



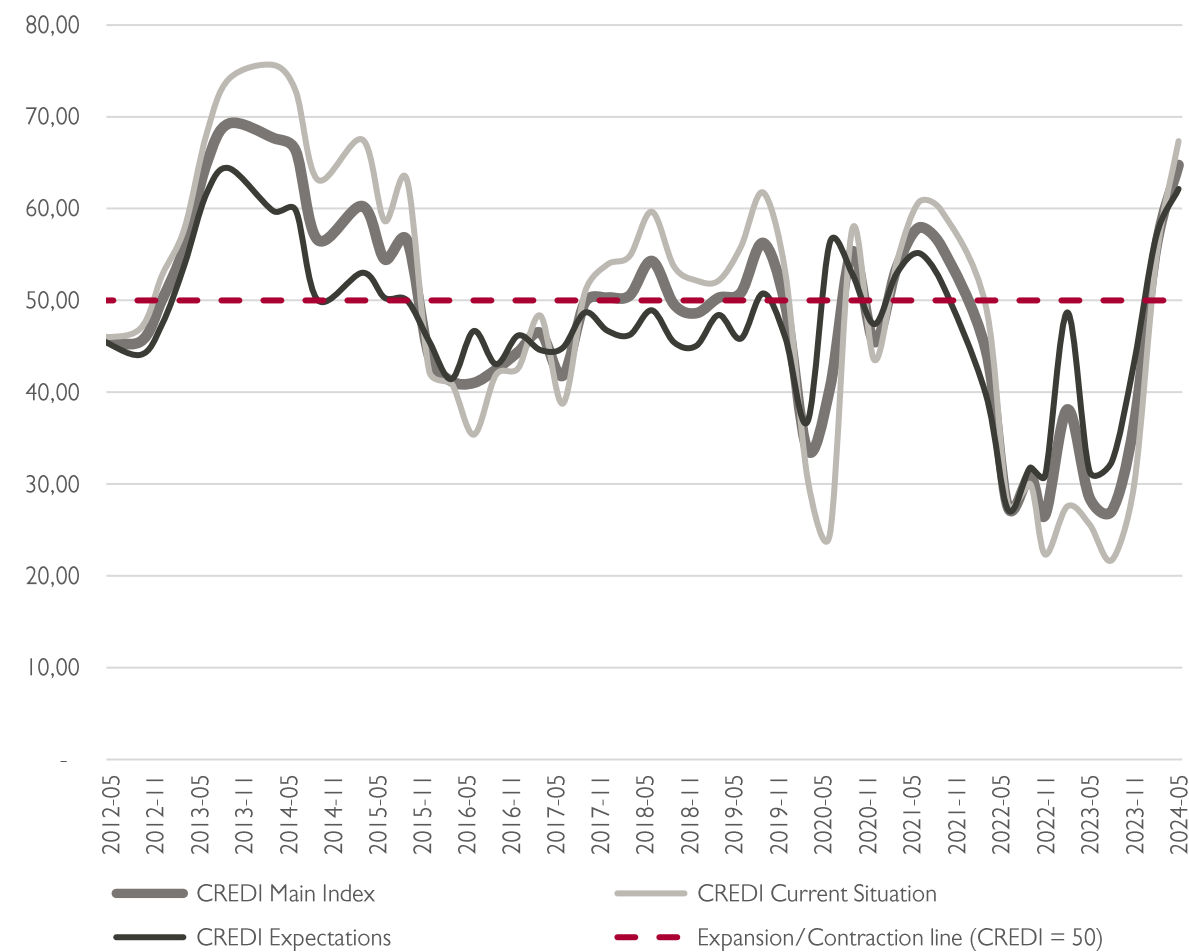
CREDI – June 2024

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THE CREDI INDEX



COMMENTS TO THE CREDI INDEX

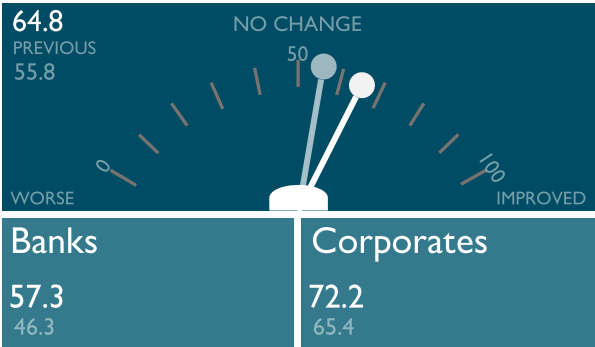
- The CREDI Index keeps improving in the latest version of CREDI and reaches the highest index level since 2014. The underlying factor for the positive development is likely to be the growing use of unsecured bonds in the real estate sector in the last 10 years, leaving the remaining bank loans at lower LTVs and with good collateral. Since the market turned in 2022 much of the financial stress has been absorbed by the bonds, while banks have gotten away fairly unscathed.
- The subindex for Current Situations have improved from 55 to 67 and the subindex for Expectations have improved slightly less from 57 to 62, leaving Current Situations higher than Expectations for the first time since early 2022 indicating that the CREDI index have reached somewhat of a peak.
- The subindex for Banks improved more than for Corporates, which bodes well for coming versions of CREDI and the property market in general.

ABOUT THE CREDI SURVEY

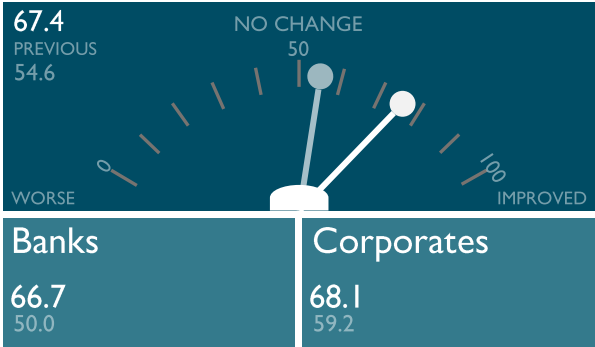
CREDI is a market sentiment indicator for the Swedish real estate debt market. The indicator is based in part on a quarterly current and forward-looking survey of Swedish listed property companies, and banks providing real estate financing on the Nordic market. This part of the indicator is called the CREDI survey. The CREDI survey contains four questions about recent changes in credit availability and credit conditions, and four questions about expectations regarding changes in credit availability and credit conditions in the next three months. The CREDI survey results are computed as separate diffusion indices per question, where answers are weighted according to their direction of change in the variable. As such, the final index figure represents an average of all weighted answers. Weights are applied such that a “no change”-answer equals 50 index points. Consequently, the turning point in sentiment is 50 and any reading below this level indicates more difficult financing conditions while any reading above indicates less difficult financing conditions. Separate indices are aggregated per respondent category. The Main index and its components are then computed as an unweighted average of these two categories – ensuring that the answers of borrowers and lenders are equally weighted in the Main index.



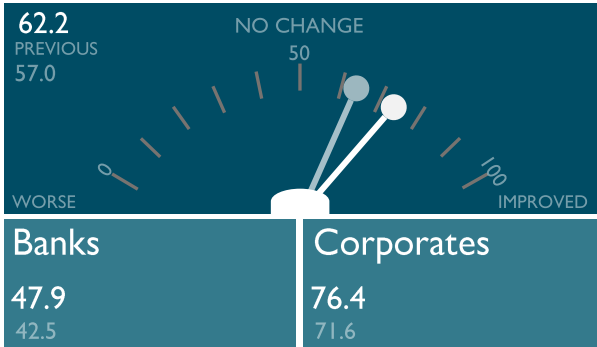
CREDI MAIN INDEX



CREDI CURRENT SITUATION



CREDI EXPECTATIONS



COMMENTS TO THE SUB-INDICES

- In the current CREDI both Banks and Corporates indicated that Credit Availability has continued to improve and is expected to improve further in the near term. This liaises well with anecdotal evidence in the market whereby Banks are becoming increasingly open to extend new financings secured by real estate.
- The view of Credit Margins is, unlike in the previous CREDI, uniform between Banks and Corporates, which both see decreasing margins and expectation that credit margins will continue to decrease.
- Terms for Leverage and Duration are relatively stable, although some respondents are of the view that offered leverage has decreased somewhat.

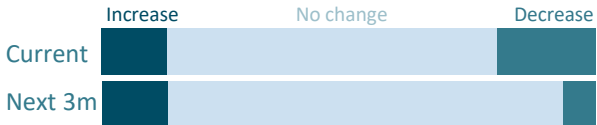
CREDI Sub-indices

The CREDI sub-indices present survey data question by question. The bars represent the distribution of actual answers per question, separated into the components Current Situation and Expectation for the coming three months.

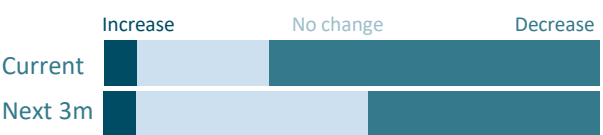
CREDIT AVAILABILITY



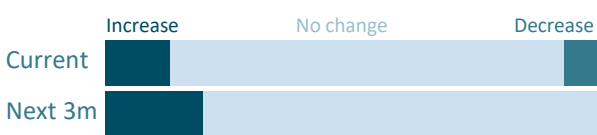
LEVERAGE



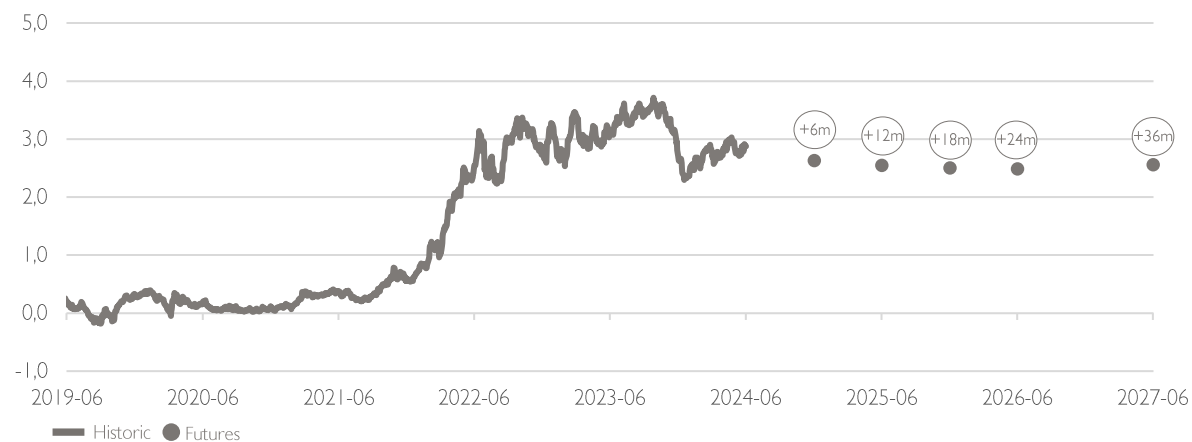
CREDIT MARGINS



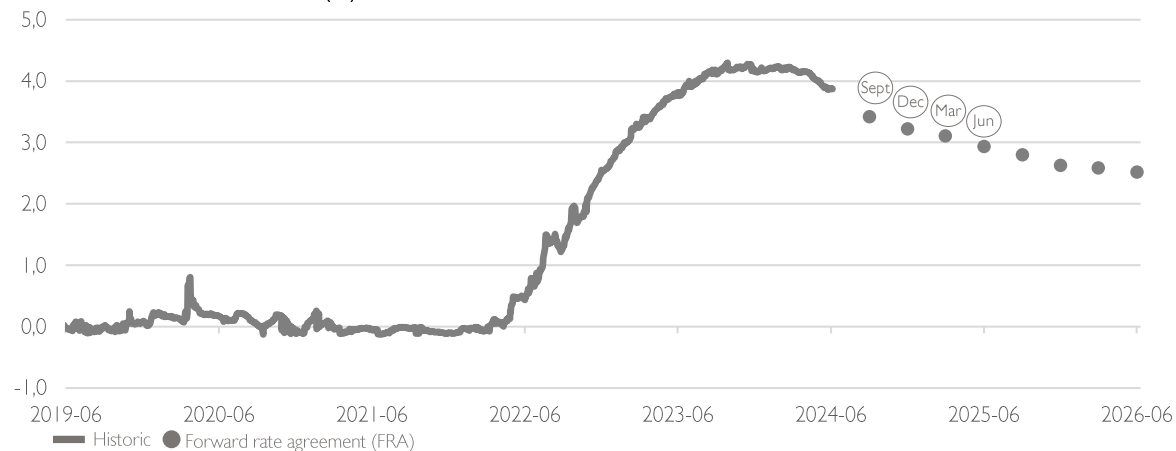
DURATION



5-YEAR SWAP RATES, HISTORIC AND FUTURES (%)



STIBOR, HISTORIC AND FRA (%)



BALDER (MATURITY APRIL 2027, SEK), CREDIT MARGINS (%)



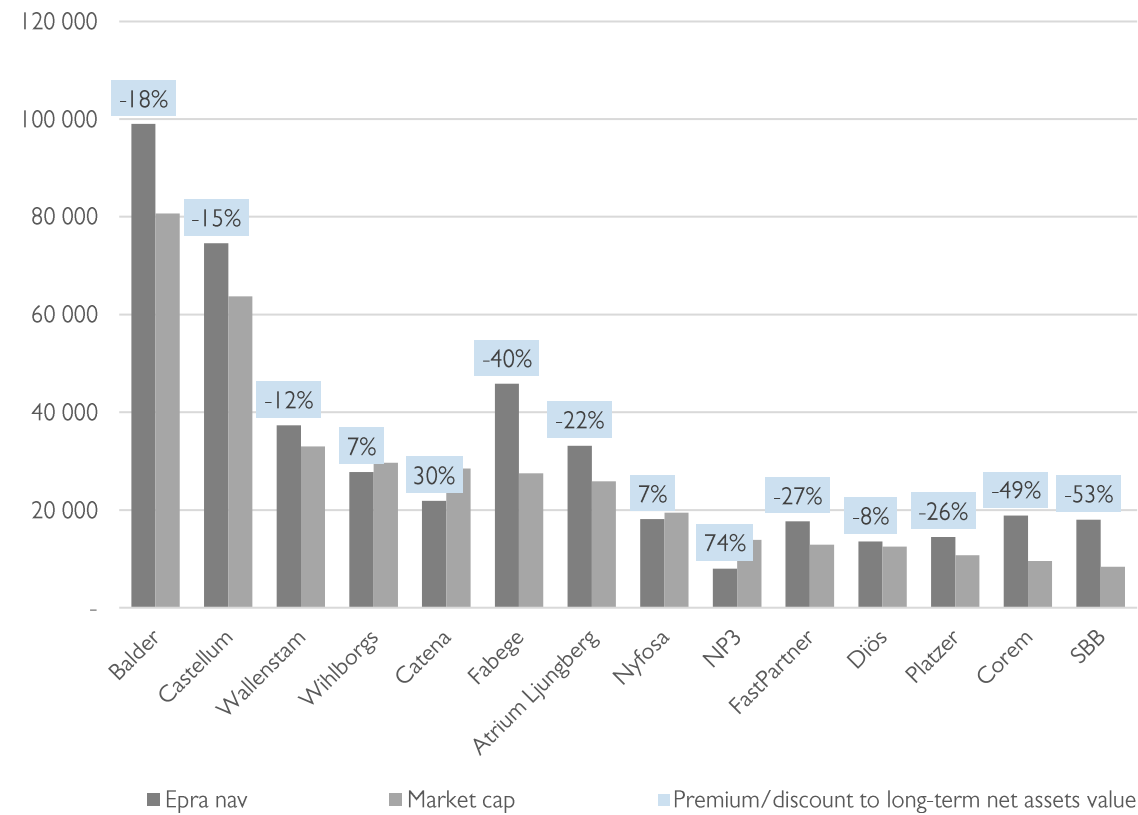
CASTELLUM (MATURITY APRIL 2027, SEK), CREDIT MARGINS (%)



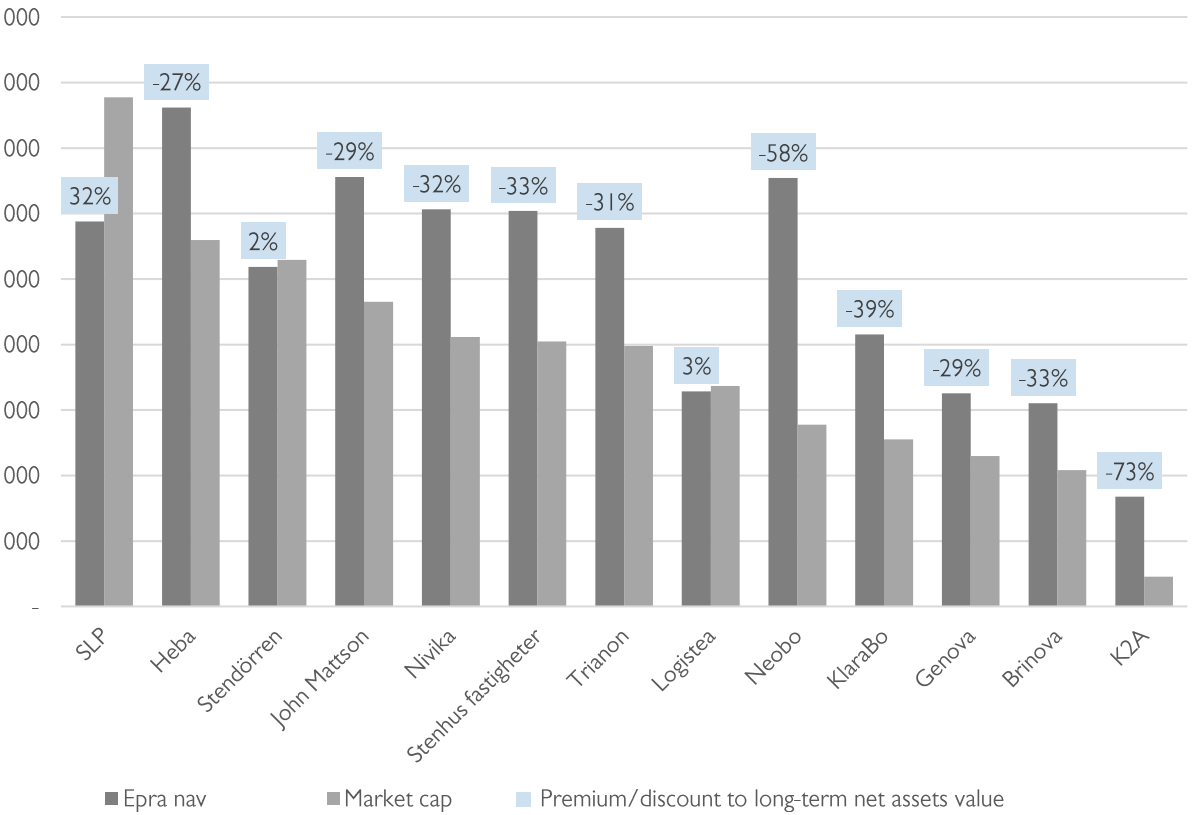
A significant shift downwards in the swap market, driven by falling inflation, benefits the property transaction market. Lower swap rates reduce capital costs for leveraged property investors, lowering yield requirements for new acquisitions. The interest derivate market expect 3-month STIBOR to stabilize around 2.5% and longer-term swap rates are expected to fall slightly to the same level. The bond market has also improved, easing refinancing risks for the Swedish property market.

Equity market premium/discount to long-term net asset value

SEKm (Companies with a market cap exceeding ~ SEK 8 billion)

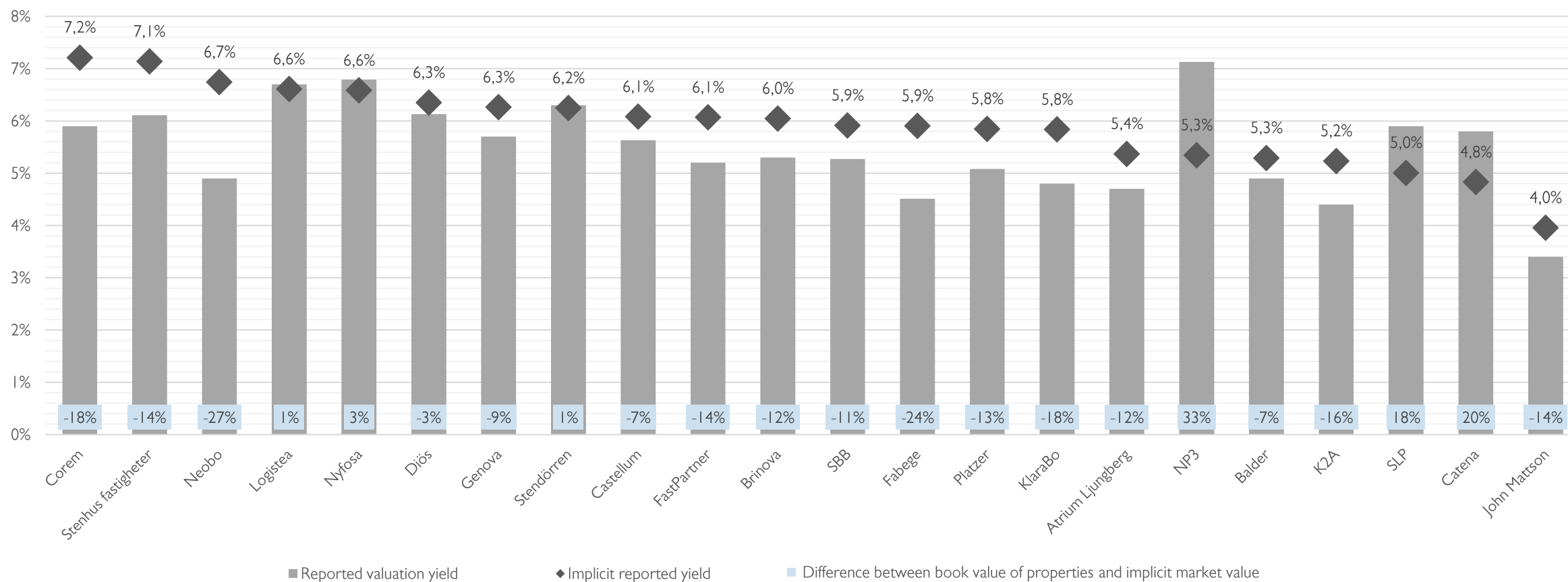


SEKm (Companies with a market cap under ~ SEK 8 billion)



Despite recent improvements in the equity market, the average discount among the selected companies still amounts to 16 percent. The larger companies (market cap exceeding SEK 8 billion) trade at a discount of 11 percent, while the smaller companies trade at a discount of 27 percent.

Reported valuation yields, implicit reported valuation yields and equity market premium/discount on property values

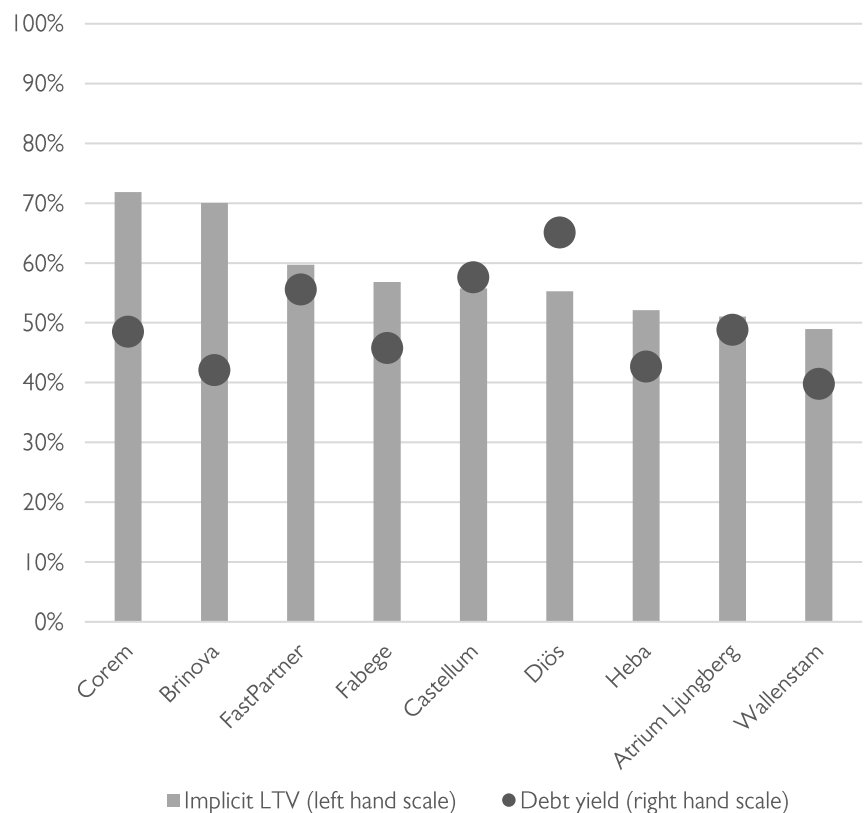


The average discount on property values amounts to 7.3 per cent, indicating that the equity market is expecting property values to decrease further. The average reported valuation yield of the selected companies is 5.5 per cent and the average implicit (adjusting for premium/discount in the equity market) market valuation yield is 5.9 per cent.

Debt yield and implicit LTV (including hybrids)

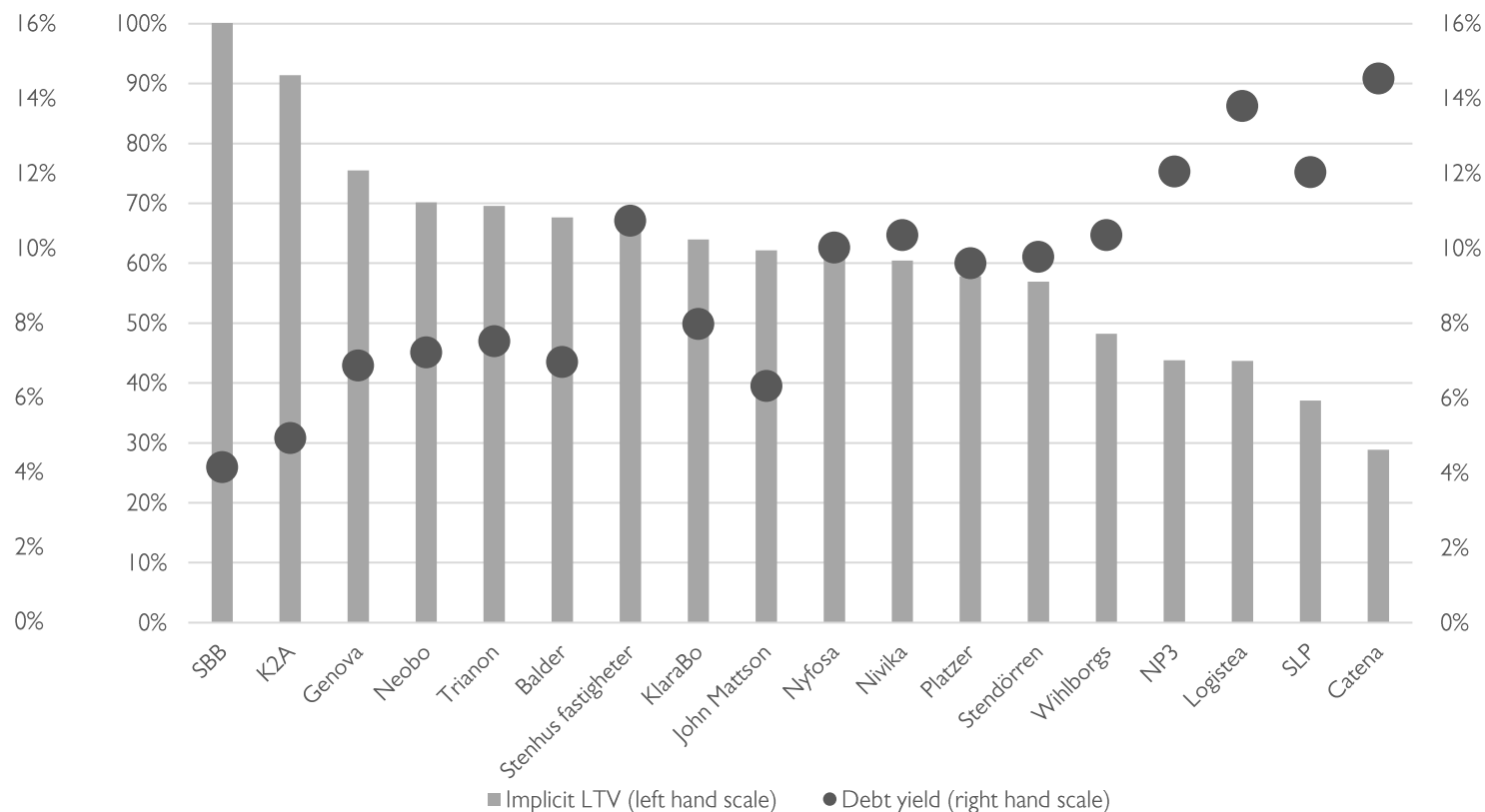
DEBT YIELD AND IMPLICIT LTV

Debt yield based on reported LTM NOI



DEBT YIELD AND IMPLICIT LTV

Debt yield based on reported income capacity



About half of the 27 companies in our sample have either debt yields below 7.5 per cent and/or implied LTV ratios above 60 per cent indicating that the process of repairing balance sheets have further to go in the listed Swedish property market.



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