

# A South African's guide to moving to and making it in Malta: Invest in stone

By  Marcus 'The Maltese Falcon' Brewster

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The Maltese have a saying - invest in stone - which means put your money into property. Historically, all houses were constructed from limestone blocks and you quarried your stone from your plot. That explains why so many pre-war Maltese homes have basements since this was from where they extracted their building blocks.



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With the property sector accounting for 5% of GDP and 3% of government revenue, the Malta Institute of Management recently organised a conference on rents. Here's an overview of what's happening in the island's booming real estate market.

According to Denis Camilleri, managing partner of DHI Periti (a "perit" in Maltese is an architect and is a profession held in as much social and professional esteem as doctors and lawyers), just under a quarter of Maltese owned their homes in 1948, rising to 77% by 2011. Camilleri notes that in 1997, the return an investor could expect from rental was 7%, but this was because property was underpriced. House prices went up by more than 50% between 2002 and 2005. (As a salutary reminder: Malta joined the EU in 2004.)

Economist Stephanie Vella picks up the timeline thereafter noting that from 2006 to 2008, the market saw a 25% growth in prices. House loans were up by 14.7% during the 2006 to 2008 "spike" but she observes that they are now 7.9% which she interprets as a sign of market caution.



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Marcus 'The Maltese Falcon' Brewster 6 Jul 2018



Camilleri cites a housing affordability index of under 100 as an indicator if there are problems. Ownership grew for decades when it was below 100, he says, mostly because of households' extra income. It had gone up to around 130 but the impact of rising prices has now brought it down to 105 which is still in the "affordable category".

When taking the last few years into consideration, Camilleri has property prices increasing by 50% for the three years between 2015 and 2018 while Vella pegs it as less than half that (i.e. 25%) for the slightly shorter two year span of 2016–2018. Vella observes, however, that the average rise in prices may be misleading because the lower end of the market is seeing rises of 5% while the segment aimed at the higher end (the so-called international market) is rising by 25%. According to her, while advertised prices are still going up, the actual selling prices are levelling off.

## Rental trends

Estate agent Kevin Buttigieg gave an insight into trends in the rental market. He dismissed reports that the cost of rentals was increasing out of control saying that, while the lower end of the market was seeing increases, the higher end was actually tapering. Buttigieg noted that the areas outside property hotspots, Sliema and St Julian's, were now sought after, thus spreading (landlord) benefits across a wider group of owners.

When considering the rental market, Kurt Xerri, from the Department of Civil Law at the University of Malta reports that 29% of rentals come from the gaming sector. However, the AirBnBs and Booking.coms - what the hospitality industry refers to as short-lets, are taking up a lot of the stock of property available for long lets. Malta has under 500,000 residents but now receives 2.5-million tourists with that number increasing annually by double digit percentages. As an example, Malta received 500,000 more tourists in 2017 than 2015, with most of that increase absorbed by private accommodation since the number of hotel rooms has not increased commensurately.



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Camilleri cites a price-to-earnings ratio of over six as indicating a small bubble and above 10 a big bubble. From a rental return of 7% in 1997, Camilleri now believes the true return, after management costs, maintenance and vacant periods, is 3.5–4%.

Anyone considering relocating to Malta – whether to find work or to retire – needs a roof over their head. All of the Maltese residency or citizenship schemes oblige it, although purchase of property is not always a requirement as rental is also acceptable.

"People worry that we are getting expensive" says Buttigieg, "but Malta is still considerably cheaper than most other financial jurisdictions."

## ABOUT MARCUS 'THE MALTESE FALCON' BREWSTER

marcusbrewster is a brand synonymous with PR excellence in SA. An industry innovator, leader, and inspiration, Brewster affiliated his multi-award winning boutique firm with larger Level 1 BBBEE marketing/comms agency MediaRevolution for scale in 2016 and went on to launch Marcus Brewster International in Europe the following year. Marcus currently lives on - and actively promotes - the Mediterranean island of Malta. For African, S. African and European PR enquiries, contact [marcus@marcusbrewster.com](mailto:marcus@marcusbrewster.com) or WhatsApp on (+356) 9931 3322

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