Transcript – Kojamo Q3 2023 Interim report

November 2, 2023

Niina Saarto: Good morning. Welcome to Kojamo's Q3 results news conference. I'm Niina Saarto, Treasury and Investor Relations Director. Today, I have with me our CEO Jani Nieminen and CFO Erik Hjelt, and they will shortly present the third quarter's result. After that, we have Q&A. You can send us questions via chat, or if you wish to ask in person, there is a hand sign on the screen. You can click that and wait in the queue for the turn. Please, before speaking, put your microphone on. Let's start the presentation now with Jani's part. Welcome, Jani.

Jani Nieminen: Good morning. Nice to be here providing a bit of colour on what's been going on through the first nine months of this year, what's been happening here in Kojamo and in the market. As usual, I will summarize a bit of operational environment, then the key figures, and CFO Erik Hjelt will provide a bit deeper colour. And then, we go to outlook. On page four, the big picture, it's easy to say that our operations developed as anticipated. During the third quarter, our key results are solid. We were able to grow total revenues and net rental income. As estimated already of the H1 results, we've been able to improve the occupancy. Actually, in September, the occupancy rose about 94 percent. Now the reported occupancy for the first nine months as a consolidated figure was 92.7, so the rental market has been active during the market and our operations have been quite successful there.

Our cost-saving programme is progressing as planned, and change negotiations with the personnel have been completed in line with our targets, so that part is proceeding quite nicely. Our balance sheet remains strong, and after the review period, we made a financing agreement totalling 425 million euros. Actually, it means that we now already cover the maturing loans 2024. A couple of words, otherwise, there has been a very limited number of transactions in the market, so it's not easy to make the valuations. We have based the yield requirement increase on the opinion of the outside expert.

Moving forward to page five, a couple of words concerning the operational environment. The outlook for the world economy is still, in my eyes, a bit uncertain and at the same time twofold. In the US, economic growth has surprised positively, while here in Europe, the outlook is becoming a bit bleaker. Inflation has slowed down, although we see that the core inflation is still high. There, it is good to know that the latest news provides a bit of colour that inflation might be going down. Let's see what's going to happen there. Here in Finland, the GDP growth will remain at zero level this year. We see that household spending and corporate investments have reduced. At the same time, even if the employment will weaken in the short term, it's estimated that it will remain at a high level here in Finland. At the moment, the unemployment rate is expected to be around seven percent. Interest hike cycle is estimated to be nearing its end, but key interest rates might not come lower until much later next year. This might be the new normal for a while.

Some of the industrial key figures have been changing. Our point of view has been quite clear for some time that a very limited number of new residential startups will happen here in Finland this year. Now, the official estimate is that at most 16,000 apartments would be started here in Finland. In my eyes, it's still a positive thinking way. Most likely it will remain below that 16,000 apartments. I said after H1 results that tops 15,000 apartments, and I'm still at the same opinion.

There, it's good to know that the number of non-subsidized blocks of flats is estimated to remain below 4,000 apartments, and that will have a severe impact throughout the market concerning the coming new supply starting next year and then 2025. Estimates are that price of old blocks of flats, meaning owner-occupied homes, would go down between 1.5 to 3 percent. It seems that this estimate is way too low. We already witnessed here in Helsinki region during the last 12 months that home prices have been coming down around nine percent, and that's likely the level. Housing trade is low at the moment. Home buyers are really careful. That most likely will have a positive impact towards the rental market.

On page six, it's easy to say that the old truth is still valid. The megatrends creating long-term demand for rental apartments are valid. We do have an increasing number of small households, especially one person households. These small households typically tend to live in rental apartments. We've been saying that urbanization is continuing. What we now see is that, actually, the population growth has been accelerating in so-called growth triangle, meaning the capital region, Tuku and Tampere regions. According to statistics which follow the population growth here in Helsinki region since 1990, the latest twelve months has been the fastest growth of population here in Helsinki region. That creates demand for new apartments and for existing apartments. Housing trade is low, and it seems that people more often choose to rent the apartment.

Good to note on the lower right-hand corner that even though the national statistics tend to say that most of the Finns live in owner-occupied homes, more than 60 percent, actually, in the biggest cities, more households live in rental apartments than in owner-occupied homes. The number of households living in rental apartments is growing on an annual basis. For example, in Helsinki, Tamper and Turku, actually, more households today live in rental apartments than in owner-occupied homes.

As said the number of new residential startups has been going down rapidly, and we will see a historically low number of new startups providing an impact for new supply coming to the market starting next year. That will continue in 2025 as well. Typically, it takes at least 18 months to complete a construction project. As we are now starting towards the year 2023, there will be less supply in 2024 and 2025. At the moment, we don't see any signs or evidence that there would be a rapid recovery, and most likely the volumes concerning new construction projects in residential parts of the construction business will stay low as well in 2024. That said, it means that we see a historically low number of new completions in the market. Urbanization will continue, and I would be surprised if we would not see significantly higher rental increases throughout the market starting next year and continuing in 2025.

On page eight, a couple of words concerning the key figures. As said, operational figures are solid, actually strong. We were able to grow the total revenue by 7.6 percent, meaning 23.2 million euros. A combination of three aspects: One is, of course, the completed apartments during the latter part of 2022 and 2023 this year, complete the apartments that provided roughly 30 million euros. Then, increased rents and improvement in occupancy provided 4.7 million euros, and the rest came from the portfolio acquisition made last year during the summer.

Net rental income grew by 6.7 percent, meaning 40 million euros. There is, of course, a positive impact from total revenue growth. On the other hand, we witnessed that there was a growth concerning maintenance costs and their cost increase in total was 9.5 million euros. Two biggest elements there, heating 2.5 and property taxes 1.6 million euros. Funds from operations improvement there was 7.5 percent and ended up to 128.9 million euros. Positive impacts there, of course, tender offer during Q2 this year and then the positive net rental income improvement. Fair value of investment properties 8.2 billion euros at the end of Q3, comparison figure 8.9 billion euros last year. There, it is good to keep in mind that we already adjusted property values at the end of last year by nine percent downwards, and now at the end of Q3 this year, there was a revaluation providing a negative impact of 1.7 percent.

Gross investments 161.3 million euros, mainly new development projects close to 131 million euros and the rest 30 million euros in the big picture was modernization investments. Profit excluding changes in value 143.9 million euros, improvement there was 4.5 percent. Of course, it was a combination of total revenue growth, improvement in net rental income and FFO. Then, profit before taxes ended up being 7.2 million euros. There, it is good to keep in mind that now the change in fair value of investment properties was -136.7 million euros, and the comparison figure a year ago was 110 million euros positive.

A couple of words concerning the ongoing development project. It's good to keep in mind that for the time being, we are not making any new investment decisions. We're not starting any new construction projects. Of course, we are completing all the ongoing projects in a normal manner, and they are proceeding all as planned. At the end of Q3, we still had 779 apartments under construction, and the cost of completing those projects is 27.1 million euros. As said, all the projects are proceeding in a normal manner. What we have seen with our construction projects is that it seems that construction companies are keen on completing the project rather early, not later. Many completions have been ready 30 days before the originally planned timetable, but in our eyes, it's good that we have new supply to the market, and we get the cash flows in. The remaining 779 apartments, roughly half of those projects, will be completed this year during Q4 and the remaining part during next year. Development gains still close to 10 percent at the moment.

On page 10, a couple of words concerning the housing stock and customer distribution. Still, it’s easy to say that the portfolio meets the demand really nicely. If we consider the portfolio, it is good to keep in mind that 73 percent of the portfolio is either studios or one-bedroom apartments. Why? Most likely, the customer is always a small household looking for a one-bedroom apartment or a studio. Of customers, three out of four typically look for a studio or one-bedroom apartments. One or two-person household share in our customer base is at the moment 77.6 percent. Customers between 26 and 65 years, I would say working people, that's roughly 75 percent of the customer base. What we saw during the summer was, as expected, that the age group below 25, there was a slight increase from 11 to 12.5 percent. That is actually the evidence that students are really back to the university cities, and they want to rent the apartments. In my eyes, that's a typical seasonality in a customer structure that summer provides a bit younger customers.

A couple of words concerning sustainability. As always said, sustainability is a part of Kojamo's DNA, an important part of all our daily actions. We have committed to the UN Sustainability Development Goals, and our target is that our property portfolio will be carbon-free by 2030, and we are proceeding very well with those targets.

Actually, we do have a really strong result in the reduction of carbon dioxide, -15.3 percent this year. We have made some actions there. One thing to note is that we've been able to provide that data is valuable. As said, we've been using AI in order to optimize heating. We have sensors in 28,000 apartments. Outside the buildings, AI is combining that data against the weather forecast, able to optimize the amount of heating needed and the time when to buy additional energy. Now we made a demand response agreement concerning district heating with Vantaan Energia, and actually what it means is that we are able to provide exceptional data for Vantaan Energia, and they are now providing carbon-free energy for us without additional costs.

On the right-hand side top corner, it's easy to say that our customers really like the digital services we are providing. The utilization rate concerning My Lumo services is now 85 percent, and the net promoter score is, in my eyes, at a good level, 51 at the moment. The way we are approaching our customers has been successful. At this point, I will give it to Erik, and he will provide a bit more detailed colour.

Erik Hjelt: Thank you, Jani, and good morning, everybody, from my side as well. Page 13, as Jani already mentioned, we had operationally a very strong quarter, Q3 this year. The top line growth year-to-date was 23.2 million euros. In Q3, the top line growth was 6.1 million euros from the corresponding period. Like for like growth was 1.9 percent. Increase in rents and water charges contributed 1.8 percent. Now the impact of occupancy rate was actually on a positive side, not much but anyway, on the positive side, 0.1 percent. 2022 and 2023 completed apartments contributed year-to-date 30 million euros, 4 million during the Q3. Increase in rents and improving occupancy contributed to 4.7 million euros for year-to-date and 1.7 during the Q3.

The portfolio we acquired in summer 2022 contributed year-to-date figures 4.6 million euros and only 0.2 million euros for Q3 because obviously that was already included in Q3 figures last year. On net rental income side, year-to-date growth there 14 million euros, Q3 4.9 million. There, it’s good to keep in mind that the underlying portfolio is of course bigger than in the corresponding period. Maintenance expenses increased 9.5 million euros year-to-date, 1.9 million during Q3 from the corresponding period. Biggest growing items there are heating, as Jani mentioned, 2.5 million euros, property taxes 1.6 million, water 0.8 million and waste management 0.7 million. The increase in heating pretty much came through during the first half of this year, given the price increase is there now. In the second half of this year, the price is clearly on a lower level than in the first half of this year.

Page 14, if we first look at the change in fair value investment properties, as Jani mentioned, there were no relevant transactions in the market. We changed the yield requirement by ten basis points in capital region and that translates into seven basis points for the whole portfolio. On the positive side, we had their development gains of completed developments. Those apartments where restrictions regarding evaluation ended during the Q3.

If you look at profit before taxes excluding change in fair value investment properties, couple notes there. One is SGA expenses up to 2.7 million euros year-to-date, personnel expenses 1.3, marketing 0.5 and ICT 0.9 million euros. There, it is good to keep in mind that during Q3, we didn't have any impact from this saving programme. They are coming through later, towards the end of this year and especially 2024. On FFO side, financial expenses was 2.9 million euros, and, on a profit before taxes side, it was up 5.4 million euros mainly because of the bigger loan portfolio than what we had, and FFO side, of course, we had a positive impact of this tender offer completed at the beginning of summer.

Finance occupancy rate improved 1.0 percentage point from the corresponding period, and tenant turnover down by 1.7 percentage point of view. As Jani mentioned, during the third quarter, the occupancy was already above 94 percent. I think we already covered like for like.

Investments, for time being, we are not making any new investments. No, we are not launching a new modernization project as part of the saving programme. These ongoing developments will be completed as agreed. There we have fixed prices, and those projects are proceeding as planned. To finalize these ongoing developments, we need to invest 27.1 million euros, 10 million euros next year and 17 million euros by the end of this year.

If you look at modernization investments year-to-date, there's a growth of 8 million euros from the corresponding period. Most of those modernisation investments will be completed by the end of this year as well. We estimate that since as part of the saving programme, we are not starting new modernisation projects, the modernisation investments 2024 is going to be between 1 and 2 million euros.

Page 18, investment properties, as said, we increased the yield requirement by ten basis points in capital region, seven basis points for the whole portfolio. There were no significant comparable transactions in the market. We still have 881 apartments where we have restrictions regarding the valuation, and those restrictions will end by the end of next year, and there's going to be an uplift between 65 to 85 million euros. In these ongoing developments, providing apartments 779 together, we already invested 172 million euros, and I said 27 million euros to be invested in order to complete these projects. Development gain in these ongoing developments, give or take 10 percent and still yield on cost 4 percent as in the previous discussions where we have provided the information.

Loan to value equity ratio still strong figures there, well inside our targets, and we have quite sizable buffer against our target. The target is to have equity ratio above 40 percent and loan to value below 50. At the end of Q3, the loan to value was 44.3.

We played with the figures, what needs to happen to reach 50 percent level in loan to value or 55 percent level, and we looked only if yield requirements changed. Of course, it's important to keep in mind in valuation, there are several other things as well. Increasing rents gives a positive impact for valuation. We have this entry restrictions and so on and so forth. If you look only at the change in the requirements, we have buffer for this 50 percent loan to value level, almost 1 billion euros in values. That's a little more than 60 basis points. Then if we calculate what's the buffer against 55 percent loan to value, that's 112 basis points. As said, quite sizable buffer against these two mentioned levels.

Page 20, the information here is pretty much how things were at the end of Q3. All exciting things actually happened after the reviewing period, but at the end of Q3, we still had strong financial KPIs, average interest rate, 2.3 percent. That's including the cost of derivatives, quite strong hedging ratio still average loan maturity, average interest rate, fixed period close to three years.

After the review period, we first drew the remaining part of that syndicated loan we made before the summer, so 200 million euros and paid back the bond secured 17th of October. 2023 loans shown in the chart are already taken care of. Then Monday this week, we actually signed the new syndicated secured loan with Nordic banking group 425 million euros, and that's secured as well. The margin between 150 and 200 basis points. We agreed there to have a six-month availability period. The idea is to draw that loan at the end of that period and to use the proceedings to pay back the remaining part of the June 2024 maturing eurobond.

If we combine this on Monday signed agreement and the total saving programme, taking account the saving programme as such and the fact that the Board decided to propose the AGM not to pay dividend, these put together will take care of all loans maturing in 2024. Now even 2024 maturing loans are covered by the company, we are in that sense in a quite strong position as well. EPRA NRV 19.11 at the end of Q3, down by 15 percent. 15 percent because of changes in fair values.

Then page 23, our outlook slightly specified, now we estimate that the top line growth is going to be between seven and eight percent. We estimate that FFO is going to be between 162 to 168 million euros. If we look the midpoint of this FFO guidance, there we have assumed that all ongoing developments will be completed as planned, that we are increasing the rents in normal manner and the average weather. The weather of course plays an important role, would consider maintenance expenses for the remaining part of this year. This guidance already takes into account the result of repurchase of eurobond earlier this year and the effect on Monday this week we signed a new syndicated loan.

Page 24, as a reminder, our strategic KPIs in line with our targets. Top line growth 7.6 percent, investments 61 million euros, FFO against total revenue 39.2 percent. Strong key figures regarding loan to value and equity ratio as said, and we are of course extremely happy with the net promoter score with figure 51. At this point, I think, back to Jani.

Jani Nieminen: Thank you. Erik. As a summary, it's easy to say that the operational figures were solid and actually strong. All the operations developed as anticipated and estimated. We've been able to grow revenues and net rental incomes. Balance sheet, as Erik mentioned, has remained strong, and we actually, as said, have now covered the maturing loans 2024 already. Rental market has been active. It's good to say that yes, there are still supply in the market, competition in the market. As prior said, we started new measures already springtime. We've been able to improve our operations, increase activities. In a way, we've been beating the market, and we are successful at the moment. I'm very happy with our organization.

Supply will come to the market at least until Q1 next year. Then there's a very limited number of new supply in the market, and that operational environment will only get better throughout the next 24 months at least. There was a positive development of occupancy. On the other hand, yes, we see that there's uncertainty in the financial and property transaction markets, and it has been continuing and not likely that it will change in a couple of months. We are following that situation and scanning opportunities whether to sell or not. We've been saying that during the next 12 months, we will most likely sell a moderate part of the portfolio, but that remains to be seen. We are not in a rush. The saving programme is progressing as planned. We actually have all the measures already ongoing. At this point of time, I think we are ready to move to Q&A. Thank you.

Niina Saarto: Thank you Jani, and thank you, Erik. We can now start taking questions. The first question comes from the room here. Go ahead, SEB please.

Anssi Raussi: Thank you, Anssi Raussi from SEB. A couple of questions and I start with the fair values. You mentioned that you made these adjustments based on external recommendations. How should we think about the process? Is it done now, or will there be more in Q4, or was this the total overhaul of the fair values?

Jani Nieminen: We do, as always, evaluation on quarterly basis. We're not anticipating anything for Q4, that remains to be seen. We are following what's going on in the market. If there would be data from the market which is relevant, then that has to be taken into account. Valuation should be based on actual data from the market. It should not include any forced sales. That's the reality but we are following what's going on in the market. We are not guessing what's going to happen.

Anssi Raussi: Okay, then about your saving programme. It's 43 million euros in total. Just to remind us how big portion of this sum is affecting your fair values, like, is it 9 million euros or how much was it?

Erik Hjelt: 18 million euros out of the saving programme is coming on a direct cost side. Half of that in a ballpark admin cost and half as a saving in repairs and modernization investments. That means half of that will have an impact in valuation.

Anssi Raussi: Maybe if I continue on that, could you maybe remind us about the sensitivity table you have in your report, like how much that is in euros, roughly speaking?

Erik Hjelt: I don't have the figures with me, so it's not-- We need to keep in mind that the valuation is a combination of several factors, and we look at all parameters when we do the valuation, and we take into account all cash flows at that time. It's not relevant to look at one figure as such, it's better to look at the whole valuation.

Jani Nieminen: I would add that, I would say typically the year end is the right place to consider all the parameters concerning valuation, whether it's the estimate how the top line will improve, what's happening with the course and what's the yield requirement. It's a combination going through all the parameters.

Anssi Raussi: Okay. Thanks, the last one is about your potential rent hikes. Of course, we all know that there's a pressure to increase rents in Finland in the coming years, but what kind of magnitude are we talking about here going into 2024 and also your new contracts? Have you been implementing rent hikes or testing the market already?

Jani Nieminen: I will start by actually saying that we are not providing any outlook yet concerning what's going to happen 2024, and as rents are total revenues, we would be providing an outlook if I would be commenting on our rental increases. That's not something I would do but as said, the balance between supply and demand will change radically next year. There's already information for example, from social housing providers, that the cost pressures are existing. For example, Heka providing social housing here in Helsinki will increase the rents by 11 percent next year. I don't see that happening in commercial rental apartments, but I would be surprised if we don't see at least double increases compared to prior years throughout the market next year. When they start happening, that remains to be seen, but the rents are moving upwards.

Anssi Raussi: Okay. Thank you.

Niina Saarto: Thank you. Next question comes from here as well.

Svante Krokfors: This is Svante Krokfors from Nordea. A couple of questions left after Anssi. Looking at your like-for-like rental income and the impact from rents and water charges that is now below two and it has been above two. Could you elaborate a bit around that and also what's your balance in between? What has your balance in between rent increases and occupancy rate been?

Jani Nieminen: I said already during the summer, we started active measures in order to improve the occupancy, as we see that the market conditions will change radically next year. Our aim has been to improve the occupancy, as we know that we are able to increase the rents 12 months after every tenant moves into the apartment. We've been using, in a way, agile pricing in some sense in some apartments. We see that the vacancy period has been, in our eyes, a bit long. That's always impacting. We've been close to normal in this environment, increasing the rents close to two percent around the stock, and then we are waiting for the right moment to hit the battle.

Svante Krokfors: Thank you and then regarding the transaction market. What kind of activity do you see among-- international investors obviously haven't been active, but they are probably looking at the market. What kind of movements have you seen on that side?

Jani Nieminen: It seems that there are still interest towards the Finnish market, some processes ongoing. It seems that those processes take a bit longer at the moment. Many buyers, according to my understanding, are, at the moment, a bit opportunistic and trying to find out whether they are able to do bottom fishing and provide aggressive pricing. That seems to be the case at the moment so those processes take a bit of time.

Svante Krokfors: Has the bid ask spread narrowed at all or is it still wide?

Jani Nieminen: I said there's no actual data from the market, so we are not able to comment on that one.

Svante Krokfors: Regarding your possible non-core disposals, do you have any portfolio that you actively market?

Jani Nieminen: We are scanning the market, testing the market. There are several options. We are not a forced seller. If somebody thinks that Kojamo would accept a lowball offer, and we just have to sell at any price, there would be a huge misunderstanding. We would sell something during the next 12 months if the pricing is reasonable. We have one testing ongoing at an early phase, not yet able to provide any comments on that one but we will find a way where is the best appetite, where is the most reasonable pricing at the moment. When we find that one, then we most likely will move forward.

Svante Krokfors: Okay, thank you. That's all for me.

Niina Saarto: Thank you. Seems that we have one more question.

Anssi Raussi: Thank you Anssi Raussi from SEB again, thanks for the follow ups. Just about your financial targets and 50 percent LTV. Is it so that if you would hit this limit, you would take actions immediately or would it be okay to exceed this 50 percent for like a short period of time?

Erik Hjelt: We have already communicated that we want to maintain our investment grade rating, and the investment grade rating level, now it looks a little bit moving target, but according to the metrics of rating agency, the investment grade level is 55 actually. In that sense, there is no hurry, no need to do something immediately. It remains to be seen what is the right level, what is the right target. The key here is that we are committed to keep the investment grade rating as such.

Anssi Raussi: Is this LTV the most critical number here, or do you think that there should be some other number we should be looking at when we are trying to estimate that? Is your investment grade at risk?

Erik Hjelt: I would say good luck with that because it is a little bit tricky to try to estimate but of course in the rating agency metrics, there are several figures, and they look at the total market and the company's position and management and so on and so forth. Today it looks like they are extremely concentrating on looking loan to value, coverage ratio and liquidity situation. This seems to be the three most important at the time.

Anssi Raussi: Okay. Thank you.

Jani Nieminen: All right. It's good to keep in mind that concerning the LTV there still a significant buffer.

Niina Saarto: Thank you. Now we can move on to audio cast line questions.

Operator: Next, we will have Andres Toome from Green Street, go ahead.

Andres Toome: Hi. Good morning. My first question is just around potentially more restrictive immigration policies in Finland. Can you just give an update on that and how do you see that potentially cutting into otherwise strong net migration figures in Finland?

Jani Nieminen: Sorry. There's quite a big echo going on, could you wait a moment and then repeat?

Andres Toome: Yeah, sure. Is a bit better now?

Operator: It's much better. Thank you.

Andres Toome: My question was, if you can give an update on the proposed more restrictive immigration policies in Finland, and how do you see that potentially cutting into otherwise strong net migration figures?

Jani Nieminen: Yes, that's been an ongoing discussion concerning migration. In my eyes, it's not hurting the immigration and demand for rental homes. It's mainly discussion concerning what kind of people would be moving towards Finland. We know that we need people in Finland in order to start working here. Working force is needed here. Limitations would be concerning the minimum salary, so mainly that people would come to Finland in order to start working, not in order to benefit from the strong social security system.

Andres Toome: My second question is around the margin on the bank loan design. Is it more or less in line with the previous agreement that you did earlier this year, or is it a bit different now?

Erik Hjelt: The margin is between 150 and 200 basis points, it is slightly higher than in the previous one.

Andres Toome: Understood, and then my third one, just thinking about your cost structure going into next year. I know you don't want to give guidance, of course, but how do you see cost increases as you stand here today? If you think about the next year, and that's sort of on a like for like basis, because of course you're doing a cost cutting programme as well. Things around heating, staff costs and maintenance and again, on a like to like basis if you think about it.

Erik Hjelt: Of course, this saving plays a big role here, but some comments on top of that, the heating is of course the biggest portion of maintenance expenses. What we've seen so far is that this district heating providers in Finland, they typically give the prices for next six, nine or 12 months. Late last year, we got the new prices from those companies, and the highest price increases was 33.0 percent, lowest was zero. It's a mixed bag. Before the summer, we started to get new prices from these district heating providers for the next six months or so, and there, the prices came down by almost 20 percent, those ones who increased 30 percent by the end of next year. Prices seem to be or estimates for the pricing, those prices we already know and those prices are that the estimate is going to be lower compared to the last winter. Then of course, it could keep in mind that the weather factor is very important. Depending on what kind of winter we are going to have, that of course plays a role. The price is now looking more positive compared to late last year.

Andres Toome: Perfect. Thanks very much.

Operator: Next, we will have Alex Kolsteren from Kempen. Please Alex, go ahead.

Alex Kolsteren: My mic was on mute. Can you hear me now?

Operator: Yes, we can hear you.

Alex Kolsteren: Thanks for taking the question. The question is: On the one hand, your revenue guidance has been narrowed towards the lower end of the range. At the same time, there's an increase in FFO guidance without any additional one offs. Where on the operational side of the business do you see the improvement coming from?

Erik Hjelt: The top line growth that's associated is narrowed from the upper end of the range. That's where we estimate the rent increases and indeed development process and so on and so forth. A more positive FFO outlook is based on the cost savings already occured than the fact that we managed to agree a six month availability period for this syndicated loan. Of course, that means that the financing of our remaining part of this year and then first quarter next year is going to be lower than anticipated. These are the two main factors and then there are other savings on SGA and on the maintenance cost as well taken into account when specifying this new guidance.

Alex Kolsteren: Okay, clear no further questions.

Niina Saarto: Okay. Thank you. We have something left here in the chat. We already discussed the new facility we saw in this week, but there is a question about 2025 bond refinancing. Can you comment on the plans for refinancing that one?

Erik Hjelt: Yes, we are extremely happy that now 2024 maturing loans are all covered. That of course is an extremely good situation, and now we are focusing on the 2025 maturing loan. Again, it's important to have access for different sources of financing. We are looking at different options, and we have not yet decided which way to go but that's the next one that we are approaching.

Niina Saarto: Then a question about private homeowners who are not able to sell their home. Is that impacting the rental market? Is there some risk involved?

Jani Nieminen: I would say it's not impacting the rental market in a negative manner that homeowners are not able to sell their homes. It means that they have to stay put at the moment so they are not able to move. On the other hand, as home sellers are not able to sell, home buyers are not willing to buy. Those home buyers are more likely to move towards the rental market if we see these high interest levels.

Niina Saarto: Thanks. A question regarding the new development starts. How are you looking at these, and how are your capabilities impacted by the cost cutting programme?

Jani Nieminen: We are a company which keeps the readiness. We will start investing again once we see it is clearer and reasonable. We did not start a cost saving programme because we are between a rock and a hard place. We started it because we saw it as a reasonable thing to start. We are a strong company, and we want to keep the company strong. By keeping the company strong, you are actually keeping the capabilities to start investing once it is reasonable.

Niina Saarto: Good. There has been questions about the cost cutting programme in general. We already discussed it, but can you remind us: How fast it will be impacting net operating income? Do we see savings already this year or will they be for 2024?

Erik Hjelt: Some savings already by the end of this year but clearly the wait is 2024. As I said in the programme, the saving programme for 2024. The full impact is going to be next year but already minor positive impacts this year. This is given the fact that these layoffs in Finland that when they start, you actually stop paying salaries quite fast. That of course, is going to have a positive impact already, at least in December, given the fact that we have finalized these change negotiations already.

Niina Saarto: Okay. Thank you. That was actually the last question. Thank you for attending today. Kojamo's financial statements will be released 15th of February next year. Thank you for today and see you next year. Bye.