

Vasakronan: Signs of a recovery in the Stockholm office market

- Rental income and NOI amounted to SEK 1,913m and 1,416m respectively, 2% stronger than expected
- IFPM also came in stronger than our estimates at SEK 1,396m compared to SEK 1,035m, where the main reason for the beat is lower interest expenses. However, FFO came in weaker than expected at SEK 783m, where paid interest amounted to SEK 541m, meaning high interest capitalization
- Value increases were large at 4.1% (SEK 7,176m), driven by continued yield compression with a decrease from 3.97% to 3.87% q/q
- Net letting picked up during the quarter and amounted to SEK 132m. The vacancy rate was unchanged at 9%
- Debt to total assets decreased from 41.8% to 40.3% q/q, while the ICR improved from 4.3x to 5.1x q/q
- Proposed dividend of SEK 4bn

Comment: A credit positive report, despite some weaker underlying cash flow. In light of the fourth wave, the report was comforting with a strong net letting which indicates a recovery of the Stockholm office market, although it could be company specific. The trend in terms of flexible contracts is confirmed by the company, however Vasakronan managed to sign several new leases on a sufficient duration which resulted in a slight increase of the WAULT from 3.7 years to 3.8 years q/q. The proposed dividend is twice the size of the previous year, although in line with 2016/2017/2018, supported by a cash position of SEK 3.5bn and SEK 2bn in unutilized credit facilities, corresponding to 162% of the debt maturities within 12 months.