

Impact of Urban Development Zoning on Land Values in Kandy Municipal Area

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Development Plan for Urban Development of Kandy (gazette in 2002) under Urban Development Authority Law affects the land values. In this study, using land values data from Government Valuation Department (Central regional office), trends of land values are studied from 1980 to 2015, based on available data at government valuation office. To derive inferences, we use hedonic pricing models. When zoning law is implemented, land value per perch is increased at Rs. 1,085,075/- and archeological regulation leads to an increase of Rs. 322,419.90. These incremental effects are statistically significant and larger than the time trend effect. Considering the distance from city-center, we find that lands located within 5 to 7 kilometers display positive price effects when zoning law is implemented. However, in general, further the distance from city center, the lower land price is. On the other hand, access from carpet road increases the land value. In terms of magnitude, the distance from the city center is most significant determinant of land price while distance to other amenities, topography of the land, access road also more prominent features that influence land values of urban areas. We find that Urban Development Authority zoning and archeological regulations affect land prices in Kandy statistically significantly while zoning regulation is the most influential factor. The findings show that, contrary to the expectation that regulations could dampen the prices, urban zoning regulations and archeological zoning has led to statistically significant land price hikes in Kandy.

Key words: Archeological Regulations, Kandy Land values, Urban Development Authority, Zoning