CREDIT OPINION
6 February 2025

Update

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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

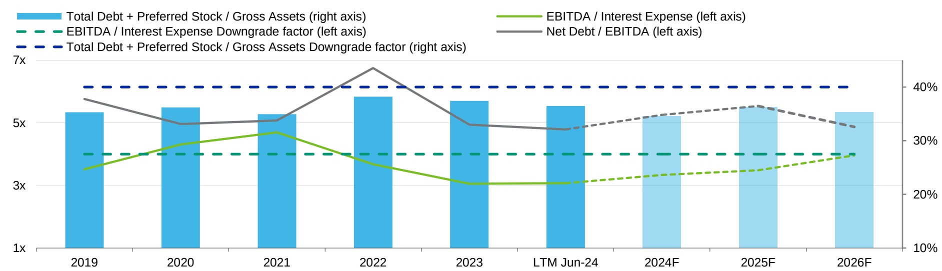
Update following Baa1 issuer rating affirmation

Summary

Aldar Investment Properties LLC's (AIP, Baa1 stable) rating reflects the company's: (1) strong market position in Abu Dhabi and its recurring income from investment properties; (2) high quality portfolio diversified across asset classes and diversified tenant base; (3) growing share of revenues from the commercial and logistics segment; and (4) strong liquidity and limited development risk.

Conversely, the ratings also factors in (1) AIP's geographic concentration, namely its majority exposure to Abu Dhabi market; (2) moderately weaker credit metrics as of June 2024 given debt financed growth strategy; and (3) the exposure to demographic changes due to a large expatriate population. AIP's Baa1 rating is positioned one notch higher than that of its parent, Aldar Properties PJSC (Aldar, Baa2 stable), as AIP holds the lower business risk recurring revenue property assets.

Exhibit 1
We expect credit metrics to remain within the rating thresholds despite ongoing debt financed growth strategy



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Large owner and operator of investment properties that generate recurring cash flows in Abu Dhabi market

» High-quality, diversified property portfolio

» Strong liquidity and limited development risk

Credit challenges

» High geographic concentration in the Emirate of Abu Dhabi

» Exposure to demographic changes due to growing expatriate population

» Fast pace of debt financed growth strategy introduces execution and releveraging risks

Rating outlook

The stable outlook reflects our view that the company will be able to fund its growth strategy while maintaining financial leverage below 40% and interest coverage around 4x through 2025.

Factors that could lead to an upgrade

» Meaningful geographic diversification away from the Emirate of Abu Dhabi

» Gross debt + preferred stock to total gross assets sustained below 30%

» Fixed charge coverage (EBITDA to adjusted fixed charges) sustained above 6.0x

» Track record of more balanced and mature markets with lower price volatility

Factors that could lead to a downgrade

» If the operating environment deteriorates, resulting in higher vacancy levels and lower operating cash flow

» Liquidity weakens

» Gross debt + preferred stock to total gross assets ratio is above 40%

» Fixed charge coverage drops below 4.0x

» More aggressive financial policy including an increase in dividends or related party transactions

» A change in the rating and/or outlook of the parent Aldar Properties PJSC

Key indicators

Exhibit 2
Aldar Investment Properties LLC

(in $ billions)	2019	2020	2021	2022	2023	LTM Jun-24	2024F	2025F	2026F
Gross Assets	5.7	4.7	5.1	7.2	7.5	7.6	7.7	9.4	9.6
Unencumbered Assets / Gross Assets	86.1%	81.2%	82.2%	88.9%	96.1%	97.5%	100.0%	100.0%	100.0%
Total Debt + Preferred Stock / Gross Assets	35.3%	36.2%	35.0%	38.2%	37.4%	36.5%	34.6%	36.3%	35.3%
Net Debt / EBITDA	5.8x	5.0x	5.1x	6.7x	4.9x	4.8x	5.3x	5.5x	4.9x
Secured Debt / Gross Assets	9.0%	13.7%	10.1%	5.2%	2.9%	2.5%	0.0%	0.0%	0.0%
Fixed Charge Coverage	3.5x	4.3x	4.7x	3.7x	3.1x	3.1x	3.3x	3.5x	4.0x

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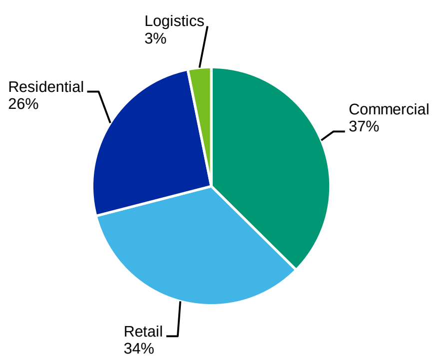
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

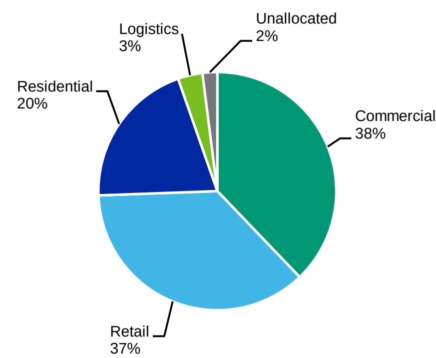
Aldar Investment Properties LLC (AIP) owns and manages a diverse portfolio of properties primarily in Abu Dhabi, United Arab Emirates across the residential, commercial, retails and logistics sectors. The company was established in 2018 as a limited liability company (LLC) as a 100%-owned subsidiary of Aldar Properties PJSC (Aldar) to hold and manage its recurring revenue properties. Following the Apollo transaction in 2022, Aldar's ownership currently stands at 88.1%. For LTM Jun-24, AIP reported AED2.2 billion of revenue, AED1.7 billion of Moody's Adjusted EBITDA and AED28.0 billion of total assets.

Exhibit 3
Reported revenue breakdown by business segment
LTM Jun-24



LTM = Last twelve months
Source: Company Information

Exhibit 4
Reported gross assets breakdown by business segment
As of Jun-24



Source: Company Information

Detailed credit considerations

High geographic concentration partially mitigated by diversified market offerings and tenant mix

AIP faces a high geographic concentration risk, with the majority of its assets located in the Emirate of Abu Dhabi. This concentration heightens the impact of event risks such as market downturns, price volatility, and demand fluctuations throughout the real estate cycle on the company's operations and cash flows. However, this risk is partially mitigated by AIP's sizable portfolio, diversified tenant profile, sector mix, strong brand name, and, to a lesser extent, its expansion into the Emirate of Dubai.

AIP's investment properties portfolio is substantial and comprises high-quality assets across multiple markets, including office, retail, residential, and logistics sectors. As of June 2024, the company's assets under management are well-distributed among retail properties (37%), commercial properties (38%), residential properties (20%), and logistics (3%).

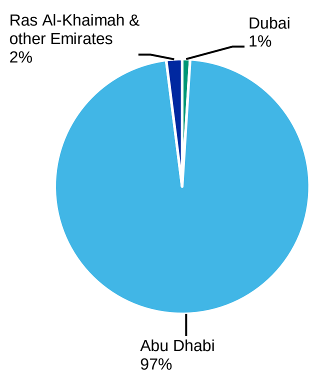
AIP's 35 retail assets host a diverse tenant mix with over 1,400 brands, split between community retail and destination retail, offering a wide range of shopping, dining, and entertainment options. Yas Mall, the largest mall in the Emirate of Abu Dhabi and the third-largest mall in the UAE, is AIP's largest retail asset, accounting for approximately 42% of the segment's total gross leasable area (GLA).

The 13 commercial assets consist of Grade A commercial towers and mixed-use spaces in prime locations, with a total GLA of around 426,000 sqm as of June 2024. In the office segment, AIP's assets are predominantly Grade A and are primarily leased to government and government-related entities. While AIP's remaining assets contribute relatively less to revenue and earnings, they provide exposure to the higher-margin logistics sector and the relatively stable residential sector.

In 2024, AIP entered the Emirate of Dubai's commercial real estate market by acquiring a fully occupied Grade A office building in Dubai for AED 255 million. The company plans to expand further into Dubai, given the positive fundamentals of the commercial real estate market, although it will remain a smaller portion of its total assets. In the same year, Aldar Properties PJSC announced several expansions to develop and hold (D-hold) key recurring revenue assets in Dubai. Notable investments include:

- A 50:50 joint venture with Expo City to develop and own six mixed-use buildings in Dubai South.
- An AED 1.6 billion commitment to develop a Grade A office tower near DIFC, Dubai, with expected completion in Q4 2027.
- The acquisition of an under-construction commercial tower in DIFC, Dubai, for AED 2.4 billion, expected to complete in 2028 (AED 0.5 billion paid to date).
- An agreement with DP World Limited (Baa2 Stable) to develop and manage a 1.55 million sqf Grade A logistics park within Dubai.

Exhibit 5
Gross asset value by region
As of Jun-24



Source: Company Information

Credit metrics are expected to gradually improve following debt financed asset acquisitions

We expect AIP's credit metrics to remain largely flat through 2026 compared to LTM June 2024, driven by higher earnings from asset ramp-ups, offset by increased borrowing to fund the company's ongoing expansion strategy. We anticipate financial leverage (Moody's adjusted total debt + preferred stock / gross assets) to remain flat at around 35%. This is primarily due to our expectation that debt levels will rise by approximately AED 3 billion through 2026 to fund ongoing expansions, which will match the increase in the company's consolidated gross assets. Net Debt / EBITDA is expected to increase to around 5.5x in 2025, up from our estimate of about 5.3x in 2024 and 4.9x a year earlier, reflecting higher borrowing to support AIP's growth strategy. However, we expect the ratio to improve to below 5x due to higher earnings from the ramp-up of acquired assets.

We also anticipate AIP's fixed charge ratio (Moody's adjusted EBITDA / fixed charges) to improve through 2026. The fixed charge ratio will improve to about 3.5x in 2025 and 4x in 2026, up from 3.1x in LTM June 2024, as higher earnings are partially offset by increased interest expenses from additional borrowings. We believe the company has limited headroom under the current rating level, given the weak interest coverage and higher net debt position. However, expected higher earnings from current investments should improve the ratios through 2026.

We expect AIP to generate higher earnings and EBITDA, driven by higher rental rates, full-year contributions from acquired assets from Mubadala's partnership, and other assets such as the 6 Falak office building, as well as the ramp-up of recently completed assets from Aldar's D-Hold pipeline.

We believe management will continue to operate AIP's financial profile prudently. Management has set a maximum loan-to-value (LTV) ratio of less than 40% and has formalized its dividend policy, which includes a dividend payout of 65%-80% of Adjusted Funds From Operations (AFFO). AFFO is defined by management as net income less/plus impairments and fair value movements, less gains on sale, plus loss on sale, depreciation, and amortization, less maintenance capital expenditure. However, the increased pace of asset acquisitions, joint venture partnerships, and organic expansions, primarily financed with debt, introduces leveraging risk given the short time frame between these transactions. This may result in downward pressure if the company is unable to maintain credit metrics within our threshold. Higher-than-anticipated shareholder payouts could also result in downward rating pressure.

The real estate market in Abu Dhabi will continue to grow over the next 12-18 months

We expect Abu Dhabi's real estate market to benefit from solid economic activity in the Emirate through 2026. The International Monetary Fund estimates the UAE economy to grow by 5.1% in both 2025 and 2026. This healthy economic activity will support demand for housing and the real estate market. According to CBRE, in Q3 2024 Abu Dhabi's average apartment rentals have increased by ~9% over the same period last year, while villa rates also grew by ~4%.

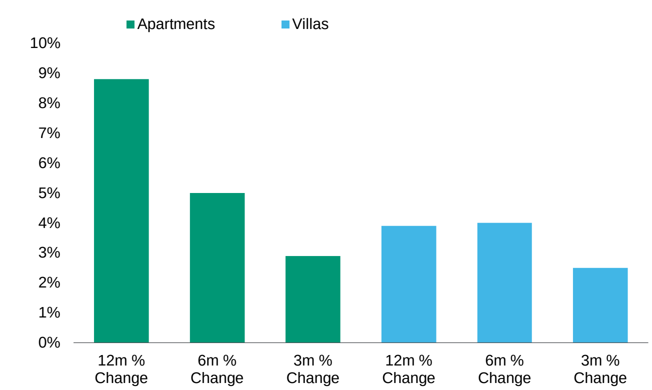
AIP had a solid performance in 2023 and 2024 across all its segments, driven by its strong position in the market and the acquisitions the company undertook in recent years. Overall, we believe AIP's income generating assets are of good quality which will help the company attract and retain customers once projects in the current pipeline are completed.

AIP's overall commercial portfolio registered a solid performance with strong leasing growth, ending 9M 2024 at 97% occupancy. We believe commercial office space will witness positive demand drivers through 2026, with solid economic activity and limited supply of office space will continue to drive high occupancy rates and support rental prices. Average office space occupancy rates in the Emirate of Abu Dhabi stood at around 94% in Q3 2024, the highest in more than 4 years (Exhibit 6).

On the retail side, we also expect the sector will continue to benefit from population growth and solid consumer spending in the next two years. Yas Mall achieved a very strong 95% occupancy rate for the first nine months of 2024. This was primarily driven by a successful redevelopment and repositioning plan during the last couple of years. Although AIP's overall retail occupancy rate stood at 89% for 9M 2024, we believe this will improve as the company refurbishes older less occupied assets. The residential portfolio also saw a very strong performance during same period with occupancy rates at 98% as of Sept-24 from 94% in 2023.

Exhibit 6

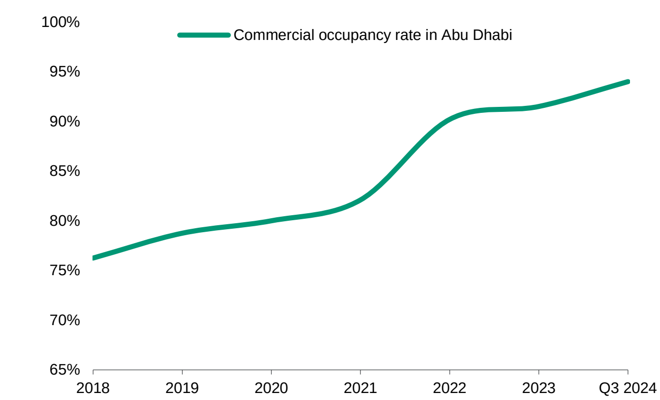
Abu Dhabi's apartment rents have continued to improve in 2024...
Q3 2024



Source: CBRE

Exhibit 7

...and occupancy rates for commercial office space has also improved.



Source: CBRE

We view growing international investor base in Abu Dhabi real estate market as potential risk given the uncertainties it adds to demand characteristics. Changes to population demographics with relatively higher proportionate of non-UAE citizens exposes the company to uncertain demand characteristics because international and expatriate population fluctuate throughout the economic cycle. Nonetheless, we believe solid economic activity over the next 24 months will continue to support demand for AIP's business segments.

AIP's rating is one notch above that of Aldar's given the relatively less volatile investment business

AIP's Baa1 rating is positioned one notch higher than that of Aldar because the company owns and operate a large asset base of high quality assets that generate sustainable recurring cash flows. We view AIP's business profile as relatively more resilient compared to that of Aldar given the cyclical development business.

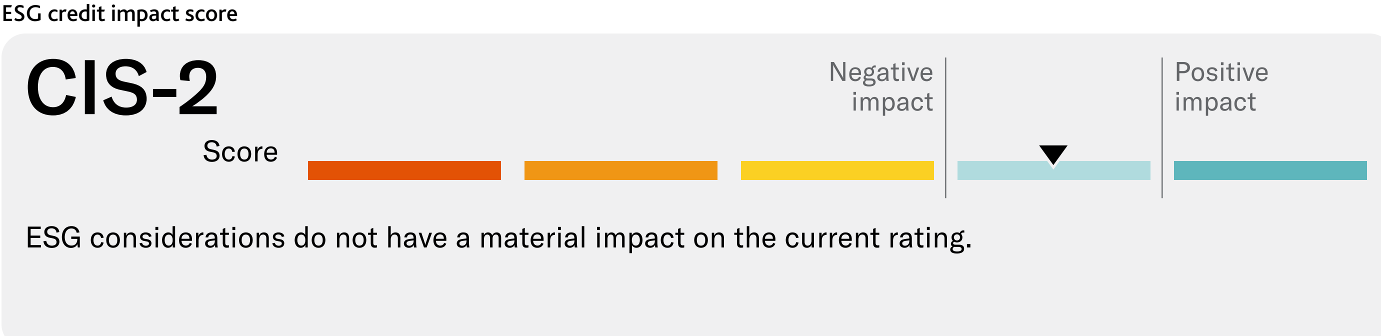
Aldar, being the controlling shareholder of AIP, possesses the capability to draw higher levels of cash from AIP, such as through shareholder returns, particularly during times of market downturns or financial distress to bolster its own liquidity and operations. However, we believe this risk is significantly mitigated by several factors. Firstly, the historical track record of Aldar and AIP operating at arm's length demonstrates a consistent practice of independence and fairness in their transactions, suggesting that Aldar's influence does not unduly impact AIP's financial decisions. Secondly, Aldar's substantial land bank acts as a financial cushion, diminishing its need to depend on cash distributions from AIP. In cases where Aldar encounters financial stress, we would consider the extent to which AIP's operations and financial health could be impacted by Aldar's difficulties. Nevertheless, Aldar's limited reliance on substantial shareholder distributions, coupled with AIP's resilient and mature business profile, supports the one notch differentiation between AIP's credit rating and that of Aldar's.

AIP is more likely to invest in Abu Dhabi and Dubai-based projects that have been sponsored by its parent company. The company may choose to purchase assets developed by its parent should they complement its existing investment property portfolio. In 2024, Aldar Properties' development business posted strong revenue growth driven by strong property development revenue with unit handovers and inventory sales, illustrating its market leadership position in Abu Dhabi and a resilient buyer profile.

ESG considerations

Aldar Investment Properties LLC's ESG credit impact score is CIS-2

Exhibit 8
ESG credit impact score

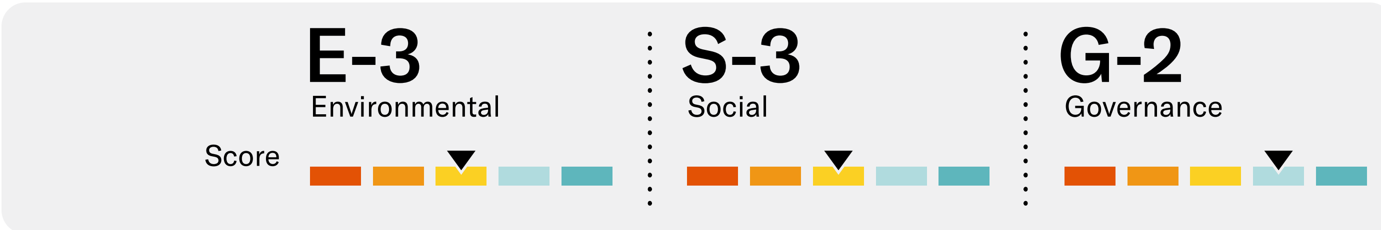


Source: Moody's Ratings

Aldar Investment Properties' (AIP) ESG credit impact score of **CIS-2** indicates that ESG considerations have limited to no impact on the company's current rating reflecting its exposure to environmental, social, and governance risks. Governance risk exposure reflects AIP's prudent financial policy and demonstrated track record of organic and inorganic growth.

Exhibit 9

ESG issuer profile scores



Source: Moody's Ratings

Environmental

E-3. AIP's environmental risk exposure reflects physical climate risks and carbon transition. AIP has a diversified portfolio of assets and continually invests in the assets to mitigate event and operational risks. Nevertheless, the company's exposure to physical risk is based on our expectations of more frequent and severe climate events and a steady increase in surface temperatures, and its physical asset-intensive business models. Exposure to carbon regulation is growing as more jurisdictions establish emission and energy-efficiency guidelines.

Social

S-3. AIP has exposure to social risks primarily related to demographic and societal trends. These risks reflect demographic changes due to a large expatriate population. Demographic changes and affordability are important factors driving demand, and changes in these areas could moderately affect the risks that the company faces.

Governance

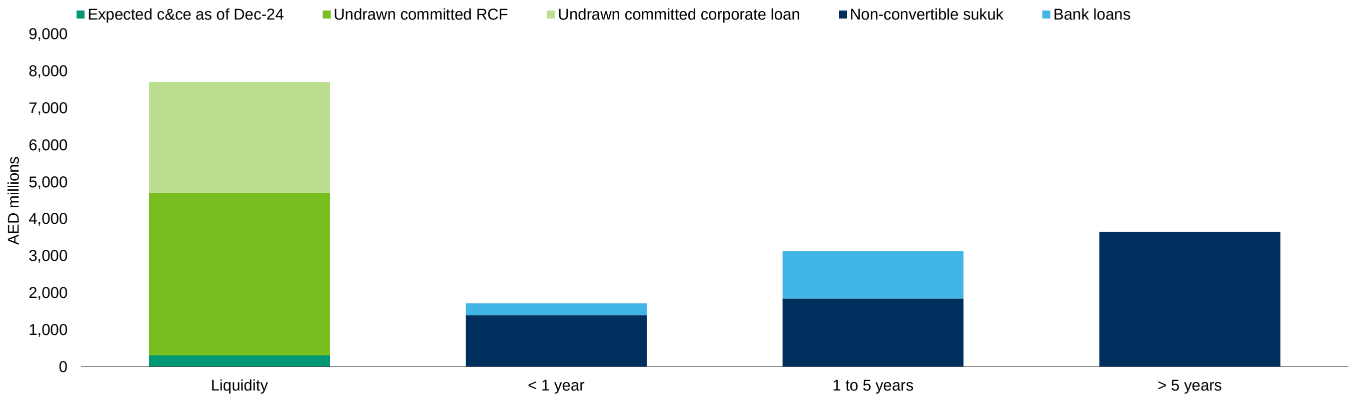
G-2. AIP's governance risks reflect its conservative financial policy and demonstrated track record of growth. AIP is 88.1% owned by Aldar Properties PJSC (Aldar). As such, its parent has control of the board and can influence AIP in all its activities. The parent company also provides a sizeable revolving credit facility of AED3 billion which is a key source of liquidity for the company, and it performs all asset management activities such as the maintenance of the properties. There is a risk of related party transactions and the risk that Aldar may influence AIP's decision to acquire properties from its parent. The company has publicly articulated a set of financial policies which include a maximum loan to value (LTV) of 40% and a dividend payout of 65%-80% of Adjusted Funds From Operations (AFFO) which is defined by management as net income less/plus Impairments and fair value movements less gains on sale plus loss on sale, depreciation and amortization less maintenance capital expenditure.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

AIP's liquidity is strong with about AED9.2 billion of sources to cover about AED5.8 billion of uses. As of December 2024, the company is estimated to have around AED0.3 billion of unrestricted cash and cash equivalents as well as AED3.0 billion of committed undrawn intercompany facility agreement with Aldar Properties PJSC and AED4.4 billion of committed undrawn revolving credit facilities with local UAE banks with maturities above 2 years. This coupled with expected funds from operations of around AED1.5 billion for 2025 is sufficient to cover expected uses for the next 12 months comprising of total dividends of around AED0.9billion, total capital spendings and investments of around AED3.5 billion and the 2025 sukuk maturity of AED1.4 billion.

Exhibit 10
Debt maturity profile
Expected as of December 2024 (excluding lease liabilities)



Source: Company information and Moody's Ratings

Structural considerations

The Baa3 rating assigned to the hybrid notes is two notches below AIP's Baa1 issuer rating. This is consistent with the notching differential Moody's applies to hybrids for investment grade companies. The hybrid notes are subordinated to AIP's payments obligations and rank senior only to common shares. The notes also provide AIP with the option to defer coupons on a cumulative basis. The coupon steps up by 25 basis points 15 years after the issuance date and by a further 75 basis points 20 years after issuance. In our view, the notes have equity-like features which allow them to receive 50% equity credit for the calculation of credit metrics.

Rating methodology and scorecard factors

In determining AIPs' rating, we have applied our methodology for REITs and Other Commercial Real Estate Firms.

Exhibit 11
Rating factors
Aldar Investment Properties LLC

REITs and Other Commercial Real Estate Firms Industry Scorecard	Current LTM Jun-24		Moody's 12-18 month forward view	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets ($ billions)	$ 7.6	Baa	$ 8.0 - $ 9.5	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	97.5%	Aa	100%	Aaa
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	36.5%	Baa	35% - 36%	Baa
b) Net Debt / EBITDA	4.8x	Baa	5.0x - 5.5x	Baa
c) Secured Debt / Gross Assets	2.5%	Aa	0%	Aaa
d) Fixed Charge Coverage	3.1x	Baa	3.5x - 4.0x	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa1		A3
b) Actual Rating Assigned				Baa1

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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 12
Peer comparison
Aldar Investment Properties LLC

	Aldar Investment Properties LLC Baa1 Stable			Atrium Ljungberg AB Baa2 Negative			Entra ASA Baa3 Stable		
(in $ millions)	FY Dec-22	FY Dec-23	LTM Jun-24	FY Dec-22	FY Dec-23	LTM Sep-24	FY Dec-22	FY Dec-23	LTM Sep-24
Gross Assets	7,169	7,541	7,622	6,125	6,121	6,002	8,334	7,215	6,081
Unencumbered Assets / Gross Assets	88.9%	96.1%	97.5%	57.5%	57.5%	66.5%	82.8%	80.4%	88.7%
Total Debt + Preferred Stock / Gross Assets	38.2%	37.4%	36.5%	41.8%	42.6%	41.3%	49.8%	53.9%	49.8%
Net Debt / EBITDA	6.7x	4.9x	4.8x	16.2x	13.5x	12.3x	14.7x	13.6x	10.6x
Secured Debt / Gross Assets	5.2%	2.9%	2.5%	12.3%	11.9%	12.0%	8.2%	10.5%	0.0%
Fixed-Charge Coverage	3.7x	3.1x	3.1x	3.0x	2.9x	3.0x	2.6x	1.8x	1.9x

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 13
Moody's-adjusted debt breakdown
Aldar Investment Properties LLC

(in $ millions)	2019	2020	2021	2022	2023	LTM Jun-24
As reported debt	**2,015.3**	**1,718.6**	**1,797.7**	**2,490.4**	**2,570.9**	**2,531.0**
Pensions	-	-	-	2.6	2.7	2.7
Hybrid Securities	-	-	-	247.2	247.2	247.2
Moody's-adjusted debt	**2,015.3**	**1,718.6**	**1,797.7**	**2,740.2**	**2,820.8**	**2,780.9**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 14
Moody's-adjusted EBITDA breakdown
Aldar Investment Properties LLC

(in $ millions)	2019	2020	2021	2022	2023	LTM Jun-24
As reported EBITDA	**270.8**	**234.3**	**357.5**	**441.4**	**591.3**	**682.2**
Pensions	-	-	-	(0.5)	(0.3)	(0.3)
Unusual Items	38.6	69.6	(57.8)	(99.8)	(147.1)	(208.2)
Non-Standard Adjustments	(12.7)	-	-	-	-	-
Moody's-adjusted EBITDA	**296.6**	**303.9**	**299.7**	**341.1**	**443.9**	**473.7**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 15

Category	Moody's Rating
ALDAR INVESTMENT PROPERTIES LLC	
Outlook	Stable
Issuer Rating	Baa1
PARENT: ALDAR PROPERTIES PJSC	
Outlook	Stable
Issuer Rating	Baa2
Subordinate	Baa3
ALDAR INVESTMENT PROPERTIES SUKUK LIMITED	
Outlook	Stable
Bkd Senior Unsecured	Baa1
ALDAR INVESTMENTS HYBRID LIMITED	
Outlook	Stable
Bkd Subordinate	Baa3
ALDAR SUKUK (NO. 2) LTD.	
Outlook	Stable
Bkd Senior Unsecured	Baa1
ALDAR SUKUK LTD.	
Outlook	Stable
Bkd Senior Unsecured	Baa1

Source: Moody's Ratings

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454