INCANS® T200 Report

Tenant Income Risk Scores & Projected Default Rates

Q2 2023

UNITED KINGDOM

Key Highlights

The office sector continues to remain stable in Q2. UK offices is positioned significantly above the UK average of 76 with an INCANS® Global Score of 85, unchanged over the last 12 months.

The UK industrial and logistics markets are moving in line with the UK average, with the industrial sector increasing slightly in Q2 to 69 despite tough macroeconomic conditions, and logistics stays relatively stable at 73.

The education sector topped the table at the end of Q2. This sector has an INCANS® Global Score of 97, unchanged year–on–year. A sector that perhaps is less influenced by economic conditions but still vital for future economic growth.

Midway through the year, the hospitality sector still sees the highest annual growth. Pubs and restaurants have shown an increased INCANS® Global Score of 9 points over the last 12 months.
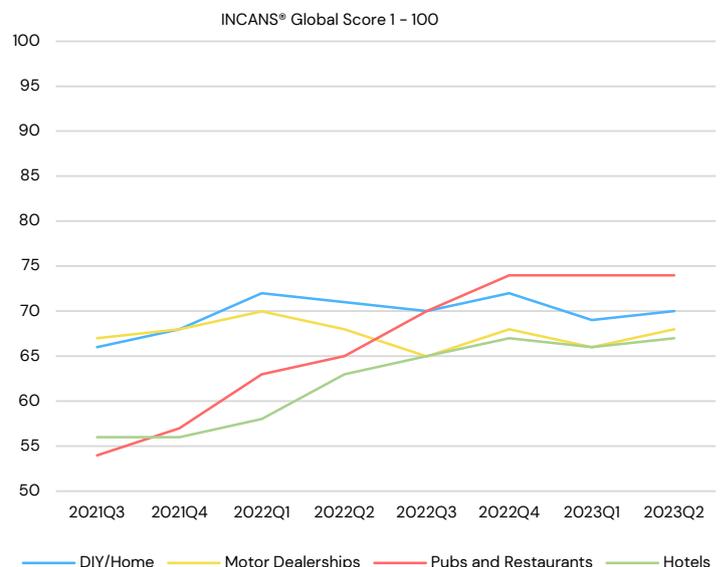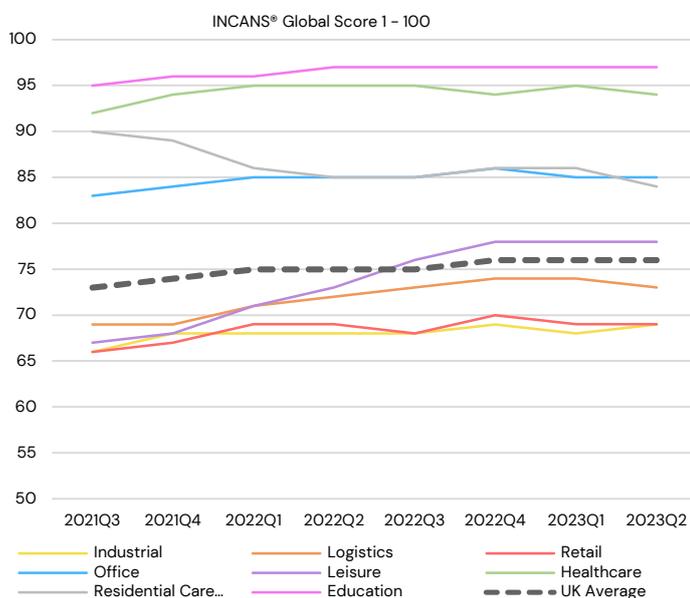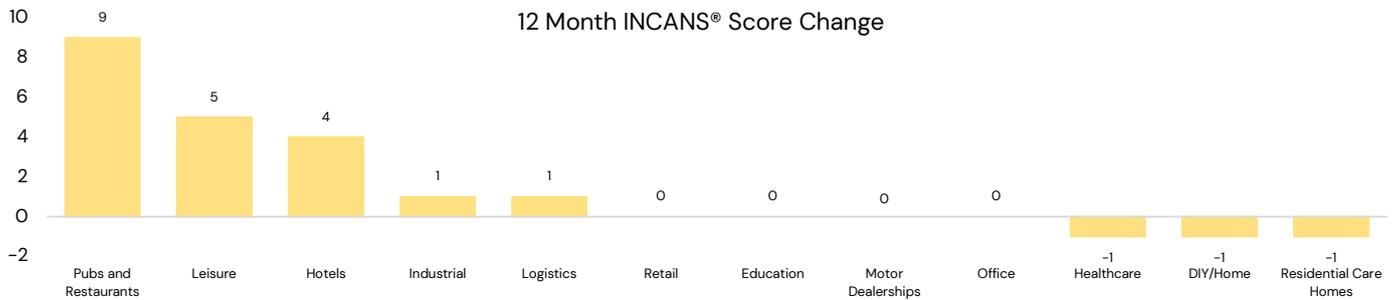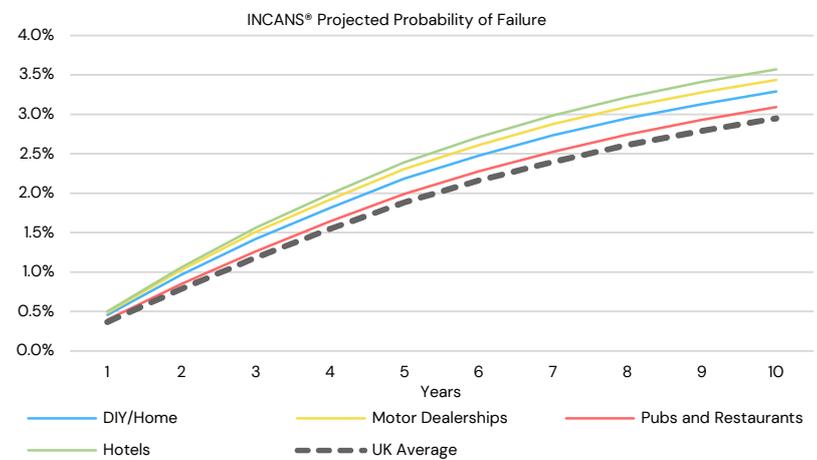
The INCANS® T200 series of reports have been developed by Income Analytics using company level data provided by Dun & Bradstreet. The figures are calculated at the end of each quarter by generating an average % probability of failure for the top 200 companies in each of the 83 x SIC 2 industry code type across a particular country or geographic region.

INCANS® Global Score by Property Type

Sector	Quarterly Score 1 – 100
Education	97
Healthcare	94
Office	85
Residential Care Homes	84
Leisure	78
UK Average	76
Logistics	73
Industrial	69
Retail	69
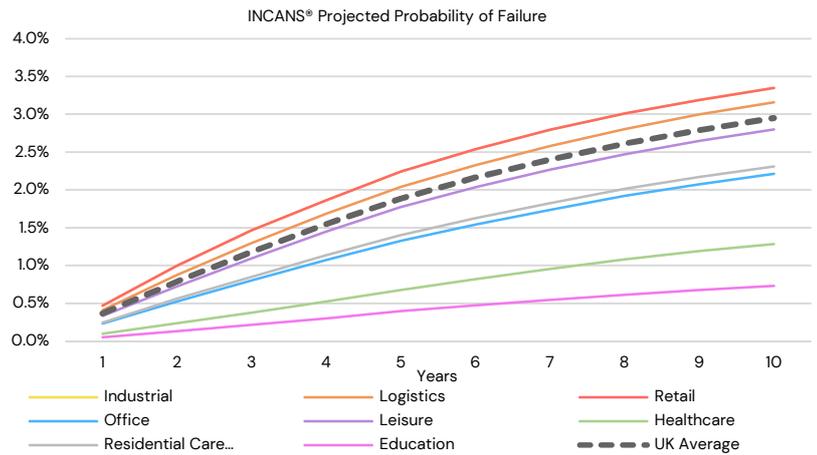
Selected Sub Sectors	Quarterly Score 1 – 100
UK Average	76
Pubs and Restaurants	74
DIY/Home	70
Motor Dealerships	68
Hotels	67

INCANS® Projected Probability of Failure

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12 Month INCANS® Score Change

INCANS® Global Score 1 – 100

INCANS® Global Score 1 – 100

INCANS® Global Score by Industry Type

Industry Type	Quarterly Score 1 – 100
Finance, insurance, and real estate	88
Service industries	82
Agriculture, forestry, and fishing	81
Wholesale trade	76
Transportation, communications, and utilities	72
Mining	71
Manufacturing	70
Retail trade	69
Construction	66
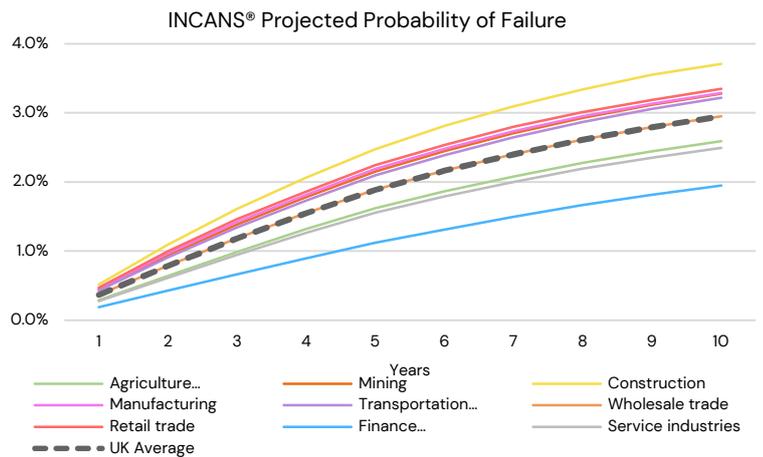
Industry Type	12 Month Score Change
Wholesale trade	4
Manufacturing	2
Construction	1
Transportation, communications, and utilities	1
Service industries	1
Retail trade	1
Agriculture, forestry, and fishing	0
Mining	0
Finance, insurance, and real estate	–1

INCANS® Projected Probability of Failure

INCANS® Global Score 1 – 100
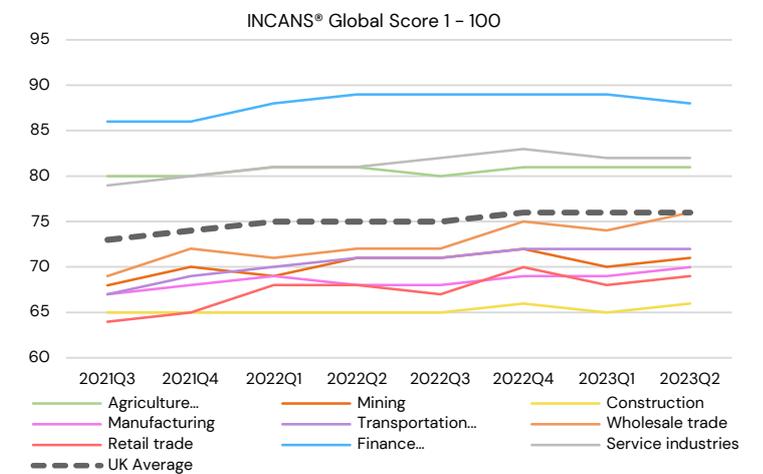
Top SIC2 Industry Averages	INCANS® Score
Educational services	97
Health services	94
Legal services	92
Nondepository credit institutions	91
Security, commodity brokers, and services	91
Depository institutions	90
Insurance carriers	89
Insurance agents, brokers, and service	87
Holding and other investment offices	87
Museums, art galleries, botanical & zoological gardens	87

Bottom SIC2 Industry Averages	INCANS® Score
Tobacco manufactures	50
Pipelines, except natural gas	56
Furniture and fixtures	57
Apparel and accessory stores	57
Primary metal industries	63
Heavy construction contractors	64
Special trade contractors	65
Miscellaneous repair services	66
Transportation equipment	66
Leather and leather products	67

12 Month INCANS® Score Change
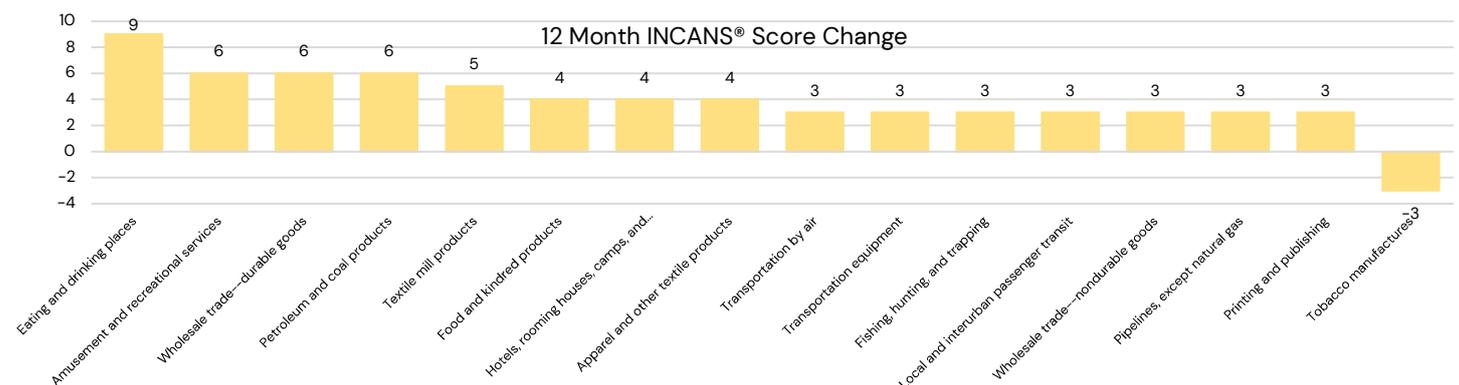
INCANS® Top 200 Methodology

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

1.	PARTITION	Split the entire D&B universe of 500m+ companies into global regions: UK, Western Europe, North America, and Eastern Europe.
2.	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.)
3.	CONSOLIDATE REVENUES	Calculate the consolidated total revenue for each parent together with all of its subsidiaries.
4.	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.
5.	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.
6.	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

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