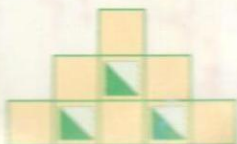


National Conference

Social Housing Now and in the Future

Malta, 13 April 2000



HOUSING & POVERTY IN MALTA

An updated valuation model for Residential Premises

(DENIS H. CAMILLERI)

INTRODUCTION

The past Conference, organized by the Chamber of Architects & Civil Engineers in conjunction with the BICC, dealt with the Housing Affordability Problem as it affects approximately 80% of the population. This Conference is more specifically dealing with the lower stratum of income earners and their relation to housing. One pointer to the relevance of this issue is the increase in the number of pending social housing applications.

This paper was motivated by the alarming exponential growth of pending Social Housing applicants from 1988 to 1998 as listed in the COS (Malta) 1995 publication as per table 1 below.

Table 1 – Number of pending Social Housing Applicants filed with the Department of Social Housing

	Women	Men	% Women Applicants	Total
1988	120	222	35	342
1989	37	46	45	83
1990	34	56	38	90
1991	38	76	33	114
1992	51	103	33	154
1993	73	113	44	166
1994	80	128	39	208
1995	106	134	44	240
1996	142	211	40	353
1997	168	281	37	449
1998	290	463	39	753
2003				1753

Source COS (Malta) 1999

By performing an exponential growth regression analysis on the total number of applicants, ignoring the 1988 outlier figure of 342, as this includes totals of previous years, an alarming annual growth rate of 23.1% is obtained. Extrapolating over the coming 5-year period, the figure for 2003 works out at 1753.

The Least Squares Exponential regression $Y=Ae^{Rt}$ is used to calculate the rate of growth in Social Housing Applicants, where Y is the given data, t is the time in years, R is the estimated rate of growth p.a.
 For the years 1989-1998 $A=72.99$, $R=0.232$, & r (correlation coefficient) = 0.985
 For the years 1988-1998 $A=101.99$, $R=0.151$ & r = 0.723

The strategy of the paper unfolds:

1. Apparent dilemma that not all persons subject to poverty are social housing applicants.
2. Apparent dilemma of fact that not all households in unsuitable dwellings are applying for social housing.
3. Question hence arises: if social housing is not addressing the problems of unsuitable dwellings and poverty, what is its role? What are its true objectives compared to its ideal role?
4. Given its confused function, what could be done to address it towards the role it is supposed to be addressing.
5. A proposed valuation model, addresses the problem of capricious affordability presently being subsidized. Ideal objectives of social housing policy is to attach the problem of poverty manifested in, amongst other things, unsuitable dwellings.

Presently, in the year 2000, the number of Social Housing Applications stands at 3,309, being the cumulative outstanding applications of previous years, of which 1,384 declare to have a chronic illness and/or handicap.

These figures may just be indicating the tip of an iceberg. This is because out of the outstanding social housing applicants, 379 are living in dangerous dwellings and 542 in substandard accommodation for a total of 921. But, the number of occupied substandard and inadequate houses as per the 1995 Census stands at 6,792 and 939 respectively, giving a total of 7,731. Thus, the number of social housing applications could potentially go up by at least 6,810. Of the 117,177 enumerated Maltese households, 6.6% appear to be living in substandard housing conditions, with only 2.8% apply for assistance. Considering also the existing vacant dwellings, 14% of the existing housing stock is substandard and in need of substantial repairs.

Global tendencies are affecting the local scenario, with increasing single-family households and a greater awareness towards the refugee problem. The housing affordability problem may be gauged from the 360 separated persons still sharing the same dwelling with their separated partners, whilst 1100 persons in institutional facilities who would like to have a home of their own, not presently on the housing list. The deterioration in the structural fabric of residential premises, the worrying drug problem, the emerging homeless spectre, where youths go to their car not home for the night, all point towards an increase in the poverty level for the future Maltese Population. This thus leads to an increased Social Housing problem, unless drastic measures are taken to curb this increase.

This paper addresses Housing from the Poverty perspective, giving pointers on what presently requires to be changed, indicating which present Housing Policies need to be amended, as they have overshot their usefulness. They are presently superfluous and may be shifted towards helping to mitigate an alarming Social Housing problem. Those vanishing from waiting lists remaining in housing need are not to be dismissed. Inadequate housing is one of the most damaging disruptions to family life. Preoccupation with essential living conditions robs the parent of the energy that is needed for a meaningful relationship.

POVERTY & SOCIAL HOUSING APPLICANTS IN MALTA – a general overview.

From the 1995 Malta Census, although there is known to be gross underdeclaration of income, there appears to be consensus, due to a lesser amount of underdeclaration from the lower household earners that the Poverty Line stands at Lm2000pa. being taken as 50% of the mean disposable income. The mean gross annual income as at 1995 stood at Lm4696, less 12% NI contributions gives a disposable income of Lm4133 Abela (1998). A household is defined as poor if its available economic resources do not meet its needs at some minimum level.

From the 1994 Household Budgetary Survey (HBS), Delia (1999) quotes the average annual income of families interviewed at Lm4483, up from Lm3482 in 1989/1990, with the median income at Lm5148 higher than the Lm3214 registered 5 years previously. The HBS also suggests that 44% of households interviewed were actually spending beyond their means. The remaining 56% recorded saving ratios ranging from 6.5% - 39% of income. The savings ratio declined from 15.8% in 1993 to below 10% in 1995-1996 (the savings ratio has averaged 10% from 1996-1999, CBM annual report 1999). 2 independent surveys suggest that Lm70 per week seems to be the break-even income level at which an averaged-sized 4-person family starts saving. At the poverty line of Lm2000 annually i.e. Lm38.50 weekly (minimum wage 1994 at Lm38.13 weekly), from the HBS, 16% of households in 1994 were living below the poverty line, a total of 19000 households, with the total number of outstanding housing applicants at 3450.

TABLE 2 – Gross Annual Income of Heads of Households

Gross Annual Income	% Total Women	% Total Men	% Lone Parent Woman	% Lone Parent Man
Lm<1999	55.7	15.2	62.0	39.4
Lm2000-5999	22.8	72.6	20.7	46.4
Lm6000+	1.1	8.1	0.9	5.0
Non respondent	20.4	4.1	16.4	8.9
Total number	25234	94541	5914	1548

Source – COS (Malta) 1995

From Table 2, as noted by Abela (1998), the greatest majority of men head of households (80.7%) stand above the poverty line, the majority of women heads of households (>55.7%) are situated below the poverty line. There is a greater incidence of lone parents falling below the

poverty line, however again a greater incidence of these being women. As opposed to HBS survey where 16% of households are apparently on poverty line, above table gives the figure at 26%, i.e. a total of 32702, as opposed to pending Social Applicants at 3450.

Miljanic Brinkworth & Vella (1999) give an indication of the financial status of the 3309 Social Housing Applicants. 2815 applicants have an annual income less than Lm4000, with the median being Lm1921pa. 494 applicants have an annual income more than Lm4000, with the median being Lm4770pa.

So this implies that Social Housing Applicants are not all below the poverty line. But then, according to the Lm2,000 p.a. income threshold and the HBS data, there seem to be more households below the poverty line than social housing applicants. A dilemma.

Of the above 2815 applicants, 1298 consists of households with 1 adult, not older than 60 years. Of these 576 are single persons with a median wage of Lm2000pa. The remaining 722 single adults with child/(ren) representing single parent families have reported earnings, the majority of cases being between Lm1001-Lm2000pa. As at 1995, there were 6582 single parent families in Malta. These included 4820 widows & widowers, 190 were divorced or had their marriage annulled, 1263 were separated, 281 were unmarried mothers and 28 unmarried fathers (parliamentary question). The households with an adult aged over 60, totalled 572, with modal income values in the range Lm1000-Lm2500. Of the 494 applicants earning over Lm4000pa, 40 households had an adult aged over 60 years of age.

The Affordability of Social Housing Applicants may be gauged from the family expenditure. This is defined, as the amount of money the family deems necessary for ordinary purchases weekly. Extraordinary expenses include house rent, mortgages, hire purchases and other extraordinary expenses. Tabone (1995) in 1993 found this family expenditure to be Lm200 monthly, for the average family size of 4 to 5 persons. As at 2000 the family expenditure is estimated at Lm281 monthly, i.e. Lm3372pa, assuming a 5% annual increase in expenditure. The applicants earning below Lm4000pa, with a median wage of Lm1921pa require mostly full housing assistance, when compared to the necessary family expenditure of Lm3372pa. For these particular cases the norm that housing expenses are to be in the 25 –30% region of annual income does not apply, a cut-off point applies below which total dependence on subsidies exists. For the applicants earning over Lm4000pa, at a median value of Lm4770pa, thus leaving a surplus of Lm1398pa, should be sufficient to find adequate accommodation.

The household's needs are assumed to be a function of the number and age of its members. Disposable income is standardized for differences in household composition using equivalence scales. The specific weights are 1st adult = 1.0. other adults =0.59, child age 1-4 = 0.22; ages 5-10 =0.27; ages 11-12 =0.35; 7 ages 16-17 = 0.49 Wright (1996).

For a family size of 4 ½ persons, the 1st adult weighting for family expenditure is calculated at Lm1500pa. So of the 576 single persons having a median income of Lm1589pa (table 3), with an annual surplus of Lm89pa, it is difficult to afford a reasonably sized house if available, however it may be possible for 37.5% of these applicants. Similarly single parents with 1 child with a median income of Lm1444pa, whilst the family expenditure is calculated at Lm2025pa, it is only possible for 13.5% of these households to contribute towards their housing. As the number of children gets higher the % who can contribute gets smaller and smaller, with none of the households with 5 or 7 children able to contribute.

Table 3 – Median incomes of Social Housing Applicants & Family Expenditure for 1-parent households younger than 61 years

Not Married Children	No of Households	Median Income pa	Household Expenditure pa	% Households - Contribute for Housing
0	576	1589	1500	37.5
1	362	1444	2025	13.5
2	228	1655	2370	4.5
3	89	1742	2640	2.4
4	31	1688	3090	3.0
5	11	1750	3495	0
7	1	1750	4425	0

Of the Social Housing Applicants earning below LM4000, with a median income of Lm1921pa, few would be able to contribute towards their housing, whilst for those households earning above Lm4000pa, with a median income of Lm4770pa, the amount that may be contributed will be calculated further on. There are 572 applicants with an adult aged over 60, having a median income of Lm1950pa. 36 applicants with an adult aged over 60 have an income varying between Lm4000-Lm6000pa. If an old aged couple is assumed to require 85% income of a younger couple, then the household expenditure is assumed at Lm2025pa. 28% of these applicants earning below Lm4000pa could contribute towards their housing costs, with all households earning above Lm4000pa contributing.

HOUSING TENURE & CONDITION

Table 4 – Households by types of ownership

Tenure	% Female Household Head	% Male Household Head
Owner Occupied	69.1	69.8
Rented unfurnished	25.5	25.2
Rented furnished	3.2	2.9
Free	2.2	2.1

Source – COS (Malta) 1999

The differences in Table 4 between males & females regarding type of ownership are minimal. From table 5, it is noted that the greatest number of households living in substandard dwellings, of whom 94 (2.8%) are outstanding social applicants, are widowers at 386, widows at 345 and separated/annulled/divorced males at 223. Single females at 3201, single males at 3310 and separated/annulled/divorced females at 221 follow these. Married females and males at an identical low of 2.7% total 2461 & 2439 respectively.

Again married males & females live mostly in owner occupied residences at 73% falling to an average of 44.5% for separated/annulled/divorced persons. The furnished or unfurnished renting is highest for this latter group averaging 50.8%, as compared to the lowest value of 24.2% for married persons.

Table 5 – Population 16 years & over, classified by marital status & type of private house ownership: 1995

Marital Status	Owner Occupied	Rented Unfurnished	Rented Furnished	Free	Substandard Dwellings	Total Number
Married females	73.0%	22.3%	1.9%	2.8%	2.7%	91177
Married males	73.1%	22.2%	1.9%	2.8%	2.7%	90335
Seperated/annulled /divorced-females	41.3%	47.0%	7.1%	4.7%	7.9%	2797
Seperated/annulled /divorced-males	47.8%	40.8%	6.7%	4.7%	10.0%	2230
Remarried females	63.5%	27.2%	5.6%	3.8%	5.3%	342
Remarried males	68.3%	23.1%	5.3%	3.3%	3.6%	360
Single females	65.8%	28.1%	2.3%	3.7%	8.4%	38108
Single-males	64.6%	29.9%	2.4%	3.0%	7.7%	42999
Widows	56.9%	36.7%	2.4%	4.0%	10.8%	12458
Widowers	60.6%	34.1%	2.0%	3.3%	11.1%	3477

Source – COS (Malta) 1999

Table 6 – Substandard Dwellings & Applicants classified by Region

Region	% Substandard Dwellings	% Applicants
Inner Harbour	44.7	54.4
Outer Harbour	21.8	23.3
South East	10.9	8.3
West	8.7	6.3
North	5.5	6.7
Gozo & Comino	8.4	1

Source – COS (Malta) 1999

From Table 6, of the occupied substandard dwellings, 44.7% are to be found in the Inner Harbour having 54.4% of Social Housing Applicants, followed at 21.8% in the Outer Harbour again with 23.3% social applicants, 10.9% in the South East, 8.7% in the West, 8.4% in Gozo & Comino with only 1% of social applicants. and 5.5% in the North. Except for Gozo & Comino a fairly reasonable correlation exists between the number of % applicants and the % of substandard dwellings in the respective regions. To be noted that for the 13676 reference persons living in substandard dwellings, outstanding social applicants total only 2972.

Here, one can basically conclude that social housing policy is not effectively meeting the challenges posed by poverty and households living in substandard accommodation. Next we move to some suggestions regarding a possible re-orientation of policy.

A MODIFIED VALUATION MODEL

This model is a possible guideline to policy as regards the optimal provision of housing, helping towards identifying real affordability as against a capricious affordability, outlined below. Presently misguided policies help out capricious affordability, thus diverting from their proper functions.

The present method is limited to a floor area market value rate based on the Comparative Method of Valuations. The following table7, Camilleri (1998) gives an indication of the present affordable housing rates.

Table 7 - Market value rates for apartments over the period 1982-1997 in sought after areas by 1st time buyers

LOCALITY	MARKET VALUE Lm/m ² Apartment							
	1982 Lm	1987 Lm	1992 Lm	1997 Lm	% Inc. 1982-87	% Inc. 1987-92	% Inc. 1992-97	% Inc. 1982-97
Fgura/Paola/Zabbar	45	55	110	175	22	100	59	290
M'Scala - internal	50	75	160	160	50	113	0	220
Mosta/Naxxar	80	85	125	205	6	47	64	156
San Gwann	65	75	110	185	15	47	68	185
Sliema inner prime	90	145	190	305	61	31	60	240
St Julians	80	100	175	235	25	75	34	195
Swieqi	85	105	180	275	23	72	53	225
MALTA	70	91	150	220	30	65	47	215

The Malta values are obtained as the arithmetic means for the various localities.

These rates work out fine for our normal accommodation floor areas in the region of 110m² upwards, considered high by International Standards, as per table 8. The problem arises for smaller accommodation, where an amount has to be paid whatever the size of the premises. From the limited information presently available on small sized properties a premium amount of Lm6000 has to be paid, on properties having a floor area of 40sqm or less. This premium is then reduced linearly up to 100sqm, above which the floor area rate only is applicable. The premium applicable for a small sized property is calculated as the difference between the upper 100sqm floor area and the applicable smaller floor area multiplied by 100.

As examples, a 135m² apartment in San Gwann is valued at :

135m² * Lm185/m² = Lm25,000, whereas a 75m² apartment in Mosta is valued at
 75m² * Lm205/m² + Lm2500 = Lm17,875 {premium is (100m² – 75m²)*100 = Lm2500}

Presently due to households living in oversized properties, the question of affordability may be subdivided into a real and a capricious affordability problem. Should the State continue subsidizing capricious affordability or should subsidies be related besides to income and household size also to the quality of the accommodation. On the principle that the household is buying extra on quality housing, the household should not be fully reimbursed. Subsidizing only part of the rent also helps one to shop around, as otherwise no incentive exists to shop around for cheaper accommodation, negotiate lower rents, or move to smaller accommodation if their present home is larger than they need.

Table 8 lists the applicable floor areas adopted in various countries:

COUNTRY	USA	UK	FRG	GDR	N'LAND	FRANCE
Floor area - m ²	149	89	99	62.7	101	105

The Social Housing in Germany provides for 1 person - 45m², 2 persons - 60 m², 3 persons - 75m², 4 persons 90m², and 15m² each for additional persons. Also the number of rooms provided, excluding the kitchen, depends on the number of persons in the household, 3 rooms for a 3 person household, 4 rooms for a 4 person household and so on.

The Housing Affordability Index (HAI) table 9 has been calculated for the period 1982 –1997, Camilleri (1999). For a 3-bedroom median apartment it has worsened from a value of 77 down to 65. For a 2 bed/r median apartment the HAI decreased from 110 down to 101. An HAI of 100 signifies that a family earning the median household income just qualifies for a median residence, whilst with a HAI of less than 100 signifies that the median family has to do away with other necessities. The importance of the increased effect on household income by the 2nd wage earner is to be noted, as an improvement is expected in the HAI over the next 10-year period.

Table 9

YEAR	MORTGAGE Monthly Payment		MEDIAN Family Income	QUALIFYING Monthly Income		RATIO of Qualifying Family Income		HAI	
	3-bed/r	2-bed/r		3-bed/r	2-bed/r	3-bed/r	2-bed/r	3-bed/	2-bed/r
1982	Lm60	Lm42	Lm184	Lm240	Lm168	1.30	0.91	77(70)	110(100)**
1987	Lm69	Lm49	Lm242	Lm276	Lm196	1.14	0.81	88(76)	123(108)
1992	Lm108	Lm72	Lm320	Lm432	Lm288	1.35	0.90	74(61)	111(92)
1997	Lm165	Lm106	Lm427	Lm660	Lm424	1.55	0.99	65(46)	101(71)
2007	Lm340	Lm241	Lm963 [#]	Lm1363	Lm965	1.42	1.00	71(41)	100(58)

[#] earnings/employee % growth rate is taken at 6.5%, over the next 10-year period

** bracketed value is for 1 wage earner/household existing.

Affordable housing is not just about how much people pay. The other half of the story on affordability is what is left to pay for a reasonable standard of living. If meeting housing costs means not being able to pay for other necessities, housing is not affordable.

The following examples define the particular type of Affordability problem existing:

A single parent household of 3 persons is to be provided with a 75sqm apartment, comparable to its family size.

The income of this household stands at Lm2500pa.

The apartment is valued at – $75\text{sqm} * \text{Lm}180/\text{sqm} + \text{Lm}2500 = \text{Lm}16000$.

A fair rental amount stands at 4% of this amount, i.e. Lm640pa.

The family expenditure for a 3-person household works out at Lm2370pa.

With a surplus amount of $\text{Lm}2500 - \text{Lm}2370 = \text{Lm}130\text{pa}$, a subsidy is required towards this rental amount for basic accommodation.

In all societies, some households must be assisted financially by the society to fill the gap between what they consider essential and what they can afford.

A 4-person family is to acquire an apartment of 135sqm, which is considered oversized as minimum standards dictate 90sqm.

Family income stands at Lm3500pa.

The apartment to be acquired is valued at $135\text{sqm} * \text{Lm}170/\text{sqm} = \text{Lm}22950$

The basic accommodation is valued at – $90\text{sqm} * \text{Lm}170/\text{sqm} + \text{Lm}1000 = \text{Lm}16300$.

A fair rental amount stands at 4% of these amounts, i.e. Lm918pa & Lm652pa. respectively.

The family expenditure for a 4-person household works out at Lm2640pa.

With a surplus amount of $\text{Lm}3500 - \text{Lm}2640 = \text{Lm}860\text{pa}$, this family requires assistance to acquire a surplus accommodation standard, but not necessary for the basic space standard.

This family has a capricious affordability problem, as otherwise the market may supply it.

POINTERS TOWARDS THE SOCIAL HOUSING DILEMMA.

Presently Housing Assistance relies on oversupplying the market. This form of subsidy had worked initially in increasing drastically the home-ownership rate of Maltese households, but in recent years it has been counter-productive, in creating an Affordability Problem, see Table 9 . The average 200 units provided annually by the Housing authority over the past 12 years, has had minimal effect over the property market, which produces over 4000 units annually

With the present de-regularization of the Banking Sector, environmental Planning Constraints the present system of oversupplying the market is outdated. Why should the authorities provide interest rate subsidies – this helps the Commercial Banks in acquiring life-long customers? It is in the Banks interest to provide sufficient incentives to acquire these lucrative customers, who will then be indebted towards the Bank for a range of other Services.

As the number of Social Housing cases is to increase exponentially in the future, vide table1, these are the cases that are to be given priority. The Authorities are to distinguish between real and capricious housing affordability problems. The public is to be guided into acquiring an affordable home, if this fails, Social Assistance should be forthcoming. From the Canadian experience, the recipients of such assistance should contribute by being assigned voluntary/social work to be carried out. The assistance programme is no longer a grant but becomes a virtual loan. For instance, if volunteer work was not carried out and the applicant did not repay the assistance that was received future tax refunds from future employment may be withheld. The program works to get those that are lazy back to work, however it fails to help those that are not capable of working and can't fight for their rights, with some of the applicants having a mental/intelligence problems, and not necessarily a lack of work ethic

The Housing Authority could help towards regenerating housing units in the urban cores by entering into partnership with the private developer, which on completion of the development would have units leased back to it. The Authority could then dispose of these units as deemed necessary, via renting at commercial rates, subsidized rents or even for Social Housing. The possibility of selling these units at commercial rates or a system of shared ownership may be delved into. This hopefully will achieve a mixed household development, aiming at a better end result, than the previous Valletta slum clearance projects.

Two of such areas where this Public Private Partnership (PPP) scheme may be implemented are in Floriana and Senglea, as a present demand for returned households exists, with the probability of a mixed development being achieved. Surveys have been carried out in Floriana, together with consultations with Local Councils. In Floriana a number of blocks had been identified with a land registration order issued. The response however was limited to 10%. This is the crux of the PPP scheme, in encouraging private companies to build on land they would not have previously considered. The private developer expects the Housing & Planning Authorities to combine to reinforce the powers available to them to implement redevelopment housing & improvement projects, whereby agreement is reached with the developer on the planning gain to be achieved. . This should be a future role of the Housing Authority, management of the inner city cores. Its incentives are to be based on acquiring these parcels of inner land, where most of the derelict buildings are found, with households living in dangerous conditions. Considering the advanced age of our building stock and their related outdated rental restrictions, imposing repair works on their owners have been self-defeating in the past. Under the present system, our old building stock deteriorate further with the housing problem being compounded further.

The advantages of the PPP system to the developer is a reduction in his risk exposure due to the land element being provided and rental security on termination of development. The advantage to the Housing Authority is that it is involved at the design stage, imposing its requirements, cash saving over the development process, whilst due to the risk reduction of the developer it may negotiate a lower rental rate. It may possibly lease out the units at 3½% of the development cost less land value, instead of the 4% market rate.

CONCLUSIONS

This paper has tried to identify the groups for whom Social Housing should be made available, and where Government should target its expenditure. The subsidies on capricious Housing Affordability problems are now deemed to be outdated, creating greater social hardships. In the examples, quoted market rents for all types of housing have been given, with subsidies accordingly allocated, depending on the household size and income. Reasonable preferences to persons occupying unsanitary or overcrowded generally unsatisfactory housing conditions are to be given

The goal for development is to ensure an improved quality of life for all people. This includes amongst other things offering basic housing to all – to leave the right to shelter to an anonymous market would not be right, nor correspond to UN recommendations. It identifies groups that are not able to compete and take advantage of the opportunities available on the market. Such groups are the homeless, the sick, the elderly, single parents, those living in substandard and dangerous accommodation, as requiring Government support.

The importance of the social safety net, a prerequisite for economic growth is worked upon, as social degradation can destroy societal practices and impoverish the people. Every competition generates a winner and a loser. From a social viewpoint, the benefits confine largely to the winner. Unlike the animal kingdom, human society cannot ignore the loser, thus increasing the social costs.

Some competition is healthy, but as a complement to competition co-operation in the private and public sector, as in PPP schemes may also yield benefits.

Hoping the above to offer sufficient policy guidelines, for action to be taken now, as time will only increase the miseries of the local Social Housing Dilemma.

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HOUSING & POVERTY IN MALTA

An updated valuation model

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2003			1753

Occupied sub-standard houses (1995) - 6792

Occupied inadequate houses (1995) - 939

} 6% of total household

However only 2.8% apply for assistance.

STRATEGY

1. Apparent dilemma that not all persons subject to poverty are social housing applicants.
2. Apparent dilemma of fact that not all households in unsuitable dwellings are applying for social housing.
3. Question hence arises: if social housing is not addressing the problems of unsuitable dwellings and poverty, what is its role? What are its true objectives compared to its ideal role?
4. Given its confused function, what could be done to address it towards the role it is supposed to be addressing.
5. A proposed valuation model addresses the problem of capricious affordability presently being subsidized.

POVERTY OVERVIEW

1995 Census – Poverty Line taken at 50% of Mean Disposable Income
Approximates to Lm2000.

HSB 1994 survey (Delia) suggests that 44% of households are spending beyond their means with the remaining 56% recording saving ratios varying from 6.5% - 39% of income. 16% of households were living below the poverty line, i.e. a total of 19,000 households, whilst outstanding housing applicants stands at 3,450.

TABLE 2 Gross Annual Income of Heads of households

Gross Annual Income	% Total Women	% Total Men	% Lone Parent Woman	% Lone Parent Man
Lm<1999	55.7	15.2	62.0	39.4
LM2000-5999	33.8	72.6	20.7	46.4
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Non respondent	20.4	4.1	16.4	8.9
Total number	25234	94541	5914	1548

From Table 2, as noted by Abela (1998), the greatest majority of men head of households (80.7%) stand above poverty line, the majority of women heads of households (>55.7%) are situated below the poverty line. There is a greater incidence of lone parents falling below the poverty line, however again a greater incidence of these being women. As opposed to HBS survey where 16% of households are apparently on poverty line, above table gives the figure at 26% of a total of 32,702, as opposed to pending Social Applicants at 3,450.

SOCIAL APPLICANTS' STATUS

Miljanic Brinkworth & Vella (1999) state that of the 3,309 Social Applicants:

2,815 applicants < Lm4,000 p.a. (median Lm1,921 p.a.)



1,298 single households < age 60



576 single persons



722 single parents

494 applicants > Lm4,000 p.a. (median Lm4,770 p.a.)

FAMILY EXPENDITURE IS THE AMOUNT DEEMED NECESSARY FOR ORDINARY EXPENSES. EXTRA-ORDINARY EXPENSES INCLUDE HOUSE RENT OR MORTGAGES TOGETHER WITH HIRE PURCHASES.

Tabone (1995) calculates at Lm200 monthly for 1993 for a 4-5 person family.

For the year 2000 the FAMILY EXPENDITURE IS ADJUSTED to Lm280 monthly i.e. Lm3,360 p.a.

**DISPOSABLE INCOME IS STANDARDIZED using
EQUIVALENT SCALES**

1 st adult	=	1.00
Other adults	=	0.59
Child age 1-4	=	0.22
Ages 5-10	=	0.27
Ages 11-15	=	0.35
Ages 16-17	=	0.49 Wright (1996)

**Table 3 – Median incomes of Social Housing Applicants
& Family Expenditure for 1-parent households younger
than 61 years**

Not Married Children	No of Households	Median income Pa	Household Expenditure pa	% Households Contribute For Housing
0	576	1589	1500	37.5
1	362	1444	2025	13.5
2	228	1655	2370	4.5
3	89	1742	2640	2.4
4	31	1688	3090	3.0
5	11	1750	3495	0
7	1	1750	4425	0

Assuming an old age couple to require 85% family expenditure of a younger household, this works out at Lm2,025 p.a. 28% of these older applicants earning below Lm4,000 p.a. could contribute towards housing cost.

HOUSING TENURE & CONDITION

Table 5 – Population 16 years & over, classified by marital status & type of private house ownership: 1995

Marital Status	Owner Occupied	Rented	Substandard Dwellings
Married	73.0%	24.2%	2.7%
Seperated/annulled /divorced-females	41.3%	54.1%	7.9%
Seperated/annulled /divorced-males	47.8%	47.5%	10.0%
Remarried females	63.5%	32.8%	5.3%
Remarried males	68.3%	28.4%	3.6%
Single	65.2%	31.3%	8.0%
Widows/ers	58.7%	37.6%	10.8%

Table 6 – Substandard Dwellings & Applicants classified by Region

Region	% Substandard Dwellings	% Applicants
Inner Harbour	44.7	54.4
Outer Harbour	21.8	23.3
South East	10.9	8.3
West	8.7	6.3
North	5.5	6.7
Gozo & Comino	8.4	1

So this implies that Social Housing Applicants are not all below the poverty line. But then, according to the Lm2,000 p.a. income threshold and the HBS data, there seem to be more households below the poverty line than social housing applicants. A dilemma.

Here, one can basically conclude that social housing policy is not effectively meeting the challenges posed by poverty and households living in substandard accommodation. Next we move to some suggestions regarding a possible re-orientation of policy.

UPDATED VALUATION MODEL

Table 7 - Market value rates for apartments over the period 1982-1997 in sought after areas by 1st time buyers

LOCALITY	MARKET VALUE Lm/m ² Apartment			
	1982 Lm	1987 Lm	1992 Lm	1997 Lm
Fgura/Paola/Zabbar	45	55	110	175
M'Scala - internal	50	75	160	160
Mosta/Naxxar	80	85	125	205
San Gwann	65	75	110	185
Sliema inner prime	90	145	190	305
St Julians	80	100	175	235
Swieqi	85	105	180	275
MALTA	70	91	150	220

The Malta values are obtained as the arithmetic means for the various localities

As examples, a 135m² apartment in San Gwann is valued at:
 $135\text{m}^2 * \text{Lm}185/\text{m}^2 = \text{Lm}25,000$

Lm6,000 amount to be added to a property having a floor area less than 100m², decreasing linearly from 40m² up to 100m².

whereas a 75m² apartment in Mosta is valued at:
 $75\text{m}^2 * \text{Lm}205/\text{m}^2 + \text{Lm}2500 = \text{Lm}17,875$
 {premium is $(100\text{m}^2 - 75\text{m}^2) * 100 = \text{Lm}2500$ }

SOCIAL HOUSING STANDARDS TO BE TAKEN AT 45m² FOR 1 PERSON HOUSEHOLD, INCREASED BY 15m² FOR EACH ADDITIONAL PERSON.

The following examples define the particular type of Affordability problem existing:

A single parent household of 3 persons is to be provided with a 75sqm apartment, comparable to its family size.

The income of this household stands at Lm2500pa.

The apartment is valued at:

$$75\text{sqm} * \text{Lm}180/\text{sqm} + \text{Lm}2500 = \text{Lm}16000.$$

A fair rental amount stands at 4% of this amount, i.e. Lm640pa.

The family expenditure for a 3-person household works out at Lm2370p.a.(Table 3).

With a surplus amount of $\text{Lm}2500 - \text{Lm}2370 = \text{Lm}130\text{pa}$, a subsidy is required towards this rental amount for basic accommodation.

In all societies, some households must be assisted financially by the society to fill the gap between what they consider essential and what they can afford.

A 4-person family is to acquire an apartment of 135sqm, which is considered oversized as minimum standards dictate 90sqm.

Family income stands at Lm3500p.a.

The apartment to be acquired is valued at $135\text{sqm} * \text{Lm}170/\text{sqm} = \text{Lm}22,950$.

The basic accommodation is valued at $90\text{sqm} * \text{Lm}170/\text{sqm} + \text{Lm}1000 = \text{Lm}16,300$.

A fair rental amount stands at 4% of these amounts, i.e. Lm918pa & Lm652pa. respectively.

The family expenditure for a 4-person household works out at Lm2,640p.a. (Table 3).

With a surplus amount of $\text{Lm}3500 - \text{Lm}2640 = \text{Lm}860\text{pa}$, this family requires assistance to acquire a surplus accommodation standard, but not necessary for the basic space standard.

This family has a capricious affordability problem, as otherwise the market may supply its needs.

POINTERS

1. The idea of oversupplying the market is out, as an Affordability Problem has now been created.

Table 9

YEAR	HAI	
	3-bed/r	2-bed/r
1982	77 (70)	110 (100)**
1987	88 (76)	123 (108)
1992	74 (61)	111 (92)
1997	65 (46)	101 (71)
2007	71 (41)	100 (58)

** bracketed value is for 1 wage earner/household existing

2. Interest rate house loan subsidizes?
3. Housing Social Applicants to do voluntary work? A grant becomes a virtual loan. It gets the lazy back to work, however failing to help those not capable of working.
4. Public Private Partnership (PPP) schemes for regenerating housing units in the urban cores. The private developer expects the Housing & Planning Authorities to combine to reinforce the powers available to them to implement re-development housing and improvement projects.