

23 August 2016

Vasakronan: (Nordea A-/Stable): Capital markets day reveals nervousness around yield compression

S&P /

Moody's -/

Vasakronan's credit profile strengthened further with an increase in NOI of 3% (y/y on a comparable property) and a record property revaluation of 6% of which half came from yield compression and another half from rents. Credit duration was at a moderate 3.3 years, while the average interest rate on the whole loan portfolio was 1.9%. LTV came in at 49% and the occupancy rate increased to 93.6% which we find healthy.

Despite this, the capital markets day revealed investors' nervousness over the potential macro headwinds, room for further yield compression and probable shocks when rates start turning upwards. The company stressed that in such a scenario winners will stand out from the losers on the back of strong rents and competitive positions in structurally undersupplied geographical market and property segments.

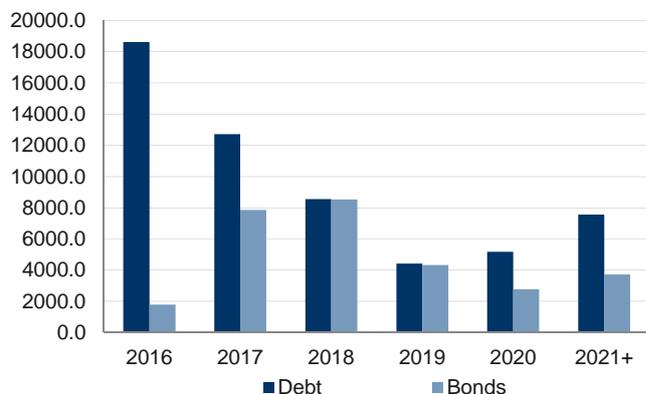
Given the current financial KPIs and Vasakronan's focus on the Stockholm CBD office market, we remain positive on the credit, but the recent focus on projects makes us somewhat cautious. Although the company stresses that most projects are initiated after detailed analysis and high rates of occupancy, we will continue to keep an eye on the occupancy rate and debt levels needed to finance such projects.

Credit stats as of the end of Q2 2016 showing a moderately strong credit profile

Stats	Q2 2016
Credit duration, years	3.3
Interest duration, years	4.2
Avg. interest rate, %	1.9%
Interest coverage (reported), x	3.8x
LTV (reported), %	49.0%
Secured LTV (reported), %	15.0%
Adj. LTV (Nordea adjusted FY 2015)	49.0%
Economic occupancy rate (reported), %	93.6%
Yield, %	4.8%
Avg. leases, years	4.6
Property Value, SEKm	109,132

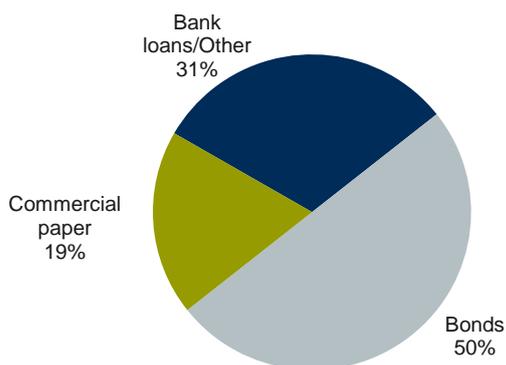
Source: Company data and Nordea Markets

Debt maturity duration shows 46% of maturity including commercial paper in the next year while the rest is spread over the coming 3-4 years



Source: Company data and Nordea Markets

Funding channel shows bonds accounting for 50% of funding and the company expects to issue longer-dated bonds in SEK, NOK and Green MTN programme



Source Company data and Nordea Markets

Current recommendations on Vasakronan bonds

Issuer	Bond	Nordea Shadow Rating				Estimated Current			Current (Old) Nordea Recommendation
		Corp	Bond	Maturity	Amount (m)	Rank	Price	Spread	
VASAKRONAN AB	FASTIG 1.46 03/12/22	A-	A-	12/03/2022	SEK 100	SR UNSECURED	101.9	110.2	Outperform
VASAKRONAN AB	FASTIG 0 08/10/17	A-	A-	10/08/2017	SEK 150	SR UNSECURED	100.0	46.2	Marketperform
VASAKRONAN AB	FASTIG 0 01/17/18	A-	A-	17/01/2018	SEK 981	SR UNSECURED	100.7	54.2	Underperform
VASAKRONAN AB	FASTIG 0 03/19/19	A-	A-	19/03/2019	SEK 750	SR UNSECURED	100.0	67.8	Marketperform

Source: Bloomberg and Nordea Markets

Completion Date: 23 Aug 2016, 12:57 CET

Best,

Devdeep Chakraborty
Analyst, Materials

Nordea | Markets | Credit Research
Visit me: Smålandsgatan 15, Stockholm
Write to me: 105 71 Stockholm
Tel: +46 10 1565968 | Mob: +46 703436015
E-mail: devdeep.chakraborty@nordea.com
Web: nordeamarkets.com

Nordea Bank AB (publ), Company registration number/VAT number 516406-0120/SE663000019501. The board is domiciled in Stockholm, Sweden

Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S.

The information provided herein is intended for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. The views have been provided solely based on the information made available to Nordea Markets and for the purposes of presenting the services made available by Nordea Markets. This notice does not substitute the judgement of the recipient.

Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction. Relevant professional advice should always be obtained before making any investment or credit decision. This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.

Web: [For disclosures and disclaimers, please click this link](#)