



Pricing, affordability and preferences

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.

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 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.

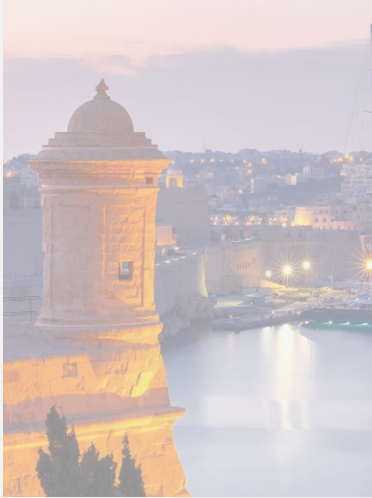
Our deliverable is also based upon publicly sourced information. Our reliance on and the use of this unaudited information should not be construed as an expression of our opinion on it except as, and to the extent that, we may otherwise indicate in our report. We do not accept any responsibility or liability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

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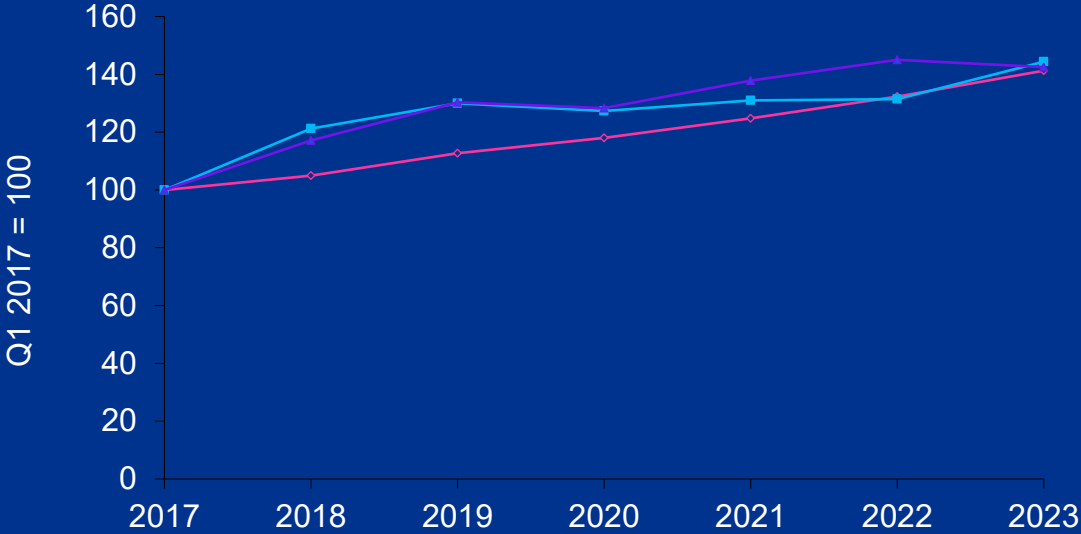


**Transforming the
industry towards
sustainability**

A photograph of a white wall with dark blue shutters. The shutters are closed and have a louvered design. Green vines with red flowers are climbing the wall on both sides of the shutters. A large blue rectangle is overlaid on the left side of the image, containing the text 'Property Prices' in white.

Property Prices

Property price movements - Apartments



—◇— Index of growth NSO —■— Index of growth CBM —▲— Index of growth KPMG

40% 
Increase over 6 years

6% 
CAGR

(Source: NSO data; Central Bank of Malta data; KPMG Analysis)

About the survey

Aims



- To gain further insights of **consumer preferences on sustainability** in real estate within the Maltese context.
- To gain insight on the **role of financial services** to enable the transition of the sector towards sustainability

436 respondents



Survey method

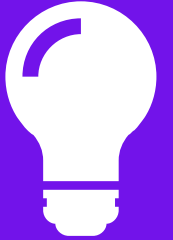
- Online via social media and email
- In-person intercept surveys

Target demographic



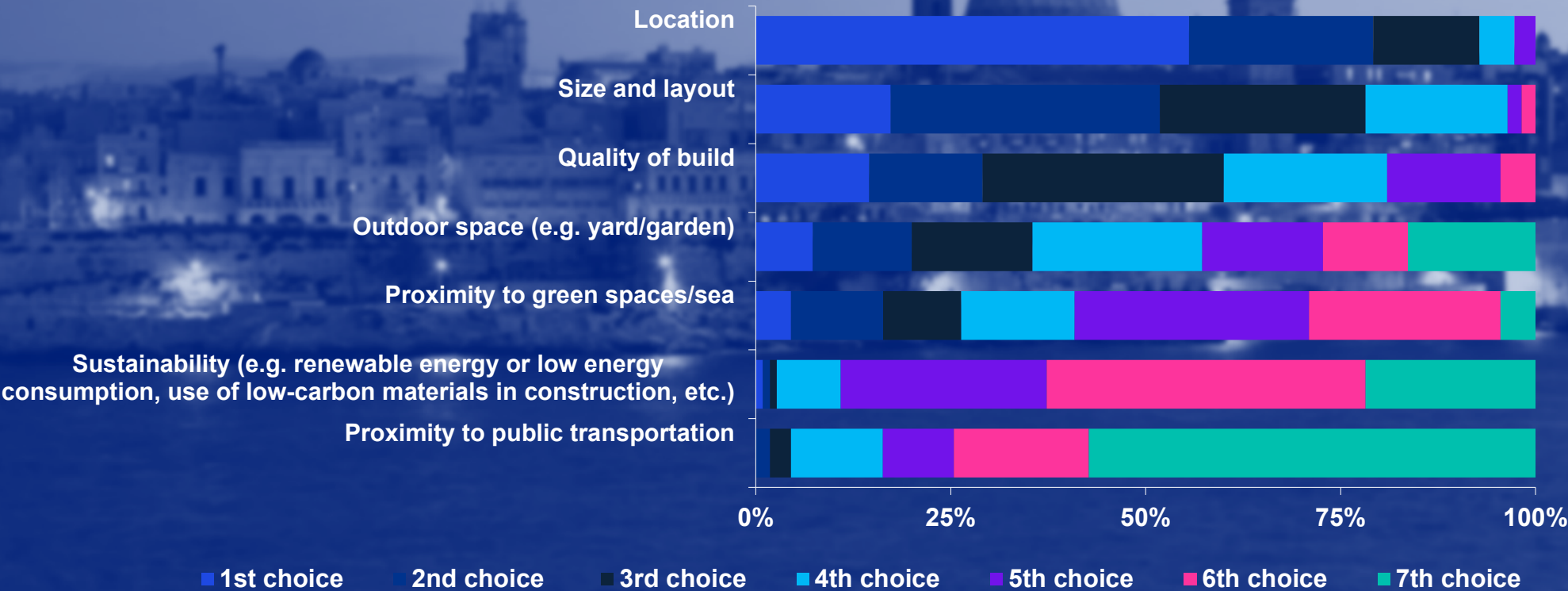
Open to residents of Malta, **aged 18 and over**, whether Maltese or not.

Limitations



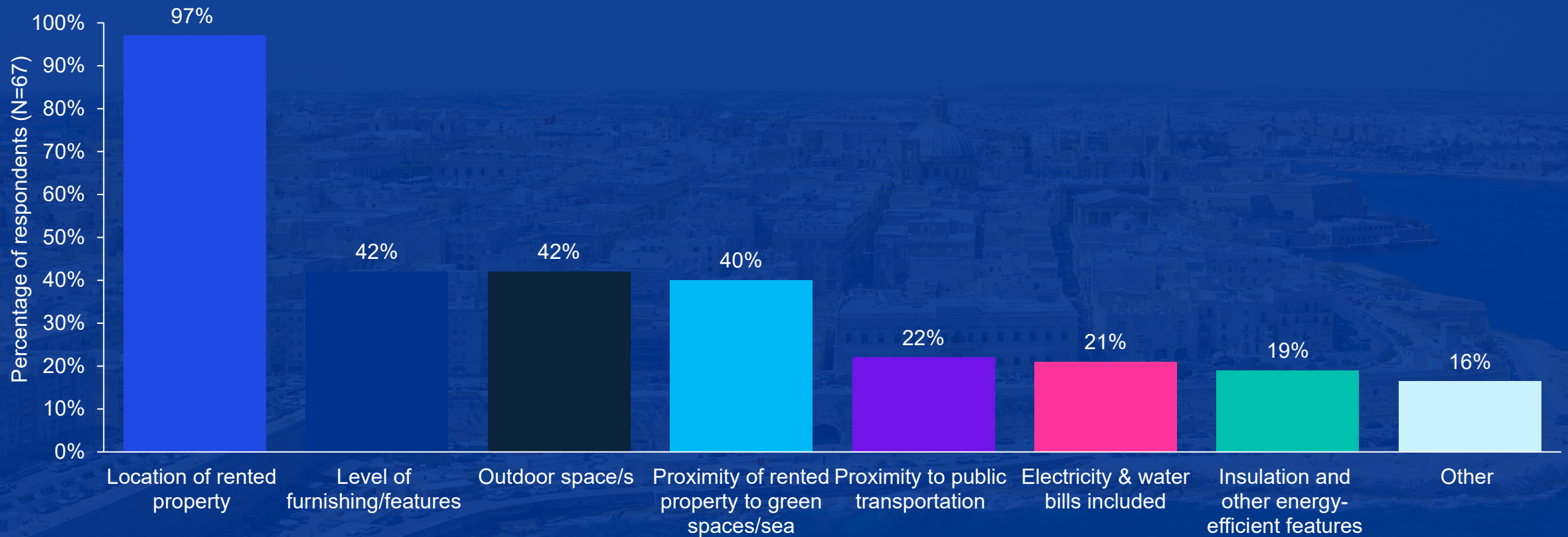
- **Social desirability** bias
- **Self-selection** bias

Location, location, location.... again



Relative importance of factors for respondents who purchased property between 2021 and 2023 (N=110). (Source: KPMG Analysis)

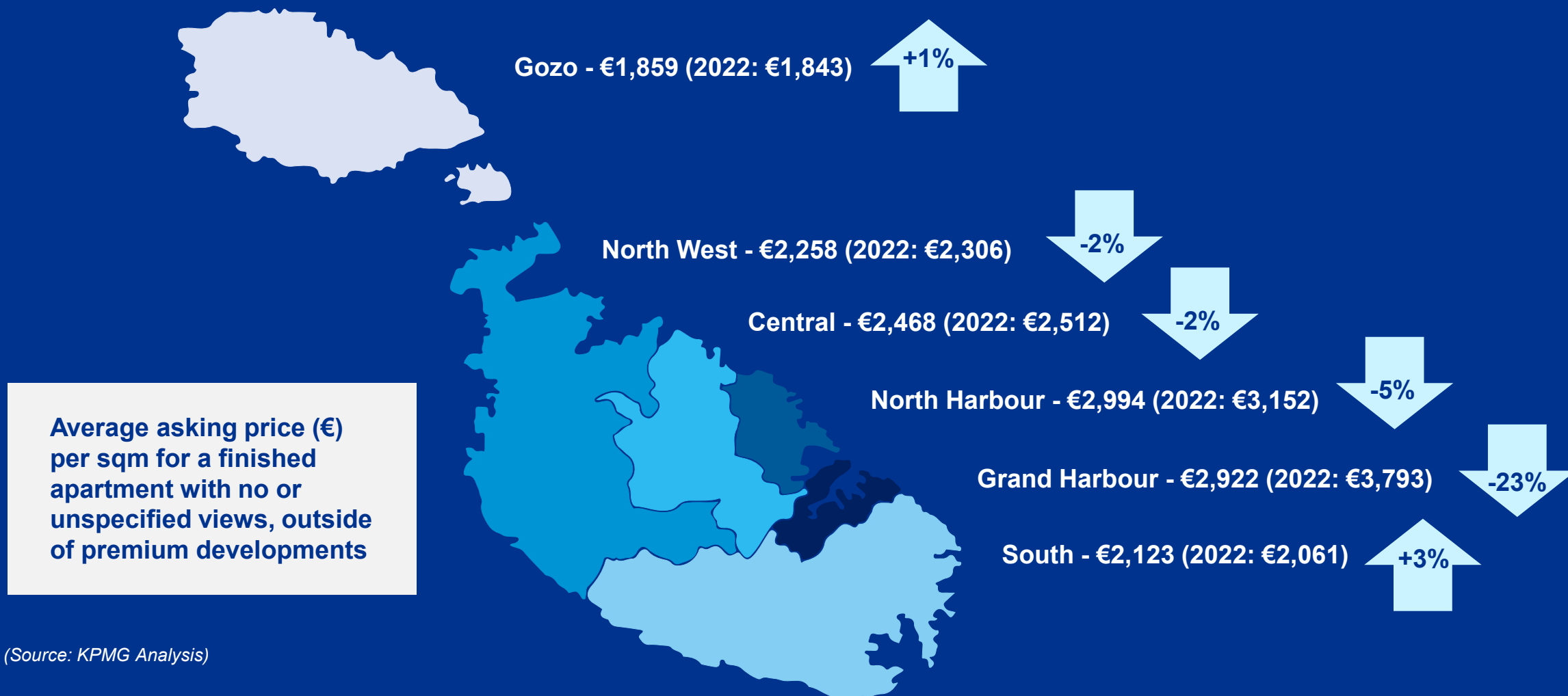
...and also for renters



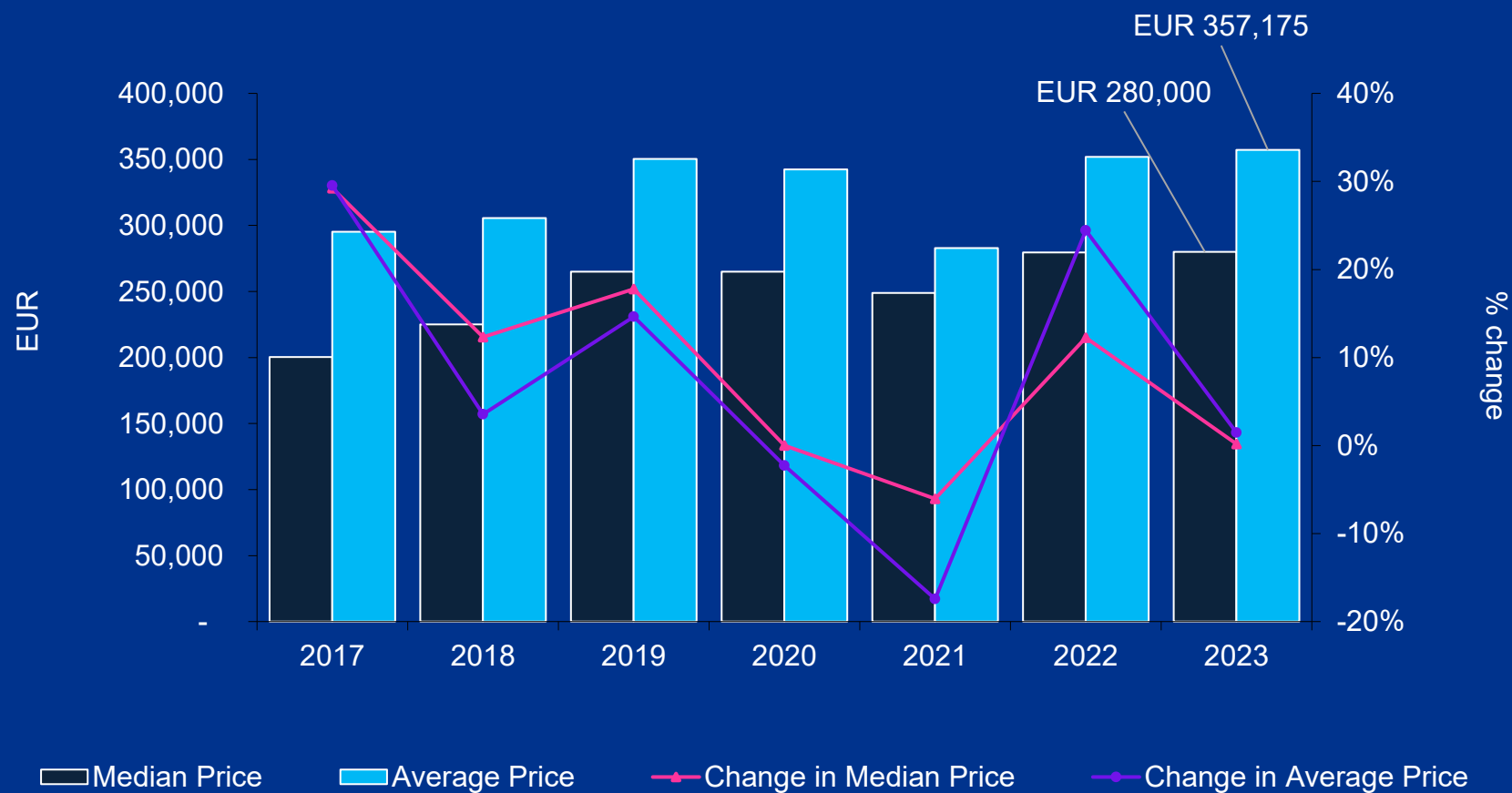
Relative importance of factors for respondents looking to rent between 2023 and 2026, in descending order (N=67).

(Source: KPMG Analysis)

Price differentials across localities

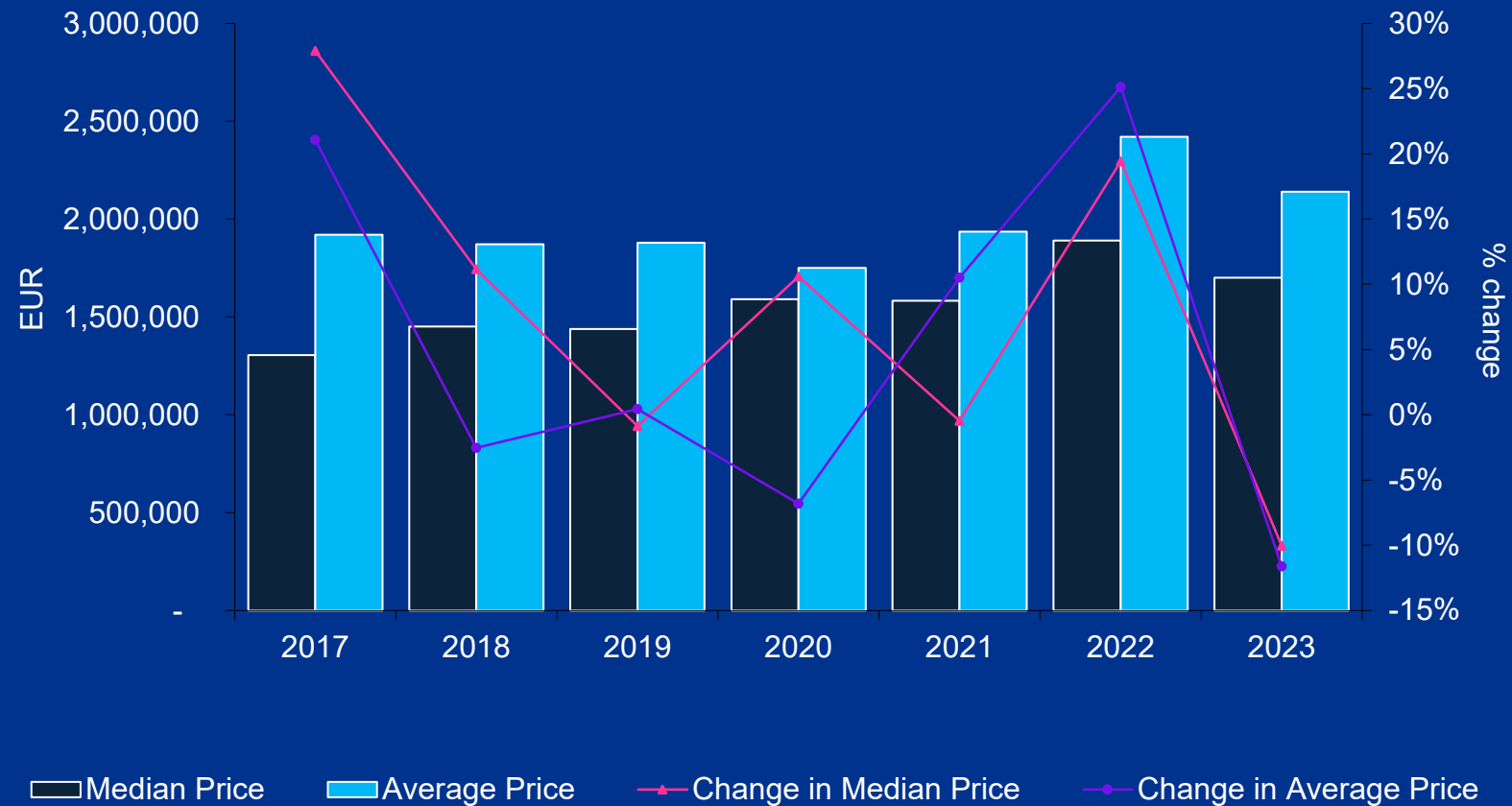


Apartments



(Source: KPMG Analysis)

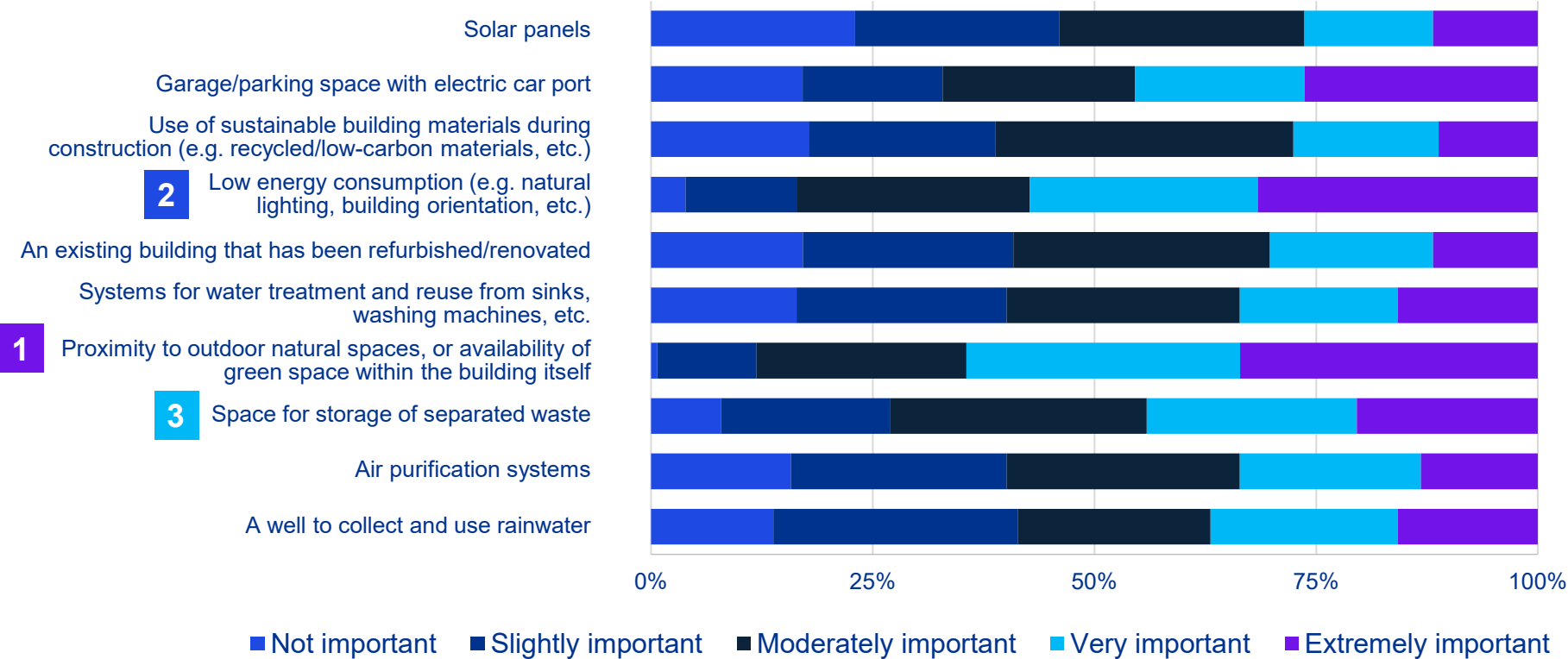
Villas



(Source: KPMG Analysis)

Prospective buyers consider sustainability features important

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

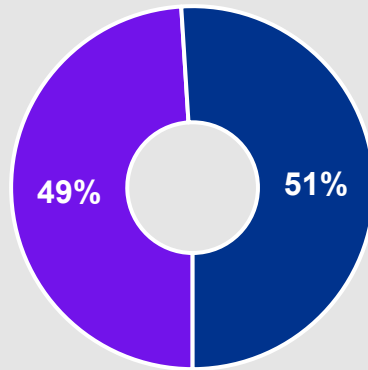


Relative importance of sustainability features for prospective buyers, in descending order of importance (N=152).

(Source: KPMG Analysis)

Are purchasers willing to pay more for sustainable property?

Past buyers

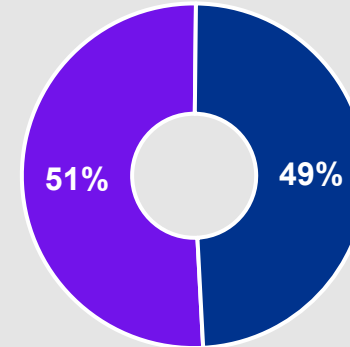


■ Yes
■ No

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

(Source: KPMG Analysis)

Prospective buyers



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

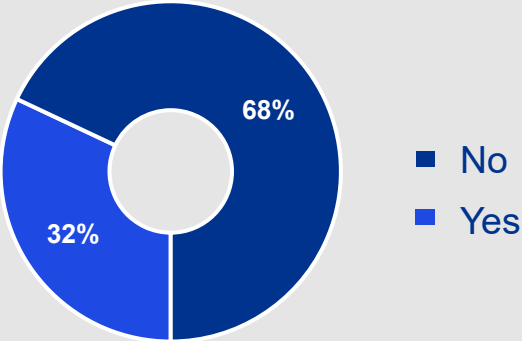
(Source: KPMG Analysis)

Sustainability – willingness to pay



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

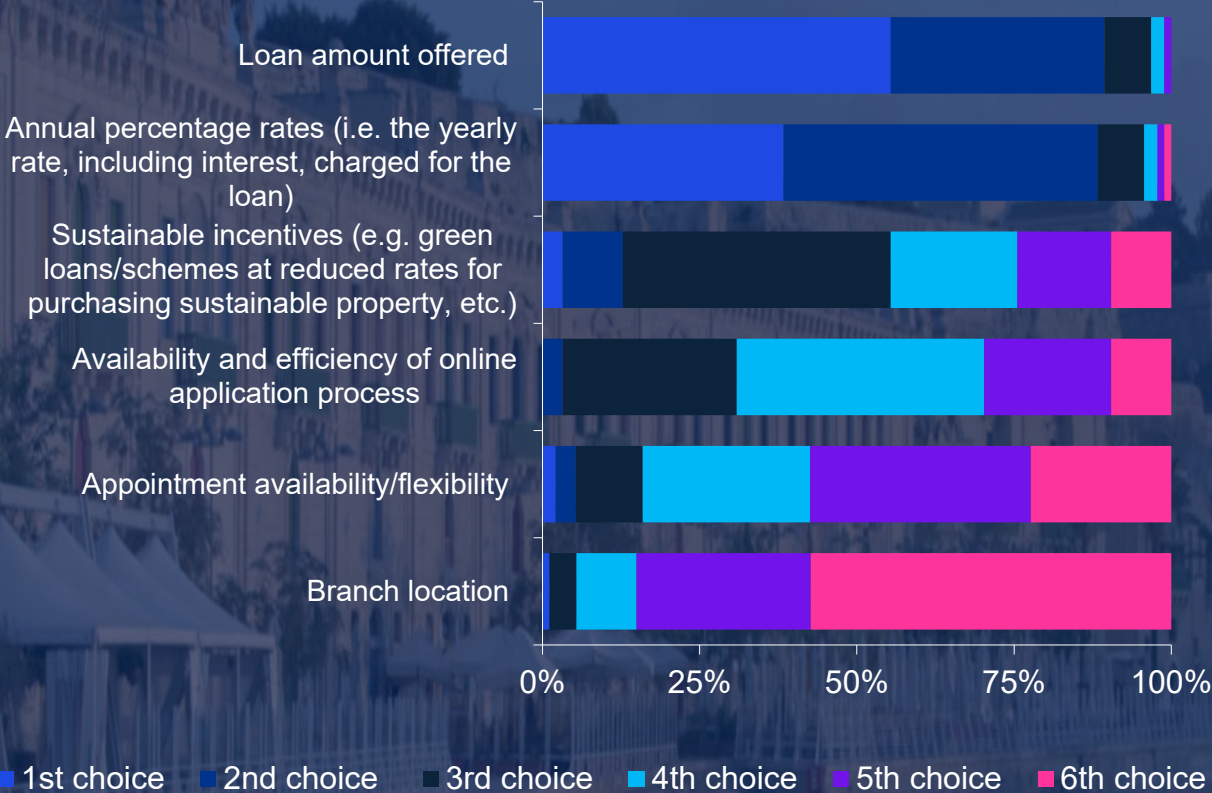
Banks as financiers of the sustainability transition



Q: Are you aware of any banks that are actively incorporating and promoting sustainable initiatives such as reducing carbon emissions, financing community empowerment programs, investing in green buildings, etc.? (N=152)

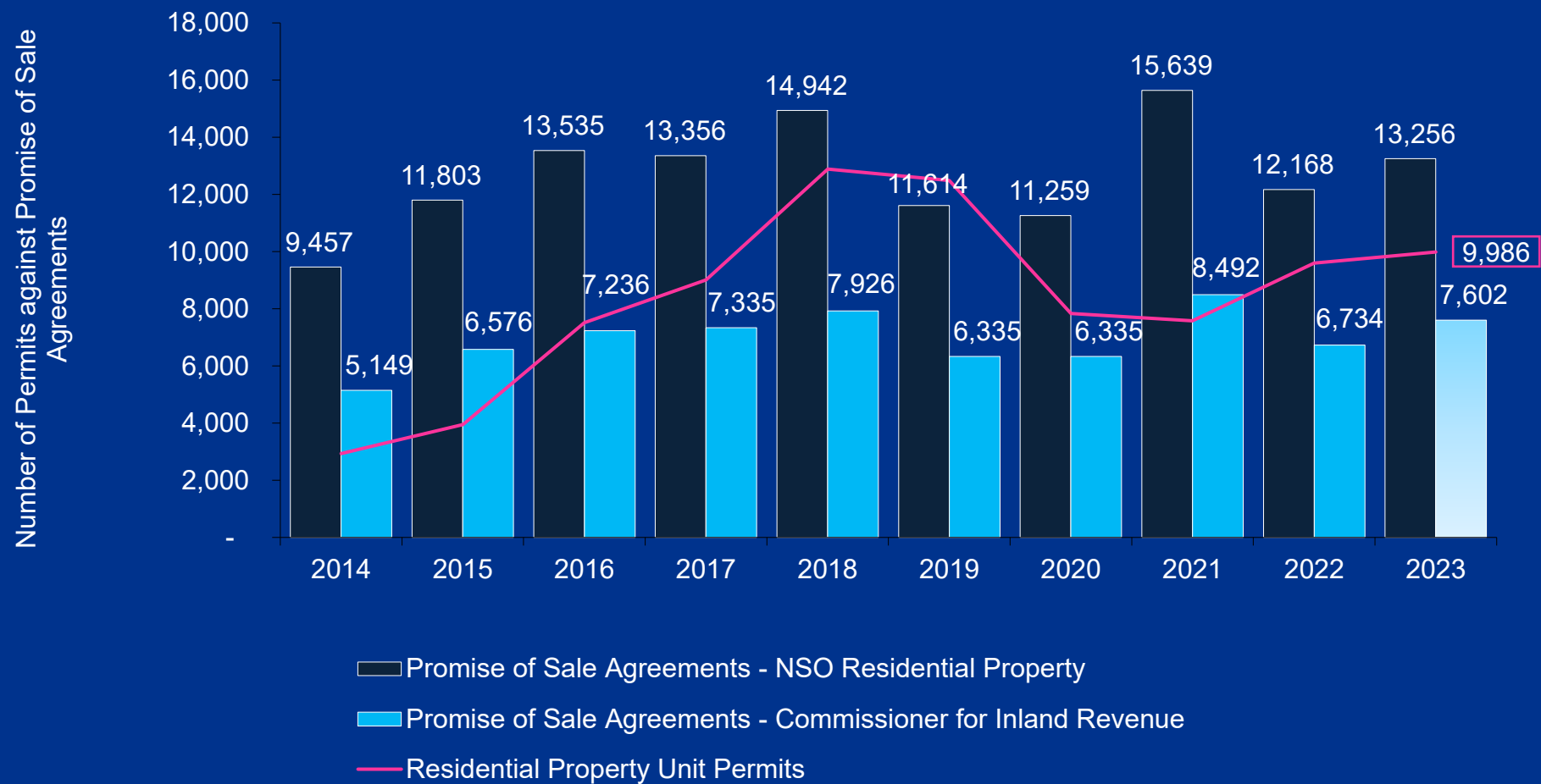
(Source: KPMG Analysis)

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)

Permits and PoS

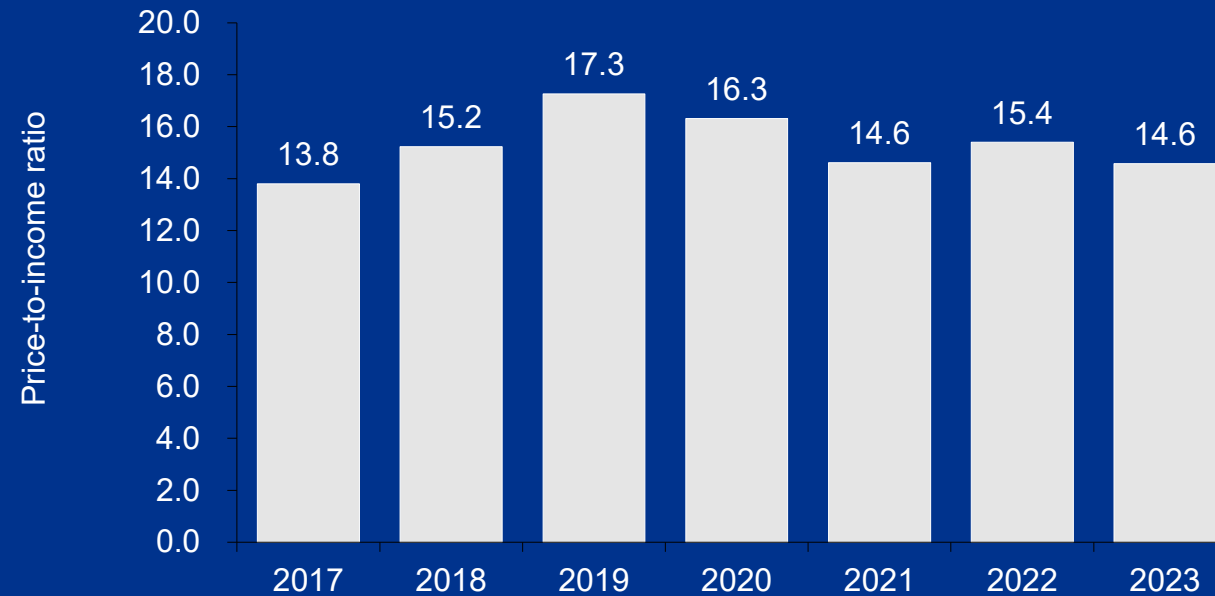


(Source: KPMG Analysis)

An aerial photograph of a city intersection, likely in San Francisco, showing a mix of residential and commercial buildings, streets, and vehicles. A large blue rectangular overlay is positioned on the left side of the image, containing the text 'Housing affordability' in white. The text is in a bold, sans-serif font, with 'Housing' on the top line and 'affordability' on the bottom line.

Housing affordability

Price to Income Ratio



(Source: KPMG Analysis)

Affordability – Couple with elementary jobs

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



(Source: KPMG Analysis)

Affordability – Single with average income

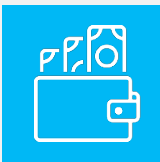
Single individual
in an elementary
job in their late
20s



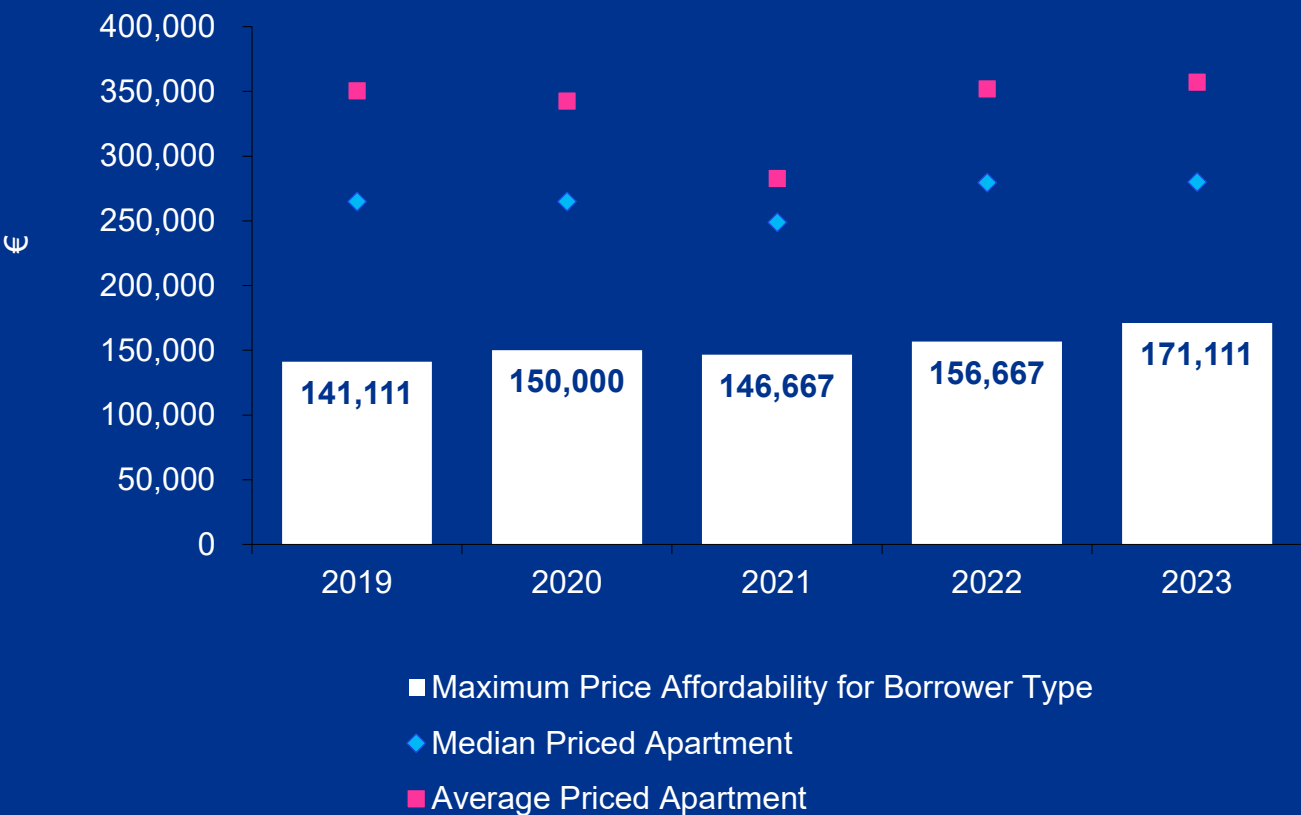
Age of applicant at next
birthday: 30



Loan term: 35



Gross annual income in
2023: €21,000



(Source: KPMG Analysis)

Affordability – Couple earning minimum wage

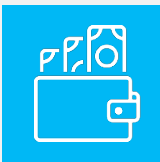
Young couple
both earning a
minimum wage
in their late 20s



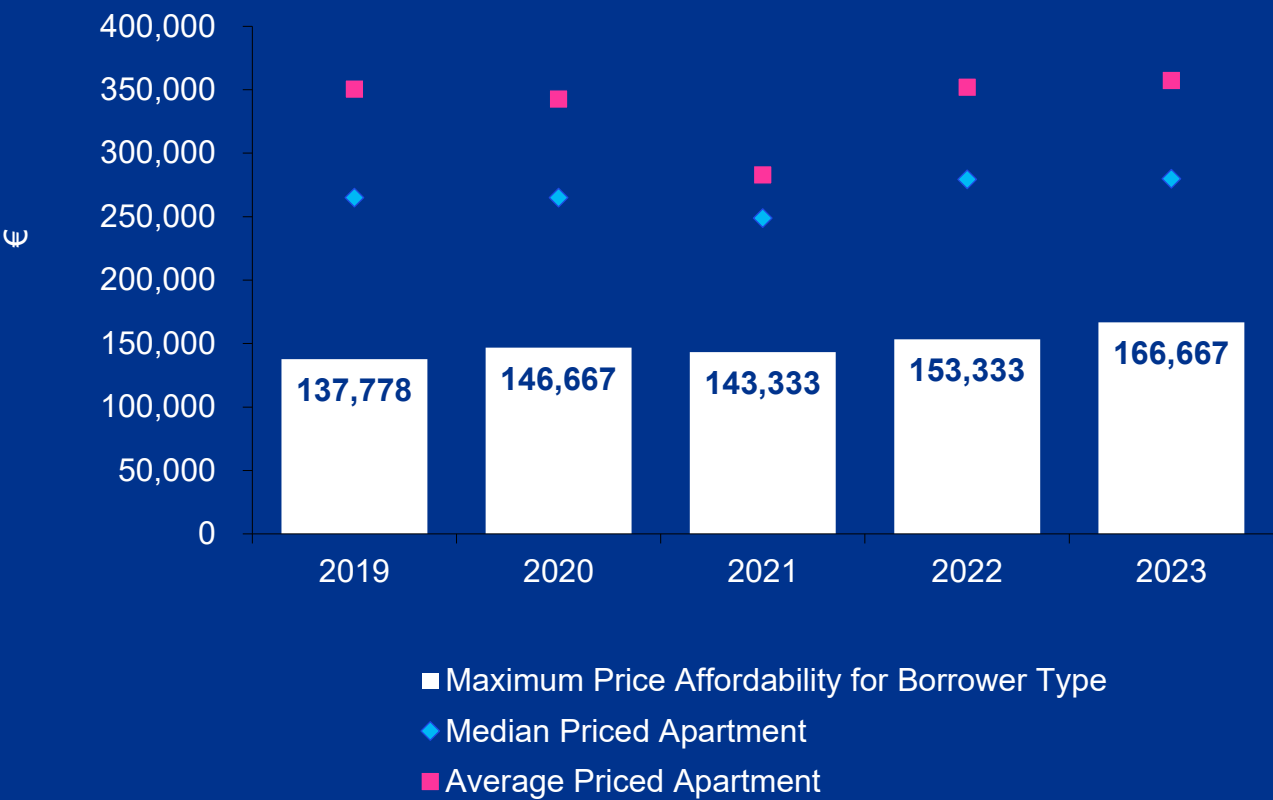
Age of oldest applicant at
next birthday: 28



Loan term: 37



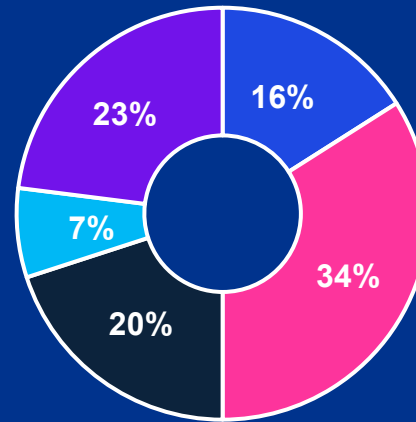
Joint gross annual income
in 2023: €20,042



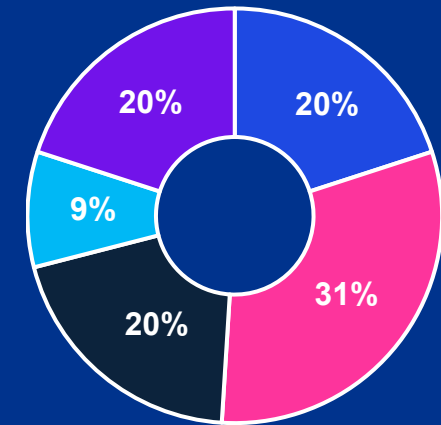
(Source: KPMG Analysis)

Purchasing budgets

- **30.5%** of past buyers who bought a main residence had a budget lower than €200,000
- **39.5%** of prospective buyers planning to buy a main residence have a budget lower than €200,000



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



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

(Source: KPMG Analysis)

Transforming the industry towards sustainability



How do respondents view the construction sector?

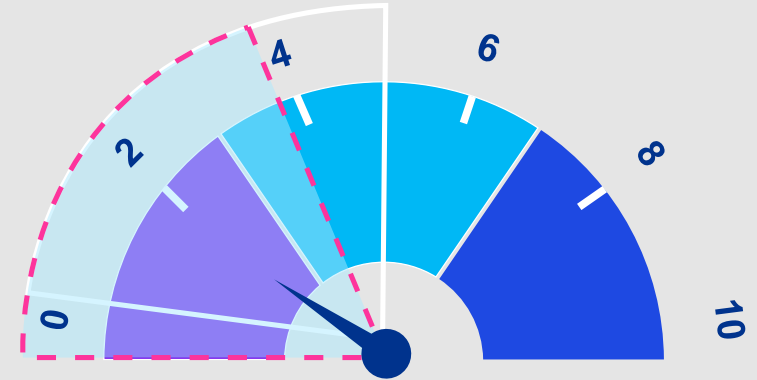
84%

of respondents gave the industry a score **below 5**.



“Paroli paroli paroli. Most stakeholders are greedy and are only interested in money. Actions speak louder than words and Malta is doing very little to save our planet.”

- Male, 35-44, Maltese resident



1.9 (average)

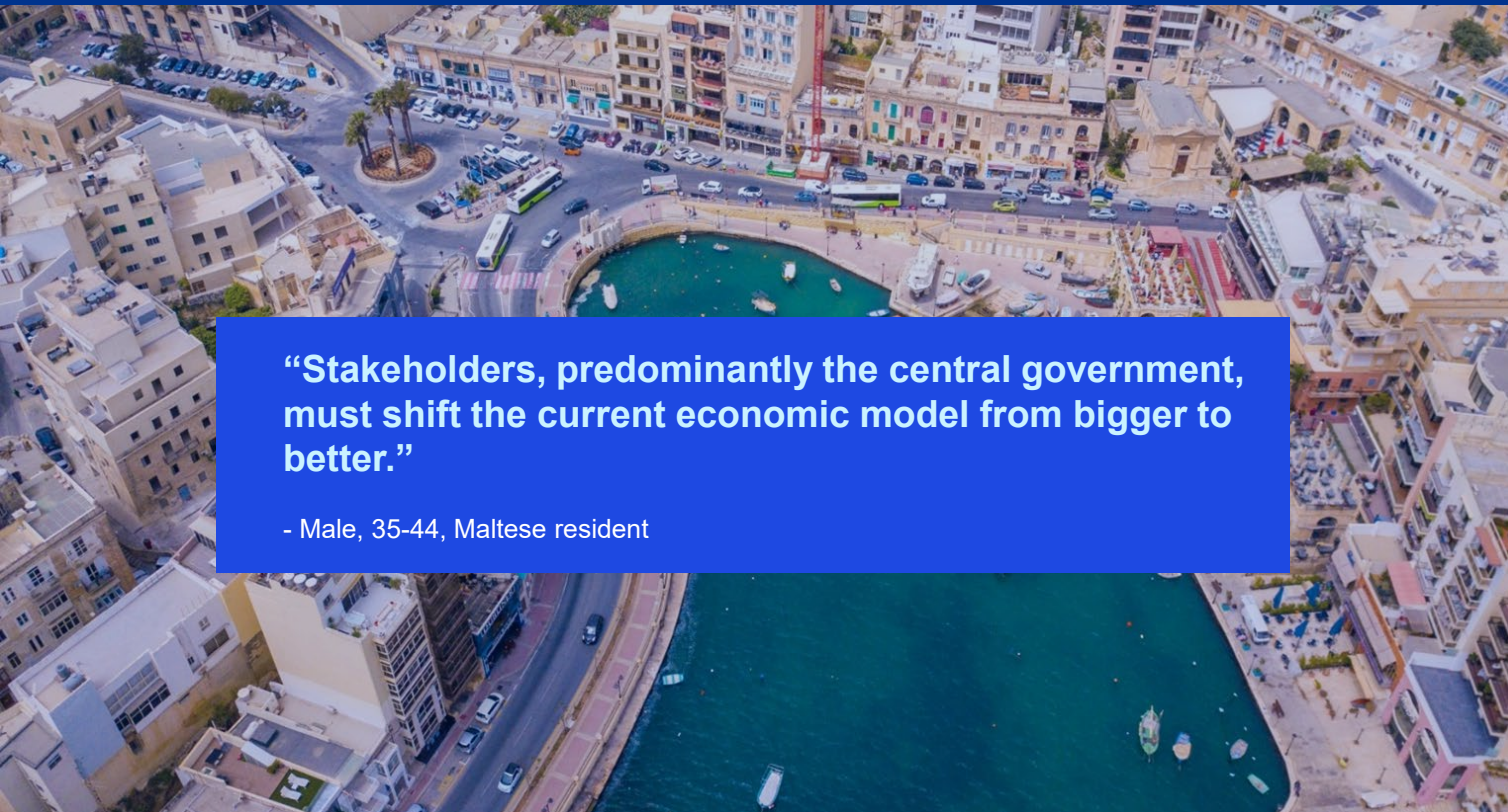
Q: To what extent do you think that the construction sector in Malta is taking initiatives towards sustainability? (e.g. using sustainable building materials, energy-efficient building design, repurposing of existing buildings, etc.) (N=436).

0: Not at all

10: To a great extent

(Source: KPMG Analysis)

Stakeholder roles in transforming the construction sector



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

- Male, 35-44, Maltese resident



(Source: KPMG Analysis)

Resident views: deeper insights

Respondents (N=259) suggested that the transformation of the sector towards sustainability should be championed through five main enablers



(Source: KPMG Analysis)

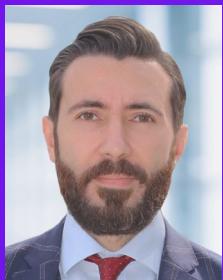
“There is no strategy for the construction sector.”

– Male, 45-54, Maltese resident

Building with Purpose report



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our report.



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