REAL - ESTATE NEWS FEED

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TO

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RESEARCH INTELLIGENCE UNTI (PVT) LTD
NO 24, WIJEYARAMA MAWATHA, COLOMBO 07
Phone: 011 530 5533
EMAIL – info@riunit.com

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1. REAL-ESTATE

- ## Govt. to call bids to develop lands owned by UDA

The Cabinet of Ministers approved the resolution furnished by the Prime Minister as the Minister of Urban Development and Housing for implementing the following procedure considering the time spent when selecting appropriate investors for the development of lands belong to the Urban Development Authority within the limitations of the prevailing methodology followed.

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- ## Is now a good time to invest in real estate?

Real estate in central Colombo has been inaccessible to a majority of Sri Lankans for quite some time. But if there was ever a window of opportunity to consider investing, now might be it.

With interest rates in Sri Lanka lower than they have been at any point in recent memory, fixed income options have been drastically limited. With fixed deposit rates now at an extremely low level, formerly dependable and safe investment with steady returns, has now become considerably less attractive. If you want your money to continue growing - or at the very least to preserve its value - real estate may be your best bet.

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2. ECONOMY

- ## ASPI up over 2.5% last week; average turnover tops Rs.4.3bn

Buoyed by positive local investor sentiment, the main All Share Price Index (ASPI) of the Colombo Stock Exchange (CSE) rose 2.54 percent or 147.07 points last week to 5, 945. 79, while the more liquid S&P SL20 Index rose 0.93 percent or 21.93 points to 2, 370.43.

The average turnover for the week was Rs.4.3 billion, significantly higher than the year-to-date average turnover.

Brokers said high net worth investors, institutional investors and retailers were active in the market last week.

However, foreigners were on the selling side with net foreign sales for the week topping Rs.1.2 billion.

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- ## 'All doom and gloom for NBFIs,' reveals First Capital Research report

The recovery in private credit and the broader economic revival post-coronavirus are expected to lift many economic participants and sectors other than finance companies, as they could be left behind due to intense competition from banks, while leasing—which accounts for more than two thirds of their loans—has significantly slowed amid import controls on vehicles.

This together with the expected climb in the sector non-performing loans (NPLs) and narrowing margins in light of falling interest rates, could substantially erode finance companies' market share and plunge the sector earnings into the negative territory in 2021, according to the latest research report by First Capital Research (FCR) titled 'All gloom and doom for NBFIs.'

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- ## CB approves Rs.178bn in loans for COVID-19 affected businesses, individuals

The Central Bank has approved Rs.178 billion worth of loans under its Saubagya COVID-19 Renaissance facility from April 1 through October 15, surpassing the originally determined limit of Rs.150 billion committed for businesses and individuals hurt by the pandemic.

The facility was announced later in March at the onset of the pandemic in the style of a refinance scheme, where the participating banks could borrow from the Central Bank at 1 percent and on-lend to pandemic affected parties at 4 percent for working capital requirements for two years, including a grace period of six months.

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- ## Exporters' outlook for business and economy improves: Survey

Sri Lankan exporters are more positive in their outlook with expectation for a moderate growth for export business and the economy over the next 12 months as the country rebounds from the impact of COVID-19, according to a leading business survey on trade and labour market impacts of COVID – 19 on Sri Lankan exporters.

The survey was designed and conducted by the Ceylon Chamber of Commerce (CCC) Economic Intelligence Unit (EIU) and the United States Agency for International Development (USAID) supported Partnership for Accelerating Results in Trade, National Expenditure and Revenue (PARTNER) project.

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- ## Equity markets mixed as traders weigh lockdowns, stimulus

Stock markets were mixed yesterday, with gainers supported by bargain-buying after the previous day's sell-off, with investors growing increasingly concerned about new lockdown measures in Europe as a second wave of coronavirus takes hold.

Traders were also keeping tabs on developments in Washington as lawmakers struggle to find agreement on a new stimulus for the beleaguered US economy, with a disappointing jobs report highlighting the need for action.

But analysts suggested that with Democrats and Joe Biden enjoying big opinion poll leads, expectations for a clean sweep of Congress and the White House in the November 3 elections is lending buoyancy to equities on hopes they will pass a much bigger rescue package.

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- ## Lanka's domestic financial conditions have eased substantially - First Capital Research

Sri Lanka's domestic financial conditions have eased substantially with banking system liquidity remaining in surplus, says First Capital Research in their monthly Policy Expectation August 2020 report released last week.

"Banks have abundant liquidity, following CBSL infusing ample liquidity into the banking system via increased CBSL holdings (Money Printing). However, the outlook for credit seems lacklustre given the uncertainty surrounding pandemic," the report adds.

Recovery of manufacturing activities continued in August 2020 (Index Value 57.9) as reflected by PMI Manufacturing, benefitting from the normalization of business activities in the country.

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- ## Downward shift of the yield curve for a second consecutive week

The sentiment in the secondary bond market remained bullish during the week ending 16 October as yields were seen decreasing, predominantly following the weekly Treasury bill auction outcome, at which the total offered amount of Rs. 40 billion was fully subscribed for the first time in five weeks.

Continued buying interest on the liquid maturities of the 2021s (i.e. 15.11.22 and 15.12.22), 2023s (i.e. 15.01.23, 15.07.23 and 01.09.23), 15.09.24, 01.05.25, 01.02.26 and 2027s (i.e. 15.08.27 and 15.10.27) saw its yields hit weekly lows of 5.50%, 5.52%, 5.58%, 5.65%, 5.75%, 6.03%, 6.30%, 6.50%, 6.85% and 6.87% respectively against its previous weeks closing level of 5.60/68 each, 5.65/72, 5.80/90 each, 6.15/20, 6.40/50, 6.65/70, 6.90/95 and 6.95/00 reflecting an downward shift of the overall yield curve for a second consecutive week.

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- ## Bond yields broadly unchanged as activity moderates

The fresh trading week in the secondary bond market commenced on a lackluster note yesterday, due to activity moderating while yields were seen closing the day broadly steady. Limited trades were seen on the maturities of 01.05.25, 01.08.26 and 01.07.28 at levels of 6.31%, 6.60% to 6.63% and 7.08% to 7.10% respectively. In the secondary bill market, 18th December 2020 and 15th October 2021 maturities were traded at levels of 4.54% and 4.95% respectively.

The total secondary market Treasury bond/bill transacted volumes for 16th October 2020 was Rs.10.36 billion.

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- # Wage growth slips in August while continuing to underperform inflation

Sri Lanka's wage growth, which accelerated in July, slipped in August and continued to remain under the headline inflation, weighing on the purchasing power of the people.

The growth in Sri Lanka's wages, as measured by the nominal wage rate index of the informal private sector, covering all three key economic sectors—agriculture,

industrial and services—decelerated to 2.8 percent in August from the year ago period, after gaining by 3.1 percent in July.

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- # Sept. national inflation accelerates to 6.4% on higher food prices

Inflation measured by the broader National Consumer Price Index (NCPI) increased for the third month in September, amid higher food prices while non-food inflation remained largely unchanged.

The headline prices, measured based on the NCPI, rose by 6.4 percent during the 12 months to September, accelerating from 6.2 percent in August and 6.1 percent in July, mostly on food prices.

Prices of coconuts, coconut oil, vegetables, big onion, rice, turmeric powder and sugar went up in September.

Considering the impact higher food prices have on the cost of living, the government last week removed import taxes on selected commodities from dhal, canned fish, big onions and sugar. In order to arrest the rapid increase in coconut prices, predominately caused by the flourishing export demand for kernel-based products post pandemic, the Consumer Affairs Authority in the final week of September set a maximum retail price for coconut, which ranges between Rs.60 and Rs.70, depending on the circumference of the nut.

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- ## IMF predicts 5.3% growth recovery for Sri Lanka in 2021

The International Monetary Fund (IMF) says Sri Lanka's expected gross domestic product could shrink 4.6% for 2020, up from 0.5% predicted earlier, though it expects the global economy to fare better.

However, the IMF says growth would recover to 5.3% in 2021.

Global growth is projected at −4.4% in 2020, a less severe contraction than (WEO) Update. The revision reflects better-than anticipated second quarter GDP out turns, mostly in advanced economies, where activity began to improve sooner than expected after lock downs were scaled back in May and June, as well as indicators of a stronger recovery in the third quarter.

India would shrink 10.3%, Maldives 18.7% while Bangladesh would grow one of the fastest rates in the world amid a Covid-19 crisis, the IMF said.

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- ## Trading continues within a thin range ahead of weekly bill auction

Trading in the secondary bond market continued within a thin range yesterday, as the liquid maturities of 15.12.22, 15.09.24, 01.05.25, 2026's (i.e. 01.02.26 & 01.08.26) and 01.07.28 were seen changing hands at levels of 5.53% to 5.55%, 6.03%, 6.30%, 6.53% to 6.54%, 6.60% to 6.61% and 7.07% to 7.085% respectively.

Furthermore, renewed demand for secondary market bills saw last week's one year bill changing hands at 4.95% while January, February and October 2021 maturities were exchanged at levels of 4.61% to 4.63%, 4.70% and 4.96% to 4.97% respectively as well.

Today's auction will see a total amount of Rs. 40 billion on offer, consisting of Rs. four billion on the 91 day bill maturity and Rs. 18 billion each on the 182 day and the 364 day bill maturities.

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- ## Sri Lanka rupee quoted flat, gilt yields steady

Sri Lanka rupee quoted flat at 184.30/40 to the US dollar on Tuesday while bond yields steady in the overall market, dealers said.

The rupee closed at 184.30/40 against the greenback on Monday.

In the money market, overnight liquidity was 175.68 billion rupees on Monday, marginally up from 173.61 billion rupees at Friday.

In the secondary securities market, bond yields steady while the overall the market was dull, dealers said.

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- ## Sri Lanka GDP growth negative 4.6-pct in 2020, Bangladesh among fastest to grow: IMF

Sri Lanka's gross domestic product could shrink 4.6 percent in 2020, India would shrink 10.3 percent, Maldives 18.7 percent, while Bangladesh would grow one of the fastest rates in the world amid a Covid-19 crisis, the International Monetary Fund has said.

Sri Lanka's growth would recover to 5.3 percent in 2021, the IMF said.

Bangladesh would grow 3.8 percent, the fastest in the world other than Guyana in South America, Myanmar 2.0 percent, faster than China at 1.9 percent, the IMF said in its October World Economic Outlook Report.

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- ## Sri Lanka Treasury bill yields falls below the floor policy rate

Sri Lanka's 06 and 12 month Treasury bill yield fell below the floor policy rate of 4.5 per cent at Wednesday's Treasury auction, data from the state debt office showed, amid a spike in liquidity.

The debt office which is a unit of the central bank offered 40 billion rupees of bills and sold 40 billion, with more than the offer in 12-month bills being sold.

The debt office said it sold 14.6 billion rupees in 6-month bills at an average yield of 3.87 per cent down from 4.71 per cent a week earlier.

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- ## Sri Lanka keeps policy rates unchanged amid Covid-19 spike

Sri Lanka is keeping policy interest rates unchanged in October with signs of credit picking up, and the impact of a Coronavirus outbreak expected to be short-lived, the central bank said.

The central bank said it was keeping rates at 5.50 per cent to inject liquidity and 4.5 per cent to withdraw liquidity.

However, there had been periodic monetization of debt, below the ceiling rate.

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- ## CB keeps policy rates unchanged betting on short-lived COVID-19 outbreak

The Central Bank (CB) kept policy interest rates unchanged at the current levels yesterday with recent pick up in private credit and falling market lending rates while betting on a short-lived COVID-19 outbreak in the country.

Accordingly, CB's Monetary Board at its meeting held onWednesday decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) at their current levels of 4.50 percent and 5.50 percent respectively, thereby continuing the prevailing accommodative monetary policy stance. However, CB cautioned that the recently emerged unexpected COVID-19 cluster could have an impact on the country's economic rebound in the near term.

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- ## Secondary market bond yields increase after no revision in policy rates

The Central Bank of Sri Lanka was seen holding its policy rates steady at 4.50% and 5.50% at its Monitory policy announcement yesterday. The secondary market bond yields were seen increasing right after the policy announcement at the start of the trading day.

Activity mainly centred on the liquid maturities of 2022's (i.e. 15.11.22 and 15.12.22), 15.09.24, 2026's (i.e. 01.02.26 and 01.08.26), 15.10.27 & 01.07.28 with its yields increasing to intraday highs of 5.60% each, 6.10%, 6.68%, 6.75%, 6.92% and 7.15% respectively against its previous day's closing level of 5.35/50, 5.40/50, 5.95/03, 6.45/53, 6.50/60, 6.78/88 and 6.90/05.

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3. INTERNATIONAL

• UAE's housing market remains dismal

The UAE's housing market continues to suffer, amidst a huge supply glut of both apartments and oil. In Dubai, residential property prices fell by 3.27% during the year to Q2 2020, an improvement from the previous year's 6.86% decline. During the latest quarter, house prices in Dubai fell by 1.44% q-o-q.

Dubai's property market has been one of the world's most volatile. Dubai saw one of the world's worst housing crashes from Q3 2008 to Q3 2011 with house prices plunging by 53%. The housing market started to recover by end-2011 with prices rising by a total of 67% until Q4 2014. The housing market has been depressed since.

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• 46% of UK properties have been down valued since before Covid-19

Nearly half (46%) of buyers saw their prospective properties down valued by their mortgage lender, Bankrate UK research has found.

Buyers looking to purchase properties in Wales had the highest percentage of down valuations at 63%.

In second was the capital, as 59% of London properties were deemed less valuable by lenders, while 58% were down valued in Yorkshire.

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- ## Despite COVID Outbreak, Property Prices Still Rise in Ireland in Q3

According to property site Daft.ie, the average listed price of housing in Ireland rose by 4.8% between June and September 2020.

The jump offsets fell earlier in the year and means that the average sale price nationwide in the third quarter of 2020 was €263,750, up 2.7% on the same period in 2019 and 60% higher than its lowest point in early 2013.

Listed prices rose in all 54 markets contained in the Daft.ie Report between June and September, although there were significant differences around the country. The largest increases in urban areas, with prices in Waterford city rising 11%, Galway city 10% and Cork and Limerick 9% in just three months. By comparison, prices in Dublin rose by an average of 2.2%. Outside the cities, the average increase between June and September was 5.8% - with larger increases in Leinster (7.3%) and smaller increases in Connacht-Ulster (3.5%).

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- ## Life Sciences Real Estate Sector Getting Big Boost from COVID Research Demand

According to CBRE, the pandemic has accelerated momentum in the U.S. life sciences industry, particularly amid the race to produce a COVID-19 vaccine and develop other medicines for human ailments. The sector, which has reached new highs this year in R&D employment and venture-capital funding, is seeing a surge in demand for life sciences real estate in markets from longstanding centers like Boston to emerging hubs such as Pittsburgh.

The decades-long expansion of the life sciences industry, which accelerated with the mapping of the human genome in 2003, has pushed vacancy rates for lab space near all-time lows in many markets, fueled rent growth and spurred new development that, nonetheless, still isn't keeping pace with demand.

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- **China's economy continues to bounce back from virus slump**

The world's second-biggest economy saw growth of 4.9% between July and September, compared to the same quarter last year.

However, the figure is lower than the 5.2% expected by economists.

China is now leading the charge for a global recovery based on its latest gross domestic product (GDP) data.

The near-5% growth is a far cry from the slump the Chinese economy suffered at the start of 2020 when the pandemic first emerged.

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- **Bank boss: UK facing 'unprecedented economic uncertainty'**

Britain's economy shrank by 20% in the three months to June as it battled with the coronavirus pandemic, the biggest fall of any large advanced economy.

His remarks come as tighter coronavirus restrictions are imposed across the UK.

Mr Bailey warned that there is significant risk of economic growth continuing to be lower than expected.

The governor told an online event on Sunday that he expected output at the end of the third quarter to be 10% lower than the end of 2019.

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- ## European markets open lower as coronavirus, U.S. stimulus deadline stay in focus

European stocks opened lower on Tuesday morning, as concerns about the coronavirus in Europe, and a deadline for U.S. fiscal stimulus to be agreed, weigh on market sentiment.

The pan-European Stoxx 600 was down around 0.15% shortly after the opening bell, with most sectors and major bourses in negative territory.

The course of the coronavirus pandemic is at the forefront of investors' minds as the number of daily new infections reached a record high in Europe Monday, according to Reuters.

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- ## European markets flat with U.S. stimulus, German consumer data and earnings in focus

The pan-European Stoxx 600 recovered from opening losses to hover around the flatline by early afternoon trading. Travel and leisure stocks climbed 1.3% to lead gains while healthcare stocks fell 0.5%.

On the data front, German consumer confidence has ebbed with GfK's forward-looking index for November coming in at -3.1 points, down from 1.7 points in October.

U.S. stimulus talks remain in focus for global markets with uncertainty over whether a deal can be reached before the Nov. 3 presidential election. However, comments on stimulus talks from House Speaker Nancy Pelosi's deputy chief of staff, Drew Hammill, offered some room for optimism Wednesday.

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- ## IMF says Asia's economy will shrink more in 2020 than it previously thought

Asia's economic contraction this year will be worse than previously thought as several emerging markets in the region have slowed down sharply while battling the coronavirus outbreak, the International Monetary Fund said on Wednesday.

Asia is forecast to shrink by 2.2% this year, the IMF said in its latest Regional Economic Outlook report for Asia and Pacific. That's worse than the fund's June forecast for a 1.6% contraction, and stands in contrast to the IMF's decision to revise upward the projection for the global economy.

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- ## Asia suffering 'worst recession in living memory'

Asia Pacific is set to recover from its worst recession in living memory, the International Monetary Fund (IMF) says.

Growth forecasts for the region have been downgraded again, this time from -1.6% to -2.2% for this year.

However, the glimmer of hope is for a bounceback of almost 7% next year, according to the IMF.

China will play a big part in the region's growth next year, with its latest data showing continued recovery from the downturn caused by the virus.

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- ## Construction after COVID-19: The new normal for real estate development

In just a few short weeks, COVID-19 changed everything. No industry has been left untouched, and it's pretty safe to say that most industries may never look the same again, at least for the foreseeable future.

Few industries have felt the impacts of the global pandemic more than real estate, construction and development. This really shouldn't come as much of a surprise though. Real estate development has always been at the whim of what buyer's want — a behavior that we know is ever-changing. It is a developer's job to anticipate these changes, but COVID-19 has veered everything a little off course, causing real estate developers to course correct.

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- ## Residential transactions up 21.3% month-on-month

Property transactions increased by 21.3% from August to September, HMRC statistics show.

Following the rise they are slightly lower (0.7%) than September last year.

Alan Cleary, managing director for mortgages at OneSavings Bank, said: “Housing transactions continued to recover strongly in September which is great news for the market.

“At close to 100,000, the number of transactions was similar to a year earlier and in line with the monthly average in recent years.”

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- ## U.S. Remodeling Industry Confidence Surges in Q3

The National Association of Home Builders Q3, 2020 Remodeling Market Index posted a reading of 82. This is a signal of residential remodelers' strong confidence in their markets, and for projects of all sizes. The demand for home improvement is robust given the importance of home for Americans as the economy recovers and adapts from the impacts of Covid-19.

"With refinancing activity surging, home owners are investing in their homes, which is sustaining strong demand for remodeling," said NAHB Remodelers Chair Tom Ashley, Jr., CAPS, CGP, CGR, a remodeler from Denham Springs, La. "As a result of the rapid changes for work and the economy after the virus-induced recession, homes are serving multiple roles such as school, office and gym. This has directly increased the demand for improvements."

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- ## Toronto records busy September

September was a busy month for home sales in the Greater Toronto Area, as detached home sales increased by 28% year-on-year.

The median home price for detached properties in the City of Toronto for September 2020 was $1,185,000 (£689,457).

There was also a 7% rise in condo sales.

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- ## Hamptons real estate prices break records as New York City wealthy flee to the beach

Prices in the Hamptons hit records in the third quarter, as more wealthy New Yorkers fled the city to buy homes on the beach, according to a new report.

The average sales price in the Hamptons soared 46% in the quarter to just over $2 million, according to a report from Douglas Elliman and Miller Samuel. The median sales price jumped 40% to $1.2 million, which is now higher than Manhattan's median sales price of $1.1 million.

"I've never seen a market like this," said Gary DePersia, a Hamptons broker with Corcoran. "It doesn't show any signs of slowing down."

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- ## September existing home sales jump 9.4%, but 'prices are rising too fast' as supply remains tight

Sales of existing homes rose a higher-than-expected 9.4% in September to a seasonally adjusted annualized rate of 6.54 million units, according to the National Association of Realtors. Sales were up 20.9% annually.

Sales could be more robust if there were more homes available. The inventory of homes for sale fell 19.2% annually to just 1.47 million homes for sale at the end of September. At the current sales pace that represents a 2.7-month supply. That is the lowest since the Realtors began tracking this metric in 1982.

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