

CREDIT OPINION

11 December 2025

Update



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RATINGS

Hightown Housing Association 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.

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Hightown Housing Association Limited (UK)

Update to credit analysis

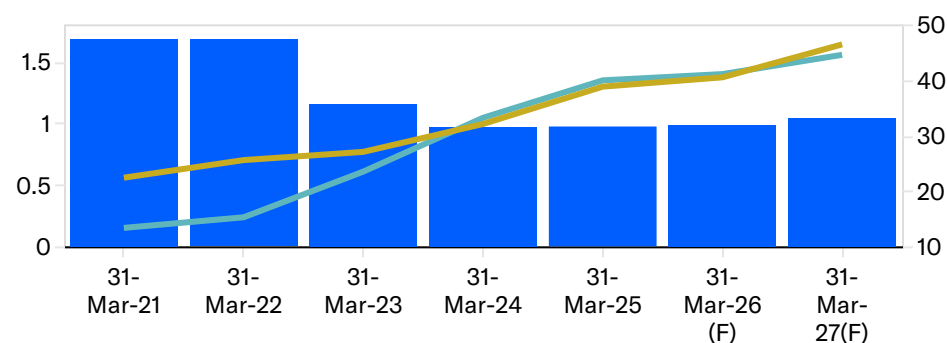
Summary

The credit profile of [Hightown Housing Association Limited](#) (Hightown, A3 stable) reflects its strong operating margins and focus on core social housing lettings. It also incorporates rising debt levels with weakening interest coverage and a riskier debt structure relative to peers. Hightown benefits from the strong regulatory framework governing English housing associations and our assessment that there is a strong likelihood that the government of the [UK](#) (Aa3 stable) would act in a timely manner to prevent default.

Exhibit 1

Hightown's interest coverage is exposed to interest rate developments

- Social housing letting interest coverage (X, LHS)
- Net interest paid (£m, RHS)
- Social housing letting surplus (£m, RHS)



Source: Hightown and Moody's Ratings

Credit strengths

- » Strong operating margins with limited expenditure on existing stock
- » Supportive institutional framework in England

Credit challenges

- » Weak debt metrics relative to peers
- » Elevated exposure to treasury risks

Rating outlook

The stable outlook reflects our view that a gradual improvement in margins and the continued decline in interest rates will support a recovery in interest cover. It also reflects our expectation that its ambitious development programme will be delivered without a material deterioration in debt metrics.

Factors that could lead to an upgrade

An upgrade of the rating could result from a significant improvement in interest coverage metrics, a material reduction of debt or a significant increase in government support for the sector, especially significantly higher levels of capital grants.

Factors that could lead to a downgrade

A downgrade of the rating could result from a prolonged weakening in operating performance, debt and interest costs growing more quickly than forecasts or weaker liquidity. Tighter covenant headroom than we currently expected would also put downward pressure on the rating. Lower government support for the sector or a dilution of the regulatory framework could also lead to downward pressure on the rating.

Key indicators

Exhibit 2

Hightown Housing Association Limited							
	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26 (F)	31-Mar-27 (F)
Units under management (no.)	7,227	7,797	8,271	8,873	9,261	9,559	9,945
Operating margin, before interest (%)	29.5	29.9	31.1	30.9	29.4	34.7	39.3
Net capital expenditure as % turnover	63.0	69.5	68.4	68.4	59.1	62.1	78.1
Social housing letting interest coverage (x times)	1.7	1.7	1.2	1.0	1.0	1.0	1.0
Cash flow volatility interest coverage (x times)	2.1	2.2	1.4	1.4	1.1	1.4	1.1
Debt to revenues (x times)	6.1	5.9	6.0	6.1	6.4	6.3	7.4
Debt to assets at cost (%)	61.1	62.0	62.6	63.7	64.9	64.7	65.5

Source: Hightown and Moody's Ratings

Profile

Hightown Housing Association Limited is a medium-sized housing association operating in England, primarily in Hertfordshire, Bedfordshire and Buckinghamshire. It manages over 9,000 homes. Hightown focuses on providing low-risk social housing lettings, care, and supported housing, and has moderate exposure to market sales.

Detailed credit consideration

Hightown's A3 rating combines (1) a 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

Strong operating margins with limited expenditure needs on existing stock

Hightown has stronger operating margins than rating peers. As of fiscal 2025, its operating margin stood at 29% in fiscal 2025 compared to 19% for the median of A3-rated peers. Its strong margins are a reflection of the characteristics of its stock. With most of its units built since 2000, Hightown has a lower maintenance cost per unit than peers. This has helped preserve relatively stable margins in the last five years in spite of government intervention on rent policy as well as elevated inflation and increased tenant demand for repairs and maintenance.

Moreover, a significant proportion of its stock is at affordable rent, on which Hightown can charge higher rents than social rent properties, typically around 80% of market rents. Offsetting this in part is Hightown's large exposure to care and supported housing (27% of turnover), which tend to be less profitable given the elevated costs associated with care provision.

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.

Hightown also faces limited fire safety expenditures and retrofitting needs relative to peers. Only 41 units require retrofitting to EPC-C by 2030, most of which were acquired in fiscal 2024 from another housing association.

Supportive institutional framework in England

The sector's credit quality benefits from the strong institutional framework governing English housing associations (HAs) reflected in an Operating Environment score of a2 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

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 is 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. We recently upgraded the score to a2, reflecting recent credit-positive policy announcements that will provide greater revenue certainty and expenditure flexibility to the sector, including a 10-year rent settlement at CPI+1% and more generous funding for new and existing assets.

Weak debt metrics relative to peers

Hightown's debt metrics are weaker than peers, reflecting its ongoing debt-funded growth. As of fiscal 2025, its debt-to-revenue ratio stood at 6.4x and gearing at 65% compared to 4.6x and 52% for the median of A3-rated peers. These ratios are expected to deteriorate further as Hightown raises additional borrowing to build additional units. We anticipate debt metrics will peak in fiscal 2027, with gearing reaching around 66% and debt-to-revenue rising to 7.4x, before gradually improving as development activity slows.

The development programme remains ambitious, targeting delivery of 1,750 new homes over five years from fiscal 2026, equivalent to 18% of current stock. The focus is on social housing lettings, with shared ownership making up about a third of new development. Hightown has reduced exposure to market sales, with shared ownership sales funding around a third of development costs. Any delay or underperformance in sales could weaken debt metrics, but shared ownership sales have performed well, with margins around 20% and low unsold stock.

Still elevated exposure to treasury risks

Hightown has higher treasury risks than most peers, reflected in its "ba" score for investment and debt management. The share of variable rate debt remains high, though it has declined to 41% as of September 2025, down from 50% in 2024 following the refinancing of RCFs with new fixed-rate funding from the Affordable Homes Guarantee Scheme (AHGS). The weighted average life of debt is 7.7 years, reflecting shorter maturities than sector averages. Significant refinancing needs persist, with close to 40% of debt maturing in the next five years.

Interest costs more than doubled over the last two years due to Hightown's large share of variable rate debt and additional debt drawdowns. Social housing lettings interest coverage (SHLIC) remained at 1.0x in fiscal 2025, and is now in line with A3-rated peers. We expect SHLIC to remain at around 1.0x over the next three years, as increased debt drawdown and relatively stable borrowing costs from current levels continue to offset growing operating surpluses.

In addition, the headroom on its most restrictive interest cover covenant of 1.15x was tight as of fiscal 2025 at just 0.05x. Covenant headroom is expected to remain tight over the next three years, given its high sensitivity to interest rate movements. Hightown has implemented cost-cutting measures and postponed some non-urgent works to improve covenant headroom.

Hightown's liquidity position has improved, with £114 million available as of September 2025, including £20 million cash and £94 million undrawn RCFs, covering 24 months of net funding requirements—well above the 18-month policy minimum. Hightown's liquidity position was reinforced by the completion of AHGS funding though not without delay. The treasury management policy and strategy are under review to optimise the mix of fixed and variable debt and manage refinancing risks.

Extraordinary support considerations

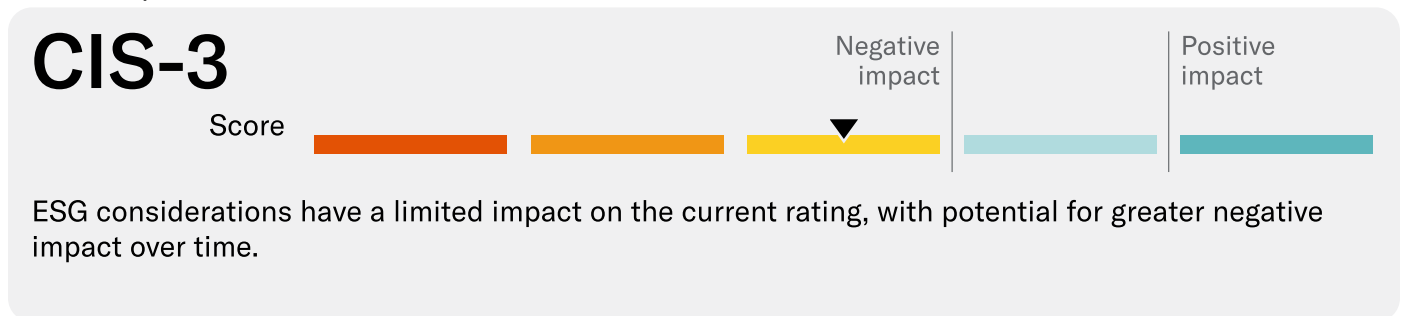
The strong level of extraordinary support factored into the rating reflects our view of the UK government's support for the housing association sector due to its political, economic and social importance. Extraordinary support for the sector is predominantly exercised through sector regulators whose wide-ranging powers in cases of financial distress include facilitating mergers. However, this process can be protracted and is reliant on housing associations agreeing to merge, which is more challenging in a weakened operating environment, with high expenditure pressures and high borrowing costs. In addition, our assessment that there is a very high default dependence between Hightown and the UK government reflects their strong financial and operational linkages.

ESG considerations

Hightown Housing Association Limited's ESG credit impact score is CIS-3

Exhibit 3

ESG credit impact score

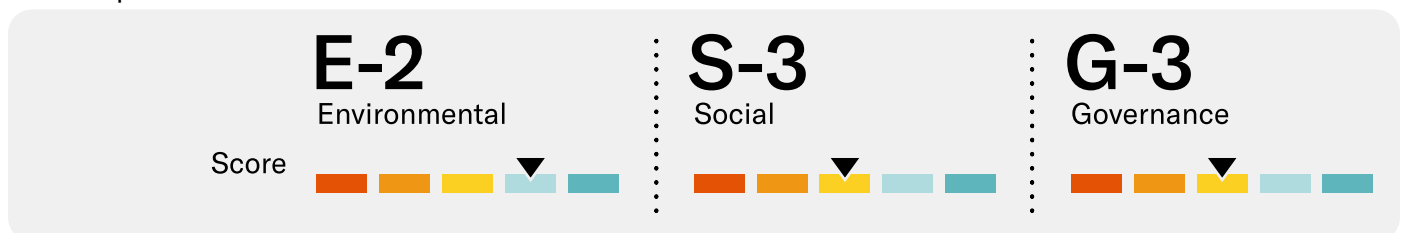


Source: Moody's Ratings

ESG risks have a materially negative impact on Hightown's rating (**CIS-3**), reflecting its higher risk appetite for treasury risks than peers.

Exhibit 4

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Hightown has limited exposure to environmental risks (**E-2**). While housing associations have to improve the energy efficiency of their existing housing stock, Hightown has a low exposure to this risk as virtually all of its housing stock already meets the required efficiency standards.

Social

Hightown has material exposure to social risks (**S-3**) through sector-wide legislative requirements to improve the safety and quality of existing stock (responsible production risks) and the vulnerability of the sector to tenant affordability considerations through the government's social rent policy. Those risks can materialise in the form of reduced operating margin and interest cover metrics.

Governance

Hightown has material exposure to governance risks (**G-3**), reflecting its higher risk appetite for treasury risks than peers. Its debt structure is more risky than peers because of a higher share of variable rate and short-dated debt.

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 close to the scorecard-indicated BCA.

The methodologies used in this rating were [European Social Housing Providers](#), published in July 2024, and [Government-Related Issuers](#), published in May 2025.

Exhibit 5

Hightown Housing Association Limited

Fiscal 2025

Hightown Housing Association Limited			
Baseline Credit Assessment	Sub-factor Weighting	Value	Score
Factor 1: Institutional Framework			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
Factor 2: Market Position			
Units Under Management	10%	9,261	baa
Factor 3: Financial Performance			
Operating Margin	5%	29.4%	a
Social Housing Letting Interest Coverage	10%	1.0x	ba
Cash-Flow Volatility Interest Coverage	10%	1.1x	baa
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	6.4x	b
Debt to Assets	10%	64.9%	b
Liquidity Coverage	10%	0.6x	baa
Factor 5: Management and Governance			
Financial Management	10%	baa	baa
Investment and Debt Management	10%	ba	ba
Scorecard - Indicated BCA Outcome			baa3
Assigned BCA			baa2

Source: Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
HIGHTOWN HOUSING ASSOCIATION LIMITED	
Outlook	Stable
Baseline Credit Assessment	baa2
Issuer Rating -Dom Curr	A3

Source: Moody's Ratings

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