Research Update:

Belgium-Headquartered VGP N.V. Assigned 'BBB-' Rating; Outlook Stable

August 21, 2025

Rating Action Overview

- VGP N.V. owns and manages a growing income-producing property portfolio of about €5.0 billion (at share) of logistics assets as of Dec. 31, 2024, across Europe with a focus on the German market.
- We expect tenant demand for VGP's properties will remain high, both for new developments in strategic locations and existing assets, supported by a very recently built portfolio, sound geographic diversity, and tenant base.
- We anticipate the company will grow its portfolio toward €6.5 billion (at share) by end-2028 by continuing its joint-venture (JV) strategy of developing assets and recycling part of its investments by selling 50% to long-term and creditworthy partners. This strategy adds a layer of complexity and risk, which, together with a somewhat leveraged capital structure, we have captured in our forecast and rating outcome.
- We therefore assigned our 'BBB-' long-term issuer credit rating to VGP.
- The stable outlook reflects our anticipation that VGP's portfolio should continue to generate stable and predictable cash flows over the next few years, while continuing to develop new properties with debt to debt plus equity at about 50%-54% and interest coverage at about 2.0x-2.3x over the next two years.

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Rating Action Rationale

Our rating on VGP reflects its high-quality rental income-producing property portfolio, which is well-diversified across Europe. VGP had a portfolio of €5.0 billion (at share) as of end-2024, €2.1 billion at 100%, and another €2.9 billion at share in the five JVs it owns and operates. At 100%, its total portfolio stands at about €7.8 billion. All assets are recently developed, modern, logistic properties located in strategic locations across Europe, close to multimodal transportation hubs, in key economic areas. Although VGP is mainly present in Germany with 52%, it also benefits from geographic diversity in 17 other countries, such as the Czech Republic (12%), Spain (8%), the Netherlands (4%), and Hungary (4%). The average age of buildings in VGP's portfolio is 4.2 years (96% of its assets are less than 10 years old, and 64% less than five years old) and 100% has a

BREEAM "very good" certification or better. The company also benefits from a sizable fully permitted land bank of 8.9 million square meters across Europe, securing future rent-accretive developments.

VGP has grown organically through the use of JVs with long-term and reputable partners, which adds some development risk and a layer of complexity to its structure. VGP has grown at an annual compound rate of 23% since 2016 from a portfolio of €947 million at that time to above €5.0 billion today (at share). This growth has been done organically through the construction of highly pre-leased (75% minimum before construction starts) new assets on its permitted land bank, which are ultimately sold to a JV where VGP retains 50% and a partner such as Allianz, Deka, or Areim takes on the remaining 50%. Generally, JV partners are chosen for their long-term approach and creditworthy balance sheets, and they remain passive investors in the day-to-day business. This strategy allows VGP to grow while recycling a large portion of its initial investment made to reallocate the funds toward a following development instead of relying too heavily on debt or equity injections. JV agreements usually run for a 10-year period with extension options, VGP manages the day-to-day operations and earns a management fee for it. JVs have typically a loan-to-value ratio (LTV) between 30% and 50%, the remaining 50% to 70% being equity or shareholder loans that we consider as equity in line with our controlling shareholder financing criteria. We also note that the shareholder loan documentation does not include any put option or similar clause, and therefore we do not add these loans to our calculation of VGP's total debt. We view this strategy as riskier than a more traditional REIT as VGP is exposed to some development risk during the construction cycle (cost overruns, asset marketing, rental value fluctuations, etc.) even if projects are pre-let by more than 75% upon the start of construction and they are limited to 15% of VGP's entire gross asset value. The JV structure also adds complexity in its overall structure and limits VGP's financial flexibility, given assets and cash at the JV levels cannot be directly accessed by VGP.

VGP's high occupancy rate and good capacity to attract and retain tenants support its ability to generate stable and predictable cash flow. VGP's occupancy has been quite stable and high over the past several years, standing at 98% on average, reflecting the attractiveness of its properties. The weighted average lease term (WALT) was 8.0 years at end-2024, which is among the highest in our peer group for logistics players due to the relatively recent nature of leases and the exposure to light industrial tenants and logistics players that usually require longer leases. This allows good visibility on upcoming lease renewals for which client retention is above 75%. VGP's tenant concentration is in line with other REITs, with its 10 top tenants representing 32% of leases, although they are blue-chip companies with an average WALT of 10.5 years, providing ample timing to anticipate a potential departure.

VGP's leverage metrics are somewhat elevated, but should remain relatively stable, despite significant portfolio growth, supported by its cash recycling strategy. To allow for a better visibility on VGP's creditworthiness as a whole, we are proportionally consolidating the JVs into VGP's accounts and all credit metrics are forecast and adjusted on this basis. Our revenue and EBITDA include rental income, both on the fully owned portfolio and the proportional share from the JVs (together about 83% of revenue in 2024), management fees received from the JVs, which mainly include property management fees linked to the lease contracts, and renewable energy income. Developed assets sold to the JVs do not flow through our EBITDA calculation, in line with the REIT key credit factors criteria. On this basis, we expect our adjusted debt-to-debt-plus equity ratio to remain at 50%-54% over the next 24 months, from 50.8% at year-end 2024, as VGP invests around €500 million of development capital expenditure (capex) per year to build new assets, but sells it off at market price to JVs and therefore reconsolidates 50% of it. For the purpose of our modelling, we have assumed that sales of developed assets will be at a 20%-40%

premium to cost, in line with historical averages. Our debt to EBITDA is relatively high, at 15x at end-2024, and should remain in about the same as VGP fronts the capex for upcoming projects. On an annualized basis, our debt to EBITDA should improve to around 11.5x-12.5x in the next two years, as VGP is constantly fronting debt to develop new assets that offer delayed EBITDA contribution. We estimate that approximately 80% of VGP's EBITDA should stem from rental activities (own and JV) while 20% should stem from management fees. At the same time, we expect the renewable energy segment to be EBITDA neutral. We believe these ratios fit well within our significant financial risk category.

VGP has demonstrated good access to the capital markets and sound relationships with banks, supporting visibility on its interest coverage metric. In March 2025, VGP issued a €576 million fixed-rate bond maturing in 2031, offering a 4.25% annual coupon, which was oversubscribed. Similarly, the company has been setting up secured financing from banks at the JV level as part of its strategy, and we therefore see its ability to secure future funding at attractive pricing. The cost of debt at end-2024 was at 2.2% and we expect it to increase to around 2.7% in the next 12-24 months. The increase in interest expense should be mitigated by an EBITDA base expansion and therefore we forecast the company's interest coverage ratio will improve toward 2.1x-2.3x in the next two years, from 2.0x as of Dec 31, 2024, as the pipeline is completed and transferred to the JVs. On an annualized EBITDA basis, the interest coverage should improve toward 2.5x by end-2026.

Our final rating incorporates one notch for a positive comparable analysis rating modifier assessment, which reflects VGP's positioning closer in line with our 'BBB-' rated real estate peers.

Outlook

The stable outlook reflects our view that VGP will continue to generate stable cash flow over the next two years. This is supported by its geographic diversity and strong tenant demand for newly built logistic assets in strategic locations.

We expect VGP to continue to grow its income producing portfolio organically through its JV strategy while maintaining financial discipline, such that its EBITDA interest coverage remains comfortably well above 1.8x and improves over time, with its debt to debt plus equity remaining below 55%, and debt to annualized EBITDA gradually improving toward 11.5x-12.5x in the next two years.

Downside scenario

We could lower the rating if VGP's credit metrics deteriorate, with:

- Adjusted debt to debt plus equity increasing to well above 55%;
- Debt to annualized EBITDA not improving below 13x. This could occur following lesser take-up of newly developed assets or weaker operating performance than our forecast; or
- S&P Global Ratings-adjusted EBITDA interest coverage failing to stay well above 1.8x.

We could also take a negative action should we see a deviation from the current JV strategy for newly built assets leading to an increase in leverage or if we saw debt-like features in the shareholder loan agreements that would force us to revisit our equity treatment of the facilities. We could also take a negative action in the event of reduced weighted average maturity approaching or standing below three years, or if liquidity headroom becomes too tight.

Upside scenario

We could raise the rating on VGP if:

- S&P Global Ratings-adjusted debt to debt plus equity improves to below 45% on a sustainable basis;
- The company's EBITDA interest coverage remains comfortably well above 2.4x; and
- Its debt to annualized EBITDA reduces toward 9.5x.

A positive rating action would also hinge on a comfortable liquidity buffer, a weighted average maturity kept substantially above three years, and a more contained use of JVs such that VGP retains control on its assets--as we would expect for other 'BBB' rated real estate companies.

Company Description

VGP, founded in 1998, is a family-driven pan-European owner, manager, and developer of high-quality logistics and semi-industrial properties as well as a provider of renewable energy solutions. It is headquartered in Antwerp, Belgium. VGP operates across 18 European countries, with more than 380 employees, using several 50:50 JVs. In December 2024, the gross asset value of VGP, including 100% of the JVs, amounted to €7.8 billion with Western Europe representing 73% of the total portfolio as of Dec. 31, 2024. The portfolio at share amounted to €5.0 billion at that time.

VGP co-founders Jan Van Geet and Bart Van Malderen collectively own 51% of the company and 65% of voting rights, and the remaining 49% is listed on Euronext Brussels since 2007.

Our Base-Case Scenario

Assumptions

- GDP growth in the eurozone is expected to be at 0.8% in 2025 and 1.1% in 2026. In Germany, growth level should be of 0.1% and 1.1% respectively, in Czech Republic 2.0% and 2.3%, and in Spain 2.6% and 1.9%.
- We expect consumer price inflation (CPI) in the eurozone at 1.9% in 2025 and 1.7% in 2026. In Germany, CPI is expected to grow by 2.1% and 1.8%, in Czech Republic 2.4% and 2.3%, and in Spain 2.2% and 1.9%.
- Unemployment is to remain stable at 6.2%-6.3% over the next two years across the eurozone. In Germany, it should reach 3.6% in 2025 before declining to 3.4% in 2026 (3.4% in 2024), In Czech Republic, it should reduce to 2.5% in 2025 and 2.4% in 2026 from 2.7% in 2024. In Spain, unemployment stood at 11.4% in 2024 and should reduce to 10.6% in 2025 and 10.3% in 2026.
- We expect a moderate positive like-for-like rental growth of VGP (own assets and proportionate share of JVs) of about 1.5% in 2025-2026, supported by stable occupancy rates and positive indexation capacity. JV management fee income should also grow in line with the growth expansion as the fees are contractual.
- We estimate own portfolio occupancy to remain stable around 96% and JVs' portfolio to remain stable around 98% for the next two years.
- A flat portfolio revaluation in 2025-2026, supported by low indexation and conservative assumptions on yield developments.

- We expect EBITDA margins to increase slightly around 68%-70% in 2025-2027, from 67.9%, as VGP generates economies of scale and benefits from the accretive effect of JV management fees.
- Capex of approximately €500 million-€550 million annually in 2025 and 2026, in line with the company's strategy for maintenance and property development.
- We expect dividend payments of around €90million-€100 million in 2025-2026.
- Average cost of debt is expected to increase toward 2.7%, from 2.2% at end-2024.

Key metrics

Based on these assumptions, we arrive at the following credit metrics over the next 12-24 months:

- EBITDA to interest coverage of about 2.0x in 2025, from 2.0x in 2024 to increase to about 2.3x in the next two years, reflecting the contribution of delivered projects;
- Adjusted debt to debt plus equity remaining around 50%-53%; and
- Debt to EBITDA at 14x-16x (11.5x-12.5x on an annualized basis).

Liquidity

We assess the liquidity of the company at VGP level only, excluding cash and debt maturities at JV levels. This is because liquidity is managed at JV levels. We view the liquidity as adequate because the sources-to-uses ratio should exceeds 1.2x in the 12 months started July 1, 2025.

Principal liquidity sources

- €424 million of cash and cash equivalents as of June 30, 2025;
- €489 million of fully undrawn revolving credit facility with maturity more than 12 months;
- Approximately €29 million of cash funds from operations forecast over the next 12 months; and
- €34 million of committed net proceeds from disposals.

Principal liquidity uses

- €190 million of debt maturities coming due in the 12 months;
- €446 million in capex for the development of new assets; and
- €90 million dividend payment not committed but paid historically.

Covenants

VGP has covenants under its bonds, Schuldschein loans, and bank credit lines, mainly involving consolidated group gearing ratio, interest coverage ratio, and debt service coverage ratio. We expect VGP will maintain sufficient headroom under all outstanding and future financial covenants.

We note that there is a negative pledge clause in place which restricts the granting of security over assets at the VGP level and its consolidated subsidiaries. This clause prevents the creation of security to obtain financial indebtedness unless the same security is extended pari passu to bondholders. However, the JVs are specifically excluded as they are not defined as subsidiaries. As a result, secured debt at the JV level does not impact the negative pledge, nor is it counted toward the gearing, interest coverage, or debt service coverage covenants.

Environmental, Social, And Governance

VGP demonstrates solid environmental performance. Currently 100% of its assets have at least a BREEAM very good certification, and 97% of VGP's development projects are certified BREEAM excellent or better, with a 92% recycling rate for construction waste. On the existing portfolio, VGP has reached a 41% reduction in scope 1 and 2 emission compared with 2019 figures, in line with the objective of 50% reduction by 2030 and 90% reduction by 2050. As of Dec. 31, 2024, 99% of new lease agreements contain specific, green lease provisions. These are designed to improve energy efficiency, reduce waste, and lower the environmental impact of a property. 74% of the new leases include specific clauses relating to procurement of electricity from renewable sources. VGP has also initiated the installation of solar panels onto properties, generating about 40% of tenant electricity consumption. The total renewable energy capacity in the portfolio amounts to 388 megawatts (MW) currently with an additional 102MW under development.

As a publicly listed company on Euronext Brussels, VGP benefits from good transparency, regular reporting, and regulatory oversight. It follows a monistic governance model, with majority-independent audit and remuneration committees. However, the ownership structure and reinforced voting power for long-term shareholders concentrate decision power onto both co-founders which own 51% of the company and control about 65% of the voting rights. In addition, its extensive JV structure presents moderate governance risk--driven by potential partner misalignment, shared control, and limited visibility on JV terms (e.g., exit rights and decision-making). These concerns are somewhat offset by the fact that the JV partners are credible, highly reputable players such as Allianz, Deka, and Areim, and VGP retains operational control.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB-/Stable/--
Local currency issuer credit rating	BBB-/Stable/--
Business risk	Satisfactory
Country risk	Low risk
Industry risk	Low risk
Competitive position	Satisfactory
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bb+
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Moderately negative
Comparable rating analysis	Positive
Stand-alone credit profile	bbb-

Related Criteria

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Industry Credit Outlook Update Europe: Real Estate (REITs), July 16, 2025
- Slides: European REITS Midyear Outlook 2025: Back To Normality, July 9, 2025
- European Commercial Real Estate Companies Hardly Affected By Shifts In U.S. Trade Policy, Report Says, May 20, 2025
- European Real Estate Companies: Not Yet Fixed, But Improving, Says Report, Jan. 9, 2025

Ratings List

Ratings list	
New Rating	
VGP N.V.	
Issuer Credit Rating	BBB-/Stable/--