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CREDIT OPINION
28 April 2023

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 to credit analysis

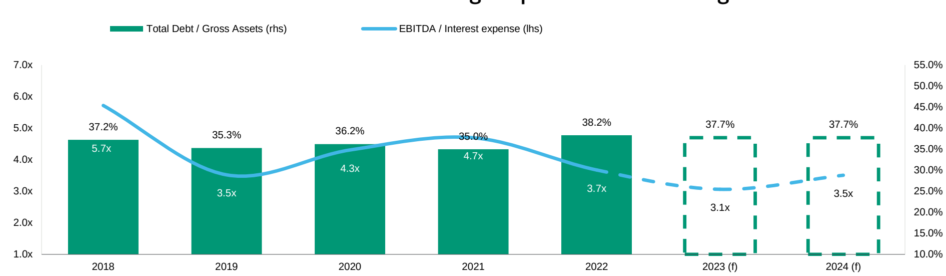
Summary

Aldar Investment Properties LLC's (AIP) Baa1 issuer 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) the ongoing recovery of the real estate market outlook in Abu Dhabi and (4) strong liquidity and limited development risk.

Conversely, the rating also factors in (1) AIP's geographic concentration, namely its majority exposure to Abu Dhabi; and (2) 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 Properties, Baa2 stable), as AIP holds Aldar Properties' lower business risk recurring revenue property assets.

We expect AIP's leverage (Moody's adjusted total debt / gross assets) to remain stable and interest coverage (Moody's adjusted EBITDA / interest expense) to slightly weaken in 2023 to around 3.1x before starting to improve in 2024 on the back of a number of debt-funded acquisitions.

Exhibit 1
Credit metrics commensurate with a Baa1 rating despite them weakening since 2021



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 unless indicated.
Source: Moody's Investors Service

Credit strengths

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

» High-quality, diversified property portfolio

» Strong liquidity and limited development risk

Credit challenges

» Geographic concentration, mainly exposed to the Emirate of Abu Dhabi

» Exposure to demographic changes due to a large expatriate population

Rating outlook

The stable outlook reflects the view that the company will maintain adjusted credit metrics in line with the Baa1 rating over the next 12-18 months.

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

» Upward pressure on the rating could emerge if AIP maintains gross 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 AIP's liquidity weakens or its credit quality deteriorates such that the gross debt to total assets ratio is above 40% or EBITDA to interest expense drops below 4.0x

» A change in the rating and/or outlook of Aldar Properties PJSC or a change in financial policies such as an increase in dividends or related party transactions which weaken credit ratios would also put downward pressure on the rating

Key indicators

Exhibit 2

	2018	2019	2020	2021	2022	2023 (f)	2024 (f)
Gross Assets (USD Billion)	$5.2	$5.7	$4.7	$5.1	$7.2	$7.9	$8.3
Unencumbered Assets / Gross Assets	88.1%	86.1%	81.2%	82.2%	88.9%	96.4%	96.5%
Total Debt + Preferred Stock / Gross Assets	37.2%	35.3%	36.2%	35.0%	45.9%	44.7%	44.3%
Total Debt / Gross Assets	37.2%	35.3%	36.2%	35.0%	38.2%	37.7%	37.7%
Net Debt / EBITDA	6.5x	5.8x	5.0x	5.1x	6.7x	6.4x	5.8x
Secured Debt / Gross Assets	11.9%	9.0%	13.7%	10.1%	10.5%	2.8%	2.6%
Fixed Charge Coverage	5.7x	3.5x	4.3x	4.7x	3.7x	3.1x	3.5x

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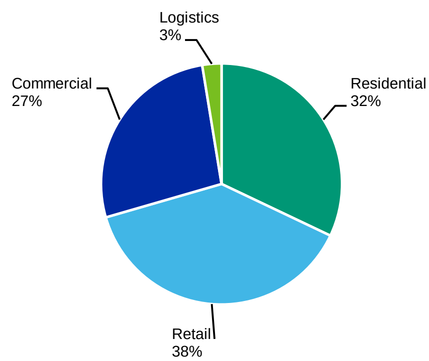
Source: Moody's Investors Service

Profile

AIP owns and manages a diverse portfolio of properties in Abu Dhabi, United Arab Emirates across the residential, commercial and retails sectors. The company was established in 2018 as a limited liability company (LLC) as a 100%-owned subsidiary of Aldar Properties PJSC to hold and manage its recurring revenue properties. Following the Apollo transaction, Aldar Properties PJSC's ownership currently stands at 88.1%.

In 2022, AIP reported AED1.85 billion of revenue and AED26.3 billion of total assets on a Moody's adjusted basis.

Exhibit 3
Gross revenue breakdown by business segment



As of 31 December 2022
Source: Company data

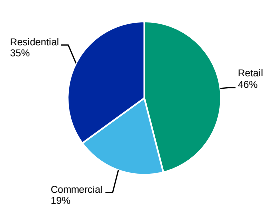
Detailed credit considerations

Mature and diversified asset portfolio, but geographic concentration is a rating constraint

AIP's Baa1 rating is underpinned by the good size and high quality of its investment property portfolio which is diversified across office, retail, residential and logistics, which was added in 2022. The retail segment makes up the highest percentage of assets under management (AUM) of 37% as of December 2022. AIP's 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 AIP's largest retail asset, representing 42% of the segment's total GLA.

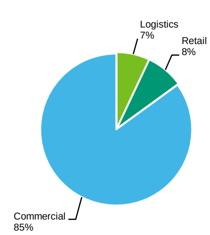
The commercial segment makes up another 35% of AIP's AUM. This percentage has grown substantially in 2022 following the acquisition of four prime Grade A commercial towers from Mubadala Investment Company (MIC) with a net leasable area of 180,000 sqm. The towers are located in Al Marayah Island in Abu Dhabi and were valued at AED4.3 billion at the time of the transaction. In the office segment, AIP's assets are predominantly Grade A, principally leased to government and government-related entities.

Exhibit 4
The AUM increased from AED 17.2 billion..



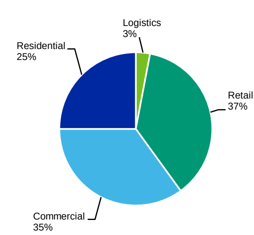
2021 portfolio assets are based on fair value
Source: Company data

Exhibit 5
..following the MIC transaction..



New capital deployment in 2022 based on fair value
Source: Company data

Exhibit 6
..to AED23.8 billion as of December 2022



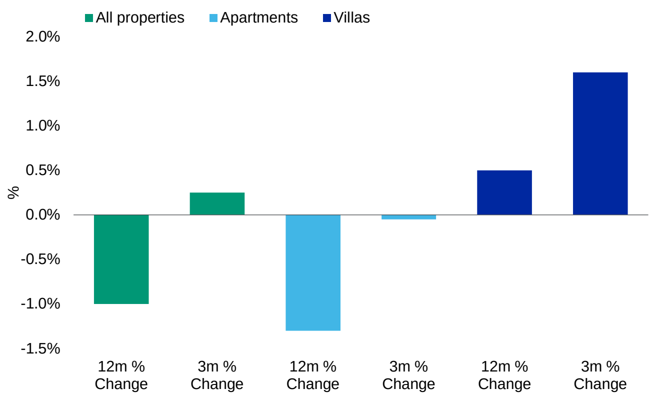
2022 portfolio assets are based on fair value
Source: Company data

AIP has a high concentration risk with majority 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. AIP is more likely to invest in Abu Dhabi-based projects that have been sponsored by its parent company. AIP may choose to purchase assets developed by its parent should they complement its existing investment property portfolio.

The real estate market in Abu Dhabi to remain stable; AIP is nevertheless exposed to a number of risks

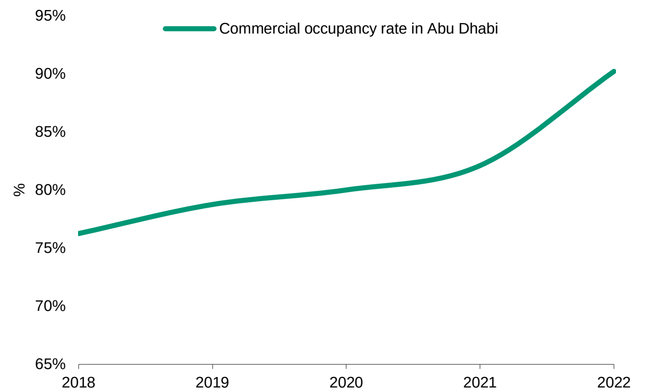
We expect Abu Dhabi's real estate market to remain stable in 2023, in line with 2022, driven by the improving macro conditions in the emirate following the full removal of all COVID-related restrictions in the later half of 2022. We estimate Abu Dhabi's economy will grow by 1.1% in 2023 and 3.3% in 2024. Abu Dhabi was initially measured in removing vaccination and testing requirements compared to the other emirates in the UAE, which limited the rebound in services sector activity, including the real estate sector. According to CBRE, residential rental prices slightly declined y-o-y in December 2022, but importantly slightly improved in the fourth quarter of the year. At the same time, average occupancy rates for offices also improved to above 90% in 2022 from below 85% at the start of the year. The retail sector also benefited from the full reopening of the economy with leasing activity starting to pick up in the last quarter of 2022.

Exhibit 7
Abu Dhabi's residential rents have remained fairly stable...



% change as of December 2022
Source: CBRE

Exhibit 8
...while occupancy rates for commercial office space has improved.



Average occupancy rates
Source: CBRE

However, high inflation, high interest rates and risks of global recession could hamper demand growth and the market's stability. On one side, high inflation and increasing interest rates are likely to reduce consumers' purchasing power with a large proportion of buyers being mortgage buyers. On the other side, a global recession is likely to have a negative impact on the UAE's both oil and non-oil sectors and could lead to a reduction in expats in the country and therefore demand.

Despite the subdued performance of Abu Dhabi's real estate market in 2022, AIP had a solid performance in 2022 across all its segments, driven by its strong position in the market and the acquisitions the company undertook during the year. Overall, we believe AIP's income generating assets are of good quality which will help the company attract and retain customers. On the retail side, Yas Mall achieved a very strong 98% occupancy rate in 2022. This was primarily driven by a successful redevelopment and repositioning plan during the last couple of years. The retail business also benefitted from the addition of Al Hamra Mall in Ras Al Khaimah. AIP's commercial portfolio registered a solid performance with strong leasing growth, ending the year 2022 at 88% occupancy, with the expectation of an increase in 2023 as Aldar integrates the four assets it bought from MIC and increases their occupancy. The residential portfolio also saw a very strong performance during the year with occupancy rates increasing to 97% as of December 2022 from 93% a year earlier, with EBITDA increasing by 4% during the year.

Strategic partnership with Apollo Global Management has strengthened AIP's business profile

On 14 February 2022, Aldar Properties and Apollo Global Management (Apollo), one of the world's largest alternative investment managers, signed a commitment that saw Apollo invest a total of USD1.4 billion in capital to drive the company's growth initiatives. The following market transactions have occured with Apollo: (1) USD500 million of investment into a land joint venture with Aldar

Properties; (2) USD300 million of mandatory convertible preferred equity investment in Aldar Investments; (3) USD100 million of common equity investment in Aldar Investments; and (4) USD500 million of hybrid notes in Aldar Investments.

These proceeds have been being primarily used for the acquisition of income generating assets in Abu Dhabi and the rest of the UAE starting 2022. In our view, this has strengthened AIP's business profile by increasing its size and diversification. This transaction also strengthened Aldar Properties business risk profile because it would increase the percentage of recurring revenue and decrease the percentage of property development revenue which is more cyclical.

Healthy financial profile with limited development risk

We expect AIP's credit metrics to remain mainly flat in 2023 before starting to improve in 2024 following some weakening during 2022 on the back of a number of debt-funded acquisitions. We expect AIP's Moody's adjusted total debt / gross assets to remain stable in 2023 and 2024 and for the fixed charge coverage ratio (Moody's adjusted EBITDA / interest expense) to weaken to 3.1x in 2023 and improve to 3.5x in 2024. Whilst there will be less headroom under the current rating position, we expect both ratios to be within our guidance for a Baa1 rating over the course of the next 12-18 months.

We believe management will operate AIP's 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 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. Higher than anticipated shareholder payouts could result in downward rating pressure.

Linkage to Aldar Properties PJSC

AIP's Baa1 rating is positioned one notch higher than that of Aldar Properties PJSC. 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 AIP given their different business profiles. Aldar Properties PJSC's lower rating reflects the higher business risk inherent to its cyclical real estate development activities compared to the more mature, recurring revenue nature of AIP.

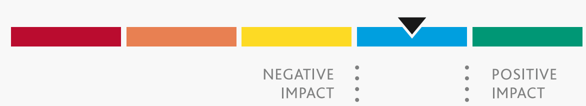
In the event of financial stress developing at Aldar Properties PJSC, we would need to assess the scope for contagion to develop with respect to AIP. In 2022, Aldar Properties's property development business posted strong revenue growth driven by strong property development revenue with unit handovers 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 Neutral-to-Low CIS-2

Exhibit 9
ESG Credit Impact Score

CIS-2
Neutral-to-Low



For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

Aldar Investment Properties' (AIP) ESG credit impact score is neutral to low (**CIS-2**). AIP has moderately negative environmental (E-3) and social risks (S-3) while it has a neutral to low exposure to governance risks (G-2) in line with its parent, Aldar Properties PJSC, which has control of the board of AIP.

Exhibit 10
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-3	G-2
Moderately Negative	Moderately Negative	Neutral-to-Low

Source: Moody's Investors Service

Environmental

AIP's environmental issuer profile score (IPS) is moderately negative (**E-3**). AIP's environmental risks are moderate and mostly relate to 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, real estate companies' exposure to physical risk is material given our expectations of more frequent and severe climate events and a steady increase in surface temperatures, and their physical asset-intensive business models. Exposure to carbon regulation is growing as more jurisdictions establish emission and energy-efficiency guidelines. A property's environmental footprint (parameters such as energy efficiency, water usage, waste management and indoor environment quality) could influence leasing outcomes because tenants are becoming more sensitive to the green attributes of their leased spaces.

Social

AIP's social issuer profile score is moderately negative (**S-3**). Demographic and societal trends are moderately negative because AIP is exposed to 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 real estate companies face.

Governance

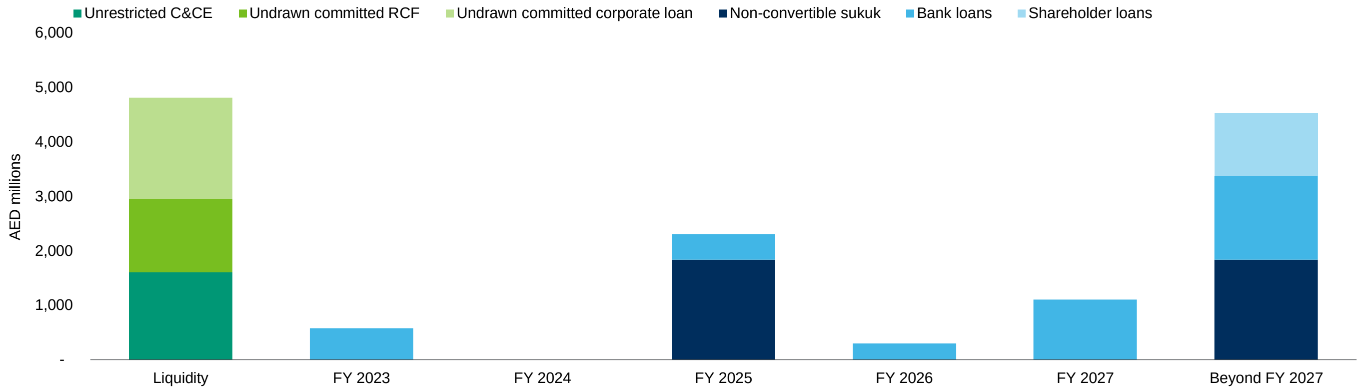
AIP's governance issuer profile score is neutral to low (**G-2**). AIP is 88.1% owned by Aldar Properties PJSC. As such, its parent has control of the board and can influence AIP in all its activities. The parent company also provides a sizeable revolving credit facility of AED3 billion which is a key 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 Properties PJSC 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 35%-40% and a dividend payout of 65%-80% of AFFO.

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. As of 31 December 2022, the company had cash and cash equivalents of AED1.6 billion as well as AED1.8 billion of committed undrawn intercompany facility agreement with Aldar Properties PJSC and AED1.3 billion of committed undrawn revolving credit facilities with local UAE banks maturing in 2025 and 2027. This coupled with expected funds from operations of around AED1.1 billion for the next 12 months is sufficient to pay dividends of AED0.6 billion, capital spending of AED2.7 billion and outstanding bank debt maturities of AED0.6 billion.

Exhibit 11
Debt maturity profile



As of December 2022 (based on reported debt values excluding lease liabilities).
Source: Company reports

Structural considerations

The Baa3 rating assigned to the hybrid 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 will be 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 basket “C” treatment (i.e. 50% equity and 50% debt) 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 published in September 2022.

Exhibit 12

REITs and Other Commercial Real Estate Firms Industry Scorecard [1] [2]	Current FY December 2022		Moody's 12-18 Month Forward View	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets (USD Billion)	$7.2	Baa	$7.9 - $8.3	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	88.9%	A	96% - 97%	A
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	45.9%	Baa	44% - 45%	Baa
b) Net Debt / EBITDA	6.7x	Ba	5.9x - 6.5x	Baa
c) Secured Debt / Gross Assets	5.2%	A	2.8% - 3.3%	A
d) Fixed Charge Coverage	3.7x	Baa	3.0x - 3.5x	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa1
b) Actual Rating Assigned				Baa1

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustmens for Non-Financial Corporations. Periods are financial year-end unless indicated.
[2] Moody's forecasts (f) are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Investors Service

Appendix

Exhibit 13

Peer comparison

	Aldar Investment Properties LLC			Entra ASA			Emaar Malls Management LLC		
	Baa1 Stable			Baa1 Negative			Baa2 Stable		
(in US billions)	2020	2021	2022	2020	2021	2022	2020	2021	2022
Gross Assets	$4.7	$5.1	$7.2	$6.9	$8.0	$8.3	$7.9	$8.0	$8.8
Unencumbered Assets / Gross Assets	81.2%	82.2%	88.9%	88.3%	95.7%	81.9%	100.0%	100.0%	100.0%
Total Debt + Preferred Stock / Gross Assets	36.2%	35.0%	45.9%	36.3%	38.4%	49.8%	11.4%	13.7%	12.0%
Net Debt / EBITDA	5.1x	5.1x	6.7x	10.7x	12.1x	14.7x	2.0x	1.4x	1.2x
Secured Debt / Gross Assets	13.7%	10.1%	5.2%	4.3%	4.0%	8.2%	0.0%	0.0%	0.0%
Fixed Charge Coverage	4.3x	4.7x	3.7x	3.6x	4.0x	2.6x	6.8x	12.0x	14.9x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated.
Source: Moody's Investors Service

Exhibit 14

Moody's-adjusted debt breakdown

(In USD millions)	2018	2019	2020	2021	2022
As Reported Debt	**1,952**	**2,015**	**1,717**	**1,795**	**2,174**
Pension adjustment	0	0	0	0	3
Hybrid adjustment	0	0	0	0	250
Non-Standard adjustment	0	0	0	0	314
Moody's-Adjusted Debt	**1,952**	**2,015**	**1,717**	**1,795**	**2,740**

All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated.
Source: Moody's Investors Service

Exhibit 15

Moody's-adjusted EBITDA breakdown

(In USD millions)	2018	2019	2020	2021	2022
As Reported EBITDA	**108**	**271**	**234**	**358**	**442**
Pension adjustment	0	0	0	0	-1
Unusual	182	39	70	-58	-100
Public adjustment	0	-13	0	0	0
Moody's-Adjusted EBITDA	**290**	**297**	**304**	**300**	**341**

All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated.
Source: Moody's Investors Service

Ratings

Exhibit 16

Category	Moody's Rating
ALDAR INVESTMENT PROPERTIES LLC	
Outlook	Stable
Issuer Rating	Baa1
PARENT: ALDAR PROPERTIES PJSC	
Outlook	Stable
Issuer Rating	Baa2
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 Investors Service

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