

OPINION

Real estate

Malta needs recognised asset valuers

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THE state of the real estate business in Malta is a very healthy one and the sector is one of the main contributors to the national economy. Any analysis on this market, therefore, has to respect this importance.

Since the 1960s the real estate sector has passed through the usual cycle of ups and downs. We are at present on the "up" of the cycle and, like it or not, we have to expect the downside in the near future.

In a small economy like Malta's, any change in market trends, no matter how small, is immediately felt and we sometimes tend to over-react to an upward trend that soon leads to an over-supply. This reaction will soon lead to the Maltese saying *Is-suq isug*, meaning that the market will stabilise and the prices will adjust to the market conditions. This trend is similar to what happened recently in the hotel business, where better grade hotels took the business of the lower grade hotels.

I am personally not convinced of the statistics in property prices. It is already difficult to compare same size apartments in the same street, let alone if the block is around the corner. A survey will show no difference in value between quality dwellings or apartments within a complex type development to other sub-standard dwellings. The closest survey should be based on the total registered sale contracts obtainable from the Public Registry on an annual basis.

The time has come for the local market to accept asset valuers (either as private companies or as institutions) having architects, lawyers, engineers and real estate agents who can prepare a comprehensive assessment report on the proper value of the property, which will include:- The quality of the construction and finishes, the workmanship, the state of the structure, the services and the quality of the common areas, thermal and acoustic insulation, verification of permits, legal title, the actual square metres, location (taking into consideration any neighbourhood nuisance), current market conditions, etc.

This comprehensive assessment indicating a fair estimate of the true value of the property should act as a guideline for both the seller and the inexperienced buyers.

Such a document can be valid for a number of years, adjusted over time to reflect the value dictated by market conditions.

I am advocating this, since many a time you notice certain developments, having no respect to quality being sold to inexperienced persons, only for buyers to find out these short comings after having lived in the premises.

In this context, 'complex type' developments bring much more value to the property due to the infrastructure of the complex, the landscaping, the more spacious common areas, visitors' car park etc. In most cases the profits for the developer are far less than the "run of the mill" small blocks of apartments built by inexperienced developers who try to cram in as many units as possible, to maximise their profits.



Quality buildings

In a healthy development market, one often tends to forget about the importance of quality dwellings and quality developments and rather tends to concentrate on maximising every square metre with the lowest construction and finishing costs. [Soon we shall learn that Malta is no exception to other developed European countries. Quality buildings will indeed overtake the inferior developments.]

The time has therefore come for property developers to raise the standards of their development. The time of providing the market with just 'bricks and mortar' has to stop. Certain property developers have to seriously consider the value they are putting into their development which would typically include the quality of the architecture, insulation, parking, energy saving amenities, etc.

A fact often overlooked is the attention given to common areas. These require the same attention as the internal amenities. The idea of the creation of a 'home' rather than just a 'house' needs to be encouraged.

Consider this: When one purchases a new car the purchaser is given a manual detailing all aspects of the car, including the servicing programme. If this is carried out on a much smaller investment, one would expect to have the same attention to a much larger investment!

I am thus also advocating that upon completion of a property, the developer should present a *Property Manual* detailing all the amenities installed in the property. This would include plans of all the services and structural drawings.

High rise buildings

I am in favour of high rise buildings for dwellings as long as these are constructed on the FAR principle (Floor Area Ratio).

High rise buildings offer a better living environment as there is more area for meaningful landscaping, thereby providing dwellings with more natural direct lighting in most rooms with open views on landscaped areas with the added bonus of offering more privacy.

We do need to be careful on the height levels, as the Maltese are not, as yet, familiar with living in structures higher than 12 storeys, and we do not want to create a modern slum.

Better land use for our small country is of paramount importance but let us not make Malta another Dubai!! Malta does have some areas which are acceptable for high rise buildings, however most areas are not acceptable. Malta here will be no exception. We will in future experience the shift of offices into high rise buildings and should therefore consider that high rise buildings from the 12th storey upwards should be dedicated to offices and the lower floors to dwellings. Naturally, two separate entrances and lift cores would apply.

In my opinion MEPA should also give more attention to quality architecture as it is disheartening to notice certain facades in prominent areas having no respect whatsoever to architecture. Architects should take it upon themselves to encourage their clients to spend more on the investment of attractive facades. This may only involve an additional 1 per cent or 2 per cent to

the total cost, but the return would be far greater, on their investment, on the neighbourhood and for the benefit of our present and future generations.

Vacant properties

The number of properties being sold at the moment is more than the annual increase in our population, together with the number of foreign buyers. This signifies that "old" dwellings are being vacated in favour of apartments, thus increasing the stock of vacant properties.

Old town houses do have their own problems as they do not offer adequate facilities for today's needs. Thus, there are often inadequate car parking facilities, outdated electrical and mechanical systems, humidity and very high ceilings, creating heating and cooling problems.

All these shortcomings mean higher costs to maintain the building. The time has therefore arrived to encourage the use of vacated/unoccupied property through incentives. Such buildings would be ideal for the first time buyers who personally can make improvements on this property until they are in a better financial situation to afford a better new home.

We also need to establish a healthy rental market through brave decisions.

Real Estate is a major contributor to our small economy since there are numerous trades and services attached to it, but while we need to keep it healthy, we need to focus on quality in many aspects in order to respect our future generations.