

OVERVIEW OF THE PROPERTY INDUSTRY IN MALAWI

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ABSTRACT

This paper provides an overview of the property industry in Malawi. Data is given on the major components of the property industry, including property development, property management, property valuation, property finance, property investment and land tenure.

It was noted that problems faced by the industry include:

- a lack of reliable property demand and supply survey figures for property development planning purposes;
- expensive property finance which has made disadvantaged property developers fail to participate in the development process; and
- the escalation of prices for building materials;
- the relative scarcity of property professional consultants;
- delays connected with property conveyancing and other property related transactions.

It is recommended that the participants in the property industry should co-ordinate with other sectors of the economy to find solutions these problems. Government as a participant should intervene and initiate programmes to make property finance readily available and affordable to the majority of investors. Government through the Ministry of Lands and Valuation should also find solutions of minimising delays connected with property conveyancing and other property related transactions.

It is further recommended that government should address the problem of shortage of serviced land (plots) particularly in the urban areas. Until now government (Central and Local) has been the main supplier of serviced land in Malawi. It would be advisable for government to consider the involvement of the private sector as a partner in the development of land to make serviced land readily available and affordable to property investors.

The study also recommends that the property industry should liaise with government on ways of training more qualified property practitioners.

1. INTRODUCTION

Malawi is a developing land-locked country in the central part of the African. It has Savannah type of climate with its cool season occurring between the months of April and August, and warm season between the months of September and March during the year. In Malawi the population in 1998 was 9,838,486 with 1,387,840 people residing in the urban areas (Population and Housing Census Preliminary Results, 1998). Administratively its capital city is Lilongwe while the largest commercial city is Blantyre. Economically, agriculture is its main source of income, and the economy registered a real Gross Domestic Product growth of 3.1 per cent in 1998 (Mid-Year Economic Review, 1998-1999:6).

The property industry had contributed a lot to the nation both economically and socially in terms of property space provision for various functions, financial security, and creation of employment. As a share of the Malawian economy the construction sector contributed 2 percent to the total real Gross Domestic Product in 1998 (Mid-Year Economic Review, 1998-1999:7).

No comprehensive overview of the property industry in Malawi exists. The lack of such an overview makes it difficult for investors, developers and other participants in the property industry to determine the feasibility of their activities and evaluate their respective roles.

The purpose of the study is to provide an overview of the property industry in Malawi, by determining who the major participants in the property industry in Malawi are and what the nature and extent of their involvement in the property industry in Malawi are.

In order to answer these questions, the following aspects were addressed:

- How many registered building contractors are active in Malawi?
- How many professional consultants (architects, engineers, and surveyors) are registered in Malawi?
- What are the major residential, commercial, industrial, recreational and agricultural nodes in Malawi?
- Who are the major property developers in Malawi?
- What are the major methods of property development in Malawi?
- What are building costs and the typical prices of essential building materials and labour in Malawi?
- How is the property management function undertaken?
- What is the role of property valuers in Malawi?
- What are the rental levels for the various types of properties in Malawi?
- Which institutions are involved with the financing of property in Malawi?
- Who are the major property investors in Malawi?
- What are the legal forms of ownership of land in Malawi?

The major limitation of the present study is that it attempts to provide an overview of the property industry in Malawi, and therefore necessarily presents a macro-view only. In addition, the survey was carried out in 1998/1999 and data is correct for that period only.

The findings and recommendations will be of great assistance to players in the property industry in Malawi and elsewhere for example, educationalists, students, researchers, property developers, property investors, financiers, professional consultants and government with respect to their various roles and interests in the industry.

2. METHODOLOGY

In addition to a questionnaire, searches at appropriate offices and personal observation and interviews were used.

The sample for the research was based on purposive selection of organisations and persons that are involved in real estate work in the three major cities of the country, namely: Blantyre in the Southern Region, Lilongwe in the Central Region and Mzuzu in the Northern Region. The three cities are also major urban property markets for the country. Therefore, data for the study collected from these cities represents a true indication of what is happening in the property industry in Malawi.

Organisations that were contacted to provide data for the study are:

Organisations based in Blantyre City

1. Ministry of Lands and Valuation, Housing, Physical Planning and Surveys (Regional Offices, Southern Region).
2. Knight Frank (Malawi).
3. City of Blantyre.

Organisations based in Lilongwe City

1. Ministry of Lands and Valuation, Housing, Physical Planning and Surveys (Headquarters and Central Region Offices).
2. Ministry of Works (Headquarters).
3. Ministry of Tourism (Headquarters).
4. Ministry of Labour (Headquarters).
5. Chimangafisi and Partners (Chartered Quantity Surveyors).
6. City of Lilongwe.
7. New Building Society.
8. Reserve Bank of Malawi.
9. Malawi Property Investment Company.
10. National Construction Industry Council.
11. National Economic Council.
12. Ministry of Agriculture and Irrigation (Headquarters).
13. Ministry of Forestry (Headquarters).
14. Lilongwe Golf Club.
15. Surveyors Institute of Malawi.

Organisations based in Mzuzu City

15. Ministry of Lands and Valuation, Housing, Physical Planning and Surveys (Regional Offices, Northern Region).
16. City of Mzuzu.

Organisations based elsewhere

National Statistical Office - based in Zomba Town (Old Capital City of Malawi).

3. DATA ANALYSIS

3.12 The construction industry

Tables 1 to 4 show building costs, building material prices, road construction costs, and labour costs in Malawi, respectively, while Table 5 indicates the number of registered building contractors in Malawi. (**Note:** 1.MK stands for Malawi Kwacha, name of Malawi Currency. 2. Exchange rates for 1997 and 1998 for SAR 1 to Malawi Kwacha are: 3.6173 and 5.7333, respectively).

Table 1: Building Costs in Malawi

Type of building	Average building costs (MK per m ²)	
	1997	1998
(a) Residential		
(i) High Density Traditional Housing	1,750.00	2,900.00
(ii) High Density Permanent Housing	3,500.00	6,700.00
(iii) Medium Density Permanent Housing	5,000.00	7,000.00
(iv) Low Density Permanent Housing	7,500.00	9,000.00
(b) Commercial		
(i) Office	7,337.00	22,210.00
(ii) Shop/Retail	8,633.00	25,899.00
© Industrial		
Warehouses	6,190.00	6,600.00

Source: Ministry of Works; Reserve Bank of Malawi; and Chimangafisi and Partners (Chartered Quantity Surveyors).(Data from questionnaire)

Table 2: Prices of Essential Building Materials in Malawi

Building material	Average price (MK)	
	1997	1998
1. Cement	MK250 per 50kg bag	MK350 per 50kg bag
2. Iron sheets	MK 72 per metre	MK110 per metre
3. Bricks	MK280 per 1,000 bricks	MK350 per 1,000 bricks
4. Quarry stone	MK720 per cubic metre	MK1,200 per cubic metre
5. Sand	MK280 per cubic metre	MK400 per cubic metre
6. Sanitary fittings:		
(a) Toilet set	MK864 per set	MK1,386 per set
(b) Bath tubs	MK4,500 per unit	MK7,425 per unit

Source: Ministry of Works, and Reserve Bank of Malawi. (Data from questionnaire)

Table 3: Road Construction Costs in Malawi

Type of road	Average costs (US\$ or MK per Km)			
	1995	1996	1997	1998
(a) Bitumen				
(i) Main	\$225,000	\$248,000	\$274,000	\$300,000
(ii) Secondary	\$225,000	\$248,000	\$274,000	\$300,000
(b) Earth and Gravel				
(i) Main	MK10,000	MK13,000	MK18,000	MK28,000
(ii) Secondary	MK 8,000	MK11,000	MK16,000	MK26,000
(iii) Tertiary	MK 8,000	MK11,000	MK16,000	MK26,000

Note: 1. Cost of bitumen roads is quoted in US\$.

1. Exchange rates for 1995, 1996, 1997 and 1998 for US\$1 to MK are: 15.2839, 15.2771

16.7163 and 32.1081, respectively.

3. Exchange rates for 1995, 1996, 1997 and 1998 for SAR 1 to MK are: 4.2190, 3.5828, 3.6173 and 5.7333, respectively.

Source: Ministry of Works, and Reserve Bank of Malawi. (Data from questionnaire)

Table 4: Labour Costs in Malawi, 1997/98

Type of labour	Average minimum wages (MK/day or hour) 1997/98
(a) Unskilled	
(i) Cleaner	MK26.75 per day
(ii) Messenger	MK28.00 per day
(b) Skilled (e.g., builders, electricians, carpenters)	
(i) Ungraded	MK3.43 per hour
(ii) Grade III	MK4.70 per hour
(iii) Grade II	MK5.64 per hour
(iv) Grade I	MK8.72 per hour
© Machinery operators	
(v) Ungraded	MK3.50 per hour
(vi) Grade III	MK4.38 per hour
(vii) Grade II	MK5.39 per hour
(viii) Grade I	MK5.48 per hour

Note: Average minimum wages are at job entry point, and are government rates.

Source: Ministry of Labour, and Reserve Bank of Malawi.
(Data from questionnaire)

Table 5: Registered Building Contractors in Malawi, 1998

Type	Category	Number
Building	Unlimited	25
	MK30.0 Million Limit	50
	MK10.0 Million Limit	55
	MK5.0 Million Limit	103
	MK1.0 Million Limit	118
Civil Engineering	Unlimited	10
	MK15.0 Million Limit	19
	MK5.0 Million Limit	67
	MK2.5 Million Limit	43
Electrical	Unlimited	3
	MK5.0 Million Limit	5
	MK1.5 Million Limit	17
	MK250,000.00 Limit	14
Total		529

Source: National Construction Industry Council (NCIC), & Reserve Bank of Malawi.

(Data from questionnaire).

3.2 Types of property developments

Property developments in Malawi can be categorised as follows:-

- (a) Residential property developments,
- (b) Commercial property developments,
- (c) Industrial property developments,
- (d) Rural (agricultural) property developments, and
- (e) Special property developments.

3.2.1 Residential property development

Residential property developments are used for housing or dwelling purposes. They are occupied by the owners or let to tenants for rental income.

Housing types in Malawi can be classified as follows:

- Single dwelling houses:

Comprise a suite of rooms, which may include a bathroom and kitchen and are meant for single family dwelling and may also have a garage or carport and outbuildings.

- Semi-detached dwelling houses:

Consist of two or more attached single dwelling units with access to the ground and having own entrance to each unit.

- Flats:

Comprise of rooms making a complete dwelling unit designed for use as a dwelling by a single head of a family, with his family, if any, and which is part of a building consisting of two or more dwelling units with a common entrance.

Table 6: Registered Consulting Architects, Engineers and Quantity Surveyors in Malawi, 1998

Consultant	Number
Architects	8
Engineers	24
Quantity Surveyors	7
Total	39

Source: National Construction Industry Council (NCIC) (Data from questionnaire).

Malawi is administratively divided into 25 local authorities or districts. All of these fall under the Ministry of Local Government (Table 7).

Table 7: Local Authorities in Malawi, 1998

Local authority	Location
1. Chitipa	Northern Region
2. Karonga	Northern Region
3. Rumphi	Northern Region
4. Mzimba	Northern Region
5. Nkhatabay	Northern Region
6. Kasungu	Central Region
7. Nkhotakota	Central Region
8. Ntchisi	Central Region
9. Mchinji	Central Region
10. Dowa	Central Region
11. Lilongwe	Central Region
12. Salima	Central Region
13. Dedza	Central Region
14. Ntcheu	Southern Region
15. Mangochi	Southern Region
16. Machinga	Southern Region
17. Zomba	Southern Region
18. Mwanza	Southern Region
19. Blantyre	Southern Region
20. Chikwawa	Southern Region
21. Mulanje	Southern Region
22. Thyolo	Southern Region
23. Nsanje	Southern Region
24. Chiradzulu	Southern Region
25. Phalombe	

Source: Ministry of Local Government (Data from questionnaire)

3.2.2 Commercial property development

Office blocks may be single or multi-storey buildings depending on their architectural design. Most of them are located in large urban centres like Lilongwe, Blantyre and Mzuzu Cities. Examples of large office buildings are Chayamba Building in Blantyre City and Gemini House in Lilongwe City.

Shops are used for retail purposes. Depending on size they range from small shops selling basic groceries to relatively large shopping centres accommodating a number of retailers selling several commodities. Table 8 lists the larger shopping centres in Malawi.

3.2.3 Industrial property development

Table 9 lists the main developed industrial areas in the major urban areas in Malawi.

Examples of factory properties are Limbe Leaf Tobacco and Stancom Tobacco Companies in Kanengo Heavy Industrial Area in Lilongwe. Examples of large warehouse properties are owned by Manica (Malawi) Limited and are located in Blantyre and Lilongwe cities.

Table 8: Large Shopping Centres in Malawi, 1998

Shopping centre	Location	Lettable space (m²)
Nico Centre II	Lilongwe City (Old Town)	4,381
Nico Centre I	Lilongwe City (City Centre)	3,427
Kandodo Superstore	Lilongwe City (Old Town)	1,079
Blantyre PTC Main Store	Blantyre City (Victoria Avenue)	800
Kandodo Superstore	Blantyre City (Victoria Avenue)	2,882
Mzuzu PTC Main Store	Mzuzu City	250

Source: **Ministry of Lands and Valuation, and Malawi Property Investment Company (MPICO).** (Data from questionnaire).

Table 9: Main Developed Industrial Areas in Major Urban Areas in Malawi, 1998

Light Industrial	Medium industrial	Heavy industrial	Mixed industrial
A. <u>Blantyre City</u> • Maselema • Mapanga	• Ginnery Corner • Maone Park	• Chirimba • Makata	• Kanjedza • Limbe
B. <u>Lilongwe City</u> • Biwi Triangle • Area 8 • Area 37	• Area 4 • Area 28	• Area 29	-
C. <u>Mzuzu City</u> • Old Town Centre	• New Katoto	• Luwina	-

Source: Ministry of Lands and Valuation, City of Lilongwe, and City of Mzuzu. (Data from questionnaire).

3.2.4 Rural (agricultural) property development

Rural property developments include farms and forestry plantations.

Farms may specialise in crop or animal production, or may mix the two main uses. A farm would have farm buildings and farm infrastructure. Farm buildings are used as offices, storage, labour accommodation and processing facilities. Table 10 lists some of the larger farms in Malawi.

Table 10: Agricultural Farms with more than 100 Hectares of Land in Malawi, 1998

Name of owner	Name of farm	Name of crop	Location
1. Namadidi Farms Ltd	Namadidi	Tobacco & maize	Zomba, Southern Region
2. Tinyale Estate Ltd	Tinyade	Tobacco & maize	Phalombe, Southern Region
3. Katsonga Phiri	AGMA	Tobacco & maize	Blantyre, Southern Region
4. Illovo Sugar Group	Nchalo Sugar Estate	Sugarcane	Nchalo, Chikwawa, Southern Region
5. Naming'omba Tea Estates Ltd	Naming'omba	Tea and Coffee	Mulanje, Southern Region
6. Press Agriculture Ltd	Kakoma I	Tobacco	Lilongwe, Central Region
7. Chamwabvi Group	Khasu, Mudi and Kasonjola Estates	Tobacco	Kasungu, Central Region
8. Bemvu Farm Ltd	Bemvu	Tobacco	Lilongwe, Central Region
9. Illovo Sugar Group	Dwangwa Sugar Estate	Sugarcane	Nkhotakota, Central Region
10. Bongololo Estate	Bongololo	Tobacco	Rumphi, Northern Region
11. Dangamala Farms Ltd	Dangamala	Tobacco	Rumphi, Northern Region
12. Vizara Rubber & Tea Estates	Vizara	Rubber and Tea	Nkhatabay, Northern Region

Source: **Ministry of Agriculture and Irrigation (Data from questionnaire)**

Forestry plantations comprise of land and trees growing on it. Forests may be indigenous or artificial in nature. Indigenous forests are made of natural tree species while artificial forests are man-made. Figure 6 shows names and locations of important industrial forestry plantations in Malawi.

3.2.5 Special property developments

Special property developments include petrol stations, cinemas, recreational facilities, hotels and restaurants.

Petrol stations sell petrol, diesel, paraffin and lubricants. Other services for example shops, car repairing and washing may be available on some stations. Examples of petrol stations are those owned by oil companies like OILCOM, MOBIL, CALTEX and TOTAL.

Recreational properties offer services like sports, catering and bar services. Table 11 shows important recreational properties in Malawi.

Well recognised hotels are owned jointly by Malawi Development Corporation and Malawi Protea Hotels through a company called Tourism Development and Investment Company (TDIC). Table 12 shows a list of important hotels in Malawi.

Table 11: Important Recreational Properties in Malawi, 1998

Name of property	Location
1. Blantyre Sports Club	Blantyre City, Southern Region
2. Country Club	Blantyre City, Southern Region
3. Mulanje Sports Club	Mulanje District, Southern Region
4. Gymkhana Club	Zomba District, Southern Region
5. SUCOMA Club	Nchalo, Chikwawa District, Southern Region
6. Thyolo Sports Club	Thyolo District, Southern Region
7. MBSLS Club	Monkey Bay, Southern Region
8. Lilongwe Golf Club	Lilongwe City, Central Region
9. CIVO Sports Club	Lilongwe City, Central Region
10. Silver Sports Club	Dwangwa, Nkhotakota District, Central Region
11. Kasasa Club	Mzuzu City, Northern Region
12. Mzuzu Club	

Source: Lilongwe Golf Club (Data from questionnaire)

Table 12: Important Hotels in Malawi, 1998

Hotel	Class	Owner	Location
1. Mount Soche Hotel	3 Star	TDIC	Blantyre City, Southern Region
2. Nkopola Lodge	2 Star	TDIC	Lake Malawi Shore, Mangochi District, Southern Region
3. Ku Chawe Inn	2 Star	TDIC	Zomba Plateau, Zomba District, Southern Region
4. Ryalls Hotel	2 Star	Blantyre Hotels Ltd	Blantyre City, Southern Region
5. Shire Highlands Hotel	2 Star	Blantyre Hotels Ltd	Blantyre City, Southern Region
6. Club Makokola	2 Star	Mr Bizzaro	Lake Malawi Shore, Mangochi District, Southern Region
7. Lilongwe Hotel	2 Star	TDIC	Lilongwe City, Central Region
8. Capital Hotel	2 Star	TDIC	Lilongwe City, Central Region
9. Livingstonia Beach	2 Star	TDIC	Lake Malawi Shore, Salima District, Central Region
10. Mzuzu Hotel	2 Star	TDIC	Mzuzu City, Northern Region

Note: TDIC = Tourism Development and Investment Company

Source: Ministry of Tourism (Data from questionnaire)

3.3 Property demand and supply

Data for demand and supply for specific property types are not readily available in Malawi. Figures supplied by government and local authorities are usually outdated and unreliable. This problem has made planning and decision making on the part of the property developers difficult. To overcome this problem some property developers carry out their own feasibility studies for the proposed development schemes.

Table 13 lists some property developers in Malawi that have undertaken feasibility studies for their proposed developments.

Despite the problem indicated above, the study generally observed that Malawi has shortage of properties due to the growing population and socio-economic activities. Property space shortages were critical for residential and commercial properties in the urban areas.

Table 13: Property Developers that have undertaken Feasibility Studies for Proposed Property Developments in Malawi, 1998

Name of property developer	Type of property developer
1. New Building Society (NBS)	Private institution
2. Commercial Bank of Malawi (CBM)	Private institution
3. National Bank of Malawi (NBM)	Private institution
3 Malawi Property Investment Company (MPICO)	Private institution
5. National Insurance Company of Malawi (NICO)	Private institution
6. Malawi Housing Corporation (MHC)	Private institution
7. LONRHO Properties (Malawi) Ltd (LPL)	Private institution
8. Press (Properties) Ltd (PPL)	Private institution
9. Reserve Bank of Malawi (RBM)	Public financial institution
10. Oil Companies (MOBIL, OILCOM, TOTAL, CALTEX) (OC)	Private institution
11. Airport Development Limited (ADL)	Private institution
12. Central and Local Governments	Public institutions

Source: NBS, CBM, NBM, MPICO, NICO, MHC, LPL, PPL, RBM, OC, ADL, and Central and Local Governments (Data from questionnaire)

3.4 Planning and the property development process

Based on the information given by the Department of Physical Planning, the country was divided into planned and unplanned areas. Any property developer in an area declared as a planned area must follow the Town and Country Planning Act (Cap.23:01) procedures in as far as the proposed development is concerned. A requirement of the Act is that any property developer must obtain planning permission before he can start construction of the project. Table 14 shows a list of planned areas and their locations in Malawi, respectively.

Table 14: Planned Areas in Malawi, 1998

<u>Southern Region</u>	<u>Central Region</u>
1. Blantyre City	7. Lilongwe City
2. Luchenza Town	8. Dedza Town
3. Zomba Town	9. Ntcheu District Centre
4. Balaka Town	10. Salima Town
5. Liwonde Town	11. Kasungu Town
6. Mangochi Town	12. Nkhotakota District Centre
	<u>Northern Region</u>
	13. Mzimba District Centre
	14. Mzuzu City
	15. Karonga Town

Source: Department of Physical Planning (Data from questionnaire)

Discussions were also held with officials at the Department of Physical Planning regarding the property development process in the planned areas. The property developer follows the following process: Firstly plans are prepared for the proposed project in accordance with the planning requirements of the applicable local authority. When plans are ready they are submitted by the developer or his project consultant to the planning authority together with a scrutiny fee for the plans. At this stage plans are assessed by the planning committee of the authority. When plans are prepared to the satisfaction of the authority the developer is given an approval to start construction. However, if plans are not in order or missing some information they are returned to the developer together with a list of problems to be corrected or indicating information to be added. After attending to the problems the developer resubmits plans to the authority for approval.

When the developer obtains planning permission he can now start construction. Building inspectors from the planning authority inspect the construction process to make sure that the developer complies with specifications and requirements. On completion of construction the planning authority issues a certificate of completion and occupation for the building, as a proof that the building has been constructed according to planning authority requirements and specifications. In certain cases the planning authorities have recommended that a developer demolish or restart project all over again if he did not comply with regulations.

3.5 Methods of property development

Table 15 shows the methods of property development in Malawi.

Table 15: Methods of Property Development in Malawi, 1998

Method of property development	Type of property developer	Nature of property
Contract method	Central and Local Governments, semi-government bodies, private institutions, private companies	Large-scale property developments, e.g., office buildings, shopping centres, factories, warehouses, schools, hospitals
Owner-builder method	Individual persons, small organisations	Small-scale property developments, e.g., residential houses, small shops, light industrial buildings
Self-help method	Communities	Community use properties, e.g., schools, churches, health clinics

Source: Ministry of Lands and Valuation, Housing, Physical Planning and Surveys; and Ministry of Works. (Data from questionnaire)

- (a) Contract method
- (b) Owner-builder method
- (c) Self-help method. This method may be used for the development of community use properties for example, schools, health clinics and churches. The community members contribute resources for property development like labour, building materials and finances, and may jointly construct the property.

3.6 Property management

3.6.1 Property management plan

A management plan is a logical deductive, and intensive analysis of all factors related to a property, such as its location, physical condition, financial status, and future prospects that is directed towards achieving the owner's goals (Downs, 1991:84). One indication of the professionalism of property managers is the extent to which they make use of a formal management plan. Table 16 shows a list of some of the professional property managers that are using a management plan.

Table 16: Professional Property Managers Using a Management Plan in Malawi, 1998

Name of manager	Type of manager
Malawi Property Investment Company (MPICO)	Private property investment and consultancy company
NICO Corporate Finance (NICORP)	Private property investment and consultancy company
Knight Frank (Malawi) [KF]	Private property consultancy company
New Building Society (NBS)	Financial institution
Airport Development Limited (ADL)	Private property investment company
Malawi Housing Corporation (MHC)	Parastatal body
Valuation and Estate Management Department (Ministry of Lands and Valuation)	Public (government) department

Source: **MPICO, NICORP, KF, NBS, ADL, MHC, and Ministry of Lands**

and Valuation. (Data from questionnaire)

3.6.2 Outsourcing of property management

Although the management of many properties are outsourced to property managers, most large property owners in Malawi manage their own property.

Table 17: Larger Property Owners in Malawi Managing their own Properties, 1998

Property owner	Type of owner
Malawi Property Investment Company (MPICO)	Private institution
National Insurance Company of Malawi (NICO)	Private institution
New Building Society (NBS)	Private institution
Commercial Bank of Malawi (CBM)	Private institution
Reserve Bank of Malawi (RBM)	Government financial institution
National Bank of Malawi (NBM)	Private institution
Airport Development Limited (ADL)	Private institution
Malawi Housing Corporation (MHC)	Parastatal body
Central and Local Government	Public institution

Source: Ministry of Lands and Valuation, Ministry of Works, MPICO, NICO, NBS, CBM, RBM, NBM, ADL, and MHC (Data from questionnaire)

3.7 Determination of rents

(a) Factors influencing rental levels

In Malawi rental levels for properties are influenced by some of the following factors (data from questionnaire):-

(i) Location of properties:

Properties located near relevant services in relation to their uses fetch high rentals. For example, residential properties located near public services like schools, shops, police or bus stops may fetch high rentals in relation to other similar properties because they are conveniently located.

(ii) Size of property:

Generally larger properties may fetch higher rentals than smaller properties because they have larger lettable space.

(iii) Architectural design:

Properties that are designed well and are attractive architecturally may fetch higher rentals than properties that are old architecturally and do not possess modern facilities. Examples are modern office blocks with air conditioning and lift services where tenants are prepared to pay relatively high rentals.

(iv) Quality of finish:

Properties that are finished well tend to fetch higher rentals than poorly finished properties.

(v) Maintenance condition of properties:

Properties that are maintained in good condition also fetch higher rentals than poorly maintained properties.

(vi) Neighbourhood:

Properties whose immediate surroundings are good are on demand. This may induce prospective tenants to pay relatively higher rentals than they would normally have paid for other areas.

(vii) Security:

Nowadays crime is a worrying issue particularly in urban areas. Due to high crime levels in city centres tenants have tended to look for rental space in the sub-urban areas. This phenomenon has reduced rental levels for some city centre properties.

(viii) Condition of streets:

Properties whose access roads are poorly maintained tend to fetch less rentals than properties in areas whose streets are good. Low rentals were noted on properties whose access roads have a lot of potholes unfilled.

Table 18 shows rent levels of some types of properties in the major urban centres in Malawi.

(b) Determining rentals

A number of methods are used to determine rentals for properties in Malawi (data from questionnaire). The common methods are as follows:-

(i) Comparing rentals charged on similar properties:

This is a very popular method used by managers and owners to determine rentals for properties. Market rentals paid on similar properties are used as a basis or evidence for determination of rentals for subject properties.

(ii) Rent as a proportion of profit:

This method is common on some special properties like petrol stations, hotels and restaurants where profit is determined by business sales. Rent is calculated as a percentage of profits made per month or annum often subject to a minimum rental.

Table 18: Rent Levels for some Types of Properties in the Major Urban Centres in Malawi

(a) Blantyre city

Type of property	Average rents (MK/m ² /month)		
	1996	1997	1998
(i) Residential			
• High Density Traditional Housing	25	34	40
• High Density Permanent Housing	32	37	47
• Medium Density Permanent Housing	38	45	52
• Low Density Permanent Housing	35	41	58
(ii) Commercial			
• Shops/Retail	115	150	213
• Offices	100	115	153
(iii) Industrial (Warehouses and Factories)	43	55	70

(a) Lilongwe city

Type of property	Average rents (MK/m ² /month)		
	1996	1997	1998
(i) Residential			
• High Density Traditional Housing	24.22	27.64	40.38
• High Density Permanent Housing	27.96	30.58	45.01
• Medium Density Permanent Housing	28.39	32.40	56.74
• Low Density Permanent Housing	29.65	31.26	58.25
(ii) Commercial			
• Shops/Retail	110	146	180
• Offices	100	110	150
(iii) Industrial (Warehouses and Factories)	38	45	65

(c Mzuzu city)

Type of property	Average rents (MK/m ² /month)	
	1997	1998
(i) Residential		
• High Density Traditional Housing	23.63	31.65
• High Density Permanent Housing	25.00	28.24
• Medium Density Permanent Housing	32.10	43.40
• Low Density Permanent Housing	29.76	51.19
(ii) Commercial		
• Shops/Retail	100	125
• Offices	100	125
(iii) Industrial (Warehouses and Factories)	30	35

Source: **Ministry of Lands and Valuation, Malawi Property**

Investment Company, New Building Society, Reserve Bank of Malawi and Knight Frank (Malawi). (Data from questionnaire).

3.8 Property valuation

3.8.1 History of property valuation

Valuation practice was introduced in Malawi by the British in 1965 when a valuation section was established under the Ministry of Economic Planning with only one valuation officer. In 1968 the section was transferred to the Ministry of Local Government to assist local authorities raise revenue through rates. In 1977 the valuation section was again transferred to be part of the Department of Lands which was under the Office of the President and Cabinet. In 1978 the valuation section was upgraded to be a division within the department. In 1983 staff members increased to 40 and consisted of professional valuers and technical (support) staff.

The major responsibilities of the valuation division from inception until 1980 were to conduct rating valuations, compulsory purchase valuations and other valuations for property tax purposes like stamp and estate duties. In 1981 the valuation division also started to do valuations for private individuals and organisations and this service was called National Property Advisory Service. Examples of valuations that were done are valuations for loan security requested by financial institutions. Due to some problems facing the valuation division for example, shortage of qualified staff and inadequate finances, it has been recommended that during this year rating valuation be privatised so much that private valuers will now participate in the preparation of valuation rolls for local authorities. [Data obtained from the office of the Deputy Commissioner for Lands (Valuation) at the Ministry of Lands and Valuation Headquarters].

3.8.2 Functions of the valuer

It was observed through the study that functions of the valuer in Malawi are similar to those of the valuers any where else in the world (data noted through personal observation). For instance, a valuer is often called to provide professional advice to any one with an interest in, or contemplating a transaction involving land and buildings. For example, a valuer may advise a property seller what

price he should ask for his property; a landlord on the rent he should fix for his house; a claimant on compensation for his compulsorily acquired property; a financial institution on security offered by the property for a loan.

3.8.3 Registration board and professional association for the valuer

In Malawi like in other countries there are registration board and professional association that regulate and govern behaviour of valuers (data searched from Surveyors Institute of Malawi). For registration purposes there exists the Land Economy Registration Board whose Registrar comes from the Ministry of Lands and Valuation. The board is empowered by the Land Economy Act, Chapter 53:08 Section 3 to handle registration of the valuers before they can start practising and discharging their duties to the general public. The current practice is that a valuer may be registered if he possesses a relevant qualification from a recognised institution, preferably a first degree in Land Economy/Real Estate or related course and have undergone at least two years postgraduate practical experience in a relevant professional office.

The professional association for valuers is called Surveyors Institute of Malawi. The Institute has four chapters: Land Surveying, Quantity Surveying, Town Planning and Land Economy. Valuers belong to the Land Economy Chapter. The association also organises social and professional functions to enable interaction of its members. For example, the association organises annually a function called “Continuous Professional Development.” A newsletter is also published quarterly covering stories and articles that would be of interest to the members professionally. Table 12 shows numbers of members that have been registered with the institute.

Table 19: Members of Surveyors Institute of Malawi, 1998

Chapter	Members registered, 1998
(a) Land Economy	16
(b) Quantity Surveying	26
(c) Land Surveying	24
(d) Town Planning	4
Total	70

Source: **Surveyors Institute of Malawi (Data from questionnaire)**

The board and professional association issues certificates to its registered members. In addition to registration, the board and the association are also responsible for issuing disciplinary measures to members who have misbehaved professionally. In extreme cases, members charged of misconduct may have their practising and membership certificates withdrawn for a certain period of time. During this period the members are not allowed to undertake any professional service to the general public.

It must also be pointed out that the valuation profession in Malawi was introduced by the British Colonial government. The current set-up of registration and professional association has developed using the British Royal Institution of Chartered Surveyors as a model.

3.8.4 Types of valuations

The study noted that types of valuations in Malawi are as follows (data searched from Ministry of Lands and Valuation, and through questionnaire):-

Statutory valuations

Statutory valuations are valuations which are governed by legislation whereby the valuer bases his calculations on conditions laid down by the law irrespective of what such conditions would obtain in

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real life situations in the property market. They are therefore based on various Acts of Parliament which lay down the formulae of arriving at the valuations (Syagga, 1994:85).

The main statutes in Malawi which are the subject of valuations include:-

- (a) Local Government (Urban Areas) Act (1966), Chapter 22:01 which governs the valuations for rating.
- (b) Land Acquisition Act (1966), Chapter 58:04 which governs the valuation for compulsory purchase.
- (c) Stamp Duty Act (1966), Chapter 43:01.
- (d) Estate Duty Act (1966), Chapter 43:02

The acts were introduced in Malawi by the British and are based on the English Law.

Valuations for rating

In Malawi local authorities are empowered under the Local Government (Urban Areas) Act, Chapter 22:01 to provide services to residents in the areas under their control. To be able to deliver the services revenue has to be raised from different sources, one of them is property rates.

Property rate in Malawi is a tax levied on property owned by an individual, company, or public authority depending on the value of the land (site) and improvements occupied. The process of assessing the value of land and improvements for taxation purposes is called rating. Rating was introduced in Malawi by the British during the colonial period.

Rating valuation in Malawi is governed under the Local Government (Urban Areas) Act, Chapter 22:01.

Section 117 of the Act defines assessable property as:-

“All land within a Local Government Area not being a Special Rating Area, together with all improvements of every description situated thereon shall be assessable property within the meaning of this Act, save the following:-

- (e) All streets;
- (f) Sewers and sewage disposal works;
- (g) Land and improvements used directly and exclusively as a cemetery, crematorium or burial ground;
- (h) Land and improvements used as a public open space.”

Preparation of valuation rolls of assessable property is governed by Section 118(1) of the Act and advises as follows:-

“Every Local Authority shall from time to time, and in any event not less than once in every five years or such longer period as the Minister may approve, cause to be made and entered into a valuation roll for the Local Government Area a valuation of all assessable property within such area.”

Powers to cause new valuation to be made and entered in a supplementary valuation roll from time to time, for a period of not less than once in every twelve months are given to the local authority under Section 119.

Section 120 of the Act indicates procedures to be taken by the local authority for the appointment of a valuer to prepare valuation rolls and supplementary valuation rolls. The section leaves it open for the local authority to appoint a valuer from the government or private sector. However, in the past local authorities were appointing government valuers maybe due to less fees charged by government. This year government has recommended that rating be privatised due to shortage of qualified staff and inadequate resources, like vehicles and finances.

The method of valuation to be used by the valuer is governed under Section 121 and it says as follows:-

“(a) Every valuation roll and supplementary valuation roll shall in respect of every assessable property included therein show separately:-

- (i) the total valuation of the assessable property;
- (ii) the value of the assessable land; and
- (iii) the value of the assessable improvements situated thereon.....

(b) The total valuation of assessable property made under this part shall represent the fair price or sum which such property would have likely to realise if it were in existence and sold at the time of valuation by a willing vendor to a willing purchaser upon the usual terms and conditions on the assumption that there were no leases or mortgages in existence in respect thereof.

(c) ©©The valuation of the land shall be made on the assumption that it was without improvements at the time of valuation. Provided that account shall be taken:-

- (i) of the nature of any improvement on neighbouring land;
- (ii) of any public services available to the land; and
- (iii) of any provision of or derived from any law relating to town planning as it affects the land or neighbouring land.....

(d) The value of improvements shall be the difference between the total value of the assessable property and the value of the land.”

Valuations for compulsory purchase

This deals with cases where the government or the state decides to take over a property without private negotiations. In Malawi the state has power to compulsorily acquire property for public use without consent of the owner, with a just compensation.

In Malawi there are a number of Acts empowering government or other public authorities to acquire land compulsorily in order to carry out schemes for the benefit of the community as a whole. Such legislation includes Land Acquisition Act, Chapter 58:04.

The Land Acquisition Act, Chapter 58:04 Section 3 gives power to the Minister of Lands and Valuation to acquire land and the section reads as follows:-

“Subject to the provision of this Act the Minister may whenever he is of the opinion that it is desirable or expedient in the interest of Malawi so to do, acquire any land either compulsorily or by agreement, paying such compensation therefore as may be agreed or determined under this Act.”

Statutory provisions

(e) Notice of intention to acquire

(Land Acquisition Act, Chapter 58:04 Section 5)

“(i) If the Minister resolves that it is desirable or expedient compulsorily to acquire any land under this Act, he shall serve notice upon the persons who are possessed of an interest in the land or upon such of those persons as are after reasonable enquiry known to him.

(ii) Every notice under this section shall with all reasonable dispatch be published in the Gazette.

(iii) Every notice under this section shall invite any person claiming to be entitled to any interest in the land to which the notice relates to submit particulars of his claim to the Minister within two months of the date of the publication of such notice in the Gazette.”

(b) Compensation

(Land Acquisition Act, Chapter 58:04 Section 9)

“(i) Subject to the provision of this Act, where any land is acquired by the Minister under this Act the Minister shall on behalf of the Government pay in respect thereof fair compensation agreed or determined in accordance with the provisions of this Act.

(ii) The Minister may, in his discretion, direct in each case that any compensation payable under this Act be paid either:-

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- in one lump sum; or
- in such instalments, at such times, and at such rates of interest on outstanding balances, as he may specify.”

© Assessment of fair compensation

(Land Acquisition Act, Chapter 58:04 Section 10)

“(i) Unless otherwise agreed between the parties fair compensation shall be assessed by the Minister.

(ii) An assessment of compensation made by the Minister under this section shall be calculated by adding together:-

- the consideration which the person entitled to the land paid in acquiring it;
- the value of unexhausted improvements to the land made at the expense of the person entitled thereto since the date of his acquisition; and
- any other appreciation in the value of the land since the date of such acquisition.

(iii) In this section ‘unexhausted improvements’ means anything permanently attached to the land directly resulting from the expenditure of capital or labour and increasing the productive capacity, utility or amenity thereof, but does not include the results of ordinary cultivation other than standing crop and growing produce.”

(d) Effect of payment of compensation

(Land Acquisition Act, Chapter 54:04 Section 11)

“The payment to the person who appears to be entitled thereto (or into court if the identity of such person, or any question of appointment, is in dispute) of compensation under this Act shall operate as a complete discharge of the Minister from all claims in respect of the land, but shall not bar any subsequent proceedings against the person to whom the same was awarded by any person claiming to have a better right to the compensation or the right to a share thereof.”

Other statutory valuations

Stamp duty and estate duty valuations are other statutory valuations. Both of these valuations are based on market value assessment. They are additional ways used by government in terms of property taxation aimed at raising more revenue. Stamp duty is currently paid at three per cent of the market value of the property as determined by the Minister of Lands and Valuation.

Non-Statutory valuations

Unlike the statutory valuations where the basis of valuation is provided by legislation, non-statutory valuations stem from natural events whose basis of assessment will be governed by the appropriate valuation methods (Syagga, 1994:119). Non-statutory valuations may be required for the purpose of sale, mortgage, insurance or book purposes.

Some of the common types of non-statutory valuations in Malawi are:-

- (e) valuations for mortgage
- (f) valuations for auctions
- (g) valuations for insurance
- (h) valuations for development properties

Valuations for mortgage

A mortgage is a loan secured by a pledge or conditional conveyance of a real estate (Syagga, 1994:119). It is a frequent practice in Malawi to see people wishing to buy property to raise money to pay the seller by mortgaging the property they wish to buy to a building society. Currently there is only one building society in Malawi - the New Building Society. As a consequence mortgage business in Malawi has been a monopoly for many years. Since 1994 the economy has been undergoing a lot of liberalisation. With this development it has been noted that some organisations are interested to start the mortgage business but have not yet started.

In Malawi the practising building society mostly lends in planned areas. These areas are mostly cities and towns where planning permission must be obtained before the property is developed. Mortgage values on such properties are generally around 70 per cent of the market values. Table 20 shows open market capital values for different types of properties in the major urban centres in Malawi.

Table 20: Open Market Capital Values for some Types of Properties in the Major Urban Centres in Malawi (Blantyre and Lilongwe)

Type of property	Average capital values (MK/m ² or ha)		
	1996	1997	1998
(i) Residential			
• High Density Traditional Housing	2,200	3,000	3,500
• High Density Permanent Housing	2,500	3,500	4,000
• Medium Density Permanent Housing	2,500	3,500	4,500
• Low Density Permanent Housing	4,000	3,500	7,000
(ii) Commercial			
• Shops/Retail	12,000	15,000	20,000
• Offices	8,000	10,000	12,000
(iii) Industrial (Warehouses and Factories)	3,650	4,250	5,250
(iv) Agricultural (Farms)	13,750	16,250	18,500

Note: Unit of measurement for capital values of residential, commercial and industrial properties is Malawi Kwacha per square metre (m²), while that for agricultural land is Malawi Kwacha per hectare (ha).

Source: Ministry of Lands and Valuation, Knight Frank (Malawi) and Reserve Bank of Malawi. (Data from questionnaire)

The valuer can use any suitable method for the valuation of a property for mortgage purposes. It was also noted that mortgage valuations form a large proportion of valuations in Malawi.

Valuations for auctions

Auctioneering in Malawi is done by licensed auctioneers and their business may combine sale of movable and immovable property.

Most of the properties being auctioned in Malawi are properties whose financing was given by financial institutions like the New Building Society, Indefund, Indebank, Commercial Bank and National Bank.

When borrowers are in arrears financial institutions issue instructions to auctioneers to sell listed properties by public auction. Most of the auctions are conducted subject to a reserve price being fixed against the properties prior to the auction.

A valuer is usually appointed and requested to value properties for auction sale purposes and the objective of valuation is to determine a fair market value for the property.

Valuations for insurance

Property owners in Malawi also insure their properties against fire and other accidents that may cause damage or loss to the property. A valuer is usually called to assist the property owners on

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valuations for insurance purposes. The basis of valuation is the approximate sum that will be the cost of replacement of property taking into account the maximum figure to which building costs are likely to rise during the year of insurance.

Valuations for development properties

Market value can sometimes be more and sometimes less than a developer is prepared or is able to pay for the site in order to carry out a proposed development. Under these circumstances one needs to know the maximum amount that he can afford to pay for the site in order for the scheme to be viable. This is done by a valuation technique known as residual or development valuation (Syagga, 1994:127). Similarly, in Malawi the technique is used by valuers for the valuation of development properties. As indicated earlier under the subheading of residual method, the value of land is estimated by deducting cost of producing finished product (property) including required profits from the value of the finished product.

Valuations for rental assessment

In Malawi valuers are often called upon to advise their clients on rent levels to charge a tenant or to pay for premises.

To assess rent valuers usually compare the subject property with rentals paid for similar properties. Sometimes rentals are also fixed based on profit made by business for example, rental assessment for petrol stations is based on this approach. It is also common to see rentals being assessed based on cost incurred to produce premises.

It is important to mention that unlike in other countries for example, Kenya, rental assessment in Malawi is a non-statutory valuation. In other words rents in Malawi are not controlled.

Inspection and report writing

In Malawi inspection reports prepared by valuers contain the following information:-

(a) Inspection report for the urban properties

- Name and address of the client.
- Physical address of property inspected: this refers to the plot number of the property.
- Purpose of the report: this relates to client instructions for example, valuation for rental, insurance or sale purposes.
- Location: this refers to the description of the location of the property including its immediate surroundings.
- Plot size: this refers to land (site) size of the property and is expressed in hectares.
- Services: for example, electricity, water, telephone and sewerage systems.
- Property description: this refers to composition, accommodation, construction, outbuildings, and site works.
- Tenure: this refers to whether the property is freehold or leasehold.
- Ground rent: rent payable annually to government on building leases.
- Rating assessment: obtained from the valuation roll at local authority rates office.
- Town planning: this refers to zoning within which the property falls.
- Qualification and conditions of valuation.
- Opinion of value.
- Signature of valuer.
- Date of the valuation: this may appear at the top or bottom of the report.

(b) Inspection report for agricultural properties

- Name and address of client.
- Physical address of property.
- Purpose of the report.
- Location.
- Farm size.

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- Farm services.
- Farm description: includes farm infrastructure and other improvements.
- Tenure.
- Ground rent.
- Soils: soil types, soil pattern, and soil texture.
- Topography: nature of slope.
- Climate: rainfall, temperature and humidity.
- Farm loose assets: for example, animals, farm produce, machines and tools.
- Qualification and conditions of valuation.
- Signature of the valuer.
- Date of the valuation.

3.9 Property finance

The following essential matters were noted regarding property finance in Malawi (data noted through personal observation and questionnaire):-

3.9.1 Sources of property finance

Building society: This is a traditional source of property finance particularly for residential property developments in Malawi. Currently, there is only one building society in Malawi called the New Building Society. As a consequence mortgage business in Malawi has been a monopoly for many years. Table 21 shows mortgage loans disbursed by the New Building Society from year 1995 to year 1998.

Table 21: Mortgage Loans Disbursed by the New Building Society

Period	Mortgage loans disbursed (MK)
1995	K258,675,000
1996	K333,328,000
1997	K341,211,000
1998	K473,327,000

Source: New Building Society, and Reserve Bank of Malawi.
(Data from questionnaire)

- **Banks:** Some commercial banks have started to finance property developments but it is on a small scale.
- **Insurance companies:** Insurers too have started to support property developments depending on the nature and presentation of the cases by the beneficiaries/developers.

Table 22 shows a list of financial institutions in Malawi.

Table 22: List of Financial Institutions in Malawi, 1998

1. **Commercial banks**
 - (a) National Bank of Malawi
 - (b) Commercial Bank of Malawi
 - (c) Finance Bank of Malawi

(d) First Merchant Bank

2. Mortgage bank
New Building Society
3. Savings bank
Malawi Savings Bank
4. Leasing companies
 - (a) Commercial Bank of Malawi - Financial Services
 - (b) Leasing and Finance Company
 - (c) ©©National Finance Company
5. Insurance companies
 - (a) National Insurance Company of Malawi
 - (b) Old Mutual
 - (c) Citizen Insurance Company
 - (d) Prime Insurance
 - (e) Commercial Union
 - (f) Charter Insurance Company
 - (g) General Alliance Insurance Company
 - (h) United General Insurance Company
 - (i) Royal and Sun Alliance Insurance Company
6. Trade finance
 - (a) Finance Corporation of Malawi (FINCOM)
 - (b) Indefinance
7. Central bank
Reserve Bank of Malawi

Source: Reserve Bank of Malawi (Data from questionnaire)

3.9.2 Affordability of property finance

Terms offered for house loans (mortgages) are generally not easily met by the majority of Malawians. One of the conditions for example, set by the New Building Society is forty per cent owner's contribution towards the cost for mortgage houses under construction. This is one way to safeguard mortgage investments.

Interest rates for mortgages are also high. Thus mortgages are very expensive and difficult to service. This is the main reason for high level of repossessions of mortgage properties. Table 25 shows interest rates charged by the New Building Society from January 1998 to February 1999.

Table 25: New Building Society Interest Rates from January 1998 to February 1999

Months	Housing Loans			Commercial property loans
	Owner Scheme	Occupied	Rented Scheme	
January 98	17.5%		24.5%	26.5%
February 98	17.5%		24.5%	26.5%
March 98	17.5%		24.5%	26.5%
April 98	17.5%		24.5%	26.5%
May 98	17.5%		24.5%	26.5%
June 98	25%		34%	35%
July 98	25%		34%	35%
August 98	25%		34%	35%
September 98	25%		34%	35%
October 98	29%		39%	40%
November 98	35%		47%	49%
December 98	35%		47%	49%
January 99	35%		47%	49%
February 99	40%		52%	54%

Source: New Building Society (Data from questionnaire)

3.10 Property investment

3.10.1 Types of property investments

Types of properties that are favoured by property investors in Malawi and are summarised in Table 26 for ease of reference.

Table 26: Types of Property Investments favoured by Property Investors in Malawi, 1998.

1. Residential properties
 - (a) High density traditional housing
 - (b) High density permanent housing
 - (c) Medium density permanent housing
 - (d) Low density permanent housing
2. Commercial properties
 - (a) Shops
 - (b) Offices
3. Industrial properties
 - (a) Warehouses
 - (b) Factories
4. Agricultural (Rural) properties
 - (a) Farms
 - (b) Forestry plantations

5. Special properties

- (a) Petrol filling stations
 - (b) Hotels and restaurants
 - (c) Cottages
 - (d) Recreational properties, e.g., clubs, sports stadiums
 - (e) Cinemas
 - (f) Schools
 - (g) Churches
 - (h) Airports
 - (i) Hospital
-

Source: Malawi Property Investment Company; Knight Frank (Malawi); Ministry of Lands and Valuation, Housing, Physical Planning, and Surveys; and New Building Society.

(Data from questionnaire)

3.10.2 Types of property investors

Table 27 lists some of the major institutions that have invested in property in Malawi.

Table 27: Major Institutional Property Investors in Malawi, 1998

1.	New Building Society (NBS)
2.	Malawi Property Investment Company (MPICO)
3.	National Insurance Company (NICO)
4.	National Bank of Malawi (NBM)
5.	Commercial Bank of Malawi (CBM)
6.	Press (Properties) Ltd (PPL)
7.	Airport Development Limited (ADL)
8.	LONRHO Properties (Malawi) Ltd (LPL)
9.	Reserve Bank of Malawi (RBM)
10.	Malawi Housing Corporation (MHC)

Source: NBS, MPICO, NICO, NBM, CBM, PPL, ADL, LPL, RBM and MHC (Data from questionnaire)

Indirect (financial) investors (or lenders)

Lenders provide money against the security offered by the property and the borrower. The loan amount is secured by a bond which is registered over the property. Mortgages are investments to the mortgage lender. The recovery of the loan amounts and earning of rates of return on the loans are major factors of interest to mortgage lenders. Table 24 shows some of the financial institutions that are property investment lenders. The New Building Society is currently the leading property investment lender in Malawi.

3.10.3 Objectives of property investors

The major objectives of property investors in Malawi are (data from questionnaire):-

- (a) Regular return;
- (b) Investment for own use;

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- (c) Capital gain;
- (d) Provision for retirement;
- (e) Estate building;
- (f) Business diversification;
- (g) Protection of purchasing power; and
- (h) Rapid recovery of equity.

Careful tenant selection is important to some property investors to make their property investments successful. Table 28 indicates institutional property investors in Malawi that do undertake tenant selection.

Table 28: Institutional Property Investors Carefully Selecting Tenants in Malawi, 1998

1.	New Building Society (NBS)
2.	Malawi Property Investment Company (MPICO)
3.	National Insurance Company (NICO)
4.	Commercial Bank of Malawi (CBM)
5.	Press (Properties) Ltd (PPL)
6.	Airport Development Limited (ADL)
7.	LONRHO Properties (Malawi) Ltd (LPL)
8.	Malawi Housing Corporation (MHC)

Source: NBS, MPICO, NICO, CBM, PPL, ADL, LPL and MHC (Data from questionnaire)

3.10.4 Terminating the investment (property disposal)

It was also noted through the study that due to some reasons that may arise the investors can decide to terminate the property investments. Normally this is done by selling the property. Table 29 summarises reasons for the termination of property investments in Malawi.

3.10.5 The investment analysis process

Investment analysis is the systematic evaluation of capital outlays relative to the expected income stream for the purpose of making an investment decision (Cloete, 1994a:28). The study noted that in Malawi the majority of investors rely on property valuation services to analyse investments with the objective of making decisions in property investment. Table 30 shows a list of lenders that are using valuation services for property investment purposes.

Table 29: Reasons for Terminating Property Investments by Investors in Malawi, 1998

Reasons for voluntary Property disposal	Reasons for involuntary property disposal
<ul style="list-style-type: none"> ■ Optimisation of property cycle ■ Adjustment of property portfolio 	<ul style="list-style-type: none"> ■ Default on mortgage ■ Insolvency or bankruptcy ■ Personal factors - transfer, job resignation, loss of job, divorce, health problems, or death

Source: New Building Society, Ministry of Lands and Valuation, Malawi Property Investment Company, Malawi Housing Corporation, and Knight Frank (Malawi). (Data from questionnaire)

Table 30: Lenders Using Valuation Services in Malawi, 1998

1.	New Building Society (NBS)
2.	Commercial Bank of Malawi (CBM)
3.	National Bank of Malawi (NBM)
4.	Reserve Bank of Malawi (RBM)
5.	National Insurance Company (NICO)

Source: NBS, CBM, NBM, RBM, NICO (Data from questionnaire)

3.11 Land tenure

In Malawi there are three major interests in land [data searched from the office of the Deputy Commissioner for Lands (Land Registration) at the Ministry of Lands and Valuation Headquarters]:

- (a) Customary land;
- (b) Leasehold land; and
- (c) Freehold land

3.11.1 Customary land

Majority of the land in Malawi is held under customary land law. Under this system the community and not an individual person owns land. Control, distribution and dispute settlement over the land is done by the local community leaders. This was a traditional way land was managed and held before Malawi became a colony of the British in May 1891.

Customary land tenure system has a lot of disadvantages and amongst these are lack of incentives on part of the individual person to improve and utilise land properly just because it belongs to the community.

3.11.2 Leasehold land

Leasehold land system was introduced by the British when they colonised and started to rule Malawi before it acquired its independence in 1964. Leasehold land is governed under several Acts of Parliament. The important ones are the Registered Land Act, Chapter 58:01 and the Deeds Registration Act, Chapter 58:02. Under this system land is held by an individual person or a group of persons on a leasehold term of years subject to the payment of ground rent and adherence to lease agreement terms. Building lease terms for urban land are for 99 years. Agricultural leases may extend for a period from 33 years. Occupational leases are short term in nature and usually run for a period of one to five years.

Leasehold land system has a lot of advantages, including the following:-

- Owners of land are registered and given lease agreements or land certificates. This minimises land disputes and provides security to the land owners.
- The arrangement allows interested registered landlords to use land as security for loans.
- The system encourages the landowners to improve and utilise land properly through sense of belonging and lease terms.

3.11.3 Freehold land

Freehold land is governed by most Acts applicable to leasehold land. Land under this system is owned by the owners in perpetuity. It offers similar advantages as for leasehold land. However, in some cases it has been abused by the freeholders because the agreement has no term on specific development time for the land. In view of this problem, some prime large pieces of land are still undeveloped in the urban areas. This is uneconomical particularly now that valuable land is scarce in urban areas. As a consequence government decided to phase out freehold land system in favour of the leasehold system which encourages land development. The owner of freehold land does not pay ground rent except property taxes.

4. SUMMARY AND RECOMMENDATIONS

This study was set out to provide an overview of the property industry in Malawi. The study's concentration was on the activities taking place in the property industry in the country. The industry had contributed a lot to the nation both economically and socially in terms of property space provision for various functions, financial security, and creation of employment. As a share of the Malawian economy the construction sector contributed 2 percent to the total real Gross Domestic Product in 1998 (Mid-Year Economic Review, 1998-1999:7)

In this study a review of current literature of the real estate industry has been outlined. The problem regarding unavailability of local literature on the real estate subject matter in Malawi was mentioned.

The research methodology used for the study has been given. It was mentioned that the descriptive survey method was the survey method that was used to collect data for the study. The study questionnaire, personal consultations, searches and observations were actual tools that were used to collect data for the study.

The study established that the major components of the property industry in Malawi include property development, property management, property valuation, property finance, property investment, property marketing and property law. The study also noted the problems the industry was facing in fulfilling its expectations.

It was noted that property development has played the role of supplying the required property investments in the industry. However, property developers have encountered several problems in the discharge of their role. Some of the problems were: lack of reliable property demand and supply survey figures for property development planning purposes; expensive property finance which has made disadvantaged property developers fail to participate in the development process; and the escalation of prices for building materials that has inhibited investment in property.

The study observed that professional property management in Malawi had contributed towards property owners achieving their objectives. However, it was noted that some property owners in Malawi were not using services of professional property managers due to ignorance of the availability and benefits of the profession. In general, property owners have also been disliked by the property users (tenants) over the past few years because of high escalation of rents. The property owners have justified their action based on high inflation and increased property expenses.

It has also been noted that property valuation as an advisory service has made a valuable contribution to the property industry in Malawi. Valuations have assisted investors in decision-making regarding property investments on hand. However, it was observed that in Malawi there are still few well qualified valuers. This problem has made valuation advisory services inaccessible and expensive to some interested parties.

Property finance has enabled investors acquire property investments which otherwise they would not have afforded due to their expensiveness. However, loans for property investment in Malawi were very expensive and unaffordable by the majority of interested investors.

Cloete & Chikafalimani

A number of issues were noted regarding property investment in Malawi. Types of property investments favoured by investors include: residential, commercial, industrial, agricultural (rural) and special properties. Major participants in the property investment process are: equity investors, lenders, tenants and government. Termination of property investments was due to voluntary and involuntary causes and was done mostly by selling the properties.

The role played by property marketing to the industry was very significant. Property marketing has contributed significantly by getting sellers and buyers; and lessees and lessors for the property investments, thus generating income for the property investors.

A well-developed legal system has played a major role in the registration of land, issuing of land certificates and lease agreements to property investors. This has minimised land disputes and provided investment security to property investors. Land registration has also enabled property owners secure loans from lenders using the properties as security. However, delays connected with property conveyancing and other property related transactions have been unpleasant experience to most investors in the industry.

The study noted that building contractors played the role of constructing and maintaining the properties and infrastructural services like roads, water and electricity supply. Professional consultants like surveyors, engineers, architects and project managers provided expert advice and services to the property industry before, during and after construction processes. Building material manufacturers and suppliers supplied to the industry building materials. It was further noted through the study that each participant in the industry had an objective of achieving a return to a level that will compensate for the risks perceived and the participation was centred around real property.

It is recommended that the participants in the property industry should co-ordinate with other sectors of the economy to get solutions for problems being faced. Government as a participant should intervene and come up with programmes on how property finance can be made readily available and affordable to the majority of investors. Government through the Ministry of Lands and Valuation should also find solutions of minimising delays connected with property conveyancing and other property related transactions.

It is further recommended that government should address the problem of shortage of serviced land (plots) particularly in the urban areas. Until now government (Central and Local) is the main supplier of serviced land in Malawi. It would be advisable for government to consider the involvement of the private sector as a partner in the development of land to make serviced land readily available and affordable to property investors.

The property industry should also work hand in hand with government to find ways of reducing construction costs and property expenses. This is a wide area and includes research programmes on low-cost but durable and acceptable building materials, and the development of cheaper property development methods.

The study also recommends that the property industry should liaise with government on ways of training more qualified property practitioners because the success of the industry relies very much on skilled professionals. Availability of more qualified property practitioners will also enable interested parties requiring their services have easy access to them.

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