

DENIS H CAMILLERI

VALUER DHI PERITI - dhc@dhiperiti.com

11-12th October 2018

RENTING IN AN INCREASINGLY URBANISED EUROPE

HOME OWNERSHIP & VACANCY RATES

HOME OWNERSHIP RATE AS OF CENSUS DATE

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

VACANCY HOUSING RATES OVER THE VARIOUS MALTESE CENSUSES

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

VACANT DWELLINGS

YEAR	QUANTITY	PERCENTAGE
1995	35,723	23%
2005	53,120	27.6%
2011	71,080	31.7%

CHARACTERISTICS OF VACANT DWELLINGS - 2011

TOTAL	GOOD STATE	DELAPIDATED STATE	SHELL FORM
41,232	27,306	6,989	6,937
	APARTMENTS	REST	
	21,853	19,379	
SEASONALLY OR SECONDARY RESIDENCE			
29,848			

Source: NSO censuses

Do we need to introduce a Property Tax to entice vacant properties on the market? The World Bank had lauded Malta's property tax system as it had buffered the 2007 property crash!



CHANGING DEMOGRAPHICS OF THE MALTESE ISLANDS

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

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

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

RESIDENTIAL DEVELOPMENT PERMITS

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
Number of total Units	5481	6128	6707	9081	10409	11343	6836	5298	4444	3955	3064	2705	2937	3947	7508	9822
Apartments approved		4548	5265	7539	8961	10252	6184	4616	3736	3276	2489	2062	2221	3019	6316	8513
Compliance Certificates	2552	2719	4975	3884	3400	7169	7796	8055	7784	6438	6314	6703	6948	7358	8452	9250
% Completed	47%	44%	74%	43%	33%	63%	114%	152%	175%	163%	206%	248%	237%	237%		
<i>Source: PA</i>																

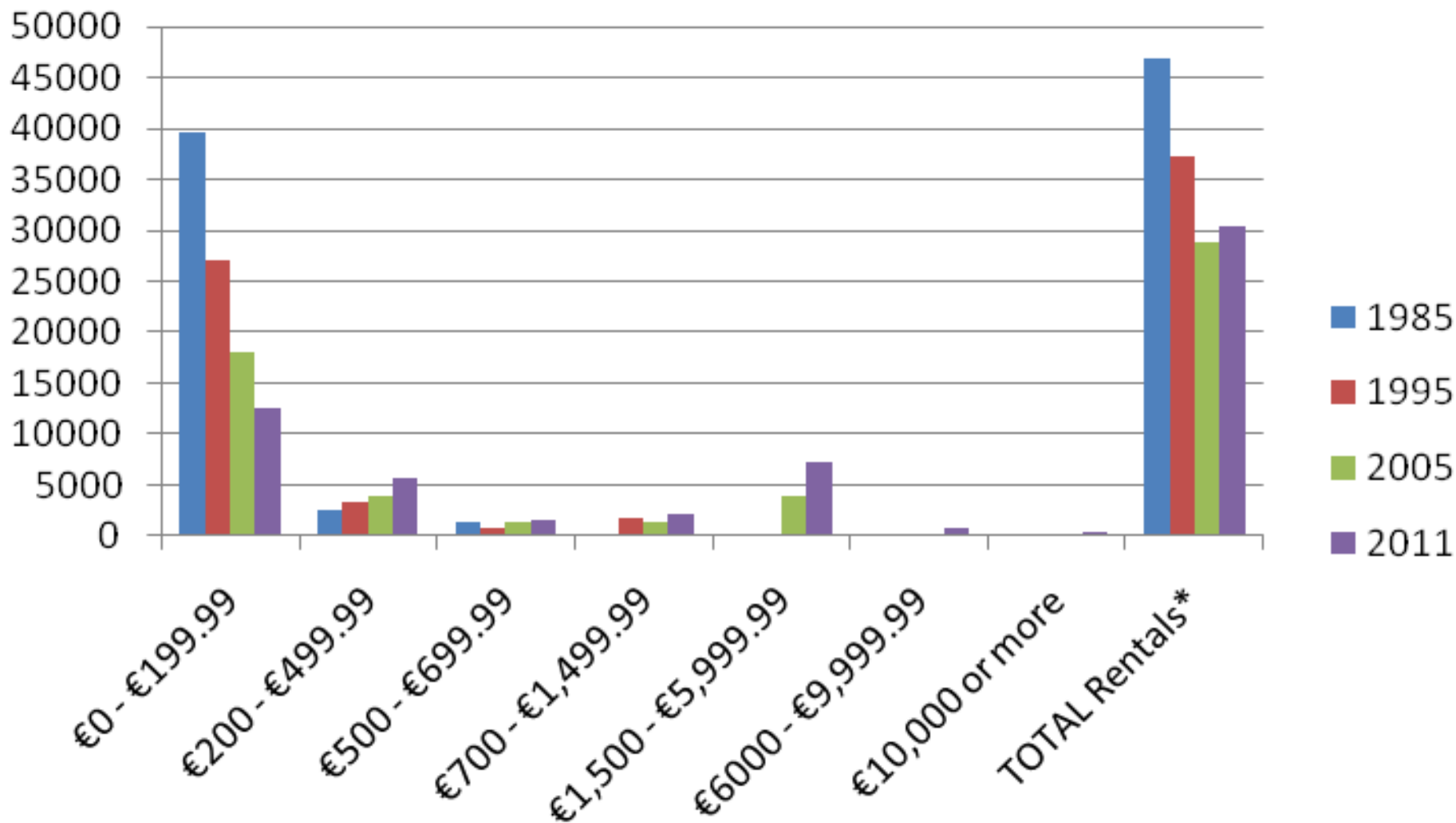
Source: Planning Authority

Annual Marriages have hiked from 2500 up to 3000.

Whilst Separations/Divorces also from 500 up to 1350.

Annual property contracts also higher at 15000, from the previous 11500 annual contracts.

DISTRIBUTION ON RENTAL AMOUNTS WITHIN THE CENSAL PERIODS 1985-2011



*includes for free accommodation

MONTHLY APARTMENT RENTALS

TABLE 16C - DHI - TOM 2018.						
	DHI	TOM	DHI	TOM	DHI	TOM
	3 Bedroom		2 Bedroom		1 Bedroom	
2007	€ 491		€ 448		€ 238	
2010	€ 492		€ 422		€ 258	
2012		€ 833		€ 618		€ 137
2013	€ 541	€ 903	€ 522	€ 635	€ 331	€ 458
2014	€ 478	€ 984	€ 393	€ 693	€ 345	€ 490
2015	€ 752	€ 1,023	€ 615	€ 796	€ 493	€ 605
2016	€ 983		€ 723		€ 583	
2017	€ 1,329	€ 879	€ 1,147	€ 663	€ 859	€ 498
2018	€ 1,444		€ 1,289		€ 960	

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

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

RENTAL VALUES FOR VARIOUS LOCALITIES AS A % OF MARKET VALUE

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
Bugibba – internal	8%	3.60%	3.25%	5.01%	6.32%	5.08%	5.60%
Qawra - internal	8.50%	4.30%	2.75%	4.89%	6.45%	5.93%	5.30%
Sliema front	5.50%	2.00%	3.50%	4.20%	0.00%	3.48%	4.13%
Sliema inner	5.50%	4.10%	4.50%	5.90%	5.60%	5.97%	6.63%
St Julian's	7.50%	3.50%	3.75%	6.63%	9.62%	6.05%	5.45%
Swieqi	7.00%	4.15%	4.18%	5.64%	6.96%	6.70%	4.52%

Source: DHIperiti in-house valuations 2018

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

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

Bubbles

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

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

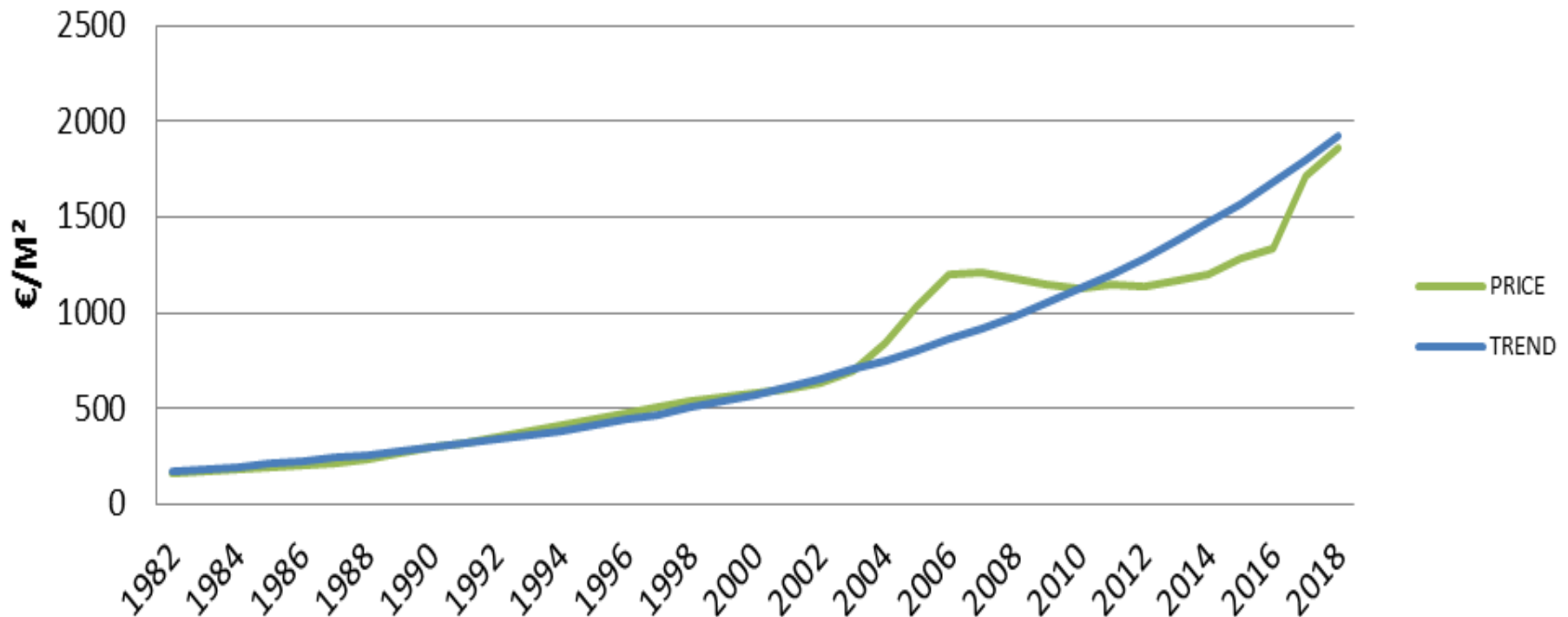
A housing bubble is said to occur if:

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

Real prices have increased with at least 50% during a 3-year period. Table 5 again demonstrates this to have occurred from 2002 – 2005.

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.

MALTA AFFORDABLE PROPERTY IN €/M² OVER THE PAST 36 YEARS



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

Note the time lag between rental and property price increases.

HOUSING AFFORDABILITY INDEX FOR THE MALTESE ISLANDS - HAI

Year	Mortgage Monthly Payment		Medium Monthly Family Income**	Qualifying Monthly Income		HAI*		House Price: Earnings Ratio
	3-bed/2-bed/r			3-bed/ 2-bed/r		3bed/2 bed/r		
1982	€140	€ 56	€ 229	€559	€ 391	77	110	4.28
1987	€161	€114	€ 564	€643	€ 457	88	123	4.23
1992	€252	€168	€ 745	€1006	€ 531	74	111	5.27
1997	€384	€247	€ 995	€1537	€988	65	101	5.80
2002	€394	€263	€1215	€1575	€1057	77	116	5.60
2006	€606	€429	€1665	€2119	€1500	79	111	7.22
2007	€673	€478	€1738	€2152	€1670	74	104	6.97
2008	€615	€410	€1798	€ 2152	€1435	84	125	6.58
2011	€469	€315	€1959	€1641	€1103	119	179	5.29
2012	€448	€305	€2058	€1568	€1067	132	192	5.05
2014	€472	€322	€2237	€1652	€1127	135	200	4.93
2015	€504	€346	€2325	€1764	€1211	132	192	5.28
2016	€520	€358	€2354	€1820	€1253	130	189	5.44
2017	€668	€453	€2521	€2338	€1585	108	159	6.25
2018	€723	€480	€2653	€2530	€1680	105	158	6.41

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

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