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PRESENTATION

Essi Nikitin
Good morning, everyone, and welcome to YIT's Third Quarter 2024 Results Webcast. My name is Essi Nikitin and I'm heading the Investor Relations at YIT. Together with me here are our CEO, Heikki Vuorenmaa; and CFO, Tuomas Mäkipeska. At this point, I hand over to Heikki. Please go ahead.

Heikki Vuorenmaa
Thank you very much, Essi, and good morning, everyone. Welcome to follow the YIT's third quarter highlights through this webcast. I will share some of the thoughts and thoughts on our third quarter result. And then Tuomas will continue in more details on our financial numbers and performance.

The quarter progressed as planned. The profitability increased in all segments during the quarter, resulting in a positive cash flow. As a result of market – improved market environment, we also are pleased to upgrade our view on the Baltics residential market as the market has turned to normal from our perspective. And during the quarter we sold a total of 550 YIT homes to consumers. So overall, a solid quarter and we are well on track to achieve our financial guidance for the – for the year.

During the quarter, our revenue declined not it was at €450 million. It's good to remember that the comparison period included certain one-off transactions such as selling of Maistraatinportti, which is one of our office building, and that took place third quarter last year. However, those do not fully account for the delta what we are seeing here on the year-on-year comparison. Support by the positive benefits from the transformation program and the completions in the Baltics and CEE, our profitability increased compared to last year and amounted to €26 million during the quarter.

Let's flip the numbers to our businesses and also discuss those more in details. Our overall operating profit during the quarter reached a 5.6% and which is a solid performance considering the market conditions in Finland. Housing Finland turnover and profitability decreased year on year and it was supported by a positive €6 million item. This item is connected to accruals on our balance sheet related to liabilities that we have for apartments under the – and that has been on 10-year liability period. It is good to note that this amount has been accrued to our financials during earlier quarters and has impacted our profitability earlier. Now, it was recognized as a positive impact during this third quarter. Year to date, we are now on a correct level.

Housing Baltic and the CEE continued according to plan, delivering solid profitability with nearly 10% operating margin during the quarter. Infra had another good quarter. Revenue increased and the profitability remained at solid 5% level. Performance in Business Premises also improved as planned and the segment profitability is trending in the right direction. So, our operative engine is getting up to speed, yet recovery in housing Finland has not yet started.

Let's double click on our different business areas and start with the housing in Finland. Amount of unsold finished apartment continues to decline as our sale speed exceeds completions. This trend we expect to continue in the coming quarters. During the quarter, we also agreed and communicated the new project with our customers that are building supported rental houses. Those are now recorded to our over – to our order book. The overall decline of the order book is due to the market conditions in Finland. And during the first nine months we did not launch any new self-developed projects in Finland.

Then if we look at overall completions to the Finnish housing market and the outlook that it has, there actually hasn't been much changed in the overall completions to the market in the coming year. And consequently, we are already starting to observe regional supply shortages. The status of vehicle rental apartments and unsold finished apartment is predominantly an issue in the capital area. If you look, other growth cities such as Tampere, a supply shortage is already a reality. At the same time, apartment prices on the secondary market are at historically low level, and construction companies are offering discounts to consumers.

Consumer confidence in Finland is then again on the highest level since 18 months, and the purchasing power is increasing. We also see that the interest rates has declined substantially during the third quarter. And as the start of the new apartment has reduced by 90% already for the past 48 months, the new supply will be exceptionally low during 2025.

To conclude, buyers market will turn to sellers market and it will have consequences on availability and prices on the coming years. Our stock of unsold apartments is declining as planned. If the stock continues to be an asset for us as there are no new completions coming up for the period of time, our apartment stock is concentrated to the capital area while we are almost sold out on other major cities. For example, we are sold out completely in Joensuu, Jyväskylä, Mikkeli, and many other cities in Finland. Inventory in Tampere reduced 30% during the quarter, and in Turku we have only few units to go. So, the stock is running out and it will last until end of third quarter in the capital area. Outside, it will end much earlier.

But time to leave Finland and move to other European countries inside of our housing segment. The positive trend continued on operating countries and we see our finished apartments stock melting on an accelerated pace. Order book is well under control despite we did not have much starts during the quarter. Rolling 12 months operating profit margin is at 13%, which is a solid level for the business.

Talking about the starts, so we started limited amount during the third quarter, only 57 apartments. There is no drama behind the Baltic and CEE number. We were starting according to the business plan and continue to launch new starts same pace as the sales progress. In Finland, we did not have any starts during the quarter which reflects the current market conditions. Good to note, like I mentioned earlier, that we haven't started any projects during the first nine months and it will limit some capabilities to turn to profit on the following year. We have 12 projects in premarketing and we have started now one project in Vaasa during the fourth quarter.

If you look the completion of that project, it will still complete during 2025. And our construction lead time, if you look at our residential project in Finland has decreased over 15% by compared to past two years and it's under 12 months now. So we do have capability to execute projects still to 2025 and especially to 2026 in Finland. So, that's good to know even we haven't – we haven't started that much in Finland during this year. We will actually discuss this topic much more and our improved capabilities during the Capital Markets Day presentation that I invite all of you to join either in person or through the webcast.

The production for us is now 2,600 apartments, what we have, and we believe that the bottom of the cycle has been reached. The supply chains are working well, material costs are stable across the operations, and projects are well under control. We have taken substantial efforts to consolidate our supplier base and that work continues as we are seeking a closer cooperation and improved resilience for our supply chain for the for the coming years.

I've talked a bit on the starts and then the completion. So, we had a total of 376 completions during the quarter and those 61 took place in Finland. We also have shifted some completions in the Baltics and CEE from this year to early next year so that the total number of completions has declined a bit for 2024. There is no drama again here. The reason behind is not production related. It's more connected to optimization of total economical impact for the company.

Then, to sales. As I mentioned in the beginning, we had a solid quarter in sales. Our segment sales increased both in CEE and in Finland compared to last year. I am particularly pleased with our sales team's effort in Baltics and CEE to create compelling offering to our consumers. We also have introduced new AI-based tools and analytics to support our sales and results are tangible and visible on these numbers as well. As mentioned, we sold 550 YIT homes during the quarter, as we include also the sales from our joint venture production vehicles to which we actually are double clicking on that on the following page.

Also, our operations in this joint venture production vehicles are progressing very well. Sales strong during the quarter, amount of unsold inventory decreasing, and the new completions are actually taking place on the fourth quarter. We have a capacity to produce over 2,000 new homes with our JV partners in Baltics and CEE countries. So overall, solid performance during the quarter and we are in a very good place also with those operations, operations in the Baltics and CEE.

Then, it's time to leave the Housing segment behind and move to our Infrastructure segment. Our Infra segment is showing consistent performance and all the KPIs are pointing to the right direction. We have already resolved the balance sheet. Order book is particularly strong and profitability is on a good level. Performance turnaround is also attracting talent from the industry and we are seeing many top performers joining to YIT Infra team during the previous quarter and throughout the year. So, all I can say is that the Infra is on a good track.

Business Premises quarter was also completed and ended up with a high note. Results improved compared to our comparison period. For the Business Premises team, the track is still short, but we start to see a solid foundation, a renewed project management skills having a positive impact on our – on our operating result. Our order book is trend is connected to industry competition situation. We are remaining focused on complex project and sustain healthy margins that is allowing us to deliver quality at the homework safe way to our customers. Still, our order book is strong and we keep our promise to customers, which is a key on our business.

It starts to be a time to conclude from my behalf before handing over to Tuomas. And like I mentioned, so we have now upgraded to our Baltics housing market outlook to normal. The reason for that is that the progress over past quarters has also shown that the recovery has continued. Lithuania, Latvia and most recently also Estonia housing and residential market is turning better. Therefore, we are seeing is that we are now operating also under normal conditions in the Baltic countries. In Finland, the market continues same. Market recovery is expected during 2025 and it might be tilted towards second half of the year. There's no changes to other market conditions on our operating countries.

All right. Time now to hand over to you, Tuomas.

Tuomas Mäkipeska
Thanks, Heikki. From financial perspective, the Q3 was a solid quarter in the current operating environment. Our key performance indicators continued on the right track. Profitability improved in all segments and all business businesses contributed to the overall solid quarter. Capital employed decreased clearly, and consequently we lowered the net debt by some €80 million from the comparison period. Also, the cash flow for the quarter was positive.

Let's have a closer look at the financials. Starting with the capital employed. As you can see, the quarter was steady from a capital employed point of view and we didn't take major steps forward during the quarter. When looking at the slightly longer time period, we are on a positive downward trend. During the last four quarters, we have released €140 million of capital on group level by execution of the capital release program.

In Housing Finland, we have been able to keep the development pretty much stable during the last 12 months due to the measures taken in the operations. And sale of the apartments from the inventory at low construction volumes will further release capital in upcoming quarters. In Housing Baltics and CEE, we have released capital altogether of some €30 million during the last 12 months, mainly as a result of the formed joint ventures to develop large area projects together with RSJ Investments.

In Infrastructure, as Heikki already mentioned, so we continue to operate with negative capital employed and generating positive cash flow. In total, over €70 million of capital has been released during the last 12 months, demonstrating success in capital release measures. Also in Business Premises, we have released €25 million of capital during the last 12 months.

The execution of capital actions will continue and consequently improve the return on capital employed.

Let's move on to the cash flow development. Operating cash flow continued on the right track and was slightly positive in Q3. The last 12 months, cash flow was €63 million positive, and measures to improve the net working capital efficiency have yielded results already. As we have stated in our guidance for this year, the operating cash flow after investments is expected to be positive. And maintaining positive cash flow has been a key focus for us and that we have delivered on a stellar manner.

If you then compare our key assets to the net interest-bearing debt, our underlying asset base continues to be very strong and amounts to over 2 times the net debt. We have a landbank of over €800 million to serve as a platform for future operations and profits. Completed apartments and real estate in our inventory decreased to some €400 million due to the apartment sales and lower number of apartment completions in Finland. The net debt amounted to €790 million at the end of the quarter and almost €500 million of net debt is related to the IFRS 16 lease liabilities and long maturity housing company loans. When deducting these two components, the adjusted net debt amounted to some €310 million. So, the key takeaway here is that the balance sheet is asset rich and the adjusted net debt is very moderate in comparison.

Equity ratio of the company increased a percentage point and stood at 34%. And net interest-bearing debt remained stable as mentioned compared to the end of Q2, but was €80 million lower than at the end of the comparison period. Our financial position allows us time to address the level of indebtedness and there are actions ongoing to deleverage the balance sheet.

Gearing stayed on the same level as in the end of Q2, but decreased significantly from Q3 last year due to the favorable net debt development. In maturity structure of the interest-bearing debt, having only minor amortizations to be performed this and next year, provides us stability and possibility to focus on improving the financial performance of the company.

Then, a couple of words about the transformation program still. As we communicated in July, the run rate cost savings target of €40 million was achieved ahead of schedule. The results of the program are already visible in our improved profitability. Transformation program-related costs has been estimated to be between €50 million to €70 million in total, of which €57 million was realized by the end of Q3. The program itself ends at the end of this year, but we will continue the work and move towards continuous improvement. We continue to see a substantial potential to release capital and improve the performance of the company. But we will elaborate on these topics at the forthcoming Capital Markets Day, as Heikki mentioned.

Moving on to the guidance then. Our guidance remains intact, meaning that we expect group adjusted operating profit for continuing operations to be between €20 million and €60 million this year. Operating cash flow after investments is expected to be positive. Also, the outlook remains unchanged.

So, to summarize the finance section. Profitability improved in all segments in Q3 and we are on track in achieving the expected results for the full year. Stable financial position enables us to focus on improving the financial performance of the company and optimized timing of certain capital release measures to maximize shareholder value. And then we continue to execute the transformation program to improve the overall performance of the company.

That concludes my part. I'm handing over back to you, Heikki.

Heikki Vuorenmaa
Thank you, Tuomas. So is it actually fair to summarize that the solid quarter and performance improving, strong balance sheet, good liquidity. And I think finally what you're pointing out there is that we have a long maturity and financial position is really good at the.

Tuomas Mäkipeska
Yeah, definitely.

Heikki Vuorenmaa
So yeah. That's – that is a very good place to be. And on the financial perspective, we also work on always with the topics that are not so much directly impacted on this – the kind of only one quarter financials, but there are many important topics that we are improving. And if you look at just the four highlights during the quarter.

So, we are continuing to develop our procurement and how we are running the category-based model as a part of the transformation program. You already see some of those benefits on our financial performance, but it's just scratching the surface that what we are capable to do on the on the coming year there. We also have nominated new chief procurement officer there and strengthened our overall organization. And I think that's a that's a very positive, positive topic for us.

We also conducted our employee survey. This is the one of the most critical indicator for business, that how we are doing. 80% people of our employees were taking part to give their voice. And our employee Net Promoter Score reached a very good level of 30. We actually see improvement across all of our businesses. And engagement level increased. This is fundamentally the most important driver for us that we have. We have our team fully engaged and committed to do the plans that what we have as a YIT.

We also continue the systematic work to strengthen the safety management. This is the highest priority for us. We have seen already improvement year on year and now our lost time injury frequency has improved to a level of 9.7. We still have opportunities to improve there and we will also discuss our target setting and how do we see that in the in the Capital Markets Day.

And as a part of our main investment and our focus on developing capabilities and adapting the use of the artificial intelligence also is that we are expanding our pilots, giving access for all of our employees to use those tools such that we are ensuring the productivity improvement across the company. We have seen a lot of use cases, a lot of potential. I mentioned already one of those in the earlier part of presentation and we are going to take use those to improve our productivity and free up the time from our construction industry professionals to actually focus more on operation instead of data crunching and so-called repetitive tasks.

So, those are the four topics. And typically I would actually summarize here our main focus areas for the coming quarters. But now I'm actually inviting you to discuss those with us during the Capital Markets Day, 13th of November. If you are not able to participate in person, so we also have the webcast available. And there, we are going to share a bit more light how we are seeing our main focus areas for different segments and the overall business and what we are capable to achieve on the coming years.

But this concludes the presentation part and we are now ready for the questions.

QUESTION AND ANSWER SECTION

Operator
Please go ahead.

Caller 1
Hi, guys. Thank you for the presentation. I have a few questions. I'll ask them one by one, if that's okay. I just want to ask you about the order backlog situation, first of all, in terms of KPIs. It is down 19% roughly year on year, down 8% in the quarter. Could you please elaborate on lead times this might have on revenues and how you look at the pipeline going forward given the trend in the order backlog situation?

Heikki Vuorenmaa
Okay. And let me start going business by business. So on the residential housing side, the order book is generally based on our startups and highly connected to that low level of startups in Finland. We have secured order book in terms of those more contracting type of projects and our order book will increase and improve as we are then starting up new projects, projects in Finland. In CEE, we were – Baltics and CEE area, we were contracting more and performing more of the completions that we were doing the startups during the quarter. Therefore, there was a kind of small decline. However, there is no reason to expect that that would be the situation we have. We continue to pursue growth on that area going forward.

On the Infra side, we are we were seeing a small change between the quarters. Good to note that we will be announcing €150 million agreement that will now be recorded during the Q4 into that order book. We are very combative on the market and we do not see that or we see that there is there is a good projects ongoing also in the tendering at the moment. In Infra, we have order book for 24 months which is which is a really solid. So, what we are what we are building on is order book for the future years there.

On the Business Premises, we have had the order book of the self-developed projects offices and such. We don't anymore initiate and start, so there is the year-on-year comparison, and then there is more about the timing of the orders between the quarters that we have seen declining on that Business Premises side. We have also selected the path to maintain our focus on certain projects and ensure that we have – we have a right level of margins because we do know that that you need to you need to invest to the to those projects so that you can deliver those projects on the safe way also to your customers and on schedule and below the budget as we are always doing on there. So, that's a bit on the kind of more details behind the order book – order book, what we're having.

Caller 1
Thank you. Very filling answer there. Another question is on the €6 million in Housing in the reversal cost, if you can elaborate on that. Secondly, also relating to the quarterly results, its increased net financing. Just wondering if you can comment on that. It's a bit in changing capitalized interest rates, etcetera or is it just the higher interest rates that is impacting?

Heikki Vuorenmaa
Yeah, I will take the first one. And Tuomas, if you if you take that the latter one. So, we are – in Finland, the operation is so that we are remaining liable for 10 years liability period for all the residential projects that's what we have been constructing to the market then. And as we have now had much lower completions to the market compared to years, 10 year ago, so the amount of residential apartments within that window has decreased. And we made a correction now into – that are – that is a one-time item now that was impacting during the third quarter. And year to date wise, we are now on the right level. And that has been a cost that has been accrued on the systematically on the previous quarters. And now we were looking at that actually the amount of the old apartment during that 10-year period, it has declined and therefore it was the positive impact that took place on the on the quarter. And Tuomas, if you take the interest.

Tuomas Mäkipeska
Yeah. And apologies, I missed part of the question. Can you please repeat the question again?

Caller 1
Yeah. It's the increased cost of financing. Now, that's €19 million. Just how much of that might be due to capitalization of interest rates and the removal of that? And how much is just a higher interest rate than margin's effects?

Tuomas Mäkipeska
Yes, thank you. The amount under development is purely related on the market, the interest rates. No changes in capitalization of any interest costs there. So that's purely related to the new kind of after the refinancing situation what we have completed in several parts in the first half of the year.

Caller 1
Okay. Thank you. That's clear. Another question is on the potential transaction of Tripla. We're seeing speculation in the market that Kamppi might be sold a large stake in that. Implied yields, which has been rumored is implied yields of 6.5% to 7%. How does that you feel might be relevant for the valuation and competition for the sale of your stake in Tripla?

Heikki Vuorenmaa
Yeah, we also follow that with the high interest and the assets are different, different type of course in the – and based on our knowledge that is – it's not a full transaction of Kamppi but it's actually half of that or so. And the same that are you know how we are evaluating Tripla on our balance sheet is that we are using a third party to advise us that what is the applicable yield for our valuation methodology, that what we have Tripla on our balance sheet. And the good news is that the same party that is involved in both of these elements is also the one who is providing us the yield, so. And we haven't seen changes on our Tripla yield, especially during the third quarter. We continue to remain interest on that, what type of transaction there will be. And of course, it is a substantial, sizable transaction and it might be an actually then a sign of recovery of such a transaction also in Finland. From that perspective, we are positive there.

Caller 1

Yeah. Thank you. And my last question, if you want to give some comments on the news article yesterday in the Financial Finnish Daily about the unsold inventory and discounts in the market. I guess you've seen the article.

Heikki Vuorenmaa
Yeah. To be fully transparent, I haven't had too much time on going to that detail. We do have like I mentioned that so we do have some unsold inventory in Finland which is we believe is an asset for us. And some of those cases we have been kind of changing certain prices for the apartments. But like mentioned, so if we look broadly outside of the capital area, we only have to have we have a handful of apartments left. So so that for us is we consider that an asset, especially on this time when there is a limited amount of completions coming from us or any competitor to the market during 2025.

Caller 1
Okay. Thank you. Those are my questions for now.

Heikki Vuorenmaa
Thank you.

Operator
The next question comes from Anssi Raussi from SEB. Please go ahead.

Anssi Raussi
Yes. Hi, all. And thank you for the presentation, Heikki and Tuomas. A lot of positives like reducing capital employed and inventory levels, but I think your net debt has increased two quarters in a row Q-on-Q basis. So why do you think that needs to happen that the net debt actually starts to decrease significantly?

Heikki Vuorenmaa
Yeah. Thank you, Anssi. And like you said, so a lot of positives and I have to say that I'm very pleased on how the team is working and that we are getting those plans executed and it's visible on our on our performance. We have a lot of a long list of plans on the – on exactly on your points in terms of reducing the debt level and getting the – getting a lighter capital employed also on our balance sheet, and we are – we are working on those. I look forward then to deliver more results of – on the coming quarters. And I think Tuomas, you can continue something more.

Tuomas Mäkipeska
Yes. Thank you. And definitely we are we are focusing to generate cash flow from the operations and then, of course, support the cash flow by releasing capital from the balance sheet. So those are the two things that we are concentrated on. And regarding the net debt development, so of course, we have a plan, an amortization plan regarding the net debt and the financial items as a part of the net debt. and as I mentioned, so we have only minor, minor amortizations planned for this and next year. But on top of that, of course, we plan for the financing for the for the longer period as well. So basically what we can argue here is that we are generating cash flow from the from the operations and capital release to support the net debt. But of course, the amortizations are kind of pre-planned.

Anssi Raussi
Okay, thanks. And then about the future activity, I guess that your activity has to pick up maybe already this year by at least next year. So how should we think about the cash flows? Of course, your advanced received have been declining, of course, during the last couple of years. But do you think that you have to invest like a significant amount from your balance sheet? Or do you think that how much advanced payments should cover this?

Heikki Vuorenmaa
If I look at the place we are, we are in – we have a very strong plot portfolio that we can utilize to do the startups. And from that perspective, we do not need to invest on new plots. And so that's a – that's a one clear fact that what we are seeing. The second element there is that we have taken quite substantial measures also to change the operating models and the business models to buy up less capital during the construction period. So, those two things will support us as we are – as we are scaling up the production and support its cash generation for us.

Tuomas Mäkipeska
And if I may continue... Yeah, on that. So, basically in Finland, regarding self-developed projects and our plot portfolio, so definitely we don't see the need to invest more in plots in the near future. And based on that the housing start or the consumer startups here in Finland do not actually tie up too much capital since they are basically they are as loans as a part of the financing situation. So from that perspective, it doesn't burden the cash flow heavily. Also, it's pretty much the same situation in the CEE countries where we have a very strong plot portfolio. So, we don't need to invest more, significantly more to do plots in the near future. So that's basically supporting us going forward to generate cash flows, cash flows, since there are no major new investments.

Anssi Raussi
Okay. That's clear. And then finally from my side about the interest-bearing receivables, which you reported at was it €77 million in your net debt or net cash and cash position in this case, can you disclose the nature of these receivables?

Tuomas Mäkipeska
Yes, I can continue on that. So that's basically related to the one financing item, which has a other side on the debt as well. So that's basically a net debt neutral item there. So, no major drama there.

Anssi Raussi
Okay. That's all from me. Thank you.

Heikki Vuorenmaa
Thank you, Anssi.

Operator
The next question comes from Svante Krokfors from Nordea. Please go ahead.

Svante Krokfors
Good morning. Thank you, Heikki, Tuomas and Essi for the presentation. Coming back to Stephen's question about discounts, could you elaborate a bit on your discounts offered in Finland and Baltics and CEE countries? What kind of strategy have you had there and what will you – have you made any changes to that when consumers are interested in buying and perhaps asking for discounts?

Heikki Vuorenmaa
Yeah. So in Finland, if we start from Finland, so we have operated mainly through these campaigns. Of course, majority of the campaigns that we had interest rate cap and – were for example, were ending at the end of August. We have now introduced some new campaigns. We have been open about that there is an opportunity for individual customers to start the negotiation on the price. And it's heavily related to availability, location projects type of a question. What is really good to note that all our apartments are on our balance sheet with the construction costs and we do not we do not sell below the construction costs those those apartments forward.

And then there was a specifically there has been areas and locations where we have seen that maybe that kind of price and the demand is not met. And there we have been making also publicly some corrections on those houses, the apartments available for consumers. When it comes to the CEE, we haven't seen a major need for discounts. The market is healthy and the boost for sales is actually driven by the market condition, not driven by kind of activity in terms of discounts or similar.

Tuomas Mäkipeska
And if I may continue here, just kind of a general comment on the markets when comparing Finnish housing market and the CEE. So, what we have said or earlier already we don't see kind of a major elasticity of price elasticity of demand in the Finnish market and we haven't seen that for a long time now. But then, comparing to the CEE countries where there are there is present this kind of a kind of elasticity of demand as well regarding pricing, so those are kind of a bit of a different characteristics of these three markets.

Svante Krokfors

Thank you. And then, on plot investments, you mentioned that you don't need to do any of those, basically, but you have some commitments, quite big sums that may come up. Could you give some color on what kind of commitments could be expected to be realizing near term?

Tuomas Mäkipeska
Yes. Thank you, Svante. Yes, we have communicated kind of our upcoming commitments as a gross amount and as we have argued earlier as well, so, we typically have contracts where we have a kind of also exit opportunity. So basically, all of the contracts or commitments that we have now, we can exit if needed. But also, we think that we are in the business in the long term. So, we evaluate of course block by block or investment by investment what this what is for the time being the best solution from financial perspective. But anyway, so we are able to exit from the commitments if that would be necessary.

Heikki Vuorenmaa
Yeah.

Svante Krokfors
Thank you. And the last one, perhaps. You have projects in premarketing phase in the commission. I think you also mentioned that lead times have been taken down to even below 12 months. Could you give some color on what has changed here?

Heikki Vuorenmaa
Absolutely. So we have we have we have redesigned our supply chain. We have redesigned the production phases. We have been taking into use new operating models in terms of times and how we are, for example, constructing the structural phase on the residential part. We are capable to use different operating models in terms of shifts, shifts planning and etcetera. So those are the capabilities that our team has focused and developed. And as we take those into use as and that our supply chain constraints that has been eased up, we have a capability to start and deliver below 12 months the projects.

Svante Krokfors
Okay. Thank you. That is all from me.

Heikki Vuorenmaa
Thank you, Svante.

Operator
The next question comes from Olli Koponen from Inderes. Please go ahead.

Olli Koponen
Hey and good morning and thank you for the presentation. I have two questions left after asked once already. Just to continue a little bit about the Finnish housing market and just that I understand your comments on the report correctly. Are you kind of expecting to start consumer apartments in the first half of 2025? Or do you kind of expect your you will be doing mainly those startups in H2 2025?

Heikki Vuorenmaa
Well, typically, we are we are not giving too much of a forecast on the on the startups, but what I can say is that if we not only look on a kind of city by city already, so we are seeing – we are seeing a supply shortage. We see that the recovery is on a different phases and the different parts of the country. There is a much focus on news and the public discussion about the situation in the capital area. But we need to bit look outside of the capital area also to understand. And we have a we have those projects in premarketing and we are starting those projects as the conditions for the for the premarketing has been met. And for sure, then I would expect those to lead also then to the startups during the first half. But like mentioned, we do not provide a specific forward-looking guidance or indications on our startup plan.

Olli Koponen
Okay. Thanks. And this is just to maybe a continuation on the first question, considering kind of your future housing startups and funding of your own-developed projects in maybe Business Premises in 2025, do you see that your kind of cash balance, which was down in this quarter and your kind of liquidity channels that

you have are kind enough to do those startups in Housing and then Business Premises? Or do you need to release capital from your balance sheet to start new projects in 2025?

Heikki Vuorenmaa
Yes. So, we started – we communicated yesterday our first start there. And it is a clear signal that we have capability and reserves to start the projects.

Olli Koponen
Okay. Thanks.

Heikki Vuorenmaa
Thank you, Olli.

Olli Koponen
That's all for me.

Operator
The next question comes from Emil Immonen from Carnegie. Please go ahead.

Emil Immonen
Hi Heikki and Tuomas. Thanks for taking my questions. Just a couple of more on the housing side. So, continuing on what Olli asked, what are your criteria now for the starting apartments? I was a little bit surprised by the news of Mustasaari, I think their reserved percentage was pretty low there.

Heikki Vuorenmaa
Yeah. The criterias differs based on location and the availability of competitor projects nearby and the predicted demand and the consumer behavior. But then on that situation, the criterias were met. I think we were pre-reservations were more than more than 40% on that individual project. I would say that generally speaking we talk about more and more above 50%, especially when we are in the in the bigger cities and/or the size of the project is larger. That would be the – that would be the kind of a generic rule of thumb for us.

Emil Immonen
Okay. And how would you say that the startups then affect your net debt or does it have any impact?

Heikki Vuorenmaa
I think, Tuomas, if you…

Tuomas Mäkipeska
Yeah. That basically comes back to a bit of Olli's question earlier as well. So we can say that we definitely have capacity to do new startups also in the Finnish market. And here, regarding the RS loans, so combined kind of a financing perspective on the startups, so they are not actually tying a lot of capital when starting, when we already own the plot. So, in that sense we definitely have, have capacity to accelerate on the startups during a – during the coming months and quarters. That's basically comes down to the to the demand in the market and certainty of the demand, which is of course related to the prior reservation rates as well.

Heikki Vuorenmaa
Yeah. And to continue there, so it will – right, Tuomas. So, it will actually reduce our inventory in terms of plot and it will be turning into the cash to our balance sheet.

Tuomas Mäkipeska
Exactly.

Emil Immonen
Okay. Thanks for clarifying that. Then, you had some sales to investors now in Q3. Can you maybe elaborate on how is the investor market looking right now?

Heikki Vuorenmaa

Yeah. Investor market has been active. Small investors are coming back to market. I think that people are seeing is that that there starts to be the interest rates on the level that actually investing into the residential is again something that is seen lucrative. Also I would say that that I investors seeing is that by holding apartments maybe a year or two you will be enjoying the kind of momentum of price developments on those coming years. So we have a we have active discussions there. And I would say that already in Q2 we had those. And during the Q3 actually there, the dialogue and the amount of individual dialogues increased. So that we are seeing is that from that perspective, the investor market is bit opening. Investor market, where we talk about the full project is still slow. And there, that market hasn't opened and due to several reasons and we may expect to see that again activating on the next year.

Emil Immonen
Okay. Excellent. That's everything for me. Thank you.

Heikki Vuorenmaa
Yeah. Thank you, Emil.

Operator
There are no more questions at this time. So I hand the conference back to the speakers.

Essi Nikitin
As there are no more questions, we thank you all for participating and wish you a great rest of the day. Thanks.

Heikki Vuorenmaa
Thank you.

Tuomas Mäkipeska
Thank you.