

ORAVA RESIDENTIAL REIT PLC INTERIM REPORT 1 JANUARY – 31 MARCH 2018

1 January – 31 March 2018

- Revenue: EUR 3.3 million (1 January – 31 March 2017: EUR 3.3 million)
- Profit: EUR -1.8 million (EUR -978 thousand)*
- Earnings per share: EUR -0.18 (EUR -0.10)
- Comprehensive profit: EUR -1.8 million (EUR -918 thousand)
- Economic occupancy rate: 94.8% (93.8%)
- Gross rental yield: 7.1% (6.8%)
- Net rental yield: 3.8% (3.6%)
- Profit from assignments and changes in fair value: EUR -2.0 million (EUR -0.9 million)
- No dividends were paid during the first quarter (EUR 0.03/share)
- EPRA earnings: EUR 257 thousand (EUR -47 thousand)
- EPRA earnings per share: EUR 0.03 (EUR 0.00)

* Income statement item Profit/loss for the period.

Net assets per share of Orava Residential REIT plc amounted to EUR 9.55 on 31 March 2018, whereas they were EUR 9.72 at the beginning of 2018. The value of the company's investment properties amounted to EUR 196.4 million at the end of the period under review (31 December 2017: EUR 199.6 million).

After the period under review, apartments of Orava Residential REIT have been sold between 1 April – 14 May 2018 at debt-free prices totalling EUR 0.7 million.

CEO'S COMMENTS

The first-quarter brought an improvement to the operational result of Orava Residential REIT and to the operational indicators. The EPRA earnings were 257 thousand euros when year before they were -47 thousand euros. The economic occupancy rate reached 94.8 per cent and the gross rental yield 7.1 per cent.

During the period we were able to decrease the financial and operational costs. The decrease is due to the actions taken to improve the efficiency of the operations.

Profit of Orava Residential REIT was still affected by the poor value development of the housing portfolio: the values decreased by 0.86 % from the previous quarter. The decrease in value was strongest in the large cities outside the Helsinki region. Also according to the Statistics Finland the housing prices decreased in the whole country from the previous quarter.

The company estimates that its EPRA earnings for 2018 will be approximately the same as in year 2017, when they were 1.1 million euros.

OPERATING ENVIRONMENT

Finnish GDP growth is expected to settle between +2.3% and +3.1% this year and stay between +1.9% and +2.6% next year. The growth of private consumption, very important for the housing market, is expected to be between +1.7% and +2.4% this year, while it is expected to remain between +1.4% and +2.2% next year. The market interest rates in the euro area are still exceptionally low, and short-term market rates are also expected to remain below one percent for the next three to four years.

The estimate is based on the most recent economic forecasts by 16 parties drawing up forecasts on the Finnish economy, compiled by the Federation of Finnish Financial Services, and the market interest rate expectations calculated on the basis of the euro interest rate curve published by the European Central Bank.

We expect slow strengthening of the housing market.

Demand in the housing market

According to statistics from the Bank of Finland, households drew down EUR 4.2 billion in new mortgages during January-March, 1.2 per cent more than the year before. The euro-denominated mortgage base totalled EUR 96.2 billion at the end of December, and the annual growth in the mortgage base was 2.1 per cent. According to the Finnish marketing service etuovi.com, the average marketing period of old apartments in the country as a whole decreased from 101 days in January to 74 days in April, while it was 66 days in April of the previous year.

The slight increase in the demand for apartments seems to have continued in the first quarter.

Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 2,809 apartments in February, which was 38% more than a year before. Correspondingly from the beginning of the year 2018 (January–February) building permits for apartment blocks were granted for a total of 4,738 apartments, which was 41% more than a year before. The annual change in the sliding annual sum of building permits granted for apartment blocks increased to +34%. The three-month change in the housing construction volume index that describes the value of on-going new construction was -7 per cent in February, and the change year-on-year was +16 per cent.

According to the May confidence indicator survey of the Confederation of Finnish Industries, the balance figure for construction production for the past three months was +2 points in the first quarter of the year, while it was +3 points in the previous quarter and +23 points a year before. The balance figure for the three-month production expectation was +15 points, compared to +5 points in the previous quarter and +34 points a year before. The number of unsold residential apartments compared to normal remained at the level of the fourth quarter of last year at -37; a year ago, the balance figure was -18 points.

The supply in the housing market has continued to increase at roughly the same rate as before during the first quarter.

Rents and prices in the housing market

In the first quarter of 2018, the rents of nonsubsidised apartments increased by 2.3 per cent year-on-year. According to the housing price index from Statistics Finland, the housing prices increased during the first quarter by 0.0 per cent year-on-year. The change in housing prices from the previous quarter calculated by Statistics Finland was -0.4 per cent, which we estimate to correspond to a change of approximately -0.7 per cent when seasonally adjusted. The ratio of housing prices to rents is slightly below the long-term average; the ratio calculated from the prices per square metre of apartment block apartments in the first quarter based on the updated weightings of Statistics Finland and the rents of non-subsidised apartments was 12.7. The 44-year average for the ratio of square metre prices to annual rents in Finland is 14.4.

Future outlook

Orava Residential REIT estimates that its EPRA earnings for 2018 will be approximately the same as in year 2017.

The company sees possible to start use the estimates of external valuers for the value of the investment portfolio in stead of the management company's valuation. This possible change would mean that the company might book a nonrecurring profit or loss for the 2018.

The board of directors of the company are searching alternative strategies and structures for the company. These might affect the company's mid term outlook.

The whole Interim Report 1 January - 31 March 2018 and the current rules for real estate investments operations are available on the company's website at www.oravaasuntorahasto.fi, and they are included as an appendix.

Helsinki, 16 May 2018

Orava Residential REIT plc
Board of Directors

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Appendix:
Interim Report 1 January – 31 March 2018
Rules for real estate investment operations