

Please tell us about the Ekroma Grade A office space that is currently in development. How does this project compare to the rest of the market and who does it cater to?

The Ekroma project is a Grade A office building primarily targeting mid and large corporates who require presence in the CBD area of Colombo. The building has been designed and configured as modular office units of approximately 2000 – 3000 sq. ft. including single unit full floors of 8,000 sq. ft. It provides flexibility and affordability for our prospective tenants - in terms of right sizing and optimising office space based on their requirements. The facilities offered in terms of provision of office layout, air conditioning & fresh air systems, general lighting, uninterrupted power, state of the art communications infrastructure, elevator systems, building finishes, etc., is of equal standard to any similar grade A office development in the region.

Furthermore, the above systems have been designed in a way that prospective tenants are offered terms of optimal usage and savings in recurring utilities' costs, which is a key advantage in the current business landscape. Another main Unique Selling Proposition (USP) is that the Air Conditioning (AC) system which comprises the bulk of the energy usage cost, is customised for individual tenant usage based on their unit requirements, thereby ensuring that this cost is managed internally. In addition, our AC system is unit specific and has a

fresh air component - two factors that will assist to mitigate the spread of Covid-19. In the current pandemic situation, this is a key USP for Ekroma as well.

The building also provides one of the best car park ratios offered in a Grade A development in Sri Lanka. There is 1 parking slot for every 1000 sq. ft. occupied, which is an important prerequisite for any office located in Colombo.

A perennial misconception in Sri Lanka is that larger offices of 8000-10000 sq. ft. are required. However, the Ekroma project offers smaller lots of 2000-3000 sq. ft., thereby making space affordable and attractive to numerous companies. Compared to Ekroma, projects completed by other developers incur high capital expenditure for companies, partly because they do not provide many of the facilities that we provide. One of the largest agents in Sri Lanka evaluated the parameters of grade A buildings in Colombo and our project stood out in comparison to the rest of the market.

Does your tenant profile comprise more local companies or multinational corporations (MNCs)? What does each group consider when looking at potential grade A office spaces?

We are primarily targeting mid and large corporates - both local and MNCs in Telecommunications, Banking and Finance, Garments, Embassy/Consulate and Visa operations, Pharmaceuticals, Exports and similar industry sectors. Another sector which we are considering are the corporate offices of Small and Medium sized Enterprises (SME), which require presence in the CBD

area.

MNCs primarily consider the facilities offered in terms of location, security and safety systems, office efficiency ratios, building



ONESH SUBASINGHE ON EKROMA'S CONTRIBUTION TO THE COMMERCIAL SPACE MARKET

Ekroma Realtors was established in 2015 and is based on the fundamentals of innovation, timeless style and new-age living. The Managing Director, Onesh Subasinghe introduces their Grade A office space in Colombo and provides insights into the Colombo's ever-changing commercial real estate market.

availability of support services, rental, payment structure and deposit requirements, a rent-free period for setting up, common cafeteria, toilets etc.

However, local companies depending on the nature of operations and size, are less stringent in their evaluation of the above requirements and are largely price-driven in terms of rental, deposit requirements, common area costs, payment requirements, common cafeteria, toilets, etc.

services, back-up facilities and maintenance, parking ratio, communication infrastructure, common area costs, accessibility and operating times including

We have received inquiries from three MNCs looking for spaces in excess of 40,000 sq. ft., which accounts for a large portion of the space offered by the Ekroma project. We are aware that MNCs look at the price and other variables such as location, fire safety, quality, and cafeteria space. The Ekroma project meets 85-90% of these requirements whereas numerous other buildings would offer only 50-75% of these amenities. SMEs look for lots of 1500-2000 sq. ft. and these companies are predominantly local-based.

At this point, Ekroma is not signing new contracts due to a plethora of reasons. Firstly, the market is depressive and clients are pursuing reduced prices and as we provide high-quality amenities and space, it will be hard for us to compro-

service and not the product. Therefore their margins are stronger and the agricultural and pharmaceutical industries have grown considerably since COVID-19 began and we can expect some interest from these companies as well.

mise on the price. Secondly, we cannot commit to a date of completion or provision of the space after signing the contract, as there are delays in the project due to the reasons stated here. Therefore, we are not extremely active in terms of our marketing, but we receive numerous inquiries despite the small advertising budget. Notwithstanding the above, we believe the project should be complete in about 6 months from now and we look forward to welcoming clients.

What is the pricing of the Ekroma project and have the currency fluctuations caused any changes?

Ekroma's attractive pricing is in rupee terms. As a local company, we truly understand that it provides extreme relief to prospective clients in terms of affordability.

The pricing is in the range of LKR 400 to 500 per sq. ft. depending on the unit size and floor location of the office area, including a nominal common area cost. The common area maintenance costs comprise of all administrative facilities management, janitorial services and maintenance of common elements in the building, including the key Mechanical, Electrical & Plumbing Engineering (MEP) infrastructure.

The currency fluctuations have impacted project-related imports and costs. However, the current market conditions do not permit the passing of these costs down to the rentals - so at present, we need to absorb



streams during the pandemic. This has led to an erosion in overall commercial rental pricing and vacancies in prime office spaces. We have also noticed that numerous companies are looking at nearby suburbs such as Rajagiriya and Nawala for cost reasons and where there is an upcoming supply of grade B and C spaces.

extremely unique and it has a provision for smaller modular units with self-contained toilets and heating, ventilation and air conditioning (HVAC) infrastructure rather than a generic full-floor offering, a feature that is not available in the market currently.

The prevalent COVID-19 pandemic brought change to numerous sectors of the real estate market. What are its impacts on the commercial real estate market in Colombo?

The pandemic has introduced the Work From Home (WFH) phenomenon which is predominantly utilised in service sector companies such as IT-related entities, banking, finance and other back-office operations.

We have seen that companies are downgrading to smaller office spaces post-pandemic due to two dominant reasons: some sectors moved into WFH and companies are more budget-conscious due to the restricted revenue

is being sold as a result. The Government needs to account for all the consequences and any changes should be effected via the industry committee.

Furthermore, if the Government can provide tax concessions in real estate or any incentives for foreigners to buy apartments, there would be a guarantee of foreign exchange inflow to Sri Lanka. The Government needs to formulate a stable and fixed policy for a minimum of five years, which will ensure increased foreign investments in Sri Lanka.

What do you think will be the impact of the Port City on the commercial space market?

It is a great opportunity for Sri Lanka as the development will place us on the map as a regional financial hub. As such, the development will have a positive impact on the overall commercial space market and rental yields, given the probable expected Foreign Direct Investments (FDIs) in the short to medium term.

Therefore, I believe that anyone who is a landowner will benefit exponentially. There is ample space and opportunities for hotels, entertainment, hospitals and thriving nightlife. The possible impact on the commercial space market will largely depend on Government policies that would need to incentivise foreign-owned MNCs to set up offices in Sri Lanka. This is similar to what Singapore has done in the past and where Sri Lanka can now be a regional hub for MNCs to operate from. We have hospitable people, delicious food, clean air, good education systems along with a health care system, so foreigners generally love what Sri Lanka has to offer.

Have any Government initiatives positively impacted the office market?

The Government has been extremely supportive of the commercial real estate sector. For 4 years there was a tax exemption for Board of Investment (BOI) projects. However, this policy has changed and during the budget revision last November, the new tax structure curbed all imported material. Unfortunately, when the policy was written it was applied to all companies, including BOI entities. These initiatives were intended to curb the foreign exchange outflows. However, for BOI projects there should be an exemption as no product

it as a developer. The average ticket price for the smaller floors is approximately LKR 900,000.

Who would you consider as competition for Ekroma in the commercial space market?

I believe that the Ekroma project stands alone and does not have direct competition in the current market. A good benchmark would be Shangri-La, as in terms of specifications, the project is on similar levels.

The Ekroma development is