

**Assessment of the Impacts of Historical Buildings on
Real Estate Development in Colombo Fort.**

W. Nelson Chandratilaka

Assessment of the Impact of Historical Buildings on Real Estate Development in Colombo Fort

Dissertation submitted to the University of Sri Jayewardenepura as a partial fulfillment for the Requirements of the M.Sc. in Real Estate Management & Valuation Degree


Full Name : W. Nelson Chandratilaka
Examination No : REMV 20
Registration No : Gs/M.Sc./REMV/3067/07
Department : Estate Management and Valuation
University : Sri Jayewardenepura
Date of Submission : 08.04.2011

DECLARATION

The work described in this dissertation was carried out under the supervision of Mrs. Janakie Edirisinghe, Senior Lecturer and Head of the Department of Estate Management and Valuation of University of Sri Jayewardenepura and any report has not been submitted in whole or in part to any other University or any other academic Institute for another Degree / Examination or any other purpose.

Full Name : W. Nelson Chandratilaka

Registration No : Gs/M.Sc./REMV/3067/07

Signature : 

Date : 08.04.2011

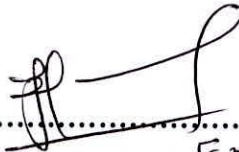
CERTIFICATION

Hereby I certify that Mr. Wickramaratnage Nelson Chandratilaka, duly completed the research titled "Assessment of the Impacts of Historical Buildings on Real Estate Development in Colombo Fort" under my supervision and recommended to submit for final submission.


.....


Signature of the supervisor

Date.....


.....
Examiner

Signature of the 2nd supervisor

Date.....


.....

Signature and official stamp of the Head

Date.....

Head
Department of Estate Management & Valuation
University of Sri Jayawardenepura
Nugagoda, Sri Lanka.

ACKNOWLEDGEMENT

There are many experts and others who contributed in many ways for the successful completion of this study. It is a pleasure to convey my gratitude to them in my humble acknowledgement.

First of all, I wish to express my heartfelt gratitude to Senior Lecturer, Mrs. Janakie Edirisinghe, the supervisor of my research and the Head of the Department of Estate Management and Valuation of University of Sri Jayewardenepura for providing me with valuable guidelines and advices in carrying out this research successfully.

I gratefully acknowledge Prof. R.G. Ariyawansa and Mrs. Nishani Wickramarachchi Senior Lecturers and former Course Coordinators of the M.Sc. in Real Estate Management and Valuation Degree programme of University of the Sri Jayewardenepura for their advice, directions and supervision during the period of studies.

My sincere appreciation goes to Mrs. Pathma Weerakoon, Senior Lecturer and the Course Coordinator of the M.Sc. in Real Estate Management and Valuation for her advice, guidance and supervision during the period of studies.

My sincere appreciation also goes to Mrs D.P. Kanthi Manel, Lecturer of the Department of Social Statistic of University of the Sri Jayewardenepura for her advice and directions provide to me throughout the research study.

I must be thankful to Mr. A.M.K.B.Aththanayaka, Environment Planner, Urban Development Authority for his support extended to me throughout this study.

Lastly, I am thankful to other members of Urban Development Authority, Colombo Municipal Council, the Department of Archeology and all academic and non academic members of the Department of Estate Management and Valuation, University of Sri Jayewardenepura for their assistance in completion of this study.

Abstract

The Urban heritage and the historical buildings are the key elements of the urban architectural heritage. Historical buildings have use values as well as non use values such as cultural, architectural and environmental. Many strategies have been formulated to conserve these historical buildings and to obtain the optimum use through conservation process.

It is possible to generate more economic returns and benefits than the cost of maintenance by integrating the historical buildings with real estate development.

Heritage tourism is one of the fastest growing sectors in the world's economy which has a link with the historical buildings. It is one of the ways which interlink historical and heritage resources with real estate development.

Hence, this study has been designed to assess whether historical buildings and monuments have impacts on real estate development in the historical core area and its surrounding area in Colombo Fort. If so, the ways and means to negate the negative impacts and enhance the positive impacts in order to generate economic returns and benefits through integration of real estate development.

Therefore, the general objective of this study is to assess the economic impacts of historical buildings on real estate development within the framework of urban development in the city of Colombo.

Colombo Fort area which has a rapid urban renewal and the highest rate of real estate development was selected as the case study area. Two sample blocks from historical buildings and non historical buildings in Colombo Fort were selected for this study using stratified random sampling technique. Primary and Secondary data on quantitative and qualitative indicators were collected using investigation survey, a questionnaire, documentation analysis and visual images.

Collected data were analyzed through mean comparison test (Paired Sample Test/T. Test) by using SPSS computer package. Property values were assessed by using income approach method of valuation.

The following conclusions were made by analyzing the data. Historical buildings have negative impact on land value when compared with that of non historical buildings. When rental values of commercial spaces are considered, there is no impact of historical buildings on real estate development. When rental values of office spaces are considered, there is no impact of historical buildings on real estate development. It is obvious that historical buildings have negative impact on real estate development when annual values and municipal rates are considered. Historical buildings and restrictions imposed on them have negative impact on property development, land value and property value. Tenant occupancy rate is relatively low in historical buildings when compared with that of non historical buildings. This leads to low investment in real estate asset market in the area. And this will ultimately has a negative impact on real estate development.

Tourism has a significant contribution in the Gross National Product of Sri Lanka. Tourists have a natural willingness to visit historical buildings and monuments. Therefore, there is a great opportunity for interlinking historical buildings with real estate development in order to develop tourism to increase its contribution to the GNP.

Table of Content

<i>Acknowledgment</i>	<i>i</i>
<i>Abstract</i>	<i>ii</i>
<i>Table of contents</i>	<i>v</i>
<i>List of Tables</i>	<i>ix</i>
<i>List of Figures</i>	<i>x</i>
<i>List of Map</i>	<i>xiii</i>
<i>List of Annexure</i>	<i>xiv</i>

Contents	Page No.
CHAPTER ONE – Introduction	
1.1. Introduction.	01
1.2. Real Estate Development in Colombo.	03
1.3. Importance of Urban Heritage and Historical Buildings.	04
1.4. Research Problem	07
1.5. Study Area.	08
1.6. Objectives of the Study	08
1.7. Research Design.	09
1.8. Scope of the Study	10
CHAPTER TWO - Literature Review.	
2.0. Introduction.	11
2.1. Relationship between Historical Buildings and Heritage	11
2.2. Classification of Heritage and Historical	13
2.3. Conservation and Preservation of Historical Buildings	14

2.3.1. Criteria of selection and identification of historical buildings for conservation	15
2.3.2. Information required for listing of historical buildings monuments	18
2.4. Historical Building Conservation Approach	20
2.4.1. Philosophy of Conservation Approach	20
2.4.2. Historical Building Conservation Approach.	21
2.5. Real Estate Development	25
2.6. Real Estate Development and Historical Buildings	28
2.7. Impacts of Historical Buildings on Real Estate Development.	30
2.8. Measuring the Economic Impact of Federal Historic Properties in USA	34
2.9. Urban Economics	35
2.9.1. Real estate space market	35
2.9.2. Real estate asset market	36
2.10. Economy Aspects of the socio indicators	38
2.11. Example for Historical Conservation and Real Estate development	38
 CHAPTER THREE – Research Design	
3. Research Design	44
 CHAPTER FOUR - Study Area	
4.0. Introduction	49
4.1 History of Colombo city	49
4.1.1 The Portuguese period	49

4.1.2 The Dutch period	50
4.1.3. The British period	50
4.1.4. Post Independence	50
4.2. Colombo Today	51
4.2.1. The area, population density & growth rate of the city of Colombo	51
4.2.2. Land use pattern in Colombo city	54
4.3. Real Estate Development and Management in Colombo City	57
4.4. Historical Buildings in the City of Colombo	60
4.5. Case Study Area – Colombo Fort	61
4.5.1. Existing conditions & situation of Colombo Fort	62
4.5.2. New and proposed buildings in Colombo Fort	68

CHAPTER FIVE - Analysis

5.0. Introduction	70
5.1.To study the current situation of historic buildings in the study area	71
5.1.1. The Number of floors of historical buildings	71
5.1.2. The present status of the historical buildings	72
5.1.3. Classification of historical buildings based on construction period	72
5.1.4. Classification of historical buildings on ownership	73
5.1.5. Classification of historical buildings based on occupancy	73
5.1.6. Classification of historical buildings based on usage	74
5.2. Analyse the economic impacts of historical buildings on real estate development within the frame work of urban development	75
5.2. 1.Investment	75
5.2.1. 1.Private investment	75

5.2.1.2. Public investment	78
5.2.2. Values	78
5.2.2.1. Land value	79
5.2.2.2. Rental value	81
Rental value of commercial spaces	81
Rental value of office spaces	84
5.2.2.3. Property value	86
5.2.2.4. Assessed values	90
5.2.2.5. Building vacancy rates	92
5.2.2.6. Owner occupancy versus tenant occupancy	93
5.3. Find ways and means to incorporate the historical buildings into real estate within the framework of urban development.	94

CHAPTER SIX - Conclusions and Recommendations

6.1 Conclusions	99
6.1.1. Investment	99
6.1.2. Property Values	100
6.2. Recommendations	105

List of Tables

Table No.	Description	Page No.
Table No.4.1	The, population Density & Growth rate of the City of Colombo (1871 – 2010)	51
Table No.4.2	Distribution Land use Distribution in Colombo city, 1997-2010	54
Table No 4.3	BOI approved major housing development projects in City of Colombo	58
Table No 4.4	Future real estate development project in City of Colombo	59
Table No.4.5	General land use pattern in Colombo – Fort Area 1996-2010	65
Table No.5.1	Numbers of floors of historical buildings	71
Table No.5.2	The Present Status of historical buildings	72
Table No.5.3	Classification of historical buildings based on construction period	72
Table No.5.4	Classification of historical buildings on ownership	73
Table No.5.5	Classification of historical buildings base on Occupation	74
Table No.5.6	Classification of historical buildings base on usage	74
Table No.5.7	Private investment in historical core area and its surrounding area	76
Table No.5.8	Property values in Colombo Fort – (indifferent Areas.)	89
Table No.5.9	Occupation of historical buildings and non historical buildings in Colombo Fort.	92
Table No.5.10	Owner occupancy vs. tenant occupancy of the buildings in Colombo Fort	93
Table No. 5.11	Tourism performance.	95

List of Figures

Figure No.	Description	
Figure No.2.1	Three-Pronged Approach ¹ to heritage conservation	21
Figure No.2.2	Real Estate Development Circle	27
Figure No.2.3	Real Estate Space Market (RESM).	36
Figure No. 2.4.	Real Estate Asset Market (REAM)	37
Figure No.4.1	Colombo Port in 14 th century	49
Figure No.4.2	The Appearance of Buildings of British Period	50
Figure No.4. 3	Emperor - Luxury Apartments	57
Figure No.4.4	Ocean View Towers Apartments	57
Figure No.4.5	The Empire Residencies	57
Figure No.4.6	Proposed Trans Work House square development project	59
Figure No.4.7	Colombo Harbor expansion project	59
Figure No.4.8	The Portuguese Colombo Fort	61
Figure No.4.9	The Dutch Colombo Fort	61
Figure No.4.10	The British Colombo Fort	61
Figure No.4.11	The Present Colombo Fort	62
Figure No.4.12	Chatham Street - 1890 Chatham Street - 2010	64
Figure No.4.13	York Street - 1900 York Street - 2010	64
Figure No.4.14	Prince Street - 1930 Prince Street - 2010	64

Figure No.4.15	General Post Office 1910	General Post Office - 2010	64
Figure No.4. 17	The Echelon Square Development Project		68
Figure No 4.18	New development patterns in Colombo Fort		69
Figure No. 5.1	Private investment in historical core area and its surrounding area		77

List of Maps

Map No.	Description	Page No.
Map No 4.1	Planning units & ward boundaries city of Colombo	53
Map No 4.3	Land use distribution – 1996, city of Colombo	56
Map 4.3	Satellite image of Colombo Fort Area	63
Map No 4.4	Development Guide Plan for Colombo Fort	66

List of Annexure

Annexure 01	Listing & preservation of historical & architecturally valuable buildings- Colombo Fort	110
Annexure 02	Questionnaire	113
Annexure 03	Collective data from buildings situated at the study area Colombo Fort	114
Annexure 04	Annual value of the historical buildings and non historical buildings in Colombo Fort (from 2005 – 2010) -	116
Annexure 05	The rental values of commercial spaces of Historical buildings and Non historical buildings in Colombo Fort.	118
Annexure 06	The rental values of office spaces of Historical buildings and Non historical buildings in Colombo Fort.	119
Annexure 07	Land values of historical core area in Colombo Fort and its surrounding area (2000 – 2010)	120