IMPACT ON LAND PRICES
CREATED BY LAND DEVELOPMENT PROJECTS

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Abstract

The real estate market was broadening with the entrance of new developers in the recent past. The quantity sold was increased while the prices also were rising up abnormally. Theoretically though there should be a negative relationship between the price and the demand, it was noted a positive relationship. Therefore, this study aimed to investigate and identify the reasons for those abnormal increases of prices and demand for lands to enable the industry to find the ways to properly address the problem.

This research was designed in two fold; one with a survey to identify the generic customer characteristics and the other with a multiple case study to study the development process deeply. Seven companies, which were highly engaged in property developments and seventeen projects in Colombo metropolitan areas, were selected for the study.

The result shows that majority of the buyers purchase lands for residential purposes but fear of a price increase in future lead them to buy lands even at a higher price. It was identified that a significant percentage of unidentified cost contributed to the land prices due to some mismanagements and the policies, which are not strategically prudent. In most of the occasions where high land prices or the high-unidentified cost was observable, the feasibility level errors were obvious. Some feasibility errors were not merely because of only unforeseen matters but also personnel matters have affected on them.

Keywords: Land prices, Auctioneer, Land development, Value addition, unidentified costs, and Feasibility errors.