REAL ESTATE DEVELOPMENTS WITHIN A GREEN ENVIRONMENT

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AIMING HIGH

Sri Lanka, an island of some 65,620 sq. km and a population of 21 million, has traditionally maintained human development indicators that are comparable with those of advanced countries with literacy rates exceeding 92 percent. The economy measured in terms of per capita GDP has always led the pack amongst South Asian economies and the post war (2009) performance has further propelled the island economy into middle-income status. In 2014 GDP per capital stood at US\$3,625 and Sri Lanka has had renewed support of its political reforms from all parts of the Western world as well as India.

y 2016, the island is expected to reach the status of a 'high-middle-income-country' like Malaysia or Thailand. Consequently we have witnessed an increase in the island's prosperity as measured by the Global Prosperity Index with both local and returning expats contributing to the economic revival. Prevailing trends include a hike in the importation of luxury vehicles, a rise in overseas travel, large numbers entering privately funded education including universities in the West and the entry of a large number of up-market brands into the retail sector.

With the economy growing at an average of over 7.2% since 2009, the island's real estate sector has enjoyed consistent growth underpinned by double-digit growth (2013) in the construction sector. In 2014, the construction sector grew by 20.2 percent as compared with 14.4 percent in 2013.



Source: The Ceylon Chamber of Commerce (2015)

In addition to housing, growth in the construction sector has been spurred by ongoing expansion projects at the port, the rolling out of several expressways and major urban infrastructure projects over the past five years. However, in 2015 there has been a reported slow-down in construction sector activities and we can expect to witness some cooling off on this impressive growth rate. In 2013, the construction sector was valued at Rs.894,683 million (almost \$7 billion) in the National Accounts.

Whilst regional disparities remain across the island in terms of growth rates and share of GDP, it is clear that the Western Province dominates the economic landscape according to the latest data.



As a result of the geographic economic landscape we can note that the growth in almost all real estate market segments has tended to be concentrated in the Western Province with the Colombo district receiving the lion share of investment for high-end residential housing, commercial buildings, retails malls, serviced apartments and hotels. The outstation districts have witnessed developments in the middle-income housing market as well as a significant expansion in hotels and resorts, with beach front properties gaining significantly in price. The only luxury apartment projects of note are the Fairway project in Galle and the Dynasty development in Kandy.

GOING GREEN ?

According RIU's primary surveys, concepts of green environments and low carbon footprints are important to residents of condominium dwellings. They also claim their willingness to pay an additional premium for green buildings and are aware of long term energy savings.



Sri Lanka has some track record of innovation in green buildings. For example, local experts on Energy and Buildings from Morotuwa University were involved in the highly acclaimed Brandex LEEDS Platinum project. One available option to pursue a green building structure is to use the technology offered by the 'building-blocks' construction companies. This approach uses cold galvanized steel under a building-block approach that can expedite the construction process by up to two years, thereby minimizing the environmental impacts.

However, there may be unforeseen risks. Prof. Nanda Munasinghe is currently researching corrosion and it points to a direct relationship with the distance from the sea. Coastal area is defined as 1-3 km from sea. However, there are other factors that include oxygen, humidity, water / rainfall, wind and sulfur dioxide that affects corrosion rates. Sri Lanka has high humidity and high wind and rainfall due to having two monsoon seasons. Therefore, by international standards, Sri Lanka has a higher propensity for corrosion of steel.In this regard, any deviation from tried and tested methods of construction will need to consider the unique atmospheric conditions of the island.

The older buildings like the Grand Orient Hotel are over engineered with large beams and columns. By contrast, some of the modern buildings seem to cut it fine according to Prof. Nanda. Therefore, a small amount of corrosion could have a signification impact on the load bearing capacity.

Nevertheless, the green approachis gaining popularity world-wide and it can also be incorporated with the Smart Building concept to maximize synergies between energy efficiency and technology.



In conclusion, we can note the Sri Lanka has a long tradition of living in harmony with nature and our old architecture can be an inspiration for the new and emerging mega developments that are being erected in and around the Capital. Research also points to a good level of market interest in green technology so it is hoped that more developers will meet this demand.

FACTORS INFLUENCING MOVMENT TOWARD GREEN	TANGIBLE INDICATORS OF CHANGE
High literacy rate in Sri Lanka, educated people, realize long-term advantage of going green and dangers of climate change	 Rapid rise in hybrid vehicle imports Army makes green tests mandatory for its entire vehicle fleet Japanese electric trishaw producer enters Sri Lankan market Chinese firm enters electric cycle market
Highest energy cost in the region	 Significant hydro-power generation component in national grid and continual investment in min-hydro power with private sector Sri Lanka has a target of increasing non-conventional renewable energy to 20 percent by 2020 from the current 10 percent Rapid rise of solar panel use and companies providing solar power technology
Cultural and traditional love of eco-friendly environment and nature	 Popularity of nature tours amongst both locals and foreign tourists
Increasingly becoming fashionable	 Recent increase in cycling and the number of high-end cycle shops in Colombo
Recognition of a socially and environmentally responsible individual and corporations	 Rise of CSR and Sustainability Reporting amongst all the top Corporates Forty private sector entities collectively spend Rs.4 billion annually on CSR programs across this nation Movement towards steel based construction and construction material Record number of entries for Ceylon Chambers sustainability contest Several banks have started extending special terms for green projects

For information about the RIU Real Estate Market Report 2015, email roshan@riunit.com