S&P Global
Ratings

RatingsDirect®

Paradigm Housing Group Ltd.

May 29, 2025

Primary contact

Matthew R Hyde
London
44-20-71760456
m.hyde
@spglobal.com

Secondary contacts

Abril A Canizares
London
44-20-7176-0161
abril.canizares
@spglobal.com

Lily Hartley
London
lily.hartley
@spglobal.com

This report does not constitute a rating action.

Credit Highlights

Overview

Enterprise profile	Financial profile
Paradigm Housing Group Ltd. (Paradigm) manages approximately 17,000 units across the southeast of England and focuses on traditional social housing revenue streams.	Our current base case assumes a moderate recovery by fiscal 2028 (year ending March 31, 2028) although uncertainty persists given the potential merger with Settle Group, which we reflect in our CreditWatch negative placement.
--The group's revenue streams are primarily countercyclical and predictable, with only one joint venture scheme exposing Paradigm to open market activities.	--Higher levels of investment will likely limit any material recovery in financial performance despite rental increases beyond inflation.
--We expect Paradigm will maintain a strong market position, with voids that are significantly lower than the sector average.	--The group's debt-funded development pipeline remains contained, though a likely stock acquisition could result in additional short-term pressure.
--We view Paradigm's management as demonstrating proactive business planning and a balanced approach to growth in its core area of operations.	--In our view, Paradigm's liquidity position remains very strong.

CreditWatch

The CreditWatch negative reflects our view that a merger between Paradigm and Settle Group, alongside the debt-funded acquisition of London & Quadrant Housing Trust (L&Q) stock, could result in a weaker credit profile than Paradigm's stand-alone credit profile. We aim to resolve the CreditWatch placement over the coming months once we receive more information and confirmation that the merger and stock acquisition are likely to be completed. The transaction is still subject to board approvals, as well as considerations from tenant consultations and consent from lenders.

Rationale

We believe that Paradigm's investment program, which is slightly higher than we previously expected, will be somewhat offset by rental increases beyond inflation, resulting in only a moderate recovery of its financial metrics. We expect the group will maintain a modest development pipeline, helping to limit its debt funding requirement and contain any material impact on its debt metrics. We note, however, that the announced acquisition of units from London & Quadrant will generate some additional pressure in the short term. We assume that Paradigm will remain focussed on traditional social housing activities despite elevated exposure to open market sales in fiscal 2026, associated with one joint venture project. We understand that Paradigm is exploring a merger opportunity with Settle Group, which could moderately pressure Paradigm's financial metrics.

Enterprise risk profile: Underpinned by reducing sales exposure and strong management assessment

Paradigm manages approximately 17,000 units, primarily social and affordable housing, and therefore benefits from predictable and countercyclical revenue streams. The group operates mostly across the southeast of England, with some exposure to London, and enjoys a low average social rent to market rent ratio of below 60%. We also view the group's three-year average vacancy rate of 0.7% as significantly lower than those of its peers. We understand that Paradigm is committed to its strategy of growing within its core geography of Buckinghamshire, Hertfordshire, and Bedfordshire.

Although we expect that Paradigm's exposure to sales activities will remain elevated until the end of fiscal 2026, we view this as non-structural. We anticipate Paradigm will remain focussed on traditional social housing activities, which are less risky than more-volatile open market sales. We therefore expect the group's exposure to sales will reduce from fiscal 2027 onward.

Our strong assessment of Paradigm's management is underpinned by its proactive asset investments and balanced approach to growth. We view Paradigm as having a demonstrable track record of solid business planning, which has resulted in an asset base that requires lower short-term investment relative to peers. We also note that management has continually scaled development, when required, to contain the impact of external shocks on the group's debt metrics. While the announced acquisition of London & Quadrant stock will place short-term pressure on Paradigm, we think this will be somewhat mitigated by the disposal of stock as part of the group's strategy to focus on its core area of operations.

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.," published April 17, 2025, on RatingsDirect).

Financial risk profile: Rental increases support financial performance, while stock acquisition effects debt metrics

We expect Paradigm's S&P Global Ratings-adjusted EBITDA margin will remain broadly flat over our forecast period, at around 36%, before a slight recovery toward 38% by fiscal 2028. Although the group benefits from rental increases beyond inflation, alongside other English providers, moderately higher investments in existing stock are limiting any further improvement.

We forecast that Paradigm's debt metrics will be slightly weaker than our previous base case. Our previous expectation of recovery has been somewhat delayed because of the partially debt funded acquisition of L&Q stock, increasing the group's expected debt levels in the short term. That said, we expect new units' EBITDA generation will help a recovery in debt metrics toward the end of our forecast period, in fiscal 2028.

We continue to assess Paradigm's liquidity position as very strong, with liquidity sources covering uses by approximately 1.8x over the next 12 months. We forecast liquidity sources of about £336 million--comprising cash, undrawn and available revolving credit facilities, asset sales, grant receipts, and cash from operating (adding back the noncash cost of sales). This will cover liquidity uses of about £189 million, mainly for capital expenditure and debt service payments. At the same time, we believe that Paradigm retains satisfactory access to external liquidity.

Government-related entity analysis

We believe there is a moderately high likelihood that Paradigm would receive timely extraordinary support from the U.K. government in the case of financial distress. This is neutral to our rating on Paradigm. In our view, the Regulator of Social Housing (RSH) would likely step in and try to prevent a default, given one of its key goals is to maintain lender confidence and low funding costs across the sector. We base this view on the RSH's previous record of mediating mergers or arranging liquidity support from other registered providers in cases of financial distress and we understand this would also apply to Paradigm.

Key Statistics

Table 1

Paradigm Housing Group Ltd.--Financial statistics

	--Year ended March 31--				
Mil. £	**2024a**	**2025e**	**2026bc**	**2027bc**	**2028bc**
Number of units owned or managed	16,667	17,002	20,030	20,077	20,357
Adjusted operating revenue	150.1	152.4	170.3	177.6	184.5
Adjusted EBITDA	49.4	55.7	61.0	64.1	69.3
Nonsales adjusted EBITDA	40.5	49.7	49.7	57.7	65.0
Capital expense	86.2	104.0	101.0	97.6	114.3
Debt	922.3	984.7	1,279.5	1,297.3	1,364.6
Interest expense	36.1	38.6	46.9	53.9	55.8
Adjusted EBITDA/Adjusted operating revenue (%)	32.9	36.5	35.8	36.1	37.6
Debt/Nonsales adjusted EBITDA (x)	22.8	19.8	25.8	22.5	21.0
Nonsales adjusted EBITDA/interest coverage(x)	1.1	1.3	1.1	1.1	1.2

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

Paradigm Housing Group Ltd.--Ratings Score Snapshot

	Assessment
Enterprise risk profile	**2**
Industry risk	2
Regulatory framework	3

Market dependencies	2
Management and governance	2
Financial risk profile	3
Financial performance	3
Debt profile	5
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: Methodology: Industry Risk, Nov. 19, 2013
- 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 May 29, 2025)*	
Paradigm Housing Group Ltd.	
Issuer Credit Rating	A+/Watch Neg/--
Issuer Credit Ratings History	
25-Mar-2025	A+/Watch Neg/--
10-May-2021	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.