THE TODDLER OF SWEDISH REAL ESTATE

A CASE STUDY ON THE FOUNDING OF STUDENTBOSTÄDER I SVERIGE

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Master Thesis

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Abstract:

This thesis presents and analyses the underlying motives of the founding of Studentbostäder i Sverige, subsequently renamed Studentbostäder i Norden, and how the deal can be value-creating for the shareholders. The three founders, SBB, Amasten, and Offentliga Hus, contributed student housing properties in exchange for shares in the new entity, thus making it a non-cash deal. The establishment of Studentbostäder i Sverige reflects the evolving landscape of niche real estate companies, increasingly characterized by innovative transactions and a focus on growth. We identify two main motives for the transaction: improving the property management efficiency in student housing and creating a platform for further growth in an attractive market. In addition, we examine potential alternative motives by levering insights from existing literature and providing evidence of valuation potentially impacting the transaction. We present literature that supports the transaction from a managerial efficiency perspective but also literature that possibly determines the transaction as value-destroying given the complexity of the deal. In summary, the study gives insight into why transactions such as the founding of Studentbostäder i Sverige take place and how they can create value.

Keywords: Real Estate, M&A, Student Housing, Non-Cash Deals

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1. Introduction

The student housing market was a trending and upcoming real estate segment globally during the 2010s. The asset class had grown from being in its toddler phase to evolving into its teenager phase by 2018 (Forbes, 2018). Yet, the Swedish market stood as an outlier. Publicly owned entities and non-profit organizations predominately controlled the Swedish student housing market. The market was viewed as unappealing to private companies due to property management difficulties. Nonetheless, niche real estate companies had become a trend in the Swedish real estate market with the establishment of companies like Klövern, Samhällsbyggnadsbolaget i Norden, and Sagax.

On July 2, 2018, three Swedish real estate companies embarked on a venture and established a new entity named Studentbostäder i Sverige after failing to divest their student housing properties. The companies exchanged their student housing properties worth approximately SEK 900 million for shares in the new entity. Fast forward, the property value surged by around 756%, reaching SEK 7.8 billion by the second quarter of 2023 (Studentbostäder i Norden, 2023a). The initial goal was to grow fast and become the first nationwide student housing company. However, suppose all three founders intend to invest in the student housing market, questions arise whether carving out existing student housing properties and creating a new entity as a platform for further growth could create value.

(1) Why did SBB, Amasten, and Offentliga Hus carve out their student housing properties and create a new entity?

Two main motives influenced the deal: to improve property management efficiency and implement a platform strategy in an unexploited market. The maintenance costs and tenant turnover were high, negatively affecting the profitability of student housing properties. As a result, few market participants had an ambition to invest in student housing due to difficulties in property management. A high demand and low supply also characterized the segment due to the increasing number of students and unwillingness to invest in student housing. The founders considered these market characteristics an attractive opportunity for further growth by establishing a company specializing in the segment.

(2) How can the transaction create value for the shareholders?

The multi-dimensional transaction involved several stakeholders and a unique deal structure. This study addresses the complexity by analyzing it from a wide range of literature. There is literature rationalizing the deal from a value-creation perspective, as the motives provided by the interviewees have empirical support. However, literature also questions the motives and potential to create value through synergies in real estate transactions similar to the founding of Studentbostäder i Sverige. This literature focuses on alternative motives, such as empire building and the realization of overvalued assets.

1.1 Purpose

This thesis aims to broaden the understanding of the motives for the growing trend of segmented real estate companies by giving an in-depth analysis of the unique transaction of Studentbostäder i Sverige. Furthermore, it strives to examine non-cash M&A from a value-creation perspective, given applicable literature. The thesis is also intended to provide the Department of Finance at Stockholm School of Economics with material and content suitable to develop a case used in teaching.

1.2 Contribution

Previous literature has extensively covered the aspects of M&A and corporate divestiture theories. However, due to the transaction's complexity and uniqueness, some dimensions could contribute to existing research. Firstly, the thesis analyzes the narrative behind the founding of the first private nationwide student housing company. Secondly, the thesis gives insight into the motives behind the growing trend of niched real estate companies by analyzing a real-life example. Thirdly, the deal's complexity, a non-cash merger of carved-out properties, can contribute to the existing literature as it sheds light on alternative motives for mergers.

1.3 Outline

The thesis is structured into chapters as follows. Chapter 2 summarizes the most important theories regarding M&A, ownership structures, and real estate valuation but also touches upon the subjects of joint ventures and corporate divestiture theories. Chapter 3 rationalizes why the case study methodology is applicable to answer the research questions. Furthermore, the chapter describes the data collection process and examines the limitations of the methodology regarding potential validity and reliability issues. Chapter 4 provides a background to the student housing market and the founding companies of Studentbostäder i Sverige. A background to the process, motives, and transaction structure behind the case is provided in Chapter 5. Chapter 6 discusses the research questions by considering the literature provided in Chapter 2 and the case respectively market background provided in chapter 4 and 5.

2. Literature review

This section will present previous research and academic findings regarding M&A theory, real estate valuation, corporate divesture theory, and joint ventures.

2.1 Merger Theory

This section will touch upon literature regarding the notion of merger waves, merger motives, and merger motives in the real estate industry.

2.1.1 Merger Waves

Mergers and acquisitions ("M&A") are generally considered to be cyclical (Sudarsanam, 2010). Researchers examine M&A waves and identify strong historical trends. According to Martynova and Rennebog (2008), merger waves often coincide with credit expansion and stock market booms, and they tend to end during a steep decline in the stock markets and economic recession. Furthermore, the authors observe various triggers for takeover activity, even though the beginning of a merger wave often coincides with political and regulatory change, such as deregulation during the 1980s or industrial and technological shocks.

Gugler et al. (2012) discuss the underlying causes of merger waves. The study is grounded in two neoclassical theories explaining mergers as caused by managers who aim to maximize shareholder wealth, given that markets are efficient. The first theory by Jovanovic and Rousseau (2002), asserts that when a firm's q (ratio between the market value of assets and the replacement cost of the assets) exceeds 1, the firm tends to increase its capital stock because the firm's return on capital is greater than its cost of capital. The second neoclassical theory, as Harford (2005) presents, suggests that merger waves occur when multiple industries simultaneously experience shocks, making mergers more financially attractive. Additionally, Gugler et al. (2012) present an additional hypothesis with a behavioral explanation. The hypothesis from Shleifer and Vishny (2003) argues that mergers become more prevalent during stock market booms for two reasons. Firstly, companies seek to trade their overvalued shares for tangible assets. Secondly, the overall optimism in the market weakens the constraints on managers, allowing them to engage in wealth-destroying mergers. Rhodes-Kropf and Viswanathan (2004) argue that valuation impacts mergers regardless of the underlying motive. The authors present a rational model for stock mergers, emphasizing the significance of the targets and the bidder's respective private information. Private information creates the possibility of misvaluation. The misvaluation incorporates two components: a firm and a market-specific component. The Equilibrium of the perceived value from the bidder and the target reflects the expected level of synergies between the firms. The theory suggests that mergers are more likely in overvalued markets, and overvalued targets are more inclined to sell based on their assessment of synergies and private information.

2.1.2 Merger Motives

A significant amount of research exists regarding motives for M&A. The literature often differentiates between two main viewpoints which can explain M&A motives. The neoclassical view points out that mergers can create incremental value through the realization of synergies even in the absence of inefficient management and behavioral theory. (Sudarsanam, 2010).

Efficiency theory is based on the notion that mergers are strategically planned and executed to reap the benefits of synergies (Trautwein, 1990). According to the author, the various synergies are financial, operational, and managerial. The author described that financial synergies are primarily driven by the advantages of reduced capital costs for a large company based on economies of scale, the lower systematic risk associated with investments in unrelated industries, and the capacity to establish an internal capital market. Operational synergies arise when the operations of distinct business units are combined, leading to cost reduction and knowledge sharing, ultimately contributing to cost savings and improved efficiency (Trautwein, 1990). Furthermore, since cost savings are measurable, for example, by combining the support functions of separate entities, they are often used to motivate operational synergies (Sudarsanam, 2010). Previous studies show mixed evidence to support operational improvement from mergers, and evidence suggests that realized benefits do not always exceed the cost of integration (Sudarsanam, 2010). Managerial synergies result from the enhanced planning and monitoring capabilities of the newly integrated management team, benefiting the company's overall performance (Trautenwein, 1990).

Valuation theory states that managers of the acquiring company have a better understanding of the target's value than the stock market (Trautwein, 1990). Hence, the bidder's managers can make returns based on having a unique understanding of the potential advantages that could be derived from combining the two businesses or pursuing a future strategy that is not possible with the current management of the target company. Similarly, the firm's managers can generate value if they discover an undervalued company that can be sold in pieces. However, the valuation theory is similar to the financial synergy argument in that both challenge the efficient market hypothesis (Trautwein, 1990).

Monopoly theory identifies market power as the rationale behind planning and executing mergers. According to Trautwein (1990), the motive of increased market power is mainly attributable to horizontal mergers through efficiency gains generated from reduced competition and enhanced bargaining power. Thus, wealth creation descends from wealth transfer from the customers. However, Sudarsanam (2010) argues that monopoly is no longer a sustainable goal for mergers as of today's antitrust laws.

Empire Building theory suggests that mergers are driven by a desire to expand the authority and influence of managers rather than solely aiming to benefit shareholders (Trautwein, 1990). Jensen (1986) explains that there is a conflict of interest between corporate managers and shareholders. The conflict results in inefficient corporate investment behavior since growth increases managers' power by increasing the resources under their control, and managers get incentives to grow the firm beyond its optimal size. Hence, the misalignment in incentives could result in negative net present value investments because of alternative motives such as prestige, higher salaries, and publicity (Jensen, 1986). Furthermore, managerial hubris is reasoned to make the firms' managers overestimate the creation of synergistic value through M&A, which leads to value-destroying mergers (Roll, 1986).

2.1.3 Real Estate Merger Motives

Real estate companies are considered unique compared to other companies due to the proportion of tangible assets and debt capacity. Research states that mergers and takeovers in real estate companies should be studied separately from other industries because of the almost complete absence of hostile takeover activity between real estate companies (Andersson et al., 2012). As a result, Andersson et al. (2012) highlight that previous research has focused on the inefficient management hypothesis rather than the potential to create incremental value by realizing synergies even in the absence of inefficient management. Womack (2012) studied real estate mergers from 1980 to 2007, and the author suggests that real estate mergers are generally value-creating events motivated by the inefficient management hypothesis. The hypothesis suggests that the management of the acquiring firm can exploit opportunities due to inefficiency in the target firm's organization, consequently decreasing costs and increasing revenue through a change in management. However, Andersson et al. (2012) criticize the findings. The authors argue that the study does not control whether the proposed hypothesis is the dominant motive and if other potential motives could produce similar market reactions following the M&A announcement.

2.2 Corporate Divestiture Theories

Prezas and Simonyan (2015) define carve-outs as when the parent firm retains the majority of the shares in the new entity. However, carve-outs are also characterized by a public offering of the asset. Some even limit their definitions of carve-outs as selling assets intended to finance other operations (Allen & McConnell 1998). In contrast, a sell-off is when an asset is sold for cash or securities in an entity (Prezas & Simonyan, 2015). In a perfect market, disregarding potential synergies, an asset sell-off cannot create value, as the selling price of the asset should be priced in the firm value of the selling firm (Berk & DeMarzo, 2017). Sell-offs of non-core businesses can positively impact shareholder wealth by reducing diversification, as evidence indicates that such divestitures are associated with a significant increase in firm value (Prezas & Simonyan, 2015; Afshar et al., 2012; Berger & Ofek, 1995). Brauer (2006) argues that improved corporate efficiency is the most common explanation. Furthermore, Hoskisson et al. (1994) adds the importance of benchmarking its diversification against peers when considering corporate structure.

Slovin et al. (2005) argue that while there is extensive research on equity deals in M&A, the literature on equity deals in asset sales needs to be expanded. Considering asset sales exclusively, the authors find evidence that M&A paid with buyers' equity increase affects shareholder wealth, both for buyers and sellers (Slovin et al., 2005). Therefore, the authors question whether asset sales should be regarded as a peculiar type of transaction rather than a subset of mergers and takeovers. Brauer (2006) highlights the role of external advisors in asset sell-offs. The author suggests that selling firms can improve their divestiture performance by examining peers' past sell-offs, alternatively benefiting from advisors with past sell-off experience. However, the literature regarding share payments in asset sell-offs is limited, and the authors do not specifically address real estate.

2.3 Joint Venture and Strategic Alliance Theory

Joint ventures are defined as a combination of resources from two or more companies to reach an objective under the control of the founding firms (Tobin et al., 2008). Joint Ventures share similarities with mergers of equals as both parties contribute equal assets to achieve a common objective (Miller et al., 2017). Joint Ventures are founded to achieve a specific goal, and when the objective is completed, the alliance is terminated (Weber et al., 2013). Miller et al. (2017) further argue that in a typical joint venture, all parties entered the agreement based on some experience, business connection, or other intangible rationale. Weber et al. (2013) emphasize that joint ventures are useful when companies can take advantage of each other's competitive advantages, highlighting knowledge about geography, technologies, and industries as prominent motives for joint venture agreements.

The announcement's effect on the share price can be seen as a proxy for the expected future return of a joint venture. Thus, announcement effects could be a guideline for what characterizes successful joint ventures. Research shows that it does not matter whether joint ventures are vertical or horizontal (Tobin et al., 2008). Furthermore, there is no favor for domestic versus international joint ventures (Tobin et al., 2008). However, evidence shows risk benefits with joint venture activity, and risk shifts from systematic to unsystematic (Tobin et al., 2008). However, Weber et al., (2013) argue that joint ventures have a high failure rate due to governance issues where dominant partners take control of the technology or business.

2.4 Real Estate Valuation

Valuation is essential not only in terms of transactions, but also in terms of accounting. Due to International Financial Reporting Standards ("IFRS"), the fair value of the properties must be presented as book value in the balance sheet. Consequently, real estate companies must value all their real estate assets as of each reporting date (IFRS, 2023). The fair value of the properties should reflect the price that would be received in a transaction on the reporting date. Therefore, assumptions realistically reflecting the market conditions should be used when measuring the fair value of properties (IFRS, 2023). Furthermore, if the assets are sold or revalued at a different price than those presented on the balance sheet, a profit or loss is recognized on the balance sheet.

2.4.1 Income approach

There are many different valuation methods used in real estate valuation. However, for real estate generating income, the most commonly used valuation method is income approach (Wang & Wolverton, 2002). Income approach valuation is based on the capability and probability of creating future cash flows from real estate. There are different ways to conduct a valuation when examining the cash flows of real estate. However, all valuation approaches involve a risk variable and a cash flow variable (Wang & Wolverton, 2002).

Three commonly used methods are discounted present value, gross income multiplier, and direct capitalization rate ("Cap Rate") or ("Yield") (Linneman & Bruce, 2020). However, the gross income multiplier approach is applicable when the costs attributable to the property operating expenses are low or if the differences are small (Wang & Wolverton, 2002). This method multiplies gross income by a valuation multiple, resulting in property value. However, as residential properties have variable costs depending on age, material, location, and other factors, the outcome of the gross multiplier approach can be misleading regarding the costs of the property. Furthermore, to consider the variation in costs between peers, net operating income ("NOI") is most often used as a valuation earning metric (Wang & Wolverton, 2002). NOI is the earnings after operating expenses, which are the costs attributable to the performance of normal business operations. The yield is property value divided by the following year's stabilized NOI. Stabilized NOI reflects NOI in a steady state level of operations. The yield can be interpreted as an inverted multiple on stabilized NOI. As such, dividing the following year's stabilized NOI by the yield will return the property value. (Linneman & Bruce, 2020)

$$\frac{Stabilized\ NOI}{Yield} = Property\ Value$$

However, there are limitations to these approaches as they need to consider future fluctuations in operating expenses, capital expenses, and income, i.e., basing a valuation on next year's stabilized NOI can be misleading. A discounted cash flow ("DCF") model can be conducted to deal with future fluctuation. Furthermore, using a DCF, the value derives from the real estate's capability to generate future cash flows and the expected value of the real estate as of the last year of the DCF, discounted with a discount rate representing the time value of money. (Linneman & Kirsch, 2020)

2.4.2 Market Liquidity and Real Estate Valuation

There are many factors to consider when evaluating the accuracy of real estate valuation. In the commercial real estate market, especially in private markets, yields can be affected by transaction costs, length of transactions, and market liquidity, among other factors (Clayton et al., 2008). There are many theories addressing the issue of market illiquidity. Practitioners often use a discount for lack of liquidity. The general idea is that a discount applies to assets, ownership, or businesses with limited ability to convert them into cash (Dodel, 2014). Similar to discount for lack of liquidity, Tiwari and White (2014) argue that liquidity risk in real estate appears when markets are thin with few properties available. Subsequently, this risk should yield a higher expected return (Tiwari & White, 2014; Linneman & Kirsch, 2020). Heaton (2014) approaches liquidity premiums as interconnected with size premiums, emphasizing that size premiums compensate for the illiquidity of small corporations.

2.5 Size Effect and Platform Strategy

The influence of size on valuation and returns has been thoroughly investigated since Banz (1981) first discovered the anomaly of size premium. Research suggests that there is a size premium for small companies when looking at market capitalizations on the stock exchange (Berk & DeMarzo, 2017). Fama-French adjusts for this phenomenon in its model by including a small-minus-big variable (Berk & DeMarzo, 2017). The hypothesis of size premium would imply that the expected returns are higher in smaller companies. Furthermore, higher expected returns suggest investors buy future dividend streams at lower valuations. However, this phenomenon is contrary to the efficient market hypothesis as all information should be available, and no alphas should be able to be generated (Berk & DeMarzo, 2017).

The market reaction to the acquiring firm following an acquisition is often viewed as a proxy for the valuation of the target. By categorizing acquirers by size, Moeller et al. (2004) find that small firms' share price generally exceeds large firms' share price when announcing an acquisition. Thus, smaller firms are more able to acquire undervalued assets, and larger firms are more prone to overpay (Moeller et al., 2004). Assuming that small firms acquire smaller targets, the result could be explained by small targets being undervalued, and vice versa.

Sudarsanam (2010) highlights that several empirical studies show that, in relation to the acquirer, small acquisitions generate higher announcement returns to the acquirer than large acquisitions. Furthermore, the author emphasizes that there is empirical evidence that serial acquirers outperform occasional acquirers and the stock market. Indicating that there might be a relationship between acquiring small companies at a lower valuation and consolidating them into a group at a higher valuation. The author also refers to the real estate industry as an example of a fragmented market suitable for this strategy. Sudarsanam (2010) further argues that there are three primary sources of value creation when consolidating companies: cost savings, revenue enhancement, and new growth opportunities. Cost savings and revenue enhancement are generally derived from group-level operational synergies, much like the motives provided in merger theory. However, the author highlights the importance of consolidating companies in a market with growth opportunities. Consolidations that aim to exploit these findings are generally called platform strategies. However, some might recognize these strategies as Roll-Ups or Buy-And-Build. (Sudarsanam, 2010)

2.6 Pyramidal Ownership

Pyramidal ownership is considered a tool to separate ownership from cash flows, giving control to families and other business groups through different share classes (Almeida & Wolfenzon, 2006). However, recent literature has questioned the traditional view of pyramid ownership by looking at the phenomenon from a financing perspective. Almeida and Wolfenzon (2006) argue that pyramid ownership has financing benefits when a subsidiary faces challenges in raising external funds. The authors further argue that their rationale is not exclusively applicable to pyramidal ownership with dual share classes; it is also relevant to cases where there is a one share–one vote type of ownership.

Bena and Ortiz-Molina (2013) further investigate the subject by looking at pyramid ownership in new firms. The authors argue, in line with Almeida and Wolfenzon (2006), that pyramidal ownership often occurs when new entities are having issues raising external financing. Furthermore, Bena and Ortiz-Molina (2013) state that the issues of external financing are caused by lower pledgeable cash flows due to the nature of the projects in new firms. Research shows that inside equity financing is more common in pyramid structures than within horizontal ownership structures, and arguably, this could prove the hypothesis that there are financing advantages of pyramid ownership when there are limited external financing options (Bena & Ortiz-Molina, 2013).

3. Case Study Methodology

This section provides motivation for the research design. It is followed by a description of the data collection procedures and chosen methodology, as well as an assessment of the quality of the research.

3.1 Empirical Methodology

The thesis aims to investigate how and why Studentbostäder i Sverige was founded. The case study methodology is applicable as it relates to a contemporary set of events over which the researchers have minor control (Yin, 2018). Furthermore, the author argues that a case study is suitable when the intention is to investigate a set of events in depth. This paper aims to analyze the motives and process behind the founding of Studentbostäder i Sverige, as opposed to the long-term outcome of the transaction. The single-case study design enables a comprehensive narrative applicable to the transaction's uniqueness and complexity. The research design is in line with Merriam (1994), who argues that a case study is preferable if the intention is to investigate dynamic and complex events. Yin (2018) argues that a single-case study design is appropriate under five possible rationales, whereas one is an unusual case. The founding of Studentbostäder i Sverige as a single-case study is thus motivated by the uniqueness of the transaction. Furthermore, the single-case study methodology will provide a deep understanding of the motives and process, potentially revealing insights about strategic decisions in a unique subsegment of the real estate industry.

3.2 Data Collection

The Interviews were the main primary data source, presented in Table 1. In order to collect comprehensive data with multiple dimensions, the dataset contains both dependent and independent interviewees. Interviewees with operational control of Studentbostäder i Sverige or any founding companies at the time of the case are classified as dependent. The collected data represents perceptions from various narratives and stakeholders throughout the case. Combining these will strengthen the validity and provide depth to the case.

Table 1: Interviews

Interviewee	Company and Role During Case	Dependence	Date
Rebecka Eidenert	Studentbostäder i Sverige, CEO since founding	Dependent	18.10.2023
Jan-Erik Höjvall	Amasten, CEO*	Dependent	25.10.2023
Sven-Göran Svensson	Studentbostäder i Sverige, Board Member	Dependent	26.10.2023
Rebecka Eidenert	Studentbostäder i Sverige, CEO since founding	Dependent	05.11.2023
Sofia Folstad	Colliers, Capital Markets**	Independent	26.10.2023
Adrian Hallström	Carnegie Investment Bank, Investment Banking - Real Estate	Independent	02.11.2023
Henrik Borg	Carnegie Investment Bank, Head of Project Finance Investment Banking - Real Estate	Independent	02.11.2023
Interviewee 1	Anonymous, Capital Markets	Independent	06.11.2023
Interviewee 2	Anonymous, Capital Markets	Independent	08.11.2023
Interviewee 3	Anonymous, Capital Markets	Independent	10.11.2023

** Chairman of the board of Studentbostäder i Norden since 2023*
*** Head of Finance and Transactions at Studentbostäder i Sverige 2021-2023*

The interviews were semi-structured, meaning a template with a list of questions was prepared, and there was room for follow-up questions (Merriam, 1994). Thus, the interviews allowed for open-ended and detailed questions, leaving space for the participants to reflect and share insights. In order to dive deeper into certain aspects, follow-up interviews were held. The interviews were both physical and virtual through Microsoft Teams. The meetings lasted between 30 and 60 minutes and were recorded and transcribed directly after each meeting to ensure correct citing. The final citations and references used in the research were sent to the interviewees to allow for the correction of potential errors and misinterpretations. However, the interviewees were unable to alter the discussion or the conclusions presented by the authors.

3.3 Evaluation of Methodology

The quality of empirical social research is typically evaluated in the light of four tests (Yin, 2018). The author argues that these tests are also relevant to single-case study research. Furthermore, the author presents several tactics to deal with these tests. Tsang (2014) emphasizes that when conducting a case study, one should consider all four tests when writing a thesis. This section will evaluate the validity and reliability of the research methodology and how this thesis addresses the potential criticism.

Construct Validity addresses the risk of being subjective and incomplete regarding measures and information (Yin, 2018). As single-case studies are highly dependent on interviews, some measures that could be vital to the research could be omitted. Multiple interviews are conducted with both independent and dependent professionals to deal with the risk of being subjective. Furthermore, the final draft is sent out to all interviewees to ensure no misunderstandings.

Internal Validity highlights that an explanatory variable might be missing when drawing conclusions based on causal relationships (Yin, 2018). This can be prevented by pattern-matching sources and addressing rival explanations (Yin, 2018). In order to address this, we have crosschecked data from interviews with sources such as annual statements and press releases. In addition, Yin (2018) argues that it is essential to do explanation building to avoid a lack of internal validity.

External Validity addresses the issues related to generalizing the results from case studies in other contexts (Yin, 2018). Thus, single-case studies have limited external validity. However, Yin (2018) argues that using theory in the design phase of single-case studies is critical to deal with these potential complications. Thus, we have followed the tactics to deal with the external validity in the single-case study.

Reliability aims to question the reproducibility of research. Street and Ward (2012) suggest that case studies lack the possibility of reproducibility. As interviewees are subject to human errors and affected by external factors such as market conditions and interview timing, we cannot undoubtedly say that a replication would produce the same results. Nevertheless, by describing our research design and offering our collected data, we enable opportunities for other researchers to replicate.

Furthermore, the interviews were conducted in Swedish, as it was the native language of all interviewees. On the one hand, this has an advantage due to the mitigation of language barriers; on the other hand, it could create misunderstandings when translating interviews into English. However, the quotes were cautiously translated, and the thesis was sent out to all interviewees to minimize the risk of misleading translations. Furthermore, some independent interviewees required anonymity due to the nature of their positions, which can affect the reliability of the research. However, the benefits of receiving a broad view of the case from several participants strengthen the validity of the research. Considering that the transaction occurred five years ago, it is essential to collect extensive data to ensure the validity of the research.

4. Case Background

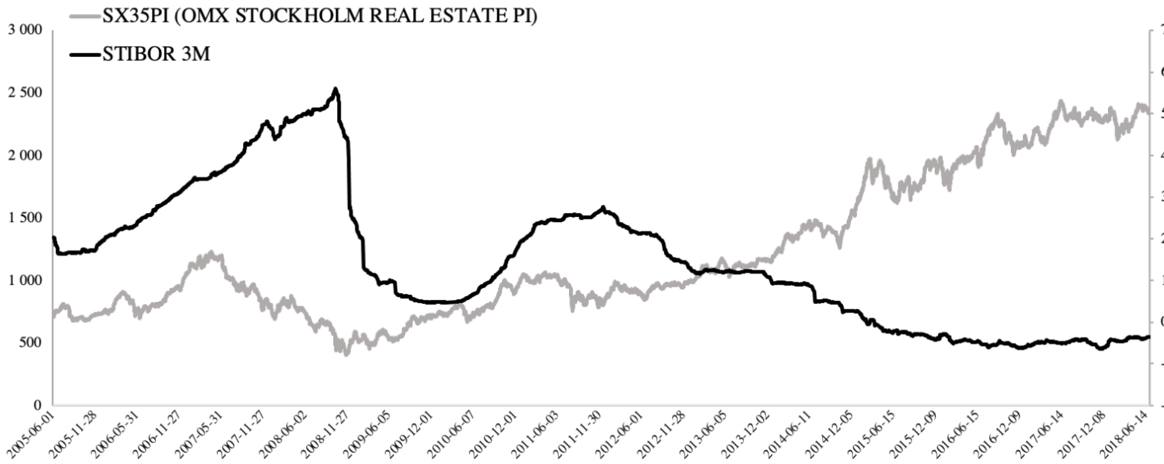
This section presents the background to the case categorized by the market and the founding companies.

4.1 Market Background

The real estate market is highly segmented because supply and demand are location and type-specific (Geltner et al., 2007). Furthermore, the market for space is local rather than national and specialized around a building usage category. Economists refer to the real estate supply function as being kinked. Geltner et al. (2007) argue that the supply function consists of a vertical line at the current quantity of space, and the supply is, in the short and medium term, considered to be inelastic due to the time it takes to build, demolish, or refurbish a space into another use case. The kink in the supply functions occurs at the current quantity of build space at a rent level, equating to the long-run cost of supplying additional space to the market.

The real estate market's heavy reliance on access to financing is evident in its substantial leverage. During the first quarter of 2018, the average loan-to-value ("LTV") ratio in Nordic real estate companies was 48%, and the average in 2008-2009 was 65% (Swedbank, 2018). The real estate industry has undergone remarkable growth, primarily attributable to the steady decline in interest rates since 2008 (Figure 1). As shown in Figure 1, central banks lowered interest rates in the aftermath of the 2008 financial crisis to stimulate economic growth. Low interest rates are pivotal in the real estate market's expansion and, consequently, real estate investments (Pirounakis, 2013). Nonetheless, opportunistic investments characterized by high leverage tend to ride the ups and downs of the market and are dependent on booming markets (Pirounakis, 2013). In 2018, a trend was to create new real estate companies based on real estate segments, focusing on one core real estate business (Folstad, 26.10.2023).

Figure 1: Swedish Real Estate Index vs. STIBOR 3M



Source: Nasdaq 2023; Sveriges Riksbank 2023

4.1.1 Student Housing Definition

Student housing is residential property specifically designed to serve as accommodation for students or residences that students primarily occupy. Student housing can be categorized into different sub-segments, including purpose-built student accommodation ("PBSA") and on-campus student accommodation (Knight Frank, 2023). Furthermore, PBSA is student accommodation located off-campus, typically near the university (Knight Frank, 2023). On the contrary, on-campus student housing is situated within the university grounds and is most often under university ownership (Eidenert, 18.10.2023).

4.1.2 Global Student Housing Market

During 2018, the student housing market was a trending segment within commercial real estate in Europe and the United States (Folstad, 26.10.2023). On average, 63% percent of total PBSA beds across Europe were owned by public participants in 2022 (Savills, 2022). In 2018, Europe's transaction market was well-developed (Folstad, 26.10.2023). According to Savills (2017), the total global investment volume, including development and M&A, grew by approximately 19% annually from 2012 to 2016. Furthermore, McKinsey & Company (2016) highlighted student housing as an emerging global trend within real estate in 2016. Established real estate investors such as Blackstone, NREP, and Goldman Sachs acquired student housing portfolios and considered student housing in their investment strategy (Blackstone, 2018; NREP, 2018; Reuters, 2020). The market dynamics are characterized by a steady demand represented by a growing number of students but a lack of supply as the investments historically have been low in the segment (Savills, 2017; Financial Times, 2022).

Student housing as an asset class had grown from being in its toddler phase to evolving into its teenager phase by 2018 (Forbes, 2018). Furthermore, PBSA was the asset class within purpose-built residential real estate that garnered the highest investment volume in 2018 (Savills, 2019). As investors began considering student housing a viable investment opportunity, student housing transformed into something beyond traditional residential property. The student housing market evolved by incorporating additional amenities like on-site food services and other conveniences, thereby enhancing the value for investors by developing new revenue streams (Eidenert, 18.10.2023; Interviewee 1, 06.11.2023). However, it is essential to recognize that student housing as a product varies from one country to another, with different expectations and cultural norms (Eidenert, 18.10.2023). Consequently, constructing a generalized global student housing market narrative can be challenging. Nonetheless, the market is characterized by a supply and demand imbalance in many countries (Financial Times, 2022; Eidenert, 18.10.2023; Interviewee 1, 06.11.2023).

4.1.3 Swedish Student Housing Market

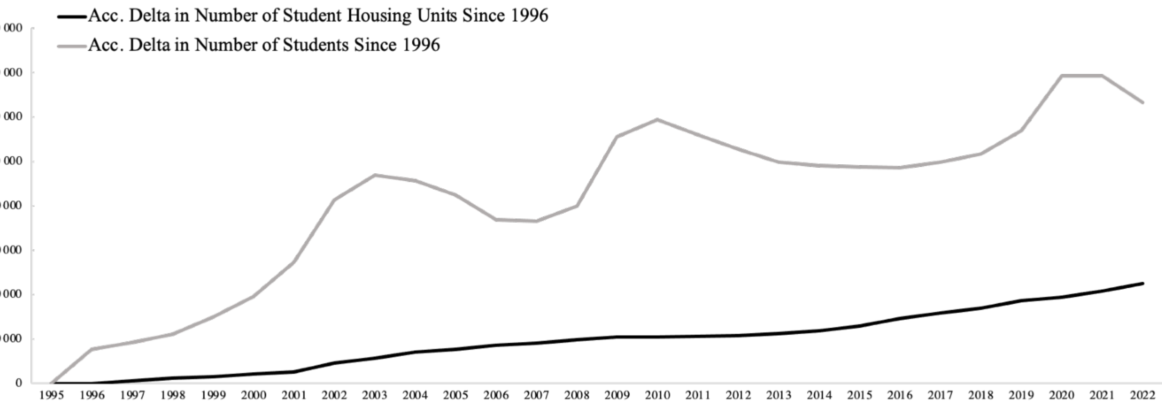
The Swedish residential[1] real estate market is regulated by value-in-use and presumption rent. Residential real estate built before 2006 is regulated by the value-in-use system (Jordabalk, 1970:994). The regulation prohibits property owners from freely deciding the rent on their properties. The rent is based on various parameters, and in case of a renovation, the rent is negotiated between the property owner and the tenant organization based on the improvements and added facilities. In 2006, the government implemented presumption rent to stimulate supply of residential properties (Jordabalk, 1970:994). Presumption rent enables the real estate company to negotiate the rent based on the property development costs during the first 15 years after completion of the property (Jordabalk, 1970:994).

Considering the high supply-demand imbalance, the Swedish student housing market shares the market characteristics of the global student housing market. Studentbostadsföretagen (2019a) recognized the imbalance by reporting a shortage of student housing in Stockholm,

[1] *Hyresrätt* in Swedish

Gothenburg, Uppsala, and Lund, averaging more than one year in queue time in 2019. Figure 2 shows that the number of students attending higher education between 1996 and 2018 increased by approximately 70,000 more than the number of student housing units built (SCB, 2019; UKÄ 2023). Sweden offers free tuition for residents of Nordic/EU/EES- countries as well as Switzerland (UHR, 2023). It has increased mobility over the past years; on average, 11% of the students in 2018/2019 were international (SCB, 2019). Furthermore, higher education can be considered counter-cyclical with a certain recession-proofing element, see Figure 2. More students seek to enroll in higher education during an economic downturn, increasing demand for student housing.

Figure 2: New Student Housing Units vs. New Students since 1996



Source: SCB, 2019; UKÄ, 2023

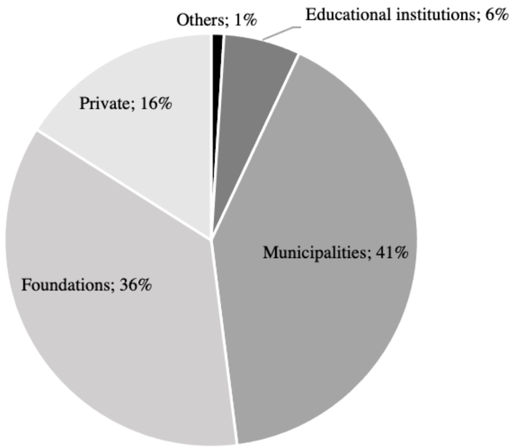
The student housing market in Sweden differs from other countries for the following reasons: Firstly, the market is dominated by municipalities and foundations that supply the market with student housing. According to Studentbostadsföretagen (2019b), see Figure 3, 83% of the student housing properties were owned by educational institutions, municipalities, and foundations. It is possible to see a pattern of different investment behavior and illiquidity in Sweden compared to other countries since most market participants are non-private or non-profit organizations with a long-term investment approach to their holdings compared to private organizations (Folstad, 26.10.2023). Furthermore, as educational institutions or municipalities mainly controlled the existing student housing owners, many were local and not nationwide (Eidenert, 18.10.2023).

Secondly, when municipalities hand out land allocation agreements, there is commonly a requirement that a certain amount of newly built housing must be allocated to students and young adults (Folstad, 26.10.2023). Thus, student housing properties were often included in larger portfolios dominated by community service properties or residentials. Consequently, the transaction liquidity on individual student housing properties was low, and the ownership was fragmented (Interviewee 2, 08.11.2023).

Thirdly, young adults in Sweden are moving away from home early in their lives, which creates a significant demand for affordable housing. According to Eurostat (2020), in 2019, the average age of leaving the parental home was 17.8 years old in Sweden. That is the youngest of all the countries in the European Union, which has an average age of 26.2 years. Moving away from the parental home early creates a larger demand for student housing compared to other countries in the European Union.

Fourthly, as mentioned above, Sweden has a unique regulated residential real estate market. In order to stimulate the supply of newly built student housing, the government implemented an investment subsidy to complement the presumptive rent system for newly built student housing in 2016 (Regeringen, 2015). The investment subsidy covered a portion of the cost of building the new property in exchange for a commitment to having a ceiling on the rent.

Figure 3: Swedish Student Housing Market by Form of Ownership



Source: Studentbostadsföretagen, 2019b

From a property management perspective, student housing differs from other commercial residential real estate. Students have other preferences, and the demand is slightly different. Students are looking for budget-friendly accommodation close to the school and generally are not very picky about the size and quality of their home (Eidenert, 18.10.2023; Höjvall, 25.10.2023). Furthermore, there is a higher tenant turnover rate with students, which, in combination with big gatherings, leads to increased damage and costs for maintenance.

The difficulties and the cost associated with property management in student housing compared to other commercial residential real estate have implied a higher yield requirement (Interviewee 1, 06.11.2023). In a low-interest rate environment with a solid real estate market, sellers could include low-quality assets as a requirement for selling the whole portfolio (Interviewee 1, 06.11.2023). Thus, the seller transformed a stand-alone high-yield asset into a low-yield asset when incorporating it into a more extensive portfolio of higher quality (Interviewee 1, 06.11.2023). Hence, buyers received unwanted and overvalued student housing properties. Limited efforts have been made to improve property management since student housing is usually a small portion of the portfolio (Folstad, 26.10.2023).

4.2 Founders Background

This section will give a brief background of the founding companies of Studentbostäder i Sverige.

4.2.1 Samhällsbyggnadsbolaget i Norden

Samhällsbyggnadsbolaget i Norden ("SBB") was founded in March 2016 by Ilija Batljan. The company specializes in community service properties. The company grew rapidly through an intensive M&A strategy, buying real estate from municipalities but also through the project development of community service properties. By writing long-term lease contracts with governments, municipalities, and institutions, SBB emphasized that their tenants were creditworthy and that future cash flows were highly predictable (SBB, 2018d). Hence, the company argued that the operational risk associated with community service properties was low (SBB, 2018d). The growth was heavily financed by debt. The LTV ratio was 59%, and the total property value was SEK 25.6 billion in the second quarter of 2018 (SBB, 2018c). Furthermore, SEK 2.0 billion of the equity was hybrid bonds, effectively increasing the LTV ratio even higher if accounted for as debt (SBB, 2018c). SBB had a credit rating of BB from Standard & Poor's as of the second quarter of 2018 (SBB, 2018c).

By the second quarter of 2023, SBB's capital structure has increasingly leaned towards hybrid securities. Hybrid bonds have reached a substantial sum of SEK 15.7 billion in value (SBB, 2023). Additionally, SBB listed D-shares as part of its strategy to fund its expansion and growth (SBB, 2023; SBB, 2018c). The price-to-book-value was traded at 0.84x, or a discount of 16%, as of the release date of the second-quarter report in 2018 (SBB, 2018c). The company aligned its accounting standards to the IFRS, and the fair values reported in the balance sheet were provided by external appraisers (SBB, 2018c).

Table 2: SBB Capitalization Table Second Quarter 2018

Shareholder	**% of Capital**	**% of Votes**
Ilija Batljan	8.6%	23.5%
Ilija Batljan (privat och genom bolag)	6.3%	16.9%
AB Arvid Svensson	7.1%	10.6%
Compactor Fastigheter	6.4%	9.1%
Backahill AB	3.9%	5.7%
Dragfast AB	4.6%	3.7%
Michael Cocozza	2.9%	3.3%
Meteva AS	11.5%	3.1%
Investmentaktiebolaget Cyclops	1.2%	2.5%
Assindia AB	1.2%	1.9%
AktFast Förvaltnings AB	1.1%	1.9%
Stiftelsen för Strategisk Forskning	5.8%	1.6%
HighHill Intressenter AB	5.5%	1.5%
Postens Pensionsstiftelse	5.5%	1.5%
Lennart Schuss	2.4%	1.5%
Oscar Lekander	0.5%	1.2%
Krister Karlsson	0.4%	1.2%
Sum	**75.1%**	**90.9%**
Other	24.9%	9.1%
Total	**100%**	**100%**

Source: SBB, 2018c

4.2.2 Amasten

Amasten invests in and manages real estate in small and middle-sized cities in Sweden. Amasten became publicly traded on Nasdaq First North in 2013 (SBB, 2021a). In the following years, the company acquired a significant amount of real estate and changed its list to Nasdaq First North Premier. In 2017, the company focused on improving profitability and internalizing property management. In 2018, the company acquired and divested real estate to concentrate its portfolio in large cities with growth (SBB, 2021a). Before Jan-Erik Höjvall became the CEO at Amasten, he served as the CEO at Rikshem alongside Deputy CEO Ilija Batljan (Höjvall, 25.10.23). The Swedish press has highlighted their close relationship and reported that they co-invest in real estate privately (Fastighetssverige, 2019). Prior to working at Rikshem, Jan-Erik Höjvall was CEO at Akelius for almost ten years (Höjvall, 25.10.23). Amasten had a total property value of SEK 3.0 billion as of the second quarter of 2018 (SBB, 2018a). Amasten is, from 2022, fully owned by SBB (SBB, 2022). The price-to-book-value was 0.74x as of the release date of the second-quarter report in 2018 (SBB, 2018a). The company aligned its accounting standards to the IFRS, and the fair values reported in the balance sheet were provided by external appraisers (SBB, 2018a). The ownership structure was diverse as shown in Table 3.

Table 3: Amasten Capitalization Table Second Quarter 2018

Shareholder	% of Capital	% of Votes
Sterner Stenhus Fastigheter AB	19.3%	19.4%
Ålandsbanken i ägares ställe	18.3%	18.4%
Länsförsäkringar Fastighetsfond	9.3%	9.3%
BNYMSANV RE BNYM RE FIDULITY RUTLAN	8.9%	8.9%
D. Carnegie & Co AB	6.4%	6.5%
Faculta AB	2.9%	2.9%
Försäkringsaktiebolaget, Avanza Pension	2.6%	2.5%
Jensen Invest AB	1.3%	1.3%
Alfred Berg	1.0%	1.0%
Martin Söder	1.0%	1.0%
ABG Sundal Collier ASA	0.9%	0.9%
Sum	**71.9%**	**72.2%**
Other	28.1%	27.8%
Total	**100%**	**100%**

Source: SBB, 2018a

4.2.3 Offentliga Hus

Offentliga Hus was founded in 2011, and by 2020, the company made an initial public offering ("IPO") of the company at the First North stock exchange (Offentliga Hus, 2020). In 2021, SBB executed a public take-over of Offentliga Hus (SBB, 2021b). However, in 2018, Offentliga Hus owned, managed, developed, and rented out properties where publicly owned organizations represented the majority of existing tenants. The portfolio consisted of buildings such as schools, police houses, and libraries. The property value amounted to SEK 3.0 billion at the end of the second quarter of 2018, and the LTV ratio amounted to 48% (Offentliga Hus, 2018a). By the second quarter of 2018, Offentliga Hus was owned 50% by Fastator and 50% by Offentliga Nordic Property Holding SARL (Offentliga Hus, 2018a). The student housing portfolio that Offentliga Hus contributed to the founding of Studentbostäder i Sverige was called *Studium*. The portfolio was acquired in 2016 (Offentliga Hus, 2018b). Furthermore, by Q2-2018, Studium's property value represented approximately 14% of Offentliga Hus's total property value. The LTV-ratio of Studium was 67% (Offentliga Hus, 2018b). The company aligned its accounting standards to the IFRS, and the fair values reported in the balance sheet were provided by external appraisers (Offentliga Hus, 2018a).

4.2.4 Fastator

Fastator was founded by CEO Joachim Kuylenstierna in 2011. The company aims to invest in real estate and real estate-related companies. Fastator describes itself as the only investment company solely investing in the real estate sector. At the time of the founding of Studentbostäder i Sverige, Fastator had an LTV ratio of 24% (Fastator, 2018a). The biggest holding in Fastator's portfolio at the time was Offentliga Hus, amounting to 55% of the total portfolio. (Fastator, 2018a). The price-to-book-value was 0.47x as of the release date of the second-quarter report in 2018 (Fastator, 2018a).

5. The Case

This section describes the narrative behind the transaction, both from the founder's and independent perspectives. Providing an objective view of why and how the transaction was made.

5.1 Initial Process

Offentliga Hus contacted Colliers International ("Colliers"), a leading global real estate advisory firm, to sell their student housing portfolio, refocusing their property portfolio on their core business: community service properties. Colliers recognized the potential of the opportunity, driven by the fact that student housing had become a popular sector outside of Sweden. *"Student housing was, back then, an attractive segment within the real estate market in Europe and USA, /…/ but had not become an established segment in Sweden yet."* (Folstad, 26.10.2023). However, the interest from Swedish investors was limited. Several Swedish market participants had student housing properties in their portfolio as they were part of a larger portfolio, i.e., not specifically targeted (Folstad, 26.10.2023). *"When we started to talk with Swedish investors, there were not many interested in buying a portfolio with student housing properties in Sweden as many thought it was difficult to manage."* (Folstad, 26.10.2023).

It became clear to Colliers that they had to target international investors as they were more familiar with the segment. However, the ticket of approximately SEK 420 million for the initial portfolio was too small for international institutional investors. *"When we reached out to international investors, we noticed a strong interest in investing in the Nordic student housing market. However, the portfolio was too small, /…/ for international investors to buy student housing properties in Sweden, they preferred at least two billion crowns in investment volume."* (Folstad, 26.10.2023). International real estate funds usually invest in portfolios focused on one segment, requiring larger volumes than some of the Swedish investors (Borg, 02.11.2023).

Colliers approached Amasten and SBB with an offer to purchase Offentliga Hus' portfolio. Amasten's strategy during 2018 was to concentrate its portfolio on large cities with growth (SBB, 2021a). In response, Amasten declined the offer and expressed interest in selling their student housing portfolio as well, followed by SBB, who also wanted to divest two student housing properties (Folstad, 26.10.2023). With the aim of growing the required ticket for international investors, SBB and Amasten got involved, contributing to the portfolio with their student housing properties. *"I believe that the initial proposal, only including Offentliga Hus' portfolio, was too small. That is why SBB and Amasten's student housing properties were included in the offer."* (Eidenert, 18.10.2023).

Table 4: Studentbostäder i Sverige Total Portfolio

SEKm	**Amasten**	**Offentliga Hus**	**SBB**	**Total Portfolio**
Gross Income	21	36	15	73
Vacancy	0	2	0	2
Stabilized Gross Income	21	38	15	75
Occupancy rate	*99%*	*94%*	*100%*	*97%*
Opex	-7	-15	-3	-24
Stabilized NOI	14	22	12	48
Stabilized NOI-margin	*68%*	*56%*	*80%*	*64%*

Source: Studentbostäder i Norden, 2023b

With Amasten and SBB's contribution, the portfolio was now just below SEK 900 million. However, Colliers got the impression that it still was not enough. *"With Amasten and SBB's portfolio, we reached a ticket of almost one billion Swedish crowns. When we reached out to international investors, they said that the portfolio was too geographically diverse. If the portfolio was to be spread around all of Sweden, the ticket needs to be three to four billion crowns."* (Folstad, 26.10.2023). According to Hallström (02.11.2023), there is a relationship between the investors' geographical distance to the market and the requirements regarding the risk profile of the real estate assets. International investors are mainly looking for a concentrated portfolio of core assets in large cities as it is challenging to invest in local markets without local expertise. As the process continued, the idea to create a new student housing company developed. In 2018, there was no privately owned nationwide student housing company. The idea was attractive to all three founders, and negotiations were initiated (Höjvall, 25.10.2023).

5.2 Negotiations

Negotiations were initiated by Ilija Batljan (CEO of SBB), Joachim Kuylenstierna (CEO of Fastator), and Jan-Erik Höjvall (CEO of Amasten). As the property values were pivotal in determining the ownership distribution of Studentbostäder i Sverige, the negotiations primarily revolved around property valuation (Höjvall, 25.10.2023). *"Everyone believed that their own properties were fairly valued, and the others were unfairly valued, /.../ leading to tough negotiations finalizing shortly before the announcement in Almedalen"* (Höjvall, 25.10.2023). Several external appraisers were engaged, ultimately leading to the ownership structure presented in Table 5 (Höjvall, 25.10.2023).

Table 5: Ownership Structure Studentbostäder i Sverige

Company	Ownership
Amasten	28%
Offentliga Hus	45%
SBB	23%
Management	4%

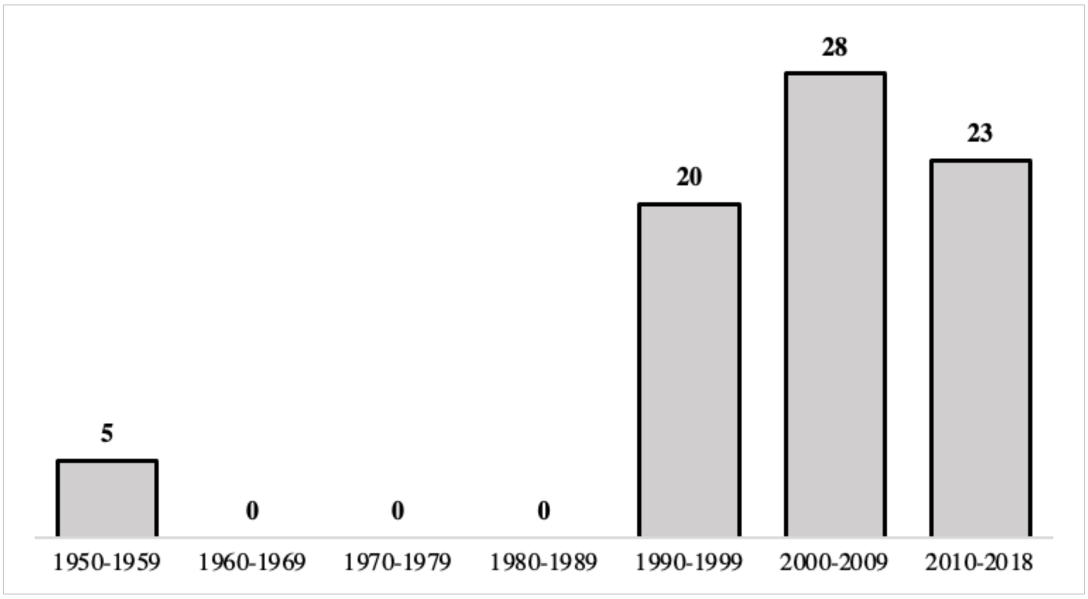
Source: SBB, 2018b

5.3 Assets and Locations

The final portfolio consisted of approximately 44,000 square meters, spread around ten cities (Studentbostäder i Sverige, 2018). The portfolio consisted mainly of properties built around the turn of the millennium in smaller Swedish cities: Karlstad, Trollhättan, Göteborg, Växjö, Olofström, Karlshamn, Kristianstad, Karlskrona, Ronneby, and Lund (Studentbostäder i Norden, 2023b). The tenants were students, except for commercial contracts attributable to non-residential areas integrated into the buildings (Studentbostäder i Sverige, 2018). The total number of apartments was 1,375. The properties were built between 1955 and 2017 and averaged 2001 (Studentbostäder i Norden, 2023b). The number of properties was 20 when counting one property per property license number[2]. However, most properties included several buildings under one property license number (Studentbostäder i Norden, 2023b). The rents for residential apartments are annually negotiated with the Swedish tenant association, and for commercial contracts, the indexation aligns with the Consumer Price Index ("CPI") (Eidenert, 18.10.2023).

[2] *Fastighetsbeteckning* in Swedish

Figure 4: Revenue Categorized by Building Year of Properties, SEK million



Source: Studentbostäder i Norden, 2023b

Regarding the properties' quality, the portfolio's building materials were a combination of wooden constructions, concrete and prefabricated modules. *"The quality of the initial portfolio was not the best. However, student housing properties in Sweden are generally of low quality. It is hard to say whether the portfolio was below average standard."* (Interviewee 3, 25.10.2023). See Appendix 9.3, 9.4, 9.5 for pictures of the properties.

5.4 Authors Implicit Valuation

The implicit yields provided in Table 5 are based on the total property value of Studentbostäder i Sverige multiplied by the ownership published in the deal announcement. The net operating income from each portfolio is required to calculate the implicit yields using the property value provided in the annual report (Studentbostäder i Sverige, 2018). Due to a lack of access to the actual valuation, the author's implicit valuation will be based on financials regarding the portfolio provided by Studentbostäder i Sverige, see Appendix 9.2. The information provided by the company can differ from the financials used in the final valuation due to adjustments. Consequently, the implicit yields provided in Table 6 might differ from those used in the transaction valuations. Moreover, it is presumed that the distribution of equity ownership is accurately proportionate to the contributed property value from each founding company. Due to the lack of the actual valuation data used in the transaction, the following valuations will be referred to as the authors' implicit valuation. The only company of the three founders that disclosed the book value of their portfolio prior to the transaction was Offentliga Hus. The value of the contributed properties was SEK 418 million, only differing SEK 3 million to the value provided in Table 6 (Offentliga Hus, 2018b).

Table 6: Authors' Implicit Valuation

SEKm	**Amasten**	**Offentliga Hus**	**SBB**	**Total Portfolio**
Gross Income	21	36	15	73
Vacancy	0	2	0	2
Stabilized Gross Income	21	38	15	75
Occupancy rate	*99%*	*94%*	*100%*	*97%*
Operating Expense	-7	-15	-3	-24
Stabilized NOI	14	22	12	48
NOI-margin	*68%*	*56%*	*80%*	*64%*
Yield[1]	5.60%	5.17%	5.57%	5.39%
Ownership[2]	28%	45%	23%	96%
Negotiated Property Value[3]	258	420	216	893

Source: Studentbostäder i Norden, 2023b; Studentbostäder i Sverige 2018 Annual Report

1) Yield is calculated using stabilized NOI, assuming 0% vacancy in steady state

2) Remaining shares are owned by management

3) Property value calculated using total property value multiplied by the ownership

As SBB's contribution was two properties, Gullbernahult 7 and Lindholmen 6:9, it is suitable for analyzing potential yield combinations. Lindholmen 6:9 was subject to a short-term land lease agreement[3]. Due to the authors' implicit valuation, the total value of SBB's portfolio was SEK 216 million. Furthermore, approximately 69% of SBB's NOI contribution was attributable to Lindholmen 6:9 (Appendix 9.2). By assuming a yield for Gullbernahult 7, all else equal, the implicit yield of Lindholmen 6:9 can be calculated. In the 2018 annual report of Studentbostäder i Sverige, the yield of all their properties varies between 4.52% and 5.60% (Studentbostäder i Sverige, 2018). Thus, looking at the possible combinations, the yield interval for Lindholmen 6:9 is between 5.56% and 5.60%, and Gulbernahult 7 is between 5.50% - 5.60% (Table 7). Considering that Lindholmen 6:9 is a short-term land lease

[3] Swedish legal agreement called *Arrende*

agreement, the valuation is based on the probability of future cash flows regarding the probability of an extended short-term land lease agreement (Studentbostäder i Norden, 2023b).

Table 7: SBB Yields

Yield on Gullbernahult 7	Yield on Lindholmen 6:9	Implicit value of Lindholmen 6:9 (SEKm)
4.52%	6.18%	137
4.75%	6.01%	140
5.00%	5.86%	144
5.25%	5.72%	148
5.50%	5.60%	151
5.57%	5.57%	152
5.60%	5.56%	152

Source: Studentbostäder i Norden, 2023b

Area within dashed lines are the possible yields on SBB's total contribution.

5.5 Merger Process

Capital Structure

Studentbostäder i Sverige was initially financed by approximately 71% debt. The bank loans attributable to the properties included in the deal were collateralized by one bank loan (Studentbostäder i Sverige, 2018). The ownership was distributed based on each founder's proportion of the total property value (Höjvall, 25.10.2023; Folstad, 26.10.2023). Moreover, Offentliga Hus recorded the highest LTV ratio in their contribution. For the equity distribution to accurately reflect the property value distribution, consistent LTV ratios were necessary across all portfolios. To achieve the same LTV ratios, Studentbostäder i Sverige issued shareholder loans to Amasten and SBB, elevating their LTV ratios to match Offentliga Hus' LTV ratio. Ultimately, 34% of the debt was shareholder loans to Amasten and SBB (Studentbostäder i Sverige, 2018). The deal was non-cash, and the shares in Studentbostäder i Sverige were accounted as an associated company on the founder's balance sheet. However, there were alternatives to issuing shareholder loans. For example, the founders could have divided the ownership based on the property equity, disregarding property value or repaying the debt to align with the other founders. Alternatively, settle the difference in LTV ratio with cash payments between the companies. See Table 8 for a summary.

Table 8: Capital Structure Studentbostäder i Sverige at Founding

SEKm	Sources Amasten	Offentliga Hus	SBB	Management	Credit Institution	Total Studentbostäder i Sverige	*% of EV*
Common Equity	**75**	**120**	**61**	**11**	**-**	**267**	***30%***
Shareholder Loans	49	-	111	-	-	160	*18%*
Loan from Credit Institutions	-	-	-	-	475	475	*53%*
Total Debt	**49**	**-**	**111**	**-**	**475**	**634**	***71%***
Cash	N.D.	N.D.	N.D.	N.D	-	-8	*-1%*
Net debt	**49**	**-**	**111**	**-**	**475**	**626**	***70%***
Enterprise Value (EV)	**123**	**120**	**172**	**11**	**475**	**893**	***100%***

Source: Studentbostäder i Norden 2023b; Studentbostäder i Sverige 2018

The capital structure in Table 8 is based on the property value (Enterprise Value) as of the year-end figures 2018. Note that no additional transactions, revaluations, or debt repayments occurred before the end of 2018 (Studentbostäder i Sverige, 2018; Eidenert, 05.11.2023). The initial cash position was SEK 8 million. The source of the cash contribution is not disclosed (Studentbostäder i Sverige, 2018).

The bank loan was financed by one of Sweden's major banks (Eidenert, 18.10.2023). The covenants tied to the bank loan included maintaining an Interest Coverage Ratio exceeding 150%, an LTV ratio below 75%, and a Solvency level exceeding 25% (Studentbostäder i Sverige, 2018). The interest was floating at a margin of 1.75%, plus STIBOR 3M floored at 0% (Studentbostäder i Sverige, 2018). Three shareholder loans were issued with an interest rate ranging from 3.5% to 5% (Studentbostäder i Sverige, 2018). The holding company was the debtor in two of the loans. A company named Framtidens Boende i Göteborg AB served as the debtor in the third shareholder loan (Studentbostäder i Norden, 2021). The company owned the property Lindholmen 6:9, which was subject to a short-term land lease agreement (Studentbostäder i Norden, 2021).

Initial Organization

Rebecka Eidenert, former Project Manager, Head of Lettings and Property Management at Rikshem, was appointed CEO at Studentbostäder i Sverige. Rebecka was appointed as it was essential to establish a well-functioning property management organization to deal with the historical difficulties in student housing. *"Anyone can make acquisitions, but you have to focus on property management /…/, that is why Rebecka was appointed"* (Höjvall, 25.10.2023). Björn Rosengren, former minister of enterprise in Sweden, was appointed as the chairman of the board (Eidenert, 05.11.2023). The objective was to establish a property management organization to serve as a platform for future expansion through project development and acquisitions. During the initial two years, the property management team was outsourced under the supervision of the CEO (Eidenert, 05.11.2023). Furthermore, the company's accounting was outsourced to an accounting firm initially, and a Chief Financial Officer was hired on a consultative basis. Similar to the property management function, the aim was to establish an internal financial department customized for student housing (Eidenert, 18.10.2023).

5.6 Deal Motives

This section will be divided into two main motives: property management efficiency and creating a platform for further growth in an attractive market. All the interviewees touched upon these motives and highlighted different aspects.

5.6.1 Market and Platform Strategy

According to Eidenert (18.10.2023), one key motive of the transaction was to build a platform and become the first national covered student housing company in a fragmented national market, which was at the time consolidated with a few actors around each higher education institute. It would give the company comprehensive coverage of its potential customers. Eidenert (18.10.2023) argued that by becoming the first company to cover all the cities with universities, their tenants could place themselves in housing queues without knowing which university they would attend in the future. Furthermore, national coverage would allow the company to receive more deal flow and thus increase the potential to grow faster. *"The market was, and still is, relatively fragmented with many small local owners, and Studentbostäder i Sverige was the first company that tried to consolidate the market on a larger scale."* (Interviewee 1, 06.11.2023).

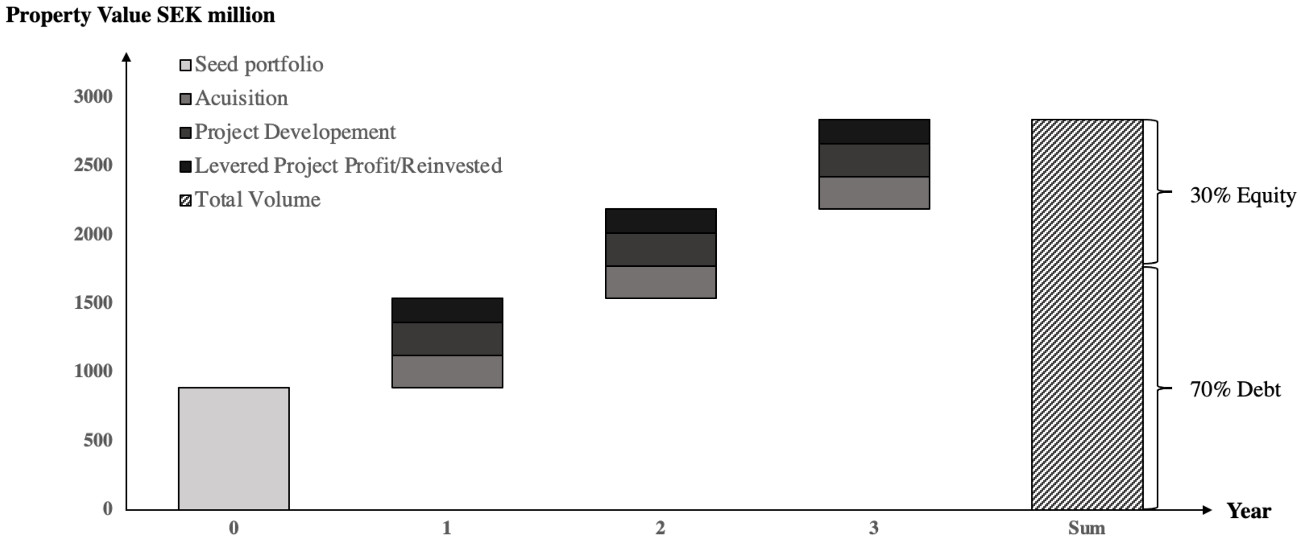
The founding companies considered the market's growth potential and risk level attractive. By consolidating the market, the new entity could bundle high-yield properties and market them as a new trending segment with low risk in order to lower the yield and increase the valuation (Folstad, 26.10.2023). Hence, the student housing market was suitable for a strategy similar to SBB's, where the company managed to bundle community service properties and market them as a low-risk segment (Folstad, 26.10.2023).

The founding companies also considered the market attractive on a political and societal level. They recognized that lenders and financial markets appreciated the segment and provided preferable terms on financing (Höjvall, 25.10.2023). Furthermore, the investment subsidy was attractive as it reduced the initial costs and risks associated with building new properties (Interviewee 3, 2023). Hence, the market with favorable financing and investment terms gave the new entity good conditions to grow and realize value over time.

Initially, there were indications from international buyers that the student housing market was attractive, but the portfolio size was too small. To meet the investor's demand, the founders intended to create a platform for further growth with the initial portfolio as a seed portfolio (Folstad, 26.10.2023). No real estate company focused solely on student housing at the time. By building a larger portfolio of student housing properties, the founders probably believed the properties would be valued higher if consolidated under one specialized organization (Interviewee 1, 02.11.2023). Consequently, the founders believed that Studentbostäder i Sverige could undertake future investments and realize value through yield expansion. Increasing the size of the portfolio would make the portfolio attractive to large international investors who desired to enter the Swedish student housing market (Folstad, 26.10.2023).

The initial plan when founding the company was to grow the property value by approximately 47% per year, through project development and acquisitions, see Figure 5 (Studentbostäder i Norden, 2023b). *"There was a clear growth strategy through acquisitions."* (Höjvall, 25.10.2023). In the deal announcement, the founders expressed the ambition to grow by raising SEK 400 million in equity with Arctic Securities as an advisor (SBB, 2018b).

Figure 5: Initial Business Plan



Source: Studentbostäder i Norden (2023b)

5.6.2 Property Management Efficiency

The property management of student housing differs from the property management of conventional residential properties. There is an advantage of building an organization focusing on property management of student housing properties, both due to different customer behavior regarding maintenance, tenant turnover rate, and consequently, property vacancy (Svensson, 26.10.2023).

By forming an organization specializing in student housing, the property management unit could reduce costs by gathering specialized market understanding (Svensson, 26.10.2023). Learning about students' behavior and thus benefiting from economies of scale in effective maintenance operations (Svensson, 26.10.2023). Offentliga Hus, Amasten, and SBB had experienced these problems in their student housing properties (Svensson, 26.10.2023). Hence, synergies from effective property management were one of the main motives for the transaction. (Svensson, 26.10.2023). *"I would say that the NOI margin of student housing properties on average is at least 10% lower for conventional real estate companies holding student housing compared to us"* (Eidenert, 18.10.2023). Since founders emphasized growth through acquisitions and project development, a property management organization focusing on a specific segment can reduce time and cost when integrating new properties (Eidenert, 18.10.2023).

An efficient letting organization was one of the aspects of improving property management driving the transaction. *"The biggest difference is the tenant turnover. The annual turnover rate for student housing properties is approximately 50%. /…/ This has always been a big issue for conventional residential real estate companies holding student housing in their portfolio."* (Eidenert, 18.10.2023). The high turnover of tenants demands an effective letting organization to reduce vacancies and thereby increase revenue. However, there are some advantages of having students as tenants, as they are young and receptive to digital solutions (Eidenert, 18.10.2023). By digitalizing the process of signing contracts and handing over keys, profitability could increase through cost savings and revenue enhancement (Svensson, 26.10.2023). In a conventional residential real estate company, the apartments can be intentionally vacant for up to a month to complete the transmission of new tenants, which is not sustainable in a real estate company with a high tenant turnover (Svensson, 26.10.2023). Furthermore, the majority of students have a limited history of personal finance. Hence, there was an opportunity to streamline and improve the efficiency of the transmissions by not requesting credit information regarding the tenants (Svensson, 26.10.2023).

5.7 Exit Opportunity

There was no clear exit strategy regarding divesting the founding companies' shares in Studentbostäder i Sverige (Folstad, 26.10.2023). However, an IPO and a sale of the company were options going forward. Furthermore, by creating a new entity and growing according to the business plan, there was an ambition to shape the organization to suit large global investors that initially rejected them (Folstad, 26.10.2023). Nevertheless, Höjvall (25.10.2023) emphasized that an IPO was the goal from the beginning. However, the founders were also open to selling the company without going public (Folstad, 26.10.2023).

5.8 Market reactions

The deal was announced on July 2, 2018, after the stock market closed. Thus, July 3 will be considered when reviewing market reactions. OMX Stockholm Real Estate PI increased by 0.09% (Nasdaq, 2023). SBB's B-share remained unchanged at 0.00% (Nasdaq, 2023). Amasten's share rose by 1.87% (Nasdaq, 2023). Considering Offentliga Hus, their share was not publicly traded at the time of the deal. However, Fastator's shares were listed on the

Stockholm Stock Exchange. Furthermore, Fastator's share price gained 1.54% during July 3, 2018 (Nasdaq, 2023). Given that the contribution to Studentbostäder i Sverige was a higher portion of the portfolio in Offentliga Hus (Fastator) and Amasten, their stocks are arguably a better proxy of the market's reaction to the announcement.

5.9 Epilogue

Studentbostäder i Sverige started to look for investment opportunities immediately after completing the transaction. April 2, 2019, Studentbostäder i Sverige announced their first acquisition of two properties in Karlstad, with a total property value of SEK 115 million (Studentbostäder i Sverige, 2019). The transaction was financed with a mix of directly issued shares and debt (Studentbostäder i Sverige, 2019). Three months after acquiring the properties in Karlstad, Studentbostäder i Sverige announced an acquisition of properties in Luleå with a total property value of SEK 1.1 billion (Fastighetsvärlden, 2019). The transaction was also financed by a mix of directed new share issue and debt, making the seller, Lindbäcks Fastigheter, the third largest shareholder with a 20.3% ownership stake. Thus, SBB's ownership share decreased to 17.7%, Amasten to 21.2%, and Offentliga Hus to 34.4% (Fastighetsvärlden, 2019).

Following the transactions, Studentbostäder i Sverige started to build an in-house property management organization and a finance department specialized in student housing (Eidenert, 18.10.2023). At the beginning of 2021, studentbostäder was listed on the First North stock exchange through a reverse takeover of the, by many newspapers described, controversial company Prime Living (Dagens Industri, 2020). Björn Rosengren, chairman of the board of Studentbostäder i Sverige at the time, expressed in Dagens Industri: "*One should be aware that Prime Living was bankrupt, it had no funds, there were very shady transactions in the background - it is a sick company*" (Dagens Industri, 2021, authors translation). Following the reverse takeover, Studentbostäder i Sverige acquired properties and initiated project development at a high pace, expanding in Denmark and Norway and, thus, renaming themselves Studentbostäder i Norden. The share price rose to an all-time-high SEK 10.74 per share in January 2022, implying a market capitalization of SEK 2.05 billion (Nasdaq, 2023; Studentbostäder i Norden, 2022). However, as stated in the business plan, the growth journey was heavily financed by debt, and as interest rates increased, the stock price fell by more than 91% from all-time-high as of November 16, 2023 (Nasdaq, 2023).

6. Discussion

(1) Why did SBB, Amasten, and Offentliga Hus carve out their student housing properties and create a new entity?

(2) How can the transaction create value for the shareholders?

The complexity of three companies divesting assets in exchange for shares in a new entity makes the transaction challenging to categorize according to Corporate Finance theory. Merger theories are applicable considering motives and the similarities of combining and integrating distinct business units. Nevertheless, the application of these theories is limited, as merger theories aim to explain the rationales and strategic considerations behind the decision to combine entire businesses. Corporate divestiture theories are applicable in explaining the rationale behind the founding companies' decision to divest their assets. However, these theories have limited applicability since the transaction is a share deal, and the founding companies also represent the buy side of the transaction. Since the transaction involved a combination of resources and had a clear objective, joint venture theories could be relevant. However, the literature states that Joint venture agreements are entered to benefit from experiences and other intangible rationales. The founding companies' main contribution is tangible assets, which makes joint venture theories less applicable.

Market and platform strategy

Exploiting a fragmented market with a platform strategy was a clear motive for the transaction. Independent market participants emphasized that Studentbostäder i Sverige was the first company with the ambition to consolidate the student housing market. This motive aligns with the platform strategies Sudarsanam (2010) presents. However, whether the Swedish student housing market was fragmented is questionable because real estate markets are considered local and type-specific. Although real estate markets are local, Studentbostäder i Sverige initially operated nationwide with a small presence in many cities. Furthermore, the plan was to establish a nationwide company where students could place themself in a national housing queue. This implies that Studentbostäder i Sverige aimed to grow nationally rather than consolidate local markets.

The initial portfolio was unmarketable and founding companies received feedback from international investors that the size of the portfolio needed to increase in order for the portfolio to be marketable. The literature considering the size effect does not necessarily suggest that small investment tickets are unmarketable. However, it suggests a size and liquidity premium, implying that lower investment tickets trade at higher expected returns (Tiwari & White, 2014; Linneman & Kirsch, 2020). Thus, smaller assets are valued lower than larger assets in relation to their cash flow. Consequently, questions arise as to whether the book value was overvalued. This is supported by the fact that all three founders were traded at price-to-book discounts, indicating that the stock market potentially viewed the book values as too high. Therefore, we argue that the founders wanted to prove their book values by avoiding announcing the divestment of their student housing properties below book value since it would signal to the stock market that the fair values disclosed in the balance sheets were inflated. As a solution, the founders wanted to grow the portfolio to exploit size premium and increase the valuation to match the initial book value of the assets.

Researchers emphasize the importance of growth in the market to create value when pursuing a platform strategy (Sudarsanam, 2010). The Swedish student housing market has a supply-demand imbalance. The national market is fragmented and unexploited by private companies since they only control 16% of the market. The regulated market prohibits companies from increasing the rents in existing residential properties to exploit the supply-demand imbalance. However, since the vacancy risk is lower if the demand is higher than the supply, companies should be compensated with lower yields instead of higher revenue, given that the vacancy risk of the properties is reflected in the yield. Lower yields should increase the value of the regulated residential properties. Additionally, new buildings can stimulate supply in the market, and the supply level is determined by the long-run cost of building new properties in relation to the rent level. Presumption rent enables growth in the market in terms of project development since rent is determined based on the property development cost. Thus, we argue that transaction could be value-creating since the market has elements of growth.

According to Efficiency theory, presented by Trautwein (1990), the transaction has arguably negative financial synergies. The total property value of approximately SEK 900 million was lower than the total property value of every individual founding company. In addition, systematic risk increased as the new portfolio was concentrated on a specific subsegment. Therefore, the transaction can be considered value-destroying since Studentbostäder i Sverige had a higher cost of capital compared to the founding companies due to its smaller size and less diversification.

Empirical evidence presented in the literature review supports value creation in platform strategies (Moeller et al., 2004; Sudarsanam, 2010). However, it is essential to acknowledge the distinctive characteristics of the real estate industry; with that said, the research is not conducted on real estate companies specifically. Womack (2012) finds evidence that real estate mergers are generally value-creating events, where transactions are driven by firms with superior management acquiring targets with unexploited opportunities.

Property management efficiency

In order to discuss the rationale behind the transaction, it is essential to understand the property management challenges real estate companies had regarding student housing. Dependent and independent interviewees highlight the unwillingness to own and manage these assets. None of the founding companies had expressed interest or a core focus in student housing prior to the transaction. The properties can be considered neglected as they were unwanted since they were received through purchases of large portfolios. The founders believed they could create value by enhancing operational and managerial efficiency by implementing a property management organization specializing in student housing. Hence, the new management team could create value by focusing on and monitoring the student housing properties. Creating a new entity with a management improvement motive can be considered value-creating in line with Womack (2012), who argues that real estate mergers create value driven by the inefficient management hypothesis. However, Roll (1986) states that managers tend to overvalue synergies in M&A as they want to rationalize the transaction from a financial perspective. The distinction between improved property management organization and operational synergies is questionable in this context, as both motives intend to improve long-term asset profitability.

One aspect of improved property management efficiency was improving the move-in process for tenants. There is a risk of vacancy if the move-in process is ineffective since the tenant turnover is high in student housing properties. On the one hand, this argument lacks logical consistency as the properties had an occupancy rate of 97%, shown in Table 4, only enabling the improvement potential of the vacancy rate by 3%. On the other hand, these issues may be more applicable to future acquisitions, and the vacancy rate of 3% is calculated by looking at run rates and not annually weighted. However, if vacancies can be reduced by improving the transmission of tenants, it will result in increased revenue. Thus, the founding of Studentbostäder i Sverige can create value in line with the Valuation theory regarding improved managerial efficiency.

Trautwein (1990) underlines operational synergies as one of the motives behind mergers. To which extent the transaction was set up to create cost synergies is doubtful. As aforementioned, the founders motivated the transaction by managerial improvement rather than cost synergies. Furthermore, the transaction created more business units as Studentbostäder i Sverige had to set up a new property management and finance organization. Thus, one could argue that the increased costs were value-destroying in line with the literature. However, when examining sell-off theories, research shows that sell-offs can create value by mitigating negative synergies in the divesting company. Furthermore, as student housing was a non-core business for the founding companies, the transaction could create value by reducing diversification.

Alternative motives

Besides the motives provided by interviewees, the literature points towards alternative motives given the characteristics and structure of the transaction. One of the alternatives to the transaction was to invest in student housing in a horizontal structure, creating an in-house department focusing on student housing. Bena and Ortiz-Molina (2013) suggest that limited access to external financing is an explanation for not placing new companies in a horizontal structure. Thus, it is more common with inside equity financing in a pyramidal structure. The shareholder loans issued to Amasten and SBB qualify as internal financing. In line with the literature, one explanation for the pyramidal structure could be limited access to external financing. One of the shareholder loans was issued specifically towards Lindholmen 6:9, valued at a yield of 5.56% to 5.60%, as shown in Table 6. Considering that the property was subject to a short-term land lease agreement, there could be reason to believe that external financiers thought it was too high a risk to increase the leverage. Consequently, in line with theories, one could question whether shareholder loans were preferred when leveraging Amasten's and SBB's contributions. Furthermore, the founding companies' shares traded at a price-to-book discount at the time of the deal, suggesting that the market perceived the book values as too high. By doing a non-cash deal at the current book values, the shares of the new entity would replace the assets in the balance sheet without any change in net asset value. In line with merger theories, a motive could therefore be to realize their potential overvalued assets without accounting for a loss in the income statement. This is supported by the fact that the founders tried to divest the assets but did not succeed. On the one hand, the book values of Amasten and SBB's contributions pre-acquisition were not disclosed, making this motive speculative. On the other hand, Offentliga Hus book values were disclosed at SEK 418 million before the transaction which is in line with figures provides in Table 6. Nevertheless, all valuations were made by external real estate appraisers.

Overvalued properties could be an explanation for the transaction. Rhodes-Kropf and Viswanathan (2004) suggest that the valuation impacts stock mergers regardless of the underlying motive, and overvalued targets are more inclined to sell based on their assessment of synergies and private information. One could argue that the founding companies agreed on the transaction because of their respective private information regarding the true value of their student housing properties. Consequently, the transaction price of the properties was the equilibrium between the founding companies' private information regarding the properties and the perceived value of synergies resulting from the transaction. Thus, the transaction was motivated by the founders' belief that their student housing properties would be more valuable in the new entity, which is in line with Rhodes-Kropf and Viswanathan (2004).

In accordance with the Empire Building theory, presented by Trautwein (1990), one may question whether the founders truly aimed to maximize shareholder value or if the management engaged in inefficient management behavior to increase resources under control and grow beyond the optimal size. SBB and Amasten could be considered closely connected because of the CEO's relationship. SBB purchasing Amasten and taking complete control of the company in 2021 could further suggest evidence of SBB and Amasten's close relationship. SBB and Amasten had majority ownership, as their combined ownership represented 50.7% of the votes and capital, although Offentliga Hus was the largest individual shareholder. Nevertheless, Studentbostäder i Sverige expressed a plan to bring in new investors from a rights issue immediately after the transaction, potentially diluting SBB's and Amasten's ownership. Furthermore, misalignment of incentives could result in unnecessary risk-taking and negative net present value investments. SBB had grown rapidly through an intensive M&A strategy prior to the transaction, underlining the company's ambition to grow fast. On the one hand, Ilija Batljan, the CEO of SBB, was the company's largest shareholder, aligning shareholders' interests with the CEO. On the other hand, SBB's success story with high growth could loosen the constraints on the managers and, in combination with optimism in the market, allow managers to engage in wealth-destroying mergers.

7. Conclusion

This paper gives an in-depth analysis of the founding of a niched real estate company within an undeveloped market. The case was non-cash, and three founders were involved. As niche real estate companies are a growing trend, this thesis aims to give an extensive background and analysis of the motives given by interviewees and previous literature. Due to the complexity of the transaction, it is challenging to categorize the founding of Studentbostäder i Sverige into corporate finance terminology, which complicates the application of literature but also makes the case unique.

The founders motivated the deal with two main motives: improving the property management efficiency in student housing and creating a platform for further growth in an attractive market. The first motive was based on the historical absence of private student housing companies. Private market participants had historically strived to avoid managing student housing properties due to difficulties related to property management. Thus, many real estate companies had unwanted student housing properties included in the acquisitions of larger portfolios. The founders saw this as an opportunity to acquire mismanaged properties and increase profitability. The second motive was to perform a platform strategy in a market characterized by a supply-demand imbalance, where the need for future investments is high. However, upon closer examination of the transaction characteristics, alternative motives are discussed, supported by the literature. The complexity of the transaction raises the question of whether it was a way to realize overvalued properties at book value through a non-cash transaction.

Our findings suggest that there is support for value creation when founding niche real estate companies such as Studentbostäder i Sverige, mainly due to improved property management efficiency. However, there is also support for value-destroying elements in the transaction. The relatively smaller size of the new entity compared to the founding companies stand-alone contradicts the potential of creating value through synergies and gaining a size premium. Nevertheless, the transaction establishes a company with a concentrated student housing portfolio. The concentrated portfolio set the stage for future growth and enhanced property management efficiency, aligned with platform strategy literature. Additionally, the transaction could create value for the founding companies in accordance with corporate divesture theories that emphasize the significance of focusing on core business activities. Given the founders' initial attempt to divest the properties and theories suggesting potential overvaluation in share deal transactions, realizing overvalued assets becomes a plausible motive for the transaction.

We suggest future research to investigate platform investing in niche real estate markets. Previous research on value creation in real estate M&A has predominantly focused on management efficiency. We believe exploring the implications of a segmented market approach as an additional factor contributing to value creation would be interesting. The exploration could shed light on the dynamics of platform strategies in different markets and the potential for yield expansion in niche real estate sectors. Another area we suggest for future research is to investigate the long-term value creation resulting from the strategic divestment of assets in exchange for shares in subsidiaries. Understanding the motives behind and implications for long-term value creation could provide valuable insights for market participants.

8. References

Interviews

Interviewee	Interview Format	Date
Rebecka Eidenert	Virtually	18.10.2023
Jan-Erik Höjvall	Virtually	25.10.2023
Sven-Göran Svensson	Virtually	26.10.2023
Sofia Folstad	In Person	26.10.2023
Adrian Hallström	Virtually	02.11.2023
Henrik Borg	Virtually	02.11.2023
Rebecka Eidenert	Virtually	05.11.2023
Interviewee 1	Virtually	06.11.2023
Interviewee 2	Virtually	08.11.2023
Interviewee 3	In Person	10.11.2023

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9. Appendix

9.1 Glossary

Arrende - An *arrende* is a legal agreement when a property owner grants the right of use. Typically involves land on a short-term lease.

Loan to Value Ratio - Defined as the interest-bearing debt divided by the total property value

Interest Coverage Ratio - EBITDA divided by interest expenses

Solvency Ratio - Equity divided by total assets.

Vacancy Ratio – The proportion of unoccupied space relative to the total space in a given property, measured in revenue.

Occupancy Ratio – The proportion of occupied space relative to the total space in a given property, measured in revenue.

Price-to-book – Market capitalization divided by the net present value of the company.

Shareholder Loans – Debt financing provided by the shareholders.

Presumption Rent – The rents are negotiated based on the property development costs.

9.2 Portfolio Summary

Property	Company	Gross Income	Vacancy	Opex	Stabilized NOI	NOI-margin	Building Year
Ronneby 25:19	Amasten	4.5	0.0	-1.1	3.3	74%	1995
Ronneby 25:22	Amasten	5.4	0.0	-1.8	3.6	66%	1990
Ronneby 25:23	Amasten	6.2	0.0	-2.4	3.8	62%	1995
Ronneby 25:36	Amasten	3.8	0.1	-1.0	2.9	75%	1998
Ronneby 25:37	Amasten	1.3	0.0	-0.4	0.9	67%	2001
Asarum 51:7	Offentliga Hus	0.3	0.0	-0.1	0.2	75%	2004
Löjan 1*	Offentliga Hus	0.0	0.0	0.0	0.0	-	-
Grenadjären 57	Offentliga Hus	5.9	0.0	-2.3	3.5	60%	2010
Mungigan 1 & Munspelet 1	Offentliga Hus	6.2	0.0	-2.6	3.7	59%	2010
Kaptenen 1, 2 & 3	Offentliga Hus	3.1	0.0	-1.5	1.6	53%	2004
Löjtnanten 1 & 2	Offentliga Hus	4.7	0.0	-2.1	2.6	56%	2006
Stråken 1	Offentliga Hus	5.1	0.0	-1.6	3.5	69%	2009
Holje 182:2	Offentliga Hus	0.6	0.1	-0.2	0.4	69%	2003
Kuratorn 2	Offentliga Hus	7.5	2.1	-2.9	4.5	61%	2008
Utfarten 3	Offentliga Hus	3.0	0.0	-1.4	1.6	54%	2006
Gullbernahult 7	SBB	4.6	0.0	-1.0	3.6	78%	1955
Lindholmen 6:9	SBB	10.5	0.0	-2.0	8.4	81%	2017
Total		**72.5**	**2.4**	**-24.4**	**48.2**	**64%**	-

Source: Studentbostäder i Norden, 2023b

* Löjan 1 is subject to undeveloped land

9.3 Amasten's Contribution

Ronneby 25:19 (3 similar buildings)

Ronneby 25:22 (4 similar buildings)

Ronneby 25:23 (4 similar buildings)

Ronneby 25:36 (2 similar buildings)

Ronneby 25:37

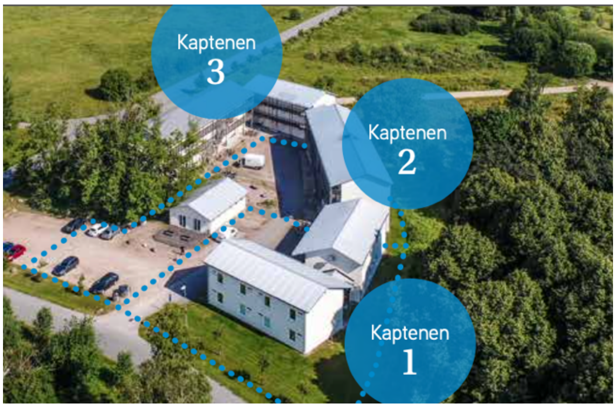
Source: Studentbostäder i Norden, 2023b

9.4 Offentliga Hus' Contribution

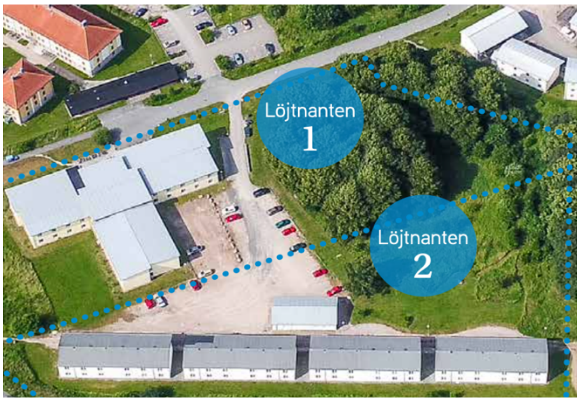
Asarum 51:7

Grenadjären 57

Mungigan 1 & Munspelet 1



Kaptenen 1, 2 & 3



Löjtnanten 1, 2 & 3

Stråken 1

Holje 182:2 *Kuratorn 2*

Utfarten 2

Source: Studentbostäder i Norden, 2023b

9.5 SBB’s Contribution

Gullbernahult 7

Lindholmen 6:9

Source: Studentbostäder i Norden, 2023b