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Long-term housing rentals in Malta: A look at advertised listings

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Policy Note

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Abstract

The rental housing market in Malta has changed fundamentally in recent years. This market, along with the wider property market, has experienced somewhat of a rebirth over recent years, with a surge in job-rich economic activity that could be fulfilled with foreign workers given domestic demographic developments, and new trends in tourism, leading to an increase in both units available for rent, and rental incomes. Taken together, these changes have happened over a comparatively short period of time and have attracted a lot of interest. This study uses a novel dataset of properties advertised for long-term rent in Malta between January 2019 and December 2019, and looks at the composition, characteristics and implication of these listings. It discusses the distribution of the housing stock advertised for long-term rentals, and looks at some price metrics for characteristics. Finally, using an extended dataset until June 2020, this paper looks at the proportion of properties experiencing positive and negative advertised price changes.

JEL classification: C23, O18, R31.

Keywords: Rent; housing supply; Malta;

Table of contents

Executive summary.....	3
How are advertised long-term rental properties distributed in Malta?	6
Distribution and characteristics of advertised property listings	6
What do changes in advertised listings say about the private rental market?	16
Newly observed properties	16
Price changes.....	17
References	19
Appendix: Hedonic regression	20

Executive summary

In recent years, Malta has had a very dynamic housing and rental market, buoyed by an increase in population, new market trends in tourism and a turnaround in the construction sector. In an effort to understand these various markets and how they are interlinked, over the past years the Central Bank of Malta has observed closely advertised rental prices in Malta.

In a project starting in 2018Q3, using public online sources and big data methods, fourteen months of advertised rental data from leading property agents in Malta were collected by end-2019. The final dataset comprises hundreds of thousands of observations. The exercise is carried out on a monthly basis, and serves to supplement and support two parallel projects on the property market carried out within the Central Bank of Malta's Economics Division. These Big Data methods allow a number of analyses and models which were previously not possible due to data limitations.

This analysis is based on online listings. In that regard, this paper cannot claim to be a comprehensive study of the rental market in Malta, nor a complete review of it. Rather, it focuses on a select database of uniquely identifiable online adverts and property listings, and is the first attempt to approach fundamental questions on the rental market using a validated database. The main contribution of this study is the significant amount of effort and care placed in compiling and ensuring the validity of the data, whose ultimate online sources do not necessarily comply with the strict requirements of economic analysis. The methods discussed in this study, with rigorous checks to avoid duplication, allow for a discussion on the distribution of long-term rental properties in Malta, as well as the pricing of hedonic attributes over time. A further contribution of this approach is a look at the monthly trends in advertised rents, that is, a look at the proportion of unique properties which registered either a positive or a negative price change in successive months.

How are advertised long-term rental properties distributed in Malta?

The larger dataset, once limited to viable observations² – defined as the first time a listing is observed or whenever an observed listing experiences a price change - is cleaned and analysed. Between January and December 2019, this provides around 16,500 viable observations of rental units in Malta.

² Online data sources may have data quality issues. Thus, data quality controls have to be set in place to ensure that data being collected at a given point in time represents current rental market conditions at the time of collection, and are not – for example – adverts of properties which are unavailable but have remained online for subsequent periods and not updated.

Looking at property types, the vast majority of advertised properties in the dataset were apartments (66.1% of the total), followed by penthouses (11.8%) and maisonettes (10.8%). There were also listings advertised as individual rooms (2.1%). The rest of the listings (9.1%) were subdivided as houses, townhouses, villas, farmhouses, bungalows and palazzos. In terms of individual property characteristics, of the more than 16,500 properties in the dataset, 47.2% had three or more bedrooms, 38.6% had two bedrooms and 14.3% were listings with one bedroom. This indicates that the majority of advertised units on the rental market are for comparatively larger properties. Finally, the properties appear to be spread around Malta, and yet are highly concentrated in popular areas such as Sliema, St. Julian's, Msida and Gzira, with outlying rental clusters in St. Paul's Bay and Marsascale.

What are the price effects of quality and characteristics on long-term advertised rents?

Hedonic equations for rental prices with characteristics are also estimated. Assuming a one-bedroom one-bathroom apartment in Sliema to represent the base category, an increase of one bed, to a two-bedroom unit leads to an increase of 25.7% in the asking price. Apartments with three or more bedrooms result in an increase of 47.8% over the base category. Likewise, an extra bathroom in a unit over the base category leads to an increase in the asking price of 16.3%, while units with three or more bathrooms command an extra 53.1% over the base category.

Turning to property types, penthouses are advertised with a premium of 20.7% over an apartment while maisonettes do not appear to have a statistically significant difference in advertised prices over apartments. This finding may reflect the comparative low number of maisonettes for rent with respect to apartments, in particular resulting from many maisonettes being placed on the market as part of a larger block of apartments. This may reflect the lower quality of maisonettes placed on the rental market with respect to the more typical maisonettes for domestic residential purposes built in previous decades. Listings for single rooms return asking rents which are around 47.6% lower than a one-bedroom one-bathroom apartment. This may reflect the fact that rooms for rent may have a smaller living space than studio flats, as well as entailing the sharing of all other facilities with other individuals living in the rental unit. Other property types, which include houses, townhouses, villas etc., command a substantial premium of 47.0% over the base category.

Finally, estimates for price differences over Sliema with respect to 66 other localities are also calculated. The vast majority of localities are advertised at a discount in asking rental prices with respect to Sliema. A limited number of localities have lower discounts, probably due to their relative proximity to Sliema, the locality's perceived similarity in characteristics, or because of the opportunity costs of placing a unit on long term rent in a highly touristic area.

In terms of negative premiums, or rental discount in prices with respect to Sliema, the cheapest rental properties controlling for hedonic characteristics are found in Gozo, with a one-bedroomed apartment on average being advertised at a monthly asking price of 64.3% less than a comparable unit in Sliema, while localities such as St. Julian's and Ta' Xbiex returning discounts of around 9.7% and 8.8%, respectively.

What are the patterns of price changes in advertised long-term rental properties?

In this part of the study, to account for developments in the first half of 2020, the dataset was extended to include June 2020. The number of newly observed adverts appears to have been increasing already in the latter half of 2019, remaining at elevated levels until June 2020. This may indicate an increase of housing supply directed towards the rental market towards late 2019, and an increase in vacant properties following the Covid-19 pandemic.

A narrow majority of the advertised price changes were positive, making 50.4% of total price changes over the whole period. Towards the middle of the sample period, positive price changes start to taper off, with negative price changes – or discounts in advertised prices – beginning to feature in higher proportions from October 2019 onward. This suggests that the rental market was already experiencing excess supply with a higher number of landlords willing to accept relatively lower rents. The proportion of properties registering an increase in discounts in their advertised rents rose dramatically between March and April 2020, rising from 53.7% to 86.2%, respectively. This indicates that landlords have been more willing to accept lower rents during a period of uncertainty marked by the Covid-19 pandemic, a finding which was confirmed by a study undertaken by the Malta Housing Authority.³

³ The Malta Independent, (2020-03-31). "Housing Authority statement shows some owners are lowering rents for tenants temporarily."

How are advertised long-term rental properties distributed in Malta?

With a resident population of 493,559 by end-2018, and a total surface area of 316 km², Malta is both the smallest and the most densely populated member of the European Union (EU). In fact, EUROSTAT data shows that population growth in Malta topped the EU in 2015, 2017 and 2018, and has averaged 2.6% annually since 2013.⁴ In the EU, similar growth patterns were experienced by Luxembourg, with population growth averaging 2.3% since 2013. To put things in perspective, population growth in the euro area as a whole averaged 0.3% over the same time period.

This surge in Malta's population reflected an unprecedented migratory flow of foreign workers attracted by a growing economy and strong growth in job vacancies. While foreign workers have contributed positively to the Maltese economy (Grech, 2016), these flows have put pressure on the Maltese housing market, in particular on the provision of adequate units for transitory migrants – with a relatively short length of stay in Malta (Borg, 2019). Along with a reform to rental income tax legislation introduced in 2014 and the provision of accommodation for short-term lets for tourists (Ellul, 2019), the migration of a resident stock of non-Maltese workers numbering in the tens of thousands can be seen to have led to a rebirth in the Maltese rental market: While the Maltese continue to be a nation of homeowners, the private rented sector has been growing (Government of Malta, 2018). In the three years to 2016, there were 4,062, 4,945 and 7,249 registered long-term rent contracts between private individuals, generating revenues of €30.6 million, €47.5 million and €92.0 million, respectively.⁵

Distribution and characteristics of advertised property listings

For the purpose of this study, the analysis was limited to advertised data relating to the twelve months to December 2019. Contracted data, which would – perhaps – provide a more accurate view of market trends, was unavailable. As a project beginning in 2018Q3, the author used big data methods to collect, clean and analyse monthly advertised rental data from leading property agents in Malta. As at June 2020, the final dataset numbers more than half a million observations. The exercise continues monthly, and serves to supplement and support two parallel projects on the property market carried out within the Central Bank of Malta's Economics Division. These new methods allow a number of analyses and models which were previously not possible due to data limitations.

⁴ See EUROSTAT demographic statistics, downloaded in February 2020, available in the [demo_pjan](#) data record.

⁵ Legislature XIII – PQ 4824 – Sitting 98 -10/04/2018. If one were to include rent contracts with companies, these figures would be much higher.

The database collected in this study provides a monthly record of listings for rental properties in Malta. This high frequency dataset is then cleaned of all duplicate listings, in so far as the data allows. By June 2020, 500,000 adverts were collected, however of these only slightly more than 3.0% could be proven to be viable and representing current rental market conditions at the time of collection. The importance of using viable adverts so as not to bias the results cannot be stressed strongly enough. If an analysis considers adverts which were not published in the period which a study purports to represent, then the validity of the inferences from that study may be put in question. This study's unique selling points, therefore, are its strict data quality protocols and the high monthly frequency.

A major problem with respect to data obtained from online sources is its quality. Specifically, finding an advert listed on a website may not necessarily mean that that particular property is still available, or that the price being quoted reflects current market trends. In that regards, analysts should be very careful when computing indices, price effects or distributions if their database cannot guarantee that the listings being used are viable – that is – truly reflective of current market conditions, timely and relevant.

In this study, in order to limit the effect of duplicates, the analysis focuses only on the first time a property is advertised on a website – adverts collected in two “census-like” exercises carried out in November and December 2018 are deemed to be historic, and adverts which appear after those dates are recorded as newly observed, and viable. Adverts for properties which remained unchanged from those two waves are excluded in successive waves, as are newly listed adverts which then remain unchanged in successive months.⁶ Finally, to ensure no bias with respect to current market trends, the database used in this study also considers all those properties which experienced a price change in a particular month, with respect to their previous prices on record in the database. These strict filtering rules allow us to ensure that the data being considered for the analysis is reliable. With these rules, the number of observations is linked to around 16,500 property listings. However, all listings are followed and saved over successive waves, even if duplicated, as long as they are still advertised and found online.⁷ The data, obtained on a monthly basis, describe a number of interesting characteristics of the rental market, which is analysed in detail in this section of the study.

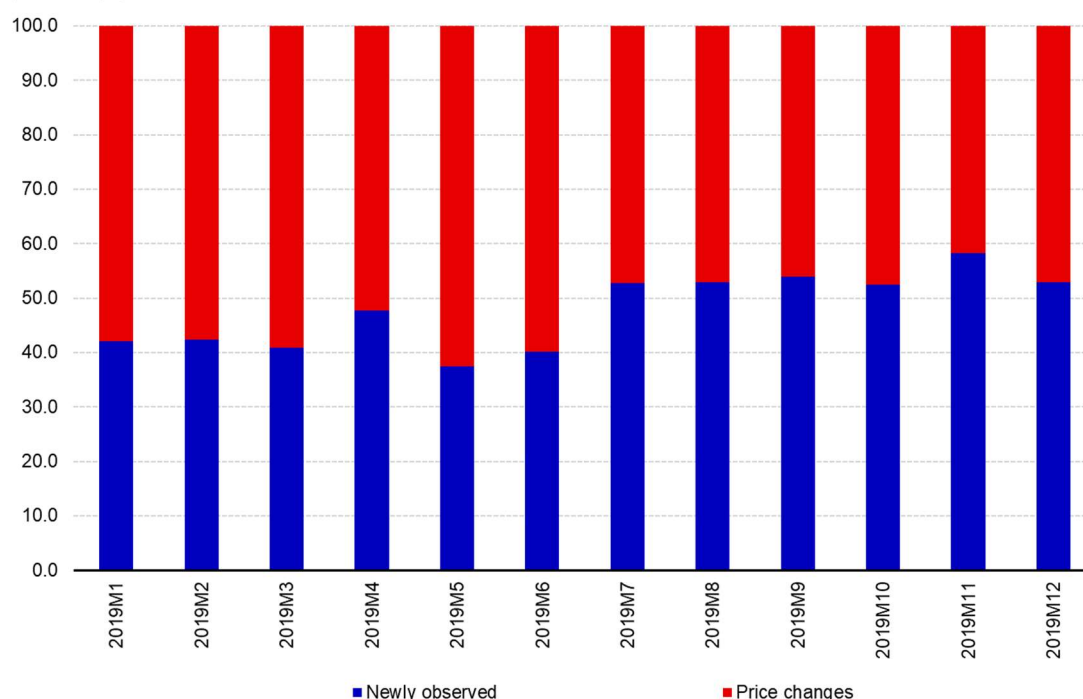
⁶ This restriction, imposed to ensure data quality, may bias adverts as it excludes the possibility of zero inflation. However, the benefits from ensuring strict data quality controls in a period where prices were reported to be increasing strongly, were seen to outweigh this possible effect. To avoid possible biases, studies which compute rental price indices from online sources should ensure data obtained from such sources reflect current market conditions.

⁷ The number of duplicate listings obtained is very high, requiring a sub-analysis on the “survival” rate of adverts; this is left as an avenue for further research. The analysis contained in this study relates only to the first time a unique property is observed, and to any subsequent time a unique property

Adverts' vintage

As explained above, while the data collection exercise began in November 2018, the first two months of observations are used to populate a first snapshot of the adverts found on the market as at end-2018. If the first two months are included, they would account for the vast majority of advertised properties in the dataset. This would obviously introduce bias in the sample, and may possibly affect the price analysis as the study should guarantee that the data being considered reflects current market conditions. In 2019, newly observed properties averaged at around 677 properties listed per month. This rises to an average of around 1388 price observations per month if one also includes the number of listings with a price update, which average 711 properties per month (see Chart 1).

Chart 1
Monthly vintages
(Percentage)



Distribution and characteristics

The top ten localities for advertised long-term rent listings are Sliema (15.6%), St. Julian's (10.7%), St. Paul's Bay (10.2%), Marsascala (5.8%), Swieqi (5.7%), Msida (5.5%), Gzira (5.4%), Mellieha (3.9%), Birkirkara (3.6%) and Naxxar (3.3%). In regional terms, six of the top ten localities for advertised rents are found in the Northern Harbour Region, three in the Northern Region, and an outlying locality in the South Eastern Region. This distribution

experiences a change in its price. This ensures that the effects of duplication are minimised to the smallest extent possible.

confirms the economic usage intensity of the Northern Harbour Region,⁸ with advertised rent listings shadowing the demand for accommodation in the area (see Chart 2).⁹

These findings are not surprising, given that areas such as St. Paul's Bay, Msida, Gzira, Sliema, St. Julian's, Swieqi, Mellieha and Marsascala are also in the top ten localities for non-Maltese residents in published demographic data.¹⁰ However, a modest amount of properties are also advertised across the Maltese islands, with hundreds of properties advertised for rent in peripheral towns like Birzebbuga, Zabbar, Mgarr, Zurrieq and Siggiewi. Towns and villages not in the top ten localities accounted for 30.4% of listings, with localities in Gozo accounting for 4.7% of total rent advert listings.¹¹

⁸ As found in Ellul (2019) focusing on Airbnb rentals, this finding again confirms the approach in Ellul, Darmanin and Borg (2019) who designate the area around Marsamxett Harbour as the geographic 'zero-point' upon which to base a geographic *distance from centre* variable.

⁹ Three particular geographical areas in Gozo (Marsalforn, Xlendi and Santa Lucija), and one in Malta, (Swatar), were included with their administrative council area for this part of the analysis.

¹⁰ Computed on the basis of Maltese and Total population estimates, as published by the National Statistics Office in News Release NR022/2018.

¹¹ The strict data quality controls imposed on the data mean that, in certain localities, the counts are rather low. For example, once pre-January 2019 data are excluded, and once all duplicate listings are dropped, no uniquely identifiable property in Rabat (Malta) was found with a viable advert – that is, of the hundreds of adverts collected for Rabat (Malta) over the successive monthly exercises, not one could conclusively be proven to have been listed for the first time.

Chart 2
Advertised rental property counts
(No. of properties)

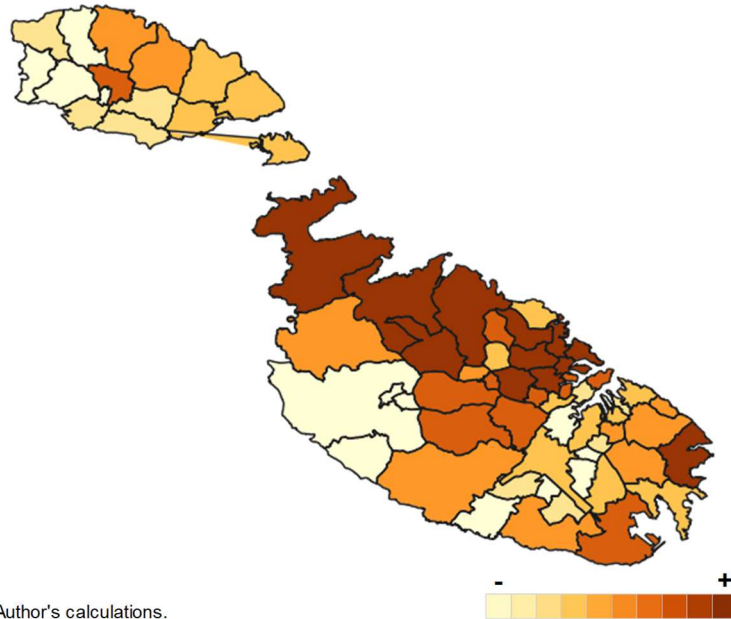


Table 1 : Viable property distribution by locality

	N	%		N	%
Sliema	2564	15.6	Kalkara	65	0.4
St. Julian's	1764	10.7	Luqa	64	0.4
St. Paul's Bay	1683	10.2	Nadur (Gozo)	62	0.4
Marsascala	964	5.8	Ghajnsielem (Gozo)	59	0.4
Swieqi	936	5.7	Hamrun	58	0.4
Msida	904	5.5	Paola	57	0.3
Gzira	884	5.4	Pembroke	57	0.3
Mellieha	637	3.9	Iklin	53	0.3
Birkirkara	587	3.6	Ghaxaq	51	0.3
Naxxar	547	3.3	Marsaxlokk	50	0.3
San Gwann	468	2.8	Qala (Gozo)	50	0.3
Mosta	389	2.4	Floriana	49	0.3
Attard	369	2.2	Birgu	45	0.3
Zebbug	256	1.6	Gharb (Gozo)	42	0.3
Rabat (Gozo)	246	1.5	Munxar (Gozo)	34	0.2
Balzan	192	1.2	Safi	33	0.2
Gharghur	181	1.1	Xewkija (Gozo)	33	0.2
Pieta	172	1.0	Tarxien	31	0.2
Birzebbuga	161	1.0	Sannat (Gozo)	25	0.2
Qormi	145	0.9	Mqabba	24	0.1
Santa Venera	135	0.8	Gudja	23	0.1
Valletta	133	0.8	Isla	23	0.1
Ta' Xbiex	128	0.8	Dingli	23	0.1
Zabbar	117	0.7	Qrendi	18	0.1
Zurrieq	107	0.6	Kercem (Gozo)	14	0.1
Zebbug (Gozo)	102	0.6	San Lawrenz (Gozo)	14	0.1
Mgarr	88	0.5	Fontana (Gozo)	11	0.1
Lija	86	0.5	Ghasri (Gozo)	10	0.1
Fgura	84	0.5	Kirkop	9	0.1
Siggiewi	78	0.5	Marsa	5	0.0
Xaghra (Gozo)	75	0.5	Mtarfa	4	0.0
Zejtun	71	0.4	Santa Lucija	4	0.0
Xghajra	66	0.4	Mdina	3	0.0
Bormla	65	0.4	Rabat (Malta)	0	0.0

Source: Author's calculations.

Characteristics and prices

Looking at property types, the vast majority of advertised properties in the dataset were apartments (66.1% of the total), followed by penthouses (11.8%) and maisonettes (10.8%). There were also listings advertised as individual rooms (2.1%). The rest of the listings (9.1%) were subdivided as houses, townhouses, villas, farmhouses, bungalows and palazzos.

In terms of individual property characteristics, of the around 16,000 properties in the dataset, 47.2% had three or more bedrooms, 38.6% had two bedrooms and 14.3% were listings with one bedroom. However, the latter may include single room listings within a larger unit. In fact, when one matches the distribution of listings by bedrooms and bathrooms, there are a number of one bedroom properties or room listings with access to more than one bathroom.¹² These room listings may refer to shared rental spaces in larger properties, and can be expected to be priced lower than a one bedroomed (studio) property. The distribution of properties by characteristics shows how there is a stock of larger properties (3 or more bedrooms) which are being rented out. At face value, this may show the rental of units originally oriented towards the Maltese population, or otherwise idle units, to foreign workers.

Table 2 : Viable property distribution by type

Type	Bedrooms	N	Average price	Median price
Apartment	1	1337	892	800
	2	4504	1171	1000
	3+	5166	1494	1250
Penthouse	1	367	1044	900
	2	1003	1345	1200
	3+	603	1842	1500
Maisonette	1	246	852	850
	2	642	1013	950
	3+	911	1286	1200
Room	1	357	500	500
Other	1	67	899	850
	2	275	1314	1100
	3+	1175	2576	2000

Source: Author's calculations.

Of course, this is a simplification of the broader underlying pricing strategies, which also includes the impact of time and characteristics, such as the location of a property, its type – as apartments can generally be expected to command a different price than villas – as well as

¹² Moreover, this analysis may be complicated as some advertised listings failed to include either the number of bedrooms, the number of bathrooms or both.

its size, which is proxied by the number of bedrooms and bathrooms listed in a property. When looking at prices and types, it is apparent that rooms are by far the cheapest alternative accommodation (see Table 2). As expected from theory, larger units are more expensive. Some indication that penthouses and “other” property types are more expensive than apartments is already evident in the distribution, with maisonettes being priced very closely to apartments. As expected a priori, the Other category – which includes houses, townhouses and villas – is, on average, the most expensive property type to rent. The distribution of advertised listings also follows the expected size of properties, with listings having more bedrooms being more expensive.¹³ There is evidence of positive skew in the distribution, as the mean is greater than the median.

The above analysis does not address the heterogeneity of rents across localities. As expected, there are marked price differentials between localities, for the same types of properties. Listings in areas such as Sliema and St. Julian’s command a higher premium than in peripheral areas, a phenomenon also mentioned in Ellul, Darmanin and Borg (2019) and Ellul (2019). In order to disaggregate clearly these effects, a number of simple hedonic regressions are estimated on the basis of the data.

Hedonic estimates for characteristics

A set of simple hedonic regressions are estimated using the data.¹⁴ Using this approach allows us to consider a “baseline” property, against which one can benchmark relative price differences. Details are available in Appendix A.

In the first case, we look at property types and their inherent characteristics irrespective of where the properties are located. When clustering on localities,¹⁵ a baseline property type is selected. In this case, a one bedroomed flat would be comparable to a price index of 100.0. A two bedroomed property would have a price premium of 25.8% over the one bedroomed flat, while a three plus bedroom would have a price premium of 47.8% over the benchmark. Likewise, having two bathrooms would command a premium of 16.3% on the advertised price, while a flat having three or more bathrooms would typically be advertised at prices around 53.1% higher than the benchmark one bedroomed flat. These estimates should be treated with caution, as relative price differences will vary depending on the estimating methodology and clustering choice.

¹³ As noted above, there may be an overlap in the data between one bedroom, one-bathroom listings and the Rooms category. This may lead to some distortion in this part of the property distribution.

¹⁴ These are included in the Appendix to this study.

¹⁵ The study creates clusters based on 73 different localities in Malta and Gozo.

Similarly, this same approach can be applied for property types. A penthouse commands a premium of 20.7% over a flat, while a maisonette listed for rent does not appear to have statistically significant price differences over a flat. Single room adverts have advertised prices which are 47.6% lower than flats – this may indicate either that individuals are willing to pay more to live alone (as single rooms are assumed to be part of larger, shared units), or that the overall quality of single room listings – with characteristics such as size - is, on average, lower than that of studio flats. Similarly, properties listed in the Other category, which includes property types like villas, houses and townhouses, command an advertised premium of 47.0% over flats. No statistically significant differences with respect to apartments were found in the advertised rents for maisonettes.

By looking at localities, one is able to distinguish whether there is a premium or a discount associated with properties listed in a particular locality, when compared against a benchmark locality. For the purposes of this part of the study, Sliema was chosen as the baseline locality.¹⁶

Table 3 presents estimated rental price differences in 66 localities in Malta, for a one bedroomed flat, over the rent value for a comparable unit in Sliema.¹⁷ Of the 66 localities analysed, once one controls for non-locality hedonic characteristics (bedrooms, bathrooms, type), all had lower rents than Sliema.¹⁸ Thus, geographical effects appear to play an important role in the determination of rental prices. For example, localities in Gozo appear to command rental prices which are, on average, 63.3% lower than those in the base category. This continues to confirm modelling strategies in previous geo-spatial and econometric studies on hypothesised effects of distance and transport links on house and short-term let prices. This “Sliema premium” in rental prices could be explained by the availability of high-paid jobs nearby, the presence of sought-after amenities in the locality, Sliema’s central location or a combination of such attractive features.

¹⁶ The choice of a baseline locality does not affect relative prices. Choosing any other locality as the base would merely lead to the re-basing of price differences over the alternate base. Sliema was chosen for its apparent importance in the rental market.

¹⁷ Three particular geographical areas in Gozo (Marsalforn, Xlendi and Santa Lucija), and one in Malta, (Swatar), were included with their administrative council area for this part of the analysis.

¹⁸ In the case of Mdina, however, the estimated negative value was not statistically significant. From an econometric point of view, this implies three possibilities. The first is that the locality chosen has characteristics which are very similar to the ones in the base category, such that there is no statistically significant difference between the asking price of a one bed roomed flat in Sliema, to one in this case, Mdina. The second reason is that there are not enough observations for a meaningful analysis (as would, a priori be expected of a one-bedroomed flat in Mdina). The third reason could be that the equation is misspecified, by excluding variables which could explain potential price differences due to underlying geographical or societal differences which are, in turn, important to assess rental price differences. Further econometric modelling and hypotheses testing would be needed to understand, measure and disaggregate these effects.

Table 3 : Relative value with respect to Sliema

Locality	Relative value (%)	Locality	Relative value (%)
Sliema	100.0	Fgura	53.2
Mdina	-	Gudja	52.8
Valletta	91.2	Tarxien	52.6
Ta' Xbiex	91.2	Marsaxlokk	52.6
St. Julian's	90.3	Mgarr	52.3
Swieqi	80.9	Paola	52.2
Birgu	75.1	Zebbug	52.1
Gzira	75.1	Santa Lucija	50.9
Pembroke	74.3	Zurrieq	50.8
Floriana	69.9	Mqabba	50.5
San Gwann	66.8	Dingli	49.5
Msida	66.4	Safi	49.2
Naxxar	66.2	Xghajra	48.9
Gharghur	65.7	Marsa	48.7
Pieta	65.1	Qrendi	48.6
Iklin	64.8	Kirkop	48.3
Lija	64.4	Siggiewi	47.9
Attard	62.8	Rabat (Gozo)	47.2
Kalkara	62.0	Zabbar	46.3
Bormla	61.1	Mtarfa	46.1
Balzan	60.1	San Lawrenz (Gozo)	41.2
Mellieha	59.5	Gharb (Gozo)	39.1
Isla	59.2	Zebbug (Gozo)	37.4
Santa Venera	57.7	Qala (Gozo)	37.3
Mosta	57.0	Sannat (Gozo)	36.7
St. Paul's Bay	56.6	Munxar (Gozo)	36.1
Birkirkara	56.3	Ghasri (Gozo)	35.4
Qormi	55.8	Ghajnsielem (Gozo)	35.4
Ghaxaq	55.0	Xaghra (Gozo)	35.2
Hamrun	54.8	Kercem (Gozo)	35.0
Birzebuga	54.7	Fontana (Gozo)	34.0
Luqa	54.0	Nadur (Gozo)	33.3
Marsascala	53.7	Xewkija (Gozo)	30.5
Zejtun	53.2		

Source: Author's calculations

What do changes in advertised listings say about the private rental market?

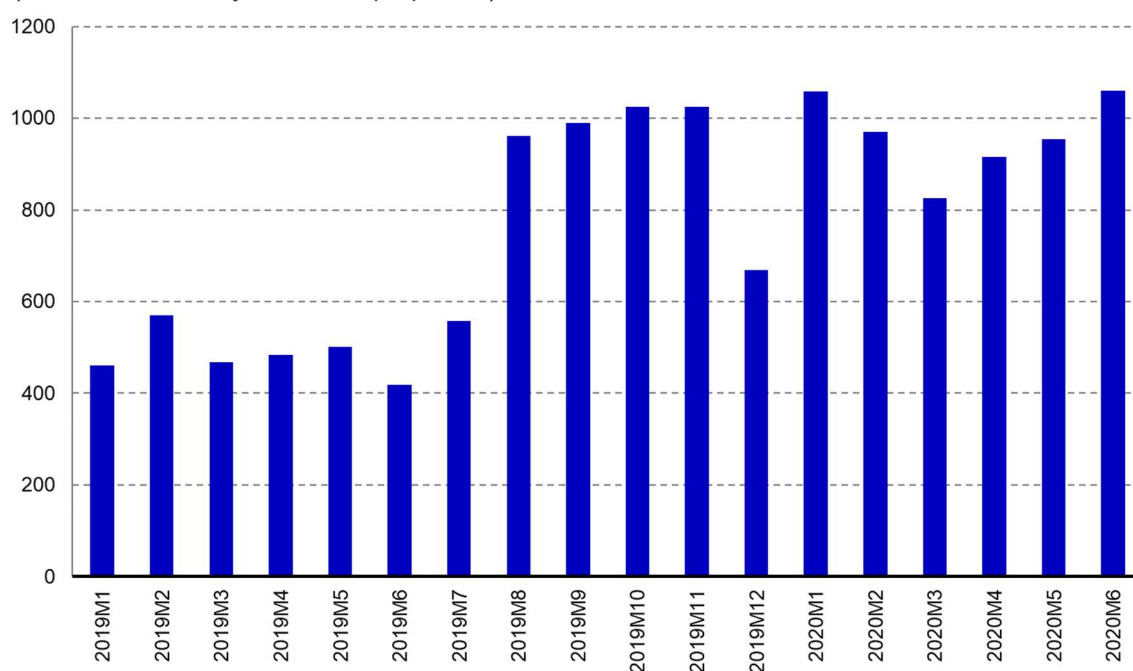
The novelty of this dataset allows us to understand better the private rental market, with adverts indicating the existence of pressures, and providing some evidence as to the timing and likely impact of the shocks in this market. Due to the importance of providing timely analysis on the economy following the situation triggered by the Covid-19 Pandemic in early 2020, the timeline in this analysis is extended beyond December 2019, adding the six months to June 2020.

Newly observed properties

Chart 3

Newly observed listings

(No. of viable newly observed properties)



Source: Author's calculations.

Newly observed properties are defined as unique and viable listings, first advertised after December 2018. On average, there were around 770 of such listings advertised monthly between January 2019 and June 2020. An increase in newly observed properties appears around August 2019, with the level remaining broadly stable at a higher level in successive months. This may indicate an increase of housing supply directed towards the rental market. It is apparent that while the number of newly observed adverts rose in the first six months of 2020, newly observed adverts had been increasing strongly from the latter half of 2019.

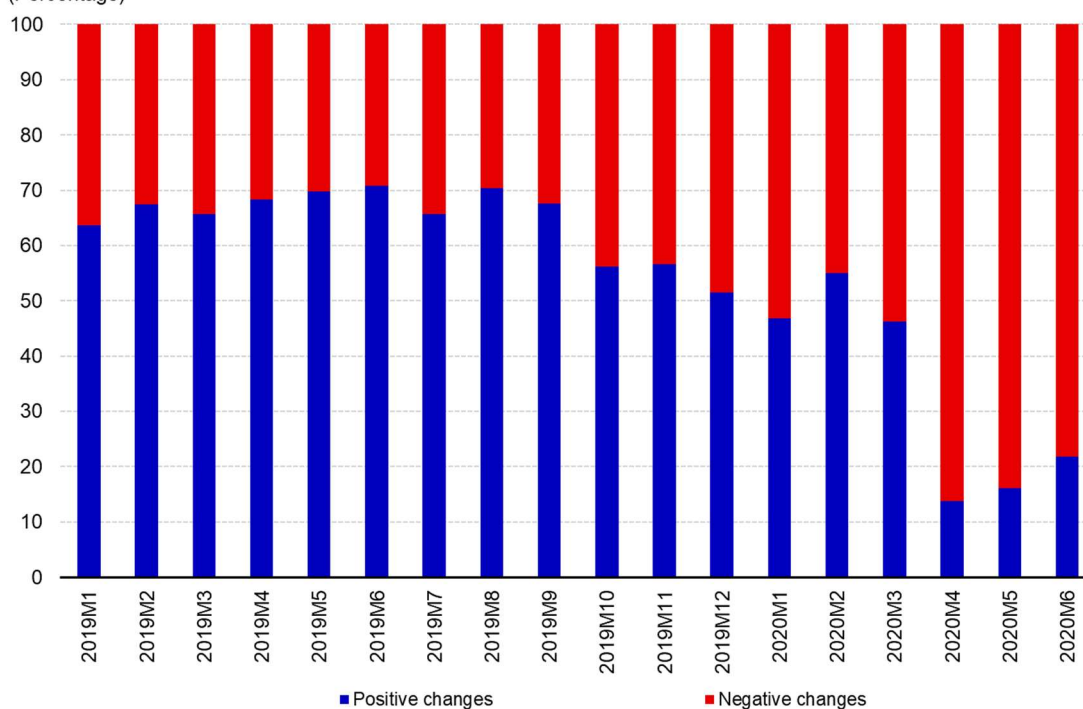
A number of caveats should be made on interpreting these dates and trends – the relative short span of data available does not yet allow a fully meaningful analysis in terms of statistically significant changes, seasonal patterns and other factors which may have affected the rental market. Once a longer time series is collected, these shortcomings will be overcome.

Price changes

Using this dataset, one is able to assess advertised price changes for the same properties over time. The monthly frequency of the data allows for a clear understanding of the impacts of the exceptional economic environment triggered by the Covid-19 Pandemic and the ensuing 'Great Lockdown.' There are more than 14,000 listings which experienced price changes over the sample period (January 2019 – June 2020), averaging at more than 800 price change observations per month - an increase from the around 770 listings having price changes between January 2019 and December 2019. Virtually half (50.4%) of the advertised price changes were positive over the whole period.

Towards the middle of the sample period, positive price changes started to taper off, with negative price changes – or discounts in advertised prices – beginning to feature in higher proportions from October 2019 onward (see Chart 4). This may suggest an increase in the supply, relative to demand, of rental accommodation unit. Between March and April 2020, a sudden shift is seen to have occurred in the market. The proportion of properties returning a discount in advertised prices rose from 53.7% in March to 86.2% in April 2020. Properties recording an increase in advertised prices from their previous listing fell to 13.8% from 46.3% of the total in March 2020, mainly reflecting the drop in demand with the advent of the COVID-19 pandemic.

Chart 4
Share of positive and negative price changes in rents
 (Percentage)



Although it is too early to assess whether this change is statistically significant, it appears that – on average – property prices faced more discounts in April, May and June 2020 than in previous months. Both landlords and prospective renters may have been more willing to strike a bargain on their prices due to the uncertainty levels prevailing at the time, making landlords discounting their asking prices on their adverts. This is confirmed by a study carried out by the Housing Authority, which highlighted how a vast majority of tenants asked their landlords for reductions in rent in the first months of the pandemic, with many landlords choosing to reduce rents voluntarily.¹⁹

¹⁹ Magri, G., (2020-05-13), “10,000 contracts registered with the Housing Authority in 2020; Adjudicating Panel set up,” The Malta Independent.

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Appendix: Hedonic regression

Table A1 : Hedonic regression estimates

					Number of obs	16337
					F(85, 16252)	327.76
					Prob > F	0.0000
					R-squared	0.6316
					Adj R-squared	0.6296
					Root MSE	0.29058
In_price	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Bedrooms_indic						
2	0.2293	0.0083	27.52	0.0000	0.2129	0.2456
3	0.3906	0.0092	42.54	0.0000	0.3726	0.4086
Bathrooms_indic						
2	0.1511	0.0061	24.87	0.0000	0.1392	0.1630
3	0.4259	0.0098	43.29	0.0000	0.4066	0.4452
Prop						
Penthouse	0.1879	0.0073	25.84	0.0000	0.1737	0.2022
Maisonette	-0.0134	0.0077	-1.76	0.0790	-0.0285	0.0016
Room	-0.6471	0.0183	-35.41	0.0000	-0.6829	-0.6113
Other	0.3853	0.0090	42.64	0.0000	0.3676	0.4031
Locality_clean						
Attard	-0.4659	0.0166	-28.01	0.0000	-0.4985	-0.4333
Balzan	-0.5089	0.0220	-23.16	0.0000	-0.5520	-0.4659
Birgu	-0.2867	0.0438	-6.55	0.0000	-0.3725	-0.2009
Birkirkara	-0.5743	0.0135	-42.59	0.0000	-0.6007	-0.5478
Birzebbuga	-0.6042	0.0239	-25.32	0.0000	-0.6510	-0.5574
Bormla	-0.4922	0.0374	-13.16	0.0000	-0.5654	-0.4189
Dingli	-0.7029	0.0638	-11.02	0.0000	-0.8279	-0.5779
Fgura	-0.6320	0.0323	-19.55	0.0000	-0.6953	-0.5686
Floriania	-0.3579	0.0471	-7.6	0.0000	-0.4502	-0.2656
Fontana (Gozo)	-1.0790	0.0921	-11.71	0.0000	-1.2596	-0.8983
Ghajnsielem (Gozo)	-1.0397	0.0384	-27.1	0.0000	-1.1149	-0.9645
Gharb (Gozo)	-0.9385	0.0456	-20.59	0.0000	-1.0279	-0.8492
Gharghur	-0.4200	0.0225	-18.67	0.0000	-0.4641	-0.3759
Ghasri (Gozo)	-1.0391	0.0922	-11.27	0.0000	-1.2197	-0.8584
Ghaxaq	-0.5987	0.0416	-14.4	0.0000	-0.6802	-0.5172
Gudja	-0.6383	0.0609	-10.47	0.0000	-0.7577	-0.5188
Gzira	-0.2869	0.0115	-24.87	0.0000	-0.3095	-0.2643
Hamrun	-0.6012	0.0391	-15.38	0.0000	-0.6779	-0.5246
Iklin	-0.4340	0.0408	-10.64	0.0000	-0.5139	-0.3541
Isla	-0.5237	0.0610	-8.58	0.0000	-0.6434	-0.4041
Kalkara	-0.4780	0.0371	-12.87	0.0000	-0.5508	-0.4052
Kercem (Gozo)	-1.0509	0.0781	-13.46	0.0000	-1.2039	-0.8979
Kirkop	-0.7268	0.1029	-7.06	0.0000	-0.9286	-0.5250
Lija	-0.4402	0.0325	-13.54	0.0000	-0.5039	-0.3765
Luqa	-0.6172	0.0372	-16.61	0.0000	-0.6900	-0.5444
Marsa	-0.7201	0.1302	-5.53	0.0000	-0.9753	-0.4649
Marsascala	-0.6217	0.0112	-55.62	0.0000	-0.6436	-0.5998
Marsaxlokk	-0.6433	0.0416	-15.47	0.0000	-0.7248	-0.5618
Mdina	-0.0119	0.1681	-0.07	0.9440	-0.3413	0.3175
Mellieha	-0.5195	0.0131	-39.65	0.0000	-0.5452	-0.4938
Mgarr	-0.6484	0.0317	-20.42	0.0000	-0.7106	-0.5861
Mosta	-0.5622	0.0163	-34.56	0.0000	-0.5940	-0.5303
Mqabba	-0.6837	0.0611	-11.19	0.0000	-0.8034	-0.5640
Msida	-0.4095	0.0115	-35.64	0.0000	-0.4321	-0.3870
Marfa	-0.7747	0.1455	-5.33	0.0000	-1.0599	-0.4896
Munxar (Gozo)	-1.0190	0.0503	-20.27	0.0000	-1.1175	-0.9204
Nadur (Gozo)	-1.1011	0.0375	-29.39	0.0000	-1.1745	-1.0277
Naxxar	-0.4120	0.0140	-29.48	0.0000	-0.4393	-0.3846
Paola	-0.6497	0.0401	-16.22	0.0000	-0.7282	-0.5712
Pembroke	-0.2978	0.0405	-7.34	0.0000	-0.3773	-0.2183
Pieta	-0.4295	0.0230	-18.67	0.0000	-0.4746	-0.3844
Qala (Gozo)	-0.9856	0.0421	-23.43	0.0000	-1.0681	-0.9032
Qormi	-0.5836	0.0255	-22.87	0.0000	-0.6336	-0.5335
Qrendi	-0.7207	0.0689	-10.46	0.0000	-0.8557	-0.5857
Rabat (Gozo)	-0.7515	0.0197	-38.2	0.0000	-0.7900	-0.7129
Safi	-0.7101	0.0518	-13.71	0.0000	-0.8117	-0.6086
San Gwann	-0.4036	0.0149	-27.13	0.0000	-0.4328	-0.3745
San Lawrenz (Gozo)	-0.8859	0.0781	-11.34	0.0000	-1.0390	-0.7328
Sannat (Gozo)	-1.0030	0.0585	-17.13	0.0000	-1.1177	-0.8882
Santa Lucija	-0.6759	0.1457	-4.64	0.0000	-0.9615	-0.3903
Santa Venera	-0.5492	0.0258	-21.28	0.0000	-0.5998	-0.4986
Siggiewi	-0.7370	0.0342	-21.57	0.0000	-0.8040	-0.6701
St. Julian's	-0.1022	0.0091	-11.23	0.0000	-0.1200	-0.0844
St. Paul's Bay	-0.5688	0.0091	-62.55	0.0000	-0.5866	-0.5510
Swieqi	-0.2120	0.0113	-18.74	0.0000	-0.2341	-0.1898
Ta' Xbiex	-0.0922	0.0265	-3.48	0.0000	-0.1441	-0.0403
Tarxien	-0.6423	0.0526	-12.21	0.0000	-0.7454	-0.5392
Valletta	-0.0921	0.0264	-3.48	0.0000	-0.1439	-0.0403
Xaghra (Gozo)	-1.0440	0.0341	-30.58	0.0000	-1.1110	-0.9771
Xewkija (Gozo)	-1.1872	0.0520	-22.84	0.0000	-1.2890	-1.0853
Xghajra	-0.7152	0.0365	-19.57	0.0000	-0.7868	-0.6435
Zabbar	-0.7707	0.0278	-27.68	0.0000	-0.8252	-0.7161
Zebbug	-0.6527	0.0193	-33.9	0.0000	-0.6904	-0.6149
Zebbug (Gozo)	-0.9824	0.0295	-33.25	0.0000	-1.0403	-0.9245
Zejtun	-0.6315	0.0353	-17.87	0.0000	-0.7007	-0.5622
Zurrieq	-0.6779	0.0289	-23.44	0.0000	-0.7346	-0.6212
date						
2019m2	0.0186	0.0120	1.55	0.1210	-0.0049	0.0422
2019m3	0.0167	0.0125	1.34	0.1810	-0.0077	0.0412
2019m4	0.0617	0.0129	4.79	0.0000	0.0365	0.0870
2019m5	0.0471	0.0120	3.92	0.0000	0.0236	0.0706
2019m6	0.0698	0.0128	5.45	0.0000	0.0447	0.0949
2019m7	0.1157	0.0128	9.06	0.0000	0.0907	0.1408
2019m8	0.0009	0.0113	0.08	0.9390	-0.0213	0.0230
2019m9	0.0211	0.0113	1.87	0.0610	-0.0010	0.0432
2019m10	0.0204	0.0112	1.81	0.0700	-0.0017	0.0424
2019m11	-0.0110	0.0114	-0.97	0.3330	-0.0333	0.0113
2019m12	-0.0444	0.0123	-3.62	0.0000	-0.0684	-0.0203
_cons	7.0010	0.0124	564.02	0.0000	6.9767	7.0254