Research Update:

# U.K. Social Housing Provider Housing 21 Affirmed At 'A-'; Outlook Stable

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## Overview

- We expect U.K. social housing provider Housing 21's (H21's) financial performance to strengthen gradually as rent increases sustainably outpace cost inflation.
- In our view, the group's strong asset quality and proactive approach to asset management limit H21's exposure to unexpectedly higher investment requirements for its existing stock.
- We project H21's debt metrics to show a modest improvement, with nonsales adjusted EBITDA interest coverage of about 1.2x toward the end of our forecast period in fiscal 2029 (ending March 31), supported by a moderate development and acquisition program.
- We therefore affirmed our 'A-' long-term issuer credit rating on Housing 21. The outlook is stable. At the same time, we affirmed the 'A-' issue rating on H21's £500 million senior secured bond.

## Rating Action

On July 24, 2026, S&P Global Ratings affirmed its 'A-' long-term issuer credit rating on U.K. social housing provider Housing 21 (H21) and the 'A-' long-term issue rating on H21's £500 million senior secured bond.

## Outlook

The stable outlook reflects our view that H21's increasing rental revenue will outpace cost growth, alongside contained investment in existing homes. We also believe that the group will not pursue growth opportunities that materially increase its risk profile or weaken its debt metrics.

### Downside scenario

We could lower the rating if the group's financial profile deteriorated compared with our current expectations. For example, unforeseen acquisition and development strategies could result in weaker debt metrics. Additionally, should management fail to contain cost pressures, the adjusted EBITDA margin could structurally fall below 10%.

We could also lower the rating if we changed our view of the likelihood of extraordinary support from the U.K. government.

### Upside scenario

We could raise our rating on H21 if proactive management actions result in a broad and substantial improvement in financial metrics. For example, this could include a structural rise in H21's adjusted EBITDA margin to around 20% with non-sales-adjusted EBITDA interest coverage simultaneously climbing above 1.25x on a sustained basis.

## Rationale

We affirmed the rating because we believe that demand for H21's properties will remain strong, with the provider's financial performance benefitting from rental increases above inflation. Together with management's effective cost control and its established approach to investing in existing homes, which we believe helps limit the risk of material additional spending, we anticipate that this should allow the group's adjusted EBITDA margin to strengthen through fiscal 2029. The affirmation is further supported by the group's moderate development and low-risk acquisition pipeline. Jointly, these factors should help contain any pressure on the debt metrics and support a modest strengthening of non-sales-adjusted EBITDA interest coverage to about 1.2x through our forecast. We continue to view the group's liquidity position as strong.

### Enterprise risk profile: High demand for H21's properties alongside proactive asset management underpin the business position

The characteristics of H21's core rental businesses in retirement and extra care housing across England continue supporting the predictability of the group's revenue base. Favorable demographic trends, including England's rapidly ageing population, are a key factor. The group owns and manages about 24,000 homes across England, with its Extra Care properties operating across about 250 local authorities and providing approximately 48,000 hours of care each week.

We view positively the group's sustained efforts to reduce vacancy rates over the past four years. As of fiscal 2026, the vacancy rate had fallen to 2%, from 3% in fiscal 2022. Although this remains above the level of other social housing peers who instead focus on providing general needs homes, we consider it largely reflects the naturally higher turnover of homes within the group's Extra Care portfolio. We expect H21 to continue developing shared-ownership homes as part of its development program, however, this activity will remain limited relative to its rental turnover, contributing less than 5% of adjusted revenue in each year of our forecast period.

We view H21's asset quality as very strong, with 99% of its homes rated Energy Performance Certificate (EPC) C or above. The group achieved this in fiscal 2024 and in this respect remains ahead of much of the sector. Although this partly reflects the composition of its portfolio, which largely comprises self-contained homes within larger buildings, it has limited the need for significant energy-efficiency spending historically and, in our view, will continue to do so over our forecast period. In addition, we expect the quality of H21's stock and its proactive approach to asset management to allow the group to avoid unexpected investment requirements and large fluctuations in spending on existing stock.

Although H21's growth strategy includes acquisitions, which can create uncertainty around future performance, we believe management has adopted a more cautious approach following the proposed merger with ExtraCare Charitable Trust in 2023, which did not proceed. We therefore expect the group to pursue only acquisitions that complement its existing operations and do not materially weaken its 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 risk profile: Strong operating performance and moderate development will support improved metrics

We project H21's S&P Global Ratings-adjusted EBITDA margin will strengthen to about 14% over our forecast period. The group continues to benefit from above-inflation rent increases under the U.K. government's 10-year social housing rent settlement. We expect that its track record of effective cost management, together with relatively stable investment in existing homes, will contribute positively to financial performance. That said, H21's role as a specialist housing provider that also provides care services to some residents, usually on a minimal-margin basis, means its financial margin will likely remain below that of sector peers, all else being equal.

The group maintains a moderate growth program comprising grant-funded development and opportunistic acquisitions from other providers. Given the nature of such acquisitions, their timing and scale could result in temporary deviations from our base case. For example, the group could complete one larger acquisition in a single year rather than two smaller transactions over two years. Nevertheless, we do not expect H21 to pursue acquisitions that, due to their size or other characteristics, would fundamentally weaken its debt metrics. We anticipate the group will align the pace of its development program with its pursuit of acquisition opportunities and to manage it through ongoing engagement with Homes England. Combined with improving financial performance, we project that H21's moderate growth program should result in non-sales-adjusted EBITDA interest coverage averaging 1.2x and debt to adjusted nonsales EBITDA averaging about 21x over our forecast period through the end of fiscal 2029.

H21's liquidity position should remain strong over the next 12 months. We estimate that sources of liquidity will cover uses by about 1.7x over the next 12 months. This is based on our forecast of liquidity sources of about £380 million, which comprises cash and undrawn facilities, cash from operations (adding back the noncash cost of sales), anticipated proceeds from asset sales, and grant funding. We forecast liquidity uses of just over £220 million, primarily comprising capital expenditure, and interest and principal payments. Additionally, we believe the group has proven satisfactory access to external funding, most recently confirmed through an increase in its revolving credit facilities. The group maintains access to a retained bond of £50 million.

### Government-related entity analysis

We believe there is a moderately high likelihood that H21 would receive timely extraordinary support from the U.K. government in the case of financial distress. This provides one notch of uplift from the SACP. In our view, the Regulator of Social Housing (RSH) is likely to step in and try to prevent a default, given one of its key goals is to maintain lender confidence and low funding costs across the sector. We base this on the RSH's previous record of mediating mergers or arranging liquidity support from other registered providers in recent cases of financial distress, and we think this would also apply to H21.

## Key Statistics

Table 1

### Housing 21--Financial statistics

| | --Year ending March 31-- | | | | |
|---|---|---|---|---|---|
| **Mil. £** | **2025 A** | **2026 E** | **2027 BC** | **2028 BC** | **2029 BC** |
| Number of units owned or managed | 24,004 | 24,218 | 24,609 | 25,503 | 26,426 |
| Adjusted operating revenue | 295.6 | 324.6 | 335.7 | 354.3 | 372.0 |
| Adjusted EBITDA | 28.7 | 37.9 | 45.0 | 48.9 | 53.5 |
| Nonsales adjusted EBITDA | 27.8 | 37.4 | 44.4 | 46.2 | 53.2 |
| Capital expense | 198.6 | 119.6 | 173.0 | 200.4 | 173.3 |
| Debt | 750.1 | 819.3 | 901.9 | 1,008.7 | 1,089.0 |
| Interest expense | 28.7 | 33.1 | 35.7 | 40.2 | 44.8 |
| Adjusted EBITDA/Adjusted operating revenue (%) | 9.7 | 11.7 | 13.4 | 13.8 | 14.4 |
| Debt/Nonsales adjusted EBITDA (x) | 27.0 | 21.9 | 20.3 | 21.8 | 20.5 |
| Nonsales adjusted EBITDA/interest coverage(x) | 1.0 | 1.1 | 1.2 | 1.2 | 1.2 |

Fiscal year ends March 31. a--Actual. e--Estimate. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N.A.--Not available.

# Rating Component Scores

Table 2

### Housing 21--Ratings Score Snapshot

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

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 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: 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

- 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
- Economic Outlook Europe Q2 2026: Global Shock Leaves Recovery Uncertain, March 25, 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
- Regulatory Framework And Systemic Support Assessments For Nonprofit Social Housing Providers, Sept. 10, 2025
- U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom, June 26, 2025
- U.K. Social Housing Borrowing 2025: Focused On Containing Debt, April 24, 2025
- Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K., April 17, 2025
- U.K. Autumn Budget Isn't Too Bad For Public Finance Sector, Dec. 1, 2025
- U.K. Social Housing Providers' Financial Capacity Shrinks On Investment Needs, Nov. 4, 2024
- Cyber Risk Brief: U.K. Public Sector Is Increasingly Under Threat, Oct. 24, 2024

# Ratings List

| **Ratings List** | |
|---|---|
| **Ratings Affirmed** | |
| **Housing 21** | |
| Issuer Credit Rating | A-/Stable/-- |
| Senior Secured | A- |