



## John Keells Properties' **NADEEM SHUMS** on the Colombo Real Estate Market

John Keells Holdings (JKH) PLC has a presence in every sector of the economy. We spoke with Nadeem Shums, the Head of Sales and Marketing at John Keells Properties, representing the real estate sector.

**Nadeem, as an expert in the real estate sector of JKH, what are the current John Keells real estate projects in development?**

We have three ongoing projects at this point: Cinnamon Life, TRI-ZEN and the real estate options at the Victoria Golf and Country Club. Cinnamon Life was conceptualised to transform MICE (Meetings, Incentives, Conventions and Exhibitions) tourism in the country and provide an integrated experience, where you can live, work, stay and play in one location. TRI-ZEN, our latest metropolitan development in Union Place, provides all the conveniences of living in the heart of the city at a competitive price, catering to young, aspiring professionals and investors. We have introduced some exclusive land plots at the Victoria Golf and Country Club and Holiday homes for those who want a piece of tranquillity with convenience and steady returns. John Keells Properties has always been a trendsetter in the industry and at the forefront of innovation.

**The COVID-19 pandemic is prevalent in Sri Lanka and currently, we are experiencing the third wave. This past year has been a disconcerting time for many industries. What has been the impact on the real estate sector at JKH?**

Sri Lanka as a nation is resilient and we tend to bounce back from any situation.

There was an air of uncertainty last April and May as to the direction in which the pandemic was heading with no prospects of vaccinations. However, when restrictions were eased in May/June 2020, after the first lockdown, we started to see renewed interest in real estate. Firstly, real estate is considered a safe investment and a good hedge against inflation. Due to the reduction in interest rates and low fixed income returns, we saw more funds shifting towards real estate. It was very encouraging for us, as we had good traction for all our projects, particularly for TRI-ZEN because of its attractive price point. In uncertain times, investors prefer to move some investments from their portfolios towards real estate.

Another major factor that contributed to real estate performing well was the low-interest rates for housing loans. The rates came down to as low as 7%, where customers could fix the rate for a period of 5 years. This was a welcome change from the double-digit interest rates we had pre-pandemic. We created an innovative mortgage package called 'Freedom Mortgages' which was launched in September 2020 with Commercial Bank. We currently also provide this package with the DFCC and the HNB. We wanted to reduce the burden for our customers during this challenging period and hence, we crafted this mortgage where the customer pays just the first 20% and the bank would fund the balance 80% of the purchase price. We take on the interest cost of the mortgage for the first two years. We have worked out some unique packages with the banks, where you could even get a grace period

on the capital repayment for up to 5 years! When the customer pays the first 20%, they do not pay anything more for two years. By this point, the project will be close to completion and if you purchased it for an investment, you could use the rental income to pay a part of the loan repayment.

**During this time many industries look to the Government for support and confidence. What are the policy initiatives the Government has taken to support the real estate industry and what do you think they could do in addition to this?**

The Government's decision to reduce interest rates was one of the main contributing factors for real estate to perform well over the last year through the pandemic. The Government should also look at introducing residence permits for foreign investors, which might be an attractive way to bring in more investments into Sri Lanka. Countries like Malaysia have done well with the 'Malaysia My Second Home' (MM2H) programme.

**The Colombo Port City development has been generating significant traction and coverage during the past few weeks. What do you think will be the impact of the Colombo Port City development on the real estate market in Colombo and JKH?**

The Port City project will most certainly add value to mainland real estate during the construction phase. As more development takes place in the Port City, the foreign expatriate numbers will increase exponentially. Most foreigners working on developments

in the Port City (excluding construction workers) would prefer to live in the vicinity and that is where both our ongoing projects (Cinnamon Life and TRI-ZEN) are well positioned to cater to this growing demand due to the close proximity to the Port City.

**Many large corporations will look to set up in Colombo in the future and boost the industry. What are your thoughts on the local talent in the industry and how the future is heading in this respect?**

Foreign companies / multinational corporations (MNCs) assess the landscape, economic structure and availability of resources such as the appropriate labour, before proceeding with their operations in any country. These are the factors we need to consider when attracting foreign companies to set up in the country and ensure there is an adequate supply of graduates for the respective job fields these companies will introduce into the market.

We need to observe the job market and skew our education system appropriately along with the necessary training centres to meet the upcoming demand. Sri Lanka should not be looked at only as a labour-intensive production hub as we simply do not have a large workforce, unlike some of our regional peers.

When more foreign companies set up in the country, this will lead to an increase in demand for rentals in the city, thereby leading to an increased demand for apartments.