

**CREDIT OPINION**

6 December 2024

Update

Send Your Feedback

**RATINGS**

**Yorkshire Housing Limited**

Domicile	United Kingdom
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

**Contacts**

Maylis Chapellier +44.20.7772.1429  
AVP-Analyst  
maylis.chapellier@moodys.com

Adam Chwojncki +44.20.7772.8778  
Ratings Associate  
adam.chwojncki@moodys.com

Sebastien Hay +34.91.768.8222  
Associate Managing Director  
sebastien.hay@moodys.com

**CLIENT SERVICES**

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

# Yorkshire Housing Limited (UK)

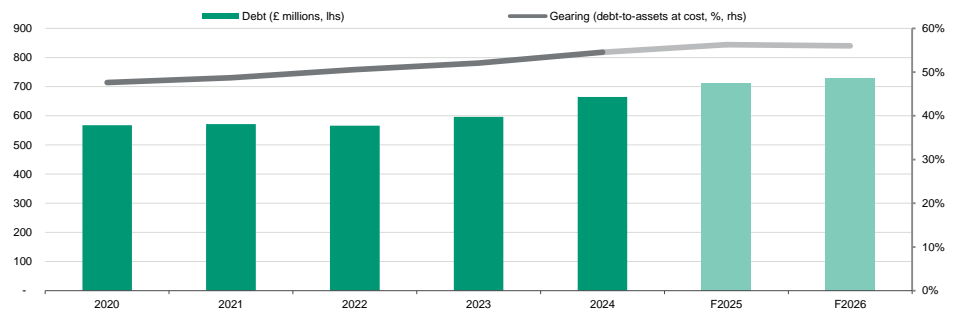
## Update to credit analysis

### Summary

The credit profile of [Yorkshire Housing Limited](#) (Yorkshire, A3 stable) reflects its solid liquidity and expected recovery in operating performance. The rating also takes into account its deteriorated debt ratios, sizeable development programme and a high exposure to market sales. Yorkshire benefits from the strong regulatory framework governing English housing associations, and our assessment that there is a strong likelihood of the government of the [United Kingdom](#) (Aa3 stable) would intervene in a timely manner to prevent a default.

Exhibit 1

**Debt is projected to increase due to the development programme, weakening its gearing metric**  
Debt (£ millions, left axis), gearing (debt to assets at cost, %, right axis)



F: Forecast

Source: Yorkshire and Moody's Ratings

### Credit strengths

- » Sound management underpins good liquidity metrics
- » Supportive institutional framework

### Credit challenges

- » Weakened debt metrics due to ambitious development programme
- » Deteriorated operating performance

## Rating outlook

The stable outlook reflects the expected improvement in operating performance thanks to a new asset and housing management system balanced by deteriorated debt metrics.

## Factors that could lead to an upgrade

Upward pressure on the ratings could result from a material reduction in debt or a significant increase in government support for the sector

## Factors that could lead to a downgrade

Downward pressure on the ratings could result from a failure to improve the operating performance, debt growing faster than forecasts or weaker liquidity. Lower government support for the sector or a dilution of the regulatory framework could also lead to downward pressure on the ratings.

## Key indicators

Exhibit 2

Yorkshire Housing Limited	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25 (F)	31-Mar-26 (F)
Units under management (no.)	16,840	17,173	17,690	18,013	18,497	18,902	19,305
Operating margin, before interest (%)	21.7	20.8	13.1	15.2	17.4	20.0	19.1
Net capital expenditure as % turnover	67.5	31.6	38.9	40.0	66.4	44.3	28.2
Social housing letting interest coverage (x times)	1.0	0.9	0.2	0.6	0.7	0.9	0.9
Cash flow volatility interest coverage (x times)	0.9	1.4	0.5	1.9	1.4	0.8	1.7
Debt to revenues (x times)	4.9	4.0	3.8	4.1	4.8	4.4	4.2
Debt to assets at cost (%)	47.6	48.7	50.6	52.1	54.5	56.3	56.0

F: Forecast. Fiscal 2022 was impacted by refinancing costs of £35 million and an impairment of an IT software at £5.2 million. Without these costs, the operating margin would have been 17%, SHLIC 0.8x and CVIC 1.4x. Fiscal 2023 was impacted by refinancing costs of £1.9 million, without which SHLIC would have been 0.7x and CVIC 2.1x.

Source: Yorkshire and Moody's Ratings

## Detailed credit consideration

The credit profile of Yorkshire, as expressed in an A3 rating, combines (1) its Baseline Credit Assessment (BCA) of baa2, and (2) a strong likelihood that the UK government would act in a timely manner to prevent a default.

### Baseline Credit Assessment

#### Sound management underpins good liquidity metrics

Yorkshire has four golden rules, with two aligned with its banking covenants (minimum interest cover of 1.75x and maximum gearing of 55%) and two focusing on liquidity to reflect its development focus (minimum liquidity of 18 months and minimum liquidity, excluding sales, of 12 months). Mitigation triggers have also been set on those metrics to add a buffer. Yorkshire only enters into new developing commitments once funding has been made available.

As of September 2024, immediately available liquidity consisted of £13 million of cash and £125 million of undrawn secured facilities available within 48 hours. This provides around 1.1x liquidity coverage in terms of net capital commitments for the next two years. Yorkshire's liquidity is well above its golden rules, representing 32 months, as Yorkshire includes £120 million of retained bonds in its calculation.

Compared to rated peers, Yorkshire has a simple corporate structure, with one dormant and two active subsidiaries. This facilitates strong management and control of the organisation's strategy and business plan.

#### Supportive institutional framework

The sector's credit quality will continue to benefit from the strong institutional framework governing English housing associations (HAs) reflected in an Operating Environment score of a3 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

The regulator maintains strong oversight through quarterly returns, long-term business plans, annual reviews, and regular programmed inspections for HAs with more than 1,000 units. The regulator has a strong track record of intervention in cases of mismanagement or financial stress.

The operating environment for English housing associations remains supportive. Demand for social housing is very high and English housing associations retain some expenditure flexibility, with a track record of controlling costs to mitigate lower income. The UK government confirmed that for fiscal 2026, rent increases within the English sector will be pegged at the September Consumer Price Index (CPI) plus 1%. A consultation is ongoing to extend the policy out to at least fiscal 2031, which would provide more certainty to the sector.

#### **Weakened debt metrics due to ambitious development programme**

Total debt will increase to £774 million by fiscal 2027, up from £665 million in fiscal 2024. The debt increase is driven by Yorkshire's development programme, with net capital spending to remain high, averaging 33% of turnover over the next three years, compared to 66% in fiscal 2024. Although Yorkshire has decreased its development ambitions, postponing its 8,000-unit target to 2035 from 2033 (3,200 units already delivered), development costs remain high due to inflationary pressures and a contractor failure, adding £18 million to development costs. In addition, a sharp decline in outright sales in fiscal 2024, due to the weakened housing market with high mortgage rates, has increased debt funding needs for Yorkshire as the HA was relying on market sale proceeds to fund part of its development programme.

Capex also includes energy efficiency works. It has made significant progress towards its EPC-C target with 81% of its stock now at EPC-C or above. Yorkshire is planning to retrofit most of its stock below EPC-C over the next two years.

Gearing is expected to remain at 56% over the next three years, from 55% in fiscal 2024, above the expected A3 peer median of 53% over the same period. Debt to revenues is expected to average 4.3x over fiscal 2025-27, below 4.8x in fiscal 2024, but this is contingent on market sales realisation.

Yorkshire's debt structure is sound, with sufficient headroom on its covenants, limited refinancing risk (12% of drawn debt due within five years) and limited exposure to variable rates (15% of drawn debt as of September 2024). Yorkshire's main refinancing peak is in fiscal 2045, with its £255 million bond maturing in October 2044, representing 38% of drawn debt.

#### **Deteriorated operating performance**

Yorkshire's operating margin is expected to remain below pre-pandemic levels, averaging 21% over the next three years, driven by increased costs relating to improving its customer service experience and quality of housing. In line with peers, it also faces increased repair volumes, up by 15% in fiscal 2024 compared to the previous year. Its operating margin for social housing lettings (SHL) is expected to remain below peers, averaging 23% over the next two years, because of those pressures. From fiscal 2027 onwards, Yorkshire expects to achieve significant savings due to its new housing and asset management system, lifting the SHL operating margin to 27% - which would be in line with peers.

Social housing lettings interest coverage (SHLIC) remained below A3-rated peers in fiscal 2024 at 0.7x versus 1.0x, due to the low profitability. Over the next three years, SHLIC will improve to an average of 1.0x, however this is contingent on savings realised post new asset and housing management system installation. Yorkshire will also benefit from rent increases and new units developed, however rising debt metrics and high cost of funding will continue to weigh on interest payments.

Cash flow volatility interest coverage decreased to 1.4x in fiscal 2024, partly due to increased interest payments, but also due to high levels of unsold stock. Yorkshire only sold 3 outright sale units in fiscal 2024 compared to 38 budgeted. As of September 2024, Yorkshire reports 48 unsold unreserved units over six months, including 35 for outright sales. This is still high, but decreasing. Market conditions are improving for market sales in the UK, as mortgage rates are decreasing.

Yorkshire expects market sales to average 22% of turnover over the next three years, a high exposure (that we define as in-between 20-30% of turnover), but reduced compared to previous forecasts. Yorkshire has removed uncommitted outright sales from its pipeline, to decrease future risk.

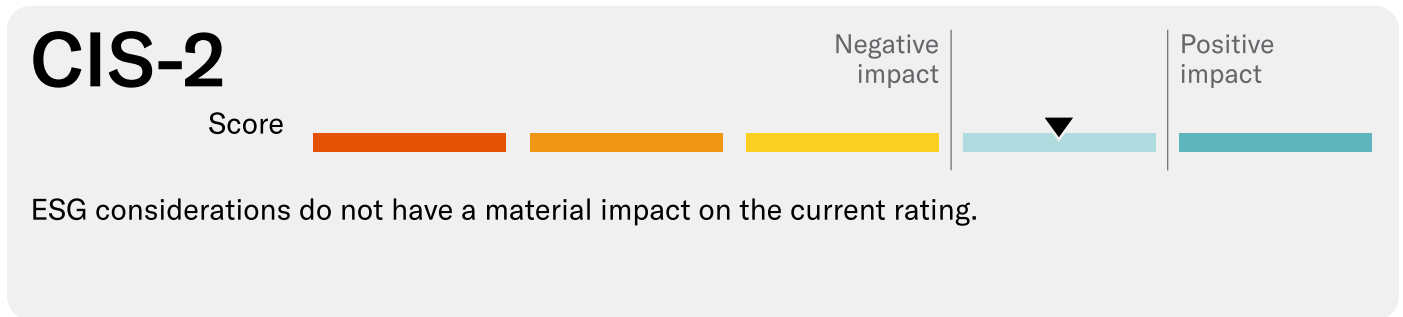
**Extraordinary support considerations**

The strong level of extraordinary support factored into the rating reflects the wide-ranging powers available to the regulator in cases of financial distress, with the possibility of a facilitated merger or a transfer of engagements. However, the process can be protracted and is reliant on HAs agreeing to merge, which could be more challenging in a weakening operating environment. Recent history has shown that the UK government is willing to support the sector, as housing remains a politically and economically sensitive issue. The strong support assumption also factors increasing exposure to non-core social housing activities in the sector, that add complexity to HA operations, and the weakening of the sovereign's financial resilience, making an extraordinary intervention slightly more challenging. In addition, our assessment that there is a very high default dependence between Yorkshire and the UK government reflects their strong financial and operational linkages.

**ESG considerations**

**Yorkshire Housing Limited's ESG credit impact score is CIS-2**

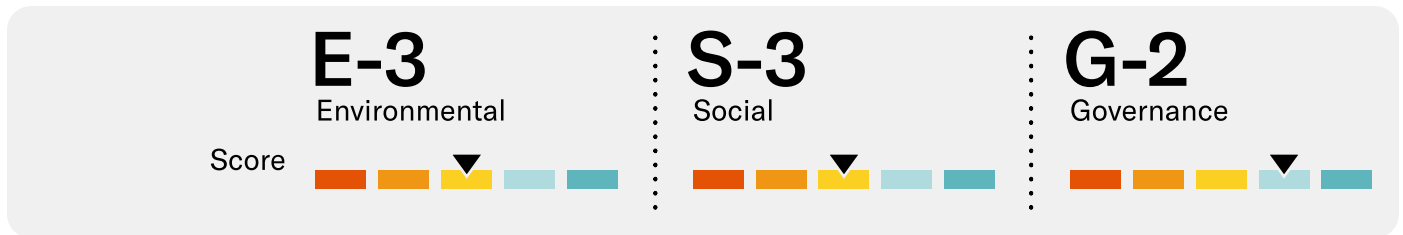
Exhibit 3  
ESG credit impact score



Source: Moody's Ratings

Yorkshire's **CIS-2** indicates that ESG risks have a limited impact on its rating. Although carbon transition risks and social risks are prevalent we consider that Yorkshire has the ability to effectively mitigate them through its strong governance and management practices. We also consider that the supportive regulatory framework for the sector offsets some ESG risks.

Exhibit 4  
ESG issuer profile scores



Source: Moody's Ratings

**Environmental**

Yorkshire's exposure to environmental risks (**E-3**) relates to its material exposure to carbon transition risks as a relatively high proportion of its stock requires retrofit to meet EPC-C standards by 2035.

**Social**

Yorkshire has a material exposure to social risks (**S-3**) through sector-wide legislative requirements to improve the safety of existing housing stock (responsible production risks) which weighs on expenditure and operating margins, and the impacts of cost of living or affordability pressures on social tenants (demographic and societal trends) which led to the UK government capping social rent increases below inflation in fiscal 2024 in England, which will also have a negative impact on margins.

### Governance

Yorkshire has limited governance risks (**G-2**). Its governance is fit for purpose, with strong financial management policies and processes, detailed reporting and a simple organisational structure. The regulatory framework also supports good governance in the sector.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The assigned BCA of baa2 is in line with the scorecard-indicated BCA for fiscal 2024.

The methodologies used in this rating are the [European Social Housing Providers](#) rating methodology, published in July 2024, and the [Government Related Issuers](#) rating methodology, published in January 2024.

Exhibit 5

### Yorkshire fiscal 2024 scorecard

Yorkshire Housing Limited			
Baseline Credit Assessment	Sub-factor Weighting	Value	Score
<b>Factor 1: Institutional Framework</b>			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
<b>Factor 2: Market Position</b>			
Units Under Management	10%	18,497	baa
<b>Factor 3: Financial Performance</b>			
Operating Margin	5%	17.4%	baa
Social Housing Letting Interest Coverage	10%	0.7x	b
Cash-Flow Volatility Interest Coverage	10%	1.4x	baa
<b>Factor 4: Debt and Liquidity</b>			
Debt to Revenue	5%	4.8x	ba
Debt to Assets	10%	54.5%	b
Liquidity Coverage	10%	1.1x	a
<b>Factor 5: Management and Governance</b>			
Financial Management	10%	baa	baa
Investment and Debt Management	10%	baa	baa
<b>Scorecard - Indicated BCA Outcome</b>			<b>baa2</b>
<b>Assigned BCA</b>			<b>baa2</b>

Source: Yorkshire and Moody's Ratings

## Ratings

Exhibit 6

Category	Moody's Rating
<b>YORKSHIRE HOUSING LIMITED</b>	
Outlook	Stable
Baseline Credit Assessment	baa2
Issuer Rating -Dom Curr	A3
<b>YORKSHIRE HOUSING FINANCE PLC</b>	
Outlook	Stable
Senior Secured -Dom Curr	A3

Source: Moody's Ratings

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Calificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454