

Aarhus Residentials Denmark AB

Investor Letter no. 5-2021

27.09.2021

Aarhus Residentials Denmark AB owns the two newly constructed residential properties Honningvænget 91-127 and Pollenvænget 70-106, 8381 Tilst, located close to the city of Aarhus, Denmark.

The properties comprise in total of 10,948 sq.m. of gross leasable area spread across 110 residential apartments with an average size of approx. 100 sq.m., including surround areas such as green areas, parking spaces and bicycle parking spaces.

The property manager DEAS is handling the daily operations and dialogue with tenants, while Pareto Business Management is responsible for investor relations and investment management.



STATUS UPDATE

Annual report and annual general meeting

The company's annual report has been approved by the board of directors, and the annual general meeting will be held on October 26, 2021. Separate notice of the general meeting has been sent out. The consolidated earnings after value adjustments, debt service, and taxes amount to SEK 30.532.000, and it is proposed that SEK 8.411.000 (DKK 6.175.000) is distributed in dividend to the shareholders in line with the budgeted 9,5% of the initial equity payment of DKK 65.000.000. The dividend is expected to be paid out on November 2, 2021. It is also proposed that the financial year is changed to follow the calendar year with the first financial year only running from July 1 to December 31, 2021.

Valuation

CBRE has performed a valuation of the properties as of June 30, 2021 and set the total value at DKK 283.100.000. The total value at closing in March 2021 was set at DKK 257.587.746, so an increase of DKK 25.512.254.

Property management

The property management is being handled satisfactory by DEAS, and the company will continue working together with DEAS to ensure that the property management is done in the most efficient way as well as ensuring tenant satisfaction. The operation and maintenance of the properties is handled by the seller until March 2022, and the seller is also providing a good service.

Leasing

Over the summer there has been a strong momentum in relation to the leasing, and the seller reached the 95% threshold for the first time-leases in September, so the seller no longer has any obligations related to the leasing of the property. However, due to some of the tenants terminating their leases, the vacancy rate based on rent was 18% at the end of August. In order to reduce the vacancy, the company has initiated several marketing initiatives for the next 12 months to support the leasing, including open houses and marketing on Facebook and Instagram, and the company is closely monitoring how it develops. As a new project in an area under development, the tenant churn and vacancy rate will expectedly fluctuate until the right tenant composition has been reached and the properties and surrounding area has stabilised. DEAS has not received any information from the tenants, that would indicate that the terminations is due to the quality of the leases or the buildings.

Oneyear-inspection

In august, the oneyear-inspection of the buildings was performed. The company was assisted by a technical advisor from Emcon. No major issues were found at the oneyear-inspection, and Emcon is working together with the seller and contractor to have the identified minor issues resolved.

Next status update is planned to be sent out in December, following up on the leasing status.

If there are any questions regarding the project, please feel free to contact us.

Kind regards
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Kind regards
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