

Research Update:

U.K.-Based Social Housing Association Richmond Housing Partnership Outlook Revised To Negative; 'A' Ratings Affirmed

June 23, 2025

Overview

- We expect that U.K.-based social housing provider Richmond Housing Partnership (RHP)'s financial metrics will weaken, influenced by elevated costs and lower revenues, combined with debt-funded development.
- Higher costs and lower revenues result from repair service delays and prolonged turnaround times for vacant properties, leading to lower adjusted EBITDA.
- This, combined with the increased debt following the acquisition of 305 units in fiscal 2025 (ended March 31, 2025), will pressure interest coverage below what we previously forecast.
- We understand that RHP's management is implementing remediation measures to mitigate these negative pressures and facilitate a gradual recovery in metrics toward fiscal 2028.
- We revised our outlook on RHP to negative from stable reflecting the execution risk on the management plan. At the same time, we affirmed our 'A' long-term issuer credit rating on the group.

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Rating Action

On June 23, 2025, S&P Global Ratings revised its outlook on U.K.-based social housing provider Richmond Housing Partnership (RHP) to negative from stable. At the same time, we affirmed our 'A' long-term issuer credit rating on the group.

We also affirmed our 'A' issue rating on the £275 million senior secured debt issued by RHP's funding vehicle, RHP Finance PLC.

Outlook

The negative outlook reflects the risk that credit metrics will not recover, for example, EBITDA interest coverage does not improve toward 1.2x in the medium term because of elevated costs, pressured revenues, and higher borrowings.

Downside scenario

We could lower the rating on RHP over the next two years if financial recovery does not materialize. This could be due to higher costs and subdued revenues despite management's efforts to improve repair services. Additionally, financial recovery could be impeded by a more aggressive growth strategy leading to a material increase in debt to fund development.

Upside scenario

We could revise the outlook to stable if RHP's management successfully navigated its financial pressures such that the group's financial indicators show a clear gradual improvement trend, supported by a risk-averse development strategy.

Rationale

The outlook revision reflects our view that RHP's financial metrics will be weaker than we forecast. In our view, there is a risk that financial indicators might not recover due to elevated costs and lower revenues because of delays in repair services. This is on top of already high investment costs in existing properties, which we expect will continue. RHP also acquired 305 units in fiscal 2025 leading to an increase of debt. Despite the immediate revenue stream that the units' acquisition is contributing, the borrowing required for the transaction added additional pressures to RHP's debt metrics. We understand that management expects financial indicators to gradually improve over the next three years, thanks to higher efficiencies from bringing repair services in-house. We also understand that RHP is aspiring to lower development spending following the units' acquisition in fiscal 2025.

Enterprise profile: RHP benefits from its low-risk social housing activities and its operations in an area where demand for its properties is strong

We view RHP's prime activity in the predictable and countercyclical social housing sector and its strong market position as beneficial. The group mainly operates in the Richmond borough, Southwest London, where demand for affordable housing units is high. The group's vacancy rates have averaged 1.7% over the past three audited years, which is in line with its sector peers. RHP's average social and affordable rent is low, at about 35% of market rent in the areas where it operates, which also supports strong demand for its properties.

We understand that the group demonstrates a higher risk appetite and has lowered its financial targets. RHP's management strategy assumes large investments in its existing stock on top of weaker financial metrics. To accommodate this, management has temporarily relaxed its golden rules, which we think could lead to a weakening of financial metrics. In our view, this signals reduced financial planning prudence and increases the group's vulnerability to external shocks. That said, the group focuses on traditional housing activities, which we view as low risk. Its sales

exposure is less than 10% of total revenue. We do not expect the group to undertake open-market sales or to expand its limited exposure to shared ownership properties. In addition, the group benefits from strong treasury management, maintaining ample financial facilities.

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 profile: The group's financial metrics are weaker, and the recovery of its financial performance is slower than expected

We forecast that RHP's adjusted EBITDA margins will remain subdued as the group's investments in existing properties will continue to be high, and delays in repair services will cause pressure. We forecast a gradual improvement through fiscal 2028, provided that the group's planned remediation measures increase efficiency through redirecting service provision to the in-house repair team. This might facilitate a quicker turnaround on vacant properties and allow for cost savings. We understand that the positive effect might only be visible from fiscal 2027, after the group switches to a full in-house operations team. In fiscal 2025, longer turnaround times for void properties hindered revenue growth, and additional related costs added to the existing pressures from the need to invest in existing stock. The group's higher investment in existing assets is linked to the cyclical replacement of components and to the investment needed to bring the housing portfolio up to Energy Performance Certificate C standards by 2030. We forecast that costs will continue to weigh on the group's margins, as it prioritizes investing in stock quality.

We anticipate that RHP's debt metrics will be weaker than we previously forecast, as we expect lower nonsales EBITDA and higher debt-funded stock expansion. The group partially utilized the borrowing in fiscal 2025 for unit acquisitions, which put additional pressure on debt metrics alongside weaker financial performance. We assume that debt accumulation will occur at a moderate pace because RHP has decreased its development spend aspirations after the stock acquisition. Debt to adjusted nonsales EBITDA is likely to remain above 20.0x and interest coverage will average about 1.1x, over our three-year forecast horizon. If the group's remediation plan is successful, we expect the interest coverage to trend toward 1.2x by 2028.

We view RHP's liquidity position as extremely strong, with sources covering uses by 4.0x over the coming 12 months. Sources include about £130 million, mainly cash, in undrawn available facilities and retained bonds, as well as cash from operations, to which we add back the noncash cost of sales. The group's liquidity uses total about £30 million, primarily for capital expenditure, and interest and principal payments on debt.

In our view, RHP's access to external liquidity is satisfactory and the group has a good record of accessing debt capital markets.

Government-related entity analysis

We see a moderately high likelihood that RHP would receive extraordinary support from the government via the Regulator for Social Housing (RSH) in case of financial distress. This leads us to apply one notch of uplift to the stand-alone credit profile. Because one of the RSH's key goals is to maintain lender confidence and low funding costs across the sector, we expect it to step in to try and prevent a default in the sector. The RSH has a record of mediating mergers or arranging liquidity support from other registered providers in cases of financial distress--we think it would do the same for RHP, if needed.

Key Financial Indicators

Table 1

Richmond Housing Partnership--Key statistics

(Mil. £)	--Year ended March 31--				
	2024a	2025e	2026bc	2027bc	2028bc
Number of units owned or managed	10,805	11,179	11,222	11,320	11,487
Adjusted operating revenue	70	81	82	86	89
Adjusted EBITDA	10	10	11	12	14
Nonsales adjusted EBITDA	10	9	11	12	14
Capital expense	26	62	18	23	22
Debt	273	301	313	332	345
Interest expense	8	9	11	11	12
Adjusted EBITDA/Adjusted operating revenue (%)	14.6	11.7	13.3	14.0	16.0
Debt/Nonsales adjusted EBITDA (x)	27.5	31.8	28.6	27.7	24.2
Nonsales adjusted EBITDA/interest coverage(x)	1.2	1.0	1.0	1.1	1.2

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

Ratings Score Snapshot

Table 2

Richmond Housing Partnership--Ratings score snapshot

Assessment	
Enterprise risk profile	3
Industry risk	2
Regulatory framework	3
Market dependencies	2
Management and governance	3
Financial risk profile	4
Financial performance	5
Debt profile	5
Liquidity	1
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: Group Rating Methodology, July 1, 2019
- 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: Stabilization At Lower Levels, May 12, 2025
- Non-U.S. Social Housing Providers Ratings History: April 2025, 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
- 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 List

Ratings Affirmed	
Richmond Housing Partnership	
Senior Secured	A
RHP Finance PLC	
Senior Secured	A

Ratings Affirmed; Outlook Action

	To	From
Richmond Housing Partnership		
Issuer Credit Rating	A/Negative/--	A/Stable/--

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