

INCANS[®] T200 Report

Tenant Income Risk Scores & Projected Default Rates

2022Q4

UNITED KINGDOM

Key Highlights

- **The hospitality sector shows signs of recovery**

Pubs, restaurants, hotels, and other leisure show the biggest improvements in probability of default (PD) rates, indicating more stability across the hard-hit businesses that make up the sector.

- **Retail shows improvement but still weak**

Retailers have been hard-hit by the recent cost of living crisis limiting discretionary spending. The sector as a whole remains below the UK average scores, although the pubs & restaurant sub sector is showing signs it may exceed the UK average over the next quarter.

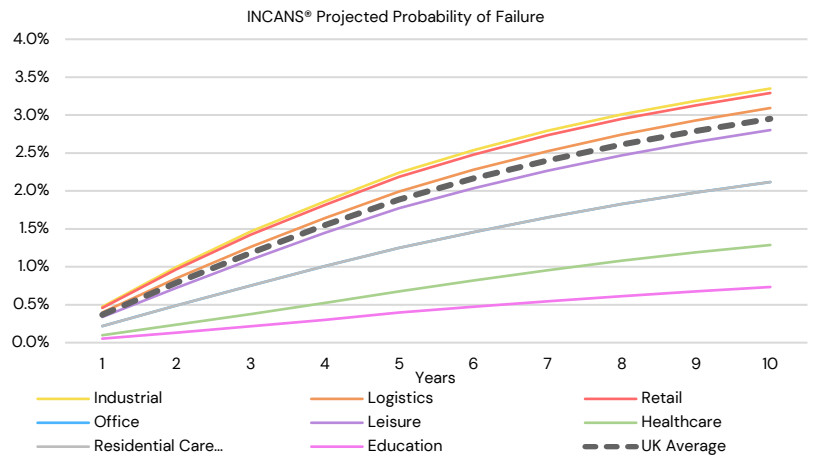
- **Logistics tenants remain below average**

Industry averages reflecting various transportation business types produce some of the lowest INCANS scores, a reflection of their contract business and low margins despite the recent popularity of the sector among investors.

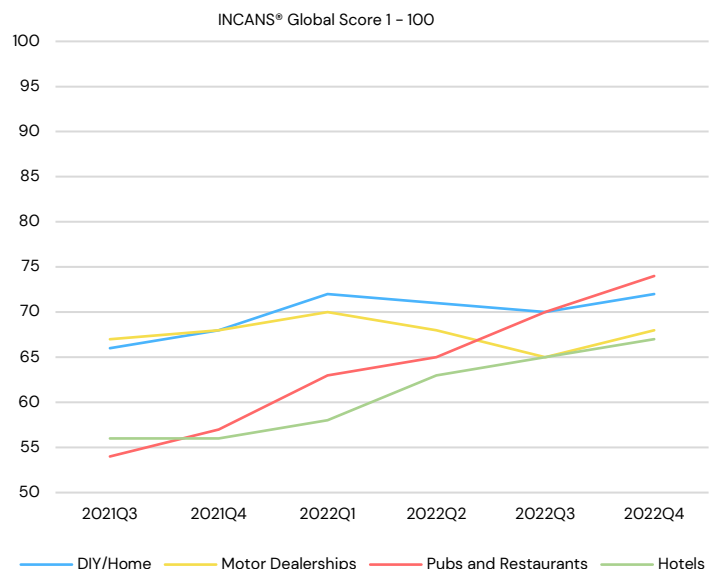
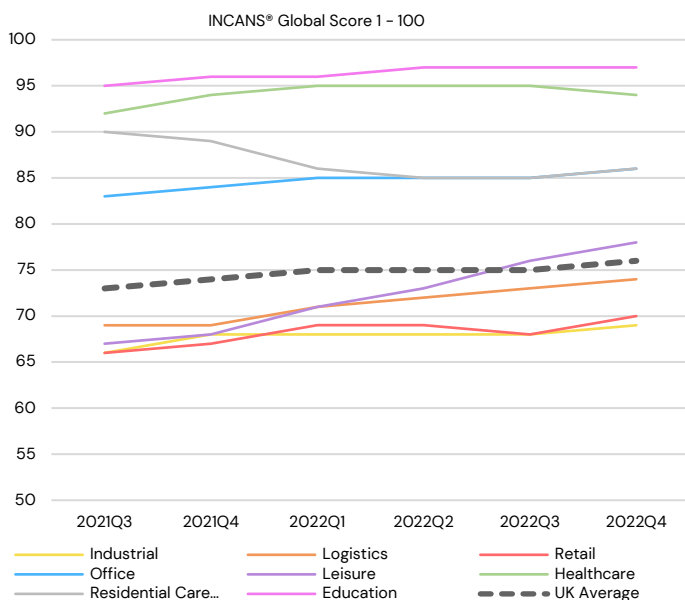
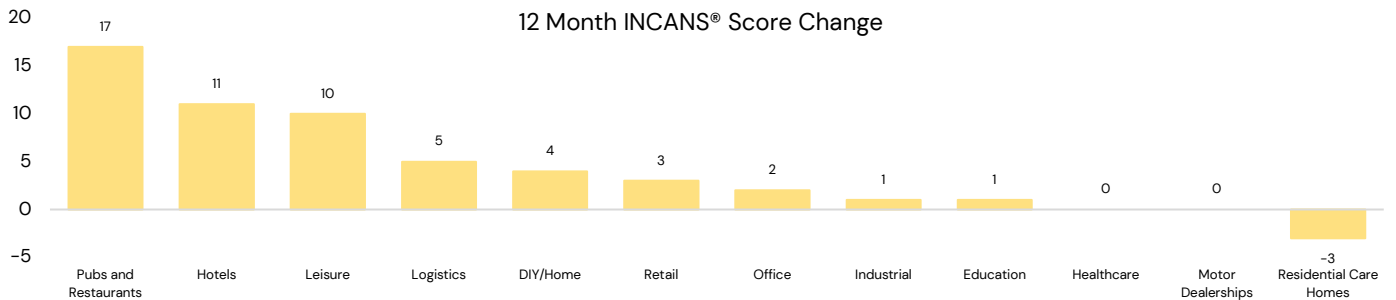
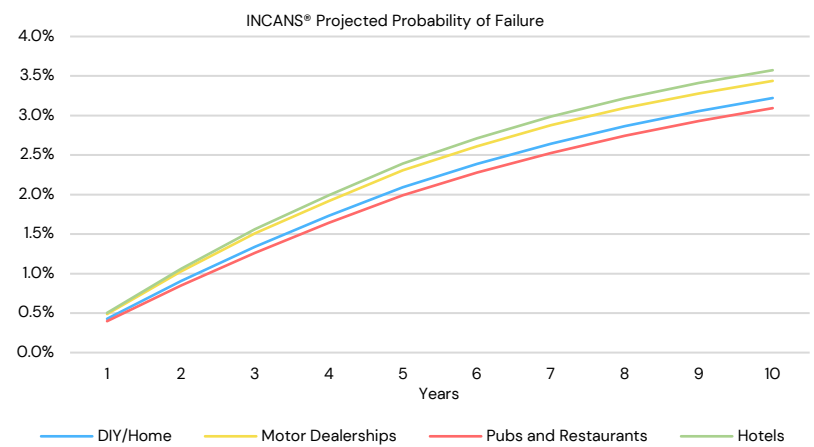
The INCANS[®] T200 series of reports have been developed by Income Analytics using company level data provided by Dun & Bradstreet. The figures are calculated at the end of each quarter by generating an average % probability of failure for the top 200 companies in each of the 83 x SIC 2 industry code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

INCANS® Global Score by Property Type

Sector	Quarterly Score 1 - 100
Education	97
Healthcare	94
Office	86
Residential Care Homes	86
Leisure	78
UK Average	76
Logistics	74
Retail	70
Industrial	69

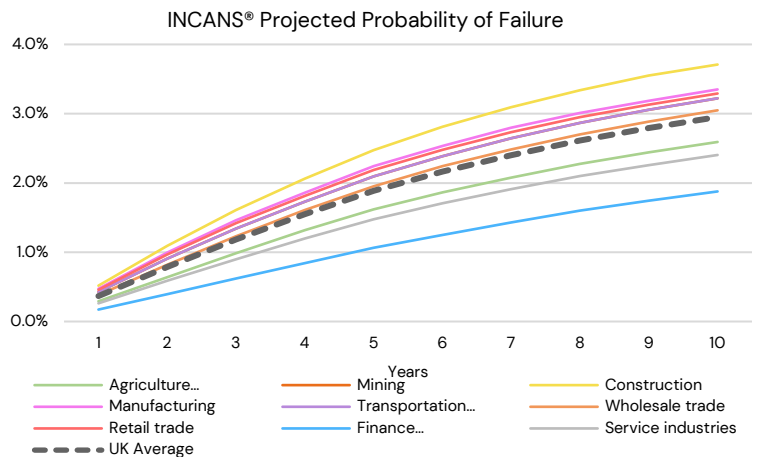


Selected Sub Sectors	Quarterly Score 1 - 100
Pubs and Restaurants	74
DIY/Home	72
Motor Dealerships	68
Hotels	67

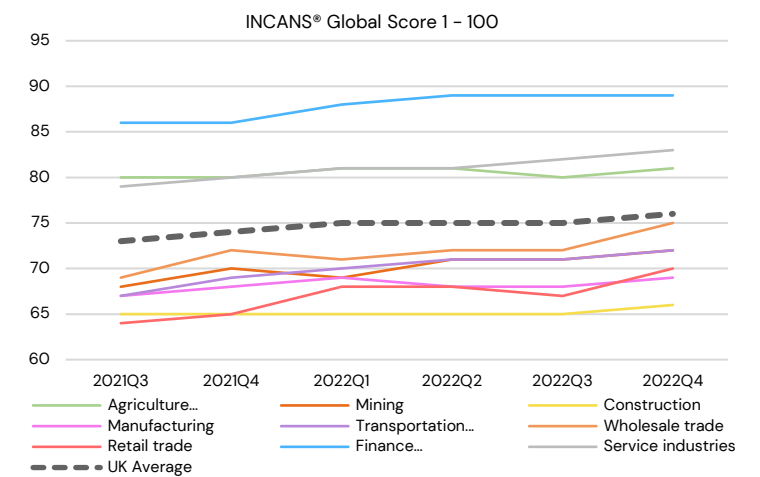


INCANS® Global Score by Industry Type

Industry Type	Quarterly Score 1 - 100
Finance, insurance, and real estate	89
Service industries	83
Agriculture, forestry, and fishing	81
Wholesale trade	75
Transportation, communications, and utilities	72
Mining	72
Retail trade	70
Manufacturing	69
Construction	66

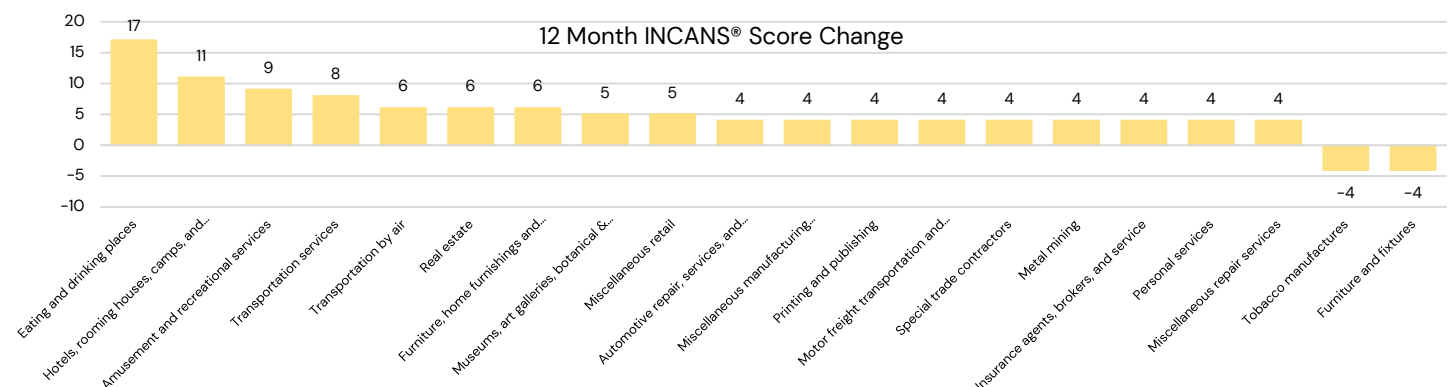


Industry Type	12 Month Score Change
Retail trade	5
Finance, insurance, and real estate	3
Wholesale trade	3
Transportation, communications, and utilities	3
Service industries	3
Mining	2
Manufacturing	1
Agriculture, forestry, and fishing	1
Construction	1



Top SIC2 Industry Averages	INCANS® Score
Educational services	97
Health services	94
Legal services	92
Nondepository credit institutions	91
Security, commodity brokers, and services	91
Depository institutions	90
Insurance carriers	90
Museums, art galleries, botanical & zoological gardens	89
Real estate	88
Holding and other investment offices	87

Bottom SIC2 Industry Averages	INCANS® Score
Tobacco manufactures	51
Apparel and accessory stores	53
Pipelines, except natural gas	53
Furniture and fixtures	56
Primary metal industries	61
Petroleum and coal products	62
Heavy construction contractors	64
Transportation equipment	64
Textile mill products	65
Apparel and other textile products	65



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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