



Malta's Property Market Outlook

Trends and Expectations

3rd November 2023



Important information

This document has been prepared for the purposes of supporting the oral presentation by KPMG delivered at 'Malta's Property Market Outlook: Trends and Expectations' Conference, held on 3rd November 2023, and has been prepared in accordance with our terms of engagement with Malta Development Association ('MDA' or the 'Association'), dated 10th June 2023.

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We have indicated in our document 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.

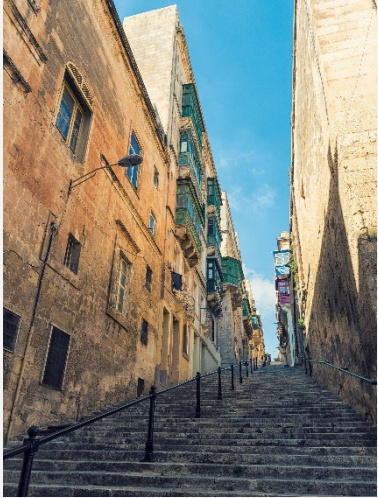
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We must emphasise that the scope of the work required in this engagement is different from that required for an audit carried out in accordance with International Standards on Auditing and cannot therefore be relied upon to provide the same level of 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 findings, and a significant number of items may be subjectively considered when arriving at such. It follows therefore that, whilst our findings will be one which we consider to be both reasonable and defensible, others may arrive at a different conclusion.

Contents



Methodology & definitions



Industry performance



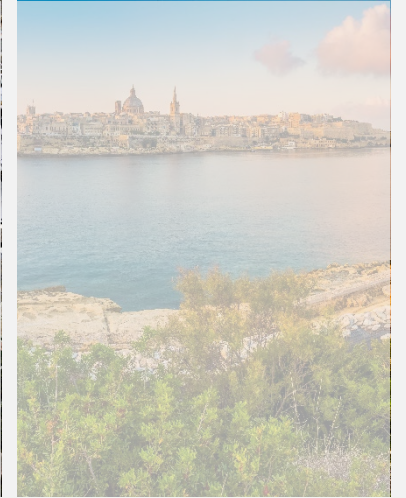
Industry viewpoints



Property prices



Housing affordability



Transforming the sector towards sustainability

A photograph of a narrow, steep stone staircase in a historic city. The staircase is made of dark, worn stone steps and is flanked by tall, light-colored stone walls. On the left side, there are several balconies with green and blue painted railings. On the right side, there is a purple balcony. The sky is blue with some white clouds. The overall scene is a narrow, historic street with a steep staircase.

Methodology and definitions

Methodology

What?



- Construction Industry and Property Market Report – **Seventh Edition**, first published in October 2017
-

Why?



- Construction and property industry is a key component of the local economy
 - Challenges in obtaining a comprehensive view of the industry and related property market performance
 - Growing ask by a broadening stakeholder base
-

How?



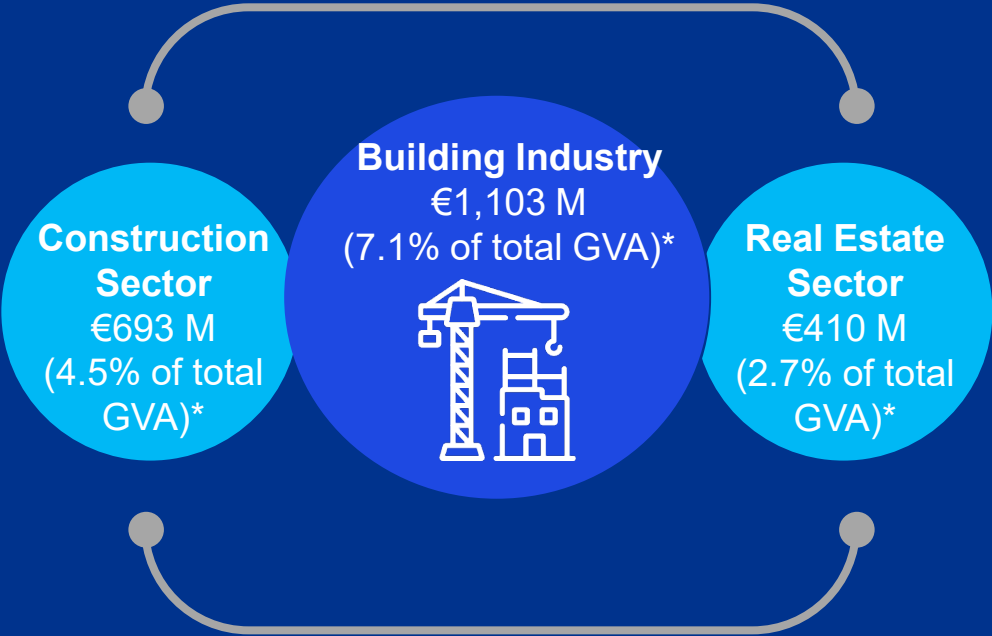
- KPMG Property Database – granular data on asking prices for all types of residential and commercial properties from 2011 onwards.
- Interviews carried out during April 2023 with MDA members and other industry stakeholders.
- Data published by the Eurostat, CBM, NSO and CfR.

A scenic view of a harbor at dusk. In the foreground, a large blue rectangular overlay contains the text 'Industry Performance' in white. The background shows a harbor with many boats, including sailboats and yachts, reflecting the city lights. The city skyline is visible in the distance, with a prominent dome on the left and a large building with a clock tower in the center. The sky is a deep blue, and the water is calm.

Industry Performance

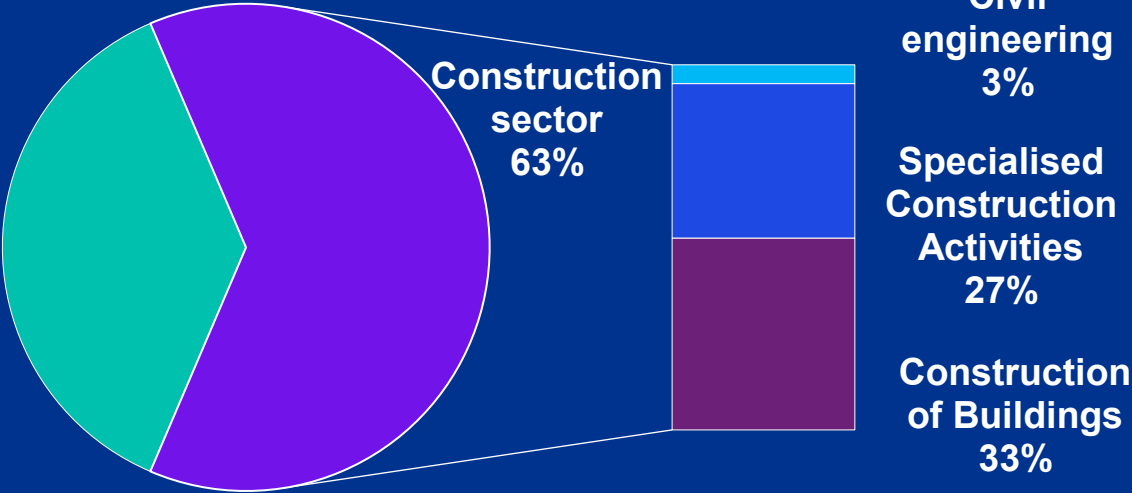
Defining the building industry

GVA of the Building Industry as of 2022



Real Estate activities, less imputed rents

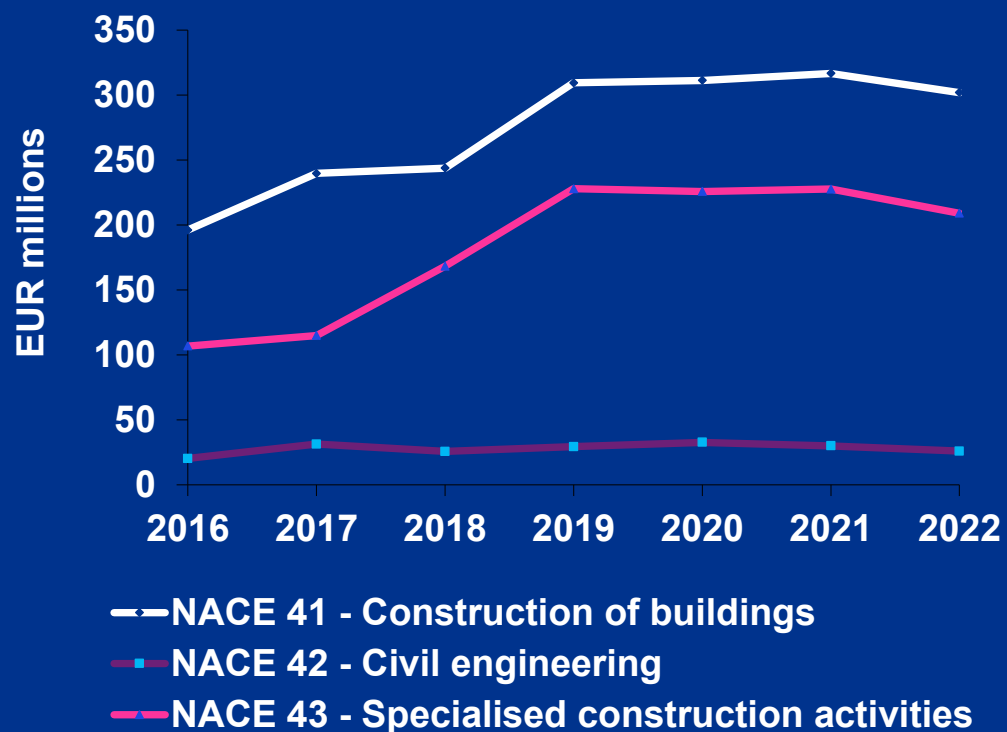
37%



Direct share of the building industry

GVA from the Building Industry							
	2018 (€ millions)	2019 (€ millions)	2020 (€ millions)	2021 (€ millions)	2022 (€ millions)	H1 2022 (€ millions)	H2 2022 (€ 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	16,563	15,428	8,046	8,900
% of total GVA	7.3%	8.3%	8.4%	8.0%	7.1%	6.6%	6.5%

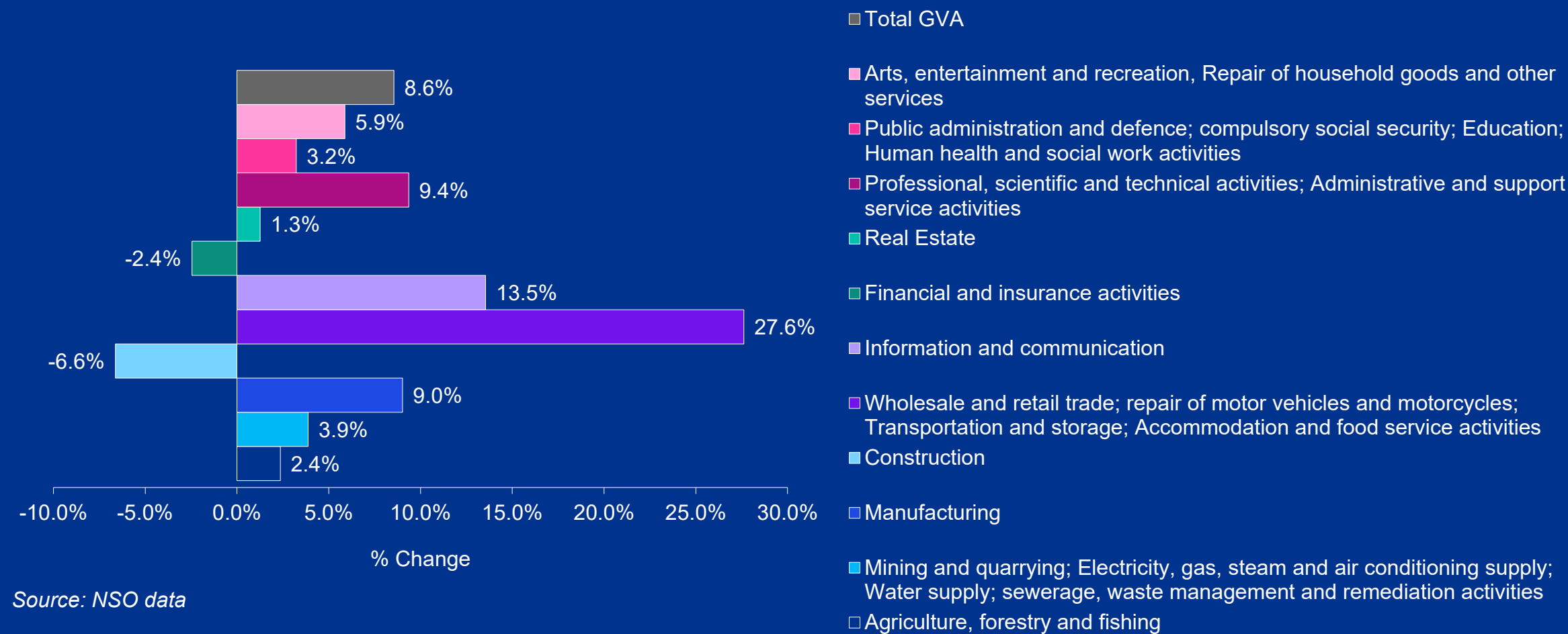
Direct share of the building industry (cont.)



GVA growth in the construction sector in 2022		
Economic Sector	Nominal Growth	Real Growth
NACE 41 – Construction of buildings	4.7%	-4.7%
NACE 42 – Civil engineering	-3.6%	-13.7%
NACE 43 – Specialised construction activities	8.2%	-8.2%
NACE group F – Construction Sector	5.7%	-6.6%

GVA sectoral 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%

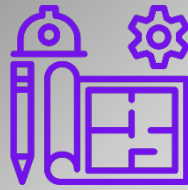
Building industry in contrast



Defining the building industry



Manufacturing of
wood and products
of wood and cork



Civil
engineering



Specialised
construction
activities



Manufacturing of
fabricated metal
products



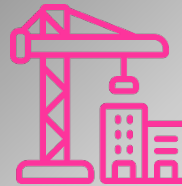
Manufacturing of
other non-metallic
mineral products



Architectural and
engineering
activities



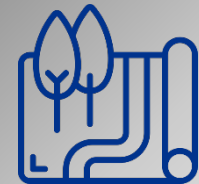
Real estate
activities



Construction of
buildings

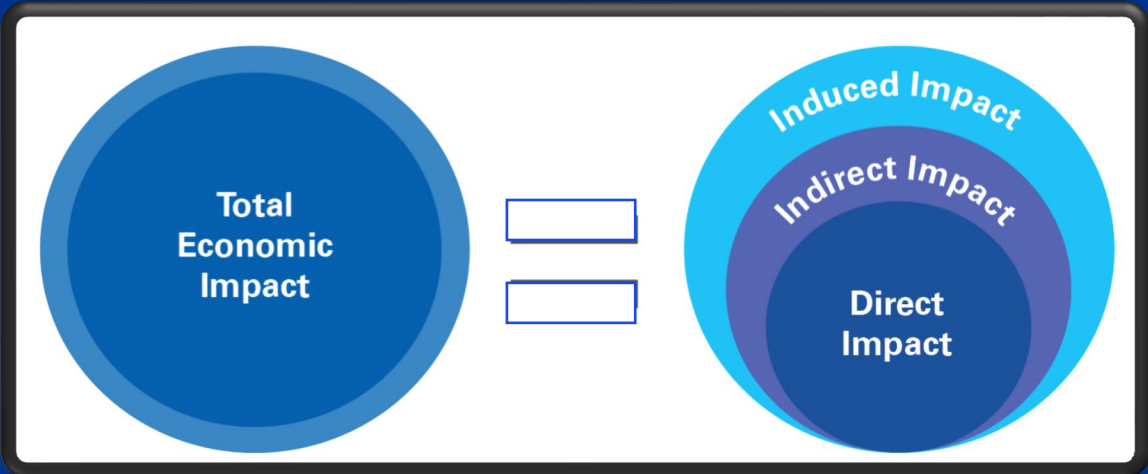


Mining and
quarrying



Services to
buildings and
landscape activities

Economic Multipliers



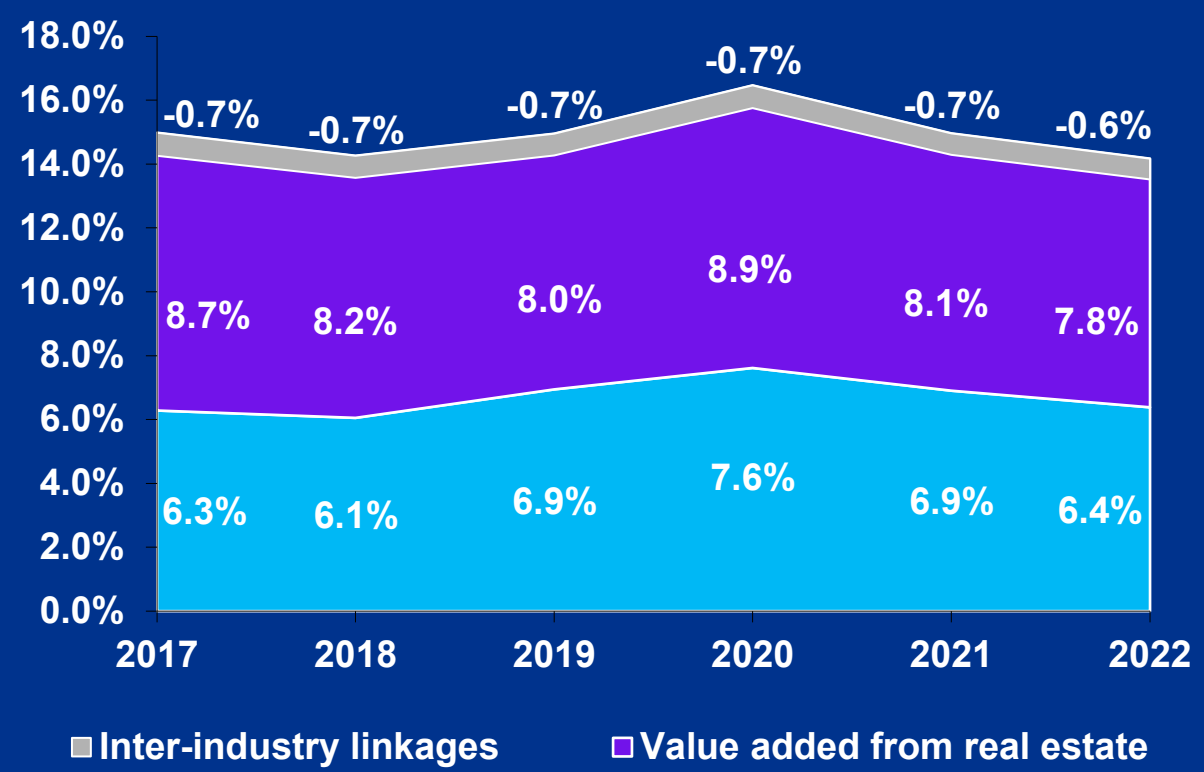
Industry Multipliers			
		Quarrying and construction	Real Estate Activities
Output Multiplier	Type I	1.77	1.43
	Type II	2.29	1.58
Value Added Multiplier	Type I	0.55	0.78
	Type II	0.78	0.85
Employment Multiplier	Type I	13.20	3.62
	Type II	18.08	5.09

Source: Debono, Nathaniel., Cassar, Ian., 2021. 'Estimates of Industry specific multipliers for the Maltese economy on the basis of the SIOT for 2015', CBM.

Economic Multipliers (cont.)

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 form 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	2,148,778	13.5%

Economic Multipliers (cont.)



Negative External Effects

Reduced quality of life due to noise and air pollution

More time spent in traffic when roads are closed for construction

Tourists may also experience a lower quality of life due to inconveniences caused by construction sites nearby.



Positive External Effects

Projects for open public spaces

**Architectural aesthetics that
enhance the environment**



Industry viewpoints



COSTS

- Excessive bureaucracy
- Labour, materials and cost of land

OPERATIONS

- Licensing and regulation
- Licensing of estate agents



PLANNING

- Aesthetics
- Catering for growing demand
- Population growth
- Need for holistic planning
- Tie in with economic model

MARKET RISKS

- On-plan sales
- Interest rates
- Malta's tax regime



OPPORTUNITIES

- Shift towards sustainable buildings
- Resurgence of tourism market

Concluding remarks on the building industry

01

Building industry is still an important pillar in the economy

02

Even though it has contracted in real terms during the past year



03

The economic impact of the industry goes beyond GVA, and that is why it is important to:

- Ensure negative effects of construction activity are minimised
- Ensure the industry caters for current and future demand in a sustainable manner.



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