UK Registered Providers of Social Housing – Portfolio Review

Development and Strong Cash Flows continue, Despite the Pandemic

UK Registered Providers of Social Housing–Portfolio Review

Development and Strong Cash Flows Continue, Despite the Pandemic

> 'Fitch Ratings considers the sector's high liquidity and strong, predictable cash flows to maintain the credit strength within the sector. We expect development to continue within social housing and market funding has remained available, preventing any near-term refinancing risks.'
>
> Michael Brooks, Fitch Ratings

Applicable Criteria

Government-Related Entities Rating Criteria (September 2020)

Public-Sector, Revenue-Supported Entities Rating Criteria (March 2020)

Related Research

French Social Housing Providers – Portfolio Review (September 2020)

ESG Risks Limited for Public Finance and Global Infrastructure Ratings (May 2019)

English Housing Associations Dashboard (January 2019)

Fitch: Rent Rises for Registered Housing Providers Show Support for Sector (October 2017)

Analysts

Michael Brooks, ACA
+44 20 3530 1409
michael.brooks2@fitchratings.com

Ines Callahan
+34 93 467 8745
ines.callahan@fitchratings.com

Maurycy Michalski
+48 22 330 67 01
maurycy.michalski@fitchratings.com

Nilay Akyildiz
+49 69 768076 134
nilay.akyildiz@fitchratings.com

Fitch rates seven registered providers (RPs) active in the regulated housing sector in the UK: A2Dominion Housing Group Limited (A2D; A/Stable), Great Places Housing Group Limited (A+/Negative), Hyde Housing Association Limited (A+/Negative), London and Quadrant Housing Trust (L&Q; A+/Negative), Notting Hill Genesis (NHG; A/Stable), Origin Housing Limited (A/Negative) and Places for People Group Limited (PfPG;A/Stable). Fitch also rates several other RPs on a private basis, which it considered as part of the portfolio review process.

Fitch considers RPs government-related entities (GREs), as the UK sovereign (AA-/Negative) has sufficient control over them for a parent-subsidiary relationship to exist. The state has great influence over RPs' revenue streams (eg by deciding the level of regulated rents), their scope and their access to grant funding.

The seven publicly rated RPs are private law entities that mostly have a local or regional scope, although PfPG and L&Q have a more UK-wide approach. Their mission is to build and manage social dwellings, mostly funded by debt, grants or ongoing cash flows. Fitch rates them on a bottom-up basis, applying a one-notch uplift to their Standalone Credit Profile (SCP) to reflect the supportive regulatory environment. Our view of English social housing providers differs from that for French providers, and so our review references these differences for international context.

Sector Overview

Fire Protection and Safety

One of the greatest challenges, and costs, to the sector over the next five years will be fire safety. In the aftermath of the Grenfell disaster[1] there has been, and will continue to be, major changes in regulation relating to fire safety, particularly cladding, building complexity, sprinklers and fire doors.

RPs have made provisions within their accounts in recent years to cover this expected cost, but the full implications are not yet known. This issue is likely to have the greatest impact on London based RPs with high-rise accommodation. This could cost the sector billions of pounds and there has been no confirmed redress from builders, contractors, insurers or the government.

A similar challenge within the sector comes from health and safety costs, with increasing requirements for gas and electricity safety, and a likely Decent Homes Standard 2.0, which could factor in new decarbonisation targets. This could have a significant financial and operational impact on the sector.

A unique factor for this sector is the capital grant provided by Homes England, which is held on accounts as a liability. This is not considered debt, but an investment from government in the development of affordable housing and is therefore not factored into our assessment of net adjusted debt/EBITDA.

Pandemic Impact

Overall, Fitch considers there to be limited impact from the pandemic on the sector due to its strong liquidity and consistent cash flows. All RPs rated by Fitch have committed undrawn facilities in case of need, and we believe this constitutes a sector-wide approach due to the nature of the business's need for funding for future capex.

Significant delays in maintenance and development have occurred across the sector during the pandemic, building up additional cash reserves due to savings. This expenditure is only delayed rather than cancelled, but it provides a a liquidity buffer during the economic downturn.

The most significant impact is on those RPs more heavily reliant on development sales to meet EBITDA or operating margin targets. Delays in development, and changes to development plans, are occurring across the sector due to pandemic-related restrictions and concerns about possible downturns in the property market in the near future.

Brexit

Fitch believes the main impact of Brexit on the sector was the uncertainty of "no deal" towards the end of 2019, which caused there to be delays and turbulence in the financial and housing market. The parliamentary vote in January 2020 for the UK Parliament to have a "meaningful vote" on a Brexit deal removed this uncertainty and allowed the market to return to normal. We do not expect the same level of uncertainty to affect the market again in advance of the 2021 deadline.

The greatest ongoing risk from Brexit relates to supply chain, with concerns that certain materials may be delayed in the aftermath. Most RPs have established "back-up" plans in case of difficulty, and many had domestic-only supply chains already. Overall, we expect minimal impact from Brexit on the sector.

Rating Derivation Summary

The rating approaches to and ratings of the seven RP issuers are summarised in the Rating Derivation table below. The Long-Term Issuer Default Ratings (IDRs) reflect the interaction between the GRE score, which assesses the support the entities would receive from the UK Government in case of financial distress, and the SCP, which is an indication of their ability to service their debt excluding any extraordinary intervention from the state.

Fitch considers that the UK sovereign's sponsorship of the seven RPs reflects wide public system support. The seven RPs are commercial law entities operating in the not for profit sector with no shareholders. Fitch expects that, if there were financial distress, support would be likely to come from the UK Government and its agencies (in particular the Regulator of Social Housing, RSH). This process is likely to include formal administration proceedings and possibly a merger with a stronger RP, as was the case with Ujima in 2008 and Cosmopolitan in 2013.

Rating Derivation

Issuer	SCP	GRE Score	Rating approach	Long-Term IDR
A2D	a-	12.5	BU+1	A/Stable
Great Places	a	12.5	BU+1	A+/Negative
Hyde	a	12.5	BU+1	A+/Negative
L&Q	a	12.5	BU+1	A+/Negative
NHG	a-	12.5	BU+1	A/Stable
Origin	a-	12.5	BU+1	A/Negative
PfPG	a-	12.5	BU+1	A/Stable

BU: Bottom-Up
Source: Fitch Ratings

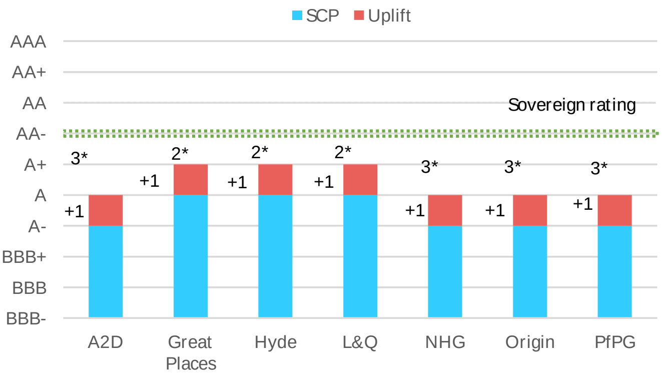
The seven RPs have the same GRE support score of 12.5 points, leading to the application of a bottom-up rating approach. This reflects the lack of direct links with the state and the supportive regulatory environment. Therefore the only factors differentiating UK RP rating is their SCP and the gap to the sovereign rating.

Fitch applies an uplift of one notch on the SCP to all RPs more than one notch away the sovereign, with the uplift capped at the sovereign minus one.

The Negative Outlooks on Great Places, Hyde and L&Q reflect that on the sovereign rating. If the sovereign were downgraded by one notch, the notching differential would reduce to one notch and the uplift would be removed, all other things being equal.

[1] On 14 June 2017, a fire broke out in the 24-storey Grenfell Tower block of flats in North Kensington, West London, causing 72 deaths and more than 70 injured

Rating Derivation



x*: Notch difference between SCP and sovereign rating. Source: Fitch Ratings

Fitch's Assessment of State Support Under GRE Rating Criteria

Fitch assesses government support based on our *GRE Rating Criteria* and looks at four different attributes (detailed in *Support Factors and GRE Scores* table below) to assign an overall score out of a maximum of 60 points. The higher the score, the closer Fitch considers the entity to be to the government and the likelier and timelier Fitch expects the support to be.

Support Factors and GRE Scores

Issuer	Status, ownership & control	Support track record	Socio-political impact	Financial impact	Support score
A2D	Strong	Moderate	Moderate	Weak	12.5
Great places	Strong	Moderate	Moderate	Weak	12.5
Hyde	Strong	Moderate	Moderate	Weak	12.5
L&Q	Strong	Moderate	Moderate	Weak	12.5
NHG	Strong	Moderate	Moderate	Weak	12.5
Origin	Strong	Moderate	Moderate	Weak	12.5
PfPG	Strong	Moderate	Moderate	Weak	12.5

Source: Fitch Ratings

A support score of 45 points or more leads to the equalisation of the issuer's rating with its sponsor, regardless of the level or existence of an SCP. A support score between 20 and 45 points leads to the application of a top-down approach from the sponsor's IDR. A support score below 20 points leads to the application of a bottom-up approach with up to three notches of uplift, capped at the sponsor's IDR.

Strength of Linkage

Rating Factor 1: Status, Ownership and Control

Fitch reflects in this rating factor the legal status of the issuers – and the related assets and liabilities transfer implications in case of default -, but also the control the state and its agencies exercise over the issuers.

Private, not-for-profit, registered providers of social housing in the UK are not under the ownership of the UK government due to the sector's structure and status (in strict terms there is no legal owner). We consider the regulatory framework for English social housing to have a robust legal basis, and the overseeing RSH, as maintaining sound control and tight, continued, monitoring of RPs. The regulator's history of oversight and (non-financial) intervention in (rare) cases of distress is a key factor behind the sector's solidity.

For English Housing Associations (HAs), the regulatory regime only applies to those registered with the RSH under ss 110-121 of the Housing and Regeneration Act 2008. Registration is not compulsory but its advantage is that it qualifies the HA for grant funding (the system for which is administered by a separate organisation, Homes England).

The RSH periodically publishes regulatory judgements on individual RPs. These comprise a viability report and a governance report, arising from an in-depth assessment of the individual RP (the risks it faces, such as financial, market and liquidity, and management's competence).

RPs are required to submit their multi-year business plans, which include a development plan, an operating plan, a means of financing, and stress testing, for regulatory assessment. The business plan process was delayed during 2020 due to the pandemic, so RPs had to report their plans by 30 September rather than 30 June.

Fitch has also factored in the financial involvement of the state via housing benefit and housing grants (Homes England, local mayors, councils or other GREs), the RPs' public policy mission and the retention of hitherto government co-financed public assets in the sector.

Rating Factor 2: Support Track Record

Fitch reflects in this factor the UK Government support mechanisms the issuers could benefit from or have benefited from.

The GRE receives financial support through grant funding from Homes England (a non-departmental government body) at differing levels to generate social and affordable development. This is on an ongoing basis to support development, not to finance debt or prevent default. The regulatory framework assesses governance and financial stability every 24-48 months, depending on the RP's size. The RSH has the power to force a weaker RP to merge with a financially stronger RP to prevent default and loss of services, but would be unlikely to provide direct support or take on existing liabilities.

There are no legal, regulatory or policy restrictions on public sector support to RPs.

Incentives to Support

Socio-Political Implications of GRE Default

Fitch caps this rating factor at 'Moderate' for all the RPs it rates. This is because there are many RPs in the UK and if one fails, another can easily take its place for the management of the housing stock with almost no disruption for the tenants.

In the unlikely event of financial default, other RPs can act as substitutes with only minor or temporary disruption to the service offered by the RP, not materially affecting the provision of service. Support for this sector ranges from merely ensuring continuation of activities while a substitute is found, to actively seeking to prevent a default and ensure continued financial viability of the GRE.

The RSH can place a poorly performing RP under supervision and make statutory appointments to the board. If the RP is expected to default on financial commitments it is also able to place the RP into special administration, which allows the regulator to appoint an administrator to come to terms with creditors within 12 months.

In some extreme cases, the RSH can direct an independent statutory inquiry, which could result in an RP being required to transfer its assets to another RP to protect the interests of tenants and other relevant parties. Fitch considers that RPs facing difficulties would probably be forced to merge with larger or financially stronger entity, as happened with Ujima and Cosmopolitan, but this has been very rare.

Fitch also considers that reduced access to the capital markets to raise funds, the logical consequence of a default, would only have a very limited impact on the level of services provided to the tenants. However, the RP's development plan may have to be scaled down to adapt to the new financing capacity. Nonetheless, RPs are of significant political and economic importance for the country, and Fitch believes they have a countercyclical role for the UK economy, as demonstrated by their continued strong performance in the aftermath of the coronavirus pandemic.

Financial Implications of GRE Default

Fitch assesses this factor at 'Weak' for the seven RPs it rates. This reflects the agency's view that a default by one of them on its financial obligations would have a minimal impact on the availability of capital and cost of finance for the whole social housing sector in the UK.

Fitch believes that if a default occurred, it would be treated as an isolated case of mismanagement or viability concerns; this should not affect the sector at large. An increasing number of UK RPs now have commercial paper programmes to finance their short-term needs, and a number also issue long-term bonds.

Peer Comparison

Issuer	Status, ownership & control	Support track record	Socio-political impact	Financial impact	Score
French SHPs	Strong	Strong	Moderate	Weak	15
English SHPs	Strong	Moderate	Moderate	Weak	12.5

Source: Fitch Ratings

French peers benefit from the same GRE assessment as UK RPs, except for Support Track Record, for which they are assessed as 'Strong', instead of 'Moderate' like UK RPs. This reflects Fitch's view that support mechanisms are stronger in France, notably thanks to the Social Housing Providers' (SHPs) privileged access to Caisse des Dépôts et Consignations (AA/Negative) financing.

Fitch's Assessment of SCPs

Fitch assesses the SCPs of UK RPs under its *Public Sector, Revenue-Supported Entities Rating Criteria*. Under these criteria, the SCP is the outcome of the combination of three main factors:

- Revenue Defensibility, which measures, from 'Weaker' to 'Stronger', the issuer's relative ability to defend and maintain its revenue profile despite challenges in its operating environment. It combines an assessment of the demand for the services provided and of the issuer's pricing characteristics.
- Operating Risk, which measures, from 'Weaker' to 'Stronger', the risk that the issuer will suffer a reduction in availability, productivity or output, or incur higher-than-expected operating, maintenance or life-cycle costs.
- Financial Profile, which is summarised in a projected net debt-to-EBITDA ratio calculated by Fitch in a five-year rating case scenario based on prudent assumptions. Fitch views the net debt to EBITDA ratio as the most relevant ratio for the sector.

SCP Derivation

Issuer	Revenue Defensibility	Operating Risk	Net debt to EBITDA (x) 2020	2025rc	SCP
A2D	Stronger	Stronger	15	11.9	a-
Great Places	Stronger	Stronger	8.5	8.2	a
Hyde	Stronger	Stronger	5.7	8.9	a
L&Q	Stronger	Stronger	13.9	8.9	a
NHG	Stronger	Stronger	12.8	11.9	a-
Origin	Stronger	Stronger	17.0	10.5	a-
PfPG	Stronger	Stronger	12.9	10.0	a-

rc: Fitch's rating case scenario
Source: Fitch Ratings

General Considerations

Fitch considers that UK RPs benefit from a stable and predictable business model, as highlighted by the 'Stronger' assessment on both revenue defensibility and operating risks for the seven rated RPs.

The 'Stronger' assessment for revenue defensibility relies on the following factors:

- Strong demand characteristics driven by the very high demand for social dwellings across the whole UK, housing benefits received directly from the state on behalf of their poorest tenants and relatively high demand for housing at market rate.
- The pricing characteristics support RPs' credit profiles, in our view, despite the previous reductions in social rents and limitations on increases for the next five years. This is because social rent increases are linked to inflation from 2020 (CPI+1%), this should cover the natural increase in RPs' costs. UK RPs also have full flexibility to develop properties to sell or rent at market rates as long as this cross-subsidises their social business.

The 'Stronger' assessment for operating risk relies on:

- Strong operating costs, with low volatility of cost items and large flexibility to delay some costs (on maintenance and investments notably), and low staff costs compared to other sectors.
- Strong resource management risk with no supply constraints for resources or labour within the sector.

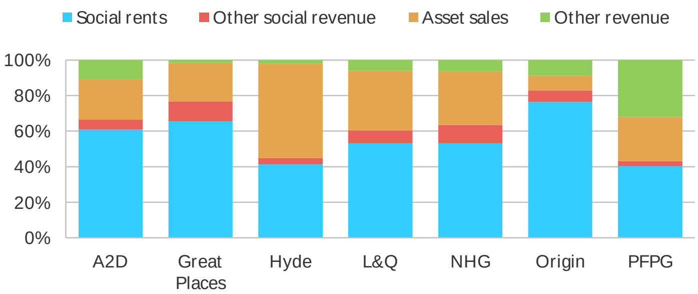
UK RPs' have fluctuating leverage payback ratios in the medium term as year-to-year development completions can be significantly different. The sector regularly accesses the markets for funding opportunities, and we expect this to continue to develop to meet the ongoing national demand for housing. There are not expected to be any wholesale changes to development approaches taken by RPs, with capital expenditure predominantly funded through debt, grants and ongoing cash flows.

Revenue Defensibility

Fitch assesses the revenue defensibility of the seven RPs as 'Stronger', reflecting 'Stronger' demand characteristics and 'Stronger' pricing characteristics.

The revenue breakdowns among Fitch-rated RPs tend to differ depending on their risk appetite. Several of the larger RPs tend to be involved in more development for sale activity to cross-subsidise major social development plans. UK RPs differ greatly from French SHPs in their cashflow breakdown as they are allowed to develop for sale without restriction, which allows for cross-subsidisation in the absence of grant funding in recent years. French peers tend to have higher income from "other revenue". Hyde stands out for its relatively high share of asset sales, but a significant portion of this is due to a stock rationalization programme, rather than the riskier development for sale. The disposal of fixed assets is not included in Fitch's EBITDA calculation. PfPG has significant levels of "Other revenue" as it operates in the low-margin leisure management sector, unlike many other RPs. This depresses PfPG's margins, but due to the RP's size provides consistent cash flows subsidised by higher-margin activities such as the private rented sector and development for sale.

Total Income FY19/20



Source: Fitch Ratings

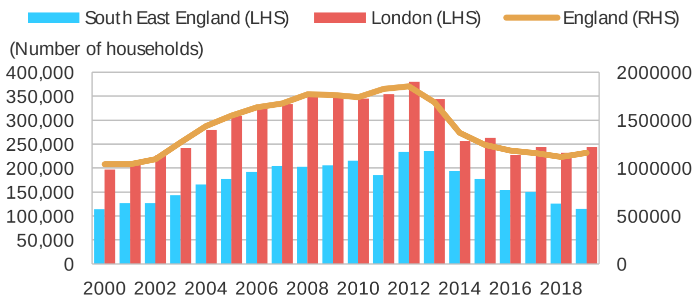
RPs' main revenue items are:

- social rents collected from tenants (and from the state for the part covered by housing benefits or universal credit) in social dwellings,
- other rents for affordable dwellings (higher revenue brackets than social housing), or specific dwellings for students or the elderly, and commercial rents,
- asset sales from the sale of land or dwellings,
- other revenue, mostly rental charges paid by RPs and to be repaid by tenants (eg, energy, cleaning staff) or leisure management

Demand Characteristics

Fitch assesses the demand characteristics as 'Stronger' for the seven RPs. This reflects high demand, and low volatility in demand for social dwellings across the UK, mostly in large urban areas, with no meaningful concentration of customers.

Local Authorities Social Housing Waiting Lists



Source: Fitch Ratings

The Office for National Statistics projects growth in population for England of 5% over mid-2018 to mid-2028). There is already very high demand for housing nationwide. In London and southeast England, where population is growing rapidly and market rents are high, demand for social and affordable housing is strong compared with other areas of the country. The latest studies (2019 Heriot-Watt, 2014 KPMG and 2016 Redfern) all suggest a housing supply gap of between and 1 million and 1.5 million homes across the UK, and note that even development at current levels would not provide the necessary capacity in the near future.

The Office for National Statistics forecasts household growth over the next 15 years to generate additional demand of around 2.9 million dwellings by 2035. This means around 4 million extra homes will be needed by 2035 to meet ongoing demand and remove the current shortfall. If the annual rate of new additions remained at 275,000, it is plausible that there would be no shortfall by 2035, but there are too many variables to be certain this will be sufficient, or that development at this level will be maintained.

Only a small proportion of new are affordable or social, even though the building rate is increasing in general. Only 37,800 affordable homes were built in England in 2018-2019 out of 240,000 net additions. It is more profitable for private housebuilders to construct higher-end properties than affordable homes. Analysis by Shelter showed 79% fewer affordable homes were being built in England than required by local council policies, with developers able to negotiate their way out of requirements under the planning system to meet affordability housing quotas. If current trends continue there is likely to be insufficient affordable homes for the long term.

Very little revenue is lost to void properties among RPs. The average lost revenue is between 1% and 1.5% of social housing rent. This reflects the limited periods properties remain vacant, and the high demand for affordable accommodation across the country.

UK RPs also benefit from secured and predictable cash flow as up to 50% of their rent income is received directly from the state as they receive the housing benefits (or Universal Credit) on behalf of their tenants on lowest incomes (between 40% and 50% of their tenants tend to receive housing benefits).

Pricing Characteristics

Fitch views the pricing characteristics of UK RPs as 'Midrange'/'Stronger' as they are allowed to increase social rents in line with inflation +1% (there are no caps on increases on market rented property) and are allowed to develop for sale, both privately and shared ownership. This should enable them to cover the growth of their costs and cross-subsidise development. Fitch also considers that a rent increase within the legal cap should not affect demand.

Social housing rents are strictly regulated by the RSH. Social housing providers are required to charge social rents set using a government formula. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, the size of the property and relative local income levels. Landlords have flexibility to set rents up to 5% above the formula rent (10% for supported housing) – this is known as the 'rent flexibility level'. Formula rent is also subject to rent caps, which vary according to the size of the property. In 2011, the government introduced 'affordable rent', which permits rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges).

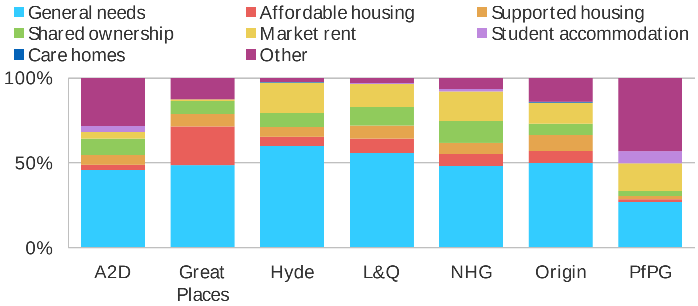
Since April 2016, the Welfare Reform and Work Act 2016 has required social landlords to reduce their rents by 1% each year for four years (the 'social rent reduction'). This applies to both social rent and affordable rent properties.

The social housing sector in the UK has been given government support, with the announcement that GBP12 billion has been committed over five years for Homes England grant.

Social housing RPs in the UK are becoming increasingly involved in market rent and sales to subsidise their development programme, due to reduced government grants. All profits are then re-invested for the RP to continue to build and provide affordable social units.

Most of RPs' revenues are still from social housing lettings, which are capped by price, but there is an increasing proportion of market activity, which we assess as 'Stronger'. We therefore ultimately assume pricing to be 'Midrange'/'Stronger'.

Tenure Mix FY19/20



Source: Fitch Ratings

Other activities are classified as social housing, including supported housing, shared ownership/first tranche sales, and management services (for properties managed by the RP but owned by others). We would classify these activities as core revenue.

The risk is higher for market rent/sale, due to the nature of the activity, but this activity results in a neutral or mildly positive position: the pricing assessment improves but the demand assessment worsens as there is more demand risk. In the current market, with RPs maintaining low levels of stock, the exposure to market risk tends to be limited. Fitch will continue to monitor this.

Hyde and PfPG are both assessed as 'Strong' for demand and pricing despite receiving only 40% and 41%, respectively, from social housing rents, and minimal amounts of other social housing revenue. However, the asset sales category includes both development for sale and disposal of assets.

The disposal of assets element primarily reflects assets sold that are no longer efficient to maintain as social units, but also includes "staircasing" sales, which ultimately can be considered social housing revenue. Staircasing is a process where an owner of a shared ownership property purchases further shares of the property from the RP that owns the rest. An owner can usually purchase in blocks (tranches) of 10% or more. Although proceeds of first tranche sales are included as social housing activity, the subsequent staircasing is not.

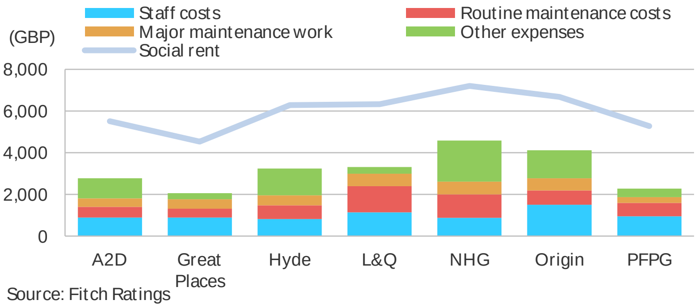
Hyde reported total asset sales of GBP320 million in FY20, of which GBP82 million was for development for sale and GBP237 million for the disposal of assets. This is primarily due to the group's significant stock rationalisation programme and is specific to FY19 and FY20.

PfPG had total asset sales of GBP222 million in FY20, of which GBP193 million was for development for sale and GBP29 million for disposal of assets. Nevertheless, the make-up of total revenue changes when facility management is not included. In addition, between 2019 and 2025 that the group expects to generate 61% of revenue through core business and facility management, which are low-risk, consistent cash flows for debt service and business operation.

Operating Risk

Fitch assesses the operating risk of the seven RPs as 'Stronger', reflecting 'Stronger' operating costs and resource management risk, and 'neutral' capital planning and management.

Social Housing Revenue and Costs per Unit FY19/20



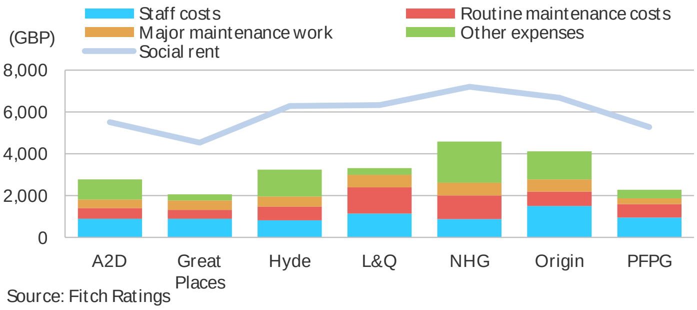
Source: Fitch Ratings

The total expenses breakdown of the seven rated RPs features quite stark differences notably due to historical and planned investment, but capital expenditure remains a major outflow of cash for the sector. Interest paid is an increasing outflow for the sector due to increasing debt for development.

Operating Costs

Fitch views the UK RP's operating costs as a 'Stronger' attribute. Their costs are well identified and exhibit low volatility, and also have a high flexibility on their investment programmes and their maintenance plans if needed.

Social Housing Revenue and Costs per Unit FY19/20



Source: Fitch Ratings

RPs' main cost items are as follows.

Staff costs represent on average 29% of their operating costs. They have little flexibility but, as RPs expand, Fitch expects this share to slightly decline in the medium term, or at least remain stable.

Routine maintenance and renovation costs represent 26% of their social expenditure. This cost item is driven by the state of the housing stock and by national laws requiring RPs to meet the Decent Homes Standard. Planned maintenance and major works account on average for 17% of expenditure in social business.

Fitch expects maintenance and renovation costs to remain a priority for most RPs. We forecast fire safety costs to be significant in the sector after the results of the Hackitt review of building regulations and fire safety have been communicated. The likely Decent Homes Standard 2, which will incorporate regulations in relation to decarbonisation will have significant cost implications for future development projects, and reinvestment in existing stock. Energy regulation will weigh more heavily on RPs with the least energy-efficient housing stock, which will translate into higher operating costs.

The share of maintenance costs for RPs with large development plans should remain stable as new dwellings require less maintenance. However, this could yet change due to developing regulations.

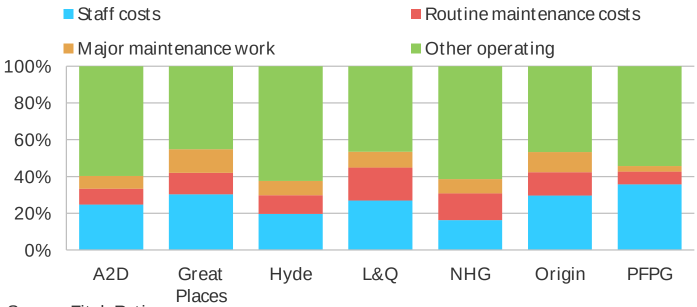
Resource Management Risk

Fitch assesses Resource Management Risk as a 'Stronger' attribute for UK RPs as they face no material supply constraints for labour or resources and benefit from strong infrastructure and supply chains.

The only likely constraint is the availability of land in desirable locations and possible limitations on the number of construction companies to implement their development plan, particularly if there is an unexpectedly negative impact from the pandemic on the construction sector. The land issue is notable in Greater London, due to high demand and real estate prices increasing (UK property prices are among the highest levels ever despite the pandemic).

This is offset, in Fitch's view, by the RPs' ability to charge higher rents or sales prices in the London area to cover the higher costs (for market properties, affordable rental and shared ownership).

Operating Costs FY19/20



Source: Fitch Ratings

The UK benefits from a strong network of construction companies, some of them internationally known, with the financial strength and know-how to build large-scale social housing projects both on site and using modular technology. Larger RPs, operating in more than one area in the UK, have a stronger negotiating position with the construction companies, especially if they are interested in a longer-term cooperation with a large-scale investment partner.

The availability of labour is reflected in the low percentage of staff costs' in operating expenditure costs (below about 30% among the seven rated RPs).

Capital Planning and Management

Fitch considers 'Capital Planning and Management' a 'Neutral' attribute for the seven UK RPs. They all benefit from a clear capital planning process with a demonstrated history of generally effective management. These are closely monitored by the RSH through the 30-year Financial Forecast Return required to be submitted and the regulatory judgements undertaken every 18-24 months.

UK RPs benefit from strong ongoing cash flows from the social rental aspect of their business high liquidity provided by the financial markets to finance their investment programme. Most RPs have revolving credit facilities, bank loans, private placements or public bonds to finance development on long term arrangements that are often not fully drawn.

There is overall little risk of cost overrun with these investments as construction processes are well established and thoroughly planned. In most cases entity boards only agree to commit to a development project (including within the business plan) if funding is secured, and liquidity policy measures are met throughout the development period.

RPs' strategy regarding the purchase of land has changed over the last decade, with many purchasing land contingent on planning permission being granted, and only buying when needed. Previously, some larger RPs acquired land banks in anticipation of possible development, or to benefit from land appreciation. However, this practice has become very limited in the sector.

Financial Profile

Leverage Profile Assessment

UK RPs have 'Midrange'/'Strong' leverage profiles, notably compared with their French peers. This is due to their different operating model: French SHPs have incentives to borrow from Caisse des Dépôts et Consignations (a French public sector financial institution), whereas English RPs do not have access to such a central public lender and have more freedom to finance their social housing activities with revenue from commercial activities and asset sales.

Fitch has established a five-year rating case scenario for each RP, which includes prudent assumptions, to rate UK RPs.

Overall, the EBITDA margins of English RPs with ambitious development plans will improve in the long term, as they collect rents from newly built dwellings, have lower maintenance spend due to costs being lower than for older dwellings, or developing and selling properties for significant margins.

However, ambitious development does tend to increase indebtedness as most investments are financed by new debt from the capital markets or bank funding. There is some, relatively significant, grant funding but this is only ever partial funding of a project to make development of social and affordable homes economically viable without cross-subsidisation from other business areas.

The funding breakdown of new developments is quite similar across the peers, with most from new debt or asset sales and some from own funds or grant. In its rating case scenarios, Fitch takes prudent assumptions on the realisation of asset sales, as it can be a volatile item. Expected asset sales and development have reduced, due to the pandemic in order to minimise risk.

Fitch expects the UK rated RPs' leverage position to deteriorate in the medium term due to aspirational development plans that are primarily debt funded. The deterioration is quite similar among the rated groups, and the end-of-period results are closely aligned to the beginning-of-period leverage. The change in development plans from the previous four years is generally due to the changing environment in the sector, with rents now able to increase after four years of reductions, triggering an increase in capital investment.

Fitch expects the new debt to be market or bank debt with advantageous terms due to the market's view of the sector as low risk, both in terms of maturity and rate. We do not expect additional funding for the sector from the state through borrowing or grants, other than those already available (Covid Corporate Financing Facility for borrowing, and Homes England, Greater London Authority or other local authorities for grants).

Financial Profile Comparison

							Net adjusted debt/EBITDA					EBITDA/ interest coverage		
	Name	Revenue defensi-bility	Opera-ting risk	Financial profile assess-ment	Suggested analytical outcome	SCP	Actual FYE20	Base case Year 5	Base Case Range year 1-5	Rating Case Year 5	Rating Case Range year 1-5	FYE20	Rating case Year 5	Liquidity Cushion FYE20
Public	A2Dominion Housing Group	Stronger	Stronger	Stronger	A CAT	a-	15	12.5	12.5 - 19.9	11.9	11.7 - 22.9	1.76	2.4	2.6
	Great Places Hosuing Group	Stronger	Stronger	Stronger	A CAT	a	8.5	8.3	8.3 - 9.1	8.2	7.8- 9.4	2.36	2.4	3.9
	Hyde Housing Association	Stronger	Stronger	Stronger	A CAT	a	5.7	6.0	6.0 - 8.0	8.9	8.9 - 12.1	3.87	3.3	3
	London & Quadrant	Stronger	Stronger	Stronger	A CAT	a	13.9	7.5	7.5 - 13.3	8.9	8.9 - 14.4	3.3	3.8	2
	Notting Hill Genesis	Stronger	Stronger	Stronger	A CAT	a-	12.8	9.6	9.6 - 10.8	11.9	11.9 - 12.3	2.12	1.6	1.6
	Origin Housing	Stronger	Stronger	Stronger	A CAT	a-	17.0	13.9	13.3 - 14.3	10.5	10.5 - 18.9	1.66	2	2.9
	Places for People Group	Stronger	Stronger	Stronger	A CAT	a-	12.9	8.5	8.5 - 12.5	10.0	10.0 - 18.2	1.6	1.7	1.4

Source: Fitch Ratings

Liquidity Profile Assessment

The seven rated UK RPs have sound liquidity profiles backed by ample cash reserves mostly invested in highly liquid investments, and high funding, committed and undrawn.

Fitch assesses the liquidity profile of UK RPs based on their liquidity cushion, which is the excess cash flow after debt service for the financial year plus the sum of readily available cash and committed liquidity lines at the beginning of the respective financial year, divided by the sum of cash annual operating expenses before interest expense. A liquidity cushion below 0.33x could be negative for the rating.

Liquidity Profile

Issuer	Liquidity cushion 2020 (x)
A2D	2.6
Great places	3.9
Hyde	3.0
L&Q	2.0
NHG	1.6
Origin	2.9
PfPG	1.4

Source: Fitch Ratings

Three of the seven rated RPs, A2D, L&Q and Hyde, have new issuance programmes. Fitch believes they have a limited risk and assigns them the same ratings as the issuers.

Asymmetric Risks

Fitch did not identify any material asymmetric risks that could affect the SCP of any of the seven RPs. This is due to the strong regulatory control the RSH maintains over the sector and the information requirements it maintains. UK RPs also tend to hold very simple borrowing instruments with limited interest or foreign exchange risk.

Derivation of Short-Term Ratings

The Short-Term IDRs are linked to the Long-Term IDRs. When there is a choice between two Short-Term IDRs, Fitch looks at the issuers' liquidity profile assessment, debt structure, contingent liabilities risk and liquidity coverage ratio[2]. Fitch has consequently assigned all seven RPs the higher Short-Term IDR.

Short-Term Ratings

Issuer	Revenue defensibility	Liquidity coverage ratio (x)	Liquidity profile	Debt structure and contingent liabilities	Short-Term IDR
A2D	Stronger	23.1	Neutral	Neutral	F1+
Great places	Stronger	31.2	Neutral	Neutral	F1+
Hyde	Stronger	39.5	Neutral	Neutral	F1+
L&Q	Stronger	4.8	Neutral	Neutral	F1+
NHG	Stronger	14.0	Neutral	Neutral	F1+
Origin	Stronger	12.4	Neutral	Neutral	F1+
PfPG	Stronger	13.2	Neutral	Neutral	F1+

Source: Fitch Ratings

ESG Considerations

We have assigned all UK RPs covered in this report a score of '3' for the three ESG Relevance topics. This means that ESG issues are credit neutral or have a minimal credit impact on the entities. For more information on our ESG Relevance Scores, visit: http://www.fitchratings.com/site/esg.

Environmental Considerations

Fitch views environmental considerations as minimally relevant for the ratings of UK RPs. This could change in the future as regulations are introduced in relation to decarbonisation, which are likely to have a significant impact on expenditure. We expected RPs to work towards being carbon neutral, with most energy-inefficient properties likely to be disposed of in the long term.

Any extra costs linked to the greening of construction processes will directly affect RPs' investment plans, as the construction sector is one of the largest issuers of greenhouse gases. It is not yet known whether additional financing will be provided by the state to support this social objective.

The environmental considerations are mostly reflected in the issuers' operating costs, but also in the incentive to support factors.

Social Considerations

Fitch views social considerations as minimally relevant to the ratings of UK RPs. Fitch believes that working conditions and employees' well-being are usually in line with the highest standards and represent only a marginal risk to the sector.

Fitch considers that UK RPs have an overall neutral exposure to social impacts as a deteriorating economic environment would tend to increase the demand for social housing, while at the same time weakening the socio-economic profile of the lowest-income tenants. This weakening can lead tenants to access benefits to pay future rents. RPs also tend to have a countercyclical role, increasing their investment in times of crisis to support the construction sector.

These social considerations are reflected in the issuers' trend in operating expenditures, but also in the incentive to support factors.

Governance Considerations

Fitch views governance considerations as minimally relevant to the rating of the sector. All RPs are subject to regulatory judgements within a four-year cycle (can be twice in this time period for larger RPs), which assess the governance and the financial viability of the entity. The quality of the financial information usually meets the standard of publicly listed corporates, and the requirement to present a 30-year financial forecast to regulator provides strong controls and long-term planning.

These governance considerations are reflected in the issuers' profitability, investment plans and asymmetric risks.

[2] Liquidity coverage ratio is a measure of resource sufficiency relative to the maximum potential liquidity requirement over the 90-day period before the date of this potential need.

A2Dominion Housing Group Limited

Issuer Description

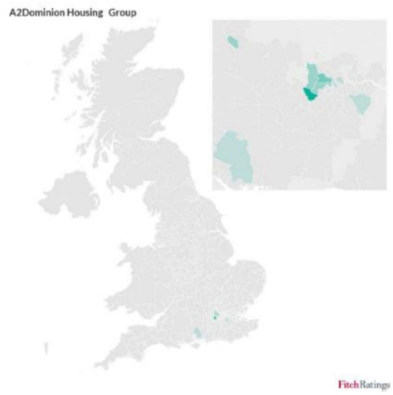
Long-Term IDR/Outlook	A/Stable
Short-Term IDR	F1+
Sovereign Rating	UK (AA-/Negative/F1+)
Legal status	Commercial law
Dwellings under management at FYE20	38,124
Debt levels	GBP1,718m

Asset values: EUV-SH: GBP3.2bn; MV-T: GBP8.6bn
First rated: September 2013
Regulatory judgement: G1/V2
Source: Fitch Ratings

Key Metrics (Fitch's Rating Case Scenario)

(GBPm)	2020	2021	2022	2023	2024	2025
Housing units owned and managed	38,124	38,270	38,868	39,904	40,697	41,145
Operating revenue	330	351	429	426	432	426
EBITDA/interest coverage	1.9	1.4	2.0	2.3	2.5	2.4
EBITDA	106	74	119	135	157	154
Net adjusted debt	1,613	1,701	1,784	1,898	1,833	1,835
Net adjusted debt/EBITDA (X)	15.2	22.9	15.0	14.0	11.7	11.9

Source: Fitch Ratings



Standalone Credit Profile (SCP): 'a-'

In our rating case, we expect A2D's net adjusted debt/EBITDA to remain high, below 12x by 2025, but peaking at 23x in FY21, a rise from 15x in 2020. Revenue defensibility, assessed as 'Strong', is driven by the high demand for housing in London and southeast England, for social and affordable housing, with increasing activity at market rate and stable prices within the region, and sales performance remaining strong during 2Q21.

A2D's 'Stronger' operating risk is derived from average staff costs, at 25%, limited committed expenditure and an abundance of available resources. A2D has flexibility to reduce maintenance costs and discretionary spending in the medium term and still provide properties that meet the Decent Homes Standard.

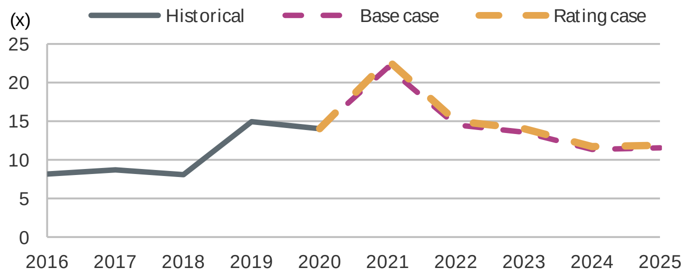
Support: 12.5 Points

The outcome of the GRE Assessment leads to a bottom-up plus one notch assessment and therefore the IDR is at 'A' with Stable Outlook.

Rating Sensitivities

Deterioration of A2D's leverage on a sustained basis in our rating case could lead to a downward revision of its SCP. Sustained improvement could result in an upward revision.

Net Adjusted Debt/EBITDA - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Issuer

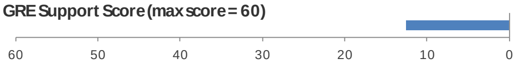
GRE Rating Derivation Summary

GRE Key Rating Drivers and Support Score		
Status, Ownership and Control	Strong	5
Support Track Record	Moderate	2.5
Socio-Political Implications of GRE Default	Moderate	5
Financial Implications of GRE Default	Weak	0
GRE Support Score		12.5
Score - Notching Guideline Table		**12.5**

Standalone Credit Profile (SCP) Derivation		
Revenue Defensibility		Stronger
Operating Risk		Stronger
Leverage Ratio (Rating Case Scenario)		11.9
Qualitative Factors Adjustments		--
GRE SCP		a-
Distance - Notching Guideline Table	**1,2,3**	

Sponsor IDR	GRE SCP	GRE IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	A+
A	a	A
A-	a-	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC/CC/C	ccc/cc/c	CCC/CC/C

GRE Support Score (max score = 60)



Notching Guideline Table

Distance \ Score	>=45	35-42.5	27.5-32.5	20-25	15-17.5	12.5	<=10
= or above	Capped	Capped	Capped	Capped	Capped	Capped	Capped
1,2,3	=	=	=	- 1	+ 1	+ 1	SCP
4	=	- 1	- 1	- 2	+ 1	+ 1	SCP
>4	=	- 1	- 2	- 3	+2/+3	+ 1	SCP

Stylized Notching Guideline Table: refer to GRE criteria for details

Summary

Sponsor IDR	AA-
GRE SCP	a-
Distance Sponsor IDR vs GRE SCP	3
GRE Support Score	12.5
Notching Approach	Bottom up +1
GRE Suggested IDR	A
Single Equalisation Factor	No
GRE IDR	**A**

Source: Fitch Ratings

Great Places Housing Group Limited

Issuer Description

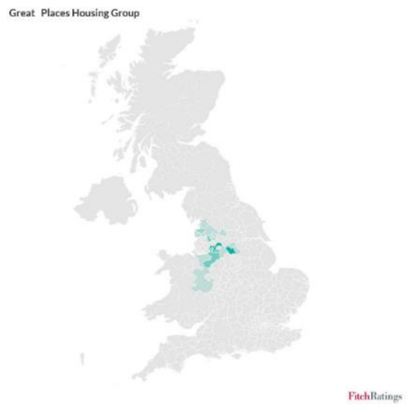
Long-Term IDR/Outlook	A+/Negative
Short-Term IDR	F1+
Sovereign Rating	UK (AA-/Negative/F1+)
Legal status	Commercial law
Dwellings under management at FYE20	19,386
Debt levels	GBP547m

Asset values: EUV-SH: GBP332 m; MV-T: GBP822m
First rated: April 2012
Regulatory judgement: G1/V2
Source: Fitch Ratings

Key Metrics (Fitch's Rating Case Scenario)

(GBPm)	2020	2021	2022	2023	2024	2025
Housing units owned and managed	19,376	24,259	24,972	25,699	26,340	27,255
Operating revenue	125	136	165	178	189	200
EBITDA/interest coverage	2.4	1.9	2.6	2.5	2.5	2.4
EBITDA	56	54	67	75	83	91
Net adjusted debt	473	503	563	591	585	603
Net adjusted debt/EBITDA (X)	8.5	9.4	8.4	7.9	7.0	6.7

Source: Fitch Ratings



Standalone Credit Profile (SCP): 'a'

In our rating case, we expect Great Places' net adjusted debt/EBITDA to remain low, around 7x by 2025, from 9x in 2020. Revenue defensibility, assessed as 'Strong' is driven by the high demand for social and affordable housing in north England, , with increasing activity at market rate and stable prices within the region, and sales performance remaining strong during 2Q21.

Great Places' stronger operating risk is derived from average levels of staff costs, at 30%, limited committed expenditure and an abundance of available resources. Great Places has flexibility to reduce maintenance costs and discretionary spending in the medium term and still provide properties that meet the Decent Homes Standard. On 1 April 2020 there was a transfer of engagements of equity housing group. The map above includes this transfer.

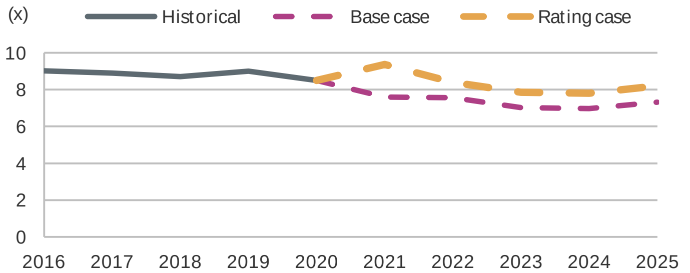
Assessment of State Support: 12.5 Points

The one-notch uplift under the GRE Criteria leads to an IDR at 'A+'. The Negative Outlook reflect thats of the sovereign as the IDR is now capped at the sovereign rating minus one notch.

Rating Sensitivities

Deterioration of Great Places' leverage on a sustained basis in our rating case could lead to a downward revision of its SCP. A sustained improvement could result in an upward revision, provided the UK was upgraded.

Net Adjusted Debt/EBITDA - Fitch's Base and Rating Case Scenarios

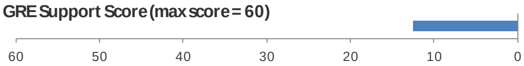


Source: Fitch Ratings, Issuer

GRE Rating Derivation Summary

GRE Key Rating Drivers and Support Score		
Status, Ownership and Control	Strong	5
Support Track Record	Moderate	2.5
Socio-Political Implications of GRE Default	Moderate	5
Financial Implications of GRE Default	Weak	0
GRE Support Score		12.5
Score - Notching Guideline Table		**12.5**

GRE Support Score (max score = 60)



Notching Guideline Table

Distance \ Score	>=45	35-42.5	27.5-32.5	20-25	15-17.5	12.5	<=10
= or above	Capped	Capped	Capped	Capped	Capped	Capped	Capped
1,2,3	=	=	=	- 1	+ 1	+ 1	SCP
4	=	- 1	- 1	- 2	+ 1	+ 1	SCP
>4	=	- 1	- 2	- 3	+2/+3	+ 1	SCP

Stylized Notching Guideline Table: refer to GRE criteria for details

Source: Fitch Ratings

Standalone Credit Profile (SCP) Derivation	
Revenue Defensibility	Stronger
Operating Risk	Stronger
Leverage Ratio (Rating Case Scenario)	6.7
Qualitative Factors Adjustments	--
GRE SCP	a
Distance - Notching Guideline Table	**1,2,3**

Summary	
Sponsor IDR	AA-
GRE SCP	a
Distance Sponsor IDR vs GRE SCP	2
GRE Support Score	12.5
Notching Approach	Bottom up +1
GRE Suggested IDR	A+
Single Equalisation Factor	No
GRE IDR	**A+**

Sponsor IDR	GRE SCP	GRE IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	A+
A	a	A
A-	a-	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC/CC/C	ccc/cc/c	CCC/CC/C

Hyde Housing Association Limited

Issuer Description

Long-Term IDR/Outlook	A+/Negative
Short-Term IDR	F1+
Sovereign Rating	UK (AA-/Negative/F1+)
Legal status	Commercial law
Dwellings under management at end-2020	48,287
Debt level	GBP 1, 509m

Asset values: EUV-SH: GBP2.915bn; MV-T: GBP5.954bn; MV-VP: GBP9.790bn
First rated: March 2019
Regulatory judgement: G1/V2
Source: Fitch Ratings

Standalone Credit Profile: 'a'

In its rating case, Fitch expects the pandemic's effects to weigh on Hyde's operating performance and debt ratios in FY21, but that they will rebound, with expected net debt to EBITDA declining to 8.9x in 2025. Revenue defensibility, assessed as 'Stronger' driven by high demand for social and affordable housing in Hyde's main operational areas, London and south England, with robust waiting lists despite the pandemic and Brexit uncertainty.

Hyde has flexibility to change the tenures of its housing stock to offset the historical decline of social rents Hyde's stronger operating risk is derived from below-average staff costs, below 20%, limited committed expenditure and an abundance of available resources. Hyde has flexibility to scale back maintenance costs as they will remain in compliance with the Decent Homes Standard. Unit numbers reduce in 2023 as the contract to manage 2,500 units will end, and for prudence we do not assume that it will be renewed.

Assessment of State Support: 12.5 Points

The SCP at 'a', means the one-notch uplift under the GRE Criteria leads to a Long-Term IDR of 'A+' and Short-Term IDR at 'F1+'.

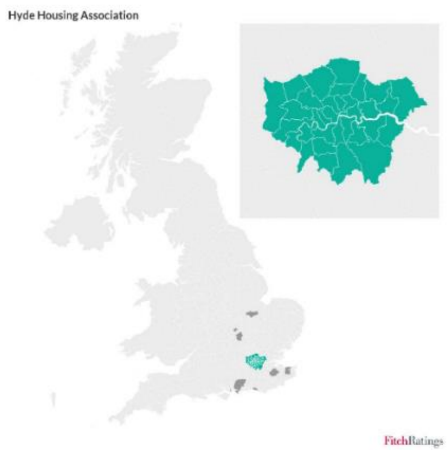
Rating Sensitivities

The IDR could be downgraded if leverage deteriorates on a sustained basis throughout the rating case. A UK sovereign downgrade would lead to a downgrade of this rating, which is capped at the sovereign rating minus one notch. The IDR could be upgraded if leverage improves on a sustained basis throughout the rating case. A revision of the UK sovereign Outlook would also lead to a revision of the groups' Outlook.

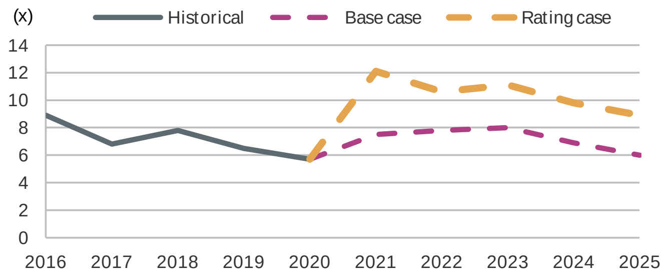
Key Metrics (Fitch's Rating Case Scenario)

(GBPm)	2020	2021	2022	2023	2024	2025
Dwellings under management (units)	48,287	47,828	48.157	45,714	46,190	46,529
Operating revenue	493	419	452	422	439	496
EBITDA/interest coverage	3.9	2.2	3.1	2.9	3.3	3.3
EBITDA	241	122	143	132	142	147
Net adjusted debt	1,381	1,478	1,512	1,464	1,390	1,313
Net adjusted debt/EBITDA (X)	5.7	12.1	10.6	11.1	9.6	8.9

Source: Fitch Ratings



Net Adjusted Debt/EBITDA - Fitch's Base and Rating Case Scenarios

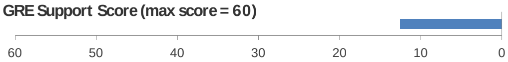


Source: Fitch Ratings, Issuer

GRE Rating Derivation Summary

GRE Key Rating Drivers and Support Score		
Status, Ownership and Control	Strong	5
Support Track Record	Moderate	2.5
Socio-Political Implications of GRE Default	Moderate	5
Financial Implications of GRE Default	Weak	0
GRE Support Score		12.5
Score - Notching Guideline Table		**12.5**

GRE Support Score (max score = 60)



Notching Guideline Table

Distance \ Score	>=45	35-42.5	27.5-32.5	20-25	15-17.5	12.5	<=10
= or above	Capped	Capped	Capped	Capped	Capped	Capped	Capped
1,2,3	=	=	=	- 1	+ 1	+ 1	SCP
4	=	- 1	- 1	- 2	+ 1	+ 1	SCP
>4	=	- 1	- 2	- 3	+2/+3	+ 1	SCP

Stylized Notching Guideline Table: refer to GRE criteria for details

Source: Fitch Ratings

Standalone Credit Profile (SCP) Derivation	
Revenue Defensibility	Stronger
Operating Risk	Stronger
Leverage Ratio (Rating Case Scenario)	8.9
Qualitative Factors Adjustments	--
GRE SCP	a
Distance - Notching Guideline Table	**1,2,3**

Summary	
Sponsor IDR	AA-
GRE SCP	a
Distance Sponsor IDR vs GRE SCP	2
GRE Support Score	12.5
Notching Approach	Bottom up +1
GRE Suggested IDR	A+
Single Equalisation Factor	No
GRE IDR	**A+**

Sponsor IDR	GRE SCP	GRE IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	**A+**
A	**a**	A
A-	a-	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC/CC/C	ccc/cc/c	CCC/CC/C

London and Quadrant Housing Trust

Issuer Description

Long-Term IDR/Outlook	A+/Negative
Short-Term IDR	F1+
Sovereign Rating	UK (AA-/Negative/F1+)
Legal status	Commercial law
Dwellings under management at FYE20	105,262
Debt levels	GBP5.5bn

EUV-SH: GBP17.3bn; MV-T: GBP26.0bn; MV-VP: GBP39.1bn. First rated: July 2018
Regulatory judgement: G1/V1. Source: Fitch Ratings

Standalone Credit Profile: 'a'

In our rating case we expect net debt/EBITDA to be high in FY21, above 14x, mainly due to one-off additional spending on fire safety, anticipating new regulation requirements and higher costs after mergers with other RPs, these will be reduced in future. Lower sales revenue has resulted from Brexit uncertainty and the pandemic environment, we expect this to improve. We expect leverage to fall, returning to below 10x in FY23.

L&Q's revenue defensibility, assessed at 'Strong', is driven by the high demand for social and affordable housing in the UK. L&Q's stronger operating risk is derived from average staff cost levels, at around 27%, limited committed expenditure and an abundance of available resources. L&Q has flexibility to reduce maintenance costs and discretionary spending in the medium term and still provide properties that meet the Decent Homes Standard.

Assessment of State Support: 12.5 Points

The SCP of 'a', with the one-notch uplift under the GRE Criteria, leads to the Long-Term IDR of 'A+' and a Short-Term IDR of 'F1+'. The Negative Outlook reflects that of the sovereign, as the IDR is now capped at the sovereign rating minus one notch.

Rating Sensitivities

The IDR could be downgraded if net adjusted debt/EBITDA deteriorates on a sustained basis throughout the rating case. A downgrade of the sovereign would also lead to a downgrade of this rating, which is now capped at the sovereign rating minus one notch.

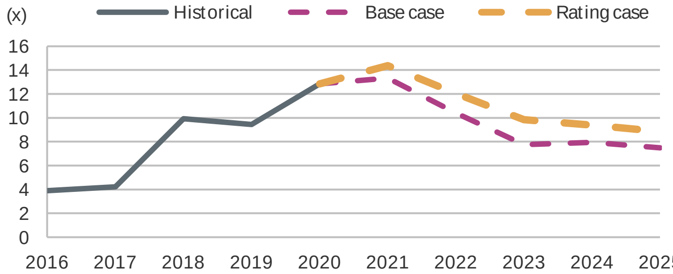
The IDR could be upgraded if net adjusted debt/EBITDA improves on a sustained basis throughout the rating case. A revision of the UK sovereign rating Outlook would also lead to a revision of Outlook.

Key Metrics (Fitch's Rating Case Scenario)

(GBPm)	2020	2021	2022	2023	2024	2025
Housing units owned and managed	105,262	107,613	110,988	112,840	113,595	114,441
Operating revenue	1,011	1,279	1,352	1,883	1,894	1,724
EBITDA/ interest coverage	3.3	2.9	3.4	4.4	3.9	3.8
EBITDA	387	348	431	544	589	610
Net adjusted debt	5,371	5,001	5,187	5,350	5,536	5,402
Net adjusted debt/EBITDA (X)	13.9	14.4	12.0	9.8	9.4	8.9

Source: Fitch Ratings

Net Adjusted Debt / EBITDA - Fitch's Base and Rating Case Scenarios

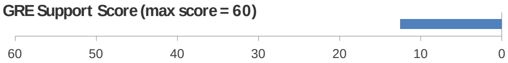


Source: Fitch Ratings, Issuer

GRE Rating Derivation Summary

GRE Key Rating Drivers and Support Score		
Status, Ownership and Control	Strong	5
Support Track Record	Moderate	2.5
Socio-Political Implications of GRE Default	Moderate	5
Financial Implications of GRE Default	Weak	0
GRE Support Score		12.5
Score - Notching Guideline Table		**12.5**

GRE Support Score (max score = 60)



Notching Guideline Table

Distance \ Score	>=45	35-42.5	27.5-32.5	20-25	15-17.5	12.5	<=10
= or above	Capped	Capped	Capped	Capped	Capped	Capped	Capped
1,2,3	=	=	=	- 1	+ 1	+ 1	SCP
4	=	- 1	- 1	- 2	+ 1	+ 1	SCP
>4	=	- 1	- 2	- 3	+2/+3	+ 1	SCP

Stylized Notching Guideline Table: refer to GRE criteria for details

Source: Fitch Ratings

Standalone Credit Profile (SCP) Derivation	
Revenue Defensibility	Stronger
Operating Risk	Stronger
Leverage Ratio (Rating Case Scenario)	8.9
Qualitative Factors Adjustments	--
GRE SCP	a
Distance - Notching Guideline Table	**1,2,3**

Summary	
Sponsor IDR	AA-
GRE SCP	a
Distance Sponsor IDR vs GRE SCP	2
GRE Support Score	12.5
Notching Approach	Bottom up +1
GRE Suggested IDR	A+
Single Equalisation Factor	No
GRE IDR	**A+**

Sponsor IDR	GRE SCP	GRE IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	**A+**
A	**a**	A
A-	a-	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC/CC/C	ccc/cc/c	CCC/CC/C

Notting Hill Genesis

Issuer Description

Long-Term IDR/Outlook	A/Stable
Short-Term IDR	F1+
Sovereign Rating	UK (AA-/Negative/F1+)
Legal status	Commercial law
Dwellings under management at FYE20	66,453
Debt levels	GBP3.5bn

Asset values: EUV-SH: GBP5.3bn; MV-T: GBP11.5bn; MV-VP: GBP20.1bn
First rated: August 2018
Regulatory judgement: G1/V2
Source: Fitch Ratings

Standalone Credit Profile: 'a-'

In its rating case, Fitch expects NHG's debt to increase to about GBP4.1 billion by FYE25 (about 3% annually) following investments (FYE20: GBP3.5 billion). The ratio, net debt/Fitch-calculated EBITDA, is expected to return to around 12x by FYE22 (FYE20: 12.8x) after increasing to 14.6x in FYE19. This is despite lower revenue from sales and increased spending on fire and safety improvements in existing stock.

NHG's revenue defensibility assessed as 'Strong' driven by the high demand for social and affordable housing in the UK, especially in London and southeast England.

NHG's 'Stronger' operating risk is derived from average staff cost levels, at below 20%, limited committed expenditure and an abundance of available resources. NHG has flexibility to reduce maintenance costs and discretionary spending in the medium term and still provide properties that meet the Decent Homes Standard.

Assessment of State Support: 12.5 Points

The SCP of 'a-' with a one-notch uplift under the GRE Criteria leads to a Long-Term IDR of 'A' and Short-Term IDR of 'F1+'.

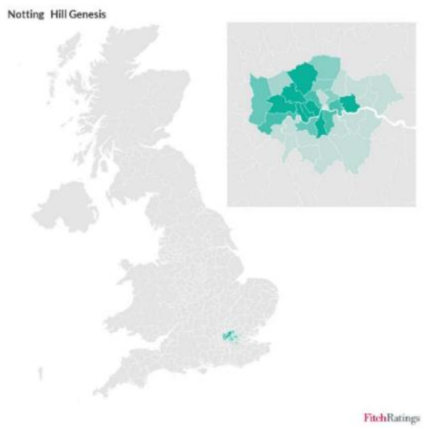
Rating Sensitivities

The IDR could be upgraded if net adjusted debt/EBITDA improves on a sustained basis throughout the rating case. The IDR could be downgraded if net adjusted debt/EBITDA deteriorates on a sustained basis throughout the rating case.

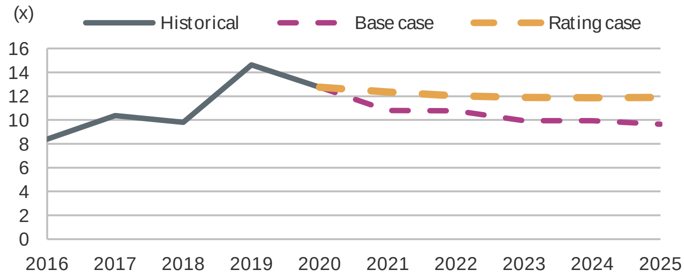
Key Metrics (Fitch's Rating Case Scenario)

(GBPm)	2020	2021	2022	2023	2024	2025
Housing units owned and managed	66,453	67,955	68,844	69,689	70,759	71,805
Operating revenue	778	801	909	793	847	906
EBITDA/interest coverage	2.1	1.9	1.7	1.7	1.7	1.6
EBITDA	263	253	260	279	293	308
Net adjusted debt	3,350	3,122	3,124	3,313	3,479	3,659
Net adjusted debt/EBITDA (X)	12.8	12.3	12.0	11.9	11.9	11.9

Source: Fitch Ratings



Net Adjusted Debt/EBITDA - Fitch's Base and Rating Case Scenarios

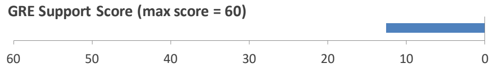


Source: Fitch Ratings, Notting Hill Genesis

GRE Rating Derivation Summary

1. GRE Key Rating Drivers and Support Score		
Status, Ownership and Control	Strong	5
Support Track Record and Expectations	Moderate	2.5
Socio-Political Implications of GRE Default	Moderate	5
Financial Implications of GRE Default	Weak	0
GRE Support Score		12.5
Score - Notching Guideline Table		**F**

GRE Support Score (max score = 60)



3. Notching Guideline Table

Distance \ Score	A	B	C	D	E	F	G
= or above	Capped	Capped	Capped	Capped	Capped	Capped	Capped
1,2,3	=	=	=	- 1	+ 1	+ 1	SCP
4	=	- 1	- 1	- 2	+ 1	+ 1	SCP
>4	=	- 1	- 2	- 3	+2/+3	+ 1	SCP

Stylized Notching Guideline Table: refer to GRE criteria for details

2. Standalone Credit Profile (SCP) Derivation	
Revenue Defensibility	Stronger
Operating Risk	Stronger
Leverage Ratio	12
Qualitative Factors Adjustments	--
GRE SCP	a-
Distance - Notching Guideline Table	**1,2,3**

4. Summary	
Sponsor IDR	AA-
GRE SCP	a-
Distance Sponsor IDR vs GRE SCP	3
GRE Support Score	12.5
Notching Approach	Bottom up +1
GRE Suggested IDR	A
Single Equalisation Factor	No
GRE IDR	**A**

Sponsor IDR	GRE SCP	GRE IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	A+
A	a	**A**
A-	**a-**	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC/ CC/ C	ccc/ cc/ c	CCC/ CC/ C

Source: Fitch Ratings

Origin Housing Limited

Issuer Description

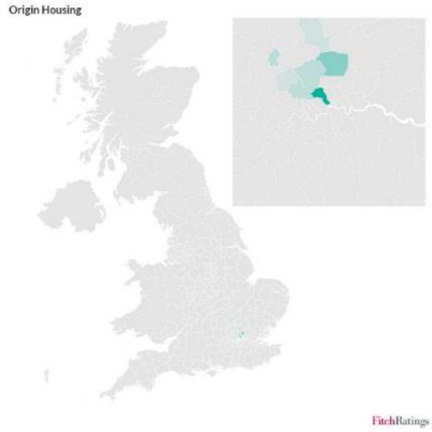
Long-Term IDR/Outlook	A/Negative
Short-Term IDR	F1+
Sovereign Rating	UK (AA-/Negative/F1+)
Legal status	Commercial law
Dwellings under management at FYE20	6,959
Debt levels	GBP382m

Asset values: EUV-SH: GBP546m; MV-T: GBP955m; OMV-VP: GBP2,037m
First rated: June 2016
Regulatory judgement: G1/V2
Source: Fitch Ratings

Key Metrics (Fitch's Rating Case Scenario)

(GBPm)	2020	2021	2022	2023	2024	2025
Dwellings under management (units)	6,959	7,099	7,283	7,619	7,807	7,847
Operating revenue	58	72	91	77	76	73
EBITDA/interest coverage	1.7	1.6	2.1	1.7	2.0	2.0
EBITDA	22	20	28	26	33	34
Net adjusted debt	368	386	380	381	377	360
Net adjusted debt/EBITDA (X)	17.0	18.9	13.4	14.8	11.4	10.5

Source: Fitch Ratings



Standalone Credit Profile (SCP): 'a-'

In our rating case, we expect Origin's net adjusted debt/EBITDA to remain high, below 11x by 2025, but peaking at 19x in FY21, from 17x in 2020. Revenue defensibility, assessed as 'Strong' is driven by the high demand for social and affordable housing in London, with an evolving development programme, shifting away from sales to social rented. Nevertheless, sales have been progressing well since lockdown eased in June 2020, exceeding the revised annual budget.

Origin's stronger operating risk is derived from average staff cost levels, at 29%, limited committed expenditure and an abundance of available resources. Origin has flexibility to reduce maintenance costs and discretionary spending in the medium term and still provide properties that meet the Decent Homes Standard.

The final couple of years of the rating case place Origin at its current notching, but given the volatility for the first few years Fitch has maintained the Negative Outlook.

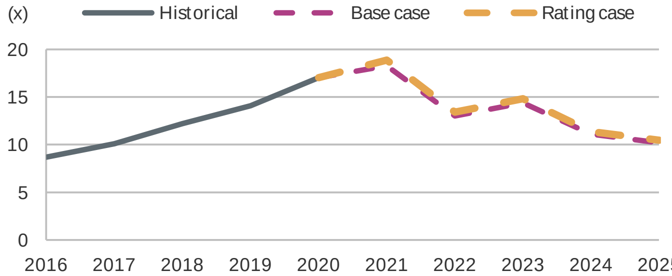
Support: 12.5 Points

The SCP at 'a-' means the one-notch uplift under the GRE Criteria the Long-Term IDR is 'A' and the Short-Term IDR is 'F1+'.

Rating Sensitivities

Deterioration of Origin's leverage on a sustained basis in our rating case could lead to a downward revision of its SCP. A sustained improvement could result in an upward revision.

Net Adjusted Debt/EBITDA - Fitch's Base and Rating Case Scenarios

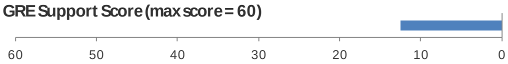


Source: Fitch Ratings, Issuer

GRE Rating Derivation Summary

GRE Key Rating Drivers and Support Score		
Status, Ownership and Control	Strong	5
Support Track Record	Moderate	2.5
Socio-Political Implications of GRE Default	Moderate	5
Financial Implications of GRE Default	Weak	0
GRE Support Score		12.5
Score - Notching Guideline Table		**12.5**

GRE Support Score (max score = 60)



Notching Guideline Table

Distance \ Score	>=45	35-42.5	27.5-32.5	20-25	15-17.5	12.5	<=10
= or above	Capped	Capped	Capped	Capped	Capped	Capped	Capped
1,2,3	=	=	=	- 1	+ 1	+ 1	SCP
4	=	- 1	- 1	- 2	+ 1	+ 1	SCP
>4	=	- 1	- 2	- 3	+2/+3	+ 1	SCP

Stylized Notching Guideline Table: refer to GRE criteria for details

Source: Fitch Ratings

Standalone Credit Profile (SCP) Derivation	
Revenue Defensibility	Stronger
Operating Risk	Stronger
Leverage Ratio (Rating Case Scenario)	11.9
Qualitative Factors Adjustments	--
GRE SCP	a-
Distance - Notching Guideline Table	**1,2,3**

Summary	
Sponsor IDR	AA-
GRE SCP	a-
Distance Sponsor IDR vs GRE SCP	3
GRE Support Score	12.5
Notching Approach	Bottom up +1
GRE Suggested IDR	A
Single Equalisation Factor	No
GRE IDR	**A**

Sponsor IDR	GRE SCP	GRE IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	A+
A	a	**A**
A-	**a-**	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC/CC/C	ccc/cc/c	CCC/CC/C

Places for People Group

Issuer Description

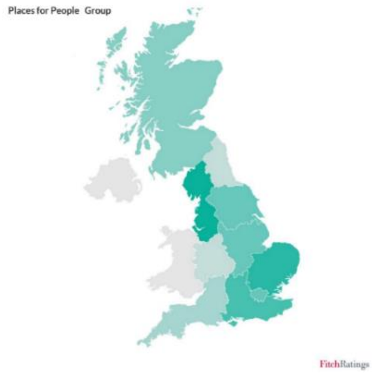
Long-Term IDR/Outlook	A/Stable
Short-Term IDR	F1+
Sovereign Rating	UK (AA-/Negative/F1+)
Legal status	Commercial law
Dwellings under management at FYE20	209,312
Debt levels	GBP3.17bn

Asset values: MV-STT: GBP6.14bn
First rated: December 2018
Regulatory judgement: G1/V1
Source: Fitch Ratings

Key Metrics (Fitch's Rating Case Scenario)

(GBPm)	2020	2021	2022	2023	2024	2025
Housing units owned and managed	209, 312	209,860	211,353	212,082	213,032	213,847
Operating revenue	867	769	830	836	844	854
EBITDA/ interest coverage	1.6	1.2	1.6	1.7	1.7	1.7
EBITDA	230	162	231	251	262	270
Net adjusted debt	2,961	2,962	2,922	2,839	2,772	2,709
Net adjusted debt/EBITDA (X)	12.9	18.2	12.6	11.3	10.6	10.0

Source: Fitch Ratings



Standalone Credit Profile: 'a-'

Fitch assesses PfPG's revenue defensibility overall as 'Strong'. Demand for social housing continues to increase, and any change in the rents that PfPG is allowed to charge would be unlikely to materially affect demand. PfPG has been gaining more flexibility to collect enough revenue to cover all costs through its diversified revenue from non-social housing activity. We expect non-social activity to reduce after FY21.

Fitch assesses operating risk as 'Strong' due to well-identified and consistent cost drivers from scale of operations, leading to low costs per unit, and low potential volatility in major expenses. PfPG has material capex in its development plans in the medium term, but has opportunities to slow committed schemes, defer uncommitted schemes or switch tenure from sale to market rent.

We expect turnover to rise to about GBP850 million in FY21-FY25, with EBITDA averaging a high GBP200 million-250 million a year. Net debt/Fitch-calculated EBITDA is likely to stay below 12x (FYE20: 12.9x), in line with the lower end of 'A' category peers.

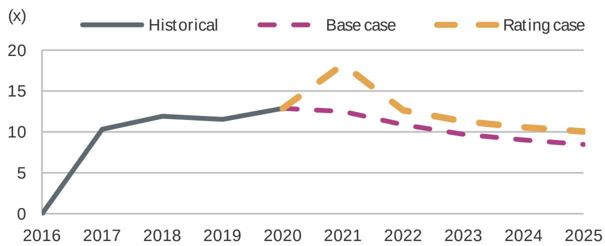
Assessment of State Support: 12.5 Points

The SCP of 'a-' means the one notch uplift under the GRE Criteria leads to an Long-Term IDR of 'A' and a Short-Term IDR of 'F1+'.

Rating Sensitivities

The IDR could be upgraded if net adjusted debt/EBITDA improves on a sustained basis throughout the rating case. The IDR could be downgraded if net adjusted debt/EBITDA deteriorates on a sustained basis throughout the rating case

Net Adjusted Debt/EBITDA - Fitch's Base and Rating Case Scenarios

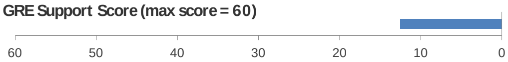


Source: Fitch Ratings, Issuer

GRE Rating Derivation Summary

GRE Key Rating Drivers and Support Score		
Status, Ownership and Control	Strong	5
Support Track Record	Moderate	2.5
Socio-Political Implications of GRE Default	Moderate	5
Financial Implications of GRE Default	Weak	0
GRE Support Score		12.5
Score - Notching Guideline Table		**12.5**

GRE Support Score (max score = 60)



Notching Guideline Table

Distance \ Score	>=45	35-42.5	27.5-32.5	20-25	15-17.5	12.5	<=10
= or above	Capped	Capped	Capped	Capped	Capped	Capped	Capped
1,2,3	=	=	=	- 1	+ 1	+ 1	SCP
4	=	- 1	- 1	- 2	+ 1	+ 1	SCP
>4	=	- 1	- 2	- 3	+2/+3	+ 1	SCP

Stylized Notching Guideline Table: refer to GRE criteria for details

Source: Fitch Ratings

Standalone Credit Profile (SCP) Derivation	
Revenue Defensibility	Stronger
Operating Risk	Stronger
Leverage Ratio (Rating Case Scenario)	10
Qualitative Factors Adjustments	--
GRE SCP	a-
Distance - Notching Guideline Table	**1,2,3**

Summary	
Sponsor IDR	AA-
GRE SCP	a-
Distance Sponsor IDR vs GRE SCP	3
GRE Support Score	12.5
Notching Approach	Bottom up +1
GRE Suggested IDR	A
Single Equalisation Factor	No
GRE IDR	**A**

Sponsor IDR	GRE SCP	GRE IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	A+
A	a	**A**
A-	**a-**	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC/CC/C	ccc/cc/c	CCC/CC/C

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.