

CDC Habitat (/gws/en/esp/issr/91321690)**Fitch Affirms CDC Habitat at 'AA-', Outlook Stable**

Fitch Ratings-Paris-25 July 2018: Fitch Ratings has affirmed CDC Habitat's (ex-SNI) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) at 'AA-' with Stable Outlooks and Short-Term Foreign-Currency IDR at 'F1+'.

Fitch has also affirmed CDC Habitat's EUR300 million negotiable European commercial paper (NEU CP) programme's 'F1+' short-term rating, and EUR200 million negotiable European medium-term notes (NEU MTN) programme's 'AA-' long-term rating..

As a general housing subsidiary of Caisse des Depots et Consignations (CDC; AA/Stable/F1+), CDC Habitat Group is France's largest social landlord, managing a portfolio of 354,322 units in 2017, providing housing for about one million individuals. Fitch rates CDC Habitat one notch below its sponsor CDC (AA/Stable/F1+) under its Government-Related Entities Rating Criteria. Based on the strength of linkage and the incentive to support, Fitch believes that extraordinary support from CDC will be forthcoming if needed.

Fitch only rates CDC Habitat's consolidated division, which focuses on intermediate housing and excludes the core social housing division that comprises social housing entities, among others. The consolidated division and the social housing division represent 46% and 54%, respectively, of CDC Habitat group's total stock.

KEY RATING DRIVERS

The assessment of the following four rating factors under Fitch's GRE Rating Criteria translates into an overall support score of 40, out of a maximum possible score of 60, warranting a 'top-down minus one' approach:

Status, Ownership and Control (Very Strong)

CDC Habitat is a semi-public company that is fully consolidated within and fully controlled by CDC. Social and intermediate housing developments run by CDC Habitat are part of CDC's medium-term strategic plan. Every year, a letter of objectives is addressed to CDC Habitat's CEO to define policy guidelines, with a strategic and financial plan that establishes shareholder action for the coming year. CDC applies its prudential model to CDC Habitat, implying tight control. This includes detailed information reporting to CDC on a quarterly basis for debt and liquidity. CDC's CEO is the chair of CDC Habitat's supervisory board, while CDC Habitat's CEO is a member of CDC's management committee.

Support Track Record and Expectations (Very Strong)

As a shareholder, CDC receives dividends from CDC Habitat. The medium- and long-term plan of CDC Habitat is based on support from CDC, which will translate into an equity increase of EUR900 million over 2016-2021.

To this end, CDC carried out a capital increase of EUR400 million in May 2017. Fitch believes that in case of need, CDC will be able to provide CDC Habitat with further support.

Socio-Political Implications of Default (Strong)

Fitch sees a lack of potential substitutes for CDC Habitat. CDC Habitat is France's largest social landlord and aims to build more than 100,000 units over 2018-2023. The number of units managed by CDC Habitat will reach 398,194 by 2027 compared with 354,322 units at end-2017. CDC Habitat plays a strategic role within the French state stimulus package for intermediate housing nationwide, which is implemented through three ad-hoc financing vehicles.

Fitch believes that a default by CDC Habitat could threaten the realisation of its strategic plan as well as the sustainability of the financing vehicles it manages through Ampere Gestion. As a result, Fitch believes the state will have a strong incentive to prevent a default by CDC Habitat.

Financial Implications of Default (Strong)

A default by CDC Habitat will have a significant impact on the availability and cost of borrowing for other social housing providers through reputational damage to the entire social housing sector. The precise impact on future availability of sector funding is not quantifiable but Fitch believes that CDC is the backbone of a secure financing framework for social housing providers.

Fitch has revised CDC Habitat's standalone credit profile to 'bbb+' from 'a-', under its Revenue Supported Debt Criteria, following the negative impact of the Finance law in 2018 and CDC Habitat's larger capex plan. We have assessed revenue defensibility as midrange, with demand assessed as stronger and pricing assessed as weaker. CDC Habitat's revenue resilience is supported by a large share of public tenants with multi-year agreements. Operating risk is assessed as strong, with operating costs assessed as stronger and resource management as midrange. Fitch assesses the financial profile as midrange. Net debt-to-Fitch-calculated EBITDA on a consolidated basis reached 7.9x at end-2017 and we expect it to rise to around 10x over 2018-2027. CDC Habitat also benefits from sound liquidity with about 1,000 days worth of cash on hand at end-2017.

Therefore a score of 40 points under our GRE Criteria, together with the standalone credit profile of 'bbb+' of CDC Habitat, has resulted in a rating one notch below CDC's IDRs.

RATING SENSITIVITIES

A downgrade could result from a significantly weaker assessment of strength of linkage or incentive to support factors, so that the score falls below a total of 35 points under the GRE Criteria, which will lead to a top-down assessment minus 2.

A rating action on CDC will lead to similar action on CDC Habitat's IDRs and its programmes.

DATE OF RELEVANT COMMITTEE

24 July 2018

CDC Habitat

----Long Term Issuer Default Rating; Affirmed; AA-; RO:Sta

----Short Term Issuer Default Rating; Affirmed; F1+

----Local Currency Long Term Issuer Default Rating; Affirmed; AA-; RO:Sta

----senior unsecured; Long Term Rating; Affirmed; AA-

----senior unsecured; Short Term Rating; Affirmed; F1+

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Applicable Criteria

International Local and Regional Governments Rating Criteria - Outside the United States (pub. 18 Apr 2016) (<https://www.fitchratings.com/site/re/878660>)

Rating Criteria for Public-Sector, Revenue-Supported Debt (pub. 26 Feb 2018) (<https://www.fitchratings.com/site/re/10020113>)

Government-Related Entities Rating Criteria (pub. 07 Feb 2018) (<https://www.fitchratings.com/site/re/10019302>)

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