Housing 21

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Primary contact

Tim Chow, CFA
London
44-2071760684
tim.chow
@spglobal.com

Secondary contact

Noa Fux
London
44-20-7176-0730
noa.fux
@spglobal.com

This report does not constitute a rating action.

Credit Highlights

Overview

Enterprise profile	Financial profile
Strong demand for traditional social housing activities for older people across England.	Increased investments in existing and new homes will hinder a pronounced improvement in the financial metrics.
Focus on social rent for older people with limited sales activities provides a predictable income stream.	Rent increases that outpace cost inflation and cost control will help mitigate pressure from its stock investment programme.
Demand for its properties is strong given aging population in the U.K.	Investments in new homes to increase driven by cost inflation, but the group can adjust its pipeline for new developments and acquisitions of units in response to pressure on the debt burden.
Management has proper planning to invest in its stock ahead of peers, but growth strategy to acquire units causes uncertainty in the financial profile.	Liquidity position remains solid, supported by undrawn facilities.

S&P Global Ratings expects Housing 21 (H21) to benefit from continued strong demand for its housing services for older people, which will generate a stable rental revenue. We see cost pressures from the group's investment in existing homes, including those homes acquired from other housing associations in the past few years. However, the group's rent increases that outpace cost inflation, together with measures to enhance cost efficiency, should mitigate these pressures. In our view, the S&P Global Ratings-adjusted EBITDA margin will gradually improve and remain just above 10%, reflecting the costlier services to older people compared to general needs housing.

We think that the group will contain growth and related costs in developing and acquiring homes. Although capital expenditure (capex) will increase due to higher construction costs, which will lead to more new debt, we expect rental revenue from the additional units to contribute to strengthening adjusted non-sales EBITDA, and hence the group's debt metrics.

Outlook

The stable outlook reflects our view that H21's increasing rental revenue, supported by strong demand, will offset the risks associated with higher cost pressures and the further expansion of its asset base.

Downside scenario

We could lower the rating if the group's financial profile deteriorated compared to our current expectations. For example, 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 the rating on H21 if proactive management actions resulted in the group achieving a substantial recovery in financial metrics. Under such a scenario, we would expect the adjusted EBITDA margin to stay above 20% and a material improvement in debt metrics on a sustained basis.

Rationale

Enterprise profile: Strong demand for housing services for older people and a focus on its core rental business provide stability to its rental income

We think that H21 will remain focused on traditional social housing letting activities across England, which generate more predictable and less cyclical revenue than sales activities. The group's exposure to sales activities will be limited, making up less than 5% of adjusted revenue on average over the next two to three years.

We favorably view the strong demand for H21's properties given the rapidly aging population in the U.K. We also think that the group's rent including service charges in its housing for older people at about 82% of the market rent, will further support the demand for its properties. The vacancy rates are reducing but remain high with a three-year historical average of about 2.7%, reflecting maintenance works to enhance the quality of the homes before reletting them. We note that providers of housing for older people generally take longer to let their properties than general need providers do.

The group's planning and budgeting processes are aimed at ensuring stock quality. For example, we view positively that the group has achieved almost 100% of its existing stock above an Energy Performance Certificate C standard, ahead of peers to achieve the sector's environment target. This may better position the group to face the increasing demand for repairs in its properties. Acquisition of units is part of its growth strategy, which while being completely discretionary, results in a less predictable financial trajectory. Furthermore, the quality of the units obtained through acquisitions may not be entirely up to the group's standards, which could result in additional costs. We expect that the group will stick to its core rental businesses in new developments and acquisitions of units, while not engaging in activities that materially increase risks to the group's operations.

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.," published April 17, 2025, on RatingsDirect).

Financial profile: Rent increases and cost controls will somewhat mitigate pressures from investments in existing homes, leading to a gradual strengthening of financial metrics

The group's financial performance is weaker than peers in the sector given the nature of its care service provision for older people. We forecast that the group's continued investment in the quality of its housing units will constrain the improvement of the adjusted EBITDA margins. That said, we anticipate the group's rent increases that outpace cost inflation will support a recovery in the adjusted EBITDA. Also, the group's actions to enhance cost efficiency, including reviewing its loss-making care contracts, should help mitigate the cost pressures. We therefore project that the adjusted EBITDA margin will improve above 10%, even if slower than in our previous expectations.

We anticipate that debt metrics will gradually strengthen, despite higher capex levels than previously expected. We expect development spending to increase due to higher projected costs for delivering its own new developments, which will lead to more new debt. However, the government's grant funding will help partly offset some of the spending. Also, our projections incorporate the additional rental revenue from the acquisition of units as well as from the group's developed new units, which will expand the group's rental revenue base, further boosted by the rent increases. This will support a modest improvement of debt metrics.

We view H21's liquidity position as strong. Over the next 12 months, we anticipate that the ratio of liquidity sources to uses will be about 1.6x. We forecast liquidity sources to include about £264 million in cash, undrawn and available credit facilities, fixed asset sales, grant receipts, and cash from operations (adding back the noncash cost of sales). This will cover liquidity uses of about £165 million, mainly for capex and debt service payments. We assess H21's access to external liquidity as satisfactory.

Government-related entity analysis

We believe there is a moderately high likelihood that H21 would receive timely extraordinary support from the U.K. government, through the Regulator of Social Housing (RSH) in case of financial distress. This provides a two-notch uplift from the stand-alone credit profile, which we assess at 'bbb'. Given that one of the key goals of the RSH is to maintain lender confidence and low funding costs, we think that it is likely to step in to try and prevent a default in the sector. We base this view on previous records of the RSH mediating mergers or arranging liquidity support from other registered providers in cases of financial distress and think this would also apply to H21.

Key Statistics

Housing 21--Key statistics

	--Year ended March 31--				
	2024a	**2025e**	**2026bc**	**2027bc**	**2028bc**
Number of units owned or managed	23,458	24,004	24,363	24,859	25,613
Mil. £					
Adjusted operating revenue	274.0	296.4	329.0	335.0	348.3
Adjusted EBITDA	27.3	27.2	33.4	35.5	41.7
Non-sales adjusted EBITDA	25.8	26.2	32.6	35.3	41.6

Housing 21--Key statistics

	--Year ended March 31--				
	2024a	2025e	2026bc	2027bc	2028bc
Capital expense	66.6	198.2	124.2	135.1	127.2
Debt	666.8	750.1	843.8	923.9	1,003.2
Interest expense	26.5	28.4	31.3	35.2	39.0
Adjusted EBITDA/Adjusted operating revenue (%)	10.0	9.2	10.1	10.6	12.0
Debt/Non-sales adjusted EBITDA (x)	25.8	28.6	25.9	26.2	24.1
Non-sales adjusted EBITDA/interest coverage(x)	1.0	0.9	1.0	1.0	1.1

a--Actual. e--Estimate. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N.A.--Not available. Adjusted--S&P Global Ratings-adjusted.

Rating Component Scores

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

- U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom, June 26, 2025
- Comparative Statistics: Non-U.S. Social Housing Providers Ratings Risk Indicators: Stabilization At Lower Levels, May 12, 2025
- Non-U.S. Social Housing Providers Ratings History, May 12, 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
- United Kingdom, April 14, 2025
- Economic Research: European Housing Markets: Better Housing Affordability Supports Recovery, Jan. 27, 2025
- Non-U.S. Social Housing Sector Outlook 2025: Quality Maintenance Constrains Recovery, Jan. 14, 2025
- The Autumn Budget Kicks Off A Funding Regime Revision For U.K. Public Sector Entities, Nov. 5, 2024
- 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 Detail (as of July 25, 2025)*	
Housing 21	
Issuer Credit Rating	A-/Stable/--
Senior Secured	A-
Issuer Credit Ratings History	
15-Aug-2023	A-/Stable/--
27-Jul-2023	A-/Watch Neg/--
23-Jul-2021	A-/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.