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Viva Industrial REIT 'BB' Rating Affirmed, And Then Withdrawn At The Company's Request

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SINGAPORE (S&P Global Ratings) Dec. 6, 2016--S&P Global Ratings today affirmed its 'BB' long-term corporate credit rating on Singapore-based Viva Industrial REIT with a stable outlook. We also affirmed the 'BB+' long-term issue rating on Viva's guaranteed senior unsecured medium-term notes program and Singapore dollar (S$) 100 million drawdown. At the same time, we affirmed our long-term ASEAN regional scale rating on the REIT at 'axBBB-' and on the notes at 'axBBB'. We subsequently withdrew all the ratings at Viva's request.

The affirmed ratings at the time of withdrawal reflected Viva's asset concentration that is higher than the industry average and an appetite for growth through acquisitions. As of Sept. 30, 2016, the company's business and financial performance was in line with our expectations. Viva has been growing through acquisitions while maintaining leverage, as measured by a ratio of debt to assets, at around 40%. This ratio is at the top of the REIT's financial policy, and allows for limited financial flexibility, given the leverage limit for REITs set by Monetary Authority of Singapore. However, the acquisitions have helped to mitigate Viva's asset and counterparty concentration. Viva continues to rely on rental support, although property improvements have helped to increase portfolio occupancy toward 90%. This had led to a stable ratio of funds from operations (FFO) to debt of around 10%.

We expect Viva's occupancy and weighted average lease expiry to modestly increase following the Oct. 27, 2016, announcement that the REIT entered into an option agreement to acquire a food storage warehouse and logistics center for S$93 million. The property will be 100% leased to a tenant under a

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seven-year triple net lease with an option for a three-year renewal. The lease also has provisions for a 1.5% rental increase annually beginning in the third year.

At the time of withdrawal, the stable outlook reflected our expectation that Viva's balance sheet will remain stable with leverage of around 40% and FFO-to-debt ratio of about 10% over the next 12 months.

RELATED CRITERIA

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 01, 2016
- Criteria - Corporates - Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Recovery: Revised Revolver Usage Assumptions For Recovery Analysis In Corporate Ratings, Nov. 20, 2014
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Real Estate Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 07, 2013
- Legal Criteria: Guarantee Criteria--Structured Finance, May 07, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - Recovery: Criteria Guidelines For Recovery Ratings On Global Industrials Issuers' Speculative-Grade Debt, Aug. 10, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed

to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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