

# PROPERTY REPORT

JUNE 20



# Introduction

Djar.com is a property portal that collates tens of thousands of web-based listings on a regular basis. The portal analyses data on different property characteristics, including location and sub-location, type of dwelling, prices, total area, bedrooms and bathrooms, where available. Djar has teamed up with EY Malta to provide reporting and market insights on the local property market.

For the analysis being presented in this report, the listings have been filtered to remove spurious and duplicate property entries through a dual process of machine-learning clustering (using both data variables and images) and manual cross-checks in order to improve the robustness of results. Properties of over €1.5mIn value have also been filtered from the analysis to control for averaging distorting effects. All figures shown in this report are rounded. Any region-specific data has been categorised as per the National Statistics Office (NSO) classification by local administrative unit, as set up by Eurostat.

This report provides an overview of the property market in Malta over the period January 2017 to March 2020, including trends related to price changes, average prices, supply and other elements. The analysis of property market data has never been so important as in the current situation caused by the Covid-19 disruption. The adjacent focus box presents a summary assessment of the various ways and channels in which the pandemic and related containment measures which have been implemented, may impact various stages of the real estate life cycle.

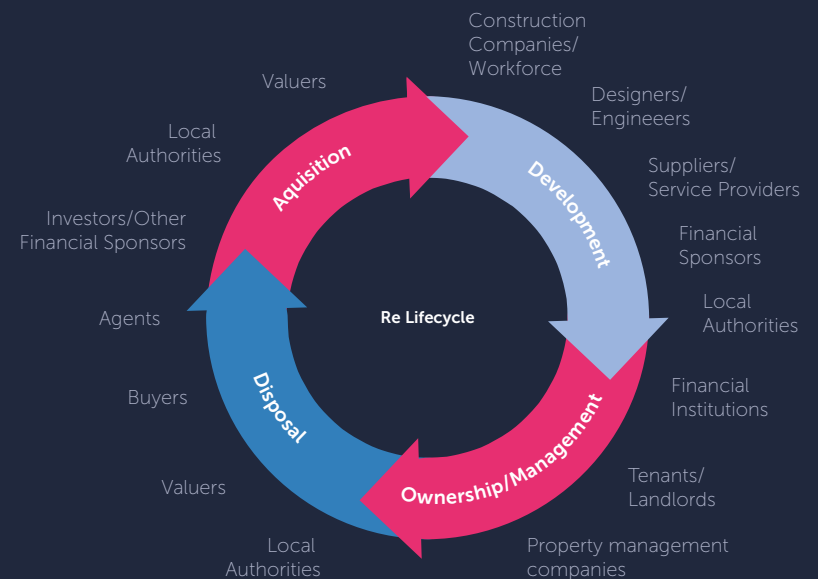
Within this current context, the property data analysis presented in the rest of this report places particular focus on any data trends exhibited in the first quarter of 2020, in comparison to historical market data and general market trends at the onset of the pandemic. As such, the impact of the pandemic on the current analysis is only marginal, if any. The impact of the pandemic, including the aftermath as the economy re-opens fully will be further analysed in the next report.

At a general level, the latest data indicates a first sign of a halt in the property price appreciation observed in previous years. More detailed data analyses are presented in the ensuing sections. Regular property market data analytics over the upcoming months will be key in obtaining a fuller evaluation of the extent of impacts on the local real estate market.

## The disruptive impacts of Covid-19 on the Real Estate lifecycle

Real Estate (RE) is a sector that involves and affects a wide spectrum of individual and business stakeholders. The diagram below presents the different stages of the RE lifecycle and some of the key stakeholders involved in each stage. The narrative that follows then mentions the major current and potential future impacts of the COVID-19 crisis on the RE lifecycle stages.

# Stakeholders





## Acquisition

### **COVID-19 impact:**

- Physical viewing of assets by buyers interrupted/hindered due to lockdowns and movement restrictions. Same applies to real estate appraisers engaged to perform asset valuations for transaction purposes
- General uncertainty surrounding COVID developments reducing investors' appetite/willingness to finalise transactions
- Securing new debt finance for transactions could be more challenging due to the COVID scenario/disruptions.
- Relevant submissions to the registry and other authorities interrupted/delayed (e.g. sales agreements)
- Face-to-face meetings/negotiations between transaction parties restricted
- Other due diligence activities also hindered by restrictions

### **Effect:**

- Postponement/delay of acquisitions, resulting in limited transaction activity

## Development

### **COVID-19 impact:**

- Disruption of supply chain relating to construction materials (logistics & actual production)
- Design process partly disrupted due to site visit restrictions
- Obtaining new financing for development purposes more challenging

### **Effect:**

- Delays in the completion of construction/handover of units under construction
- New projections in the pipeline put on hold.
- Possibility of higher construction/development costs due to delays/disruption of activities
- Necessity for cost cutting/control activities of relevant stakeholders to address reduced revenues/cash liquidity pressure

## Ownership/Management

### **COVID-19 impact:**

- Tenants face liquidity pressure, preventing them from meeting payments and other contractual obligations
- Liquidity pressure on owners, preventing them from serving financing obligations/carrying out planned/agreed capital expenditure (e.g. refurbishments)
- Property management activities disrupted

### **Effect:**

- New/existing tenants attempt to renegotiate key contractual terms (rent-free periods, lease durations, lease amounts etc.)
- Cost cutting/control activities of relevant stakeholders to address reduced revenues/liquidity pressure

## Disposal

### **COVID-19 impact:**

- Disposal efforts hindered by COVID restrictions, as presented under 'Acquisition' section (viewings, due-diligence, valuations, submissions etc.)
- Reduced demand due to COVID related uncertainty/lack of funds
- Opportunistic buyers may seek to take advantage of the crisis and transact at reduced prices
- Disposal efforts may be put on hold by some vendors in an effort to protect sales value

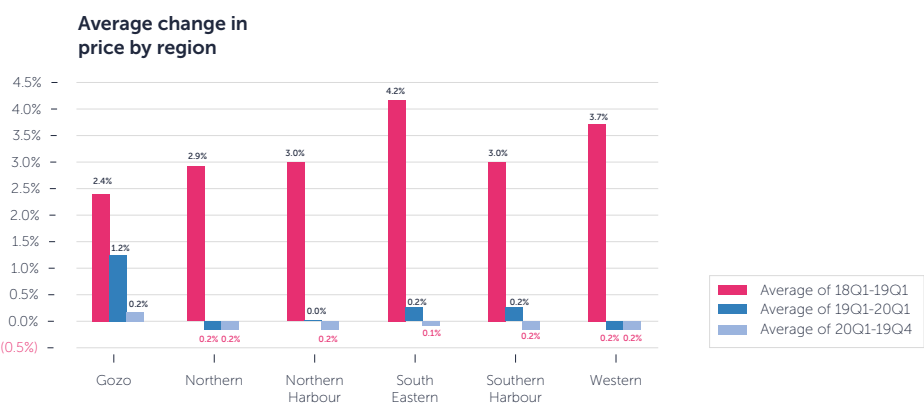
### **Effect:**

- Reduced number of transactions due to limited demand and transaction closing issues
  - Potential buyers may demand additional discounts to complete transactions. Property valuations distorted by the COVID scenario, exerting further downward pressure on prices
  - Vendors not compelled to sell likely to resist such pressures, increasing bid-ask spread and reducing transaction volumes further
  - Cost cutting/control activities of relevant stakeholders to address reduced revenues/liquidity pressure
  - Vendors/agents adapting their sales and marketing efforts to accommodate the COVID scenario
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# Price Developments

The data shows that following a substantial appreciation in property asking prices (web-based listings) experienced in 2018, the period 2019Q1 – 2020Q1 was characterised by a significant slowdown in annual price growth across all regions, except for Gozo. Whilst the South-Eastern and Southern Harbour regions<sup>1</sup> experienced a slowdown in growth, Northern, Northern Harbour and Western regions experienced an overall minor reduction in value. The data indicates that 2020Q1 represented a near standstill in property price growth, with an average price change of -0.16% being recorded over the previous quarter (ranging from +0.17% in Gozo to -0.24% in the Northern Harbour region).

Figure 1.1



Methodology note: Calculations based on average of individual price changes for those listings remaining on the market in the respective quarters under consideration (i.e. properties listed at start and end of period).

When weighting value changes by property price, the observed slowdown is further pronounced, with all regions, except Gozo, showing average price declines over 2019 and 2020Q1. This implies that, on average, higher priced properties have experienced a larger percentage price drop. Similar to the unweighted analysis, 2020Q1 contributed to most of the price growth slowdown observed over the 2019Q1-2020Q1 period.

<sup>1</sup>For the purposes of this report, the NSO regional classification is being referred to. However, the data has the required granularity to enable an analysis by locality/ ad-hoc grouping.

Weighted average change in price by region

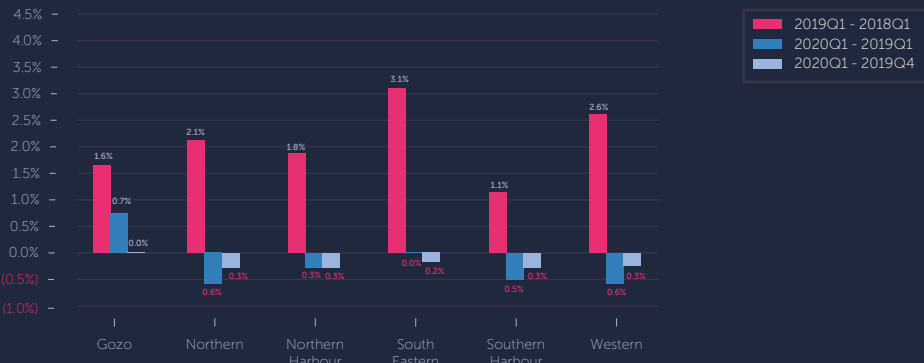


Figure 1.2

The chart below indicates an increase in the average price of listed properties on the market over the period considered. Following 2019Q1, house price growth has flattened with slightly decreasing average prices. On the other hand, average apartment prices have continued to increase, albeit at a slower rate. The significant slowdown in price growth in 2019 and 2020Q1 on an individual property level (as indicated in earlier figures) is also reflected by the flattening average property price growth in the market. Average market values are also affected by the relative difference in average prices of listings added and removed in 2020Q1 (assessed later on in this report).

The average price of apartments increased from around €240k in 2017Q1 to around €310k by 2020Q1, whereas average house prices increased from €430k to around €580k. The average property has recorded a price increase from €280k to €340k.

Average price for all typologies over the period 2017Q1-2020Q1

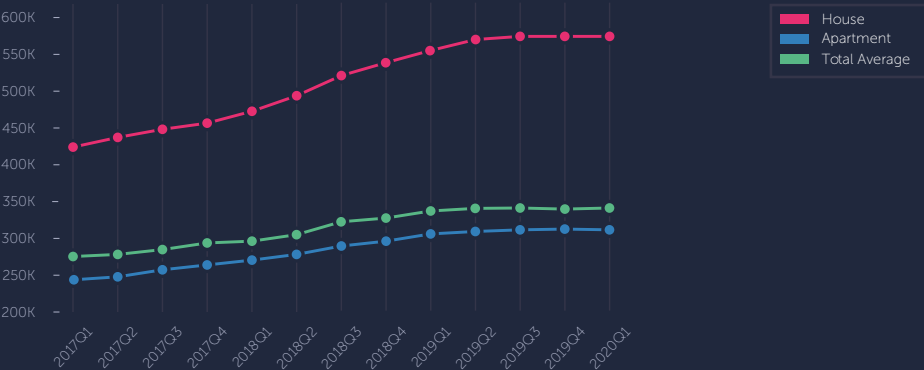


Figure 2.1



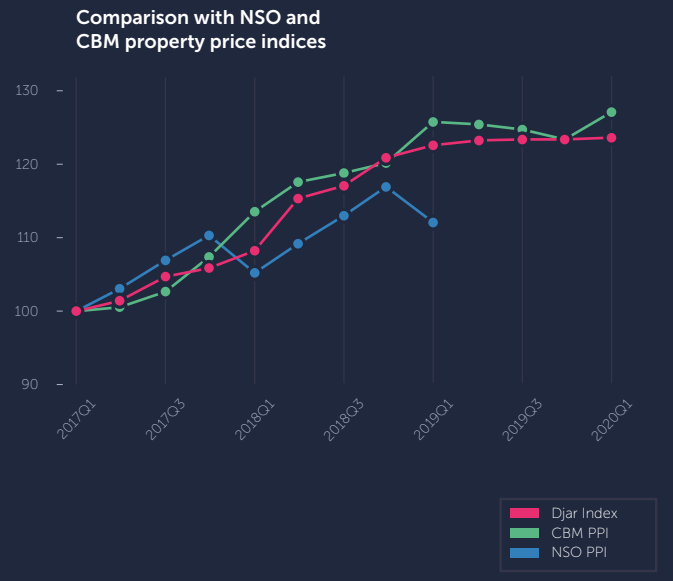
Figure 2.2



Average property price changes are more evident when looking at the below quarterly mean price index. As observed above, the total mean price index has increased due to the average price of available apartments increasing at a positive rate.



Figure 2.3



The following figure compares the overall price index produced by Djar (Djar Index), with the property price indices prepared by the NSO (based on transaction contracts) and the Central Bank of Malta (based on advertised prices at source). Over the period considered<sup>2</sup>, the Djar Index records a similar price growth profile to that recorded by the Central

Bank of Malta index, which is similarly based on asking prices. Factors that account for differences between contract-based and listing/advert-based property price indices include the tendency for boosted asking/ negotiation prices and timing effects (timing lags between property listing/ advert and transaction contract).

<sup>2</sup> As at the preparation of this report, the latest published data for the NSO property price index is for 2019Q1.



The next figures consider listings that have experienced price changes<sup>3</sup> over the periods 2019Q1 – 2020Q1 and 2019Q4 – 2020Q1. Just above half of the properties which have remained listed over the 2019Q1 – 2020Q1 period, have done so with an increase in advertised price, except for properties in Gozo which for the major part recorded increases in value. Overall, just 51% of analysed properties registered an increase in value of over the 2019Q1 – 2020Q1 period. Data for earlier periods shows that in preceding years, the majority of properties had registered an annual price increase. An analysis of 2019Q4 – 2020Q1 indicates that 2020Q1 was mainly characterised by a drop in advertised prices for those properties which remained listed, potentially due to the prevalent situation at the time. In fact, 69% of properties analysed over this period registered a decrease in overall value.

It is of note that the Gozo region is the sole region to experience overall price increases over the two considered periods, whilst the regions which experienced the most price decreases were the Western region in year-on-year analysis (56%) and the Northern Harbour region in the last quarter analysis (74%).

When considering 2020Q1 price changes, it is also prudent to consider the percentage of total properties which have experienced price changes versus those which have experienced no changes. Over the 2019Q1 – 2020Q1 period, 76% of the properties which were listed in both quarters did not experience a change in price, whereas this figure for the 2019Q4-2020Q1 period was 91%.

<sup>3</sup> That is, this analysis excludes listings which registered no price change.

Figure 3

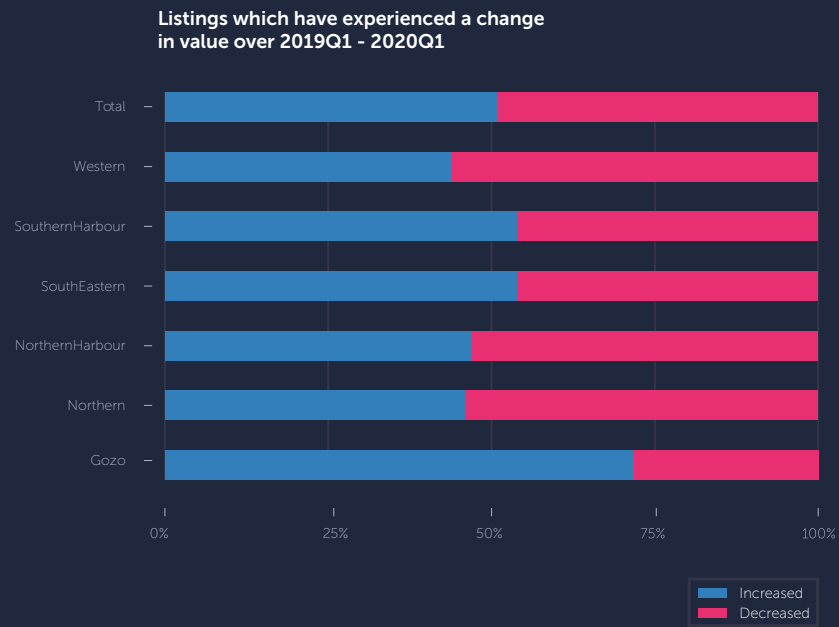
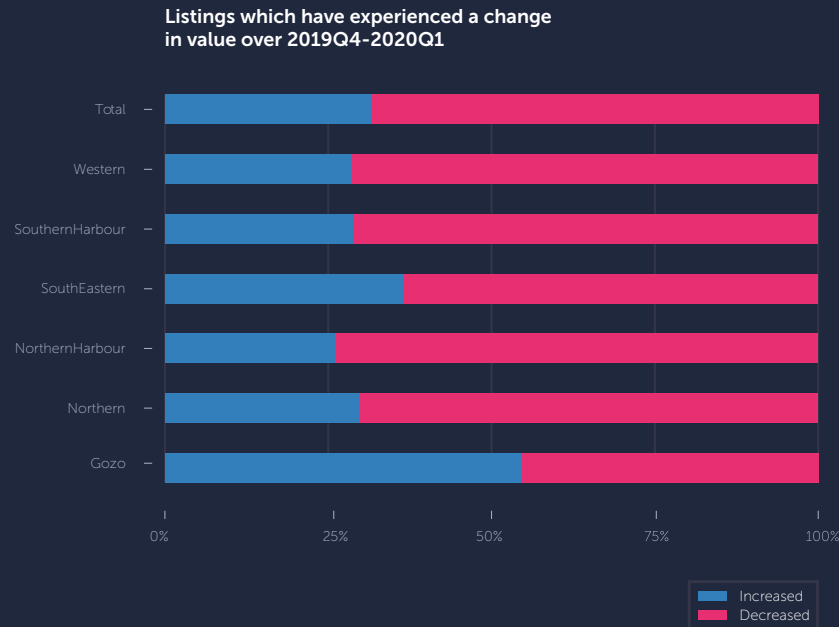


Figure 4



The price changes experienced in specific localities (Figure 5 below) were then assessed. Those localities with greater than 100 listings as at 2020Q1 were ranked according to the price change experienced. During the 2020Q1-2019Q1 period, Burmarrad experienced the greatest relative price increase, averaging 1.7%. Following Burmarrad, the largest increases were registered for Gozo (1.2%), Gudja (1.1%), Kalkara (1.0%) and Santa Venera (0.9%). The greatest property value decreases were recorded for Madliena (-3.4%), Lija (-2.2%), Valletta (-1.9%), Cospicua (-1.6%) and Rabat (-1.5%).

It has been noted that in 2019, there was more balance between locality price increases and decreases in comparison to previous years, where the majority of localities had experienced an increase in prices.

In 2020Q1, only few localities (with Gozo, here considered as a region<sup>4</sup>, leading at 0.2%), recorded an overall price increase over 2019Q4. The majority of localities experienced marginal decreases, with Madliena experiencing the greatest decrease of -1.1%, followed by Senglea (-1.0%) and Valletta (-0.8%) respectively.

Figure 5

Ranked localities (>100 listings) experiencing a change in price

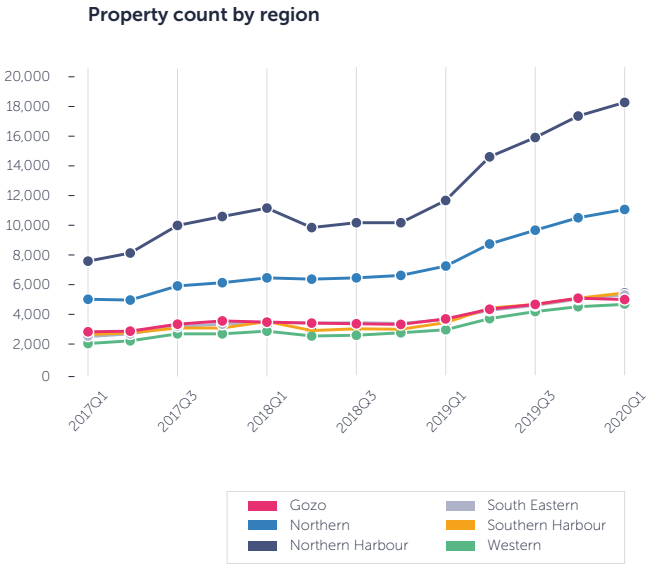
Rank	19Q1 – 20Q1 (year-on-year change; 4 quarters)		19Q4 – 20Q1 (quarter-on-quarter change)	
1	Burmarrad	1.66%	Gozo	0.17%
2	Gozo	1.24%	Gharghur	0.08%
3	Gudja	1.09%	Mgarr	0.06%
4	Kalkara	0.96%	Xghajra	0.05%
5	Santa Venera	0.85%	Ghaxaq	0.02%
51	Rabat	-1.46%	Vittoriosa	-0.55%
52	Cospicua	-1.59%	Cospicua	-0.64%
53	Valletta	-1.90%	Valletta	-0.76%
54	Lija	-2.17%	Senglea	-1.03%
55	Madliena	-3.37%	Madliena	-1.05%

<sup>4</sup>The database includes records by individual Gozitan localities. In this analysis, these have been agglomerated as a single region for sample size reasons.



# Current Market Supply

Figure 6



The Northern Harbour region has the highest supply of listed properties on the market (Figure 6), peaking at c. 17.2k in Q1 of 2020. As at the same point in time, the Western region recorded the lowest supply of listings at c. 4.5k. The below figure shows a general upward trend in the number of listed properties on the market, which has accelerated as from 2019. As noted in the earlier data analysis, this period was also characterised by a slowdown in the growth of average property prices in the market. This is also influenced by the value of added and removed listings which shall be further analysed in the upcoming figures.

Listings additions and removals were further analysed in terms of their average prices, differentiating between apartments (Figure 7) and houses (Figure 8). In line with expectations, for both apartments and house listing, the average price of removed listing is lower than those of new listings. It has also been noted that, over the last quarters, the difference in average price between new and removed listings, particularly for apartments, has generally declined. This could potentially indicate a shrinking margin between the initial advertised price and the final advertised price on the market. This could mean that prices are not initially listed at a high mark-up and therefore, there is less room for reduction in the advertised price over the property's lifetime on the market.

Figure 7

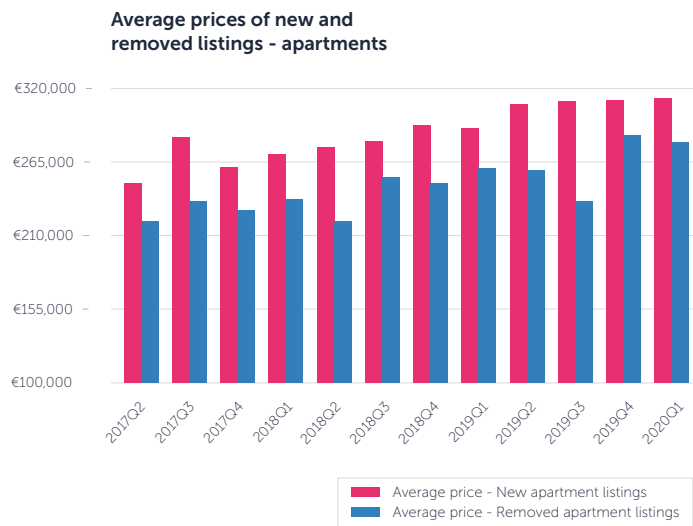
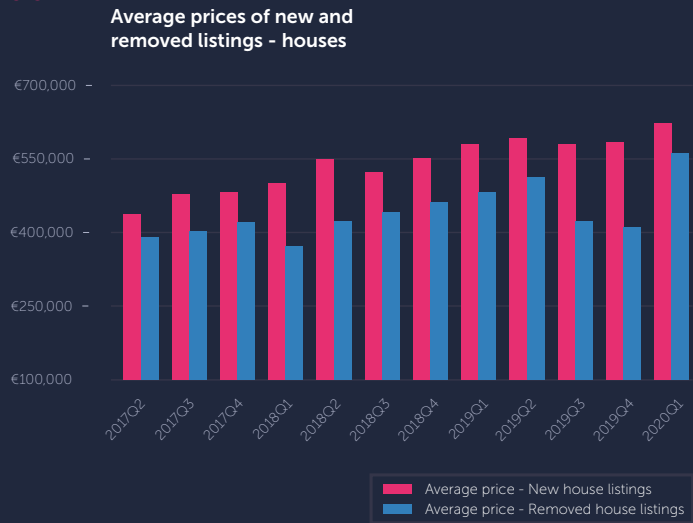


Figure 8



When analysing current market supply, the proportion of built properties versus those on-plan is also relevant to note. The below Figure 9 indicates that currently (2020Q1) 87.8% of the listed properties on the market are built with the remaining 12.2% being on-plan properties. In comparison to prior year figures, there has been a clear increase in the proportion of built properties on the market. Such increase is mainly due to previously on-plan properties now having been built/sold. Considering the prevalent conditions as at 2020Q1, it is also possible that on-plan properties might have been the first to be withdrawn by sellers given that this segment is more investment-driven.

Figure 9

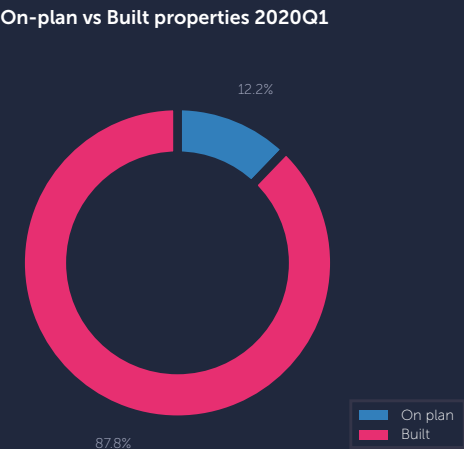
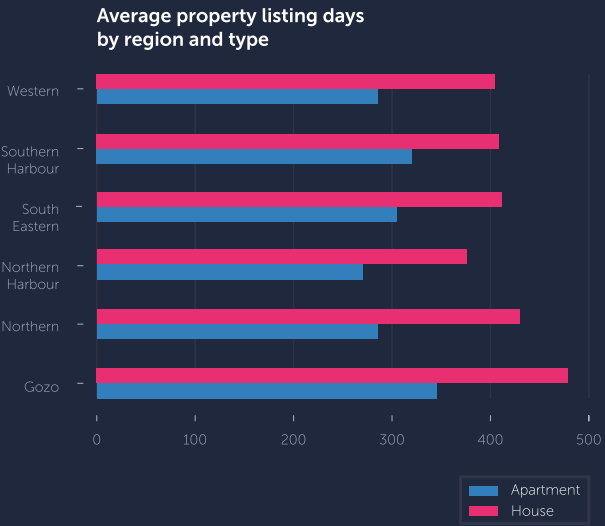






Figure 10

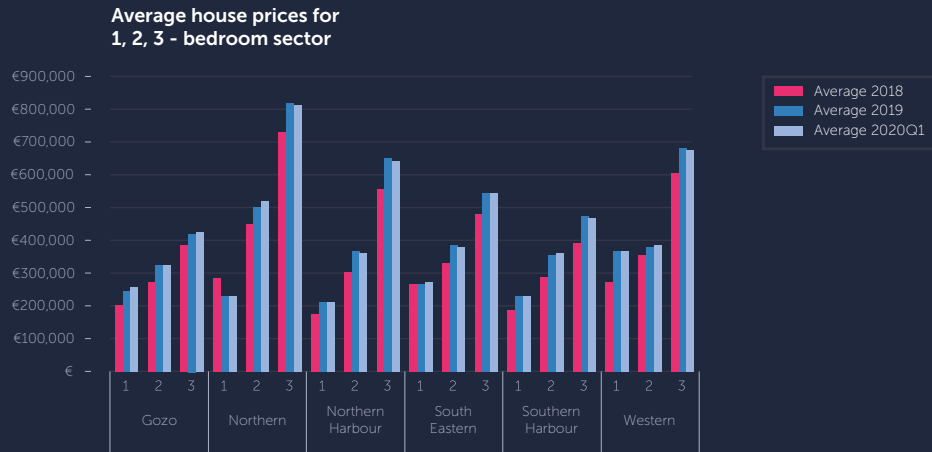


The database shows that across all regions, the average duration for which apartments are listed on the market is less than that for houses. The data indicates that properties in Gozo spend the longest time listed on the market (350 days for apartments; 480 days for houses). In the other regions, apartments spend a similar time on the market ranging from 270 days (Northern Harbour) to 320 days (Southern Harbour). There is similar regional variance in the data for houses, with listing duration ranging from 380 days (Northern Harbour) to 430 days (Northern)<sup>5</sup>.

<sup>5</sup>For this analysis, properties which have not registered price changes over 4 successive quarters have not been taken into account.

# Current Asking Prices

Figure 11

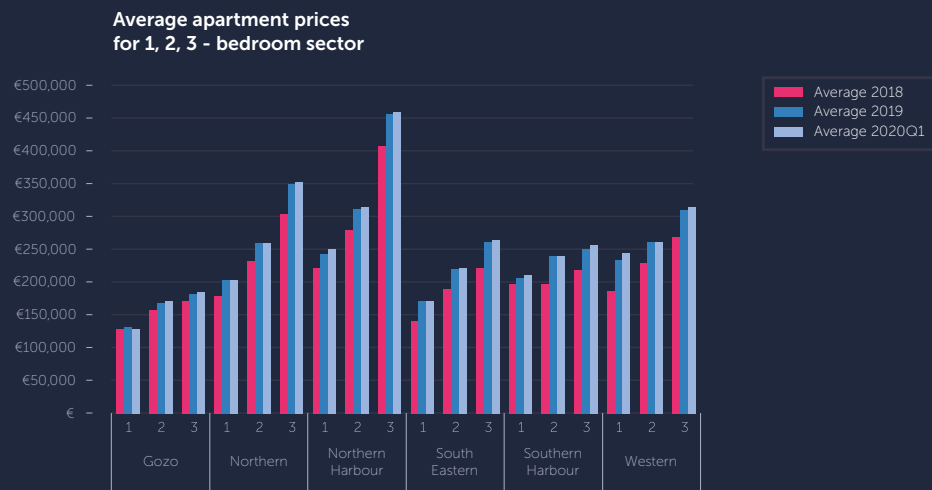


The asking prices currently available on the market (for properties with a value below €1.5mln) and over the time-span in consideration have also been analysed.

Figure 11 identifies the average house prices by the number of bedrooms. For the purposes of such analysis, houses with 1 to 3 bedrooms have been considered. As can be seen, the most expensive houses are available in the Northern region with prices in 2019 ranging from an average of c.€230k for one bedroom to an average of c.€810k for three bedrooms. On the other hand, Gozo and the Southern Harbour regions were on average the least expensive regions for houses, however, this varies depending on the number of bedrooms.

It can be noted that whilst average house prices increased in 2019, a slowdown in growth/value reduction for some property categories was noted in 2020Q1. It is important to keep in mind that the chart refers to the differences in average prices.

Figure 12



The next figure constitutes the same analysis as above, with reference to apartments ranging from one to three bedrooms. A similar average price growth pattern to the analysis for houses is observed throughout 2019 and 2020Q1. The Northern Harbour region on average registered the highest prices, with 2019 prices ranging from c. €240k for one-bedroom apartments to c.€460k for three bedrooms. Gozo appears to have been the least expensive region on average, with prices ranging from c.€130k for one bedroom to c.€180k for three bedrooms



Lastly, the current (2020Q1) price per square metre by region was analysed so as to obtain an understanding of the current asking prices on the market. The results can be observed in Figures 13 and 14 below. The Northern Harbour holds the highest price per square metre for both houses (c.€3.2k/sqm) and apartments (c.€3.0k/sqm). Conversely, Gozo properties cost the least per square metre for both houses (c.€1.9k/sqm) and apartments (c.€1.5k/sqm).

Figure 13 visually depicts the discrepancy between house and apartment prices per sqm by region. It has been noted that, in comparison to previous periods, this discrepancy has decreased in most regions, in part due to the rate of increase in average price of apartments being higher than that in houses. The lowest discrepancy has been noted in the Northern Harbour region, possibly indicating that demand for property in the region is substantial, regardless of the typology of the property. Furthermore, this region constitutes the highest supply on the property market as has been previously noted.

Figure 13

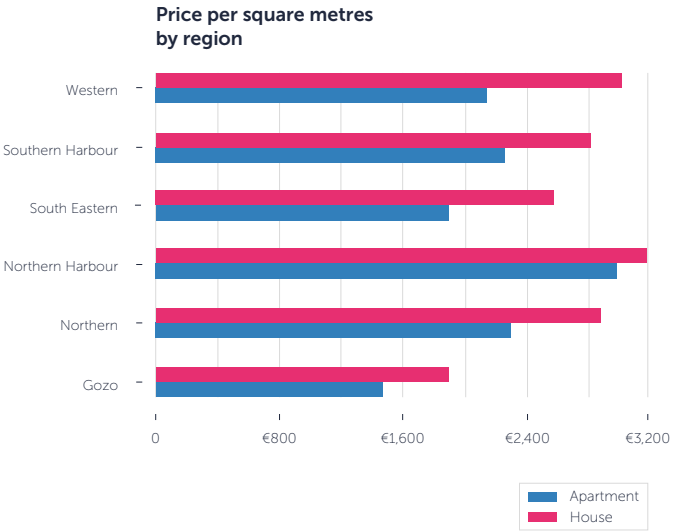


Figure 14

2020Q1 € / sqm	Apartments	Houses
Gozo	€1,475	€1,906
Northern	€2,313	€2,890
Northern Harbour	€3,006	€3,186
South Eastern	€1,909	€2,592
Southern Harbour	€2,271	€2,829
Western	€2,157	€3,029







This report provides a snapshot of the data held by the Djar platform. More detailed analysis, including more granular data into town/ locality analysis, property type, size (e.g. number of bedrooms; area), as well as monthly and quarterly price changes is available upon enquiry.

We encourage you to contact us to set up an appointment for a dedicated information session.



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