

Office Market in Colombo: An Empirical Analysis

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Abstract

Office can be defined as a place where mass of data is accumulated in a systematic manner and is analyzed for management actions and channels of communication within and outside of an organization. Hence, office market is an important area in the real estate sector particularly in developed cities where office market has the similar importance as the housing market. These cities have identified office as what accelerates the wheels of businesses. Therefore, there are heavy investments and returns in the office market. In developing cities like Colombo, office market seems to be less recognized compared to the other real estate markets, for instance, “housing market”. Therefore, “an assessment on the recognition of the office market in Colombo” is an important area for real estate research. It is also possible to compare Colombo’s situation with established office markets like New York, Hong Kong, and Berlin etc.

However, this study aims to analyze the general pattern of the private sector office market in Colombo and to identify the determinants of the demand for office buildings. Data was obtained through a questionnaire survey using 30 private offices having selected through systematic random sampling technique within the Colombo Municipal Council limits. Elementary statistics as percentage and probability concepts and weighted score techniques were used for analysis. The study found that nearly 10% of real estate in the study area represents office properties. Eventhough the office market represents significant amount of real estate, there is no separate database, which maintains specifically for office property information. The Colombo Municipal Council has catergorized office properties as commercial buildings. According to the analysis 78% of offices are maintained as pure office and only 22% of offices are maintained as mixed office within the study area. As far as the ownership is concerened, the largest market segment is for the “leasehold office space in the city centre” according to the respondents’ view.

Keywords: Office Market, Office Property, Real Estate Market

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Background

The place “office” can be identified as an important part of an organization. Successful administration of an organization mostly depends on its office. Whether it is a government department, or a business enterprise or any form of organization, office is a vital component for its functions. It is very difficult to define the term “office” due to its broadness of application. It has been defined in a variety of ways. Generally, an office can be identified as a place where clerical operations of an organization are carried out. It is not too simple as Arora (1992) argues as the term office is identified with an activity not only a place and it is described as “any place where information on paper is come together and documented, preserved and used for current and future operations of business”. According to the functions of an office, it can be defined as any place where the mass of data is accumulated in a systematic manner and is analyzed for management actions and channels of communication within and outside of the organization.

Business organizations are facing with the rapidly changing conditions. As Terry (1996) describes man’s greatest tool to handle the dynamic situations is information. Information is required by all members of an enterprise. Retaining, analyzing and furnishing an appropriate type of information for various purposes to various people and from time to time is a basic need of enterprises. Broadly speaking, these activities are described as the functions of a modern office (Arora, 1992). In this way, office market has become an important part of the real estate sector. In the Western world, office market has the same importance as the housing market has since it is the office that moves the wheels of business efficiently. Therefore, there are heavy investments and returns in the office market. For instance, according to Colliers International Houston Office Market Report in 2008, they have earned 1719 million dollars from 2008 office sales. (www.collierstexas.com).

In Sri Lanka, real estate is a booming industry in which many innovations appear. However, office market related studies in the country seem not prominent. The reasons for that may be higher complexities in identifying an exact office market in Sri Lanka, even though most of other countries have well demarcated office markets such as New York Manhattan Office Market, Hong Kong Office Market, and Berlin Office Market etc. This study, therefore, aims to analyze the general pattern of the office market and to discuss the determinants of the demand for office space in Colombo.

Methodology

The primary data was obtained through questionnaire administration and interview methods. The semi structured questionnaire was administered on 30 private offices having selected through systematic random sampling technique within a municipal district area. Interview method was used to verify the ideas of relevant managers of selected offices. Elementary statistics as percentage and probability concepts and weighted score techniques were used to analyze the data. The study is confined to the firm's point of view rather than investor's point of view. The study focused only on the "private sector offices in Colombo Municipal Council Limit except the "Fort" area of Colombo.

Views on Office Market in Different Contexts

From firms' point of view, a modern office is a very important and sophisticated administrative center. Its work is essential to an enterprise's operations. It contributes significantly to the attainment of goals and to the progress of the enterprise (Terry, 1980). In words of office design consultant and an author Francis Duffy, "The office building is one of the great icons of the twentieth century. Office towers dominate the skylines of cities in every continent... the most visible index of economic activity, of social, technological, and financial progress, they have come to symbolize much of what this century has been about" (Duffy, 1997). Having proven the Duffy's views, Adams *et al* (2005) stated that Philadelphia in Pennsylvania has enjoyed explosive growth in commercial office construction that has dramatically changed the appearance of the Philadelphia skyline in just a few years. Even, Conway (2007) justifies that the office building is the most tangible reflection of a profound change in employment patterns that has occurred over the last one hundred years. Further he says that "in present-day, America, Northern Europe, and Japan, at least 50% of the working population is employed in office settings as compared to 5% of the population at the beginning of the 20th century".

Demand and Supply of Space

Real estate space markets involve transactions of the "rights to use" of land and buildings. On the demand side of this market, there are people, business firms and other entities willing to pay and use space for consumption or production purposes. The supply side of this market consists of property owners who are willing to sell such space to users so as to fulfill their need. The price of use in the space market is often called 'rent', even if the user is the owner occupant of the space (Charles and Marcus, 2002).

Users of space often have specific requirements for the type of space they demand and the locations of that space. For instance, special community members such as elders, disables need specific facilities in office and other public buildings (Perera, 2008). Suppliers in the space market have buildings that are designed for needs of specific users and are fixed in suitable locations. Because supply and demand is location and type specific, real estate space markets are highly segmented and confined to regions. For instance, office space in Los Angelo is vastly a different market from the warehouse space market and office market in Texas. Further, the price (rents) for one type of space may be very different from the price for a different type of space in the same geographic area and prices for the same type of space in two different geographic areas may differ dramatically (Charles and Marcus, 2002). These differences exist mainly due to the inexpressible nature of demand for office and other space uses. For instance, the demand for office space may reduce in a situation of recession and as the market recovers, it can be expected to see an increase in demand.

Peter and Alan (1998) described the respondents' view of preferred accommodation type. This study considered the office market and illustrated the views over the certain types of properties. Accordingly, it is seen that smaller office occupiers hold no great preference in choice, but as the occupier group increases so does the demand for new and refurbished accommodation. This is a direct consequence of the lack of new large floor in buildings and the availability of larger refurbished accommodation. However, this situation is undoubtedly different for large business firms. Paul Strohm (1992) reports that there appears to be a division in thought as to how demand for offices has changed with the introduction of modern working practices. "On one hand subjective evidence suggests new working practices will cut the demand. On the other hand, figures indicate demand is not too far short of its 1987 peak" (Estates Gazette, 1997). This is a fact that tells about the complexity of the space market.

Accordingly, the demand for offices depends on the actual business need and application of working practice. As a specific objective of Peter and Alan (1998) research, responses were viewed with regard to the demand for office space as a result of the implementation of modern working practices. Modern working practice is a multi-dimensioned area. It relates with the changes of employees, technology and social systems etc. For instance, as a legal requirement in the UK, all public buildings should provide adequate convenience access and other facilities for the elders and disables by year 2025 (Perera, 2008). All these suggest a need of systematic alteration to the space to be functionable. Peter's research shows how views vary with occupier size. The smaller occupiers show little

change in their demand, whereas the larger occupiers conversely show that a reduction in space would be required in the future.

Occupational demand criteria: An important decision that any potential occupier will have to make is whether to purchase or to rent a suitable space for the requirement. The decision to buy or to rent will be affected by following factors (Ventolo *et al*, 2005).

- i. The nature of the business and the requirement, or otherwise, for significant investment in specialist equipment.
- ii. The image of the business and whether it requires to promote its own corporate 'stamp' on premises.
- iii. The availability or otherwise of appropriate premises.
- iv. The financial implications, including the effect of taxation.
- v. Company policy.

Above mentioned factors seem to be generic determinants of space requirements. Whichever decision made by a particular person, there are common requirements as well. According to the general argument, any building choice, occupiers will take their property buying decision considering 'three Ls i.e. Location, Layout, and Leasing; all of these will affect on their cost levels. Douglas (1995) also describes the same factors in detail as factors affect the decision to own or to lease of space. Some of these are difficult to incorporate explicitly in a "lease versus own" analysis, but they may affect on the final decision. They are space requirements; amount of space needed, risk bearing, management expertise, maintenance, special purpose buildings, tax considerations, access to capital market, control and effect on financial statements etc.

The Supply for office space

Supply refers to the amount of a good or service available in a market at various prices (Charles and Marcus, 2002). Ariyawansa (2008) emphasized the general objective of the land market as to ensure that lands are supplied in needed quantities, appropriate tenures, at the right time and appropriate prices having regarded to issues of efficiency and social equity. Though it may not be the same in the office market, it gives a general idea about the objective of the office market.

David (2002) says that there remain significant "inefficiencies" in real estate, in both its commodity (or space) markets as well as its capital (or investment) markets. Further he shows in the space markets (the demand and supply factors that drive absorption, rents and vacancy rates), the most obvious evidence of

inefficient markets are the double digit office vacancy rates. However, Ariyawansa (2008) argues that location and many other variances in the price in land market can be minimized if suppliers provide lands and property in appropriate locations and appropriate time with required infrastructures.

Office supply in central business district vs. decentralized district:

According to Archer and Smith (1994) despite the fact that Grade “A” office accommodation in the Central Business District (CBD) deserves certain market niches because of a more prestigious image and the clustering effect of professional firms or financial institutes. However, experts argue that the emergence of a Decentralized District (DD) around major cities and their continual expansion may reduce the future role of formal CBDs. However, Eddie and Raymond (2003) have examined the decentralization in Hong Kong’s office market, both the upturn and downturn and found different results. It has analyzed the vacancy trend of the Grade-A office market in Hong Kong: Decentralized Districts versus Central Business District (CBD), based on a Decentralization Index. This study reveals that the CBD has a more stable office market sector than the non-CBD. During a market upturn, the Grade-A office market in Hong Kong DD has outperformed than that are in the CBD. However, during a market downturn, the vacancy rate in the DD tends to increase at a greater rate than in the CBD. However, the finding of this study cannot be accepted and generalized without arguing. The result depends on the maturity level of DDs. Once the DDs are fully established and well matured, they may serve better than CBDs even at recessions. In such a situation, result of the same analysis may be different.

Office markets in developed and developing cities

There are many differences between developed and developing cities relating to the property markets such as market maturity (Keugh and D’ary, 1994 in Keugh and D’Ary, 1999 in Ariyawansa, 2008) and market efficiency (Gavin and Simon, 2000 in Ariyawansa, 2008). Office markets in many cities in developed countries have begun to perform as international office markets (Ariyawansa, 2008). For instance, Colliers International has 293 offices within 61 countries on 6 continents and they publish office market reports annually or quarterly as an international network (www.collierstexas.com accessed on 06.02.2009). At the same time, so many cities, particularly in developing cities, are not important in the global context and they do not function as global or secondary level cities (Ariyawansa, 2008). Accordingly Office markets in developing countries are far behind to developed cities in connection with the existence, performance and implications in the market.

Office Market in Sri Lanka

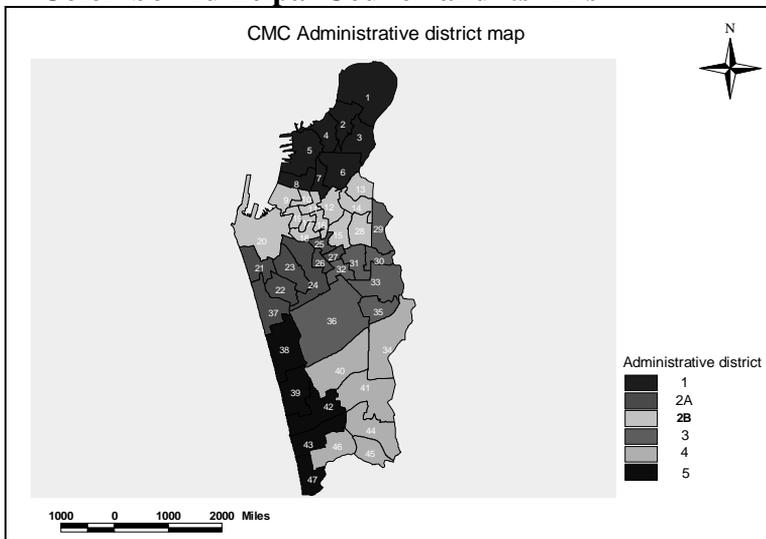
As a developing country, Sri Lanka has been overwhelmingly adopting the market system from the beginning of liberalized economic policy. It also seems that Sri Lanka has particular interest of real estate sector along with these changes (Central Bank, 1998). Since Colombo is promoted as the commercial and financial center of the country, need of land and property for office purposes has increased considerably. A vast majority of private and public institutions maintain their head offices and several branches in the Colombo city (Ariyawansa, 2008; Edirisinghe, 2004). This may be a result of the global economic trends in connecting cities for economic activities worldwide and nationwide. Dodankotuwa (2000) points out that offices constructed in Colombo city recently were sold before the completion of construction. All these evident that there is a high potential demand for office space in Colombo.

Results and discussion

General pattern of the demand for office in Colombo

Colombo Municipal Council (CMC) consists with 47 wards within five Administrative Districts (ADs) established for planning purposes (figure 01).

Figure 1 - Colombo Municipal Council and its ADs



Source: Colombo Municipal Council (2009)

Accordingly, with the help of the Assessment Books which are maintained for each ward, under the section 235 of the Municipal Councils Ordinance (Chapter 252) & Register under the relevant bylaws relating to the registration of names and addresses of owners of lands and buildings by the Colombo Municipal Council (CMC) and through other relevant books, maps and reports, office related information within the Colombo Municipal Council Limit was collected. Colombo Municipal Council does not maintain a separate database for offices properties. For the rating and other administrative purposes, both office and shop properties have been categorized under the “commercial properties” by the CMC. In this circumstance, in order to identify office properties, this study uses the available data of the CMC property registry. Table 01 shows the categories and number of properties in each ward of the CMC by the time of the data collection. All the above properties can be clustered as per the 05 administrative districts as well. This helps to have a more specific view on the distribution of office properties within the CMC limit. Figure 02 shows the wards in administrative districts.

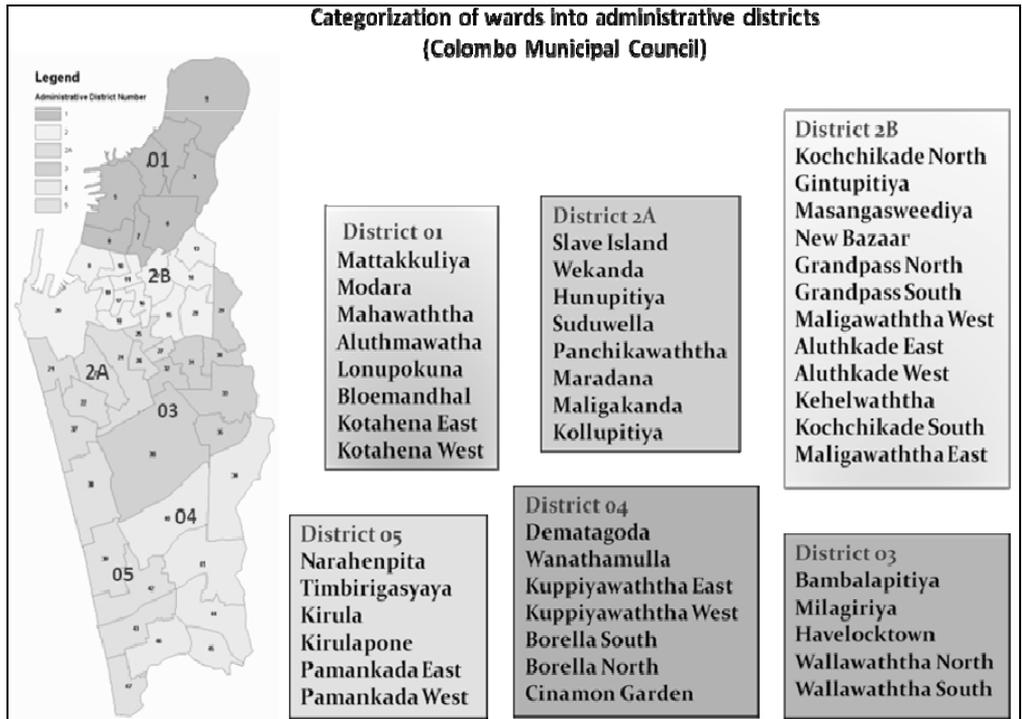
Table 1 – Type and Number of properties in the CMC

Municipal Ward	Residential	Commercial	Other	Exempted	Total
1.Mattakuliya	6297	443	34	57	6831
2.Modera	3134	252	56	67	3509
3.Mahawatte	2289	422	36	38	2785
4.Aluthmawatha	2541	182	379	28	3130
5.Lunupokuna	2050	160	140	126	2476
6.Bloemandhal	1718	439	83	239	2479
7.Kotahena East	1313	281	391	17	2002
8.Kotahena West	1876	323	29	174	2402
9.Kochchikade North	1338	1114	24	230	2706
10.Gintupitiya	1738	309	1	21	2069
11.Masangas Weediya	1262	860	5	119	2246
12.New Bazaar	1177	776	577	166	2696
13.Grandpass North	1377	274	436	30	2117
14.Grandpass South	1328	277	896	37	2538
15.Maligawatte West	840	335	1670	297	3142
16.Aluthkade East	1562	798	126	36	2522
17.Aluthkade West	1082	408	113	20	1623

18.Kehelwatte	1012	371	372	29	1784
19.Kochchikade South	1428	1090	153	19	2690
20.Fort	275	9213	447	296	1,0231
21.Kopannaweediya	1301	307	68	35	1711
22.Wekande	1067	438	251	101	1857
23.Hunupitiya	848	432	195	72	1547
24.Suduwella	1080	610	67	60	1817
25.Panchikawatte	1228	590	270	56	2144
26.Maradana	927	546	4	44	1521
27.Maligakande	1324	243	136	45	1748
28.Maligawatte East	1212	149	725	56	2142
29.Dematagoda	2316	342	49	54	2761
30.Wanathamulla	1897	175	86	105	2263
31.Kuppiawatte East	1553	137	286	72	2048
32.Kuppiawatte West	1245	307	11	15	1578
33.Borella North	2465	144	283	83	2975
34.Narahrenpita	2750	253	973	50	4026
35.Borella South	1172	613	90	309	2184
36.Cinnamon Gardens	2336	563	254	50	3203
37.Kollupitiya	1884	1195	79	21	3179
38.Bambalapitiya	2701	1536	78	23	4338
39.Milagiriya	2187	1191	8	20	3406
40.Thimbirigasyaya	2301	406	437	73	3217
41.Kirula	3941	518	327	27	4813
42.Havelock Town	2779	472	39	21	3311
43.Wellewatte North	3797	751	9	151	4708
44.Kirillapone	3424	308	7	131	3870
45.Pamankada East	2670	289	3	105	3067
46.Pamankada West	3633	373	5	81	4092
47.Wellewatte South	2908	388	20	107	3423
Total	92,538	31,603	10,728	4,013	138,927

Source: Colombo Municipal Council (2009)

Figure 2 - Administrative Districts in CMC



Source: Prepared by the Author using the information from the CMC (2009)

Table 2 shows the percentages of commercial (office and shops) properties in Administrative Districts (ADs). As such, administrative district 01, 2B, 2A, 03, 04 and 05, possess 9.77%, 23.91%, 28.09%, 13.41%, 9.30%, and 22.61% commercial properties respectively. In view of that, the highest numbers of office and shop properties are located within the area of the Administrative District 2A.

Table 2 - Percentages of Office and Shops in Ads

Administrative District No-01				
Ward	Ward Name	Total	Shop+Office	Shop+Office
1	Mattakuliya	6831	443	6.49
2	Modera	3509	252	7.18
3	Mahawatte	2785	422	15.15
4	Aluthmawatha	3130	182	5.81
5	Lunupokuna	2476	160	6.46

6	Bloemandhal	2479	439	17.71
7	Kotahena East	2002	281	14.04
8	Kotahena West	2402	323	13.45
Total		25614	2502	9.77

Administrative District No-2B

Ward	Ward Name	Total	Shop+Office	Shop+Office
9	Kochchikade North	2706	1114	41.17
10	Gintupitiya	2069	309	14.93
11	Masangas Weediya	2246	860	38.29
12	New Bazaar	2696	776	28.78
13	Grandpass North	2117	274	12.94
14	Grandpass South	2538	277	10.91
15	Maligawatte West	3142	335	10.66
16	Aluthkade East	2522	798	31.64
17	Aluthkade West	1623	408	25.14
18	Kehelwatte	1784	371	20.80
19	Kochchikade South	2690	1090	40.52
28	Maligawatte East	2142	149	6.96
Total		28275	6761	23.91

Administrative District No-2A

Ward	Ward Name	Total	Shop+Office	Shop+Office
21	Slave Island	1711	307	17.94
22	Wekande	1857	438	23.59
23	Hunupitiya	1547	432	27.93
24	Suduwella	1817	610	33.57
25	Panchikawatte	2144	590	27.52
26	Maradana	1521	546	35.90
27	Maligakande	1748	243	13.90
37	Kollupitiya	3179	1195	37.59
Total		15524	4361	28.09

Administrative District No-03

Ward	Ward Name	Total	Shop+Office	Shop+Office
29	Dematagoda	2761	342	12.39
30	Wanathamulla	2263	175	7.73 Cont.
31	Kuppiawatte East	2048	137	6.69

32	Kuppiawatte West	1578	307	19.46
33	Borella North	2975	144	4.84
35	Borella South	2184	613	28.07
36	Cinnamon Gardens	3203	563	17.58
Total		17012	2281	13.41

Administrative district- No 04

Ward	Ward Name	Total	Shop+Office	Shop+Office
34	Narahenpita	4026	253	6.28
40	Thimbirigasyaya	3217	406	12.62
41	Kirula	4813	518	10.76
44	Kirillapone	3870	308	7.96
45	Pamankada East	3067	289	9.42
46	Pamankada West	4092	373	9.12
Total		23085	2147	9.30

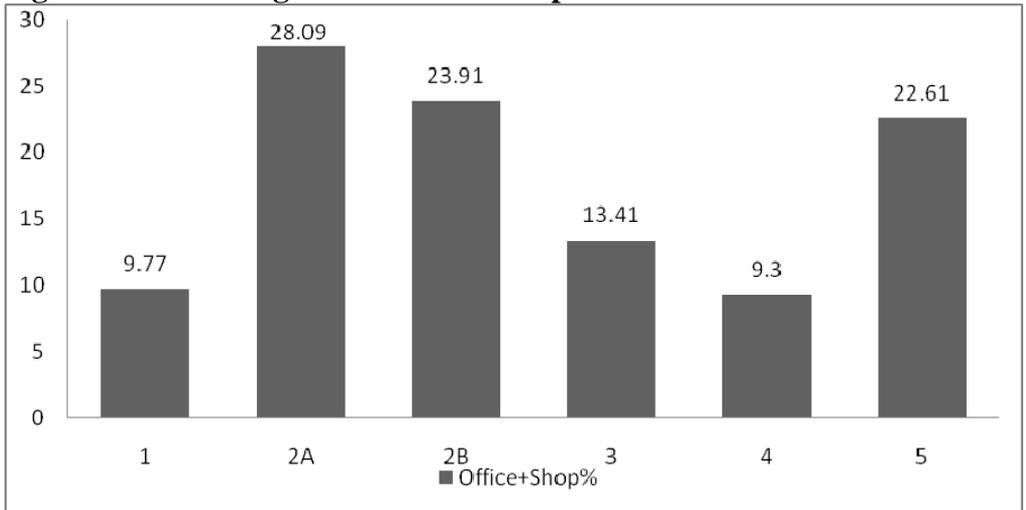
Administrative district-No 05

Ward	Ward Name	Total	Shop+Office	Shop+Office
38	Bambalapitiya	4338	1536	35.41
39	Milagiriya	3406	1191	34.97
42	Havelock Town	3311	472	14.26
43	Wellewatte North	4708	751	15.95
47	Wellewatte South	3423	388	11.34
Total		19186	4338	22.61

Sources: Compiled by the author using data and information from the CMC (2009)

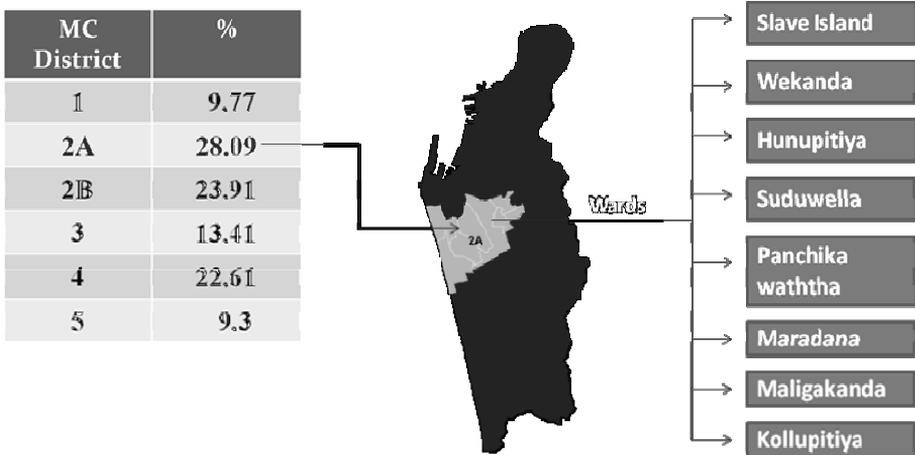
The comparative stance of the distribution of office and shop properties is more clearly illustrated by the following figure 03. Since the highest numbers of office and shops are located in the Administrative District 2A, this study made detail analysis of the properties in the area to identify the general pattern of office property distribution in the city. It consists with 8 wards and shown in the figure 4.

Figure 3 – Percentage of Office and Shop in each Ads of the CMC



Source: Compiled by the Author

Figure 04- Administrative District 2A



Source: Compiled by the Author

According to the usage of office space, office properties can be categorized as Pure Office and Mixed Office. Table 03 shows that 78% of offices are used as Purely Office purpose and the rest of 22% of premises are used as Mixed Office purposes.

Table 3 - Usage of Office Space

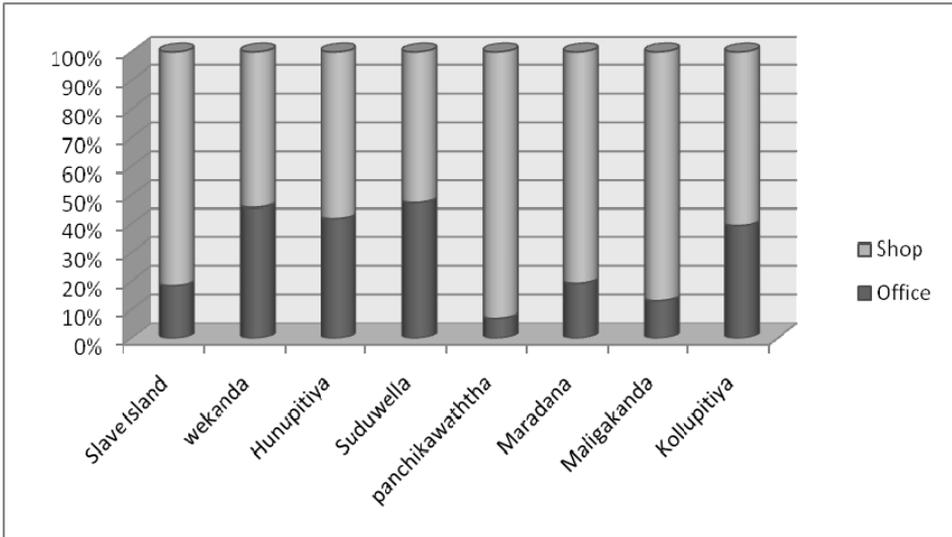
Ward No	Ward Name	Pure Office	Mixed Office	Total
21	Slave Island	42	15	57
22	Wekande	170	30	200
23	Hunupitiya	131	50	181
24	Suduwella	208	81	289
25	Panchikawatte	16	31	47
26	Maradana	81	25	106
27	Maligakande	18	14	32
37	Kollupitiya	471	80	551
Total		1137	326	1463
Percentage		78%	22%	100%

Source: Colombo Municipal Council (2009)

According to above table total amount of office properties are 1463 in the Administrative District 2 A and the total number of commercial properties (office and shops) are 4361, which accounts for 28% of the total properties i.e. 15524. Further, it is noted that the number of shop properties are greater than office as (4361-1463) 2898. Hence percentage of shop properties is 18.6% and percentage of office properties from total properties is 9.4% while the rest of 72% represents residential and other properties.

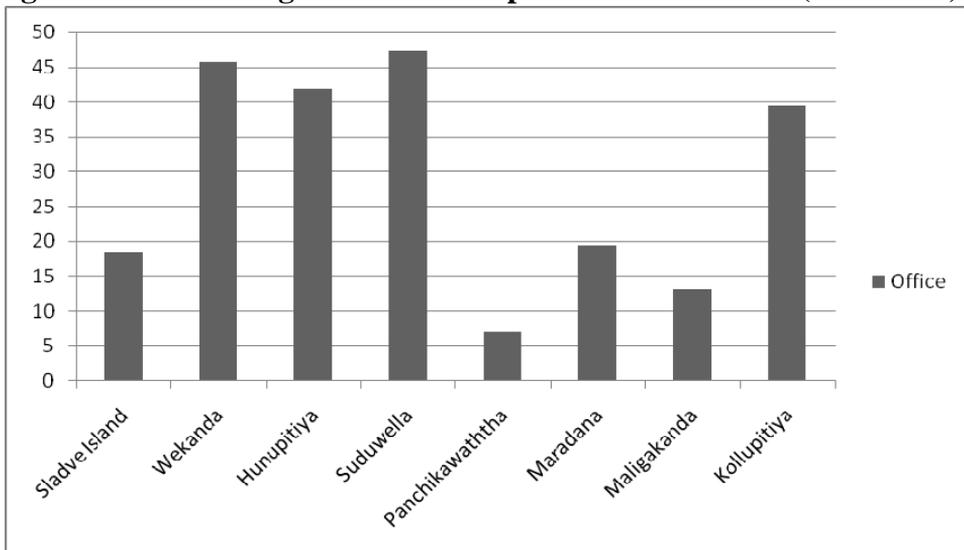
According to the figure 05 and 06, the distribution of offices within Administrative District 2A, particularly in the areas of Wekanda, Hunupitiya, Suduwella and kollupitiya wards are more significant than Slave Island, Panchikawaththa, Maradana and Maligakanda. 128696 As per the above results, the highest numbers of offices are located in Wekanda, Hunupitiya, Suduwella and Kollupitiya wards. Hence, those wards were considered as the most suitable areas for primary data collection to identify the determinants of the demand for office. Table 04 shows the composition of the sample.

Figure 05 – Percentages of Office and Shop Properties in the AD-2A (ward wise)



Source: Compiled by the Author

Figure 06 – Percentages of Office Properties in the AD-2A (ward wise)



Source: Compiled by the Author

Table 04 - Distribution of Sample

Ward No	Ward Name	Population Size(N)	Sample Size(n)
22	Wekanda	200	200 x 0.025 = 5
23	Hunupitiya	181	181 x 0.025 = 4
24	Suduwella	289	289 x 0.025 = 7
37	Kollupitiya	551	551 x 0.025 = 14
Total		1,221	30

Some key factors relating to the demand for office buildings

Preference to the current premise: This study investigated some particular aspects relating to the demand for the office building in the area. For that purpose, it was questioned whether they prefer to stay in the same premise or not. In view of that, 60% are in view that the same place is ideal and 10% needs to have some refurbishment for the same property and willing to stay in the same premise. However, some 30% has shown their interest to find another premise from the market. Very particularly, it should be noted that no one prefers to build their own office buildings and only 30% of existing office users are moving actively in the office market.

Ownership of office property: It was also examined the preference of the ownership of office properties. According to the responders' views, only 30% prefer to have freehold interest of an office and the majority of 70% prefer to have leasehold interest. This situation of the phenomenon is the other way around to the situation of the area of residential properties where more than 95% prefers to have freehold ownership in case of housing in Sri Lanka (Ariyawansa, 2007).

Location of office property: It was also questioned about the location preference for the office premises. Study reveals that, 82% of respondents prefer to be in the city center while 18% prefer to have their office in suburban areas. And no one is willing to have their office in rural areas.

Mode of use of office: Whether the respondents are willing to use the office as mixed purposes or not was observed. It was found that 40% of respondents are willing to use their office building exclusively for office purpose while 60% prefer to use their premises for multiple users being in an office complex.

A summary of potential consumers' willingness for the preference of relocation, ownership, usage of office space and the location of an office as discussed above can be presented as follows in the table 05.

Table 05 - Percentage preferences for each attribute

Attributes	% Preferences for each attribute
Stay at the same place	SS (60%) RF (10%) OM (30%)
Ownership	FH (30%) LH (70%)
Usage of office space	SI (40%) MU (60%)
Location	CC (80%) SU (20%)

Notes

SS: stay at same place RF: refurbished OM: office market (lease, rent or buy)
FH: freehold (buy) LH: leasehold (lease) SI: single use MU: multiple use CC:
office in city center SU: office in suburban

Thus, the probability (P) of willingness to stay at the same office building of a randomly selected occupier is 60%.

It can be expressed as, $P(SS) = 60\%$.

Accordingly the probability of one who prefers to buy freehold ownership of an office for single use can be computed as $P(FH) * P(SI) = 0.30 * 0.40 = 12\%$. Similarly size of the office market according to the above criteria can be computed as shown in the following table 06.

Table 06 - Potential Office Market Segments

Market Segment	Size from the sample
Those who prefer to buy freehold interest office building for single use. FH (30%).SI (40%)	12%
Those who prefer to buy freehold interest & to be one of the multiple users in an office complex. FH (30%).MU (60%)	18%
Those who prefer to buy Leasehold interest office building for single use. LH (70%).SI (40%)	28%
Those who prefer to buy Leasehold interest & to be one of multiple users in an office complex. LH (70%).MU (60%)	42%
Those who prefer to buy Leasehold interest in city center. LH (70%).CC (80%)	56%
Those who prefer to buy Leasehold interest to be one of multiple users in an office complex in City center. LH (70%).MU (60%).CC (80%)	34%
Those who prefer to buy Leasehold interest to be one of multiple users in an office complex in suburban center. LH (70%).MU (60%).SU (20%)	8%

According to the computation, the largest market segment is for the leasehold office space in the city centre while the least market segment is for the leasehold interest for multiple uses in suburban areas.

Some more factors of concerned in Demand

There are some common factors that the respondents mentioned in addition to the preference of existing premises, ownership of office property, location of office property and usage pattern of office property.

Appearance: The need for an image to be reflected by means of the appearance of the office building is regarded as an important matter of fact. In this regard, 80% of respondents indicated that external appearance is an important in the case of office premises.

Accessibility: In general, it is said that higher accessibility is a must for office. However, this study clearly found that such a higher accessibility is not considered as an important matter. They expect average accessibility for their office workers as well as their clients. Notwithstanding, they expect higher “Image for location” to ensure a good working environment during the working hours.

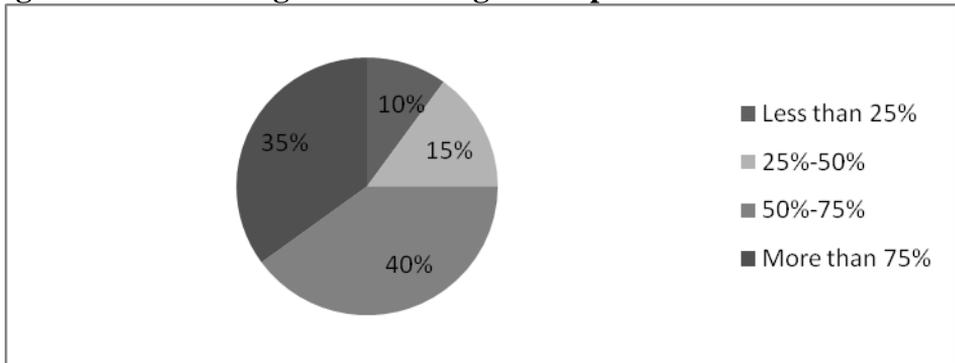
Flexibility with ownership agreements: This is another common objective of many firms. Under the flexibility they highlighted the following rights in agreements.

- i. Providing the appropriate contraction and expansion
- ii. Early termination rights
- iii. Sublease right

Use of IT facilities: It is obvious that the information technology began to have a marked effect on the demand for office accommodation. Because all the firms are needed to verify whether appropriate facilities are available for fittings of hardware. Hence, understanding of firms’ usage of information technology is also important.

According to the response of interviewees, all the organizations use internet and e-mail facilities. Figure 07 shows percentages of staff that uses computers of the organizations.

Figure 07 – Percentage of staff using of computers



Source: Authors' fieldwork 2009.

According to these statistics, the highest numbers of organizations are within the range of 50% - 75%, which means 50% - 75% of their staff uses computers with internet connections.

Quality and Comfort: Quality and comfort are crucial to visitors and workers of office. Because they emphasized that there should be an appropriate office layout and good condition of electrical, mechanical, life safety and telecommunication systems.

Mix of amenities: They expect a certain mix of amenities from office building in addition to the above requirement such as,

- i. Conference halls
- ii. Security services
- iii. Parking facilities

Price or rental value: Price is also remaining as a decisive factor for office space according to the respondents' view.

Concluding Remarks

The analysis shows that nearly 10% of real estate in the study area represents office premises. Eventhough office represent significant amount of real estate, nobody has maintained a separate database for office properties. Even, the Colombo Municipal Council has identified offices as commercial buildings. Accordingly, both shops and office properties have been categorized as commercial properties.

Study found that the Administrative District 2A has the highest number of office buildings in the Colombo city. The results show that Wekanda, Hunupitiya, Suduwella and Kollupitiya wards are significant. Since the boundaries of all these wards are adjoining with each other, there is a good relationship among them and it can be concluded that Colombo office market is mainly concentrated into these wards.

According to the results of the analysis 78% of offices are maintained as pure office and only 22% of offices are maintained as mixed office within the study area. Based on this result, another conclusion that can be drawn is that there is a high demand for pure office building rather than mixed use office building. As far as the ownership is concerned, the largest market segment is for the leasehold office space in the city centre while the least market segment is for the leasehold interest for multiple uses in suburban areas.

Analysis revealed that only 30% of office occupiers in the case study area would like to move their existing place and accordingly there is a high demand for "leasehold interest of office complexes in the city center". The highest potential market segment in the office market is the "leasehold interest for office in the city centre". In addition, it was identified several other determinants of office demand.

Providing a mix of amenities is critical including a conference center, security services, and parking. Flexibility is another common objective of many firms, such as receiving the appropriate contraction expansion and early termination rights as well as sublease rights are important. Information technology is another demand factor as more organizations use internet, e-mail facilities and other computer applications. Quality and comfort are also critical to certain tenants. Thus, suppliers have to consider seriously about the infrastructure such as electrical, mechanical, life safety and telecommunication systems etc.

Most of firms prefer to be cluster in a location which has prestige image and only an average accessibility is considered. Price and building appearance are also remaining as decisive factors for office space in Colombo.

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