

## **Luxury Property Market set to boom**

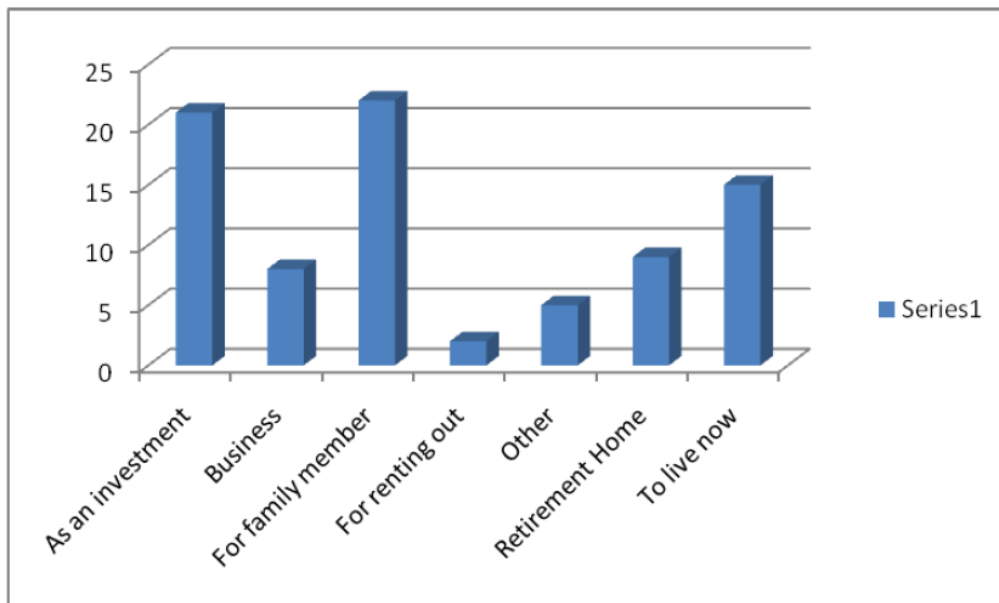
According to the latest Real Estate Market Report by the Research Intelligence Unit, the luxury property segment may be set to experience a significant incline as the island economy rebounds.

The report notes that the emergence of large scale, luxury, condominium properties appeared in 2002 at the time of a ceasefire agreement between the Government of Sri Lanka and the LTTE. The boom in demand caused prices to surge in this market segment and by 2006/07 values reached levels comparable to those in the developed world. However, as more and more developers entered this market and sought to cash-in, the return of conflict dealt a blow to demand and this segment was stifled from 2007-09 with many developers reporting losses.

Now, two years after the conflict this market segment has been at the fore of renewed interest and is tipped to for an extremely optimistic future. The demand growth for a wide range of luxury properties has been significant from both expat and local buyers. Consequently, we have been witnessing a return of property developers entering the market once again with players like John Keels Holdings injecting funds for new developments like the 465 apartment condo at Union Place, Colombo.

The Sri Lankan expat community is a large source of demand in the luxury property market segment and the affordability power is much higher within the expat community than would-be local buyers. The Sri Lankan expat community has re-emerged in the post-war market, being attracted by a stable political environment and easing of Central Bank regulations with regard to inward and outward flows of currency. The islands top-end property segment is known as a secure and long term asset class and recognized as being under-priced in the South Asian region. Many foreigners from the Middle East, China and the neighboring Maldives are also candidates for rent or purchase of the luxury apartments. The growth of this foreign demand is estimated to be between seven and ten percent per annum in the medium term.

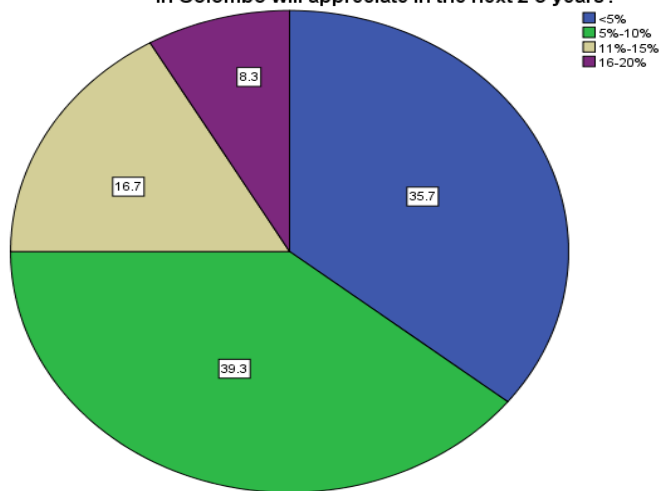
### Top Reasons for investing in a condo property:



Motivating factors for investing in a luxury property are many. For some investors, it's for a means of having a home in Sri Lanka on a part-time basis and for others it's a second home or a long term investment where they can collect \$1000- \$2000 per month in rental incomes. In the current environment some buildings are pre-selling their apartments mere months after construction begins according to sources.

One of the most serious concerns of expat and foreign investors on Sri Lanka has traditionally been the lack of adequate physical infrastructure in place. Now with the infrastructure development that is currently under way there is hope that the island will emerge with proper highways, bridges, power stations and public transport networks over the next two-three years. The Southern Highway is the first of the island's highways and is due to be open for traffic in July 2011. The trends in international capital movements are leaning more and more towards emerging economies and according to the Institute of International Finance, 2011/12 will witness \$1 trillion moving into emerging markets.

By how much do you think condo property in Colombo will appreciate in the next 2-3 years?



The majority of the demand for the luxury property market is positioned in Colombo. However, with the overall infrastructure development in the island, there is a slight positive incline in demand for areas like Kandy, Nura-Eliya and Galle too.

The Real Estate Market report also covers other segments of the industry like the land market, leisure property, retail and office property as well as the middle-income segment. This Market report is produced bi-annually and those interested to find out more can email [info@riunit.com](mailto:info@riunit.com).