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The Next Real Estate Wave – Invest in ‘Proper Real Estate’

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“Fearful when others are greedy and greedy when others are fearful”

Warren Buffet

Interest rates are being lowered as we speak. 50 basis points reduced in August 2019. The interest rates are to dip further. The requirement of the Central Bank is to spur economic growth, thus lowering interest rates to single digit numbers. This was long overdue. The Sri Lankan economy has been plagued with high interest rates since 2016. In order to add fuel to fire, new taxes have crippled the economy. Many businesses are recording losses, and some have even resorted to close down their businesses. The final nail on the coffin was the Easter Sunday attacks followed by insecurity and political instability.

Nonetheless, today people see a glimpse of hope with the emerging elections in a couple of months. Therefore, we witness a reawakening of the economic environment. However, fear still prevails within the environment. The question is whether we should invest? Should we wait for another couple of months? Should we wait?

Following the simple premise of Warren Buffet, it is the time to invest. If one is to capture a wave one should invest right now. In an environment where security is being strengthened, interest rates are dropping, and political stability is around the corner why delay your investment. Some have already commenced the process of investing in ‘proper real estate’. The term I coined as ‘proper real estate’ is investing in lands and housing units located in ‘boom pockets’ within a specific area.

In this investment process, potential investors speak about annual increments in value. Let me take you back, the investment environment since 2016 has not been the best, but then again have you lost out on investing in proper real estate such as lands and houses? The simple answer is no. Then when the environment is about to become favorable, why don’t you see the greater upside? These are critical points one needs to take into consideration.

In addition, a number of research papers have shown that increment in property prices in the suburbs of Colombo District has been in the range of about 15% to 18% per annum since 2016. I would like to add at this point that in some ‘boom pockets’ within the suburbs of Colombo District has been closer to 35%. Therefore, again I would like to state why not move toward those boom pockets.

For instance, my company has completed a number of projects in Homagama. When one compares entire Homagama and a specific ‘boom pocket’ that we operate in Pitipana Homagama, we see the serious upside in return for the buyer or investor beyond the standard norms of 15% to 18% per annum. Therefore, these factors from the ground level show us the serious potential within the market and what the future holds.

With the above in mind, make use of the opportunity that is available at present and capture the wave before the wave is too high!

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