



ESTIMATING THE BEST TIME FOR REDEVELOPMENT OF A REAL ESTATE: A CASE STUDY IN BAMBALAPITIYA

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Investing in a real property is a long term beneficial decision taken by the investors. However economic life of a property exceeds when operating cost of the property exceeds its net annual return. Increasing operating cost caused to the value of the cleared site implies that the property become and it would not match with the current use. It gives a hint to a rational investor that he should consider about the value of next best use as the existing use has reached to the stage of redevelopment. The time becomes a crucial dimension on the redevelopment process which effect on the technical obsolesces of the property. This paper focused on estimating the redevelopment stage of a commercial property. For this purpose a particular case study was identified as the assessment no. 03 Galle Road, Bambalapitiya Terrace. The gross annual returns and the operating cost of the existing property calculated according to the actual cost incurred. Based on the comparative method the expected net annual returns and the discounted rate were analyzed to identify the future returns of the expected development. The analysis reveal that that the property become outdated in the year 2020 where the expected future net returns from the existing use became less than the operating cost. Thereafter the cleared site value is increasing. From the analysis it has been decided that the semi luxury residential apartment for the existing outdated property. Therefore the results suggest that this method will guide the investor in deciding the redevelopment stage of a property.

Keywords: Redevelopment, value of cleared site, operating expenses, present value, highest and best use