

INSIGHTS ON
SHANGRI-LA'S RESIDENTIAL
REAL ESTATE SALES WITH

NELUKA DE ALWIS

Shangri-La is a pioneer of Asian hospitality and completed its first project in Sri Lanka in 2017. In 2019 Shangri-La Colombo was one of the hotels that were directly impacted by the Easter Sunday attacks. We spoke with Neluka De Alwis, Head of Sales and Marketing (Residential), on how the company has managed to overcome these recent setbacks.

The past two years have been tough for Sri Lanka and Shangri-La was directly affected by the devastating Easter attacks. Can you please share your thoughts on the impact of these unforeseen events?

After the Easter attacks, the economy was gradually picking up and a progression of sales was seen during the latter part of 2019. Sadly, due to the pandemic, the economy took a step back from March 2020 onwards and so did the demand for condominium apartments.

A majority of our sales at the One Galle Face (OGF) Residences were concluded between the years 2015 and 2018. However, late 2018 brought about political instability in the country which impacted harshly on our economy. Despite this turmoil, we concentrated on completing the project and handing over the residences. Unfortunately, once again, the year 2020 took a different stance with the virus outbreak.

From March 2020 with the slowdown in economic activity, the demand for condominium apartments was severely hampered. There have been continuous highs and lows without

stability since then. From January to April 2021, the sales team have been able to conclude a total of 7 transactions, whereas, we would have carried out about 10-15 transactions on average if the situation was different.

The COVID-19 pandemic is a threat to the entire world. However, with the steps taken toward mitigating the outbreaks, especially the initiatives towards vaccinating the majority of the population in each country, businesses should fall back on track. As a nation, we need to remain positive and resilient to overcome these unprecedented times and work towards a steady recovery in the economy.

Are you able to share some insights on how you have managed to maintain a decent level of transactions? Also, what is the percentage of units sold as of now?

To sustain sales transactions, it is paramount to offer flexibility in terms of pricing and payment options.

Therefore, our focus was to ensure that we supported and protected the purchases of our existing buyers from experiencing any cancellations of sales. We have supported them by way of providing flexible instalment payment plans so that they can make payments at their convenience during these unprecedented times.

The total inventory of the project is 390 units of which 80% has been sold as of July 2021.

As you have implied above, Shangri-La's residential properties are considered top tier. Can you please share the unit configurations that you offer and the pricing?

A two-bedroom apartment (1733 sq. ft.) is priced at USD 730,000 upwards. Three-bedroom apartments (2,271 sq. ft.) are priced

at USD 1 million upwards. Four-bedroom apartments (2,756 to 3,500 sq. ft.) are priced at USD 1.3 million upwards.

It is worth noting that there is a very high demand for larger units, mainly the 4-bedroom units for those who are interested in living in them.

In Colombo, the average size of a 4-bedroom unit offered by other developers will be approximately 1700 sq. ft which is the size of a two-bedroom unit offered at OGF Residences.

What are your typical rental yields?

Our price points are different from developments such as Altair or Cinnamon Life because of our larger units. However, we anticipate a 5 to 6% yield for a two-bedroom unit.

What Government initiatives were implemented to assist you over the past few years? Are there any additional initiatives that you would propose?

We are thankful to the Government of Sri Lanka for their initiatives towards boosting the property industry such as lowering of interest rates and regulatory policy changes concerning the exemption of VAT and NBT from condominium sales. It was an immense relief for the industry across all segments and its impact was highly evident especially in the low to mid category which displayed increased sales. The relaxations that better facilitated foreign nationals to acquire condominium property have also given a significant boost to the market.

I believe we should take this opportunity to reach out to the Government's policymakers to reconsider the "My Second Home" concept with a resident visa offering. This has been discussed by many industry specialists. This will be a critical factor that will

further boost the real estate industry as a level playing field compared to other markets such as Dubai, Malaysia, Vietnam, etc.

Shangri-La is internationally renowned and this would mean foreign interest. Would you say foreign investors face challenges and restrictions when purchasing residential apartments?

Current sales data would confirm that Sri Lankans residing in the country and the Sri Lankan expatriate community are accountable for 70% of the sales concluded and the balance 30% would be the foreign investor category.

Challenges often arise at the BOI level. Most investors entering Sri Lanka are interested in starting a business venture and often face obstacles in the process which ideally needs to be fast-tracked. The Government should acknowledge the need for a one-stop shop to resolve this.

However, foreign investors looking to invest in property is quite a straightforward process when purchasing residential units in Sri Lanka. An IIA account (Investment Inward Account) is necessary to channel the money when making purchases. As long as documentation processes are handled appropriately, hindrances would be non-existent.

Port City has been a hot topic of debate. How do you foresee its impact on residential units at Shangri-La?

As a whole, the Colombo Port City project will have a very positive impact on Sri Lanka. I am truly looking forward to it as this will further help to promote Sri Lanka as a destination with diverse opportunities for investor offerings which will enhance the residential real-estate markets in Colombo.

Port City development would fulfil the appetite of the tier one investors. The majority of tier one investors have invested in either Shangri-La, ITC, Cinnamon Life, or Altair. Therefore, the next most preferred destination is certainly going to be Port City, in terms of property investment.

I view this in full optimism because the first move advantage would be either Shangri-La and ITC due to our close proximity. Amidst the Port City construction, our property value is likely to further increase with the foreseen rise in rental demands from buyers, owners and investors residing in One Galle Face. Property appreciation may be higher in the future and I am confident in our Asian market presence and capability to draw in a large portion of these investors.

Moving forward, what does the future hold for Shangri-La in Sri Lanka?

We are keen to view Sri Lanka in a positive light and our sister company (Shang Properties) has already secured a 6-acre land parcel between Altair and CCC. The pandemic is the only factor holding the company back in kick-starting operations.

We anticipate a better outlook towards the end of 2021 to understand the market dynamics and importantly stay positive in the process. The vaccination rollout around the world will play a major part as it will allow potential buyers to visit Sri Lanka and invest in Real Estate.

Many nations keep a close eye on Sri Lanka due to our strategic location and unique features, especially with the Return on Investments (ROI). Therefore, we must work towards achieving normalcy once again and this needs to be a global effort. This would ensure that borders open up, resuming international travel.