



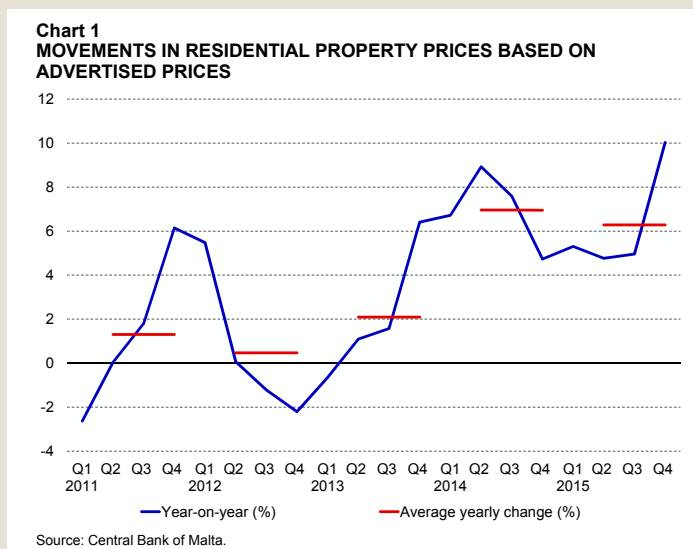
BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA

## RESIDENTIAL PROPERTY PRICES

## BOX 4: RESIDENTIAL PROPERTY PRICES<sup>1</sup>

The residential property market continues to be propelled by strong economic growth and an environment of low interest rates. Higher demand is also prompted by fiscal incentives for first-time buyers and the IIP.

The Bank's index of advertised residential property prices increased at an average rate of 6.3% in 2015, somewhat down from the 7.0% growth registered in 2014 (see Chart 1).<sup>2</sup> This follows a period of declining or moderately increasing prices between 2007 and 2013.



Robust growth in advertised property prices was evident throughout 2015, with year-on-year growth averaging 5% during the first three quarters before peaking at 10% in the fourth quarter.

The property price index compiled by the NSO also shows an increase in prices. However, this index, which is based on actual transactions covering apartments, maisonettes and terraced houses, shows a more moderate rise of 3.9% during the first three quarters of 2015. Variation between the two measures can reflect methodological differences, lagged effects and a heightened tendency to boost asking prices in an upswing. Moreover, the advertised property price index is more likely to capture high-value properties.

Advertised price increases of apartments, the largest component of the index, and of maisonettes were the main drivers behind growth in 2015. The other two components, namely terraced houses and “other properties”, also contributed positively to price growth despite contracting at the start of the year.<sup>3</sup> Prices for terraced houses, in particular, recovered as the year progressed and were the main driver behind the strong year-on-year growth rate in advertised property prices during the fourth quarter.

<sup>1</sup> This Box takes into account information available up to 8 March 2016.

<sup>2</sup> The Central Bank of Malta's residential property price index tracks movements in residential property prices compiled from newspaper advertisements sampled each month.

<sup>3</sup> “Other properties” consist of houses of character, villas and townhouses.