

Research Update:

State of Hesse's Public Housing Provider Nassauische Heimstaette 'A+/A-1' Ratings Affirmed; Outlook Stable

September 24, 2025

Overview

- A renewed agreement with its key shareholder on permissible rent increases, economies of scale from its growing portfolio, and potentially less cost pressures than in recent, more volatile years should allow public housing provider Nassauische Heimstaette (NH) to maintain S&P Global Ratings-adjusted EBITDA margins at about their current level of close to 30%.
- As the company executes its existing capital expenditure (capex) program, we expect NH to increase the number of units in its portfolio by about 3% until 2028.
- However, we understand that due to less attractive economics, NH is momentarily not committing to additional new development projects. This should limit capex and help stabilize its relative debt burden toward the end of our 2025-2028 forecast horizon.
- We affirmed our 'A+/A-1' long- and short-term issuer credit ratings on NH. The outlook is stable.

Rating Action

On Sept. 24, 2025, S&P Global Ratings affirmed its 'A+/A-1' long- and short-term issuer credit ratings on NH. The outlook is stable.

Outlook

The stable outlook reflects our view that NH will maintain a robust lettings business and, while executing its current 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 likelihood of NH obtaining extraordinary support from its majority owner, the State of Hesse, in case of financial stress is unchanged.

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Downside scenario

We could lower our ratings if operating cost dynamics surprise negatively, 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

An upgrade would likely imply 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.

Additionally, an upgrade might also follow a similar action on the State of Hesse.

Rationale

The ratings on NH continue to reflect our positive view on the robustness of the public housing provider's underlying core business of letting affordable units and our assumption of a high likelihood that its 61%-owner, the German State of Hesse, would provide extraordinary support if needed. NH's financial performance over our 2025-2028 forecast horizon should be supported by the renewed and slightly more lenient agreement with the State of Hesse on permissible rent increases, additional rental flows from its growing portfolio, and--according to our current expectation--less pressure on operating cost compared to the recent more volatile periods. Ongoing construction will further increase the outstanding amount of debt, but NH's current reluctance to initiate new development projects, given momentarily achievable economics, should help stabilize the provider's debt metrics toward the later years of the forecast horizon.

Enterprise profile: A robust business benefitting from the focus on attractive Rhine-Main Metropolitan Region

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 62,000 units across the entire State of Hesse but directs its investments largely into the prosperous Rhine-Main Metropolitan Region around Frankfurt with its clear shortage of affordable housing. After two years where newly constructed units originally earmarked for sale were transferred into the lettings portfolio, we anticipate a rebound of NH's development-for-sale business over the next years. However, even in years where unit handovers are expected to peak, 2025 and 2027, sales will not materially exceed about 10% of S&P Global Ratings-adjusted revenue, according to our view.

We consider the regulatory framework under which German public housing providers like NH 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).

Measured across its entire portfolio, NH's market dependencies appear balanced, but with regional differences. In the wider Rhine-Main area--where NH directs the bulk of capex--it benefits from high demand, a tight housing market with comparatively lower vacancies, and offers its units at a material discount to market rent. For the city of Frankfurt, its largest asset

location, we calculate that NH's average in-place rent only marginally exceeds 70% of the city's official 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 of about 80%. The provider stated a vacancy rate of 2.6% as per the end of July 2025, and we calculate a rent loss rate of 3.6% for all of 2024. This appears to be 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 ensures financial stability by adjusting company strategy to match prevailing market conditions. In response to a perceived imbalance of construction cost, interest rates, and achievable rents in its segment, we understand that NH's leadership has, for now, stopped committing to additional new development projects. Although it will still execute all ongoing projects, this decision should eventually reduce construction starts and hence limit capex requirements toward the end of our 2025-2028 forecast horizon. Similarly, management has refocused NH's energy-efficiency efforts toward smaller projects that yield the highest carbon dioxide reduction per money spent. We understand that these often aim to decarbonize a building's heating source rather than insulate the entire structure. We generally perceive the provider's management team as highly experienced, note the executive's long tenure, and think that it will keep NH conservatively run.

Financial profile: Performance stability and debt burden anticipated

We anticipate that NH's financial performance should be supported by its renewed agreement on rent increases, economies of scale from its growing portfolio, and--according to our current expectation--less volatility in operating cost compared to previous years. At the end of 2024, NH and its major shareholder agreed on a new rent adjustment strategy. While permissible rent increases are lower than what the German Civil Code would allow for, the new agreement still provides slightly more leeway to the company than its previous version, thereby supporting margins in our view. Rent collection should also benefit from NH's lettings portfolio growing slightly faster than previously anticipated, thanks to speedier construction and redesignating development-for-sale units to the lettings portfolio in 2023 and 2024. While staff cost was particularly under inflationary pressures in recent years, we think that this has moderated.

The planned handover of about 380 development-for-sale units over 2025-2028 should augment EBITDA in absolute terms but might not boost margins. Following the transfer of a further 104 units originally built for sale to the lettings portfolio in 2024, we understand that substantial sales should now take place in 2025 and subsequent years from three remaining projects in Frankfurt. That said, based on our cautious assumptions on cost and sales prices, these sales should remain profitable but might be, to a very limited extent, margin dilutive.

We think that EBITDA growth and a declining number of new construction starts will stabilize NH's relative debt burden, although the absolute amount of outstanding debt will continue to increase. The execution of NH's ongoing new construction program, which we expect to add more than 1,800 units until 2028, and the approximately €80 million spent annually on energy efficiency, should increase debt by about €150 million in both 2025 and 2026. Thereafter, we anticipate net borrowing needs to reduce, reflecting NH's current reluctance to replenish the pipeline of future construction projects, next to EBITDA expansion. As a result, we now expect NH's debt-to-nonsales-adjusted-EBITDA ratio will remain below the threshold of 15.0x throughout our 2025-2028 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 revised 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.

Based on our calculation that NH's liquidity sources will cover its liquidity uses by about 1.3x over the next 12 months, we assess the company's liquidity position as strong. Our calculation factors in sources of €528 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. Estimated liquidity uses over the next 12 months of €411 million mainly comprise anticipated capex and debt service. 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 potentially other promotional lenders, we evaluate NH's access to external liquidity as satisfactory.

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 last nine years. Our assessment of a strong link is additionally underpinned by the State of Hesse's minister of economic affairs chairing a supervisory board where state appointees dominate, and a very close monitoring of NH through a dedicated division in the state's finance ministry. We consider the role of NH 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. €	2023a	2024a	2025e	2026bc	2027bc	2028bc
Number of units owned*	60,883	61,876	62,278	62,647	62,991	63,718
Adjusted operating revenue	439	464	560	525	588	598
Adjusted EBITDA	140	140	155	157	167	176
Nonsales adjusted EBITDA	139	139	146	156	160	173
Capital expenditure	313	260	246	273	255	214
Debt	1,892	1,927	2,071	2,233	2,367	2,451
Interest expense	31	35	36	41	46	50
Adjusted EBITDA/Adjusted operating revenue (%)	31.8	30.1	27.6	29.9	28.3	29.4
Debt/Nonsales adjusted EBITDA (x)	13.6	13.9	14.1	14.3	14.8	14.1

Mil. €	--Year ended Dec. 31--					
	2023a	2024a	2025e	2026bc	2027bc	2028bc
Nonsales adjusted EBITDA/interest coverage(x)	4.5	4.0	4.0	3.8	3.5	3.5

*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 GAAP 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

Related Research

- [Regulatory Framework Assessment: German Public Housing Providers Witness New Government Initiatives But Remain Steady](#), Aug. 18, 2025
- [European Housing Markets: Strong Demand And Weak Supply Will Keep Prices High](#), July 10, 2025
- [Economic Outlook Eurozone Q3 2025: Strength From Within](#), June 24, 2025
- [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
- [German State of Hesse 'AA+/A-1+' Ratings Affirmed; Outlook Stable](#), April 11, 2025

Ratings List

Ratings List	
Ratings Affirmed	
Nassauische Heimstaette	
Issuer Credit Rating	A+/Stable/A-1

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourcelid/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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