

# COVID-19 and the property market



The onset of the COVID-19 pandemic in early 2020 brought many sectors to a standstill as measures introduced to mitigate the spread of the virus severely limited consumers' spending power and options.

The construction industry was one of the sectors least affected by mitigating measures. And once some restrictions were lifted, the real estate business exploded, resulting in record numbers of promises of sale and contracts being recorded.

An update of the Construction Industry and Property Market Report carried out by KPMG found that the construction industry is still one of the main drivers of the Maltese economy with core construction activities contributing €694.12 million in gross value added.

When considering the direct and indirect impact, the Construction and Real Estate sectors contribute around 13.5% of Malta's GVA and from 2016 to 2017, direct, indirect and induced output grew by 8.9% to €2.56 billion.

Full-time employment in the sector also grew by 8.9% to 37,428.

A survey carried out in January this year showed that, despite the current economic stress, a significant 58% of the respondents were entertaining plans to purchase property and another 16% were on the lookout to rent property. 26% of the respondents who opted to take the survey stated that they had no planned real-estate transactions.

## Renting a property

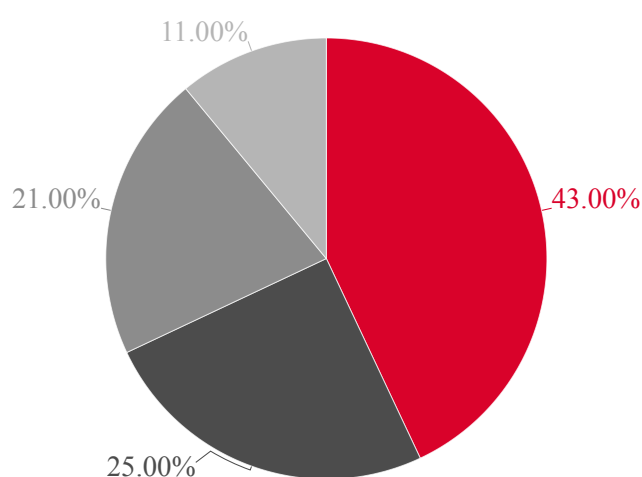
Geographically, St Paul's Bay is the most sought-after area with respect to the rental of property in Malta, closely followed by other localities on the island, namely Hamrun, Sliema, Mosta and Qormi. This ties in with recently observed trends in population growth, whereby St Paul's Bay has emerged as Malta's most populous locality.

## Looking to buy

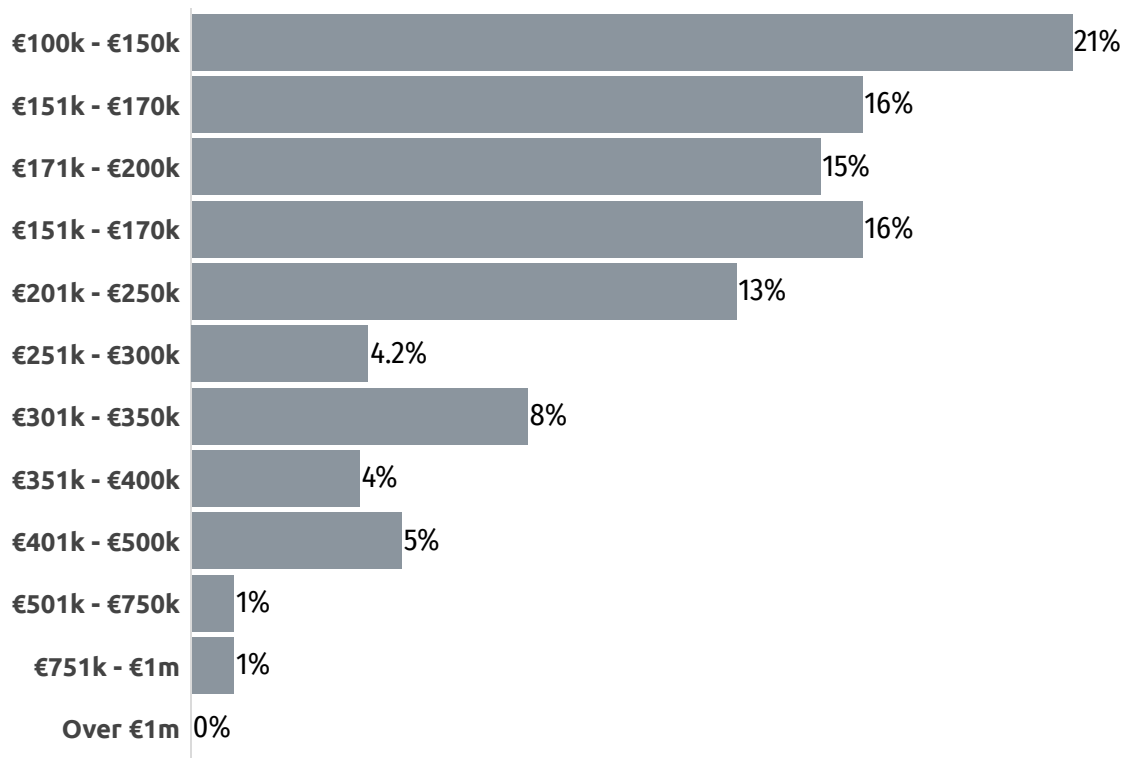
The majority of prospective

## Property types most in demand

- Apartments / Penthouses
- Maisonettes
- Villas / Bungalows / Others
- House of Character



## Most buyers looking for property valued at €100,000 - €150,000



property buyers, at 58%, state that they intend entering a real estate transaction alone. The survey also provides insight into the intentions of prospective new homeowners. 33% of purchase decisions are prompted by first-time property buyers who are moving out of their parental home, while a further 20% are seeking a new property to upgrade on their existing residence. A further 23% of

the population intend to acquire a property for investment purposes.

Out of the total barometer population, 80% are looking to buy property in Malta, whilst 10% are on the lookout for property on both islands and 10% wish to buy property exclusively in Gozo.

The survey also provides insights into the ranges of property prices that prospective purchas-

ers are considering with 80% of respondents looking at properties at a value of €300k or less.

Arguably, this pricing point could lead to certain pressures within the property market in view of the apparent consistent upward trend observed on publicly available real estate price indices.

While 43% of respondents are seeking apartments or penthous-

es, 25% are on the lookout for maisonettes and 11% intend to buy a house of character. Research suggests that the most popular locations in Malta for prospective buyers are Mosta and Birkirkara, closely followed by Lija, Attard, Balzan and Sliema. Meanwhile, in Gozo, Gharb and Ghajnsielem are the most sought-after destinations for property acquisitions.

## Property Price Index

During the first quarter of 2020, the Property Price Index (PPI) stood at 125.14, a rise of 5.6 per cent when compared to the corresponding quarter of 2019.

Figures indicate that the main driver of the increase was the Maisonettes price index, although the apartments price index also went up.

The PPI is compiled by the National Statistics Office on the basis of the median price for each dwelling type. The PPI aggregates the indices of apartments, maisonettes and terraced houses. The weights used to compile the index are based on the value of transactions for the three property types. No distinction is made between new and old dwellings. Over 1,000 transactions are considered every quarter.

While price indices are indicative of price trends in the markets for the reference properties and the property market in general, they are limited by the heterogeneity of the property market. It is widely recognised that the price of a property is dependent on its location, type, state of maintenance and finish, age, tenure, the number of bedrooms and bathrooms, size, and the availability of other amenities like yards and gardens.

Terraced houses are reflected in the PPI. However, such price indices are not published due to the low count of transactions recorded every quarter. An additional indicator being compiled is an Aggregate Index based on apartments and maisonettes.