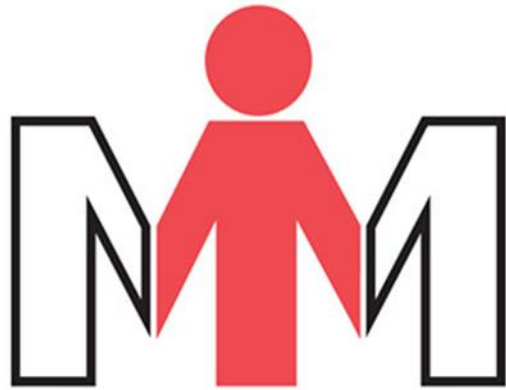


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**MALTA**  
INSTITUTE OF MANAGEMENT

## Malta's Rental Market: A bubble to burst?

The present housing  
rentals - its effect on  
Housing Affordability!

# HOME OWNERSHIP & VACANCY RATES

## TABLE 1: HOME OWNERSHIP RATE AS OF CENSUS DATE

YEAR	1948	1957	1967	1985	1995	2005	2011
%	23.1	26.1	32	53.9	68	75.2	77.0

## Table 2: VACANCY HOUSING RATES OVER THE VARIOUS MALTESE CENSUSES

YEAR	1861	1881	1891	1901	1911	1921	1931	1957	1967	1985	1995	2005	2011
%	25	29	20	20	22	19.9	19.4	4	14.9	19.2	23	27.6	31.7

# CHANGING DEMOGRAPHICS OF THE MALTESE ISLANDS

The total population includes both Maltese and non-Maltese nationals. Of the total population of 475,701 (NSO 2018) 36,453, or 8.3%, are non-Maltese nationals, an increase of 200 per cent over 2005 Census, where the number of non-Maltese nationals stood at 12,112, or 3 per cent, of the total population.

The number of foreigners residing in Malta in 2015 stood at 30,923. This comprised nearly 43% being citizens of another EU member state, with third country nationals TCN's standing at 44%.

2017 experienced the highest positive net migration for a decade standing at 14,523 persons.

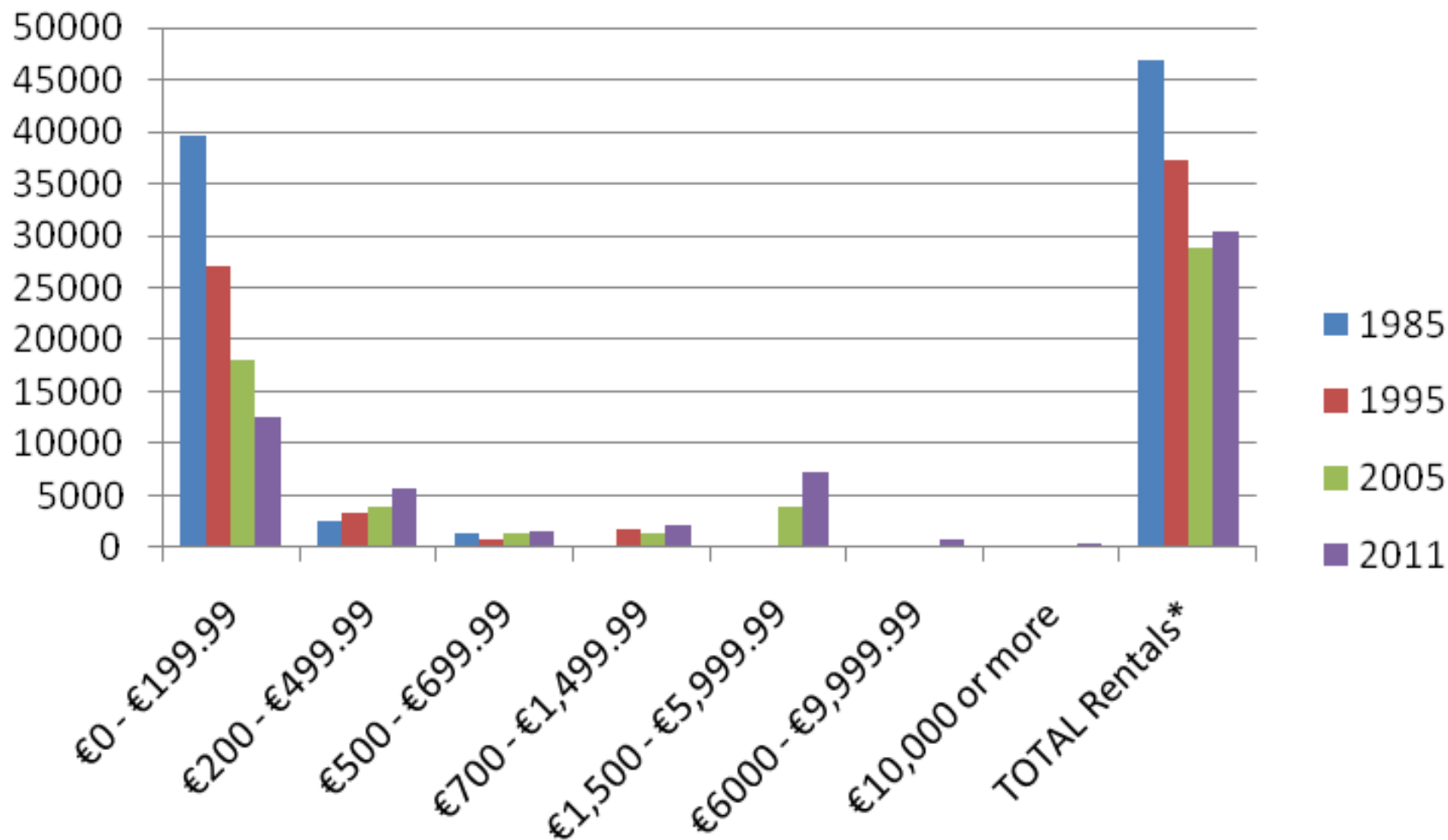
# MONTHLY APARTMENT RENTALS

TABLE 3 - DHI - TOM 2018.						
	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
2018	€ 1,444		€ 1,289		€ 960	

The above residential/rental information is obtained from Estate Agents web sites. Table above notes the average monthly rent for a 3-bedroomed hovering around €1,450 per month.

According to the Global Property Guide 2018, Malta's monthly rental rate of €1,540 is to be compared with London with a rate of €8,213, followed by Monaco at €7,480, Singapore at €3,498, Hong Kong at €6,445, then France at €3,564, whereas Netherlands, Finland, Austria, Ukraine and Denmark average around €2,380 then Germany and Belgium, Portugal, Czech Rep. come in around €1,447 rounding off with Cyprus at €786.

# CHART 1: DISTRIBUTION ON RENTAL AMOUNTS WITHIN THE CENSAL PERIODS 1985-2011



\*includes for free accommodation

# RENTAL VALUES FOR VARIOUS LOCALITIES AS A % OF MARKET VALUE

TABLE 4: 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	Rental value as % of market value - 2018
Bugibba – internal	8%	3.60%	3.25%	5.01%	6.32%	5.08%	5.60%
Qawra - internal	8.50%	4.30%	2.75%	4.89%	6.45%	5.93%	5.30%
Sliema front	5.50%	2.00%	3.50%	4.20%	-	3.48%	4.13%
Sliema inner	5.50%	4.10%	4.50%	5.90%	5.60%	5.97%	6.63%
St Julian's	7.50%	3.50%	3.75%	6.63%	9.62%	6.05%	5.45%
Swieqi	7.00%	4.15%	4.18%	5.64%	6.96%	6.70%	4.52%

Source: DHIperiti in-house valuations 2018

A **real return of 4%** from market to value housing rents has long been settled upon.

# PROPERTY BUBBLES

TABLE 5: AFFORDABLE PROPERTY RATES €/SQM FOR THE MALTESE ISLANDS OVER A 36 YEAR PERIOD

Locality	1982	1987	1992	1997	2002	2007	2012	2014	2015	2016	2017	2018	%growth rate Pa 1982-2017
Malta	163	212	349	512	629	1211	1134	1203	1282	1336	1718	1856	6.62%

A housing bubble is said to occur if:

Real prices have at least doubled during a 5-year period, table 5 above notes that this has occurred for Malta from 2002 – 2007.

Real prices have increased with at least 50% during a 3-year period. Table 5 again demonstrates this to have occurred from 2002 – 2005. **50% increase has reoccurred in 2015 – 2018?**

A little property bubble will occur if the price earnings ratio is less than 6 and a serious bubble will occur if higher than 10.

# TABLE 6: HOUSING AFFORDABILITY INDEX FOR THE MALTESE ISLANDS - HAI

Year	Mortgage Monthly Payment		Medium Monthly Family Income**	Qualifying Monthly Income		HAI*		House Price: Earnings Ratio
	3-bed/2-bed/r			3-bed/ 2-bed/r		3bed/2 bed/r		
1982	€140	€ 56	€ 429	€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
2011	€469	€315	€1959	€1641	€1103	119	179	5.29
2012	€448	€305	€2058	€1568	€1067	132	192	5.05
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
2017	€668	€453	€2521	€2338	€1585	108	159	6.25
2018	€723	€480	€2653	€2530	€1680	105	158	6.41

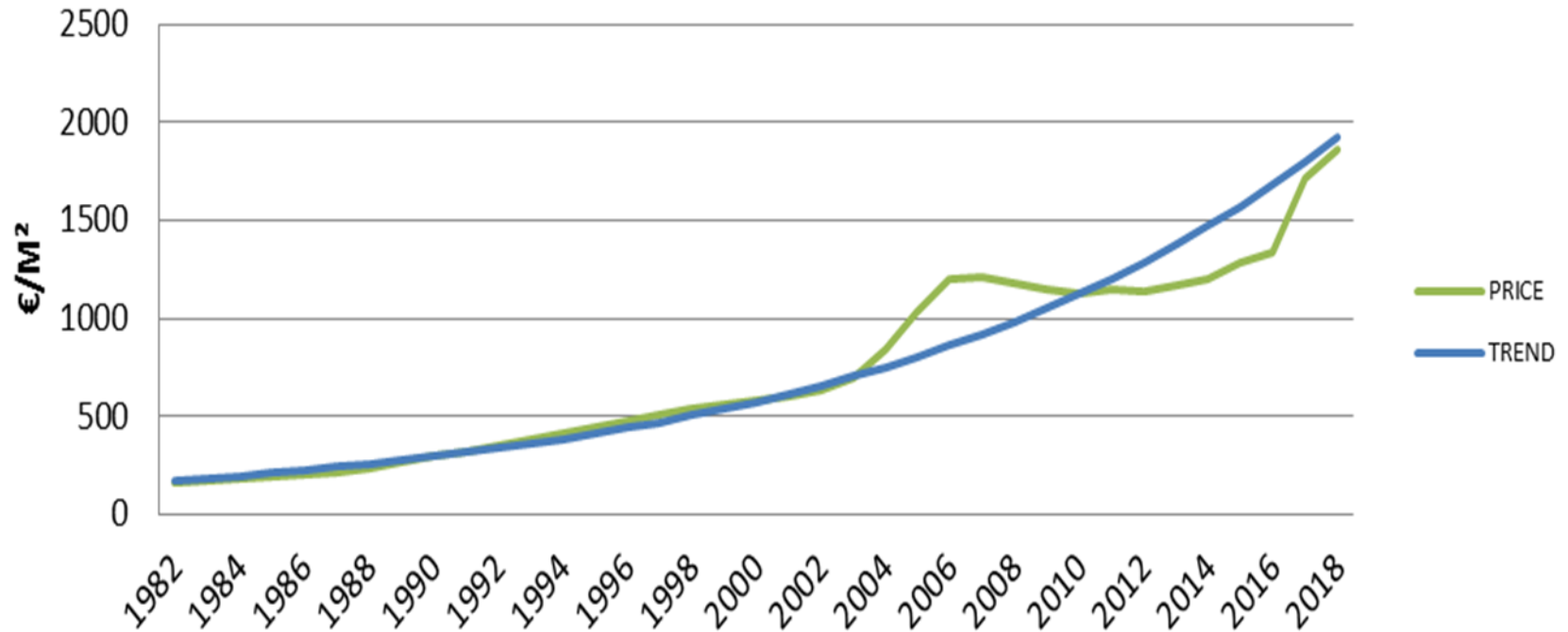
\* An HAI of 100 according to the US National Association of Realtors' signifies that a family earning the median household income just qualifies for a median residence, whilst with a HAI of less than 100 signifies that the median family has to do away with other necessities.

\*\*the median family income is factored at 1 for 1982, and by 1.35 for 2002 increasing to 1.65 for 2018 to account for the effect of the 2<sup>nd</sup> wage earner.

Source: updated table Camilleri 2018



## MALTA AFFORDABLE PROPERTY IN €/M<sup>2</sup> OVER THE PAST 36 YEARS



Malta's affordable property annual increases for 2014/15 at 6.6%, 4.2% for 2015/16, 28.6% for 2016/17 & 8% for 2017/18 are to be compared with the past 36-year average at 6.6% pa.

Note the time lag between rental and property price increases

# What Next - Affordable Housing Mechanisms!

TABLE 7: MARKET VALUES + CONSTRUCTION COSTS OF OPEN & AFFORDABLE PROPERTY MARKET APARTMENTS				
	MARKET VALUE €		CONSTRUCTION COSTS € (€/m <sup>2</sup> )	
	OPEN	AFFORDABLE	OPEN	AFFORDABLE
1 BEDROOM ST JULIANS	128580	42860	34360 (640)	30660 (572)
2 BEDROOM MSIDA	143482	47827	48850 (618)	43427 (550)
3 BEDROOM MELLIEHA	183781	61260	57512 (520)	50487 (457)

TABLE 8 RENTAL & MORTGAGE OF OPEN & AFFORDABLE PROPERTY MARKET APARTMENTS						
	OPEN MARKET		%	AFFORDABLE MARKET		BLDG COSTS (€/m <sup>2</sup> )
	RENTAL €/MONTH	MORTGAGE €/MONTH 3.25% /10%		affordable/ open	RENTAL €/MONTH	
1 BEDROOM ST JULIANS	623	462	33	208	171	149 (572)
2 BEDROOM MSIDA	695	515	33	232	191	210 (550)
3 BEDROOM MELLIEHA	890	660	33	297	244	245 (457)
1 BEDROOM ST JULIANS	623	462	60	374	307	149(572)
3 BEDROOM MELLIEHA	890	462	33	374	307	436(900)

**THANK YOU**

**FOR YOUR ATTENTION**