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## Major London landlord downgraded by credit agency

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**A major London housing association has had its credit rating downgraded due to its increasing exposure to sales and rising debt.**

Notting Hill Housing Trust had its credit rating downgraded to A+ from A++ in a judgement released by agency Standard and Poor's (S&P) late this afternoon.

In its judgement, S&P said the landlord's finances will "structurally deteriorate over the next years", reducing it from a "very strong" credit profile to a "strong" organisation - in line with the majority of landlords in its Portfolio.

It said this was due to "much higher debt and having less liquidity to finance the group's significant development Programme in the London area".

The 32,000-home housing association, one of the largest in London, plans to develop 6,600 homes over the next five years.

Of these, 35% will be for shared ownership while 20% will be for private sale, 25% for market rent and 20% for affordable rent.

The judgement said this will see open market sales make up 40% of Notting Hill's turnover by 2019. It said this development activity will see debt increase to £1.9bn by 2019, up from £1.3bn this financial year. This will be equivalent to ten times its earnings before interest and other deductions, S&P said.

It said the negative outlook reflects a "one-in-three possibility" of a further downgrade in the next two years if risk continues to increase.

The downgrade means Notting Hill is no longer among the top rated credits in the agency's Portfolio and now shares a rating with the majority of landlords.

An equivalent downgrade for south west based housing association Sovereign was also issued by the agency this evening.

S&P downgraded most of the housing associations in its Portfolio in July following the vote to leave the European Union. It has also warned housing associations with a large exposure to the London sales market could suffer downgrades.

Paul Phillips, finance director at Notting Hill, said: "Following the reduction in expected grant rates in 2016 the Notting Hill board decided to continue to develop, taking on a higher level of debt at historically low rates. This means that S&P views NHHT Prospects as a 'strong', rather than 'very strong' credit."

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