REAL - ESTATE NEWS FEED

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TO

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1. REAL-ESTATE

- ## Investment potential in property development remains strong

John Keels Holdings Property expects the Central Business District in Colombo to outperform suburban property developments in the long term.

Though they expect there to be some short term failings in the sector due to COVID-19 they feel that the investment potential remains strong.

Head of JKH Property Nayana Mawilmada said, "Are our cities going to change? Is everyone going to move to the suburbs and Colombo falter? I think no. If I was to make a forecast you are not going to make the kind of gains you expect in the suburbs. You will probably see a much bigger rally in the centre of the city and that value will retain. COVID-19 is a blimp in time, two years maximum."

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2. ECONOMY

- ## Stock market indices record 3% loss amid spike in COVID-19 positive cases

Both indices at the Colombo Stock Exchange (CSE) lost 3 percent each during last week after a positive run with the discovery of higher number of COVID-19 positive cases throughout the country, though the government maintaining that there is no community level spread.

As of yesterday, COVID-19 positive cases topped 7, 500 mark, and for the first time, the number of COVID-19 patients in hospitals exceeded the number of patients who got discharged from hospitals.

During last week, the benchmark All Share Price Index (ASPI) fell 2.97 percent or lost 176.85 points while the more liquid S&P SL20 Index fell 3.06 percent or lost 72.55 points.

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- ## IMF upgrades 2020 economic forecast but warns of a slower 2021

The International Monetary Fund (IMF) is forecasting a somewhat less severe recession than it predicted in June.

The change in the outlook applies to both the global economy and the UK.

But the IMF says in its World Economic Outlook that the global economy is still in a deep recession and the risk of a worse outcome than in its new forecast is “sizable”.

For Britain, the IMF now predicts the economy will decline by 9.8% this year. The June forecast was 10.2%. However, the rebound expected next year is also more moderate. In the case of the UK, that downgrade is similar to the upgrade for this year.

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- ## ASPI slips 177 points as COVID-19 cases increase - Acuity Stockbrokers

The rebound in Sri Lankan equities seen last week was short-lived as panic selling returned to markets this week amid the growing number of COVID-19 cases while the GoSL re-imposed curfews in highly affected areas to slow the second wave. Consequently, the Bourse ended the week on a negative note as the ASPI decreased by 176.85 points (or -2.97%) to close at 5,768.94 points, while the S&P SL20 Index also decreased by 72.55 points (or -3.06%) to close at 2,297.88 points.

Having commenced the week on a weaker footing, the benchmark index dived on Wednesday to shed nearly ~250 points led by losses in index-heavyweights JKH, LOLC, and COMB as GoSL imposed curfews in areas where new sub-clusters emerged. Some buying interest returned to markets on Thursday (ASPI gained 87 points) to pare down earlier losses amid the CBSL's decision to keep policy rates stable at its latest Monetary Policy review noting the decline in overall market lending rates.

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- ## Lankan exports poised for stronger recovery

The total exports, both merchandise and service maintained at US$ 9,693 Mn from January to September 2020, as against US$ 11,784 million recorded for a similar period in the last year – US$ 17.74 million decline – with a reduced gap, signalling that Sri Lanka is for a stronger recovery amidst unprecedented global economic downturn.

However, Sri Lanka is not the only country to have a decline in trade. Trade reported globally has faltered. Factors such as weakened demand in the main major import markets, disrupted supply chains, capacity and logistical constraints, and social distancing issues have all played a role. On average the country's monthly exports - both merchandise and services are in the range of US$ 1,000-1,300 million.

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- ## Bond yields fluctuate during the week

The secondary bond market yields were seen fluctuating during the week ending 23 October, holding steady during the first half of the week leading to the monitory policy announcement, increasing subsequent to the announcement on Thursday, at where policy rates were held unchanged, and reducing once again on Friday.

Trades were mainly seen on the maturities of 15.12.22, 15.09.24, 01.05.25, two 2026's (i.e. 01.02.26 & 01.08.26), 15.10.27, and 01.07.28 as its yields were seen increasing from its weeks lows of 5.53%, 6.02%, 6.30%, 6.50% each, 6.87%, and 7.07%, respectively, to weekly highs of 5.60%, 6.10%, 6.40%, 6.68%, 6.75%, 6.93%, and 7.15%. Yields trimmed most of its increase once again on the back of renewed demand, but still closed the week higher than its previous week's closings, registering a marginal upward shift of the yield curve.

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Global stocks bide time as U.S. election caution sets in

Global stocks remained within a tight range yesterday, less than two weeks before the U.S. presidential election, with traders looking for a breakthrough in stimulus talks in Washington.

The final debate between U.S. President Donald Trump and his Democratic challenger Joe Biden on Thursday provided few surprises.

European stocks pushed 0.8 percent higher for their best day in five trading sessions. Strong third-quarter results offset key business survey data showing patchy recoveries across the euro zone's two largest economies, Germany and France.

Britain's main stock index .FTSE added 1.1 percent as Barclays BARC.L reported stronger-than-expected third-quarter earnings and British retail sales beat expectations in September.

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- ## Sri Lanka moves to Budget 2021 with poor implementation record

As Sri Lanka awaits a national budget for the year 2021 next month, after a hiatus with no national budget presented for 2020, an analysis has shown that 41 percent of the proposals in the Budget 2019 were not implemented.

According to BudgetPromises.Org platform, it is revealed that there is divergence in what is said in the budget speech and what is implemented, in both expenditure proposals and policy proposals.

"Openness on proposals was hindered by the frequent changes to ministerial portfolios. The budget monitoring process revealed that the fragmentation of ministries had resulted in a breakdown of the lines of responsibility," said Verité Research commenting on the Budget 2019 progress achieved to-date.

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- ## Weekly bill auction undersubscribed once again

The weekly Treasury bill auction was undersubscribed once again after a lapse of two weeks with only an amount of Rs.32.49 billion been accepted against its total offered amount of Rs.40 billion. However, weighted averages on the 91 day, 182 day and 364 day maturities were recorded marginally lower by 02 basis points each and 01 basis point respectively than its stipulated cut off rates to register 4.57%, 4.69% and 4.96%. The bids to offer ratio was recorded at 1.53:1.

The secondary bond market activity dried up considerably yesterday with trades witnessed only on the 01.02.26 and 15.08.27 maturities at levels of 6.60% and 6.89% to 6.90% respectively. In secondary bills, September and October 2021 maturities changed hands at 4.79% and 4.92% respectively.

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- ## Tourism recovery could take 2-4 years – UNWTO

The World Tourism Organization (UNWTO) estimates that it could take between two and a half to four years for international tourism to recover to 2019 levels due to the covid-19 pandemic.

By comparison, it took 11 months for international arrivals to recover after the SARS epidemic of 2003, 14 months after the September 11attacks of 2001, and 19 months after the global economic crisis of 2009

Global international travel arrivals declined by over 65% y-o-y over January to June 2020, translating into a loss of around USD460 billion in total world export revenues from international tourism(Chart 8).The Asia Pacific region was hardest hit with tourist arrivals falling by 72% in the first half of this year. Based on current trends, the UN World Tourism Organization (UNWTO) expects global international tourist arrivals to decline by around 70% y-o-y in 2020.

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3. INTERNATIONAL

- ## European markets retreat as coronavirus resurgence weighs; SAP down 20%

The pan-European Stoxx 600 fell 1% by mid-afternoon, with the technology sector plunging 5.6% after Germany's SAP abandoned its medium-term profitability targets and warned that its business would take longer than expected to recover from the damage of the coronavirus pandemic. The company's stock plunged more than 20%.

The resurgence of the coronavirus in Europe has continued apace in recent days, with France reporting a record daily rise in new infections on Sunday, Italy ordering bars to close early and shutting public gyms and Spain issuing a nationwide curfew to stem a worsening outbreak.

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- ## Banks may have to brace for heavy losses as commercial property prices plunge

Commercial real estate prices have plunged this year as people stopped going into offices, and retail businesses were disrupted. That could lead to a significant amount of losses for banks, according to a recent report.

In previous downturns, commercial property loan losses were "heavy" and there are worrying signs that such a trend could be repeated this time during the coronavirus-induced slowdown, Oxford Economics' Adam Slater said in a report.

In a worst-case scenario, Slater said these loan losses would "materially erode" bank capital.

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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.

Across the City of Toronto’s 35 neighbourhoods, there are just nine neighbourhoods where the median price for a detached house is under the $1m mark, compared to 2019, when there were 14 such neighbourhoods.

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- ## Birmingham rated the best place for property investors

Investors in Birmingham can expect a rental yield of 5.4% and price growth of 14.2% in the next five years, making it the best location for investors, according to UK developer SevenCapital.

Average rents have risen by 30% in the past decade, and are expected to increase by 15.9% in the next four. Prices in the city stand at £202,162.

There’s a raft of projects upcoming in the city – notably the Midlands Metro extension, HS2 and the 2022 Commonwealth Games

The second best city for landlords is Manchester, followed by Liverpool, Nottingham and Newcastle.

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- ## Home prices in August see biggest gains in more than two years, S&P Case Shiller says

Strong demand and a limited supply of homes have caused home price gains to accelerate dramatically.

Prices beat expectations, rising 5.7% annually in August, up from 4.8% in July, according to the S&P CoreLogic Case-Shiller National Home Price Index.

The 10-City Composite posted a 4.7% gain, up from 3.5% in the previous month. The 20-City Composite rose 5.2% year-over-year, up from 4.1% in July. Detroit was not included in the findings, due to insufficient data reporting. All 19 cities for which data was reported rose monthly and annually, with all 19 seeing larger annual gains than in July.

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- ## European markets tumble on coronavirus, U.S. election and stimulus fears; Stoxx 600 hits lowest since June

The pan-European Stoxx 600 dropped 2.4% in early trade to its lowest point since June, with autos shedding 4.2% to lead losses as all sectors and major bourses slid into negative territory.

New Covid-19 cases, hospitalizations and deaths have continued to surge across Europe and the U.S. in recent days, prompting further restriction measures in many countries. Reports have suggested that France could be heading for a national lockdown in a bid to contain the resurgent outbreak.

Mainland China also reported its highest number of daily new cases for more than two months on Wednesday, while the U.S. is seeing record cases and hospitalizations in parts of the Midwest.

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