

Vasakronan - Q2 23, first impression

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Vasakronan (MW) reported increases in rental income and net operating profit of 15% and 13% y/y, respectively. The operating margin decreased to 74.1% in the quarter from 75.3% a year earlier. Net letting came in negative for the third quarter in a row at minus SEK49m. The figures stand out relative to most peers which typically have reported positive net letting figures. Despite this, occupancy remained stable at 91.5%, compared with 91.6% a year earlier. Vasakronan's profit from property management increased by 9% to SEK1.2bn despite rising interest costs.

Property value changes amounted to negative SEK2.6bn in the quarter, or -1.4%, as the valuation yield was lifted by 10bp to 4.19%. Over the past year, Vasakronan has increased its average valuation yield by close to 50bp with a resulting -8% value change to property values. In the quarter, reported LTV rose slightly to 41% compared with 40% in Q1 23. The company's average interest rate remains relatively low at 2.6% (1.5% a year earlier), with reported interest coverage at 4.0x for the last-twelve-months and 3.7x times for the quarter.

At first glance, we regard Vasakronan's Q2 23 performance as credit neutral.

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