S&P Global
Ratings

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Nassauische Heimstaette Wohnungs- und Entwicklungsgesellschaft mbH

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This report does not constitute a rating action.

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Credit Highlights

Overview

Enterprise profile	Financial profile
Nassauische Heimstaette Wohnungs- und Entwicklungsgesellschaft mbH (NH) benefits from the robustness of its affordable housing letting business and focus on the dynamic Rhine-Main region.	NH's financial indicators will remain stable with sufficient leeway to increase rents.
-- Letting its units with a discount to market rent, NH should enjoy strong demand for its product, particularly in Frankfurt.	--Operating under an agreement with its key owner that has loosened restrictions on rental increases in 2024, margins show strong adaptability to cost inflation.
--Despite likely peaking in 2027 and 2029, we anticipate that sales revenue will play only a minor role for NH going forward.	--About one-third of all borrowing is sourced as subsidized loans from state promotional lender WI Bank, which mitigates the impact of additional debt and exposure to market interest rates.
--A self-imposed ceiling for leverage and scaled-back development plans should support management's efforts to mitigate the impact of the currently challenging operating environment.	--Liquidity remains strong, backed by a combination of liquid financial assets held, available facilities, and sizable contracted long-term loans that can be drawn in line with construction progress.

We expect NH's adjusted EBITDA margin to remain broadly stable in the upper 20% range. The combination of portfolio growth and rent increases under the current rent agreement with Hesse should allow management to mitigate the impact of any cost inflation.

Indebtedness will comfortably stay below 15x nonsales-adjusted EBITDA, and we anticipate nonsales-adjusted interest coverage will remain very strong. Next to competitively priced borrowing in the open market, NH has access to subsidized promotional lending, which we expect to soften the growth in interest expense. A scaled investment pipeline will support debt stability.

NH's liquidity position will remain stable. We observe NH as very pro-active in securing sufficient funding from key partners under a forward-looking approach, ensuring available funding will comfortably cover construction expenses.

Outlook

The stable outlook reflects our view that NH will maintain a robust lettings business and, while executing its current capital expenditure (capex) program, refrain from committing to further new development projects unless higher rents or more generous government grants allow for better economics than currently achievable. This should support the stability of the group's key credit metrics. Furthermore, we assume that the high likelihood of NH obtaining extraordinary support from its majority owner, the State of Hesse, in case of financial stress is unchanged.

Downside scenario

We could lower our ratings if operating costs unexpectedly rise, NH is unable to make use of its agreed leeway for rent increases, and it pursues more aggressive expansion plans. Jointly, these factors could materially deteriorate the group's financial indicators, which could signal weaker management.

Upside scenario

We could upgrade NH if we gain a more positive view on management, for example, in response to a broad and sustained improvement in the provider's set of financial indicators or a very proactive stance on portfolio strategy.

An upgrade might also follow a similar action on the State of Hesse.

Rationale

Our ratings on NH reflect our positive view on the robustness of the provider's core affordable housing business and our assumption of a high likelihood of support from its 61%-owner, the German State of Hesse, in case of extraordinary need. We anticipate the current agreement with Hesse regarding permissible rent increases, rising rental flows from its expanding portfolio, and operating cost expansion stabilizing will keep NH's financial performance resilient over the 2026-2029 forecast horizon.

While ongoing construction will increase outstanding debt, the provider’s decision to pause new project initiations is likely to help stabilize debt metrics. That said, NH’s strong liquidity position--comprised of committed liquidity lines and prefunded investments--provides sufficient coverage for both upcoming debt maturities and capex requirements.

Enterprise profile: NH's focus on the attractive Rhine-Main Metropolitan region underpins its resilient business profile

NH benefits from generating most of its earnings in the noncyclical business of letting affordable housing units, with a generally cautious approach to sales risk. Including consolidated group companies, NH owns and operates about 61,500 housing units and a limited number of commercial units. While these span the State of Hesse, NH largely focuses its investments on the prosperous Rhine-Main Metropolitan region around Frankfurt, where affordable housing is sparse. We anticipate sales will proceed according to plan, following successful unit sales in 2025, peaking at 15% of adjusted revenue. However, subsequent sales peaks anticipated in 2027 and 2029 are likely to reach only approximately 10%, remaining below the 2025 threshold. We think there will be no further need for new, constructed units that were originally earmarked for sale to be transferred into NH’s lettings portfolio.

We consider the regulatory framework under which German public housing providers operate as strong. Although there is no dedicated national regulator for the sector, we observe direct and close oversight by government owners. Existing rent setting rules, pass-through of utility cost to tenants, and availability of government-subsidized loans from promotional banks support providers' financial viability (see "Regulatory Framework Assessment: German Public Housing Providers Witness New Government Initiatives But Remain Steady," Aug. 18, 2025).

Market dependencies remain balanced across NH's entire portfolio, but regional differences persist. In the wider Rhine-Main area--where NH directs the bulk of capex--it benefits from high demand, a tight housing market with comparatively low vacancies, and offers its units at a material discount to market rent. For Frankfurt, its largest asset location, we calculate that NH's average in-place rent is about 80% of the city's official 2026 rent index average. Differences in economics and demographics suggest more challenges in the northern, less populated parts of the state. Across NH's entire portfolio, we calculate an average rent-to-market-rent ratio close to 90%. The provider's stated vacancy rate of 2.8% in 2025 is broadly aligned with the average vacancy rate of 3.6% across the State of Hesse, as detailed in the 2022 German census.

In our view, NH's experienced management team continues to prioritize financial stability by actively aligning company strategy with prevailing market conditions. This approach is demonstrated by management's decision to adjust construction plans in response to economic headwinds and led to the ongoing pause in new development starts. Existing projects are executed as planned, meaning capex levels are broadly unaltered since the pause took effect. Furthermore, NH has adopted a pragmatic approach to decarbonization, pivoting from large-scale modernization to smaller, high-impact projects--such as heating source decarbonization--that maximize carbon dioxide reduction per euro spent. We generally perceive NH's management as experienced with long tenures that support a conservative operational style. Looking ahead, we expect an orderly succession at the head of the company, which should maintain a continuity of stable governance.

Financial profile: Performance stability and debt burden anticipated

We think the current agreement on rent increases, economies of scale from NH's expanding portfolio, and less volatility in operating costs compared with past years will continue to buttress NH's financial performance. While permissible rent increases are lower than allowed by the German Civil Code, the agreement provides sufficient leeway for the company to increase rent and counterbalance current inflation expectations. This should support margin stability in our view. We think NH's lettings portfolio will continue to grow broadly alongside company planning, leading to average addition of about 360 units per year. While we assume some delays, we think NH will complete its current construction projects by 2030, supporting revenue growth. At the same time, normalizing inflation has eased pressure, for example, on staff costs.

The planned handover of about 300 development-for-sale units over 2026-2029 should augment EBITDA in absolute terms but might not boost margins. Sales from its development-for-sale units have picked up over the past year with 160 units handed over, exceeding planned sales by 16%. We think the current market conditions in Frankfurt will allow for solid sales activity, and believe that no further transfer of units originally built for sale to NH's lettings portfolio will be necessary. That said, based on our cautious assumptions on cost and sales prices, we estimate these sales should remain profitable but may slightly dilute margins.

We think that EBITDA growth and fewer new construction starts will stabilize NH's relative debt burden, although the absolute amount of outstanding debt will continue to slowly increase. We project the execution of NH's ongoing new construction program, which we expect to add up to

1,500 units until 2029, and approximately €85 million on average spent annually on energy efficiency and refurbishment, will increase debt by about €85 million on average over our forecast. We therefore continue to expect NH's debt-to-nonsales-adjusted-EBITDA ratio will remain below the threshold of 15.0x throughout our 2026-2029 forecast horizon.

In our view, NH's nonsales-adjusted EBITDA-to-interest-coverage ratio should remain robust and will not weaken below 3.5x over the near term. This incorporates our performance expectations for NH and current interest rate forecasts. The coverage ratio benefits from NH's access to substantially subsidized funding via the State of Hesse's promotional lending arm WI Bank, which we believe will continue to represent about one-third of total borrowing. The remaining, essentially all fixed-rate borrowing has been sourced via traditional mortgage loans or raised in the form of senior unsecured Schuldschein loan certificates placed in the German private capital market. The debt portfolio will also comprise drawing under a sizable European Investment Bank (EIB) facility, that was agreed in Spring 2026, further diversifying NH’s list of lenders.

Based on our calculation that NH's liquidity sources will cover its liquidity uses by about 1.7x over the next 12 months, we assess the company's liquidity position as strong. Our calculation factors in:

- Sources of €650 million, consisting of cash generated from operations, bank deposits, and other liquid financial instruments held;
- Undrawn and available revolving credit, and overdraft facilities; and
- Agreed long-term loans not yet disbursed that can be applied toward investment.

Estimated liquidity uses over the next 12 months of €400 million mainly comprise anticipated capex and interest payments. We evaluate NH's access to external liquidity as satisfactory, reflecting its established presence in the Schuldschein market, relationships with several mortgage loan lenders from the banking and insurance sector, and the ability to source funding from WI Bank and EIB, as well as potentially other promotional lenders.

Government-related entity analysis

Our ratings incorporate a two-notch uplift to our 'a-' stand-alone credit profile on NH, which we consider a government-related entity. We think that there is a high likelihood that the company would receive timely and sufficient extraordinary support from its 61% owner, the State of Hesse (AA+/Stable/A-1+), in case of financial stress, even if the 26 other share-owning Hessian municipalities and other holding vehicles remain passive. We assess the link between NH and the State of Hesse as very strong. This reflects a track record of two capital injections of €200 million each, exclusively provided by the state in the past nine years.

Our assessment of a very strong link is additionally underpinned by the State of Hesse's minister of economic affairs chairing a supervisory board where state appointees dominate, and very close monitoring of NH through a dedicated division in the state's finance ministry. We consider the role of NH as important, given the weight that housing availability and affordability has on the regional political agenda, and that NH is the state's only tool to directly intervene in the housing market.

Key Statistics

Nassauische Heimstaette--Key statistics

	--Year ended Dec. 31--					
Mil. €	**2024a**	**2025a**	**2026e**	**2027bc**	**2028bc**	**2029bc**
Number of units owned*	61,876	62.190	62.420	62.730	62.980	63.600
Adjusted operating revenue	464	589,2	523,3	586,4	565,1	612,8
Adjusted EBITDA	140	193,6	149,3	160,5	165,9	182,1
Nonsales adjusted EBITDA	139	151,1	145,9	152,8	163,0	176,4
Capital expenditure	260	205,8	233,8	242,6	256,0	207,5
Debt	1,927	1.931,8	1.998,1	2.117,5	2.221,6	2.264,3
Interest expense	35	37,2	37,5	40,4	43,6	47,2
Adjusted EBITDA/Adjusted operating revenue (%)	30.1	32,9	28,5	27,4	29,4	29,7
Debt/Nonsales adjusted EBITDA (x)	13.9	12,8	13,7	13,9	13,6	12,8
Nonsales adjusted EBITDA/interest coverage(x)	4.0	4,1	3,9	3,8	3,7	3,7

*Residential, commercial, and other units, regardless of size differences, at end of period. Parking spaces/garages not included. a--Actual. e--Estimate. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. Figures are based on German Generally Accepted Accounting Principles data.

Rating Component Scores

Nassauische Heimstaette--Ratings score snapshot

	Assessment
Enterprise risk profile	3
Industry risk	2
Regulatory framework	3
Market dependencies	3
Management and Governance	3
Financial risk profile	3
Financial performance	4
Debt profile	2
Liquidity	3
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. S&P Global Ratings' "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: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- 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
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating , Oct. 1, 2010

Related Research

- Germany Brief: Government Intervention Restores Stability In The Housing Sector, July 6, 2026
- Non-U.S. Social Housing Providers Ratings History: March 2026, April 27, 2026
- Non-U.S. Social Housing Providers Ratings Risk Indicators: Ratings Hold Steady Despite Negative Bias, April 27, 2026
- Bund Yields Peak: German Homes Are Resilient, Balance Sheets Aren't, April 16, 2026
- German State of Hesse 'AA+/A-1+' Ratings Affirmed; Outlook Stable, April 10, 2026
- European Housing Markets: Structural Pressures Persist, Forecasts Barely Shift, Feb. 3, 2026
- Non-U.S. Social Housing Sector Outlook 2026: Headwinds Ease, Feb. 2, 2026
- Regulatory Framework Assessment: German Public Housing Providers Witness New Government Initiatives But Remain Steady, Aug. 18, 2025

Ratings Detail (as of September 22, 2026)*	
Nassauische Heimstaette	
Issuer Credit Rating	A+/Stable/A-1
Issuer Credit Ratings History	
24-Mar-2023	A+/Stable/A-1

*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.