

## REAL ESTATE INVESTMENT LEADS SRI LANKA'S REMARKABLE TRANSFORMATION

**September 2018:**

**The Asia Pacific region has emerged as the best real estate investment destination globally, registering the highest year-on-year investment growth of 29% (H1 2018 vs H1 2017) against 9% in the Americas and EMEA regions (Source: JLL Research Report "Global Capital Flows", Q2 2018). Within this region, Sri Lanka is a shining example of a thriving emerging market.**

The 'Pearl of the Indian Ocean', Sri Lanka is experiencing a surge in real estate investment following a steady period of impressive economic growth over the past decade. A vibrant democracy, political stability, a transparent and robust legal system based on the canons of the Laws of England, freedom for foreigners to invest, a transparent regulatory regime for free capital movements, a relatively benign tax environment, a peaceful South Asian region and an economy getting into a sustained growth all combine to put the spotlight on this island one of the top opportunities for real estate investments in emerging Asian economies. Extensive government investment and private consumption has helped deliver an impressive GDP growth of 4.5% according to World Bank estimates.

Sri Lanka's capital city, Colombo, is one of the region's fastest-growing commercial hubs. Located at the centre of major shipping routes connecting South Asia and the Far East with Europe, Africa and America, it enjoys enormous strategic importance and today the city is a base for numerous businesses and government institutions. Additionally, strong air connectivity and popularity for tourists have provided a solid foundation for the country's transformation.

Sri Lanka's high potential for tourism - and in particular luxury tourism - has spearheaded some major infrastructure projects such as Colombo International Financial Centre at the Port City reclamation, Megapolis and Beira Lake, as well as improvements in transport including new expressways, a new Colombo Light Railway (CLR) and airport expansion.

However, real estate is the big success story underpinning Sri Lanka's growth. As the country seeks to ramp up its prominence among South Asian markets, GDP growth will be paralleled with growing salaries and with this comes an increase in demand for superior quality housing. Additionally, growing demand for quality office and commercial space from local and foreign businesses is spurring on private sector investment. The proposed International Financial Centre at the Port City alone will add 5.65 million square metres of new mixed-use real estate.

Arun Pathak, Managing Director of WelcomHotels Lanka (Private) Limited, observes: "The economic growth of Sri Lanka is being led by large real estate developments in Colombo from multiple investors including the US\$ 15 billion reclamation project, with an expected further investment of US\$ 25 billion in developments on the reclamation, that are all poised to reposition the importance of Colombo, and indeed Sri Lanka, as a key regional business and financial hub. This makes prime real estate a great buy as the market is at the beginning of its growth curve." He adds that high quality assets here offer good long term return opportunities, especially in the current scenario in which asset prices are relatively lower than other regional business and political centres. "This may not last very long as these are expected to catch up, at least regionally, in the next few years."

Indeed, as a rapidly developing emerging market, Sri Lanka is becoming increasingly attractive to global real estate investors. According to KPMG's recent report "*Paradise Island – Luxury living in the tropics*", real estate investors are being rewarded with ROIs averaging 17% per annum and rental yields of up to 9%. Indeed, since the end of civil conflict in 2009, Sri Lanka has delivered a series of increasingly luxurious prime residential developments. As highlighted in KPMG's new report:

- Over 6,000 new apartments are due to be built by 2020.
- The luxury market is driven primarily by local Sri Lankan investors (61%) as well as Sri Lankan expats (18%) who are keen to invest in their country of origin. The remainder of the market comprises owner-occupiers (17%) and institutional investors (4%).
- From drawing board to completion, high end new-build properties in Sri Lanka are achieving an average ROI of 10% per annum. Investors entering the secondary market have achieved 15% ROI per annum on an average. Historically prices have registered increases of 40-45% in the 1<sup>st</sup> year to the 3<sup>rd</sup> year after completion
- Rental yields are achieving a generous 9% per annum, whilst secondary market investors are averaging 5-7% per annum. Foreign professionals are the most prominent tenant within the luxury market (67%), followed by local end users (19%), local tenants (13%) and foreign tourists (1%).

Commenting on the country's future prospects for real estate investment, KPMG Sri Lanka's Principal Shiluka Goonewardene observes, "Regionally Sri Lanka remains attractive as an emerging market, when considering the ROI on real estate. The positive outlook for the global economy is an encouraging sign that the rewards will continue for some time to come."

Recently developers have brought luxury real estate in line with top global urban destinations and several new luxury and branded residential developments - including Cinnamon Life, Altair, Shangri-La at One Galle Face and Ritz-Carlton at The One - have been springing up across the city, with more in the pipeline. Attracted by the strong economic growth, developers from further afield are increasingly setting their sights on Sri Lanka, especially Colombo; in addition to substantial existing Chinese investment in Colombo, Japanese firm Belluna Co. recently announced plans to invest US\$500 million in real estate developments here.

The city's latest high-end residential offering, Sapphire Residences, is the city's most exclusive residential development. Described as "the jewel in Colombo's crown" and the city's "most talked about address", Sapphire Residences is set to redefine luxury vertical living in the Indian Ocean region. Located on the prestigious Galle Face oceanfront at Colombo's epicentre, it comprises 132 exclusive private residences averaging a voluminous 5,000 square feet living area with extraordinary floor to ceiling heights (penthouses are 9,325 square feet), with stunning 180° panoramic views of the city, lake and ocean, floor-to-ceiling windows and extensive leisure facilities for residents that span an impressive 40,000 square feet.

The first overseas project by luxury Indian hotelier ITC Hotels (operating through ITC's 100% subsidiary WelcomHotels Lanka (Private) Limited), this distinctive development is set to become a globally recognised landmark for the city; the iconic design was the brainchild of a world-class international team lead by U.S. architectural firm Gensler, which created the two distinctive parallel towers

connected by a sky bridge, with the residential interiors by London-based YOO working with Philippe Starck in Paris and landscaping by Burega Farnell in Singapore.

Sotheby's Sri Lanka's Director Charles Phillpot comments: "We have started to preview the Sapphire Residences to HNW buyers in Colombo and the consistent response is 'WOW!'. ITC Hotels has raised the bar to a new level for the region and created 'uber-luxury' apartments that offer a superlative living experience in South Asia. The mixed-use development includes a private Residents' Club offering over 40,000 sq. ft. of extraordinary leisure amenities for homeowners and their guests. Conceptualised by YOO Inspired by Starck, these include several swimming pools, cinema, residents' Clubhouse with lounge and library, amphitheatre, spa, gymnasium and fitness centre, yoga room, indoor squash, table tennis and multi-purpose sports courts.

Currently under construction with completion expected in 2021, the development comprises a 224-metre-tall residential tower set alongside a 140-metre-tall 5star ITC hotel. Connecting the two buildings at the 19th-21st levels is a 54-metre long sky bridge, which incorporates a stunning bar and lounge with spectacular views on the lower level and on top are two infinity pools and a sunbathing deck. The adjacent ITC hotel is crowned by a helipad (the only one being in the vicinity) for not only VIPs, guests and residents, but also for medical and other emergencies.

The development's proximity to the International Financial Centre in the forthcoming Port City and its commanding location on Colombo's most exclusive Central Business District strip, owning a home at Sapphire Residences ensure that residents are ideally placed to keep a finger on the pulse of international finance, trade and commerce.

Priced from around US\$1.4 million, Sapphire Residences are scheduled to launch onto the market in Q3 2018 with Sotheby's International Realty.

For further information visit [www.sapphireresidences.lk](http://www.sapphireresidences.lk).

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## Notes to Editors

### Colombo: Regeneration and Rejuvenation

**Port City:** Built on reclaimed land from the Indian Ocean, the \$15bn project will nearly double the size of Colombo. Comparable with Dubai or Canary Wharf, Port City will be home to an International Financial centre and attract significant foreign investments for core and peripheral services and, as such, will have a positive impact on land prices in the Central Business District. Not only will Port City provide world-class business and finance facilities, it will have top international schools, resorts, hospitality and medical centres. A new marina, convention and exhibition centre will also expand local and international traffic.

**Tourism:** Sri Lanka welcomed 2million visitors in 2017 and this figure is expected to increase to 4.5 million arrivals by 2020. Attractions such as the Heritage Quarter, Buddhist Temples, Lake Side and Lotus Tower, which is the tallest structure in the entire SAARC region, serve as a major tourist attraction. With increasing business travellers and tourists visiting the region, more accommodation, leisure facilities and retail space will become available.

**Real Estate Regulations:** The amended Land (Restrictions on Alienation) Act permits freehold ownership in a condominium property by a foreign investor or a foreign company. Additionally, a foreign company which is listed on the Colombo Stock Exchange is permitted freehold ownership of land

Property transactions are charged Capital Gains Tax (CGT) on the gains arising from realisation of an asset (current rate 10%,) Stamp Duty is currently charged at LKR 3 for every LKR 100 where the property value is LKR 100,000 or less and LKR 4 per LKR 100 where the value exceeds LKR 100,000. Buyers normally incur legal fees of 0.5-3% of the transaction value on average, plus brokers' fees of typically 3-5% of the transaction value.

### ITC Hotels

With the enduring Namaste as the symbol of its brand experience, ITC Hotels is one of India's largest luxury hotel chains offering comprehensive hospitality solutions through more than 100 hotels in over 70 destinations in the country. ITC's hotel group operates under four distinct brands; 'ITC Hotel' at the Luxury end, 'WelcomHotel' in the 5 star segment, 'Fortune' in the mid-market to upscale segment and 'WelcomHeritage' in the heritage leisure segment. Integrating India's fine tradition of hospitality with globally benchmarked services, each ITC Hotel in the collection of hotels is an archetype of the culture and ethos of each destination. With 'Responsible Luxury' as its guiding premise, ITC's luxury hotels combine grandeur with intimacy to operate according to the highest principles of environmental stewardship. Each ITC luxury hotel is certified with a \*LEED® Platinum rating for its endeavours towards green building, using processes that are environmentally responsible and resource-efficient. The brand features opulent accommodations, state-of-the-art business facilities, renowned signature cuisine and award-winning wellness experiences.

*\*LEED® - Leadership in Energy and Environmental Design*

## **ITC Limited**

ITC is one of India's foremost private sector companies and a diversified conglomerate with interests in Fast Moving Consumer Goods, Hotels, Paperboards and Packaging, Agri Business and Information Technology. With a market capitalisation of more than US\$ 50 billion and Gross Sales Value of over US\$ 10 billion, ITC has been ranked amongst the top 10 'sustainable value creators' in the consumer goods segment globally by the Boston Consulting Group (BCG). An exemplar in Sustainability, ITC is the only company in the world to be carbon positive, water positive and solid waste recycling positive, for more than a decade now, with its businesses and value chains supporting around 6 million sustainable livelihoods. ITC Chairman Mr Y C Deveshwar was ranked the 7th Best Performing CEO in the world by the Harvard Business Review. In 2014, ITC was ranked as India's most admired company by Fortune India magazine in association with Hay Group.

## **Gensler**

Gensler is widely recognized as the world's leading collaborative design firm, not just the largest. The company ranks high among the world's leading architectural firms as an industry pioneer and visionary that has designed and delivered hundreds of major developments across the globe. Their extensive experience and expertise has ensured that Sapphire Residences and the neighbouring hotel are set to become a landmark design icon on the world stage; aesthetically superior, technologically advanced and visually striking.

## **Yoo Inspired by Starck**

YOO is a pioneering vision for living and the result of a partnership between property entrepreneur John Hitchcox and the ubiquitous designer, Philippe Starck. Since 1999, YOO has worked with international developers, designing landmark residential and hotel projects throughout Asia, Australia, Europe, Africa, North and South America and the Middle East.

## **Sotheby's International Realty**

With its heritage and experience in dealing with the finer things of life, for centuries Sotheby's has been internationally recognised as the epitome of connoisseurship, authenticity and discretion. The Sotheby's International Realty brand unites connoisseurs of life with their aspirations, through a deeply connected global network of truly knowledgeable individuals. Although steeped in history and traditional values, the company has always been lauded as an innovator. With their global marketing network, extensive experience and impeccable reputation, Sotheby's International Realty is ideally placed to promote and sell the Sapphire Residences. The sales team at Sri Lanka Sotheby's International Realty are all skilled professionals with insightful local knowledge and profound expertise in international luxury real estate.