2024 H1 UPDATE:

REGISTERED RENTAL CONTRACTS IN MALTA

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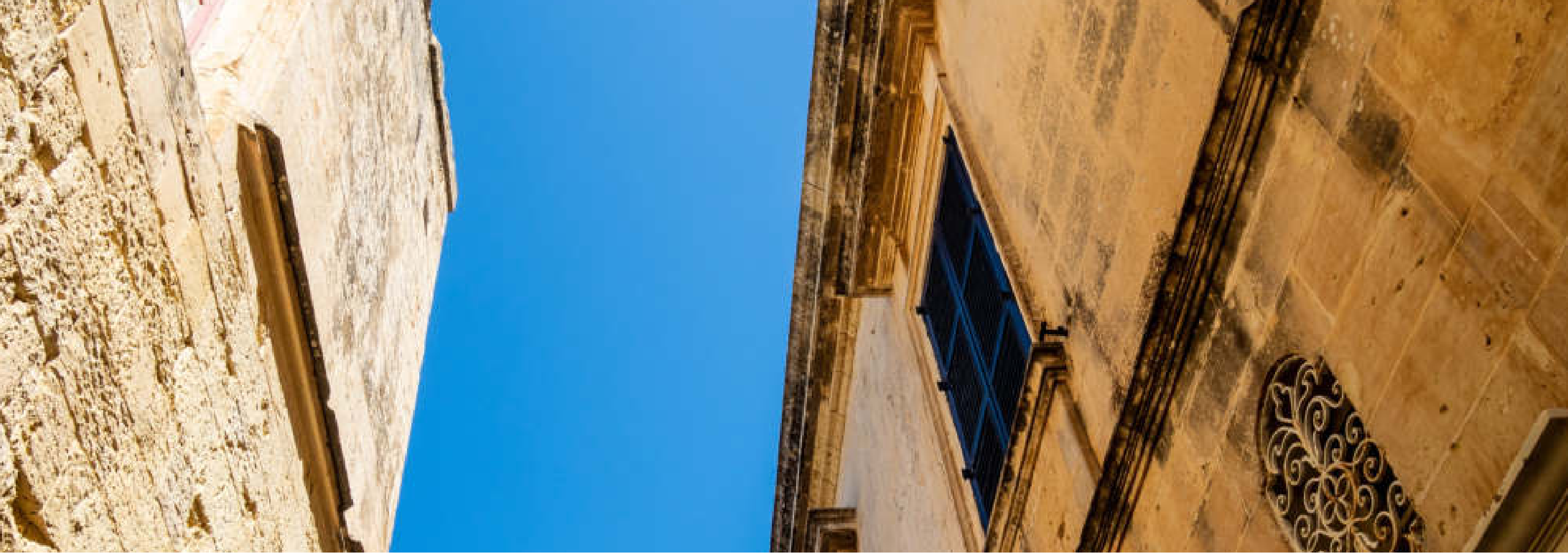
Executive Summary

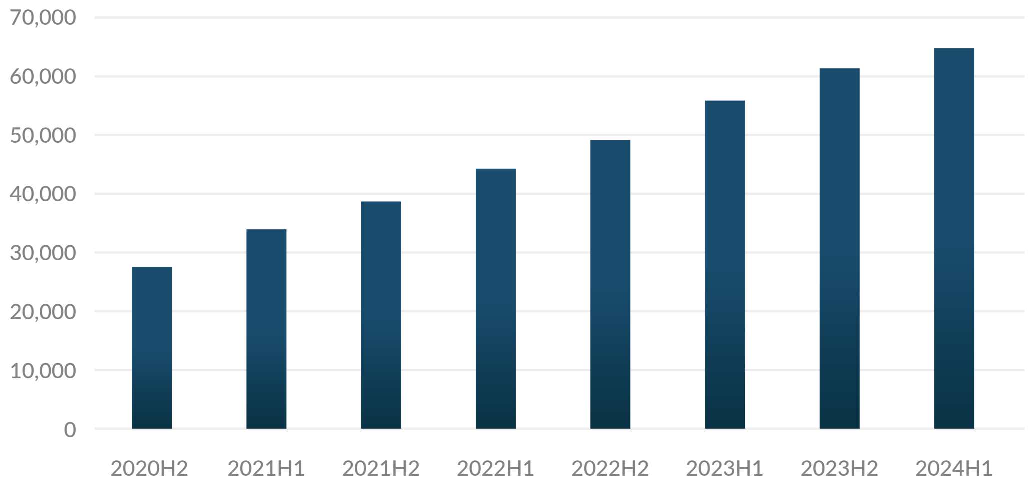
- This report provides an update on registered rental contracts with the Housing Authority in the first half of 2024. The cut-off date is 30 June 2024.
- Active registered contracts stood at 64,856 at the end of June 2024. This represents an increase of 15% compared to a year earlier.
- Around 90% of active contracts were for long-term leases, with a further 9.5% classified as shared spaces.
- There were 14,766 renewals in the first half of 2024. Around 91% of renewals during this period maintained the same rent.
- Tenancy duration has continued to increase since the establishment of the register in 2020. Tenancies with a duration longer than three years stood at 17% of active leases in June 2024.
- There are 17 localities with more than 1,000 active rental contracts registered in them. St. Paul's Bay remains the most popular locality, with slightly more than 9,400 contracts.
- Around 31% of the long-let contracts commencing in the first half of 2024 had a monthly rent between €700 and €999. The share of contracts starting in 2024H1 exceeding €1,000 per month stood at 41%. Around 70% of shared space contracts starting in this period had a monthly rent between €100 and €299.
- On average, rents rose by 6.8% in the first half of 2024 compared to a year earlier.
- This publication contains one thematic box on the recent legal amendments to the rent law that were introduced on 1 September 2024.



Active Contracts

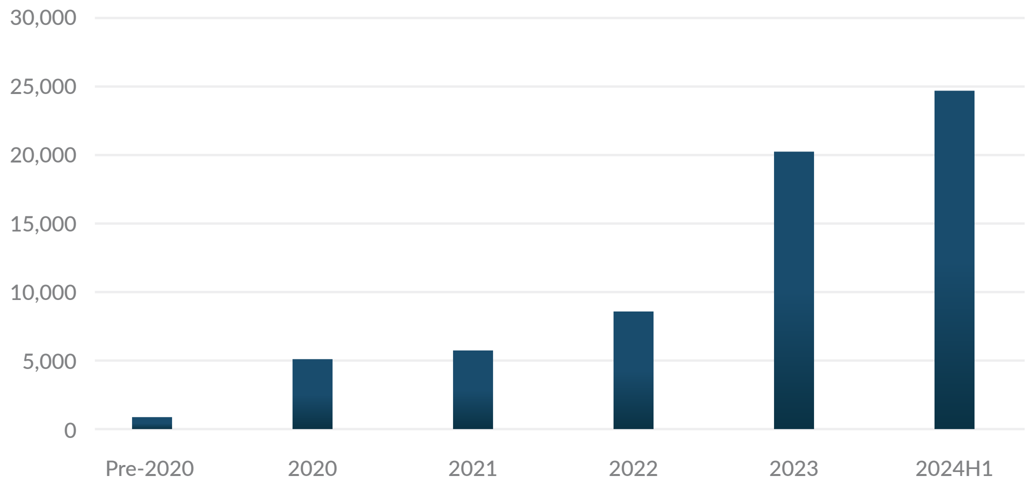
Active registered contracts stood at 64,856 at the end of June 2024 (see Figure 1). [1] This represents an increase of 15% compared to a year earlier. Around 38% of currently active contracts commenced in the first half of 2024, with 31% starting sometime during 2023 (see Figure 2). A further 13% and 9% of contracts started at some point during 2022 and 2021, while 8% of leases have been in place since 2020. Furthermore, 1% of contracts commenced before 2020.

Figure 1: Total number of active contracts



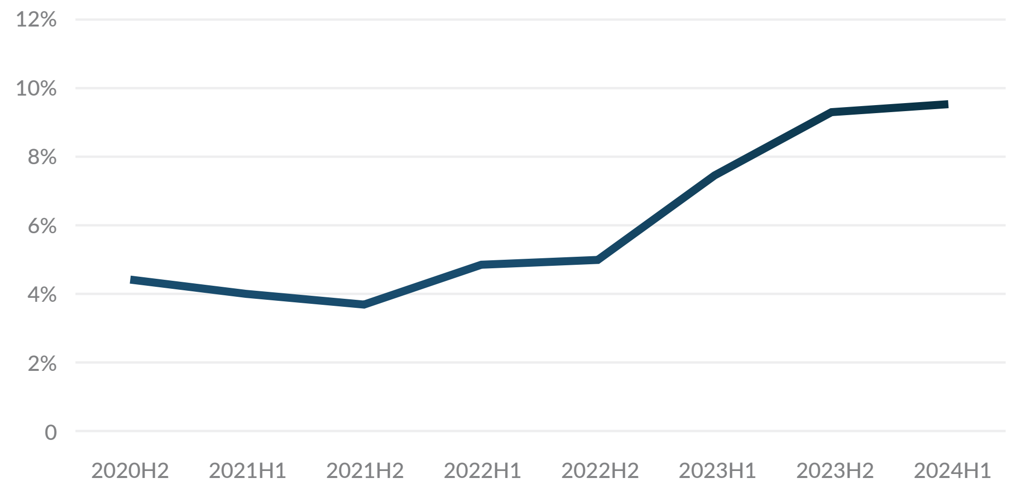
[1] This calculation is based on the commencement date of the contract instead of the registration date.

Figure 2: Commencement year of current active contracts



At the end of June 2024, around 90% of active contracts were for long-term leases (i.e., duration of at least one year), with a further 9.5% classified as shared spaces (see Figure 3). The share of short-term leases stood below 0.5% of all registered leases.

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



Box 1: Amendments to the Private Residential Leases Law

Since the introduction of the Private Residential Leases Law (Cap 604/2019) in January 2020, the Housing Authority has overseen the registration and management of private lease agreements through its regulated online platform. This Law was enforced to ensure transparency and regulatory compliance in the private residential rental market.

In response to the evolving market needs and feedback from stakeholders, in 2021, the Housing Authority together with the Ministry for Social and Affordable Accommodation (MSAA) worked together to comprehensively review the existing legal framework. This review aimed to address emerging challenges and align the regulatory environment with contemporary rental market dynamics. Key issues identified included the need for a more flexible registration process, improved dispute resolution mechanisms and better support for shared living arrangements and overcrowding issues.

On June 18, 2024, the Parliament passed Act XX of 2024, which introduced significant amendments to the Private Residential Leases Law. The new amendments became effective on September 1, 2024.

The main changes are the following:

Extended Registration Period: The deadline for registering new leases has been extended from 10 to 30 days.

Simplified Inventory Requirements: Inventories can be submitted as photographs, including for unfurnished properties.

Adding/Substituting or Removal of a Lessee: Lessees can now be added/substituted or removed from registered contracts.

Providing Correspondence Addresses: The Housing Authority will now disclose addresses for parties not complying with the Adjudication Panel for Private Residential Leases judgments within the Housing Authority.

Introduction of Shared Space Leasing: Leasing of shared residential spaces is now permitted, with options for 1-year or 6-month agreements.

Expanded Dispute Resolution: The Adjudicating Panel can now handle disputes related to rent, utility arrears, and compensation claims for tenants overholding rented premises and disputes for non-registered contracts emerging from Compliance cases.

Blacklist Inclusion: Individuals in default may be added to the Adjudicating Panel's blacklist upon formal recommendation by the Panel.

Data Sharing Protocols: The Authority can share personal data with private parties, limited to residential addresses from the latest lease agreement, following favourable decisions by the Adjudicating Panel.

Civil Penalties: An administrative penalty up to €2,329.37 can be imposed before criminal charges for unauthorized property enjoyment or false declarations regarding residential capping.

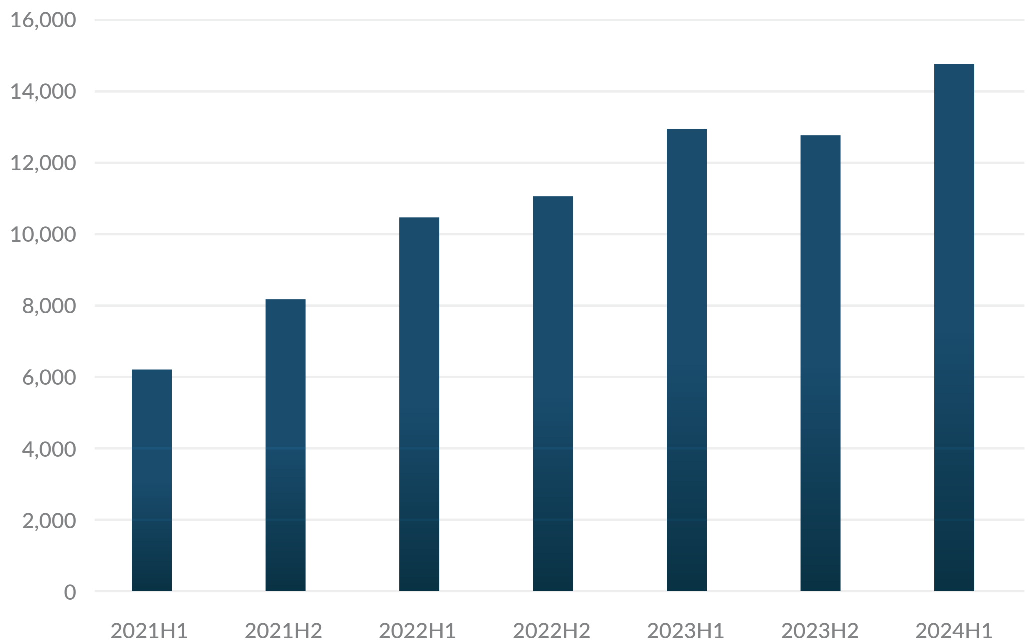
Resident Limits: Lessors or sub-lessors must declare the number of residents in a property. There is a maximum capping of 10 residents, with a maximum of 2 per bedroom. For properties with 4 or 5 bedrooms, the unit must have at least 2 bathrooms. This capping does not apply to families.

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 14,766 renewals in the first half of 2024 – the majority of these, around 85%, were automatically renewed. Almost all these contracts were renewed for a period of one year. In 2022 and 2023, renewals amounted to 21,574 and 25,733, respectively (see Figure 4).

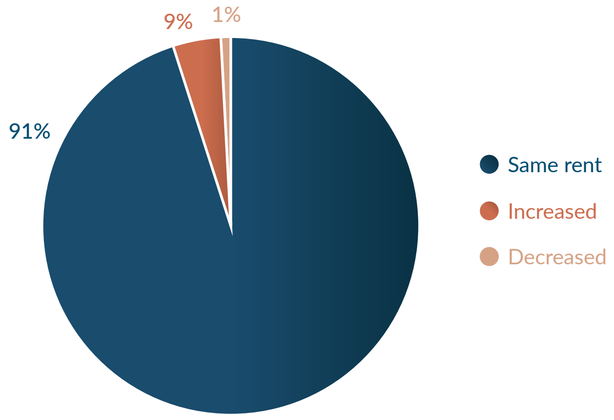
Figure 4: Total contract renewals



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. Indeed, around 30% of the renewals in the first half of 2024 have indeed been renewed more than once. Around 11% of renewals in this period have been renewed twice.

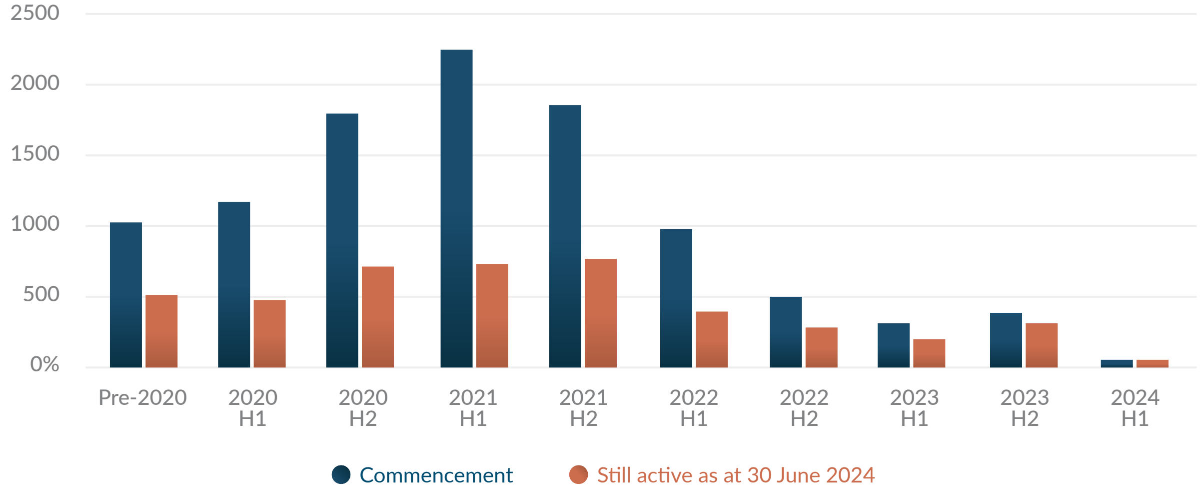
Renewals help to maintain stable rents since they remove the information asymmetry between landlords and tenants that is prevalent at the start of the contract. As observed in previous years, more than 90% of renewals in the first half of 2024 continue to be renewed with the same rent (see Figure 5). Around 9% 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 2024H1



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 10,334 multi-year contracts have been registered with the Housing Authority – 4,464 were still active by 30 June 2024. While most multi-year contracts were registered in 2021, they have declined sharply since then (see Figure 6). Indeed, the number of multi-year contracts that started in the first half of 2024 amounted to 60 contracts.

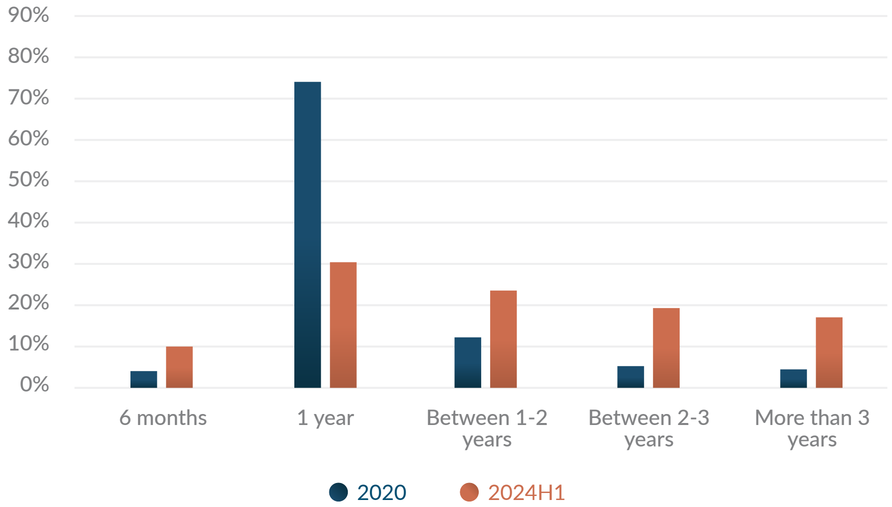
Figure 6: Commencement of multi-year contracts



Tenancy Duration

Tenancy duration has continued to increase since the establishment of the register in 2020, primarily because of contract renewals. 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 30%, while tenancies with a duration of 1-2 years and 2-3 years accounted for 24% and 19% of all active contracts, respectively, as of June 2024. In the first year of the register in 2020, around 74% of contracts had a duration of one year (see Figure 7). Tenancies with a duration longer than three years stood at 17% of active leases in June 2024, up from 12% in the first half of June 2023. Similarly, at the other end of the spectrum, the share of tenancies with a duration of six months stood at 10%, reflecting the increase in leases for shared spaces.

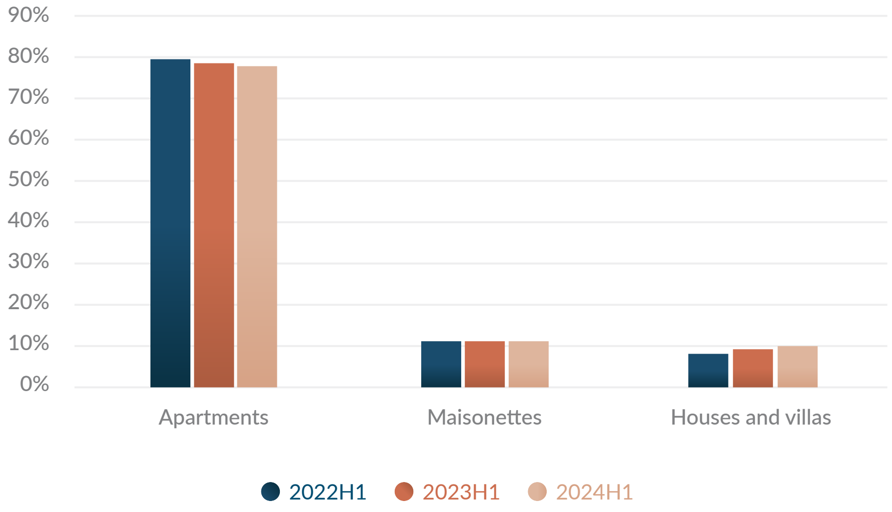
Figure 7: Duration of active leases



Characteristics of Rented Properties

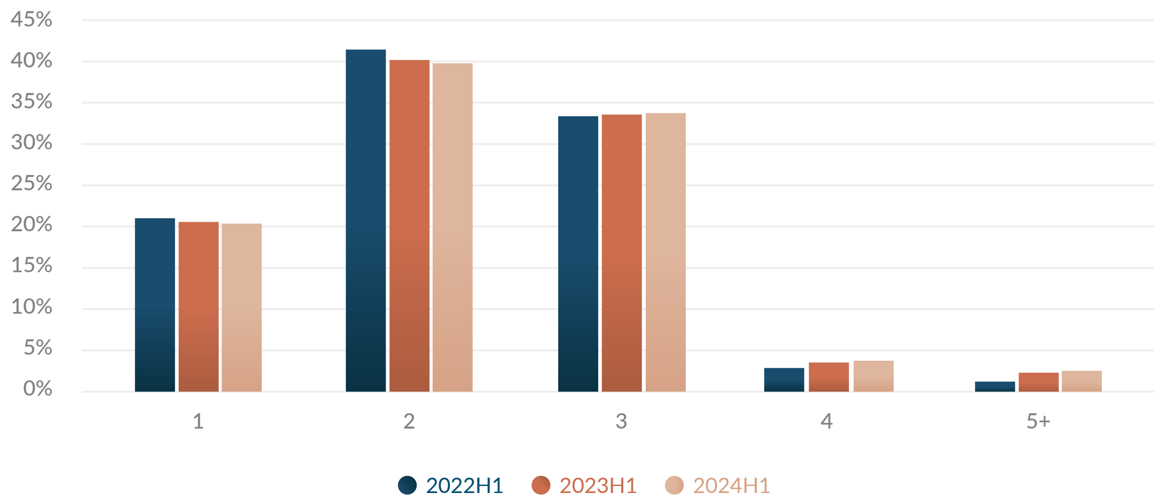
The distribution of contracts by property type has remained very similar since the establishment of the register. At the end of June 2024, 78% of active rental contracts consisted of apartments, followed by maisonettes (12%) and houses and villas (10%) (see Figure 8).

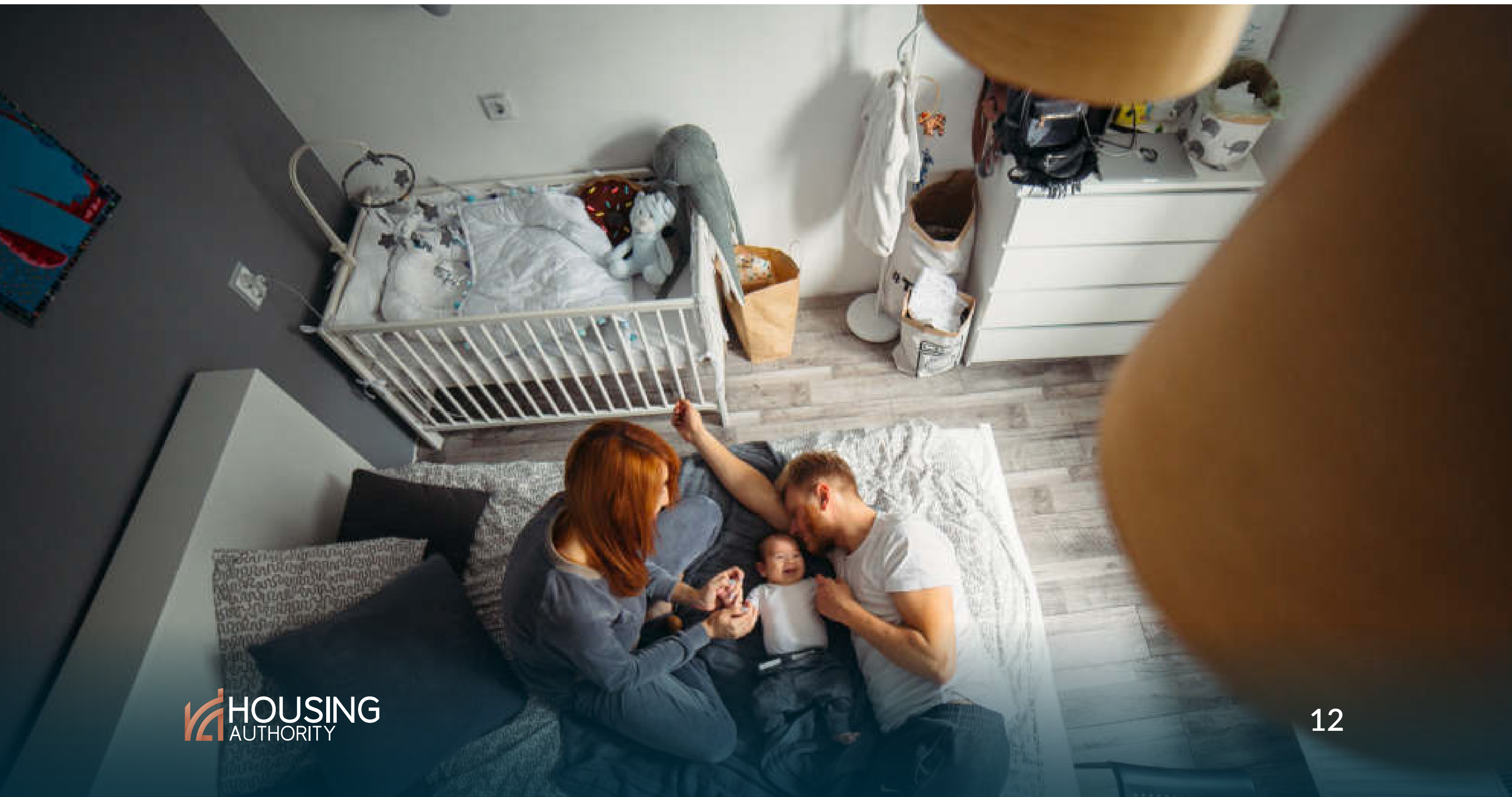
Figure 8: Active rental contracts by property type



In terms of size, we continue to observe a shift away from smaller properties towards larger ones (see Figure 9). While two-bedroom dwellings remain the most prevalent, their share dropped from 40% in June 2022 to 40%. The share of one-bedroom properties also declined from 21% to 20% during this period. On the contrary, the share of three-bedroom properties remained relatively stable, around 34%, but the share of properties with four or more bedrooms rose from 4% in June 2022 to 6% in June 2024. The latter trend is consistent with the observed increase in shared space leases over the past few years.

Figure 9: Active rental contracts by number of bedrooms



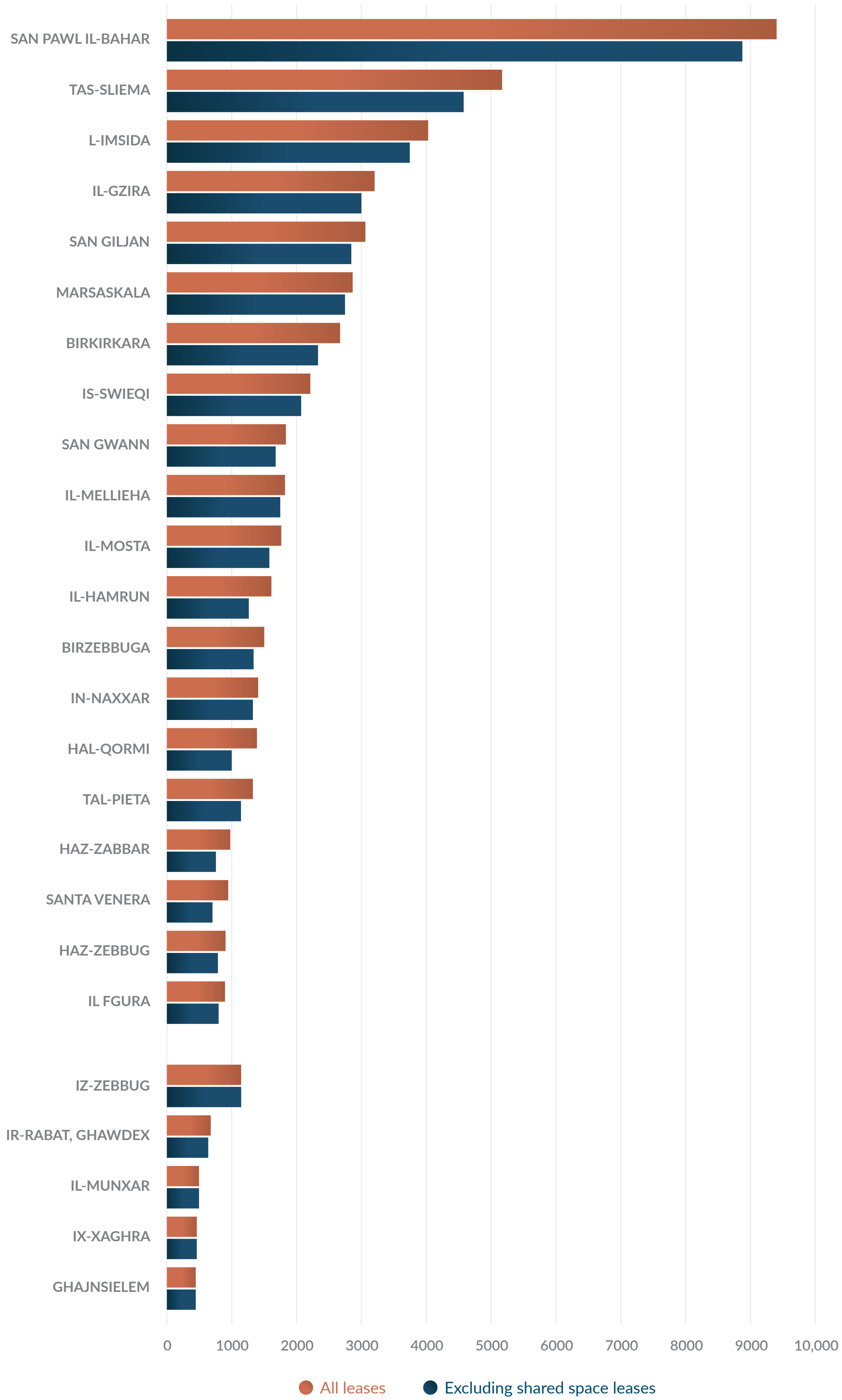


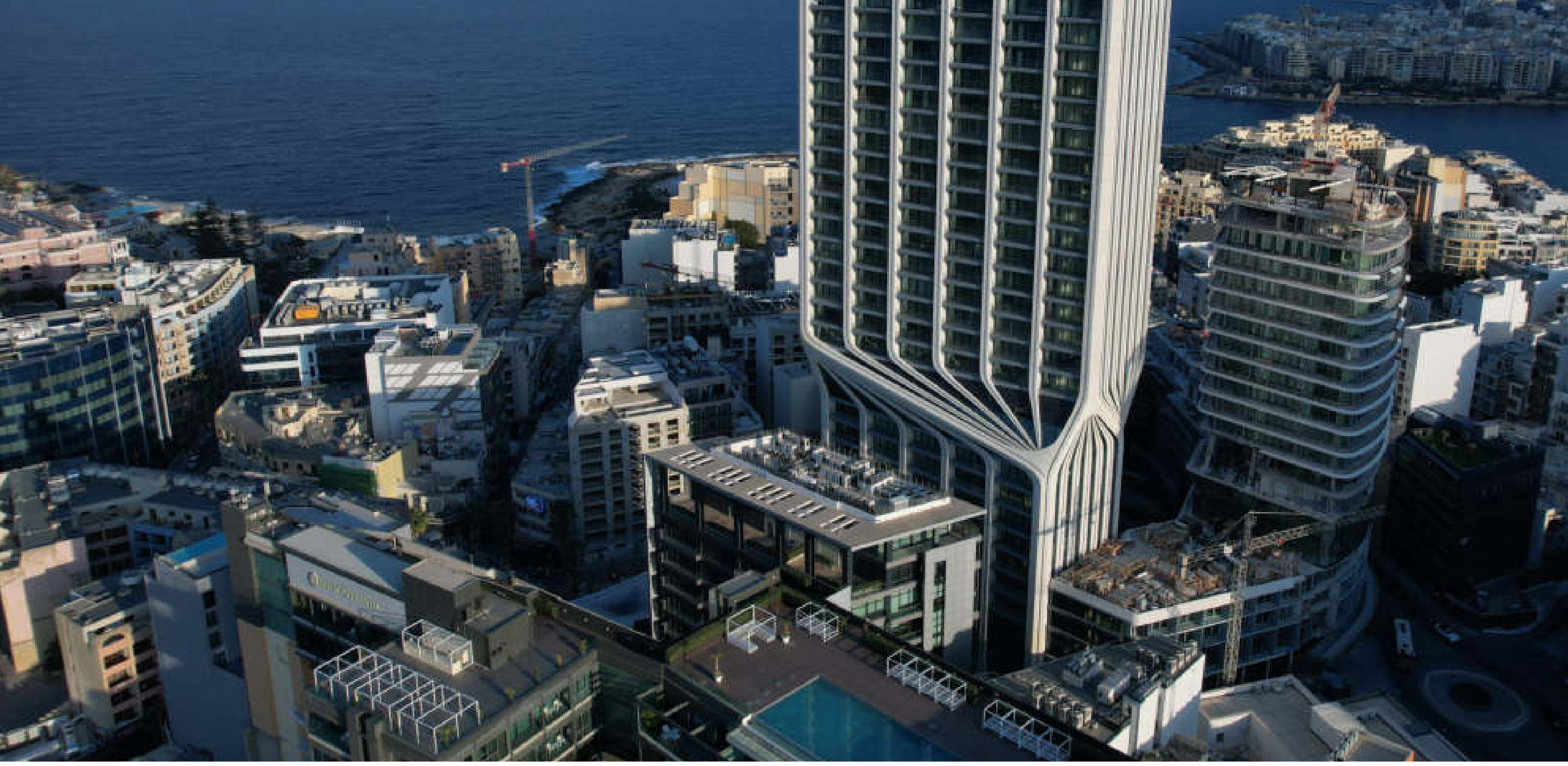
Spatial Distribution across the Maltese Islands

The distribution of rental contracts by region or locality remained very similar to that prevailing a year earlier. 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 around 9,400 contracts that amount to 15% of all residential contracts registered with the Housing Authority at the end of June 2024 (see Figure 10). There are 17 localities with 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). Other localities in Malta with more than 900 registered leases are Zabbar, Santa Venera, Zebbug and Fgura. In Gozo, in addition to Zebbug (which includes Marsalforn), other popular localities for rent are Victoria, Munxar (which includes Xlendi), Xaghra and Ghajnsielem. 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 10: Active contracts by main localities in Malta and Gozo





Rents by Locality

Rents vary significantly by locality. Figure 11 plots the median monthly rent by locality for two-bedroom apartments for contracts that started in the first half of 2024, while Figure 12 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 2024 are also excluded from the charts.

The most expensive rents are found in the localities of Sliema, St Julian's and Swieqi. 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 2024 stood at €800 and €900, respectively. The median rent for the same properties in Sliema stood at €1,300 and €1,600.

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

Figure 11: Monthly median rent in euros for a two-bedroom apartment starting in 2024H1

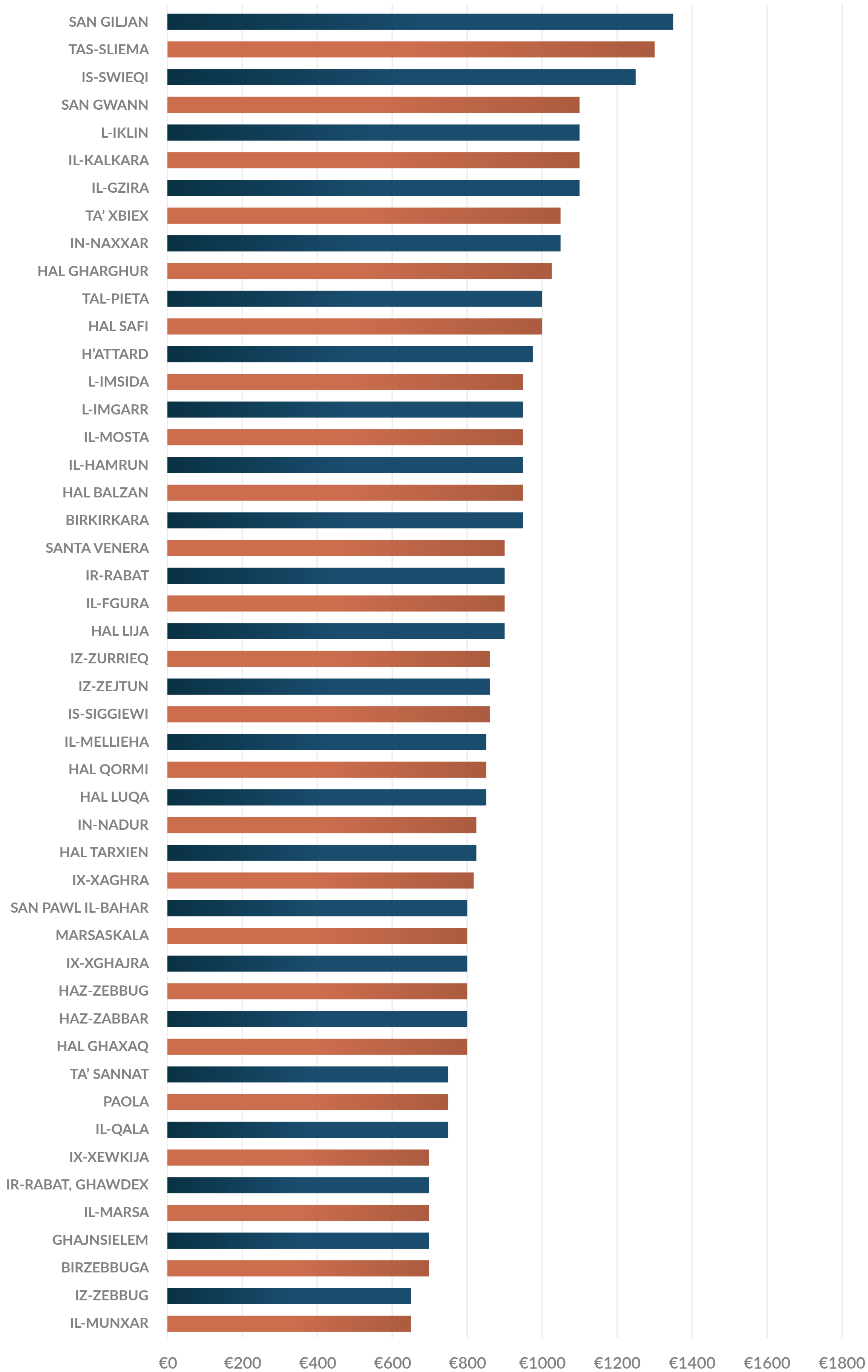


Figure 12: Monthly median rent in euros for a three-bedroom apartment starting in 2024H1

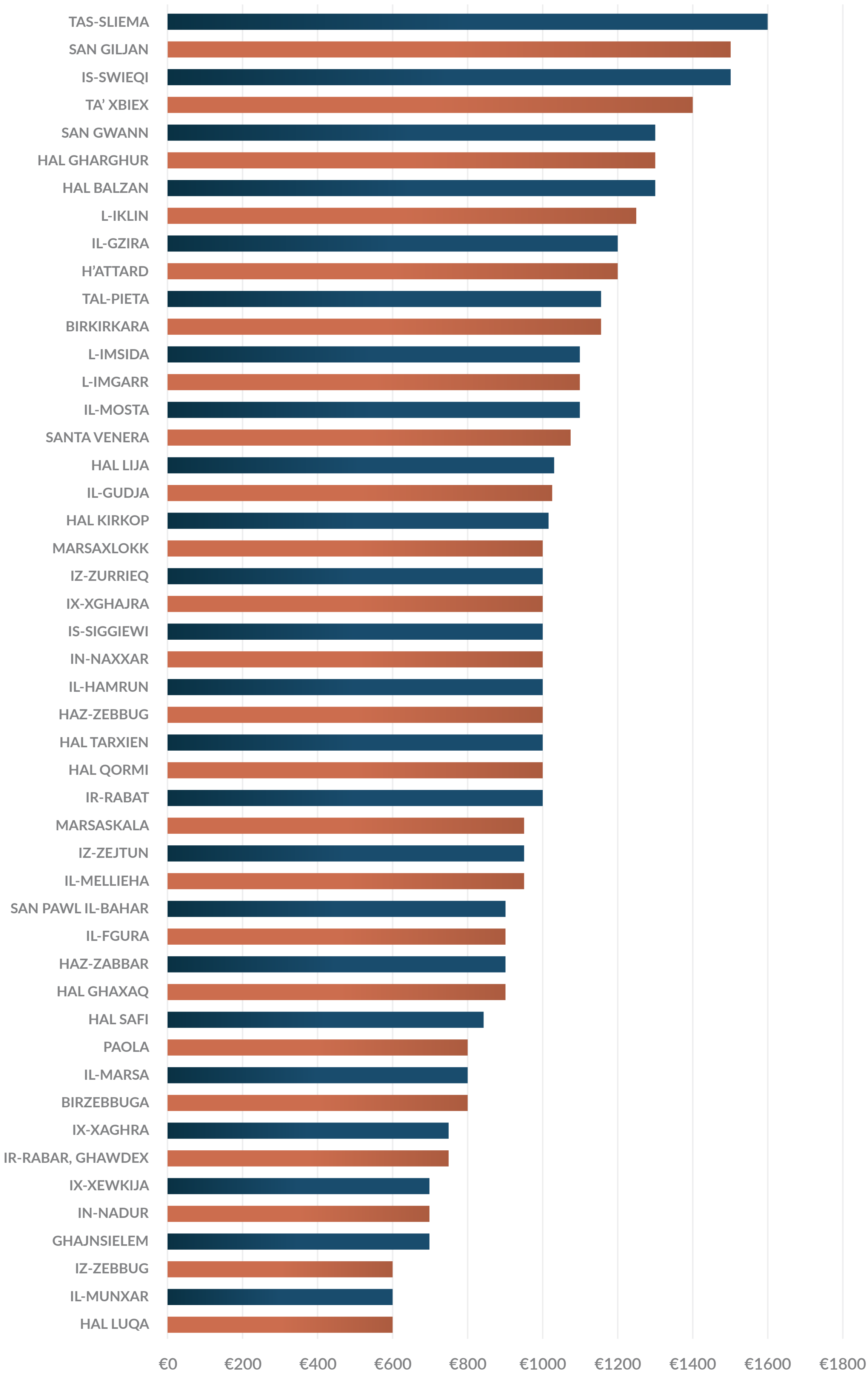
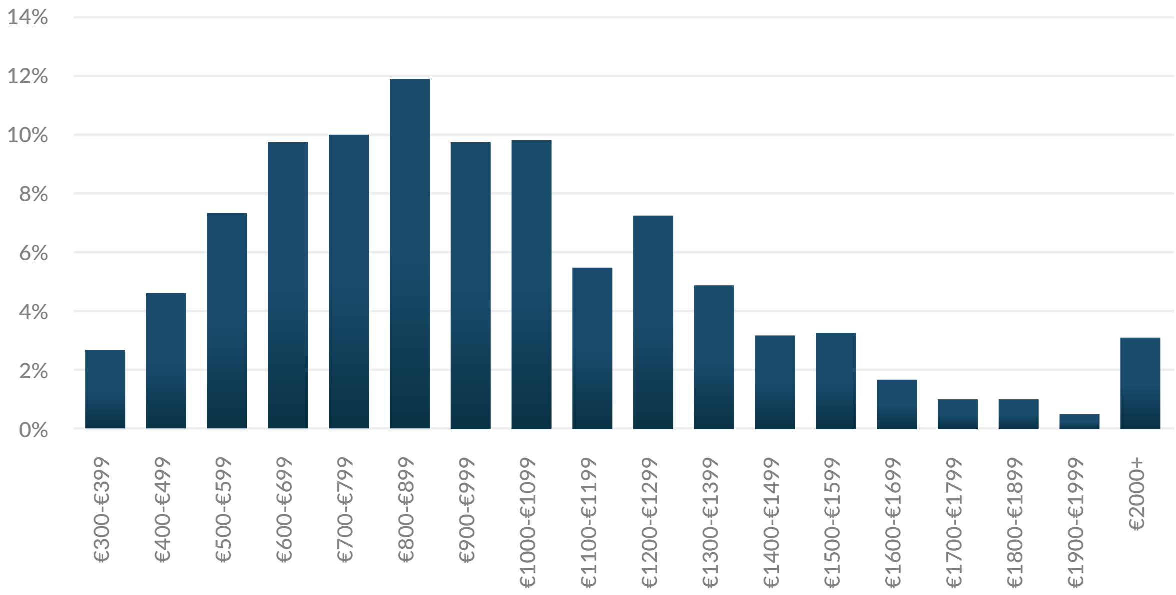


Figure 13 plots the distribution of monthly rents in euros for long and short-term contracts (but excluding leases for shared spaces) that started in the first half of 2024.[3] Around 32% of these contracts have a monthly rent between €700 and €999, while the share of contracts exceeding €1,000 per month stood at 41%. The share of contracts with a monthly rent exceeding €2,000 continues to be around 3%, with these contracts being predominantly concentrated in Sliema, St Julians and Swieqi.

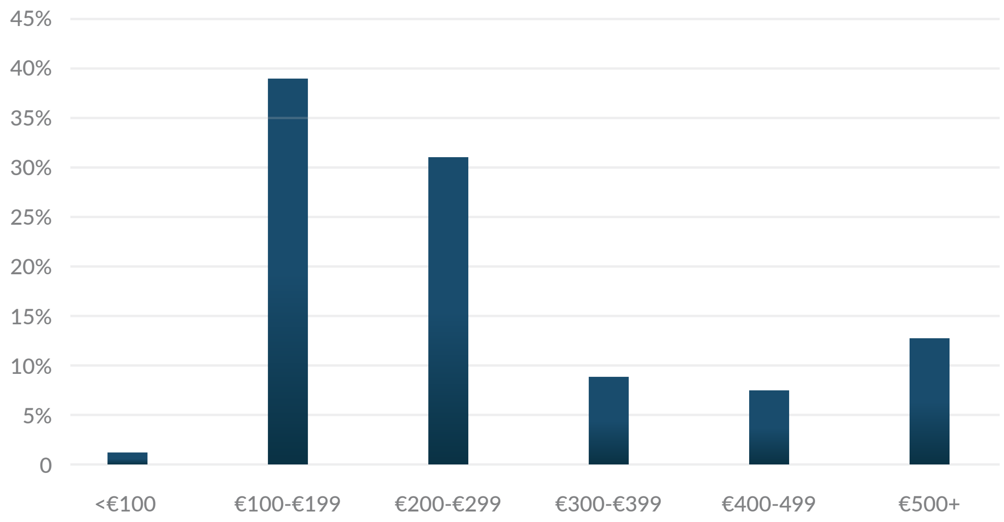
Figure 13: Rent distribution of leases (excluding shared spaces) that started in 2024H1



[3] The chart excludes rents below €300 per month since these are most likely for shared space leases. The share of contracts starting in 2024H1 in this category amounts to 3%.

Figure 14 shows the distribution of monthly rents for shared spaces that commenced in the first half of 2024. The share of shared spaces contracts accounts for less than 10% of the active contracts registered with the Housing Authority, but their share has been rising over time. Around 70% of these contracts have a monthly rent between €100 and €299, while only 13% of these contracts have a monthly rent above €500.

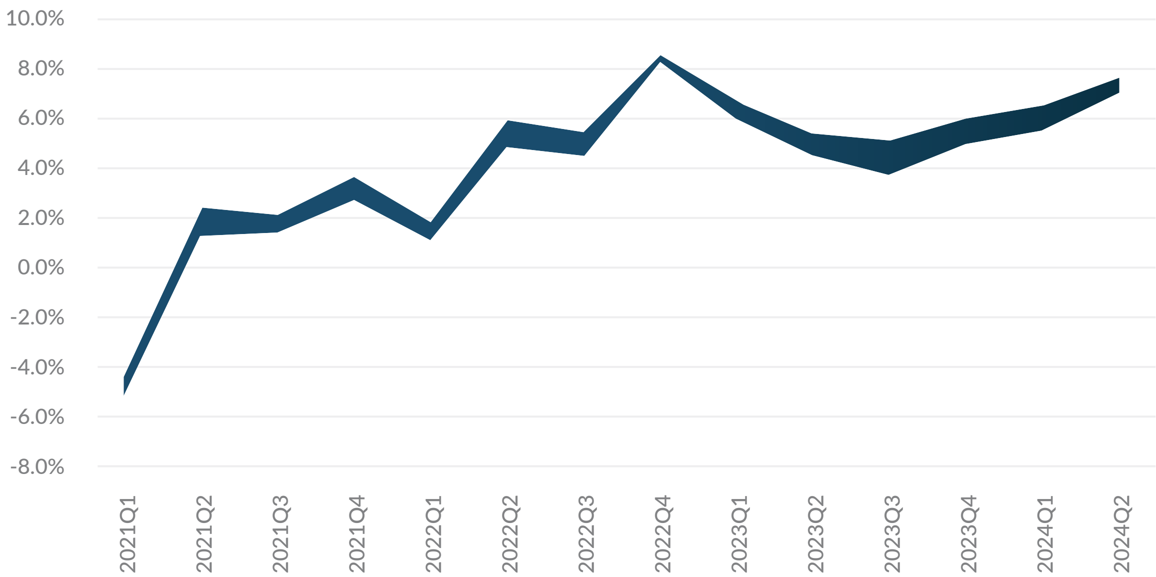
Figure 14: Rent distribution of leases for shared spaces that started in 2024H1



Rent Index

The availability of granular information on registered rents can be used to track the evolution of rents over time. The growth rate in rents is based on a hedonic modelling approach that controls for the main characteristics such as the property type and size, its location, and the type of contract.[4] On average, rents rose by 6.8% in the first half of 2024 compared to a year earlier (see Figure 15).

Figure 15: 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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