook

The stable outlook reflects our expectation that Aldar Investments will continue to generate stable recurring cash flow in the current difficult operating environment. The stable outlook also incorporates our expectation that the company will limit its development risk by primarily investing in projects that enhance its existing asset base or by acquiring completed assets.

Factors that could lead to an upgrade

» A rating upgrade is unlikely because of the concentration of assets in Abu Dhabi. Although this risk is mitigated by a diversified product mix and tenant base, we view the substantial concentration as a rating constraint.

» Furthermore, Aldar Investments would need to establish a track record of adhering to conservative financial policies under a new corporate governance structure

» Upward pressure on the rating could emerge if Aldar Investments maintains debt to total assets below 30% as well as EBITDA to interest expense above 6.0x on a sustainable basis and through an investment cycle.

Factors that could lead to a downgrade

» Downward pressure on the rating could emerge if the operating environment deteriorates, resulting in higher vacancy levels and lower operating cash flow.

» The rating could be downgraded if Aldar Investments' liquidity weakens or its credit quality deteriorates such that the adjusted debt/total assets ratio is above 40% or adjusted EBITDA to interest expense drops below 4.0x.

» Negative pressure on the rating could also arise from unexpected difficulties in integrating acquisitions that weaken operational and cash flow performance, as well as higher than expected dividends.

Key indicators

Exhibit 2
Aldar Investment Properties LLC

	2015	2016	2017	2018	2019 (f)
Gross Assets (USD Billion)	$4.5	$4.5	$4.6	$5.2	$5.8
Unencumbered Assets / Gross Assets	85.2%	87.8%	84.8%	88.1%	80.5%
Total Debt + Preferred Stock / Gross Assets	33.3%	32.2%	33.7%	37.2%	34.8%
Net Debt / EBITDA	4.5x	4.2x	4.8x	6.5x	4.1x
Secured Debt / Gross Assets	13.8%	12.2%	15.2%	11.9%	10.8%
Fixed Charge Coverage	5.5x	5.8x	5.3x	5.7x	5.2x

Note: As of 31 December 2018, ratios take into account the full asset value and full debt value for TDIC assets and other assets transferred. However, revenue and profit for these assets are not reflected on the income statement. The Net Debt to EBITDA for 2018 would have been 5.5x without TDIC and other assets debt.
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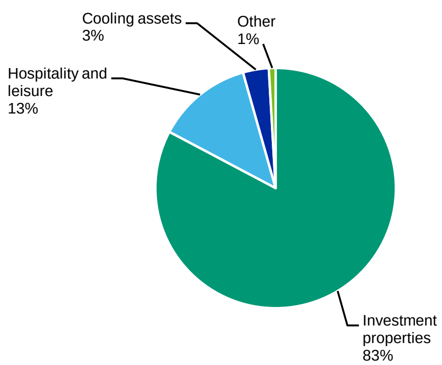
Source: Moody's Financial Metrics™

Profile

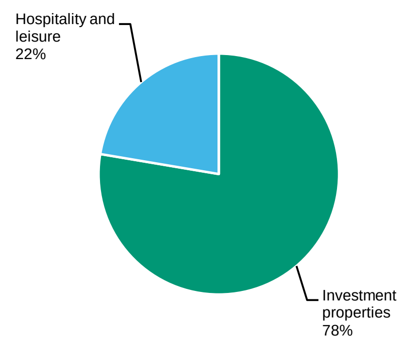
Aldar Investments owns and manages a diverse portfolio of properties in Abu Dhabi, United Arab Emirates (UAE). Its real estate portfolio is composed of offices, malls, hotels, golf courses, beach clubs, restaurants and cooling assets. Aldar Investments was established in 2018 as a limited liability company (LLC) and is 100% owned by Aldar Properties PJSC (Baa2 stable). Mubadala Development Company PJSC (Aa2 stable) owns 29.8% of Aldar Properties PJSC's share capital.

Exhibit 3
Total assets breakdown by property type



As of 30 June 2019
Source: Company financials

Exhibit 4
Gross revenue breakdown by property type



As of 30 June 2019
Source: Company financials

Detailed credit considerations

Mature and diversified asset portfolio

Aldar Investments' Baa1 rating is underpinned by the size and quality of its investment property portfolio. The portfolio's overall vacancy rate was moderate at 10%, reflecting its quality and resilience to the current market downturn, although it is exclusively located in the Emirate of Abu Dhabi with a high concentration of retail and hotel assets on Yas Island. Yas Island, however, is a beneficiary of continued government investment in the tourism sector.

In the office segment, Aldar Investments' assets are predominantly Grade A, principally leased to government and government-related entities. Aldar Investments' retail assets are split between community retail and destination retail, providing a broad retail and entertainment offering. Yas Mall, the third-largest mall in the UAE, is Aldar Investments' largest retail asset, representing 47% of the segment's total GLA. The residential segment is composed of residential units, mainly one- and two-bedroom apartments and villas, concentrated between Reem Island and Khalifa City.

Aldar Investments' hospitality assets comprise hotels and serviced apartment buildings, predominantly focused on the upscale or luxury sectors. Aldar Investments employs international operators through hotel management agreements to manage the day-to-day operation of the hotels.

Pressure in the Abu Dhabi real estate market with expected further falls in rental rates in 2019-2020

We expect rents across all segments in Abu Dhabi to decline further in 2019-2020. According to Jones Lang LaSalle data, rents for both Grade A and B office space declined in 2018 and are likely to fall further in 2019 because of lower business growth, and corporate restructuring and consolidation. In this context, tenants look to negotiate better rates and incentives to stay in existing locations. Similarly, mall operators are increasingly offering leasing incentives to attract and maintain retailers. Residential rents have been declining, as job losses and cuts in housing allowances have weakened demand, leading to higher vacancy rates. In the hospitality segment, average daily rates (ADRs) remain under pressure despite continued growth in visitor numbers to Abu Dhabi, mainly because of new entrants building market share. However, the hospitality segment will continue to draw support from the government's economic diversification initiatives, of which tourism is a key pillar, though reduced government spending is having an impact, for example, through a reduction in corporate events held at hotels. Rents in Yas Mall will likely experience a single-digit decline after lease renewals. Overall, we believe that Aldar Investments has the ability to absorb the market pressures given its financial flexibility and asset portfolio improvements, which will help it to attract and retain customers.

Geographic and asset concentration risks are a rating constraint

Aldar Investments has a high concentration risk with all of its assets located in the Emirate of Abu Dhabi. This risk is mitigated by the company's diversified tenant profile and product mix, and strong brand name. It is uncertain whether suitable opportunities exist for Aldar Investments to invest significantly in assets outside of Abu Dhabi. In our view, it is more likely the company will invest in Abu Dhabi-based projects that have been sponsored by its parent company. Aldar Investments may choose to purchase assets developed by its parent should they complement its existing investment property portfolio.

For example, on 7 May 2018, Aldar Properties PJSC announced that it had reached an agreement with the Tourism Development & Investment Company (TDIC) to acquire a portfolio of real estate assets worth AED3.7 billion. The portfolio comprises 14 operating assets worth AED1.6 billion in various sectors, including hospitality, retail, residential, education and infrastructure, which will be transferred to Aldar Investments from 2019 onwards. In our view, the 14 operating assets will complement Aldar Investments existing portfolio and strengthen its position in the Abu Dhabi real estate market.

On 20 March 2018, Aldar Properties PJSC and Emaar Properties PJSC (Baa3 stable) signed an agreement to create a joint venture targeting AED30 billion of development projects. The JV will initially focus on two projects, one in Abu Dhabi and one in Dubai. In Abu Dhabi, a mixed-use development comprising 2,000 residential units (to be sold on an off-plan basis), two hotels, 400 serviced apartments and 130,000 square metres of retail space will be constructed on Saadiyat Grove. In Dubai, the second project will be developed on a pre-sales model and comprise approximately 7,000 residential units located on a new private island, Emaar Beachfront. Both developments could take several years to be fully completed, and at present no assets will be acquired by Aldar Investments. As retail areas and malls are developed in the completed phases, however, we believe there is a possibility that Aldar Investments will purchase these assets if it has the financial flexibility to do so.

Healthy financial profile and limited development risk

Aldar Investments' 2018 leverage, as measured by adjusted total debt to gross assets, was at 37.2%. Going forward, we expect this ratio remain within 35-40%. The company's financial profile derives further support from the strong fixed charge cover of 5.7x. Furthermore, in accordance with the company's strategy, there are no investment properties under development other than extensions of existing assets. However, Aldar Investments may choose to purchase assets developed by its parent should they complement its existing investment property portfolio.

Linkage to Aldar Properties PJSC

Aldar Investments' Baa1 rating is positioned one notch higher than that of Aldar Properties PJSC (Baa2 stable) because we consider the business risk to be lower. Although the parent remains the controlling shareholder and we cannot entirely de-link the credit risk of the two companies, we believe that the two companies will operate on an arms-length basis and that a weakening credit profile at Aldar Properties PJSC would not necessarily correlate to comparable stresses developing at Aldar Investments given their different business profiles. In the event of financial stress developing at Aldar Properties PJSC, we would need to assess the scope for contagion to develop with respect to AIdar Investments.

Aldar Properties PJSC's lower rating reflects the higher business risk in the cyclical real estate development market as well as execution risk related to existing projects under development compared to the more mature, recurring revenue nature of AIdar Investments. Nevertheless, the risk that Aldar Properties PJSC would rely on support or distributions from AIdar Investments beyond current expectations to manage liquidity is low, in our opinion.

Environmental, social and governance considerations

We take into account the impact of environmental, social and governance (ESG) factors when assessing companies' credit quality. In the case of Aldar Investments, the main ESG drivers are the following:

We believe management will operate AIdar Investments' financial profile prudently. Management has set a maximum loan to value (LTV) of 35%-40% and has formalised its dividend policy: a dividend payout of 65%-80% of distributable free cash flow (defined by management as cash net operating income less operating expenditure allocation, maintenance capital expenditure and finance expense). We expect the company could use excess cash flow for one-off distributions to shareholders, as long as the loan to value (LTV) ratio remains within its internal debt policy of 35%-40%.

Liquidity analysis

AIdar Investments' liquidity is strong. We expect funds from operations of around AED1 billion for the next 12 month would be sufficient to pay dividends and capital spending with no debt repayment until 2021. We expect the company could use excess cash flow for one-off distributions to shareholders, as long as the loan to value (LTV) ratio remains within its internal debt policy of 35%-40%. As of 30 June 2019, AIdar Investments' capital structure is composed of AED1.83 billion of sukuk maturing in 2025, AED2.3 billion of bank term loans with maturities between 2021 and 2026 and AED3.0 billion inter-company loan from Aldar Properties PJSC.

Rating methodology and scorecard factors

In determining Aldar Investments' rating, we have applied our methodology for REITs and Other Commercial Real Estate Firms published in September 2018.

Exhibit 5

Rating factors

Aldar Investment Properties LLC -Private				
Real Estate / REIT Industry Scorecard	**Current FY 12/31/2018**		**Moody's 12-18 Month Forward View**	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets (USD Billion)	$5.2	Baa	$5.2 - $6	Baa
Factor 2 : Business Profile (25%)				
a) Market Positioning and Asset Quality	Baa	Baa	Baa	Baa
b) Operating Environment	Baa	Baa	Baa	Baa
Factor 3 : Liquidity and Access To Capital (25%)				
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	88.1%	A	75% - 85%	A
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	37.2%	Baa	35% - 40%	Baa
b) Net Debt / EBITDA	6.5x	Ba	4x - 5x	Baa
c) Secured Debt / Gross Assets	11.9%	Baa	10% - 12%	Baa
d) Fixed Charge Coverage	5.7x	A	5x - 5.5x	A
Rating:				
a) Indicated Outcome from Scorecard		Baa1		Baa1
b) Actual Rating Assigned				Baa1

Note: As of 31 December 2018, ratios take into account the full asset value and full debt value for TDIC assets and other assets transferred. However, revenue and profit for these assets are not reflected on the income statement. The Net Debt to EBITDA for 2018 would have been 5.5x without TDIC and other assets debt.
All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (f) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end (31 December) unless indicated.
Source: Moody's Financial Metrics™

Appendix

Exhibit 6
Peer comparison table

	Aldar Investment Propertie		Growthpoint Properties Limit			Redefine Properties Limited			Emaar Malls PJSC		
	Baa1 Stable		Baa3 Stable			Baa3 Stable			Baa2 Stable		
(in US millions)	2017	2018	FYE Jun-17	FYE Jun-18	LTM Dec-18	FYE Aug-17	FYE Aug-18	LTM Feb-19	2017	2018	LTM Jun-19
Gross Assets	$4,560	$5,242	$9,684	$10,036	$9,875	$7,031	$6,714	$7,071	$7,200	$6,578	$6,581
Unencumbered Assets / Gross Assets	84.8%	88.1%	39.9%	43.8%	35.8%	42.4%	38.7%	42.9%	100.0%	100.0%	100.0%
Total Debt + Preferred Stock / Gross Assets	33.7%	37.2%	33.7%	34.8%	35.8%	39.6%	37.8%	39.4%	29.5%	18.5%	19.0%
Net Debt / EBITDA	4.8x	6.5x	4.8x	5.0x	5.1x	5.7x	5.3x	5.6x	1.7x	1.5x	1.5x
Secured Debt / Gross Assets	15.2%	11.9%	23.6%	20.6%	21.7%	26.5%	25.9%	27.0%	0%	0%	0%
Fixed Charge Coverage	5.3x	5.7x	3.1x	3.2x	3.3x	2.7x	2.8x	2.9x	9.9x	10.3x	12.3x

Note: As of 31 December 2018, ratios take into account the full asset value and full debt value for TDIC assets and other assets transferred. However, revenue and profit for these assets are not reflected on the income statement. The Net Debt to EBITDA for 2018 would have been 5.5x without TDIC and other assets debt.
All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end (31 December) unless indicated; LTM = last twelve month.
Source: Moody's Financial Metrics™

Exhibit 7
Moody's-adjusted Debt Breakdown

(In USD millions)	2015	2016	2017	2018
As Reported Debt	**1,466**	**1,432**	**1,535**	**1,952**
Pensions	3.7	3.9	3.8	0.0
Operating Leases	43.4	0	0	0
Non-Standard Adjustments	0.1	0.1	0.1	0.1
Moody's-Adjusted Debt	**1,514**	**1,436**	**1,538**	**1,952**

Note: As of 31 December 2018, ratios take into account the full asset value and full debt value for TDIC assets and other assets transferred. However, revenue and profit for these assets are not reflected on the income statement. The debt for 2018 would have been USD1,667 million without TDIC and other assets debt.
All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end (31 December) unless indicated.
Source: Moody's Financial Metrics™

Exhibit 8
Moody's-adjusted EBITDA breakdown

(In USD millions)	2015	2016	2017	2018
As Reported EBITDA	**635**	**297**	**188**	**108**
Operating Leases	11	0	0	0
Unusual	(327)	31	123	182
Moody's-Adjusted EBITDA	**319**	**328**	**311**	**290**

All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end (31 December) unless indicated.
Source: Moody's Financial Metrics™

Ratings

Exhibit 9

Category	Moody's Rating
ALDAR INVESTMENT PROPERTIES LLC	
Outlook	Stable
Issuer Rating	Baa1
PARENT: ALDAR PROPERTIES PJSC	
Outlook	Stable
Issuer Rating	Baa2
ALDAR SUKUK LTD.	
Outlook	Stable
Bkd Senior Unsecured	Baa1

Source: Moody's Investors Service

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