



RATING ACTION COMMENTARY

Fitch Downgrades 1 English Registered Social Housing Provider; Affirms 6 Others

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Related Fitch Ratings Content:

Fitch Ratings - Barcelona - 02 Nov 2020: Fitch Ratings has downgraded one register provider (RP) of social housing and affirmed six others as detailed below.

KEY RATING DRIVERS

The rating action follows a portfolio review of all the English RPs of social housing we rate, including seven public ratings and nine private monitored ratings.

Of the seven public ratings, Fitch has downgraded A2Dominion Housing Group Limited (A2D) and affirmed the ratings of Great Places Housing Group Limited (Great Places), Hyde Housing Association Limited (Hyde), London & Quadrant Housing Trust (L&Q), Notting Hill Genesis (NHG), Origin Housing Limited and Places for People Group Limited (PfPG).

The downgrade reflects deterioration of A2D's financial profile compared with our previous rating case, which is now more in line with other Fitch-rated RPs with a Standalone Credit Profile (SCP) of 'a-'.

The sector, as a whole, has performed robustly throughout the COVID-19 pandemic with limited financial and operational impact. Key initial indicators, such as re-let days and arrears increased but have returned to normal levels by 2QFY20 (year ending March). All RPs have seen significant delays in development and repairs due to access issues, which has reduced spending and increased liquidity, in turn strengthening their financial position in the short term.

Fitch assesses RPs under its Revenue-Supported Rating Criteria. A one-notch uplift is added to the SCP, reflecting the application of our Government-Related Entities (GRE) Criteria. GPG, L&Q and Hyde's' SCPs of 'a' are now capped at the sovereign rating minus 1. Their Outlooks reflect that on the sovereign.

Revenue Defensibility: 'Stronger'

RPs in the UK, rated by Fitch, have between 5,000 and 100,000 dwellings under management or ownership. They benefit from demonstrated and expected low volatility of demand. Demand for social housing across the UK is high.

The UK government determines rent levels and rises, constraining RPs' revenue flexibility. Rent levels had been decreasing 1% per year until April 2020 when RPs were able to increase social and affordable rent by CPI +1% per year for the next five years.

RPs benefit from strong and predictable cash flow from their social rented properties, which are largely secured by public funds, through housing benefits paid by the state. In Fitch's view, this limits a sharp rise in unpaid rents in an economic downturn, as has been demonstrated throughout the COVID-19 pandemic.

In the UK RPs are allowed to develop properties for market sale to cross-subsidise social operations. This revenue stream is considered higher-risk than ordinary social activity, but offers flexibility in pricing beyond the regulated social rent.

Operating Risk: 'Stronger'

It is Fitch's view that the English RPs sectors' cost drivers are well-identified and have low potential volatility, despite ambitious development plans.

The sector has an adequate supply of resources and labour, with limited volatility in amount and cost. The main resource constraint is the availability of land to build new dwellings in desirable locations.

Financial Profile: 'Stronger'

In our rating case, we expect net adjusted debt/EBITDA to remain strong across our issuers except A2D, where we expect to see deterioration in its credit metrics. Significant development plans have made this ratio volatile across the sector. During the COVID-19 crisis delays or reductions in development plans have had an impact on the financial profile of our issuers, in particular A2D with net adjusted debt/EBITDA expected to peak in FY21 at above 20x. This is expected to decrease throughout the rating case but remain at a sustained higher level than previously assessed, which has led to a downward reassessment of the SCP to 'a-' from 'a'.

The sector has high levels of liquidity to meet development plan needs; this cash surplus has proved helpful in mitigating short-term liquidity risk.

Additional Risk Factors: 'Neutral'

Fitch believes none of the issuers we rate face any additional risks that could negatively impact their SCPs.

Bottom-up Approach Under GRE Criteria

Our assessment under our GRE Criteria shows a total score of 12.5 points. Under the strength-of-linkage factors, Fitch assesses status, ownership and control as 'Strong' and support track record as 'Moderate'. Under the incentive-to-support factors, socio-political implications of default are deemed as 'Moderate' and financial implications of default as 'Weak'.

DERIVATION SUMMARY

Great Places', Hyde's and L&Q's 'a' SCP assessment under Revenue-Supported Debt Criteria (up to three notches below the sovereign's) and 12.5 points under the GRE Criteria lead to a bottom-up plus 1 approach under our Notching Guideline Table to arrive at the IDR 'A+'. This is one notch below the sovereign's, and the Negative Outlook reflects that of the UK.

A2Ds', NHG's and PfPG's 'a-' SCP assessment under Revenue-Supported Debt Criteria (up to three notches below the sovereign's) and 12.5 points under the GRE Criteria lead to a bottom-up plus 1 approach under our Notching Guideline Table to arrive at the IDR 'A'.

Origins' 'a-' SCP assessment under Revenue-Supported Debt Criteria (up to three notches below the sovereign's) and 12.5 points under the GRE Criteria lead to a bottom-

up plus 1 approach under our Notching Guideline Table to arrive at the IDR 'A'. The Negative Outlook reflects Origin's net adjusted debt/EBITDA peaking in the rating case in FY21 at 19x and remaining above 12x in years 2-3 at a sustained higher level than peers.

KEY ASSUMPTIONS

The ratings of the English social housing RPs will continue to reflect continuing demand for social housing across the country, and continued cash flow from rented properties. They will also continue to factor in secured cash flow from public funds and the strong control and regulation provided through the Regulator for Social Housing (RSH).

RATING SENSITIVITIES

Great Places, Hyde and L&Q

Factors that could, individually or collectively, lead to negative rating action/downgrade:

-The IDRs could be downgraded if net adjusted debt/EBIDTA deteriorates on a sustained basis throughout the rating case.

-A downgrade of the UK sovereign would also lead to a downgrade of these, which are now

capped at sovereign rating minus 1.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

-The IDRs could be upgraded if net adjusted debt/EBIDTA improves on a sustained basis throughout the rating case.

-A revision of the UK sovereign rating Outlook would also lead to a revision of Outlooks as they are capped at sovereign rating minus 1.

A2D, NHG and PfP

Factors that could, individually or collectively, lead to positive rating action/upgrade:

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

Factors that could, individually or collectively, lead to negative rating action/downgrade:

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

Origin

Factors that could, individually or collectively, lead to negative rating action/downgrade:

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

Factors that could, individually or collectively, lead to positive rating action/upgrade:

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

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [<https://www.fitchratings.com/site/re/10111579>].

SUMMARY OF FINANCIAL ADJUSTMENTS

n/a

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
GenFinance II PLC				
● senior secured	LT	A	Affirmed	A
A2Dominion Housing Group Limited	LT IDR	A Rating Outlook Stable	Downgrade	A+ Rating Outlook Negative
●	ST IDR	F1+	Affirmed	F1+
●	LC LT IDR	A Rating Outlook Stable	Downgrade	A+ Rating Outlook Negative

[VIEW ADDITIONAL RATING DETAILS](#)

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Additional information is available on www.fitchratings.com**APPLICABLE CRITERIA**[Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 27 Mar 2020\) \(including rating assumption sensitivity\)](#)[Government-Related Entities Rating Criteria \(pub. 30 Sep 2020\)](#)**ADDITIONAL DISCLOSURES**[Dodd-Frank Rating Information Disclosure Form](#)[Solicitation Status](#)[Endorsement Policy](#)**ENDORSEMENT STATUS**

A2D Funding II plc	EU Issued
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A2Dominion Housing Group Limited	EU Issued
GenFinance II PLC	EU Issued
Great Places Housing Group Limited	EU Issued
Hyde Housing Association Limited	EU Issued
London & Quadrant Housing Trust	EU Issued
Martlet Homes Limited	EU Issued
Notting Hill Genesis	EU Issued
Origin Housing Limited	EU Issued
Places for People Capital Markets plc	EU Issued
Places for People Finance plc	EU Issued
Places for People Group Limited	EU Issued
Places for People Homes Limited	EU Issued
Places for People Treasury plc	EU Issued
Quadrant Housing Finance Limited	EU Issued

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