Transcription

Kojamo Q1 2022 / Interim report

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PRESENTATION

Niina Saarto

Ladies and gentlemen, a warm welcome to Kojamo's first quarter results news conference. My name is Niina Saarto, and I'm Group Treasurer and Head of Investor Relations.

Today, CEO Jani Nieminen and CFO Erik Hjelt will tell you about Q1 events. And after their presentation, we will have time for questions. We will first take questions from the live audience here, then from the phone lines, and finally from the chat. But let's get started, and let's welcome Jani.

Jani Nieminen

Hi. Thank you, Niina. Nice to be here providing colour on what's been going on here in Kojamo during Q1 this year.

To start providing some colour and wrap-up in the big picture, I would say, of course rental market has been affected by further COVID-19 restrictions introduced late last year. Restrictions were lifted in March, and this will be having a positive impact towards rental apartment market and urbanisation here in Finland.

Russian attack to Ukraine has had no direct impact to Kojamo operations. All the ongoing development projects have been proceeding in a normal manner as planned. Of course, we have seen in the market cost increases concerning construction business, some availability problems concerning materials, but that has not been impacting our business. Our figures, Q1, is solid performance. Operations have remained stable. Financial position is really strong. We've been able to proceed according to our strategy. We've been able to actually increase our topline rents, increase total revenues, net rental income and FFO. Now, we see the rental apartment market improving as COVID-19 restrictions have been lifted, as I said, and towards the year-end, things are going to get even better.

Moving to the operational environment on page 4. The reopening of the economy and recovering demand of services will support the private consumption, creating growth and urbanisation. Of course, the war in Ukraine and related sanctions are estimated to slow down a bit Finland's economic growth, and prices are expected to increase due to inflation. But activities among consumer individuals have been witnessed here in streets of Helsinki. People are moving a lot, using restaurants, meeting, having fun.

Residential start-up numbers seemed to be increasing towards the year-end last year, now it's clear that estimates have been brought a bit down. The number of new residential start-ups is declining. I would actually say that our estimates are lower in the market than official estimates. Construction companies have been having problems with increasing construction costs. On the other hand, we see increasing interest levels, increasing uncertainty among home-buyers, and that may create an impact that actually more build-to-sell projects will be either postponed or cancelled in the market.

Not enough information concerning construction quality increases this year. Of course, it's easy to say that some material costs we have witnessed rapid increases, severe increases, on the other hand, we have to keep in mind two things: all of Kojamo construction's new development projects are based on fixed prices; they are turnkey projects, so no impact on our ongoing projects. On the other hand, according to construction companies and statistics, it's good to keep in mind that, actually, of apartment prices, roughly 30% are material costs. And of that 30% of material costs, some 20% are materials like rebars, steels, windows and wood structures. At the end of the day, the cost increases concerning these certain materials will have a limited impact on the overall construction cost increases.

Moving to page five, the operating environment. We firmly believe that all the long-term trend drivers for demand of new rental apartments in the bigger cities are still valid, urbanisation will continue. As the economy is improving and society is opening, we have witnessed already the increasing number of work opportunities, students are moving back to university cities, and urbanisation will pick up speed. The actual estimate here in the capital region is that 14,000 people, the increase will be happening this year in the Helsinki region. On the other hand, what we see in the market is that if we combine uncertainty related to the war in Ukraine, inflation, interest levels, construction costs, that may have an impact for home-buyers. They will start postponing their decision-making buying homes. And as said, that might have a severe impact in build-to-sell projects with construction companies bringing volumes in the whole market down, and actually create a situation where the relative attractiveness of a rental apartment will increase compared to owner-occupied homes.

We do see a lot of interest still from international players towards the Finnish residential market. Actually, a couple of quite big transactions have been completed via some big international players. And coming back to what I said and society opening, rental apartments market improving, during Q1 the occupancy level was not as good as we would hope. On the other hand, our focus has been quite systematic approach concerning pricing, still improving our net rental income and topline growth increasing the rents in a normal manner. Now, what we have seen after restrictions have been lifted, April, if we compare the amount of new tenant agreements with the last year, April, the improvement has been 17%. Now, during May, during the first 11 days, the actual growth compared to the comparison period is about 20%. So, the number of new tenant agreements is actually increasing quite rapidly. The old things still valid. As the urbanisation continues, the number of households living in rental apartments in all the big cities will be increasing in the future as well. In Helsinki, Turku, Tampere today, half of the households live in rental apartments. Actually, more households are living in rental apartments than in owner-occupied homes. And as has been previously said, the number of small households is still increasing here in Finland, there we see no impact because of COVID-19.

A lot of colour already provided concerning slide six. As I said, construction cost increases have been present, some challenges with raw materials. On the other hand, limited impact and things like rebars, wood, at the end of the day, they are bulk. Construction companies will be able to find new solutions with logistics. Our estimate is that this kind of cost increase impact will be temporary. On the other hand, of course, inflation and cost increases concerning, for example, energy will have an impact on construction costs, population growth will start picking up speed here in the capital region again, as said. And what we will follow closely is that if construction volumes, when they start coming down a bit, projects typically will be first postponed, then construction companies will start figuring whether to cancel those projects, and that situation may open possibilities for companies like Kojamo with a really strong financial position.

Moving forward to page seven and our key figures. They are really solid. We've been able to actually increase the total revenue by 2.4%, the increase basically based on units completed last year after Q1 and this year providing growth. Net debt rental income increased 2.8%. A strong result there. Of course, some details to be provided by CFO Erik Hjelt: things like electricity costs increasing slightly; real estate taxes increased slightly; some cost savings concerning, for example, renovations. Funds from operations (FFO) improving 3.6% - strong figure. Today, the fair value of the investment properties, €8.4 billion - the increase there basically based on our investments we are still growing, according to our strategy. Growth investment close to 49 million - basically, new development projects. Still happy to say that, operationally, we are really strong. Profits excluding changes in fair value improved by 4.1%. And then, at the end of the day, profits before taxes, €63 million. It’s good to keep in mind that, actually, changes in fair value last year 143.5 million. This year now, a strong figure, €28 million, but still less amount than comparison year.

For us as a company, it’s all the time been important that we are able to grow using multiple sources. At the moment, it's been about how to optimise new development projects. We've been able to increase the amount and keep it at a good level. Now, 2,566 apartments under construction. Mainly older projects located here in the Helsinki region. One project in Tampere, one project in Turku. But we still keep in mind that Kojamo is able to convert buildings into apartments. We have started the first project concerning the so-called Metropolia case. We will be scanning portfolios available, if and when we find something appealing enough to buy. We are buying portfolios still. But this strong project pipeline is now providing good growth, strong growth. As I said, all the construction projects are based on fixed prices, turnkey projects. Projects under construction providing the net initial yield around 4%. That actually means that development gains are really strong, north of 30%. And as we are completing this year close to 1,300 apartments, next year 1,700 apartments, we are achieving those development gains after completion of the projects. We still have binding agreements with construction companies providing additional 600 apartments, and then the Metropolia case is proceeding, and the last zoning part will be completed by the end of this year. So, the growth path is really strong still.

Lumo is providing easily best living, and actually this means that it’s not only floors, walls and ceilings but providing additional value for our customers, how to make things easy and effortless, combining apartments, communal spaces, services, both digital and physical, additional services like you are able to get a dishwasher; that’s been appreciated a lot. We are still on a path to create new services, now the latest services introduced to our residents being related to sustainability. Our clients today are able to make a carbon footprint test digitally using My Lumo. We launched a service to our customers to join, climate actions, they are able to buy carbon-free district heating. All the time, it’s been a question that ESG is a part of our company DNA, a part of all our operations. Now, for the first time, we will provide a green deal demolition. The old shopping centre in Puotila will be demolished and replaced with apartments and business premises. We will start a project providing geothermal heating for seven of our properties. And in the big picture today, close to 100 properties already use renewable energy and heating.

Now, Erik will continue providing more detailed colour. Please?

Erik Hjelt

Thank you, Jani, and good morning, everybody, from my side as well.

Page 13: our total revenue growth was €2.3 million in the corresponding period. And the like-for-like growth was flattish – negative 0.2%. There's actually two different parts to that story: increases in rents and water charges was a positive figure, 2.2%. We've been increasing the rents pretty much in a normal manner, if you like. And the decline in the occupancy rate was a negative impact of 2.6%. Other parts are positive 0.1%.

So, the total revenue growth was mainly driven by the bigger property portfolio. So in Q1, we completed 270 apartments. Then, of course, for revenue growth, continued as well. Those apartments that we have completed in Q2, Q3 and Q4 last year, more than 1,200 apartments.

Net rental income growth was €1.5 million, maintenance expenses up €1.3 million, electricity up €0.7 million, property taxes €0.3 million, and cleaning and water together up €0.3 million. All other items were pretty much in line with the corresponding period. Repairs decreased €0.5 million.

Page 14: if we first look at the profit on fair value investment properties. The main contributor there was the end of restrictions, covering roughly 40% of positive impact in fair values and development gains 66% of positive change in fair value. We kept heat / yield [ph 00:19:02] requirements unchanged during Q1, and the development gain, as Jani mentioned, was 30%.

FFO growth was €1 million. Of course, net rental income contributed €1.5 million. SGA expenses up by €0.3 million. And finance expenses in FFO calculations €0.3 million. And cash taxes, a negative figure there. It's a positive thing, of course, down by €0.4 million.

As Jani mentioned, our financial occupancy rate was impacted by the restrictions coming from COVID, and now, after all these restrictions have been removed, we expect to see a positive trend in occupancy rate. Of course, the occupancy rate change, quarter for quarter, was negative, but not 2%, as can be calculated here, given the fact that the 2021 figure is the whole-year figure. And of course, the 2022 figure in this slide is only one quarter's figure.

Page 16, I think we've already covered; that's like-for-like rental income. For us, it's important to increase the rents and water charges in normal manner. And this is something we've been doing this year as well.

Page 17: Investments, so gross investments mainly covered by development projects, €46 million. Modernisation investments, €1.6 million; and capitalised borrowing costs €1.2 million. Modernisation investments and repairs, flattish. Repairs down by €0.5 million, and modernisation investments, €0.2 million.

The value of investment properties, €8.4 billion. And we still have 1,854 apartments where we have restrictions regarding the valuation, and the uplift there will be somewhere around €120 million to €130 million when these restrictions end – and they will end gradually by 2024. And more than half of that uplifting will come in 2024.

Page 19: Euro-wise our ongoing developments and land bank so on the column on left-hand side, apartments under construction, €388 million already invested, and €257 million to invest in order to complete these ongoing developments, providing 2,566 apartments.

Binding agreements, number of apartments 636, €123 million to be invested in order to finalise these. Metropolia developments, 1,000 apartments, 77 of these apartments already included in those figures that Jani showed, what is estimated completion of ongoing developments, and in this case, of course, conversion. But otherwise, Metropolia is not included in those figures. And the actual land bank, providing us 1,500 apartments. In that land bank, we have both pure land and those lands where we have existing building, and the idea there is to demolish the existing building and build a new one. And there is roughly 250 apartments on those lands.

Almost all of these apartments under construction and binding apartments are located Helsinki. We have one project ongoing in Tampere, and one in Turku.

We took slightly down our estimate of investments in development this year. Now, we estimate that it will amount to €280 million to €330 million. And the reason for this slight change there is that there are a couple of projects where the zoning and building permission process; it takes slightly more time than originally estimated. So, it's pretty much a timing issue. And then, it's good to know that already during Q2, we have started two new projects: one is Luoteisrinne and Nihtisilta in Espoo. And all these apartments under construction and under these binding agreements we have net initial yield four-ish per cent and a development gain north of 30%.

Page 20: equity ratio and loan-to-value. We have a target to have equity ratio above 40%, and loan-to-value below 50%. And we have quite a sizeable buffer against these levels. When you look at our equity ratio, it's good to note that at the 31st of March, we made the new bond. And so, the bond and the cash is included in a balance sheet, and of course that is visible in equity ratio, but loan-to-value, you can see the change was quite limited there – so, very strong figures there.

Page 21: EPRA NRV flattish there, as well – 21.9. And if you look at what happened during Q1, of course, the dividend decision was made already during Q1, and that had a negative impact for €93.9 million profit for the period – positive figure there, €50.4 million. And then, the fair value reserve, meaning that derivatives, because of the increased interest rates, they are up by €28 million. So, if you put all this together, that gets NRV flattish.

In this type of interest environment, it's important to have a strong financial position, I think. And that's exactly what we have. So, at the end of Q1, we have cash and cash equivalents, €478 million; we have financing assets, €104 million. So, in total, €582 million. On top of that, we had €300 million committed to credit lines unused, and we don't have any major maturing refinancing needs in the next two years to come. Our average cost of financing, including cost of derivatives, 1.8%; and the fixed interest rate period, four years. And our hedging ratio is actually very, very high, 93%. So, in our case, we have a strong balance sheet. We are really cash rich, and we have very, very high hedging ratios. So, our financing position is very, very strong.

Page 23: a couple of notes regarding strategic targets. FFO against total revenue, 29.1%. There is good to know that because of IFRIC21, the property taxes for all year is booked in Q1; the amount is €11.7 million. So, that means that the part of property taxes allocated to Q2, Q3 and Q4 is €8.8 million. And if you calculate that in, that means that the FFO against total revenue was 9% higher than what we've shown here. So, pretty much in line. Actually, we are about this target level.

Another note here is that Net Promoter Score, 38. We changed how we calculate the Net Promoter Score because previously it showed a different Net Promoter score as such, and a digital Net Promoter Score, and now we have combined these too. So, in this new calculation, we have the Net Promoter Score for incoming customers, for existing customers and leaving customers, and each part included the digital part of our operations. If we calculated this in the old way, if you like, there were no major changes during Q1.

Outlook for this year, unchanged. We estimate that total revenue will increase by 3% to 6% year on year and that the FFO will amount between €153 million to €165 million. And if you look at the higher end of the topline growth, outlook 6%. So, there's two parts behind that one is that half of that growth will come through the like-for-like rent and water charges increases between 2.1% and 2.5% and some improvement in occupancy, and half of that growth will come through the completed apartments. And as Jani mentioned, all our ongoing development projects are proceeding as planned. And this FFO range reflects the topline rents. In FFO, we have estimated that the weather is going to be normal for the remaining part of this year, some impact of inflation, and some impact of cost savings that we are able to achieve.

Page 26: our dividend policy – nothing's changed there – 60% of FFO, annually paid as a dividend.

And now, back to Jani.

Jani Nieminen

Thank you, Erik. Before Q&A, it's good to summarise: all the key figures, solid; the financial position at the moment, really strong. We are ready, able, willing to move forward according to our strategy. In spite of a challenging environment, all the ongoing projects have been proceeding as planned. Good to keep in mind there that we do have fixed prices, turnkey projects for all the ongoing projects as well those binding agreements providing additional 600 apartments. So, looking forward, we do believe that we are getting those strong development gains, cost increases are not impacting those projects. As restrictions have been lifted in March, we have witnessed a lot of positive signs that we have seen an increasing number of new tenant agreements. And we did read this morning that KTI provided information concerning rental apartment markets and supply in the market. There, it's good to keep in mind that this data is based on a survey made in March, those providing information then, looked backwards at what's been happening in January, February, beginning of March. Now, we're living May. Actually, supply from the market in April, in the commercial portals, for example, in Helsinki, dropped down more than 10%. So, it seems that a lot of activity is in the rental market at the moment. Urbanisation will continue. Students are moving back to university cities. And probably, summer will be quite hectic, providing a growing number of tenant agreements. Thank you. Now, we can move to Q&A.

Q&A

Niina Saarto

Thank you, Jani and Erik. We could take first questions from the audience. Go ahead.

Svante Krokfors

Svante Krokfors from Nordea. A couple of questions by me. First regarding the consumer confidence is quite poor currently, and inflation is high and wage increases are quite limited. So, given this squeeze on consumers, how do you view the possibilities to raise rent in the 2% - 2.5% range that you target at? Yes, that's the first one.

Jani Nieminen

I think it's good to keep in mind that total market is about people finding homes. And this uncertainty and increase of living expenses, maintenance costs is really impacting owner-occupied homes directly. And the increase in interest rates levels will be impacting home-buyers. And typically, if we look backwards at what's been going on in history, uncertainty in consumer confidence will impact home-buyers, and actually increase the relative attractiveness of rental apartments. So, yes, we do believe that we are able to increase the rents as we have been planning.

Svante Krokfors

Thank you. And could you remind us about the rent increase terms that you have, how much is indexed, and how much can you raise rents above that index?

Jani Nieminen

In all our rental agreements, we apply a clause that we are able to increase the rent once a year with index plus maximum 5%. It actually means that we are pricing all the apartments one by one, and all the customers are receiving an individual letter.

Svante Krokfors

Thank you. And given that inflation it has many impacts, what kind of impacts does it have on your operations and maintenance and repair?

Erik Hjelt

What we see so far is that the cost of electricity has gone up, and that, of course, plays a role if you look at maintenance costs. Then, heating is included in the rent, so the heating cost will have an impact – those prices gone slightly up, as well. But more important in our figures is what is the weather. The impact of the weather, and taking snow from one place to another seems to be quite expensive. So, weather factor is more important for us than the price factor when it comes to heating. Otherwise, price, yes, we've seen inflation; prices have gone up slightly, but we've been able to offset part of those increases by being a big buyer in the market. So, the impact, as already discussed in our figures, has been quite limited so far.

Svante Krokfors

Thank you. And then, regarding the occupancy rate, which is at unprecedentedly low levels. What do you really believe is the impact from COVID-19, and how much is the impact from increased supply in the market?

Jani Nieminen

The biggest driver by far is COVID-19, impacting urbanisation. The net result, actually, Helsinki has been shrinking during COVID-19. People moving away from Helsinki. And at the same time, we have been providing information all the time, we did know that new supply was coming to the market, and without COVID-19, it wouldn't have been a problem.

On the other hand, we have said all the time that the impact is temporary, urbanisation will continue. And then, of course, depending on what kind of player you are, what's your strategy, puts the ball game to a certain level, all focus has been that we are able to increase the rents all the time, systematically. We've been able to do this, and as we've now provided information, actually as we've been providing all the information that we firmly believe that as soon as COVID-19 is passing by, restrictions are removed, activities will start again, job opportunities will be available, people moving to services, creates demand for services. So, people start moving back to big cities, universities, now asking students to come back. That will start happening. So, demand side will be coming back. Our focus is a long-term game, not short-term, temporary impact.

Svante Krokfors

That's very clear. You haven't communicated anything about your review of the non-core portfolio of 3,600. I guess you will not comment it here either, but I've heard there's been a number of portfolios quite large in the market and, at least, I haven't heard of any of those having closed. So, what's the investor demand? How has that developed?

Jani Nieminen

Yes, it's still an ongoing process so we're not providing colour. A couple of transactions have been completed, a portfolio consisting roughly 2,000 apartments, disposal project was completed by a foreign investor. So, it seems that there’s still a lot of demand in the market.

Svante Krokfors

Thanks for that. And the last one. Erik, you mentioned that the higher end of the topline, or growth guidance, assumes somewhat higher occupancy rates. Can you be more specific on that?

Erik Hjelt

If you calculate that the 6% so if half of that is coming through a controlled estimate because of completed apartments, and half – so 3% - of like-for-like growth in total, and if we estimate that increases in rents and water charges will provide the growth for like-for-like, 2.1 to 2.5. So, the slight increase in occupancy will cover that different between three and this 2.1 to 2.5.

Svante Krokfors

OK. Thank you. That’s all from me.

Niina Saarto

We have no more questions from here. So, next we can take questions from the phone line. Operator, we are ready.

Operator

Thank you. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. If you wish to do withdraw your question, you may do so by pressing 02 to cancel.

Thank you. We have a question from John Vuong from Kempen. Please go ahead.

John Vuong

Hi. Good morning. Thanks for taking questions. The amount of coming back to Helsinki, from the restrictions being lifted at the beginning of March. We're now well into May. What are you seeing in your overall enquiry numbers?

Jani Nieminen

Thank you for the question. As I provided colour, we have been following the market and our operations from databases typically. April against last year April, the increase of new tenant agreement was 17%. Now, during the first 11 days of May against a comparison period of time, the increase is about 20%. So, it seems that the market is picking up speed. And what we have seen is that in commercial portals, during April, for example, in Helsinki, the supply decreased more than 10%.

John Vuong

OK. Those numbers are a bit more comforting, given that it's quite significant. Any changes in terms of the average rent levels you are asking for these same apartments?

Jani Nieminen

We've still been able to increase rent in a normal manner, as provided in the like-for-like figures. Topline growth has been 2.2.

John Vuong

OK. That's clear. And perhaps on the land zoning, you mentioned that 30 million of capex is being delayed now. It feels like the delay in zoning is a bit of a recurring theme. Is this you being too optimistic on timing, or would you say that there's more unforeseen case-specific issues here?

Erik Hjelt

Actually, the situation hasn’t changed. If you look today, and compare to a couple of years ago, the question is that when we make our estimates, we pencil in these projects in the schedule. This is the time that we estimate that we are able to start each project. And, then of course, we take into account that zoning might take this and that long, or getting a building permission will take one or two months or three months. And if those are postponed somewhat, that, of course, has an impact for investments made this year because we are now estimating the investments for 2022. So, if we originally estimated that one project we started in May, and now it looks that it will be postponed six or seven months, that means that the amount of investments this year for that project is going to be very, very limited.

So, the zoning is unfortunately taking longer than we would like to see. But it’s a question of each project, that we put them on the calendar when we think that one project can be started, and if that is postponed for that point, for a couple of months, then it might end to being started next year or can be started this year, but the investment for that project this year is going down. As you mentioned, this is an ongoing thing, and luckily enough, some projects are started or completed earlier than anticipated in our estimates.

John Vuong

OK. That's very clear. And then, just one last question on the development starts that are coming down across the market. How does the Helsinki region compare to the other regions you are looking at?

Jani Nieminen

I think that the impact goes throughout all the cities. It is related to a couple of things. I think at the end of the day now, construction companies are facing difficulties in pricing the product and facing the situation that home-buyers are a bit more careful with their decision-making. And this construction cost impact goes throughout the country.

John Vuong

OK. So not that Helsinki region is seeing more or actually less development starts than initially planned, relative to, for example--

Jani Nieminen

I think all the players still find the Helsinki region attractive as a market, but now they are facing challenges in how to estimate the cost side and do the pricing concerning the projects. The visibility has been a bit limited because of Russia attacking Ukraine.

John Vuong

OK. That’s helpful. Thank you.

Operator

Thank you. The next question comes from Jonathan Kownator from Goldman Sachs. Please go ahead.

Jonathan Kownator

Hi. Thank you for taking my question. I appreciate it’s been talked about quite a bit already this morning, but I just wanted to come back to the occupancy, and perhaps understand a bit better. I guess, longer term, not in the next month, but obviously, the drop from peak from 97.2% in 2019 is obviously very significant. Do you think half of that has become structural, i.e. you’re highlighting that there’s been more supply recently, and appreciated the environment changing. What I'm trying to think about is, long term, are we thinking that levels of 97% are achievable again in the short term, given the recovery that you’re seeing?

Are you seeing any concentrated latency in some specific areas which have changed in terms of attractiveness or anything around that, anything that's happened? Just trying to get a bit of colour on that gap and whether that occupancy shortfall is across your portfolio, or specifically located. Thank you.

Jani Nieminen

Thank you for the question. Of course, the tricky part is what do we mean with a short period of time? I would say that, as we've been commenting the market all the time, yes, one could argue that there's a lot of supply in the market. But, as I've been saying, due to COVID-19 and the lack of urbanisation, there's actually been a lack of demand in the market. And now as restrictions have been lifted, the demand is picking up speed. At the end of the day, the total amount of available rental apartments in the market in the capital region is limited. It's not a question of tens of thousands of apartments, but a handful of thousands of apartments. So, people are moving back to the Helsinki region in order to start working or starting to study in the universities or other places. That supply will be absorbed by the market. And sooner or later, here in the Helsinki region, the occupancy level will be reaching 97 again.

In our eyes, as we've been commenting and I've been providing information all the time, occupancy plays an important role, but at the end of the day, it would be too easy to buy occupancy. You just start lower in the rent and start making money. It's about being consistent with your strategy and providing additional value and finding efficiencies in your processes, and once the market normalises, as it now seems to be happening, you are actually in better shape than ever.

Jonathan Kownator

OK. Thank you.

Operator

Thank you. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. Thank you.

There are no further questions at this time. Dear speakers, back to you.

Niina Saarto

Thank you. We have some questions in the chat. The first question is about the occupancy rate: 'Have you thought about giving up rent increases in order to improve occupancy rate if it keeps going downward?

Jani Nieminen

I think we've been providing quite sufficient colour on that topic, and we will keep on being systematic with our strategy. Now, we do believe that, as estimated, things are getting better as restrictions have been lifted and the markets will be normalising. So, we will continue with our strategy.

Niina Saarto

OK. Then, there's a question concerning your comments: 'You highlighted that the growth in new rental agreements has been quite rapid during Q2, compared to last year. Is it possible to comment how has the financial occupancy rate developed during Q2?

Jani Nieminen

Typically, we only comment on the standing quarter report. We're not providing exact information on ongoing quarters. But as we've been saying, there are positive signs, and it's typical that once you start creating increasing the number of new tenant agreements, there's a slight delay whilst they step into force providing improvement to the outcome.

Niina Saarto

Good. And one more question. Did the negative occupancy rate development in the Helsinki region focus on some specific locations or age group, or was it more general development?

Jani Nieminen

I would say it's been more general development.

Niina Saarto

OK. Thanks. It seems we don't have more questions. So, thank you all for joining us today. It's been a pleasure to host this event. Kojamo's half-year financial report will be published on the 18th of August. Hope to see you then. Thank you, and have a great summer.