



## Catella: Debt expansion ahead

Catella's Real Estate Debt Indicator (CREDI) Main Index rose to 60.3 in February 2015, from 56.6 in October 2014. The trend of slowdown that began in October 2013 is thus broken, and both lenders and borrowers are more optimistic than in October 2014.

CREDI's Main Index and sub-indices have now broken their downward trend, even though the results were collected just before the Riksbank announced a cut in its repo rate to -0.1 percent.

"There was a clear turning point for property owners in the February survey, and there is increasing optimism about the future. In previous surveys, market participants have been more sceptical about the financing climate for the coming three-months than the actual outcomes that materialised," says Martin Malhotra, Project Manager at Catella.

CREDI's sub-indices for property owners reflect both general economic developments and total return trends on the stock market. The strong stock market performance in combination with the extremely low interest rates and stronger GDP growth have contributed positively to market sentiment, and suggest further improvements in 2015. CREDI's sub-indices for property owners correlate clearly with both the yield requirements and yield spreads between properties in prime and secondary locations.

"The strong trend in debt market sentiment indicates a continuously strong property market during the remainder of 2015, with declining yield requirements and further compression in yield spread between properties in prime and secondary locations," says Arvid Lindqvist, Head of Research at Catella.

There was also a change in the trend for listed property companies in the fourth quarter, with lower loan to value and an on average increasing credit term in loan portfolios. Credit margins continued to decline, while the share of debt capital taken from alternative sources was basically unchanged. Several of the listed companies have taken advantage of the low interest rates to restructure their financing and increase the credit term in their loan portfolios, a trend expected to continue during the remainder of the year.

The tenth edition of the Catella Real Estate Debt Indicator (CREDI) is attached and can also be downloaded from [catella.se/credi](http://catella.se/credi). The next CREDI will be published in summer 2015. CREDI consists of two parts: one is a survey of listed property companies and active banks, and the other a set of indices based on publicly available data. Read more about the methodology [here](#).

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