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Research Update:

Vesteda Residential Fund 'BBB' Ratings Affirmed; Off CreditWatch On Revised Liquidity Mechanism; Outlook Stable

July 1, 2026

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Rating Action Overview

- At an extraordinary general meeting on June 26, Netherlands-based Vesteda Residential Fund's participants approved a revision of the fund's liquidity mechanism, which includes transitioning from mandatory redemption payments to a best-efforts basis for 7.5% of the fund’s equity per year.
- The new mechanism reduces absolute equity redemptions, but we understand Vesteda would need to sell assets or raise debt to meet redemption requests over the next two years, with S&P Global Ratings-adjusted debt to debt plus equity rising to 32%-33% in 2027 from 25.1% in 2025, debt to EBITDA to 10.5x-11.0x from 9.5x in 2025, and EBITDA interest coverage to 2.6x-2.8x from 4.3x.
- Moreover, the revised liquidity mechanism strengthens Vesteda's liquidity profile, since significant near-term cash outflow needs reduce compared to our previous forecast; therefore, we now view the fund has sufficient liquidity to comfortably meet its obligations over the 12-24 months started April 1, 2026.
- We therefore affirmed our 'BBB' ratings on Vesteda and its senior unsecured debt and removed them from CreditWatch, where we placed them with negative implications on March 5, 2026.
- The stable outlook reflects our view that Vesteda will continue benefiting from stable rental income, thanks to high occupancy rates and favorable demand trends, with overall credit metrics remaining commensurate with our 'BBB' rating.

Rating Action Rationale

Under the revised liquidity mechanism, Vesteda has transitioned from mandatory redemption payments to a best-efforts basis on an annual cycle, which we view as positive. Following the June 26th extraordinary general meeting, Vesteda announced that fund participants had approved a revised liquidity mechanism, which takes effect immediately. A key structural change to the fund's structure is that it replaces the mandatory redemption obligations with a best-efforts framework. Redemption requests are now capped at 7.5% of the fund's net asset value and any that are not executed by the end of each year will lapse. Additionally, the review cycle has changed to an annual cycle from a seven-year period. Consequently, the previous requirement to redeem 10% of equity (approximately €800 million as of Dec. 31, 2025) by Aug. 1, 2027, has been waived. In its place, an initial best-effort redemption of €765 million will occur during the transition period, with subsequent requests managed through 7.5% of the fund's net asset value annually on a best-efforts basis.

The revised redemption scheme strengthens Vesteda's liquidity, such that we project sources to exceed uses by more than 1.2x over the next 12 months. The transition from mandatory settlements to a best-efforts obligation, specifically regarding the 10% equity component due within 18 months from Feb. 1, 2026, reduces near- to medium-term cash outflows. Consequently, we expect the company to maintain sufficient liquidity to meet its obligations, by more than 1.2x, over the next 12-24 months. The company's liquidity position is underpinned by €600 million in bridge loan facilities signed on May 12, 2026 (maturing in August 2028, including extension options) and a €650 million revolving credit facility (RCF) maturing in 2030. Additionally, a €300 million bridge facility is in place, maturing in June 2028 and including extension options. As of April 1, 2026, Vesteda held approximately €108 million in cash. Although the company faces significant upcoming maturities--including €1 billion in senior unsecured bonds due between July 2026 and May 2027--its combined liquidity of approximately €1.6billion in cash and undrawn RCFs provides ample capacity to meet these obligations. Supported by a strong track record of capital market access and a large, unencumbered asset base, we expect Vesteda to maintain healthy covenant headroom, which exceeded 30% at year-end 2025.

Despite anticipated plans for asset sales and rising refinancing costs, we expect EBITDA interest coverage to remain comfortably above 2.4x and net debt to EBITDA at 10x-11x in the next 12-24 months. In 2025, the S&P Global Ratings-adjusted EBITDA interest coverage ratio stood at 4.3x, supported by a low average cost of debt of 2.5%. Over the next 12-24 months, we anticipate weakening of both debt to EBITDA and the EBITDA interest coverage ratio. This trend will primarily be driven by reduced cash flow generation, assuming asset disposals to satisfy redemption requests, and absolute interest expenses, which we expect will increase. We assume new debt to be priced at 4.2%-4.3% and consequently, we project the average cost of debt to increase to roughly 3.8%-4.0% from 2.4% in 2025. The increased funding costs--resulting from the refinancing of the two €500 million senior unsecured bonds--combined with anticipated asset disposals and new debt to manage redemptions, are expected to weigh on absolute EBITDA, interest expenses, and cash flow. Although, we forecast EBITDA interest coverage to remain relatively stable at about 4.0x in 2026, we anticipate it will decline to 2.6x-2.8x in 2027, considering the refinancing and new debt issuance at higher costs, with the full-year impact more visible in 2027. Furthermore, we expect debt to EBITDA to rise to 10.0x-11.0x over the next 12-24 months. These metrics are consistent with our 'BBB' issuer credit rating.

We expect a gradual deterioration in leverage as Vesteda manages its transition, with S&P Global Ratings-adjusted debt to debt plus equity rising to 32%-33% in 2027 from 25.1% in 2025. The increase in leverage will, in our view, stem from the anticipated need to use asset disposals or debt to meet redemption requests, alongside the company's commitment to annual shareholder dividends of €175 million-€200 million. Therefore, we still expect a gradual increase in Vesteda's leverage, with the S&P Global Ratings-adjusted debt-to-debt-plus-equity ratio reaching 32%-33% by year-end 2027, versus 25.1% as of Dec. 31, 2025. Our forecast incorporates neutral like-for-like fair value in 2026 and 2027, since higher long-term interest rates could neutralize appraised values. We understand Vesteda has a financial policy of keeping its loan-to-value (LTV) ratio below 30%; the ratio was 24.3% as of Dec. 31, 2025, but we anticipate it may temporarily exceed 30% to meet redemption requests. This policy translates into an S&P Global Ratings-adjusted debt-to-debt-plus-equity ratio of approximately 30%. Furthermore, we anticipate the fund will execute an orderly asset sale program while actively pursuing new investor opportunities.

The cessation clause in the Euro Medium-Term Note (EMTN) documentation exacerbates the uncertainties related to Vesteda's asset disposal strategy. The termination of the recent consent solicitation on April 2, following the failure of two of five notes to pass the extraordinary resolutions, introduces ambiguity regarding Vesteda's asset disposal strategy. Specifically, there is a risk that substantial asset disposals could trigger bondholders to invoke the cessation-of-business clause in the documentation for the EMTN program. This could ultimately lead to liquidity and refinancing risks should bondholders demand early redemption, although we understand from the company that there is a risk that this claim could enter a prolonged legal process and the possibility of contested outcomes introduces uncertainty.

Vesteda has addressed these concerns in new financing agreements. However, the qualitative nature of the bond documentation remains a source of risk from an enforcement perspective. Although the likelihood and timing of a potential breach are difficult to predict, we continue to monitor the situation closely. A key risk is whether asset disposals could trigger an event of default, as per the documentation, or force Vesteda into expensive early redemptions of low-coupon bonds, such as the senior unsecured bond due 2031 (coupon 0.75%), which is currently trading at a discount. Such an outcome could increase financing costs and weaken interest coverage beyond our base-case projections over the medium term. We understand Vesteda has obtained legal advice concluding that property divestments would not constitute a cessation of business. Furthermore, Vesteda notes that the risk of participant redemptions is explicitly disclosed in its EMTN program. Our analysis currently does not take into account an impact on Vesteda's creditworthiness following a potential materialization of any claims and we will update our analysis if we take a different approach.

Vesteda will continue to benefit from solid fundamentals and favorable demand trends for its Dutch residential assets. We expect Vesteda's operating performance to remain stable, underpinned by expected like-for-like rental growth of 3.5%-4.0% annually in 2026 and 2027 after 5.5% in 2025, and a high occupancy rate of about 98%, similar to that in 2025. The residential property portfolio is concentrated in major Dutch cities, which benefit from strong population growth, solid housing demand, and constrained new supply. Vesteda applies an annual inflation adjustment plus a 1.0% surplus charge to most of its rental contracts. We understand that Vesteda applies the same rental indexation policy across its social, mid-rental, and liberalized housing segments. This is also in line with the latest rent regulation changes in the Netherlands. Although we assume solid operating performance in the next 12-24 months, we note that the fund's absolute size may decrease if it finances redemptions through asset sales.

Outlook

The stable outlook reflects our view that Vesteda should continue benefiting from stable rental income, thanks to high occupancy levels and favorable demand trends for its Dutch residential assets. We anticipate that Vesteda will maintain an adjusted ratio of debt to debt plus equity of about 27%-28% in 2026 and 32%-33% in 2027, with debt to EBITDA at 9.5x-10.0x in 2026 and 10.0x-11.0x in 2027 (9.4x in 2025) and EBITDA interest coverage of about 4.0x in 2026 and 2.6x-2.8x in 2027.

Downside scenario

We could lower the rating on Vesteda if:

- The S&P Global Ratings-adjusted debt-to-debt plus equity ratio increases toward 45%;
- Annualized debt to EBITDA increases toward 13x; or
- EBITDA interest coverage falls well below 2.4x.

A negative rating action may also result from legal or litigation risks associated with the disposal strategy.

Upside scenario

We could take a positive rating action if:

- The S&P Global Ratings-adjusted debt-to-debt plus equity ratio remains below 35%;
- Annualized debt to EBITDA remains below 9.5x; or
- EBITDA interest coverage remains beyond 3.8x.

A positive rating action would also be contingent upon the absence of legal or litigation risks arising from the disposal strategy and the company maintaining stable operating performance and its overall asset base.

Company Description

Vesteda is an open-ended fund and one of the largest unlisted investment funds in the Netherlands. As of Dec. 31, 2025, the portfolio comprised 28,147 residential units valued at €10.5 billion. The company focuses on residential properties in the Dutch midmarket unregulated sector (about 79% of the portfolio value as of Dec. 31, 2025), with limited exposure to the upper-middle-market rent segment (16%) and regulated rents (5%)

Our Base-Case Scenario

Assumptions

- GDP growth in the Netherlands decreasing to 1.3% in 2026 and 2027, after 1.8% in 2025. We estimate the consumer price index at 2.9% and 2.4% for 2026 and 2027, respectively.
- Like-for-like rental income growth for Vesteda's portfolio of about 3.5%-4.0% in 2026 and 3.0%-3.5% in 2027 and 2028, supported by rent indexation and rent renewal.
- A broadly stable occupancy rate of 98% over our forecast horizon (98.0% at year-end 2025).
- A neutral like-for-like fair-value adjustment for 2026, already realized as of first-quarter 2026 and neutral for 2027 and 2028.
- Overall stable EBITDA margins of 66%-67% in 2026 (66.4% in 2025).
- Annual capital expenditure (capex) of €80 million in 2026 and €60 million in 2027, including both maintenance and property development, falling to approximately €40 million following the completion of outstanding projects.

- Interim redemptions of €700 million-€800 million in 2026 and €500 million-€600 million annually in 2027 and 2028, based on the company's new liquidity mechanism, which sets 7.5% of the fund's net asset value for redemptions.
- Asset disposals of about €600 million-€700 million in 2026 and €400 million-€500 million in 2027 and 2028, to partly finance redemptions.
- Dividend distributions of about €215 million in 2026 followed by €190 million-€200 million in 2027 and 2028, in line with the company's plan.
- Average cost of debt rising to 2.6%-2.7% in 2026 and 3.8%-4.0% in 2027 from 2.4% in 2025, following upcoming debt maturities assumed to be refinanced at 4.0%-4.3%.

Key metrics

Based on these assumptions, we arrive at the following credit measures over the next 12-24 months:

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2024a	2025a	2026e	2027f	2028f
Revenue	399	422	425-450	400-425	400-425
EBITDA	261	280	280-290	270-280	270-280
Interest expense	69	65	70-80	100-110	110-120
Cash flow from operations (CFO)	219	199	210-220	170-180	150-160
Capital expenditure (capex)	229	95	75-80	60-65	45-50
Dividend	200	199	190-210	190-210	170-190
Debt	2633	2627	2700-2800	3100-3200	3300-3400
Equity	7271	7844	7300-3400	6500-6600	6000-6100
Adjusted ratios					
EBITDA margin (%)	65.4	66.4	65-67	65-67	65-67
EBITDA interest coverage (x)	3.8	4.3	3.9-4.1	2.6-2.8	2.4-2.5
Debt/EBITDA (x)	10.1	9.4	9.5-10.0	11.0-11.5	12.0-12.5
Debt/debt and equity (%)	26.6	25.1	26.0-28.0	32.0-34.0	35.0-37.0

Liquidity

We assess Vesteda's liquidity as adequate and forecast sources will cover funding needs by more than 2.4x as of March 31, 2026. The short-term rating is 'A-2.' Although the liquidity ratio may support a higher assessment on a quantitative basis, we do not believe Vesteda meets the necessary qualitative criteria to achieve a better assessment.

Principal liquidity sources	Principal liquidity uses
• About €108 million of unrestricted cash and cash equivalents; • About €1,550 million available under undrawn bank lines, including the syndicated RCF, existing bridge	• About €600 million of short-term debt maturities, including a €500 million green bond maturing in July 2026 and a U.S. private placement maturing in December 2026;

facility, and new bridge facility (commitment letter signed), maturing in more than 12 months;

- Proceeds from signed asset sales of about €130 million; and
- Our forecast of €205 million-€215 million of cash funds from operations.
- €47 million of committed capex; and
- Cash dividend distribution of €172 million.

Note: We don't include equity redemptions in our analysis because payment is no longer mandatory and is on a best-efforts basis and may be covered by asset sales or the proceeds of new debt.

Covenants

- As of Dec. 31, 2025, Vesteda had significant headroom exceeding 30% under all its financial maintenance covenants. We expect Vesteda to maintain solid headroom under all financial covenants. The company has the following financial maintenance covenants:
- An LTV ratio of maximum 50% (as of Dec. 31, 2025, it was 24.1%); and
- An interest coverage ratio of minimum 1.8x (as of Dec. 31, 2025, 4.9x).

Environmental, Social, And Governance

Governance factors represent a moderately negative consideration in our credit analysis. We believe the fund's liquidity mechanism, combined with existing investor sentiment, has accelerated redemption requests from investors and therefore puts pressure on Vesteda to sell a material portion of its property portfolio over the next few years.

We also note that the fund's financial reporting is conducted only on an annual basis, which compares less favorably especially when with the practices of other rated open-ended funds or listed companies.

Environmental and social factors are a neutral consideration in our credit rating analysis of Vesteda. The company implemented a sustainability improvement strategy and 98% of its properties achieved green energy labels by year-end 2025. This will help the company reduce greenhouse gas emissions and cut its carbon footprint 55% by 2030 and 95% by 2050, compared with 1990 levels. We understand the company will allocate about €25 million-€35 million for sustainability investments per year over 2026-2028 to continue improving the portfolio's quality and energy performance. Vesteda issued its first green bond in May 2019 and its second in October 2021, followed by the third in April 2024, under its green financing framework.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of April 1, 2026, the capital structure consisted solely of €2.6 billion in unsecured debt. Of this amount, €2.0 billion in unsecured bonds were issued by the company's financing entity, Vesteda Finance B.V. (BBB/Stable/A-2).

Analytical conclusions

We rate the senior unsecured bond 'BBB', in line with the issuer credit rating. This is because the company's exposure to secured debt is 0% (as of Dec. 31, 2025).

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB/Stable/A-2
Local currency issuer credit rating	BBB/Stable/A-2
Business risk	Strong
Country risk	Very low risk
Industry risk	Low risk
Competitive position	Strong
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	Moderately negative
Comparable rating analysis	Negative
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
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Vesteda Residential Fund FGR Downgraded To 'BBB' On Substantial Investor Redemption Request; On CreditWatch Negative, March 5, 2026

- Industry Credit Outlook: Industry Credit Outlook 2026: Real Estate, Jan. 14, 2026

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	**From**
Vesteda Residential Fund FGR		
Vesteda Finance B.V.		
Issuer Credit Rating	BBB/Stable/A-2	BBB/Watch Neg/A-2
Vesteda Finance B.V.		
Senior Unsecured	BBB	BBB/Watch Neg