

Social Housing Provider and Association Scorecard

A credit assessment tool for estimating
probability of default (PD)



Assess the Creditworthiness of Social Housing Providers and Associations

Approximately 1.6 billion people worldwide live in inadequate housing conditions, with 15 million forcefully evicted every year.¹ To cater to an increase in investment in existing assets, while continuing to develop affordable homes, social housing providers are expected to capitalize on record-low interest rates and obtain external financing.² This will increase leverage in many countries, especially for providers that operate in jurisdictions that do not have access to favorable levels of government grant funding. Managing higher levels of debt, supported by stable and predictable cash flows and strong liquidity positions, is important for providers to maintain stable creditworthiness over the coming months. Closely monitoring the situation can help quickly identify any changes in the credit quality of providers and associations.

S&P Global Market Intelligence Credit Assessment Scorecards³ provide a valuable framework for assessing credit risk, including access to benchmarks and attribute-driven scoring guidelines. The newly-released **Social Housing Provider and Association Scorecard** is applicable to these organizations globally, where:

- The entity has a public purpose mission, and is not commercially motivated, as may be demonstrated by a not-for-profit status.
- Gains or profits may be generated, but the entity generally retains such funds for fulfilling its public-purpose mission. However, it may distribute earnings to another entity with a direct and explicit public-purpose mission.

¹ “First-ever United Nations Resolution on Homelessness”, UN Department of Economic and Social Affairs, March 9, 2020.

² “Outlook 2021: Strong Liquidity Should Help Social Housing Providers Remain Resilient”, S&P Global Ratings, December 8, 2020.

³ S&P Global Ratings does not contribute to or participate in the creation of credit scores generated by S&P Global Market Intelligence. Lowercase nomenclature is used to differentiate S&P Global Market Intelligence PD credit model scores from the credit ratings issued by S&P Global Ratings.

Social Housing Provider/Association Scorecard

The Scorecard provides a granular and transparent framework for assessing credit risk, using measures that can affect the likelihood of default. It includes seven factors to derive the Stand-alone Credit Profile (SACP) for social housing providers and associations. The SACP is S&P Global Ratings’ opinion of an issue’s or issuer’s creditworthiness in the absence of extraordinary intervention from its parent or affiliate or related government, and is but one component of a rating. As shown in Figure 1, the seven factors are divided between the enterprise profile and the financial profile. The enterprise profile is determined by: industry risk, economic fundamentals and market dependencies, and market position. The financial profile is determined by: financial performance, debt profile, liquidity, and financial policies.

Figure 1: Overview of the Scorecard Framework

Social Housing Scorecard															
Company Name			Test Company			Group				Analyst					
Country of Domicile			United Kingdom			Industry		Social Housing/ Housing Association		Date of Analysis					
Sovereign FC Rating			AA			Low Income Focus		No							
Industry Risk	4.5	Low risk	Enterprise Profile	6.3	Adequate	SACP*	a-	Adjustment		Final SACP*	a-	Group or Government Support		Final Rating	a-
EFMD	6.0	Adequate						Start-up Social Housing Provider							
Market Position	7.8	Vulnerable						Formerly Distressed Provider Emerging from Oversight							
Financial Performance	5.0	Strong	Financial Profile	4.2	Very Strong			Liquidity Cap	No			Rating above the Sovereign			
Debt Profile	2.5	Very Strong						Strategy and Management Cap	No						
Liquidity	6.5	Adequate													
Financial Policies	2.0	Extremely Strong													

* SACP = Stand-Alone Credit Profile
Source: S&P Global Market Intelligence. Simplified version for illustrative purposes only.

Scorecard Features and Benefits

Features	Benefits
Consolidated PD scoring for social housing providers and associations globally	An effective framework that focuses on the key factors most predictive of default risk
Methodological transparency reveals the Scorecard’s framework, including the granular scoring criteria	Annual validation and full technical documentation describes the analytical/statistical processes and data used in the Scorecard’s construction, helping to enhance the consistency and transparency of internal rating systems
Ability to factor in external support, for example government or group support, to fine-tune the final assessment	Given the primary mission of these organizations, it is important to account for support in the overall assessment

About S&P Global Market Intelligence

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