

# Vasakronan

## Strong credit – weak market

- Confirming a challenging office market
- Strong financial position and stable credit metrics
- 2025 could prove to be challenging even for the strongest

### Confirming a challenging office market

Rental income was largely flat y-o-q in Q1 2025 (-1% on a like-for-like basis) – thus a continued slowdown from previous quarters. Net letting amounted to SEK -18m in the quarter, while the vacancy rate was slightly higher at 11.2%. Value changes amounted to a significant SEK -914m (-0.5%), and the price change for renegotiated rental agreements was -4.2% in total. The CEO continues to describe the rental market as challenging, with a clear negative shift in the middle of February 2025, again stressing the importance of quality and location. The transaction market has also become clearly more hesitant during the quarter, according to the company. The rather negative view of the office market is similar to what peers such as Faberge (Baa2) and Atrium Ljungberg (Baa2/Neg.) stated in their respective Q1 reports.

### 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, remains 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

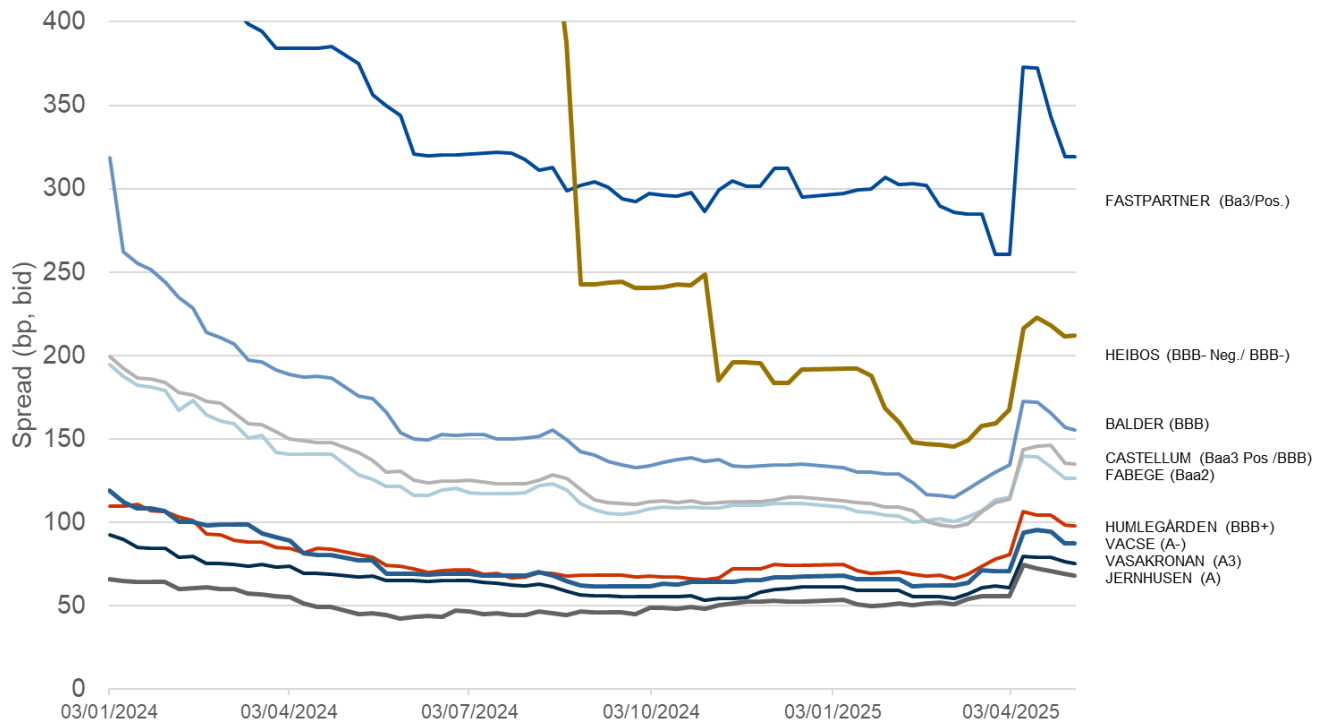
We continue to view Vasakronan as one of the stronger issuers in the Nordic real estate sector and see no reason to change our view after having read the Q1 2025 results. However, we believe that the office rental markets in 2025 could prove to be challenging for office managing property companies, including Vasakronan.

#### Key figures

SEKm	2020	2021	2022	2023	2024	Q1-25LTM
Rental revenues	7,006	7,425	8,167	9,157	9,447	9,440
Op. net (NOIRE)	5,189	5,533	5,968	6,862	7,055	7,004
Income fr property mgmt adj	3,577	4,391	4,333	4,645	4,849	4,795
Net income adj	3,714	16,359	8,465	-10,858	3,823	3,389
Property value	167,583	186,732	193,467	180,898	185,737	185,338
Gross debt adj	74,481	78,996	82,576	82,589	82,322	81,597
Net debt to prop value adj (%)	42.9	40.4	41.1	43.9	42.2	42.0
Total debt to total assets adj (%)	42.3	40.3	39.6	42.4	41.4	40.8
FFO/gross debt adj (%)	5	5	5	6	5	5
Gross debt/EBITDA adj (x)	14.7	14.6	14.1	12.2	11.8	11.8
EBITDA/interest expense adj (x)	4.0	4.5	4.2	3.3	3.1	3.1
Dividends/FFO adj (%)	84.6	56.0	93.6	n.m	n.m	0
Vacancy rate (%)	8.1	9.0	9.1	9.1	10.9	11.2
Pledged assets to total assets (%)	6.2	4.0	5.5	5.9	5.8	n.m
Secured debt to total assets (%)	6.2	4.0	5.3	5.7	5.6	5.6
Valuation yield (%)	4.1	3.9	4.0	4.5	4.5	4.5

Source: Handelsbanken

## Interpolated 3-year SEK spreads (bid)



Sources: Bloomberg and Handelsbanken

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5 May 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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