

FEATURES

THE BUSINESS PREMISES MARKET IN THE CITY OF COLOMBO A THREE YEAR REVIEW, 1981-1983

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There is a surplus in the total quantum of business premises available in Colombo city; this is one of the findings that emerges in a continuing study of the business premises market in Colombo city, being conducted by Professor Willie Mendis, Head of the Town and Country Planning Department at the University of Moratuwa and at present its Vice Chancellor. The broad objectives of this project is to determine the factors that influence the behaviour of the City's premises market and to facilitate policy formulation and planning of Colombo's urban development. This study which is the third in an annual series, shows that there is a continuing surplus in the total quantum of business premises in the city market, although in certain business categories and city locations there may be shortages. However, it maintains that such surplus stock of premises represents blocked capital which the city economy can ill-afford. As much as half a million square feet of business premises was available and advertised during a two month period; this feature was apparent in the previous two studies as well. The study recommends that the level of activity in Colombo's business premises market has to be enhanced and for this present urban development promotional measures will need to be more effective.

Background

Urban Development was included in 1979, as one of the three "lead projects" of the present Government in its efforts to steer the national economy towards progress. In this connection it devised several measures to promote development in the urban areas in a manner which yet granted prominence to Agriculture and the development of the rural areas. Consequently, there has been no mass migration of rural folk to the towns, although many of the latter have undergone substantial transformation in their physical and economic fabric. Thus, the country's commercial capital, Colombo city, comprises one such urban center where a large share of the conversion has taken place.

In the above context, a significant feature of Colombo's urban development process has been the growth and modernisation of its business sector. The latter in turn, has encouraged property owners, speculative investors, and property development companies, to construct, convert, and upgrade business premises for supply to the potential market. The behaviour of the business premises market hence comprises a vital aspect needing monitoring so as to ascertain many useful parameters which can be used in policy formulation

and in planning for Colombo's urban development. Such information is also useful to those responsible for the management of national resources, as the "construction sector" can only be productive if constructed premises are gainfully occupied by businesses not long after their completion. Vacant premises are not only an unaffordable luxury in a time of limited resources, but also an indicator of inadequately conceived design or wrongly diagnosed feasibility prior to project commencement.

In these circumstances, the study of the business premises market, particularly in the commercial capital of Colombo city, can offer findings which will be useful to Planners, Designers, Developers, and also the potential Customers of Premises.

The author originally undertook a research study of the business premises market in Colombo city in 1981. That study carried out during a two-month period, included a survey of advertised premises "wanted" and "available" in the English dailies. A similar study was repeated over a two-month period in 1982. A third study in an identical period has just been completed this year. The findings of the first two studies have been previously published in the ECONOMIC REVIEW. (1) This paper comprises the findings of the 1983 study and also contains a review of the market situation over all three years.

Purpose and Scope of Paper

The study of actual responses to policy measures in any development process is necessary for many reasons. It will enable alteration, mid-course correction, or even substantial revision of policies. In such a context, as previously mentioned the explicit declaration of Urban Development as a key means of Governmental and non-Governmental effort to promote overall development requires the study of its various processes initiated in the relevant segments. Hence this Paper represents an analysis of one such process involving the business premises market in Colombo city. Its purpose is to ascertain the changing characteristics in the size and distribution of the market, its current nature, and also the recognisable trends over the past three years. It has also attempted to determine the phenomena of market behaviour which can facilitate more effective planning intervention in Colombo city. The Paper is further aimed at generally contributing to the growing fund of knowledge in Urban Development in Sri Lanka.

As in the studies in the two previous years, this paper too has confined itself to the study of Business Premises only, and does not encompass the entire property market. Its coverage comprises Office, Commercial, Stores, and Unspecified types of business premises in the city of Colombo. (2) It has examined the demand and supply of floor space in these categories of business premises but has not included a corresponding analysis of their rentals and capital values.

Methodology of Study

The methodology employed in the current (1983) study is identical to that used in the two previous studies.

- (1) "Economic Review", a Publication of the People's Bank Research Department, Colombo; Vol. 7 Nos. 3/4 June-July 1981, pps 22-25, and Vol. 8/ No.4 of July 1982, pps 22-26.
- (2) Commercial includes Restaurants but excludes Hotels. The latter has not been considered as business premises in this Paper.

Thus the study has surveyed the public advertisements appearing in the daily Newspapers under "Wanted" and "Available" captions in the "Real Estate", "Business Premises", "House and Property" and other columns.

The Newspapers chosen for this study have been the "Daily News", "Sun", "Island", "Sunday Observer", "Weekend", and the "Sunday Times". These lead the

circulation among the English language Newspapers. As in previous years, a very large share of the advertisements in respect of business premises appeared in the "Daily News" and the "Sunday Observer". These two Newspapers have become the principal media for the property market.

The period of the study has been the two complete months of April and May 1983, comprising a total of 61 days. However it must be noted that none of the chosen Newspapers were published on two of these days (ie. 15 April; and 27 May). In addition, on another date (ie 14 April), only the "Island" and "Daily News" were published. Further, no advertisements with respect to business premises appeared on eight other days.

The floor area of the premises advertised as "Available" and "Wanted" have been compiled not only by the categories of the previously mentioned businesses, but also by their locational distribution as per the city postal zones.

In the above connection, the following factors have been taken into account in this study:

- i) repetitive advertisements have been identified and deleted from being used again.
- (ii) where multiple categories of businesses were being offered for use in the same premises, then only the first mentioned category was considered in the computations.
- (iii) where Houses were advertised as suitable for Business Premises,

1981

COLOMBO POSTAL ZONE	OFFICE				COMMERCIAL				STORES			
	Available Sq. ft.	%	Wanted Sq. ft.	%	Available Sq. ft.	%	Wanted Sq. ft.	%	Available Sq. ft.	%	Wanted Sq. ft.	%
1	4225	1.9	1300	2.13	NII	0	NII	0	NII	0	NII	0
2	76900	21.80	11250	18.70	5200	42.45	8000	55.60	4000	4.70	NII	0
3	61416	17.30	11500	19.20	100	0.86	6300	43.70	NII	0	NII	0
4	20400	5.76	NII	0	1800	14.70	100	0.70	2600	3.08	NII	0
5	12790	3.61	400	0.67	NII	0	NII	0	27500	32.40	NII	0
6	880	2.49	NII	0	NII	0	NII	0	NII	0	NII	0
7	27200	7.70	NII	0	NII	0	NII	0	NII	0	NII	0
8	17400	4.90	NII	0	NII	0	NII	0	NII	0	NII	0
9	NII	0.00	NII	0	NII	0	NII	0	NII	0	NII	0
10	63500	18.60	NII	0	850	6.94	NII	0	NII	0	NII	0
11	11200	3.17	NII	0	2600	16.30	NII	0	400	0.42	NII	0
12	NII	0.00	NII	0	NII	0	NII	0	NII	0	NII	0
13	19500	5.51	NII	0	NII	0	NII	0	NII	0	NII	0
14	14200	4.02	NII	0	NII	0	NII	0	27500	32.40	NII	0
15	10950	3.10	NII	0	NII	0	NII	0	11650	13.60	NII	0
Unspecified	3000	0.85	35,500	59.30	2300	18.75	NII	0	11360	13.40	5000	100.0
Total	353441	100%	59950	100%	12250	100%	14400	100%	84510	100%	5000	100%

then the floor area (where not indicated) was computed through estimations based on either the stated number of rooms or of the description provided (e.g. Annex)

- (iv) where multiple postal zones in the city have been requested by an Advertiser, only the first mentioned zone has been considered.
- (v) where premises have been offered for Business use with no category specified, they have then been classified under "Unspecified" in the study. In a similar way, where no postal zone has been mentioned, such floor area has been computed under "Unspecified Zone".

There are inherent limitations in the methodology chosen for this study. Thus, it deals only with the demand and supply of business premises as known through public advertisements placed in the relevant columns of the daily Newspapers. This therefore excludes the floor area also marketed through other means by "property brokers" or "estate agents". Further, the study has surveyed only the

English Newspapers whose daily circulation figures are far less than those of other languages which also carry advertisements regarding business premises. In addition, it is not possible under this method to determine whether the "Available" premises have been actually taken by those seeking or whether they continued to remain vacant, being unsuitable, surplus, or unaffordable.

In such connection, it also does not distinguish between newly constructed premises and unoccupied premises available through vacation by previous users.

Yet, despite these limitations, the methodology is considered sufficiently adequate for monitoring and evaluating responses to promotional urban development.

Overall Analysis of the Business Premises Market

The total floor area of business premises advertised as "Wanted" and "Available" in Colombo city during the 1983 study is given in Table 1. It shows that just under 1/2 million sq. ft. has been "available" in all categories of business premises.

YEAR	PERIOD	OFFICE (ft ²)		COMMERCIAL (ft ²)		STORES (ft ²)		UNSPECIFIED (ft ²)		ALL CATEGORIES (ft ²)	
		Wanted	Available	Wanted	Available	Wanted	Available	Wanted	Available	Wanted	Available
1981	12 May to 12 July	59950	353441	14400	12250	5000	84510	-	-	79350	450201
1982	01 April to 31 May	66500	306073	31050	66053	35500	145285	1500	29200	134550	546611
1983	01 April to 31 May	135450	240515	14500	23950	44500	115322	4450	66800	198900	446587

TABLE 1
"WANTED & "AVAILABLE"
BUSINESS PREMISES IN THE CITY OF COLOMBO 1981 - 1983.

The quantum "available" is more than twice that "wanted". However as shown in Table 2, the actual excess of total "available" floor space over the total "wanted" has been decreasing substantially between 1982 and 1983. In this connection it is significant to note from Table 1, that the quantum of total floor area "available" in 1983 has also been less than that in each of the two previous years. On the other hand, it is equally significant to note from the same Table

Hence it is probable that the quantum of business premises is gradually settling towards improved stability of market conditions between "wanted" and "available".

Meanwhile it is worth noting from Table 1, that in 1983 the floor space "available" in each of the categories of business premises exceeded the corresponding quantum "wanted". This was also the situation in each of the two previous years; with the

However as shown in Table 2 the share of only Office premises "wanted" in the total quantum of business premises "wanted", has remained high in 1983 in a manner similar to 1981. This situation indicates the sustenance of the growth in Offices in the city economy.

The Commercial premises category yet continues to occupy only a small share of both the total "wanted" and "available".

Year	Share of Total "Wanted" & "Available" Business Premises	Share of Office Premises in Total Business Premises		Share of Commercial Premises in Total Business Premises		Share of Stores Premises in Total Business Premises	
		Wanted	Available	Wanted	Available	Wanted	Available
1981	"Available" = 5.67 X "Wanted"	75.6%	78.5%	18.2%	2.7%	6.2%	18.3%
1982	"Available" = 4.06 X "Wanted"	49.4%	56.0%	23.1%	12.1%	26.4%	26.6%
1983	"Available" = 2.25 X "Wanted"	68.1%	53.9%	7.3%	5.4%	22.4%	25.8%

TABLE 2
SHARES OF "WANTED" & "AVAILABLE" BUSINESS PREMISES
BY TOTAL & SEPARATE CATEGORIES, COLOMBO CITY, 1981-1983

CATEGORY	1981		1982				1983			
	JUNE (1st to 30th)		APRIL (1st to 30th)		MAY (1st to 31st)		APRIL (1st to 30th)		MAY (1st to 31st)	
	Wanted	Available	Wanted	Available	Wanted	Available	Wanted	Available	Wanted	Available
OFFICE (ft ²)	18950	171956 (5731)	19200	138500 (4617)	47300	167573 (5406)	72300	131250 (4375)	63150	109265 (3525)
COMMERCIAL (ft ²)	6300	2200 (73)	15550	22050 (735)	15500	44003 (1419)	2500	10550 (353)	12000	13400 (432)
STORES (ft ²)	1000	53110 (1770)	13500	77960 (2599)	22000	67325 (2172)	17000	60820 (2027)	27500	54502 (1758)

TABLE 3
BUSINESS PREMISES "WANTED" & "AVAILABLE" BY MONTH, COLOMBO, 1981-1983

Note: Figures in brackets represent floor space availability averaged per day.

that the total floor area "wanted" has increased in each of the years; with the actual increase being 150% between 1981 and 1983.

The above position suggests that the decline in the quantum of total "available" business premises is in no way due to a decline in the growth of the business sector. On the other hand, the marked increase in the quantum of total "wanted" business premises reflects an expansion in businesses.

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sole exception being in 1981 in the Commercial premises category.

As a share of the total "available" business premises, the office premises category comprised about one half in 1983. The latter share was higher in each of the two previous years (vide Table 2). It thus indicates an increasing shift of investment by property developers into the non-office or Unspecified categories of business premises.

The latter being less than 10% of the total in 1983 (vide Table 2). The same Table shows that the share of the Stores premises category in the total "wanted" and "available" floor space has also remained at or around 25% in each of the two years, 1982 and 1983.

The above position suggests that the Commercial and Stores categories of business premises have slow growth characteristics in the city. Hence it is probable that

COLOMBO POSTAL ZONE	OFFICE PREMISES (ft ²)				COMMERCIAL PREMISES (ft ²)				STORES PREMISES (ft ²)				UNSPECIFIED (ft ²)				ALL CATEGORIES OF BUSINESS PREMISES (ft ²)			
	Wanted	%	Available	%	Wanted	%	Available	%	Wanted	%	Available	%	Wanted	%	Available	%	Wanted	%	Available	%
1	12700	9.0	20500	11.6	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	2000	3.0	13700	6.6	30500	6.8
2	10700	7.4	15400	6.4	NIL	0.0	1800	7.5	NIL	0.0	28500	24.7	NIL	0.0	9000	13.6	10050	5.1	54700	12.2
3	10700	10.0	35975	15.0	8500	58.6	7150	29.9	NIL	0.0	3500	3.1	NIL	0.0	20500	30.7	49100	24.7	67125	15.0
4	7500	2.6	27950	11.6	500	3.4	NIL	0.0	NIL	0.0	NIL	0.0	300	6.7	3800	5.7	4300	2.2	31750	7.1
5	7500	1.5	19650	8.2	NIL	0.0	1800	7.5	NIL	0.0	NIL	0.0	150	3.4	1500	2.2	2150	1.1	22950	5.1
6	NIL	0.0	10650	4.4	NIL	0.0	2500	10.4	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	13150	2.9
7	15000	9.6	29500	12.3	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	3500	78.6	4000	6.0	16500	8.3	33500	7.5
8	NIL	0.0	20250	8.4	NIL	0.0	4500	18.8	NIL	0.0	NIL	0.0	NIL	0.0	500	0.7	NIL	0.0	25250	5.7
9	NIL	0.0	5000	2.1	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	6500	9.7	NIL	0.0	11500	2.6
10	NIL	0.0	8440	3.5	NIL	0.0	500	2.1	NIL	0.0	11322	9.8	NIL	0.0	9500	14.2	NIL	0.0	29762	6.7
11	16200	7.4	2200	0.9	NIL	0.0	1000	4.2	NIL	0.0	15000	13.0	NIL	0.0	500	0.7	10000	5.0	18700	4.2
12	150	0.1	NIL	0.0	NIL	0.0	1600	6.7	NIL	0.0	NIL	0.0	NIL	0.0	5000	7.5	150	0.1	6600	1.5
13	NIL	0.0	28000	11.6	NIL	0.0	NIL	0.0	NIL	0.0	9000	7.8	150	3.4	NIL	0.0	150	0.1	37000	8.3
14	NIL	0.0	500	0.2	NIL	0.0	NIL	0.0	NIL	0.0	45000	39.0	NIL	0.0	4000	6.0	NIL	0.0	49500	11.1
15	NIL	0.0	5000	2.1	NIL	0.0	NIL	0.0	NIL	0.0	3000	2.6	NIL	0.0	NIL	0.0	NIL	0.0	8000	1.8
UNSPECIFIED	43950	32.4	3500	1.5	4000	27.6	3100	12.9	44500	100.0	NIL	0.0	350	7.9	NIL	0.0	92800	46.6	6600	1.5
ALL ZONES	135450	100.0	240515	100.0	14500	100.0	23950	100.0	44500	100.0	115322	100.0	4450	100.0	66800	100.0	198900	100.0	446587	100.0

TABLE 4
LOCATION OF BUSINESS PREMISES "WANTED" & "AVAILABLE" BY CITY POSTAL ZONES
01 APRIL 1983 -31 MAY 1983

1982

COLOMBO POSTAL ZONES	OFFICE (ft ²)				COMMERCIAL (ft ²)				STORES (ft ²)				UNSPECIFIED (ft ²)				ALL CATEGORIES (ft ²)			
	Wanted	%	Available	%	Wanted	%	Available	%	Wanted	%	Available	%	Wanted	%	Available	%	Wanted	%	Available	%
1	12700	9.0	20500	11.6	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	2000	3.0	13700	6.6	30500	6.8
2	10700	7.4	15400	6.4	NIL	0.0	1800	7.5	NIL	0.0	28500	24.7	NIL	0.0	9000	13.6	10050	5.1	54700	12.2
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4	7500	2.6	27950	11.6	500	3.4	NIL	0.0	NIL	0.0	NIL	0.0	300	6.7	3800	5.7	4300	2.2	31750	7.1
5	7500	1.5	19650	8.2	NIL	0.0	1800	7.5	NIL	0.0	NIL	0.0	150	3.4	1500	2.2	2150	1.1	22950	5.1
6	NIL	0.0	10650	4.4	NIL	0.0	2500	10.4	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	13150	2.9
7	15000	9.6	29500	12.3	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	3500	78.6	4000	6.0	16500	8.3	33500	7.5
8	NIL	0.0	20250	8.4	NIL	0.0	4500	18.8	NIL	0.0	NIL	0.0	NIL	0.0	500	0.7	NIL	0.0	25250	5.7
9	NIL	0.0	5000	2.1	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	NIL	0.0	6500	9.7	NIL	0.0	11500	2.6
10	NIL	0.0	8440	3.5	NIL	0.0	500	2.1	NIL	0.0	11322	9.8	NIL	0.0	9500	14.2	NIL	0.0	29762	6.7
11	16200	7.4	2200	0.9	NIL	0.0	1000	4.2	NIL	0.0	15000	13.0	NIL	0.0	500	0.7	10000	5.0	18700	4.2
12	150	0.1	NIL	0.0	NIL	0.0	1600	6.7	NIL	0.0	NIL	0.0	NIL	0.0	5000	7.5	150	0.1	6600	1.5
13	NIL	0.0	28000	11.6	NIL	0.0	NIL	0.0	NIL	0.0	9000	7.8	150	3.4	NIL	0.0	150	0.1	37000	8.3
14	NIL	0.0	500	0.2	NIL	0.0	NIL	0.0	NIL	0.0	45000	39.0	NIL	0.0	4000	6.0	NIL	0.0	49500	11.1
15	NIL	0.0	5000	2.1	NIL	0.0	NIL	0.0	NIL	0.0	3000	2.6	NIL	0.0	NIL	0.0	NIL	0.0	8000	1.8
UNSPECIFIED	43950	32.4	3500	1.5	4000	27.6	3100	12.9	44500	100.0	NIL	0.0	350	7.9	NIL	0.0	92800	46.6	6600	1.5
TOTAL	135450	100	240515	100	14500	100	23950	100	44500	100	115322	100	4450	100	66800	100	198900	100	446587	100

TABLE 5
ZONAL DISTRIBUTION OF BUSINESS PREMISES, COLOMBO CITY, 1981 & 1982.

the nature of these two categories of business premises and their locational preferences are changing.

However as indicated in Table 1, the remarkable increase in the quantum of "available" Unspecified business premises in 1983 over 1982, indicates that property developers are not becoming concerned with the type of business use to which they will rent their premises. Their

objective may therefore be the rental value rather than concern for the category of use.

The rate of availability of floor space computed per day for all categories of business premises shows a decline in 1983 as compared to 1982 (vide Table 3) The decline in "available" premises per day in Commercial and Office categories have been substantial. The probable reasons for the latter have been previously discussed in this section of the Paper.

Analysis of the Distribution of "Wanted" and "Available" Business Premises by City Postal Zones

An analysis of the locational distribution of business premises in 1983 shows that they were "available" in all postal zones in the city. However, they were "wanted" only in 9 zones (vide Table 4).

Table 4 also shows that there has been an excess of "available" over "wanted" in the total quantum of business premises in all postal zones, except in that of the Unspecified category of premises where the reverse prevails. It can be further seen from this Table that there are however, shortages in separate categories of business premises in some of the Postal zones. These are discussed later in the Paper.

The availability of Office premises in 1983 indicates a concentration of about 57% of its total "available" space in the postal zones of Colombo 1,2,3,4, and 7. Of the latter it is significant that in 1983 the quantum of "available" Office premises in FORT has decreased by half vis-a-vis 1982. It is also noteworthy that there is a shortage in Office premises in Colombo 3 and Colombo 10. Further, a massive shortfall is also evident in this category in the Unspecified Zone. (vide Table 4).

Thus the above situation reflects an outripping of supply by demand in Office premises in Colombo 3 and 10. It also indicates that seekers of Office premises do not mind locating their Offices in any

of the popular postal zones.

In terms of "wanted" Office premises in 1983, 56% of the total "wanted" in that category, is also in the postal zones in Colombo 1,2, 3 and 7. Of the latter it is noteworthy that the quantum of "Wanted" Office premises in FORT has remained unchanged in 1983 vis-a-vis 1982. Thus taking into account both "wanted" and "available" situations, the postal zones of Colombo 1,2,3, and 7 appear to be the nodes for the development of Office premises in the city. This was also the case in 1982.

In the above context, an analysis of the Office premises category in all three years 1981-1983, reveal that there is an outward spread of Office premises in all directions from Fort of its "available" spaces, and a south-south east expansion of its "wanted" spaces, encompassing Colombo 1,2,3 and 7. Nevertheless, as mentioned earlier, it is significant that a large quantum of "wanted" Office premises is in the Unspecified Zone category in all three years (vide Tables 4 and 5) Hence it can be inferred from the latter that distance and located within the city do not seem to matter much to many of those establishing Offices.

The availability of Commercial premises in 1983 indicates a concentration

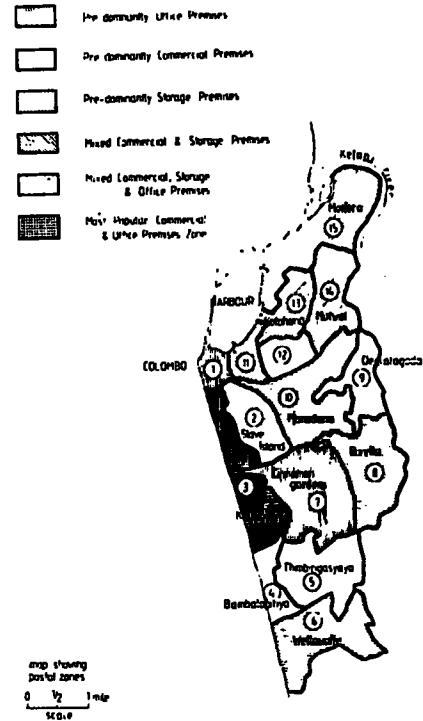
of nearly 65% of its total in Colombo 2,3 5 and 8. (Vide Table 4). In this connection it is noteworthy that significant quantities of Commercial premises are not available in 1983, in Colombo 10 and 11, which are the popular zones for this category of business. Hence it is probable that such areas are near saturated. Meanwhile, Colombo 3 and 5 are becoming zones for "available" Commercial premises.

In terms of "wanted" Commercial premises, in 1983, it is significant that in all "wanted" zones, the availability fell short of demand. Colombo 3 was the most "wanted" zone in the city for Commercial premises.

In an overview of the zonal distribution of both "wanted and available" Commercial premises in the three year period 1981-1983, it is therefore evident that the emerging spatial configuration is a nodal pattern, with specific concentrations in Colombo 2,3,6,8,10 and 11.

The "availability" in respect of the zonal distribution of Stores premises in 1983 indicates a concentration in the traditional postal zones of Colombo 2,11,13, 14, and 15. However, in terms of "wanted", seekers have indicated no specific postal zone. The latter situation also existed in 1981 and in 1982.

Map 1 indicates the current zonal distribution of the different categories of business premises.



PATTERN OF ZONAL DISTRIBUTION OF BUSINESS PREMISES
CITY OF COLOMBO, 1981-1983

A review of the popularity of the various postal zones in the past three years 1981-1983, is indicated in Table 6. It is seen from the latter that the most popular business premises zone for Office and Commercial categories is Colombo 3. For Stores, it is Colombo 14 and 15,

Analysis of Office Premises "Wanted" and Available by Modular Sizes

An important factor in the business premises market comprises that of the size of floor space module demanded and supplied in the market. This factor is a vital consideration in the case of Office premises. In the latter connection, data shown in Table 7 indicate that the most popular category of modular size "available" for Office premises is that of 2001-5000 ft, with that of the 1001-2000 ft module being closely next. There is also a noticeable sustenance in the popularity of the supply of the 5001-10,000 ft module, although the demand for their is low.

The most popular size of "wanted" module is that of 2001-5000 ft in each of the three years 1981 to 1983, with that of the 1001-2000 ft module closely second.

Hence in the above context, it can be noted that there is a close matching of the popular modular sizes "wanted" and "available".

The popularity of the small and medium sizes of floor area modules in

YEAR	OFFICE		COMMERCIAL		STORES		ALL CATEGORIES	
	Wanted	Available	Wanted	Available	Wanted	Available	Wanted	Available
1981	Unspecified Zone with Colombo 2 next.	Colombo 3	Colombo 2	Colombo 2	Unspecified Zone with Colombo 15 next.	Colombo 5 & Colombo 14	not	computed
1982	Colombo 2	Colombo 3	Colombo 3	Colombo 10	Unspecified Zone	Colombo 2	Unspecified Zone with Colombo 3 next	Colombo 2
1983	Unspecified Zone with Colombo 3 next.	Colombo 3	Colombo 3	Colombo 3	Unspecified Zone	Colombo 14	Unspecified Zone with Colombo 3 next.	Colombo 3

TABLE 6
MOST POPULAR POSTAL ZONES FOR
"WANTED" & "AVAILABLE" BUSINESS PREMISES
COLOMBO, 1981-1983.

MODULAR SIZE (Sq. Ft.)	NUMBER OF ADVERTISEMENTS					
	1981		1982		1983	
	Wanted	Available	Wanted	Available	Wanted	Available
1 - 500	4	11	Nil	7	6	7
501 - 1000	3	11	4	8	6	15
1001 - 2000	4	22	5	24	10	21
2001 - 5000	7	29	8	25	14	23
5001 - 10,000	1	17	2	15	4	12
10,000+	1	3	1	4	1	1

TABLE 7
OFFICE PREMISES "AVAILABLE" and "WANTED" BY MODULAR SIZES
CITY OF COLOMBO, 1981-1983.

all three years clearly suggests that there is a prevalence of a large share of small and medium scale Offices in the city economy. Hence it is necessary to give due recognition for such scale of businesses in urban development policy to protect their interests and thereby ensure their sustenance. In a similar way, it will be prudent for Architects to note the sizes of the popular modules in their designs so as to optimise the utilisation of Office buildings.

Analysis of Houses Offered as Business Premises

The use of houses as business premises has continued in 1983. Thus the current study indicates that 35 houses were "available" for use as business premises, representing a conversion rate of 1 house every 1.7 days. (vide Table 8)

The above is less than the corresponding figure for 1982, but higher than that for 1981. Such substantial conversions thus continue despite the public being informed by public advertisements last year of the need to obtain permission from the Urban Development Authority for such change of use.

The 1983 study reveals that residential premises "available" for conversion comprised 101,100 ft or 22.6% of total "available" business premises. The amount of "wanted" residential premises for such conversion consisted of 32800 ft or 16.5% of the total "wanted" business premises.

The above indicates that substantial conversions of residential premises to business premises is continuing. They partly account for the horizontal spread of

business in all parts of the city. These conversions, apart from the ill effects on environmental quality and pressure upon infra-structure facilities in those areas, also contribute to aggravating the existing housing shortage in the city. In addition, they are not conducive to the promotion of the development of Office buildings in designated locations in the city plan.

Policy Implications of the Market Conditions

The surveys of the business premises market in the past three years indicate that there has been a progressive increase in demand, and an annual average supply of just under ½ million sq. ft. in the city. This situation shows that the impact of a promotional urban development policy has been sustained in the business premises market since its initiation in 1978.

In the above connection it is nevertheless noteworthy that there is yet a surplus of all categories of business premises; although current trends indicate an improved stability between demand and supply. Such surplus stock of premises represents blocked capital which the city economy can ill-afford. Hence policy measures are needed to enhance stability in market conditions. The latter can well be ensured through development control in the relevant zones of the city.

In terms of Office premises, policy attention is needed to strengthen the base of the small and medium scale businesses in the city. Appropriate measures through building and planning guidelines and/or incentives incorporated in policy can facilitate the growth of this sector of the city economy.

YEAR	PERIOD	NUMBER OF HOUSES ADVERTISED AS "AVAILABLE" FOR CONVERSION TO BUSINESS PREMISES	HOUSE CONVERSION RATE
1981	12 May to 12 July (62 days)	32	1 house/2days
1982	01 April 31 May (61 days)	50	1 house/1.2 days
1983	01 April to 31 May (61 days)	35	1 house/1.7 days

TABLE 8
HOUSES "AVAILABLE" FOR CONVERSION
AS BUSINESS PREMISES,
CITY OF COLOMBO, 1981-1983.

Meanwhile, the continuing trend of the outward spread of Office premises in all directions from Fort, suggests the need for fashioning an Office Location Policy

The decrease between 1982 and 1983 of the quantum of Commercial premises in both demand and supply, suggests that this category of business has been effected by general conditions. Its growth should therefore be motivated by policy measures; particularly through innovative planning interventions to increase shopping in the city by foreign visitors as well.

The Stores premises sector needs careful attention of policy which should incorporate the changing nature of goods transport and storage systems. The continuing trend in the use of houses as business premises needs urgent policy measures to arrest the high conversion rates, while yet safeguarding the interests of small and medium businesses which may be compelled to occupy houses in view of current rental conditions.

Findings of the Study

The main findings arrived at from this study are as follows:

1. The continuity of the supply of about ½ million square feet of business premises in a two-month period in each of the past three years and the accompanying progressive increase in demand for such premises, indicate that there is in Colombo a sustained impact of the promotional urban development measures initiated five years ago.
2. However, there is yet a continuing surplus in the total quantum of business premises in the city market, although shortages do exist in specific business categories in some city locations.
3. By composition of businesses premises, Office space "available" has shown a declining trend between 1981 and 1983, while its quantum "wanted" has doubled in the same period. Meanwhile, Stores and Commercial premises have declined in market activity in 1983.
4. The "core" of the Office premises sector has consolidated in the postal zones of Colombo 1,2 and

3. Its expansion seems to follow a south-south east direction from FORT encompassing also the postal zone of Colombo 7.

5. The postal zone of Colombo 3 has become the most popular for Office and Commercial premises. It is therefore an area undergoing the most rapid transformation of its physical fabric.
6. The peripheral zones of Colombo 13, 14 and 15 continue as the popular locale for Stores premises.
7. There is a continuing trend in the utilisation of houses for business premises.
8. In planning and policy terms it can be deduced that their interventions have not been effective in bringing about a kind of physical transformation in the city that could have matched the correspondingly faster changing economic fabric. It is also possible that such transformation is actually slow, reflecting the character of long gestation in this phase of urban development.
9. If one was to review the overall situation of the business premises market in the past three years, it can be deduced that the city's physical development process is yet in its "take off" stage for the following reasons:
 - i. use of house as business premises;
 - ii. dominance of small sizes of floor space modules for office premises;
 - iii. low levels of magnitude in the supply and demand of the various categories of business premises;
 - iv. the scattering of business premises in all city postal zones;
 - v. sharp fluctuations in the demand and supply of business premises, particularly in Commercial and Stores premises.
10. The behavioural trend of the business premises market in the past three years reflects a greater degree of stability in market conditions with fewer surpluses in each year.

Recommendations

The recommendations for action arising from the findings of this study comprise the following:

- a. The promotion of urban development should be intensified but the present measures must be reviewed to be more effective in enhancing the level of activity of the business premises market.
- b. The interests of small and medium scale businesses should be secured in urban development policies, and their sustenance ensured in the promotion of new business premises in the market.
- c. The conversion of housing as business premises should be prevented over a defined period of time.
- d. Legislative and Institutional devices should be established to effectively control the scattering of business premises in all areas of the city.
- e. A closer integration of the physical and economic processes of city development is urgently recommended, to enable mutually beneficial results.
- f. There should be regular monitoring of the business premises market to enable efficient planning intervention,

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