

Wheatley Housing Group Ltd.

June 2, 2025

This report does not constitute a rating action.

Credit Highlights

Overview

Enterprise profile	Financial profile
Wheatley Housing Group Ltd. (Wheatley) is the largest social housing provider in Scotland, with a focus on traditional general needs activities.	We forecast that rental increases and contained debt-funded development will support a gradual strengthening of the group's financial metrics.
--Wheatley has no exposure to sales activities, benefitting from revenues that are predictable and countercyclical.	--We expect increases in Wheatley's investment program will be largely offset by rental increases, supporting robust S&P Global Ratings-adjusted EBITDA margins.
--We assess the group's market position as strong, evidenced by low rents compared to market rent and consistent void rates.	--We anticipate that the group's development program will continue to scale with the level of available grants, thereby containing any impact on its debt metrics.
--Prudent decisions on asset management, rent increases, and development underpin our strong management assessment.	--We continue to assess Wheatley's liquidity position as very strong.

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Outlook

The stable outlook reflects our view that Wheatley's management will prudently execute its business plan while keeping enough financial headroom to mitigate cost and investment pressures.

Downside scenario

We could lower the rating if we see a material weakening of the group's credit metrics. This could happen if management is unable to control costs, such that they significantly surpass our current projections, or if debt-funded spending on development increases materially beyond our projections, which would also weaken liquidity.

Upside scenario

We could raise the rating on Wheatley if cost-control efforts or additional income from rents or grants secured for investments in existing stock result in EBITDA margins improving materially

above our current projections, helping to strengthen the group's debt metrics, all else remaining equal.

We could also raise the rating if we think Wheatley's role for, and link with, the Scottish government have strengthened, implying a higher likelihood of extraordinary support.

Rationale

We expect Wheatley will continue to balance its larger investment program with appropriate rental increases, supported further by strong demand for its properties. This should contribute to a moderate strengthening of the group's financial performance by fiscal 2028, though we anticipate Wheatley will continue to use additional financial capacity to drive investment projects across all its stock. Wheatley's development program has, however, reduced moderately in response to the reduction in grants from the Scottish government, and we expect the group will continue to scale its new-build capital expenditure (capex) based on the level of grant available. We therefore anticipate the effects of debt-funded development will be contained, with Wheatley's debt metrics strengthening by fiscal 2028. We continue to assess the group's liquidity position as very strong.

Enterprise risk profile: Underpinned by no sales exposure and prudent management practices

Wheatley is the largest social housing provider in Scotland, managing over 65,000 units primarily in the general needs segment across the central belt and the southwest. The group focusses almost exclusively on traditional social housing activities and thereby benefits from revenues that are both predictable and countercyclical. Wheatley's rents are a low 60% of average market rents, reflecting the affordability of the group's stock. We also assess Wheatley's stock as being in strong demand, as seen in its average vacancy rate of 1.1% over the last three years.

As a result of the high grant funding Wheatley receives for new-build development, it does not have to rely on cross-subsidization through sales to fund capex. We expect Wheatley will retain its clear focus on traditional social housing activities, with no sales exposure during our forecast period.

We continue to assess Wheatley's management positively, underpinned by its proactive approach to business planning and asset management. In our view, Wheatley has consistently invested in its asset base and as such is well positioned to respond to the updated environmental standards currently being considered by the Scottish government. We view as prudent management's decision to increase rents to build more financial capacity across the group, and we reflect this in our expectation of a stronger financial performance by fiscal 2028. We also expect management will maintain a flexible development program, driven by the availability of grants from the Scottish government, resulting in consistent debt metrics.

We assess the regulatory framework under which registered providers of social housing in Scotland operate as very strong (see "[Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K.](#)", published April 17, 2025, on RatingsDirect).

Financial risk profile: Rental increases and reduced development drive stronger financial metrics across the group

We expect Wheatley's S&P Global Ratings-adjusted EBITDA margins will somewhat strengthen during our forecast period. Although the group has increased its investment program, we now think rental increases will be larger than we assumed in our previous base case so as to create more financial capacity across the group. Also, in our view, Wheatley's management has maintained a moderate level of discretionary spending, allowing for flexibility in case of unforeseen economic shocks.

We anticipate a notable improvement in Wheatley's debt metrics by fiscal 2028. Although the group remains committed to the development of new-build social housing, its pipeline was reduced in response to the Scottish government's reduction in grant under the Affordable Housing Supply Programme. We expect Wheatley's management will continue to scale development in accordance with the amount of grant available, thereby containing the impact of new construction on the group's debt metrics and supporting our expectation that these metrics will moderately strengthen.

We view Wheatley's liquidity as very strong. We estimate sources of liquidity will cover uses by about 1.6x over the next 12 months. This is based on our forecast of liquidity sources of close to £450 million (mainly comprising cash and undrawn available facilities, fixed asset sales proceeds, grant receipts, and cash from operations) compared with liquidity uses of just under £287 million (primarily capex, interest, and principal repayments). We expect that Wheatley's liquidity position will strengthen over our forecast period as other sources of funding are utilized. We continue to assess Wheatley's access to external liquidity as satisfactory.

Government-related entity analysis

We think there is a high likelihood that the Scottish government would provide timely and sufficient extraordinary support to Wheatley, through the Scottish Housing Regulator, in the event of financial distress. We base our opinion on our assessment of the group's very important role for the Scottish government and its public policy mandate, as well as its strong link with the Scottish government. This is demonstrated by the government's track record of providing strong credit support to the sector in certain circumstances. The regulator continues to view Wheatley as a systemically important registered social landlord. This, in our view, indicates that financial distress at Wheatley could make it difficult for the regulator to fulfill its statutory objective of protecting tenants, since Wheatley remains a key delivery partner of the Scottish government's affordable housing program. We note that Wheatley lies in the regulator's high category of engagement, based on its large asset base, turnover, debt levels, and significance in its areas of operation.

Key Statistics

Table 1

Wheatley Housing Group Ltd.--Financial statistics

Mil. £	--Year ended Mar. 31--				
	2024a	2025e	2026bc	2027bc	2028bc
Number of units owned or managed	65,309	66,124	66,694	67,173	67,738
Adjusted operating revenue	382.5	408.5	439.4	463.8	489.2

Wheatley Housing Group Ltd.--Financial statistics

Mil. £	--Year ended Mar. 31--				
	2024a	2025e	2026bc	2027bc	2028bc
Adjusted EBITDA	87.0	99.8	109.6	120.1	127.8
Nonsales adjusted EBITDA	87.0	99.8	109.6	120.1	127.8
Capital expense	181.4	190.5	162.8	219.6	207.1
Debt	1,614.1	1,730.8	1,765.4	1,837.3	1,897.9
Interest expense	67.8	75.1	75.6	77.8	80.4
Adjusted EBITDA/Adjusted operating revenue (%)	22.7	24.4	24.9	25.9	26.1
Debt/Nonsales adjusted EBITDA (x)	18.6	17.3	16.1	15.3	14.9
Nonsales adjusted EBITDA/interest coverage(x)	1.3	1.3	1.4	1.5	1.6

a--Actual. e--Estimate. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N.A.--Not available.

Rating Component Scores

Table 2

Wheatley Housing Group Ltd.--Ratings Score Snapshot

	Assessment
Enterprise risk profile	2
Industry risk	2
Regulatory framework	2
Market dependencies	2
Management and governance	2
Financial risk profile	3
Financial performance	4
Debt profile	4
Liquidity	2
Stand-alone credit profile	a+
Issuer credit rating	A+

S&P Global Ratings bases its ratings on nonprofit social housing providers on the seven main rating factors listed in the table above. Our "[Methodology For Rating Public And Nonprofit Social Housing Providers](#)," published on June 1, 2021, summarizes how the seven factors are combined to derive each social housing provider's stand-alone credit profile and issuer credit rating.

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Governments | General: Methodology For Rating Public And Nonprofit Social Housing Providers](#), June 1, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Non-U.S. Social Housing Providers Ratings Risk Indicators: Stabilization At Lower Levels](#), May 12, 2025
- [Non-U.S. Social Housing Providers Ratings History: April 2025](#), May 12, 2025
- [U.K. Social Housing Borrowing 2025: Focused On Containing Debt](#), April 24, 2025
- [Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K.](#), April 17, 2025
- [United Kingdom](#), April 14, 2025
- [European Housing Markets: Better Housing Affordability Supports Recovery](#), Jan. 27, 2025
- [Non-U.S. Social Housing Sector Outlook 2025: Quality Maintenance Constrains Recovery](#), Jan. 14, 2025
- [The Autumn Budget Kicks Off A Funding Regime Revision For U.K. Public Sector Entities](#), Nov. 5, 2024
- [U.K. Social Housing Providers' Financial Capacity Shrinks On Investment Needs](#), Nov. 4, 2024
- [Cyber Risk Brief: U.K. Public Sector Is Increasingly Under Threat](#), Oct. 24, 2024

Ratings Detail (as of June 02, 2025)*

Wheatley Housing Group Ltd.	
Issuer Credit Rating	A+/Stable/--
Issuer Credit Ratings History	
22-May-2019	A+/Stable/--
18-May-2018	A+/Negative/--
26-May-2017	A+/Stable/--
*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.	

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