



# Building with Purpose

KPMG Report on Sustainability in Construction and Real Estate in Malta

[kpmg.com.mt](https://kpmg.com.mt)

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## Foreword



# Foreword

## Welcome to KPMG Malta's Report on Sustainability in Construction and Real Estate in Malta 2023

*The world is changing.*

Climate change has already exposed vulnerabilities in our local infrastructure. Environmental, Social and Governance (ESG) rules are becoming more prevalent, both in the EU and globally. Meanwhile, stakeholders are increasingly demanding that both private and public actors do their part in the shift towards sustainability.

In Malta, the building industry has experienced significant expansion over the past decade, and holds a prominent position in the local economy. Nevertheless, its ESG impacts can be significant, with local impacts such as on air quality and noise, effects on climate change, as well as health and safety failings – including occasionally, fatalities – when the right safeguards are not in place.

This is the second year running that we have conducted a survey on sustainability in construction and real estate in Malta, reflecting the important role that we consider both sectors to play in the transformation of the Maltese islands towards sustainability.

In our first survey, we found that property purchasers and renters consider sustainability features to be important, and a significant portion were even willing to pay more to rent or buy sustainable property. Nevertheless, trade-offs were often evident, with sustainability lagging far behind factors such as location when buying or renting property.

In this year's study, we have placed increasing focus on the role of the financial services sector to enable the transition of the real estate sector towards sustainability. We consider that banks in particular play a key role in promoting the transition towards sustainable property, especially against a backdrop of growing concerns about affordability.

**Our sincere wish is that this report will inspire action by private and public sector actors, both individually and collectively.** While the challenges are great, the industry can become more resilient by proactively looking for and seizing the opportunities that a changing world presents, engaging better with stakeholders, and defining and implementing a vision of sustainability in practice.



**Steve Stivala**

Director

*Infrastructure, Public Policy & Strategy*



**Rachel Decelis**

Associate Director

*ESG lead*

# 02

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## Sustainable building foundations





**“Be a global citizen. Act with passion and compassion. Help us make this world safer and more sustainable today and for the generations that will follow us. That is our moral responsibility.”**

- Former United Nations Secretary-General Ban-Ki Moon

## What is sustainability?

Sustainability is a multi-faceted concept that fundamentally revolves around the principle of satisfying present needs without compromising the ability of future generations to fulfil their own<sup>1</sup>.

This principle transcends environmental matters, embracing also social, economic, and even cultural dimensions. This approach is often denoted as ESG (Environmental, Social, and Governance) and underscores the intricate interplay between these core dimensions.

In the ESG acronym, the “E” signifies environmental sustainability, with a primary emphasis on addressing complex, manifold environmental challenges. Although environmental sustainability is forefront in most people’s minds when discussing broader sustainability, its ramifications extend far beyond its ecological boundaries. Environmental actions have a ripple effect: responsible resource management, the adoption of renewable energy sources, and waste reduction don’t merely protect ecosystems, they also facilitate job opportunities, social well-being and effective governance.

<sup>1</sup> Report of the World Commission on Environment and Development: Our Common Future, 1987. Refer to [link](#).



At the core of social sustainability, denoted by the “S” in ESG, is the understanding that resilient communities are the foundation of enduring stability, and that an intricate interplay exists between social well-being, environmental matters, and principles of governance. For instance, neglecting health and safety can lead to disparities and inequalities within communities. This underscores the importance of considering the social dimension when assessing sustainability and its broader impact on society.

The “G” in ESG concentrates on sound and effective governance. This includes the development and enforcement of policies, regulations, and practices that promote ethical behaviour and responsible conduct. Effective governance frameworks are instrumental in facilitating an environment that encourages sustainable decision-making. Here, too, it is clear that the way governance is handled can strongly affect the progress and achievements of environmental and social efforts.

Nestled within the domains of E, S, and G, additional dimensions of sustainability emerge, including cultural and economic sustainability. Cultural sustainability focuses on preserving cultural diversity, traditions and heritage, placing importance on the intrinsic value of cultural identity. Economic sustainability involves shifting the linear, profit-driven perspective attached to existing economic systems in order to facilitate long-term resilience, including by ensuring responsible business conduct, ethical supply chain management, equitable wages and job security, and employee and societal well-being.

In short, sustainability recognises the inherent link between the well-being of people and the planet, and provides a foundation to a better future.





## Why sustainability?

A key industry in Malta where sustainability should play a crucial role is the building industry, including the construction and real estate sectors that it encompasses. These sectors are essential to our well-being and standard of living. Without them, we would have no roads, no hospitals, no schools, and no homes. We would not be able to manage our waste, generate electricity, or defend ourselves from natural disasters. In 2022, both sectors comprised 7.1% of the total Gross Value Added (GVA) for Malta<sup>2</sup>, which speaks to their importance from an economic perspective.

However, there remains an evident conflict between these essential needs and the wider ESG impacts of the industry. It finds itself under growing pressure, largely due to the demands exerted by various stakeholders, all of whom are advocating for increased accountability in tackling significant societal and environmental challenges. Investors have committed to achieving net-zero emissions, regulators have implemented reporting standards, governments have enacted emissions-reduction laws, employees are advocating for action, and tenants are seeking greener building options.

The building industry can no longer operate under a 'business as usual' model – **simply because 'as usual' does not exist anymore.**

In its current form, the industry is resource-heavy, placing pressure on natural resources and contributing to greenhouse gas emissions directly and indirectly, such as through the manufacture of steel. Demolition, excavation, and construction generate dust and noise pollution, and waste. Development of agricultural and natural land robs the public of green open spaces. Building collapses in recent years have led to deaths and damages to neighbouring properties. Affordability has worsened, leading to greater inequalities and adverse impacts on wellbeing. Labour shortages are leading to a skills gap, with potential risks to quality.

Within a wider governance perspective, it is acknowledged that Malta's economy benefits greatly from construction. But we need to acknowledge that any entity whose income depends to a large degree on one client yields some of its power to that client. And with so much money changing hands daily, there are risks of tax evasion, bribery, and money laundering, which has led to increased scrutiny on transactions.

If the industry does not proceed to embrace ESG principles more widely, it will likely have to deal with them later in the form of legal, regulatory, reputational and compliance issues. For instance, ESG disclosures are increasingly being mandated by regulations; this is perhaps best exemplified by the Corporate Sustainability Reporting Directive which starting in 2024, will require large or listed companies in the European Union to disclose ESG information.

**For the reasons listed above, and others, the industry must come together to find sustainable solutions and set higher standards for itself, designing both residential and infrastructural projects with sustainability and resilience in mind.**

<sup>2</sup> National Statistics Office (NSO) 2023, Gross Domestic Product: Q2/2023. Refer to [link](#).





# About the survey

This is the 2<sup>nd</sup> edition of the KPMG Report on Sustainability in Construction and Real Estate in Malta.

In August 2023, KPMG Malta carried out a study to better understand the sustainability preferences of property renters and purchasers in Malta. This second study builds on the first one we conducted in 2022<sup>3</sup> and had the aim of gaining further insight to sustainability preferences of past and prospective buyers within the Maltese context. It also aimed to gain insight on the role of financial services to enable the transition of the industry towards sustainability, and to establish current resident views of the construction and real estate sectors, including desired actions on the path to sustainability.



## Survey method

The survey was distributed online via **social media** and **email**, and complemented via **in-person intercept surveys** to reach a wider range of demographics.

## Target demographic



Open to residents of Malta, **aged 18 and over**, whether Maltese or not.

## Limitations

The survey was subject to two main limitations: **self-selection bias** and **social desirability bias**.

**Social desirability bias** refers to how respondents may provide answers they perceive to be socially desirable rather than expressing their honest opinion. Alternatively, **self-selection bias** refers to respondents who may opt to participate in the survey because the survey topic would specifically interest them, and hence the results might not be representative of the general population.

It is worth noting that this year, the sample size is **more representative** in terms of age and gender compared to 2022.

## 436 respondents

There were 436 respondents, which is more than that required to achieve representation at a 95% confidence interval and 5% margin of error when the sample is picked randomly.

<sup>3</sup> KPMG Malta, *Sustainability Preferences in Real Estate in Malta*. Refer to [link](#).

# 03

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## Key insights





# Insights at a glance

Sustainability ranks in **6<sup>th</sup>** place for those who bought property between 2021 and 2023

Much like in our 2022 survey, **location** is still the most important factor for individuals looking to purchase a new property.

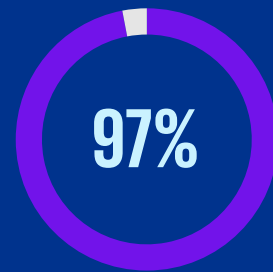


Features of sustainability are important to prospective buyers

When looking for property, around **99%** of prospective buyers identify at least one sustainability feature embedded at the individual building level to be moderately to extremely important.

Willingness to pay an average of **€30,000** more for enhanced sustainability on the next property purchase

This figure represents around **10-15%** of the most common purchasing budget (€200,000 – €299,999).



**97%** of renters picked location as one of their three key considerations when choosing which property to rent (aside from price).

**49%** of renters are willing to pay more for a sustainable home.

Renters prioritise certain sustainability features over others

**97%** consider at least one sustainability feature to be moderately to extremely important. The most desirable features are **low energy consumption** and **proximity to outdoor natural spaces/availability of green space within the building itself**.

Respondents who plan to finance their property purchase through a loan ranked **sustainable incentives**, such as the availability of green loans, in **third place** in their choice of bank.



**Low premium costs** are a top consideration when insuring property.

Construction sustainability performance rated at **1.9**

On a scale of 0 to 10, **84%** of respondents gave the construction sector a score **below 5**. Respondents feel that **Government and regulators** have a critical role in transforming the sector towards sustainability.

Respondents suggest that transformation of the industry towards sustainability should be championed through five enablers:



**Regulation & enforcement**



**Education & awareness**



**Affordability & incentives**



**Safeguarding heritage**



**Health & safety**

# 04

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## Buyer perspectives on sustainability





# Overview

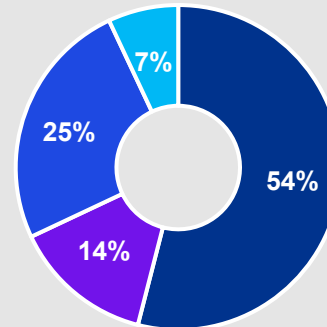
25% of respondents indicated that they purchased property between 2021 and 2023, or signed a Promise of Sale agreement in this period. Of these, 54%, largely **Maltese residents** and aged between **35 to 44**, said they purchased a **main residence**.

On the other hand, 35% of respondents stated that they intend to purchase property within the next three years (2023 to 2026). The majority of these (51%), largely **Maltese residents** and aged between **25 to 34**, are looking to purchase a main residence.

After main residence, the second most popular reason to purchase property was as a rental investment; 28% of prospective buyers, largely **Maltese residents** and aged between **35 to 44**, selected 'buy-to-let'.

For purchasers surveyed, the most common budget was between **€200,000 and €299,999** (past = 34%, prospective = 31%). This finding is consistent with the 2022 study. Notably, out of those respondents who bought a main residence in the last three years, 30.5% had a budget lower than €200,000. Additionally, of those who plan to buy a main residence in the next three years, **39.5% have a budget lower than €200,000**. This data suggests that a significant portion of prospective buyers might find it increasingly challenging to find a property that is aligned with their expectations and preferences.

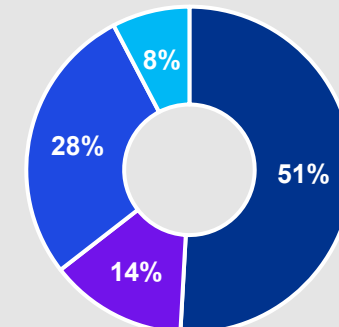
## Past buyers



Type of property purchased between 2021-2023 (N=110).

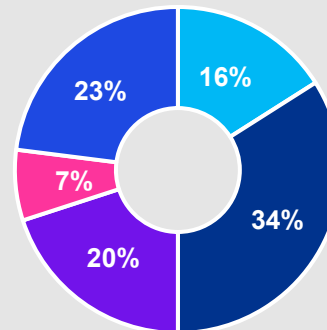
(Source: KPMG Analysis)

## Prospective buyers



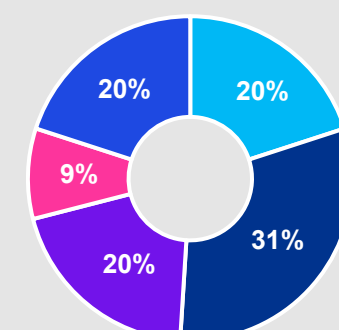
Type of property planned to be purchased in the next three years (N=169).

(Source: KPMG Analysis)



Price paid for property purchased between 2021-2023 (N=110).

(Source: KPMG Analysis)



Total budget for property planned to be purchased in the next three years (N=152).

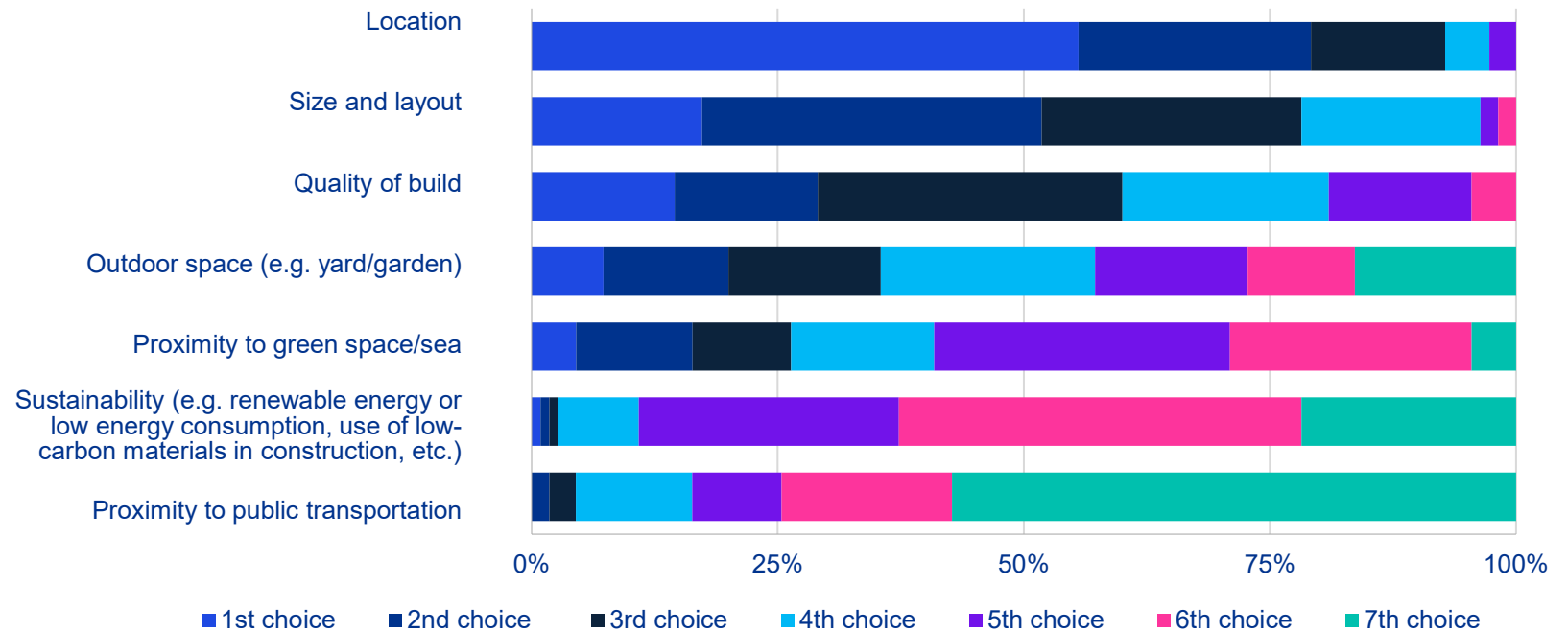
(Source: KPMG Analysis)



# Sustainability ranks in 6<sup>th</sup> place for those who bought property between 2021 and 2023

This finding corresponds to the result in our 2022 study, and **location remains the most important factor when buying property**. This finding is, to a large extent, expected. Malta's neighbourhoods are experiencing relentless change and buyers are increasingly mindful of where their property should be located. Location may also be given priority for practical reasons — for instance, proximity to work, school, or family, and amenities in the area — as well as the general attractiveness of the street or neighbourhood. Hence, accessibility and quality are critical factors considered during the purchase of property and significantly underscore the property's long-term appeal, value, and potential for a greater return on investment (ROI).

Other factors, such as size of property, quality of build, layout, and outdoor space, followed location in priority and surpassed sustainability (such as renewable energy or low-energy consumption, use of low-carbon building materials, and so on) in priority.



**Relative importance of factors for respondents who purchased property between 2021 and 2023 (N=110).**

(Source: KPMG Analysis)



The pattern observed throughout the 2022 and 2023 studies provides further indication that respondents continue to inherently prioritise other factors over sustainability when looking at which property to buy. This suggests that buyers still feel sustainability requires a trade-off with other factors. In this context, the need for sustainability to become embedded within the building industry is more pressing than ever, particularly as EU requirements, such as the revised Energy Efficiency Directive<sup>4</sup> and the Carbon Border Adjustment Mechanism<sup>5</sup> come into force.

As in our 2022 study, proximity to public transportation remains the least important factor. This finding suggests that residents continue to prioritise private modes of transportation over public transportation. Indeed, according to a National Household Travel Survey (NHTS), the private vehicle was the most common means of transport in 2021, comprising 84% of all trips, followed by walking (7%) and bus (5%)<sup>6</sup>.



4 Refer to [link](#) for further information on the Energy Efficiency Directive.

5 Refer to [link](#) for further information on the Carbon Border Adjustment Mechanism.

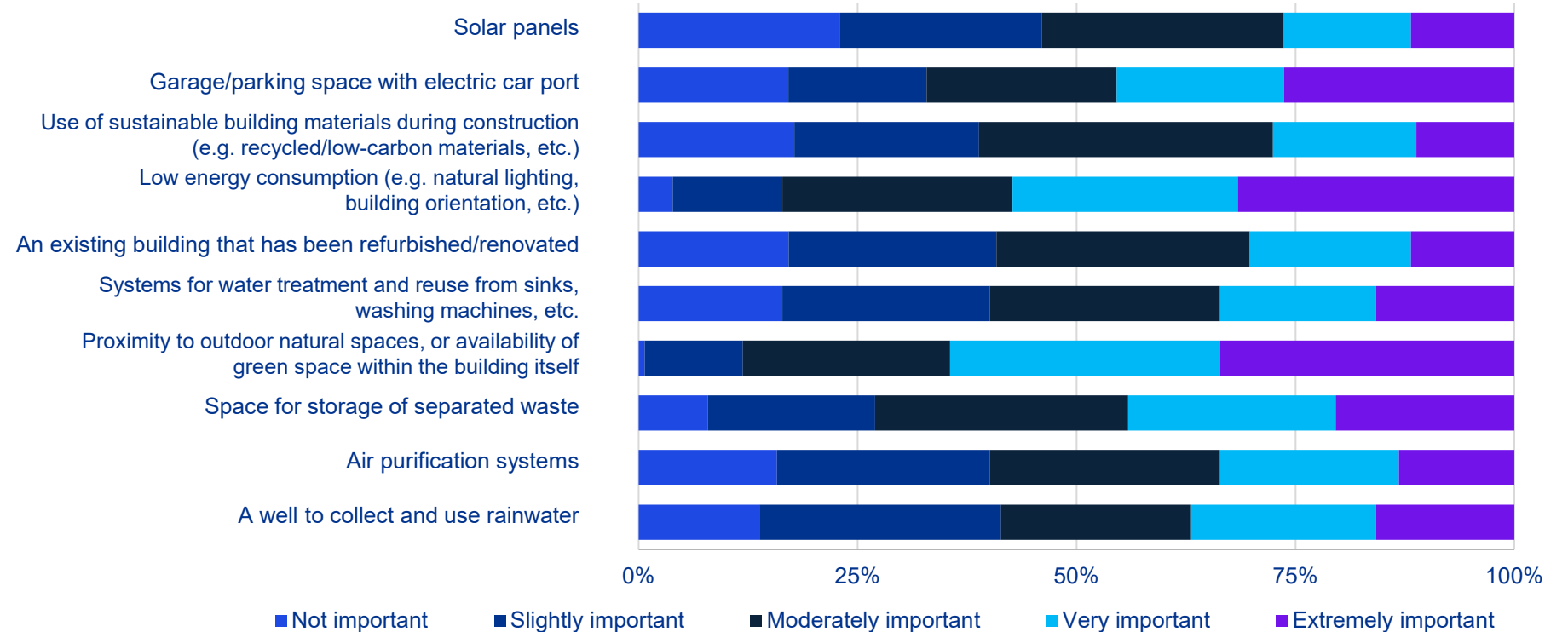
6 National Statistics Office (NSO) 2022, National Household Travel Survey (NHTS). Refer to [link](#).



# Prospective buyers consider sustainability features important

When looking for property, **99%** of prospective buyers identify at least one sustainability feature embedded at the individual building level to be **moderately to extremely important**.

Proximity to outdoor natural spaces or the availability of green spaces within the building itself is considered to be **the most important sustainability feature**, being ranked as moderately to extremely important by **88%** of prospective buyers. Low energy consumption (such as that afforded by triple glazed windows, insulation, and building orientation) is the **second most important feature of sustainability**, having been ranked as moderately to extremely important by **84%** of prospective buyers.



Relative importance of sustainability features for prospective buyers, in descending order of importance (N=152).

(Source: KPMG Analysis)

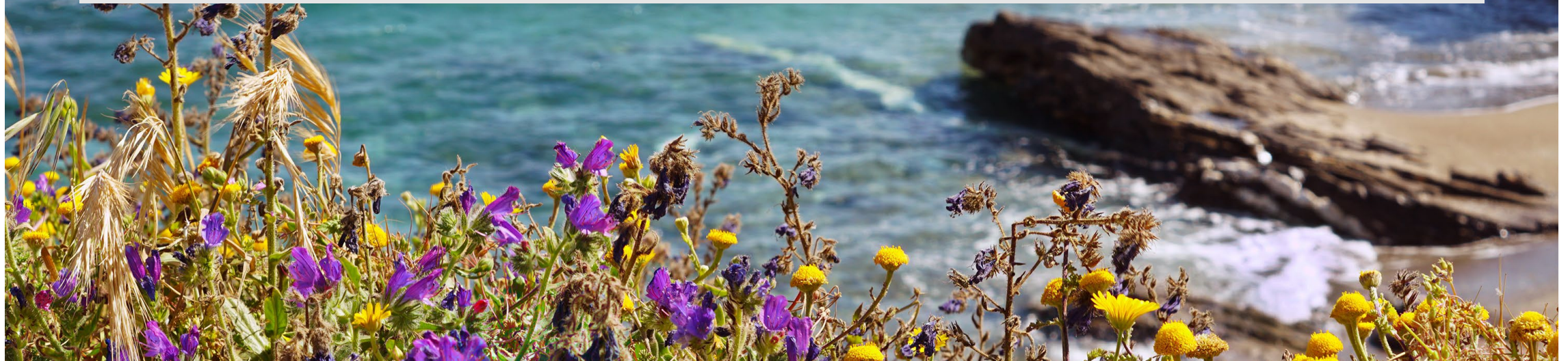




This finding is in line with the 2022 study where low energy consumption was ranked in first place and proximity to nature or availability of green spaces was ranked second, pointing to an increasing need for natural elements in one's surroundings, particularly in a post-Covid context. A 2023 Eurobarometer survey demonstrated that in Malta, **49% of residents** find it **'very difficult'** or **'rather difficult'** to access nature<sup>7</sup>. This is of particular concern as research<sup>8</sup> shows that: a) urban green spaces contribute positively to human health and well-being, and b) aid in mitigating the effects of climate change. There is also strong evidence on how green spaces reduce the effects of the urban heat island and, consequentially, energy consumption while providing a better quality of life for residents.

Storage for separated waste resulted as the **third highest feature of moderate to extreme importance** for **73%** of prospective buyers. This finding may have been influenced by enforcement of regulations on the mandatory separation of waste; as of April 2023, waste separation in Malta became enforceable by law for businesses, governmental and non-governmental entities, as well as private households. Non-compliance may result in fines<sup>9</sup>.

A garage or a parking space with an electric car port is the **fourth highest feature of moderate to extreme importance** for **67%** of prospective buyers. This is a relatively unsurprising result as owning a garage in Malta has transitioned from being an optional 'add-on' to a necessity, largely due to the increasing population, the number of vehicles on the road and reliance on private vehicles for transportation.



7 European Union 2023, Eurobarometer survey. Refer to [link](#).

8 Giannico, V et al. 2021, 'Green spaces, quality of life, and citizen perception in European cities', *Environmental Research*, vol. 196. Refer to [link](#).

9 Environment and Resources Authority (ERA) 2023, 'Mandatory Waste separation for all from April'. Refer to [link](#).

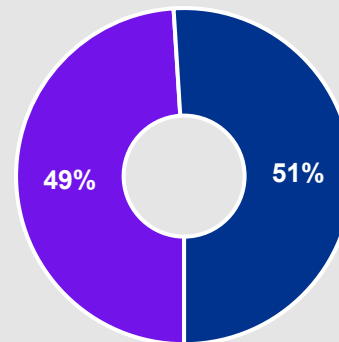


# Around half of property purchasers are willing to pay more for sustainable property

Almost half (49%) of the respondents who purchased property between 2021 and 2023 indicated that they would have been **willing to pay more** for a sustainable home. Similarly, just over half (51%) of respondents looking to purchase property in the next three years (2023 to 2026) indicate that they would be **willing to pay more** for property that includes sustainability features, slightly less than the result from the 2022 study (58%).

As things stand, inflation<sup>10</sup> may significantly alter consumption habits of consumers in Malta. For example, a 2022 study in the United Kingdom found that 62% of households see more investment in energy efficient homes as an attractive or very attractive option to address rising costs<sup>11</sup>. However, certain sustainable alternatives may present greater upfront direct costs than less sustainable options, even though they may contribute to lower operational costs (such as lower energy bills) and an overall more positive living experience.

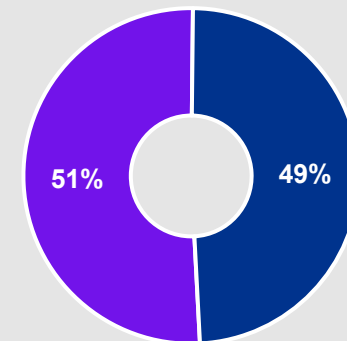
### Past buyers



**Q: Would you have been willing to pay more for a property that was built with sustainable methods and supported a sustainable lifestyle, for example, through low energy and water consumption? (N=110).**

(Source: KPMG Analysis)

### Prospective buyers



**Q: Would you be willing to pay more for property that was built with sustainable methods and supports a sustainable lifestyle, for example, through low energy and water consumption? (N=152).**

(Source: KPMG Analysis)

<sup>10</sup> Xuereb, M 2023, Rising prices have pushed COLA up to €13 a week so far. Refer to [link](#).

<sup>11</sup> Legal & General 2022, *Legal & General research shows buyers will pay up to 20% premium for low carbon homes*. Refer to [link](#).



In the context of inflationary pressures, it is useful to understand the willingness of past and prospective buyers to pay more for sustainable property in order to be able to support key stakeholders, such as Government, developers, financial services, amongst others, in minimising externalities and accelerating a market that effectively supports these preferences.

Evidently, when speaking of willingness to pay, it is also worth noting the **'say-do gap'**. This concept refers to stated intentions not being followed through by action. The translation of intent to action is often dependent on factors such as<sup>12</sup>:

**A**

personal motivation

**D**

physical context

**B**

personal ability

**E**

social context

**C**

thought processing

An enabling environment that facilitates more sustainable behaviour, such as through sustainable financing initiatives (see section **06**) as well as appropriate regulation, enforcement, and awareness, amongst others (see section **07**), will go a long way to help bridge the 'say-do' gap.

<sup>12</sup> Strong, C, Ansons, T 2022, 'The Science of Behaviour Change'. Refer to [link](#).



# How much more are property purchasers willing to pay?

Past and prospective buyers who indicated that they would be willing to pay more for sustainable property were asked how much more they would have been, or would be, **willing to pay for specific sustainability features**.

The average indicated value (based on the weighted average of the median value of each price band) suggests that identified sustainability features (shown overleaf) have the potential to add an average of around **€32,000** to property purchased between 2023 and 2026. This figure represents around **10-15%** of the most common purchasing budget<sup>13</sup> for those who plan to purchase property in the next three years.

On the other hand, respondents who already purchased property between 2021 and 2023 indicated that they would have been willing to pay an extra **€25,000**, representing around **10%** of the most common purchasing budget.

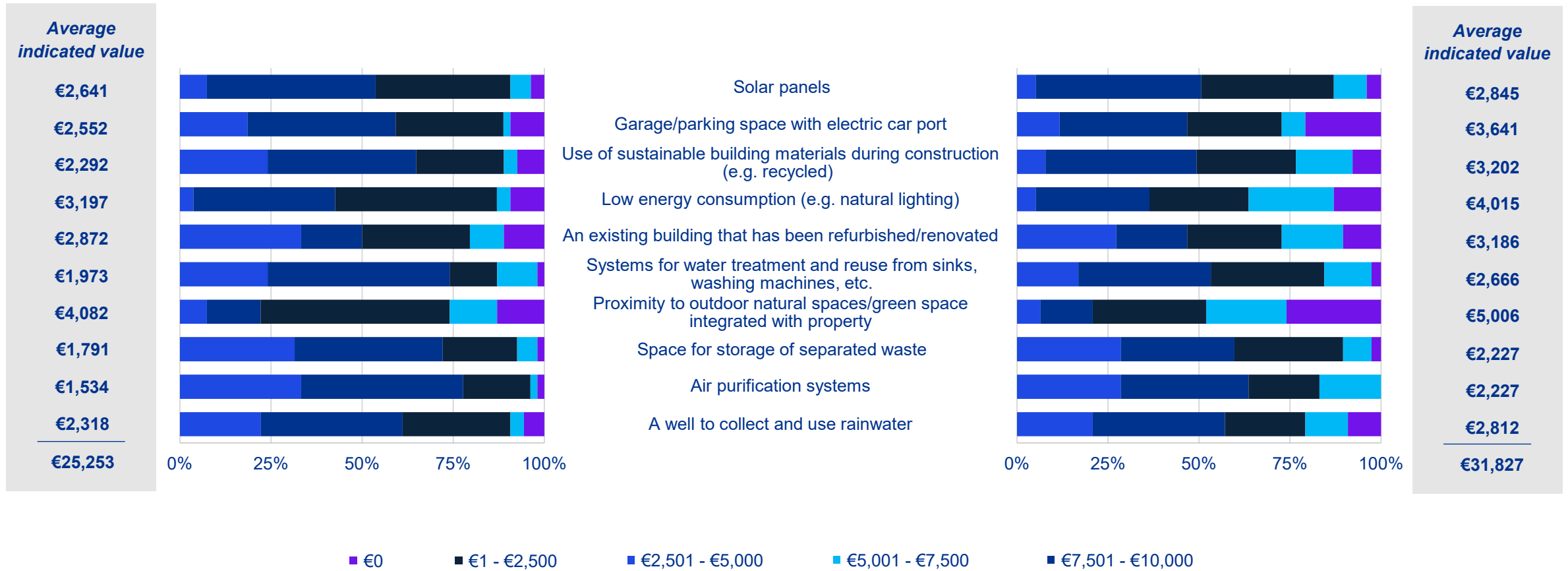


<sup>13</sup> Refer to page 13.



### Past buyers

### Prospective buyers



Willingness to pay for sustainability features amongst past and prospective buyers (N: Past = 54, Prospective = 77).

(Source: KPMG Analysis)

# 05

A panoramic view of a coastal city at sunset. The sky is filled with vibrant orange, pink, and purple hues, with scattered dark clouds. In the foreground, the stone walls of a fortification with arched openings are visible. The middle ground shows a harbor with several boats, including a large white yacht. The background features a dense urban landscape with buildings and a distant horizon.

## Renter perspectives on sustainability

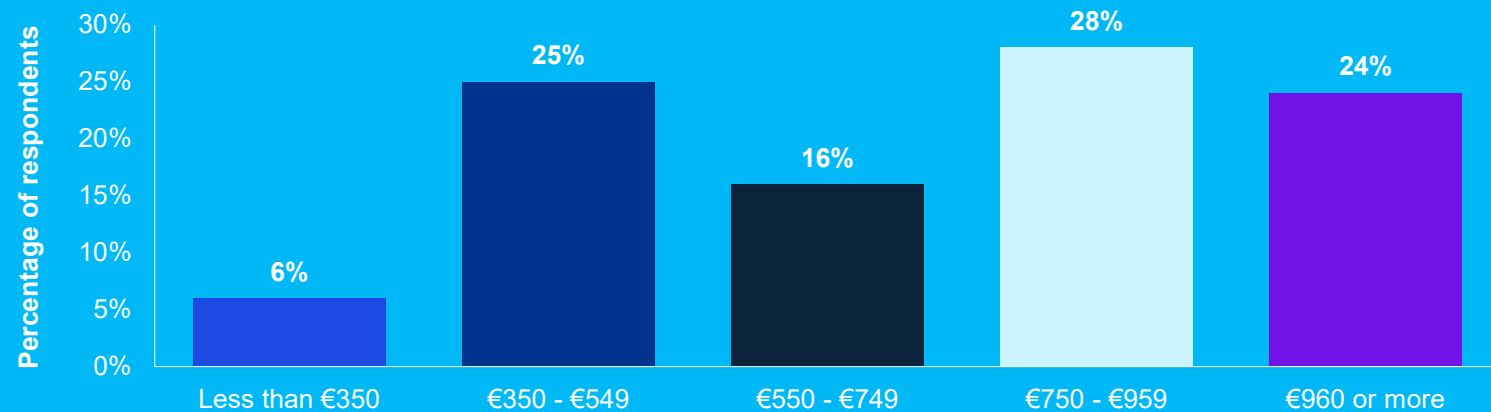
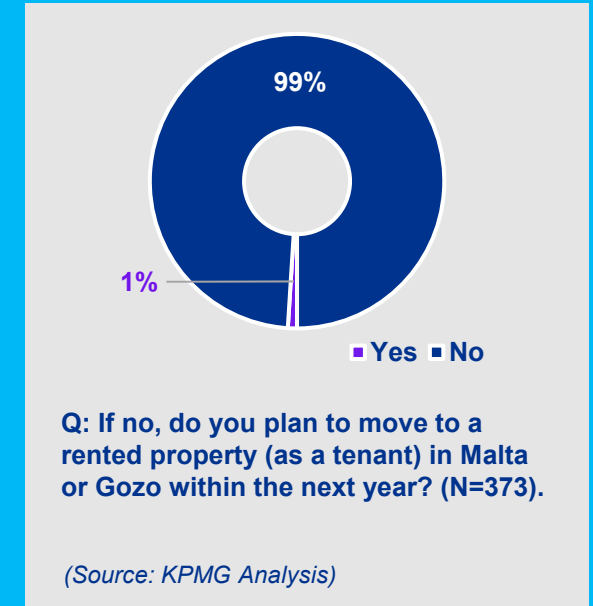
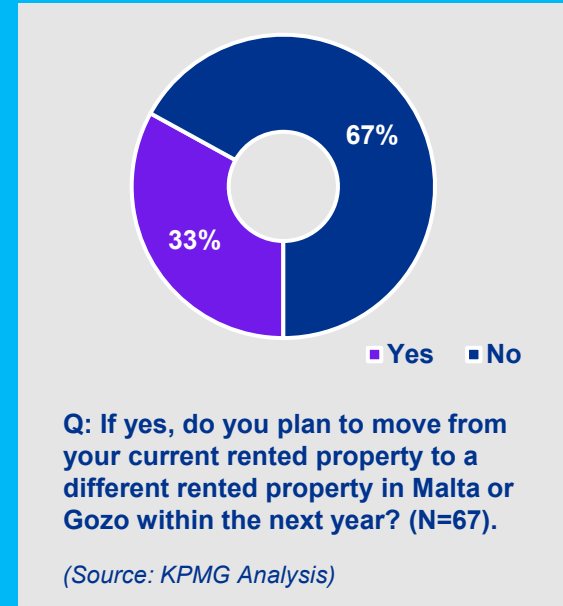
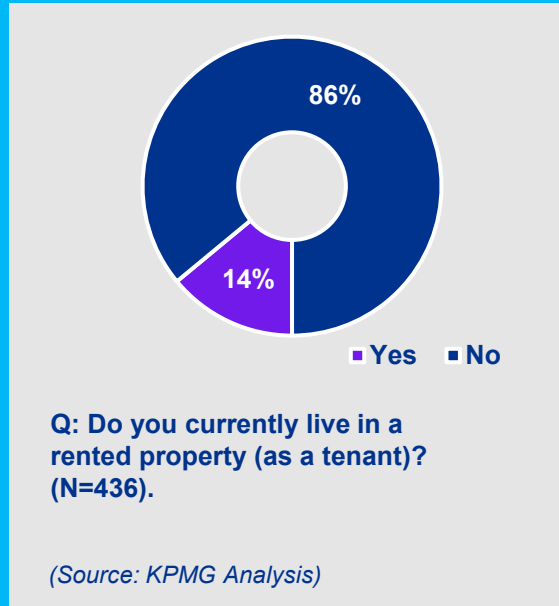


# Overview

14% of all respondents, largely non-Maltese residents and aged between 35 and 44, indicated that they currently live in rented property.

The majority of current tenants (67%) do not intend to move to another rental property within the next year, and only 1% of respondents who are not currently renting plan to start renting in the next year (2023 to 2024).

For the renters surveyed, also largely aged between 35 and 44, the most common monthly budget was between €750 - €959. This finding is similar to the 2022 study, where the most common rental budget was €750 to €949 (selected by 37% of respondents).



**Q: What is your personal monthly budget for such a rental? (N=67).**

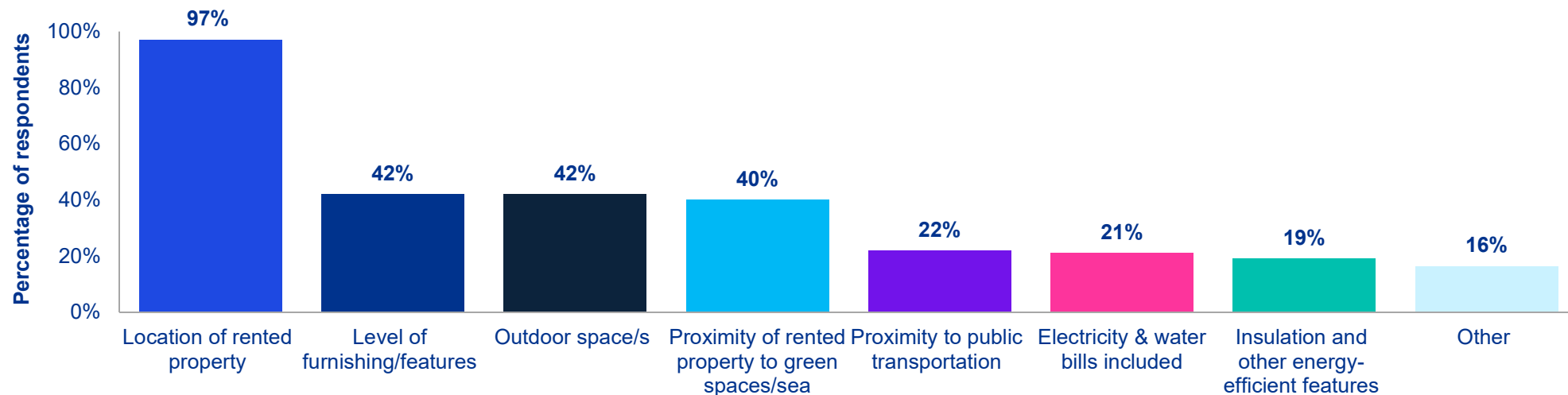
(Source: KPMG Analysis)



# Location is a primary consideration for renters

Location is also a key consideration for renters; **97%** of renters picked location as the first of the three key considerations when choosing which property to rent (aside from price). This is followed by level of furnishing/features and outdoor space/s (each picked by **42%** of renters). The importance given to outdoor space/s and proximity of rented property to green spaces/sea (picked by **40%** of renters) is reflective of the need for closeness with nature<sup>14</sup>. Proximity to public transportation is important to nearly a quarter of renters (**22%**), potentially attributed to the majority of renters being non-Maltese (**66%**).

The above considerations surpass electricity & water bills (picked by **21%** of renters) and insulation and other energy-efficient features (picked by **19%**). Electricity bills are currently subsidised and homes are not warmed/cooled in their entirety, but one room at a time, so this tends to reduce costs further. Moreover, rented property tends to be smaller in size and a renter is generally not interested in making a long-term investment; therefore insulation and other energy-efficient features may not be as important to them. This potentially makes the property more valuable to an investor. In any case, the financial impact of a low-energy-efficient home may be far less in the local context.



Relative importance of factors for respondents looking to rent between 2023 and 2026, in descending order (N=67).

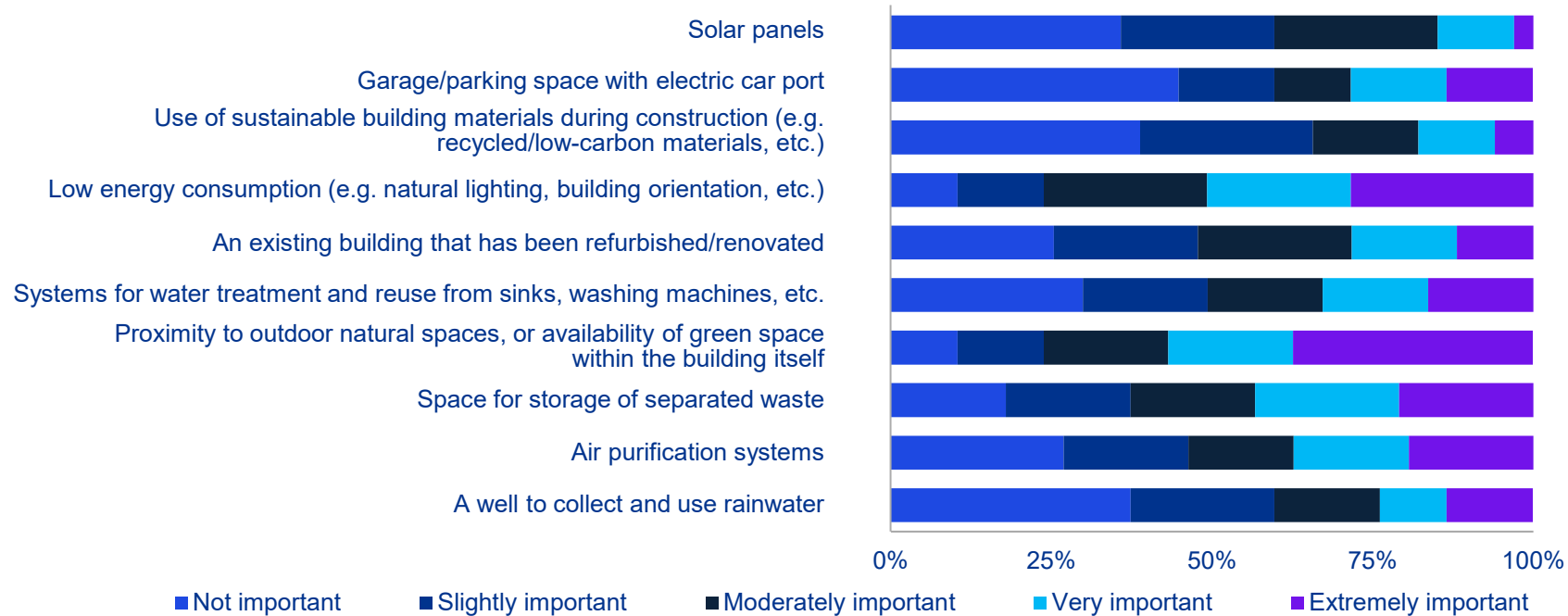
(Source: KPMG Analysis)

<sup>14</sup> Refer to page 16.





# Renters prioritise certain sustainability features over others



Relative importance of sustainability features for renters, in descending order of importance (N=67).

(Source: KPMG Analysis)

Renters surveyed were asked to rank the below sustainability features and how they affect their choice of which property to rent. **97%** of renters identified at least one sustainability feature to be moderately to extremely important. As with purchasers, the highest ranking features of importance were low energy consumption and proximity to outdoor natural spaces, or availability of green space within the building itself (both were ranked between moderately to extremely important by **76%** of renters).

In contrast to buyers, the least desired feature is a garage space or parking space with an electric car port (**45%**). This may be attributed to the fact that garage prices have risen considerably in recent years<sup>15</sup>.

15 Fenech, R 2023, *Has Malta's garage market peaked?* Refer to [link](#).

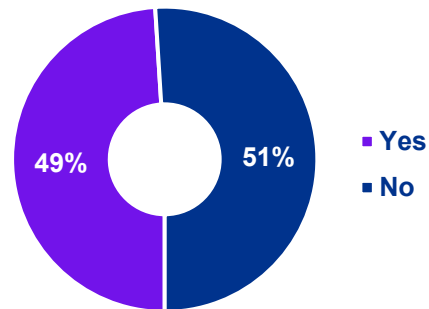


# Around half of renters are willing to pay more for a sustainable home

49% of renters stated that they are willing to pay more to live in a home that is built with sustainable methods/materials and supports a sustainable lifestyle, for example through low energy and water consumption.

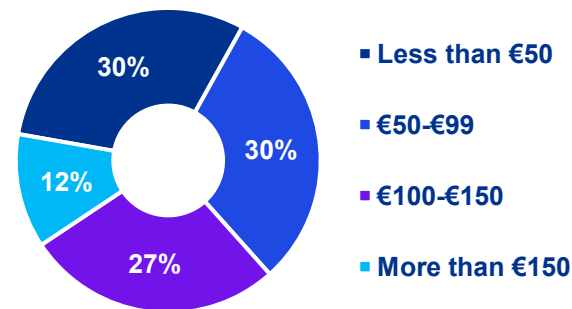
Of this percentage, 60% indicated that they would be willing to pay up to **€99 more monthly** (reduced by 13% from 2022). The median value (€50) of this price band corresponds to between 5% to 7% (down from 10% in 2022) of the most common monthly rental budget (€750-€959)<sup>16</sup>.

Yet again, the results of this survey suggest a market for sustainable rental properties, and the potential for increased value-add for property owners looking to rent out sustainable homes.



Willingness to pay more to rent a home that has been built with sustainable methods/materials and that supports a sustainable lifestyle, for example through low energy and water consumption (N=67).

(Source: KPMG Analysis)



Q: If yes, how much more are you willing to pay monthly? (N=67).

(Source: KPMG Analysis)



<sup>16</sup> Refer to page 23.



06

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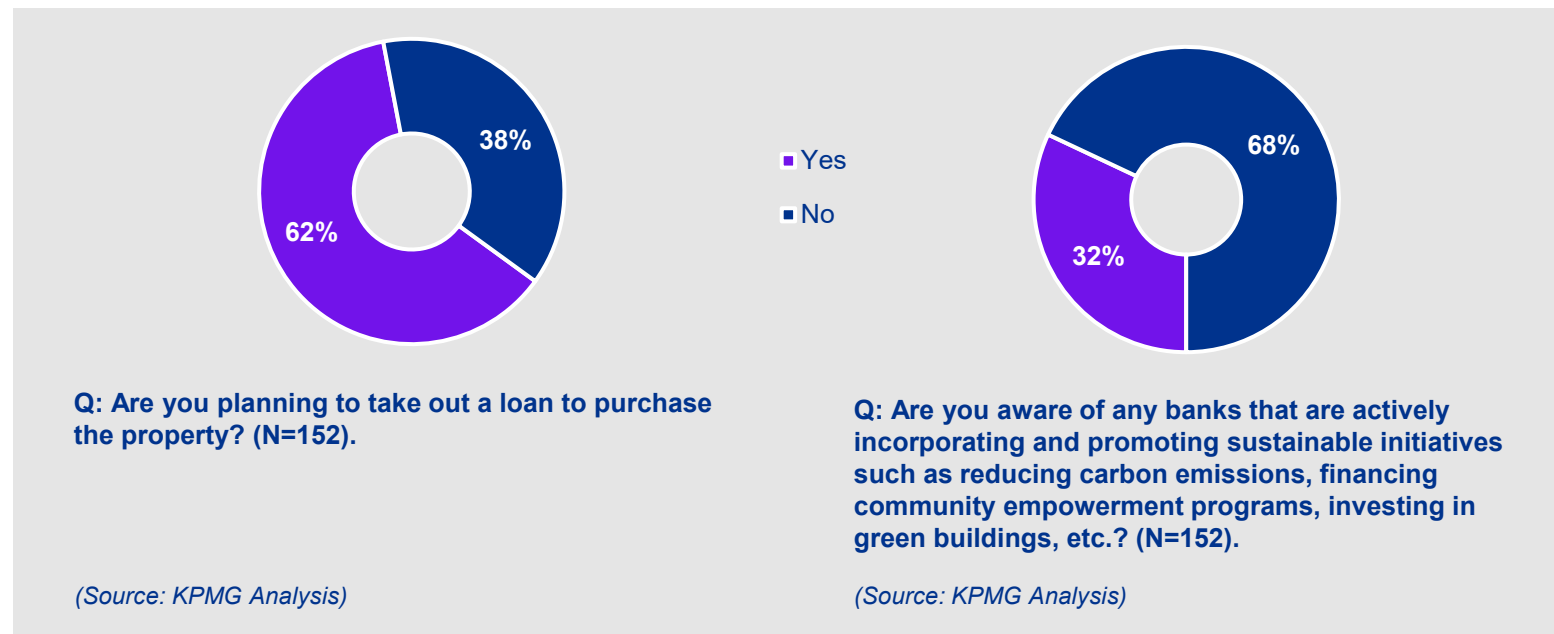
**Financial services  
as enablers of  
sustainability**



# Banks as financiers of the sustainability transition

More than half (**62%**) of the survey respondents who plan to buy property between 2023 and 2026 said that they plan to finance this purchase through **a loan**. The majority of such respondents were planning to purchase a main residence.

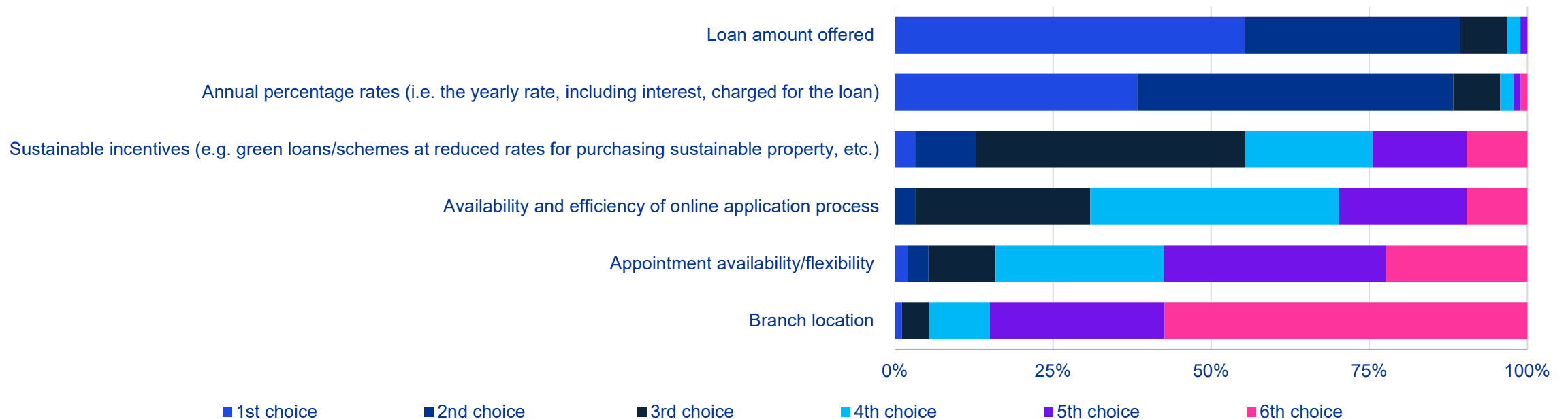
Banks are increasingly assessing their environmental impacts and the effect of environmental changes on their business and risk profile. Locally, some banks are leading the pack, such as through green initiatives and incorporating sustainable products within their portfolio. Nevertheless, **68%** of respondents indicate that they are **unaware of any banks in Malta that are actively incorporating and promoting sustainable initiatives**.





Unsurprisingly, when asked about the factors influencing their choice of bank, most respondents (55%) ranked the loan amount offered first, followed by the cost of the loan (picked by 38% of prospective buyers) in second place. However, sustainable incentives, such as the availability of green loans, came in **third place** for respondents' choice of bank, ahead of availability and efficiency of online application (fourth) and appointment availability/flexibility (fifth).

The importance given by respondents to incentives for financing sustainable property indicates the growing importance of banks in financing the transition of the sector towards sustainability. It also suggests that a market exists for banks to offer products that enable sustainable property to be financed, particularly if specific features come at an extra cost. In our view, banks play a crucial role in driving the move towards sustainability in the economy in general and in the sector in particular.



Relative importance of factors when choosing a bank with which to take out a loan, in descending order of importance (N=94).

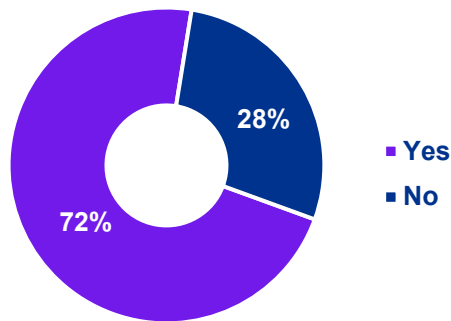
(Source: KPMG Analysis)



# Insurers' role in the transition towards sustainability

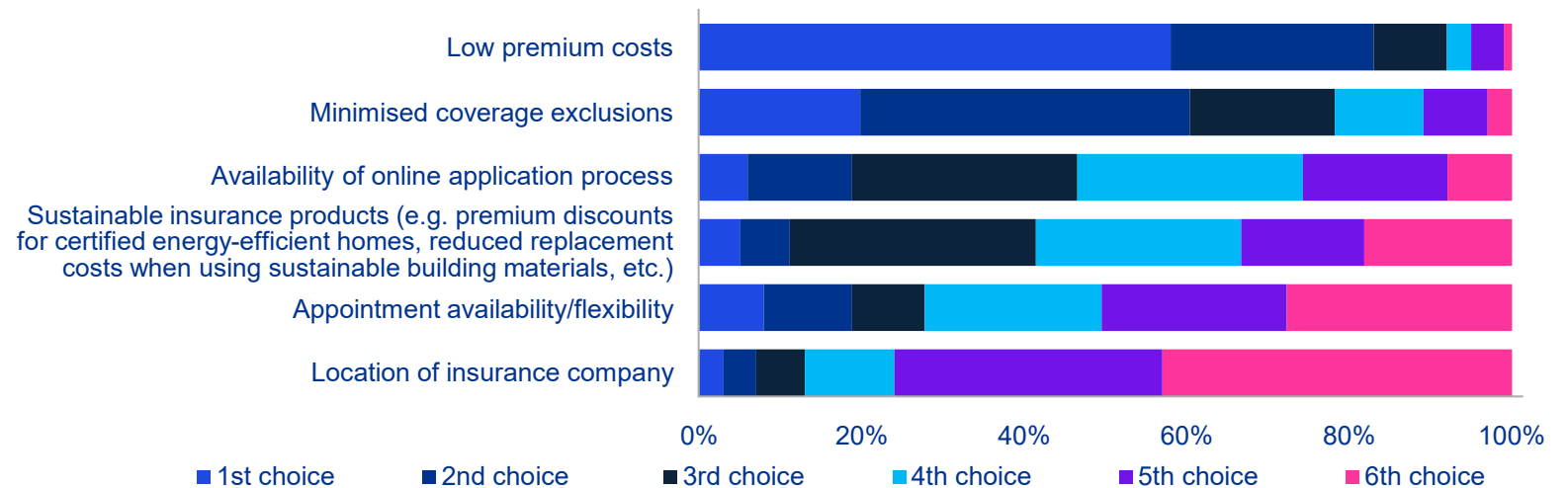
The majority of respondents who bought property between 2021 and 2023 indicated that they obtained building insurance. Most respondents (58%) identified low premium costs as the most important factor in their choice of insurer, followed by minimised coverage exclusions (picked by 20% of respondents).

Sustainability does not yet appear to be a major driver for insurers from the consumer perspective, ranking fourth overall, and this may be a reflection of the relatively low spend on insurance premiums by homeowners, particularly in comparison to home loans. However, this finding comes at a time when EU regulators are increasingly putting pressures on insurers to drive financial flows in accordance with the 2015 Paris Agreement which seeks to restrict global warming to 1.5° Celsius. For example, insurance entities are now subject to ESG reporting requirements, such as those mandated by European Insurance and Occupational Pensions Authority (EIOPA) and the Corporate Sustainability Reporting Directive (CSRD).



**Q: Did you take out building insurance when purchasing your property? (N=110).**

(Source: KPMG Analysis)



**Relative importance of factors when choosing an insurance company with which to take out building insurance, in descending order of importance (N=110).**

(Source: KPMG Analysis)

# 07

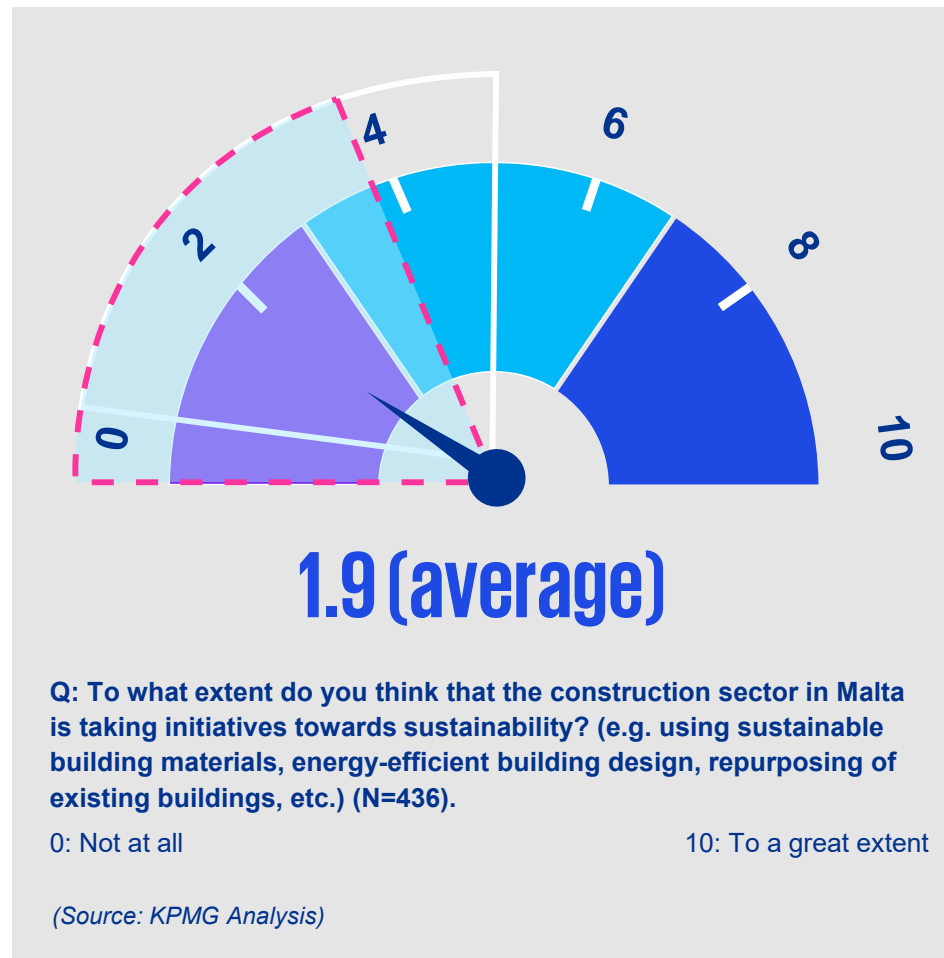
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**Transforming the  
building industry  
towards sustainability**





# How is the sector viewed locally?



Respondents were asked, on a scale of 0 to 10, to what extent they consider that the construction sector in Malta is taking initiatives towards sustainability. The average rating given for the sector was **1.9 ± 2.1** (2022 study: **2.5 ± 2.3**), with **84% of respondents giving the industry a score below 5**.

These findings underscore the growing awareness amongst the public of the need for the industry to transform itself in a meaningful and significant way. Given these results, it is likely that residents expect a holistic transformation that not only covers environmental aspects, but the wider environmental, social, and governance (ESG) spectrum.

“True change in attitude, mentality, legislation, enforcement, and the Maltese political system at large is the only thing that will check this industry in place, and in the future hopefully undo some of the damage it has caused to our islands.”

– Male, 25-34, Maltese resident

“Consider the build in its entirety. Buildings should not be based on number and profit – sustainability, ethically sound and culturally appropriate count!”

– Female, 45-54, Non-Maltese resident

“There's corners being cut in quality which doesn't exactly bode well for sustainability.”

– Male, 35-44, Maltese resident





# Resident views: deeper insights

When asked what more stakeholders could be doing on sustainability, respondents (N=259) suggested that the transformation of the sector towards sustainability should be championed through **five main enablers**:

## A Regulation and enforcement

Several respondents stressed the need for stricter regulatory measures, and better enforcement, to ensure that sustainability becomes integral to the sector. Suggestions included, among others, making sustainability a legal prerequisite during the design stage, or deciding on development permission based on environmental and cultural considerations, with penalties being imposed for non-compliance.

**“The ultimate responsibility lies with a competent planning authority and the Government. There has to be more respect for our heritage which must be preserved at all costs as well as the character of our towns and villages. A strong focus on infrastructure and, most importantly, creation and enforcement of laws, rules & regulations which must apply to all.”**

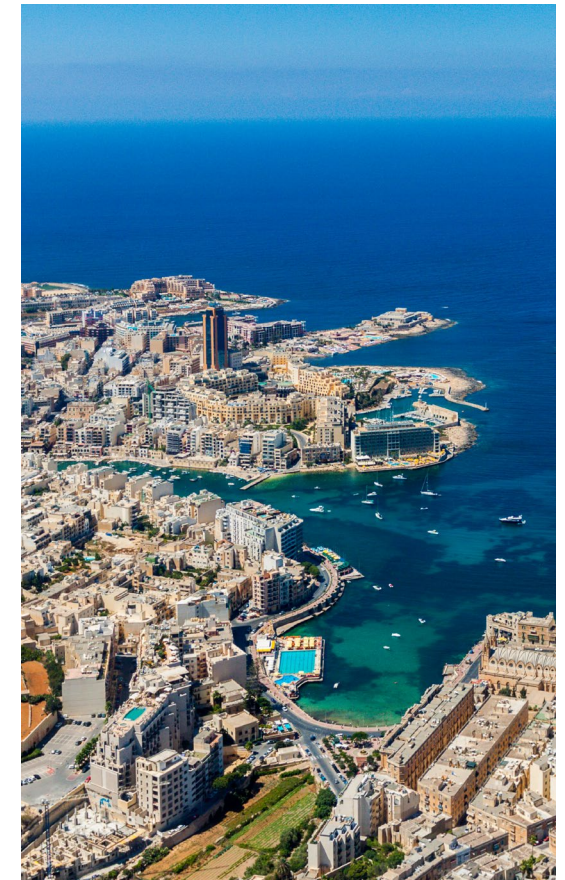
– Female, 55-64, Maltese resident

## B Education and awareness

Respondents repeatedly highlighted the need for holistic education and awareness campaigns to inform both industry professionals and consumers about the benefits of transforming the industry towards sustainability. For example, one respondent suggested the mandatory disclosure of sustainability information in property listings and contracts to better educate consumers about the environmental performance of the property they're looking to purchase or rent. This suggestion could build on the existing requirement (which is not always followed) for property listings to be accompanied by an Energy Performance Certificate.

**“Educate people on sustainability, and provide a long-term vision.”**

– Male, 35-44, Non-Maltese resident





## C Affordability and incentives

Financial incentives were a recurring theme, with respondents highlighting that choosing a sustainable home should not necessitate trade-offs due to potentially higher costs associated with sustainable features. These incentives, such as lower interest rates applied to loans for sustainable housing, lower insurance premiums or tax incentives, could be directed at developers, suppliers and homeowners who are willing to, respectively, develop, supply and live sustainably.

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**“More incentives and financial assistance schemes to help normalise sustainability. Both practically and financially.”**

- Female, 25-34, Maltese resident

## D Safeguarding heritage

Respondents widely embraced the idea of repurposing old buildings, stemming from the benefits it offers: minimising environmental impacts by reducing the need for new building, and safeguarding of cultural legacy, architectural identity and aesthetic appeal. By repurposing old structures, respondents highlighted the potential to breathe new life into Malta’s urban spaces.

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**“Reduce bureaucracy for permits to renovate old buildings in core areas. Here in Xewkija, a high percentage of dwellings are not habitable and left to deteriorate.”**

- Female, 55-64, Maltese resident

## E Health and safety

The emphasis on safety underscores the growing awareness of the integral relationship between built environments and individual well-being. Prioritising safety entails commitment to stringent measures that drive safe work practices, and to resilient structures that contribute to improved quality of life. This underscores the need to transition towards a comprehensive construction strategy that not only supports the construction of high-quality and long-lasting buildings, but that also prioritises the safety and well-being of workers and occupants.

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**“Better regulation by Government to reduce work-related deaths.”**

– Male, 65+, Non-Maltese resident

**“We need a strong framework developed by Government... we need a tax scheme for owners to invest in sustainable materials and we need developers to be willing to change.”**

– Male, 35-44, Non-Maltese resident





# Stakeholder roles in transforming the construction sector

The five main enablers identified previously require input from and action by various key stakeholders.

When asked about the relative importance of stakeholders in transforming the construction sector towards sustainability, Government and regulators came in at first place, with the majority of respondents (65%) considering Government and regulators to have an extremely important role. These were followed by building professionals (61%), developers (49%), and suppliers of building materials and systems (35%).

Banks (32%) and insurance companies (28%) follow closely behind suppliers, reinforcing the view that the financial sector has an increasingly vital role to play in the sustainability transition of the sector, and the building industry at large.

These findings point to the need for a collaborative approach where Government and regulators spearhead the change, supported by the wider ecosystem.

**“All stakeholders need to be extremely responsible and accountable of their duties. There should be more supervision from authorities on works carried out and strict enforcement where required.”**

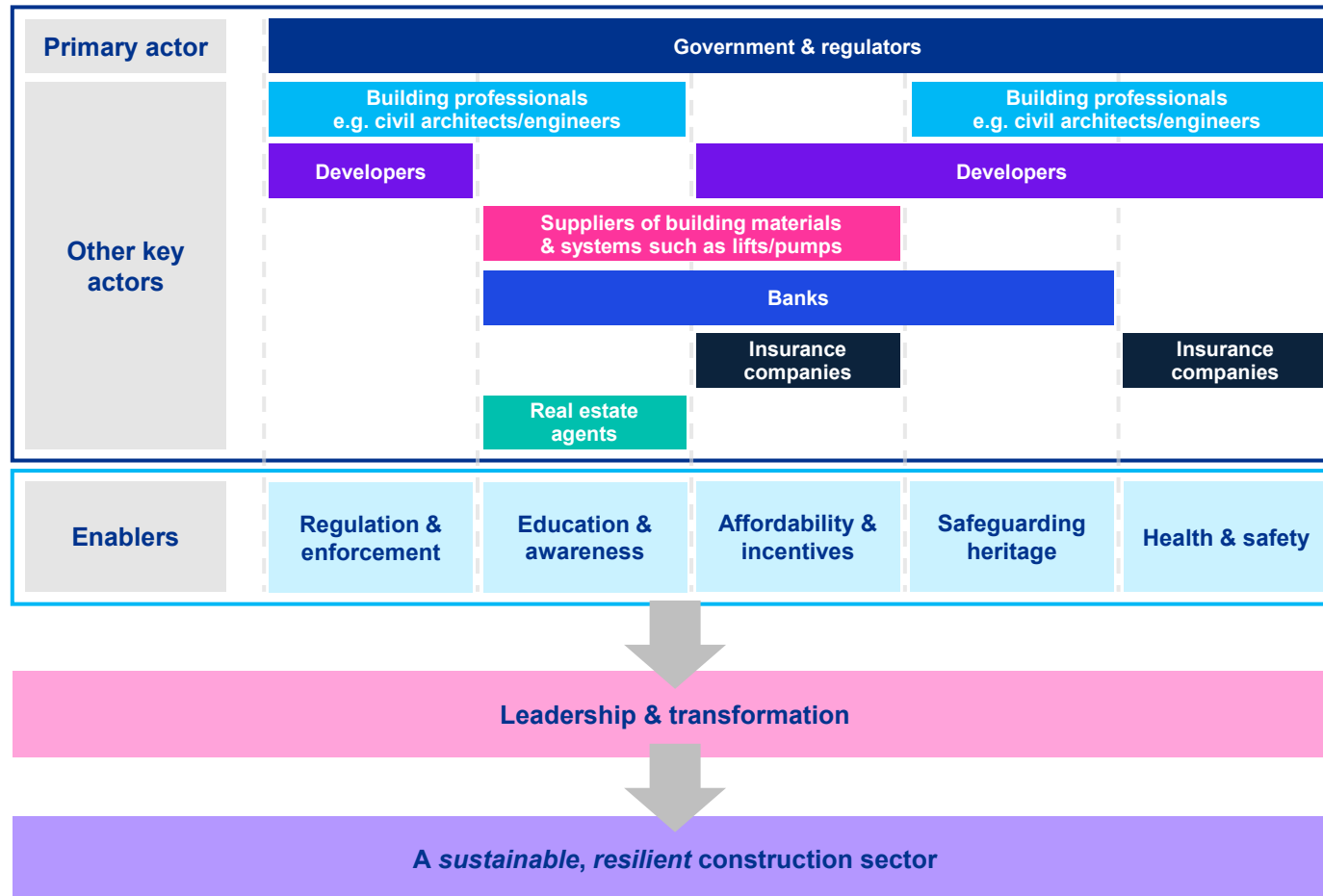
– Female, 65+, Maltese resident



(Source: KPMG Analysis)



# A vision for a sustainable building industry



**“There is no strategy for the construction sector.”**  
 – Male, 45-54, Maltese resident

In the face of complex environmental, social and governance challenges, overwhelm is expected. The problems seem – and indeed are – too big for any one stakeholder group to solve alone.

Stakeholders in the building industry must come together to find sustainable solutions. This requires a holistic vision – **a strategy that looks to embed sustainability principles across the industry’s core operations**. The illustration on the left-hand side demonstrates that Government and regulators need to set the tone, supporting and guiding the industry in transforming itself, and leading by example.

ESG principles should be considered from the outset when deciding which projects to pursue, which locations to target for development, what construction methods to use, and how to design projects to have minimal environmental impacts during their lifetime and to be able to withstand the effects of climate change.

(Source: KPMG Analysis)





Innovation plays a key role in this transformation, such as through uptake of reconstituted stone. These types of solutions could yield environmental benefits (through better waste management and lower primary resource use), cost benefits (reducing waste management and raw material costs), and better resilience (lower dependence on imports). They can also be part of a solution that addresses increasing customer demands on sustainability, and improves affordability.

The use of technology, such as integrated software for better project planning, and drones for remote monitoring of construction status can help better construction projects. They can also support with process automation, and help address the current workforce crisis, leading to shorter project times and reduced disturbances to neighbourhoods. Modular design can also become part of the solution, and is globally increasingly popular as it yields cost, quality, and environmental advantages.

Planning policy must, in tandem with other policies – including on infrastructure, transportation, health, education, and taxation – keep the needs of wider society front of mind. For example, in the transition to a net zero country, the design and placement of roads, public spaces, and schools, ought to encourage and prioritise green and active mobility. People want to be able to walk and cycle safely to work, to school, to shops, and to the local playground, and public policy plays a critical role in enabling this.

Legislators also play a crucial role in enacting laws that ensure that excavation and construction works are carried out safely; for instance, a licensing scheme introduced in June 2023 and targeting demolition, excavation and building works, seeks to improve enforcement and quality across the sector and is foreseen to be implemented in 2025<sup>17</sup>. Such measures must be supported by robust enforcement practices, which set a level playing field and minimum standards to which all players must comply.

<sup>17</sup> Borg, J 2023, *Construction regulation: contractor licensing plan presented to public*. Refer to [link](#).

As demonstrated by the findings in this report, there is also a pressing need to safeguard remaining outdoor natural areas, recreational green spaces and agricultural land, not only to preserve our landscape and meet the needs of residents, but also, in the context of agricultural land, to help ensure security of food supplies – something we can no longer take for granted.

Education and awareness underpin the above. They help address sustainability challenges by equipping individuals with the necessary knowledge, awareness and skills. They also foster a sense of responsibility and influence why, for what, and how, citizens may become informed and engaged to drive positive change.

**“Stakeholders, predominantly the central government, must shift the current economic model from bigger to better.”**

- Male, 35-44, Maltese resident

The building industry needs to engage in critical reflection, concentrating on enhancing construction quality and professionalism at micro-level, while also considering planning and sustainability at a macro-level. **We consider that the strategy adopted for the industry should enable it to elevate itself to a higher standard while adapting to the demands of a constantly evolving socio-economic context.**

# 08

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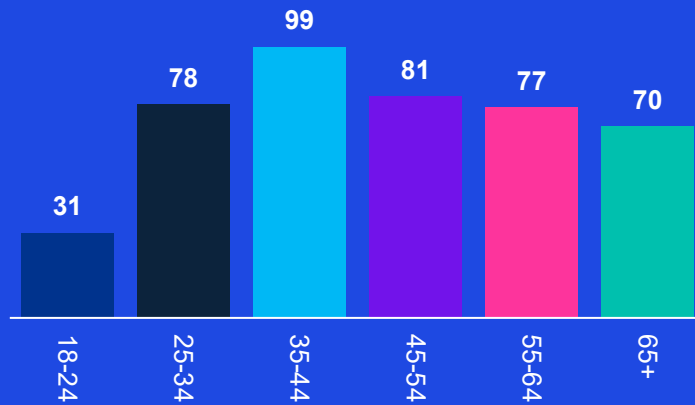
Appendix



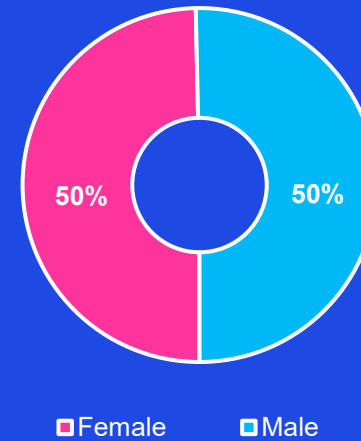


# Appendix I: Participant data (1)

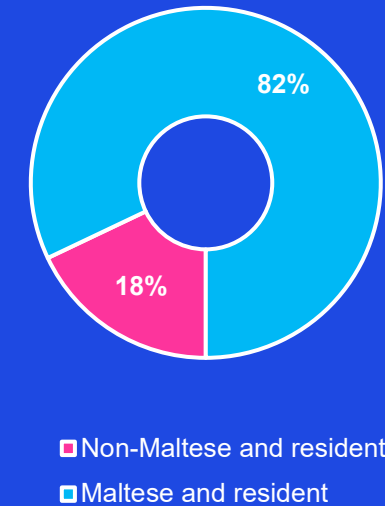
## Age groups



## Gender



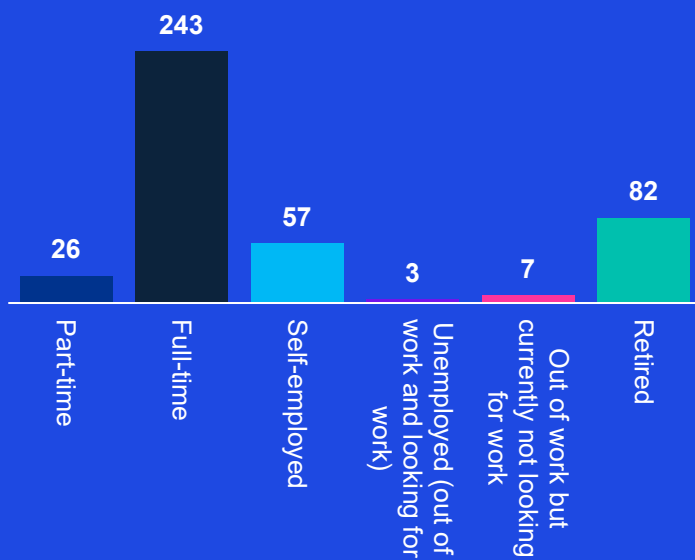
## Nationality



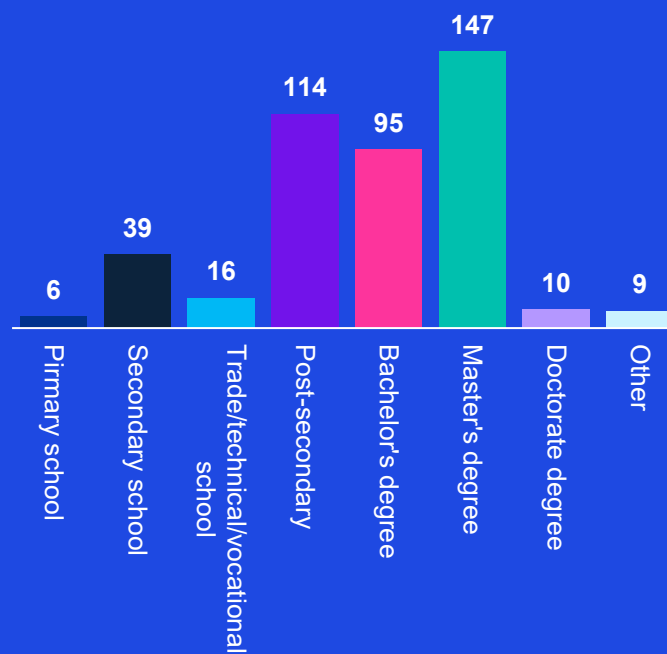


# Appendix I: Participant data (2)

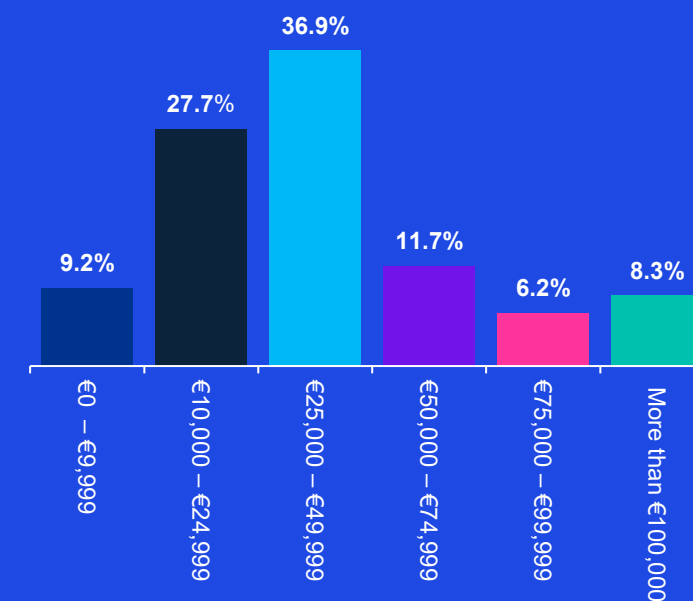
## Employment Status



## Education Level



## Income Level







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### ESG Assurance

Comprising assurance readiness services, and assurance over ESG and climate information.



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