

A rental housing service company  
awarded for quality





Welcome home!

VVO has approximately 39,000 rental apartments in nearly 50 towns. Our VVO Home Centres serve customers locally across Finland.



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### Financially the year was diverse

The 2009 operating environment was characterised by a recession in the first half of the year following the financial crisis and by a slow recovery in the second half of the year. The year was also financially diverse for VVO. At the beginning of the year the situation looked particularly difficult; in the first quarter no profit was generated due to losses in construction operations but then the earning development started improving evenly towards the end of the year. The full year result was actually better than in the year before.

The financial market crisis that began in 2008 turned into an economic recession in Finland in early 2009. In particular in real estate operations and the construction industry the availability of loans ended and availability of working capital financing decreased considerably. Only Municipality finance still financed interest subsidised production. New apartment sales were almost at a standstill. VVO also accumulated unsold housing stock. This, together with the plot reserve tied up capital and weakened the Group's profitability development through the interest burden.

VVO reacted to the situation by deciding to give up housing development operations, discontinue planning of properties for own possession and postponing optional repairs, as well as increasing operational efficiency. In January, the company also launched lay-off negotiations that involved the entire Group. As a result of these and other development, the number of personnel decreased by 10 per cent during the year. Once the financing situation stabilised the company quickly re-started rental housing production and the total number of new housing starts was 1,115 apartments.

The key indicators for rental housing have remained at a good level. The occupancy rate was 98.2 (98.8) per cent and turnover was 22.6 (21.2) per cent. The average rent

increase was 6.4 (3.7) per cent and the average rent was EUR 10.44 per square meter per month (9.82).

Group net sales was EUR 343 million (327) and the balance sheet total was EUR 2,171 million (2,150). Profit before taxes amounted to EUR 41 million (33). ROE was 9.2 (8.0) per cent and equity ratio was 15.3 (14.5) per cent. The Group's EUR 1.7 billion loan portfolio contains 985 individual loans. Of these, 428 (EUR 860 million) have been granted or guaranteed by the State or have interest subsidies.

The ramp down of the housing development has been quicker than anticipated. The amount of inventories decreased by approximately 30 per cent during the year. A total of 242 apartments (202) were sold. At the end of the year, the company had 199 (220) unsold apartments of which 113 (62) apartments had been rented. The amount of inventories for the housing development unit was EUR 135 million at year end. The plot reserve represented EUR 66 million of this. A majority of the plot reserve will be utilised in rental housing production that will remain in company possession. The loss of housing development last year amounted to EUR 11.0 (10.8) million.

VVO's financial position and outlook are stable. If the exceptionally low interest rate level continues, 2010 earnings are likely to be even better than in previous years.



“Last year’s low interest rate level improved the result for the entire sector.”

Raimo Vehkaluoto, CFO

### Successful cost cutting helped achieve a good result

VVO's 2009 result was clearly better than estimated despite the economic recession as the performance of the main business, rental housing, was good. Last year's record low interest rate levels have affected the result of the entire industry.

– The good result is explained by successful cost cutting across the board. A drop in contract prices decreased maintenance costs, and maintenance that had originally been scheduled for the beginning of the year were postponed to later in the year, explains **Raimo Vehkaluoto**, Chief Financial Officer.

In January, a decision to gradually discontinue owner-occupied housing production and adjust the related plot reserve was made. This plan has progressed well. In early 2009, the financial crisis made credit availability difficult, but as the year progressed, the Group's financial position strengthened considerably. The Group has good solvency.

– In late 2009, we sold clearly more owner-occupied housing than we had estimated in the beginning of the year. We have also been more successful than expected in adjusting the plot reserve intended for owner-occupied housing production and the process has been quicker than anticipated.

### A Group with two business segments

The financial entity that VVO Group forms will be reported in two segments starting from the next interim report. The basis for the segment division is the profit distribution limitation defined by the Act on State-subsidized Housing Loans (ARAVA Act). The following is a description of how the segments will be formed and their financial situation.

VVO Non-subsidized segment includes privately financed rental housing and the state subsidized housing that are subject to property specific limitations based on the ARAVA Act and ARAVA extension limitations. These limitations will for the most part end by 2014, while the limitation for some properties will continue until 2025. Plot reserves in inventories and apartments for sale are also included in the VVO Non-subsidized segment.

The net sales of VVO Non-subsidized segment was EUR 206.0 (199.7) million, earnings before extraordinary items was EUR 23.0 (19.9) million and the balance sheet total was EUR 1.2 (1.2) billion. The key indicators for the segment were: ROE 6.4 per cent, ROI 5.0 per cent and equity ratio 20.7 per cent.

VVO Arava segment will include rental housing that is subject to more long-term property specific limitation based on the ARAVA Act and interest subsidy legislation.

The net sales of VVO Arava segment was EUR 148.1 (137.3) million, earnings before extraordinary items was EUR 17.9 (12.9) million and the balance sheet total was EUR 1.1 (1.0) billion. The key indicators for the segment were: ROE 16.0 per cent, ROI 5.2 per cent and equity ratio 8.5 per cent.



“Systematic risk analysis aims at foreseeing events in more detail and interpret weak signals.”

Olli Salakka, CEO

# Returning to our roots as a one business company

Four decades fostered VVO into a versatile Group offering housing service that, in addition to rental housing, also comprised housing development services and owner-occupied housing. At the beginning of 2009, the conditions for producing owner-occupied housing in particular were poor, as the general economic situation caused by the financial crisis froze the housing trade and in practice shut down the money markets.

We refocused our strategy and, as a result, abolished housing development as a separate business area, and now focus on VVO's original core business: rental housing. Simultaneously, we lowered our operational organisation and changed our operating models to better reflect our customer focused basic strategy.

The economic optimism that awakened in the autumn after a steep recession opened up the money markets, which in turn became visible in housing sales. The share of VVO's housing sales was larger than expected, which helped in generating positive performance in late 2009. The positive development in rental housing can, however, be seen as the main contributor in VVO's good result.

State authorities' measures to support housing production also enabled exceptionally high rental housing production. Measured by the value of apartments remaining in VVO's ownership, 2009 was our best year historically.

Despite the challenges in early 2009, we maintained our position as the leading developer of the housing sector. Proof of this is our excellent success in the Finnish Quality Award competition.

Even though the foundation for the future now looks more positive than a year ago, it is impossible to foresee the future on a longer term. It is given, however, that the changes in the operating environment as well as the economy will be faster and fiercer in the future. Therefore,

In the future, changes in the operating environment and economy will be faster and fiercer. In order to stay competitive, one must be prepared for change.

VVO must, in order to be competitive, maintain its preparedness for change. Our strategy work aims at systematic planning of future operations over the next few years but also makes visions for decades

to come. The systematic risk charting we launched in 2009 helps us better prepare for the future and interpret even weaker signals. Risk management will be implemented as part of the work of our entire personnel.

VVO's aim is to maintain a high volume of in-house rental housing development in the future as well. If, however, employment development in the country does not turn positive it may have a negative effect on the demand for rental housing.

I would like to extend my heartfelt thanks to our customers and cooperation partners. Once again we have together carried out successful work for good housing. I would also like to take this opportunity to extend a special thanks to our personnel for successfully completing a challenging year. Finland's largest rental housing service company deserves its Recognised for Excellence recognition.

Olli Salakka  
CEO





Strategy

- 1. We ensure positive development of VVO's profitability by ensuring sufficient cash flow and lifecycle economic development of the housing stock.
- 2. We improve the customer's service experience and VVO's image.
- 3. We develop our processes and operating model with a customer focus to become more cost efficient and to better meet our customer promise.
- 4. We ensure the development of our personnel, organization culture, know-how management and innovativeness of the company, and we act in accordance with our social responsibility.

Mission We create safe and better rental housing.

Vision We are Finland's leading rental housing company, also rated number one by customers.

Values

Reliability We keep our promises. Our operations are based on openness, honesty, fairness and equal treatment of individuals.

Customer satisfaction Our services are based on customers' needs. Our key objectives are generating value for our customers and exceeding their expectations. We create opportunities for good quality living for our customers' various life situations.

Profitability We produce our services efficiently and profitably by appropriate practices, considering the needs and expectations of shareholders and other interest groups. We refurbish and maintain our properties in line with the principles of sustainable development, ensuring that their value increases in the long term.

Innovativeness We dare to question practices that have been considered axiomatic and conventional in the sector. This enables us to find better and more efficient ways to provide services. Success requires continuous development; this is a challenge and opportunity for our entire staff.

“VVO seeks a competitive edge by using its own personnel for the central parts of its processes and customer interface.”

Urpo Piilo, Deputy CEO in charge of strategic development



The customer is the core

At the beginning of 2009, VVO quickly responded to the change in the operating environment caused by the economic recession. As the owner-occupied housing market collapsed we did not simply step on the brakes as we would in a normal economic slowdown, we decided to give up housing construction and focus on our core business, i.e. rental housing. Here the aim is to continue to be Finland's leading rental housing company, also rated number one by customers.

Implementation of the new strategy and adjustment of our operations branded the beginning of the year. VVO was reorganised and we were forced to terminate the employment of 29 people due to production and financial reasons.

– In order to ensure profitability and operational financing, we were forced to make radical changes to our strategy, but we assess that in the long term focusing on our core operations will be wisest both for VVO and its customers, says **Urpo Piilo**, Deputy CEO in charge of strategic development.

Recognition motivates

VVO wants to be the leading player in the industry. The quality of our service processes, and their continuous development, aim at an increasingly better service experience for the customer.

– VVO seeks a competitive edge by using its own personnel for the central parts of its processes and customer interface. This helps us learn from our customers and makes it easier for us to develop a more high-quality operating model compared to outsourced services. Naturally we also expect our partner network to work in accordance with our criteria.

The culmination for 2009 was the Recognised for Excellence recognition awarded to VVO in the Finnish Quality Award competition.

– Ultimately, our customers are the ones who assess the quality of our services. We sought an external assessment and comparison to other organisations through participation in the Finnish Quality Award competition. The praise and public recognition motivates us and directs our work in the future as well, Urpo Piilo summarises.



“Now that we have an operating model in place, we will start spreading the importance of risk awareness and internal supervision to the entire organisation.”

Tiina Heinonen, Solicitor  
Jouni Heikkinen, Business Controller



Responsibility

## Risk management and internal supervision part of daily operations

The importance of risk management has become emphasised as a result of the economic crisis. The aim of systematic risk management is to ensure that strategic and operational goals are met.

– VVO must, in its operations, recognise the main risks related to its business in order to prepare for them to its best ability. Last year we launched a risk management project in VVO Group with the aim of integrating risk management into our daily operations, **Tiina Heinonen**, VVO’s Solicitor, explains.

The most significant operational risks include the availability and price of credit, risks related to the plot reserve, and fluctuations in the rental market. In addition, every business area has its own uncertainties and risks.

– The first step of the project was recognising and assessing the risks. Then we launched the second step of drafting a risk management policy, outlining the principles of risk management, its objectives, responsibilities and main operating procedures, Heinonen outlines the project flow.

### Implementation to personnel crucial

Now that we have an operating model for risk management we will start spreading the importance

of risk awareness and internal supervision to the entire organisation.

– The aim is to increase the personnel’s awareness of risk management and internal supervision, because everyone can affect this in their work. Risk management is one of the areas of internal supervision. Internal supervision is a process implemented by the company’s Board of Directors, management and personnel to ensure that VVO’s goals are met, **Jouni Heikkinen**, Business Controller, explains.

The sufficiency of internal supervision and risk management is assessed in internal audits. Internal audit is a new function in VVO, and was launched at the beginning of 2009.

– VVO’s different business areas will continue recognising risks, assessing their probability and their effect on operations. Management tools are created for the main risks with the aim to reduce the risk in question.



We produce housing stock  
for the public good suitable  
to changing everyday life

# Responsible living with new energy solutions

VVO is aware of its own environmental responsibility and continues its work to reach its energy saving goals. The goals can only be met by paying attention to energy consumption both in greenfield construction and existing housing stock.

VVO's first low energy block of flats was completed in 2009 in Helsinki. The next two are being built in Suurpelto, Espoo. These houses do not have traditional heating systems, heat is generated from the energy produced by machines, equipment and human beings, as well as through heat recovery from air conditioning systems.

VVO will also carry out low energy construction in Jätkäsaari, Helsinki. VVO is Sitra's cooperation partner in the City Block for Sustainable Construction project. In 2009, an international Low2No sustainable building competition was arranged to develop the block.

The competition was looking for innovative and comprehensive solutions that aimed at decreasing energy consumption. The competition also took sustainable development, social and financial viewpoints and high-quality architecture into consideration.

## Persistent work to promote energy efficiency

In reaching national climate objectives, increasing energy efficiency in old buildings plays a central role. VVO is, in future years, committed to continue decreasing consumption and emissions considerably by being part of an energy efficiency agreement signed with state

authorities and RAKLI (Union for the property and construction industry).

The price of energy will probably increase in future years faster than general cost development. A considerable share of property management expenses is spent at energy. Attention should be paid to energy efficiency in order to keep rent development reasonable in coming years.

The goals that have been set are challenging but reachable. In maintenance operations attention is increasingly turned to energy efficiency as well as cost savings in the properties. In addition, installation of energy efficient water fittings will continue.

The choice of energy form also has a significant effect on the amount of emissions. VVO's properties are mainly heated with district heating and they use green electricity for common electricity.

## International development cooperation through CECODHAS

VVO is part of CECODHAS, the European Liaison Committee for Social Housing. The organisation represents over 25 million homes in 19 countries. CECODHAS' core mission is to act as an expert in the social housing sector and a lobbyist in preparation and monitoring of EU programmes and politicians that affect the operating environment in the sector.

Even though housing policy belongs to national jurisdiction within the EU, societal pressure for change is quite similar in different member countries. Demographic trends include ageing of the population and increasing numbers of singles, as well as an increasing share of immigrants. Other structural factors are the recessive role of public financing and increasing renovation debt in old suburbs.

– Our responsibility is to generate a social housing stock that suits the needs and expectations of changing everyday life and working life. Sharing experiences and viewpoints with European colleagues is valuable for VVO's own development work, **Niina Savolainen**, Research Manager, explains.

Energy issues also combine international players. In 2009, CECODHAS actively participated in the United Nations Climate Change Conference in Copenhagen with a presentation on the role of social housing in the future fight against emissions.

**“Based on research, both our partners as well as current and potential customers find us reliable and responsible. An important part of responsibility is to generate housing stock for the public good that suits the needs and expectations of changing everyday life and working life.”**

Markku Kylli, Development Manager

Niina Savolainen, Research Manager

Päivi Raami, Quality Manager





## *VVO awarded for persistent development of apartment renting*

**VVO has persistently developed** its operations. In accordance with the European Quality Award assessment model, self evaluation began at VVO in 2006. Last year, VVO participated in the Finnish Quality Award competition with its rental housing business. Participation in the Quality Award competition is as such an excellent tool for companies to develop their operations, but the award is also important as VVO's personnel has, for instance, seen the recognition as proof of work well done.

**Every applicant organisation** that is accepted into the competition has its own trained and independent assessment team that compiles a written report on the organisation's strengths and areas of improvement. By utilising the report and other observations and experiences from the competition a precondition for continuous development within the company is created.

**In the assessment the weight** of operations and results is equal. In terms of results, performance (e.g. financial results), personnel and customer results and social results (corporate citizenship, social impact, social responsibility and environmental factors) are considered. The other side of the coin is reviewing the operations – how the company is managed, how its strategic goals are communicated to the organisation, how its personnel is treated and trained, and how it manages its partnerships.

**VVO's strengths** were its ability to adapt to the surrounding demands, operating in accordance with its own values and clear measurement of performance. VVO was also praised for its close cooperation with its tenants and for ensuring well-being at work. VVO is for instance committed to continuous development of its personnel.

**EFQM Excellence model** is used in the assessment of the Quality Award competition, which helps chart the operational strengths and development areas. Based on recognised needs, one can generate necessary improvement measures.

**All operations** are reflected against the company's strategy and goals. Is the action repeated as planned or sporadically and does it truly help reach our goals, and is there proof that it helps reach the goals. In the competition, VVO's ability to consider for instance its stakeholders' viewpoints and needs was assessed. According to assessment, VVO offers its customers a chance to long-term and good quality renting in all life situations.

## The competition encourages us to improve operations

VVO was successful in the Finnish Quality Award competition thanks to its customer focus, a strategy that has been internalized throughout the organisation and the ability to change. These are things that are usually considered proof of competitiveness.

– Our good result is based on more than forty years of history and experience in rental housing. Based on research, both our partners as well as current and potential customers find us reliable and responsible. One of our main strengths have since the 1970s been extensive resident cooperation. In brief, companies that do not have satisfied customers do not have a future, **Päivi Raami**, Quality Manager, summarizes.

The criteria of the competition have been used for self-evaluation within VVO since 2006. In the competition, a panel of several quality experts from different organisations carried out the assessments.

– The Finnish national character is such that we often value our own performance slightly less valuable than it actually is. Outsiders can see that our everyday practices are actually good and exceptional.

Simply participating in the competition has been beneficial.

– Internal self-evaluation has encouraged us to develop our operations and helped us better understand the connection between practical operations and the strategy. The competition acted as more extensive benchmarking. The competition application is a good manual for what renting operations mean at VVO.

VVO was the first housing service company to receive the Recognize for Excellence Award.

The results of the competition have been analysed for instance from the viewpoint of development projects and processes.

– The management team has considered our focus area from a future perspective. What are our strengths and cornerstones of success in five years time? Some of the areas of improvement have been recognised already earlier. Managing customer feedback, improving the quality of maintenance services, managing and development of personnel are the first concrete actions that are currently ongoing, **Markku Kylli**, Development Manager, explains.



New payroll system is based on competence assessment.

## Personnel is a priority even after adjustments

In the strategy change implemented last winter, VVO decided to give up its second business area, housing development. As a result, the number of personnel had to be cut in late winter. In the autumn, a new payroll system based on competence assessment defined in the collective labour agreement was completed. At the end of the year, a new two year collective labour agreement was reached in negotiations with the Service Union United PAM and the Union of Salaried Employees.

VVO measures its employees' well-being every other year with a personnel resource survey. The results were positive: despite a difficult year and personnel reductions, employees' activeness and mood had improved from the previous survey.

Well-being campaigns and different departments' recreational days were used to encourage personnel to pay attention to a healthy way of life and exercising. Personnel also have access to exercise vouchers, and the selection of internally offered team and group sports was diversified. People participated in structured group exercise and attended VVO's gym actively in 2009.

### Management culture is developing

VVO's rental housing services were successful in the Finnish Quality Award competition. Positive assessments were given for instance for taking care of the well-being of employees and for operating control that is in line with the company's values. According to the assessments, the management has been successful in creating an open atmosphere in the company, which enables discussion.

In late 2009, VVO decided to join a development project that focuses on human management and well-being at work. The frame of reference for the project is the international Investors in People (IIP) standard.

The personnel resource survey is used to measure the well-being among employees



Safety and mutual trust create  
long-term customer relationships







## Old was combined with new in Hatanpäänhovi

In complementary construction, consideration of the old building stock and listening to the needs and wishes of the inhabitants are key. VVO received positive feedback for its extensive complementary construction project at Hatanpäänhovi in Tampere.

The expansion of Hatanpäänhovi located at Rantaperkiö was completed at the end of June 2009. Four new blocks of flats were built in the triangle formed quarter of blocks of flats built in the 1950s and 1960s. The project generated 180 new homes and a grocery shop.

In complementary construction, it is important that the new buildings fit in with the old building stock. At Hatanpäänhovi, the historic housing stock in the area was taken into consideration in designing the new buildings so that they blend in with the row of red brick houses from the 1950s.

### Encouraging experiences from complementary construction

Design also focused on comfort by hiding waste management in underground collection points, on

child friendliness by building new playgrounds, and on safety by moving parking to the outskirts of the quarter. The successful project encourages VVO to seek out complementary construction projects in the future as well. The old inhabitants have been happy with the outcome: the noise level has decreased considerably and existing buildings have been renovated, by for instance renewing saunas, house laundries and by making entrances unrestricted.

The Hatanpäänhovi complementary construction project was completed on a tight schedule. Land use planning began at the beginning of 2003 and construction was carried out in 2007–2009. The principal designer was **Kalevi Näkki** from KSOY Arkkitehtuuri. **Sakari Leinonen** and **Jalo Virkki** from the City of Tampere were responsible for alterations of plan.

## Customer satisfaction dictates operations

VVO tries to stand out in its sector through its customer focus in particular. Good service, safe homes and mutual trust are things that help create long lasting customer relationships.

The basis of VVO's service is a versatile housing stock – we offer suitable housing for different target groups in every location where we have Home Centres. The aim is to find a home that suits the customer's life situation – a home where daily life runs smoothly, thanks to good public transportation services, schools and other services.

– Everyday life must be smooth and our services must work daily as promised in order to fulfil our customers' wishes. This requires an ability to listen to the customer and take care of his or her housing issues as we have promised, crystallises **Matti Niinmäki**, Business Director.

### Striving for regular inhabitants

In terms of operational success, it is important to find customers that wish to live with VVO for a long time. In the past year, our service model was updated to better face this challenge as well. In practice this meant centralisation of more tasks to VVO's own personnel.

– We adopted a new sales process in our 13 Home Centres. Our own staff shows the apartments, signs the leases and is in contact with the tenants. This has improved customer service but also brought new content to our personnel's work.

Previously apartment inspections were mainly carried out by maintenance companies, now our own administrators do them using new tools as soon as the lease has been terminated.



**"Centralisation of tasks to VVO personnel has improved customer service and also brought new content to our personnel's work."**

Matti Niinmäki, Business Director

There is a constant discrepancy between the demand and supply of small apartments, which VVO tries to solve.

- – This has clearly sped up the process. We can immediately inform our sales staff of the marketability of the apartment and possible required repairs. This wins time and decreases the amount of unoccupied apartments, Niinimäki says.

#### Balance between demand and supply

A continuous challenge for VVO is to react to changes in customers' housing needs and trying to offer them alternatives when life situations change. We are trying to shift our focus more towards long-term tenants by monitoring the needs for change related to housing.

– Our task is to research and analyse demand and changes in demand. For instance an increase in the number of single people is a trend in all Western countries. Therefore, there is a constant discrepancy between the demand and supply of small apartments, which we are also trying to solve. Housing for elderly people will also create challenges in the future, Niinimäki explains.

In the future, VVO plans to focus more of its housing stock in areas with good public transportation services.

– When it is easy for our customers to get to work and find services nearby, they become long-term customers. Every move costs money, both for the customer and VVO, so it is important to try to foresee changing life situations and respond to them.

One of our next goals is to increase the level of maintenance services, which play an extremely important role in inhabitants' satisfaction with daily life. VVO has had nearly 100 maintenance companies taking care of property maintenance across the country. In 2010, we will implement a system that was piloted in 2009 to ensure maintenance quality and thus also customer satisfaction.

## Suurpelto was designed based on a garden city ideal

In the summer of 2009 one of the largest residential and commercial projects in the Helsinki region was launched in Suurpelto, Espoo. The surroundings in the area are being conserved with innovative and concise community planning and by favouring low-energy construction.

The guests were all smiles at the cornerstone laying party at Suurpelto, Espoo at the end of August 2009. As a result of the residential and commercial construction project that started in early summer, nearly 10,000 new homes and several thousand new workplaces are being built in Suurpelto.

Approximately one million floor square meters are being built on a 325 hectare area in Suurpelto. Of this area, 89 hectares are reserved for recreational areas. Housing production in the area is versatile from rental housing to owner occupied and right of residency housing. Community planning is ecological and tries to create a welcoming environment: the area is built as a concise and uniform entity, where homes, jobs, day-care, schools and other services are all at a walking distance. Waste management is handled with a special intake

system. Trash is discarded at feeding points in the yards from where it is transported through a pipe to a waste terminal next to Ring Road II. So no dustcarts will come to Suurpelto to empty the waste containers.

#### Eco-efficient living

In the Suurpelto area, VVO's properties will in the future generate concrete results on the energy use costs of buildings using different heating energy sources. VVO is building two A energy class low energy houses and two "regular" blocks of flats on its Kariksentie site. This enables exact measuring of energy efficiency when the energy use of different objects can be compared with one another.

VVO's first object will be completed in late 2010 and the next two already have building permits. All in all, Suurpelto will be completed within 10–15 years.



We centralise our housing stock to growth centers



"Last year we started construction on 1,115 new apartments. Measured by the value of apartments remaining in our ownership, 2009 was VVO's best year historically."

Eero Saastamoinen, Business Director, Rental Housing

## A housing stock that is in good condition is the lifeline for a rental housing company

Rental housing is needed in areas where there is work. This is why, VVO aims at centralising its housing stock to growth centres, i.e. places where population development has been positive in the long run and demand for rental housing is sufficient.

The rental housing unit managed by Business Director **Eero Saastamoinen** is responsible for the value development and cost effectiveness of VVO's housing stock. VVO develops its housing stock by building new rental housing, buying existing properties, repairing and actively maintaining its existing housing stock and also by divesting real estate property. Divestment of real estate property is persistent and systematic. The capital gained from the divestments is used to construct new housing in areas with sufficient demand in coming decades.

– Currently roughly half of our housing stock has been commissioned by us and half has been bought as completed. In 2009, we started construction on 1,115 apartments and the total value of our greenfield production was EUR 160 million. Measured by the value of apartments remaining in VVO's ownership, 2009 was our best year historically, Saastamoinen sums up.

– Lower contract prices generated a clear benefit for us last year. Successful contract bidding was, in addition to

the economic situation, the result of the large scale of the objects placed under bidding. Large construction firms wanted to win these biddings. This was directly reflected in the price level, Saastamoinen explains.

Contract prices also decreased clearly in maintenance operations and contractors were more willing to bid in competitions. The lowered contract price level, as well as properly scaled support measures by the State due to the economic situation, helped cut cost levels clearly. This has a crucial effect on the profitability of individual objects and in the long run also on VVO's profitability.

### Energy efficiency requirements tightened

In the past ten years, VVO has invested approximately EUR 600 million on maintenance operations. A majority of maintenance investments have focused on measures that improve the energy efficiency of VVO's housing stock. Simultaneously VVO has built 4,600 new apartments in which it has invested approximately EUR 380 million. ►



In ten years, VVO has decreased water consumption by nearly 30 per cent, heat consumption by nearly 15 per cent and electricity consumption in communal areas by some 7 per cent.

► – Constantly tightening energy efficiency regulations present technical and financial challenges and as a result maintaining maintenance operations and greenfield construction at the current level is problematic. As a socially responsible player, VVO is committed to fight global warming, Saastamoinen says.

In greenfield construction, tighter energy efficiency regulations became valid from the beginning of 2010. Within a few years, the existing housing stock is also required to have clearly better energy efficiency than currently. Systematic and correctly allocated measures help fulfil the new requirements both in greenfield construction and in renovation.

VVO has a long history in monitoring energy consumption. We began heat control and heat consumption monitoring already in the 1970s. We are now using hourly monitoring in over 90 per cent of VVO's properties. This enables nearly watertight fault detection. This, in addition to replacing water fittings and changes to consumption habits, has been the main energy conserver, Saastamoinen says.

In ten years, VVO has decreased water consumption by nearly 30 per cent, heat consumption by nearly 15 per cent and electricity consumption in communal areas by some 7 per cent. VVO was among the first to sign the new energy efficiency agreement for the real estate trade for 2010–2016 in December 2009. With this agreement, VVO is committed to improve energy efficiency by 7 per cent compared to 2009 consumption.



## Far-reaching greenfield construction in Aerola

VVO has launched an extensive greenfield construction project. VVO is rapidly building more than 500 new homes near the Helsinki–Vantaa airport at Aerola in Aviapolis. The fast growing Aviapolis area in the Helsinki region already employs tens of thousands of people.

VVO has started constructing 153 non-subsidised rental apartments in the Aerola area located in Aviapolis, Vantaa. The new apartments will be completed in early 2011 at Pyhtäänkorventie 21. The apartments are suitable both for single people and small families; the average apartment size is 53 square meters.

Aerola is part of the rapidly growing Aviapolis commercial and residential area. Every day tens of thousands of people work in the area. Sensible greenfield construction considers, in addition to the environment, also people's needs. VVO has decided to offer part of the rental apartments under construction to companies as company-owned flats, as short distances between home and work save time, money and the environment. Of the large employers in the area, the personnel at the Helsinki–Vantaa airport is seen as a particularly important customer group at VVO.

In addition to housing construction, public transportation will improve in the area within the next few years when the new Ring Rail Line is built. Aviapolis will get its own station.

### **Aerola – living environment in the middle of everything**

The heart of Aerola is three buildings designed by Alvar Aalto in 1954, which were listed in connection with an alteration plan in 2008. Living comfort is improved by preserving part of the surrounding forests. There are recreation areas for instance in southern Aviapolis; in the Vantaanjoki natural and cultural landscape.

VVO began greenfield construction in Aerola in September 2009. The second stage of the expansion will start in the spring of 2010 and the third stage is planned to begin in 2011.





*Pictured from left to right Riku Aalto, Juha Majalahti, Ann Selin and Tomi Aimonen.  
Bottom row from left to right Risto Murto, Antti Rinne, Markku Koskinen and Erkki Kangasniemi.*

Board of Directors

**Riku Aalto**  
Born 1965, M.Sc. (Admin.)  
Chairman of the Board  
Full-time job: President, Finnish Metalworkers' Union

**Tomi Aimonen**  
Born 1973, M.Sc. (Tech.)  
Full-time job: Real Estate Director, Ilmarinen Mutual Pension Insurance Company

**Erkki Kangasniemi**  
Born 1945, Physical education teacher  
Full-time job: President, Trade Union of Education in Finland

**Markku Koskinen**  
Born 1953, Qualification in Business Administration, studies in administrative science  
Full-time job: Financial Manager, Finnish Construction Trade Union

**Juha Majalahti**  
Born 1961, Qualification in Social Services  
Full-time job: Financial Manager, Trade Union for the Public and Welfare Sectors

**Risto Murto**  
Born 1963, D.Sc. (Econ.)  
Full-time job: Chief Investment Officer, Varma Mutual Pension Insurance Company

**Antti Rinne**  
Born 1962, Master of Laws  
Full-time job: President, Union of Salaried Employees TU

**Ann Selin**  
Born 1960, Trade Union Officer Qualification  
Full-time job: President, Service Union United PAM

Management Team

**Olli Salakka**  
CEO  
Born 1952  
M.Sc. (Tech.)

**Urpo Piilo**  
Born 1948  
M.Sc. (Tech.)  
Deputy CEO  
Strategic development and management support

**Matti Niinimäki**  
Born 1949  
M.Sc. (Econ. & Bus. Adm.)  
Business Director

**Eero Saastamoinen**  
Born 1950  
M.Soc.Sc.  
Business Director, Rental housing

**Raimo Vehkaluoto**  
Born 1952  
M.Sc. (Econ. & Bus. Adm.)  
CFO

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Number of apartments  
by area 2009

- 0–2 000
- 2 000–4 000
- 4 000–6 000







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