

Research Update:

Citycon Downgraded To 'B+' On Takeover By G City; On Watch Negative

November 7, 2025

Rating Action Overview

- On Nov. 3, 2025, Israel-based global real estate company G City Ltd. announced that it acquired an additional 7.7% stake in Nordic shopping center owner Citycon Oyj, bringing its total stake to about 57%.
- This transaction triggers a mandatory purchase offer for all Citycon's minority shares and G City has secured related funding to potentially delist the company.
- As a result of the increased stake, we now treat Citycon as part of the group of the ultimate parent of G City, Norstar Holdings Inc., whose creditworthiness is much weaker than that of Citycon.
- Therefore, we lowered our long-term issuer credit rating on the company to 'B+' from 'BB', our issue rating on its senior unsecured notes to 'BB-' from 'BB+', and our issue rating on the hybrid notes to 'B-' from 'B'. We also revised down our stand-alone credit profile on Citycon to 'bb-' from 'bb'. We placed all issuer and issue ratings on Citycon on CreditWatch with negative implications.
- The CreditWatch placement reflects that we could lower the ratings upon a further increase in G City's stake with the ongoing tender offer, as it will likely deteriorate our view of Citycon's insulation from the rest of the group.

Rating Action Rationale

G City's opportunistic additional stake purchase has changed our view and established effective control over Citycon.

As of Nov. 3, G City owned about 57% of Citycon and we now consider Citycon as part of the group of its ultimate parent, Norstar. Before this additional share purchase, we did not consider G City to have effective control over Citycon, mostly due to its stake being under 50% (49.7% as of Aug. 30, 2025), Citycon's independent board, and some relatively supportive measures such as dividend suspension and equity raises (for more information, see "[Citycon Oyj Downgraded To](#)

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['BB' On Management & Governance; Outlook Stable](#)", Sept. 11, 2025). As we have said previously, an active increase of G City's stake in Citycon to more than 50% voting rights, or any indication of more active control from G City, would have negative credit implications. This sizable stake purchase indicates a shift in G City's control in our view, also triggering a mandatory purchase offer and a potential delisting of Citycon.

We now assess Citycon's management and governance as negative, from moderately negative previously, which has a two-notch impact on the company's stand-alone credit profile (from a one-notch impact previously). This reflects how G City's reinforced presence could influence Citycon's decision-making in terms of creditors' interests, even if it has not been the case so far.

We now consider Citycon a strategically important subsidiary of Norstar, although we think its insulation warrants up to two notches of uplift relative to our group credit profile on its parent.

The establishment of effective control triggers a group analysis including of G City and Norstar, both having a significantly lower creditworthiness than Citycon. Citycon forms a sizable portion of the group's asset base (about 40% on a fully consolidated basis) and is likely to remain an important part of the group's long-term strategy, but we do not expect a strong likelihood of support from Norstar to Citycon because we think opportunistic arbitrages cannot be ruled out. However, we treat Citycon as an insulated subsidiary of the group because we view its funding and operating performance as independent from the group. Citycon maintains its own reporting; it does not commingle funds, assets or cash flows; and the group can rely on other operations to service its debt and there are no expected cross-default with other entities of the group. These elements warrant up to one notch of uplift from our group credit profile assessment. In addition, we think there are minority shareholders at Norstar with significant holdings and a quite independent board at Citycon to prevent a potential further deterioration of its creditworthiness. These additional elements warrant an additional notch of uplift from our group credit profile assessment. Still, should the ongoing takeover offer result in an increase in G City's stake, it could have additional negative implications for our view of Citycon's insulation and therefore the ratings.

We lowered the issue ratings on the senior unsecured bonds two notches, in line with the ICR, but lowered the hybrid instrument rating only one notch, to 'B-'. The recovery prospects for senior unsecured bonds remain substantial, and our '2' recovery rating (which is unchanged) leads to a one-notch uplift from the ICR. The hybrid instrument ratings reflect the application of our criteria and our assessment of a moderate link between Citycon and G City. We think that additional loss-absorbing capacity is limited. Therefore, we apply a three-notch adjustment to the hybrid instrument ratings from the company's stand-alone credit profile of 'bb-', including two notches for subordination and one notch for optional deferability, in line with our criteria. Should our view on the parent-subsidiary link change, we could apply our notching of the hybrid instruments from the issuer credit rating instead of the stand-alone credit profile. We maintained our intermediate equity content on the instruments until 2030, 2031, and 2034 respectively, when the residual time until the effective maturity falls to 15 years.

We understand that the transaction does not trigger any change of control covenant clause at this stage, but we will monitor closely the liquidity headroom and the availability of credit lines over the next 12 months. We understand there is no change of control triggered for the company's existing bonds and hybrids because the main shareholder remains G City. We will monitor Citycon's liquidity position over the next 12 months, particularly the availability of the revolving credit line, in the context of G City's potential increase in shareholding. This is because

the facility is paramount in maintaining an appropriate liquidity buffer at Citycon level, especially as €150 million will come due in September 2026 and a further €142 million in February 2027.

We expect Citycon to continue performing in line with our forecast following a resilient first nine months of the year. The company has performed broadly in line with our base-case scenario for the year, with sound like-for-like net rental growth of 5.7% in the first nine months, stable retail occupancy of 95.2%, positive footfall and tenant sales evolution, and even slightly positive valuation change (+1.1% based on external valuations). We have revised our valuation assumptions to flat over our forecast period against negative 2.5% previously. The company hasn't announced any disposals so far in 2025, but about €61 million was reported as assets held for sale, which we have integrated in our base-case for 2025. For 2026, we forecast €100 million of disposals. We now expect a debt-to-debt-plus-equity ratio of 54%-56% over our forecast period, from 56.7% at end-June 2025, while our debt to EBITDA should be sustainably below 11x, from 11.1x at end-June.

CreditWatch

The CreditWatch placement reflects the likelihood that we could lower our rating on Citycon by at least one notch should G City's public purchase offering result in an increase in its current stake. A change in Citycon's board of directors, leading us to question its independence, or movements in cash flows, assets, or funding within the group could also prompt us to lower our ratings. In these cases, we could revise our insulation assessment by at least one notch.

Company Description

Citycon is the owner, developer, and manager of urban grocery store-anchored shopping centers in the Nordic and Baltic regions. It managed assets worth approximately €3.8 billion as of end-September 2025. It has a well-diversified portfolio with 28 shopping centers in five countries. Citycon is among the leading shopping center owners in Finland and among the market leaders in Sweden, Estonia, and Norway.

The majority shareholder, G City, and its wholly owned subsidiary Gazit Europe Netherlands B.V. together held an approximately 57% stake in the company as of Nov. 3, 2025, and have made an offer to purchase all remaining minority shares.

Our Base-Case Scenario

Assumptions

- Consumer price index in 2025 of 1.3% in Finland, 2.0% in Sweden, and 2.4% in Norway, normalizing to 1.6%, 1.9%, and 2.1%, respectively, in 2026. GDP growth in 2025 of 1.6% in Finland, 2.0% in Sweden, 1.7% in Norway; and 1.3%, 1.9%, and 1.6%, respectively, in 2026.
- Like-for-like net rental income growth of about 3% in 2025, mainly related to indexation and moderate positive reversion, and 2% in 2026 to account for the high portion of indexed leases in Citycon's portfolio.
- Occupancy to remain at 95% at end-2025, compared with 95.2% in September.
- Stable portfolio revaluation over our forecast period.
- Stable EBITDA margin of 86%-87% over 2026-2027.

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- Annual capital expenditure (capex) of €20 million-€25 million, mostly for maintenance purposes, following the company's pledge to reduce spending.
- Disposals of €61 million in 2025 and €100 million in 2026, with slightly lower cash proceeds than book values in both years to account for negotiation margins and potential deferred tax components.
- No dividend distribution in 2025, reflecting management's announcement, and €50 million per year as per our assumptions, excluding the hybrid coupons (€30 million-€35 million per year), from 2026, a 40% reduction from previous years.

Key metrics

Citycon Oyj--Forecast summary

	--Fiscal year ended Dec. 31--						
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	202	204	196	215	214	215	217
EBITDA	179	181	169	186	185	186	188
Funds from operations (FFO)	99	101	105	102	72	73	60
EBIT	177	157	137	195	186	186	188
Interest expense	67	67	63	92	91	93	106
Cash flow from operations (CFO)	107	80	111	111	74	74	61
Capital expenditure (capex)	209	165	94	49	25	20	20
Free operating cash flow (FOCF)	(101)	(85)	17	62	50	54	41
Dividends	97	97	98	86	0	55	56
Debt	2,207	2,132	2,164	2,099	1,994	1,906	1,924
Equity	2,115	1,924	1,669	1,538	1,597	1,594	1,600
Adjusted ratios							
Debt/EBITDA (x)	12.3	11.8	12.8	11.3	10.8	10.3	10.2
EBITDA interest coverage (x)	2.7	2.7	2.7	2.0	2.0	2.0	1.8
Annual revenue growth (%)	(1.5)	0.6	(3.9)	9.7	(0.5)	0.6	1.2
EBITDA margin (%)	88.6	88.7	86.5	86.7	86.5	86.5	86.5
EBITDA/cash interest (x)	2.3	2.4	2.5	2.3	2.0	2.0	1.8
Debt/debt and equity (%)	51.1	52.6	56.5	57.7	55.5	54.5	54.6

Liquidity

We anticipate Citycon's liquidity sources will cover liquidity uses by more than 1.2x over the 12 months from Oct. 1, 2025.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> • Available cash of €64 million as of Sept. 30, 2025, excluding €6 million of restricted cash; 	<ul style="list-style-type: none"> • Short-term debt repayments of about €183 million; • Committed maintenance capex of €21 million over the next 12 months; and

- Newly signed, upsized, and extended revolving facility totalling €250 million and maturing after 12 months; and
- Funds from operations of €89 million.
- An expected dividend of €50 million as per our assumptions.

Covenants

Citycon had adequate headroom under all its covenants as of Sept. 30, 2025, with a reported interest-coverage ratio of 2.4x for a covenant greater than 1.8x; net debt to total assets of 0.44x, below the covenant of less than 0.6x; a solvency ratio of 0.44x, below the covenant of less than 0.65x; and a secured solvency ratio of 0.02x, below the covenant of less than 0.25x.

Environmental, Social, And Governance

We view the company's management and governance as negative, due to the increased turnover in the company in the past 18 months, with four CEOs (one of which was interim), 2 CFO changes after the return to the previous long-term CFO, and the departure of other high executives in leasing, development, and investment. The two Citycon key executives (CEO and CFO) are former G City management team members. We factor this, on top of the ownership change, into the rating, with a two-notch downward adjustment to our management and governance assessment, given the impact on the company's credit standing. Citycon's majority shareholder, G City, had an about 57% stake in the company as of Nov. 3, 2025, making an offer for the rest of the minority shares. We consider G City and the ultimate owner, Norstar, have a much weaker credit profile than Citycon.

Issue Ratings--Recovery Analysis

Key analytical factors

- The issue rating on Citycon's senior unsecured notes with a combined nominal value of €1.7 billion is 'BB-', one notch above the issuer credit rating of 'B+'.
- The bondholders benefit from a valuation asset base, consisting exclusively of stabilized income-producing investment properties with sound operating performance.
- We limit our recovery expectations to 85%, resulting in a recovery rating of '2', in line with our criteria. This is supported by the comfortable headroom in asset valuation despite a 60% realization rate and a sound granularity in assets in attractive locations. This is despite the €92 million of secured debt outstanding that doesn't materially affect the unsecured debt's recovery prospects.
- In our hypothetical default scenario assumed for 2029, we envisage a severe economic downturn in Europe, resulting in exacerbated competitive pressures.
- We value the group as a going concern. We use a discrete asset value approach to take into consideration the stressed value of Citycon's yielding properties. Recovery prospects for the proposed senior unsecured notes are sensitive to a change in the amount of senior secured debt or any other priority debt outstanding at default.
- The bond documentation includes a maximum consolidated leverage ratio.

Simulated default assumptions

- Year of default: 2029
- Jurisdiction: Finland

Simplified waterfall

- Gross enterprise value (EV) at emergence: €2.31 billion
- Net EV at emergence after 5% administrative costs: €2.19 billion
- Estimated priority debt (credit lines, mortgages, and other secured debt): €312 million
- Net EV available to senior unsecured bondholders: €1.88 billion
- Senior unsecured debt claims: €1.77 billion
- --Recovery expectations: 70%-90% (rounded estimate: 85%)
- --Recovery rating: 2

All debt amounts include six months of prepetition interest and assume 85% of the RCF and credit lines are drawn at default (Citycon's RCF was €250 million as of Nov. 5, 2025).

Environmental, social, and governance (ESG) credit factors for this change in credit rating/outlook and/or CreditWatch status:

- Other governance factors.

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: 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: Recovery Rating Criteria For Speculative-Grade Corporate Issuers](#), Dec. 7, 2016
- [Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments](#), Jan. 20, 2016
- [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

- [Research Update: Citycon Oyj Downgraded To 'BB+' On Still Tight Credit Metrics; Outlook Stable](#), March 11, 2025
- [General Criteria, Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [Industry Credit Outlook 2025: Real Estate](#), Jan. 14, 2025
- [Citycon Oyj's Recent €350 Million Issuance Lengthens Its Weighted Average Maturity](#), Dec. 5, 2024
- [Bulletin: Citycon Makes Progress On Disposals Amid Management Changes And Sound Operating Performance](#), Nov. 19, 2024
- [Industry Credit Outlook Update Europe: Real Estate \(REITs\)](#), July 18, 2024
- [Citycon's Proposed Hybrid Note Under Exchange Offer Assigned 'BB' Rating](#), May 28, 2024

Ratings List

Ratings List

Downgraded; CreditWatch Action		
	To	From
Citycon Oyj		
Issuer Credit Rating	B+/Watch Neg/B	BB/Stable/B
Subordinated	B-/Watch Neg	B
Junior Subordinated	B-/Watch Neg	B
Downgraded; CreditWatch Action; Recovery Ratings Unchanged		
	To	From
Citycon Treasury B.V.		
Senior Unsecured	BB-/Watch Neg	BB+
Recovery Rating	2(85%)	2(85%)

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