



The Annual Malta Residential Rental Study Second Edition



GOVERNMENT OF MALTA
MINISTRY FOR SOCIAL
AND AFFORDABLE ACCOMMODATION

 **HOUSING**
AUTHORITY

Forewards	3
Hon. Roderick Galdes Minister for Social and Affordable Accommodation	3
Leonid McKay CEO Housing Authority	5
About the authors	8
Chapter 1 Two years after the 2020 rent reform.	11
An overview of the rental market	11
1. Introduction	12
2. Size and composition of the rental market	13
2.1. Registrations and renewals	13
2.1.1 The Law	15
2.1.2 Why Blockchain?	15
2.2. Lease type and duration	17
3. Location, property type and size	18
4. The distribution of registered rents	22
5. Conclusion	27
6. References	28
Chapter 2 Hedonic indices for registered rents in Malta	29
1. Introduction	30
2. Brief review of the literature	30
3. Methodology and data	32
3.1. Methodology	32
3.2. Data cleaning, matching and imputations	33
3.3. Dependent and independent variables	34
4. Results	36
5. Comparison with advertised rents	40
6. Conclusion	42
7. References	43
Chapter 3 Housing Affordability: A Focus on Young People in Malta	45
1. Introduction	46
2. Affordability of Rental Dwellings: Scenarios and implications	47
2.1 Rents	47
2.2 Earnings	48
2.3 Affordability	49
3. Home Ownership	52

4. Implications for policy	53
5. Conclusion	55
6. References	56

Chapter 4 | The Adjudicating panel on private residential leases: A review of the first eighteen months. 60

1. Introduction	61
The Panel's role in increasing security, transparency, and predictability in the local private rented sector	61
1.1 Security	61
1.1.1 Notice of non-renewal by lessor (Article 9)	62
1.1.2 Notice of withdrawal by lessee (Article 11)	62
1.2 Transparency	65
1.2.1 Security Deposit (Article 6(f))	65
1.2.2 Forbidden Clauses (Article 7)	66
1.2.3 Water and Electricity payments (Article 17)	66
1.3 Conclusion	67
2. Scope for the Panel's increased competence	67
2.1 Rental and utility arrears, condominium and internet fees	67
2.2 Eviction	68
2.2.1 Local legislative attempts at reform and duration of eviction proceedings	68
2.2.2 Local jurisprudence on the right to the protection of the home	71
2.2.3 International jurisprudence on the right to the protection of the home	72
3. Conclusion	74
4. References	75

Forewards

Hon. Roderick Galdes | Minister for Social and Affordable Accommodation

It is not our job as politicians to debate the great lines of literature, but I have some serious reservations on the “what’s in a name?” quip from William Shakespeare’s famous tragedy Romeo and Juliet. I can assure you all, that in the realm of public policy, nomenclature does matter. As the recent change in the name of the Ministry under my responsibility suggests (now the Ministry for Social and Affordable Accommodation), the Government of Malta is intent on ramping up its range of activities in the housing sector and has effectively integrated the provision of affordable accommodation into our core mission, putting it at a par with the development and allocation of the more conventional social housing units.



When I received an advanced copy of the publication, I was elated to discover that the researchers, academics, and policy officers forming part of the Residential Rent Observatory had dedicated so much of their time and expertise into the rigorous analysis of a great number of subjects, which included the matter of affordability in the local rental market. All policy issues related to housing, especially those dealing with the perception of affordability of housing in Malta and Gozo, undoubtedly elicit a strong emotional response from the public, and it is easy for us as policymakers to let ourselves be influenced by the vitriol of public opinion and respond with rash and populist decisions. Proper public policy takes time, patience, and a good dose of humility, but above all it requires hours upon hours of in-depth academic market research and intellectual debate between peers.

It is also very encouraging to note how the register employed by the Housing Authority has smoothly implemented one of the main goals of the reform i.e. the swift and seamless online registration of lease agreements. This would have not been possible without the innovative blockchain system forming the basis of this register and its benefits were very aptly illustrated by Ms. Romina Fenech in her box describing the blockchain process.

The overview of the rental market after two years of the coming into force of Chapter 604 provides a very detailed and fascinating snapshot of the sector regulated by the Private Residential Leases Act (“PRLA”). Her findings paint a picture of a growing market which is remaining stable in its composition and distinguishing tendencies from year to year. This augurs well and fills us with a cautious optimism for the coming years.

On a different note, I find immense pride in the fact that two and a half years following the introduction of the PRLA, we now have enough data at hand to develop reliable hedonic indices of rental prices in Malta and Gozo. I understand and appreciate that the challenges brought about by the COVID-19 pandemic in 2020 and 2021 were major stumbling blocks in the publication of a reliable dataset which could lead towards the publication of such indices in last year’s publication. Now that we are slowly emerging from the effects of the pandemic and entering a post-pandemic market, it is very encouraging that we can start to publish

these trends in rental prices to the public with a renewed confidence in the stability of the market.

The publication of these indices was one of the main targets of the reform undertaken by my team and I, back in 2019, and I salute the efforts put in by Dr Brian Micallef and his esteemed colleagues at the Central Bank of Malta to translate the immense amount of granular data gathered by the Rent Registration Unit into relatable figures which can serve as a benchmark to anyone interested in understanding the workings of the local rental market.

Back to the matter of affordability, it was refreshing to read Dr Briguglio's and Mr. Spiteri's chapter on the challenges faced by one of the most important cohorts of our population: youths. As the authors rightly point out, 2022 is the European Year of Youth and we must take this opportunity to renew our focus and attention towards the plight of our future generations. As a father of two teenagers and a young adolescent, this is a subject which quite literally hits home, and from my personal experience I believe it is only through objective academic insight that we can rise above the misguided prejudices and stereotypes that usually prevent us from communicating effectively with this very particular target audience on such matters as housing. The MSAA is committed towards finding meaningful answers to the queries put forward by our youths in this sector, and we shall continue engaging in open dialogue with youths from all walks of life in a seminar co-organized with the National Youth Council, to be held on the 4th of July 2022.

The publication then dedicates a very interesting chapter on the work undertaken by the adjudicating panel on private residential leases in the first eighteen months of its existence. From our extensive consultation with stakeholders prior to the promulgation of the PRLA, it was clear that all players in the market wanted an effective and efficient body which could legally resolve minor disputes arising out of landlord-tenant relationships. Although the Courts of Justice have made great strides forward during this period, with greater resources being spared to the Rent Regulation Board, it is still important that we keep exploring ways to alleviate the workload on our Courts as much as possible. The growth of the private residential leases market in Malta and Gozo brings with it added complexity and a greater statistical chance of conflict between tenants, owners, and intermediaries. The only way we can ensure the continued growth of the sector is to equip our judicial bodies with the right tools to keep up with the times.

In conclusion, the second edition of the Private Rent Residential Observatory publication is another step forward in the journey towards a more professional, transparent, and fact-based regulatory framework for the private residential rent market in our islands. The MSAA shall continue in its efforts to bolster confidence and stability in the sector through the great work being carried out by Housing Authority's Private Residential Leases Unit acting in its capacity as regulator of the market. We recognize that any legislative framework, needs to be updated and tweaked from time to time to respond to new occurrences and phenomena, and we shall keep our ears on the ground to design such amendments and updates in a timely manner. I truly hope this publication sparks the much-needed dialogue on the many salient issues directly or indirectly related to the housing sphere. I have no doubt that respectful and insightful discussion is the key for a nation to develop its crucial policy areas, and now that we have universally accepted that housing is one such crucial sector, it is high-time we get the ball rolling on these important topics.

Leonid McKay | CEO Housing Authority



It is my pleasure to launch the Second Edition of the Annual Malta Residential Rental Study which analyses the results of the second year of the reform of the regulation of private residential leases. In total, 37,976 leases were registered at the end of 2021, an increase of 49% over the previous year. Up to 67,945 individuals – 14% of the resident population – are tenants living in those dwellings. Such high figures indicate that the sensitive actions taken by the Authority have ensured widespread compliance with minimal intervention, although pockets of abuse still remain. In 2021 the Authority received 734 reports of allegedly abusive behaviour and issued 86 enforcement notices. Enforcement action may need to be bolstered in the coming years to ensure that the last cases of non-compliance are eradicated.

2021 was the first year in which the registration of residential rents became mandatory after the transition period allowed during the first year of the operation of the Private Residential Leases Act. The Housing Authority maintained the same team of experts engaged during the first year to scrutinise its operations, the data achieved through the registrations and the mechanism of the legislation. Maintaining the same team allowed for consistency in the criticism received. This year the team of critics was in a better position to evaluate patterns which emerge over a span of time. This criticism is even more relevant since strong lobby groups representing the owners and especially the tenants have yet to emerge. In the absence of these lobby groups the State must find the right compromise which strikes a fair balance between the interests of both parties.

These statistics confirm the importance of the registration process as they allow the Government to obtain visibility over the rental market, which was previously hardly possible. Statistics obtained from this process may soon become a useful tool in obtaining real time demographic data which is otherwise difficult to obtain during the intercensal years. The figures published in last year's edition were quoted in various court cases and it is envisaged that they will be increasingly used as the authoritative source of data for any issue and initiative related to the rental sector. As yet no actor has tried to discredit the data obtained or the registration process itself which is digitally secured through an online blockchain architecture. The transparency achieved through this system is very critical as disputes in front of the panel are settled on the basis of the registration stored in the blockchain system.

The accumulation of data over time allows for the identification of patterns such as seasonality and cyclicity in the market, shifts in the share of the rental market segment and shifts in geographic concentration and types of dwellings leased. Unofficial internal data also

gives an indication on the demographic composition of the lessees. Up to 52% of the leases are occupied by a single lessee; most lessees are foreign. More pertinently, the data allows for the scientific calculation of the market rents paid according to the location, type, and size of property. It also allows for the mapping of the fluctuation in rents throughout the years. As explained in Chapter 2 by Brian Micallef and Tiziana Gaudi, the Central Bank of Malta has devised a hedonic index specifically for this purpose. A 2.4-2.8% increase in rents was noted between 2020 and 2021 which is in line with general inflation. The impact of the pandemic was felt in both years; it is yet to be seen whether this trend will continue post-COVID. 2021 was the first year in which leases could be automatically renewed as provided in the legislative amendments and this year's data analysis allows some insight on the potential uptake of this tool which is intended to provide stability to the sector. More than 12,000 leases were automatically renewed and remained active throughout 2021; however a number of these leases were terminated soon after they were automatically renewed, which indicates that further awareness of this mechanism is required.

Throughout the last few years, the Housing Authority introduced various schemes to address the affordability issues encountered by various segments of the population in both the sale and rental markets. The Affordable Housing Foundation was setup in conjunction with the Church to develop units which will be specifically reserved for families in need of housing at affordable rates. Through the Housing Benefit Scheme, the Government has undertaken to ensure that tenants would not have to pay more than 25% of their income in rent. Besides these actions, the Government is proactively seeking further feedback on this matter to ensure that nobody endures undue hardship in procuring their housing needs. This year's report dedicates special attention to the issue of affordability and the chapter by Marie Briguglio and Glen Spiteri goes into great detail on the level of income required to obtain various forms of housing. I note with great satisfaction that data gathered through the registration process is enabling discussions on affordability based on facts rather than individual opinions based on subjective or selective evidence. This year the Government will introduce the first initiative based on this data; taxes due on sale will be waived if the property would have been rented at affordable rates for several years.

An Arbitration Panel within the Housing Authority was constituted through the reform in order to provide a forum for the settlement of minor disputes between lessors and lessees. The panel was an instant success due to the efficiency with which the cases were settled and the relatively low costs involved when compared to ordinary court proceedings. This edition of the Annual Malta Residential Rental Study includes an analysis of the judgements delivered by the Panel in its first two years of operations. In the third chapter of this publication, Kurt Xerri and Stefan Cutajar analyse the Panel's interpretation of the legislation. The Panel decisions cited in the article illustrate the added degree of clarity that there now exists between lessors and lessees, particularly the extent of their respective rights and obligations when it comes to practical matters such as the retention of the deposit, maintenance duties and the charging of utility bills. The encouraging numbers also make the case for the expansion of the Panel's competence to include issues such as rent and utility arrears that exceed the deposited amount. The analysis also underlines the importance of the inventory, which was one of the mandatory requirements for registration introduced in 2020.

More importantly, the data obtained this year will additionally provide a clearer picture of any amendments which might be required to the legislative framework. The current legislation has sought to introduce basic standards in the rental market. I would strongly recommend that future amendments seek to enhance and improve on these standards in the interest of all parties involved.

I take this opportunity to thank Romina Fenech and all staff of the Private Residential Leases Unit for their sterling work in putting into effect the reform of private residential leases. I would also like to thank the members of the Observatory for Private Residential Leases for their dedication which has made this Second Edition of the Annual Malta Residential Rental Study possible.

About the authors

Tiziana M. Gauci is a Senior Economist in the Economic Research Office at the Central Bank of Malta. She has contributed to the Bank's publications on a broad range of topics, including monetary and financial developments and structural changes in the Maltese economy. She has also co-authored papers in international peer-reviewed journals. She is responsible for the regular analysis of the private rental market in Malta. Her research interests include the labour and housing markets. She holds economics degrees from the University of Malta and University of London.



Brian Micallef is the Manager of the Economic Research Office at the Central Bank of Malta. Dr Micallef represents the Bank in the ECB's Heads of Research forum and in the Working Group on Econometric Modelling. He has published various papers locally and in international peer-reviewed journals. His research interests include potential growth and competitiveness, migration, the labour and housing markets, and macro-financial linkages. He is a visiting lecturer at the Faculty of Economics, Management and Accounting of the University of Malta. He is currently reading a PhD in Social Policy from the University of Bristol, conducting research on housing and migration. Brian holds a PhD in Economics from the University of Portsmouth and other degrees in Economics from the University of Malta.



Romina Fenech is the Executive Head of the Private Residential Leases unit. She has been employed with the Housing Authority for over 26 years and has occupied managerial positions in various sections, including that of Deputy CEO. She has contributed in both in the legislative side of the Private Residential Leases Act and in the development and implementation of the online platform. She is also stakeholder on the action team regarding the Public Service Strategy in relation to the Digital ledger Technology. She graduated in Management from the University of Wales.



Mr Glen Spiteri was awarded a Second Upper Class Honours Degree in Economics in 2020 from the University of Malta, and a Master of Science in Behavioural Science from the London School of Economics and Political Science with Distinction in 2021. He is currently a Research Support Officer at the University of Malta, working on the Wellbeing INDEX project, which is a collaboration between the University and the Malta Foundation for the Wellbeing of Society, as well as EcoScope, which is a pan-European project on ecocentric fisheries management.



Dr. Marie Briguglio holds a PhD in economics from the University of Stirling, UK and a MSc from University College London, completed with Distinction. Following a 15-year career in the public sector, she joined the Department of Economics at the University of Malta in 2010 and has since published extensively in the area of behavioural, wellbeing and environmental economics. She has won numerous competitive research grants including the UM Excellence Grant and two Horizon 2020 projects. An elected member of the Society for the Advancement of Behavioural Economics, a prolific multi-media contributor and public speaker, Marie has won Malta's STEM Engaged Researcher Award, the Malta Innovation Award, the Malta National Book Prize and several Broadcasting Awards.

Kurt Xerri is a resident academic within the Department of Civil Law at the Faculty of Laws of the University of Malta. He holds a Doctorate and a Master of Arts degree in Law from the University of Malta and obtained his PhD on the regulation of the private rented sector from the Housing Chair of the Rovira i Virgili University in Tarragona, Spain. He has authored a number of international publications related to housing law and policy and has served as the adviser to the Minister of Social Accommodation in the recent reforms of the private rented sector in Malta.





Stefan Cutajar is a consultant within the Legal and Policy Unit of the Ministry for Social and Affordable Accommodation. He holds a Bachelor's of Law and a Masters of Advocacy degree from the University of Malta. He represents the Ministry for Social and Affordable Accommodation in the Inter-Ministerial Committee on Poverty, serves as the Ministry's focal point for Sustainable Development Goals' and sits on the Inter-Ministerial Committee on European Union Affairs. He is also the Chairperson of the Affordable Housing Foundation.

Chapter 1 | Two years after the 2020 rent reform.

An overview of the rental market¹

Authors | Tiziana M. Gauci, Brian Micallef and Romina Fenech

Abstract

The objective of this paper is to take stock of the private rental market two years after the introduction of the Private Residential Leases Act. It uses anonymized data from the rent register maintained by the Housing Authority to assess the size of the rental market, the characteristics of rental properties, contract durations and prices. By the end of 2021, the register had a total of 37,976 active contracts, representing an increase of 49% compared to the situation prevailing at the end of 2020. Some changes in contract types and duration were observed but the distribution of contracts by location, property type and size has remained very similar compared to a year earlier. Spatially, rents are highly concentrated in the Northern Harbour region, followed by the Northern region. Together, these two regions account for 70% of all registered contracts. Around two-thirds of all the long and short-term contracts in the register have a monthly rent between €400 and €899.

JEL classification: C10, O18, R30.

Keywords: private rental market, registered rents, housing market, Malta.

¹ Prepared by Dr Brian Micallef, Manager of the Economic Research Office at the Central Bank of Malta, Tiziana M. Gauci, a Senior Economist within the same office, and Romina Fenech, Executive Head of the Private Residential Leases unit at the Housing Authority. The views expressed in this paper are those of the authors and should not be interpreted to reflect those of the Central Bank of Malta. Helpful comments and suggestions by Leonid McKay, Marie Briguglio, Kurt Xerri, Stefan Cutajar and Jean-Paul Fiott are gratefully acknowledged. Any errors are the authors' own.

1. Introduction

The Private Residential Leases Act came into effect on 1 January 2020 following an extensive consultation process with the various stakeholders involved in the private rental sector. Departing from the highly deregulated framework that prevailed prior to 2020, this reform introduced a basic set of minimum standards to professionalize the market under the responsibility of the Housing Authority as the regulator of the housing market in Malta (Briguglio, 2021; Micallef, 2021; Xerri, 2021). Among the main provisions, the reform mandated the registration of private residential rental contracts with the Housing Authority. Lease contracts are registered online by one of the parties and, consequently, onto a blockchain platform (further details on this process are found in Box 1). Furthermore, a Residential Rent Observatory was set-up by the Housing Authority comprising of a multi-disciplinary team of experts with background in economics, legal and housing policy to analyze and scrutinize the rent regulatory framework.

The objective of this paper is to take stock of developments in the private rental market two years after the introduction of the reform. It uses anonymized data from the rent register maintained by the Housing Authority to assess the number of contracts registered with the Housing Authority, the characteristics of rental properties, contract durations and rental prices. To facilitate a direct comparison with analysis carried out in the First Edition of the Annual Malta Residential Rental Study (Debono et al., 2021), the cut-off date for this report is 31 December 2021.

The main findings are summarized as follows. First, the number of active contracts registered with the Housing Authority increased by 49% compared to the situation prevailing at the end of 2020. By the end of 2021, the register had a total of 37,976 active contracts, up from 25,487 in the previous year. Second, some changes in contract types and duration were observed. The share of long leases increased to 96%, up from 95% in 2020, of total active contracts, while shared spaces dropped by 1 percentage point to 4%. Leases with a duration of one and two years constitute 80% of the active contracts. However, mostly because of renewals, the share of one-year contracts has declined compared to the situation prevailing in 2020. Third, the distribution of contracts by location, property type and size has remained very similar compared to a year earlier. Spatially, rents are highly concentrated in the Northern Harbour region, followed by the Northern region. Together, these two regions account for 70% of all registered contracts. In terms of localities, the largest concentration continues to be found in St. Paul's Bay, with 16% of all active contracts, followed by Sliema, Msida, Gzira and St. Julians. Most rental properties consist of apartments, while in terms of size, around 75% of rental properties have two- and three-bedrooms. Around two-thirds of all the long and short-term contracts in the register have a monthly rent between €400 and €899.

The rest of this paper is organized as follows. Section 2 provides a general overview of the rent register of the Housing Authority, which is the main data source used in this report, analyzing contract registrations, renewals, lease types and duration of contracts. Section 3 focuses on the characteristics of the properties registered, while Section 4 looks at the distribution of rents for these contracts. To the extent possible, data are compared with that prevailing a year earlier to put the most recent developments in perspective. Section 5 concludes.

2. Size and composition of the rental market

2.1. Registrations and renewals

Figure 1 shows that by the end of 2021, a total of 61,552 leases have been registered with the Housing Authority since the introduction of the Private Residential Leases Act. Of these, 37,976 contracts were still active on 31 December 2021. Overall, this represents an increase of 49% in the size of the registered rental market compared to the situation prevailing a year earlier, with 25,487 active contracts on 31 December 2020 (Debono et al., 2021). A further 4,306 contracts, representing 7% of the register, have expired in accordance with the terms stipulated in the respective contracts. The remaining 19,270 were terminated prematurely before the expiry of the termination date stipulated in the contract. In 2021, around two-thirds of premature terminations occurred with a mutual agreement between the parties. The remaining third came through the official legal form with landlords informing the Housing Authority to terminate the lease because the tenants have moved out. Most of these cases occurred after an automatic renewal got in force. Overall, the reasons for premature terminations in 2021 were slightly different from those that occurred in 2020, where the share of tenants moving out without notice, partly because of the disruptions brought about by the COVID-19 pandemic, played a more important role.

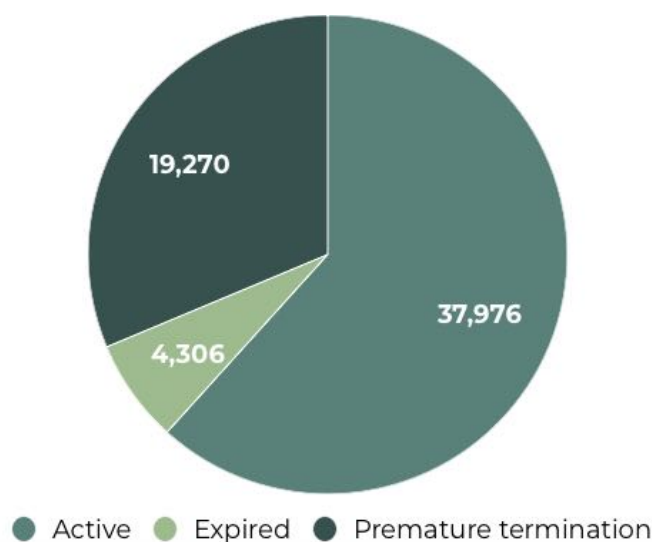


Figure 1 – Rent register by contract status as at 31 December 2021

Figure 2 plots the commencement month of the contracts that were active at the end of 2021. Around 61% of these contracts, amounting to 23,084, commenced in 2021. A further 13,520, representing 36% of the active contracts, started at some point during 2020. The remaining 1,372 active contracts have commenced prior to 2020 but after 1 June 1995.

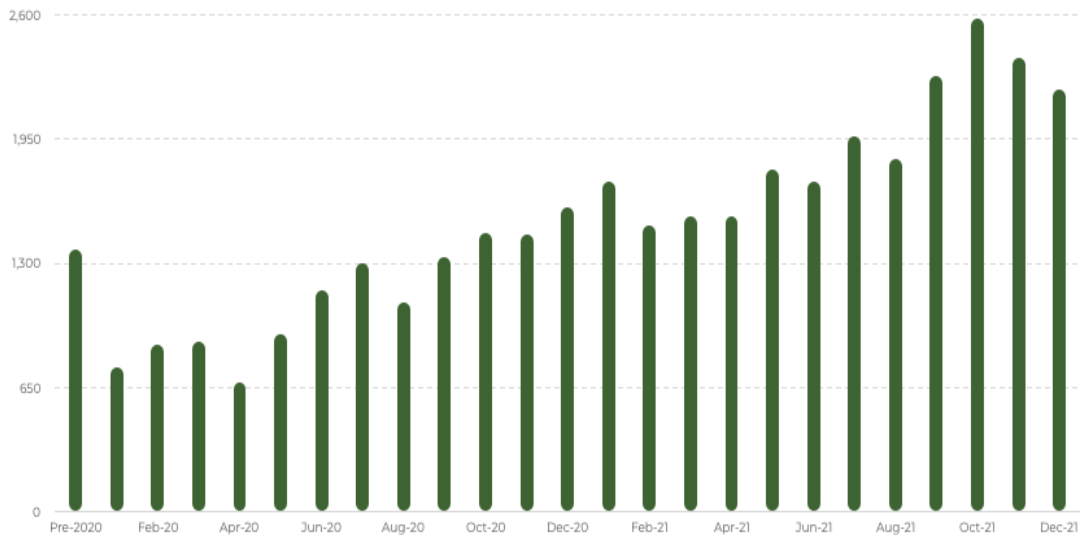


Figure 2 – Commencement month of currently active contracts

Starting from late 2020, the Housing Authority started to receive notifications for contracts to be renewed into 2021. The Private Residential Leases Act stipulates that landlords are obliged to issue a notification to their tenants at least three months before the termination date stating whether they intend to terminate the lease upon expiry or to renew it. In the absence of the termination notice within the specified time, the lease will be automatically renewed for a further period of one year. A total of 14,440 renewed contracts commenced in 2021 – 85% of these were automatically renewed, while the shares of renewals actioned by the lessor and the registrant stood at 13% and 2%, respectively. Figure 3 shows that 9,954 of these renewals were still active at the end of 2021. On the other hand, 4,417 contracts were terminated before the expiry of the renewed contract. Most of the latter, 3,900 contracts, had been automatically renewed. The remaining 69 had expired in line with the terms of the contract.

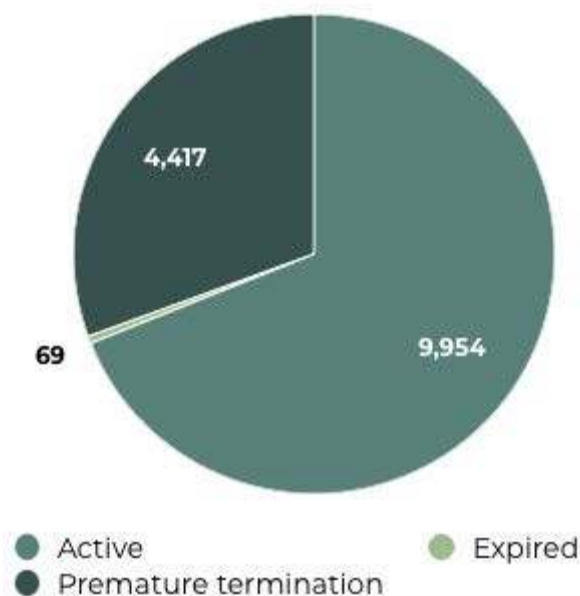


Figure 3 – Contract status of renewed contracts starting in 2021

Box 1: The register of Private Residential Leases on the private blockchain

2.1.1 The Law

The Residential Leases Act, which came into force on 1 January 2020 was enacted to provide security, stability and transparency to the private residential rental market for all residential lease agreements entered after 1 January 2020, and any lease for a residential purpose signed after 1 June 1995 and were still in force.

The legal framework of the law specifies the type of lease in a contract - whether long let, short let or shared space and defines the minimum duration of each lease type. This legal framework also binds and sets certain obligations for the parties in a contract on matters related to withdrawals, terminations, renewals and subsequent disputes

Having a regularized online platform where everything is auditable serves an important tool in the context of today's technology. Registrations are carried out exclusively online and are recorded on the private blockchain of the Housing Authority to ensure transparency. Blockchain stores information in such a way that it cannot be altered without recording the changes made.

2.1.2 Why Blockchain?

The goal of blockchain is to allow digital information to be recorded, but not altered, deleted, or destroyed. Data stored on the blockchain is encrypted by cryptographic encryption.

A block chain can be public or private. A public blockchain can be accessed by everyone whereas a private block chain access is determined by the operator in this case is the Housing Authority.

No personal identifiable information from the contract registration is recorded on blockchain, Government entities that access the blockchain have visibility of this information only and that is relevant for their business processes.

At the core of blockchain are smart contracts. Smart contracts are neither 'smart' nor 'contracts' in the legal sense. In simple terms they are business rules translated into software. Smart contracts facilitate 3 functions: -

1. Store rules
2. Verify rules
3. Self-execute

For example, Chapter 604/2019 stipulates that a registration of long let should not be less than 1 year. This logic is stored in a smart contract (store rule). Hence during submission of a registration of a long let, the system verifies that the duration is not less than 1 year. To check this, the (verify rule) checks the commencement date with the termination date.

According to the verification the system will either 'accept' or 'reject' the registration submission (self-execute).

Applied in practice to the registration of a long-let leases, smart contracts verify multiple aspects for instance:

- that the lease is not less than 1 year;
- that the lease is not pre - 1st June 1995;
- that the lease is still in vigore;
- Check the property details to identify whether another active contract exists;
- Check that there are no overlapping lease dates or same dates on the same property.

This above example is just one illustration of how smart contracts are implemented in practice. In reality each obligation that emerges from the law is reflected as a smart contract on the block chain.

In this way the platform ensures compliance to the obligations stipulated by Cap 604/2019 of the Laws of Malta.

Way forward

The process of electronic registrations of private residential leases has enabled the Housing Authority to gather live and accurate information.

Thanks to this evidence-based data, the Housing Authority will be able to publish a rental private index to minimise speculation about the private rental market state. The index will be based on the national register of rents rather than asking prices. It will also provide the necessary tools to aid the policy makers shape the rent policy in Malta.

2.2. Lease type and duration

Around 96% of active contracts were for long-term leases with a further 4% classified as shared spaces. The share of short-term leases stood at only 0.5% of active contracts at the end of 2021. Compared to the situation prevailing a year earlier, the share of long private residential leases has increased marginally. At the end of 2020, 95% of all contracts registered with the Housing Authority were of a long-term lease, with the share of short-lets and shared spaces amounting to 1% and 5%, respectively

Figure 4 classifies the currently active contracts by their duration. The contract duration is computed as the difference between the commencement date of the lease and the stipulated termination date. Leases with a duration of one and two years constitute 80% of the active contracts in the rent register. The share of contracts with a duration of one-year, while still significant at 40% of all active contracts, has almost halved compared to the situation prevailing in 2020. This difference is explained by the fact that some initial one-year contracts were subsequently renewed for an additional year after the end of the original termination date. There has been an increase in the share of contracts with longer durations. The share of contracts with a duration of between two and three years stand at 11%, while a further 6% have a duration exceeding three years. The latter include contracts with widely different durations, with the longest ones spanning 50 years. The remaining 3% of leases are short-term contracts of six months, which include both the short leases as well as the shared spaces.

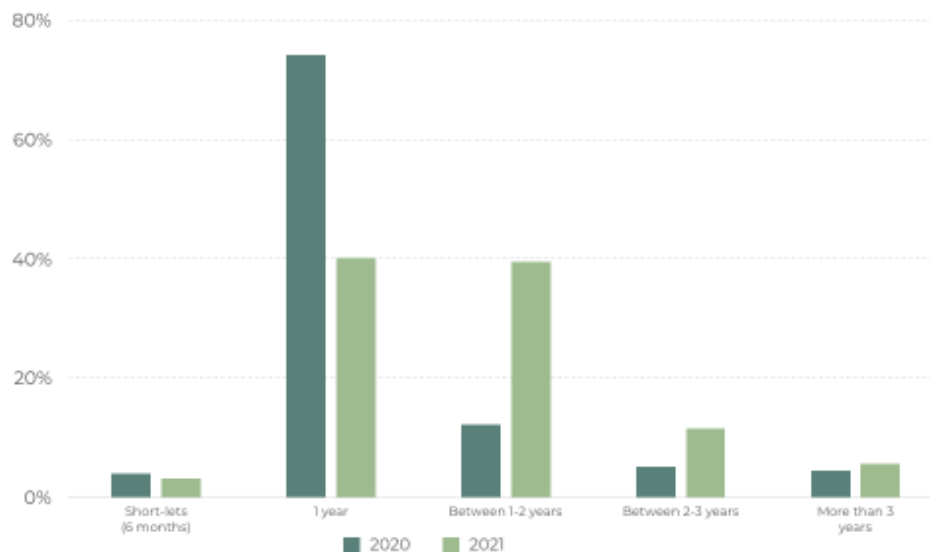


Figure 4 – Duration of active rental contracts

3. Location, property type and size

Around 93% of all active rental contracts registered with the Housing Authority are in Malta, with the remaining 7% situated in Gozo. In terms of their spatial distribution by region, rents remain highly concentrated in the Northern Harbour region, which accounts for 45% of all contracts in the island, followed by the Northern region, with 25% of leases (see Figure 5). The lowest concentration of rents is found in the Western region, with only 5% of contracts.

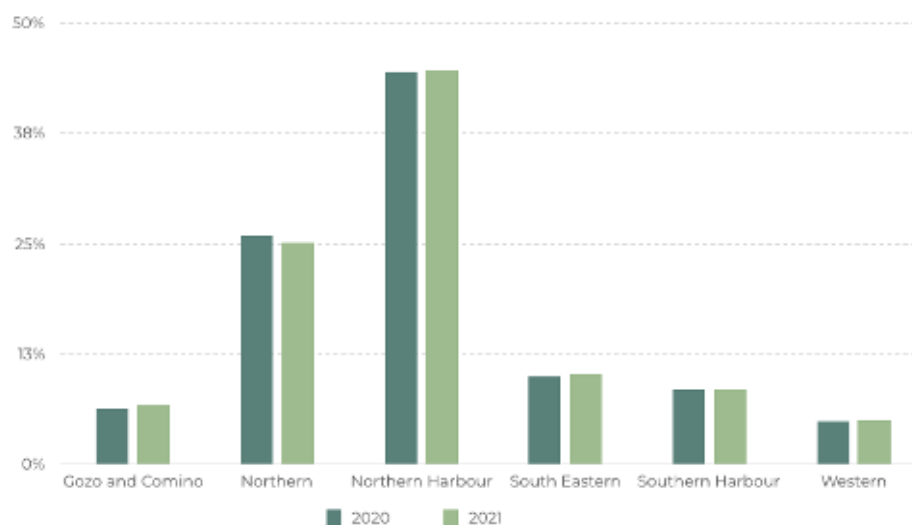


Figure 5 – Distribution of active contracts by region

Figure 6 plots the spatial distribution of registered contracts in Malta and Gozo, while Table 1 provides additional details by locality. The largest concentration is found in St. Paul's Bay, with 6,011 contracts that amounts to 16% of all residential contracts registered with the Housing Authority at the end of 2021. This is followed by four localities in the Northern Harbour region, namely Sliema (3,396), Msida (2,655), Gzira (2,061) and St. Julians (1,960), which together account for 27% of all contracts in the country. Other popular localities in the Maltese rental market include Marsascala, Birkirkara, Swieqi, Mellieha, San Gwann and Mosta, all of which are host to more than 1,000 rental contracts. On the contrary, the least popular localities in Malta for renting are Mtarfa, Mdina and Santa Lucija, with less than twenty contracts registered in each of these localities. In Gozo, 22% of rental contracts are based in Zebbug, which includes Marsalforn, followed by Victoria (15%), Ghajnsielem (11%), Xaghra (10%) and Munxar (10%). Overall, the distribution of rental contracts by locality is very similar to the situation prevailing at the end of 2020.

The register contains information on the type of properties available for rent and their size. Figure 7 shows that 80% of rental contracts consist of apartments, followed by maisonettes (12%) and houses (8%), while the share of villas stood at less than 1%. In terms of size, Figure 8 shows that most of the contracts registered are for two-bedroom (42%) and three-bedroom (33%) properties, respectively. The share of one-bedroom properties stands at 21%, with the remaining 4% of contracts comprising larger properties with four or more bedrooms. Overall,

the distribution of contracts by property type and size has remained very similar to that which prevailed one year ago.

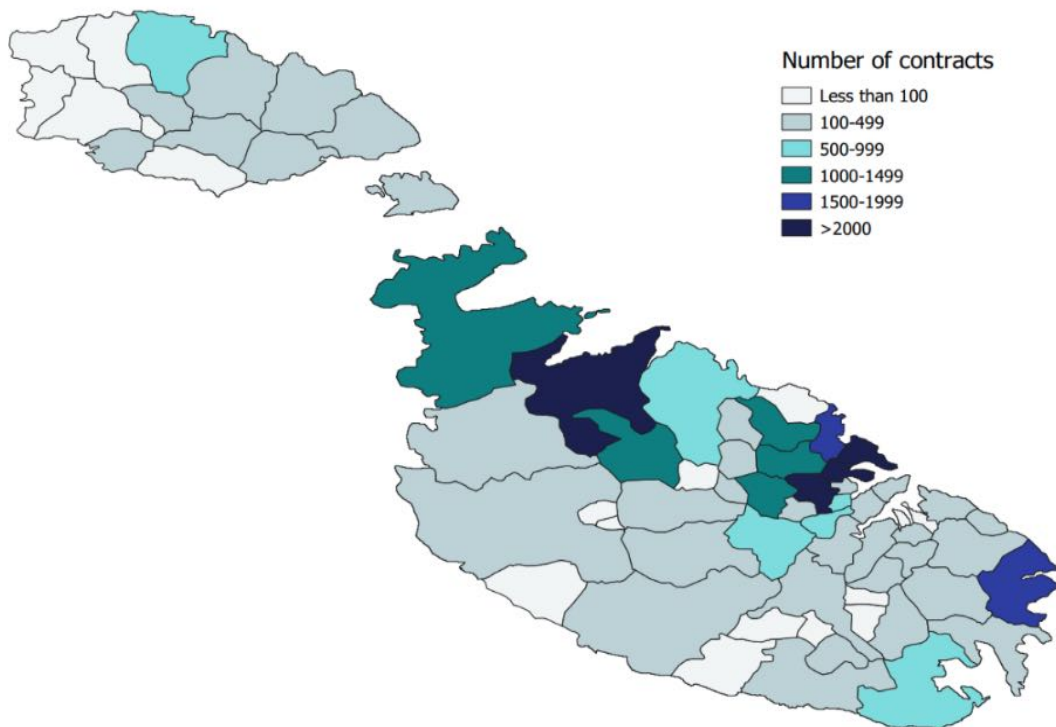


Figure 6 – Distribution of active contracts by locality

Locality	Leases	Percent	Locality	Leases	Percent
SAN PAWL IL-BAHAR	6,011	15.8%	HAL TARXIEN	208	0.6%
TAS-SLIEMA	3,396	8.9%	IS-SIGGIEWI	207	0.6%
L-IMSIDA	2,655	7.0%	HAL BALZAN	202	0.5%
IL-GZIRA	2,061	5.4%	IN-NADUR	194	0.5%
SAN GILJAN	1,960	5.2%	IX-XGHAJRA	193	0.5%
MARSASKALA	1,746	4.6%	TA' XBIEX	189	0.5%
BIRKIRKARA	1,487	3.9%	HAL GHARGHUR	186	0.5%
IS-SWIEQI	1,458	3.8%	BORMLA	168	0.4%
IL-MELLIEHA	1,188	3.1%	HAL GHAXAQ	162	0.4%
SAN GWANN	1,118	2.9%	HAL SAFI	153	0.4%
IL-MOSTA	1,015	2.7%	FLORIANA	143	0.4%
IN-NAXXAR	864	2.3%	IX-XEWKIJA	142	0.4%
BIRZEBBEGA	811	2.1%	MARSAXLOKK	135	0.4%
IL-HAMRUN	763	2.0%	IL-QALA	134	0.4%
TAL-PIETA	754	2.0%	L-IKLIN	121	0.3%
HAL QORMI	552	1.5%	IL-KALKARA	105	0.3%
IZ-ZEBBUG	550	1.5%	HAL LIJA	99	0.3%
IL-FGURA	487	1.3%	IL-BIRGU	96	0.3%
HAZ-ZABBAR	485	1.3%	L-GHARB	93	0.2%
SANTA VENERA	454	1.2%	L-ISLA	93	0.2%
HAZ-ZEBBUG	420	1.1%	PEMBROKE	90	0.2%
H'ATTARD	417	1.1%	IL-GUDJA	85	0.2%
IR-RABAT, GHAWDEX	388	1.0%	IL-QRENDI	80	0.2%
PAOLA	384	1.0%	L-IMQABBA	62	0.2%
IR-RABAT	373	1.0%	TA' SANNAT	59	0.2%
HAL LUQA	318	0.8%	TA' KERCEM	56	0.2%
IZ-ZURRIEQ	316	0.8%	HAL KIRKOP	53	0.1%
IL-BELT VALLETTA	279	0.7%	IL-FONTANA	49	0.1%
GHAJNSIELEM	270	0.7%	HAD-DINGLI	44	0.1%
L-IMGARR	269	0.7%	SAN LAWRENZ	43	0.1%
IL-MARSA	262	0.7%	L-GHASRI	25	0.1%
IL-MUNXAR	259	0.7%	L-IMTARFA	19	0.1%
IX-XAGHRA	259	0.7%	L-IMDINA	8	0.0%
IZ-ZEJTUN	244	0.6%	SANTA LUCIJA	7	0.0%

Table 1 – Registered contracts by locality

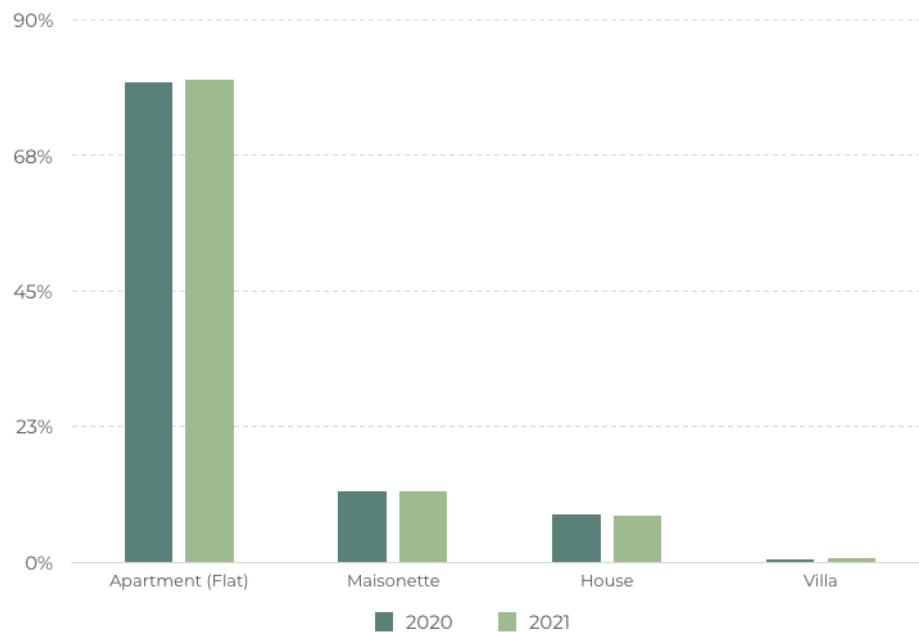


Figure 7 – Distribution of active contracts by property type

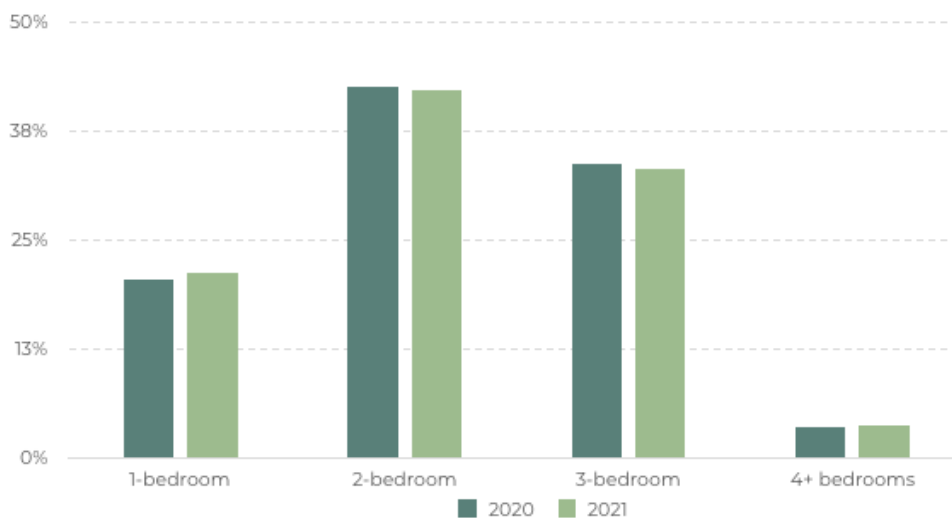


Figure 8 – Distribution of active contracts by property size

4. The distribution of registered rents

Figure 9 plots the distribution of the monthly rent in euro for active long and short-term contracts but excluding those leases for shared spaces. Around two-thirds of these contracts have a monthly rent between €400 and €899. The most common bracket refers to the €600-€699 range, which comprises 17% of all active contracts excluding shared spaces. The share of contracts exceeding €1,000 per month stands at 18%; around 5% of active contracts have a monthly rent exceeding €1,500. At the other end of the distribution, the share of contracts with a monthly rent of less than €500, which is considered as the minimum price to acquire a 1-bedroom apartment in Malta by Briguglio (2022) stands at 21%. Around 5% of active contracts have a rent of less than €300 per month.

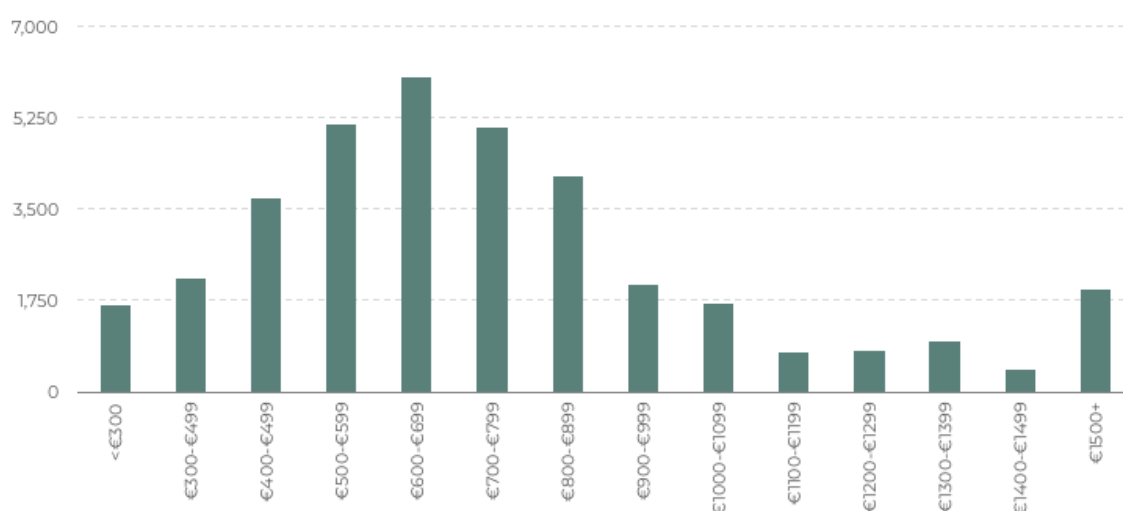


Figure 9 – Rent distribution of active contracts (excl. shared spaces)

Figure 10 plots the monthly rent for properties rented on a long-term and short-term contract, grouped in five brackets, for the six regions in Malta and Gozo. Overall, rents in the Maltese regions tend to be higher than those prevailing in Gozo. Rents in Gozo are primarily concentrated in the €300-€699 bracket, which comprise 63% of all contracts in Gozo, followed by a further 20% in the €700-€999 bracket. Significant differences in rents are also registered among the five regions in Malta. In Malta, the most expensive rents are found in the Northern Harbour region, with 30% of rents in this region exceeding €1,000 per month. In the remaining four regions of Malta, the share of leases exceeding €1,000 stands between 4% in the South Eastern region and 15% in the Western region. Most rents in Malta lie in the €300-€699 bracket, except for rents in the Northern Harbour region (see Table 2). In fact, excluding the Northern Harbour region, between 47% and 60% of contracts in Malta are concentrated in this bracket. In the Northern Harbour, only 32% of the contracts are in the €300-€699 bracket with the highest share of contracts, 34%, being in the €700-€999 bracket.

Figure 11 plots six separate histograms of the monthly rent by region for long-term and short-term contracts. The histograms feature a bell-shaped curve which tend to be similar

across the regions. The main differences relate mainly to the distribution plot in Gozo, with an earlier peak compared to the other regions reflecting the lower rents prevailing in the sister island and a thicker distribution in the Northern Harbour's right-tail due to the presence of relatively higher rents in this region.

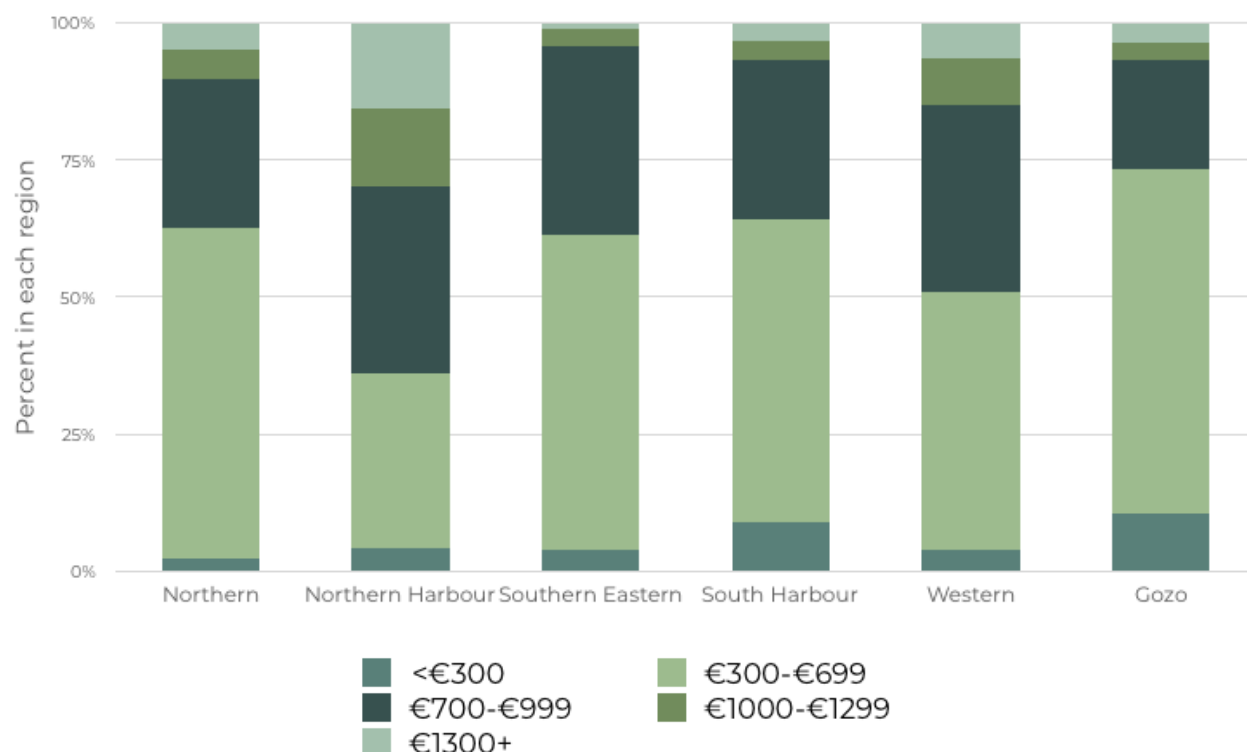


Figure 10 – Monthly rent for properties by region (excl. shared spaces)

	<€300	€300-€699	€700-€999	€1000-€1299	€1300+
Northern	226	5,597	2,490	509	461
Northern Harbour	656	5,139	5,441	2,251	2,526
South Eastern	154	2,162	1,297	121	46
Southern Harbour	275	1,699	893	111	99
Western	74	856	621	155	122
Gozo	262	1,574	492	78	94
	1,647	17,027	11,234	3,225	3,348
	5%	47%	31%	9%	9%

Table 2 – Number of contracts by region and monthly rent (excl. shared spaces)

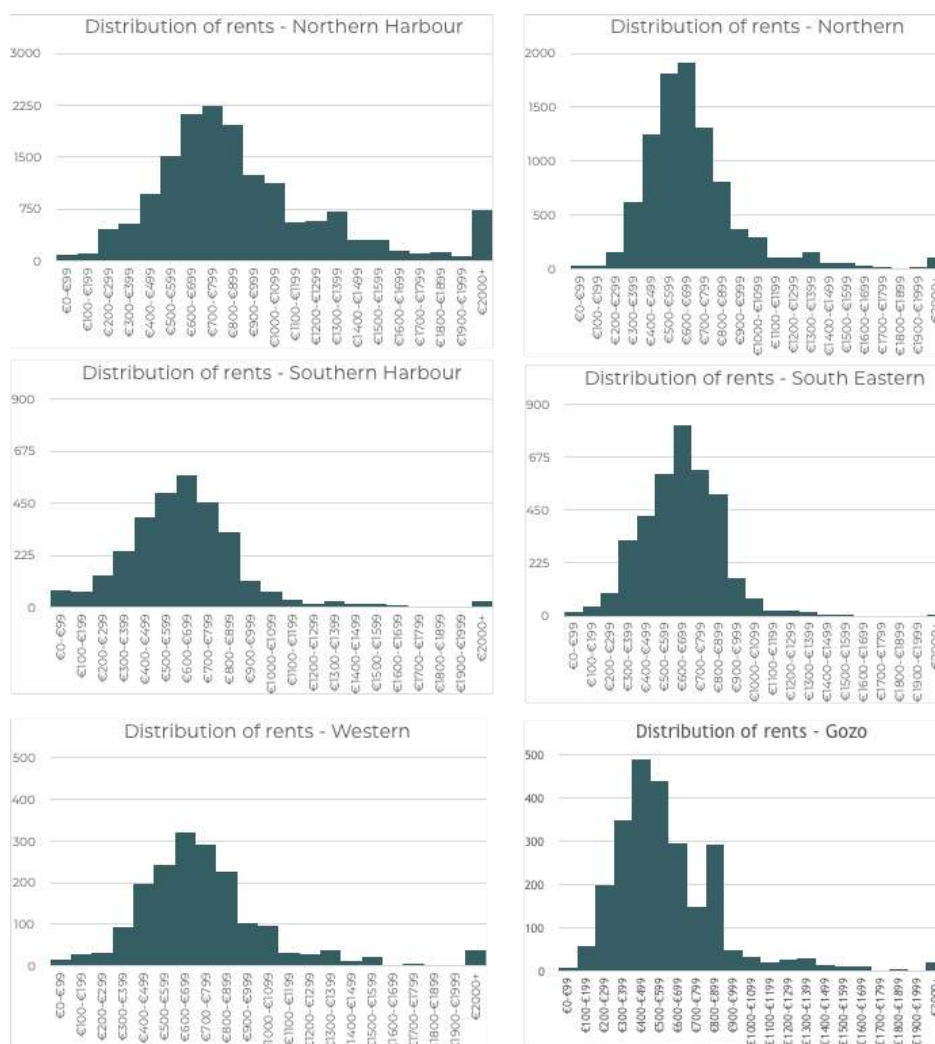


Figure 11 – Distribution of rents by region (excl. shared spaces)

Table 3 provides additional detail on the rents for active long-term and short-term contracts, showing not only the median rent for each region but also the 25th and 75th percentiles. The information is grouped by three apartment sizes – one-bedroom, two-bedroom, and three-bedroom – which as described in the previous section, constitute the majority of leases registered with the Housing Authority. As expected, larger properties – approximated by the number of bedrooms – command a higher rent than smaller ones. It is reasonable to state that the median rent for a one-bedroom apartment in Malta, excluding the Northern Harbour, stands at around €500 per month. Indeed, this figure lays the foundation for discussions on housing affordability in Briguglio (2022). Rents for two-bedroom and three-bedroom apartments are higher. For example, the median monthly rent for a two-bedroom and three-bedroom apartment in the Northern region stood at €600 and €700, respectively. The table sheds further light on the heterogeneity observed at a regional

level, with the median rent for a one-bedroom apartment in the Northern Harbour region, at €600 per month, being higher than the median rent of €550 for a three-bedroom apartment in Gozo. The 25th and 75th percentiles provide an indication of the distribution of prices around the median level. For example, in the Northern region, the median rent for a two-bedroom apartment stood at €600, while the 25th and 75th percentiles stood at €500 and €700, respectively. This means that, while the median monthly rent stands at €600, 25% of contracts in this region have a monthly rent of less than €500. At the other end of the distribution, the 75th percentile indicates that 25% of contracts have a monthly rent of over €700.

The table also shows the number of leases by each grouping combination. The largest grouping is for two-bedroom apartments in the Northern Harbour region, which includes 5,700 active contracts, followed by two-bedroom apartments in the Northern region (4,009 contracts) and three-bedroom apartments in the Northern Harbour region (4,001 contracts). Apart from the Northern Harbour and the Northern regions, there are more than 1,000 leases registered for two- and three-bedroom apartments in the South Eastern region. At the other end, less than 200 leases are registered for one-bedroom apartments in the Western region.

	1 bed apartment				2 bed apartment				3 bed apartment			
	[p25]	[p50]	[p75]	No. of leases	[p25]	[p50]	[p75]	No. of leases	[p25]	[p50]	[p75]	No. of leases
Northern	€ 400	€ 480	€ 600	1,311	€ 500	€ 600	€ 700	4,009	€ 600	€ 700	€ 850	2,618
Northern Harbour	€ 460	€ 600	€ 750	3,655	€ 650	€ 800	€ 1,000	5,700	€ 757	€ 950	€ 1,350	4,001
South Eastern	€ 350	€ 450	€ 550	371	€ 500	€ 600	€ 730	1,314	€ 600	€ 700	€ 825	1,129
Southern Harbour	€ 400	€ 513	€ 650	452	€ 500	€ 600	€ 750	772	€ 600	€ 700	€ 825	653
Western	€ 400	€ 500	€ 583	192	€ 500	€ 610	€ 750	490	€ 620	€ 750	€ 875	565
Gozo	€ 250	€ 350	€ 425	206	€ 369	€ 480	€ 600	912	€ 400	€ 550	€ 650	742

Table 3 – Distribution of rents by percentiles, size of apartment and regions

Finally, Figure 12 plots the monthly rent for shared spaces by region. As already mentioned above, shared spaces only account for 4% of the active contracts registered with the Housing Authority. These contracts were mostly prevalent in the Northern Harbour region – 924 contracts that constitute 62% of the total in Malta and Gozo, followed by the Northern region with 250 contracts. On the contrary, only 21 shared space contracts were registered in Gozo. Slightly more than 40% of shared space contracts have a monthly rent below €200.



Figure 12 – Monthly rents for shared spaces by region

Monthly rents for shared spaces by region				
	<€200	€200-€299	€300-€399	€400+
Northern	140	39	43	28
Northern Harbour	328	166	190	240
South Eastern	16	24	15	12
Southern Harbour	86	27	14	24
Western	55	6	8	13
Gozo	8	9	2	2

Table 4 – Number of contracts for shared spaces by region and monthly rent

5. Conclusion

This chapter has taken stock of the private rental market two years after the introduction of the Private Residential Leases Act in 2020, comparing with the findings from the first year of the reform. One of the key findings is that the number of active contracts registered with the Housing Authority has increased significantly in 2021. At the end of 2021, the register contained 37,976 active contracts, which represent an increase of 49% compared to the situation prevailing at the end of 2020. Compared to a year earlier, some changes in contract types and duration were observed but the distribution of contracts by location, property type and size has remained broadly unchanged. Rental contracts continue to be highly concentrated in the Northern Harbour region, followed by the Northern region. Together, these two regions account for 70% of all registered contracts. Most rental properties consist of apartments, while in terms of size, around 75% of rental properties have two- and three-bedrooms. As regards pricing, around two-thirds of these contracts have a monthly rent between €400 and €899. The information in this chapter sets the scene for the next two chapters in this publication. Micallef (2022) applies hedonic methods to study the evolution of registered rents over time, while Briguglio (2022) uses the information on rents to conduct a study on housing affordability for young people in Malta.

6. References

Briguglio, M. (2021). The impact of the 2020 Private Residential Leases Act: Insights from economics. In *The Annual Malta Residential Rental Study: First edition*, publication by the Housing Authority.

Briguglio, M. (2022). Housing affordability: A focus on young people in Malta. In *The Annual Malta Residential Rental Study: Second edition*, publication by the Housing Authority.

Debono, N., Ellul, R. and Micallef, B. (2021). An analysis of private residential leases registered with the Housing Authority in 2020. In *The Annual Malta Residential Rental Study: First edition*, publication by the Housing Authority.

Housing Authority (2021). *The Annual Malta Residential Rental Study: First edition*, publication by the Housing Authority.

Micallef, B. (2021). The long-lasting legacy of rent controls: Perspectives on the private rental market in Malta within the context of a dual market. *International Journal of Real Estate Studies*, 15(2), pp. 43–54.

Xerri, K. (2021). The first year of the Private Residential Leases Act: An assessment going forward. In *The Annual Malta Residential Rental Study: First edition*, publication by the Housing Authority.

Chapter 2| Hedonic indices for registered rents in Malta²

Author | Brian Micallef

Abstract

The availability of granular information on registered rents allows for an analysis of the evolution of rents over time. This requires the application of hedonic methods for the development of rent indices to account for the heterogeneity in housing quality and changes in the quality-mix of rented properties. This chapter develops several hedonic indices for registered rents based on the time-dummy variable approach and the average characteristics approach using the Laspeyres, Paasche and Fischer methods. The indices account for observable characteristics such as the property type, its location, size, and the type of lease. The models are estimated over a 24-month period from January 2020 until December 2021. According to these methods, registered rents have recovered in the second half of 2021, with the annual growth rate averaging between 2.4% and 2.8%. This contrasts to the situation in the first half of the year, when rents declined compared to a year earlier, which corresponded to the pre-pandemic period. The resulting registered rent indices exhibit high correlation with advertised rents although the dynamics between the two indicators require a longer time series to be understood better.

JEL classification: C10, O18, R30.

Keywords: private rental market, housing market, hedonic methods, Malta.

² Prepared by Dr Brian Micallef. The author is the Manager of the Economic Research Office at the Central Bank of Malta. The views expressed in this paper are those of the author and should not be interpreted to reflect those of the Central Bank of Malta. This paper would not have been possible without helpful data assistance from Romina Fenech from the Housing Authority. Helpful comments and suggestions by Leonid Mackay, Marie Briguglio, Kurt Xerri, Stefan Cutajar, Jean-Paul Fiott and Tiziana Gauci are gratefully acknowledged. Any errors are the author's own.

1. Introduction

Hedonic methods to construct indices are commonly applied to develop both consumer and property price indices. The underlying assumption behind hedonic indices is that the price of a good, for example an apartment, can be approximated by the sum of the values of its constituent parts. These methods are well-suited to account for the heterogeneity in housing quality and changes in the quality-mix of properties (Silver, 2016).

Building on Micallef et al. (2021, 2022), this chapter develops several hedonic indices for registered rents – the first for Malta – based on the time-dummy variable approach and the average characteristics approach using the Laspeyres, Paasche and Fischer methods. The proposed indices are computed using standard hedonic equations to account for observable characteristics such as the property type, its location, size, and the type of lease. All these attributes are found to have a statistically significant effect on the registered rent. In terms of the time dimension, the models are estimated over a 24-month period from January 2020, when the Private Residential Leases Act came into effect until December 2021. Subsequently, the growth rates and the level of the rents from the registered rent indices are compared with those from a dataset for advertised listings maintained at the Central Bank of Malta (Debono et al., 2020; Micallef and Gauci, 2022).

Using the hedonic models to control for the characteristics of the properties registered with the Housing Authority, we find that rents have recovered in the second half of 2021, with the annual growth rate averaging between 2.4% and 2.8%. This contrasts sharply with the situation observed in the first half of 2021 when rents declined compared to a year earlier that corresponded to the pre-pandemic period. There is also a high correlation between registered and advertised rents although the dynamics between the two indices require a longer time series to be understood better. Furthermore, the estimates of the monthly rents in euro terms obtained for registered rents are somewhat lower than those obtained by Micallef et al. (2022) using advertised rents.

The rest of this paper is organized as follows. Section 2 provides a brief review of the literature on hedonic approaches used for the housing market. Section 3 describes the methodology used to construct the hedonic rent indices, the data cleaning procedures applied, and the variables used in the econometric model. The results of the rent indices from the hedonic models are found in Section 4, while Section 5 compares developments in registered rents, both in terms of growth rates and levels in euro, with those obtained from advertised listings. Section 6 concludes.

2. Brief review of the literature

There is no consensus on who introduced the method of hedonic regression in the literature with the first studies going back to the early part of the twentieth century (Colwell and Dillmore, 1999). Influential theoretical work on hedonic methods was introduced in the 1960s and 1970s (Lancaster, 1966; Rosen, 1974). Subsequently, hedonic quality adjustments to house prices were popularized extensively (Wilhelmsson, 2009; Widlak and Tomczyk, 2010; Hill, 2013; Micallef et al., 2021).

In terms of hedonic attributes, most variables commonly used in housing studies can be grouped in three broad categories: property-specific, location and neighbourhood (Micallef et al., 2022). Property-specific characteristics are commonly related to the structural attributes of the dwelling. These include variables such as the floor area, the number of rooms and quality features of the dwelling, all of which tend to be positively associated with prices or rents (Rodriguez and Sirmans, 1994; Ellul et al., 2019). On the contrary, dwelling's age tends to be negatively related to prices, owing to depreciation and obsolescence effects (Kain and Quigley, 1970). Location characteristics of a property are captured by fixed and relative attributes. The latter is commonly measured by the distance from the so-called central business district (CBD). The urban housing monocentric model predicts a negative coefficient, suggesting that prices fall the higher the distance from the CBD. Fixed location variables include regional dummies and amenities such as having a view or distance from the seafront (Micallef et al., 2022). Finally, neighbourhood attributes can be classified in various categories reflecting social, environmental and infrastructural factors. Common variables include the unemployment rate in the region, the share of college educated or median schooling of residents in the area, the quality of schools in the area and externality disamenities such as crime and vandalism, noise pollution and dilapidated buildings (Kain and Quigley, 1970; Buonanno et al., 2013; Schläpfer et al., 2015). Overall, while data availability dictates the number of neighbourhood variables included in hedonic models, these attributes are regularly found to explain significant proportions of house prices (Schläpfer et al., 2015).

It should be acknowledged, however, that the importance of these characteristics tends to differ across different markets, and, in most cases, the variables included in hedonic models tend to be constrained by data availability (Chin and Chau, 2003). This is an important consideration for the purposes of the current study since underlying data was not collected with hedonic research in mind.

The local literature is mostly based on advertised prices. Falzon and Lanzon (2013) use hedonic regression analysis using an annual advertised house price data set that span over three decades. Ellul et al. (2019) apply similar methods on a data set for mortgage contracts granted by the major banks in Malta. Micallef et al. (2021) apply for the first time a hedonic approach based on the Time Dummy method based on registered rents. No indices were however developed in the latter study due to the short time dimension of the dataset at the time. Debono et al. (2019) and Micallef et al. (2022) develop various hedonic indices for advertised rents that they collect from publicly available sources using web scraping techniques. Compared to Micallef et al. (2021), the latter studies based on advertised data include several explanatory variables such as the presence of a view, the distance from the seafront and the availability of a garden, pool or a garage, which are not included in the registered dataset of the Housing Authority. The analysis in this chapter will be mostly based on Micallef et al. (2022) with the main differences concerning mostly the explanatory variables used as a result of differences between registered and advertised datasets.

3. Methodology and data

This section describes the hedonic methodology adopted to construct rent indices that controls for changes in the quality-mix of the rented properties. This section is divided in three parts. The first looks at the methodology used, the second describes the required data cleaning, matching and imputation procedures, while the third focuses on the data used in the model.

3.1. Methodology

Hedonic models specify a relationship between rents and the property's characteristic, with the underlying assumption being that the price of housing can be approximated by the sum of the values of the constituent parts. Following Micallef et al. (2022), this paper uses two hedonic approaches, namely the time-dummy variable (TDV) method and the average characteristics method. The below discussion outlines the key features of the model, with further technical details being available in Hill (2013).

In the TDV method, a single hedonic model is estimated for the entire pooled dataset with time dummy variables added for each period. The TDV specification takes the following form:

$$\ln \ln p_{t,h} = Xb + D\delta + u_{t,h}$$

where $p_{t,h}$ refers to the (log) rent for property h contracted at time t , X is a matrix of hedonic characteristics (e.g., property type, dwelling size, and location), D is a matrix of time dummy variables and $u_{t,h}$ is a random error term. The equation estimates a vector b with shadow prices on hedonic characteristics and a vector of time coefficients, δ . Under classic error assumptions, the parameters of the model are estimated using ordinary least squares (OLS). The specification assumes a log-linear functional form (Malpezzi, 2003).

The construction of rent indices under this method is done by taking the exponent of the estimated time dummy coefficients. The rent index for period t is given by:

$$\hat{P}_t = \exp(\delta_t)$$

The base period is excluded from the list of dummy variables and is normalized to 1.

The TDV method has two principal attractions. First, it is an easy method to compute hedonic indices and second, it works well when using small data sets. This happens because the

hedonic model uses all the data and observations that are available, thus improving statistical significance and robustness. However, this approach has two main limitations. First, it forces the characteristic shadow price vector b to be time invariant. This assumption may not be realistic for housing markets that have experienced substantial changes to the assumed worth of a characteristic, especially when estimated over a long period. In the present case, however, this should not be a big limitation since the model is only estimated over a two-year period, in which the relative valuation of different housing characteristics should have remained fairly stable. Second, the TDV recalculates the coefficients with the addition of successive periods, leading to potential backward revisions.

The average characteristics approach is a type of hedonic imputation method that estimates a separate model for each period. This allows coefficients estimated for the characteristics to be updated with each new observation. The average characteristics method then imputes a price for the “average” rent. The price index is calculated from the ratio of the imputed rent of the average dwelling at time $t+1$ to the imputed price of the same “average” dwelling at time t . The Laspeyres version for the average rent of period t is calculated as:

$$\frac{P_{t+1}}{P_t} = \frac{\hat{p}_{t+1,h}(\bar{x}_t)}{\hat{p}_{t,h}(\bar{x}_t)} = \exp \left[\sum_{c=1}^C (\hat{b}_{t+1,c} - \hat{b}_{t,c}) \bar{x}_{t,c} \right]$$

where $\bar{x}_t = \frac{1}{n(t)} \sum_{h=1}^{n(t)} x_{t,h}$ is a vector of average characteristics. As in the TDV model, the above specification also assumes a log-linear functional form. The average characteristics method represents the ratio of the weighted shadow prices for the two periods compared. The denominator is derived by using the average dwelling characteristics of time t into the model estimated at time t , while the numerator is obtained by inserting the characteristics of the average rental unit at time t into the hedonic model estimated for period $t+1$.

Alternatively, a Paasche-type index takes an average rent of $t+1$ as the reference:

$$\frac{P_{t+1}}{P_t} = \frac{\hat{p}_{t+1,h}(\bar{x}_{t+1})}{\hat{p}_{t,h}(\bar{x}_{t+1})} = \exp \left[\sum_{c=1}^C (\hat{b}_{t+1,c} - \hat{b}_{t,c}) \bar{x}_{t+1,c} \right]$$

Finally, the Fisher-type price index takes the geometric means of the Laspeyres and Paasche indices to ensure the symmetric treatment of both periods.

3.2. Data cleaning, matching and imputations

In addition to the main dataset from the rent register described in *Chapter 1*, which contains one entry for every contract ever registered with the Housing Authority, the Authority provides two additional datasets, one for renewals and another for multi-year contracts. These two datasets contain multiple entries for contracts that, either because of renewals or their

multi-year lease, have a duration that span more than one year. For the construction of the index, the contracts from these two datasets are matched with those from the main register using the unique reference number of each contract.

Some imputations are required to make sure that each contract with a duration of more than one year is observed once per year. To give an example, suppose there is a three-year contract that commenced on 1 November 2019 that will expire on 31 October 2022. If the lessor and the lessee agree to adjust the rent for this contract when it is still active, this change will be registered with the Housing Authority and will thus feature in the dataset. In the absence of changes in the rent during the course of the contract, however, this lease will only feature once in the main register. This means that, without any imputation, this contract will never be observed in a regression estimated over the period, say, January 2020 till December 2021 even though it was active throughout the entire period. To avoid this anomaly, whenever missing, each contract is imputed to be observed once a year, in the month of the original commencement date. In the previous example, the imputation means that the contract will be observed in November 2020 and November 2021, with the rent remaining the same as in the original contract.

Finally, some data cleaning was necessary to correct for obvious mistakes in the registered rent (e.g., confusion between monthly and annual rent in renewed contracts) and outliers. In terms of the latter, leases below €200 per annum were excluded from the dataset for the purposes of the index.

3.3. Dependent and independent variables

The dependent variable is the logarithm of registered monthly rents in euro for leases that were active during the period between January 2020 and December 2021. As explained above, leases that were renewed or multi-year contracts are observed twice during this period.

The explanatory variables include:

- i. Four property types: flats (reference), maisonettes, houses, and villas;
- ii. Four property sizes: one-bed (reference), two-bed, three-bed, and units with four-bed or more;
- iii. Three types of contracts: long-let (reference), short-let and shared spaces;
- iv. Location: either by regions (6 separate regions with the Northern Harbour being the reference) or by localities (68 separate localities with Sliema being the reference);
- v. Binary variable to capture leases with long durations of more than five years;
- vi. Time dummies: from February 2020 till December 2021 (January 2020 = reference).

Table 1 provides a statistical description of the key explanatory variables in the model. For the TDV, two separate models are estimated with the main difference between them consisting of the level of disaggregation for the locations, with one model estimated by 6 regions while the other one includes the 68 different localities. The average characteristics model is only estimated with the region dummies since most of the localities have too few observations per month.

Variable name	Min	Max	Observations	Percent
Property type				
Flat	0	1	62,686	79.9%
Maisonette	0	1	9,175	11.7%
House	0	1	6,200	7.9%
Villa	0	1	445	0.6%
Region				
Northern Harbour	0	1	35,675	45.4%
Northern	0	1	19,733	25.1%
South Eastern	0	1	7,703	9.8%
Southern Harbour	0	1	6,694	8.5%
Western	0	1	3,822	4.9%
Gozo	0	1	4,879	6.2%
Size				
One-bed	0	1	16,285	20.7%
Two-bed	0	1	32,800	41.8%
Three-bed	0	1	26,239	33.4%
Four-bed or more	0	1	3,182	4.1%
Lease type				
Long-let	0	1	73,055	93.1%
Short-let	0	1	861	1.1%
Shared	0	1	4,590	5.9%
Multi-year contract (5 yrs+)	0	1	385	0.5%

Table 1 – Statistical description of the explanatory variables

4. Results

Table 2 shows the estimated coefficients from the two models estimated using the TDV method. With few exceptions, all the coefficients are statistically significant at the 1% level. The last two columns compute the implied elasticities from the model's coefficients, which should be interpreted in comparison to the benchmark category.³ The benchmark case in the Aggregate model refers to a one-bedroom flat in the Northern Harbour region with a long-lease in January 2020, while in the Disaggregate model, it refers to a one-bedroom flat in Sliema with a long-lease in January 2020.

The models explain between 38% and 45% of the variation in registered rents. The relatively low explanatory power of the Aggregate Model is due to the loss of information arising from the aggregation of the localities in the six regions. Furthermore, the specifications are constrained by data availability since the register does not include information on additional quality attributes of the properties that in the literature are found to increase further the explanatory power of these models.⁴ Each model contains 78,506 observations.

The results are broadly in line with Micallef et al. (2021), suggesting that the coefficients remained quite similar despite adding another year of data. In terms of property type, maisonettes and houses command a slightly lower rent than apartments (benchmark), while villas enjoy a substantial premium.⁵ Locality, property size and lease type are important determinants of rental prices. Rents are the most expensive in the Northern Harbour region. Prices in the other regions of Malta stand between 20% and 29% lower compared to the Northern Harbour (benchmark), while rents in Gozo are 40% lower. Larger properties command higher rents, with two- and three-bedroom units stand around 29% and 55% higher compared to a one-bedroom unit (benchmark). Larger properties with four or more bedrooms tend to be even more expensive. The rents for shared space leases are more than 70% lower compared to long-term leases but differences between long-term and short-term leases are not statistically different from each other. Finally, leases with very long durations tend to be more than 60% lower compared to other contracts.

Table 3 presents the locality coefficients from the Disaggregate model, as well as their relative value compared to the benchmark locality of Sliema.⁶ All localities have lower rents compared to Sliema and, except for Ta' Xbiex, these differences are statistically significant at the 1% level.

³ Since the dependent variable is in logarithms, the model coefficients should be interpreted as $(\text{exponent}(\text{coef.})-1)*100$ and compared to the benchmark category. For instance, the coefficient of -0.279 for the Northern region implies that this region is 24% $((\exp(-0.279)-1)*100)$ less expensive than the benchmark category, which in this case is the Northern Harbour region.

⁴ For instance, the adjusted R^2 in Micallef et al. (2022) increases from 0.57 to 0.62 when property characteristics such as having a view, being close to the seafront or having access to a garage, garden or pool were added to the model.

⁵ As discussed in Micallef et al. (2021), the negative coefficient of houses relative to apartments can be due to the exclusion of the age of the dwelling, which can be interpreted to represent the quality of the housing unit.

⁶ For the purposes of the table, three localities with less than 20 active leases have been excluded. These refer to the localities of Mdina, Mtarfa and Santa Lucija.

Hence, geographical differences play an important role in the determination of rental prices, in line with the evidence from advertised listings (Micallef et al., 2022). The localities of St Julian's and Swieqi command rents that are between 4% and 10% lower than those in the benchmark category after controlling for non-location hedonic attributes. At the other end of the table, the localities of Żebbuġ, Fontana and Munxar, all of them in Gozo, command rents that are between 59% and 61% lower than those prevailing in Sliema.

	Aggregate Model		Dissaggregate Model		Implied elasticity compared to reference category (%)	
	(by region)		(by locality)		Agg. model	Disagg. model
Property type						
Flat	(b)		(b)			
Maisonette	-0.102	***	-0.079	***	-10%	-8%
House	-0.037	***	-0.021	***	-4%	-2%
Villa	0.896	***	0.806	***	145%	124%
Region						
Northern Harbour	(b)					
Northern	-0.279	***			-24%	
South Eastern	-0.324	***			-28%	
Southern Harbour	-0.342	***			-29%	
Western	-0.226	***			-20%	
Gozo	-0.518	***			-40%	
Size						
One-bed	(b)		(b)			
Two-bed	0.251	***	0.259	***	29%	30%
Three-bed	0.437	***	0.431	***	55%	54%
Four-bed or more	0.552	***	0.535	***	74%	71%
Lease type						
Long-let	(b)		(b)			
Short-let	-0.023		-0.034	**	-2%	-3%
Shared	-1.308	***	-1.239	***	-73%	-71%
Multi-year contract (5 yrs+)	-0.974	***	-1.000	***	-62%	-63%
Constant	6.404		6.675			

Observations	78,506		78,506			
Estimation period	Jan20-Dec21		Jan20-Dec21			
Adj R-squared	0.376		0.452			

Table 2 – Regression results from TDV model

Dependent variable: log (monthly rents)

Locality	Coef.	Elasticity compared to ref.	Locality	Coef.	Elasticity compared to ref.
SLIEMA	(ref)		MARSAXLOKK	-0.565	-43%
TA' XBIEX	-0.029	-3%	IZ-ZURRIEQ	-0.589	-44%
SAN GILJAN	-0.046	-4%	TA' KERCEM	-0.602	-45%
IS-SWIEQI	-0.105	-10%	SAN PAWL IL-BAHAR	-0.608	-46%
HAL LIJA	-0.219	-20%	L-ISLA	-0.613	-46%
IL-BELT VALLETTA	-0.222	-20%	HAL QORMI	-0.619	-46%
PEMBROKE	-0.272	-24%	IZ-ZEJTUN	-0.621	-46%
SAN LAWRENZ	-0.306	-26%	IS-SIGGIEWI	-0.623	-46%
IN-NAXXAR	-0.311	-27%	HAL GHAXAQ	-0.630	-47%
IL-GZIRA	-0.319	-27%	HAL TARXIEN	-0.637	-47%
IL-KALKARA	-0.370	-31%	HAZ-ZABBAR	-0.648	-48%
L-GHASRI	-0.373	-31%	IR-RABAT	-0.653	-48%
IL-BIRGU	-0.403	-33%	IL-HAMRUN	-0.662	-48%
SAN GWANN	-0.404	-33%	L-GHARB	-0.664	-49%
HAL BALZAN	-0.408	-33%	HAL SAFI	-0.676	-49%
H'ATTARD	-0.416	-34%	IX-XAGHRA	-0.685	-50%
L-IMSIDA	-0.421	-34%	L-IMQABBA	-0.687	-50%
L-IKLIN	-0.448	-36%	PAOLA	-0.709	-51%
TAL-PIETA	-0.458	-37%	IL-QRENDI	-0.711	-51%
HAL GHARGHUR	-0.476	-38%	BIRZEBBUGA	-0.713	-51%
IL-MOSTA	-0.481	-38%	IL-QALA	-0.719	-51%
BIRKIRKARA	-0.483	-38%	BORMLA	-0.729	-52%
FLORIANA	-0.492	-39%	IN-NADUR	-0.751	-53%
HAL KIRKOP	-0.492	-39%	IR-RABAT, GHAWDEX	-0.775	-54%
L-IMGARR	-0.512	-40%	IL-FGURA	-0.779	-54%
IL-MELLIEHA	-0.526	-41%	GHAJNSIELEM	-0.809	-55%
SANTA VENERA	-0.529	-41%	TA' SANNAT	-0.815	-56%

IL-GUDJA	-0.537	-42%	IX-XEWKIJA	-0.819	-56%
MARSASKAL A	-0.539	-42%	IL-MARSA	-0.840	-57%
HAL LUQA	-0.551	-42%	IZ-ZEBBUG	-0.883	-59%
HAZ-ZEBBU G	-0.558	-43%	IL-FONTANA	-0.905	-60%
HAD-DINGLI	-0.562	-43%	IL-MUNXAR	-0.947	-61%
IX-XGHAJRA	-0.564	-43%			
<i>Note: Three localities with less than 20 active leases were excluded (Mdina, Mtarfa and Santa Lucija)</i>					

Table 3 – Locality coefficients

Figure 1 plots the annual growth rate from the indices constructed from TDV method. In both models, rent declined in early 2021 compared to the pre-pandemic levels a year earlier. In the first half of 2021, registered rents declined between 1.9% and 2.2% compared to a year earlier, with the drop being especially pronounced in February.⁷ Rents have recovered in the second half of the year, with the annual growth rate averaging between 2.4% and 2.8%.

Figure 2 shows that the growth rates from the TDV method falls within the range of estimates from the Laspeyres, Paasche and Fisher indices. Taking the Fisher index, which is the geometric mean of the Laspeyres and Paasche indices, the average growth rate in the second half of 2021 stood at 2.4%, while the decline in the first half of 2021 averaged 1.4%.



⁷ It is important to clarify that these estimates do not include the various temporary discounts that were agreed between landlords and tenants during the initial stages of the COVID-19 pandemic since landlords were not requested to report these discounts to the Housing Authority (Cutajar, 2021).

Figure 1 – Annual growth rate in rents from the Time Dummy Approach

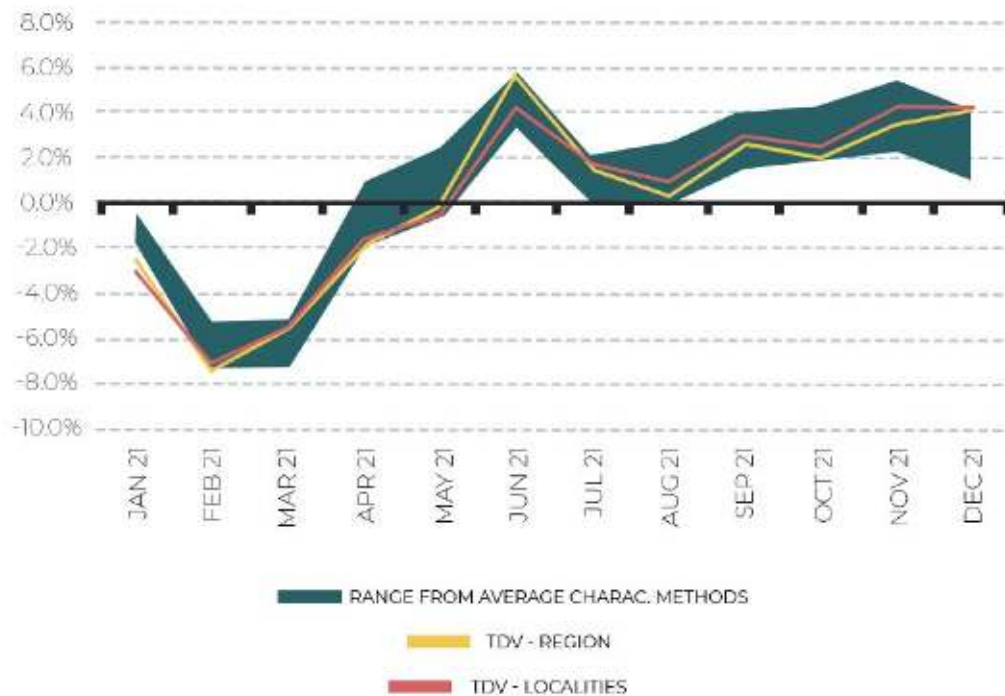


Figure 2 – Annual growth rate from all hedonic methodologies

5. Comparison with advertised rents

This section compares the growth rates and the level of rents from the registered rent indices with a dataset for advertised listing maintained at the Central Bank of Malta. This dataset contains 51,229 listings and covers the period 2017Q4-2022Q1. As described in Micallef and Gauci (2022), this dataset contains mostly listings with a medium-to-high price range, with only 11% of the properties advertised for less than €700 per month. Hence, it may not be representative of the entire private rental market. Furthermore, it is important to note that because advertised prices are set prior to the negotiation process that takes place between landlords and prospective tenants, they tend to be higher than contract prices. The advertised rent represents the best price that the landlord would be happy with but normally there is the expectation that the tenant will seek to negotiate a lower price and the landlord is usually expected to chip off a margin. Despite this limitation, however, this dataset provides a good (and the only) benchmark with which to compare the developments in registered rents.

Figure 3 plots the annual growth rate in the registered rent indices computed above with the advertised index. The latter comprises the average of five hedonic methods that are similar to the ones used in this paper (Micallef et al., 2022). The results point to a high correlation

between the registered and advertised rents. The recovery in the growth rate of advertised rents in 2021Q4, however, appears to be far more optimistic than that actually experienced by registered rents. This issue, together with timing differences between advertised and registered rents, could be explored in future research once a longer time dimension for registered rents becomes available.

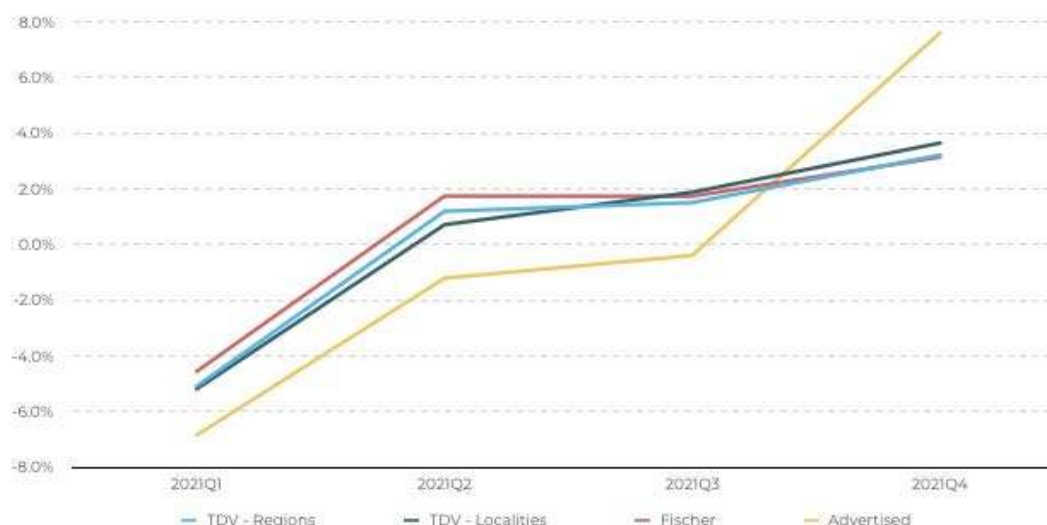


Figure 3 – Comparison of annual growth rates in registered and advertised rents

Another comparison exercise relates to the monthly rent in euro from the estimated model coefficients for properties with similar characteristics. It should be noted from the outset that a direct comparison with the advertised dataset is not straightforward since the latter dataset defines the locations in terms of ten different clusters rather than by region or locality.⁸

Despite these differences, Table 4 provides some illustrative examples of the monthly rent for different regions or localities in 2021Q4.⁹ For instance, the estimated registered rent for a one-bedroom flat in the Northern region stood €470, whereas the advertised rent for a comparable cluster stood at €550. Another close comparison can be made for Gozo. In this case, the registered and advertised rent for a two-bedroom flat stood at €477 and €522, respectively. Differences between the two datasets in the other examples shown in Table 3 tend to be more pronounced although, in these cases, direct comparisons are more difficult.¹⁰

⁸ See Debono et al. (2020) and Micallef and Gauci (2022) for the localities included in the 10 clusters.

⁹ The monthly rent in euro is calculated by exponentiating the sum of the coefficients of a property's separate attributes. This is best illustrated by means of an example. Using the Aggregate Model, the price a two-bedroom maisonette in Gozo with a long-let lease in January 2020 stood at €417 ($=\exp(6.40-0.10-0.52+0.25)$). This is calculated as the exponential of the sum of the constant (6.40), maisonette (-0.10), Gozo (-0.52) and two-bedrooms (0.25). In this example, no coefficient is added for the long-let since this is the benchmark case for the lease type category.

¹⁰ For instance, the registered rent for a two-bedroom flat in St Paul's Bay stood at €575 while the advertised rent for a similar property in the cluster including St Paul's Bay stood at €751. The latter cluster,

	Registered	Advertised	
2 bedroom flat in Sliema in 2021Q4	€ 1,056	€ 1,284	*
1 bedroom flat in Northern region in 2021Q4	€ 470	€ 550	
2 bedroom flat in St. Paul's Bay in 2021Q4	€ 575	€ 751	**
3 bedroom flat in Gzira in 2021Q4	€ 912	€ 1,252	***
2 bedroom flat in Gozo in 2021Q4	€ 475	€ 522	
2 bedroom flat in Marsascala in 2021Q4	€ 616	€ 761	****
<p>* Cluster A - include also St Julians and Valletta</p> <p>** Cluster E - include also Mellieha</p> <p>*** Cluster B - include also Msida and Ta Xbiex</p> <p>**** Cluster G - include 16 localities including Fgura, Zabbar, Zejtun, Birgu, Isla, Ghaxaq etc.</p> <p>Note: no additional amenities included in advertised prices such as views, pool, garage etc.</p>			

Table 4 – Comparison of registered and advertised rents

6. Conclusion

The availability of granular information on registered rents allowed for the development of hedonic indices that control for changes in the quality-mix of the rented properties and assess the evolution of prices over time. Such an approach is more suited to gauge developments in rents compared to constructing percentage changes over summary statistics such as the mean or median. These indices for registered rents are the first of their kind for Malta and, going forward, will provide another valuable source of information to closely monitor developments in the rental market.

The results showed that registered rents have recovered in the second half of 2021, with the annual growth rate averaging between 2.4% and 2.8%. This contrasted sharply with the situation observed in the first half of 2021 when rents declined compared to a year earlier, which corresponded to the pre-pandemic period.

The registered rent indices move closely with indices for advertised rents maintained at the Central Bank of Malta. However, some divergence between these two indices was noticed towards the end of 2021 that must be understood better. Similarly, registered rents tend to be lower than advertised rents. While these differences can be mostly attributed to the different characteristics of the datasets, other factors could not be excluded, for instance, due to under-declaration for tax purposes. Other issues, such as the timing differences between registered and advertised rents as well as their co-movement over the business cycle will only be possible as more data becomes available.

however, also includes the locality of Mellieha, which as illustrated in Table 3 above, tends to have higher rents compared to St Paul's Bay.

References

- Buonanno, P., Montolio, D. and Raya-Vílchez, J.M. (2013). Housing prices and crime perception. *Empirical Economics*, 45(1), pp. 305-321.
- Chin, T.L. and Chau, K.W. (2003). A critical review of literature on the hedonic price model. *International Journal for Housing Science and Its Applications*, 27(2), pp. 145-165.
- Colwell, P.F. and Dilmore, G. (1999). Who was first? An examination of an early hedonic study. *Land Economics*, 75(4), pp. 620-626.
- Cutajar, S. (2021). Housing Authority survey on the impact of COVID-19 on private residential leases. In *The Annual Malta Residential Rental Study: First edition*, publication by the Housing Authority.
- Debono, N., Ellul, R. and Micallef, B. (2020). A hedonic index for private sector rents in Malta. *Central Bank of Malta, Research Bulletin 2020*, pp. 5-12.
- Ellul, R., Darmanin, J. and Borg, I. (2019). Hedonic house price indices for Malta: a mortgage-based approach. *Central Bank of Malta Working Paper WP/02/2019*.
- Falzon, J. and Lanzon, D. (2013). Comparing alternative house price indices: evidence from asking prices in Malta. *International Journal of Housing Markets and Analysis*, 6(1), pp. 98-135
- Hill, R. J. (2013). Hedonic price indexes for residential housing: a survey, evaluation and taxonomy. *Journal of Economic Surveys*, 27(5), pp. 879-914,
- Housing Authority (2021). *The Annual Malta Residential Rental Study: First edition*. Publication by the Housing Authority.
- Kain, J.F. and Quigley, J.M. (1970). Measuring the value of housing quality. *Journal of the American Statistical Association*, 65(330), pp. 532-548.
- Lancaster, K.J. (1966). A new approach to consumer theory. *Journal of Political Economy*, 74(2), pp. 132-157.
- Malpezzi, S. (2003). Hedonic pricing models: a selective and applied review. In: O' Sullivan, T. and Gibb, K. (Eds), *Housing Economics and Public Policy: essays in Honor of Duncan MacLennan*, Blackwell Science Ltd, Oxford, pp. 67-89.
- Micallef, B., Debono, N. and Ellul, R. (2021). A framework to assess developments in registered rents. In *The Annual Malta Residential Rental Study: First edition*, publication by the Housing Authority.
- Micallef, B., Ellul, R. and Debono, N. (2022). A hedonic assessment of the relative importance of structural, locational and neighbourhood factors on advertised rents in Malta. *International Journal of Housing Markets and Analysis*, 15(1), pp. 203-230.
- Micallef, B. and Gauci, T. (2022). Advertised rents in Malta. Article published in *Central Bank of Malta Annual Report 2021*, pp. 77-81.
- Rodriguez, M. and Sirmans, C.F. (1994). Quantifying the value of a view in single-family housing markets. *The Appraisal Journal*, 62(4), pp. 600-603.

Rosen, S. (1974). Hedonic prices and implicit markets: product differentiation in pure competition. *Journal of Political Economy*, 82(1), pp. 34-55.

Schläpfer, F., Waltert, F., Segura, L. and Kienast, F. (2015). Valuation of landscape amenities: a hedonic pricing analysis of housing rents in urban, suburban and periurban Switzerland. *Landscape and Urban Planning*, 141, pp. 24-40.

Silver, M. (2016). How to better measure hedonic residential property price indexes. *International Monetary Fund Working Paper WP/16/213*.

Widlak, M. and Tomczyk, E. (2010). Measuring price dynamics: evidence from the Warsaw housing market. *Journal of European Real Estate Research*, 3(3), pp. 203-227.

Wilhelmsson, M. (2009). Construction and updating of property price index series: the case of segmented markets in Stockholm. *Property Management*, 27(2), pp. 119-137.

Chapter 3| Housing Affordability: A Focus on Young People in Malta

Authors | Dr. Marie Briguglio and Glen Spiteri

Abstract

Young Maltese people leave home considerably late in comparison to other EU countries ostensibly not by choice but for financial reasons. This chapter sets out to assess the potential of young Maltese people to rent or purchase their own home. The analysis considers lower-bound estimates for starting rents to be around €200 for a shared dwelling and €550 for a studio in Malta or a 2-3 bedroomed flat in Gozo. Average residential property prices are considered to be just under €200K. Two scenarios for net incomes among young people are considered namely, €800 a month and €1600, corresponding to incomes which are slightly above the minimum wage and average incomes respectively. Affordability is explored by examining the ratio of housing costs (rents or mortgages) to income as well as by examining living wages and residual incomes. The analysis also delves into other considerations, including the implications of family wealth effects, issues pertinent to foreign young people living in Malta, as well as considerations of the quality/crowding of the housing. The analysis concludes that it is unlikely for most young Maltese people to be able to afford moving out of the family home unless they receive family or state assistance, marry/cohabit or move to Gozo. The chapter concludes by outlining existing policy measures, exploring the application of the findings to other segments of the population and making further recommendations for policy and research.

Key words: Housing; Rent; Affordability; Malta; Youth

1. Introduction

As the European Union turned its focus to young people, with 2022 being declared the European Year of Youth, Eurostat issued the results of a study on when young people across Europe leave their parental homes (Eurostat, 2021). The study revealed that young people in Malta leave home considerably late in comparison to other EU countries. The average age for leaving the parental home is 30 in Malta (and slightly older for males). The average age for leaving home in various other European countries, particularly in Northern countries, is 18-22 years, on average.

Many factors are at play, not the least of which are cultural ones (Abela, 2016). After all, the situation has long prevailed, even when rental and property prices in Malta were far lower than they are today. Indeed, similar trends to Malta are also present in some countries in South Europe, where young people leave home in their late twenties, on average.

Furthermore, in a country as small as Malta, there is also a geographical argument that arguably explains why people take their time to leave their parental home. Given the average distances to work in Malta, one's parental home is as good as any to travel to educational institutions or workplaces. An exception to this is the reality of young people who live in Gozo. In fact, far more Gozitans are likely to leave their parental home and live in Malta (Kunsill Nazzjonali taż-Żgħażaġh, 2021). Presently, some 1,000 Gozitan students (and rising) are estimated to study in Malta (Thejournal.mt, 2021). On average almost one in four Gozo residents commute to work in Malta (Giordimaina, 2021).

The question explored in this study is whether young people in Malta *could* flee the nest even if they wanted to. Housing is a fundamental right, and one that paves the way for the enjoyment of other rights (United Nations, 1948). Setting up personal living arrangements enables self-sufficiency and independence and empowering young people to take this step is a priority for Malta's National Youth Council. Yet a recent survey commissioned by the same Council and Aġenzija Żgħażaġh, found that most young people (aged 18-35) in Malta living in the family home do not do so by choice but mainly for financial reasons (Kunsill Nazzjonali taż-Żgħażaġh, 2021).

The question of affordability in the context of Malta is particularly interesting given that prices in the rental market rose rapidly over the last decade (Micallef, 2021). Following decades of relative inactivity, the residential lease market in Malta has increasingly become a thriving affair. Consequently, it is now a realistic prospect to live in a rental property - at least in principle. Renting offers young people in Malta a degree of flexibility to grow into the dwelling of choice, rather than committing capital to purchasing a property. But it is interesting to examine whether this holds up in practice, given rent-to-earnings ratios (Zammit, 2022). Increases in property prices in Malta also outstripped the EU-27 average between 2010-2020 (The Malta Independent, 2021).

This article focuses mainly on the potential of young people to rent their own home (Section 2), but, in the light of a long-standing trend of home-ownership in Malta, it also examines the potential for young people to *buy* a residential home (Section 3). The nature of existing and potential intervention to address the situation is then discussed (Section 4). Methodologically, the article adopts a stylised facts approach, examining data which is available and creating scenarios to answer the questions.

2. Affordability of Rental Dwellings: Scenarios and implications

To examine whether rents are affordable, a basic approach is to estimate the monthly rent as a percentage of monthly earnings. A simplistic and much used rule-of-thumb for rents to be considered affordable is for these rents to be a percentage of earnings - for instance 30% (Office for National Statistics, 2021). The Eurostat indicator considers 40% of household disposable income to be the cut-off point.¹¹ In Malta, the Housing Authority adopts a more conservative 25% as the national marker (S. Cutajar, personal communication, May 17, 2002). Meanwhile, empirical evidence of the actual percentage of income allocated to housing arrangements in Malta suggests that among those aged 18-35, this can range from 10% (among those living in a family owned property) to 50% of income (Kunsill Nazzjonali taż-Żgħażagħ, 2021). An obvious starting point to assess affordability, is to examine rents and to compare these to earnings in Malta for the demographic cohort of interest.

2.1 Rents

Recent Housing Authority data provides useful data in this regard (Housing Authority, 2021). Based on the data available from the first year of rental registration (2020), and confirmed by data in the subsequent year, rents in Malta, as in other countries, naturally vary according to size, location and other attributes (Micallef et al., 2021). For instance, accommodation in the Northern Harbour area of Malta is the most expensive, while Gozo offers the least costly rentals.

During the first year of the Covid-19 outbreak, a three-bedroomed apartment in the Northern Harbour commanded a median rent of €950 in contrast with median rents of between €700 to €750 in other regions of Malta. Median rents in Gozo were considerably lower at €500. On average, the lowest possible registered rent for a dwelling could be found in the range of €450-€650 for 1-bedroomed apartments. A shared space (a room within a shared dwelling) could be found in most regions for less than €200, and in some regions (e.g. Southern Harbour), on exception, for even €100 per month. This said, even some shared spaces commanded an excess of €500 per month (Debono et al., 2021). Figures for 2021 suggest that median rents rose slightly with median rents for a three-bedroomed apartment in the Northern Harbour standing at €950, while in other regions it varies between €700 and €750. For Gozo, median rent stood at €550 (Micallef, 2022). These figures pertain to actual registered rents. Recent data suggests that advertised rents are anywhere from 10% to 30% higher than those registered (Debono et al., 2021).

While the rental market presents various scenarios in practice, for the purposes of this exercise, it is possible to consider that anyone looking for low cost rentals will be served by at least three scenarios: i. a room in a shared dwelling realistically starting at around €150 per

¹¹ The Eurostat indicator of housing cost overburden rate is defined as the percentage of the population living in a household where the total housing costs represent more than 40% of the total disposable household income.

month, ii. a studio or one-bedroomed flat in Malta starting at €500, or iii. a 2/3 bedroomed flat in Gozo for €500. These prices exclude utilities (water, electricity, gas and condominium fees, internet fees), which are unlikely to be lower than €50 per month.

For simplicity then, we assume starting rents, including utilities, to be around €200 for a shared dwelling and €550 for a studio in Malta or a 2-3 bedroomed flat in Gozo. We consider these to be lower-bound estimates.

2.2 Earnings

What about earnings? Getting an estimate of earnings for young adults proves to be quite a challenge in Malta, mainly because in large scale representative surveys (such as the Survey on Income and Living Conditions or the Labour Force Survey) consider the household as the unit of analysis.

As a starting point, the current minimum wage at the time of writing is €9,507.16 per annum, translating to €792.26 per month.¹² According to the labour force survey, average monthly basic salary of employees for the first quarter of 2021 across all regions in Malta, all sectors and all ages, was estimated at twice this, around €1,597 gross (National Statistics Office, 2021).¹³ Here too there are considerable variations by sector, by position as well as by demographic distinctions. For instance, the financial and insurance activities sector yielded among the highest incomes. Salaries also varied from €972 in elementary occupations to €2,353 among managers.

Recent regional statistics also shed light on variations in average monthly salaries by region and gender (National Statistics Office, 2021b). In this exercise the average gross monthly basic salary for employees was estimated at €1,633 in 2019.¹⁴ For males the average was higher at €1,748 while for women the average stood at €1,481. The highest average gross annual basic salary for both males and females was registered in the Western district while the lowest averages were registered in Gozo at €1,461 per month and the Southern Harbour area which stood at €1,460 per month.

¹² According to the *National Minimum Wage National Standard Order (2021)*, (L.N. 462) the national minimum wage per working week for adults amounts to €182.83, totalling €9,507.16 over 52 weeks (€792.26 monthly).

¹³ Average monthly basic salary here refers to salary received by employees before any social contributions and tax deductions. This amount excludes payments for overtime, allowances and bonuses, but accounts for the wage supplement scheme. As a result, persons who stated that they were receiving this supplement during the first quarter of 2021 had their monthly salary modified to account for this change in their income. Data is provisional and subject to revisions.

¹⁴ Gross annual basic salary refers to the gross annual basic salary received by employees before any social contributions and tax deductions. This amount excludes payments for overtime, allowances and bonuses.

For insights on earnings by age, we turn to the data extracted from the EU SILC 2020.¹⁵ The median net equivalised income published by the EU-SILC, reveals that those aged between 16 to 24 years (which include students) enjoy a monthly household equivalised income of €1,403, in comparison with the 25-49 age bracket where the figure stands at €1,495.¹⁶

An exercise involving disaggregated data in 2019 finds average earnings of 25-29 year olds to be just shy of €1,600 per month, while average earnings of younger persons (20 to 24) to be significantly lower and closer to the minimum wage.¹⁷ The lower average for this age bracket reflects the fact that most would still be in full-time education. In fact, Malta's education statistics reveal student enrolment in post-secondary and tertiary education stands at almost 26,000 (National Statistics Office, 2021c). Although free of student debt, they would not yet be earning a full income.

For illustration purposes, we therefore take two scenarios, namely a young person (likely aged under 24) earning €800 net a month and a young person (likely aged 25-29) earning €1600 net per month.

2.3 Affordability

The analysis now brings these stylised facts together to consider a young person earning in the range of net €800 per month, another earning net €1,600 per month, in the light of available affordable accommodation, namely €200 per month in a shared dwelling, or for €550 per month for a studio or one-bedroomed flat in Malta, or a 2-3 bedroomed flat in Gozo (See Table 1).

Applying the 30% - 40% rules, any young person on the minimum wage or thereabouts, can only afford a room in a shared dwelling. Young people earning average salaries or above, can afford a studio or 1-bedroomed flat in Malta by the 40% rule. More options are available for young people willing to cohabit. For instance, it is affordable for the average young couple earning average salaries to afford any dwelling across Malta and Gozo. For a young couple on minimum wages, a studio or 1-bedroomed apartment is affordable if we consider that 40% is an acceptable percentage to spend, but less so if we cap the rent/earnings limit at 30% (or lower).

¹⁵ This excludes income at household level such as rental income, family/children related allowances, social exclusion, housing allowances, regular inter-household cash transfer received and income received by people aged under 16 and Interest, dividends, profit from capital investments in unincorporated business. Individual gross income is composed of the following categories: Employee cash or near cash income, Company car, Cash benefits or losses from self-employment, Pension from individual private plans, Unemployment benefits, old-age benefits, survivor's benefits, sickness benefits, disability benefits, education-related allowances.

¹⁶ Equivalised income helps to account for differences in household size and composition. Total disposable income of the household is divided by an equivalisation factor (weighted according to household member), yielding the income attributed to each individual. Common scales include the OECD-modified scale which gives a weight of 1.0 to the first person aged 14+, a weight of 0.5 to other persons aged 14+ and a weight of 0.3 to persons aged 0-13.

¹⁷ Based on the authors' own calculations.

To make this analysis more rounded, it is necessary to consider some nuances around the basic argument. The first, of course, is that it is possible to consider different metrics of affordability. The conventional ratio concept can be misleading, in that different households will experience the squeeze between housing costs and incomes in different ways – particularly those at the low-income spectrum. A popular definition of affordability which takes such considerations into account is that which considers whether the residual income is sufficient to meet essential non-housing expenditure (Stone et al., 2011).

To assess affordable rents by this metric, one would need to examine a minimum monthly income standard for Malta. A recent local study assessed the minimum essential budget needed for a decent living in 2020, in three scenarios (Piscopo et al., 2020).¹⁸ The findings indicate that for a couple with two children (and excluding rent), this would be €1,125.06, for a single parent, this would be €882.67 and for an elderly couple with no children, this would be €653.15. Unfortunately the study does not provide a scenario on the minimum essential budget needed for young people, but it is safe to estimate that the costs for a single young person are lower than €1,125.06 needed for a couple. Indeed, a small manipulation to the data in the report would suggest that the minimum budget for a single person without a child would be around €847.3 monthly.

This figure can be compared with that emerging from another recent study on what constitutes a living wage in Malta based on 2016 data (Galea, 2018). This would suggest that for an individual, this is €679 per month - roughly 15% lower than the present minimum wage. The estimate is calculated as 60% of the total Median Net Equivalised Income. To account for higher incomes in 2022, and for ease of discussion, we round this up to €700 as a conservative estimate of what a single young person needs to live.

In turn, assuming €700 as the basic minimum needed to live, then young people on the minimum wage would be left with insufficient residual income to rent. Working in reverse, young people would need to be earning at least €900 net a month to afford a room and a living wage and €1,350 net a month to be able to afford a studio or 1-bedroomed flat, or a flat in Gozo.

¹⁸ In this study, Piscopo, Bonello and Gatt (2020) estimate the living income based on food, clothing, personal care, health, household goods and maintenance, laundry and care, services, education, culture and gifts, transport and rent on social housing. In our cited income standard, we exclude the rent estimates to capture all living costs less housing.

	Earnings	30% or 40% rule			Residual rule	
Scenario		30% of earnings	40% of earnings		Based on €700	
	€	€	€	Rental options	€	Rental options
Young Couple average earnings	3200	960	1280	Wide range	1800	Wide range
Young Couple minimum earnings	1600	480	640	Room, Studio, Gozo	200	Room
Young Person average earnings	1600	480	640	Room, Studio, Gozo	900	Wide range
Young Person minimum earnings	800	240	320	Room	100	None

Table 1: Rental affordability for young people – illustrative scenarios

One may also bring into question other considerations, for instance whether the housing which is considered affordable meets other criteria, chiefly, adequate sanitary standards and those needed to avoid overcrowding.¹⁹ In this regard, the EU definition of overcrowding envisages a minimum of one room for the whole household and one room per adult couple in the household (Eurostat, 2021b).²⁰ The OECD definition requires a one-person household to have two rooms (one for the household and one for the adult), a single parent household or a cohabiting/married couple household with 2 children under 12 years of age should have three rooms (OECD, 2022).²¹ Adequacy, on the other hand, refers to the conditions of the dwelling such as mould, rot and availability of sanitary facilities. Do affordable properties provide sufficient and sanitary space to be within these definitions? Failure to do so narrows the availability of affordable accommodation further.

While the above arguments suggest a somewhat pessimistic scenario for rental affordability in Malta particularly for younger adults and those on minimum wages, consideration of wealth effects suggests the opposite. Indeed, though incomes may be low, young people may benefit from parental wealth, rendering their liquidity higher and offering them more options for rental (Davenport et al., 2021). Relatedly, young persons may benefit from subsidised (or zero) rent if living in their parents' second/third homes. Ownership of more than one dwelling per household is certainly not an uncommon phenomenon in Malta (Attard et al. 2020).²²

¹⁹ Refer to the *Development Planning (Health and Sanitary) Regulations (2016)*, (S.L.N. 552.22).

²⁰ The definition also envisages one room for each single person aged 18 and over, one room per pair of single persons of the same sex between 12 and 17 years of age, one room for each single person between 12 and 17 years of age and not included in the previous category; one room per pair of children under 12 years of age.

²¹ According to the OECD, a one-person household should have two rooms (one for the household and one for the adult), a single parent household or a cohabiting/married couple household with 2 children under 12 years of age should have three rooms. Rooms typically refer to bedrooms, living and dining rooms in the case of European countries. In non-European countries, rooms would also include kitchens.

²² On average, households in Malta hold 23% of real assets in secondary property.

A further nuance relates to foreign young people working in Malta. Here the variance in wages is likely to be higher - ranging from above the mean in certain sectors (like gaming) to below minimum among those working in the underground and precarious economy and foreign students (National Statistics Office, 2022). Limited family and social networks, relative ineligibility for free social and other governmental services, not to mention an obligation to pay for permits and their renewals (and a duty to send remittances in some instances), is likely to render living in Malta a more expensive enterprise for most foreign young people than it is for Maltese youth. Yet, unlike the Maltese, renting is often-times the only living arrangement available for foreign young people in Malta.

Be it as it may, the essential finding remains fairly clear, namely that it is unlikely for most young people in Malta to be able to live alone in Malta - at least on their own steam. The implications are various, but notably three: i. As things stand, state or family intervention is necessary for most young people in Malta to live alone. ii. For young people wishing to rent a dwelling, with their own means, cohabitation or sharing would appear to be an important consideration. iii. Gozo will increasingly become an attractive option for affordable housing, particularly with increased connectivity.

3. Home Ownership

The discussion would not be complete without examining the potential for young people to purchase their own home. There is, after all, a very high tendency for home ownership in Malta where 81.9% of households are homeowners (National Statistics Office, 2021d). According to the aforementioned study by the National Youth Council and the Aġenzija Żgħażaġħ, among the young respondents who have moved out of their familial home, three-quarters in fact live in an owned property.

In the home ownership domain, measuring affordability can be done by various metrics. A simple starting point again involves comparing housing prices to earnings. If, for instance, a median house costs €250,000 and median income is €25,000 then the ratio of house prices to income is 10. As a rule of thumb, house prices should not be more than 4-5 times the annual salary (Office for National Statistics, 2021). For instance, Meen (2018, p. 6) states "In 2016, house prices in England, according to official statistics, were on average 7.7 times earnings and, for many, this simple summary indicator epitomises the extent of the housing crisis; it does not appear plausible that prices relative to earnings could be sustained at these levels." (Meen, 2018).

In addition to this consideration, affordability for first time buyers has another component - the ability to make a deposit of 10%. To this, one must add the non-trivial fees of notaries, architects, life policies and stamp duties typically involved in the purchase of a property. And, given that most properties are sold unfurnished, one would need to add the cost of making a property habitable.

When looking at the same ball-park figures, and employing the figure of monthly earnings of €1,600, then for dwellings to be affordable for the average young single person, they would need to be priced under €96,000 (Eurostat, 2022). A median couple purchasing a dwelling together could, theoretically, afford twice as much. For young people on the minimum wage or thereabouts, lack of affordability happens at much lower prices. Indeed for anyone in Malta

earning in the region of the minimum wage or slightly more a year, the only affordable properties would be those costing under €48,000.

Against this data, one may cast a quick look at house prices in Malta. Though there are differences between asking prices and actual selling prices (Martin, 2021), the National Statistics Office register of property sales transactions reveals that in March 2022, the average value on a final deed of sale among households was €199,442 (National Statistics Office, 2022b). Securing a finished, furnished residential property for €48,000 to €96,000 with all fees included is impossible. This rules out purchase for most young people. More so when one considers the added burden of having to have savings worth 10% of the selling price for the upfront deposit. Even if such properties were available on the market, one would need to question whether the residual income would allow such people to cope with living.

Solo purchase of a property without assistance is impossible for most young people in Malta. Indeed, given current prices and earnings, purchase is a difficult scenario even for young couples whose expectations may rightly include additional bedrooms to grow a family. With two incomes of €1,600 per month, and a rule of thumb of property costing 5 times as much as earnings, a couple would just about afford the average unfurnished property in Malta, excluding other costs. They would however, still need to contend with the prospect of raising at least 10% of the value for the deposit.

Again, this discussion merits some reconsiderations. In the case of purchase, wealth effects become more pertinent. Young people may benefit from parental wealth, offering them more options for purchase. Relatedly, young persons may benefit from inheritance of actual properties from their parents. Moreover, young people may already be on the property ladder. This would theoretically allow them to generate their own capital before purchasing another property. Naturally this assumes that they would have purchased a property when they were younger – something which, given prices and wages in recent years, certainly cannot be considered as typical.

The essential finding that emerges is that it is unlikely for a young person in Malta earning minimum to slightly above average wages to be able to purchase a property on their own steam – unless they do so as a cohabiting or married couple, with their parents' help or with state assistance. Certainly, one may again consider different metrics of affordability, the different incomes for the different segments of young people (by education, age) and, of course, the grants/assistance available to young people by state aid - discussed in the next section.

4. Implications for policy

It is evident that numerous incentives have been introduced to address the issue over the years – mainly focused on assisting people to become home-owners. The emphasis is on first-time buyers - which although not necessarily young people, are far more likely to be so. Notable among these are the First Time Buyers' Scheme and the more recent assistance with the down payment payable upon promise of sale (Servizz.gov, 2022).²³ First-time buyers also

²³ The loans scheme launched by the government aims to assist property buyers within the 21-40 age category.

save on stamp duty and receive grants of €15,000. The amount is twice that if the property is in Gozo – even though properties in Gozo are cheaper.²⁴

Additionally, anyone purchasing a property falling under certain categories could, at the time of writing, receive a VAT refund of up to €54,000 on the first €300,000 expenses incurred in improvement/restoration of the property. The Equity Sharing Plus scheme has also seen a lowering of the eligible age from 40 to 30 years (Housing Authority, 2016). Evidence of the impact of these initiatives is worth investigating. Such impact will undoubtedly include both intended impacts on affordability, but also unintended consequences – for instance possible inflationary effects.

In the rental market, 2019 saw the introduction of new means-tested benefits for tenants on rent paid for premises leased for over six months as ordinary residence - provided applicants would have been resident in Malta for at least 18 months, among other conditions (Housing Authority, 2019). For a single person earning under €19,182 (just under €1,600 per month), the benefit is capped at €3,600 per annum (roughly €300 per month). For single or other parents, and for two or three adults renting, the income levels and/or the benefits are marginally higher. Higher benefits also apply in cases of disability. Gozitan students undertaking tertiary education in Malta are also entitled to assistance on rental costs of up to €600 per month (for shared dwellings).

This said, according to the recent study by the National Youth Council and the Aġenzija Żgħażaġħ, only 10% of young people residing alone obtained help from third parties - namely parents or government. Among these, the vast majority (86%) identified the third party as their parents. Asked what kind of support they would like to receive from the government, respondents pointed to both the need for support when buying and when renting, as well as the need for more social housing in that order of importance. Incentives for first-time buyers and students, lower interest rates on loans and regulation of property prices and rent were also mentioned (Kunsill Nazzjonali taż-Żgħażaġħ, 2021).

Future intervention can take different forms: tax deductions, housing allowances, subsidised loans, and investment grants. A key consideration is that subsidies should be carefully designed not to result in the transfer of money to those less in need. Subsidies without conditions can easily stimulate speculation, contribute to increased prices on homes and construction, push up rents and decrease housing affordability as an unintended effect.

Legislation such as Development Planning guidelines facilitating the development of affordable housing, and conversion to smaller units can also assist in the provision of affordable supply. Fiscal dis/incentives can also guide the market to offer supply where it is needed. For instance, property developers could be incentivised to construct or rehabilitate affordable housing for low-income households, thereby expanding affordable supply. Investors would also do well to consider the need for properties at the lower end of the cost spectrum – both for sale and to rent. In the private sector, the design of bank loan instruments can help young people access the housing market.

²⁴ Applies on dwellings built more than 20 years ago and vacant for more than 7 years, built in an urban-conservation area (UCA), or are new but built in traditional Maltese style.

5. Conclusion

Young Maltese people leave home considerably late in comparison to other EU countries with lack of affordability ostensibly being one of the reasons for this state of affairs. To assess the situation in Malta, this study has brought together stylized facts from various sources. Upon employing the 30-40% of earnings rule, the study found that a young couple on average earnings can afford a broad range of rental options. For an identical couple on minimum earnings or for a single young person with average earnings, options are far more limited. Renting a room in a shared dwelling is the only affordable option available to young people on minimum earnings, and even then, without sufficient residual income. Purchasing a house is also a difficult prospect for younger people, although a hypothetical couple with average earnings can expect to participate in the housing market.

Against this backdrop, a key conclusion is that housing, be it rental or purchase, is unlikely to be a realistic prospect for young people in Malta were it not for government intervention or family assistance, unless they marry or cohabit, or relocate to Gozo. Of course, this issue is not confined to Malta but pertinent in most cities of the world (Choi, 2018). The main difference is that in other countries it is possible to relocate to cheaper property on the outskirts of the city and commute. This could well be one of the reasons for the observed delay in young people leaving their parental home in Malta and resonates with findings from recent survey-based research.

The implications of this pose another set of interesting questions: Does this state of affairs impact marital decisions, nudging young people into marriage to afford a joint property? Does it discourage young people from staying in school, propelling them to settle into stable jobs sooner? What are the life-style implications for their parents? What is the risk of homelessness, if the parents do not have a family home (or bequest) to offer? (see, for instance Diaz, 2021) Could Gozo increasingly become an option for young people to set up their first home? What are the broader well-being consequences on young people of remaining in the family home longer than the European average? On this last point, a recent study in Malta suggests negative implications (Kunsill Nazzjonali taż-Żgħażaġħ 2021).

Future research could also extend this analysis to other segments of the population. Indeed much of the analysis here is applicable to anyone in Malta on the minimum to average wage. In this regard it is pertinent to point out that the latest statistics indicate that some 85,369 persons in Malta earn a salary that is lower than €812 per month. These people are at risk of poverty, and women are more at risk than men (National Statistics Office, 2021e; Trading Economics 2022). Simply put, these people cannot afford any rent or mortgages at all were it not for state assistance. There is no doubt that an informed debate about earnings in Malta is crucial. One issue up for discussion is whether minimum wages should move closer to living wages, and how (See Eurofound, 2021). After all, affordability (and lack of it) is not an inherent characteristic of the housing or rental market but rather one that speaks of the relationship between housing costs (rent or mortgage) and income.

References

- Abela, A. (2016) 'Chapter 1: Family life', in Briguglio, M. and Brown M. (eds.), *Sociology of the Maltese Islands*. Ħal Luqa: Miller Publishing, pp. 17-46.
- Attard, S., Deguara, W., and Antonaroli, V. (2020). *Household Finance and Consumption Survey: A Comparison of the main results for Malta and the Euro Area* (WP/05/2020). Valletta: Central Bank of Malta.
- Choi, J., Zhu, J., Goodman, L., Ganesh, B., and Storchak, S. (2018). *Millennial Homeownership: Why Is It So Low, and Can We Increase It?* The Urban Institute. Available at: https://www.urban.org/sites/default/files/publication/98729/millennial_homeownership_0.pdf (Accessed 3 February 2022).
- Davenport, A., Levell, P., and Sturrock, D. (2021). *Why do wealthy parents have wealthy children?* (Report No. R196). Institute for Fiscal Studies. Available at: <https://ifs.org.uk/uploads/R196-Why-do-wealthy-parents-have-wealthy-children.pdf> (Accessed 26 May 2022).
- Debono, N., Ellul, R., and Micallef, B. (2021). 'An Analysis of Private Residential Leases Registered with the Housing Authority in 2020', in Housing Authority (ed.), *The Annual Malta Residential Rental Study*. Malta: Housing Authority, pp. 21-36. Available at: <https://rentregistration.mt/wp-content/uploads/2021/06/The-Annual-Malta-Residential-Rental-Study-First-Edition.pdf> (Accessed 3 February 2022).
- Development Planning (Health and Sanitary) Regulations* (2016), (S.L.N. 552.22). Available at: <https://legislation.mt/eli/sl/552.22/eng/pdf> (Accessed 18 January 2022).
- Diaz, D. C. (2021) *Homeless young people; a lack of adequate policies and legislation?* BA (Hons) Dissertation. University of Malta. Available at: <http://ymcamalta.org/audit/d880b2ae3b.pdf> (Accessed 2 February 2022).
- Eurofound (2021) *Minimum wages in 2021: Annual review* (Minimum wages in the EU series). Luxembourg: Publications Office of the European Union.
- Eurostat (2021) 'When do young people leave the nest?', *Eurostat*, 21 Aug. Available at: <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/edn-20210812-1> (Accessed 6 February 2022).
- Eurostat (2021b) *Glossary: Overcrowding rate*. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Overcrowding_rate (Accessed 3 February 2022).
- Eurostat (2022) 'Mean and median income by household type - EU-SILC and ECHP surveys'. Available at: https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di04 (Accessed 6 February 2022).
- Galea, C. (2018) *Illustrating the economic implications of introducing a universal basic income in Malta*. B.Com. (Hons) Dissertation. University of Malta. Available at: <https://www.um.edu.mt/library/oar/handle/123456789/56867> (Accessed 6 April 2022).
- Giordimaina, J. (2021) 'Gozitans working in Malta on the rise', *Newsbook*, 6 June. Available at: <https://newsbook.com.mt/en/gozitans-working-in-malta-on-the-rise/> (Accessed 6 April 2022).

Housing Authority (2016) *Equity Sharing*. Available at: <https://housingauthority.gov.mt/en/Pages/Schemes/EQUITY-SHARING.aspx> (Accessed 6 April 2022).

Housing Authority (2019) *Housing Benefit on Privately Rented Dwellings*. Available at: <https://housingauthority.gov.mt/en/Documents/Schemes/HBS%20Conditions%20-%20English%202022.pdf> (Accessed 3 February 2022).

Housing Authority (2021) *The Annual Malta Residential Rental Study (First Edition)*. Floriana: Housing Authority.

Kunsill Nazzjonali taż-Żgħażaġħ (2021) *Analysing Youth Perceptions on Housing Arrangements*. Floriana: Aġenzija Żgħażaġħ and Kunsill Nazzjonali taż-Żgħażaġħ.

Martin, I. (2021) 'Property asking prices twice as high as the average sale price, report finds', *The Times of Malta*, 21 Jun. Available at: <https://timesofmalta.com/articles/view/property-asking-prices-twice-as-high-as-the-average-sale-price-report.881090> (Accessed 3 April 2022).

Meen, G. (2018) *How should housing affordability be measured?* UK Collaborative Centre for Housing Evidence Report No. R2018_02_01. Available at: https://housingevidence.ac.uk/wp-content/uploads/2018/10/R2018_02_01_How_to_measure_affordability_v2.pdf (Accessed 3 April 2022).

Micallef, B. (2021). 'Background on the Private Rental Market in Malta', in Housing Authority (ed.) *The Annual Malta Residential Rental Study*. Malta: Housing Authority, pp. 13-21. Available at: <https://rentregistration.mt/wp-content/uploads/2021/06/The-Annual-Malta-Residential-Rental-Study-First-Edition.pdf> (Accessed 3 February 2022).

Micallef, B. (2022) 'Two years after the 2020 rent reform – how has the private rental market in Malta evolved?', in Housing Authority (ed.) *The 2022 Residential Leases Report (present volume)*. Floriana: Housing Authority.

Micallef, B., Debono, N., and Ellul, R. (2021) 'A Framework to Assess Developments in Registered Rents' in Housing Authority (ed.) *The Annual Malta Residential Rental Study*. Malta: Housing Authority, pp. 37-44. Available at: <https://rentregistration.mt/wp-content/uploads/2021/06/The-Annual-Malta-Residential-Rental-Study-First-Edition.pdf> (Accessed 3 February 2022).

National Minimum Wage National Standard Order (2021), (L.N. 462). Available at: <https://legislation.mt/eli/ln/2021/462/eng> (Accessed 29 April 2022).

National Statistics Office (2021) 'News Release - Labour Force Survey: Q1/2021', 24 Jun. Available at: https://nso.gov.mt/en/News_Releases/Documents/2021/06/News2021_112.pdf (Accessed 3 April 2022).

National Statistics Office (2021b) *Regional Statistics - Malta 2021 Edition*. Available at: https://nso.gov.mt/en/nso/Media/Salient-Points-of-Publications/Documents/2021/Regional%202021/Regional%20Statistics%202021_full%20publication.pdf (Accessed 3 April 2022).

National Statistics Office (2021c) 'News Release - Students in Post-secondary and Tertiary Education: 2018-2019', 16 Feb. Available at: https://nso.gov.mt/en/News_Releases/Documents/2021/02/News2021_026.pdf (Accessed 3 April 2022).

National Statistics Office (2021d) 'News Release - EU-SILC 2020: Salient Indicators', 29 Sep. Available at: https://nso.gov.mt/en/News_Releases/Documents/2021/09/News2021_175.pdf (Accessed 3 April 2022).

National Statistics Office (2021e) 'News Release - EU-SILC 2020: Main Dwellings', 13 Oct. Available at: https://nso.gov.mt/en/News_Releases/Documents/2021/10/News2021_187.pdf (Accessed 3 April 2022).

National Statistics Office (2022). 'News Release - Labour Force Survey: Q4/2021', 14 Mar. Available at: https://nso.gov.mt/en/News_Releases/Documents/2022/03/News2022_043.pdf (Accessed 3 April 2022).

National Statistics Office (2022b) 'News Release - Residential Property Transactions: Q1/2022', Apr 11. Available at: https://nso.gov.mt/en/News_Releases/Documents/2022/04/News2022_060.pdf (Accessed 26 May 2022).

OECD (2022) *Housing overcrowding (indicator)*. <https://doi.org/10.1787/96953cb4-en> (Accessed 3 February 2022).

Office for National Statistics (2021). 'Private rental affordability, England: 2012 to 2020', 6 Oct. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalaffordabilityengland/2012to2020#:~:text=For%20the%20financial%20year%20ending,the%20same%20median%20rental%20property> (Accessed 6 April 2022).

Piscopo, S., Bonello, A., and Gatt, A. (2020) *A Minimum Essential Budget for a Decent Living 2020 - A research study focusing on three low-income household categories*. Floriana: Caritas Malta.

Servizz.gov (2022) *First Time Buyers' Scheme*. Available at: https://www.servizz.gov.mt/en/Pages/Inclusion_Equality-and-Social-Welfare/Social-Welfare/Social-Housing/WEB05053/default.aspx (Accessed 6 April 2022).

Stone, M. E., Burke, T., and Ralston, L. (2011) *The Residual Income Approach to Housing Affordability: The Theory and the Practice* AHURI Positioning Paper Series No. 139. Available at: http://works.bepress.com/michael_stone/7 (Accessed 3 February 2022).

The Malta Independent (2021) 'House prices rose by nearly 42% since 2010 - Eurostat', *The Malta Independent*, 21 December. Available at: <https://www.independent.com.mt/articles/2021-12-20/local-news/House-prices-rose-by-nearly-42-since-2010-Eurostat-6736239217> (Accessed 3 February 2022).

theJournal.mt (2021) 'Support to Gozitan students studying and living in Malta', *theJournal.mt*, 24 May. Available at: <https://thejournal.mt/support-to-gozitan-students-studying-and-living-in-malta/> (Accessed 6 April 2022).

Universal Declaration of Human Rights (1948), (General Assembly Resolution 217A). Available at: <https://www.un.org/en/about-us/universal-declaration-of-human-rights> (Accessed 6 April 2022).

Wage Increase (Employees) National Standard Order (2021), (L.N. 463). Available at: <https://legislation.mt/eli/ln/2021/463/eng> (Accessed 29 April 2022).

Zammit, L. (2022) 'Spiralling Housing Prices', *The Times of Malta*, April 29. Available at: https://timesofmalta.com/articles/view/spiralling-housing-prices-lawrence-zammit.951178?utm_medium=Social&utm_source=Facebook#Echobox=1651208728 (Accessed 29 April 2022).

Chapter 4 | The Adjudicating panel on private residential leases: A review of the first eighteen months.

Authors | Kurt Xerri²⁵ & Stefan Cutajar^{26 27}

Abstract

This article aims to provide an assessment on the functioning of the Adjudicating Panel on Private Residential Leases (Panel), which is the quasi-judicial body constituted by the Private Residential Leases Act to provide a more expeditious remedy in the case of minor disputes between the respective contracting parties to a rental agreement. The below study reflects on whether and how the Panel has contributed to rendering the liberalised Maltese private rental sector a more secure field of investment for lessors, as well as a more reliable housing alternative for lessees. The article also contains reflections on whether there are the grounds for the expansion of the Panel's competence, particularly in the field of evictions, where human rights considerations related to the right to the protection of the home pose certain limits to the legislator's discretion.

Key words: Private Residential Leases Act - Adjudicating Panel on Private Residential Leases - transparency - security - evictions

²⁵ Dr Kurt Xerri is a lawyer and he was involved in the drafting of both the 2018 White Paper on the private rental sector as well as the legal framework contained in the Private Residential Leases Act, 2019.

²⁶ Dr Stefan Cutajar is a lawyer and a member of the Legal Policy & Research Unit of the Ministry for Social and Affordable Accommodation.

²⁷ The views expressed here represent those of the authors and should not be interpreted as representing those of the Housing Authority.

1. Introduction

As part of the reform brought about through the promulgation of the Private Residential Leases Act (the Act), the Adjudicating Panel on Private Residential Leases (Panel), was heralded as one of the main changes that would render the Maltese rental market a more “professional and transparent” playing field for both contracting parties (Times of Malta, 2020). The initial figures illustrate an encouraging situation, at least in numeric terms, particularly when one considers the high number of cases which were decided up to December 2021. During the first year and a half of its operation (26th May 2020 - 31st December 2021), the Panel received 319 claims, out of which 225 were adjudicated (38 claims were eventually withdrawn by the parties). The article is, however, less interested in analysing the statistical data available as much as it is in reviewing the actual content of the decisions and the manner in which certain regulatory parameters laid down in the Private Residential Leases Act have been given effect. The main questions that are being asked in this brief assessment are: i) the extent to which, if at all, has the Panel effectively guaranteed a greater degree of “security, transparency and predictability” (Parliamentary Secretariat for Social Accommodation, 2018) in the private rented sector, which were the three declared objectives of the government prior to the reform, and; ii) whether the Panel could play a greater role than the one that it currently has in achieving the said goals.

1. The Panel's role in increasing security, transparency, and predictability in the local private rented sector

1.1 Security

The term “security” has a dual meaning in the rental market. Lessors understand it primarily as the level of confidence they would have in the market, particularly the reliance that they would have in the success of their property-based welfare strategy and their asset-building potential (Soaita, 2016). Lessees, on the other hand, regard it as a guaranteed protection against arbitrary eviction, harassment and other threats.²⁸ Predictability, understood as the possibility of being provided with prior information, is being treated with security, since the latter may be considered as one of the corollaries of the former.

In theory, longer-term leases favour the achievement of the dual goal of securing a constant revenue stream for the lessor while granting the tenant a healthy degree of stability. Statistics, however, suggest that the practice in Malta is still that of negotiating a one-year-lease (see Chapter 1), which might possibly be correlated to the fact that the majority of tenants in the markets are foreign workers engaged on definite employment agreements. Moreover, evidence also suggests that the period of the pandemic and the temporary readjustment of prices increased the tenant turn over (Debono et al, 2021). The Panel decisions, in fact, reveal that the main issues being faced in this regard relate to the termination of the agreement, specifically the notice of non-renewal that must be provided

²⁸ UN Committee on Economic, Social and Cultural Rights (CESCR), General Comment No. 4: The Right to Adequate Housing (Art. 11 (1) of the Covenant), 13 December 1991, E/1992/23.

by the lessor (article 9), and the notice of the termination that the lessee may provide to the lessor beyond the lapse of the mandatory period (article 11).

1.1.1 Notice of non-renewal by lessor (Article 9)

Article 9 was introduced with the principal aim of ensuring that the lessee would, in any case, be given adequate prior notice in the case that the lessor would not be willing to renew the lease for a further period. Panel decisions as well as appellate court jurisprudence have emphasised the importance of following the notice procedure laid down in article 9 i.e., a registered letter sent three months before the expiration of the lease. A demand for eviction before the RRB was, in fact, not held as being equivalent to a notice in accordance with the Act ("the law is peremptory in this regard and it requires the sending of a registered letter at least three months before the expiration of the lease so that the lessee would be notified with the lessor's intention not to renew [the lease], and he would start thinking about where to relocate").²⁹

1.1.2 Notice of withdrawal by lessee (Article 11)

The lessee's right of premature withdrawal without penalty, beyond the lapse of a mandatory period, was one of the new elements introduced by the Act. The right to withdrawal is, however, conditional on the provision of adequate notice to the lessor. In the absence of such timely notification, the lessee would still incur the loss of up to one month's rent from the deposit.

Panel decisions are consistent on the fact that in the absence of adequate notice by the lessee, the deposit (or part of it) would be forfeited, regardless of the fact that the mandatory period for the lessee would have been exceeded.³⁰ The same holds true if the lessor would have already informed the lessee with the intention not to renew the lease (i.e. the lessor's notice of non-renewal is no excuse for the tenant to terminate the lease without any prior notice).³¹ The Panel has furthermore clarified that neither a WhatsApp message³² nor an email³³ could substitute the procedure of notice by registered letter, although if the lessee provided proper notification on the address provided by the lessor, the latter could not claim any defect of procedure (even if this did not constitute his residence).³⁴

In the meantime, however, certain doubts exist on the consequences of premature termination prior to the expiration of the mandatory period, particularly, regarding the total amount that could be claimed by the lessor. Some decisions have interpreted the wording

²⁹ *Veduta Estates Limited v. Milczarek Gabriela Malgorzata*, Court of Appeal (Inferior), 10 December 2021. App. Inf. Nr. 43/2021; *Verzhinya Zafirova v. Marco Francuski et*, 19 October 2021, ADJ/0126/21.

³⁰ *Alex Briffa v. Clarence Pace*, 23 February 2021, ADJ/0023/21.

³¹ *Miriam Schembri v. Nathan Jason Duncan et*, 27 May 2021, ADJ/0052/21; *Jonathan Bugeja v. Erika Arias*, 8 July 2021, ADJ/0099/21.

³² *Melchior Bonnici et v. Charles Camilleri*, 22 November 2021, ADJ/0175/21.

³³ *Graeme Lord v. Claire Cilia Garrett et*, 27 January 2022; ADJ/0182/21.

³⁴ *Claire Trusler et v. Vela Blu Ltd*, 27 October 2021, ADJ/0156/21.

of article 11³⁵ to mean that in the case of premature withdrawal before the lapse of the mandatory period the landlord's claim would, in any case, be limited to one month's rent.³⁶ It can be argued that this might be a narrow reading of the article since the clause allowing the lessor to proceed "to collect any other amount due by him" refers specifically to the damages that he would have suffered as a result of the property remaining vacant, up from the lessee's departure until the reoccupation of the property or expiration of the mandatory period, whichever even occurs first (and this, without prejudice to other claims such as damage to property). In any case, the lessor cannot request the payment of the remaining mandatory period immediately upon the lessee's departure, as that demand would be considered premature; RRB jurisprudence has clarified that the lessor's claim would, in either case, be limited to an amount reflecting the period during which the property would have remained vacant since it is only with respect to such period of vacancy that civil damages could be claimed.³⁷

It would, however, be up to the lessee to prove a valid reason for any premature termination of the contract, even before the expiration of the mandatory period and without the provision of any due notice. Infestations³⁸ (although one cockroach is no evidence of an infestation³⁹), excessive and undue pressure on the part of the lessor to vacate the property⁴⁰ and safety hazards⁴¹ have been accepted by the Panel as grounds on which the lessee can terminate the contract without the need of providing notice or incurring any penalty. The lack of maintenance of common parts, particularly the lift, would also justify the lessee to leave the property prematurely.⁴² Reasons would be based on articles 1539 of the Civil Code binding the

³⁵ In the case of withdrawal prior to the expiration of the mandatory period, "the lessor may retain an amount not exceeding one (1) month's rent from the deposit left by the lessee by way of security, so however, that the lessor may still proceed against the lessee to collect any other amount due by him"

³⁶ *Michelle Lungaro v. Margherita Da Riva et*, 31 August 2020, ADJ/0008/20; *Andrew Borg v. Marijan Hrvatsko*, 1 July 2021, ADH/0066/21; *Raymond Zammit v. Gabriele Martelli*, 19 October 2020, ADJ/0020/20; *Marisa (Maria Louise) Mifsud v. Jessica Magro*, 15 December 2020, ADJ/0056/20; *Agnes Cassar v. Norov Mirjon*, 1 October 2021, ADJ/0127/21.

³⁷ *Dr Roberta Lepre et v. Federica Mei et*, RRB, 26 February 2019, Rik. 96/16. In this case applicant lessors had requested the payment of the full mandatory (or *di fermo*) period contracted between the parties, following the unilateral premature termination of the contract by the tenant. Due to the fact that the lessors had eventually re-allocated the property to a new lessee, the RRB limited their demand to the period during which the property had remained vacant, the damages caused to the property and the unpaid bills.

³⁸ *Petar Dimovski et v. Tony Henry Debono*, 4 November 2021, ADJ/0137/21.

³⁹ *Konstantin Ryzhov et v. Dean Micallef*, 3 February 2021, ADJ/0083/20.

⁴⁰ *Jacques Le Rous et v. Lauren Emma Rampley*, 14 January 2021, ADJ/0059/20 (in this case lessor was ordered to make a partial reimbursement).

⁴¹ *Nabyaicia Karla Barbosa Santos v. Peter Caruana Galizia*, 4 October 2021, ADJ/0139/21.

⁴² *Andre Karl Camilleri et v. Jasmina Traskoska*, 23 June 2020, ADJ/0004/20.

lessor to maintain the property in a condition which is fit for habitation and to ensure the quiet enjoyment of the property by the lessee.⁴³

The lessor, however, is not responsible for any nuisance caused by the neighbours⁴⁴ or inconveniences caused by the very characteristics of the property.⁴⁵ Similarly, the tenant would not be justified in terminating the lease without penalty if the defects in the property would have been clearly visible upon entry.⁴⁶

Fewer doubts exist as to any written agreement depriving the lessee of the right of premature withdrawal, which, would be considered not to have any effect at law. It has been confirmed, in fact, that no contractual stipulation authorising the lessor to retain the deposit, even despite a valid notification by the lessee beyond the lapse of the mandatory period, may override the provisions of article 11(1).⁴⁷

A recent appeal from a Panel decision has, in the meantime, confirmed that the lessor does not require the Panel's authorisation in order to retain the deposit.⁴⁸ While it is expected that future Panel decisions follow this line of reasoning, it is also understood that in case of a challenge by the lessee, particularly when the latter would be able to prove proper notice of withdrawal⁴⁹, it would be up to the lessor to prove the basis upon which the deposit would be kept.⁵⁰

In either case, the lessor would relinquish the right to contest any claim upon returning the deposit back to the lessee. This would be taken as proof of the fact that the lessor would not have had any objection regarding either the termination of the lease, any alleged damages to

⁴³ The lessor is bound, by the nature of the contract, and without the necessity of any special agreement - ... (b) to maintain the thing in a fit condition for the use for which it has been let; (c) to secure the lessee in the quiet enjoyment of the thing during the continuance of the lease.

⁴⁴ *Jutta Schaefer v. Kirby Tabone*, 2 March 2021, ADJ/0017/21.

⁴⁵ *Deborah Rossetta et v. Andrea Micallef*, 14 April 2021, ADJ/0077/20. In this case lessee complained about the dusting of an interior masonry wall, inside the townhouse that he was renting. The Panel held that it was up to the lessee to understand the nature of property in which they had chosen to reside in.

⁴⁶ *Nathalie Sylvia Grace Taylor*, 21 April 2021, ADJ/0080/20. The Panel held that the mould that the lessee was complaining of were present even when the lessee had accepted to access the premises.

⁴⁷ *Gaetana Agius v. Kevin Borg*, 2 March 2021, ADJ/0091/20; *Doris Psaila v. Plamen Penev*, 6 April 2021, ADJ/0054/21.

⁴⁸ *Martin Borg v. Choudery Mohammed Zahid et*, Court of Appeal (Inferior Jurisdiction), 18 May 2022, App. Inf. Nr. 52/2021 (see also Panel decision: *Martin Borg v. Choudery Mohammad Zahid et*, 28 April 2021, ADJ/0100/20).

⁴⁹ *Melchior Bonnici et v. Charles Camilleri*, 22 November 2021, ADJ/0175/21; *Graeme Lord v. Claire Cilia Garrett et*, 27 January 2022; ADJ/0182/21. In these two cases the lessee's claimed the wrongful retention of the deposit by the lessor without, however, being able to bring proof of adequate notice on their behalf. Their respective claims were both dismissed.

⁵⁰ See: *Vincent Scicluna et v. Matthew Borg*, 10 November 2021; ADJ/0147/21 (further discussed under section 1.2.1 below).

the property or pending bills.⁵¹ The lessor would similarly be losing the right to retain the deposit if he or she expressly agreed to release it in favour of the lessee, despite the latter's premature termination.⁵² This is an important matter to be noted by lessors.

1.2 Transparency

Transparency was a problem that was highlighted with respect to several aspects in the 2018 White Paper, both due to a large segment of the market not being entirely visible to the state as well as the absence of specific rules regulating central matters to the contracting parties in a rental agreement. The primary examples were the retention of the security deposit and the charging of utility expenses (Parliamentary Secretariat for Social Accommodation, 2018). The Act also introduced the notion of forbidden clauses (e.g. exemption from principal responsibilities or the request for additional considerations) in order to prevent instances of significant imbalance between the parties' rights and obligations arising under a residential rental agreement.

1.2.1 Security Deposit (Article 6(f))

The Panel may certainly be said to have set higher standards in relation to security deposits. One of the noteworthy pronouncements by the Panel, in fact, is that in the absence of any ground contemplated by law, the reimbursement of the deposit is to be considered the rule rather than the exception.⁵³ The Panel has also asserted that if the lessor is challenged by the lessee for the reimbursement of the deposit, it is up to the former to present a justification as to what led him to retain the deposit.⁵⁴

It is equally up to the lessor to include proof of the actual damage sustained (including the need to replace such damaged items)⁵⁵ as well as its quantum⁵⁶ (any photos would need to be accompanied by receipts or invoices⁵⁷). Most of all, the need to carry out maintenance works following the lessee's departure due to any wear and tear would not justify the retention of the deposit.⁵⁸ In such cases, the inventory would be decisive in determining whether any deterioration occurred as a result of the regular use of the premises or due to any negligent behaviour by the lessee.⁵⁹

⁵¹ *Christopher Fabri v. Samar Saaidi*, 28 April 2021, ADJ/0027/21. See also *Massimo Maria Lombardi v. Dorianne Ciantar*, 6 December 2021, ADJ/0180/21 where following inspection, the lessor had declared, in writing, that he found the property to be "in perfect order".

⁵² *Andre Pio Catania et v. Sdrjan Vincic*, 28 April 2021, ADJ/0070/20; *Keila Milan Soto v. Joseph Pullicino*, 15 September 2021, ADJ/0132/21 (in this decision the lessee was only refunded the amount partially).

⁵³ *Eva Li Johanna Felicetti v. Vincent Galea et*, 19 May 2021; ADJ/0043/21.

⁵⁴ *Vincent Scicluna et v. Matthew Borg*, 10 November 2021; ADJ/0147/21.

⁵⁵ *Rodrick Debono v. Boban Muncan*, 12 October 2020, ADJ/0018/20; *Kennneth Caruana v. Jordan Philip Glendon Munn*, 24 November 2020, ADJ/0037/20.

⁵⁶ *Isabella Seychell v. Antonia Mifsud*, 11 February 2021, ADJ/0081/20.

⁵⁷ *Warren Joseph Attard v. Ajith Raveendran*, 2 March 2021, ADJ/0020/21; *Alexander Smith v. Fakhira Khurshid*, 10 June 2021, ADJ/0087/21; *Rachel Cachia et v. Balwinder Kumar*, 23 August 2021, ADJ/0104/21.

⁵⁸ *Mario Cutajar v. Mahmud Beyadem et*, 24 November 2020, ADJ/0054/20.

⁵⁹ *Angela Atieno Ajwans v. Joanne Fenech*, 12 October 2020, ADJ/0049/20.

In case of any damages for which the lessor would be responsible, the lessee is bound to cooperate by both informing the lessor in a timely manner as well as enabling him to carry out the repairs.⁶⁰ Should he or she fail to do so, the lessor may still retain part of the deposited amount in case of premature termination.

It has also been decided that a lessor may not retain the deposit on the basis of the breach of a contractual clause which does not give rise to any monetary damages.⁶¹

1.2.2 Forbidden Clauses (Article 7)

The Panel has also been giving effect to this section in a number of cases. Penalties for delayed payment were found to be irregular under article 7(1)(d) of the Act.⁶² Similarly, penalties charging the lessee with any agency fees owed by the lessor were also found to be prohibited on the same basis.⁶³ More importantly, the Panel has decided that the lessor cannot exempt himself from any works of maintenance on the common parts. It, therefore, remains his responsibility towards the lessee to ensure the proper functioning of the lift, even despite the presence of a condominium administrator appointed by the owners of the respective units.⁶⁴

1.2.3 Water and Electricity payments (Article 17)

The Panel has started eradicating the practice of charging fixed rates on utilities without the taking into account of the actual consumption of the lessee (a practice which could easily lead to overcharging).⁶⁵ In case of any alleged overpayment by the lessee, however, it would be up to the lessee to prove such occurrence, even in the case of any malfunctioning appliance.⁶⁶ Conversely, if a lessor makes a demand based on utility arrears, it would be up to him to prove the amount that was consumed by the lessee.⁶⁷ It has been confirmed that the lessee may delay payment of utilities until the presentation of the actual bill.⁶⁸ Moreover, estimates based on the ARMS Bill Calculator would not be accepted as evidence of the amount consumed by the lessee.⁶⁹

⁶⁰ *John Spiteri v. Keith Chetcuti*, 17 February 2021, ADJ/006/21.

⁶¹ *Jibin Puthiyadathukuzhiyil George et v. Cecil McCarthy*, 20 July 2021, ADJ/0111/21. In this case lessee had permitted a greater number of dogs inside the premises, than the number which had been stipulated in the contract.

⁶² *Leonardo Bossi et v. Gaetano Avallone*, 1 October 2021, ADJ/0100/21.

⁶³ *Kenneth Debattista et v. Amor Ben Nouraddine*, 14 January 2021, ADJ/0062/20.

⁶⁴ *Andre Karl Camilleri et v. Jasmina Traskoska*, 23 June 2020, ADJ/0004/20.

⁶⁵ *Martina Stromkova et v. Catherine Galea*, 1 July 2021, ADJ/0079/21.

⁶⁶ *Rosalia Falzon v. Alan Barun*, 6 January 2021, ADJ/0063/20; *Jocelyn M Velarde v Pauline Cutajar*, 9 August 2021, ADJ/0074/21; *Roberta Hick v. Joseph Paul Camilleri et*, 17 June 2021, ADJ/0091/21.

⁶⁷ *Konrad Sultana v. Dominic Scerri*, 11 August 2020, ADJ/0019/20; *Nadia Xuereb v. Rita Massia*, 1 October 2020, ADJ/0024/20; *Josette Devitt Vassallo v. Wei Fang*, 29 July 2021, ADJ/0108/21.

⁶⁸ *James Psaila v. Seby Thomas Puthenveetil*, 26 October 2020, ADJ/0051/20.

⁶⁹ *Jiyeon Eom v. Stephen Caruana*, 10 June 2021, ADJ/0065/21.

A final matter on this point relates to the lessee's acknowledgment as a resident on the ARMS account, as stipulated by article 17(4)(b). Interestingly, the Panel has, so far, declined the competence to order the lessor to grant the lessee access to such official bills, despite the fact that article 23(1) can be understood to give the Panel the power to decide on any issue emanating from article 17.

1.3 Conclusion

A detailed analysis of the first eighteen months of Panel decisions appears to indicate that from a lessee's perspective the market has become more secure, particularly due to the rigid interpretation of the rule binding the lessor to provide at least three months' notice in order to halt the operation of an automatic renewal. With regard to lessors, while it would seem that their unconditional right to retain the deposit in case of premature withdrawal may have been impaired by the lessee's right of unilateral termination beyond the lapse of the mandatory period, the Panel has underlined that such right may only be exercised on condition that there is proper, prior notification to lessor. Panel decisions have, therefore, confirmed that the lessor should always have a minimum of one month's notice prior to the lessee's departure from the property, otherwise his or her right to retain the deposit as a consequence of premature withdrawal would remain intact.

As to transparency, it emerges clearly from the line of Panel decisions that have been analysed that there is a much higher degree of accountability in relation to the payment of utility services and the retention of the deposit. The inventory has proven useful to determine the existence of fault, while evidence in the form of photos and receipts are now necessary to back claims for the withholding of any amount. Forbidden clauses have also been used effectively in order to ensure that no undue charges are requested.

Nevertheless, an analysis of a set of other decisions show that the Panel's competence has scope for extension, and that the broadening of such powers would improve security for lessors. The following section aims to discuss such instances.

2. Scope for the Panel's increased competence

2.1 Rental and utility arrears, condominium and internet fees

One of the early challenges of the Panel was the delineation of its competence in accordance with article 23(3). The latter states that such competence shall extend over matters relating to repairs and maintenance, water and electricity services and the retention of the deposit. The article makes no express reference to rental or utility arrears, therefore, in case of such demands, the Panel has limited the award to the amount that is left by way of deposit (although the Panel has no express competence over arrears it does have competence over the deposit).⁷⁰ The Panel has similarly declared itself incompetent to rule over

⁷⁰ *Vincent Norman Mifsud v. Mahmud Meghzazi*, 15 July 2020, ADJ/0005/20; *Noel Chetcuti v. Paul Grgzelak et*, 4 August 2020, ADJ/0006/20; *Michael Ellul Vincenti v. Maarten Joseph Willebrord et*, 21 April 2021, ADJ/0090/20.

condominium⁷¹ or internet fees.⁷² These all appear to be instances where the Panel could be contributing to deliver speedier justice in the field of private rentals, thereby rendering the market more secure in terms of investment.

2.2 Eviction

The Act also does not give the Panel competence to pronounce itself on evictions. This has been reiterated in various instances by the Panel itself.⁷³ Evictions deserve a greater degree of attention than other policy areas because the loss of one's home is considered to be the most extreme form of interference to the rights protected by Article 8 of the European Convention on Human Rights (ECHR). Recent European Court of Human Rights (ECtHR) jurisprudence has gradually elaborated the principle that any person risking eviction should in all cases have the possibility of questioning the proportionality and reasonableness of the measure taken against him before an independent tribunal.⁷⁴

2.2.1 Local legislative attempts at reform and duration of eviction proceedings

Following the 2010 and 2020 reforms, Malta became, from a purely procedural point of view, amongst the most advantageous jurisdictions for landlords (Parliamentary Secretariat for Social Accommodation, 2018). First of all, the cases related to urban leases are channelled directly into the specialised Rent Regulation Board (RRB) dealing exclusively with cases of such nature.⁷⁵ Secondly, the landlord may apply for the summary procedure⁷⁶ and if the

⁷¹ *Tim Ann M. Ramel v. Stephania Cuschieri*, 2 June 2021, ADJ/0070/21; *Clive Bartolo v. Eros Davide Crisafulli*, 4 October 2021, ADJ/0138/21.

⁷² *Mario Vella et v. Felicia Solomon et*, 17 February 2022, ADJ/0187/21.

⁷³ *George Camilleri v. Tania Mifsud*, 9 December 2020, ADJ/0061/20; *Francis Bezzina v. Sankar Valliappan*, 25 March 2021, ADJ/0051/21; *Oren Chasanmus v. Ahmad Aljomaa et*, 1 July 2021, ADJ/0068/21.

⁷⁴ *Yordanova and Others v. Bulgaria*, App. no. 25446/06, 24 April 2012, §118. Although in *Winterstein and Others v. France* (App. no. 27013/07, 17 October 2013) (§76(€)) the Court elaborated that if the establishment of the home would be unlawful, the position of the individual would be much weaker.

⁷⁵ The 2010 reform had already attempted to address this matter by “streamlining” all claims relating to private rentals into one specialised board, the Rent Regulation Board (Act X of 2009, Consideration of Bills Committee, Sitting no. 22, 19 May 2009, p. 50). Summary proceedings were also introduced in the specific case of evictions. Demands made solely for the eviction of any tenant from the rented premises, whether or not the landlord would have a claim for unpaid rents or for any other consideration due by way of damages, can now be decided on the first hearing without proceeding to trial given that the tenant would bring no valid *prima facie* defence (article 16A, Cap. 69). It was previously possible for the Civil Court (First Hall) to hear cases for the eviction of any person from an urban tenement summarily under Article 167 of the Code of Organisation and Civil Procedure; however, since matters related to leases started falling exclusively under the Rent Regulation Board (art. 1525, Civil Code) the Civil Court is no longer competent to hear such cases (see: *Alexander Scicluna et v. Caroline Floyd et* (Court of Magistrates (Gozo) Superior Jurisdiction, 7 December 2012, Cit. 71/2012). This amendment was mostly meant to target those cases where despite the expiration of the contract the tenant would remain in occupation of the premises. The ultimate aim, according one of the consultants of the reform, was that of instilling greater trust in the private rental market (Consideration of Bills Committee, Sitting no. 22, 19 May 2009). The 2020 reform attempted to expedite matters even further by enabling the RRB to provide an immediate partial judgement on the eviction, prior to considering other claims which would be contested by the lessee, such as arrears.

⁷⁶ Chapter 69 of the Laws of Malta, Article 16A.

tenant fails to satisfy the Board that he has an at least prima facie defence, he would have his demand for eviction upheld on the first sitting i.e. without proceeding to trial.

By this, it is in no way being implied that, in practice, tenancy law cases in Malta are necessarily decided quicker than in other jurisdictions. On the contrary, this particular point seems to be affected by the wider problem involving Maltese court delays. Malta is, in fact, the third country, behind Cyprus and Italy, where a civil or commercial case is estimated to take longest to be decided out of all EU Member States (European Commission, 2021).

From an analysis of the judgements delivered by the Rent Regulation Board covering the 30-month period between January 2020 until May 2022⁷⁷, one may argue that the summary eviction process in Malta and Gozo remains a relatively slow ordeal, despite the steady progress registered over this same period. In 2020, the RRB delivered 18 summary eviction decisions dealing exclusively with the eviction of tenants from residential properties and it took, on average, 220 days or 7.3 months⁷⁸, for a landlord to effectively evict a tenant from his or her property after filing the initial application⁷⁹ in the Court Registry. In 2021, the RRB delivered 20 summary decisions and the average duration of these procedures went down to 176 days or 5.9 months, an improvement of little less than a month and a half when compared to the previous calendar year. From an analysis of the 6 summary eviction decisions handed down by the RRB during the first six months of 2022, it seems that this trend might possibly remain consistent, with an average waiting period between the submission of the sworn application to the effective date of eviction averaging around 172 days or 5.7 months so far.

⁷⁷ To gauge the effective duration of a summary eviction procedure under Article 16A of Cap. 69, as amended in 2020, the authors utilized the Government's eCourts website (accessible through the web address <https://ecourts.gov.mt/>) and through a professional account (which would allow the researcher to view judgements restricted through the application of the General Data Protection Regulations) reviewed 157 judgements delivered by the RRB throughout the time period ranging from the 01/01/2020 and the 01/06/2022. The results were filtered by eliminating any judgements relating to commercial tenements, garages, and by excluding outliers such as pre-1995 decisions which had to analyze matters of the legal title of ownership of the property in question or complex human rights implications, as both would invariably preclude the RRB from making use of the summary procedure. Furthermore, the authors also eliminated any judgements wherein the plaintiff's plea for eviction was refused or whenever the adjudicator deemed it fit to entertain the defenses raised by defendants and would therefore allow the eviction procedures to be tried through multiple hearings. Following this filtration process, only 44 judgements were then analyzed for the purposes of (i) the quantitative exercise i.e., the calculation of the average duration from the date of submission of the sworn application and the effective date of eviction and (ii) the qualitative exercise which sought to extrapolate the prevailing themes or reasons behind the effective duration of the process.

⁷⁸ Calculated on the basis of 30-day monthly intervals.

⁷⁹ Consisting of a sworn application containing a statement that the respondent has no defense to the action and at least one accompanying affidavit in terms of the second and third provisos to sub-article (1)(a) of section 16A of the Letting of Urban Property (Regulation) Ordinance (Cap. 69 of the Laws of Malta)

2020	7.3	18
2021	5.9	20
2022 (Jan-June)	5.7	6
	Average time in months (LHS)	Total eviction decisions (RHS)

Table 1 Average Time of RRB decisions and Total Eviction Decisions (by year)

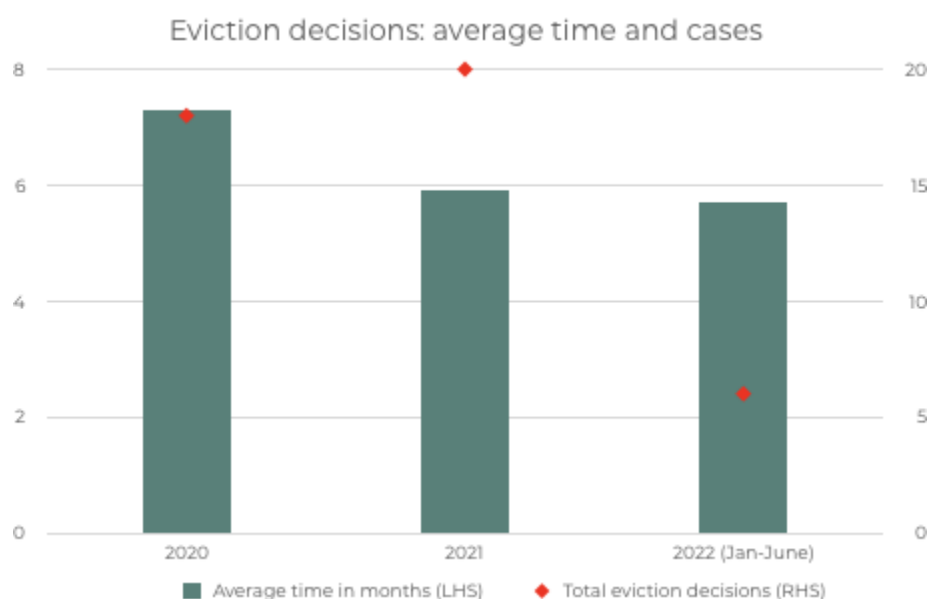


Figure 1 Average Time in Months and Total Eviction Decisions (by year)

The main themes or underlying reasons observed from the qualitative analysis of these judgements vary from: (i) the manifest difficulties experienced by the Court Registry and plaintiffs in effectively notifying tenants that the judicial action has been instituted against them, (ii) the major disruption caused by the onset of the COVID-19 pandemic and the local courts' reluctance to make use of virtual teleconferencing applications in such procedures (especially in the first few months of the pandemic), and (iii) the lack of uniformity in the peremptory periods for the vacation of the dwelling house by the tenants. Other matters that deserve consideration include the fact that in some cases the notification of the respondents was hindered by the fact that the judicial acts were served in Maltese despite the tenants being foreigners who could neither speak nor understand the language, and the lengthy

process of appointing deputy curators for either unknown tenants or foreign tenants who had left the country prior to the commencement of the judicial proceedings. On one occasion⁸⁰, the Board had to delay the pronouncement of the decision by roughly two and a half months as it was occupied with other urgent work. Furthermore, there were several instances wherein the tenant did not have legal representation at the time of his or her effective notification, and the Board reasonably delayed the delivery of the judgement until the tenants in question contacted the Legal Aid Malta Agency or a local lawyer of their choice.

All these factors contributed to the length of time registered by landlords in the summary procedures in front of the RRB, but it must be concluded that the most prevalent barrier to the expeditious delivery of these eviction orders remains the notification process adopted by our Courts. In three separate instances⁸¹, the plaintiffs had attempted to notify the defendant at least four times prior to the RRB's decree that they could proceed with the 'posting and publication' method of serving judicial acts to respondents⁸².

2.2.2 Local jurisprudence on the right to the protection of the home

Maltese Courts have had the opportunity to elucidate a number of principles relating to evictions, both from private as well as public premises. The local courts have, first of all, underlined the need for evictions to follow a legal course. In fact, it was not the Act that prohibited arbitrary evictions by lessors, since such action has historically been disapproved sharply by civil law. Even a contractual stipulation enabling the lessor to take unilateral action such as changing the locks would be deemed to have no effect at law;⁸³ the fact that the contractual period would have lapsed would still constitute no defence for the lessor.⁸⁴

Similar restrictions apply to government property. Compulsory evictions of any persons in occupation of government premises without a valid title (formerly regulated by the Land

⁸⁰ *Hermann Magro et v. Stephanie Farrugia*, RRB, 12 May 2021, Rik. Nr. 88/2020.

⁸¹ *Antonia Grech vs Dr. Eucharist Bajada*, RRB, 25 June 2020, Rik. Nr. 149/2019; *Magro v. Farrugia (ibid)*; *David Theuma vs Sina Doris Whittkopf*, RRB, 30 July 2021, Rik. Nr. 128/2021.

⁸² The court may order that service is affected by posting a copy of the judicial acts to the defendant's door. A copy of these acts is also affixed on public notice boards at local police stations and local council offices. Summary details of the lawsuit are also published in the Government Gazette and in daily newspapers. The notification shall be deemed to have been made on the third working date from the posting of the latest publication or posting as per section 187(3) of the Code of Organization and Civil Procedure (Cap. 12 of the Laws of Malta)

⁸³ In case of any arbitrary action of dispossession by the lessor, the lessee would even have an action to exercise against the owner of the property itself under article 535 of the Civil Code. The action for the restoration of possession in the case of spoliation (*actio spolii*) is a remedy intended to punish violent or clandestine conduct. See: *Trevor Arends et v. Veronica Mizzi*, Court of Appeal, 11 January 2013, App. Civ. Nr. 945/2008/1; *Carmelo Bonanno v. John Bartolo et.*, Court of Appeal, 5 October 1998, Vol.LXXXII.II.963.

⁸⁴ *William Charles Merchant v. John Bartolo et*, First Hall (Civil Court), 28 February 2014, Rik. Nru. 299/2011: "The defendant's argument that the contract was terminated 'ipso jure' is flawed – this does not entitle them to change the lock of the premises and if the plaintiff remained in occupation of the dwelling without the right to do so they had to resort to legal procedures rather than proceed arbitrarily ... This behaviour cannot be accepted by the Court, therefore, the dispute shall take its legal course by the plaintiff being first restored back in the possession of the dwelling and the defendant left to file the necessary legal proceedings."

(Compulsory Eviction) Act) was challenged constitutionally due to the impossibility on the part of the occupier to contest the eviction order.⁸⁵ In this case, the court found an infringement of Article 6 of the Convention due to the four-day notice that had been given by the Commissioner of Lands to the allegedly illegal occupant to evict the premises. In a later judgment concerning the eviction of the son of a social housing beneficiary, who had remained in occupation of the public dwelling beyond his mother's demise, it was explained that the notice had to be given at least 20 days in advance in order to be considered lawful.⁸⁶ In a different decision concerning the facts of the same case, it was held that the Commissioner's eviction order had additionally breached the occupants' right to the enjoyment of their property (as protected under Article 1 Protocol 1 of the European Convention) since it did not allow for a valid process on the verification of their title.⁸⁷

2.2.3 International jurisprudence on the right to the protection of the home

As stated above, the right to the protection of the home as contained in article 8 of the European Convention on Human Rights has introduced certain guarantees against eviction. This, in fact, constitutes one of the areas where ECtHR jurisprudence has had the strongest effect on the regulation of the rental market (Schmid et al, 2013). Article 8 has been often brought into question during the course of eviction proceedings taking place in the United Kingdom, which stands out as the jurisdiction with the quickest tools for eviction. In fact, under the Housing Act 1988 the law lists an exceptional mandatory ground (i.e. the court "must" order the recovery of possession if the ground is proven by the landlord) in the case of "serious rent arrears".⁸⁸ "Serious rent arrears" are, in turn, defined as two month's unpaid rent (in case of "some rent arrears" and "persistent rent arrears" the landlord may still request repossession but the eviction may only be ordered if the court considers it reasonable to do so since they are held to constitute discretionary grounds) (Garner et al, 2010).

While this mandatory ground, which does not allow any room for the court's appraisal of other circumstances, was intended to expedite repossession proceedings, it was contested on the basis that it did not allow any assessment of proportionality of the eviction before an independent tribunal. In a first case, the ECHR confirmed that since mandatory grounds did not grant British courts the power to assess the proportionality of ordering repossession, the state was in breach of its human rights obligations.⁸⁹ British Courts subsequently upheld the right to challenge the proportionality of a local possession order, at least with respect to a

⁸⁵ *Emanuel Camilleri et v. Kummissarju tal-Artijiet et*, Constitutional Court, 11 April 2006, App. Civ. Nr.5/2005/1).

⁸⁶ *Carmel Camenzuli et v. Kummissarju tal-Artijiet et*, Civil First Hall (Const), 23 March 2007, Rik. 33/2005).

⁸⁷ *Carmel Camenzuli et v. Kummissarju tal-Artijiet et*, Civil First Hall (Const), 23 March 2012, Rik. 33/2005/1.

⁸⁸ Schedule 2, Part 1 (Ground 8). See Garner et al (2010).

⁸⁹ *McCann v. The United Kingdom*, ECtHR (Fourth Section), 13 May 2008, App. No. 19009/04: "Under the summary procedure available to a landlord where one joint tenant serves notice to quit, the applicant was dispossessed of his home without any possibility to have the proportionality of the measure determined by an independent tribunal. It follows that, because of the lack of adequate procedural safeguards, there has been a violation of Article 8 of the Convention in the instant case" (§55). Available on: <https://hudoc.echr.coe.int/eng?i=001-86233>.

local authority.⁹⁰ The question subsequently arose as to whether the same rule applied to private tenancies (i.e. where the landlord was a private person or an organisation rather than a public authority). This time the answer was negative since the ECtHR took into consideration the general public interest “in reinvigorating the private residential rented sector” and the fact that where the tenant proves exceptional hardship the court could postpone the landlord’s repossession by up to six weeks.⁹¹ In so doing, the ECtHR relied on a previous judgment which had distinguished between the rules applying to public authorities and to private parties under article 8.⁹²

A final point which might be considered relevant to the present discussion is the importance of proper notification to the lessee, as a corollary of the right to housing. It has recently been determined that under article 11(1) of the International Covenant on Economic, Social and Cultural Rights⁹³, states must ensure adequate and reasonable notice for all affected persons prior to their eviction, and the serving of notice in an administrative or judicial procedure must be conducted properly so as to grant all the persons affected the real opportunity to participate in the proceedings and defend their rights. All available means should be used to serve such a notice in person; should this be unsuccessful the state should go through all the means recognised by domestic civil procedure, such as posting a note through the lessee’s letterbox, prior to proceeding with a notice by publication.⁹⁴

⁹⁰ *Manchester City Council v. Pinnock*, [2010] UKSC 45.

⁹¹ *F.J.M. v. The United Kingdom*, 6 November 2018, App. no. 76202/16 (§§42, 44). Available on: <https://hudoc.echr.coe.int/eng?i=001-188124>. Section 89 of the Housing Act 1980 states that: “(1) Where a court makes an order for the possession of any land ... the giving up of possession shall not be postponed (whether by the order or any variation, suspension or stay of execution) to a date later than fourteen days after the making of the order, unless it appears to the court that exceptional hardship would be caused by requiring possession to be given up by that date; and shall not in any event be postponed to a date later than six weeks after the making of the order.” For a criticism of this decision see Boddy et al (2019).

⁹² *Vrzić v. Croatia*, 12 July 2016, Application no. 43777/13 (§§66-67). Available on: <https://hudoc.echr.coe.int/eng?i=001-164681>

⁹³ Malta signed the ICESCR in 1968 and eventually became a State Party to the Covenant in 1990. Through the ratification Malta undertook “to take steps ... to the maximum of its available resources, with a view to achieving progressively the full realisation of the rights recognised in the present Covenant by all appropriate means, including particularly the adoption of legislative measures” (Article 2(1)). Since the Convention was not transposed into Maltese Law, it is not directly enforceable before the Maltese courts, although the principles contained therein can inform Maltese jurisprudence. Malta is not a signatory of the Optional Protocol to the Convention which grants individuals or groups of individuals to make complaints to the UN Committee on Economic, Social and Cultural Rights (CESCR), if they have exhausted domestic remedies.

⁹⁴ *I.D.G. v. Spain*, Committee on Economic, Social and Cultural Rights, Communication No. 2/2014, 13 October 2015. Available on: <https://juris.ohchr.org/Search/Details/2010>. For a commentary on the decision see Benito Sanchez (2016).

Conclusion

A review of the Panel's decisions confirms that whilst the sector may be offering added guarantees to both contracting parties, there exists room for the expansion of the Panel's competence, particularly in relation to matters such as rental and utility arrears as well as other permitted costs such as condominium fees and other services.

A bigger question mark remains as to whether the Panel's competence should also encompass evictions. ECtHR jurisprudence seems to have backed legislative attempts at accelerating eviction procedures in the private rental market. The CESCR, on the other hand, underlined the importance of giving persons affected the real opportunity of defending their rights during such proceedings. It would, therefore, appear that as long as the law respects the proportionality between the respective rights of the parties and that all the persons affected are given the opportunity to participate in the proceedings, there appear to be no obstacles for an eviction to be ordered by a quasi-judicial body as opposed to a court. Having said this, the authors submit that such proceedings to keep being conducted before the RRB, particularly since the analysis conducted in this chapter confirms that several stages of the eviction procedure could be significantly expedited through targeted legislative measures. The legislator should seriously mull the possibility of providing a procedural exception to the general modes of service regulated by Section 187 of the COCP to the summary procedure before the RRB. Since it is reasonably expected that a tenant is still residing in the property at the heart of the dispute, the RRB should be able to move directly to either attempting the service of the judicial acts after judicial hours⁹⁵ or the 'posting and publication' method of serving judicial acts whenever landlords institute proceedings in terms of Article 16A of Cap. 69. Another legislative initiative that might seriously reduce the lengthiness of these procedures would be the creation of uniform peremptory periods for tenants to vacate their premises. These pre-fixed periods should, however, consider the number of dependents living with the tenant (if any), the objective difficulties in finding alternative accommodation, any special medical circumstances experienced by the tenant, and the logistical issues which must be considered if the tenant needs to transfer his or her movables to another location.

⁹⁵ In terms of sub-section 187(1) of the Code of Organisation and Civil Procedure (Cap. 12 of the Laws of Malta)

References

- Benito Sanchez, J.C. (2016). The UN Committee on Economic, Social and Cultural Rights' Decision in I.D.G. v. Spain: the right to housing and mortgage foreclosures, *European Journal of Human Rights*, (3), pp. 320-339.
- Boddy, J. & Graham, L. (2019). FJM v. United Kingdom: The Taming of Article 8, *Conveyancer and Property Lawyer*, (2), pp. 166-174.
- Debono, N., Ellul, R. & Ellul, R. (2021), An Analysis of Private Residential Leases Registered with the Housing Authority in 2020, *The Annual Malta Residential Rental Study: First edition*, publication by the Housing Authority.
- European Commission (2021). The 2021 EU Justice Scoreboard, Luxembourg: Publications of the European Union.
- Garner, S. & Frith, A. (2010) *A Practical Approach to Landlord and Tenant*, Oxford University Press, Oxford.
- Parliamentary Secretariat for Social Accommodation (2018) *Renting as a Housing Alternative*.
- Schmid, C.U. & Dinse, J.R. (2013) *Towards a Common Core of Residential Tenancy Law in Europe, The Impact of the European Court of Human Rights on Tenancy Law*, ZERP-Working Paper 1/2013, Bremen: Zentrum für Europäische Rechtspolitik.
- Soaita, A.M., Searle, B.A., McKee, K. & Moore, T. (2016). Becoming a landlord: strategies of property-based welfare in the private rental sector in Great Britain, *Housing Studies*, 32:5, pp. 613-637.
- Times of Malta (2020). Landlords and tenants can now settle small disputes within 'days', 13 May.

