



Investors reprice property equities as credit market risk intensifies

In the April issue of CREDI, the Main index decreases from 49.5 to 33.7 indicating the worst credit market sentiment since the inception of CREDI in 2012. Meanwhile, market capitalisation for property equities decline sharply as investors fear Covid-19 outbreak.

“This year’s first CREDI survey indicate the most challenging credit market sentiment since the inception of CREDI in 2012 as the Main index is recorded at its lowest point to date. Following the outbreak of Covid-19, the CREDI Main index declined sharply from a previously stable level around the 50-mark to 33.7. In the meantime, property companies’ market capitalisation fell from SEK 610 billion in the fourth quarter to SEK 423 billion, suggesting a shift from premium to discount. Thus, implicit yield soared back above 4 percent and is now around 4.6 per cent,” says Carl Wingmark, Partner at Catella.

“The spreading of Covid-19 in Europe and the USA has been a game changer on the financial markets. Both S&P 500 and most European markets have entered bear market territory (although there was a strong comeback between March 23 and 31) and the economic activities are slowing down to standstill in most European countries,” says Arvid Lindqvist, Head of Research at Catella.

“In 2020, bond market activity has been generally high with issuances at record-low yields. However, the recent developments of Covid-19 have severely impacted bond investor demand, as bond yields increased substantially. Notably, bond market activity remains even though demand is temporarily hampered and a quick pick up can be expected when and if the Covid-19 spread is contained,” Arvid Lindqvist concludes.

The Catella Real Estate Debt Indicator (CREDI) is attached and can also be downloaded from catella.com/en/sweden/research. 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 and analyses based on publicly available data.

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