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MANAGEMENT, WITH PARTICULAR REFERENCE TO RENTED HOUSES -
MALAWI HOUSING CORPORATION'S RENT GRADING SYSTEM^{1/}

^{1/} Prepared in 1967 by the Malawi Housing Corporation and agreed for use at this Meeting by the Government of Malawi. The views expressed are not necessarily those of the secretariat of the Commission.

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MALAWI HOUSING CORPORATION'S RENT GRADING SYSTEM

INTRODUCTION

1. Discussions on rent policy and collection of rents, caused the Malawi Housing Corporation to propose the following system for calculating rents.
2. Having regard to the numerous houses of differing types and amenities owned by the Corporation in all parts of the country, the need for a system as simple as possible is self evident. Such a system must be flexible, it must enable efficient administration and control to be exercised, it must be capable of adjustment, and it must ensure equity in rent assessment relative to house size, type and amenity.
3. A system taking into account the basic factors affecting house costs has therefore been devised. Under it every house is given a grading code or category, according to -
 - i) Size
 - ii) Standard of finish
 - iii) Services provided
 - iv) Whether the house is detached, semi-detached or terraced
 - v) Additional items provided for the tenant, such as car-port, garage or servants' quarters.
4. The rent of the house is then obtained mathematically from the grading category by use of a number of predetermined code valuations.
5. The system ensures reasonable equity and permits adjustments to be made to rents with comparative ease. By varying the values attached to the coding, rents can be set to bring in whatever return on property assets the authority may decide, and emphasis can be placed on different groups of houses, as required.
6. Final details of code evaluation cannot be decided until the exact numbers and types of houses owned by the Corporation are listed and coded, but a provisional evaluation has been made on the basis of bringing in a return required by the Corporation of 11 per cent on existing houses and 12½ per cent on new houses.

DETAILS OF PROPOSED RENT GRADING SYSTEM

7. The system proposed for the calculation of rent for M.H.C. houses requires that each house be given a grading category from which the rent can be calculated mathematically by use of a number of predetermined code valuations which can be changed from time to time, either to increase or

decrease rents, or change the emphasis to different categories of houses. It can thus work like a rating system once the grading categories have been determined.

8. The system is described herein in detail under two headings, the first dealing with the grading category or coding, the second describing the method of calculating rent from the grading category. Provisional values have been given to each coding item and these must remain provisional until full details are known of all houses owned by the Corporation.

GRADING CATEGORY

9. Each house will be graded according to codes representing the plinth area; the standard of finish; the services provided; whether it is detached, semi-detached or terraced, and certain additional facilities or special conditions which may apply. Houses will have a four part code with possible additions, depending upon whether extra facilities have been provided.

10. An example of the basic four part code could be as follows:-

090/B/1/D

If, however, the house has a carport or servants' quarters attached, the following could then be the code, showing that the house has both a carport and servants' quarters.

090/B/1/D-PQ

11. This code and the manner of arriving at it are described in detail in the following paragraphs and under appropriate sub-headings.

Plinth Area

12. The first part of the code will represent the plinth area of the house. This is calculated to the nearest 50 sq.ft. and then divided by ten. The figure thus produced will represent units of ten. It will give a three figure code, except when the area of a house is less than 1,000 sq.ft., when the calculations will result in a two figure code. However, in such cases, and to retain the uniformity of a three figure code, an "0" is to be placed in front of the number.

13. For example, the plinth area of a house may be, say, 890 sq.ft. To the nearest 50 sq.ft., this becomes 900 and, divided by 10, it gives 90, but to retain the three figure code an "0" is placed in front and this then becomes -

090

This represents 90 units of ten.

14. For the purposes of this grading system, the plinth area of a house is to be taken as the total superficial area of a building overall, and including external walls. It includes khondes, but excludes carports, garages and servants' quarters. If there are outbuildings, the plinth area of these must be included in the total area of the house, but not if the outbuilding is a carport, garage or servants' quarter.

Standard of Finish

15. The next item of the grading code is a letter representing the standard of finish of the house. For this purpose, houses are to be graded into one of five classifications, depending upon the amenities, standard of finish, etc., of the house.

16. Each classification is represented by a letter from "A" to "E" and the definition of each classification is as follows:-

- "A" High Quality House: definition. A house having a plinth area of not less than 1,000 sq.ft. in a low density area with adequately fitted bathroom and kitchen integral with house and a good standard of finish throughout.
- "B" Senior Type House: definition. A house having a plinth area of less than 1,000 sq.ft., but with an adequately fitted bathroom and kitchen and a good standard of finish throughout or a house having a plinth area of more than 1,000 sq.ft., but not adequately fitted or having a good standard of finish.
- "C" Standard house of good quality: definition. A house having a plinth area of less than 1,000 sq.ft., without fully fitted bathroom and kitchen, but with separate shower and toilet facilities and having a reasonable standard of finish throughout.
- "D" Economy Standard House: definition. A house having a plinth area of less than 1,000 sq.ft., without fitted bathroom and kitchen and with combined shower and toilet facilities.
- "E" Sub Standard House: definition. A house having a plinth area of less than 300 sq.ft., lacking in essential facilities and of a poor standard of construction and finish.

17. An example could be a house of, say, 890 sq.ft., with a proper bathroom and kitchen and a good standard of finish throughout. This would come under class "B".

18. The code is then beginning to be built up as follows:-

090/B

"Q" Servants' Quarters - of any size whether part of house or not.

25. If the house being considered has both a carport and servants' quarters, it would then have the additional letters "PQ" added and the grading code would become -

090/B/1/D-PQ

This is the grading category of the house.

Special Conditions

26. In very exceptional cases, such as may apply to special design or construction for low altitude areas necessitated by climatic conditions, or to additional benefits acquired cheaply as a result of design or layout, there may be circumstances where special consideration should be given to the rent. In each of such cases a decision will be taken regarding rent on the merits of the individual case.

RENT CALCULATION FROM GRADING CATEGORY - PROVISIONAL

VALUES ALLOCATED TO CODE ITEMS

27. Each code item of the grading category is evaluated in the manner described in the following paragraphs under the appropriate sub-heading. The values allotted are purely provisional and will be subject to change when the full extent of the Corporation's houses are categorised. They may also be changed from time to time when an adjustment is made to the rents. The method will remain the same.

Plinth Area

28. The units of ten are given a value and to arrive at the annual rent element of the plinth area part of the code it must be multiplied by the evaluation amount.

29. Provisional Values given to each unit of ten are as follows:-

For existing houses	-	£1.18 per year
For new houses	-	£1.35 per year.

30. To give an example. If the house which was being considered earlier was an old house, the rent element of the plinth area part of the code, i.e., -090- would be as follows:-

90 x £1.18 = £106. 4s. 0d per annum.

Standard of Finish

31. Each of the five classifications is given a value which must be added or deducted to or from the other elements of the rent.

32. Provisional Values given to each classification are as follows:-

A	-	add	£300 per annum
B	-	add	£ 96 per annum
C	-	Standard -	no addition or deduction
D	-	Deduct	£ 9 per annum
E	-	Deduct	£ 21 per annum

33. For the "B" class house under consideration there would be an addition of £96 per annum, so the rent is beginning to build up as follows:-

Plinth Code 090 x £1.18 = £106. 4. 0. p.a.
 Classification "B" add 96. 0. 0. p.a.

Services

34. Each computation representing the services provided is given a value which must be added to the other rent elements.

Provisional Values

1 - E.W.S.	= £12. 0. 0. p.a.	5 - E	= £4.10. 0 p.a.
2 - E.W.	= £ 9. 0. 0. p.a.	6 - W	= £4.10. 0. p.a.
3 - W.S.	= £ 7.10. 0. p.a.	7 - S	= £3. 0. 0. p.a.
4 - E.S.	= £ 7.10. 0. p.a.	8 - None	=£Nil.

35. The house under consideration, having the code 1, showing that it has electricity, water and sanitation, will have £12.0.0. per year added to the rent. The build up of rent thus becomes:-

Plinth Code 090 x £1.18 = £106. 4. 0. p.a.
 Classification B add - £ 96. 0. 0. p.a.
 Services Code 1 add - £ 12. 0. 0. p.a.

Detached, Semi-detached or Terraced (row houses)

36. The semi-detached house is considered the standard with no extra charge or deduction, but an addition to the rent is made for a detached house and a deduction for a terraced house.

37. Provisional Values

Detached House	-D-	add	£4.10. 0. per annum
Semi-detached house	-S-	Standard	
Terraced house	-T-	deduct	£3. 0. 0. per annum.

38. The example house, being detached -D- will carry an additional rent of £4.10. 0. and the build up of rent becomes -

Plinth Code	090	x	£1.18	=	£106. 4. 0. p.a.
Classification	B	add	-	£ 96. 0. 0. p.a.	
Services Code	1	add	-	£ 12. 0. 0. p.a.	
Detached	D	add	-	£ 4.10. 0. p.a.	

Additional Facilities

39. A value will be placed on any additional facilities provided which must be added to the rent.

40. Provisional Values

G - Garage	-	add	£24 p.a.
P - Carport	-	add	£12 p.a.
Q - Servants' Quarters	-	add	£36 p.a.

41. The example being followed through, having both a carport and servants' quarters, would have £12 + £36., i.e., £48 in all added to the rent. The final rent for this example house now becomes:-

Plinth Code	-	090	x	£1.18	=	£106. 4. 0. p.a.
Classification Code	-	B	add	-	£ 96. 0. 0. p.a.	
Services Code	-	1	add	-	£ 12. 0. 0. p.a.	
Detached Code	-	D	add	-	£ 4.10. 0. p.a.	
Carport Code	-	P	add	-	£ 12. 0. 0. p.a.	
Servants' Quarters	-	Q	add	-	£ 36. 0. 0. p.a.	
Total rent for house 090/B/1/D-PQ.						£266.14. 0. p.a.
						=====
						or £22. 4. 6 per month.

Special Conditions

42. Any special conditions applying to a house will be dealt with individually according to the merit of each case.

Distinction between old and new houses

43. All houses built prior to the 1st January, 1966, will be classified as old houses and all houses built subsequent to that date will be classified as new houses. In the calculation of rents, however, all "A" class houses, whatever date they were built, will be classified as new houses.