

Swedish industrial and logistics property managers

Peer comparison and sector overview
of industrial property managers

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Gustav Nilsson
Credit Rating Analyst

Yun Zhou
Credit Rating Analyst



Agenda

Nordic
Credit
Rating

Section

Page

- | | |
|--|----|
| 1. NCR-rated issuers and segment overview | 3 |
| 2. Market overview and peer analysis | 10 |
| 3. Overview of NCR-rated issuers scorecard | 19 |

Overview of industrial & logistics property managers

Current ratings in NCR's portfolio

NCR has two ratings in the high-yield category

- NCR rates two industrial and logistics property managers, Stendörren and Stenhus, both of which have been assigned 'BB' long-term issuer ratings.
- Their elevated risk levels reflect their larger exposure to industrial and logistics properties, which we assess as more cyclical and riskier than other real estate segments.
- Both issuers have comparatively high financial leverage, low interest coverage and weaknesses in their capital structures.
- We distinguish between different subsegments within the segment, with specialised modern logistics properties (terminal buildings) having the least risky profile and industrial properties with riskier counterparties in secondary locations the highest risk.

Rating scorecard

Subfactor	Stenhus	Stendörren
Operating environment	bb+	bb
Market position, size and diversification	bb	bb+
Portfolio assessment	bb+	bb+
Operating efficiency	a-	bbb+
Business risk assessment	bb+	bb+
Ratio analysis	bb-	bb-
Risk appetite	b+	b+
Financial risk assessment	b+	b+
Issuer rating	BB	BB

Potential positive rating drivers

Stenhus	Stendörren
More conservative financial strategy, extended debt maturity and interest profile; and a net loan to value (LTV) ratio below 50% and net interest coverage above 3.5x over a protracted period.	A higher rating is unlikely, but could occur with proven commitment to a more moderate financial risk profile combined with an improved operating environment and increased diversity.

Potential negative rating drivers

Stenhus	Stendörren
Diminishing covenant headroom. A deterioration in credit metrics, with net LTV approaching 60% over a protracted period. Worsening market fundamentals, adversely affecting profitability.	Net LTV above 60%. Diminishing covenant headroom. A deteriorating liquidity position.

Sector overview

Companies included in the analysis

Sagax

- Warehousing and light industrial property manager.
- Active in eight European countries, Finland and France generate 56% of revenues.
- Property value of about SEK 66bn.
- About SEK 24bn in outstanding capital market debt.

Catena

- Logistics property manager.
- Active in Sweden and Denmark.
- Property value of about SEK 42bn.
- About SEK 4.1bn outstanding in capital market debt.

NP3

- Industrial/warehousing and retail property manager.
- Focused on northern Sweden.
- Property value of about SEK 23bn.
- About SEK 2.7bn outstanding in capital market debt.

Stendörren

- Warehousing/logistics, light industrial property manager.
- Focused on Stockholm–Mälardalen region.
- Property value of about SEK 14bn.
- About SEK 1.6bn in outstanding capital market debt.

Swedish Logistics Property (SLP)

- Logistics property manager.
- Focus on southern Sweden.
- Property value of about SEK 13bn.
- Not currently active in the debt capital markets.

Stenhus

- Industrial/warehousing, retail and community service property manager.
- Focused on Stockholm–Mälardalen region.
- Property value of about SEK 13bn.
- About SEK 600m in outstanding capital market debt.

Logistea

- Warehousing/logistics and light industrial property manager.
- Active in eight European countries, Sweden and Norway account for 75% of property value.
- Property value of some SEK 13bn.
- About SEK 850m outstanding in debt capital markets.

Emilshus

- Light industrial, industrial services and big-box retail property manager.
- Focused on Småland region, Sweden.
- Property value of about SEK 9bn.
- About SEK 800m outstanding in debt capital markets.

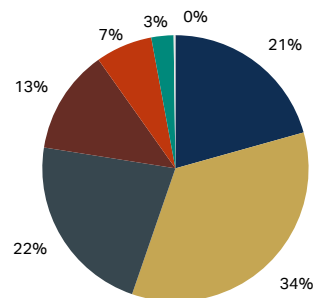
Logistri

- Industrial, warehousing and logistics property manager.
- Focused on mid-to-southern Sweden.
- Property value of about SEK 2bn.
- About SEK 300m outstanding in debt capital markets.

Geographic split (1/2)

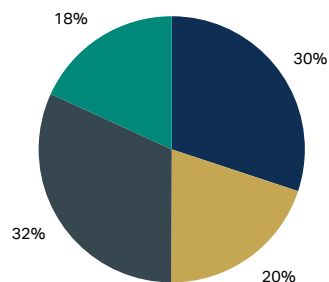
Portfolio location by rental value as of 31 Dec. 2024

Sagax



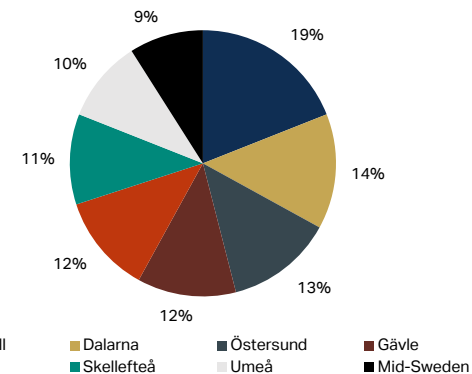
Sweden Finland France Benelux Spain Germany Denmark

Catena



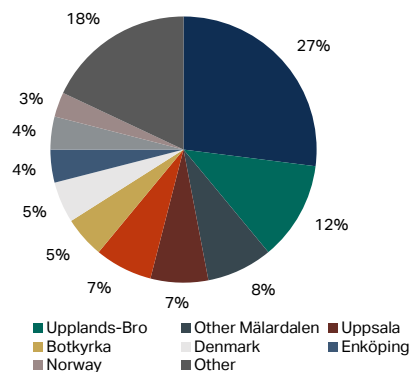
Sweden South Sweden West Sweden East Denmark

NP3



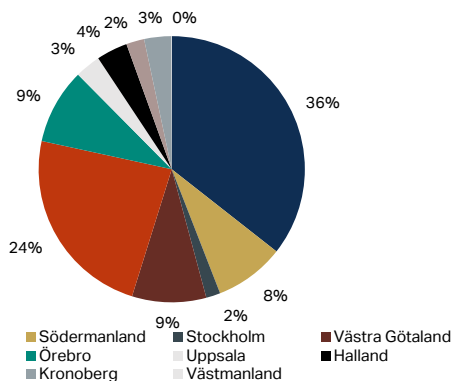
Sundsvall Dalarna Östersund Gävle Mid-Sweden Umeå Skellefteå Luleå

Stendörren



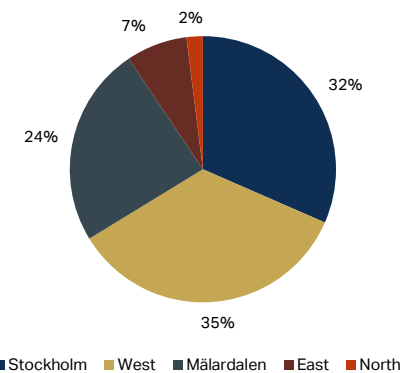
Stockholm Upplands-Bro Other Mälardalen Uppsala Västerås Botkyrka Södertälje Denmark Enköping Norway

Swedish Logistics Property (SLP)¹⁾



Skåne Södermanland Örebro Stockholm Västra Götaland Jönköping Kronoberg Östergötland Uppsala Västmanland

Stenhus

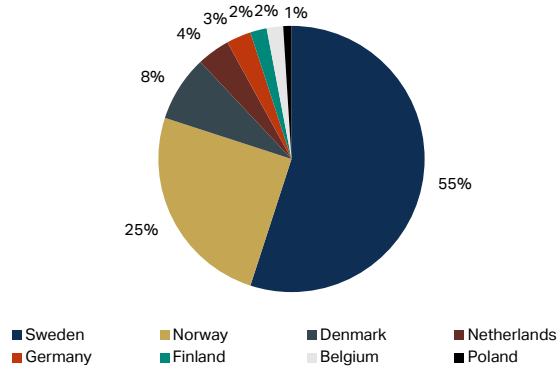


Stockholm West Mälardalen East North

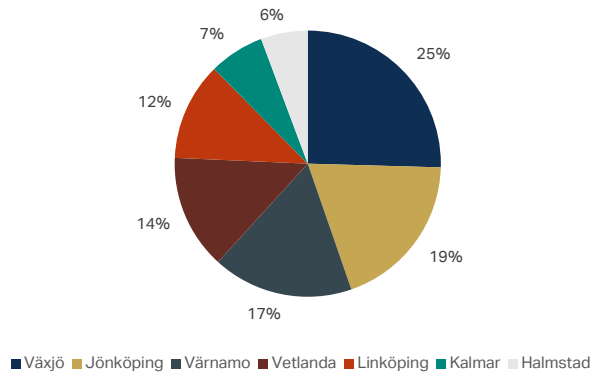
Geographic split (2/2)

Portfolio location by rental value as of 31 Dec. 2024

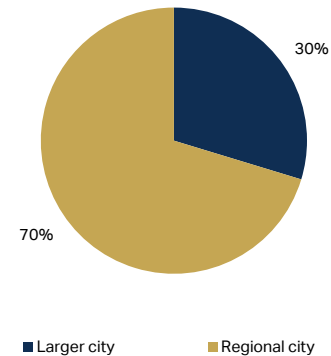
Logistea



Emilshus



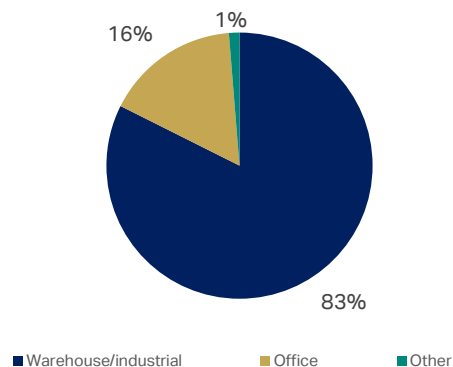
Logistri



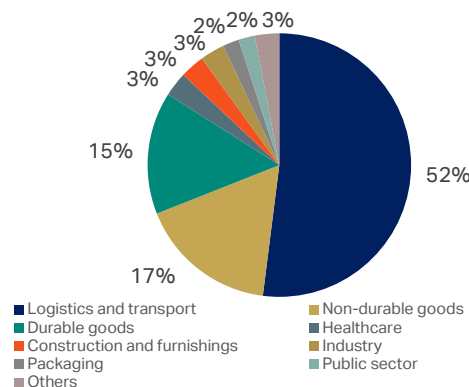
Segment split (1/2)

Portfolio segment split by rental value as of 31 Dec. 2024

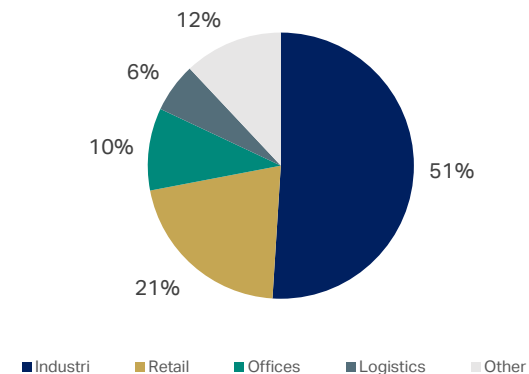
Sagax¹⁾



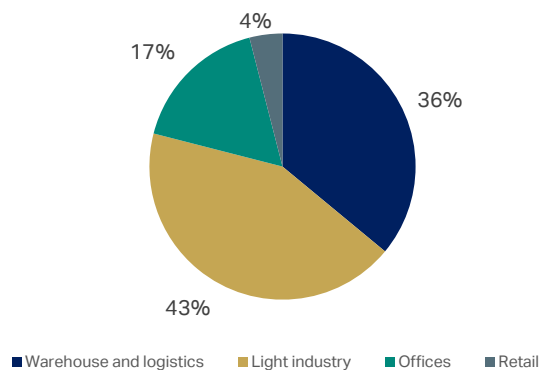
Catena²⁾



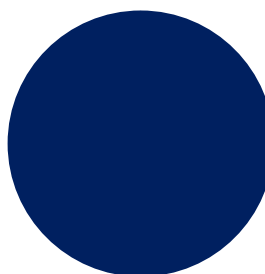
NP3



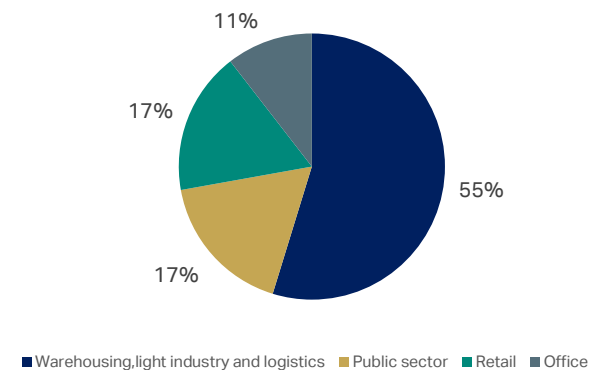
Stendörren



Swedish Logistics Property (SLP)³⁾



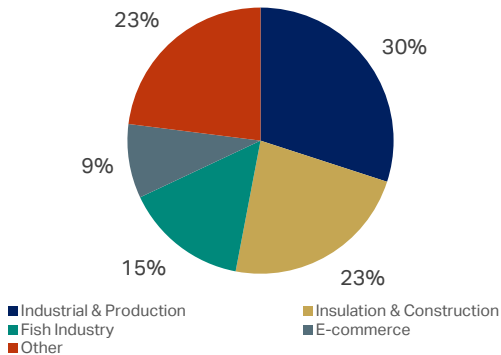
Stenhus



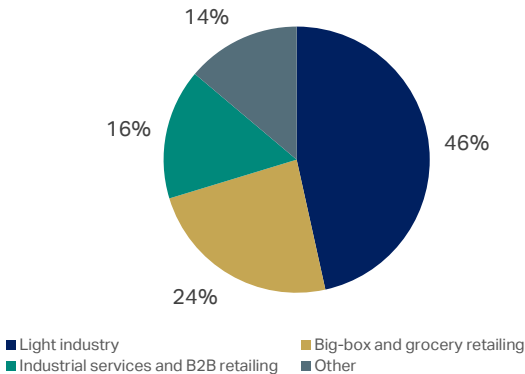
Segment split (2/2)

Portfolio segment split by rental value as of 31 Dec. 2024

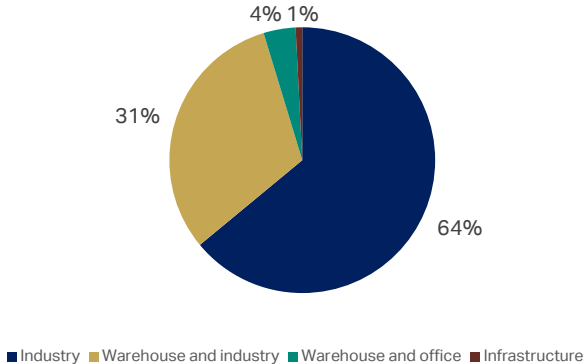
Logistea¹⁾



Emilshus



Logistri



Agenda

Nordic
Credit
Rating

Section	Page
1. NCR-rated issuers and segment overview	3
2. Market overview and peer analysis	10
3. Overview of NCR-rated issuers scorecard	19

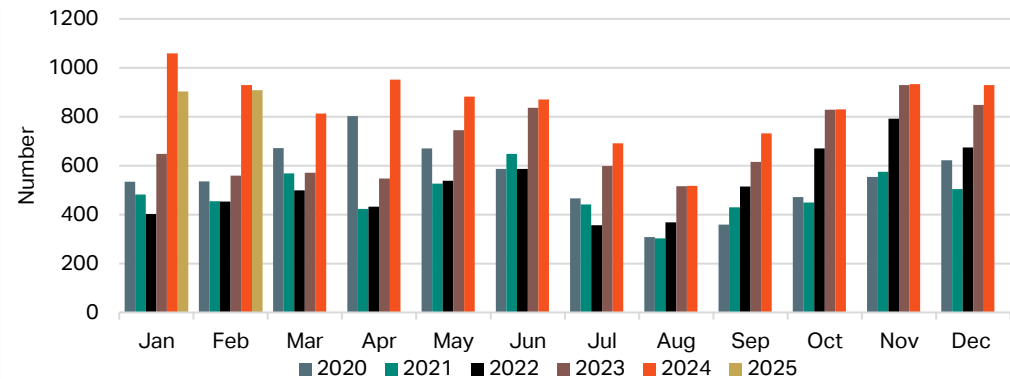
Market overview

Economic and geopolitical factors will determine segment strength

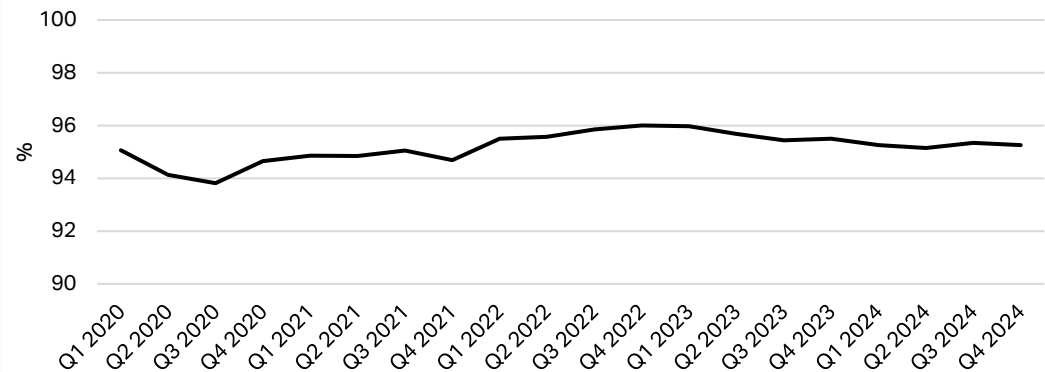
Cash flows at risk if inflation resurfaces

- We consider the industrial and logistics property subsectors to be dependent on the health of the wider economy.
- Diversity across markets and tenants protects cash flows in cyclical downturns.
- The average tenant in the industrial segment generally has higher credit risk than in other less cyclical segments such as grocery retailing and community service properties. Accordingly, we expect a larger proportion of tenants in the segment to be affected negatively in an economic downturn, with a potentially adverse impact on occupancy and rental levels of property managers.
- The companies in our sample have, so far, seen a relatively limited impact on rental levels and vacancy rates from an increase in corporate defaults. Good tenant diversity has lessened the negative impact to date.
- One of Stenhus' largest tenants, IAC Group, declared bankruptcy in the second quarter of 2024. We expect operations to continue under new ownership, with limited impact on cash flows.
- Nonetheless, we doubt weaker tenants' ability to absorb materially if inflation resurfaces as a result of adverse geopolitical events and their impact on the economy.

Number of corporate default in Sweden, 2020–Feb. 2025



Sample average occupancy rate, 2020–2024



Market and tenant exposure

Geographic diversity relatively limited in sample

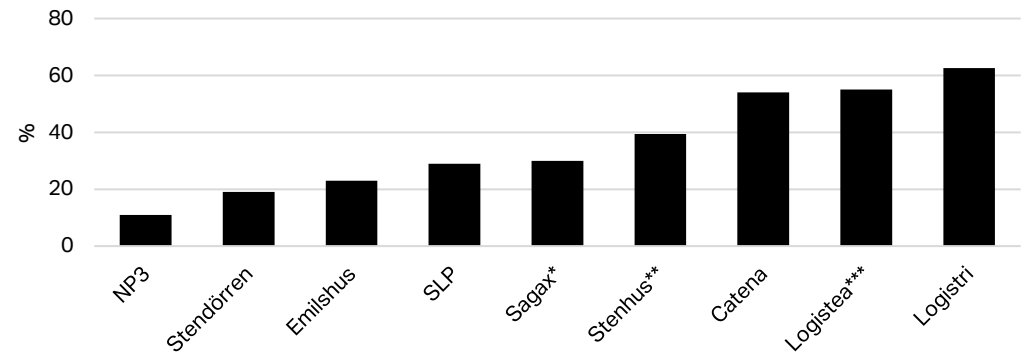
Tenant diversity is adequate despite limited scale

- Most property managers in the sample are relatively small, have between 100–200 properties, have property values below SEK 20bn and are geographically concentrated. This has a generally negative effect on their business risk.
- Although size is a critical factor for achieving economies of scale in property management, a geographically scattered portfolio can negatively affect profitability. We generally contrast scale and diversity in our assessment of a company's business risk.
- Despite their limited size, smaller companies such as Stendörren and Emilshus have comparatively good tenant diversity. However, their tenants are weaker, on average, than those of other companies in the sample.
- Within the sample, we consider Catena to have the strongest asset quality, with a high share of specialised logistics properties in important logistics hubs.
- We see Sagax as having the strongest business risk profile in the sample due to its size and diversity. The company has broader geographic, tenant and property diversity than other companies in the sample. Joint ventures and associated companies, including NP3 and Emilshus add to the company's diversity.
- Some issuers operate in locations where economic fundamentals are weak and asset liquidity low. This can negatively affect occupancy and price if disposals are necessary.

Property portfolio size, 31 Dec. 2024



Ten largest tenants % of rental value, 31 Dec. 2024



*14 largest. **15 largest. ***6 largest.

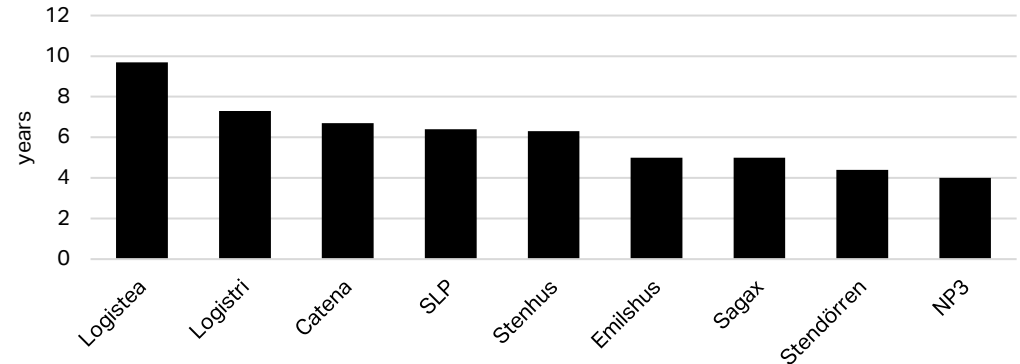
Leases and development exposure

Tenant risk and secondary locations can result in higher vacancies

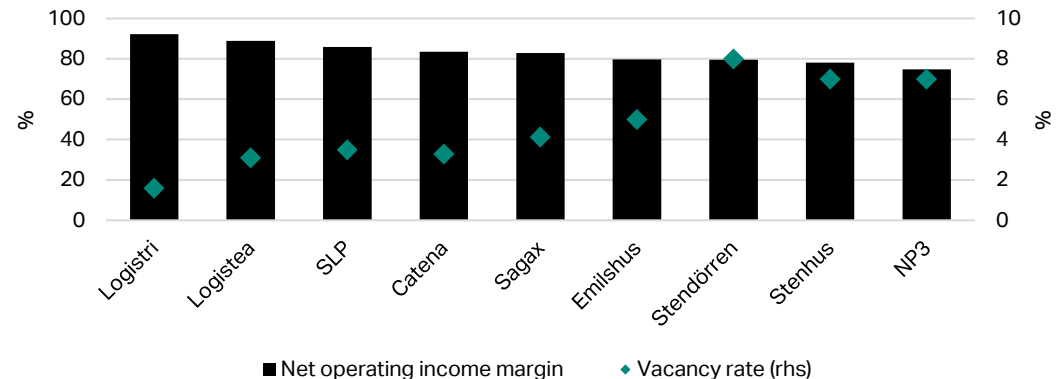
Strong tenants on long contracts reduce risk

- We take a positive view on long remaining lease terms as they increase revenue transparency and stability of rental levels due to less frequent renegotiations. Indexation clauses typically protect against inflation risk.
- Contracts in the segment are generally triple-or double-net, resulting in comparatively strong cash flows.
- Logistea has the longest average remaining lease term in the sample at close to 10 years, which is long relative to the wider Nordic real estate market.
- NP3 has the shortest remaining lease term, which could increase income variability. The company has, however, the widest tenant diversity in the sample and has seen strong rental growth.
- Tenant creditworthiness and diversity has a pronounced impact on contract risk. The EU's preventive restructuring framework allows for renegotiation of rental agreements as part of a restructuring process. In our view, this could negatively impact rental levels and vacancies if tenants face difficulties.
- The companies in the sample have limited exposure to project development, which we see as credit positive. We note, however, that many properties are located in secondary locations and could face lengthy vacancies if tenants decide to leave. In our view, Logistri, NP3 and Emilshus has the largest exposure to such locations.

Average remaining contract duration, 31 Dec. 2024



Net operating income margin¹⁾ and vacancy rate, 31 Dec. 2024



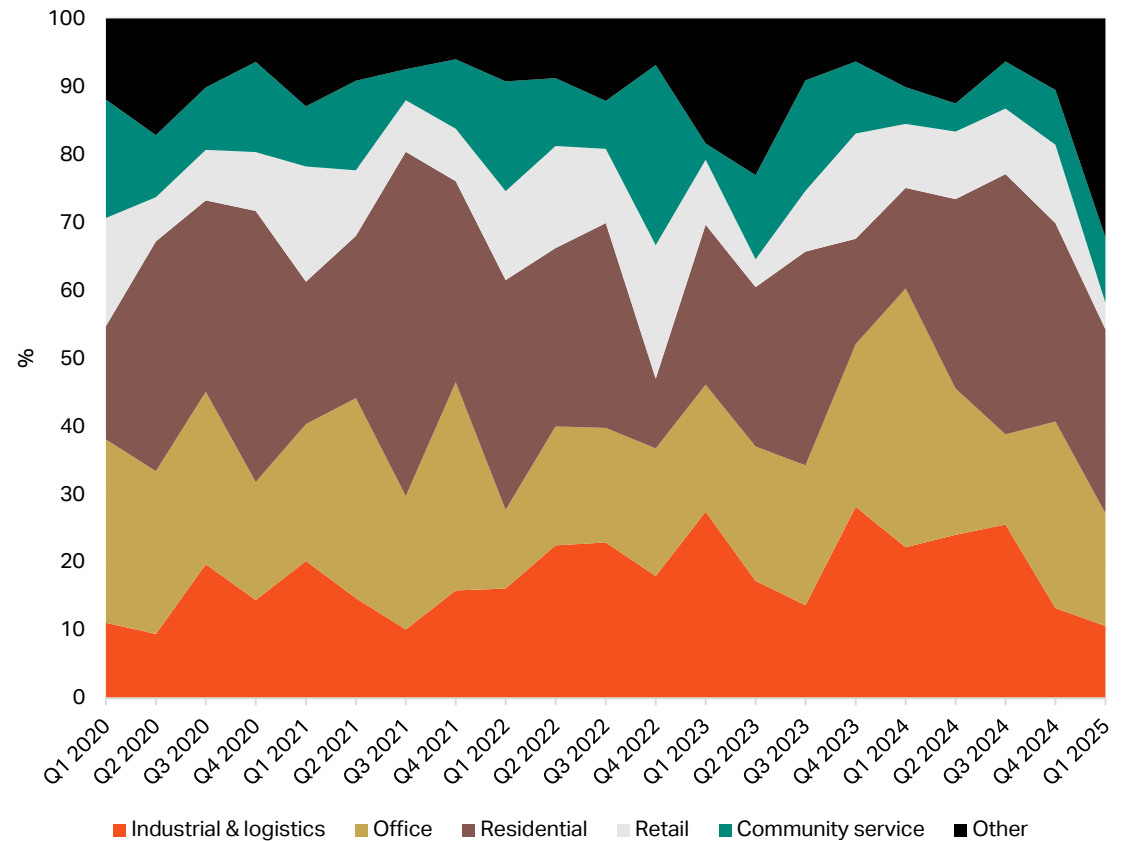
Transaction market

We expect rebound in transaction volumes to validate property values

Higher yield requirements and cash flows

- Transaction volumes in the Nordic property market has declined considerably since a peak in 2021 as the real estate sector has adapted to high interest rates.
- The industrial and logistics subsegment remained attractive with better price alignment between buyers and sellers through the cycle of rising interest rates started in 2022 and which resulted in higher transaction volumes than in other property subsegments.
- Many of the companies in the sample have listed shares that are valued at a premium to net asset value. We expect these companies to be active in the transaction market. However, owing to their limited scale we do not expect them to increase liquidity in the segments significantly.
- We expect higher transaction volumes in the remainder of 2025 due to ample credit conditions and high market risk sentiment. We anticipate that transactions will be at or slightly above book value in most cases.
- We view the industrial property subsegment as less liquid than most other segments, which could negatively affect companies' ability to deleverage or repay maturing bonds. In our opinion, this is reflected in comparatively high yield requirements and cash flows.

Nordic transaction volumes by property segment, 2020–Q1 2025



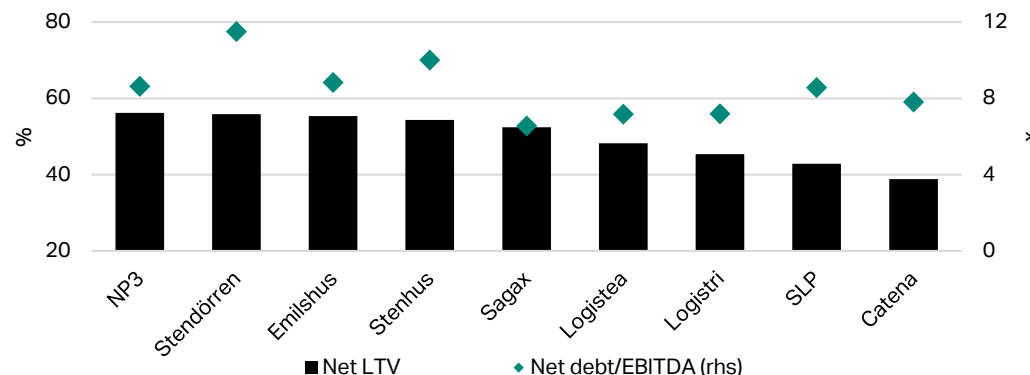
Capital structure

Comparatively strong cash flows offset some risks to higher net LTV

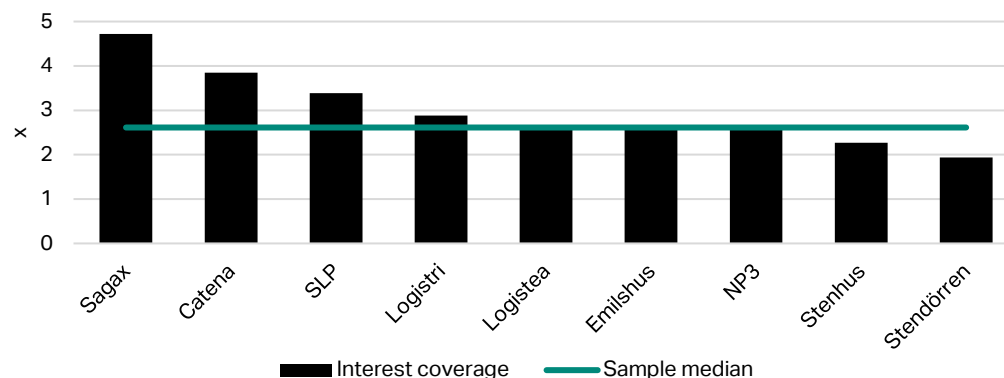
Financial risk tolerance in sample high

- Half of the sample has net LTV above 50%, which we see as moderately high. Having higher net LTV limits bank financing headroom and constrains financial flexibility.
- The companies in the sample are growth-oriented and many have had rapid growth. We expect them to increase their leverage moderately through acquisitions.
- Sagax and Catena have more conservative financial policy targets than the rest of the sample, with target net LTV below 50% and maximum net debt to EBITDA targets, which we see as indicative of lower risk tolerance.
- While some issuers could probably bridge some of their maturing bond market debt through the banking system, if necessary, we believe that restoring to such measures would probably trigger soft covenants on debt repayment, thereby increasing cash outflows.
- The comparatively strong cash flows relative to other property subsegments results in an ability to operate with somewhat higher leverage while maintaining interest coverage above 2x. However, we would expect greater cash flow risk in cyclical downturns.
- Despite their growth-orientation, many companies in the sample pay dividends, reducing cash retention. Only Stendörren and SLP do not pay dividends.
- NP3 and Emilshus have issued preference shares (with committed dividend payments) which we generally see as debt-like.

Net LTV and net debt to EBITDA¹⁾, 31 Dec. 2024



Interest coverage¹⁾, 31 Dec. 2024



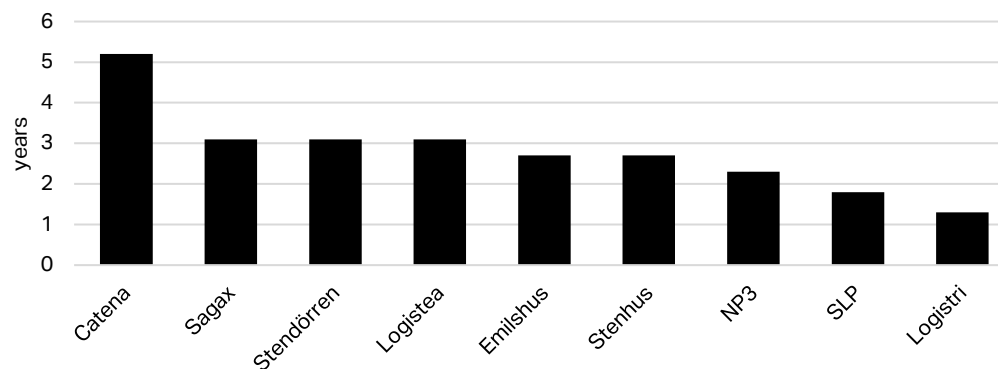
Capital structure

Front-loaded debt maturity profiles and reliance on secured bank funding

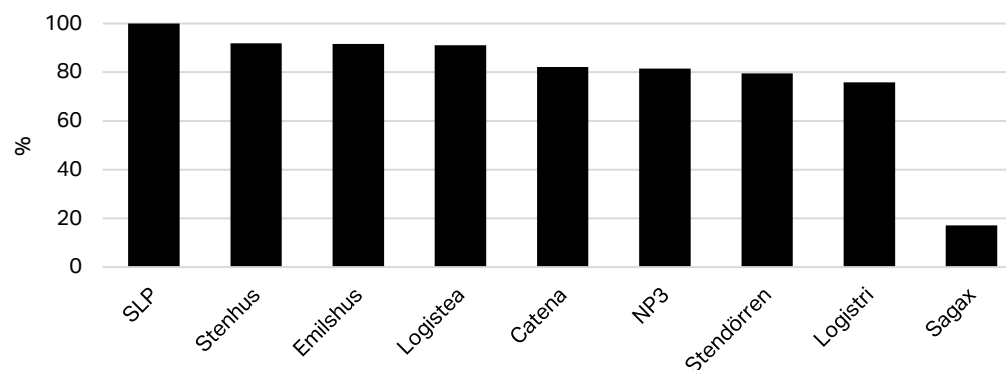
High reliance on secured funding

- Average debt maturity varies from close to five years for Catena to less than two years in the case of Logistri and SLP. The sample median is about 2.7 years.
- The companies in the sample are largely financed in the Nordic banking system, where pricing off longer-dated maturities is typically steep. This results in a preference for shorter debt maturity profiles.
- We see shorter-dated maturity profiles as a relative weakness they increase sensitivity to adverse movements in interest margins on loans and heighten reliance on banking relationships. However, we believe that refinancing risk in the Nordic banking system is comparatively low due to long-term relationships.
- Sagax is an outlier in the sample, with a low level of secured funding. The company largely funds itself in the European bond market and has a large proportion of unencumbered assets, increasing refinancing flexibility.
- In our opinion, Sagax and Catena have stronger liquidity profiles than the rest of the sample which operate with small or no available committed credit facilities, increasing their sensitivity to adverse market sentiment when refinancing maturing debt.
- In the fourth quarter of 2024, NP3 issued commercial paper in excess of its committed liquidity sources, which in our opinion heightened refinancing risk given that this short-dated financing source is very volatile.

Average debt maturity profile, 31 Dec. 2024



Secured debt to total debt, 31 Dec. 2024



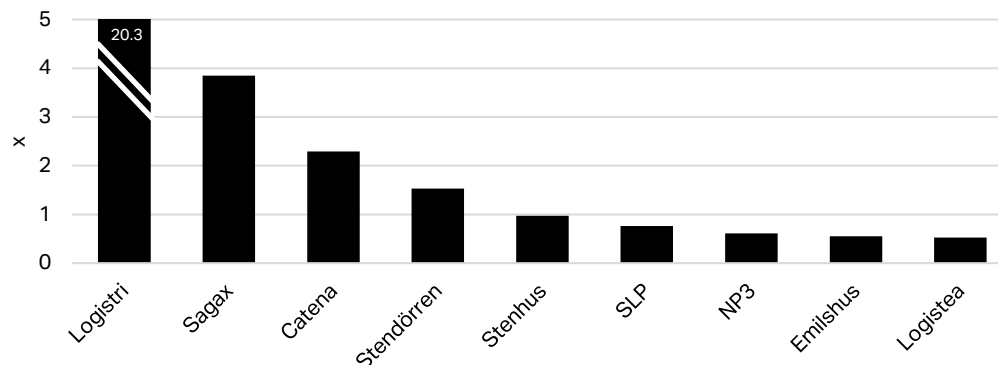
Liquidity coverage

Concentrated debt maturity profiles increase sensitivity to adverse funding conditions

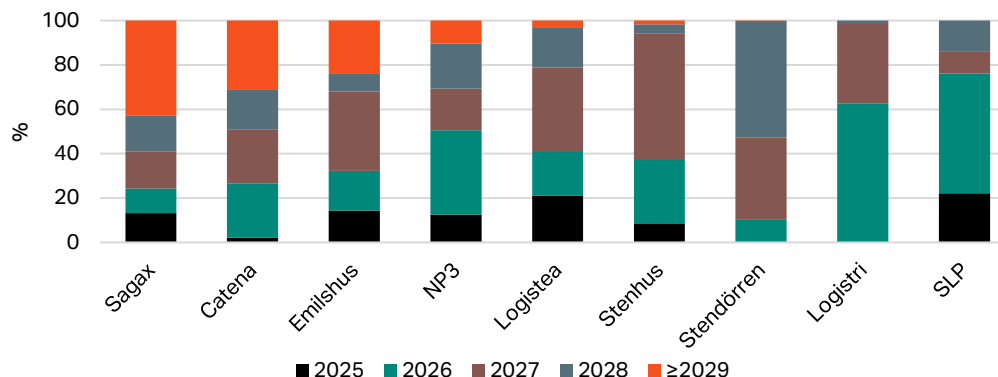
Liquidity coverage low in sample

- Sagax and Catena have the strongest liquidity coverage owing to their longer and more evenly distributed debt maturity structure. We expect these companies to operate with a continued surplus in committed short-term sources to uses, thereby lowering refinancing risk.
- Logistri has no debt maturities in 2025, which explains the strong liquidity coverage over the 12 months to 31 Dec. 2025. However, the company's debt maturity structure is concentrated, with 62% of debt falling due in 2026, which increases refinancing risk.
- We expect the remainder of the sample to operate with committed uses of liquidity exceeding sources due to their more concentrated and short-term debt maturity structures. Some companies liquidity coverage could temporarily rise above 1.0x in periods of few debt maturities.
- Typically, we see bonds as having greater refinancing and default risk than bank debt. We expect bank debt to be rolled over but that this relative weakness heightens refinancing risk in individual years compared with companies that have readily available liquidity.
- In addition to lower financial leverage and stronger business risk profiles, we typically expect a company with an investment-grade rating to cover its liquidity needs, with limited need for external funding over the coming 12 months.

Committed liquidity coverage next 12 months¹⁾, 31 Dec. 2024



Debt maturity structure, 31 Dec. 2024



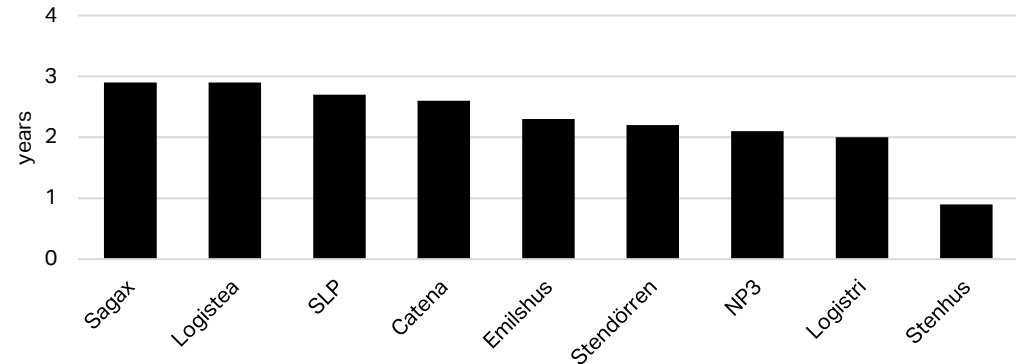
Interest coverage

High cash flow generation mitigates short fixed-interest periods

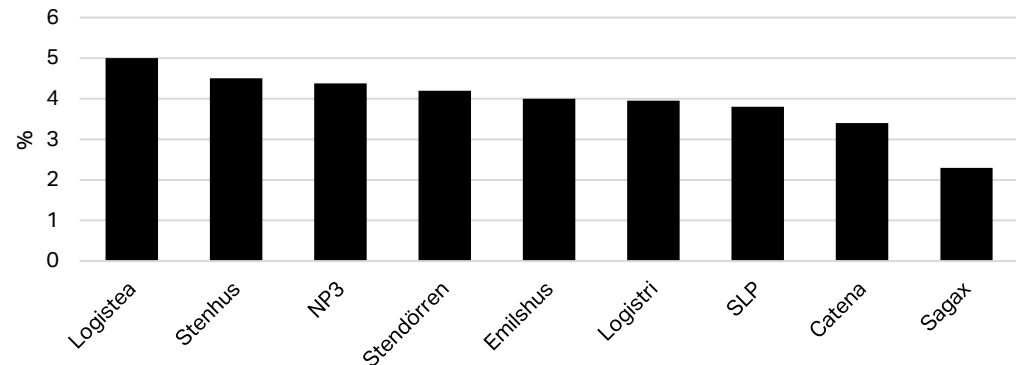
Sample has short fixed-interest periods

- All companies in the sample have average fixed-interest periods of less than three years, which means that changes in interest rates are quickly reflected in their financing costs.
- Sagax has the lowest sensitivity to interest rates in the sample. The company's average interest rate of 2.3% is about the same as current market interest rates.
- NCR-rated Stenhus at the shorter end of the scale, with fixed-interest period of less than one year, which has resulted in a higher average rate relative to most of the sample.
- Interest rate rises over the past few years have effectively doubled Stenhus' financing costs, resulting in a marked weakening of its interest coverage. While we expect the company's interest coverage to improve to above 2x, we see its short fixed-interest period as a rating weakness.
- While many companies in the sample have seen their interest coverage decline because of rising interest rates, the effect has not been as marked as in other real estate subsegments due to comparatively strong cash flows generated from assets and already higher financing costs.

Average fixed-interest period, 31 Dec. 2024



Average interest rate, 31 Dec. 2024



Agenda

Nordic
Credit
Rating

Section	Page
1. NCR-rated issuers and segment overview	3
2. Market overview and peer analysis	10
3. Overview of NCR-rated issuers scorecard	19

Rating overview

Scorecards on NCR-rated logistics and industrial property managers

Subfactor	Impact	Catena ¹⁾	NP3 ²⁾	Stendörren	Stenhus
Operating environment	20%	-	-	bb	bb+
Market position, size and diversification	12.5%	-	-	bb+	bb
Portfolio assessment	12.5%	-	-	bb+	bb+
Operating efficiency	5%	-	-	bbb+	a-
Business risk assessment	50%	-	-	bb+	bb+
Ratio analysis		-	-	bb-	bb-
Risk appetite		-	-	b+	b+
Financial risk assessment	50%	-	-	b+	b+-
Indicative credit assessment		-	-	bb	bb
Liquidity		-	-	Adequate	Adequate
ESG		-	-	Adequate	Adequate
Peer Comparison		-	-	Neutral	Neutral
Standalone credit assessment		-	-	bb	bb
Support analysis		-	-	Neutral	Neutral
Issuer rating		NR	NR	BB	BB
Outlook		-	-	Stable	Stable
Short-term rating		-	-	N4	N4
Senior unsecured issue rating		-	-	n.r.	BB-

Thank you

**Nordic
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Rating**



Gustav Nilsson

Credit Rating Analyst

gustav.nilsson@nordiccreditrating.com

+46 735 420 446



Yun Zhou

Credit Rating Analyst

yun.zhou@nordiccreditrating.com

+46 732 324 378

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