

Determinants of urban residential land market

A. ABDUL REHEEM

Accepted : September, 2009

ABSTRACT

The role of land in the urban economy is multi-dimensional. On the one hand, land is an important input in the construction of residential, commercial and industrial structures as well as in the provision of public investment projects (*i.e.*, streets and parks). Secondly, land can be viewed as a “pure asset” which is held by individuals both as hedge against inflation and for speculative motives. Since capital markets in developing countries are usually not properly functioning, a land holding constitutes one of the few options available for the accumulation of wealth. Finally, land plays a key role in urban fiscal affairs; taxes and charges on real estate not only contributed to the revenue of the municipal government, but also have the potential to influence the distribution of income. Given the importance of land in urban activities it is therefore necessary to gain a better understanding on the operation of the urban land market. Land prices are key in examining this behavior. Housing, unlike most traded goods, exhibits certain uncommon features making its study distinctive and complex. These features include durability and heterogeneity. Housing is a heterogeneous good with varying dimensions both quantitatively and qualitatively, which complicates its definition and its measurements. As a result of these varying dimensions, both buyers and sellers may view the dwelling units with the same selling price as substantially different. However, the quantitative traits of housing such as the number and size of rooms, baths and the lot size exhibit less problems of definition and measurements relative to the qualitative attributes such as the physical quality (or) structural quality and neighborhood quality (or) ever vocational quality. The socio economic factors relating to the quality of residents, in terms of occupation, income, topography and community of origin determine the residential land value to a considerable level. These factors should also be given due weight age in the present study. The environmental factors considerably influence the urban residential land value. It includes availability of drinking water, garbage and sewage facilities, and concentration of slums, environmental hygiene and effects of air, water and noise pollution. These factors determine the urban residential land value. It could be noted that residential land value may be lower in the slum and congested areas and it may be higher in the well settled residential areas which are predominantly occupied by the high income group of people. Hence the present study observes how land values vary widely based on these factors in these areas. Therefore, this Study examines the impact of socio economic environmental factors on residential land values in the urban and suburban zones of Coimbatore District.

Key words : Land market, Urban land

Land is a unique creation and a precious gift of nature. Land is heterogeneous and every piece of land is spatially specific. The term lands suggest different things to different people, depending upon their outlook and their interest of the moment. For instance the farmer might conceive of land as the soil, which he cultivates, the city dweller may think of land in terms of residential plots or factory site. Land is a factor of production and a consumer good, at the same time. Along with labour, capital and management, land is treated as one of the basis factor of production. Land can also be treated as a commodity as it fulfills human needs. Land and improvements on land provide direct consumer services. It provides shelter, produces return in the form of rent and is held as a means of saving. The infinite supply of land, its non-depreciable

character permits to be kept from use for reaping capital gains. Early economic literature often treated land as if it were homogenous, having identical characteristics and an income of a peculiar nature called rent. However as soon as land uses were confronted with the practical problem of conservation of soil growing of forest, irrigating land and taxing resources, it became clear that each type of land had its own attribute. There is no single principle of income, utilization, conservation, valuation or taxation, which can apply to all of them.

Since this study is specifically on urban land, it is necessary to examine the distinct characteristics of urban land, district from other land. The demand for urban land is a demand for space which can be carried by structural changes through the allied process of property development, development and conversion. The land in urban area derives its value from the use of the site or the loci of buildings and improvements. The shape of the space determines the use it can be put to such as

Correspondence to:

A. ABDUL RAHEEM, Department of Economics, The New College (University of Madras) CHENNAI (T.N.) INDIA