

# CONSTRUCTION COSTS vs MARKET VALUE OF PROPERTY

## How are they related?

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TABLE 1

Market Value/cn<sup>2</sup> of flats, maisonettes per floor area.

Locality	Age	Value/cn <sup>2</sup>
St. Julians/San Gwann/Msida	15 years	Lm350
St Andrews	Just completed	Lm400
Hamrun/B'Kara/Sta Venera	15 years Just completed	Lm250 - Lm300 Lm300 - Lm350
Fgura/Paola/Zabbar	15 years	Lm200 - Lm250

These are flats with basic finishes and fittings and a pleasant layout in a normal setting. Apartments having exceptionally good sea or country views in a complex with communal gardens and swimming pool fetch as high as Lm500 - Lm600/cn<sup>2</sup>

TABLE 2

Market Value/cn<sup>2</sup> of houses per floor area.

Type	Locality	Age	Value/cn <sup>2</sup>
Terraced	St Andrews	15 years	Lm350 - Lm400
Terraced	L-Iklin, Attard	15 years	Lm300 - Lm350
Terraced	Fgura, M'Scala	15 years	Lm250 - Lm300
Semi-detached/ Detached	High Ridge	15 years	Lm500
Semi/Detached	Monte Rosa, Mensija	15 years	Lm350 - Lm450
Detached	Misrah Kola, San Pawl Tat-Targa	15 years	Lm300 - Lm400
Detached Bungalows	Sta. Marija Estate L-Iklin Valley, San Pawl Tat-Targa	15 years	Lm500 - Lm650

Note 1: Floor area is total building plan area x number of stories, plus wash-room and garage in drive-in, if applicable.

Note 2: 1cn<sup>2</sup> = (approx) 4.4m<sup>2</sup> or 47.26ft<sup>2</sup>

Note 3: Market values of properties having a life of 15 years or less have been analysed, as it is assumed that if one is deciding on whether to purchase or build, property older than 15 years would not be bought.

THE PRESENT SAYING is "It's a buyers' market", whilst on the other hand, construction costs are 15 per cent lower than they were three years ago.

Cost planning in respect to building construction is easier than the estimation of market value. When the form and standard required has been decided upon, it should not be difficult to arrive at a budget for one's outgoings. Market values are mercurial, i.e. they change from time to time, and from place to place.

The decision 'build or purchase' may be governed by various factors, such as: location, made-up area or otherwise, proximity to relatives, time factor — from when the plot is obtained to its final completion, costs, etc. A careful analysis of all variables involved should lead to a final decision.

Below is data collected during the past two years which should help one conclude whether it is cheaper to build or to purchase a

property (Tables 1, 2 and 3).

The following two examples will help demonstrate the use of the above data in reaching a decision from the cost point of view, whether to build from the outset, or just finish off a property after having purchased it in shell form, or purchase completed premises.

Example 1 — A couple are shown a recently completed two-bedroomed maisonette in Marsascala having a floor area of 21cn<sup>2</sup>. They are presented with two options; they could either buy the ground floor complete for Lm7,500, or else buy the first floor maisonette still in shell form for Lm4,000.

For the first floor maisonette, the stairs must be covered and assuming an above-average state of finish required, a value of Lm180/cn<sup>2</sup> (Table 3) shall be assumed.

So total costs on completion of premises:

Lm4,000 + 21cn<sup>2</sup> x Lm180/cn<sup>2</sup> = Lm7,780.

TABLE 3

Construction costs/cn<sup>2</sup>

Type	Stage	Cost/cn <sup>2</sup>
Terraced house	Shell	Lm 95 - Lm110
Detached house	Shell	Lm110 - Lm120
All	Finishings	Lm150 - Lm200

Note 4: Values for shell construction apply to normal foundations work, for an average depth of 5 courses, and a not too elaborate facade. An elaborately worked cornice premises with fat mouldings worked out at Lm135/cn<sup>2</sup>.

Note 5: These values apply for building rates of single walling at Lm16/cn<sup>2</sup> and concrete slabs at Lm28/cn<sup>2</sup>.

Note 6: Finishings include work done by roofer, external and internal apertures, plumber and electrician, bathroom fixtures and tiling, floor tiling, decorator and drain layer.

The higher value applies for ceramic or agglomerate marble flooring, marble stair covering together with mahogany balustrading and a higher standard to bathroom fixtures and tiling. In external apertures, only anodised aluminium glazed leafs are included, louvered shutters would be an extra expense.

Note 7: These values give an indication of costs for the building alone. In large sites, having vast external areas, these works are to be billed separately.

If one budgets for a total cost of Lm8,000, there is the advantage that the final finishes are to one's own tastes. Market value/cn<sup>2</sup> Lm7,500/21cn<sup>2</sup> = Lm357/cn<sup>2</sup>, which compares with the value given on Table 1.

Example 2 — A couple is shown a 15-year-old three-bedroomed semi-detached villa at San Pawl Tat-Targa. The selling price is Lm18,500. Ground and first floor each have a floor area of 25cn<sup>2</sup>, garage in drive-in measures 7cn<sup>2</sup> and wash-room on roof measures 3cn<sup>2</sup>. They are presented with the option of purchasing the adjacent vacant plot for the sum of Lm3,500.

Option 1 — Outright sale.

Expenses: Lm18,500 + 3.5% on sum to cater for stamp duty and notarial fees = Lm19,147.50.

Total floor area: 25cn<sup>2</sup> x 2 + 7cn<sup>2</sup> + 3cn<sup>2</sup> = 60cn<sup>2</sup>. Market value/cn<sup>2</sup> = Lm18,500/60cn<sup>2</sup> = Lm308.33, which compares with the value given in Table 2.

Option 2 — Purchase of land + construction.

Shell construction at Lm110/cn<sup>2</sup> (table 3). Finishings at Lm180/cn<sup>2</sup> (Table 3).

To the construction cost is to be added a contingency sum of 20% to cater for road contribution costs, architect's fees and further incidental costs arising during construction, not envisaged before.

Total construction cost (Lm110/cn<sup>2</sup> + Lm180/cn<sup>2</sup>) x 60cn<sup>2</sup> x 1.2 = Lm20,880; Land cost Lm3,500 — Total Lm24,380. Ignoring the 20% contingency, the total is Lm20,900.

So for constructing this semi-detached premises, a sum varying between Lm21,000 to Lm24,000 must be budgeted for.

In this example, it appears that option 1 is more profitable, but each individual case must be treated on its own merits.

The above two examples are not fictitious, but have actually occurred and are quoted from office records.

The above data presented, if used cautiously, would help answer the vexing question of whether it is cheaper to build or to buy a completed property. These values apply at the present time and must be updated regularly.