

Dear Esteemed Client

On behalf of the Prime Pillar Team, we wish you all a wonderful year 2023.

Lockdowns due to Covid 19 affected many economies and recovery cannot be expected to go at an accelerating rate coupled with the Russia-Ukraine war. More so, major economies expected to tip into recession. By contrast and as often said “le malheur des uns fait le bonheur des autres”, countries aggressively exporting commodities are mitigating the negative effect Covid 19 brought along.

It is not a secret that globally inflation is on a galloping trend with Central Banks acting aggressively and it could be that the “rising interest rate trend” is not yet over.

What the observations are locally excluding public infrastructures which has been on the move and was not severely affected mainly with the development of metro lines are as follows:

- **Effect of Rising Interest Rates on Real Estate Investment:**  
There will be a direct implication on the demand for loans as mortgages are dependent on income and repayment capacity. However, we foresee that investors will reduce considerably the size of development to be able to venture in a new construction. Coupled with an increasing Construction Price Index, this will make the situation even worse.
- **Increasing Cost of Construction:**  
This is a direct effect of the supply chain issues, and, on this matter, there are indications that we may head towards a relatively less turbulent market as it has been over the past 12 months with a kind of stability that may happen in the second quarter of the year, taking into consideration that China has opened its borders again and prices will become competitive.
- **Dilution in the Commercial Properties:**  
With a massive new shopping mall opened in December 2022 and taking into consideration the critical mass of users, it is evident that the commercial properties mainly shopping malls will face a dilution as the market share will have to be shared. If no appropriate corrective measures are not taken by the operators, we may experience a high rate of tenant turnover.
- **Office Sector:**  
We do not have an official index locally focussing on the rate of rental per FT<sup>2</sup>, but our assessment shows a ranging rate of Rs. 40 to Rs. 60 Per square foot in primary regions with some exceptions where CPI has been applied over the years. However, there have been many cases where rates were renegotiated during the pandemic. In the same breath we should not neglect the aspect of “work from home” which is costing enterprises less in terms of office rental. By ricochet, demand has taken a hit and we have some office blocks in primary regions with a low rate of occupation. To our opinion this may be for a short term

if we consider operators bidding on tenders and the time taken to complete formalities for building possession is not straight forward.

- **Real Estate Projects:**

Despite the fact of a slowdown noted during the past two quarters, we have observed an increasing interest in projects across the country; the main reason being the “economies of scale” is proving to be a good tool to fight against an increasing cost of construction. We are quite confident that from a development perspective, this year the growth will have an important impact in the GDP contribution.

### Prime Pillar’s Involvement:

We are pleased to announce that the Prime Pillar Group after a complete rebranding last year following nearly eleven years of presence on the market is now operating with the following clusters:

- Prime Pillar Valuation Services Ltd- providing an independent valuation service to most of the local financial institutions with a constant growth in our market share.
- Prime Pillar Ltd- will be as from this year acting as the development arm of the group in terms of Real Estate Projects. Projects launched at this early stage of 2023 is Cosy Garden 6 at Flic en Flac will be sold under the VEFA structure. Project is expected to be handed over in February 2024. Couple of more projects will be announced in the second quarter of the year.
- Prime Pillar Holdings Ltd- the company was incorporated last year with the acquisition of a plot of land in the L’Avenir Smart City where our head office will be built soon; with opportunities of rental that we will provide in the building. More details will follow soon.
- Prime Pillar Property Management Services Ltd- this is being set up to cater for Syndic Management as over the years, we have accumulated an interesting number of completed residential units.

***The Prime Pillar team seize this opportunity to thank all our trusted clients that have stood by us since our inception.***



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