

Research Update:

Aroundtown S.A. 'BBB/A-2' Ratings Affirmed; Outlook Stable; Liquidity Assessment Revised To Adequate From Strong

December 1, 2025

Rating Action Overview

- Aroundtown S.A.'s (AT's) liquidity buffer has decreased due to lower available cash balances and lower signed disposal proceeds for the next 12 months, coupled with higher upcoming short-term debt maturities.
- We therefore revised our liquidity assessment on the company to adequate from strong.
- In addition, we updated our base-case assumptions and now forecast a higher amount of acquisitions and capital expenditure than we previously expected. We expect the S&P Global Ratings-adjusted ratio of debt to debt plus equity will increase slightly to about 52%-54% by 2027, and EBITDA interest coverage will settle at about 2.1x-2.2x over the next 12-24 months. We previously forecast 50%-52% and 2.2x-2.3x, respectively (see "[Aroundtown S.A. Downgraded To 'BBB' On Revised Disposal Expectations And Tight Credit Metrics; Outlook Stable](#)," April 29, 2025).
- We affirmed our 'BBB' long-term rating on AT and its senior unsecured notes, as well as our 'BB+' issue ratings on the subordinated hybrid bonds and our 'A-2' short-term issuer credit rating.
- The stable outlook on AT reflects our expectation that the company will continue to generate stable and predictable income from its existing assets, with solid operating performance.

Rating Action Rationale

We revised our liquidity assessment to adequate from strong because of lower availability of funding sources to cover AT's short-term financing needs for the next 12 to 24 months. AT maintains a high unrestricted cash balance of about €2.7 billion as of Sept. 30, 2025, although this is down from above €3 billion in the last four quarters. In addition, the company's committed disposal proceeds amounted to about €120 million as of Sept. 30, 2025, versus €300 million-€400

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million in previous interim periods. Short-term debt maturities increased slightly to about €1.9 billion. At over 1.2x, the company's liquidity sources still sufficiently cover its needs for the next 12 months to maintain an adequate liquidity assessment under our criteria. However, this no longer meets our requirements for a strong liquidity assessment, which stipulate coverage of funding sources to use by more than 1.5x for the next 12 months and above 1x for the subsequent 12 months.

We also understand that AT aims to optimize interest costs, and that it repaid a portion of its hybrid stock with available cash, which affects the liquidity buffer over the next 12 months. In addition, about €1.4 billion of its available cash is at its subsidiary, Grand City Properties S.A. (GCP). We think that there is limited accessibility to cash at the GCP level to repay debt at AT, given our assumptions that GCP will not distribute any dividends over our forecast horizon and that its minority stake will remain at a significant 38%. The revision of our assessment of AT's liquidity has not changed our long-term issuer credit rating or outlook. We understand the company remains committed to maintaining adequate liquidity and sufficient headroom under its financial covenants in the future.

Our updated base case expects AT's credit metrics will remain aligned with our 'BBB' rating requirements. We forecast that AT's average cost of debt will increase to about 2.5%-2.6% over the next 12-18 months, assuming some upcoming maturities are refinanced at a higher cost of about 3.5%-4.5% in 2026 and 3.5%-4.0% in 2027. We understand that the company now plans to use part of its high cash balance for some opportunistic acquisitions as real estate assets yields are stabilizing and to increase capital expenditure to fund the conversion of some office assets. Therefore, we expect EBITDA interest coverage to settle at about 2.1-2.2x in 2026-2027; debt to debt plus equity to increase to about 52%-54%; and debt to EBITDA to be at about 14x-15x. Our previous forecasts were 2.2x-2.3x, 50%-52%, and 13x-14x, respectively.

AT's operating performance remains strong, mainly driven by the residential and hotel segments, although we expect office segments to remain under pressure over the next 12-24 months amid slower demand. AT posted a strong 3.1% like-for-like increase in its rental income in its first nine months of 2025 results, mainly driven by like-for-like rental growth in its residential and hotel segments of about 3.9% and 4.2%, respectively. We expect occupancy levels for its total portfolio will remain broadly stable at 92.0%-92.5% (92.6% as of Sept. 30, 2025) and benefit from solid demand for its residential and hotel assets. However, we believe the office segment will continue to face headwinds and weaker tenant demand, coupled with the increasing polarization between prime and secondary office locations. Office vacancies increased slightly to 12.9% as of Sept. 30, 2025, from 12.8% as of June 30, 2025, and like-for-like rental growth was comparatively modest at 1.5%. We expect an increased risk of negative rental reversion in the office segment over the next one to two years, as management seeks to reduce vacancy levels.

That said, we currently forecast like-for-like rents for its office assets and occupancy levels for the overall portfolio to remain stable. AT's tenant base is broad and diversified across all segments, and the exposure to public-sector and large corporate tenants, representing 75% of office space in its office segment, support cash flow visibility and stability. The German government investment program could benefit the office segment in the long term, but it is less likely to have a positive effect over our forecast period.

AT has recently completed a successful hybrid issuance of €700 million, utilizing the proceeds to refinance its existing outstanding hybrid notes. The company executed the planned

replacement of approximately €700 million of hybrids and additionally repaid close to €510 million from available cash, consistent with our expectations (see "[Aroundtown's Proposed Subordinated Euro Hybrid Notes Rated 'BB+' With Intermediate Equity Content](#)," Oct. 23, 2025"). We understand that the company plans to replace the hybrid notes with notes with no equity content and notes with first call dates in 2026 with at least intermediate equity content.

Outlook

The stable outlook on AT reflects our expectation that the company will continue to generate stable and predictable income from its existing assets. Our base-case scenario assumes that AT will sustain stable operating performance, benefiting, in particular, from its residential portfolio. As a result, we forecast that AT will maintain a debt-to-debt-plus-equity ratio of approximately 50%-54%, a debt-to-EBITDA ratio in the range of 14.0x-15.0x, and EBITDA interest coverage between 2.1x and 2.2x over the next 12-24 months.

Downside scenario

We could downgrade AT if, on a prolonged basis:

- Debt to debt plus equity increased toward 60%;
- EBITDA interest coverage decreased toward 1.8x; or
- Debt to EBITDA deviated materially from our forecast.

Rating pressure would also stem from a deterioration in AT's operating environment, leading to a further increase in vacancy rates in its commercial property portfolio or a further devaluation of its asset base than we currently anticipate.

We could also take a negative rating action if unexpected events weaken creditworthiness, such that available cash is not used to lower leverage in favor of increased material corporate spending, such as acquisitions, and share buybacks/dividends, or if its liquidity position deteriorates.

Upside scenario

We could upgrade AT if, on a prolonged basis:

- Debt to debt plus equity improved to well below 50%;
- EBITDA interest coverage improved above 2.4x; and
- Debt to EBITDA moved toward 13.0x.

A continuing strong operating environment would also be supportive, with an improvement in occupancy levels--particularly the commercial portfolio--positive like-for-like rental income growth, and flat or positive portfolio value growth in its property portfolio.

Company Description

AT is one of the largest listed Germany-based commercial real estate companies. It focuses on investing in rental-income-generating properties, mainly in Germany. AT carries out its residential investments through its holding in GCP, which was 62% as of Sept. 30, 2025. The group mainly focuses on offices (38% of the portfolio's value on Sept. 30, 2025), residential (34%), hotel

properties (22%), and retail/logistics (6%). It also owns other assets that mostly comprise land banks and development assets, which are included in the aforementioned segments.

AT is incorporated in Luxembourg and listed in the Prime Standard on the Frankfurt Stock Exchange. As of Sept. 30, 2025, the largest shareholder was AT's founder Mr. Yakir Gabay, who held a 15% stake through Avisco Group PLC and Vergepoint Ltd. followed by Stumpf Capital GmbH with about 10%. The company owns 29% of its own shares (including 12% through TLG Immobilien AG) and the remaining 46% is free float. We note that Stumpf Capital GmbH, controlled by Austrian Georg Stumpf, has no board seat.

Our Base-Case Scenario

Assumptions

- Real GDP growth in Germany of 1.1% in 2026 and 1.6% in 2027. We forecast consumer price index (CPI) growth of 1.8% in 2026, and increasing to 2.1% in 2027.
- Real GDP in the U.K. of 1.4% in 2026 and 2027. We forecast CPI of 2.0%-2.5 in 2026-2027.
- Annual like-for-like revenue growth of about 2.0%-3.0% in 2025, moderating to 2.0%-2.5% in 2026-2027, factoring in benefits from the company's commercial indexation-linked rental contract, solid tenant demand for residential assets, and positive momentum in the hotel assets.
- Occupancy sustained near current levels of 92%-93% in the coming 12-24 months, with stabilization expected in occupancy levels in the commercial real estate segment.
- About 1.5% positive like-for-like portfolio revaluation in 2025, which was already reported for the first nine months of 2025, after which we assume flat portfolio valuations.
- Capital expenditure (capex) of about €500 million annually for the next two to three years as per the company's plan to increase capex to modernize the assets and convert some office assets into new-purpose assets such as residential or service-based apartments.
- Asset disposals of about €500 million in 2025, most of it closed and cashed in during the first nine months of 2025. No disposal assumed for the following years.
- Acquisitions of €400 million in 2025 and €600million-€700 million in 2026, as AT plans to acquire opportunistically on the expectation of stabilizing yields.
- Dividend distribution suspended in 2025. We assume the company may resume dividends in 2026.
- Replacement of hybrids that have their first call date in 2026 with an equivalent instrument that would be treated as being at least 50% equity with a coupon of 5%-6%.
- We project the average cost of debt will rise to 2.5%-2.6% over the next 12-18 months from 2.2% as of Sept. 30, 2025. This forecast increase is based on expected higher costs associated with new refinancing, which we estimate at about 4.0%-4.5% in 2026, and approximately 3.5%-4.0% in 2027.

Key metrics

Aroundtown S.A.—Key metrics

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2023a	2024a	2025e	2026f	2027f
Revenue	1,564	1,497	1,529	1,646	1,740
EBITDA	903	944	955	1,041	1,099
Interest expense	392	430	425	476	535
Capital expenditure (capex)	351	365	500	500	500
Dividends	60	52	88	330	337
Debt	14,619	13,581	13,752	14,712	15,721
Equity	12,059	12,491	13,068	13,203	13,319
Adjusted ratios					
EBITDA margin (%)	57.7	63.0	62.5	63.2	63.1
EBITDA interest coverage (x)	2.3	2.2	2.2	2.2	2.1
Debt/EBITDA (x)	16.2	14.4	14.4	14.1	14.3
Debt/debt and equity (%)	54.8	52.1	51.3	52.7	54.1

a--Actual. e--Estimate. f--Forecast.

Liquidity

We assess AT's liquidity as adequate because we forecast that the company's liquidity sources will exceed its uses by at least 1.2x over the next 12 months, as of Sept. 30 2025. The company still benefits from a sizable cash balance of above €2 billion and undrawn committed credit lines of over €900 million.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> • Unrestricted cash balance of about €2.7 billion; • Committed undrawn bank lines of €925 million, maturing in more than 12 months; • Our forecast of cash FFO of about €600 million; • Committed asset disposals after the reporting date of about €120 million; and • €1.2 billion in new debt issuance after the reporting date of Sept. 30, 2025. 	<ul style="list-style-type: none"> • Short-term debt maturities of about €1.9 billion, including annual amortization and an additional debt redemption of about €440 million after Sept. 30 2025; • Committed capex spending of about €200 million-€350 million for the next 12 months; • Buyback of perpetual notes of about €500 million-€560 million; and • Perpetual dividend payments of about €200 million - €210 million for the next 12 months.

Covenants

As of Sept. 30, 2025, AT is compliant with financial covenants in its debt documentation. We estimate headroom for the next 12-24 months will remain sufficient, with at least 15%-30%.

Environmental, Social, And Governance

ESG factors have an overall neutral influence on our credit rating analysis of AT. The company has embedded ESG into its strategy by increasing the green building certifications of its portfolio significantly over the last 12 months--about 73% of offices (versus 58% as of Sept. 30, 2024) and 60% in hotels (versus 12%) as of Sept. 30, 2025. AT constantly deploys capex to modernize its portfolio and maintain high environmental standards. 100% of the Dutch offices have been certified to Building Research Establishment Environmental Assessment Method standards. The company's energy investment program is installing infrastructure to reduce greenhouse gas emissions by its properties through the creation and storage of green energy (through photovoltaic cells; electric vehicles; combined heat and power; and combined cooling, heat, and power). AT's goal is to reduce its total carbon emissions by 40% by 2030 from the 2019 baseline.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Sept. 30, 2025, 70% of AT's assets (share by rental income) were unencumbered.

Analytical conclusions

As of Sept. 30, 2025, AT's ratio of secured debt to total assets was less than 10%, well below our 40% threshold for notching the issue rating. This is why we equalize the ratings on the senior unsecured debt with our 'BBB' issuer rating.

For the outstanding subordinated hybrids, we assign no equity content for instruments where the effective maturity is less than 20 years (making up about €0.3 billion following the tender results from October 2025) and intermediate equity content (50% equity; 50% debt) for all other hybrid instruments with an outstanding amount of about €3.7 billion. We notch down the issue rating by two notches to 'BB+' (one notch for subordination and one for optional deferability). We understand that the company sees a very low likelihood of deferring hybrid coupon payments at this stage. If the likelihood of coupon deferral increases, we will reassess our ratings on AT.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB/Stable/A-2
Local currency issuer credit rating	BBB/Stable/A-2
Business risk	Strong
Country risk	Very low risk
Industry risk	Low risk
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [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: National And Regional Scale Credit Ratings Methodology](#), June 8, 2023
- [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
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 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

- [Aroundtown's Proposed Subordinated Euro Hybrid Notes Rated 'BB+' With Intermediate Equity Content](#), Oct. 23, 2025
- [Aroundtown S.A. Downgraded To 'BBB' On Revised Disposal Expectations And Tight Credit Metrics; Outlook Stable](#), April 29, 2025
- [Aroundtown S.A.](#), Dec. 11, 2024

Ratings List

Ratings List

Ratings Affirmed

[Aroundtown S.A.](#)

Issuer Credit Rating	BBB/Stable/A-2
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Senior Unsecured	BBB
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[Aroundtown S.A.](#)

[Aroundtown Finance S.a r.l](#)

[AT Securities B.V.](#)

[ATF Netherlands B.V.](#)

Subordinated	BB+
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