# Financing of Property Purchases in Malta:

## The Role of Bank Credit

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# Why the Financing Mix Matters



## Households

Housing is central to wealth and indebtedness




## Banks

Mortgage lending is a major part of domestic credit



## Policy

Areas relying more on mortgages may be more directly exposed to interest rates, lending standards and BBMs.

Where does domestic mortgage credit matter most in Malta's housing market?


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# How Mortgage Reliance Is Measured

$$\textbf{Mortgage reliance} = \frac{\textbf{New mortgage contracts}}{\textbf{Registered property deeds}}$$



Coverage: 2020Q4 – 2025Q4



Analysis by: Location, property type, and quarter

$$MR_{d,p,t} = \frac{M_{d,p,t}}{D_{d,p,t}}$$

Where:

- $M_{d,p,t}$ = number of new mortgage contracts;
- $D_{d,p,t}$ = number of registered property deeds;
- d = district;
- p = property type;
- t = quarter.


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# How the Analysis Tests the Observed Differences



Measure the pattern:
- Mortgage contracts relative to registered deeds
- Compared across location, property type and quarter



Adjust for market composition
- Statistical model controls jointly for district, property type, quarter
- Results presented as adjusted probabilities



Explore locality characteristics
- Foreign population, owner-occupation, income and wealth proxies.
- Gozo-specific housing-market features


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# Mortgage Finance Is Important, but Not Universal

**47%**

**of all property transactions**

All property = Core housing, garages, plots of land.

**64%**

**of core housing transactions**

Core housing = apartments, maisonettes, penthouses and houses.

Domestic bank mortgages are central to Malta's residential market, but a substantial share of transactions is completed without a domestic bank mortgage observed in the data.


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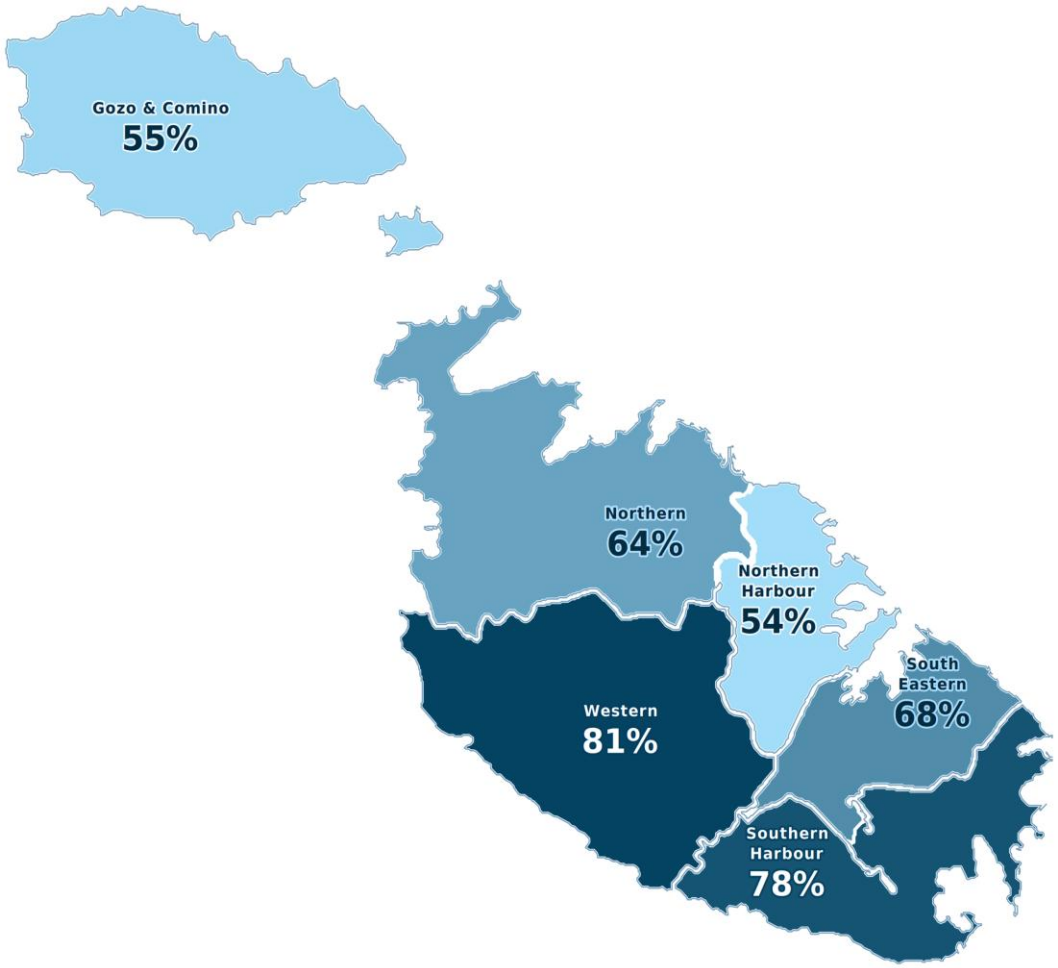
# Mortgage Reliance Varies Widely Across Malta

**A 26 percentage-point gap separates Western region from Gozo and Comino.**

- Northern Harbour: 53.8%
- Gozo and Comino: 55.1%
- Northern: 64.3%
- Southern Harbour: 67.7%
- South Eastern: 78.0%
- Western: 81.1%



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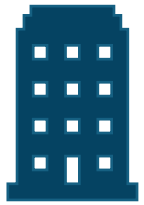
# Mortgage Reliance Varies More by Location Than by Core Housing Type

**Apartments and houses are broadly similar; the major divide is between core housing and non-core property.**



Apartments: 64.7%



Houses: 61.6%



Garages: 11.2%



Land: 8.2%

Garage figures should be interpreted carefully because bundled dwelling-plus-garage financing may be classified against the principal dwelling.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# What Is Associated with Spatial Differences?

**Foreign population:** associated with lower domestic mortgage reliance

**Owner-occupation:** associated with higher mortgage reliance

**Area-level income:** positive association

**Area-level wealth:** negative association

These are locality-level associations, not causal effects on individual buyers.



Gozo's lower mortgage reliance appears closely linked to its distinctive housing-use structure and lower main-residence share.



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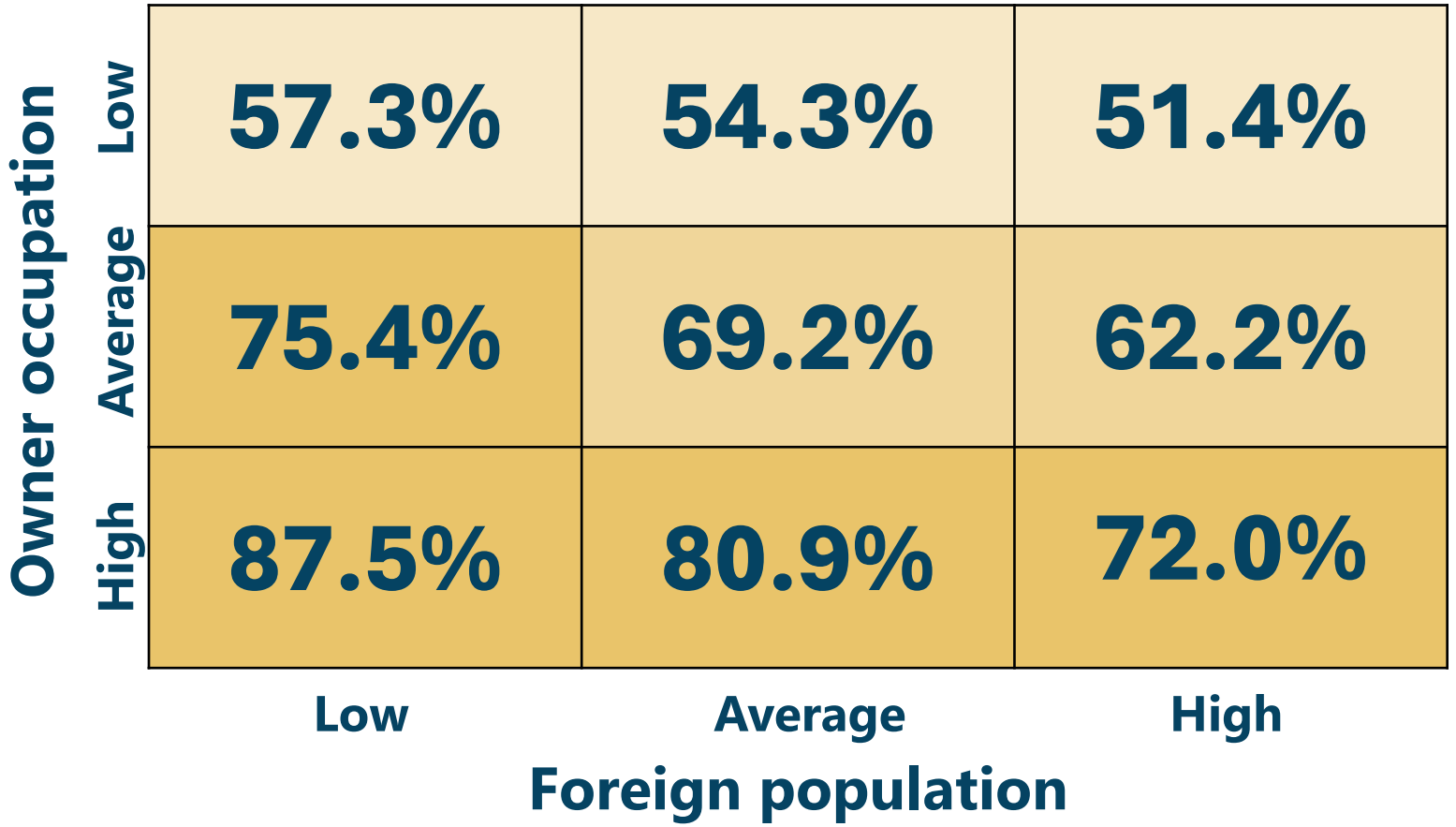
# Illustrative Model-based Scenarios

**Mortgage reliance is highest where owner-occupation is high and foreign population is low.**





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# What This Means for Policy and Financial Institutions

## Higher mortgage-reliance segments

- More directly exposed to mortgage interest rates
- More directly exposed to lending standards
- BBMs may have more immediate reach
- More closely connected to the domestic bank credit channel

## Lower mortgage-reliance segments

- Less directly linked to domestic bank origination
- May respond through rental demand, non-resident demand, wealth effects or investor behaviour
- Lower mortgage reliance does not mean lower housing-market risk

**Mortgage reliance measures exposure to new domestic purchase-mortgage origination.**
**It does not by itself measure total policy-transmission strength, outstanding leverage or interest-rate reset risk.**


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# Main Takeaways and Limitations

## Three Main Findings

01 Domestic bank mortgages finance a substantial, but not universal, share of housing purchases.

02 Mortgage reliance differs sharply by location, but only modestly between apartments and houses.

03 Observable locality characteristics help organise these differences, especially foreign participation, owner-occupation and Gozo's housing-use structure.

## Three Limitations

01 Deeds and mortgage contracts cannot be matched one by one.

02 The study measures mortgage incidence, not leverage or borrowing intensity.

03 Locality characteristics are area-level proxies, not buyer-level determinants.

**The central contribution is a clearer map of where domestic mortgage finance matters more, and where it matters less.**


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# Thank you




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