



Sustainability preferences in real estate in Malta

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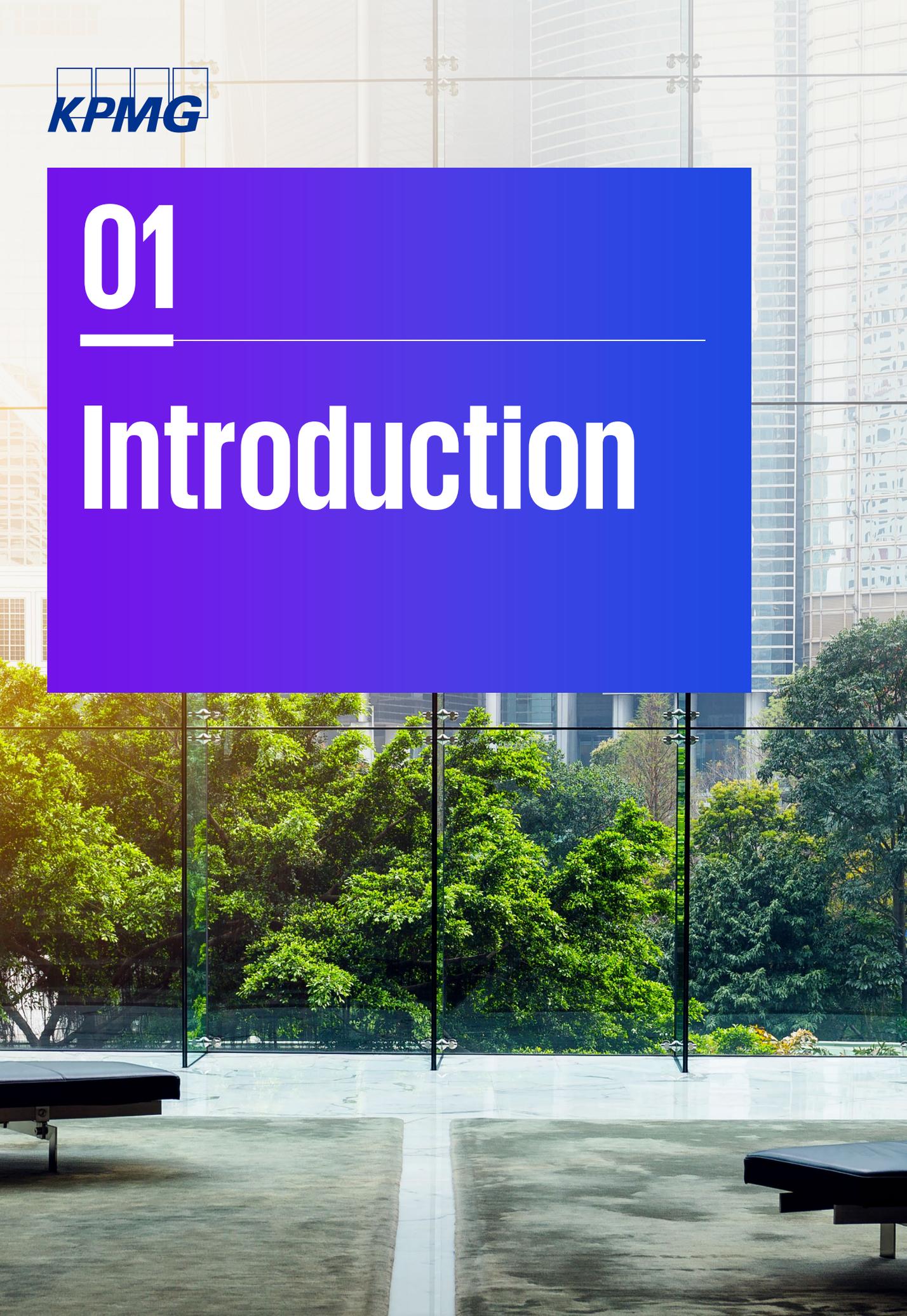
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01

Introduction



The global building and construction industry continues to grow, establishing its status as a powerful industry of the present.

The construction industry is important to our wellbeing and standard of living, providing access to homes, healthcare, schools, and infrastructure. However, the industry is not without its environmental impacts.

Globally, building operation and construction is responsible for **38%** of all energy-related **CO₂ emissions**.¹

The global share of carbon emissions is substantial in the context of the global climate crisis that is already underway. Carbon emissions are generated during the building phase, such as by on-site fuel combustion by trucks and excavators, as well as in the manufacture of materials used for building, particularly steel. The use phase of buildings also generates carbon emissions through a demand for electricity and heat.²

Beyond carbon, the sector carries out processes that contribute towards air and noise pollution, and generation of waste. Additionally, the use of natural materials occurs at a rate that places great pressure on the Earth's resources.

In this context, there is a growing need for this sector to decarbonise as well as embrace more general Environmental, Social and Governance (ESG) principles in a drive to reduce impacts and future-proof the sector.

A lens on Malta

In 2021, the country's construction sector contributed a **Gross Value Added (GVA) of €588m**, representing **4.5% of total GVA**.³

The sector remains a **major contributor** to the Maltese economy. However, concerns surrounding its impact on the Maltese environment remain and are reflected in a 2018 survey by the Environment & Resources Authority (ERA):⁴

91%

of residents express high or very high concern about **urban issues**

76%

of residents are highly concerned about **building development on rural or natural land**

84%

of residents express high concern about Malta's **air quality**

62%

of residents are highly concerned about **waste management issues**

¹ Building sector emissions hit record high, but low-carbon pandemic recovery can help transform sector, UN Environment Programme 2020.

² Understanding Building Emissions, Building Innovation Hub n.d. Available from: Understanding Building Emissions - Building Innovation Hub.

³ News Release, National Statistics Office 2022. Available from: News2022_037.indd (gov.mt).

⁴ National Strategy for the Environment 2050: A draft for public consultation, Environment & Resources Authority 2022.

02

About the survey

About the survey

The survey was carried out in **July-August 2022** to **identify and better understand the general sustainability preferences of Maltese residents, particularly of property renters and purchasers.**

According to Malta's National Statistics Office (NSO), residential property purchases rose by 15.2% in value in early 2021 in comparison to early 2020, alongside recovery from a global health pandemic.⁶ Indeed, a 2022 report by KPMG Malta saw that COVID-19 was not a significant hindrance on the industry.⁷

Customers globally are giving importance to sustainability. In a recent KPMG study conducted in Italy, Germany, the UK, and Switzerland, 86% of consumers consider the topics of sustainability and sustainable consumption as either important or very important, and 66% of respondents are willing to pay a premium for locally sourced food.⁸ Within the property market, in the UK, nearly half of renters state that they take account of a property's environmental impact before renting, and more than 80% of buyers say they would pay more for energy-efficient features.⁹

The current study examines customer awareness and preferences on sustainability within the Maltese context, both in general as well as specifically when purchasing and renting property. The study also seeks to understand consumers' willingness to pay for sustainable products and property when needed.



417 respondents



Survey method

An online survey was distributed on **social media and by email.**

Target demographic



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

Limitations

The topic and means of distribution of the survey may have resulted in self-selection bias, meaning that some respondents who complete the survey would do so because they have an interest in the topic of sustainability.

Additionally, while noting that the sample is representative of the larger population in respect of gender distribution and nationality, this was not the case for other demographics such as income and education.¹⁰

These factors should therefore be considered when interpreting the results.

⁶ Fenech, R (2021), Value of residential property sold in Malta in 2021 so far reaches €650 million. Available from: BusinessNow.mt.

⁷ Malta Developers Association: Construction Industry and Property Market Report 2022, KPMG Malta 2022.

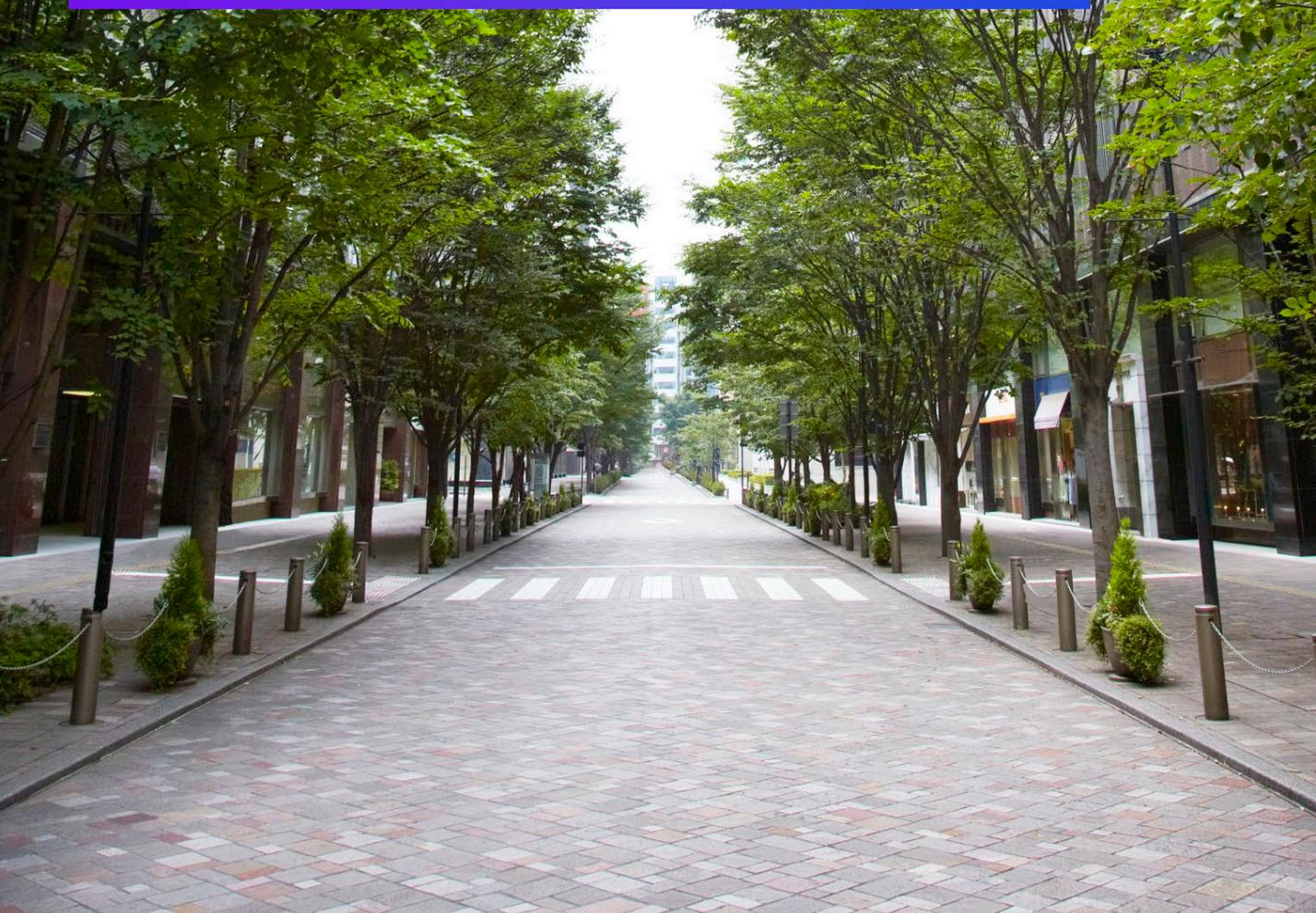
⁸ KPMG (2022), Consumer barometer. Available from: Consumer Barometer (assets.kpmg).

⁹ BuyAssociation (2022), Greener property: increasing sustainability alongside marketability.

¹⁰ Refer to Appendix I for demographics data.

03

Key insights



Key insights



Residents of Malta are environmentally conscious and willing to pay more for sustainable products

Respondents tend to **prefer to choose sustainable products** when available and **90% say they are willing to pay more** for sustainable products.

Most respondents purchasing property plan to use it as their main residence



37% of respondents are planning to **purchase property** in the near future.



Location is the most important factor when buying or renting property

Location ranked **first** among purchasers and renters, with sustainability falling to **sixth out of eight** place for both.

Property purchasers and renters consider sustainability features moderately to very important



Most (**58%**) purchasers and half of renters are willing to pay more for sustainable property.



Respondents want Government or regulators to take the lead in transforming the sector

Survey participants believe the sector is acting poorly with regards to sustainability initiatives, and want **Government or regulators** to lead the transformation.

04

Detailed findings

1

Residents are environmentally conscious and willing to pay more for sustainable products



7.4 (average)

Q: Do you consider yourself environmentally conscious (giving importance to sustainability in your life, and being well informed about sustainability)?

0: Not at all 10: To a great extent

(Source: KPMG study)



7.1 (average)

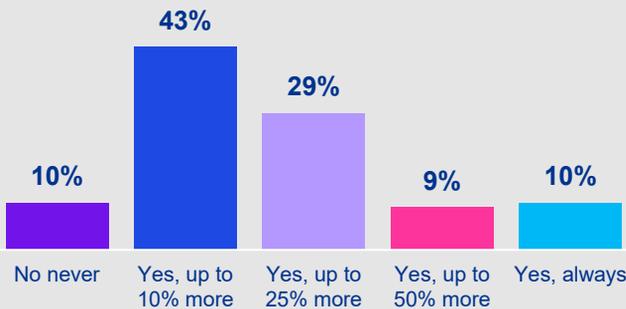
Q: Do you prefer to choose more sustainable products when available (e.g. organic produce, products made with recycled materials, products that include less packaging, products without harmful chemicals, FairTrade products, etc.)?

0: Never 10: Always

(Source: KPMG study)

These findings show that respondents in Malta are **considerably environmentally conscious** (average score of 7.4 ± 1.4 , on a scale from 0 to 10) and mostly **prefer to choose more sustainable products when available** (average score of 7.1 ± 1.9).

Female respondents are **7% more** likely than male respondents to choose sustainable products. Additionally, Maltese residents were **7% less likely** to prefer sustainable products than non-Maltese residents.



Q: Are you willing to pay more for such sustainable products?

(Source: KPMG study)



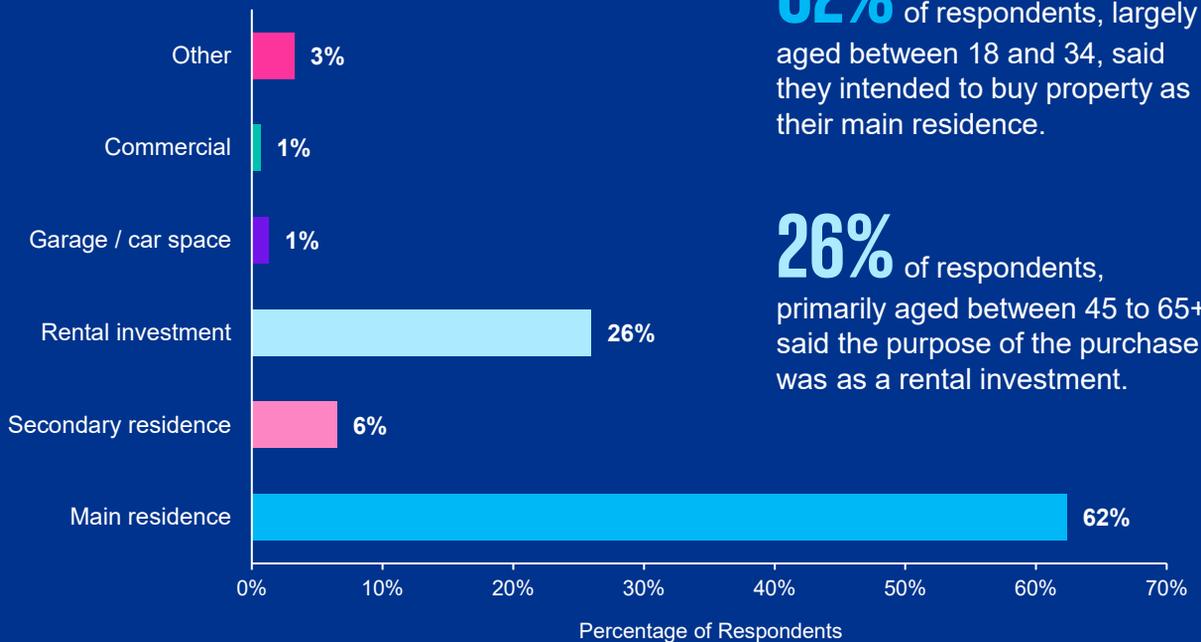
90% of respondents are willing to pay more for sustainable products, with the majority indicating that they are willing to pay **up to 10%** more for such products.

The data indicates that Maltese consumers are willing to make the switch towards sustainable products. It points at a potential market for sustainable products, with most customers **willing to pay a premium for sustainable products if needed**. Additionally, in the local context sustainable products may be slightly more **appealing** to female and non-Maltese demographics.

2

Plans to purchase property

37% of respondents state that they plan to purchase property in the next **5 years**.

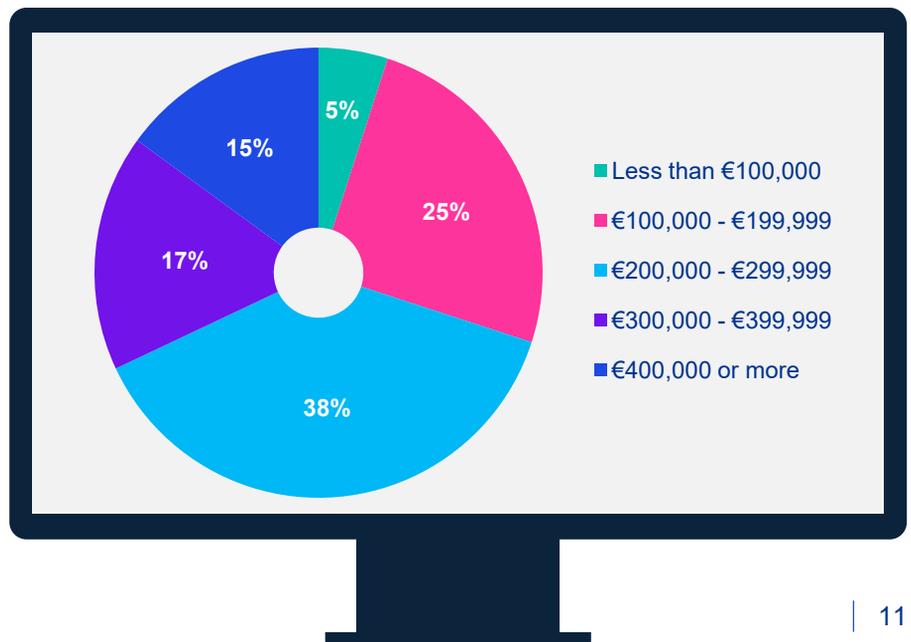


62% of respondents, largely aged between 18 and 34, said they intended to buy property as their main residence.

26% of respondents, primarily aged between 45 to 65+, said the purpose of the purchase was as a rental investment.

(Source: KPMG study)

For the purchasers surveyed, the **most common budget** was between **€200,000 and €299,999**.



(Source: KPMG study)

3 Sustainability ranks in 6th place when choosing which property to rent or buy

Location is the most important factor when deciding which property to rent or buy. Other factors, such as size of property, quality of build, layout, and proximity to green space or the sea, followed location in priority and surpassed sustainability. This pattern indicates that when forced to choose between sustainability and other factors, respondents prioritise other factors, and therefore points to the need for sustainability to become embedded within the building sector so that customers do not feel they need to make a trade-off between sustainability and other factors when buying or renting property.

Purchasers' perspective

N = 154



Q: Please rank the following factors according to their importance to you in deciding which property to buy.

(Source: KPMG study)

Renters' perspective

N = 30



Q: Please rank the following factors according to their importance to you in deciding which property to rent.

(Source: KPMG study)

Interestingly for the local context, both purchasers and renters gave **low importance to links to public transportation**, although it is ranked slightly higher by renters. This reflects Maltese citizens' preferences in favour of private car use (84% of trips in Malta are made by private vehicle),¹¹ which in turn is likely to be affected by the quality of the national public transportation service. It also shows how policies on various topics, in this case buildings and transportation, may interact to influence individual sustainability-related decisions; in this case the property chosen is largely *not* influenced by the links to public transportation, but if the public transportation system had to improve, **would this change?**

¹¹ National Statistics Office (NSO) (2021), National Household Travel Survey. Available from: [https://nso.gov.mt/en/nso/Media/Salient-Points-of-Publications/Pages/2022/National-Household-Travel-Survey-\(NHTS\).aspx](https://nso.gov.mt/en/nso/Media/Salient-Points-of-Publications/Pages/2022/National-Household-Travel-Survey-(NHTS).aspx)

4 Respondents are moderately to very interested in sustainability features

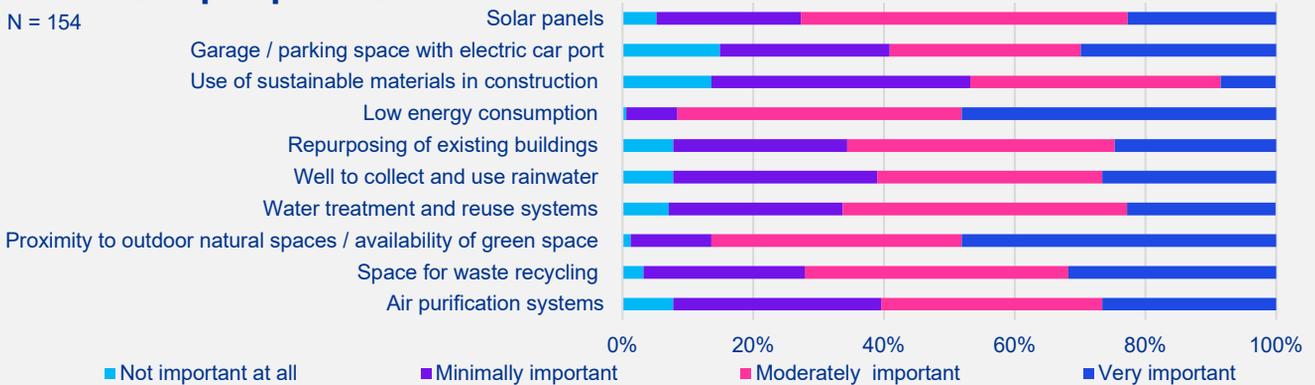
Both purchasers and renters identified the majority of sustainability features to be **moderately or very important**.

Sustainability features at the individual building level are desirable when purchasing or renting property, suggesting that when purchasers or renters are comparing two otherwise equivalent properties, they would prefer to choose the sustainable property.

The sustainability features that were ranked highest by both renters and purchasers were those related to low energy consumption (such as that afforded by triple glazed windows, insulation, and building orientation), and proximity to outdoor natural spaces or the availability of green space (such as a shared garden) within the building itself, which is indicative of respondents' need for natural elements in their surroundings, potentially due to nature's ability to improve well-being¹².

Purchasers' perspective

N = 154

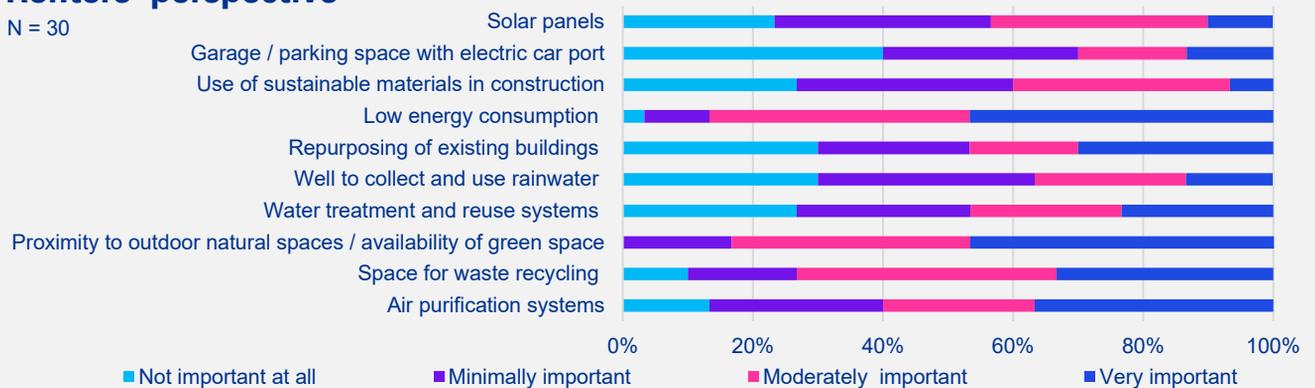


Q: Which of the following features of sustainability are important to you when purchasing?

(Source: KPMG study)

Renters' perspective

N = 30



Q: Which of the following features of sustainability are important to you when renting?

(Source: KPMG study)

¹² McCord, J, McCord, M, McCluskey W.J., Davis, P.T. 2014, 'Effect of public green space on residential property values in Belfast metropolitan area', Journal of Financial Management of Property and Construction, vol. 19, no. 2. Available from: https://www.researchgate.net/publication/265969625_Effect_of_public_green_space_on_residential_property_values_in_Belfast_metropolitan_area

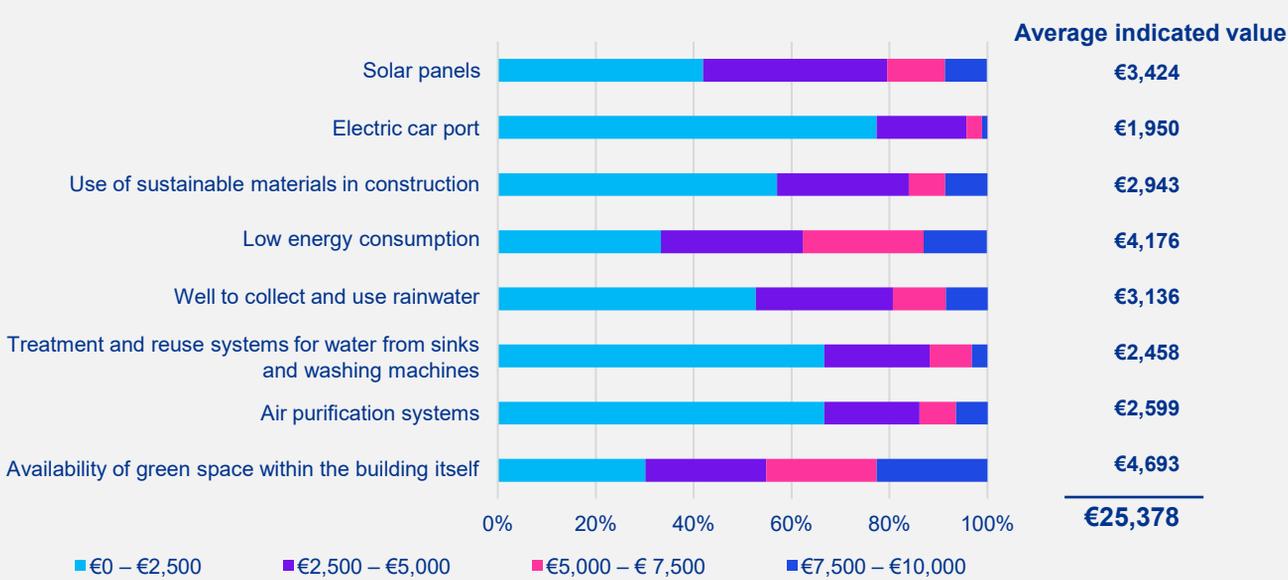
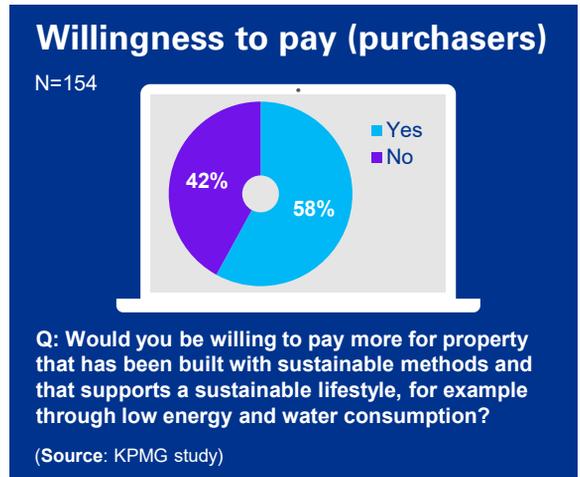
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Most purchasers are willing to pay more for sustainability

Although sustainability does not necessarily translate into higher costs (particularly if embedded in the design and build phase, versus an afterthought or retrofit) and may indeed result in savings during the operation of the building, it is useful to understand whether purchasers and renters are willing to pay more for sustainable buildings. This insight can influence investment decisions made by developers, as well as help shape Government policies for instance in respect of providing incentives when the willingness or ability to pay is much lower than the cost of the individual feature.

Our findings show that the majority (58%) of purchasers surveyed are willing to pay more for sustainable property. A calculated weighted average of the median value of each price band suggests that the identified sustainability features have the potential to add an average indicated value of around **€25,000** to each property. This figure corresponds to around 10% of the most common purchasing budget.

It is noted while this survey included several key examples of sustainability features, this list is far from exhaustive. More comprehensive lists may be found in the various sustainability certification methods that exist for real estate, such as BREEAM (the Building Research Establishment Environmental Assessment Method) and LEED (Leadership in Energy and Environmental Design). Indeed, local developers may decide to pursue such certification systems as a means of attracting buyers and renters, and providing a source of value-add and differentiation – and in fact some major local projects are already rated using such systems.



Q: If you answered yes, how much more would you be willing to pay for each feature?

(Source: KPMG study)

6 Many renters are willing to pay more for sustainability

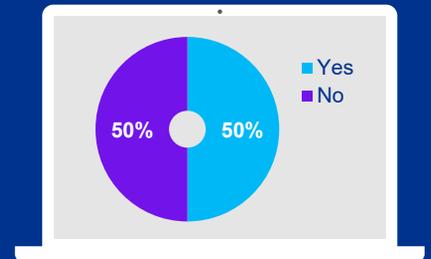
Half of the renters surveyed also indicated they would be **willing to pay more** for sustainable rental property.

Willingness to pay (renters)

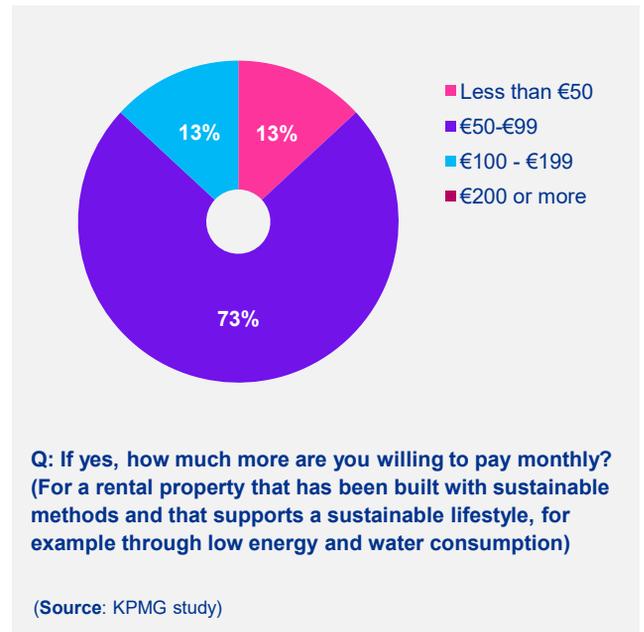
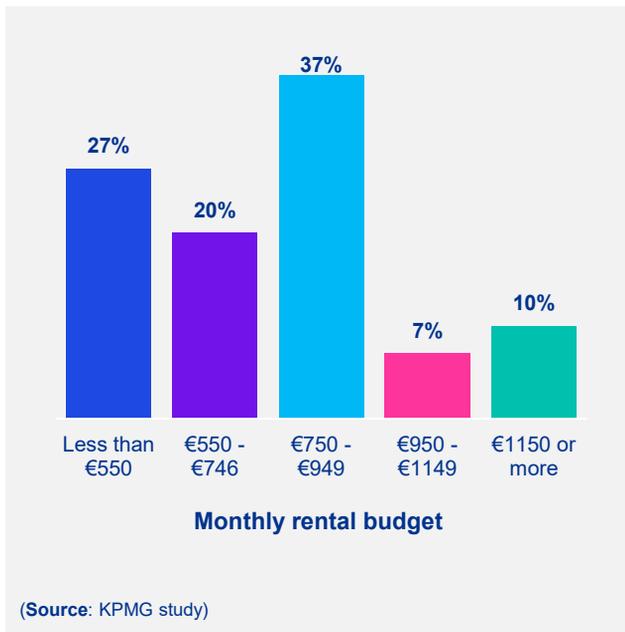
N=30

Q: Would you be willing to pay more for property that has been built with sustainable methods and that supports a sustainable lifestyle, for example through low energy and water consumption?

(Source: KPMG study)



How much more?

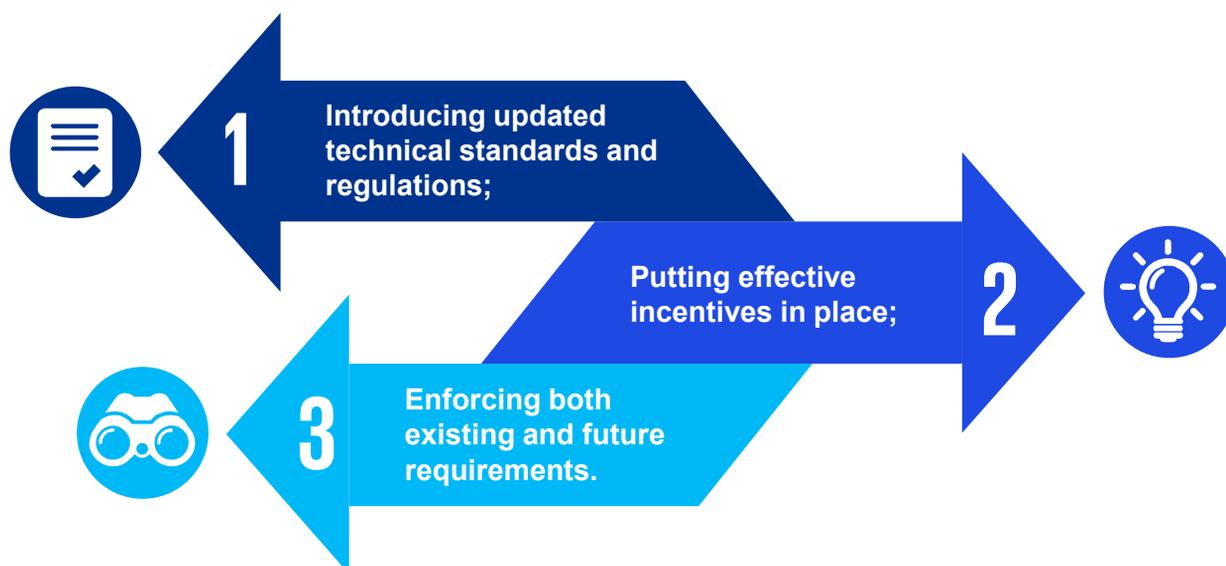


The majority of renters who would be willing to pay more for sustainable property indicated they would be willing to pay between **€50-99** more monthly for a sustainable property.

Within the context of the most frequent rental budget being between **€750-949**, sustainability features represent a value-add of around **10%** to rental property.

The results of this survey point towards a potential market for sustainable properties. Additionally, purchasers and renters may be willing to pay more for a sustainable home, matters of note for the sector's stakeholders.

This finding suggests that the construction sector requires urgent and significant transformation. Respondents suggest that Government or regulators should take the lead in this regard. In our view, Government can **champion this transformation** by:



The above must be underpinned by **education and awareness-raising campaigns** targeted at all demographics to encourage holistic change. Within this context, Government must also **lead by example**, embedding ESG principles in its own operations and ensuring that the buildings it owns and operates are aligned with sustainability principles.

Nonetheless, **all stakeholders play a key role in initiating change**. It will be important for the industry to come together to find sustainable solutions and set higher standards for itself, designing both residential and infrastructural projects with sustainability and resilience in mind. This requires embedding sustainability into construction companies' overarching business strategies, with ESG principles being considered from the outset when deciding which projects to pursue, which locations to target for development, what construction methods to use, and how to design projects having minimal environmental impacts during their lifetime whilst also being able to withstand the effects of climate change. Consumers (whether renters or buyers) should also express their sustainability preferences when making real estate decisions, whereas real estate agents can also ensure that these preferences are considered when showcasing property.



Everyone can and should be involved in the policy changes that need to happen. Engagement with stakeholders is government's priority. However, it is very refreshing to hear that every stakeholder is recognising that changes need to be made.

Hon. Stefan Zrinzo Azzopardi, *Minister of Public Works and Planning*

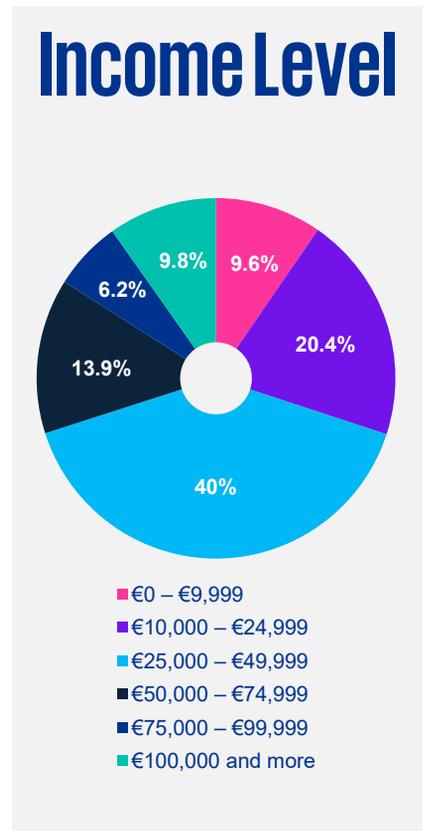
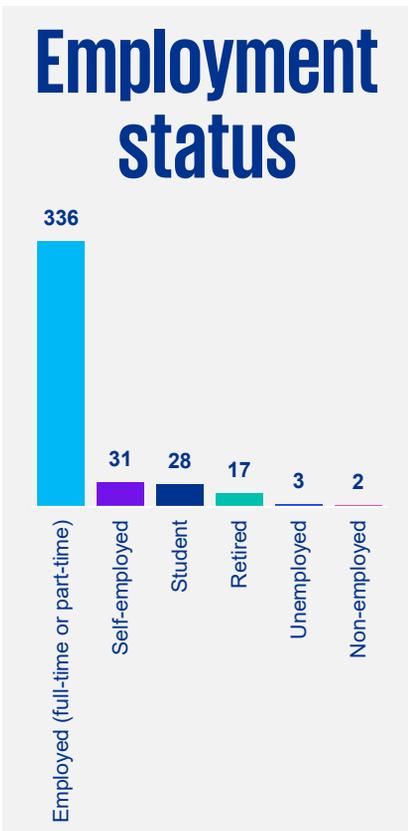
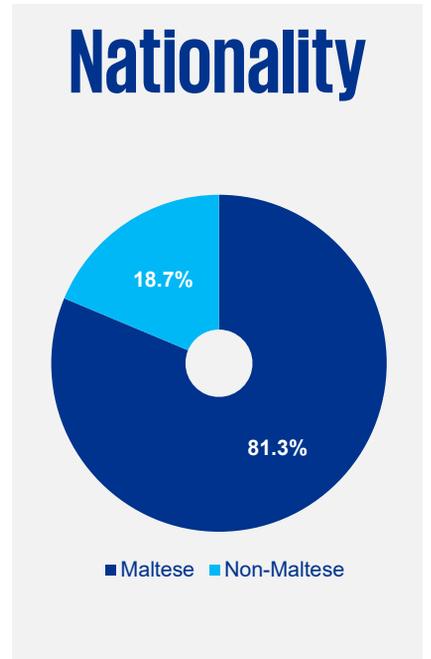
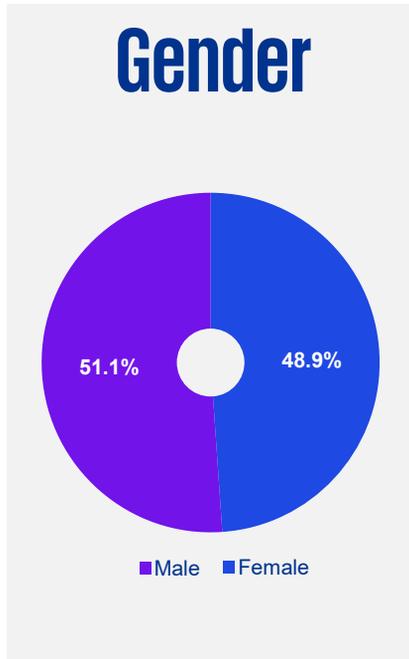
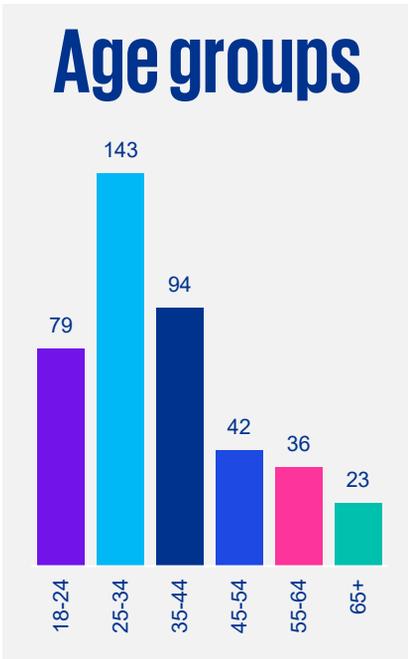




Appendix



Appendix I: Participant data



About KPMG

KPMG knows the power of ESG to transform your business. KPMG ESG Advisory can show you how to enhance trust, mitigate risk and unlock new value as you build a sustainable future.

KPMG Malta's ESG Advisory's solutions are both holistic and practical. With deep experience across critical issues — including climate change, decarbonisation, circular economy, IDE (inclusion, diversity and equity), governance, ESG reporting and measurement — KPMG professionals help you create the right blueprint for your ESG journey. A blueprint that can simplify your strategy, guide its full implementation, and enable you to manage and report on your ESG journey.

KPMG professionals can go beyond strategy, working with you side-by-side at each step of your ESG transformation. With our industry-leading experience, data-driven technology and global alliances, you can turn insight into opportunity for your business, your people and our planet. **Because how you grow matters.**

KPMG's ESG services include:

ESG Reporting

Calculation of carbon/greenhouse gas emissions, supporting companies with reporting of broader ESG metrics, and deploying digital solutions to facilitate data collection and ensure traceability and reliability of the data output.

ESG Transformation

Helping companies develop and refine their ESG strategy, supporting organisations in their decarbonisation process, ESG regulatory assessment and gap analysis, providing training, and deploying digital solutions to track progress against ESG targets.

ESG Assurance

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



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