

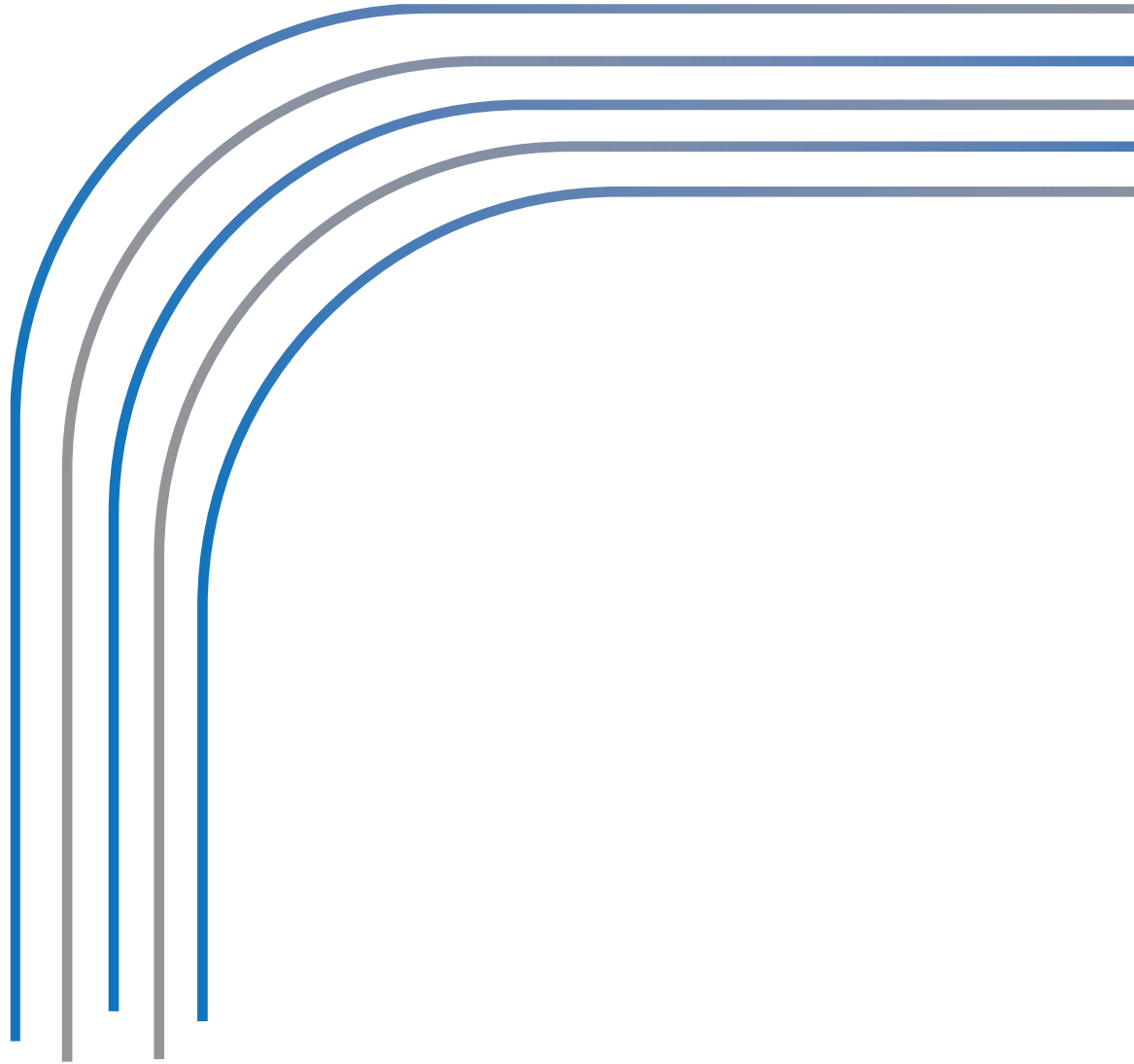


SRI LANKA
2020/21

**REAL ESTATE
ANNUAL MARKET
REPORT**





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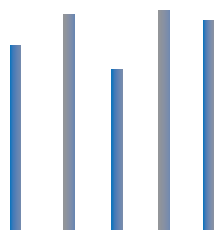
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ABOUT THE RIU

The Research Intelligence Unit (RIU) is a pioneering research firm that values creativity, innovation, integrity and market intelligence. We offer research-based consulting focused on several key sectors of the economy. Our research and advisory services include market and financial feasibility, environmental and social impact studies, as well as traditional market research and investment appraisal for our clients.

The RIU is a UK based company with its offices in London and in St. Albans. In 2003, the RIU established its Asia regional office in Colombo where the company continues to grow and serves an international client base. Over the years, the RIU has established itself as the premier research and consultancy firm for many top corporations and development institutions both in the UK and across the globe. In 2015, the RIU started operations in the Maldives and currently, we have a presence in key Asian markets including Bangladesh, India, Indonesia, Maldives, Nepal and Singapore.

Our work has been recognised for its originality and quality with award winning kudos as we endeavour to provide timely market intelligence and promote sustainable practices to all our clients.



Research design, data management and analysis



Market intelligence, surveillance and surveys



Market, site and financial feasibility studies



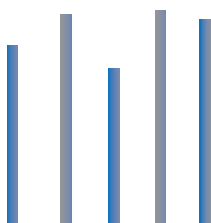
Social and environmental impact assessments



Investor forums and investment intermediation



Publications



Data Summary

Macroeconomic Data

Table 1. Macroeconomic data 2020/21

	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Inflation (CCPI Y/Y)	4.8%	5.4%	3.9%	4.0%	4.2%
Exchange Rate (LKR/USD)	181.3	188.6	186.2	185.5	185.8
Interest Rate (AWPLR)	9.94%	9.29%	8.65%	6.19%	5.81%
Tourist Arrivals	537,390	71,370	-	-	393

Luxury Apartment Market (Tier 1)

Table 2. Luxury apartment market 2020/21

	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Absorption level	59.4%	66%	67.2%	69.3%	71%
Sales velocity (Units sold per month)	1	2	0.8	1	1.8
2BHK unit price (USD/sq. ft)	296	297	295	295	295
3BHK unit price (USD/sq. ft)	379	380	378	378	378
Monthly rental (USD/sq. ft)	1.55	1.53	1.50	1.47	1.45
2 BHK Secondary market price (USD/sq. ft)	245	243	240	240	245
3 BHK Secondary market price (USD/sq. ft)	337	328	330	330	328

Retail Malls

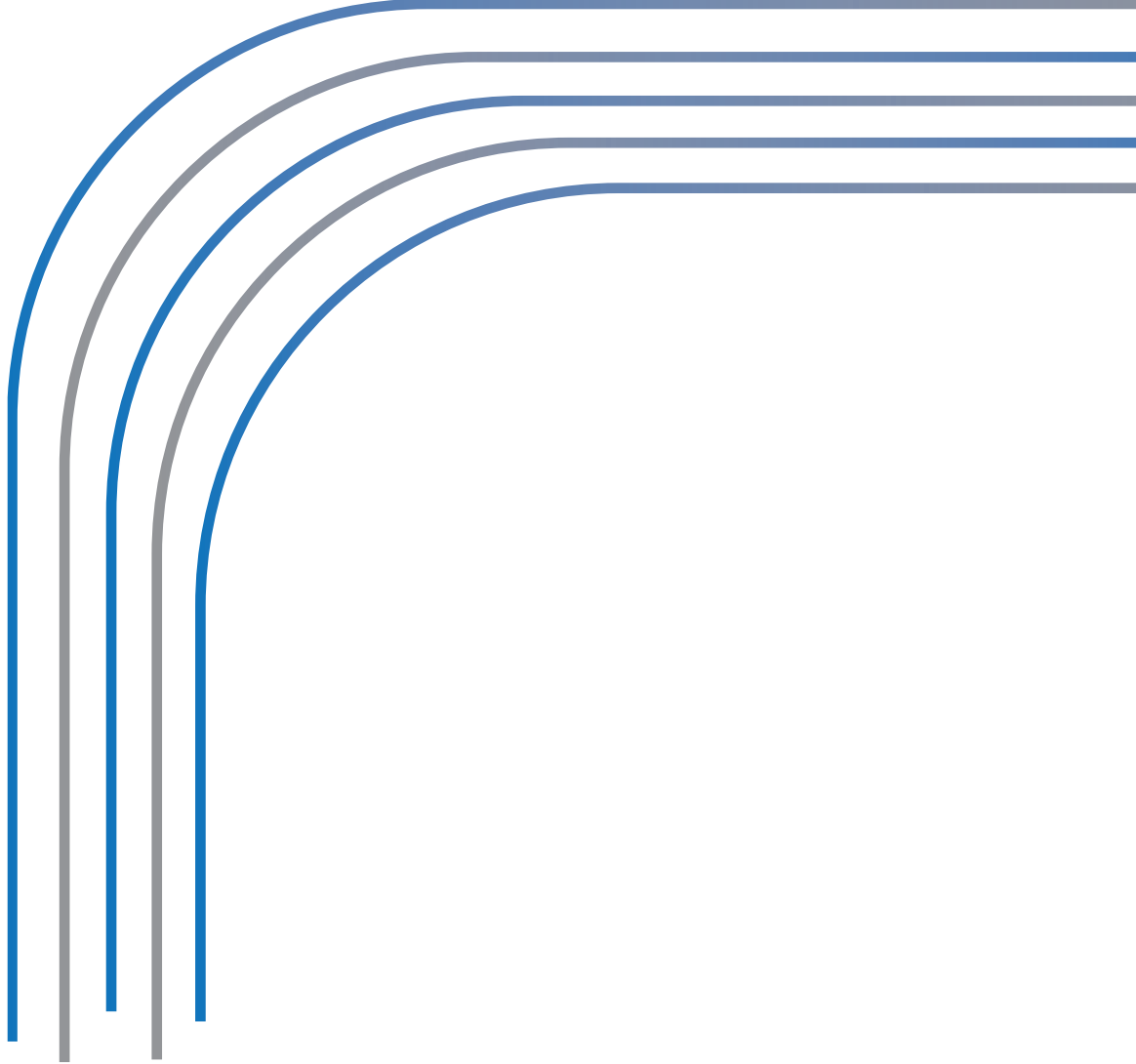
Table 3. Retail malls market 2020

	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Monthly lease rate (USD/sq. ft)	2.42	1.50	0.80	0.85	0.88
Occupancy level	89%	83%	69%	70%	71%

Central Colombo Bare Lands Market

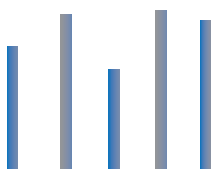
Table 4. Central Colombo bare lands market 2020

	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Price (USD/perch)	67,934	65,900	63,316	65,493	60,416



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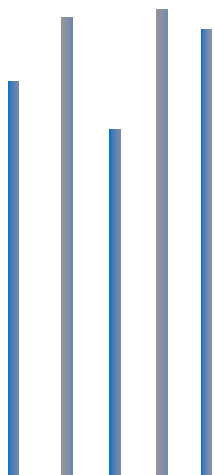


ABBREVIATIONS

ATM	Automated Teller Machine
AWDR	Average Weighted Deposit Rate
AWLR	Average Weighted Lending Rate
AWPLR	Average Weighted Prime Lending Rate
BHK	Bedroom, Hall, & Kitchen
bn	Billion
BSI	Business Sentiment Index
CAGR	Compound Annual Growth Rate
CBD	Colombo Business District
CBSL	Central Bank of Sri Lanka
CCPI	Colombo Consumer Price Index
CSD	Census & Statistics Department
CSE	Colombo Stock Exchange
FDI	Foreign Direct Investment
GBP	Great British Pound
GCA	Greater Colombo Area
GDP	Gross Domestic Product
HDI	Human Development Index
HNWI	High Net Worth Individuals
IT	Information Technology
JLL	Jones Lang LaSalle Incorporated
LKR	Sri Lankan Rupees
LPI	Land Price Index
m	Million
NBT	Nation Building Tax
NRSL	Non-Resident Sri Lankans
OBOR	One-Belt-One-Road
Q	Quarter
RIU	Research Intelligence Unit
SFTA	Singapore Free Trade Agreement
SLTDA	Sri Lanka Tourism Development Authority
Sq.Ft	Square Feet
tn	Trillion
UDA	Urban Development Authority
UK	United Kingdom
USD	United States Dollars
VAT	Value Added Tax
Y/Y	Year on Year



ECONOMY

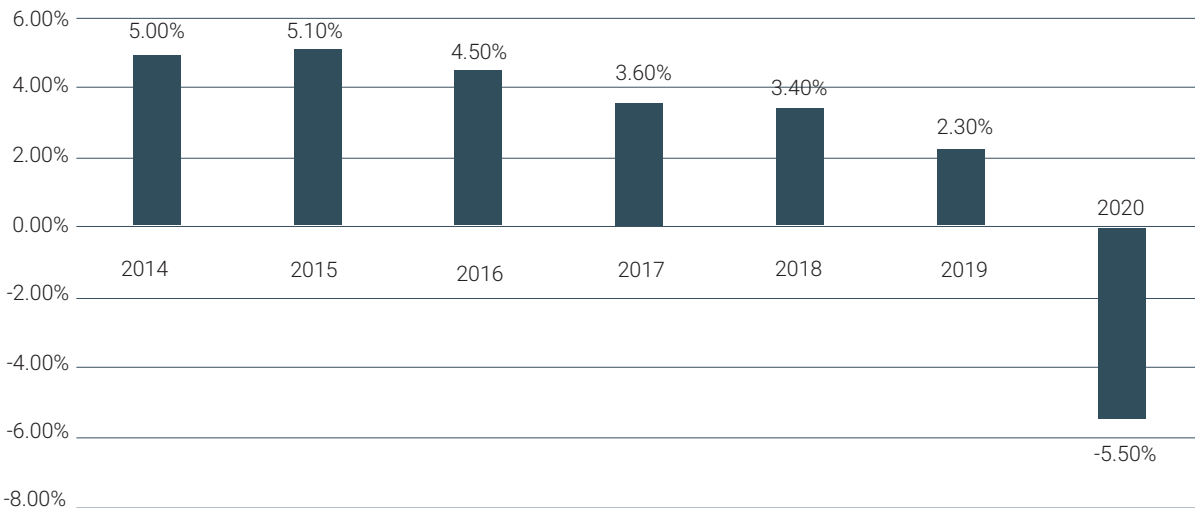


Sri Lanka is an island covering 65,620 sq. km with a population of 21.4m and is categorised as a lower-middle-income country by the World Bank, with a GDP per capita of USD 3,892 (2019). Sri Lanka boasts a literacy rate of 91.9 per cent, the highest in South Asia and has traditionally maintained human development indicators that are comparable with those of advanced countries. Sri Lanka has the second highest GDP per capita in the South Asian region. Following the 30 years of civil war that ended in 2009, the economy grew at an average 5.3 per cent during the period 2010-2019, reflecting a peace dividend and a determined policy thrust towards reconstruction and growth.

The economy has recently had to endure two external shocks in the form of a devastating terror attack in 2019, followed by the pandemic in 2020. Both have hit hard at a number of sectors in the economy, most notably, tourism which had been enjoying double-digit growth and bringing in much needed foreign reserves to the balance sheet. However, the combined impact of these shocks have not dealt a telling blow on the local real estate industry. Moreover, the market has demonstrated remarkable resolve and innovation, paving the way for renewed hope and optimism in 2021 and beyond.

GDP Growth

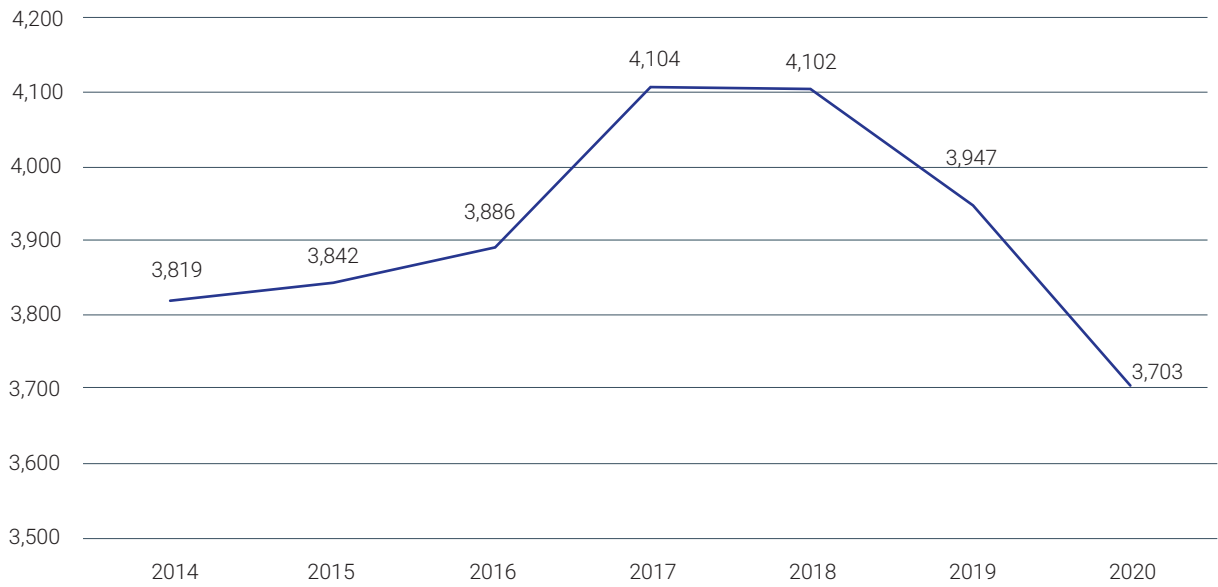
Figure 1. GDP growth 2020



Source: CBSL, 2020

GDP per Capita (USD)

Figure 2. GDP per capita 2020



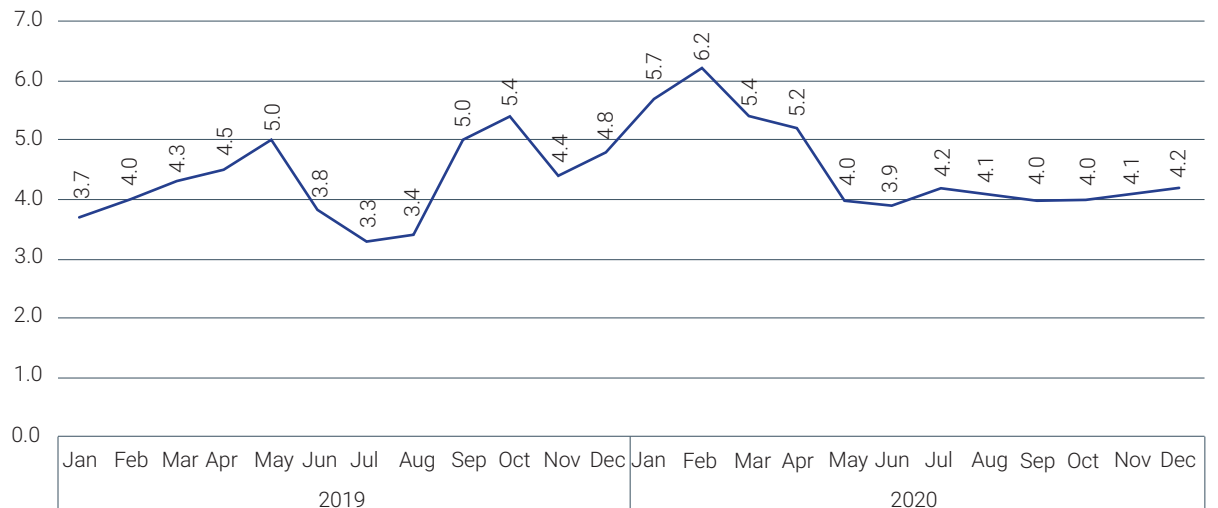
Source: CBSL, 2020

After growing by 2.3 per cent in 2019, the economy contracted by 1.7 per cent y-o-y within the first quarter of 2020.

The first contraction in 19 years was driven by inadequate performances in a number of sectors, inclusive of construction, mining, tea and textile industries. In this context, the COVID-19 health crisis impacted economic activity severely since the first quarter. High frequency indicators evince that growth had faltered in the second quarter, as curfews impeded economic activity and global demand remained weak. Additionally, the closure of airports to tourists since March 2020 brought tourism activity to a standstill.

CCPI Inflation Rate (Y/Y)

Figure 3. CCPI inflation rate (Y/Y) 2020



Source: CBSL, 2020

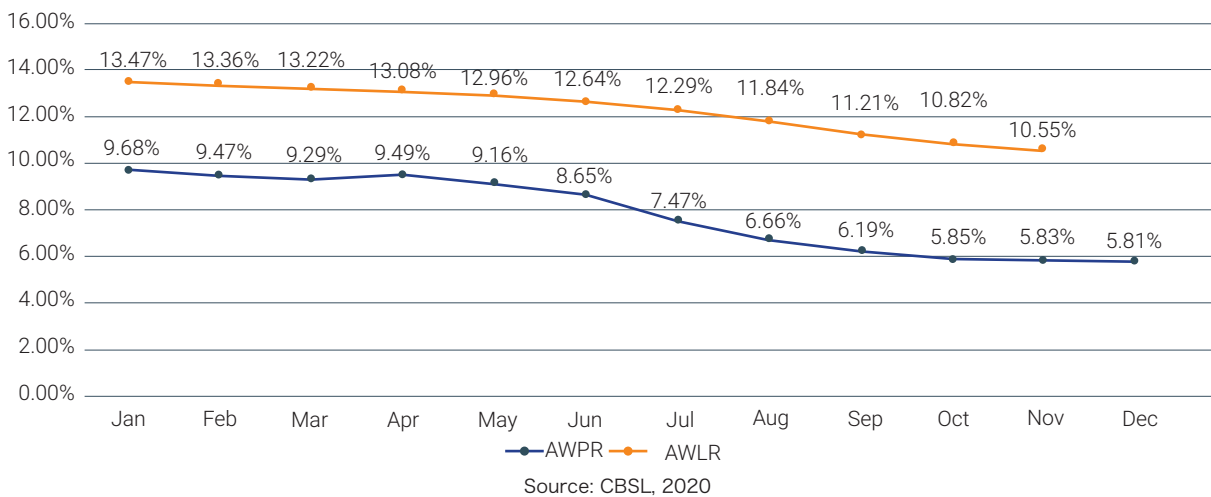
Weak demand has kept inflation in check thus far in 2020, creating room for policy support. The annual average inflation measured by the Colombo Consumer Price Index was 4.2 per cent in December 2020, despite high inflation of the prices of food products.

The Central Bank also introduced a refinancing facility and a credit guarantee scheme to encourage commercial banks to increase lending. Despite these measures, private credit growth remained subdued in the first half of 2020. Asset quality and earnings of financial businesses deteriorated, reflecting the impact of decelerating loan recoveries and shrinking margins. In the second half of 2020 there was an uptick in positive business sentiment in the country, as there was minimal community transmission. When the second wave of COVID-19 began in October 2020 it slowed until the end of 2020.

However, the Central Bank expects credit to the private sector to expand by around 14.0 per cent in 2021 and at least by around 12.0-12.5 per cent annually over the medium term, thereby supporting the envisaged growth of the economy.

Interest Rate

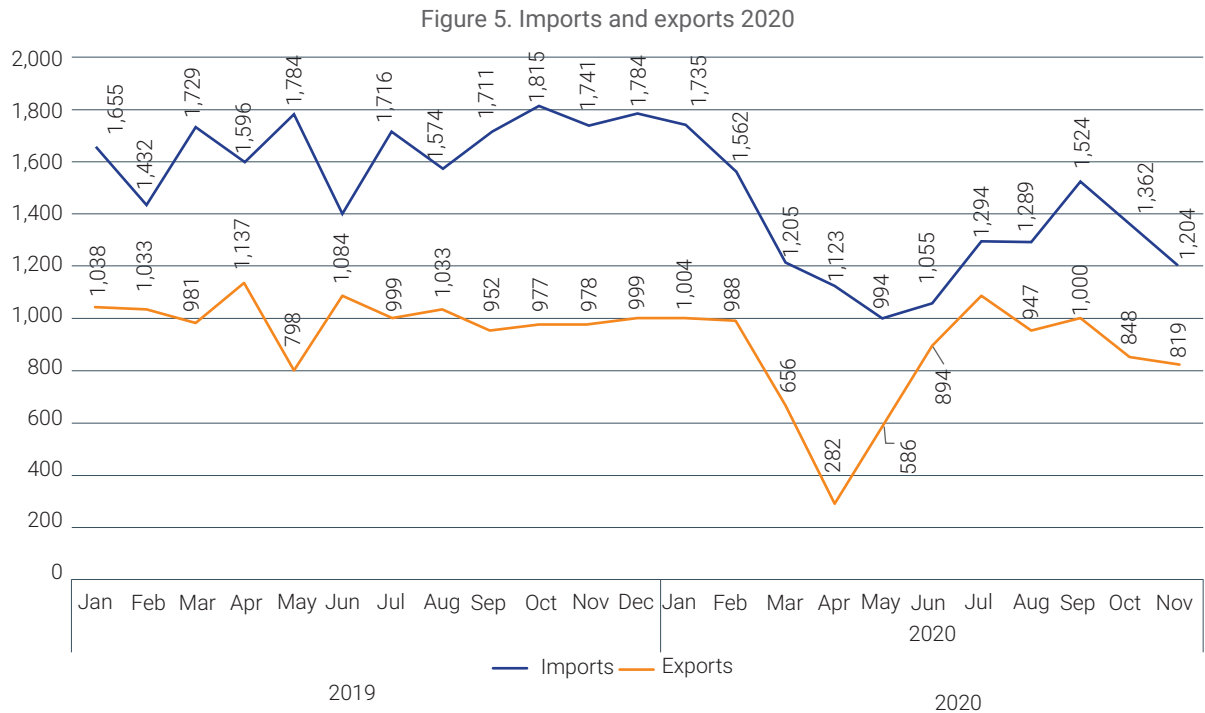
Figure 4. Interest rate 2020



The Central Bank’s policy measures to reduce interest rates, enhance market liquidity and finance the Government were aimed at supporting economic activity in the context of a historically low interest rate environment, whilst also facilitating ample liquidity to the market at reduced and concessional interest rates. Furthermore, the Government implemented initiatives for allowing increased currency flows into the economy, in particular from the diaspora. Meanwhile, large liquidity injections to the banking system enabled banks to provide the financial support required by businesses and individuals to tide over the difficulties faced during the lockdown period.

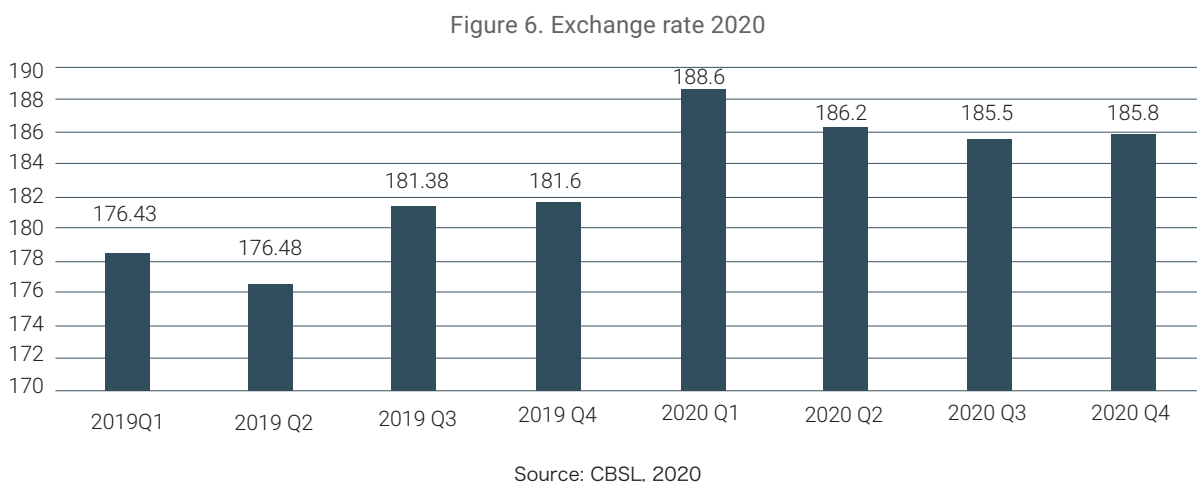
Over the past three quarters, the low interest rate regime has prevailed, where both investors and the buy-to-live segment, have benefitted from this game-changing shift in the eco-system. Sources from the banking sector confirm that savers are impeding fixed deposit account investments and are inclined to invest in property and other asset classes. The historically low borrowing rates are expected to remain in 2021 and 2022 and will continue to spur the market.

Imports and Exports



The current account deficit is estimated to have narrowed in the first half of 2020. Sri Lanka had recorded a surplus in the external current account in the second half of 2020, and is expecting a marginal surplus in 2021. A reduction in imports due to severe import restrictions has offset reduced receipts from remittances, tourism, tea and textiles. When the latter picks up, we would expect the government to further ease import restrictions.

Exchange Rate



The Sri Lankan rupee depreciated by 2.6 per cent in 2020. The exchange rate experienced some volatility in December 2020 as well as during the period thus far in 2021. Sri Lanka’s gross official reserves were at USD 4.8 bn by the end of January 2021 and reported USD 5,665.1m of foreign reserves by the end December 2020. Included in reserves is a swap facility of USD 400m with the Reserve Bank of India and a loan of USD 500m from the China Development Bank. The Central Bank also secured a repo facility with the New York Federal Reserve Bank for USD 1.0 bn as a contingency measure.

Tourism

Monthly Tourist Arrivals

Table 5. Monthly tourist arrivals 2020/21

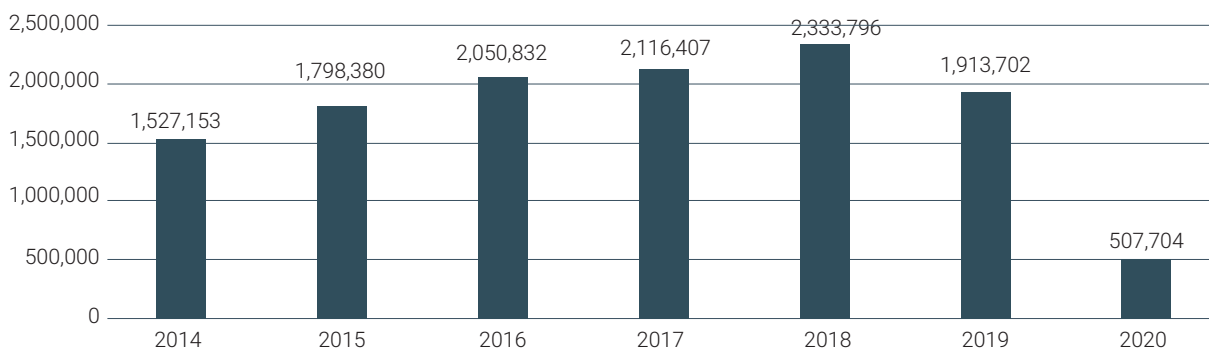
Month	2019	2020	% change 2019/ 20
January	244,239	228,434	-6.5
February	252,033	207,507	-17.7
March	244,328	71,370	-70.8
April	166,975	0	-
May	37,802	0	-
June	63,072	0	-
July	115,701	0	-
August	143,587	0	-
September	108,575	0	-
October	118,743	0	-
November	176,984	0	-
December	241,663	393	-99.8
Total	1,913,702	507,704	-73.5

Source: SLTDA, 2020

The total number of international tourist arrivals to Sri Lanka for 2020 was 507,704, a significant decline of 73.5 per cent in comparison to the 1,913,702 tourists in 2019. No tourist arrivals were recorded from April to 27 December due to the termination of all passenger flights and ship arrivals from 18 March. Following a nine-month-long travel ban imposed due to the pandemic, 393 tourists from Ukraine arrived in the island in a series of chartered flights under a pilot project which commenced on the 28 December.

Tourist Arrivals

Figure 7. Annual tourist arrivals 2020

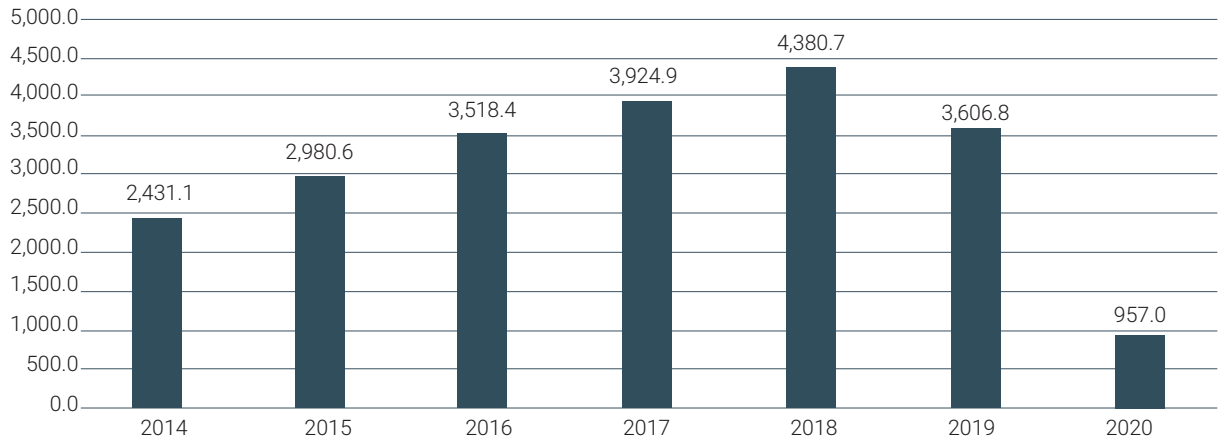


Source: SLTDA, 2020

Sri Lanka reopened to international tourism on 21st of January 2021.

Tourist Receipts (USD/m)

Figure 8. Tourist receipts (USD/m)



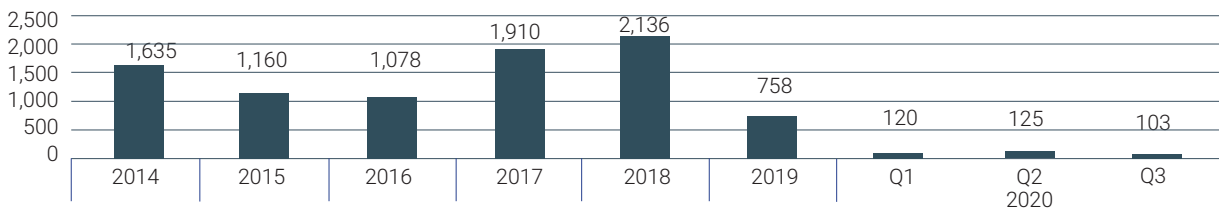
Source: CEICDATA

Sri Lanka’s tourism revenue reached USD 957m in Dec 2020, compared with USD 3.6 bn in the previous year.

Foreign Direct Investment

FDI Inflows (USD/m)

Figure 8. Tourist receipts (USD/m)



Source: CEICDATA, tradingeconomics, 2020

Sri Lanka’s Foreign Direct Investment (FDI) increased by USD 103.4m in Q3 2020, compared with an increase of USD 125.6m in the previous quarter. Sri Lanka direct investment abroad expanded by USD 8.5m and the Foreign Portfolio Investment fell by USD 115.1m.

Sri Lanka is targeting USD 2.5 bn in FDIs in 2021 with several measures already in place to facilitate this action. The State Minister for Finance and Capital Markets, Nivard Cabraal recently stated that a bn dollars of investment are in the pipeline for the Colombo Port City and the recently opened tire factory will bring in USD 175m. A pharmaceutical zone is expected to pursue an additional USD 200m.

Human Development

Human Development Index by countries in South Asia 2020

Table 6. HDI ranking 2020

Country	HDI Rank	
	2019	2020
Sri Lanka	76	72
Maldives	101	95
India	130	131
Bhutan	134	129
Bangladesh	136	133
Nepal	149	142
Pakistan	150	154
Afghanistan	168	169

Human development is an important factor that determines the sustainability and stability of the social infrastructure of a country. Sri Lanka is currently ranked 72 in the Human Development Index (HDI) and is well ahead of all of her neighbors in South Asia. HDI values were determined by assessing long-term progress in three dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. Sri Lanka’s HDI continues to improve since the end of the civil war in 2009.

Source: hdr.undp.org

Business Climate

Due to several measures adopted by the Government, Sri Lanka moved to 99 in the world rankings of the Doing Business Index in 2020 and holds the fifth highest position across the South Asian region. The quality measure with respect to dealing with construction permits in Sri Lanka, is lower in comparison to regional peers. However, the ranking for property registration was recorded at 138 which portrays some positivity to the real estate sector.

Ease of doing business- Sri Lanka ranking

Economies are ranked on their ease of doing business from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the establishment and operation of a local company. The rankings are determined by sorting the aggregate scores over 10 topics, each consisting of several indicators, giving equal weight to each topic.

Sri Lanka has managed to improve a notch in the World’s Bank ‘Ease of Doing Business Index’ for 2020 to rank 99, up from 100th in 2019, out of 190 economies across the world.

Table 7. Ease of doing business ranking 2020

Overall Rank	Year	Rank
	2020	99
	2019	100
	2018	111

Source: World Bank, 2020

Table 8. HDI Indicators 2020

Year	Indicators									
	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading across Borders	Enforcing Contracts	Resolving Insolvency
2020	85	66	89	138	132	28	142	96	164	94
2019	83	65	84	140	124	38	141	93	164	92
2018	77	76	93	157	122	43	158	86	165	88

Source: World Bank, 2020

The Game Changer

Whilst many smaller businesses continue to face utter devastation since the initial lockdown at the beginning of 2020, retail chains such as Keells and Arpico struggled to meet demand. Business soared due to the prevailing conditions, spurring a massive boom for online shopping. Fast food retailers who were able to swiftly switch to online platforms, benefited from the boom in business for Uber Eats, Pick-me and others. Online retailers such as Daraz are also said to have experienced an uptick in sales.

This sudden shift to online transactions was felt across multiple sectors. Banking for example, witnessed heightened demand for their online services, as previous skeptics were forced to switch to online banking. The long-term implications on the use of paper money are also expected to be significant.

Small businesses, especially those engaged in retail, F&B and personal care services and other high street operators, have been devastated by the island-wide lockdown. Similarly airlines, hotels, leisure related sectors and travel operators, suffered hardship during the course of 2020.

Figure 10. Winners & losers



The Western Province

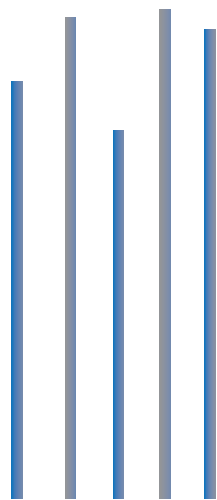
The Western Province is one of nine provinces in Sri Lanka and the first level administrative division of the country. Whilst regional disparities remain across the island in terms of growth rates and the share of GDP, the latest data suggests that the Western Province dominates the economic landscape. According to the Ministry of Megapolis and the Western Province Development Authority, per capita income of the Western Province is expected to grow to USD 25,000 by 2030. The region is the home to 5.9m individuals, more than a quarter of the country’s population.

The country's financial capital, Colombo, is located in the Western Province. Colombo has been evolving unceasingly since 2009 after the end of the long civil war. Increased tourism, infrastructure developments, and domestic and international real estate projects, have helped in boosting the economy of the city. One key reason for the high number of property searches within Colombo, is internet penetration. Although internet penetration is between 20 to 25 per cent, most of the traffic is generated from Colombo. Examining the percentage distribution of computer owned households, the Western Province boasts the highest number with 35 per cent. This is predominantly because Colombo is usually the first district in Sri Lanka to gain access to any new technological advancement.

Colombo is a multicultural city comprising many ethnicities and religions. The future of the city will be shaped by a dynamic population that is increasingly cosmopolitan and vibrant in the regional context.



LUXURY & SEMI LUXURY APARTMENTS MARKET



The luxury and semi-luxury apartment market, defined in terms of location, price, building features and apartment fittings, has continued to be shaped by high-end residential developments that have sprung up in large numbers over the past ten years. Developers entering the market have been both local and foreign, with the latter including some major international brands such as ITC, Shangri-La and the Ritz-Carlton. Moreover, the projects currently under construction will further accelerate this process and serve to transform the capital towards becoming a major regional hub for tourism, commerce and luxury living.

Overview

In order to better understand the dynamics of the apartment market in Colombo, the RIU has developed a classification of the market into three tiers.

Table 9. Tier categorisation 2020

TYPE OF FACILITIES	UPPER END OF THE MARKET (Tier 1)	UPPER MID RANGE OF THE MARKET (Tier 2)	MID RANGE OF THE MARKET (Tier 3)
24 Hour Security			
CCTV			
Fire protection & Detection System			
Garbage Disposal System			
Elevators			
Hot Water Geysers			
Children Play Area			
Vehicle Park			
Private Balcony			
Standby Generator			
Air-conditioned Apartment Block			
Gymnasium			
Swimming Pool			
WiFi			
Laundry			
Service Elevator			
Central Gas Supply System			
Children's Pool			
Games Room (Indoor)			
Banquet Hall			
Changing & Meal Room for Driver			
Convenience Store			
Walking Tracks, Squash, Tennis Courts, Basket Ball Court			
Salon/Sauna			
Restaurant/Bar			
Business Centre			

The RIU research team surveyed all residential developments that were completed, under construction or in the pipeline, in Colombo and surrounding suburbs. In our research, we covered all developments that have over 50 apartment units as well as a few smaller developments that were in a comparable price range.

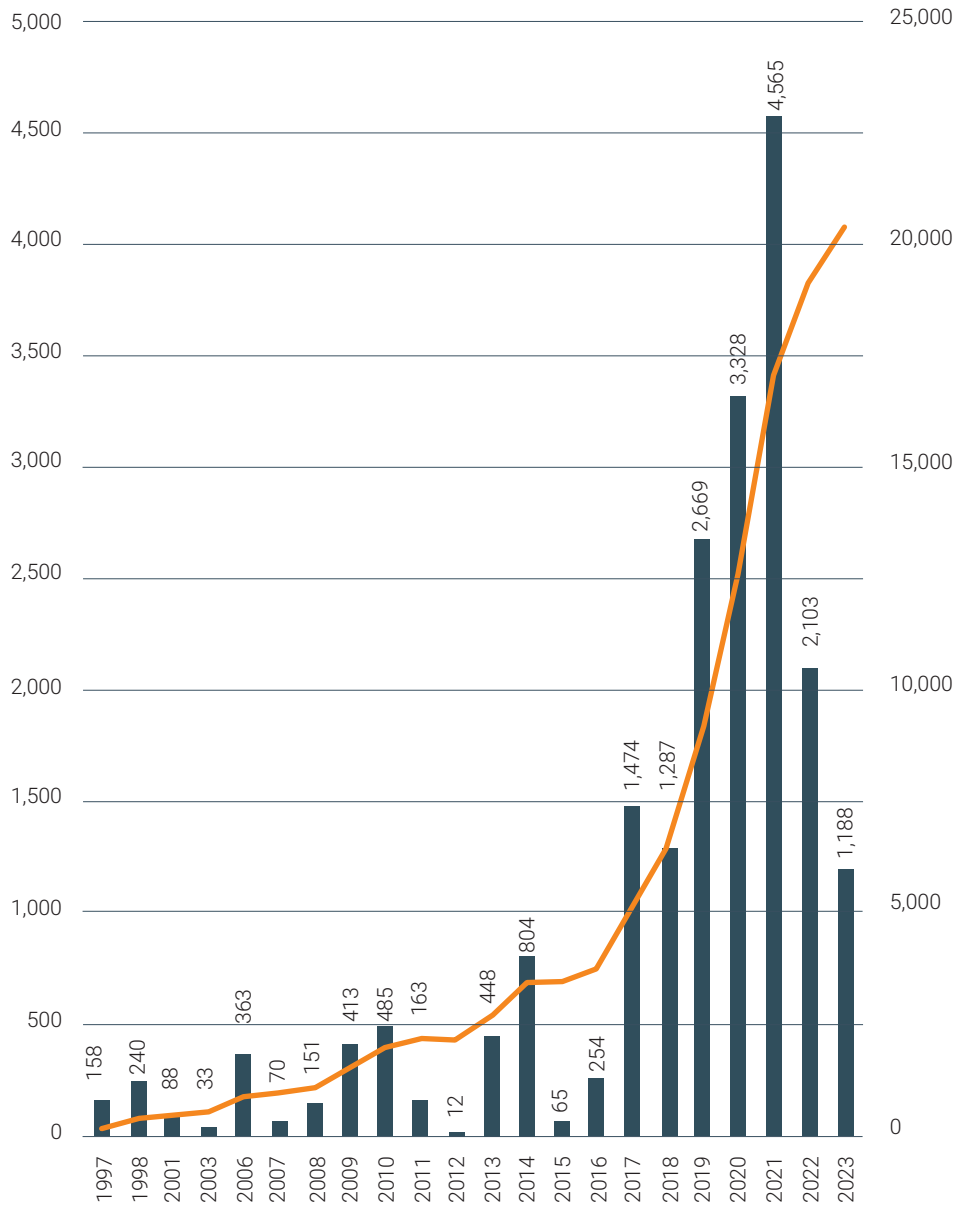
The RIU categorises the market according to several factors that include price, location, size and the branding of the development and available features. The luxury apartments market can be categorised into upper, upper-mid and midrange. The following table provides a guide in understanding the market with reference to the facilities provided.

Emerging from a situation in 2019, infused with confusion in the market due to policy inconsistencies, 2020 began with some optimism as a new political regime started to make things a lot clearer in terms of taxation policy. We were expecting an improvement in the real estate market which has unfortunately been stifled by the COVID-19 outbreak and the consequent abnormal circumstances.

Source: Research Intelligence Unit (RIU), 2021

Cumulative Supply of Apartments (All Tier)

Figure 11. Cumulative supply of apartments 2020/21



Currently, the cumulative supply of luxury and semi luxury apartments in Sri Lanka, according to our own classification (Tier 1, 2 and 3), is approximately around 16,000 units. With projects currently under construction, this will increase to around 20,000 units by 2022. New apartment supply additions to the inventory didn't take place in 2020. However, with the existing supply, Tier 1 apartments had slow progress in 2020, but we observed an escalation in sales for Tier 2 & Tier 3 apartments, particularly during Q3 and Q4 of 2020. However, on the whole, the velocity of luxury apartment sales remained subdued due to the sluggish economic conditions and the operational environment that prevailed for much of 2020.

Table 10. Tier-wise absorption 2020/21

Absorption (%)			
Category	2019	2020	Change
Tier 1	69%	73%	Up
Tier 2	67%	83%	Up
Tier 3	44%	57%	Up

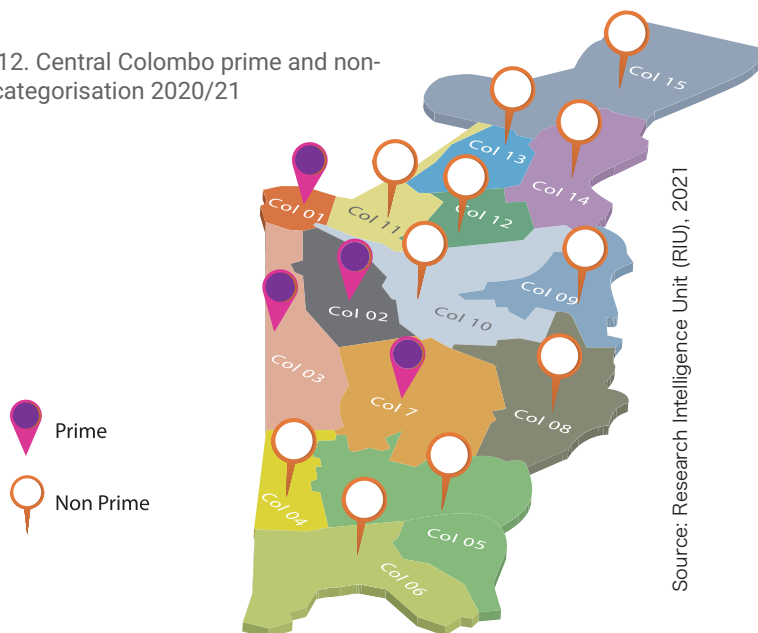
Source: Research Intelligence Unit (RIU), 2021

Table 11. Prime and non-prime weighted average prices 2020/21

Weighted Avg. Price (USD/ LKR/ Sq. Ft.)							
Category	Locality	Tier 1		Tier 2		Tier 3	
		2019	2020	2019	2020	2019	2020
Prime	Colombo 01	USD 337/ LKR 62,682	USD 337/ LKR 62,682	USD 220/ LKR 40,920	USD 220/ LKR 40,920	-	-
	Colombo 02						
	Colombo 03						
	Colombo 07						
Non-Prime	Colombo 04	-	-	USD 227/ LKR 42,222	USD 227/ LKR 42,222	USD 127/ LKR 23,622	USD 110/ LKR 20,460
	Colombo 05						
	Colombo 06						
	Colombo 08						
	Colombo 09						
	Colombo 10						
	Colombo 12						
	Colombo 14						
Colombo 15							

Source: Research Intelligence Unit (RIU), 2021

Figure 12. Central Colombo prime and non-prime categorisation 2020/21



Source: Research Intelligence Unit (RIU), 2021

We segregated prime and non-prime residential locations according to their respective areas based on location and price. Colombo prime locations such as 01, 02, 03 and 07 fetch the highest prices in Colombo. In 2020, Luxury (Tier 1) & Semi Luxury (Tier 2) prices remained unchanged. However, in the Tier 3 market, we witnessed developers and sellers offering discounts up to 15 per cent.

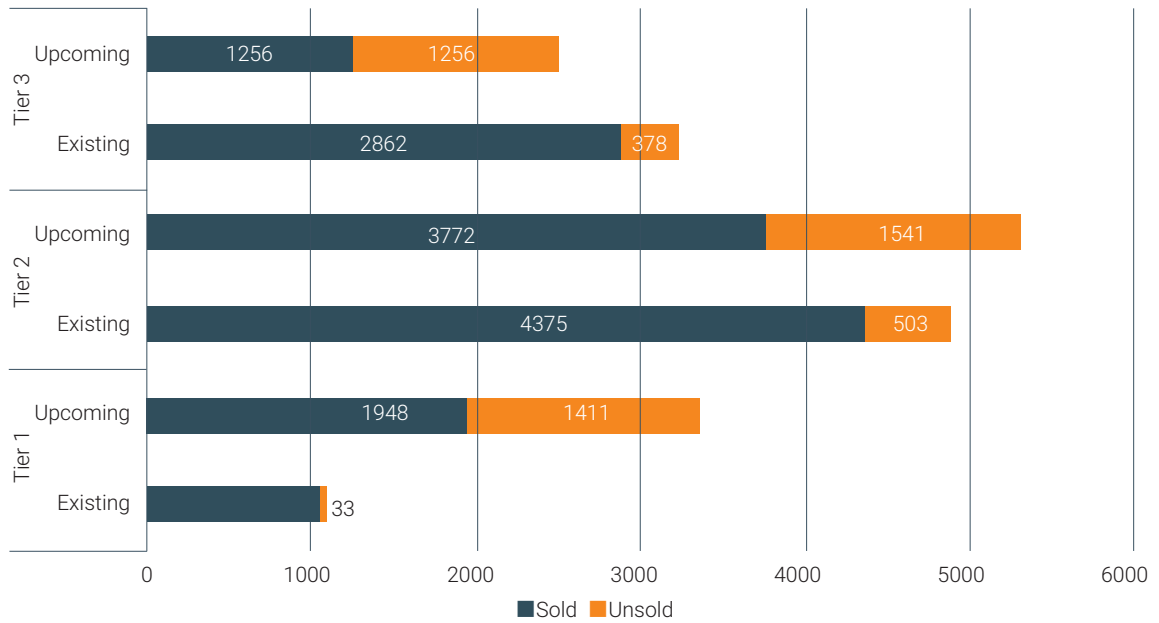
Table 12. Tier 3 maximum discounts 2020

Tier 3 (Maximum Discount)		
Category	2020 Q3	2020 Q4
Tier 3	10 %	15%

According to our data, interest levels in property among buyers grew in 2020 Q3 and Q4. Interest rate reductions on housing loans by banks to below 10 per cent had a positive effect on the affordable and mid-range property market. Furthermore, we noticed a rise in expats looking to purchase properties in Sri Lanka as their second home and investors looked for satisfactory bargains during this period.

Supply of Apartments by Tier

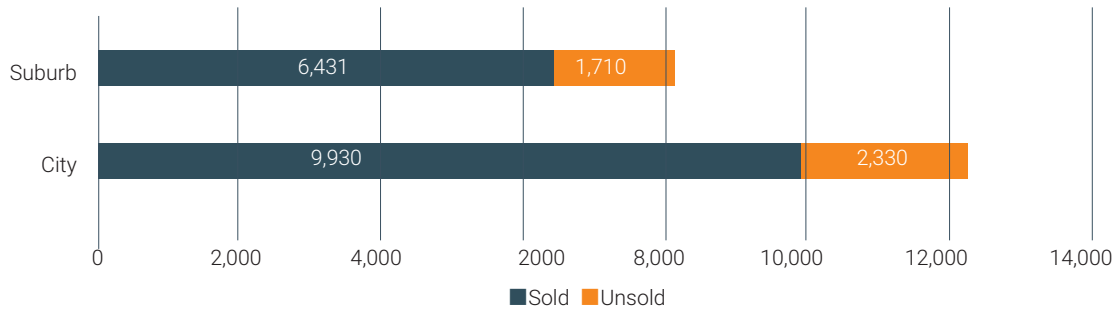
Figure 13. Supply of apartments: sold vs. unsold 2020/21



Source: Research Intelligence Unit (RIU), 2021

Supply by location (Colombo City and Suburbs)

Figure 14. Supply by location: Colombo and suburbs 2020/21



Source: Research Intelligence Unit (RIU), 2021

In terms of supply by location, the Colombo city area has over 12,000 Tier 1 and Tier 2 units of which 2,330 remain unsold, whereas the suburbs comprise 8,141 units and 1,710 remain unsold.

Supply in Colombo City (Tier 1 & 2)

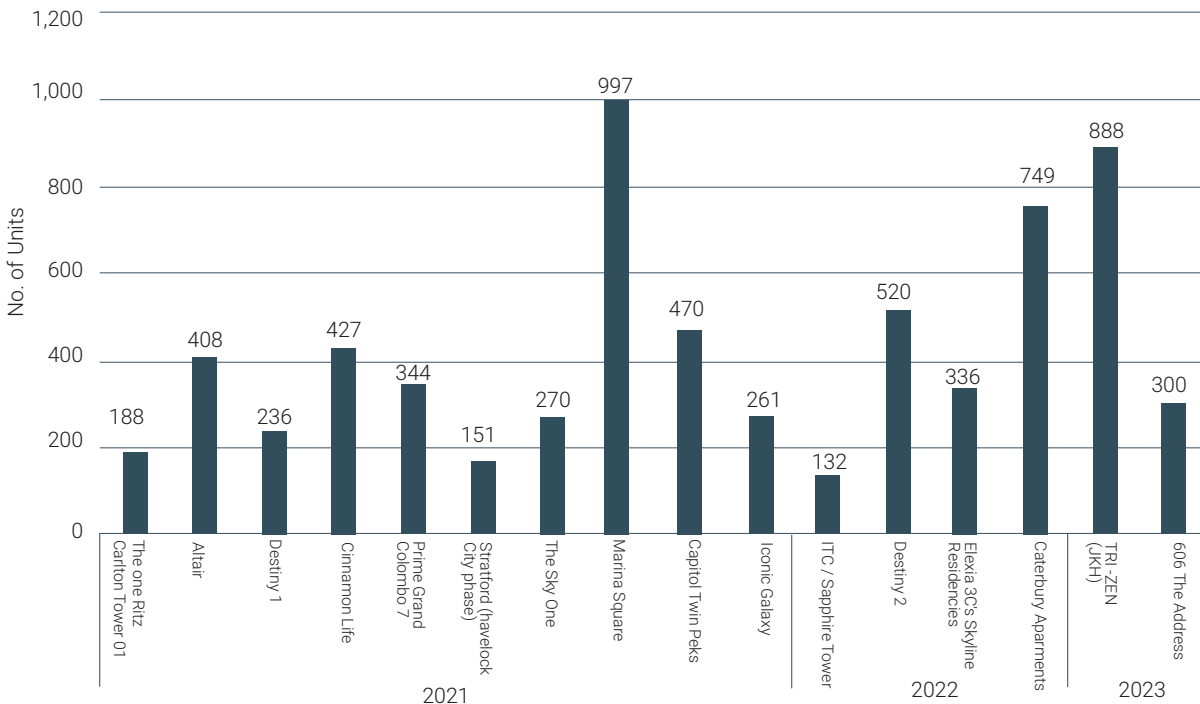
Table 13. Tier 1 and 2 supply in Colombo 2020/21

Location	Current Supply	Upcoming Supply
Colombo 1	-	320
Colombo 2	975	3,331
Colombo 3	907	1,023
Colombo 4	71	126
Colombo 5	1,069	509
Colombo 6	329	622
Colombo 7	416	344
Colombo 8	418	44
Colombo 9	-	121
Colombo 10	-	305
Colombo 11	-	-
Colombo 12	120	-
Colombo 13	-	-
Colombo 14	64	-
Colombo 15	77	1,029

*Estimated Tier 1 & Key Tier 2 projects within Colombo city. Suburbs not included.
Source: Research Intelligence Unit (RIU), 2021

Supply of Upcoming Apartments (Tier 1 & 2) 2021 and Beyond (Above 100 Units)

Figure 15. Supply of upcoming apartment 2021 and beyond



Source: Research Intelligence Unit (RIU), 2021

Demand

Absorption level by project (Tier 1) 2020

Table 14. Tier 1 absorption level by project 2020

Name of the Property	Absorption (%)					
	2015	2016	2017	2018	2019	2020
The One Ritz Carlton Tower 1	-	-	-	38%	47%	50%
ITC/ Sapphire Tower	-	-	-	8%	15%	18%
One Galle Face	5%	25%	50%	78%	82%	83%
Altair	10%	30%	60%	65%	69%	76%
Colombo City Centre	5%	33%	49%	65%	75%	81%
Luna Tower - 447	-	-	-	33%	37%	52%
Capitol Twin Peaks	-	-	-	40%	54%	n/a
Destiny I	0%	25%	39%	0%	78%	78%
Cinnamon Life	0%	5%	45%	54%	64%	66%
Astoria	0%	5%	30%	43%	53%	53%
606 The Address	-	-	-	0%	60%	62%
Prime Grand	0%	15%	45%	65%	66%	68%

Source: Research Intelligence Unit (RIU), 2021

Our routine market surveillance data is used to derive the absorption levels which depicts the percentage of supply that has been sold. One Galle Face and Colombo City Centre claim to have absorption levels above 80 per cent. Absorption levels for Altair, Cinnamon Life, Destiny I, Prime Grand, and 606 The Address is between 60 to 80 per cent. Other projects, Astoria, ITC, Luna Tower and The One, are reported to have absorption levels below 60 per cent. Luxury apartments had slow progress during the course of 2020 due to the airport closure which completely halted the normal flow of both diaspora and tourists who account for a large share of demand in Colombo and beyond.

Sales velocity (average number of units sold per month) by project (Tier1)

Table 15. Tier 1 sales velocity by project 2020

Project	2018 Q4	2019 Q1	2019 Q2	2019 Q3/ Q4	2020
606 The Address	n/a	8.6	0	n/a	1
Cinnamon Life	6.3	6.8	1.7	1	0.7
One Galle Face	6.7	6.3	0.3	0	1
Prime Grand - Colombo 7	6.5	5.9	2.0	0	1
The One Tower 1	6	5.8	0	0.3	1
Astoria	5.9	5.3	n/a	n/a	0
Capitol Twin Peaks	5.8	4.9	2.3	0.7	-
Altair	4.7	4.7	3.0	0	2
Colombo City Centre	3	3.2	0	0.7	1
ITC/ Sapphire tower	-	3.0	0	0.7	0.3
Destiny I	-	3.0	n/a	0.7	-
Luna Tower - 447	2.4	2.5	0	0	3

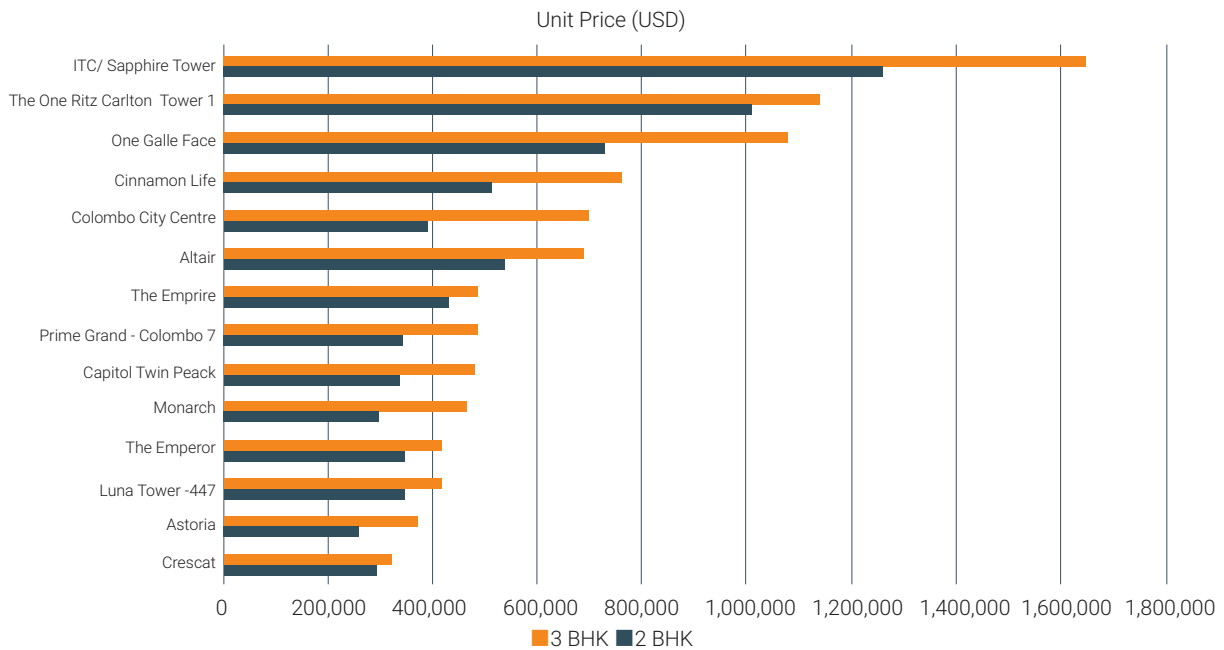
Sales Velocities based on average sales figures / Source: Research Intelligence Unit (RIU), 2021

Sales velocity is an indicator of the speed at which units are sold per month. It is clear that sales velocities have dropped for many projects in 2020. This was an indicator that showed that market conditions were tougher for developers.

Price

Unit price (USD) of the lowest priced unit by project

Figure 16. Tier 1 unit price by project 2020/21



Note: Exchange rate 2020 Q4- 185 LKR/USD | Source: Research Intelligence Unit (RIU), 2021

Average Price (USD/sq. ft) per unit by project

Table 16. Tier 1 average price per unit by project 2020/21

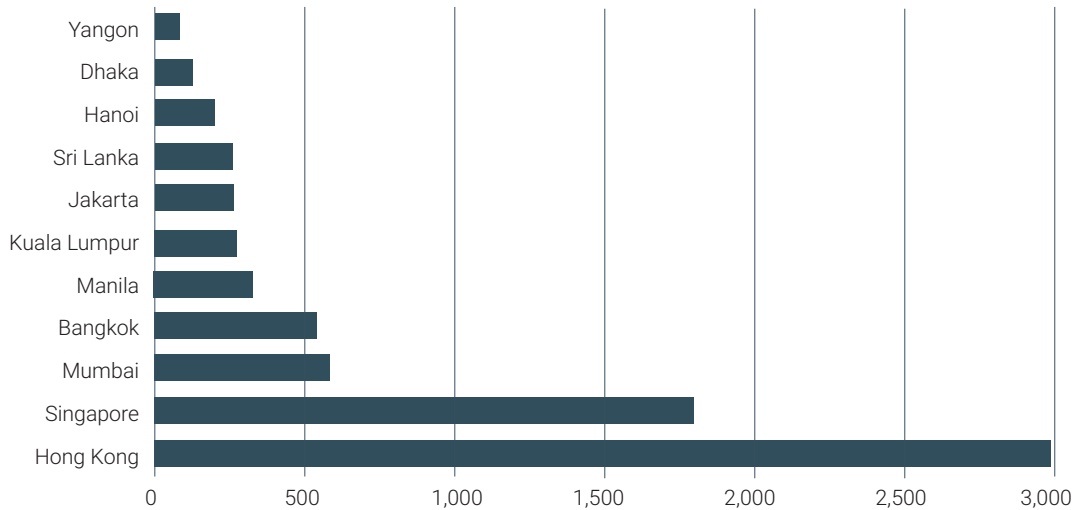
Project	2BHK	3BHK
The One Ritz Carlton Tower 1	521	514
ITC/ Sapphire Tower	440	420
One Galle Face	421	470
Altair	366	359
Colombo City Centre	341	371
Luna Tower - 447	271	240
Capitol Twin Peaks	367	401
Destiny I	280	300
Cinnamon Life	435	440
Crescat	224	184
Monarch	271	274
The Empire	411	415
The Emperor	260	239
Astoria	218	219
606 The Address	242	248
Prime Grand - Colombo 7	300	309

Note: Exchange rates USD 2020 Q4- 185 LKR/USD
Source: Research Intelligence Unit (RIU), 2021

One Galle Face, Sapphire Tower and The One, are competing at the higher end of the spectrum. These apartments are affiliated with renowned international brands (i.e., ITC, Shangri-La and Ritz Carlton) and therefore commands a premium. Another important observation is that the 3BHK (Bedroom, Hall, Kitchen) sq. ft prices are higher than 2BHK sq. ft prices. This is because the larger units in these developments are located on higher floors and have better views.

Average prices of premium location apartments premier City Centre, USD/sq. ft

Figure 17. Average prices of premium location apartments premier city centre 2020/21



Source: Research Intelligence Unit (RIU), 2021

Rentals

The rental demand in Colombo by the expatriate population crashed during COVID-19. We had a fairly large exodus of expats who kept the rental market, in particular in the CBD, extremely active. The expat exodus has been gradual since the Easter attacks in 2019 and it has been parlous since COVID-19. It is expected that 2021 will witness the return of expats and the diaspora, who account for a significant share of the rental demand in Colombo. In a series of initiatives, the Government is easing international travel restrictions, a trend we expect to continue in 2021 as the global vaccine roll-out continues.

Monthly rental rate (USD/ sq. ft.)

Table 17. Monthly rental rate 2020/21

Per sq. ft. Rental	2018	2019	2020	Change 2019/2020
7th Sense	1.50	1.64	1.54	Down
Monarch	1.16	1.54	1.44	Down
Empire	1.26	1.29	1.21	Down
The Emperor	1.72	1.41	1.32	Down
One Galle Face	2.27	1.47	1.38	Down
Astoria	n/a	1.31	1.23	Down

Source: Research Intelligence Unit (RIU), 2021

Average rental prices

Table 18. Annual rental prices by region 2020/21

	Average price (per month)/ USD
Colombo house rental price	1,784
Colombo apartment rental price	1,492
Western province (apart from Colombo city) house rental price	784

Source: lankapropertyweb

Annual Rental Yields

Table 19. Annual rental prices by project 2020/21

Annual Rental Yields	2018	2019	2020
Monarch	5%	6%	3.42%
The Emperor	5%	6%	3.45%
Empire	6%	8%	4.56%
7th Sense	6%	5%	2.85%
One Galle Face	7%	4%	2.28%
Astoria	n/a	6%	3.40%

Source: Research Intelligence Unit (RIU), 2021

Sri Lanka has maintained a reputation for having one of the highest luxury apartment rental yields in the region over the past few years. There are instances where it went up to as high as 9 per cent, which by regional comparisons, is very high and is an indication of under-supply during 2010 - 2017. However, last year the rental yields were between 3 – 4 per cent. It is expected that rental yields will continue to be low in the short term and normalize in the medium to long-term.

Table 20. All Tier rental yields 2020

Rental Yields (%)			
Category	2019	2020	Change
All Tier	7%	3 – 4 %	Down

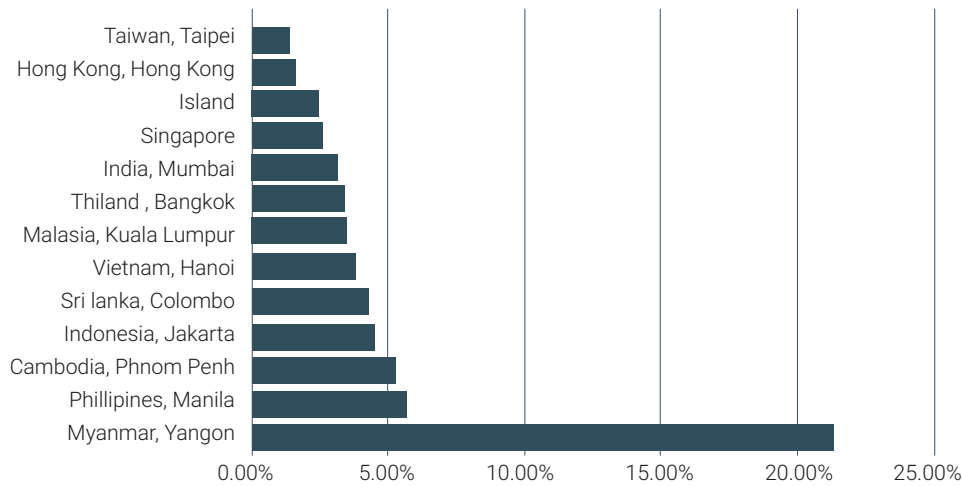
Source: Research Intelligence Unit (RIU), 2021

The rental market for Tier 1 apartments caters mainly to local HNIs, expatriates and foreigners. The recently added Shangri-La (i.e., One Galle Face) is one of the most expensive at the moment. Also, the JKH Seventh Sense project has recorded the most expensive rate in 2020, commanding a rate above USD 1.5/sq. ft. Generally, the rental for existing Tier 1 apartments is around USD 1 to 2 per sq. ft. In 2020, the rentals reduced by 6 per cent and this predominantly due to the reduction in expatriate movement because of the rapid spread of the COVID-19 virus.

One of the prominent reasons for purchasing apartments is the rental yields. Rental yields for Tier 1 apartments generally were around 6 to 8 per cent before the Easter attacks in 2019.

Gross Rental Yield (City Centre) – Regional Comparison

Figure 18. Rental yield regional comparison 2020/21



Source: Research Intelligence Unit (RIU), 2021

International comparison of rental yields for luxury apartments, denotes Sri Lanka as an attractive destination in the regional content.

Secondary Market

Apartments, as with all types of properties, have traditionally increased in value with time. In the previous years, the healthy rates of capital gains have driven potential investors to purchase apartments. During the first two quarters of 2020, there was little or no price appreciation as the market was fueled by COVID-19 fears. However, in Q3 and Q4 secondary prices of the apartments witnessed a marginal increment.

Average Price of an Apartment in the Secondary Market (USD/sq. ft)

Table 21. Secondary market prices by project 2020

Secondary Selling price per sq. ft. (USD)				
	2019		2020	
	2BHK	3BHK	2BHK	3BHK
7th Sense	427	447	420	453
The Emperor	304	251	310	245
Monarch	257	318	260	330
One Galle Face	410	470	415	460
Crescat	251	245	240	250
Astoria	229	280	231	265
Capitol Twin Peaks	n/a	n/a	n/a	n/a
Altair	n/a	373	n/a	365
Colombo City Centre	n/a	n/a	n/a	n/a

Source: Research Intelligence Unit (RIU), 2021

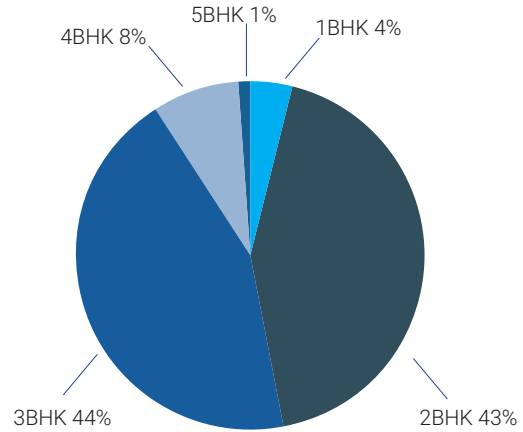
Product Mix

All Tier Product Mix vs. Absorption

We can note that the 3-bedroom (3BHK) & 2-bedroom (2BHK), hall, kitchen options are the most popular products amongst developers at all levels of the market. The 3BHK accounts for 44 per cent 2BHK accounts 43 per cent of all units in the entire Colombo area, indicating continued popularity of these apartments. It is expected that these will continue to dominate the inventory.

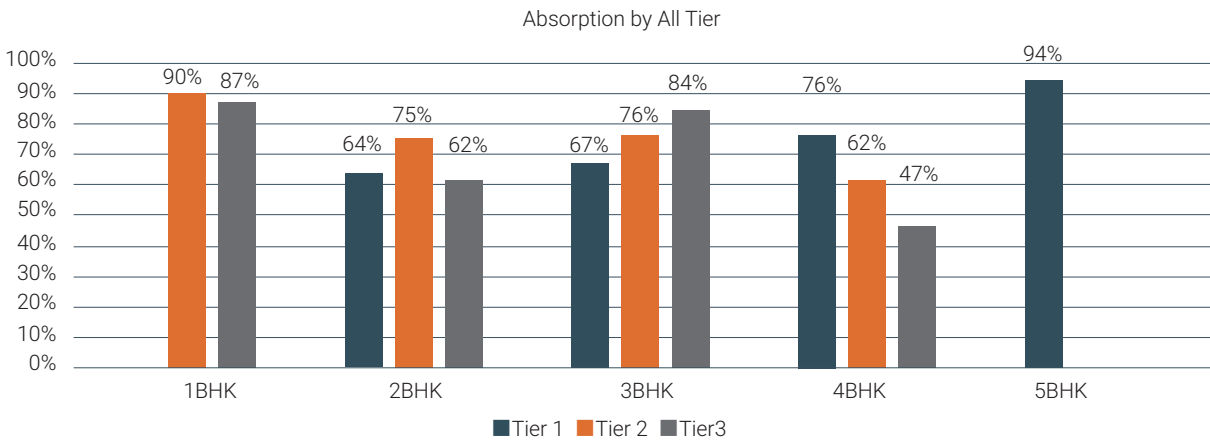
Tier 1 super luxury projects such as One Galle Face, Sapphire Tower and The One, offer larger units, while projects such as Capitol Twin Peaks and Luna Tower offer smaller units. When it comes to unit sizes, the Sapphire Tower stands out prominently as they are extremely large. However, data collected over the past ten years points to an overall trend towards smaller apartments entering the market, especially in those developments that are located in central areas.

Figure 19. All Tier product mix 2020/21



Source: Research Intelligence Unit (RIU), 2021

Figure 20. All Tier absorption 2020/21

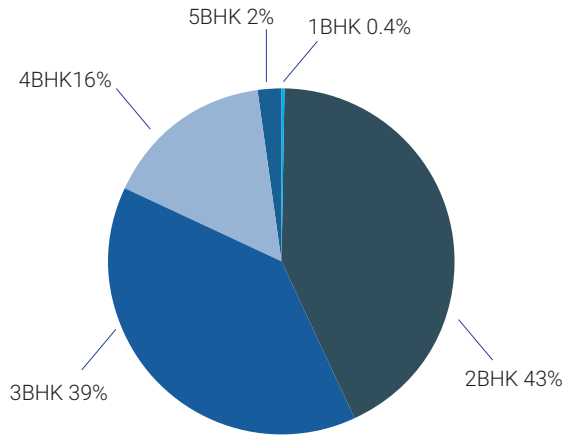


Source: Research Intelligence Unit (RIU), 2021

In Tier 1, 5BHK and the 4BHK have had the most number of sales even though it is a niche market
 In Tier 2, 1BHK is gaining popularity whereas, 2BHK and 3BHK have over 75 per cent absorption
 In Tier 3, 1BHK and 3BHK sales topped the number of transactions comparatively

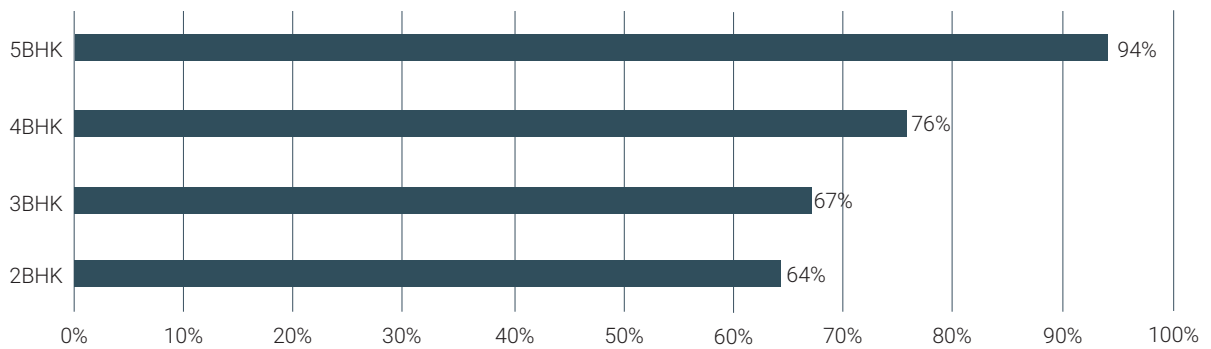
■ Tier 1 Product Mix Vs. Absorption

Figure 21. Tier 1 product mix 2020/21



Source: Research Intelligence Unit (RIU), 2021

Figure 22. Tier 1 Absorption 2020/21



Source: Research Intelligence Unit (RIU), 2021

According to our research, there is much variety in the sizes of two-bedroom (2BHK) apartments ranging from 900 to 1,500 sq. ft., whereas three-bedroom (3BHK) units are in the 1,500 sq. ft to over 2,000 sq. ft range. Altair, Colombo City Centre (CCC), ITC Sapphire, One Galle Face, and The One (Ritz Carlton) have the biggest room sizes compared with other Tier 1 developments. However, ITC sapphire takes the lead in having the biggest room sizes and therefore, commands a premium ticket price.

■ Tier 2 Product Mix Vs. Absorption

Figure 23. Tier 2 product mix 2020/21

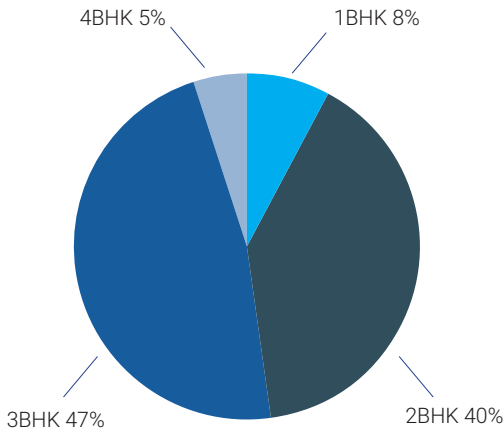
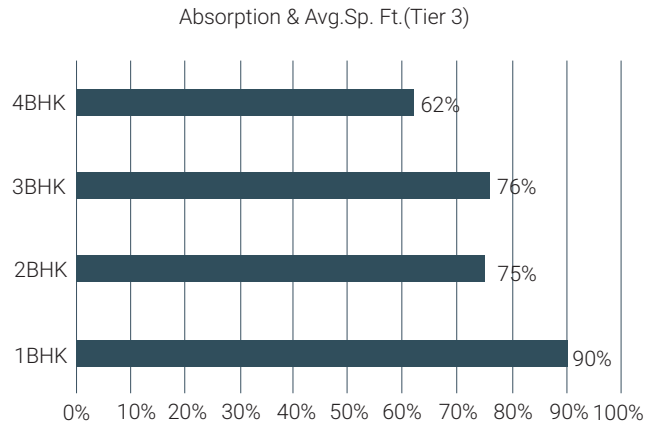


Figure 24. Tier 2 absorption 2020/21



Source: Research Intelligence Unit (RIU), 2021

■ Tier 3 Product Mix Vs. Absorption

Figure 25. Tier 3 product mix 2020/21

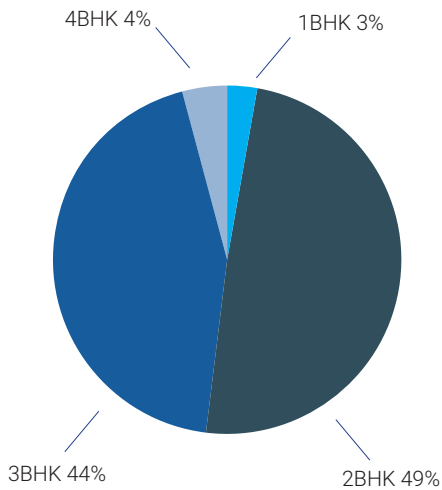
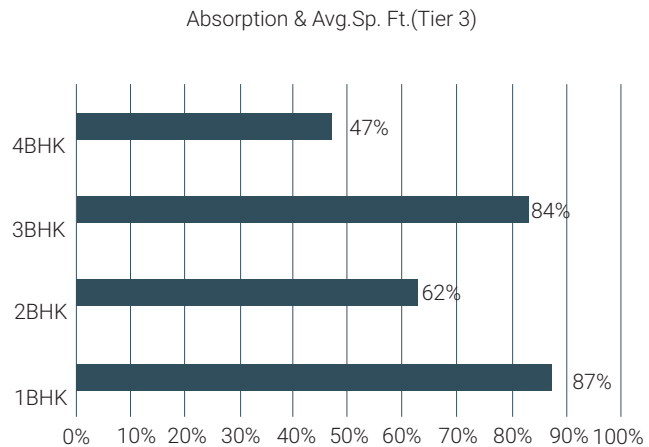


Figure 26. Tier 3 absorption 2020/21



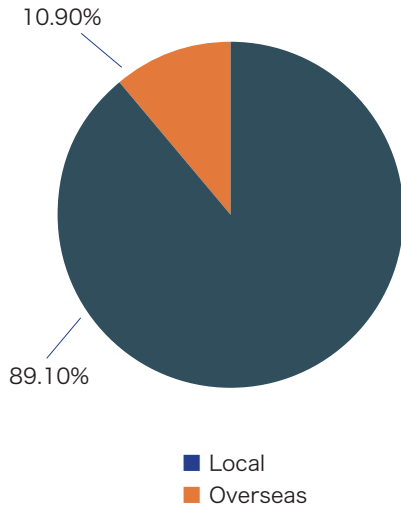
Source: Research Intelligence Unit (RIU), 2021

Buyer Profiles

In terms of buyer profiles, before COVID-19, Chinese buyer interest increased significantly (e.g., Astoria 30-40 per cent, Sky One over 50 per cent). At present, Tier 1 developers have outward sales strategies aimed at grabbing a slice of the global market. NRSLs and foreigners are still a growing source of buyers and many Tier 1 developers have taken initiatives to tap into this market. The number one source for apartment sales are still the local HNIs. Locals comprised about 89 per cent of the market in 2020 and their primary motive for buying apartments is to invest (i.e., rental yield/ capital appreciation).

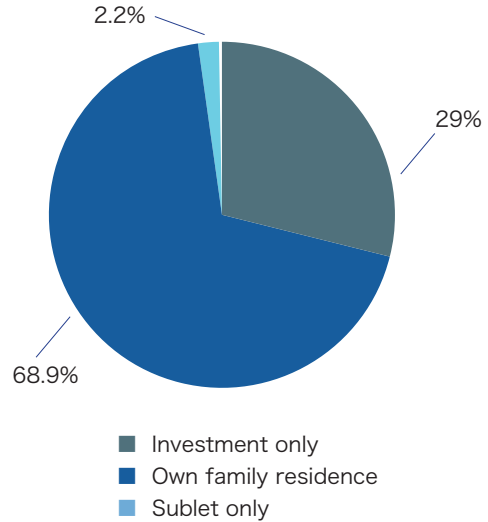
Customer base by buyer type

Figure 27. Customer base by buyer type 2020/21



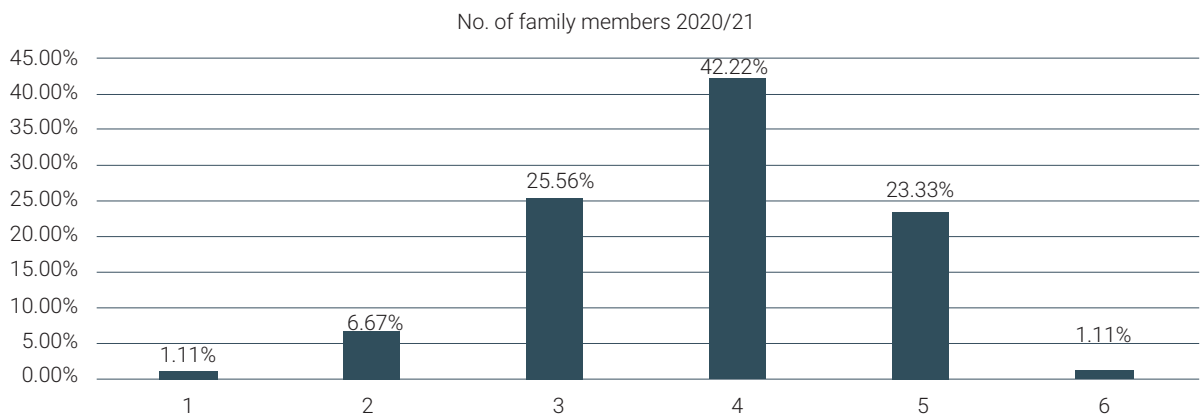
Purpose of buying

Figure 28. Purpose of buying 2020/21



Source: Research Intelligence Unit (RIU), 2021

Figure 29. No. of family members 2020/21

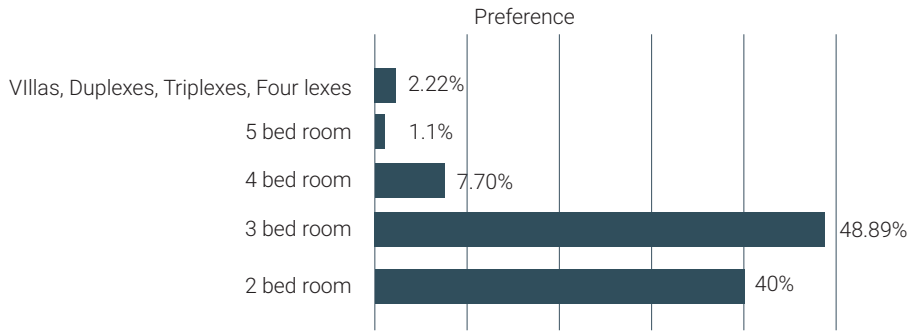


Source: Research Intelligence Unit (RIU), 2021

In terms of the local buyer profiles, in-house primary research indicates that 42.22 per cent of homes in the Western Province comprise a household size of four members, whilst 25.56 per cent have three members. The least prevalent household size of one member and six members have a percentage of 1.1 per cent.

Our research indicates that a majority, 48.99 per cent, are willing to have a 3BHK apartment, closely followed by 2BHK apartments which have a demand of 40 per cent out of the total sample. Only 2.22 per cent and 1.11 per cent are accounted for villas, duplexes and five bedrooms respectively.

Figure 30. Preferred product mix 2020/21



Source: Research Intelligence Unit (RIU), 2021

Surveyed data shows that the majority of the potential buyers are males. However, collective family decisions were also found to be a popular form of decision making. The majority of potential buyers are married and between the ages of 30-50 years. Consequently, these findings indicate that sales teams should target employed, married couples, aged 30-50 and are financially stable.

Buyer Segments

HNWI: (Tier 1 apartment market)

Some of the large international banks based in Colombo define this group as having a liquid asset portfolio of over LKR 125m (USD 645,000) in current accounts, savings and fixed deposits. They are growing at a rate of 7 to 10 per cent according to our primary research. This demographic typically comprises Chief Executive Officers and Partners in large organisations, persons who have retired and others with inherited wealth. A significant number within this group may have income from off-shore sources as well and may hold a dual citizenship. The age group of this demographic is between 45-65 years and usually have several bank accounts as well as fund managers who take care of their additional earnings. This group is in the market for apartments priced above LKR 50m and their purchasing behavior will not rely on any form of bank borrowing. Instead, they will shuffle their asset portfolios in order to pay the deposit and then make scheduled payments with investment maturities, etc. A few individuals would make large deposits or pay upfront in order to receive benefits from developers.

According to sources at leading banks in Sri Lanka, recent interest rate cuts have spurred a shift away from fixed deposits and fixed interest banking products, towards other asset classes, including real estate, amongst this buyer segment.

Number of HNWIs (liquid assets more than LKR 100m (USD 645,000))

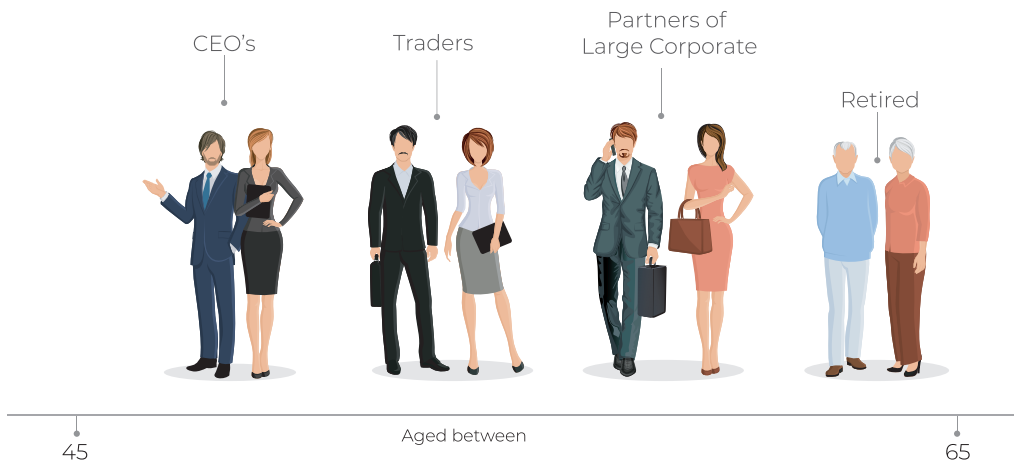
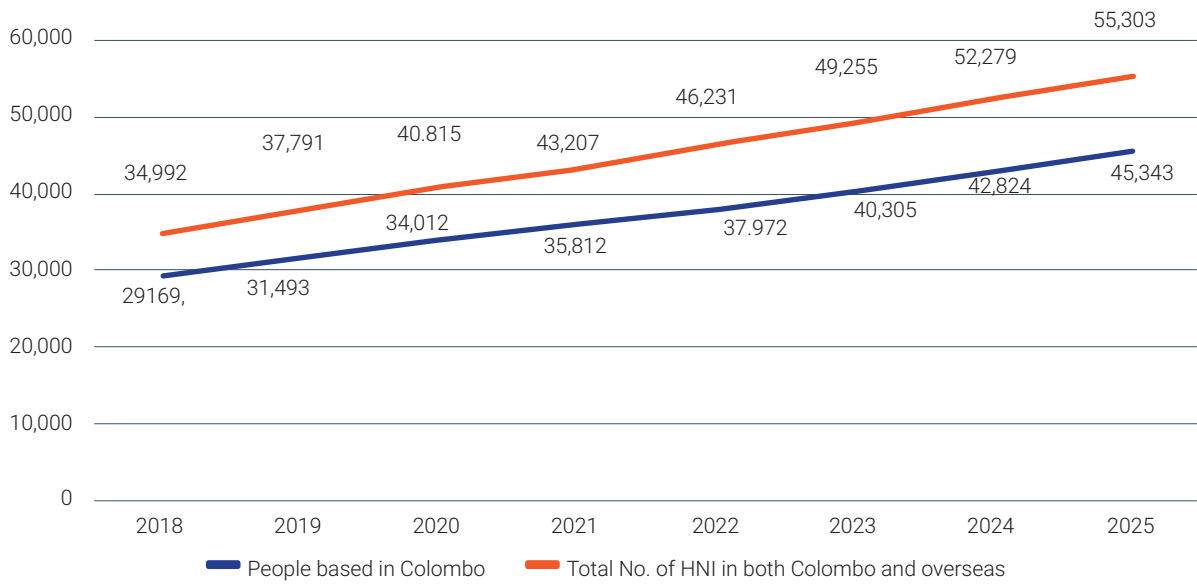


Figure 31. Number of HNWI in both Colombo and overseas 2020/21



Source: Research Intelligence Unit (RIU), 2021

Upper-mid income: (Tier 2 of apartment market)

Number of upper middle-income individuals (monthly income around LKR 930,000 (USD 4,800) to 1.2m (USD 6,400)).

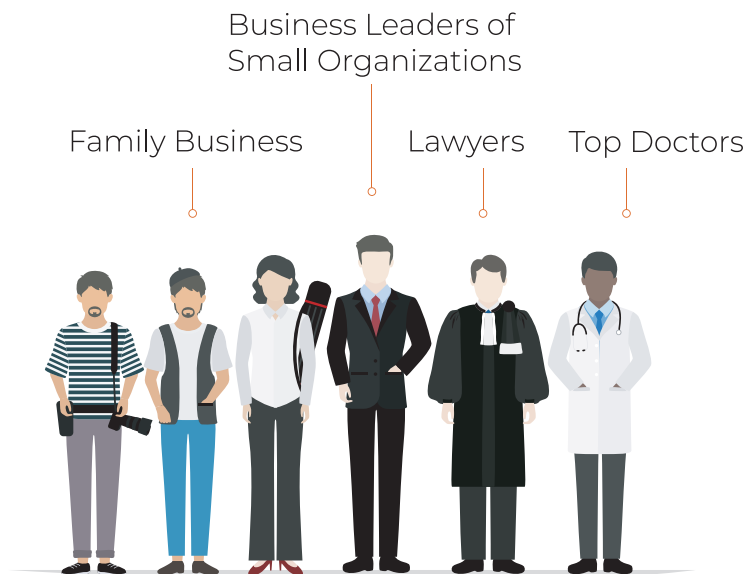
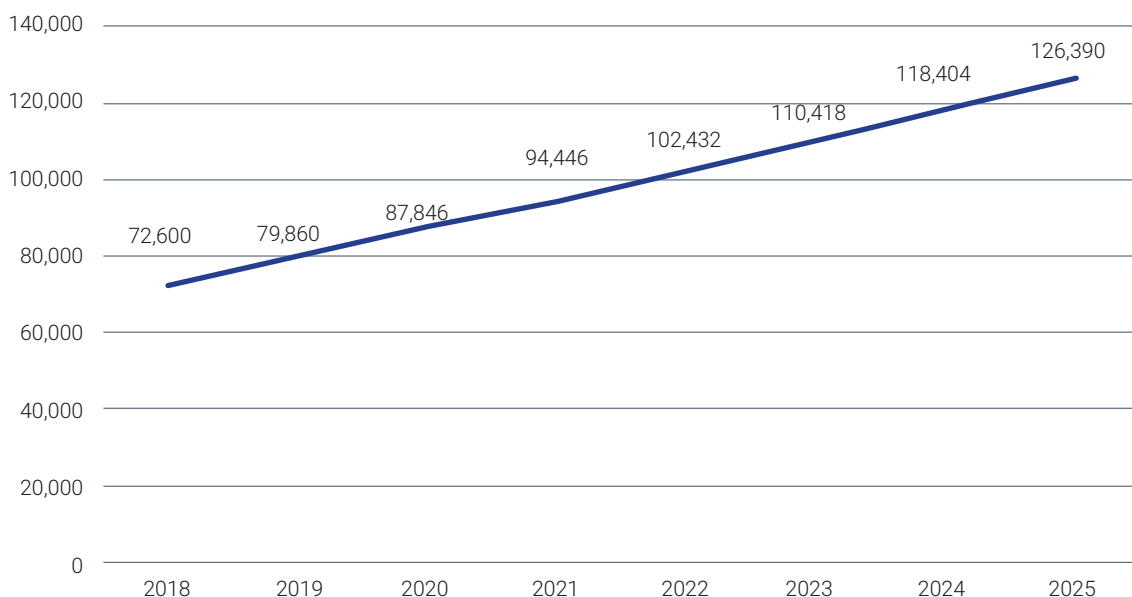


Figure 32. Number of upper middle income individuals 2020/21



Source: Research Intelligence Unit (RIU), 2021

According to the RIU’s primary research that covered customer relations officers of major banks as well as fund managers, approximately 10 per cent of Colombo city’s resident population fall into the upper-mid income category and is growing at a rate of 5 to 10 per cent per annum. This group is defined by bankers as earning between LKR 930,000 (USD 4,800) to 1.2m (USD 6,400) monthly. Their profiles can be defined as business leaders of small and medium sized companies, family business owners and top professionals such as doctors and lawyers. These individuals are in the market for apartments priced between LKR 30 to 50m and will typically use a mix of bank borrowing and other funds to purchase apartments.

This segment will use more banking facilities for purchasing property as compared to the Tier 1 buyers. The current low interest rate environment has also turned them away from fixed deposits towards real estate and other investments. They also look at lower-interest rate bank borrowing.

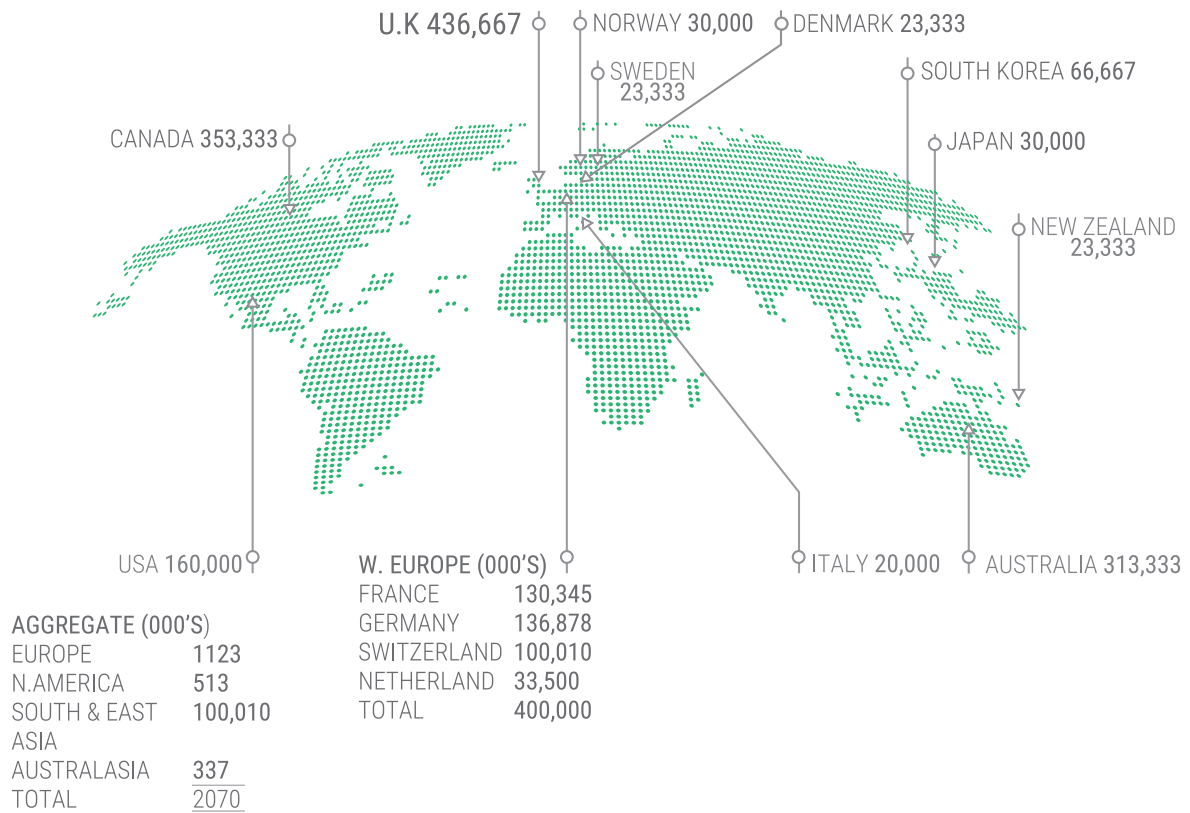
Non-Resident Sri Lankans (NRSLs) Number of NRSLs Living Abroad

According to the RIU’s primary research, bankers have confirmed that they have records of around one million individual separate fund transfers from Canada to Sri Lanka and this does not account for tourists. Similarly, there have been an estimated 600,000 fund transfers from Australia to Sri Lanka. The RIU estimates that NRSL’s Blue-Collar workers (not White-Collar workers) mainly located in the Middle East, and who still have some connection to Sri Lanka, is over two million.

COVID-19 has had a telling impact on migrant workers stationed around the world. The Government arranged repatriation flights to bring them back to Sri Lanka and they had to quarantine before being free to return to their homes. Many of these returnees have come back to Sri Lanka on a permanent basis and have brought back their savings. According to IPS, over 54,000 have so far returned to the island. Whilst the vast majority of this segment are not in the market for Tier 1 or 2 apartments, some of them are known to be active in the affordable luxury space (Tier 3) and as well as the market for bare lands.

As the Government has begun to ease airport restrictions, including permitting arrivals from the United Kingdom in January 2021, the NRSLs will have a very significant impact on all real estate market segments in 2021.

Figure 33. Number of NRSLs (Non Resident Sri Lankans) Living Abroad 2020/21



Source: Research Intelligence Unit (RIU), 2021

Foreign Buyers

Foreign ownership is limited to a very small number at present, with most players positioned at the top-end of the market. Their motivations are for rental yields and capital gains on the properties. According to our sources, there have been instances where foreign investors have purchased large numbers of apartment units and sold them at an extremely healthy profit.

At the beginning of 2020, before COVID-19, we noted that there were a minute but rising number of foreigners entering the market because they were either employed in Sri Lanka or had set up businesses here. Under present laws, the apartment market is a level playing field for foreign and local buyers alike. In 2021, we expect a slight boost in sales to foreigners that will be driven by the pent-up demand factors that have stifled activity in 2020.

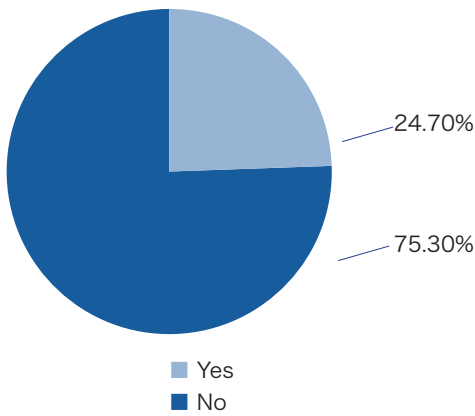
Some Insights from the RIU Diaspora High Net Worth Individual Survey

The survey was undertaken by the RIU to understand the perceptions of the property market in Colombo and general preferences for property investment within Sri Lanka.

● Property purchases in Sri Lanka

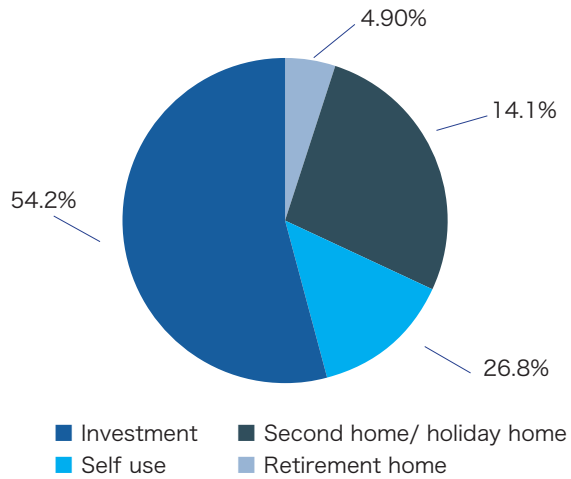
Previous property purchases in Sri Lanka

Figure 34. People that have bought and not bought properties in Sri Lanka 2020/21



● Reason for buying a residence in Colombo

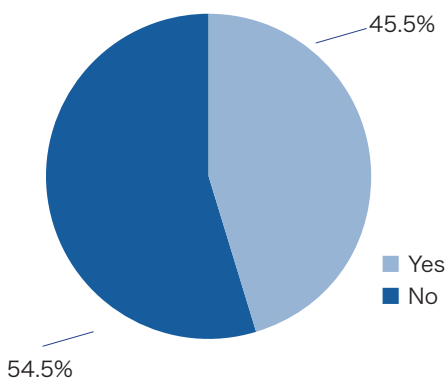
Figure 35. Reasons for buying residences in Colombo 2020/21



Source: Research Intelligence Unit (RIU), 2021

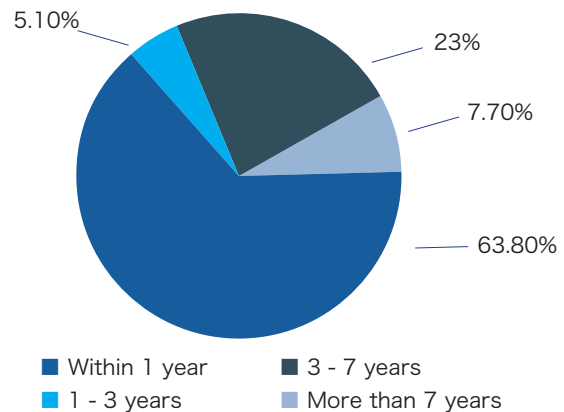
● Investor interest in investing in Colombo

Figure 36. Investor interest in investing in Colombo 2020/21



● Timeline of the planned purchase

Figure 37. Timeline of the planned purchase 2020/21



Source: Research Intelligence Unit (RIU), 2021

About 25 per cent stated that they have previously purchased properties in Sri Lanka. The primary reason for purchasing a residence in Colombo is for investment purposes. Over 45 per cent are interested in purchasing a residential property in Colombo in the next one to three years.

Payment terms

The Sri Lankan industry standard for reservation of an apartment, is 5 per cent of the total investment, or LKR 1,000,000 (USD 5,150). Additionally, certain developers may want a reservation fee which could be as high as 25 per cent. A three-instalment payment option is commonly offered by developers. Discounts are also given to encourage upfront payments. In such instances, 3 to 5 per cent is the industry norm. Some developers who are involved with Tier 2 apartments, have introduced a leaseback method which improves the attractiveness of the apartments.

Table 22. Reservation/ booking fee by project 2020/21

Condominium name	Reservation/ booking fee
Altair	5%
One Galle Face	1.2m
Cinnamon Life	10% (1m)
7th Sense	10%
Astoria	5%
Destiny 1	15%
Destiny 2	15%
Fairway Koswatte	100K
Capitol Twin Peaks	500k
Clearpoint	25%
Ritz Carlton	5%
Tri-Zen	20%
Elixia 3'CS	1m
Canterbury Golf Resort	1m
Luna Tower	1m

Source: Research Intelligence Unit (RIU), 2021

Outlook

Despite the pandemic, Tier 1 apartments have shown a good traction in terms of sales from the investor segment during Q3 and Q4 of 2020 and this will continue in 2021. There is a renewed interest from Sri Lankans living overseas, especially the diaspora living in the Middle-East. Many of them are now looking at Sri Lanka for investment opportunities prior to relocating.

It can also be noted that the Chinese have continued to invest in multi-sectoral businesses in Sri Lanka even during 2020 with many of these businesses requiring land. For example, one Chinese investor who owns a global hard-ware wholesale and shopping centre brand, wanted to acquire a large section of land in the Western Province in order to build a 'one-stop-shop' hardware and wholesale centre. When operations commence, it is very likely that these investors will either rent or purchase apartments. This trend is set to continue throughout 2021 and beyond.

Our research also revealed that Fortune 500 companies have shown an interest in Sri Lanka as a result of the trade war between the US and China. Currently, the American Chamber of Commerce in Colombo is also working on an initiative named 'Trade Ships' that aims to bring in off-shore US ventures to Sri Lanka.

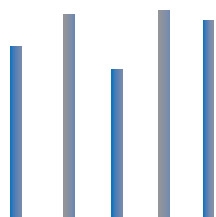
Despite the current situation characterised by a dearth of demand for Tier 1 luxury apartment rentals, largely due to the contraction of the expat population, we expect rental yields to recover by the latter part of 2021 and throughout 2022.

Developers believe the fundamentals are quite strong as they are seeing a shift from fixed income to other asset classes such as real estate, and the stock market, because people are reluctant to keep their money in banks at low interest rates. The introduction of REITS to Sri Lanka in Q4 of 2020 is also expected to boost real estate as an asset class of choice for a larger segment of the population. Under current regulations, REITS are required to be registered with the CSE and will have to undergo a very strict compliance regime.

The impact of political change has already had a positive impact on business sentiments and our initial research findings point to much improved conditions in 2021. Perhaps the most impactful policy change that any government in recent years has implemented, has been the lower interest rate regime which has undoubtedly given the entire industry a boost.



GRADE "A" OFFICE SPACE



Overview

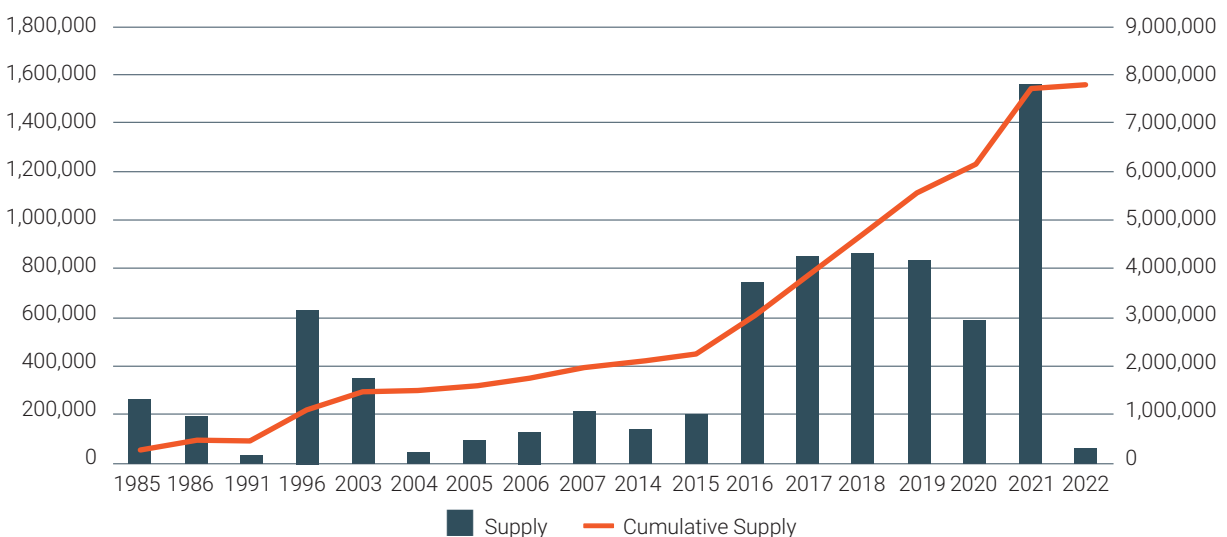
Office space is another key category in the real estate sector of Sri Lanka. This market segment consists of a variety of properties including single-tenant sites, small professional office buildings, mixed use developments and skyscrapers.

Grade A offices account for around 67 per cent of the total supply of grade A and B office space in Colombo. Currently, the top end of the commercial office market totals around six million sq. ft (grade A and B) with grade A accounting for 4.2 million sq. ft. The World Trade Centre still remains the largest commercial property with 625,000 sq. ft. as compared with the Shangri-La office tower, which added 530,000 sq. ft. in 2020. The CBD Business Centre, Astoria and Orion City buildings also added around 586,240 sq. ft. at the top end of the market in 2020.

Supply

Cumulative supply of office space grade A & B (sq. ft)

Figure 38. Cumulative supply of office grade A and B office space 2020/21



Source: Research Intelligence Unit (RIU), 2021

Until very recently, Sri Lanka’s cumulative supply of office space had remained largely unchanged for many decades with little or no significant supply additions. Grade A office supply is currently at around 4.2 million sq. ft. The entry of new projects including One Galle Face (Shangri-la) in 2020 and the inventory that is currently under construction, changed the landscape exponentially. However, the supply of office space slowed during 2020 as a number of large commercial developments, including Cinnamon Life and Ekroma Fortune, were delayed due to lockdowns and its consequent impact on construction work. As construction activities decelerated, new completions of prime grade A buildings that were anticipated in 2020 and 2021 were delayed, thereby leading to a cessation in supply.

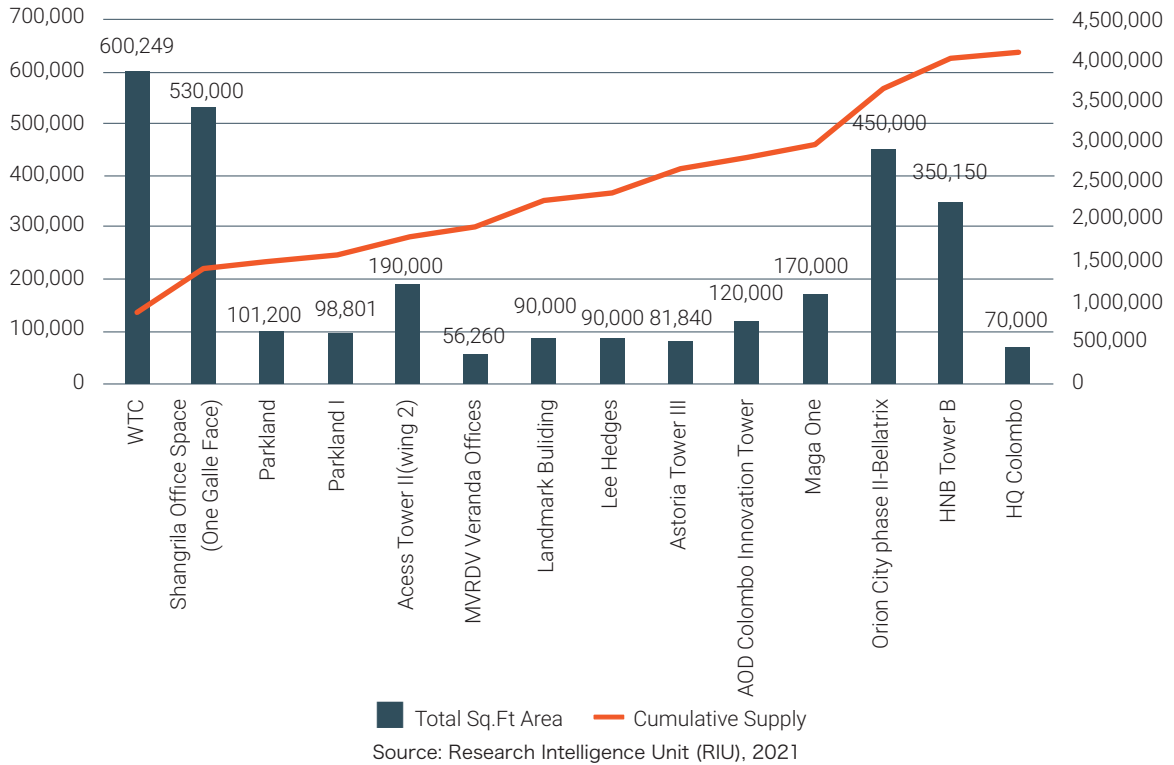
As a result of the lockdown, business activities were also disrupted. Companies that were in mid and late stages of negotiations, had to halt their relocation and expansion plans in 2020. However, 2021 looks more optimistic, as there is a gradual increase in demand for office space which will improve occupancy levels.

Grade A service office space providers such as Regus at WTC, offered a 20 per cent monthly discount for co-working space on its initial LKR 35,000 price. Co-working space discounts were seen across subleased office buildings.

According to some landlords, grade “A” office buildings rarely offered rental discounts, however they provided flexibility over contract negotiations. Landowners of smaller commercial properties, extended grace periods for their tenants, but discounts on rents are less common.

Current supply of grade “A” office space (sq. ft)

Figure 39. Cumulative supply of grade A office space 2020/21



Up coming supply of Grade “A” Office Space (sq. ft)

Figure 40. Upcoming supply of grade A office space 2020/21

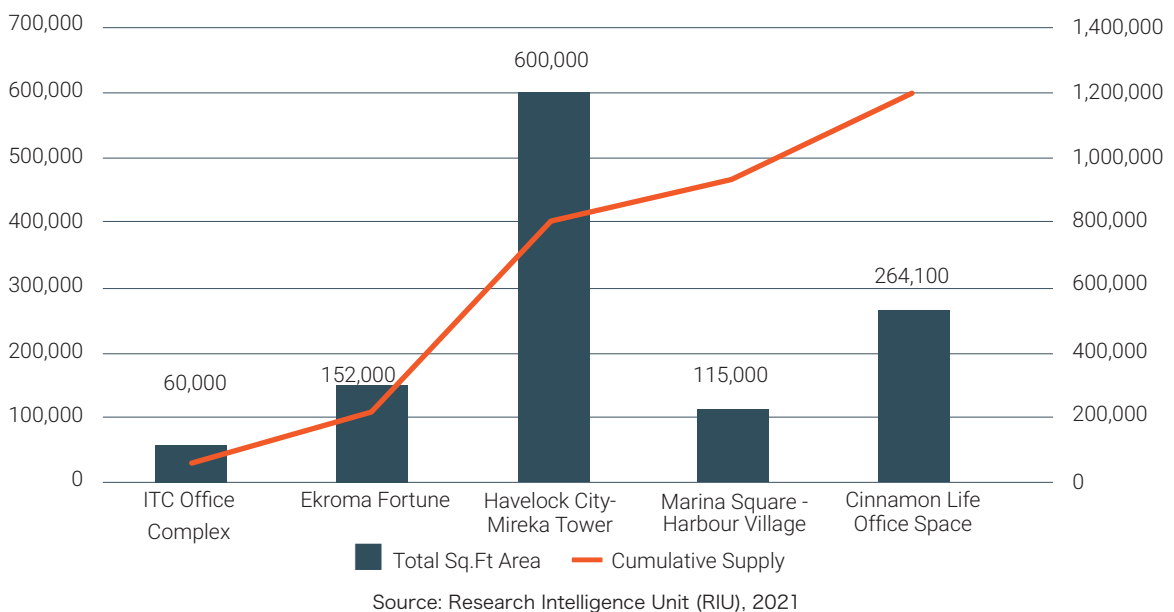


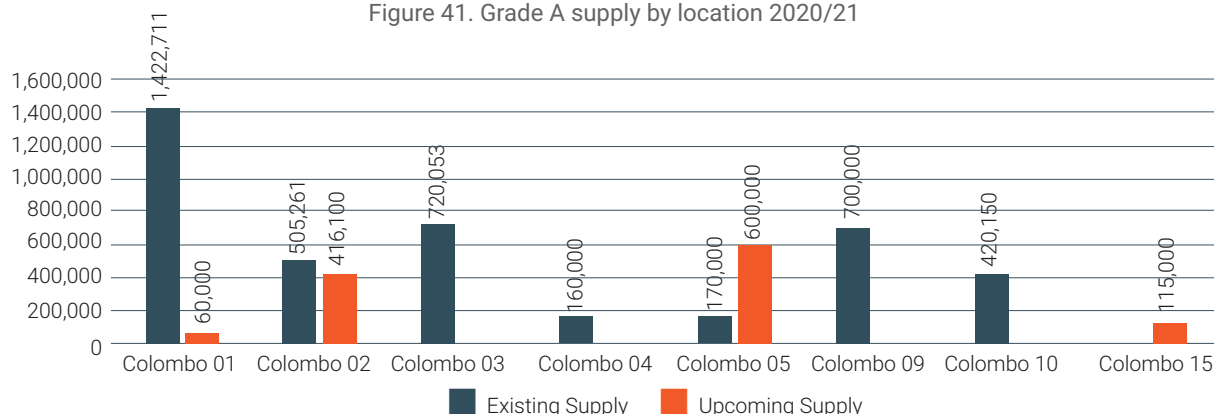
Table 23. Completion year by project 2020/21

Project	Completion Year
Ekroma Fortune	2021
Havelock City – Mireka Tower	2021
Cinnamon Life	2021
ITC Office Complex	2021
Marina Square Harbor Village	2023

Cinnamon Life, Ekroma Fortune, Havelock City Mireka Tower, and ITC, are expected to add over 1 million sq. ft. to the existing supply in 2021. Moreover, several other development projects that are approved and / or under construction, will add significantly to the cumulative supply in the next few years.

Supply by location - grade “A” (sq. ft)

Figure 41. Grade A supply by location 2020/21



Source: Research Intelligence Unit (RIU), 2021

Presently, Colombo 1, 3 and 9 stand out as the locations with the largest supply of grade “A” office space. However, with the completion of pipeline mixed development projects, supply in Colombo 2 and 5 will see substantial increases in supply.

Lease Rates

Monthly lease rates (USD/sq. ft)

Table 24. Monthly lease rate by project 2020/21

Development	2020
WTC	1.88
One Galle Face	2.41
Cinnamon Life	2.83
Maga One	1.27
Parkland	1.52
Parkland I	1.52
Access II	1.47
Orion City	1.02
Astoria	1.35
HQ Colombo	1.27

Source: Research Intelligence Unit (RIU), 2021

There have been several strategies that were used by developers to retain tenants. The WTC offered a three-month deferment (grace period) during the first lockdown. Meanwhile, the two Aitken Spence buildings extended a 10 per cent discount on the monthly rent for two months. The grade “B” Prince Alfred Tower (11,000 sq. ft.), offered the option of reducing the rent by 50 per cent for 3 months to be recovered by withholding 50 per cent off their tenants’ refundable deposits. However, grade “A” rents have not fallen despite many empty office spaces in several leading towers. The owners of those buildings have been reluctant to rent office spaces at reduced rates and they remain very confident that the market will fall back in line in the medium to long-term trend.

Price per sq. ft. (USD) Vs Absorption (%)

Table 25. Prices vs. absorption by prime and non-prime 2020/21

Category	Area	Lease Rate (USD)		Absorption (%)	
		2019	2020	2019	2020
Prime	Colombo 01	2.17	2.17	76%	68%
	Colombo 02				
	Colombo 03				
Non-Prime	Colombo 04	1.69	1.52	65%	48%
	Colombo 05				
	Colombo 09				
	Colombo 15				

Source: Research Intelligence Unit (RIU), 2021

Occupancy

Occupancy Level

Table 26. Occupancy level by project 2020/21

Development	2020
WTC	82%
One Galle Face	20%
Cinnamon Life	30%
Maga One	100%
Parkland	85%
Parkland I	80%
Access II	97%
Orion City	100%
Astoria	96%
HQ Colombo	50%

Source: Research Intelligence Unit (RIU), 2021

The demand for grade A office space has always been strong and robust, reflected by high occupancy rates (above 80 per cent) in 2020. One reason for this is that the majority of these spaces are occupied by foreign corporates (MNCs) with their earnings largely derived from USD. This makes current rental rates extremely attractive, especially with an ever-weakening LKR. Due to COVID-19 restrictions in 2020, most companies allowed their employees to work from home. Some of the IT companies residing in grade “A” office buildings decided to switch from the traditional office to “work from home”.

Most of the grade A offices are located in the prime areas in Colombo. Vacancy rates for grade “A” office spaces were on the rise in Q2 and Q3 of 2020 and rents remained unchanged. There was however, a 10 per cent reduction in grade “B” & “C” rents, as developers wanted to capitalise on the opportunity that COVID-19 brought about. Some tenants did leave grade “A” office spaces and went into smaller spaces soon after the first lockdown. The main change was that most industries identified that “work from home” was possible, and was not a new phenomenon. The advancement of technology alongside growing congestion, had already set this trend over the past decade. People working in many major cities had switched to a 4-day office week, with one day of work from home. Jones Lang LeSalle in London is an example, where a four day office and one day work from home week, had been their policy since 2016. However, the pandemic, supplemented by the 5G roll-out across all major cities, fast-tracked this trend to an unprecedented level.

Positioning for the Future of Workspaces (Interior Design)

Minimising decorative elements and accompanying details to focus mainly on use and practicality, will be the number one priority when building an office complex. Functional aspects (requirements) of design and maintenance will be focused on more than ever before.

As of now, every organisation has experienced working from home and has identified the potential benefits. This will lead to more organisations providing flexibility with regard to working from home. Offices will still be relevant because they preserve the culture of the organisation. People still need face to face contact to connect and collaborate in order to add more value.

There are industries that still require people to physically be present to provide their services. These industries such as banking, healthcare, banking, manufacturing and other industry operations directly deal with the public on a daily basis. Government sectors including the Department of Motor Traffic, the Urban Development Authority, etc., require a physical presence.

According to renowned design firms and architects, closed office concepts are becoming the new trend once again. Closed office layouts provide more personal space where staff can perform work duties, conduct virtual meetings and make presentations with minimum external interactions. This in return provides safety from the transmission of any disease. According to economists, organisations will be forced to operate in a limited space, especially due to financial constraints.

Key Highlights of the RIU Post COVID survey

Since the emergence of COVID-19, commercial real estate tenants' traditional behaviors and expectations of offices have changed. In this new norm, grade "A" commercial real estate developers/ landlords were challenged to find new and effective ways to improve workspace performance.

To aid commercial office spaces through these changes, the RIU conducted a survey to understand different perceptions of the evolving commercial real estate market in Colombo. The basic requirements and expectations of tenants for an office space are as illustrated below.

Figure 42. Geographical location preference 2020/21

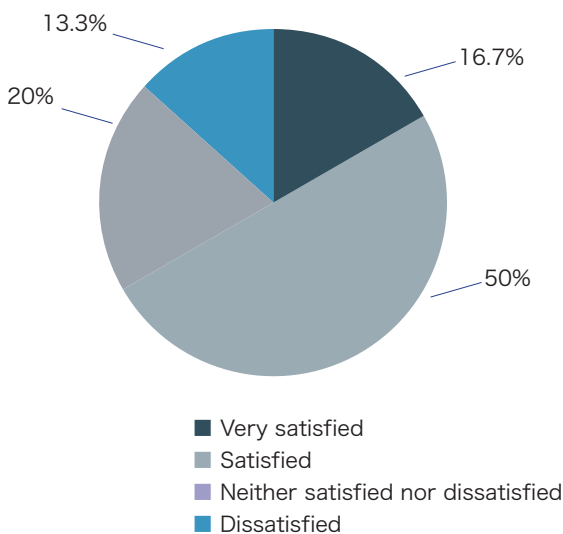
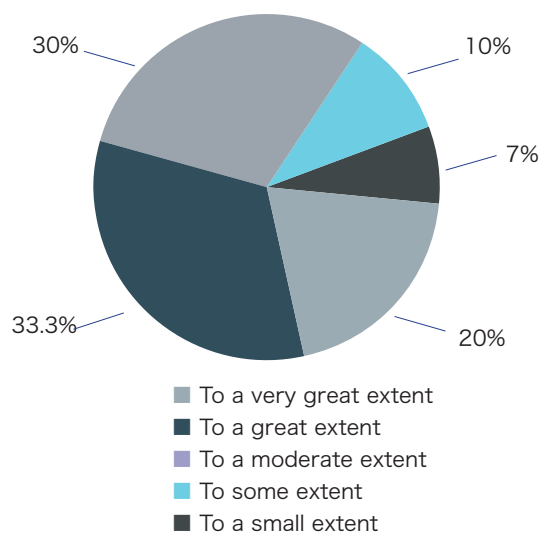


Figure 43. The extent the offices adjusted their line of operations 2020/21



Source: Research Intelligence Unit (RIU), 2021

50 per cent of the tenants are satisfied with their current geographical location of the office space considering the impacts of the COVID-19 pandemic

Grade A & B tenants have adjusted their line of operations to a great extent due to COVID-19

Figure 44. The demand for outer suburban areas 2020/21

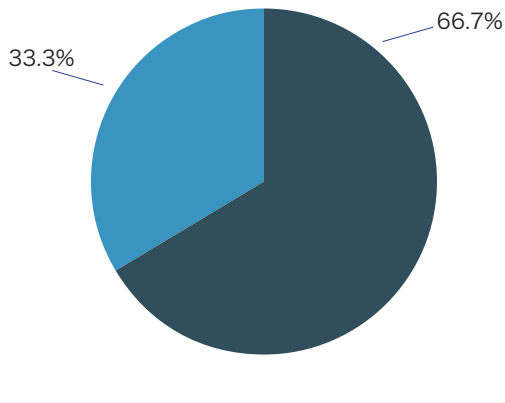
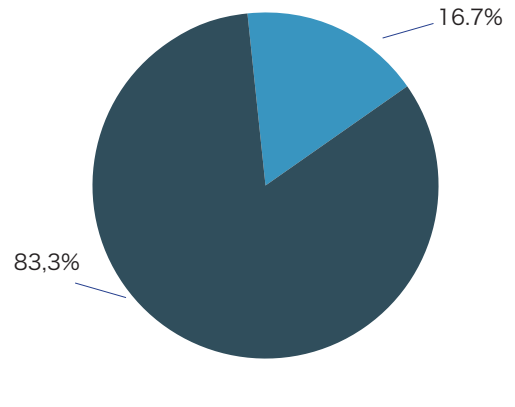


Figure 45. Change in the traditional office space 2020/21



Source: Research Intelligence Unit (RIU), 2021

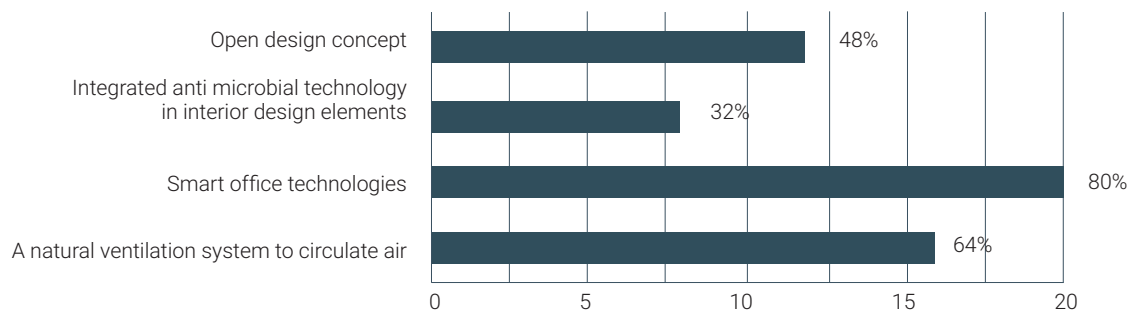
Tenants expect a shift in demand for outer suburb (less urbanized) commercial real estate after the pandemic.

Majority of the tenants expect a change in the traditional office floor set up (design, layout, hardware) in the future.



Recommended changes for a traditional office floor set up

Figure 46. Recommended changes for a traditional office floor set up 2020/21



Source: Research Intelligence Unit (RIU), 2021

- Integrated anti-microbial technology in interior design elements including faucets, window shades, paint and door hardware
- Smart office technologies (automating frequent touch points, such as doors, elevators and sanitary systems)

Figure 47. Working from home policy preference 2020/21

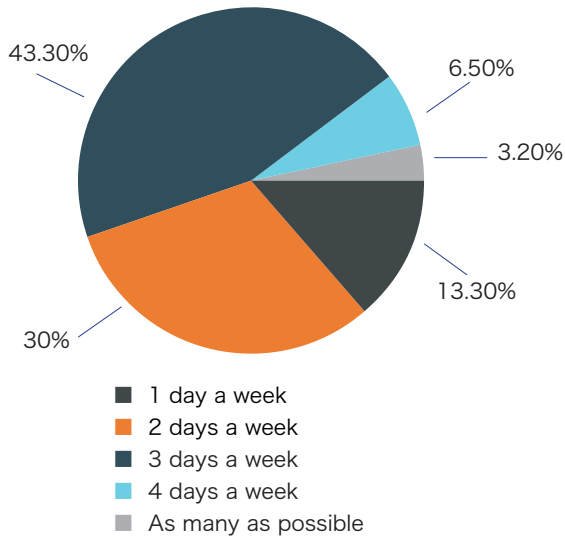
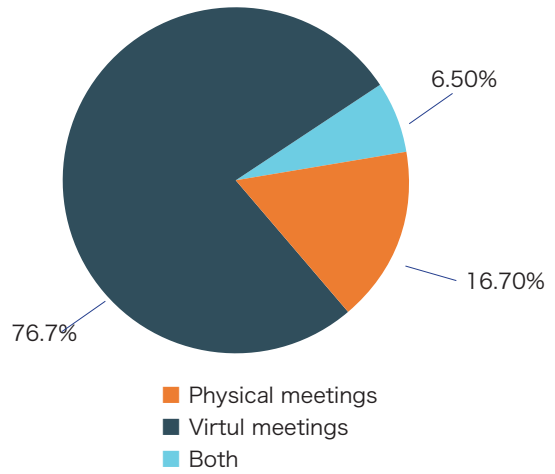


Figure 48. Preference of virtual meetings vs. physical meetings 2020/21

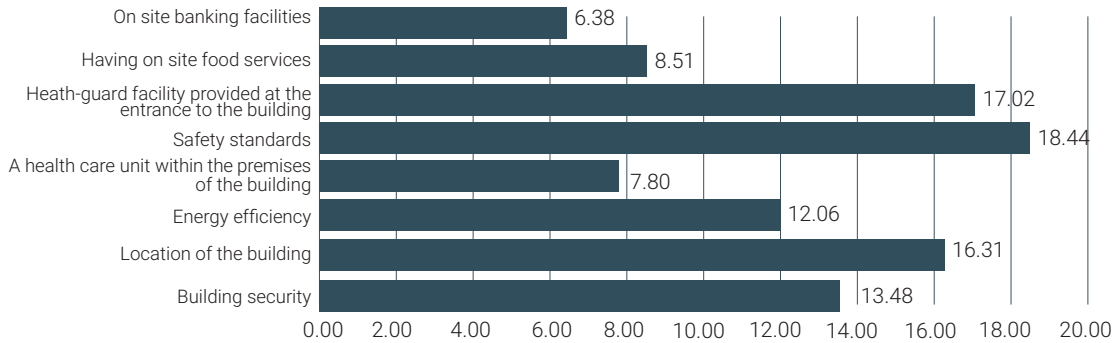


Source: Research Intelligence Unit (RIU), 2021

Many preferred a 2 -3 days working from home policy.

76 per cent of the companies encourage virtual meetings more than physical meetings

Figure 49. Basic requirement tenants look before leasing an office space 2020/21



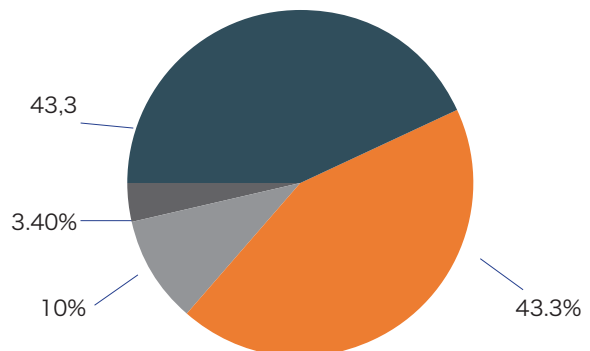
Source: Research Intelligence Unit (RIU), 2021

Basic requirements tenants look for before leasing an office space

Figure 50. The importance level of sanitation 2020/21

- Extremely important
- Very important
- Somewhat important
- Not so important

Source: Research Intelligence Unit (RIU), 2021



The importance level of sanitation, personal protective equipment and practices are extremely important in the future

Since companies have adopted work from home policies, the cost of maintaining office premises will be high (rent, utilities, sanitary measures, cleaning, etc.). With remote working, companies would prefer having agreements for co-working spaces, thereby changing the requirement for a physical office. However, having a Business Continuity Plan (BCP) for flexible work spaces, agile services, and smart tech installations could upscale tenant retention.

Tenants might not strictly adhere to health standards thereby posing health risks to others. A systematic procedure of checking the general health of anyone entering the building or having a healthcare unit in the office premises would be ideal in the short to long term. Health care precautions are important; therefore, landlords must take necessary actions to keep common facilities clean at all times.

Terms of Lease

The standard contract would be signed for a minimum of two to three years, with a deposit of three months. Annual rental escalation is five per cent, but depending on the terms of contract, the figure may vary. Tenants are required to pay ten per cent of the rent as a maintenance fee.

Outlook

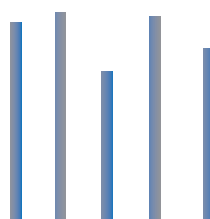
Demand for high-end office space has traditionally lagged behind supply in Colombo. For the most part, developers have opted to construct residential developments that yield more immediate returns and consequently, the supply of commercial spaces, which are typically leased and not sold, have been neglected. In Sri Lanka, buying and renting commercial real estate is a complex undertaking, worsened by the absence of a proper e-commerce platform exclusively for the sector. While there are several sites and social media pages for local real estate, they are mostly dominated by residential real estate, making it too complex for both commercial real estate owners and buyers/renters.

In order to foster growth in the grade A commercial real estate sector, there is emphasis on the country capitalising on the strength of its location to become a strong service-oriented economy, equipped to host international corporates and facilitate expansion backed-up with a well-articulated strategy. This would require careful planning and execution and the development of necessary infrastructure. Along with this, the improvement of 'Ease of Doing Business' indicators through appropriate modifications to relevant economic policies, laws and regulations, are essential to position Sri Lanka as an attractive regional business hub.

The Colombo Port City is an opportunity for Sri Lanka to become a strong service-oriented economy by facilitating leading international corporates and brands to locate in Colombo. Based on the success of attracting sufficient foreign or local investors to occupy the added space, it would generate a significant amount of employment opportunities and positively contribute to spur the economic activity of the country over the long term.



GATED HOUSING DEVELOPMENTS



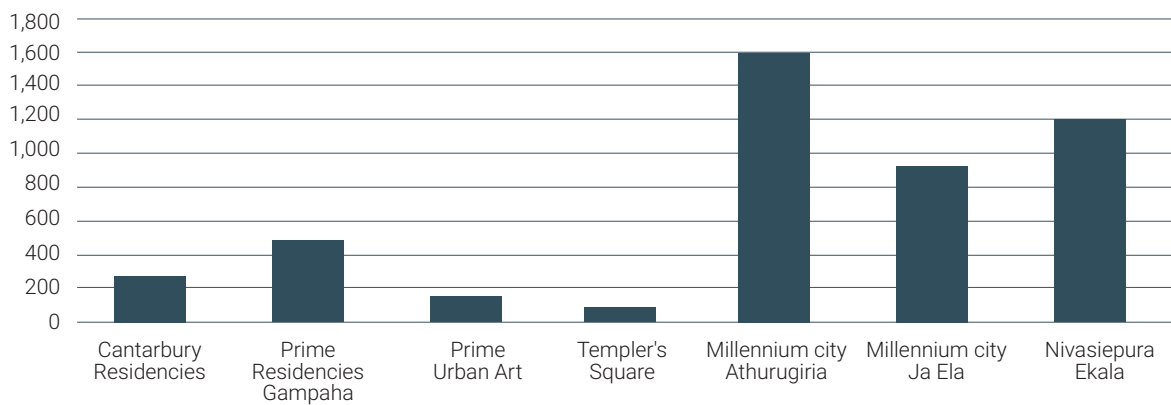
Overview

The concept of gated community living has been popular in the region for many years, with countries like Malaysia embracing the concept since the early 1990's. Although the concept is not new in Sri Lanka, it is evident that there is a renewed interest and trend among investors to opt for gated communities as their choice of living.

Furthermore, it has recently become evident that the trend is picking up towards suburban locations. These locations usually have a smaller number of units, typically between 10 -30 in total. Plainly, a gated community can be defined as a physical space or development which has restricted access to outsiders whilst maintaining a common code of conduct among tenants (residents) within the development.

No. of Units of the major housing projects

Figure 51. No. of units of the major housing projects 2020/21



Source: Research Intelligence Unit (RIU), 2021

Major Housing Projects Developers in Sri Lanka

Table 27. Major housing project developers in Sri Lanka

Developer
Homeland Skyline
Prime Group
Kelsey Homes
Millennium Housing Developers PLC
Nivasie Developers Pvt Ltd
Odiliya Homes

Target Market

According to our research, millennials have envisioned a lifestyle different than the one they have inherited from the 20th century. Millennials are people who are currently in the age group of 21 to 38 years. As the market changes due to generational and technological shifts: real estate developers, investors, and professionals are focusing on catering to the needs of millennials and thereby optimising the opportunities that derive from this segment of the market.

Their unique perspective on life and how it should be lived is shaping how homes are designed and built. The following attributes are the key requirements of millennials in a typical living space.

Table 28. Key attributes of millennials 2020/21

Attribute	Description
Minimalist lifestyle	<ul style="list-style-type: none"> ○ The spending power of the millennials is less compared to the previous generation and hence, they prefer to spend on the style of life as opposed to the possessions in life. ○ The minimalist lifestyle trends of millennials have made entrepreneurs and real estate developers to rethink their strategy when designing living options to cater to this segment of the market
More priority on certain amenities	<ul style="list-style-type: none"> ○ Millennials are just as concerned with the amenities offered outside of their homes as those provided within. ○ Gated communities accommodate a wide range of lifestyle needs/ amenities such as fitness centres, swimming pools, golf and tennis courts and community events, that give them opportunities to participate in a variety of activities ○ In addition to the sense of community it builds, it also reduces the need for owning a larger home while enabling access to more space when required. ○ The clubhouses, event spaces and activity centres eliminate such needs, which saves money in the long run
Preference to live in suburbs	<ul style="list-style-type: none"> ○ The significant appreciation of real estate prices and the rapid infrastructure development in the suburban areas are contributing towards millennial preference to live outside larger cities.

Source: Daily Mirror Outlook

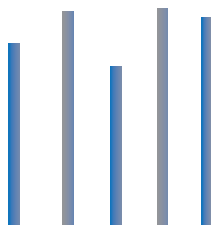
Outlook

Gated communities come in three different types: elite communities, lifestyle communities and security zone communities. All of these community types differ in their inhabitants, but they all serve the same basic notion of living in a secured environment with a community of like-minded peoples. While the demand among first-time home buyers has kicked into high gear, savvy home builders are realising that today's millennial homeowners are forcing a rethink of traditional building strategies. Developers are starting to see how appealing gated community living is to this rising generation. It is almost as if the survival of developers is dependent on millennials and hence, their design ethos, concept and market strategy revolve around this market segment.

Whether the trend for Gated Community Living will evolve further can only be answered in time. However, one thing which is evident is that this concept is gaining popularity in Sri Lanka - especially among millennials, creating new opportunities for both developers and investors (home buyers).



RETAIL MALL SPACE



Overview

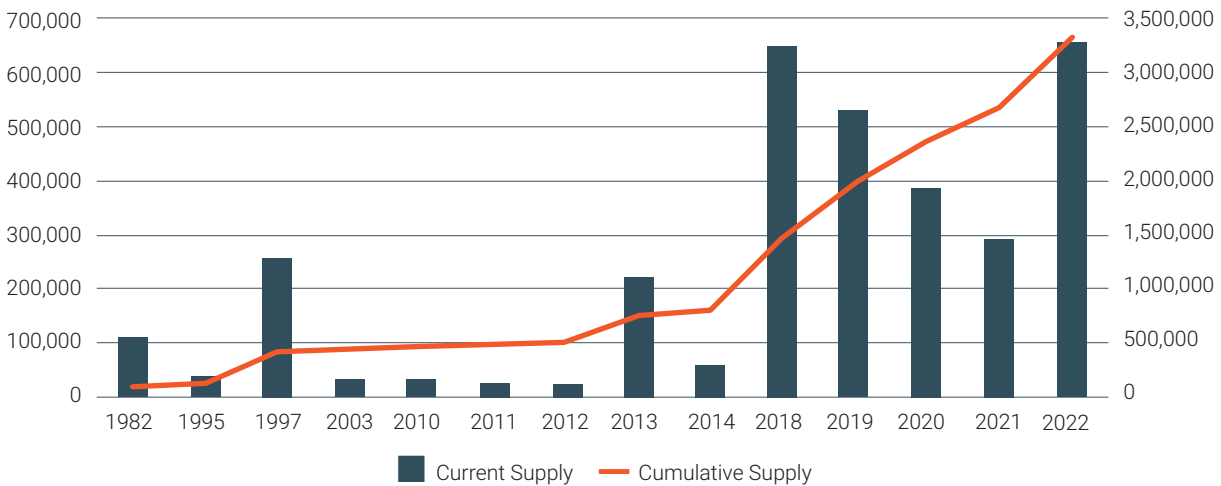
The retail sector in Colombo which is represented by a dozen high-end malls illustrating prime retail real estate, had already been severely impacted by the 2019 terror attack that led to a virtual halt of the tourism sector in the island. Essentially, the growth in high-end retail inventory in Colombo was based on the forecast of tourism growth in Sri Lanka. Domestic footfall alone is not sufficient to provide a critical mass of shoppers. Consequently, the lockdowns in 2020 dealt a double blow to a sector already reeling from the previous year's exodus of tourists.

The outbreak of COVID-19 also triggered a supply chain crisis and business operations of certain retailers were affected due to supply shocks from China. Furthermore, the Government imposed restrictions on non-essential imports as part of measures to address the currency crisis. However, despite the turmoil that lasted throughout a majority of 2020, we witnessed the retail market having a gradual recovery in Q4, 2020.

Supply

Cumulative supply of retail space in Colombo sq. ft

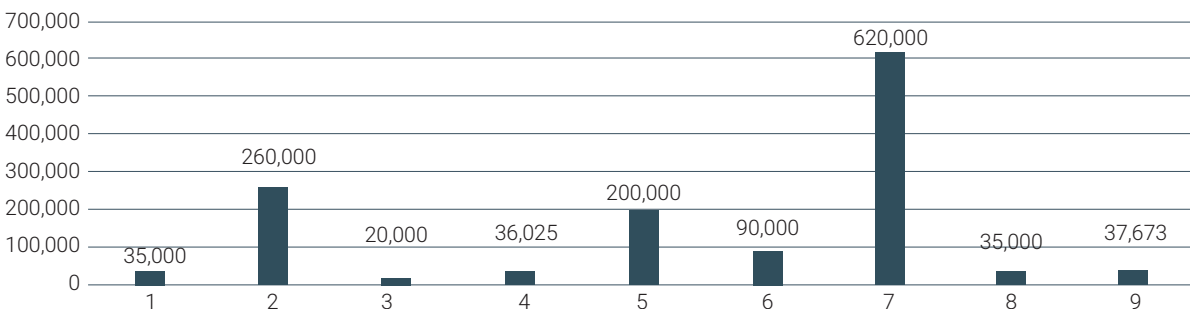
Figure 52. Cumulative supply of retail space in Colombo 2020/21



Source: Research Intelligence Unit (RIU), 2021

Upcoming (scheduled) supply in Colombo sq. ft.

Figure 53. Upcoming supply in Colombo 2020/21



Source: Research Intelligence Unit (RIU), 2021

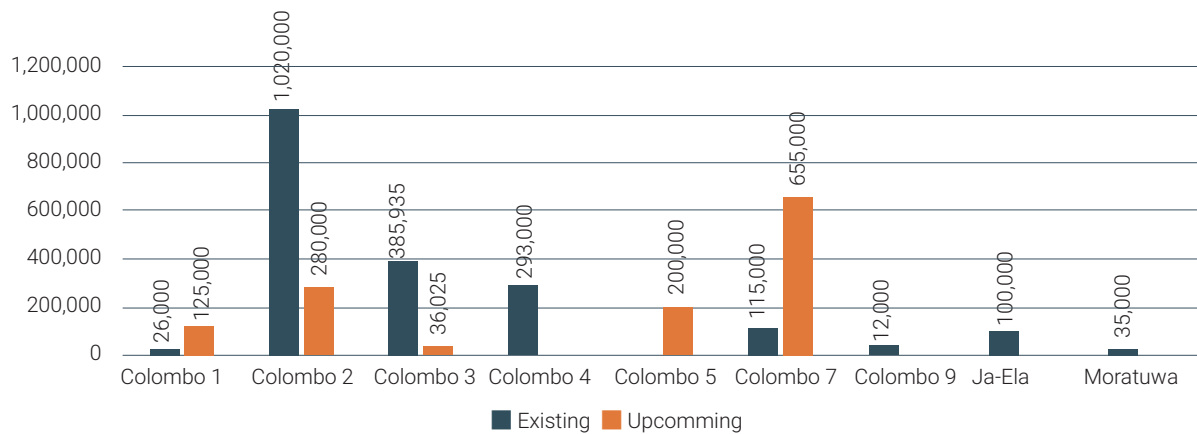
Many mixed developments are expected to add retail space in the next three years. Cinnamon Life, Havelock City ODEL, and The One (Ritz Carlton), are scheduled to be opened for business in 2021/22.

The new malls that have opened, have introduced new international brands to Sri Lanka, a trend that will continue. One of the most eagerly awaited projects is the ODEL Mall, located adjacent to the flagship ODEL department store in Colombo, opposite the Town Hall. The project is said to have cost over USD 50m. ODEL Mall will consist of multiple floors of retail and recreational space that will have a range of internationally renowned branded items and high-quality local products, cinemas, food courts and several fine dining restaurants, all under one roof. This project will also include over 525 parking bays and 39 luxury apartments.

Cinnamon Life Retail Mall comprises five levels of retail space with a gross floor area of 263,597.4 sq. ft., including a retail mall service area, retail/café spaces on the ground floor, and car parks across six floors.

Supply by location in Colombo (sq. ft)

Figure 54. Existing and upcoming supply by location 2020/21



Source: Research Intelligence Unit (RIU), 2021

As per the graph above, current supply is primarily clustered in Colombo 2, 3 and 4. This is mainly due to Colombo City Centre, Crescat, Liberty Arcade, Liberty Plaza, Majestic City, Marino Mall and One Galle Face (Shangri-La). As of now, Colombo 2 is known as the top premium retail hotspot and Colombo 7 supply is expected to go up exponentially in the next few years. The reason for the heavy upcoming supply in Colombo 7 is because of the Odel Mall which has a total of 620,000 sq. ft. With this, Colombo 7 will overtake the rest and become the second largest area of retail space.

In the long term, there will be the emergence of retail malls in new neighborhoods as shopping hubs (i.e., Colombo 1, 3 & 5).

Lease Rates

Lease rates by the retail mall (USD/sq. ft)

Table 29. Lease rates by the retail mall 2020/21

Average Rent (USD/Sq. Ft/Month)			
Retail Mall	Before COVID	After COVID	Change
Colombo City Center	7.90	1.97	Down
One Galle Face (Shangri-La)	7.00	1.75	Down
Crescat Boulevard	5.64	1.41	Down
Damro - Marino Mall	4.91	1.23	Down
Liberty Plaza	3.96	0.99	Down
Majestic City	3.79	0.95	Down
Liberty Arcade	3.00	0.75	Down
Dutch Hospital -Fort	1.39	0.35	Down
Arcade Independence	1.39	0.35	Down
Unity Plaza	1.32	1.32	Down
Race Course	0.96	0.96	Down

Note: Exchange rate 2020 Q4-185 LKR/USD
 Source: Research Intelligence Unit (RIU), 2021

The retail market faced substantial shifts and retail sales dropped to a new low. Tenants from prime retail malls provided discounted rents as lower foot fall negatively impacted sales yield during 2020. Malls immediately shut down from mid-March 2020 onwards and again offered zero and reduced rental schemes to tenants, to enable them to cope with the downturn and mitigate their losses to some extent. Amidst the prolonged impact of COVID-19 on retail sector businesses, leading shopping complexes in Sri Lanka, Colombo City Center, Majestic City and One Galle Face (Shangri-La) announced a “rental-free” policy for their tenants in the beginning of the lock down in 2020.

On average, retail rents in malls have fallen by as much as 70 - 75 per cent in 2020. With the gradual return of economic activity and foreign travel, footfalls will again increase and rents will return to a positive incline. However, the change in consumer behavior, where the rapid shift to e-commerce during lockdowns propelled this trend to a new level, will challenge the business models of the brick-and-mortar retailers and is set to alter the composition of retail mall occupancy forever.

A case study surveyed an example of a 512 sq. ft. shop on the 3rd floor at One Galle Face (Shangri-La): Some of the big malls in Colombo have two types of rents, “Base Rent” and the “Service Charge”.

Monthly,

- Base Rent – USD 540 with tax
- Service Charge – USD 1,620 with tax

After COVID they only charged the Base Rent.

- Before COVID-19 - USD 4.2 per sq. ft.
- After COVID-19 - USD 1.05 per sq. ft.

On the mall itself, rates differ from location to location. One Galle Face (Shangri-La) reduced rents by 75 – 80 per cent from all tenants. From a 512 sq. ft. size shop, on average, the rents were at around USD 4 per sq. ft. (before COVID-19). However, average lease rates at One Galle Face (Shangri-La) varies from USD 3.5 - 8.

The top malls in Colombo implemented and adopted several strategies from international malls to retain tenants. They gave every tenant a percentage rate (Average 10 per cent) from the total sales to pay as rent and that percentage value/ rate differed from one tenant to another. If a tenant had more sales than the rent, they only paid the given percentage of sales. One Galle Face (Shangri-La) and Colombo City Centre (CCC) had this system implemented even before COVID-19.

Occupancy Level

Occupancy Level by the Retail Mall

Table 30. Occupancy level by the retail mall 2020/21

Occupancy (%)			
Retail Mall	Before COVID	After COVID	Change
Colombo City Center	86%	70%	Down
One Galle Face (Shangri-La)	80% (Signed)	78%	Up
Crescat Boulevard	90%	65%	Down
Damro - Marino Mall	90%	75%	Down
Liberty Plaza	88%	80%	Down
Majestic City	88%	57%	Down
Dutch Hospital -Fort	100%	n/a	-
Arcade Independence	90%	n/a	-
Unity Plaza	100%	n/a	-

Source: Research Intelligence Unit (RIU), 2021

At the ODEL mall, the entire range of retail products under the Softlogic umbrella is set to occupy approximately 50 per cent of the available retail space and the balance 50 per cent will be leased to retail brands, food courts, restaurants and supermarkets, while P.V.R. Cinemas, India's second largest theatre operator, has already been appointed to operate the seven-movie theatre complex.

Terms of Lease

Standard lease agreements would have a minimum of a one year lease period, six months deposits with annual escalations ranging from 3 to 5 per cent. In general, the maintenance fee is around 10 per cent of the monthly rent.

Table 31. Standard lease agreement details 2020/21

Shopping Mall	Terms of Lease
Majestic City	<ul style="list-style-type: none"> - Min Lease Period - 1 year - Deposit - 6 months' rent - Annual rental escalation - 3% - 5% - Maintenance fee - 10% of the month rent
Unity Plaza	<ul style="list-style-type: none"> - Min Lease Period - 1 year - Deposit - 6 months' rent - Annual rental escalation - 5% or a fixed rate - Maintenance fee - 10% of the month rent

Liberty Plaza	<ul style="list-style-type: none"> - Min Lease Period - 1 year - Deposit - 6 months' rent - Annual rental escalation - 5% or a fixed rate - Maintenance fee - 10% of the months' rent
Dutch Hospital	<ul style="list-style-type: none"> - Min Lease Period - 10 years - Deposit taken as a non-refundable amount from the value of the leased space - Maintenance fee - 10% of the month rent
Crescat Boulevard	<ul style="list-style-type: none"> - Min Lease Period - 2 year - Deposit - 6 months' rent - Annual rental escalation - 5% or a fixed rate - Maintenance fee - 10% of the month rent
Arcade Independence	<ul style="list-style-type: none"> - Min Lease Period - 10 years - Deposit - 6 months' rent - Deposit taken as a non-refundable amount from the value of the leased space
Colombo City Centre	<ul style="list-style-type: none"> - Min Lease Period - 3 to 12 months
Marino Mall	<ul style="list-style-type: none"> - Min Lease Period - 1 year - Deposit - 6 months' rent - Annual rental escalation - 5%

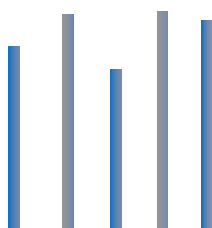
Outlook

Sri Lankan e-commerce sites and online retailers have gained significant traction during this pandemic. Being permitted to operate under lockdown, retailers with the requisite wherewithal to fulfil online orders and provide doorstep delivery are emerging as key beneficiaries in the current distressed business environment.

In the long term, we anticipate retailers to place greater emphasis in developing flexible Omni channel retail models in Sri Lanka to ensure continuity of their operations and mitigate risks arising out of supply chain bottlenecks. It is also likely to boost additional demand for logistics spaces and revamp the entire retail ecosystem of Sri Lanka.



BARE LANDS MARKET



Overview

Land values in central Colombo remained unchanged despite the sentiments that were caused by the pandemic. Consequently, bare lands have been a buyers' market for the past few years with some sellers preferring not to part with plots in Colombo. This is a strong indication that it will continue to remain strong, considering its long-term investment opportunities.

Bare Lands Prices (LKR/perch)

Table 32. Bare lands price in central Colombo 2020/21

Location	2018 (m)			2019 LKR (m)			2020 LKR (m)		
	min	max	avg.	min	max	avg.	min	max	avg.
Colombo 1: Fort Area			n/a				16	19.2	17.6
Colombo 2: Slave Island	14.5	17	16	7	18	14.6	13.5	17.5	15.66
Colombo 3: Kollupitiya	16.5	24.5	20	12	23	18.8	8.5	26	19.78
Colombo 4: Bambalapitiya	9.5	23	17.7	7	17	16.12	2	24	16
Colombo 5: Narahenpita	2.5	15	10.7	3.77	17	10.2	2.7	18	9.49
Colombo 6: Wellawatte	4.8	23	12.8	2.75	13	11.5	2.75	20	11
Colombo 7: Cinnamon Garden	15	19	17.7	2.3	20	17.3	11	25	17.62
Colombo 8: Borella	2.6	16.3	7.5	6.5	16.36	13.1	3.5	15	9
Colombo 9: Dematagoda	1.7	3.9	3.2	n/a	n/a	n/a	2.85	4.7	4.08
Colombo 10: Maradana	6.7	9	7	7	17	11	9	20	14.5
Colombo 11: Pettah	n/a	n/a	n/a	n/a	n/a	n/a	15	15	15
Colombo 12: Hulftsdorp	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Colombo 13: Kotahena	3	3.5	3.4	n/a	n/a	n/a	2.8	5	3.9
Colombo 14: Grandpass	n/a	n/a	n/a	n/a	n/a	n/a	5	7	6
Colombo 15: Mutwal	3	5	3.5	2.8	3.5	3.37	2.7	3.8	3.14

Source: Research Intelligence Unit (RIU), 2021

As per our research, general land price growth is slowing down. However, given the scarcity of available lands, we found a buyer who is looking to acquire plots in a specific location and is prepared to pay above market prices to the seller. In this climate, we do not expect any significant changes in the trend that has been witnessed over the past ten years. Rapid urbanisation has led to increased demand for land in areas such as Colombo 5. Meanwhile, Colombo 2 is emerging as a new urban residential/commercial hotspot due to various impending mixed development projects. Colombo 7 has historically been one of the most expensive and prestigious locations in Colombo, as a prime residential zone. In comparison, Colombo 5 land prices are significantly lower than Colombo 7. It is important to note that land prices given here are weighted averages of land plots and prices within a location can vary based on a variety of factors such as road frontage, types of neighbourhoods, etc. Prices predominantly remain stagnant or marginally declined in many areas in the city of Colombo.

However, outer suburbs that are the areas beyond Colombo 1 to 15 recorded hikes of up to 25 per cent. The reason for this contrasting price is conventionally a result of the affordable real estate prices in the outer suburbs.

According to research, during the lockdown and post-lockdown periods, there has been a rising number of google searches for properties. These were particularly in search of property in Dehiwala, Kandy, Negombo and Nugegoda. With repatriation taking place at the same time, the demand for properties in the suburbs is expected to rise further in the future.

Average land prices

Table 33. Average bare land prices by region 2020/21

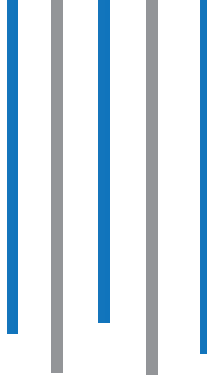
	Average Price (LKR)
Overall residential land price	1.78m per perch
Colombo Residential Land price	11.26m per perch
Western Province (apart from Colombo city) Residential Land price	1.49m per perch

Source: lankapropertyweb

Outlook

Research indicates that while Colombo is well in demand for property, it is the suburbs that people are looking to live in. In the light of lockdown, a majority of people have re-evaluated where they want to live and their preferences have shifted to less urbanised, family friendly locations. Affordable housing prices and family friendly neighbourhoods, have further influenced this behavior.

The pandemic has certainly brought numerous disadvantages to countries across the world, but Sri Lanka's proactive strategies have managed to prevent its worst effects. This has also contributed to the country's ability to maintain a stable property market despite the virus outbreak. Therefore, while other nations are working on saving its crippling property market, for Sri Lankans this has become the best time to invest in real estate.



THREE YEAR FORECAST

In conclusion, we can note that the industry had performed with tenacity and resilience during the past year, despite the extraordinary economic challenges. This report points to a scenario where within the next 2 to 3 years, Sri Lanka could face an under-supply of apartments and other real estate assets due to a combination of variables which would essentially navigate it towards establishing a sellers' market. This situation would have been somewhat unthinkable even 12 months back.

The research and data that we are analysing now suggests that the present time is exceptionally propitious for residential real estate investments. In 2020, low-interest rates stimulated the market to enhance the absorption rates of the prevailing stock of apartments in Colombo. Simultaneously combined with the diaspora's interest levels gathering to an all-time high and with airports slowly reopening, the influx of buyers will be significant. The market is more appealing than ever before to persons earning in the greenback, British pounds and most other currencies, due to the weakening rupee. The amalgam of these variables and the novel reality faced by developers, whose costs have spiked due to the new import restrictions and subsequently the overall currency depreciation effect, indicates that developers will be pressurised to supply the next generation apartment projects at prices that tally with the present market. Therefore, the likelihood of an undersupply is real.

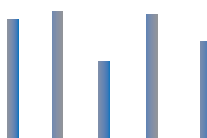
A growth area to watch in 2021 will be the evolution of the banking systems regarding ease of funding of investments from the diaspora overseas with growing acceptance of credible financial documents and certification of income streamlines, and the progression in technology for sound creditworthiness evaluations across borders. With an anticipated expansion in diaspora investments into real estate in 2021, domestic banks will increase innovation and develop products aimed at catering to borrowing requirements of the non-resident Sri Lankans. Their ability to bring in much needed foreign currency in the backdrop of a weakening domestic currency has not been missed by bankers and policy makers alike.

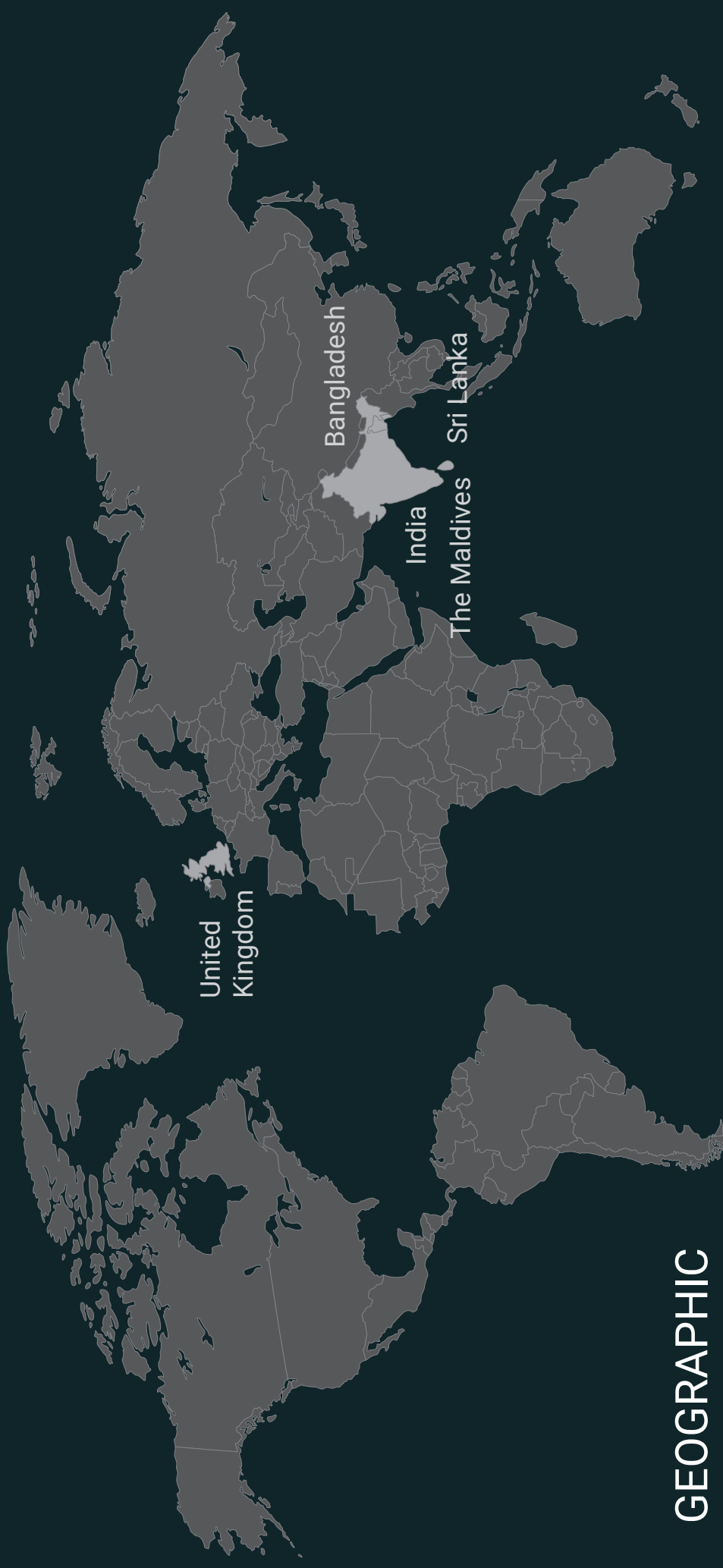
Meanwhile, low interest rates are expected to continue throughout 2021 and will spur the market, making it more attractive to borrow for property purchases, whilst at the same time, taking the shine off fixed deposits and other interest-based asset classes.

A growing long-term trend to watch, will be the rapid technological advancements. These will gradually increase consumer expectations of smart technology integration in their daily lifestyles to make living in a modern apartment more comfortable or working in a smart office more effortless and efficient. This integration and adoption is already widespread in emerging economies like China and India. Apps are already available for apartment dwellers that make life easier in many ways - from paying a bill to allowing a visitor through security.

Whilst we have been calling for the introduction of policies to protect buyers from developer insolvency, it is still not clear if we can expect such policy revisions anytime soon. On the flip side, developers would like to see less red-tape and delays in obtaining approvals for new projects from government departments.

We live in a VUCA (volatility, uncertainty, chaos and ambiguity) world driven by rapid technological advances that impact all aspects of human activity and markets. However, real estate has traditionally proven itself as a safe haven during such times and in 2020, Sri Lanka's real estate market has proven its resilience. Moving forward, we are upbeat on residential property for reasons discussed in the report, including strong demand from the buy-to-live segment, low borrowing rates, diaspora flows and the related currency advantage and the scarcity of new supply. Commercial and retail real estate will however need to navigate a more fluid and challenging environment in the short-medium term.





United
Kingdom

Bangladesh

India

The Maldives

Sri Lanka

GEOGRAPHIC PRESENCE

OUR SUBSCRIPTION PACKAGES

	Platinum	Gold plus	Gold	Silver
Reports				
Customised comprehensive reports	●			
Real estate market intelligence updates	●			
Monthly economic updates	●	●	●	
Quarterly research reports	●	●	●	
Annual real estate market report	●	●	●	
Presentations				
Quarterly presentations at client's site	●	●		
Annual presentation at client's site	●	●		
Other presentations at a concessionary fee	●	●		
Event invitations				
Opportunities to present or be a panellist	●	●		
Investment opportunity events	●	●	●	
Webinars & online focus group discussions	●	●	●	●
News				
Daily real estate news alerts	●	●	●	●
Weekly newsletters	●	●	●	●
Other benefits				
Intelligence on market investment opportunities	●	●	●	●
Copy of The Big Life Sri Lanka magazine	●	●	●	●
Discounts on consulting, research assignments, sponsorships and reports	20%	15%	10%	5%





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