ABSTRACT

Land redevelopment is popular in many Asian cities, especially those with long history. Development in these cities is in the city centers after former occupants are relocated and current buildings are demolished. This study attempts to construct a pricing model for the redevelopment, aiming to examine the optimal development strategy for land demolition and redevelopment. The existence of choice for developing the property project is based on successfully relocating all the households, which is a two-stage project for the investor. Here we build a real options model to examine the value of the land and find the development strategy whether and when to exercise the two-stage option, which means to find the best time to relocate the residents and start the construction project. Moreover, legal limitations such as height limitation of new building will be considered. We further discuss the robustness of the model relative to changes in market factors via simulation of the model. We aim to find the redevelopment investment timing strategy under market uncertainty on property selling prices and construction costs.