PRESS RELEASE

Stockholm, 17 June 2015

Catella: Closing in on the summit?

Catella's Real Estate Debt Indicator (CREDI) Main Index fell in June by 5.8 points to 54.8, compared with 60.3 in February 2015. Both lenders and borrowers indicated a continued slowdown. Availability of financing improved during the past three months and is expected to remain unchanged during the next three months.

"Catella's Real Estate Debt Indicator (CREDI) indicates a slowdown in June, although financing conditions continued to improve during the past three months. In the light of rising long-term interest rates and a very strong starting position, it is not surprising that CREDI's Main Index for the next three months is balanced between an improvement and a deterioration," says Martin Malhotra, Project Manager at Catella.

CREDI's sub-indices for the Current Situation fell in June by 8.9 index points to 58.6, compared with 67.5 in February. The sub-indices for Expectations, regarding the development in the coming three months also decreased, by 2.7 points to 50.3, compared with 53.0 in February 2015. The difference between the two sub-indices, for the current situation and the coming three months, is at its lowest for two years. The difference between lenders and borrowers has also decreased for the first time since March 2014. This indicates a reduction in uncertainty about the future and that market participants foresee a stable financing climate ahead of them in the next three months.

"The Swedish equity market is a clear leading indicator of CREDI's sub-indices for property owners. The settling that has taken place in the equity market during the second quarter, combined with the volatility in bond markets, has probably contributed to the lower levels of the index. However, CREDI indicates continued credit expansion, and the expected strong GDP growth indicates continued robust market sentiment for the rest of 2015," says Arvid Lindqvist, Head of Research at Catella in Sweden.

CREDI's sub-indices for property owners correlate clearly with both the average required yields in the market, and the spread in yields for completed transactions. During the second quarter, the decline in CREDI has correlated with an increase in both the average yield and the yield spread for completed transactions. The changes can be mainly explained by the high risk appetite among investors and the lack of objects in prime locations having led to a large percentage of transactions occurring in more secondary locations where yields are generally higher. There is a clear effect of the market approaching the peak of the economic cycle, as also indicated by the slowdown in CREDI.

"Property companies' balance sheets have continued to grow and properties are being financed with both preference shares and bonds in addition to the traditional common shares and bank debt. Since 2012, the property companies listed on the main list of NASDAQ OMX have issued preference shares for approximately SEK 10 billion. At the end of the first quarter of 2015, the companies had outstanding bonds worth approximately SEK 29 billion. This means that the companies, as in recent quarters, continued to obtain approximately one-seventh of their debt capital through bonds and that preference shares are becoming an increasingly important source of financing," says Martin Malhotra.

A historically low average interest rate of 3.1 percent was noted during the first quarter of 2015 among the listed property companies. Loan to value also decreased and amounted to 54.8 percent in the same quarter, a decrease of approximately one percentage point compared to the final quarter of 2014. Credit terms and fixed interest terms continued to increase during the first quarter of 2015, compared with the preceding quarter.

The eleventh edition of the Catella Real Estate Debt Indicator (CREDI) is attached and can also be downloaded from catella.se/credi. The next CREDI will be published in autumn 2015. CREDI consists of two parts: one is an index based on 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. This edition also includes an analysis of preferred shares and an overview of the property market.

For more information, please contact:

Martin Malhotra
Project Manager
+46 8 463 34 05
martin.malhotra@catella.se

Arvid Lindqvist
Head of Research
+46 8 463 33 04
arvid.lindqvist@catella.se

Press contact:

Ann Charlotte Svensson
Head of Communications
+46 8 463 32 55, +46 72-510 11 61
anncharlotte.svensson@catella.se