S&P Global
Ratings

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Housing Solutions

March 21, 2025

This report does not constitute a rating action.

Primary contact

Abril A Canizares
London
44-20-7176-0161
abril.canizares
@spglobal.com

Secondary contact

Beatrice de Taisne, CFA
London
44-20-7176-3938
beatrice.de.taisne
@spglobal.com

Credit Highlights

Overview

Enterprise profile	Financial profile
Experienced management with conservative risk appetite and operating mainly in the Maidenhead area, which has strong fundamentals.	Housing Solutions' financial indicators remain solid despite elevated investments on existing properties.
-- Housing Solutions benefits from generating a large share of its earnings in the predictable and countercyclical social housing sector with a portfolio of close to 6,500 properties.	--We forecast that Housing Solutions' prudent cost controls will result in solid financial performance, which is also supported by grant availability. We estimated that S&P Global Ratings-adjusted EBITDA margins will exceed 30% through our forecast to fiscal year 2027.
--The group's operations benefit from strong demand, which is supported by a significant gap between its average general needs rent and the prevailing market rent.	-- We expect debt funding to be contained, which would support a non-sales adjusted EBITDA interest coverage ratio of close to 1.3x through our forecast to fiscal year 2027.
--In our view, the group has adopted robust financial policies that reflect conservative risk management practices.	-- A very strong liquidity position supports Housing Solutions' financial profile.

Our rating on Housing Solutions is underpinned by our view that its strong management will contain cost pressures while delivering on its investment on new and existing property targets. We also believe that the group would use the ample flexibility it has built on its business plan should its financial position become strained. We forecast that Housing Solutions' financial indicators will remain very solid through our forecast to fiscal year 2027 (ending March 31, 2027) and compare strongly against many of its peers. We expect the group to continue benefiting from a strong area of operations with its stock largely concentrated in Maidenhead, and to keep its high focus on core social housing lettings, which support a stable revenue stream.

Outlook

The stable outlook reflects our expectation that Housing Solutions will prudently manage its investments in existing and new homes. This, alongside solid cost control, should mitigate economic headwinds and allow the group to maintain relatively strong credit metrics compared with peers.

Downside scenario

We could lower our ratings if the group adopts a more aggressive strategy, if we consider that such a strategy could result in a material weakening of the group's financial indicators and our view of its management. This could result from higher-than-expected investments in existing and new homes and increased debt funding needs, for example, or increasing exposure to market sales risk.

Upside scenario

An upgrade would depend on the group's ability to demonstrate a significant and sustained strengthening of its debt metrics, while maintaining its currently strong financial performance levels and liquidity position.

Rationale

Housing Solutions owns and manages close to 6,500 properties in Southeast England, mainly in Maidenhead and the surrounding areas. We expect the group will continue benefiting from resilient demand in its geographical areas of operations. We believe demand is also supported by a wide gap between Housing Solutions' social and affordable rent to the prevailing market rent, which we calculate at below 50%. This is further demonstrated by its vacancy rates, which have declined over the past three years and average 1.1%, slightly below the sector average.

Housing Solutions benefits from generating a large part of its earnings fom the predictable and countercyclical social housing sector. The group has a conservative approach to sales market exposure, and we expect that through our forecast horizon, sales activities will be limited to first tranche shared ownership sales. We estimate that revenue from this sales activity will average below a low 5% of its adjusted operating revenue through our forecast horizon.

We consider that Housing Solutions has an experienced management that has adopted a conservative risk appetite. The group has sustained strong financial metrics throughout challenges in the sector and continues moderating its development targets to accommodate elevated investment on its existing properties without materially affecting its financial position. It has also adopted and aligned to a strategy that has ample flexibility to further contain costs and investments to effectively adapt to adverse macroeconomic conditions.

Like its peers, we understand that Housing Solutions has a strong focus on investing in its existing properties and which will remain elevated through our forecast. However, the group's asset management approach has ensured stronger-than-peers' stock quality. About 80% of its properties have an energy performance certificate (EPC) rating of C and above, which compares favorably with other peers in the sector, and with around 19% of its stock at EPC D, which is one level below EPC C. We understand that Housing Solutions is also investing more in fire safety remediation works after proactively conducting intrusive inspections beyond regular stock condition surveys.

We assess the regulatory framework, under which registered social housing providers in England operate, as strong (for more information see "Regulatory Framework Assessment: Social Housing Providers In The U.K. Benefit From Strong Regulatory Frameworks," published Oct. 23, 2023).

Financial profile: supported by prudent cost controls, modest debt funding and a very strong liquidity position

We forecast that Housing Solutions' adjusted EBITDA margins will remain solidly above 35% through our forecast to fiscal year ending March 31, 2027, despite our expectation that investments on existing properties will materially increase from previous years. Our base-case scenario is underpinned by our assumptions that rental income will increase faster than costs, which supports performance. We also anticipate that these investments will be partially funded by grants. While we expect that fire safety remediation works will increase in this fiscal year 2025, we expect that investments on existing properties will remain high due to component replacement cycles and responsive repairs, which remain high across the sector.

We continue to forecast that Housing Solutions will maintain robust debt metrics. While we expect that the development of new homes will be largely debt funded, debt will increase modestly and slightly below our previous expectations as the group has reduced its investment targets. We estimate that the group's debt to non-sales adjusted EBITDA will remain contained below 20x and that its interest coverage ratio will remain above 1.3x through our forecast period. While supportive of contained debt intake, the group has very low numbers of properties for disposal, which generate modest proceeds.

We forecast Housing Solutions' liquidity position will remain very strong over the next 12 months, even though liquidity buffers are likely to reduce as the group pursues investments. Additionally, we factor into our analysis our view of Housing Solutions' satisfactory access to external funding when needed.

We estimate the group's liquidity sources will cover uses by approximately 3.2x in the next 12 months. This is based on our forecast of liquidity sources of about £105 million, comprising cash, undrawn and available revolving credit facilities, asset sales, and cash from operations (adding back the noncash cost of sales) that will cover liquidity uses of about £33 million (mainly capital expenditure and debt service payments).

Government-related entity analysis

We see a moderately high likelihood that Housing Solutions would receive timely extraordinary government-related support in case of financial distress. This is neutral to our rating on Housing Solutions. Because 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 that the RSH would step in to try to prevent a default in the sector. We base our view on the RSH' record of mediating mergers or arranging liquidity support from other registered providers in cases of financial distress; we think it would perform the same role for Housing Solutions.

Key Statistics

	--Year ended March 31--				
(Mil. £)	**2023a**	**2024a**	**2025bc**	**2026bc**	**2027bc**
Number of units owned or managed	6,436	6,446	6,491	6,512	6,510
Adjusted operating revenue	53.0	56.1	57.8	59.2	59.4
Adjusted EBITDA	20.1	22.4	22.0	20.1	20.8
Non-sales adjusted EBITDA	18.7	22.3	21.6	19.7	20.8
Capital expense	68.6	6.2	9.6	14.6	8.7

	--Year ended March 31--				
(Mil. £)	2023a	2024a	2025bc	2026bc	2027bc
Debt	327.8	330.4	325.9	338.4	342.7
Interest expense	13.6	17.7	17.2	16.2	16.2
Adjusted EBITDA/Adjusted operating revenue (%)	37.8	40.0	38.1	33.9	35.0
Debt/Non-sales adjusted EBITDA (x)	17.5	14.8	15.1	17.2	16.5
Non-sales adjusted EBITDA/interest coverage(x)	1.4	1.3	1.3	1.2	1.3

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

Rating Component Scores

	Assessment
Enterprise risk profile	2
Industry risk	2
Regulatory framework	3
Market dependencies	2
Management and governance	2
Financial risk profile	3
Financial performance	3
Debt profile	4
Liquidity	2
Stand-alone credit profile	a+
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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Non-U.S. Social Housing Providers Ratings Score Snapshot: March 2024, March 11, 2024
- Non-U.S. Social Housing Providers Ratings Risk Indicators: March 2024, March 11, 2024

- U.K. Social Housing Borrowing 2024 Borrowing Capacity Remains Constrained, March 6, 2024
- European Housing Markets: Forecast Brightens Amid Ongoing Correction, January 25, 2024
- Non-U.S. Social Housing Sector Outlook 2024: At A Turning Point?, Nov. 29 2023
- Regulatory Framework Assessment: Social Housing Providers In The U.K. Benefit From Strong, Oct. 23, 2023
- Regulatory Frameworks, Oct. 23, 2023
- United Kingdom 'AA/A-1+' Ratings Affirmed; Outlook Stable, Oct. 20, 2023
- U.K. Social Housing Providers' Credit Headroom Could Tighten If The Operating Environment Deteriorates, Oct. 4, 2023

Ratings Detail (as of March 21, 2025)*	
Housing Solutions	
Issuer Credit Rating	A+/Stable/--
Issuer Credit Ratings History	
04-Jul-2016	A+/Stable/--
13-May-2016	AA-/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.