

2023 H2 UPDATE:

REGISTERED RENTAL CONTRACTS IN MALTA





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Executive Summary

- This report provides an update on registered rental contracts with the Housing Authority in the second half of 2023. The cut-off date is 31 December 2023.
- Active registered contracts stood at 60,339 at the end of 2023. This represents an increase of 23% compared to a year earlier.
- Around 90% of active contracts were for long-term leases, with a further 9.4% classified as shared spaces. The share of the latter has been rising over time.
- There were 25,721 renewals in 2023, most of which were automatic renewals. Around 92% of renewals in 2023 were renewed with the same rent.
- The number of multi-year contracts that started in 2023 stood at 604. The popularity of these contracts has been decreasing over time.
- Tenancy duration has continued to increase since the establishment of the register in 2020 because of contract renewals and multi-year contracts. Tenancies with a duration longer than three years stood at 16% of active leases in December 2023.
- The distribution of contracts by property type has remained very similar since the establishment of the register although recently the share of houses has been rising. Similarly, the share of larger dwellings (i.e., with four bedrooms or more) has also been increasing, which is consistent with the observed increase in shared space leases.
- There are now 17 localities – 16 in Malta and 1 in Gozo – that have more than 1,000 active rental contracts registered in them. St. Paul's Bay remains the most popular locality, with slightly less than 8,900 contracts that amount to 15% of all registered contracts.

- Around 32% of the long-let contracts commencing in the second half of 2023 had a monthly rent between €700 and €999. The share of contracts starting in 2023H2 exceeding €1,000 per month stood at 38%.
- Around 68% of these contracts for shared spaces that started in 2023H2 had a monthly rent between €100 and €299.
- On average, rents rose by 4.8% in the second half of 2023 compared to a year earlier. This represents a moderation compared to the average growth rate of 5.5% registered in the first half of 2023.

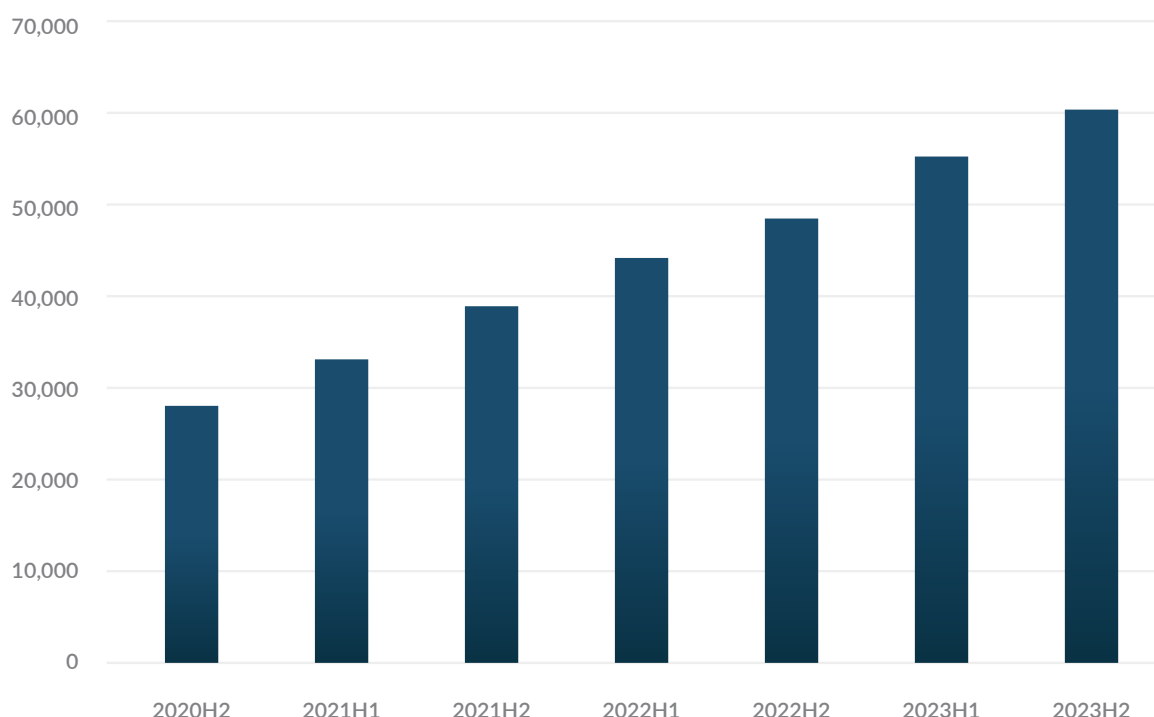
Registered Rental Contracts in Malta: 2023H2 Update

Active Contracts

Active registered contracts stood at 60,339 at the end of 2023 (see Figure 1).¹ This represents an increase of 23% compared to a year earlier. Around 58% of currently active contracts commenced in 2023, with 19% starting sometime during 2022 (see Figure 2). A further 12% and 10% of contracts started at some point during 2021 and 2020, respectively, while 2% commenced before 2020.

At the end of 2023, around 90% of active contracts were for long-term leases (i.e., duration of at least one year), with a further 9.4% classified as shared spaces. Over time, the proportion of contracts for shared spaces has been rising, with this share standing at 5% a year earlier (see Figure 3). The share of short-term leases stood below 0.5% of all registered leases.

Figure 1: Total number of active contracts



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

Figure 2: Commencement year of current active contracts

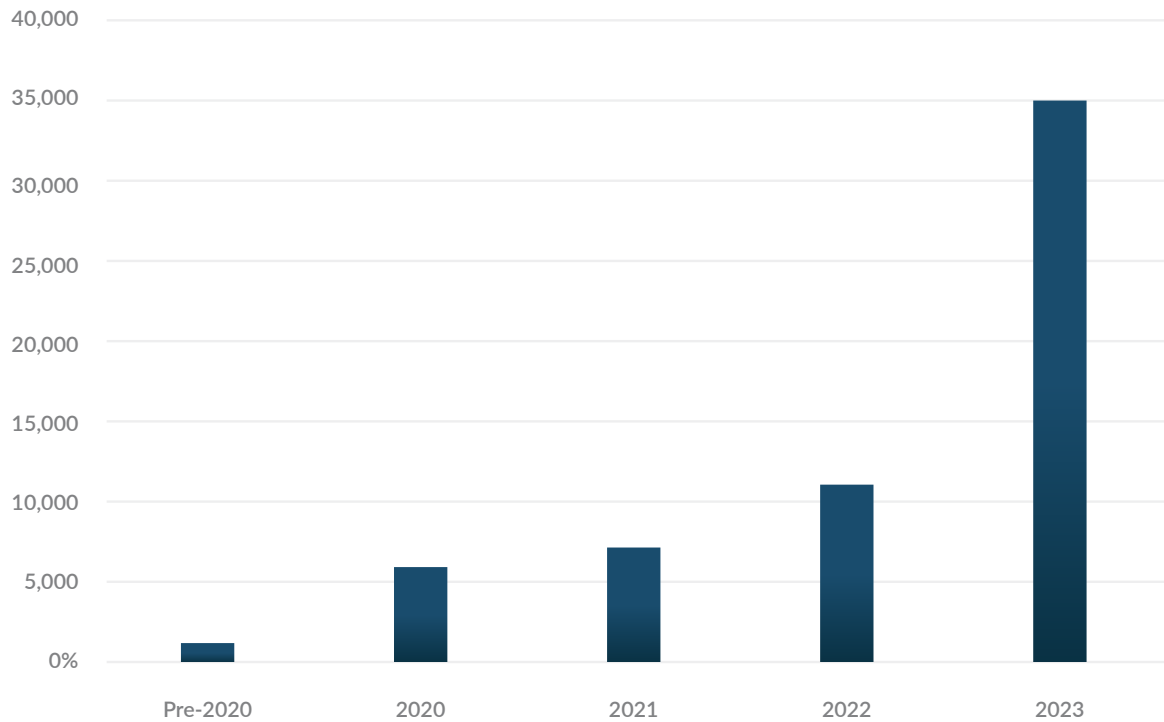
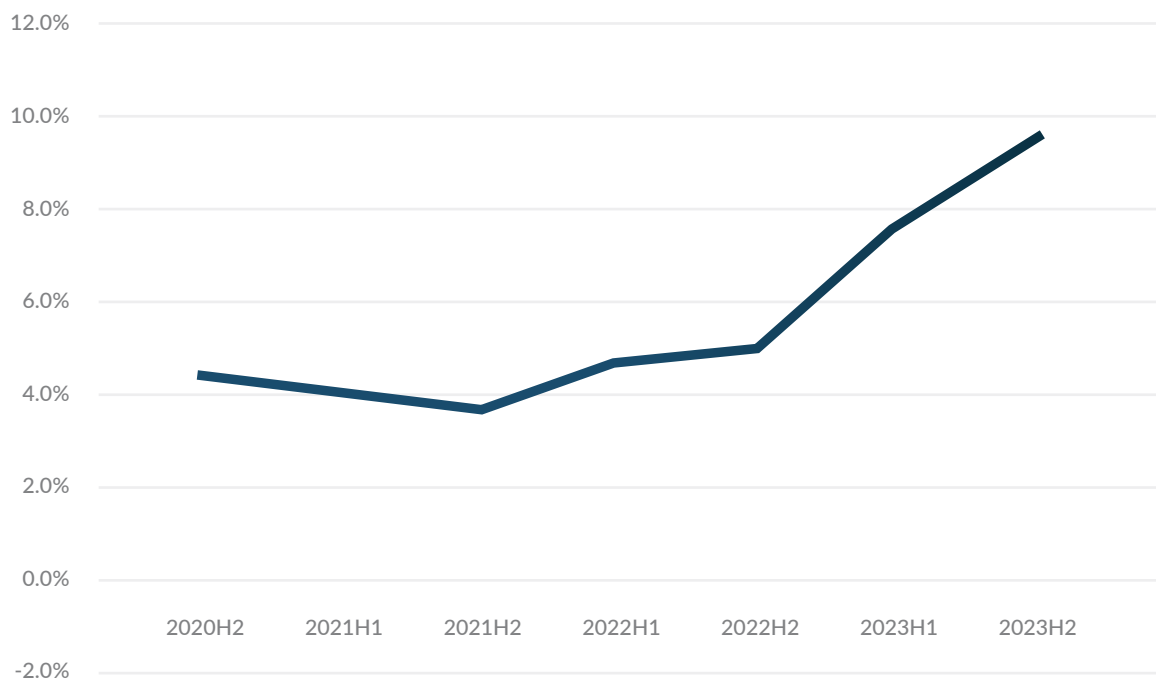


Figure 3: The share of shared space contracts in the rent register

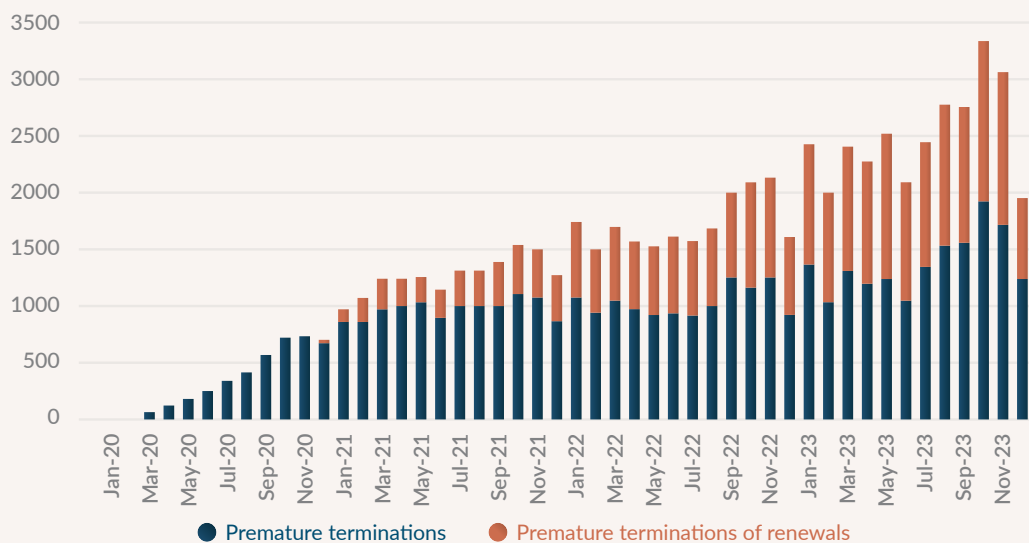


Premature Terminations

Premature terminations refer to those contracts that are terminated before the expiry of the termination date stipulated in the contract. Such terminations can occur with a mutual agreement between the parties, because of contract substitutions (e.g., when a tenant moves out and is replaced by a new lessee) or if the tenant moves out of the contractual relationship.

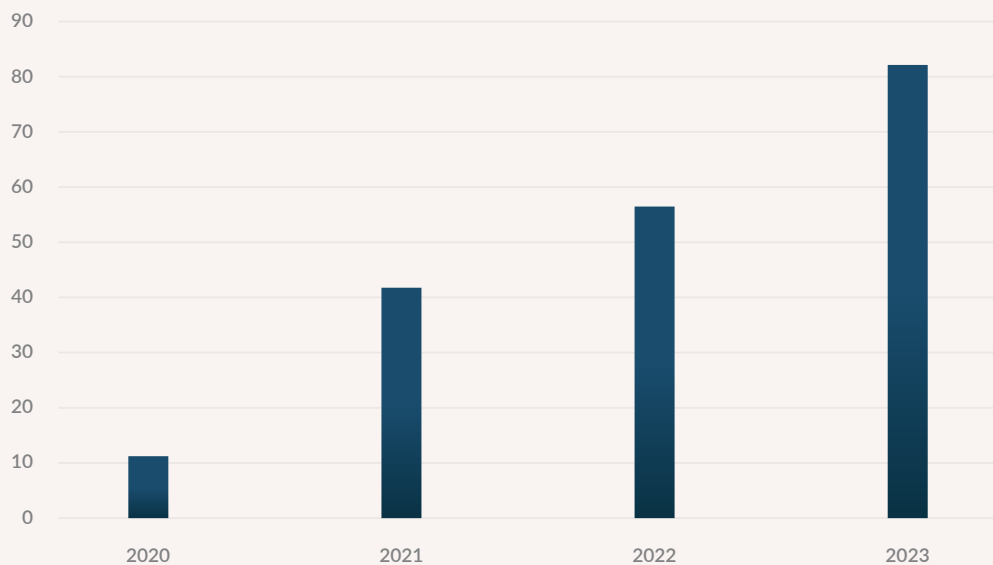
The number of premature terminations has been gradually increasing since the introduction of the register in 2020. Figure 1A plots the number of early terminations by month between 2020 and 2023. The chart identifies separately the early terminations for renewed contracts, which, as expected, only started from 2021. Even when excluding renewals, early terminations averaged around 1,000 per month between January 2021 and December 2022, before rising to more than 1,370 each month in 2023. Premature terminations of renewals averaged around 1,120 per month in 2023, up from 689 in 2022. Around half of these early terminations in 2023 were mutually agreed between both parties, while in 40% of the cases it involved lessees moving out of the contractual relationship without notice.

Figure 1A: Premature terminations with distinction by renewals



Overall, almost 30,000 contracts were terminated prematurely in 2023, an increase of 45% compared to a year earlier. This amounts to 82 early terminations per day, compared to 57 per day in 2022 and 42 in 2021 (see Figure 2A). Such a sharp increase in early termination constitutes a considerable administrative burden to the staff of the Housing Authority.

Figure 2A: Average premature terminations per day

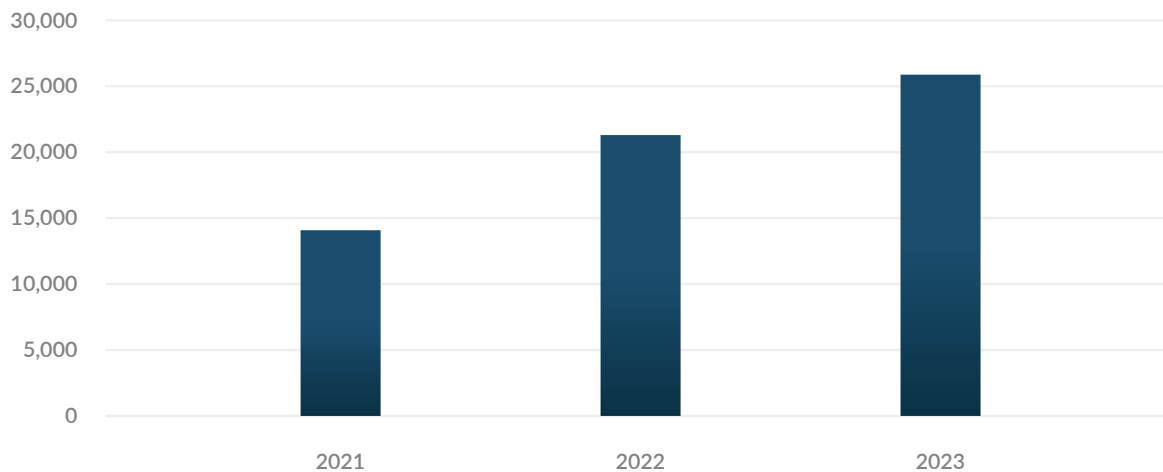


Renewals and Multi-Year Contracts

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.

There were 25,721 renewals in 2023 – the majority of these, around 88%, were automatically renewed. Almost all these contracts were renewed for a period of one year. In 2021 and 2022, renewals amounted to 14,365 and 21,569, respectively (see Figure 4).

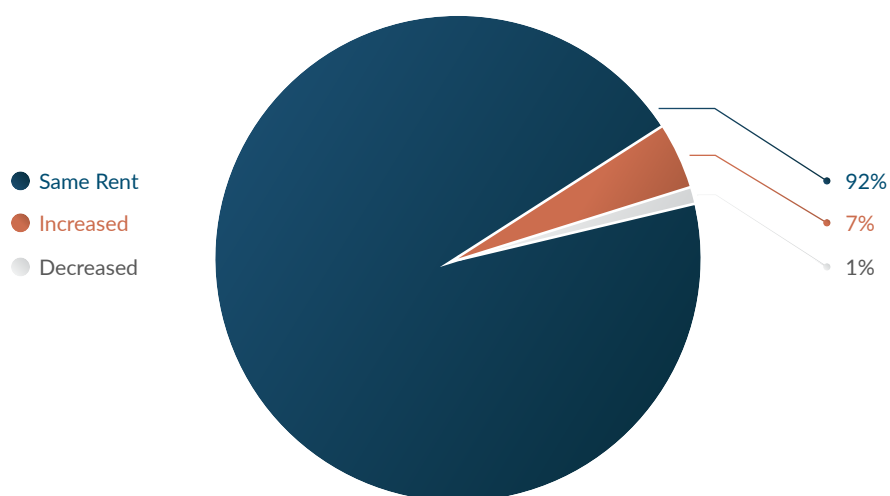
Figure 4: Total contract renewals (2021-2023)



The register also includes information on rental contracts that have been renewed more than once. For instance, an original one-year contract that started in 2021 could have been renewed for another year in 2022 and, again, extended for another year in 2023. Slightly less than half of the renewals in 2023 have indeed been renewed more than once. Furthermore, 19% of renewals in 2023 have been renewed twice.

Renewals help to maintain stable rents since they remove the information asymmetry between landlords and tenants that is prevalent at the start of the contract. As observed in previous years, around 92% of renewals in 2023 were renewed with the same rent (see Figure 5). Around 7% of renewals were renewed with a higher price, while less than 1% were renewed with a lower price.

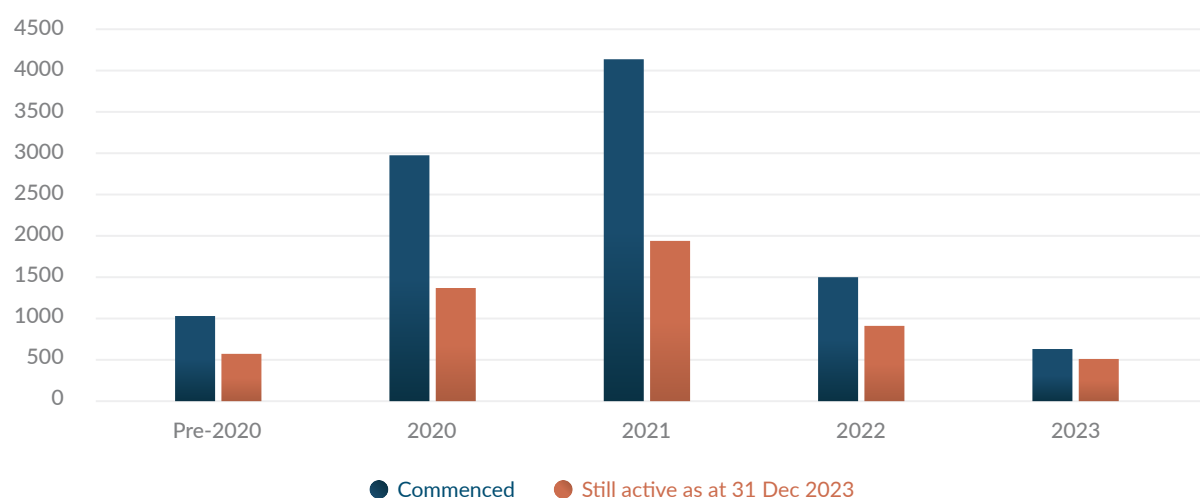
Figure 5: Rent for renewed contracts commencing in 2023





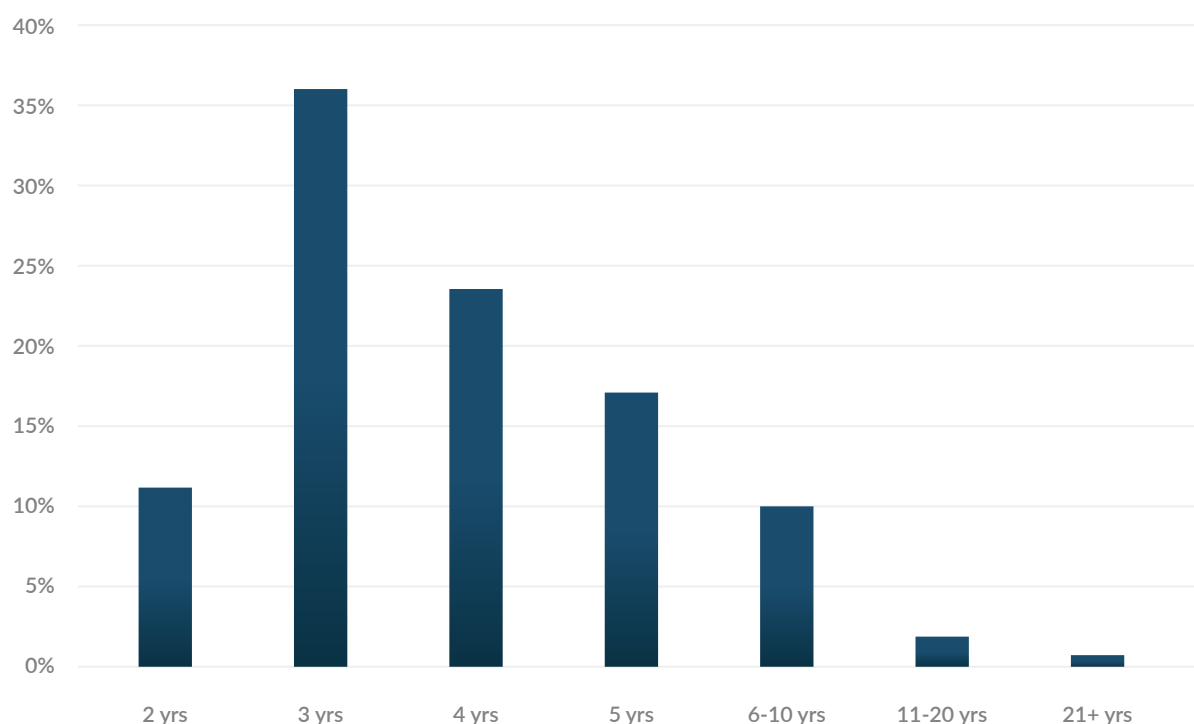
While the minimum contract duration for a long-term lease is one year, the landlord and tenant can agree on a longer duration (i.e., two years or more). Since the establishment of the register, a total of 10,213 multi-year contracts have been registered with the Housing Authority – 5,396 were still active by 31 December 2023. Most of these multi-year contracts started after 2020. The largest number of multi-year contracts were registered in 2021 and since then they have declined sharply (see Figure 6). The number of multi-year contracts that started in 2023 stood at 604, with 86% of these remaining active by the end of the year. The number of multi-year contracts starting in 2023 was significantly lower than the peak observed in 2021, when slightly more than 4,100 multi-year contracts were registered.

Figure 6: Commencement of multi-year contracts



The median duration of the currently active multi-year contracts stands at 4 years, while the average duration amounts to 4.3 years. The median duration for multi-year contracts that started in 2023 stood at 3 years. The duration is defined as the difference between the contract termination and commencement dates. Figure 7 shows that there is considerable heterogeneity in the duration of multi-year contracts. Indeed, while most of these contracts have a duration of three or four years, slightly more than 625 contracts are between 6 and 20 years, while 33 contracts have a duration exceeding 21 years. Most of the latter contracts have been in place prior to the introduction of the reform in 2020. Multi-year contracts entered before 2020 also tend to have a significantly longer duration than those signed after 2020 – those in the former category that are still active have an average and median duration of 8.9 years and 6 years, respectively.

Figure 7: Duration of active multi-year contracts

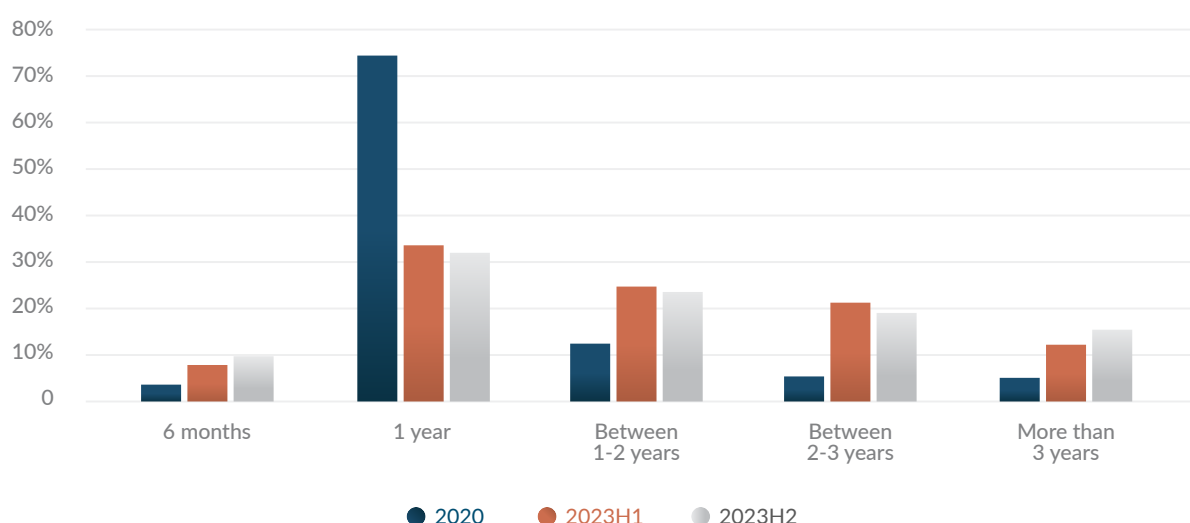




Tenancy Duration

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 stood around 32%, while tenancies with a duration of 1-2 years and 2-3 years accounted for 23% and 29% of all active contracts, respectively, in December 2023 (see Figure 8). The shares of the latter categories have declined slightly compared to the first half of 2023. On the contrary, tenancies with a duration longer than three years stood at 16% of active leases in December 2023, up from 12% in the first half of the year. Similarly, at the other end of the spectrum, the share of tenancies with a duration of six months rose to 10%, reflecting the increase in leases for shared spaces.

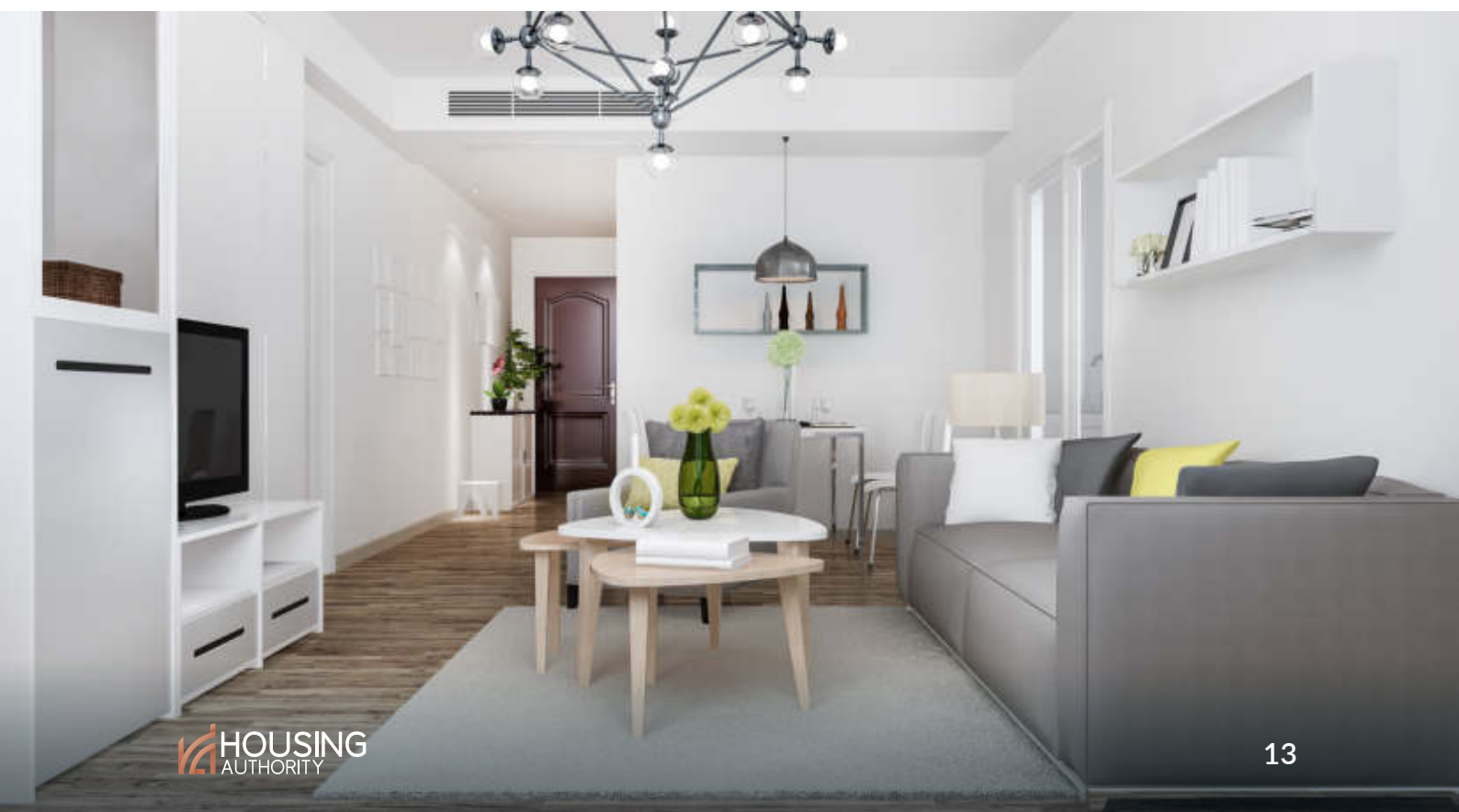
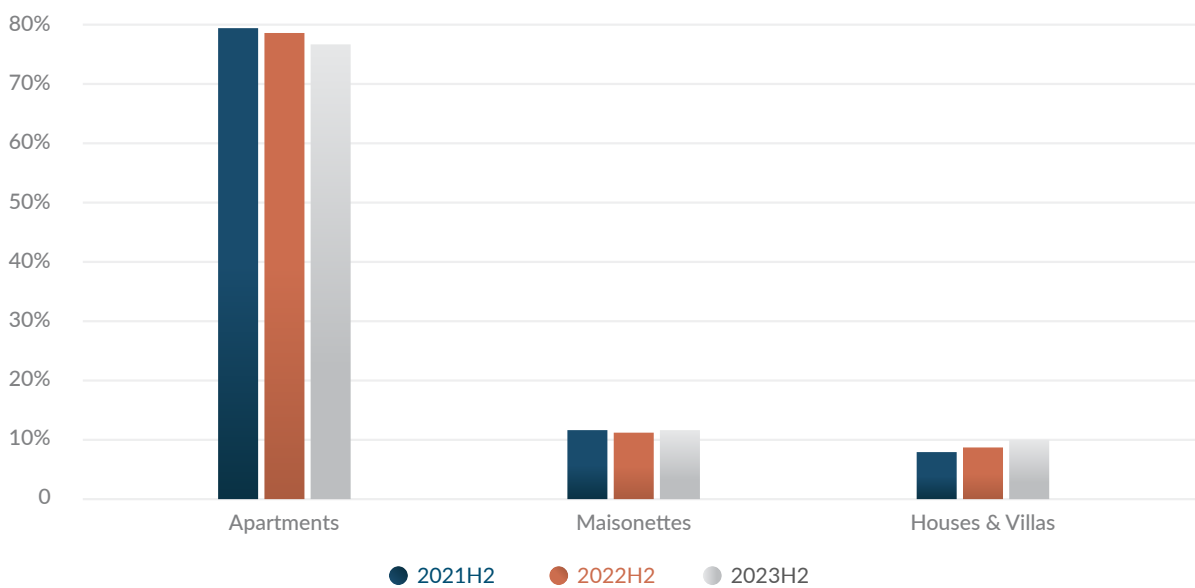
Figure 8: Duration of active leases



Characteristics of Rented Properties

The distribution of contracts by property type has remained very similar since the establishment of the register although recently the share of houses has been rising. At the end of 2023, 78% of active rental contracts consisted of apartments, followed by maisonnettes (12%). The share of houses rose from 8% at the end of 2022 to 10% in December 2023, while properties classified as villas remained stable at less than 1% (see Figure 9).

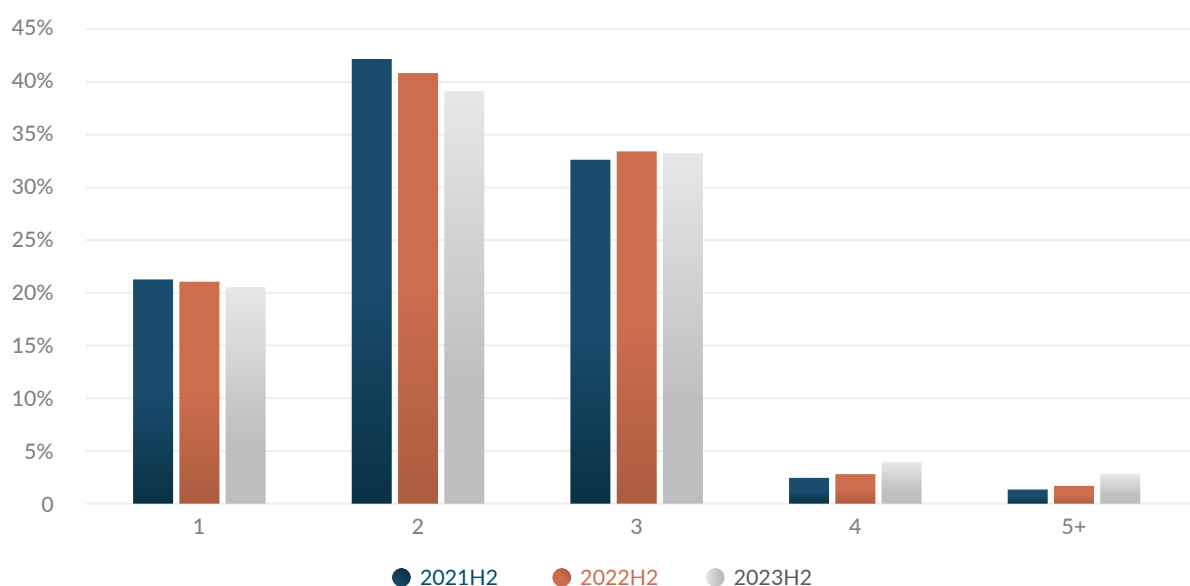
Figure 9: Active rental contracts by property type





In terms of size, we are starting to observe an increase towards larger properties (see Figure 10). While two-bedroom dwellings remain the most prevalent, their share dropped from 41% at the end of 2022 to 39%. The share of one- and three-bedroom properties remained relatively stable around 21% and 33%, respectively. On the contrary, the share of properties with four or more bedrooms has increased from 4% at the end of 2022 to 7% in December 2023. The latter trend is consistent with the observed increase in shared space leases.

Figure 10: Active rental contracts by number of bedrooms



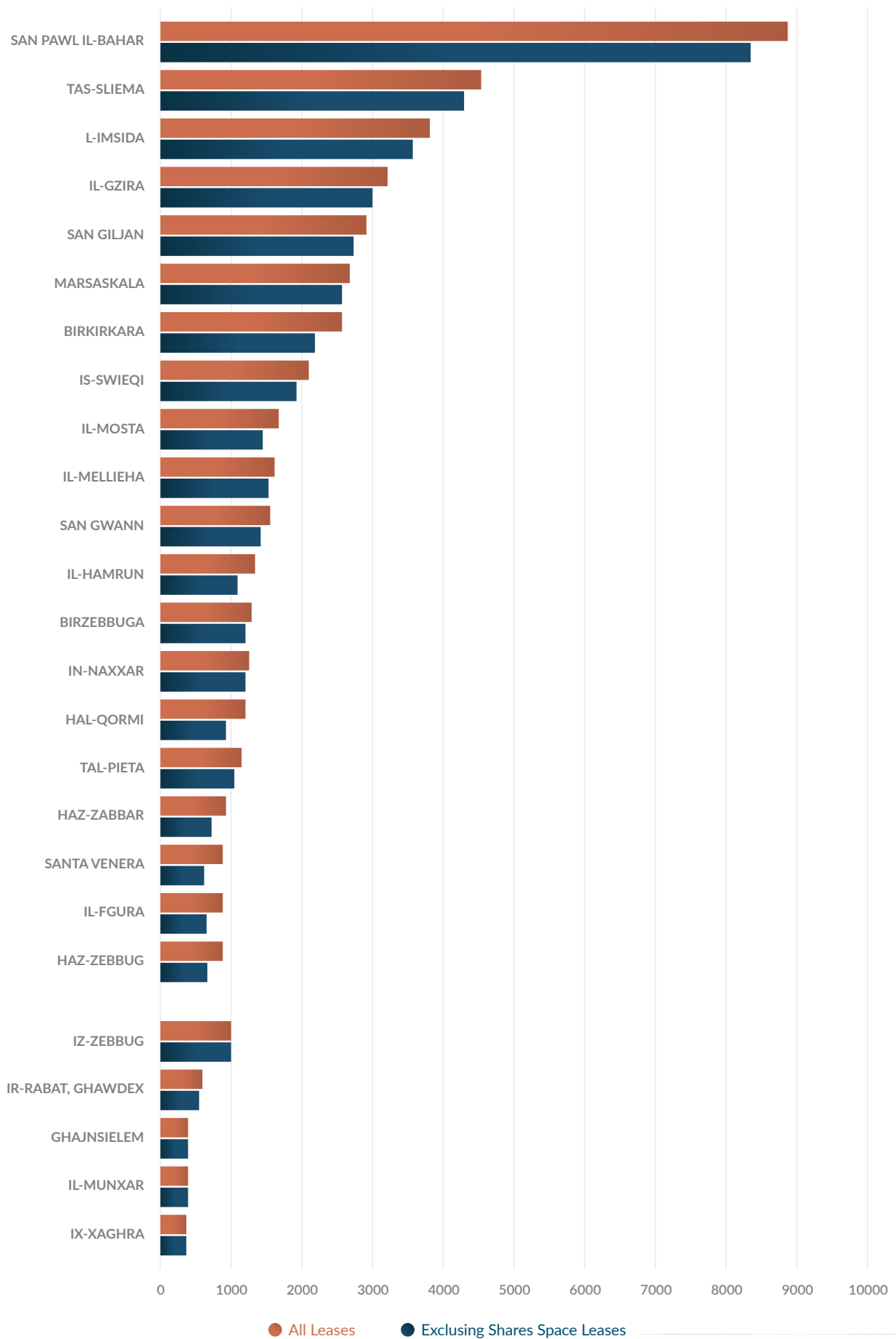
Spatial Distribution across the Maltese Islands

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. Around 43% of all contracts are registered in the Northern Harbour region, followed by the Northern region, which accounts for 24% of all leases.

St. Paul's Bay remains the most popular locality, with slightly less than 8,900 contracts that amount to 15% of all residential contracts registered with the Housing Authority at the end of December 2023 (see Figure 11). There are now 17 localities – 16 in Malta and 1 in Gozo – 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, Mosta, Mellieha, San Gwann, Hamrun, Birzebbugia, Naxxar, Qormi, Pieta and Zebbug (Gozo). In Gozo, in addition to Zebbug (which includes Marsalforn), other popular localities for rent are Victoria, Ghajnsielem, Munxar and Xaghra. These five localities account for around 68% 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.



Figure 11: Active contracts by main localities in Malta and Gozo





Rents by Locality

As expected, there are significant variations in rents by locality. Figure 12 plots the median monthly rent by locality for two-bedroom apartments for contracts that started in the second half of 2023, while Figure 13 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 second half of 2023 are also excluded from the charts.

The most expensive rents are found in the localities of Sliema, Swieqi and St Julian's. 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 second half of 2023 stood at €750 and €900, respectively.

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

Figure12: Monthly median rent in euro for two-bedroom apartment starting in 2023H2

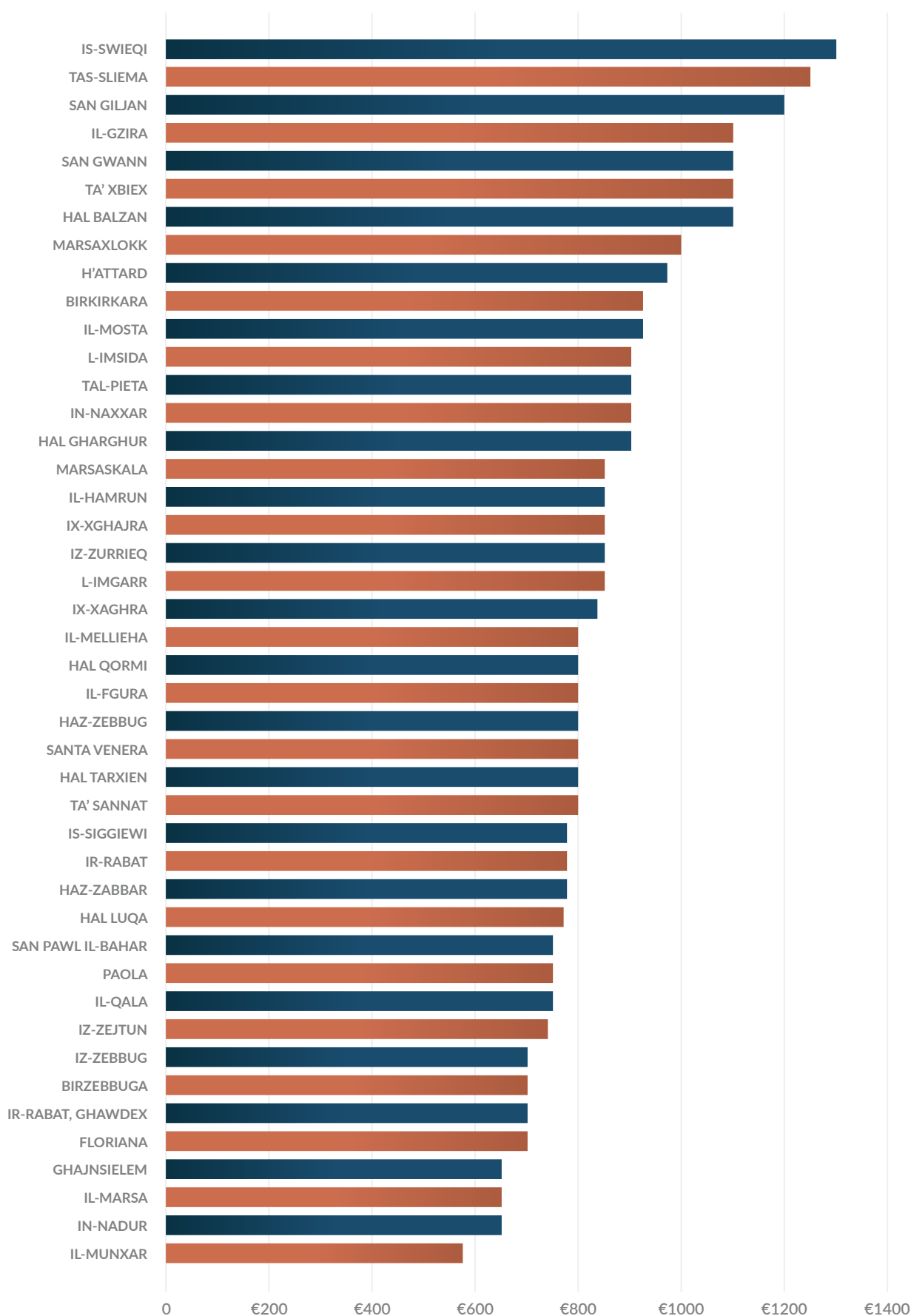
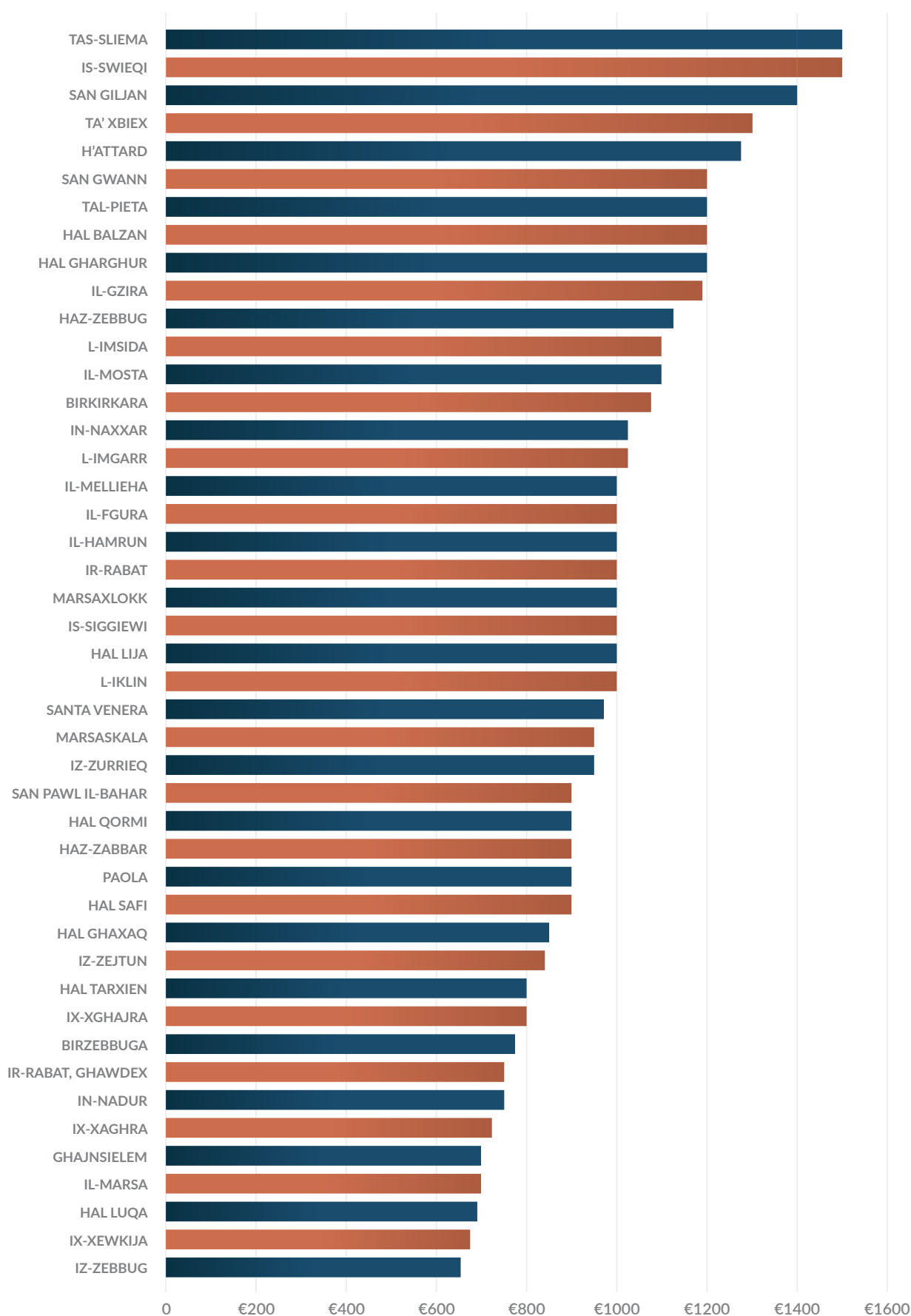


Figure13: Monthly median rent in euro for three-bedroom apartment starting in 2023H2

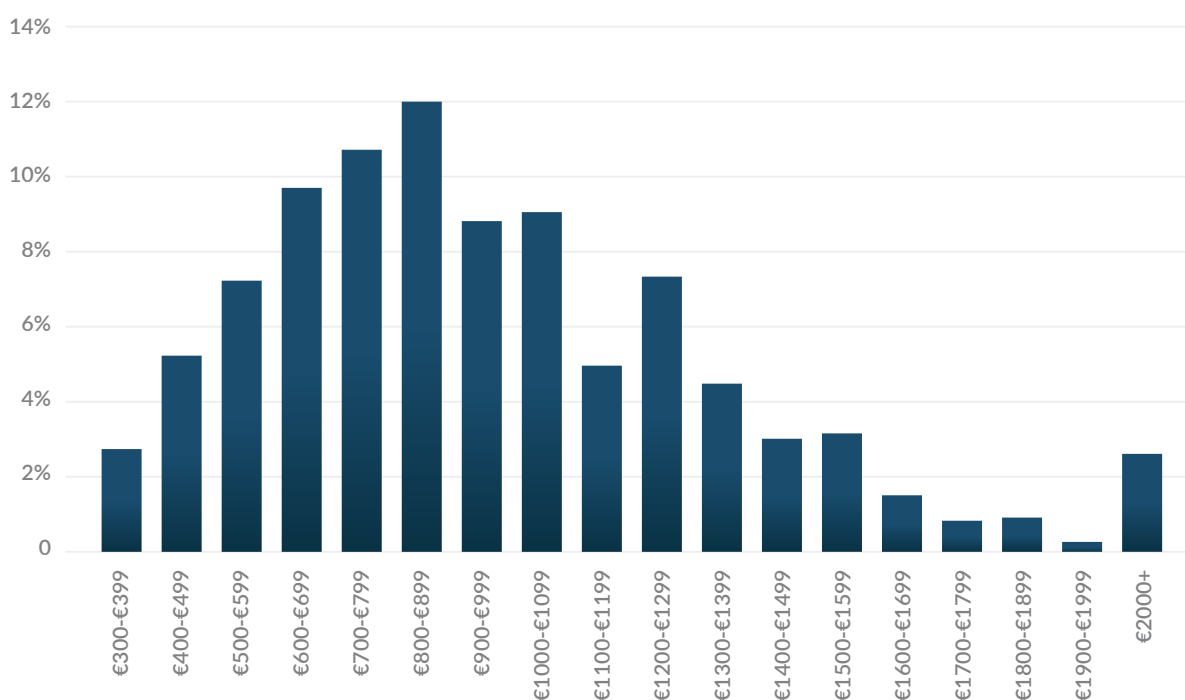




Rent Distribution by Contract Type

Figure 14 plots the distribution of monthly rents in euro for long and short-term contracts (but excluding leases for shared spaces) that started in the second half of 2023.³ Around 32% of these contracts have a monthly rent between €700 and €999, while the share of contracts exceeding €1,000 per month stood at 38%. Around 3% of contracts that commenced in 2023H2 have a monthly rent exceeding €2,000, with these contracts being predominantly concentrated in Sliema, St Julians and Swieqi.

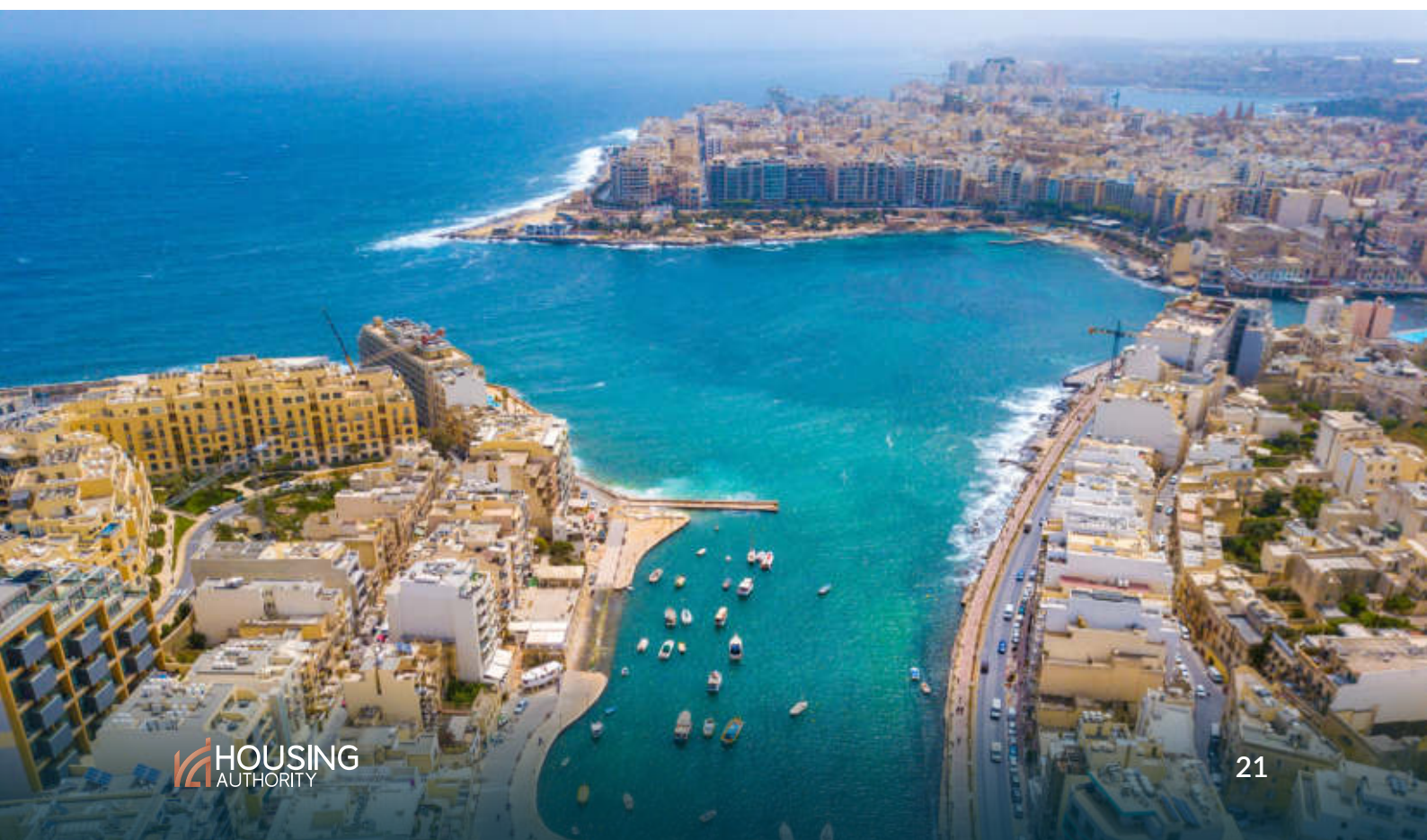
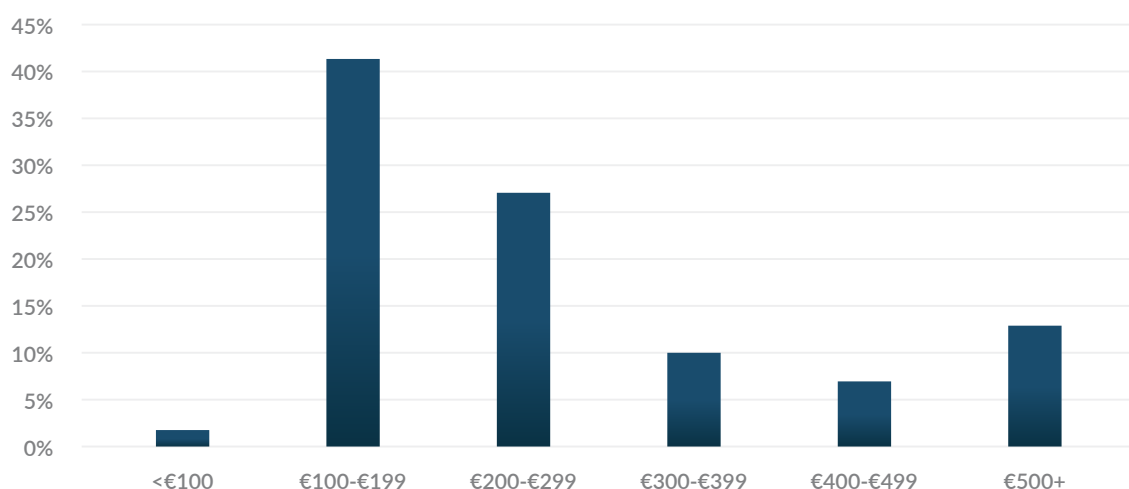
Figure 14: Rent distribution of leases (excluding shared spaces) that started in 2023H2



³ The chart excludes rents below €300 per month since these are most likely for shared space leases. The share of contracts starting in 2023H2 in this category amounts to 5%.

Figure 15 shows the distribution of monthly rents for shared spaces that commenced in the second half of 2023. As discussed above, leases for shared spaces account for less than 10% of the active contracts registered with the Housing Authority but their share has been rising over time. Around 68% 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, Qormi, Msida, Hamrun and Sliema, with each of these localities being host to more than 250 shared space leases.

Figure 15: Rent distribution of leases for shared spaces that started in 2023H2

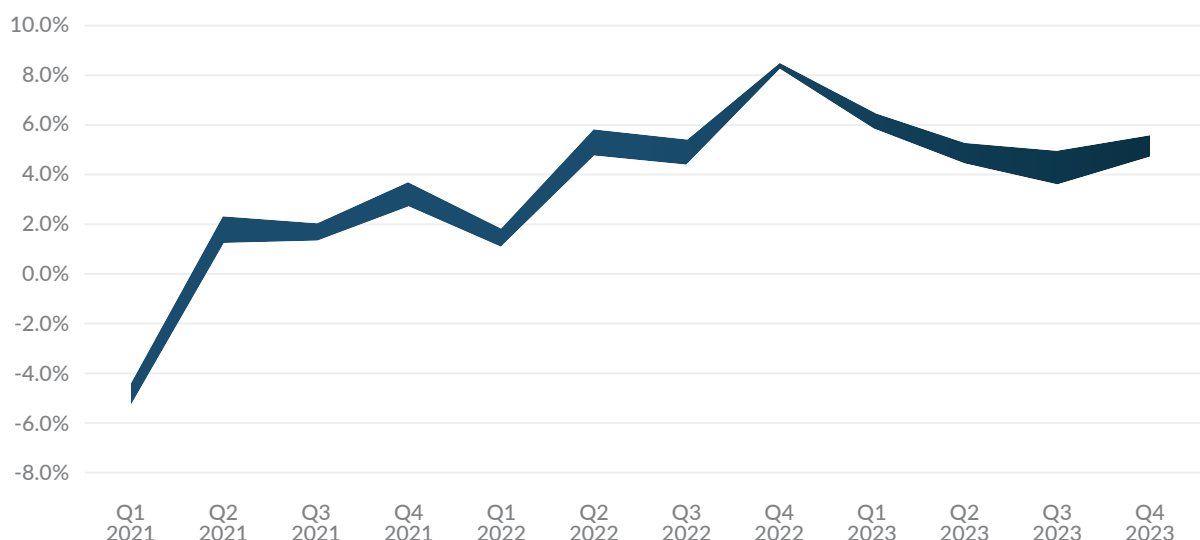




Rent index

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.⁴ On average, rents rose by 4.8% in the second half of 2023 compared to a year earlier (see Figure 16). This represents a moderation compared to the average growth rate of 5.5% registered in the first half of 2023.

Figure 16: Annual growth rate in registered rents



⁴ 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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