



Credit market sentiment turns cold as credit margins increase

Banks turned bearish towards the property sector as credit margins increased while the stock market for property-related shares soared amidst positive vaccine trials.

“This year’s last CREDI survey suggests that the credit market sentiment has turned cold as the Main index is back below the 50-mark, driven by higher credit margins as banks cover expected increased credit losses and lower profitability going forward”, says Jacob Bruzelius, Head of Debt Advisory at Catella.

“The recent years massive monetary and fiscal stimulus have benefitted property in general. However, more and more investors are starting to anticipate higher inflation as the economic recovery begins next year. The central banks will have a dangerous balancing act ahead, because there is limited room for higher long-term interest rates with today’s property values”, says Arvid Lindqvist, Head of Research at Catella.

“During the third quarter, the bond market rebounds while the changes in spreads vary in between property segments. Property companies focusing on offices have seen their credit margins increase three times more than the corresponding increase for property companies focusing on residential properties”, says Jacob Bruzelius.

“The market for property-related shares remained bullish where resilient sectors with stable cash flow such as residential, public and industrial/logistics have outperformed. Over the past month, however, companies focused on offices, retail and hotels have performed even stronger, albeit from low levels, with the positive vaccine news and expectations of strong growth in the second half of 2021”, 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.

For further information, please contact:

Jacob Bruzelius
Head of Debt Advisory
+46 8 463 32 67
jacob.bruzelius@catella.se

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