

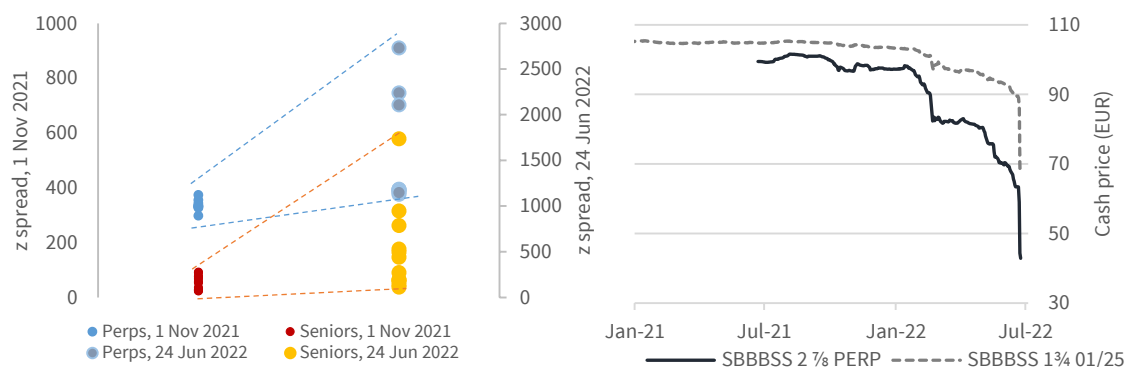
Swedish RE Bond Blow up: not a green issue

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We opine that the current Swedish real-estate bond sell-off should have little direct bearing on *relative* green/labelled bond performance in international markets. Having said this, the aggregate green bond segment might underperform in SEK currency specifically, but due to the strong sector tilt toward real-estate rather than some inherent feature of green bond instrument per se. Recent price action for certain Swedish real-estate issuers has been very poor, even from the perspective of an atrocious H1 for global corporate bonds.¹ As illustrated in Figure 1 (left), the average spread on Swedish real-estate senior benchmark bonds in EUR has gone from 55bps to 500bps, and on perpetuals/hybrids from 337bps to 1531bps. A significant issuer in the segment, Samhällsbyggnadsbolaget (SBBSS) suffered especially hard during last week, with the seniors and perps dropping 20 points in cash, right hand panel of Figure 1.

In terms of green bond issuance, the Swedish Property sector's total issuance amounts to 47% of all corporate bond issuance in SEK.² And out of those real-estate bonds, more than 50% have been issued in a green format. That is a remarkable concentration. In contrast, our analysis indicates that the amount of labelled issuance from the Swedish real-estate sector into international markets is quite low: of the EUR19.1bn issued in EUR, only 2% of nominal is actually issued as green. Indeed, the SBBSS 2.875 perp with a EUR500mn notional outstanding has a social label and thus makes social bonds coming out from the sector bigger than even green. Thus, domestically, pure flow factors may make it appear that green bonds are underperforming in SEK, but it seems unnecessary to extrapolate such technical factors into a broader, international green bond perspective.

Figure 1. (Left) Spread changes of Swedish benchmark-sized EUR bonds across the capital structure. (Right) SBBSS bonds (Senior: XS1993969515, BBB-; Perp: XS2010028186, BB) in EUR cash price terms. Source: Bloomberg, AFII.



¹ Refer to "[Swedish Property Companies Face End of Era as Deal Volumes Slump](#)", Bloomberg, 31 May 2022.

² "[Towards a better functioning corporate bond market](#)", Riksbank 3:2021, 7 Dec 2021.

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