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EUROSISTEMA
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LONG-TERM HOUSING RENTALS IN MALTA

BOX 2: LONG-TERM HOUSING RENTALS IN MALTA¹

Over the past years, the Maltese home-ownership and rental markets were very dynamic, with factors such as population growth, new market trends in tourism and a turnaround in the construction sector affecting both supply and demand of housing. The Central Bank of Malta closely observes rental prices advertised in Malta.² This Box looks at some of the findings in Ellul (2020) which assesses the long-term housing rental market, in particular through the channel of online advertised listings with leading real estate agents.

No single study can claim to assess comprehensively the various trends at play in the housing rental market. Ellul (2020) focuses on a selected database of uniquely identifiable online adverts and property listings. This is the first attempt to approach fundamental questions on the rental market in Malta using a validated database. A significant amount of effort and care was placed in compiling and ensuring the validity of the original data, which being in the realm of big data does not necessarily comply with the strict requirements of economic analysis. In particular, rigorous checks were implemented to filter out duplicate observations, and thus allow for an accurate discussion on the distribution of long-term rental properties in Malta during the reference period studied, as well as the pricing of property characteristics over time. A further benefit from focusing on what were termed ‘viable’ advertised listings is the ability to look at the monthly trends in advertised rents, which in turn allow useful comparisons with what stakeholders observe in these markets.

Viable listings were defined as those adverts for rental properties which were observed for the first time in the month when the data were being collected, or whenever a previously-observed listing experienced a price change. Between January and December 2019, around 16,500 viable observations of rental units were identified. Such observations – while accounting for only a small proportion of the database – provide a better representation of current rental market conditions at the time of collection, unlike, for example, adverts of properties which may have been unavailable but have remained online for subsequent periods without being updated.

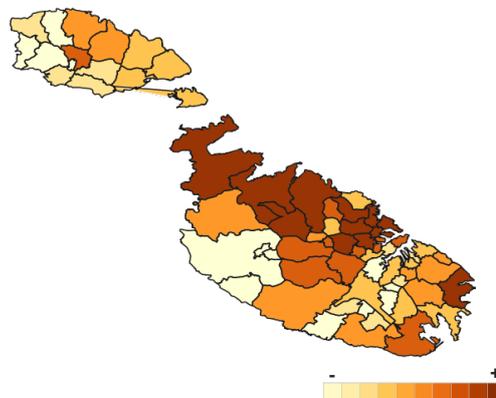
Firstly, looking closely at property types, most of advertised properties in the dataset were apartments (66.1% of the total), followed by penthouses (11.8%) and maisonettes (10.8%). There were also listings advertised as individual rooms (2.1%). The rest of the listings (9.1%) included houses, townhouses, villas, farmhouses, bungalows and palazzos. In terms of individual property characteristics, of the approximate 16,500 viable properties in the dataset, 47.2% had three or more bedrooms, 38.6% had two bedrooms and 14.3% were listings with one bedroom. Thus, many advertised units on the rental market

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² For a deeper analysis on this topic, see Ellul, R., (2020), “[Long-term housing rentals in Malta: A look at advertised listings](#),” *Policy Note* September 2020, Central Bank of Malta. In this project, advertised rental data from leading property agents in Malta were collected using public online sources and big data methods. The final dataset comprises hundreds of thousands of observations, which are then whittled down using data quality controls. The exercise is carried out on a monthly basis, and serves to supplement and support two parallel projects on the property market carried out by the Bank's Economics Division. These big data methods allow the use of several modelling techniques which were previously not possible due to data limitations.

were for larger properties. This may indicate the rental of units originally oriented towards the Maltese population, or otherwise idle units for foreign workers. Finally, although the properties appear to be spread around Malta, they were highly concentrated in areas such as Sliema, St Julian's, Msida and Gżira, with outlying denser rental clusters in St Paul's Bay and Marsascala (see Chart 1).

Chart 1
ADVERTISED RENTAL PROPERTY COUNTS
(no. of properties)



Source: Author's calculations.

Hedonic equations for rental prices with characteristics were also estimated.³ Assuming that a one-bedroom, one-bathroom apartment in Sliema represents the base category, an increase of one bed in the advertised listing 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 were advertised with a premium of 20.7% over an apartment with one bedroom and one bathroom in Sliema, while maisonettes do not appear to have a statistically significant difference in advertised prices over such an apartment.⁴ Listings for single rooms, which may indicate a shared-living space, returned asking rents which were 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, while also 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. These latter property types tend to command an even higher premium once one considers that most of these larger properties tend to have more than the 'one bedroom, one bathroom' configuration of the benchmark category.

Estimates for price differences that are driven by location were also calculated for 66 localities and areas (see Table 1). All localities were advertised at a discount in asking rental prices

³ In order to avoid the problem of equation misspecification bias, this study focuses on relative differences between categories, rather than on the estimated price levels of particular characteristics.

⁴ This finding may reflect the comparatively low number of maisonettes for rent with respect to apartments, in particular resulting from 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.

Table 1
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	Mġarr	52.3
Swieqi	80.9	Paola	52.2
Birgu	75.1	Żebbuġ	52.1
Gżira	75.1	Santa Lucija	50.9
Pembroke	74.3	Żurrieq	50.8
Floriana	69.9	Mqabba	50.5
San Ġwann	66.8	Dingli	49.5
Msida	66.4	Safi	49.2
Naxxar	66.2	Xgħajra	48.9
Għargħur	65.7	Marsa	48.7
Pietà	65.1	Qrendi	48.6
Iklin	64.8	Kirkop	48.3
Lija	64.4	Sigġiewi	47.9
Attard	62.8	Rabat (Gozo)	47.2
Kalkara	62.0	Żabbar	46.3
Bormla	61.1	Mtarfa	46.1
Balzan	60.1	San Lawrenz (Gozo)	41.2
Mellieħa	59.5	Għarb (Gozo)	39.1
Isla	59.2	Żebbuġ (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	Għasri (Gozo)	35.4
Qormi	55.8	Għajnsielem (Gozo)	35.4
Għaxaq	55.0	Xagħra (Gozo)	35.2
Ħamrun	54.8	Kerċem (Gozo)	35.0
Birżebbuġa	54.7	Fontana (Gozo)	34.0
Luqa	54.0	Nadur (Gozo)	33.3
Marsascalea	53.7	Xewkija (Gozo)	30.5
Żejtun	53.2		

Source: Author's calculations.

with respect to Sliema.⁵ A limited number of localities have lower discounts, probably due to their relative proximity or perceived similarity to Sliema, although the opportunity costs of placing a unit on long-term rent in a highly touristic area may also play a role. In terms of

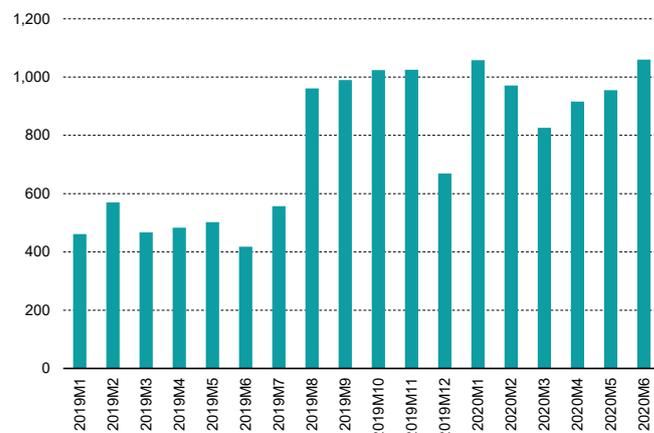
⁵ The exception would be Mdina, where no statistically significant difference was found. This finding, which may be due to low sampling, is explained in more detail in the main Policy Note. This may also reflect the low supply of properties in Mdina, and the relative exclusivity of the locality.

negative premiums, or rental discount in prices with respect to Sliema, the cheapest rental properties – controlling for hedonic characteristics – were found in Gozo, with a one bed-roomed 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 return discounts of around 9.7% and 8.8%, respectively.

Finally, this approach is also able to provide useful evidence to assess market trends.⁶ This is especially useful when looking at shocks to the rental and property markets during the early months of the COVID-19 pandemic. The data indicate that the number of newly observed adverts were already increasing in the latter half of 2019, remaining at elevated levels until June 2020 (see Chart 2). This may indicate an increase of housing supply directed towards the rental market towards late 2019, and – more recently – an increase in vacant properties following the COVID-19 pandemic.

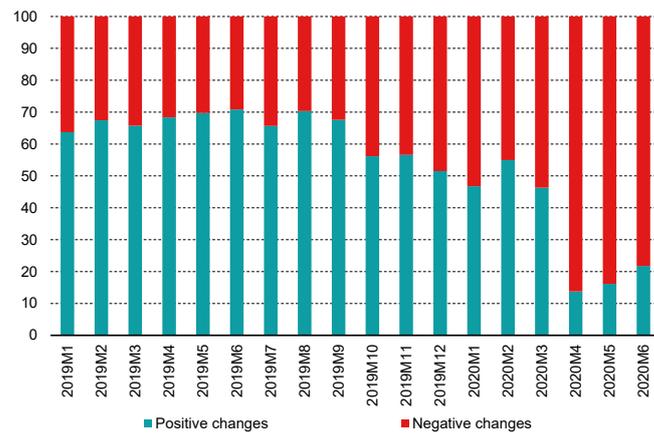
The direction of price changes in advertised listings monitored in the dataset act as a clear and simple indicator of trends in the rental market. This is based only on those advertised listings which registered a change in their rent from that observed in the previous listing and does not look at the total number of listings found online. A narrow majority of 50.4% of advertised price changes were positive (see Chart 3). From October 2019

**Chart 2
NEWLY OBSERVED LISTINGS**
(no. of viable newly observed properties)



Source: Author's calculations.

**Chart 3
SHARE OF POSITIVE AND NEGATIVE PRICE CHANGES IN RENTS**
(percentage)



Source: Author's calculations.

⁶ Data quality restrictions may alter the signals derived from adverts as those properties which experience unchanged prices and are still available on the market, are automatically excluded. Such an exclusion would, in theory, affect the calculation of price indices, as the possibility of zero inflation is ignored. 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 do compute rental price indices from online sources should ensure – as far as the data allow – that the data obtained from such sources reflect current market conditions.

onward, positive price changes start to taper off, with negative price changes – that is, discounts over previously advertised prices – beginning to feature in higher proportions. This suggests that by late 2019, the rental market may already have been experiencing changing conditions, with more landlords willing to accept relatively lower rents – as evidenced by the more balanced distribution between positive and negative price changes in observed listings in the second half of 2019.

The proportion of properties registering discounts in their advertised rents, as a share of the listings with price changes, rose dramatically between March and April 2020, increasing from 53.7% to 86.2%, respectively. This suggests that landlords have been more willing to accept lower rents during the period of uncertainty marked by the COVID-19 pandemic, a finding which confirms similar results found in a study on the effects of COVID-19 on the rental market undertaken by the Maltese Housing Authority.⁷

⁷ Galdes, R. (2020-05-21), "[Trust and collaboration in rental market](#)," Times of Malta.