

HOUSING **briefs**

# THE PRIVATE RENTAL MARKET IN MALTA

A holistic assessment based on registered contracts



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# Foreword

It is with great pleasure that I introduce this year's rental study that looks at the performance of this sector in 2022 and how it has changed since the introduction of the rent reform in 2020. This is the third consecutive year in which the Authority is publishing such a report, which has gradually become one of the key annual publications on the property market in Malta. This study comes at a crucial time when the dynamics of the private rental market in Malta are fast evolving. Hence, the need for comprehensive analysis and informed decision-making has never been as important.

The Housing Authority has always been committed to ensure social and affordable housing, and to provide financial assistance to improve the affordability and quality of housing. The Private Residential Leases Act further entrusted the Authority with the role of regulator of the private rental market. Recognizing the significance of this sector in meeting the diverse housing needs of the population, the Housing Authority has been regularly monitoring the market to identify emerging trends, challenges, regulatory gaps, and opportunities. This third edition is a testament to our ongoing dedication to better understand this sector.

Following the rent reform, the Housing Authority has now gained a unique position within the market, which allows us to sustain a bird's eye view of this sector. In this report, we are not only concerned with looking at the latest developments in rents, but we also intend to shed light on the characteristics of this sector – from the number and type of contracts, the prevalence of renewals and multi-year contracts, the average length in the tenancy and their spatial distribution across the Maltese Islands. Most of this information is only available from the rent register. Starting from this year, we plan to start providing biannual updates of this study, so that we contribute towards increasing further the transparency on this sector.



Matthew Zerafa  
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Apart from the invaluable data collected from thousands of contracts over the past three years – over 47,000 of which were still active at the end of 2022 – throughout the year the Authority also collaborates closely with various stakeholders, including tenants, landlords, real estate professionals, and other experts in the field. Through these meetings and discussions, we have sought to gain a deeper understanding of the multifaceted aspects of the rental market. Our goal has been to identify not only the existing challenges faced by tenants and landlords but also the potential areas where the market can be taken a step further. We firmly believe that a balanced and sustainable rental market is essential for fostering social cohesion, economic growth, and the overall well-being of our society.

As we delve into the findings of this study, it is crucial to recognize that the rental market is not static; it is a dynamic ecosystem influenced by

various factors, including social, economic, and demographic changes. Therefore, our approach to the rental sector must remain flexible, adaptive and forward-looking.

The findings presented in this study reflect the collective effort of the Housing Authority and our commitment to evidence-based decision making. The research conducted provides valuable insights into the current state of the rental market, with far-reaching implications that encompass factors such as the affordability of housing, supply and demand forces, quality standards and the overall regulatory framework.

I would like to express my gratitude to Ms Romina Fenech and all staff of the Property Market unit for their sterling work in making the reform a success with their day-to-day operational and administrative work. Furthermore, I would also like to thank the several stakeholders, both within and outside the Authority, that with their insights made this study possible.

I invite all stakeholders, policymakers and interested parties to engage with the findings presented in this study and to actively participate in shaping the future of Malta's rental sector. Together, we can build a resilient, inclusive and sustainable rental market that meets the needs and aspirations of all residents. Let us embrace the opportunities it presents and work collaboratively to create a rental market that is fair, transparent and beneficial to all.



## EXECUTIVE SUMMARY

The objective of this report is to provide a holistic assessment of the private rental market in Malta based on registered contracts with the Housing Authority. The cut-off date is 31 December 2022.

Active registered contracts stood at 47,879 at the end of 2022, an increase of 24% compared to a year earlier. Slightly less than 95% of active contracts are for long-term leases (i.e., duration of at least one year), with a further 5% classified as shared spaces. Less than 0.5% are registered as short-term leases. Due to renewals and multi-year contracts, the duration of currently active leases has been extended.

A total of 21,529 contracts were renewed during 2022. More than 90% of these were automatically renewed. Almost all of these contracts were renewed for a period of one year. Renewals contribute to rent stability - 95% of renewed contracts in 2022 kept the same price.

Since the establishment of the rent register, 9,500 multi-year contracts have been registered with the Housing Authority - 7,061 were still active by 31 December 2022. The median duration of currently active multi-year contracts is 3 years. However, there is considerable heterogeneity in the duration of multi-year contracts, especially those entered into force prior to 2020, which tend to have longer durations.

St Paul's Bay remains the most popular locality, with around 7,300 active leases in 2022, followed by Sliema, Msida, Gzira and St Julian's. The Northern Harbour remains the most concentrated region with 44% of active leases, followed by the Northern region with 25%. Gozo accounts for 7% of active leases. Thirteen localities, all in Malta, were hosts to more than 1,000 active contracts by the end of 2022.

The property characteristics of rental properties have remained very stable over time. 80% of rental contracts are for apartments. In terms of size,

most of the contracts registered are for two-bedroom (41%) and three-bedroom (33%) properties.

Around 27% of new contracts (excluding shared spaces) signed between July and December 2022 have a monthly rent between €700 and €899. 29% of the most recent rents exceed €1,000 per month while around 14% have a monthly rent of €500 or less. For shared spaces, 60% of active leases in 2022 have a monthly rent between €100 and €299.

Rents have now surpassed the pre-COVID levels. The growth rate in rents has been gradually increasing since mid-2021 and, by 2022Q4, stood around 3%-9% higher than in 2020Q1. On average, rents have increased by 6.6% in 2022H2 compared to 2021H2.

The report identifies two issues that merit further investigation: the low share of contracts for shared spaces and the relatively large share of contracts, including recently signed ones, with rents below €500 for long-term leases. These might be attributable to the restrictive regulatory conditions for shared space contracts. Such issues should be addressed to ensure that the sector remains responsive to the needs of its users so that the information from the register continues to accurately reflect market realities.

- **47,879 Active registered contracts**
- **95% of active contracts are for long-term leases**
- **21,529 Renewed contracts in 2022**
- **13 localities with more than 1,000 active contracts**

# OBJECTIVE AND VALUE ADDED OF THIS REPORT

This report aims to provide a holistic assessment of the private rental market in Malta based on registered contracts with the Housing Authority. By focusing on registered contracts, this study is intended to complement recent publications on this sector that are predominantly based on advertised listings. While advertised rents provide valuable and useful information, an analysis based on registered contracts is deemed to be superior for at least three reasons.

The first refers to sample selection bias, which could result in the sample not being representative of the population of interest. In this case, the problem occurs because only properties listed with real estate agents are included in the analysis. While estate agents are key players in the rental market, sole reliance on their data can only provide a partial picture of the market because it excludes those properties that are not advertised with these agents, such as those listed by landlords directly on social media.

Second, only an analysis based on registered contracts can fully account for the complexities of the market, including, for instance, lease renewals. Renewals reduce the information asymmetry – the fact that one party in a transaction has different information than the other – prevalent in most new contracts. The numbers for contract renewals are substantial: in 2022, the Housing Authority received more than 21,500 renewals, with most of these contracts keeping the same rent. Hence, the established landlord-tenant relationship can lead to lower risks for the landlord that is generally not prevalent at the start of a new contract, such as those observed in advertised listings.

Third, adverts only provide information on asking prices. A negotiation process usually follows between prospective tenants and landlords with the result that the actual contracted price can

differ from that advertised. Hence, while advertised listings take place prior to this negotiation process, the registered dataset contains information on the rents after this negotiation takes place.

This report is concerned not just with providing an update on the latest developments in registered rents but it also aims to provide additional information on the private rental market, including on the size of the sector, the prevalence of renewals and multi-year leases, changes in tenancy duration, the characteristics of rental properties and the spatial distribution of contracts across the country. In doing so, it contributes to enhance the transparency on the rental market in Malta.

Finally, by analyzing the trends in this sector, the report should help to identify any irregularities or remaining gaps, including regulatory ones, that must be addressed to ensure that the sector remains responsive to the needs of its users and that the information from the register continues to accurately reflect market realities.



A holistic assessment of the private rental market in Malta based on registered contracts

Properties not listed with agents included



Complexities of the market included



Study based on actual contract prices

# ACTIVE CONTRACTS

The number of active rental contracts has gradually increased since the introduction of the register in 2020. A total of 47,879 contracts were active at the end of 2022<sup>1</sup>. This represents an increase of 24% compared to the situation prevailing at the end of 2021.

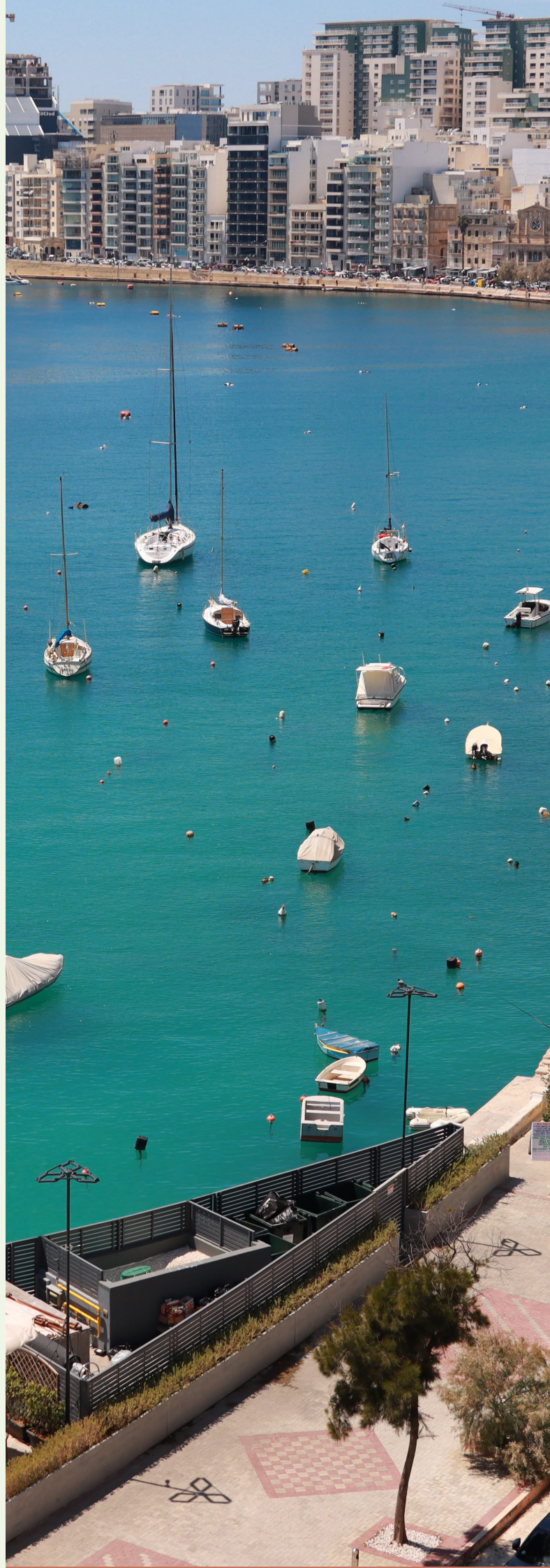
Figure 2 plots the commencement month of the contracts that were still active at the end of 2022. Around 54% of these contracts, amounting to around 26,000, commenced in 2022. A further 25% and 18% of contracts started at some point during 2021 and 2020, respectively. The remaining 2%, which amounts to 1,172 contracts, started before 2020 but after 1 June 1995.

Slightly less than 95% of active contracts were for long-term leases (i.e., with a duration of at least one year) with a further 5% classified as shared spaces. The share of short-term leases declined to below 0.5% of active contract at the end of 2022. Compared to a year earlier, the share of shared spaces has increased marginally although, overall, the pattern of contract types has remained broadly stable. Since the establishment of the register, the share of shared space contracts has remained quite low, especially given the anecdotal evidence of widespread co-sharing arrangements by foreign workers.<sup>2</sup>

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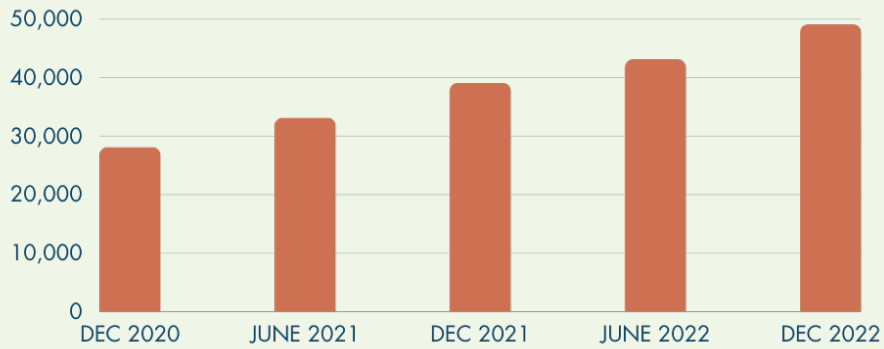
<sup>1</sup> The cut-off date is 31 December 2022. This calculation is based on the commencement date of the contract instead of the registration date. While the two dates provide broadly comparable estimates, some differences are noticeable. This is best illustrated by means of an example. A contract that commenced on 30 December 2022 but gets registered with the Housing Authority a week later will be counted as active by its commencement date but not by its registration date. Contrarily, a contract registered with the Housing Authority on 1 December 2022 that will enter into effect on 1 February 2023 will be counted as active by its registration date but not by its commencement date.

<sup>2</sup> A contract for shared spaces has a duration of 6 months and cannot be renewed.

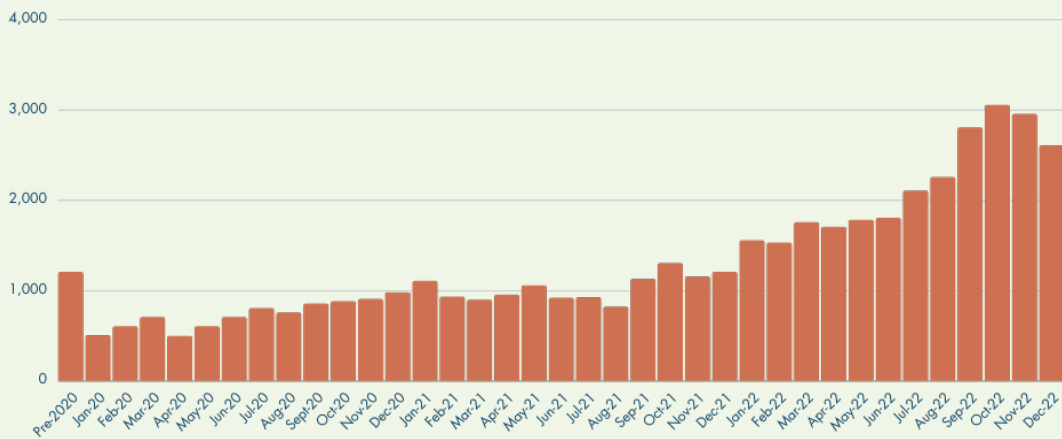




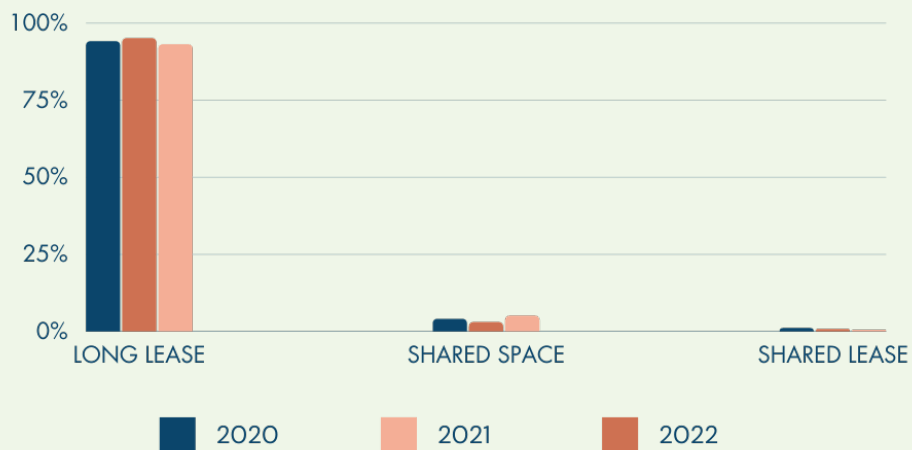
**FIGURE 1: TOTAL NUMBER OF ACTIVE CONTRACTS**



**FIGURE 2: COMMENCEMENT MONTH OF ACTIVE CONTRACTS AS AT END-2022**



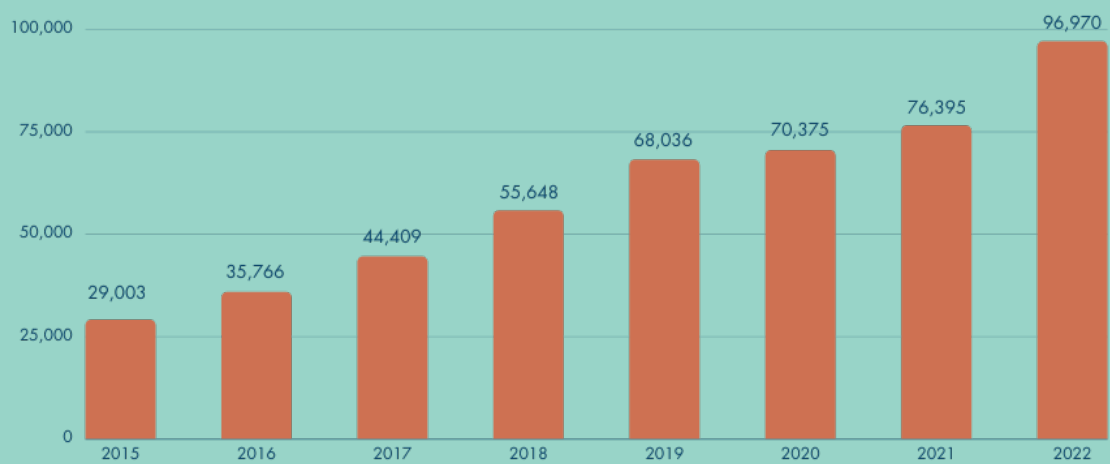
**FIGURE 3: CONTRACT TYPE**



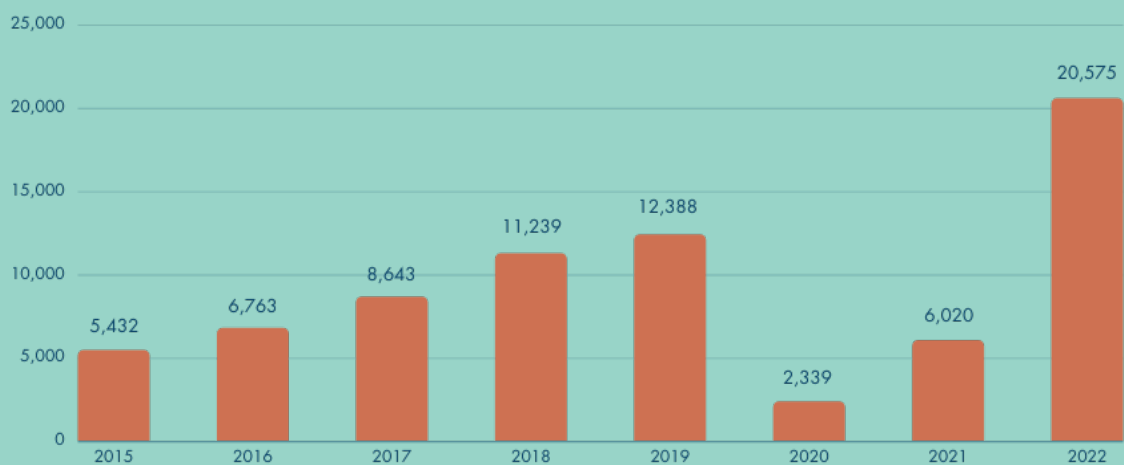
## Box 1: Foreign workers and the changing profile of demand for rental housing

Recently published statistics by Jobsplus show that the Maltese economy added 20,575 foreign workers in 2022 compared to a year earlier. At the end of 2022, there were 96,970 foreign workers registered with Jobsplus, an increase of almost 27% compared to the situation prevailing at the end of 2021 (see figure A). Furthermore, the absolute increase in foreign workers registered in 2022 is much larger than the increases recorded in the pre-COVID period (see figure B).

**FIGURE A: NUMBER OF FOREIGN WORKERS IN MALTA (2015-2022)**



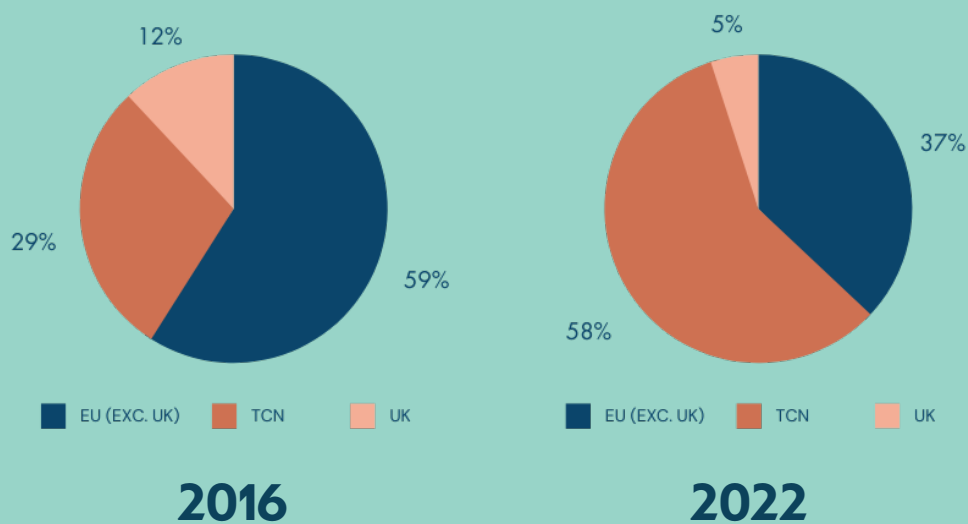
**FIGURE B: ANNUAL INCREASES IN THE NUMBER OF FOREIGN WORKERS**



This sharp inflow of foreign workers is leading to increased demand for rental accommodation and upward pressures on rents. The analysis in this publication shows that registered rents increased by 6% - 9% in the second half of 2022 compared to the same period a year earlier. Similar trends are observed with advertised listings collected by the Central Bank of Malta.

The composition of foreign workers is also changing. In 2016, 71% of these workers were EU nationals and only 29% were TCNs. In 2022, the share of TCNs rose to 63%. Even when excluding the UK, the share of TCNs rose from 29% in 2016 to 58% in 2022 (see figure C). In 2022, the most common TCN nationalities were from the Asian continent: India (11,010), the Philippines (8,257) and Nepal (6,695). From Eastern Europe, the two largest TCN populations are from Serbia (4,057) and Albania (3,239). The Indian migrant population in Malta is now more or less the same as the Italian migrant population, which traditionally has always been the largest given its proximity to Malta.

**FIGURE C: CHANGING COMPOSITION OF FOREIGN WORKERS**



The increase in the share of TCNs implies that sharing arrangements are also changing. While co-sharing has always been common with the foreign workers, anecdotal evidence indicates that overcrowding is more prevalent with TCNs, especially those from African and Asian ethnicities. Part of this can be due to discrimination, which results in lower access to housing and segregation. However, this is also due to different preferences for work and leisure. Some of these workers have a higher prevalence to save in order to send remittances to their families back home, which means that they are willing to stay in relatively overcrowded accommodation to minimize their housing costs.

Going forward, more emphasis needs to be placed on maintaining minimum standards in rental accommodation. The Housing Authority and the Ministry for Social and Affordable Housing are currently holding discussions to update the regulations in the Private Residential Leases Act to ensure that these continue to reflect the evolving market needs and realities.

# RENEWED 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.

A total of 21,529 renewals were received by the Housing Authority in 2022 – the majority of these, almost 90%, were automatically renewed. Around 98% of these contracts were renewed for a period of one year. In 2021, renewals amounted to 14,360.

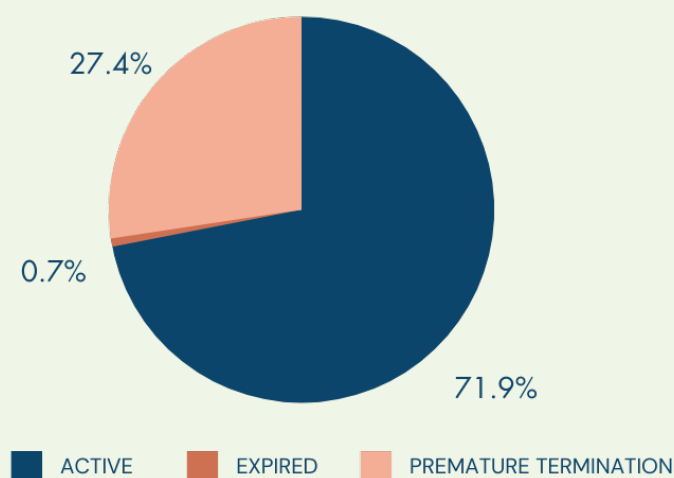
Figure 4 shows that 15,485 of the contracts renewed during 2022 were still active at the end of the year. Of the remaining, 5,897 (27%) were terminated before the expiry of the renewed contract, while 147 had expired in line with the terms of the contract. The share of premature terminations out of the renewed contracts has almost halved in 2022 compared to the situation in 2021.

Starting from 2022, we now have information on rental contracts that have been renewed more than once. For instance, an original one-year contract that started in 2020 could have been renewed for another year in 2021 and, again, extended for another year in 2022. Indeed, 36% of the 21,529 renewals in 2022 have been renewed more than once.

This means that slightly more than a third of the renewals in 2022 were multiple roll-overs because it was mutually beneficial to both parties as a result of the established relationship between the landlord and the tenant.

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<sup>3</sup>. Indeed, around 95% of renewals in 2022 were renewed with the same rent. Around 4% of renewals were renewed with a higher price, with the median rise being 5%.

**FIGURE 4: RENEWED CONTRACTS IN 2022**



<sup>3</sup> Micallef, B. and Gauci, T. (2022). A comparison between registered rents and advertised rents in Malta. Central Bank of Malta Research Bulletin 2022, pp. 14-21.

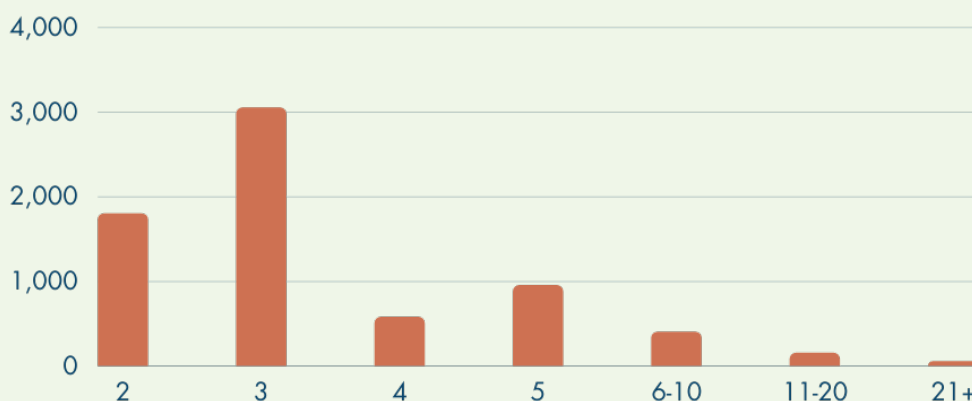
# MULTI-YEAR CONTRACTS

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 9,570 multi-year contracts have been registered with the Housing Authority – 7,061 were still active by 31 December 2022.

Most of these contracts started post-2020. The number of multi-year contracts that started in 2022 and were still active by 31 December 2022 amounted to 1,248. This was significantly lower compared to a year earlier, when slightly more than 4,100 multi-year contracts were registered, 75% of which were still active at the end of 2022. Around 11% of active multi-year contracts started before 2020. While most of the latter contracts started between 2017 and 2019, a handful of contracts commenced in the second half of the 1990s and early 2000s. The median duration of the currently active multi-year contracts stands at 3 years, while the average duration amounts to 3.7 years.

The median duration for multi-year contracts that started in 2022 stood at 2 years. The duration is defined as the difference between the contract termination and commencement dates. Figure 5 shows that there is considerable heterogeneity in the duration of multi-year contracts. Indeed, while the majority of these contracts have a duration of two or three years, slightly more than 500 contracts are between 5 and 20 years, while around 35 contracts have a duration exceeding 21 years. Most of the latter contracts have been in place prior to the introduction of the reform in 2020. Multi-year contracts entered before 2020 also tend to have a significantly longer duration than those signed after 2020 – those in the former category have an average and median duration of 8.1 years and 5 years, respectively.

**FIGURE 5: DURATION IN YEARS OF ACTIVE MULTI-YEAR CONTRACTS**

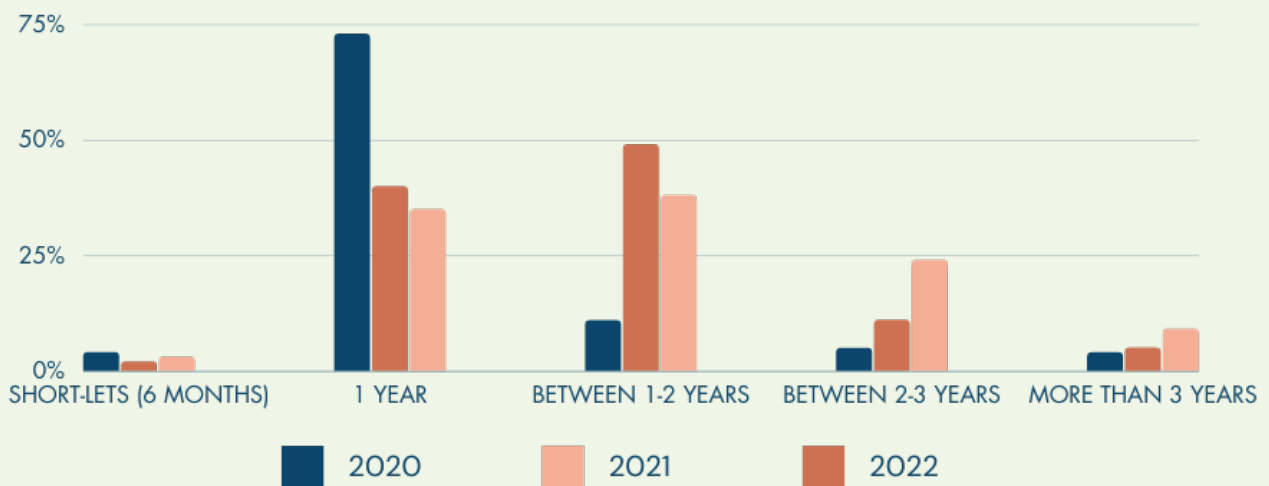


# TENANCY DURATION

Tenancy duration has gradually increased since the establishment of the register in 2020 as a result of contract renewals and multi-year contracts (see Figure 6). Tenancy duration is computed as the difference between the stipulated termination date of the lease and its commencement date. For instance, tenancy of one year has declined from 74% in 2020 to 35% at the end of 2022. The share of tenancies with a duration of 1-2 years and 2-3 years stood at 28% and 24%, respectively, in 2022.

Similarly, tenancies with a duration longer than three years have also increased, standing at 9% of active leases in 2022, up from 6% in 2021. The latter category includes contracts with widely different durations, including multi-year contracts with very long durations that span more than a decade. The remaining 4% of leases are short-term contracts of six months, which include both short-term leases and the shared spaces.

**FIGURE 6: TENANCY DURATION BY YEAR**

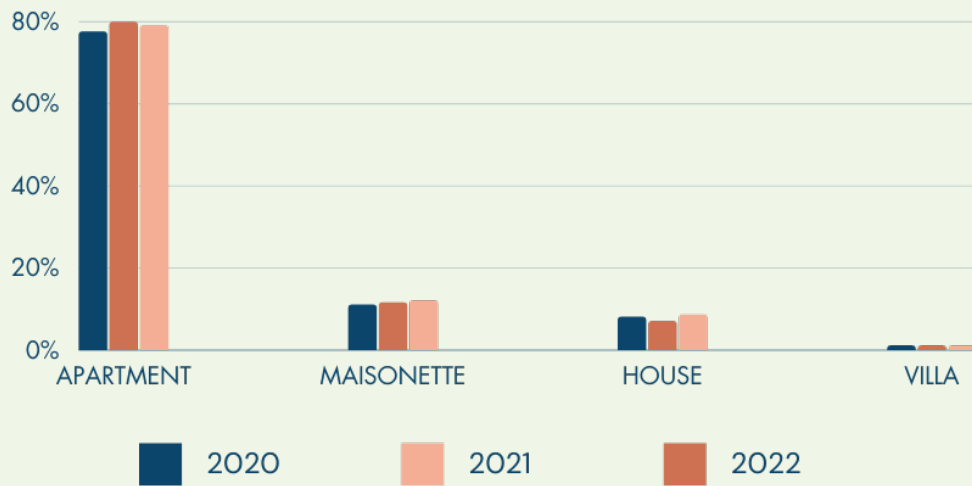


# TYPE AND SIZE OF RENTAL PROPERTIES

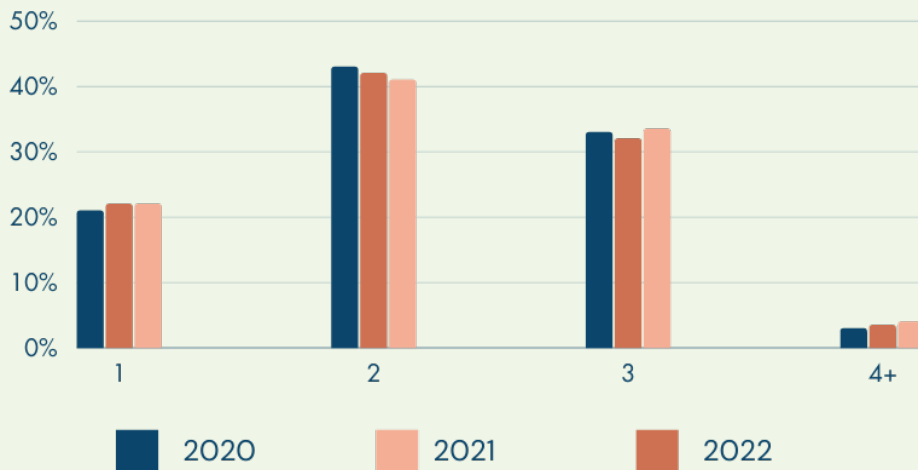
The distribution of contracts by property type and size has remained very similar over the past three years. In 2022, 80% of active rental contracts consisted of apartments, followed by maisonettes (12%) and houses (8%), while the share of villas stood at less than 1% (see Figure 7).

In terms of size, most of the contracts registered are for two-bedroom (41%) and three-bedroom (33%) properties, respectively. The share of one-bedroom properties stood at 21%, with the remaining 4% of contracts comprising larger properties with four or more bedrooms (see Figure 8).

**FIGURE 7: ACTIVE RENTAL CONTRACTS BY PROPERTY TYPE**



**FIGURE 8: ACTIVE RENTAL CONTRACTS BY NUMBER OF BEDROOMS**



# SPATIAL DISTRIBUTION ACROSS THE MALTESE ISLANDS

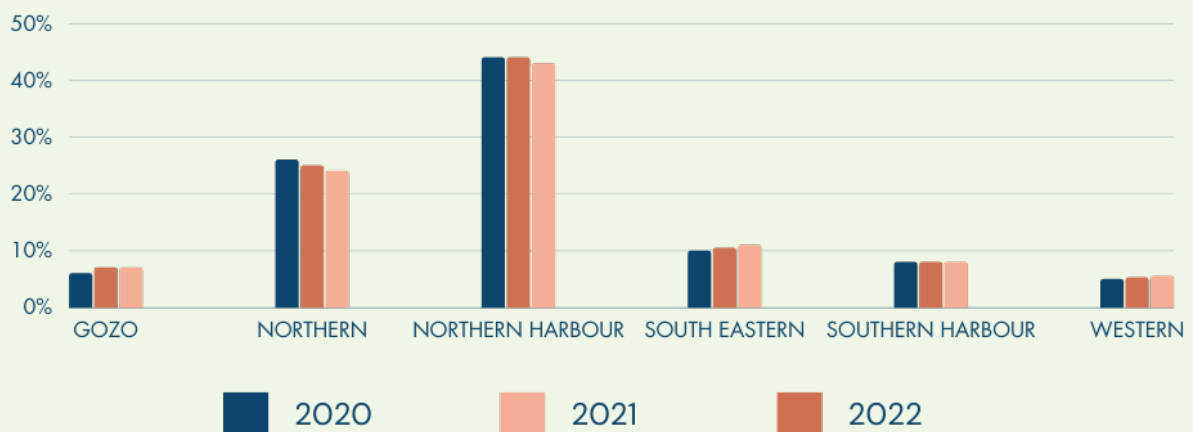
The distribution of rental contracts by region or locality remained very similar to that prevailing since 2020. Around 93% of all active rental contracts registered with the Housing Authority are in Malta, with the remaining 7% situated in Gozo. In terms of their spatial distribution by region, rental contracts remain highly concentrated in the Northern Harbour region, which accounts for 44% of all contracts in the island, followed by the Northern region, with 25% of leases (see Figure 9). The lowest concentration of rents is found in the Western region, with only 5% of contracts.

In terms of localities in Malta, St. Paul's Bay retains the top spot, with almost 7,300 contracts that amounts to 16% of all residential contracts registered with the Housing Authority at the end of 2022. This is followed by four localities in the Northern Harbour region, namely Sliema (3,963), Msida (3,096), Gzira (2,784) and St. Julians (2,445).

These four localities together account for 26% of all contracts in the country. Other popular rental localities in Malta include Marsascala, Birkirkara, Swieqi, Mellieha, San Gwann, Mosta, Naxxar and Birzebbugia, all of which are host to more than 1,000 rental contracts. On the contrary, the least popular localities in Malta for renting continue to be Santa Lucija and Mdina, with less than twenty contracts registered in each of these localities.

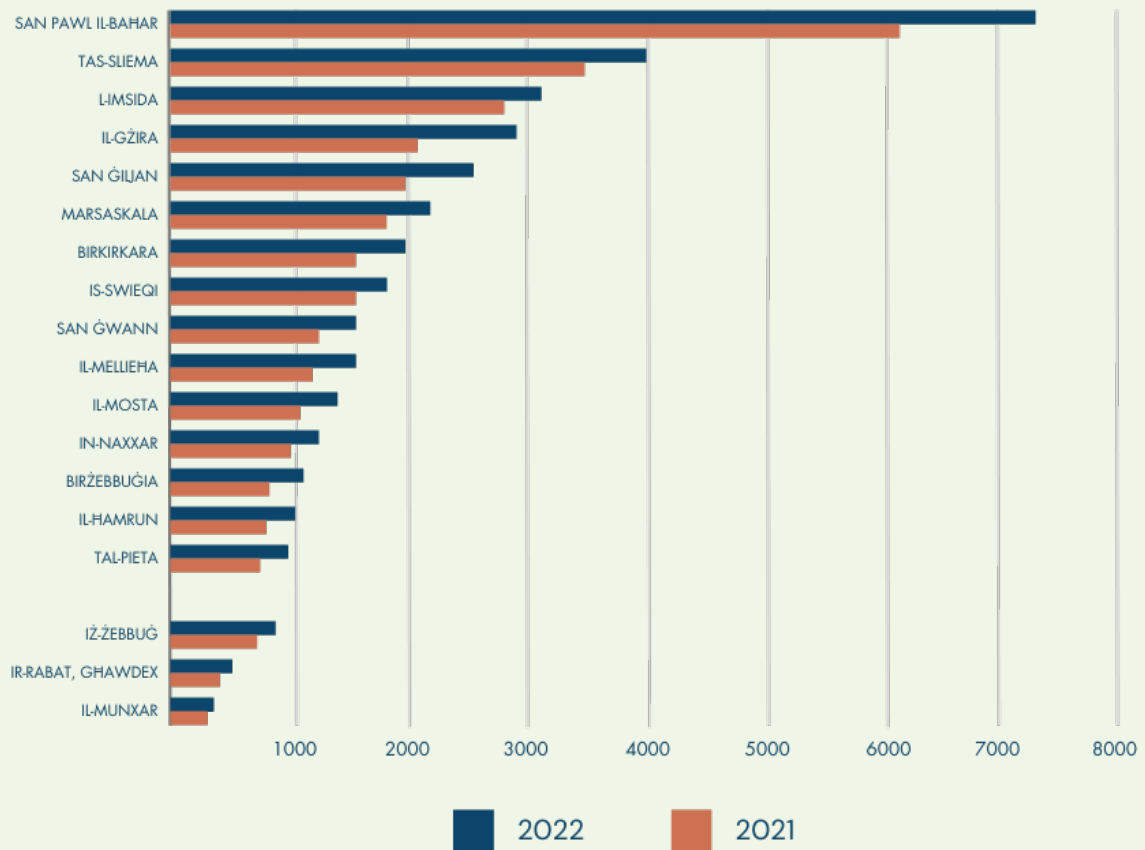
In Gozo, the three localities with the most active contracts are Zebbug (which includes Marsalforn), Victoria and Munxar. Together, these three localities account for almost half of the active rental contracts in Gozo.

**FIGURE 9: ACTIVE RENTAL CONTRACTS BY REGION**

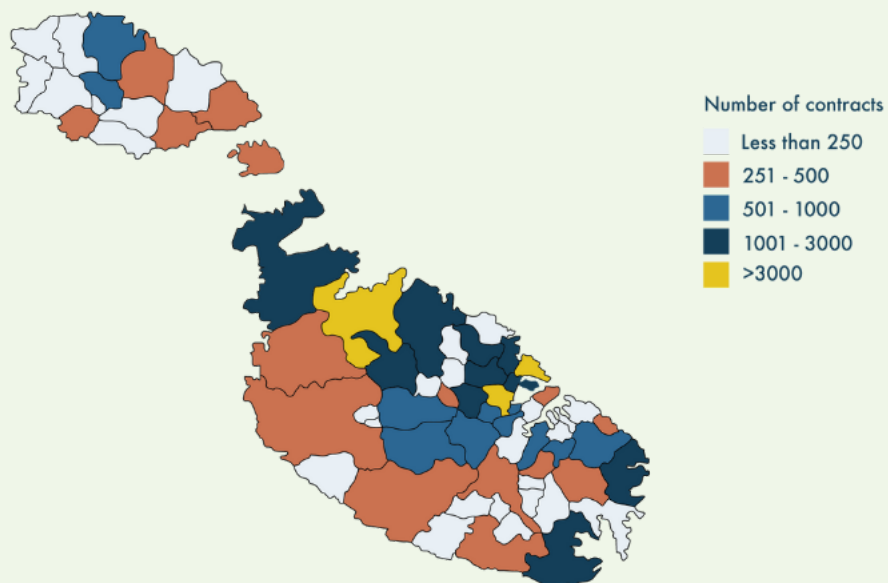




**FIGURE 10: ACTIVE CONTRACTS BY MAIN LOCALITIES IN MALTA & GOZO**



**FIGURE 11: SPATIAL DISTRIBUTION OF ACTIVE RENTAL CONTRACT IN MALTA**

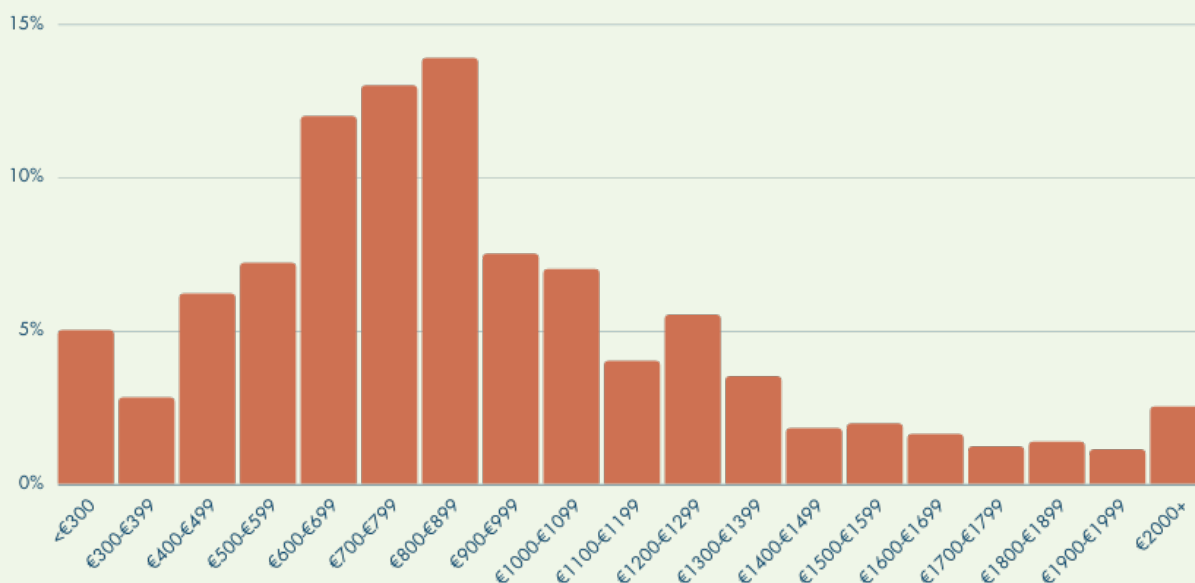


# RENT DISTRIBUTION

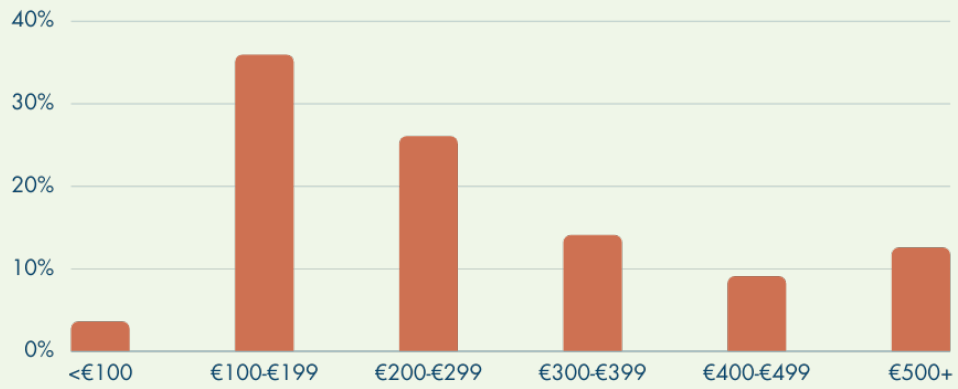
Figure 12 plots the distribution of monthly rents in euro for active long and short-term contracts but excluding leases for shared spaces. To focus on the most recent contracts, the chart only shows those contracts that started in the second half of the year (i.e., July-December 2022). Around 27% of these contracts have a monthly rent between €700 and €899, while the share of contracts exceeding €1,000 per month stood at 29%. Around 3% of active contracts have a monthly rent exceeding €2,000, with these contracts being predominantly concentrated in Sliema, St Julians and Swieqi. At the other end of the distribution, 14% of contracts have a monthly rent below €500. The registered rents for the latter contracts seem to be quite low compared to the prevailing market rates for long-term leases, especially vis-à-vis the advertised listings by estate agents, and are more in line with rents charged for shared spaces.

Figure 13 plots the distribution of monthly rents for shared spaces. As discussed above, the latter only account for 5% of the active contracts registered with the Housing Authority. Around 60% of these contracts have a monthly rent between €100 and €299; 88% of all contracts for shared spaces are below €500. The most common localities for registered shared leases are St Paul's Bay, Birkirkara, Msida, Hamrun and Qormi. On the contrary, shared leases are the least common in Gozo.

**FIGURE 12: DISTRIBUTION OF MONTHLY RENTS FOR CONTRACTS (EXCL. SHARE SPACES) STARTING BETWEEN JUL-DEC 2022**



**FIGURE 13: DISTRIBUTION OF MONTHLY RENTS FOR SHARED SPACES**



# RENT INDEX

The availability of granular information on registered rents allows for an analysis of the evolution of rents over time. This section applies the hedonic regression model developed in Micallef (2022) to update the index that accounts for differences in the housing characteristics of rented properties<sup>4</sup>. The model is estimated on quarterly data over the period 2020Q1-2022Q4 and controls for several characteristics including property type and size, its location, and the type of contract.

Figure 14 plots alternative rent indices using the time dummy variable methodology. The models are estimates using two different definitions of location (by region or by locality) and, in both cases, by including or excluding renewed contracts. The indices are set at 100 in 2020Q1, which is the first quarter in the sample but also, conveniently, captures the level prevailing before the onset of the COVID-19 pandemic. The chart shows that, irrespective of the definition used, the rent indices at the end of 2022 have exceeded the pre-pandemic levels of 2020Q1. According to these estimates, in 2022Q4, rents were 3%-9% higher than the level prevailing in 2020Q1.

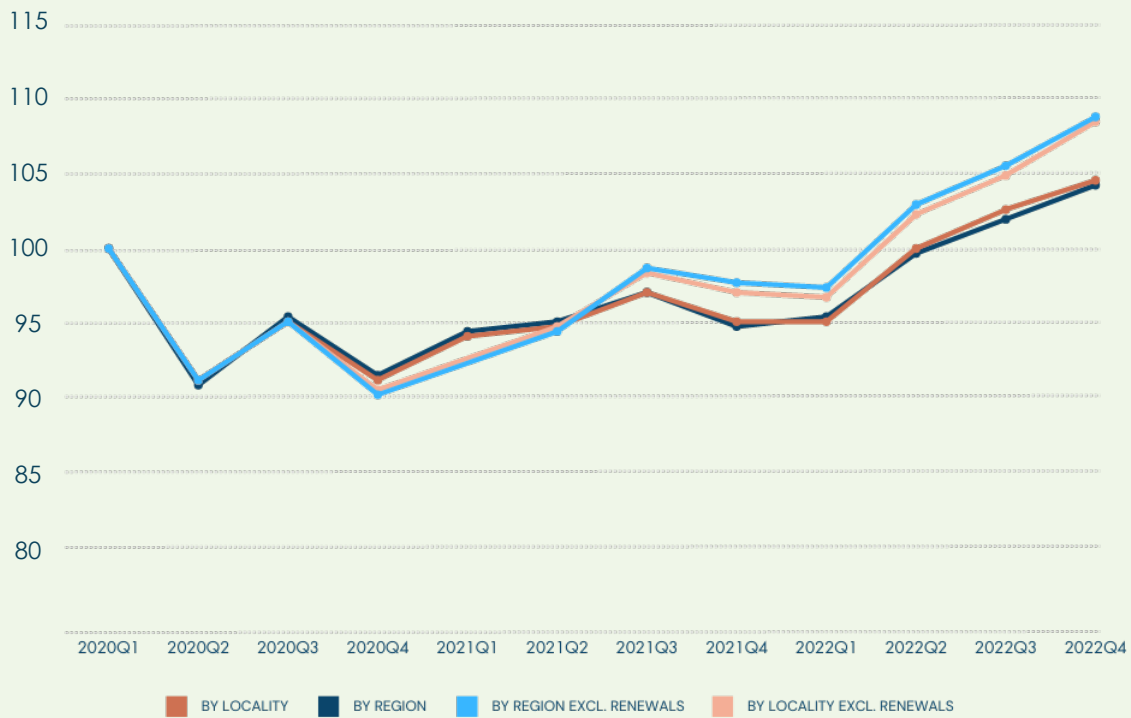
On average, rents have increased by 6.6% in 2022H2 compared to 2021H2. The growth rate is more pronounced, at 8.8% in 2022H2, if renewed contracts are excluded. The latter result is explained by the fact that most renewals retain the same rent and thus, their hypothetical exclusion results in an upward pressure on rents. This exercise illustrates the importance of renewals in maintaining more stable prices since the existing landlord-tenant relationship lowers the information asymmetry that is prevalent in new contracts.

Finally, Table 1 applies the hedonic model to estimate the monthly rent for an apartment in 2022Q4 with a long-term lease by region and key localities in Malta and Gozo. The estimates are based on the specification that excludes renewed contracts. The most expensive rents are found in the localities of Sliema, St. Julian's and Swieqi while, in general, rents in Gozo tend to be lower than in Malta. It is important to point out that these estimates are only indicative and based on the registered contracts with the Housing Authority. Other important features not included in the model due to data availability can have an impact on the rent. Examples include location-specific amenities, views and the quality of the finishes or the neighbourhood.

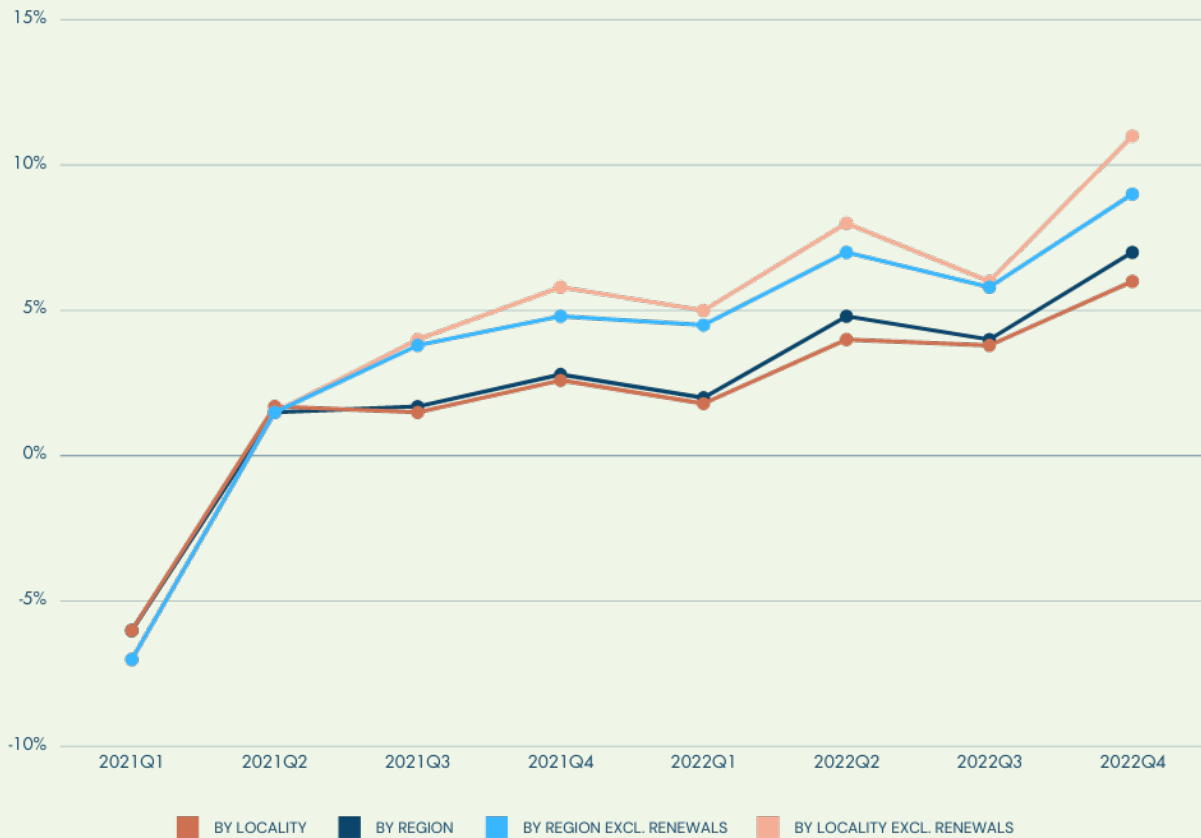
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4 Micallef, B. (2022). Hedonic indices for registered rents in Malta. In *The Annual Malta Residential Rental Study: Second Edition*, publication by the Housing Authority, pp. 29-44.

**FIGURE 14: HEDONIC RENT INDEX (2020Q1 = 100)**



**FIGURE 15: ANNUAL GROWTH RATE IN REGISTERED RENT INDICES**



**TABLE 1: HEDONIC ESTIMATES OF MONTHLY RENT FOR APARTMENTS BY REGIONS AND KEY LOCALITIES IN 2022Q4**

	2 bedroom	3 bedroom
	€	€
<b>Northern Harbour</b>	<b>899</b>	<b>1,077</b>
Tas-Sliema*	1,218	1,439
L-Imbida*	792	936
Il-Gżira*	823	972
San Ġiljan*	1,141	1,348
Birkirkara*	749	884
Is-Swieqi*	1,097	1,296
San Ġwann*	803	948
<b>Northern</b>	<b>696</b>	<b>834</b>
San Pawl il-Baħar*	659	779
Mellieħa*	729	862
Il-Mosta*	755	892
In-Naxxar*	904	1,068
<b>Southern Harbour</b>	<b>640</b>	<b>767</b>
Il-Fgura**	554	654
Haż Żabbar**	646	763
Paola**	581	686

	2 bedroom	3 bedroom
	€	€
<b>South Eastern</b>	<b>666</b>	<b>798</b>
Marsaskala*	716	846
Birzebbuga*	597	706
Iż-Żurrieq***	666	787
<b>Western</b>	<b>747</b>	<b>895</b>
Haż Żebbuġ***	702	830
H'Attard**	795	939
Ir-Rabat***	668	789
<b>Gozo</b>	<b>562</b>	<b>674</b>
Iż-Żebbuġ**	537	634
Ir-Rabat, Għawdex**	579	684
Il-Munxar***	495	585

- \* More than 1,000 active contracts
- \*\* Between 500 and 1,000 active contracts
- \*\*\* Between 300 and 500 contracts

# CONCLUSION AND WAY FORWARD

This report provided a holistic assessment of the private rental market in Malta based on registered contracts with the Housing Authority. In addition to the most recent developments in rents, it offered additional information on this sector, including on the number of active contracts, renewals and multi-year leases, changes in tenancy duration, property characteristics and the spatial distribution of contracts. Hopefully, this information contributes to increase the transparency on the rental market in Malta.

In addition, the report sought to identify any irregularities or remaining gaps, including regulatory ones. Two issues that require further investigation stand out.

The first one is that the share of shared space contracts has remained quite low. This is puzzling given the anecdotal evidence of widespread co-sharing arrangements by foreign workers that rely on this sector for accommodation. A possible explanation could be that the current regulation for shared spaces in the Private Residential Leases Act – defined as a contract with a duration of 6 months that cannot be renewed – is too restrictive. Hence, some landlords may be opting to register contracts as long-lets, despite leasing shared spaces, to benefit from the more flexible regulatory conditions (i.e., minimum one year contract that can be renewed) afforded by the former.

The second refers to the relatively large share of contracts, including recently signed ones, with rents below €500 for long-term leases. The rents for these contracts are significantly lower than the prevailing market rates, especially when compared with advertised listings by estate agents, and instead tend to be more akin to the rents charged for shared spaces. Indeed, slightly less than 90% of

rents for shared spaces in 2022 were below €500. This is related to the first puzzle, with some landlords resorting to register shared spaces as long-term contracts to circumvent the restrictive conditions. Unfortunately, such practices can push the rent distribution of long-term leases artificially to the left, giving the impression of the presence of more affordable rents than is indeed the case.

Going forward, these gaps should be addressed to ensure that the sector is more responsive to the needs of its users and that the information from the register accurately reflects the market realities.





## About the authors

**Brian Micallef** is the Executive Head of the Policy unit at the Housing Authority and an economist by profession. Before joining the Housing Authority in 2023, Dr Micallef was the Manager of the Economic Research Office at the Central Bank of Malta, where he also represented the Bank in the ECB's Heads of Research forum, in the Working Group on Econometric Modelling and in several research networks. He has published various papers locally and in international peer-reviewed journals. His research interests include survey methodology, migration and the housing market. He is a visiting lecturer at the Faculty of Economics, Management and Accountancy of the University of Malta. He is currently reading a PhD in Social Policy from the University of Bristol, conducting research on rental housing and migration. Dr Micallef holds a PhD in Economics from the University of Portsmouth and other degrees in economics from the University of Malta.

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