

# Property Market

Overview 2022

Produced by:



# Context

The **EY-Djar 2022 Property Market Overview** presents trends in residential and commercial asking prices and rental data up to 2022. This analysis is presented within the context of various economic developments that took place during 2022 -the pandemic recovery, the war in Ukraine, an energy crisis, tightening monetary policy, supply chain challenges, continuous spikes in general inflation, and fears of a global recession.

The property sale and rental markets have several socio-economic drivers in common; however, their response to economic and social developments varies with respect to nature, scale, and timing, especially in the short-term and during times of disruption and uncertainty. In general, the rent market is more agile and flexible in reacting to market changes. This is arguably also brought about by the fact that factors such as foreign workforce and tourism for short-term accommodation are more volatile and subject to market shocks.



## Inflation

Inflation was and remains one of the key economic considerations, both globally and for Malta. Prices, especially those relating to energy and food, rose at a constant high rate in 2022. The annual rate of inflation (as measured by the Harmonised Index of Consumer Prices (HICP)) for Malta reached 7.3% in December 2022 (leading to a 12-month moving average rate of 6.1%)<sup>1</sup>. This was mostly brought about by supply-chain shortages, which firstly arose from the COVID-19 pandemic and were exacerbated by the Ukrainian war, but was partially contained through government's energy and fuel subsidies. In terms of real estate, inflation affects both asking rents and building costs because of increased import prices in building materials.

Furthermore, new building regulations increase compliance costs, which further impact the cost of a new build and asking rent. Inflation also has the impact of eroding purchasing power, and this could also apply to the property market, since rising inflation could decrease affordability of rent, and loan payments for purchased property. **EY's 2023 Global Economic Outlook**, issued in January 2023, indicates an outlook where there is consensus on a potential decline in commodity prices, which could lead to disinflation in many European countries, including Malta.

## Interest rates

The European Central Bank (ECB) has reacted swiftly to rising inflation, by raising interest rates on multiple occasions in 2022. In fact, the ECB raised its deposit facility rate from -0.5% in June 2022 to 2.0% during December 2022<sup>2</sup>, and EY's 2023 Global Economic Outlook foresees that the ECB will continue with its aggressive tightening in 2023 - so much so, that it foresees the deposit facility rate increasing to 3.25% by May 2023. Local banks haven't yet increased their lending rates. If the cost of borrowing had to increase, both for developers and for buyers,

the likelihood is that they would eventually have to be passed on to end buyers.

## Tourism

During 2022, COVID-19 restrictions across the world, including Malta, were gradually removed, increasing inbound tourism and the demand for accommodation. In fact, the significant drops in 2020 and 2021 due to COVID-19 and travel restrictions have already been partly reversed in 2022, with the figures for inbound tourists from January-November 2022 totalling around 2.15 million. Though extremely positive, this is still lower than the total from January-November 2019 (c. 2.61 million - a difference of 17.6%)<sup>3</sup>.

## Budget 2023

A number of property-related schemes have been in place for a number of years. In Budget 2023, Government introduced or extended further incentives, including the extension of the reduced stamp duty scheme introduced at the start of COVID-19 (from 5% to 1.5% on the first €400,000). Originally related to any promise of sale agreements signed until 31st December 2021, this scheme was extended for final deeds of sale until June 2023. Further Budget 2023 measures announced included a grant of €10,000 over 10 years for first-time buyers on any property valued up to €500,000 acquired on or after 1st January 2022.<sup>4</sup> Additionally, the deposit payment scheme<sup>5</sup> was extended - with those qualifying receiving an interest-free loan worth 10% of the value of the respective immovable property (now valid for properties valued up to €225,000 rather than €175,000).<sup>6</sup> Another property measure was the extension of the capital gains tax exemption<sup>7</sup>. Under this scheme, those who buy or sell a property built more than 20 years ago and has been vacant for more than 7 years or a property in an Urban Conservation Area (UCA) can benefit from a full exemption from capital gains tax and stamp duty on the first €750,000 of the sale price.

1 NSO (2023), NR008/2023

2 ECB (2023), *Key Interest Rates*

3 NSO (2023), NR007/2023

4 Ministry for Finance and Employment (2022), The Budget 2023 Speech

5 Scheme aimed at people under 40, qualifying for a home loan with commercial banks, who do not have sufficient liquidity to pay the down payment required to purchase a property,

6 Ministry for Finance and Employment (2022), The Budget 2023 Speech

7 Ibid

## Promise of sale and final deeds

At 14,305, NSO figures indicated that volume of deeds have been stable in 2022 (2021: 14,368). In Q4-2022, the quarterly volume of final deeds of sale stood at 3,738, compared to 3,896 in Q4-2021. Total value of final deeds of sale increased by c. 3% to €3.25 billion in 2022, compared to 2021. This increase was mostly registered in Q1-2022.<sup>8</sup>

In relation to promise of sale agreements, there were high levels of activity in Q4-2021 (32.4% over Q4-2020), leading to an annual total of 15,639. This can be explained through the COVID-19 stamp duty scheme referred to earlier, which originally related to any promise of sale agreements signed until 31st December 2021. As expected, promise of sale agreements declined in 2022 (at 12,177) because of the effect of this 2021 stamp duty scheme on activity in Q4-2021. Compared to 2020, however, 2022 promise of sales increased by 8.2%. This upward trend continues to be observed in more recent statistics published for 2023<sup>11</sup>.

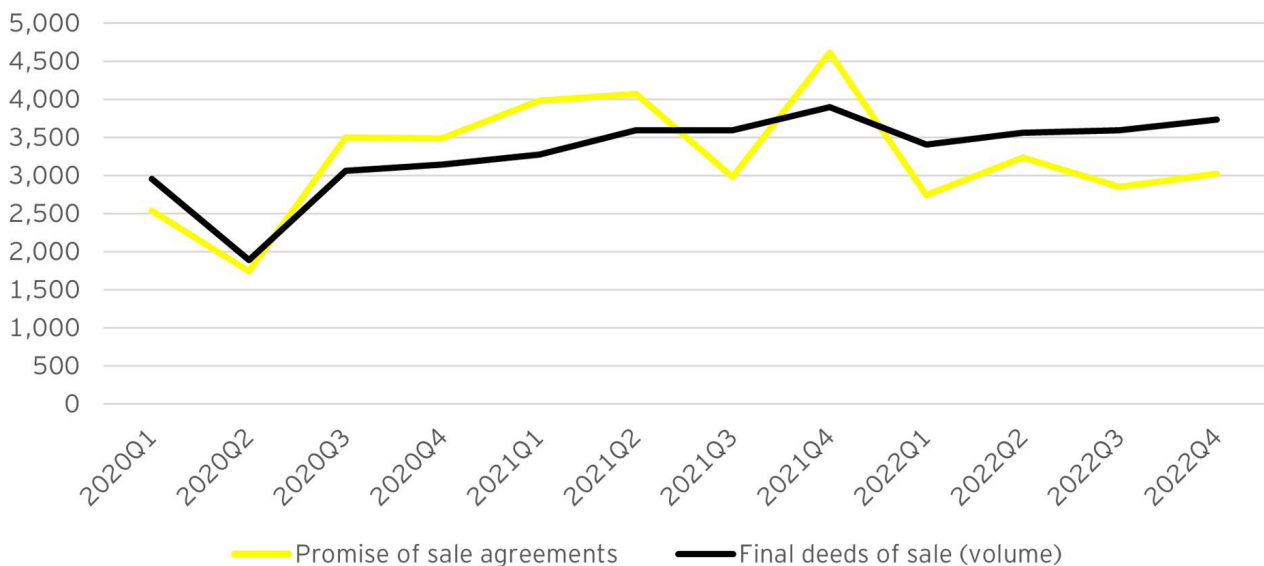
## Market supply

In recent years, Malta experienced marked growth in property investment. Development permits in 2018 and 2019 peaked at a total of nearly 13,000 in each of the two years.<sup>9</sup>

Permits in 2013 stood at 2,707, and steadily kept rising until 2018. Demand for housing units increased rapidly between 2013 and 2019, reflecting an increase in the number of foreigners residing in Malta (foreign population in 2011 stood at 33,591 which represented 8% of the total, while in 2021 these figures stood at 119,550 and 23%, respectively).<sup>10</sup>

In both 2020 and 2021, also due to COVID-19, development permits dropped to less than 8,000 (for each year), which represented a drop of 37% in 2020 from 2019, and a 3% drop in 2021 compared to 2020. Despite the fall in permits issued from 2018, the average price of a property continued to rise. Looking at final deeds, the average transacted property stood at c. €204k in December 2022, compared to c. €153k in January 2018<sup>12</sup>.

**Final deeds and promise of sale transaction volumes (NSO)**



Source: NSO (2023), NR006/2023

8 NSO (2023), NR006/2023

9 CBM (2022), Development Permits for Dwellings by Type

10 Eurostat (2022)

11 NSO (2023), NR019/2023

12 NSO (2022), NR006/2022

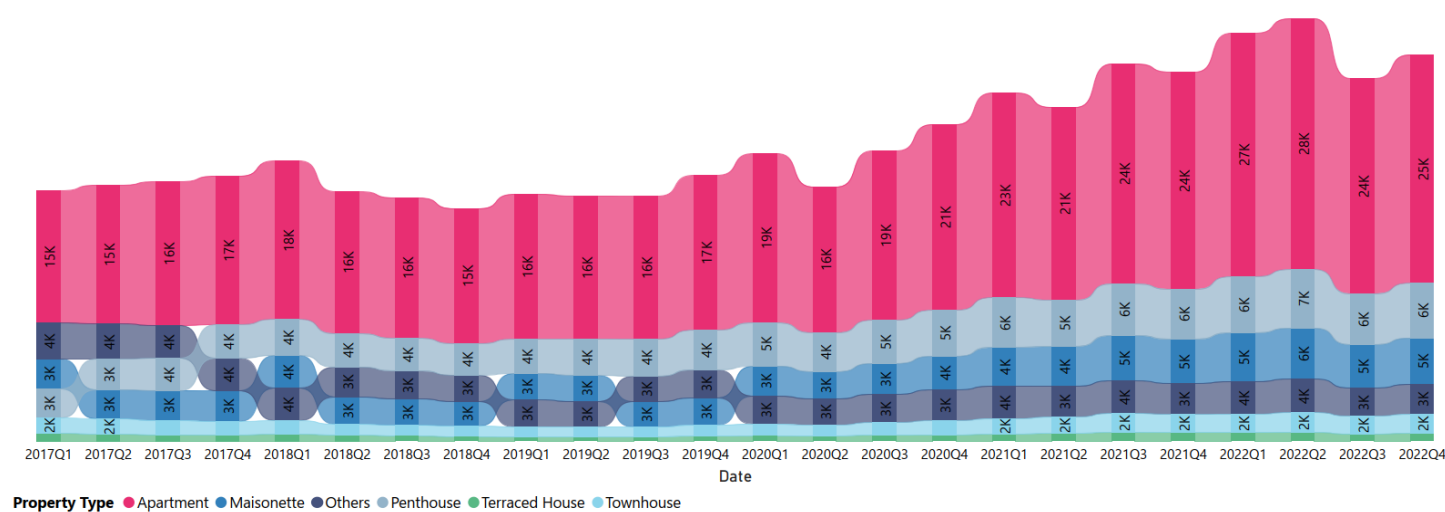
# Residential properties

This report aims to provide an overview of the trends and observations gathered from Djar's property listings database and looks at different property market segments using data available until 2022. Data is broken down into categories that include property type, location, and region. This section will look into residential property supply, demand, transaction, and price indicators from the Djar database and other publicly available data.

## A. Residential, for sale market

Residential property listings reached a peak during 2022H1, after which the number of residential property listings fell slightly across the majority of property types. Based on the Djar data, Figure A1 portrays the supply of property listings over time, categorised according to their type. As at 2022Q4, 85% of the residential listings across Malta were apartment-type<sup>13</sup> properties (59% apartments; 14% penthouses; 12% maisonettes) whilst the remaining 15% were houses<sup>14</sup>. The largest absolute and relative increases in property listings over 2022 was in apartment-type properties (as has been the trend historically). Besides supply development factors, this also represents a response to various demand factors, as previously discussed. The figure also predicts an increasing trend, as well as volatility - this is typical of the listings market, which is sensitive to market conditions. As seen in the context section, this volatility is also seen in promise of sale agreements, with a change in the tax regime, for instance.

**Figure A1: Number of listings by property type**



**Property Type** ● Apartment ● Maisonette ● Others ● Penthouse ● Terraced House ● Townhouse

**\*\*Others\*\* category includes boathouses, bungalows, duplex apartments, farmhouses, houses of character, palazzos, studio apartments and villas.**

<sup>13</sup> Apartments, duplex apartments, maisonettes, penthouses and studio flats

<sup>14</sup> Boathouse, bungalow, farmhouse, house of character, palazzo, terraced house, villa, townhouse.

According to the breakdown presented in Figure A2, the Djar database shows that the Northern Harbour (37%) and the Northern region (19%) have the largest shares of residential listings, which is consistent with previous reports. Unlike what was seen in the last EY-Djar report, the Western region had the least listings on the market (previously it was Gozo). A more detailed breakdown analysis of property listings, by type and by region, reveals that besides having the largest supply of properties, the Northern Harbour region also has the highest share of apartments listings at c. 43% - the highest intra-regional share across all regions. This reflects the higher level of urban density within this region. By comparison, the share of apartments listings in the Western, Southern Harbour and Gozo are close to 23%.

**Figure A2: Listings distribution by region**

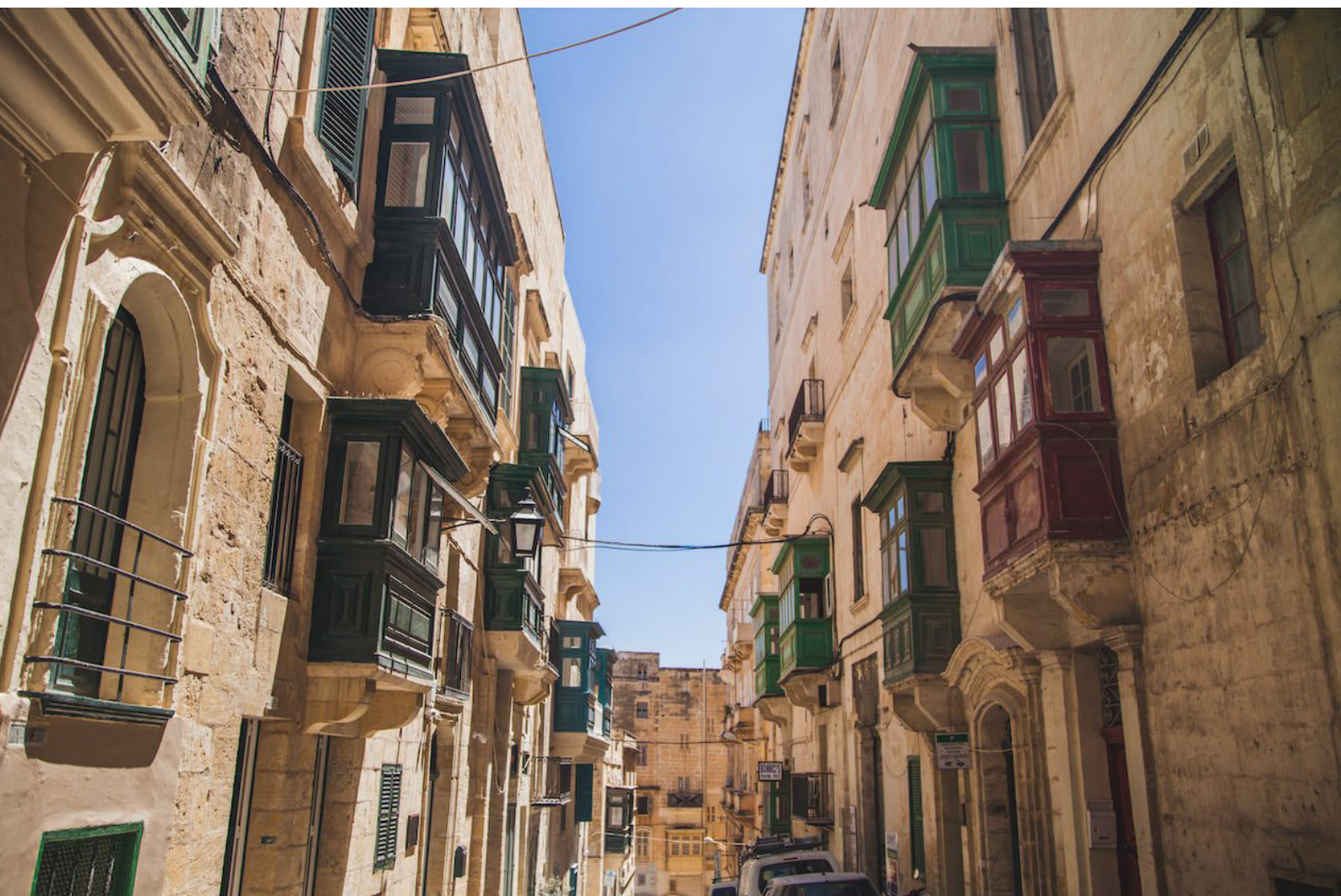
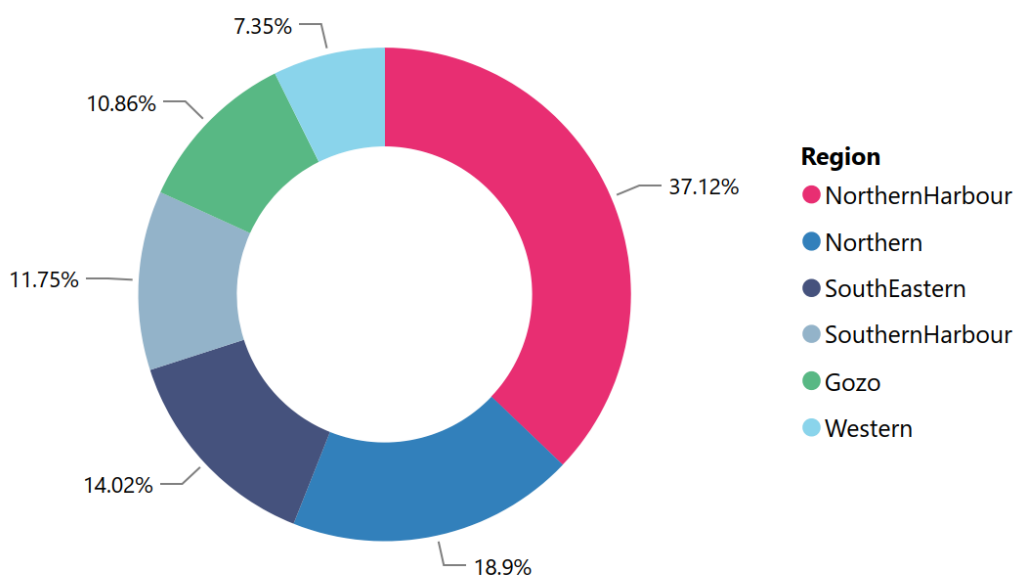


Figure A3 depicts the average change in asking prices at an individual property level (i.e. asking price of same property over time) when compared to the previous quarter (2022Q3) and the same quarter of the previous year (2021Q4). From this data it appears that whilst property asking prices remained stable over the shorter term (one quarter to the next), some revision of prices is applied for properties which remain listed for a longer period of time. Average price changes in the Northern, Western, Northern Harbour and (particularly) Gozo regions are mostly on the positive side and there has not been much change in the South Eastern and Southern Harbour regions. Overall, prices remains relatively flat, with any upward and downwards movements in some regions within the +/- 1% range.

**Figure A3: Average changes in asking prices, on an individual property level**

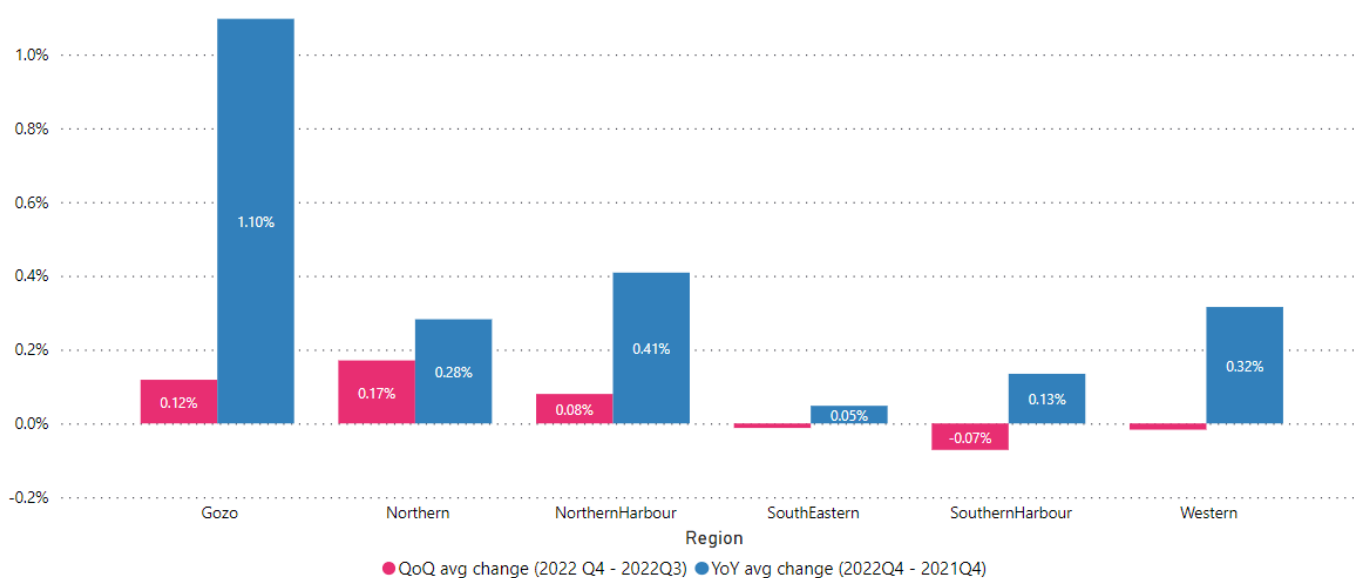


Figure A4 portrays the average €/sqm asking price by property type across regions, together with their change on prior year values (YoY change). The data reveals that only Gozo experienced increases in all property types, whilst the South Eastern and Northern regions experienced decreases. This could also point towards a gradual convergence in prices, where lower valued regions are converging towards the upper valued regions. From a property type perspective, apartments have shown an average price increase across all regions, whilst townhouse show downward movements.

**Figure A4: Average prices per sqm by property type and region**

Region	Apartment	Maisonette	Others	Penthouse	Terraced House	Townhouse
Gozo	€ 1,662	€ 1,529	€ 2,191	€ 2,049	€ 2,395	€ 2,135
	1.28%	0.95%	0.98%	1.35%	0.09%	0.55%
Northern	€ 2,414	€ 2,346	€ 3,144	€ 2,997	€ 3,901	€ 3,806
	0.70%	-0.51%	-0.74%	0.15%	-0.67%	-2.46%
Northern Harbour	€ 3,164	€ 2,598	€ 3,040	€ 3,092	€ 3,963	€ 3,447
	0.57%	-0.33%	-0.19%	0.60%	0.71%	-1.95%
South Eastern	€ 2,151	€ 2,195	€ 2,700	€ 2,494	€ 3,477	€ 2,985
	0.63%	-0.06%	-1.76%	-0.66%	0.15%	-2.45%
Southern Harbour	€ 2,458	€ 2,405	€ 3,167	€ 2,272	€ 3,224	€ 3,233
	0.31%	-0.07%	-1.42%	0.14%	0.45%	-1.78%
Western	€ 2,309	€ 2,420	€ 3,132	€ 2,731	€ 4,153	€ 3,587
	0.68%	0.18%	-1.57%	0.77%	-0.58%	-4.24%

## B. Residential, for rent market

Similar to past trends, median rents are higher in the Northern Harbour region, particularly for apartments, maisonettes, penthouses and townhouses (in relative terms). This is to a large extent in line with regional observations for sale price data. Market prices for apartments in the Northern Harbour region range from of €850/month for 1-bedroom, to €1,500/month for 3-bedroom. In general, maisonettes are advertised at similar rates to apartments, with penthouses being put on the market at a price premium of around €100-€300/month.

*Figure B1: Median rent by property type and number of bedrooms across regions*

Property type	Bedroom	Gozo	Northern	Northern Harbour	South Eastern	Southern Harbour	Western
Apartment	1	€ 595	€ 700	€ 900	€ 700	€ 900	€ 700
	2	€ 650	€ 850	€ 1,200	€ 850	€ 950	€ 900
	3	€ 750	€ 1,000	€ 1,600	€ 900	€ 1,000	€ 1,100
House of Character	1	€ 650	€ 900	€ 700		€ 700	€ 850
	2	€ 1,200	€ 1,000	€ 1,200	€ 825	€ 1,100	€ 1,200
	3	€ 1,300	€ 2,100	€ 2,325	€ 1,613	€ 1,550	€ 2,200
Maisonette	1	€ 575	€ 700	€ 850	€ 700	€ 850	€ 750
	2	€ 650	€ 900	€ 1,100	€ 850	€ 850	€ 950
	3	€ 750	€ 1,100	€ 1,400	€ 950	€ 900	€ 1,102
Penthouse	1	€ 700	€ 800	€ 1,000	€ 750	€ 850	€ 800
	2	€ 750	€ 1,000	€ 1,400	€ 950	€ 1,025	€ 1,200
	3	€ 800	€ 1,350	€ 1,978	€ 1,200	€ 1,100	€ 1,500
Terraced House	1	€ 650	€ 1,000	€ 800	€ 825	€ 725	
	2	€ 750	€ 1,100	€ 1,250	€ 950	€ 800	€ 1,041
	3	€ 950	€ 1,400	€ 1,600	€ 1,300	€ 1,028	€ 1,575
Townhouse	1	€ 650	€ 700	€ 850	€ 750	€ 900	
	2	€ 750	€ 1,000	€ 1,200	€ 900	€ 1,050	€ 1,050
	3	€ 975	€ 1,300	€ 2,100	€ 1,350	€ 1,500	€ 1,600

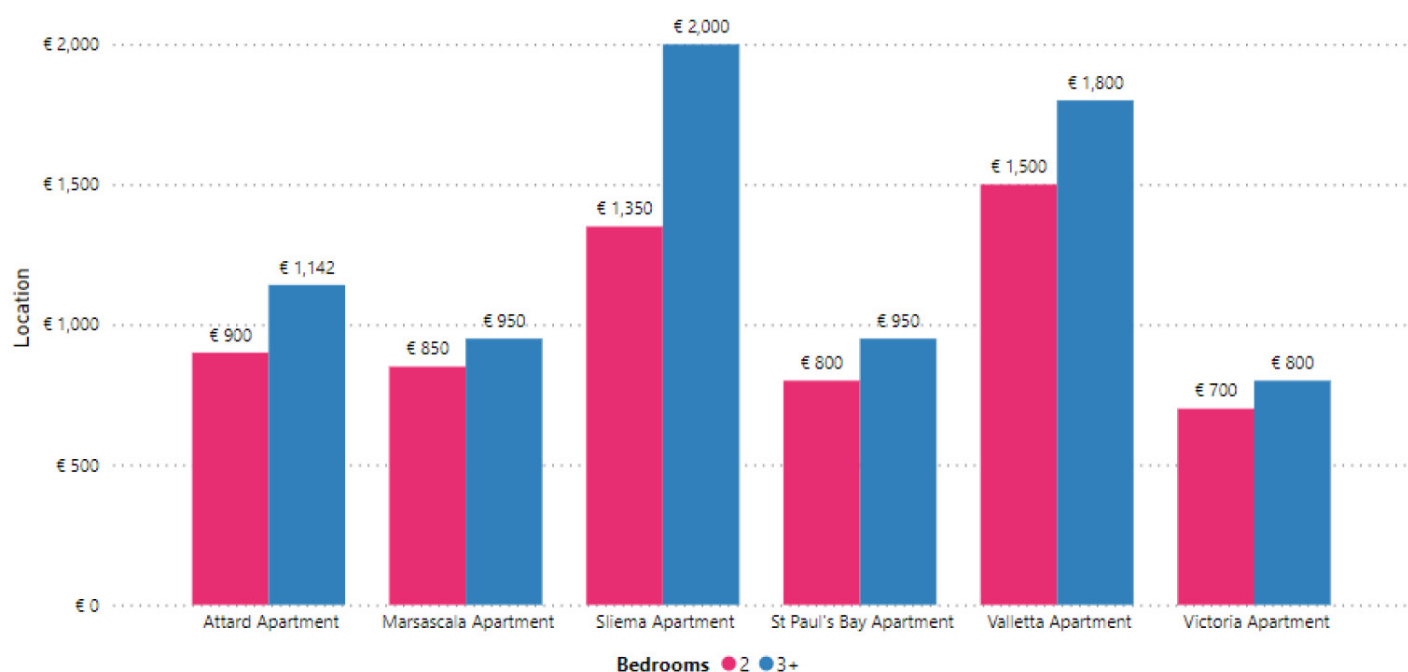
*\*Showing categories with a minimum of 3 observations.*





The figure below looks specifically into median rental rates for apartments in selected localities. Within these localities, the highest rates are observed in Sliema with €1,350/month and €2,000/month being asked for 2- and 3- bedroom apartments, respectively, followed by Valletta at €1,500/month and €1,800/month for 2- and 3- bedroom apartments, respectively. On the other end, €700/month and €800/month are on average requested for 2- and 3- bedroom apartments in Victoria (Gozo). Based on the second edition of the Annual Malta Residential Rental Study published by the Housing Authority in July 2022, advertised rents are anywhere from 10% to 30% higher than those registered<sup>15</sup>. These could be attributable to: differences between asking and contractual prices following negotiation; timing differences (i.e. between listing and actual contract); and differences in the overall profile of properties being listed on the market and those which are ultimately transacted (higher priced properties remaining on the market).

**Figure B2: Median apartment rents for a selection of localities**



<sup>15</sup> Housing Authority (2022), Annual Malta Residential Rental Study



By assessing observed median rental prices against median selling prices for specific property types at a sufficiently granular level, one can arrive at implied yield values. Figure B3 shows resulting yield estimates for apartments by region and selected localities, by size of apartment. Whilst there is variation across localities, in general, apartment yields vary in the region of 4-5%. In some segments, yields go up to about 7%. It should be also noted that higher yields are being obtained for main property locations such as St. Julian's, Sliema and Valletta, which was unlike the case during 2021. This could be due to increased demand for apartments in these regions which are driving the rents high and tourist rental demand component post the COVID.

*Figure B3: Apartment yields by region and localities*

Region	Location	Apartment (bedrooms)		
		1	2	3
Gozo	Marsalforn	3.65%	3.55%	3.54%
	Nadur	4.31%	3.55%	3.10%
	Victoria	3.94%	3.82%	3.54%
	Zebbug	4.97%	3.68%	3.10%
Northern	Mellieha	5.64%	4.64%	4.87%
	Mgarr	4.64%	4.36%	3.99%
	Mosta	4.64%	5.18%	4.43%
	Naxxar	4.99%	5.45%	4.87%
	St Paul's Bay	4.64%	4.36%	4.21%
Northern Harbour	Birkirkara	4.64%	4.91%	4.65%
	Gzira	6.13%	6.27%	5.54%
	Msida	5.30%	5.05%	4.87%
	Pieta	5.30%	5.45%	5.76%
	San Gwann	5.47%	5.45%	5.31%
	Santa Venera	5.30%	4.64%	4.43%
	Sliema	6.30%	7.36%	8.53%
	St Julian's	6.63%	7.64%	7.75%
	Swieqi	5.97%	6.55%	6.64%
South Eastern	Birzebbugia	4.64%	4.09%	3.99%
	Marsascala	4.64%	4.64%	4.21%
	Zurrieq	5.30%	4.36%	3.76%
Southern Harbour	Kalkara	6.46%	4.64%	5.31%
	Luqa	5.30%	4.64%	3.76%
	Valletta	6.46%	8.18%	7.97%
Western	Attard	4.64%	4.91%	5.09%
	Balzan	4.31%	4.75%	5.31%
	Lija	6.46%	6.78%	6.20%
	Rabat	5.64%	5.18%	4.21%
	Zebbug	4.64%	4.64%	4.21%

# Commercial properties

## C. Commercial, for sale market

This section focuses on the analysis of commercial property market data, gathered by the Djar portal. Similar to the residential analysis, Figure C1 presents a €/sqm analysis by commercial property types across regions. Similar to the previous year, the regional commercial property data somewhat mirrors the residential data as Gozo stands to have the lowest €/sqm rates whilst the higher-end rates tend to feature within the Northern Harbour, Northern and Western regions.

The historical data collected by the portal also enables a time-value assessment. The last rows of Figure C1 indicate the changes over time in average €/sqm for the different commercial property types over three different time periods. The year-on-year (2022Q4 - 2021Q4) changes tend towards the positive side for shops, showrooms, hotels and storage facilities. Hotels, catering and showrooms are still recording reduced average €/sqm when compared to pre-Covid rates and offices, shops and storage facilities have seen a spike in the average €/sqm post COVID. The overall increase in prices compared to 2020Q1 are higher than those experienced within the last twelve months. The average rates have increased over the last quarter for all property type except for hotels.

Figure C1: Asking prices per sqm by property type and region

€/sqm	Catering	Hotel	Office	Shop	Showroom	Storage Facilities
<b>Gozo</b>	€ 2,610	€ 5,513	€ 2,730	€ 2,614	€ 3,232	€ 1,053
<b>Northern</b>	€ 3,746	€ 5,092	€ 3,091	€ 3,114	€ 3,250	€ 2,981
<b>Northern Harbour</b>	€ 4,861	€ 10,821	€ 3,473	€ 3,237	€ 2,639	€ 2,746
<b>South Eastern</b>	€ 4,346	€ 5,354	€ 2,391	€ 3,233	€ 1,670	€ 1,580
<b>Southern Harbour</b>	€ 3,735	€ 5,333	€ 3,161	€ 3,613	€ 2,071	€ 2,504
<b>Western</b>	€ 5,394	€ 573	€ 3,330	€ 3,286	€ 4,541	€ 3,151
<b>Overall</b>	€ 4,209	€ 6,367	€ 3,339	€ 3,286	€ 2,711	€ 2,560
22Q4/22Q3	5.97%	-9.11%	0.85%	1.51%	0.71%	5.65%
22Q4/21Q4	-3.97%	6.88%	-1.21%	1.48%	-0.15%	11.74%
22Q4/20Q1	-3.31%	-3.92%	2.45%	8.56%	-2.76%	9.68%

## D. Commercial, for rent market

Figure D1 shows median asking rental values and associated yield rates (against median sale prices) across properties and regions, where a sufficient sample size is available (in view of lower volume of commercial rent listings). In general, it seems yields have gone down compared to prior year, as possibly sales prices recover post-Covid.

Office spaces, which constitute the majority of commercial rent listings, registered annual asking rates per sqm from a median of c. €90/sqm in the South Eastern region to €229/sqm in the Northern Harbour region. Office yield rates were in the range of 3.8-4.9% for the South Eastern, Northern and Gozo regions, while the Southern Harbour and Western region recorded yields of 8.6% and 7.5%, respectively. Yields for shops (which had the second largest count of properties for rent) appear to be around 3.0%-6.0%. Catering yield rates were between 7% to 8%, with the exception of lower yields in Gozo and the South Eastern region. The asking rates of catering units' range between €166-€450/sqm/pa, which is a wide range due to the difference in location and quality. Rent per sqm for storage facilities was in the region of €69-€130/sqm/pa.

*Figure D1: Rental asking prices and yields for commercial property types across regions.*

Property Type	Median values	Gozo	Northern	Northern Harbour	South Eastern	Southern Harbour	Western
Catering	€/sqm/pa	€ 230	€ 166	€ 355	€ 182	€ 450	€ 351
	yield	4.2%	7.7%	n/a	5.5%	8.2%	8.2%
Office	€/sqm/pa	€ 138	€ 160	€ 229	€ 90	€ 203	€ 160
	yield	3.8%	4.9%	n/a	4.1%	8.6%	7.5%
Shop	€/sqm/pa	€ 118	€ 227	€ 268	€ 183	€ 340	€ 184
	yield	3.5%	5.1%	6.3%	3.1%	5.7%	4.3%
Showroom	€/sqm/pa		€ 134	€ 162	€ 254	€ 142	€ 198
	yield	4.0%	n/a	n/a	4.5%	n/a	n/a
Storage Facilities	€/sqm/pa		€ 130	€ 117	€ 83	€ 116	€ 69
	yield	n/a	8.9%	6.9%	5.1%	6.5%	n/a

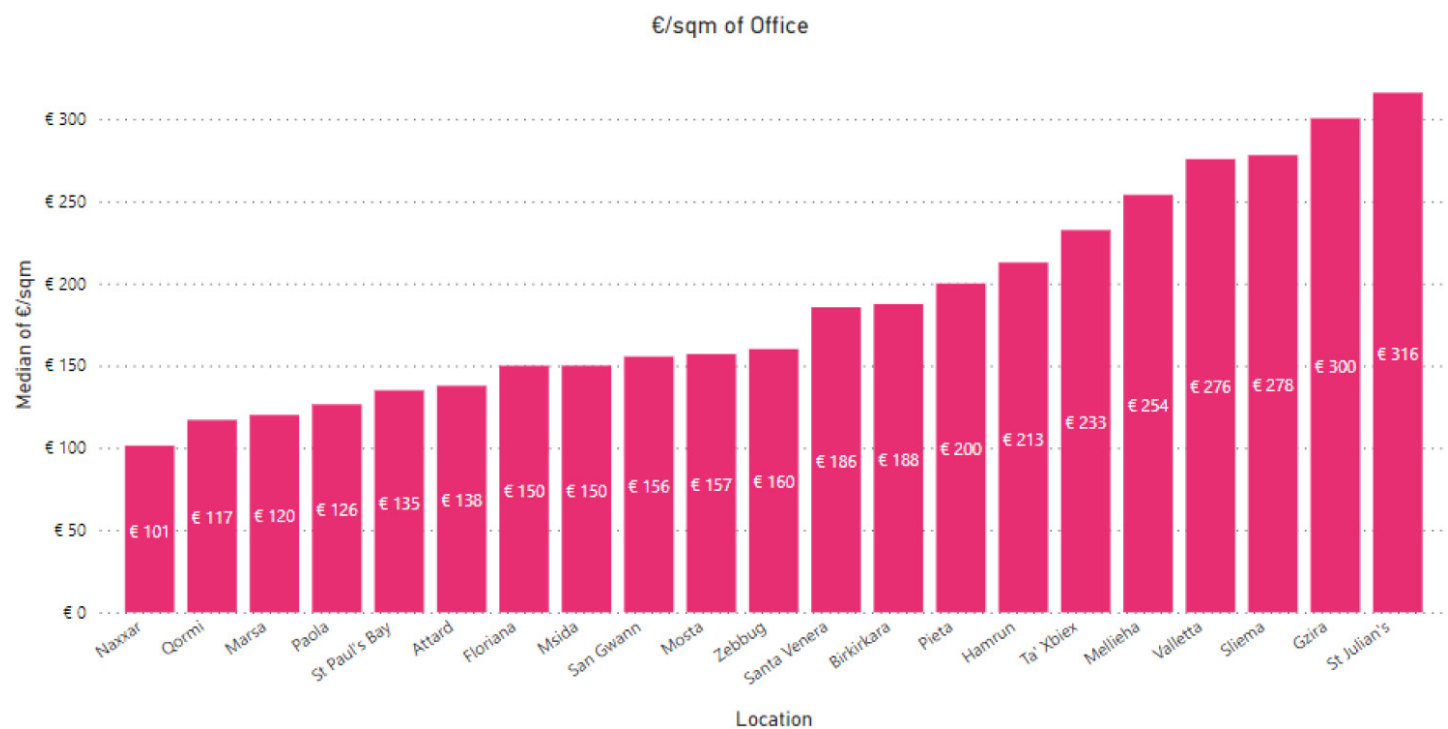
*\*Showing categories and values with a sufficient observations sample.*





Looking more specifically into offices, an overall median asking price of around €215/sqm is calculated. This average reflects a high proportion of listings within higher priced regions such as Valletta (€276/sqm), Sliema (€278/sqm) and St. Julian's (€316/sqm). Median office price/sqm values for selected localities is presented in Figure D2.

**Figure D2: Median €/sqm for office spaces in selected localities.**



# Conclusion

This report provides the latest snapshot of the data held by the Djar platform, which covers sale and rental markets for residential as well as commercial property. More detailed analysis and tools with granular data into localities, property types and yield rates is available upon enquiry.

**We encourage you to contact us for a dedicated information session.**



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