FitchRatings

RATING ACTION COMMENTARY

Fitch Upgrades Peach Property to 'B'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 07 Nov 2025: Fitch Ratings has upgraded Peach Property Group AG's Long-Term Issuer Default Rating (IDR) to 'B', from 'CCC+', and senior unsecured rating to 'BB-' from 'B'. Fitch has removed the IDR from Rating Watch Positive and assigned a Stable Outlook. The Recovery Rating remains at 'RR2'.

The upgrades reflect the successful prepayment of the remaining EUR100 million of Peach's EUR300 million unsecured bond due November 2025. Peach has progressively repaid the bond over the past 11 months, using shareholder support, new debt secured against portfolio assets, and end-2024's disposal proceeds.

The ratings reflect remaining execution risk on capex to improve the company's residential-for-rent portfolio and reduce vacancies, and medium-term challenges in refinancing its Castlelake secured loan.

KEY RATING DRIVERS

Current Refinancing Challenges Solved: Peach's prepayment of the remaining EUR100 million senior unsecured bond completes most of its secured and unsecured refinancings in 2024 and 2025. An unsecured CHF50 million convertible bond remains outstanding and is due May 2026, with cash set aside for repayment. All other secured debt has maturities beyond 2027.

Focus on Operating Improvements: Peach's new management can now re-focus on operational improvements, having raised cash to improve the company's EUR1.9 billion regulated residential-for-rent assets, mainly in Germany. Peach acquired most of its portfolio during 2019-2021 through successive acquisitions but it did not dedicate resources to address inherited vacancies. Peach had identified a strategic portfolio accounting for 79% of assets by value as at 1H25, with the rest in a non-strategic portfolio. The strategic assets are refocused on North Rhine-Westphalia, supporting targeted capex and lower overhead costs.

Turnaround Drivers: The company's part-disposal of its portfolio in 4Q24 marked a turning point in refinancing difficulties. Equity injections totalling EUR185 million during 2024-2025 demonstrated ongoing shareholder support for new management, in charge since March 2024, and its turnaround plan. Extending and refinancing 2025 secured debt, alongside the EUR410 million Castlelake secured funding signed in August 2025, provided financial resources to improve the underlying portfolio.

Robust Rental Fundamentals: Fitch expects Peach's like-for-like rents to grow around 4% in 2025 through indexation and re-letting, increasing the portfolio's rents closer to relevant market rents that are about 10% higher. Peach's portfolio needs capex to address vacancies, but the company has stated that about half of the strategic portfolio's vacant 1H25 units can be re-let without major investment, enabling rents to rise closer to market levels.

Capex Programme Stabilised: Peach plans to deploy annual maintenance capex at about EUR40 million, in line with 2024, supported by a dedicated EUR30 million capex credit line and by asset disposal proceeds. This follows significantly reduced spend in 2023 when liquidity was insufficient, and inherent vacancies remained un-addressed. About 60% of total planned capex is value accretive, focusing on tenant improvements and yielding up to a 10% return on incremental capex. This should lift rental income and cut vacancy costs of EUR7 million in 2024, the benefits of which should be more visible from end-2H25. The remaining 40% capex is mainly ESG-related.

Occupancy Improvement: Peach's operational performance is set to improve, supported by the company's revamped capex programme and portfolio refocusing following the part-disposal in 4Q24. Peach has already concentrated its occupancy efforts on its strategic portfolio, where 1H25 vacancy fell 1.2pp year on year to 4.9%.

Disposals Moderately Paced: Non-strategic assets were 21% of end-1H25 value and remain a meaningful part of the business, with vacancy at 11% (1H24: 13%). Fitch expects Peach to sell EUR406 million of non-strategic assets over time, prioritising sales at or above book value, which were stable at end-1H25, rather than generating liquidity at all costs. Vacancy improvement to 6.5% at the portfolio level will primarily stem from capex rather than selling higher-vacancy assets from the non-strategic portfolio.

Improving Leverage, Tightening Coverage: Fitch forecasts net debt/EBITDA to improve towards 16x by 2027, supported by stable rental growth and debt reduction from disposals. Peach's rating remains constrained by tight EBITDA interest coverage of about 1.3x during 2025-2027, with the average cost of debt forecast to peak at 4.6% in 2027, up from 3.1% in 2022, driven by legacy low-coupon debt being replaced with higher-cost debt.

PEER ANALYSIS

Peach's portfolio, totalling EUR1.9 billion at end-2024, is materially smaller than 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 solely 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 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 over 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), partly 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 refurbished units

-- Other operating costs to normalise at 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: 2%)

-- Hybrid bond interest not deferred and paid at a 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 company's EUR344 million unencumbered investment property portfolio, using an 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 June transaction and prepayment of the November 2025 bond. After deducting a standard 10% for administrative claims, this generates an estimated liquidation value of EUR137 million compared with unsecured debt of EUR51 million. Management has also identified cash raised for the convertible's maturity in May 2026. Fitch's principal waterfall analysis generates a high ranked recovery but under Fitch's Recovery Rating Criteria the unsecured debt's Recovery Rating is capped at 'RR2'.

RATING SENSITIVITIES

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

- Net debt/EBITDA above 23x

- Interest coverage below 1.2x

- Lack of improvement in occupancy and rental levels, despite capex

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

- Net debt/EBITDA below 20x

- Interest coverage above 1.3x

- Deployed capex increasing rents and reducing voids to around 5%

- A larger pool of unencumbered investment property assets

LIQUIDITY AND DEBT STRUCTURE

Peach raised net liquidity of EUR90 million from a new secured facility signed in June 2025, EUR50 million from the July 2025 equity increase and EUR100 million from a secured facility provided by Castlelake in August 2025. This follows 1H25's repayments of the EUR55 million March 2025 promissory notes and an initial EUR127 million of the November 2025 unsecured bond.

The company used some of its EUR250 million total liquidity to reduce the remaining unsecured bond to EUR100 million in September 2025 and to repay this in November 2025. Within the remaining funds, EUR51 million is earmarked for the repayment of the May 2026 convertible bond. Fitch expects Peach to lengthen the maturity profile of its secured bank debt , as indicated by the September 2025 EUR202 million seven-year refinancing, which has helped address nearly all of Peach's funding needs until 2027. Fitch expects around EUR95 million of liquidity at end-2025.

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 Sector Forecasts Monitor 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.

RATING ACTIONS

ENTITY / DEBT ⬍	RATING ⬍	RECOVERY ⬍	PRIOR ⬍

Peach Property Group AG	LT IDR	B Rating Outlook Stable	Upgrade		CCC+ Rating Watch Positive
senior unsecured	LT	BB-	Upgrade	RR2	B Rating Watch Positive

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

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

Corporate Rating Criteria (pub. 27 Jun 2025) (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

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Peach Property Group AG	EU Issued, UK Endorsed

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