The Housing Plus Group Ltd.

August 26, 2025

This report does not constitute a rating action.

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Credit Highlights

Overview

Enterprise profile	Financial profile
Our expectation of the Housing Plus Group (HPG)'s prudent strategies and policies underpin its enterprise profile.	The group's financial metrics will be stable despite higher investments in existing stock.
The merger with Wrekin Housing Group Ltd. (Wrekin) in January 2025 has strengthened the group's presence in the West Midlands.	Rent increases that outpace cost inflation, merger efficiencies, and government grants will mitigate the effect of elevated costs of repairs and maintenance.
A continued focus on traditional social housing activities that provide a stable and countercyclical revenue stream, with minimal exposure to sales activities, alongside with the plan to end outright sales beyond fiscal year 2027.	We expect that the group will partially debt-fund its development plan, but the growth of rental portfolio will expand the revenue base supporting the debt metrics.
Management's effort to contain costs and generate efficiencies will create headroom to address cost and investment pressures.	Liquidity will remain strong, due to large undrawn facilities.

The rating reflects our view that HPG's focus on traditional social housing for general needs and prudent cost management will support the financial metrics amid higher spending on repairs and maintenance. We project that growing demand for investments in existing homes, targets to meet energy efficiency standards and cost inflation will increase cost pressures, while debt will continue to build up to support new developments. As a result, debt burden will remain elevated. That said, we anticipate that the impact will be mitigated by savings from integration after the merger, benefiting from economies of scale due to the larger property base and similarities in the operating segments of the two merged entities.

We consider Wrekin to be a core operating subsidiary of HPG. This is because we think that the mission and operations of Wrekin are aligned with those of the group, and it is operating under the same management and board. We expect that Wrekin will be fully integrated into HPG within the next 24 months.

Outlook

The negative outlook reflects our view that the business combination between HPG and Wrekin could add credit risks, such as a higher risk appetite, elevated integration costs, and increased investments in new and existing homes.

Downside scenario

We could lower the rating on HPG if we consider, over the next 24 months, the group's strategic and financial direction became ambitious enough to lead to a much higher level of investment in new or existing homes than we currently expected.

We could also lower the rating if we assessed the likelihood of extraordinary support from the U.K. government had weakened.

Upside scenario

We could revise the outlook to stable if over the next 24 months HPG's management mitigated risks associated with its investment in existing homes, the merger, and its development plans, such that the S&P Global Ratings-adjusted EBITDA margin and interest coverage did not materially weaken.

Rationale

Enterprise Profile: HPG’s credit quality is underpinned by the focus on social housing activities and prudent strategies and policies

The merger reinforced the presence of the consolidated group in Shropshire and Staffordshire in the West Midlands of England. It now operates more than 33,000 units, with no ambition to expand beyond those existing areas. We think demand for these properties will remain strong, evidenced by solid operational metrics. The group’s average rent for general needs housing is relatively low at about 63% of the market rate. We consider the group’s vacancy level on par with the sector average, with the three-year historical average of about 1.9% of rent and service charge receivables.

The group focuses on traditional social housing letting, which generates more predictable and countercyclical revenue than market sales activities. The group primarily operates in general needs housing, supplemented by care and supported housing for older people and people with special needs. We forecast the group’s sales exposure will be limited at below 10% of the adjusted revenue on average through fiscal year 2028 (ending March 31, 2028). We also note that the group will cease outright sales after selling the remaining schemes by the end of fiscal year 2027.

We assess the group’s management and governance as stronger in comparison to its peers, supported by our view that its planning and strategic decisions are aimed at maintaining financial resilience. We believe that the group will cautiously manage its investments in existing homes and new homes despite the additional capacity incurred by the merger. We also think that the group will implement mitigating actions to limit cost growth.

We assess the regulatory framework under which registered providers of social housing in England operate as strong (see "Regulatory Framework Assessment: Social Housing Providers In The U.K. Benefit From Strong Regulatory Frameworks " published Apr. 17, 2025, on RatingsDirect).

Financial Profile: Anticipated rent increases and cost efficiencies will support the financial metrics

Our expectation of a solid financial performance with adjusted EBITDA margin above 22% in the next two-three years is primarily based on our assumptions that the group's rental increases and cost savings from the integration could offset the cost pressures. This is despite the projection of increased investment in existing stock to meet higher demand for repairs and maintenance and compliance with Energy Performance Certificate (EPC) C targets by 2030. Also, we forecast that some of these costs will be reduced by the government grants.

We consider the debt profile will remain high but stable based on our view that the group will contain its development ambitions. We think the group will keep developing new homes with relatively stable capital expenditures at about £100 million per year over the next two-three years. The government grant funding will also subsidize part of the associated capital expenditures, hence reducing its debt-funding needs. In addition, we project that the group will continue to dispose of uneconomical units to maintain the asset quality and to provide additional funding for new developments. While we forecast that the group will control its spending on new development, the group's debt metrics could be under pressure if the group increases its targets for new developments beyond our current expectations.

We consider the group's liquidity position as strong. We estimate the group's liquidity sources to uses will be approximately 1.6x in the next 12 months. We forecast liquidity sources of about £345 million--comprising cash, undrawn and available credit facilities, fixed asset sales, grant receipts, and cash from operations (after adding back the noncash cost of sales). This will cover liquidity uses of about £223 million--mainly capital expenditure and debt service payments. We believe HPG will have satisfactory access to external liquidity when needed.

Government-related entity analysis

We think there is a moderately high likelihood that HPG would receive timely extraordinary support from the U.K. government in the case of financial distress. This provides a one-notch uplift to the stand-alone credit profile. Since 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 consider it is likely that the RSH would step in to try and prevent a default in the sector. We base this view on previous instances 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 HPG.

Key Statistics

The Housing Plus Group Ltd.--Financial statistics

	--Year ended March 31--				
Mil. £	**2024a***	**2025e**	**2026bc**	**2027bc**	**2028bc**
Number of units owned or managed	33,858	34,059	34,491	34,691	34,746
Adjusted operating revenue	227.7	243.9	261.4	264.4	254.3
Adjusted EBITDA	53.6	55.6	58.2	58.4	58.0
Nonsales adjusted EBITDA	50.9	52.2	50.8	55.1	57.6
Capital expense	100.0	86.0	125.6	104.0	98.2
Debt	973.0	997.0	1,027.9	1,067.5	1,115.6
Interest expense	45.4	43.8	46.4	48.3	50.9
Adjusted EBITDA/Adjusted operating revenue (%)	23.5	22.8	22.3	22.1	22.8

Debt/Nonsales adjusted EBITDA (x)	19.1	19.1	20.2	19.4	19.4
Nonsales adjusted EBITDA/interest coverage(x)	1.1	1.2	1.1	1.1	1.1

*Combination of the figures from HPG and Wrekin. 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

The Housing Plus Group Ltd.--Ratings Score Snapshot

	Assessment
Enterprise risk profile	2
Industry risk	2
Regulatory framework	3
Market dependencies	3
Management and governance	2
Financial risk profile	4
Financial performance	4
Debt profile	5
Liquidity	3
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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- European Housing Markets: Strong Demand And Weak Supply Will Keep Prices High, July 10, 2025
- U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom, June 26, 2025
- 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
- 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 August 26, 2025)*

Housing Plus Group Ltd. (The)	
Issuer Credit Rating	A/Negative/--
Issuer Credit Ratings History	
15-Jan-2025	A/Negative/--

*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.