



# SOCIO-ECONOMIC ANALYSIS OF REAL-ESTATE VALUES FOR MIDDLE CLASS

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in the local markets – in terms of entertainment, travel and, importantly, real estate markets – which bring in the potential for economic development within the country that can eventually reach a global level.

In the global picture of economy, with only 0.63 million people with the capacity of spending more than (PPP) US \$ 10 per capita per day by 2002 – which had increased only by 30 percent by 2010, reaching a figure of 0.82 million people – Sri Lanka can barely bring about a substantial influence on global economy.

The Household Income and Expenditure Survey 2009/10 reveals that only a portion of 4 percent of the population is shared by the middle class, of which most spend just above (PPP) US \$ 2 a day per capita. Interestingly, the global middle class tends to indicate earnings just above (PPP) US \$ 10 per day per person, with a slightly small proportion in it earning even more than that.

Hence, the Sri Lankan global middle class, as opposed to the local middle class, has the potential of making considerable changes in the internal market, provided that quality and standards of living is maintained and developed. Real-estate market serves well for the prospect of opening the doors for the global middle class consumers. Real estate products, categorized into residential,

Sector	Share of income			
	Richest 20% (%)	Poorest 20% (%)	Middle 60% (%)	Poorest 40% (%)
Sri Lanka	52.1	4.7	43.2	13.9
Urban	51.1	5.3	43.7	14.6
Rural	51.7	4.7	43.6	14.0
Estate	49.6	5.7	44.7	15.9

Household Income and Expenditure Survey, DCS - 2009

commercial, industrial, public and special purpose, include not only plots of land, buildings and improvements but also consequential rights signified by such real-estate components. Real-estate carries the characteristic of influencing and manipulating consumer behaviour in this market, for the benefit of the local economy.

The immovability if real-estate product, unlike other products, makes the real-estate market limited to a certain area. However, one of the fundamental influences on buying real-estate is held by the 'lifetime' of the land; the facts that it is indestructible, permanent for generations, renewable and, most importantly, re-tradable, make a consumer realize the value and advantage of having ownership of real-estate, compared to other commodities such as vehicles, clothing and food. In case of real estates, it is very unlikely

that the final product becomes inappropriate or unprofitable, due to problems in choice.

However, determining factors still exist in relation to different aspects of real-estate, since the requirements and proposes of such investment differs from person to person. Cost is one of the primary factors that play a decisive role in the real estate market. Since a Real estate product involves large economic units, financial arrangements, clarity and additional costs influence purchase decisions enormously. In this regard, the future value of the property is also considered pivotal, as it is significant in determining the monetary value as well as the property value. Where money value is depreciating, as it often does in course of time and with the fluctuations in the economies, purchase of real-estate remains one of

the advisable investments and/savings plans.

Similar precision is required regarding the infrastructure facilities such as water, electricity, accessibility, sanitation and other features like environment, architectural design, transportation the like. These are indispensable perquisites that often affect, control and shape the market value of real-estate as well as purchase decisions. These features particularly matter in buying residential real-estate property, since family-oriented purchases of real-estate presuppose tranquil livable locations, quality and durability of design and construction and neighbourhoods that preserve and sometimes promote the occupiers' dignity and social status.

The percentage share of income received by the poorest to richest households by sector has given

below and according to the data the basic way to understand the income inequalities is dividing the population into income quintiles and calculated at each quintile. When the poorest 40 percent or the first 2 quintiles are considered, the corresponding figure was 13.9 percent and the middle class is the first highest sector according to the percentage.

Hence, openings real-estate products in the market with the required socio-economic standards, alongside the facilities and infrastructure, adequate and appropriate enough to satiate the needs of global middle class consumers, can create observable surges in the local and global economies. Such attempts not only increase the capacity of spending, but also motivate the will and need to increase the capacity of earning.

However, any attempt for such economic expansions with the involvement of the global middle class is possible only through meticulous attention extended towards improving physical and social infrastructure in the country. Disregarding the importance of these factors will not only constrain potential economic growth, but also, in the long term, sterilize the entire economy of the country.

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led by the belief that the strength and immensity of the middle class consumers contribute to a sustained economic growth and development, the middle class consumers have brought into sharp economic focus in recent times. The size and wealth of the middle class being proportionate to its power over the economy and governance structures has made these two factors decisive indicators of growth and development of an economy.

What is inevitable with the rise of the middle class consumers is the advancement of purchasing power, which – as Homi Kharas and Geoffrey Gertz, Senior Fellows of Brookings Institution, states – in India, by 2030, will reach (PPP) US \$ 13,000 billion, with the title "the top middle class consumer", dragging the US to the second place.

On the contrary, Sri Lanka's capacity to make at least a slight impact on global level consumption patterns is hampered as its GDP is 3 percent that of India's in 2010. Nevertheless, the Sri Lankan global middle class paves the way to make enormous and crucial changes