

Research Update:

# Swedish Housing Company Stockholms Kooperativa Bostadsforening 'AA-/A-1+' And 'K-1' Ratings Affirmed; Outlook Stable

April 23, 2025

## Overview

- The large member base of Stockholms Kooperativa Bostadsforening (SKB) and the housing shortage in the Stockholm region underpin the strong demand for SKB's services.
- Through strong rental increases in coming years, we believe SKB will be able to gradually recover its EBITDA margins closer to the levels last seen in 2021, before inflationary pressure caused them to diminish.
- We affirmed our 'AA-/A-1+' and 'K-1' ratings on SKB.
- The outlook is stable.

## Rating Action

On April 23, 2025, S&P Global Ratings affirmed its 'AA-' long-term and 'A-1+' short-term issuer credit ratings on Swedish public-sector housing company Stockholms Kooperativa Bostadsforening (SKB). The outlook is stable.

At the same time, we affirmed our 'K-1' short-term Nordic regional scale rating on SKB.

## Outlook

The stable outlook reflects S&P Global Ratings' view that SKB's stable and predictable cash flow and strong demand for housing will offset the risks from slightly increasing vacancies in new development.

## Downside scenario

The ratings could come under pressure if SKB's management embarks on a more aggressive

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strategy of debt-funded development. This could cause the company's debt and interest burdens to increase significantly beyond our base-case projections and reduce its liquidity coverage.

## **Upside scenario**

We could raise the ratings if SKB were to strengthen its margin sustainably, for example, should management be able to reduce costs without undermining the quality of its properties, while at the same time strengthening its liquidity ratio structurally above 1.75x.

## **Rationale**

The affirmation reflects our view that SKB's stable financial performance and high demand (about 93,000 members are on the waiting list for an apartment), will support SKB metrics. We also view positively SKB's long-term view on its properties, exemplified by the fact SKB never sells any properties, resulting in smoother maintenance spend while its properties are relatively better maintained than those of peers.

## **Enterprise profile: A strong market position able to contain vacancies in new development**

Rent levels for public housing in Sweden do not differ, because of rental regulation. However, we believe SKB has lower vacancies than peers in the domestic and international markets, demonstrating the demand for its properties, which supports its market position. We expect vacancies to remain lower than those of peers, even if there is expectation that one of the new developments might see structural vacancies in coming years. Additionally, SKB has a lifetime perspective on its properties, which benefits its property management since it leads to smoother maintenance spending and a clear incentive to maintain high property standards.

SKB is a housing cooperative that we view as a public housing provider in the sense that it operates with a not-for-profit mission and applies broadly the same guidelines and principles for rent-setting. In addition, we regard as positive that SKB operates under special legislation differing from that for municipality-owned public housing associations. This legislation permits SKB to increase rents beyond the benchmark rates for public- and private-sector landlords if the need arises.

As a cooperative, SKB operates under the Cooperative Societies' Act, SKB does not have any shareholders but rather members, comprising tenants in their properties and those on the waiting list. Members of SKB pay an annual fee that represents savings, until it reaches a ceiling of Swedish krona (SEK) 30,000 to get on the waiting list. We note that the ceiling was increased last year without leading to a loss of members. In addition, tenants are required to make a capital contribution when moving into an apartment, which is returned when the tenant moves out. This helps alleviate SKB's funding needs.

We consider SKB's management and governance to be very strong, with a focused strategy and prudent long-term planning. Members can influence the organization through the annual member meetings, as well as the annual council meeting where representatives from both existing tenants and members on the waiting list can vote to elect SKB's board. Recently SKB underwent a change of both CEO and CFO. In our view, the new leadership has continued the lower risk tolerance than domestic peers that SKB has historically shown. We continue to observe a conservative and consistent approach to risks related to the debt portfolio, for instance, compared with domestic

peers. We expect SKB to maintain its financial policies and approach to managing interest rate risks and its debt maturity profile.

We assess the regulatory framework for Swedish public housing companies as very strong, (see "Regulatory Framework Assessment: Swedish Public Housing Providers' Rent-Setting Scheme Balances Income And Costs," published May 22, 2023, on RatingsDirect).

## Financial profile: Rent increases above inflation will let SKB recover EBITDA margins

We expect SKB to implement rent increases allowing gradual recovery of lost margins during the past three years. In 2025, SKB plans to increase rent by 5.5% and we expect rents to increase by a further 4.8% in 2026. At the same time, we expect expenditure growth will remain around 4%, which is still higher than the consumer price index because the costs for utilities related to heating, water, and waste continue to rise faster than expenditures in general and there has been a similar trend in wages. Nevertheless rent growth should help the company gradually strengthen EBITDA margins toward its historic structural level above 40% last seen in 2021.

We expect SKB to complete three new blocks of apartments, requiring an estimated annual average capital expenditure (capex) of about SEK450 million (about €45 million). We anticipate these development plans will be financed both by internal cash generation of roughly SEK430 million per year, as well as a combination of debt-financing and member contributions. Member contributions are not interest bearing and will be returned to members if they exit the waiting list or their apartment, so we don't view them as debt. Positively, we note that SKB increased the ceiling for member contributions by 50% in 2024, which, together with contribution to newly finalized construction, will add further cash inflow in coming years averaging approximately SEK130 million annually.

With the bulk of capex for these projects to be completed in late 2025, capex will likely reduce heavily in 2026. This will in turn lead to a strengthening debt to non-sales-adjusted EBITDA decreasing toward 10x in 2026 and 2027. Factoring in stabilizing interest rates, we expect SKB to have non-sales-adjusted EBITDA interest coverage of 3.6x in our base-case scenario for 2027, which is significantly lower than the 6.1x in 2022 due to the gradual impact of higher market interest rates in recent years.

We continue to view SKB as having very strong liquidity, supported by its strong access to external liquidity, exemplified by its track record through periods of financial market turbulence. SKB's liquidity sources cover uses by approximately 1.3x in the next 12 months. We forecast liquidity sources of about SEK3 billion, comprising cash, undrawn and available credit facilities, member savings, and cash from operations. These will cover uses of about SEK2.8 billion, mainly debt maturities and capex.

## Selected Indicators

Table 1

### Stockholms Kooperativa Bostadsforening--Key statistics

Mil. SEK	2023a	2024a	2025bc	2026bc	2027bc
Number of units owned or managed	8,484	8,559	8,711	8,864	8,940
Adjusted operating revenue	906.6	962.1	1,027.20	1,094.20	1,146.60

Table 1

### Stockholms Kooperativa Bostadsforening--Key statistics (cont.)

Mil. SEK	2023a	2024a	2025bc	2026bc	2027bc
Adjusted EBITDA	333.4	374.7	404.1	458.7	482
Non-sales adjusted EBITDA	333.4	374.7	404.1	458.7	482
Capital expense	638.4	652	531.5	282.3	531.8
Debt	4 505.1	4 820.6	4 915.6	4 765.6	4 855.6
Interest expense	88.7	114.5	126.3	125	133.5
Adjusted EBITDA/Adjusted operating revenue (%)	36.8	38.9	39.3	41.9	42
Debt/Non-sales adjusted EBITDA (x)	13.5	12.9	12.2	10.4	10.1
Non-sales adjusted EBITDA/interest coverage(x)	3.8	3.3	3.2	3.7	3.6

SEK--Swedish krona. a--actual. bc--Base case.

## Ratings Score Snapshot

Table 2

### Stockholms Kooperativa Bostadsforening--Rating component scores

	Assessment
Enterprise risk profile	2
Industry risk	2
Regulatory framework	2
Market dependencies	2
Management and Governance	2
Financial risk profile	2
Financial performance	3
Debt profile	2
Liquidity	2

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | General: Methodology For Rating Public And Nonprofit Social Housing Providers, June 1, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Ratings List

**Ratings Affirmed**

Stockholms Kooperativa Bostadsforening	
Issuer Credit Rating	AA-/Stable/A-1+
Nordic Regional Scale	--/--/K-1

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