

Discussion Paper

# The Residential Rental Market in Gozo

January 2025



GOZO REGIONAL  
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## **PUBLISHED BY**

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**Publication date: January 2025**

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# The Residential Rental Market in Gozo

Juergen Attard

Brian Micallef

Bryony Balzia Bartolo

Mirhea Mifsud Cutajar

*This paper provides an in-depth review of Gozo's residential rental property market, and its evolution from a traditionally ownership-focused housing sector to one marked by increasing rental activity. It highlights the factors driving these changes, including economic growth, demographic shifts and government housing initiatives aimed at enhancing affordability and accessibility.*

*The first part of the paper looks at the island's housing stock and its evolution over the past decades using data from the latest Census of Population and Housing. The second part uses data from the Housing Authority to explore the dynamics of private residential leases, pre-1995 rent-controlled contracts, and social housing provisions. The findings indicate a significant expansion of Gozo's rental market, particularly in recent years, with apartments being the predominant property type. Rental prices, while rising sharply, remain below those of mainland Malta. Key localities such as Żebbuġ, Victoria, Għajnsielem, and Munxar emerge as primary hubs for rental activity, with Żebbuġ, Qala, and Sannat seeing the most notable increases in rents since 2020. The study emphasises the crucial role of government, through the Housing Authority, in regulating the private residential rental market, ensuring the availability of adequate social housing, and assisting tenants residing in pre-1995 dwellings.*

*The findings align with the goals of the Gozo Regional Development Strategy, emphasizing the need to understand the housing landscape as a basis for socially and economically responsive planning. By presenting an evidence-based overview, this paper provides a groundwork for developing more targeted strategies to address the island's distinctive housing needs.*

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# The Residential Rental Market in Gozo

## 1. Introduction

The demand for residential real estate in Gozo has long been a defining feature of the local housing market, driven by cultural, economic, and demographic factors. Traditionally, property ownership has been highly valued by Gozitans and is widely considered a primary investment asset. In recent decades, however, demand for rental housing has grown considerably, particularly reflecting broader demographic shifts and economic developments.

The development of the rental market in Gozo is relatively recent. Although the market was liberalised in 1995, it did not initially experience significant activity. However, over time, this policy change laid the groundwork for gradual growth in the rental sector. A turning point came after Malta's accession to the European Union in 2004, which led to a gradual increase in the number of foreign workers (Grech, 2017). In the past decade this influx increased significantly in response to a strong labour market, with foreign employees now making up a substantial share of the local workforce. Given the transient nature of their employment (Borg, 2019), foreign workers generally prefer temporary housing solutions, which has naturally driven up demand for rental properties in Gozo.

Additionally, the residential rental market in Gozo has been influenced by various government housing initiatives aimed at improving access to affordable housing. These efforts include schemes that support residents in obtaining private accommodation, either through direct rental assistance or through incentives for property development. Such initiatives have played a role in shaping the rental landscape, broadening the market beyond traditional home ownership.

Given these developments, this Discussion Paper aims to provide a comprehensive analysis of recent developments in Gozo's residential rental market. It begins with an in-depth overview of the island's housing stock and its evolution over the past decades. Building on this background, the paper examines the residential rental market using data from the Housing Authority, with a focus on the dynamics of private leases, pre-1995 rent-controlled contracts, and social housing provisions. By presenting an evidence-based overview, the paper seeks to inform policy discussions on Gozo's housing needs. This is in line with the goals of Gozo's Regional Development Strategy, particularly in ensuring adequate social infrastructure and addressing housing needs effectively.

## 2. Trends in Gozo's Housing Sector

To understand Gozo's residential property market, it is essential to examine the evolution of its housing sector over recent decades. This section provides an overview of recent developments in

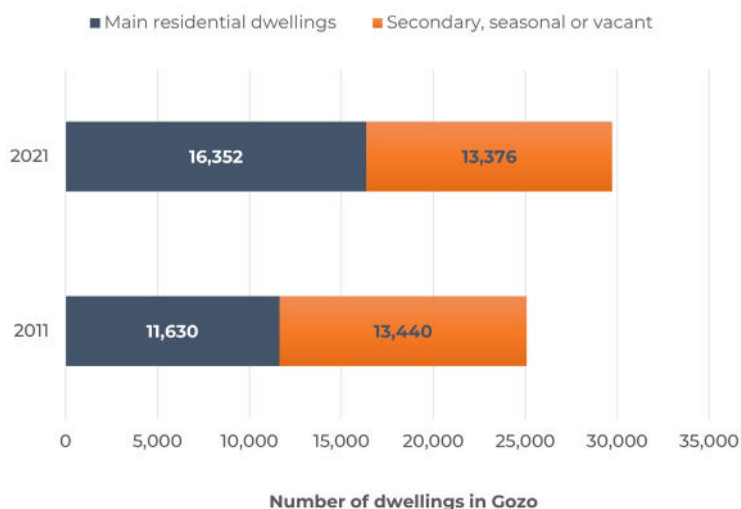
Gozo's housing market, highlighting key factors driving these changes. This analysis draws on data from the Census of Population and Housing, which provides detailed statistics on demographic and social characteristics across Malta, including information on dwelling types and occupancy.

## 2.1 The Property Market

Demand for property in Gozo has long shaped the local housing market, influenced by a mix of cultural, economic, and demographic factors. Property ownership holds significant value among Gozitans, often viewed as a primary investment asset. The reasons for this are typically twofold: some invest for speculative gains, while others see property as a stable asset similar to a perpetual bond, where rental income serves as a dependable return, comparable to a financial coupon (Borg and Duca, 2022). This cultural inclination has led many households to acquire multiple properties. In fact, a 2022 survey by the GRDA indicated that 27% of Gozitans own two or more properties.

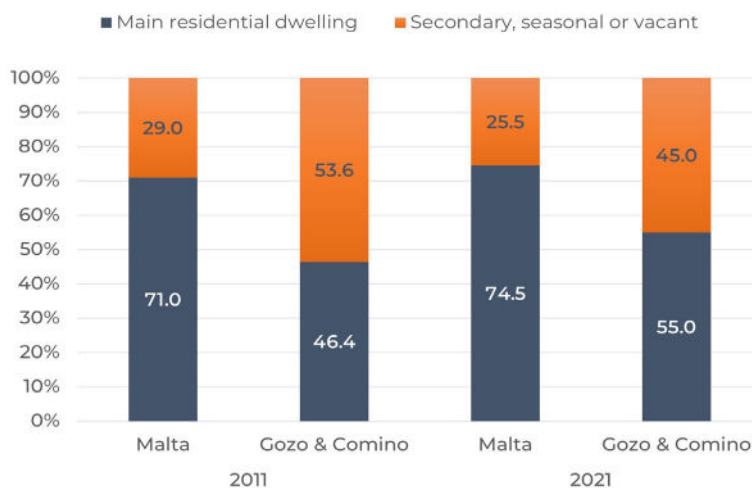
According to the latest Census of Population and Housing, Gozo's dwelling stock reached 29,728 units in 2021, an 18.6% increase from a decade prior. This growth mirrors the island's population increase over the same period. However, nearly half of these dwellings were categorised as secondary, seasonal, or vacant, with only 55% serving as main residences. While the proportion of secondary and vacant properties declined slightly compared to the previous decade (see Chart 1), Gozo still shows a significantly higher share of non-primary residences than mainland Malta. In Malta, primary residences made up 74.5% of the total dwelling stock in 2021, with just 25.5% classified as seasonal, secondary, or vacant (see Chart 2).

Chart 1: Dwelling stock by occupancy status



Data Source: Census of Population & Housing

Chart 2: Dwelling stock by occupancy status and place



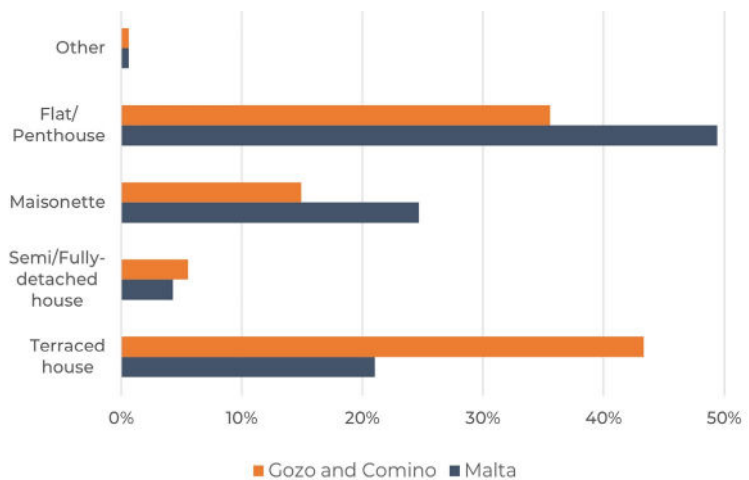
Data Source: Census of Population & Housing

## 2.2 Residential Housing Stock

This section focuses on the characteristics of Gozo's main residential dwellings which are properties occupied by individuals or households as their primary residence. This information provides valuable insight into housing ownership, dwelling type, construction period, and geographic distribution.

In Gozo, main residential dwellings predominantly consist of terraced houses, which account for 43% of the total residential stock. Apartments and penthouses follow at 36%, maisonettes at 15%, and semi-detached or fully detached houses at 6%. This composition differs notably from mainland Malta, where apartments, penthouses, and maisonettes constitute around 75% of the housing stock (see Chart 3).

Chart 3: Main residential dwellings by type



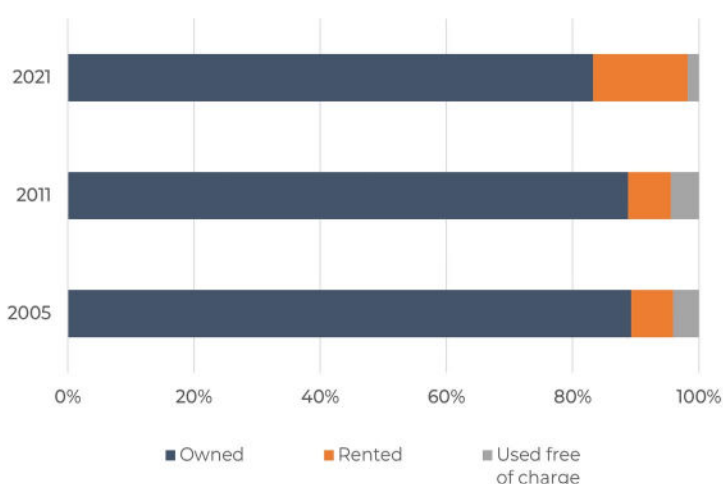
Data Source: Census of Population & Housing

The construction period of these residences also varies. About 27% of Gozo's primary residences were built between 1981 and 2000, predominantly consisting of terraced houses. More recently, 33% of these dwellings were constructed between 2011 and 2021, mainly comprising apartments, penthouses, and maisonettes.

Main residential dwellings data also provide information on tenure status, distinguishing between owned and rented properties. Owned dwellings include properties occupied by individuals or households who either hold full ownership rights or with ground rent or held by emphyteusis. Meanwhile, rented dwellings refer to properties occupied by individuals or households who do not hold ownership rights but instead have an agreement with a landlord or leasing entity to occupy the property in exchange for rent. This category may encompass various

rental arrangements, including private rentals, social housing, and subsidised rental agreements.

Chart 4: Main residential dwelling stock by tenure



According to the latest census figures, 83% of Gozo's main residential dwellings were owned, 15% were rented, and nearly 2% were used free of charge. A comparison with previous censuses reveals that the rental market has grown in importance, particularly over the last decade. The proportion of rented residences rose by more than 8 percentage points between 2005 and 2021 (see Chart 4).

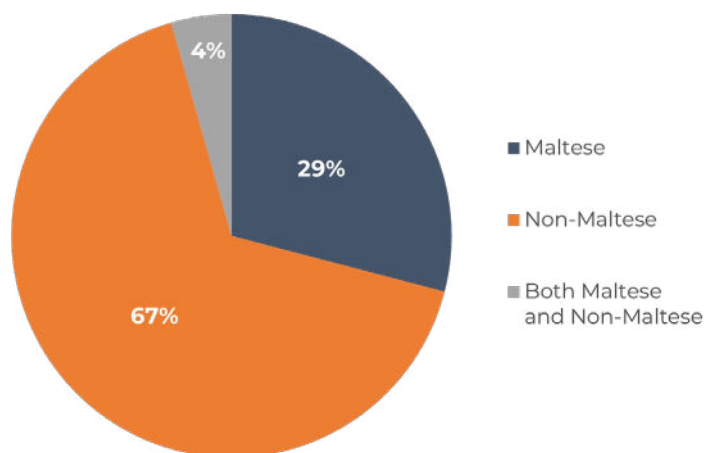
Data Source: Census of Population & Housing



## 2.3 Residential Rental Units

This section delves into the recent changes within Gozo's rented residential market. By 2021, rented dwellings in Gozo reached 2,458 units, a 200% increase compared to the 789 rented units in 2011. This surge in rental properties largely reflects the growing number of non-Maltese residents during this period, who fuelled demand for rental housing. By 2021, nearly 70% of rented residences in Gozo were occupied by non-Maltese tenants (see Chart 5).

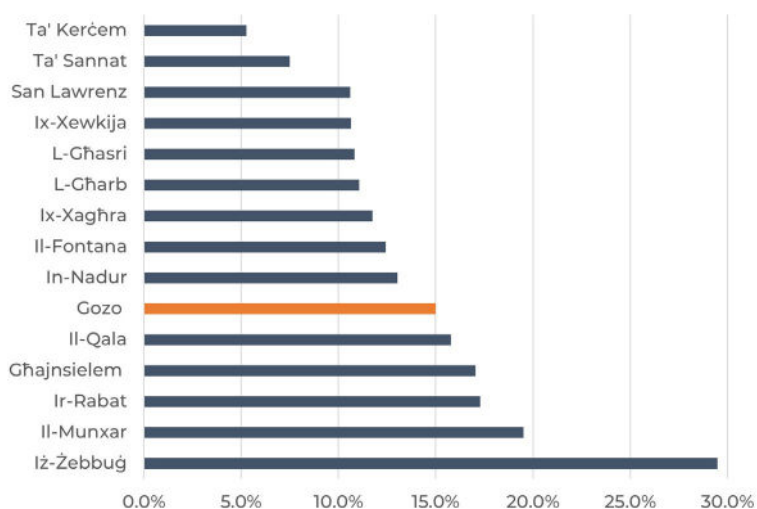
Chart 5: Main residential rented dwelling stock by citizenship



The share of rented accommodation varies by locality. The areas with the highest proportions of rented dwellings were Żebbuġ, including the seaside village of Marsalforn, where rented units represented nearly 30% of the locality's main residential stock; Munxar, including Xlendi, at 20%; and Għajnsielem at 17% (see Chart 6). By contrast, Ta' Sannat and Kerċem recorded the lowest shares, with rented properties making up just 7.5% and 5.3% of the main residential stock, respectively.

Data Source: Census of Population & Housing

Chart 6: Share of rented dwelling stock to total housing stock, by locality



Data Source: Census of Population & Housing

The composition of Gozo's rented properties is also notable. A large share of these units (84%) are apartments, penthouses, or maisonettes with a significant proportion (41%) of these rented residents being constructed in 2016 or later. This trend aligns with the economic and demographic developments of the period, especially the increase in non-local residents and a booming property market. Factors such as a low interest rate environment and various property-related

incentives attracted investors, who directed capital into rental properties to meet the rising demand and leverage the potential for high returns. Consequently, most rental units are rented from the private sector, with only 9% being rented from the government.

### 3. The residential rental market

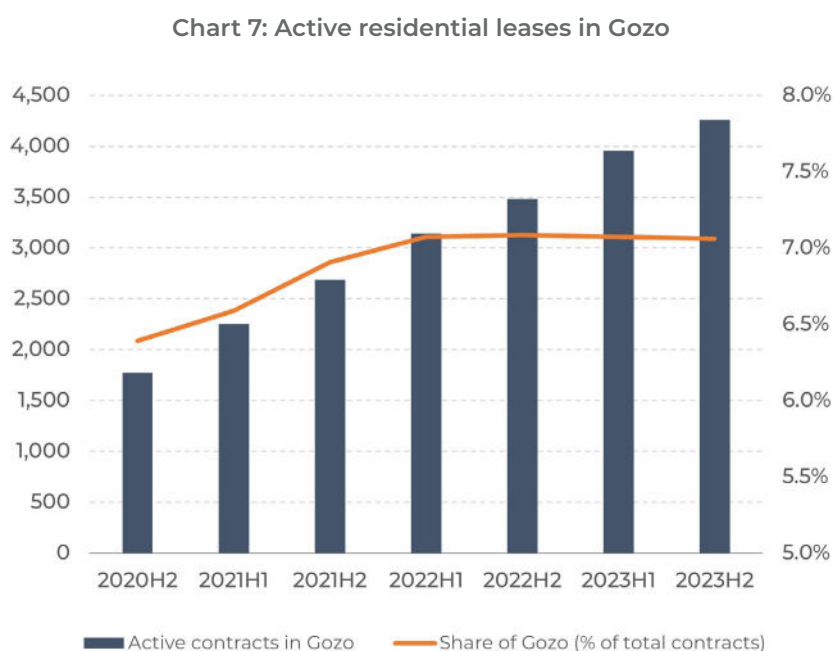
Drawing on data from the Housing Authority, this section of the paper provides a detailed regional assessment of Gozo’s residential rental market. It provides valuable insights into the dynamics of private leases, pre-1995 rental contracts, and social housing in the region.

#### 3.1 Private residential rental market

After years of quasi-complete deregulation in the private rental market, the government introduced a reform in 2020 - the Private Residential Leases Act of 2020 - intended to provide minimum standards reflective of a modern rental market. This reform included an obligatory registration system accompanied with a signed inventory and declared security deposit, minimum contract durations, a mechanism to facilitate contract renewals or terminations, and a quasi-judicial body to rapidly resolve minor disputes (Housing Authority, 2021, 2022; Micallef, 2021; Xerri et al., 2024). In addition, the Housing Authority was designated as the regulator of the housing market in Malta, a role that was completely different from its traditional one of providing social and affordable housing. In response to evolving market needs, Act XX of 2024 introduced significant amendments to the Private Residential Leases Law, with the new amendments becoming effective on September 1, 2024. The amendments led to a more flexible registration process, improved dispute resolution mechanisms and provides more support for shared living arrangements and overcrowding issues.

##### i. Type of rental contracts

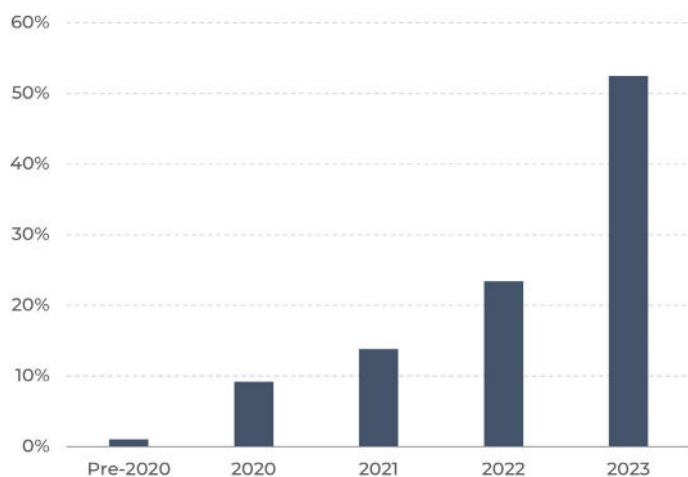
Registered leases in Gozo increased rapidly since the establishment of the rent register in 2020. The number of active leases in Gozo rose from 1,772 at the end of 2020 to 4,260 in 2023 (see Chart 7). This increase was broadly in line with the trend registered in Malta. As a result, the share of registered contracts in Gozo remained stable around 7.1% since 2022, up from 6.4% in 2020.



Data Source: Housing Authority

Each active contract can have multiple tenants registered in it.<sup>1</sup> Overall, registered rental contracts in Gozo represents 7,478 tenants in 2023, more than double the 2,760 tenants in 2020. While disaggregated information on Gozo is not available, a recent survey conducted by the Housing Authority indicates that only 10% of tenants are Maltese, with the rest being primarily foreign workers (Briguglio et al., 2024). This is broadly in line with information from the Census of Population and Housing, which classifies most tenants as non-Maltese residents.

**Chart 8: Commencement year of active contracts in Gozo in 2023**



Around 52% of currently active contracts in Gozo commenced in 2023, with 23% starting sometime during 2022 (see Chart 8). A further 14% and 9% of contracts started at some point during 2021 and 2020, respectively, while 1% commenced before 2020. This implies that slightly less than half of rental contracts in Gozo were active for more than the minimum duration of one year set by the Private Residential Leases Act, primarily due to the renewal of contracts.

Data Source: Housing Authority

Most rental contracts in Gozo are registered as long-term leases, which have a duration of at least one year. In 2023, 98% of contracts in Gozo were long-term leases, with only 2% classified as shared spaces.<sup>2</sup> While the share of the latter has increased gradually over time – it stood at 0.5% in 2020 – it remains much lower compared to the situation in Malta. In Malta, shared space contracts rose from slightly less than 5% of total contracts in 2020 to 10% in 2023 (see Chart 9).

**Chart 9: Share of shared space leases in active contracts**



Data Source: Housing Authority

## ii. Rental contracts by locality

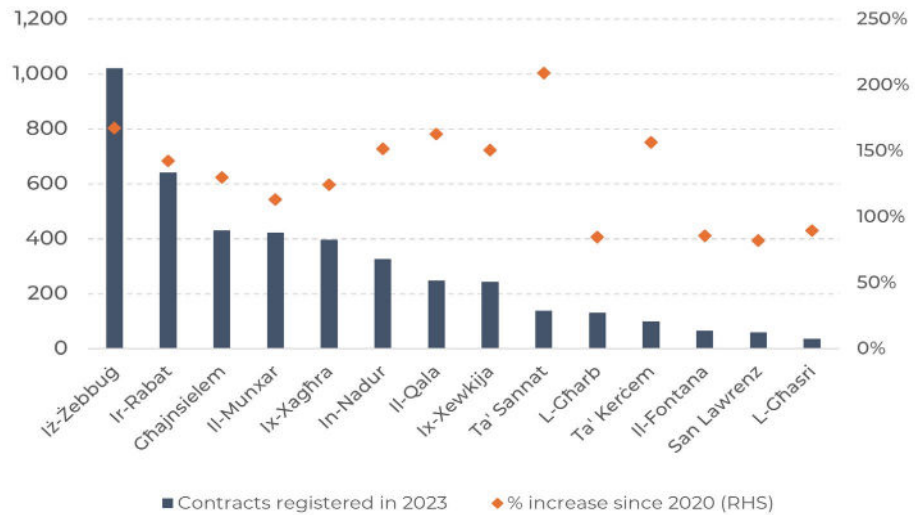
The most popular locality in Gozo for rental contracts is Żebbuġ, which includes the seaside village of Marsalforn. Indeed, Żebbuġ is one of 17 localities in Malta, and the only one in Gozo, with more

<sup>1</sup> The legal amendments introduced in 2024 stipulate limits on the number of residents in each 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.

<sup>2</sup> Only 0.1% of contracts were registered as short-term, defined as those with a duration of six months.

than 1,000 active rental contracts in 2023. Other popular localities in Gozo for rental accommodation include the capital city of Victoria, Għajnsielem, Munxar (which includes the seaside village of Xlendi) and Xagħra. These five localities account for around 68% of all contracts registered in Gozo. Partly due to the small size of the island, the concentration of leases in Gozo is higher than that registered in Malta, where the five most popular rental localities only account for 42% of total rental contracts in 2023. At the other end, the least popular localities for renting are Fontana, San Lawrenz and I-Għasri, all with less than 100 registered contracts in 2023.

**Chart 10: Active contracts by locality in 2023 and change since 2020**



Data Source: Housing Authority

Since 2020, all localities in Gozo registered a sharp increase in rental contracts, with the highest increases registered in Sannat, followed by Żebbuġ and Qala (see Chart 10). The number of contracts registered in Sannat have more than tripled during this period, although it started from a relatively low base in 2020. Except for I-Għarb, Fontana, San Lawrenz and I-Għasri, all localities in Gozo have seen active registered contracts more than double since 2020.

iii. Residential rental properties – type and size

The stock of residential rental properties in Gozo consists primarily of apartments. In 2023, around 78% of registered contracts in Gozo involved apartments, with the share of houses/villas and maisonettes amounting to 15% and 7%, respectively (see Chart 11). In terms of size, 85% of the stock consists of two- and three-bedroom units. Relatively small and large units tend to be less prevalent in Gozo, with the share of one-bedroom units and large dwellings consisting of four or more bedrooms standing at 11% and 4% of the total residential rental stock in 2023, respectively.

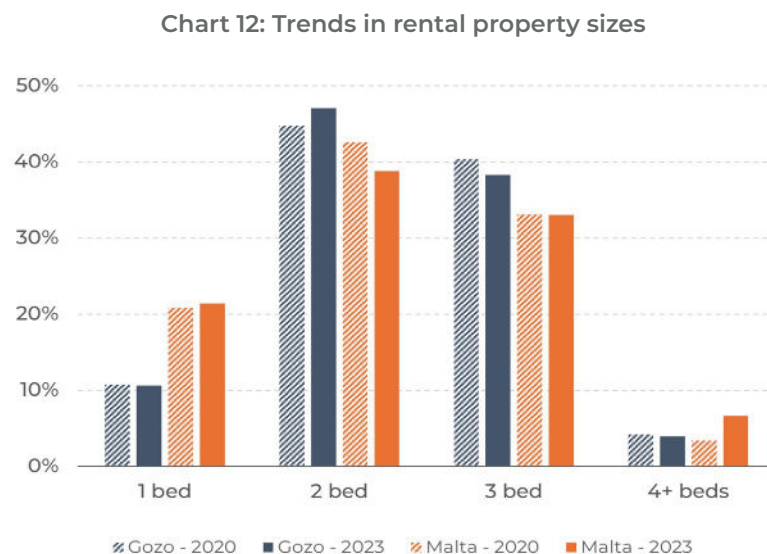
**Chart 11: Trends in rental property types**



Data Source: Housing Authority

Some minor differences are noticeable in the composition of rental properties between Malta and Gozo although they have tended to converge over time. Apartments remain by far the most common type of properties for rent in both Gozo and Malta. In 2020, Gozo’s rental stock consisted of relatively more houses and villas compared to Malta’s and, subsequently, a relatively lower share of flats and maisonettes. This is broadly consistent with information from the latest Census, held in 2021, which shows that the share of houses in Gozo is much higher than that in Malta. Since then, however, the share of apartments and houses/villas has converged. Indeed, while Gozo witnessed a slight increase in the relative share of apartments, in line with recent construction activity, at the expense of houses and villas, the opposite trend is witnessed in Malta.

More significant changes are visible with respect to the size of rental properties in both islands. First, small units tend to be less popular in Gozo. The share of one-bedroom units in Gozo is roughly half of Malta’s stock. This share has remained broadly stable between 2020 and 2023 (see Chart 12). Second, while two-bedroom dwellings remain the most popular in both islands, their trends have diverged since 2020. In Gozo, the share of two-bedroom units has increased its popularity, with their



*Data Source: Housing Authority*

share rising to 47% to the rental stock, whereas in Malta, two-bedroom dwellings saw their share drop from 43% to 39% during the same period. The increase in Gozo's share of two-bedroom units came at the expense of three-bedroom units, which saw a slight decline in their relative share. Finally, the share of large rental dwellings, defined as those units with four-bedrooms or more, has remained relatively stable at around 4% in Gozo. This runs contrary to the trend observed in Malta, with the share of large properties rising from 3% in 2020 to 7% in 2023, which is consistent with the observed increase in shared spaces leases.

#### iv. Monthly rents by locality

Chart 13 plots the distribution of monthly rents in euro for long term contracts (but excluding shared leases for shared spaces) that started in the second half of 2023.<sup>3</sup> Slightly more than half of long-term contracts in Gozo were lower than €700 per month. On the other hand, 38% of contracts were between €700 and €999, while only 9% exceeded €1,000 per month. When it comes to shared spaces, 89% of all contracts in Gozo registered in the second half of 2023 were lower than €300 per month.

<sup>3</sup> The chart excludes rents below €300 per month since these are most likely for shared space leases.

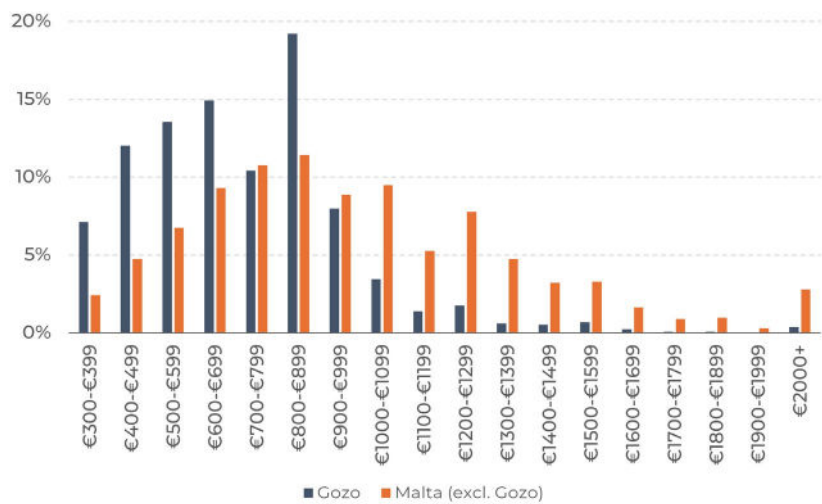
In general, rents in Gozo are cheaper than in Malta. For instance, around 83% of contracts in Gozo were lower than €899 compared to just 51% in Malta. The share of contracts in excess of €1,000 per month in Gozo and Malta stood at 9% and 40%, respectively.

Chart 14 plots the monthly rent for all localities in Gozo and selected localities in Malta for contracts of two- and three-bedroom apartments registered with the Housing Authority during the second half of 2023.

The chart only includes information on residential leases but excludes shared spaces. For two- and three-bedroom apartments, the median rent ranges from €834 (Xagħra) to €550 (Munxar). Among Gozitan localities, rents tend to be the least expensive in Munxar. Compared to the Maltese localities in Figure 8, rents in Gozo are mostly similar to those in St Paul's Bay, which is by far the most populous locality in Malta for rental accommodation. The median monthly rent in St Paul's Bay for two- and three-bedroom apartments registered with the Housing Authority in the second half of 2023 stood at €750 and €900, respectively. On the contrary, the rent for most localities in Gozo is around half that in Sliema, which tend to be one of the most expensive localities in Malta.

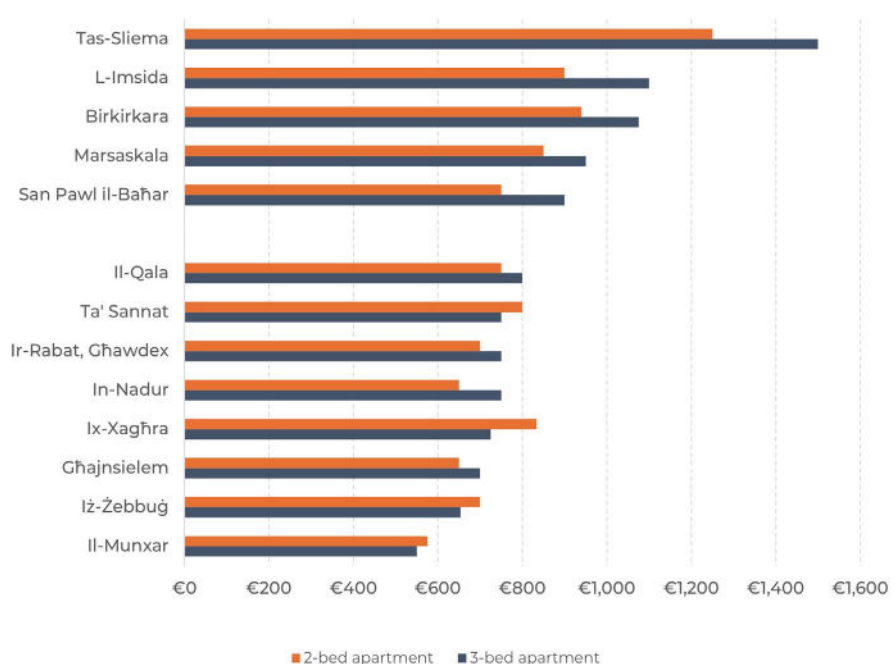
Rents in Gozo have increased at a faster pace compared to Malta for most of the period since 2020. Chart 15 plots the annual growth rate in rents for the two islands using a hedonic econometric model using granular information from the rent register that controls for characteristics such as the type of property and contract, regional differences and the size of the property.<sup>4</sup> Results from the underlying

**Chart 13: Distribution of monthly rents registered with the Housing Authority in 2023H2**



Data Source: Housing Authority

**Chart 14: Monthly rent in € by locality in 2023H2**



Data Source: Housing Authority

<sup>4</sup> See Micallef (2022) and Micallef et al. (2022) for technical details about the model.

econometric model are found in Table 1.<sup>5</sup> Since 2020, rents in Gozo rose by 5.9% per annum compared to 3.4% in Malta. This indicates that while rents in Gozo remain lower than those prevailing in Malta – as shown in Charts 13 and 14 – they have been gradually converging over the last few years.

**Chart 15: Annual growth rate in rents in Gozo and Malta**



Data Source: Housing Authority

**Table 1: Hedonic regression model for rental leases in Gozo and Malta**

	GOZO		MALTA (excl. GOZO)	
<b>Property type</b>				
Apartments (ref)	(b)		(b)	
Maisonettes	-0.008		-0.082	***
Houses	0.182	***	-0.078	***
Villas	0.666	***	0.825	***
<b>Regions (Malta)</b>				
Northern Harbour (ref)			(b)	
Northern			-0.239	***
South Eastern			-0.292	***
Southern Harbour			-0.314	***
Western			-0.162	***
<b>Property size</b>				
One bedroom (ref)	(b)		(b)	
Two bedrooms	0.395	***	0.276	***
Three bedrooms	0.505	***	0.459	***
Four bedrooms+	0.799	***	0.403	***
<b>Contract type</b>				
Long let (ref)	(b)		(b)	
Short let	-0.010		0.003	
Shared space	-1.090	***	-1.271	***

<sup>5</sup> The models explain between 25% and 41% of the variation in registered rents. The model for Gozo has 14,663 observations while the Maltese one has 208,312 observations. All coefficients have the expected sign and are statistically significant. Since the dependent variable is in logarithms, the model coefficients should be interpreted as exponent(coef.)-1\*100 and compared to the benchmark category.

In terms of property types, houses and villas command a higher rent than apartments (benchmark) but the differences between apartments and maisonettes are not statistically different. Compared to flats, the premium for houses and villas amount to 20% and 95%, respectively. As expected, larger properties command higher rents. Two- and three- bedroom units stand around 48% and 66% higher compared to one-bedroom unit (benchmark), with the premium being even higher for larger properties. The rents for shared space leases are around 66% lower compared to long-term leases (benchmark).

	GOZO		MALTA (excl. GOZO)	
Multi-year contract	-0.206	**	-0.777	***
<b>Time period</b>				
2020q1 (ref)	(b)		(b)	
2020q2	-0.002		-0.070	***
2020q3	0.031		-0.041	***
2020q4	0.006		-0.071	***
2021q1	0.047		-0.055	***
2021q2	0.029		-0.054	***
2021q3	0.083	***	-0.028	***
2021q4	0.089	***	-0.042	***
2022q1	0.108	***	-0.041	***
2022q2	0.131	***	-0.007	
2022q3	0.140	***	0.018	**
2022q4	0.150	***	0.039	***
2023q1	0.139	***	0.020	***
2023q2	0.173	***	0.041	***
2023q3	0.200	***	0.057	***
2023q4	0.211	***	0.091	***
Constant	5.737	***	6.443	***
Observations	<b>14,663</b>		<b>208,312</b>	
Adj R-squared	0.246		0.414	
Prob > F	0		0	

Data Source: Authors' Calculations

### 3.2 Rent controlled regime (pre-1995 leases)

The second category of leases refers to the rent-controlled regime. This consists of rents that fall under the Reletting of Urban Property (Regulation) Ordinance, Chapter 69 of the Laws of Malta and the Housing (Decontrol) Ordinance Chapter 158 of the Laws of Malta. The former relate to pre-1995 leases whilst the latter relates to pre-1995 leases in a dwelling that is decontrolled and to temporary emphyteusis entered into before 1995, which 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 (Xerri, 2017). Therefore, through the amendments introduced through the Housing (Decontrol) Ordinance (Amendment) Act, 2018<sup>6</sup> and the Controlled Residential Leases Reform Act, 2021<sup>7</sup>, the legislator 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.

<sup>6</sup> Act XXVII of 2018.

<sup>7</sup> Act No. XXIV of 2021.

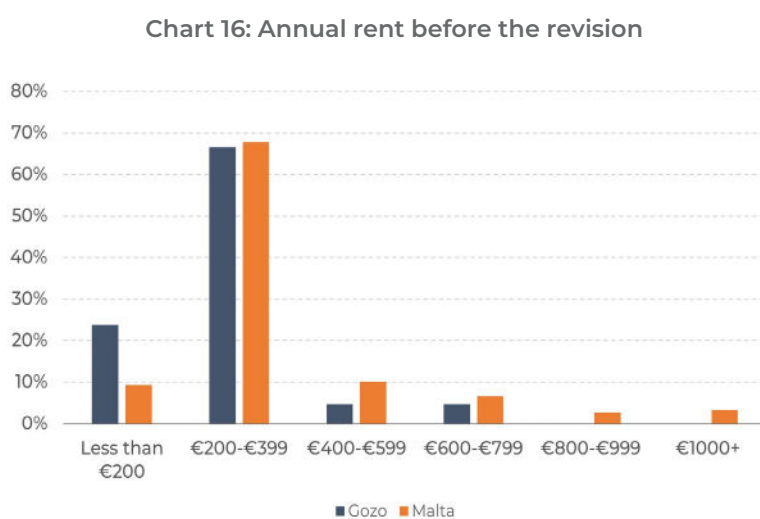


In these proceedings, the Rent Regulation Board evaluates the freehold value of the tenement being leased and determines whether the tenant satisfies the income and capital means test criteria. If the tenant meets the income and capital criteria of the means test, the Board decides on the increased rent which the tenant will be expected to pay to the landlord. On the contrary, if the tenant does not meet the means test criteria, the Board orders the tenant to evict from the property being leased within a period of two years, during which the Board shall also order the tenant to pay a compensation for occupation.

Information on these leases is scarce and collected infrequently from the Census. However, since the introduction of Controlled Residential Leases Reform Act, 2021 the Housing Authority started to collect information from the Court cases filed before the Rent Regulation Board in both Malta and Gozo. This information is only a subset of the leases in the rent-controlled regime – it only includes finalised (res judicata) court cases but excludes those cases that are still pending, those whose landlords have never initiated court proceedings to revise the annual rent (typically due to the old age of landlords and tenants) as well as those cases in which an out-of-court settlement is reached by the landlords and the tenants. Still, this information, however incomplete, sheds some light on the characteristics of both tenants and properties in this rent-controlled sector.

Overall, there are slightly less than 1,700 concluded court cases in Malta and Gozo.<sup>8</sup> Only 33 of these were for properties in Gozo, with the rest being for Maltese tenants.<sup>9</sup> Most of the properties before the Rent Regulation Board in Gozo are located in Rabat, followed by Fontana and Ġhajnsielem.

Out of the concluded cases<sup>10</sup> before the Rent Regulation Board in Gozo, the Board has opted for the full 2% increase in most of the cases, despite its discretion to adopt any percentage increase up to 2%. Prior to the revision, the average rent paid in rent-controlled leases in Gozo stood at around €248 per annum, whereas in Malta, the average lease amounted to €348. Indeed, around 90% of leases in Gozo were lower than €400 per annum (see Chart 16).



Data Source: Housing Authority

The revised rents are calculated on the estimated value of the properties as determined by court appointed architects. On average, the revised rent in both Gozo and Malta amounts to around €5,950 per annum. In Gozo, the newly revised rents range from as low as €1,500 a year for a property valued at €75,000 up to €9,900 a year for a property valued at €550,000. No rent has been revised in excess of €10,000 per annum in Gozo, whereas in Malta, around 5% have exceeded this threshold (see Chart 17). These revisions are reflective of the property values. Around 41% of Gozitan rent-controlled properties were valued less

<sup>8</sup> Until 31<sup>st</sup> May 2024.

<sup>9</sup> In addition, there are 10 cases in Gozo and 645 in Malta that are still ongoing.

<sup>10</sup> Here one must note that out of the 33 judgments delivered, until 11 September 2024, a written copy of 6 of these judgments could not be found either online or acquired from the Magistrate's Chambers.

than €200,000, with a further 25% valued between €200,000 and €299,000 (see Chart 18).

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 (Micallef and Schembri, 2024a). Under this scheme, the Housing Authority also offers free legal services and support for tenants facing court cases. For pensioners, 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.

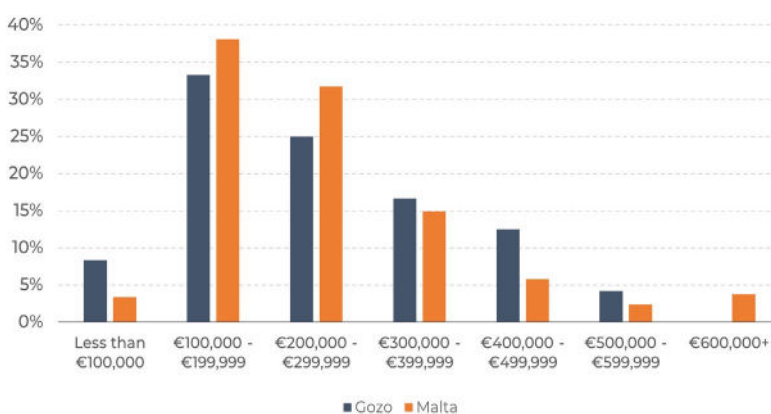
The average age of Gozitan and Maltese tenants in rent-controlled leases is 71 and 70 years, respectively.<sup>11</sup> Indeed, most tenants in the judgements examined are in their retirement age. In Gozo, the eldest tenant was 90 years old while the youngest one was 43 years old. This shows that the tenant profile in these controlled rents consists of primarily elderly people who require assistance and this in accordance with “the ageing in place” principle. This principle is in fact consistent with the relatively high thresholds adopted in the means testing criteria for those over 66 years old.<sup>12</sup>

Chart 17: Annual rent after the revision



Data Source: Housing Authority

Chart 18: Estimated property value by the Court



Data Source: Housing Authority

### 3.3 Social housing and other government housing assistance

The third category of leases refers to social housing. There is no common definition of social housing available at the EU level, with different countries adopting different definitions that translate into varying levels of public intervention within the sector (Braga and Palvarini, 2013). These differences tend to be characterised in four dimensions, namely, the tenure, the provider of the service, the beneficiaries and the funding arrangements.

<sup>11</sup> Further details on the characteristics of tenants residing in the rent-controlled regime are available in Micallef and Schembri (2024a).

<sup>12</sup> Subsidiary Legislation 16.11, Continuation of Tenancies (Means Testing Criteria) Regulations.

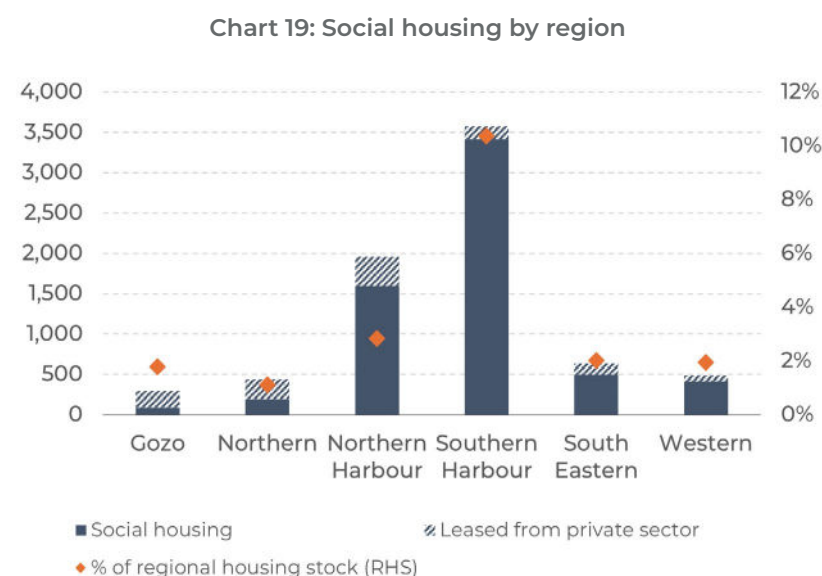
In their cross-country analysis of social housing in Europe, Braga and Palvarini (2013) classify Malta's model as a targeted approach, with social accommodation only directed at those individuals and households whose demand for housing with decent quality at an affordable price is not satisfied by the market. Within this targeted approach, Malta's model is described as a residual model, which implies that housing is primarily directed towards the most vulnerable groups, usually according to their income. Indeed, at present, only single individuals with an annual income of less than €10,000 are eligible for social housing, while in the case of single parents and married couples, the income threshold increases to €12,000, with an additional €700 being allowed for each child under 18 years.

It must be recognised, however, that even within the same country, the conception of what constitutes social housing can change over time (Vakili-Zad, 2007). In this section, we adopt a narrow interpretation of social housing, focusing only on the characterisation that is adopted today while excluding schemes that were prevalent in the past.

### i. Stock of social housing

Information on the social housing stock is obtained from the Housing Authority's database.<sup>13</sup> According to this database, there are around 6,200 social housing properties in Malta and Gozo. In addition to this stock, one must add around 1,200 private properties that are leased to the Housing Authority for a period of 10-years, which in turn are sub-leased for social accommodation purposes (predominantly through the *Nikru Biex Nassistu* (NIK) scheme). Taken together, the stock of social accommodation in Malta is estimated around 7,400 dwellings.

There are currently around 270 properties leased for social housing in Gozo, which represent only around 4% of the entire social housing stock in the Maltese Islands. The properties administered by the governmental authorities are concentrated in the locality of Victoria, while the private leased properties are dispersed all over the island of Gozo. Of the social housing stock in Gozo, roughly a quarter is owned or administered by the Housing Authority/Lands Authority/Joint Office, while the remaining three quarters are private properties leased to the Housing Authority (see Chart 19). Overall, social housing in Gozo accounts for around 2% of the island's total housing stock.<sup>14</sup>



Data Source: Housing Authority

<sup>13</sup> This dataset includes not only the Housing Authority's own stock but also information on properties that are owned by the Lands Authority and the Joint Office for social housing purposes. While there is a high degree of confidence in the stock figures owned or administered by the Housing Authority, estimates by the Lands Authority/Joint Office are subject to higher uncertainty and might be underestimated.

<sup>14</sup> This is based on information from the latest Census, which indicates that there were around 215,691 occupied dwelling in Malta at the end of 2021.

Notable differences in the stock of social housing are observed not only between Malta and Gozo, but even within Malta's regions. The situation in Gozo is similar to what we observe for the Northern region, where the majority of social housing consists of privately leased units. On the contrary, most of the social housing in the other regions are owned or administered by the Housing Authority and the government. The highest concentration of social housing stock is found in the Southern Harbour area, followed by the Northern Harbour.

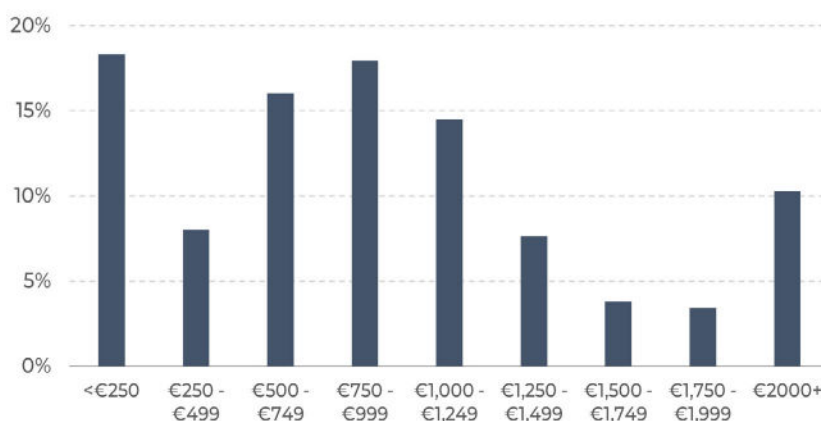
It is important to remember that just looking at the number of current social housing units tend to underestimate the role of government in facilitating access to housing throughout the years. For instance, the current stock of social housing excludes those properties that were sold to the public, through schemes such as Sir Sid Darek (SSD). Other social schemes and initiatives that were popular in the past, such as Sale by Notice<sup>15</sup> and the Homeownership Scheme (HOS)<sup>16</sup> are also excluded due to the narrow interpretation of social housing used in this study.

## ii. Rent paid for social housing

Lease agreements contain information on the rent paid by social housing beneficiaries and the duration of the contract. In general, there are two broad categories of leases. The first refers to those leases signed between the 1970s and the early 2000s, which are automatically renewed and do not have an expiration date. In contrast, more recent leases, along with all private leases, typically have a contract duration ranging from 5 to 10 years.<sup>17</sup>

The average lease paid for social accommodation in Gozo is approximately €1,000 per annum. There are, however, significant differences in the amount tenants pay. Around 18% of tenants in social housing in Gozo pay less than €250 per annum, with another 42% paying an annual rent between €250 and €999. 29% of the tenants have an annual rent between €1,000 and €1,999, while the rent for the remaining 10% exceeds €2,000 per annum (see Chart 20).

**Chart 20: Distribution of annual rent paid by tenants in social housing in Gozo**



Data Source: Housing Authority

<sup>15</sup> In Gozo, approximately 160 properties were sold either by Notice and, to a lesser extent, through the SSD scheme. Dwellings sold by Notice were mostly constructed in the 1990s and 2000s. The construction of these units provided opportunities for prospective buyers to become homeowners. Most properties that were sold by Notice in Gozo are located in San Lawrenz, Victoria, Qala and Xewkija.

<sup>16</sup> The Home Ownership Scheme (HOS) was a key initiative launched by the Housing Authority to help engaged and married couples become homeowners (Building Industry Consultative Council, 2000). This policy, which lasted until the early 1990s, primarily consisted of parcelling government land into building plots and their allocation, free of charge, for home ownership development. In Gozo, there are about 750 HOS plots spread across 11 localities, with most of them concentrated in Xewkija, Xagħra, and Rabat.

<sup>17</sup> This is based on the contract duration records in Gozo, extracted from the LEMIS database.

In general, there is a positive relationship between annual rent paid for social housing and the start date of the lease agreement. Chart 21 shows that leases signed prior to the year 2000 tend to be significantly lower than the lease agreements signed more recently. For instance, the average annual lease for agreements signed

**Chart 21: Classification of annual rent paid for social housing units in Gozo by date of lease agreement**



Data Source: Housing Authority

before 2000 is approximately €196, while for agreements signed after 2020, the average annual lease stands at around €1,240. This discrepancy is because while the old leases tend to remain fixed over time, the new leases are revised on a regular basis to reflect the income of the beneficiaries.<sup>18</sup>

Around two out of every three lease agreements for social housing in Gozo have been signed after 2020. This is consistent with the analysis in the previous section, which showed that most social housing in Gozo is leased from the private sector. Unlike the lease agreements signed before 2009, the annual leases of agreement signed after 2010 are more widely spread. Leases signed before 2009 amount to a maximum of €999 per annum, with most of them being less than €250 per annum. On the contrary, the lease agreements signed afterwards have a much wider distribution. Almost all the leases in excess of €2,000 per annum have been signed after 2020.

### iii. Recent allocation policy

Information collected from social housing allocations since 2021 allows us to determine the original locality of social housing recipients. Overall, a significant number of allocations take place in the same locality or region of the beneficiary's previous address. Indeed, in 62% of the cases, beneficiaries remained within the same region.

Table 2 illustrates these movement by plotting a matrix of the initial and allocation addresses by region. The columns add up to 100%, thus indicating the composition of the beneficiaries in the recipient region ('allocation address') according to their previous address aggregated at the region level ('initial address'). Most entries are in the diagonal (orange cells), meaning that the region from the beneficiary's initial address is the same as in the allocation address.

<sup>18</sup> Lease conditions depend on the time period in which they were signed. For instance, contracts entered before 1987 have a fixed lease with no revision in the rent subsidy. On the contrary, contracts signed after 2023 have a duration of 10 years and the subsidy is revised every four years.

In the case of Gozo, 85% of the allocations since 2021 were from tenants whose previous address was also in Gozo. Indeed, Gozo has the highest number of cases in which the beneficiaries originated from the same region, with the shares for the other regions of Malta ranging from 76% in the Southern Harbour to 51% in the Northern Harbour.

**Table 2: Matrix of initial and allocated addresses by region**

		Allocation address					
		Gozo	Northern	Northern Harbour	Southern Harbour	Western	South Eastern
Initial address	Gozo	85%	1%	5%	1%	0%	0%
	Northern	2%	67%	11%	3%	9%	2%
	Northern Harbour	6%	19%	51%	6%	25%	4%
	Southern Harbour	4%	8%	18%	76%	4%	27%
	Western	1%	4%	7%	1%	61%	7%
	South Eastern	2%	2%	7%	13%	2%	60%
Total		100%	100%	100%	100%	100%	100%

Data Source: Housing Authority

## 4. Conclusion

This analysis provides a comprehensive overview of Gozo's housing stock and its evolution over the past decades. It examines the residential rental market, utilising data from the Housing Authority to focus on the dynamics of private leases, pre-1995 rent-controlled dwellings, and social housing provisions. By presenting this evidence-based overview, the paper aims to contribute to informed policy discussions regarding Gozo's housing needs and to support the development of targeted strategies that address the unique challenges faced by the island's residents.

This paper demonstrates that Gozo's private rental market has experienced significant expansion in recent years, influenced by economic, demographic, and legislative factors. This growth has been particularly pronounced over the past few years. As demand has increased, rental prices in Gozo have risen sharply, although they remain lower than those in mainland Malta. The analysis indicates that apartments are the predominant type of rental properties in Gozo, with the majority located in the localities of Żebbuġ, Victoria, Għajnsielem, and Munxar. Additionally, Sannat, along with Żebbuġ and Qala, has seen the most substantial rise in registered rents since 2020, reflecting the recent development trends observed in these areas.

Furthermore, this analysis emphasises the crucial role of the government, through the Housing Authority, in regulating the housing market, ensuring the availability of adequate social housing and providing assistance to tenants residing in pre-1995 dwellings. Moreover, social housing in

Gozo is primarily allocated to tenants who have previously resided on the island, challenging the prevalent perception that a significant portion is assigned to non-Gozitan residents. It has to be pointed out, however, that the role of government in this study is only captured partially – beneficiaries of initiatives such as Sir Sid Darek, Sale by Notice and the Homeownership scheme are now into the ownership market, while assistance through the Housing Authority’s schemes that facilitate homeownership (Micallef and Schembri, 2024b) are equally excluded given the focus on the residential rental market.

In publishing this data for the first time, this study establishes a solid foundation for informed discussions about Gozo’s rental market and housing needs. The findings align with the goals of the Gozo Regional Development Strategy, which underscores the importance of understanding the housing landscape to guide socially and economically responsive planning. This paper offers a basis for developing more targeted approaches to address the island’s unique housing requirements.

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