

## ‘Not chump change’: Home prices strain affluent budgets

HAMILTON, Ontario — Even with a budget of 1 million Canadian dollars, Ritu Choudhary and Nippun Goyal, a newly married couple living in Toronto, discovered that buying a house there would be impossible.

The competition inside the city and nearby was so stiff that they had to consider 50 properties, before finally outbidding everyone to pay CA\$995,000, or about \$730,000. The house had a leaky roof — it was also 50 miles from Toronto, in Hamilton, Ontario.

Canada’s housing costs are among the highest in the world, driven, in part, by robust real estate markets in its largest cities, including Toronto and Vancouver, that have a global appeal.

But costs have also grown steeper in smaller cities, such as Hamilton, the country’s steel making center, which once promised affordability, but is now the fifth-least affordable place in North America for housing, according to Oxford Economics, a consulting and forecasting firm based in Britain.

Even as many markets in Canada cool because the central bank has raised interest rates to combat inflation, homes in most markets remain significantly more expensive than they were last year. Prices for single family homes in Toronto fell by 16.4% between February and the end of August, but were still 7.7% higher than in the same month last year.

The country’s bubbling residential real estate market has become so frothy that as the pandemic eases, Canada finds itself in an economic Catch-22. It’s grown so expensive to buy a home — prices have risen nearly 160% for a detached home in the Toronto area in a decade — that younger Canadians would welcome falling home prices. But if prices fall too drastically — and they could if the central bank keeps raising interest rates — the market could crash, wiping out billions of dollars in real estate values and potentially dragging down the country’s economy.

“I don’t think there’s an apocalypse out there,” said Frank Clayton, a real estate economist and co-founder of the Center for Urban Research and Land Development at Toronto Metropolitan University. “But interest rates are going up a lot more than I think most people thought a few months ago.”

In March, the Bank of Canada, like most central banks, began steadily increasing interest rates to try to tame inflation that accelerated after the Russian invasion of Ukraine. Last month the central bank’s key interest rate reached 3.25%, up from 0.25% in February.

“Every time they go up, it’s going to bring prices down,” Mr. Clayton added, referring to home prices.

Canada’s spiraling house prices have long been led by feverish price gains in Toronto, where the detached house price, adjusted for buying patterns, now sits at just under CA\$1.6 million, and in Vancouver, British Columbia, where it is at about CA\$1.9 million.

Hamilton, an industrial city with a population of 570,000, was supposed to be different. With smokestacks dominating the skyline and vast mill complexes stretching for more than four miles along its Lake Ontario harbor, Hamilton is known as Canada’s gritty steel capital, and often called “The Hammer.”

Once looked down upon by many Torontonians, Hamilton’s charms became more apparent to some as they sought to escape skyrocketing housing prices in Toronto. But as newcomers brought with them an upscale butcher shop, pricey burger joints, cafes and an organic grocer, interest in Hamilton exploded and drove up prices.

“When I told people that I was moving here, everyone was like: Hamilton, are you crazy?” said Bryan Adlam, who moved his real estate practice from suburban Toronto seven years ago when Torontonians started looking further afield. Now Hamilton has bidding wars and unconditional offers. “There’s the original Hamiltonian people and then there’s the transplants and there’s a definite divide in the areas they live. But in the areas where they’re overlapping, sometimes there will be friction.”

When Ms. Choudhary, who works in e-commerce for a consumer products company, moved to Toronto from Mumbai, India, after marrying Mr. Goyal, a tech project manager, just over a year ago, they decided two people could not work remotely in his 550 square foot condo. Though it meant giving up easy access to nightlife, restaurants and cultural events, they would have to leave downtown Toronto to find anything within their budget.

Searching an ever-widening circle from the condo, they made 10 offers that were repeatedly topped by other buyers’ bids, in one case by CA\$80,000.

In Hamilton, where they moved in August, some psychological adjustment has been necessary. “We were like kind of shocked and surprised at how quiet it could be,” Ms. Choudhary said. “Nobody really stays out beyond 10 p.m., even on weekends.”

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# Real estate recovery may be derailed by rate hikes

THE Philippine real estate sector’s recovery may be derailed by the Bangko Sentral ng Pilipinas’ (BSP) aggressive rate hikes, according to Cushman & Wakefield Philippines.

“The aggressive contractionary monetary policy stance by the BSP which is in sync with other central banks, prompted by the rallying prices, may slow down the global recovery, as well as delay the expected real estate market recovery in the short-term as local and global locators, assess the elevated uncertainties,” the real estate services firm said in a recent report.

Last month, the BSP raised its benchmark policy rate by 50 basis points (bps) to 4.25% as it seeks to tame inflation. Rates on the overnight deposit and lending facilities also rose by 50 bps to 3.75% and 4.75%.

Since May, the Monetary Board has raised rates by 225 bps.

Cushman & Wakefield said demand for affordable and mid-market residential projects may take a hit amid the rise in borrowing costs.

“The affordable and mid-market housing segments are seen to be stirred up by the higher price for borrowing as the result of the several hikes in the benchmark interest rate. Households forming demand in the affordable and mid-market housing segment are expected to be impacted by the real income squeezes due to high inflation levels in the short-term to mid-term,” it said.

Inflation accelerated to 6.9% in September, from 6.3% in August and 4.2% in September 2021, driven by higher prices of food, utilities and transport.

September also marked the sixth straight month that inflation breached the BSP 2-4% target band this year.

In the first nine months, inflation averaged 5.1%, higher than 4% a year ago but still below the BSP’s 5.6% forecast for the full year.

Despite higher prices of many goods, the retail sector’s recovery may get a lift as many Filipinos return to

on-site work and students go back to school for face-to-face classes, Cushman & Wakefield said.

“The increase in the number of employees that have returned to work in the office, as well as the return to face-to-face classes of many educational institutions, are seen to buoy the recovery of the retail segment amidst the rising prices of consumer goods,” it said.

Also, Cushman & Wakefield said the hospitality sector’s rebound may also be affected by elevated global inflation.

“The recent uptick in visitor arrivals has aided the strong domestic travel appetite in increasing the recovery pace of the hospitality segment from its turbulent period during the COVID-19 crisis. The long-term outlook for the hospitality segment hinges on the sustained easing of international travel restrictions, whilst the global inflation crisis may dampen international tourism flows in the short-term,” the real estate service firm said. — **Cathy Rose A. Garcia**

### BRIEFS

#### Chimes Greenhills offers ready-for-occupancy units

RLC RESIDENCES is now offering ready-for-occupancy units at its Chimes Greenhills project in San Juan City.

“Given the location of Greenhills, it has become one of the desirable places that home seekers are aiming for. With Chimes Greenhills, we hope that our residents can feel at ease as soon as they come home, with so many possibilities right outside their door,” RLC Residences Marketing Head and Chief Integration Officer Karen Cesario said in a statement.

Chimes Greenhills features studio units, as well as one-bedroom up to three-bedroom units over 24 floors. Amenities include a pool, game station, sky lounge, and sky garden.

The residential condominium is near academic institutions such as La Salle Greenhills, Xavier School, Immaculate Conception Academy, and O.B. Montessori, as well as malls like Robinsons Galleria, Robinsons Magnolia and Greenhills Shopping Center.

“Chimes Greenhills is ready for its future homeowners. Our units are all well-prepared and here for the taking, with exciting deals for those who wish to own a home in a top-tier Metro Manila address,” Ms. Cesario said.

RLC is now offering a discount of up to 7% on all units as well as the Early Move In promo.

#### Araneta Group taps JLL Philippines as advisor

THE Araneta Group tapped JLL Philippines as its strategic real estate advisor

for its 35-hectare Araneta City project in Quezon City.

JLL Philippines’ services will cover exclusive office leasing, strategy and advisory services for space offerings such as the Araneta City Cyberpark, a cluster of integrated office, retail and dining spaces.

“JLL is delighted to partner with the Araneta Group in promoting the benefits of a transit-oriented development that addresses all the needs of corporate occupiers, residents and travelers alike,” JLL Country Head Joey Radovan said in a statement.

Mr. Radovan cited Araneta City’s location along EDSA and connections to the Light Rail Transit and Metro Rail Transit as a key advantage for its developments.

# Taiwan says war with China ‘absolutely’ not an option

TAIPEI — War between Taiwan and China is “absolutely not an option”, Taiwan President Tsai Ing-wen said on Monday, as she reiterated her willingness to talk to Beijing and also pledged to boost the island’s defenses including with precision missiles.

Democratic Taiwan, which China claims as its territory, has come under increasing military and political pressure from Beijing, especially after Chinese war games in early August following a Taipei visit by US House Speaker Nancy Pelosi.

Any conflict over Taiwan could drag in the United States, Japan and perhaps much of the world, as well as shatter the global economy, especially given Taiwan’s dominant position as a maker of semiconductors used in everything from smartphones and tablets to fighter jets.

Ms. Tsai, in her national day speech outside the presidential office under a grey sky, said it was “regrettable” that China had escalated its intimidation and threatened peace and stability in the Taiwan Strait and region.

China should not think there is room for compromise in the commitment of Taiwan’s people to democracy and freedom, she said.

“I want to make clear to the Beijing authorities that armed confrontation is absolutely not an option for our two sides. Only by respecting the commitment of the Taiwanese people to our sovereignty, democracy, and freedom can there be a foundation for resuming constructive interaction across the Taiwan Strait.”

There was no immediate reaction from Beijing.

China calls Ms. Tsai — re-elected by a landslide in 2020 on a promise to stand up to Beijing — a separatist and refuses to speak to her.

Ms. Tsai’s speech comes less than a week before China’s ruling Communist Party’s congress opens in Beijing, where President Xi Jinping is widely expected to win a precedent-breaking third five-year term.

An official familiar with Ms. Tsai’s thinking, speaking on condition of anonymity, told reporters the president was looking to

“clearly convey” her position to the world and Beijing.

“Standing firm on the status quo of peace and stability in the Taiwan Strait is the main axis of Tsai’s comments on cross-strait relations this year,” the official said, adding this was the world’s expectation and responsibility of both Taipei and Beijing.

#### ‘NO ROOM FOR COMPROMISE’

Ms. Tsai said, to applause, that her government looked forward to the gradual post-pandemic resumption of healthy and orderly people-to-people exchanges across the strait, which would ease tensions.

But the broad consensus in Taiwan is that its sovereignty and free and democratic way of life must be defended, she added.

“On this point, we have no room for compromise,” she said.

Ms. Tsai has made strengthening Taiwan’s defenses a cornerstone of her administration to enable it to mount a more credible deterrence to China, which is ramping up an ambitious modernization program of its own military.

Taiwan will show the world it is taking responsibility for its own defense, Ms. Tsai said.

Taiwan is increasing mass production of precision missiles and high-performance naval vessels, and working to acquire small, highly mobile weapons that will ensure Taiwan is fully prepared to respond to “external military threats,” she added.

The military tensions have raised concerns, especially in the United States, about the concentration of chip making in Taiwan.

“I want to specifically emphasize one point to my fellow citizens and the international community, which is that the concentration of the semiconductor sector in Taiwan is not a risk,” she said.

“We will continue to maintain Taiwan’s advantages and capacity in leading-edge semiconductor manufacturing processes, and will help optimize the worldwide restructuring of the semiconductor supply chain, giving our semiconductor firms an even more prominent global role,” she added. — **Reuters**

# Japan reopens to tourists with shuttered souvenir shops

TOKYO — As Japan throws open its doors to visitors this week after more than two years of pandemic isolation, hopes for a tourism boom face tough headwinds amid shuttered shops and a shortage of hospitality workers.

From Tuesday, Japan will reinstate visa-free travel to dozens of countries, ending some of world’s strictest border controls to slow the spread of COVID-19. Prime Minister Fumio Kishida is counting on tourism to help invigorate the economy and reap some benefits from the yen’s slide to a 24-year low.

Arata Sawa is among those eager for the return of foreign tourists, who previously comprised up to 90% of the guests at his traditional inn.

“I’m hoping and anticipating that a lot of foreigners will come to Japan, just like before COVID,” said Sawa, the third-generation owner of the Sawanoya ryokan in Tokyo.

Just over half a million visitors have come to Japan so far in 2022, compared with a record 31.8 million in 2019. The government had a goal of 40 million in 2020 timed with the Sum-

mer Olympics until both were upended by the coronavirus.

Mr. Kishida said last week the government is aiming to attract 5 trillion yen (\$34.5 billion) in annual tourist spending. But that goal may be too ambitious for a sector that has atrophied during the pandemic. Hotel employment slumped 22% between 2019 and 2021, according to government data.

Spending from overseas visitors will reach only 2.1 trillion yen by 2023 and won’t exceed pre-COVID levels until 2025, wrote Nomura Research Institute economist Takahide Kiuchi in a report.

Flag carrier Japan Airlines Co. 9201.T has seen inbound bookings triple since the border easing announcement, president Yuji Akasaka said last week, according to the Nikkei newspaper. Even so, international travel demand won’t fully recover until around 2025, he added.

#### GHOST TOWN

Narita Airport, Japan’s biggest international airport some 70 kilometers from Tokyo, remains eerily quiet, with

about half of its 260 shops and restaurants shuttered.

“It’s like half a ghost town,” said 70-year old Maria Satherley from New Zealand, gesturing at the Terminal 1 departure area.

Ms. Satherley, whose son lives in the northern island of Hokkaido, said she would like to return with her granddaughter this winter but probably won’t because the child is too young to be vaccinated, a prerequisite for tourists entering Japan.

“We’re just going to wait till next year,” she said.

Amina Collection Co. has shut its three souvenir shops at Narita and is unlikely to reopen them until next spring, said president Sawato Shindo.

The company reallocated staff and supplies from the airport to other locations in its 120-shop chain around Japan as it refocused on domestic tourism during the pandemic.

“I don’t think there’s going to be a sudden return to the pre-pandemic situation,” Mr. Shindo said. “Restrictions are

still pretty strict compared to other countries.”

Japan still strongly encourages that people wear masks indoors and refrain from loud talking. The Cabinet on Friday approved changing hotel regulations so that they can refuse guests who do not obey infection controls during an outbreak.

Many service workers found better working conditions and wages in other fields over the past two years, so luring them back may be difficult, said a consultant for tourism companies who asked not to be identified.

“The hospitality industry is very infamous for low wages, so if the government values tourism as a key industry, financial support or subsidies are probably needed,” he added.

The Japanese government is starting a domestic travel initiative this month that offers transportation and accommodation discounts, similar to its Go To Travel campaign in 2020 that was cut short following a surge in COVID infections. — **Reuters**

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# N. Korea says missile tests simulate striking South with nuclear weapons

SEOUL — North Korea’s recent flurry of missile tests was designed to simulate showering the South with tactical nuclear weapons as a warning after large-scale navy drills by South Korean and US forces, state news agency KCNA said on Monday.

North Korea fired two ballistic missiles early on Sunday, officials in Seoul and Tokyo said, the seventh such launch since Sept. 25.

Leader Kim Jong Un guided exercises by nuclear tactical units over the past two weeks, involving ballistic missiles with mock nuclear warheads, KCNA reported, saying they were meant to deliver a strong message of war deterrence.

The tests simulated striking military command facilities, main ports, and airports in the South, KCNA added.

“The effectiveness and practical combat capability of our nuclear combat force were fully demonstrated as it stands completely ready to hit and destroy targets at any time from any location,” KCNA said.

“Even though the enemy continues to talk about dialogue and negotiations, we do not have anything to talk about nor do we feel the need to do so,” KCNA quoted Mr. Kim as saying.

KCNA said North Korea’s ruling Workers’ Party decided to conduct the drills as an unavoidable response to a large-scale mobilization of US and South Korean naval forces, including an aircraft carrier and a nuclear-powered submarine.

“The statement they’ve released is crystal clear that this recent spate of tests was their way of signaling resolve to the United States and South Korea as they carried out military activities of their own,” said Ankit Panda of the US-based Carnegie Endowment for International Peace.

The United States and South Korea held joint maritime exercises involving a US aircraft carrier on Friday, a day after the South scrambled fighter jets in reaction to an apparent North Korean aerial bombing drill.

The navy exercises involved the US carrier Ronald Reagan and its strike group. The naval forces of South Korea, Japan and the United States also conducted joint drills before that.

After the North Korea statement on Monday, South Korean President Yoon Suk-yeol’s office said “it is important to accurately recognize the severity of security issues in the Korean Peninsula and Northeast Asia to prepare properly,” an official was quoted as saying.

The US-led UN forces are still technically at war with North Korea as the 1950-1953 Korean War ended in an armistice rather than a peace treaty. — **Reuters**

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