Abstract

This paper investigates the determinants of the value of transferable development rights (TDRs) when two landowners whose parcels of land are subject to a uniform density ceiling control. The control is binding to the landowner whose land near the central business district (CBD), but is not binding to the landowner whose land farther away from the CBD. The former is thus willing to purchase TDRs from the latter. The Nash bargaining solution between these two developers indicate that the value of TDRs per unit of density is larger when the latter supplies less redundant density allowance, the latter has a relative high bargaining power, and the demand for urban land fluctuates more severely.