



Quick Update

3 February 2023

Vasakronan: Fairly stable LTV despite 3% lower property values, but ICR hurt by increasing interest costs and net lettings turned marginally negative; slightly credit-negative

S&P NR/---

Moody's A3/Stable

Accessor

Vasakronan's Q4 report was slightly credit-negative, in our view, mainly reflecting a decreasing ICR and net lettings turning marginally negative, although the LTV was relatively stable despite a 3.1% write down of property values. On the positive side, the occupancy rate remained stable and the liquidity/NTM debt maturities ratio increased q/q. In terms of outlook, the CEO highlights signs of Sweden entering into a recession and more uncertain times for real estate ahead, but highlights that the company is well positioned to meet more challenging times given its strong offering and robust capital structure. We agree, but think that the combination of relatively low-yielding assets and rising interest rates will continue to put some pressure on Vasakronan's property values and credit metrics going forward. Given Vasakronan's strong owners (the AP funds), however, we are not that concerned.

QUARTERLY PERFORMANCE

Issuer	Revenue	Margins	Vs. expectations	Outlook	Credit impact
Vasakronan	Stronger	Flat	In line	Slightly negative	Slightly negative

Source: Company data and Nordea estimates

CREDIT RISK HEATMAP

Issuer	Headroom	Trend	Outlook	Event risk	Cyclicality	Liquidity
Vasakronan	○	-	-	○	○	+

Source: Company data and Nordea estimates

Key highlights

- Rental income increased by 12% y/y to SEK 2,143m, while NOI grew by 10% y/y to SEK 1,557m, for a margin of 73% (74%). The occupancy rate was stable at 91.2% (90.8% in Q3 2022 and 91.4% in Q4 2021), although net lettings turned negative at SEK -4m (86m in Q3 2022, 132m in Q4 2021).
- Property value including leases grew by 4% y/y but decreased by 3% sequentially to SEK 193bn (199bn in Q3 2022). The sequential decline was in large explained by SEK 6.1bn in negative value changes (-3.1%), based on a raised average yield requirement of 3.95% (3.82% in Q3 2022 and 3.87% in Q4 2021).

- Net property LTV was 41% (+1 pp q/q and +2 pp y/y), which is a clearly stronger level compared to the Nordic sector average of ~50%.
- LTM EBITDA ICR was 4.2x (4.6x in Q3 2022 and 4.5x in Q4 2021).
- Financial risk management remained strong with an average capital duration of 5.4 years (5.2 in Q3 2022) and an average interest duration of 4.0 years (4.0 in Q3 2022), which is above the industry average of around 3-4 years for capital duration and interest duration. The reported average interest rate on loans increased slightly sequentially to 2.1% (2.0% in Q3 2022).
- Available liquidity improved q/q, with cash and unutilised commitments from the owners (the AP funds), covering loans maturing in the next 12 months by a factor of 1.9x (1.6x in Q3 2022).

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