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**LANDS
Authority**

An Outline of Local Valuation Practice in a Global Setting

**Seminar on the Valuation Services as per
Article 79 of the Government Lands Act
(Chapter 573 of the Laws of Malta)**

Table 1 - Affordable Property Rates €/sqm for the Maltese Islands Over a 35 Year Period

Zone	Locality	1982	1987	1992	1997	2002	2007	2012	2014	2015	2016	2017	%growth rate Pa 1982-2017
A	Fgura / Paola / Zabbar	105	128	256	408	466	987	893	1038	999	1016	1137	7.09%
B	M'scala	116	175	373	373	505	1001	881	980	992	998	1260	6.35%
C	Mosta / Naxxar	186	198	291	478	524	1242	1167	1180	1337	1443	1545	7%
D	San Gwann	151	175	256	431	557	1092	962	1076	1022	1152	1558	6.65%
	Sliema inner prime	210	338	443	710	883	1373	1402	1457	1720	1756	2459	6.33%
E	St. Julians	186	233	408	547	687	1321	1186	1311	1369	1447	1998	6.45%
F	Swieqi	198	245	419	641	785	1473	1443	1376	1535	1539	2070	6.53%
	Malta	163	212	349	512	629	1211	1134	1203	1282	1336	1718	6.6%
	Trend	172	241	337	471	660	924	1294	1460	1521	1693	1802	6.92%
	Gozo					432	857	903	906	1029	1017	1106	5.44%

Source: DHLperiti in-house valuations 2017

Table 2 - Affordable Property Rates €/sqm for the Maltese Islands Over the past 15-Year Period

Locality	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fgura / Paola / Zabbar	466	575	678	762	928	987	961	948	971	906	893	961	1038	999	1016	1137
M'Scala	505	601	808	864	1032	1001	984	917	826	948	881	886	980	992	998	1260
Mosta / Naxxar	524	650	929	967	1149	1242	1176	1147	1154	1105	1167	1196	1180	1337	1443	1545
San Gwann	557	666	752	969	1251	1092	1100	981	965	1026	962	1111	1076	1022	1152	1558
Sliema inner prime	883	820	929	1316	1381	1373	1380	1322	1263	1398	1402	1361	1457	1720	1756	2459
St. Julians	687	724	839	1267	1246	1321	1299	1327	1311	1286	1186	1261	1311	1369	1447	1998
Swieqi	785	806	948	1058	1430	1473	1378	1367	1418	1348	1443	1399	1376	1535	1539	2070
Malta	629	692	841	1030	1202	1211	1183	1144	1130	1146	1134	1168	1203	1282	1336	1718
Trend	660	706	755	808	864	924	988	988	1130	1146	1134	1509	1566	1521	1693	1802
Gozo	432					857	841	913	988	853	903	916	906	1029	1017	1106

Source: DHLperiti in-house valuations 2017

Table 3 – Year on Year % Price Change - Comparison

COUNTRY	% CHANGE	% CHANGE	% CHANGE	% CHANGE
	2013	2014	2015	2016
DUBAI	5.38	23.73	-14.09	-1.64
ESTONIA	12.46	20.85	4.56	7.36
IRELAND	3.45	7.8	6.53	8.15
U.K.	1.47	8.95	4.36	3.28
TURKEY	4.65	7.51	14.32	3.40
ICELAND	2.00	6.7	6.93	12.53
ISREAL	5.38	6.43	5.17	5.36
LATVIA	-	4.71	2.48	5.85
LITHUANIA	-	4.62	3.68	5.07
NEW ZEALAND	6.4	3.93	3.24	9.47
NETHERLANDS	-	3.89	3.95	4.37
CANADA	1.61	3.31	4.52	10.66
BRAZIL	-	3.29	-7.37	-5.51
U.S.A.	9.31	3.08	5.29	3.71
CROATIA	-17.6	2.64	3.8	2.13
SOUTH AFRICA	1.3	1.91	0.56	0.32
PORTUGAL	-	1.86	3.99	3.88
SWITZERLAND	-	1.48	1.83	-0.94
NORWAY	-	1.32	1.99	6.38
ROMANIA	-	1.12	7.74	11.01
SLOVAKIA	-	0.42	1.62	6.00
SPAIN	9.96	-4.15	-1.71	0.10
RUSSIA	3.46	-5.68	-15.35	-9.27
GREECE	-9.69	-7.08	-4.91	0.03
UKRAINE	4.62	-10.45	-2.76	-3.34
AVERAGE INCREASE	3.03	3.69	1.61	3.53

Source: Global Property Guide

Table 4 – Housing Affordability Index for the Maltese Islands - HAI

Year	Mortgage Payment		Medium Monthly Family Income**	Qualifying Monthly Income		Ratio of Qualifying Family Income		HAI		House Price: Earnings Ratio
	3-bed/2-bed/r	Monthly		3-bed/2-bed/r	Monthly	3-bed/2-bed/r	3-bed/2-bed/r			
1982	€ 140	€ 56	€ 229	€ 559	€ 391	1.30	0.91	77	110	4.28
1987	€ 161	€ 114	€ 564	€ 643	€ 457	1.14	0.81	88	123	4.23
1992	€ 252	€ 168	€ 745	€ 1,006	€ 531	1.35	0.90	74	111	5.27
1997	€ 384	€ 247	€ 995	€ 1,537	€ 988	1.55	0.99	65	101	5.80
2002	€ 394	€ 263	€ 1,215	€ 1,575	€ 1,057	1.29	0.86	77	116	5.60
2006	€ 606	€ 429	€ 1,665	€ 2,119	€ 1,500	1.27	0.90	79	111	7.22
2007	€ 673	€ 478	€ 1,738	€ 2,152	€ 1,670	1.35	1.01	74	104	6.97
2008	€ 615	€ 410	€ 1,798	€ 2,152	€ 1,435	1.20	0.80	84	125	6.58
2009	€ 478	€ 319	€ 1,872	€ 1,673	€ 1,118	0.89	0.60	112	168	6.11
2010	€ 472	€ 315	€ 1,914	€ 1,652	€ 1,102	0.86	0.58	116	174	5.99
2011	€ 469	€ 315	€ 1,959	€ 1,641	€ 1,103	0.84	0.56	119	179	5.29
2012	€ 448	€ 305	€ 2,058	€ 1,568	€ 1,067	0.76	0.52	132	192	5.05
2013	€ 461	€ 314	€ 2,144	€ 1,613	€ 1,099	0.75	0.51	133	196	4.99
2014	€ 472	€ 322	€ 2,237	€ 1,652	€ 1,127	0.74	0.50	135	200	4.93
2015	€ 504	€ 346	€ 2,325	€ 1,764	€ 1,211	0.76	0.52	132	192	5.28
2016	€ 520	€ 358	€ 2,354	€ 1,820	€ 1,253	0.77	0.53	130	189	5.44
2017	€ 668	€ 453	€ 2,521	€ 2,338	€ 1,585	0.93	0.63	108	159	6.25

Source: DHIperiti in-house valuations 2017

An HAI of 100 according to the US National Association of Realtors' signifies that a family earning the median household income just qualifies for a median residence, whilst with a HAI of less than 100 signifies that the median family has to do away with other necessities.

**the median family income is factored at 1 for 1982, and by 1.35 for 2002 increasing to 1.65 for 2012 to account for the effect of the 2nd wage earner.

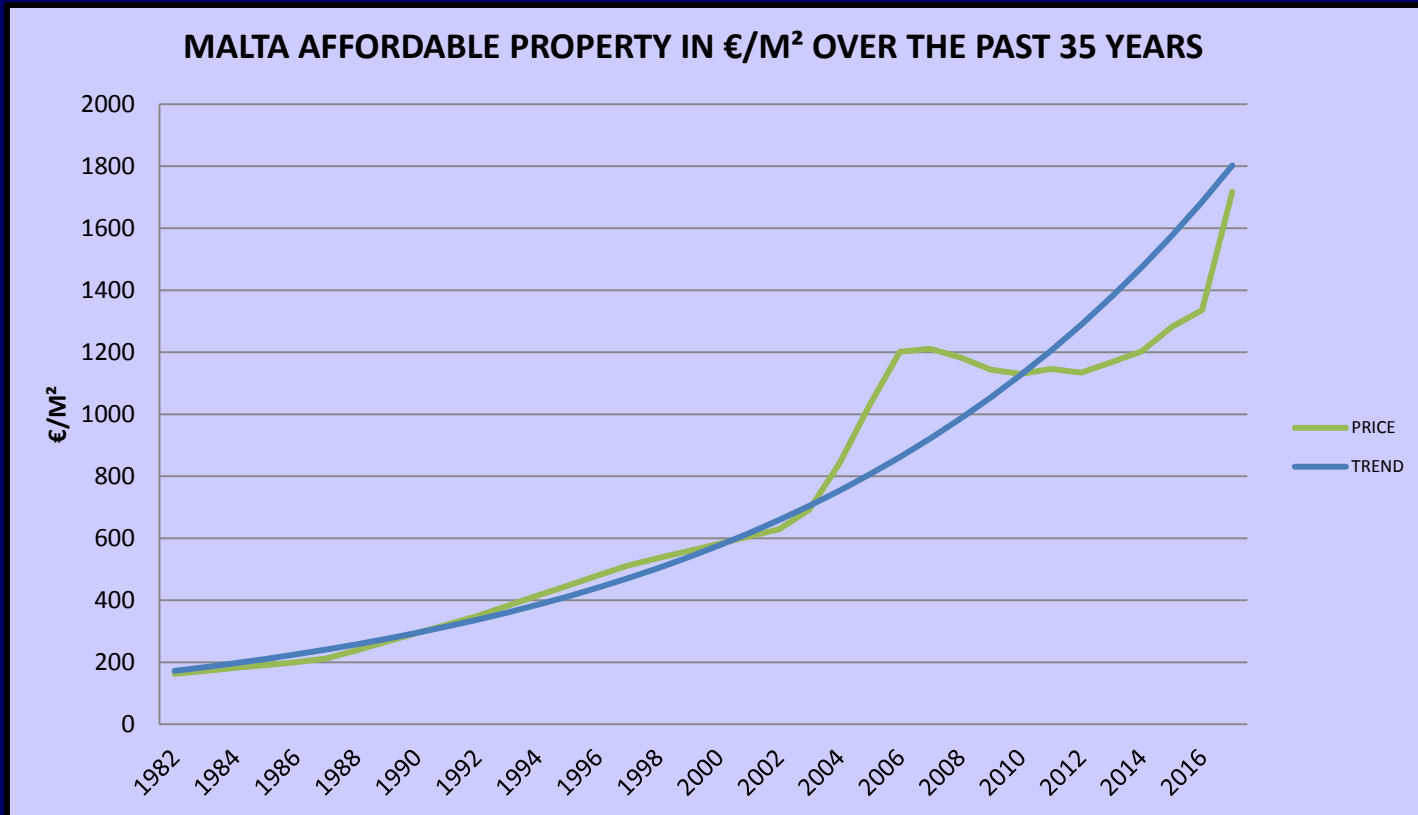
A long-term 35 Year average level of house prices to income ratio is given at 3.5. The UNCHS (habitat) indicators mention the price earnings ratio desirable range lie between 2 & 6.

Table 5 – Housing Data 2017 for Similar States

	Market Rate euro/sqm	Median monthly Individual income euro	Mortgage rate	Price: earnings ratio.
Malta	2,179	1,117	3.65%	9.75
Cyprus	1,287	1,249	4.48%	5.15
Hong Kong	17,890	2,190	2.28%	40.85
Singapore	12,012	2,640	2.37%	22.75

Source: Numbeo

Chart 1 : Malta Affordable Property in €/M² over the Past Years



Source: DHIperiti in-house valuations 2017

Table 6: Seafront Property Compared with Internal Property over an 11 Year Period in Euro/Sqm.

	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017	
Location	front	int	front	int	front	int	front	int	front	int	front	int	front	int	front	int	front	int	front	int	front	int	front	int
M,skala	1473	1032	1696	1001	1413	985	1186	918	957	826	2307	948	-	881	802	886	693	980	1492	992	2763	998	2118	1260
Sliema	3246	1383	2602	1373	3296	1380	3428	1322	3311	1263	3086	1398	3706	1402	2381	1361	4591	1457	4063	1720	7417	1756	6728	2459
St Julians	1575	1245	2973	1322	2856	1299	2991	1327	2905	1311	4067	1286	1963	1186	2460	1261	2478	1311	4300	1396	5610	1447	4927	1998
Gozo					1705	841	1484	913	988	988	1462	853	1548	903	459	916	0.00	906	2245	1029	1996	1017	1854	1106
Malta	2098	1220	2424	1232	2522	1221	1088	1189	2391	1134	3153	1211	2835	1157	2420	1169	2587	1249	3285	1249	5263	1249	5827	1906

Source: DHLperiti in-house valuations 2017

Table 7: Residential Units as Approved by MEPA, together with Compliance Certificates Being Issued:

YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of total Units	5481	6128	6707	9081	10409	11343	6836	5298	4444	3955	3064	2705	2937	3947	7508
Apartments approved		4548	5265	7539	8961	10252	6184	4616	3736	3276	2489	2062	2221	3019	6316
Compliance Certificates	2552	2719	4975	3884	3400	7169	7796	8055	7784	6438	6314	6703	6948	7358	
% Completed	47%	44%	74%	43%	33%	63%	114%	152%	175%	163%	206%	248%	237%	237%	

Source: PA

Table 8 – Comparison of Rental Tenures 1985-2011 Census Reports

Census year	€0 - €199.99	€200 - €499.99	€500 – €699.99	€700 – €1,499.99	€1,500 - €5,999.99	€6000 - €9,999.99	€10,000 or more	TOTAL Rentals*	% of total residences
1985	39657	2617	1394	-	-	-	-	46,814	46.1%
1995	27015	3275	808	1766	-	-	-	37,271	32.0%
2005	18015	3890	1,416	1,452	3987	-	-	28,760	24.8%
2011	12,503	5752	1,518	2,191	7,251	824	306	30,345	23.0%

*includes for free accommodation

Source: Census Reports

Table 9: Monthly Apartment Rentals: DHI – Times of Malta (TOM) 2017

	DHI	TOM	DHI	TOM	DHI	TOM
	3 Bedroom		2 Bedroom		1 Bedroom	
2007	€ 491		€ 448		€ 238	
2010	€ 492		€ 422		€ 258	
2012		€ 833		€ 618		€ 137
2013	€ 541	€ 903	€ 522	€ 635	€ 331	€ 458
2014	€ 478	€ 984	€ 393	€ 693	€ 345	€ 490
2015	€ 752	€ 1,023	€ 615	€ 796	€ 493	€ 605
2016	€ 983		€ 723		€ 583	
2017	€ 1,329	€ 879	€ 1,147	€ 663	€ 859	€ 498

Source: DHIperiti in-house valuations 2017 and Times of Malta

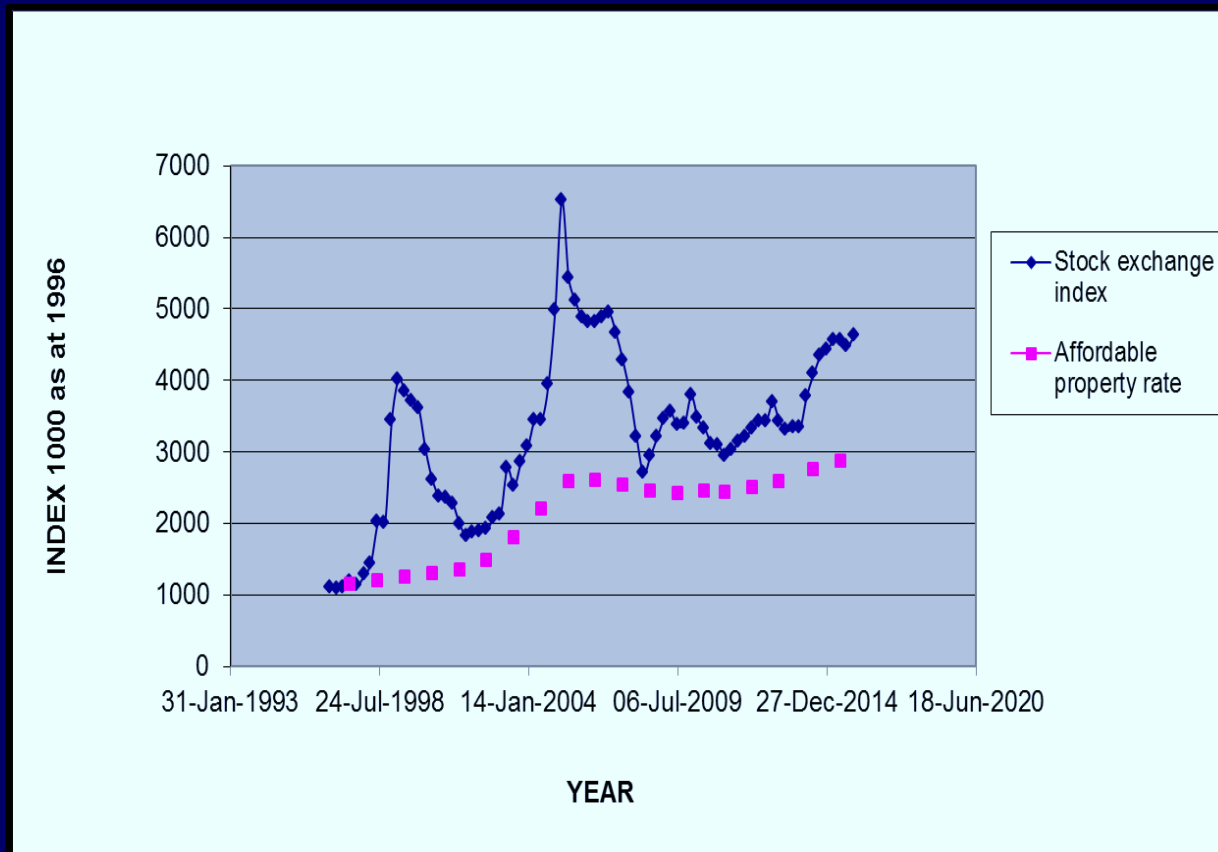
Values in green are taken from The Sunday Times of Malta Article (20 August 2017), whose source is the Malta Bid European Medicine Agency.

Table 10 – Rental Values for Various Localities as a % of Market Value

Locality	Rental value as % of market value - 1997	Rental value as % of market value - 2004	Rental value as % of market value - 2007	Rental value as % of market value - 2015	Rental value as % of market value - 2016	Rental value as % of market value - 2017
Bugibba – internal	8%	3.60%	3.25%	5.01%	6.32%	5.08%
Qawra - internal	8.50%	4.30%	2.75%	4.89%	6.45%	5.93%
Sliema front	5.50%	2.00%	3.50%	4.20%	0.00%	3.48%
Sliema inner	5.50%	4.10%	4.50%	5.90%	5.60%	5.97%
St Julian's	7.50%	3.50%	3.75%	6.63%	9.62%	6.05%
Swieqi	7.00%	4.15%	4.18%	5.64%	6.96%	6.70%

Source: DHIperiti in-house valuations 2017

Chart 2: Property vs Stock Exchange Index 1996 – 2016



Source: Malta Stock Exchange

Table 11: Development Permits for Commercial, Social and Other Purpose

Period	Commercial and social								Total permits
	Agriculture	Manufacturing ²	Warehousing, retail & offices ³	Hotels & tourism related	Restaurants & bars	Social ⁴	Parking	Total	
2003	242	26	181	15	24	91	134	713	3,398
2004	261	31	192	8	25	49	105	671	3,254
2005	293	33	217	16	25	43	103	730	3,710
2006	267	38	169	9	26	30	84	623	3,752
2007	325	27	185	8	14	30	60	649	3,667
2008	182	29	137	6	14	8	66	442	2,917
2009	160	31	123	6	20	23	47	410	2,691
2010	293	55	231	10	46	118	79	832	2,354
2011	192	33	256	4	47	74	49	655	1,720
2012	169	33	247	17	32	87	58	643	1,598
2013	123	33	266	15	49	43	47	576	1,540
2014	124	35	347	29	42	55	78	710	1,631
2015	221	21	403	21	54	77	101	898	1,722
2016	357	23	719	60	213	113	82	1,567	2,124

Notes:

¹ Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis. Excludes applications for dwellings and minor works on dwellings.

² Includes mineral working and industry.

³ Including the construction of offices, retail services, warehouses, mixed offices and retail outlets, mixed residential premises, offices and retail outlets, mixed residential premises and retail outlets, mixed residential, offices, retail and catering premises.

⁴ Including the construction of premises related to the provision of community and health, recreational and educational services.

⁵ Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions, change of use, minor new works and others.

Source: Malta Environment & Planning Authority.

Table 12 – Commercial Property European Market Indicators

City	OFFICES		SHOPPING CENTRES		WAREHOUSING	
	Prime Rents	Prime yields	Prime Rents	Prime yields	Prime Rents	Prime yields
	€(sqm/y)	(%)	€(sqm/y)	(%)	€(sqm/y)	(%)
Amsterdam	390	4.00	1,000	5.00	135	5.75
Barcelona	270	4.00	600	4.25	129	5.50
Berlin	360	3.25	1,380	3.75	150	5.25
Brussels	300	4.75	1,800	4.25	185	5.50
Bucharest	216	7.50	720	7.25	120	9.50
Budapest	264	6.25	1,140	6.00	96	7.50
Copenhagen	249	4.00	699	4.50	165	6.00
Dublin	646	4.50	3,500	4.50	290	5.25
Edinburgh	410	5.25	2,692	5.00	367	6.00
Frankfurt	474	3.80	1,560	3.75	170	5.25
Geneva	686	3.00	1,043	4.00	165	5.00
Hamburg	306	3.30	1,650	3.75	150	5.25
Helsinki	396	4.00	1,200	4.50	120	6.00
Lisbon	222	5.00	1,170	5.00	120	7.00
London (WE)	1,223	3.50	5,444	4.25	575	4.50
London (City)	856	4.25				
Madrid	348	3.90	600	4.25	156	5.50
Milan	520	4.25	850	5.50	300	7.00
Moscow	684	9.75	3,067	10.25	N/A	N/A
Munich	432	3.15	1,900	3.75	180	5.00
Oslo	448	3.75	1,251	4.25	136	5.75
Paris	772	3.00	2,500	3.75	180	4.75
Prague	240	4.75	1,560	4.75	120	7.00
Stockholm	669	3.50	816	4.25	216	5.50
Vienna	309	3.90	1,320	4.95	168	5.85
Warsaw	276	5.25	1,800	5.50	132	7.50
Zurich	732	3.00	1,372	4.00	183	5.00

Source: Knight Frank – European Quarterly Report Q2 2017

Table 13: Warehousing Property Index 1982-2016

Year	1998	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
WAREHOUSE	222.00	256.00	310.15	320.00	354.36	384.00	384.00	418.46	536.68	536.68	562.03	583.16	595.84	608.52	616.97	625.42	633.87

Source: DHIperiti in-house valuations 2017

Prime yields stand between 5% and 7% in most European markets. Converging of yields has also occurred in Central and Eastern Europe with prime yields in Prague at 7% and Warsaw standing at 7.5%, whilst Bucharest stands out at 9.5%.

Table 14: Office Premises Index 1988-2016

YEAR	1988	1993	1998	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
TYPE																			
OFFICES	100	141	203	260	260	233	255	253	278	274	266	281	306	310	320	326	350	378	410

Source: DHIperiti in-house valuations 2017

Prime European office yields vary from a low of 3.00% in Paris, Zurich and Geneve to a high of 9.75% in Moscow and 7.50% in Bucharest. Most European cities fall in the 3.25% to 5.25% averaging out at a yield of 4.39%.

Table 15: Office Characteristics 2017 For The MEPA Local Plan Regions

LOCAL PLAN	RENTAL RATE €/m ²	TOTAL FLOOR AREA m ²	AVERAGE FLOOR AREA m ²
Central Malta	133	23,878	282
North Harbour	162	27,025	204
Grand Harbour	191	5,020	176
Malta average 2017	149	62,275	204
Malta average 2016	127	79,946	298
Malta average 2014	125	24,848	275
Malta average 2012	132	47,917	198
Malta average 2010	110	29,220	187
Malta average 2007	100	59,560	317

Source: DHIperiti in-house valuations 2017

These are to be compared with the prime European office rents averaging out at €470/m² within a range of €1,223/m² in London(West End), Moscow at €684/m², Paris at €772/m², Frankfurt at €474/m², Dublin at €646/m², Warsaw at €276/m², Brussels at €300/m², Prague at €240/m², and Barcelona €270/m².

Table 16: Retail Premises Property Index 1982-2016

YEAR	1982	1987	1988	1992	1996	1997	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
TYPE																							
RETAIL	100	109	157	194	232	256	350	373	397	420	425	430	435	440	445	450	455	500	525	550	580	580	

Source: DHIperiti in-house valuations 2017

Prime European retail yields vary from a low of 3.75% in Paris, Berlin, Munich and Hamburg to a high of 10.25% in Moscow, however most European cities fall in the 4% to 5.5% range.

Table 17 – Comparing Maltese Commercial Rentals with the European Average.

Property type	Rental range of the Maltese Islands €/m ²	Capital Appreciation over 10 years	European best positioned Average rentals in €/m ² – (Max)	European Prime Yields
<i>Industrial</i>	up to €70	4.50% pa	€188/m ² (575)	5.0% - 7.0%*
<i>Offices</i>	€20 - €475	4.07% pa	€470/m ² (1,223)	3.25% - 5.25%
<i>Retail</i>	€70 - €450**	2.95% pa	€1,640/m ² (5,444)	4.0% - 5.50%

Source: DHIperiti in-house valuations 2017

Table 18 - Relative Economic Maltese Data Relating to Valuation Methodology 2017

From Central Bank's Yield Curve

CBM Base Rate 3.75% (2006) 4.25% (2007) 2.5% (2008) 1.0% (2009) 1.0%
(2010) 1.50% (2011)

0.75% (2012) 0.25%(2013) 0.15%(2014) 0.05%(2015) 0.025% (2016)

CBM	2004	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2 YR	3.25	3.50	4.50	4.25	2.40	1.85	1.87	1.87	1.06	0.75	0.17	0.03	-0.02
5 YR	4.25	4.00	4.70	4.50	3.65	3.00	3.31	2.80	2.23	1.75	0.71	0.37	0.25
10 YR	4.70	4.50	5.10	4.75	4.55	4.25	4.30	3.95	3.43	2.85	1.49	1.07	1.02
15 YR	4.95	4.50	4.90	5.25	4.95	4.75	4.90	4.85	4.35	3.85	2.11	1.76	1.66

Source: Central Bank of Malta