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# Transcription

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## Presentation

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### Maija Hongas

Good morning, ladies and gentlemen. And welcome to Kojamo's first quarter results news conference here at Helsinki. My name is Maija Hongas and I'm manager of Investor Relations here at Kojamo. And today's result will be presented by CEO, Jani Nieminen, and CFO, Erik Hjelt. After the presentation, we have some time for questions. First, we are going to take questions here from Helsinki, then from the conference call line, and after that it is also possible to ask questions with the webchat function.

But let's get started. The stage is yours, Jani.

### Jani Nieminen

Thank you. Good morning, everybody and well, it's nice to start in Helsinki where the sun is shining. And if we started with the operating environment and a summary of what's been going on during Q1, of course, an easy understanding to find to start with is the operating environment has been positive and looks quite good and, of course, the most important megatrend is the urbanisation going on and that creates demand for new apartments in growth centres here in Finland. And at the same time, the positive development of employment rate and increase in income levels are providing to – according to estimates, they are maintaining growth. And if you look at the chart on the right-hand bottom side, of course, in urbanisation in Finland, the biggest winners are Helsinki region, Turku region and Tampere region, the three biggest city areas here in Finland. But as well, the other major cities are getting more and more new people from other parts of Finland.

And as this urbanisation goes on, as I said, it creates a lot of demand for new housing but what has been going on during the last months is that we see the rolling number of last 12 months with a number of new building permits going down. So it's declining during last months more rapidly than last year. And so the production of new housing is returning to normal level. Even after saying that, there will be a lot of new supply in the market during this year, and the declining of the building permits will provide less supply in the market during 2021/2020 at the earliest. So still during this year, there will be a lot of new supply in the market but as well a lot of demand in the biggest cities and this urbanisation creating a lot of demand is reflected to both housing prices and rents here in capital region, especially, and the estimate is the increase in both the rent and housing price will be somewhere around 2.5% compared to the rest of the Finland where it's roughly 1.8. So, there's a game going on here in Finland that some of the city areas are really the winners and some of the city areas are not the winners. So, the divergence is going on.

And as that trend of regional divergence is accelerating, both the – it's a combination of urbanisation going on and development of different household sizes that create a lot of demand for rental homes. So, the biggest demand for rental homes is in the biggest cities or households of two and one person. So, studios and one-bedroom apartments are those apartments needed in the biggest cities. And the number of households living in rental apartments has been increasing in all the major city areas and our focus areas, and especially as I've been saying that there is a global trend that most often households tend to choose rental apartment in the biggest cities throughout the world. And it's quite visible here as well that the three biggest cities – Helsinki, Turku, Tampere – roughly half of the households already chose rental living and a number of households living in rental apartments has been increasing in all our main regions where we operate, so all the growth centres.

If we take a look at what creates a situation that people more and more often chose rental living instead of buying the apartment, in my eyes it's a combination of two different types of attitudes. Of course, in the rental markets, they're a part of households who are not able, not capable of buying the apartment; they don't have the money, they don't have the access for loan, so they chose rental living. And what we've been seeing in the market, that as the prices are increasing, the loan terms are getting more stricter. It's getting more difficult for these types of people to buy the apartment in the inner-city areas and that creates more demand towards rental homes. The other aspect is that there is more and more people who are choosing to rent the apartment instead of buying the home, even though they would be able to buy the apartment. And the reasoning behind there is at least two factors. One factor is that they choose not to take the loan. They don't like the loan. The other factor is that there has been a change in the attitudes, the values in people's minds towards owning different things. It's no longer a status thing to own the apartment.

And if we look at the Q1 figures, it's easy to say that the year has started as we expected. Things have been going as planned and

our strong performance is visible in all the key figures. The total revenue was increased by 3.7%, and there an important factor was the like for like growth of 2.6% compared to the comparison period where the like-for-like growth was 2.2%. The net rental income was increased by 5.7%, so it tells a story that the strategy of us being growing and being able to increase the average quality of our portfolio has been successful. So, we are more and more efficient. And the FFO was increased by more than 20% compared to last year and of course it's a combination of the increase of the net rental income and less taxes paid compared to last year. The occupancy rate is on a good level and it's a matching pair to the like-for-like growth. So, we've been able to increase the rents. What happened during the Q1 was that the increase in a fair value of the investment properties was smaller. The fair value change was smaller than last year. And of course, that is reflected in a profit before taxes but the most important key figures are the ones showing the operative performance. And in the big picture, our strategy is proceeding as planned, and the fair value of the investment properties is increasing as planned. We are well on the way towards the amount of being a €6 billion company by the end of 2021.

And if we look at the regional data, so as I said, the urbanisation is focussing mainly on the three biggest regions – Helsinki region, Tampere region and Turku region – even though the other parts of – other growth cities are growing as well but these are the main areas and more than two-thirds of our assets are located in Helsinki region and if we combine Helsinki region with Tampere and Turku regions, it's more than 83% of assets – our assets located in those areas. And if we go through the regional data, of course we are doing really nicely here in the Helsinki region as expected, and on the other hand if we pick up another area, in Jyväskylä area, our occupancy rate is the lowest. And even though the city is doing good and the expectations concerning the urbanisation in Jyväskylä area are positive, there has been a situation and there is a situation that there is a lot of supply in the market at the moment compared to the growth rate of the Jyväskylä city. So a good example is that I looked at the numbers in both in Jyväskylä and in Helsinki at the beginning of this week and in Jyväskylä there was 122 just newly completed apartments available in the rental market. The number is not huge, but in Helsinki there was 102 newly completed apartments available in the market. So more new apartments available in Jyväskylä than in Helsinki and that being said, it's easy to understand that it will take a bit of time before the new housing stock is absorbed by the market in Jyväskylä region.

The apartment portfolio is growing and we are proceeding in line with our strategy. For example, what has been happening during the last 12 months, because it's not a game of what's been happening the last three months only. After Q1 last year, during 2018, we sold 1,900 apartments, we completed 1,258 apartments, we bought roughly 1,000 new apartments. So we've been improving the average quality of the portfolio.

The strategy is that we are going to be a €6 billion company by the end of 2021 by providing 1,000 new apartments a year and with an aim of buying 500 apartments a year. At the end of Q1 we had 1,280 new apartments under construction. During Q1 we have made a decision and we have started 277 new apartments under construction. We are trying to find portfolios to buy. There is a lot of interest in the market towards portfolios, and we have been seeing acquisitions with quite low yields. And I have to say that we are financially really strong at the moment, we are able to move fast if and when we will find a portfolio according to our parameters.

We will find the 500 apartments from the market, on average, a year either by buying a portfolio or buying one property at a time. So, it can be done both ways. For example, this year we have already bought 99 apartments; after Q1 we bought a property here in Helsinki. So, it seems that we are well on track with the strategy and we will be able to proceed with our strategy.

An important part of our strategy is that we want to provide easy and effortless customer experience at all times. We really want to be the customer's number one choice. So if we take a look at our thinking concerning the service platform, it's a combination of two things. First, the kind of services we provide for the potential customers and customers entering the Lumo homes, of course, an important thing there is the Lumo webstore but also the variety of different services available. Then, on the other hand, there are services – an increasing amount of services for people living in the apartments, so services during the tenancy and also on that part it's important to create the experience of easy and effortless living, to be able to provide better urban living.

Lumo webstore has been a great success today, more than 10,000 apartments already done through the webstore, today close to 11,000. It's a fully-automated service, operating 24/7. Tenants are able to choose the apartment they like, pay the first month's rent and move in even tomorrow. Here in Helsinki more than half of all the new tenants are coming through the webstore, so it's really helping our business and actually what it's providing, it's providing an easy and effortless experience for those people moving inside Finland towards the bigger cities. On the other hand, providing services for the existing clients is as important, and we launched a new service, My Lumo, during Q1 and already during the first month more than 8,000 customers took it in use and today more than 10,000 customers are already using it, the service and they are able to pay the rent, follow the rent, make announcements that something could be wrong, get information and things like that. So it's an important and growing service,

and I think one of the unique qualities in My Lumo service is it's a really open platform. So, we will be able to bring in new clients of service providers in the future but that development is going on at the moment and we are collecting data and wishes from our customers as well.

And if I now would provide the opportunity to our CFO, Erik Hjelt, to provide more detailed information.

### Erik Hjelt

Thank you, Jani. And good morning everybody from my side as well. On page 13, that shows the revenue growth of €3.3 million, representing 3.7% and that growth was mainly driven by completed apartments, by €3.9 million and that's offset by disposals, the impact of disposals of €3.9 million as well. Acquisitions contributed €0.9 million for the top-line growth, rental increase is €1.8 million and improved occupancy €0.6 million.

During the Q1, actually, disposal was only one apartment and acquisitions 16 apartments and completed apartments, 61 but the total revenue, of course, impacted by disposals, acquisitions and completions during 2018.

Profit before taxes are contributed by net rental income, increased €2.7 million, and SG&A expenses –€0.2 million, and financial expenses saw some growth. In financial expenses there are actually two lines that changed to [inaudible] and of course the underlying portfolio – loan portfolio is bigger than in the corresponding period, but there was roughly €1 million negative impact for interest derivatives. We do apply hedge accounting, but when the fair value of invested – derivatives is changing, then it has a minor impact for our P&L side as well. And the IFRS 16 implementation of that has a €0.6 million impact for financial expenses.

If you look, this impact of implementation of IFRS 16, it improved the net rental income by €0.9 million and it increased the financial expenses €0.6 million and it increased €0.3 million the change in fair value of our investment properties. On the profit before taxes, of course, the impact is zero. And the main impact for us comes – for implementing IFRS 16 is coming through land leases. So land lease agreements are now shown on the balance sheet side and the impact on the P&L is shown in different lines.

If we then look at the profit excluding the change in fair value of investment properties, that grew but if we look, then, the total profit before taxes – that saw a 20% decline, mainly due to the fact that the change in fair value in investment properties was still a positive figure but smaller than in the corresponding period. The total change was +€10.4 million and that includes the modernisation investments, a negative figure, –€2.6 million, and for the positive figure, roughly half of the impact was due to the fact that there were apartments that their restrictions ended. Another part came from the changes in transaction prices in market. The impact for transaction prices was rather moderate and the fact there was that during Q1 this year the amount of corresponding transaction prices was rather limited. So there was – we apply this transaction-price-based valuation technique and there has to be minimal four transactions that are comparable for each apartment in our portfolio, and there was a limited amount of these corresponding transaction prices during the Q1 this year.

Page 14, net rental income grew €2.7 million, representing growth of 5.7%, and that's – the growth rate is bigger than in top-line and that shows that the net rental income margin is improving. There are two different lines that are moving in a different way. One is that maintenance expense was €1.4 million, higher level than in the corresponding period, and there are basically two drivers behind that. One, it's that property taxes were €1.1 million higher than in the corresponding period and the winter was harder than in the corresponding period. It's good to note that the interpretation on IFRIC 21 was changed last year and the property taxes are recognised as expenses in Q1, the whole year's property taxes.

And then, on the positive side, repairs is lower, €0.9 million compared to corresponding period, and this is the main factor why we revised slightly our outlook for this year, so the repairs are on a lower level compared to the corresponding period and we made an estimation of how these repairs are going to be going forward this year as well.

And on the FFO side, there is of course a positive figure, net rental income, contributing €2.7 million for the FFO, interest rate expenses some negative impact and then it's good to note that the current tax expenses was €3.5 million less than in the corresponding period. That's mainly due to reasonable allocation of taxes, so there are no specific tax savings compared to the corresponding period, but it's related to allocation of taxes.

Page 15, gross investments €38 million, representing mainly ongoing development activities. We sold one apartment, so €0.3 million there. And then, if you look, modernisation investments and repairs, they are both below the level in the corresponding period, modernisation investments with €0.3 million and repairs with €0.9 million, as discussed.

The value of investment properties increased in line with the strategy, and IFRS 16 had a €60 million, a little more than that, impact if you look – compare the amount of investment properties at the end of last year to the amount of investment properties at the end of Q1 this year. And ongoing development contributed €35 million and change in fair value of investment properties, €10.4 million. On the right-hand side it shows the amount of apartments under each valuation classes and these two other parts show the amount of apartments that are still under restrictions related to valuation, in total 6,225 apartments, and they will come out of the restrictions gradually, between 2019 and 2025, and on average we have – get an uplift in values when apartments come out of the restriction of €40,000 per apartment.

On page 17 we show a slightly new breakdown of plots and real estate development reserve. Hopefully this is more informative than what we used to have and the other side of the picture shows plots and real estate development sites that the company owns and plots representing pure land. And there we have 78,000m<sup>2</sup> plots and existing residential buildings, meaning they are still cash-flow generating buildings that – but the idea is to demolish the existing building and build a new one, and there we have 40,000m<sup>2</sup>. And conversions mean mainly so-called Metropolia properties and on top of that so-called Eerik 7 properties in the heart of Helsinki; it's a conversion project as well, and these have a square-metres amount of 85,000m<sup>2</sup>. These – of course depending what is the average size of the apartments but these are providing us roughly 3,500 apartments.

The lower part of the picture shows our binding agreements and reservations for plots and real estate developments. This one is including preliminary agreements with the construction companies, agreements for the construction and acquiring the land, €123 million and we estimate that the portion of land included in that figure is €24 million, representing 37,000m<sup>2</sup>. And these agreements and reservations for plots and that's again pure land, 73,000m<sup>2</sup> and these two put together are roughly 1,700 apartments.

At the end of Q1 we had an ongoing development projects for 1,280 apartments, invested already €125 million and to be invested to complete these projects, €103 million.

Occupancy rates stayed stable compared to the end of last year but showed improvement from the corresponding period and tenant turnover, this level seems to be the new normal, if you like, for commercial residency markets here in growth areas of Finland. Equity ratio well in line and loan-to-value well in line with our financial targets, equity ratio target for us it be about 40% level and loan-to-value to be below 50% level and we are well in line with these targets. It is good to note if you compare the equity ratio at the end of last year and the equity ratio at the end of Q1 that the dividend was paid €71.7 million, meaning roughly 1.3 percentage points impact for the equity ratio, and the implementation on IFRS 16 had an impact of 0.5 percentage points for the equity ratio because – from asset side and the liabilities side, roughly €60 million was booked. And the implementation on IFRS 16 had a 0.2-percentage-point impact for loan-to-value as well.

Equity per share and EPRA NAV improved nicely. EPRA NAV stood at €11.55 at the end of Q1. We still had a versatile capital structure, we didn't make any new loan arrangement during the Q1: half of the loan portfolio from the bond market and another half from the Nordic banks and from the local commercial paper market. On top of these figures, we have a commercial paper programme of €250 million, outstanding commercial papers €50 million and we have committed credit lines of €300 million. And we have still strong financial key figures, average interest rate 1.8%, including the cost of derivatives and we are quite conservative when it comes to the interest rate hedging. The hedging ratio was 93% at the end of Q1. And there are no major refinancing needs for next coming years.

And now back to Jani.

## Jani Nieminen

Thank you, Erik. And in this last section we will go through our financial targets and our outlook and, of course, the dividend policy. And if we start with the strategy, so we are progressing towards our strategic targets as planned, and we have to keep in mind that our strategy has different elements, so it's a combination of different aspects. The first strategic goal and target is that we are going to be a €6 billion company by the end of 2021. That tells that we want to grow, and we are able to grow. In order to get there, we are providing roughly 1,000 new apartments a year and buying, on average, 500 apartments a year. The other aspect tells that in order to get there we are not willing to grow at any cost. We want to keep the FFO level above 32% of the turnover. So, actually we want to grow in order to be even more efficient. At the Q1 situation, the FFO percentage of the total revenue was below the strategy target just because the property taxes are recognised as full for the whole year during Q1. So this number will increase throughout the year, and it's above the strategy.

The third aspect is how we handle the risk factor. So we want to keep the equity ratio above 40% and the LTV ratio below 50%. And that's at the moment very solid. Both figures are really strong.

And the last aspect that of course we want to provide good service to our customers, and the aim is that our net promoter score will be 40 at the end of 2021. The number at the Q1 was lower, it was 28, and we made a big questionnaire to existing clients during January, actually during the same week when they received the letter concerning the rent increases this year, so probably the timing wasn't the best possible, but of course we are measuring the NPS all the time from different angle, so I do believe that the number will increase throughout the year.

As Erik already said, we have made calculations and estimates concerning 2019, and we have specified our outlook. We are keeping our outlook the same concerning, the increase of the total revenue being somewhere between 2% and 7% and the target that we will be investing in new development and housing stock acquisitions at least €300 million this year.

We made a change and specified the outlook for FFO based on the fact that we do have a strong operating performance, and our estimate is that we are spending slightly less money on renovations and modernisation investments than estimated before. So these factors create a situation that would specify the FFO. The range is a bit more narrow and a bit upward.

The dividend policy, there are no changes. We want to be a stable dividend payer with an annual yield of payment being at least 60% of the FFO provided that the equity ratio is above 40%. And during Q1, the dividend from 2018 was paid and it was €0.29 per stock and 62% of the FFO.

And if we move to summary, so as I've been saying, we have been proceeding in line with our expectation. The operating performance is strong. There has been no surprises. We are really confident concerning this year. We are proceeding as well in line with our strategy. It's on a solid base even though some sounds.

We are providing new homes; close to 1,300 apartments under construction at the moment. We are improving the average quality of our housing stock. Our aim is to sell roughly 500 apartments still this year. Non-core apartments according to our strategy so don't fit to our strategy. And we are of course trying to find portfolios available or making off market deals that like we bought 83 apartments here in Helsinki, Somerontie, one-bedroom apartment and studios.

We have to find all the time new ways in order to create the organic growth. And at the moment we are in a process with a reverse tendering process asking the construction companies what they would be able to provide with roughly €100 million. And after we get their ideas of course then we move to possible making decisions concerning the investments if there are projects available according to our parameters.

The third aspect, and the summary: of course, we want to be the frontrunner providing excellent services, and easy and effortless living. And we do believe that being able to provide services and high-class customer experience as a new kind of digital services is one of the key issues for our success. Not the only one, but one important part of our success.

So that being said, I think we are closing the presentation moving towards the questions, and I understand we're starting here.

## Q&A

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### Harri Paakkola

Yes, good morning, Harri Paakkola from Nordea. First of all regarding the FFO guidance and it was raised to be a lower repair cost. Is this something that is been pushed to the next year or what was the reason behind that?

### Jani Nieminen

There are of course some uncertainties concerning the timing whether the project will be ready this year or whether we will have the time to start it. But overall the change was €2 million, so not that big, provided was our best estimate at the moment.

### Harri Paakkola

But it's something that could be pushed into the next year?

**Jani Nieminen**

Yeah could be. Most often things happen in such a manner that we do have the plan, and then it get postponed a bit.

**Harri Paakkola**

And then how do you see the staff cost saving potentially, if you look at the webstores is getting more popular? Do you believe you can reduce some staff cost if you get more of the rental agreements made through the webstore?

**Jani Nieminen**

That question has not been on the table yet. Being able to provide webstore services, it makes a big difference on your processes. You have to be able to provide high quality information concerning the apartment, high-quality photos. So the processes are changing, and still at the moment, even though here in Helsinki more than half of the tenants are coming through the webstore, we are providing services the old fashioned way as well.

So it's not the question of today, but in the long run, of course, it will change the industry and the way we operate.

**Erik Hjelt**

Or generally, our aim is to keep euro-wise the SGA expenses on the current level despite of the growth of the company. So in total, we are looking to be more effective going forward.

**Jani Nieminen**

Yeah, and I think it provides an efficient way for us to grow and be able to take care of a bigger portfolio without hiring much more new people.

**Harri Paakkola**

And then regarding VVO conversions, they were clearly lower now in Q1. How are they distributed throughout the year?

**Jani Nieminen**

If you Erik take that one?

**Erik Hjelt**

Number of apartments coming out of the restriction, so Q4 is just quite by far the biggest amount of apartments coming out of the restrictions. Q1 was the clearly lower, but the second biggest and then Q2 and Q3 are the where we have a smallest amount of apartments coming out of the restrictions. The other thing is that the amount of apartments is not directly linked to the amount of positive uplifting in the value, because its €40,000 per apartment. That's average.

So our estimate is that in any case, the amount of positive uplift is going to be bigger going forward this year.

**Harri Paakkola**

And then regarding, can you say anything about the timing of divestment in 2019?

**Jani Nieminen**

As I said, our aim is to sell 500 non-core apartments by the end of this year.

**Harri Paakkola**

And then you talked about the good transaction markets. What kind of yields have you seen in the Helsinki region?

**Jani Nieminen**

Very low.

**Harri Paakkola**

So low threes?



### Jani Nieminen

Low threes.

### Harri Paakkola

And then to last on my part about the cost inflation in construction has that changed significantly?

### Jani Nieminen

We were just talking about this yesterday, and statistics from the last 12 months and as in this presentation and show that there had been any increase over time in the construction cost. And even though there is new information available concerning how the construction companies are doing at the moment, not yet there has been significant changes with the prices. There are more projects available, but still, I would say that the increase of the construction cost, the speed has been turning a bit down, but not like dropping down.

### Harri Paakkola

Okay, actually one more still. In the outlook, you talked about the increasing like-for-like rental growth, and that is driven by the strong demand on migration towards growth regions. Do you expect the like-for-like growth to accelerate this and the next year?

### Jani Nieminen

I would say that the like-for-like growth of at the moment being 2.6% is on a fairly good level. And our estimate has been that is around 2.5-2.6. And there have been no surprises for us, and I think that's the level.

### Harri Paakkola

Okay, thank you.

### Erkki Vesola

Hi, it's Erkki from Inderes, couple of questions from me as well. First, okay: all-time high number of apartments completed in Finland this year. You guys seem to ignore at least for the time being the risk of oversupply and that is the impact of that on rental levels. You talked about 2.5%, but how sustainable do you see that this is towards the end of the year or next year?

### Jani Nieminen

I think once you enter commercial rental apartment market, you have to be ready for competition, and that's something that I think the players are not huge here in Finland. And we do believe in our processes and in our capabilities and our way of providing customer experience. Of course, we enter in situations, where there is a micro location providing a lot of supply towards the demand, but and it will take a bit of time before it's absorbed by the market.

But in the long run, if you are making investment decisions in apartments, in our eyes, it's a long-term decision based on the demand in the long run, not on the demand for the next couple of weeks or couple of months. We are investing more than €300 million a year, so it's not based on how things are going for the next couple of weeks. And there's too much conversation going on what at the market this week or at next week.

### Erkki Vesola

Okay thanks. And then secondly, could you provide –

### Jani Nieminen

Would you provide additional information?

### Erik Hjelt

And I would some addition to that is of course, it's good to look at the urbanisation as discussed earlier here as well. So, the urbanisation strength is really strong and the latest estimates said that it's even accelerating. So, people are moving towards these growth areas here in Finland especially Helsinki region. And there's just yesterday I heard one good way to look at it: one omnibus amount of people are moving towards the Helsinki region everyday so that creates the demand, and this amount of new construction that is ongoing is the highest level that the construction company actually can now do it is they are – their capacity



is in full use.

And this is not, seems not to be enough to cut down the backlog created here in Helsinki region during the financial crisis. So that is of course one of the main drivers for growing demand for apartments.

### Jani Nieminen

And that's what I meant with decision making based on long term information and long-term demand. Okay.

### Erkki Vesola

Okay. Then secondly, could you provide us with an update on what can the new additional services do you intend to launch, and when? I'm referring to the likes of shared cars and postal services etc. I mean, how big a piece could this become?

### Jani Nieminen

Of course, being able to provide services is a long way. But it's an important factor for us. And we are all the time scanning, collecting data from our customers and different kind of companies like start-ups, and I think we will be living in the world where we launch new services and make like a pilot project and see whether the clients are appreciating them whether there is a demand for those kind of...

So, it's a different life cycle of thinking and a strategy with services that than with the portfolio investments. If we make an investment decision that we are building a new building, it's based on a long-term things. And these like services are short term strategy because the demand will be developing and changing. Whether it's going to be a big business as a separate thing, we don't know yet, I don't believe that. But I do believe that it will make our business better, and that we will be doing better and we will be able to provide brand value.

### Erkki Vesola

Okay thank you very much.

### Svante Krokfors

Svante Krokfors from Nordea. Perhaps a follow-up question on that urbanisation and how that drives demand. Have you split up how much the decreasing household size also impacts that demand? This is an extra boost, or...?

### Jani Nieminen

I think as I said it's a combination of both things. So and it's really hard to say which part has any impact of how much. But on the other hand, these both rents have been going on for some time already creating a lot of demand for small rental apartments. And we see that most often households buying an owner occupied home are married couples with more than two children or two children at least. Some of these smaller households are most often renting the apartment.

### Svante Krokfors

Thank you.

### Jani Nieminen

But I would just still add that one portion of the growing number of smaller households will be the ageing people here in Finland. The amount of senior citizens are increasing and I think that's something that we have to take in account with providing services and which kind of home we are providing in the future. Okay.

### Svante Krokfors

And then regarding the transaction market, you said that deals have been done at low yields. Can you say what's the yield gap between what you would be willing to pay and where the transactions have been made? What basis points?

### Jani Nieminen

I won't provide an exact figure. I would say that that we are trying to find good deals according to our parameters. And I think that our EPRA initial yield provides that information that on average we are doing okay.

### Svante Krokfors

Looking at the other way, if you think that deals are too low for you, but could you consider selling something bigger, good quality portfolio or are you restricted by your volume targets?

### Jani Nieminen

I will answer in such a manner that we are sticking with our strategy. We want to grow. We will be a €6 billion company by the end of 2021. But on the other hand, of course, we are following the market really closely and we are a professional residential investor, and it would be rational to keep on selling some of the properties if the market is hot in order to improve the average quality of the portfolio.

So I think throughout the year, even after selling the 500 non-core apartments, we will keep on some level possibility to sell some of the portfolio throughout the year. But I think that – in my eyes, it's like a basic thing in an investment company. Take care of your portfolio.

### Svante Krokfors

Then I don't know if you can give a clarification on that, but the deals where you have not wanted to pay the high price this year that the demand is coming from participants that can use more leverage or is it the buyers that pay pension fund-like money that doesn't give us any leverage.

### Jani Nieminen

It's been already for a couple of years a combination of the local players being interested in finding portfolios, but especially the growing interest from international players. Most of the recent deals have been done by an international investor. And of course, we've been seeing that the yields in Europe have been quite low, and that has been increasing the interest towards the Finnish market. We ourselves sold 1,600 apartments last year to Morgan Stanley operated funds.

### Svante Krokfors

Thank you.

### Jani Nieminen

Thank you.

### Jussi Nikkanen

Jussi Nikkanen, Handelsbanken. You mentioned the number of apartments under restriction to levels of 6,200. How has that developed during the last year and can you give an estimate on the – on the number of apartments where the restrictions are lapsing during this year and the next?

### Jani Nieminen

Would you provide the information? I think you have –

### Eric Hjelt

This year the amount of apartments are coming out of the restriction in total is a little more than 1,400, and roughly 300 – actually 319 already came out of the restriction during the Q1 this year. And the –

### Jussi Nikkanen

[Inaudible] 300 –

### Eric Hjelt

319 already came out of the restriction and a little more than 1,400 – this total amount of apartments coming out of restriction this year. And these apartments coming out of the restrictions going forward, it's coming down gradually between 2019 and 2025. We haven't given exact figures for each year going forward, but that's – that gives you an idea of how that goes.

### Jussi Nikkanen

Thank you. And the vacancies? What's the level that you are perhaps kind of targeting for settling for?

### Jani Nieminen

I am satisfied with the current level, but I do believe that we are able to improve it. But I think in the overall picture the occupancy rate, if you look at it the other way, is quite often talked about and considered as one of the most important KPIs. In my eyes, it's an important KPI but not the most important KPI, because at the end of the day, it's quite an easy KPI to improve. You just spend money. You lower the rent and increase the amount for renovations. So I think we are in a fairly good level, so the total amount being roughly 97 and – being around 97 on the total portfolio level, it's okay.

Thank you. I'll be moving forward to the line. Are there any questions on line?

### Operator

If you would like to ask a question, please press 01 on your telephone keypad. If you wish to withdraw a question, you may do so by pressing 02. There will now be a brief pause while questions are being registered.

And there seem to be no questions, so I'll hand back to the speakers for any final comments.

### Jani Nieminen

Thank you. So, I'm passing it to you.

### Maija Hongas

Thank you. Actually, it seems that we don't have any questions from the web either, so thank you for coming today or listening to us from the web or the conference call line. We are going to publish our half-year report on 23<sup>rd</sup> August, so hopefully we will see you then. Thank you.

### Operator

This now concludes our conference call. Thank you all for attending. You may now disconnect your lines.