

COMMODITIES

TEA-Prices Decline

Tea prices continued to fall through the first three months of 1986 and at the March 30 auction in Colombo average prices were less than half of those of 1984. The lowest gross sales average for the year was Rs. 29.04 per kg recorded on Jan 28 and brokers feared that prices could dip still further. Low grown have been mainly responsible for keeping averages from falling below Rs.30 per kg.

GROSS SALES AVERAGE(Rs/kg)

At Colombo Auctions on March 30
Elevation 1986 1985 1984

(Grown)

High	31.14	43.63	71.51
Medium	26.57	39.83	62.05
Low	31.35	47.82	62.89
TOTAL	30.08	44.10	65.45

RUBBER - Market Firm

The rubber market in Colombo enjoyed high prices in March as well and prices of latex Crepes in 1986 were Rs.4-5 above those of 1985. Sheet rubber prices also showed increases of /50 to Rs. 1/- per kg. Most big shippers were cautious and watchful, partly influenced by prevailing high prices;but prospects of increased production in the coming weeks had triggered easier offers in the latter part of March.

AVERAGE PRICES BY MARCH 15

At Colombo Auctions(Rs/kg)

SHEET RSS	1986	1985
No.1	16/18	15/69
No.2	15/85	15/16
No.3	15/42	14/56
No.4	11/97	14/15
L.CREPE		
No. 1X	21/54	16/45
No.1	21/44	16/15
No.2	21/13	15/62
No.3	18/40	14/60

URBAN DEVELOPMENT

Land Value Fluctuations around the City of Colombo

The prices of land in and around the Colombo City have witnessed a steep increase after 1977. This period has also witnessed a five-fold increase in money supply with the introduction of a free market economic policy, a floating of the rupee against other currencies, various incentives offered for savings through state patronage, proliferation of employment opportunities in the Middle East, the increasing development of the gem and the services sectors and general expansion of business activity. All these factors appear to have either directly or indirectly contributed to the rise in land and property values. An essential service and facility for the growing economic activity and pressure on space during the last few years has been an active property market and construction sector. The result was the appearance of an active invisible land and property market in the city of Colombo and the suburbs. After 1977 the land and property sales market in the city and suburbs has been operated largely by real-estate agents. There is also evidence of the establishment of mushroom type real-estate agencies around the city which have ventured into construction of dwelling houses for their customers on an easy payment basis. As seen in the price fluctuation pattern of land and property it can be concluded that there seems to have been two phases over which these changes have occurred: firstly from 1978—1981; and the other period after 1981. It may be noted that there was a rapid increase in land prices according to price trends in the 1978—1981 period. The following table gives a sampling of land prices on the outskirts of the city over the eight year period 1978—1985 (Table 1)

According to the data given in this table the lowest price recorded (Rs. 600 per perch) was in Battaramulla and the highest price recorded (Rs. 4,500 per perch) was in Nawala, in the year 1978. In 1979 the lowest minimum price (Rs. 1,000 per perch) was recorded in Battaramulla, Kiribathgoda and Kotte, while the highest price (Rs. 8,000 per

perch) was recorded in Nawala and Dehiwala. The increase in these two years was gradual but from 1980 there appears to be a rapidly increasing tendency in land and property values. In 1980 minimum prices still remained (around Rs. 1,500 per perch) in Kiribathgoda and an extraordinarily high maximum price (around Rs. 20,000 per perch) has been recorded in Nugegoda.

In the year 1981 there seems to be a tendency towards an increase in land and property values when compared with the previous years. From 1981 onwards this trend continues with the lowest minimum price (Rs. 2,000) recorded in Kiribathgoda and the highest maximum price of land (Rs. 25,000) being recorded in Nugegeda. In the other areas mentioned in Table 1 there has been a generally increasing trend in prices although there have not been any significant increases or decreases over the period upto then.

Table 2 shows the tendencies in the increase of land prices experienced during the period 1978 to 1985 outside Colombo City.

The information in Table 2 reveals some important indicators regarding the increase in land values. In the year 1979 the highest increase in the minimum price of land was recorded in Ratmalana, which amounted to 150 percent compared to the previous year. The highest increase in the maximum price of land was recorded in Dehiwala amounting to 100 percent.

In other areas there was a general tendency towards increase in values. The most significant year was 1980 in regard to the increase of land prices when compared to the previous year (1979) and the following year (1981). A 33.3 percent increase was recorded for the minimum price, and a 185.7 percent increase was recorded in maximum prices; both in the Nugegoda area. The other exceptional feature was the increase of prices in the Kotte area, where in that year (1980) the increase

TABLE 1
FLUCTUATIONS OF LAND PRICES FROM 1978—1985
(PER PERCH IN RUPEES)

Name of Zone	1978		1979		1980		1981		1982		1983		1984		1985	
	Mini	Maxi	Mini	Maxi	Mini	Maxi	Mini	Maxi	Mini	Maxi	Mini	Maxi	Mini	Maxi	Mini	Maxi
Nugegoda	2,500	4,000	3,000	7,000	4,000	20,000	5,000	25,000	7,000	25,000	6,500	30,000	7,000	30,000	7,000	30,000
Nawala	2,000	4,500	3,500	8,000	3,500	12,000	4,000	13,500	8,000	20,000	8,000	15,000	8,500	15,000	8,500	14,500
Ratmalana	1,000	3,500	2,500	6,500	3,500	9,500	4,500	12,000	4,000	12,000	4,500	14,000	6,000	15,000	6,000	15,000
Dehiwala	2,500	4,000	3,000	8,000	3,500	12,500	3,500	15,000	6,000	15,000	6,000	15,000	7,500	15,000	6,000	15,500
Battaramulla	600	2,500	1,000	3,600	2,000	6,000	2,500	7,000	2,500	7,000	3,000	7,000	3,500	7,000	4,000	7,000
Maharagama	1,000	2,800	2,000	4,000	2,500	1,000	3,000	12,000	3,000	12,500	3,000	14,000	5,000	15,000	5,000	15,000
Kiribathgoda	700	2,000	1,000	2,500	1,500	6,000	2,000	10,000	2,000	12,000	2,000	12,000	3,000	12,000	4,000	12,000
Kotte	800	2,000	1,000	2,000	2,000	10,000	5,000	12,500	4,000	14,000	5,000	14,000	6,000	14,000	6,000	14,000

Source:

- (i) Land Value Changes 1977 — 1981, with special reference to Kotte area — M. Jinadasa A People's Bank, Research Department Publication (1981)
- (ii) Information obtained from Real Estates Agents in and around the city of Colombo.

TABLE 2
PERCENTAGE PRICE FLUCTUATION OF LAND VALUES
(1978 — 1985)

Name of Zone	1979		1980		1981		1982		1983		1984		1985	
	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year	Percentage of increase over previous year
	Increase of mini.	Increase of maxi.	Increase of mini.	Increase of maxi.	Increase of mini.	Increase of maxi.	Increase of mini.	Increase of maxi.	Increase of mini.	Increase of maxi.	Increase of mini.	Increase of maxi.	Increase of mini.	Increase of maxi.
Nugegoda	20.0	75.0	33.3	185.7	25.0	25.0	40.0	---	- 7.1	20.0	7.6	---	---	---
Nawala	75.0	17.8	---	50.0	42.9	12.5	100.0	48.1	---	- 25.0	6.2	---	---	3.3
Ratmalana	150.0	86.7	20.0	42.1	5.0	26.3	- 11.11	---	12.5	16.6	33.3	7.1	---	---
Dehiwala	20.0	100.0	16.7	56.3	---	20.0	71.4	---	---	---	25.0	---	- 20.0	3.3
Battaramulla	66.6	44.0	100.0	66.7	25.0	16.7	---	---	20.0	---	16.6	---	14.2	---
Maharagama	100.0	42.9	75.0	150.0	20.0	20.0	---	4.1	---	12.0	66.6	10.7	---	---
Kiribathgoda	42.9	25.0	50.0	140.0	33.3	66.6	---	20.0	---	---	50.0	---	33.3	---
Kotte	25.0	---	100.0	400.0	150.0	25.0	- 20.0	12.0	25.0	---	20.0	---	---	---

* Fluctuation of land prices percentage computed according to the absolute figures given in Table 1.

in minimum price recorded was 100 percent and the increase in maximum price recorded was 400 percent, when compared to the previous year. An increase of 400 percent was the highest recorded value over the entire eight year period of 1978—1985. The tremendous increase in values (experienced in the Kotte area) was mainly due to the implementation of the Sri Jayawardenapura-Kotte Development Project.

The steady increase in land prices from the year 1981 and onwards seems to be a regular tendency in the pattern of prices, according to data in Table 2. From 1982 and after, however there was a slowing down in fluctuations of prices, according to this table, with the increase or decrease in land prices being rather slight. But in the year 1984 there is again a significant trend with an increase observed in minimum prices of

land values in all areas observed. This implies there was a possible scarcity of land for dwelling houses in the city and greater pressure on land in the suburbs, as the land values depend to a large extent on the location factor.

(There were five exceptions, however, from 1982: where decreases were recorded against the minimum prices of the previous year in 1982 at Ratmalana, 1983 at Nugegoda and 1985 at Dehiwala; and against maximum prices in 1983 and 1985 at Nawala.)

Observing the data in these two tables together it could be concluded that by 1982 land value changes in the suburbs of the city were more or less constant, though overall prices kept moving upwards in keeping with the general inflationary trends in the economy.

Prior to 1980 the construction sector had grown at an unprecedented pace.

and according to the Central Bank this sector's real growth rate had been 28 percent in 1978, 20 percent in 1979 and 11 percent in 1980. But this momentum could not be sustained and by 1981 the growth rate fell to a negative 3 percent, and in 1982 and 1983 it recorded a further negative real growth rate. Again, in 1984 real output in the construction sector declined marginally. In seeking the reasons for this slowing down in pace of construction activity from 1981 onwards we find two main reasons, namely, the escalation in costs of building materials (arising from a slow supply response to demand), and the high costs of buildable land. The overall impression that emerges from this survey, however, is that land and property values fluctuate together with movements in other factors in the economy.

M.J.