REAL - ESTATE NEWS FEED

JUNE 08

TO

JUNE 12

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1. REAL-ESTATE

- ## Construction sector to demonstrate resilience - ICRA Lanka

Construction sector is expected to demonstrate resilience compared to other economic sectors of Sri Lanka ICRA Lanka in their Construction Sector Outlook said, in the post-confinement period based on based on data collected as of end May 2020.

"We base our assessment on four key reasons; The construction projects are expected to gradually pickup pace and broadly stay within the original timelines, Current domestic raw material production level and inventories are expected to sustain ongoing projects, Construction companies are largely insulated from the adverse effect of raw material price volatility due to currency depreciation and availability of funding support.

However, ICRA Lanka would also like to highlight the fact that the effect of the four reasons mentioned above can be undermined by the following deterrents; new order inflows would be muted in the medium term, Moderation in profitability is expected due to the lockdown.

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- ## COLOMBO CITY CENTRE RESIDENCES, READY TO BE CALLED HOME

The Residences at Colombo City Centre is ready to introduce people to the pinnacle of city living, having concluded construction recently on their high-end apartments.

These tastefully designed and fully furnished homes are now open for viewing and will shortly be handed over for occupancy. Colombo City Centre is the premier mixed development project to be completed in Sri Lanka.

The project commenced in 2015 with the partnership between Abans Group of Companies and the Singaporean-based NEXT Story Group. The joint venture brought in one of the largest foreign direct investments for Sri Lanka during the recent past.

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- **Construction of Int'l Financial City to start year end**

The construction work of the International Financial City (Financial District) at the Colombo Port City will commence end of the year.

The management is awaiting approval of final documents from the government to commence construction. The proposed International Financial City would comprise four towers and there would be 45 floors.

The project developer China Harbour Engineering Company (CHEC), has also pledged USD 1 billion towards this project which will make it the biggest single FDI to Sri Lanka for 2019 and 2020.

The Financial District will also see many foreign multi nation companies moving their headquarters to it. "The manner in which Sri Lanka managed the Covid-19 epidemic has received global commendation. This is a major plus point to market Port city not only for corporate but also to citizens of other countries to live in Sri Lanka where health standard was proved to be very high," an office from CHEC said. He said that they are expecting many corporates based in China, Singapore, Middle East and Hong Kong to move their operations to Sri Lanka.

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2. ECONOMY

• Sri Lanka to open doors for tourists begining August

Coming August, Sri Lanka will open its doors to tourists from across the world, a step it will take by having in place strict safety guidelines and precautionary measures against the COVID-19 threat.

From August 1, 2020, the country will welcome all nationalities and types of travellers—from individuals to groups and families— the Sri Lanka Tourism Development Authority (SLTDA) announced.

Those visiting Sri Lanka would be able to do so via Bandaranaike International Airport (BIA), Colombo, Ratmalana Airport (RMA) and Mattala Rajapaksa International Airport (MRIA), which will reopen from August 1, 2020.

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• ASPI reverses 2-week winning streak - Acuity Stockbrokers Research

The Bourse ended the week on a negative note as the ASPI decreased by 65.73 points (or 1.36 percent) to close at 4,781.03 points, while the S&P SL20 Index also decreased by 161.51 points (or 3.05 percent) to close at 1,954.57 points.

JKH was the highest contributor to the week's turnover value, contributing LKR 1.20Bn or 31.39 percent of total turnover value. Sampath followed suit, accounting for 13.05 percent of turnover (value of LKR 0.50Bn) while Expo Lanka contributed LKR 0.48Bn to account for 12.52 percent of the week's turnover. Total turnover value amounted to LKR 3.83Bn (cf. last week's value of LKR 5.15), while the daily average turnover value amounted to LKR 0.96Bn (-25.57 percent W-o-W) compared to last week's average of LKR 1.29Bn. Market capitalization meanwhile, decreased by 1.36 percent W-o-W (or LKR 30.73Mn) to LKR 2,235.26Bn cf. LKR 2,265.99Bn last week.

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- ## Global GDP to fall by 4.5% this year- Moody's

Real global GDP will fall by 4.5% this year as a result of COVID-19 according to the Moody's Analytics baseline economic forecast.

"Our base case for the US suggests that it will take until mid-decade for the economy to return to full-employment. Mark Zandi, Chief Economist at Moody's Analytics, describes the outlook in a new paper, handicapping the Paths for the Pandemic Economy."

"COVID-19 has caused massive damage to the global economy. Quickly reopening economies will boost growth by unleashing pent-up demand, but will also raise the specter of a re-intensification of COVID-19 and another economic downdraft, which could lead to a worldwide depression. We construct our economic forecasts to help market participants navigate this daunting uncertainty and make better decisions," said Zandi.

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- ## Sri Lanka, 54th out of 117 on Budget Transparency

Sri Lanka has been ranked 54th out of 117 countries on the Open Budget Survey (OBS).

OBS is a global metric measuring the reporting on the use of public funds. The survey was carried out by the International Budget Partnership. Verite Research compiled the figures relevant to Sri Lanka. The survey is conducted every two years.

In 2019 Sri Lanka failed on its Mid-Year Fiscal Position Report of the Ministry of Finance to meet international standards. The National Audit Office was deemed to have provided adequate levels of oversight.

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- ## Economic pick-up expected from 2021

The Finance Ministry in its latest report has revised the projected economic growth for 2020 from the previous 4 percent to 1.0 to 1.5 percent of Gross Domestic Product (GDP) owing to the COVID-19 outbreak.

However, a gradual pick up is expected in 2021, according to the Ministry's 'Annual Report 2019' released last week.

"The ramification effects on the COVID-19 to the production and employment have prompted to provide fiscal and monetary stimulus to micro, small and medium enterprises, low-income earners and other entrepreneurs, particularly tourism operators, covering all spectrum of the society.

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- ## Volatile week ends on positive note

he shortened trading week ending 4 June commenced on a bearish note then turned negative the following day with yields increasing due to the announcement of two Treasury bond auctions. However, subsequent to the bond auctions, the market was seen closing the week on a positive note as yields decreased once again on renewed buying interest.

Yields of the market favorite maturities of 01.10.22, 15.01.23, 2024s (i.e. 15.03.24, 15.06.24 & 15.09.24), 01.05.25 & 15.10.27 hit weekly highs of 7.75%, 7.95%, 8.42%, 8.43%, 8.50%, 8.60% and 8.92% respectively against its previous weeks closing level of 7.35/40, 7.72/75, 8.32/38, 8.37/40 each, 8.50/55 and 8.80/90. Yields declined towards the latter part of the week on the maturities of 15.12.22, 15.01.23, 2024s (i.e. 15.03.24, 15.06.24 & 15.09.24) and 01.05.25 to weekly lows of 7.70%, 7.75%, 8.32% each, 8.39% and 8.55% respectively while two way quotes on the rest of the yield curve decreased as well.

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- ## Sri Lanka rupee opens stronger, stocks up 0.36-pct

Sri Lanka rupee opened stronger at 184.90/20 while stocks opened 0.36 percent up on Monday dragged by Distilleries Company of Sri Lanka, dealers and brokers said.

The rupee closed at 185.45/55 to the greenback on Thursday in the spot market.

Sri Lanka's equity and secondary markets opened after thee-day holiday after closing on Friday due to Poson Poya religious holiday.

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- ## WB forecasts SL economy to contract by 3.2% this year

The World Bank (WB) Group projects Sri Lanka's GDP to contract by 3.2 percent this year and to remain flat at zero percent next year, underscoring that a V-shaped recovery is unlikely for the country from the coronavirus-induced recession.

"In Sri Lanka, the combination of falling tourism, manufacturing activity and services associated with the pandemic, is envisaged to cause the output to contract by 3.2 percent, despite the earlier recovery from the April 2019 terrorist attacks," the WB stated in its June 2020 flagship report 'Global Economic Prospects'.

In April, the WB cautioned that Sri Lanka's GDP could contract in the range of 0.5-3.0 percent, with an almost 44 percent increase in poverty, in a case of a prolonged COVID-19 outbreak in the country.

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- ## Bourse ends in green territory

Bourse ended in the green territory reversing the impact seen in the last five trading sessions.

However the market experienced a substantial foreign outflow after two weeks, dominated by selling pressure in selected Banking counters.

ASPI was uplifted predominantly due to the price gains in big caps CTC & JKH. The index witnessed a continuous uptrend since the beginning of the session and closed at its intraday high of 4,842 gaining 61 points.

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- ## Secondary bond market yields increase

The start of a new trading week saw secondary bond market yields increase yesterday due to the inclusion of an additional Treasury bond auction for the month of June.

Selling interest of the two most sought after maturities of 15.12.22 and 15.01.23 resulted in their yields hitting intraday highs of 7.80% and 7.83% respectively when compared against last Friday's closing levels of 7.67/72 and 7.73/75.

Furthermore, both the 5 and 7 year maturities of 01.05.25 and 15.10.27 changed hands at levels of 8.55% and 8.86% respectively. Nevertheless, renewed buying interest at these levels saw yields dip marginally once again, trimming its uptick.

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- ## Sri Lanka plans 8.5-pct of GDP deficit, Rs440bn revenue loss after stimulus

Sri Lanka is planning a budget deficit of 8.5 percent of gross domestic product in 2020 up from 6.8 percent a year earlier and a revenue loss 440 billion rupees following tax cuts, while capital expenses will be slashed, finance ministry data shows.

Sri Lanka is expecting tax revenues to fall 429 billion rupees to 1305 billion rupees and non-tax revenues by 11 billion rupees to 145 billion rupees, taking total revenues down 440 billion rupees to 1,450 billion rupees according a draft budget published by the finance ministry.

As a share of GDP total revenues will fall to 9.2 percent from 12.5 percent.

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- ## Lankan gig economy lacks level playing field as foreign players not subject to local regulations and tax laws

The Sri Lankan gig platforms are at a disadvantage over their foreign counterparts, who have their operations here, as the former comes under regulatory scrutiny and local tax laws while the latter is not, says the Central Bank.

While the issue has come under some scrutiny in the past, regulatory or policy redress did not come about either due to authorities' preoccupation with other issues or the gig economy then wasn't a force to be reckoned with.

However, the matter has now returned with force, due to the fast sprawling nature of the gig economy and its outsize nature in the present context with COVID-19.

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- ## Lanka's economy to contract by 3.2%

In its report 'Global Economic Prospects' World Bank predicts that Sri Lanka's GDP to contract by 3.2% year. "In Sri Lanka, the combination of falling tourism, manufacturing activity and services associated with the pandemic, is envisaged to cause the output to contract by 3.2%, despite the earlier recovery from the April 2019 terrorist attacks," the WB stated.

In India, growth is estimated to have slowed to 4.2% in FY 2019/20, which ended in March 2020. Output is projected to contract by 3.2% in FY 2020/21, when the impact of the pandemic will largely hit.

Pakistan (-2.6% in FY 2019/20) and Afghanistan (-5.5% in 2020) are both projected to experience contractions, as mitigation measures are anticipated to weigh heavily on private consumption.

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- **‘Rise in property searches for Sri Lanka’**

Sri Lanka’s leading property portal LankaPropertyWeb.com has announced a rise in the number of website searches it receives.

According to the recent analysis of LankaPropertyWeb.com, throughout the entire period of May, the website obtained a record-breaking increase in organic traffic and a surge in traffic from countries beyond Sri Lanka. This includes Italy, Spain, Belgium, New Zealand and France.

Organic traffic is the traffic received from search engines such as Google, as a result of people searching on them—in this case for properties to buy or rent.

The searches on the search engines revealed that many are on the constant lookout for houses for sale and rent in the metropolitan city and its suburbs even during this time. This is evidence that although people may not be able to visit in person, the need for housing still exists.

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- **Concessionary 4% credit line for all SLTDA registered entities**

Prime Minister Mahinda Rajapaksa yesterday told all top stakeholders of the travel and tourism industry that the Cabinet had approved a credit line for tourism at 4% interest and would be implemented as soon as possible for all Sri Lanka Tourism Development Authority registered entities to avail themselves of.

This was when the Premier Rajapaksa met all frontline Association of the leisure industry, which have now teamed up together under one banner and met him.

The, move was initiated by the Sri Lanka Association of Inbound Tour Operators (SLAITO) which invited the other stakeholder associations namely the Travel Agents Association of Sri Lanka (TAASL), Sri Lanka Association of Professional Conference, Exhibition and Event Organizers (SLAPCEO), Association For Small & Medium Enterprises In Tourism (ASMET) and the Board of Airline Representatives (BAR) to be Associate Members of SLAITO.

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- ## Sri Lanka 2020 first quarter budget deficit Rs440bn, revenues lower

Sri Lanka has recorded a budget deficit of 443 billion rupees or about 2.8 percent of gross domestic product in the first quarter of 2020 amid slightly lower revenues, Finance Ministry data showed, mostly due to a spike in spending.

Total revenues were 420 billion rupees down from 442 billion rupees a year earlier, partly helped by non-tax revenues working out to about 2.9 percent of gross domestic product.

Sri Lanka is expecting full year revenues of 1,450 billion rupees or 9.2 percent of GDP down 440 billion rupees, amid tax cuts and an economic downturn from Coronavirus.

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3. INTERNATIONAL

- ## Singapore Residential Sales Slide 14 Percent from Coronavirus in Q1

Singapore-based property consultant EDMUND TIE & Company is reporting this week that overall private home prices in Singapore fell by 1.0 per cent quarter-on-quarter (q-o-q) in Q1 2020, according to their URA All Residential Property Price Index.

Both the Non-Landed Property Price Index (PPI) and the Landed Property Price Index also registered q-o-q declines of 1.0 and 0.9 per cent in Q1 2020 respectively. While this was the second consecutive quarter of decrease for the Non-Landed PPI, this was the first quarter of decline for the Landed PPI after two consecutive quarters of increase. However, on a year-on-year (y-o-y) basis, both PPIs still posted growth with 2.0 percent change for Non-Landed PPI and 3.6 per cent y-o-y increase for Landed PPI for the first quarter this year.

The decline in prices came amid the COVID-19 pandemic and economic slowdown, dampening market sentiments and muted demand for homes as local homebuyers held back their purchase plans to assess their financial positions. Additionally, the COVID-19 pandemic led to lockdowns in many countries, restricting short-term visitors and potential foreign homebuyers entering Singapore. As the number of new cases of COVID-19 heightened since March 2020, stepped up restrictions on people mobility in Singapore such as social distancing and caps on the number of visitors to residential show flats have reduced purchasing and leasing activities, impacting the private home transactions and prices.

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- ## New York City Reports Dramatic Decrease in Residential Sales in Q1

According to the Real Estate Board of New York's latest Q1 2020 Quarterly Residential Sales Report, New York City's total sales volume and total residential transactions decreased significantly to reach lowest points since Q1 2014 and Q4 2011, respectively.

From January 1 to March 31, 2020, citywide total residential sales volume decreased 16% year-over-year, from $10.5 billion to $8.7 billion, with each of the five boroughs experiencing declines. City wide residential transactions also decreased 16% year-over-year, from 10,382 to 8,702 sales, with all five boroughs seeing a decrease in the number of transactions.

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- **China's economic recovery could be 'very impressive' — but the U.S. stands in the way, Deutsche Bank saysChina's economic recovery could be 'very impressive' — but the U.S. stands in the way, Deutsche Bank says**

China's economy is improving and could register "very impressive" growth — but the U.S. is the biggest risk that could derail that recovery, a Deutsche Bank economist said on Monday.

Much of the global economy is still reeling from lockdown measures imposed to contain the coronavirus pandemic. Restrictions that include workplace closures and stay-at-home orders significantly cut down economic activity worldwide — dampening any prospects for growth this year.

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- **Major markets in Asia Pacific jump as much as 49% from their March lows**

Major markets in Asia Pacific have bounced back strongly following a historic period of volatility and uncertainty in March, as the world grappled with a rapidly spreading coronavirus pandemic that left many economies on pause as lockdown measures were put in place.

In fact, some regional indexes — such as South Korea's Kospi — surged as much as 49.45% as of Thursday's market close, according to calculations done by CNBC with data from Refinitiv.

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- ## WB forecasts SL economy to contract by 3.2% this year

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- ## China leads world economic recovery

China's Caixin survey of service industries surprised analysts with a strong expansionary reading of 55 in May, against a consensus expectation of 47. Of the purchasing managers polled by Caixin, that is, 55% saw higher business volume during the month.

Similar surveys of service industries in the other major economies continue to show contraction.

Caixin's manufacturing survey for China showed a positive reading of 50.7, while the comparable Markit PMI Index for the US in May came in at 39.8. The Caixin Services Reading reflects a broad sample of privately-owned business, and suggests that Chinese consumers are spending freely. By all indications, this is a grass-roots economic boom rather than an investment-driven expansion driven by state spending.

China's stock market is the world's best performer in US dollar terms among the world's major venues.

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- ## UK to start post-Brexit trade talks with Japan

The negotiations come as London and Tokyo work towards replacing the agreement Britain currently has with Japan through the European Union.

Without a new deal by 1 January 2021 the two countries will default to World Trade Organization trading terms.

That would mean tariffs and obstacles to commerce between the UK and its fourth-largest non-EU trading partner.

After decades of sharing its trade policy with the European Union, Britain is now embarking on free trade negotiations with countries around the world.

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- ## Global economy to plunge into worst recession since WW-II: World Bank

The global economy, which has plunged into a severe contraction, will shrink by 5.2 per cent this year due to the massive shock of the coronavirus pandemic and the shutdown measures to contain it, the World Bank said on Monday.

The coronavirus recession is the first since 1870 to be triggered solely by a pandemic, World Bank President David Malpass said in his foreword to the latest edition of the Global Economic Prospect report released on Monday.

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- ## European markets head for lackluster open despite hopes of economic recovery

European stocks are expected to open on a flat to positive note Tuesday as investors weigh up the prospects of economic recovery after the coronavirus pandemic.

London's FTSE is seen opening 2 points lower at 6,474, Germany's DAX is seen 19 points higher at 12,856, France's CAC 40 is seen 22 points higher at 5,208 and Italy's FTSE MIB is expected to open 18 points higher at 20,357, according to IG.

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- ## U.S. Mortgage Credit Availability Dips in May

According to the Mortgage Bankers Association, U.S. mortgage credit availability decreased nationwide in May 2020, based on data from their latest Mortgage Credit Availability Index (MCAI).

The MCAI fell by 3.1 percent to 129.3 in May. A decline in the MCAI indicates that lending standards are tightening, while increases in the index are indicative of loosening credit. The index was benchmarked to 100 in March 2012. The Conventional MCAI decreased 5.7 percent, while the Government MCAI decreased by 0.8 percent. Of the component indices of the Conventional MCAI, the Jumbo MCAI decreased by 4.4 percent, and the Conforming MCAI fell by 6.9 percent.

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- ## Portuguese property prices yet to see a major fall

The average price of properties for sale in Portugal fell by just 0.8% between April and May 2020.

The average price of properties listed by real estate portal Imovirtual was €359.497 in May.

Compared to the year before house price growth is still significant.

In May 2020 properties listed had an average house price which was 12.8% higher, rising from €318.808 to €359.497.

On a monthly basis Portalegre was the district with the highest percentage price drop, of -1.3% to €135.454.

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- ## Manhattan's empty apartments: New leases plunge 62% in May

Manhattan had its worst May in a decade for new rental leases, as residents leave the city and the real estate industry remains on lockdown, according to a new report.

New leases fell 62% last month, according to a report from Miller Samuel and Douglas Elliman.

May also saw the largest year-over-year increase in new listings in nearly four years, with the number apartments listed for rent in Manhattan jumping 34%, to 7,420. There were more empty apartments on the market last month than at any time since real estate appraiser Miller Samuel started collecting the data in 2006.

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- ## 'A little early to tell' if UK property market will see surge in Hong Kong buyers: Knight Frank

The U.K. property market is seeing "greenshoots" of recovery even as transactions are expected to decline by 40% in 2020, says Nicholas Holt at Knight Frank. He adds that while the market has recently seen more enquiries from Hong Kong buyers, it is "a little early to tell" how many of them will become actual transactions on the back of the U.K.'s pledge to offer British national overseas passport holders citizenship options.

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