



CREDI indicates tightened access to debt for property companies

In the December issue of the Catella Real Estate Debt Indicator (CREDI), the Main index falls slightly from 49.6 to 48.6, as credit availability has worsened noticeably over the past two quarters. Property companies did experience slightly improved credit terms as interest rates fall to a record low, but uncertainty looms as credit margins appear to rise in the future.

“This year’s fourth CREDI survey appear to confirm a shift in the credit market, where access to credit has continued to gradually worsen. Debt is still attractively priced when it is available, but the access to debt is tightening. Furthermore, we have observed a trend since September last year where surveyed banks and property companies have held a fairly positive view of the current credit climate, but their view of the future development has been more pessimistic. However, this anticipated negative development has yet to materialise. In fact, the average interest rate of listed property companies has continued to fall to a record low 2 per cent,” says Martin Malhotra, Project Manager at Catella.

“We will see the effects of the central banks reducing their stimulus programs and tightening up liquidity, which will also affect the Swedish bond market. In particular, the market will demand higher returns for risk, which will make debt financing more expensive for small actors that are perceived to have higher risk. Large actors with low-risk business models, on the other hand, will still be able to find attractively priced debt,” says Arvid Lindqvist, Head of Research at Catella.

“While it has been a good year for property companies on the stock market, the average dividend for property-related preference shares increased by 50 bps on the back of investors’ fear of a steeper yield curve. At the same time, the recently introduced class D common share is increasingly being viewed as a replacement for the preference share,” Martin Malhotra concludes.

The twenty-fifth edition of the Catella Real Estate Debt Indicator (CREDI) is attached and can also be downloaded from catella.com/en/news-and-pressreleases/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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