Research Update:

NEPI Rockcastle Upgraded to 'BBB+' On Sustained Lower Leverage Amid Growth Strategy; Outlook Stable

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Rating Action Overview

- Retail landlord NEPI Rockcastle (NEPI) has sustained solid credit metrics while expanding its real estate portfolio. The company's prudent financial policy is reflected in a loan-to-value (LTV) ratio below 35.0% (32.4% as of March 31, 2026), which corresponds to an S&P Global Ratings-adjusted debt-to-capital ratio of 37%-38%.
- We anticipate NEPI will continue expanding its portfolio across core markets, mostly through capital expenditure (capex), while maintaining financial discipline, leading to an adjusted debt-to-capital ratio of 36%-38%, an interest coverage ratio of 4.3x-4.5x, and debt-to-EBITDA levels of 5.0x-5.5x over the next 12-24 months.
- We expect NEPI's solid operating performance to continue over the next 12-24 months, underpinned by indexation, positive rent reversion, and sustained high occupancy rates above 98%.
- We therefore raised our ratings on NEPI and its senior unsecured debt to 'BBB+' from 'BBB'.
- The stable outlook reflects our expectation that NEPI will maintain its market-leading position in Central and Eastern Europe (CEE) and successfully implement its planned regional expansion while maintaining a conservative capital structure.

Rating Action Rationale

NEPI's prudent financial policy and disciplined financial management have enabled it to maintain low leverage while supporting a sizable growth trajectory. This growth is driven by both acquisitions and developments, supported by consistently resilient operating performance. A notable example occurred in 2024, when the company completed two significant retail portfolio acquisitions in Wroclaw and Katowice, Poland, for €353 million and €407 million, respectively, increasing NEPI's exposure in in the country to 34% from 26%. Collectively, these transactions represented more than 10% of the total gross asset value (GAV). These acquisitions were partially funded via a €300 million equity increase and a scrip dividend. This funding strategy provided financial flexibility to pursue the company's growth plan while maintaining flexibility under the current rating thresholds. Over the past few years, NEPI has also expanded its portfolio by implementing its development projects pipeline, which totaled €845 million as of Dec. 31, 2025, representing approximately 10% of GAV. We understand the company limits development on a pre-let basis, partially derisking the pipeline and the leverage impact of such investments. A key driver of development capex is the €290 million extension of the flagship Promenada shopping center in Bucharest, Romania, slated for completion in 2027, which will add approximately 55,000 square meters of gross leasable area. Consequently, we forecast a significant rise in annual capex to €220 million-€230 million in 2026 and €390 million-€420 million in 2027 (up from €190 million in 2025). Accordingly, we now project the adjusted debt-to-debt-plus-equity ratio to reach 36%-37% over 2026-2027, compared to 35.8% as of Dec. 31, 2025. In our base case we assume dividend distributions of €390 million-€400 million alongside small positive fair value adjustments in 2026 and largely flat thereafter. We recognize NEPI maintains flexibility regarding shareholder remuneration to ensure continued adherence to its financial policy, which targets a long-term net reported LTV below 35% (32.4% as of March 31, 2026) corresponding to adjusted debt to debt plus equity of about 36%-38% (35.8% as of Dec. 31, 2025).

We expect adjusted credit metrics to remain commensurate with the 'BBB+' rating over the next 12-24 months. We forecast adjusted EBITDA interest coverage to compress to 4.3x-4.5x (from 5.1x in 2025). This decline is primarily driven by recent refinancing activities at higher interest rates; specifically, the €500 million senior unsecured bond issued in late 2025 with a 3.875% coupon, alongside approximately €300 million in new facilities signed in the first quarter of 2026 we expect the average cost of debt to increase to 3.9%-4.1% over the next 12-24 months from 3.8% at year-end 2025. Despite our assumption that absolute interest expense will increase, we expect interest coverage to remain comfortably above our 3.8x downside threshold. We think the impact of higher refinancing rates will be mitigated by NEPI's hedged capital structure--with only 13% of outstanding debt exposed to variable rates--as well as robust EBITDA generation and contributions from completed development projects. Furthermore, we expect NEPI's net debt-to-EBITDA ratio to remain broadly stable at about 5.0x, and think contributions from completed developments and sustained cash flow generation will mitigate the impact of increased debt. Overall, we expect NEPI's credit metrics to remain consistent with our requirements for a 'BBB+' rating.

We anticipate operating fundamentals for NEPI's properties will remain broadly stable over the next 12-24 months, underpinned by inflation-linked rental contracts, high occupancy rates, and solid regional demand for retail space. In the first quarter of 2026, NEPI reported 3.2% like-for-like growth in net rental income (compared to 4.4% in 2025), driven by a combination of indexation and positive rent reversion. Concurrently, the average European Public Real Estate Association (EPRA) vacancy rate for the company's retail portfolio--which represents 99% of its total assets--remained low at 1.7%, consistent with the 1%-2% observed over recent years. In our view, this operational stability underscores both the high quality of NEPI's asset base and its leading position within the CEE market. We expect this momentum to persist, supported by sustained like-for-like rental growth and consistently low vacancies. We anticipate continual solid demand for high-quality retail space in CEE over the next 12-24 months despite challenging macroeconomic conditions and political instability.

While we acknowledge that demographic trends in CEE present structural challenges compared to Western Europe, we believe this is partially mitigated by a lower level of retail space per capita. This relative undersupply of modern retail spaces continues to support the performance of high-quality shopping centers in the region, in our view.

NEPI's upcoming debt maturities are supported by a solid cash balance and an adequate undrawn credit facility maturing beyond 12 months. NEPI maintains a robust liquidity position. As of March 31, 2026, the company held €565 million in cash on the balance sheet and €740 million in available credit lines maturing beyond 12 months. NEPI’s average debt tenor stands at 4.2 years, with key near- and medium-term maturities including a €250 million senior unsecured bond (1.875% coupon) due in October 2026 and a €250 million senior unsecured bond (3.375% coupon) due in July 2027. We believe the company is well-positioned to manage these maturities in a timely manner, as evidenced by its €500 million bond issuance in late 2025 and the new facilities secured in the first quarter of 2026. With total liquidity--comprising cash and undrawn committed revolving credit facilities (RCFs)--approaching €1.3 billion, we expect NEPI to comfortably meet its near-term debt maturities of €266 million and to fund its approximately €500 million project pipeline over the next 12 months.

Outlook

The stable outlook on NEPI reflects our expectation of solid operating performance over the next 12-24 months. We anticipate continued positive like-for-like net rental income growth, supported by sustained high occupancy rates of about 98%. Furthermore, we expect NEPI to maintain an adjusted debt-to-capital ratio of approximately 36%-37%, with debt to EBITDA and EBITDA interest coverage remaining at about 5.0x and above 4.0x, respectively.

Downside scenario

We could lower the rating if NEPI’s financial profile weakens on a sustained basis, such as:

- A sustained increase in the adjusted debt-to-debt plus equity ratio toward 40%;
- EBITDA interest coverage falling below 3.8x; or
- Annualized debt to EBITDA deviating significantly from approximately 5.0x.

Additionally, rating pressure could arise from debt-funded acquisitions or capital expenditures that erode credit metrics, particularly if NEPI fails to meet its publicly stated financial policy target of maintaining a reported LTV below 35%.

Upside scenario

While an upgrade remains a remote possibility, it would likely require NEPI to markedly expand its portfolio's scale and scope to achieve greater alignment with peers in higher rating categories, all while maintaining a prudent financial policy. Such an expansion would also result in stronger portfolio diversification in pan-European markets and regions, with favorable supply and demand trends and solid demographic prospects.

We could also consider an upgrade if NEPI improves its credit Metrics to meet the following thresholds while tightening its financial policy:

- An adjusted debt-to-capital ratio below 25%;
- Adjusted debt to EBITDA below 4.5x; and
- EBITDA interest coverage above 4.5x.

Company Description

NEPI Rockcastle N.V. is a property company owning shopping centers in the CEE region. The company's property portfolio was valued at €8.2 billion at the end of March 2026, with a strong focus on retail (99% of the portfolio value) and minimal exposure to office and industrial assets (1% combined). It operates across eight CEE countries, primarily in the Romanian and Polish markets (each representing 35% of the total portfolio value), followed by Bulgaria (8%), Hungary (7%), Slovakia (7%), Croatia (4%), the Czech Republic (2%), and Lithuania (2%).

The company's major shareholders are Public Investment Corporation (14.59%), Fortress Real Estate Investment Limited (14.38%), State Street Bank and Trust Company (6.5%), and JP Morgan (6.14%). NEPI is listed on the Johannesburg Stock Exchange, Euronext Amsterdam, and A2X.

Our Base-Case Scenario

Assumptions

- We expect real GDP growth in Romania of 2.6% in 2026 and 2.5% in 2027; and in Poland about 3.3% in 2026 and 2.9% in 2027. We expect consumer price inflation growth in Romania of about 4.1% in 2026 and 3.8% in 2027; and in Poland 3.6% in 2026 and 2.8% in 2027.
- Like-for-like net rental income growth of 2%-3% annually in 2026 and 2027 to benefit from the indexed fixed leases as well as further asset management initiatives, falling to 1.5%-2.0% thereafter since we expect inflation to remain low over our forecasted period.
- A sustained high occupancy rate of 98% over the forecast horizon given the company's ability to maintain low vacancies, with NEPI being a dominant player in the CEE region.
- The adjusted EBITDA margin to remain broadly stable in upcoming years at 91%-92%, in line with average historical levels and company expectations.
- We assume slight positive revaluations of 1% in the retail portfolio in 2026 on the back of largely stable yields (6.98% as of year-end 2025) and mostly generated from cash flow growth, with broadly flat revaluations thereafter.
- Development capex of €150 million-€160 million in 2026, €340 million-€350 million in 2027, and €100 million-€120 million annually thereafter, in line with management guidance and the company’s development pipeline. Maintenance capex of €80 million-€85 million annually.
- We anticipate limited asset rotation over the forecast period.
- Dividends in line with management's guidance. The company is currently not registered as a real estate investment trust and maintains a payout ratio of about 90%. We project dividends of about €397 million for fiscal year 2026 and about €420 million for fiscal 2027.
- We incorporate a share buyback of about €27.7 million in 2026 in our base case, in line with the management’s plans (already completed in the first quarter of 2026).
- Average cost of debt to increase slightly to 3.9%-4.1% in 2026 and 2027 from 3.8% in 2025, as upcoming maturities are refinanced at about 4.0%-5.0% in 2026 and 2027.

Key metrics

NEPI Rockcastle N.V.--Forecast summary

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
(Mil. EUR)	2024a	2025a	2026e	2027f	2028f	2029f

NEPI Rockcastle N.V.--Forecast summary

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
Revenue	575	636	659	696	736	751
EBITDA	526	584	603	641	679	693
Funds from operations (FFO)	389	451	434	454	491	481
Interest expense	109	115	138	146	147	152
Cash flow from operations (CFO)	425	446	437	458	495	485
Capital expenditure (capex)	137	192	221	419	110	96
Dividends	277	391	397	420	438	400
Debt	2,602	2,792	2,994	3,207	3,265	3,276
Equity	4,908	5,006	5,111	5,322	5,465	5,552
Cash and short-term investments (reported)	448	314	399	392	490	471
Adjusted ratios						
EBITDA margin (%)	91.4	91.8	91.0-92.0	92.0-92.5	92.0-92.5	92.0-92.5
Debt/EBITDA (x)	4.9	4.8	4.9-5.0	4.9-5.1	4.7-4.9	4.6-4.8
EBITDA interest coverage (x)	4.8	5.1	4.3-4.5	4.3-4,5	4.5-4.7	4.5-4.7
Debt/debt and equity (%)	34.6	35.8	36.5-37.5	37.0-38.0	36.5-37.5	36.5-37.5

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Liquidity

We assess NEPI's liquidity as adequate. We anticipate that liquidity sources will likely cover uses by more than 2.4x in the 12 months from April 1, 2026. Although quantitatively, liquidity could qualify for a higher assessment, we do not consider NEPI to meet enough qualitative factors for a better assessment.

Principal liquidity sources	Principal liquidity uses
• Available unrestricted cash and cash equivalent of €564.7 million; • A €740 million RCF maturing beyond 12 months; and • Expected cash funds from operations of €450 million-€460 million.	• Contractual debt amortization payments of €266 million including the €250 million bond maturing in July 2026; • Expected committed maintenance and committed capex of €275 million-€285 million for the next 12 months including project development and maintenance capex; and • A dividend payout of about €400million in line with management's expectations.

Covenants

Compliance expectations

We understand NEPI has some covenants for its existing unsecured bond. We estimate that the flexibility under these covenants will be adequate at 15%-30% over the next 12 months.

Requirements

NEPI's main bond covenants are:

- The solvency ratio should not exceed 60% (39% as of March 31, 2026);
- A consolidated coverage ratio (adjusted EBITDA interest coverage) of at least 2.0x (4.99x as of March 31, 2026); and
- A minimum unencumbered consolidated total assets to unsecured consolidated total debt of 150% (263% as of March 31, 2026).

Environmental, Social, And Governance

We view NEPI's exposure to environmental, social, and governance (ESG) factors as broadly in line with peers in the industry. As of Dec. 31, 2025, the company's entire portfolio (excluding retail parks and industrial properties, for which the group does not currently pursue such certifications) is BREEAM certified, with 95% rated very good or excellent. More than 90% of the properties are accessible by public transport and some shopping centers offer facilities for bikes and charging points for electric cars. NEPI issued €500 million unsecured green bonds in September 2025, bringing the total bonds issued under the green finance framework to €2 billion, and all RCFs are now linked to ESG performance. Between 2022 and 2024, as part of its renewable energy program, the company completed the first phase by installing photovoltaic systems at 27 properties in Romania and one in Lithuania. The second phase of the program is currently in progress, with plans to install an additional 22 systems on properties across six countries outside Romania. In addition, the company is developing greenfield photovoltaic plants in Romania with significantly more capacity, minimizing the carbon footprint, further showing its dedication to increasing its sustainability framework.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Dec. 31, 2025, NEPI's capital structure comprised interest-bearing debt of €3.01 billion including a €2.0 billion senior unsecured bond and €998.4 million in secured and unsecured bank loans.

Analytical conclusions

We rate the company's senior unsecured bond 'BBB+', in line with the issuer credit rating. This is because we do not see significant subordination risk in the company's capital structure, with secured debt representing about 5% of total assets, well below our 40% threshold for which we would typically notch the debt rating down from the issuer credit rating.

NEPI Rockcastle N.V.--Rating component scores

Component

Foreign currency issuer credit rating	BBB+/Stable/--
Local currency issuer credit rating	BBB+/Stable/--
Business risk	Satisfactory

NEPI Rockcastle N.V.--Rating component scores

Component	
Country risk	Moderately high risk
Industry risk	Low risk
Competitive position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
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
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- 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 2026: Real Estate, Jan. 14, 2026
- NEPI Rockcastle , July 10, 2025Outlook Revised To Positive On Sustained Credit Metrics And Solid Performance; Affirmed At 'BBB', July 10, 2025

Ratings List

Ratings List		
Upgraded; Outlook Action		
	To	**From**
NEPI Rockcastle N.V.		
Issuer Credit Rating	BBB+/Stable/--	BBB/Positive/--
Upgraded		
	To	**From**
NE Property B.V.		
Senior Unsecured	BBB+	BBB