C.P. FIVE STAR BANGLADESH

Models Irfan Sajjad and Nadia Nadi pose with an official of C.P. Five Star Bangladesh, as Thailand-based multinational company appointed Sajjad and Nadi as its brand ambassadors.

Safe bet? Sovereign funds rethink once-reliable real estate

Reuters, *London*

The Covid-19 pandemic has forced sovereign wealth funds to think the previously unthinkable.

With prime office blocks lying empty around the world, hotels half-vacant and retailers struggling to stay afloat, the funds are retreating from many of the real estate investments that have long been a mainstay of their strategies.

Sovereign wealth funds (SWFs) invested $4.4 billion in the sector in the first seven months of 2020, 65 per cent down from the same period a year ago, according to previously unpublished data provided to Reuters by Global SWF, an industry data specialist.

The nature of property investments is also shifting, with funds increasingly investing in logistics space, such as warehousing, amid a boom in online commerce during the pandemic, while cutting back on deals for offices and retail buildings.

Such shifts in behaviour can have seismic effects on the global real estate market, given such funds are among the largest investors in property and have interests worth hundreds of billions of dollars in total. Three sovereign funds sit within the top 10 largest real estate investors, according to market specialists IPE Real Assets.

A big question is whether the changes are structural for the funds, for which property is an asset-class staple at about 8 per cent of their total portfolios on average, or a temporary response to a huge, unexpected and unfamiliar global event.

"Real estate is still a big part of sovereign wealth fund portfolios and will continue to be so," said Diego López, managing director of Global SWF and a former sovereign wealth fund adviser at PwC.

"What COVID has accelerated is the sophistication of SWFs trying to build diversification and resilience into their portfolio - and hence looking for other asset classes and industries."

Sovereign funds have been more bearish on property than public pension funds, another big investor in the sector, Global SWF found. While they have outstripped the pension funds in overall investment across most industries and assets this year, by two to one, that ratio is reversed for real estate.

Funds are nursing hits to their existing property portfolios stemming from the introduction of lockdowns and social-distancing restrictions. While other parts of their portfolio, such as stocks and bonds, have rebounded from March's trough, a real-estate recovery is less assured.

Property capital value globally is expected to drop by 14 per cent in 2020 before rising by 3.4 per cent in 2021, according to commercial real estate services group CBRE. Analysts and academics question whether the pandemic's impact may prove long-lasting, with more people working from home and shopping online.

"I think there's a real threat to some commercial business districts in the big cities as I can't see us all return to the 9-to-5 schlep in, schlep out," said Yolande Barnes, a real-estate specialist at London university UCL.

The value of property assets of some funds has fallen in 2020, with those experiencing the biggest drops including Singapore's Temasek Holdings and GIC, Abu Dhabi Investment Authority (ADIA) and Qatar Investment Authority (QIA), according to data compiled for Reuters by industry tracker Preqin.

Those four funds have collectively seen the value of such assets drop by $18.1 billion to $132.9 billion, the data showed. Reuters was unable to confirm whether the fall was due to lower valuations or asset sales. The funds either declined to comment or did not respond.

Many sovereign funds do not publicly disclose data on property investments, with Norway's one of the exceptions.

The Norwegian fund, which has around $49 billion invested in real estate, up from $47 billion at the end of 2019, said last week its unlisted property portfolio returned minus 1.6 per cent in the first half of 2020.

Sovereign funds have also largely steered clear in 2020 of new direct investments in London or Los Angeles, hotspots in normal times, according to property services firm Jones Lang LaSalle (JLL), which said SWFs were "on the defensive".

The funds' advance in logistics properties, such as warehousing and goods distribution centres, comes at a time of high demand as people have bought everything from toilet paper to trainers from home during lockdowns.

So far this year, logistics have accounted for about 22 per cent of funds' real-estate investments by value, compared with 15 per cent in 2019 as a whole, the Global SWF data shows.

Meanwhile, investments in offices have fallen to 36 per cent from 49 per cent last year, and in retail property to zero versus 15 per cent.

Marcus Frampton, chief investment officer at the Alaska Permanent Fund Corporation (APFC), told Reuters that real-estate deal volumes had "slowed down substantially" in general, but that, anecdotally, he saw activity in industrial facilities like logistics and "multi-family" apartment blocks.

The wealth fund's holdings have risen to $4.7 billion, up from $4 billion at the end of June, after the purchase of multi-family and industrial REIT stocks on July 1, Frampton said.

"Commercial warehouse activity is strong," he added.

In a sign of the times, Temasek participated in a $500 million investment in Indonesia-based e-commerce firm Tokopedia in June.

In contrast, physical retail, a significant part of many funds' holdings, has been hit hard. QIA-owned luxury retailer Harrods in London has reportedly forecast a 45 per cent plunge in annual sales, as visitor numbers plummet. Many other retailers have sought to renegotiate rents.

The outlook appears brighter for some fledgling sectors such as biotech, which has come to the fore during the pandemic. "We have seen significant demand for life sciences space. That's ranged from office to specialist lab and warehouse space," said Alistair Meadows, JLL's head of UK capital markets.

The US office market is expected to face its first year since 2009 of more space becoming vacant than leased, according to CBRE.

Still, investors are betting on a rebound of sorts in some quarters. For example, Canary Wharf Group, partly owned by the QIA, unveiled plans last month for a large new mixed-use development, including business space, in London's financial district.

And while hotels face huge challenges, occupancy rates are expected to rebound near to pre-COVID levels - but not until the end of 2021.

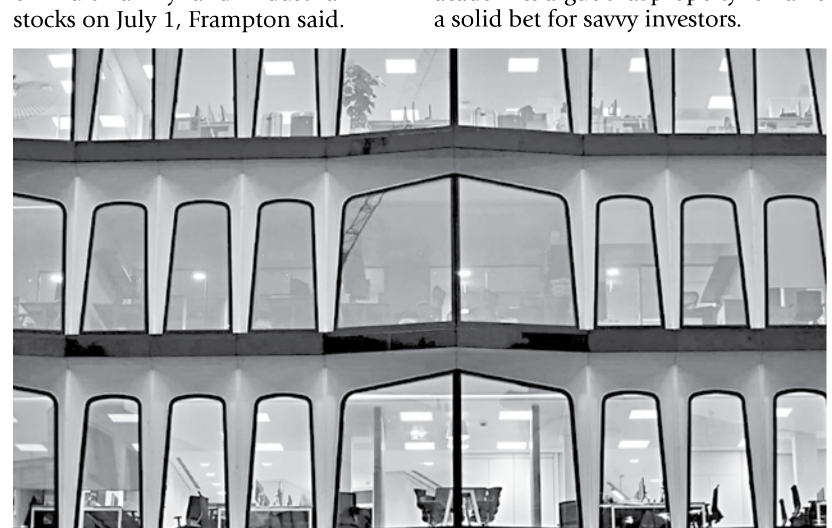
The Libyan Investment Authority has experienced problems with the operating expenses of some of its properties, including some hotels in Africa owned by its subsidiary, Chairman Ali Mahmoud Hassan Mohamed told Reuters.

But it remains committed to its real-estate portfolio, estimated at $6.6 billion in its latest valuation in 2012, as it was able to restore its value, he said. Crises can also present opportunities, however.

In the aftermath of the pandemic, some funds may look for bargains as distressed properties emerge.

The Hong Kong Monetary Authority, which operates a fund, told Reuters it would "closely monitor market conditions with a view to capturing appropriate opportunities".

And in an uncertain world, some academics argue that property remains a solid bet for savvy investors.



REUTERS/FILE

Empty offices are seen as the spread of the coronavirus disease continues, in London, Britain.

Global companies raise most funds for the month of August in a decade

Reuters

Companies raised the most funds in global equity and debt markets for the month of August in a decade as homebound bankers spend their summer fixing deals off the back of trillions of dollars of stimulus worldwide to fight the coronavirus pandemic.

Companies have raised $65.5 billion through initial public offerings (IPOs) and high-yield bond issuances globally so far in August, the highest for that month in at least 10 years, according to Refinitiv data. They raised $98.6 billion in July and $126.5 billion in June, which was the highest in 20 years.

It comes as governments and central banks have made at least $15 trillion of stimulus available to help economies withstand the fallout of the coronavirus pandemic.

The fact that bankers and investors were working during the traditional August holiday month, due to coronavirus travel restrictions, also made it easier for deals to be executed, corporate advisors said.

"The liquidity in financial markets is the key point driving the number of deals we have seen in August," said Rishi Jalan, Citigroup's co-head of Asia debt syndicate, noting the pandemic had helped speed up the corporate deal process in some ways.

"People have adapted to the current environment very spontaneously. Roadshows have been turned into calls and investors are making themselves available very quickly, people are engaging with deals at short notice."

In Asia, there were $25.3 billion worth of equity deals so far this month, the highest in August in four years, the Refinitiv data showed.

Some $13 billion worth of U.S.-dollar denominated debt meanwhile was issued in Asia over the past three weeks, the most for August in three years, the data showed.

"There has been a lot of liquidity in the system and that has kept activity going, that has helped convince investors there is enough support in the system that they can regain confidence to deploy their cash again," said UBS APAC head of global banking, Gaetano Bassolino.

Grain trader Archer Daniels Midland's recent deal to raise $850 million by selling a $550 million stake in Singapore's Wilmar and a $300 million exchangeable bond in the company would have been unlikely in any other August, the corporate advisors said.

"Typically in the summer months the risk is some key individuals are out on annual leave and that may impact some transactions," said Alan Roch, head of Asia bond syndicate at Standard Chartered in Hong Kong. "But that is not the case in 2020, pretty much everyone is working."

Refinitiv data showed that technology and healthcare firms were among the top issuers of equity and debt offerings globally this year while travel services, hotels, and brick-and-mortar retailers lagged.

David Spreng, chief executive officer at venture capital firm Runway Growth Capital, said he expected a fair amount of M&A activity in coming quarters as companies raise money aggressively. "Those who want to be the buyers rather than being eaten, want to make sure they have a strong balance sheet," he said.

"And even if you are likely to be a seller, you want to make sure you enter into that negotiation with a strong position as much as you can."

REUTERS/FILE

A woman wearing a protective mask walks at the financial and business district of La Defense as France reinforces mask-wearing in public places as part of efforts to curb a resurgence of the Covid-19 across the country, near Paris.

Remdesivir can rake in Tk 700cr

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It is really a benefit for the country's image to be the first to provide Remdesivir globally, Alam added.

Rabbur Reza, chief operating officer of Beximco, told The Daily Star that his company is exporting Remdesivir to 10 countries, including some in Latin America and the Middle East.

"We will export the medicine through our government and so, we are receiving requests through their governments only," he added.

In June, Beximco exported the drug under its brand name 'Bemsivir to Pakistan following a request from the Pakistan high commission in Dhaka.

Beximco was requested by the official authorities to provide Bemsivir for a small group of critically ill patients against a special import permit issued by the Drug Regulatory Authority of Pakistan, he said.

Bangladesh's pharmaceutical exports grew significantly in the latter part of the previous fiscal year due to the steady rise in demand for medical products amid the coronavirus-induced economic and health crisis that decimated the other major export sectors.

Pharmaceutical shipments increased 4.5 per cent year-on-year to $136 million in fiscal 2019-20 following improvements in product quality and policy support.

The industry is one of a handful of sectors that ended the last fiscal year in the black as national exports slumped 16.9 per cent.

8 state banks still account for a disproportionate share of classified loans

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Banks in the US sharply increased their allowances in the first half, positioning them to absorb at least a meaningful portion of the loan losses that may be coming because of the economic downturn triggered by the pandemic, it said.

"However, they are far from out of the woods. If loan losses triggered by the pandemic rise to our base-case expectation of 3 per cent, banks may need to double or triple the large provisions they took in the first half of the year."

Dollar falls, riskier currencies gain

Reuters, *London*

The dollar fell on Monday while European shares and riskier currencies gained, with some analysts attributing the pick up in sentiment to U.S. regulators approving a treatment for COVID-19 patients ahead of the Republican National Convention.

More than 800,000 people around the world have died from the coronavirus, with the death toll in the United States alone surpassing 170,000. On Sunday the country granted "emergency use authorization" for treatment using the blood plasma of patients who have recovered from the disease.

Asian shares strengthened overnight and European indexes opened higher. Riskier currencies such as the Norwegian crown , British pound and Aussie and Kiwi dollars rose versus the U.S. dollar.

The dollar was little changed overnight but fell as markets opened in Europe, down around 0.2% at 92.972 by 1053 GMT. It has lost 0.5% against the basket of currencies so far this month, consolidating losses after falling 4% the month before.

Derek Halpenny, MUFG's head of research, said that the announcement about blood plasma treatment was likely to have only a short-term impact on sentiment.

"I think investors generally will be relatively sceptical of the news especially coming from Trump between now and the election," he said.

"There's obviously a very significant incentive for him to speed up the approvals or big up the emergence of some good news." "I think the markets are still relatively positioned for a vaccine being done and dusted by year-end and gradually rolled out in the first half of 2021," he added. "I think it would take a lot for the markets to price in something more rapid than that." In a data-light day, market participants are awaiting the start of the four-day Republican National Convention, at which U.S. President Donald Trump will seek to reboot his struggling election campaign.

Higher jute prices make growers happy, millers concerned

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Exports from jute and jute goods rose last fiscal year, while shipment in July in the current year is also showing an upward trend.

Miah said carpet factories, mainly in Turkey, are the major buyers of Bangladesh's jute yarn, but because of the pandemic, demand has died down.

"Carpet is not an essential item. As its demand has fallen, prices also declined." Buyers will move away from jute yarn and look for alternatives such as cotton if prices of jute go up further.

If spinners can buy the best quality raw jute at Tk 2,300 a maund, all the stakeholders, including farmers, workers and buyers, will survive, Miah added. However, Muzibor Rahman, a farmer at Charbhadrasan of Faridpur, one of the major jute-producing districts, is not willing to offer a discount.

Prices of the best quality jute were Tk 2,500-Tk 2,600 each maund and farmers are making some profit due to this high range of price, he told The Daily Star over the phone yesterday.

"We will not grow jute if we don't get good prices," he said.

The government should not put any bar on the export of raw jute for the interests of growers and jute exporters, said Arzu Rahman Bhuiyan, senior vice-president of the Bangladesh Jute Association.

Both the farmers and exporters suffered for the ban on the export of raw jute in the past, he said.

The issue of discouraging export depends on policymakers and only the textiles and jute ministry has the authority to take such a decision, said DoJ Director General Sowdagar Mustafizur Rahman.

He said farmers are benefitted if prices of their produce such as jute increase during the harvesting season.

"Now farmers are getting the benefits, which is good. This will encourage them to produce more in the next season. If prices go up three months later, we should note that the benefit is going to the pockets of the middlemen," he added.

Textiles and Jute Secretary Lokman Hossain Miah could not be reached by phone for comments.

Bangladesh still in second spot in global apparel trade

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"It is a matter of hope that the buyers started taking back the previous cancelled work orders," said Mohammed Abdus Salam, acting president of the BGMEA. So, the local suppliers are getting back their previous arrear payments.

The sector was mainly shocked when nearly 100 big companies in the US and the EU became bankrupt due to the coronavirus pandemic.

However, in future, Bangladesh will face more competition from Vietnam because of the signing of the FTA between the EU and Vietnam, he added.

Vietnam has been moving very fast because they have a lot of facilities like many seaports, foreign direct investment (FDI) in textile and garment and advantages in lead time, none of which Bangladesh has, said Ahsan H Mansur, executive director of the Policy Research Institute (PRI).

Bangladesh should have encouraged the FDIs in textile and apparel items a lot earlier so that the country could earn more foreign currency and more employment generation and also technology transfer and technical knowhow.

Mansur went on to advise the government to engage the Association of Southeast Asian Nations, apart from traditional markets like the EU, the US and Canada, for increasing exports and enjoying tariff benefits.

He also recommended exploring the Asian markets like China, India and Japan more.

The local garment manufacturers and exporters should also think about their product diversification.

For instance, Bangladesh's concentration is 74 per cent on cotton-made fibres whereas the global fashion trend has been diverting to man-made fibres.

So, Bangladesh should focus more on man-made fibre to make garment items for grabbing more of the market share worldwide, he said.