

Housing Market in Metropolitan Colombo: New Trends¹

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Abstract

The study conducted in the Colombo Metropolitan Region, addresses to the emerging nexus between public and private sectors in urban housing, and market forces. The commercialization of private sector build housing has been on the increase builders in the market, where the state has incurred to its dwindling resources and infra-structure. The study reveals that the rising demand especially among middle and upper income groups for apartments in private housing schemes, along with multiple amenities. This has resulted in a steep rise in land prices. Also private housing is mainly tapping the middle and upper middle classes, but not the lower middle and the poor. These categories in the housing market are mainly served through the state funded subsidized housing schemes. Further, the researcher has shown how the banking facilities for housing loans have further enhanced the interest of people in private housing, creating a big boost to the housing market. The whole process has led to the emergence of urban social classes very distinct from one another and drawing an identity from the housing structures.

Keywords:Housing Market – Social Actors - Social Classes - Social Life - Urban Housing

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Introduction

Housing is one of the most important aspects of social development; it is not just a matter of shelter and space, but also something that has access to other material and social resources. In most cases, it can influence consumption patterns and household incomes, affecting what people can do and who they can become. Also, housing is traditionally considered as a responsibility of households. However, with increasing urbanization and change of economic environment, households alone cannot fulfill their housing requirements. Several institutions, both public and private sectors, have an important role to play in the development of housing for a nation. In the developed world, housing has become a marketable commodity where developers and financiers are working together to construct houses for sale in market.

However, in the developing world, due to low income levels, households cannot depend on the market alone. In these countries, housing development is a responsibility of several stakeholders. Basic services and access to critical resources have to be provided or facilitated through the public and private sector partnership enabling wider access to affordable shelter. Of course, the private housing market for the higher income groups thriving particularly for the wider segment of the society with the growth of incomes. However, most states in advanced capitalist countries have actively intervened in housing provision, although the degree and mode of state intervention vary according to socio-political conditions. Thus, an analysis of urban housing policy in Sri Lanka offers insight into the state and the market role in social development.

Objectives of the Study

The main focus of the study is to understand the changing nature of state-society relations through the lenses of government housing policies in the urban areas. Accordingly, an attention is given in this study on the following problem areas: (a) How has the post – 1977 liberalization impacted on the housing policy? Has it altered the role of the state in providing housing? If so, in what ways (b) What has been the role of private sector, private capital and foreign-

actors in the housing policy after 1977? What have been their priorities? How did the government allocate land for private sector housing? and, finally, (c) Whether the housing question also enables one to look at the changing nature of class relations, the class composition of the Colombo city, suburbs, and urban fringe?

Methodology

The present study is exploratory in nature. Both quantitative and qualitative data, for this study were collected within eight months from February and September 2006. Accordingly, the following main research tools were employed for the data collection: (1) Sample Survey (using an interview schedule – for 325 householders), and (2) In-depth interviews (particularly informal interviews). Thus, the in-depth and informal interviews (using a short questionnaire) were conducted with the concerned authorities like government officials, city administrative officers (e.g. the Chairman, the Director, Deputy Directors of the National Housing Development Authority (NHDA), Urban Development Authority (UDA), Colombo Municipal Council/CMC, etc.), private builders, housing policy makers, and officers of the financial institutions (public and private banks). Finally, sources of secondary data like the census reports, research papers, newspapers, official records, journals, relevant books and other types of published materials in the area were also used for this study. The National Housing Censuses of 1953, 1963, 1971, 1981, and 2001 have given an enumeration of housing units in the country at the time of each census. They have also provided data which reflect the more important aspects of housing conditions such as the rural, urban and estate sectors, location of housing units, their structural characteristics, the condition of tenure and occupancy and their facilities. These indicators of housing conditions render a possible qualitative and quantitative assessment of the housing stock at a particular point of time. Further, the researcher visited the following places to search relevant materials: The Library of the National Housing Development Authority (NHDA), Urban Development Authority (UDA), the Colombo Municipal Council (CMC), the Sustainable Townships Program (STP) and the Real Estate Exchange (Pvt) Ltd. (REEL), Sri Lanka Land Reclamation & Development Corporation (SLLRDC), Institute of Construction

Training and Development (ICTAD), State Engineering Corporation of Sri Lanka (SECSL), the National Archives, the Centre for the Poverty Analysis (CEPA), and the 'Sevanatha' (a group of concerned professional and urban poor community leaders).

The Housing Market

Since 1966, a huge body of literature has emerged on the sociology and economics of housing and housing market. According to Harvey (1973: 163-66), there are numerous and diverse actors in the housing market and each one has a distinctive way of determining use value and exchange value. They are as follows: (1) The Occupiers, (2) The realtors (estate agents), (3) The landlords operators (4) The developers, (5) The financial institutions, and (6) The government institutions. On the other hand, as the supply of the public housing would remain very low in comparison to the overall demand for housing, the market forces come into play to meet this demand. Allen and Hamnett (1991: 31) have pointed out that the following elements may usefully be incorporated into a theory of spatially discontinuous housing markets. Firstly, in a market situation the relationship between producers and consumers is a reciprocal one and both sides of the 'market' influence the actual outcome (the market must have numerous buyers and sellers of housing services). Further, they have noted that an understanding of housing market structure should start with housing production, not housing consumption. Such an approach stands in contrast to Rex and Moore's (1967) housing class model which focused essentially on housing consumption rather than housing production. It also provides a strong antidote to 'consumer-led' concepts of market relationships. A 'supply-side' approach to understanding the origins of housing market segmentation not only refers to the physical aspects of housing provision – the numbers and location of housing, its type, size and the standard of provision, etc. – but also to its institutional form; in particular, its tenure characteristics. Secondly, the role of bargaining between producers and consumers is essential to an understanding of housing market situation. Thirdly, ability of certain households to compete in the housing market is clearly affected by discrimination, most obviously on grounds of race or ethnicity. Fourthly, space plays a crucial role in housing market processes,

quite simply because housing involves the consumption of land. The housing market is a spatially constituted market par excellence. It is, therefore, impossible to understand space as a fundamental component of these processes. Fifthly, we need to understand the housing market as a dynamic process, one that is constantly changing in response to changes in the structures of provision and the characteristics of demand. The character of housing market segmentation not only varies over space, but also varies over time. Finally, we need to stress the social, historical and spatial contingencies of housing market processes. Considering all these aspects, we have attempted below to examine the specific situations in which each of the main groups operates as well as has operated earlier in the Sri Lankan housing market.

Rapid Growth of Developers and Housing Construction Industry in Sri Lanka

The specific political developments have influenced the state's role in housing development in Sri Lanka. The UNP government, elected to office in 1977, introduced a comprehensive package of economic reforms, which sought to almost totally reverse the economic policies of the pre-1970-1977 era. The new strategy was, from the beginning, directed towards transforming the economy from state control to one in which the private sector would play the lead role and market forces determine the allocation of resources. As Liyanage (1997: 449) stated, "The state began to move with market rather than going against it. The symbiosis between the market and the plan has been significantly restructured. The state and state capital, in the post-1977 period, contributed to the capitalist development in many ways". Following the economic reforms and the removal of import and price control there was a sudden upsurge in the demand for construction activity (*Annual Report, The Central Bank of Sri Lanka, 1981: 55*). The pent up demand for housing had to be met and there was an unprecedented level of construction activity both for housing and commercial building. Therefore, land, houses, and property values, especially in the city and suburbs, recorded an unprecedented increase after 1978 due to 'economic reforms' that thus began to exert upward pressure on land and house prices. This trend of increasing prices of land and property has

created numerous problems related to the construction of dwelling houses as well as other buildings.

Medagedara (1988: 9) has indicated that, “the increase in the prices of land also had a direct impact on the low-income and middle income groups who live in the city and in the suburbs...there are two factors which contributed to the increase in the prices of land and property in the city and the suburbs. One was the general economic conditions prevailing in the country after 1977 and the other was the increased housing activities during the same period”. Thus, the faster growth of housing activities after 1978 created a higher demand for residential and building blocks in the city of Colombo and its suburbs. For example, the public sector Hundred Thousand Houses Program (HTHP), Million Houses Program (MHP), and One Point Five Million Houses Program (1.5MHP), and so on, the Sri Lankan government adopted several measures to promote housing activities. These included the provision of incentives and tax relief to property developers.

Smith et al. (1988: 40) and Harvey (1973: 163-166) have mentioned that any discussion of the housing market must recognize the pervasive role of government. Not only does government exert an indirect influence on housing market through monetary and tax policies, but it also exerts a direct influence through the subsidization of housing costs and housing finance. As discussed, the Sri Lankan government continued to provide, since 1977, direct assistance to build or upgrade houses and make them available on rent basis to the low-income families and lower middle-income groups. However, its role changed from ‘direct provider’ to a ‘facilitator’. Thus, the government at all levels, from local to national, was heavily involved in the housing market, and this seems to be true in all countries. Various countries obviously differ in adopting the specific programs for housing but the level of their involvement in this sector, compared to other product markets, is uniformly high. Thus, housing programs use the full range of government instruments from taxation, expenditure and capital market intervention to regulation and creation of relevant public institutions. The housing conditions of the poor can be improved in two basic ways: by the government’s making

provision of superior housing for them, and improving their competitive position within the housing market. The former largely involves the government's provision of public housing on the rental basis. However, the public housing these days is not as important in the Sri Lankan housing market as it is in other countries like Singapore and Sweden.

Meantime, with the increasing income levels, the private sector housing providers have focused mainly on the housing requirements of middle and high-income families, particularly in the urban sector in Sri Lanka. The private property developers became involved in housing construction mainly after 1983. Prior to that, they were mainly engaged in the activities of real estate and land sub-divisions. The land and property market in the city and suburbs has been operated largely by real estate agents. But mushroom real estate agencies around the city have ventured into construction of dwelling houses for their clients on easy payment terms". Thus, heavy involvement of the private sector in land sales and property development and its high pressure marketing strategies have created a spiraling increase in the prices of land and property in the city of Colombo as well as in the suburban areas of Ratmalana, Dehiwala, Maharagama, Kotte, Battaramulla, Homagama, Wattala, and Kiribathgoda. Also, a survey on land prices by Abeygunawardane (1995: 35) indicated that, during the period 1978-1984, there was a boom period for the property development sector in Colombo. Several important features in the private sector property development activities during this period have also been identified. One was the rapid increase in the number of property developers, especially in the city of Colombo, and its suburban areas. They were either public or private companies, limited partnerships or individuals. The other characteristics were the increase of land sub-division schemes and sales of building and residential blocks in Colombo and its suburbs. Some of the companies, involved in the earlier largely land sub-division schemes, turned to the housing development activities this period.

Provision of the infrastructure facilities to develop a country to fall in line with an explosive growth has become a vital component. Among the sectors that contribute to accomplish the targets of a

country to achieve the development dreams, the building construction is playing an important role.

Table 1 - The Number of Building Construction Contractors/ Builders in Sri Lanka

Name of Province	Frequency (F)	Percentage
Western Province*	800	35.0
Eastern Province	266	11.7
Northern Province	117	5.2
Southern Province	287	12.8
Central Province	210	9.3
North Central Province	205	9.1
North Western Province	142	6.3
Sabaragamuwa Province	103	4.6
Uva Province	135	6.0
Total (N)	2265	100.0

* Colombo Metropolitan Region (CMR)

Source : *List of the Building Construction Contractors, Institute for Construction Training and Development (ICTAD), Ministry of Housing and Construction, Colombo, 2006.*

A significant number of building construction organizations (about 2265) have been established over all nine provinces in the country in 2006 (Table 1). However, most of them (about 35 per cent of developers/builders) have been scattered in the Colombo Metropolitan Region (Western Province). In addition, in the Southern Province nearly 13 percent of the developers/builders and in the Eastern Province 12 percent of them have been scattered respectively. According to ICTAD (2006), another special feature is that, except Sri Lanka Land and Reclamation and Development Corporation (SLLRDC), the State Development and Construction Corporation (SDCC), the State Engineering Corporation (SEC), and the Government Building Department (GBD), the remaining all other building construction organizations belong to the private sector.

According to the National Construction Association of Sri Lanka (NCASL), it has registered 5200 member construction contractors, of which only about 2000 members are actively engaged in the construction industry at present. Most of the construction contractors are reluctant to invest on modern technology and management systems as they do not consider these as their responsibility in the industry. The contractors, who have embraced the modern management and technology systems, have always been graduated to upper grades and have reached the standards of their international counterparts.

However, the literature shows that until 1983 the private sector formal property market was controlled by the first generation of property developers who were incorporated during the 1959-73 period. One of the most negative factors for discouraging private sector participation in the housing construction sector was the introduction of the Act on Ceiling on housing and properties in early 1970s (1973). This has not only withdrawn the private sector companies engaging in housing businesses but also discouraged the individual house builders to build additional houses for them or their children. The boom in the property market, during the period 1978-84, resulted in the creation of a new generation of property developers who concentrated on housing development in contrast to land development. Rising inflation during this period gave a boost to the property market. Tax incentives in the construction and sales were offered for houses. Encouraged by these incentives, the housing sector has become, since 1983, a significant sector of capital investment. To promote housing development activities through the property developers, the government granted tax holidays and gave incentives for housing development. On this economic transformation, Lakshman (1997: 8) has indicated that, "The period, 1977-82, witnessed the best results of liberalization in Sri Lanka. Private enterprise, so far (1970-76) highly restricted by state controls, found in liberalization a source of rejuvenation and there was a significant release of private sector energy". Later, the Budget proposals for 1988 amended the provision of the Inland Revenue Act-Section 21 with regard to the construction and sale of houses and flats. It exempted from the sale of houses and flats by persons (both individuals and companies) to provide for a flat rate

of exemption of 75 per cent of the profits on the sale. The floor area of 3,000 sq. ft. was reduced to 2,000 sq. ft. This proposal was to be effective from April 1988. The type of economic functions attributed to urban and suburban land accelerated the spiraling increase of land values and increased the demand for building and residential blocks. The general improvement in urban development during this period mostly benefited the property developers. The establishment of the Urban Development Authority (UDA) in 1978, and development of urban areas together with the development of the urban transport system through the areas of property development were important measures, which benefited the property developers. A change during this period was in the shifting of land development activities to housing activities, as stated earlier. Several tax relief measures and the granting of incentives to property developers resulted in the promotion of housing development. As a result of the above incentives, some of the developers built luxury houses for rich individuals and sold them at the then current market rates.

Thus, the urban development in Sri Lanka today is dominated by large condominium complexes and building companies. For example, 77 condominium/apartments projects were established in the city of Colombo during 2002-2004 (CMC, 2004). Today, the speculators are more concerned with selling large tracts of land than with sub-division and the subsequent sale of individual lots either to small building firms or to households.

The physical growth of cities is measured chiefly by the addition of new buildings and not by the growth of population. As a result of the tendency of cities to add successive rings of new residential complexes, housing problems of the affluent classes are abated. Even then, majority of the property developers are concerned with profits rather than helping the poor in the city. Johnston (1982: 177) has indicated that the “newly rich people threaten the characteristics of certain neighborhoods; the demand for housing is such that people may be prepared to pay high prices for homes in areas where they are considered negative externalities”. Thus, the housing market has complex organizations, which protect the social desires of some groups and advances the aspiration of others.

Growing up of the Landlords Operation and Land Value

Over the years, sociologists have sharply criticized the neo-classical economic model of a free and unorganized land market, and have called for analyses of land market to be grounded in a sociological framework. In a pioneering critique of both the economic and human ecological models of urban land market, Firm (1954: 317) has argued strongly for a 'sociological analysis of economic behavior': The reason for this is that the land market is highly organized and dominated by a number of interacting organizations. Feagin (1986: 117) has recently raised this issue again when he argues that urban sociology can contribute to 'a more realistic framework' of how the urban land market operates. Harvey (1973: 163-166) has indicated that, "the landlord has two strategies. The first to purchase a property outright and then to rent it out in order to obtain an income from the capital invested in it. The second strategy involves the purchase of a property through mortgage financing: the application of the rental income to servicing the mortgage then allows the landlord to increase the net worth of his or her holdings". Balchin and Bull (1987: 164) have indicated that, "It is frequently argued that high land prices cause high house prices as though builders added up land costs, construction costs and desired profit to arrive at price, a residual view of land prices is more realistic". Stone (1980: 81) has pointed out that, "under capitalism the price of housing is determined primarily by the structure of the housing market which includes not only the retail market for homes and apartments but also much of the land market, the construction industry, the materials industry, and finance capital". Ball (1983) has stated, that, "The exact division of gross development profits and the difference between new house prices and land prices are however 'theoretically in-determinant as it depends on the contemporary balance of power between builder and landowner". In general, however, landowners attempt to wait for the best market conditions before selling-off their land and builders will do their utmost to organize their development in a way which will ensure the retention of profit at the expense of the landowner".

Pugh (1995: 57) has demonstrated that land price inflation in many urban areas in developing countries exceeds general price

inflation and income growth rates among the poor. Also, land management practices often have gaps in registration of plots, surveying, titling and property rights, and land acquisition for urban development. Thus, the nature and ownership of land in urban areas in Sri Lanka is fragmented and complex. Perera (1995: 24) has indicated that, "in urban areas and particularly in the city of Colombo a higher percentage of land (72 per cent) is in private ownership". In the city of Colombo, practically all the developed land has already been utilized. There are, however, small estates, private and individual parcels of land scattered throughout the city which are being offered for condominium development and commercial use at relatively very high prices. The relative scarcity of land and the corresponding increase in land prices, particularly in Colombo Municipality Area (CMA) and the Colombo Metropolitan Region (CMR), have led to the conversion of low lying marshy areas into residential, commercial and industrial uses by reclamation and subdivisions carried out by the private sector. The Urban Development Authority (UDA) and the Board of Investment (BOI) mainly concentrate on the supply of land for industry. The National Housing Development Authority (NHDA) supplies land for housing of low and middle income groups along with the private sector agencies such as John Keels, Vajira House Builders, Sierra Construction, Tudawe Brothers Ltd, Ceylinco Developers Ltd, and Navaloka Housing and Construction Company, etc. as contractors who build houses mainly for the middle income groups. Perera (1995: 25) has further indicated that an extent of about 1600 hectares of land had been supplied to the housing market in Sri Lanka during the period of 1982-1984 by the private sector (e.g. authorized or unauthorized, local politicians or their followers, etc.).

As stated earlier, in the event of the high priority attached by the government to housing and urban development as well as in response to the increased demand for both commercial and residential buildings, the construction sector has recorded impressive growth rates since 1978 (Annual Report, The Central Bank of Sri Lanka, 1981: 55). It is also likely that the location of construction activity in respect of new residential and commercial purposes would have shifted to sub-urban areas due to the shortage and high price of buildable land in Colombo. In this context, Perera (1995: 25) has

pointed out that, "In terms of affordability, no proof seems required to state that the poor and the middle income groups are completely left out of the formal market of land in Colombo and suburban areas such as Mt-Lavinia, Sri Jayawardenepura – Kotte, Battaramulla, Maharagama, etc". Under this situation, the poor would necessarily have to find solace in the NHDA, REEL and SLLRDC combined with low-income housing complexes, which are heavily subsidized.

The housing complexes such as John Keels, Vajira Housing., Ceylinco Developers., etc. could be afforded only by the higher income market groups. The National Housing Development Authority has provided some middle-income housing in suburban areas. The urban housing program in Sri Lanka can be divided into two major sectors. One is urban low-income housing program and the other is urban middle class housing program. Under the Hundred Thousand Houses Program (HTHP) implemented through the National Housing Development Authority (NHDA) during the period 1978 to 1983, the Western Province (Colombo Metropolitan Limits) was provided with several large public sector urban housing complexes with the names as Rukmalgama (1980), Raddolugama (1982), Maddumagewatta (1982), Jayawadanagama (1984), Ranpokunagama (1984), and Mattegoda (1985). These government housing complexes were outcome of the necessity to provide housing for the lower middle class and middle class income groups but not so affluent middle class people). The lower middle-income groups cannot afford these houses and have to go in for land provided by brokers through the sub-divisions of coconut and rubber plantations. These lands, which are mainly in urban fringe areas sometimes lack facilities such as electricity, portable water, even proper access roads, etc.

Also, Abeygunawardane (1995: 34-42) has indicated that "the land value increases were much faster during the 1978-85 period, where annual rates of increase were 28.3 per cent for the Colombo Urban Area. The rates of increase have slowed down in the period of 1985-94 to 17.6 per cent. The most values in the region outside the city of Colombo had been due to the demand created by earnings abroad. The rates of increase of land values have been higher in the fringe of the Colombo Urban Area than in the regions closer to the city centre. The highest rates of increase are seen in the Biyagama

(27.2 per cent), Kesbewa (26.6 per cent), and Malambe/Kaduwela (23.9 per cent) regions, while the lowest increase has been in the Colombo city region (1978-1994). This pattern of increase follows the trend in most cities around the world, where the highest increases in land values are seen in the periphery of the urban areas". In addition, the current development pattern of the Colombo city and the adjoining areas has been influenced by the Colombo Regional Development Strategies (CRDS) adopted by the Urban Development Authority (UDA) under its Colombo Metropolitan Regional Structure Plan (CMRSP) in 1998 to develop the Colombo Metropolitan Region (e.g. the project covers an area of around 1,600 sq. km.). According to UDA, after the official declaration of the Colombo Metropolitan Region in 1998, people's demand for lands and houses in the area has increased substantially. Accordingly, the levels of price increase between 1998 and 2006 reveal a new demand pattern for the land in the suburban and urban fringe areas (e.g. Nawala, Battaramulla, Kottawa, Malambe, Wattala, and Kiribathgoda). Another important feature is that the land prices and levels of price increase in the Southern and South Eastern areas were comparatively higher than that of the other suburban areas in Colombo (Niriella, 2010: 118-24).

Johnston (1982: 224) has pointed out that 'any growing urban place must, almost of necessity, expand its built-up area. New housing must be built on periphery, creating a series of annular rings of different widths, depending on the current demand and the ability of construction industry to satisfy the demand at prices that can be afforded. New industries need large tracts of cheap land, which again are available only at or beyond the fringe of the built-up area, and increasingly other forms of land use are finding spacious and attractive suburban locations'.

Financial Institutions and their Contribution to Housing Market

This section is a review of the financial institutions and their contribution to housing market in Sri Lanka. Harvey (1973: 163: 166) has indicated that the financial institutions play an important role in the housing market owing to the particular characteristics of houses. Also, Mehta and Mehta (1994: 20) have indicated that 'the

housing market is, however, imperfect, complex and is interlinked to the capital and financial market'. Thus, Table 2 shows the composition of banking and housing finance institutions and distribution of their branches during 1970 to 2009. It is clear that since 1970, there were only 165 branches of commercial banks (domestic and foreign), while this number had increased up to 1530 branches in 2006. In 1970, there were only 22 long-term lending and housing finance institutions. However, since 1980, the growth of the housing finance and non-banking institutions also has increased systematically (There were 28 housing financial institutions in 2009).

Table 2 - Composition of Banking and Non-Banking Institutions and Distribution of Bank Branches, During 1970-2009

Name of the Bank/Institution	1970	1980	1990	1995	2000	2006	2009
Commercial Banks	12	21	24	26	26	23	22
Domestic Banks	4	4	6	8	10	11	11
Foreign Banks	8	17	18	18	16	12	11
Number of Bank Branches							
Commercial Banks	165	879	747	901	1090	1530	2214
Domestic Banks	152	861	724	864	1045	1491	2000
Foreign Banks	13	18	23	37	45	39	44
Long Term Lending Institutions	22	27	40	24	23	28	21

Source : Annual Reports, The Central Bank of Sri Lanka, 1970/80/90/95/2000/2006/2009)

Under the banking sector reforms, the Housing Development Finance Corporation (HDFC) of Sri Lanka Ltd. was incorporated as a building society under the provision of the National Housing Act No. 37 of 1954. The HDFC is a joint venture and commenced its business in January 1984. The objective of the HDFC is to construct

or purchase houses and land, flats and other buildings suitable for residential purposes. It is also engaged in financing the development of land for sale, or for housing and building schemes with the approval of the Commissioner of National Housing (CNH). In addition, its aims include inter-alia administration and management of the housing and building schemes and the provision of amenities for building and housing schemes. However, the property developers were faced with the problem of finding adequate finance for investment. They needed short-term finance for the purchase of land, for payment of professional fees for initial expenses and building; and the long-term finance to repay their short-term borrowing. Pugh (1995: 57) has indicated that the 'developers need short-term credit and finance to achieve assured and continuous supplies of housing'. Thus, the necessity for the establishment of a system of mortgage finance existed, which led to the establishment of the State Mortgage and Investment Bank (SMIB).

According to the State Mortgage and Investment Bank, "The State Mortgage & Investment Bank is the leading housing finance institution in Sri Lanka that provides finance for housing to property developers and to individuals". Thus, housing finance provided by the Bank (SMIB) is mainly for the following purposes. (1) Construction of dwelling houses/flats or purchase of new houses/flats; (2) Purchase of houses and property, which is not new; (3) Extension to dwelling houses; (4) Purchase of building sites, provided the construction of a dwelling house is commenced within a year from date of granting the loan; (5) Loans for property developers for construction of dwelling houses/flats for sale; and (6) Repair and renovation of dwelling houses. The SMIB emphasized further that, "to sell these new houses, mortgage money was required, deposits had to be attracted, and on secure terms. The lending institutions thus sought special status, and they obtained valuable concessions by the bank. So, their deposits are guaranteed, which has eliminated the gamble of placing money in them. Also, the state housing administration has insured mortgages when they are considered to be reasonable risks, with the result that the institutions have been able to make larger loans relative to the price of the property over longer periods and at lower rates of interest". At present, SMIB grants

about 12,000 to 13,000 housing loans per annum and its total loan portfolio stands at about SLRs: 10 billion (*The Report, National Housing Policy, Ministry of Housing and Common Amenities, 2009: V*).

As a result, during the past thirty years (1976-2006), the various interest groups involved in the property and housing market notably the housing construction companies, the savings and loans associations (e.g. public and private sectors banks and non-banking financial institutions), and the realtors had grown into a powerful lobby that had strongly influenced state urban housing policy in Sri Lanka. These lobbying activities had been aimed at ensuring a favorable financial situation for depositors to maintain a regular supply of mortgage funds and, at obtaining concessions for developers, to make the provision of infrastructure facilities (e.g. roads, utilities, etc.) for new housing construction.

Under the various incentives offered by the state and its banks, the construction works undertaken by the private sector rapidly increased in 2000. For examples, according to the Greater Colombo Housing Approval Index (GCHAI) compiled by the Central Bank, housing approvals by local government authorities in the Greater Colombo area increased by 9.0 per cent to 10,490 in 2000. The Board of Investment (BOI) had approved four housing projects with an investment outlay of LKR: 2,963 million in 2000. The commercial banks and other housing financing institutions such as the State Mortgage & Investment Bank (SMIB), the National Savings Bank (NSB) and the Housing Development Finance Corporation (HDFC) of Sri Lanka participated actively in granting housing loans for the construction of individual houses. In 2000, the number of housing loans granted by the SMIB rose by 4.0 per cent to 10,419, although the value of loan disbursements dropped by 18 per cent to SLRs: 1,320 million. In addition to the existing housing loan schemes, the SMIB introduced a new housing loan scheme for low-income groups with funds provided by the Employees' Trust Fund Board (ETFB). The total number of loans granted by the NSB increased by 18 per cent to 3,221, while the value of housing loans granted increased by 24 per cent to SLRs: 1,855 million. The HDFC granted

3,826 housing loans in 2000 as against 4,179 in the previous year. The value of housing loans granted by the HDFC rose by 7.0 per cent to LKR: 559 million. Housing loans to members of the Employees' Provident Fund (EPF) and loans to low-income groups under the Asian Development Bank (ADB) loan scheme were the new housing loan programs introduced by the HDFC in 2000 (Ganepola, 2004: 17). The total number of housing loans granted by the Bank of Ceylon increased by 16 per cent to 6,444 in 2000, while the value of housing loans granted increased by 43 per cent to LKR: 935 million. The People's Bank had granted 52,240 housing loans valued at LKR: 3,910 million in 2000.

Meanwhile, for the first time, a private sector company, solely involved in financing the housing activities, was formed by the National Development Bank (NDB) under the name of the NDB Housing Finance Company (NDB-HFC) Ltd., and its commercial operations commenced in 2001. The Housing Finance Development Finance Corporation of India, The Asian Development Bank, Employees' Provident Fund and the International Finance Corporation (IFC) are the strategic partners in the NDB-HFC. Ganepola (2004: 17) has mentioned that a recent survey done in Sri Lanka reveals that around 105,000 housing loans had been granted in 2001 by housing and finance institutions, including some commercial banks when compared with around 92,000 in the previous year. The government introduced a special housing loan scheme for the middle-income earners in 2002. Under this program, government intended to provide, through housing finance institutions, 10,000 housing loans of up to LKR: 500,000 each at a subsidized interest rate of 10.5 per cent per annum with a repayment period of 15 years. It had allocated LKR: 300 million to meet the interest subsidy in 2003. Further, it had also set a target of 300,000 housing units to be developed for the low and middle-income groups in 2004. Thus, action had also been taken to provide the government servants with housing loans up to LKR: one million at a concessionary interest rate of 4.0 per cent per annum through the commercial banks. Also, housing loans granted by financial institutions increased in 2005. The commercial banks had granted 89,335 housing loans to the value of LKR: 22,803 million in 2005. Further, housing loans granted

by the financial institutions too increased in 2006 for individual construction of housing. According to the Annual Report of the Central Bank of Sri Lanka (2006: 55), major commercial banks had granted 97,983 housing loans to the value of LKR: 34,227 million during 2006. The housing banks namely, the State Mortgage and Investment Bank (SMIB), the Housing Development Finance Corporation Bank (HDFC), and the National Savings Bank (NSB) had granted 35,137 housing loans to the value of LKR: 12,187 million in 2006, in comparison to 22,501 loans in 2005.

Under the government’s initiative, banking sector (state banks) in the country also implemented special housing loan schemes to cater to the increasing needs of the society, especially of the working class. As a result, the banks have released large amount of funds as housing loans. There is a number of banks (state and private sectors) offering the various housing loan facilities to help people build their dream home. The following table illustrates some of the loan facilities available for people.

Table 3 highlights (below) the housing loan schemes introduced to the customers by the public sector banks. The purposes of granting these housing loans are shared by all the public sector banks. They are: construction of house, purchase of house, purchase of land and construction of house, additions and improvements to the existing house or its renovation, completion of a partially constructed house, etc. The SMIB and the HDFC continue to be the major sources of housing finance to individuals and real estate developers. All other commercial banks, including the Bank of Ceylon and the People’s Bank, provide loans to house builders and other individual customers at low interest (from 11 per cent to 16 per cent) and on a long-term basis (from 15 to 30 years). The NSB also provides housing loans to its employees as well as others at concessionary interest rates (from 11 per cent to 15 per cent). In addition to these loan schemes, most of the other banks also provide concessionary loans to their employees and customers.

Table 3 - The State Banks and their Housing Loan Schemes in Sri Lanka - (2006/2007)

Name of the Bank	Name of the Project	Loan Value (LKR)	Rate of Interest (%)	Repayment Period (Years)
Bank of Ceylon	'Home Loan'	Up to 8,000	11.5	20
People's Bank	'Jaya Nivasa'	250 to 1,000 +	11.5 to 12	20
National Savings Bank	'Ge Dora'	Up to 250 to No Upper Limit	11 to 14.5	30
Housing Development Finance Cor-	'Sahan Sevana'	100 to 500	10.5	15
	'Kedella'	Up to 500 & +	15 - 16	15
	'Situ Sevana'	1,000	-	-
State Mortgage and Investment Bank	'Pahan Piyasa', 'Kaphura', 'Ran Vimana', 'Soubhagya', 'Shrama Abhimani', 'Suwa Shakthi', (e.g. Different housing loans, deposit & savings schemes, to suit various income groups, Interest rates ranging from 8 per cent to 22 per cent per annum)			

Table 4 illustrates (below) the private sector banks and the relevant details on housing loan schemes. The purpose of granting these loans is somewhat different from that of the public sector banks. The people can utilize the loan to construct a house, purchase a house or an apartment, a condominium apartment in urban areas, purchase of land and construction of a house, to cover any land-purchase related expenses, home extension such as constructing an annex or extra rooms, home improvement, to build a second home, renovation, for landscaping, for furnishing, etc. Most of the private banks have concentrated on the urban customers and, therefore, have located most of their branches in the urban areas. For example, the HSBC bank has indicated the eligibility criteria for home loans in its brochure as follows: "HSBC is the world's local bank ready to give home loans for any citizen who is living in urban areas. If you are a Sri Lankan national who wishes to build or buy land or property situated within 35 km of our main branch in Colombo Fort or 20 km of our Kandy branch (Kandy is the second largest city

in Sri Lanka) or situated within the main municipal council limits”. Chandravarkar (1985: 24) has indicated that, “it may nevertheless be noted that banking facilities are not evenly distributed in the country. There are vast disparities among different districts and provinces. The usual ‘urban bias’ in financial facilities in developing countries exists in Sri Lanka too”.

Table 4 - The Private Banks and their Hosing Loan Schemes in Sri Lanka (2006/2007)

Name of the Bank	Name of the Project	Loan Value (LKR)	Rate of Interest (%)	Repayment Period (Years)
Sampath Bank	‘Sampath Sevana’	From 100 to No Fixed Upper Limit	Flexible	20 - 30
Commercial Bank	‘Nivahana’	From 750 to 5,000	Flexible	20
HSBC	‘Home Loans’	Maximum 20,000	Flexible	Flexible
Hatton National Bank	‘Shanthi’	From 100 to 5,000 +	Fixed 14	5 to 25
	‘Shanthi’ - Foreign Currency	Minimum USD 3,000	Fixed	5
			USD 6	
Seylan Bank	GSAH-Finance Scheme	Up to 500	9.5	15
	‘Piyasa’	From 50 to 10,000	Flexible	25
	‘Velanda Nivasa’	From 50 to 10,000	Flexible	25
	‘Siri Nivasa’	From 10 to 500	9.5	15
	‘Viyana’	From 200 to 1,000	11.5	20
National Deve - Bank	‘Home Loans’	No Limit	Fixed	15+

The terms and conditions laid down by the above banks for the customers clearly indicate that it is not easy to afford a housing loan from such a financial institute for the poor section of the society to help make their dream home a reality. For example, to be eligible for such a loan, one has to be a permanent employee of either the state or private sector with a minimum monthly net salary of LKR: 25,000, or a professional, businessman or anyone with sound financial standing. Further, this income should be sufficient to meet the monthly loan commitment plus living and other expenses. Another condition is that the loan applicants are required to mortgage their immovable property to the bank.

In relation to this situation, I argue here that the overall terms and conditions of the banks favor (directly or indirectly) only the people of the higher-income groups in Sri Lanka. In the context of liberalization of the economy, a discussion on affordable housing becomes important as it was expected that the private sector would contribute substantially in providing housing stock to people, including the vulnerable sections of the population. However, the recent housing development activities, especially in the private sector (e.g. rapid growth of developers/builders, land market, financial institutions, etc.), have been oriented towards the middle-income and higher-income groups in Sri Lanka.

However, Deheragoda (2004: 6) has indicated that 'there are no separate formal markets existing for housing finance, secondary mortgage, real estate and housing in Sri Lanka. Most of the transaction pertaining to the housing is taking place at private level'. Therefore, he has suggested that 'it is necessary to introduce the concept of one-stop markets and exchange where home buyers can buy, sale, exchange their houses and properties or obtain services on land and property titling and transferring through valuation including development plans and regulations'. Considering all these aspects, we have attempted below to examine the specific situations in which each of the main groups operate as well as has operated earlier in Sri Lankan housing market.

Emergence of the Housing Market in the City of Colombo and Its Suburbs

At the beginning as an argument, we are required to subject our consideration towards the city of Colombo where this housing market is being functioned. The city of Colombo is a post-colonial city. The city of Colombo was setup as a centre of control by the British, based upon the harbor, in view of their convenience of sending raw-materials to the motherland. Therefore, it is essential to realize, that the environment which led to the rising up of the city of Colombo was not based on the needs of Sri Lankan but those of the British. After gaining independence from Britain the city of Colombo was controlled by the local rulers (UNP/SLFP coalition governments) and even their urban development activities can be seen as patch-up works performed within the western oriented projects for urban planning. In this context, the urban housing complexes selected for this study deserve consideration in the socio-spatial and historical background of the city of Colombo.

Also, we are required to consider the fact that under the process of globalization many cities in the world were transformed into a one system of capitalist economy (an independent city). Because of that reason cities inter-connected to each other by the market, based on capitalism were converted into one capitalist market place. Sociologists like Wallerstein (1974), Flanagan (1993), Sassen (1991), Friedmann (1995), Abrahamson (2004), have given an in depth analysis and their ideas also very well could be used in our analysis. Although to some extent the city of Colombo manifests post-colonial characteristics, however, my opinion is that by today it has become a centre of world capitalist economy or a market place by the global economic network. For example, Satterthwaite (2007) has mentioned that 'urbanization and economic growth of large cities is mostly linked to economic success. The growth of 'mega cities' with 10 million plus inhabitants is often highlighted as a problem, but these have less than 5 per cent of the world's population, and most mega cities have more people moving out than in, as smaller cities attract new investment'. Therefore, I would like to present as an argument that these socio-economic changes and economic

network within global cities have impacted upon the rearrangement of the housing market in the city of Colombo and its suburbs.

In any country, housing development could be possible only if it is based on the relationship between the state with other social actors such as developers and other investors, capital, labor force or labor class, middle class, bankers and developers/builders, etc. (Park, 1998: 272-88). Thus, when we look at the urban housing development in western or eastern countries (e.g. Singapore, Hong Kong, Sweden, etc.), it could be seen that at least one group of these social actors would have contributed in such efforts. In Sri Lanka, the private sector to a certain extent contributed to these urban housing supplies during the decades between 1940 and 1960, However, during the period 1970-76, because of the 'closed economic policy' that has been followed as an economic strategy these social actors did not come forward and because of the government policies they did not take any initiative to provide houses. However, the government that came into power in 1977 was very keen in supplying houses for urban population though it was a problem for the government to supply houses single handedly in the face of the new demand for the same.

Meanwhile, in Sri Lanka the main concern of the housing reform is to regulate the relationship between the state, market, work units, and individuals. However, housing has always been a major problem in Colombo. The rate of new housing construction has lagged far behind the rate of population growth. In the market reform process, the state has been reducing its role in housing provision which has resulted in significant increases in house prices as well as demand for housing at an affordable level. There is a gap between housing price and affordability. Thus, since 1979, the introduction of tax concessions and bank loans under the open economic policy caused the private sector to rejoin in the supply of houses. As discussed elaborately the recent trends that have taken place in the housing market of the Colombo Metropolitan Region. In presenting those factors we took into consideration the diverse actors those who make the composition of a housing market based on the identifications made by Harvey (1973). They are as follows: (1) Occupiers, (2) Estate Agents, (3) Land Lords Operators, (4)

Developers, (5) Financial Organizations, and (6) Government Institutions. However, in explaining the nature of a housing market even a better practical presentation of facts has been done by Allen and Hammett (1991) and those ideas we have presented earlier. These two scholars have pointed out that in identifying the housing market, it is important to understand the mutual relationship that is being built between the buyers and the sellers. When we consider the ideas presented by the above mentioned scholars about the functioning of the housing market it is apparent that though the ideas presented by Harvey (1973) may be sufficient in identifying the housing market of the city of Colombo, ideas presented by the duo Allen and Hammett (1991) were more useful in describing the practical functioning of the same.

Thus, the structure of the housing market in the city of Colombo has consisted of the following social actors. The National Housing Development Authority (NHDA) is the main responsible actor for housing development in the country. At present, it undertakes housing development programs for the benefit of different groups such as urban and low-income families. The Urban Development Authority (UDA) is responsible for general urban planning, including provision of land and infrastructure for urban development. With regard to housing, UDA's main task is in the clearance and redevelopment of slums and shanties. In 1998, a new company called, the Real Estate Exchange (Pvt) Limited (REEL) was formed under "Sustainable Township Program" with the objective of re-housing the slum and shanty dwellers in compact townships and to liberate lands for the urban development of Colombo. The shareholders of REEL were the UDA, NHDA, SLLRDC and Colombo Municipal Council (CMC).

At present, State Mortgage and Investment Bank (SMIB) grants about 12,000-13,000 housing loans per annum and its total loan portfolio stands at about SLRs: 10 billion. Although the bank has no upper limit in granting mortgage loans, its main clientele is the lower and middle income groups of the country. On the other hand, the Housing Development Finance Corporations (HDFC) also grants about 9,000 mortgage loans per annum with a total value of about SLRs: 10 billion. The HDFC benefited through the

implementation of two projects funded by the Asian Development Bank: (ADB), (a) Housing Sector Development Project (1987-92), and (b) the Second Urban Development Project (1994-99). The interest margins from the two projects helped HDFC to strengthen its capital base. The main clients of HDFC are also the middle and lower middle income earners. Also, most commercial banks of the country and a few other specialized banks such as the National Development Bank (NDB) are now involved in providing loans for housing purposes on mortgage terms. The access however is still limited to high and upper middle income groups as the traditional lending practices of banks view the poor as a high risk category. Further, investment in housing complexes was provided with special incentive packages under the Board of Investment (BOI) law. As a result, since mid 1990, a lot of local and foreign investments have gone into urban housing.

The functioning of the housing market of the city of Colombo is substantiated by presenting relevant facts that by today, or present times, private sector is at a far more advanced position than that of the state sector. It has happened this way because the government cannot meet the high demand posed by middle class buyers or consumers in the housing market of Colombo. For example, 'Inter Census information shows that approximately 100,000 houses had been constructed annually in the country. Approximately 80 per cent of these houses had been constructed by the private sector. During the 1990s, the ratio of private and public sector housing construction has shown a further reduction with the public sector contribution restricted to about 15 per cent of the total houses constructed, while the private sector increased to about 85 per cent of the total' (The Report of National Housing Policy, 2009: 5). As we have mentioned earlier, a significant number of builders/developers (about 2265) have established over all nine provinces in the country in 2006. However, most of them, about 35 per cent (about 800) have been scattered in the Colombo Metropolitan Region (CMR). On the other hand, in Colombo even the realtor is not required though now the realtor is emerging as a powerful and visible figure. In Colombo, one may get a loan from a bank or some mortgage institution and deal with the seller or the seller may also make the loan available

as part of the deal. A lawyer/realtor comes into the picture to see that both sides are well served and they get a fee or commission.

The strategies involved in the solution of problems of urban housing of developed and developing countries of the world through the interventions of the state and the private sectors of these countries (ex: Singapore, Hong Kong, South Korea, China, Sweden, USA, India and United Kingdom, etc.). Accordingly, what came to light during this study was the fact that either the state sector or the private sector or both sectors have contributed at different levels towards the developmental work in urban housing in their own countries.

Prior to 1950, the public sector housing construction was mainly targeted on the provision of housing to the workers of public sector institutions engaged in essential service delivery facilities. Accordingly, a large number of houses within the Municipal Council of Colombo and other urban areas were constructed to provide residential facilities for the workers of local authorities. In addition, the organizations such as Colombo Port Commission, the Government Factory, Department of Health Services and Department of Public Works also constructed houses for their employees. During 1950s and 1960s, after the establishment of the Department of National Housing and the National Housing Fund, public sector approach for housing was focused to benefit low income households and provide loan facilities to purchase land and construct houses for the middle income households. In fact, the National Housing Fund during the 25 year period from 1954 to 1979 provided housing loans to construct more than 50,000 housing units benefiting middle income households, of which majority were public sector employees.

Thus one thing that is clear is that, during the first part of 1950 decade to the middle of 1970 decade, the solutions of the urban housing problem by all the successive governments in power during these periods were undertaken as a prior responsibility in the context of a 'welfare state concept'. Historical data have proved that the various governments that came into power in Sri Lanka from time to time during the 1950 and 1960 decades, had enacted

laws and regulations, incorporated institutions and acted as a welfare state, by providing houses to the middle class families that sprang up as a result of urbanization during the early phase.

The Coalition Government that came into power in 1970 enacted new by-laws and regulations in a radical way in order to solve the urban housing problem of the lower class and the middle class. In this manner the Coalition Government of 1970 not only effected provision for ownership of tenant houses, but also acted in such a way as to solve the housing problem of urban low-income dwellers. Another feature seen during the same period of time is that the above mentioned governments initiated state action to construct housing flats in urban areas. But, another fact during the same period is that there was no involvement of the private sector. This is a special feature that is worthy of special consideration in this study. Thus, since independence in Sri Lanka, during the period from 1948 to 1976, all successive governments in power, to a great extent, followed a socialist or mixed economic strategy. Therefore, it is clearly seen these governments have attempted to solve the housing problem within the parameter of welfare state concept.

However we are compelled to accept the fact that a structural change has taken place in the socio-economic sphere after the introduction of the 1977 'Open Economic Policy' in Sri Lanka. The above changes started in Colombo city area and later extended to rural areas. Though it appears to be a moot point for argument, yet there is ample proof showing that a "service economy" is emerging in place of a product economy, especially in Colombo and suburbs (see: statistical data of 1986 (projected) and 2001 Census in Sri Lanka, the nature of changes within employment structure that occurred in the district of Colombo and it can be sighted as a strong proof in support of our discussion here).

Along with the growth of service economy, product economy in Sri Lanka's affairs has dwindled to a subordinate level, while the government has taken steps to close down country's main places of manufacture (factories). Hence the inevitable result was the emergence of a structural change within the service economy, especially in areas near the city of Colombo. This emergence of the

structural changes in service economy is especially notable in the sphere of services as in Public Transport System, Communication System, Private Hospitals, International Schools, and Building Construction. Another parallel process that started to operate in Sri Lanka was the rapid increase of numbers of people who went to the Middle-East Countries for employment. It is a noteworthy feature that those who migrated to these foreign countries for employment belong to different social strata (classes). Hence, within such a social scenario a market based “cash economy” began to grow in Sri Lanka.

Table 5 - Employment Population by Major Occupational Groups in the District of Colombo During 1986 – 2001

Category	1986 Number	percentage %	2001 Number	percentage %
Professionals and Technicians	53,113	9.1	162,472	19.0
Administrative, Managerial	14,859	2.5	32,488	3.8
Private Business Owners	-	-	51,184	6.0
Clerks (clerical & related)	81,888	14.0	69,695	8.2
Production, Transport, Labour	253,436	43.4	391,286	45.7
Service Workers	144,917	24.9	86,927	10.2
Skilled Agricultural, Fishery	33,278	5.7	15,775	1.8
Unspecified	2,247	0.4	45,315	5.3
Total (N)	583,742	100.0	855,142	100.0

Source : *Census of Population and Housing, 1986 and 2001, Department of Census and Statistics, Colombo.*

As a result of these socio-economic changes that took place in and around Colombo city, a large work force (labor force) began to migrate into this zone and under such circumstances it was one of the main responsibilities of the government to provide housing facilities to these various sections of social groups. Hence, within this new social awakening, the demand for houses was so large that the supply of houses or solution to the housing problem could

not be undertaken by the state alone. Thus, in the early 1980s for the first time in Sri Lanka, the state motivated the private sector to provide a solution to the housing problem of the urban community. Hence, the private house builders were given such tax concessions as tax holidays, relief measures and facilities of loan by the state to undertake construction of housing projects, to meet with the increasing need of the urban community. It is necessary to consider how Sri Lankan housing market changed over from the state sector to private sector, with added incentives and privileges given to the private sector. However, the private sector operates on the basis of “profit motive” and therefore supply of houses was targeted on the needs of the larger urban middle class. Also under such circumstances however, the main attention of the state in supplying houses was on the lower and the lower middle class of the urban society. Soon, such actions as providing housing or housing loans, evacuating people belonging to low-income groups from urban areas and settling them elsewhere, construction of houses for the lower middle class, etc. were undertaken by the state.

Also, the massive increase in construction work during the period (1978-1985) in Sri Lanka and the resultant increase of land and property value in an unprecedented manner have come into reality today. During this period the main market for land and property was mainly concentrated in Colombo city and in the surrounding suburban zone. The inevitable result of this market growth was a rapid upward trend of land value. This high price of land was not an affordable price for those whose income was medium. Even, cost of building materials, labour cost and service charges are very high at present in the market in Sri Lanka. With such economic background to buy a land in Colombo city or urban areas and build a house, a person would have to invest a large sum of money. Under the prevailing market conditions of land value and building costs the motivation of the middle class people was to buy a house complete with facilities in a modern housing complex and to live in there is no random event. Thus, the present trend in Sri Lankan milieu is to buy a house in a housing complex, because it is now not necessary to pay in full amount or price for the house. Also it eliminates the need for many people to buy land afresh and build houses there.

Another fact is that these housing complexes are located in the suburban zone of the Colombo city which motivates prospective buyers. Such factors as availability of facilities with easy access to the places of work in Colombo, availability of built-in installations like water, pipe line, electricity, telephone and the location of medical centre, trade stalls and the presence of all other modern conveniences needed by the residents within the housing complex area itself can be identified as factors that determine a buyer's choice of a house in a housing complex. Similarly, many public and private leading schools are considered to be popular in Colombo. It is the wish of every parent to see his children study without any social class discrimination in such a school atmosphere. Therefore, the inevitable outcome of such a situation is migration in large numbers and thereby an accommodation problem in Colombo becomes acute.

We found that as a solution to these problems people tend to live in an affordable and convenient house in a housing complex. Thus, it is the dream of many people of present Sri Lankan society to live in a modern middle class house in an urban area. This trend could be the outcome of a long term urbanization and liberalization process in Sri Lanka. Hence, within the urbanization process, even some of the rural people are motivated to sell all their movable and immovable properties in the village and purchase a house in a Colombo housing complex. Thus, most of the residents of these housing complexes are of the opinion that buying a house in a housing complex in an urban area is more economically sound.

Formation of Social Classes in the Colombo Metropolitan Region

As discussed in the previous sections, the creation of modern housing localities by the state and the private developers was seen as a new social phenomenon in the Sri Lankan urban society. In this section, we will examine the residential patterns and formation of social classes in urban areas in relation to different socio-economic status of the residents in the three selected housing settlements in the Colombo Metropolitan Region. Burgess (1925) has argued that population in a city is distributed according to specific

factors, which, in particular, lead to 'the struggle for space'. He noted that the tendency in most cities was to spread outwards like ripples on a pond, with each zone inhabited by a particular 'class' of people. In the city centre, there tends to be a central business district (CBD) surrounded by a zone of transition, then a belt of workingmen's housing, a residential area of high class apartments and, finally, a consumer zone of suburban areas in satellite towns. The poor and ethnic groups had no choice but to live in the inner city. As the population of a city grows and industry expands by a process of invasion and succession, new patterns of social segregation emerge from the suburbs of the middle-class to the ghettos of zone of transition. As a result, new suburban becomes attractive to particular social groups (Wallace, 1980: 52-62). However, Alonso (1964) has questioned clearly that 'why is it that people with low incomes optimize their expenditure by living on the expensive land near the city centre'. He has further argued that 'the rich are price oriented, whereas the poor are location oriented' (Cited in, Baxter and Anthony, 1971). Gans (1968) has pointed out that people do not necessarily adopt new ways of life in their move from city to suburb. According to him, the range of house prices attracts a range of different social types with different cultural values. Also, ways of life are not the result of living in particular area but of economic factors, cultural values, stage of the life cycle, and social class. The latter two are particularly important. People's behaviour relates to the choice they have and the roles they play according to their occupation, etc. Gans (1968) rejects the ecological model and emphasizes the cultural factors. For example, young married couples are directed to modern suburban estates because they have little capital and high incomes. Therefore, they can obtain a mortgage more easily. Selfe (1993) has pointed out that in recent years; there has been an attempt to encourage industrial relocation into suburban areas in special industrial estates. The effect has been to encourage the growth of suburbs with new housing and shopping areas. Thus, it would be a useful sociological inquiry to examine the relevance of these theoretical explorations in the context of modern urban housing complexes in Sri Lanka.

Residential Pattern and Social Life in the Sahaspura Housing Community

The Sahaspura Housing Complex is one of the six compact townships constructed under the Sustainable Township Program of the Ministry of Housing and Urban Development. It is a thirteen storied high-rise housing complex in an area of 2.2 acres, situated in Wanathamulla, Borella in Central Colombo, for low-income dwellers who have been resettled from the adjoining slum areas in Colombo. The Sahaspura Housing Complex comprises 671 apartments in the range of 300 to 600 square feet, with the required infrastructure such as individual water and electricity, community and entertainment facilities, pre-schools, and day-care centres. As and when each of the designated families resettled in an apartment, the family was expected to surrender the land previously occupied by it as stated earlier. In addition, each family had to pay SLRs: 25,000 as a maintenance fee for the apartment upon the completion of which was granted the deed and ownership of the apartment. The impact of the new locality upon the livelihood of the residents is discussed in the following sections.

The transition from a disadvantaged squatter settlement to a newly constructed housing complex with all basic facilities can be a major shift in the lives of people living in the disadvantaged urban communities where living conditions in terms of housing and basic facilities are much to be desired. However, resettlement of squatters and slum dwellers in the newly constructed housing complex has had no direct and significant impact on their livelihoods. The settlers, by and large, have continued to be engaged in the same economic activities as before. On the other hand, their living expenses have increased as they are now required to pay for utilities (e.g. water, electricity, maintenance fee, etc.). When they were living in disadvantaged settlements, they usually did not pay for water, electricity and maintenance of building. But, the settlers in their new settlement have their own amenities and have individual freedom and privacy in their own apartment usually without interference from neighbours. But, the settlers see the advantage of having their own water supply and private bathing and toilet facilities as well as electricity. Some of the respondents/residents in the Sahaspura

Housing Complex have identified the direct and indirect health benefits of a better living environment in the new settlement. Another significant advantage mentioned by the Sahaspura residents is their ownership of the present apartment. The sense of insecurity they had when they were living at their earlier settlements has disappeared from their mind soon after they moved into the new housing complex. Yet, many residents have readily identified a number of other common environmental problems such as drainage problems, uncleanliness, bad smell, dust, noise, heat, etc.

Nevertheless, moving into better housing appears to have had a positive impact on the residents in several ways. Living in a slum neighbourhood had a negative impact on their social status. This stigma seems to have disappeared or at least weakened after moving into the new apartment. In fact, some residents complain that they are cut off from the rest of the community and feel isolated in their own homes. Some residents in the Sahaspura Housing Complex have complained that nobody would know even if they were murdered inside their homes. They have blamed the layout of the apartment block and lack of public spaces where they could meet and interact with other residents. Majority of the residents of the housing complex are from the lower class or the working class and their educational background also is low. However, unlike in the slum settlements, the new housing complex facilitates the emergence of the social class differences. Families with more funds have invested considerable amount of money to refurbish their apartments by partitioning, tiling and painting, and to buy expensive household materials. On the other hand, poor families have not been able to make any improvements in their apartments and have few personal belongings. In other words, the differences among the resident families, in terms of their socio-economic status, are already quite visible and will become even more explicit in the years to come. More affluent families already complain about the bad behaviour of the poor. They have mentioned about the widespread theft, alcoholism, drug abuse, unruly behaviour of children, etc., as manifestations of the continuation of a behavioural pattern brought from the working class or lower class living in the slums and shanties.

Residential Pattern and Social Life in the Mattegoda Housing Community

Mattegoda is one of the best facilitated housing complexes (e.g. with electricity, water supply, drainage, super-market, post office with local and international services, a community centre, a temple school, a library, co-operative rural bank, a nursery, a day care centre, large play ground, a Saturday market, public and private bus services, etc.) among the all government suburbia housing complexes. The occupation of the Mattegoda Housing Complex began in 1982. Most of the inhabitants have lived here for 11 to 23 years (about 80 per cent). As most of the residents are employed in the public and private sectors organizations in Colombo city, they leave their houses before sunrise and return there after sunset on week days. This situation has always hindered the development of their social relationships in the locality. Since both husband and wife are employed, they find hardly enough time to look after their domestic interests. The residents enjoy some freedom on Sundays as they visit their relatives, friends, do shopping, and attend religious functions (e.g. temple, church). The following are some personal ideas expressed by them during the sample survey.

“Generally, we go to work in the morning and come in the evening. On a holiday, we spend the time leisurely at home or outside. This is how we conduct our life affairs in general” (Somarathne, 52 Years of age).

It is, therefore, evident that occupants of this housing locality lead a busy life. Some of the residents prefer to live an isolated life as there is a possibility of involving in disputes about petty things (e.g. gossiping nature of the neighbours). Migrants from the rural areas attach a sense of inferiority to living in a housing complex. Hence, they always look for an opportunity to leave the place and settle somewhere else close by. The majority of residents in the Mattegoda Housing Complex belong to the lower middle and middle class families. Most of the residents have been leading a semi-luxurious life. Therefore, there is an open competition among the middle classes, which is another hindrance to the development of social relationships among some of the residents. The researcher

realized that these residents were keen to exhibit their social status. Speaking in English is one of the many ways through which they manifest their elitism. Although originated in rural areas, but living in the suburbs since long time, most of them seem to have embraced city values and have modernized themselves. Driven by class consciousness, they engage in a serve competition with neighbours in every aspect of life such as clothing, music, dancing, material possessions, etc. This results in pushing them to further financial difficulties. Further, they prefer living behind closed doors. Eye-holes are fitted on to the main entrance door and an electric door bell is a must. The idea behind this is not just security, but the so-called privacy, which is relatively a new concept in the Sinhalese society. Security and privacy are to protect the safety of wives or any other adult female living on their own when husbands or other male members are abroad, to avoid beggars and others seeking alms and donations. The possibility of forming social relationships with neighbours for adults of the first generation is limited due to industrious life style. The situation of the second generation is different. For them, the housing complex is their birth-place and village. They meet and play in the play ground and roadsides within the complex and, in most cases, go to the same school and the same tuition classes. There are many opportunities for them to become friends and form social relationships. As the houses were initially rented to either young families or young couples who were just married, most of the teenage children are of almost the same age group. Further, as they have been to the same nursery, pre-school, day-care centre and the temple-school, they have developed trust and friendship from early ages, although parents do not always approve of such relationships.

The infra-structure facilities of the area of the housing complex, the super-market as well as other facilities are the centre of attraction to the public to come and settle in the locality. Due to this innovation, a competition-driven, market-culture has emerged in this housing complex. The market draws in customers from the housing complex and also from neighbouring areas, making it very popular and busy particularly between 7.00 p.m. to 11.00 p.m. This market has turned out to be a gathering place for the public to show off their vanity in terms of money and contacts. They usually dress

up and come in various kinds of modern motor cars. During this three-four hour period, majority of the residents visiting the market assume entirely a different speaking pattern, walking styles, manner, etc. from their usual patterns.

Residential Pattern and Social Life in the Millennium City Housing Community

When buying a house in the Millennium City Housing Complex, the buyer's socio-economic and ethnic background would not hamper or influence or adversely affect the business deal. Thus, whether the consumer is a Sinhalese, Tamil, Muslim, Buddhist, Hindu, Christian or whether he/she works in the state or private sector or what his/her social class is or any other social discriminating factor, operating covertly or overtly in the social milieu in many a diverse ways, would not matter. Just as when a buyer goes to a shop and buys goods of his/her choice, his/her socio-economic background would not be a barrier for the transaction.

As mentioned earlier, the Millennium City is fully equipped with all the modern facilities like Gymnasium, Swimming Pool, Club House, Tennis and Basket-Ball Court and park in every zone where the housing units are located. These parks also offer such play-facilities for children as swings, see-saws and garden benches for the adults to enjoy their leisure time whenever they visit the parks. It is a common sight during the week-ends and during the evenings of all week days that these parks are crowded with visitors from nearby houses and residents in the housing complex who have come to spend their leisure time. Since they live in a limited floor space of their houses, they are motivated to maximize the use of the parks. The people, especially the youth living in neighbouring villages are also motivated to make use of the parks mostly to play cricket. The residents of these housing zones, who live in 'Shop Houses', conduct Ayurvedic Medical Centres, Western Medical Centres, a Meditation and Relaxation Centre, a Beauty Care Saloon and Pre-Schools to cater to the consumer needs of the residents in the housing complex. One of the special features of these consumer services is that the people, living in nearby villages bordering the housing complex, are also motivated to seek the facilities provided here.

The overall result of locating the Millennium City Housing Complex in Athurugiriya is that the whole area has received the improved infra-structure facilities. The outcome of the establishment of the housing complex is such that it has directly helped to improve the transport and communication system in the area. Thus, road network and telephone facilities have been expanded, while water pipe-line of the National Water Board (NWB) has reached a wide area within the housing complex. Along with the development of the infra-structure facilities in this manner, the local land value of Oruwala, where the housing complex is situated, also has increased rapidly. People from far and wide have been visiting Oruwala to buy land in this sprawling area. This migration of people has caused a marked increase in population size, since the purchase of land around the housing complex has directly influenced the density of population. Many owners of large traditionally owned prime land around the housing complex area have also begun to block out their land expecting larger profits.

The residents of the Millennium City Housing Complex are from middle and higher middle class with higher economic achievements and high employment status. Majority of them, living in the housing complex, go to work or business in the morning and come in the evening. Some factors such as residents' going out daily to work/business, spending a restful holiday inside the house or outside the complex, and enjoying in a busy and competitive way of life tend to limit this in-depth nature of social relationship they have established. Therefore, in such a situation, the type of social relationship that can emerge between the residents and villagers would not be a strong one. Most of them speak only in English and travel in their private vehicles as well as they do not patronise village shops; instead, they visit the various 'food cities' or 'shopping malls', night clubs, and parks, in the urban area. All these have contributed much to widen the gap of mutual understanding between the residents and the villagers. There are also a number of people living in the complex who prefer to live a private life of solitude; and, hence, pay less attention to the theme of 'social relationship'. This does not mean that they do not establish social relationships with other people; instead, in establishing social relationship with others they pay comparatively less attention. The reason for this attitude can be attributed to the preference of

some middle class people to live a private life unknown to others, thus, safeguarding their individuality. Their social interaction takes place according to circumstances or social needs.

Further, when contrasted with the Sahaspura and Mattegoda Housing Complexes, the houses in the Millennium City Housing Complex are located at a relatively considerable distance from one another thereby reinforcing the individuality of the residents. Consequently, clashes among them in the complex are not discernible. The concept 'Time Flies' also operates here. Hence, the social relationship established between two parties is subjected to changes or renewal or a reproduction which, in turn, is subjected to reinforcement. The following are some personal ideas of the residents expressed during the collection of data.

“Our daily routine is such that my husband and I go to work and children go to their schools. All the members of the house meet only at night. During the week-ends, my husband and I are at the home and the children go to additional classes” (Ranganiee, 36 years of age).

Further, the following expressions of the villagers (Oruwala) reflect the opinion they have about the residents of the Millennium City Housing Complex.

“People living in the Millennium City are those who have migrated from outside areas. But some of our own people consider them as 'big people' (e.g. high-class with money or power or mahaloku-minissu). We are the early settlers in this village. We are not strangers to the village. We do not want to know or enquire about them. It is the vehicles of the residents of the housing complex that use this road. I do not feel like getting aside, when they drive fast. It is our village, is it not?” (Peter, 55 years of age).

“Our village has developed a lot because of the Millennium City. Many people of the village have got some jobs there. It is a big thing for the village. Our shops in the village now get a bigger income. Some people living in the Millennium City are very good. Some are proud. We are not bothered” (Karunawathi, 49 years of age).”

Likewise, boutiques situated near the housing complex, selling consumer retail goods, have now thrived considerably. Such qualitative improvement of these sales outlets after the establishment of the housing complex is the direct result of increase of consumer population.

In the light of the above sociological analysis, certain dissimilarities can be observed in relation to the quality of physical structure of the houses and the socio-economic status or social class status of the residents from the three housing complexes. Similarly, based on the housing structure and construction quality, it can be concluded that certain specifics about the nature of people's migration to Colombo city and the surrounding areas for permanent residence are discernible. It is also to be mentioned that parallel to these features in the studied housing complexes a new type of social class has been formed.

Discussion

As a result of the establishment of housing projects, under the urban renewal and rehabilitation at the low populated zones of Colombo, people of the working class/lower class who lived in the slum and shanties or low-income dwellers, have been rehabilitated in the Sahaspura and other similar housing complexes. One special feature is that, for the first time, the full-ownership of these houses has been granted to the residents. Therefore, owners are privileged to sell their houses, if they want. The current value of a housing unit in this complex is about between LKR: 1,600,000 – 1,700,000. The government has also made provisions of allowing minor structural changes in the housing units on the housing models of the middle class. If the owner has financial means to effect structural changes, he/she could do so. On the other hand, it is a new trend that a considerable number of people have sold their houses to others and bought residence in such sprawling land areas as at the Kadawatha, Homagama, Hokandara, and Padukka in rural-urban fringe. In a few cases the housing units in the Sahaspura Housing Complex, previously occupied by the working class people as mentioned above, have been bought by some people belonging to

the middle class. Even at present, there are many opportunities for the middle class people to buy residence in the locality.

As mentioned earlier, the Mattegoda Housing Complex is located in a rural environment of the suburban Kottawa. From the inception of this housing complex in 1985, the people who came to reside were from the lower middle class and the middle class. It was one of the decisions of the then government to establish this housing complex to provide shelter for the people who were employed in the state and private sectors. With the establishment of the housing complex, the infrastructure facilities began to improve in this area. These new facilities in the area of the Mattegoda Housing Complex and the nearby areas caused mobility of the middle class people to live there, resulting in a high increase of land value.

As mentioned earlier, under the housing development program, several similar housing complexes such as, Rukmalgama (1980), Raddolugama (1982), Madumagewaate (1982), Jayawadenaegama (1984), Ranpokunagama (1984), and Mattegoda (1985), for the lower middle class and the middle class people were established in several suburban areas in Colombo. As a result of these housing programs, a new sub-urban area emerged in 'a circular fashion' beyond the Colombo city. The people residing in these housing complexes belong to the categories of senior and junior executives and white collar workers who have recently joined the government or the private sector. Therefore, the argument is that a new social stratification has emerged in the adjacent suburbs of the Colombo city because of the establishment of these housing development complexes. An example to illustrate this point of argument is that the Janatha Vimukthi Peramuna (JVP) of Sri Lanka was able to win for the first time, some parliamentary seats located in these areas or zones (ex: Homagama, Kotte, Kesbewa, etc.) where the JVP-affiliated lower middle class people live.

As discussed earlier, the government also provided opportunities to, a certain extent, for the higher middle class people to construct private housing complexes. Under such opportunities,

the first time the Millennium City Housing Complex was constructed for the middle class and higher middle class people. This caused an influx of the middle class people from different places of the country into rural-urban fringe area where the people of the working class once lived. Consequently, a tremendous increase of the land value, mainly due to the improved infrastructure facilities, could be observed in the Millennium City Housing Complex area. The concomitant effect discernible in this trend is that there is a keen competition among the property developers to cater to the housing needs of the middle class and the higher middle class people. Since a large number of private housing complexes have already been built adjacent to the suburban areas, a congregation of middle class people into these areas too is seen. Likewise, due to neo-liberalization of the economy, people are able to do change or fashion their houses as per the modern housing styles. Under such conditions, it can be said that a new kind of middle class culture is now emerging in these zones of the new housing complexes.

Conclusion

Since the introduction of neo-liberalization policy in the country, the housing market in the city of Colombo is becoming much more complex and, in recent years, the market has exhibited some significant changes. Both the state and the private sector are taking part in the housing market in Colombo while the private sector has taken its leading role today. Also, money has been released at concessionary interest rates by the state banks as well as the private banks in the city to builders or developers and individual buyers. However, the average man in the society (commoner) cannot afford to obtain a housing loan facility on the terms and conditions stipulated by the lending banks. Though it is a much debatable point yet ample proof and evidence are available that the middle class people and the upper middle class people are able to obtain bank loans when purchasing houses in urban housing complexes or estates. Rapid changes in urbanization, liberalization of the economy, and the latest trend in labor market, have all contributed their due share directly for the current heavy demand for residential houses in the city of Colombo and its suburbs. As per reasons cited above, several

special characteristics are evident in the urban housing market. With such a background in the urban areas, an atmosphere has been built, and well set conducive for the creation of a business class of urban housing developers and an allied subculture. As a result of this trend in the marketing of houses a keen competition is seen to prevail among the ranks of urban housing developers for house construction work and for marketing the completed houses to their customers. This in turn is a contributory cause for the creation of middle class, upper middle class housing complexes and condominium buildings in urban areas and the birth of a similar culture.

Notes

1. E.W. Burgess (1925) Concentric Zones Model (Pattern of Urban Spatial Organization) are: (1) The Central Business District (stores, skyscrapers, theatres, hotels etc.); (2) The Zone of Transition (slums, skid-row, industry, etc.); (3) Zone of Independent/Factory Workers' Housing (modest homes, schools, groceries, etc.); (4) Zone of Better Residences (area of middle class and upper class - single family dwellings, apartments, etc.); and (5) The Commuters' Zone (suburban residential areas), (S.E Wallace, 1980).

2. It is evident (Table 6) that the Millennium City is a developed location when compared to the other two locations of our study. The socio-economic index (SEI) based on education, occupation and income, calculated from the field survey data clearly shows it. In fact the index value is 1.351 for the Millennium City when compared to Sahaspura and Mattegoda locations whose value is 0.409 and 0.720, respectively. From the index value we can conclude that the Millennium City is a developed location followed by the Mattegoda and Sahaspura locations.

Table 6 - Socio-Economic Index (SEI) of the Three Selected Housing Communities

SOCIO-ECONOMIC INDEX (SEI)	Sahasapura	Mattegoda	Millennium City
	0.409	0.720	1.351
Mean	1.662	1.897	0.783
Median	1.33	2.549	0.400

3. Our approach to the measurement of the social class of each household is highly 'objective' in more structured form (e.g. education, occupation, and income/wealth) and it has been partially used as a 'subjective' technique too. Thus, each head of household/family was asked one particular question 'Do you think which social class you/your family belong to...?' (e.g. Such as: higher, class, higher middle class, middle class, lower middle class, working class, and lower class). According to Weber (1982: 69), class situation derives from market position. Class, therefore, refers to 'all persons in the same class situation'. He has focused on three broad class types: property classes, based on ownership of property; commercial classes, based on earning and spending power in the market; and social classes, which define the range of class positions within which individual and generational mobility typically occurs. Also, Weber (1982: 71) sets out four major social classes which group together people who share common class situations. These are the working class, the petty bourgeoisie, the intelligentsia or specialists, and the privileged classes. The last two categories are particularly interesting, given the way that class analysis has more recently been challenged by the shift from manufacturing to services and the growth of the new middle class.

Table 7 - Social Class Perception by Education in the Selected Housing Communities

Study Location			Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Sahasapura	Interval by Interval	Pearson's R	-.422	.089	-4.608	.000 ^c
	Ordinal by Ordinal	Spearman Correlation	-.415	.089	-4.521	.000 ^c
	N of Valid Cases		100			
Mattegoda	Interval by Interval	Pearson's R	.024	.115	.247	.806 ^c
	Ordinal by Ordinal	Spearman Correlation	.017	.102	.177	.859 ^c
	N of Valid Cases		112			
Millennium City	Interval by Interval	Pearson's R	-.193	.081	-2.073	.040 ^c
	Ordinal by Ordinal	Spearman Correlation	-.197	.084	-2.115	.037 ^c
	N of Valid Cases		113			

According to the Table 7, education is negatively correlated with social class for the Sahaspura and the Millennium City Housing Complexes. However, some people have got higher income by migrating to other countries and taken chances from the country's current economic opportunities in the Millennium City Housing Complex but some of them are not well educated. That means some of the residents in the Millennium City have money and wealth but their education level is not much higher. However, in the Sahaspura location, majority of the people's income level is low due to their low level of employment; also they are not able to afford the higher education. However, education is positively correlated and also significant with social class for the Mattegoda Housing Complex. Also, the residents of the Mattegoda Housing Complex recorded a high level of education standard. A general diminution of class differences has resulted from higher standards of living, greater social mobility, and more opportunities. Today, the ranks of the elite and upper class are opening more and many people are taking up this position based on their effort and good education.

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