

BUYING A HOUSE

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THE number of owner-occupied premises in Malta has been on the increase in recent years. Nowadays it is the norm amongst engaged couples to build or purchase their own residence. Buying a property is usually the biggest investment most people would venture into throughout their lives. This article tries to delineate a systematic method of how a prospective buyer would decide on purchasing that particular property.

The local property market consists mainly of: (a) detached or semi-detached villas, which may be two-storeyed or a bungalow type; (b) terraced houses; (c) apartments or maisonettes.

Quite normally, the deciding factor on the type of premises chosen depends on one's income. The majority of young couples, being first-time buyers, look out for a flat or a maisonette with the price varying from Lm6,000-Lm16,000 depending, of course, on the type of accommodation, specification of finishes and location. Then, years later, as is often the case, our first-time buyer starts to consider moving into larger premises, with a better location, more privacy and or a large garden. The second-time buyer now would consider a terraced or villa house, the price range varying from Lm14,000-Lm28,000 - not considering property in the exclusive bracket.

A buyer would have his own specific requirements. These include the number of rooms necessary, whether it's 2, 3 or 4 bedrooms, whether the formal living and daily living rooms are required, necessity of garage and or garden. Another specific choice is the location, how it will reflect his life-style having a good address, affect his time of travel to work, proximity to schools and or relatives, also taking into consideration his own private transport available.

Once one's personal requirements have been decided upon, it is a question of whether the property desired is within one's financial means. If not, one will have to settle for the nearest thing one can

afford. A first-time buyer would perhaps be able to secure a Lm6,000 loan. If his savings amount to Lm3,000, he would be able to buy property in the Lm9,000 bracket. Nowadays first-time buyers can secure better loans from Lohombus Corporation than previously, due to a subsidized interest rate of 3% on the first Lm4,000 for those in the Lm2,000-Lm3,000 income bracket. Consequently, a better property can be purchased.

A second-time buyer could perhaps be able to secure a Lm10,000 loan due to his higher income, and re-sale value of his present property. Hence, one is in a position to purchase a property approximating Lm18,000 this time. One can quite safely conclude from past statistics, that the sooner one gets on the home ownership ladder, at however modest a level this may be, the more likely one will eventually own the house of one's dreams.

Budgeting for a new house includes stamp duty payable on contract, notarial fees and expenses for securing a loan. An architect's report on property purchased is advisable. The above expenses approximate 5.5% of the purchase price.

A few points on house hunting: Look up the adverts in newspapers and see what the estate agents have to offer. If you are buying a house it is the seller who pays the estate agent's fees. Normally one would view many properties before deciding on which to purchase. Shopping around will help you get accustomed to the value of the property.

Deciding on the proper value of a property is a tricky business. No two identical dwellings will have the same value. The main living rooms of one may be facing north, another may have newly installed kitchen units or a modernized bathroom. Valuation of premises with vacant possession is carried out by the "Direct Comparison Method".

Tables 1 and 2⁽¹⁾ below, relating the market value to different premises, in various localities and

depending on their age, ought to help one with calculating the present market value of the property intended on purchasing. Multiplying the applicable rate in the table by the total floor area of premises gives the value of the property. This value is for a house with a standard type of finish. For a newly installed bathroom, something like Lm500 must be added to the value. If all external windows have timber louvres or internal joinery is in panelled mahogany, the extra cost of fittings must be added to the above value obtained.

Table 3 gives the value of construction costs per m². The use of this table together with the previous two, can help a couple decide whether it would be cheaper to purchase or build their own house, as shown in a previous article⁽²⁾.

From table 3 the construction cost of a flat is estimated at Lm25 m² + Lm45 m² - Lm70 m² (note - land value not included). Comparing this figure with the value of apartments on the Shema sea-front given as Lm200 m²-Lm250 m² from table 1, the conclusion drawn is that the selling price is speculative. If, in future, the supply starts exceeding the demand, prices would have to fall for one to sell.

Finally, settle for a well lit house, having a favourable orientation, quiet surroundings, no nearby smelly farms and good parking facilities. A North-South or an East-West orientation both suit our climate and have good natural ventilation characteristics, so important in summer. Ideally bedrooms should be east facing; a north facing bedroom is

TABLE - 1

Market value of flats, maisonettes per m² of floor area

Locality	Age	Value / m ²
St Juliana/St Andrewa	15 years & under Just completed	Lm80 - Lm90 Lm90 - Lm102.50
Lija/Rajzan/Attard/Ta' Faria/Maida - University Heights	20 years & under	Lm7.50 - Lm80
San Gwann/Gzira/Maida/Samarus/B'Kara/Monta	20 years & under Just completed	Lm55 - Lm7.50 Lm7.50 - Lm80
Paola/Fgura/Zabbar	10 years & under & just completed	Lm55 - Lm7.50
B'Rugia/M'Scala	20 years & under Just completed	Lm45 - Lm55 Lm7.50 - Lm80
St Paul's Bay/Mellieha	15 years & under	Lm7.50 - Lm80
Sliema (just off sea-front)	Just completed	Lm125 - Lm145
Sliema (sea-front)	Just completed	Lm200 - Lm250

comfortable in summer but would require heating up in winter, whilst a west facing bedroom would require some cooling system in summer. Living quarters should preferably face south with shading devices in summer. To obtain your north bearing, see the way nearby TV aerials face. It would also be advisable to chat to the neighbours, so as to get to know who will be living close by. They too could tell you about some snags, regarding the property, which you might have overlooked.

Having now accepted the location, with neighbours and all, a second inspection is required. This inspection should now be more in the form of a survey, noting the items below, as one goes from room to room of the chosen property:

1. Main Structure

(a) Ceiling slabs in structural concrete. Are cracks visible? These are normally due to thermal expansion and or contraction
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advert

a problem, as one normally redecorates before entering a premises. The bed joints on the masonry wall easily show up any poor workmanship. If the builders' workmanship was poor you may decide to sand down the walls. If fungal or mould growth is noticed go on to the roof to see its cause. Normally the external rendering on exposed walls is in need of maintenance. Beware of recently decorated premises as defects may be hidden.

If property is a corner site or villa, check what kind of external rendering exists and consider its state of repair. Is the façade in natural masonry or is it painted over? The periodic maintenance required for the façade should be considered.

7. Bathroom Tiling and Fixtures

You may have decided to install a new bathroom, so see that it is reflected in the price. If not, check that the bathroom fixtures are not cracked, a hollow sound is not heard on tapping the wall and check that the fixtures drain away easily.

8. Drainlaying

The drains could be in PVC or asbestos cement piping for recent construction. For older premises they will be vitrified clay drains or even in cast iron. Check that no leaks occur at the joints. Staining on the wall will indicate if a leak has occurred. Also check that locations round manholes

Type	Stage	Cost / m ²
Terraced house	Shell	£20 - £25
Detached house	Shell	£25 - £27.50
All Houses	Finishing	£35 - £40
Flats/Maisonettes	Finishing	£40 - £45

are in clean condition. If asbestos cement drains are painted over they will be less porous and have a longer life span.

The above procedures should help in deciding on whether one ought to purchase the property or not. Before the final decision is taken it is advisable to commission an architect to inspect the premises. It is wise to know of the existing defects before one commits oneself, as, afterwards, a lot of unnecessary expenses would be involved.

(1) "Valuation of Unoccupied Residential Premises" D.H. Cavilien *The Journal of the Chartered Institute of Surveyors* N. 4 - 1986.

(2) "Construction Costs vs. Market Value of Property. How are they related?" D.H. Cavilien *The Sunday Times Building and Architecture Supplement*, 1985.

IN TERMS of scope and above all concept, the *Heimtextil '87* International Trade Fair for Home and Household Textiles has been a fully integrated show for aesthetic living.

Held from January 14 to 17, Messe Frankfurt once again welcomed over 1,800 exhibitors including more than 1,000 non-German companies from over 40 countries.

With its highly differentiated product groups, the *Heimtextil* is the marketing platform for its exhibitors. The most important product groups are carpets, floor coverings and furniture fabrics, decoration fabrics, curtains and wall coverings, and household textiles and bedding.

The structure of this "world fair" caters uncompromisingly

The following article is taken from
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In the Ideal Home Supplement in the Times of February the 8th, there was an extremely interesting article by Architect Dennis Camilleri, who due to his particular job in viewing properties for people who wish to take on loans from Lohombus, puts him in a rather unique position of being able to value properties very accurately.

There are many factors involved in the valuation of property and of course estate agents value properties according to certain criteria and architects value them according to other criteria.

For example, an estate agent would value a property, comparing it with a property which has been sold recently in the same street, in the same area and the same type. The estate agents would take into consideration the standard of finish and also the type of neighbourhood, whether the area was established, in which direction the sun shines and many other small but important factors when assessing the price of the property. This is especially so, if they are going to put it on the market to sell it.

An estate agent can only value a property or ~~would only value a property~~ at a price which he ~~feels the market will support~~, otherwise he is wasting his time in trying to promote that property because the market and the people who make up the market will not pay the price.

There are exceptions to this rule. For example somebody may wish to purchase a property in a particular street because their mother lives across the road, and because of that particular situation is prepared to pay over the market price to get that special property, but of course, you cannot value a property under those conditions and if those circumstances do in fact happen, it is to the great benefit of the property owner.

An architect will look upon the task more materialistically as regarding the value of the property, how much it costs to build it, how much it will cost to replace it, land price, etc. He will accurately be able to tell you how much a property is worth, bricks, concrete and finishing wise, but because of a lack of practical experience he will probably be unable to compare his valuation with the prices of properties which were sold in that particular area in present market conditions. Close co-operation between estate agents and architects has in the past produced extremely accurate and reliable valuations when these were required.

In the case of Dennis Camilleri, he has in fact the advantages of being an architect thus knowing the cost of building or replacing a property, plus the knowledge of the prices paid for the properties he's inspecting during the course of his work with Lohombus, and so he can combine the two together and produce a very accurate result.

In the tables he reproduced in his article, he gave the price per square metre of flats and houses, depending on the age and square metre areas.

In St Julians/St Andrews for example, he stated that a flat which has just been completed would be approximately Lm90 to a Lm102.50 per square metre depending on the standard of finish, so if you take a flat which is approximately a 130 square metres; which is the average size flat in that area, you get a sale price of approximately Lm13,000 which is in fact the average price of a resale flat in that area.

On the Sliema seafront he has given estimates of between Lm200 and Lm250 for flats which have just been completed. Again these figures are pretty accurate considering that the average sized flat on the front would be approximately 140 square metres. The resale price would be approximately Lm35,000. This in fact is the going price for a well located flat on Sliema seafront.

In the particular development which we are promoting on Sliema seafront, Eaton Place, (of which 9 seafront flats have already been sold) we are in fact claiming that this block of flats is not only the most luxurious on Tower Road, but also the best value.

If you take Architect Camilleri's assessment and valuation and apply it to the Eaton Place block of flats, you have 188 square metres of flat at approximately Lm250 per square metre therefore the flats should be on the market at approximately Lm47,000. In fact, they are on the market at very much less than those figures, even though they will be finished to the very highest specifications. These flats are on the market from Lm181 per square metre, with just the bathrooms and internal doors and final internal painting to be completed.

The actual size of Eaton Place apartments is 2,019 square feet or 187.56 square metres. That is really quite large.

The developers of Eaton Place have now completed the shells of the flats on the ground floor and within the next six weeks a show flat should be complete and ready for viewing.

Our company sells all types of properties, from the luxurious on the Sliema seafront, to the very well built, but extremely good value properties in the new developing areas of other towns, such as Fgura. Here we have a block of flats which are being sold with all common parts complete, for as little as Lm5,400. With another Lm2,000 to Lm2,500 to complete each property, a fully finished 3 bedrooomed brand new apartment will be available to buyers from Lm8,000.

Again taking these flats, which are approximately 120 square metres in size and using Architect Camilleri's tables of a highly finished flat in the Fgura area at Lm67.50 per square metre you have a complete sale price of Lm8,040. A remarkably accurate assessment.

It is very important, whether one is selling brand new finished flats in Fgura or brand new finished flats on Tower Road Sliema, that the resale price is exactly right, otherwise, developers will in fact end up by having their investment standing idle because they cannot be sold. Also if the wrong resale prices were mentioned to developers in the first place, a too high price could have been paid for the initial property or land so that it would make it totally uneconomical for the development to take place. Therefore, accurate valuations are vitally important both for the resale point of view and for the original investment purchase price.

In one of the earlier editions of Frank Salt Property News we mentioned the tremendous number of properties which are being built in Sliema.

We are still hearing about people wishing to purchase properties in any area of Sliema so that they can knock them down and build.

I will repeat my words of caution, and stress that only properties that are built in good areas, and only properties which are built to an attractive design and to the correct size will sell at reasonable prices, otherwise, developments made in the areas which are not considered to be the best and properties built to peculiar shapes and sizes will not sell at sufficiently high prices to make the investment worth while. Also it should be stressed that any developments done in Sliema should have great emphasis put on the outside appearance so that the attractive traditional appearance of the town should not be ruined by hideous towering facades.