U.S. Office Real Estate Investment Trust (REITs) Portfolio

How Credit Stories Have Evolved

S&P Global Ratings

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This report does not constitute a rating action

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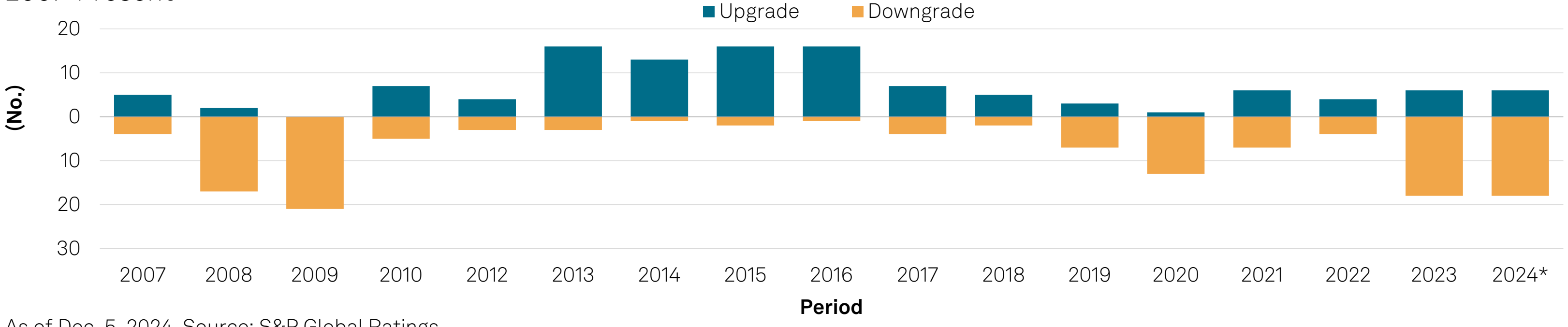
Real Estate | Sector Outlook

Our outlook for real estate includes elevated interest rates and slower economic growth.

- Elevated rates in the near term heighten refinancing risk, particularly for struggling property types and properties.
- Demand for retail, housing, and industrial assets remain resilient
- Weak office fundamentals led to multiple downgrades year to date in 2024, and we maintain a negative rating bias for office REITs.
- Tighter access to capital could pressure liquidity.
- Expected rate cuts in 2025 could bring more transaction volume and price discovery while improving access to capital.

REIT ratings trends

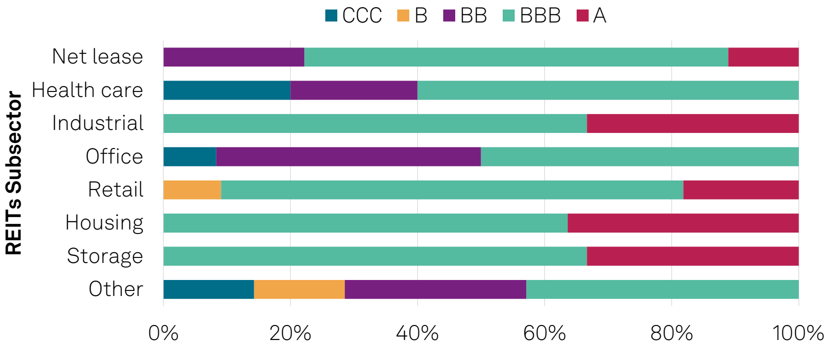
2007-Present



As of Dec. 5, 2024. Source: S&P Global Ratings.

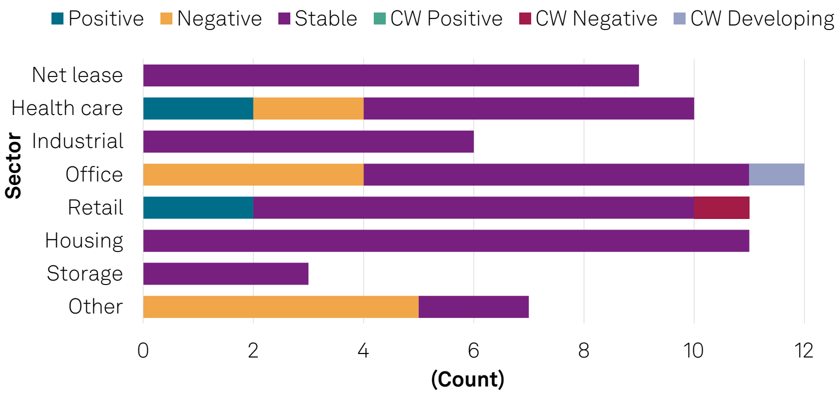
REITs rating by subsector

% of total ratings per sector



As of Dec. 5, 2024. Source: S&P Global Ratings.

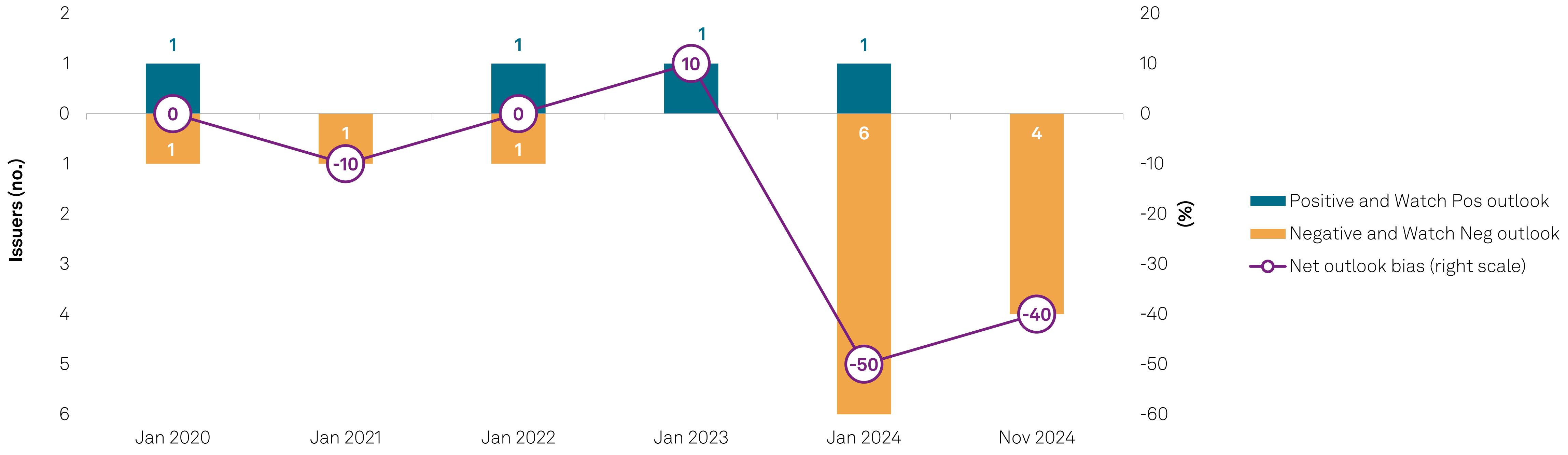
REIT Outlook Distribution



As of Dec. 5, 2024. Source: S&P Global Ratings.

Outlook Overview | Over 36% Of The Office REITs Have A Negative Outlook

- While most of the office REITs reported operating results that held up relatively well in the third quarter, with some recovery in leasing and relatively stable occupancy, high concessions and low retention rates continue to pressure cash flow.
- Leverage remains elevated versus other sub-sectors and substantial improvement is unlikely in the near term given continued secular headwinds such as below-average utilization and poorer tenant retention relative to pre-pandemic levels.



As of Nov. 18, 2024. Source: S&P Global Ratings.

Office Peer Comparison

Our analysis of real estate companies, among other factors, considers:

- Asset profile
- Location quality
- Geographic footprint, property type mix, and tenant mix
- Development risk
- Growth strategy
- Debt leverage and balance sheet strength
- Refinancing risk
- Liquidity and capital structure

Financial risk profile

Business risk profile	Minimal (1)	Modest (2)	Intermediate (3)	Significant (4)	Aggressive (5)	Highly leveraged (6)
Excellent (1)						
Strong (2)			**Alexandria Real Estate Equities Inc.** (BBB+/Stable/A-2)	**BXP Inc.** (BBB/Negative/A-2)		
Satisfactory (3)			**Cousins Properties Inc.** (BBB/Stable/--) **COPT Defense Properties** (BBB-/Stable/--) **Highwoods Properties Inc.** (BBB-/Stable/--) **Kilroy Realty Corp.** (BBB-/Stable/--) **Piedmont Office Realty Trust Inc.** (BB+/Stable/--)		**Vornado Realty Trust** (BB+/Negative/--) **SL Green Realty Corp.** (BB/Negative/--)	
Fair (4)				**Brandywine Realty Trust Inc.** (BB/Stable/--)	**Hudson Pacific Properties Inc.** (BB-/Negative/--)	
Weak (5)						

As of Dec. 5, 2024. Source: S&P Global Ratings.

Rating Change Summary

Office REIT portfolio remains under pressure

Rating movements since 2020

-3 notches

Hudson Pacific Properties Inc.
Downgraded to BB- from BBB-

-2 notches

BXP Inc.
Downgraded to BBB from A-

Piedmont Office Realty Trust Inc.
Downgraded to BB+ from BBB

Vornado Realty Trust
Downgraded to BB+ from BBB

Brandywine Realty Trust Inc.
Downgraded to BB from BBB-

SL Green Realty Corp.
Downgraded to BB from BBB-

-1 notch

Highwoods Properties Inc.
Downgraded to BBB- from BBB

Kilroy Realty Corp.
Downgraded to BBB- from BBB

0 notches

Alexandria Real Estate Equities Inc.
BBB+

Cousins Properties Inc.
New issuer, BBB

COPT Defense Properties
BBB-

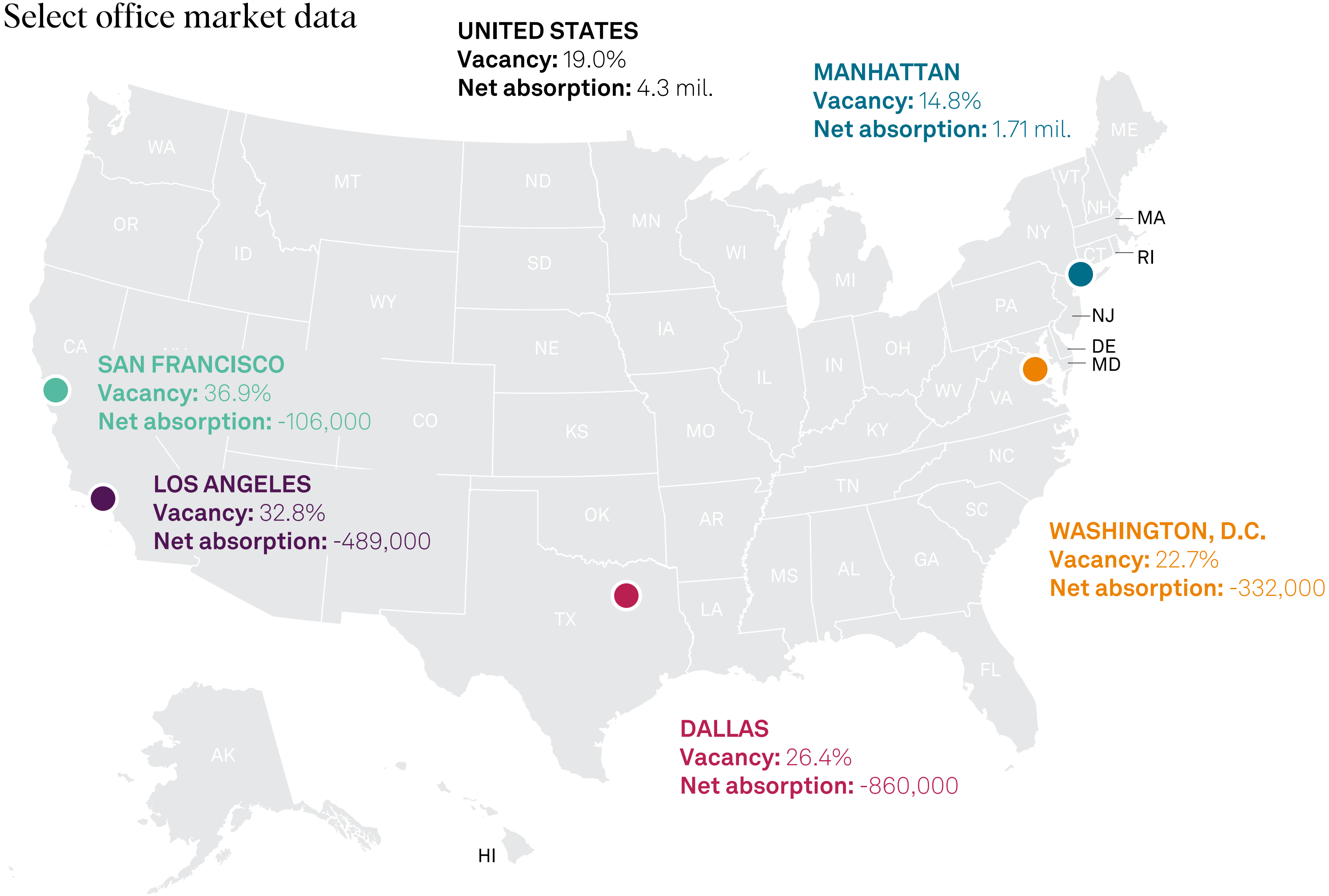
Source: S&P Global Ratings.

Market Fundamentals

Recovery mixed across key U.S. markets

- Recovery picking up momentum in NYC while it continues to lag in West Coast markets
- While absorption is improving, it remains negative in some markets given relatively soft demand
- Occupancy levels in markets like NYC and Boston appear to be stabilizing or improving while Washington D.C., San Francisco and Los Angeles are still finding a bottom.
- Sunbelt markets like Dallas have seen higher utilization and stronger tenant retention, with occupancy stabilizing across many markets.

Select office market data



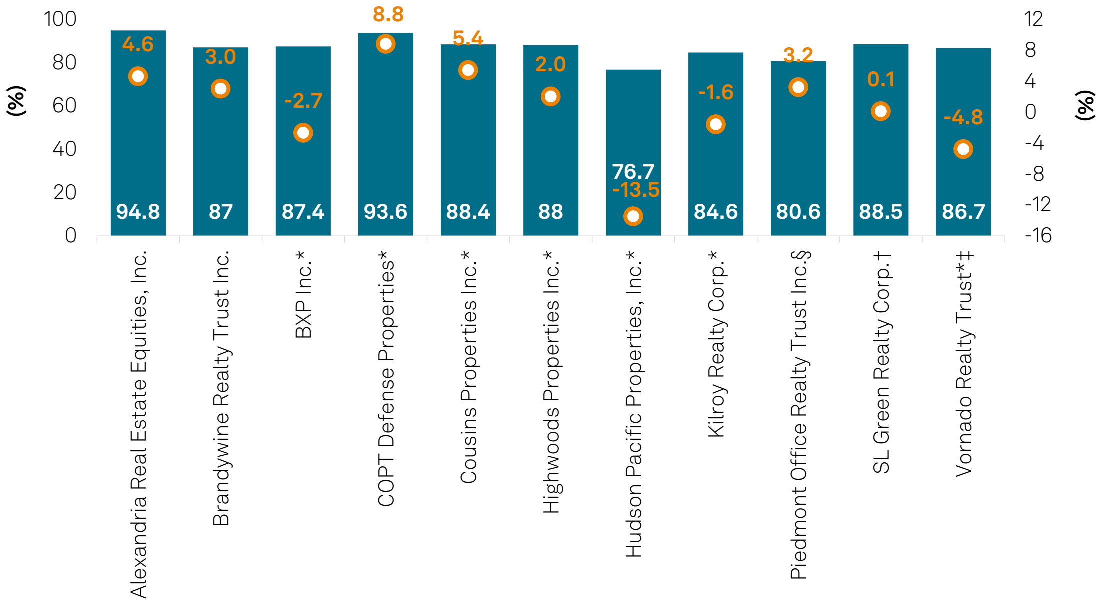
Source: CBRE.

Operating Performance

Recovery in leasing fundamentals

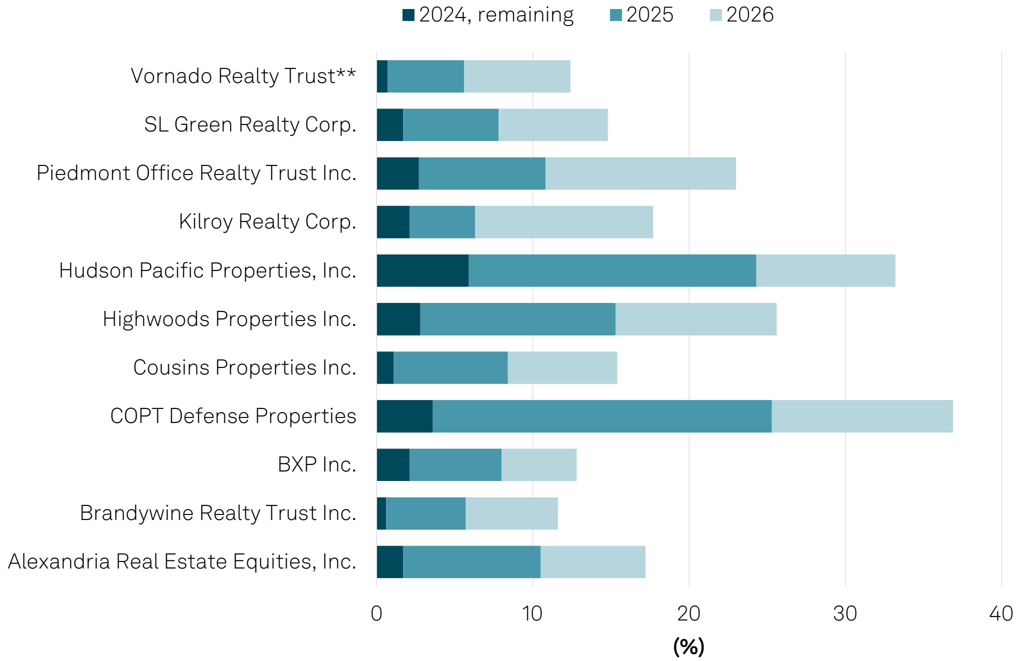
The combination of an improved office leasing environment in the New York and Sun-Belt office markets, coupled with a manageable upcoming office lease expiration schedule for most of our rated office REITs, should allow them to maintain or even improve occupancy modestly over the next two years.

U. S. office REITs YTD same store cash NOI growth and occupancy



As of Sept. 30, 2024. *SS Office properties only. §Percent leased - economic. †Occupancy for Manhattan only. ‡New York only. YTD--Year-to-date. Source: S&P Global Ratings.

Lease expirations through 2026*

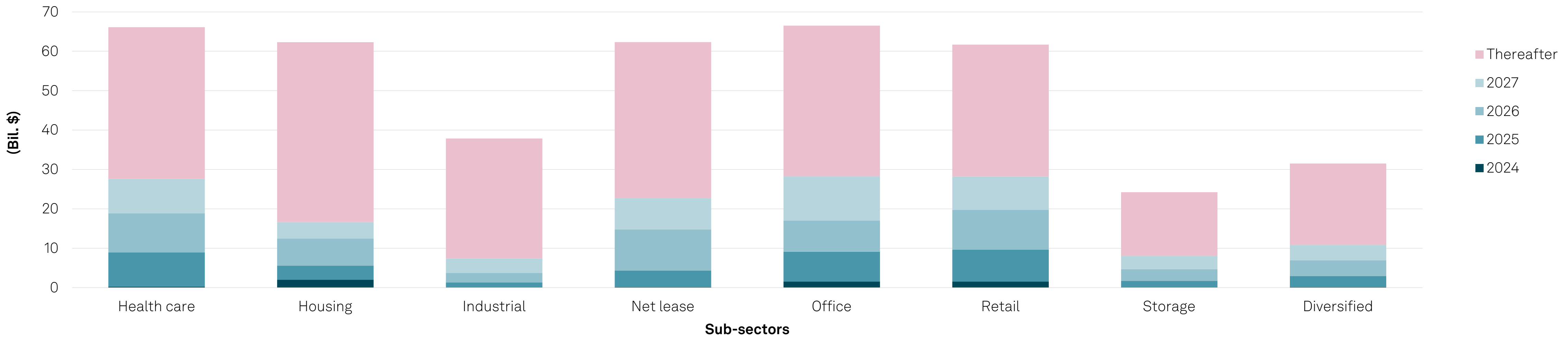


As of Sept. 30, 2024. *Total portfolio percent of rent when available, otherwise percent of square footage, per company disclosure. §Only New York Office Segment. Source: S&P Global Ratings.

Refinancing Risk
Heightened refinancing risk

- Refinancing risk for debt maturities over the next two years remains high, particularly for struggling property types and properties.
- These upcoming debt maturities are pressuring liquidity and financial flexibility for some office REITs and speculative-grade credits because the weighted average maturity of debt has narrowed over the previous year.

Total consolidated debt maturing by sub-sector



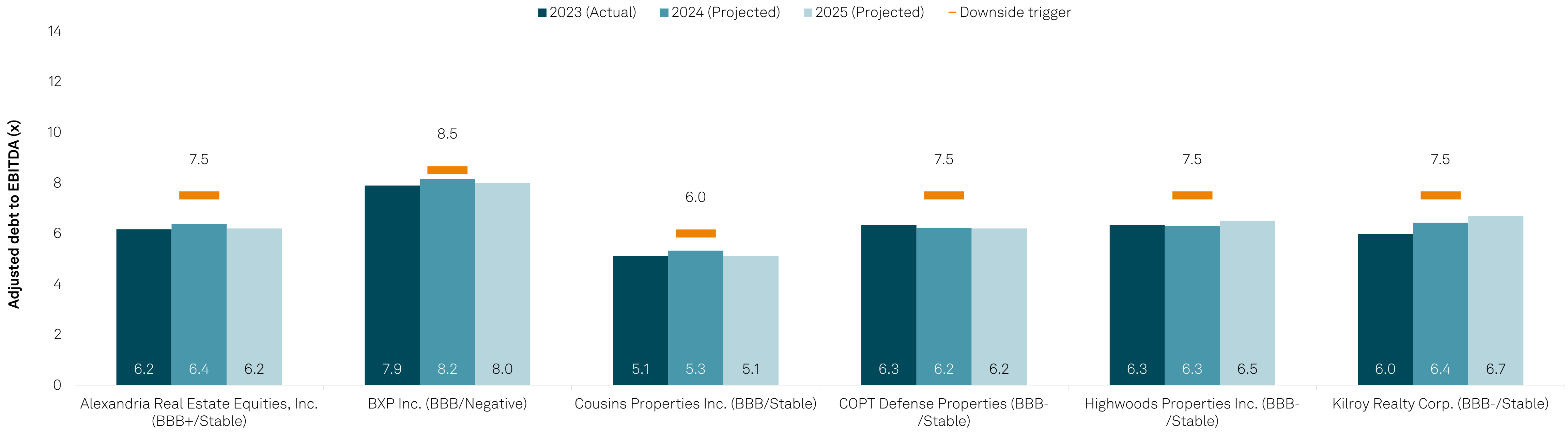
As Of Sept. 30, 2024. Source: S&P Global Ratings.

Rating Headroom

Investment-grade issuers--high quality portfolios exhibiting signs of stability

- Investment-grade companies represent more than 54% of the office REITs portfolio and those mostly have stable outlooks.
- While office headwinds remain, with lower retention and weaker office utilization than pre-pandemic levels, high-quality portfolios are showing signs of stabilization, demonstrated by solid leasing activity and net operating income (NOI) growth.

S&P Global Ratings-adjusted debt/EBITDA versus the downside threshold for investment grade issuers



Source: S&P Global Ratings.

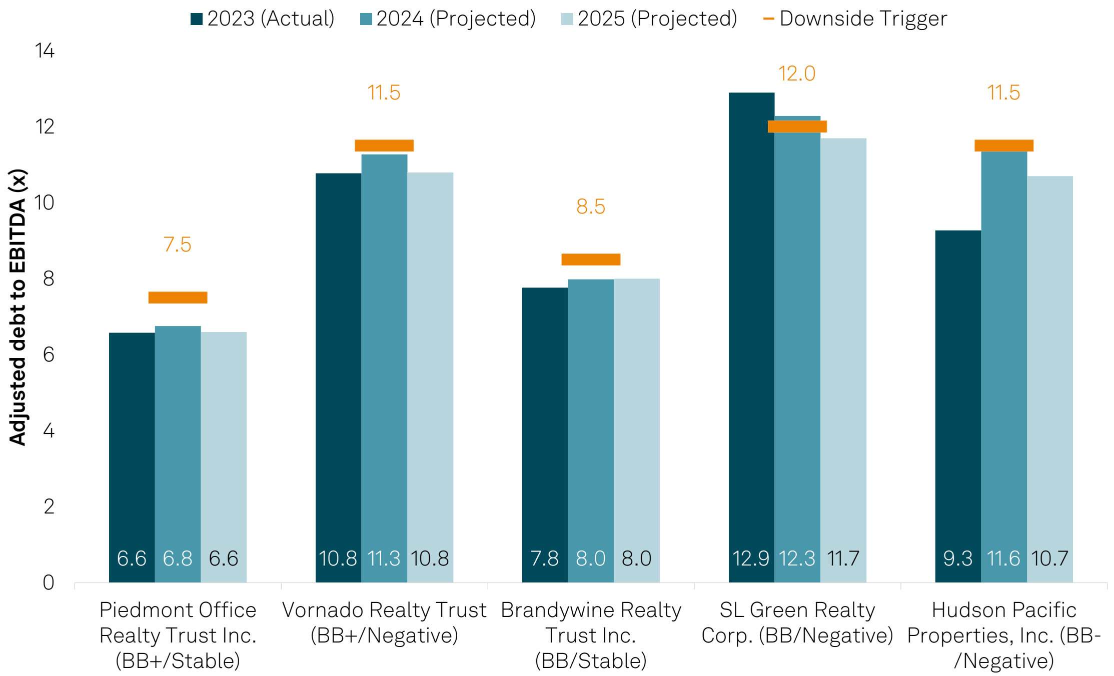
S&P Global
Ratings

Rating Headroom

Speculative-Grade Issuers--Leverage remains elevated despite improved leasing activity

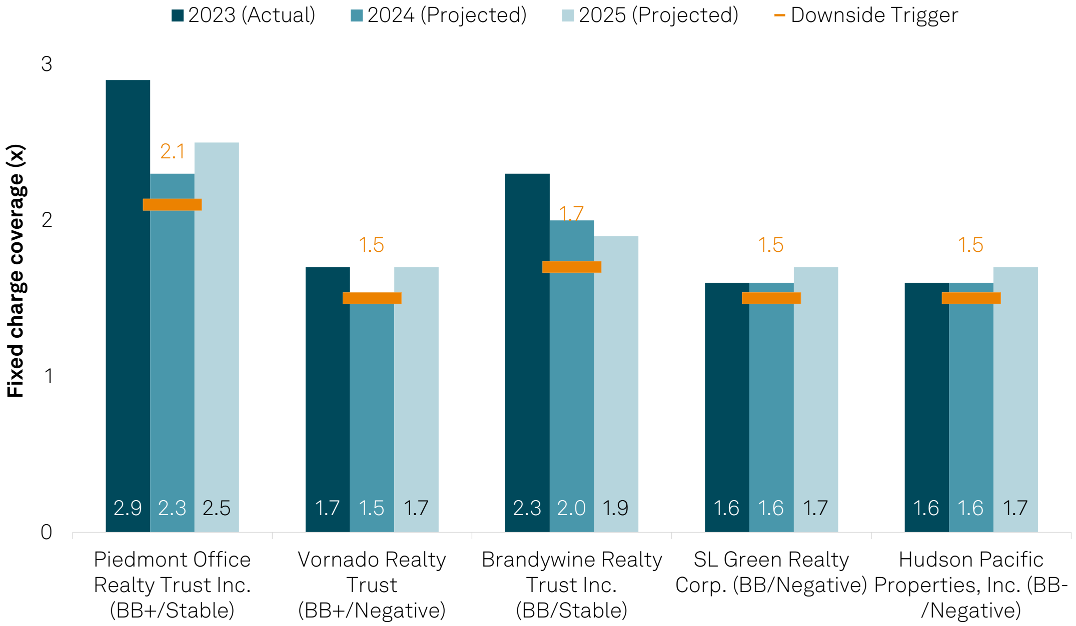
- Weak office fundamentals, including a softening labor market and a mixed macroeconomic landscape will make it challenging to drive material improvement in key credit measures over the next couple of years.

S&P Global Ratings-adjusted debt/EBITDA versus the downside threshold for spec grade issuers



Source: S&P Global Ratings.

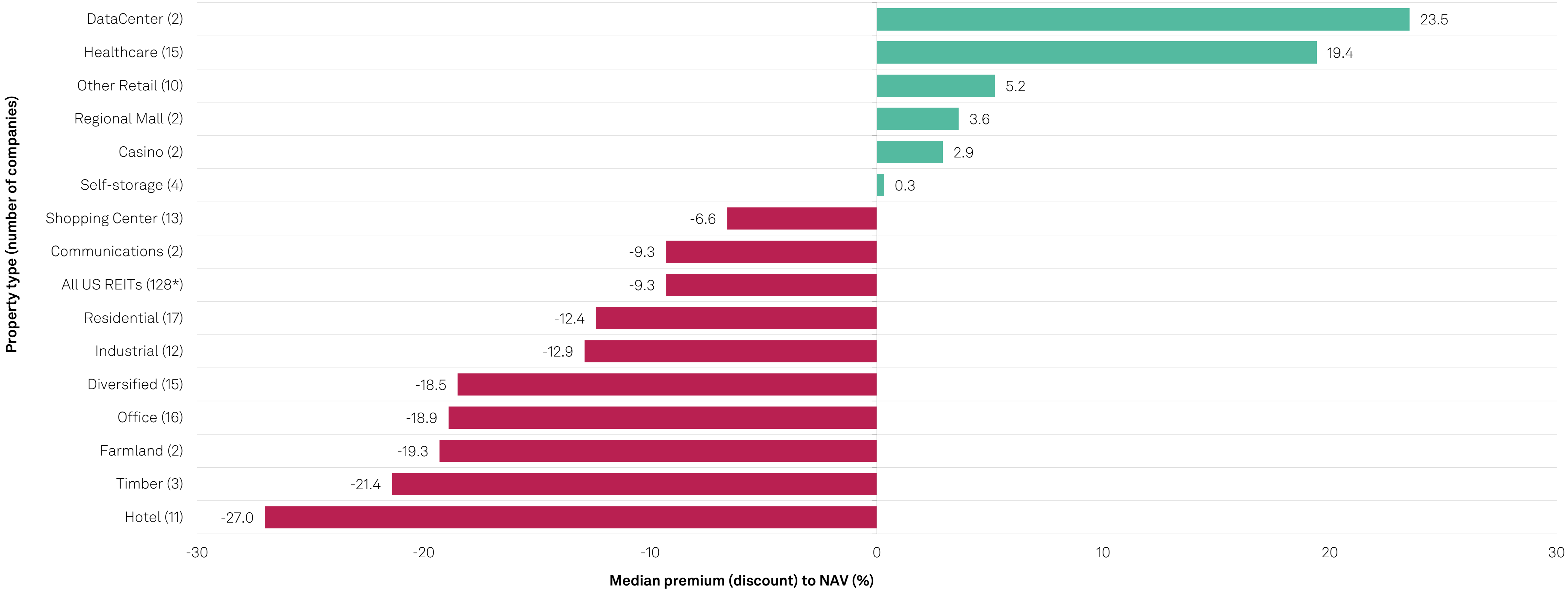
S&P Global Ratings-adjusted fixed charge coverage ratio versus the downside threshold for spec grade issuers



Source: S&P Global Ratings.

Net Asset Value (NAV)

Median premium (discount) to NAV as of Nov. 1, 2024



Data complied Nov. 4, 2024. Includes equity real estate investment trusts that trade on the Nasdaq, NYSE or NYSE American with market capitalizations of at least $200 million. Other retail includes outlet centers and single tenant residential includes multifamily, single family and manufactured homes.*Includes two additional speciality REITs that are not reflected in a property type category. NAV--Net asset value. Source: S&P Global Market Intelligence.

Key Takeaways
Negative rating bias easing but remains high for office REITs

- Negative rating bias against the REIT sector has eased at about 18% of ratings with a negative outlook, largely reflecting the office sector given secular headwinds. The negative bias for office REITs remains high at 36%.
- Office sector facing higher refinancing risk compared with all other REIT subsectors mainly due to secular headwinds such as a hybrid working environment post-pandemic, which led to increased vacancies and loan delinquencies, pressuring cash flows – and spurred downgrades and outlook changes.
- High quality office assets are exhibiting signs of stability and tenants are focusing on landlords with more robust financial health and their ability to invest in property improvements. Conditions remain more challenging for speculative-grade office REITs and lower quality assets.
- Upcoming debt maturities could tighten liquidity and financial flexibility for some office REITs and speculative-grade credits because the average debt maturity profiles have shortened over the past year. In some cases, we applied a negative capital structure modifier to reflect weighted maturity profiles of less than three years.
- Downgrades were primarily driven by deteriorating financial risk profiles but also by changes to business risk profiles in some cases.
- The financing environment for real estate should improve because additional rate cuts are expected in 2025, improving access to debt and equity financing. As financing costs decline, transaction activity could also gain momentum with more price discovery from an increased volume of transactions supporting asset valuations.

Issuers

Publications as of Nov. 15, 2024

Alexandria Real Estate Equities

See issuer's credit evolution story on the following page

Issuer credit rating
BBB+/Stable/A-2

Business risk
Strong

Financial risk
Intermediate

Anchor
bbb+

MODIFIERS

Diversification
Neutral

Capital structure
Neutral

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Neutral

Comparable rating analysis
Neutral

Key credit highlights

- Largely insulated by pandemic-induced operating challenges given its high-quality portfolio catering to life science and pharmaceutical companies.
- Best in class tenant profile supporting sound operating performance despite supply pressure in 2024.
- Credit metrics are likely to remain stable because the company is reluctant to issue equity, relying on asset sales and free cash flow to fund its sizable developments.

Upside scenario

We could raise our rating on Alexandria Real Estate Equities (ARE) if:

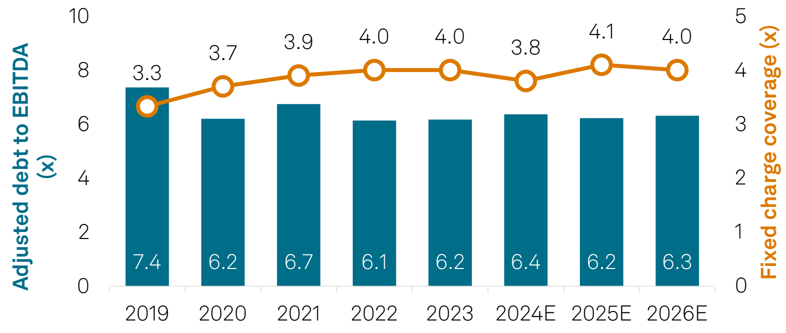
- More favorable capital market conditions induce ARE to issue equity to help fund its large development pipeline;
- Adjusted debt to EBITDA declines to and is sustained below 6x. This could result from material equity issuance or asset sales, combined with EBITDA improvement from the stabilization of development projects; and
- It maintains strong operating performance, with same-property NOI growth outpacing key rated peers.

Downside scenario

Although unlikely over the next two years, we could lower the rating on ARE if:

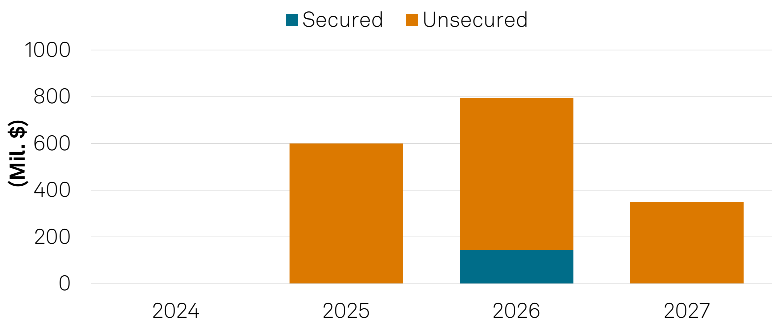
- Its operating performance deteriorates significantly, possibly due to supply pressure that weakens pricing power and the occupancy rate; or
- Adjusted debt to EBITDA rises above 7.5x for a sustained period, possibly due to large debt-financed acquisitions.

Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024
WAM – 12.6 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

Alexandria Real Estate Equities

2020	2021	2022	2023	2024	
March	October	October	September	January	June
BBB+/Stable/A-2	BBB+/Positive/A-2	BBB+/Positive/A-2	BBB+/Positive/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Full Analysis	Research Update	Full Analysis	Full Analysis	Research Update	Full Analysis
A favorable share valuation has widened its premium to NAV, providing an advantageous cost of capital to fund acquisitions and development. Growth to be funded with equity and asset sales, leading to improving credit metrics.	**RATING ACTION** Revised outlook to positive, reflecting strong tailwinds for life science properties, which should support sound operating performance with the potential for an upgrade if ARE's debt to EBITDA approaches 6x, such that it executes its growth strategy in a slightly deleveraging fashion. .	Best in class tenant roster will support sound operating performance over the next couple of years. Sustained EBITDA growth and ARE’s commitment to a prudent funding strategy will result in improved credit protection metrics.	Despite lower demand, ARE will maintain sound operating performance given its high-quality portfolio catering to life science and pharmaceutical companies. Key metrics to improve from EBITDA growth from its stabilized portfolio, which benefited from the burn-off of free rent and lease-up of acquired vacancy.	**RATING ACTION** Outlook revised to stable on our expectation that new supply and softer demand for laboratory space will reduce revenue growth. Development funding risk has increased due to a lower stock price and likely limits ARE's willingness to raise equity.	Operating performance will remain solid despite near-term supply pressure, with credit metrics are likely to remain stable because the company will be reluctant to issue equity, relying on asset sales and free cash flow to fund its sizable developments.

Click on the article type to read the full article.

Brandywine Realty Trust Inc.

See issuer's credit evolution story on the following page

Issuer credit rating
BB/Stable/-

Business risk
Fair

Financial risk
Significant

Anchor
bb

MODIFIERS

Diversification
Neutral

Capital structure
Neutral

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Moderately negative

Comparable rating analysis
Neutral

Key credit highlights

- Midsize REIT primarily focused on Mid-Atlantic with concentration in Philadelphia.
- Central business district (CBD) and suburban Pennsylvania portfolio should continue to support sound operating performance from healthier life science demand, despite weaker fundamentals in Austin given elevated new supply and low recent demand from technology tenants.
- Given the company's minimal refinancing and capital needs, we project credit metrics to stabilize over the next year.

Upside scenario

We could raise our rating on Brandywine Realty Trust (BDN) if:

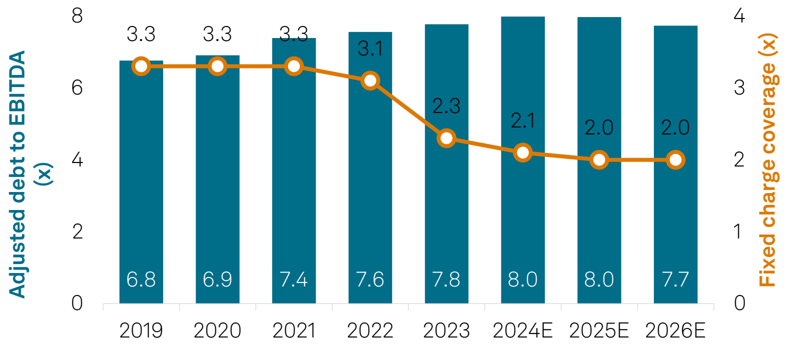
- S&P Global Ratings-adjusted fixed-charge (FCC) approaches the mid-2x area and adjusted debt to EBITDA declines to the 6x area, both on a sustained basis; and
- Operating performance improves, including increased occupancy levels and healthy net effective rent growth, with successful leasing in its development pipeline.

Downside scenario

We could lower our ratings on BDN if:

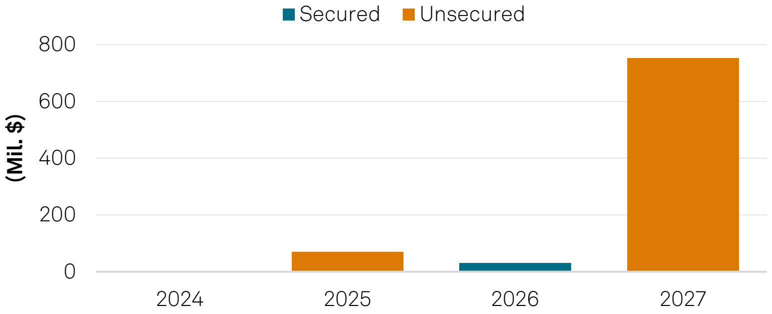
- BDN's operating performance deteriorates beyond our base case projections, with declines in net effective rents and occupancy that compares unfavorably with peers;
- Adjusted FCC approaches 1.7x for a sustained period with no near-term pathway for improvement; or
- BDN adopts a more aggressive financial policy such that adjusted debt to EBITDA increases above 8.5x perhaps from an increase in debt-financed speculative development projects.

Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024
WAM – 3.9 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

S&P Global Ratings

Brandywine Realty Trust Inc.

2020	2021	2022	2023		2024	
March	April	May	March	June	January	September
BBB-/Stable/--	BBB-/Stable/--	BBB-/Stable/--	BBB-/Negative/--	BB+/Negative/--	BB/Negative/--	BB/Stable/--
Full Analysis	**Full Analysis**	**Full Analysis**	**Research Update**	**Research Update**	**Research Update**	**Research Update**
Improving market quality from expansion within urban areas and the disposition of assets in nonstrategic markets. Leverage has increased modestly due to sizable development pipeline, but the risk is partially mitigated by solid pre-leasing.	The impact of COVID-19 on cash flows will be modest over the next 12 months. Geographic concentration remains a key credit risk, partially offset by more favorable secular trends within key markets versus prime gateway markets more affected by the pandemic.	Increasing focus on urban markets as credit-positive, given its interest in life sciences properties, which have outperformed relative to peers. Partially offset some exposure to suburban markets, which could pressure rents and occupancy levels over the longer term.	**RATING ACTION** Revised outlook to negative because BDN facing near-term cyclical risks from a weaker economic outlook in addition to longer-term secular headwinds from remote working led to deterioration of credit protection measures.	**RATING ACTION** Downgrade reflects FCC ratio to deteriorate as the company refinances upcoming debt maturities--which are higher relative to peers--into higher-rate debt. We believe the office sector could continue to be under pressure amid secular decline amid a slow economic growth landscape	**RATING ACTION** Downgrade reflects operating metrics that continue to be under pressure because sustained secular headwinds have negatively affected its occupancy and leasing activity. Weak office fundamentals will continue to pressure the operating portfolio and ability to lease-up its speculative development pipeline.	**RATING ACTION** Revised outlook to stable reflecting our expectations for steady operating performance despite continued pressure from weak office fundamentals. Given the company's minimal refinancing and capital needs, we project credit metrics to stabilize over the next year.

Click on the article type to read the full article.

S&P Global Ratings

BXP Inc.

See issuer's credit evolution story on the following page

Issuer credit rating
BBB/Negative/A-2

Business risk
Strong

Financial risk
Significant

Anchor
bbb

MODIFIERS

Diversification
Neutral

Capital structure
Neutral

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Positive

Comparable rating analysis
Neutral

Key credit highlights

- Owns high-quality properties concentrated in six markets: Boston, Los Angeles, New York, San Francisco, Seattle, and Washington, D.C
- While tenant retention remains weaker than pre-pandemic levels, office utilization continues to improve modestly, particularly in premier office buildings within CBDs, which make up a significant majority of BXP's portfolio.
- Demonstrated strong access to capital
- Despite EBITDA contribution from solid leasing, limited near-term lease expirations and development stabilization we expect leverage to improve only modestly over the next two years.

Upside scenario

We could revise the outlook to stable if:

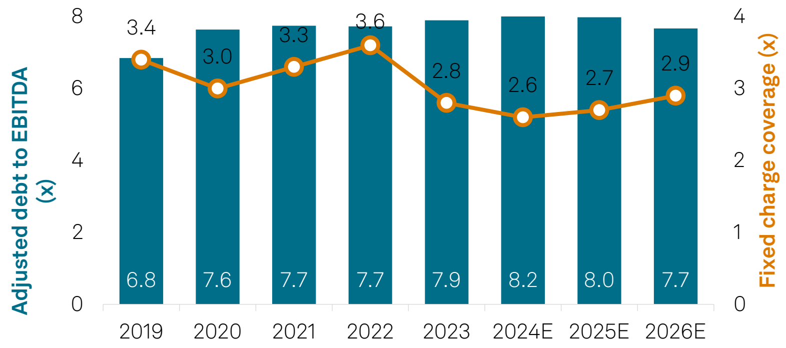
- BXP's operating performance improves modestly, with continued solid leasing efforts leading to occupancy approaching 90%;
- It continues to successfully refinance upcoming debt maturities; and
- Credit protection measures improve modestly, with S&P Global Ratings-adjusted debt to EBITDA approaching 7.5x, FCC remaining above 2.6x, and debt to undepreciated capital maintained below 55%.

Downside scenario

We could lower our ratings by one notch if:

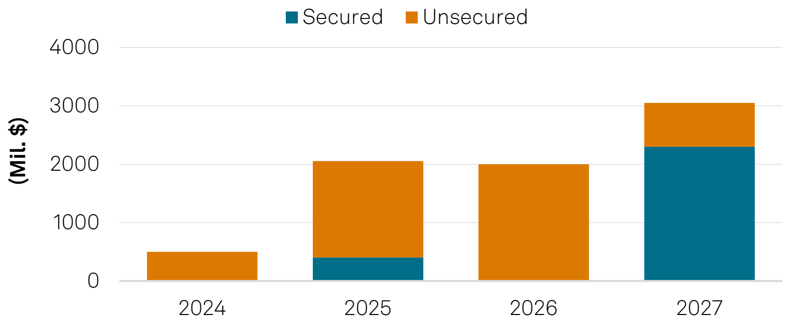
- BXP's operating performance deteriorates beyond our current projections, with occupancy declining to the mid-80% area while same-store cash NOI lags key peers; or
- S&P Global Ratings-adjusted debt to EBITDA approaches 8.5x over the next 12-24 months.

Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024
WAM – 4.4 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

S&P Global Ratings

BXP Inc.

2020		2021	2022	2023	2024	
March	August	April	April	March	January	October
A-/Negative/--	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--	BBB+/Negative/--	BBB/Negative/--	BBB/Negative/A-2
Full Analysis	Research Update	Full Analysis	Full Analysis	Research Update	Research Update	Research Update
One of the largest REITs in our rated universe, with significant scale, driving cost efficiencies and boosting operating performance. Significant development exposure with higher-than-expected leverage for the existing rating.	**RATING ACTION** Downgraded based on our expectation that economic fallout from the COVID-19 pandemic will pressure its operating performance and credit protection measures, primarily due to the company's exposure to retail properties and a hotel.	Sizable, high-quality, and well-located assets support strong operating performance. Exposure to ground-up development is high, but healthy preleasing and prefunding mitigate some risks.	Combination of scale and asset quality helps drive cost efficiencies and boosts BXP's operating performance by minimizing leasing risk. Also, pressure from lower demand expected to be gradual, given well-laddered lease expirations.	**RATING ACTION** Revised outlook to negative, reflecting our expectation that cyclical and secular headwinds will pressure leasing activity, leading to weak operating performance. Increasingly challenging macroeconomy heightens development risks.	**RATING ACTION** Downgrade reflects secular headwinds may continue to pressure operating performance, even though BXP's properties will likely withstand the duress better than peers given its strong asset quality and limited near-term lease expirations.	Affirmed rating and outlook because leverage will remain elevated over the next year despite solid leasing activity, limited near-term lease expirations, and the expected stabilization of development projects augmenting EBITDA.

Click on the article type to read the full article.

COPT Defense Properties

See issuer's credit evolution story on the following page

Issuer credit rating
BBB-/Stable/-

Business risk
Satisfactory

Financial risk
Intermediate

Anchor
bbb-

MODIFIERS

Diversification
Neutral

Capital structure
Neutral

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Neutral

Comparable rating analysis
Neutral

Key credit highlights

- Demand for its niche-mission critical defense properties is closely linked to the U. S. Department of Defense's (DoD) annual spending budget, which is expected to remain favorable over the near term.
- These dynamics should continue to support high tenant retention rates and contribute to resilient operating performance despite weakening office fundamentals.
- Credit metrics expected to hover near current levels over the next two years with support from highly pre-leased development projects coming online and modest debt maturing.

Upside scenario

We could raise our rating on COPT if it:

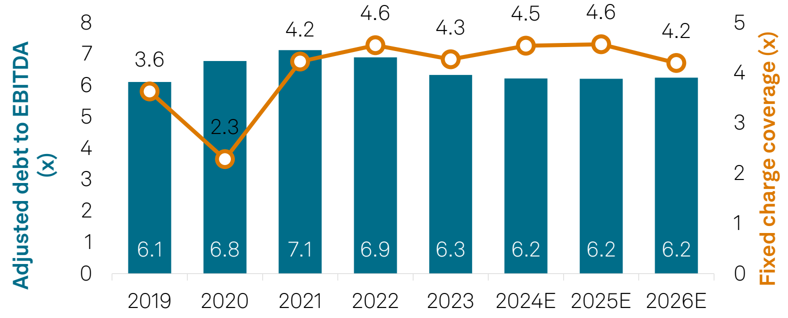
- Deleverages such that S&P Global Ratings-adjusted debt to EBTIDA declines to and remains below 6.0x;
- Significantly increases its scale and diversifies its markets while achieving solid operating performance; and
- Maintains its development pipeline at a manageable level relative to its asset base, with projects highly leased at the time of delivery and funded in a leverage neutral manner.

Downside scenario

We could lower our ratings on COPT if:

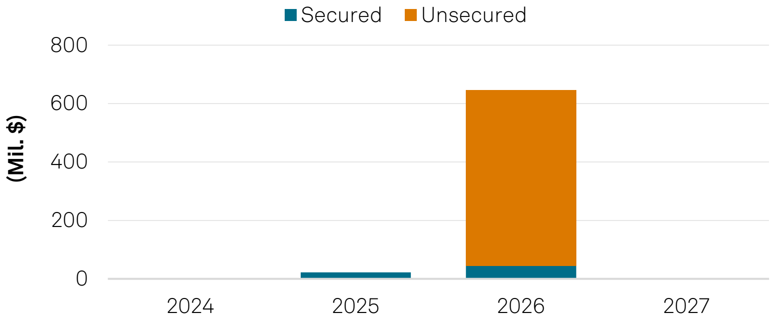
- Its leasing volume and leasing spreads face material pressure such that its operating performance deteriorates materially relative to that of its peers;
- The company adopts a more aggressive financial policy, perhaps by predominately funding its development projects with debt such that its debt to EBITDA (S&P Global Ratings-adjusted) rises and remains above 7.5x for a sustained period; or
- Its appetite for speculative development projects increases materially

Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024
WAM – 5.0 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

S&P Global
Ratings

COPT Defense Properties

2020	2021	2022	2023	2024
April	August	August	May	May
BBB-/Stable/--	BBB-/Stable/--	BBB-/Stable/--	BBB-/Stable/--	BBB-/Stable/--
Rating Action News	Full Analysis	Full Analysis	Full Analysis	Tear Sheet
RATING ACTION Outlook revised to stable from positive because it is unlikely to reduce leverage below 5.5x, amid an economic recession. However, its assets are well-positioned to withstand the downturn, primarily serving critical defense and cybersecurity needs for U.S. government agencies and contractors.	Internally funded growth strategy and strong cash flow support stable credit metrics, but anticipated development funding may temporarily elevate leverage. While focus on tenant retention limits its organic growth potential, upcoming vacancies may offer opportunities for higher rent growth in 2022.	Provided the DoD budget remains stable and leasing pressures are manageable, operating performance should be stable. Credit protection measures should also remain comfortably within our expected range for the current rating.	Despite lower demand, COPT will maintain sound operating performance given its high-quality portfolio catering to life science and pharmaceutical companies. Key metrics to improve from EBITDA growth from its stabilized portfolio, which benefited from the burn-off of free rent and lease-up of acquired vacancy.	Key metrics will likely be unchanged, provided development is funded in a leverage-neutral fashion. Expected temporary dip in occupancy from move-outs and a new acquisition is not likely to significantly affect the portfolio's performance due to anticipated strong leasing activity.

Click on the article type to read the full article.

Cousins Properties Inc.

See issuer's credit evolution story on the following page

Issuer credit rating
BBB/Stable/-

Business risk
Satisfactory

Financial risk
Intermediate

Anchor
bbb-

MODIFIERS

Diversification
Neutral

Capital structure
Neutral

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Neutral

Comparable rating analysis
Positive

Key credit highlights

- Midsize REIT with significant exposure to Sunbelt markets that have seen outsized population and job growth over the past several years.
- The combination of an improved office leasing environment, coupled with a manageable lease expiration schedule, should allow the company to maintain or even improve occupancy modestly
- Continues to operate with a conservative balance sheet slightly better than office peers, supported by NOI growth, positive re-leasing spreads, and leverage-neutral funding for future acquisitions.
- Successfully executed its inaugural unsecured bond offering and extended its weighted-average maturity above three years.

Upside scenario

While highly unlikely, we could raise our ratings one notch if Cousins:

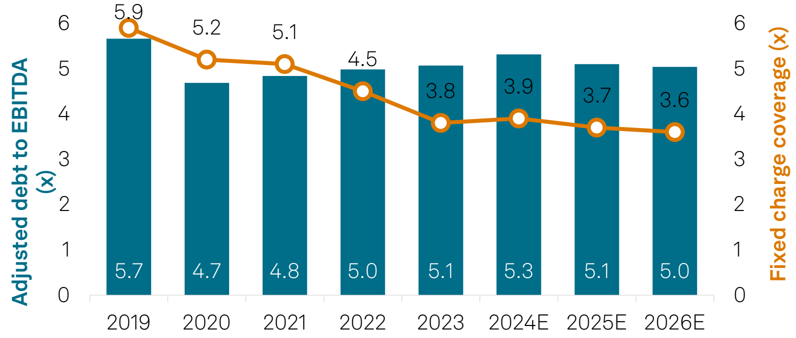
- Materially increases its scale in a leverage-neutral manner while also improving operating performance such that occupancy approaches pre-pandemic levels; or
- Commits to a more conservative financial policy such that S&P Global Ratings-adjusted debt to EBITDA declines to and is sustained well below 4.5x with FCC remaining above 3.1x.

Downside scenario

We could lower our ratings one notch if:

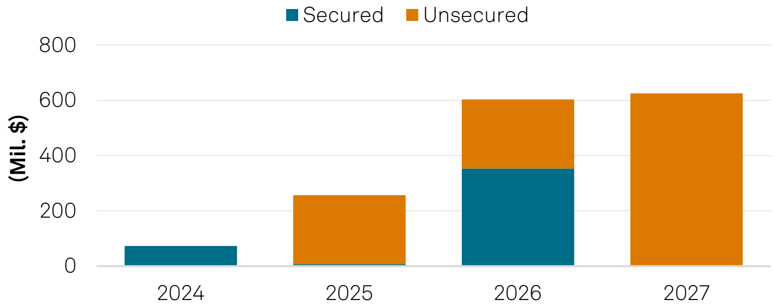
- Cousins' operating performance deteriorates beyond our projections, with occupancy declining to the mid-80% area while same-store cash NOI lags that of key peers; or
- S&P Global Ratings-adjusted debt to EBITDA rises and is sustained above 6x or FCC deteriorates to the mid-2x area over the next 12-24 months.

Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024
WAM – 3.7 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

S&P Global Ratings

Cousins Properties Inc.

2024		
April	August	November
BBB/Negative/--	BBB/Negative/--	BBB/Stable/--
Research Update	**Research Update**	**Research Update**
RATING ACTION Operating performance could be challenged amid secular headwinds, but its high-quality portfolio across sunbelt markets should hold up better than peers given limited near-term lease expirations. Maintain adjusted debt to EBITDA near 5x, with modest pressure to FCC.	**RATING ACTION** Proposed senior unsecured notes diversify its capital structure. The company's operating performance held up relatively well despite sustained secular headwinds and macroeconomic pressures. Positive re-leasing spreads and leverage-neutral funding for its potential future acquisitions will support stable credit metrics.	**RATING ACTION** Revised outlook to stable, reflecting solid leasing activity and positive same-property cash NOI amid challenging office environment. Moreover, maintained a conservative balance sheet over the past few years, sustaining debt to EBITDA in the low-5x area.

Click on the article type to read the full article.

Highwoods Properties Inc.

See issuer's credit evolution story on the following page

Issuer credit rating
BBB-/Stable/-

Business risk
Satisfactory

Financial risk
Intermediate

Anchor
bbb-

MODIFIERS

Diversification
Neutral

Capital structure
Neutral

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Neutral

Comparable rating analysis
Neutral

Key credit highlights

- Despite its elevated lease expiration, Highwoods Properties Inc.'s (HIW) portfolio of good quality assets located in sunbelt markets where utilization rates have largely stabilized will support stable operating performance.
- Focus on leasing up development projects, but stabilization periods will take time and could potentially be delayed depending on market conditions and how leasing progresses over the next year.
- Debt leverage remains above its long-term historical averages, driven by development spending without the benefit of EBITDA coming online and a lower level of dispositions.
- Capital and refinancing needs over the next year or two are manageable.

Upside scenario

We could raise our rating if:

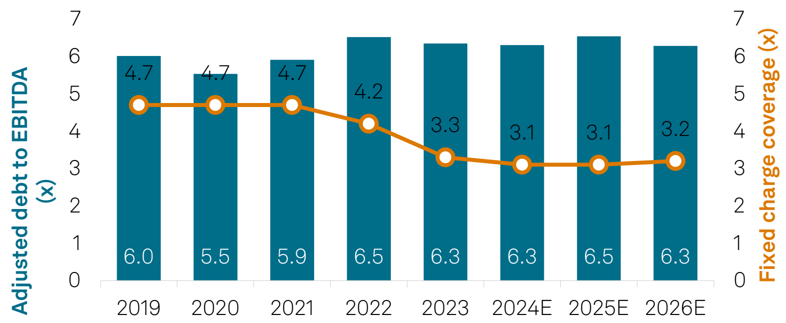
- HIW improves its operating performance, outpacing peers in terms of occupancy, same-store NOI growth, and rents while building scale in a largely leverage-neutral manner; and
- S&P Global Ratings-adjusted debt to EBITDA comfortably below the 6.0x area with FCC sustained above the 3.1x area.

Downside scenario

We could consider lowering our rating if:

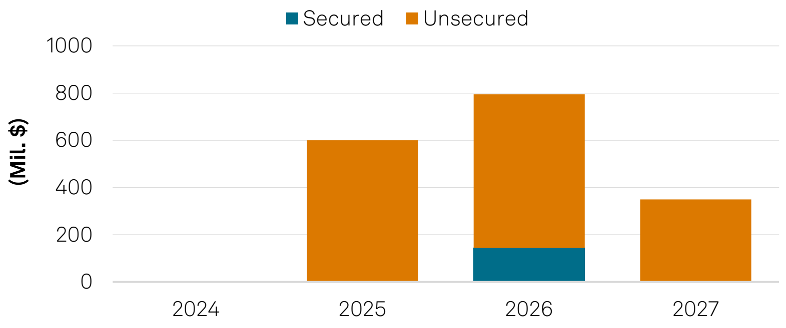
- HIW's operating performance deteriorates beyond our current projections, with occupancy approaching the low-80% area and same-store cash NOI comparing unfavorably with peers; or
- S&P Global Ratings-adjusted debt to EBITDA increases above 7.5x or FCC declines below 2.1x.

Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024
WAM – 5.1 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

S&P Global Ratings

Highwoods Properties Inc.

2020	2021	2022	2023		2024	
July	July	July	March	December	June	October
BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Negative/--	BBB/Negative/--	BBB-/Stable/--
Full Analysis	Full Analysis	Full Analysis	Research Update	Research Update	Full Analysis	Research Update
Pressure on re-leasing spreads and NOI from the pandemic. While all buildings and parking facilities remained open, its ancillary revenue from parking declined given most of employees were working from home. It could take longer than anticipated for HIW to complete its market rotation plan.	Portfolio is located in Sunbelt markets, which is better positioned than gateway market peers. Planned office portfolio acquisition we view as credit positive because it will be leverage-neutral following anticipated dispositions and increase the quality of its asset portfolio.	Stable operating performance, provided job growth does not deteriorate materially. Demonstrated its commitment to a conservative financial policy and strong balance sheet by reducing leverage back to the mid-5x area after high acquisition activity in 2021.	Affirmed rating and outlook despite near-term risks from a weaker economy and remote work, because its credit metrics and operating performance are expected to remain resilient compared with peers, supported by its focused on Sun Belt markets with stronger fundamentals.	**RATING ACTION** Its portfolio in the southern U.S. may face pressure due to weak office fundamentals and a significant lease roll, but less affected than gateway market peers. Outlook revised to negative, citing risks that ongoing challenges in the office sector could further strain landlords, affecting occupancy.	Operating performance will be somewhat stagnant, over the next two years as the company works through upcoming lease expirations amid a challenging office landscape. HIW will be prudent when executing asset sales, which may be challenging depending on capital market conditions.	**RATING ACTION** Downgraded due to elevated credit metrics and a challenging lease expiration schedule. Despite pressures from tenant move-outs and higher expirations, the outlook is stable, with expectations for adequate operating performance and stable credit metrics.

Click on the article type to read the full article.

Hudson Pacific Properties Inc.

See issuer's credit evolution story on the following page

Issuer credit rating
BB-/Negative/-

Business risk
Fair

Financial risk
Aggressive

Anchor
bb-

MODIFIERS

Diversification
Neutral

Capital structure
Negative

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Neutral

Comparable rating analysis
Positive

Key credit highlights

- Owns a portfolio of office and studio assets located across high-barrier-to-entry and in-fill locations in West Coast markets, primarily in the San Francisco Bay area.
- Elevated leverage due to both its studio and office EBITDA being under pressure amid material upcoming lease expirations and poor visibility into studio production improvement.
- Large upcoming maturities pose refinancing risk that could narrow liquidity.

Upside scenario

We could revise the outlook to stable on HPP if:

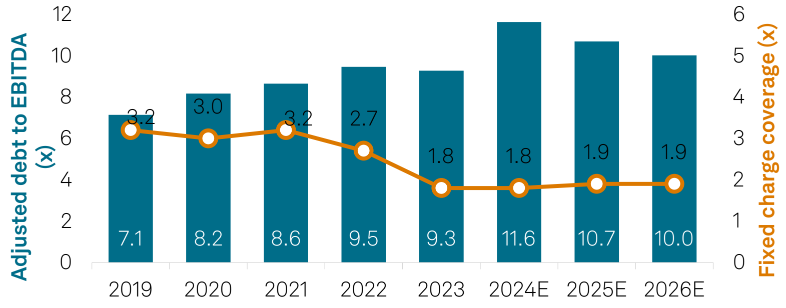
- The company effectively manages upcoming lease expirations while improving occupancy to the low-80% area;
- HPP executes additional asset sales or successfully refinances upcoming maturities; and
- Credit protection measures are strengthened such that S&P Global Ratings-adjusted debt to EBITDA is sustained at or below 11x, with FCC sustained at or above 1.7x.

Downside scenario

We could lower our ratings on the company if:

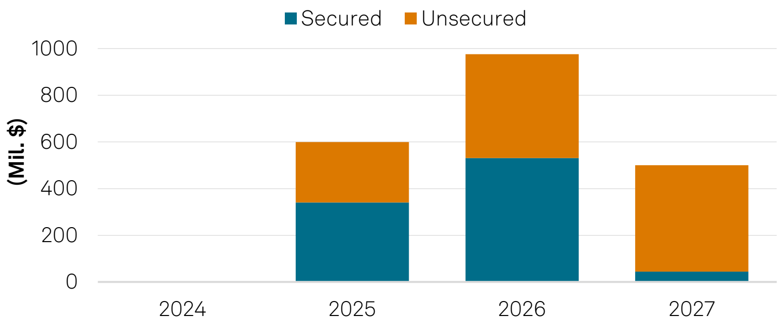
- The company is unable to successfully refinance its upcoming debt maturities, heightening refinancing risk and weakening capital structure;
- The company's operating performance deteriorates beyond our current projections, with occupancy failing to improve from current levels, or a potential increase in cash flow volatility caused by pressure in the studio business; or (Not sure how this fits in with the rest of the bullet)
- S&P Global Ratings-adjusted debt to EBITDA rises to and is sustained above 11.5x or FCC deteriorates below 1.5x over the next 12-24 months.

Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024
WAM – 2.9 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

S&P Global Ratings

Hudson Pacific Properties Inc.

2020	2021	2022	2023		2024	
July	October	September	March	June	January	September
BBB-/Stable/--	BBB-/Stable/--	BBB-/Stable/--	BBB-/Watch Negative/--	BB+/Negative/--	BB/Negative/--	BB-/Negative/--
Full Analysis	Full Analysis	Research Update	Research Update	Research Update	Research Update	Research Update
Strong market fundamentals will likely continue to result in above-average operating performance. Somewhat elevated leverage relative to key peers, but we believe it can potentially improve if it successfully closes on its recently announced JV with Blackstone.	Assets cater to technology and media companies, driving ongoing demand for office space. Strong operational performance and a consistent funding strategy, bolstered by capital from joint venture partners, are expected to maintain stable credit metrics in the coming years.	Affirmed ratings because Class A buildings will outperform lower-quality assets, even with potential delays in leasing due to the economic slowdown leading to adequate operating performance, healthy leasing volumes, and rent growth, alongside a projected decline in debt to EBITDA approaching 8x by year-end 2023.	**RATING ACTION** CreditWatch with negative implications reflects elevated leverage, with little expected improvement amid near-term cyclical risks from a weaker economy and remote working indicating a potential downgrade if a clear path to reducing leverage is not identified.	**RATING ACTION** Downgrade with a negative outlook reflects risks over upcoming lease expirations and expected pressure on leasing activity due to worsening macroeconomic conditions and office market headwinds, which may hinder its ability maintain leasing rates similar to peers.	**RATING ACTION** Downgraded because operating performance is under pressure from ongoing secular headwinds and upcoming lease expirations, which may lead to low occupancy while credit metrics have weakened with only modest improvement expected in the near term due to sustained high interest rates.	**RATING ACTION** Downgraded with a negative outlook due to elevated leverage, with no significant improvement expected due to challenging office fundamentals, low studio production, and significant upcoming lease expirations.

Click on the article type to read the full article.

Kilroy Realty Corp.

See issuer's credit evolution story on the following page

Issuer credit rating
BBB-/Stable/-

Business risk
Satisfactory

Financial risk
Intermediate

Anchor
bbb-

MODIFIERS

Diversification
Neutral

Capital structure
Neutral

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Neutral

Comparable rating analysis
Neutral

Key credit highlights

- High-quality portfolio remains under pressure amid continued challenging West Coast market office fundamentals with low retention rates and well below pre-pandemic office utilization.
- Focus on modern business environments technology, entertainment, life science, and business services companies.
- Lease expiration schedule manageable.
- Leverage metrics to only deteriorate modestly over the next two years because NOI from development completions could be delayed amid slower lease-up.

Upside scenario

While highly unlikely, we could raise our ratings by one notch if:

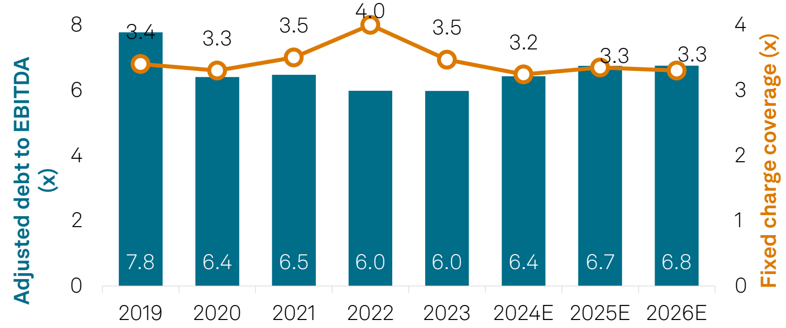
- Operating performance improves modestly, with operating metrics approaching pre-pandemic levels while development risks are further mitigated; and
- Kilroy adopts a more conservative financial policy and strengthens its credit protection measures such that adjusted debt to EBITDA remains comfortably below 6x, with FCC sustained above 3.1x.

Downside scenario

We could lower our ratings by one notch if:

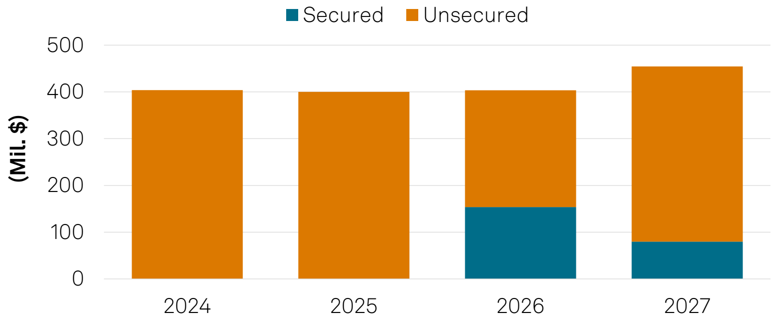
- Operating performance deteriorates beyond our current projections, with occupancy declining below 80%, coupled with pressure on same-property cash NOI; or
- Adjusted debt to EBITDA rises to and is sustained above 7.5x, or FCC deteriorates below 2.1x over the next 12-24 months.

Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024
WAM – 4.6 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

S&P Global Ratings

Kilroy Realty Corp.

2020	2021	2022	2023	2024	
May	May	June	March	January	October
BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Negative/--	BBB-/Stable/--
Full Analysis	**Full Analysis**	**Full Analysis**	**Research Update**	**Research Update**	**Research Update**
Outpaced growth of technology companies and the essential role of life science firms in overcoming the pandemic will provide positive tailwinds for Kilroy that will support strong operating performance in West Coast markets.	Tenant mix, primarily consisting of resilient technology and life science companies, is expected to be a significant driver of economic and job growth in the medium to long term. Asset sale has enhanced liquidity, provides cushion to support growth without increasing leverage.	Well-positioned to benefit from a growing bifurcation between class A and B and below properties. Credit metrics and strategic capital allocation underscore the company's conservative financial policy. Successful execution and track record of new development as key credit positives.	Affirmed rating because, despite near-term cyclical risks and long-term secular headwinds from remote working, we expect Kilroy to maintain stable leverage metrics given its financial policy and commitment to preserving the balance sheet.	**RATING ACTION** Revised outlook to negative because West Coast-focused portfolio is facing challenges from secular headwinds, which may lead to lower retention levels, negatively affecting occupancy and NOI, with adjusted debt to EBITDA anticipated to deteriorate modestly.	**RATING ACTION** Downgraded because secular office headwinds are expected to pressure its operating performance and leverage metrics. Despite this, it will maintain a conservative balance sheet, with adjusted debt to EBITDA likely rising.

Click on the article type to read the full article.

Piedmont Office Realty Trust Inc.

See issuer's credit evolution story on the following page

Issuer credit rating
BB+/Stable/-

Business risk
Satisfactory

Financial risk
Intermediate

Anchor
bbb-

MODIFIERS

Diversification
Neutral

Capital structure
Neutral

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Neutral

Comparable rating analysis
Negative

Key credit highlights

- Owns small portfolio located across eight markets but Piedmont is gradually streamlining its portfolio and focusing on select markets by divesting non-core assets. However, we don't expect asset sales to be a significant source of capital in the near term, given the challenging transaction market for office assets.
- FCC is in the low-2x area, primarily driven by higher interest costs following the Piedmont's proactive refinancing.
- Expect elevated credit protection measures compared with peers and sizable lease expiration schedule through 2026 could stagnate occupancy levels despite ongoing improvement.

Upside scenario

We could consider raising our ratings on Piedmont if:

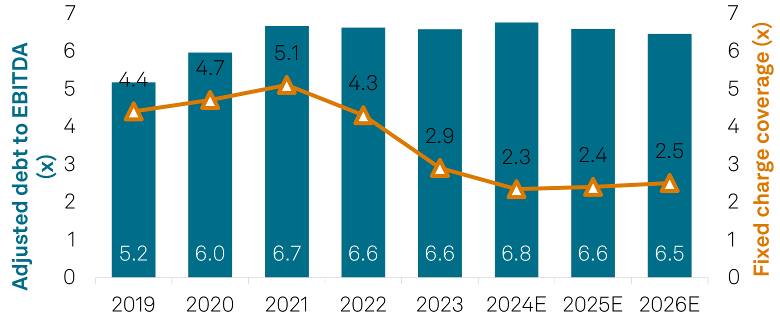
- The company's operating performance continues to demonstrate sound operating performance, in line with our expectations, with occupancy remaining near current levels; and
- S&P Global Ratings-adjusted debt to EBITDA improves comfortably below 6x and FCC increases to 2.6x on a sustained basis.

Downside scenario

We could consider lowering our ratings on Piedmont if:

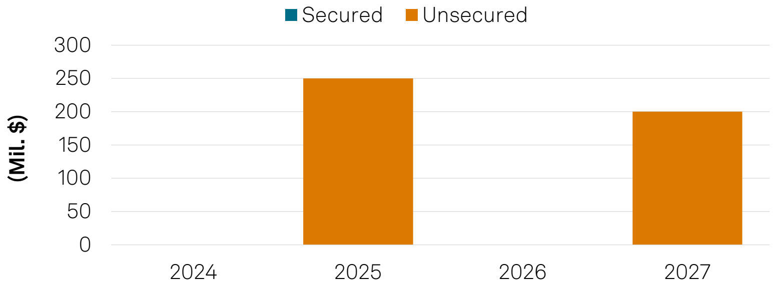
- The company's operating performance deteriorates beyond our current projections with leased occupancy declining to the low 80% area with declines in same property NOI and negative cash leasing spreads; or
- S&P Global Ratings-adjusted debt to EBITDA is sustained above 7.5x or FCC declines and remains below 2.1x.

Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024
WAM – 4.3 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

S&P Global Ratings

Piedmont Office Realty Trust Inc.

2020	2021	2022	2023		2024
April	April	May	March	November	October
BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Negative/--	BBB-/Negative/--	BB+/Stable/--
Full Analysis	**Full Analysis**	**Full Analysis**	**Research Update**	**Research Update**	**Research Update**
Expect improvement to NOI growth in 2021 as rent abatements expire. That said, the recession could lead to some pressure on renewal rates and occupancy. Development pipeline is manageable, with considerably less risk than peers.	Operating performance to improve in 2021 as rental abatements expire and vaccines are more widely distributed, provided occupancy levels do not decline materially.	High-quality portfolio with a greater presence than some peers in Sunbelt markets, which have recovered quicker from pandemic-related job disruption. We view Piedmont's focus on investment-grade tenants favorably.	**RATING ACTION** Revised outlook to negative due to anticipated pressures from elevated refinancing risks and a weaker economic forecast, despite expectations for slight occupancy improvements and better fundamentals for Sun Belt properties.	**RATING ACTION** Downgrade and negative outlook reflect weakened credit metrics with no expectation of significant improvement due to pressured office fundamentals and prolonged high interest rates creating difficult refinancing conditions.	**RATING ACTION** Weakened credit metrics due to higher interest costs from proactive refinancing over the past 18 months resulted in a downgrade. We expect continued positive leasing activity despite ongoing weakness in office fundamentals.

Click on the article type to read the full article.

SL Green Realty Corp.

See issuer's credit evolution story on the following page

Issuer credit rating
BB/Negative/-

Business risk
Satisfactory

Financial risk
Aggressive

Anchor
bb

MODIFIERS

Diversification
Neutral

Capital structure
Negative

Financial policy
Neutral

Liquidity
Adequate

Management and governance
Neutral

Comparable rating analysis
Positive

Key credit highlights

- Despite sustained pressure from remote working and weakened office fundamentals, we expect SL Green's Manhattan-focused portfolio to hold up better than most peers given its high-quality asset and manageable lease expiration schedule.
- Large upcoming maturities pose some refinancing risk that could narrow liquidity.
- Key credit metrics remain under pressure amid sustained elevated interest rates and weakened office fundamentals.

Upside scenario

We revise our outlook to stable if:

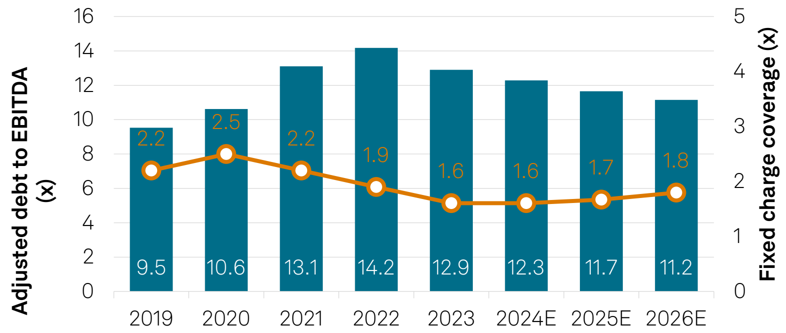
- SL Green successfully refinances its upcoming maturities in a timely manner, improving liquidity;
- SL Green adopts a more conservative financial policy and strengthens its credit protection measures such that adjusted debt to EBITDA is sustained below 10.5x, with FCC sustained above 1.9x; and
- Operating performance is sustained near current levels, with occupancy maintained near 90% and flat to slightly positive same-store cash NOI.

Downside scenario

We could lower our ratings by one notch if:

- The company is unable to successfully refinance its upcoming debt maturities well in advance of maturity, heightening refinancing risk.
- Operating performance deteriorates well beyond our current projections, with occupancy declining to the low-80% area, coupled with pressure on same-property cash NOI; or
- Adjusted debt to EBITDA fails to decline below 12x or FCC declines below 1.5x over the next 12 months.

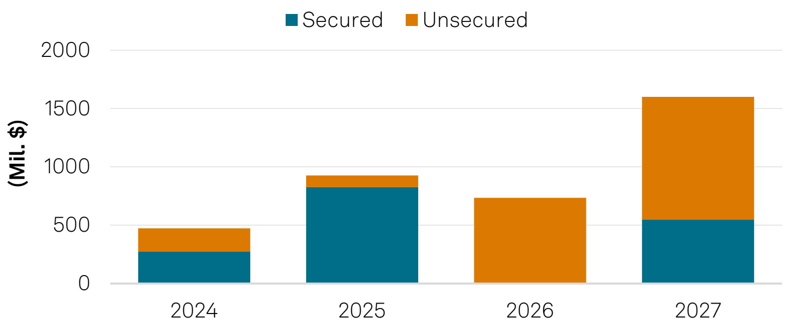
Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024

WAM – 2.1 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

SL Green Realty Corp.

2020	2021	2022	2023	2024	
December	March	December	December	January	September
BBB-/Stable/--	BBB-/Negative/--	BB+/Stable/--	BB+/Stable/--	BB+/Negative/--	BB/Negative/--
Full Analysis	Research Update	Research Update	Full Analysis	Research Update	Research Update
Largest REIT in Manhattan with above-average quality assets bolstered by new developments and the sale of older suburban properties. Credit metrics have modestly deteriorated due to the recession and development activity and share repurchase plans.	**RATING ACTION** Revised outlook to negative because leverage is expected to rise, amid uncertainty related to the effects of remote work. Lower EBITDA from asset sales and ongoing share repurchases could further affect leverage despite stable operating performance.	**RATING ACTION** Downgrade reflects weak leverage due to high interest rates and a potential recession, which may hinder its asset sales plan. Despite these challenges SL Green expected to continue to attract high-quality tenants and maintain adequate operating performance.	While it has a manageable lease expirations, we expect some pressure on effective rents as tenants may seek more concessions, potentially leading the company to extend free rent periods.	**RATING ACTION** Revised outlook to negative due to elevated leverage, with no significant improvement anticipated in the near term due to secular headwinds and a challenging asset sale market.	**RATING ACTION** Downgrade reflects high leverage due to secular headwinds and reliance on asset sales in a challenging market. Despite this, SL Green is expected to maintain sound operating performance and gradually execute its deleveraging plans.

Click on the article type to read the full article.

Vornado Realty Trust

See issuer's credit evolution story on the following page

Issuer credit rating
BB+/Negative/-

Business risk
Satisfactory

Financial risk
Aggressive

Anchor
bb

MODIFIERS

Diversification
Neutral

Capital structure
Neutral

Financial policy
Neutral

Liquidity
Strong

Management and governance
Neutral

Comparable rating analysis
Positive

Key credit highlights

- New York-based Vornado's high-quality portfolio has shown even greater resilience given the widening bifurcation between class A and class B office space and the general dearth of class A office products.
- The New York office sector has outperformed national averages in utilization and occupancy
- Leverage remains elevated, and substantial improvement is unlikely before 2026, when the Vornado's large PENN 2 development project begins collecting cash rents.

Upside scenario

We could revise our outlook to stable if:

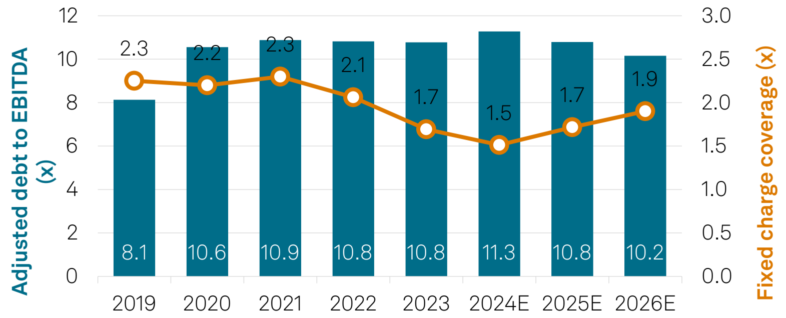
- Vornado successfully refinances its upcoming debt maturities such that its weighted average maturity of debt comfortably exceeds three years;
- Vornado's office and retail portfolio operating performance improves modestly, with operating metrics returning to near pre-pandemic levels while further mitigating development risks; and
- Credit protection measures strengthen modestly, with adjusted debt to EBITDA sustained below 11x and FCC rising back above 1.7x.

Downside scenario

We could lower our ratings on Vornado one notch if:

- The company is unable to successfully refinance its upcoming debt maturities well in advance of maturity such that its weighted-average maturity of debt, excluding extension options, declines below three years for a sustained period;
- The company's operating performance deteriorates far beyond our projections, with either office occupancy declining to the mid-80% area or the retail portfolio failing to recover modestly from depressed levels; or
- Its S&P Global Ratings-adjusted debt to EBITDA rises above 11.5x or FCC deteriorates below 1.5x over the next 12-24 months.

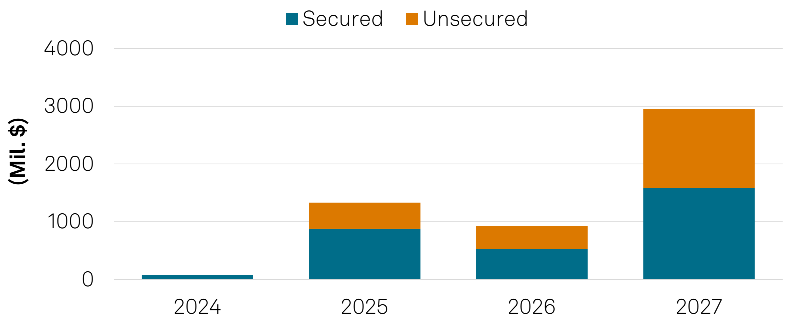
Adjusted debt to EBITDA and fixed charge coverage



E--Expected. Source: S&P Global Ratings.

Debt maturities for next four years as of Sept. 30, 2024

WAM –2.7 years



WAM-Weighted Average Maturity. Source: S&P Global Ratings.

S&P Global Ratings

Vornado Realty Trust

2020	2021	2022	2023		2024
June	March	March	March	December	September
BBB/Negative/--	BBB-/Stable/--	BBB-/Stable/--	BBB-/Negative/--	BB+/Negative/--	BB+/Negative/--
Research Update	**Research Update**	**Full Analysis**	**Research Update**	**Research Update**	**Research Update**
RATING ACTION Revised outlook to negative because it faces challenges in re-leasing and rent growth for its New York portfolio due to the recession and pandemic, including mandated store closures and suspended rent payments from retail tenants. Continued performance pressure from unused space, lost revenue from Hotel Pennsylvania, and reduced tradeshow income.	**RATING ACTION** Downgraded because it is expected to operate with elevated leverage metrics over the next few years since incremental EBITDA contribution from PENN1 is not expected to start until 2023, followed by PENN2 in 2024 or beyond, which pushes out organic deleveraging from EBITDA expansion.	Elevated leverage metrics during a heavy development phase. Its office and retail assets will continue to attract high-quality tenants and command above-average rents. This, along with active liability management, its strong cash flow stream, and its relatively low-asset-level-leverage, will improve its coverage metrics.	**RATING ACTION** Revised outlook to negative because Vornado's key credit metrics will face ongoing pressure due to rising interest rates, a weaker economic outlook, and reduced leasing activity due to shift to remote work.	**RATING ACTION** Downgraded because key credit metrics are under pressure. The negative outlook indicates ongoing challenges from secular headwinds and expectations of elevated refinancing risk, since the company is likely to see FCC in the high-1x area amid sustained high interest rates and restrictive lending conditions.	Affirmed rating because despite challenging office sector fundamentals, Vornado's high leverage is expected to improve due to strong leasing activity and the anticipated stabilization of a major development project in 2026.

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