FitchRatings

RATING ACTION COMMENTARY

Fitch Upgrades Peach Property to 'B+'; Outlook Positive

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Fitch Ratings - Frankfurt am Main - 11 Sep 2026: Fitch Ratings has upgraded Peach Property Group AG's Long-Term Issuer Default Rating (IDR) to 'B+' from 'B'. The Outlook is Positive.

The upgrade reflects lower leverage through completed disposals and our expectations that further planned disposals will support deleveraging. We forecast net debt/EBITDA to reduce to 16x by 2027 and interest coverage to improve to 1.4x by 2028, which underlines the Positive Outlook.

The ratings reflect a shrinking EUR1.8 billion core portfolio at end-1H26, which Fitch expects to settle at EUR1.5 billion by end-2027. This 16,200-unit portfolio has returned to operational health, with moderate vacancy through targeted capex efforts since 2024.

Further deleveraging towards a loan-to-value (LTV) of below 45% by 2028 through remaining non-core disposals (even at likely discounts to current values given the currently limited German transaction market) should support the refinancing of Peach's bulk debt maturities in 2028.

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KEY RATING DRIVERS

Improved Core Portfolio Metrics: Peach's end-1H26 EUR1.5 billion core portfolio is focused on Germany's North Rhine-Westphalia (end-2025: 84% of assets by value), an area with structural economic challenges where Peach offers affordable rents of EUR6.7/square metre (sq m)/month. Current rent levels are up to 13% below market rent, but realising this upside is subject to an asset's micro-location, tenant churn rates and capex.

Peach has been focusing capex and leasing efforts on its core portfolio, for which vacancies have reduced significantly and are expected by Fitch to reduce to 3% by end-2026, compared with total portfolio vacancy of above 10% at end-2023. We forecast investments in the stabilised core portfolio to be lower at about EUR25 million annually during 2026-2028, after having addressed its capex backlog averaging EUR37 million a year during 2024-2025.

Focus Shifting to Cost Savings: Peach targets 2028 EBITDA to be in line with 2025's EUR46 million by replacing rent loss from ongoing disposals with cost savings. Management is shifting its focus to improving the core portfolio's margins, following portfolio disposals and debt restructuring, by lowering operating expenses and central costs. It is targeting an 80% net operating income (NOI) margin in 2028 (2025: 72%) and a 65% EBITDA margin (54%).

Peach targets up to a EUR7 million reduction in annual operating expenses by 2028, primarily by reducing vacancy costs, which totalled EUR6.9 million in 2025. Within central costs, which were above peers' at 27% (including other operating income/expense) of gross rental income in 2025, cost savings of up to EUR10 million have been identified, primarily consisting of reduced personnel costs and the cessation of consulting fees incurred during the capital restructuring period.

High Rental Growth Targets: Peach is targeting gross rent growth for its core portfolio of up to EUR11 million (up 12%) by 2028. Its forecast average annual like-for-like rent growth of 6% in 2027-2028 consists of 2.5% from re-letting including tenant improvement capex, 1.5% from indexation and 2% from vacancy reduction. Realising the portfolio's upside will be supported by an 11% annual tenant churn rate, subject to available capex funded by disposals.

Shrinking Portfolio Size: Peach's portfolio has materially reduced in size through disposals following a liquidity squeeze in 2023. Two portfolio disposals in 2024 and 2025 have reduced the portfolio by 5,200 and 2,000 units, respectively, from 27,500 units at end-2023. Excluding end-1H26's 3,000-unit non-core portfolio (including notarised but not transferred units) the retained core portfolio will consist of 16,200 units - a 40% decrease from the peak in 2023. Peach aims to complete this process by end-2027.

Non-Core Portfolio Values: Peach reported a market value of EUR400 million for its non-core portfolio at end-2025. However, it expects gross proceeds from its disposals to be up to 20% lower than EUR400 million. Peach's readiness to absorb valuation losses upon disposal rather than wait for a market recovery will help the group achieve the targeted completion of all disposals by end-2027. The remaining 3,000 units at end-

1H26 have an average unit value of about EUR60,000, below the retained core portfolio's average of about EUR90,000.

Significant Leverage Reduction: Fitch forecasts Peach to deleverage below end-1H26's LTV of 45% (end-2023: 53%) with continued disposals. It reduced its debt by EUR390 million (excluding the hybrid bond) during end-3Q24 to end-4Q25. At end-2025, Peach announced planned further deleveraging of EUR320 million by 2027 (of which EUR170 million was achieved by end-1H26), consisting of EUR185 million of secured debt, an EUR80 million construction loan related to its Swiss fully pre-sold residential development to be repaid by end-2026, and the repayment of a EUR54 million convertible (repaid in May 2026, partially funded by a EUR40 million bridge loan due in 1Q27).

Interest Cover Driving Debt Capacity: Fitch expects Peach's EBITDA net interest coverage to trough at 1x in 2026, before recovering to 1.4x by 2028. Interest expense in 2026 is affected by the high coupons of the March 2027 bridge loan and of its hybrid bond. The hybrid may be partly repaid by a tender offer of up to CHF10 million (EUR11 million) announced on 1 September 2026. Net debt/EBITDA was high at 22.5x in 2025, affected by one-off costs related to the capital restructuring and the timing difference of signed but not yet closed 2025 asset disposals. Fitch forecasts this to decrease to about 14x by 2028 with planned disposals and operational cost savings.

PEER ANALYSIS

Peach's EUR1.8 billion portfolio at end-1H26 (forecast EUR1.5 billion by end-2027) is smaller than Net Zero Properties S.a. r.l's (NZP, BB+/Positive) EUR2.1 billion portfolio (pro forma at end-1H26), but has a comparable geographical footprint and rent/sq m/month of about EUR6.6. NZP is less reliant on disposals to fund capex to address its measured and fixable vacancies (at end-1H26: 6.6%), and ESG improvements in the assets it acquired at a discounted price.

Peach's portfolio average current rent indicates lower-quality assets and locations than Vonovia SE's (BBB+/Stable) German portfolio, which has an average rent of EUR8.4/sq m/month and D.V.I. Deutsche Vermogens- und Immobilienverwaltungs GmbH's (DVI, BBB-/Stable) Berlin-weighted residential portfolio rent of EUR9.3/sq m/month. The difference in the portfolios' quality is also reflected in their respective vacancy rates, with a reported 5.3% for Peach at end-2025, higher than DVI's 1.7% and Vonovia's (German portfolio) 2.1%

Peach's forecast interest coverage of 1.4x in 2028 is similar to NZP's. Both companies' net debt/EBITDA will reduce to about 16x by end-2027-2028. However, NZP will achieve it through expansion, supported by an efficient cost structure and funded primarily by new equity and unsecured debt, whereas Peach will rely on disposals and cost savings.

FITCH'S KEY RATING-CASE ASSUMPTIONS

-- Disposal of the EUR403 million (end-2025-valued) non-strategic portfolio at a 20% discount and at an 8% rental yield on disposals

-- Annual like-for-like rental growth of 6% a year during 2026-2028, consisting of 1.5% from indexation, 2.5% from tenant churn after capex, and 2% from vacancy reduction

-- Debt repayments of EUR186 million from the disposal of the non-strategic portfolio

-- Capex at EUR25 million a year until 2028 and EUR10 million in 2029; 8% rental yield on capex

-- Completion of Peach's Swiss residential-for-sale development in 2026, resulting in a net working capital inflows of EUR70 million in 2026 and EUR10 million in 2027

-- Net operating income margin improving to 75% by 2028 from 72% in 2025 (management target for 2028: 80%)

-- EBITDA margin improving to 60% in 2028 from 54% in 2025 (management target for 2028: 65%)

-- Interest costs on newly issued euro-denominated variable-rate debt based on Fitch's Global Economic Outlook policy rate assumptions at 2.25% in 2026 and 2% in 2027-2029, plus a 2% margin

-- Approved cash equity of EUR11 million in June 2026

-- Hybrid bond interest not deferred, but paid at a 9.25% margin plus the policy rate; partial repayment of EUR10 million in 2026 (with EUR30 million remaining, not yet completed).

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using its Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), access to capital ('b-', Higher), liability profile ('bb-', Moderate), property portfolio ('bbb', Higher), rental income risk profile ('bbb+', Moderate), profitability ('bbb', Lower), financial structure ('b', Moderate), and financial flexibility ('b', Higher).

Assessments of the quantitative financial subfactors include bespoke calculations.

B+ to CC considerations apply in our analysis and have no impact.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'aa-' has no impact.

The SCP is 'b+'.

To derive the Long-Term IDR:

Fitch made no adjustments to the SCP, resulting in an IDR of 'B+'.

RATING SENSITIVITIES

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

- Net debt/EBITDA above 21x

- Interest coverage below 1.25x

- 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 1.4x

- Deployed capex that successfully increases rents and reduces voids to about 3%

LIQUIDITY AND DEBT STRUCTURE

At end-1H26, Peach had no debt maturities until March 2028, except for a EUR40 million bridge loan which had blocked cash for the same amount. Peach's deleveraging in recent years included the repayment of senior unsecured and convertible bond, resulting in a fully secured capital structure. This has resulted in unencumbered investment property assets (end-1H26: EUR75 million), making a return to the unsecured bond market unlikely.

Through planned disposals, Peach expects to improve the prospects of refinancing its large EUR450 million secured debt maturities in 2028. This includes a EUR440 million loan provided by Castlelake in 2024. Peach can partially prepay this loan over time, leaving an expected outstanding amount of about EUR330 million at maturity in June 2028, after including planned disposals. It has other debt from German banks, which are regular providers to German residential-for-rent, at comfortable LTVs (some of which are amortising) of about 50%.

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.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Peach.

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 TYPE ⬍	RATING ⬍	RATING ACTION ⬍	PRIOR ⬍

Peach Property Group AG	LT IDR	B+ Rating Outlook Positive	Upgrade	B Rating Outlook Stable

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. 09 Jan 2026) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 09 Jan 2026)

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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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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