

Hexagon Housing Assn. Ltd.

October 7, 2025

This report does not constitute a rating action.

Credit Highlights

Overview

Enterprise profile	Financial profile
Hexagon Housing Assn. Ltd.'s small size constrains flexibility, despite strong demand for its properties in Southeast London.	Investment in existing homes will continue to pressure financial metrics.
Low rent relative to market rates supports strong demand for Hexagon's London-based properties.	We expect spending on repairs and maintenance, once the currently high levels for higher-risk high-rise buildings are complete, will moderate but limit financial improvements.
The focus on general needs housing with limited sales exposure generates a predictable income stream.	The debt burden remains elevated, although the group is phasing out new developments.
While management is proactively taking cost containing measures, plans to address building safety have reduced financial headroom.	Liquidity remains strong due to contained development spending despite no banking facilities available at the moment.

The rating reflects elevated debt levels and limited flexibility. This is because of its large bond issuance a few years ago that is supposed in part to fund its development program, which has been scaled back. However, the group is sitting on cash from the bond with a favorable fixed rate. This allows for investment in existing homes and supports a modest level of new home development. We also think its small size makes it vulnerable to external shocks.

Gradual improvement in housing quality will likely result in stronger financial metrics by fiscal 2028. This is especially after the end of current work on two high-risk high-rise buildings, which required much more spending than the rest of the portfolio in the past few years. The group also benefits from a supportive regulatory framework and strong demand for its housing services in London.

Outlook

The stable outlook reflects our view that rising revenue will mitigate the pressure on Hexagon from its investment in existing homes. Supporting this are rent increases, cost control, and the reduced new developments, but even then, the group's financial indicators remain weak compared with those of peers.

Primary Contact

Tim Chow, CFA
London
44-2071760684
tim.chow
@spglobal.com

Secondary Contact

Aaron Oneill
London
353-1-568-0615
aaron.oneill
@spglobal.com

Analytical Group Contact

Sovereign and IPF EMEA
SOVIPF
@spglobal.com

Downside scenario

We could lower the rating if Hexagon's costs and investments in existing and new homes do not decrease in line with our base-case assumptions, resulting in weaker financial performance. This could, in our view, also put greater pressure on the group's liquidity position and prevent the anticipated improvement of debt metrics, with the S&P Global Ratings-adjusted nonsales EBITDA interest cover remaining at current levels.

Additionally, we could lower the rating if we thought the likelihood of timely extraordinary support from the U.K. government to Hexagon had decreased.

Upside scenario

We could upgrade Hexagon if the group's strategy leads to a material and sustained improvement in its credit metrics, with the nonsales-adjusted EBITDA interest coverage strengthening comfortably above 1x.

Rationale

Enterprise profile: A focus on traditional social housing with moderate sales exposure and limited flexibility due to its small size

We expect Hexagon will continue focusing on its traditional, social, and affordable housing letting activities, which generate more predictable and less cyclical revenue than market sales activities. The group's sales exposure consists largely of shared ownership sales, supplemented by some outright sales. We forecast the group's exposure to these sales activities will be near a moderate 17% of its total adjusted revenue on average in the coming two-to-three years.

Demand for Hexagon's properties is strong because its properties are mostly in London. Average rent for general needs housing is significantly below market levels, at about 38% of the market rate. We note Hexagon's average vacancy rate is close to 1% of the rent and service charge receivable over the past three years, which is slightly below the sector average.

We consider Hexagon's management less conservative because its planning on investment in existing homes has stretched its financial capacities, although it is proactively addressing the issues on building safety. The debt burden remains very high, however. The group is prioritizing investment in existing homes by scaling back its development program, which part of the most recent bond issuance was supposed to fund. Also, the level of spending on building safety has been overall above our expectations in the past few years, which has further weakened financial metrics. Hexagon's relatively small size aggravated the situation since the group has less financial and operational capacity than peers to absorb external shocks. Still, we think it can control the investment in existing homes after the current peak and keep maintain good visibility on stock conditions.

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

Financial profile: Investment in existing homes will moderate but continue to pressure financial metrics

Investment in existing homes will continue to stress the group's financial performance, limiting improvement of adjusted EBITDA margin at below 20% in the next two-to-three years. The group

prioritizes improving building safety and energy efficiency, while facing relatively high cost inflation. It plans to achieve targets of having homes at Energy Efficiency Certificate C or above by 2030. Investment should decrease after the large building safety works, which we expect to complete by fiscal 2026 (year ending March 31).

We project Hexagon's debt burden to decrease, but remain very high. The group will pause any aspirational development program until it is in a better financial position. Moreover, we anticipate Hexagon will contain new developments, leading to modest debt increases in the next two-to-three years. Although the bond significantly elevated debt levels, it helps fix most of the debt at a relatively low rate, which improves Hexagon's interest coverage alongside a projected increase in revenue.

We view Hexagon's liquidity as strong based on our estimate that its ratio of liquidity sources to uses over the next 12 months will be about 1.4x. This is based on our forecast of liquidity sources of about £46 million--comprising cash, fixed asset sales, grant receipts, and cash from operations (after adding back the noncash cost of sales)--that will cover liquidity uses of about £33 million (mainly capital expenditure and debt service payments). We assess Hexagon's access to external liquidity as satisfactory. While there are no committed bank facilities, the group has reduced its development program to moderate debt funding needs.

Government-related entity analysis

We think there is a moderately high likelihood that Hexagon would receive timely extraordinary support from the U.K. government, through the Regulator of Social Housing (RSH), in case of financial distress. This provides a two-notch uplift from the stand-alone credit profile. Given that one of RSH's key goals is to maintain lender confidence and low funding costs, we think that it is likely to step in to try and prevent a default in the sector. We base this view on previous records of the RSH mediating mergers or arranging liquidity support from other registered providers in cases of financial distress and think this would also apply to Hexagon.

Key Statistics

Hexagon Housing Assn. Ltd.--Financial statistics

(Mil. £)	--Year ended March 31--				
	2024a	2025a	2026bc	2027bc	2028bc
Number of units owned or managed	4,516	4,539	4,591	4,663	4,725
Adjusted operating revenue	33.9	38.2	44.6	46.8	50.8
Adjusted EBITDA	3.1	6.1	6.9	9.3	9.0
Nonsales adjusted EBITDA	3.1	5.9	6.6	9.0	8.6
Capital expense	17.4	21.9	26.1	16.5	10.1
Debt	306.7	305.8	305.4	309.6	313.4
Interest expense	10.5	10.8	10.7	10.8	11.0
Adjusted EBITDA/Adjusted operating revenue (%)	9.2	15.9	15.5	19.9	17.7
Debt/Nonsales adjusted EBITDA (x)	99.7	51.8	46.0	34.2	36.6
Nonsales adjusted EBITDA/interest coverage(x)	0.3	0.5	0.6	0.8	0.8

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

Hexagon Housing Assn. Ltd.--Ratings Score Snapshot

	Assessment
Enterprise risk profile	3
Industry risk	2
Regulatory framework	3
Market dependencies	3
Management and governance	4
Financial risk profile	5
Financial performance	5
Debt profile	6
Liquidity	3
Stand-alone credit profile	bbb-
Issuer credit rating	BBB+

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: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [European Housing Markets: Strong Demand And Weak Supply Will Keep Prices High](#), July 10, 2025
- [U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom](#), June 26, 2025
- [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

Hexagon Housing Assn. Ltd.

- [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 October 07, 2025)*

Hexagon Housing Assn. Ltd.	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	BBB+
Issuer Credit Ratings History	
24-Mar-2023	BBB+/Stable/--
07-Oct-2022	A-/Negative/--
06-Apr-2022	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.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.