RESIDENTIAL PROPERTY PRICES

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Residential property prices signal strong growth momentum

Based on the Central Bank of Malta’s advertised property price index, the price of residential properties rose at an annual rate of 6.7% in the first quarter of 2014. This follows an increase of 6.4% in the previous quarter (see Chart 1).\(^1\)

The upward movement in prices may be partly influenced by government measures, namely the introduction of the Individual Investor Programme, which targets high net worth individuals, and a fiscal incentive for first-time buyers announced in the Government’s Budget last November.

During the first quarter of 2014, prices rose across all main sampled categories included in the index (see Chart 2). Stronger annual rates of change were recorded in prices of terraced houses and apartments. In contrast, increases in the prices of maisonettes, as well as of property in the “other” category, which consists of town houses, houses of character and villas, moderated in the quarter under review.

During the first three months of 2014, the annual rate of change of prices for apartments, which make up almost three-fifths of properties

\(\text{(1)}\) Includes both units in shell form and finished units.

\(\text{Source: Central Bank of Malta.}\)
in the sample, accelerated to 5.9% from 4.5% in the previous quarter. This marks the fourth consecutive quarter of positive price growth in this category. Meanwhile, advertised prices of terraced houses surged by 11.1%, compared with an increase of 5.3% registered in the previous quarter.

In the case of maisonettes, asking prices rose at a more gradual pace of 2.0% compared with 4.2% in the fourth quarter of 2013. Prices of property in the “other” category also continued to rise significantly, but the annual rate of increase, at 13.0%, was down slightly from that of 14.6% recorded three months earlier.