



## Catella: Property sector benefits from Brexit-effect

In the September edition of the Swedish “Catella Real Estate Debt Indicator”, the property sector does not appear to have suffered from the Brexit vote. The property companies’ loan-to-value has increased while their average interest rate has fallen, and listed property companies have outperformed the stock market. However, although the CREDI Main index increased from 41.0 to 42.5, the property debt financing market is still in contraction.

“The second quarter of 2016 was characterized by the unexpected Brexit vote and subsequent volatility, which had a positive effect on the financing climate for the property companies. Increased risk tolerance and a search for returns have resulted in a newfound interest in corporate bonds and the launch of new types of securities. Overall, the stock market does not appear to have been affected by the Brexit vote, and the property sector has benefited from continued low market interest rates,” says Martin Malhotra, Project Manager at Catella.

“We are seeing a development where the expectations of additional central bank stimulus in Europe and Japan is boosting the equity markets, but we are about to reach an inflection point. Historically, property yields have been pushed down by high GDP growth and a lowered repo rate. As GDP growth is declining and the repo rate has bottomed out, we expect to see higher property yields in secondary locations and smaller cities,” says Arvid Lindqvist, Head of Research at Catella.

The average loan-to-value of property companies listed on Nasdaq OMX Nordic Main Market has increased to 54.7 per cent, while the average interest rate continues to fall and is currently at 2.6 per cent. In addition, the CREDI Current Situation index has increased by 6.5 index points to 41.9, bouncing back from its all-time low in June. However, the CREDI survey also shows that property companies and banks still believe that the property debt financing market is in contraction.

“The most significant change in the latest survey is that credit margins have stabilized, as opposed to the June survey where a large share of respondents reported increased credit margins. This stabilization has almost single-handedly improved the CREDI Main index, and we are headed towards a more stabilized property debt financing market overall,” Martin Malhotra concludes.

The sixteenth edition of the Catella Real Estate Debt Indicator (CREDI) is attached and can also be downloaded from [catella.com/en/credi](http://catella.com/en/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

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available data. Read more about the methodology at [catella.com/en/credi](http://catella.com/en/credi). This edition also includes an analysis of preferred shares and an overview of the property market.

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