

Vasakronan (MW) reported an increase in rental income and net operating profit of 17% and 16% y/y, respectively. The operating margin decreased slightly to 73.0% in the quarter from 73.6% a year earlier. Net letting came in negative for the second quarter in a row at minus SEK46m. The figures could be seen as a sign of a slowing office market in Stockholm, although most of the impact is related to one tenant's (JM) decision to move out of its offices at end-2024. Occupancy remained stable at 91.7%, compared with 91.8% a year earlier.

On the back of rising property yields, property value changes were negative SEK5.0bn in the quarter, corresponding to a 2.7% decline in value. At the end of the quarter, the average valuation yield was up to 4.09% compared with 3.95% a quarter earlier and 3.82% a year earlier. According to the company, value declines were largest in office properties in the outskirts of Stockholm. Despite the value declines, reported net LTV was unchanged at 40%. At the same time, reported interest coverage declined to 4.4x from 4.8x a quarter earlier, but in our view remains comparatively strong. All in all, we regard Vasakronan's Q1 23 performance as credit neutral.