REAL - ESTATE NEWS FEED

MAY 11

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MAY 15

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1. REAL-ESTATE

• Elpitiya Plantations to move ahead with US$4mn ESCAPE theme park project despite COVID-19 impact

Sri Lanka's Elpitiya Plantations PLC is planning to move ahead with the development of US$ 4 million ESCAPE theme park in the Galle district later this year with Sim Leisure Group Ltd, Singapore Stock Exchange listed leading theme park developer and operator based in Malaysia, despite the COVID-19 pandemic which has adversely impacted the company's performance and the country's tourism industry.

"The company would continue to diversify into non-traditional ventures and as per the announcement made on 17th April, 2020, we hope to commence the joint venture project-Adventure Theme with the Singaporean investor in Deviturai, Ethkandura during the latter part of 2020, to further enhance company's revenue and also to boost adventure tourism in Sri Lanka," Elpitiya Plantations stated filing a disclosure in the CSE in relation to the impact of COVID-19 pandemic on the company.

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• Systemically important projects resuming construction

Managing Director Access Engineering Christopher Joshua said that his organization had resumed construction on some key projects. Joshua was amongst other leading CEOs speaking to Echelon decode on May 1. Other panelists also noted other signs of the economy opening up.

Joshua said, "Some of the key projects that we had already commenced. We have lobbied with the relevant authorities and they have been understanding. We have been operational in five worksites and today six worksites."

Joshua added "This is going to be a recession. We are trying to asses our lateral levels (lowest level of activity during a recession). We are considering the lateral levels for every business and for how long can we stay there. We have to see how best to restructure."

Access Engineering has resumed construction on Sri Lanka's largest warehouse for CAMSO Loadstar with a roof spanning 14 acres.

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- ## 3D virtual tours of Cinnamon Life and TRI-ZEN apartments launched

John Keells Properties has announced that in order to accommodate prospective buyers moving forward with their apartment searches, it is using virtual reality technology to provide virtual tours of show units for its two upcoming residential developments, Cinnamon Life and TRI-ZEN.

With respect to the government's stay-at-home directive in order to stop the spread of COVID-19, the country's leading property developer is using Matterport technology to responsibly and safely provide a complete virtual walk-through of specifically the Cinnamon Life two bedroomed and the TRI-ZEN dual-key (combination of a one and two bedroomed unit) apartments; an entirely new concept to apartment living in Sri Lanka. Potential homeowners can now make informed decisions about their future residence at their leisure, and from the comfort and safety of their own homes.

Accessible via laptop, tablet, or smartphone, interested buyers are not just afforded a realistic view of the overall layout and proportions of each model apartment, but will also be privy to the more intricate details of the space. Furthermore, those with virtual reality gear will be able to take the already extensive experience a step further with the additional suite of immersive VR features offered by the platform.

Read more

2. ECONOMY

• CSE to resume trading today; foreigners look to sell

The Colombo Stock Exchange (CSE) is scheduled to resume trading today as the market braces for heavy foreign selling despite anticipated weak buying interest amidst the impact of COVID-19, further exacerbated by its longest ever shutdown spanning for seven weeks along with the island-wide curfew to slow the spread of the pandemic.

The CSE last Saturday confirmed that it would resume trading from today onwards in view of the decision made by the government that both public and private sector entities in Western Province and Puttalam district should re-commence work from today onwards.

Accordingly, the pre-open session is scheduled from 10.30 a.m., followed by the open auction at 11 a.m. and regular trading up until 1 p.m.

With nearly all markets barring Sri Lanka and Bangladesh remaining open despite the current pandemic situation, the market analysts pointed out that the market closure had severely impacted foreign investor sentiment on Sri Lankan stocks while potentially missing a global rebound seen in April.

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• IMF's Georgieva downbeat on global economic forecast, warns against protectionism

The head of the International Monetary Fund on Friday signalled a possible downward revision of global economic forecasts, and warned the United States and China against rekindling a trade war that could weaken a recovery from the COVID-19 pandemic.

IMF Managing Director Kristalina Georgieva told an online event hosted by the European University Institute that recent economic data for many countries was coming in below the fund's already pessimistic forecast for a 3% contraction in 2020.

"With no immediate medical solutions, more adverse scenarios might unfortunately materialise for some economies," Georgieva said. "It is the unknown about the behaviour of this virus that is clouding the horizon for projections."

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• Bond market trades within narrow range

The secondary bond market remained active during the shortened trading week ending 6 May while trading within a narrow range across the yield curve. The continuous selling interest on the liquid maturities of 2024's (i.e.15.03.24, 15.06.24 & 15.09.24), 01.05.25, and 15.10.27 saw its yields increase to weekly highs of 8.70%, 8.75% each, 8.85% and 9.07%, respectively, in comparison to its previous weeks closing levels of 8.62/70, 8.65/75, 8.67/73, 8.80/88 and 8.95/02.

However, buying interest at these levels curtailed any further upward movement in yields. In addition, maturities of 01.10.22, 15.01.23, and 01.08.26 were traded at levels of 8% to 8.03%, 8.14% to 8.18% and 9.02% to 9.04%, respectively, as well.

The weighted average rates on the 91-day and 182-day bills increased by 9 and 10 basis points, respectively, while the weighted average on the 364-day bill remained steady at 7%, at the weekly bill auction.

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• Secondary market bond yields increase further

The secondary market bond yields increased further yesterday with continued selling interest on the maturities of 2024s (i.e. 15.03.24, 15.06.24 & 15.09.24) and 15.10.27 saw its yields hit intraday highs of 8.70%, 8.75% each and 9.07% respectively against its previous day's closing levels of 8.65/70, 8.68/75, 8.70/75 and 9.00/05. Furthermore, maturities consisting of the 01.10.22, 15.01.23, 2025s (i.e. 15.03.25 & 01.05.25) and 01.08.26 traded at levels of 8.00% to 8.03%, 8.15% to 8.18%, 8.85%, 8.80% to 8.85% and 9.02% to 9.04% respectively.

The total secondary market Treasury bond/bill transacted volume for 4 May was Rs. 20.90 billion.

In money markets, an injection by the DOD (Domestic Operations Department) of Central Bank for an amount of Rs. 15 billion for 06 days drew no bids as the overnight net liquidity surplus in the system stood at Rs. 142.50 billion yesterday. The weighted average rates on overnight call money and repo stood at 6.41% and 6.56% respectively.

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- ## Lanka's post COVID-19 economy will boost with FDI influx – Bandula

Sri Lanka's post covid-19 economy will receive a major boost from foreign direct investments (FDI) due to the way the government controlled the covid-19 situation, Minister of Information & Communications Technology, Higher Education, Technology and Innovations, Dr. Bandula Gunawardena said.

In an interview with 'Daily News Finance' he said that even the projects like Colombo Port City and mega apartment projects will receive a keen interest from the foreign buyers and investors.

Most of the affected and deaths from corona virus were senior citizens in Europe. This proves the medical system in those countries were not geared to tackle issues of this nature and in contract Sri Lanka has provided its medical care is above worked class. Sri Lanka had only 9 deaths from nearly 900 patients and this is a remarkable success and this speaks volumes of Sri Lanka's medical capabilities.

"This will provide a sense of health security for senior citizens who will be keen to spend rest of their lives in Sri Lanka opening up new vistas in elderly care segment in Sri Lanka."

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- ## IMF warns of further drop in global growth due to Covid-19

The head of the International Monetary Fund has signalled a possible downward revision of global economic forecasts, and warned the United States and China against rekindling a trade war that could weaken a recovery from the coronavirus pandemic.

Kristalina Georgieva, the IMF's managing director, told an online event hosted by the European University Institute that recent economic data for many countries was coming in below the fund's already pessimistic forecast for a 3% contraction in 2020.

"With no immediate medical solutions, more adverse scenarios might unfortunately materialise for some economies," Georgieva said. "It is the unknown about the behaviour of this virus that is clouding the horizon for projections."

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- ## Inflation decreases in April

Headline inflation as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2013=100)1 declined to 5.2% in April 2020 from 5.4% in March 2020. This was solely driven by the statistical effect of the high base prevailed in April 2019.

Meanwhile, Food inflation (Y-o-Y) recorded at 13.2 per cent in April 2020 and Non-food inflation (Y-o-Y) declined to 2.1 per cent in April 2020 from 2.5 per cent in March 2020. The change in the CCPI measured on an annual average basis increased marginally to 4.8 per cent in April 2020 from 4.7 per cent in March 2020. Monthly change of CCPI recorded at 0.1 per cent was due to price increases observed in the items of the Food category. Within the Food category, prices of coconut, condiments, coconut oil

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- ## Decline in tourist arrivals tops 44% up to April

Sri Lanka recorded a 44.1 percent YoY decline in tourist arrivals during the first four months of the year, with no tourist arrivals in April, due to the termination of all passenger flight and ship arrivals into the country from March 18, to slow the spread of the COVID-19 disease.

"The total arrivals recorded from January to April 2019 were 907,757. In comparison to January to April last year (2019), a decline of 44.1 percent has been recorded for the same period in 2020," the Sri Lanka Tourism Development Authority (SLTDA) stated.

India, the United Kingdom, Russia, Germany and China, were Sri Lanka's top five tourism source markets during the period.

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- ## CHANGE FOR GOOD: THE POST-COVID-19 'NEW NORMAL'

Sri Lanka's travel and event industries have had more than their fair share of challenges in the past couple of years. While 2018/19 brought localized crises that could have been overcome with time, in 2020, we are facing a challenge that is unlike anything the world has witnessed in living memory.

Just as the Bubonic Plague in the 14th century altered the very structure of society in Europe, we will see many things change for good across the globe—we can expect a 'new normal.' The ones who will be able to thrive in this new reality will be those who maintain a positive outlook and accept that change can be a force for good.

Preparing for a world that will be forever changed by Covid-19 will require all of us to think, plan and act differently. Certainly, in our personal lives, and even more so as businesses needing to face common threats. The losses to the tourism industry, not just here but worldwide, will be steep and protracted. To have any chance of recovery, we have to forget about business as usual. The lack of coordination and petty rivalries that have plagued our industry cannot remain. There will be no point in airlines assuring customers of sterilization efforts if hotels don't do the same; checking body temperature at airports will be useless unless there are proper (perhaps even luxurious) facilities where visitors can be treated.

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- ## CB outlines strategies to support Lanka's economic take off

The Central Bank Annual Report for 2019, which was released last week, a breakthrough in Sri Lanka's export strategy wouldserve as a springboard for the country to become a high income economy.

Sri Lanka's merchandise export strategy needs to be revolutionized by diversifying to the export of medium to high technology products such as machinery and equipment, electronics, vehicles and pharmaceuticals, and value added mineral products, from the traditional low technology products such as garments and tea.

The report said:" Vietnam, a well-known achiever in Asia, diversified its exports from agriculture and natural resources based products to apparel in the early 1990s and then to electronics in the late 2000s, and thus stands among the leading exporters in the global production network today."

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- ## Bond yields decrease ahead of Treasury bond auctions

The fresh trading week commenced with secondary market bond yields decreasing following the policy rate cut, on the back of an active market. Buying interest on the liquid maturities of 01.10.22, 15.01.23, 2024s (i.e.15.06.24 and 15.09.24), 01.05.25 and 15.10.27 saw its yields dip to intraday lows of 7.72%, 7.90%, 8.50%, 8.45%, 8.50% and 8.75% respectively.

However, selling interest at these levels due to profit taking saw yields edge up marginally once again, trimming its decline. Furthermore, limited amount of activity was witnessed on the maturities of 01.08.21, 15.03.22, 2023s (i.e. 15.03.23 and 01.09.23) and 15.03.24 at levels of 7.10%, 7.50%, 8.05%, 8.15 and 8.50% respectively. In secondary bills, an April 2021 maturity traded at 6.94%.

This was ahead of today's Treasury bond auctions, where an total amount of Rs.50 billion will be on offer, consisting of Rs. 30 billion on a 2 year and 8 months maturity of 15.01.2023 and Rs.20 billion on a 8 year and 2 months maturity of 01.07.2028. The weighted average yields at the auctions conducted on 29 April for the maturities of 15.01.23, 01.05.25 and 15.10.2027 were recorded at 8.14%, 8.75% and 8.88% respectively.

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- ## Asian stocks rise as more economies emerge from lockdown

Sydney/Hong Kong (Reuters): Asian shares followed Wall Street higher on Monday as investors looked ahead to more countries restarting their economies, even as some reported an unwelcome pick up in new coronavirus cases.

European markets are also heading north, with EUROSTOXX 50 futures and FTSE futures up about 1%. E-Mini futures for the S&P 500 opened softer but bounced as the Asia day wore on and was last up 0.5%.

Encouraging investors in Asia was further loosening of coronavirus restrictions in the region with New Zealand easing some curbs from Thursday while Japan plans to end a state of emergency for areas where infections have stabilised.

In Europe, millions of French people are also set to cautiously emerge from one of that region's strictest lockdowns on Monday.

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• Stock market loses Rs. 84 b in seconds

The Colombo stock market lost a staggering Rs. 84 billion in value within seconds yesterday as it opened after one-and-a-half months of shutdown with investors apparently in panic selling mode influenced by severe impact on the economy from the COVID-19 pandemic and other shocks.

It just took 38 seconds after opening for the active S&P SL20 Index to crash by 10%, a level (circuit breaker) which now requires the closure of the market immediately as per a new directive by the regulator the Securities and Exchange Commission (SEC).

The fact that the market crashed and closed in less than a minute is because such a dip was reflected at the preopening during which period brokers lock in bids and offers. This realisation later on pacified the originally bewildered brokers.

In contrast to the S&P SL20, the All Share Price Index (ASPI) declined by only 4%. When the market closed, the turnover was Rs. 25 million, the lowest at closing since 9 January 2009, whilst only 4.4 million shares traded. The dip was influenced by the fall of blue chips such as JKH, Commercial Bank and Sampath Bank.

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• Sri Lanka delisted by European Commission from list of high risk 3rd countries

The European Commission has de-listed Sri Lanka from its list of High Risk Third Countries with Anti- Money Laundering and Countering the Financing of Terrorism Strategic Deficiencies published on May 07, 2020.

Since the listing by the FATF, the Financial Intelligence Unit (FIU) together with other stakeholders had taken a series of effective and tangible steps to implement the FATF Action Plan well within the given time frame and accordingly, the FATF delisted Sri Lanka from its Compliance Document (a.k.a. "the Grey List") at its Plenary held during 13-18 October 2019 in Paris.

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- ## Sri Lanka GDP could contract 1-3-pct over Coronavirus in 2020: analysts

Sri Lanka's gross domestic product likely to contract 1-3 percent in 2020 over a Coronavirus shock and macro issues, with a lower chance of the economy shrinking over 5 percent or recording slightly positive growth, analysts said.

Sri Lanka's tourism sector which accounts for 4.3 percent of gross domestic product has come to a virtual standstill.

"We have done about 1.3 billion dollars up to March we are looking at about 1.8 million earnings until December," Senior Vice President, Capital Alliance Ltd, Udeeshan Jonas told an online forum by Sri Lanka's Echelon business magazine.

"That itself is going to have a 2.2 percent impact on the GDP. Adding to that, if we look at the apparel sector which counts to about 6.6 percent of our GDP, we are looking at about 30 percent reduction in apparel exports."

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- ## Sri Lanka forex reserves drop US$353bn to US$7.2bn in April

Sri Lanka's foreign reserves have dropped 353 million US dollars to 7,179 million US dollars, official data show, after bout of money printing led to a fall in the credibility of Sri Lanka's soft-peg with the US dollar.

Sri Lanka cut rates on January 30 and began injecting liquidity from late February while Coronavirus curfews brought the country to a standstill in from late March.

Data in February shows a slight pick-up in credit.

In January rates were cut despite a tax cut in a Western-style fiscal stimulus, aimed a short cut to boost growth.

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- ## Bourse rebounds after two days of losses

The Colombo Stock Exchange (CSE) rebounded yesterday after two days of losses, with the benchmark All Share Price Index (ASPI) increasing by 2.81 percent or 119.30 points to close at 4,367.25 points while the S&P SL20 index also increased by 2.59 percent or 43.70 points to close at 1,729.15.

The market turnover decreased by 73.2 percent, compared to Tuesday, to Rs.98 billion while the turnover of Commercial Bank, JKH and Lion Brewery shares accounted for 43 percent of the day's total turnover.

According to NDB Securities, high-net-worth and institutional investor participation was noted in John Keells Holdings, Commercial Bank, Lion Brewery and Ceylon Tobacco Company.

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- ## Dwindling foreign reserves, increased money printing to exert pressure on rupee

Sri Lanka's rupee is expected to feel the pressure from the dwindling official foreign reserves combined with the impacts from the increased money printing towards the latter part of the year, when the demand rebounds from the current sluggish levels.

First Capital Research predicted that Sri Lanka's official foreign reserves are likely to decline to the US $ 5.5-6 billion range, at the end of the year, from US $7.2 billion in April.

Speaking to Mirror Business, First Capital Head of Research Dimantha Mathew noted that the government is likely to face around US $ 1.5 billion gap in funds, to service foreign currency-denominated debt, which would be settled in utilising the funds in foreign exchange reserves.

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• Import contraction to outpace fall in exports - Frontier Research

Chief Executive Officer Frontier Research Amal Sanderatne (pictured) said that there was going to be a fall in imports far outpacing the loss of export revenue predicting that the balance of trade would improve. Sanderatne was speaking at the Ceylon Chamber of Commerce on May 7.

Sanderatne said that as a Sri Lankan he had a lot of experience with negative cycles and the data indicated that even though there was a fall in export revenue this was outpaced by the contraction in imports. Sanderatne expected the trade deficit to narrow.

Director of Economic Research Central Bank of Sri Lanka Dr. Chandranath Amarasekara said, "I believe it is time that interest rates in Sri Lanka are brought back to sensible levels."

Dr. Amarasekara said that if financial institutions didn't comply there would be severe reprimands by the Central Bank. Sanderatne felt that there would be a low-interest-rate regime going forward. Sanderatne said that it was difficult to make forecasts given that this is a once in a century event and that the scenario was difficult to imagine pre-emptively.

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• CBSL implements measures to provide liquidity to Banks

The Monetary Board of the Central Bank of Sri Lanka (CBSL), in the wake of the possible adverse impact on liquidity and other key performance indicators of licensed commercial banks and licensed specialised banks (licensed banks) due to the implementation of the credit support scheme to assist COVID-19 hit businesses and individuals, and the need to meet other urgent liquidity needs of banks, considers it imperative to strengthen the liquidity positions of banks.

Accordingly, the Monetary Board has decided to implement the following extraordinary regulatory measures to strengthen the liquidity positions of licensed banks, under the provisions of the Banking Act and the Monetary Law Act, to ensure the continued supply of credit and to meet urgent liquidity needs of banks during these exceptional times.

These includes. a) Provide additional funding under the refinance facility or other credit operations enabling the banking sector to provide working capital and other loans at concessionary rates of interest, to spur demand in the economy, b) Up to 30 June 2021: (i) permit licensed banks to consider certain assets as liquid assets in the computation of the Statutory Liquid Assets Ratio (SLAR) subject to conditions, and (ii) reduce the minimum requirement of Liquidity Coverage Ratio and Net Stable Funding Ratio to 90% with enhanced supervision and frequent reporting.

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- ## Total offered amount subscribed for first time in eight weeks

The total offered amount of Rs. 30 billion was fully accepted for the first time in eight weeks at the weekly Treasury bill auction held yesterday with the weighted average rate on the market favourite 364-day maturity decreasing by 06 basis points to 6.94%, below Central Banks stipulated cut-off rate of 6.95%.

The weighted average rates on the 91-day and 182-day maturities decreased to the stipulated cut-off rates of 6.74% and 6.83% respectively against its previous weeks of 6.84% and 6.90%. The bids to offer ratio increased to 1.78:1.

Activity in the secondary bond market continued within a narrow range as the liquid maturities of 15.01.23, 2024's (i.e. 15.03.24, 15.06.24 and 15.09.24), 01.05.25 and 15.10.27 changed hands at levels of 8.04% to 8.05%, 8.50% to 8.52%, 8.50% each, 8.65% to 8.66% and 8.84% respectively.

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- ## Mixed outcomes at bond auctions

The Treasury bond auctions conducted yesterday reflected mixed outcomes as the weighted average rate on the two-year and eight-month maturity of 15.01.2023 was recorded at 8.05%, above its pre-auction rate of 7.95/00 but below the Central Bank's stipulated cut off rate of 8.10%, while its total offered amount of Rs.30 billion was accepted at its first phase.

However, the eight-year and two-month maturity of 01.07.2028 recorded a weighted average rate of 8.85%, in line with the Central Bank's stipulated cut off of 8.85%, while only an amount of Rs.5.6 billion was accepted against its offered amount of Rs. 20 billion, which led to its second phase of the auction in the absence of its third phase.

The secondary bond market was seen trading within a narrow range yesterday as the liquid maturities of 2024s (i.e. 15.03.24, 15.06.24 and 15.09.24) and 01.05.25 changed hands at levels of 8.50%, 8.52% to 8.53%, 8.50% to 8.54% and 8.59% to 8.65% respectively. In addition maturities of 2021s (i.e. 01.03.21 and 01.08.21) and further 2025s (i.e. 15.03.25 and 01.08.25) traded at levels of 7.00%, 7.00% to 7.07%, 8.65% and 8.75% respectively

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- ## Activity in secondary bond market slows down

Activity in the secondary bond market moderated yesterday with limited volumes of the 2023s (i.e. 15.01.23, 15.03.23 & 15.05.23) and 2024s (i.e. 15.03.24 & 15.09.24) changing hands at levels of 8.05%, 8.09%, 8.14%, 8.50% and 8.55% respectively. In the secondary bill market June 2020 and May 2021 bills were traded at levels of 6.55% and 6.90% respectively.

The total secondary market Treasury bond/bill transacted volume for 13 May was Rs. 24.21 billion.

In money markets, the weighted average rates on overnight call money and repo stood at 5.91% and 6.01% respectively as the overnight net liquidity surplus in the system stood at Rs. 126.36 billion yesterday. The DOD (Domestic Operations Department) of Central Bank injected an amount of Rs. 4 billion by way of a 7 day reverse repo auction at a weighted average rate of 6.08%, subsequent to offering Rs. 15 billion. It further injected an amount of Rs. 5.00 billion for Standalone Primary Dealers by way of a 7 day reverse repo auction at a weighted average rate of 6.41%.

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- ## Sri Lanka stocks gain at open

Sri Lanka stocks gained 0.24 percent at open continuing recovery from a circuit breaker fall at the start of the week, provisional data showed

Colombo's All Share Price Index (ASPI) gained 0.24 percent or 10.35 points to 4,403.89.

The S&P SL20 index of more liquid stocks gained 1.40 percent or 23.87 percent to 1,730.89 on Friday.

Market turnover amounted to 38.8 million rupees with 39 stocks advancing and 18 making losses.

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3. INTERNATIONAL

- ## Office sharing startup WeWork paid 80% of April and May rent but wants to pay it all, CEO says

WeWork CEO Sandeep Mathrani told CNBC on Tuesday the company has paid its rent in over 80% of its locations in April and May, as the coronavirus outbreak swept the globe.

"The remaining locations, we're just in discussions with our landlords in a friendly way, and therefore we plan to make whole on our entire obligation," Mathrani said on "Squawk Box." "I do believe in the trickle-down economy, if I stop paying my rents, the landlords can't make their mortgage payments and then it's a domino effect."

Mathrani, who became CEO in February, said WeWork has collected over 70% of rent from its tenants in April. "We are working with small, medium businesses in deferrals, freezing of rents and different aspects with them," he said.

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- ## UK house prices to fall on coronavirus, but analysts don't expect a 2008-like collapse

U.K. house prices will fall "modestly" in the coming months, but are unlikely to drop as dramatically as in 2008, two analysts told CNBC.

The coronavirus has halted the residential property market in the U.K. after the country's government stopped house viewings and prevented real estate agents from promoting new properties, as part of broader moves to contain the pandemic's spread.

Though future house prices will depend on how long the outbreak lasts, analysts are confident that "very low interest rates" and supply shortages will limit their fall.

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- ## European markets slip 0.7% amid concerns of a second wave of the coronavirus

The pan-European Stoxx 600 ended the day provisionally 0.7% lower, reversing earlier gains. Basic resources dropped 2.5% to lead losses, with most sectors and major bourses ending in the red.

Spain's IBEX closed around 0.75% lower, while France's CAC 40 ended down 1.3%. Meanwhile, Italy's FTSE MIB fell around 0.3% and Germany's DAX ended the day down 0.7%. The U.K.'s FTSE 100 ended flat.

European investors continued to watch developments in the region with countries continuing to gradually lift lockdown restrictions.

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- ## In a COVID-19 World, Commercial Lending Enters Period of Price Discovery in U.S.

According to the latest research from CBRE, as risk to the U.S. economy from the COVID-19 pandemic emerged in mid-March, commercial real estate lending markets began to navigate a period of price discovery.

Commercial real estate loan closings remained at high levels in Q1 2020, reflecting the strong market conditions prior to the disruption of activity towards the end of the quarter. The CBRE Lending Momentum Index, which tracks the pace of commercial loan closings in the U.S., reached a value of 275 in March--a 4.5% increase from its Q4 2019 close and up 15% from a year ago. With the deal pipeline slowing in April, a decline in lending momentum is anticipated in Q2 2020.

"Commercial mortgage markets are transitioning through a period of price discovery, with certain lenders remaining active. Interest rate floors and/or minimum spreads have become commonplace. More conservative underwriting and lower loan to values have also been instituted. Property types especially hard hit by occupancy issues or rent collections have become very difficult to finance," said Brian Stoffers, Global President of Debt & Structured Finance for Capital Markets at CBRE.

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- ## Economic Losses from COVID-19 Further Makes Housing Affordability an Issue

The National Association of Home Builders / Wells Fargo Housing Opportunity Index is reporting this week that surging job losses in March stemming from the COVID-19 pandemic contributed to a decline in U.S. median income and housing affordability in the first quarter of 2020.

In all, 61.3 percent of new and existing homes sold between the beginning of January and end of March were affordable to families earning an adjusted U.S. median income of $72,900. This is down from the 63.2 percent of homes sold in the fourth quarter of 2019 that were affordable to households earning the median income of $75,500.

The Department of Housing and Urban Development's original estimates of median family income for 2020 were developed prior to the COVID-19 pandemic. To account for the pandemic's effects, the HUD estimates were reduced consistent with NAHB's economic forecast for 2020. As a result, the 2020 national median income estimates used in the HOI calculations ($72,900) are 7.1 percent lower than the initial national 2020 estimates ($78,500) from HUD.

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- ## Mortgage applications from buyers jump 11%, signaling the spring housing market may not be a total loss

As some states reopen from the nationwide coronavirus shutdown and open houses reemerge, buyers are coming back to the housing market much faster than expected.

Buyer demand kept mortgage application in the positive last week, up 0.3% compared with the previous week, according to the Mortgage Bankers Association’s seasonally adjusted index.

Applications to purchase a home rose for the fourth straight week, jumping a decisive 11%. They were still 10% lower compared with the same week one year ago but that annual loss has been shrinking markedly. Last week, purchase volume was down 19% annually, and one month ago it was down 35%.

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- ## Rental market starts to rebound after tough month

The UK's rental market has started to rebound after falling between March and April, Goodlord's Lettings Activity Tracker has found.

Between April 12th and May 7th new applications rose by 45% and completed tenancies by 22%.

Between March 17th, when initial lockdown measures came into effect, and April 14th, the number of new tenancy applications plummeted by 72%, reducing market activity by three-quarters compared to the same period in 2019.

Tom Mundy, chief operating officer of Goodlord, said: "The last month has been intensely difficult for letting agents.

"The steep decline we saw in new and completed tenancy applications was unprecedented in modern history.

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- ## Rise in remote working could lead to Suburban Boom

The rise in remote working could result in a property boom in secondary cities and the suburbs, according to a survey from US real estate group Zillow.

More than half of employed Americans (56%) have had the opportunity to work from home.

Meanwhile last week's Harris Poll found that 75% of people working from home due to COVID-19 would like to continue doing so for at least half the time.

Skylar Olsen, senior principal economist at Zillow, said: "Moving away from the central core has traditionally offered affordability at the cost of your time and gas money.

"Relaxing those costs by working remotely could mean more households choose those larger homes farther out, easing price pressure on urban and inner suburban areas.

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- ## The impact of coronavirus on commercial real estate contracts

The commercial real estate market is fast-moving and complex at the best of times and, like many other industries, it is now being turned upside down by the coronavirus pandemic.

The sector is starting to see the first signs of stress as businesses are seeking to move out of office spaces they can no longer afford, and the pandemic has left many extremely wary of committing to anything long term.

Companies that formerly viewed working from home as detrimental to productivity are now questioning whether it is worth spending lots of money every month on rent, and many landlords are wondering where they stand when it comes to their commercial real estate contracts. Here are some of the main points landlords need to be aware of.

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- ## Coronavirus will reverse globalization and create regional supply chains, economists predict

The coronavirus crisis will fundamentally reshape global trade as companies look to reduce their dependence on Chinese manufacturing, economists have predicted.

In a report published on Wednesday, the Economist Intelligence Unit (EIU) said the pandemic will reverse globalization by accelerating a move toward regional supply chains.

China's dominance in international trade has grown ever since the country was accepted into the WTO in 2001. This event was credited by the EIU as sparking the latest wave of globalization, as multinationals took advantage of production and demand opportunities in the country.

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- ## Coronavirus pushes German economy into recession

It was the biggest quarterly fall since 2009, when the country was engulfed in the global financial crisis.

The figures from the Federal Statistics Office come as Germany takes its first tentative steps to exit lockdown.

Shops are reopening, pupils will gradually return to class and football is restarting behind closed doors.

At the same time, figures for the final three months of 2019 were revised to show a contraction of 0.1%.

That means German GDP growth has been negative for two successive quarters, the technical definition of a recession.

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- ## Coronavirus 'could cost global economy $8.8tn' says ADB

That's more than double last month's prediction and equates to 6.4%-9.7% of the world's economic output.

It comes as measures to slow the spread of Covid-19 continue to paralyse economic activity around the world.

Globally authorities have taken aggressive action to cushion their economies from the outbreak's impact.

"This new analysis presents a broad picture of the very significant potential economic impact of Covid-19," the ADB's chief economist Yasuyuki Sawada said.

"It also highlights the important role policy interventions can play to help mitigate damage to economies," he added.

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