TRIS RATING
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THAILAND PRIME PROPERTY FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 63/2025
30 April 2025

CORPORATES

Issuer Rating:	BBB+
Issue Rating:	
Senior unsecured	BBB+
Outlook:	Stable

Last Review Date: 26/04/24

Issuer Rating History:

Date	Rating	Outlook/Alert
28/04/23	BBB+	Stable
29/04/22	A-	Negative
26/09/19	A-	Stable

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RATIONALE

TRIS Rating affirms the issuer rating on Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust (TPRIME or "trust") and the rating on its senior unsecured debentures at "BBB+" with a "stable" rating outlook.

The ratings reflect the trust's acceptable cash flow protection, low financial leverage, and adequate liquidity position. Nonetheless, the ratings are constrained by TPRIME's concentration risks related to its asset portfolio, tenant base, and lease expirations. The ratings are also tempered by mounting pressure on occupancy levels and rental rates, stemming from subdued demand for office space and an anticipated oversupply in the central business district (CBD) in the coming years.

KEY RATING CONSIDERATIONS

Portfolio concentration remains a limiting factor for the ratings

TPRIME's portfolio is highly exposed to concentration risk, stemming from its limited number of properties, tenants, and lease maturities. The trust's rental income and EBITDA are derived solely from two office buildings, "Exchange Tower" (EXCHANGE) and "Mercury Tower" (MERCURY), located on Sukhumvit Road and Ploenchit Road, respectively. Of these, EXCHANGE accounts for approximately two-thirds of total revenue and around three-fourths of total EBITDA, with the remaining contribution coming from MERCURY. As a result, any underperformance in a single asset could have a significant impact on the trust's overall performance.

In terms of tenant concentration, the top ten tenants occupied 52% of the total occupied area at EXCHANGE and 47% at MERCURY. These tenants also contributed significantly to the trust's revenue, accounting for 46% of rental and service income at EXCHANGE and 41% at MERCURY. Given this level of concentration, any early lease termination or downsizing in leased space by key tenants could have a materially adverse effect on the trust's operating results.

Most of TPRIME's lease agreements are for three years, posing a lease renewal risk. As of December 2024, 47% of leases were due to expire in 2025, 22% in 2026, and 31% in 2027. Additionally, an influx of new office supply in the CBD in 2025 is expected to lead to increased vacancies. To counter this, TPRIME has upgraded facilities, improved aesthetics, and obtained international green and technology certifications to boost the competitiveness of its properties.

Ongoing market headwinds continue to pressure performance

In our view, subdued demand for office space since 2020, coupled with a surge in new office supply in 2024-2025 will continue to dampen the occupancy and rental rates of the trust's properties over the next three years. The average occupancy rate (OR) of EXCHANGE declined to the 77%-81% range in 2022-2024, down from 84% in 2021 and consistently above 90% in earlier years. Similarly, the OR of MERCURY fell to 78%-81% over the same period, compared to 87% in 2021 and above 90% in prior years. Meanwhile, intensified market competition has led to a decline in the average rental rate (ARR) for both properties from 1,040-1,120 THB/ square meter (sq.m.)/month in 2022 to 1,000-1,080 THB/sq.m./month in 2024.

According to CB Richard Ellis (CBRE), approximately 488,000 sq.m. of new office space is projected to enter the market in 2025, with around 85% comprising grade-A+ or grade-A office buildings located in the CBD. However, net take-up is expected to remain modest at only 80,000 sq.m. per annum in 2025-2026. The widening gap between new supply and take-up demand, particularly within the CBD, is likely to place further downward pressure on OR and ARR in the years ahead.

Our base-case scenario projects a year-on-year (y-o-y) decline of 1%-4% in rental rates for both buildings, while OR is expected to remain within the range of 78%-81% in 2025-2027. The lease renewal rate is projected to be around 80%-85% over the forecast period. As of now, approximately 80% of the lease contracts expiring in 2025 have already been renewed, providing a degree of revenue visibility. As a result, we project the trust's operating revenue to stand at THB750-THB770 million per annum in 2025-2027, down from THB780-THB800 million per annum in 2023-2024. Its EBITDA is likely to decrease, but it should remain above THB450 million per annum. The EBITDA margin is projected to remain at the lower end of the industry average of 60%-62%.

Acceptable cash flow protection, albeit softening

TPRIME's declining revenue and profitability have led to an increase in its adjusted net debt to EBITDA ratio to 3.1-3.5 times in 2021-2024, from below 3 times in 2018-2020. The EBITDA interest coverage ratio has also weakened to around 6 times in 2023-2024, compared to 8.0-8.5 times in 2021-2022.

Looking forward, we expect TPRIME's revenue and earnings to remain under pressure, given the weakening demand amid rising office supply. Furthermore, the trust's intention to refinance its entire debt through bank loans fully linked to floating interest rates is likely to result in higher funding costs. Consequently, we expect the adjusted net debt to EBITDA ratio to rise to 3.6-3.7 times over the forecast period, while the EBITDA interest coverage ratio could deteriorate to around 5 times by 2027.

Currently, the trust has no specific plans to acquire new assets. The shorter remaining lease term of MERCURY may affect the stability of future earnings and could lead to a gradual decline in its fair market value. Consequently, the level of its debt is expected to decrease gradually as the lease durations of its assets shorten. At the end of December 2024, the remaining duration of MERCURY's leasehold was approximately 11 years, while EXCHANGE is a freehold asset. Under TRIS Rating's base case, the trust is expected to maintain an adjusted net debt to EBITDA ratio below 4 times and a debt to capitalization ratio of around 20% during the period from 2025 to 2027 to keep the rating at its current level.

Adequate liquidity

We assess TPRIME's liquidity position as adequate over the next 12 months, underpinned by its low financial leverage and the absence of debt maturity in 2025. As of December 2024, the trust's liquidity sources included THB571 million cash on hand, THB103 million short-term investments in government bonds and treasury bills, and THB110 million in available credit lines from financial institutions. We project funds from operations (FFO) to remain around THB350 million in 2025. In addition, the trust's unencumbered assets, with a market value of THB8.5 billion as of year-end 2024, could be pledged as collateral for bank financing, if necessary.

Looking ahead, TPRIME has THB1 billion bank loans maturing in January 2026 and THB1.05 billion debentures maturing in January 2027. The trust intends to refinance the entirety of these obligations through bank loans. Given its low financial leverage and established relationships with financial institutions, we expect the trust to successfully execute its refinancing plans.

The financial covenants on TPRIME's bank loans require the trust to maintain its loan-to-value (LTV) ratio, excluding lease liabilities, below 35% and the reported interest-bearing debt to reported EBITDA ratio below 6 times. At the end of 2024, the ratios were 22% and 4 times, respectively. We believe the trust should have no problems complying with the financial covenants over the next 12 months.

Debt structure

As of December 2024, TPRIME's consolidated debt, excluding lease liabilities, amounted to THB2.05 billion. This comprised THB1 billion long-term bank loans maturing in 2026 and THB1.05 billion debentures maturing in 2027. All borrowings were unsecured and issued at the parent company level, thus, the trust has no priority debt.

BASE-CASE ASSUMPTIONS

Here are our key base-case assumptions for TPRIME's operations in 2025-2027:

- OR for both office buildings in the 78%-81% range
- Rental rates to drop by 1%-4% y-o-y
- EBITDA margin to hover in the 60%-62% range
- No additional asset acquisitions

RATING OUTLOOK

The “stable” outlook reflects our expectation that TPRIME will be able to achieve operating performance and maintain its financial profile in line with our targets. Considering the shorter remaining lease duration, we expect the trust to maintain an adjusted net debt to EBITDA ratio of below 4 times and a debt to capitalization ratio of around 20% throughout the forecast period.

RATING SENSITIVITIES

The ratings and/or outlook on TPRIME could be revised downward should there be a deeper-than-expected deterioration in the trust’s operating results and/or financial position. An increase in the adjusted net debt to EBITDA ratio to a level above 4 times could trigger a downward revision of the ratings and/or outlook.

Conversely, a rating upgrade is unlikely in the near term. However, a positive rating action could be considered if the trust successfully expands its portfolio, resulting in a larger revenue and earnings base, while maintaining its financial profile at current levels.

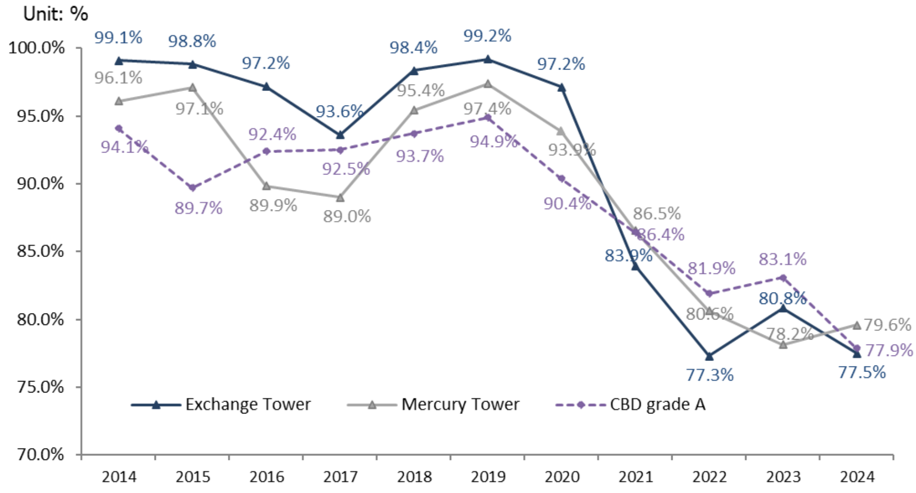
ISSUER OVERVIEW

TPRIME is a non-redeemable and indefinite real estate investment trust (REIT). The trust was established in October 2016 with an initial objective to invest in the leasehold right of MERCURY and in a 99% share of Exchange Tower Ltd., which owns EXCHANGE. The trust is a non-sponsored REIT with diverse major unitholders including an investment holding company, insurance companies, funds, and other financial institutions. The REIT manager is SCCP REIT Co., Ltd. (SCCP). SCCP is operated by highly experienced board and management members. Property managers are Nuntawan Management Co.,Ltd. (NMC) for EXCHANGE and Jones Lang LaSalle Management Co., Ltd. for MERCURY.

The trust’s assets comprise two office buildings, EXCHANGE and MERCURY, with a total net leasable area of 67,471 sq.m.. Office space accounts for 79% of the total leasable area while retail space makes up the remainder. Both buildings are located in prime areas. EXCHANGE is located on the corner of Asoke Junction and is connected to Asoke BTS Station via a sky bridge. MERCURY sits on the corner of Ploenchit Road and Langsuan Road with a direct walkway link to Chidlom BTS Station. As of December 2024, the fair value of TPRIME’s assets was THB8.5 billion. The trust’s rental and service income was THB771 million in 2024. EXCHANGE generated about 65% of the rental and service income and the rest came from MERCURY.

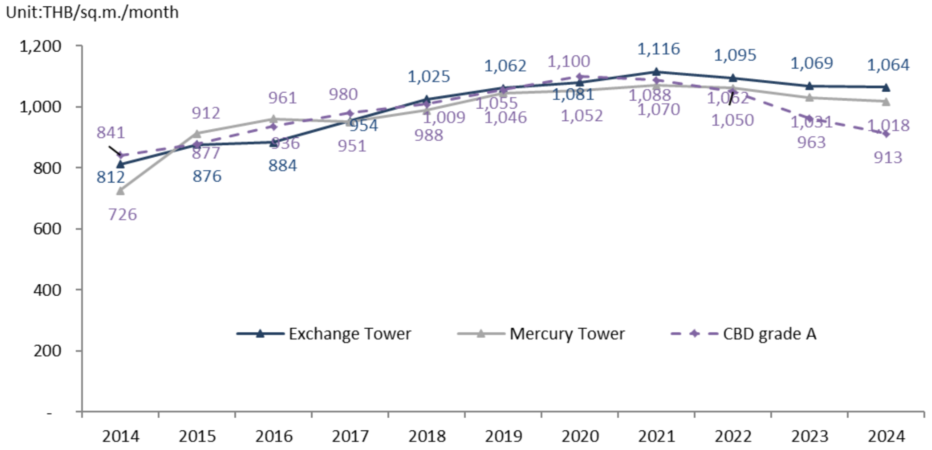
KEY OPERATING PERFORMANCE

Chart 1: Occupancy Rate



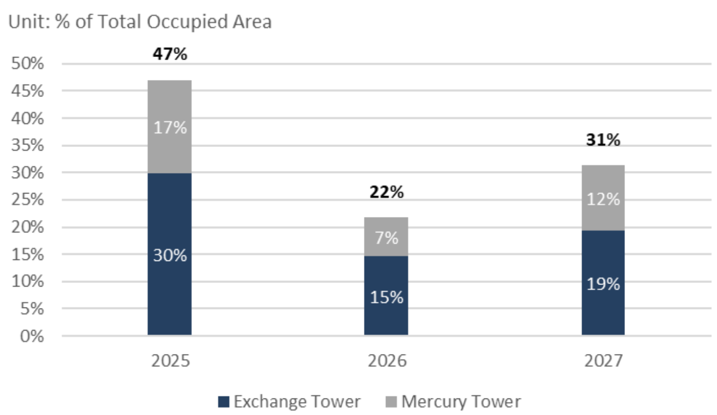
Note: From 2020, OR as average occupancy rate
Sources: TPRIME and CB Richard Ellis (CBRE)

Chart 2: Rental Rate



Source: TPRIME and CB Richard Ellis (CBRE)

Chart 3: Lease Expiry



Source: TPRIME

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	------------------Year Ended 31 December -----------------				
	2024	2023	2022	2021	2020
Total operating revenues	779	797	769	811	923
Earnings before interest and taxes (EBIT)	494	503	466	499	621
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	497	506	470	532	663
Funds from operations (FFO)	358	367	358	404	519
Adjusted interest expense	86	81	58	62	60
Investments in properties and leasehold rights over Properties at fair value	8,530	8,790	8,712	8,760	8,666
Total assets	9,258	9,550	9,488	9,528	9,478
Adjusted debt	1,680	1,634	1,649	1,673	1,517
Adjusted equity	6,563	6,829	6,751	6,788	6,839
Adjusted Ratios					
EBITDA margin (%)	63.8	63.5	61.1	65.6	71.9
Pretax return on permanent capital (%)	5.5	5.5	5.1	5.5	7.0
EBITDA interest coverage (times)	5.8	6.3	8.0	8.5	11.0
Debt to EBITDA (times)	3.4	3.2	3.5	3.1	2.3
FFO to debt (%)	21.3	22.5	21.7	24.2	34.2
Debt to capitalization (%)	20.4	19.3	19.6	19.8	18.2

* *Consolidated financial statements*

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Rating Methodology for Real Estate for Rent Companies, 16 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust (TPRIME)

Issuer Rating:	BBB+
Issue Rating:	
TPRIME271A: THB1,050 million senior unsecured debentures due 2027	BBB+
Rating Outlook:	Stable

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