



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

RESIDENTIAL PROPERTY PRICES

BOX 5: RESIDENTIAL PROPERTY PRICES

Residential property prices rise further

In the second quarter of 2016, the Central Bank of Malta's index of advertised prices for residential property went up by 8.7% compared with the corresponding quarter of 2015. While still strong, the annual rate of increase of advertised house prices slowed down from 9.9% in the first quarter of 2016 (see Chart 1).

The NSO Property Price Index (PPI), which is based on actual transactions involving apartments, maisonettes and

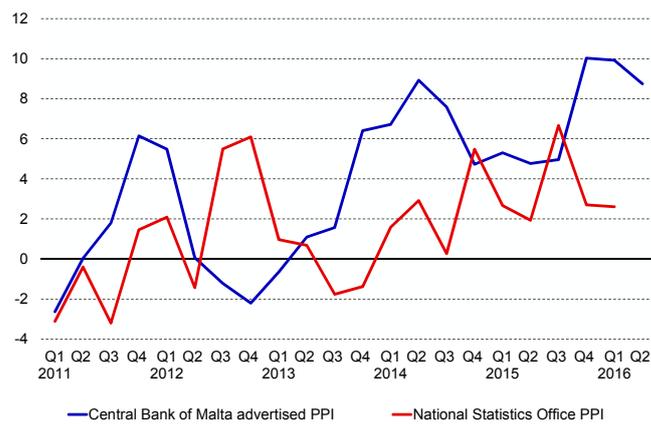
terraced houses, also continued to rise. The latest data show that in the first quarter of 2016, this index gained 2.6% on an annual basis, marginally lower than the 2.7% registered in the last quarter of 2015.

In recent quarters the index of advertised property prices increased at a faster rate than that based on contract prices. This could reflect methodological differences in the compilation of the two indices, lagged effects and a tendency to boost asking prices during periods of relatively high economic growth.

Residential property prices in Malta are being supported by a number of factors, such as the scheme for first-time buyers.¹ Demand for property is also being supported by strong growth in disposable income, which continues to benefit from favourable labour market conditions. At the same time, the low interest rate environment makes property more attractive than financial assets as an investment. These factors in turn are contributing to robust growth in lending for house purchases. The rise in foreign workers in Malta and to a more limited extent the Individual Investor Programme, have also been supporting demand for housing.

The increase in advertised property prices in the second quarter of 2016 was driven by terraced houses, maisonettes and apartments, prices of which rose by 20.7%, 14.7%

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES
(annual percentage changes)

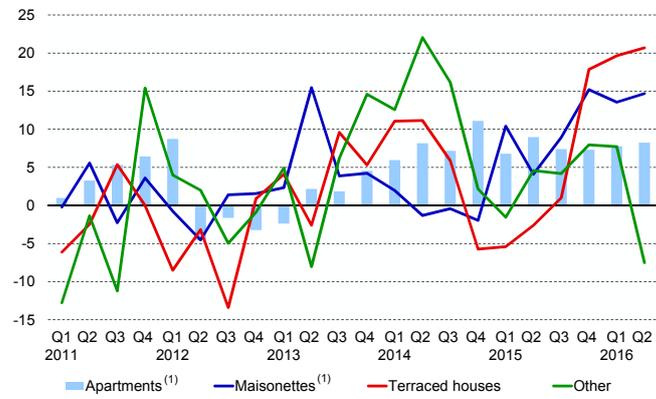


Sources: Central Bank of Malta; Eurostat.

¹ This scheme, which was introduced in 2013 and subsequently extended, provides relief from the duty on documents due on the first €150,000 of the total value paid for the purchase of eligible property.

and 8.2%, respectively, on a year earlier (see Chart 2). The first two categories have been registering double digit growth since the last quarter of 2015. On the other hand, prices in the “other” properties category, which consists of town houses, houses of character and villas, contracted by 7.5% on a year earlier, the first decline after four consecutive increases.

Chart 2
ADVERTISED RESIDENTIAL PROPERTY PRICES BY CATEGORY
(annual percentage changes)



⁽¹⁾ Includes both units in shell form and finished units.

Source: Central Bank of Malta.