

Vasakronan

Soft operational performance, solid financial position

- Office market expected to remain challenging throughout 2025
- Strong financial position and stable credit metrics
- Limited spread impact expected despite soft operational performance

Office market expected to remain challenging throughout 2025

Rental income, on a like-for-like basis, declined by 2% in H1 2025, compared to negative 1% in Q1, thus a continued slowdown in Q2 compared to previous quarters. Net letting amounted to SEK -25m in the quarter (mainly due to the restructuring of Convendum), and the vacancy rate was up 0.6% q-o-q at 11.8%. Value changes in Q2 amounted to a significant, positive, SEK 1.3bn (-0.9bn in Q1), partly driven by positive value growth in Uppsala (on the back of sales of building rights), and the positive court ruling versus the city of Stockholm with regards to the assessment of future ground rents (positively impacting market values). At the start of July 2025, Vasakronan acquired the large 34,000 square meters Solna United property (in Arenastaden Solna). Price unfortunately undisclosed though, but a point of interest with regards to property prices and yield levels in the Stockholm area going forward.

The CEO continues to describe the office rental market as challenging with ample supply of office premises and stiff competition for tenants. She also expects net letting to be under pressure for the remainder of 2025, partly impacted by two larger expected terminations. The rather negative view of the office market is similar to what peers such as Fabege (Baa2), Atrium Ljungberg (Baa2/Neg.), Platzer (BBB-), and Humlegården (BBB+) have stated in their respective Q2 reports.

Strong financial position and stable credit metrics

Reported LTV was unchanged q-o-q at 40% while the ICR improved slightly to 3.7x – thus inside Moody's requirements for the A3 rating. The rating was affirmed in May 2025, reflecting Moody's view of Vasakronan's dominant market position, strong portfolio, solid balance sheet and liquidity, as well as the strong ownership profile.

Limited spread impact expected despite soft operational performance

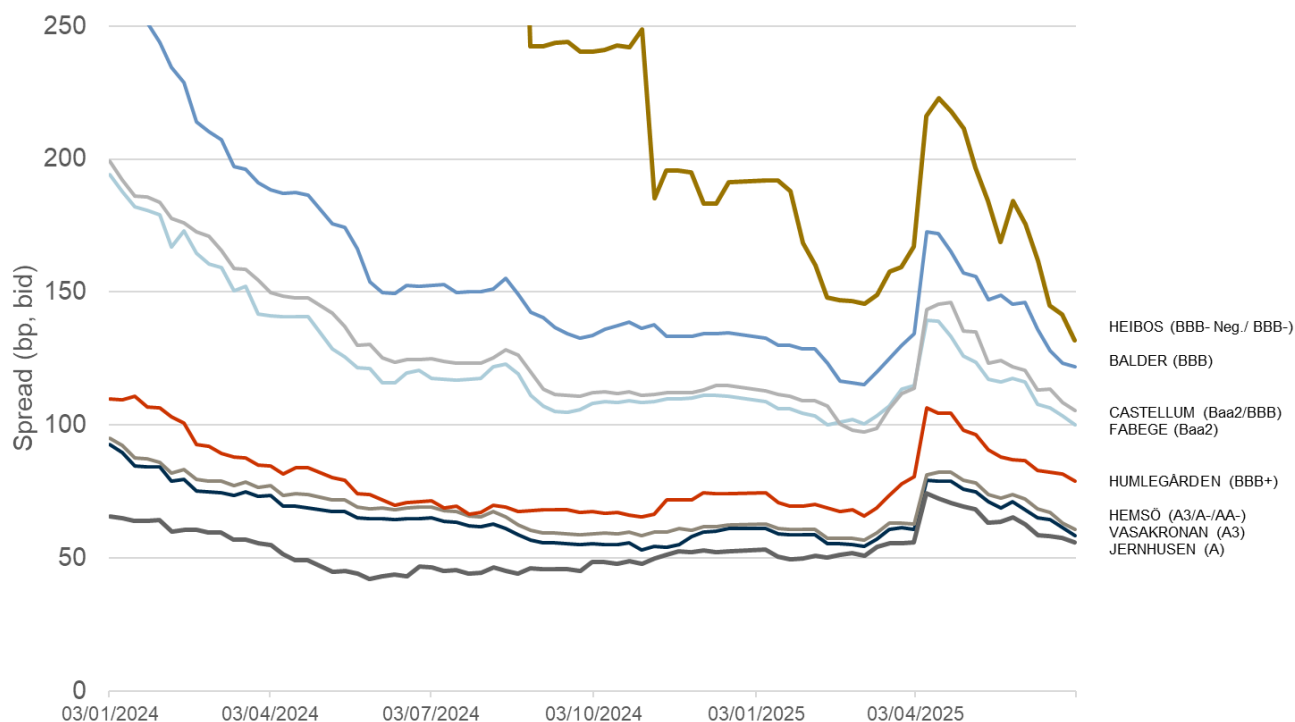
We see the continued weakness in the Stockholm (and Gothenburg) office market as somewhat credit-negative for Vasakronan and its peers. We do however continue to see Vasakronan as one of the strongest issuer in the Nordic real estate sector and expect limited impact on credit spreads in the current strong bond market.

Key figures

SEKm	2020	2021	2022	2023	2024	Q2-25LTM
Rental revenues	7,006	7,425	8,167	9,157	9,447	9,412
Op. net (NOIRE)	5,189	5,533	5,968	6,862	7,055	6,986
Income fr property mgmt adj	3,577	4,391	4,333	4,645	4,849	4,875
Net income adj	3,714	16,359	8,465	-10,858	3,823	4,161
Property value	167,583	186,732	193,467	180,898	185,737	187,032
Gross debt adj	74,481	78,996	82,576	82,589	82,322	83,442
Net debt to prop value adj (%)	42.9	40.4	41.1	43.9	42.2	42.4
Total debt to total assets adj (%)	42.3	40.3	39.6	42.4	41.4	41.5
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	12.1
EBITDA/interest expense adj (x)	4.0	4.5	4.2	3.3	3.1	3.2
Dividends/FFO adj (%)	84.6	56.0	93.6	n.m	n.m	23.9
Vacancy rate (%)	8.1	9.0	9.1	9.1	10.9	11.8
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	6.5
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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10 Jul 2025: Vasakronan - Handelsbanken's analyst Michael Andersson has no position in Vasakronan or a related instrument.

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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