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Research Update:

Wheatley Housing Group Rating Lowered To 'A+' After U.K. Downgrade; On Watch Negative On Rising Political Uncertainty

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Overview

- On June 27, 2016, we lowered our unsolicited long-term rating on the United Kingdom to 'AA' from 'AAA', following its decision to leave the EU.
- In our view, the leave vote will result in a less predictable, stable, and effective policy framework in the U.K., of which Scotland is a part.
- We are therefore lowering our long-term ratings on Wheatley Housing Group and core group subsidiary The Glasgow Housing Association Ltd. to 'A+' from 'AA', and placing them on CreditWatch negative.
- The CreditWatch indicates the near-term possibility of a downgrade if we anticipate an adverse impact on Wheatley from what we view as much weaker intergovernmental relations in the U.K., including potentially increased uncertainty regarding the revenue and expenditure balance, support for the local government sector, and policymaking in the U.K.

Rating Action

On July 5, 2016, S&P Global Ratings lowered its long-term issuer credit ratings on Scotland-based Wheatley Housing Group (Wheatley) and core group entity The Glasgow Housing Association Ltd. to 'A+' from 'AA' and placed them on CreditWatch with negative implications.

We also lowered to 'A+' from 'AA' our rating on the £300 million bond issued by Wheatley Group Capital PLC and placed it on CreditWatch negative.

Rationale

We lowered our unsolicited long-term rating on the U.K. to 'AA' from 'AAA' on June 27, 2016, after the U.K. voted to leave the EU (see "Ratings On The United Kingdom Lowered To 'AA' On Brexit Vote; Outlook Remains Negative On Continued Uncertainty," on RatingsDirect). The lowering of our rating on Wheatley reflects our view of increasing political uncertainty and weakening institutional arrangements in the U.K., of which Scotland is a part.

The 'A+' rating on Wheatley reflects our continued assessment of the entity's stand-alone credit profile in the 'bbb' category; our view of an extremely high likelihood of Wheatley receiving extraordinary government support in the event of financial distress; and Wheatley's relatively large size compared with housing association peers.

In accordance with our criteria for government-related entities, we base our view of the likelihood of extraordinary government support on our assessment of Wheatley's critical role in delivering social housing to Scotland.

CreditWatch

We expect to resolve the CreditWatch within the next three months. The negative implications indicate the near-term possibility of a further downgrade if we anticipate an adverse impact on Wheatley from what we view as much weaker intergovernmental relations in the U.K., including potentially increased uncertainty regarding the revenue and expenditure balance, support for the local government sector, and policymaking in the U.K.

In our view, a weaker institutional framework would have implications for Wheatley's operating environment. We could also revise downward our view of the likelihood of extraordinary support to Wheatley from the government.

We could affirm the ratings if we were to conclude that weaker institutional capacity for predictable and stable policymaking in the U.K. would not have an impact on Wheatley.

Related Criteria And Research

Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- Criteria - Governments - General: Methodology For Rating Public And Nonprofit Social Housing Providers - December 17, 2014
- General Criteria: Group Rating Methodology - November 19, 2013
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating - October 01, 2010
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

Related Research

- Ratings On The United Kingdom Lowered To 'AA' On Brexit Vote; Outlook Remains Negative On Continued Uncertainty - June 27, 2016

Ratings List

	Rating	
	To	From
Wheatley Housing Group Ltd.		
Issuer Credit Rating		
Foreign and Local Currency	A+/Watch Neg/--	AA/Stable/--
The Glasgow Housing Association Ltd.		

Ratings List Continued...

Issuer Credit Rating

Foreign and Local Currency

A+/Watch Neg/--

AA/Stable/--

Wheatley Group Capital PLC

Senior Secured

Local Currency

A+/Watch Neg

AA

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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