2023 H1 UPDATE:

REGISTERED RENTAL CONTRACTS IN MALTA

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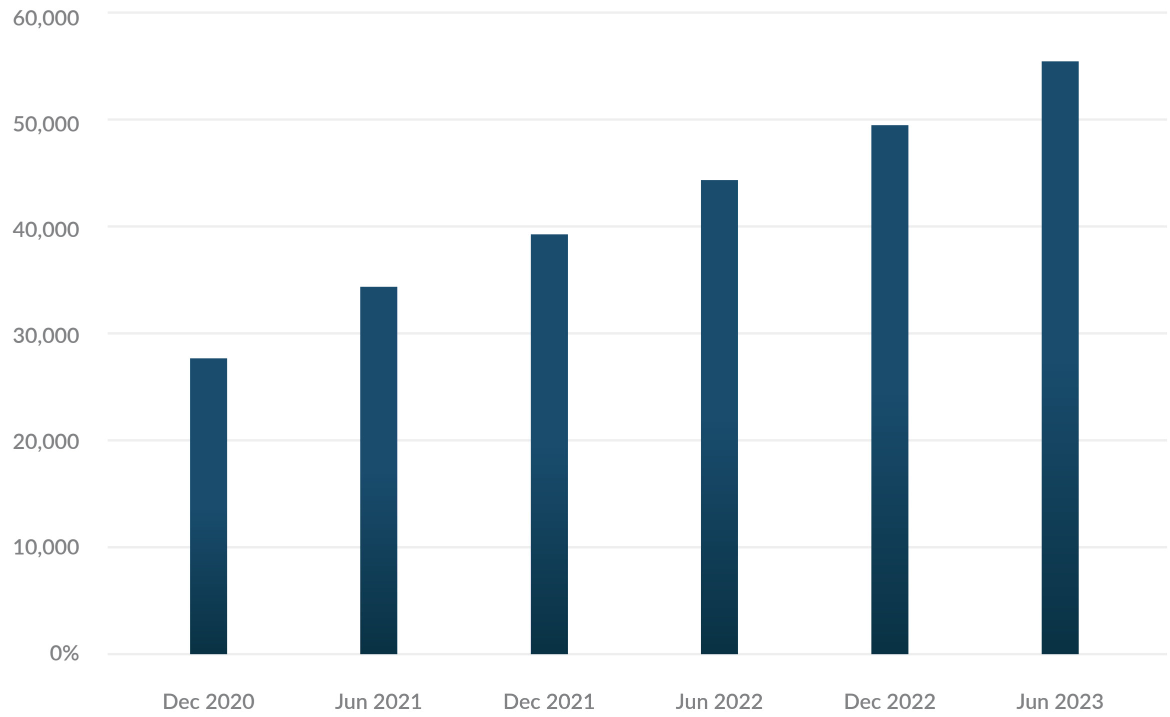
Registered Rental Contracts in Malta: 2023H1 Update

This report provides an update on registered rental contracts with the Housing Authority in the first half of 2023. The cut-off date is 30 June 2023.

Active registered contracts stood at 54,978 at the end of June 2023 (see Figure 1).[1] This represents an increase of 24% compared to a year earlier. Around 68% of currently active contracts commenced in 2022 or 2023 (see Figure 2). A further 17% and 13% of contracts started at some point during 2021 and 2020, respectively, while 2% commenced before 2020.

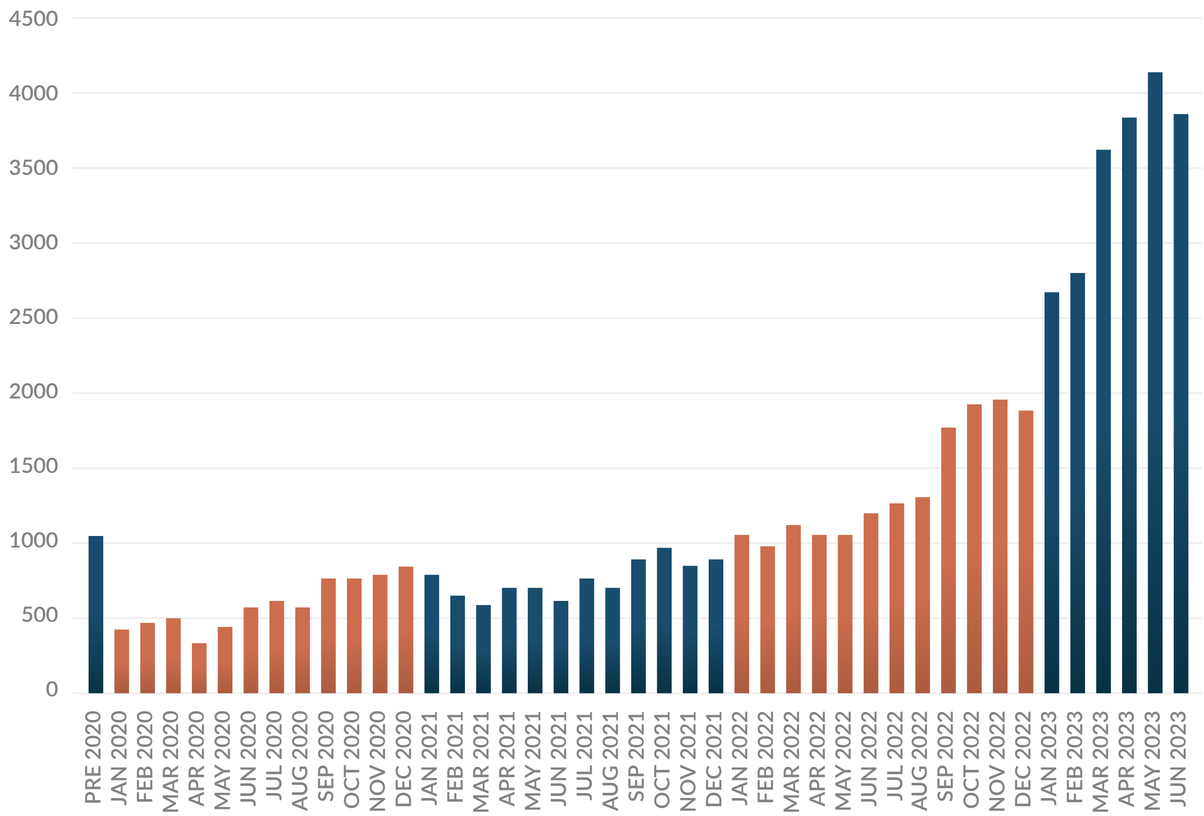
Figure1: Total number of active contracts



[1] This calculation is based on the commencement date of the contract instead of the registration date.

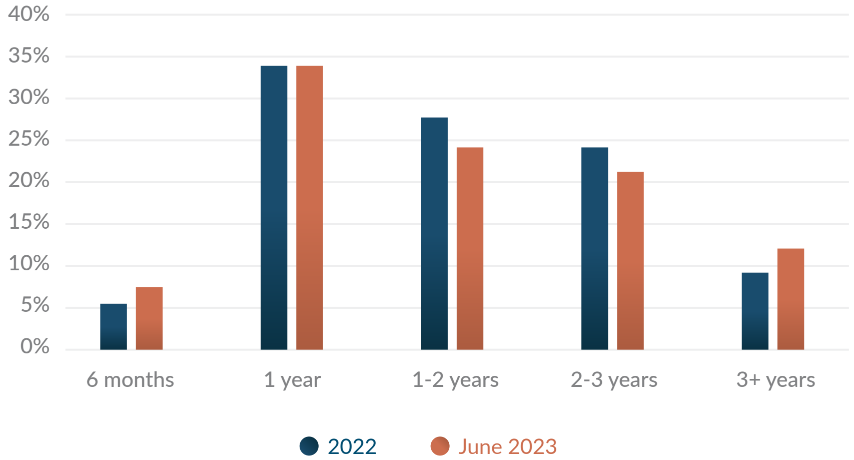
As of June 2023, around 92% of active contracts were for long-term leases (i.e., duration of at least one year), with a further 7.5% classified as shared spaces. Over time, the proportion of contracts for shared spaces has been rising, with this share standing at slightly less than 5% a year earlier. The share of short-term leases stood below 0.5% of all registered leases.

Figure2: Commencement date of current active contracts



Tenancy duration has continued to increase since the establishment of the register in 2020 because of contract renewals and multi-year contracts. Tenancy duration is computed as the difference between the stipulated termination date of the lease and its commencement date. The share of active contracts with a duration of one year has remained broadly stable around 34%, while tenancies with a duration of 1-2 years and 2-3 years accounted for 24% and 22% of all active contracts, respectively, in June 2023 (see Figure 3). Tenancies with a duration longer than three years stood at 12% of active leases in June 2023, up from 9% at the end of 2022. At the other end of the spectrum, the share of tenancies with a duration of six months rose to 8%, reflecting the increase in leases for shared spaces.

Figure3: Tenancy duration



The distribution of contracts by property type and size has remained very similar since the establishment of the register. At the end of June 2023, 79% of active rental contracts consisted of apartments, followed by maisonettes (11%). The share of houses rose from 8% at the end of 2022 to 9% in June 2023, while properties classified as villas remained stable at less than 1% (see Figure 4). In terms of size, most of the contracts registered are for two-bedroom (41%) and three-bedroom (33%) properties, respectively (see Figure 5). While the share of two-bedroom and three-bedroom properties remain the most common, the share of properties with four or more bedrooms has increased from 4% at the end of 2022 to 6% in June 2023.

Figure4: Active rental contracts by property type

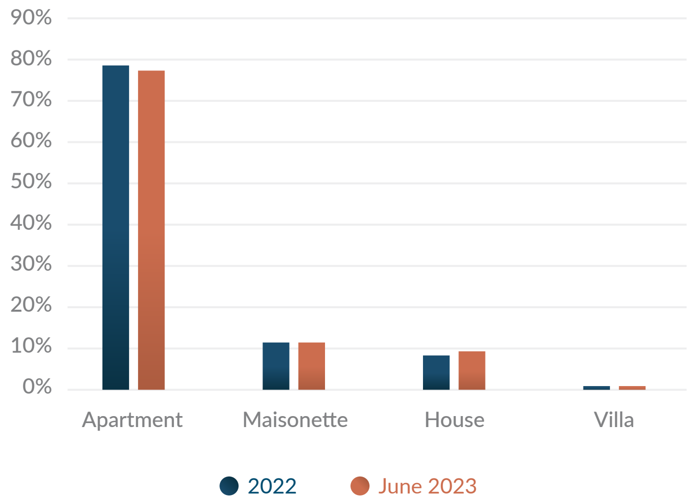
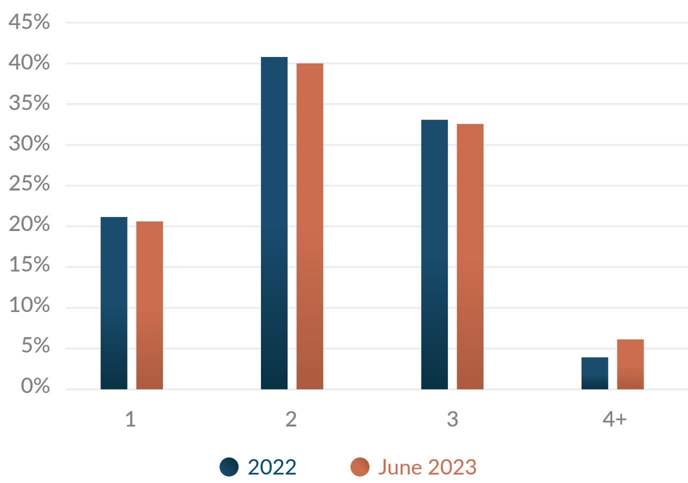


Figure5: Active rental contracts by number of bedrooms



The distribution of rental contracts by region or locality remained very similar to that prevailing at the end of 2022. Around 93% of all active rental contracts registered with the Housing Authority are in Malta, with the remaining 7% situated in Gozo. St. Paul's Bay remains the most popular locality, with around 8,200 contracts that amount to 15% of all residential contracts registered with the Housing Authority at the end of June 2023 (see Figure 6). There are 15 localities in Malta that have more than 1,000 active rental contracts registered in them: St Paul's Bay, Sliema, Msida, Gzira, St Julian's, Marsascala, Birkirkara, Swieqi, Mellieha, San Gwann, Mosta, Hamrun, Naxxar, Birzebbugia and Pieta. In Gozo, the three localities with the most active contracts are Zebbug (which includes Marsalforn), Victoria and Munxar. These three localities account for around half of all contracts registered in Gozo. The least popular localities for renting continue to be Santa Lucija and Mdina, with less than twenty contracts registered in each of these localities (see Figure 7).

Figure6: Active contracts by main localities in Malta and Gozo

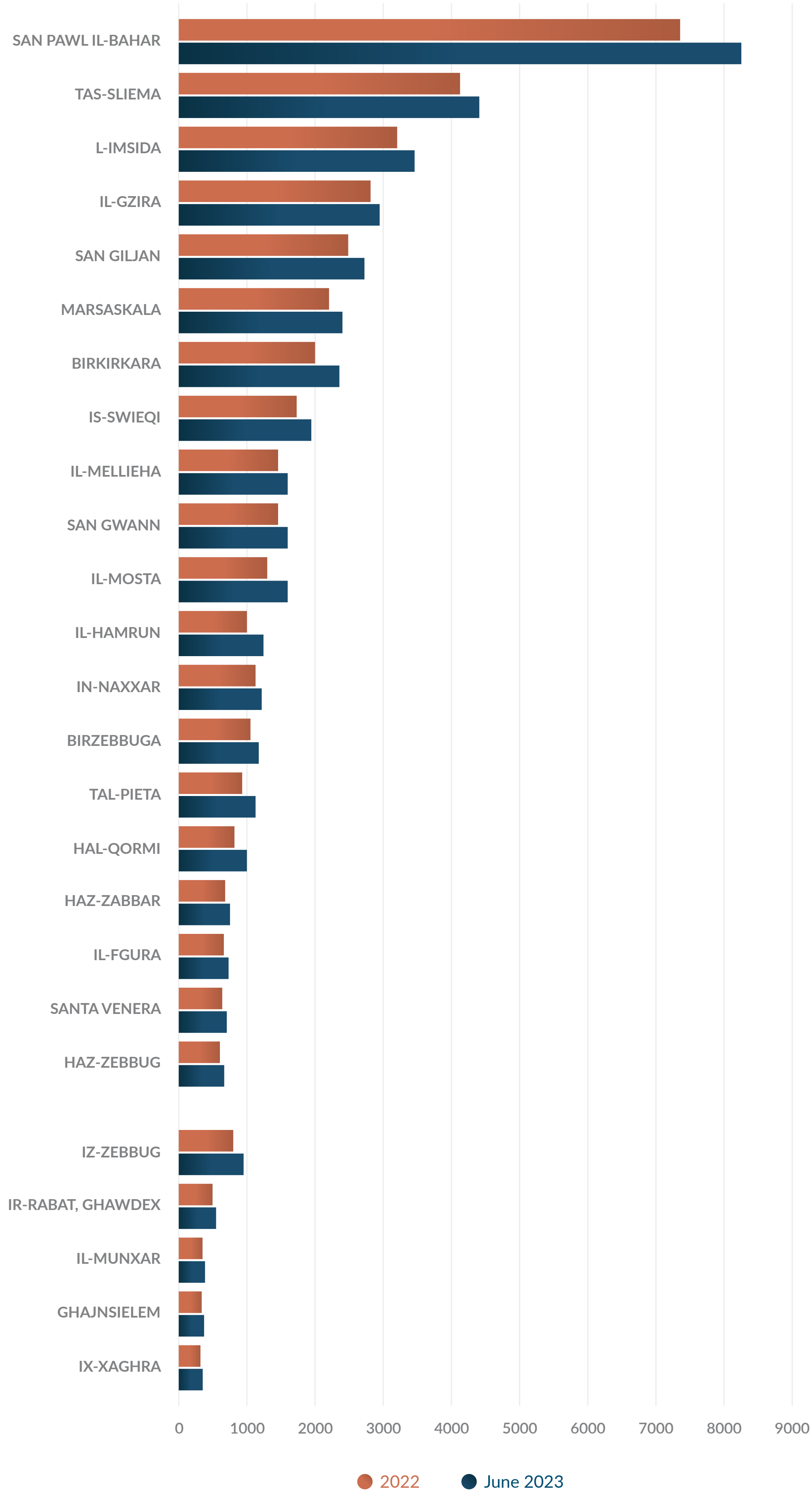
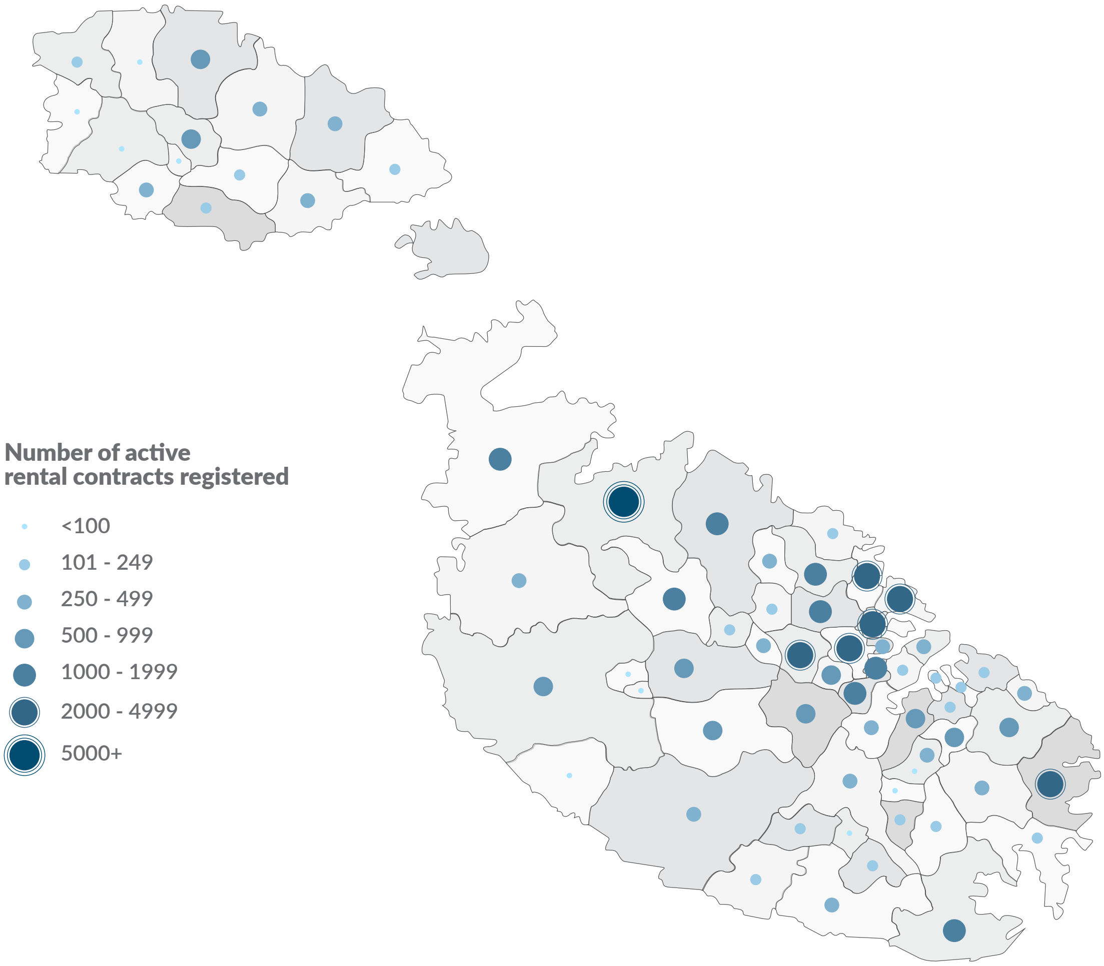


Figure7: Spatial distribution of active rental contracts in Malta



As expected, there are significant variations in rents by locality. Figure 8 plots the median monthly rent by locality for two-bedroom apartments for contracts that started in the first half of 2023, while Figure 9 shows the same information for three-bedroom apartments.[2] These charts only include information on residential leases but exclude shared spaces. Localities with less than 20 new contracts that commenced in the first half of 2023 are also excluded from the charts. The most expensive rents are found in the localities of Sliema, Swieqi, St Julian's and Ta' Xbiex. In general, rents in most localities in Gozo tend to be lower than in Malta. In St Paul's Bay, the locality with the most registered leases in Malta, the median monthly rent for a two-bedroom and three-bedroom apartment registered with the Housing Authority in the first half of 2023 stood at €700 and €850, respectively.

[2] The figures exclude rents for long residential leases below €400 per month since these are most likely for shared space leases.

Figure8: Monthly rent in euro for two-bedroom apartment starting in 2023H1

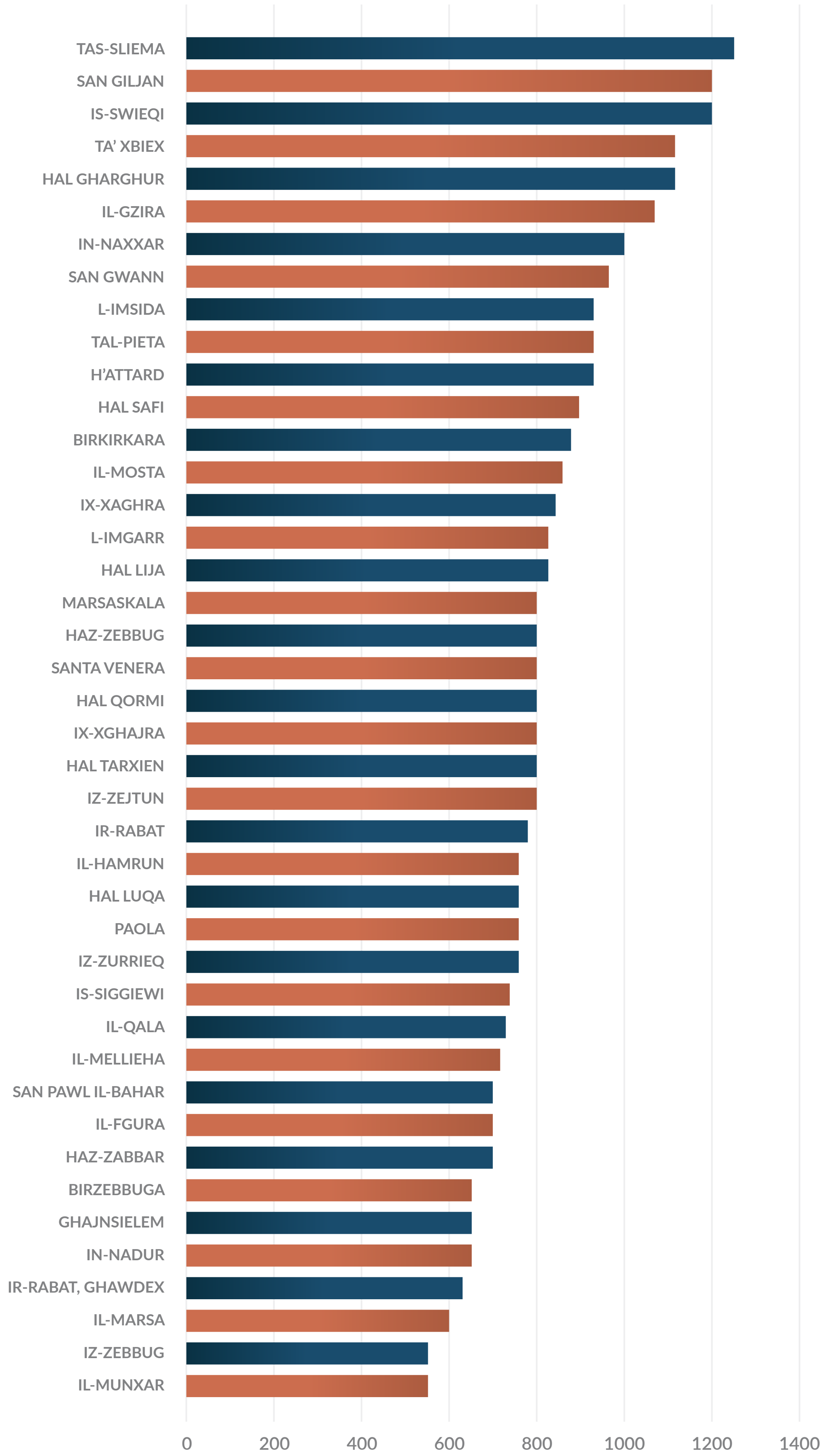


Figure9: Monthly rent in euro for three-bedroom apartment starting in 2023H1

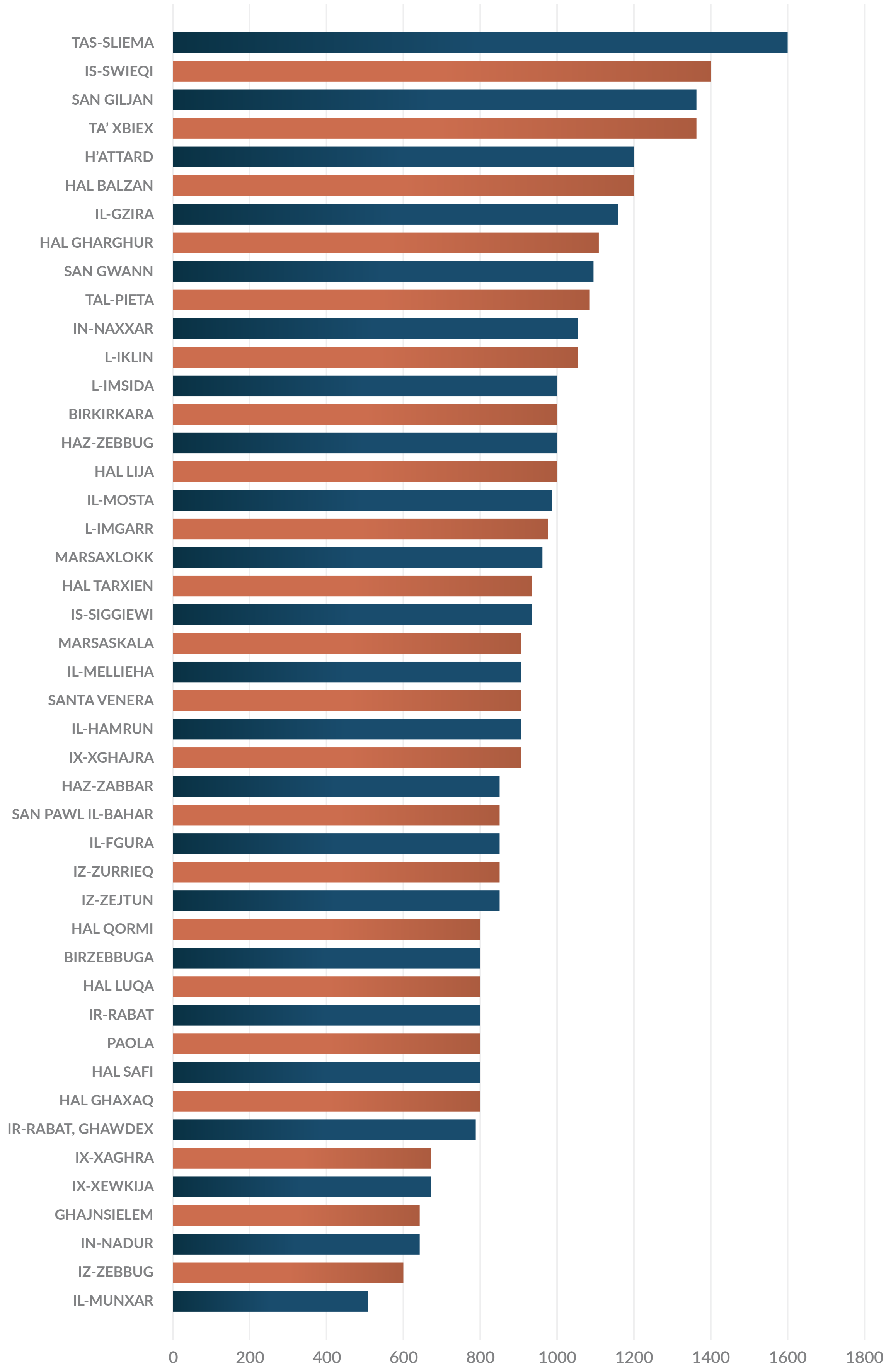
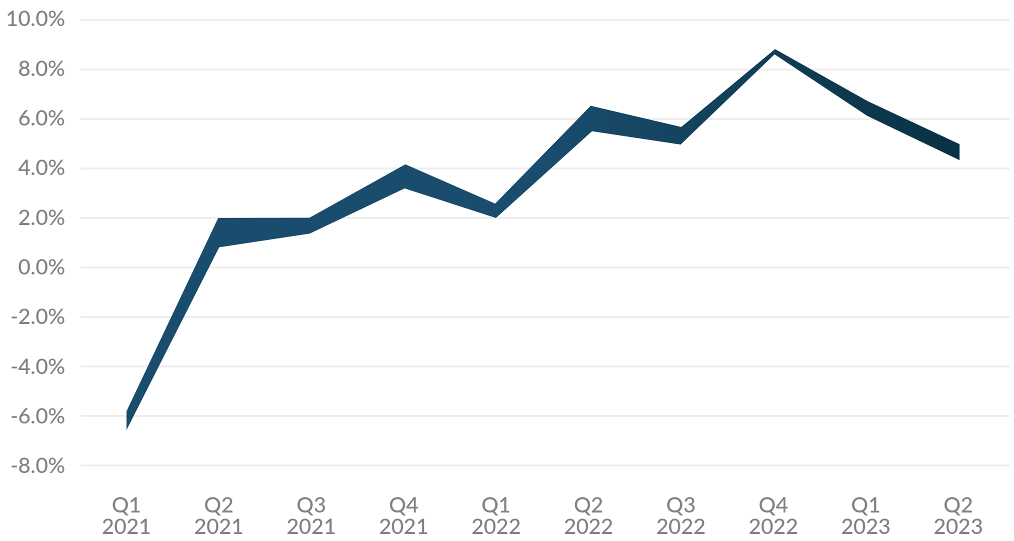


Figure 10 plots the distribution of monthly rents for shared spaces that commenced in the first half of 2023. As discussed above, leases for shared spaces only account for 7.5% of the active contracts registered with the Housing Authority, although they have been trending upwards over time. Around 65% of these contracts have a monthly rent between €100 and €299, while only 13% of these contracts have a monthly rent above €500. The most common localities for registered shared leases are St Paul's Bay, Birkirkara, Hamrun, Msida, Qormi and Sliema, with each of these localities being host to more than 200 shared space leases. Shared space contracts are the least common in Gozo.

Figure10: Rent distribution of leases for shared spaces that started in 2023H1

Finally, the availability of granular information on registered rents allows for an analysis of the evolution of rents over time. The growth rate in rents is based on an hedonic modelling approach that controls for several characteristics including property type and size, its location, and the type of contract.[3] On average, rents rose by 5.5% in the first half of 2023 compared to a year earlier (see Figure 11). This represents a moderation compared to the average growth rate of 6.9% registered in the second half of 2022.

Figure11: Annual growth rate in registered rents



[3] Technical details about the hedonic models used are found in Micallef, B. (2022). Hedonic indices for registered rents in Malta. In The Annual Malta Residential Rental Study: Second Edition, publication by the Housing Authority, pp. 29-44.

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