

Research Update:

Housing New Zealand Ltd. Ratings Affirmed; Outlook Stable

February 26, 2024

Overview

- We equalize our ratings on Housing New Zealand Ltd. (HNZL) with those on its parent, Kainga Ora-Homes and Communities, and New Zealand.
- We affirmed our long-term 'AAA' local-currency and 'AA+' foreign-currency issuer credit ratings on HNZL. We also affirmed our 'A-1+' short-term local- and foreign-currency ratings on the social rental housing provider. At the same time, we affirmed our 'AAA' long-term local currency issue ratings on the HNZL's senior unsecured notes.
- The stable outlook on the long-term ratings reflects that on Kainga Ora and the New Zealand sovereign.

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Rating Action

On Feb. 27, 2024, S&P Global Ratings affirmed its 'AAA' local-currency and 'AA+' foreign-currency long-term issuer credit ratings on Housing New Zealand Ltd. (HNZL). We also affirmed our 'A-1+' local- and foreign-currency short-term ratings on the company. The outlook on the long-term ratings is stable.

Outlook

The stable rating outlook on HNZL reflects that on Kainga Ora-Homes and Communities, and the New Zealand sovereign. We expect HNZL to remain a core subsidiary of Kainga Ora, while its role will remain critical and its link to the New Zealand government will remain integral.

Downside scenario

We could downgrade HNZL during the next two years if we perceive that its critical social policy role is diminishing. This, in turn, could cause us to revise downward the likelihood of the company receiving support from the New Zealand government (the Crown), or HNZL's group status within Kainga Ora. We could also lower our ratings on HNZL if we were to downgrade the New Zealand

sovereign or Kainga Ora.

Upside scenario

We could raise our foreign-currency rating on HNZN during the next two years if we were to upgrade the New Zealand sovereign or Kainga Ora, all else being equal.

Rationale

We equalize our ratings on HNZN with those on Kainga Ora and New Zealand. We believe that there is an almost-certain likelihood the Crown would provide direct, timely, and sufficient extraordinary support to HNZN in the event of financial distress. Our view is based on HNZN's:

- Critical role, given that it is mandated by and operates on behalf of the Crown to provide a key public service (i.e., the provision of social housing to the most vulnerable segments of the New Zealand population).
- Integral link with the Crown, due to its status as part of a Crown agency that can be considered an extension of the government. The Crown is responsible for appointing all members of Kainga Ora's board (and, by extension, HNZN's), and subsidies and appropriations from the Crown represent the bulk of the Kainga Ora group's operating revenue.

We do not believe this likelihood of support is subject to any transition risk. We also do not believe that HNZN could become subject to negative intervention from Kainga Ora or other entities.

In addition, we view HNZN as a core subsidiary of Kainga Ora. We consider HNZN to be integral to the group's current identity and future strategy. HNZN is wholly owned by Kainga Ora and accounts for roughly 97% of the group's assets. It shares a board with Kainga Ora and does not have a separate chief executive. It plays an integral role in group financing, by issuing medium-term notes, inflation-indexed bonds, and bills that finance the construction of new properties. It is highly unlikely to be sold.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- 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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Kainga Ora-Homes And Communities Ratings Affirmed; Outlook Stable, Feb. 27, 2024

Ratings List

Ratings Affirmed

Housing New Zealand Ltd.

Issuer Credit Rating

Foreign Currency AA+/Stable/A-1+

Local Currency AAA/Stable/A-1+

Housing New Zealand Ltd.

Senior Unsecured AAA

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