



ANDREW ON WEDNESDAY

Dealing with the rental market

I commend the initiatives that are being taken by Government on this delicate matter.

However, let's face the fact that we are in uncharted waters when it comes to the rent situation and we need to carefully detect any approaching dangers early enough before they destabilize the system that sustains us.

It is commendable that the population enjoys the benefit of a thriving economy while retaining its right to enjoy housing that is good, affordable and safe from threats of uprooting and eviction. Protecting house users cannot happen without good management of the system. We must have learned from our past mistakes that rigid over-control of the market can kill it, or maim its growth, as happened with the control of pre-1939 housing decisions. Recently, we reacted by removing practically all government regulation of the market and, amid a prosperous economy and insufficient state provision, we now have a market becoming less capable of protecting families from potential insecurity, uprooting, eviction and substandard living.

- We need to encourage a situation whereby landlords will still find it reasonably profitable to invest in housing for rent. We simultaneously need government to provide social housing, to regulate the market and to subsidize for affordability and long-term sustainability.
- We need to be vigilant on the housing market and its relation to the economic and political environment.
- We need all sectors of society to collaborate in dialogue and partnership, to achieve the required stability away from threats of user hardship and unhealthy markets. By contrast, an unwise, intemperate and unrestrained reaction can provoke instability, and injustice towards users and landlords (particularly small and medium newly emerged rent enterprises).
- We need to identify and monitor where we are heading through indicators of how well or badly users and providers are served through the current and the proposed state regulation.
- We must monitor and discourage potential abuse by landlords of the freedom to set reasonably profitable and fair rents, whether it occurs during the transition period occurring between the White Paper's consultation period or after the implementation of the final Act. It is important to monitor what is happening in the supply and demand in the various segments of provision and of the market, affordability of requested rents, contract duration and stability, and

“

Self-regulation and cooperation need to build on transparency and wise and fair policy

”

evictions (whether forced legally or by giving up on unaffordable leases).

- We need updated and reliable data about population growth and market pressure from new employment and resident categories that influence availability, stability and prices. Contract registration is a good and essential step towards achieving this indispensable data.
- We need updated information on how much our population has grown during these last two or three years, and which populations segments tend to exacerbate market conditions.
- We need to know which allegations are true: whether rents are stabilizing or still shooting up, whether evictions or garage-living is low or high, unchanged or skyrocketing; whether would-be bidders are truly counting on prices for building social housing that are much higher than they need be in a competitive market.

With cooperation all round, one can hope that de-stabilization of the market and housing system can be avoided without resorting to stricter rent regulation of initial rents than suggested in the white paper. Freedom to raise initial rents can act as a good safeguard of the market, in the sense of encouraging continued and growing supply from private landlords. However, if this freedom is taken too far, people will be evicted people will risk having no decent housing to live in. A contained and temperate response by landlords to this freedom is the only way to assure moves in the market that do not seriously endanger stability. Se-

rious lack of availability and stability would inevitably necessitate interventions by government that nobody wishes to see happen, and that can be avoided through dialogue, prudence, self-regulation as well as state incentives (e.g. tax deductions).

Self-regulation and cooperation need to build on transparency and wise and fair policy. The duty of gathering and transparently disseminating information about the comfort or hardship of housing users and the health of the housing system, as well as exercise regulation, standards enforcement and provide tribunals, should be entrusted to an institution that is independent of Government, like the Central Bank is, and placed under the authority of the Ombudsman. Its directors should meet the approval not just of the political parties, but, equally importantly, of the representatives of both housing users and providers, to ensure widespread confidence. Affordability gives families no security if this is assured only for a handful of years. Being tied to renting contracts of 4 or 5 years at a time is like carrying around a ticking time-bomb that deprives families of the mental peace they need. The German model of leases that are normally indefinite, and which can be cut short in specified conditions under decisions by an independent tribunal, does better justice to what families need.

It is noticed that in the discussion around the White Paper, an attempt is made to distinguish between affordable housing and social housing, the latter presumably involving deeper Government support. It is worth noticing that if no immediate provisions are taken we risk having less citizens engaging in home ownership except through social housing. We believe that the end of widespread home ownership would be a step backwards. Besides, employing for-profit organizations in the construction and maintenance of affordable and social housing is a good thing. However, the allocation of such housing should never be in the hands of for-profit organizations. These should be run on a completely non-profit basis by organizations and individuals with a proven track record of altruistic motivation.

Regulators must ensure that there is level playing field among the bidders. Full transparency, for the sake of the need for a cooperative atmosphere, must be assured against the dangerous and misplaced claims of commercial sensitivity. We recommend that the research done for the white paper should be published. Govern-

“

The problem is not only on the supply side, but also on the demand side. It is therefore good to offer subsidies in the right places

”

ment should also guarantee for the independent regulator enough competence and resources. The State should endow the regulator with enough powers of oversight and intervention in order to make certain that its operation is free of avoidable mistakes and weaknesses, so that it can be the vital, effective and trusted force for good that users and providers need.

The problem is not only on the supply side but also on the demand. It is therefore good to offer subsidies in the right places. Crucially, housing policy will be useless if formulated and implemented in isolation. Its pursuit of the common good and social wellbeing cannot be allowed to be thwarted by policies of unlimited and unguided population and employment expansion, investment promotion and land-selling, that go beyond what local realities and needs can take. An exploding economy can go too far and too fast if it goes beyond what can be absorbed without harm by the prevailing levels of salaries or housing availability, the existent infrastructure and environment, and our fundamental inclusion and wealth-sharing goals.

This article was the result of consultation with a number of academics within the Faculty for Social Wellbeing.

Ghandi xi Nghid

Dr Andrew Azzopardi
Dean Faculty for
Social Wellbeing,
University of Malta &
Broadcaster – Ghandi xi Nghid
www.andrewazzopardi.org