

# Vasakronan

## Location, location, location

- Slower rental growth in a challenging rental market
- Strong financial position and stable credit metrics
- 2025 could prove to be challenging even for the strongest

### Slower rental growth in a challenging rental market

Rental income grew by 3% in 2024 (1% on a like-for-like basis), and so growth continued to slow down in Q4. However, net letting turned positive in the quarter, amounting to SEK 23m, having been negative in the previous quarters, while the vacancy rate was largely unchanged at 11%. Value changes amounted to SEK -141m (-0.1%), and the average yield requirement was unchanged at 4.5%. The CEO continues to describe the rental market, particularly in Stockholm, as challenging, stressing the importance quality and location.

### Strong financial position and stable credit metrics

Reported LTV and ICR were both unchanged q-o-q at 40% and 3.6x respectively – thus inside Moody's requirements for the A3 rating. ICR, as defined by Moody's at about 3.1x, remained relatively close to the 3.0x rating threshold. However, Moody's has retained a Stable outlook on Vasakronan's A3 rating (one of few) during the recent years' interest rate debacle, due to the dominant market position, solid balance sheet, full access to bank and bond markets, and strong ownership profile.

### 2025 could prove to be challenging even for the strongest

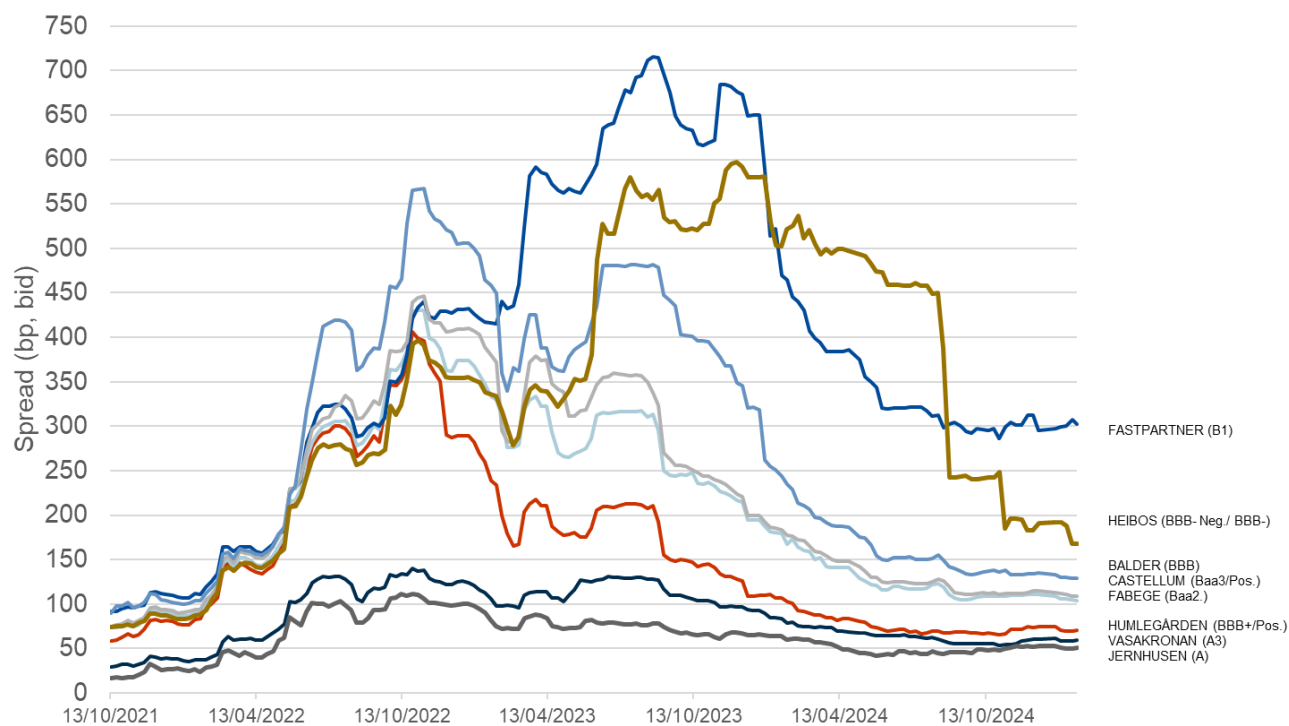
We continue to view Vasakronan as one of the stronger issuers in the Nordic real estate sector and see no reason to change our view after having read the Q4 2024 results. However, we believe that the office rental markets in 2025 could prove to be challenging for office managing property companies, including Vasakronan.

#### Key figures

SEKm	2020	2021	2022	2023	2024
Rental revenues	7,006	7,425	8,167	9,157	9,447
Op. net (NOIRE)	5,189	5,533	5,968	6,862	7,055
Income fr property mgmt adj	3,577	4,391	4,333	4,645	4,849
Net income adj	3,714	16,359	8,465	-10,858	3,823
Property value	167,583	186,732	193,467	180,898	185,737
Gross debt adj	74,481	78,996	82,576	82,589	82,322
Net debt to prop value adj (%)	42.9	40.4	41.1	43.9	42.2
Total debt to total assets adj (%)	42.3	40.3	39.6	42.4	41.4
FFO/gross debt adj (%)	5	5	5	6	5
Gross debt/EBITDA adj (x)	14.7	14.6	14.1	12.2	11.8
EBITDA/interest expense adj (x)	4.0	4.5	4.2	3.3	3.1
Dividends/FFO adj (%)	84.6	56.0	93.6	n.m	n.m
Vacancy rate (%)	8.1	9.0	9.1	9.1	10.9
Pledged assets to total assets (%)	6.2	4.0	5.5	5.9	n.m
Secured debt to total assets (%)	6.2	4.0	5.3	5.7	5.6
Valuation yield (%)	4.1	3.9	4.0	4.5	4.5

Source: Handelsbanken

## Interpolated 3-year SEK spreads (bid)



Sources: Bloomberg and Handelsbanken

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6 Feb 2025: Vasakronan - Handelsbanken's analyst Michael Andersson has no position in Vasakronan or a related instrument.

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On 5 Jan 2024 the recommendation (SEK Senior unsecured) Underperform, which was set on 28 Nov 2022, was changed to the current recommendation Market Perform.

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