



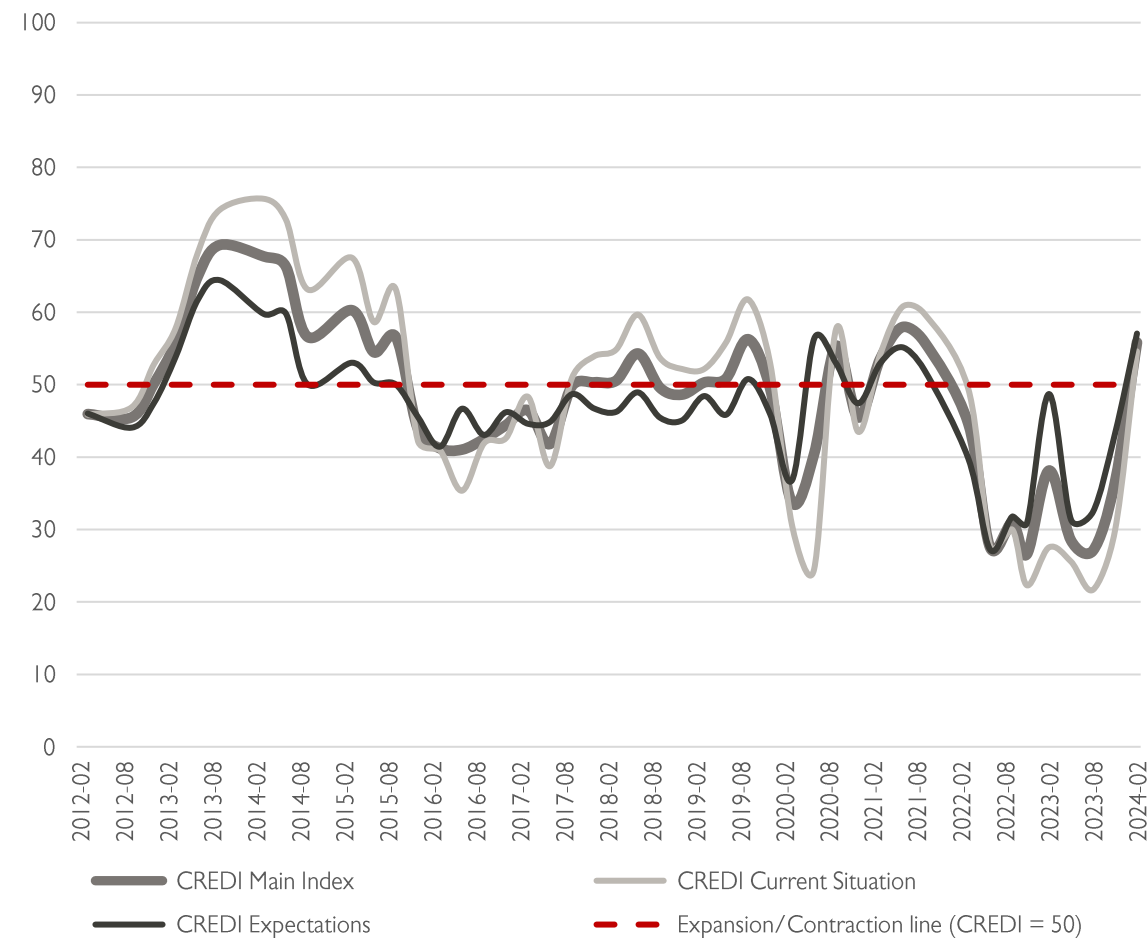
CREDI – March 2024

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THE CREDI INDEX



COMMENTS TO THE CREDI INDEX

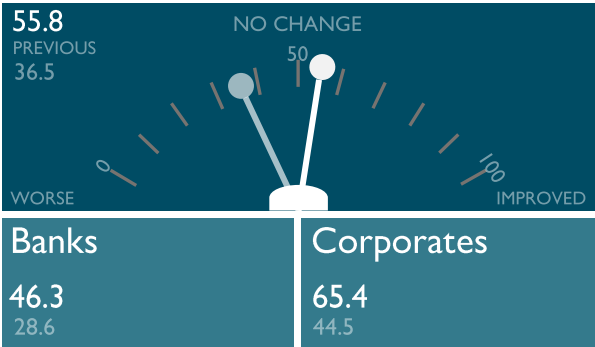
- The CREDI Index improved substantially compared to the previous quarter and moves into positive territory (above 50) for the first time since late 2021 when the interest rate market started to change materially. The negative change in CREDI late 2021 and early 2022 corresponded with a deterioration in sentiment in the bond market and the current positive development of CREDI corresponds with a strengthening of market sentiment in the bond market. In early 2024 both IG-issuers and high yield issuers have accessed the bond market at reasonable credit margin levels.
- The subindex for Current Situations have improved from 30 to 55 and the subindex for Expectations have improved slightly less from 42 to 57.
- The sub indices for Banks and Corporates improved in a similar manner, indicating a rare consensus between the two groups of how the market develops .

ABOUT THE CREDI SURVEY

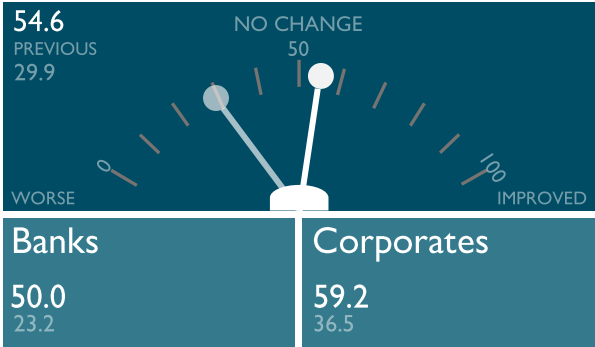
CREDI is a market sentiment indicator for the Swedish real estate debt market. The indicator is based in part on a quarterly current and forward-looking survey of Swedish listed property companies, and banks providing real estate financing on the Nordic market. This part of the indicator is called the 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.



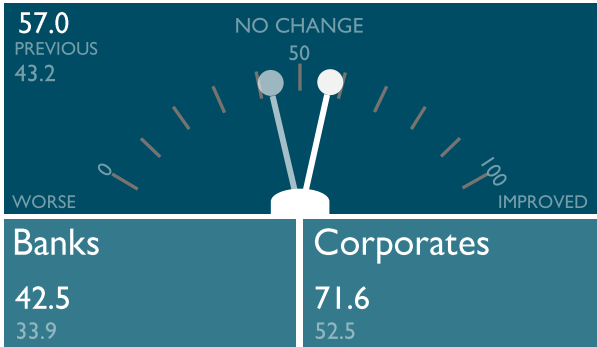
CREDI MAIN INDEX



CREDI CURRENT SITUATION



CREDI EXPECTATIONS



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

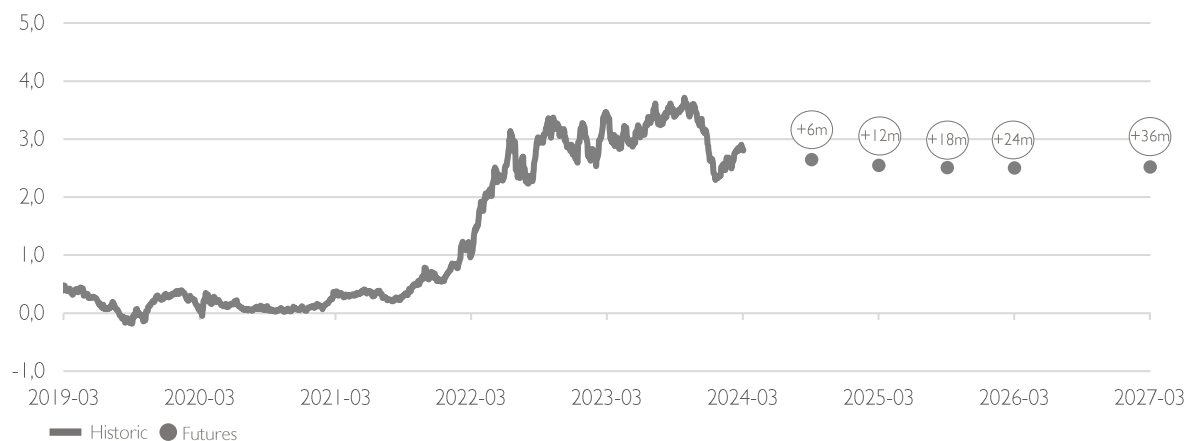


COMMENTS TO THE SUB-INDICES

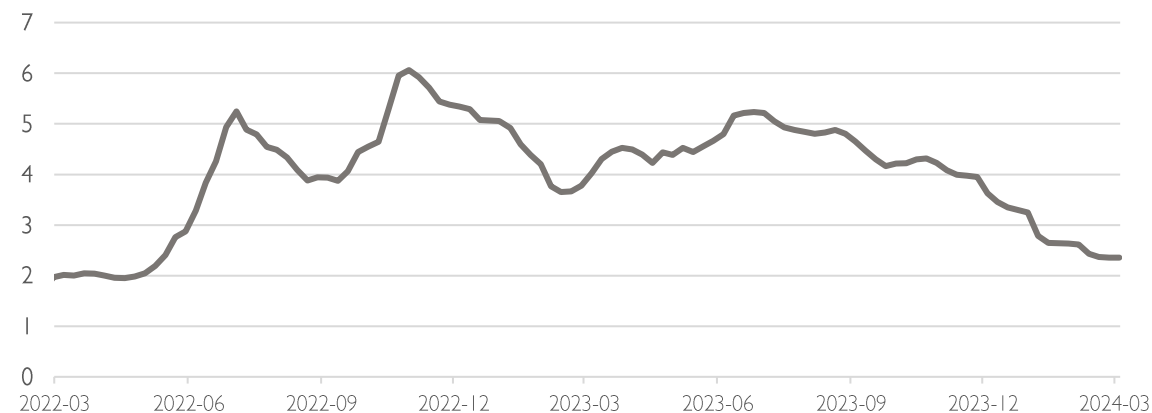
- In the previous CREDI Credit Availability was viewed as unchanged, but in the current CREDI both Banks and Corporates indicated that Credit Availability has improved and is expected to continue to improve in the near term.
- The view of Credit Margins is unusually diverse with respondents both indicated increasing and decreasing Credit Margins in the market. This liaises well with anecdotal evidence in the market where some borrowers still have to accept higher credit margins and while other borrowers see their credit margins decrease.
- Terms for Leverage and Duration are improving slightly which is a change compared to the previous trend.



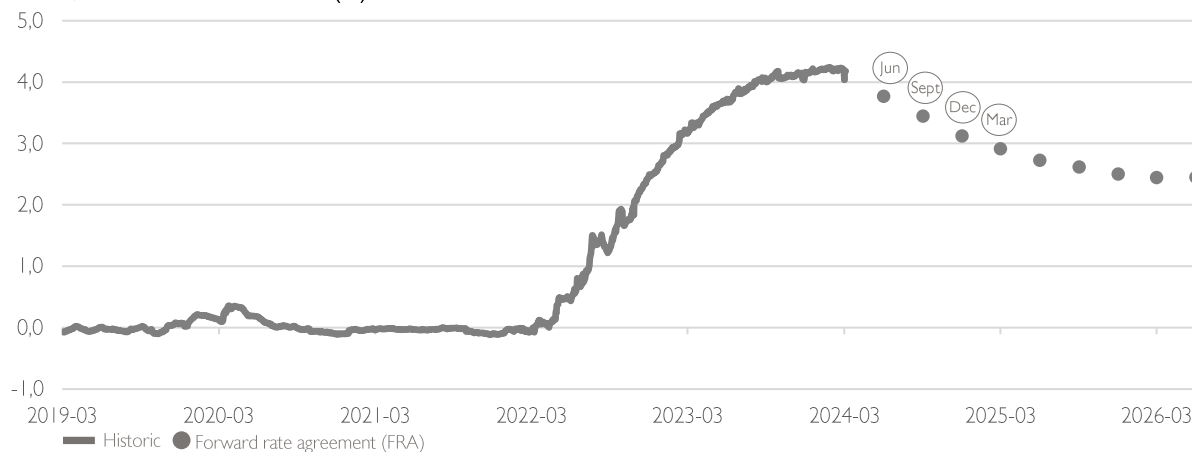
5-YEAR SWAP RATES, HISTORIC AND FUTURES (%)



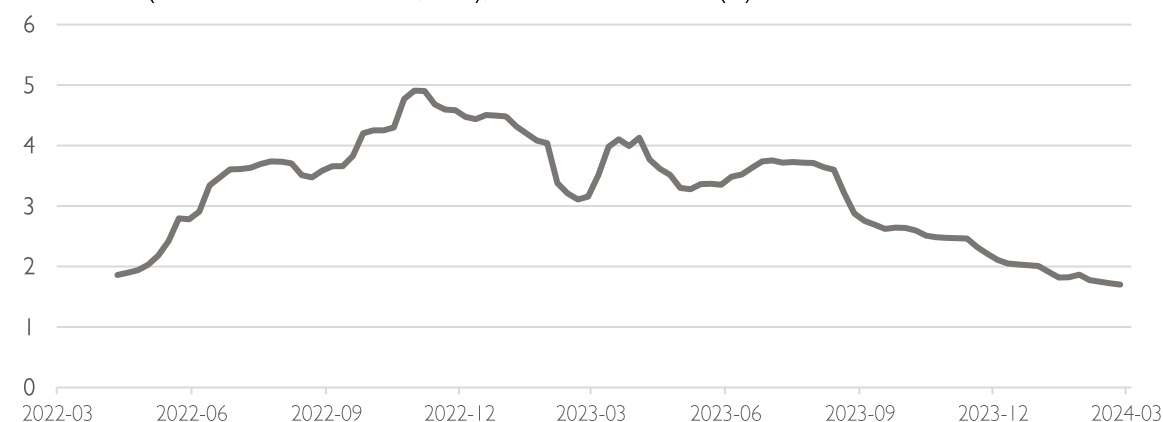
BALDER (MATURITY APRIL 2027, SEK), CREDIT MARGINS (%)



STIBOR, HISTORIC AND FRA (%)



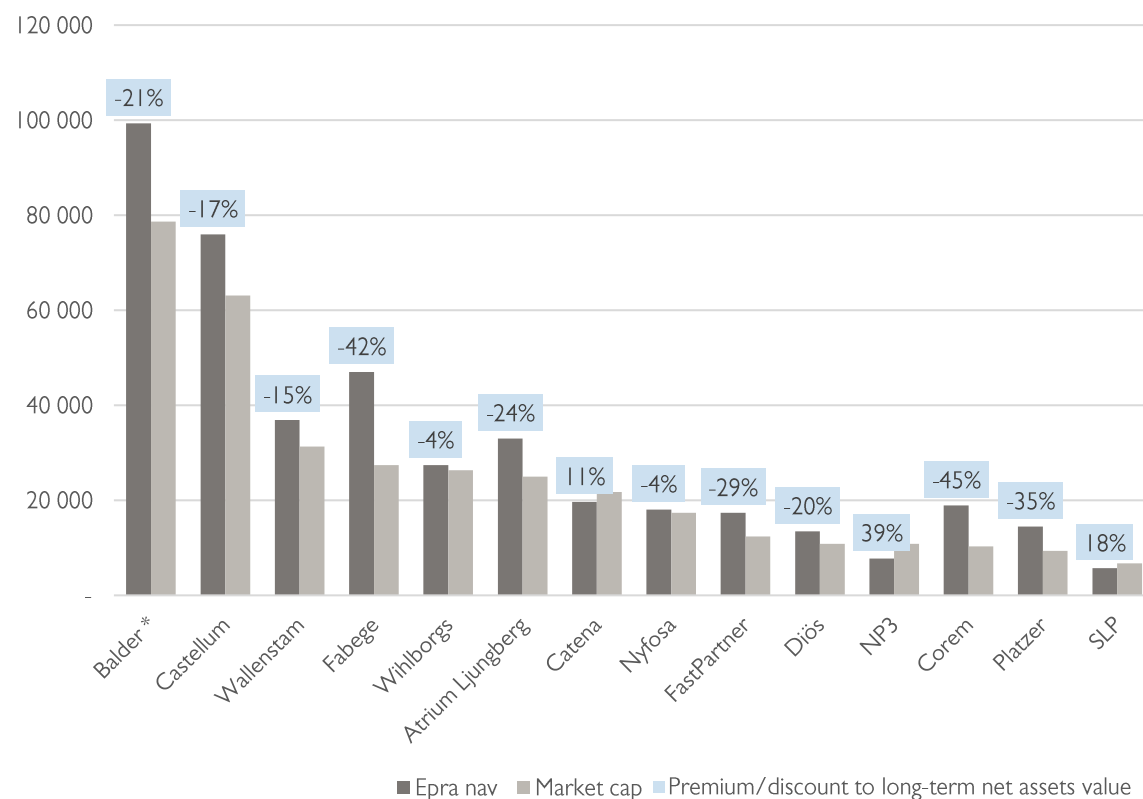
CASTELLUM (MATURITY APRIL 2027, SEK), CREDIT MARGINS (%)



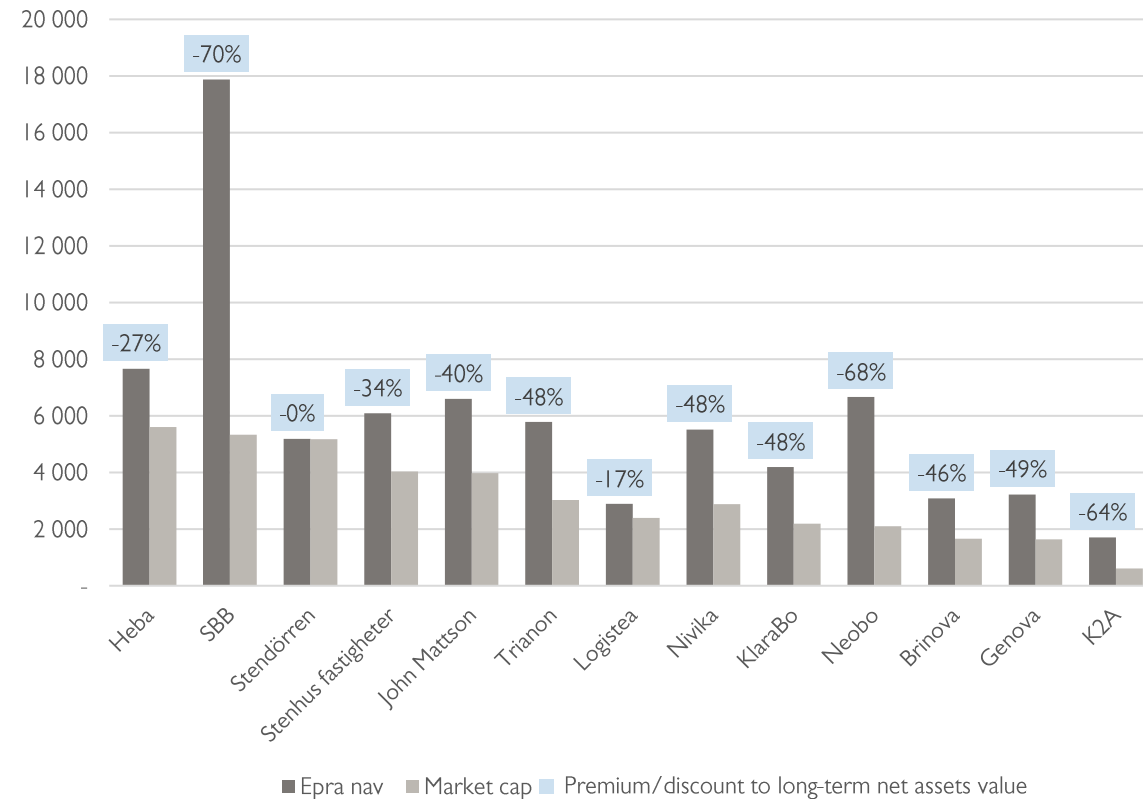
A significant shift downwards in the swap market, driven by falling inflation, benefits the property transaction market. Lower swap rates reduce capital costs for leveraged property investors, lowering yield requirements for new acquisitions. The interest derivate market expect 3-month STIBOR to stabilize 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 6 billion)

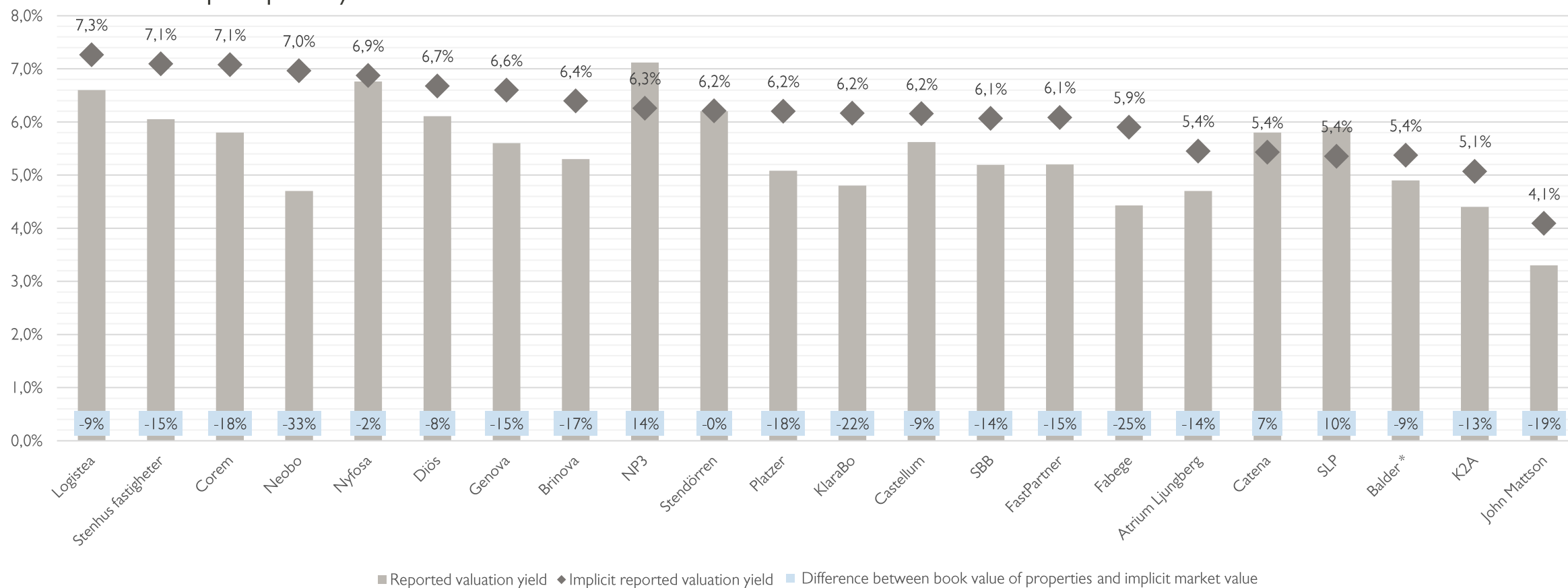


SEKm (Companies with a market cap under ~ SEK 6 billion)



Despite recent improvements in the equity market, the average discount among the selected companies still amounts to 28 percent. The larger companies (market cap exceeding SEK 6 billion) trade at a discount of 14 percent, while the smaller companies trade at a discount of 43 percent.

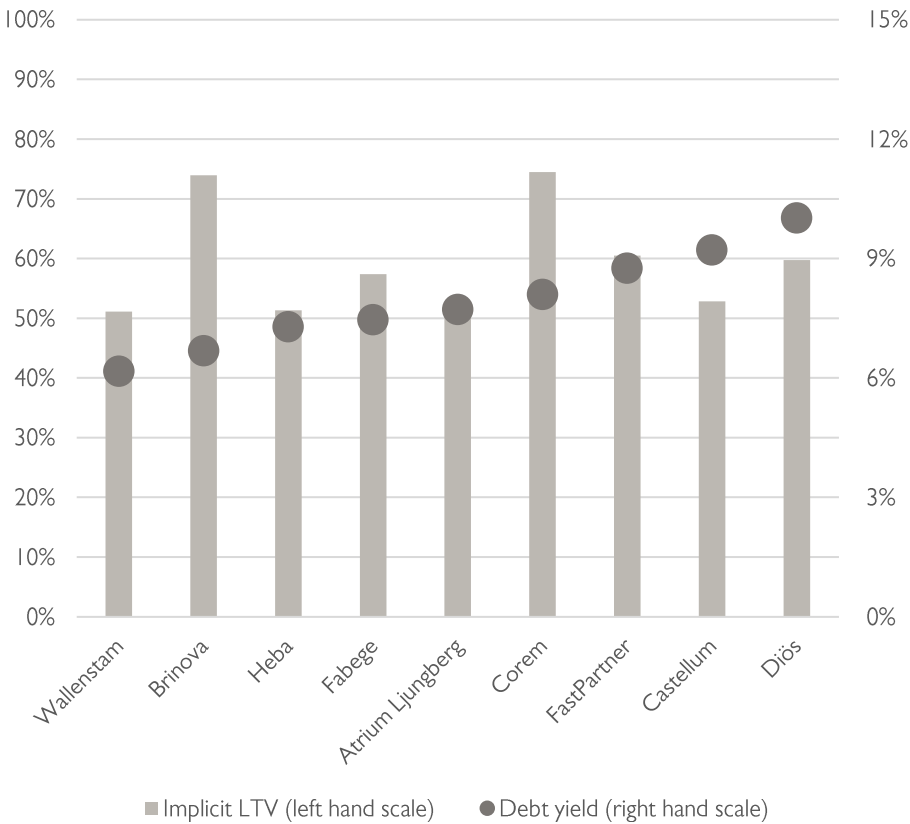
Reported valuation yields, implicit reported valuation yields and equity market premium/discount on property values



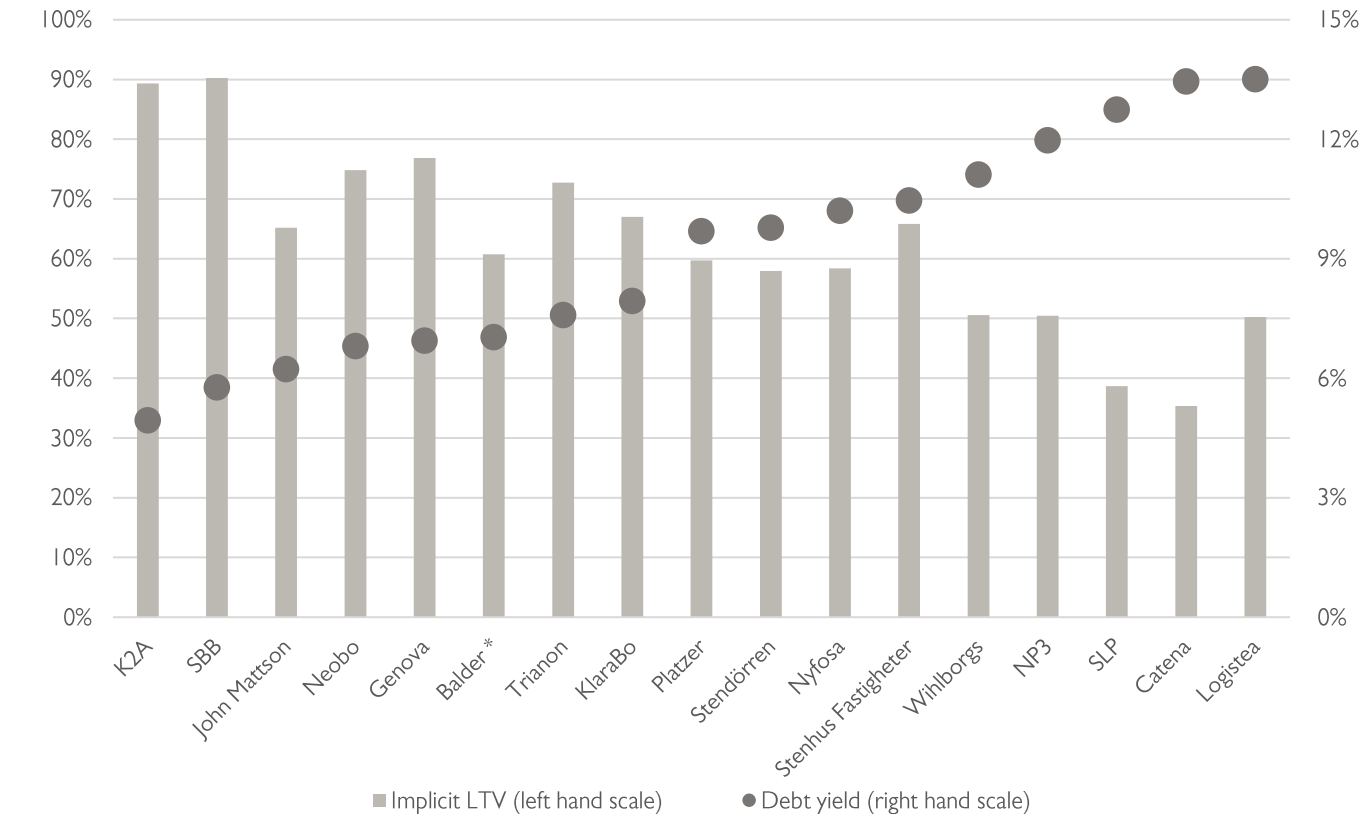
The average discount on property values amounts to 11 per cent, indicating that the equity market is expecting property values to decrease further. The average reported valuation yield of the selected companies is 5.4 per cent and the average implicit (adjusting for premium/discount in the equity market) market valuation yield is 6.1 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 26 companies in our sample have either debt yields below 7.5% and/or implied LTV ratios above 60% indicating that the process of repairing balance sheets have further to go in the listed Swedish property market.



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