

## CREDIT OPINION

10 July 2019

Update

 Rate this Research

### RATINGS

#### DEMIRE Deutsche Mittelstand Real Estate AG

Domicile	Germany
Long Term Rating	Ba2
Type	LT Corporate Family Ratings
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.

### Contacts

Ana Luz Silva, CFA +49.69.70730.914  
AVP-Analyst  
ana.silva@moody's.com

Moritz Mayer +49.69.70730.951  
Associate Analyst  
moritz.mayer@moody's.com

Anke Rindermann +49.69.70730.788  
Associate Managing Director  
anke.rindermann@moody's.com

### CLIENT SERVICES

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

# DEMIRE Deutsche Mittelstand Real Estate AG

Update to credit analysis

## Summary

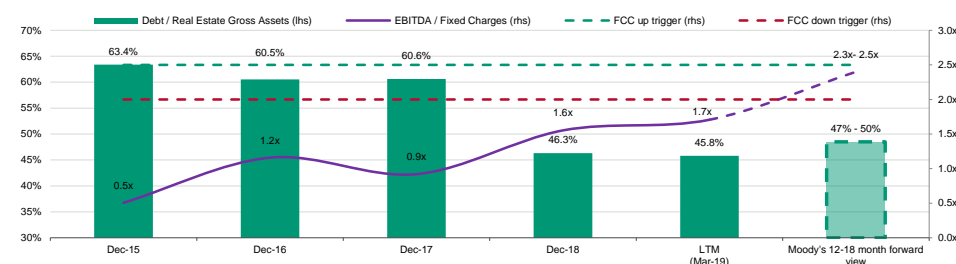
DEMIRE Deutsche Mittelstand Real Estate AG's (DEMIRE) Ba2 corporate family rating reflects (1) the company's relatively small but well-diversified portfolio of commercial real estate assets in secondary locations in Germany, which is focused on office properties but also includes retail and logistics properties; (2) the strong fundamentals of the German commercial real estate market; and (3) the company's strategy of actively managing its property portfolio, supported by an integrated business model.

DEMIRE's main credit challenges are (1) the somewhat opportunistic business model with respect to the relatively low-quality asset portfolio, compared with its higher-rated peers; (2) reduced financial leverage but still weak fixed-charge coverage (FCC), expected to gradually improve; and (3) the company's limited track record of strategy execution, driven by recent strong growth, management changes and still relatively high overhead cost, which constrains profitability.

Overall, we expect the company to continue delivering on its growth strategy while maintaining its balanced financial policies.

### Exhibit 1

#### We expect improving interest coverage and a relatively stable leverage in the next 18 months DEMIRE's Moody's-adjusted leverage ratio and FCC



Source: Moody's Investor's Service

## Credit strengths

- » Relatively small but well-diversified commercial real estate portfolio in secondary locations in Germany
- » Exposure to the robust German office market fundamentals and favourable macroeconomic environment
- » Integrated business model, with strategy of actively managing the portfolio and improving asset quality

## Credit challenges

- » Somewhat opportunistic business model with respect to the relatively low-quality asset portfolio, compared with that of its higher-rated peers, partly with value-added characteristics
- » Reduced financial leverage, but weak fixed charge coverage expected to gradually improve
- » Limited track record of strategy execution, driven by recent strong growth, management changes and still relatively high overhead cost

## Rating outlook

DEMIRE has reduced its financial leverage to a comfortable level in the current rating category, so that the stable outlook reflects our expectation that the company will build track record in maintaining balanced financial policies coupled with a higher cash flow generation that strengthens the FCC to a commensurate level for its current rating.

The outlook also incorporates our positive view of the German commercial real estate market and the favourable bank lending environment in Germany.

## Factors that could lead to an upgrade

While DEMIRE still has to strengthen its positioning in the current rating category, a rating upgrade could result from:

- » A successful increase in occupancy rate in its value-added portfolio
- » An expansion of the asset portfolio if substantially funded with equity, resulting in an overall decline in leverage
- » Moody's-adjusted gross debt/total assets sustained around 50%, with the development of a further track record operating with the current portfolio
- » A Moody's-adjusted FCC above 2.5x on a sustained basis

## Factors that could lead to a downgrade

DEMIRE's rating could come under pressure if:

- » The company reverts to leverage levels of around 60% Moody's-adjusted gross debt/total assets
- » FCC remains below 2.0x on a sustained basis
- » There is a material deterioration in the commercial real estate market fundamentals in Germany or a sharp weakening in the currently very accommodating bank lending market in Germany
- » The asset quality within the portfolio deteriorates or the vacancy rate in the existing portfolio increases

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### DEMIRE Deutsche Mittelstand Real Estate AG

US Millions	Dec-15	Dec-16	Dec-17	Dec-18	LTM (Mar-19)	Moody's 12-18 month forward view
Real Estate Gross Assets	1,122.7	1,154.7	1,379.3	1,576.0	1,550.9	\$1,700 - \$1,800
Amount of Unencumbered Assets				51%	55%	44% - 46%
Debt / Real Estate Gross Assets	63.4%	60.5%	60.6%	46.3%	45.8%	47% - 50%
Net Debt / EBITDA	44.4x	13.9x	14.8x	10.9x	9.9x	12.5x - 13.5x
Secured Debt / Real Estate Gross Assets	52.8%	50.6%	25.4%	20.0%	20.0%	23% - 25%
EBITDA / Fixed Charges	0.5x	1.2x	0.9x	1.6x	1.7x	2.3x - 2.5x

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

## Profile

Headquartered in Langen, Germany, DEMIRE Deutsche Mittelstand Real Estate AG (DEMIRE) is a public listed commercial real estate company with focus on offices in secondary locations across Germany. Considering the recent acquisitions, the company's portfolio comprises 93 single properties, with a total lettable floor space of around 1.1 million sqm and an aggregated portfolio value of circa €1.4 billion. The company's gross rental income amounts to €87.3 million, with a 4.7 year weighted average lease term (WALT).

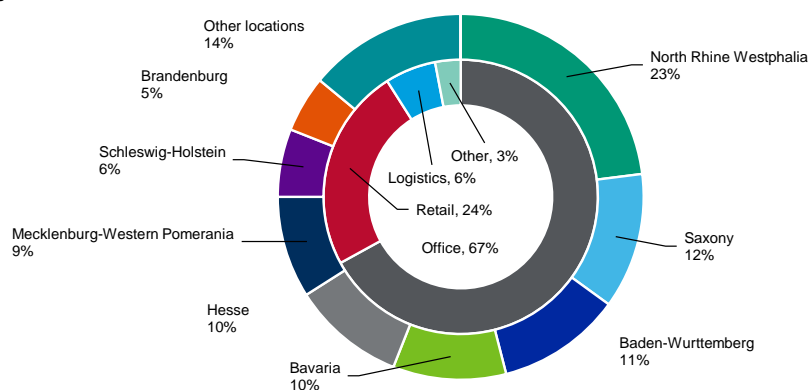
DEMIRE holds a 79.4% stake in Fair Value REIT-AG, which is fully consolidated and accounts for €314 million in portfolio value, or around 23% of DEMIRE's property portfolio.

DEMIRE is listed on the Frankfurt stock exchange and had a market capitalization of €495.8 million as of 10 July 2019. Apollo-managed funds and Wecken Group together hold around 89% of DEMIRE's shares.

Exhibit 3

### DEMIRE's portfolio

#### By location and asset class



As of 31 March 2019.

Source: Company information

## Detailed credit considerations

### Relatively small but well-diversified commercial real estate portfolio in secondary locations in Germany

DEMIRE's portfolio is spread across several key regions in Germany (see Exhibit 3). The top 20 properties represent around two-thirds of the total investment portfolio, with less than 10% of them being located in the Big 7 German cities and the remainder located in secondary locations.

During the last few months, DEMIRE has continued to grow its operating scale. As of 30 April 2019, the company closed the acquisition of four office buildings in Ascheim, Essen, Cologne and Bad Vilbel at a total value of €169.2 million. The total lettable area is 88,930 square metres (sqm), with an initial gross rental income of €8.7 million and WALT of 2.6 years. Recently, DEMIRE also announced the acquisition of five Karstadt department stores valued at €71 million. The total lettable area is 71,227 sqm, with an initial gross rental income of €5.3 million and WALT of 14.6 years.

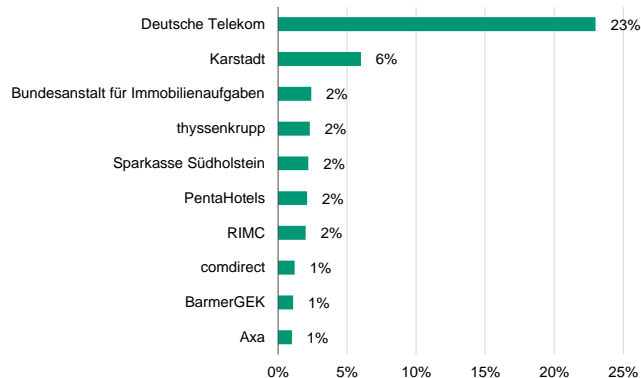
Following the recent acquisitions, the portfolio's annual gross rental income (GRI) amounts to €87.3 million, generated from more than 800 individual tenants across diverse business sectors. [Deutsche Telekom AG](#) (Deutsche Telekom, Baa1 negative) remains the largest tenant and accounts for around 26% of DEMIRE's GRI, followed by the German retailer Karstadt with 6%. All other tenants account for 2% or less of DEMIRE's GRI.

Rental income concentration in Deutsche Telekom is one of the highest among the company's peers that we rate. However, this is mitigated by the strong credit standing of Deutsche Telekom, the solid weighted average lease maturity of 3.7 years and the breakdown into 17 properties. Furthermore, Deutsche Telekom has subleased spaces which represent around 40% of GRI, so these agreements will not be renewed by Deutsche Telekom upon expiry, thereby contributing to a gradual reduction in tenancy concentration. However, this could lead to higher vacancy rates.

Exhibit 4

#### Top 10 tenants

By total GRI €87.3 million



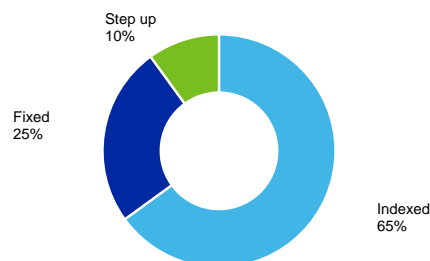
Pro forma of office and Karstadt's portfolio acquisitions.

Source: Company information

Exhibit 5

#### Lease types

By number of contracts



Source: Company information

### Robust office market fundamentals and favourable macroeconomic environment in Germany

[Germany's](#) (Aaa stable) solid macroeconomic environment is supported by (1) its advanced, diversified and highly competitive economy; (2) its track record of social and political stability; (3) its tradition of prudent fiscal policies; and (4) ready market access because of its safe-haven status. The main credit challenges are the impact of unfavourable demographic trends on the German economy and social security systems, its exposure to the global business cycle, and trade tensions and harsher environmental standards affecting the automotive industry in particular.

The German real estate market is a very liquid market, with investment volumes consistently comparable with Central London and Paris. According to Jones Lang LaSalle (JLL), investment interest remains intact, with the expected total annual volume moving towards €70 billion for the full year 2019 from nearly €80 billion in 2018. Investors continue to focus on the major economic hubs; for example,

Berlin represented 46% of the total transaction volume for all the Big 7 cities in the first quarter of 2019. With respect to asset classes, office property remains the preferred one, accounting for 38% of the investments in Q1 2019.

The prime office yield in the Big 7 cities is around 2.9%-3.2%, with Berlin reporting the lowest yield among all. Top properties in submarkets outside the prime location have also experienced a similar development, with an aggregate yield falling to its lowest level in 10 years at 3.41%, according to JLL. We expect the German office investment market to continue benefiting from a positive momentum, with increasing rental income supporting higher property values.

During the past 10 years, secondary locations have exhibited trends similar to those of the top seven cities. Secondary locations offer a higher gross initial yield, which has also compressed in the past eight years, supported by growing investment volumes and positive momentum of the occupier markets. In 2018, the average gross initial yield for secondary locations stood at 6.4%, according to Bulwiengesa.

We expect the strong demand for German offices to continue for at least the next 12-18 months, driven by healthy economic growth that fuels the creation of white-collar jobs in Germany. The strong demand for offices has resulted in the lowest vacancy levels in Germany's office market since 2005, according to Bulwiengesa. As of year-end 2018, the vacancy rate in secondary locations was 4.4%, only slightly higher than the 3.4% in the top seven cities; however vacancies have been less volatile in secondary locations. The increasing conversion of existing office space into residential or hotel properties and the redevelopment of office properties as mixed-use buildings are two trends that are further reducing the net available office space across the country, thereby supporting falling vacancy rates and growing rents. This is specially true for secondary locations, which are generally characterized by little speculative building activity and higher tenant retention.

Overall, the fundamentals of the German office property market remain strong with continued positive net absorption, declining vacancies and strong investment demand from international investors. We believe that these trends will support DEMIRE's strategy.

#### Integrated business model, with strategy of actively managing the portfolio and improving asset quality

DEMIRE benefits from an integrated business model, comprising portfolio and asset management. With this approach, the company is able to actively monitor properties' operating performance and keep a close relationship with tenants, which allows for proactive management of rental contracts and early marketing of expiring leases.

The company has successfully managed to reduce its European Public Real Estate Association (EPRA) vacancy rate based on rental value to 8.3% as per March 31, 2019 from the high level of 14.7% in 2014. However, pro forma for the recent acquisitions, vacancy rate will go up to 9.6% (see Exhibit 6). DEMIRE has managed to keep the WALT of its investment portfolio at good levels of around 4 to 5 years (see Exhibit 8).

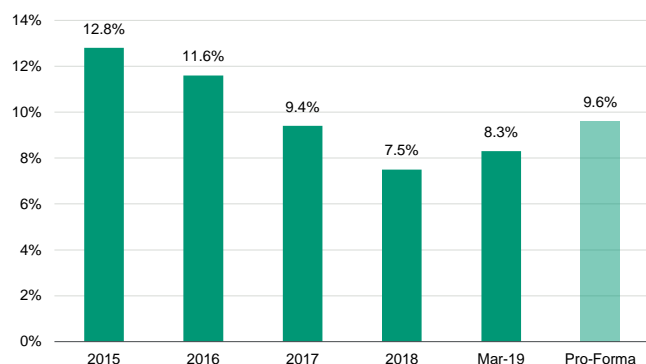
Exhibit 6

#### Pro-forma portfolio overview

	No. of properties	GAV (€ m)	GRI p.a. (€ m)	EPRA Vacancy (in %)	WALT (years)
Office	65	934.2	58.4	10.8%	3.9
Retail	21	335.9	22.7	5.8%	9.3
Logistics	1	65.6	4.2	16.0%	1.4
Other	6	36.4	2	0.2%	5.4
<b>Total (Pro-Forma)</b>	<b>93</b>	<b>1,372.1</b>	<b>87.3</b>	<b>9.6%</b>	<b>4.7</b>

Source: Company information

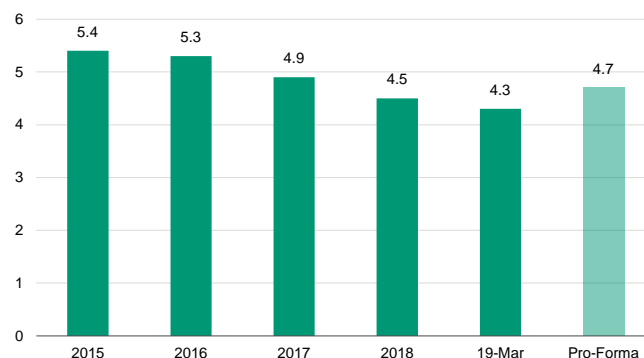
Exhibit 7

**Development of vacancy**

Pro forma includes the office portfolio closed as of 30 April 2019 and the Karstadt portfolio that is likely to close in Q3 2019.

Source: Company information

Exhibit 8

**Development of WALT  
In years**

Pro forma includes the office portfolio closed as of 30 April 2019 and the Karstadt portfolio that is likely to close in Q3 2019.

Source: Company information

**Reduced financial leverage, but weak fixed charge coverage expected to gradually improve**

Following DEMIRE's capital increase in October 2018, leverage, as measured by Moody's-adjusted gross debt/total assets, stood at 45.8% as of 31 March 2019. Considering the recent acquisitions, we expect this ratio to increase towards 47%-50% within the next 12-18 months. The company's financial policy states a net leverage of less than 50%, and as of 31 March 2019, the company reported a net loan-to-value (LTV) ratio of 38.6%. Furthermore, we understand that any sizeable acquisition of property would be funded in line with the company's medium-term LTV target.

DEMIRE's FCC remained rather weak at 1.7x as of LTM 31 March 2019. As a result of new operational set-up and projected like-for-like rental growth, we expect this ratio to continue to strengthen towards 2.3x-2.5x over the next 12-18 months, additionally supported by the recent reduction in financing cost.

DEMIRE's pool of unencumbered property assets is likely to remain at around 44%-46%. We consider unencumbered assets as an important source of alternative liquidity for real estate companies. This includes a medium-term targeted funding mix that allows around 50% of the assets to be unencumbered.

Overall, its anchor shareholder Apollo has shown its support for the company's strategic objectives (DEMIRE 2.0) of reducing its leverage and raising its credit strength to an investment-grade level in the medium term.

**Somewhat opportunistic business model with relatively low-quality asset portfolio, compared to higher-rated peers**

DEMIRE has divided its asset portfolio into three clusters:

- » Assets with secure income and long-term visibility (Core+, 52% of gross asset value "GAV")
- » Assets that need to be actively managed to capture growth upside (value-add, 44% of GAV)
- » Redevelopments where extensions, refurbishments and selective developments are undertaken (4% of GAV)

The Core+ assets have a low vacancy rate of 2% and a WALT of 6.4 years, which provides for a relatively secure and visible rental income stream. By contrast, the vacancy rate of the value-add portfolio is significantly higher at 18% and also exhibits a shorter WALT of three years. This is an important credit challenge, because it represents execution risks and additional operative costs for an important part of DEMIRE's portfolio. More positively, the latter suggests upside rental income potential amid the currently favourable market environment.

At the portfolio level, WALT has remained fairly stable at a good level of between four and five years over the last few years. Accordingly, we expect DEMIRE to continue to build a successful track record of strategy execution, which will translate into higher

occupancy rates and rental income growth across the entire portfolio. As of 31 March 2019, the company signed new leases for around 18,000 sqm at an average net rent of €7.95 per sqm per month.

We consider the quality of DEMIRE's asset portfolio as relatively low compared with that of its higher-rated peers, which mostly focus on primary locations. This is reflected in the higher-yielding nature of its properties portfolio with a GRI yield of 6.4%, broken down to 6.5% for the Core+ assets, 6.3% for the value-add assets and 5.6% for redevelopments.

These high returns are, however, partially offset by the relatively high overhead cost and somewhat high financing cost, which translate into relatively low FCC. In the medium term, the company expects to continue to increase its GRI through a reduction in the vacancy rate and with low-single-digit rental price increases as some of the existing contracts expire.

As part of DEMIRE's strategic plan, in November 2018, STRABAG SE was appointed as the new property and facility manager for around 80% of the portfolio. The remaining 20% of the real estate portfolio is indirectly owned by DEMIRE through its investment company Fair Value REIT-AG and is already managed externally by IC Property Management GmbH. Cost savings of around €1 million per annum are likely under this new operational set-up.

#### **Limited track record of strategy execution, despite recent strong growth, management changes and still relatively high overhead cost**

Over the last few years, DEMIRE has grown its asset base significantly to €1,372 million pro forma for the recently acquired offices and retail portfolios from €333 million (book value of investment properties as of December 2014). While DEMIRE's scale remains smaller than that of its higher-rated peers, we believe that the company will continue to successfully increase its portfolio size organically through an active portfolio management, further supported by some acquisition activity. We positively note DEMIRE's commitment to maintain a growth strategy commensurate with a balanced financial policy.

As of 31 March 2019, DEMIRE's executive board was completely renewed. Ingo Hartlief, who has over 20 years of experience in the real estate industry, joined the company as CEO in December 2018. Tim Brückner, who has a long-standing experience in both banking and real estate investment sectors, was appointed as CFO in February 2019. We expect to see stability in the corporate governance bodies, considering that the company is undergoing a growth phase that requires consistency in terms of business and financial policies.

## Liquidity analysis

We view DEMIRE's liquidity as adequate. As of 31 March 2019, its sources of liquidity included (1) €185 million of cash and cash equivalents; (2) €9 million undrawn committed facilities; (3) around €30 million in funds from operations and (4) a €538 million pool of currently unencumbered properties that provide an alternative source of liquidity. DEMIRE's internal cash sources are sufficient to cover the cash requirements (acquisitions, capital spending and debt service) for the next 18 months.

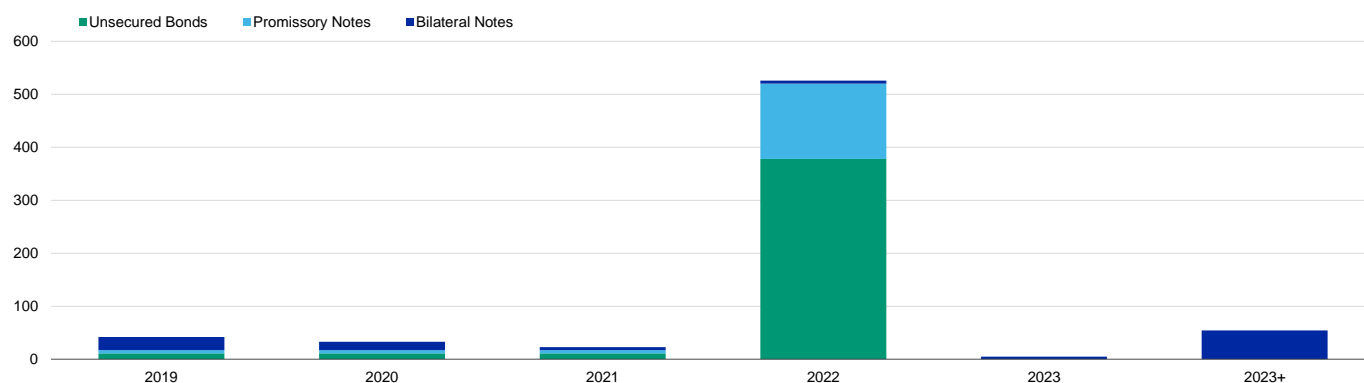
Under the bond documentation, the company is subject to the fulfillment of three financial incurrence covenants: (1) minimum interest coverage of 1.75x, (2) a net LTV of maximum 60%, and (3) a maximum net secured LTV of 40%. As of 31 March 2019, DEMIRE was compliant with all the above with sufficient headroom.

DEMIRE has no significant debt maturities until 2022 when the €367 million outstanding bond and €135 million promissory notes mature (see Exhibit 9). With maturities concentrated in 2022, we expect the company to address them in a timely manner.

Exhibit 9

### No major refinancing needs until 2022 when the company faces a refinance wall

DEMIRE's debt maturity in € million



as of 31 March 2019

Source: Company information

## Structural considerations

The current Ba2 rating of the senior unsecured bond, in line with the long-term corporate family rating, reflects a fairly balanced borrowing base between secured and unsecured funding. Senior unsecured creditors are adequately covered with a ratio of unencumbered investment properties to unsecured liabilities at 1.5x. Bondholders are subordinated to secured debt of around €370 million.

We expect DEMIRE to keep at least an equal weight between the unsecured and secured debt and an adequate unencumbered asset coverage.



## Rating methodology and scorecard factors

The principal methodology we used was our Global Rating Methodology for REITs and Other Commercial Property Firms, published September 2018. DEMIRE maps to Ba2 for the 12 months ended March 2019 on a forward-looking basis, in line with the actual issuer rating assigned.

Exhibit 10

### Rating factors

DEMIRE Deutsche Mittelstand Real Estate AG

Real Estate / REIT Industry Grid [1][2]			Current LTM 3/31/2019		Moody's 12-18 Month Forward View As of 7/5/2019 [3]	
Factor 1 : Scale (5%)	Measure	Score	Measure	Score	Measure	Score
a) Gross Assets (USD Billion)	\$1.6	Ba	\$1.7 - \$1.8	Ba		
Factor 2 : Business Profile (25%)						
a) Market Positioning and Asset Quality	Ba	Ba	Ba	Ba		
b) Operating Environment	Baa	Baa	Baa	Baa		
Factor 3 : Liquidity and Access To Capital (25%)						
a) Liquidity and Access to Capital	Ba	Ba	Ba	Ba		
b) Unencumbered Assets / Gross Assets	55.0%	Ba	44% - 46%	Ba		
Factor 4 : Leverage and Coverage (45%)						
a) Total Debt + Preferred Stock / Gross Assets	45.8%	Baa	47% - 50%	Baa		
b) Net Debt / EBITDA	10.0x	B	12.5x - 13.5x	Caa		
c) Secured Debt / Gross Assets	20.0%	Baa	23% - 25%	Ba		
d) Fixed Charge Coverage	1.7x	Ba	2.3x - 2.5x	Ba		
Rating:						
a) Indicated Outcome from Scorecard		Ba2		Ba2		
b) Actual Rating Assigned				Ba2		

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2019(L). [3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™

## Appendix

Exhibit 11

### Peer comparison

(in US millions)	DEMIRE Deutsche Mittelstand			Kungsliden AB			Summit Properties Limited			FastPartner AB		
	Ba2 Stable			Baa3 Stable			Ba1 Stable			Ba2 Positive		
	FYE Dec-17	FYE Dec-18	LTM Mar-19	FYE Dec-17	FYE Dec-18	LTM Mar-19	FYE Dec-17	FYE Dec-18	LTM Dec-18	FYE Dec-17	FYE Dec-18	LTM Mar-19
Gross Assets	\$1,379	\$1,576	\$1,551	\$3,871	\$4,018	\$3,980	\$1,269	\$1,790	\$1,790	\$2,579	\$2,669	\$2,907
Total Debt + Preferred Stock / Gross Assets	60.6%	46.3%	45.8%	48.3%	48.0%	47.9%	38.7%	38.5%	38.5%	53.6%	51.9%	55.2%
Net Debt / EBITDA	14.8x	10.9x	9.9x	10.4x	11.0x	11.2x	6.5x	10.0x	10.0x	11.7x	11.8x	14.3x
Secured Debt / Gross Assets	25.4%	20.0%	20.0%	38.6%	29.1%	28.3%	38.7%	38.5%	38.5%	34.3%	30.0%	32.8%
Fixed Charge Coverage	0.9x	1.6x	1.7x	3.3x	4.0x	4.2x	5.0x	5.1x	5.1x	3.4x	3.5x	3.4x

Source: Moody's Financial Metrics™

Exhibit 12

### Moody's-adjusted debt breakdown

#### DEMIRE Deutsche Mittelstand Real Estate AG

(in EUR millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	LTM Ending Mar-19
As Reported Debt	655.2	662.6	694.9	638.3	632.6
Operating Leases	0.6	0.8	1.5	0.0	0.0
Hybrid Securities	-0.9	-0.5	-0.2	0.0	0.0
Moody's-Adjusted Debt	654.9	662.9	696.3	638.3	632.6

Source: Moody's Financial Metrics™

Exhibit 13

### Moody's-adjusted EBITDA breakdown

#### DEMIRE Deutsche Mittelstand Real Estate AG

(in EUR millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	LTM Ending Mar-19
As Reported EBITDA	63.7	81.2	80.3	117.3	93.7
Operating Leases	0.1	0.2	0.4	0.0	0.0
Unusual	-50.3	-41.5	-46.7	-88.5	-56.4
Non-Standard Adjustments	0.5	5.6	8.2	12.3	7.5
Moody's-Adjusted EBITDA	14.1	45.4	42.1	41.0	44.8

Source: Moody's Financial Metrics™

Exhibit 14

Overview of Moody's-adjusted financial data  
DEMIRE Deutsche Mittelstand Real Estate AG

(in EUR millions)	FYE 2015	FYE 2016	FYE 2017	FYE 2018	LTM Mar-19
<b>INCOME STATEMENT</b>					
Revenue	33.3	76.4	73.7	73.7	73.7
EBITDA	14.1	45.4	42.1	41.0	44.8
Interest Expense	27.9	39.2	45.8	26.4	26.2
<b>BALANCE SHEET</b>					
Real Estate Gross Assets	1,033.5	1,094.8	1,148.7	1,378.7	1,381.2
Cash & Cash Equivalents	28.5	31.3	73.9	190.4	187.2
Total Debt	654.9	662.9	696.3	638.3	632.6
Net Debt	626.5	631.6	622.4	447.9	445.4
<b>CASH FLOW</b>					
Funds from Operations	-15.0	2.6	-14.6	12.4	15.0
CASH FLOW FROM OPERATIONS	-10.3	7.9	-3.7	19.0	19.6
Capex = Capital Expenditures	11.4	12.0	6.8	24.7	25.6
Dividends		5.9	6.8	3.0	3.0
Retained Cash Flow	-15.0	-3.3	-21.4	9.5	12.0
RCF / Debt	-2.3%	-0.5%	-3.1%	1.5%	1.9%
Free Cash Flow (FCF)	-21.7	-10.0	-17.2	-8.6	-9.0
FCF / Debt	-3.3%	-1.5%	-2.5%	-1.4%	-1.4%
<b>PROFITABILITY</b>					
% Change in Sales (YoY)		129.2%	-3.5%	0.0%	0.4%
EBITDA Margin %	42.4%	59.4%	57.1%	55.7%	60.7%
<b>INTEREST COVERAGE</b>					
EBITDA / Fixed Charges	0.5x	1.2x	0.9x	1.6x	1.7x
<b>LEVERAGE</b>					
Debt / Real Estate Gross Assets	63.4%	60.5%	60.6%	46.3%	45.8%
Secured Debt / Real Estate Gross Assets	52.8%	50.6%	25.4%	20.0%	20.0%
Net Debt / EBITDA	44.4x	13.9x	14.8x	10.9x	9.9x

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.

Source: Moody's Financial Metrics™

## Ratings

Exhibit 15

Category	Moody's Rating
<b>DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG</b>	
Outlook	Stable
Corporate Family Rating	Ba2
Senior Unsecured -Dom Curr	Ba2

Source: Moody's Investors Service

© 2019 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

## CLIENT SERVICES

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