HOUSING
AUTHORITY

The Housing Authority's Homeownership Schemes

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The Housing Authority has several schemes intended to improve housing affordability in Malta. These schemes can be grouped into three categories: (i) those intended to assist buyers or tenants to become homeowners; (ii) those that provide financial assistance to improve rental affordability; (iii) schemes intended to increase buyers' purchasing power and make the property more habitable. This report is the first in a 3-part series that documents each of these categories, with this one focusing on the first category, that is, those aimed at facilitating homeownership.

Malta is a nation of homeowners. Indeed, the latest Census confirmed that Maltese households have one of the highest homeownership rates in the EU (see box 1). The Authority has five schemes to help buyers or tenants to become homeowners: the Deposit Guarantee scheme, the Equity Sharing scheme, the Social Loan scheme, the New Hope scheme and the Sir Sid Darek (SSD) scheme.[2] The main features of these schemes are described in box 2.

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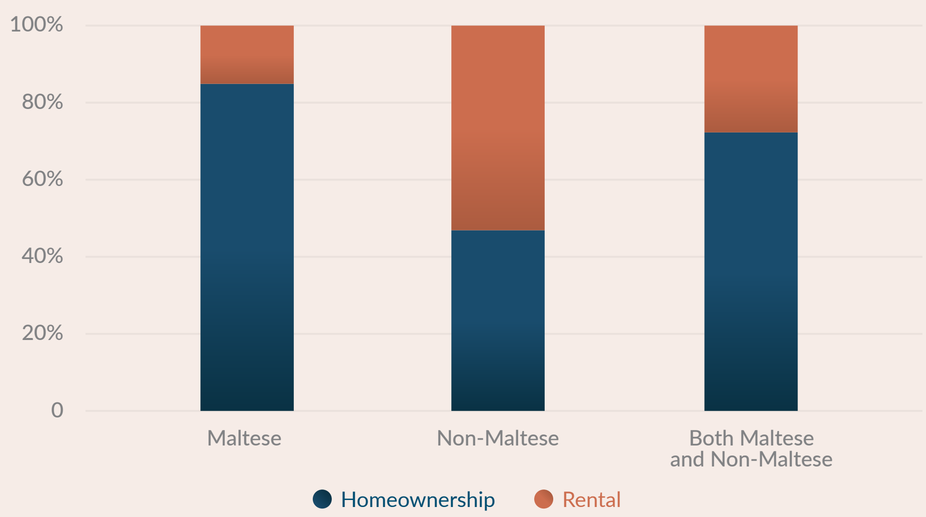
[2] Further details about these schemes are available from: https://housingauthority.gov.mt/services/affordable-housing/

A total of 1,391 households have benefitted from these schemes between 2017 and 2023 – this amounts to around 1 household assisted to become a homeowner every 2 days. Since 2017, the number of beneficiaries for these five schemes are: SSD (700), Deposit Guarantee (261), Equity Sharing (244), Social Loans (174) and New Hope (12). The higher number of SSD beneficiaries are mainly because the current version of this scheme has been in place since 2014, while the deposit guarantee and the equity sharing have been introduced since 2020 (see fig 1).

Box 1: Homeownership Rate in Malta

According to the 2021 Census, Malta's overall homeownership rate stood around 75%. This share is generally lower than that obtained in other surveys, such as the EU-SILC, primarily because the latter tends to inadequately cover the migrant population in Malta. One of the main advantages of the Census is that its granularity allows for a decomposition of the homeownership rate by citizenship status. The Census makes a distinction between three citizenship categories: Maltese, non-Maltese and mixed households consisting of both Maltese and non-Maltese persons (see fig 1a).

Figure 1a: Homeownership rate by citizenship categories



The homeownership rate for Maltese households stood at 85% (in 2011, the overall homeownership rate stood at 80%, at a time when the foreign population amounted to slightly less than 5% of the total population). On the contrary, the homeownership of non-Maltese households stood at just 45%, confirming the prevalence of rental accommodation for this group, which mostly consist of foreign workers. As expected, mixed citizenship households stand somewhere in between, with a homeownership rate of 72%.

Box 2: The Housing Authority's Schemes to Facilitate Homeownership

The **Deposit Guarantee Scheme** is intended to assist people who are eligible for a home loan but do not have the necessary liquidity to pay the required 10% down payment. This deposit, through a home loan, for properties worth up to €225,000, will be repaid back over 25 years interest rate free (interest rate borne by the Housing Authority). This scheme was introduced in 2020 and applies for persons under 40 years.

The **Equity Sharing Scheme** is aimed towards individuals aged over 30 years who, due to their age and income, cannot take a loan that suffices to purchase their home. The Housing Authority purchases up to 50%, not exceeding €100,000, of a property worth up to €250,000. This scheme was introduced in 2019.

The **Social Loan Scheme** provides low-income earners with a monthly subsidy towards their home loan. The total amount of loan, where applicable, covers the deposit related to the purchasing of the property. This scheme, which was introduced in 2017, is in collaboration with two leading commercial banks and the Foundation for Social Welfare Services.

The **New Hope Scheme** was launched in 2021 and targets individuals who face difficulties when taking up a life insurance policy needed for their home loan due to medical conditions.

Finally, the **Sir Sid Darek Scheme** provides an opportunity for residents residing in eligible social housing properties to become owner occupiers and continue using the property as their ordinary residence. While similar schemes have existed in the past, the current scheme has been launched in 2014.

The Authority's expenditure on these schemes increased substantially after 2020 (see fig 2). Excluding the SSD – the chart records the subsidy provided to households as an expenditure even though these purchases represent a cash inflow to the Authority – the Housing Authority has invested more than €25,000,000 between 2017 and 2023 on the remaining four schemes. Most of this expenditure is accounted for by the Equity Sharing and the Deposit Guarantee schemes, which together account for 95% of this spending. Furthermore, since 2017, the subsidies provided by the Authority to tenants on SSD purchases amounted to more than €27,000,000.

Figure 1: Number of households that benefitted from homeownership schemes (2017-2023)

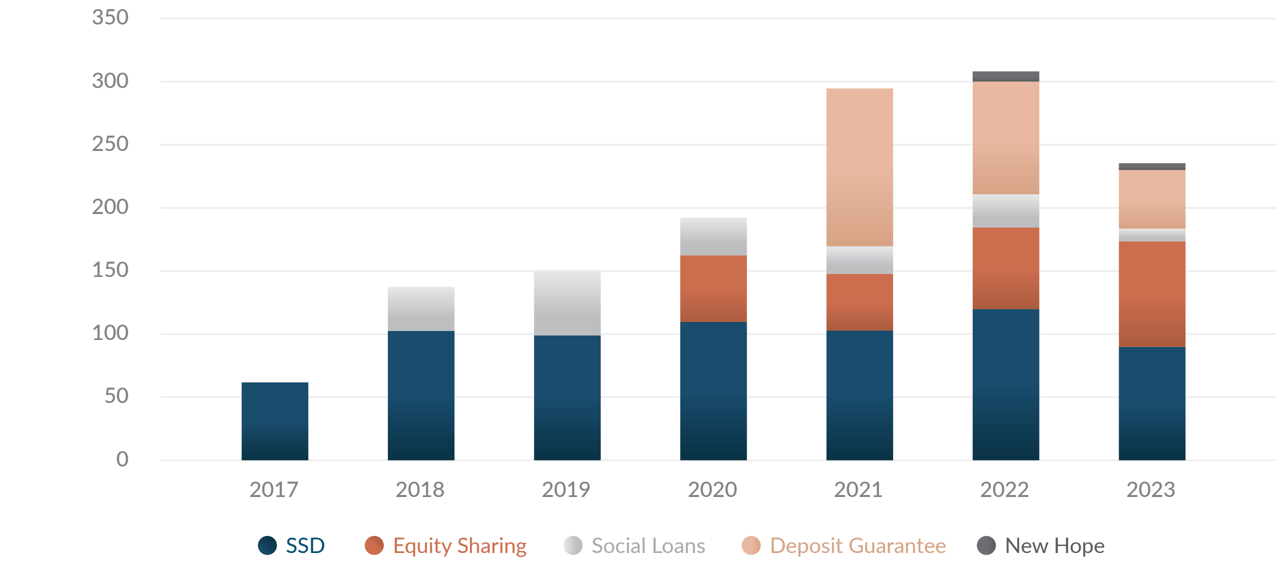
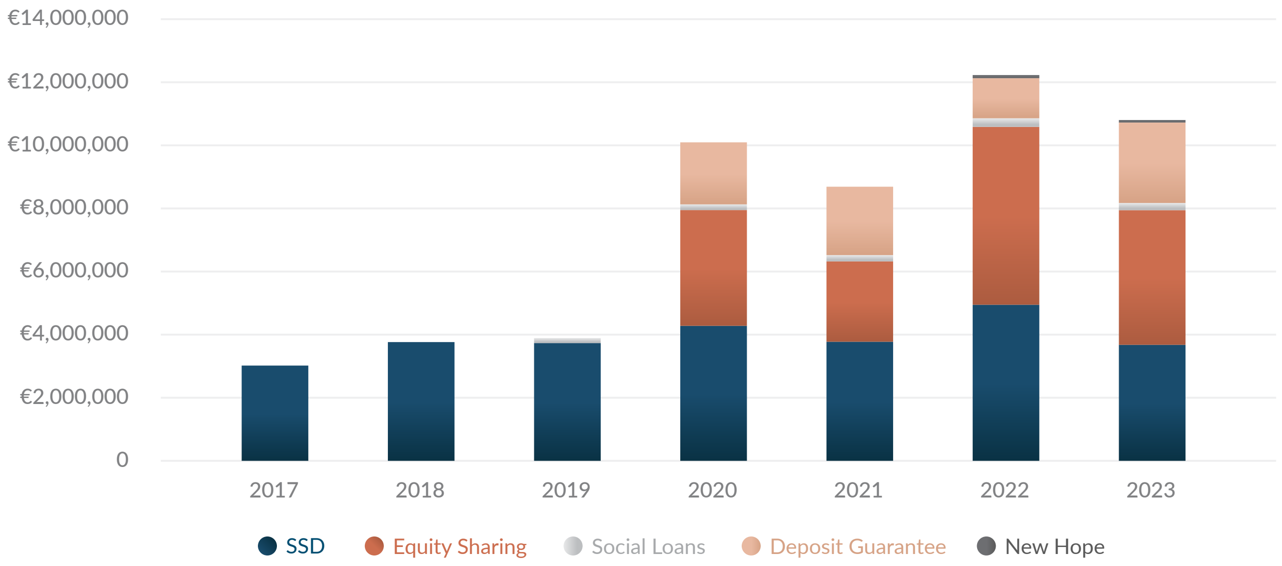
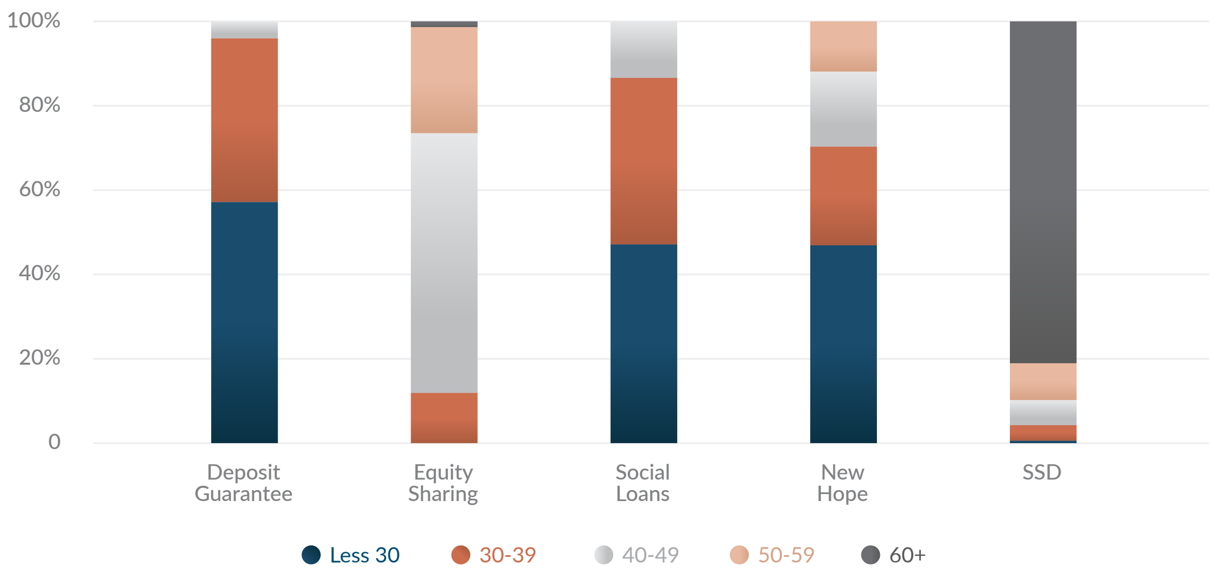


Figure 2: Expenditure on homeownership schemes (2017-2023)



These schemes target different age profiles (see fig 3). The beneficiaries of the Deposit Guarantee and the Social Loan Schemes are primarily young adults, aged less than 30, followed by those in the 30-39 age group. The New Hope scheme has broadly similar age profile. On the contrary, the Equity Sharing scheme targets relatively older individuals, with 61% of beneficiaries being in the 40-49 age group and 25% in the 50-59 age bracket. Finally, more than 80% of the SSD beneficiaries are over 60 years old.

Figure 3: Age of the beneficiaries



The marital status of beneficiaries varies significantly depending on the scheme (see fig 4). For instance, between 45% and 60% of the beneficiaries of the Deposit Guarantee, Social Loan and New Hope are single individuals, while slightly more than half of those who availed of the Equity Sharing scheme were separated. For the Social Loan scheme, a significant share of beneficiaries also included single parents (included in the 'Others' category). Married couples represent more than half of those who benefitted from the SSD, followed by those who are widowed (included in the 'Others' category).

Despite their younger age, the beneficiaries of the Deposit Guarantee scheme tend to have a higher income than those of the Equity sharing scheme (see fig 5). Indeed, slightly more than half of those who benefitted from the Equity Sharing had an income of less than €19,000 per annum, with another 20% having an annual income between €19,000 and €21,999. On the contrary, only 10% of the Deposit Guarantee beneficiaries earned less than €19,000. For the latter scheme, 31% of the beneficiaries reported an income between €19,000 and €21,999, while almost half of them earned between €22,000 and €30,999.

Figure 4: Marital status of beneficiaries

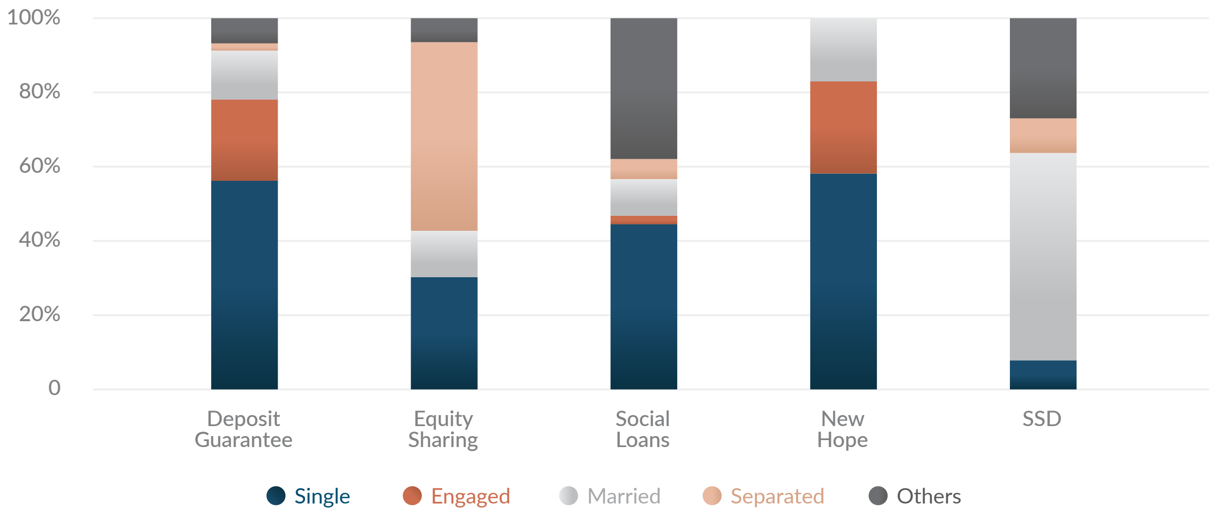
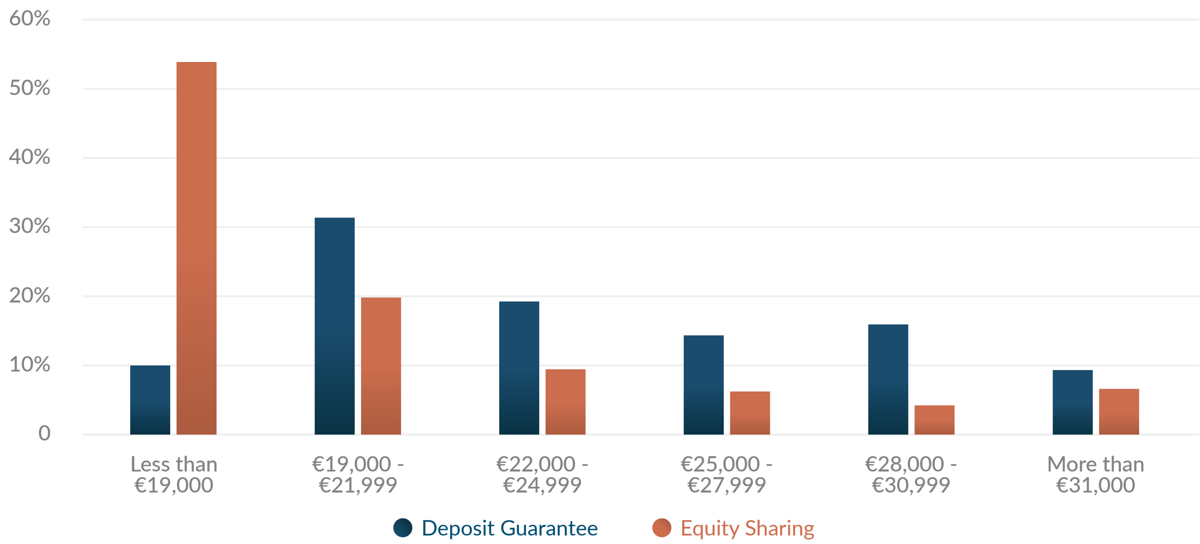
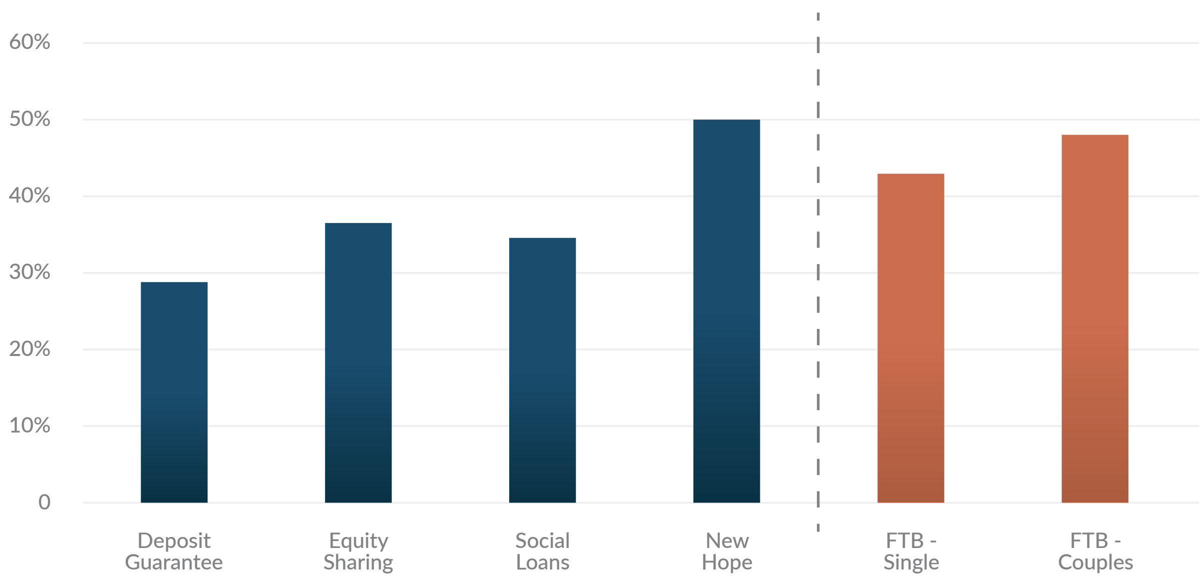


Figure 5: Income of beneficiaries of Deposit Guarantee and Equity Sharing Schemes



Location bias is also present for these affordability schemes although, in general, it tends to be lower than that reported for first-time buyers (see fig 6). The locality bias refers to the empirical observation that individuals prefer to purchase properties that are close to their current address, possibly within the same locality. As a benchmark, 48% of first-time buyers who purchased a property as a couple in 2022-2023 did so in the locality of their previous address (the locality preference was slightly less pronounced for those who purchased a property on their own, standing at 43%). The percentage of beneficiaries that purchased a property in the same locality as their previous residence tends to be lower than the first-time buyers, ranging from 29% for the Deposit Guarantee Scheme to 37% for the Equity Sharing. The figure is higher for the New Hope scheme (50%), although in this case, this must be treated with caution given the small number of beneficiaries.

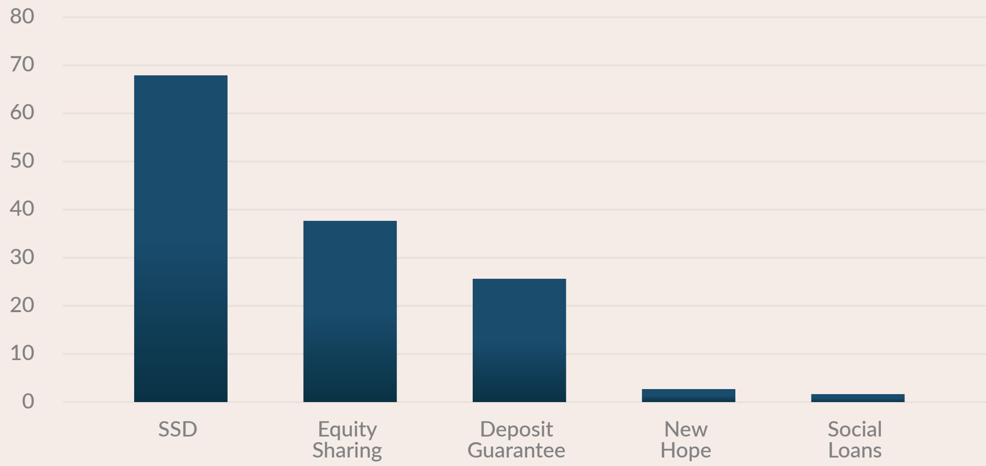
Figure 6: Percent of beneficiaries that purchased a property in the same locality as their previous residence



Box 3: Uptake in the first half of 2024

A total of 137 households benefitted from these five schemes between January and June 2024. The scheme Sir Sid Darek was the most popular, with final deeds signed with 68 households, followed by the Equity Sharing scheme (38) and the Deposit Guarantee scheme (26). While the uptake of the New Hope scheme is broadly in line with that observed in 2023, the beneficiaries from the Social Loans scheme continued to decline.

Figure 3a: Number of households that benefitted from the Authority's schemes between January and June 2024



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