

MALTA'S CONSTRUCTION INDUSTRY AT A CROSSROAD

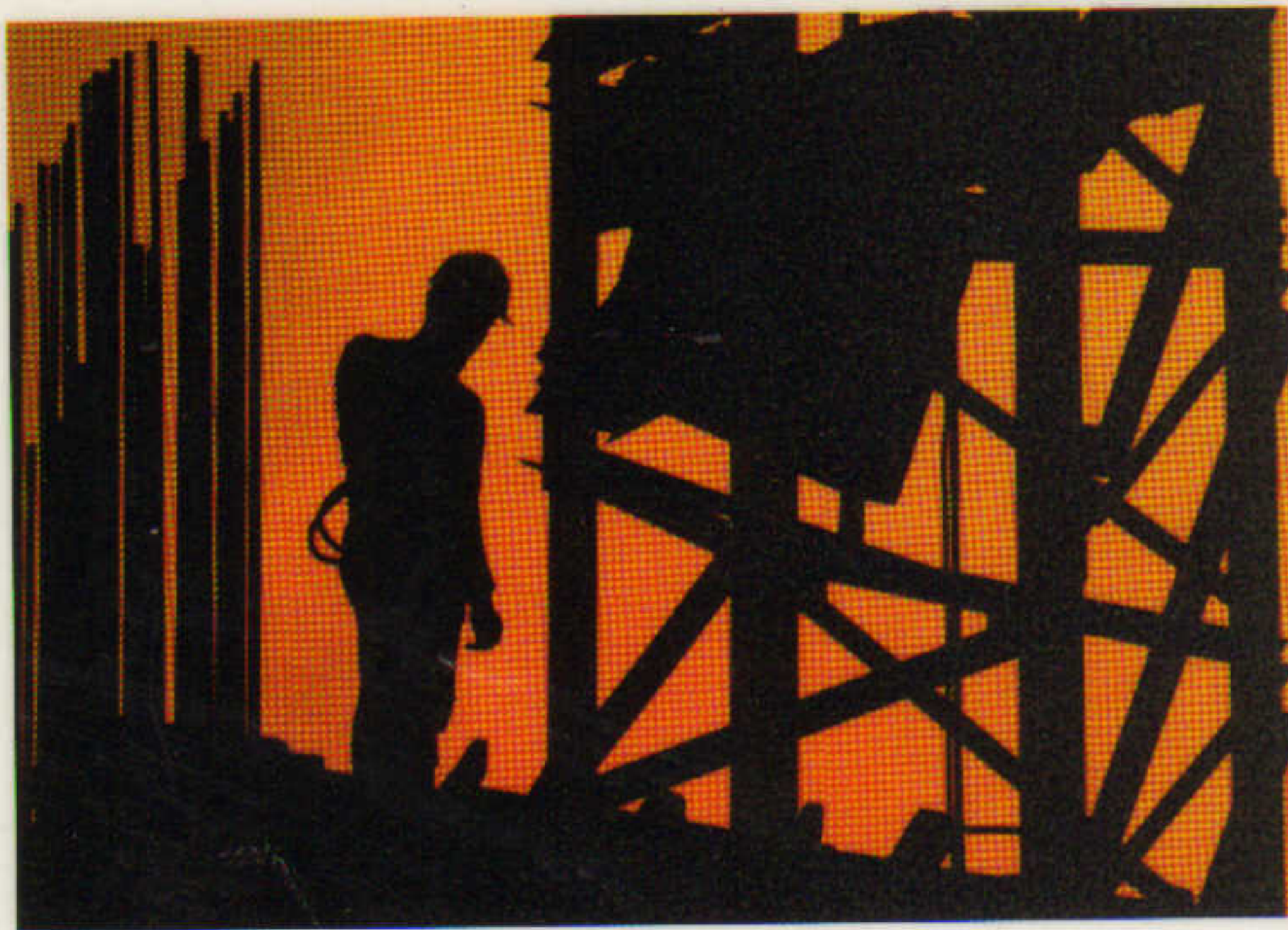
ONCE A STALWART OF THE LOCAL ECONOMY, MALTA'S CONSTRUCTION INDUSTRY IS BEING FORCED TO CONTEMPLATE SERIOUS TRANSFORMATION IF IT IS TO SURVIVE AND PROSPER. CLAIRE AZZOPARDI FINDS OUT WHAT ISSUES THE INDUSTRY IS FACING AND WHERE ITS FUTURE MAY LIE.

No matter who you speak to within the local construction industry, the opinion is very much the same – the industry is at a crossroads and is set to live through a period of severe upheaval if it wants to ensure a sustainable future. Many claim that the figures speak for themselves, with the NSO's latest short-term indicators stating that activity within the industry has dropped as much as 8 per cent in the last year, yet with operators within the industry claiming that this is a conservative estimate and that in reality, the situation is far worse.

But what exactly are the dynamics of this situation? Is the industry facing severe problems or is it just a matter of adaptation to seek out new avenues for investment and development? Before being able to answer these questions, a better understanding of various influencing factors is necessary.

THE TRUTH CAN HURT

As Dr Gordon Cordina explains, in recent years, the local construction industry was heavily active in the development of residential units which has actually resulted in an oversupply of such units in the real estate sector. "A look at year-on-year indicators for the construction industry has shown quite stable levels of activity, much of which was down



to the construction of more and more residential units," he says.

"This situation was caused in no small way by the local tradition of purchasing property as an investment, spurring demand and causing developers to seek more ways of 'squeezing' out as many units as possible out of a given area, often compromising quality and ultimately dampening people's willingness to invest by buying these types of properties," he continues to explain.

This trend never had a hope of being sustainable and it would seem that the local real estate market has reached a point where the supply of the type of residential units that have been constructed in recent years –

such as the apartment blocks that have mushroomed across the islands – has outstripped demand.

This is when a number of other factors came into play, often the ripple effects of the extra supply of residential units. Banks became less and less inclined to finance certain types of new residential developments when the market was already saturated with them and this, coupled with the unsure economic climate has meant that the construction industry has seen a drastic reduction in new residential projects and a very low sales market for those that already exist.

"I believe that it is evident that things need to change if the con-



struction industry is to face a rosier future. First and foremost, operators within the industry need to accept that fact that they must adapt in order to survive," he states.

He continues to say that the construction of residential apartment blocks will likely play a small part in their operations in future and, even then, the real estate industry should focus more on marketing property to foreign buyers. "But even so, I believe that the industry must change tactic and focus on other areas such as conservation and restoration and infrastructural con-

struction industry is to face a rosier future. First and foremost, operators within the industry need to accept that fact that they must adapt in order to survive," he states.

Mr. Xuereb lists a number of factors that have caused this drop – the saturated real estate market, the poor quality of many new developments, making them hard to sell and the banks reluctance to finance new real estate projects has caused a severe drop in activity and a severe

"The real estate industry is saturated and we would be better off focusing on ensuring that any new developments are of a far better quality. We should also focus our efforts on attracting foreign buyers," he explains.

So what does that leave for the construction industry? "Infrastructural construction is where we should focus in future, but this is where we need government's collaboration. We need a serious discussion on unlocking the potential of Public Private Partnerships that provide a win-win-win situation, benefitting government, the construction industry and the general public," replies Mr. Xuereb.

He believes that different formats of Public Private Partnership agreements are the way forward. In fact, this way of 'doing business' has become extremely popular and successful in many other European countries. This often involves the construction of major roadways and other infrastructural developments needed.

"There is so much potential that has already been lost, so we really need to identify projects that would be suitable for this approach. The construction of roads, use of dilapidated Government buildings; social housing; car parks; government offices' sports arenas, marinas, even schools," he explains.

"The potential is endless, but the country's decision-makers need to give the industry a chance to become a partner, not just a service provider, when it comes to infrastructural developments. This is really where the industry's future lies and I certainly hope that the huge potential is not left untapped, to the detriment of the industry and ultimately the economy," he concludes. ■

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Angelo Xuereb

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struction where possible. A change of tactic is essential and while change can be painful, it is inevitable if the industry wants to prosper," he states.

A CHANGE OF TACTIC

One man who has a great deal of experience within the construction industry is in agreement with this statement. Angelo Xuereb, the presiding President of the Federation of Building Contractors (FOBC) broaches the subject with a clear

cash flow problem for some contractors which, according to Mr. Xuereb, is very worrying indeed.

He is also of the opinion that innovation is the key to returning the industry to a sustainable level of activity and growth, and does not beat around the bush when expressing his views. "There are certainly options available to the industry, but it is essential that we find collaboration, especially from government, and I will explain why," he says.

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