

Handelsbanken Capital Markets

Vasakronan - While we wait

- **The office rental market remains hesitant**
- **One of the strongest issuers in the Nordic real estate market**
- **Bond spreads will remain tight**

The office rental market remains hesitant

Vasakronan's Q1 2021 numbers were, overall, credit neutral. Rental income grew by 3% (unchanged like-for-like), net lettings were negative, and the vacancy rate increased slightly to 8.5%. At the same time renegotiated rents were up 16% on average, and there is willingness to pay for good offices in the right locations, according to Vasakronan. However, to our understanding the office market remain somewhat slow and hesitant.

One of the strongest issuers in the Nordic real estate market

With reported LTV of 42%, an interest coverage of 4.7x, and average debt maturity of 5.2 years (diversified over different debt types and currencies), Vasakronan's financial risk profile remains very solid. Total property assets amounted to SEK 1625n. Supported by its strong AP fund ownership, Vasakronan remains one of the strongest issuers in the Nordic real estate market.

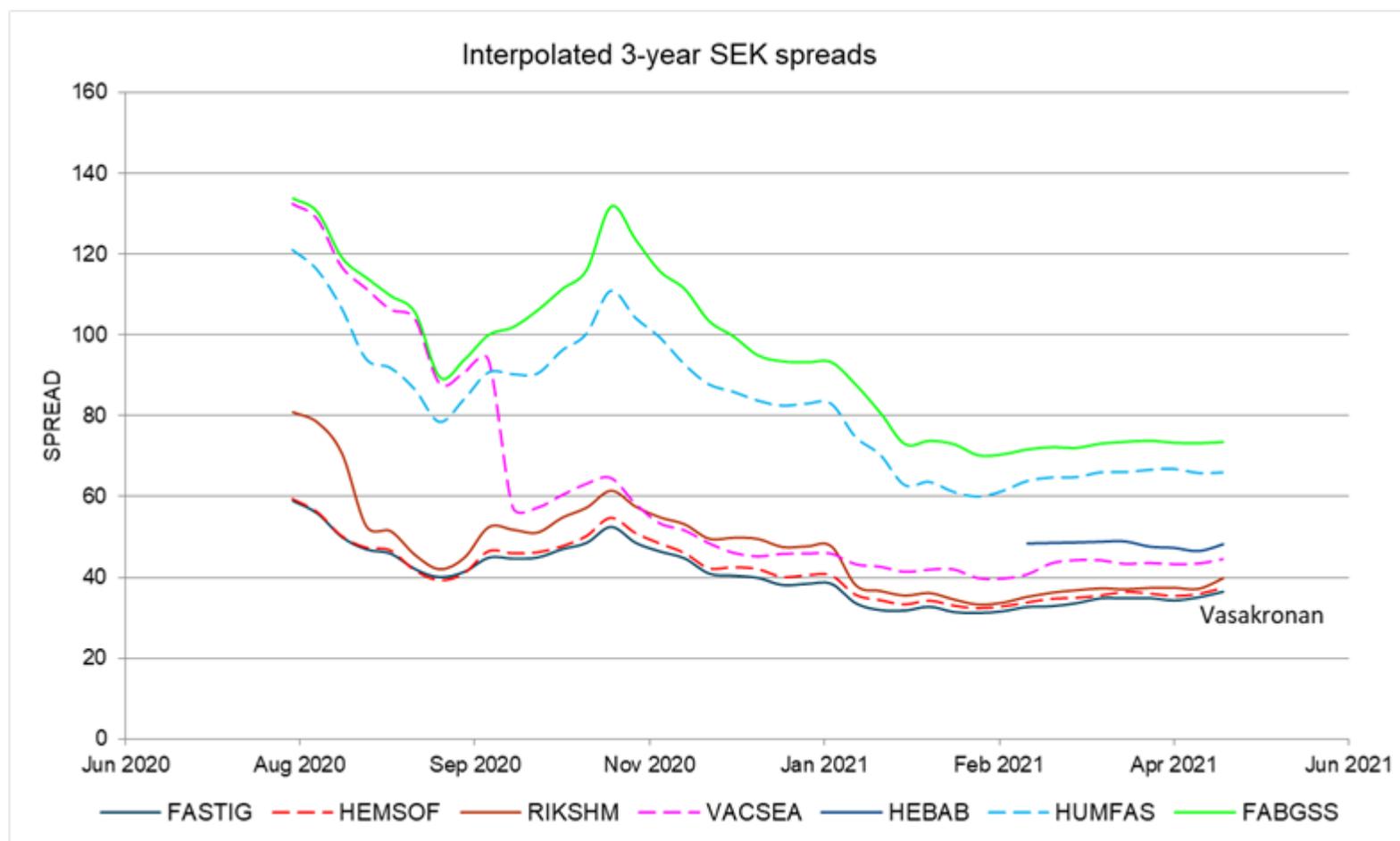
Bond spreads will remain tight

We believe that Vasakronan's bond spreads will remain tight. Our view is that the credit markets will remain strong, thanks to super-soft central bank policies. We are however somewhat concerned with the fact that the SEK corporate bond market is increasingly dominated by real estate issuers, which could affect lower rated real estate issuers negatively.

Credit key figures - Vasakronan

SEKm	2016	2017	2018	2019	2020	Q1-21LTM
Rental revenues	6,251	6,490	6,718	7,040	7,006	7,060
Op. net (NOIRE)	4,459	4,678	4,869	5,200	5,189	5,236
Income fr property mgmt adj	3,217	3,413	3,884	4,914	3,577	3,652
Net income adj	11,490	9,295	12,964	13,983	3,714	6,177
Property value	115,922	126,875	138,934	161,314	167,583	169,981
Gross debt adj	55,240	58,421	61,087	71,882	74,481	78,330
Net debt to prop value adj (%)	45.8	44.9	42.4	42.4	42.9	43.5
Total debt to total assets adj (%)	45.4	44.2	42.1	42.4	42.3	43.2
FFO/gross debt adj (%)	6	6	6	5	5	5
Gross debt/EBITDA adj (x)	12.6	12.7	12.8	14.1	14.7	15.3
EBITDA/interest expense adj (x)	3.8	3.9	4.6	4.0	4.0	4.0

Dividends/FFO adj (%)	235	118	112	109	84.6	83.2
Vacancy rate (%)	5.8	6.9	6.9	5.9	8.1	8.5
Pledged assets to total assets (%)	13.8	11.7	9.0	6.9	6.2	n.m
Secured debt to total assets (%)	12.7	11.6	8.9	6.8	6.2	5.5
Valuation yield (%)	4.6	4.5	4.3	4.2	4.1	4.1



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Disclosures

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Vasakronan

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

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