

Capital TRUST's
MINOLI WICKRAMASINGHE
 REFLECTS ON
 THE RECENT
 PREDICAMENTS ON THE
 RESIDENTIAL REAL
 ESTATE MARKET

Executive Director of Capital Trust Holdings Minoli Wickramasinghe, an illustrious icon for reaching the executive suite and breaking the glass ceiling, currently heads the Real Estate sector of this diversified conglomerate. In discussion with her, we examined the magnitude of recent challenges encountered by the industry and what this sector holds in the future.



The past few challenging years have impacted several industries. How do you view the impact on the residential real estate industry?

It was not just the Easter attacks and the pandemic that impacted the sector, but the prolonged period of political instability led to mounting uncertainties in the industry. The high cost of construction, and many other factors like the political instability and inconsistent economic policies in the past, has actually led to a decline in projects during the past 4 years. However, the incentives effectuated by the Government such as the reduction in interest rates and tax concessions, resulted in an immediate rise in real estate activities and residential sales were on a radical upward trend. We see an immense escalation in the number of inquiries. Generally, we receive around 15-20 inquiries per apartment complex. Nonetheless, it has gone up in the recent past and we have transacted most of our apartments. Thus, I presume that the Government should maintain low interest rates for quite some time to help revive the industry fully.

Moreover, there has been a shift from fixed deposits to real estate in the country. The wealthy segment had always viewed real estate as a good investment, but now, the middle class has a similar sentiment. We see the real estate demand to be quite high despite the pandemic. Many people were waiting for apartment prices to fall. However, the realisation that top developers would not reduce prices, as the replacement cost is much higher, led to the hesitancy on transactions to be short-lived.

I am always very positive about the real estate sector of Sri Lanka despite all of the recent calamities. Shelter is most definitely one of the fundamental needs. Hence, with a growing population in Sri Lanka, we will arrive at a point where we will require more housing projects. We have only just begun the urbanisation process and currently, there is less than 1% of apartments in Colombo, which is quite low in comparison to some Asian countries such as Malaysia.

The topic of construction costs has been in the limelight of late. How do you view the ripple effects?

Construction costs have gone up by around 40% in the last few years. It is a radical rise and with the recent import restrictions, prices of raw materials are slightly higher too. Taking this into consideration, there will be less competition in the market with only good developers surviving in future.

With regards to apartment pricing, during the last 3 years, we could not increase prices due to the looming recession. However, in recent months, prices have increased. This was primarily because the construction cost reflected a distinct rise and thereby the Bill of Quantity (BOQ) was not able to be replaced. Thus, we are able to increase our pricing with that.

What are the current rates and typical rental yields with your properties?

A 3 bedroom property would be around USD 1500. Right now, the rental market is affected due to the pandemic and short stays are less. This is partly due to reduced foreign

clientele. However, we see that capital appreciation has increased markedly in all of our apartments. Most people have received about 100% of the returns over the last 3 years.

During the initial stages of the pandemic in Sri Lanka, there was widespread agreement on the way the pandemic was controlled. This seemed to result in more real estate interest from the Sri Lankan diaspora. Has this changed?

The inquiries received during the past few months have predominantly been from the locals. There have been a lot of inquiries from the diaspora but not many transactions, partly due to the restrictions on travel and the difficulties on property viewing. However, I am certain once the pandemic is under control, there will be a surge in transactions from the diaspora and this would apply to expats as well.

Do you feel that the supply meets the demand?

There is a large supply of high-end apartments, but I do not see a sufficient supply of the category we are in - the affordable category. I believe that there is an undersupply with regards to this category, and it is now difficult for new developers to come in.

Please state the major factors that buyers take into consideration when selecting an apartment similar to your standard.

There are two types of buyers; those that invest and those that reside. One factor to be considered is to see if their apartment is going to appreciate in value, so buyers do not get something overvalued. Another essential factor is

the quality and credibility of the developer.

In terms of unit configuration, the general preference is apartments priced at LKR 20-35 million with 2 or 3 bedrooms.

All of our projects have gone through the necessary approvals and therefore people can be assured of neat transfers. Additionally, the quality of construction is important to buyers. We have all these aspects covered.

Studio apartments seem to be the upcoming trend and demand globally. Do you view the same demand in Sri Lanka and if so, do you have plans to serve this market?

Yes, we see a rising demand for studio apartments in Colombo and I do not think there is sufficient supply. Going forward, we will look into studio apartments as well because as the cost of construction is increasing, we have to keep the affordability at a certain price.

The Colombo Port City project has been a hot topic in relation to foreign investments. What are your thoughts in this regard?

From my standpoint, the Port City development is most likely to boost interest in the Sri Lanka property market from both the diaspora and expats. We will attract regional offices to the Port City which will have a trickling effect on mainland Sri Lanka, resembling countries like Hong Kong and Singapore, if it is executed rightly. With that, we foresee many investments from many countries, which is positive.