Transcription

Kojamo Q2 2021 Interim Report

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19 August 2021

PRESENTATION

Maija Hongas

Good morning ladies and gentlemen and welcome to Kojamo's half year report news conference. My name is Maija Hongas, and I'm Manager of Investor Relations here at Kojamo. Today's presenters are familiar faces: Jani Nieminen, our CEO, and Erik Hjelt, CFO. After the presentation we will have some time for questions and first we will be taking the questions from the conference call line. After that, we will answer questions from the chat.

But without further ado, let's get started. The stage is yours, Jani.

Jani Nieminen

Thank you, and good morning, everybody. As we start in order to provide some colour on our H1 figures, easy to start by saying that the first six months has been in line with our expectations. COVID-19 has had an impact on urbanisation and rental apartments market. That means that our financial occupancy is temporary lower and our like for like growth has been moderate.

On the other hand, we see that the biggest trends for long-term demand for rental apartments are still valid. Urbanisation will continue as well as the number of small households. At the same time, during last year, a couple of years, and this year we have seen a lot of foreign interests towards portfolio deals and a lot of deals have been now completed providing information to valuators and we have seen yield compression in the market reflecting our fair values as well.

During the summer, as expected, we saw positive signs meaning a high number of new tenant agreements in July. And as estimated, it seems that students are moving towards the university cities and on the other hand, we have seen that there's a lack of employees in service businesses, especially here in Helsinki region and that will mean that urbanisation will continue.

Moving forward to the topics in more detail. If we look at the operational environment, the estimates are that the easing of the pandemic is expected to have a positive impact to Finnish economic growth. The vaccination coverage is already quite good here in Finland and proceeding well. Yesterday, the levels were that 69.3% had already received the first vaccination and 43.5% the second vaccination.

But the number of residential start-ups has been a bit higher than we expected to be – high but not meeting the highest volume from prior years. What we saw during the summer has been a rapid and quite significant increase concerning construction costs, especially timber and steel, and that may have an impact to be continued towards the volumes.

In the market, we see that all the estimates are that rents are still increasing as well as the housing prices. A lot of homes have been bought and of course we see that with these estimates on the table on the right-hand side a lot of differences between areas and micro locations concerning housing prices.

In June, we received a new information concerning forecasts and scenarios concerning population growth after pandemic, and according to all risk scenarios provided by MDI, urbanisation is expected to continue, especially here in Helsinki region. So, big cities will be growing during the next couple of decades. That, combined with the fact that we still have an increasing number of small households – meaning one and two person households – changes in values concerning owning things. There are these long-term trends in place for demands of new rental homes in the bigger cities.

And as I said, we have seen transactions concerning portfolio deals this year providing data and impacting values as a result of yield compression provided in our figures as well. It seems that the same trend still continues. So, in all the big cities, the number of households living in rental apartments is increasing and as prior in cities like Helsinki, Turku and Tampere actually more households live in rental apartments than in owner occupied apartments.

As I said, COVID-19 has had an impact and it seems that it has created a point of discontinuity to urbanisation, especially here in the Helsinki region, but on the other hand, as I said, all the scenarios provide the same information; as pandemic is easing off, urbanisation will continue and may even pick up speed.

Housing products seems to be remaining in fairly high level, not reaching the highest value. What we see is the number of build-to-sell projects increasing and the increasing of construction costs of course may end up providing a little less production for rental apartments and on the other hand increasing number of build-to-sell projects, and my opinion is that most probably this construction cost increase will settle down at some point. If it would keep on going, that would have an impact to overall volumes providing build-to-sell projects as well. But as all the estimates are providing the same data – urbanisation will continue – the housing production volumes are focusing towards the biggest cities and toward the Helsinki region.

Providing some colour on our H1 figures. We've been able to create growth throughout the pandemic. Total revenue is still growing 1.8%. Of course, it’s a combination of two things. One is the completion of new apartments, and the other part is our capabilities to create like for like growth. Erik will go deeper in like for like figures. It’s important to notice that we are still able to increase our rents. The like for like rental growth combined with water charges has been 2.1% and we expect that long term that we are still creating like for like growth between 2.1% to 2.5% a year.

On the other hand, comparing our net rental income and FFO against the comparison year, let’s pick up some topics there. Of course, we have to keep in mind still that last winter was cold and we had a lot of snow. COVID-19 has created a situation where we have been increasing the intensity of cleaning. So, these two aspects have increased the amount of maintenance costs. And on the other hand, as we are growing and investing, the loan portfolio has been increasing as well.

The fair value of investment properties is at the moment €7.5 billion now, providing data that we are growing. There's a strong growth combined with a positive change in fair values as a reflection of yield compression. Gross investments – €176.5 million – are mainly new development projects. Profit excluding changes in fair value increased 4.5% and of course combined this result with a positive impact concerning fair value of investment properties – €466 million – provided a result of profit before taxes close to €550 million. So, in a big picture, no surprises in the figures we are still proceeding as planned.

Still, the strategy is to grow. Our capability is to combine different approaches. We have the strong capability to create new development projects either based on our own land or by buying project from construction companies. The second part of the growth is still that we are able to convert buildings into apartments and then the remaining aspect is that we are following the market broadly, buying portfolios if we find something matching our parameters. During H1, we've been completing 441 apartments and starting 610 apartments. At the moment, the pipeline is really strong. We have more than – roughly 2,800 apartments under construction. All the projects located here in Helsinki region meeting our criteria, so high-quality micro locations, along with public transportation and services, all the projects having fixed prices, so we don't carry the risk of increasing construction costs. All the projects providing the net initial yield of 4% roughly or about 4%. And actually, as we've been providing information, we are budgeting in a development gain of roughly 20% as now we've been reaching numbers above 20%.

Some slight changes concerning our estimates of completion of projects actually meaning that some of the binding commitments with construction companies there has been timing issues concerning zoning or municipality decision making so this project may always end up to be completed the month or a couple of months prior or delayed a couple of months. But we do have a really solid and strong pipeline towards the future.

A couple of words concerning Metropolia properties which we have and what we see as the huge potential for us providing 1,000 apartments in the city centre of Helsinki. Now the zoning has been completed concerning a couple of locations like Abrahaminkatu and Agricolankatu, and our estimate is that we are able to start those projects later this year or in the beginning of next year. Then a couple of the remaining projects. Mainly the zoning should be completed by the end of this year. I guess one of the smallest projects, Sofialehdonkatu, it seems that the zoning will be completed next year. That property is actually connected to the property besides owned by the City of Helsinki, and there are discussions on how to proceed with the zoning.

A couple of words concerning what's been happening in the market service wise and in the customer base. We are still proceeding with our capabilities, providing services and digital services. We are really happy that more than 70% of our customers are using My Lumo services and actually the Net Promoter Score concerning digital services has been really high. The last figure has been 67.

On the other hand, we have been creating couple of new services and providing now a bigger capacity concerning broadband services. Then what's been happening in the market. We've seen a point of discontinuity concerning urbanisation. On the other hand, if we look deeper, we see that customers between 25 and 34 years have been moving more often than usually. And then the number of customers below 25; actually, we've been making a bit more tenant agreements here at Helsinki region. But on the other hand, the tenant turnover has been abnormally high there, probably because of people renting the apartment. So, in order to start studying there, they are moving back to their parents and not being able to decide what to do. Some of the single-parent households are looking for more affordable solutions moving towards the parts of the Capital Region where apartments are cheaper. On the other hand, trying to find solutions outside the Helsinki region.

Now, we would ask Erik to join and provide more detailed data. Please, Erik.

Erik Hjelt

Thank you, Jani, and good morning everyone from my side as well. So, page 13. Total revenue. The growth there was 3.5 million and like for like rental growth contributed €0.4 million and then completed apartments around €3 million and then we completed 3,096 apartments during the Q2 this year.

Net rental income down by €0.4 million. Total revenue growth was €3.5 million, as mentioned. So, maintenance costs growth was €3.8 million, and the repairs was flat. So, the maintenance cost increase was coming from actually from two sources; one was created to the weather – so heating and taking snow from one place to another increased the cost to €2.7 million, especially during Q1, and then the second part is related to COVID-19. So, people spending more time in the apartment so that increases the cleaning costs and water costs in total around €800,000.

Page 14 – profit before taxes. Of course, the bigger figure there is it profit from fair value on new investment properties. So, now the yield compression is really visible in our figures at €290 million during Q2 and €421 million in H1 and the yield compression compared to Q1 was 22 basis points and compared to Q4 2020, it was 32 basis points.

And the restrictions, actually there was not ending restrictions during Q2, but H1 figures €12.5 million. Development gains. So, we completed six projects during Q2 this year. Development gain about €30 million. And as Jani mentioned, the development gain there was above this 20% on average of the anticipated.

Modernisation investments of course a negative figure there – €4.9 million during H1. FFO – so down by €2.5 million. Net rental income, negative 0.4, as mentioned. SGA expenses – a positive figure – €0.9 million and there are some savings related to COVID-19.

Finance expenses up €2.3 million, mainly because of the bigger interest-bearing liabilities up by €160 million from the corresponding period of more than €300 million in Q1 2020. And gas taxes – a growth of up by €0.4 million.

Financial occupancy rate – that was clearly impacted because of the third wave of COVID-19. So that is the main driver behind that decline in financial occupancy rate. And the like for like rental growth was moderate during H1 as anticipated. And as Jani mentioned, the vaccination has proceeded here in Finland well, so almost 70% of the population has got their first shot and the authorities have increased their estimates what is the sufficient vaccination level previously estimated at 70% is enough. Now, they estimate that the level should be somewhere between 80% and 90%.

As estimated the students are the first movers, so many universities in Finland have informed that they are going to increase the portion of in-person studies and that has a clear impact for demand. When it comes to the service sector, there's a message from service companies that there's a shortage of workforce there, so we think that that actually tells two stories. One is that there is growing demand towards services. So, people are willing to spend more money for services. And those people who lost their jobs and moved outside the Helsinki region who used to work on service sector has not really returned in a big scale yet. So, this remains to be seen when this will really happen. Most likely the restrictions will be removed on the back of sufficient vaccination level and that will of course help. But we have slightly postponed.

It’s good to know that in July and the first half of August we have made more new lease agreements than we made last year during July and August. The tenant turnover slightly elevated. We have noted that especially people under the age of 25 and one parent families are rotating. So, that pretty much explains the elevated tenant turnover. Rent receivables – flat. So only 1.3% of total revenue.

Page 16, our like for like rental income. So, on the positive side, rent increases and increases, water charges have been increasing the rents pretty much in a normal manner, contributing 2.1% for like for like rental growth. And the occupancy rate has a negative impact for like for like rental growth, so negative 1.7%. 0.2% other impacts – it’s a portion of several small items – slightly lower occupancy rate. We have some commercial space, so in those spaces, sauna fees and car parking fees.

Saunas are open and people are travelling more so that means that we have seen that sauna fees and car parking fees are increasing. So, in total like for like rental income growth – positive 0.2%.

On page 17, gross investments. By far the biggest portion is our development investments – almost €169 million modernisation investments €4.9 million and capitalised borrowing cost €2.8 million. Modernisation investments and repairs – so repairs flat and modernisation investments down by about €7 million and mainly due to the timing of some projects.

So, in the corresponding period, we had a couple larger projects and during H1 this year we haven't started new bigger modernisation projects. In total of course we keep our properties in good condition as earlier.

Page 18. Fair value of investment properties. So, main drivers, of course, are investments and in terms of fair value investment properties as mentioned. A number of apartments by valuation class so this 2,187 apartments valued by acquisition cost includes 2 123 apartments where we still have restrictions regarding the valuation and those restrictions will gradually end by 2024 and contribute to fair values between €140 €160 million in total.

Page 19. So, on the left-hand side column, apartments under construction, 2,793 apartments, a little more than €400 million already invested and a little more than €2,050 million to be invested in order to complete these ongoing developments. In the middle column, binding lease agreements. Binding agreements with construction companies – apartments 829 – and the investment cost there will be €171 million. And then the Metropolia case, providing us roughly 1,000 apartments and others so, land bank, pure land and plots with some existing building, providing roughly 1,400 apartments.

We estimate that investments in development projects this year is going to be between €370 million and €420 million, and it's good to note that all these projects are located in the Helsinki region.

Page 20. Our equity ratio, loan to value figure is strong and well in line with our strategic targets to have equity ratio above 40 and loan to value below 50.

Page 21, EPRA NRV growth 18.1%. So, €1.86 per share.

On page 22, we have strong financial key figures. Average interest rate, fixed interest rate period and average loan maturity, slightly increased – 4.7 and 4.6 years. And average interest rate down to 1.8. 62% of total loan portfolio of €3.3 billion, already from bond market. Hedging ratio at the end of H1 was 92% and we are quite cash rich, so €435 million in cash and cash equivalents and financial assets. Credit lines, €300 million is committed unused.

In May, we issued our green bond, 8 years maturity, €350 million carrying a coupon of 0.875 and the proceedings from that green bond will be used to finance or refinance so-called 'next to zero energy buildings'.

Page 23. Our strategic KPIs. A couple of notes there. So, the FFO against total revenue 35.6. It's good to note that because of the IFRIC 21 the whole year's property taxes are included or booked in Q1 and a portion of Q3 and Q4 is €5.5 million. And if you calculate those into this equation, the FFO against total revenue would be 38.4.

Net Promoter Score – 22. It's quite interesting the situation actually because all our customer satisfaction KPIs have improved, but the recommendation part of the question has come down and we have looked at this figure and what might be the reason behind this decline, and we think that the reason is simply COVID-19. So, people are spending more time in their apartments, and they are sick and tired of COVID-19 and that is reflected in this recommendation part.

And then we noted that this actually goes in for all industries internationally. So, whether it is hotel, airline or car rental or whatever industry, Net Promoter Scores seem to have gone down during COVID-19. It's funny actually that this has been the case even for those industries – for services people are not able to use because of the COVID-19 and there the recommendation figures came down. But that's how it is. So, we think that it's important to keep up our work and after the COVID-19, this figure will be improving.

Page 25, our outlook slightly specified. So, now we estimate that the top line growth will be between 2% and 4% and this specification of top line reflects the uncertainties related to fourth wave of COVID-19 and especially the Delta variant. And as mentioned, the authorities have increased the estimate for this sufficient vaccination level, previously estimated that 70% is enough. Now they estimate that the sufficient vaccination level is somewhere between 80% and 90% and of course to remove all remaining restrictions according to COVID-19 requires vaccination level will be sufficient.

And we still estimate that on the back of this sufficient vaccination level, migration will gradually be there again, and the first sign of that is already visible for the amount of new lease agreements made during July and the first half of August. So, the students have already started to make lease agreements and some increases in other parts of the market as well.

So, this changes how the specification is related to slightly postponed recovery from COVID-19. And we specified our FFO guidance as well. So now we estimate that the FFO will be between €150 million and €158 million and the biggest impact for H2 FFO will be from the weather, so, whether it's going to be cold or not cold weather, we're going to get snow in the early stage. That plays a role there, of course.

The repair projects and the timing place are all there for FFO during H2 this year and of course total revenue of course plays a role there as well. We anticipate no additional financing to be made in the second half of this year, given the strong cash position of the company and we estimate that SGA expenses is going to be the same level as last year.

Page 26. No changes in dividend policies. So, 60% FFO to be paid dividends provided that equity ratio above 40% and that is the case.

And at this stage I will hand it back to Jani.

Jani Nieminen

Thank you, Erik. A couple of words to wrap this up before the Q&A. I think one of the big messages is that we are still proceeding in line with our strategy. Well in line actually. We do have a really strong project portfolio providing future growth. And as we see the impact of COVID-19 towards urbanisation as temporary, we've been all the time able to increase the rent levels and we do still believe that we are able to increase rent levels and occupancy will recover as urbanisation will continue as expected.

So, of course, some uncertainties because of the Delta variant and the fourth wave of COVID-19 but on the other hand, as I said, it seems that the vaccination levels are proceeding well and now we already have a good level of vaccination. We have seen positive signs like a high number of new tenant agreements in July, and the first part of August. So, actually, no big surprises concerning H1, and we see our future as positive. Thank you.

Maija Hongas

Thank you, Jani and Erik. And now we have time for the questions and first we will be taking the questions from the conference call line. So, Moderator, please, we're ready.

Q&A

Operator

Thank you. If you wish to ask a question, please dial 01 on your telephone keypads now to enter the queue. Once your name is announced, you can ask your question. If you find that's answered before it's your turn to speak, you can dial 02 to cancel.

Our first question comes from the line of Anssi Kiviniemi of SEB. Please go ahead, your line is open.

Anssi Kiviniemi

Hi guys and thanks for taking my questions. I have had a couple of them. So, I will take them one by one, if that's okay. First starting with the guidance. I mean it was slightly cut. Could you elaborate a bit on the reasons behind it is? Is it mostly due to the fact that Finland is still in partial lockdown mode and the sufficient vaccination levels have been reached? Or are you seeing that your students are moving in to the big city slower than you expected? Or are there any effects from postponed projects or anything like this? So, any colour would be helpful, thanks.

Erik Hjelt

Hi, Anssi. The specification is equally related to the COVID-19 situation. So, as mentioned the authorities have increased the amount what they feel that is sufficient vaccination level – previously they said that 70% is enough now because of the fourth wave and especially related to the Delta variant. They estimate that 80% to 90% is sufficient. And of course, on the back of sufficient vaccination levels, the remaining light restrictions will be removed, and that means that the opening of the economy, if you like, has slightly been postponed, because of this COVID-19. So, this is the reason behind the specification. And as mentioned, we've already seen that students are moving. So we estimated earlier that they are going to be the first movers, and that's something we've seen already. So, as Jani mentioned, the amount of new lease agreements during July and first half of August has been quite high and we've seen the first sign of inter country migration as well.

And the positive signs are that of course it's not positive that service sector is complaining that there is a shortage of workforce, but this is a positive in the sense that there seems to be a growing demand for services. And of course, that needs working force. So, hopefully that will create people moving back to Helsinki region once they are sure that they have jobs. And that's related to COVID-19 and sufficient vaccination level as well. So, this is the background for our specification.

Anssi Kiviniemi

Okay, thanks for that. Then on fair values. So, there was a yield compression, especially in the Capital Region. Was there a certain kind of portfolio the yields were taken down or is it widespread? And also, your compression happened also outside the Helsinki region. So, any particular cities there? Thanks.

Jani Nieminen

Jani here. Hi, Anssi. Erik can provide more detailed colour. Of course, we have seen transactions made here in the Finnish market and all the transactions have been made with quite aggressive yields. They've been including properties in the Helsinki region, and in other big cities as well. So, as we've been providing information prior, we have seen what's been happening in the market. So, have been the brokers and valuators and until now they've been feeling that there has been not enough data because those ongoing processes hadn't been completed, but now several portfolio deals have been completed during the summer and sufficient data. So, the yield compression came mainly here in the Capital Region and in a couple of bigger cities like Turku and Tampere.

Anssi Kiviniemi

Okay, thanks. Then on development gains, you highlighted that they have been above 20% that you basically use as some kind of threshold or ambition level. Could you give us a little bit more details? Is it 21% or 29%? What's the right figure here?

Erik Hjelt

It is closer to the latter figure. So, it's also about 25.

Anssi Kiviniemi

Okay, thanks for that. Perhaps the–

Jani Nieminen

In addition to that, Anssi, as we provided the information, we still have the same information to provide you that all our ongoing projects and binding agreements are providing projects with a net initial yield of roughly 4% or above 4%. And now the valuation yield has seen a yield compression.

Anssi Kiviniemi

Okay, thanks for the clarification. Then the last thing is transactions. Any interesting portfolios out there? What is the current situation? And kind of the other part of the story is divestments. We have seen a lot of changes in the environment, especially coming tighter regulation and ambitions from European Union Fit for 55 on energy efficiency and CO2 emissions, et cetera. Has this changed your view how you look at the portfolio or how you would like to divest some of the non-core assets? What's the word on that?

Jani Nieminen

You included a couple of subjects there. First of all, to provide a piece of comment concerning acquisitions. It seems that there were several ongoing processes which were completed during the summer. And as it seems, at least here in Finland, everybody's intention is to create the world to be completed before the summer holidays and after the summer holidays. New things start happening. So mainly no new big processes were started just before the holiday season and of course we now estimate that some of the processes will come to the market and some opportunities will come to the market and we are following the market closely. If we find something appealing enough, we are ready and able to move fast.

Then on the other hand when it comes to the question of disposals and energy efficiency. We've been providing information on our new sustainability programme and if we think about that, we've been providing the information that we are able to carry out our sustainability targets without any extra investment. So, the energy efficiency part has always been a part of investment decision-making in our company. So, we are well in line with our sustainability programme and strategy.

Anssi Kiviniemi

Okay, thank you for that. That's all from me, thanks.

Operator

Thank you. Our next question comes from the line or Svante Krokfors of Nordea. Please go ahead. Your line is open.

Svante Krokfors

Thank you. Good morning. Svante from Nordea. Hope you can hear me. A couple of questions from me. Getting back to the yield compression. The Capital Region declined 25 basis points from 376 to 351. And those reference deal, could you open a bit more? Is it new apartments, a combination of new and old apartments, and how do you – or how is the kind of adjustment made to your bit older stock?

Jani Nieminen

Most of the portfolios have been located around Helsinki and the Helsinki region and a couple of other big cities as well. Mainly projects have been including properties built during or after 2010 or after 2000 but most of them including a couple of properties built prior to that. So, of course we have been having this discussion with our valuation experts and valuation is meeting our criteria and our portfolio. As there was yield compression, there was slight adjustment on the other hand towards the older housing stock, so meaning properties older than 15 years so they have now a bigger burden because of the age of the building. So, it should be reflecting correctly our portfolio.

Svante Krokfors

Okay, thank you. And on new apartments are the yields still starting at the three or have you seen deals done at the high twos?

Jani Nieminen

The biggest transactions made this year have been either three or three and a really low figure.

Svante Krokfors

Okay, thank you. Then the increasing construction costs – have they in anyway affected, or will they affect your 4% yield on cost assumption going forward? Because I guess the rents do not – you cannot pass that increase onto the rents.

Jani Nieminen

Yeah, thank you for that question. It's an important one. Of course, first the important thing to note is that all the ongoing projects, all the binding agreements, have been done with a fixed price. So, there we have a good visibility of the pricing. Then what comes to possible new projects, the problem there is in increasing construction costs and those negotiations – this increase has been stepping in.

On the other hand, it happened likewise a couple of years ago, and even during that period of time we were able to find projects meeting our criteria. So, it may end up in a situation where we have to work a bit harder, go through a bit more projects in order to find suitable projects for us, we may end up finding new approaches like we did a couple of years ago, so not negotiating one project at a time, but asking on the other hand, for example, “What are you able to provide us with €100 million or something like that?” So, I do believe that we are able to find new approaches and find projects for us.

On the other hand, if this increase would continue, it may create a situation where construction companies actually end up having challenges and that may end up opening possibilities and potential for us. So, of course, we are following the market closely, but we are quite confident that we are able to proceed with our strategy.

Svante Krokfors

Okay, thanks. And the development gains that you earlier talked about – 20% now closer to 30% than 20%. Is it purely yield compression or is there any other factors playing in on that?

Erik Hjelt

During the first half of this year, we completed six projects and then if you look at those projects, so it's a combination of these two things. So, yield compression of course plays a role, but if you look at those nice project, so it's a combination of these two things, what we’ve seen during H1 this year.

Svante Krokfors

Thanks. And Erik, perhaps a question to you. Will the lower yields affect the apartments under restrictions? Could you remind about that? There was a bit bad line when you talked about it, but I think it was €140 million and €160 million total left but if the yield...

Erik Hjelt

Correct, so €140 million to €160 million and we haven't really calculated any new values based on yield compression there.

Svante Krokfors

Okay, so that's based on old assumptions?

Erik Hjelt

Correct.

Svante Krokfors

Okay, and then then perhaps question regarding the Net Promoter Score declining. Do you have any feeling about – I mean you increase your rent by sending a letter or email stating that the rent goes up by this much. Do you think that that could have an impact on the NPS score?

Jani Nieminen

Of course, it could happen. But as Erik provided the information, it’s actually an unusual situation, so all the most important KPIs providing customer satisfaction data, they've been improving. So actually, customers have been providing us data that they are satisfied, but at the same time, the NPS score has been coming down and as we've been digging this issue, we found an international study providing information that has been actually happening throughout the world in different industries during COVID-19; that NPS scores have been coming down quite significantly. And so, it's in our eyes it seems more like people being spending more time in their apartments, having worries about the current situation, and so the stress levels have been higher. And as people are spending more time at home, they notice things and noises from neighbours which they wouldn't hear normally if they were working outside of the home, and the uncertainty probably has created the decrease of the Net Promoter Score.

Svante Krokfors

Okay, thanks a lot. That's all from me, thank you.

Operator

Thank you. Our next question comes from the line of Andres Toome of Green Street Advisors. Please go ahead. Your line is open.

Andres Toome

Good morning. I was just wondering where do you expect occupancy trending by end of this year? Just based on the leasing activity you're seeing in July and August already. And how does the leasing volumes in July and August of this year compare to the same period in 2019?

Erik Hjelt

So, the amount of new lease agreements made during July and first half of August this year was higher compared to last year's July and August and those figures were higher than what we saw in 2019. So, they are quite positive figures. We haven't really guided the occupancy rate for the whole year and of course, it basically grow how this COVID-19 goes from here. And hopefully this positive trend will continue. So, that is going to play a role there.

It's good to note that these new lease agreements of course contribute for occupancy rate with a slight delay, so those lease agreements made in July usually comes into force in August. So, that comes to a delay, that impact. So, we don't think that the relevant point is actually to try to calculate where the occupancy rate will land at the end of this year. The key point is that we are able to make new lease agreements and what is going to happen in the long run.

And as discussed earlier, we think that after this COVID-19 thing goes away and we get rid of all these light restrictions that we still have, the migration will gradually pick up speed and we have already seen the first signal of that, and things are going to normalise. All estimates are that urbanisation will go on at least with the same speed as before the COVID-19 and there are estimates that that could be even stronger after this COVID-19. So, we think that these are the key factors that may be looked at after the COVID-19. And hopefully on back of this sufficient vaccination level, whether it's 80% or 90%, we are closing those figures actually quite fast.

Andres Toome

And are you able to give any indication what are the re-leasing spreads on the contracts that you are signing now versus the old rent levels?

Erik Hjelt

On average, we have been able to make new lease agreements on the same rent level as the expired ones or slightly above that.

Andres Toome

Thanks very much. That's all from me.

Operator

Thank you. We have one further question in the queue. So, just as a reminder for participants, if you do wish to ask a question, please dial 01 on your telephone keypads now. And the next question comes from the line of Matias Rautionmaa of Danske Bank. Please go ahead, your line is open.

Matias Rautionmaa

Yes, good morning. Matias Rautionmaa from Danske Bank. I still have two questions left from my side. So, the first one relates to the strategy. How do you choose to handle the short-term negative trends in leasing market? And you don't report the occupancy rate for Q2, but if I calculated correctly from the H1 figure, it says that your occupancy was down by over one percentage point in Q2, which is a weaker performance compared to your main competitor SATO? Could you explain why the performance is so much different? Or have you chosen a different strategy?

Jani Nieminen

Thank you for the question. Of course, on the other hand, I guess it's probably better to focus on providing information and discussions concerning our figures and not been focusing on other companies but on the higher level, to provide some information. If you do look at their figures, in my opinion, there's a slightly different approach and confidence concerning strategy. We've been able to increase the rents. We’ve been able to increase the total revenues. We do believe that we are well in line with our strategy. We are able to provide added value for our customers concerning the pricing and we do believe that COVID-19, has provided only a point of discontinuity concerning urbanisation, so a temporary decrease concerning occupancy is only temporary and that will recover when and as the urbanisation will continue.

Matias Rautionmaa

Okay, thank you. That was helpful. And the second question relates to the yield requirements. So, you said that there had been these pending deals that have now – these reference deals – and they have been now made and agreed. Does this valuation yield now reflect to the deals made in July, for example, this Taaleri deal? Does it reflect that?

And follow up here. The yield level is quite low already in the Helsinki area. What is your feeling when you look at the potential new deals in the market? Is there more yield compression coming? How do you see it?

Jani Nieminen

Well, I think of course first of all, we do believe that the valuation is always done properly and providing correct information an outside expert has all the data available. So, they do have a good understanding what's going on in Finland and what kind of transactions had been made in our markets. So, the valuation should and is reflecting correctly the values of our properties and these deals done have been including properties in Helsinki, in Helsinki surroundings, as well as in other big cities like Turku and Tampere regions.

It remains to be seen what will happen concerning future portfolio deals. We do see quite a lot of appetite towards the Finnish market, and I guess in a way it's good to keep in mind that even though we have now seen a yield compression here in Finland, we’ve seen that still our yields here in Finland are really attractive compared to yield levels in other European countries, like in Stockholm or Berlin. So, that probably still provides a lot of international appetite towards the Finnish market.

Matias Rautionmaa

Okay, thank you very much. That was all from my side.

Operator

Thank you. And there are no further questions from the phones at this time.

Maija Hongas

Thank you very much. Next, we have two questions from the chat. The first one goes, “How are the yield valuation of the portfolio now comparing to prices in the private rental market in Helsinki?”

Jani Nieminen

I think there's been an increasing number of individuals owning a couple of apartments, renting them out, and in a way that plays an important role providing supply in the market and they operate a bit differently. They most often handle the apartments by themselves, and they seem to be using leverage as well and owning one or two apartment using leverage it plays an important role for the investor to keep the apartment rented at all times and most probably it seems that they've been adjusting the price level instead of keeping the apartment vacant.

But on the other hand, the latest statistics provide information that actually the rent levels have been increasing in Helsinki region – 0.9%. So, there are no decreases. And concerning the valuation of apartments owned by individuals, we don't have colour there. They don't provide that kind of data, so I guess an individual owning an apartment remembers the price they paid for the apartment and then it remains to be seen what’s the value if or when they will sell it.

Erik Hjelt

And so, talking with the brokers, they estimate that the prices of apartments – so basically individuals buying and selling apartments – has increased in the last 12 months as well. So, the trend is pointing towards the same direction as on yield-based valuation.

Jani Nieminen

There was an indication that housing price increases could be even 4% or 5% in the Helsinki region.

Maija Hongas

And the next question is that, “Schools are starting for the next semester. How is the rental market being so far in Q3 and to what level are students renting in the market?”

Erik Hjelt

So, as mentioned, in July and the first half of August, we have made more new lease agreements than we made in July and August last year, and that's also more than in July and August 2019. So, there has been a positive trend and students seem to be active on the market right now. So, that's visible in our figures. And it's important to note that students typically take from the market apartments as well, so that will have an impact for the supply in the market as well. So, positive impact for the market in general and then we have got students as new clients as well.

Maija Hongas

Thank you. It appears that we don't have any more questions, so it's time to thank you all for participating in this event and our Q3 report will be published on the 4th of November, so we hope that we will hear and see you then. Thank you very much.