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Grand City Property Proposed €100 Mil. Senior Secured Bonds Assigned 'BB-' Issue, '3' Recovery Ratings

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LONDON (Standard & Poor's) May 17, 2013--Standard & Poor's Ratings Services said today that it assigned its 'BB-' issue rating to the proposed €100 million senior secured bonds due 2020 to be issued by Grand City Property S.A. (BB-/Stable/--). The recovery rating on the proposed bonds is '3', indicating our expectation of meaningful (50%-70%) recovery in the event of a payment default.

RECOVERY ANALYSIS

The recovery rating reflects our understanding that Grand City Properties will use the proceeds of the proposed bonds to fund the acquisition of additional properties. For the purposes of our analysis, we consider that the properties to be acquired will be similar to the existing real estate asset base. We therefore apply the same discrete asset valuation approach and similar haircuts to the asset base to estimate our gross stressed enterprise value.

We understand that the proposed bonds will benefit from the same security package and similar documentation to the existing senior secured convertible bonds due 2017, albeit without the convertibility features. We therefore consider that the proposed bonds rank pari passu with the existing senior secured convertible bonds.

For our detailed recovery analysis, see "Real Estate Investment Company Grand City Properties Assigned 'BB-' Rating; Outlook Stable," published Feb. 20, 2013, on RatingsDirect.

RELATED CRITERIA AND RESEARCH

- Real Estate Investment Company Grand City Properties Assigned 'BB-' Rating; Outlook Stable, Feb. 20, 2013
- Criteria Guidelines For Recovery Ratings On Global Industrial Issuers' Speculative-Grade Debt, Aug. 10, 2009

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