REAL - ESTATE NEWS FEED

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TO

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1. REAL-ESTATE

- ## The need to champion affordable luxury living for all

Luxury is not just cars or international holidays, today it has evolved to include a luxurious lifestyle, with technology, security and comfort with services playing a crucial role.

As cities expand and evolve, and with it the concept of luxury living, the real estate sector has experienced a decisive shift towards affordable luxury living catering not only to High Net Worth Individuals but also the growing middle class.

The recent increase in per capita income has been an agent of this change tethered to the natural but rapid urbanisation and other socio-economic factors such as migration, to the outskirts of Colombo. In this setting, the demand for upmarket, comfortable and luxury spaces have increased.

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2. ECONOMY

• Govt mulls increasing reserves through non-debt creating inflows

The Government reiterates that Sri Lanka will engage with all investment and development partners and implement necessary measures to build up reserves through non-debt creating inflows.

Investors are invited to approach the Sri Lankan policy authorities at the highest levels who are dedicated to facilitating any one-on-one or roadshow discussions, without being dissuaded by baseless rating action by Fitch says the Finance Ministry.

Furthermore, Fitch Ratings question Sri Lanka's ability to meet its external debt repayments based on their forecast of a decline in foreign exchange reserves in 2021 and 2022. Fitch Ratings also raise concerns on Sri Lanka's external financing options.

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• PMI dips to 40.3 in October

Manufacturing activities indicate subdued performance in October 2020 due to adverse impacts of the second wave of COVID-19 pandemic erupted in the country in early October.

Accordingly, manufacturing PMI declined to 40.3 in October 2020 with a significant decline in Production, New Orders, Employment, and Stock of Purchases sub-indices, particularly in the manufacturing of wearing apparel and food & beverages sectors. The Production of all manufacturing sectors declined significantly together with the decline of Employment in October.

Many respondents in the manufacturing of food and beverages and textiles & wearing apparel sectors highlighted that their factory operations were largely disrupted due to localized curfew imposed during the month to contain the spread of the pandemic.

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- ## Market YTD gains 1.2% - Acuity Stockbrokers

Despite starting on a weaker footing, renewed buying interest in Sri Lankan equities led the benchmark index to hit a near 12-month high (6,206.40 on 4th Dec'19) on Friday supported by gains on index heavyweight JKH this week. Furthermore, the CBSL's decision to keep policy rates steady and news of a fresh loan from ADB amounting to $165Mn to support the pandemic hit SME segment also improved investor sentiment.

Consequently, the Bourse ended the week on a positive note as the ASPI increased by 95.86 points (or +1.58%) to close at 6,180.86 points, while the S&P SL20 Index increased by 43.36 points (or +1.81%) to close at 2,433.63 points. Gains on the benchmark index this week helped pare down earlier losses as the ASPI recorded a YTD gain of 1.2% this week (cf. -0.4% loss last week).

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- ## Govt. ramps up borrowing in October; CB allays inflationary fears

The government ramped up its borrowings in October as the virus resurgence necessitated pumping more money into the hands of the public while powering the essential services required to control the spreading of the virus.

The State borrowed Rs.281 billion on net basis from the banking sector, up from Rs.199 billion in September.

The Central Bank liquidity provided to the government by way of purchasing treasury bills and bonds rose from Rs.322 billion end-September to Rs.488.17 billion by end-October.

The Central Bank last week dismissed speculations of such activity stoking inflation, citing subdued demand pressure and lower growth prospects.

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- ## Yield curve steepens

The secondary bond market yield curve was seen steepening marginally during the week ending 27 November, as yields on the very short end of the curve were seen closing the week broadly steady in comparison to its previous week, while yields on the rest of the curve increased.

Yields on the mostly sorted maturities of 15.12.22 and 15.01.23 increased to weekly highs of 5.90% and 6%, respectively, at the start of the week before bouncing back to weekly lows of 5.76% and 5.85%, leading towards the monitory policy announcement and holding broadly steady subsequent to it, while yields on the maturities of 15.09.24 and 15.08.27 continued to increase to weekly highs of 6.55% and 7.23% from its lows of 6.45% and 7.15%.

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- ## Sri Lanka rupee ends weaker in spot-next market, gilt yields flat

Sri Lanka rupee closed at 185.80/186.10 to the US dollar in the spot next-market on Monday while gilt yields remained unchanged in the overall market, dealers said.

The rupee closed at 184.90/185.20 to the US dollar on Friday.

In the secondary securities market, bond yields remained unchanged with short tenors actively quoted, but the market was dull. Yields did not react much to the downgrade.

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- ## Inflation increases to 4.1% in November

Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2013=100) increased marginally to 4.1% in November 2020 from 4.0% in October 2020.

This was driven by a monthly increase in prices of items in both Food and Non-food categories. Meanwhile, Food inflation (Y-o-Y) increased marginally to 10.3% in November 2020 from 10.0% in October 2020.

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- ## Delay in Grand Hyatt project costs Rs.31.8bn to taxpayer

The delay in completing the construction of Grand Hyatt Hotel project during 2015-2019 period has cost the Sri Lankan taxpayer a whopping Rs.31.8 billion— Rs.1.8 billion in damages and Rs.30 billion in cost overruns.

To look into the irregularities, which gave rise to this massive cost overrun and damages, the government has decided to appoint a committee to investigate the project progress or the lack of it since 2015.

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Many respondents in the manufacturing of food and beverages and textiles & wearing apparel sectors highlighted that their factory operations were largely disrupted due to localized curfew imposed during the month to contain the spread of the pandemic.

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- ## Govt. had to battle Covid 19 and economic activity – President

President Gotabaya Rajapaksa yesterday implored tourism industry leaders together with the medical community to set out a plan to restart tourism as soon as possible.

"This plan must adhere to all health protocols and ensure tourists have an enjoyable stay in Sri Lanka while remaining isolated from the wider public," he said, addressing the 20th Economic Summit hosted by the Ceylon Chamber of Commerce yesterday.

By imposing minimum lengths of stay and attracting high-spending tourists, it should maximize earnings from tourism so that the economy benefits overall.

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- ## government orders closure of PUCSL

In an unexpected move, the government has decided to shut down the Public Utilities Commission of Sri Lanka (PUCSL) based on a budget proposal to reform the laws governing the country's power sector regulator and the utility, the Ceylon Electricity Board (CEB), according to

informed sources. In a letter dated December 1, 2020, Secretary to President Dr. P.B Jayasundara instructed Finance Ministry Secretary S.R. Attygalle to move ahead with the necessary procedural steps to close the PUCSL and take steps to absorb the technical staff to the National Planning Department and also deploy such staff to the

The PUCSL was established by the Public Utilities Commission of Sri Lanka Act No. 35 of 2002 and operated as the economic, technical and safety regulator of the electricity industry, with powers vested by the Sri Lanka Electricity Act No. 20 of 2009.

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- ## Rs. 34 billion accepted at weekly bill auction; Liquidity remains high

The total accepted amount at yesterday's bill auction was Rs. 34.32 billion or 85.79% of its total offered amount of Rs. 40 billion. The weighted averages were recorded at its cut of rates of 4.65%, 4.76% and 5% respectively. The bids to offer ratio stood at 1.56:1.

In the secondary bond market, activity was rather muted yesterday with limited trades witnessed on the maturities of 15.12.22, 2023's (i.e. 15.01.23 & 01.09.23) and 15.10.27 at levels of 5.77%, 5.82%, 5.95% and 7.20% respectively. On the very short end of the curve, short dated bond maturities of 01.03.21 and 01.08.21 were seen changing hands at levels of 4.75% and 4.84% to 4.90% while February 2021 bills changes hands at 4.65%.

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- ## Bond yields decline marginally ahead of weekly auction

The secondary market bond yields were seen dipping marginally yesterday on the back of persistent buying interest ahead of today's Treasury bill auction. Demand for 15.12.22, 2023's (i.e. 15.01.23 and 15.12.23), 15.09.24 and 01.02.26 saw its yields dip to intraday lows of 5.79%, 5.82%, 6.02%, 6.48% and 6.79% respectively against its previous days closings of 5.80/90, 5.85/95, 6.05/15, 6.50/55 and 6.75/95. In addition, the very short end of the yield curve saw January and October 2021 Treasury bills and 15.10.21 bond change hands at levels of 4.65%, 5.00% and 5.04% to 5.05% respectively.

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- ## Sri Lanka rupee quoted steady in spot-next, gilt yields flat

Sri Lanka rupee was quoted steady at 186.50/60 to the US dollar in the spot next on Thursday while gilt yields remained flat in the overall market, dealers said.

The rupee closed at 186.50/80 in the spot next to the US dollar on Wednesday.

The rupee has not been quoted in the spot market from last week.

In the secondary securities market, bond yields remained flat in moderate market activity.

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3. INTERNATIONAL

- ## European stocks close mostly lower but UK's FTSE 100 climbs on vaccine approval; LSE up 9%

The pan-European Stoxx 600 provisionally closed 0.1% lower, with most sectors and major bourses in negative territory. Britain's FTSE 100 index, however, climbed over 1.2%.

The U.K. on Wednesday became the first country in the world to authorize the Pfizer-BioNTech coronavirus vaccine, making it available from next week.

The move lower among most European bourses comes amid a drop in U.S. stocks Wednesday, despite recent strength that has brought the major averages to record highs. U.S. indexes had popped on Tuesday, the first day of December, adding to their sharp gains from the previous month.

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- ## COVID Forcing Condos to Sell at Record 17 Percent Discount to Homes in U.S.

According to national U.S. property broker Redfin -- in the COVID pandemic world of 2020 -- the typical single-family home that sold in the U.S. this year was purchased for an average of 17.3% more ($58,000) than the typical condo. That's up from 15.4% last year and represents the largest premium since at least 2013, when Redfin began recording this data.

The U.S. housing market has been on fire this year, with record-low mortgage rates and remote work prompting scores of Americans to relocate. But the condo market has missed out on much of the gains as homebuyers have left dense cities in search of more space and privacy--AKA single-family homes--during the coronavirus pandemic.

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- ## Switzerland, China and Japan: The hardest countries to get on the ladder

It's hardest to get on the property ladder in Switzerland, where the average property price amounts to £501,000 and the typical age of a first-time buyer is 48, research from money.co.uk shows.

China is in second place, followed by Japan, France and Kenya.

The UK is the sixth hardest, where the typical age of first-time buyers is 34 and property prices average at £254,000.

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- ## Where high net worth buyers can grab a discount in London

In London's Maida Vale 38% of stock above £3m has reduced its asking price, suggesting that high net worth buyers could grab a bargain in the area.

Meanwhile 31% of properties above £3m were reduced in Hampstead, St James's and Pimlico.

At the other end of the spectrum, just 6% of properties above £3m in Soho saw their asking prices fall.

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- ## Mortgage demand from homebuyers spikes 28%, and the average loan amount sets a record high

Thanksgiving week isn't usually a popular time for homebuying, but most economic numbers this year are incomparable, especially in the pandemic-spiked housing market.

Mortgage applications to purchase a home jumped 9% last week from the previous week, according to the Mortgage Bankers Association's seasonally and holiday adjusted index. Purchase applications were a stunning 28% higher from a year ago.

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