FitchRatings

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Fitch Places Peach Property's 'CCC+' IDR on Rating Watch Positive

Fitch Ratings - Frankfurt am Main - 15 Aug 2025: Fitch Ratings has placed Peach Property Group AG's Long-Term Issuer Default Rating (IDR) of 'CCC+' on Rating Watch Positive (RWP) and affirmed its senior unsecured rating at 'B'. The Recovery Rating remains at 'RR2'. A full list of ratings is below.

The RWP follows the announcement that Peach has signed a EUR440 million secured financing from Castlelake L.P. Fitch expects Peach to use the new financing, alongside existing liquidity, to repay its outstanding EUR173 million unsecured bond maturing in November 2025. This will likely result in an upgrade of Peach's IDR by more than one notch, to within the 'B' rating category, limited by tight EBITDA interest coverage rather than refinance risk, which had previously been the main constraint.

Key Rating Drivers

Castlelake Secured Debt: On 14 August 2025, Peach announced the signing of a three-year secured funding with Castlelake for EUR410 million, with two one-year extension options, and a EUR30 million credit line for capex. Of the EUR410 million, Peach intends to allocate EUR310 million to repaying secured debt and EUR100 million to repaying its outstanding EUR173 million senior unsecured bond.

Fitch understands from management that this funding pools some existing secured financings, with some being prepaid and others being re-leveraged at higher loan-to-value than the current sub-optimal level of around 40%. This re-leveraging of existing encumbered assets does not affect Peach's EUR190 million of unencumbered assets as at end-July 2025.

Tight Interest Coverage: Fitch expects the average cost of debt to be about 4.4% in 2025, including deferred hybrid bond interest, as legacy low-coupon debt expires or is refinanced early. This will reduce interest cover further from 1.3x in 2024, before recovering to this level during 2026-2027, supported by rental growth from rental indexation, capex initiatives and stabilising policy rates.

Improving Leverage: Fitch expects Peach's net debt/EBITDA to improve below 18x in 2026, supported by debt reduction from recent equity injections and like-for-like rental growth of about 4% a year, improving EBITDA. Fitch expects the LTV to settle at around 50% at end-2025, as German residential asset values stabilise, and potentially to reduce further towards the company's 45% target through disposal of non-strategic assets.

Addressing Portfolio Challenges: In 2024, Peach reinstated its capex programme to address portfolio vacancies (6.6% at end-2024) with plans to maintain capex at around EUR40 million a year, after having previously cut it to EUR13 million. The EUR30 million capex funding portion from Castlelake will provide the necessary liquidity, alongside ongoing disposals of non-strategic assets. Fitch expects around 60% of capex to be value accretive, through increasing rental income, with the rest allocated to maintenance-related capex.

Peer Analysis

Peach's portfolio, totalling EUR1.9 billion at end-2024, is materially smaller than Fitch-rated German residential-for-rent Vonovia SE's (BBB+/Stable) EUR78.3 billion and Heimstaden Bostad AB's (BBB-/Stable) EUR29 billion. Peach's portfolio is more comparable to D.V.I. Deutsche Vermogens- und Immobilienverwaltungs GmbH's (DVI, BBB-/Stable), which is all in Germany and valued at EUR2.3 billion (excluding commercial buildings) at end-2024.

Peach's portfolio average in-place rent was EUR6.4 per sqm a month at end-2024, indicating lower-quality assets and locations than Vonovia's German portfolio, which averages EUR8 per sqm in rent, and DVI's Berlin-weighted portfolio rent of EUR8.9 per sqm. The difference in the portfolios' qualities is also reflected in their respective vacancy rates: Peach's at a reported 7.4%, DVI's at above 1.6% and Vonovia's 1.5% at end-2024.

Peach's interest cover of 1.3x at end-2024, is lower than Heimstaden Bostad's 1.4x which is due to improve thereafter. We forecast the interest cover for both DVI and Vonovia to remain at or above 2.3x over the next three years. Peach's end-2024 remaining average debt maturity was low at 2.9 years, compared with Vonovia's 6.9 years, and at or above eight years for Heimstaden Bostad and DVI.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

-- Rent loss from the 5,200 units disposal in 2024 translating into a EUR23 million reduction in rental income that will be fully reflected in 2025

-- Capex at EUR40 million a year during 2025-2029 (2024: EUR36 million), partially funded by equivalent disposals from the non-strategic portfolio

-- Annual rental growth of about 4%, comprising 1.5% for phased indexation/re-lettings and 2.5% for re-letting of units that have been refurbished

-- Other operating costs to normalise to EUR10 million a year until 2028, after EUR14 million in 2024, which was inflated by one-offs related to the portfolio disposal and costs from changes in management

-- Interest costs on newly issued euro-denominated variable-rate debt based on Fitch's Global Economic Outlook policy rate assumptions (2025 and thereafter: 1.75%)

-- Hybrid bond interest not deferred and paid at 9.25% margin plus policy rate

-- Completion of Peach's Swiss residential-for-sale development in 2026, resulting in a working-capital inflow of EUR30 million

Recovery Analysis

Our recovery analysis assumes that Peach would be liquidated rather than restructured as a going concern in a default.

Recoveries are based on the EUR344 million unencumbered investment property portfolio, using the end-2024 independent valuation, and updated for the EUR120 million secured facility announced on 16 June (which raised EUR90 million new cash proceeds).

Fitch applies a standard 20% discount to the EUR190 million portfolio it estimates remains unencumbered after the 16 June transaction. After deducting a standard 10% for administrative claims, this generates an estimated liquidation value of EUR137 million compared with debt of EUR134 million including EUR90 million debt reduction from the June secured facility. Fitch's principal waterfall analysis generates a high ranked recovery for the EUR173 million unsecured bond but under Fitch's Recovery Rating Criteria, the unsecured bond's Recovery Rating is capped at 'RR2'.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A material likelihood of a debt restructuring on terms that would constitute a distressed debt exchange

- Senior unsecured rating: reductions in the unencumbered property portfolio relative to unsecured debt, adversely affecting recovery estimates

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Use of procured funding to repay the November 2025 outstanding bond and refinancing of the December 2025 secured debt maturities

- Twelve-month liquidity score above 1.0x, combined with a sustainable capital structure with limited funding risks

Liquidity and Debt Structure

We expect the EUR410 million additional secured financing (of which EUR100 million is free cash flow), coupled with the equity increase of EUR50 million completed in July 2025, to repay the EUR173 million unsecured bond November in 2025 and its EUR51 million convertible bond due in May 2026. The Castlelake EUR30 million capex funding will be invested in the portfolio.

We do not expect net proceeds from more disposals of non-strategic assets (an identified EUR475 million at end-2024) to provide short-term liquidity, given management's preference against further portfolio disposals. Peach does not have a revolving credit facility. We do not expect further funding requirements for 2025, given that the company's remaining secured bank debt maturing in December is likely to be rolled over.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Peach Property Group AG	LT IDR	CCC+ ⬘	Rating Watch On		CCC+
• senior unsecured	LT	B ⬘	Rating Watch On	RR2	B
Peach Property Finance GmbH					
• senior unsecured	LT	B ⬘	Rating Watch On	RR2	B

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	⬘
NEGATIVE	⊖	⬙
EVOLVING	◎	◆
STABLE	○	

Applicable Criteria

Corporate Rating Criteria (pub.27 Jun 2025) (including rating assumption sensitivity)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub.02 Aug 2024) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.27 Jun 2025)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Peach Property Finance GmbH	EU Issued, UK Endorsed
Peach Property Group AG	EU Issued, UK Endorsed

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