FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms VIVID Housing Limited at 'A'; Outlook Stable

Fri 26 Sep, 2025 - 12:08 ET

Fitch Ratings - London - 26 Sep 2025: Fitch Ratings has affirmed VIVID Housing Limited's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'A'. The Outlooks are Stable.

The affirmation reflects a stabilisation in VIVID's financial position. Its rating is driven by its Standalone Credit Profile (SCP), which remains at 'a-'. The SCP reflects a 'Stronger' risk profile and 'bbb' financial profile. Continuing high demand for social and affordable housing and ongoing cash flow from rented properties support VIVID's rating, despite a challenging economic backdrop within the sector. VIVID remains one of the strongest credits in our English social housing portfolio, with high liquidity, experienced management and sector-leading operating margins. It has flexibility about the pace of its major development programme and associated debt requirements.

KEY RATING DRIVERS

Support Score Assessment 'Strong expectations'

We have 'Strong Expectations' of extraordinary support for VIVID from the United Kingdom (AA-/Stable), reflecting a support score of 20 out of a maximum 60 under Fitch's Government-Related Entities (GRE) criteria. This reflects a combination of responsibility-to-support and incentive-to-support factors assessment as below.

Responsibility to Support

Decision Making and Oversight 'Strong'

Providers of social housing in the UK hold a special legal status, with no shareholders. They are effectively charitable organisations set up for the sole purpose of social housing provision and regulated by the UK government. Registered providers are not owned by the

UK government due to their structure and status. In strict terms, there is no legal owner, with all surpluses reinvested to provide social housing.

We consider the regulatory framework for English social housing as having a robust legal basis, and the Regulator of Social Housing (RSH) as maintaining sound control and tight monitoring of registered providers. The regulator's history of oversight and non-financial intervention in rare cases of distress is a key factor behind the sector's solidity.

Precedents of Support 'Strong'

Registered providers receive ongoing financial support through grants from Homes England and the Greater London Authority for social, affordable and shared ownership development. This is to support additional subsidised housing, not to finance debt or prevent default. Fitch takes into account the support mechanisms the issuers can benefit from, or have benefited from, via their sponsor, the UK. Policy influence is supportive of the financial stability of registered providers.

Regulatory restrictions on government support are unlikely to prevent timely intervention in exceptional circumstances. VIVID has received around GBP280 million in grant funding across its current development plan from Homes England.

Incentives to Support

Preservation of Government Policy Role 'Strong'

Social housing is a key public service. We see limited immediate impact on the service in case of default, but there would be a medium-term impact on the provision of service as registered providers rely on external financing for maintenance capex and new investments. Other registered providers could act as substitutes, in the unlikely event of financial default, with only temporary disruption to the service offered and diminished medium-term service provision due to reduced financial resilience and access to finance.

Contagion Risk 'Not Strong Enough'

Default would have a minimal impact on the availability or cost of domestic financing for the UK, or other government-related entities in general. It could have an impact on the cost of financing for the sector. However, Fitch considers that a default would likely be treated as an isolated case of mismanagement or viability concerns.

Standalone Credit Profile

VIVID's 'a-' SCP reflects a combination of a 'Stronger' risk profile and a financial profile that we assess at the lower end of the 'bbb' category.

Risk Profile: 'Stronger'

Revenue Risk: 'Stronger'

VIVID is supported by consistent affordable and social rent income, with a shared-ownership sale portfolio in a large and profitable market. These socially regulated activities offer stable cash flow in a counter-cyclical environment. In the financial year ended 31 March 2025 (FY25), VIVID received 63% of revenue from social housing lettings (limited by the rent standard), 12% of revenue from shared ownership sales and other social activities, and 25% from non-social activities (including market sales). This diversity of revenue streams, with a strong social core, allows for a 'Stronger' assessment.

Expenditure Risk: 'Stronger'

VIVID has well-identified cost drivers and low potential volatility in major items. Staff costs are the most inflexible expenditure and comprise around a quarter of operating costs, similar to strong peers. VIVID is ahead of peers in fire safety remediation, which considerably limits risk to cost inflation in this area. VIVID has consistently demonstrated its ability to control costs, with sector-leading operating margins for social housing lettings of over 40%. It has strong development and investment controls, with a consistent record of delivery. VIVID anticipates a considerable share of its new development will be delivered.

Liabilities and Liquidity Risk: 'Stronger'

VIVID has about GBP2.1 billion in net debt. It operates in a fully developed financial market in the UK, in a reserve currency (sterling) with full access, and strong relationships with banks, debt capital markets and private placement investors. Ninety-five percent of net debt is fixed rate, limiting exposure to fluctuations in the capital markets. The weighted average life of debt is about 12 years, due to long-dated bonds and loans. VIVID has strong liquidity, with about GBP400 million in undrawn revolving credit facilities at FYE25, and a GBP2 billion EMTN programme, with over GBP600 million secured and available to issue.

Financial Profile 'bbb'

VIVID has a stable financial profile. We expect net debt/EBITDA to be maintained at around 12x through the rating case. This is similar to the previous year's assessment and demonstrates reliable financial planning. The ratios are maintained due to strong operating margins alongside an ambitious development programme.

We expect revenue to increase to about GBP500 million in FY30 from GBP401 million in FY25, driven by increases in social rents and a strong rise in unit numbers for rental and sale, despite a rent cap in FY23 and external economic pressures. We expect EBITDA to peak at GBP237 million in FY30, a sharp increase from GBP164 million in FY25. This results in fairly stable net debt/EBITDA, despite an increase in net debt to GBP2.7 billion from about GBP2.1 billion for the same period.

Other Rating Factors

Fitch assesses all asymmetric risk attributes as 'Neutral' due to a strong regulatory framework, transparent reporting of information, and a risk-averse debt structure.

Short-Term Ratings

The Short-Term IDR at 'F1+' is the higher of two possible outcomes mapping to VIVID's Long-Term IDR of 'A', reflecting its strong liquidity metrics.

Debt Ratings

Fitch rates VIVID's debt issuance, which are unconditional, unsubordinated obligations and rank equally with all other debt in the group, in line with its 'A' IDR. These include private placement issuance and a GBP2 billion EMTN programme. The EMTN programme will be issued by a wholly owned subsidiary of VIVID, Peninsular Capital PLC.

All debt proceeds are used to develop new units, reinvest in existing units or refinance existing obligations.

PEER ANALYSIS

VIVID is one of the strongest registered providers within Fitch's rating portfolio. The closest geographic peer is Southern Housing (A-/Stable); however, due to their large London portfolio they have struggled with fire safety spending leading to weaker financial metrics than VIVID. As a result, VIVID has a higher rating than Southern Housing.

Issuer Profile

VIVID is a registered provider of social housing in southern England, primarily on the coast, of around 37,000 affordable homes.

KEY ASSUMPTIONS

Fitch's rating case is a "through-the-cycle" scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on FY21-FY25 historical figures and FY26-FY30 scenario assumptions:

- A 50bp stress on social rental revenue

- A 100bp stress on other revenue

- A 100 bp stress on operating expenditure

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-A multi-notch sovereign downgrade, which we consider unlikely, or a deterioration of net debt/EBITDA to above 12x on a sustained basis

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An improvement in net debt/EBITDA structurally towards 10x in our rating case

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT	RATING	PRIOR

PENINSULAR CAPITAL PLC				
senior unsecured	LT	A	Affirmed	A
senior secured	LT	A	Affirmed	A
VIVID Housing Limited	LT IDR	A Rating Outlook Stable	Affirmed	A Rating Outlook Stable
	ST IDR	F1+	Affirmed	F1+
	LC LT IDR	A Rating Outlook Stable	Affirmed	A Rating Outlook Stable
	LC ST IDR	F1+	Affirmed	F1+
senior secured	LT	A	Affirmed	A

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Michael Brooks, ACA
Director
Primary Rating Analyst
+44 20 3530 1409
michael.brooks2@fitchratings.com
Fitch Ratings Ltd
30 North Colonnade, Canary Wharf London E14 5GN

Kabir Mauwoz
Analyst
Secondary Rating Analyst
+44 20 3530 1808
kabir.mauwoz@fitchratings.com

Harry Hu
Senior Director
Committee Chairperson
+852 2263 9606
harry.hu@fitchratings.com

MEDIA CONTACTS

Athos Larkou
London
+44 20 3530 1549
athos.larkou@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Public Policy Revenue-Supported Entities Rating Criteria (pub. 12 Jan 2024) (including rating assumption sensitivity)

Government-Related Entities Rating Criteria (pub. 18 Jul 2025)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

PENINSULAR CAPITAL PLC	UK Issued, EU Endorsed
VIVID Housing Limited	UK Issued, EU Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals,

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.