Research Update:

# Peabody Trust 'BBB+' Ratings Affirmed; Outlook Stable

**October 9, 2026**

## Overview

- London-based social housing provider Peabody Trust continues to face significant investment needs for its existing stock, which weighed on operating performance in financial year 2026 (ended March 31), and we expect this will constrain the group's financial performance and flexibility in the medium term.
- While we project some investments will be delivered earlier than we initially assumed--reflecting evolving regulatory requirements and improved visibility--we do not expect any major deviation in the total cost over our forecast horizon.
- Pressure on financial metrics will be partly offset by the group's strategy to reduce new home development targets, rationalize existing stock, and divest noncore assets.
- We expect this strategy will continue to support a gradual recovery in financial metrics following a low point in financial year 2025, though its successful execution is subject to external market conditions.
- We thus affirmed our 'BBB+' long-term issuer credit rating on Peabody Trust. The outlook is stable.

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## Rating Action

On Oct. 9, 2026, S&P Global Ratings affirmed its 'BBB+' long-term issuer credit rating on Peabody Trust. The outlook is stable.

We also affirmed our 'BBB+' long-term issuer credit rating on Town & Country Housing Group, which we assess as a core subsidiary of Peabody Trust.

At the same time, we affirmed our 'BBB+' issue ratings on the £1 billion senior secured and unsecured medium-term note program issued by Peabody Trust, as well as the senior secured debt issued by Peabody Trust.

## Outlook

The stable outlook reflects our view that the group will effectively contain investments in existing and new homes in line with our base-case assumptions. At the same time, we anticipate that Peabody Trust will generate funds through new home sales and asset disposals, leading to a gradual recovery in credit metrics.

### Downside scenario

We could lower the rating on Peabody Trust if management relaxes control over investments in new or existing homes, or if unfavorable market conditions hinder its property divestment plans. We consider this could prevent or slow a recovery in the group's financial metrics, such that the S&P Global Ratings-adjusted EBITDA margin falls toward 10% or adjusted nonsales EBITDA interest coverage weakens or fails to recover from current levels.

Furthermore, we could lower the rating if we revise downward our view of the likelihood of extraordinary support to Peabody Trust from the U.K. government in the event of financial distress.

### Upside scenario

We could raise the rating on Peabody Trust if management successfully navigates the risks associated with investment in existing homes, resulting in a material and sustained improvement in performance, with adjusted nonsales EBITDA interest coverage improving to levels beyond our current expectations.

## Rationale

Our view of Peabody's creditworthiness continues to be supported by its operation in the anticyclical social housing sector. The rating benefits from the strong demand for Peabody's properties, with average general needs rents significantly lower than market rents in its areas of operations across London and in the North and South Counties. The group also maintains a sound liquidity position and strong access to external liquidity, in our view.

However, Peabody’s sizable program of investments in stock currently weighs on its financial performance and reduces its capacity to absorb external shocks in the medium term. The group’s margins remain constrained notably by high investments related to fire and safety risks, energy efficiency, as well as investments to ensure the group's stock complies with the U.K. government's Decent Homes Standard and the second phase of Awaab’s law.

Peabody’s debt burden remains particularly elevated, and reducing this relies on the group’s ability to implement stock rationalization and disposal of noncore assets strategy while derisking its operations in scaling back its development pipeline. We expect this will help the group’s leverage metrics to recover, albeit from and to relatively weak levels, with interest coverage structurally below 1x through FY2029. This strategy is also exposed to external market conditions.

### Enterprise profile: Underpinned by a robust market position in London and focus on social and affordable rented properties

Peabody Trust is one of the largest housing associations in England. With more than 110,000 units in its portfolio across London and Southeast England, it has more financial and operational resources than most peers to absorb external shocks and fund its investments. We think demand for its properties will remain high because its average general needs rent--about 38% of the

prevailing market rent--is low compared with that of peers. We consider the group's average vacancy rate of 1.5% over the past three years to be on par with the sector average in England.

Peabody will remain focused on the social and affordable housing rental sector, where revenue is more predictable and less cyclical than sales activities. In our view, the group will limit its exposure to market sales in tandem with its ongoing plan to reduce new home development. We project exposure to sales income, including that generated by joint ventures, will be contained to less than 25% of the group's adjusted revenue on average over the next two to three years.

The group has entered the second year of its three-year strategy continuing to prioritize investment in existing homes, which has exceeded investment in new homes for the second consecutive year. Increased visibility in stock conditions will enhance the group's ability to plan investment for its housing portfolio. These nonetheless remain high, reflecting the group's larger exposure to high rises in London compared to peers in the rest of the country. Peabody's ongoing plan to reduce development targets will help balance cost pressures, while the group continues to divest noncore and void assets as part of its current strategy. However, the outcome of these actions remains subject to external market conditions and may need time to materialize, which could prolong the recovery of the group's financial metrics.

We assess the regulatory framework under which registered providers of social housing in England operate as strong (see "Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K.," April 17, 2025).

## Financial profile: Recovery is on track but contingent on strategy execution

We forecast the group's high level of investment in existing homes will constrain margins over our forecast horizon. We project the adjusted EBITDA margin will be about 15%--a level we consider to be below the sector average. While spending will remain substantial, we project the group's rent increases will outpace inflation, and together with potential grant funding, recoveries, and a gradual reduction in investment intensity, these factors will support a margin improvement from the currently subpar level.

The group’s strategic direction generated significant proceeds from stock rationalization, noncore asset disposals, and shared-ownership staircasing. We expect the proceeds from future sales, together with a reduced development pipeline, will continue to support deleveraging over our forecast horizon. However, we project that debt reduction will not become effective until financial year 2029--a one-year lag compared to our previous assumptions--on the back of weaker than anticipated results in financial year 2026 and reprofiled investments in existing homes. Peabody’s debt burden will remain elevated over our forecast horizon, with the adjusted nonsales EBITDA interest coverage averaging about 0.7x and debt to adjusted nonsales EBITDA averaging about 31.0x over financial years 2027-2029. We note, however, a steady recovery in both indicators.

We view Peabody Trust's liquidity as strong. The group's liquidity sources will cover its uses by approximately 1.6x over the next 12 months. We forecast liquidity sources of about £1.45 billion, which comprise cash, undrawn and available revolving credit facilities, fixed asset sales, grant receipts, and cash from operations (after adding back the noncash cost of sales). This will cover liquidity uses of about £900 million--mainly capital expenditure and debt service payments. At the same time, we believe Peabody Trust retains strong access to external liquidity, if needed.

## Government-related entity analysis

We think there is a moderately high likelihood that Peabody Trust would receive timely extraordinary support from the U.K. government in the event of financial distress. This provides a two-notch uplift from the stand-alone credit profile. Since one of the key goals of the Regulator of Social Housing (RSH) is to maintain lender confidence and low funding costs across the sector, we think it is likely the RSH would intervene to try and prevent a default in the sector. We base this view on previous instances where the RSH has mediated mergers or arranged liquidity support from other registered providers in cases of financial distress, and we think this would also apply to Peabody.

# Key Statistics

### Peabody Trust--Financial statistics

| | --Fiscal year ended March 31-- | | | | |
|---|---|---|---|---|---|
| **Mil. £** | **2025a** | **2026a** | **2027bc** | **2028bc** | **2029bc** |
| Number of units owned or managed | 108,902 | 110,143 | 110,729 | 110,863 | 110,756 |
| Adjusted operating revenue | 1,011.0 | 1,072.0 | 1,142.0 | 1,189.9 | 1,188.4 |
| Adjusted EBITDA | 89.0 | 136.0 | 154.2 | 178.7 | 223.1 |
| Nonsales adjusted EBITDA | 78.0 | 117.0 | 147.8 | 170.3 | 216.7 |
| Capital expense | 359.0 | 328.0 | 487.4 | 287.9 | 232.4 |
| Debt | 5,079.0 | 5,338.0 | 5,403.0 | 5,419.0 | 5,398.0 |
| Interest expense | 237.0 | 240.0 | 241.7 | 239.9 | 244.4 |
| Adjusted EBITDA/Adjusted operating revenue (%) | 8.8 | 12.7 | 13.5 | 15.0 | 18.8 |
| Debt/Nonsales adjusted EBITDA (x) | 65.1 | 45.6 | 36.6 | 31.8 | 24.9 |
| Nonsales adjusted EBITDA/interest coverage(x) | 0.3 | 0.5 | 0.6 | 0.7 | 0.9 |

a--Actual. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario.

# Rating Component Scores

### Peabody Trust--Ratings component scores

| | |
|---|---|
| Enterprise risk profile | 3 |
| Industry risk | 2 |
| Regulatory framework | 3 |
| Market dependencies | 2 |
| Management and governance | 4 |
| Financial risk profile | 4 |
| Financial performance | 5 |
| Debt profile | 6 |
| Liquidity | 2 |
| Stand-alone credit profile | bbb- |
| Issuer credit rating | BBB+ |

S&P Global Ratings bases its ratings on nonprofit social housing providers on the seven main rating factors listed in the table above. Our "Methodology For Rating Public And Nonprofit Social Housing Providers," published on June 1, 2021, summarizes how the seven

### Peabody Trust--Ratings component scores

factors are combined to derive each social housing provider's stand-alone credit profile and issuer credit rating.

# Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | General: Methodology For Rating Public And Nonprofit Social Housing Providers, June 1, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

# Related Research

- Economic Outlook Europe Q3 2026: Energy Shock Rekindles Stagflation Risks, June 24, 2026
- Bulletin: Bonds Issued By Peabody Trust's Financing Vehicles Rated 'BBB+' Following Implementation Of Consent Solicitation, April 29, 2026
- Non-U.S. Social Housing Providers Ratings Risk Indicators: Ratings Hold Steady Despite Negative Bias, April 27, 2026
- Non-U.S. Social Housing Providers Ratings History: March 2026, April 27, 2026
- United Kingdom 'AA/A-1+' Ratings Affirmed; Outlook Stable, April 10, 2026
- U.K. Social Housing Brief: The Middle East War Weighs Only Modestly On Financial Recovery, April 2, 2026
- European Housing Markets: Structural Pressures Persist, Forecasts Barely Shift, Feb. 3, 2026
- Non-U.S. Social Housing Sector Outlook 2026: Headwinds Ease, Feb. 2, 2026
- Bulletin: Peabody Trust's Consent Solicitation Aims To Simplify Its Debt Structure And Is Neutral To Our Ratings, Jan. 30, 2026
- Peabody Trust, Nov. 5, 2025
- Peabody Trust Rating Lowered To 'BBB+'; Outlook Stable, July 1, 2025

# Ratings List

| Ratings List | |
|---|---|
| **Ratings Affirmed** | |
| Peabody Trust | |
| Town & Country Housing Group | |
| Issuer Credit Rating | BBB+/Stable/-- |

**Ratings List**

| | |
|---|---|
| Foreign Currency | BBB+/Stable/-- |
| Peabody Trust | |
| Senior Secured | BBB+ |

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