



Housing price growth is above-average and supply exceeds the population's needs. Photo: Matthew Mirabelli

Property prices 'down by 6.7%'

Herman Grech

Property prices in Malta between 2007 and 2010 fell by about 6.7 per cent, a comprehensive study on the sector has estimated.

The excess housing supply on the market prompted a cooling in prices, a trend which is expected to last until next year, according to the study by DHI Periti, one of the main architectural firms in Malta.

The report 'A Long-Term Analysis of Housing Affordability in Malta', aims to analyse trends and principal causes of price developments in Malta over the past 26 years, with a specific focus on affordability.

The conclusions confirm the huge increase in prices in the sector over the years. Between 1982 and 2010, so-called affordable housing* prices increased by 600 per cent, with properties in the Mosta/Naxxar area having a higher annual growth than the Malta average (see table).

With low mortgage rates and decline in property values anticipated up to 2012, the global credit crunch is beneficial for first-time homeowners, DHI Periti managing partner Denis Camilleri said.

"Though there is a decline in property prices in Malta, it is no way as drastic compared with other countries facing the crunch," Mr Camilleri told *The Sunday Times*, adding that Europe weathered the property storm better than the US.

"After all this turmoil, housing affordability is improving," he said.

But this temporary cooling off period in prices is not as drastic in prime property, according to the report.

87

The percentage of apartments in Malta in 2009, up from 64 per cent in 2000

The findings somewhat contrast with Central Bank figures, which show that advertised property prices rose by 1.5 per cent in the third quarter of 2010, on top of an increase of 0.5 per cent during the previous quarter.

The DHI study concludes that Malta fits in within the Mediterranean housing context, characterised by high homeownership, increasing steadily over the past 40 years. This has led to above-average housing price growths

and a supply that exceeds the needs of the population.

Over the years, affordable accommodation floor area has been shrinking, with a three-bedroom apartment in 1982 having an average floor area of 135 square metres, down by 20 sqm by 2010.

The property permit surge started in 2002, reaching 11,343 building permits in 2007, and levelling off to a more sustainable 5,268 in 2009.

Apartments have grown from a base of 64 per cent in 2000 to 87 per cent in 2009, while terraced housing has decreased from 10 per cent to 3.5 per cent in 2009.

A slowing down in the home ownership rate is expected over the coming 50-year period, which could help to address the distortion of the rental market.

The rental market accounts for just a quarter of the total housing tenure, with just over 60 per cent of this amount rented out at less than €225 per annum.

The rental amendments now in force should address these tied rentals over the coming 30-year period.

* When costs do not exceed 35 per cent of gross household income.

Affordable Property Rates for Malta

Locality	1982 €/sqm	1987 €/sqm	1992 €/sqm	1997 €/sqm	2002 €/sqm	2007 €/sqm	2010 €/sqm	% growth rate pa 2002 - 2010
Fgura /Paola /Żabbar	105	128	256	408	466	987	971	10.3%
M'scala	116	175	373	373	505	1001	826	7.2%
Mosta /Naxxar	186	198	291	478	524	1242	1154	11.2%
San Gwann	151	175	256	431	557	1092	965	7.8%
Sliema inner prime	210	338	443	710	883	1373	1263	5.0%
St. Julian's	186	233	408	547	687	1321	1311	9.0%
Swieqi	198	245	419	641	785	1473	1418	8.2%
Malta	163	212	349	512	629	1211	1130	8.2%
Trend Line	161	233	335	483	696	1003	1249	

Source: DHI Periti in-house valuations: Camilleri (1999) updated table