



## Catella: “Still negative but mixed sentiments”

In the March edition of the Swedish “Catella Real Estate Debt Indicator” (CREDI), the Main index fell 2.7 points to 41.2. In line with the previous CREDI, both the Current Situation and Expectation indices fell, and are below the 50.0 turning point. Banks are clearly negative, while property companies have seen a slight improvement in financing conditions over the past three months and are optimistic ahead of the coming three months.

“In the previous edition of Swedish CREDI, both banks and property companies clearly signalled that access to financing had deteriorated in late 2015, which was reflected in the Main index falling 12.7 index points. This March we see a further deterioration in the financing climate, with the Main index well below the 50.0 turning point. A relatively strong Swedish economy and expansionary monetary policy, with a historically favourable interest-rate position for the real estate sector, have not yet been able to reverse the reduced risk appetite and pessimism of lenders. However, the common stock of the listed companies has remained relatively strong during the turbulence of the past three months, and is still trading at a premium,” says Martin Malhotra, Project Manager at Catella.

The CREDI Main index fell once again, by 2.7 points to 41.2. The Current Situation sub-index fell from 42.4 to 41.0, and the Expectations index fell 4.1 points to 41.4. These declines mean that all the indices are still below the 50.0 turning point, and that the Expectations sub-index is still higher than the Current Situation sub-index.

“We can see a clear difference in trend between the polled banks and real estate companies. Banks firmly expect deteriorating financing conditions, unlike property companies which are somewhat optimistic about the future. It is the opinions of the banks that are driving the CREDI Main index to such an obvious position of contraction. The concern is also reflected in the secondary market, with rising dividend yields on real estate companies' preferred shares, widening credit spreads on bonds and the relatively low level of activity in the primary market,” continues Martin Malhotra.

“The new year began with troubled and volatile Swedish and global equity markets. Several factors indicate that the market peaked in summer 2015 and that the global economy is slowing down in 2016. We can expect the average yield to rise going forward, which will mainly occur through widening spreads between A, B and C locations,” says Arvid Lindqvist, Head of Research at Catella.

Several of the trends observed in the listed property sector in 2015 persist. Among other things, the average interest rate and the fixed interest term continued to decrease for property companies listed on the Nasdaq OMX Nordic Main Market. The average fixed interest term has fallen since the second

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quarter of 2015, and was 3.0 years at the end of 2015. Since the second quarter of 2012, the average interest rate has fallen from 4.0 percent to its current level of 2.7 percent in the fourth quarter of 2015.

The fourteenth edition of the Catella Real Estate Debt Indicator (CREDI) is attached and can also be downloaded from [catella.se/credi](http://catella.se/credi). 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 at [catella.se/credi](http://catella.se/credi). This edition also includes an analysis of preferred shares and an overview of the property market.

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