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MALTA DEVELOPMENT ASSOCIATION

Construction Industry and Property Market Report 2023

MALTA DEVELOPMENT ASSOCIATION

This study was commissioned by Malta Development Association (MDA), and sponsored by Bank of Valletta p.l.c., BNF Bank p.l.c., FCM Bank Ltd., FIMBank p.l.c., HSBC Bank Malta p.l.c., and Property Malta Foundation.

Important information about this report

This deliverable is addressed to Mr. Michael Stivala, President of the Malta Development Association (hereafter also referred to as ‘MDA’ or as ‘the Association’), and to the sponsors of this report, namely: Property Malta Foundation; Bank of Valletta p.l.c.; BNF Bank p.l.c., FCM Bank Ltd., FIMBank p.l.c., and HSBC Bank Malta p.l.c. and has been prepared in accordance with our terms of engagement as per our letter dated 10 June, 2023.

Nothing in this deliverable shall be construed as meaning that we undertake any advocacy services or managerial function for the MDA. Any decisions and/or positions taken are solely those of the Association.

Our duties in relation to this deliverable are owed solely to the Association and accordingly we do not accept any responsibility for loss occasioned to any third party acting or refraining from action as a result of this draft deliverable. We understand and acknowledge that our final report may be distributed and released into the public domain, in complete or summary form. Our consent for the whole or part of our reports to be copied or disclosed to any third party other than the MDA, or otherwise quoted or referred to, in whole or in part, is on the basis that we do not owe such third parties any duty of care as a result of giving such consent.

We have indicated in our report the sources of the information presented. We have not sought to establish the reliability of these sources by reference to information independent of the Association, but where any relevant information has been obtained, this has been indicated in our report. We have, however, satisfied ourselves, as far as possible, that the information presented is consistent with other information that was made available to us in the course of our work in accordance with the terms of the engagement letter.

Throughout this document, reference is made to comments received from industry operators during a series of consultation meetings. The views expressed by such industry operators do not necessarily reflect our own. Our inclusion of any such comments or views expressed by industry sources should not be interpreted as an endorsement of such views, or as an acknowledgement or otherwise of the veracity of such views.

In providing our services, we may have referred to and quoted from laws, regulations, directives or rules issued by regulatory bodies. We may have also commented on their general or specific applicability to the subject of our engagement. We have done so in the context of providing you with additional insights relevant to the subject at hand, and should not be construed in any way as the provision of legal services.

We must emphasise that the scope of the work required in this connection is different from that required for an audit carried out in accordance with International Standards on Auditing and cannot therefore be relied upon to provide the same level of assurance as an audit of financial statements prepared in accordance with those standards.

Our deliverable is also based upon publicly sourced information. Our reliance on and the use of this unaudited information should not be construed as an expression of our opinion on it except as, and to the extent that, we may otherwise indicate in our report. We do not accept any responsibility or liability for the impact on our conclusions of any inaccuracies in such information.

There exists a significant degree of judgement involved in selecting methods and basis for arriving at our opinions and recommendations, and a significant number of items may be subjectively considered when arriving at such opinion. It follows therefore that, whilst our opinion will be one which we consider to be both reasonable and defensible, others may arrive at a different conclusion.

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Foreword

Dear readers,

It is with great pleasure that I welcome you to the latest edition of the “Construction Industry and Property Market Report 2023”. In the following pages, you will find a comprehensive overview of the current state of the construction industry and property market in Malta. Just as in previous years, this publication serves as a valuable resource for investors, industry professionals, and anyone interested in the dynamic landscape of Malta’s real estate sector.

As we delve into the intricate tapestry of statistics, trends, and market dynamics, this year’s publication underscores three pivotal themes that merit attention: sustainability, professionalism, and the pursuit of greener buildings.

Sustainable development and planning:

The crux of our discussion revolves around the imperative need for sustainable development and planning within Malta’s construction industry. As discussed in Chapter 3, the pursuit of economic growth and the accommodation of demand should always be accompanied by a conscious understanding of their long-term consequences. The industry must strive to meet present-day needs without compromising the environment and resources that future generations will depend upon. Sustainability is not a buzzword; it is a moral and ethical obligation that transcends generations, and which should be embraced by all stakeholders within the industry.

Elevating industry-specific professionalism:

Furthermore, it is high time that we elevate the standards of professionalism across the spectrum of the building industry, from the industry titans to the enterprising small businesses. A robust professional ethos must underpin every facet of the industry, from project management to architectural design, from construction to property management. This commitment to excellence will not only enhance the reputation of the industry but also instil confidence in investors, both local and international, who seek to engage with Malta’s property market, preserve the attractiveness and relevance of Malta to visiting tourists, and in part contribute towards better quality of life for residents.

Promoting greener buildings:

While the demand for sustainable and eco-friendly buildings is on the rise, there remains a significant gap in awareness regarding the benefits they bring. Greener buildings are not just environmentally responsible; they also offer economic advantages, improved living conditions, and a brighter future for our island. This report underscores the importance to collectively foster a greater understanding of the substantial advantages that green building practices bring to both developers and residents. The results derived from a survey we carried out (see Chapter 5) provide some insight into this topic.

In addition to these overarching themes, this report also provides commentary around current realities that are shaping the industry:

A. Regional Opportunities: Though property prices have reached a plateau, regional disparities present unique opportunities for investors and developers. Understanding these variations and acting upon them strategically can be the key to success.

B. Economic Activity: The contraction in economic activity within the construction sector is a challenge the industry must address. A renewed focus on innovation, efficiency, and market diversification is essential to overcome this hurdle.

C. Nuances of Over-Supply: The rise in permits for residential properties must be closely monitored, as it hints at a potential over-supply in the near future. Prudent planning and market intelligence are paramount to mitigate any adverse effects.

D. Economic Model and Property Market: The intricate interplay between Malta's economic model, the property market, and the building industry is undeniable. Any shifts in one sphere reverberate through the others, making it imperative for us to engage in a holistic dialogue about our islands' future.

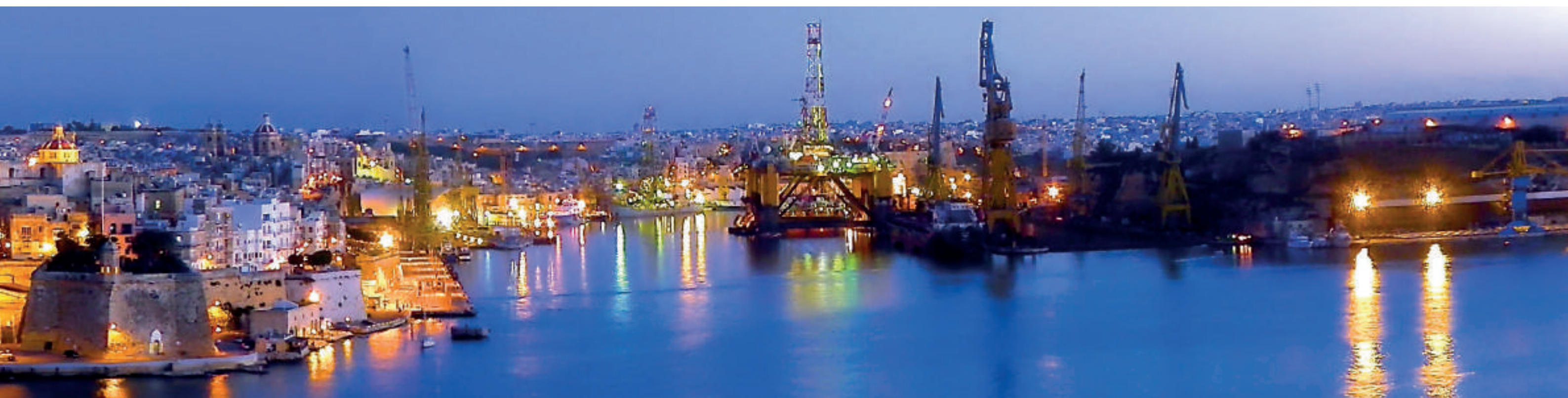
In closing, the journey through the pages of this publication will shed light on the multifaceted nature of Malta's construction industry and property market in 2023. I encourage each of you to absorb the insights, reflect on the challenges, and seize the opportunities that lie ahead.

Regardless of the lens through which you approach this report, our objective remains unwavering - to be as comprehensive as possible. We unite multiple data sources with our observations to reveal trends, underlining our commitment to delivering valuable insights.

We eagerly anticipate engaging in dialogue on this closely watched sector, extending the conversation beyond these pages. In November 2023, we invite you to join us at our conference, where we will delve deeper into the report's findings and beyond. Together, we can craft a better tomorrow for all stakeholders, building a brighter future for Malta's construction industry and property market.

Thank you for your continued interest in, and support of, this publication.

Steve Stivala
Director
Advisory Services



Executive Summary

Construction industry and property market in a nutshell - 2022

The industry took a back-seat in 2022. Although still an important contributor in the economy employing directly and indirectly circa 30,000 individuals, the industry registered a contraction in real terms, and a lower share of total economic activity. Property prices, on average, also stalled, as supply has seemingly caught up in different property markets. This phase of relative calmness and stability presents an opportunity for introspective reflection, to focus on build quality and professionalism from a micro perspective, and planning and sustainability from a macro perspective, with the objective of taking the industry to the next level and at the same time ensure that the industry is catering for the needs of a dynamic and ever-changing socio-economic model.

Methodology

24

stakeholders consulted

c. 19,000

data points related to residential property sales

7th annual report

Multiple data sources

including data from NSO, Eurostat, CBM, CfR

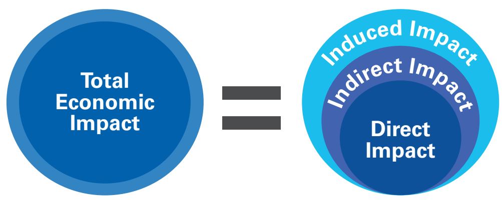
Multiplier analysis

Construction industry:

A €1 increase in demand for construction contributes €0.78 to GVA in terms of direct, indirect, and induced effect.

Real estate activities:

A €1 increase in demand for real estate is expected to generate €0.85 towards GVA in terms of direct, indirect, and induced effect.

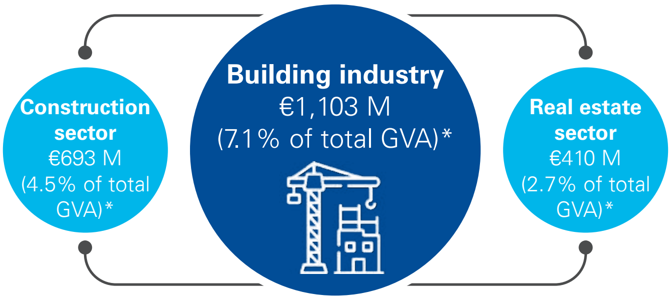


Employment in construction and related activities as of March 2023

Direct	Direct + Indirect	
20,158	24,369	FTEs in the construction sector (18,056 FTEs in 2022)
3,666	5,742	FTEs in the real estate sector (3,228 FTEs in 2022)
23,824	30,111	
7.8%	9.9%	of total FTEs in the economy

11.9% over March 2022

GVA of the building industry as of 2022



*Direct effects only.
Percentages do not add up due to rounding.

Industry real growth in H1 2023

Construction - NACE Category F

Construction GVA

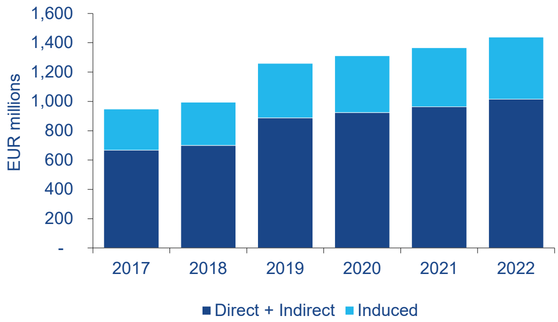
-13.2% over H1 2022

Real Estate - NACE Category L

Real Estate GVA

1.8% over H1 2022

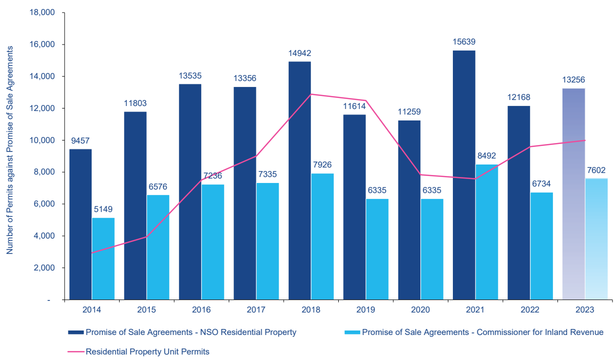
Value added multipliers of construction



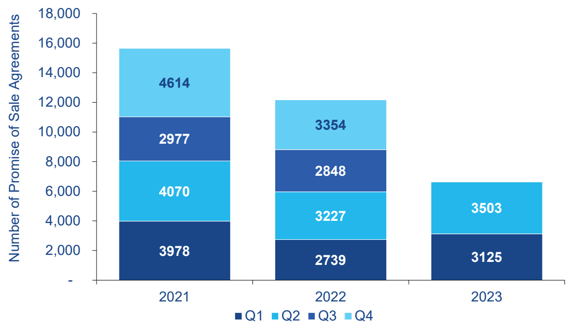
Construction industry multipliers	**Real estate activities multipliers**
€1.4 bln. of value added in 2022 covering direct, indirect and induced impacts.	**€1.3** bln. of value added in 2022 covering direct, indirect and induced impacts.

c. **41,400** FTEs in 2022
supported by the industry (39,000 FTEs in 2021)
Direct + Indirect + Induced

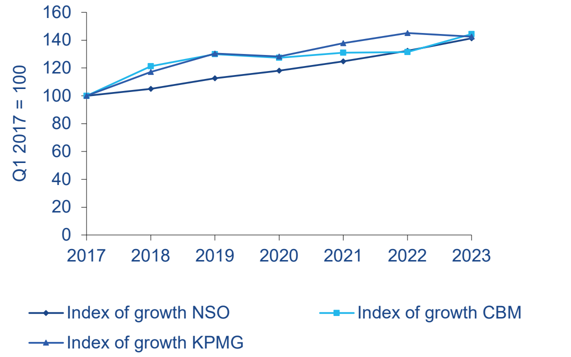
Residential property unit permits in comparison to promise of sale agreements



Number of promise of sale agreements per quarter

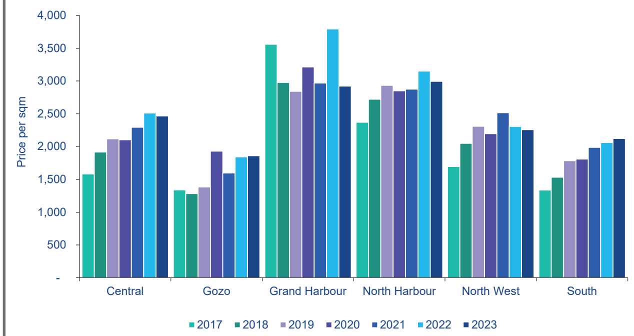


Property price movements - Apartments

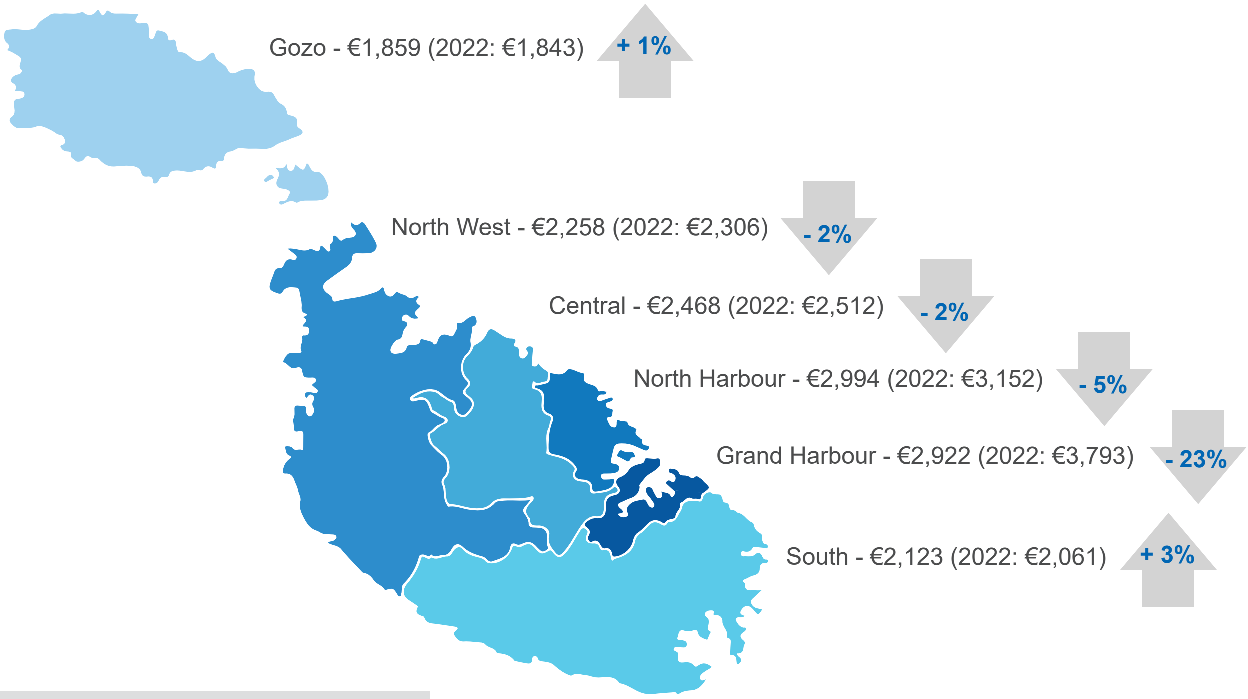


6% growth per annum on average, over 6 years.

Average price per sqm by region - Finished apartment



Heat map of finished apartment prices per sqm



Average asking price (€) per sqm for a finished apartment with no or unspecified views, outside of premium developments.

Introduction

The building industry, encompassing all stages from excavation to real estate sales, continues to play a pivotal role in the Maltese economy. Its significance extends beyond economic contributions, as it profoundly influences the environment, quality of life, and social well-being.

From an economic standpoint, the industry’s interconnectedness spans a wide spectrum, encompassing the supply of raw materials, fixture manufacturing, infrastructure construction, and its role as collateral in the financial sector. This intricate web of relationships renders the industry susceptible to external economic fluctuations while also transmitting its own shocks to various sectors.

Taking a broader, more holistic view, it becomes evident that the construction process and its end product have far-reaching consequences that extend beyond immediate transactions. These consequences include impacts on sustainable development, the aesthetic appeal and allure of the Maltese Islands, and the creation of inter-generational wealth, among others. These multifaceted effects make the industry a subject of interest, continuous discussion and occasional controversy.

This report represents an update to our previous work. Just as in past editions, we have sought to identify shifts within the industry and to highlight trends that could shape its future. Our ultimate objective remains unaltered: to furnish both qualitative and quantitative insights into the dynamics of the construction industry and property market. We achieve this by analysing primary and secondary data and by engaging with industry stakeholders, with the overarching goal of offering a comprehensive analysis of the sector.

1 Characterisation of the industry

1.1 Measuring industry size

Our approach to measuring industry size uses a building block approach. We first set out the foundations using the official definition of the industry (here referring to construction), before adding on other complementary economic activities which are related to the sector (hence we refer to Building Industry which is wider than just construction).

One of the most commonly used metrics to measure the size of an industry is to refer to the Gross Value Added (GVA). This is a measure of the total value of goods and services produced in an economy, or by a particular sector.

For the purposes of this study, we have made use of two approaches in order to show the contribution of specific productive sectors to the economy. Firstly, the output approach considers the total sales made by all firms in a particular industry, less any intermediate consumption[1]. Therefore, GVA for an economy, or a particular industry, is calculated as:

Gross value added = Total sales - Intermediate consumption

Secondly, the income approach can be calculated as the increase in the value of goods and services that arises as a direct result of the production process, and can be calculated as:

GVA = CFC + COE + T - S + NOS	Where: • CFC = Consumption of fixed capital • COE = Compensation of employees • T = Taxes on production • S = Subsidies on production • NOS = Net operating surplus

Both approaches yield identical results – one considers expenditure, the other considers payments to the factors of production.

1.2 Defining the building industry

National authorities collate official statistics in line with the NACE classification system. Under this system, activities related to construction are grouped under Section F (NACE Category F: Construction). Other activities (not in Category F) can also be linked to the construction industry. These are not captured within NACE F as they are included as part of the figures for other industries such as 'Real estate activities' (Section L) or Mining and Quarrying (Section B). In this report's definition of the building industry, two main sectors will be considered: the Construction sector under NACE F and the Real Estate sector under NACE L, both as defined by NSO official classifications. Shaded in colour are the sectors and subsectors that make up both of these identified industries. Shaded in grey are other sectors which, although may be attributed to the building industry, have not been included in our definition[2].

[1] Intermediate consumption measures the value of goods and services that are consumed as inputs by a process of production. These goods and services are supplied to the downstream firm and may either be transformed or used up during the production process.

[2] The definition of the building industry has been modified slightly from previous editions, for simplification purposes and to better align with official NSO statistics. Lack of data has also been considered as a factor for omitting certain sectors.

Figure 1.1: Composition of the building industry

1.3 Putting it all together – Gross Value Added

In order to estimate the size of the building industry, we aggregated the statistics reported by the National Statistics Office[3] into two main categories:

- The Construction sector (F)
- The Real Estate sector (L)

The construction sector classification considered here is kept in line with NSO's NACE group F categorisation, and includes the following:

- Construction of buildings (NACE 41) *
- Civil engineering (NACE 42) *
- Specialised construction activities (NACE 43) *

The Construction of Buildings (NACE 41) reflects economic activity resulting from the development of building projects and the construction of residential and non-residential buildings and tends to be the largest of the three core segments in terms of output. The second largest component is Specialised Construction Activities (NACE 43), which concerns activities considered as special trades, that take place in the construction of buildings and infrastructural projects[4].

The smallest segment is Civil Engineering which revolves around infrastructural projects such as, the construction of roads or utility works (NACE 42).

[3] Data was only available for sectors marked with an asterisk (*). For those marked with a double asterisk (**), data pertaining to these items are no longer provided by the NSO.

[4] Eurostat's NACE Rev.2 document details all activities that fall under this category, which among others includes pile-driving, foundation work, carcass work, concrete work, brick laying, stone setting, scaffolding, roof covering etc. Finishing works and completion activities is also included, as is the installation of all kinds of utilities including, but not limited to, plumbing, installation of heating and air-conditioning systems, antennas, alarm systems and other electrical work, sprinkler systems, elevators, and escalators, etc.

The real estate sector classification considered in our definition of the building industry is kept in line with NSO's NACE group L categorisation, and includes the following:

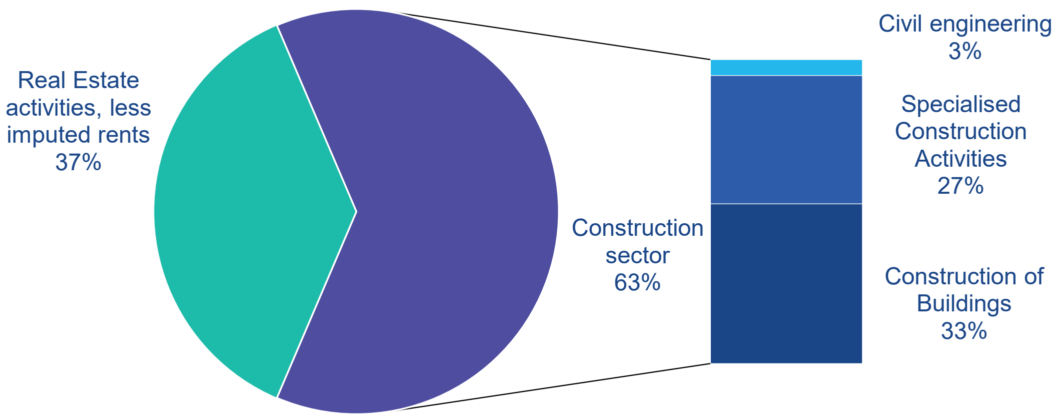
- Real estate activities (excluding imputed rents) (NACE 68) *

Other sectors that are associated with the construction and property market, but were not included in this edition's metrics, are:

- Architectural and engineering activities, technical testing, and analysis (NACE 71) *
- Manufacturing of fabricated metal products (NACE 25) *
- Mining and quarrying (NACE 08) **
- Manufacturing of wood and products of wood and cork (NACE 16) **
- Manufacturing of other non-metallic mineral products (NACE 23) **
- Services to buildings and landscape activities (NACE 81) **

As a result, the final figures presented below are likely to be understated under the premise that this category would have also benefitted from the economic growth experienced by the sectors for which more recent data was unavailable on the basis of confidentiality.

Figure 1.2: Composition of the building industry in 2022



Source: NSO data; KPMG Analysis

The above figure shows that the construction sector makes up 63% of the building industry as defined in this report. Real Estate activities (less imputed rents) make up 37%.

Nominal GVA for the first half of 2023 is compared against the first half of 2022 (hereafter also referred to as "H1 2023", and "H1 2022" respectively), for both sectors. The Construction sector (NACE F) has generated around €335.7 million in H1 2023 – 3.8% of the total for the entire economy, slightly down from around €339.2 million in H1 2022 (approx. 4.2% of total GVA during H1 2022). Real Estate Activities less imputed rents (NACE L) generated about €245.3 million in H1 2023, which makes up 2.8% of total GVA (less imputed rents). This is up from €189.6 million in the same period in 2022, when it commanded only 2.4% of total H1 2022 GVA. Estimating the share of the building industry in the whole economy in H1 2023, the figure stands at 6.5% of total GVA (less imputed rents), or €581.0 million. This is up from €528.8 million (6.6% of total GVA) in H1 2022.

Under this definition, the building industry's contribution to GVA is depicted in the Table below:

Table 1: GVA from the building industry

GVA from the building industry							
	2018 (€ millions)	2019 (€ millions)	2020 (€ millions)	2021 (€ millions)	2022 (€ millions)	H1 2022 (€ millions)	H1 2023 (€ millions)
GVA from construction sector	466	616	628	656	693	339	336
GVA from real estate activities (excluding imputed rents)	349	414	354	425	410	190	245
Total GVA from construction sector and real estate activities	**814**	**1,029**	**982**	**1,081**	**1,103**	**529**	**581**
Total GVA less imputed rents	**11,226**	**12,434**	**11,729**	**13,563**	**15,428**	**8,046**	**8,900**
% of total GVA	**7.3%**	**8.3%**	**8.4%**	**8.0%**	**7.1%**	**6.6%**	**6.5%**

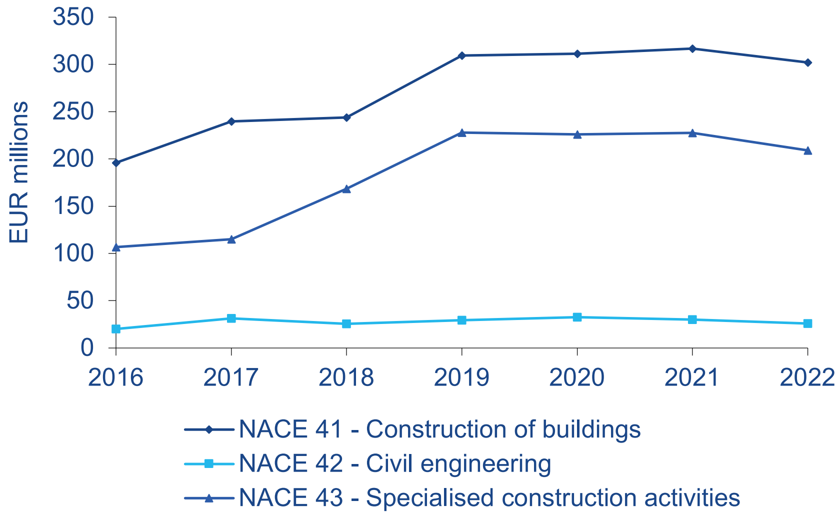
Source: NSO data; KPMG Analysis

Even though we are estimating a total GVA of €581 million for H1 2023, and €1,103 billion for 2022, the real figure is likely to be higher, due to the exclusion of other goods and services which are in some way related to the building industry, but could not be included due to data limitations.

1.4 Industry performance

Assessing H1 2023 over H1 2022, the GVA in the construction sector (as defined under NACE F) decreased by 0.9% in nominal terms, and by 13.2% in real terms. From this, it can be inferred that the size of the industry has contracted significantly after accounting for the inflationary environment characterising this period. This declining trend can be observed in all construction segments in 2022 as well, as depicted below.

Figure 1.3: Gross Value Added in real terms



Source: NSO data; KPMG Analysis

Construction GVA decreased by 6.6% in real terms over the course of last year (2022/1). The notable decline in 2022 comes amid rising costs in the industry associated with raw materials and transportation, partly attributed to the Russia-Ukraine War. Hence, while 'Construction' (NACE F) experienced nominal growth during 2022 (+5.7% over 2021), most of this is likely due to price hikes, as the sector itself actually contracted in real terms during this time. Moreover, the nominal and real contraction in 'Civil engineering' (-3.6% and -13.7%, respectively) over the last year, can be partly explained by the government's reduction in expenditure on infrastructural projects.

Turning to Real Estate Activities[5] (NACE L), GVA has seemingly performed comparatively better to the construction sector, having expanded by 13.6% in nominal terms, and by 1.8% in real terms, in H1 2023 over the same period in the prior year. The service-based nature of the industry is not necessarily subjected to price hikes related to raw materials or transportation, and as such is less impacted by cost-push inflation. GVA in 2022 increased by 7.1% in nominal terms, and by 1.3% in real terms in comparison to 2021.

[5] This is inclusive of imputed rents as calculation is based off published GDP data as disaggregated by NSO.

Table 2: GVA sectorial growth in H1 2023

GVA sectorial growth H1 2023		
Economic sector	**Nominal Growth**	**Real Growth**
NACE group F - Construction	-0.9%	-13.2%
NACE group L - Real Estate Activities	13.6%	1.8%

Source: NSO data; KPMG Analysis

Comparing real sectorial growth of construction (-6.6%) to the general real GVA growth (+8.6%) in 2022 reveals the former to be going against the national trend of combined economic sectors. The same can be said for real growth in H1 2023 over the same period last year, where the overall GVA growth was positive at +5.4%, in contrast to the construction sector (-13.2%).

Other sectors such as wholesale and retail, transport and storage, and accommodation and food activities agregately recorded relatively strong real growth, increasing by 27.6% in 2022, and by 6.1% in H1 2023 over the same period last year. The latter industries were the hardest hit by the impacts of COVID-19, suffering major contractions in 2020, and therefore needing a strong recovery in 2021 and 2022 to catch up. Meanwhile, during the pandemic the construction industry only experienced a slowdown in growth, with the drop in the number of permits for new dwellings during the pandemic likely contributing to a reduction in activity in 2020 and 2021. This could partly explain the apparent misalignment with other economic sectors. In the following page, Table 3 shows movements in real GVA across sectors. Comparing 2022 with 2021, only 'Construction' and 'Financial and insurance activities' registered declines (-6.6% and -2.4%, respectively). When comparing H1 2023 with the corresponding period in 2022, only 'Agriculture, forestry and fishing' and 'Construction' registered declines.

Table 3: Change in real GDP between 2021 and 2022 and between H1 2022 and H1 2023[6]

Change in real GDP - Output Approach							
	NACE Group	**2021 (€ 000's)**	**2022 (€ 000's)**	**% Change**	**H1 2022 (€ 000's)**	**H1 2023 (€ 000's)**	**% Change**
Gross Value Added (GVA) by sector							
Agriculture, forestry and fishing	A	147,456	150,937	2.4%	46,638	45,448	-2.6%
Mining and quarrying; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	B + D + E	225,440	234,189	3.9%	109,641	153,093	39.6%
Manufacturing	C	895,712	976,510	9.0%	451,889	506,382	12.1%
Construction	F	576,800	538,598	-6.6%	273,295	237,191	-13.2%
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accomodation and food service activities	G + H + I	2,056,866	2,624,924	27.6%	1,188,612	1,260,893	6.1%
Information and communication	J	1,279,785	1,453,145	13.5%	713,880	733,117	2.7%
Financial and insurance activities	K	1,091,662	1,064,959	-2.4%	528,821	601,723	13.8%
Real estate activities	L	653,608	661,897	1.3%	323,595	329,552	1.8%
Professional, scientific and technical activities; administrative and support service activities	M + N	2,016,721	2,205,509	9.4%	1,071,712	1,184,948	10.6%
Public administration and defence; compulsory social security; education; human health and social work activities	O + P + Q	1,961,287	2,024,699	3.2%	1,020,287	1,027,053	0.7%
Arts, entertainment and recreation, repair of household goods and other services	R + S + T + U	1,486,880	1,574,361	5.9%	808,799	823,432	1.8%
Total GVA		**12,396,460**	**13,456,723**	**8.6%**	**6,527,613**	**6,880,682**	**5.4%**
Add Taxes on products		1,268,565	1,231,258	-2.9%	649,790	621,824	-4.3%
Less Subsidies on products		43,649	64,820	48.5%	32,407	34,432	6.2%
GDP		**13,601,742**	**14,542,410**	**6.9%**	**7,106,594**	**7,419,686**	**4.4%**

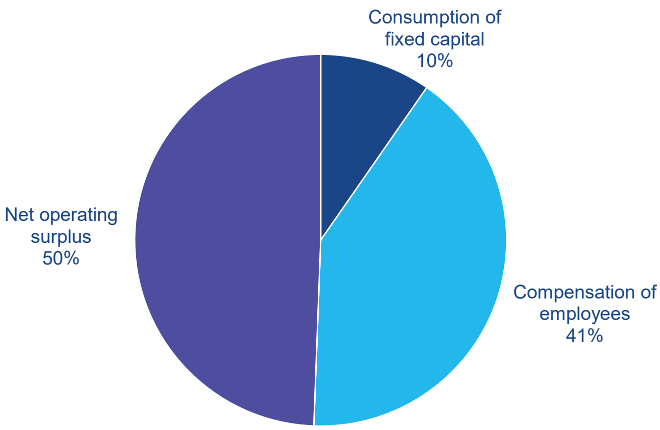
Source: NSO data; KPMG Analysis

[6] Note that these figures are sourced directly from NSO, and the apparent discrepancy in the summation of these estimates is due to the inherent nature of using real values.

Looking at a more detailed breakdown of the construction sector's nominal GVA between 2021 and 2022, the most significant increase was registered in compensation of employees with an increase of almost €20.9 million, followed by an increase of around €7.7 million in the consumption of fixed capital. The lowest degree of growth was measured in net operating surplus, with growth of €6.7 million. Growth in H1 2023 over H1 2022 was less significant for consumption of fixed capital with a change of just 1.0% or €0.3 million. The biggest change was a decrease in net operating surplus, which fell by €12.5 million, while compensation of employees increased by €9.7 million.

In Figure 1.4, a depiction of the share of the GVA components for the construction sector in H1 2023 is provided. Net Operating Surplus commands the largest share of the nominal GVA at 50%. The share of the GVA components have stayed largely the same since H1 2022.

Figure 1.4: Gross Value Added for construction sector (NACE F) in H1 2023

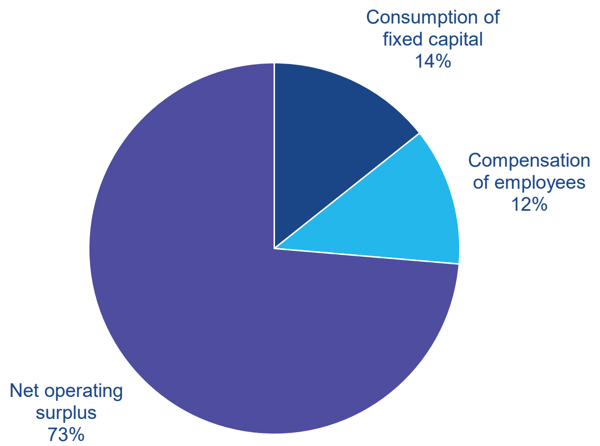


Source: NSO data; KPMG Analysis

The component with the most significant change between 2021 and 2022 for the Real Estate sector (excluding imputed rents) was registered in net operating surplus with a decrease of almost €31.2 million, followed by an increase of around €7.4 million in the consumption of fixed capital. The lowest degree of growth was measured in compensation of employees, with growth of €6.8 million. Growth in H1 2023 over H1 2022 was positive for net operating surplus, which increased by €45.2 million. Consumption of fixed capital and compensation of employees also saw an increase of €5.0 million and €4.3 million, respectively.

In Figure 1.5, a depiction of the share of the GVA components for the real estate sector as of H1 2023 is provided. Net Operating Surplus commands the largest share of the nominal GVA at 73%. The share of the GVA components have stayed largely the same since H1 2022.

Figure 1.5: Gross Value Added for real estate sector (NACE L) in H1 2023



Source: NSO data; KPMG Analysis

1.5 Employment and compensation of employees

Between the end of 2021 and end of 2022, the number of full-time equivalents (FTEs) in the construction sector increased by 7.3%, while that of the Real Estate sector increased by 11.7%.

It is estimated that a total of 17,620 (16,414 as at December 2021) FTEs were directly employed by the construction sector as at December 2022, approximately 6.6% (up from 6.4% in 2021) of the total number of FTEs employed throughout the economy. These trends appear to persist going into 2023, where the number of FTEs in this segment expanded further to 20,158 as at March this year, maintaining its 6.6% share of the total number of FTEs in the economy.

In the Real Estate sector, 3,500 FTEs are estimated to have been directly employed as at December 2022 (from 3,134 in December 2021). Similar to the construction sector, the number of gainfully occupied in the real estate sector appears to have grown to 3,666 as at March 2023, which is about 400 more over the same period last year.

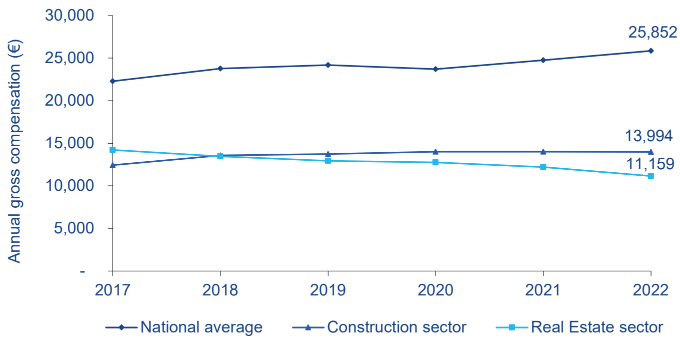
Hence, in total, the building industry employed a combined 23,824 FTEs as at March 2023, or 7.8% of all gainfully occupied in Malta.

Between 2021 and 2022, the construction sector's compensation to employees grew by 8.7% whilst the GVA generated for this same sector increased by 5.7%. On this basis, one can infer that between 2021 and 2022, compensation to employees grew at a proportionately greater rate than the overall growth in GVA generated by the construction of buildings sector. On the other hand, compensation to employees in the Real Estate sector actually decreased by 1.0% over 2021, as GVA increased by 7.1% in nominal terms, meaning the growth in this sector likely was not reflected in the form of increased compensation to employees.

The national average compensation per employee stood at €22,281 in 2017 and increased to €25,852 by 2022[7], an annual average increase of 3.0%. Assessing the construction sector, the average compensation per employee is estimated at €12,432 in 2017, which increased to €13,994 by 2022 – an annual average increase of 2.4%. However, average compensation per employee in this sector saw no growth over 2021, as the average growth in FTEs (8.8%) matched the growth in compensation to employees over the course of 2022.

In the Real Estate sector, the average compensation per employee has been decreasing every year, coming down to €11,159 in 2022 from €14,206 in 2017 – an annual average decrease of 4.7%. This year saw average compensation per employee fall by 8.5% over 2021.

Figure 1.6: Trends in average compensation of employees



Source: NSO data; KPMG Analysis

The contraction in individual employee compensation comes in contrast to the national average compensation per employee during 2022, which was 4.4% greater than in 2021, as economy-wide compensation actually outpaced (9.9%) the growth in economy-wide FTEs (5.2%), indicating weaker average compensation growth in the construction and real estate sectors relative to the rest of the sectors.

One should also note that compensation of employees would not capture fees paid to individuals working as self-employed contractors. Such earnings for the construction sector would be captured together with other profit as part of net operating surplus, which has increased by around 77.6% between 2017 and 2022, or an annual average increase of 12.2%. This could indicate a trend towards more individuals working as self-employed, albeit the segment's Net Operating surplus only increasing by 1.9% over the last year.

[7] Calculated as total compensation of employees in nominal terms divided by total number of FTEs. Sources: NSO, Gross Domestic Product: Q1/2023, News Release 095/2023, and previous reports in same series; NSO, Registered Employment: March 2023, News Release 142/2023, and previous reports in same series.

1.6 Estimating a more comprehensive view of the building industry

The previous section estimated that the building industry contributes approximately 6.5% of total nominal GVA generated within the local economy (H1 2023 figures). This includes the GVA of the construction and real estate sectors as defined by NSO. What is not captured is the contribution to GVA from other sectors as described in section 1.2, and other sectors not linked to the construction industry, but which have generated economic output as a result of construction activities (for example auditing a construction company, provision of legal services, or manufacture and sale of office furniture).

To estimate the direct and indirect economic impact of the supply of goods and services which are related to construction and real estate (as the two main components of the building industry) we use the latest Type 1 Value-Added Multipliers published by the Central Bank of Malta (based on the 2015 Symmetric Input-Output Table).

Table 4: Estimation of GVA

Estimation of the GVA contribution from the broader construction industry		
Source of GVA contribution	**€'000**	**% of total GVA**
Construction		
Output from construction	1,844,705	
Construction Type 1 Value Added multiplier	0.55	
Value added from construction	1,014,588	6.4%
Real estate		
Output from real estate (incl. imputed rents)	1,586,280	
Real estate Type 1 Value Added multiplier	0.78	
Value added from real estate	1,237,299	7.8%
Value added from construction and real estate	2,251,887	
Less inter-industry linkages	(103,110	-0.6%
Estimated contribution to total GVA by construction and real estate	**2,148,776**	**13.5%**

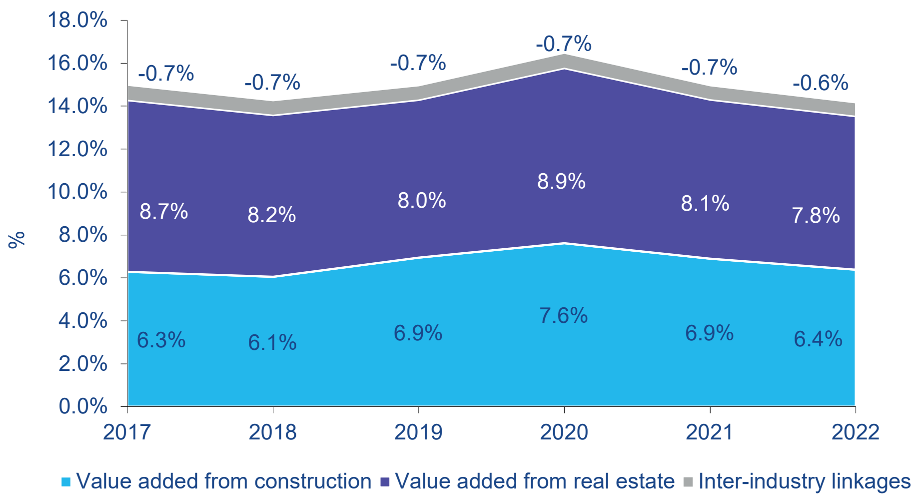
Source: NSO data; KPMG Analysis

Based on the results obtained, one could estimate the contribution to GVA by the Building industry in Malta in 2022 to be around €2.1 billion (13.5% of total GVA).

Data for 2022 indicates that the building industry's share of total GVA has decreased slightly, indicating growth in the economy has outpaced the industry. This is in line with earlier observations comparing the performance of the construction and real estate sectors with the general economy.

The graph below shows the results over a number of years, and visually indicates the approximate contribution to total GVA from the building industry.

Figure 1.7: Estimation of the GVA contribution from the wider building industry



Source: NSO data; KPMG Analysis

1.7 Industry interlinkages

In this section, we rely on the latest “supply and use table framework” to show the intricate connections between economic sectors, a framework that has remained consistent with our previous report.

Much like any economic sector, the construction industry does not operate in isolation. Entities within this sector must procure various inputs, such as raw materials and professional services, from other industries to bring any project to fruition, be it the construction of a residential building or any other endeavour. In return, the construction industry supplies an array of “products” that find utility across various segments of the economy.

A detailed analysis of the interdependencies between the construction industry and the broader economy yields the following insights (these are replicated from previous reports for the sake of completeness[8]):

- The construction industry operates by using a number of key inputs or ‘products’. Production related products account for 63% of these inputs, while construction related products account for 22% of inputs.
- Such inputs are transformed into output products (when combined with labour, capital and enterprise). The bulk of this output is classified as ‘construction related products’, and accounts for 89% of the industry’s output.
- The construction industry is not the only industry which produces construction related products, although the bulk of it hails from this industry. The production industry also produces an estimated 1.13% of all construction related products.
- Construction related products are utilised by a number of industries across the economy. The construction industry itself uses 36% of such products, but a few other industries also utilise it as a key input, including the production industry (6%), the real estate industry (13%), and public administration (6%), amongst others.

This analysis is presented as an illustration in the following page.

As in our past reports, our analysis employed the available input-output tables, which we note were published in 2021 and relate to the state of the economy in 2015.

[8] The Input-Output Tables have not been updated since the publication of the previous report.

What types of products does the construction industry use?

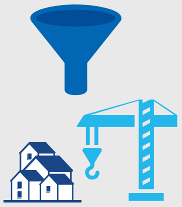
Inputs to the construction industry

Production related products - 63.24%
Construction related products - 21.70%
Administration and support products - 1.52%
Professional related products - 6.85%
Financial & Insurance related products - 3.15%
Other related products - 5.06%

Which industries make use of products produced by the construction industry?

Industries which make use of construction related products

Construction industry - 36.22%
Production industry - 5.90%
Real Estate industry - 13.48%
Professional industry - 2.78%
Administration and support industry - 2.73%
Public administration - 5.65%
Education industry - 3.86%
Health and social work industry - 3.65%
Distribution industry - 5.80%
Hotels and restaurants industry - 6.23%
Transport industry - 7.90%
Other - 5.80%



Construction Industry

Which industries also supply construction related products?

Product outputs produced by the construction industry constitutes an input to other industries

Construction industry - 97.20%
Administration and support industry - 0.41%
Production industry - 1.13%
Information and communication industry - 0.88%

What types of products does the construction industry supply?

Products supplied by the construction industry

Construction related products - 89.30%
Production related products - 9.27%
Distribution products - 0.44%
Administration and support products - 0.47%
Real Estate related products - 0.28%

Source: NSO data (based on 2015 SIOT); KPMG Analysis

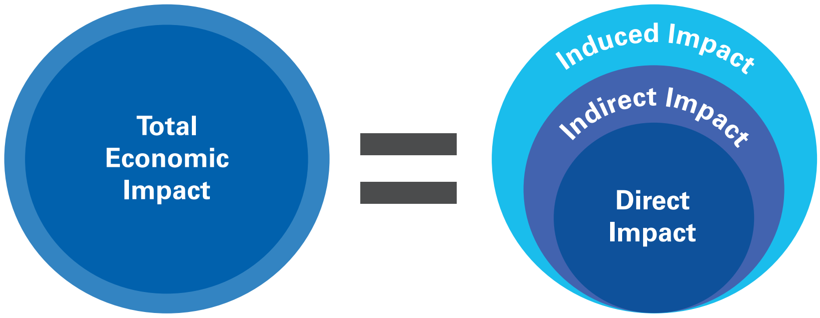
1.8 Multiplier analysis

Whenever a consumer purchases a good or service, the economic impact is greater than the value of their expenditure. This is the concept of the economic multiplier.

Economic multipliers are a tool used to estimate the total economic impact created by an initial spend. A more detailed explanation of multiplier analysis is provided in Appendix D.2. Essential concepts and terminology which are pertinent to the understanding of this section are presented below:

- **Direct impact** – This is the initial spend made by a final consumer. Official statistics on output by economic sectors are a reflection of the direct impact attributable to those sectors.
- **Indirect impact** – This reflects the 'second round' of spending. For example, the demand created upstream to purchase raw materials needed to produce goods sold.
- **Induced impact** – This reflects all subsequent rounds of spending. For example, the spending by employees of the company supplying the goods initially purchased which can be linked to the original direct spend.
- **Type 1 Multiplier** – An estimate which captures both direct and indirect impact.
- **Type 2 Multiplier** – An estimate which captures direct, indirect, and induced impacts.

To take the construction industry as an example, the Type 1 multiplier for this industry is approximately 1.77. This means that a spend of €1 will result in a direct and indirect economic impact (output) of €1.77 (€1 direct impact + €0.77 indirect impact). As it stands, we are using the latest multipliers which are based on 2015 figures. These multipliers offer the closest representation to the current scenario in Malta.



In the following section, we consider the total output generated by the construction sector and the real estate sector during 2022 and apply two types of economic multipliers to estimate the total impact on the economy brought about by activity in construction and the real estate, respectively. Note that these figures should not be interpreted as showing the percentage share of the economy – that was estimated in the previous section. Here, the multipliers (also called simple or modelling multipliers) show the impact on output, value-added, income and employment from a marginal increase/decrease in final demand from a particular industry.

Results for past years have been recalculated to reflect updates in official statistics.

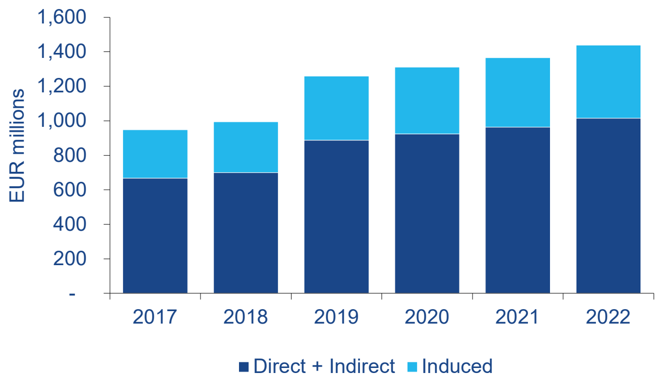
1.8.1 Value added multipliers

Value added multipliers measure the extent to which an increase in output generates value added in the economy. By value added we are referring to the creation of wealth in the economy, measured from the income side by compensation to employees, gross operating surplus, and consumption of fixed assets.

All figures are in nominal terms. The Type 1 and Type 2 value added multipliers associated with the quarrying and construction industry are 0.55 and 0.78, whereas the Type 1 and Type 2 value added multipliers associated with real estate activities are 0.78 and 0.85.

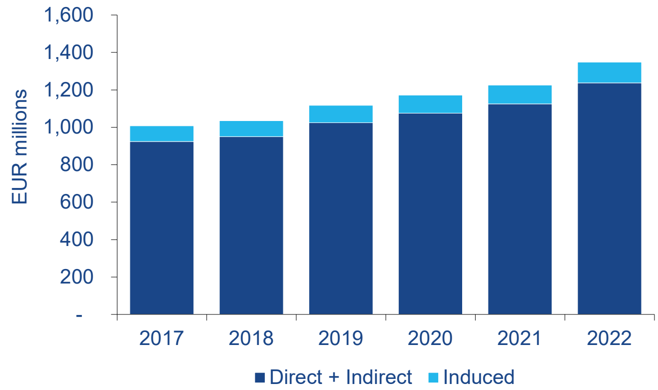
This means that the output generated in 2022 for the construction industry would be expected to have led to around €1.0 billion in direct and indirect value added, with an additional €0.4 billion in induced value added, for a total of €1.4 billion[9, 10]. As for the real estate sector (inclusive of imputed rents), output effectively generated around €1.2 billion in direct and indirect value added, with an additional €0.1 billion in induced value added, for a total of €1.3 billion.

Figure 1.8: Value added multipliers: Construction



Source: KPMG Analysis

Figure 1.9: Value added multipliers: Real estate activities



Source: KPMG Analysis

[9] This is lower than the €1.9 billion reported in section 1.6 due to the omission of real estate activities, which is considered part of the 'Building industry' as defined in this report.

[10] Also note that multipliers are worked out using nominal figures and therefore, the increase in Construction value added in 2022 compared to 2021 is chiefly coming from the increases in prices.

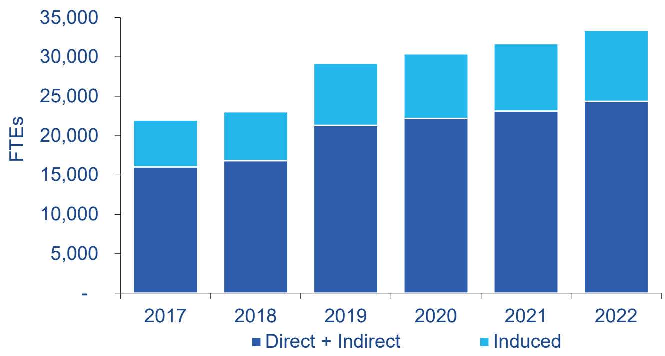
1.8.2 Employment multipliers

Employment multipliers estimate the number of jobs created as a result of a €1m increase in demand in a particular sector. For the construction sector, the Type 1 employment multiplier is 13.21, and the Type 2 employment multiplier is 18.09[11]. The results of the Type 1 multiplier should be interpreted as the minimum number of jobs likely to be generated as a result of the direct output generated by the construction industry, while the results of the Type 2 multiplier should be interpreted as the likely maximum number of jobs generated. Hence in reality, the construction industry most likely contributes to the creation of a number of jobs within this range. The same applies for the employment multipliers for the real estate sector, where the Type 1 employment was estimated at 3.62 and the Type 2 employment multiplier was estimated at 5.09.

Applying the output figures for 2022, this means that in that year, the construction industry supported an estimated 24,369 direct and indirect jobs. Direct jobs refer to employment positions within the construction industry itself (e.g. manual labourers employed with a construction company) whilst indirect jobs refer to employment positions generated as a result of intermediate demand created by the construction industry (e.g. labourer working with a quarry operator supplying raw material to a construction firm). For its part, the real estate sector supported an estimated 5,742 direct and indirect jobs.

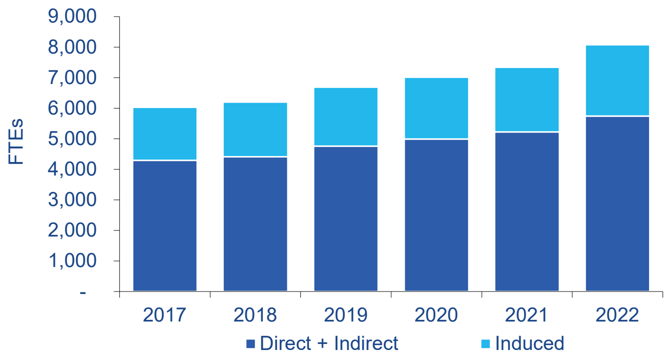
In terms of induced jobs, a further estimated 9,002 jobs (bringing the total up to 33,371[12]) would be expected to have been supported in the construction industry. A further estimated 2,332 jobs (bringing the total up to 8,074) would have been expected to have been supported in the real estate sector. Induced jobs refer to employment created as a result of additional rounds of spending by construction and real estate sector employees, respectively.

Figure 1.10: Employment multipliers: Construction



Source: KPMG Analysis

Figure 1.11: Employment multipliers: Real estate activities



Source: KPMG Analysis

[11] Note that employment multipliers changed drastically from the ones calculated form the 2010 SIOT. The previous employment multipliers, used in previous editions of the report, were 27 for Type 1, and 32 for Type 2.

[12] This figure should be interpreted with caution, in that it represents the maximum theoretical employment impact as a result of the construction industry.

2

Property market analysis

This section is dedicated to analysing property trends in both residential and commercial real estate. The residential category will cover apartments, penthouses, maisonettes, terraced houses, and other related properties. For this analysis, we will leverage data from our proprietary database, supplemented by information sourced from governmental entities including the National Statistics Office and the Commissioner for Inland Revenue. In the context of commercial property, our primary focus will be on offices and retail properties.

2.1 Residential permits

Data published by the NSO shows that a total of 9,599 residential units were granted approval during 2022, an increase of 26.7% over 2021. This jump in growth comes after a prior decrease in permits for residential properties between 2020 and 2021, possibly suggesting a period of anxiety from developers amidst the uncertainty of the pandemic period, which has now seemingly dialled down. The number of residential permits sanctioned between January and June 2023, stood at 4,993, a marked decline of 8.3% over the corresponding period in 2022.

Similar to previous periods, during the first half of 2023, apartments made up 71.3% of approved units followed by penthouses at 15.6%, and maisonettes at 8.9%[13].

Table 5: Residential permits by property type

Residential permits by property type												
Type	**2017***	**2018***	**2019***	**2020***	**2021***					**2022**		**2023**
						Q1	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**
Apartments						2,284	1,586	1,488	1,417	6,775	1,819	1,740
Penthouses						468	346	348	343	1,505	393	386
Apartments and penthouses	7,762	11,211	10,726	6,737	6,451	2,752	1,932	1,836	1,760	8,280	2,212	2,126
Maisonettes	852	1,166	1,266	726	738	330	202	177	201	910	224	222
Terraced houses	301	396	402	297	290	92	89	58	94	333	74	81
Other	91	112	131	71	99	29	17	21	9	76	30	24
Total	**9,006**	**12,885**	**12,485**	**7,831**	**7,578**	**3,203**	**2,240**	**2,092**	**2,064**	**9,599**	**2,540**	**2,453**

*Source: NSO data; Central Bank of Malta**

[13] Permit data was retrieved from NSO News releases and from the Central Bank of Malta Development Permits for Dwellings, by Type.

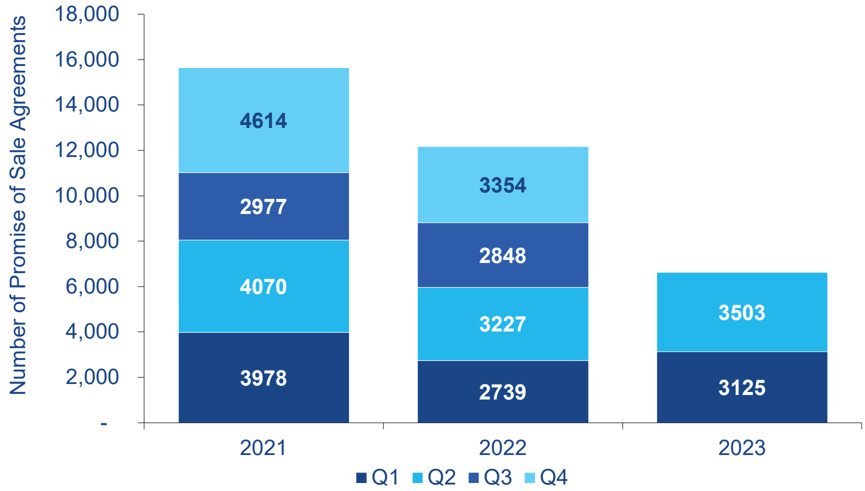
[*] Data for these years combine Apartments and Penthouses collectively.

2.2 Residential promise of sale agreements

The composition of the datasets under analysis significantly influences the outcomes we derive. Consequently, some of the fluctuations in our results from one year to the next can be attributed, in part, to alterations in the dataset's composition, as well as shifts in market dynamics.

Promise of Sale agreements witnessed an 11.1% rise in the first half of 2023 when contrasted with the corresponding period in 2022. However, this change has to be interpreted when seen within the context of the fluctuations seen over a number of years.

Figure 2.1:Number of promise of sale agreements per quarter



Source: NSO data

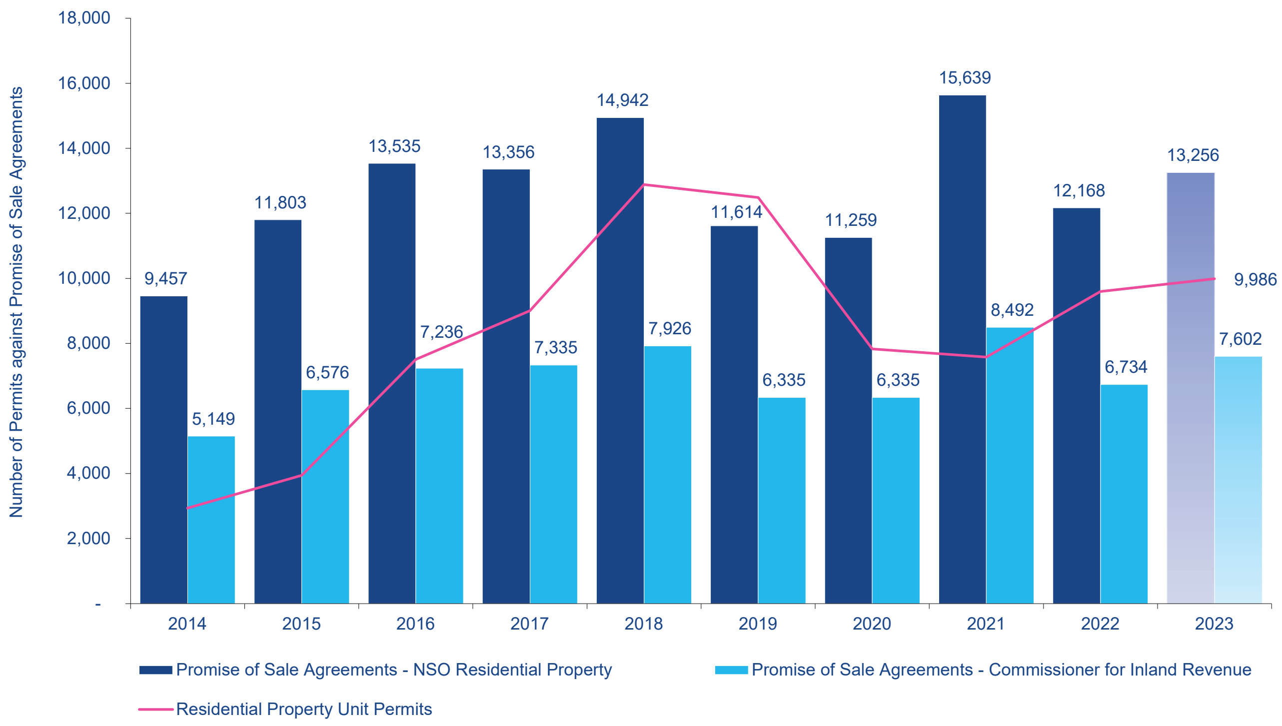
Promise of Sale agreements in 2021 witnessed a strong recovery following a relatively weaker one in 2020. However, in 2022, a contraction occurred, which is gradually rebounding in 2023. This fluctuation can be attributed to several factors, including changes in buyer preferences.

When evaluating Promise of Sale agreements, it is worth noting the proportion of potential buyers represented by households. During the first half of 2023, an average of 92% of potential buyers were households making up the majority of potential buyers.

Additional insight into property price levels and sales volume is attainable through data provided by the Commissioner for Inland Revenue. The initial observation drawn from this dataset is that it includes non-residential promise of sale transactions, which fall outside the scope of this particular analysis. These transactions cover various categories such as garages, plots of land, commercial properties, boathouses, parking spaces, and more. Consequently, a data cleaning process was carried out to establish a dataset that closely aligns with, or resembles, the one previously employed. This preparatory phase was particularly crucial, as this subsection will involve a comparative analysis between promise of sale agreements and permits.

A crucial caveat for the following analysis is that, as of 2023, data is available only for the first half of the year. To facilitate a proper comparison with previous years, we employed a high-level extrapolation approach by doubling the H1 2023 data. This adjustment assumes that the trends observed in the first half of 2023 will persist throughout the remainder of the year. While this assumption may not hold true, it enables us to cautiously compare promise of sale agreements and permits to previous years.

Figure 2.2: Residential property unit permits in comparison to residential promise of sale agreements



Source: NSO data; Commissioner of Inland Revenue; KPMG Analysis

Based on data from the NSO, there were a total of 73,776 permits issued for residential property units between 2014 and 2022. Furthermore, during this period, there were 62,118 promise of sale agreements exclusively related to apartments, penthouses, maisonettes, terraced houses, and other residential categories, which cover bungalows, farmhouses, and villas which accounts for 54.6% of total Promise of Sale Agreements. This trend indicates that permits for residential property units exceeded the number of promise of sale agreements during this timeframe, noting also that POS cover existing dwellings.

This trend appears to extend into the first half of 2023, with a total of 4,993 permits issued and 3,801 promise of sale agreements recorded.

2.3 The demand and supply for different property types

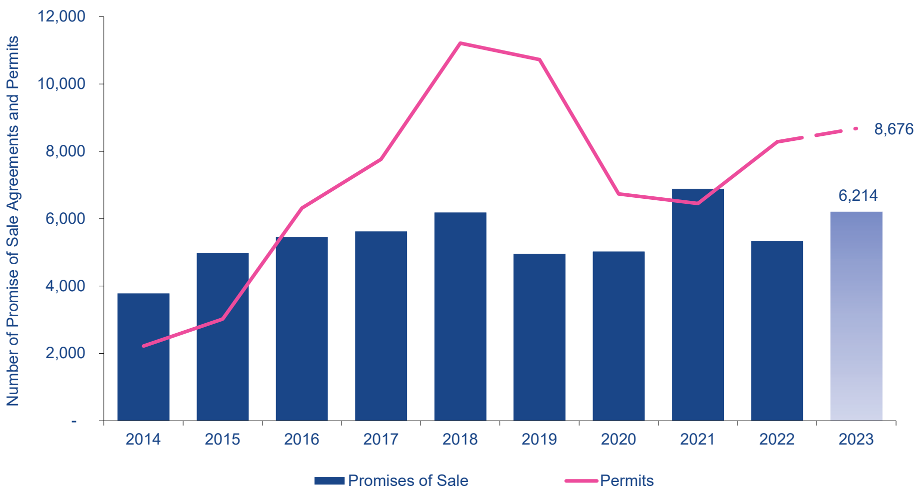
Overlaying Promise of Sale data onto approved permits for different property types provides insights into market demand and supply patterns. Below, we present the count of promise of sale agreements compared to issued permits for specific property categories until 2023. Notably, data for 2023 underwent adjustments to enable a proper comparison. It is important to reiterate that the assumption that these adjustments accurately reflect the true course of events may not hold throughout the analysis. This caveat remains relevant throughout our examination.

2.3.1 Apartments and penthouses

In 2023, apartments and penthouses constituted the vast majority of the property types under consideration, comprising 71.3% and 15.6%, respectively. If the trend witnessed in the first half of 2023 persists, a 4.8% uptick in the issuance of permits for apartments and penthouses might be registered at the end of 2023 compared to the previous year, while the number of POSs might surge by 16.1%. The modest increase in permits likely indicates a period of stabilisation, while the significant rise in POS agreements suggests that demand was less adversely affected by the pandemic and other events that followed. Indeed, this increase in POS agreements in 2023 was expected as a counteraction to the decline observed from 2021 to 2022.

Examining the data for H1 2023 in comparison to H1 2022, a decreas of 7.4% was observed in permits, and a notable 16.8% increase in POS agreements*.

Figure 2.3: Apartments and penthouses



Source: Commissioner of Inland Revenue; NSO data; KPMG Analysis

The Table overleaf reports permits and POS agreements for apartments and penthouses separately during the first half of 2022 and 2023. Notably, historical data beyond this timeframe is unavailable for apartments and penthouses separately highlighting the reason as to why the prior analysis included apartments and penthouses collectively.

* These findings are not reflected on figure 2.3 since we applied the previously mentioned caveat to produce the graph - that is, we assume that the trend observed in H1 2023 will persist throughout the year.

The figures indicate that both the demand and supply for apartments significantly surpass those of penthouses which aligns with the number of apartments and penthouses currently within the market.
For both apartments and penthouses, there was a decrease in permits during the first half of 2023 when compared to the same period in 2022 (-8.0% and -4.3% for apartments and penthouses, respectively), alongside an increase in POS agreements (17.1% and 15.1% for apartments and penthouses, respectively).

Table 6: Promise of sale agreements and permits for apartments and penthouses

Promise of Sale agreements and permits for apartments and penthouses				
Type	Promise of Sale Agreements		Permits	
	H1 2022	H1 2023	H1 2022	H1 2023
Apartments	2,328	2,725	3,870	3,559
Penthouses	332	382	814	779

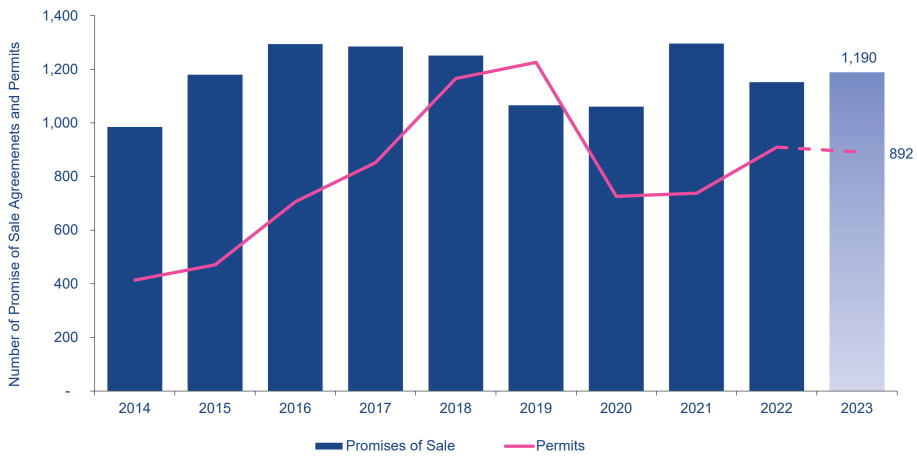
Source: Commissioner for Inland Revenue; KPMG Analysis

2.3.2 Maisonettes

Regarding maisonettes, there was a noteworthy 23.3% increase in permits in 2022, building upon the trend observed in 2021. Although we are not presenting a forecast, the current run rate points at a potential decrease in the number of permits issued for maisonettes compared to the previous year. Conversely, the number of POS agreements signed is expected to exhibit a modest increase, following a decline from 2021 to 2022 – that of 11.1%.

When comparing the first half of 2023 to the corresponding period in 2022, permits have declined by 16.2% compared to the same period in the previous year, while POS agreements have increased by 8.4%, with a total of 595 POS agreements issued and signed for maisonettes.

Figure 2.4: Maisonettes



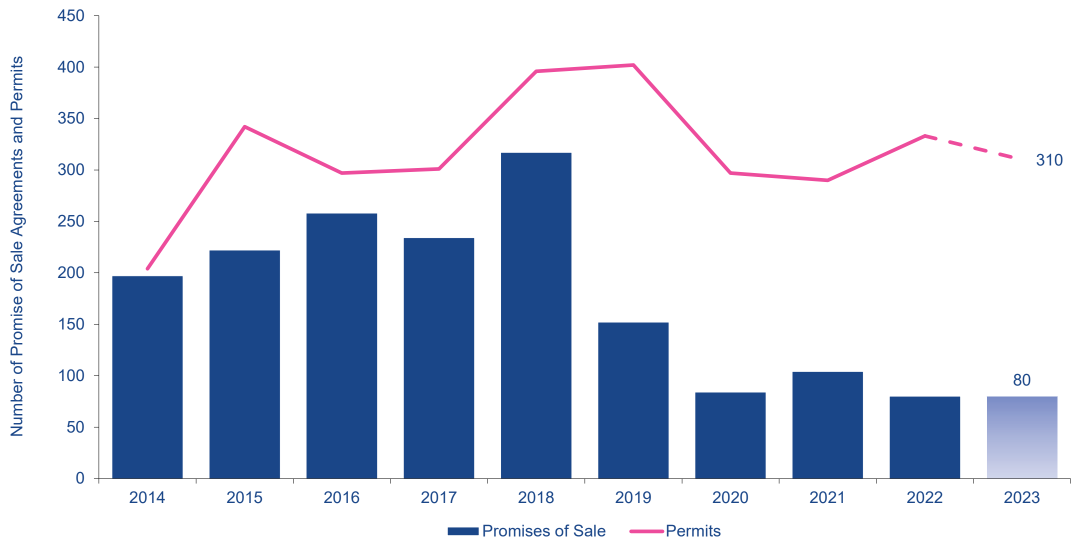
Source: Commissioner of Inland Revenue; NSO data; KPMG Analysis

2.3.3 Terraced houses

Similar to other property categories, the projected number of permits expected to be issued for terraced houses in 2023 is slightly lower than in 2022, representing a decrease of approximately 6.9%. In contrast to some other property types, the demand for terraced houses is expected to remain stable from 2022 to 2023. This suggests that demand, and consequently the number of POS agreements for terraced houses, is likely to remain consistent or very close to the same levels.

When we compare the data for the first half of 2023 with the corresponding period in 2022, we observe declines in both promises of sale and permits for terraced houses, with a 14.4% decrease in permits and a 16.7% decrease in POS agreements.

Figure 2.5: Terraced houses



Source: Commissioner of Inland Revenue; NSO data; KPMG Analysis

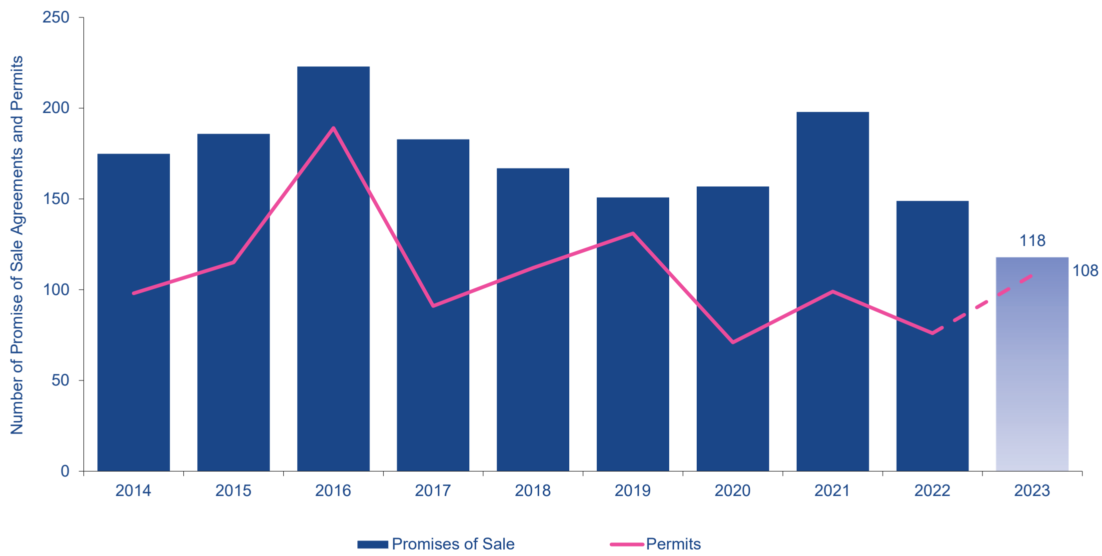
2.3.4 Others – bungalows, farmhouses, villas

Other types of dwellings under scrutiny include bungalows, farmhouses, and villas. These properties typically command significant price premiums, yet their demand tends to be relatively lower compared to other property categories. In recent years, a consistent trend has emerged wherein POS signed consistently surpasses permits issued.

Anticipated for 2023 is a robust growth in the number of permits issued for these types of dwelling, surpassing the figures from 2022. Conversely, the number of POS agreements signed is expected to decline, though it will still maintain a superior position compared to the number of permits.

When we compare the data for the first half of 2023 to the same period in the previous year, a 17.4% increase is observed in permits issued, while there is a decline of 10.6% in POS agreements, pointing towards an increase in supply and a decrease in demand. It is worth noting that, given the nature of these properties, growth in this segment may suggest a market preference for larger properties. However, it is important to recognise that the volumes involved in this category are much smaller than those of apartments and maisonettes, meaning that even slight changes in absolute numbers will result in larger percentage fluctuations.

Figure 2.6: Others - bungalows, farmhouses, villas



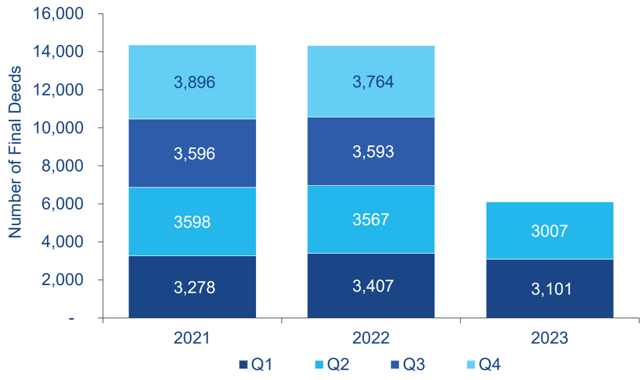
Source: Commissioner of Inland Revenue; NSO data; KPMG Analysis

2.4 Residential final deeds of sale

This analysis relies on data obtained from the NSO and covers the count of final deeds recorded up to August 2023. However, the scope of this analysis will be limited to the first half of 2023.

In the first half of 2023, there were a total of 6,108 final deeds registered, marking a 12.4% decrease compared to the same period in the previous year and an 11.2% decline from the first half of 2021. Among these final deeds, approximately 92% involved individual buyers, often referred to as households. These overarching findings suggest a reduction in the issuance of final deeds among potential buyers, which might have been anticipated, given the decrease in residential permits and promise of sale agreements during the same period.

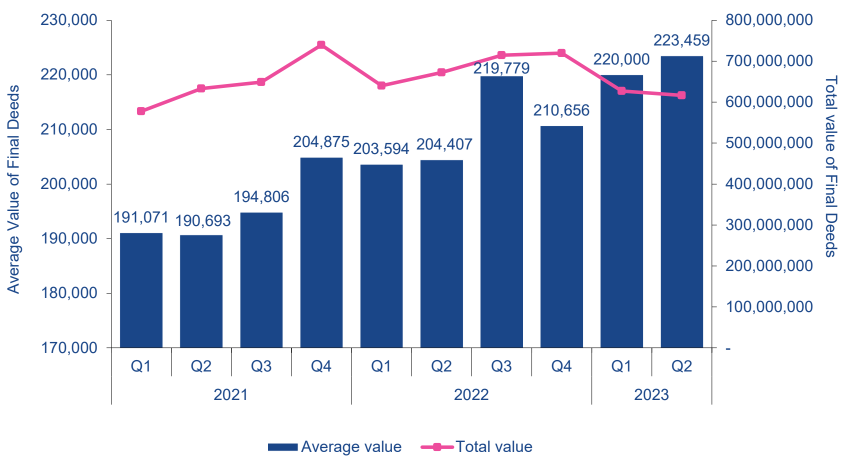
Figure 2.7: Final deeds



Source: NSO data

The average value of final deeds involving households during the first half of 2023 stood at €206,334. Despite the declining sales in the residential property sector, the value of final deeds in H1 2023 saw a modest increase of just 0.7% when compared to the first half of 2022. To put this into perspective, the average value of final deeds involving households in the first half of 2022 was €658 million. However, when contrasting H1 2023 with H1 2021, there was a noteworthy 5% uptick in the average value of final deeds. This suggests that there was some increase in property values from 2021 however, this increase might have not been significant moving into 2023 reflecting stakeholders' viewpoints on property prices.

Figure 2.8: Value of final deeds



Source: NSO data

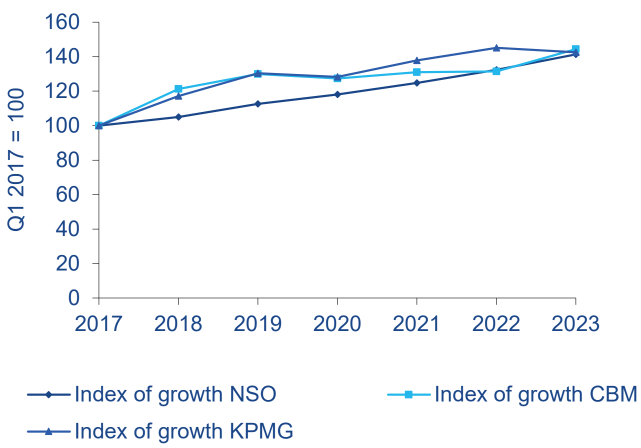
2.5 Property price movements

KPMG maintains an extensive real estate database that undergoes annual updates. This comprehensive repository comprises data on advertised properties for sale. It includes details such as property type, location, floor area (both internal and external measurements), the number of bedrooms and bathrooms, any scenic views, and the property's overall condition. Each entry in the database is tagged with the year it was recorded.

It's worth noting that the KPMG database primarily captures advertised asking prices for properties. While these asking prices serve as valuable indicators of a property's market value and general price trends, it is important to recognise that actual sale prices can vary and may be negotiated downwards (or, in exceptional cases, upwards) during the transaction process. The degree to which a seller is willing to negotiate on price is influenced by various factors, including the availability of similar properties on the market, the property's condition, prevailing market conditions, the number of potential buyers, and the specific circumstances of both the buyer and seller.

For the purposes of this analysis, we consider the dataset collected between June and September 2023. A total of 19,133 data points (each representing a residential property available for sale) were available for analysis[14].

Figure 2.9: Property price movements - Apartments



Source: NSO data; Commissioner for Inland Revenue; KPMG Analysis

As shown in Figure 2.9, the analysis of property price fluctuations for apartments includes three distinct datasets: the KPMG database featuring asking prices from local real estate agents' websites[15], the Property Price Index from the National Statistics Office[16], which is founded on transaction values, and the Property Price Index provided by the Central Bank of Malta[17], which relies on advertised prices.

The makeup of our dataset influences the outcomes we derive due to methodological and timing differences. Therefore, certain fluctuations in our results from year to year can be attributed, in part, to alterations in the dataset's composition, in addition to broader market trends. Since our data is drawn from real estate listings, this shifting composition is a crucial factor to acknowledge, as it sheds light on supply dynamics within the market.

Nevertheless, despite these considerations, all three indices align with one another, as illustrated in Figure 2.9. Furthermore, we have conducted an evaluation and determined an increase of approximately 40% in property value over the last six years, with a compounded annual growth rate (CAGR) of approximately 6%.

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[14] Note that while efforts have been made to minimise the occurrence of duplicate data, there may be instances where the same property is captured more than once owing to it being listed under multiple agents.

[15] The last data point available - September 2023.

[16] The last data point available - Q1 of 2023.

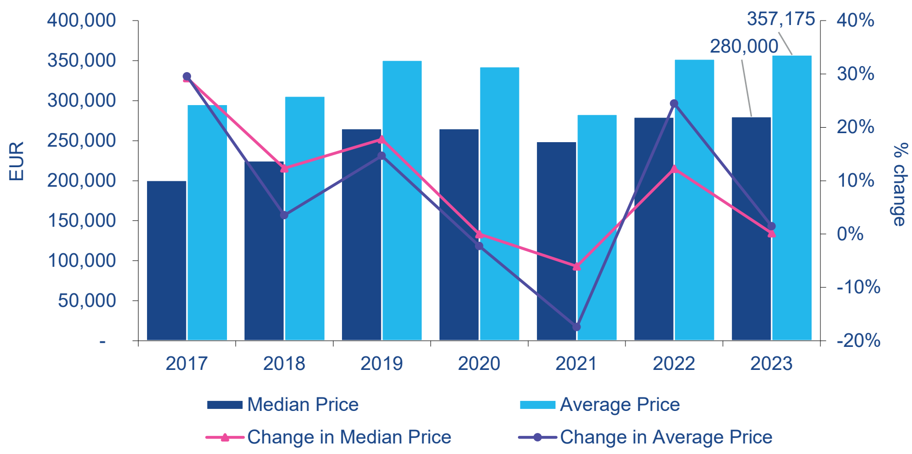
[17] The last data point available - Q2 2023.

Apartments

From 2022 to September 2023, the average asking price for apartments from the entire sample (across all localities) recorded in our database witnessed a modest increase of approximately 1.5%, while the median price saw a slight uptick of 0.2%. This marginal increase may be attributed to the perceived stabilisation of property prices, as indicated by industry stakeholders, a point we will delve into further in subsequent discussions.

The overall average price for apartments within the sample stood at €357,175 in 2023 from €351,991 in 2022, with a corresponding median of €280,000 in 2023 from €279,500 in 2022. Furthermore, the average internal area for the entire sample in 2023 measured 127 square metres.

Figure 2.10: Asking prices for apartments

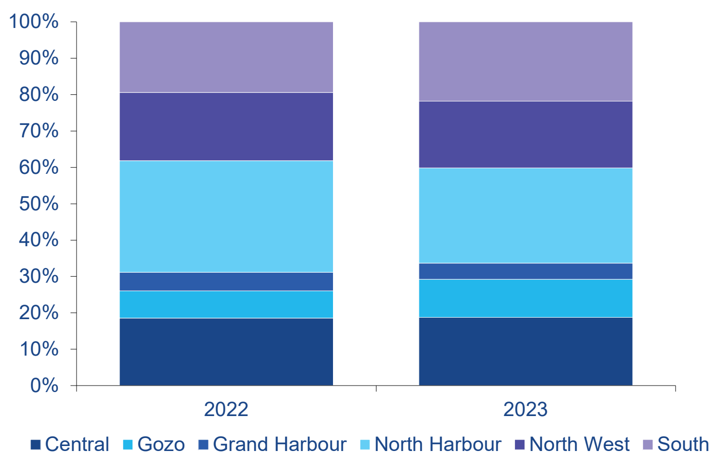


Source: KPMG Analysis

When examining the regional distribution of different property types, we aim to assess the prevalence of these property types in different regions[18]. This analysis provides insights into the regional distribution of each property type, highlighting where they are most abundant and where they are relatively scarce.

As depicted in Figure 2.11, with respect to apartments we observed marginal changes in regional distribution proportions compared to 2022. Apartments are most frequently found in the North Harbour region, constituting 26.1% of the total, while they are least prevalent in the Grand Harbour region, comprising only 4.5% of the total.

Figure 2.11: Regional distribution of apartments



Source: KPMG Analysis

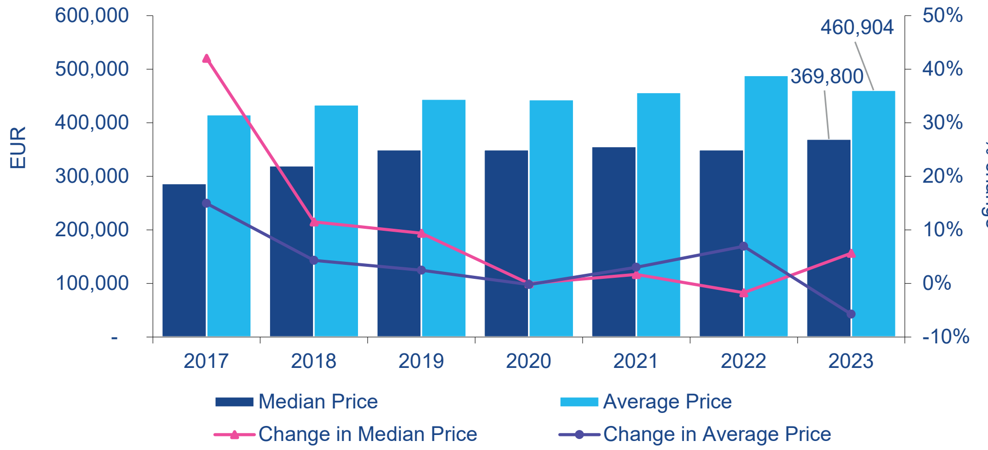
[18] Regions are defined in Appendix E.

Penthouses

Up until September 2023, the average and median asking prices for penthouses documented in our database exhibited contrasting trends. The average price experienced a decline of 5.7%, while the median price saw an increase of 5.7%. Specifically, the average price for penthouses stood at €460,904, while the median was €369,800.

These figures highlight that a substantial portion of penthouses listed fall within the €300,000 to €400,000 range, with an estimated 900 penthouses, constituting 29% of total penthouses listed. Notably, according to our database, there have been minimal to no shifts as for the proportion within these price brackets from 2021 through September 2023. This suggests that the market for this property type has maintained relative stability in terms of price fluctuations. Additionally, the average total internal area for penthouses was recorded at 148 square metres in 2023 from 136 square metres in 2022, an increase of 8.8%.

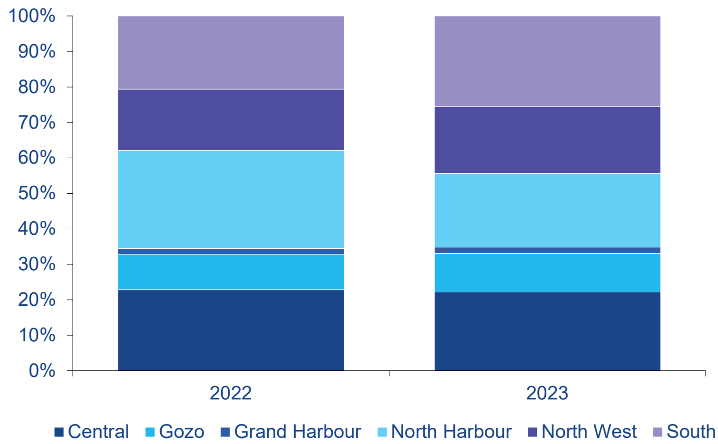
Figure 2.12: Asking prices for penthouses



Source: KPMG Analysis

Listed penthouses for sale are predominantly located in the Southern region (25.5%) and the Central region (22.2%), with the Northern Harbour region also showing a notable presence. Similar to apartments, there have been only minor fluctuations in these proportions when compared to 2022.

Figure 2.13: Regional distribution of penthouses

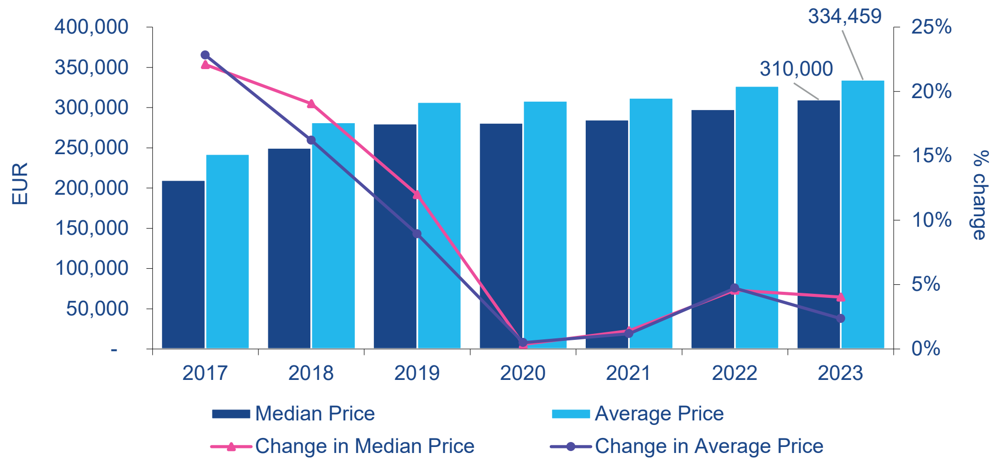


Source: KPMG Analysis

Maisonettes

From 2022 to September 2023, both the average and median asking prices of maisonettes listed in our database witnessed increases of 2.4% and 4.0%, respectively. In comparison to 2021, the population of maisonettes in our database for 2023 has expanded, with a total of 2,293 entries recorded up until the end of our data collection period. The average total internal area for maisonettes amounted to 145 square metres.

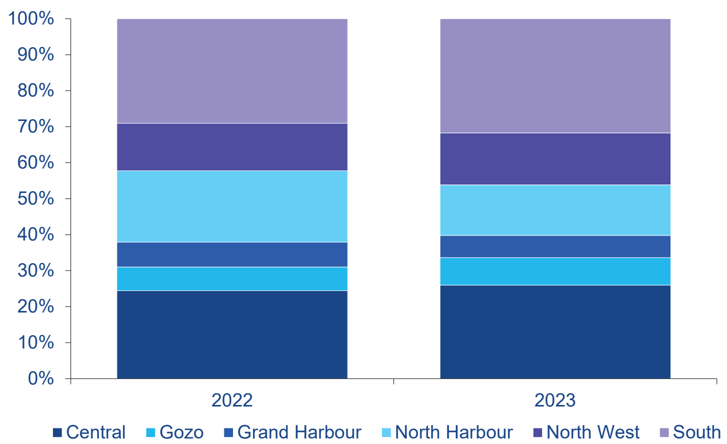
Figure 2.14: Asking prices for maisonettes



Source: KPMG Analysis

Maisonettes are most frequently found in the Southern and Central regions, constituting 31.7% and 26.0% of the total, respectively. Conversely, the least prevalent was the Grand Harbour region, comprising only 6.1% of the total.

Figure 2.15: Regional distribution of maisonettes



Source: KPMG Analysis

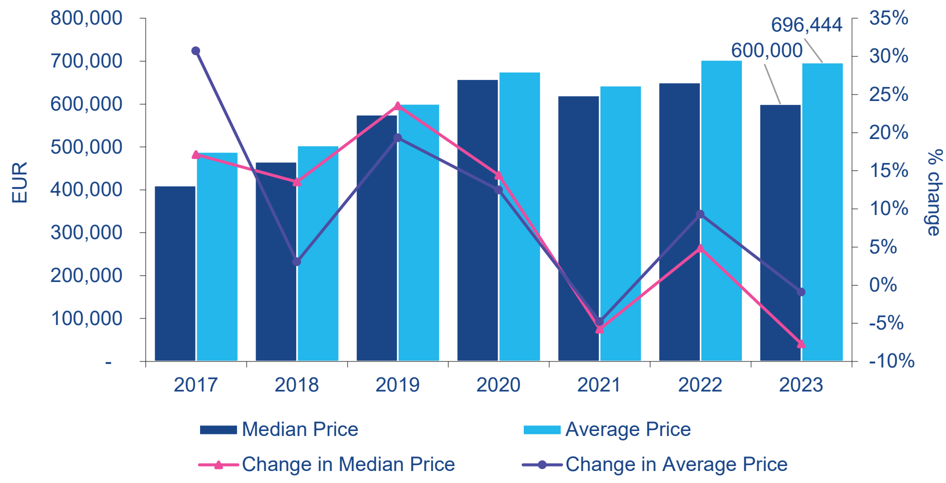
Terraced houses

Through September 2023, both the average and median asking prices for terraced houses recorded in our database saw reductions of approximately 0.9% and 7.7%, respectively. An in-depth examination of the distribution of asking prices for terraced houses reveals a notable trend favouring lower-priced properties. Listings priced under €400,000 increased to comprise 22.6% of the total listings in 2023, compared to 17.5% in 2022. One limitation in the available data for terraced houses at the lower price range is that they are often branded as townhouses, which typically command lower prices.

To better understand these findings, it is essential to consider the geographic distribution of listings. In our 2023 sample, a significant proportion, 25.5% and 23.8%, of all terraced house listings were located in the Southern and Central regions, respectively. This shift indicates that some traditionally more affordable regions expanded their share of total listings, in contrast to regions known for higher property prices.

As in the past, we believe that such changes in our database reflect shifts in the overall property supply within the market. The geographic shifts observed in the 2023 sample contribute to the variance in asking prices for terraced houses, among other factors.

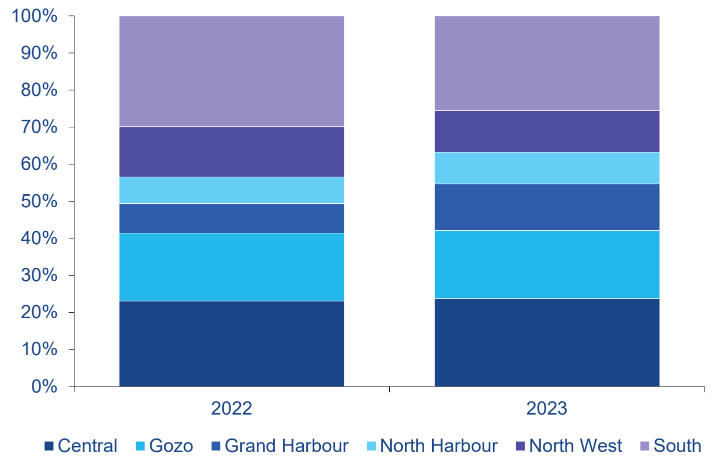
Figure 2.16: Asking prices for terraced houses



Source: KPMG Analysis

Terraced houses are predominantly located in the Southern region (25.5%) and the Central region (23.8%). In contrast to most other property types, terraced houses are notably less prevalent in the North Harbour region, accounting for only 8.6% in 2023, which remains somewhat consistent with the previous year's figure of 7.2%.

Figure 2.17: Regional distribution of terraced houses



Source: KPMG Analysis

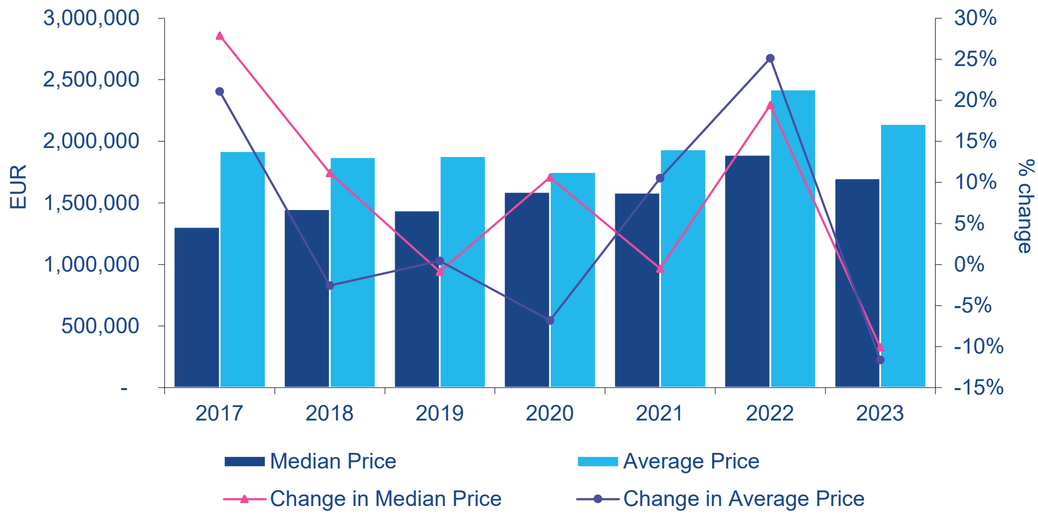
Villas

Up until September 2023, the average and median asking prices for villas within our database declined by 11.6% and 10.1% respectively, indicating that the distribution of prices for villas has exhibited changes compared to 2022.

A noteworthy observation is that a significant 68% of villas fall within the high-end price category, with properties listed at €1.3 million and above. This percentage has seen a substantial increase from previous years, recovering from previous losses.

In terms of geographic distribution, there have been some notable shifts in the population of villas in our database for 2023. Notably, the Central region stands out, hosting 41.8% of all villas and representing the largest concentration within any region. Conversely, the Grand Harbour region followed by Gozo have the smallest numbers of villas in their respective regions, with the former registering zero villas in the region.

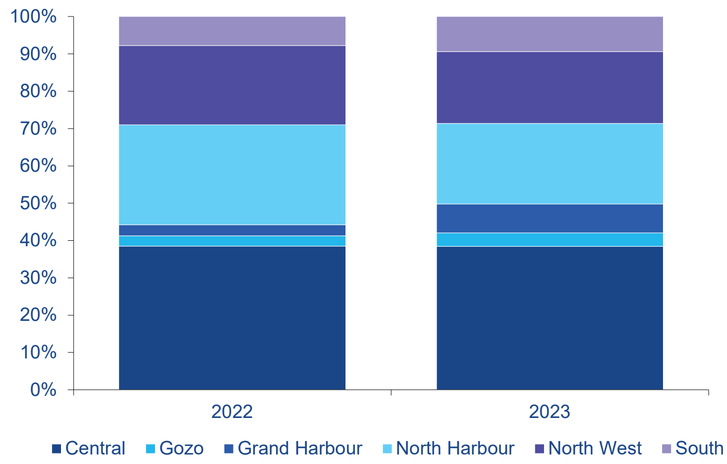
Figure 2.18: Asking prices for villas



Source: KPMG Analysis

'Other properties' which cover villas, bungalows and palazzos appear most frequently within the Central and North Harbour regions, constituting 38.5% and 21.6% of the total, respectively. Conversely, the least prevalent was in Gozo, comprising only 3.6% of the total.

Figure 2.19: Regional distribution of others - villas, bungalows and palazzos



Source: KPMG Analysis

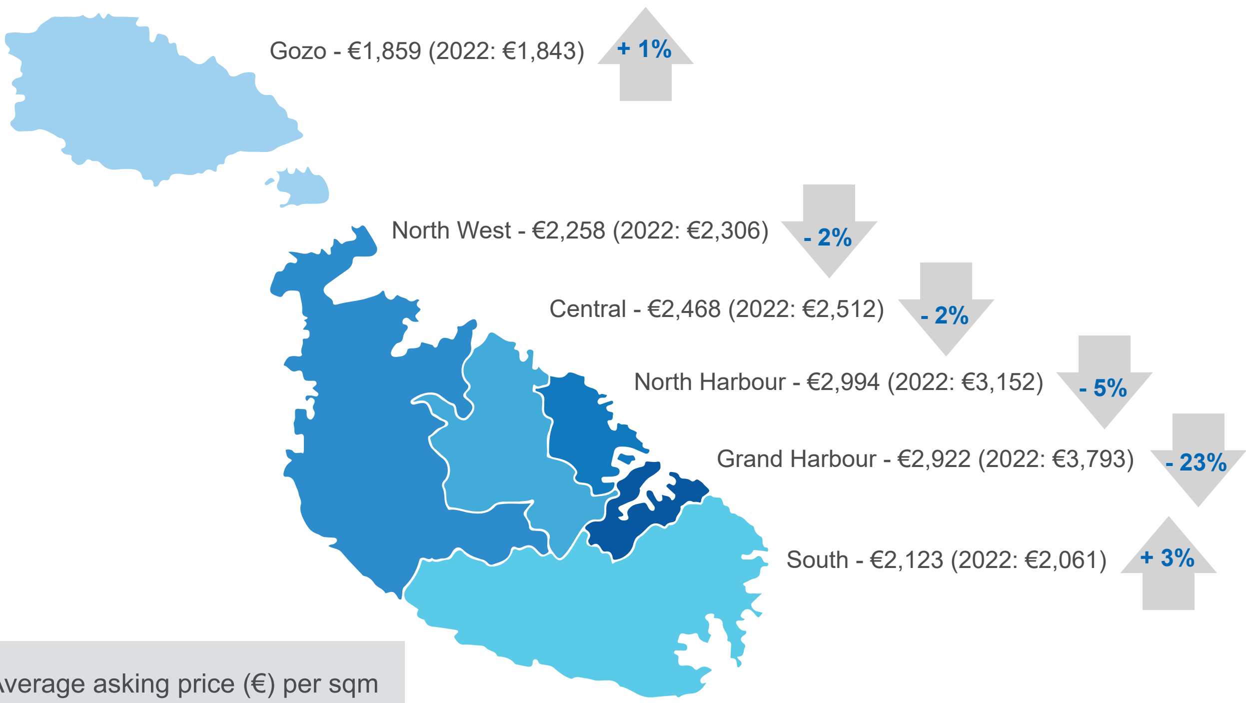
2.6 By region

A heat map has been produced to provide a broad overview of regional price variations for apartments. It presents the average price, of apartments, per square metre. Notably, this average price calculation pertains exclusively to finished apartments, with no or unspecified views, and not including those within premium development projects[19].

This section delves into the shifts in prices that specifically impact finished apartments. It is important to acknowledge that a distinct subset of our dataset is utilised for this analysis, differing from the one used in previous sections. In this particular analysis, we have excluded properties with various types of views, as well as those located within premium real estate developments. This is to limit price variations due to changes in property characteristics.

When examining the variations in asking prices per square metre for finished apartments across various regions in our dataset, we observe that the change was reported in the Grand Harbour region, where a decrease of 23.0% was registered. Specifically, the price per square metre declined from €3,793 to €2,922. In contrast, the region with the least significant change was Gozo, which saw a modest increase of 0.9%. Nonetheless, the Gozitan real estate market presents an intriguing prospect for observation in the forthcoming years. The island's predominantly rural nature and potential initiatives to enhance connectivity between the islands in the short and long term may stimulate demand for properties in this region. Furthermore, the surge in remote working, could potentially make living in Gozo more convenient and consequently more appealing to prospective buyers.

Figure 2.20: Heat map of finished apartment prices per sqm



Average asking price (€) per sqm for a finished apartment with no or unspecified views, outside of premium developments.

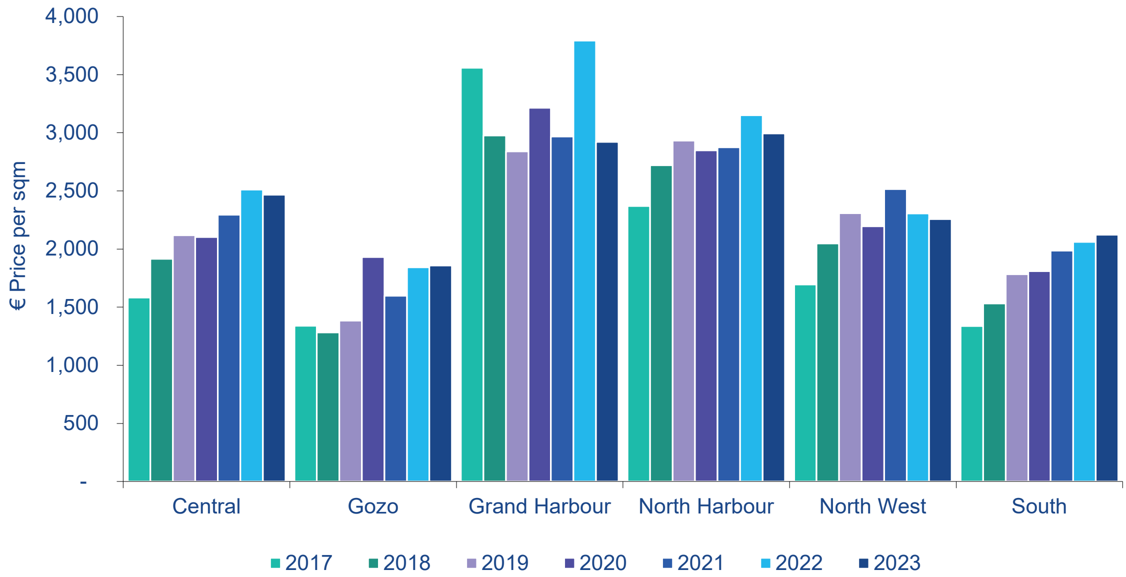
Source: KPMG Analysis

[19] Also noting that these represent average asking prices across localities. In truth, properties sometimes may even vary in price per street/neighbourhood within the same locality.

In the remaining regions, namely the Central, the North Harbour, the Northern Western, and the Southern region, there were minimal fluctuations in average asking prices compared to 2022. Notably, the Southern region, which boasts the highest count of the specified apartments, with 400 apartments located within its boundaries, saw a 3.0% uptick in the average asking price per square metre.

Conversely, the North Harbour region experienced a decrease of 5.0% between 2022 and September 2023, with prices dropping from €3,152 to €2,994 per square metre in 2023. Additionally, the Southern region also recorded the largest average apartment size, with an average of 125 square metres. This highlights the comparatively favourable affordability levels within this region in contrast to other areas such as the Grand Harbour and the Northern Harbour regions.

Figure 2.21: Average price per sqm by region - Finished apartment

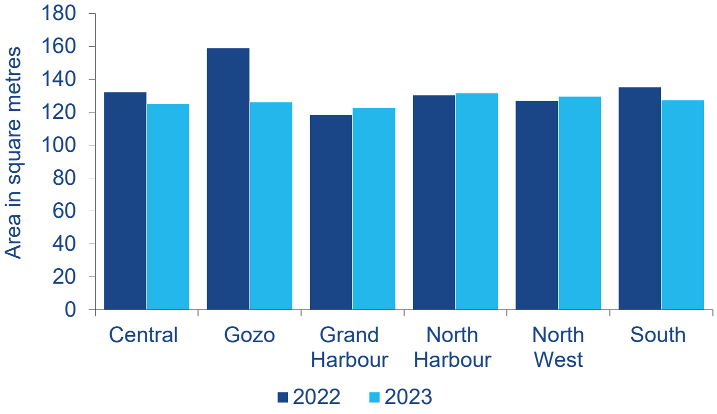


Source: KPMG Analysis

When examining the trend in the average total area of apartments from 2022 to 2023 across various regions, it can be shown that the average apartment size has decreased in the Central region, Gozo, and in the Southern region. The other regions (Grand Harbour, North Harbour and North West) registered minimal growth. The most significant reduction was observed in Gozo, where the average apartment size declined by 21%, falling from 159 square metres in 2022 to 126 square metres in 2023.

These figures should not be compared to the total internal area discussed previously, as these figures include the total area of the apartment including both internal and external areas.

Figure 2.22: Average area for apartments by region



Source: KPMG Analysis

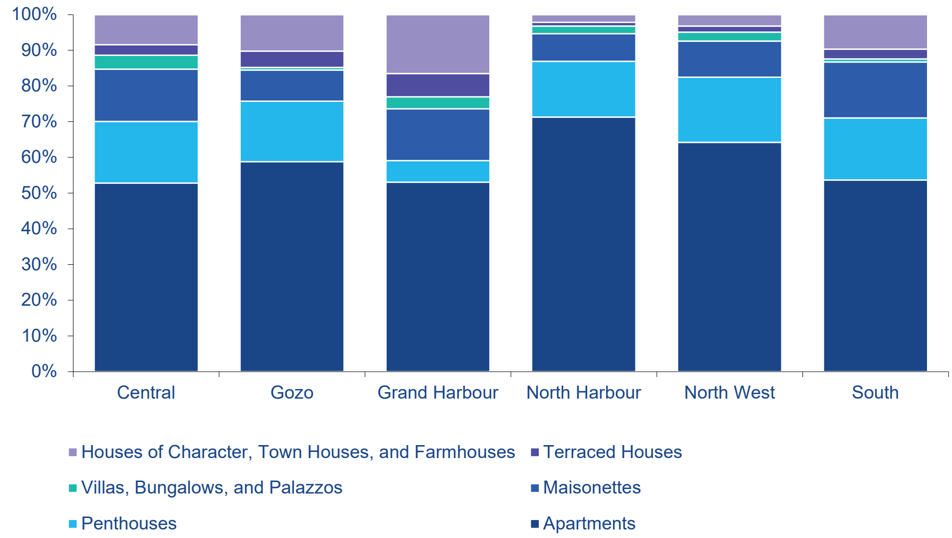
2.6.1 Regional mix

This analysis conducted on property listings recorded in our database for the year 2023 reveals that apartments continue to dominate the market, comprising 59.6% of the total listings in our database. Notably, a substantial majority of these apartments are concentrated in the North Harbour region.

It is also worth highlighting that the proportion of apartments among the various regions has increased, reflecting the surge in apartment construction that Malta has witnessed in recent years. This trend is expected to persist, given Malta's limited land capacity and small size.

The Grand Harbour region maintains its distinction as an area with a relatively traditional property landscape, characterised by a significant presence of houses of character and townhouses. This suggests a lower degree of property redevelopment in the region compared to other areas. However, it is evident that apartments have gained popularity in contrast to previous years.

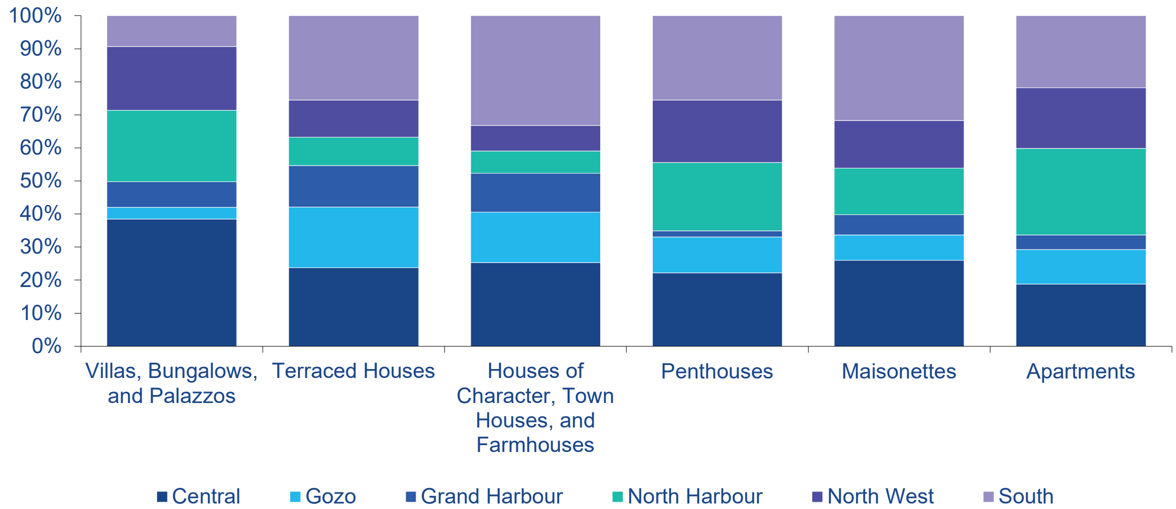
Figure 2.23: Regional mix of properties for 2023



Source: KPMG Analysis

Another facet of this analysis examines the distribution of each property type within each region.

Figure 2.24: Proportion of property types by region



Source: KPMG Analysis

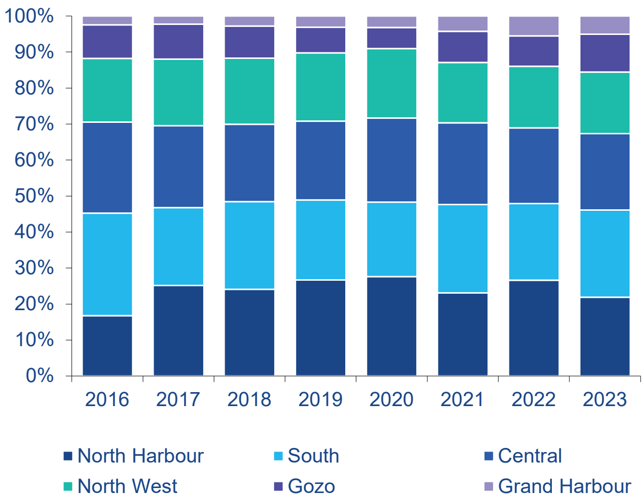
Taking an alternative perspective, we can examine the distribution of property listings by type within each region. From this viewpoint, it becomes apparent that in 2023, apartments and penthouses for sale were less prevalent in Gozo and the Grand Harbour regions. Furthermore, this analysis highlights that the Central region had the highest concentration of villas, bungalows, and palazzos for sale in 2023, while the Southern region exhibited a relatively substantial number of terraced houses, maisonettes, and penthouses. These patterns not only reflect the varying sizes of the regions but also shed light on regional supply of different property types.

2.6.2 Property mix

The regional mix of properties in our database saw only minimal changes between 2022 and 2023. The North Harbour region is the region which saw the greatest change in proportion of total listings from 2022, with a 4.8% pts in reduced share. The Southern region and Gozo each represent approximately 3.0% points and 2.1% points more of total listings respectively, than in 2022. The proportion of listings from the Central region and the Grand Harbour have remained constant. With these shifts, the largest share of properties in our dataset hail from the Southern region (24.2%) as opposed to last year when most advertised properties hailed from the North Harbour, now at 21.9%. Gozo and the Southern region have climbed to 10.6% and 24.2%, respectively, while the Central and Grand Harbour regions stood steady at 21.2% and 5.0%, each.

With respect to the effect of such regional shifts on reported prices, properties located within the Southern region and Gozo typically attract relatively lower prices than properties in other regions. Additionally, properties within the North Harbour region tend to attract a premium over properties in most other regions. Asking prices within the Central region tend to be similar to the national average. As such, this shift in the mix of our results may present a slight downwards pull in overall property prices. One should note that other variations in the property mix, such as property condition, views, and other value-enhancing factors may contribute to some degree of change in observed average and median asking prices.

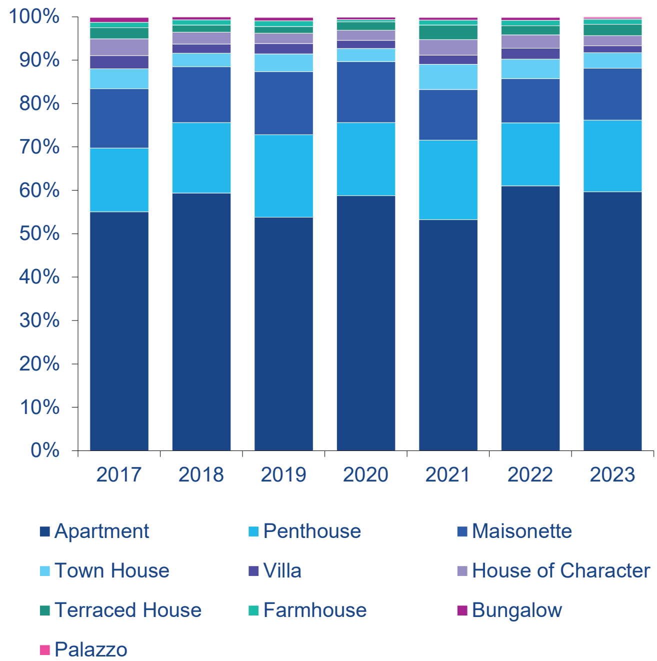
Figure 2.25: Mix of properties by region



Source: KPMG Analysis

The mix of property types in our database has remained largely stable between 2022 and 2023. The relative share of apartments has stayed at approximately 60% of all listings. The largest relative growth in the property mix was recorded among penthouses and maisonettes (both by 2%) to consolidate a share of 16.5%, and 12.0%, respectively. All other property types recorded less than 5% in share of total listings, with little to no change from 2022.

Figure 2.26: Mix of properties by type



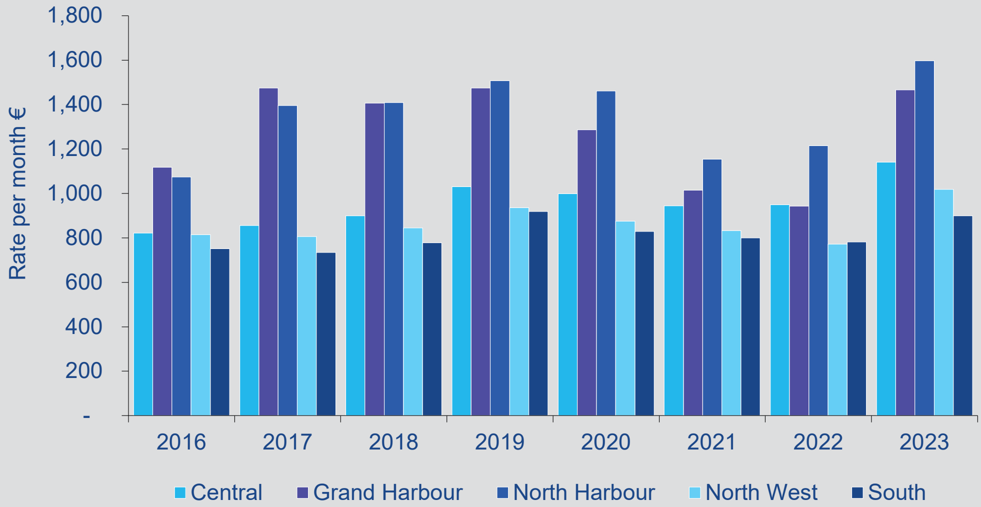
Source: KPMG Analysis

2.7 Property prices – Residential property for rent

Apartments

In terms of apartment rentals, there has been a noticeable rise in average asking rental rates across all regions. The Grand Harbour region, in particular, experienced a substantial increase of 55.4% compared to 2022, with the average rental rate increasing from €943 in 2022 to €1,466 in 2023. The Southern region exhibited the least change, with a 15.1% increase from 2022 which although is significant, it is much less than the increases experienced by the other regions. Noted that these increases are substantial within the context of a relatively weak 2021/2022. The 2023 rental rates are now more in line with those registered in 2020 (pre-COVID).

Figure 2.27: Apartment rental by region



Source: KPMG Analysis

These shifts were anticipated, given the prevailing demand and supply dynamics in the rental apartment market. Industry experts have highlighted a significant demand for rental apartments, yet the supply falls short, naturally leading to higher rental rates.

Gozo has been excluded from this analysis due to an insufficient sample size to yield meaningful insights. It's important to note, as in previous sections, that part of the observed shifts in average asking rental rates from our database may be attributed to variations in the underlying distribution and methodological changes.

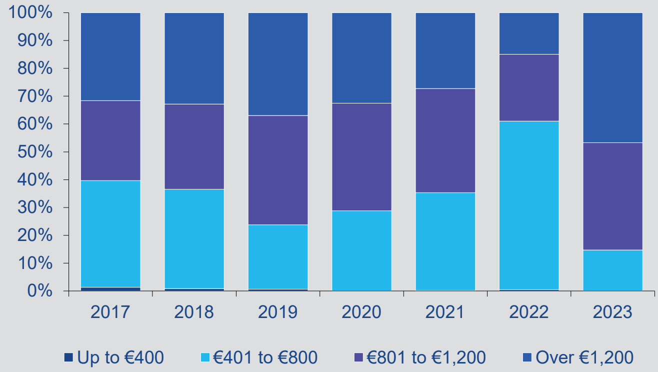
Inflation in the rental market

A more in-depth analysis of rental properties available in our database sheds light on the distribution of properties across various price points throughout different regions.

When comparing the composition of the rental market between 2022 and 2023, a persistent trend emerges. Monthly rental rates in the range of €400 to €800 have shown marginal expansion. However, it's noteworthy that the category with the highest number of data points consists of properties listed above €1,200 indicating that overall rental rates are increasing.

This may be attributed to the ongoing shortage of residential properties for rent in comparison to the demand. Additionally, differences in the sample within our database compared to previous years can also contribute to these variations. As previously mentioned in this chapter, some level of variations in our results are to be expected.

Figure 2.28: Composition of rental market by rate per month



Source: KPMG Analysis

2.8 Commercial property

KPMG's real estate database covers data for commercial properties available for sale or rent.

Variations in how real estate agents handle these listings can lead to disparities in available information. Notably, rental property listings often lack detailed metrics like floor area when compared to listings for properties being sold.

In this analysis, a dataset comprising 506 data points for commercial sale properties and 1,644 data points for commercial rental properties, were considered for analysis.

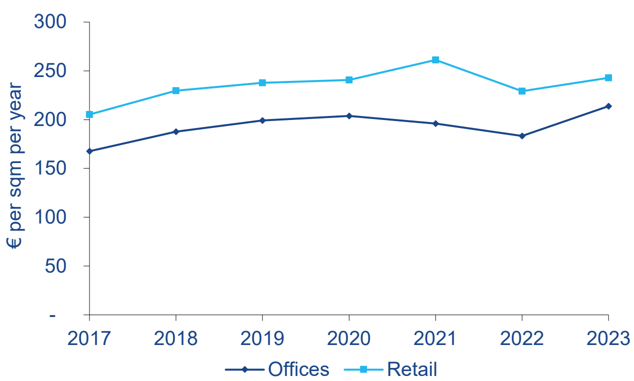
2.8.1 Commercial property for rent

The majority of commercial property on the market is available on a rental basis rather than being offered for sale. The average asking rental rates for office space was €214/sqm in 2023, up from €183/sqm in 2022, while average asking rental rates for retail properties increased by to €243/sqm in 2023, up from €229/sqm). It should be noted that this substantial growth may be attributed to changes in the underlying data.

2.8.2 Rental rates by region

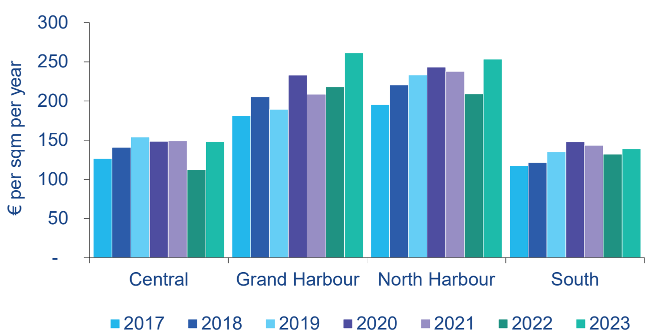
The following presents the average rental rates per square metre categorised by regions to track fluctuations in prices across different areas. The largest increase in rental rates came about in the Central region which saw growth of 31.9%, reaching €148/sqm (2022: €112/sqm). The highest priced region for office space is the Grand Harbour, with a rental rate of €261/sqm, while the lowest rate of €139/sqm is found in the South.

Figure 2.29: Average asking rental rates for commercial property



Source: KPMG Analysis

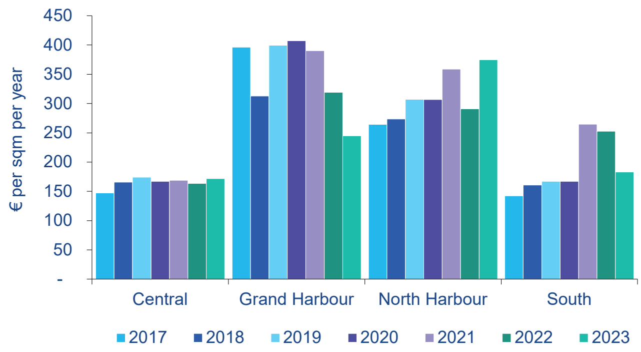
Figure 2.30: Average asking rental rates for offices by region



Source: KPMG Analysis

Moving on to retail properties, the largest increase in rental rates was observed in the North Harbour region which saw prices for retail space rise by 28.8% in 2023, reaching €375/sqm. The Grand Harbour saw its rental rates fall to €245/sqm, following decrease of 23.3% over last year. The Central region had the lowest rental rate for retail space at €172/sqm, and has returned to pre-pandemic levels. Gozo and the North West were both excluded from the analysis due to the limited sample size.

Figure 2.31: Average asking rental rates for retail property by region

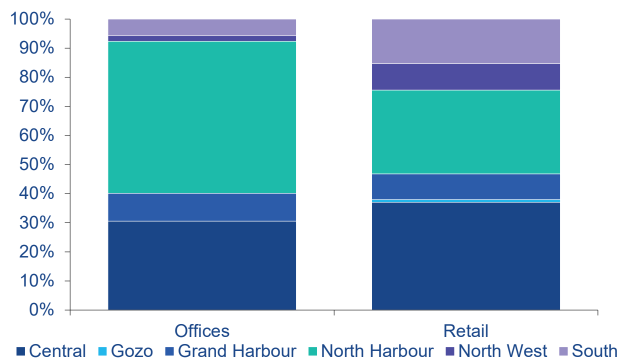


Source: KPMG Analysis

2.8.3 Regional availability of commercial space for rent

An analysis of the location of the properties in the database for 2023 shows that the highest proportion of office property can be found in the Northern Harbour region (52% of all listings), followed by the Central region (at 31%) – which is similar to our 2021 sample. With regard to retail properties, both the Central and North Harbour regions remain the dominant regions in proportion of listings, commanding 37% and 29%, respectively, although an expansion from 9% to 15% was noted in the Central region too, in 2023.

Figure 2.32: Availability of commercial property for rental



Source: KPMG Analysis

2.8.4 Office size and rental rates in selected localities

We have updated our analysis of variations in office size and rental rates across selected localities in Malta. The selected localities are Birkirkara, Mriehel, Sliema and Valletta. The results from our analysis are that each locality featured tends to have its own characteristics as described below.

Birkirkara: Median asking rental rates are similar to Mriehel, but less than those in Sliema and Valletta. Property sizes tend to cover a wide spectrum, but median office size in Birkirkara is greater than both Sliema and Valletta.

Mriehel: Median asking rates are similar to Birkirkara, and fairly consistent across our listings. Available listings include properties of substantially larger sizes than in the other localities considered.

Sliema: Pricing tends to be more expensive than the other localities considered, and the sizes of listings tend to be smaller than in Birkirkara.

Valletta: Pricing is slightly pricier than those noted in Sliema, while property sizes tend to be the smallest from the localities considered.

The median size and asking rate per square metre one could expect from offices across the four different localities was also computed and is presented in Table 7 below. Note that as this analysis considers the median, this represents the middle property both in terms of size and price. Half of all results would be larger and more expensive, and half would also be smaller and cheaper.

Table 7: Median size and rates for offices

Median size and rates for offices				
Location	2022		2023	
	Median Size (sqm)	Median Price (€/sqm)	Median Size (sqm)	Median Price (€/sqm)
Birkirkara	280	143	285	129
Mriehel	400	160	400	140
Sliema	160	243	171	214
Valletta	120	264	112	240

Source: KPMG Analysis

2.8.5 Commercial property for sale

The market for commercial property sales featured only a marginal increase from 2022. The average asking price for offices increased by 2.0%, climbing to €3,749/sqm in 2023, while retail properties saw an average increase of around 5.0%, reaching €3,881/sqm.

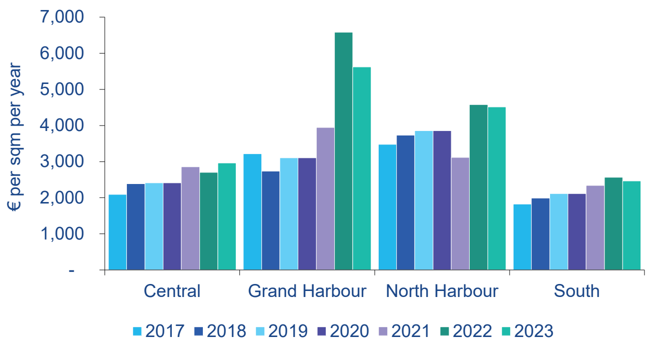
Figure 2.33: Average asking prices for commercial property for sale

Source: KPMG Analysis

2.8.6 Asking prices by region

Average asking prices for offices increased by 9.7% in the Central region, reaching €2,965/sqm – the only region which saw growth in the commercial property market for sale. All other regions saw modest declines, including the Grand Harbour (albeit a small sample size was recorded for this region). The lowest asking price was recorded in the South at €2,466/sqm, while the Grand Harbour commanded the highest asking price at €5,622/sqm.

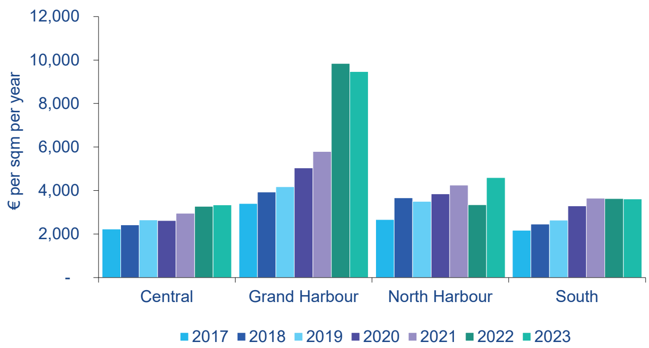
Figure 2.34: Average asking prices for offices by region



Source: KPMG Analysis

Average asking prices for retail property increased by 37.0% in the North Harbour, reaching €4,587/sqm and was the only region to see growth in asking prices. All other regions registered marginal changes. The highest asking average price was observed in the Grand Harbour region at €9,467/sqm, a region dominated by very small establishments in premium locations. The lowest average asking price hailed from the Central region at €3,338/sqm. Gozo and the North West were both excluded from the analysis due to the limited sample size.

Figure 2.35: Average asking prices for retail property by region

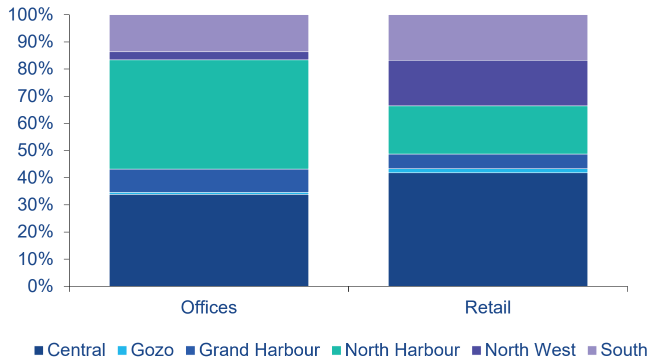


Source: KPMG Analysis

2.8.7 Regional availability of commercial space for rent

An analysis of the properties available for sale recorded in the database during 2022 shows that most office listings are within the North Harbour region (40.2%), followed by the Central region (33.9%). The Grand Harbour and Southern regions each feature a similar proportion of total office listings. With regard to retail properties, most listings were found in the Central region (41.8%), followed by the North Harbour (17.7%).

Figure 2.36: Availability of commercial property for sale



Source: KPMG Analysis


BOV
Bank of Valletta

3 Industry viewpoints

3.1 Stakeholder consultations

A consultation process was initiated with major stakeholders to gather first-hand insight on the state of affairs pertaining to the building industry and the property market. Interviews were conducted with a variety of stakeholders including developers, contractors, real estate agents, representatives from major banking institutions and other professionals involved in the field, such as architects and notaries.

This section seeks to present:

- The main issues faced by stakeholders on a variety of topics.
- The ask from the industry stakeholders.
- KPMG’s point of view on the subject.

3.2 Excessive bureaucracy

Multiple layers of regulations, permitting requirements, and administrative hurdles often lead to delays and increased project costs. One key issue is the fragmentation of responsibilities among various government entities, each with its own set of rules and procedures resulting in lack of clarity and coordination for stakeholders.

3.2.1 Comments from interviewees

- Stakeholders saw a marked increase in excessive bureaucracy over recent years.
- A key determinant of this increase is the excessive demand for paperwork with the same information being requested for different applications and from different authorities.
- Operators do not always understand and appreciate the necessity for some of the reports being requested.
- It was communicated to us that there is a perception that much of the documentation submitted lacks proper scrutiny and oversight, leading to minimal control in certain areas.
- The perception is that no action is taken based on the outcomes of certain reports, thus only serving to add to the bureaucratic load. For instance, operators complained that in certain cases no remedial measures are introduced following the conclusion of traffic impact assessments in already congested areas.
- It was noted that reports produced by third party experts are not always specific to the development in question and are produced only to “tick a box”.
- It was also mentioned that there is a lack of fixed timelines for some of the planning processes.
- Additional reports are adding thousands to the costs of carrying out a development project, without an apparent benefit to the project or to society at large.
- Another area of concern was that conflicting advice was being given on regulations from different authorities.
- A common view held by stakeholders is the lack of one central authority for the industry, resulting in inefficiencies, duplication of work, waste of resources, and a lack of coordination.

3.2.2 Suggestions put forward by stakeholders

A simple, fair and transparent process, with reasonable and predefined timelines whereby the need for the reports requested is fully understood and their output is put to good use.

3.2.3 KPMG point of view

Stakeholders to consider:

1. Adopting a holistic approach towards the sector including tighter integration between the different lines of authority to streamline decision-making and reduce bureaucratic bottlenecks in the construction industry.
2. A revision of the processes and workflows that govern various aspects of the industry, including the setting of clear guidelines and predefined timelines.
3. Further investment in digital technologies to expedite processes and promote transparency.

3.3 On-plan sales

On-plan sales are an important source of finance particularly for small and upcoming developers who may find it difficult to secure bank or bond financing. These types of transactions also offer prospective buyers the opportunity to acquire a property at a discounted rate if they can afford to wait for the property to be developed. However, the lack of regulation targeting specifically on-plan transactions exposes potential buyers to a degree of financial risk.

Developers can initiate on-plan sales at all stages of the development process, ranging from pre-acquisition of the site to the demolition or construction phases.

3.3.1 Comments from interviewees

- Unforeseen discrepancies or delays often arise between building plans and the finalised property. In the event of significant building discrepancies, developers generally bind themselves contractually to return the buyers' deposit amount. However, given the lapse of time between the original promise of sale agreement and the finalisation of the property, the prospective buyer would have lost out on the financial return generally arising from the capital appreciation of the property, while the developer would have essentially benefitted from using the prospective buyers' funds interest free. Prospective buyers also often find that the returned deposit amount is insufficient to place a deposit on another property, given the lapse of time.
- Many established developers commented that they avoid selling on plan to avoid the building discrepancies and delays which may be out of their control.
- Established developers also avoid selling on plan to maximise their project's financial returns.
- Reported cases of fraud whereby rogue individuals misappropriated the prospective buyers' funds.
- Stakeholders also mentioned instances where individuals diverted deposit funds to other projects, leaving intended projects underfunded and at risk.
- Regretfully, financially vulnerable individuals are often the most at risk to fall prey to rogue individuals.

3.3.2 Suggestions put forward by stakeholders

Fair regulation that allows for adequate potential buyer protection while simultaneously permitting developers to use the customers' funds for development. Incidents involving fraud give a bad name to industry operators overall.

3.3.3 KPMG point of view

Stakeholders to consider:

1. An introductory set of regulations intended to specifically address on-plan sales, such as, standard general terms, penalties due for delays and discrepancies, and the extent to which prospective buyers would be due interest on any returned deposit funds.
2. Easily accessible information on a prospective developer's past track record.
3. Guidance for prospective buyers before the signing of a promise of sale agreement and timely recourse in the event of issues with the transaction.

3.4 Holistic planning

Over the past decade, Malta experienced a material increase in its resident and tourist population, leading to an increase in population density. As expected, this leads to increased strains on the country's environment and infrastructure, including roads and the waste management system. Furthermore, there is also a perceived shortage of acceptable housing solutions for certain segments of migrant workers, as noted by multiple stakeholders during the consultation process.

3.4.1 Comments from interviewees

- Stakeholders noted that the infrastructure is not adequate for the population growth which took place over the past decade.
- The requirement for a holistic plan was a common theme amongst interviewees, who noted that such a plan is required to cater for the challenges posed by the increase in traffic, and growth in resident and tourist populations.
- More notably, a policy addressing the development of high-rise buildings was mentioned as a requirement, with proper zone planning which can enhance the value of a location.
- It was noted that without a shift in the approach of the Planning Authority, urban aesthetics are unlikely to change.
- Interestingly, it was mentioned that there is a significant level of confusion regarding policy in the context of the construction industry and the overall economic model.
- Stakeholders mentioned that they are witnessing a worrying decrease in foreign direct investment in recent years.
- Lastly, some mentioned that development and construction is being carried out in a hurry to meet the current demand.

3.4.2 Suggestions put forward by stakeholders

A holistic vision and plan to ensure that the country's infrastructure can meet the aspirations of the country.

3.4.3 KPMG point of view

Stakeholders to consider:

1. An overarching vision and master plan for the country which identifies a way forward in terms of our economic and social aspirations for the forthcoming decade.
2. Strategic objectives and action points for the different economic sectors.
3. Identification of what is required in terms of infrastructure as well as commercial and residential real estate to be in a position to meet the future demands of the country.

3.5 Licensing and regulation

In June 2023, the Building and Construction Authority (BCA) introduced licensing for contractors and workers operating in demolition, excavation and building in a bid to improve industry standards. The comments below generally refer to the introduction of these licenses, as well as existing health and safety regulations.

3.5.1 Comments from interviewees

- New rules must have some level of consensus from the industry, which was acknowledged is not easy to achieve.
- An external health and safety officer should be engaged by the developer to ensure that all is in order on site.
- Rather than introduce further regulation, it is more an issue of having the will and resources to carry out the desired enforcement.
- Lack of enforcement is damaging to the industry overall and is unfair to operators who strive to observe the rules.
- For licensing and regulation to work out, the authorities need significant human resources to exert enforcement, which is in short supply in the currently tight labour market.
- The recently introduced regulations are a good start but there is still some way to go.
- On site workers often resist wearing the proper protective gear, in breach of regulations, even though this is supplied to them by their employer.

3.5.2 Suggestions put forward by stakeholders

The general comment from interviewed stakeholders was that enforcement is very important for regulations to be effective. Additionally, enforcement was felt to be lacking and that the required manpower is not available.

3.5.3 KPMG point of view

Stakeholders to consider:

1. The increased cooperation between the different lines of authority, proposed earlier to address the issue of excessive bureaucracy, could also serve to streamline processes and free up resources for better enforcement.
2. Digitalisation can enhance enforcement through real-time monitoring and remote inspections of construction sites, enabling authorities to track progress, safety compliance, and adherence to regulations, and intervening promptly when issues arise.
3. Predictive analytics can assist enforcement agencies to identify patterns of non-compliance or safety hazards and act proactively.

3.6 Labour, materials and the cost of land

Stakeholders across all industry segments agreed that it has become increasingly difficult to acquire land for development. This has driven the price of land significantly upwards and is by far the main driver of the increase in property development costs.

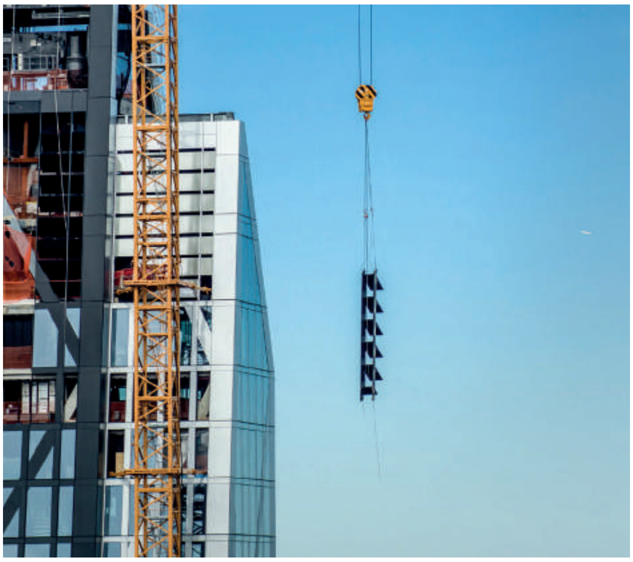
Furthermore, a shortage of labour prevails in the construction industry, amplified by the difficulty of attracting new workers to the sector and a high turnover rate, leading to upward pressure on wages. The price of building materials and other associated costs has somewhat stabilised compared to the price hikes experienced last year.

3.6.1 Comments from interviewees

- Labour shortage is still an issue (as with most other industries), leading to upward wage demand pressures.
- It was noted that it is very hard to attract young people to the construction industry.
- There is a high turnover rate as both skilled and unskilled employees switch from one employer to another.
- There is also a prevalent lack of skills, making certain construction traditional work very expensive if not impossible to carry out.
- While prices on the global steel market went down during 2023[20], different sized operators commented differently on the price paid for steel. Some argued that prices remained high, while other commented that prices were down to
- pre-pandemic levels. This was likely due to more negotiating power when buying larger quantities.
- The supply of good quality Maltese stone is limited leading to it becoming expensive.
- It was also noted that the price of dumping has stabilised.

3.6.2 Suggestions put forward by stakeholders

The above-mentioned concerns are mostly the implications of market forces, whereby the demand for land outstrips supply, labour market conditions are tight, and the price of raw materials is generally dictated on the international market.



3.6.3 KPMG point of view

The price of land is determined by market forces and any attempt at government intervention will be heavily scrutinised and likely accompanied by significant political controversy. On the other hand, should the rising cost of land jeopardise future housing affordability for a significantly big enough segment of the population, the government may be pressed to intervene.

Government intervention in this aspect can take various forms including re-zoning, land use regulations, and the introduction of property taxes or incentives on vacant or underutilised land to encourage owners to develop and sell.

[20] https://gmk.center/en/news/us-steel-producers-forecast-a-drop-in-steel-prices-in-september/

3.7 Licensing of estate agents

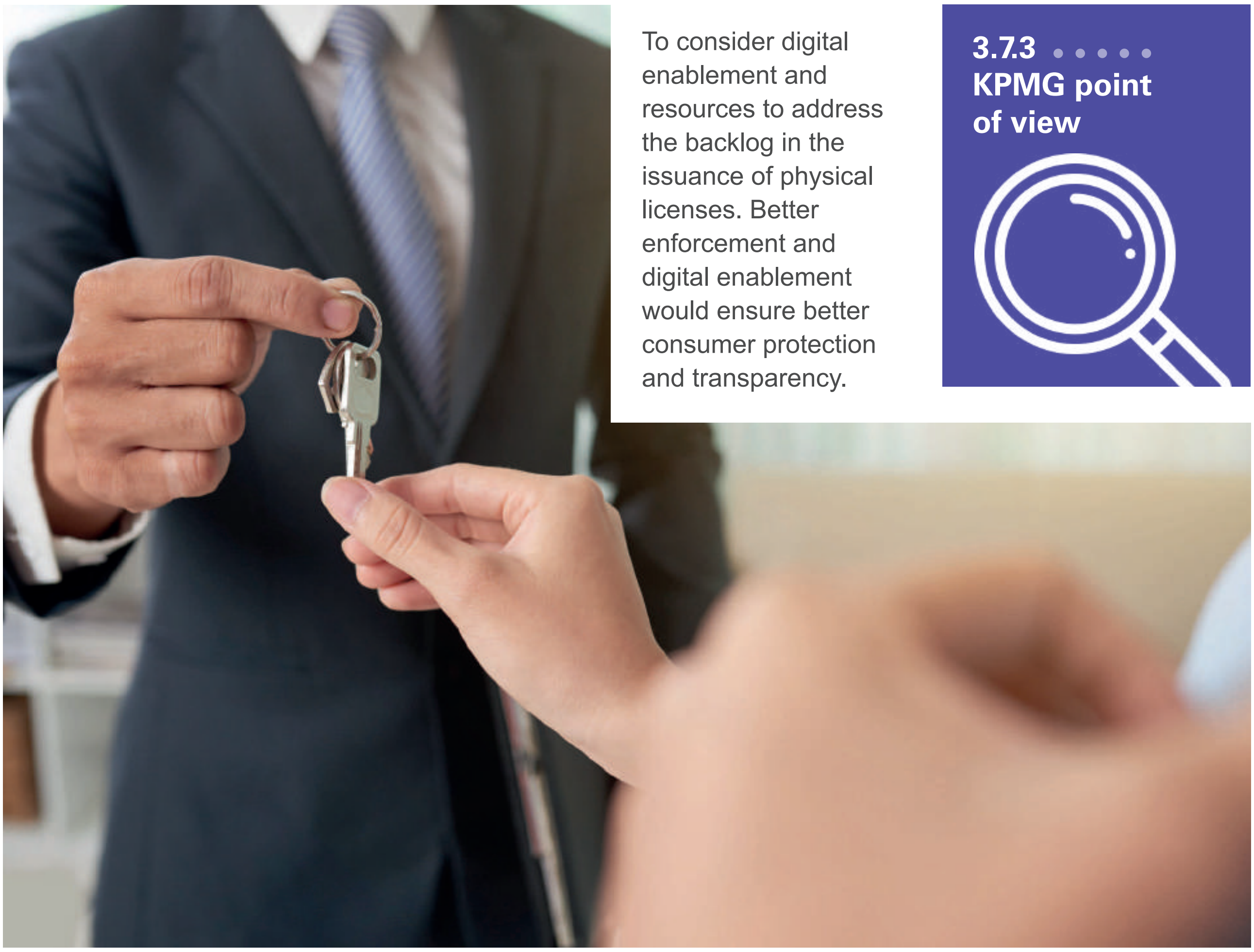
In 2020, regulation was enacted defining the activity of real estate agents and clarifying their duties and responsibilities. The regulation also outlines the qualifications necessary to legally occupy such role.

3.7.1 Comments from interviewees

- Developers generally have their own sales teams and yet, unlike estate agents, they do not require specific training and licensing to be able to sell, creating an uneven playing field.
- There is unfair competition from untrained and unlicensed individuals posing as estate agents on social media sites.
- The process of issuing licenses is very slow and has fallen significantly behind, with individuals completing their training months ago still not in possession of their license. This makes it difficult for potential clients to differentiate between qualified professionals and unlicensed practitioners in the market.

3.7.2 Suggestions put forward by stakeholders

Real estate agents are after a more efficient system of issuing licenses once training and certification are completed. Additionally, they demand better enforcement of regulations to drive rogue traders out of the market and achieve better consumer protection.



3.7.3 KPMG point of view

To consider digital enablement and resources to address the backlog in the issuance of physical licenses. Better enforcement and digital enablement would ensure better consumer protection and transparency.

3.8 Other threats and opportunities for the industry and property market

This final section lists a number of threats and opportunities mentioned by stakeholders, apart from the concerns addressed in the above sections.

3.8.1 Threats

- The ECB key policy interest rates stand at record high[21], with the ECB charging banks 4.5% per annum on main refinancing operations (MRO) facilities, which provide the bulk of liquidity to the European banking system.
  To date, these interest rate hikes have not been reflected in the local market. However, should interest rates rise locally, borrowing costs would increase significantly for businesses and households, and would decrease the borrowing capacity of prospective home buyers.
- Malta's favourable tax regime for foreign-owned companies is currently being reviewed.
  The impact of the attractiveness of the revised regime will have a bearing on foreign direct investment (FDI) and needs to be monitored.

3.8.2 Opportunities

- The shift towards more sustainable buildings and practices reduces our environmental footprint and simultaneously offers growth possibilities for the construction industry through retrofitting and environmentally sustainable developments - market segments that may exhibit notable growth if also supported by government measures.
- The resurgence of the tourism market is bound to have a positive impact on the property sector.

[21] https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html

4

Housing affordability

4.1 Defining housing affordability

There is no international consensus on how to define or measure housing affordability, and no single measure fully captures the range of concerns around the ability of households to secure decent housing in an appropriate location for an acceptable price[22].

In its broader sense, housing affordability can refer to the ability of individuals or households to comfortably and sustainably cover their housing costs without compromising their ability to meet other basic needs and maintain a reasonable standard of living. Housing costs can include rent or mortgage payments, property taxes, home insurance, utilities, maintenance and repair costs, and miscellaneous costs such as condominium fees and land lease payments.

In this report, we take the somewhat more focused view of housing affordability as referring to the ability of a household or individual to acquire a property through bank finance – since mortgages are the most common way of financing house purchases. We are also predominantly concerned with a household's ability to get on the property ladder and acquire a home which meets their primary needs as opposed to scaling up to more prestigious locations or larger houses with more ancillary spaces. However, we recognise that in certain instances moving to a larger home or with better ancillary facilities may be necessary to accommodate growing families or different life circumstances.

Assessing housing affordability involves examining various economic, social, and demographic factors and as such, multiple approaches are used to gain a comprehensive understanding of housing affordability.

In this chapter we:

01 Outline the importance of housing affordability.

02 Give an overview of the main indicators of housing affordability for Malta and their different pros and cons.

03 Review the lending criteria defined in Directive 16 of the Central Bank of Malta (CBM)[23] and their impact on households' ability to borrow to finance house purchases.

04 Analyse how housing affordability in Malta has moved over time.

4.2 Why is housing affordability important?

Housing affordability is an important determinant of social, economic, and individual well-being. Affordable housing allows individuals to allocate sufficient resources to other essential needs, such as education, healthcare, and transportation. In turn, this enhances the individual's economic stability and fosters financial security and overall wellbeing.

Housing affordability also promotes social equity by ensuring that all members of society, regardless of income, have access to decent living conditions, reducing inequalities and promoting social cohesion.

These factors collectively lead to a more inclusive, economically robust, and harmonious society, making housing affordability a pivotal concern for governments and policymakers worldwide.

[22] OECD Affordable Housing Database HC.1.5. Overview of Affordable Housing Indicators last updated 27/05/2021 and accessed on 13/08/2023 https://www.oecd.org/els/family/HC1-5%20Overview%20of%20affordable%20housing%20indicators.pdf

[23] Directive 16 of the Central Bank of Malta (CBM) Act (Cap 204) Regulation on Borrower-Based Measures.

4.3 Housing affordability indicators

Given that there is no single definition of housing affordability, numerous indicators are used to gauge affordability across time and countries. Following is a review of the most common ones and for which data is available for Malta.

4.3.1 Price-to-income ratio (PIR)

The price-to-income ratio is calculated by dividing the median or average property price, in a specific area or country, by the median or average annual household income in the same area/country. If over time, property prices increase at a faster rate than household incomes, the PIR would increase, and housing would be deemed to have become less affordable. On the other hand, if over time, household incomes were to increase at a faster rate than property prices, housing would be said to have become more affordable, and the PIR would decrease.

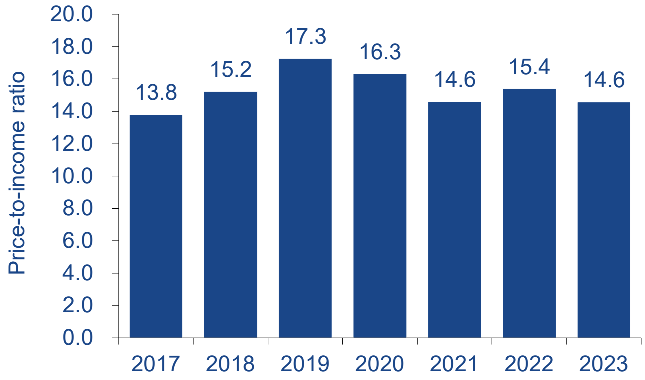
The following table and graph show the PIR for Malta based on the median asking apartment prices derived from the KPMG database divided by the individual median equivalised net income issued by Eurostat, over the period 2017 to 2023. In 2023, housing affordability, as defined by the PIR, improved, in view that increases in income outstripped the marginal increase in property prices. The increases in income were primarily driven by upward pressures on wages and salaries.

Table 8: Price-to-income ratio (PIR)

Price-to-income ratio (PIR)			
Year	Apartment - Median Price for KPMG database	Median Equivalised Net Income - Eurostat	PIR
2017	200,326	14,522	13.8
2018	225,000	14,781	15.2
2019	265,000	15,354	17.3
2020	265,000	16,240	16.3
2021	249,000	17,036	14.6
2022	279,500	18,155	15.4
2023	280,000	19,208	14.6

Source: Eurostat data; KPMG Property Database; KPMG Analysis

Figure 4.1: Price-to-income ratio (PIR)



Source: Eurostat data; KPMG Property Database; KPMG Analysis

The PIR is a straightforward indicator that can easily be used to compare housing affordability over time and across countries. However, given that the PIR is based on average prices and incomes, it fails to identify which segments of society have difficulty in securing adequate housing and why, and it does not provide information with respect to the size and quality of housing. The PIR also does not take into consideration household borrowing costs and conditions to acquire housing.

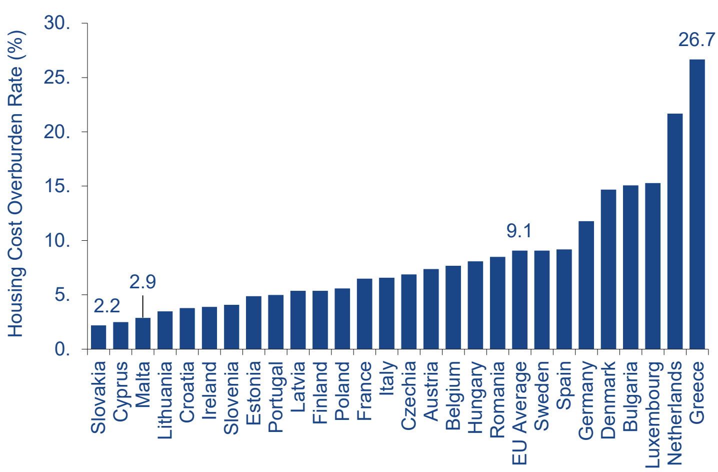
One way of improving the PIR is to calculate it based on the median/average prices of properties in different locations or regions or the median/average incomes of households on different segments of a society's income distribution scale. However, the availability of such data may prove to be challenging.

4.3.2 Housing cost overburden rate

The housing cost overburden rate measures the percentage of the population living in households where the total housing costs represent more than 40% of disposable income[24]. In this context, housing expenses include rental or mortgage interest payments as well as the cost of utilities such as water, electricity, gas or heating.

As can be noted from the following chart, in 2022, the housing cost overburden rate across the EU ranged between 2.2% in Slovakia to 26.7% in Greece, with an EU average of 9.1%. In Malta, 2.9% of the population was living in households where the total housing costs exceeded 40% of disposable income. It is pertinent to highlight, that during 2022, the Maltese government provided subsidies on electricity for household, thus keeping utility bills stable, while most European countries faced sharp increases as a result of the energy crisis. In addition, local banks did not increase their mortgage interest rates in line with movements in key ECB rates, which increased by 450 basis points between July 2022 and September 2023. Both these factors translated in a lower housing cost overburden rate compared to other EU countries.

Figure 4.2: Housing cost overburden rate across EU countries: 2022



Source: Eurostat data; KPMG Analysis

The most common criticism leveraged at the housing cost overburden rate and similar expenditure-to-income ratios is that the thresholds of what is considered affordable are arbitrary. Additionally, the thresholds are not progressive across the income distribution and as such low-income households could still find it difficult to meet other essential expenses after paying their housing costs, even if they fall within the affordability thresholds. Similar to the PIR, the housing cost overburden ratio does not provide indications on housing quality.

[24] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Housing_cost_overburden_rate&lang=en

4.4 Mortgage eligibility

Mortgage eligibility is an important determinant of housing affordability, given that in Malta 81.9%[25] of the population in 2021 lived in households owning their home, in comparison to an average of 69.9% in the EU. Bank loans are generally used to finance the initial acquisition of these properties.

4.4.1 Directive 16: borrower-based measures

The Central Bank of Malta Directive 16 governs lending for residential real estate (RRE) loans. The directive distinguishes between Category I and II type borrowers. Category I borrowers are essentially buyers borrowing with respect to their primary residence, whereas Category II are all other RRE loan borrowers.

Loan-to-Value Ratio at Origination (LTV-O)
The directive establishes specific LTV-O caps for different categories of borrowers. For Category I borrowers, including first-time buyers and those purchasing primary residences, the LTV-O should not exceed 90%. Category II borrowers, have an LTV-O cap of 75.0%. These caps aim to limit the amount of borrowing relative to the property's value, reducing risk.

Debt Service to Income Ratio at Origination (DSTI-O)
Lenders must assess borrowers' ability to repay loans by applying a stressed DSTI-O limit of 40.0%. This assessment includes a 150-basis points interest rate shock. This measure ensures that borrowers can manage their debt comfortably, even in challenging financial scenarios.

Loan Maturity
The directive sets limits on the duration of RRE loans. For Category I borrowers, loans should not exceed 40 years or the official retirement age, whichever comes first. For Category II borrowers, the limit is 25 years or the official retirement age. Exceptions are allowed for borrowers with stable income beyond retirement age, subject to lender assessment.

4.4.2 The impact of Directive 16 on mortgage eligibility

Up until the coming into effect of Directive 16, local banks were relatively free to apply their own mortgage lending criteria. However, with the introduction of the directive, most banks started applying these criteria across the board.

Directive 16 can be said to have restricted financing for borrowers aiming to acquire secondary homes or buy-to-let properties, since it increased their initial capital outlay to 25.0% and capped their loan term to 25 years. However, the affordability of this class of borrowers is outside the scope of this study.

On the other hand, the affordability of Category I borrowers, these being mostly first-time buyers or buyers seeking a change of primary residence to reflect different life circumstances, can be said to have remained the same or increased for low-income earners. This in view that prior to the introduction of the Directive, some banks applied progressive rates of DSTI-O according to the borrower's income, generally ranging between 25.0% and 40.0%. Most banks now apply a 40.0% maximum across the board, mainly driven by competition in the market.

[25] https://ec.europa.eu/eurostat/web/products-eurostat-news/-/wdn-20211230-1

4.4.3 Housing affordability by borrower type

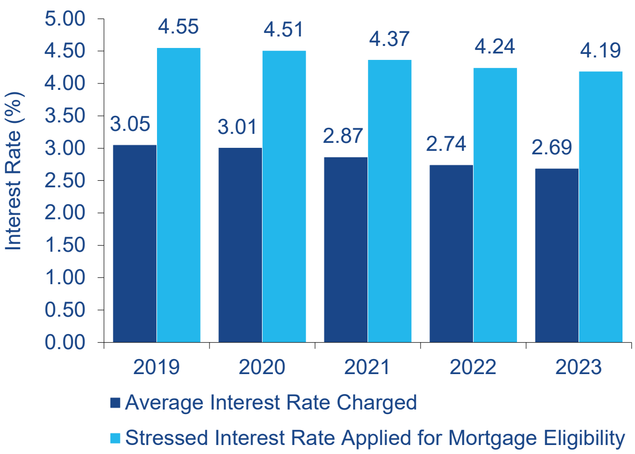
This section seeks to quantify the maximum amount that different households and individuals falling within Category I type borrowers could afford to spend on a property, based on the Directive 16 criteria. The calculations below are based on the following factors which are common to all cases to determine the loan amount eligibility. All buyer personas are assumed to contribute a 10.0% down payment towards the value of their property – as per Directive 16 LTV-O requirements, which together with the loan amount sanctioned by a bank, would represent the total value of the property. Other ancillary costs such as notarial fees, architect fees, insurances and tax, are assumed to be met from the borrowers' own funds and fall outside the scope of these calculations.

4.4.3.1 Interest rates on household loans for the purpose of house purchases

The following chart shows the average interest rate charged on mortgages to households and the stressed interest rate applied in mortgage eligibility calculations, which is effectively the average interest rate plus 150 basis points as defined in Directive 16.

Contrary to developments in the European monetary market, which saw the European Central Bank (ECB) raise its key policy interest rates by 450 basis points between July 2022 and September 2023, interest rates in Malta decreased marginally, thus resulting in a small improvement in affordability.

Figure 4.3: Interest rates on household loans for house purchases



Source: CBM data; KPMG Analysis

4.4.3.2 Increases in income

In 2022, households derived 81.0% of their total aggregated income from employment, followed by 11.4% in old-age benefits. Other sources of income such as interest and dividends (1.6%) and children allowance (1.1%) accounted for marginal components of total aggregated household income[26].

It is therefore reasonable to assume that the gross income for the cases put forward in the following sections moved in line with average movements in wages and salaries as derived from various NSO Labour Force Surveys. The following Table presents an indexed version of these movements.

Table 9: Index for Income Movement

Year	Index for Income Movement
2019	100.00
2020	105.58
2021	101.33
2022	106.06
2023	114.89

Source: NSO data; KPMG Analysis

Therefore, for instance, a household with a gross income of €50,000 in 2023, would have earned a gross income of €46,157 the previous year, being:

$$\frac{\text{€}50{,}000 \times 106.06}{114.89} = \text{€}46{,}157$$

[26] National Statistics Office: EU_SILC 2022: Salient Indicators NR 103/2023 dated 13 June 2023.

4.4.3.3 Maximum housing affordability for different personas

Young couple both in elementary jobs in their late 20s

Age of oldest applicant at next birthday: 28

Loan term: 37

Joint gross annual income in 2023: €30,611

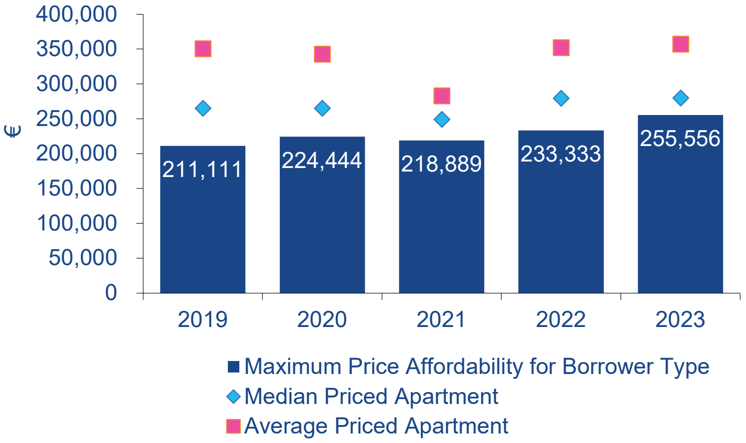
In 2023, with a maximum loan amount eligibility of €230,000 these borrowers could afford to buy a property with an asking price of up to €255,000. As per KPMG database, in 2023, 38.7% of advertised apartments in a finished state fell within this threshold.

Should the borrowers opt to acquire an unfinished property, finance would also be required to render the property in a habitable state, as banks generally lend on an end-finance basis. That amount would need to be deducted from the original maximum loan amount eligibility of €230,000, meaning borrowers would have to decrease the amount spent on purchasing the property or up their contribution above the minimum 10.0% requirement.

The potential borrowers may find it challenging to acquire a property and will likely be restricted in terms of location and the size of the property.

The following chart shows how the borrowers' maximum housing affordability compared to the median and average price for apartments for the years 2019 through 2023.

Figure 4.4: Housing affordability for a couple jointly earning €30,611 in 2023



Source: KPMG Analysis

Young couple both earning a minimum wage in their late 20s

Age of oldest applicant at next birthday: 28

Loan term: 37

Joint gross annual income in 2023: €20,042

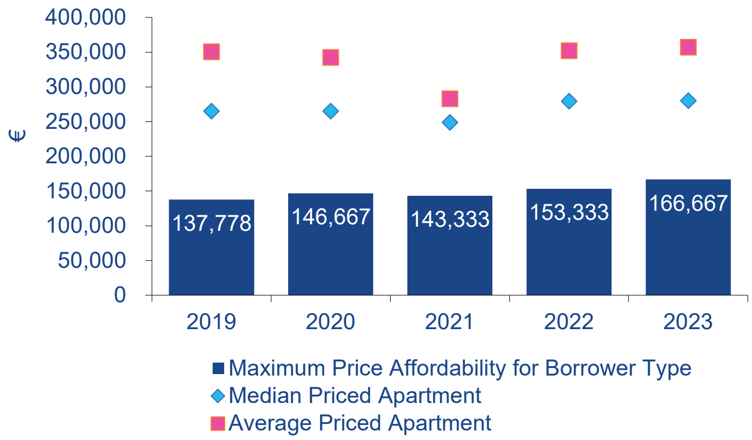
In 2023, with a maximum loan amount eligibility of €150,000 these borrowers could afford to buy a property with an asking price of up to €167,000. As per KPMG database, in 2023, 4.4% of advertised apartments in a finished state fell within this threshold.

Should the borrowers opt to acquire an unfinished property, finance would also be required to render the property in a habitable state, as banks generally lend on an end-finance basis. That amount would need to be deducted from the original maximum loan amount eligibility of €150,000, meaning that the borrowers would have to decrease the amount spent on purchasing the property or up their contribution above the minimum 10.0% requirement.

The potential borrowers are deemed as having a housing affordability issue and are unlikely to be in a position to acquire a finished property without financial assistance.

The following chart shows how the borrowers' maximum housing affordability compared to the median and average price for apartments for the years 2019 through 2023.

Figure 4.5: Housing affordability for a couple jointly earning €20,042 in 2023



Source: KPMG Analysis

Young professionals in their early 30s

Age of oldest applicant at next birthday: 32

Loan term: 33

Joint gross annual income in 2023: €82,000

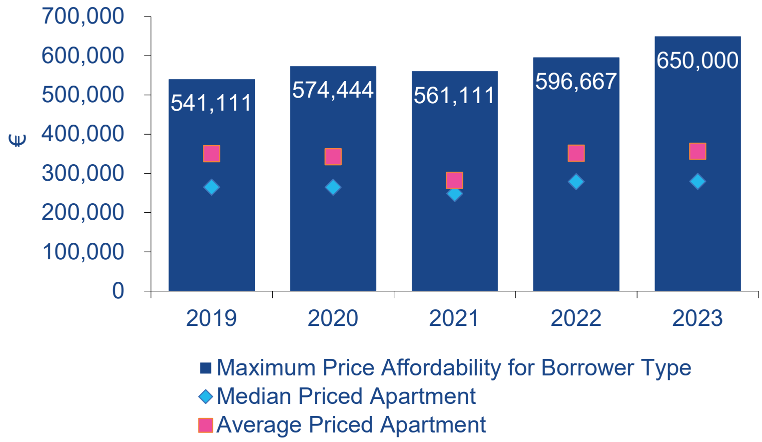
In 2023, with a maximum loan amount eligibility of €585,000 these borrowers could afford to buy a property with an asking price of up to €650,000. As per KPMG database, in 2023, 92.2% of advertised apartments in a finished state fell within this threshold.

Should the borrowers opt to acquire an unfinished property, finance would also be required to render the property in a habitable state, as banks generally lend on an end-finance basis. That amount would need to be deducted from the original maximum loan amount eligibility of €585,000, meaning that the borrowers would have to decrease the amount spent on purchasing the property or up their contribution above the minimum 10.0% requirement.

The potential borrowers are not deemed to have an affordability issue.

The following chart shows how the borrowers' maximum housing affordability compared to the median and average price for apartments for the years 2019 through 2023.

Figure 4.6: Housing affordability for a couple jointly earning €82,000 in 2023



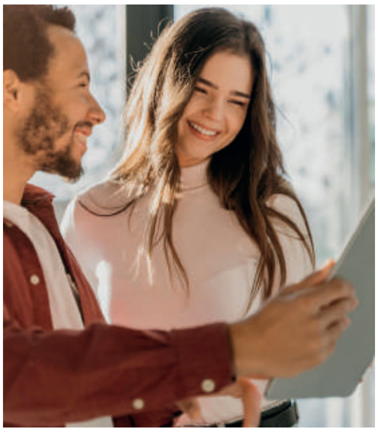
Source: KPMG Analysis

Young couple both earning average incomes in their mid-20s

Age of oldest applicant at next birthday: 25

Loan term: 40

Joint gross annual income in 2023: €44,360



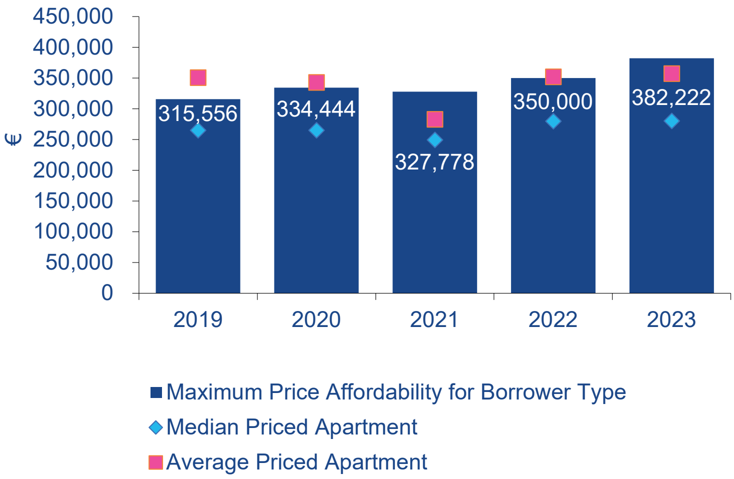
In 2023, with a maximum loan amount eligibility of €344,000 these borrowers could afford to buy a property with an asking price of up to €382,000. As per KPMG database, in 2023, 79.9% of advertised apartments in a finished state fell within this threshold.

Should the borrowers opt to acquire an unfinished property, finance would also be required to render the property in a habitable state, as banks generally lend on an end-finance basis. That amount would need to be deducted from the original maximum loan amount eligibility of €344,000, meaning that the borrowers would have to decrease the amount spent on purchasing the property or up their contribution above the minimum 10.0% requirement.

The potential borrowers are not deemed to have an affordability issue.

The following chart shows how the borrowers' maximum housing affordability compared to the median and average price for apartments for the years 2019 through 2023.

Figure 4.7: Housing affordability for a couple jointly earning €44,460 in 2023



Source: KPMG Analysis

Single professional individual in their late 30s

Age of applicant at next birthday: 39

Loan term: 26

Gross annual income in 2023: €50,000

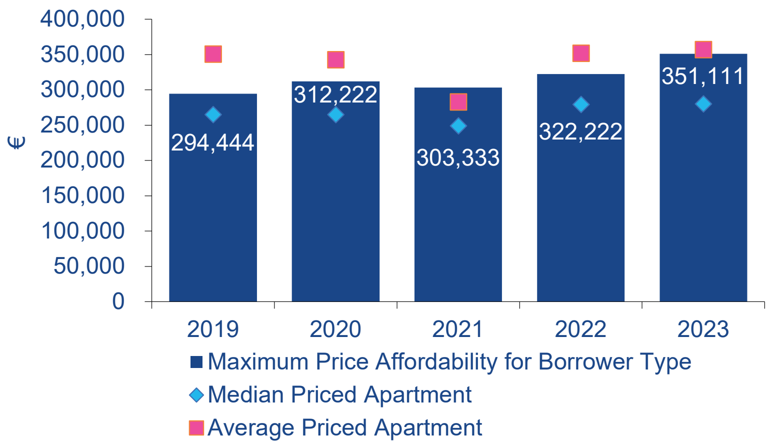
In 2023, with a maximum loan amount eligibility of €316,000 this borrower could afford to buy a property with an asking price of up to €351,000. As per KPMG database, in 2023, 75.5% of advertised apartments in a finished state fell within this threshold.

Should the borrower opt to acquire an unfinished property, finance would also be required to render the property in a habitable state, as banks generally lend on an end-finance basis. That amount would need to be deducted from the original maximum loan amount eligibility of €316,000, meaning that the borrowers would have to decrease the amount spent on purchasing the property or up their contribution above the minimum 10.0% requirement.

The potential borrower is not deemed to have an affordability issue.

The following chart shows how the borrowers' maximum housing affordability compared to the median and average price for apartments for the years 2019 through 2023.

Figure 4.8: Housing affordability for a single individual earning €50,000 in 2023



Source: KPMG Analysis

Single professional individual in their early 30s

Age of applicant at next birthday: 33

Loan term: 32

Gross annual income in 2023: €35,000

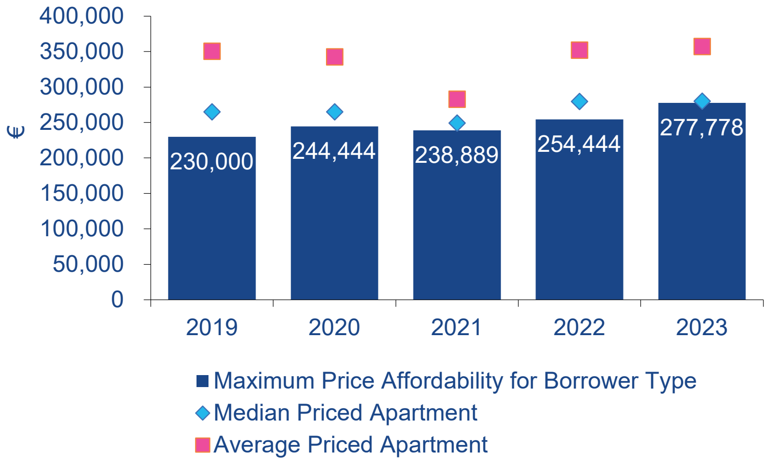
In 2023, with a maximum loan amount eligibility of €250,000 this borrower could afford to buy a property with an asking price of up to €277,000. As per KPMG database, in 2023, 49.0% of advertised apartments in a finished state fell within this threshold.

Should the borrower opt to acquire an unfinished property, finance would also be required to render the property in a habitable state, as banks generally lend on an end-finance basis. That amount would need to be deducted from the original maximum loan amount eligibility of €250,000, meaning that the borrowers would have to decrease the amount spent on purchasing the property or up their contribution above the minimum 10.0% requirement.

The potential borrowers may find it challenging to acquire a property and will likely be restricted in terms of location and the size of the property.

The following chart shows how the borrowers' maximum housing affordability compared to the median and average price for apartments for the years 2019 through 2023.

Figure 4.9: Housing affordability for a single individual earning €35,000 in 2023



Source: KPMG Analysis

Single individual in an elementary job in their late 20s

Age of applicant at next birthday: 30

Loan term: 35

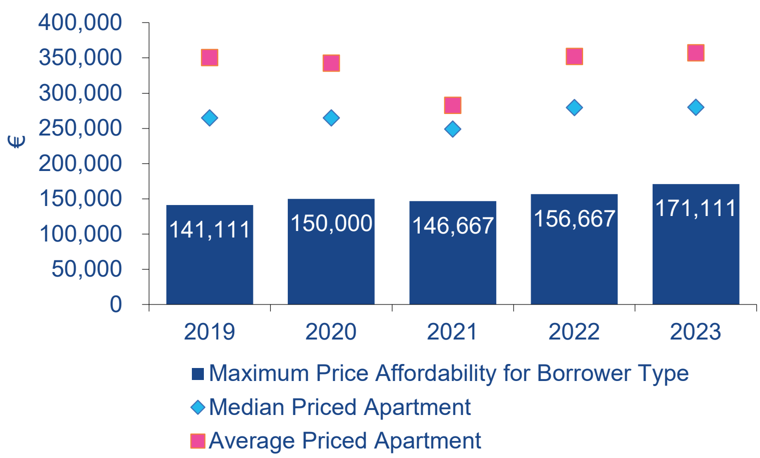
Gross annual income in 2023: €21,000

In 2023, with a maximum loan amount eligibility of €154,000 this borrower could afford to buy a property with an asking price of up to €171,000. As per KPMG database, in 2023, 5.2% of advertised apartments in a finished state fell within this threshold.

Should the borrower opt to acquire an unfinished property, finance would also be required to render the property in a habitable state, as banks generally lend on an end-finance basis. That amount would need to be deducted from the original maximum loan amount eligibility of €154,000, meaning that the borrowers would have to decrease the amount spent on purchasing the property or up their contribution above the minimum 10.0% requirement.

The potential borrower is deemed as having a housing affordability issue and is unlikely to be in a position to acquire a finished property without financial assistance.

Figure 4.10: Housing affordability for a single individual earning €21,000 in 2023



Source: KPMG Analysis

4.5 Industry viewpoints on housing affordability

We touched upon the topic of housing affordability during our consultation process with industry stakeholders.

Bank representatives and notaries commented that the vast majority of first-time buyers receive financial support from their parents or other family members when acquiring their first home. This financial support often goes towards part financing the initial 10% down payment required. When a borrower receives a financial donation, banks generally require that a donation agreement is signed between the donor and the beneficiary, stating that the donated amount will not be demanded back.

Bank representatives noted an increase in the average age of first-time buyers over the years. On one hand, this could translate in an improvement in housing affordability, since one's salary in real terms generally improves as the individual gains work experience. On the other hand, the older the borrower, the shorter the loan term, meaning higher repayments for older borrowers, when keeping the loan amount fixed.

5 Sustainability preferences in real estate in Malta

5.1 About the survey

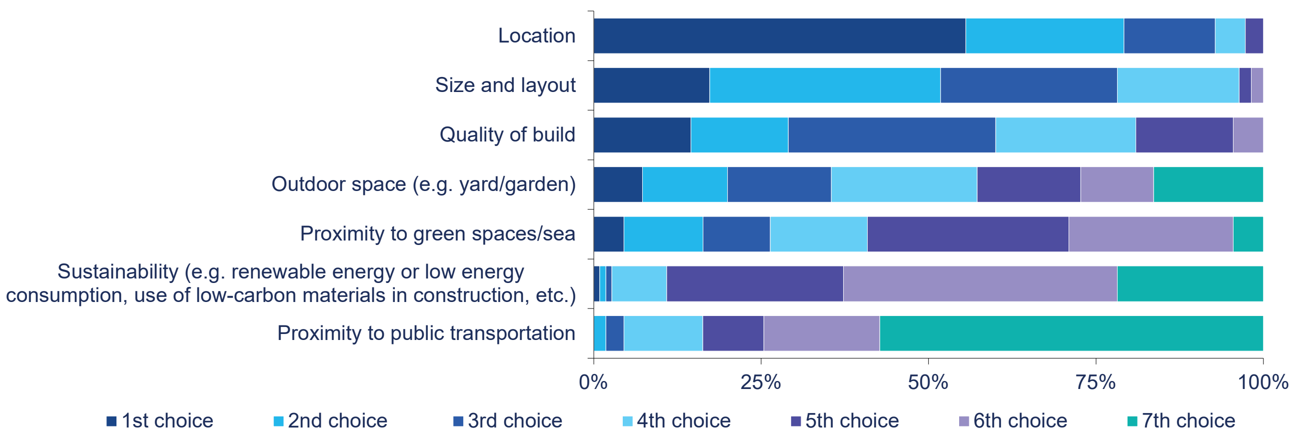
In August 2023, we carried out a study to better understand the sustainability preferences of property renters and purchasers in Malta. This second study builds on the first one we conducted in 2022 and had the aim of gaining further insights of consumer preferences on sustainability in real estate within the Maltese context. Here we present some of the key findings.

Data was collected through a survey distributed via social media and e-mail, complemented by in-person intercept surveys. The survey was open to residents of Malta aged 18 and over, whether Maltese or not. 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. Nevertheless, the topic and means of distribution of the survey may have resulted in a degree of self-selection bias and therefore these limitations are to be considered when interpreting the results.

5.2 Location remains a priority when purchasing and renting

Purchasers may take various factors into consideration when purchasing property. Our analysis of the 2023 survey data reveals that when forced to choose between sustainability features (such as low energy consumption) and other factors, property purchasers prioritise location and other factors such as size and layout of the property over sustainability. Sustainability features rank in sixth place for those who purchased property in recent years, as shown below. These findings are consistent with the 2022 study.

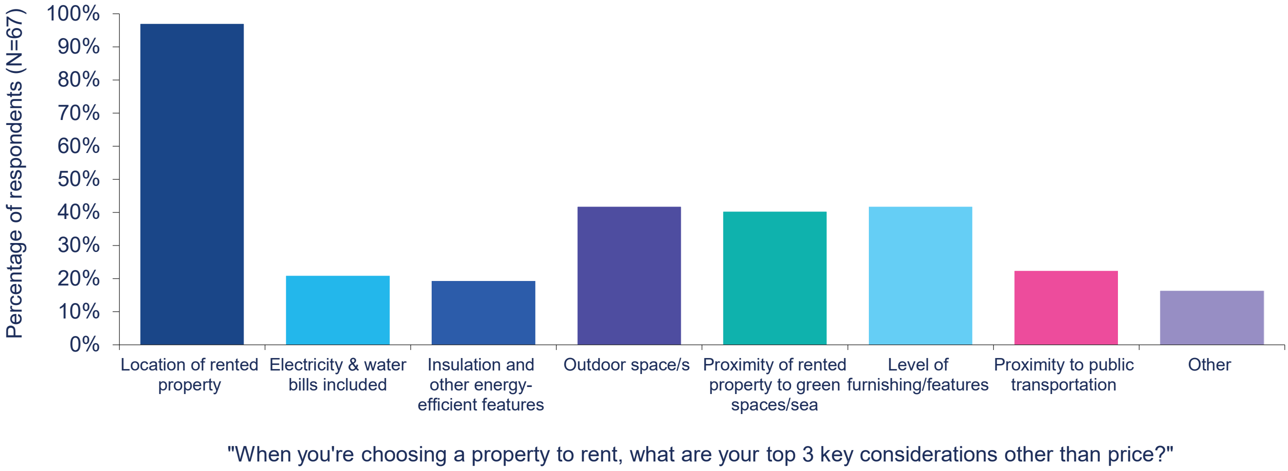
Figure 5.1: Relative importance of factors for respondents who purchased property between 2021 and 2023 (N=110)



Source: KPMG Analysis

Location is also a key consideration for renters; 97% of renters picked location as one of their three key considerations when choosing which property to rent (aside from price). This is followed by outdoor space/s and level of furnishing/features (each picked by 42% of renters). Proximity to green spaces/sea came in at fourth place (40%), while insulation and other energy efficient features came in at seventh place (19%).

Figure 5.2: Top 3 key considerations, other than price, for respondents that are: a) currently living in a rented property, and b) looking to rent in the next year (between 2023 and 2024) (N=67)



Source: KPMG Analysis

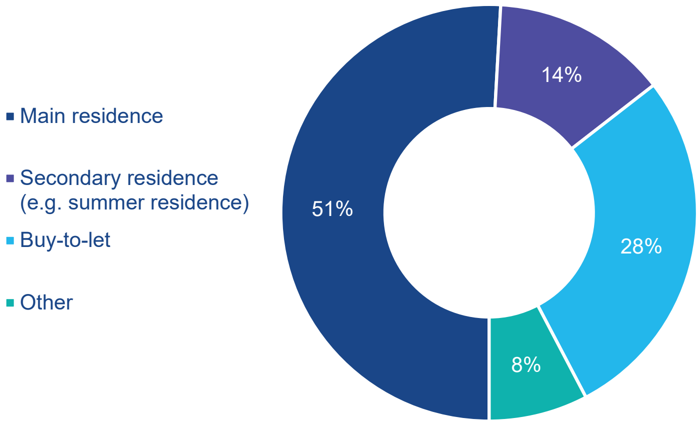
The above findings point to the need for sustainability to become embedded within real estate, so that purchasers and renters do not feel they need to choose between sustainability and other factors when buying or renting property.

5.3 Around half of purchasers say they are willing to pay more for sustainable property

Although sustainability does not necessarily translate into higher costs and may indeed result in savings during the operation of the building, it is useful to understand purchasers' willingness to pay for sustainable buildings. Around half (51%) of respondents looking to purchase property in the next three years (2023 to 2026), primarily a main residence as shown in Figure 5.3, 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%).

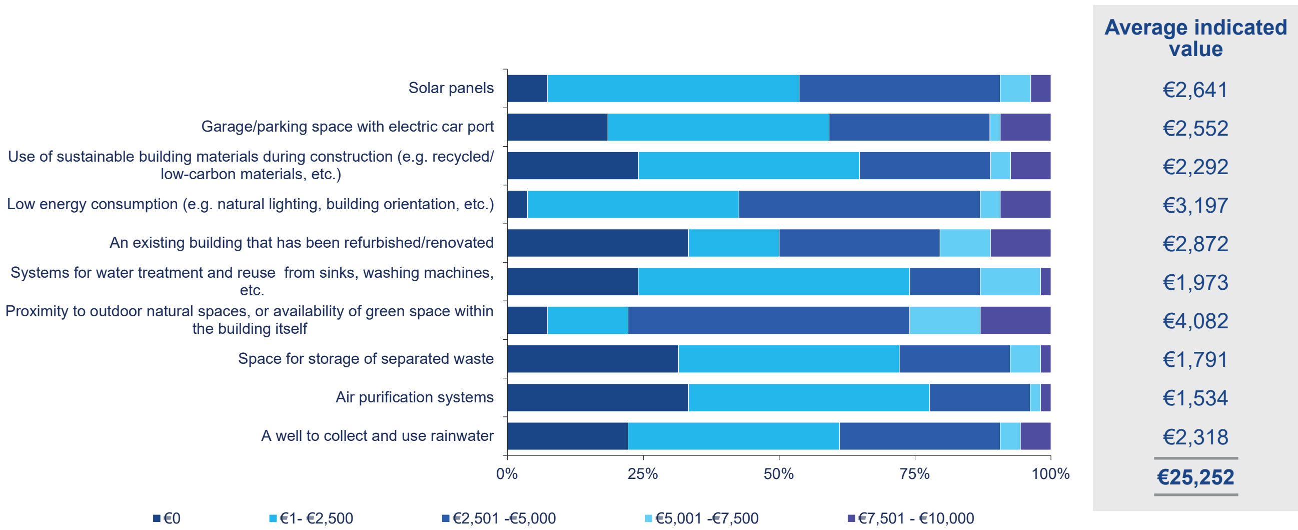
Purchasers were asked how much they would be willing to pay for specific sustainability features, such as solar panels, sustainable construction materials, and a well to collect and use rainwater. The average indicated value (based on the weighted average of the median value of each price band) suggests that identified sustainability features have the potential to add an average of around €32,000 to property purchased in the next three years. This figure represents around 10-15% of the most common purchasing budget (€200,000 – €299,999) for those who plan to purchase property in the next three years. Those who purchased property in the past three years indicated that they would have been willing to pay an extra €25,000, representing around 10% of the most common purchasing budget (€200,000 – €299,999).

Figure 5.3: Purpose of purchase for respondents that are looking to purchased property between 2023 and 2026 (N=152)



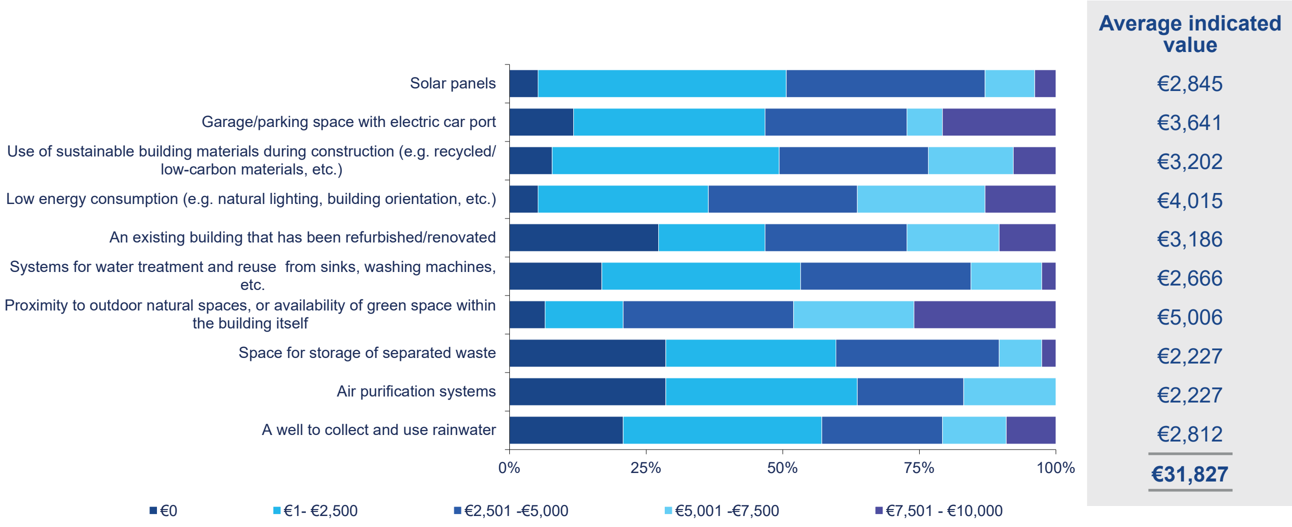
Source: KPMG Analysis

Figure 5.4: Willingness to pay for sustainability features amongst respondents who purchased property between 2021 and 2023 (N=54)



Source: KPMG Analysis

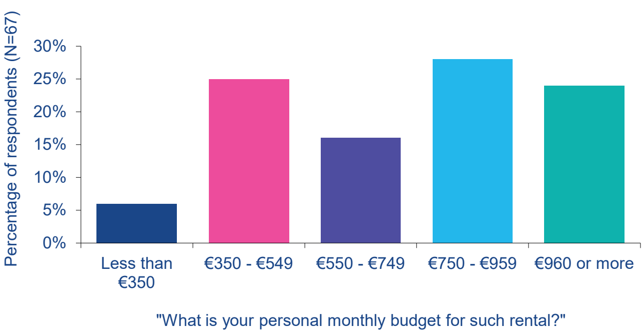
Figure 5.5: Willingness to pay for sustainability features amongst respondents looking to purchase a property between 2023 and 2026 (N=77)



Source: KPMG Analysis

On the other hand, 49% of renters (N=67) also stated that they are willing to pay more for a sustainable home. As shown in Figure 5.7, of these 49% of renters, 60% of respondents provided a value that they would be willing to pay up to €99 more monthly. The median value (€50) of this price band corresponds to between 5% to 7% of the most common monthly rental budget (€750-€959).

Figure 5.6: Monthly rental budget for renters (N=67)



Source: KPMG Analysis

Figure 5.7: Willingness to pay (monthly) amongst renters (N=33)

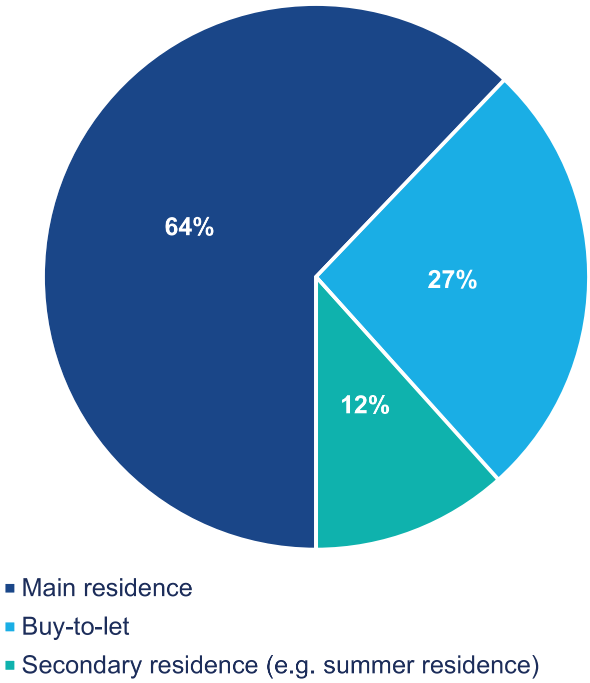
Source: KPMG Analysis

5.4 Banks as financiers of the sustainable transition of the real estate sector

Respondents who plan to finance their property purchase through a loan, of which 81% are looking to purchase a main residence, ranked sustainable incentives, such as the availability of green loans, in third place in their choice of bank, ahead of "availability and efficiency of online application" (fourth) and "appointment availability/flexibility" (fifth). This result indicates the growing importance of banks in financing the transition of the sector towards sustainability and 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. As it stands, 68% of respondents (N=152) stated they are unaware of any banks that are actively incorporating and promoting sustainable initiatives, such as the reduction of carbon emissions or financing of community empowerment programs.

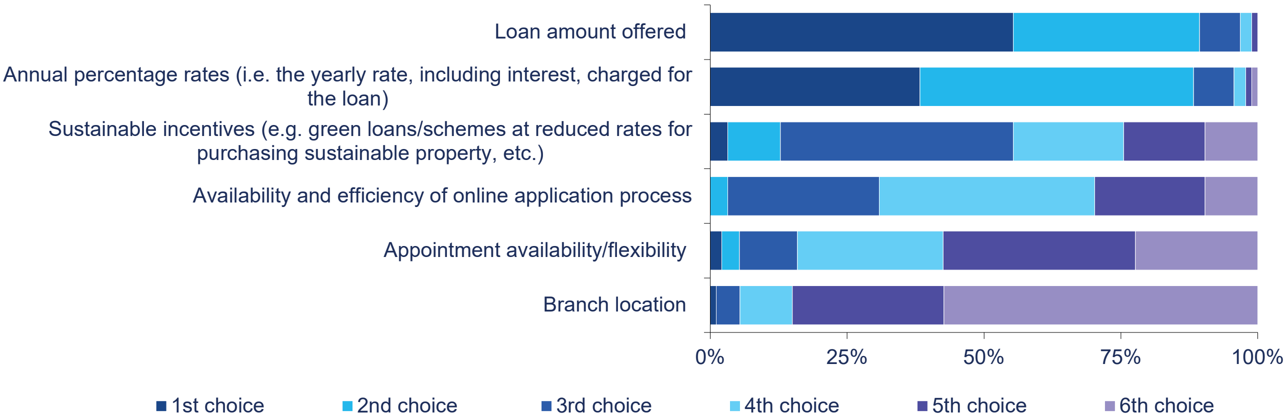
Unsurprisingly, respondents ranked "Loan amount offered" first, followed by the cost of the loan in second place.

Figure 5.8: Purpose of purchase amongst respondents looking to finance their property purchase through a loan (N=152)



Source: KPMG Analysis

Figure 5.9: Relative importance of factors when choosing a bank with which to take out a loan, in descending order of importance (N=94)



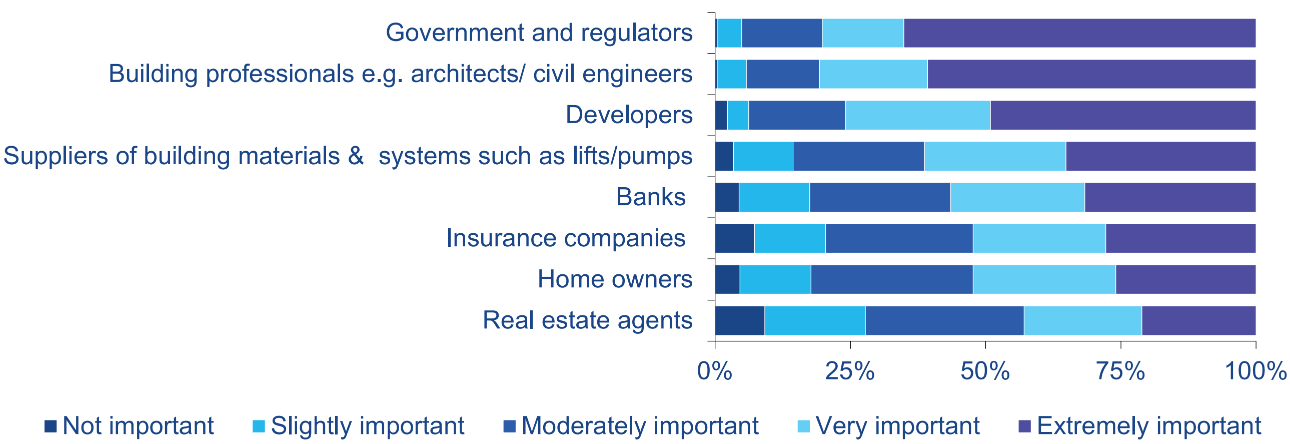
Source: KPMG Analysis

5.5 Transforming the construction sector towards sustainability

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 (2022 study: 2.5), 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.

When asked about the relative importance of stakeholders in this transformation, respondents consider that Government and regulators have the most important role, followed by building professionals, developers, and suppliers of building materials and systems. These findings suggest that a collaborative approach where Government and regulators spearhead the change, supported by the wider ecosystem, would be the ideal approach to transform the sector towards sustainability.

Figure 5.10: Relative importance of stakeholders in the transformation towards sustainability, in descending order (N=436)



Source: KPMG Analysis

Moreover, when asked what more the sector could be doing on sustainability, respondents (N=259) suggested that the transformation of the sector towards sustainability should be championed through:

Regulation and enforcement
Several respondents stressed the need for stricter regulatory measures, and better enforcement, to ensure sustainability becomes integral to the sector. Suggestions included, among others, making sustainability a legal prerequisite during the design stage, or issuing or rejecting building permits based on environmental and cultural considerations, with penalties potentially imposed for non-compliance.

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 sector 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.

Affordability & 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 that are willing to develop, supply and live in a sustainable manner.

Our multi-disciplinary team of professionals have a technical, financial, economic and in-depth understanding of the real estate industry, with access to a comprehensive real estate database and a global network. We are closely monitoring developments within the sector and bring to the table extensive experience aimed at maximising value for our clients.

Real estate valuations

Our appraisal of market values for individual properties, portfolios and real estate companies covers a wide spectrum of residential and commercial real estate, taking into account the requirements of financial reporting standards whilst also serving as a pertinent tool for aspects such as the optimisation of financing mix and the investment decision-making process.

Feasibility studies and capital raising

We are well positioned to help analyse the expected financial returns of specific real estate projects based on the parameters of the project. Our experience encompasses a suite of developments ranging from small-scale hospitality and commercial ventures to large mixed-use development projects, wherein we can also assist in the determination of a financing strategy for a project and raising the necessary capital in the form of equity and/or debt.

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Succession planning

Real estate regularly forms a core part of the succession planning journey for local family businesses. At this important juncture of a company's development, our expertise in the real estate sector as well as succession planning processes will ensure the smooth handling of all corporate, financial and tax matters, in line with your objectives.

Industry analysis & market assessment

We are the leading consultancy firm in Malta carrying out a comprehensive annual study on the Construction Industry and Property Market, covering aspects such as housing affordability, industry economic impact, and property price dynamics, amongst other themes.

KPMG Malta real estate database

We have developed a benchmarking tool that contains a volume of property price observations across multiple localities in Malta and Gozo. The Database, which encompasses both the sale and rental market, has been collated and updated on an annual basis since 2011 and provides insights into aspects such as pricing trends, view premiums, and property mix distribution, amongst others.

Appendices

Appendix A: Definitions

This section provides a concise definition of the products and industries presented in the input-output tables. These definitions are adapted from the Eurostat (2008) "NACE Rev.2 Structure and explanatory notes", Eurostat Methodologies and Working Papers.

Agriculture (NACE 1-3)

This division covers the production of crop and animal products, including organic agriculture, genetically modified crops and the raising of genetically modified animals as well as the growing of crops in open fields and greenhouses. Under this heading, forestry and logging as well as fishing and aquaculture activities are included. The latter industry covers the use of fishery resources from marine, brackish or freshwater environments, with the goal of capturing or gathering fish, crustaceans, molluscs and other marine organisms and products. However, this category excludes recreational fishing.

Production (NACE 5-39)

This category includes mining and quarrying, manufacturing, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management and remediation activities.

Of which manufacturing (NACE 10-33)

This segment includes the manufacturing of food products and beverages, tobacco products, textiles, clothing, leather products, wood and paper products, coke and refined petroleum, chemicals, pharmaceuticals, rubber and plastic, glass products, metals, computer, electronics, optical products, machinery and equipment, motor vehicles, trailers and semi-trailers, furniture, and also repair and installation of machinery and equipment.

Construction (NACE 41-43)

This includes the construction of buildings, civil engineering (including the construction of roads), demolition and site preparation, electrical plumbing and other construction installation activities. It also includes building completion and finishing activities.

Distribution (NACE 45-47)

Distribution covers the wholesale, retail trade and repair of motor vehicles and motorcycles.

Transport (49-53)

This covers land, water and air transport. Specific activities applicable to Malta include taxi operations, freight transport, sea and coastal water transport services. It also includes warehousing and storage activities as well as postal and courier services.

Hotels and restaurants (NACE 55-56)

The hotels and restaurants cover hotel accommodation, holiday, short-stay, camping grounds and recreational vehicle parks. It also covers restaurants, mobile food services, beverage serving and catering activities.

Information and communication (NACE 58-63)

This section covers publishing activities, motion picture, video and television programme production, sound recording and also music publishing activities. It is also inclusive of programming and broadcasting activities, telecommunications, computer programming and consultancy services and also information service activities (such as data processing and web hosting).

Financial and insurance (NACE 64-66)

The financial and insurance segment includes monetary intermediation, central banking, and activities of holding companies, trusts, funds, financial leasing, credit granting, insurance activities, pension funding and also the administration of financial markets.

Real estate (NACE 68)

Real estate activities include the buying and selling of own real estate, renting and operating of own or leased real estate and also activities carried out by real estate agencies.

Professional (NACE 69-75)

This category includes legal, accounting, bookkeeping, auditing, tax and management consultancy services, architectural and engineering activities, scientific research and development, advertising and market research, photographic activities, translation and interpretation activities and also veterinary activities.

Administration and support (NACE 77-82)

The administration and support service activity segment includes rental and leasing activities (of motor vehicles, trucks, personal and household goods, machinery and equipment.) It also includes the activities of employment agencies, travel agencies and tour operators and security services. Furthermore, it also includes cleaning and landscaping activities, and other office administration and business support activities.

Public administration (NACE 84)

This NACE code includes all services related to public administration, defence and social security.

Education (NACE 85)

Education covers the provision of pre-primary, primary, secondary, post-secondary and tertiary education. It also includes sports and recreation education, cultural education and the activities of driving school instructors.

Health and social work (NACE 86-88)

This section covers human health related activities such as hospital activities, medical and dental activities; residential care and social work activities.

Arts, entertainment and recreation (NACE 90-93) This covers creative, arts and entertainment services, libraries, archives, museums and other cultural activities, gambling and betting activities and also sports activities.

Other services (NACE 94-96)

This includes the activities of membership organisations (business, professional, religious or political), repair of computers, personal and household goods and other personal service activities. The latter include hairdressing and beauty treatments, washing and dry cleaning services, funeral services and physical well-being services.

Households as employers (NACE 97-98)

This includes the activities of households as employers and also undifferentiated goods and services producing activities of households for own use.

Extra-territorial organisations (NACE 99)

NACE 99 covers the activities of extra-territorial organisations and bodies.

Appendix B: Scope, approach and methodology

B.1 Scope and objectives of this engagement

We have been contracted by the Malta Development Association (formerly known as Malta Developers Association) to provide a further update to our report titled "Construction Industry and Property Market Report", originally published in October 2017 with annual subsequent updates. These reports seek to quantify the economic relevance of the building industry and the property market in general, with the ultimate aim of gauging the impact of the building industry on the rest of the Maltese economy.

B.1.1 Data collection and desk-based research

As part of the work carried out in preparation of the first edition of this report, an exercise was carried out to define a broader scope of economic activities which could be considered to form part of the construction industry, than those captured by official statistics. These parameters were updated slightly from previous editions for better alignment with official statistics.

The first phase of this engagement involved the collection of data from public sources such as the NSO, Eurostat, and the Central Bank of Malta. Efforts were made to collect updated data on each economic sector closely linked to the construction industry, but not formally defined as part of the industry under the definitions in the NACE system. This broader definition of the construction industry was developed during consultations with the MDA at the initial stages of our work when preparing our first report. An in-depth analysis of this data, as well as data from KPMG's internal real estate database, was then carried out. The aim of this phase was to extract summary statistics to (a) describe the current economic situation across several aspects of the construction industry and (b) analyse trends in the industry and in the property market.

More detailed explanations of the specific methodologies used for different parts of our analysis are provided throughout this report.

B.1.2 Stakeholder consultations

Even though statistics are a useful tool in industry analysis, they do not always give a comprehensive view. For this reason, it was considered imperative that insight from a sample of industry players was collected.

We have once again opted for a broader approach to stakeholder consultation by making use of interviews. As has been the case in past reports, such interviews allow us to obtain rich qualitative insights from industry experts in order to present a richer understanding of key issues presently facing the industry, as well as future challenges and opportunities. A total of 24 stakeholders were consulted on a one-to-one basis.

B.2 Sources of information

The following are the main sources of information utilised in the compilation of this report:

- Economic and demographic statistics from the National Statistics Office
- Economic and demographic statistics from Eurostat
- Economic statistics and indicators published by the Central Bank of Malta
- NSO, 2020, “Supply, Use and Input-Output Tables”, National Accounts Unit 2015
- Debono, Nathaniel., & Cassar, Ian., 2021, “Estimates of Industry specific multipliers for the Maltese economy on the basis of the SIOT for 2015”, CBM.
- The KPMG Property Database
- KPMG, 2017, “Construction Industry and Property Market Report, 2017”
- KPMG, 2018, “Construction Industry and Property Market Report, 2018”
- KPMG, 2019, “Construction Industry and Property Market Report, 2019”
- KPMG, 2020, “Construction Industry and Property Market Report, 2020”
- KPMG, 2021, “Construction Industry and Property Market Report, 2021”
- “Sustainability preferences in real estate in Malta” 2023 survey.
- Additional sources of information are referenced throughout the report as appropriate.

B.3 Underlying assumptions

This report is drawn on the basis of the following generic assumptions. Further case-specific assumptions are listed throughout the report’s main text.

- Data received from third parties is presumed to be factual and correct as at the date of this report.
- The population frame from which the sample of new stakeholders was drawn for consultation is a comprehensive list of MDA members. Convenience sampling was used to ensure that we obtain a good mix of large influencers in the industry, and also to interview individuals who had contributed in past editions with a view to attain a level of continuity.
- The insight gathered from the stakeholder consultations were, in the main, of a qualitative nature and as such cannot be interpreted using statistical methods/techniques.

B.4 Note regarding comparability of reports

Please note that revisions to certain official statistics have been identified during the compilation of this report. In addition, in certain analyses, we have adopted updated refined data or actual published data (versus estimates previously adopted and, which since last publication, have been made available). In some instances, data sources may have changed owing to the requirements of specific pieces of analysis, with the possibility of different sources utilising methodologies which, while still correct and relevant, differ from each other. For this reason, certain figures quoted within this report may vary from those same figures as produced in our previous reports. As a result, the extent of comparability between different yearly issues of this report may be limited in certain instances.

Furthermore, as stated earlier, comparing reports on the size of the wider building industry is limited due to the revised definition in this year’s edition. Additionally, the affordability analysis has also been revisited to ensure a more precise and transparent assessment. Both of these analyses have been retrospectively reworked and presented to facilitate comparability across different years.

Appendix C: Wider Building Industry

C.1 Definition of wider building industry

When compiling official statistics, national authorities use the NACE classification, a pan-European system of classifying economic activities. In Chapter 1, this report defines the wider building industry as being made up from the construction sector, and the real estate sector.

NACE Revision 2 groups together the following activities which are related to construction sector under section F. These are:

- Construction of buildings (NACE 41)* – Comprises the construction of residential and non-residential buildings.
- Civil engineering (NACE 42)* – Comprises the construction of roads, motorways, bridges and tunnels, and utility projects for electricity, water, and telecoms.
- Specialised construction activities (NACE 43)* – Comprises activities such as demolition, site preparation, test drilling and boring, plumbing and electrical installations, building completion, plastering and joinery, floor and wall covering, glazing and roofing.

NACE Revision 2 categorises the real estate sector under section L. Note that for the purposes of our analysis, we exclude imputed rent.

- Real estate activities (NACE 68) * – which include the buying and selling of own real estate, renting and operating of own or leased real estate, the operations of real estate agencies and also the management of real estate on a fee or contract basis. It also includes the building of structures, combined with maintaining ownership of leasing of such structure.

The NACE code classification also provides for other categories which are not listed under Section F (Construction), but which are intrinsically linked to the construction industry. The industries identified as forming part of the wider building industry are replicated below.

Other mining and quarrying

Mining and quarrying, which includes the quarrying of ornamental and building stone, limestone, gypsum, chalk and slate, and extraction of peat and slate (NACE 8) **

Manufacturing of materials and equipment

- Manufacture of wood and products of wood and cork (except for furniture, straw articles and plaiting materials). This code includes sawmilling and planning of wood, manufacture of veneer sheets and wood-based panels, parquet floors, builders' carpentry and joinery and also wooden containers (NACE 16) **
- Manufacturing of other non-metallic mineral products which includes the manufacture of flat and hollow glass, glass fibres, refractory products, ceramic tiles and flags, bricks, tiles and construction products, ceramic household and ornamental articles, sanitary fixtures, ceramic insulators and insulating fittings, cement, lime, plaster, concrete, ready-mixed concrete, mortars and fibre cement, and also the cutting, shaping and finishing of stone (NACE 23) **
- Manufacture of machinery for mining, quarrying and construction (NACE 28.92) **
- Manufacture of fabricated metal products, except machinery and equipment (NACE 25) *

Wholesale of materials and equipment

- Wholesale of mining, construction and civil engineering machinery (NACE 46.63) **
- Wholesale of wood, construction materials and sanitary equipment (NACE 46.73) **
- Agents involved in the sale of timber and building materials (NACE 46.13) **

Related service activities

- Architectural and engineering activities and any related technical consultancy (NACE 71) *
- Renting and leasing of construction and civil engineering machinery and equipment (NACE 77.32) **
- Specialised design, which includes interior decoration, and industrial design (NACE 74.10) **
- Services to buildings and landscape activities (NACE 81) *

In addition to the above activities, we also identified supporting economic activities which arise, to some extent, as a result of the construction sector. These may include industrial machinery repair and maintenance, accounting services, project management, market research and technical consultancy, legal services, financial services (provision of loans) and so on. Since statistics are reported on an economic activity basis, we are not able to disentangle that portion of economic activity which is solely attributable to the construction sector. For instance, one cannot elicit the share of legal and accounting activities (NACE 69) tied to the construction industry. However, to address this issue, we consider industry inter-linkages at a high level in another section of this report.

Appendix D: Specific methodologies

D.1 Multiplier analysis

When a final consumer purchases any good or service, the impact on the economy is greater than the value of the original spend.

In the first instance, the payment from buyer to seller will cover the seller's expenses. This is referred to as the 'Direct impact', or the first round of spending. It is the demand created by the final consumer.

The demand created by final consumers, creates new demand upstream for intermediate suppliers. By way of example, developers would need to engage with building contractors, who in turn must buy raw materials from suppliers further up the supply chain. This is called the 'Indirect impact' and is measured using so-called 'Type 1' multipliers.

Finally, one can also include 'Induced impacts', which arise as a direct result of additional rounds of spending by agents involved in a transaction. For instance, contractors need to pay wages to their employees.
The extent to which such wages are re-injected in the economy depends on the employees' own propensity to consume. The more employees spend, the greater is the ripple effect in the economy. We measure this 'induced impact' using so-called 'Type 2' multipliers. It can be argued that the total economic impact lies somewhere between that estimated using a Type I multiplier and that using a Type II multiplier.

Economic multipliers provide a measure of the magnitude of changes in output, income and value-added levels caused by an initial demand for goods and services. A shift in aggregate expenditure (caused by an increase in demand) will cause an increase in output by a multiple of the initial increase in expenditure.

The multipliers reported by the local National Statistics Office are based on the Leontief demand driven model. The statistics office reports what is known as the "Leontief Inverse" which incorporate the notion that the production process required in order to produce a unit of output (for eventual use by final demand), requires intermediate inputs from other industries. These intermediate inputs constitute the "direct effects". Moreover, the production of these additional intermediate inputs requires further increased rounds of production. The latter are the "indirect effects".

Type 1 multipliers encompass the direct and indirect effects whilst Type 2 multipliers include the direct, indirect and induced effects, as explained previously.

The column extracted from the Leontief inverse of domestic production table below shows both direct and indirect input requirements, on all other industries, which are generated by a one unit of output. In other words, adding the Leontief inverse for all the economic sectors under consideration gives the output multiplier for the relative industry. The output multiplier is the ratio of the change in total output (i.e. the impact on GDP) in all sectors of the economy in response to a direct change in the basic output of a particular sector. Taking the construction industry as a case in point, the Type 1 output multiplier is 1.77. This implies that for every €1 increase in final demand in this sector, €1.77 would be expected to be generated in direct and indirect effects.

Leontief inverse of domestic product flows

Leontief inverse of domestic product flows

Industry	Inverse
Agriculture	0.003
Production	0.261
of which: manufacturing	*0.194*
Construction	1.171
Distribution	0.083
Transport	0.027
Hotels and restaurants	0.004
Information and communication	0.012
Financial and insurance	0.074
Real estate	0.013
Professional	0.039
Administration and support	0.009
Public administration	0.004
Education	0.002
Health and social work	0.000
Arts, entertainment and recreation	0.001
Other services	0.001
Households as employers	0.000
Extra-territorial organisations	0.000
Output multiplier	**1.704**

Source: NSO data, KPMG Analysis

Appendix E: Regions

KPMG Real Estate Database - Localities in Central Region
Attard
Bahar ic-Caghaq
Balzan
Birguma
Birkirkara
Fleur de Lys
Gharghur
Gwardamangia
Hamrun
Lija
L-Iklin
Madliena
Mosta
Mriehel
Naxxar
Qormi
Qormi-Industrial
San Pawl Tat-Targa
Santa Venera
Swatar
Ta' Qali
Xwieki

KPMG Real Estate Database - Localities in Gozo
Fontana
Ghajnsielem
Ghammar
Il-Munxar
Il-Qala
In-Nadur
Ir-Rabat
Ix-Xewkija
Iz-Zebbug
Kercem
L-Gharb
L-Ghasri
Marsalforn
Mgarr
San Lawrenz
Sannat
Santa Lucia
Xaghra
Xlendi

KPMG Real Estate Database - Localities in Grand Harbour Region
Cospicua (Bormla)
Floriana
Kalkara
Marsa
Senglea (Isla)
Valletta
Vittoriosa (Birgu)

KPMG Real Estate Database - Localities in North Harbour Region
Blata il-Bajda
Gzira
High Ridge
Kappara
Msida
Paceville
Pembroke
Pieta
San Gwann
Sliema
St Andrews
St Julians
Swieqi
Ta' Giorni
Ta' L-Ibrag
Ta' Xbiex
The Gardens
The Village

KPMG Real Estate Database - Localities in North West Region
Bahrija
Bidnija
Bugibba
Burmarrad
Buskett
Dingli
Ghajn Tuffieha
Landriet
Maghtab
Manikata
Mdina
Mellieha
Mensija
Mgarr
Mtahleb
Mtarfa
Qawra
Rabat
Salina
St Paul's Bay
Wardija
Xemxija
Zebbiegh

KPMG Real Estate Database - Localities in South Region
Bir-Id-Deheb
Birzebbugia
Fgura
Ghaxaq
Gudja
Hal-Far
Kalafrana
Kirkop
Luqa
Marsascala
Marsaxlokk
Mqabba
Paola
Qrendi
Safi
Santa Lucia
Siggiewi
Tarxien
Xghajra
Zabbar
Zebbug
Zejtun
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