

INCANS[®] T200 Report

Tenant Income Risk Scores & Projected Default Rates

2022 Q4

WESTERN EUROPE

Key Highlights

- **Retail tenants perform worse among the major sectors.**

The average retail sector score has improved over the past 12 months, it does remain the weakest of the major sectors based on the likelihood of default. The cost of living has hit discretionary spending which has a direct impact on retail profitability.

- **Logistics improves but remains below average.**

Despite the recent popularity of the logistic sector among commercial real estate investors, an average WE logistic tenant has a probability of default lower than average. However, it has recorded the highest positive change over the last 12 months.

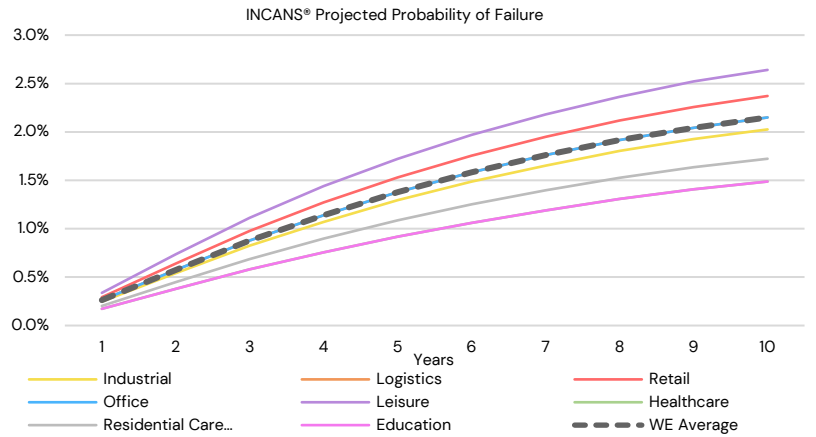
- **Leisure struggles.**

Pubs and restaurants recorded a small increase over the past 12 months while hotel tenant scores have fallen slightly. The two sub-sectors remain over seven points adrift of the Western Europe average.

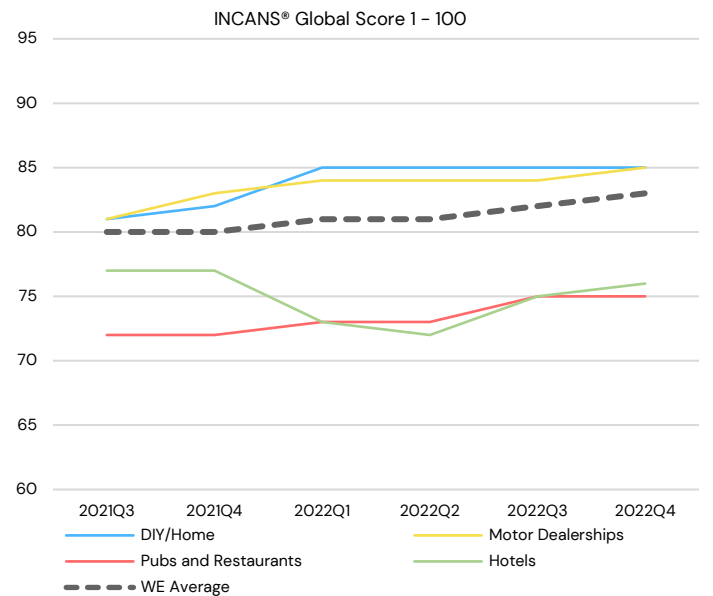
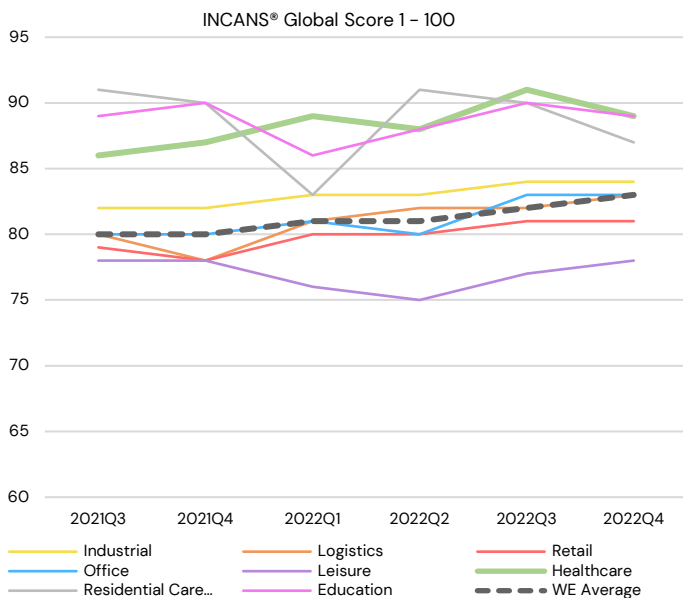
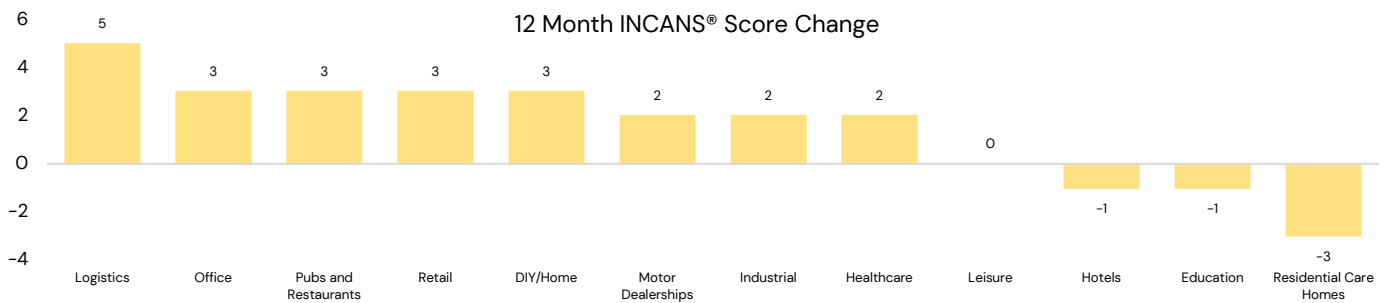
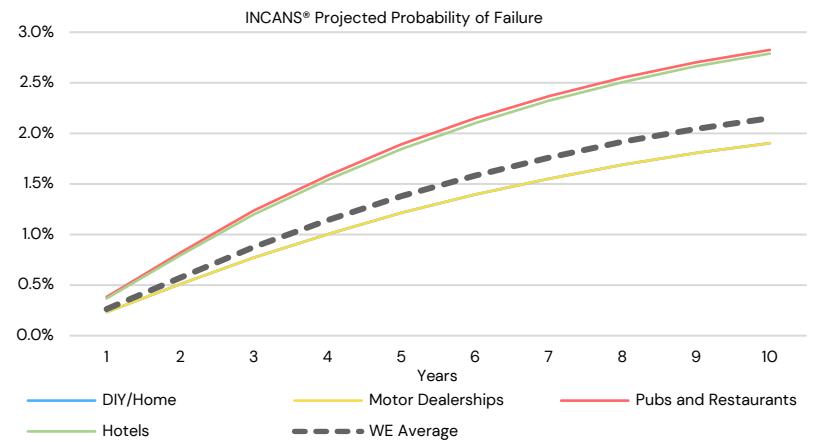
The INCANS[®] T200 series of reports have been developed by Income Analytics using company level data provided by Dun & Bradstreet. The figures are calculated at the end of each quarter by generating an average % probability of failure for the top 200 companies in each of the 83 x SIC 2 industry code type across a particular country or geographic region.

INCANS® Global Score by Property Type

Sector	Quarterly Score 1 - 100
Education	89
Healthcare	89
Residential Care Homes	87
Industrial	84
WE Average	83
Office	83
Logistics	83
Retail	81
Leisure	78



Sub Sector	Quarterly Score 1 - 100
DIY/Home	85
Motor Dealerships	85
WE Average	83
Hotels	76
Pubs and Restaurants	75



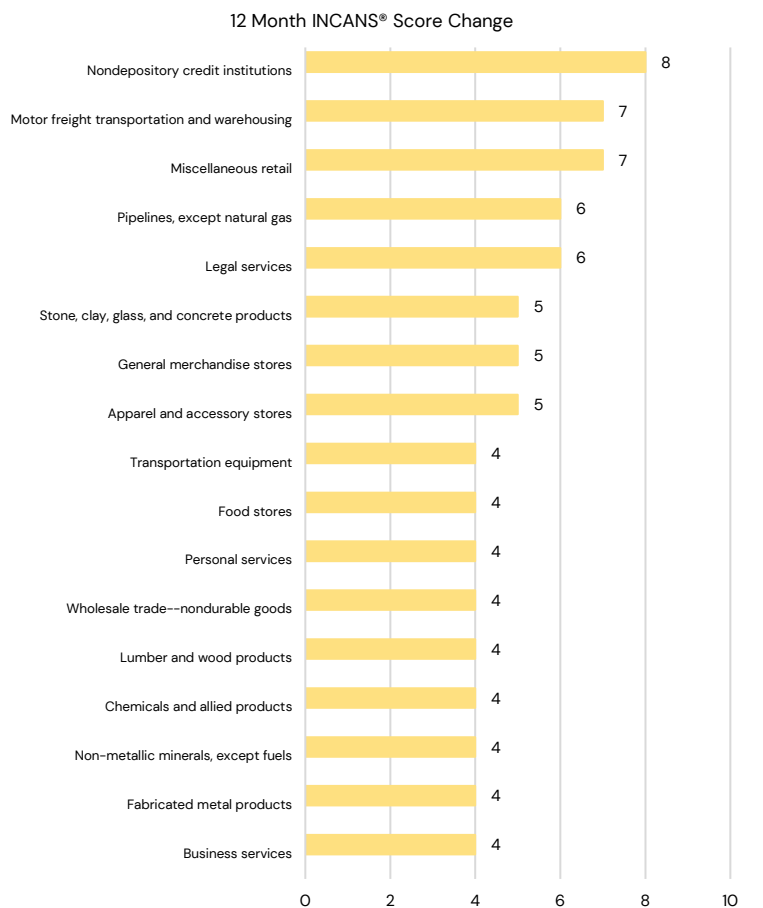
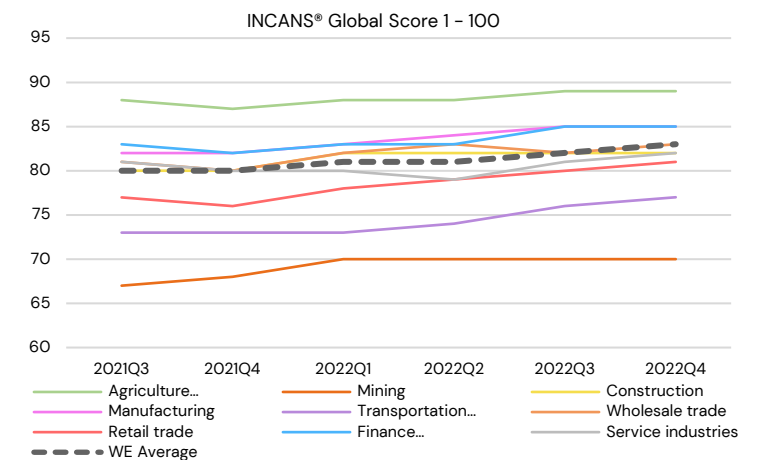
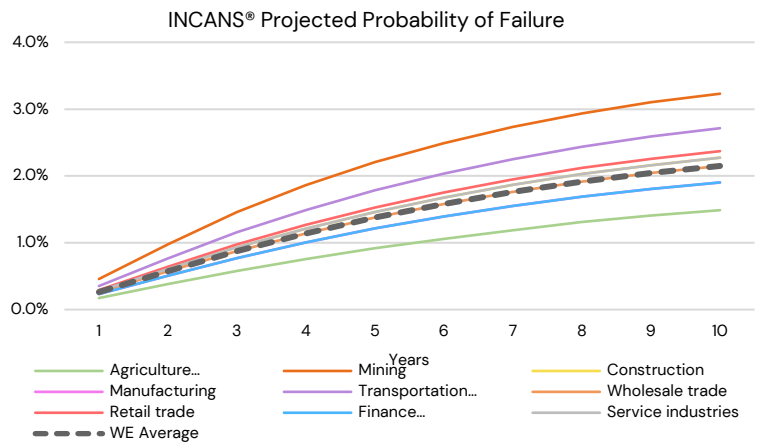
INCANS® Global Score by Industry Type

Industry Type	Quarterly Score 1 - 100
Agriculture, forestry, and fishing	89
Finance, insurance, and real estate	85
Manufacturing	85
Wholesale trade	83
Service industries	82
Construction	82
Retail trade	81
Transportation, communications, and utilities	77
Mining	70

Industry Type	12 Month Score Change
Retail trade	5
Transportation, communications, and utilities	4
Manufacturing	3
Finance, insurance, and real estate	3
Wholesale trade	3
Agriculture, forestry, and fishing	2
Construction	2
Service industries	2
Mining	2

Top SIC2 Industry Averages	INCANS® Score
Agricultural production- livestock	91
Real estate	90
Health services	90
Stone, clay, glass, and concrete products	90
Agricultural services	90
Insurance carriers	90
Non-metallic minerals, except fuels	89
Leather and leather products	89
Industrial machinery and equipment	89
Educational services	89

Bottom SIC2 Industry Averages	INCANS® Score
Tobacco manufactures	53
Metal mining	62
Pipelines, except natural gas	67
Oil and gas extraction	68
Transportation by air	71
Railroad Transportation	74
Eating and drinking places	75
Hotels, rooming houses, camps, and other lodging places	76
Motion pictures	76
Apparel and accessory stores	77



INCANS® Top 200 Methodology

What is the INCANS® Tenant Global Score?

The INCANS® Tenant Global Score is a normalised international cross border score that predicts the likelihood that a company will seek credit relief or worse, go out of business within the next 12 months. The scale is based on the historical default data from every company over recent history. A higher score indicates a lower probability of failure or default. It can be interpreted as the rough percentile the company sits in against all global companies in terms of their failure risk over all of modern history. e.g. 100/100 means that the company is broadly in the top 1% of all global companies that have existed over modern history. A score today in any country is comparable in risk level with the same score at any point in time in any other country.

Methodology

- PARTITION** Split the entire D&B universe of 500m+ companies into global regions: UK, Western Europe, North America, and Eastern Europe.
- CORPORATE GROUP** Group the companies into their corporate group – taking the highest parent company in each region. (Note that multiple parent branches may exist in the event that the global parent is outside of the region.)
- CONSOLIDATE REVENUES** Calculate the consolidated total revenue for each parent together with all of its subsidiaries.
- INDUSTRY CLASSIFICATION** Define industry type using a globally standardised SIC system based around the US 1987 SIC classification system. Take the SIC of the parent company of each corporate group and identify the top 200 corporate groups by revenue in each of the 83 x SIC 2 industry 4 sectors in each region.
- CLEAN & RECLASSIFY** Remove any companies which are currently unscored (e.g. for regulatory reasons), and assign any companies in general SIC groups (e.g. Holding Companies) into their primary business activity classification.
- CREATE AVERAGES & AGGREGATES** Create averages for each of the 83 x SIC 2 Industry sectors, and aggregate these into the main 10 x Industry Groups (SIC 1). Assign the industry SIC 2 codes to relevant Real Estate Sectors, and create custom-defined Subsectors to produce scores for likely occupiers of each type of assets.

Disclaimer

The Scores and Ratings included in this report are designed as a tool to help real estate professionals make their own investment related decisions, and should be used as part of a balanced and complete assessment relying on the knowledge and expertise of the user, and where appropriate on other information sources.

The Score and Rating models are developed using statistical analysis in order to generate a prediction of future events. Income Analytics predictive models use data provided by Dun & Bradstreet ("D&B").

D&B monitors the performance of thousands of businesses for at least 12 months in order to identify characteristics common to specific business events. These characteristics are weighted by significance to form rules within the models that identify other businesses with similar characteristics and provide a Score and Rating.

Like all forward looking predictions, Income Analytics Scores & Ratings are not a statement of what will happen, but an indication of what is more likely to happen based on previous experience using base data provided by D&B.

Whilst Income Analytics uses extensive procedures to maintain the quality of the information we hold, we cannot guarantee that it is always accurate, complete or up to date, and this may affect the Scores & Rating we publish.

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