THE MALTA PROPERTY LANDSCAPE

A TRUE PICTURE

2025





PROFILES

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dhalia[◆]

At Dhalia Real Estate Services we push ourselves to provide a unique experience throughout the whole real estate process, raising the bar within our industry even further. Dhalia is made up of professionals who have built a reputation based on trust.

Our role is to help people find property in Malta and Gozo and act as a guide and educator to ensure our clients are as satisfied with their new property as they are with our service.

Since 1982, Dhalia has followed this philosophy and it has allowed us to grow and become Malta's largest privately owned real estate agency. Today, our branch office network stretches across Malta and Gozo, facilitating contact with our customer base and ensuring our property consultants are always within easy reach. Our team of dedicated staff, branch managers and sales consultants ensure that Dhalia continues to provide the premium level of service that our clients expect from us.

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EXECUTIVE SUMMARY

For another year Grant Thornton Malta teamed up with Dhalia to present a comprehensive report and analysis of the Maltese property market, covering both residential and commercial sectors. This fourth edition continues to build on high-quality data covering developments from 2013 to 2024. The report aims to inform stakeholders including policymakers, businesses, investors, and individuals about latest market trends and developments and underscore the importance of strategic planning, quality standards, and sustainable practices to foster a resilient and thriving real estate sector in Malta.

The residential property market in Malta has shown resilience and growth despite recent fluctuations, with 2024 figures revealing that the number of residential property transactions increased by 3.4%, reaching 12,594 transactions, with a total value of €3.5 billion. The Promise of Sale agreements also saw a 3% rise, indicating sustained positive momentum. The 2021 Census reported a total of 297,304 dwellings, marking a 32.8% increase since 2011, with flats and penthouses now constituting 52.7% of the total housing stock and a shift towards higher-density living solutions. The Northern Harbour region remains the most active, accounting for 28.3% of final deeds.

House price indices are a key feature of the report, with the Selling House Price Index recording a 100% increase between 2013 and 2023. Similarly, the Rental House Price Index has rebounded from the COVID-19 impact, showing a 71% increase from 2013 to 2024. Significant regional variations in median prices for three-bedroom apartments and monthly rental prices for two- or three-bedroom apartments are revealed through market developments by locality.

Detailed assessments of factors affecting demand and supply are included, such as population growth, tourism, economic growth, interest rates, locational characteristics, construction costs, and investment opportunities. Special focus is given to renovation and retrofitting, highlighting the next steps required to make buildings more sustainable. The commercial property market is also thoroughly examined. Driven by tourism, financial services, IT, and online gaming, the sector has experienced significant growth. Despite a dip during the COVID-19 pandemic, the number of commercial development permits rebounded to pre-pandemic levels in 2024.

Improving sustainability and energy efficiency through renovating and retrofitting existing buildings is emphasized. Various government schemes and incentives support these efforts, aiming to achieve the EU's net zero-carbon emissions target by 2050. The introduction of standardized building regulations and the enforcement of quality benchmarks are crucial for ensuring long-term market stability.

The Malta Property Landscape report provides valuable insights into the current state and future trends of the property market. Despite the resilience and adaptability in the face of economic fluctuations and global challenges of the Maltese property market, a number of challenges remain particularly the risks associated with an over-reliance on real estate as the primary investment vehicle. The report emphasizes the importance of strategic urban planning, sustainable development, and the implementation of rigorous building standards to ensure the long-term stability of the property market and the creation of sustainable and liveable communities.

GLOSSARY

BCA	Building and Construction Authority
CAPEX	Capital Expenditure
СВМ	Central Bank of Malta
ECB	European Central Bank
EPC	Energy Performance Certificate
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IRR	Internal Rate of Return
KWH	Kilowatt-Hour
KWP	Peak Kilowatts
LN	Legal Notice
NSO	National Statistics Office
OLS	Ordinary Least Squares
PA	Planning Authority
POS	Promise of Sale
PV	Photovoltaics
RES	Renewable Energy Systems
REWS	Regulator for Energy and Water Services
SQM	Square Metre
UCA	Urban Conservation Area
UK	United Kingdom
UN	United Nations
VAT	Value Added Tax

INTRODUCTION



The Malta Property Landscape brings together Dhalia's high-quality data on the real estate market and the analytical expertise of Grant Thornton Malta

The Malta Property Landscape brings together Dhalia's high-quality data on the real estate market and the analytical expertise of Grant Thornton Malta.

Following its launch in June 2022, the publication is in its fourth edition with the aim of providing timely information on developments in the Maltese property market. The study may be used as a tool to enable policymakers, businesses, investors as well as buyers and sellers to make informed decisions.

As in the first edition, this report features price indices for the housing market. The Selling House Price Index is based on a database of more than 42,000 observations, whilst the Rental Price Index is based on more than 20,000 observations. However, it is not the large number of property transactions that makes the database unique. Rather, it is the quality of the data and the way in which it has been organised to enable rigorous analysis of the trends being noted in the property market.

Real estate agents carefully collect data on a daily basis to facilitate the process of selling or renting a property as well as conduct high-level analyses that ultimately enables them to provide informed advice to their clients. The information compiled by the agents is then meticulously organised and used to develop house price indices that go beyond the simple year-on-year price comparison of three-bedroom apartments within the same location. Following the introductory chapter, the remainder of the report is organised as follows. Chapter 2 provides an in-depth analysis of demand and supply forces, incorporating an assessment of market data, selling and rental price indices, and relevant case studies to offer a comprehensive overview of market trends.

Meanwhile, Chapter 3 shifts focus to the commercial property market, with particular emphasis on rental prices and the commercial permits issued. This structure ensures a clear and systematic exploration of both residential and commercial property dynamics, facilitating a thorough understanding of the market.

For the first time, prior to the compilation of this report, two workshops hosted by Grant Thornton and Dhalia were held with industry professionals and resident academics to gather insights on themes that are prevalent within the property and real estate market:

- 1. Renovating and Retrofitting the Housing stock; and
- 2. Tourism's Impact on the Property Market.

The main insights of these workshops are implemented throughout the report.

The data and analysis presented in this report cover the period between 2013 and 2024.

RESIDENTIAL PROPERTY MARKET



Residential property refers to any building or unit that has been built for the sole purpose of living or dwelling of individuals or households

In this report, we use the terms 'residential unit' and 'housing unit' interchangeably. The majority of such units that are analysed are apartments or homes intended for single-family households.

This chapter of the report provides an analysis of the residential property market. This includes:

- insights gathered from workshops held prior to the publication of the report;
- price indices for housing units based on Dhalia's property database;
- construction cost index for new residential buildings based on secondary data;
- an overview of the residential property transactions;
- an overview of the residential property permits and dwellings approved; and
- an understanding of the main factors affecting housing demand and supply.

2.1 Housing Demand and Supply

The housing market is influenced by a range of factors that affect the demand and supply for residential properties, notably tourism, population growth, economic conditions, interest rates and construction costs. When market interactions render a situation of excess demand, the resultant short supply, triggers buyers to compete, eventually leading to an increase in prices. In contrast, prices tend to fall when supply outstrips demand as the prevailing oversupply leads to downward movements in housing price levels. Hence, recognising past trends and understanding future projections of local demand and supply is fundamental for identifying and anticipating prospective developments in the selling and rental prices of housing units.

2.1.1 Housing Demand

Housing demand is the quantity, type and quality of housing units, that individuals want and can afford to buy or rent. Despite the apparent simplistic nature of this concept, it presents numerous quantification challenges, and to our knowledge, no precise estimates exist for the Maltese housing market. This section presents indicative estimates of buyer demand through statistics on residential property transactions.

The analysis is based on data published periodically by the National Statistics Office (NSO) and includes transactions involving apartments, townhouses, maisonettes, villas and terraced houses, but also includes plots of land, airspaces, boathouses, garages, gardens and other properties. Thus, the reported estimates offer key insights into current market developments, to comprehensively illustrate indicative patterns concerning both the volume and property types being transacted, the level of activity, behaviours and preferences over time.



Figure 1: Residential Property Transactions

(January - December)



Figure 2: Value of Final Deeds (January - December)

2.1.1.1 Residential Property Transactions

In 2024, the number of final deeds of sale relating to residential property transactions amounted to 12,594. As shown in Figure 1, this represents a 3.4% growth over the previous period, implying a marginal increase following the significant 15.0% decline experienced in 2023. The positive trend is also reflected in the value of final deeds of sale, as depicted in Figure 2, rising substantially from €3.2 billion in 2023 to €3.5 billion in 2024. A similar trend has been observed in the first quarter of 2025, with 3,134 final deeds of sale reported having a total value of €891.9 million, suggesting sustained stimulus in the residential property market.

Similarly, the number of Promise of Sale (POS) agreements maintained an upward trajectory since 2022. In 2024, the volume of registrations stood at 13,588, marking a 3.0% increase compared to the equivalent period in 2023. Such consistent growth in POS agreements further suggests an ongoing positive momentum in the local residential property market, despite previous market fluctuations. A contributory factor reinforcing this development potentially includes the range of incentives introduced in October 2021. Additional to the first-time buyer scheme, other incentives targeted Urban Conservation Area (UCA) properties and dwellings featuring approved traditional Maltese character-istics and vacant structures. The schemes grant stamp duty exemptions to buyers and capital gains tax savings to vendors, acting as catalysts to reignite demand for residences in the local village core.

A year-on-year comparison of the first quarter of 2025 against the same period in 2024 reveals similar levels of activity, with 3,468 and 3,497 agreements registered respectively, reinforcing the view that buyer confidence remains stable, and demand continues to hold firm.

2.1.1.2 Residential Property Transactions by Type of User

The statistics on final deeds of sale and POS agreements, segmented by distinct user categories, reveal substantive discrepancies in market participation between individuals and companies. In effect, individual users were responsible for the vast majority of transactions in 2024, accounting for 91.9% and 90.7% of all final deeds of sale and POS agreements, respectively.

Additionally, the patterns within such figures closely align with the periodical aggregated data shown in Figures 1 and 2. However, one notable deviation concerns the modest decline in the number of final deeds of sale by companies in 2024, when compared to 2023. These discrepancies in market participation reflect broader trends within the property sector, where individual proprietors continue to make up the largest share of transactions over time, suggesting continued popularity of homeownership among private buyers.

The visual representation in Figure 3 further reinforces the dominant market position held by individuals. This is evidently demonstrated by the close proximity between the periodical values for such users and the total figures over time, indicating their consistent and substantial participation levels. Despite the growing volume of corporate entities, expressed through the uptick in nominal value terms since 2020, the property sector remains largely oriented towards individual ownership. In fact, individuals were responsible for &2.8 billion of the &3.5 billion of final deeds registered during the latest period, underscoring their central and pivotal role in driving market activity.



Figure 3: Value of Final Deeds by Type of User

(January - December)

2.1.1.3 Residential Property Transactions by Region

In accordance with the NSO's regional segmentation of Malta and Gozo, historical data reveals a consistent trend in the concentration of activity within the property sector. As illustrated in Figure 4, the Northern Harbour and Northern regions consistently record the highest volumes of activity, In 2024, the regions accounted for 28.3% and 19.7% of final deeds of sale, respectively. In contrast, the Western region continues to report the lowest annual quantities of activity, highlighting a more subdued market presence in this area.





(January - December)

Figure 5: Final Deeds by Region



The map in Figure 5 illustrates the regional distribution of activity based on the number of final deeds for 2024. Areas shaded with darker colours demonstrate higher levels of activity. The number of final deeds for each corresponding locality grouping is displayed below the respective region.

All regions experienced an increase in activity compared to the previous year, with the sole exception occurring in 'Gozo and Comino'. Specifically, this regional grouping reported a decline from 1,747 deeds of sale in 2023 to 1,638 in 2024, translated into a 6.2% decrease. This movement contrasts to the broader trend of growth observed across other regions, highlighting a divergence from the overall performance in the local residential property market.

2.1.1.4 Residential Property Transactions by Property Type

Having examined the final deeds of sale by type of use and by region, we disaggregate our analysis further by examining residential property transactions by type of property. While statistics on the final deeds of sale could obscure the actual volume of properties changing hands, since a single deed could cover multiple properties, this limitation is addressed in the current section. The data presented reflect the total number of properties transacted, allowing for a more accurate understanding of the composition of residential sales.

We note that there are variations when demand is assessed in relation to the wide range of existing property types. These differences stem from the unique characteristics and features, users and uses of property categories. Certain sub-markets are widely utilised as investment vehicles, offering rental income potential, while others are predominantly viewed as residential spaces. The distinction between these uses introduces a phenomenon that is largely influential on demand and pricing across types. We believe that understanding and evaluating these nuances is essential for a comprehensive analysis of the local property market.



Figure 6: Number of Properties Transacted in the Final Deeds by Property Type (January - December)

2018 2019 2020 2021 2022 2023 2024

Between 2018 and 2024, apartments consistently remained the most sold property type, with 4,923 final deeds of sale, followed by garages, with 3,052. Additionally, 2024 marked the first year to record an upward trend for both apartments and garages, signalling an upturn since the gradual annual decline observed following the peaks reached in 2021. Notably, there were also increases in the number of final deeds for most property types, with penthouses and maisonettes experiencing particularly strong growths of 11.24% and 10.43%, respectively, compared to 2023. In contrast, the sales of plots of land, airspaces, boathouses, gardens and urban tenements continued to decline, maintaining the downward trend observed in previous years.

2.1.2 Housing Supply

The 2021 Census of Population and Housing, published by the NSO, identified a total of 297,304 dwellings, marking a nation-wide increase of 32.8% since the previous Census conducted in 2011. The remarkable expansion of the residential property market over the past decade, which experienced the largest intercensal growth rate to date, is largely attributable to the increase in primary residences. This surge in supply is primarily driven by the demands of a rapidly growing population as well as the increasing trend of single-member households among residents.

The Northern Harbour region is the region with the largest number of dwellings, with 91,145 properties, accounting for 30.7% of the total housing stock. This figure contrasts to the number of residential properties in the subsequent two regions, with the Northern and the Southern Harbour regions comprising 56,955 and 45,137 dwellings, respectively, in 2021. Conversely, Gozo and Comino reported the lowest volume, constituting approximately 10.0% of the total stock.





* The 'Semi/Fully-detached house' category also includes villas, bungalows and converted farmhouses

** The 'Other' category includes garages, cellars, boathouses, caravans and other units used for habitation purposes.

In terms of property types, terraced houses were historically more prevalent. Although the gap between terraced houses and other types of residences diminished over time, they represented 39.6% of all properties before 2001, followed by maisonettes (27.2%) and flats or penthouses (26.1%). However, a significant shift in favour of flats, penthouses and maisonettes occurred in the subsequent years. This resulted in 70.3% of all newly developed residences being flats or penthouses, 20.8% being maisonettes, whereas only 6.0% were terraced houses.

Such trends continue to prevail, as the 2021 Census reports that flats and penthouses constituted 52.7% of the total housing stock at the time, with the divergence away from traditional properties such as terraced houses continuing to widen. Indeed, the number of flats and penthouses are the most prominent property type in every region of Malta and Gozo, representing 64.5% and 62.3% of the total dwelling stock in the Northern and the Northern Harbour areas, respectively.

2.1.2.1 Residential Property Permits and Dwellings

New housing units come onto the market following a process that is initiated through the application for a building permit with the Planning Authority (PA) followed by its approval and issuance. Essentially, approved permits to develop new units are reflected onto the housing market with a time lag, reflecting the time-to-build, finish and possibly furnish. Therefore, a permit for a new housing unit issued by the PA in a given year would only be expected to add to the existing supply some years later. Furthermore, not all PA approvals for housing units translate into additional supply because some new units will be replacing older ones. For example, if three apartments are built on land that was previously occupied by a townhouse, the resulting additional supply is two units.



Figure 8: Number of permits and dwellings approved by the PA

Figure 8 illustrates the annual number of permits and dwellings approved for development by the PA. The volume of permits issued has followed a declining trend over the past years, decreasing from a peak of 2,868 permits in 2018 to 1,749 in 2024. The supply of dwelling units has shown a similar pattern, characterised by substantial growth until 2018, with the total number of approved units during 2018 and 2019 reaching approximately 25,000. However, this level of activity was not sustained in the successive years, as indicated by the declines in 2020 and 2021. Despite persisting fluctuations, 2023 and 2024 undergone lower volatility relative to the previous years.

2.1.2.2 Residential Permits and Dwellings Approved by Region

Upon categorising the historical data on residential permits and dwellings by region, based on the NSO's segmentation of Malta and Gozo, consistent trends emerge across the disclosed supply metrics. As illustrated in Figures 9 and 10, the Northern Harbour consistently records the highest volume of activity, with 494 approved permits accounting for 2,529 dwellings in 2024. Statistical findings also indicate significant activity in the Northern region, as well as in Gozo and Comino, highlighting the ongoing residential urban sprawl across the country. In contrast, the Western region has continuously reported the lowest regional results for both metrics since 2019.



Figure 9: Number of Permits approved by Region



Figure 10: Number of Dwellings approved by Region

■ Southern Harbour ■ Northern Harbour ■ South Eastern ■ Western ■ Northern ■ Gozo and Comino

A key statistical insight emerges from the combined analysis of data on approved permits and dwellings. As shown in Figure 11, the average number of approved new dwellings per permit reveals notable trends in the construction patterns over time, with a year-on-year growth rate of 4.1% reported in 2024. This reflects shifts in modern development practices, favouring high-rise buildings, such as blocks of apartments comprising of multiple residential units, over other traditional housing types. However, a more comprehensive analysis of the statistical values is achieved through regional segmentation. The gradual year-on-year increase observed across most regions indicates that expansion is not concentrated in specific regions but is occurring nationwide. This trend is most notable in the Northern region, which has consistently reported substantially higher average numbers of approved new dwellings per permit on a yearly basis when compared to other regions, reaching a peak average of 6.3 units in 2018.



Figure 11: Average number of approved new Dwellings per Permit by Region

2.1.2.3 Residential Dwellings Approved by Property Type

The analysis of housing supply can be further disaggregated to examine market trends based on the different types of dwellings developed. As shown in Figure 12, a significant proportion of new developments consist of apartments, highlighting a clear preference for this type of residential unit. Additionally, a considerable share of maisonettes, which make up a substantial portion of the non-apartment category, may, in practice, be part of larger apartment blocks, further reinforcing the trends observed in Figure 11. This shift aligns with modern urban planning strategies that prioritize higher-density housing solutions to accommodate population growth and optimise land use.



Figure 12: Number of Dwellings approved by Property Type

Despite the peak number of approved apartment units occurring in 2018, with a total of 11,210 units, apartments have consistently accounted for over 85% of all newly approved dwellings each year since then. In 2024, this proportion stood at 86.5%, with maisonettes constituting an additional 9% of total housing supply. This sustained dominance of apartment developments suggests a long-term transformation in the housing market, likely driven by factors such as affordability, demand for smaller and more efficient living spaces, and evolving lifestyle preferences. Moreover, the increasing emphasis on apartment construction reflects the market's adaptation to changing demographic patterns, including the rise in single-person households and young professionals seeking urban living options. Subsequently, traditional housing types such as terraced houses and houses of character have become less prominent in new developments.

2.1.3 Factors affecting demand and supply

The local property market is influenced by a range of economic factors that impact both demand and supply, with the market forces serving as the primary instruments in determining house prices, a premise emanating from the fundamental supply and demand framework. Understanding these factors helps stakeholders navigate market fluctuations and make informed decisions. This section explores the key elements that contribute to shifts in the local property market.

Population growth

Population growth is a fundamental driver of demand towards housing, particularly in urban areas where most economic opportunities are concentrated. Consequently, demographic trends, notably influenced by net migration rates, contribute to rising property prices as more individuals seek residences. This phenomenon has recently been at the forefront for numerous advanced economies' agenda¹, including Malta, which continues to experience increasing inflows of foreign workers.

Malta has undergone rapid population growth in recent years. At the start of 2024, the country's population stood at 563,443 individuals, marking an increase of 21,392 from 2023. Notably, 20,992 of this increase is attributed to the rising number of foreigners, which now totals 158,368, or 28.1% of the population. Over the coming periods, population growth is projected to persist, albeit at a more gradual rate than that observed in recent years.²

Economic growth

The demand side of the housing market is significantly influenced by various economic factors, with Gross Domestic Product (GDP) being a fundamental driver of house price fluctuations. Research identifies a significant positive relationship, as higher household disposable income enables individuals to improve their living conditions, thereby increasing housing demand³.

Malta's robust economy is fuelled by key sectors such as finance, gaming and technology, which collectively attract a steady influx of skilled workers, both local and foreign. This trend is reinforced by numerous foreign companies relocating their offices to the country. Notably, Malta's economy grew by 6.0% in real terms between 2023 and 2024, with Foreign Direct Investment (FDI) flows increasing by 15.0% year-on-year in the first half of 2024. These developments stimulate GDP growth, generate employment and income, ultimately being reflected in further surges in property prices.

¹ Geng, M. N. (2018). Fundamental drivers of house prices in advanced economies. IMF Working Paper(WP/18/164).

² NSO Malta | World Population Day: 11 July 2024 - NSO Malta

³ Girouard, N., Kennedy, M., van den Noord, P., & Andre, C. (2006). Recent House Price Developments: The Role of Fundamentals. (No. 475); Leung, C. (2004). Macroeconomics and housing: a review of literature. Journal of Housing Economics, 13(4), 249-267.

Girouard, N., Kennedy, M., van den Noord, P., & Andre, C. (2006). Recent House Price Developments: The Role of Fundamentals. (No. 475).

Interest rates

Interest rates present a significant negative relationship with property values, as they impact access to finance and influence investors' profitability prospects. In response to the unprecedented turmoil of recent years, interest rates have risen globally, as part of various monetary policy tightening efforts to rein in the post-pandemic inflationary pressures. However, this has not been the case in Malta, where stable interest rates have contributed to the affordability of mortgages for individuals seeking to purchase a property.

Additionally, preferential financing terms are also provided for transactions involving green buildings subject to adherence with established criteria promoting energy-efficient construction and renovation, potentially generating additional demand.

Malta's financing environment significantly differs from that of most Eurozone Member States. Unlike other countries, Malta's banking sector does not peg its base rate to that established by the European Central Bank (ECB). This has created a scenario where the local commercial banks, facing excessive liquidity, have been issuing loans at relatively low interest rates, with an annual average lending rate for house purchases at 2.05% since 2020. This factor has played a key role in fuelling inflation in the residential property market.

Tourism

Tourism is a major contributor to Malta's economy and the local property market, with visitors seeking short-term accommodation such as hotels, guesthouses and short-term rentals. Consequently, the significant expansion of the Maltese tourism sector, where inbound tourist numbers in 2023 exceeded pre-COVID levels by approximately 8%⁴, has also contributed to house price increases, as a growing proportion of tourists opt for short-term stays in private accommodation rather than traditional collective accommodation. The surge in tourist arrivals and the resulting rise in demand for short-term rental properties may put pressure on Malta's long-term rental market, as investors seek to capitalise on lucrative opportunities in the current housing sector, thereby reducing the availability of residences for local residents.

⁴ NSO Malta | Inbound Tourism: November 2024 - NSO Malta

Construction costs

The capacity of Malta's construction industry, which encompasses the availability of skilled labour, construction materials and construction equipment, is a fundamental factor influencing housing supply. Hence, constraints limiting the country's construction capacity can lead to delays in housing projects and hinder the overall pace of development.

The supply side of the residential market has been constrained by rising construction costs, as shown in the construction cost index, which depicts the price developments of key production factors in the industry. The index indicates that construction costs steadily increased between 2015 and 2020. However, the rapid inflation that has impacted the global economy has caused a significant surge in 2021, primarily due to supply-chain disruptions caused by the COVID-19 pandemic and implications of the Russia-Ukraine war, leading to sharp increases in raw material costs.

Between 2020 and 2022, construction costs rose by approximately 33.0%. Costs peaked in the second quarter of 2022 and have since remained relatively stable, with the most recent available data indicating a 33.9% increase compared to 2020 levels.



Figure 13: Construction Cost Index

(2021 Census Data)

Supply flow

The issuance of development permits for residential units primarily intended as dwellings is locally overseen by the PA along with the associated administrative processes, play a central role in regulating the flow of housing supply. The time lag between the approval of new residences and their entry into the market, provides an indication of the time required for the construction and the completion of dwellings. This means a residential dwelling permit that is approved today, will translate onto the market 2/3 years down the line. In turn, this influences the housing stock years later.

Land scarcity and zoning regulations

Land scarcity and zoning regulations have long-term effects on real estate markets by restricting and regulating the quantity, architectural characteristics and the intended use of developments. Stringent restrictions can drive up prices as demand increases due to imposing limitations on housing availability, prolonging the approval processes as well as contributing to potential market inefficiencies which negatively impact the adaptability and responsiveness of the housing market.

Change in local trends

In recent years, there has been a noticeable shift in household formation trends that has contributed to the rising demand for property. Traditionally, homeownership was closely tied to family life, with couples typically purchasing property together later in life. However, societal changes have led to people prioritising career growth and financial stability before settling down. At the same time, many young adults seek to enter the property in pursuit of financial independence and longterm investment opportunities. This phenomenon is evident in the rising number of single-person households, which totalled 70,123 in the latest Census, amounting to approximately one-third of all households. Among these, the most common profile was individuals aged 30 to 64, with this group accounting for 18.1% of primary residences locally. Consequently, this shift has resulted in higher overall demand for housing, as more individuals opt to buy homes at different stages of life rather than waiting to establish a family.

Investment opportunities

The trends mentioned above such as the population growth, tourism and favourable interest rates have strengthened the property market's position as a low-risk, high-reward investment. The potential limited alternative investment opportunities that offer comparable stability and returns are causing individuals to turn to the property market as their preferred wealth-building strategy, further driving demand. Many traditional investment options, such as stocks or bonds, come with higher risks and volatility. Also, unlike starting a business, which requires significant time, effort, and management, property investment is relatively passive, often requiring minimal involvement beyond the initial purchase and occasional maintenance. These facts make real estate a more attractive choice for those seeking a secure and tangible asset. The property market has consistently demonstrated its resilience, often providing steady appreciation in value and reliable rental yields.

2.1.4 Overreliance on property market

While property investment offers financial security and attractive returns, an overreliance on real estate as the primary investment vehicle comes with several drawbacks. One major concern is that, as mentioned above, it encourages passivity. When a large portion of the population opts for real estate investment over entrepreneurship or industry development, it can lead to stagnation in economic creativity, less engagement in research and innovation, reduced productivity, and fewer advancements in other sectors. Additionally, the heavy concentration of investments in a single asset class reduces market diversification, increasing systemic risks. If the property market were to experience a downturn, the lack of varied investments could amplify financial instability across the economy. Moreover, excessive demand can drive property prices beyond affordability, creating housing accessibility issues and potential speculative bubbles. A well-balanced economy requires a diverse range of investments to ensure sustainable growth, innovation, and long-term financial stability.



2.1.5 Existing property schemes

The analysis of the statistical patterns representing the market trends shall also identify the changes in the underlying legal framework, notably the introduction of the various schemes and incentives directly targeting the local residential property market and its participants over time. These tend to influence demand towards specific housing types and localities by providing favourable conditions to qualifying individuals.

1. First-time buyers' incentive

- · Description: Grants upon acquisition
- Eligibility: Issued to all first-time buyers who finance their property through a bank loan, provided the value of the property does not exceed €500,000
- One-time grant, disbursed in annual instalments of €1,000 over a 10-year period

2. Second-time buyers' incentive

- **Description:** Refund on paid duties on the first €86,000 of the value of the replacement property
- Eligibility: If the replacement immovable property is acquired within 12 months from the date of transfer of the replaced property, subject to additional conditions
- **Period of applicability:** acquisitions made between 10th October 2017 & 31st December 2025 if all required documentation is submitted until 28th February 2026

3. Other incentives introduced through Legal Notice (LN) 461 of 2021

- **Description:** Stamp duty and income tax exemptions on the initial €750,000 of the contracted value, with standard rates imposed upon the excess
- Eligibility:
 - Properties within the designated UCAs, or
 - Developments featuring approved traditional Maltese characteristics, or
 - Structures constructed at least 20 years in advance and have been vacant for a minimum period of 7 years prior to conducting the sale
- **Period of applicability:** acquisitions made on or after 12th October 2021 until 31st December 2025

These properties are also eligible to benefit from the 'Grant on the Restoration and Finishing of Privately Owned Residential Properties' whereby restoration works are carried out before 31st December 2026. Applicants may apply on each property for a grant covering 18% of the restoration and finishing costs up to an aggregate maximum of €54,000 for each property.

First-time buyers may additionally benefit from a stamp duty exemption on the initial €200,000 of the property's value. Moreover, an enhanced restoration grant of up to €15,000 is available for properties that meet the specific criteria outline in LN 461 of 2021. This grant is increase to a maximum of €40,000 for eligible properties located in Gozo.

- 4. The Grant to Assist Owners in the Construction and/or Completion or Rehabilitation of their First Home (Scheme GFR)
 - Description: This scheme provides financial support to first-time buyers aged over 24 by reimbursing a portion of eligible construction and finishing expenses incurred in completing their primary residence. The grant offers up to €5,824 in support, with an additional €1,165 available for properties in the second category requiring structural rehabilitation or reconstruction. Disbursement is made in two instalments: the first for shell works and the second for finishing works.
 - Eligibility: It applies to two main property categories:
 - Homes constructed and completed after 1 January 1999
 - Older properties built before 1 January 1990, provided that restoration or development works took place after 1 January 1999

Further schemes focusing on boosting the purchasing power of homeowners and improving the quality of housing include the Scheme for Persons with Disability (DIS), the Subsidy on Adaptation Works (ADP) Scheme and Adaptation of Pre-1995 Properties (SSP).

While such policies can improve housing accessibility and stimulate economic growth, they also risk inflating demand beyond sustainable levels. In markets where supply struggles to keep up, excessive incentives can drive prices even higher, making it more difficult for first-time buyers to enter the market. Additionally, schemes may contribute to speculative buying, further exacerbating affordability issues. Additional studies need to be carried out to properly comment on the effects of these schemes. While government intervention plays a crucial role in shaping the housing sector, careful balance is needed to ensure policies support both economic growth and long-term housing sustainability without unintended negative consequences.



2.2 House Price Indices

The House Price Indices measure the rate of change in the price of housing units in Malta and Gozo over time. We produce two variants: an index based on the selling price of housing units, being further segmented into the distinct property types, and another based on the rental price. These are consistent with the guidelines laid out by Eurostat, the European Commission's statistical arm (see Appendix). The general indices are estimated on a bi-annual basis for the period between 2013 and 2024 whereas the indices focused on the individual property types are estimated on an annual basis.

As outlined in previous reports, the indices have several distinguishing features by systematically accounting for the quality characteristics of the evaluated properties. This means that the indices control for variations such as location, size, type, form and finish of the respective properties. By doing so, the index isolates pure price movements from shifts in the composition of properties sold, providing a more accurate and reliable measure of underlying market dynamics.

2.2.1 Selling House Price Index

The Selling House Price Index reflects price developments for several types of housing units, including apartments, maisonettes, townhouses, terraced houses and villas. The index is presented in biannual increments in Figure 14 and the corresponding annual growth rates are shown in Figure 15.

In line with previous editions of the report, the index shows that between 2013H1 and 2023H1 house prices increased by approximately 100%. This means that, on average, a property that sold for €150,000 in 2013H1 would have been selling at €300,000 in 2023H1. In 2024H2, the Selling House Price Index continued to increase and by the end of the year it was 11.4% higher than in 2023H1.





However, Figure 14 shows that this was a period of uneven growth. Prices increased rapidly until 2019H1, with year-on-year average growth rates constantly exceeding 10%, reaching a peak of 18.9% in 2018H1. This represents a significant increase in house prices, coinciding with substantial economic growth and a strong influx of foreign workers.

Subsequently, in 2019H2, price growth declined considerably as the country faced political turmoil. During the following two periods, 2020H1 and 2020H2, price growth remained low and close to zero, reflecting the impact of COVID-19 on the residential property market.



Figure 15: Annual Percentage Change (%) Selling House Price Index

Since 2021H1, year-on-year growth rates have been rising, albeit at a considerably slower pace compared to the trend recorded in the five years leading up to 2019. This may partly reflect the downward pressure on prices from the rapidly increasing supply of housing units. An exception to the consistently rising growth percentage occurred in 2024H1, indicating a slowdown despite still reporting positive periodical movements in property prices. Nonetheless, year-on-year price growth recovered in the latest period, 2024H2, recording an annual percentage increase of 8.7%.

2.2.1.1 Selling House Price Index by Type

The indices presented in Figure 16 provide a more detailed analysis of the selling price developments in the local property residential market by focusing exclusively on sales involving specific property types, notably apartments, townhouses and terraced houses. The apartment index closely approximates the Selling House Price Index depicted in Figure 14, a result driven by the substantial proportion of apartments in the total volume of properties sold.

The townhouse index also closely follows the Selling House Price Index, showing a general rise in prices until 2019, despite reporting an initial 16.1% increase in prices between 2013 and 2014. This upward trend was halted by a downturn in 2019, during which townhouses experienced a 2.4% decline in average prices, subsequently followed by a consistent upward trend since 2021.

The terraced house index exhibits greater discrepancies compared to the Selling House Price Index. Notably, a slight decline of 1.3% was recorded in 2014, after which prices increased at an accelerating rate until 2019. However, the broader economic developments affecting the housing market had more pronounced effects on terraced houses, reporting a decline by 3.3% between 2019 and 2021, followed by a sharp increase of 33.3% over the subsequent two years. Furthermore, statistics for 2024 denote a 7.9% decline in the prices of this property type over the past twelve months.



Figure 16: Apartment, Townhouse & House of Character Indices (2013 = 100)

2.2.2 Quality considerations

Many people are investing in property because they view it as the best option available. However, this doesn't necessarily mean they have a deep understanding of the subject. While they recognize that property can be a good investment, their knowledge may not extend to areas like architecture or engineering. As a result, unless they hire professionals for inspections, which may sometimes be avoided due to affordability constraints, they are essentially making their purchases without full awareness. Hence, buyers may make uninformed decisions that lead to financial setbacks.

2.2.3 Retrofitting and renovation

The terms retrofitting and renovation are sometimes used interchangeably. Fundamentally retrofitting is used for fitting out an existing building with a component or feature that was not present when it was first constructed. An example of this process would be the retrofitting of a building with new systems and/or fitting insulation. Renovation on the other hand is used for the return of a building to a good state of repair.

Understanding what renovation and retrofitting entails aids in one's decision on whether to purchase a property or not, as well as informing decisions after purchasing. The choice between retrofitting and/or renovating a property compared to the demolition and rebuilding of the property is not always immediately obvious.

WHAT THE EXPERTS SAY:

"When it comes to a choice between retrofitting and or renovation versus demolition-construction, retrofitting (and/or renovation) should be an obvious choice. The sheer embodied energy cost of demolition, dumping and new construction should mitigate against a demolition-construction option unless the quality of the existing building in terms of aspects such as state of structural repair, configuration and liveability are so poor that it cannot be made to work well. These considerations are also very important for new construction. Design should consider long term performance and adaptability and there is perhaps no more important criterion for longevity than for a building to be designed so well that it is loved by its occupants."

- Jacques Borg Barthet Partner, AP Valletta

2.2.4 Existing renovation and retrofitting schemes

Improving building sustainability is necessary to achieve the United Nations (UN)'s Sustainable Development Goals and the European Union (EU)'s target to achieve net zero-carbon emissions from buildings by 2050. Hence, several policy decisions were taken by government to incentivise the proliferation of both retrofitting and renovation projects in Malta and Gozo's housing stock. These include a number of grants and incentives for retrofits and restoration.

A few examples of grants and incentives below:

- 1. Grant to Assist Owners in the Construction and/or Completion or Rehabilitation of their First Home (Scheme GFR)
 - **Description:** Provision of financial assistance in relation to construction costs or completion of rehabilitation works
 - Eligibility: All first-time buyers conducting alterations due to an increase in the number of family members
 - Grant of 15.254% of the fiscal receipts submitted for finishing works, capped at:
 - €2,330 for singles
 - €5,824 for couples
 - Additional €1,165 granted for rehabilitation on construction works if purchased property was built before 1990

2. Irrestawra Darek

- **Description:** Refunding all restoration costs for works carried out on the façade of UCA properties built over 50 years ago or scheduled Grade 1 or Grade 2 properties
- Eligibility: All proprietors of eligible UCA or scheduled Grade 1 or Grade 2 residences conducted renovations in accordance to the list of eligible works specified.
- Period of applicability: currently inactive; most recently available in 2023
- Reimbursement of all eligible restoration works carried out, capped at:
- €11,000 for UCA residences
- €16,000 for schedules Grade 1 and Grade 2 residences
- The refund shall also include:
- €800 for eligible profession services charges (e.g., architect fees)
- €200 for Local Council permit fees
- 3. The Retrofit Grant Scheme: offers support for eligible enterprises seeking to lower their buildings' primary energy demand through improved efficiency in heating, cooling, ventilation, hot water, and lighting. This scheme provides partial financing for the intended retrofits, with a maximum funding of €5,000,000 per project. This scheme can be used to retrofit up to large commercial premises with a standard scale for unit cost of €130 to €400 in Malta and €170 to €440 in Gozo.

- 4. Grants for the purchase of residential renewable energy systems: are regularly issued to aid holders of properties to install photovoltaic systems on their housing units. An example of this is the grant on the purchase of Renewable Energy Systems in the domestic sector Call 2024/RES that was issued by the Regulator for Energy and Water services ('REWS'). This tends to be viewed as a method of retrofitting residential properties and reducing their energy bills. This scheme provides 80% of eligible costs up to €7,200 for the installation of battery storage and €720/kWp at its highest, whilst offering 50% of eligible costs up to a maximum of €2,500 per PV system with standard solar inverter and €625/kWh or a maximum of 50% of eligible costs to a maximum of €3,000 per PV system with hybrid solar inverter and €750/kWp.
- 5. Reduced tax rates: Another grant focuses on the restoration and finishing of privately owned residential properties. This grant offers substantial incentives for old, vacant properties as well as properties that are found within a UCA. For old vacant properties to be deemed eligible they must be at least 20 years old, verified by an architect's report, and must have been vacant for a minimum of 7 years. This scheme provides total income tax and stamp duty exemptions on the first €750,000 of the transfer value, with any amount exceeding this threshold taxed at standard rates.
- 6. Recoverable Value Added Tax (VAT): Additionally, this scheme reimburses eligible expenses incurred on restoring and finishing qualifying privately owned residential properties, which is capped at €54,000 per property. This scheme aims to increase the viability and attractiveness of purchasing and renovating older vacant buildings.

WHAT THE EXPERTS SAY:

"Buildings are responsible for emitting up to 40% of the total carbon dioxide emissions in the EU and they have been identified as one sector where energy efficiency can be implemented fast and with limited costs to bring a significant reduction in energy consumption."

- Professor Ing. Charles Yousif

The importance of standards has also been realised by private entities such as banking institutions. Hence, schemes have also been incentivised through private entities. A few examples below:

- Bank provided green loans to retrofit your property to improve its Energy Performance Certificate (EPC) rating
- Bank provided interest free loans to purchase Photovoltaics (PVs).

2.2.5 Addressing the root cause

2.2.5.1 A market without defined standards

Government incentives aimed at refurbishing properties are a step toward improving the housing sector, but they only address part of the issue. If we exclude properties older than c.50 years, these initiatives primarily target properties that were not built to last, essentially acting as a band-aid solution rather than addressing the root cause of poor construction quality. The most effective approach would be to focus on prevention by ensuring that properties are built to higher standards from the outset. While some developers already adhere to excellent building practices, they do so out of their own commitment to quality rather than because of enforceable local regulations. In fact, this February, the Building and Construction Authority (BCA) announced that it will publish 17 building and construction codes, under the title "Kodici Nazzjonali ghal kwalita oghla fil-kostruzzjoni", within the next three years. Priority will be given to codes related to structural integrity of buildings and construction sites.

Furthermore, without clear, standardized quality benchmarks, buyers may struggle to distinguish between well-built properties and those of inferior quality. A lack of knowledge or transparency in the market means that construction quality does not always play a decisive role in purchasing decisions. To create a more sustainable and reliable property market, minimum building standards should be established and enforced. This would not only protect buyers from unknowingly investing in subpar properties but also ensure that government efforts to improve housing conditions are more effective in the long run.

MORE ABOUT... EPC

Apart from the building passport, the Energy performance Certificate ('EPC') has the potential to be a great help as a signal to any potential purchasers and renters of a property. In fact, it is the EPC's specific aims to guide potential purchasers of a building to the building's energy rating. It is similar in scope to the household energy label that is used to show the energy efficiency of different appliances. The EPC is currently estimated by taking into consideration the renewable systems present in the property, the types of heating lighting and cooling devices for the home and for water systems, ventilation, internal and external heat gains and losses, the building's glazing, orientation and shading, the geometry and type of building as well as the built volume of the building.

However, this system presents serious flaws. The EPC certificate is deemed to be too narrowly focused on energy efficiency, with no consideration being taken with regards to cooling demands which are necessary in Malta's climate, as well as the embedded carbon of the property. The EPC system is also not well integrated with the planning process, and therefore its classification system does not influence

decision making too much, with the major impact currently available is the capacity to obtain cheaper loans with a good EPC rating. Additionally, although the EPC is required for property sales, according to discussions in the workshop, it is not yet required to present an EPC for rental purposes.

Some countries, like the United Kingdom (UK), have taken significant steps to emphasize the importance of energy efficiency by giving proper weight to the EPC. The UK government's regulations require private rented properties to meet a minimum EPC rating of "E" to be legally rented out. Landlords must improve properties with a rating of "F" or "G" to this standard by undertaking energy efficiency upgrades, which may include insulation, improved heating systems, or ventilation measures. However, landlords are not required to spend more than £3,500 (including VAT) on these improvements, and they can access third-party funding options like local grants or Energy Company Obligation schemes to assist with costs. Non-compliance could lead to significant penalties.

WHAT THE EXPERTS SAY:

"While energy-efficient renovations may seem straightforward in theory, they represent a novel approach because they require a fundamental shift in current development priorities. Government incentives may encourage adoption of energy efficient measures however, alone, they risk leading to passive adoption that is not sustainable. Achieving a lasting, long-term impact requires a holistic approach that addresses socio-political, market, and community dimensions.

New legislation and policies should be designed to empower both the market and the community. Market stakeholders must be well-informed and equipped with the necessary know-how, skills and products to effectively regulate supply. At the same time, end-user engagement and satisfaction is crucial for generating demand. Addressing these three dimensions together encourages, motivational change, making sustainable energy-efficient renovation more likely to succeed."

Greta Caruana Smith
 Director, Openworkstudio

Implementing standardized building regulations would also benefit the country by promoting a more energy-efficient property market. Higher construction standards often include better insulation, sustainable materials, and modern energy-saving technologies, reducing overall energy consumption. The BCA has also invoked a new legislation in an attempt to further emphasise the importance of good quality finishes. The Authority has introduced advertising requirement guidelines. For example, all advertisements for dwellings should now feature the property's energy use, indicating the energy in kWh/m 2yr, as stated in a valid EPC.

Local government has already begun taking steps towards this standardised approach. A new amending regulation (named the Energy Performance of Buildings Amendment Regulation) has been introduced that looks to implement new minimum energy performance and building envelope requirements as well as technical building system requirements for buildings being built or renovated as of 1 July 2024. The updated requirements serve several critical objectives, primarily enhancing energy efficiency by setting ambitious performance targets that reduce energy consumption, lower costs, and minimize environmental impact. They also promote sustainability by encouraging renewable energy use, reducing reliance on fossil fuels, and addressing climate change through lower greenhouse gas emissions. The most notable part of this new amending regulation is the addition of certain non-residential buildings to the types of buildings required to have energy performance requirement. All new construction with solar potential will now be required to incorporate solar renewables.

2.2.5.2 Enforcing the standards

The creation of a mandatory property logbook system may help to aid retrofitting and renovation work, as well as help professionals determine what interventions are most readily needed.

Throughout a building's lifecycle, stakeholders (from property managers to maintenance teams) frequently gather a variety of data to inform their decisions. Yet, without a standardized framework for managing and sharing this information, the data often remains fragmented, inaccessible, or incompatible across different systems. This lack of coordination may lead to data being lost or underutilized but also hinders potential improvements in building performance, efficiency, and value. Creating an organized, universally accessible data structure could transform information into a valuable resource for sustainable building management. The building logbook, also known as a property logbook, does just that. Therefore, in simple terms, the building logbook serves to manage a buildings information through serving as a repository giving access of a building's history of work and alterations to all that require it.

There are many types of log book schemes that are currently in use in different countries in Europe. These include public, private, voluntary and mandatory log book schemes. Some examples of a mandatory logbook scheme include the home report (Scotland), Woningpas (Flanders, Belgium) and the Fascicolo del Fabbricato (Italy).

Approximately all building logbooks currently in use in the EU have a similar basic concept, especially the mandatory logbooks. Building logbooks are used to collect administrative information, together with building characteristics and operational data. They can also serve a wider purpose, by becoming enabling tools for initiatives such as renovation roadmaps and investment decision making as well as aiding the establishment of a circular economy.

According to insights obtained from the discussion carried out in one of the workshops organised, the requirement for building logbooks may soon become a regulatory requirement. The minimum requirements of data, such as the building plan, the material used and the date of the last renovation will need to be transposed into Maltese legislation by May 2026.

Discussions in the workshop revealed that, depending on how wide the net is cast, almost 23 regulators play a role in the construction industry. This includes the regulation of the architecture and engineering industries, the issuing of licences to masons and contractors, the issuing of permits for connecting properties to the water, electricity and wastewater networks and numerous other roles. This led to a broad consensus that in view of the large number of different regulators it becomes increasingly challenging to ensure a cohesive approach to building regulations and standards resulting in different entities operating in an isolated manner.

WHAT THE EXPERTS SAY:

"With regard to the architecture and civil engineering profession, the Kamra tal-Periti (Chamber of Architects and Civil Engineers) has an important role to play as a regulator, with one of its core roles, as enshrined in the new Perit Act, being to ensure "that all members of the profession act responsibly and ethically, having due regard for sustainable development practices, the protection of the national, cultural, social and environmental heritage, the upholding of public health and safety and structural integrity before, during and after construction processes". In 2020, the Kamra had published its proposals for a national building and construction regulation framework, which sought to bring quality to an industry that remains largely unregulated. Sadly, these proposals are yet to be taken on board by the authorities."

— Simone Vella Lenicker Former President, Kamra tal-Periti

In this regard, small strides forward may be acknowledged. Following the legislative changes, the role of the Kamra tal-Periti shifted from of the enforcement of ethics to that of enforcement of regulations. This development strengthens oversight within the construction sector, as there is now a regulator that can effectively oversee build-ing regulations, ensuring greater compliance and accountability.

Notwithstanding such changes, Kamra tal-Periti's remit is still perceived to be too small. To this end, the construction industry shall surely benefit from having a single overarching regulating body that maintains oversight over the whole process from top to bottom, helping to properly address problems in all aspects of the industry. This approach is deemed to be standard in many of today's industries, with an example of this being the financial services industry being wholly regulated by the Malta Financial Services Authority.

WHAT THE EXPERTS SAY:

"Achieving a more sustainable building stock is a priority which has featured in EU legislation for decades. Locally, the primary regulations guiding this aspect are embodied in Document F, which establishes the minimum requirements for the overall energy performance rating as well as the performance of elements forming part of the building envelope. A newly revised Document F came into force in July 2024, and imposes more onerous requirements than its predecessors. How, and if, this is being enforced remains to be seen.

While achieving the requirements of Document F is theoretically possible, the lack of comprehensive skills in the industry is certainly one of the biggest challenges being faced in the implementation stage. To date, there is no assurance that building contractors have the right skills necessary for the job. Although some administrative steps have been put into force to lead to an eventual licensing regime within the industry, this lack of regulation means that it is difficult to impose certain qualitative approaches within the local building industry.

Governance of the sector is fragmented across different authorities, oftentimes leading to confusion and lack of clarity. Furthermore, the complete absence of a core set of building regulations means that there are, effectively, no standards to be followed, resulting in an industry where achieving quality is practically 'optional'."

— Simone Vella Lenicker Former President, Kamra tal-Periti

2.2.5.3 The value of retrofitting

Implementing energy efficiency in buildings brings with it many benefits besides reducing the energy bill, such as more comfortable indoor conditions, which lead to less stress, better health and a higher quality of life. Moreover, it is important that buildings are designed to be climate-proof to enhance their adaptation and

WHAT THE EXPERTS SAY:

"Malta is no exception to the existing Climate Chaos with increased incidences of summer extreme temperatures, lower average rainfall and occasional flash floods. The increased pressure on our energy and water infrastructure due to these factors have been increasingly felt over the years."

-Professor Ing. Charles Yousif

resilience in the face of future climate change. This becomes especially important for those buildings which register poor energy efficiency performance.

Ideally the construction of new buildings should meet the minimum green requirements with similar investments or 'retrofitting' carried out for older buildings. As part of the consultative process, Engineer Stefan DeMarco shared how such retrofitting is possible even on older buildings by sharing the results of a retrofitted one-bedroom apartment constructed in the 1950s. Such project was used to evaluate primarily the performance and price efficiency when undertaking such investments.

The data showed that electricity consumption as a result of retrofitting amounted to a reduction of 50%. The majority of the remaining 50% was due to energy consuming items such as home appliances that would not benefit from retrofitting in the same manner that cooling or heating features would. For a household of c.80sqm, this would result in around €568 of bill savings a year. The installation of PVs will generate electricity over and above the needed consumption. When sold at the going Feed-in-Tariff, they are estimated to generate around €1,173 a year. Over a 20-year period, based on the conservative Capital Expenditure (CAPEX) (i.e. excluding developers' economies of scale) this would result in an Internal Rate of Return (IRR) of 7.3% and the investment would be redeemed in around 11 years.

Taking such example as to the potential benefits that may be derived, we consider that if such standards be imposed on developers, the market would benefit as developers achieve economies of scale such as bulk discounts across such finishes. This also makes properties more attractive towards potential buyers and reduces the risk of uncertainty when purchasing a new property, which for many is a once in a lifetime investment. As time passes and there is less information failure, buildings that score worse EPCs will eventually be of less value in the market. This will further enhance the value of renovation and the rate of return for retrofitting.

MORE ABOUT ... RETROFITTING

Professor Engineer Charles Yousif presents an additional reason for which renovation is the best course of action for the country, one which is often overlooked.

"The short answer to the question of who should schools to dwellings and from shops to hotels and restaurants, all stand to benefit from energy retrofitting and deep renovation. Although renovation is not mandatory so far, the EU Directives are gradually being changed to require a minimum energy efficiency level to be achieved by the worst energy performance buildings. Nevertheless, one cannot define which buildings require to be renovated if there is no energy performance benchmark for each building category. One option for setting a benchmark is the statistical median of all energy performance certificates for each category of buildings and that would be equivalent to a Class C building. Buildings that score a worse level than Class C in their category will eventually be

Renovation is a holistic action that takes into account several aspects of the building following the Energy Efficiency First Principle. For example, it makes no sense to fit a worst performing building with solar photovoltaic panels to bring its energy bill to zero, without investing in the actual building envelope and building energy systems, which are the primary cause of the energy inefficiencies in the first place. In a nutshell, the Energy Efficiency First Principle can be applied in practice by considering the following steps:

- Renovate the building envelope: roof and single wall insulation, shading especially for west and south-west walls, floor insulation for ground floor or elevated maisonettes and other buildings and finally double glazing with external low-e glass coating.
- Improve the building energy systems: choose high performance air-conditioners, apply heat pump water heating (or solar heating), consider heat recovery for mechanical fresh air systems, shift to low energy lighting systems, besides other options.
- Consider installing renewable energy on site or nearby.
- Consider smart control (especially for large buildings) - sensors, timers, set temperatures, Al controls and other smart systems.

2.2.6 Rental House Price Index

The Rental House Price Index measures the rate of change in the rental prices of housing units in Malta over time. The index is presented in Figure 17, while the corresponding annual percentage growth is shown in Figure 18. Both figures indicate that the COVID-19 pandemic had a significant impact on the rental housing market. This is evident from a sharp decline in rental prices throughout 2020 and the first half of 2021, reaching a year-on-year decrease of 11.2% in the latter six months of 2020.

Since 2021H1, the Rental House Price Index has been recovering and recording an annual percentage growth rate of approximately 9.7%. By 2022H2, the index had returned to pre-COVID-19 levels. On average, in the second half of 2024, rental prices were 71% higher than in the first half of 2013. This means that a housing unit rented for €700 per month in 2013H1 was rented out for €1,200 per month in 2024H2.

The recovery in rental prices aligns with developments in the labour market, which has become increasingly reliant on foreign workers. Statistics indicate that foreign workers, who make up a significant proportion of Malta's population, tend to rent rather than own the properties in which they reside. This tendency is likely due to economic immigrants viewing Malta as a temporary place of residence. In fact, CBM reports that the average length of stay for foreign workers in Malta is 3.5 years⁵.



Figure 17: Rental House Price Index (2013H1 = 100)

Figure 18: Annual Percentage Change (%) Rental House Price Index



CASE STUDY: Short Lets in Malta: An Investor's Perspective

Malta's real estate market presents lucrative opportunities for investors, particularly in the rental sector. With a strong demand for rentals, notably concerning short-term rentals fuelled by the considerable growth in Malta's tourism industry and changes in accommodation trends, choosing the right investment strategy is crucial for maximising returns. Short-lets, typically catering for tourists and business travellers, generate higher rental yields but require more management and are subject to seasonality. Understanding the benefits and challenges of each strategy is key for investors looking to optimise their property portfolio in Malta's dynamic rental market.

To understand potential returns within the short-let market, we examine the potential returns if the investor were to purchase a 1-bedroom apartment in Sliema. The average prices for 1-bedroom apartments in Sliema in 2024 were €315,000. Financing requirements were excluded from this analysis. However, one-time fees such as notary fees, permit fees and stamp duty, amounting to c. €19,133 were considered.

When assessing the potential annual revenue in the current rental market, the revenue from short lets amounts to approximately $\pounds 27,200$ per annum. Against these revenues, an investor would have to incur several costs. This case study examines the implementation of a property management fee to relieve the owner from managing day-to-day operations, thereby converting the investment into a passive income stream, akin to a long-term rental investment. Other costs include website fees; maintenance; utilities; telecommunication costs; licencing; and insurance. In total these amount to c. $\pounds 11,084$ per annum.

The below table outlines the real cashflow (before tax), for a given year, after the property has been purchased and is being rented out.

Financial item	Value
Revenue	€27,200
Operational costs	€11,084
Maintenance	€630
Website fee	€4,080
MTA licence	€100
Insurance	€250
Agency fee	€4,814
Utilities	€730
Telecommunications	€480
Profit before tax	€16,116

It can be noted that the annual return for the investor would amount to €16,116 before taxes. In yield terms, this amounts to 4.8% per year (prior to tax and after including all nonrecurring closing costs as mentioned prior). Essentially, the yield rate helps investors determine the rate of return on a real estate investment based on the net operating income the property is expected to generate, regardless of financing costs. This is expressed as:

 $Yield \ rate = \frac{Net \ operating \ income}{Current \ value \ of \ the \ property}$

In conclusion, the Short-let market has become an increasingly popular real estate investment for investors. Driven by changing travel habits, the rise of digital platforms like Airbnb, and a growing preference for flexible accommodation, short-term rentals offer both travellers and property owners unique benefits. They present landlords and investors with potentially higher rental yields, especially in high-demand urban and tourist areas. However, this market also comes with challenges such as regulatory scrutiny, seasonal demand fluctuations, and increased operational responsibilities (which may be transferred to a property management agency).

Overall, the short-let market continues to evolve, shaped by technology, consumer behaviour, and local regulations. Its long-term success will depend on the ability of hosts, investors, and platforms to adapt to these changing conditions while balancing profitability with guest experience and compliance.

2.2.6.1 The Social Impact of the Changing Rental Landscape

The concept of renting has significantly evolved in recent years, reshaping the way people perceive their homes. With the rise of the shared economy (i.e. an economy where individuals share access to goods and services), short-let properties, and co-living spaces, many now view their residences as potential income streams rather than just personal living spaces. Platforms like Airbnb have made it easier for homeowners to generate revenue while still residing in their properties—whether by renting out a spare bedroom or short-letting their summer homes in the off-season. This flexibility has made renting a lucrative option, often yielding a higher total income compared to traditional long-term leases.

The shared economy and short-let accommodations also bring several benefits. For many low-income homeowners, their home could be turned into an investment and renting out part of their home provides an essential financial boost, helping them cover mortgage payments or rising living costs. Co-living spaces and short-term rentals also cater to modern travellers—especially solo adventurers and those seeking authentic experiences—allowing them to immerse themselves in local communities in ways that hotels cannot offer. By staying in residential neighbourhoods, visitors can engage with locals, support small businesses, and experience daily life beyond the typical tourist hotspots.

However, as property owners can easily switch between long-let and short-let arrangements, the demand for short-term rentals has inevitably driven up long-let prices as well. This shift has had a profound impact on the social fabric of our communities. In the past, neighbourhoods thrived on familiarity, with long-standing residents fostering a sense of belonging and mutual respect. However, the transient nature of short-term rentals, fuelled by the shared economy, has led to constant tenant turnover, altering the way both locals and foreigners engage with their surroundings. Streets that once felt like tight-knit communities are now characterized by an ever-changing population, eroding traditional neighbourly bonds.

Moreover, the surge in rental prices has priced many locals out of key areas such as Sliema, Valletta, and Bormla. As rental opportunities in these hotspots become more lucrative, property owners often opt to move elsewhere, prioritizing investment potential over residency. This trend has transformed these areas into investor-driven markets rather than community-centric neighbourhoods. The ripple effect extends to nearby villages, where property prices have also risen in response to this growing investment-driven demand, further reshaping the local housing market.



2.3 Market Developments by Locality

2.3.1 Selling Prices of Apartments by Locality

In this section, we present the 2024 median price per sqm for three-bedroom apartments across locality groupings. The dataset used for the numbers reported in this section is extended to include asking prices.

	Price/sqm (€) by percentile			
Locality Groupings	25 th	50 th	75 th	
Valletta, Floriana	2,889	3,920	4,125	
Sliema, St. Julians	2,926	3,750	4,805	
Swieqi, Tal-Ibraġ, Baħar iċ-Ċagħaq	2,974	3,047	3,517	
Balzan, Attard, Lija, Iklin	2,500	2,727	3,358	
San Ġwann, Kappara	2,438	2,703	2,962	
Mosta, Naxxar	2,310	2,650	2,994	
Mellieħa, Xemxija	2,318	2,548	2,907	
Birzebbuga, Marsaskala, Marsaxlokk	2,201	2,543	3,084	
Qawra, Buġibba, St. Paul's Bay	2,333	2,500	2,864	
Birkirkara, Santa Venera	2,103	2,439	2,560	
Ta' Xbiex, Msida, Gżira, Pieta, Swatar	2,175	2,306	2,494	
Qormi, Zebbug, Siggiewi	2,000	2,250	2,583	
Fgura, Żabbar, Paola, Tarxien	1,817	2,077	2,361	
Rabat, Dingli	2,275	2,827	3,453	
Zurrieq, Mqabba, Kirkop	1,925	2,254	2,450	
Gozo	1,504	1,908	2,193	

Table 2 - 2024 median for 3-bedroom apartments across regions



2.3.2 Rental Price Developments by Locality

In this section, we present the median monthly rental price for 2- or 3-bedroom apartments by locality groupings for 2024. The dataset used for the numbers reported in this section is extended to include asking prices.

Table 3 - 2024 median rental prices for 2- or 3-bedroomapartments across regions

Locality Groupings	Monthly rent 2-bedroom (€)	Monthly rent 3-bedroom (€)
Sliema, St. Julians	1,500—2,000	2,000—3,150
Swieqi, Tal-Ibraġ, Baħar iċ-Ċagħaq	1,230—1,850	1,650—2,000
San Ġwann, Kappara	1,190—1,400	1,190—1,550
Ta' Xbiex, Msida, Gżira, Pieta, Swatar	1,150—1,400	1,250—1,650
Balzan, Attard, Lija, Iklin	1,200—1,700	1,400—1,650
Birkirkara, Santa Venera	1,140—1,230	1,190—1,400
Mosta, Naxxar	1,200—1,500	1,400—1,600
Mellieħa, Xemxija	1,100—1,300	1,200—1,890
Qawra, Buġibba, St. Paul's Bay	1,100—1,500	1,190—1,500
Qormi, Zebbug, Siggiewi	1,000—1,200	1,100—1,300
Fgura, Żabbar, Paola, Tarxien	1,100—1,200	1,070—1,500
Zurrieq, Mqabba, Kirkop	1,100—1,325	1,300—1,500
Rabat, Dingli	900—1,350	1,100—1,300
Birzebbuga, Marsaskala, Marsaxlokk	1,050—1,200	1,140—1400
Gozo	680—950	800—1,100

* Valletta and Floriana excluded due to insufficient number of observations, limiting the sample's representativeness of these localities

2.3.3 Urban planning

The local rental market and shared economy would benefit from improved urban planning. While authorities and developers are quick to seize opportunities for largescale business hubs, the broader impact on surrounding neighbourhoods is often overlooked. The reactive rather than proactive approach to development raises questions about whether the overall effects on society are beneficial or detrimental.

When a new business hub or high-demand rental area is created, the surrounding streets inevitably feel the consequences—both positive and negative.

Potential Benefits of Development & the Shared Economy

- Increase in property value As demand for real estate in the area grows, homeowners may see an appreciation in their property's worth.
- Higher rental income Property owners can benefit from increased rental prices, particularly through short-term or shared accommodations.
- Boost in economic activity Businesses in the area, such as cafes, retail shops, and services, experience increased foot traffic and higher sales.
- Higher occupancy rates Previously underutilized properties may now find tenants, reducing vacancy levels in the area.
- Urban regeneration Older or neglected areas may receive upgrades and attract more investment.

Potential Drawbacks & Oversights of Poor Planning

However, if development is not supported by adequate planning and infrastructure improvements, the effects on the surrounding community can be severe:

- Traffic congestion Increased population density leads to higher traffic volumes, often without corresponding upgrades to roads or public transport.
- Waste management issues More residents and businesses generate higher waste levels, which can overwhelm local collection services and lead to sanitation concerns.
- Noise pollution & disruption to locals A surge in short-term rentals and commercial spaces can create round-the-clock activity, disturbing long-term residents.
- Rising rents pushing out locals As property values and rental demand increase, longterm residents may be priced out of their own communities.
- Mental health impact on locals The constant influx of people, noise, and construction can contribute to stress, anxiety, and a diminished quality of life.
- Uncontrolled construction The rapid pace of development often brings prolonged construction periods, disrupting daily life and causing environmental harm.
- Social & environmental degradation The essence of a neighbourhood can change, losing its cultural identity as investors and short-term tenants replace long-term residents.

Having a planning system aimed at creating sustainable, liveable communities is essential. Without a structured, long-term approach that takes into account infrastructure, environmental, and social factors, the benefits of development could be outweighed by its negative effects. Much of these short-term economic gains are driven by a strategy focused on rapid population growth, without adequately addressing the long-term impact on communities.

Population growth itself is not necessarily a bad thing. In fact, it can contribute to economic expansion, cultural diversity, and innovation. However, the issue lies in the high turnover of people, where individuals see Malta as a temporary stepping stone rather than a place to settle, build a family, and integrate into the local community. This transient mindset often means that many newcomers do not develop a strong connection to their surroundings, leading to a lack of respect for local traditions, culture, and social norms. Instead of fostering inclusion and long-term social cohesion, this constant movement creates a fragmented society where both locals and newcomers feel disconnected from their neighbourhoods. We must also remember that property is not just an investment but a home. A well-planned neighbourhood should not only generate financial returns but also foster a sense of belonging, stability, and quality of life for its residents.

COMMERCIAL PROPERTY MARKET



3.1 Introduction

Commercial property refers to property used for business purposes, including offices, retail space, warehousing, industrial space, hotels and restaurants among others. Over the last ten years, demand for such property grew steadily as the Maltese economy sustained an unprecedented rate of economic growth. Driven by tourism, financial services, IT, online gaming and wholesale and retail activities, growth in business activity was the strongest among all EU-27 Member States.

Following the onset of certain global unprecedented challenges, such as the COVID-19 pandemic and Russia's war against Ukraine, the latest projections show that Malta's economic outlook is positive with the economy expected to grow by around 4.3% per annum over the next couple of years.

Remaining abreast with developments in the Maltese commercial property market requires continuous, up-to-date analysis of the latest available data on market developments. In this section of the report, we analyse developments in commercial property prices and report on the number and type of permits issued in relation to commercial property developments.



3.2 Rental Prices for Offices

In this section, we present the rental prices for office space in Malta. Since prices vary significantly by locality, they are reported separately.

The majority of offices that are on the rental market are located in central Malta. For these localities, Figure 19 shows the average rental price per square metre of office space for 2024.

The rental price of office space in localities that are home to some of Malta's most thriving businesses, such as online gaming and financial services, ranged between €280 and €350 per annum. These include St Julian's, Sliema and Gzira. Other areas that are popular with the Maltese business community, such as Msida, Valletta and Ta' Xbiex have rented office space at prices ranging between €180 and €220 per square metre per annum. Office space located in less sought after areas, such as Santa Venera, Qormi, Mosta and Marsa, rents for anything between €150 and €160 per square metre per annum. These prices are necessarily indicative and, in practice, vary depending on the property-specific characteristics, including type of finish, particular views and availability of parking among other factors.



Figure 19: Rental Prices for Offices

3.3 Rental Prices for Retail

In this section, we present the rental prices for retail space in Malta. Since prices vary significantly by locality, they are reported separately. Figure 20 shows the average rental price per square metre of retail space for 2024.

The rental price of retail space in localities frequently visited by tourists, ranged between €280 and €600 per sqm per annum. These include Valletta, St Julian's, Sliema and Gzira. Other areas that are popular with the Maltese retail community, such as Fgura, Bugibba and Birkikara have rented retail space at prices ranging between €140 and €210 per square metre per annum. These prices are necessarily indicative and, in practice, vary depending on the property-specific characteristics, including type of finish, particular views and availability of parking among other factors. These rates are not indicative of shops found within shopping malls.



Figure 20: Rental Prices for Retail 2024

3.4 Rental Prices for Warehousing

In this section, we present the rental prices for warehousing space in Malta. Since prices vary significantly by locality, they are reported separately. Figure 21 shows the average rental price per square metre of warehousing space for 2024.

The rental price of warehousing space in localities that are home to various industries, ranged between \pounds 120 and \pounds 90 per sqm per annum. These include Marsa, Qormi, Floriana, Hal-Far, Santa Venera and Santa Lucija. These prices are necessarily indicative and, in practice, vary depending on the property-specific characteristics, including type of finish, particular views and availability of parking among other factors.



Figure 21: Rental Prices for Warehousing 2024



3.5 Development permits for commercial property

3.5.1 Total commercial development permits

Development permits for commercial real estate issued by the Planning Authority relate to the development of manufacturing establishments, warehouses, retail, offices, hotels, restaurants, bars and premises related to social services⁶.

Between 2013 and 2015, the number of commercial development permits averaged 521 per year. In 2016, the number of permits issued by the Planning Authority increased significantly to 1,444 and remained at historically high levels until 2019. The impact of COVID-19 is evident in the sharp drop in permits issued in 2020. Permits continued to increase gradually until 2022, almost reaching pre-COVID-19 levels at 1,500 permits issued. In 2023, the number of permits issued dropped significantly however they rebounded to pre-COVID-19 levels in 2024, at 1,211.



Figure 21: Commercial Development Permits 2024

6 The data excludes permits issued in relation to agriculture and parking

3.5.2 Commercial development permits by type

Permits for the development of warehousing, retail outlets, and offices make up the majority of commercial development permits issued by the Planning Authority. After experiencing exponential growth and peaking at 1,131 permits in 2018, the number of such permits began to decline in 2019. By 2021, the total had dropped to approximately half of those issued in 2018. However, in 2022, the number of permits for warehousing, retail outlets, and offices rebounded, rising to 955. In 2023 and 2024, permits for this commercial property type decreased significantly and averaged 650 permits in both years.

Similar trends are observed for the number of permits issued for developments related to hotels and tourism. These started increasing gradually in 2016 to reach 162 permits in 2019 and fell to 90 permits in 2022. In 2023 and 2024, the number of permits issued for hotels and tourism remained stable at 87 and 89 permits, respectively.

Figure 24 illustrates that permits for restaurants and bars saw similar exponential growth in 2016 and 2017. However, in the following seven years, the number of permits issued by the PA for this type of commercial property remained relatively stable, averaging around 260 permits per year.

The number of permits issued by the PA for manufacturing-related developments also increased significantly in 2016. Previously, the number of permits had average around 40 per annum. Between 2016 and 2019, the number of manufacturing-related permits averaged around 120 per annum. However, a notable decline is noted in subsequent years, with 63 permits issued in 2022. In the following years, the number of permits issued for this type of commercial property remained relatively stable.



Figure 22: Warehousing, Retail and Offices Permits 2024



Figure 23: Hotels and Tourism Permits





Figure 25: Manufacturing Permits 2024



3.5.3 Approved floor space by type

Furthermore, we analyse how such permits for certain commercial property translates into approved floor area. Figures 26-29 show how the total approved floor space in 2024 for office, retail, warehouse and tourism space is distributed amongst different localities in Malta. The darker the shade, the more approved floor area there is in a specific locality:

- In terms of office space, it can be noted that more than 10,000 sqm and 7,000 sqm was approved in Birkirkara/Mriehel and St. Julians, respectively in 2024.
- When it comes to retail and warehousing space, 10,355 sqm and 21,569 sqm were approved in Qormi in 2024, respectively.
- A total of c. 59,000 sqms worth of tourism space, which mainly include hotels and similar collective establishments, was approved in Sliema and St. Julians in 2024.

Figure 26:

Offices Approved Floor Area Heat Map 2024







Figure 28:

Warehousing Approved Floor Area Heat Map 2024

Figure 29: Tourism Approved Floor Area Heat Map 2024





3.5.4 Commenced floor space by type

After having analysed the approved floor area for different commercial property types, the next step is to examine the commenced floor area. This involves assessing the portion of the approved floor area where construction has officially begun. This was identified through data provided by the PA. By comparing these metrics, we can evaluate the alignment between approvals and actual commencement of permits. The tables below provide an indication of the how much floor area has been commenced since 2017 for offices, retail and warehouses. For example, out of the 85,191 sqms of office space that was approved in 2017, 11,333 sqms commenced in 2019.

	Approved										
		2017	2018	2019	2020	2021	2022	2023	2024		
	2017	32,758	_		_	_	_	_	_		
~	2018	14,691	61,290		_	_	_	_	_		
JCed	2019	11,333	18,599	51,426	_	-	_	_	_		
mei	2020	1,224	12,538	26,611	29,420	_	_	_	_		
Nom	2021	525	6,716	5,751	14,656	18,865	_	_	_		
	2022	501	2,595	3,322	2,632	20,340	18,422	_	_		
	2023	959	753	1,749	2,068	3,206	8,128	20,141	-		
	2024	208	131	4,084	1,474	4,208	1,884	4,373	25,180		
Toto	al commenced floor area	62,199	102,622	92,943	50,250	46,619	28,434	24,514	25,180		
Т	otal approved floor area	85,191	131,618	128,774	69,153	57,639	52,312	57,231	58,239		
l flo ha	Percentage of or area which s commenced	73.0%	78.0%	72.2%	72.7%	80.9%	54.4%	42.8%	43.2%		

Table 4 - Commenced office space

Table 5 - Commenced warehousing space

				Ap	proved				
		2017	2018	2019	2020	2021	2022	2023	2024
	2017	15,777	_	-	_	_	_	_	-
σ	2018	14,345	52,693	-	_	_	_	_	-
nce	2019	2,245	18,132	31,624	_	_	_	_	_
me	2020	2,749	3,868	24,749	37,969	_	_	_	_
E C	2021	818	3,947	4,798	7,553	7,484	_	_	-
0	2022	1,173	4,674	941	4,956	4,138	14,597	_	_
	2023	688	1,207	1,107	128	60	4,992	11,366	_
	2024	1,026	300	18,307	3,629	39	2,256	4,701	33,360
Tota	l commenced floor area	38,821	84,821	81,526	54,235	11,721	21,845	16,067	33,360
Т	otal approved floor area	54,699	118,993	127,797	74,534	23,602	40,640	32,595	64,856
flo ha	Percentage of or area which s commenced	71.0%	71.3%	63.8%	72.8%	49.7%	53.8%	49.3%	51.4%

Approved 2017 2018 2019 2020 2021 2022 2023 2024 2017 9,620 2018 9.594 29,765 Commenced 2019 18,123 26,091 1,671 2020 1,353 2,981 17,965 15,936 2021 766 919 1,592 7,021 17.851 2022 319 4,426 2.553 623 28.677 24.024 2023 1,315 410 221 1.005 927 10,599 18,248 2024 206 125 810 1,169 1,725 5,223 7,223 17,416 Total commenced 24,844 56,749 49,232 25,754 49,180 39,846 25,471 17,416 floor area Total approved 30.365 70.370 57.659 36.674 60.772 52.018 44.090 43.604 floor area Percentage of floor area which 81.8% 80.6% 85.4% 70.2% 80.9% 76.6% 57.8% 39.9% has commenced

Table 6 - Commenced retail space

It can be noted that around 40% of the approved floor space for these types of commercial developments, works commence within the first year. Furthermore, around 20% of approved floor space for offices and warehousing is usually commenced within two years. This figure increases to around 27% when analysing commenced floor space for retail properties.

Supply and demand of office space

Analysing the demand and supply of office space in Malta provides valuable insights into the dynamics of one of the island's prominent commercial real estate market.

We use available data on commercial development permits and labour market data to shed light on demand and supply developments of offices in Malta. Due to data availability, we analyse developments between 2017 and 2024.

For the supply side, we use data on permits for the development of office space. The approved office space in square metres is shown in Table 7. The office floor space approved in 2017 amounted to around 85,000 sqm, this increased to 130,000 sqm in 2018 and 2019, and decreased to around 69,000 sqm and 58,000 sqm in 2020 and 2021 respectively, in part reflecting the effect of COVID-19. Between 2022 and 2024, approved office space averaged 56,000 sqm per year.

As previously highlighted, not all approved floor space comes onto the market at the same rate. Indicatively, for 39% of the permits approved in a given year, works commence within the same year in which the permit is issued. Works on another 19% of such approved permits commence within the second year from issuance date. On average 30% of approved permits do not reach commencement date within the first 5 years from the year of issuance.

Indicator	Unit	2017	2018	2019	2020	2021	2022	2023	2024
Approved floor area	Sqm	85,191	131,618	128,774	69,153	57,639	52,312	57,231	58,239
Commenced floor area	Sqm	62,199	102,622	92,943	50,250	46,619	28,434	24,514	25,180
Office-based employment [*]	No. of persons	80,722	89,478	96,786	101,199	106,578	114,989	124,721	132,058
Annual employment growth	No. of persons	7,121	8,756	7,308	4,413	5,379	8,412	9,732	7,338
Additional demand for office space	Sqm	56,964	70,048	58,464	35,304	43,028	67,292	77,852	58,700

Table 7 - Additional demand for office space

*Data for employment for 2024 covers up to August

We proxy the additional demand for office space using labour market data. Specifically, we use NSO data on the number of workers employed in office-based jobs. These include Information and communication; Financial and insurance activities; Real estate activities; Professional, scientific and technical activities; Administrative and support service activities; Public administration and defence; and Arts, entertainment and recreation (which includes the online gaming sector).

To establish indicative estimates of the additional demand for office space, we assume that an individual would require around 8 sqm of office space to work in a comfortable environment (including common areas such as kitchens, bathrooms and outdoor working spaces). The additional demand for office space shown in Table 7, is computed by multiplying the amount of office space required per employee by the increase in full-time equivalent employees within the mentioned sectors.



Figure 30 shows the cumulative office space for which works have commenced, alongside the cumulative increase in floor area required for additional employment since 2017. It shows that the additional office space for which works have commenced exceeds the floor area required for additional employment in all years between 2017 and 2024. The gap between the two indicators widens every year until 2021. From 2022 onwards, the gap between demand and supply of office space started to decrease. This is mainly attributed to strong employment growth that the country has been exhibiting over the past years, as well as a gradual decline in the number of permits for the development of office space issued by the PA since 2020.





Based on the assumptions outlined above, it may be argued that since 2017 works have commenced on the development of office space that would accommodate around 69,000 workers. During this period, employment in sectors that entail mostly office-based jobs has increased by around 58,500.

The analysis has several limitations. Firstly, the difference between the floor area for which works have commenced and the floor area required for additional employment should not be interpreted as the vacancy rate as the estimate is sensitive to the year of commencement – in this case 2017. Furthermore, demand for office space may also stem from growth in employment in sectors that have not been considered in this analysis. Secondly, the analysis does not account for cultural shifts of business when it comes to employees working from home which may hinder the office space required per employed individual.



APPENDICES

The House Price Indices are estimate and will be made public, by monitoring sales and rentals of apartments, maisonettes, townhouses, terraced houses and villas

The Indices are based on well-established methodologies and are consistent with the guidelines laid out by Eurostat, the European Commission's statistical arm⁷. Below we briefly outline the methodologies used for the construction of the Indices.

Appendix – Methodology Selling & Rental House Price Index

In an ideal world, we would measure the change in house prices by comparing the transacted price of the same housing unit in different time periods. But this is very difficult to do in practice because most housing units in Malta are not transacted too frequently. Instead, we rely on comparisons between the selling and rental prices of different groups of housing units over time. Unlike simpler indices, the estimation of the House Selling and Rental Price Indices attempt to measure the change in the price of 'constant quality' housing units. In other words, we seek to eliminate changes in house prices that result from any differences in the housing units' physical characteristics over different periods of time. By doing so, the Indices will only reflect "true" changes in the average housing unit's price. Given the small number of transactions (especially when compared to property markets in larger countries), we do this using a hedonic regression model based on the time dummy variable method:

$$\ln(P_{it}) = \beta_0 + \sum_{k=1}^{K} \beta_k Z_{kit} + \sum_{j=1}^{J} \beta_j L_{jit} + \sum_{t=1}^{T} \delta_t D_{it} + \varepsilon_{it}$$

 P_{it} is the price of property *i* in period *t*; Z_{kit} is the "quantity" of characteristic *k* of property *i* in period *t*; L_{jit} is a location dummy with a value of 1 if property *i* is located at *j* and 0 if otherwise; and D_{it} is a time dummy with a value of 1 if property *i* was sold in period *t* and 0 if otherwise.

This allows us to decompose the change in the average price of selling or rental housing units over a given period of time into two components. The first component is the change that is due to differences in the properties' characteristics, including the size of the housing unit, its location, the type of unit (apartment, townhouse, villa, etc.), the type of finish (shell, finished, furnished, etc.), whether it is sold on plan, or has views or a garage. The second component is the change that is due to actual increases in property prices – this ultimately constitutes the Selling and Rental House Price Indices.

⁷ Eurostat (2013) Handbook on Residential Property Price Indices (RPPIs), Luxembourg: Publications Office of the European Union.

Selling House Price Index

The estimation of the model is based on Dhalia's property database which includes over 42,000 properties that were for sale, to basing our estimates on transacted (or actual selling) prices and advertised (or asking) prices. The model is estimated using Ordinary Least Squares (OLS) and yields the following results:

- All estimated coefficients have the expected sign (e.g. the size of the property is positively related to price; and unfurnished property and property in shell form are cheaper than furnished properties);
- All estimated coefficients are statistically significant except for the estimated time dummy coefficients that are very close to the benchmark period (i.e. the first half of 2013 and the second half of 2014) because the price change in adjacent periods is typically "small";
- The model explains (adj-R2=) 64% of the variation in property price sales – which is very satisfactory even when compared to similar model estimates based on Maltese mortgage data.⁸

The Selling Price Index is estimated using the coefficients on the time dummy variables, $\mathcal{\delta}_t$.

Rental House Price Index

The estimates are based on Dhalia's database which includes over 30,000 rental price observations. Once we pair observations for the same housing unit and eliminate those properties that were rented only once, we are left with a high-quality dataset of over 20,700 observations of rental prices. The model is estimated using OLS and yields the following results:

- All estimated coefficients have the expected sign (based on what we know from anecdotal evidence about the housing rental market);
- All estimated coefficients are statistically significant, except for an estimated time dummy coefficient that is very close to the benchmark period (i.e., the first half of 2014) due to the fact that the price change in adjacent periods is typically "small"
- The model explains (adj-R2=) 60% of the variation in property price sales – which is very satisfactory even when compared to similar model estimates based on Maltese mortgage data

The Rental Price Index is estimated using the coefficients on the time dummy variables, \mathcal{S}_t .

Appendix – Methodology Office Rental Price Index

The Office Rental Price Index is estimated on an annual basis by tracking rental prices for offices. The Index is based on a well-established methodology and is consistent with the guidelines laid out by Eurostat, the European Commission's statistical arm.⁹

The Office Rental Price Index is produced using a hedonic regression model based on the time dummy variable method:

$$\ln(P_{it}) = \beta_0 + \beta_f \ln(F_{it}) + \sum_{k=1}^{K} \beta_k Z_{kit} + \sum_{j=1}^{J} \beta_j L_{jit} + \sum_{t=1}^{T} \delta_t D_{it} + \varepsilon_{it}$$

where P_{it} is the price of property *i* in period *t*; F_{it} is the floor area of property *i* in period *t*; Z_{kit} is the "quantity" of characteristic *k* of property *i* in period *t*; L_{jit} is a location dummy with a value of 1 if property *i* is located at *j* and 0 otherwise; and D_{it} is a time dummy with a value of 1 if the property *i* was sold in period *t* and 0 otherwise.

This allows us to decompose the change in the average rental price of office units over a given period of time into two components. The first component is the change that is due to differences in the properties' characteristics, including the size of the office unit, its location, the type of finish (shell, finished, furnished, etc.), whether it's sold on plan, or has views or a garage. The second component is the change that is due to actual increases in property prices – what ultimately constitutes the Office Rental Price Index.

The estimation of the model is based on Dhalia's property database which includes over 1,600 office units that were listed and rented out at a specific price. The model is estimated using OLS and yields the following results:

- All estimated coefficients have the expected sign (e.g. the size of an office unit is positively related to price; and offices rented in shell form are cheaper than furnished properties);
- All estimated time dummy coefficients are statistically significant;
- The majority of the location dummy coefficients are statistically significant;
- The model explains (adj-R2=) 76% of the variation in office rental prices – which is very satisfactory.

The Office Rental Price Index is estimated using the coefficients on the time dummy variables, δ_t .

⁹ Eurostat (2017) Commercial property price indicators: sources, methods and issues, Luxembourg: Publications Office of the European Union.

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