CREDI

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CATELLA REAL ESTATE DEBT INDICATOR

July 2013

The Catella Real Estate Debt Indicator, CREDI, is a market sentiment indicator for the Swedish real estate debt financing market. CREDI consists of two parts: firstly a quarterly current and forward-looking survey of Swedish listed property companies and banks providing real estate financing on the Nordic market; and secondly a set of indices based on publicly available data illustrating the aggregate change in credit conditions such as leverage, duration and cost of debt for the Swedish listed property sector.

Good to great

In the second quarter of 2013 the credit market outlook has built on the positive sentiment indicated in the first quarter. The CREDI Main Index moves nine points to all-time high of 64.9 and the improving sentiment is visible in both the Current Situation and Expectations indices.

A majority of both lenders and borrowers polled indicate an easier lending environment in the current and near term.

While this year's property transaction market is still lagging the volumes of 2012 by some 15 per cent we can see that an increasing availability of loan financing, both from traditional bank lending and alternative financing sources, is supporting liquidity in higher yielding property segments.

Although cross-border investments are lower than expected in 1H 2013, foreign banks are active on the Swedish market and the Swedish banks themselves remain active.

In the listed property sector average loan to values dropped to 53 per cent in Q1 2013. This continues the trend of deleveraging since 2009.

The alternative financing trend remains strong and the outstanding volume of corporate bonds and secured bonds issued by the listed companies covered by CREDI now amounts to 12 per cent of their total outstanding debt.

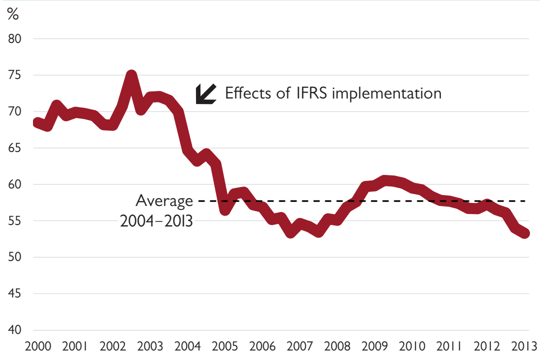
Present conditions support high transaction market liquidity but a continuing rally in long interest rates can become a negative factor in investment decisions.

CREDI Main Index

64.9

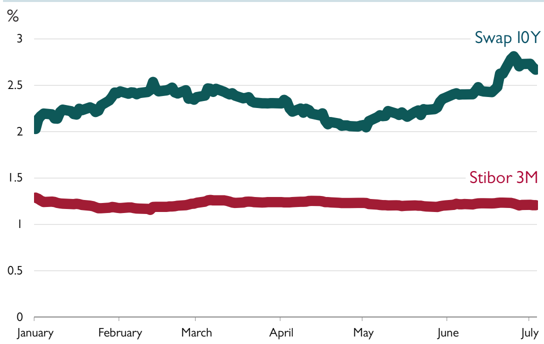
PREVIOUS
(55.9)

CREDI Indices – Average loan to value[1]



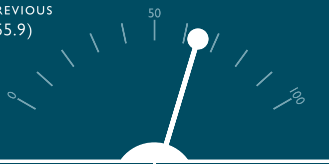
1 Interest bearing debt on property, excluding cash, divided by property value.

Swedish key interest rates, 2013



CREDI Main Index

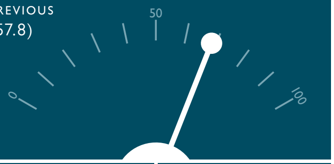
64.9
PREVIOUS
(55.9)



Banks	Corporates
57.1 (53.8)	72.7 (58.0)

Current Situation

68.2
PREVIOUS
(57.8)



Banks	Corporates
62.5 (60.0)	73.9 (55.7)

Expectations

61.7
PREVIOUS
(53.9)

Banks	Corporates
51.8 (47.5)	71.6 (60.2)

CREDI Sub-indices

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 Expectations for the coming three months.

Credit availability

Leverage

Credit margins

Duration

CREDI Survey

In the second quarter of 2013 the credit market outlook has built on the positive sentiment indicated in the first quarter. The CREDI Main Index moves nine points to all-time high at 64.9 and the Current Situation and Expectations indices both improve alike.

Main index components

In the second edition of CREDI 2013 we find a strengthening of the positive trend indicated in the March edition. While the banking sector back in Q1 2013 on average expected access to loan financing to worsen somewhat in the second quarter we see that a majority of all respondents deem that the credit markets eventually improved in the second quarter.

In the Q2 survey both lenders and borrowers think that credit availability and terms on average will improve going forward but borrowers remain decidedly more bullish than lenders.

Sub-indices

Respondents agree on the overall improvement of credit availability both in the past three months and for the coming quarter. The outlook, however, is less positive than the current sentiment.

Looking at credit terms the picture is more diverse. While respondents on average believe that loan durations will increase and margins contract further going forward loan to value-ratios are expected to remain at current levels.

About the CREDI Survey

CREDI is a market sentiment indicator for the Swedish real estate debt financing 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.

The CREDI Survey contains five questions about recent changes in credit availability and credit conditions, and five questions about expectations regarding changes in credit availability and credit conditions in the next three months.

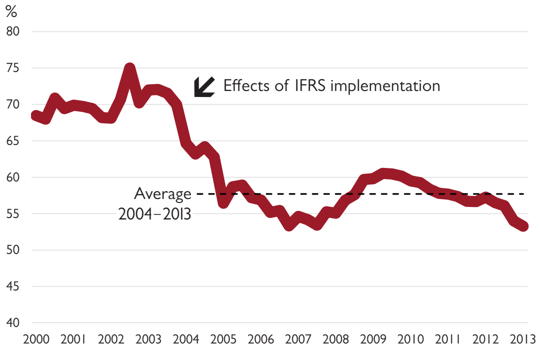
The CREDI Survey results are computed as separate diffusion indices per question, where answers are weighted according to their direction of change in the variable. The final index figure represents an average of all weighted answers. Weights are applied such that a "no change"-answer equals 50. Consequently, the turning point in sentiment is 50 and any reading below indicates more difficult financing conditions while any reading above indicates less difficult financing conditions.

Starting in CREDI September 2012 the 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. Because of this the index figures from CREDI May 2012 have been revised and the revised data is used exclusively in this edition.

CREDI Indices

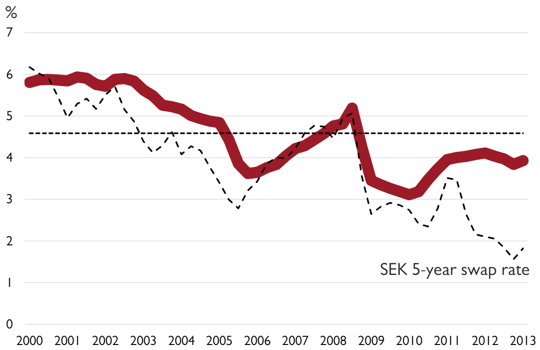
The CREDI Indices show a continued decrease in loan to values for the listed sector in QI 2013. Average interest rate increased slightly but remained stable below 4 per cent, while credit term and interest term was unchanged from Q4 2012.

Listed sector average loan to value[1]



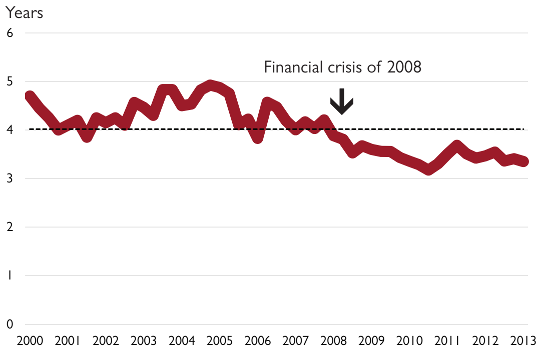
By the end of QI 2013, the average loan to value amounted to 53.3 per cent, compared to 54.0 per cent a quarter earlier. The decreasing trend in loan to values seen since the end of 2009 is thus still intact. The average loan to value for the surveyed companies remains below the average loan to value of 57.7 per cent in 2004–2012.

Listed sector average interest rate[2]



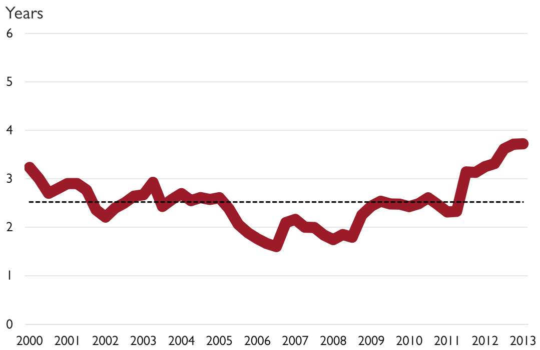
In QI 2013, the average interest rate amounted to 3.9 per cent, up 0.1 percentage points from Q4 2012, thus weakening the trend of lower cost of debt established in 2012. The total cost of lending for the surveyed companies remains well below the average cost of 4.6 per cent in 2000–2013.

Listed sector average fixed credit term[3]



In QI 2013, the average fixed credit term amounted to 3.4 years, unchanged from Q4 2012. The fixed credit term has stabilised after the overall downward trend seen after the financial crisis of 2008. Higher funding costs for lenders on longer maturities still makes shorter maturities more attractive for the borrower in terms of pricing.

Listed sector average fixed interest term[4]



By the end of QI 2013, the average fixed interest term amounted to 3.7 years, unchanged from Q4 2012. During QI 2013 swap rates increased which could partly explain why the surveyed companies to a less extent utilised derivatives to increase their overall fixed interest term. Worth to notice is that the average fixed interest term continues to exceed the fixed credit term.

-------- Average 2000–2013

About the CREDI Indices

CREDI is a market sentiment indicator for the Swedish real estate debt financing market. The indicator is based in part on a set of indices illustrating the aggregate change in leverage, duration and cost of debt for the Swedish listed property sector.

The CREDI Indices are based on publicly available data collected from the financial reports published by the Swedish listed property companies.

Each data point in the CREDI Indices represents the aggregate figure for the Swedish listed property companies. Each company is weighted equally in order to fully reflect the company's individual financing strategy and financing situation. Start date is set as QI 2000.

The intention with the CREDI Indices is to track trends and changes in real estate financing by aggregating publicly available data.

Notes

1 Interest bearing debt on property, excluding cash, divided by property value.

2 Average interest rate on outstanding debt portfolio, including funding costs and effects of derivatives if reported as such.

3 Average maturity of outstanding debt portfolio excluding effects of derivatives, and excluding loan commitments if reported as such.

4 Average maturity of outstanding debt portfolio including effects of derivatives, and excluding loan commitments if reported as such.

CATELLA

Catella Corporate Finance is a leader on the Swedish market for advisory services in connection with property transactions and property-related services within debt and equity capital markets. Catella Corporate Finance has some 50 employees and offices in Stockholm, Gothenburg and Malmö. The company is a part of the Catella Group.

CREDI
CATELLA REAL ESTATE DEBT INDICATOR

CREDI is a market sentiment indicator for the Swedish real estate debt financing market. The next edition of CREDI will be published in September 2013.

If you wish to subscribe to future editions of CREDI, please e-mail CREDI@catella.se. Published editions are available online at www.catella.se.

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