



Building Industry Consultative Council
Training & Research Centre

IMPLICATIONS OF THE PRESENT MALTESE RESIDENTIAL RENTAL MARKET.

**RENTAL MARKET PRESENTLY
PROBABLY MORE OF A
DILEMMA THAN THE HOUSING
AFFORDABILITY ISSUE!**

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TABLE 1 - RENTAL RATES – DHI Vs Times of Malta - 2016 is a doubling of monthly rental subsidy to €166.66

| | 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 | |
| 2013 to 2015 | 49% | 91% | 46% | 63% | 31% | 45% |

WHY THE HIKE IN RENTALS?

The 2014 Demographic Review gives an inkling, when referring to the foreign residents in Malta as compared to the Maltese population.

The total population of Malta at the end of 2014 stood at 429,344, up by 0.9 per cent when compared to 2013 (*NSO News Release July 2015*). The number of foreigners residing in Malta in 2014 stood at 27,476. This comprised nearly 14,000 being citizens of another EU member state, with the rest at 11,000 being third country nationals TCN's.

COLLECTIVE TOURIST ACCOMMODATION AS COMPARED WITH THE HOTEL INDUSTRY

Here shortlets are available at rentals from €35/night, exceeding €200/night in the peak season.

Gozitans have been undertaking these shortlets for Maltese for years.

GLOBAL COMPARISON FIGURES FOR 2016

Malta's monthly rental rate of €888 is to be compared with maximum rentals in:

London with a rate of €8,213, followed by Monaco at €7,480,

Singapore at €3,491, Hong Kong at €3,175, then France at €4,057, whereas Netherlands, Finland, Luxemburg and Denmark average around €2,400 then Germany, Belgium and the Czech Rep. come in around €1,450 rounding off with Cyprus at €757.

(Source Global property Guide 2016)

TABLE 2: 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 |
|------------------|--|--|--|--|--|
| Bugibba internal | 8% | 3.60% | 3.25% | 5.01% | 6.32% |
| Qawra internal | 8.50% | 4.30% | 2.75% | 4.89% | 6.45% |
| Sliema front | 5.50% | 2.00% | 3.50% | 4.20% | 2.26% |
| Sliema inner | 5.50% | 4.10% | 4.50% | 5.90% | 5.60% |
| St Julian's | 7.50% | 3.50% | 3.75% | 6.63% | 9.62% |
| Swieqi | 7.00% | 4.15% | 4.18% | 5.64% | 6.96% |

RENTAL VALUES

Table 2 now notes the more sustainable residential rental capitalization rates, which since 1997 have shifted to the more realistic market residential annual capitalization rates, as standing at between 4.20% and 6.63% in 2015 & 3.0% - 5.10% in 2011, from the 5.5% - 8.5% highs in 1997.

However for 2016, these are again noted unrealistic similar, back to 1997.

GLOBAL COMPARASION OF RENTAL YIELDS

To be noted that the ex-Soviet satellite countries together with ex-Yugoslavia countries have yields exceeding 5%, with Moldova at 10% and Ukraine at 9.09%.

The Czech Republic has a yield of 4.18% with Cyprus at 4.21%, Greece at 4.17% and Andorra at 3.41%. On the other hand, Austria has the lowest rental yield at 2.18%.

(Source: Global Property Guide research – 2016)

CAPITALIZATION RATES

Now the rental market is a better indicator of the housing market, as people will pay the rental amount that is fair. This thus notes that with the high capitalization rates for 1997, this gives an indication that the market was underpriced at that point in time. Corrections to the market price occurred over the period 2004 – 2007.

In 2016 it is noted that the capitalization rate is again on the high side having topped the 4.35% range and is an indication of under-pricing to the market value of property.

TABLE 3 HOUSING AFFORDABILITY INDEX FOR THE MALTESE ISLANDS – HAI

| | Mortgage Monthly Payment | | Medium Monthly Family Income** | Qualifying Monthly Income | | HAI | | House Price: Earnings Ratio |
|-------------|--------------------------|------|--------------------------------|---------------------------|-------|---------------------|-----|-----------------------------|
| | <i>3-bed/2-bed/r</i> | | | <i>3-bed/ 2-bed/r</i> | | <i>3bed/2 bed/r</i> | | |
| 1982 | €140 | € 56 | € 229 | €559 | € 391 | 77 | 110 | 4.28 |
| 1987 | €161 | €114 | € 564 | €643 | € 457 | 88 | 123 | 4.23 |
| 1992 | €252 | €168 | € 745 | €1006 | € 531 | 74 | 111 | 5.27 |
| 1997 | €384 | €247 | € 995 | €1537 | €988 | 65 | 101 | 5.80 |
| 2002 | €394 | €263 | €1215 | €1575 | €1057 | 77 | 116 | 5.60 |
| 2006 | €606 | €429 | €1665 | €2119 | €1500 | 79 | 111 | 7.22 |
| 2007 | €673 | €478 | €1738 | €2152 | €1670 | 74 | 104 | 6.97 |
| 2008 | €615 | €410 | €1798 | € 2152 | €1435 | 84 | 125 | 6.58 |
| 2009 | €478 | €319 | €1872 | €1673 | €1118 | 112 | 168 | 6.11 |
| 2010 | €472 | €315 | €1914 | €1652 | €1102 | 116 | 174 | 5.99 |
| 2011 | €469 | €315 | €1959 | €1641 | €1103 | 119 | 179 | 5.29 |
| 2012 | €448 | €305 | €2058 | €1568 | €1067 | 132 | 192 | 5.05 |
| 2013 | €461 | €314 | €2144 | €1613 | €1099 | 133 | 196 | 4.99 |
| 2014 | €472 | €322 | €2237 | €1652 | €1127 | 135 | 200 | 4.93 |
| 2015 | €504 | €346 | €2325 | €1764 | €1211 | 132 | 192 | 5.28 |
| 2016 | €520 | €358 | €2354 | €1820 | €1253 | 130 | 189 | 5.44 |

RECOMMENDATIONS

The impact on social renting has to be re-addressed. Rents are now unaffordable for the socially deprived in our society.

The high rentals are an indication that the market value of residential units are presently underpriced. Once a correction to the market value is undertaken, the affordability of owning one's residence will re-emerge.