Recent Trends in Land Values in and Around Colombo

Sri Lanka witnessed a construc tion boom and a resultant un precedented increase in land and property values during the post liberalization period (1978-1985), mainly due to the proliferation of construction activities in and around Colombo City. During this period the prime market for land and property was mainly concentrated in the Colombo City and metropolitan areas such as Nugegoda, Nawala, Ratmalana, Dehiwala, Battaramulla, Maharagama, Kiribathgoda and Kotte. Table 1 shows the minimum and maximum prices per perch while Table 2 illustrates minimum and maximum percentage increases recorded during that period.

As shown in Table 1, during 1979 the lowest minimum price of Rs. 1,000/= per perch was recorded in Battaramulla, Kiribathgoda and Kotte areas and the highest price of Rs. 8,000/= per perch was recorded in Nawala and Dehiwala areas. From 1980 onwards there appears to be a rapid increase in land and property values ranging from Rs. 1,500 per perch in Kiribathgoda and exceptionally high price of Rs. 20,000/= per perch in Nugegoda area. (see Table 1) The fluctuation of land values during the period 1978 to 1985 is shown in Table 2. The highest increase in land price was around 100 per cent in Dehiwala. During this period a 33.3 percent increase was recorded in Nugegoda. The other exceptional feature was the increase of land prices by 100 per cent from 1979 to 400 per cent in 1980 in Kotte area. An increase of 400 per cent in Kotte area was the highest land value recorded during this period (1978-1985). This was mainly due to the implementation of Sri Jayawardenapura Kotte Development Project. (see Table 2)

The Current Market

Hardly any policy changes were introduced in the country with regard to the land and property sector since 1987. A survey was conducted by the Research Department of the People's Bank in 1999 in order to find out the prevailing trends in the land/property market. In addition to areas covered in our previous study conducted in this regard in 1982 an attempt was made in the present study to cover the emerging property markets in the new areas such as Gampaha, Pugoda, Wattala, Hanwella, Horana and Panadura. Our previous study at the initial stage of the upsurge in the land prices indicated that during the early 1980's period there was a trend for preferring plots of land for residential units towards the southern parts of Colombo City and along the High Level Road upto Homagama. The market was heavily concentrated in the areas such as Nugegoda, Nawala, Ratmalana, Dehiwala, Battaramulla, Maharagama and Kotte etc.

The overwhelming preference showed by buyers towards purchasing lands along High Level Road, Galle Road and the Southern parts of the Colombo City during the first decade that followed liberalization shifted towards other surrounding areas during the 1990s. During the period of 1987-1999 a remarkable upward trend in land prices have been observed in the Northern and North Eastern parts of Colombo City along Kandy road, Negombo road and especially in Gampaha District. Areas such as Gampaha, Pugoda, Delgoda, Hanwella, Wattala, Ja-ela etc., emerged as new markets for the ever

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	6,000	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	6,000	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 Percentage of increase over previous year		1980 Percentage of increase over previous year		1981 Percentage of increase over previous year		1982 Percentage of increase over previous year		1983 Percentage of increase over previous year		1984 Percentage of increase over previous year		1985 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	7.8	....	....	....
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	58.3	....	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	68.8	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 I.*

increasing demand for land for commercial and residential purposes. The main reason attributed for this change was that prices prevailing along the Highlevel Road upto Homagama were now beyond the reach of the middle income earners. The comparatively affordable low prices prevailed at certain parts of Gampaha District and in the remote parts of Colombo District would have contributed for this change. The ongoing development activities in the Gampaha District during the last few years were another contributory factor for the increasing demand for land and properties in the Northern and North Eastern Regions of the Colombo City. Subsequent to the establishment of the Free Trade Zone at Biyagama and Minuwangoda areas and the resultant developments of infrastructure facilities demand for land for both residential and commercial purposes increased rapidly.

According to our present survey, following minimum and maximum prices (Table 3) were recorded in these areas. These prices were gathered and verified through interviews made with the land and property sellers who were operating in these areas.

Table 3

Minimum and Maximum Land Prices - 1999

Area	Minimum	Maximum
Gampaha	25,000 *	250,000 **
Pugoda	15,000	50,000
Delgoda	25,000	125,000
Kadawatha	25,000	350,000
Wattala	50,000	350,000
Kiribathgoda	100,000	800,000
Hanwella	25,000	125,000
Horana	30,000	200,000
Moratuwa	125,000	450,000
Panadura	30,000	400,000
Nugegoda	300,000	1,250,000
Nawala	250,000	800,000
Ratmalana	150,000	650,000
Dehiwala	200,000	800,000
Battaramulla	250,000	1,000,000
Kotte	250,000	1,000,000
Maharagama	200,000	850,000
Homagama	250,000	350,000

Source : Field Survey

* Prices prevailing in the remote/ uncongenial areas

** Prices prevailing in the commercialized/ urbanized/congenial areas

The above data indicate that higher levels of land prices in the areas such as Nugegoda, Nawala, Dehiwala, Ratmalana, Maharagama and Kotte in our previous survey persists todate. In contrast, the prices in other areas in Northern Region and North Eastern Region of the Colombo City remains comparatively at low levels than areas mentioned above. Accordingly the preference for land ownership has been changed from the Southern Region of the Colombo City towards the North and North Eastern Regions. However, there seems to be sharp increase tendency in land prices in these new areas when compared to the prices of the previous years. We also observed an unprecedented increase in land prices in the Colombo City areas under the current survey. Table 4 depicts this situation.

Table 4

Land Prices - Colombo City - 1999

City Area	Minimum	Maximum
Borella	700,000	2,000,000
Pettah	1,000,000	5,000,000
Wellawatta	550,000	2,500,000
Maradana	550,000	2,500,000
Union Place	800,000	2,500,000
Cinnamon Gardens	1,000,000	4,000,000

Source : Field Survey

It reveals that the recorded average minimum and maximum land prices in the areas coming under Colombo City limits were remained around Rs. 766,600/= and Rs. 3,083,000/= respectively. In 1987 the minimum price of a perch of land was around Rs. 30,000/= and maximum price was around Rs. 300,000/= in Colombo. Accordingly the average minimum price of a perch has been increased by 2,555 per cent and maximum average price has been increased by 1,027 per cent during this 12 year period. The annual average minimum price was 212 per cent and maximum average increase was 85 per cent. Within the city of Colombo there are differences in the price of land in the Central Business District (CBD) of Colombo 1,2,11,12,10 new business areas of Colombo 4 (Bambalapitiya), Colombo 6 (Wellawatta), Colombo 3 (Kollupitiya) and prime residential areas of Cinnamon Gardens and Havelock Town, etc., which are higher than that of other areas in the city.

However several property dealers whom we had interviewed are of the view that, prices kept increasing marginally right through this period within the Colombo City despite a

Figure 1 **Minimum & Maximum Land Prices in selected areas of Western Province - 1999**

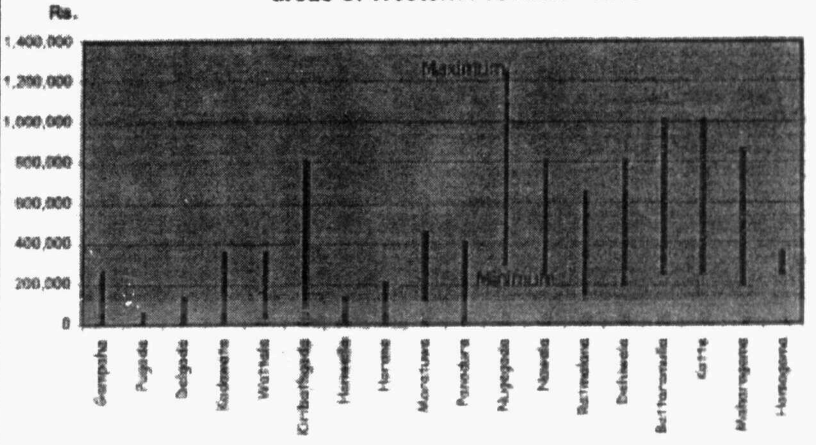

Figure 2 **Land Prices in selected areas of Colombo City 1999**

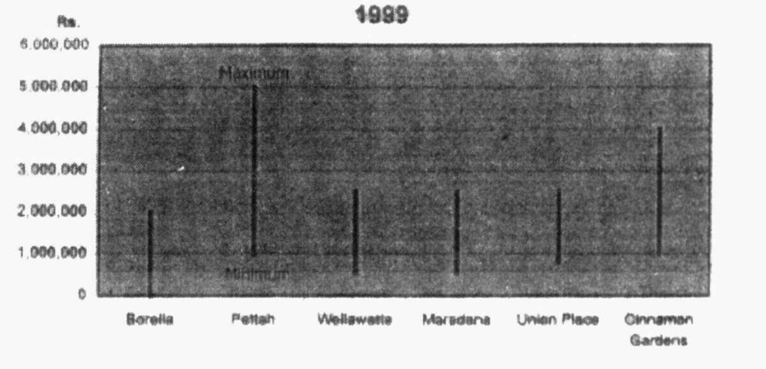

Table 5

Land Prices 1987-1999

Area	1987 Mini.	1987 Max.	1999 Mini.	1999 Max.	Mini. % Increase	Maxi. % Increase	Mini. Avg. Increase per year %	Maxi. Avg. Increase per year %
Nugegoda	10000	45000	300000	1250000	3000	2777	250	231
Nawala	12000	25000	250000	800000	2083	3200	173	266
Ratmalana	8600	30000	150000	850000	1744	2833	145	236
Dehiwala	8600	35000	200000	800000	2325	2285	193	190
Battaramulla	5000	15000	250000	1000000	5000	6666	416	555
Maharagama	7200	30000	200000	850000	2777	2833	231	236
Kiribathgoda	5000	18000	100000	800000	2000	4444	166	370
Kotte	10000	30000	250000	1000000	2500	3333	208	277
Colombo	30000	300000	750000	3500000	2500	1166	208	97

somewhat depressed trend observed in demand. The demand for land is not that encouraging compared to the earlier momentum, and as a result sales are moving in a slower pace. In this context, the land dealers are compelled to spend large sums of money to give wide publicity to their land or property sales/auctions. According to the findings of our previous studies in1987 and 1989, land and properties were purchased by people as a mode of investment. This phenomenon greatly influenced by large sum of black money circulated in that period and remittances from the Middle East. But the current indicators show that this trend has come to an end, merely because of the influence of restricted circulation of black money in the economy particularly after 1994. Another dominant feature is that the extra payments that have introduced by the Provincial Council as a access for land fragmentation. Most of the property developers are aggrieved by this imposition. These developments coupled with depressed demand for land and properties. This situation in the economy has compelled some property developers even to move away to other lucrative fields of business. However, people still tend to purchase land and properties for residential or commercial purposes. Table 5 illustrate the land price increases during the period from 1987-1999 in the areas covered our earlier study.

The above percentage increases clearly indicate that the increasing tendency in land prices are continued existed over that period while the moving tendency of sales of lands has been slowed down after 1994. The information illustrated in Table 4, 5 and figure 1 and 2 further revealed that the average maximum price increase of a perch of land in Colombo City was lower than the increases of average maximum prices of a perch in other areas.

M. Jinadasa, Research Officer,
People's Bank.