Valletta 2018 Investment Survey – Summary

Valletta has seen a major development over the past few years. The aim of this research paper is to attempt to quantify the magnitude of such investment activity post 2013 and its impact on the economy.

**Investment in Valletta**

The total investment expenditure in Valletta leading to the European Capital of Culture in 2018 is estimated to have reached €167 million. The strong emphasis on cultural heritage regeneration that has taken place in Valletta over this period is clearly evident and almost accounts for half of the investment activity that has taken place. When we include the embellishment of open spaces such as squares and gardens, these activities reach almost 2/3rds of total cumulative investment.

The significant investments in culture, heritage and the embellishment of open spaces promoted a substantial element of commercial interest, which supported the notable growth of tourism in Valletta.

### Commercial and Residential Development in Valletta

Planning constraints and the conversion of residential into commercial property led to a slower rate of increase in residential development in Valletta, compared to the whole of Malta. On the other hand non-residential investment activity thrived in the period leading to the ECOC in 2018.

An analysis of the property market using the difference in difference (DID) approach suggests that these developments had an effect on residential property prices in Valletta as demand for residential property was higher than the available supply. Nevertheless, the potential redevelopment of residential property into commercial property, particularly in the hospitality industry, mitigated commercial property price pressures in Valletta. Overall, this analysis is consistent with thriving urban development in the Capital, particularly in the period between 2012 and 2016.

### Economic impact

Using the Economic Policy Department’s Structural Annualised econometric Model for Malta (SAMM), the investment activity stimulated substantial economic activity. These estimates reflect solely the
impact of investment activity and its indirect and induced effects and do not capture the economic activity generated subsequently by the Valletta 2018 events and projects. Results show that the initial investment activity in the baseline scenario of €167 million generated additional investments of €57 million between 2013 and 2018.

However not all this investment activity is restricted to the domestic context as significant leakages primarily through demand for imports to undertake this investment activity generally takes place. Indeed, imports increased by €224 million as a result of the investment activity.

The total cumulative impact on GDP from the investment activity is estimated at €89 million, or €72 million in real terms.

Taking construction activity and its indirect and induced effects as a specific reference, investment activity in this area generated around 153 additional full-time equivalent employment.

Even higher activity was generated in ICT and telecommunications. Other notable impacts are also evident in the wholesale and retail services, art and heritage sectors, machinery and equipment industries, architecture and engineering and general public services.

Data available from Jobs Plus suggests that employment in the hospitality industry in Valletta has increased by 62% between 2012 and 2018 when the same industry generated an increase of 19% in the Maltese Islands as a whole over the same period. This additional growth in employment is equivalent to an added 250 jobs in Valletta in the hospitality industry which are likely to have been supported by ECOC and the investment in cultural heritage documented in this study.

**Economic impact of Investment in Valletta**

This study portrays a substantial change in Valletta leading to the ECOC in 2018; a capital city that has invested substantially in its cultural heritage coupled with the substantial embellishment of open spaces. This investment promoted notable commercial development particularly in the hospitality industry as tourism activity and employment in the Capital prospered. Whilst the urban redevelopment of Valletta had an effect on residential property prices in Valletta, its economic impact on Malta was notable and generated €72 million in additional income as a result of the investment activity alone.