

Housing affordability in Malta: What the data really shows

As public debate over rising property prices intensifies, new data and analysis from the Central Bank of Malta (CBM) suggest that recent claims of a housing affordability crisis may not align with underlying market realities. Speaking to *The Malta Business Weekly*, CBM Deputy Governor **ALEXANDER DEMARCO** explained why widely quoted figures may not provide a complete picture of developments in Malta's housing sector.

ANDRE CAMILERI

The discussion was prompted by the latest KPMG Real Estate Report, which placed the average price of an apartment at around €414,000. The figure quickly circulated in national media, raising questions about whether home ownership is becoming increasingly out of reach for Maltese households.

According to Demarco, however, the headline number requires closer examination.

Understanding the numbers

"The €414,000 figure reflects an average of asking prices," Demarco said, emphasising that averages are particularly vulnerable to high-end outliers. "A median price gives a more representative view of the typical property."

The Central Bank, which has collected property price data since the early 1990s, uses statistical methods designed to minimise distortions created by unusually expensive listings. Its own estimate for the first three quarters of 2025 puts the average price at about €341,000, nearly 18% lower than KPMG's figure.

More importantly, the CBM's median price stands at €313,000, just 1.3% below KPMG's median. The near-alignment of median prices, Demarco explained, shows that the higher average reported by KPMG was significantly influenced by a small proportion of high-priced properties.

Another key distinction is the difference between asking and contracted prices. Long-standing CBM analysis indicates that asking prices typically exceed final sales prices by roughly 15%. Applying this gap, a median asking price of €313,000 would translate into a final contracted price of about €266,000, considerably lower than the figure driving recent public concern.



Alexander Demarco, CBM Deputy Governor

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OPINION 2026: A cure for overtourism

Overtourism has been caused by what observers call a perfect storm of low-cost airline and short-term rental proliferation to create vast new vacation capacity, driving down prices and ushering in a new era of large-scale budget travel.



GEORGE M. MANGION writes. *Page 8*



OPINION The supermarkets surge

Unless there are projections of economic growth and demand, there won't be opening of new supermarkets. This is what we economists call the invisible hand of



Adam Smith. **CLINT AZZOPARDI FLORES** writes. *Page 9*



OPINION Inbound tourism

Now that the October 2025 inbound tourism figures have been published, we can see that from January to October



2025 Malta got almost 3.5 million tourists. **SILVAN MIFSUD** writes. *Pages 10 & 11*



OPINION A digital euro for the digital age

From barter to coins to banknotes to cards, the payment systems Europeans have relied on have never stopped evolving. Throughout history, innovations have made these systems increasingly sophisticated, efficient and convenient.

PIERO CIPOLLONE and **VALDIS DOMBROVSKIS** write.



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A longer view of price growth

Demarco highlighted that long-running Eurostat data shows that Malta's housing market has moved through distinct cycles over the past two decades.

2005–2008: property prices rose by 32%.

2008–2013: a modest decline of about 2.5% occurred during the financial crisis.

2013–2024: contracted prices grew by 79.5%, supported by strong economic performance, rapid job creation and significant inward migration.

2020: price growth weakened temporarily during the pandemic, recovering thereafter.

2025: prices continued to rise, increasing by 3.2% in the first six months.

Demarco attributed the sustained upward pressure primarily to increased demand, driven by job-rich economic growth, partly filled by higher female participation and inward migration, as well as demographic changes, such as a rising share of single person households, supported by a prolonged period of low interest rates. The rise of tourism and short-term rental platforms also encouraged more properties to be bought as investment assets.

Price alignment and market dynamics

To monitor market conditions, the Central Bank compiles a house price misalignment index. This measure compares observed prices with those suggested by economic fundamentals such as income, demographics and rental trends.

Demarco pointed out that according to the latest CBM Quarterly Review, modest overvaluation occurred during the years preceding and following the global financial crisis, and again during 2020–2021. In contrast, for most of the period since 2013, the Bank's models indicate that prices have been either close to or below their estimated fundamental value.

"For the past three and a half years, our estimates show undervaluation of around 5%," Demarco said. "Current price developments do not signal speculative behaviour."

He also noted that property prices in Malta tend to be "sticky" on the downside. During periods of weaker economic activity, prices do not fall sharply, partly because the cost of holding property remains relatively low when owners are not reliant on bank financing.

Affordability through the lens of income

Debate about affordability, Demarco stressed, hinges not only on price trends but also on how prices compare with household income. Eurostat's house-price-to-income indicator tracks this relationship relative to each country's long-term average since 2000.

The latest data show:

Between 2005 and 2008, affordability in Malta declined, dipping below EU comparators.

After the financial crisis, affordability improved, though it remained above the long-term average until 2016.

From 2016 onwards, Malta's indicator fell steadily below 100, meaning affordability was improving relative to historical norms.

The EU average, by contrast, remained above 100



throughout this period.

"This trend reflects robust growth in disposable income," Demarco explained. Wage increases, reflecting a tight labour market, and targeted fiscal measures all contributed to household disposable income growth that outpaced the rise in property prices relative to its long-term average. According to Eurostat's calculations, Malta's housing affordability in 2024 was better than in 2005.

Who owns homes?

Data from the CBM's Household Finance and Consumption Survey also point to rising home ownership across key demographic groups.

Among Maltese residents aged 16–34, home ownership increased from nearly 81% in 2014 to 91% in 2023 – significantly higher than the EU average.

In the lowest income quintile, home ownership rose from 58% to almost 61% over the same period.

"These developments are not consistent with the presence of a widespread affordability crisis," Demarco said.

A complex market, but no crisis

While acknowledging that affordability pressures may affect certain households more than others, Demarco maintained that current national data do not point to an affordability crisis. Instead, he argued that Malta's property market continues to reflect underlying economic fundamentals, supported by strong growth in incomes and employment.

As Malta prepares for further economic and demographic changes, the Deputy Governor noted that ongoing monitoring remains essential. "Housing is a central part of household welfare," he said. "It is important that policy debate continues to be guided by robust evidence."

ued momentum in its managed services pipeline. The Merchant Solutions segment in Germany grew 131% and secured its first key account, while RS2 Financial Services obtained full issuing capabilities with Visa and Mastercard. In the US, four clients are live and seven are in implementation stage. The Group highlighted efficiency gains from AI and robotics but noted that the timing of major contracts may impact short-term profitability.

The Company added that its subsidiary, RS2 Financial Services GmbH, is now a Principal Issuing Member of Visa and Mastercard in Europe, enabling it to directly issue cards and run full payment card programs. This development strengthens RS2's position as a fully integrated payments partner offering issuing, acquiring, and processing services.

MedservRegis plc reported strong Q3 2025 year-to-date results, with revenue up 37% to €68.8m, driven mainly by the Integrated Logistics Support Services growth in Malta and Cyprus. EBITDA increased to €16.4m from €12.6m. The Company expects continued momentum into Q4 2025 and 2026, as activity expands in Malta, Libya, Cyprus, and the Middle East, supported by a solid order book and upcoming projects in Suriname and Namibia.

VBL plc announced that it expects strong full-year results for 2025, supported by robust first-half performance and continued improvement in the second half. Development of the flagship Silver Horse Block project is on track for completion in late 2026, set to deliver an 88-room hotel and between €2m to €2.5m in additional annual EBITDA. The Group forecasts year-end revenues of around €4.3m, a €90m investment property value, and a 23% debt-to-equity ratio.

Main Street Complex plc announced plans to retain its Paola property as a mixed-use commercial hub, enhancing its retail, service, and entertainment offerings. The Company signed a new lease with 'Little Greens,' which will open a 400 sqm supermarket, café, and 160 sqm storage area. Works are set to begin in April 2026 and conclude by late 2026.

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