

Property/Real Estate

The Daily FT-SC Securities joint multimedia initiative 'Market Pulse' today features John Keells Holdings PLC Property Group President Nayana Mawilmada. In this interview done by SC Securities Asst. Manager Investment Banking and Marketing Dilusha Gamage, Nayana discusses the challenges faced by the property industry and the future prospects of the John Keells group property sector with the iconic Cinnamon Life projects and Tri-Zen followed by the excitement of the new projects' pipeline. Following are the excerpts. The interview is also available at FT TV <https://www.youtube.com/watch?v=-8EUP3tXUic&list=PLnJ3NNiAt8tqdgjwB7GGrh4M34E8LWG1E>

Q. Give us a brief introduction to the property portfolio under your management.

A. John Keells Properties has two sides. We manage assets and develop assets. The larger part of it is on the development side where we are developing projects such as Cinnamon life, Tri-Zen and all the condominium developments that we do across the city. On the property management side we manage all John Keells Holdings offices, the K-Zone malls, the Crescat mall and also the Victoria Golf Resort and the Cinnamon Life office space. We do a bit of both but development is the bigger part of the business

Q. What are the ongoing and the completed development projects?

A. We have accomplished several projects with the largest developer in Sri Lanka, such as, The Emperor, The Monarch, 7th Sense and On 320. We have Tri-Zen under development which is an 890 unit project in the heart of the city, and Cinnamon Life which is a very large development. We are also developing some holiday homes in Kandy and the Victoria Golf Resort. We are just cooking up something else too about which I

JKH predicts good times ahead for property industry in SL

can't tell you yet.

Q. Cinnamon Life is the largest private sector investment in Sri Lanka. This could become the catalyst for the future growth of John Keells group. What is the current situation of the project?

A. First, I wish to correct it as I think it would probably be the largest catalyst for Sri Lanka, much more than John Keells. I believe it's proceeding well. We have endured a very difficult period in the country, despite which we have completed a large chunk of the building. The two residential towers have been completed and are occupied. The office building too is completed and occupied. As you drive by you will see that the exterior of the building is now done and we are kind of tweaking the interior and finishing it up. We'll be done very soon and in the next calendar year we will definitely open the hotel.

Q. What exactly is included in the building other than the residential and office complex?

A. An 800 room hotel, shopping mall, convention centre and of course a gaming facility.

Q. Are they yet to be completed?

A. They are all part of the main building and the construction is ongoing at present, and is in the final stage of building.

Q. Where do you see the demand coming from for Sri Lanka's property industry and what is your target market,



John Keells Holdings Property Group President Nayana Mawilmada (right) in conversation with SC Securities Asst. Manager Investment Banking and Marketing Dilusha Gamage

especially, with Cinnamon Life?

A. Let me just take a step back. I think the property market in Sri Lanka offers different things to different people. We have projects such as, The Cinnamon Life which are decidedly high-end and taped up to a certain echelon of Sri Lanka and some expat population as well. When projects like Cinnamon Life take off, we expect to get some Indian investment potentially into projects of this nature. So that's one segment of demand. The second segment is domestic high urban housing demand, which again is primarily domestic, but slightly a more modestly priced demand which has been dry in the last year or so because

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of the economic crisis. But with interest rates coming down and the economy stabilising, we see the demand coming back strongly. Then there's the suburban type of housing which is even more price sensitive. That's a third pool of

various parties to bring a strong international operator as this project is designed to have a large gaming facility. So we are in discussion with multiple parties on this at present.

Q. What is the trend in property prices for Sri Lanka?

A. I think in the last year and half prices kind of took a huge uptick for multiple reasons. One is construction costs went ballistic with the fluctuation in the currency. Construction is exposed heavily to imports because lots of raw material are procured from outside the country. Hence, there was a large increase in the construction cost which is getting factored into projects. Second, there was a big increase in taxes with the VAT and SSC (Social Security Contribution Levy) coming in, which is 17.5%. With all these, I think housing prices went up 50 to 60%. In the last year it's been difficult because people's income has not increased and the country was in a relatively chaotic situation. But I see signs of recovery happening and price adjustment following so the market would eventually catch up with that. I don't believe prices will come down, but prices will adjust to the new level.

“Most of our buyers are Sri Lankan. A large part of them I would say about 60 to 70 % is Sri Lankan. We have quite a bit of Sri Lankan expats and I think maybe five to ten% of foreign buying. We expect foreign buying to increase, particularly, in projects such as the Cinnamon Life which is unique. They are kind of once in a lifetime projects

Q. How about the office complex?

A. We have sold some floors and have now got HCL in a landmark transaction which we announced about a year and a half ago. They occupy a good chunk of the building and are on lease.

Q. Cinnamon Life complex includes a gaming facility and this is a topic talked about much in the media. We have noticed that you are trying to attract international gaming operators to the Cinnamon Life project. What is the situation?

A. We are anyway developing the facility and would lease it out. Yes we are discussing with

Q. You mentioned the high construction cost and rupee fluctuations which affect the property market. What were your strategies to manage these challenges?

A. I would say two things. One is John Keells is a very strong company with a disciplined management and governance. We are disciplined in planning. Exceptional planning is number one. Number two is an exceptional team. We have an amazing group of people that has

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kind of hunkered down and got us through the crisis. We were at the peak of everything going on. I'm really proud of my team for getting us through it all. I have to add that there are dark periods when people panic. I believe the dark periods are now coming to an end. We have studied it to plan beyond these cycles. Now inflation is decreasing, interest rates are coming down but taxes are again quite high, perhaps as they should be. Once again real estate becomes a really good venture to invest. If you look at the city, we are still far behind the region in terms of high density condominium development. That fundamental will shift, it's only a question of time. I think we've lost a couple of years but there will definitely be a catch up.

Q. What is your projected contribution to John Keells group from the property industry?

A. You have to wait and see because we have lots of things obviously in the pipeline. Cinnamon Life will open and we'll have things happening there, which hopefully would have big contributions. In the new project pipeline there is much that we are working on, and starting. It would be quite big, but wait and see.

Q. What about the current situation of the Tri-Zen project?

A. It's doing very well. We're about 75% sold and about six months from completion. It's been received exceptionally well in the market. I think it's going to be another game changer for Colombo.

Q. What do you have to say to the shareholders of John Keells Holdings PLC as the president of one of the main industries managed under the group?

A. Well, good things. I think I would say thank you for being patient. Good times are ahead. Just keep at it for now. There's a shining light at the end of the tunnel. I'm very optimistic about that.

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HNB Deputy General Manager – Retail Banking Group Sanjay Wijemanne (fifth from left) and Home Lands Group Chairman and Managing Director Nalin Herath (fifth from right) exchanging the MoU in the presence of (from left): HNB Mortgage Advisor Rajika Nishantha, HNB Manager – Home and Personal Loans Sampath Dodanwela, HNB Manager – Personal Financial Services Asitha Fernando, HNB Assistant General Manager – Personal Financial Services Kanchana Karunagama, Home Lands Group Director Harshani Herath, Home Lands Group Director – Operations and Administration Lanka Jayasinghe, Home Lands Skyline Director – Legal Nimali Gunasekera, and Home Lands Skyline Manager – Bank Loans Harsha Herath

HNB, Homelands Skyline renew partnership to offer attractive housing loans for prospective homeowners

CATERING to the increasing demand for urban living, Sri Lanka's leading private sector bank HNB PLC, renewed its longstanding partnership with property developer and real estate giant Homelands Skyline, to offer prospective homeowners a range of advantages and preferential rates.

Customers can make use of this promotion, applicable across its comprehensive apartment portfolio, until the end of 2024. HNB Deputy General Manager – Retail Banking Group Sanjay Wijemanne and Home Lands Group Chairman and Managing Director Nalin Herath were present at a ceremony held to renew the partnership at HNB Towers.

“Despite the challenges created by the global pandemic and economic downturn, the outlook for the real estate industry in Sri Lanka remain positive for 2023. The industry has been resilient in overcoming the many challenges, and continued to flourish offering numerous investment opportunities for real estate enthusiast and prospective homeowners.

As such, we are delighted to renew our long-standing partnership with Homelands Skyline to offer our mutual customer base with the best options in the market,” HNB Assistant General Manager – Personal Financial Services Kanchana Karunagama said.

Under the tripartite agreement with the developer, HNB home loans will now be accommodated for their existing projects, including Canterbury Lexus – Golf Resort Apartments in Kahathuduwa, Canterbury Golf Villas in Kahathuduwa, Elixia 3C's in Malabe, Santorini Resort Apartments & Residences in Negombo, Greendale Retirement and Residences in Athurugiriya, Cressida in Athurugiriya, and their upcoming project in Wadduwa.

Delivering maximum value to its customers, HNB will provide convenient and flexible repayment options tailor-made to their budget. The bank further offers doorstep mortgage advisory services via its dedicated agents, who will assist customers with all legal documentation needed for the facility.

To accommodate the above offer, all home loans will be granted with a minimum grace period of one year, with the application procedure streamlined by HNB's state-of-the-art back-end processes to ensure a remarkable three-day loan approval period, ideal for customers relying on a speedy response to their loan applications.

“Homelands Skyline has always dedicated itself to providing prospective homeowners with the best residential options for their needs. To this effect, our continued collaboration with HNB is a testament to their outstanding support and facilities in this market. Together, we hope to provide housing solutions to address this gap, and continue to drive Sri Lanka's housing sector's growth,” Home Lands Group Chairman and Managing Director Nalin Herath said.

Furthermore, the developer will bear monthly interest of Home loans considered under this promotion for up to a maximum period of one year for all clients.