



The Housing Authority's Rental Affordability Schemes

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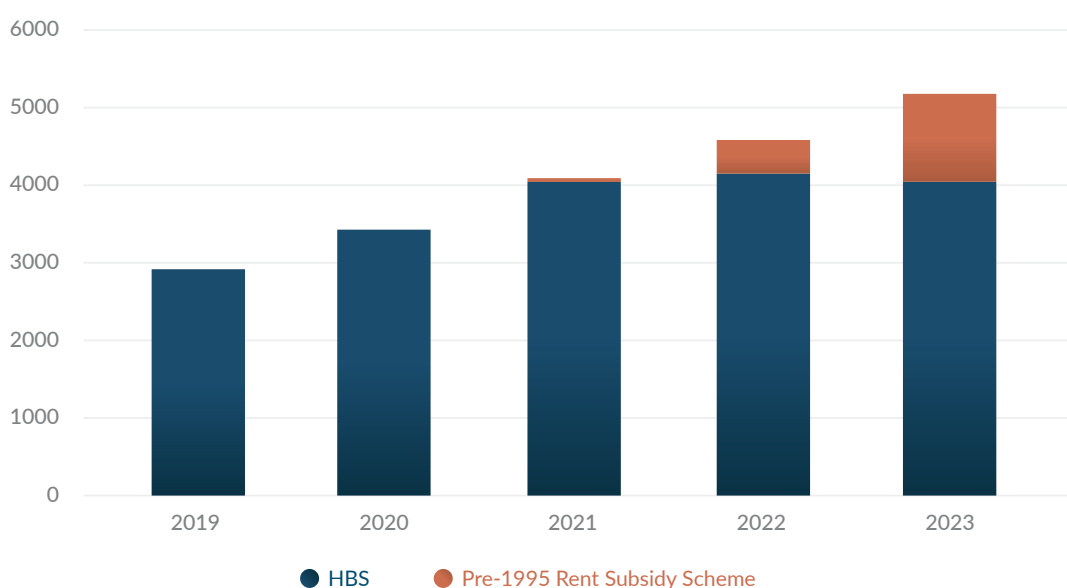
This report focuses on the Housing Authority's schemes aimed at providing rental assistance to improve the housing situation and ameliorate the housing burden on low-income households. This category comprises two schemes: the Housing Benefit Scheme (HBS) and the Pre-1995 Rent Subsidy Scheme. The key features of these two schemes are described in boxes 1 and 2. Box 3 provides a brief review of the literature on the socio-economic impact of rent relief programmes on low-income households. This is the second paper in a 3-part series that looks at the main housing affordability schemes offered by the Housing Authority.

The number of households that benefitted from these schemes increased almost twofold between 2019 and 2023—from around 2,898 in 2019 to 5,176 in 2023 (see fig 1). Given that the HBS and Pre-1995 Rent Subsidy Scheme financial support consists of a subsidy that the household receives as long as they are eligible, these figures can include the same household in different years based on the duration of their subsidy. The

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highest number of households benefitting from the HBS scheme was in 2022, with 4,154 families receiving at least one monthly payment that year. On average, the Housing Authority assisted around 3,713 families annually through the HBS scheme during this period ². On the other hand, the highest number of households benefitting from the Pre-1995 Rent Subsidy Scheme, which only started in 2021, was in 2023, with 1,137 families receiving subsidies towards their rental payments.

Figure 1: Number of households that benefitted from the HBS and Pre-1995 Rent Subsidy Scheme



² The total households benefitting from the HBS also include those that benefitted from other rental affordability schemes prevailing during this period, such as the Private Rent Subsidy Scheme (PRS) and the Rent Subsidy Scheme (RSS), which have now been phased out.

Box 1: The Housing Benefit Scheme

The Housing Benefit Scheme provides financial assistance of up to €6,000 annually towards rent payments in the private sector to alleviate the housing cost burden on tenants who satisfy this scheme's eligibility criteria. It is open to applicants who are Maltese or EU citizens, as well as persons who have refugee status, possess the status of subsidiary protection, have long-term residency status or enjoy a specific residence authorisation.

Table 1a shows the maximum annual income of the different households required to qualify for the Housing Benefit Scheme, as well as the maximum housing benefit for each category. In the case of applications that include a disabled person(s), the maximum annual income threshold increases to €34,000. Additionally, families with a disabled member receive an additional €125 per year, families with more than five members receive an additional €125 per year, and families with a foster child receive an additional €300. Only lease agreements with a minimum duration of six months or a temporary emphyteusis contract not exceeding twenty-one years are eligible for this subsidy.

Table 1a: Household Income Thresholds

Households	Maximum Annual Income	Maximum Housing Benefit
Single Person	€20,362.92	€4,200
Single Parent with 1 child	€20,594.40	€5,400
Single Parent with 2 children and more	€24,944.40	€6,000
Two Adults without children	€20,544.40	€4,200
Couple with 1 child	€25,344.40	€5,400
Couple with 2 children and more	€33,362.92	€6,000
3 or more adults living together	€29,444.40	€6,000

Box 2: Pre-1995 Rent Subsidy Scheme

There are two legislations that govern the rent-controlled regime in Malta. The first refers to the Reletting of Urban Property (Regulation) Ordinance, Chapter 69 of the Laws of Malta, which relates to leases entered before 1st June 1995. The second refers to the Housing (Decontrol) Ordinance, Chapter 158 of the Laws of Malta, which relates to pre-1995 leases in a dwelling that is decontrolled and to temporary emphyteusis entered before 1995 that, upon their expiry, were changed into a lease. In both regimes, the rent received by landlords was artificially low and did not fairly reflect the rental value in the market, a situation which was constantly deemed to be in violation of the rights of the landlord to enjoy his own property.

The amendments introduced through the Controlled Residential Leases Reform Act of 2021 provided landlords with a mechanism to have the rent payable by the tenant increased up to a maximum of 2% per annum of the freehold value of the tenement on the open market, subject to the tenant satisfying the means test criteria (see Table 2a). The reform is intended to provide tenants with peace of mind that while their rent will remain affordable, they will not be displaced from the place where they have spent most of, if not their entire lives. At the same time, the landlord receives a decent sum for renting the property, thus ensuring the right to enjoy one's property is safeguarded.

Table 2a: Means testing criteria

Age of tenant	Income	Capital assets
< 35 years	€28,500	€60,000
> 35 years	€38,000	€90,000
> 45 years	€42,000	€185,000
> 55 years	€44,500	€213,000
> 65 years	€46,500	€245,000
>75 years	€50,000	€600,000

The Pre-1995 Rent Subsidy Scheme provides financial assistance of up to €10,000 towards rent payments for tenants living in private residential properties in the rent-controlled regime. Under this scheme, the Housing Authority also offers free legal services and support for tenants facing court cases. For elderly tenants in receipt of pension and tenants on social assistance, the Housing Authority covers the entire difference between the previous rent and the new rent established by the Rent Regulation Board (up to a maximum of €10,000 per annum). For working tenants, the Housing Authority covers the difference between 25% of the income and the new rent established by the Rent Regulation Board.

Box 3: Brief literature review on the impact of rental assistance programmes

Evidence from other countries shows that rental assistance programmes, like the Housing Benefit Scheme, play a significant role in addressing housing affordability and reducing the housing burden for low-income households. Housing cost burden is typically defined as spending more than 25% or 30% of the household income on rent and utilities. Rental assistance thus helps alleviate this burden by reducing the percentage of income that households spend on housing.

By reducing the housing burden, rental assistance programmes free up household income for other critical needs, such as food, healthcare, and education. Studies show that households receiving such assistance tend to report fewer instances of food insecurity and better overall physical and mental health.

One of the most direct impacts of rental assistance is its ability to prevent homelessness. Many households on the brink of eviction or unable to afford rent are able to remain in their homes with the help of rental subsidies. By providing rent relief, these programs offer financial stability and prevent the disruptive and costly cycle of homelessness.

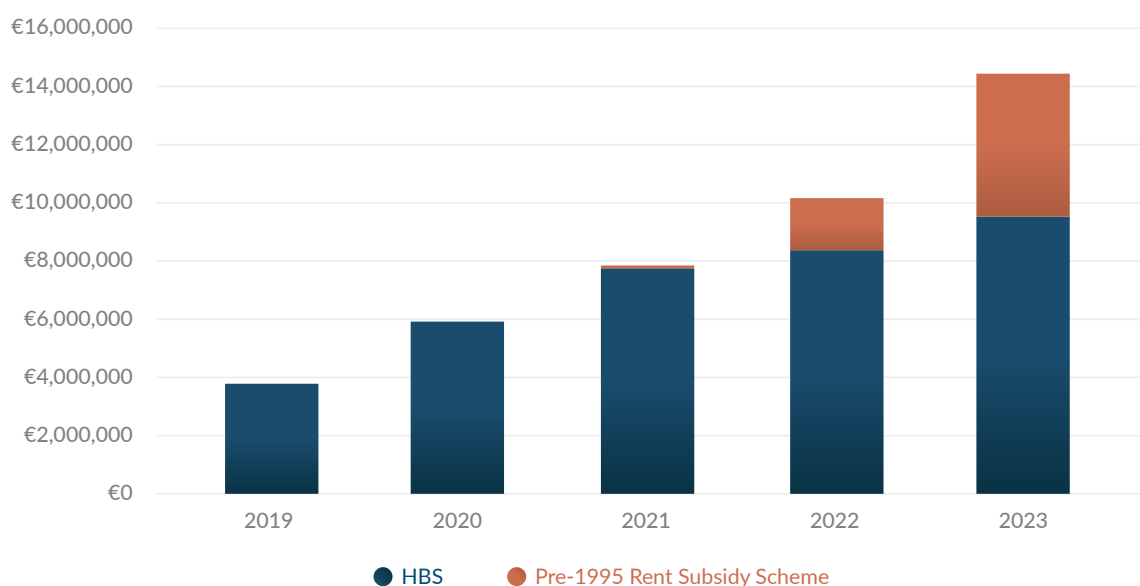
Stable and affordable housing can have a profound impact on children's educational performance. When families are not burdened by excessive housing costs, children benefit from a more stable home environment, allowing them to focus more on schoolwork and reducing the likelihood of disruptions such as moving or homelessness, which can negatively affect academic performance.

Rental assistance also has the potential to improve economic mobility by reducing the financial burden of housing costs and allowing families to invest in other areas of their lives, such as education, job training, and savings. It can enable families to move to higher-opportunity areas, where access to better schools, employment, and services can contribute to upward mobility.

Overall, the literature consistently demonstrates that rental assistance plays a critical role in addressing housing affordability challenges for low-income households. By allowing households to spend less on rent, rental assistance frees up resources for other essential needs, ultimately improving the overall quality of life for low-income individuals and families. Despite these successes, however, the demand for rental assistance far exceeds its availability, highlighting the need for expanded policies to meet the growing housing needs of low-income households.

The expenditure on these two subsidy schemes by the Housing Authority amounted to €42,094,769 between 2019 and 2023 (see fig 2). During this period, the expenditure on the HBS rose from €3,761,815 in 2019 to €9,559,129 in 2023.³ The expenditure on the Pre-1995 Rent Subsidy Scheme increased rapidly since its introduction in 2021 and stood at €4,862,128 in 2023, up from €1,753,176 a year earlier.

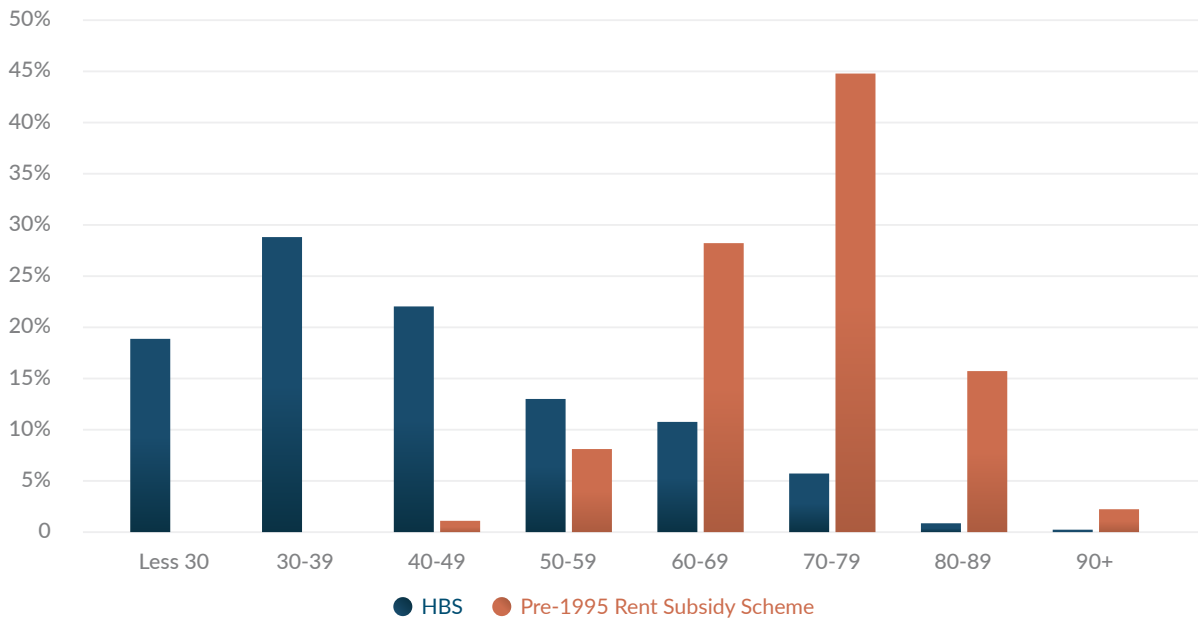
Figure 2: Expenditure on rental affordability schemes (2019–2023)



These schemes cater to different age demographics (see fig 3). The HBS scheme reaches a broad range of age groups, with nearly half of the beneficiaries under 40 years old. Around a fifth are aged between 40 and 49 years, while slightly less than one-third of the beneficiaries are older than 50 years. In contrast, the Pre-1995 Rent Subsidy Scheme targets a narrower cohort, with more than 90% of its beneficiaries over 60 years old, and approximately 45% fall within the 70–79 age bracket. Given these age differences, the beneficiaries of the two schemes have different economic status. Most beneficiaries of the Pre-1995 Rent Subsidy Scheme are pensioners, while the HBS targets mostly people of working age.

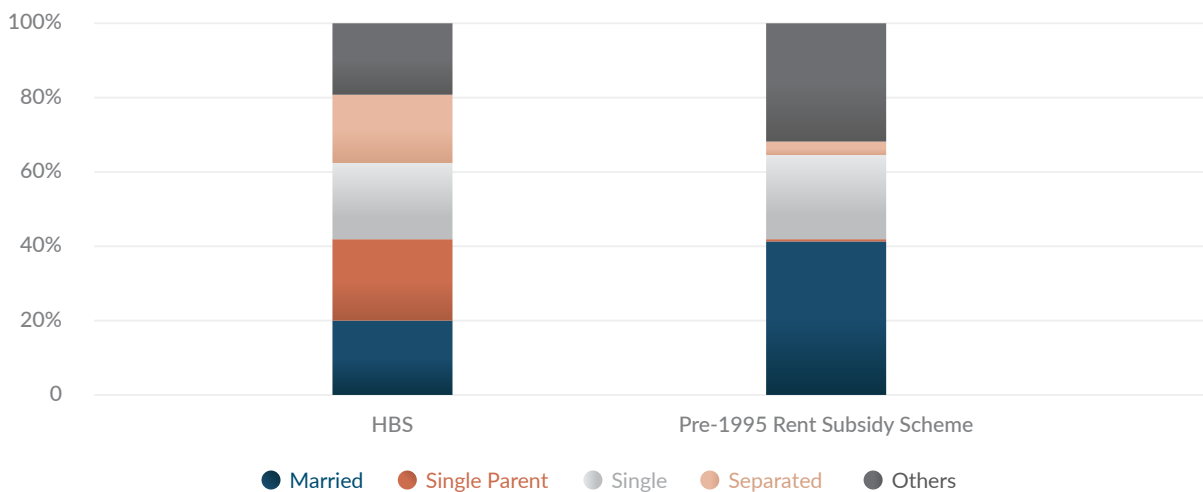
³ The expenditure on the HBS also includes other rental affordability schemes prevailing during this period, such as the Private Rent Subsidy Scheme (PRS) and the Rent Subsidy Scheme (RSS), which have now been phased out. The increase in expenditure on these rent subsidies is especially pronounced from a longer-term perspective. In 2013, the expenditure on rent subsidies only amounted to €805,581.

Figure 3: Age of the beneficiaries



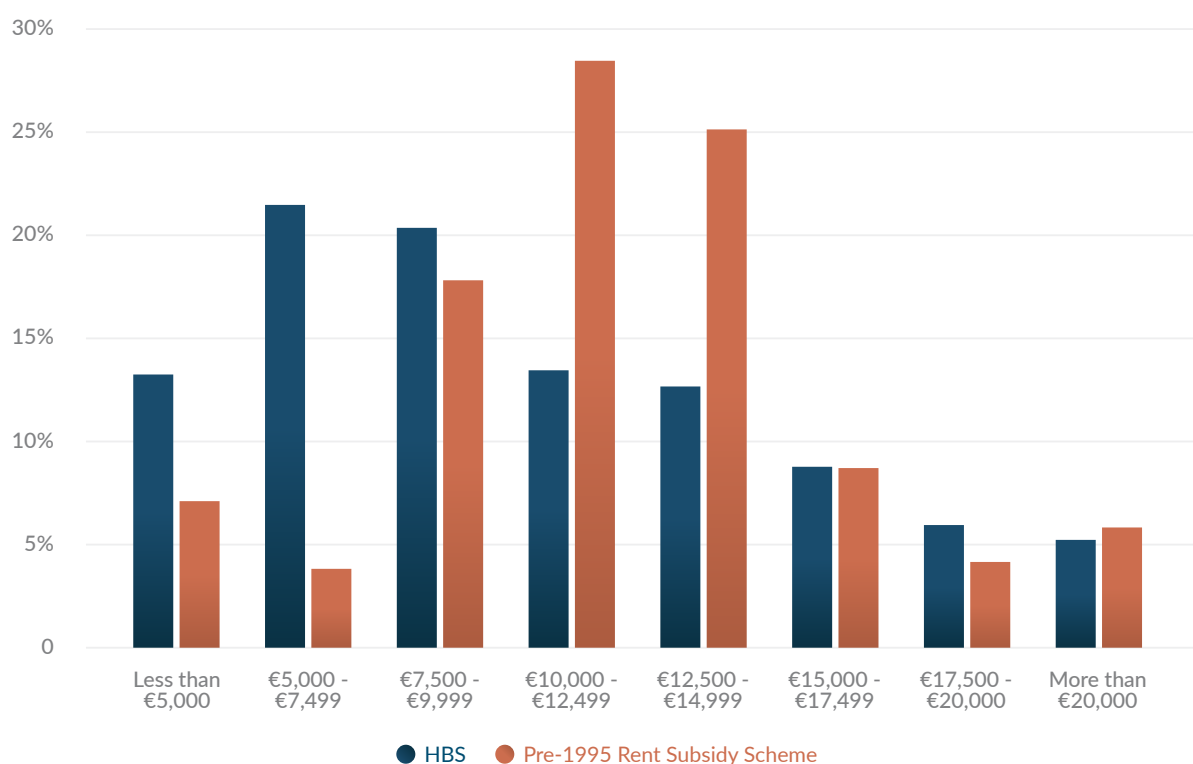
As expected, both schemes capture different marital status profiles (see fig 4). The Pre-1995 Rent Subsidy Scheme primarily comprises married couples, whereas the HBS scheme covers a broader range of marital statuses. Most HBS beneficiaries are single parents, followed by individuals who are single, married, or separated. The second most common marital status among the Pre-1995 Rent Subsidy Scheme beneficiaries is widowed, classified under the 'others' category, accounting for 29% of all beneficiaries. In contrast, the 'others' category in the HBS scheme mainly consists of individuals who are cohabiting, separated, divorced, or widowed.

Figure 4: Marital status of beneficiaries



The beneficiaries of the Pre-1995 Rent Subsidy Scheme tend to have a higher household income than those of the HBS (see fig 5). More than 50% of the Pre-1995 Rent Subsidy Scheme beneficiaries had a household income between €10,000 and €15,000, with a further 19% having an income higher than €15,000. On the other hand, 55% of the HBS beneficiaries have a household income lower than €10,000, and only 26% had a household income between €10,000 and €15,000.

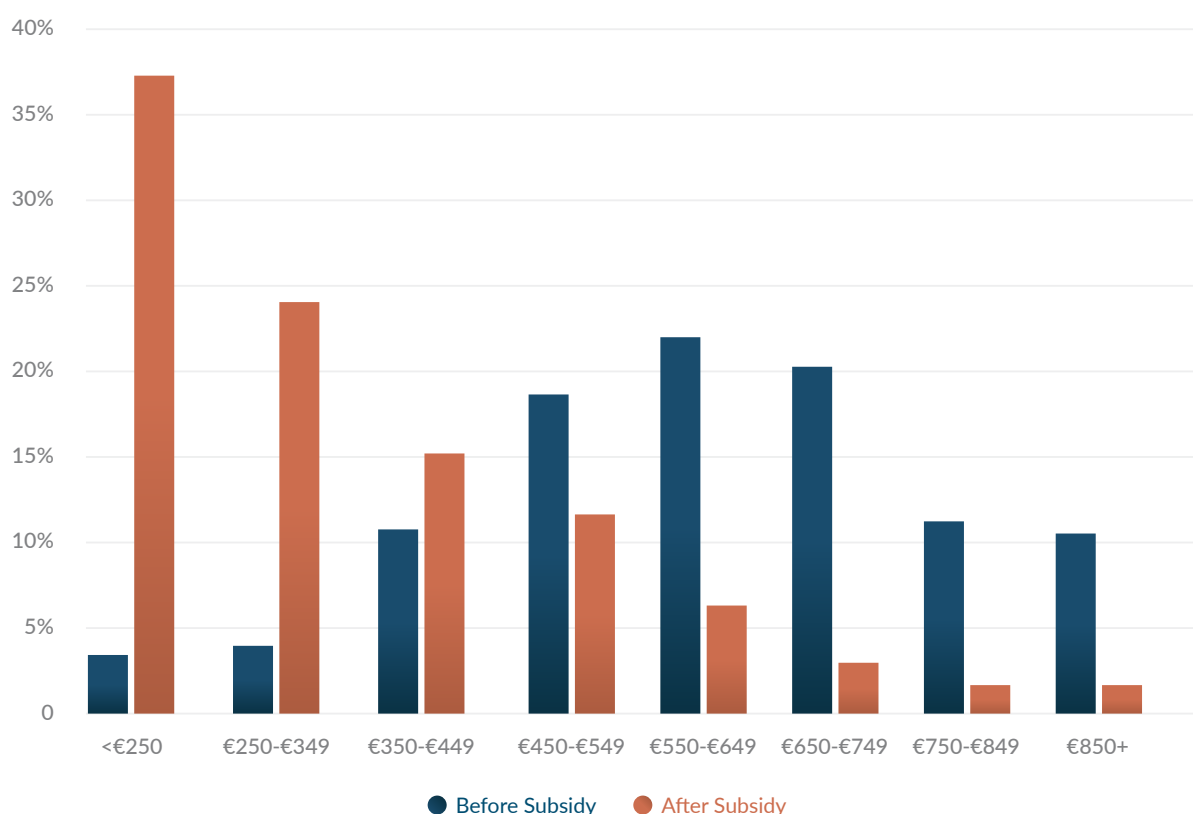
Figure 5: Income of the beneficiaries



Other features of the Housing Benefit Scheme

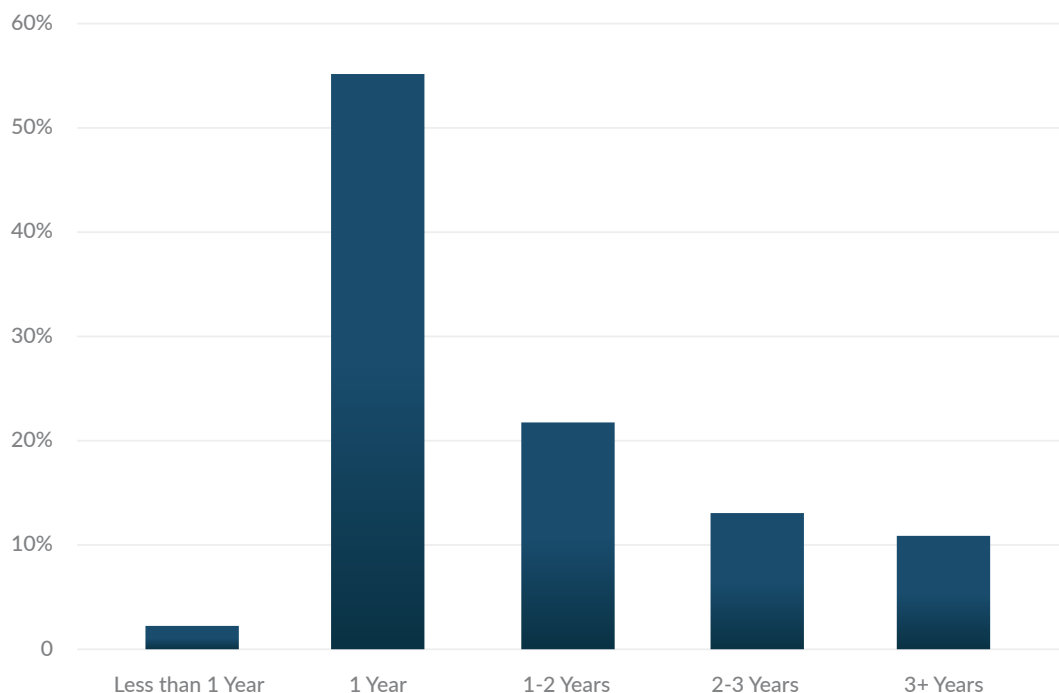
There are considerable differences between the post-subsidy rent that HBS beneficiaries pay and what they would have paid without the subsidy (see fig 6). Before receiving the subsidy, more than half of the beneficiaries were paying a monthly rent between €450 and €750, with another 22% paying a monthly rent higher than €750. After receiving the subsidy, 61% of the beneficiaries end up paying less than €350 per month. Through the subsidy granted by the Housing Authority, a further 21% paid between €450 and €750, while only 4% exceeded €750. Overall, the average rent paid before the subsidy was €600, whereas the average rent paid after the subsidy amounted to €333 per month.

Figure 6: Rent paid before and after the HBS subsidy



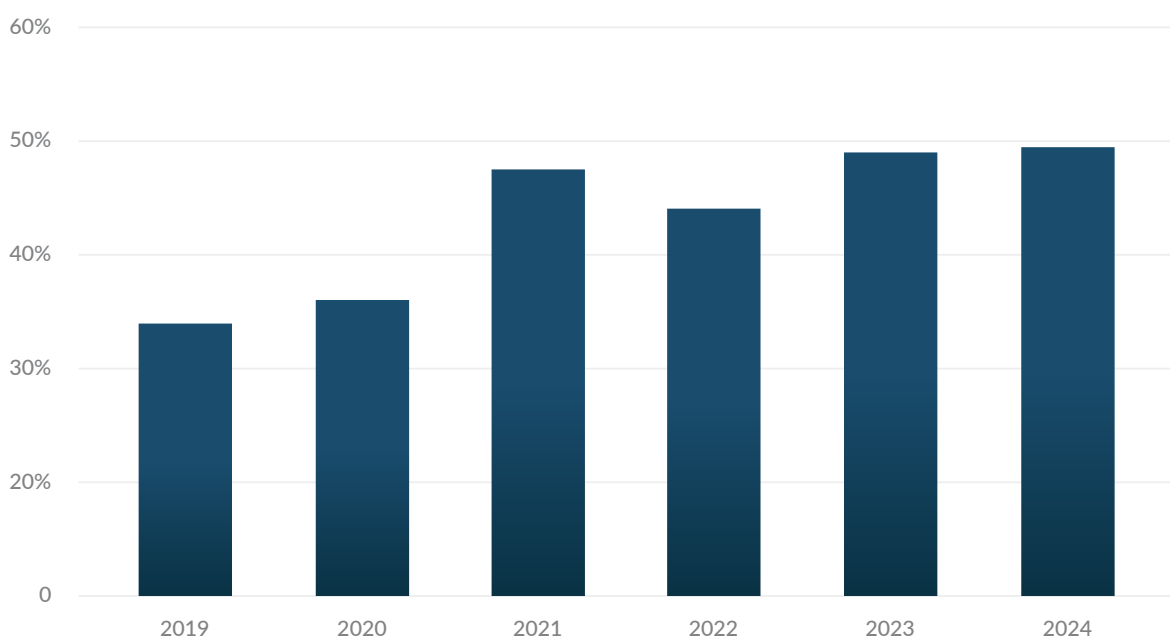
Most registered lease contracts under the HBS Scheme were for a duration of one year (see fig 7). Around 54% of beneficiaries had a lease with a one-year duration, followed by 21% with leases lasting more than one year but up to two years. A further 11% of beneficiaries had leases lasting more than three years.

Figure 7: Lease duration of HBS beneficiaries



The length of time for which HBS beneficiaries received financial support toward their monthly rent payments varies considerably (see fig 8). As of 16th October 2024⁴, over half of the active applications receiving financial support from the Housing Authority toward their rent payments were initiated from 2022 onwards. In contrast, only 25% of the current beneficiaries started receiving the subsidy in 2020 or earlier, with only 12% continuing from as far back as 2019. Additionally, around 19% of current beneficiaries began receiving support in 2021. Such variations in the duration are expected, as families' situations can change from time to time, with some requiring assistance only for a short period until they get back on their feet.

Figure 8: Contract commencement date of current HBS beneficiaries

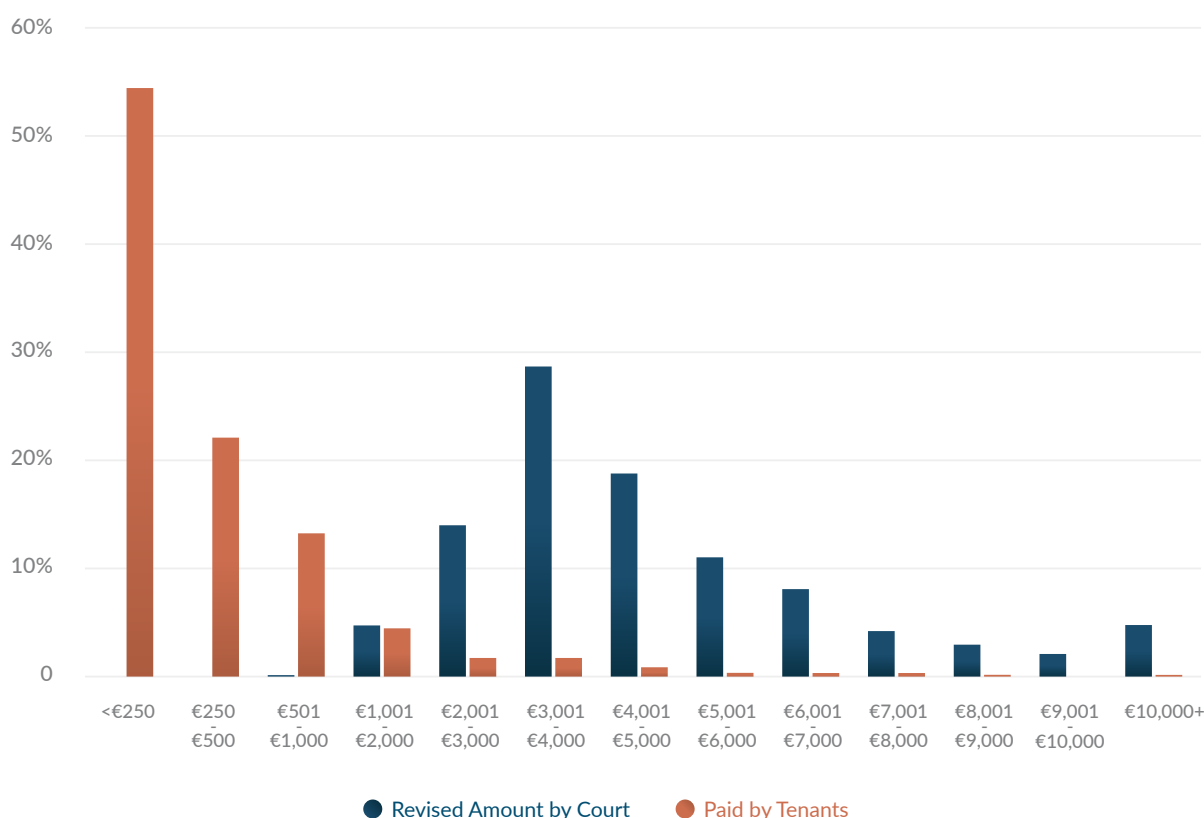


⁴ This analysis is based on a snapshot taken on 16th October 2024, covering only applications that were active on this date. Therefore, it does not account for the duration of applications that stopped receiving the HBS monthly rent subsidy before this date.

Other features of the Pre-1995 Rent Subsidy Scheme

Most beneficiaries paid less than €250 in annual rent after receiving the subsidy from the Housing Authority—in most cases, the same amount they were paying before the revision (see fig 9). After the court revision, around 73% of the Pre-1995 Rent Subsidy Scheme tenants had their annual rent increase between €2,000 and €6,000, while for the remaining 23%, the revised annual rent was more than €6,000. After receiving the subsidy, approximately 55% of the beneficiaries paid less than €250 per annum, and 36% paid between €250 and €1,000. On average, after receiving the Pre-1995 subsidy, the beneficiaries' average annual rent dropped from €4,922 to €574, with the median declining from €4,225 to €229.

Figure 9: Annual rent paid after the Pre-1995 Rent Subsidy



Box 4: Uptake in 2024

In the first half of 2024, the Housing Authority's expenditure on these two schemes amounted to €8,617,439. The expenditure on HBS accounted for €5,275,623, while the Pre-1995 Rent Subsidy Scheme expenditure totalled €3,341,816—nearly 70% of the total amount spent in 2023 within just the first six months.

As of October 2024, the Housing Authority had around 2,900 households benefitting from the HBS and around 1,500 availing from the Pre-1995 Rent Subsidy Scheme.



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