



Market Conditions

April 2021

**G. A. FARRELL &
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CHARTERED VALUATION



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There has been a softening of COVID-19 restrictions in the last quarter of 2020 up until the first quarter of 2021. However, in April 2021 there has been a relative explosion in the number of documented COVID-19 infections, which can only be described as Trinidad & Tobago's 'third wave' of the Coronavirus. So much so that the Government has increased restrictions from April 15th for a period of three weeks. At the same time, T&T is grappling with a worldwide shortage of COVID-19 vaccines as only relatively small quotas are currently being distributed to the public at large, for herd immunity.

In an update in February 2021 on the fiscal outturn for T&T by the Honourable Minister of Finance, Mr. Colm Imbert, he stated that the actual revenue collected for fiscal 2021 (October 2020 to January 2021) was \$1.8Bn or 13% less than estimates. It was identified that the reasons for this shortfall were as a result of reduced tax revenues primarily from the oil and gas sector due to depressed energy prices and reduced production volumes from falling demand. For an oil- and gas-based economy, COVID-19 continues to take its toll on our local economy.

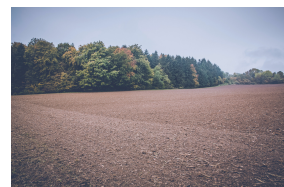
WE VALUE



Residential Properties



Commercial Properties



Land - Residential / Agricultural



Industrial Properties



Special-Purpose Properties



Current Replacement Cost

Market Conditions(Cont'd)

April 2021



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LIMITED**

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&
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SAN FERNANDO

Tel 1: 657-7162

Tel 2: 657-5630

CHAGUANAS

Tel 1: 238-3697

Tel 2: 239-2764

ARIMA

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WE VALUE



**Residential
Properties**



**Commercial
Properties**



**Land-
Residential /
Agricultural**



**Industrial
Properties**



**Special-
Purpose
Properties**



**Current
Replacement
Cost**

However, there seems to be some hope as the US Energy Information Agency (EIA) has predicted average crude prices that are significantly higher than that budgeted by Mr. Colm Imbert. Locally, it means a price of East Coast crude at US\$56.00 a barrel & Heritage crude at US\$55.00 a barrel. The Minister's budgeted price is US\$45.00 a barrel. The EIA is also anticipating higher natural gas prices. However, downward pressure on prices is expected in the second quarter of 2021 as a rise in global oil production is forecasted.

In terms of the local real estate industry, according to the Economic Bulletin January 2021 issued by the Central Bank of Trinidad & Tobago (CBTT), construction activity has upsurged due to the resumption of state projects including the extension of the Sir Solomon Hochoy Highway from San Fernando to Point Fortin, the Toco to Valencia roadway, the Secondary Sangre Grande Hospital and the Phoenix Park Industrial Estate.

The repo rate has been maintained since December 2020 at 3.5%, thereby increasing liquidity and facilitating borrowing promoted by reduced interest rates. The CBTT's initiatives has lent support to the resilience of the financial sector whereby real estate mortgage loans and credit for construction and renovation activity have increased.

The CBTT has reported on a year-on-year basis, that real estate lending grew by 5.4 percent in September 2020 compared to 7.6 percent in June 2020. Existing home mortgages increased by 8.1 percent in September 2020, with lending for renovation expanding by 5.0 percent and lending for the purchase of new homes growing by 4.4 per cent. However, there is speculation as to the true impact of steel prices on construction activity: prices which have been reflecting drastic increases since mid-January 2021.

The CBTT also pointed out an increase in medium- to long-term yields, which suggests investors are placing higher risk on long-term Government Securities. Due to higher vacancy levels, pressure on rental income from concessions and renegotiations, this reticence is likely to be reflected in the yields on commercial real estate investments as they would normally attract a risk premium over and above the yield on long-term securities.

Whilst there are indicators of reduced confidence in the real estate market, which manifests themselves in contracted property prices, the real estate market continues to be somewhat active and it is reasonable to maintain this view in the short-term. However, due to the volatility in energy prices and relative instability in revenues as impacted by the uncertainty introduced by the COVID-19 Pandemic, the medium- to long-term outlook on the economy is foggy at best. The direction in which the economy is heading is anticipated to be heavily influenced by the evolution of the Coronavirus. However, there is a glimmer of hope as the International Monetary Fund (IMF) has projected an annual percent change in Real GDP of 2.1% for 2021.

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