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Client: Bank of Valletta

Property Data Bases for the Maltese Islands: revaluation of immovable property held on BOV books

Two official residential property databases are in existence as relating to the CBM & NSO. These are being compared with the in-house residential database of DHI-Periti going back to 1982.

With regards to the Commercial Sector no databases are in existence, with the records available at DHI Periti going back to 1982/1988 utilized to create a data base.

Property Price indices play an important role in the property market. They enable changes in prices, market trends and turning points to be measured over time. This is of considerable benefit to investors, valuers and policy makers in the absence of a central market place in which property is traded. Investors can compare the returns from their investments with the performance of the market as a whole. They can examine the volatility and risk of particular types of property, the correlations between them, and assess the merits of diversification. As no-one has personal knowledge of more than a fraction of the transactions taking place, Property Price Indices can enable valuers to compare their experience with broader market trends, these are also important for economic policy makers because of the role of real estate in fixed capital formation and the exposure of the financial system to property markets.

Indices can be a guide to general trends in the market against which the performance of the property being valued can be judged. As such they are a potentially useful reference point when forming a judgment, though they cannot necessarily assist when markets are inactive or transactions are scarce. Indices should be treated with caution, and valuers should have a clear understanding of the sources and reliability of the data from which the index has been derived.

Within the property markets the indices are usually:

- Rental growth; or
- Capital growth; or
- Total return.

The indices referred to below are all based on capital growth and segregated by sectors mainly:

Residential

Warehousing

Offices

Retail

Landed property.

Further, the residential sector has also been segregated by localities, according to the Local Councils.

It is to be noted that for an index to be meaningful then a sufficient sample size is essential. In essence, it must be large enough to diversify away specific risk. With property unlike the financial markets, number of transactions is limited, together with the added problems of the effects of voids, refurbishment, reversions and over or under renting, which all impact on the figures contributing to the index. The general lack of public domain information on property is a serious defect when establishing the parameters for an index.