

**UTILISATION OF  
VACANT PROPERTIES -  
WOULD OFFER A  
MORE AFFORDABLE  
RESIDENTIAL  
PROPERTY MARKET,  
REDUCING  
HOMELESSNESS**

**D.H. CAMILLERI (2002)**

# PROPERTY FACTS OF THE AFFORDABLE PROPERTY MARKET OVER THE PAST 19 YEARS

	1982	1987	1992	1997	2001	1982- 2001
<b>Apartment Lm/m<sup>2</sup></b>	<b>70</b>	<b>91</b>	<b>150</b>	<b>220</b>	<b>260</b>	<b>-</b>
<b>% increase p.a.</b>	<b>-</b>	<b>5.4%</b>	<b>10.8%</b>	<b>8%</b>	<b>4.3%</b>	<b>7.14% p.a.</b>
<b>Plot Value Lm/m<sup>2</sup></b>	<b>15</b>	<b>32</b>	<b>70</b>	<b>210</b>	<b>280</b>	<b>16.70% p.a.</b>
<b>Building Cost Lm/m<sup>2</sup></b>	<b>78</b>	<b>83</b>	<b>89</b>	<b>95</b>	<b>100</b>	<b>1.35% p.a.</b>
<b>Housing Affordability Index (HAI)</b>	<b>77</b>	<b>88</b>	<b>74</b>	<b>65</b>	<b>65</b>	

# ANALYSIS OF MARKET VALUE OF AFFORDABLE APARTMENTS IN 2001

MARKET VALUE		Lm260/m <sup>2</sup>
<u>Development costs</u>		
Construction Costs	Lm100/m <sup>2</sup> (40%)	
Land Value	Lm 80/m <sup>2</sup> (30%)	
	-----	
	Lm180/m <sup>2</sup>	-----
Residual amount for Risk, Financing Costs, overheads & Development profit	(45% of development costs)	Lm80/m <sup>2</sup>

# HOMELESSNESS & AFFORDABILITY

Lack of affordable housing is a primary cause of homelessness being the extreme manifestation of Social Exclusion.

Greater affordability gaps are linked to increased child poverty and crime rates, together with a diminished sense of well-being.

## HOMELESSNESS RATE

**10/1000 inhabitants** France (7.6%), Germany (3%) & UK (4%)

**2½/1000 inhabitants** US

**2/1000 inhabitants** Belgium (n/a), Italy (10.2%), Netherlands (2.3%)

**1/1000 inhabitants** Nordic Countries (4.9%)

**1/1750 inhabitants** Malta \* (23%), Portugal (10.5%), Greece (31.8%) & Spain (14.8%)

\* does not include people in institutions

(bracketed values are vacancy rates for the various countries)

# CHARACTERISTICS OF VACANT PROPERTIES

1995 Malta Census, Miljanic-Brinkworth/Zammit Proceedings on Housing Affordability (1999) & PA data sets

with only 77% of dwellings as occupied

For proper functioning, the Property Market only requires 4% of Vacant Properties

**23% of vacant dwellings are divided into:**

Temporary Vacancy @ 8.3% totalling 12,967 of which 622 dilapidated

Permanent Vacancy @ 14.7% totalling 22,976 of which 8792 dilapidated

**75% of VACANT PROPERTIES are newly constructed or in a good state of repair – with more than ½ being apartments**

# MARKET ANALYSIS ESTIMATE OF DILAPIDATED VACANT PROPERTY UTILISATION

## Development costs

Construction Costs

Lm80/m<sup>2</sup>

Land Value

Lm60/m<sup>2</sup>

-----

Lm140/m<sup>2</sup>

Residual amount for Risk,  
Financing Costs, overheads  
& Development profit

(50% of development costs)

Lm70/m<sup>2</sup>

-----

**ESTIMATED MARKET VALUE Lm210/m<sup>2</sup>\***

\* a 20% reduction on the affordable property of Lm260/m<sup>2</sup>

# CONCLUSIONS & RECOMMENDATIONS

- ❖ Of the 35,723 vacant properties, it appears that 6,400 may be released over a period of 8 years – i.e. 400 units p.a.
- ❖ Noting that the production of 200 units p.a. issued at 33% discount by the HA has managed to contain the price growth of affordable apartments over the past 4 years
- ❖ A more pro-active role, however, advocated from the PA, HA in collaboration with Joint Office
- ❖ The Chamber of Architects & Civil engineers recommends that an inventory of Vacant Dwellings should be drawn up at LOCAL & PAROCHIAL LEVEL for the demand to be matched with the existing supply, to take into consideration the social characteristics of the locality, noting the number of households living in dangerous conditions, and the extent of homelessness. This could then lead to PPP schemes (public, private, partnership) and development of inner cores, with further development of brownfield sites.

# National conference on vacant properties

**T**HE Campaign for Social Housing Justice recently held a national conference at the Catholic Institute on "Vacant Properties".

The members of the panel were Dr Tonio Borg, Minister of Home Affairs and the Environment; Dr Gavin Gulia, Shadow Minister for Internal Affairs; Dr Godwin Grima, Permanent Secretary at the Ministry of Home Affairs and the Environment; Mr Alfred Camilleri, director of the National Statistics Office; Architect Denis Camilleri, consultant; Mr Paul Mifsud, former deputy chairman of the Housing Authority; Mr Vince Farrugia, director-general GRTU, Dr Marguerite Camilleri and Ms Suzanne Ellul, Planning Authority.

Ms Gillian Bonnici of the Housing Authority also attended.

Dr Stefan Buontempo, chairman of the campaign, was also a member of the panel and one of the coordinators of this conference, which was ably chaired by Dr Hugh Peralta.

## Definition of vacant houses

The members of the panel first examined the definition of 'vacant houses'. The definition excluded premises leased to tourists and summer residences. It included houses, apartments, flats and flatlets which were constructed at least in shell form, irrespective of their size.

The majority of vacant houses under consideration consisted of readily habitable unutilised premises or dilapidated premises which could be repaired and restored.

The problem of accommodation of persons whom the government has a social duty to assist in terms of social housing was addressed. This problem is coupled with the fact that in Malta there is a substantial number of vacant houses which could be used for accommodation. Persons considered as requiring government assistance included mainly young engaged couples, single mothers and pensioners.

It was stated that the use of such vacant properties would also avoid the construction of new buildings on ever diminishing land. The problem is clear enough. It is the solution which constitutes the problem.

The first question which arose was why there are so many unutilised vacant houses. Many reasons were put forward. The new 1995 laws have liberated new leases from the old rent laws. The latter ensured security of tenure for the tenant and for his family members together with a controlled rent.

However, landlords are still distrustful of granting new leases to Maltese citizens, the reason being the long ingrained mentality induced by the old rent laws, the fact that governments have, in the past, legislated retroactively, and the fact that there exists no provision prohibiting retroactive legislation *vis-à-vis* the granting of leases to Maltese citizens. It was suggested that the 1995 provisions should be entrenched in the Constitution.

Other reasons which hinder landlords from leasing property include the disagreement among the co-owners of a particular property, such co-ownership often resulting from succession; financial difficulties encountered by the landlords who are often not in a position to effect the required structural repairs; market forces whereby the rent receivable does not give the landlord enough return on the capital invested; physical difficulties encountered during the rehabilitation of property in certain inaccessible narrow streets.

After identifying these problems from the landlord's point of view, the members of the panel also discussed the difficulties encountered by persons on the demand side. The difficulties were attributed mainly to affordability in the light of monthly or annual income of such persons.

Could young couples, single parents, or pensioners afford to purchase or rent premises in view of the exorbitant asking prices for such acquisition, and thus contribute to the reduction of the amount of empty houses?

A detailed explanation of the cost of building on virgin land, and adapting dilapidated or old premises was then discussed. It was suggested that there should be a cultural change in Maltese society whereby new owners or new lessees would take up dilapidated or old buildings and convert them for their use rather than building on new sites. This cultural change would lead to the utilisation of otherwise dead capital.

The number of vacant houses stands at 35,000, 1,400 of which are in shell form and 18,000 of which are completed – 10,000 of the latter are dilapidated and uninhabitable. Such unutilised housing in Malta would take up the area of Valletta, Floriana, Pietà, Marsa, Hamrun, Paola, Ghajn Dwieli, Cospicua, Senglea and Vittoriosa. The value of this idle capital amounts to Lm500 million.

Should the government do anything, and if so, what should it do?

## Taxation or incentives?

The hoarding tax, which at one time was suggested to be levied on undeveloped land, was then discussed, as well as a tax on vacant property. However, it was opined that such taxes, which in reality are taxes on capital, would not be productive and indeed would be counter-productive.

The suggestion that gained most favour was that there should be fiscal incentives granted to the lessors or a subsidy for rent to lessees. Such incentives would be, in the long run, less costly to the government and would also commence to tackle the problem of unutilised property.

However, the government must be wary that such schemes are not availed of by prospective applicants and landlords in a fraudulent manner – an attitude which even finds the ready connivance of certain sections of the public.

Other propositions included the construction of higher buildings in a village without damaging the aesthetics of the village core, thus possibly building high risers in a manner which would blend well with its surroundings, on the outskirts of a development zone.

**T**wo speakers came up with very contradictory views. One stated that the housing problem in Malta, when compared to foreign countries, is not a bad one. Such a statement, without comparisons is, of course, rather generic.

Another stated that a healthy vacant housing percentage in a country should not exceed four per cent whereas in Malta it is 23 per cent.

A speaker from the floor came up with a very apt point. He stated that the panel had failed to discuss the effects on vacant houses if Malta joins the EU.

Such effects relate to the value of the property eventually accessible to the European public, and the government's duty towards those in need who settle in Malta and somehow or other integrate into Maltese society.



DR STEFAN BUONTEMPO, chairman of the Campaign for Social Housing Justice (third from right), addresses the National Conference on Vacant Properties, with (from left) Dr Godwin Grima, Dr Gavin Gulia, Dr Hugh Peralta, who chaired the conference, Minister Tonio Borg, Mr Paul Mifsud, and Mr Denis Camilleri.

## Conclusion

In conclusion, the members of the panel referred to Malta's structure plan and especially to the effective and efficient use of the housing stock consisting of the channelling of development activity into existing and committed urban areas, particularly through the rehabilitation and upgrading of the existing fabric and infrastructure.

While it was agreed that market forces should be allowed to play their natural commercial part in the overall situation, it was recognised that the government does have a duty towards those in need to provide housing for purchase or lease.

This provision, however, should not be at the expense of building on virgin land but should be directed at making unused buildings habitable or making them more financially accessible or practicable.

**I**t was agreed that such provision should be accomplished with the co-operation of the landlords by providing grants, rebates or subsidies in as fool-proof and transparent a manner as possible and by granting them fiscal incentives rather than by imposing taxes or other financial burdens – the carrot rather than the stick approach.

It was agreed that the role of this

conference was to provide public awareness of the present situation of vacant properties in Malta; to provide the opportunity to both lessor and lessee to voice their problems to the authorities concerned who attended the conference, to discuss the various possibilities which may lead to the solution or the alleviation of the problem and to pressure political parties into including such solutions in their political manifestos.

The conference was attended by mayors and councillors of various localities, owners of vacant properties, landlords of controlled premises, businessmen, and estate agents.

ADVERT