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Property market mechanisms of the Maltese islands 2023

MAIN REPORT

Introduction

Revised estimate of the total population of Malta and Gozo at the end of 2022 stood at 542,051, accounting for a 4.3% increase from 2021 census data. The recorded increase in population was driven by a total net migration of 21,798 people, of which 83.1% are third country nationals. Of the total popoulation, 404,675 people are Maltese citizens while 137,376 are foreign residents.[1,2]

In 2021 the total population of Malta and Gozo stood at 519,562[3], having a marginal increase of 0.97% when compared to 2019 population which stood at 514,564. These figures include both Maltese and non-Maltese nationals. 2020 recorded the lowest increase in total resident population since 2010. In the previous census held in 2011, the population grew by 3% from 2005 where the population stood at 404,962 to 417,432, indicating a slowdown in population growth with an average annual increase of 1,849 compared to nearly 2,700 evidenced in the previous decennium.

The 2020 decrease in population growth in Malta corresponds with that of other EU countries, mainly due to the global impact of the COVID-19 pandemic on demographic shifts. In fact, the total population of the EU shrunk by 0.1%, equivalent to 312,000 persons.

The number of foreign workers registered with Jobsplus at the end of 2022 amounted to 96,970, noting an increase of 20,575 foreign workers when compared to the previous year. The absolute increase of 27% in foreign workers from the previous year is more drastic than increases noted in the pre-COVID period. The composition of foreign workers has changed drastically between 2016 and 2022. The majority of foreign workers in 2016 were EU nationals amounting to 71%, whilst only 29% were Third country nationals, and 12% were from the UK. Through the six-year period the composition of foreign workers has overturned, being majorly composed of third country nationals at 58%, whilst EU nationals amount to 37% and UK nationals dropped to 5%. The increased percentage of Third county nationals entailed a shift in sharing arrangements, with a higher occurrence of overcrowding in accommodation to reduce their rental costs.[4,5,6]

The number of non-Maltese residing in Malta in 2021 was equivalent to 115,449, amounting to 22.25% of the total population. Approximately a third of all foreigners resided in St Paul’s Bay, Sliema or Msida, with St Paul’s Bay seeing a doubling in residents. St Paul’s Bay has surpassed Birkirkara as it recorded the largest population in Malta exceeding 32,000 residents. The number of foreigners residing in Malta in 2019 stood at 72,102. For 2019, this comprised of 54.8% being third country nationals, whilst 43% being citizens of another EU member state. From the 55,000 EU nationals working in Malta of which 80% are single, Italians top the list at almost 8,000 (of whom about 1,500 are in the catering industry), followed by just under 5,000 from Britain. With over 5,000 foreign EU nationals, the arts, recreation, and entertainment industry (i-Gaming predominantly) attract the highest number. 2019 experienced the highest positive net migration for a decade standing at 17,102 persons.

[1] *NSO News Release July 2023*
[2] *Times of Malta Article: Fact-check: Do foreigners outnumber Maltese? [August 2023]*
[3] *Lovin Malta, Malta Census: More than one in five residents on the island are foreign*
[4] *Housing Authority The Private Rental Market in Malta 2023*
[5] *Jobsplus website, Foreign Nationals Employment Trends*
[6] *Times of Malta Article: Non-EU workers twice as likely to leave job within first year than Maltese [August 2023]*

Malta ranked first among all EU Member States in terms of population density, with an average 1,720 persons per square kilometre, compared with the EU average of 109 persons per square kilometre. The second most densely populated country within the EU was the Netherlands, with 518 persons per square kilometre, whereas Finland was the least densely populated with an average of 18 persons per square kilometre.[7] Malta has the highest population density in Europe; however, the lived density provides a better comparison to the local reality. In fact, it is noted that Malta's lived density is comparable to similar-sized cities in Europe, ranging from 1,700 persons per square kilometre in Catania, (18,097 in the densest $1km^2$) to a maximum of 7,500 in Milan and Bucharest (25,208 & 32,812 in the densest $1km^2$ respectively). Therefore, when considering that the average density across all cities standing at 3,750, Malta's density of 1,720, stands at the lower end of this range, whilst being comparable to cities of similar total area coverage. The locality with the highest population density recorded in the 2021 Census is Sliema at 15,167 people living per km^2, comparable with the densest $1km^2$ of Riga standing at 14,246. The population density of Sliema surpassed Isla now standing at 14,418 people per km^2. [8,9]

The high population density was even more pronounced when analysed at regional and locality level. Mainland Malta is more densely populated than Gozo, with an average of 1,720 persons per square kilometre, compared with Gozo's 571 persons per square kilometre, where Rabat is the most densely populated town at 2,499 people per km^2.[12] An article published in mid-2019, notes that the population of St Paul's Bay has doubled in a decade to 29,097 surpassing Birkirkara at 24,356 residents. Swieqi and Msida note a similar increase in population as St Paul's Bay. These statistics reflect, the significant increase in the number of foreigners living and working on the island.[10]

Due to its strategic location and its high population density, Malta may be compared to Singapore and Hong Kong. However, this is where the comparison ends, as in its housing, Malta's is largely privately owned unlike Singapore's and Hong Kong's housing.

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[7] *The World Bank, Population density – European Union*
[8] *Times of Malta Article: Fact-check: Does Malta have the highest population density in Europe? (August 2023)*
[9] *NSO: Census of Population and Housing 2021 - Final Report*
[10] *Times of Malta Article: How Malta's population has soared in a decade.*

The Characteristics of the Housing Market in Malta over the past 74-year period.

This has been a period of high Homeownership, varying from just over 50% up to 77% over this period. This was not always such a high percentage when in 1948 this registered a mere 23.1 %, as noted in table 1. In 2019 homeownership then increased to 81.6%, 74.7% in 2021[11], whilst the 2021 census reported that nearly 75% of Maltese individuals owned their main residence, whilst in comparison, 52.8% of non-Maltese residents rented furnished accommodation.[12] This figure increased to 82.6% in 2022[13].

TABLE 1: HOMEOWNERSHIP RATE AS AT CENSUS DATE

YEAR	1948	1957	1967	1985	1995	2005	2011	2018	2021	2022
%	23.1	26.1	32	53.9	68	75.2	77.0	81.6	74.7	82.6

On the other the proportion of housing tenures in Malta, as at 2011, stood at :
Social housing: 5.1% (rented main dwellings government owned = 18.34%)
Private rent at market prices: 5.3%
Private rent at below market prices: 9.1%
Emphytheusis: 8.45% (0.9%)
Free of charge: 1.34% (2.6%).

In many countries a high homeownership rate is deemed politically desirable because it appears to be associated with a number of beneficial effects. For example, homeowners are said to have superior educational achievements, commit fewer crimes, and care more about their communities. On average, they are also wealthier and have provided for their retirement better than renters. Critics of a high homeownership rate raise the point that it interferes with labour market mobility, most probably not Malta’s case.

A majority of the population in each EU Member State lived in owner-occupied dwellings in 2016, between 52 % in Germany and 96 % in Romania. In 2016, more than one quarter (26.6 %) of the EU-28 population lived in an owner-occupied home for which there was an outstanding loan or mortgage, while more than two fifths (42.6 %) of the population lived in an owner-occupied home without a loan or mortgage. As such, 7 out of every 10 (69.2 %) persons in the EU-28 lived in owner-occupied dwellings, while 19.9 % were tenants with a market price rent, and 10.8 % were tenants in reduced-rent or free accommodation.

The share of people living in rented dwellings with a market price rent in 2016 was less than 10.0 % in 11 of the EU Member States. By contrast, close to two fifths of the population in Germany (39.8 %) and Denmark (37.9 %) lived in rented dwellings with a market price rent as did about three tenths of the population in Sweden (34.0 %), the Netherlands (30.3 %) and Austria (29.7 %), and around one fifth in Luxembourg (21.5 %), Greece (20.8 %) and Belgium (20.0 %). The share of the population that lived in rented dwellings with a market price rent was even higher in Switzerland where it just exceeded half

[11] *Eurostat: Housing in Europe (Source: https://ec.europa.eu/eurostat/cache/digpub/housing/index.html?lang=en)*
[12] *NSO: Census 2021 Volume 2 (2023)*
[13] *Online Source: Trading Economics, Malta Home ownership rate (based on EUROSTAT data) (https://tradingeconomics.com/malta/home-ownership-rate)*

(50.2 %). The share of the population living in a dwelling with a reduced-price rent or occupying a dwelling free of charge was less than 20.0 % in all of the EU Member States.

In 2016 in the EU, housing cost overburden of tenants renting at market prices was highest in Greece: 84.6 % of them spent more than 40 % of their equivalised disposable income on housing. The EU average was 28.0 %.[14]
This high homeownership was helped by an efficient mortgage market over this period with the mortgage rate varying from an initial stable 8% in a period of high global inflation rates, when similar overseas mortgage rates were above 12%, to the recent low mortgage rate of 3.15%.

A drop in the home ownership rate over the coming years is a possibility, due to prospective households harboring the idea of renting out instead of taking out a mortgage, due to the new affordability issue as revolving around the initial expenses issue. See section on Housing Affordability Index for more details.

The economic importance of the property market is related to the National GDP with a high 7.4% slice obtained from the Construction Sector due to the multiplier effect as evidenced at its highest in 2007 up from 4% in 2000, having a beneficial effect on other sectors, whilst the Real Estate sector is only 2nd in the importance of the compilation of the GDP. To date this effect although still important has a reduced effect due to the calming of the property market, especially in the residential sector. In 2021, 4.6 % of Malta's GDP was invested in housing, lower than the European average standing at 5.6%. Moreover, 4.7% of Malta's GDP was invested into the construction sector, standing lower than the European average standing at 5.5%[15]. These figures seem to conflict speculation on growth trends in construction registered in 2022, with an increase of 4.7% and 5.2% in Q3 and Q4 of 2022 respectively. In the first quarter of 2023, a decrease of -3.6% was recorded, reflecting global difficulties in the building construction sector.[16] Table 2 now notes the importance of the Construction Sector and the Real Estate sector over the period 1980 – 2014.

TABLE 2: PERFORMANCE OF CONSTRUCTION & REAL ESTATE ACTIVITIES OVER THE YEARS

	CONSTRUCTION			**REAL ESTATE ACTIVITIES**		
	1995	**2004**	**2014**	**1995**	**2004**	**2014**
BREAKDOWN OF VALUE ADDED	6.14%	7.76%	4.03%	5.68%	6.64%	5.59%
BREAKDOWN OF EMPLOYMENT	4.71%	6.37%	5.66%	0.28%	0.31%	0.32%

Source – Grech A.G, The Diversification of the Maltese Economy, CBM – 2015

14 *Eurostat – Housing Statistics 2016*
15 *Eurostat: Housing in Europe (Source: https://ec.europa.eu/eurostat/cache/digpub/housing/index.html?lang=en)*
16 *LovinMalta: a Statistical Exception: While EU Construction is on the Decrease, Malta Builds on*

Table 3 now notes the salubrious effect of both the Construction Sector and the real estate Sector with regard to the multiplier effect and their effect on job creation.

TABLE 3: VALUE ADDED AND EMPLOYMENT MULTIPLIERS: SELECTED SECTORS*

	Value Added	Employment
Construction	0.8	32
Real estate	1.0	7
Public administration	1.3	39
Education	1.5	56
Financial Services	1.2	32
Computer programming	0.9	18
Gambling & betting	0.6	7
Legal & accounting services	1.1	24
Manufacture of electronics	0.3	7
Manufacture of pharmaceuticals	0.8	12

*The multipliers show the impact on value added and employment of a €1 million increase in exogenous final demand for that sector. For instance a €1 million increase in the demand for electronics would generate a €0.3 million increase in gross value added in the economy and generate 7 additional jobs.

Source: Cassar (2015).

Source - Cassar, I. (2015), Estimates of output, income, value added and employment multipliers for the Maltese economy, Central Bank of Malta Quarterly Review 2015:1.

Affordable Housing over the past 41-year period

Affordable Housing is related to the ability to pay. This as opposed to social housing, where the State helps out those, not having the ability to pay for their accommodation. Affordable housing costs should not exceed 35% of gross household income. This signifies that households who would have to spend more than 1/3 of their net income to purchase a starter home are eligible for a housing sale at below market value. To be noted that normally financial institutions do not accept that the borrower pays more than 25% of the household income towards mortgage monthly repayments.

Over the past 41-year period 1982 – 2023, as per tables 4 and 5, it is noted that affordable house prices have increased by 1485%. Doubling in price occurred over the initial 10-year period 1982 - 1992, doubling again in price over the subsequent 10-year period 1992 - 2002 and then nearly doubling again in price over the 5-year period 2002-2007. Over the past 12-year period, the housing price in 2023 is 118.5% above the 2008 value. On the other hand, 32% of this increase occurred over 2018 – 2019, increasing to 7.2% over the trend value. The affordable house price growth over the 41-year period 1982 – 2023, stands at 6.85% pa as per table 4, decreasing to 5.35% pa over the past immediate 19-year period, as per table 5. The above, is to be compared with the gut feeling that growth rates for Maltese properties used to double in value over every 10 to 12-year period. This signifies that doubling of property values over this period will double over an 18 -year period

Table 4 further notes that for 2023 a 58% differential in market rate exists between the most expensive district Swieqi and the less expensive is the Fgura/Paola/Zabbar district, a slight increase when compared to the factor of 56% recorded in 2022 and a significant increase when compared to 2021 factor of 33%.

TABLE 4: AFFORDABLE PROPERTY RATES €/SQM FOR THE MALTESE ISLANDS OVER A 41 YEAR PERIOD

Locality	1982	1987	1992	1997	2002	2007	2012	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	%growth rate Pa 1982-2023
Fgura / Paola / Zabbar	105	128	256	408	466	987	893	1038	999	1016	1137	1493	1679	1753	2048	1877	1913	7.32%
M'scala	116	175	373	373	505	1001	881	980	992	998	1260	1585	1891	2060	2022	2051	2120	6.91%
Mosta / Naxxar	186	198	291	478	524	1242	1167	1180	1337	1443	1545	1649	2217	2077	2565	2543	2723	7.00%
San Gwann	151	175	256	431	557	1092	962	1076	1022	1152	1558	1742	2005	2131	2214	2390	2449	7.17%
Sliema inner prime	210	338	443	710	883	1373	1402	1457	1720	1756	2459	2303	2638	2755	2694	2715	3003	6.41%
St. Julians	186	233	408	547	687	1321	1186	1311	1369	1447	1998	2360	2455	2616	2608	2323	2857	6.80%
Swieqi	198	245	419	641	785	1473	1443	1376	1535	1539	2070	1864	2521	2398	2477	2920	3029	6.63%
Malta	**163**	**212**	**349**	**512**	**629**	**1211**	**1134**	**1203**	**1282**	**1336**	**1718**	**1856**	**2201**	**2256**	**2376**	**2403**	**2585**	**6.85%**
Trend	**173**	**241**	**337**	**471**	**658**	**920**	**1286**	**1460**	**1521**	**1693**	**1802**	**1920**	**2053**	**2071**	**2382**	**2523**	**2687**	**6.90%**
Gozo					**432**	**857**	**903**	**906**	**1029**	**1017**	**1106**	**1066**	**1137**	**1287**	**1619**	**1320**	**1546**	**5.29%**
Source: DHIperiti in-house valuations 2023																		

Further over the years, the affordable accommodation floor area has been shrinking, with a 3 bed/r apartment in 1982 having an average floor area of 135sqm, reducing by 2015 to 105sqm, whilst a 2 bed/r apartment in 1982 having an average floor area of 95sqm reducing to 80sqm by 2015. The MEPA (DC2014) document notes the minimum floor areas are being proposed from 45sqm to 55sqm for a 1-bed/r apartment, 76sqm to 90sqm for a 2 bed/r apartment & 96sqm to 115sqmfor a 3 bed/r/apartment.

This is comparable with the increase in single-member households in 2021, accounting for one-third (70,123) of the total. Two-member households and three or four member households each accounted for another third of residence typology.[17]

TABLE 5: AFFORDABLE PROPERTY RATES €/SQM FOR THE MALTESE ISLANDS OVER THE PAST 19-YEAR PERIOD

Locality	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	% growth rate Pa 2004-2023	% growth rate Pa 2014-2023
Fgura / Paola / Zabbar	678	762	928	987	961	948	971	906	893	961	1038	999	1016	1137	1493	1679	1753	2048	1877	1913	5.14%	9.41%
M'Scala	808	864	1032	1001	984	917	826	948	881	886	980	992	998	1260	1585	1891	2060	2022	2051	2120	5.27%	10.99%
Mosta / Naxxar	929	967	1149	1242	1176	1147	1154	1105	1167	1196	1180	1337	1443	1545	1649	2217	2077	2565	2543	2723	5.37%	10.24%
San Gwann	752	969	1251	1092	1100	981	965	1026	962	1111	1076	1022	1152	1558	1742	2005	2131	2214	2390	2449	5.47%	11.32%
Sliema inner prime	929	1316	1381	1373	1380	1322	1263	1398	1402	1361	1457	1720	1756	2459	2303	2638	2755	2694	2715	3003	5.59%	7.75%
St. Julians	839	1267	1246	1321	1299	1327	1311	1286	1186	1261	1311	1369	1447	1998	2360	2455	2616	2616	2323	2857	5.39%	9.20%
Swieqi	948	1058	1430	1473	1378	1367	1418	1348	1443	1399	1376	1535	1539	2027	1864	2521	2398	2477	2920	3029	5.14%	9.38%
Malta	**841**	**1030**	**1202**	**1211**	**1183**	**1144**	**1130**	**1146**	**1134**	**1168**	**1203**	**1282**	**1336**	**1718**	**1856**	**2201**	**2256**	**2376**	**2403**	**2585**	**5.35%**	**9.62%**
Trend	**753**	**805**	**861**	**920**	**984**	**984**	**1130**	**1146**	**1134**	**1509**	**1566**	**1521**	**1695**	**1802**	**1920**	**2053**	**2215**	**2382**	**2523**	**2687**	**7.04%**	**6.76%**
Gozo				**857**	**841**	**913**	**988**	**853**	**903**	**916**	**906**	**1029**	**1017**	**1106**	**1066**	**1137**	**1287**	**1619**	**1320**	**1546**	**3.69%**	**5.86%**

Source: DHIperiti in-house valuations 2023

Table 5 relating to the period 2004 – 2023, notes the average annual growth of 5.35% pa (Table 5), as reduced from the 41-year registered growth of 6.85% (Table 4). Swieqi and Fgura, Zabbar & Tarxien offered the lowest annual growth over the past 19-year period with a 5.14%pa, whilst all the other localities witnessed a growth rate higher than 5.2%pa. It is noted that whilst St Julians noted a significant increase from 2022, by 23%, whilst M'Scala and Fgura, Zabbar & Tarxien experienced the lowest increases from 2022 by 3.35% & 1.90% respectively.

Properties located in the South of Malta have always experienced the lowest property values. Tables 4 & 5 note that up to 2007 the lowest property market rate was located in the Fgura, Tarxien, Zabbar, however, from 2008 till 2021 the lowest market rate was experienced in M'Scala. In 2022 & 2023 the lowest property market rate is experienced by the Fgura, Paola, Zabbar region. According to the 2011 Census Fgura, Zabbar & Tarxien have all experienced nominal population growths over the inter-censal period. However, M'Scala over this inter-censal period has witnessed an 18.3% growth and probably still growing, as many foreign residents are relocating to M'Scala. This is not surprising as this region provides the most affordable properties.

The number of final deeds of sale of residential property in May 2023 amounted to 1,080, noting a 13.7% decrease from May 2022, with a total property value of €252.5 million. On the other hand, the promise of sales agreement of residential property amounted to 1,304, noting an increase of 15.9% from last year's figure. Approximately 90% (978) of the final deeds for sale were made by individual buyers, the highest of which were recorded in the Northern Harbour District and the Northern District, whilst the lowest numbers were recorded in the Western District, and the Gozo and Comino district.[18]

The 2021 Census notes that in this decade dwelling stock experienced a growth of 7,345 dwellings per year, further recording the largest intercensal growth in dwellings as over the century 1921-2021, the

[17] *Times of Malta article: "More living on their own, installing ACs and internet" (September 2023)*
[18] *NSO News Release (Residential Property Transections: May 2023)*

dwelling stock more than quadrupled. San Pawl il-Bahar, L-Imsida and Il-Mosta, recorded the largest increases in dwelling stock over the Census 2011, whilst the most significant decreases were recorded in Valletta, L-Isla and San Lawrenz in Gozo. The increase in dwelling stock and its density in certain localities correlates with population increases experienced in the past decade.[19]

Malta's affordable property annual increases for 2013 at 3%, 3% for 2014 & 6.5% for 2015, following a total drop in value of 6.36% over the years 2007-2012, is to be compared to what is happening over the globe. To be further noted however, that the affordable property rate in Gozo at €1,546/sqm for 2023 has increased slightly by 17.1% over its 2022 value. It is to be noted that Gozo over the past 15-year period has been subjected to a 2% pa increase in value, as compared to Malta which has been subjected to a 4.17% annual increase in value over the same period. The Maltese 2nd home market carries a positive outlook on the Gozo property market, with the Gozo market standing at 52% of the Maltese value. Further improvements may be registered due to the reduction in stamp duty applied on the purchase of Gozo properties.

Development permits in Gozo have increased by more than 240% since 2013. Projects outside the development zone have been rapidly increasing, as noted by the permit figures of 2020 which indicate that 21% of development permits in Gozo were within ODZ. In 2020, 266 permits were for apartments, which can be contrasted with the 37 apartment permits in 2013, highlighting the rapid increase in development in Gozo.[20] In the first quarter of 2023, Gozo, recorded a drop of 29% in the number of approved dwellings. [21]

[19] *NSO: Census 2021 Volume 2 (2023)*
[20] *Loving Malta: Permits in Gozo increase by 240% since 2013 with ODZ permits increasing rapidly [May 2021]*
[21] *Times of Malta Article: Permits for new homes drop from Q1 2022 highs [May 2023]*

Housing Bubbles & Trend Line.

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 & again from 2015 -2018.

Thus, Malta's residential market had been subjected to a property bubble as from 2002 up to 2007, correcting it in 2010. On the other is another property bubble presently being initiated in the affordable market? As noted further down in the HAI section, this bubble was not considered too serious, but substantial.

CHART 1 reflects the affordable Maltese property growth rate over the past 41 years, with an average growth rate over this period of 6.85% pa. The boom years 2002 – 2007 & the slump years 2008- 2004 are identified. On the other hand, the overshoot onto the upper portion of the chart for 2019, is indicative that once again the property market is being charted into the unaffordable range for the 1st time buyer.

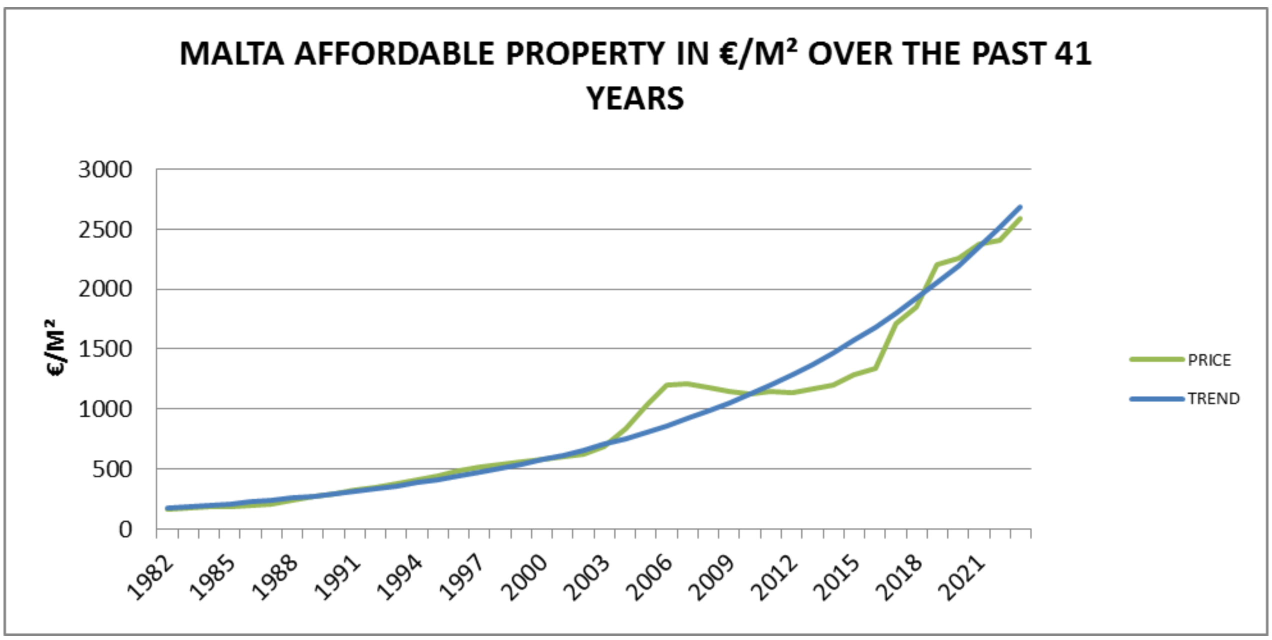

CHART NO.1: MALTA AFFORDABLE PROPERTY IN €/M² OVER THE PAST 41 YEARS

The Trend line plotted over this period as per Chart 1 shows that the property market line coincides in the initial years 1982 – 1997 with the trend line, but underperformed for the period 1997 – 2002 as outlined above. Over the period 2004 – 2008 as per Table 5 the property market had overshot the trend line with the actual value for 2006 standing at €1202/sqm as compared to the expected growth over the past 24 year period, which worked out at €959/sqm. This discrepancy in values signified that a purchase undertaken in 2006 for an affordable property was purchased at a price 36.75% higher than the trend value. On the other hand, in 2016 an affordable property was being purchased 21% cheaper than the trend line value as noted in table 5. In 2018 affordable property was purchased only 3.333% below the trend line. In 2019 affordable property price stood at 7.2% above the trend line, thus being more expensive. In 2020 affordable property price stood slightly above the trend line, having a 1.8% difference, which however flattened out in 2021 coming back in line with the trend value, an effect of the Pandemic in place. In 2023 affordable property value stands at 3.8% below the trend line.

Chart 1 now notes that the bust property cycle is again on its upswing, with a housing affordability problem with us again. This will possibly occur in the coming year, if measures are not taken to counteract this Housing Affordability dilemma.[22] Discussions are presently ongoing on the provision of affordable housing based on 30% - 60% of the present market values.

On the other hand, the post Covid_19 will all alter the anticipated mechanisms of Chart No. 1. With the ensuing drop in value of residential premises not in the 40%-60% drop as experienced by some of the western countries, but below 10% over the financial meltdown of 2008 – 2009, hence Malta had then experienced a limited bite in the property bubble. Will this limited bite again re-appear post Covid_19, or will the effect of this pandemic on the residential property market, this time round be larger?

[22] *See HAI section on page 11*

The Maltese Up market Housing Market.

This market is defined as those properties which attract a market rate 2.5 X higher than the affordable market.

The above average affordable Malta house rate of €2,585/sqm is to be compared with the up market residential developments that presently average out at €5,253/sqm, with the highest figure recorded in Gozo at €3,851/sqm as noted in table 6. Furthermore, the annual growth rates of these up-market developments have been subjected to growth rates varying from 15% pa down to 1% pa, as compared to the comparable growth rate for affordable properties over the same 41-year period at 6.85% p.a.

TABLE 6: SEAFRONT PROPERTY COMPARED WITH INTERNAL PROPERTY OVER A 17 YEAR PERIOD IN EURO/SQM.

	2006		2007		2008		2009		2010		2011	
Location	front	int	front	int	front	int	front	int	front	int	front	int
M'Scala	1473	1032	1696	1001	1413	985	1186	918	957	826	2307	948
Sliema	3246	1383	2602	1373	3296	1380	3428	1322	3311	1263	3086	1398
St Julians	1575	1245	2973	1322	2856	1299	2991	1327	2905	1311	4067	1286
Gozo					1705	841	1484	913	988	988	1462	853
Malta	2098	1220	2424	1232	2522	1221	1088	1189	2391	1134	3153	1211

	2012		2013		2014		2015		2016		2017	
Location	front	int	front	int	front	int	front	int	front	int	front	int
M'Scala	-	881	802	886	693	980	1492	992	2763	998	2118	1260
Sliema	3706	1402	2381	1361	4591	1457	4063	1720	7417	1756	6728	2459
St Julians	1963	1186	2460	1261	2478	1311	4300	1396	5610	1447	4927	1998
Gozo	1548	903	459	916	0.00	906	2245	1029	1996	1017	1854	1106
Malta	2835	1157	2420	1169	2587	1249	3285	1249	5263	1249	4591	1906

	2018		2019		2020		2021		2022		2023	
Location	front	int	front	int	front	int	front	int	front	int	front	int
M'Scala	2593	1585	2707	1891	3223	2060	2375	2022	3074	2051	3,614	2120
Sliema	4931	2303	4891	2638	4276	2755	7229	2694	3444	2715	6,308	3003
St Julians	4535	2360	4513	2455	3836	2616	4981	2608	4680	2323	5,836	2857
Gozo	1924	1066	2315	1137	1737	1287	3682	1619	5021	1320	3,851	1546
Malta	4020	2083	4037	2328	3778	2477	4862	2442	3733	2363	5,253	2660

Source: DH Camilleri in-house valuations 2023

The prime residential property market, with this related to wealth is not subjected to the same market influences as that of the affordable market. The prime market, which is fixed in demand, is influenced by the same trends as in the luxury retailing. In general, over a long-time span luxury prices have been rising every year by an additional 2.6%, compared to general prices, confirming the superior growth rates for Maltese prime properties as noted above. Wealth exists in Malta, providing for the need of a prime residential market, whereby growths are above the mainstream growths. As wealth increases, luxury products and services continue to rise in value, as they are more desirable the more expensive they are, with prime property being the ultimate product.

These up-market developments may be compared to similar developments in London at €26,164/sqm, Singapore at €26,164/sqm and Geneva at €24,042/sqm, whilst New York (Manhatten) is at €26,957/sqm. On the other hand, Sydney comes in at €20,218/sqm Paris is at €20,688/sqm, and Beijing commanding a €15,338/sqm price tag. The wealthiest location is still Monaco at €52,329/sqm.[23]

[23] *Knight Frank – The Wealth Report – 2023*

Global Property Guide Update Q2 2022: World's housing markets are now visibly cooling

House prices rose in 49 countries, and declined in only 9, of the 58 world's housing markets which have so far published housing statistics during Q2 2022. But this is actually an illusion! High inflation in most countries makes it appear that house prices are still rising strongly.

When we adjust for inflation, house prices have risen in only 34, and actually declined in 24 countries during the year to Q2 2022.

In fact, in terms of momentum, most of the world's property markets are now showing signs of slowdown. Momentum is visibly weaker in real terms: only 12 out of the 58 world's housing markets showed stronger momentum than last year, while the remaining 46 housing markets showed weaker momentum. Momentum is a measure of the "change in the change"; simply put, momentum has increased if a property market has risen faster this year than last (or fallen less).

This may indicate that the global housing boom may be beginning to run out of steam, which is not surprising given the combined adverse effects of deteriorating affordability, soaring inflation, the Ukraine crisis, as well as the continuing Covid-19 pandemic.

During the year to Q2 2022:

- In the United States, always a key market, momentum has weakened, with both the Case-Shiller and FHFA indices still rising, but at a noticeably slower pace, amidst falling demand and negative homebuilder sentiment.
- Europe's house price boom is dramatically slowing, with only 7 out of the 27 European countries included in our global survey showing stronger momentum in Q2 2022 compared to a year earlier. Key European markets such as Germany and UK are losing steam while Spain and Italy's real house prices are now falling.
- Asian housing markets are weakening further. Only 3 of the 14 Asian countries included in our global survey showed stronger momentum in Q2 2022 compared to a year ago. The exceptions include Vietnam, Taiwan and Japan.
- Pacific housing markets remain fundamentally strong, yet the pace of house price growth is decelerating.
- The Middle East and Latin America are mixed markets, but more have been losing steam than rising.

The strongest housing markets in our global house price survey during the year to Q2 2022 included: Turkey (+45.88%),HCMC, Vietnam (+19.44%), Romania (+14.17%), Iceland (+12.92%), and New Zealand (+11.99%), using inflation-adjusted figures.

The biggest y-o-y house price decline were in Colombo, Sri Lanka (-35.55%), Bogota, Colombia (-14.64%), Egypt (-14.09%), Cambodia (-11.65%), and Puerto Rico (-10.95%), again using inflation-adjusted figures.

In its July 2022 World Economic Outlook Update, the International Monetary Fund (IMF) slashed its 2022 global economic growth projection again to 3.2%, down from its April's estimate of 3.6%, and from the previous year's strong growth of 6.1%.

Inflation has been a factor in house price rises in many countries. Most obviously in Turkey. Turkish inflation was a scary 79.6% in July 2022 – the highest in 24 years. Turkish house prices have risen by 160.57% during the year to Q2 2022 – and even in inflation-adjusted terms Turkish house prices have risen by a huge 45.88%.

To rein in inflationary pressures, many central banks are now raising their key interest rates rapidly. High inflation reduces consumers' purchasing power while successive rate hikes increase borrowing costs – both essential recipes for a disastrous housing market crash. Add the gloomy and uncertain global economic outlook and the fallout from the Russian invasion of Ukraine, and the prospect for the world's housing markets are now overwhelmingly tilted to the downside.

THE WORLD'S REGIONS:

Europe's housing market growth slowing

House prices have risen in 19 of the 27 European housing markets for which figures were available in Q2 2022. Yet only 7 countries had stronger momentum in Q2 2022 compared to a year earlier. The pace of growth is noticeably slowing, amidst the economic repercussions of the Covid-19 pandemic, coupled with the ongoing Ukraine crisis and global supply chain disruptions. Some notable exceptions are Turkey, Romania, and Iceland.

Turkey's housing market is the strongest globally, with a 45.88% annual price increase in Q2 2022, driven by high demand and foreign investment, especially due to the falling lira. However, Turkey faces hyperinflation and economic instability, partly due to unorthodox policies by President Erdogan. Romania's housing market also shows strong growth, with a 14.17% increase, while other European markets, like Iceland and Russia, also saw notable rises. Meanwhile, the UK's and Germany's housing markets are cooling due to inflation, rising mortgage rates, and declining demand. Modest price increases were noted in countries like Sweden and Norway.

Europe's weakest housing markets

The housing markets in Poland, Ukraine, and Spain are deteriorating, largely due to inflation, economic fallout from the Ukraine crisis, and lingering pandemic fears. In Poland, house prices fell by 7.64% in Warsaw in Q2 2022, while the economy is still expected to grow by 5.2%. Ukraine's housing market saw a significant decline, with prices in Kiev dropping by 6.43%, as the war with Russia continues to devastate its economy, projected to shrink by up to 45.1%. Spain also saw house prices drop by 6.27%, despite a forecasted 4% economic growth. Other European countries, including Italy, Latvia, and Denmark, also experienced moderate price declines

Pacific housing markets continue to grow, albeit at a slower pace

The Pacific house prices continue to rise. But the rate of growth in both Australia and New Zealand has unsurprisingly weakened, given slowing demand caused by rising interest rates and declining purchasing power of consumers caused by soaring inflation.

Australia's house prices continued to rise by 7.04% in the year to Q2 2022, though demand and construction activity are weakening. National sales fell 16%, with Sydney and Melbourne seeing significant drops. Dwelling approvals also plunged by 22% in early 2022. Despite this, Australia's economy is expected to grow by 3.25% in 2022. In New Zealand, house prices rose by 11.99% in Q2 2022, but demand plummeted, with property sales down 36.7% due to rising interest rates, inflation, and new lending rules. New Zealand's economy is projected to grow by 2.7% in 2022, following strong growth in 2021.

Asian housing markets weaken further

House prices rose in half of the fourteen Asian housing markets included in our global house price survey. However, only three countries showed stronger momentum in Q2 2022 compared to a year earlier. Striking exceptions to the slowdown in Asian markets include Vietnam, Taiwan, and Japan.

Vietnam’s property market rebounded strongly in Q2 2022, with apartment prices in Ho Chi Minh City rising by 19.44% year-on-year, following declines in previous years due to the pandemic. The economy is projected to grow by 6% in 2022. Taiwan's housing market is also accelerating, with prices up 10.79% year-on-year, supported by healthy demand, despite cooling measures. Japan saw a 10.21% rise in Tokyo condo prices, though demand is weakening. Other markets like South Korea, Singapore, Beijing, and Pakistan also experienced price growth, though weaker compared to previous years, with positive quarterly increases in most countries.

Asia’s weakest housing markets

Sri Lanka’s housing market is the weakest globally, with high-end condominium prices in Colombo plunging by 35.55% year-on-year in Q2 2022, amid the country’s severe economic and political crisis. The nation is near bankruptcy, facing shortages of basic necessities, though a preliminary $2.9 billion IMF bailout has been reached. Cambodia's housing market is also struggling, with high-end condo prices in Phnom Penh dropping 11.65%, continuing a trend of oversupply. Hong Kong's housing market is fragile, with prices down 5.2%, alongside plunging sales. Other weak Asian markets include Macau, the Philippines, Thailand, and Indonesia, all seeing price declines.

The Middle East's diverse housing markets

The Middle East's housing market showed mixed results in Q2 2022. Israel's market remains strong with a 7.13% annual price rise, and the economy is projected to grow by 5%. Dubai, UAE saw a 4.04% price rise year-on-year, though quarterly prices dropped by 1.4%. Saudi Arabia's market stabilized, with only a slight 0.37% annual decline. In contrast, Qatar's market weakened, with a 4.87% price drop, though its economy is rebounding. Egypt and Morocco continued to struggle, with Egypt's prices plummeting 14.09% and Morocco seeing a 6.89% decline. Both countries, however, have relatively strong economic growth forecasts for 2022.

The Americas: U.S. and Canada's house price appreciation moderates

The U.S. and Canada's housing markets continue to grow, but at a slower pace due to economic uncertainty, rising inflation, and falling demand. In the U.S., house prices rose by 8.18% y-o-y in Q2 2022, down from previous years, with demand weakening as affordability worsens. Sales of existing homes dropped 20.2% and new home sales fell 29.6% in July 2022. Economic growth is projected to slow to 2.3% in 2022. Similarly, Canada saw a 7.95% y-o-y rise in house prices in Q2 2022, down from earlier peaks. Sales transactions dropped 29.3%, and the BoC downgraded 2022 growth to 3.5%.

Latin America's housing markets suffering

In Latin America, Chile's housing market is cooling significantly, with average prices rising by just 5.48% y-o-y in Q2 2022, down from 10.71% the previous year, as the economy is projected to grow only 1.5% this year. Mexico's housing market remains steady, with a minimal 0.2% increase in house prices over the same period, reflecting stable economic growth expected at 2.4%. Conversely, Brazil's housing market continues to struggle, with São Paulo experiencing a 6.77% decline in prices, as economic growth is forecasted to slow to 1.7%. Peru's situation is worse, with house prices plummeting by 9.6% y-o-y in Q2 2022 amid an anticipated economic growth of only 3%. Colombia also faces significant challenges, with prices in Bogotá falling by 14.64% year-on-year, despite a projected economic growth of 5.8%.

South Africa's housing market still depressed

South Africa's housing market remains weak, having been depressed for the past five years. The price index for medium-sized apartments fell by 3.74% during the year to Q2 2022, following y-o-y declines of 1.83% in Q1 2022, 2.06% in Q4 2021, 1.47% in Q3 2021 and 0.53% in Q2 2021. On a quarterly basis, house prices fell by 1.57% during the latest quarter. The SA economy is expected to post a modest 2.3% expansion this year, a slowdown from the previous year's 4.9% growth.

Puerto Rico's housing market losing steam

Puerto Rico's housing market is experiencing a significant slowdown after a brief recovery, with the seasonally-adjusted purchase-only house price index dropping sharply by 10.95% in Q2 2022 compared to a 13.65% increase in the same period last year. Additionally, prices fell by 5.47% quarter-on-quarter. The housing market has faced persistent challenges over the past decade, exacerbated by an economic crisis characterized by massive debt, high unemployment, and ongoing population decline. Following a bankruptcy filing in May 2017—the largest in U.S. history, with $70 billion in debt and $50 billion in pension liabilities—Puerto Rico's economy is expected to grow by 4.8% this year, a recovery fuelled by the lifting of travel restrictions and increased fiscal support for the tourism sector.

TABLE 7 - YEAR ON YEAR % PRICE CHANGE - COMPARISON											
COUNTRY	% CHANGE 2013	% CHANGE 2014	% CHANGE 2015	% CHANGE 2016	% CHANGE Q1 2017	% CHANGE Q1 2018	% CHANGE Q1 2019	% CHANGE Q1 2020	% CHANGE Q1 2021	% CHANGE Q1 2022	% CHANGE Q1 2023
DUBAI	5.38	23.73	-14.09	-1.64	-3.69	-6.44	-5.00	-5.06	-0.46	7.54	8.08
ESTONIA	12.46	20.85	4.56	7.36	4.76	3.72	0.98	4.32	9.09	1.35	-4.33
IRELAND	3.45	7.80	6.53	8.15	8.91	12.51	2.63	0.29	3.72	7.93	-3.46
U.K.	1.47	8.95	4.36	3.28	1.84	0.00	-1.36	0.75	5.33	6.73	-9.19
TURKEY	4.65	7.51	14.32	3.40	1.84	-	-13.79	2.82	13.59	30.30	54.74
ICELAND	2.00	6.70	6.93	12.53	16.01	10.14	1.41	3.31	4.03	11.64	3.23
ISRAEL	5.38	6.43	5.17	5.36	-0.54	0.45	-2.01	4.14	1.80	-0.31	3.95
ITALY	-1.47	-	-0.93	-	-0.29	-	-	-2.06	0.34	-7.76	-5.38
LATVIA	-	4.71	2.48	5.85	5.13	5.72	-0.46	0.83	-0.66	4.64	-18.66
LITHUANIA	-	4.62	3.68	5.07	3.56	0.10	2.28	5.22	5.49	4.69	-0.95
MALTA	2.99	3.00	6.57	4.20	28.59	8.03	9.36	-0.15	2.28	-2.65	3.19
NEW ZEALAND	6.40	3.93	3.24	9.47	7.26	-3.37	8.76	10.87	22.39	0.93	-18.38
NETHERLANDS	-	3.89	3.95	4.37	7.11	6.92	5.28	4.98	9.22	8.90	-6.46
CANADA	1.61	3.31	4.52	10.66	11.70	4.20	-0.35	2.92	8.39	11.01	-8.70
BRAZIL	-	3.29	-7.37	-5.51	-3.75	-1.11	-2.41	-2.26	-1.73	-6.39	0.14
U.S.A.	9.31	3.08	5.29	3.71	3.37	4.58	1.78	2.77	10.54	11.05	-1.44
CROTIA	-17.60	2.64	3.80	2.13	-	-	-	-	-	-	-
SOUTH AFRICA	1.30	1.91	0.56	0.32	-	-	-1.08	-1.22	1.25	-	-4.81
PORTUGAL	-	1.86	3.99	3.88	4.18	4.70	14.21	16.37	-	10.57	8.49
SWITZERLAND	-	1.48	1.83	-0.94	-1.69	-1.11	-2.05	-1.00	1.80	-0.66	0.69
NORWAY	-	1.32	1.99	6.38	7.38	-3.01	0.04	0.75	7.69	3.26	-6.27
ROMANIA	-	1.12	7.74	11.01	7.61	4.71	-1.08	9.51	-3.28	9.48	-7.95
SLOVAKIA	-	0.42	1.62	6.00	6.61	2.41	5.04	5.66	14.38	12.88	-11.53
SPAIN	9.96	-4.15	-1.71	0.10	0.41	2.37	-	3.25	0.14	-6.85	3.92
RUSSIA	3.46	-5.68	-15.35	-9.27	-8.33	0.65	1.96	4.59	5.23	18.78	-2.28
GREECE	-9.69	-7.08	-4.91	0.03	-3.13	-	-	-	-	-	-
UKRAINE	4.62	-10.45	-2.76	-3.34	-5.05	-7.55	-5.53	-2.74	2.99	-5.77	-3.86
AVERAGE INCREASE	**2.54%**	**3.66%**	**1.70%**	**3.56%**	**3.99%**	**2.21%**	**0.81%**	**2.75%**	**5.15%**	**5.47%**	**-1.09%**

TABLE 7 - YEAR ON YEAR % PRICE CHANGE - COMPARISON[24]

[24] *Global Property Guide Report Q2 2022*

Housing affordability index (HAI)

The Housing Affordability Index (HAI) table 8, as defined in the sub-script to this table has been calculated for the period 1982 - 2019. For a 3-bed/r median apartment, the HAI has since 2007 at 74 risen to 135 in 2014, the best year, lowering worryingly to 95 as at 2019. The worst for this period stood in 1997 at 65, coinciding with the introduction of VAT in 1995. However, the declining value in 2019 is due to the buy to let bonanza which due to spiralling rental values is thus increasing the market value of property, which over the period 2016 – 2017, over 1-year increased by 28% in value & easing off to 8.23% for 2017 -2018, with then 18.6% recorded in 2018 – 2019. These unsustainable annual increases are then noted as much higher than the 41-year average annual increases at 6.85%.

Over the years it has always appeared affordable to purchase a 2 bed/r median apartment with the HAI peaking to 123 (1987) and dipping to 101 (1997). In recent years from 2008 onwards up to 2014 it has improved from 125 up to 200 for 2014, dipping to 118 as at 2020.

The above HAI index is to be compared to France, where the HAI was 100 in 1992, increasing steadily to 160 in 1999, then dipping to 140 by 2003.

TABLE 8: HOUSING AFFORDABILITY INDEX FOR THE MALTESE ISLANDS – HAI

Year	Mortgage Rate - %	Mortgage Monthly Payment		Medium Monthly Househol d Income**	Qualifying Monthly Income		Ratio of Qualifying Family Income		HAI*		House Price: Earnings Ratio
		3-bed/r	2-bed/r		3-bed/r	2-bed/r	3-bed/r	2-bed/r	3-bed/r	2-bed/r	
1982	8.00	€ 140	€ 56	€ 429	€ 559	€ 391	1.3	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	0.9	74	111	5.27
1997		€ 384	€ 247	€ 995	€ 1,537	€ 988	1.55	0.99	65	101	5.8
2002		€ 394	€ 263	€ 1,215	€ 1,575	€ 1,057	1.29	0.86	77	116	5.6
2006		€ 606	€ 429	€ 1,665	€ 2,119	€ 1,500	1.27	0.9	79	111	7.22
2007		€ 673	€ 478	€ 1,738	€ 2,152	€ 1,670	1.35	1.01	74	104	6.97
2008	5.12	€ 574	€ 410	€ 1,798	€ 2,152	€ 1,435	1.2	0.8	84	125	6.03
2011	3.44	€ 435	€ 315	€ 1,959	€ 1,641	€ 1,103	0.84	0.56	119	179	5.36
2012	3.41	€ 429	€ 305	€ 2,058	€ 1,568	€ 1,067	0.76	0.52	132	192	5.05
2014	3.29	€ 446	€ 322	€ 2,237	€ 1,652	€ 1,127	0.74	0.5	135	200	4.93
2015	3.19	€ 442	€ 346	€ 2,325	€ 1,764	€ 1,211	0.76	0.52	132	192	4.77
2016	3.16	€ 486	€ 358	€ 2,354	€ 1,820	€ 1,253	0.77	0.53	130	189	5.2
2017	3.14	€ 623	€ 453	€ 2,521	€ 2,338	€ 1,585	0.93	0.63	108	159	6.25
2018	3.11	€ 669	€ 526	€ 2,575	€ 2,530	€ 1,841	0.98	0.71	102	140	6.61
2019	3.06	€ 792	€ 624	€ 2,644	€ 2,796	€ 2,184	1.06	0.83	95	121	7.68
2020	3.01	€ 829	€ 650	€ 2,690	€ 2,866	€ 2,275	1.07	0.85	93	118	7.96
2021	2.87	€ 824	€ 648	€ 2,737	€ 2,902	€ 2,268	1.06	0.83	94	120	7.95
2022	2.75	€ 818	€ 666	€ 2,836	€ 2,982	€ 2,331	1.05	0.82	95	122	7.77
Source: DHIperiti in-house valuations 2022											

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

****the median household income is factored at 1 for 1982, and by 1.35 for 2002 increasing to 1.65 as from 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.

The affordability for first time buyers over this period has varied slightly as noted in table 8 averaging out at 95.7 for a 3 bed/r apartment and at 138.6 for a 2 bed/r apartment. This occurred, despite the increase in house prices over the period at 6.84%pa, as compared to the reduced wage growth at 3.75% pa over the same period.

The HAI was kept at a relatively stable level over this period, due to the following:
1/- household income being supplemented by the provision of a greater reliance on the: wage of the 2nd wage earner, which in fact signifies 5.08% p.a. increase in the household's earnings over the period.

In 2022, women make up 41% of the total workforce, noting a significant increase of 225% in the number of employed women in the last 17 years.[25] The Average gross annual salary in Malta stood at €19,861, whilst in Gozo it stood at €18,258. Gozitan women were noted to earn more average yearly income than men, coinciding with higher educational attainment for women in Gozo. In Malta the highest average salaries were recorded in the Western District, with an average of €21,283, whilst the lowest average salaries were recorded in Southern Harbour localities, such as Cottonera, Fgura, Paola, Floriana and Valletta.[26]

A considerable rise was noted in two household facilities, the air conditioning system and internet, Air conditioning was present in 84% of the residences, an increase from the 52% present in 2011. The highest percentage of household with air conditioning were recorded in Swieqi and Attard at 90%, whilst Mdina recorded the lowest percentage of air conditioning units at 57.3%. Internet provision increased to 88% when compared to 68.3 in 2011. These vary from the highest percentage recorded in Pembroke and Attard at 93%, to 76.4% in Mdina. On the contrary, households recorded a lower percentage of installed solar water heaters as it dropped from 10.5% in 2011 to 7% in 2021. Solar water heaters were prevalent in Gozo and Comino increasing to 16.7%, whilst the remaining districts registered half that percentage. The lowest rate was recorded in Valletta at 1%, whilst San Lawrenz recorded the highest percentage at 30.5%. However, PV panes saw an increase from 2% in 2011 to 12.4% in 2021, Gozo and Comino at the lead at 22.3%.[27]

2/- a lower mortgage rate from 8% in 1982 down to 2.8% in 2023[28],
3/- a higher repayment period from 25 years in 1982 up to 35/40 years in 2020,
4/- together with a reduction in the floor area purchased, with a 3 bed/r apartment in 1982 having an average floor area of 135sqm, whilst a 2 bed/r apartment had an average floor area of 95sqm. Planning standards as per DC (2015) dictate the minimum floor areas inclusive of external areas at 55sqm for a 1-bed/r apartment, 90sqm for a 2 bed/r apartment 115sqm for a 3 bed/r/apartment.

[25] *Times of Malta Article: Non-EU workers twice as likely to leave job within first year than Maltese [August 2023]*
[26] *Times of Malta Article: Gozitan women are twice as likely to graduate as Maltese ones [July 2023]*
[27] *Times of Malta Article: "More living on their own, installing Acs and internet" (September 2023)*
[28] *CBM: The Recent Interest-Rate Pass-through from Monetary Policy Rates to Malta's Retail Lending Rates, and the Impact on GDP Growth and Inflation, published in the Outlook for the Maltese Economy 2023:2, pp. 6-10*

These Maltese gross floor area standards are to be compared with the European counterpart, quoted in table 9a as at net areas.

TABLE NO. 9a NET INTERNAL AREA SET IN SEVERAL EUROPEAN COUNTRIES (m^2).

No. of Occupants	1	2	4	6	8
Existing Bldgs m^2	21	27	42	56	70
New Bldgs m^2	32	41	59	77	95

Over the past 1982-2007 the HAI averaged out at 75.8, a 3 bed/r apartment was unaffordable for the median Maltese household, whilst a 2 bed/r apartment over the same period with an average HAI of 110.8 was affordable. Now the Maltese family is known for its house pride and over this period, the foreclosures are considered minimal. The answer to the above dilemma probably lies in the industrious characteristics of the Maltese worker, who to own his residence over this period worked overtime to cap his wage packet by:

100/75.8 = 1.32 i.e. over this 33-year period an affordable residence averaged 32% more expensive, than could have been purchased by the median wage earner. Table 8 notes this to have been reversed since 2009, when the HAI then reads 112 onwards.

The present low mortgage rate era and decline in property values as anticipated up to 2014 signifies that for Malta, the global credit crunch has been beneficial to the first-time homeowners. An improvement in the quality of life of the Maltese family is to occur, as a main job should be sufficient to own one's home. This improvement in affordability was unfortunately halted as from 2014 the year of the best HAI at 135, sliding down to 93 as at 2020.

The price earnings ratio noted in table 8 above, has increased gradually from 4.28 in 1982 peaking in 2006 at 7.22, before declining to 4.93 in 2014. Presently for 2023 this now reads 8.06, disturbingly the highest value over this 37-year period. These ratios are considered high, as a long-term 35-Year average level of house prices to incomes ratio is given at 3.5. The UNCHS (habitat) indicators mention the price earnings ratio desirable range to lie between 2 & 6.

Referring back again to property bubbles, 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.

As the highest price earnings ratio stood at 7.22 in 2006, Malta's property bubble was characterized as substantial but not serious. The 7.69 ratio as at 2020 is worrying, but another criteria shall be factored in to discuss a Maltese property bubble in the next section outlining compliance certificates as relating to development residential permits.

Table 9b gives a comparison between the price per square metre for apartments and the price earnings ratios of island states similar to Malta. Cyprus at 19.6 has presently the best affordable characteristic. The price earnings ratio for Singapore has varied from 3.6 in 1995 up to 4.8 in 2009 rising over the years to its now high 15.75. Here the Government by possessing most of the land provides most of the housing requirements together with the provision of grants. Malta on the other hand has gone for land speculation via planning measures, considered as having boosted the economy

TABLE 9b: HOUSING DATA 2022 FOR SIMILAR STATES.

	Market Rate euro/sqm	**Median monthly Individual income euro**	**Mortgage rate**	**Price: earnings ratio.**
Malta	**3,036**	**1,339 (1,500)[29]**	**4.69%***	**11.95 (7.77)****
Cyprus	**1,999**	**1,373**	**3.18%**	**19.60**
Hong Kong	**13,356**	**2,635**	**2.83%**	**42.50**
Singapore	**14,353**	**4,552**	**3.47%**	**15.75**

Source: Numbeo (Updated 18th July 2023)
****Refers to buy to let loans rather than home purchases which as noted in pg 22 presently stands at 2.87%***
*****Refers to data in Table 8***

Housing affordability nowadays may be achieved by educating the first-time buyer in restraining their housing requirements to cause less strain on their resources. Prospective homebuyers should learn the new low inflation housing market game by moderating their borrowings and house price bids. Interest rates are not to remain at this low end for long, probably stabilizing again at 5% to 6%. A rise of 1% to 3% over the next years would raise mortgage costs by 16% for a 1% mortgage rate increase, 33.33% for a 2% mortgage rate increase, and 52.75% for a 3% mortgage rate increase. What happens to the personal finances of those who borrowed large sums relative to their income?

Furthermore, with the present low inflation climate the monthly paybacks are going to erode far slower than previously in the high inflation era, with a consequent lowering of the household's quality of life. A prospective homebuyer should possibly look out for a price-earnings ratio closer to the long-term average of 3.5 than the present value in the 6 region.

Further to the above mortgage payments, expenses accumulate due to the normal present 10% - 20%+ deposit anticipated, down from the 20% deposit requested in the earlier years. To this deposit purchase expenses are added onto, which includes for stamp duty + notaries and survey fees.

This tallies with the Irish experience as quoted, that by focusing on the costs of mortgage repayments, measures such as 'housing expenditure to income ratio' ignore the deposit, which is often an important barrier to housing affordability. Why this should be a recent phenomenon is disputed by the Malta data. This notes that to accumulate the 10% deposit to purchase the average new house in 2019; an individual must save 78% of the median annual household income. On the other hand, for 1982, when the deposit stood at 20%, this constituted 85% of the then median annual household income. For the most affordable year, as at 2014 when the HAI stood at its maximum of 135, the 10% deposit then attracted solely 51.5% of the median annual household income.

The above, further notes that a new affordability measure has been introduced. Presently the mortgage payback amount appears affordable, what is not presently affordable are the forward payments to be

[29] *This Monthly median income is according to NSO SILC 2017*

undertaken as noted above. These payments are noted as being a hindrance towards getting onto the property ladder.

The measure to be extended whereby the 3.5% stamp duty for properties less than 175,000euro in price, will again definitely ease the present affordability outlined above, this signifies a 20% reduction in the required forward payment necessary to purchase the 1st time residence. This measure at some point will have to be retracted, for if not it will stimulate an increase in the future asking prices of property, thus nullifying if desired effect of improving affordability.

Renting nowadays could also be an option, with the rentals presently higher than mortgage monthly payments, as noted in Rental Matters section, but without the initial expenses to be undertaken.

A study published by Eurostat concluded that more than 40% of the household income is spent on housing costs, noted as an overburden, which include rent payment, property loans and utility costs. The study stated that 35% of EU citizens living in Malta are overburdened by housing costs, noted as only higher in Greece at 57%. On the other hand, only 1.3% of Maltese felt overburdened by housing costs.[30]

[30] *Times of Malta Article: EU citizens are 'overburdened' by high housing costs in Malta. [February 2021]*

Residential development permits

The surge in the number of residential permits issued as from 1995 onwards noted in tables 10a& 10b, being well above the supply required should surely have righted any affordability problem?

TABLE 10a: DEVELOPMENT PERMITS FOR DWELLINGS OVER THE INTERCENSAL PERIODS

YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
APPROVED DWELLINGS	4229	3351	3411	3004	2273	2369	4180	5481	6128	6707	9081	10409	11343	6836	5298	4444	3955	2064	2705	2937	3947	7508	9822	12885	12485	7837	7,578	9,599

Table 10a shows a slowdown over the residential permits issued up to the year 2000. This was followed by a surge from 2001 onwards, as increasing to 11,343 in 2007, Table 10a then notes that the number of permits for 2006 increased to 10,409 permits and then topped to 11,343 permits in 2007, however levelling off to a more sustainable level of 6,836 & 5,298 for 2008 & 2009 respectively as noted in table 10a. From 2010 onwards the number of permits has dropped to a figure below the national supply requirement bottoming out at 2,705 for 2013. In 2014 the number of permits increased to 2,937 permits, which notes an increase reoccurring which is necessary to reach over a period the 4,500-5,000 mark, otherwise a deficit would again stimulate a shortage in the market with spiraling of property prices to re-occur. From 2016 onwards are shortages in supply were halted, whilst in 2017 development permits plummeted to 9822. In 2020 the number of development permits dropped by 37% to 7837 from the figure recorded for 2019 of 12485. Two factors probably come into play, the COVID-19 pandemic as commenced in early 2020, whilst the supply was greater than the demand. An upward trend was observed in 2022 as the number of development permits for residential units reached 9599 noting an increase of 26.7% from 2021.

Besides the number of residential permits being issued, the issuing of compliance certificates is a better indicator. Permits issued do not relate to whether that residential unit has been constructed or not, which a compliance certificate will indicate. On the other hand, potential multiple certificates issued on same site and compliance certificates in relation to permits granted in previous years, may distort this analysis.

The upwards trend noted from 2016 onwards, coincide with the enforcement of the Regularisation of Existing Development Regulations published in 2016, which introduced "provisions by which irregular development may be regularised by virtue of regulations made by the Minister under the same Act." LN 285 of 2016, applies "…only to irregular development which is located entirely within the development zone and irregular development which is already covered by a Category B concession issued in terms of the Environment and Development Planning Act (Cap. 504). Unless permission can be obtained through the standard PA or DNO processes, a regularisation application may be submitted for existing development requiring regularisation and which was in existence prior to the coming into force of these regulations. A regularisation application cannot include proposed development, i.e. development which is still intended to be carried out." [31]

[31] PA CIRCULAR 3/16

The following should be ensured prior to submitting an application for a compliance certificate, ensuring meter services:

- Construction is in line with permit conditions
- Enemalta clearances are obtained
- Water Services Corporation clearances are obtained
- An Engineer's Certificate, certifying the lift, lighting and ensures the building is in line with fire & safety standards
- The external building fabric is rendered watertight

TABLE 10b: 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	2017	2018	2019	2020	2021	2022
Number of total Units	5481	6128	6707	9081	10409	11343	6836	5298	4444	3955	3064	2705	2937	3947	7508	9822	12885	12485	7837	7578	9599
Apartments approved		4548	5265	7539	8961	10252	6184	4616	3736	3276	2489	2062	2221	3019	6316	8513	11211	10726	6735	6451	8280
Compliance Certificates	2552	2719	4975	3884	3400	7169	7796	8055	7784	6438	6314	6703	6948	7358	8452	9250	9413	10895	11041	11977	11504
% Completed	47%	44%	74%	43%	33%	63%	114%	152%	175%	163%	206%	248%	237%	186%	113%	94%	73%	87%	141%	158%	120%

Source: PA

Table 10b indicates that the take-up of residential units has fallen from 2/3's of the supply as at 2001 falling to 1/3 of the supply as at 2006. The number of compliance certificates as issued by MEPA as noted in table 10b, gives a further indication of the excess supply being produced in the bubble years 2002-2006. On the other hand, from 2007 onwards, the % of compliance certificates issued increased, even surpassing the 100% mark as from 2008 onwards. This is an indication of a take up of the surplus property produced during the bubble years, when the market produced a lower supply than necessary. Over this period of low supply, the previous oversupply aided in keeping the market prices in check, even decreasing over the period 2008-2013, as noted from table 5. This time round as from 2016 onwards, although number of permits issued is noted as high the number of compliance certificates is high, unlike the previous 2004 – 2007 boom period, with the surplus property being produced was not being taken, noted 33% in 2006 as compared to 109% in 2017.

Table No. 10b further notes that the % of compliance certificates issued reads a different story for the boom years of 2002 – 2007, as compared to another boom period 2016 - 2018. It had appeared that the take up of new residences took its time over 2002 – 2006, whilst due to the rental market surge as commenced from 2012 onwards, the take up of new units appears instantaneous. This take up for 2012 stood at 206%, however sliding down to 73% by 2018.

Within the period 2002 -2007 the % averages out at 48% as compared to 93% for 2016 – 2018, however then sliding down to 73% in 2018 as compared to 94% in 2017. Is this an indication that the average 48% compliance rate as witnessed in the previous boom period 2002 - 2007 will be achieved within the coming years?

Hence an indication of a bubble burst may be forthcoming when the % of compliance certificates, as compared to the residential permits issued will go below the 50% and probably independent of the present disturbing price: earnings ratio above 7, mentioned in the HAI section. Table No. 10b further indicates the declining % of compliance certificates issued over the period 2015 (186%) to 2018 (73%).

The increase in the number of residential permits was witnessed in the apartment/maisonette types. Apartments had grown from a base of 64% in 2000 to 90% in 2007, whilst terraced housing had decreased from 10% to 2.25% over the same period. On the other hand, terraced housing for 2014 increased to 6.95%, whilst apartments decreased to 75.6%. The number of apartments on the other hand in 2014 was a $^{1}/_{5}$ of those granted in 2007.

In 2001, the average number of residential units per permit issued stood at 3.2 increasing to 4.2 by 2005, decreasing again to 3.0 in 2010. The above signifies moving away from the traditional low-density terraced house to the more highly-dense units comprising maisonettes and apartments, although a decrease in apartments/maisonettes due to the present oversupply is being witnessed.

Table 10b indicates that over the past 2003 - 2007 period a higher supply had been provided, with possibly the increase in demand not being matched. This, as evidenced by the number of annual property contracts undertaken, noted in table 11A. This prior to 2014, presently stood below the 12,000 mark, notwithstanding the present property slump which does not appear to have affected the sales market. These annual property contracts include for not only the sale of residential but also commercial premises.

The number of marriages over the period has averaged out at 2250 annually, although a surge in marriages at 3,072 is noted for 2017. This, together with separations/annulments, which presently average at 1326 annually creates a further strain on additional accommodation required. Further the household size has been reducing from 3.12 persons per household in the 1995 census, down to 2.9 persons per household in the 2005 census and to 2.67 persons per household in the 2011 Census.

The demand side may be gauged from the annual marriages undertaken standing at 2,400 as at 2005 & 3,000 at 2017. Separations and annulments in 2005 stood at 500, increasing to 1,300 as at 2017, which now also includes for divorces. As at 2018, the residential market has to cater also for 14,000 foreign residents. Tourists annually now total 2,600,000 on an average stay of 7 nights, of which 43% stay in private accommodation.

TABLE 10c: HOUSING DEMAND COMPARISON

	2005	2018
Marriages	2,500	3,000
Separations	500	1,000
Holiday Homes/Foreign Residents Long Let	2,000	3,500
Tourists Short Let		1,500
Total New Units	5,000	9,000

Table No.10c, as tabulating above data, notes that 2005 stood at 5000 units, increasing to 9000 units at 2018. These demand calculations indicate that 11,343 residential permits for 2007 were excessive, whilst the 9,822 residential permits for 2017 seem that they will stay, although the 12885 units for 2018 probably are on the high end. Considering these figures together with 2nd home and foreign buyer purchases excluding EU citizens in the 870 region as noted from table 16. To these have now increased the net annual migration growth of 10,000persons together with an increase of 500,000 annual tourists being catered for in private accommodation the demand figure does not appear to be too far off from the above supply figure of 10,000 units annually. Thus, in the coming years it is anticipated that building permit applications for residential units will be in the 10,000 region.

TABLE 11A: PROPERTY CONTRACTS, AVERAGE PRICES OF TOTAL AND MARRIAGES/SEPARATIONS.

Year	No of annual Contracts	Average Price €	% of Gross National Income at current market prices	Annual Marriages	Separations & Annulments
1982	13,281	€8,772	9.7%	2475	
1987	9,388	€12,182	8.5%	2535	
1992	11,642	€12,410	7.1%	2377	303
1997	9,300	€40,836	12.7%	2370	275
2002	7,837	€71,031	12.6%	2240	375
2005	10,610	€97,004	20.8%	2374	
2006	10,252	€82,068	16.2%	2536	447
2007	12,856	€78,714	18.2%	2479	
2008	11,505	€77,287	14.9%	2482	738
2009	11,904	€69,500	13.9%	2353	731
2010	11,620	€72,057	13.1%	2596	737
2011	12,246	€73,361	13.5%	2562	923
2012	11,845	€77,170	13.3%	2823	1,229
2013	11,140	€84,826	13.1%	2578	1,206
2014	15,087	€89,189	17.16%	2871	1,220
2015	14,942	€102,005	11.0%	3002	1,351
2016	12,173		4.5%	3034	1,326
2017	12,862		15.8%	2934	
2018	13,312	€146,213	16.7%	2,831	
2019	14,019	€152,878	17.06%	2,674[32]	
2020	11,057	€158,822	15.22%	1,157[32]	
2021	14,368	€200,000[33]		2,276[32]	
2022	14,331[34]	€230,242[34]		2,546[35]	

CTD Property counts MOF as from 2007 up to 2015 (including fields, graves deeds etc)
NSO News Release: Residential Property Transections: Q2/2021 as from 2016 up to 2020 (exclusively includes deeds of properties)

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32 *NSO - Regional Statistics 2023*
33 *EY – Djar 2022/2021 Property Market Overview*
34 *NSO – Residential Property Transections: March 2024*
35 *NSO – Regional Statistics 2024*

Table 11A further gives an indication of the bubble that the property market has passed through. The highest average contract price stood at €97,004 for 2005. This then slid down to €69,500 in 2009 and slowly picked in 2015 where it stood at €102,005, doubling over the period of seven years in 2022 to €204,000. The number of contracts witnessed for 2015 at 14,942 the second highest undertaken over the past 33-year period after 15,087 for 2014, is in sync with Governments 1st buyers' incentives undertaken. The average contract price quoted in table 11A includes for all property types mainly residential, business, garages except for others, which includes for land, redemption of ground rents.

Table 11B now shows the number of building contracts undertaken and average value of Maltese Purchased Property Types over the years 2008 – 2015, a comparison of foreign bought property for the latest year is also included.

TABLE 11b: BUILDING CONTRACTS UNDERTAKEN & AVERAGE VALUE FOR MALTESE BOUGHT PROPERTY WITH A COMPARISON OF FORIEGN BOUGHT PROPERTY FOR THE LATEST YEAR

YEAR	2008		2011		2014		2015		FORIEGN BOUGHT PROPERTY - 2015	
PROPERTY TYPE	NO. OF CONTRACTS	AVERAGE VALUE	NO. OF CONTRACTS	AVERAGE VALUE	NO. OF CONTRACTS	AVERAGE VALUE	NO. OF CONTRACTS	AVERAGE VALUE	NO. OF CONTRACTS	AVERAGE VALUE
BUSINESS	188	€ 56,459.47	134	€ 88,942.19	216	€ 77,851.24	200	€ 100,621.06	1	€ 325,000.00
GARAGE	2951	€ 17,017.47	2932	€ 17,807.00	3030	€ 21,038.89	2848	€ 23,910.50	115	€ 15,283.46
CARSPACE	138	€ 7,948.92	154	€ 9,926.18	114	€ 8,682.46	105	€ 20,908.00	26	€ 36,220.94
AIRSPACE	729	€ 25,162.47	815	€ 24,093.05	831	€ 36,545.53	993	€ 41,705.56	49	€ 89,287.76
BUNGALOW	12	€ 390,251.11	19	€ 439,944.64	14	€ 317,973.57	18	€ 396,490.36	1	€ 660,000.00
DAR	785	€ 132,412.39	1026	€ 97,633.18	1355	€ 131,039.21	1368	€ 140,898.72	153	€ 292,232.16
FARMHOUSE	42	€ 211,819.75	58	€ 129,461.35	42	€ 173,950.52	60	€ 232,448.28	3	€ 555,000.00
FLAT/APARTMENT	2618	€ 103,904.06	2725	€ 96,631.29	3821	€ 105,931.95	3850	€ 117,727.62	670	€ 252,330.42
MASOINETTE	757	€ 107,520.32	795	€ 99,067.43	1087	€ 114,417.10	1029	€ 115,044.50	89	€ 151,801.91
MEZZANIN	125	€ 50,047.28	153	€ 60,009.81	219	€ 63,505.60	241	€ 73,451.70	4	€ 78,250.00
PENTHOUSE	230	€ 123,186.66	310	€ 117,039.93	438	€ 122,311.06	452	€ 127,110.66	100	€ 275,458.43
PLOT OF LAND	1276	€ 42,888.46	1429	€ 34,368.16	1656	€ 45,915.94	1594	€ 59,111.10	21	€ 79,327.66
SEMI DETACHED VILLA	16	€ 344,317.60	43	€ 325,518.19	38	€ 392,263.24	59	€ 381,707.28	4	€ 544,500.00
TERRACED HOUSE	86	€ 179,275.10	136	€ 159,261.48	208	€ 193,299.90	192	€ 177,315.90	22	€ 228,016.50
VILLA	29	€ 530,173.73	66	€ 327,939.98	90	€ 320,298.90	72	€ 394,330.61	14	€ 851,856.30

Source: Inland Revenue - CTD Property Counts - Jan 2016

Vacant dwellings

The total number of secondary, seasonally-used or vacant dwellings made up 27.5% (81,613) of housing stock in 2021, recording a reduction of 4.3% since 2011. In 2021 60% (48,871) were in good state, 15% (11,992) need minor repairs, 10% (8,123) need moderate repairs, 8% (6,585) need serious repairs or are in a dilapidated state, whilst 7.4% (6,042) are in shell form.[36] 45% of dwellings in Gozo and Comino were secondary, seasonally used or vacant when compared to the same dwelling typology in Malta standing at 25.5%.

The number of vacant dwellings, as at 2011[1] stood at 71,080, of these 41,232 were completely vacant, whilst 29,848 were used seasonally or as a secondary residence, up from the 2005 value of 53,120, and then as compared to the 1995 value of 35,723. In 1995, 23% of total dwellings were vacant, whilst in 2005 this increased to 27.6% of 192,314 units available, increasing to 31.7% of 223,625 total units available.

More than half of unoccupied dwellings (53.0 per cent) consisted of flats, apartments or penthouses, while terraced houses, townhouses, maisonettes or ground floor tenements followed with 26.2 per cent and 15.5 per cent respectively. In addition, half the unoccupied dwellings were in a good state of repair while 6,989 either needed serious repairs or were in a dilapidated form. Another 6,937 dwellings were in shell form.

Table 12[1], shows that over the censial periods from 1861 to the present date, vacant dwellings were always high for the Maltese Islands. The highest stands in 2011 at 31.7%. Double figure percentages exist for all censuses except for 1957, which strangely gives this at 4%, as noted in table 12. This is due to the building devastation as undertaken during the 2nd World War period 1940-1942.

TABLE 12: VACANCY RATES OVER THE VARIOUS MALTESE CENSUS'S

YEAR	1861	1881	1891	1901	1911	1921	1931	1957	1967	1985	1995	2005	2011	2021
%	25	29	20	20	22	19.9	19.4	4	14.9	19.2	23	27.6	31.7	27.5

Thus, a high property vacancy rate, which is not limited solely to Malta, but is also even noted as being a Mediterranean characteristic as noted in table 13, may be considered to have more of an adverse effect on our surroundings and built environment than on the proper functioning of the property market.

TABLE 13: VACANCY RATES OVER MEDITERRANEAN COUNTRIES.

COUNTRY	CYPRUS	GREECE	MALTA	PORTUGAL
% VACANCY RATE 2011	23.1	35.44	31.7	29.5
% VACANCY RATE 2016	31.1	35.3	27.5 (2021)	31.9

On average a rise in vacancy rates in other Mediterranean countries in 2016 was noted, with Cyprus noting the most significant increase of 8% over a 5-year period, in contrast with the reduction of 4.2% for Malta over the last 10-year period. As anticipated previously, with the hike in the rental market as from 2012 onwards, a reduction in the number of vacant properties held was recorded

[36] *NSO: Census 2021 Volume 2 (2023)*

Rental matters

This is a sorely debated point; has the releasing of a number of rental premises at market rates been beneficial to the better workings of the affordable property market?

Table No. 14 outlines the various forms of home ownership over the censuses period 1995 – 2021. It is further to be noted that the % of the rental houses has slid down from 76.9% as per the 1948 census to the 2011 Census percentage at 23.0%, to 25.3% in 2021. The owned column has already been included for in table No.1. The furnished & unfurnished rental classification, could give an indication of the regulated rents in place. On the assumption that the unfurnished rentals are the regulated rentals in place, this is noted to have decreased from 25.82% (1995) to 15% (2011).

TABLE 14: % NO. OF DWELLINGS BY OWNERSHIP

Year	owned	Free of charge	Rented furnished	Rented unfurnished
2021 (Census)	66.2%	1.3%	18.5%	5.5%
2011 (Census)	77.0%	3.0%	5.0%	15.0%
2005 (Census)	75.2%	2.7%	3.1%	19.0%
2002 (NSO)	70.0%	3.8%	2.6%	23.6%
1995 (Census)	68.0%	3.69%	2.49%	25.82%

Rental amounts for both furnished and unfurnished housing, as of the 1985 to 2011 census, are given In Table 15 below. It is further to be noted that the % of the rental houses has slid down from 76.9% as per the 1948 census to the 2011 Census percentage at 23.0% and to 25.3% in 2021.

TABLE 15: COMPARISON 1985-2021 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%
2021								54,646	25.3%
*includes for free accommodation									

Chart No. 1 now notes household rental amounts as paid over the various censuses. It is to be noted that the number of households paying rental annual amounts of €200 has decreased from 39,657 households in 1985 (46,814 total households with rentals) to 12,503 households in 2011 (30,345 total households with rentals). It is further to be noted that households paying annual rental amounts exceeding €6000 only commenced in 2011 at 1,130 households. Households paying a rental amount higher than €1,500 occurred as from 2005 & 2011, with these households totalling 11,238.

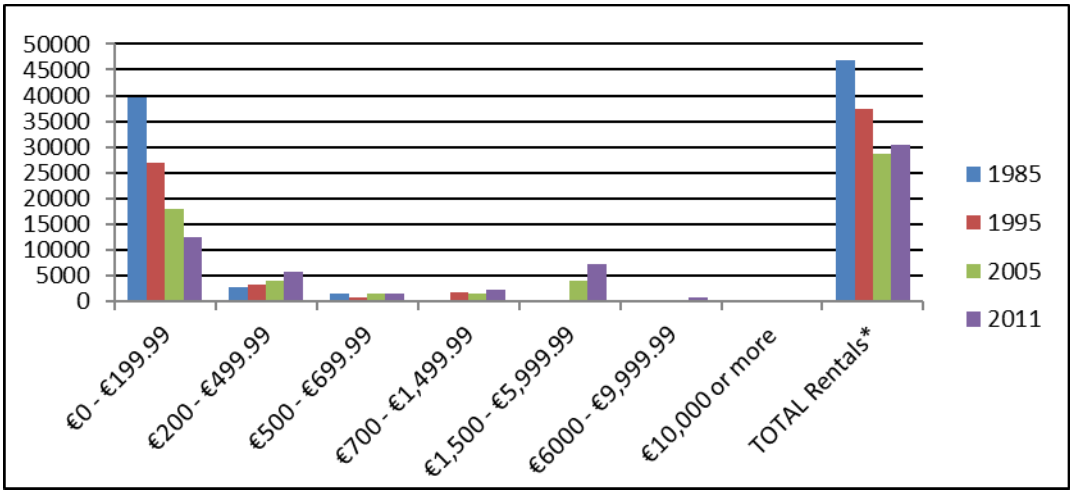

CHART No. 2 – DISTRIBUTION ON RENTAL AMOUNTS WITHIN THE CENSAL PERIODS 1985-2011[1]

Although from above table 15 the present rental marketing 2021 accounts for ¼ of the total housing tenure, the median annual rent paid by those residing in a rented furnished dwelling stood at €8,400, compared to €249.6 for unfurnished dwellings. Another 25.0 per cent of members paid a rent exceeding €12,000 (75th percentile) for their furnished dwelling. The 2011 Census revealed that in Gozo and Comino, the median rent paid for unfurnished dwellings €200 was higher than that paid in Malta €186, while the opposite emerged for furnished dwellings, where the rent paid in Malta €3,600 was significantly higher than that paid in Gozo and Comino €2,520.

A total of 199,339 occupied dwellings were located on mainland Malta, while another 16,352 dwellings were recorded in Gozo and Comino. In total, household members in 69,980 dwellings paid some form of rent or empytheusis to a landlord. Of these 80.44% were private landlords, while the rest paid either the government 18.34% or the Church 1.22%. Further, all rental agreements have now to be undertaken via a written contract, whereby previously even a verbal contract sufficed.

Rent paid varied significantly by locality, with the largest rents for unfurnished dwellings in Malta being observed in Swieqi, St Paul's Bay and Marsaskala while the highest rates for furnished property were recorded in Tas-Sliema, St. Julian's and Swieqi. In Gozo and Comino, the highest rates for furnished in Iz-Zebbug, San Lawrenz and Ix-Xaghra, whilst the highest rates for unfurnished dwellings were recorded in Qala and Ta' Sannat respectively.

On the other hand, Table 15 outlines the present monthly rents payable for free and unencumbered apartments. The free rental market should be here to stay with the recent Rent Laws Act X of 2009 that came into force on 19 June 2009. This Act has righted Act 31 of 1995, as now all pre-1995 leases over a period will revert to their open market rental levels. This was not the case for the 1995 Act, whereby previous leases to this date were still regulated by the outdated tied rental regulations. This signifies that uplift will occur over a transition period for existing leases to the open market rental of the previously tied rental market. The 2009 Act is further more exhaustive than any previous Acts, as this relates not only to main residences but embraces the whole tied rental market mainly, summer residences, garages & clubs and commercial premises.

A restricted security of tenure is still included whereby a tenant's spouse not legally separated may linger on indefinitely, together with any natural or legal child of the tenant who has been living with tenant as on the 1st June 2008 and continued up to death of tenant, this date also refers to any person living with tenant. In some particular instances a three/five, year lease extension on demise is also possible.

The minimum rental amount is imposed at €210 per annum, unless agreed otherwise. The rent shall then be increased on a 3-yearly basis according to the index of inflation, with the recent increase as occurring on the 1 January 2019. On noting this restricted security of tenure still in existence, probably presently numbering 8,000households, it appears that premises may take a further period possibly varying between 20 years and 35 years prior to revering to open market conditions.

An amendment occurring to the repairs and maintenance undertaking, now imposes external ordinary maintenance to be within the tenant's remit. If the landlord undertakes any structural repairs then the rental amount may be increased by 6% of the costs incurred instead of the previous 10%, although a capping in value had previously existed in that the rental amount could not be more than doubled.

Summer residences and garages not connected to a leased premise are not considered a commercial tenement, as from 1st June 2010, unless there is an agreement between the landlord and the tenant may be terminated. Clubs whether political, social, sports, musical or philanthropic are to retain their security of tenure, although amendment presently underway.

TABLE 16a: RENTAL PROPERTY 2023

	1Bed/r			2 Bed/r			3 Bed/r			Average
	Retail	Rent	yield	Retail	Rent	yield	Retail	Rent	yield	
Bugibba front	530,785.71	1,350.00	3.05	550,000.00	1,332.14	2.91	805,714.29	1,570.00	2.34	2.77%
Bugibba internal	173,266.67	762.50	5.28	229,327.59	835.92	4.37	266,743.24	1,021.15	4.59	4.75%
Qawra internal	160,200.00	748.00	5.60	214,766.02	835.19	4.67	260,063.55	940.83	4.34	4.87%
Swieqi	252,166.67	801.92	3.82	325,153.85	1,127.60	4.16	368,937.50	1,388.01	4.51	4.16%
M'Scala internal	160,000	800.00	6.00	206,889	813.75	4.72	256,036	921.48	4.32	5.01%
M'Scala front	245,000	937.50	4.59	350,000	1,166.67	4.00	435,000	1,300.00	3.59	4.06%
St Julians front	636,000	1,790.48	3.38	716,000	2,209.15	3.70	1,480,556	2,866.82	2.32	3.13%
St Julians internal	227,333	1,037.76	5.48	274,388	1,282.76	5.61	331,519	1,522.95	5.51	5.53%
Sliema front		2,319.17		911,250	2,739.09	3.61	1,567,487	2,959.13	2.27	2.94%
Sliema internal	242,833	1,044.00	5.16	323,400	1,276.27	4.74	343,346	1,503.96	5.26	5.05%

TABLE 16b - DHI RENTALS MONTHLY DATA - TOM 2023.

	DHI	TOM	DHI	TOM	DHI	TOM
	3 Bedroom		2 Bedroom		1 Bedroom	
2007	€ 491		€ 448		€ 238	
2010	€ 492		€ 462		€ 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	€ 1,034	€ 879	€ 1,008	€ 663	€ 769	€ 498
2018	€ 1,179		€ 1,139		€ 859	
2019	€ 1,137		€ 1,036		€ 803	
2020	€ 1,235		€ 1,181		€ 848	
2021	€ 985	€ 805	€ 832	€ 688	€ 683	€ 556
2022	€ 1,224	€ 807	€ 1,034	€ 685	€ 805	€ 527
2023	€ 1,216	€ 865	€ 1,029	€ 732	€ 866	

Figures under TOM column from 2012 up to 2017 were extracted from TOM Data;
Figures under TOM column from 2021 onwards, were extracted from The Annual Malta Residential Rental Study published for the respective years
DHI figures are based on online listings, excluding seafront values

The above residential/rental information is obtained from Estate Agents web sites and is then averaged out to present a non-bias valuation. Over the initial 6- year period 2007 – 2013, the average monthly rentals for 3-bed/r apartment, 2-bed/r apartment & 1-bed/r apartment increased by 23%. This increase over this period is to be compared with average increase for the median wage over this period which stood at 18.5%. On the other hand, the average rental increase over the following 6-year period, 2013 – 2019 hiked up by 158%. This totally out of synch with the average increase to the median wage over this same period at 28.6%.

The 158% rental hike over the 2nd period 2013 – 2019, which has made renting unaffordable for Maltese households is to be compared with the increase in affordable housing prices over 2013 – 2019 at 84.4%, well below the rental hikes. The effect of post Covid_19 is yet to be seen how this will impinge on a higher supply of affordable residential properties due to the loss in income that will be incurred following job redundancies.

Table 16B notes the average monthly rent for a 3-bedroomed hovering around €1,216 per month. According to the Global Property Guide 2020, Malta's monthly rental rate of €1,358 is to be compared with London with a rate of €2,945 followed by Monaco at €10,800 Singapore at €4,557 Hong Kong at €1,930, then France at €1,441, whereas Netherlands and Denmark average at around €1,516, Austria at

€1,161, Ukraine around €415 then Germany and Belgium, Portugal, Czech Rep. come in around €1,068 rounding off with Cyprus at €1,090.[37]

On the other hand, the surge in rental values over the past 7-year period as noted in table 16b has now created a housing problem due to the affordability of rental payments. It is presently noted that the rental amount of €866 monthly for a 1 bedroom apartment, up from €225 monthly as at 2012. With the present incomes at the low end pegged to €600 monthly, the present rentals have created a housing crisis for the lowest income families.

At the end of 2022, the number of active registered contracts stood at 47,879, of which 95% are for long-term leases and 5% are classified as shared spaces. This implies an increase of 26% in the size of the registered rental market, when compared to the number of active contracts by the end of 2021 which stood at 37,976.

Rents are spatially concentrated in the Northern-Harbour region accounting for 44% of active leases, followed by the Northern region accounting for 25% of active leases. Gozo registered 7%of the total active leases. The largest concentration of contracts was registered in St Paul's Bay amounting to 15% (7,061) of the total active contracts, followed by Sliema, Msida, Gzira and St Jullian's. A total of 21,529 renewed contracts commenced in 2022, 90% of these were automatically renewed.

TABLE 16c – MEDIAN MONTHLY RENTS FOR APARTMENTS BY REGION AND NO. OF BEDROOMS

	Western	Northern	Northern Harbour	South Eastern	Southern Harbour	Gozo and Comino
1 bedroom						
2 bedroom	747	696	899	666	640	562
3 bedroom	895	834	1077	798	767	674

Table 16c notes that rents in Malta are higher than in Gozo, which are distributed in the €550 - €700 range. In Malta, the most expensive rents are found in the Northern Harbour region, where only 36% of the registered contracts in this region were below €700 per month. This can be contrasted with other regions in Malta where 51% (Western Region) to 64% (Southern Harbour Region) of properties were below this figure. It can be concluded that the Northern Harbour region is the most expensive when compared to the other regions, however, it contributes to 44% of all contracts in Malta.

Table 16d notes the minimum and maximum monthly rental values for each region. In Malta it was noted that the Northern Harbour Region has the highest monthly rents with the maximum for 3-bedroom apartments achieved in Sliema (€1439/month), whilst the maximum for 2-bedroom apartments was noted in Sliema (€1218/month). Gozo registered the lowest monthly rents in Munxar for both 2 & 3 bedroom apartment at €495/month and €585/month respectively. Rabat registered the highest monthly rents for 2-bedroom and 3-bedroom apartments at €579/month and €684/month respectively.

[37] Global Property Guide

TABLE 16d– MEDIAN, MINIMUM & MAXIMUM MONTHLY RENTS BY REGION 2023

Region	2 Bedroom			3Bedroom		
	Average	Minimum	Maximum	Average	Minimum	Maximum
Western Region	747	668 (Rabat)	795 (Attard)	895	789 (Rabat)	939 (Attard)
Northern Region	696	659 (St. Paul's Bay)	904 (Naxxar)	834	779 (St. Paul's Bay)	1068 (Naxxar)
Northern Harbour Region	899	749 (Birkirkara)	1218 (Sliema)	1077	884 (Birkirkara)	1439 (Sliema)
South Eastern Region	666	597 (Birzebbugia)	716 (Marsascala)	798	706 (Birzebbugia)	846 (Marsascala)
Southern Harbour Region	640	554 (Fgura)	646 (Haz-Zabbar)	767	654 (Fgura)	763 (Haz-Zabbar)
Gozo Region	562	495 (Munxar)	579 (Rabat)	674	585 (Munxar)	684 (Rabat)

TABLE 17: 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	Rental value as % of market value - 2019	Rental value as % of market value - 2020	Rental value as % of market value - 2021	Rental value as % of market value - 2022	Rental value as % of market value - 2023
Bugibba – internal	8%	3.60%	3.25%	5.01%	6.32%	5.08%	5.60%	4.03%	5.98%	4.52%	3.67%	4.75%
Qawra - internal	8.50%	4.30%	2.75%	4.89%	6.45%	5.93%	5.30%	3.79%	5.34%	4.56%	3.67%	4.87%
Sliema front	5.50%	2.00%	3.50%	4.20%	0.00%	3.48%	4.13%	4.76%	5.26%	2.46%	3.76%	2.94%
Sliema inner	5.50%	4.10%	4.50%	5.90%	5.60%	5.97%	6.63%	5.88%	5.09%	4.29%	5.41%	5.05%
St Julian's	7.50%	3.50%	3.75%	6.63%	9.62%	6.05%	5.45%	6.33%	5.47%	4.93%	6.60%	5.53%
Swieqi	7.00%	4.15%	4.18%	5.64%	6.96%	6.70%	4.52%	5.05%	6.72%	3.96%	4.78%	4.16%
Source: DHIperiti in-house valuations 2023												

Table No. 17 notes unsustainable residential rental capitalization rates for 1997, as varying between 8.50% - 5.5%. This then shifted to more sustainable residential rental capitalization rates, which since 1997 have shifted to the more realistic market residential annual capitalization rates, with the 2004/2007 varying between 3.25% & 4.50%. Those rates as standing within the 2% range, note these locations as being overvalued. The annual capitalisation rates for 2015 – 2018 as standing within the range of 4.20% & 6.63%, note the present market values as overvalued, with unsustainable increases still awaited in the immediate future. Highs are now being represented in 2017 within a range of 3.48% - 6.70%, flattening slightly in 2023 from 2.94% - 5.53%.

Now the rental market is a better indicator of the housing market, as people will pay the rental amount that is fair. Rents drive house prices and not vice versa. House prices do correct back to rents rather than rents correcting to house prices.[1] The analysis in this paper suggests rents lead prices by twelve months. Table No. 4 notes the hike in rental payments to have occurred over 2014 – 2015. Table No. 2 then notes the upturn in market values not occurring prior to 2016 – 2017.

Malta's gross rental yields at as per table 17 at 4.55% are generally slightly lower than mainland Europe, hovering around the 4.59% mark. To be noted that the ex-Soviet satellite countries together with ex-Yugoslavia countries have yields exceeding 5%, with Moldova at 6.64%, Ukraine at 7.43%, Montenegro at 5.80% and Ireland at 7.38%. Cyprus has a yield of 4.70%, Belgium at 4.09%, Spain at 5.57% the Netherlands at 4.90%, Luxemburg at 2.59%, Greece at 5.41%, the Czech Republic at 3.88%, Russia at 6.12%, the United Kingdom at 6.21%, Andorra at 5.21%, Germany at 3.86%, France at 4.06%, Italy at 6.67% and finally Austria has the lowest rental yield at 3.81%.[38]

This then notes that with the high capitalization rates for 1997, this gave an indication that the market was under-priced at that point in time. Corrections to the market price occurred over the period 2004 – 2007. It is then noted that these capitalization rates were high again in 2015. This due to the high rentals in place then, which were not matched with adequate increases in the market value, as noted previously. With the double digit increases as then occurring in the residential market values, as from 2016 - 2017 decreases to the capitalization rates started occurring again. A high capitalisation rate was recorded in 2020, plummeting in 2021 and stabilising in 2022.

Reference to tables 8 & 9, it is presently noted that the mortgage payment for a 3-bedroomed affordable residence at 722euros monthly is presently 100% cheaper than renting calculated at 1,450euro monthly. On the other hand, the mortgage payment for a 2-bedroomed affordable residence at 526euro monthly is again presently 140% cheaper than renting at €1,275 monthly. In 1997 it is noted that the mortgage payment for a 3-bedroomed residence equated to the rental due, whilst for a 2-bedroomed residence renting stood at 160% of the mortgage payment due.

Considering the above present residential rental capitalization rate to hover around 4.25%, the net return to the property investor, who also anticipates to achieve a future estimated 4% pa annual capital return and after deducting 0.75% for maintenance costs is seen to receive a net annual return given by:

4.25% + 4% - 0.75% = 7.50% pa

Thus, homeownership annual return is superior to a present safe Government 15-year bond issue averaging at around 1.75% pa, as averaged over the past 5-year period.

[38] Global Property Guide

Malta's Real Estate & the Malta Stock Exchange.

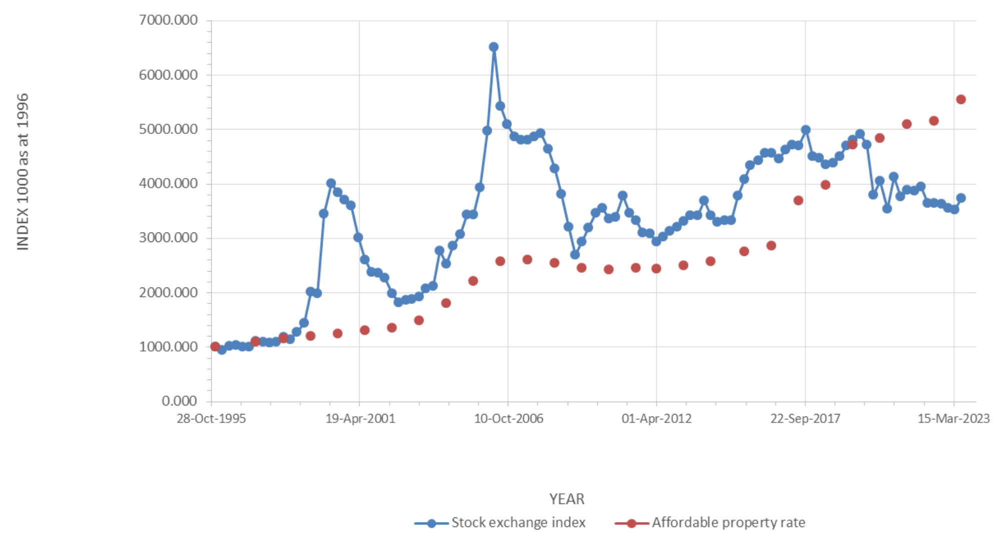

CHART No.3: PROPERTY vs STOCK EXCHANGE INDEX 1996 – 2023

Source: DHI Periti in-house valuations: Camilleri updated table

Property has always been a favourite investment medium with the Maltese. With the recent creation of the Malta Stock Exchange in 1995, this has provided a void where the small investor can address his funds, even prior to settling on the property ladder. What are the risk scenarios for the affordable property market vis-à-vis investing in the Malta Stock Exchange?

Chart No. 3 compares the growth of the affordable property market in comparison with the growth of the Stock Exchange Index, since its inception, from 1996 up to 2023. It is to be noted that if trading by an investor commenced in 1996, this investment on the Stock Exchange as at 2007 would have grown by 5 times, whilst investment in the affordable property market over the same period would have only increased by 2½ times. This is half the growth experienced by the Stock Exchange over the same period. Up to the year 2023 the Stock Exchange is noted to have increased by 374% in value, whilst the property market has only grown by 555%.

The above appears to suggest that trading in the Stock Exchange is superior to dealings in the Property Market. This is the case if the risks involved in both investments are not accounted for. The serrated curve of the Stock Exchange is a clear example of a very volatile market, unlike the Property Market's smooth growth curve. The timing of entry in the Stock exchange is of prime importance.
If an entry had been undertaken in the 1st quarter of the year 2000, the loss up to 2023 in the Stock Exchange would have registered a decrease of 6.67% over this 23-year period, whilst over the same period the Property Market registered a positive 343.78% growth. On the other hand, if one entered the Stock Exchange at its peak during the 1st quarter of 2006, the loss registered on the investment by 2023 works out at -42.5%, whilst investing in the property market over the same period will have registered a gain of +115%.

Foreign property buyers

Since 1974 when a foreigner purchases property in Malta, it has to be registered via a law known as the Immovable Property (Acquisition by Non-Residents) AIP Act. 13,836 permits have since been registered, i.e. an average of 419 permits per year. These foreign resident purchases, peaked in 1989 at 899, then plummeted to 155 in 1998. These annual foreign contracts are to be compared to the property contracts occurring in Malta exceeding 10,000 annually, as per table 11A. Since 2003, Malta's accession to the EU, EU residents need not apply for an AIP permit.
Table 18A demonstrates that presently, foreign buyers are purchasing property in the up-market range, unlike in the initial years of this study. This signifies that the affordable property market transactions are not being negatively affected from foreign property purchases.

TABLE 18a: NO OF AIP PERMITS ISSUED, WITH AVERAGE PRICE IN EURO COMPARED TO AFFORDABLE PROPERTY RATE (TABLES 4&5).

YEAR	PERMITS – MALTESE ISLAND	AVERAGE VALUE	PRICE €/SQM	AFFORDABLE PRICE€/SQM
1982	175	€28,080	207	163
1987	351	€24,151	179	212
1992	315	€46,261	342	349
1997	163	€80,752	599	512
2002	465	€163, 962	1,214	629
2003	669	€162,756	1,204	692
2004	705	€145,993	1,081	841
2005	400	€294,130	2,261	1,030
2006	399	€205,753	1,581	1,209
2007	843	€200,449	1,542	1,211
2008	763	€195,835	1,506	1,183
2009	606	€192,187	1,478	1,144
2010	596	€204,797	1,575	1,130
2011	691	€217,283	1,671	1,146
2012	760	€194,942	1,500	1,134
2013	715	€241,743	1,860	1,168
2014	884	€223,214	1,717	1,203
2015	1131	€249,960	1,923	1,282[1]

TABLE 18b: VALUE OF PROPERTIES SOLD TO FOREIGNERS OVER THE PAST 4 YEAR PERIOD

	2012		2013		2014		2015	
District	Number	Price	Number	Price	Number	Price	Number	Price
Southern Hrabour	11	€ 3,020,121	20	€ 3,224,753	21	€ 3,737,720	29	€ 24,534,356
Northern Harbour	112	€ 36,260,476	111	€ 25,972,957	111	€ 40,628,063	148	€ 72,529,586
South Eastern	13	€ 1,910,925	7	€ 626,550	7	€ 2,016,798	11	€ 987,816
Western	8	€ 362,921	4	€ 2,239,000	5	€ 627,000	10	€ 1,499,859
Northern	61	€ 31,253,259	36	€ 13,699,353	36	€ 7,139,338	42	€ 81,913,504
Gozo	39	€ 10,472,277	24	€ 3,974,500	22	€ 4,880,526	30	€ 6,064,821
Unclassified	2	€ 444,500	5	€ 3,129,000	6	€ 9,690,000	10	€ 1,936,692
Total No./ Price	**246**	**€ 83,724,479**	**207**	**€ 52,866,113**	**208**	**€ 68,719,445**	**280**	**€ 189,466,634**
Average Price	-	**€ 340,343**	-	**€ 7,552,302**	-	**€ 9,817,064**	-	**€ 27,066,662**
Average Price table 18A	-	**€ 194,192**	-	**€ 241,743**	-	**€ 223,214**	-	**€ 249,960**
Rate/sqm	-	**€ 2,618**	-	**€ 58,095**	-	**€ 75,516**	-	**€ 208,205**
Rate/sqm - table 18A	-	**€ 1,500**	-	**€ 1,860**	-	**€ 1,717**	-	**€ 1,923**

TABLE 18c: AIP PERMITS - AVERAGE PRICE OF PROPERTIES BY LOCALITY & YEAR

Locality/Average Price	2012	2013	2014	2015
Southern Harbour :- (Valletta, Cospicua, Zabbar)	€ 274,556	€ 161,237	€ 273,225	€ 846,012
Northern Harbour:- (Birkirkara, Qormi, St. Julans, Pembroke)	€ 323,754	€ 233,991	€ 366,019	€ 490,065
South Eastern:- (Marsaxlokk, Marsaskala, Birzebbugia)	€ 146,994	€ 89,650	€ 288,114	€ 89,801
Western:- (Mdina, Rabat, Attard, balzan)	€ 460,365	€ 559,750	€ 125,400	€ 149,985
Northern :- (St. Pauls Bay, Mosta, Naxxar)	€ 53,332	€ 380,538	€ 198,315	€ 195,032
Gozo & Comino:- (Victoria, Munxar, Nadur)	€ 286,519	€ 165,604	€ 221,842	€ 202,161

Table 18A shows that the number of transactions to foreign purchasers in 2003/4 is well above the 32-year average at 405 annual permits, coinciding with Malta's entry into the EU. It is however, to be noted that from 2003 onwards EU nationals did not require to apply for an AIP permit. It has been reported that over the past 3 years, some 6,000 residences were sold to foreigners, thus many of these foreigners according to table 12 did not require an AIP permit.

Another interesting point is that for the first time in 2002 since 1982, these foreign purchases were well above the affordable price range. Evening out had occurred in 2004, with a surge in the number of premises purchased at 705 occurring, with again the market rate hovering towards the affordable range. A surge in the quality of premises purchased occurred in 2005 at a market rate of €2,261/sqm, with a specification decline following in thereafter. The up-market property rate over the immediate past period has averaged out at €2,680/sqm. In 1987 and 1992, foreigners were actually purchasing properties below the minimum local standards. It appears that the recent up-market developments are attractive to foreigners.

On a regional basis, a higher proportion of non-Maltese nationals reside in the Northern Harbour, South Eastern and Northern Districts. The majority of non-Maltese residents (7,548 or 37.6%) reside in the Northern Harbour, which includes tourist haunts Sliema and St Julians. The next most popular region for foreigners to live was the northern District, with 5,137 non Maltese residents. This district includes Mellieha and St Paul's Bay. Gozo has 1,290 foreign residents out of a total population of 31,143. On a demographic level 52.9% of non-Maltese nationals are males and the average age of foreign residents is 39.5 years. The highest proportion (13.2%) of non-Maltese residents is in the 25-34 age bracket.[1]

The 2011 Census report indicates that the foreign population has increased by 65% since 2005. Of the total population of 417,432[1] people, 20,454, or 4.9% are non-Maltese nationals. The number of non-Maltese residents stood at 12,112, or 3 percent of the population in the 2005 census.

Two factors likely to have increased the foreign population are Malta gaining EU status in 2004 and the publication of Remote Gaming Regulations, also in 2004, which enticed many foreign remote gaming companies to set-up offices on the island.

A new residence programme for foreigners (non-EU) was launched on 1st June 2013, replacing the foreign residents' scheme. The Global Residence Programme, as the new scheme is called, will allow people who buy high value property and pay taxes in Malta to benefit from a residence permit. The previous scheme was suspended and initially replaced by the High Net Worth Individuals Scheme. Under the Global Residence Programme, the value of immovable property bought in Malta by foreigners has to be at least €275,000. However, when the property is in the south of Malta or in Gozo, the minimum value can be €220,000. Whereas under the High Net Worth Individuals Scheme. Applicants would also have been eligible if they rented a property for a minimum of €9,600 pa in Malta and €8750 pa in Gozo or the South of Malta.

The minimum tax to be paid in advance is a minimum of €15,000 on income derived in Malta, with further income charged at 15%. Foreign residents under this programme, including their dependants, have to be covered by health insurance. They will not be entitled to Free State health services.

Commercial property data of the Maltese islands – 2019

Despite headwinds, there are still local growth stories and opportunities in new sectors.

A total of €34.1bn was invested in European commercial property in Q1 2019, according to Real Capital Analytics (RCA). While this is down -32% from the €50.0bn invested in Q1 2018, Europe is not alone. Global commercial investment volumes declined by -24% year-on-year (y-o-y), with the Asia Pacific region's commercial investment volumes falling by approximately -27% over the same period.

Despite headwinds facing multiple markets, including Italy entering a technical recession, there were pockets of strong y-o-y investment volume growth in the Czech Republic (+240%), Sweden (+142%), Finland (+141%), Norway (+36%) and Russia (+11%). Overall, office, retail and industrial investment volumes were all down y-o-y in Q1 2019, according to RCA. However, more investors saw opportunities in alternatives across Europe, with investment volumes increasing by +39% for Senior Housing and Care Homes, and by +8% for Hotels.

There remains a significant weight of capital targeting European assets, with just over 50% from cross-border sources. Evidence of this demand can be inferred through pricing, where European prime office yields came under further downward pressure in the year to Q1 2019. On average, European yields fell by -11bps.

The most significant falls were recorded in Warsaw (-55bps), Budapest (-50bps) and Zurich (-50bps). However, on a quarterly basis, many cities across the continent witnessed no yield movement in Q1 2019. This is expected, as yields in markets such as Berlin, Brussels, Dublin, Munich and Madrid are at multi-year lows.

In Q1 2019, the average European prime office rent grew by +3% year-on-year to €531 per sq m per annum. The +19% rental increase in Amsterdam and +13% increase in Berlin could not offset falls in Moscow and Geneva.

Take-up has increased, on average, by +8% y-o-y in Q1 2019 across the survey area. In Brussels, take-up increased by +202% in the year to Q1 2019. Brussels recorded one of its highest ever levels of quarterly take-up, with 236,209 sq m in Q1 2019. The city had one of its best quarters in terms of leasing activity, exemplified by a 67,000 sq m lease by Vlaamse Overheid at €215 per sq m per year.

Vacancy rates have continued to fall in Q1 2019. On average, the vacancy rate was 6.1% across our survey area, a fall of -0.69% y-o-y. The steepest falls recorded were in Moscow (-2.6% y-o-y), Prague (-1.9%) and Barcelona (-1.8%). The cities with the lowest vacancy rates in Q1 2019 were Berlin (1.5%), Munich (1.7%) and Paris (1.8%), highlighting the tight supply and demand in these markets.

In the coming year, capital value growth is expected in close to half the markets surveyed. Unsurprisingly, these are typically the markets with the lowest vacancy rates, including Paris, Prague and Zurich, where strong demand and limited supply play a substantial role. Furthermore, rental price growth is expected in multiple markets, including Moscow, Vienna and Milan. Ultimately, prime yields across office, retail and industrial markets are on the whole likely to remain stable over the year ahead, although, yield compression is anticipated in office markets including Berlin, Prague and Brussels.[39]

Over the immediate past 15-year period, the number of commercial permits issued averaged out at 936 annually. The lowest number of commercial permits issued was during 2008 - 2009 just surpassing the 400 mark, with the highest number occurring in 2018 at 2,464 permits. This surge in commercial permits also for 2010, as opposed to the drop in residential permits noted in table 10b, notes the above healthy situation of the Maltese economy over the past immediate future.

Table 19 notes a quadrupling in increase for warehousing, retail and office permits since, this surging on by the Gaming sector, with the possibility of Brexit expectations, notwithstanding the entailing local scars on the financial industry. Will the peaking as occurred in 2018, be scaled down in the near future?

This together with a surge of hotel permits noted in 2014, spiralled off by the additional hotel floors policy granted in certain areas. It is further to be noted that totally new hotel developments are in the pipeline, as noted by the recent hike as from 2016, this also compounded new hospitality developments in the walled cities, especially for Valletta. The same surge is also to be noted in the restaurant/bar section.

A hefty increase in permit applications is also noted for the manufacturing sector, as from 2017

A significant decrease of 23% was recorded in the total number of development permits for 2020 which stood at 2,678 when compared to the 2019 figure of 3,474 which was the highest figure recorded for the previous decade. This decrease was noted to be most marked in all sectors except for the agricultural sector registering a small decrease. The ongoing pandemic surely has slowed down activity in the commercial sector. The number of total development permits has gradually increased since 2020 reaching 2,770 (+3%) in 2021, and 2,984 (+7.7%) in 2022.

[39] Knight Frank European Quarterly Report Q1 2019

TABLE 19: 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
2017	540	98	974	119	343	137	184	2,395	3,108
2018	481	113	972	146	322	156	274	2,464	3,429
2019	471	110	971	162	300	136	396	2,546	3,474
2020	450	77	666	114	250	107	262	1,926	2,687
2021	560	76	699	80	290	128	248	2,081	2,770
2022	546	63	955	90	266	126	184	2,230	2,984

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.

A recent decrease is noted in agricultural permits, which indicates lack of income for this important sustainable sector. This is probably due to drying up of EU funding for this important sector, which has recently been activated. The decrease in the agricultural sector is amplified by tables 20&21. Table 20 notes the gross value added as decreasing by 2% over a 35-year period. Table 21 then notes that over the same period the employment in the agricultural sector has decreased by 5%.

The dwindling situation for the agricultural sector is the result of rampant exploitation of this basic resource, as derelict buildings are transmuted into extensive ODZ dwellings under the disguise of “agricultural stores”. The authorisation to construct stores, greenhouses and structures to hold animals has resulted in a drastic increase in the price per tumolo, forcing farmers to leave the land they have cultivated for decades as increased market prices fuel the opportunity for future development. Although the land lease reform form was enacted to address the eviction of farmers, no policies were put in place to restore the depleting agricultural industry. In fact, NSO publications illustrate that in 2022 land utilised for agricultural purposes has diminished by 6.2% and holdings dropped by 14.8% over a 10-year period up to 2020 of which 55% have no succession plan in place, as the workforce decreased by over a quarter. An increase in the national agricultural output could alleviate the affect of shortages in the worldwide supply of grain, decreasing the national expenditure to subsidise importers. Even though, agriculture has its own dedicated ministry, statistics mirror the lack of vision to manage the land effectively and the little effort put into place to protect the unexpendable resource. [40]

On the other hand, a hike is further noted for 2017, probably fuelled by the awaited legislation for the medicinal cannabis plantation.

TABLE 20: SHARE OF GROSS VALUE ADDED BY BROAD ECONOMIC SECTOR 1980

	1980	1990	2000	2004	2014
Agriculture	4%	4%	3%	2%	2%
Industry	39%	31%	27%	28%	17%
Services	59%	65%	70%	70%	81%
Source:*The Diversification of the Maltese Economy Aaron G. Grech CBM Policy Note September 2015*					

TABLE 21: SHARE OF FULL-TIME EMPLOYMENT BY BROAD ECONOMIC SECTOR 1980

	1980	1990	2000	2004	2014
Agriculture and fisheries	6%	2%	2%	2%	1%
Industry	39%	36%	32%	28%	15%
Services	55%	62%	66%	70%	84%
Sources:*The Diversification of the Maltese Economy Aaron G. GrechCBMPolicy Note September 2015*					

Industrial:

There does not appear to be a free industrial market as most factories are leased from Malta Industrial Parks (MIP) at the maximum rate of €32.50/m^{2}pa but recently an escalation clause is being decided upon to vary as from 3% to 5% every 5 years. On the other hand warehousing may easily be obtained on the market from market rates ranging from €145/m^3 up to €350/m^3, thus equating to a rental rate of €35/m^2 to €82.50/m^2 pa.

A shift was noted in 2019 in warehousing European commercial reports. Warehousing transformed into Logistics, which encompasses a broader set of activities within the Industrial chain. Logistics involves the integration of information flow, production, inventory, security, packaging, material handling, transportation and warehousing. Thus, warehousing can be considered as a subset of logistics.[41]

[40] *Times of Malta Article: Editorial: The land use emergency (July 2023)*
[41] *Warehouse Vs. Logistics: What's The Difference? (Source: https://warehouserecruiters.net/warehouse-vs-logistics-whats-the-difference/)*

The Maltese Industrial rental rates are to be compared with the prime European Logistics rates averaging at €133/m^2, with prime yields averaging 4.64%. Note that the highest rental amount stands at €433/m^2 in London, whilst the lowest at €48/m^2 in Bucharest.

Prime logistics yields stand between 4.00% and 5.00%, an average of 4.64%. The highest prime yield of 5.50% was recorded in Warsaw and 5.5% in Budapest.

Table No. 22 is the database for warehousing over the past 37-years. As warehousing is a very important sector for the Maltese Islands, note that no drop in value in this sector has been experienced over the past 5-year period. To be noted however, that due to the improved frequent Catamaran Service between Malta & Sicily, the volume of food warehousing has decreased, due to orders being delivered even on a daily basis.

TABLE 22: WAREHOUSING PROPERTY INDEX 1988-2019

	1988	1992	1998	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
WAREHOUSING	110	144	222	256	310	320	354	384	384	418	537	537	562	583	596	609	617	625	634	647	659	668

Source: DHI Periti in-house valuations (2019)

Growth rates over the past 37-year period recorded at 5.93% pa (indicating a doubling in value every 11.25 years by applying the 72-rule**).** Whereas over the past 12-year period, at 3.63% pa (indicating doubling in value every 22 years), whilst over the past 5-year period sliding down to 1.65% pa with doubling in value occurring every 46 years, as noted in Chart No.4, also depicting this steady growth in value. This recent decline in annual growth for warehousing may be explainable, due to the above noted daily deliveries, thus reducing this demand.

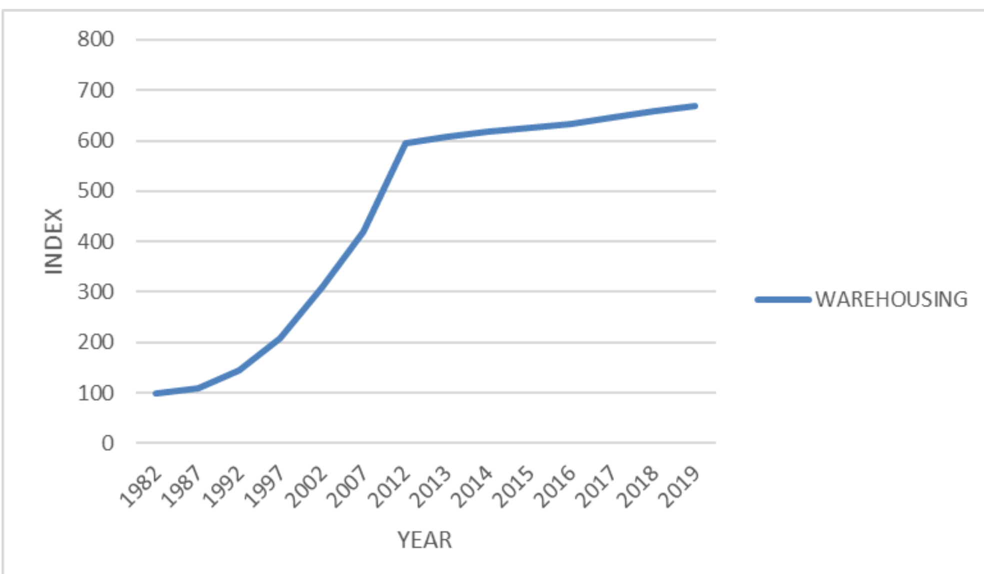

CHART No. 4: WAREHOUSING PROPERTY PRICE GROWTH 1982-2019

Offices:

The office rental market varies from €60/m^2 up to €525/m^2 with Malta's Central Business District average rate standing at €155/m^2, whilst the Malta average rate stands at €195/m^2.

These are to be compared with the prime European office rents averaging out at €471/m^2 within a range of €1,020/m^2 in London(West End), Paris(CBD) at €985/m^2, Dublin at €672/m^2, Barcelona €336/m^2 and Bucharest the lowest at €240/m^2.

Prime European office yields vary from a low of 3.3% in Munich and Berlin, 3.5% in Vienna and 3.75 in Paris to a high of 5.25 in Warsaw. Most European cities fall in the 3.75% to 5.00% range averaging out at a yield of 4.16%.

Table No 23 is the database for a prime multi-tenanted Floriana office block over the past 31-year period. Again, office premises have not been subjected to a property slump in recent years due to the proliferation of the volatile Gaming Industry in Malta.

TABLE 23: OFFICE PREMISES INDEX 1988-2019

	1988	1992	1998	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
OFFICES	100	133	203	260	264	267	271	274	278	275	266	281	306	310	320	319	327	350	373	410	435	460

Source: DHI Periti in-house valuations (2019)

Although the database attached is for an office block with Local Companies, this block has still attracted a growth rate of 4.69% over the past 37-year period (indicating a doubling in rental rate every 16 years by applying the 72-rule). Over the immediate 5-year period a 7.25% pa growth rate has been achieved (indicating doubling in value every 10.75 years), which is noted to have increased from the past 12-year period given at 4.50 % (indicating doubling in value every 16.25 years). As noted in Chart No.5 flattening in price growth rate is noted from 2000 onwards, whilst further growth was noted from 2014 onwards.

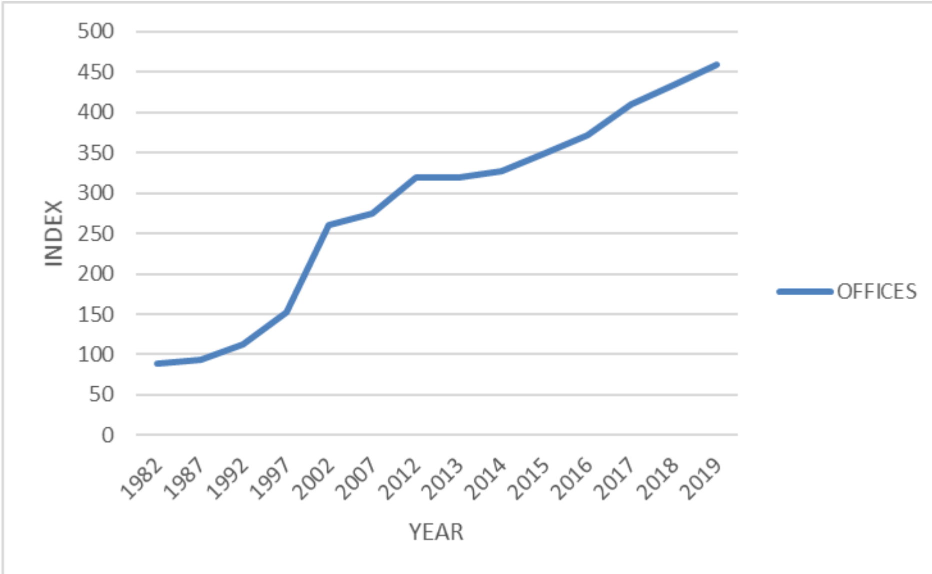

CHART No. 5: OFFICE PREMISES PRICE GROWTH 1982-2019

Further to above growth rate over the period 2007-2018, this has noted to have increased further in various localities such as Valletta, Floriana & the Strand within a growth band of 0.5% pa up to 4.75% pa, for offices mostly tenanted by local companies.
The above office growth rates have not taken note of the remote i-gaming sector that has continued to grow taking up much of the office space in the Ta' Xbiex/ Sliema/St. Julians conurbation. Chart No. 5 thus excludes these areas. It has been reported that in this locality offices rental rates have increased by 11% pa over the immediate 5-year period, as compared to a 3.25% pa growth rate for Central Malta. Noting this, the i-gaming industry is however being again noted as being a volatile market.

Retail:

In the retail sector high street shops in the towns and villages have a rental amount varying from €12.50/day up to €215/day, for a front retail unit having a 4m frontage with a 9m depth.

The rental rates for shopping malls vary from €1,500/m^2 down to €150/m^2. Rental values also vary according to the retail type. Department stores and major tenants may be given preferential treatment by paying as little as a ¼ of the rental amount, with specialty retailers paying the higher amounts. Turnover rents in existence vary from an amount equated at 10% to 25% of annual turnover, although this form of rental agreement has lost its appeal over the recent years.

These rents are to be compared to retail property European rents averaging out at €2794/m^2 within a range of: €6708/m^2 for London Oxford St. €3,060/m^2 in Dublin, €1920/m^2 in Berlin, €1,200/m^2 in Warsaw and €1,080/m^2 for Budapest.

Prime European retail yields vary from a low of 3.00% in West End London, 3.25% in Munich, 3.30% in Berlin, 3.75% in Barcelona and 3.90% in Milan. Yields go up to a high of 7.25% in Romania, 5.75% in Hungary, 5.50% in Warsaw and 5.00% in Dublin. However, most European cities fall in the 3.75% to 5.50% range, averaging out at a yield of 4.40%

Table No 24 is the database for prime retail outlets over the past 37-year period, as located in Valletta & The Ferries Sliema. Retail premises performance depends on footfall & consumer preferences. Minimal drop in value has been experienced over the past 5-year period.

TABLE 24: RETAIL PREMISES INDEX 1988-2019

	1988	1992	1998	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
RETAIL	157	194	279	350	373	397	420	425	430	435	440	445	450	455	500	527	553	580	600	630	670	700

Source: DHI Periti in-house valuations (2019)

Growth rates over the past 37-year period is recorded at 5.34% (indicating doubling in value to occur every 13.33 years by applying the 72-rule). Over the past 5-year period the growth rate has narrowed down to 5.89% pa (indicating doubling in value to occur every 15.3 years), which is an improvement from the past 12-year period at 4.18% pa (indicating doubling in value to occur every 20.9 years). Chart No. 6 notes flattening in growth rate from 2004 to 2011 with steady increases over the past 8 years.

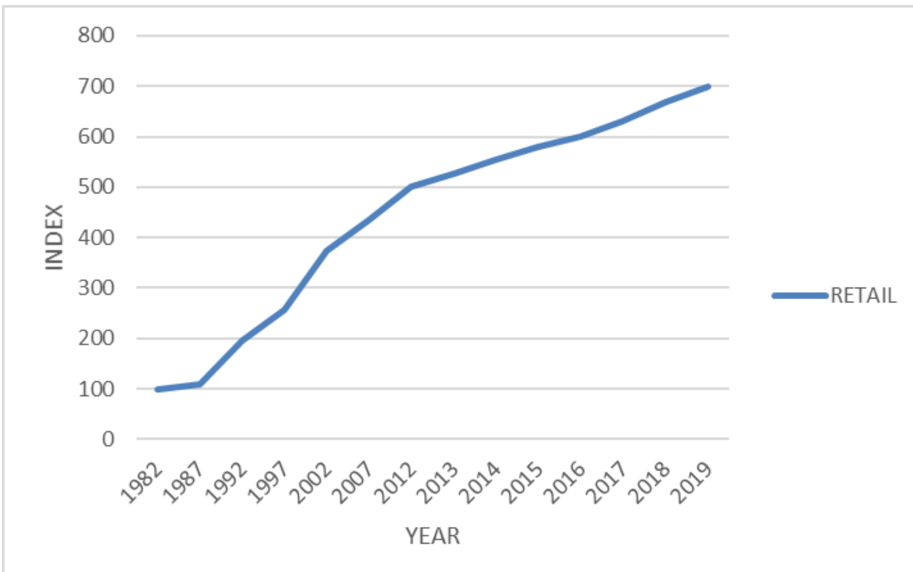

CHART No. 6: RETAIL PREMISES PRICE GROWTH 1982-2019

This subdued growth rate for retail properties as compared to the other market types explained may be related to the subdued footfall of local retail outlets. Over the immediate past period the standard & quality of these retail outlets has leapfrogged, as stimulated by the completion of The Point Complex. This quantum leap has not been validated by a rise in footfall. Malta has not as yet managed to become the regional retail hub of the Mediterranean, notwithstanding even the increase in tourist arrivals over the previous years.

Comparative commercial rental analysis
The above commercial rental data is summarized in the table 25 below.

TABLE 25 – 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
Industrial	up to €82.50	2.12% pa	€137/m^2 (425)	4.00% - 5.00%
Offices	€45 - €480	4.49% pa	€471/m^2 (1,020)	3.75% - 5.00%
Retail	€150 - €1,150**	3.85% pa	€2,794/m^2 (6,705)	3.75% - 5.50%

* European Industrial applies up to 2018.
**This value applies for shopping malls, as prime street frontage retail units could fetch a maximum rental amount of €1250/m^2, even topped up to €3250/m^2 for speciality shopping, where it appears that this amount is paid more for the Company's Corporate image, than based on amount of turnover generated.

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