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Company Comment	Property	Sweden	09 July 2025
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Q2: Operational headwinds but stable financials

Vasakronan Q2 report was fairly soft, driven by continued operational headwinds following tough rental market conditions. This is reflected in negative like-for-like figures and a tad higher vacancy. However, the financial development remained more resilient. Credit metrics were broadly unchanged q/q while the A3/Stable rating remained intact following a period review. Focus remains on lettings and improved occupancy rate along with strategic investments in the existing portfolio and markets.

Q2: Soft operating trends persist aimed tougher rental market conditions

Vasakronan reported a continued soft operating performance in Q2, reflecting a challenging business climate and heightened competition among tenants. On a l-f-l basis, rental income and NOI declined by 2% and 3%, respectively, in the first half of the year. The economic occupancy rate, including ongoing projects, fell by 0.6% q/q to 88.2% with office occupancy at 86.9% and retail at 96.4%. The largest vacancies remain concentrated in office properties in Stockholm. Net lettings were slightly negative at SEK -25m in Q2 (SEK -43m YTD), largely due to the reconstruction of the Convendum co-working space (SEK 39m in annual rent). Vasakronan is now evaluating the potential to operate the Vasagatan 16 premises under its own co-working brand, Arena. Lease renegotiations and extensions totaling SEK 725m in H1 were signed at rents 2.7% below previous levels. The average yield requirement eased by 1bp to 4.53%, while unrealised value changes added SEK 1.3bn, or a 0.7% uplift in Q2, supported by favourable court rulings on future ground rent assessments.

Steady credit metrics and A3/Stable rating intact following periodic review

Vasakronan's financial development remained stable and resilient in Q2. Credit metrics were broadly unchanged q/q, and Moody's reaffirmed the company's A3/Stable rating following its periodic review. Net debt rose slightly, reflecting a SEK 1bn semi-annual dividend and SEK 462m in investments in new development and the existing portfolio. As a result, the net LTV increased 0.4% to 40.0%. The average cost of debt remained stable at 2.5%, and the estimated yield gap stayed just above 2%. The 12-month EBITDA/net interest ratio improved to 3.7x (from 3.6x a quarter earlier), while net debt/EBITDA was unchanged at 10.6x. According to Moody's methodology, effective leverage stood at 41.5% (within the 35–45% rating range), and fixed-charge coverage was 3.5x (3.0–4.0x range), indicating adequate headroom relative to rating thresholds. That said, Vasakronan announced the acquisition of Solna United (Tygelin 2) earlier this week, a modern, full-service office property located in Arenastaden. The asset comprises approximately 34,000 sq.m. of leasable space and was acquired from DWS. While the purchase price, rental value, WAULT, and occupancy rate were not disclosed, we estimate the asset value to be around SEK 2.75bn.

Mixed operational and financial conditions, recovery in rental market remains uncertain

Vasakronan continues to navigate mixed market conditions, marked by a subdued rental environment but supported by more favourable financial fundamentals, including falling interest rates and good access to capital. According to the CEO, demand for office space remains soft, and net lettings are expected to remain under pressure throughout 2025. Tenants are increasingly selective, seeking greater flexibility in both lease structures and space configurations. Despite the near-term challenges, lower interest rates and rising real wages are expected to eventually support a recovery in the Swedish economy and broader business sentiment. However, the timing and pace of recovery remain uncertain. Vasakronan remains focused on driving occupancy and improving lettings, while continuing to invest in its portfolio concentrated in Sweden's four largest cities. Of the total vacancy reported in Q2, 1.0% was related to project developments and properties under construction. Notably, McKinsey took occupancy of Hästkoplatset on Hamngatan during Q2, a centrally located Stockholm asset that recently underwent a full-scale renovation.

Deviation between actual Q2 results and SEB DCM Research estimates (SEKm)

Deviation table	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25E	Q2/25	Q2 vs SEB
Rental income	2 366	2 344	2 399	2 331	2 335	2 338	0%
NOI	1 692	1 728	1 729	1 642	1 673	1 723	3%
EBITDA	1 654	1 700	1 702	1 606	1 638	1 686	3%
Interest expense	-530	-510	-504	-478	-499	-494	-1%
Net interest expense	-486	-468	-463	-450	-476	-448	-6%
Investment properties	176 369	177 625	178 183	177 786	178 271	179 551	1%
Total debt	75 641	74 479	74 767	74 044	75 555	75 961	1%
Net debt	73 313	71 676	70 889	70 338	70 683	71 818	2%
Total debt / EBITDA (x)	11,2x	11,1x	11,0x	11,0x	11,4x	11,3x	
Net debt / EBITDA (x)	10,8x	10,6x	10,5x	10,5x	10,6x	10,6x	
EBITDA / net interest (x)	3,7x	3,6x	3,6x	3,6x	3,6x	3,7x	
FFO / net debt (%)	6,4%	6,5%	6,5%	6,1%	6,0%	6,1%	
Gross LTV	42,9%	41,9%	42,0%	41,6%	42,4%	42,3%	
Net LTV	41,6%	40,4%	39,8%	39,6%	39,6%	40,0%	

Property	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25E	Q2/25	DEV
Net acquisitions	0	0	-87	45	0	0	
Investments in existing properties	-685	-467	-611	-562	-485	-462	
Property revaluation	230	788	-140	-914	0	1 304	
Yield	4,54%	4,53%	4,52%	4,54%	4,54%	4,53%	

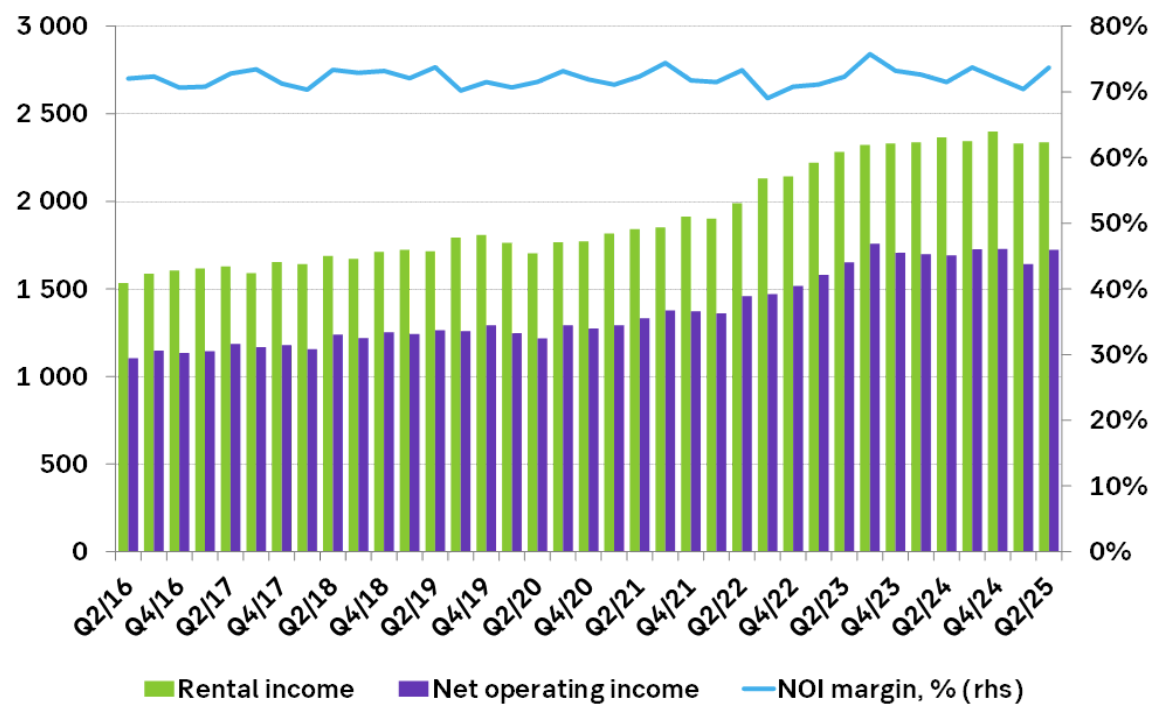
Operating costs	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25E	Q2/25	
Central administration	-38	-28	-27	-36	-35	-37	6%
Running costs	-231	-200	-248	-253	-229	-230	1%
Repairs and maintenance	-41	-32	-48	-38	-41	-43	5%
Property administration	-132	-119	-110	-124	-128	-125	-3%
Property taxes	-220	-215	-209	-216	-217	-216	-1%
Leasehold rents	-50	-50	-55	-58	-47	-1	-98%
Total property costs	-674	-616	-670	-689	-662	-615	-7%

Source: Company data, SEB DCM Research estimate

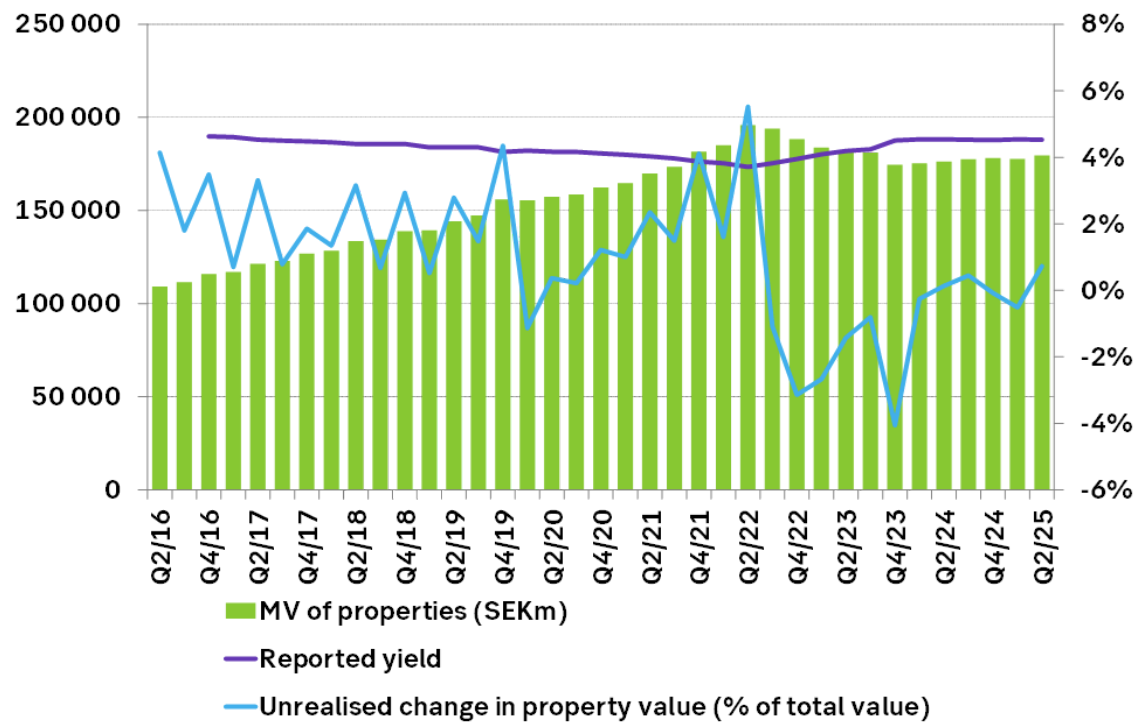
Vasakronan's LTM financial accounts and forecast, SEB DCM Research base case

SEKm	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Rental income	9 557	9 379	9 447	9 440	9 412	7 040	7 000	7 425	8 167	9 157	9 447	9 440	9 540	9 677
NOI	0 850	0 825	0 847	0 791	0 822	5 060	5 032	5 377	5 808	6 097	6 847	6 800	6 910	7 021
EBITDA	0 769	0 730	0 708	0 723	0 753	5 268	4 961	5 461	5 862	6 030	6 708	6 799	6 848	6 958
FFO	4 726	4 678	4 575	4 305	4 373	3 899	3 608	4 090	4 414	4 706	4 575	4 804	4 815	4 871
Y/Y growth in rental income (%)	7%	5%	3%	2%	1%	5%	0%	0%	10%	12%	3%	0%	1%	1%
NOI margin (%)	73%	73%	72%	72%	72%	72%	72%	72%	71%	73,1%	72,5%	73%	72%	73%
EBITDA margin (%)	72%	72%	72%	71%	72%	75%	71%	74%	72%	72%	72%	72%	72%	72%
Interest expense	-2 037	-2 055	-2 069	-2 022	-1 986	-1 135	-1 127	-1 055	-1 238	-1 884	-2 069	-1 989	-2 052	-2 105
Net interest expense	-1 843	-1 858	-1 885	-1 867	-1 829	-1 131	-1 118	-1 051	-1 208	-1 730	-1 885	-1 893	-1 986	-2 031
Hybrid / preferred interest/dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted interest expense	-2 031	-2 050	-2 093	-2 080	-1 993	-1 278	-1 276	-1 211	-1 368	-2 103	-2 093	-2 063	-2 163	-2 210
Investment properties	176 569	177 625	178 183	177 786	179 551	156 071	162 420	181 575	188 317	174 569	178 183	182 554	184 654	187 393
Total debt	75 041	74 479	74 767	74 044	75 961	66 038	69 317	73 838	77 425	76 259	74 767	76 500	77 000	76 988
Cash and equivalents	2 328	2 803	3 878	3 706	4 143	3 515	2 558	3 521	2 984	3 225	3 878	3 467	4 123	4 424
Net debt	73 313	71 676	70 889	70 338	71 818	63 123	66 759	70 317	74 441	73 034	70 889	73 033	72 877	72 564
Hybrid / preferred debt / capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted debt	79 844	78 205	78 444	77 891	79 299	68 367	71 923	75 475	79 592	79 364	78 444	80 588	80 432	80 119
Secured debt	11 130	11 130	11 138	11 139	13 129	11 003	10 971	7 866	11 131	11 131	11 138	13 000	12 500	12 000
Equity	80 331	81 550	82 701	83 011	82 467	70 156	70 869	85 290	89 767	78 902	82 701	84 092	85 416	87 386
Adjusted equity	80 331	81 550	82 701	83 011	82 467	70 156	70 869	85 290	89 767	78 902	82 701	84 092	85 416	87 386
Net debt+equity	153 644	153 226	153 590	153 349	154 285	133 279	137 628	155 607	164 208	151 936	153 590	157 125	158 292	159 949
Credit metrics	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Total debt / EBITDA (x)	11,2x	11,1x	11,0x	11,0x	11,2x	12,0x	14,0x	13,5x	13,2x	11,5x	11,0x	11,3x	11,2x	11,1x
Net debt / EBITDA (x)	10,8x	10,6x	10,5x	10,5x	10,6x	12,0x	13,5x	12,9x	12,7x	11,0x	10,5x	10,7x	10,6x	10,4x
Adjusted debt / EBITDA (x)	11,5x	11,3x	11,2x	11,2x	11,5x	12,6x	14,1x	13,4x	13,2x	11,3x	11,2x	11,6x	11,4x	11,2x
EBITDA / interest (x)	3,3x	3,3x	3,3x	3,3x	3,4x	4,0x	4,4x	5,2x	4,7x	3,5x	3,3x	3,4x	3,3x	3,3x
EBITDA / net interest (x)	3,7x	3,6x	3,6x	3,6x	3,7x	4,7x	4,4x	5,2x	4,9x	3,8x	3,6x	3,6x	3,4x	3,4x
EBITDA / adjusted interest (x)	3,4x	3,4x	3,3x	3,3x	3,5x	4,2x	4,0x	4,6x	4,4x	3,3x	3,3x	3,4x	3,2x	3,2x
Fixed charge coverage (x)	0,4x	0,4x	0,4x	0,5x	0,5x	0,4x	0,3x	0,4x	0,5x	0,5x	0,4x	0,5x	0,4x	0,4x
FFO / total debt (%)	6,2%	6,3%	6,1%	5,8%	5,8%	5,9%	5,2%	5,5%	5,7%	6,2%	6,1%	6,4%	6,3%	6,3%
FFO / net debt (%)	6,4%	6,5%	6,5%	6,1%	6,1%	6,2%	5,4%	5,8%	5,9%	6,4%	6,5%	6,7%	6,6%	6,7%
FFO / adjusted debt (%)	6,2%	6,2%	6,1%	5,8%	5,7%	5,9%	5,2%	5,6%	5,7%	6,4%	6,1%	6,2%	6,2%	6,3%
Gross LTV	42,9%	41,9%	42,0%	41,6%	42,3%	42,7%	42,7%	40,7%	41,1%	43,7%	42,0%	41,9%	41,7%	41,1%
Net LTV	41,6%	40,4%	39,8%	39,6%	40,0%	40,4%	41,1%	38,7%	39,5%	41,8%	39,8%	40,0%	39,5%	38,7%
Adjusted LTV	43,7%	42,5%	42,2%	42,0%	42,4%	42,4%	42,9%	40,4%	41,1%	43,9%	42,2%	42,4%	41,8%	41,1%
Net debt / debt+equity	47,7%	46,8%	46,2%	45,9%	46,5%	47,4%	48,5%	45,2%	45,3%	48,1%	46,2%	46,5%	46,0%	45,4%
Adjusted debt / debt+equity	52,0%	51,0%	51,1%	50,8%	51,4%	51,3%	52,3%	48,5%	48,5%	52,2%	51,1%	51,3%	50,8%	50,1%
Secured LTV	6,3%	6,3%	6,3%	6,3%	7,3%	7,4%	6,8%	4,3%	5,9%	6,4%	6,3%	7,1%	6,8%	6,4%
Equity ratio	40,8%	41,5%	41,6%	41,5%	41,0%	41,2%	40,2%	43,5%	43,0%	40,5%	41,6%	41,5%	41,5%	41,9%

Source: Company data, SEB DCM Research estimate

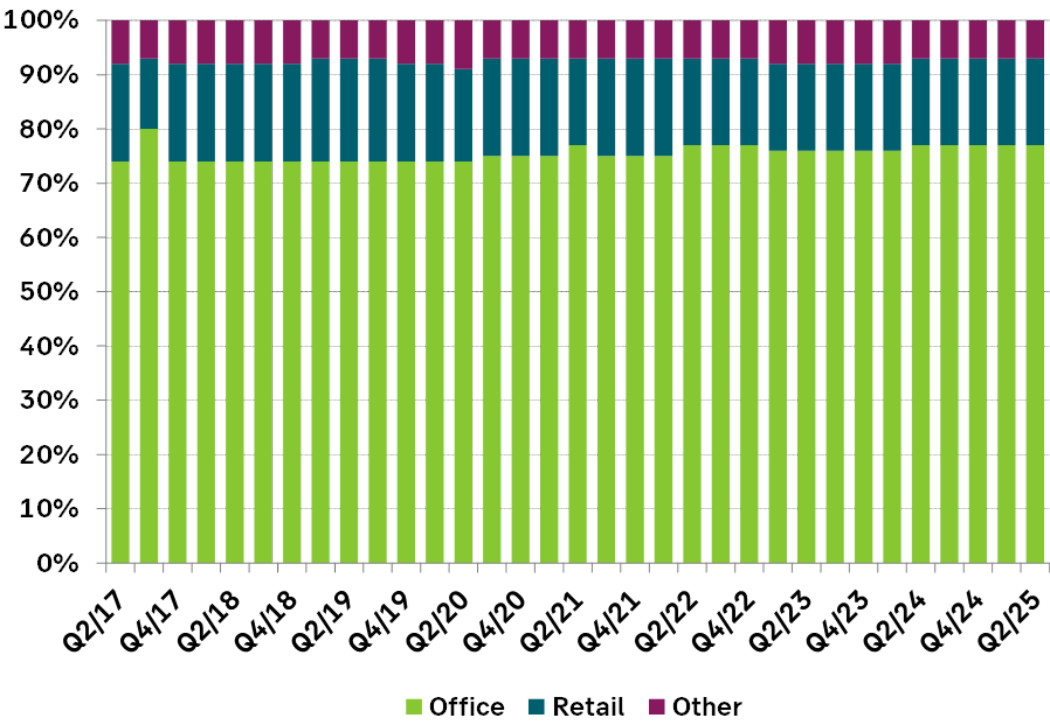
Quarterly rental income and NOI (SEKm)

Source: Company reports, SEB

Property portfolio statistics (SEKm)

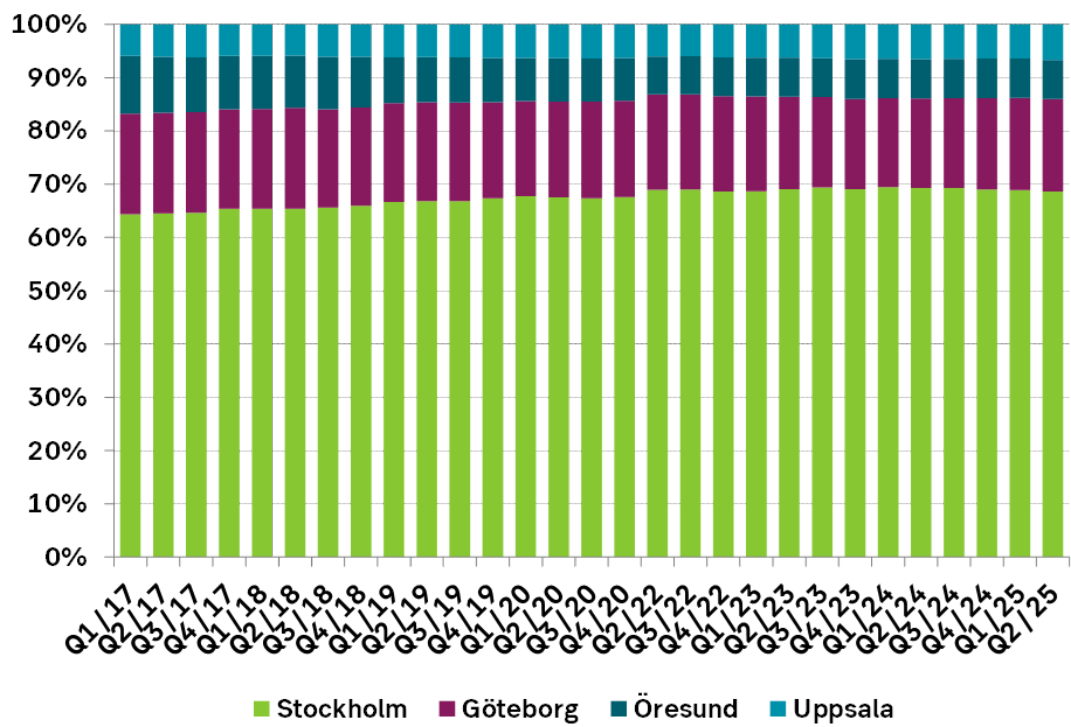
Source: Company reports, SEB

Property portfolio composition by property type (%)



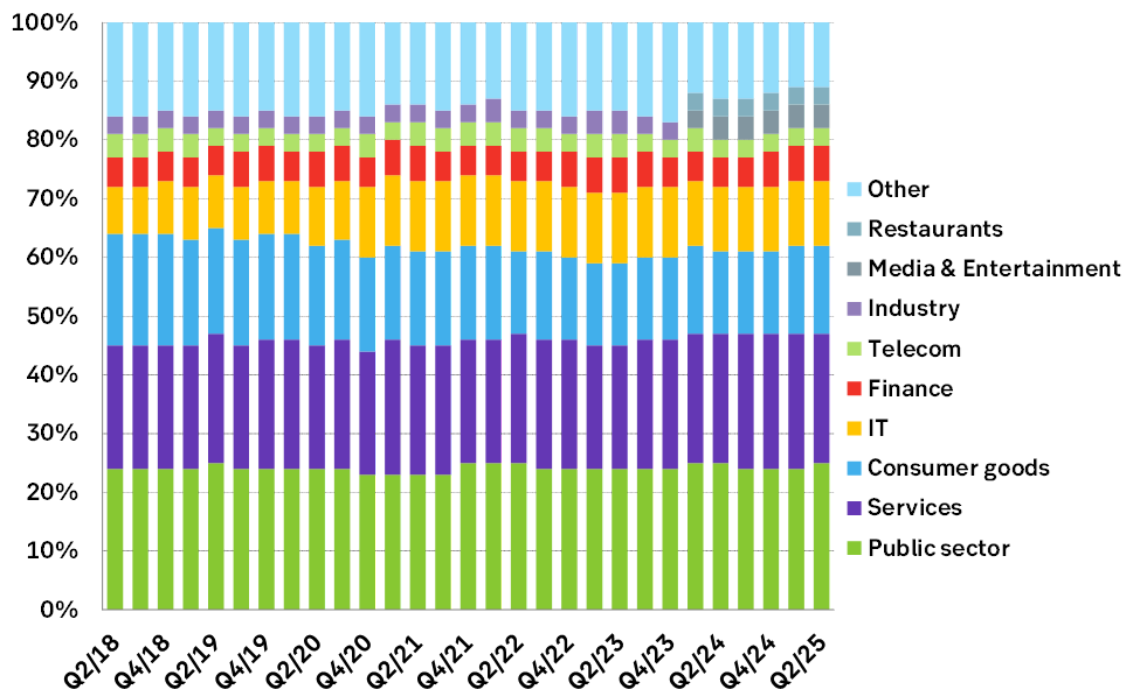
Source: Company reports

Property portfolio composition by region (%)



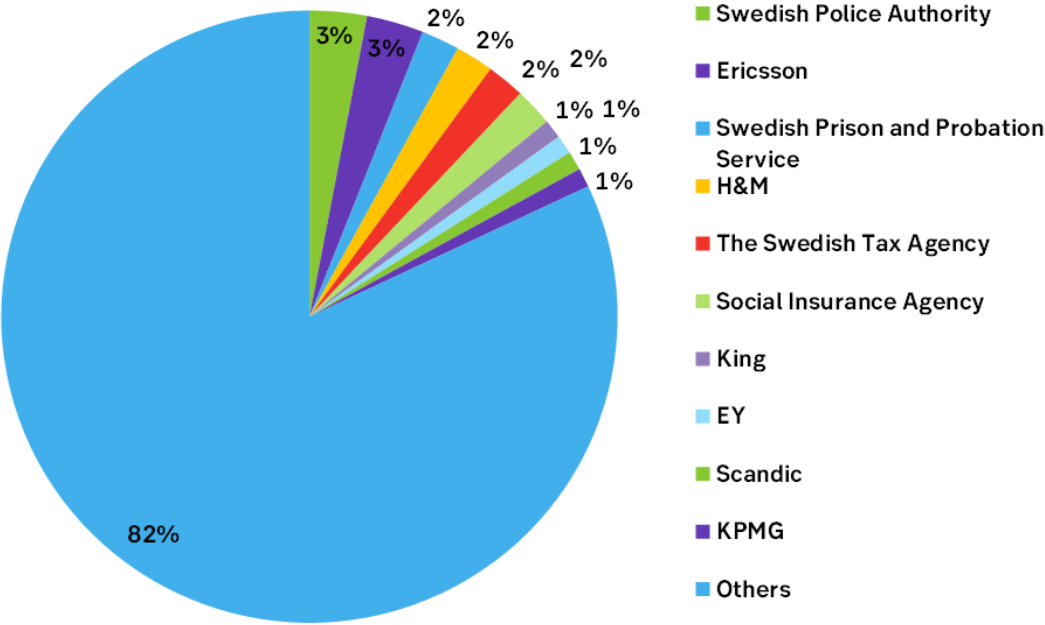
Source: Company reports

Breakdown of tenant by sector, % of contracted rent



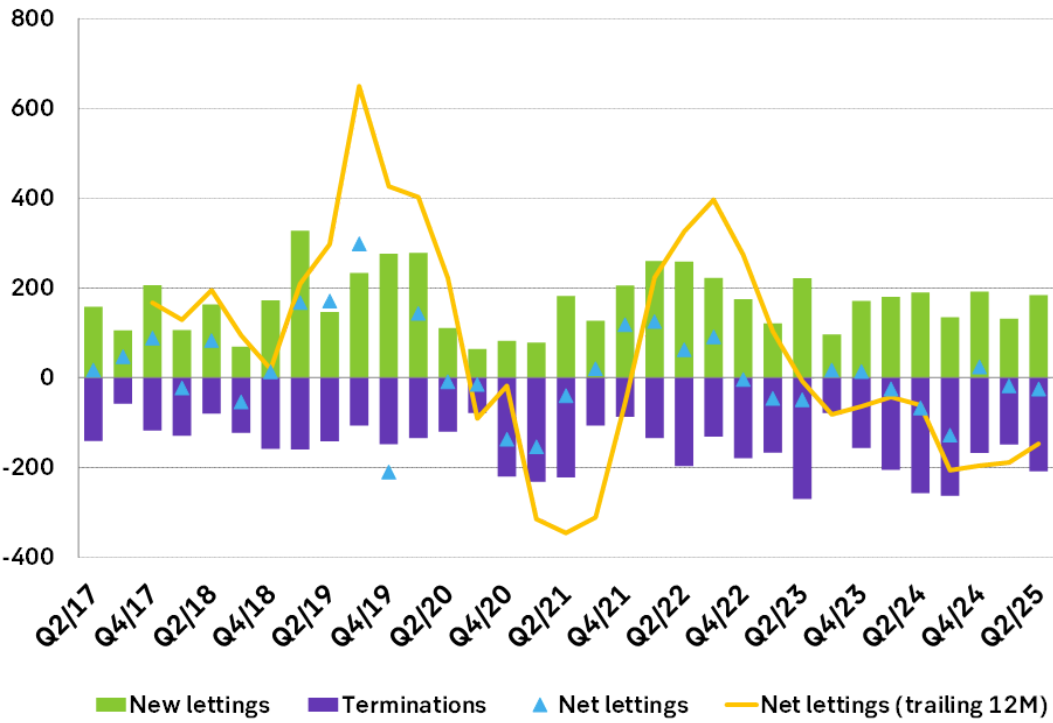
Source: Company reports

Tenant composition per end-Q2/25 (%)



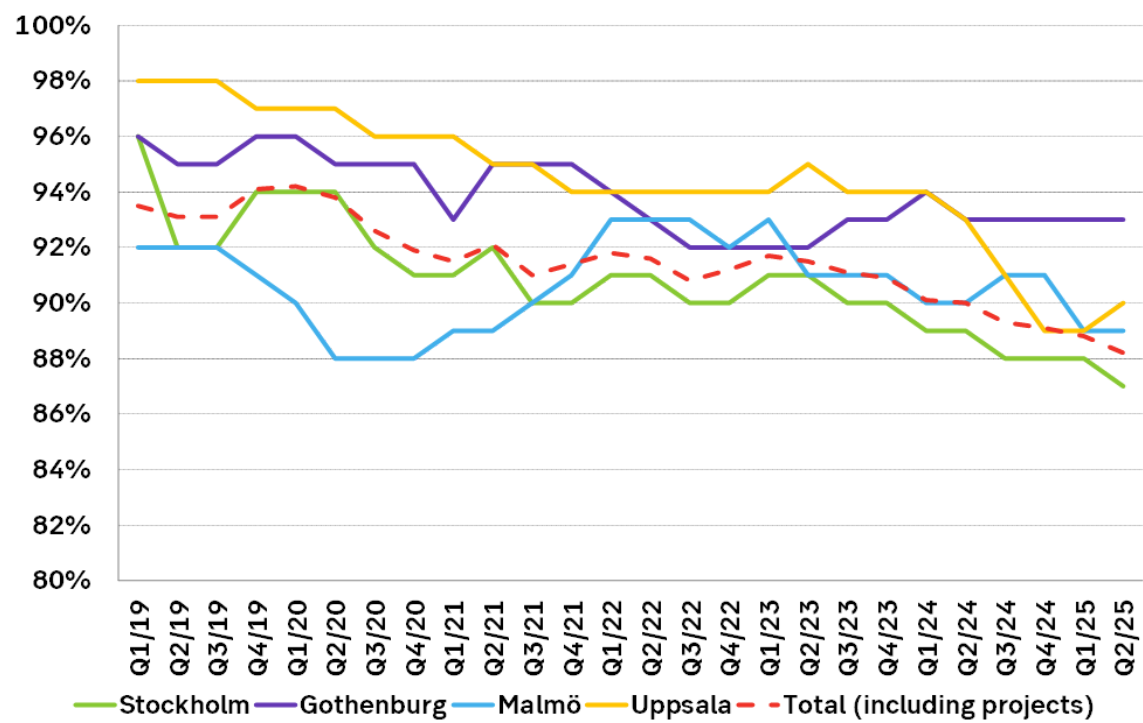
Source: Company report

Historical evolution of net leasing per quarter (SEKm)

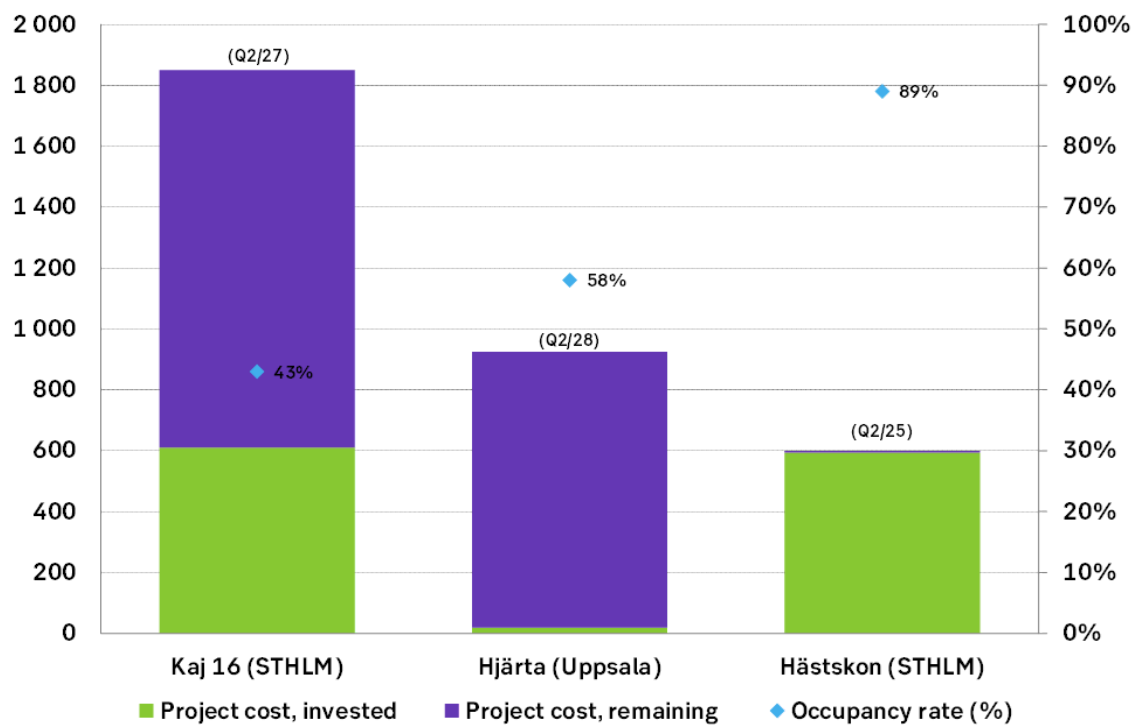


Source: Company reports, SEB

Occupancy rate development per region (%)

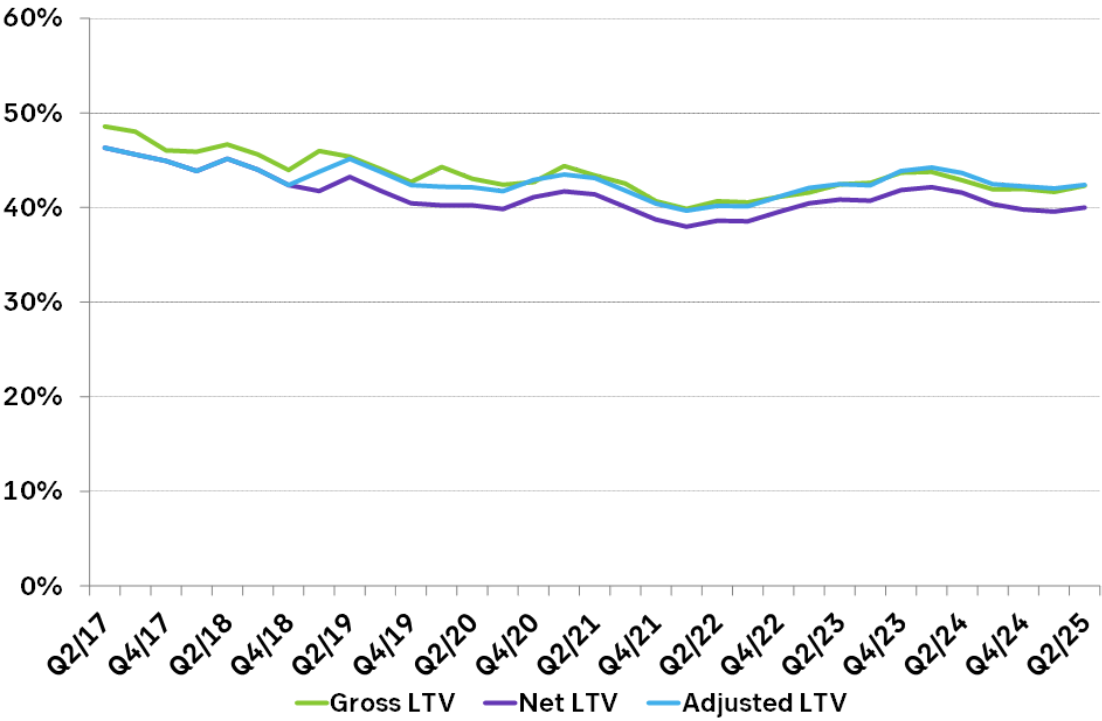


Source: Company reports

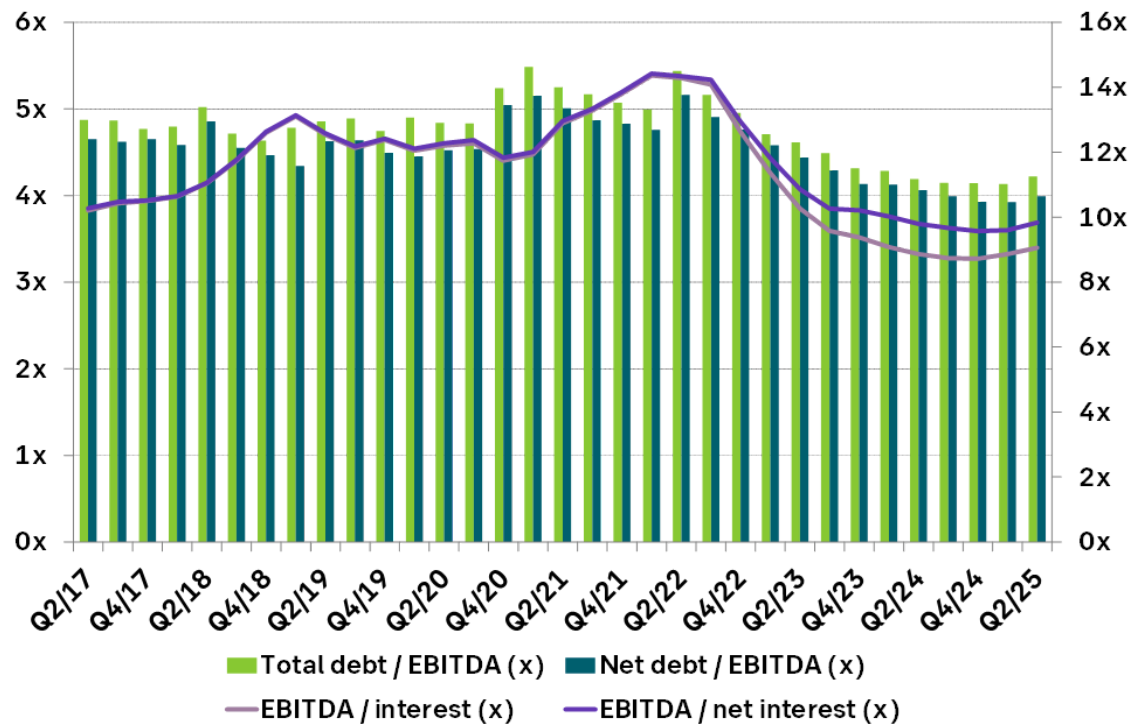
Overview of Vasakronan's major projects ongoing per end-Q2/25 (SEKm)

Source: Company reports, SEB

LTV (%)

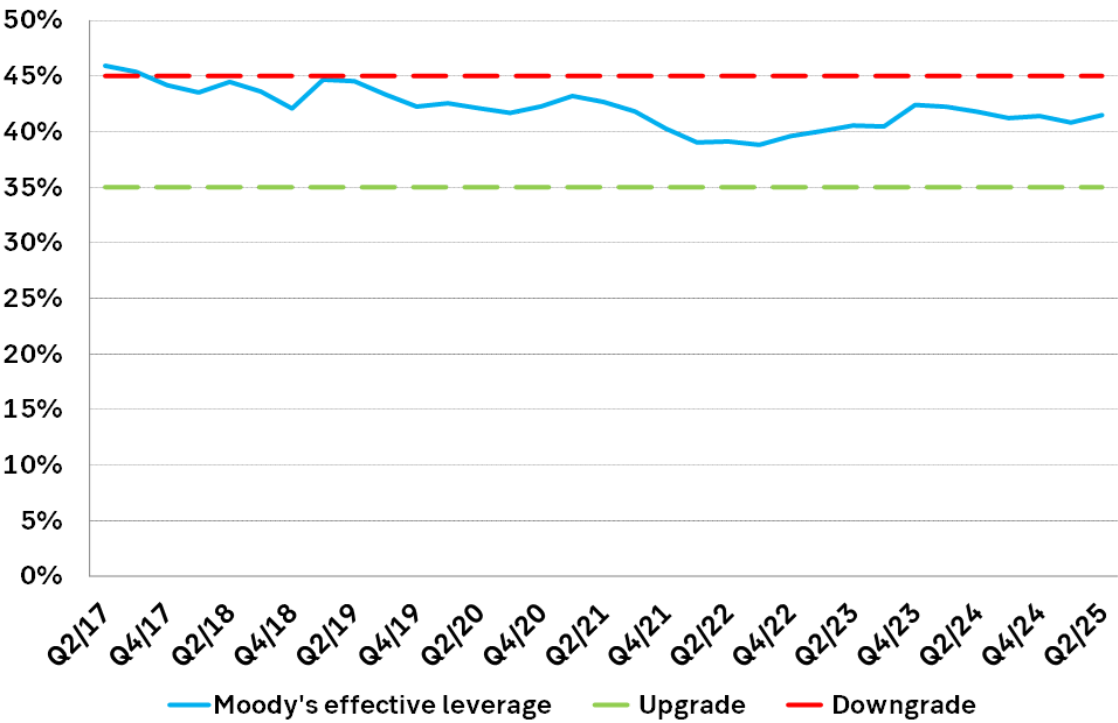


Source: Company reports, SEB

LTM leverage and interest coverage (x)

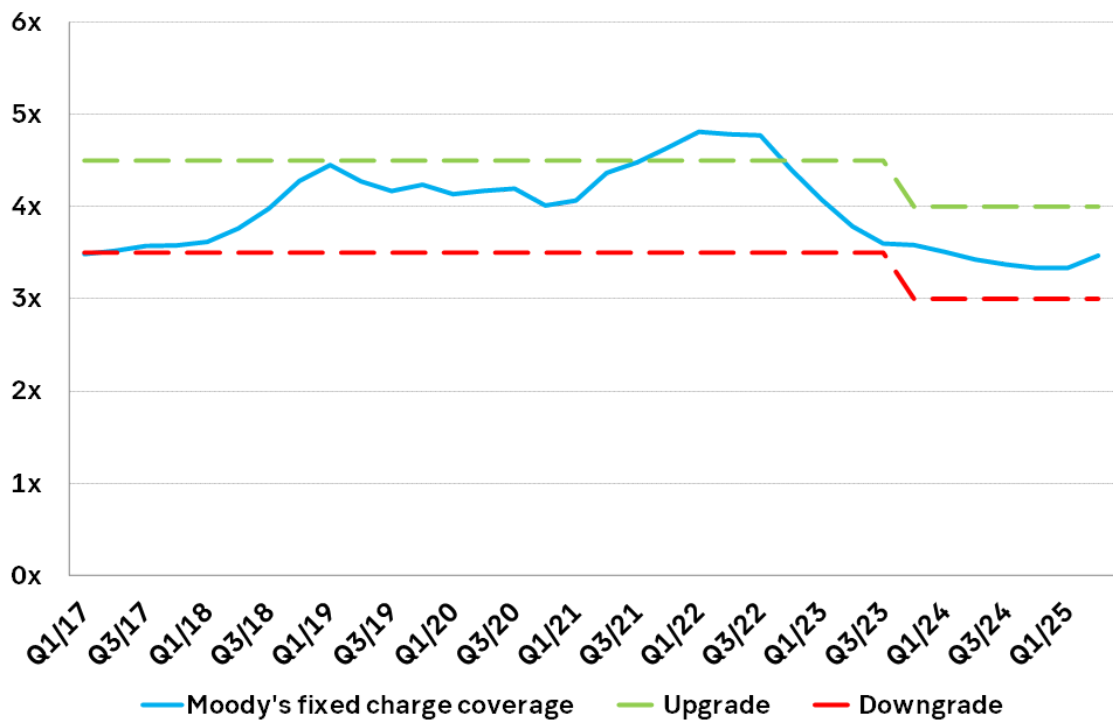
Source: Company reports, SEB

Moody's effective leverage and rating triggers



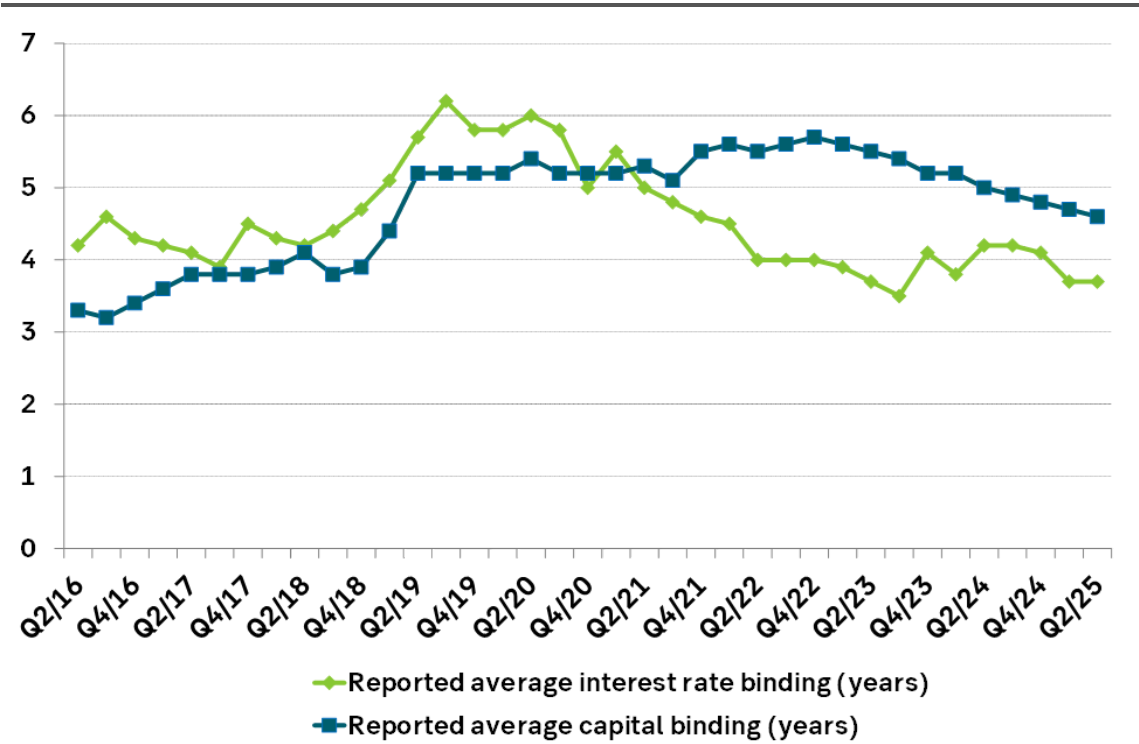
Source: SEB, Moody's

Moody's fixed charge coverage and current rating triggers

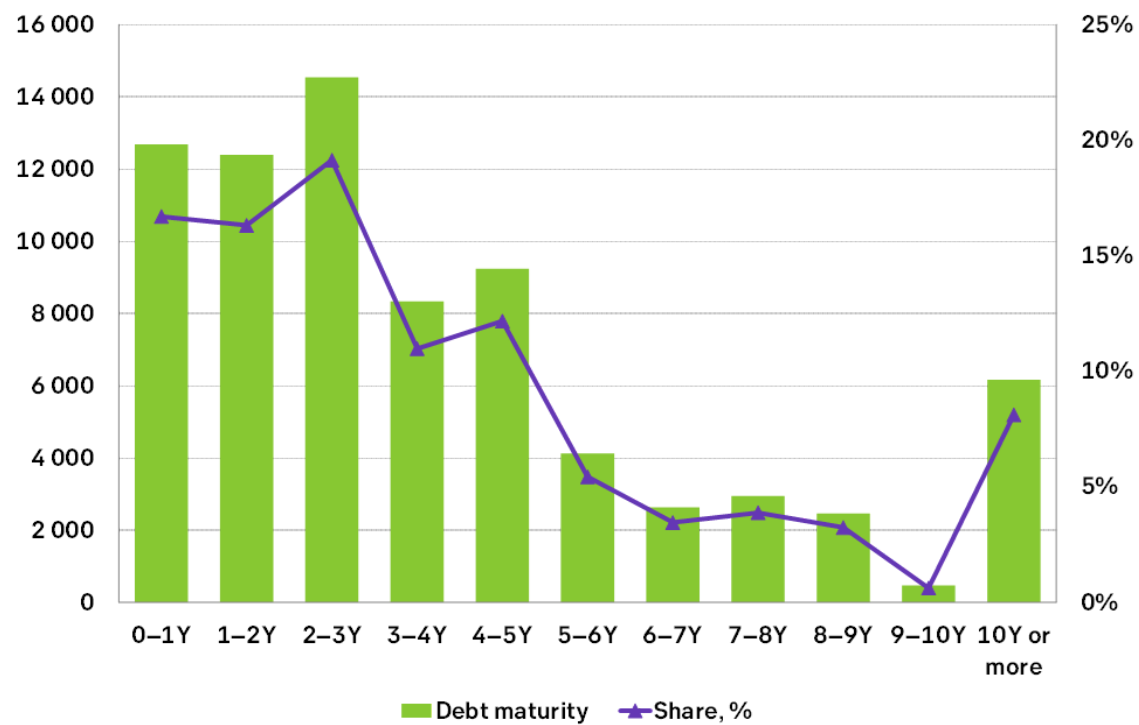


Source: SEB, Moody's

Capital and interest binding (years)

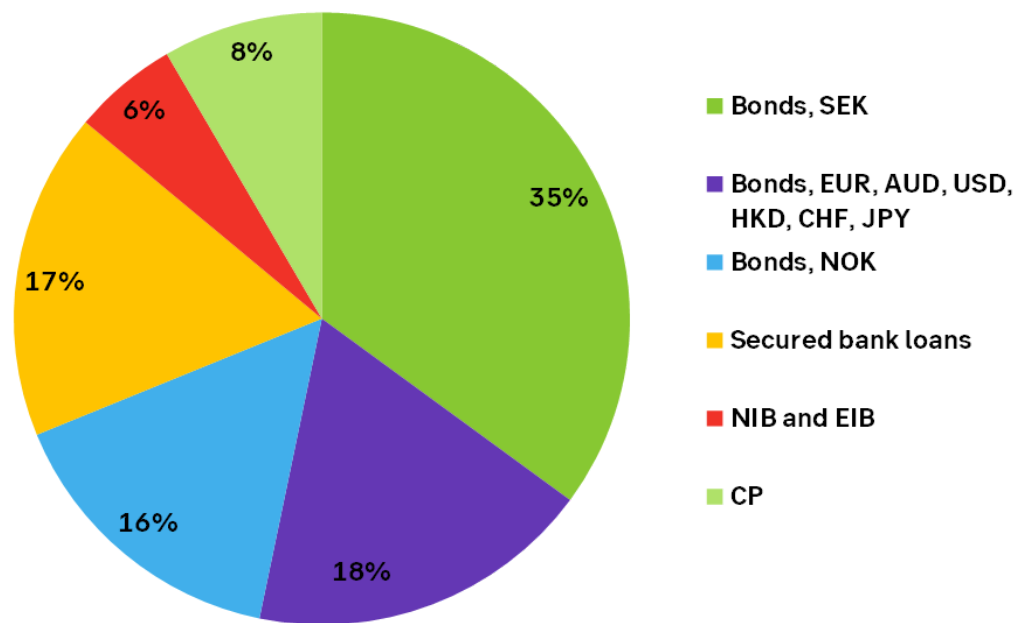


Source: Company reports

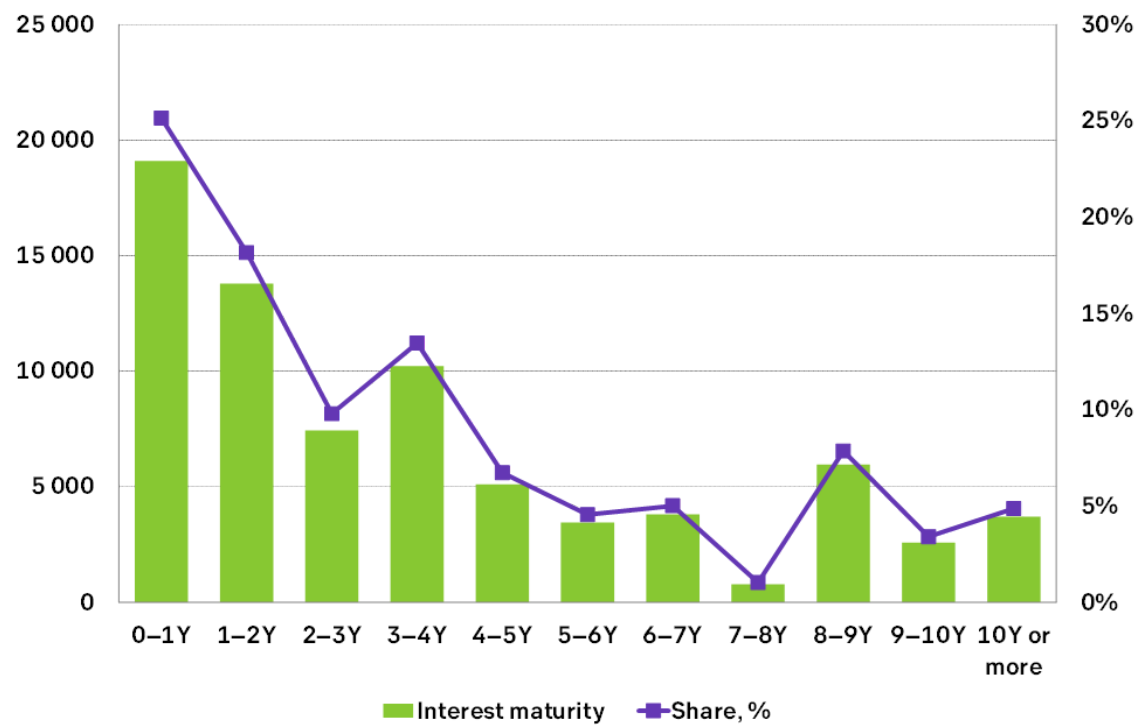
Debt maturity profile per end-Q2/25 (SEKm)

Source: Company report

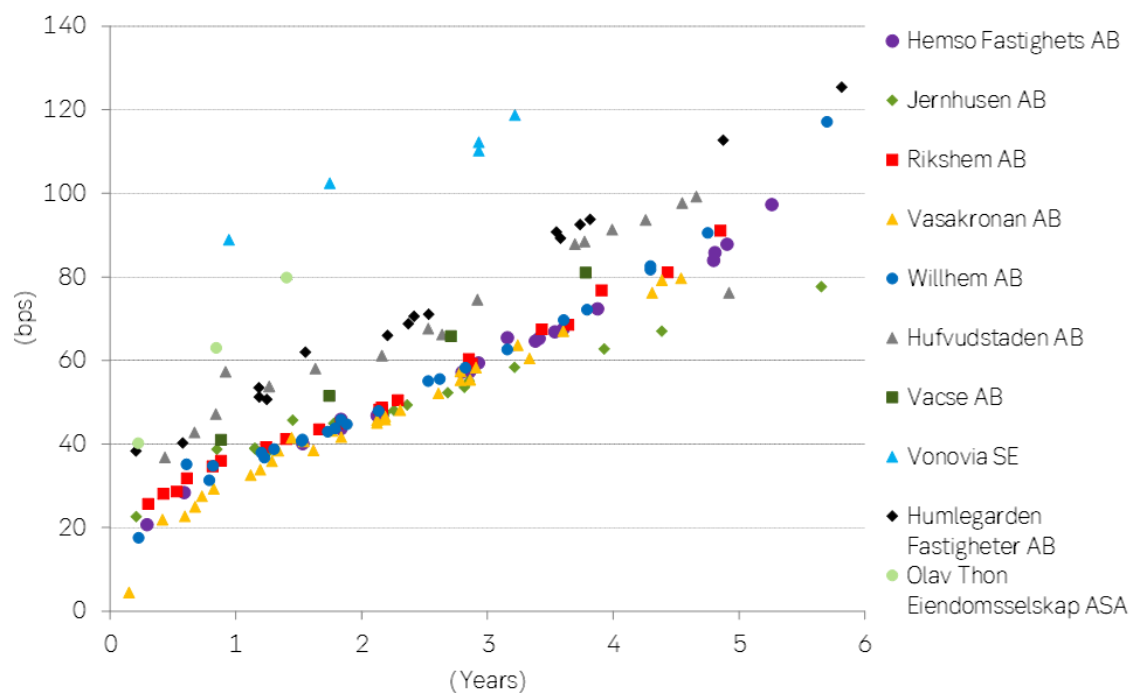
Distribution of funding sources per end-Q2/25 (%)



Source: Company report

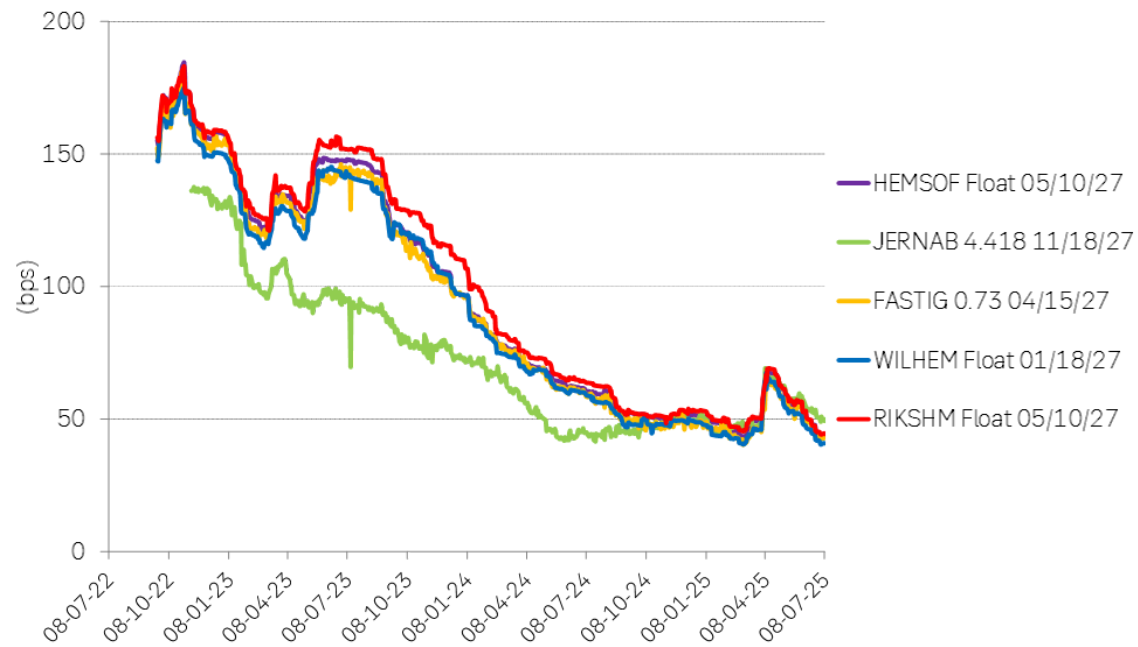
Interest maturity profile per end-Q2/25 (SEKm)

Source: Company report

Relative value, selective SEK bonds

Source: Bloomberg, SEB

Spread development, selective SEK bonds



Source: Bloomberg, SEB

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1) Formal terminology

Overweight over the next six months we expect a position in this instrument to exceed the relevant index, sector or benchmark.

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- 2) An expression of relative value compared with instruments or debt classes issued by peers or comparable entities.
- 3) A list of so called “Top Picks” from a group of issuers, instruments or debt classes.

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Methodology

SEB's DCM Research makes its assessment of the creditworthiness of an issuer based on the assessment of an issuer's business risk profile as well as its financial risk profile. The business risk profile includes country risk, industry risk, competitive position, and profitability. The financial risk profile includes financial policies, accounting, cash flow adequacy, capital structure and liquidity. The outcome of the assessment of the two risk profiles is weighed together for a final overall assessment.

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