

# Maltese housing characteristics in an EU perspective

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THE European Union's housing system varies from that of the United States in the supply of low income housing. Since 1920 successive governments in most of Western Europe have been committed to subsidising the production and consumption of low income housing. Conversely housing subsidies in the US are more regressive because they consist primarily of mortgage interest and tax relief, with the market working better for the rich, while the poor have less choice and end up paying

more for lower quality. EU housing policy, based on the principle of subsidiarity, will remain the responsibility of national governments, with the general trend being that governments are less willing to subsidise housing. Subsidies are being geared towards the renovation of the decaying inner cities, as opposed to the housing blocks of the post-war era. Common themes include a desire for governments to reduce subsidy and switch it away from building to subsidising household rental costs, with home ownership encouraged

but with housing available in other tenures. Interestingly nothing in the single market legislation addresses real estate directly. In fact one article mentions that "this treaty shall in no way prejudice the rules in member states governing the system of property ownership".

Household growth has been substantial in many EU countries over the past 20 years. Families have tended to become smaller. There is an increase in single parent households and other forms of households have evolved. Over the past ten years Germany due to unification at 3.8% per annum, has seen the highest increase, followed by Italy at 3% per annum, Austria at 1.8% per annum and the Netherlands and Finland at 1.1% per annum.

Similarly Malta over the same period has experienced a household growth of 2.7% per annum, and a further expected growth of 1.2% per annum over the next ten-year period. An exception has been the UK, but is set to see a large increase over the next 20 years.

Many EU countries are experiencing growing housing shortages, caused by increased household formation and relatively low building rates.

The table below classifies EU countries on the basis of their approach to housing provision. The Social Democratic group is based on universal provision for all groups in society, necessitating high public expenditure and taxation. The corporatist group is based on a balance of different social interest groups.

In both these groups social housing is used in tangent with the private sector, with the private rental sector being subsidised to ensure the latter's adequate return on investment. This defined as unitary, creates a system where renting from a social landlord is not associated with social stigma and a wide variety of social groupings live within it.

In the liberal welfare group, the state is less universal and emphasis is put on welfare as a safety net of minimum standards, with the social and private renting serving essentially different markets. The rudimentary welfare group have only limited welfare systems because of a mixture of widespread low income rural activities and a tradition of small scale self help. These groups are defined as forming part of a dualist rental system, where the state only intervenes to provide a safety net for the poor. This creates a stigmatised and means-tested rental sector.

From the table, Malta with its past Anglo-Saxon connections is classified as forming part of the Liberal Welfare group. The EU housing is thus classified into four distinct groups – mainly, the Scandinavia, Central Europe, countries with Anglo-Saxon ties and the Southern fringe of Europe.

The wealthier countries in the Scandinavian and Central European region show a lower home-ownership rate, while having a higher social-rented sector. Germany, the Netherlands and Sweden have less than their housing stock in home ownership, and traditional rural countries like Greece, Ireland and Spain have close to 80% in this sector.

Central Europe has more stable housing systems, that have a limited impact on their macroeconomies. Most are however suffering from housing shortages caused by rapid household growth. The Southern fringe, with its limited mortgage debt and negligible social housing has the worst housing conditions in the EU.

## House prices in the EU

Long term real increases in house prices have not occurred in seven EU countries, namely Finland, Germany,

Ireland, Italy, the Netherlands, Spain and the UK, except for the UK and Italy from 1970 to 1994. Instead of steady rises in house prices, periodic booms have occurred, followed by long periods of readjustment. Spain is the only country which has no recorded boom period, while its property real cost in 1994 is below that recorded in 1970. Finland and the Netherlands have recorded minimal real cost increases over the 1970 period. In Malta boom periods have occurred, but the adjustment periods have had minimal effect on the upward trend of prices over the period.

Over the period 1982-1997 house prices in Malta have more than trebled, compared to the doubling of prices in the UK, a 20% increase in the Netherlands, and a 30% increase in Germany. Dutch and German land prices have grown at virtually the same rate as the economy over this period.

House price volatility is quite low in Germany, Holland, Ireland and Spain, and high in Finland, Italy, Malta and the UK.

## House-building costs

While real house prices may have been limited in the EU, most countries have experienced rising real housebuilding costs. On average, real housebuilding costs rose by a quarter for 11 EU countries between 1970 and 1994. The highest at 46.3% was registered in the Netherlands, followed by Spain at 45.2%. The exceptions showing a decrease were Finland at -7.2% and France at -0.9%. Over the past 15 years Malta has averaged a 1.35% per annum increase in building costs, giving a 22% increase over a 15-year period.

Housebuilding costs are much less volatile than house prices; with Ireland, Spain, Sweden and the UK having higher cost volatilities than elsewhere.

(To be concluded)

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Social Welfare Regime	Rental Markets	Countries	GDP \$ per capita 1995	Owner occupation	Tenure %		Other tenure
					Private renting	Social renting	
Social democratic	Unitary	Sweden	23,270	43	16	22	19
	Unitary	Denmark	29,010	50	24	18	8
	Unitary	Finland	20,410	72	11	14	3
Intermediate	Unitary	Netherlands	21,300	47	17	36	-
Corporatist	Unitary	Germany	26,000	38	36	26	-
	Unitary	Austria	25,010	41	22	23	14
Intermediate	Unitary	France	23,550	54	21	17	8
Liberal Welfare	Dual	Ireland	15,100	80	9	11	-
	Dual	UK	18,950	66	10	24	-
	Dual	Malta	8,886	68	19.3	9	3.7
Rudimentary welfare	Dual	Italy	18,400	67	31	2	-
	Dual	Greece	8,400	70	26	0	4
	Dual	Portugal	6,900	65	28	4	3
	Dual	Spain	12,500	76	16	2	6