



# U.K. Social Housing Borrowing 2024

Borrowing capacity remains constrained

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**S&P Global**  
Ratings

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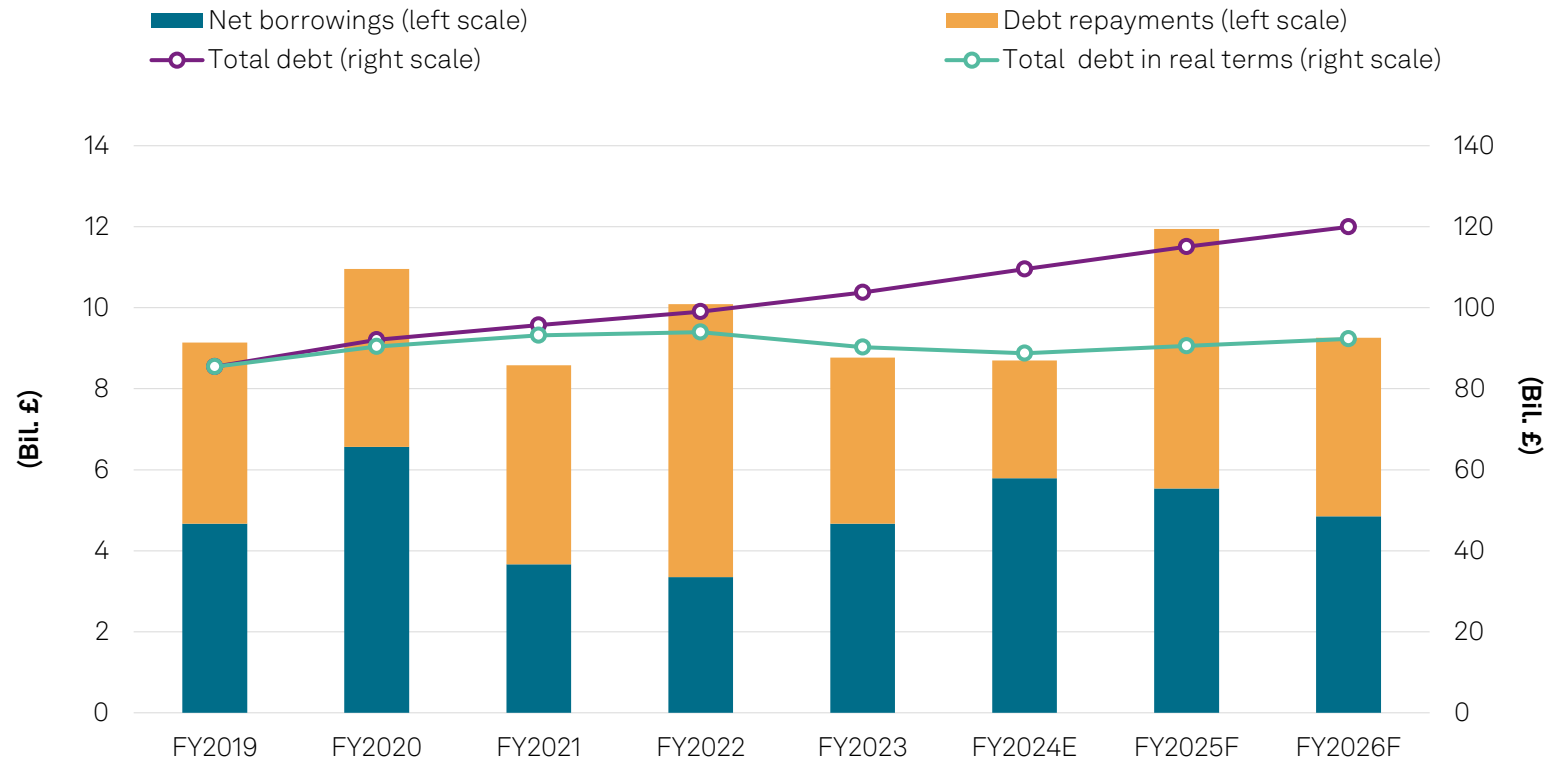
*This report does not constitute a rating action*

# Key Takeaways

- We project the U.K. social housing sector's gross borrowing over the next two years will total £21 billion--of which £11 billion will be used for refinancing--and peak in 2025. We expect social housing providers will gradually return to debt capital markets after two years of limited issuances.
- We estimate the sector's debt will increase by 5% annually and reach almost £120 billion by 2026, with debt to S&P Global Ratings-adjusted nonsales EBITDA remaining above 20x.
- Relatively high investments in existing stock will crowd out debt-funded capital expenditure.
- Better-than-expected performance, higher grant funding, or fixed asset sales could enable social housing providers to develop and borrow more than we expect in our base case. Downside risks include additional requirements on existing stock or interest rates remaining high for longer.
- Debt in the sector is concentrated on the top 20 borrowers, with their share of total debt gradually increasing toward 50%.

# Gross Borrowing Will Peak In 2025 Because Of Refinancing

## Gross borrowing breakdown

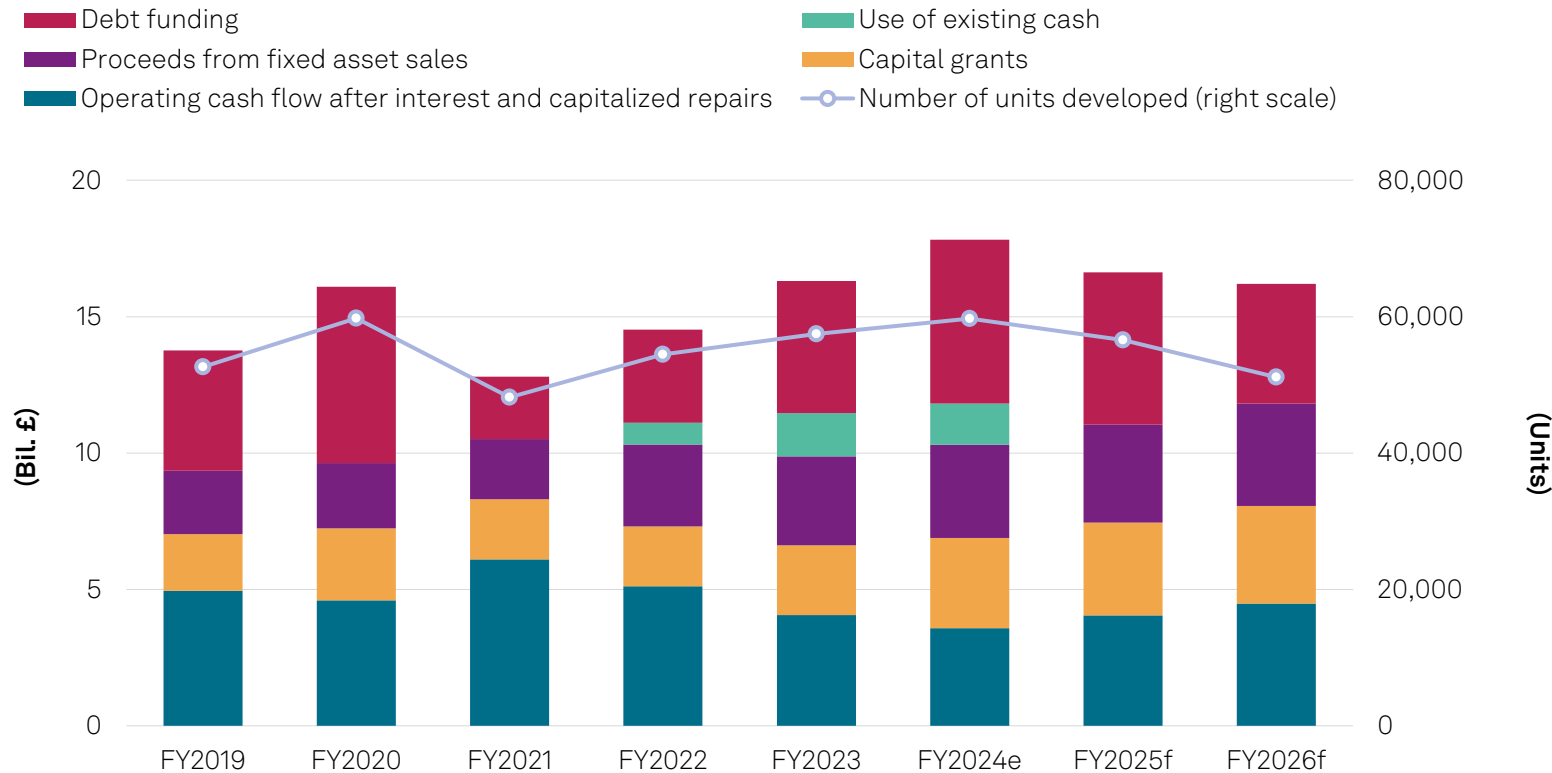


e--Estimate. f--Forecast. FY--Fiscal. Source: S&P Global Ratings.

- After two years of limited fixed-rate issuances, we project the U.K. social housing sector will refinance its expensive variable-rate debt in the expectation of lower cost of debt.
- We project gradually reducing net borrowings as the sector starts to scale back on developing new homes.
- We estimate the sector's debt will increase to £120 billion in 2026. This is 40% higher than in 2019 but only 8% higher when adjusted for the impact of inflation.

# Cost Pressures Dampen The Development Of New Homes

## Funding sources for capital expenditure and units developed

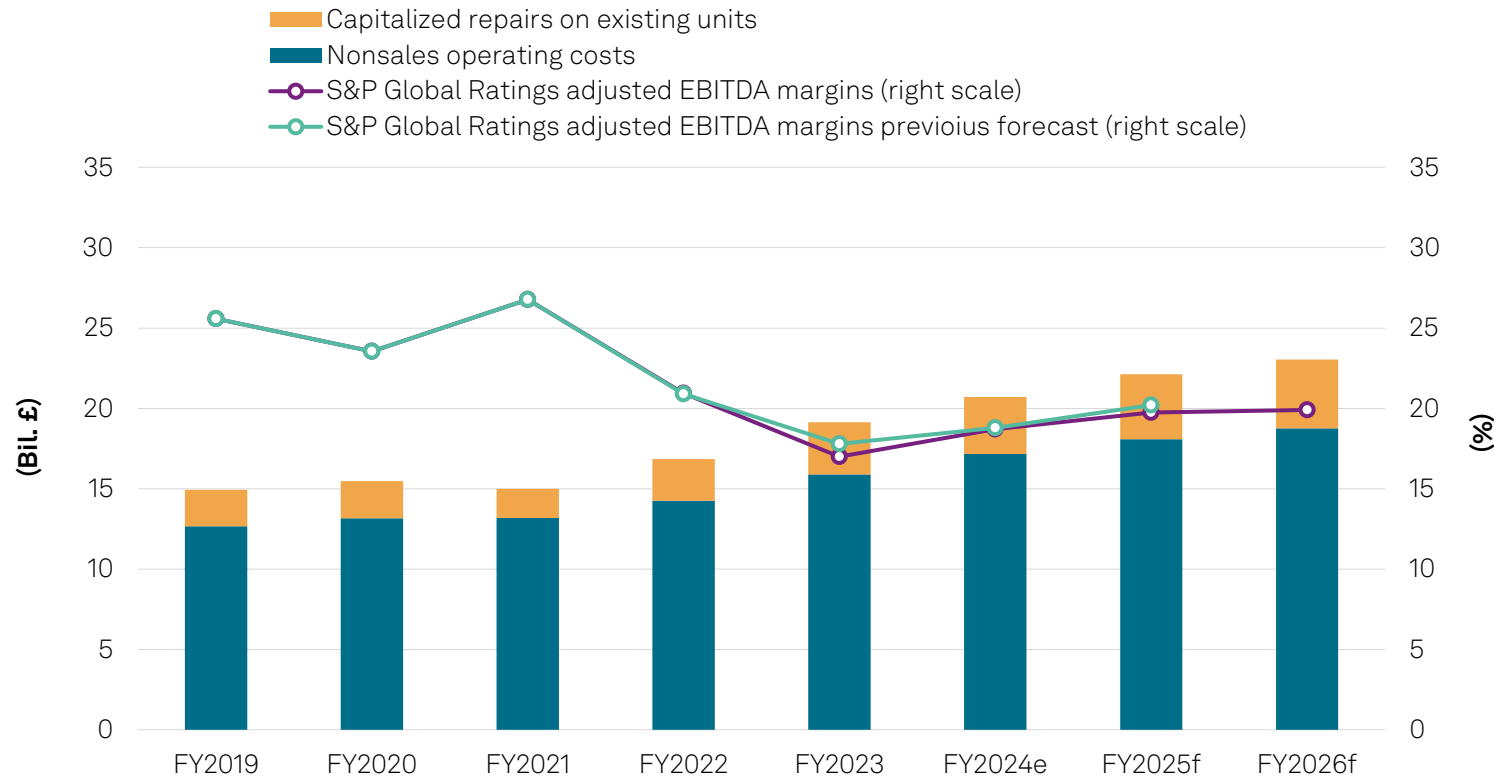


e--Estimate. f--Forecast. FY--Fiscal. Source: S&P Global Ratings.

- We project that the development of new homes will peak in 2024 and gradually decline thereafter.
- We expect U.K. social housing providers will complete new units mainly under strategic partnerships with Homes England and the Greater London Authority.
- We think the sector will hold back on new development commitments until financial metrics improve and enhance social housing providers' capacity to increase debt funding.

# Investments In Existing Stock Limit Improvements In Financial Performance

## Financial performance and investments in existing stock

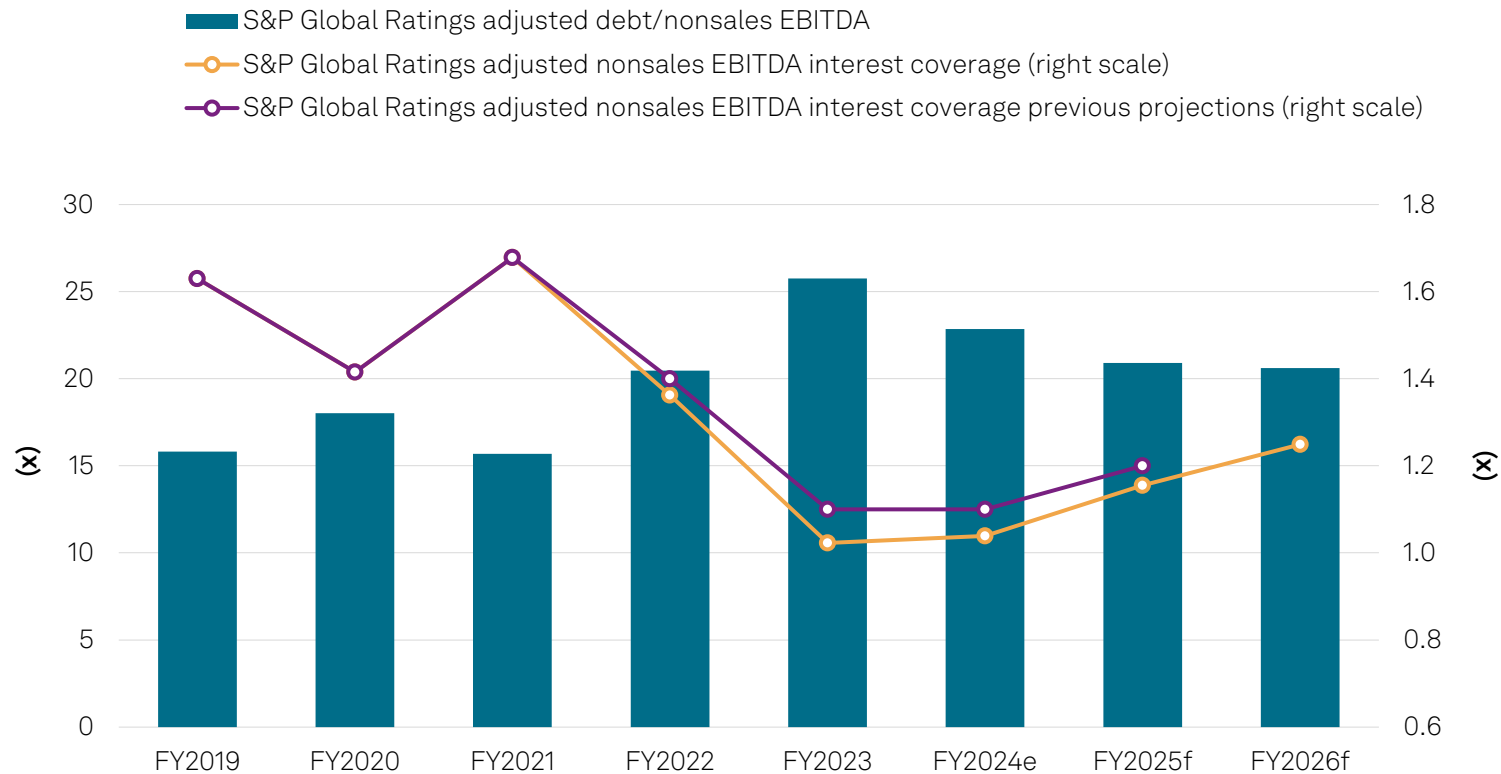


e--Estimate. f--Forecast. FY--Fiscal. Source: S&P Global Ratings.

- The sector's financial performance will strengthen from 2023, which we see as a turning point, but remain modest.
- Rent increases will exceed cost inflation through 2026 but the positive effect is largely offset by increasing investments in existing stock.
- The increase in investments results from building and fire safety requirements, enhanced consumer regulation, and energy efficiency regulations that increase the volume and extent of renovations and refurbishments.

# Debt Metrics Will Recover But Fall Short Of Pre-Pandemic Levels

## Debt metrics in the U.K. social housing sector



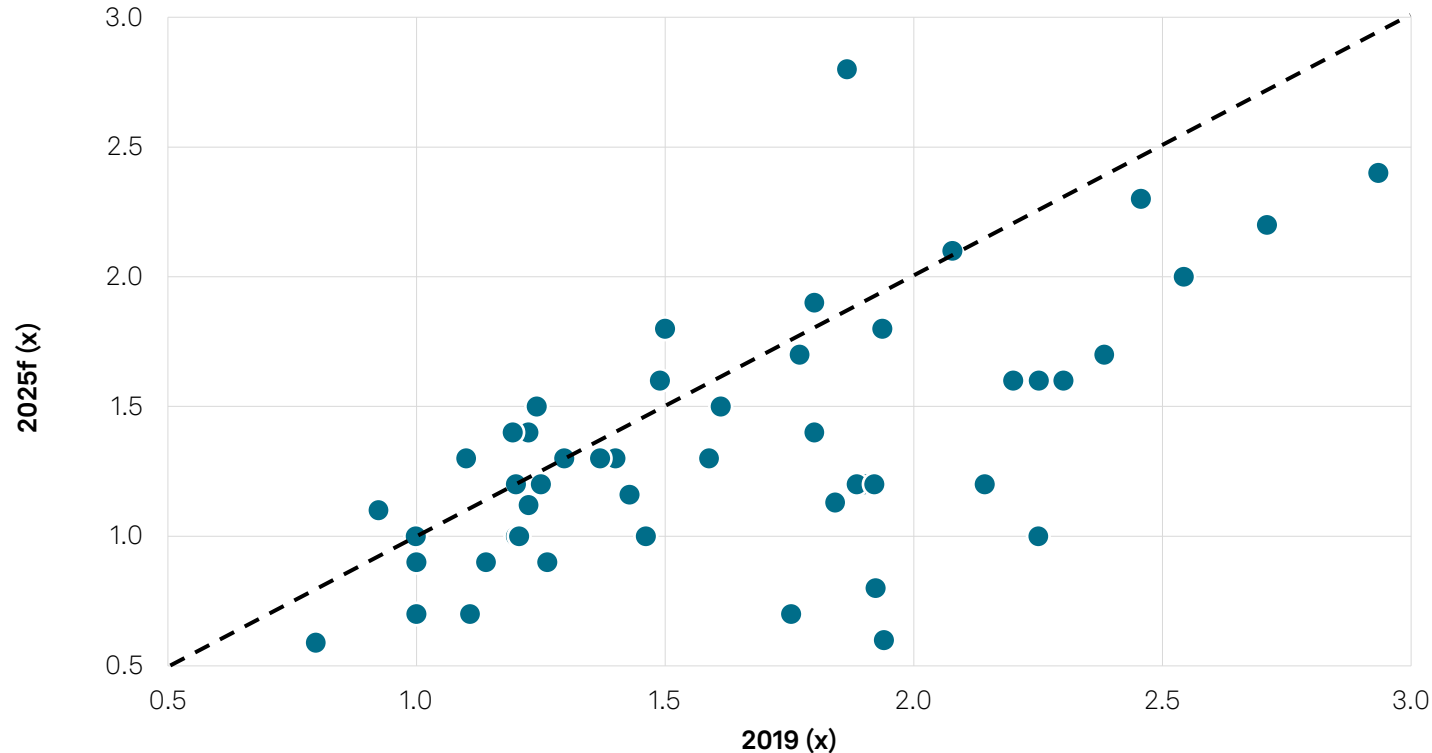
e--Estimate. f--Forecast. FY--Fiscal. Source: S&P Global Ratings.

- U.K. social housing providers' debt metrics will recover after a weak 2023 because of modest improvements in performance and declining interest rates.
- We think the cost of debt will stabilize as base rates normalize and the sector refinances variable-rate debt, which we estimate accounts for more than 20% of total debt.
- We project the sector will mostly rely on debt to cover its funding needs after having used some of its excess cash over 2022-2024. Yet, improving performance will outweigh the debt increase such that debt to adjusted nonsales EBITDA will improve but remain above 20x.



# Interest Coverage Declines Across Our Rated Portfolio

Adjusted nonsales EBITDA interest coverage in 2025 and 2019

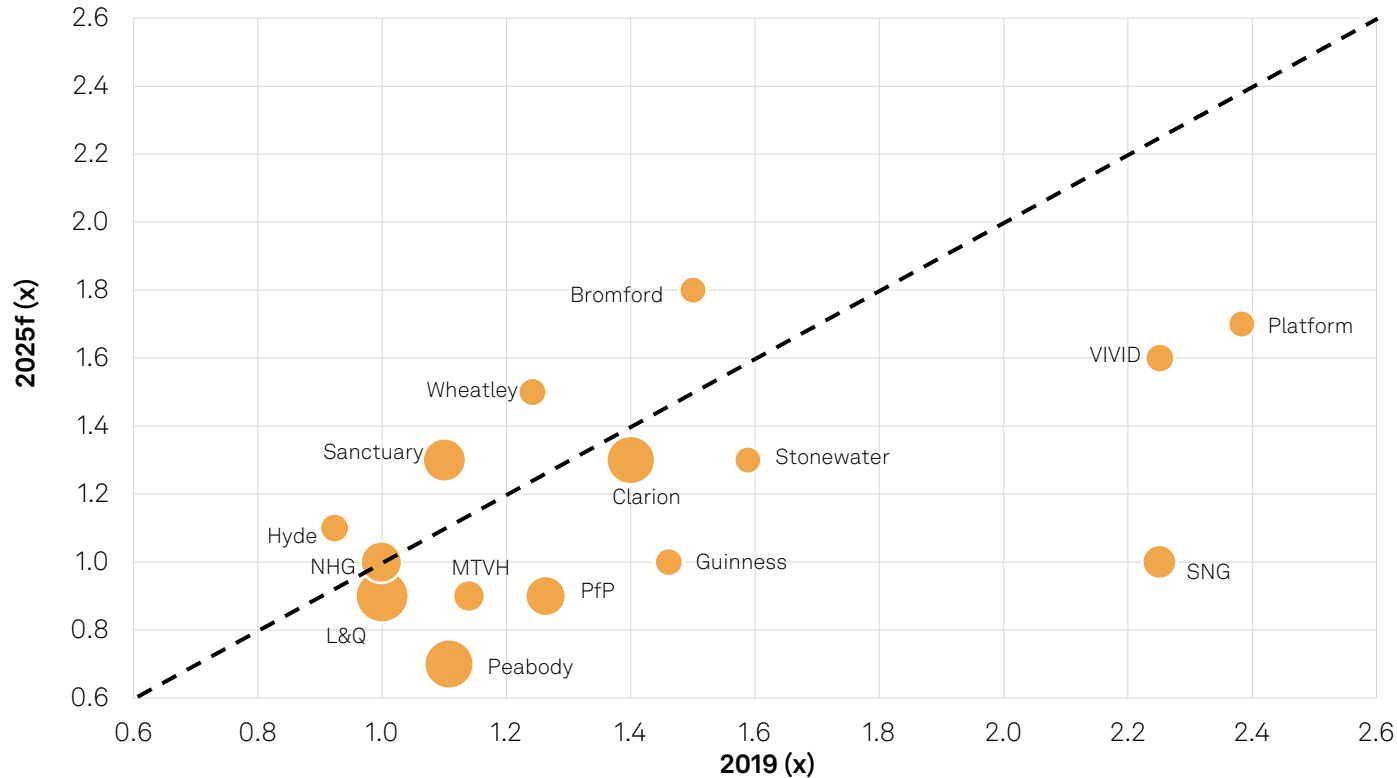


f--Forecast. Source: S&P Global Ratings.

- We expect an average decline in interest coverage across our rated portfolio to 1.1x in 2025, compared with 1.4x in 2019. This has been the main driver for more than 60 negative rating actions over 2019-2023.
- Varying levels of flexibility, strategic decisions, and planning increased ratings divergence across our portfolio.
- The ratings on several U.K. housing providers, typically those with strong financial positions and solid pre-pandemic stock maintenance, remained stable.

# Ratings On Top Borrowers Reflect Indebtedness

## Largest rated borrowers' interest coverage



Bubble size represents reported debt as of March 31, 2023. f--Forecast. Source: S&P Global Ratings.

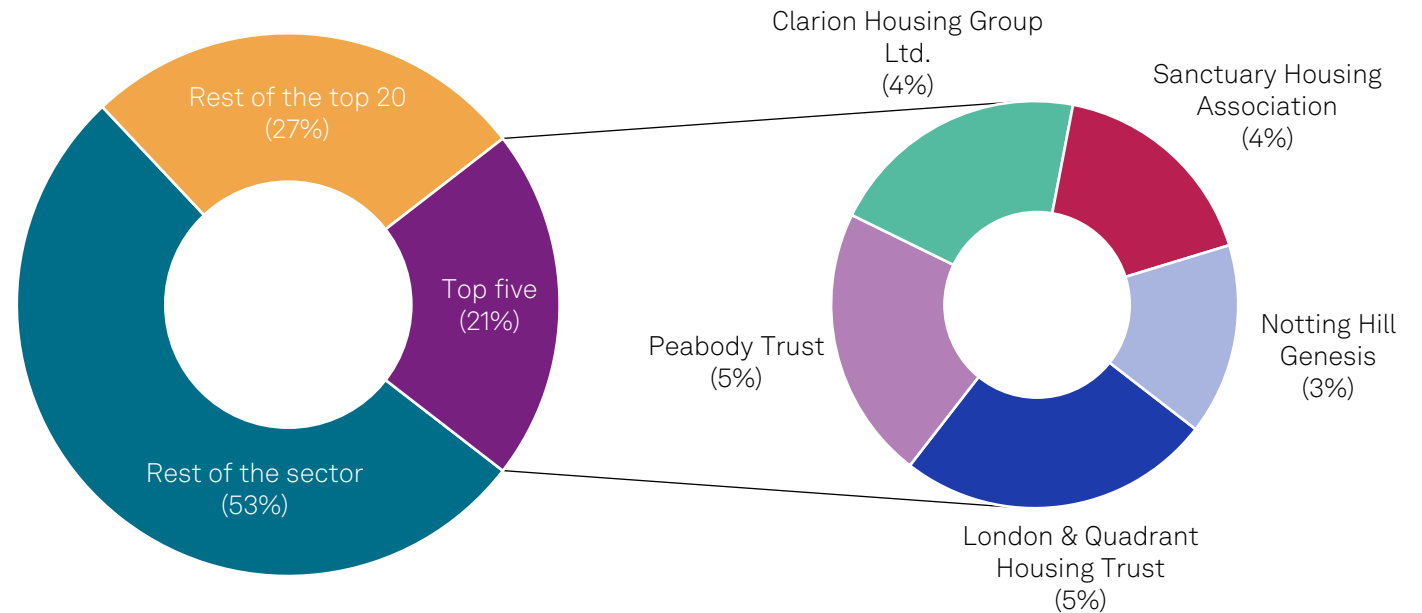
- We note that the average rating on the top 20 borrowers in our portfolio is lower than the portfolio's average rating. Seven of the top 20 borrowers are rated 'A-' and another four are rated 'A' and have a negative outlook.
- While this reflects their elevated debt levels, we note positively that many large borrowers take mitigating measures to contain debt build-up or deleverage.



# Top 20 Borrowers Account For About Half Of The Sector's Debt

- English housing providers hold most of the sector's debt, with devolved regions accounting for only 10%.
- Debt in the sector is concentrated on the top 20 borrowers, with the top five holding more than 20% of the sector's debt.
- The top 20 borrowers' aggregated debt has increased by close to one-third since 2019, mainly because of mergers. We think this trend will continue as we project consolidation in the sector will continue.
- Among the top 20 borrowers, Scottish Wheatley Housing Group is the only provider that is based in a devolved region. It accounts for close to 30% of the sector's debt in Scotland.

Breakdown of reported debt in the sector  
As of March 31, 2023



Source: S&P Global Ratings.

# Top 20 Social Housing Borrowers In The U.K.

2023 rank (2022)	Issuer	S&P Global Ratings rating*	Reported debt stock at year-end 2023 (mil. £)				
			2019	2020	2021	2022	2023
1 (1)	London & Quadrant Housing Trust	A-/Negative	5,037	5,587	5,512	5,530	5,440
2 (4)	Peabody Trust	A-/Negative	2,199	2,797	2,911	3,117	4,731
3 (2)	Clarion Housing Group Ltd.	A-/Stable	3,936	4,101	4,401	4,510	4,517
4 (6)	Sanctuary Housing Association	A/Negative	2,810	3,102	3,374	3,071	3,753
5 (3)	Notting Hill Genesis	A-/Stable	3,471	3,486	3,379	3,353	3,305
6 (5)	Places for People Group Ltd.	A-/Stable	2,886	3,163	3,065	3,174	3,328
7 (24)	Southern Housing	NR	829	978	987	1,140	2,910
8 (7)	The Riverside Group Ltd.	NR	862	997	975	2,168	2,347
9 (8)	Sovereign Housing Association Ltd.	A/Negative	1,709	1,897	1,918	2,048	2,227
10 (9)	Metropolitan Thames Valley	A-/Stable	2,011	1,936	1,965	1,905	1,937
11 (19)	Vivid Housing Limited	A/Stable	1,075	1,302	1,332	1,427	1,600
12 (10)	A2Dominion Housing Group Ltd.	NR	1,609	1,718	1,692	1,688	1,581
13 (12)	Orbit Group Limited	NR	1,425	1,464	1,689	1,560	1,559
14 (13)	Hyde Housing Association Ltd.	A/Negative	1,598	1,509	1,599	1,534	1,578
15 (14)	Wheatley Housing Group Ltd.	A+/Stable	1,178	1,462	1,488	1,513	1,546
16 (15)	The Guinness Partnership Ltd.	A-/Stable	1,250	1,375	1,444	1,516	1,496
17 (18)	Bromford Housing Group Ltd.	A+/Stable	1,182	1,238	1,255	1,435	1,406
18 (17)	Platform Housing Group Ltd.	A+/Stable	1,162	1,160	1,283	1,439	1,393
19 (20)	Stonewater Ltd.	A/Negative	912	959	1,083	1,237	1,374
20 (21)	Abri Group Ltd.	NR	1,092	1,204	1,186	1,217	1,232
<b>Total</b>			<b>38,231</b>	<b>41,434</b>	<b>42,536</b>	<b>44,580</b>	<b>49,260</b>

\*As of Feb. 29, 2024. NR--Not rated. Source: S&P Global Ratings.

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