

A Note on the Construction and Real Estate Development in Gozo

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Background

Gozo has experienced considerable change in the last decade. Prior to the pandemic, economic activity in Gozo was at rates that outstripped any recorded ones. This has created opportunities both for business and individuals with employment being consistently created on the Island. The increase in opportunities, changes in the macroeconomic environment and measures undertaken by the Government have ignited various economic sectors, among them real estate and construction. Indeed, apart from the tourism, these two sectors seem to have become the main drivers of economic expansion in Gozo contributing towards 9.7 per cent and 11.84 per cent respectively to the Gozo regional gross value added in 2019 compared with 4.03 per cent and 6.08 per cent of mainland Malta over the same period.

This marked economic activity in these sectors however has been juxtaposed with other negative repercussions, mainly the visual impact of certain developments in certain areas. This partly explains why the issue of construction and development is presently among, if not the most prominent, item under discussion in Gozo. The Gozitan society, in general, has become more sensitive about these activities and their impact on Gozo's characteristics. There seems to be increased realization that 'excessive' and 'out of place' development will impair Gozo potential for sustainable development and will compromise future generations' opportunities.

A Marked Increase in the Supply of Residential Units

The rise in building permits, particularly permits related to apartments, has been notable. Data from the Planning Authority shows that the number of approved apartment permits increased from 50 in 2015 to 266 by end of 2020. The data also shows an increase in the share of number of apartments per every approved permit. This raises yet another question concerning the quality of development currently taking place.

Apart from the visible impact on the environment, there are economic repercussions in terms of attractiveness for visitors. A further dimension that merit attention concerns the emergence of social issues. Indeed, the increased supply, lower quality of units coupled with non-existing demand for short lets – due to the pandemic – have pushed units for long lets at a much lower rates when compared to those currently available in mainland Malta (though this is a trend which is also visible prior to the pandemic). This is attracting people experiencing social challenges to Gozo, impacting in turn Gozo's social cohesion and the available resources currently in place to deal with the emerging social issues.

Concerns

There is widespread acceptance that the real estate and construction sectors have an important role to play in the socio-economic development of Gozo. These two sectors, if managed properly, can continue to contribute and add value. What must be avoided is development which is 'excessive' and 'out of place' which in turn impairs Gozo long term development. The main areas of concerns can be summarized as follows:

- The height, density and quality of development
- The impact on the 'green belt' between villages, on the coastal and rural areas
- The impact on waste management
- The impact on social cohesion
- The impact on future development
- And the limited productive capacity of residential units

General Measures

Possible policy-oriented action should centre around the conservation and enhancement of the unique natural and man-made environmental assets. These might include:

- A change in planning policy by respective competent authorities, which may include making Gozo a Priority Design Area and a policy for back façade of cliff edge blocks.
- Change in current fiscal incentives including the across-the-board lower stamp duty on Gozo property to be targeted in such a way as to incentivise certain type of development.
- The introduction of schemes to encourage development projects that follow predefined guidelines in building designs.
- The introduction of schemes to help create value linked to certain features considered attractive and of long-term value to Gozo.
- The launch of an awareness campaign on the beneficial value of proper sustainable development.
- Additional measures aimed at conserving the green belt, coastal and rural areas as well as other historical buildings.

Contributions by the GRDA

The GRDA is a partner with other national competent authorities in policy formulation. Its role is to ensure a medium-to-long term sustainable plan centered around Gozo's environmental, social and economic needs. The GRDA will be responsible for the implementation of Regional Impact Assessment Studies (RIAS) for proposed intervention (to be interpreted as being changes in policy, strategy or regulations) in Gozo. Additionally, the proposed RIAS framework will give the opportunity to Gozitan of not only being informed but also allow for greater sharing of knowledge and expertise from the people who will be impacted most by the proposal¹.

Over the coming months, the GRDA will publish the Regional Development Consultation Strategy Document. This Document will provide further details on measures aimed towards spatial planning and sustainable urban development, sustainable tourism and rural development. The GRDA will also be publishing a detailed technical study on both the increased activity in construction (supply side) and the factors underpinning the marked increase in demand for residential units experienced in the last few year. This will aid in formulating policies that are evidence based and sustainable.

Footnote:

¹ A consultation document entitled 'Regional Impact Assessment System: A Non-Technical Guide' was published by the GRDA on the 23rd April 2021 and is available for download on its website.