

📅 FRIDAY, 17/10/2025 - Scope Ratings GmbH

Scope affirms the issuer rating of Hungarian real estate developer SunDell at B-/Stable

The rating affirmation reflects SunDell's recovering 2025 credit metrics from project handovers. It remains constrained by the company's small size, Budapest-focused pipeline, and GOPD Nyrt.'s reliance on SunDell dividends for holding-level debt service.

The latest information on the rating, including rating reports and related methodologies, [is available on this LINK](#).

Rating action

Scope Ratings GmbH (Scope) has today affirmed the issuer rating of Hungarian real estate developer SunDell Estate Nyrt. (Sundell) at **B-/Stable**. Scope has also affirmed the senior unsecured debt rating at **B+**.

The full list of rating actions and rated entities is at the end of this rating action release.

Key rating drivers

Business risk profile: B- (revised from B). SunDell's business risk profile is driven by its position as a small, emerging developer in Hungary's fragmented residential market, with Scope-adjusted total assets* of HUF 63bn at end-2024 (up 11% YoY) and limited diversification. The revision of the business risk profile is driven by lower expected profitability and increased cluster risk. As the fifth-largest Budapest residential developer, it has completed seven projects worth HUF 69bn (1,220 units) since 2017, but revenues are heavily exposed to cyclical demand in Budapest ('B' location), with the ongoing pipeline of four projects valued at close HUF 119bn (1,000 units).

Diversification is constrained, with near-term revenues tied to the SunDell Port development (over 600 units through 2029), increasing cluster risks from execution delays or market shifts; the lease portfolio (39% of property value at end-2024) contributes under 5% of revenues and offers limited offsetting stability. Pre-sale rates exceed 80% in mass-market segments (e.g., 94% for Hun Street, 87% for Paskal Rose II as of September 2025), supporting visibility, though luxury apartment sales lag. The subsidized mortgage rate of 3% introduced by the Hungarian government for first-time buyers is expected to increase affordability and pre-sales for energy-efficient units developed by SunDell (ESG factor credit-positive).

Early pre-sales of the SunDell Port project to SD Development Fund I – a HUF 28bn closed-end private equity fund established in December 2024 by MFB Invest (70%) and GOPD Nyrt. (30%) – supports the smooth execution of the project.

EBITDA has been volatile and was negative in 2024 due to handover delays. Recovery is forecasted with margins stabilising above 16% mid-term, driven by 2025-2026 handovers. However, Scope notes expected lower internal rates of return (IRRs of close to 5% for ongoing projects) reflect early pre-sales discounts, primarily due to sales to the SD Development Fund.

Financial risk profile: B+ (revised from BB-). SunDell's financial risk profile is underpinned by the volatile credit metrics given the 2024 underperformance but with expectations of improvement in 2025.

At the end of 2024, SunDell's loan/value (LTV) ratio stood at 31% (up 2pp YoY). Going forward, the LTV ratio is forecasted to stay around 16–22%, primarily due to repayment of other financial debt and an improved cash position in 2025 driven by project handovers. An LTV of below 30% is seen conservative for a developer. It leaves SunDell enough headroom to either: i) lease properties at sufficient cap rates to cover financing costs; ii) tackle a moderate downturn in the properties' fair values; or iii) tap external financing sources to cover construction costs if needed.

Scope expects debt/EBITDA will remain close to 4.0x in 2025 and down to around 3.5x in 2026, in line with the recovery in EBITDA to around HUF 3.5bn (2025) and HUF 4.0bn (2026) from negative levels in 2024, driven by the aforementioned project handovers in addition to the debt amortization. Nevertheless, Scope forecasts leverage to rise in 2027 to around 7.6x, linked to lower operational activity as the company continues to construct its flagship project, SunDell Port.

In line with leverage and improved EBITDA, debt protection is expected to rebound to above 8.0x in 2025 and 2026, before moderating to around 5x in 2027 amid SunDell Port construction.

Free operating cash flow (FOCF) is projected to improve markedly in 2025, bolstered by key project handovers like Paskal Rose II (completed April 2025, 87% pre-sold) and Hun Street (85% construction progress, 94% pre-sold, handover by end-2025). Despite this, FOCF volatility persists due to the ongoing development of flagship SunDell Port, with reliance on pre-sale advances, leaving cash flows vulnerable to Budapest residential market demand shifts.

Liquidity: adequate (unchanged). Liquidity is adequate, supported by (i) available cash of HUF 837m on the balance sheet as of 30 June 2025; and (ii) expectations of strong FOCF in 2025, driven by handovers of ongoing projects. The latter will be sufficient to cover the HUF 3.3bn bond repayment due in November 2025 (arising from the amortization of SunDell's two issued bonds: HUF 11bn issued in 2020 at 3.25% interest and HUF 5.5bn issued in 2021 at 3.65% interest, along with minimal related financing amortization). In 2026, only a HUF 550m bond repayment is due.

In addition, the issuer is required to pay dividends (HUF 1.8bn paid in 2025) to its majority owner GOPD Nyrt. (B-/Negative) to enable debt service at GOPD's level regardless of SunDell's profits. The amount of dividends is expected to rise to close to HUF 4bn in 2026 and 2027.

Scope highlights the fact that Sundell's senior unsecured bonds issued under the Hungarian National Bank's Bond Funding for Growth Scheme both have a covenant requiring the accelerated repayment of the outstanding nominal debt amount (HUF 5.5bn and HUF 11.0bn respectively) if the debt rating of the bonds stays below B+ for more than two years (grace period) or drops below B- (accelerated repayment within 30 days). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is 0 notches. Given the limited rating headroom, the company must at least maintain its current credit profile to avoid triggering the rating-related covenant.

Supplementary rating drivers: -1 notch (unchanged). While SunDell remains rated on a standalone basis, Scope acknowledges the rating differential between SunDell's standalone credit assessment of B and the B-/Negative issuer rating of its controlling shareholder GOPD Nyrt. Scope considers SunDell to be a strategic subsidiary of GOPD Nyrt., which holds close to 64% of SunDell's shares directly and through subsidiaries as of 30 June 2025. In this respect, Scope notes the significant interdependencies between these companies, as the parent company has very limited cash

generation other than that of SunDell and sells incubated land plots to SunDell for residential development. As such, GOPD is dependent on the cash generation at SunDell level and subsequent cash upstream, which in turn could lead to a weaker credit profile of SunDell. As a result, Scope has made a one-notch negative adjustment to SunDell's standalone credit assessment under parent support.

One or more key drivers of the credit rating action are considered an ESG factor.

Outlook and rating sensitivities

The **Stable Outlook** reflects SunDell's recovering credit metrics in 2025, driven by current project handovers. Nevertheless, risks remain due to the concentrated project pipeline going forward, especially related to its flagship project, SunDell Port. However, successful delivery of the backlog and stabilizing costs should maintain debt/EBITDA below 5x for the next 2 years.

The **upside scenarios** for the ratings and Outlook are (collectively):

1. Improved credit quality of the parent
2. Increased visibility on sales beyond one year, especially for luxury apartments, or a significant portion of recurring EBITDA while credit metrics remain in line with Scope's rating case (a scenario that is currently considered remote)

The **downside scenarios** for the ratings and Outlook are (individually):

1. No improvement in operational performance, which continues to put pressure on credit metrics
2. Weakening liquidity, either due to a delay in handovers or a further deterioration in the parent's (GOPD's) credit quality

Debt ratings

In November 2020, SunDell issued a HUF 11.0bn senior unsecured bond (ISIN: HU0000360078) through the Hungarian Central Bank's Bond Funding for Growth Scheme. The bond has a tenor of 10 years and a fixed coupon of 3.25%. The bond will be repaid in three tranches: 30% in 2025, 30% in 2027 and 40% balloon payment at maturity in 2030.

In July 2021, SunDell issued a HUF 5.5bn senior unsecured bond (ISIN: HU0000360649) under the same bond scheme. The bond has a tenor of 10 years and a fixed coupon of 3.65%. The bond will be repaid in five tranches starting from 2026, with 10% of the face value payable yearly and a 50% balloon payment at maturity in 2031.

The bond proceeds were used to develop residential housing projects and acquiring a landbank. In addition to the rating deterioration covenant, the bond covenants include a list of other soft covenants.

SunDell has issued two senior unsecured bonds totalling HUF 16.5bn. It has minimal outstanding senior secured bank debt. Scope assumed a hypothetical default at YE 2026 and applied reasonable discounts to assets. SunDell's assets are almost fully unencumbered. Total liquidation value covers the senior unsecured debt position resulting in a 'excellent' recovery expectation.

This translates into a **B+** debt class rating for senior unsecured debt, two notches above the issuer rating.

Environmental, social and governance (ESG) factors

The housing units developed by SunDell are energy-efficient (ESG factor: credit-positive) and well above minimum legal requirements. There is more demand for this type of housing than for old or renovated housing and less energy-efficient projects. SunDell was one of the first in the market to develop environmentally conscious and sustainable residential buildings with low energy and water needs and a high share of green areas. Since SunDell constructs its buildings, its properties are guaranteed to have an energy performance certificate of at least 'BB' under Hungarian law, considered a nearly zero-energy building (nZEB).

All rating actions and rated entities

SunDell Estate Nyrt.

Issuer rating: **B-/Stable**, affirmation

Senior unsecured debt rating: **B+**, affirmation

**All credit metrics refer to Scope-adjusted figures.*

Stress testing & cash flow analysis

No stress testing was performed. Scope Ratings performed its standard cash flow forecasting for the company.

Methodology

The methodologies used for these Credit Ratings and/or Outlook, (General Corporate Rating Methodology, 14 February 2025; European Real Estate Rating Methodology, 2 June 2025), are available on scoperatings.com/governance-and-policies/rating-governance/methodologies.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at scoperatings.com/governance-and-policies/regulatory/eu-regulation. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): registers.esma.europa.eu/cerep-publication/. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on scoperatings.com/governance-and-policies/rating-governance/methodologies. The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Credit Ratings were not requested by the Rated Entity or its Related Third Parties. The Credit Rating process was conducted:

With the Rated Entity or Related Third Party participation YES

With access to internal documents YES

With access to management YES

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity, the Rated Entities' Related Third Parties and Scope Ratings' internal sources.

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting these Credit Ratings originate from sources Scope Ratings considers to be reliable and accurate.

Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and/or Outlook and the principal grounds on which the Credit Ratings and/or Outlook are based. Following that review, the Credit Ratings and/or Outlook were not amended before being issued.

Regulatory disclosures

These Credit Ratings and/or Outlook are issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Ratings and/or Outlook are UK-endorsed.

Lead analyst: Michel Bove, Director

Person responsible for approval of the Credit Ratings: Philipp Wass, Managing Director

The Credit Ratings/Outlook were first released by Scope Ratings on 30 October 2020. The Credit Ratings/Outlook were last updated on 17 October 2024.

Potential conflicts

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