

Handelsbanken Capital Markets

Vasakronan - Comforting message from the mothership

- **Slower, but stable office market**
- **Strong financial position**
- **Tight credit spreads will remain tight**

Slower, but stable office market

Vasakronan's Q4 and FY 2020 numbers were overall stable. FY 2020 rental income amounted to SEK 7bn, unchanged compared to FY 2019. Rental income for comparable holdings decreased by about 1%, primarily due to pandemic related rent discounts, rent reliefs, provision and reduced parking revenues. Net lettings amounted to SEK -136m in Q4 (SEK -18m FY 2020). Renegotiated office rents increased on average by 17.5% in the quarter, while retail rents fell by 7.3%. Office valuations remain stable while retail properties is experiencing some pressure. Vaskronan's average vacancy rate was 8% by the end of 2020, compared to 6% by the end of 2019. Early signals suggest that the office market is slowly picking up again, at the start of 2021, according to the company.

Strong financial position

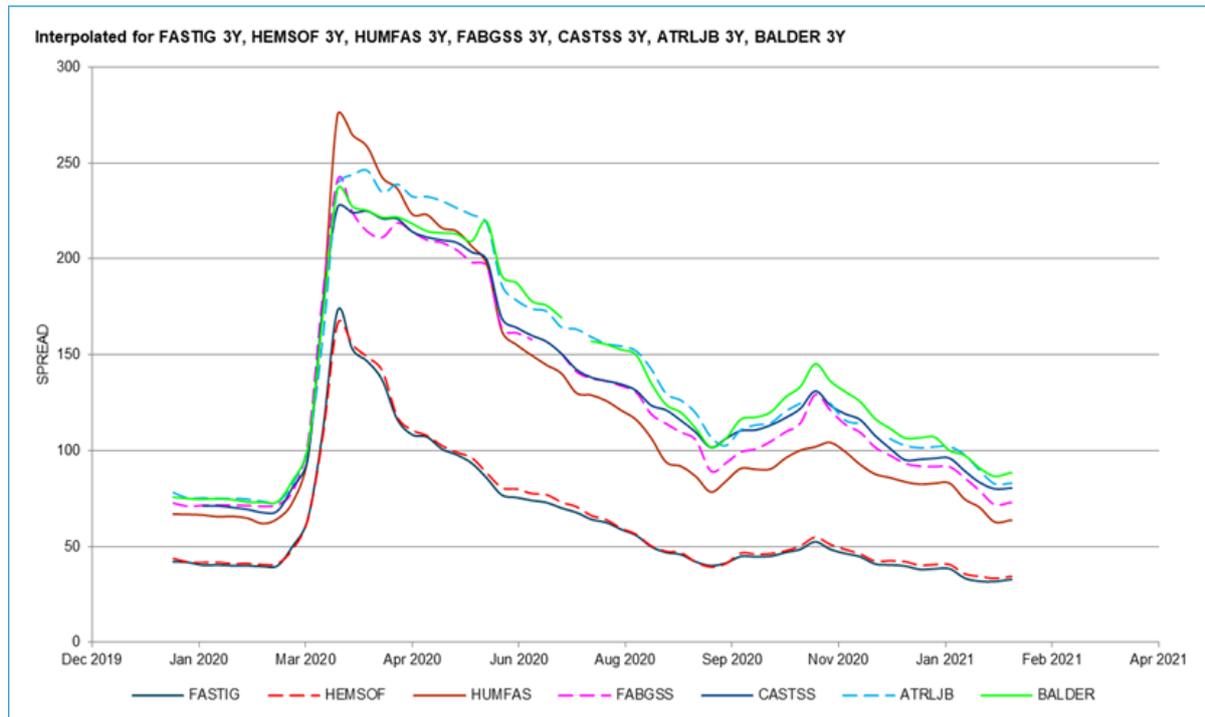
With an LTV of 41%, and interest coverage of 4.4x, and an average debt maturity of about 5 years (spread of several debt types and currencies), Vasakronan's financial risk profile remain very solid. Total property assets amounted to SEK 162bn. Supported by its strong AP-fund ownership, Vasakronan remain one of the strongest issuers in the Nordic real estate market.

Tight credit spreads will remain tight

Vasakronan's credit spreads have outperformed the broader SEK real estate market in 2020. Vasakronan's credit spreads are currently at, or tighter than pre-COVID levels. As we believe in continued strong Swedish, Nordic and European bond markets, supported by the central banks, credit spreads will remain tight, in our view.

Credit key figures - Vasakronan

SEKm	2016	2017	2018	2019	2020
Rental revenues	6,251	6,490	6,718	7,040	7,006
Op. net (NOIRE)	4,459	4,678	4,869	5,200	5,189
Income fr property mgmt adj	3,217	3,413	3,884	4,914	3,577
Net income adj	11,490	9,295	12,964	13,983	3,714
Property value	115,922	126,875	138,934	161,314	167,583
Gross debt adj	55,240	58,421	61,087	71,882	74,481
Net debt to prop value adj (%)	45.8	44.9	42.4	42.4	42.9
Total debt to total assets adj (%)	45.4	44.2	42.1	42.4	42.3
FFO/gross debt adj (%)	6	6	6	5	5
Gross debt/EBITDA adj (x)	12.6	12.7	12.8	14.1	14.7
EBITDA/interest expense adj (x)	3.8	3.9	4.6	4.0	4.0
Dividends/FFO adj (%)	235	118	112	109	84.6
Vacancy rate (%)	5.8	6.9	6.9	5.9	8.1
Pledged assets to total assets (%)	13.8	11.7	9.0	6.9	n.m
Secured debt to total assets (%)	12.7	11.6	8.9	6.8	6.2
Valuation yield (%)	4.6	4.5	4.3	4.2	0



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