

Policy Note 8

Providing Inclusive, Affordable, and Adequate Housing



Maldives
Partnership
Forum 2019

Investing in a Resilient & Sustainable Maldives

Housing and sustainable urban development is a key Government priority. The promise to deliver adequate and affordable housing to all follows from the recognition of overwhelming concern on the need for improved access to housing. Housing as a basic human right for all Maldivians is stipulated in the Constitution. Specifically, the Government aims to reduce inequality in access to affordable housing and improve the quality of housing.

Historically, housing has by and large been governed by traditional practices of land allocation and individual construction. Prior to 2005, there was no written or formally acknowledged policy with regard to housing in the Maldives. Successive Governments in 2008, 2012 and 2013, made housing related interventions driven by the demand for housing sector related pledges.

The existing housing policy and implementation mechanism is highly fragmented and unclear in terms of the roles and responsibilities of the various stakeholders involved. The current Government recognises the flaws in the current system and understands the need for a cohesive coordination mechanism to enable all relevant stakeholder institutions to work together. The Government will be intervening on grounds of equity, and social justice, as well as economic efficiency and environmental sustainability.

The total resident population of the Maldives, including the expatriate population, is estimated to be around 530,000 in 2019. By 2028 the population is expected to increase to almost 650,000 with a need for 30,000 more homes assuming an average of four per household. The national housing deficit is estimated to be 20,000.

This paper looks at the issues faced by the country with respect to housing and resulting policy interventions to address the gaps in the housing market.

Issues/Challenges

Congestion and Overcrowding:

Almost one-third of resident Maldivians live in the capital city of Male', along with a large expatriate population. Therefore, the housing crisis is most acute in the capital. Male' is the 5th most congested city in the world where more than 155,000 residents live on a 2 km² island. Inward migration, mainly for economic opportunities, access to quality education and healthcare, has led to several issues associated with overcrowding, further aggravating the island's social vulnerabilities. The reclaimed island Hulhumale', developed in the lagoon of Hulhule', was designed with a mission to relieve urban congestion in the capital region of Maldives. The Housing Development Corporation (HDC) was set up to oversee the implementation of the project which started in the mid-1990s. Although the project was seen as a means to alleviate housing stress in Male', the result has been overcrowding of the Greater Male' Region.

Concerns Regarding Affordability and Quality:

Amongst Male's 28,327 households, 17,425 (61.5%) consists of rented accommodation, where households in Male', spend on average 53.3%

of their income on rent alone. This is 2.5 times higher than in other atolls. The average Maldivian earns around MVR 10,000 per month, rendering them unable to cover a 20% housing down payment, the equated monthly instalments, or save for the equity component of the home loan. This is aggravated in single-income households. Most housing loans today are not taken by first time homebuyers but by people who build additional floors in Male' to rent out and service the Equated Monthly Instalments (EMI) from future rental incomes. Down payments and EMIs can be brought down with appropriate policy tools. Concerns regarding the quality of the construction and the need to spend additional money on repairs are also important to address. More stringent enforcement of the existing building codes, as well as new building codes are necessary to ensure safe and quality housing.

Lack of Housing Finance Instruments:

Housing market affordability issues are compounded by the shortage of different housing finance options as well as high interest rates. The Housing Development Finance Corporation Ltd (HDFC) accounts for only 2.1% of the total financial assets. Shariah-compliant affordable housing finance is offered through the HDFC Amna - the Islamic finance window of HDFC, and the Maldives Islamic Bank offers sharia-compliant products in the market. Despite these options, Maldivians face obstacles in accessing housing finance, due to the high interest rates as well as the criteria used to assess potential loan applicants. For people in lower income groups, the access to existing housing finance markets is limited, both in terms of access to construction loans and finance for purchasing housing units.

Weaknesses in the Institutional Framework:

There are weakness in the institutional framework governing the real estate industry - this includes housing development, finance as well as the leasing market. Absence of a regulatory framework has resulted in lessees facing ad hoc price hikes in rent as well as a lack of guarantee of the lease period. National standards on housing also need to be established, as very often, even government housing projects are undertaken based on specifications that are random and varied. Due to this, none of the housing projects undertaken earlier reflect the actual housing needs of the people. In order to address housing needs, the Government needs to undertake a comprehensive review of the existing housing stock, the standard and specifications of existing social housing units and the alignment of these with the current housing demand to determine levels (quality and pricing) and types of housing requirements of the population.

Weak Legal Framework:

Existing laws and regulations do not address management of condominium properties, and issues related to primary as well as secondary sales of such properties. Current laws and regulations are seen to be hindering the growth of the real estate sector. There is a need to introduce a comprehensive Condominium/Strata Titling Act to properly regulate and administer the growing real estate sector in the Maldives. The current legal framework for condominium registration and titling is very outdated and is based on a bylaw developed through the Land Act of 2002 and does not address issues such as maintenance and upkeep of completed condominium

properties, as well as the rights of the buyers of such properties including the regulatory mechanisms for condominium properties.

Policy Initiatives

Provide Affordable Social Housing:

Nearly a third of the population currently resides in Male' and if internal migration continues at the current level, Male' will consist of more than half the resident Maldivian population by 2054. The positive migration to Male' coupled with existing congestion and poor living conditions call for an urgent solution to the lack of affordable housing.

Key initiatives under the policy include ensuring adequate supply of social housing for both the capital region and the atolls, and supporting this supply of housing with mechanisms for housing finance to ensure that housing remains affordable. The Government plans to develop 20,000 housing units across the country over its 5-year term.

Fahi Dhiriulhun Corporation (FDC), a state owned company has been set up this year with the main aim of providing social housing across the country and is mandated with the responsibility of developing and managing all housing projects carried out by the Government.

Address Housing Needs of the Most Vulnerable:

In addition to the provision of social housing for low-income and first-time homeowners, the Government aims to identify and provide highly subsidized social housing for financially disadvantaged groups, persons with disabilities and those who require social protection.

Facilitate Affordable Housing Finance Mechanisms:

Lack of affordable finance instruments is a key challenge in the Maldives, especially for the middle class. In this respect, introducing affordable housing finance mechanisms is a key government priority in tackling the issue of affordable housing.

Key initiatives under this goal include, introducing attractive saving instruments for financing of housing needs, raising awareness on the importance of saving as a tool for house ownership and establishing mechanisms for landowners in Male' to develop housing.

Targeted mainly at the low-mid income category, the Government will introduce an affordable housing loan scheme with a maximum annual interest of 6% with monthly repayment capped at MVR 5000. Furthermore, the Government plans to formulate and implement a first-time homeowner's scheme, which will include special procedures and soft loans in order to enable easy access to the housing market.

Foster and Develop the Housing and Real Estate Market:

The Government aims to create an effective institutional framework to address existing gaps in the housing market.

Key initiatives include the formulation of a Tenancy Act to protect the rights of the lessee and lessor together with the establishment of the Tenancy Authority. A Strata Titling Act will also be introduced to facilitate private sector participation in the real estate industry as well as to efficiently govern existing housing projects and those in the pipeline.