Uneven path to finish Evergrande's abandoned housing in Chinese city

SHIJIAZHUANG, HEBEI — In the heart of the northern Chinese city of Shijiazhuang, a fence displaying the slogan "Happy Every Day" hides an unfinished apartment complex, a daily reminder of the unresolved costs of the collapse of China's once-largest developer.

Construction on the Central Plaza project that promised buyers about 1,800 new homes stalled in 2021 after China Evergrande Group defaulted. A government notice on the site says the project is seeking a new developer.

Buyers, who paid in full years ago, have been stuck watching and waiting for a lifeline.

"We seem to have no way of resolving this issue," said a 38-year-old Shijiazhuang resident, who bought two still-unfinished units for more than $350,000 in 2017 and who asked not to be named.

A Hong Kong court on Monday ordered Evergrande to be liquidated, a process expected to take years and to include consideration of some kind of restructuring of more than $300 billion in liabilities.

Evergrande has said it would work to finish ongoing projects despite the order. China has said that completing the unfinished homes is a policy priority.

But the project in Shijiazhuang, an industrial city with about 11 million people, shows the scale and difficulty of working through the overhang of unfinished construction left by Evergrande and just how much its downfall has damaged confidence.

"This has made me lose faith in the housing authorities' management capabilities as well as real estate," the Evergrande home buyer told Reuters.

Shijiazhuang's housing bureau and China's housing ministry did not immediately respond to requests for comment. Evergrande did not reply to a request for comment.

Investment bank Nomura estimated in November there were around 20 million units of unfinished homes across China, left by Evergrande and other failed developers. The total funding gap for completing those projects stood at around $446 billion, the report estimated.

Gavekal Dragonomics, a China-focused research firm, estimated that as of last year, Evergrande had received payments in advance from homebuyers equivalent to about 600,000 housing units.

HOME DELIVERY 'GUARANTEE'

State-owned developers and local governments have taken over some stalled projects under a government-run "guarantee home delivery" policy in recent months, according to official announcements and media reports.

Reuters could not verify the total number of unfinished Evergrande projects in Shijiazhuang. Last month, the local government announced the completion of 40 out of 44 unfinished housing projects it had taken over in 2021. None of them belonged to Evergrande.

In Shijiazhuang's rural outskirts, construction has resumed on another Evergrande development of 48 residential blocks with nearly 3,600 units, although few workers were on site this week in the run-up to Lunar New Year.

The project includes two castle-like community buildings with decorative spires next to an unfinished retail strip and more traditional apartment buildings that appeared to be nearly finished. Weeds have grown through the yet-unpaved shopping lane.

Workers and two people who identified themselves as local officials said construction had resumed last year after the project was taken over by the local government. A developer-run WeChat page for the project said last month that the masonry on some buildings had been completed.

China has not disclosed how much funding has been provided to complete stranded developments or the number of projects authorities have taken on. China's housing ministry said in August more than 1.65 million pre-sold units had delivered under the program. — ***Reuters***

DMCI Homes teams up with Marubeni for Pasig project

DMCI HOMES and Japanese conglomerate Marubeni Corp. have unveiled a new residential condominium development in Pasig City.

The Valeron Tower will soon rise along C-5 corner P.E. Antonio Street in Pasig City.

"Elegantly designed with exquisite living spaces spread across an expansive floor area, The Valeron Tower aims to offer residents sophisticated living along one of the metro's newest growth corridors," the Consunji-led developer said in a statement.

The condominium offers studio, one-, two-, and three-bedroom units ranging from 32.5 square meters (sq.m.) to 91 sq.m.

"The Valeron Tower is competitively priced, starting from P7.62 million, delivering value for money for future unit owners," DMCI Homes said.

The resort-inspired condominium offers several amenities such as a lawn, two pools, an entertainment room, and a basketball court — all located on the seventh floor. A third pool is located on the roof-deck, alongside a Sky Lounge.

The ground floor will feature al-fresco commercial establishments and a convenience store.

The Valeron Tower is located less than 10 minutes from Bridgetowne commercial complex, Arcovia City, Parklinks, and Eastwood City. It is also a few minutes from the planned Rosario Station of the Metro Rail Transit Line 4 and the Ortigas Station of the Metro Manila Subway.

The Valeron Tower is a joint venture between DMCI Homes and Marubeni.

High rates, remote work tipped commercial real estate into crisis

BACK WHEN MONEY in the bank was yielding almost nothing, commercial real estate became a haven for investors in need of reliable returns. Then central banks jacked up interest rates and a lot of properties suddenly looked like poor investments.

The troubles were compounded by the rise of home working and online shopping, which sapped demand for big, centralized workplaces and retail spaces. Valuations tanked, making it harder for landlords to refinance maturing loans secured against their properties without breaching the terms. One alternative was to sell out, but the prices on offer often failed to cover the outstanding debt.

By early 2024, banks caught up in the property slump were setting aside billions of dollars to cover soured loans.

1. How big is the hit?

The crisis has been a slow-motion slide over many months, as most properties are privately held and valuations can take years to adjust to shifts in demand. The MSCI World Real Estate Index fell by 18% between the start of 2022 and the end of 2023, signaling where equity investors believed property values were headed. About $1.2 trillion of US commercial real estate debt was "potentially troubled" because of the slump in prices, advisory firm Newmark Group, Inc. said in August.

Vacancy rates for office buildings in major US cities hit records and landlords walked away from some properties now worth less than their debt, handing them to their lenders. US regional lenders were particularly exposed, and stood to be hurt harder than their larger peers, because they lacked the large credit card portfolios or investment banking businesses that could insulate them.

2. Why did prices fall so far?

The rise in interest rates on risk-free government bonds from early 2022 led investors to demand higher yields when buying property. As yields on commercial real estate are the rental income as a proportion of a building's value, and rents tend to be fixed for several years, property prices need to fall for yields to rise. It was a particular problem in places like Germany, where rental yields had reached record lows before the rate-hiking cycle began and many property owners entered the crisis carrying higher debt burdens than their peers elsewhere.

3. Why are falling prices a problem?

Falling prices hamper a property firm's ability to borrow. As the value of a landlord's assets drops, its relative indebtedness — the all-important loan-to-value ratio — increases.

To avoid breaching the terms of its debt, the company may need to inject more cash into a property deal or take on more borrowing, albeit at higher rates and only if there's enough rent to service it. If there isn't, it may have to sell assets in an uncertain and falling market in which buyers will demand deep discounts. Those depressed prices make it harder for the industry to refinance the $2.2 trillion of US and European commercial property loans due to mature by the end of 2025.

4. Which types of property were affected?

Office buildings were the biggest casualties as post-COVID changes in working patterns and poor energy efficiency combined with rising interest rates to crush values. Shopping malls were partly cushioned as their valuations had already taken a hit from the rise of e-commerce, so they were starting from a lower base when interest rates began to tick higher.

5. Are there regional differences?

Rising interest rates had a bigger impact on Europe's property prices as yields there were lower than in the US when central banks began their hiking cycle. However, valuations in the US fell further as it had a larger stock of new and empty buildings, and more Americans were still working from home. At the end of the third quarter of 2023, more than a fifth of office space lay empty in several major US cities.

6. What can you do with an empty office?

One option is to convert it for residential use, if local planning authorities allow it. Another is to adapt the building to reflect today's flexible working practices. But older buildings are expensive to upgrade, and energy efficiency improvements now demanded by governments and tenants add to the cost. The economics of these investments often don't stack up at current prices. The alternative for landlords is foreclosure — handing unviable buildings back to their lenders.

7. How is it likely to shake out?

There is a growing divide between the best office buildings and the rest. Those with top green credentials and modern, exciting space can still command top rents. Others require billions in spending to bring them up to standard — money that banks saddled with growing backlogs of impaired loans are unwilling to lend. You can knock buildings down and build better ones. But that route is becoming more challenging as policymakers focus on the embodied carbon in buildings from energy-intensive materials such as concrete, steel and glass. That means in many places they are determined to see properties refurbished, rather than redeveloped. — ***Bloomberg***

EDD GUMBAN/PHILIPPINE STAR

Job platform targets to cut hiring costs for companies

SINGAPORE-BASED hiring platform Bossjob, developed by Yolo Technology Pte. Ltd., has unveiled new features aimed at broadening its user base in the Philippines.

The platform now enables recruiters to connect with talents, providing users access to remote job opportunities, Bossjob said in an e-mailed statement.

"With our new international feature and dedicated remote jobs section, we're not just expanding horizons, but we're actively dismantling barriers to global employment and fostering a more inclusive, accessible job market," said Bossjob Co-Founder and Chief Executive Officer Anthony Garcia.

Bossjob said this newly added feature will also allow companies to reduce recruitment costs and streamline cross-border hiring processes.

It noted that the new feature will also allow employers to have presence in unsupported regions.

The career-hiring platform said it also launched a remote job section for the Philippines, citing a 2022 report issued by financial services platform Payoneer where it showed that the freelance economy in the country has recorded rapid growth.

"In a rapidly evolving job market, Bossjob is at the forefront of the shift towards a project-based economy in the Philippines. Our data shows not just a trend but a reflection of a deeper change in work preferences," Mr. Garcia said.

Bossjob said it is targeting to solidify its presence in Southeast Asia by growing its users to more than 30 million by 2026.

The company aims to capture wider reach in the Philippines, Singapore, Indonesia, Hong Kong, and Japan, it added. — **Ashley Erika O. Jose**

NGCP: TRO delays full energization of HSJ line

BW FILE PHOTO

THE National Grid Corp. of the Philippines (NGCP) has announced a delay in the full completion of its 500-kilovolt (kV) Hermosa-San Jose (HSJ) transmission line due to a temporary restraining order (TRO) issued by the Supreme Court.

In a statement on Monday, the grid operator said that the TRO, received on July 6 last year, was issued against the expropriation and construction on a portion of the transmission line owned by PHirst Park Homes, Inc. (PPHI).

"The HSJ was already energized on May 27, 2023, to accommodate power generation from Bataan. However, the court prohibition will affect the remaining works for its full completion," the NGCP said.

The transmission line currently has a transfer capacity of 2,000 megawatts (MW), part of the full capacity of 8,000 MW of Lines 1 and 2. The rest of the capacity cannot be accomplished due to the work stoppage following the TRO, the company said.

Following the issuance of the TRO, the NGCP said it immediately stopped the project-related activities along Towers 170-178 of the HSJ transmission line, which it said delayed the ongoing stringing of the line's remaining circuit.

The grid operator said it has "repeatedly reached out" to PPHI to "settle the issue amicably," with ongoing negotiations "as early as February this year."

PPHI is a wholly owned subsidiary of the publicly listed Century Properties Group, Inc.

"NGCP made it clear to [PPHI] that the HSJ is an Energy Project of National Significance (EPNS), and its completion and energization are critical to preventing Luzon-wide power interruptions," the system operator said.

"Still, we assert that the project's activities can no longer be delayed given the greater national interest in the project's immediate completion."

Sought for comment, PPHI said that it "takes exception to any claims that it filed the petition to obstruct the implementation of NGCP's project," and that it has "refused to amicably settle" with the grid operator.

"PPHI acted in accordance with due process and full respect of the law," it added.

"Considering the pending case with the Supreme Court, PPHI respectfully urges the parties to respect the legal process and refrain from commenting on the merits of the case. PPHI fully trusts that the Supreme Court shall resolve the case in due course," the company said.

The P10.2-billion HSJ transmission line spans the provinces of Bulacan, Pampanga, and Bataan, which is said to serve as a major component in the planned Luzon 500kV transmission backbone. — **Sheldeen Joy Talavera**

PPA awards P263.64-million Tacloban port upgrade contract

THE Philippine Ports Authority (PPA) has awarded a P263.64-million contract to upgrade the Port of Tacloban in Leyte to Hi-Tone Construction and Development Corp.

In a notice of award dated Jan. 29, Legazpi City-based Hi-Tone Construction was awarded the improvement project contract after submitting the lowest bid among five qualified bidders and passing PPA's post qualification evaluation.

Jay Daniel R. Santiago, PPA general manager, has directed the company to formally enter a contract with the agency and post the required performance security within 10 days from the receipt of the notice of award.

"Failure to enter into the said contract or provide the Performance Security shall constitute a sufficient ground for cancellation of this award and forfeiture of your Bid Security," Mr. Santiago said.

According to the bids and awards committee, the approved budget for the contract is P253.84 million.

The other four companies that submitted bid proposals are Luzviminda Engineering, Vicente T. Lao Construction, Sunwest, Inc., and J.C. Piñon Construction, Inc.

PPA said the Tacloban port improvement project will be completed in 420 calendar days or 14 months from the receipt of the notice of award.

The project includes removal and excavation works; port operational area with RoRo ramp on fill and RC pier extension. — **Ashley Erika O. Jose**