

A Focus on Real Estate Transparency in Malta

Based on JLL and LaSalle's
Global Real Estate Transparency Index

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Foreword



We are pleased to be issuing Malta's first contribution to the Jones Lang LaSalle Global Real Estate Transparency Index ('JLL GRETI'). Over the past few months, we have worked in conjunction with Jones Lang LaSalle ('JLL and LaSalle' or 'JLL') together with Archi+, in order to compile data for their 2022 GRETI, adding Malta onto the list for the first time.

The JLL GRETI ('the Index') is an index based on a combination of quantitative market data and survey results across 94 countries and territories. The Index scores property markets on a one to five transparency scale (ranging between Highly Transparent to Opaque) and acts as an essential guide for companies operating in foreign markets and a unique benchmark of real estate market transparency.

The Index, based on JLL's methodology, focuses on topics such as direct property indices, availability of property data in connection to transactions, valuations, the use of real estate technology in construction, property management, real estate tax, land use planning, professional standards of agents, green building regulations and sustainability, among others.

In compiling the survey results, we collaborated with several individuals and entities, primarily those involved in real estate, with sub-surveys distributed to different groups of respondents, including, *inter alia*, real estate investors, architects, real estate agents, lawyers, notaries,

local subject matter experts, and property managers. A number of entities and authorities responsible for data collation in Malta and a number of experts within the PwC Network were also consulted.

Malta's real estate market is relatively unique given the scarcity of land. We are the fifth most densely populated country in the world, while pre COVID-19 annual visiting tourists amounted to circa 2.8 million, representing 5.6 times the size of our residing population. The property market in Malta has just experienced a decade-long strong run, with significant year-on-year growth across the industry. This was the result of various underlying demand drivers, mainly the significant increase in our residing population, the result of an ever growing expat community which has resulted in various discussions about the affordability and the sustainability of our real estate sector.

Following JLL's analysis of responses for both quantitative and qualitative factors, Malta has scored within the Low Transparency category, ranking 62nd place, out of an aggregate of 94 countries. Countries within the Low Transparency category generally include emerging economies. Malta scored well on a number of the 14 pillars underlying the Index, on fronts such as governance of listed vehicles, regulatory and legal aspects, as well as the transaction process, but relatively low on others, which has driven

down the overall transparency index for Malta. With marginal improvement, we are confident Malta could easily achieve a score lower than 3.5 (from the existing 3.64), allowing Malta to climb up the transparency ladder to classify within the Semi-Transparent rather than Low Transparency category.

We believe the results of Malta's first participation in the JLL GRETI should help in the prioritisation of initiatives which Malta could focus on to increase transparency. The digitalisation and publication of contracted market data could bolster market confidence and incentivise more sustainable practices in real estate to encourage uptake.

We believe Malta should take aspiration from other nations that have managed to improve their transparency rating over the years. We are confident that the gradual improvement of our transparency within the real estate sector will enhance the level of trust and ensure sustainability of the industry moving forward.

We would like to thank the numerous industry stakeholders who have consulted, participated and contributed to this Index while we continue to remain focused and vocal on areas which will improve our transparency within this vital sector of our national economy.



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Acknowledgements

PwC would like to thank all the stakeholders who contributed their time by participating in the surveys carried out, and by providing their feedback along the way.

In particular, we would like to thank Jones Lang LaSalle and Archi+ for their contribution and support throughout the study. We are also grateful to organisations including the Kamra tal-Periti, the Malta Chamber and the Malta Developers Association, as well as entities and authorities within the public sector such as the National Statistics Office, the Central Bank of Malta, the Housing Authority and the Ministries contacted, whose feedback and assistance was instrumental throughout the process. Thanks also goes to the many individuals from several entities and organisations within the private sector, including other individuals from PwC Malta, who also participated in the study.

Malta's participation in the 2022 JLL GRETI was only possible as a result of the industry's key players' concerted effort to having a more transparent real estate market in Malta.



Introduction

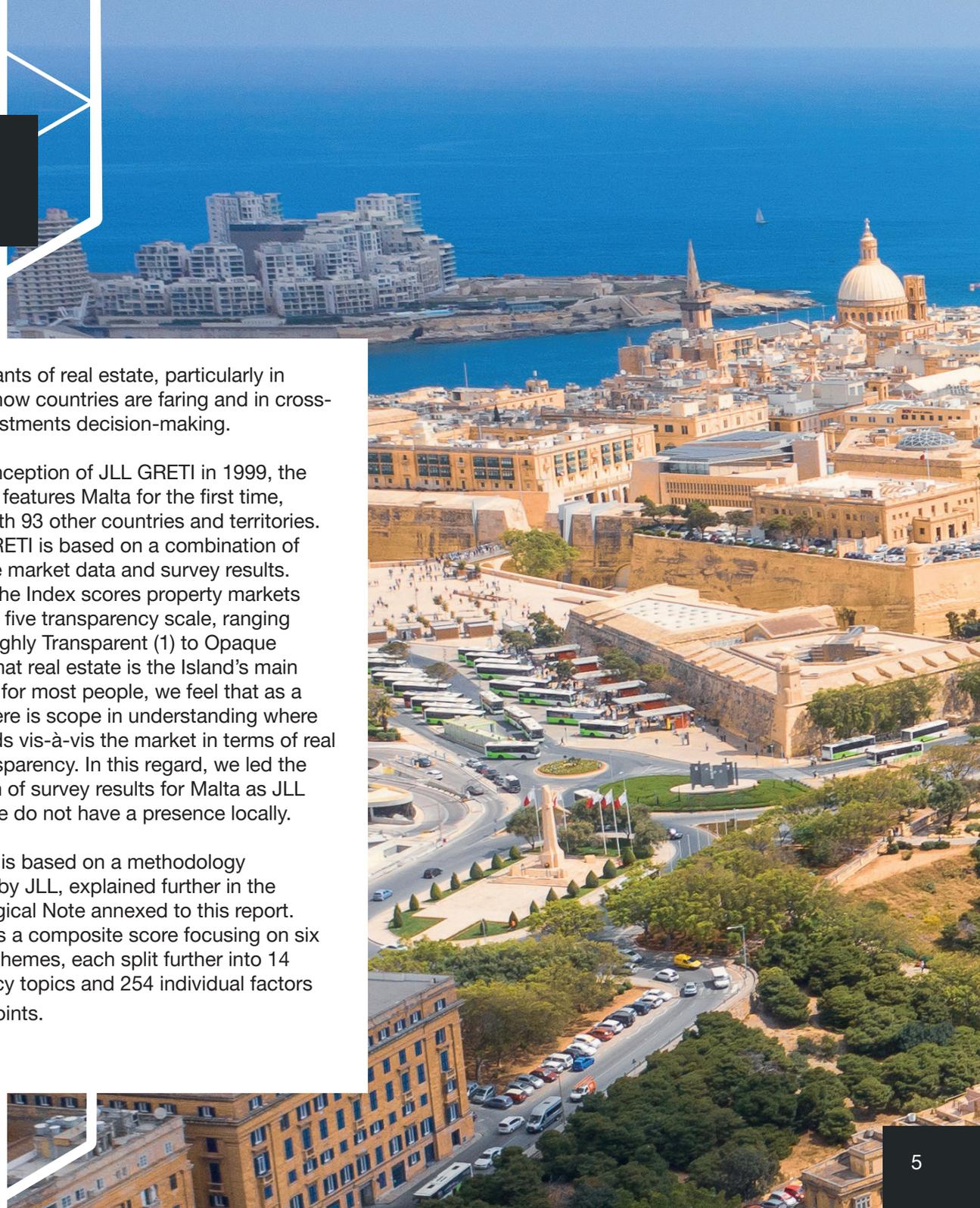
Real estate has traditionally represented wealth, this contributing to making it the world's largest and most important asset class. With the passing of time, increased attention is being devoted to real estate, particularly by investors, as investments in listed companies, funds, pension funds, insurance policies or holdings in Real Estate Investment Trusts (REITs) are becoming more exposed to real estate. Transparency of real estate markets is thus critical for the operation of efficient markets, as well as for sound investment decisions.

For this reason, together with Archi+, a local architectural firm focusing on design, planning, project management services and real estate consultancy, PwC Malta has embarked on a collaboration with JLL and LaSalle Investment Management (hereinafter together referred to as 'JLL' or 'Jones and LaSalle'). Through the JLL Global Real Estate Transparency Index (JLL GRETI or 'the Index'), published on a biennial basis, JLL has been mapping the evolution of real estate transparency across the globe for over 20 years. The JLL GRETI is widely used for assessing real estate market transparency across different countries and cities. It acts as a useful benchmark and guide for Government and industry bodies, as well as investors, developers

and occupants of real estate, particularly in assessing how countries are faring and in cross-border investments decision-making.

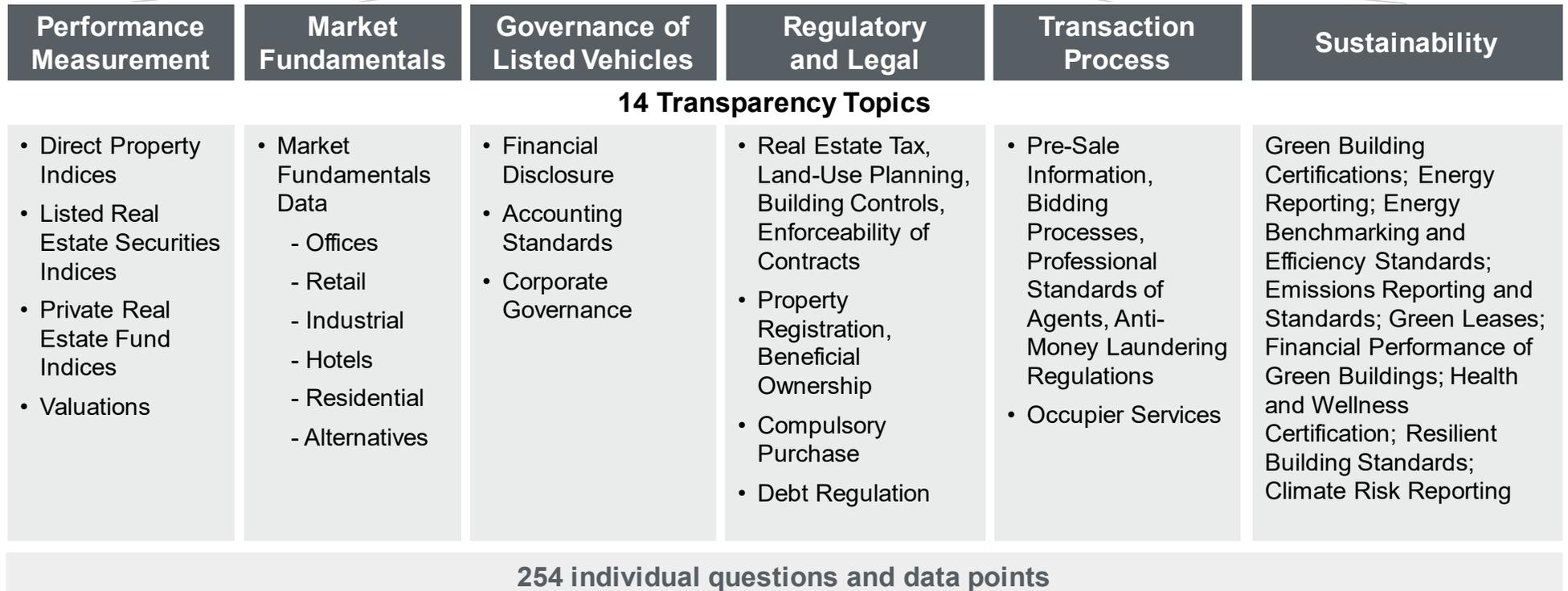
Since the inception of JLL GRETI in 1999, the 2022 Index features Malta for the first time, together with 93 other countries and territories. The JLL GRETI is based on a combination of quantitative market data and survey results. Moreover, the Index scores property markets on a one to five transparency scale, ranging between Highly Transparent (1) to Opaque (5). Given that real estate is the Island's main investment for most people, we feel that as a country, there is scope in understanding where Malta stands vis-à-vis the market in terms of real estate transparency. In this regard, we led the compilation of survey results for Malta as JLL and La Salle do not have a presence locally.

The survey is based on a methodology developed by JLL, explained further in the Methodological Note annexed to this report. The Index is a composite score focusing on six prominent themes, each split further into 14 transparency topics and 254 individual factors and data points.



Composite Score

6 Sub-Indices



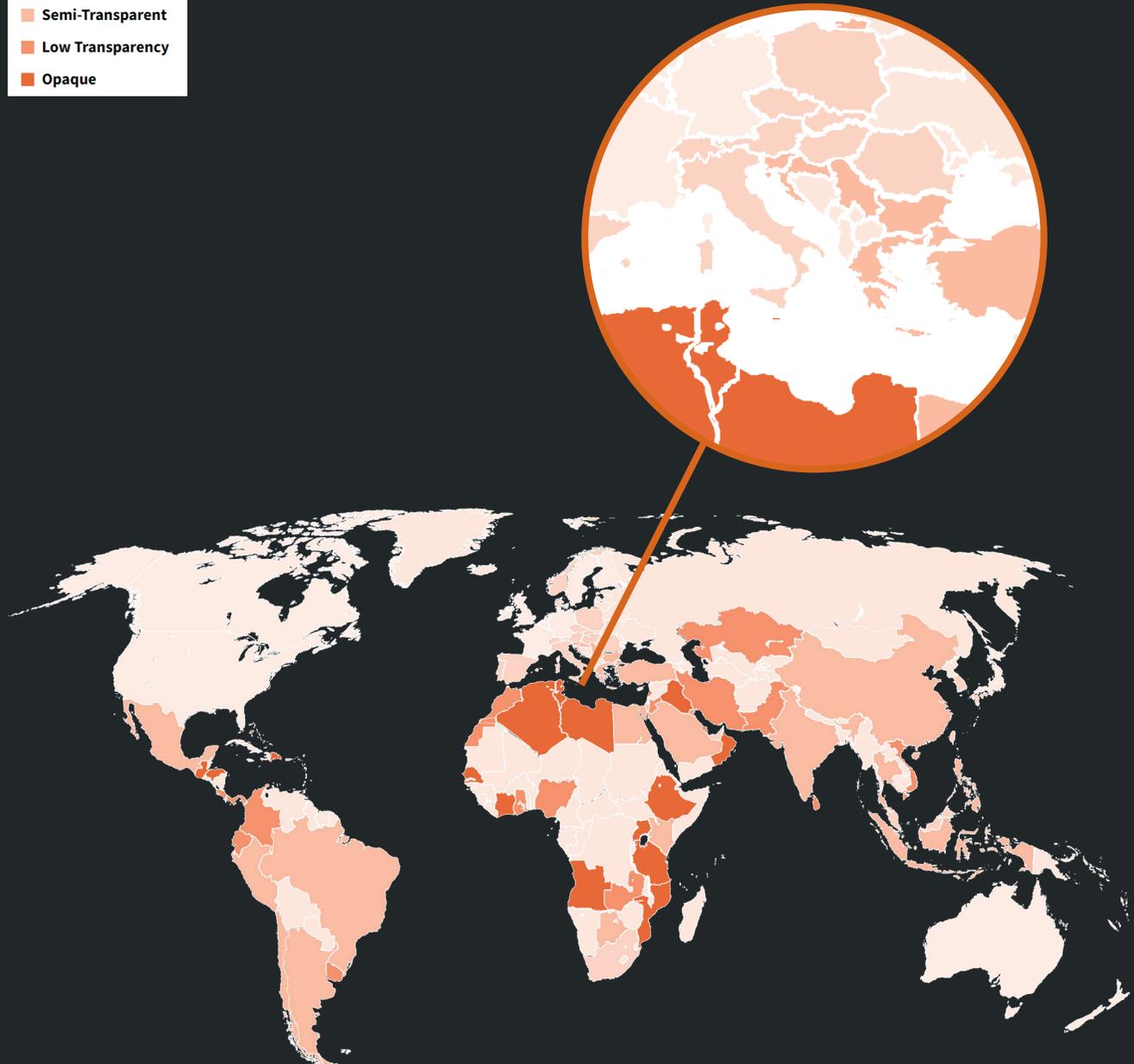
254 individual questions and data points

Source: JLL GRETI, 2022

In compiling the survey results, we collaborated with several individuals and entities (primarily those involved in real estate) over the course of four weeks between February and March 2022. We categorised the questions into sub-surveys targeted for different groups of respondents, including, *inter alia*, real estate investors, architects, real estate agents, lawyers, notaries, local subject matter experts, and property managers. We also contacted a number of entities and authorities responsible for data collation in Malta, as well as a number of specialists in related fields within the PwC Network. Responses were then analysed and submitted through JLL's electronic survey portal.

Following JLL's analysis of responses for both quantitative and qualitative factors, Malta has been attributed a score of 3.64, thereby falling within the Low Transparency category. Malta placed 62nd among the 94 participant countries, along with countries such as Morocco, Egypt and Sri Lanka classifying the same category. Albeit scoring well on fronts such as governance of listed vehicles, regulatory and legal aspects, as well as the transaction process, areas such as sustainability, technology and digitisation, and availability of data merit considerable improvement.

The following is an excerpt from JLL's 2022 GRETI, depicting where countries stand vis-à-vis transparency of their real estate markets. As previously discussed, depending on their overall performance, markets are assigned to one of five transparency tiers, as follows:

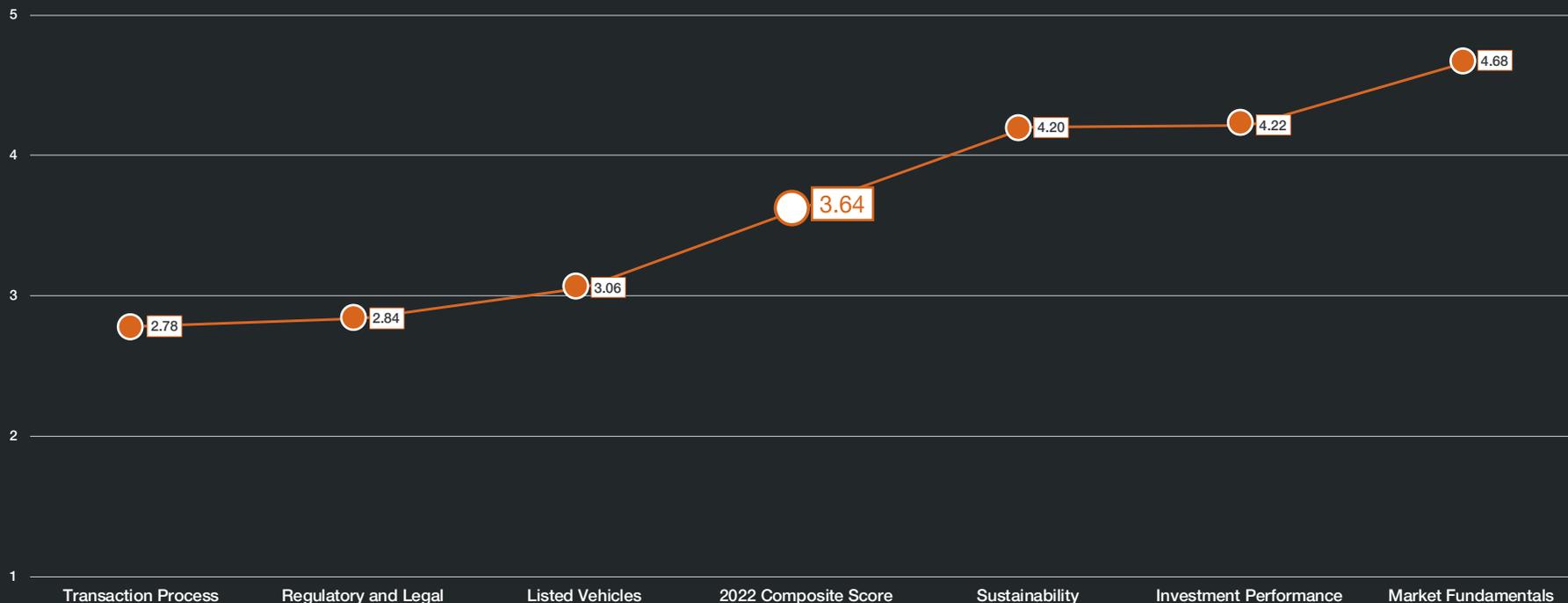




Key findings

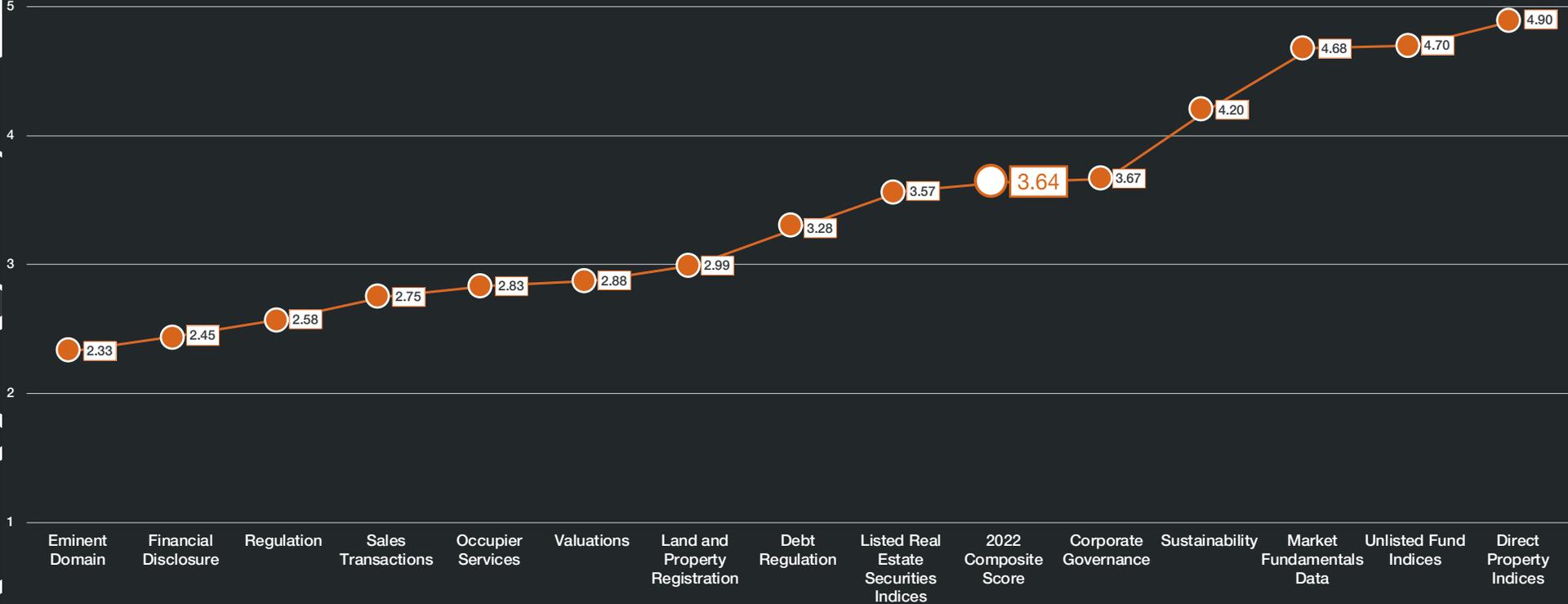
Malta ranked in the higher end of the Low Transparency category in its first run of JLL's Real Estate Transparency Index (2022). The composite score gravitated towards the lower end of the scale, particularly on account of limited availability of data, scant adoption of sustainability practices and frameworks, as well as meagre adoption of certain technologies within the property sector. Counteracting this, Malta recorded significantly higher scores in terms of governance of listed vehicles, regulation, legal processes and frameworks, as well as real estate transactions. The main emerging themes from the study are presented in the ensuing sections.

Average score for Malta by sub-index, 2022



The following chart provides an indication of the scores achieved by Malta in terms of the 14 topics of the JLL GRETI. This is also reflective of the areas where Malta achieved the highest and lowest scores, these ranging from regulatory and legal aspects (including regulation and eminent domain), governance of listed companies (through financial disclosure) and the sales transaction process (among others), to market fundamentals data and performance measurement (through unlisted fund and direct property indices) respectively.

Average score for Malta by topic area, 2022



Source: JLL GRETI, 2022



Governance of Listed Vehicles

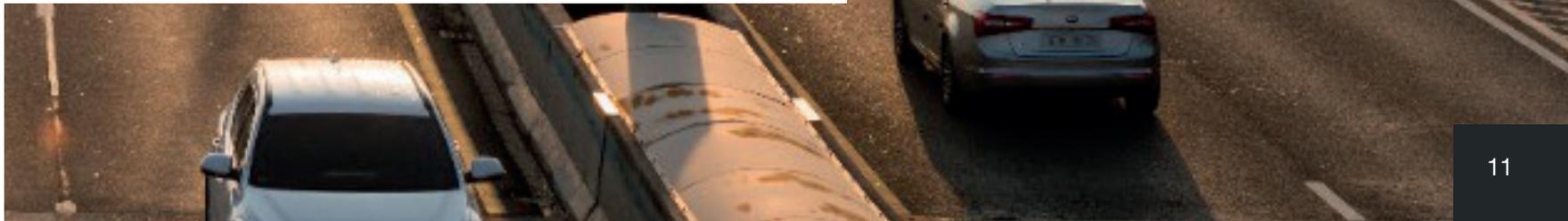
The majority of Malta's listed real estate vehicles are focused on long-term ownership of stabilised commercial real estate assets. The value of companies operating with this type of business model is based primarily on the underlying value of their stabilised real estate.

Listed companies publish their financial statements (or annual reports) in English, thereby making it easier for international investors to analyse the companies' financial performance. Publicly listed companies are also required to follow IFRS regulations in their financial reporting, thereby making their financial information more accountable and consistent with that presented by other similar companies worldwide. Again, investors find it easier to understand the underlying financial information and allow comparisons across peer companies. By issuing their financial statements at least annually or on a half-yearly basis, listed real estate companies in Malta are regarded as being transparent within the market.

Stakeholders pointed out, as of this year, listed companies are obliged by the MFSA to submit their Audited Financial Statements in European

Single Electronic Format (ESEF). The objective of this new requirement is to make submission for issuers easier in addition to facilitating accessibility, analysis and comparability by investors and regulators. In the near future, this obligation will be imposed on all companies, further increasing transparency.

International principles of corporate governance are also adopted by listed entities, with Malta's Code of Good Corporate Governance being modelled on OECD principles. The Boards of Directors of listed vehicles typically include independent, outside directors. We also note that the top performing large companies typically tend to employ the highest paid executives. Having said this, management compensation is not always tied to long-term share price performance. Given that the number of shareholders in Malta's listed real estate vehicles tends to be smaller than in foreign companies, the company may be steered towards a desired course of action in a quicker manner. A majority of shareholders can typically force key changes over time, even though these efforts may be delayed through structures such as staggered Boards of Directors.



Real Estate Valuations

Malta achieved a relatively good score within the field of real estate valuations. Results indicated that independent, external third party valuers are typically engaged at least in one-third of those instances where a valuation is performed. Market-based approaches to valuations are also used, albeit availability of data on transactions is limited. Valuers generally resort to their own knowledge of market conditions and advertised prices and rates (as opposed to contracted rental prices and sales transactions).

There is a sufficient degree of competition in the market for the provision of valuation services. Certain types of valuations (such as those required for financial reporting purposes and divisions/ mergers) may be performed by entities including accountants and real estate agents, in addition to architects.

Local property developers commented that in their opinion, given our market size, there are very few experienced professional property valuers. Besides the fact that contracted data is limited, when carrying out valuations, more attention needs to be given to the inherent characteristics of the property, such as orientation, natural light, views, ventilation and so forth.

Valuations for real estate assets are typically performed on an annual basis, which is also being regarded positively on the Index scale.



Regulatory and Legal

Malta boasts a predictable legal and fiscal environment for investors, both local and international, with real estate tax rates being clear, generally stable and predictable. There is also consistency in the enforcement of real estate taxation among investors, with no specific group of taxpayers being targeted to pay higher or lower taxes.

In terms of land use planning, a zoning or detailed plan-based system exists for urban areas. In general, based on the responses analysed, predictability of change in land use is considered to be moderate to good, with a fair process and a good (online) plan reference being in place. Enforcement of land use planning was rated as moderate in Malta. Some respondents, including professional property developers, commented that although planning policies and local plans are available and easily accessible, there are loopholes therein which allow for amendments during the planning process. A typical case in point is the number of floors one can build. Respondents felt that such situations need to be eradicated and this can be achieved through more clarity with regards to certain planning policies. This would result in a more equitable and transparent playing field. Malta would also benefit from more consistency by having a mandatory set of property measurement

standards, as well as from the enforcement of safety standards and building codes.

Malta scored within the moderate stream in terms of enforceability of contracts and contract law. Routine transactions are considered to be delayed, with the majority of transactions requiring custom contracts, thereby affecting the simplicity of key regulations. The legal process is considered to be moderately efficient (with the term 'efficient' meaning fast, inexpensive and fair). Both legal parties assumed to be protected, as opposed to highly protected or unevenly protected. Respondents also considered the application of regulations to investors (both domestic and foreign) as being moderate to good.

Respondents indicated that public records are available at the Land Registry, albeit they are incomplete, particularly since only a small part of Malta is land registered. Information may not be accurate and certain data, such as contracted property prices may not be available through these records. Moreover, although Land Registry records may be accessed by the general public, this may come at a high cost and in general, may not be time effective. Also, non-specialists may find it difficult to understand Land Registry records. On the positive side, we note that a beneficial ownership registry exists and disclosure is required for all commercial real estate transactions and purchasers. This is

available online, it is considered to be relatively easy to understand and also comes at a small cost. Respondents also iterated that enforcement of beneficial ownership disclosure is high in Malta, with such disclosure being required for all transactions.

This ties in to Malta scoring well on the existence and enforcement of anti-money laundering (AML) legislation. Legislation exists requiring notaries and real estate agents to perform Know Your Client (KYC) and AML checks, and is applicable to all commercial real estate transactions, as well as real estate agents acting for both parties (vendor and purchaser). As a result of a comprehensive application of due diligence and reporting requirements being in place for all applicable transactions, enforcement of AML legislation is deemed to be high. This is in light of the administrative measures and penalties imposed by the Financial Intelligence Analysis Unit (FIAU) on real estate agents and notaries (among other professions) in the event that due diligence procedures and AML legislation are not observed.

Some stakeholders felt that the new KYC procedures are not well thought out, and there is room for improvement by streamlining the process as the involvement of real estate agents has created duplication of efforts on this front. It was suggested that the notary can collate necessary information and or documentation.

The Transaction Process

The costs of investing in real estate assets are considered to be high in comparison with other countries, particularly since acquisition costs (i.e., stamp duty and notarial fees) exceed 6% and sales costs (i.e., sales tax) exceed 4%. Sales costs may be even higher if one were to consider agency commissions. Having said this, respondents indicated that the bidding and negotiation process is considered to be relatively fair and transparent. It was noted that a purchaser can at times trust the vendor to treat a bid equitably and confidentially, although this may not always be the case.

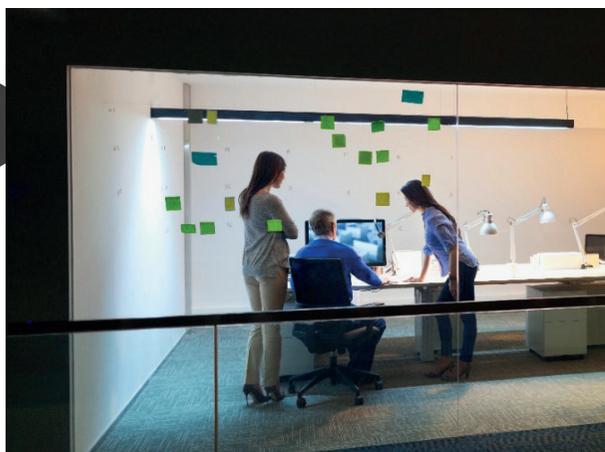
Respondents indicated that high quality presale information is considered to be available c. 30% to 60% of the time when investing in real estate assets. High quality presale information refers to reliable and comprehensive information assembled by the vendor (and their advisors) and includes, at least, information on land title, lease contracts, financial accounts and net operating income. Certain investors commented that they do not partake in real estate investments unless such information is provided by the vendors, whereas others indicated that they may not always have this possibility.



Facilities, Project and Property Management

In Malta, facilities, project and property management companies are considered to be fairly available, with providers of such services, as well as the services themselves typically being made known to occupiers. Facilities, project and property management services are considered to be of fairly good-value and generally provide reliable services. Other respondents commented that such services may at times be cost-inflated and unreliable.

A reconciliation exercise of service charges between occupiers and landlords is typically done for commercial properties, at least once per year. Such reports are considered to be fairly accurate, including a good level of detail. The landlord's accounts are typically auditable, with occupiers of buildings generally having the ability to negotiate discrepancies with landlords.



Limited Availability of Data

Malta is ranked low on the transparency scale with respect to the availability of aggregated time series market data. Data in relation to, *inter alia*, contracted rents, contracted property prices, vacancy rates, gross capitalisation rates, office physical occupancy, as well as stock of properties by type, is, in most cases, not collated or not publicly available. Whereas some data is available with respect to residential properties, publicly available data is more limited with respect to commercial properties. For example, stock of residential properties, as well as vacancy rates of residential dwellings is tracked through the National Census.

Data on contracted rental rates for residential properties also started being collated by the Housing Authority as from 2020, with reference to such rates being made available through The Annual Malta Residential Rental Study, first published in 2021. We understand that, whereas data on rents of commercial and industrial properties is not yet publicly available, the National Statistics Office (NSO) has started compiling this data (only, i.e., excluding net effective rents or net absorption) as from 2018, which is in the process of being analysed and cleaned.

In Malta, the majority of data tends to be collated by one data source, with the fundamental and rents data not always being considered to be reliable or sufficiently comprehensive (by property

type). There is thus, limited data tracking by market aggregators or data service providers. This further hinders the ability to collate, analyse and make data available to the general public.

As already mentioned earlier, records available at the Land Registry are considered to be incomplete. A notary respondent indicated that less than 20% of Malta's lands are registered with the Land Registry.

The lack of market data hinders the ability to adopt fully fledged market-based approaches when preparing real estate valuations and therefore, may have an impact on the credibility thereof. Market-based approaches to valuations are considered to be sounder and more reliable when based on contracted prices as opposed to advertised prices, due to the potential variations arising between the two, owing to negotiations and agency commissions (if applicable).

Capitalisation rates based on contracted rental rates and prices are also regarded more favourably when compared to capitalisation rates derived on the basis of the build-up method.

Sustainability

Malta lags behind on the Transparency Index in the field of sustainability. A well-established energy benchmarking system is not used in the market and while there are minimum energy efficiency standards for new buildings, the same are not in place for existing properties. Moreover, there is no tracking of Greenhouse Gas emissions (GHG) for real estate on a national level. Such tracking is at the voluntary discretion of entities. This mirrors the lack of GHG Emissions Standards for both existing and new construction locally.

Additionally, green building certification systems such as BREEAM and LEED are used by a number of market participants voluntarily, given that there is no requirement for the use of green building certification systems. As a result, building data is not publicly available for any available certification schemes. Similarly, climate risk reporting is not mandatory for all buildings as it is only required for industrial buildings in terms of S.L. 549.76 (Industrial Emissions (Framework) Regulations) and S.L. 549.77 (Industrial Emissions (Integrated Pollution Prevention and Control) Regulations). Risks relating to the climate are not incorporated into building codes, standards and/or certification systems in use.

The results of this stream are also impacted by the lack of green lease frameworks.

Green lease frameworks could provide additional opportunities for real estate investors, particularly in light of the increased awareness being devoted to environmental sustainability. Properties available for rent that are environmentally efficient tend to be more attractive to tenants as they could lead to savings in operating costs and an ameliorated working environment.

Malta also lacks the use of a dominant or prominent health and wellness building certification system. The onset of the COVID-19 pandemic has led to increased awareness of personal and environmental hygiene, health, work-life balance, as well as social relations. Real estate owners and operators find that it is in their interest to ensure that their employees as well as users of their buildings are safe and healthy. Access to metrics related to 'building health', such as those that track light and noise, ventilation, air filtration, and cleanliness could enable employers to leverage a healthy work environment. In turn, they would be in a position to improve recruitment efforts, retain the best talent, improve their employees' satisfaction, and productivity, and thus, reduce employee absenteeism.

These hindrances place the country in an adverse position, in spite of Malta's 2030 National Energy and Climate Plan (NECP) (2019), the Long Term Renovation Strategy 2050 and the country's commitment to achieving net zero carbon emissions by 2050.



Among several existing climate and energy related policies listed in the NECP (2019), one in particular focuses on the 'Energy Performance of Buildings'. The main piece of legislation related to the energy performance of buildings is Legal Notice 47 of 2018 transposing Directive 2010/31/EU on the energy performance of buildings. In 2015, a guidance document 'Technical Document F – Minimum Energy Performance Requirements for Buildings in Malta 2015' was issued, updating the existing minimum energy performance requirements, and listing the overall energy thresholds for residential buildings and offices.

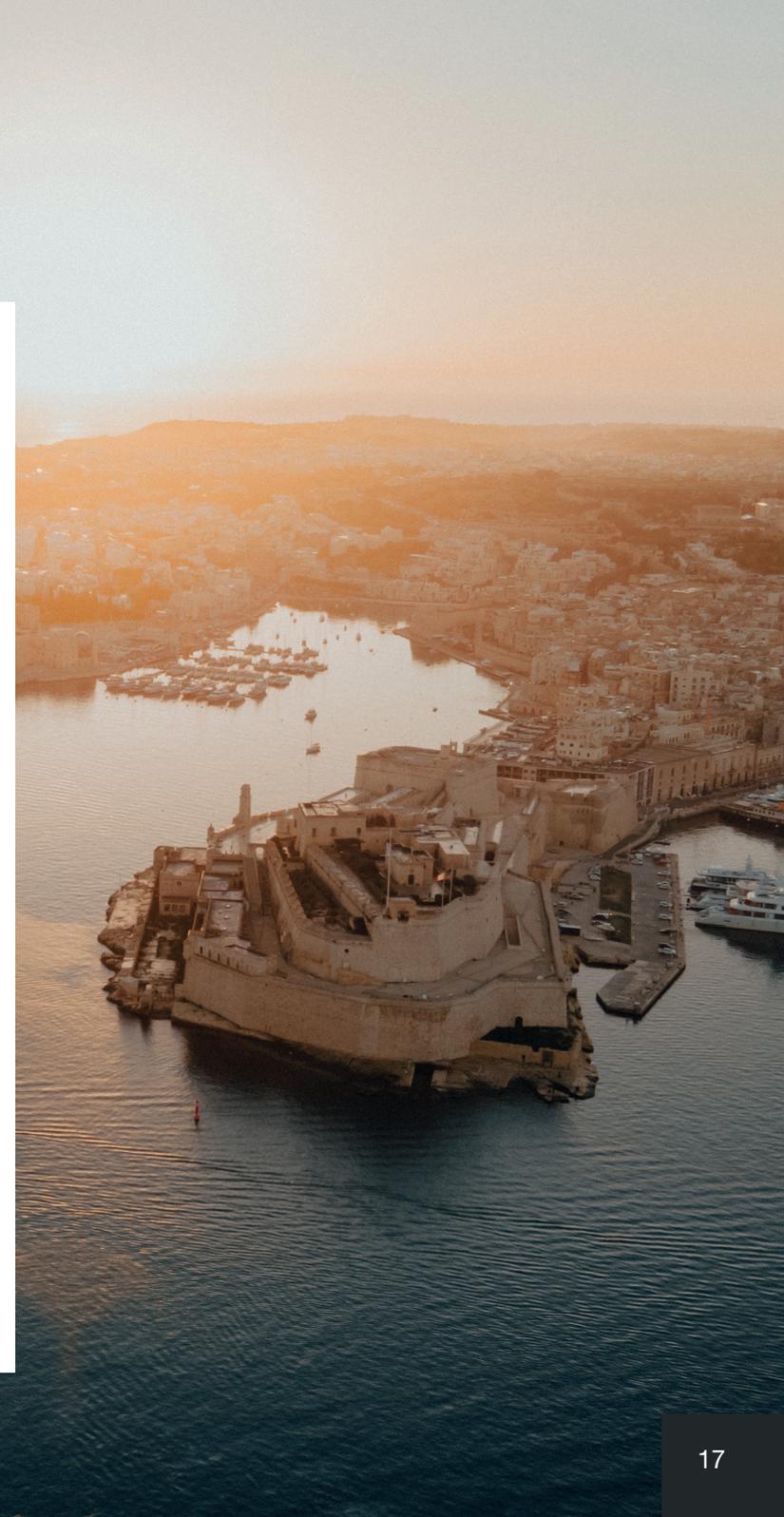


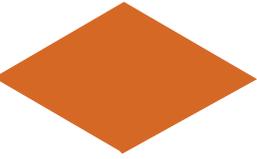
A number of policies and measures have been put in place to promote energy-efficiency and energy performance of buildings, mostly taking the form of financial incentives or grants (such as those for roof insulation and double-glazing). The NECP also updated the existing minimum energy performance requirements, and listed the overall energy thresholds for residential buildings and offices. The document is divided into two parts; the first part specifying the minimum energy performance requirements for buildings and the second part focusing on the minimum requirements for building services in Malta.

Through the Long Term Renovation Strategy 2050 (2021), Malta established a key planning document for the modernisation of the local building stock. From this assessment focusing

on energy efficiency in buildings, the average Maltese home was still found to be inefficient overall, even though the average consumption in households is still relatively low compared with the rest of Europe. In addition, the strategy noted that the minimum standards set for non-residential buildings were not sufficiently ambitious and identified a clear opportunity to drive improvement via regulatory changes. One main recommendation presented by this strategy was for stronger regulation, particularly in cases where current minimum standards are substantially below recent technical developments and below what is economically efficient. Regulation could ensure that new builds are future-proof and will affect mostly the non-residential sector, where more stringent minimum standards can substantially improve energy performance with a limited impact on construction cost.

Furthermore, Malta's Sustainable Development Vision for 2050 sets out aspirations and priorities towards a low-carbon economy, achieving sustainable mobility, transitioning towards low-carbon energy, as well as sustainable buildings and urban development, amongst others. It also sets a precedent for mainstreaming sustainable development up to 2050 and is set to become Malta's main guiding principle for developing policies when planning and implementing projects.

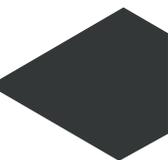




Technology and Digitisation

Malta did not score well within the fields of technology and digitisation within the real estate sector. The proptech industry is still at its inception. The term 'proptech' refers to the software, tools, platforms, apps, websites, and other digital solutions that are employed by real estate practitioners, including architects, appraisers and construction managers. Proptech leads to improvements in efficiency. It also facilitates real estate activities, from buying, selling and leasing, to managing, designing and building, financing and valuing property (among others). Technologies that could lead to improvements in the way properties and facilities are managed, or the manner in which real estate data is collated, cleaned and analysed, among others, are currently not used or being used by very few industry participants.

Smart building technologies such as access control and security systems, automated facilities management systems and building management systems are currently at an early stage of adoption by a selected few industry participants. Construction technologies that significantly reduce costs or build time, or digitalise the construction process are also in their initial stages of adoption. Furthermore, software that enables customer service and relationship building, performance of due diligence activities, as well as the transfer of information are being used by a few industry participants. At Government level, e-apps and Map Server are used for the submission of online applications, together with the record of previously submitted applications, as well as for development control. Having said this, more could be done both on a national and individual entity basis in terms of utilisation of technology to render certain processes more efficient and effective.



Drivers to enhance real estate transparency

Digitalisation and publication of contracted market data for increased market confidence

Considerable improvements can be made in this space by ensuring that contracted data is collated, recorded, analysed, digitised and disclosed to the public. Such data could include, *inter alia*, contracted rents, contracted property prices, vacancy rates, gross capitalisation rates, office physical occupancy rates, as well as stock of properties by type and size. Without such data or market insight, the ability of investors, Government and other stakeholders to readily assess the inherent value of their transactions, is limited.

Publication of contracted data would also allow foreign investors and expats to invest in the local property market with more confidence. In markets such as London, Paris, Spain and Ireland, real estate investors find that contracted market data is readily accessible at their fingertips. This tends to enable them to perform the analyses necessary to make sound investment decisions, thereby boosting their confidence when investing. Furthermore, contracted information could be particularly beneficial for the preparation of

market-based real estate valuations, in light of differences between contracted rental rates and market rates.

PwC conducted an analysis of 2020 monthly contracted rents (based on Housing Authority data as included in The Annual Malta Residential Rental Study: First Edition) and advertised rents for 2-bedroom and 3-bedroom residential apartments as listed on real estate agent websites. We noted that, for the selection of localities analysed, advertised rents exceeded contracted rents by a range of 10% to 30%. This translates into one to three months worth of rent. Differences are more notable for 2-bedroom apartments when compared to 3-bedroom apartments. The median differential stands at around 2.5 and 2 months for 2-bedroom and 3-bedroom apartments respectively. These findings are also supportive by the Annual Malta Residential Rental Study: Second Edition.

Through the availability of contracted market data, architects, valuers, accountants and real estate agents (among others) would be more consistent in terms of the (market) rates, yields and other parameters applied in valuations. The more granular the data in terms of location, area, views, level of finish and other qualitative factors, the more comparable the market data would be to the real estate asset subject of analysis.

Contracted market data is particularly useful in the light of the proposed EU regulations requiring institutions to carry out the valuation and revaluation of the property by means of advanced statistical or other mathematical methods. Transparency is also imperative in view of the recent introduction of the REIT framework in 2020, which merits increased attention.

Apart from the availability of contracted market data, we believe that for REITs to be attractive and successful among both issuers and investors, they need to be supported by a clear fiscal framework that protects the integrity of the manner in which the local property market is taxed, while at the same time, offering incentives or benefits for issuers and investors and be competitive on an international level with other REIT regimes.

In terms of the digitalisation efforts, stakeholders expressed contentment with the ongoing project which will result in the digitalisation of the lands register and records and processes within the Lands Authority.

Stakeholders highlighted that the land registry should include 3D imaging and surveying. Every property title should include searches until a secure title is found, therefore combining Land Registry with Public Registry, price and property details. In the instance issues arise from overlaps between new and already registered property, an arbitration board should be in place.



More sustainable practices in real estate need to be incentivised

While sustainable construction and buildings are not new topics for the real estate sector, the momentum that has picked up around the topic in recent years is.

It is a known fact that buildings represent a considerable share of energy consumption. Thus, curbing these emissions on our way to climate neutrality will be crucial. To facilitate this, new regulation has been introduced through the European Green Deal, the Action Plan on Sustainable Finance, the Taxonomy Regulation and the proposed Corporate Sustainability Reporting Directive (CSRD).

Europe, and Malta, will not be able to meet their ambitious targets unless financial investments are directed towards sustainable projects and activities. As a result, the Taxonomy Regulation ('the Taxonomy') was introduced to create a uniform classification of sustainable investments. This legislation defines criteria for determining which financial products and investments may be declared 'sustainable' and what their impact on the environment is. The Taxonomy concerns both residential and commercial real estate since it introduced a common language for investors, issuers and regulators regarding what actually meets the terms 'green' and 'sustainable' in the context of construction. The Taxonomy therefore applies clearly defined criteria to new buildings, renovation measures and the acquisition and ownership of buildings. This is of particular

importance for the commercial real estate market due to the possibility of classifying the building as a portfolio of assets covering green bonds.

The proposed CSRD is expected to extend the scope and the disclosure requirements companies make on environmental, social and governance (ESG) issues. This will impact all large companies in the coming years along with all listed companies (except those considered micro). The CSRD will introduce detailed reporting requirements, and a requirement to report according to mandatory EU Sustainability Reporting Standards (ESRS). It also brings in the requirement for reported information to be independently audited.

Real estate organisations will, in essence, no longer be able to report on their financial status without mentioning their environmental and social impact. We believe this will be a major game changer for the industry in terms of transparency and insight into sustainability risks and opportunities. Ultimately, because this market is stimulated by financing and investments from a wide range of investors, understanding sustainability performance, strategy, as well as sustainability risks and opportunities will become increasingly important for attracting capital, gaining a competitive advantage and achieving sustainability goals.

Investors and financial institutions within the scope of CSRD that provide financing for residential and non-residential buildings will also be required to report on the level of emissions of their investment portfolio or projects which they finance.





As a result, banks are placing increasing pressure and requiring more information to assess the ESG criteria of an investment, prior to granting any funding. The absence of ESG information is expected to affect access to capital and the cost of borrowing, as banks channel funding towards greener projects.

In order to prepare for these changes, the industry needs to determine which ESG issues are material and measure their ESG baseline to first determine the starting point before setting future targets. Measurable ESG goals need to be set that are aligned to an ESG strategy, covering the purpose, vision, policies, KPIs and targets backing up that strategy. A robust reporting and monitoring framework is also needed to measure progress against those goals and disclose ESG outcomes.

Although the Energy Performance of Buildings Regulations have been in place for some years and set the minimum requirements for energy performance, these came into force in 2016 and have not been updated since then to reflect cost-optimal levels. While Legal Notice 47 of 2018 revised the previous regulations, the changes brought about related mainly to the need for a warranted assessor and set out obligations for when a property is rented or sold. As part of the legal revision, the Legal Notice did set deadlines for nearly zero-energy buildings (for new public buildings by 31 December 2018 and all other new buildings by 31 December 2020.) However, enforcement to meet these deadlines is still needed. In fact, a recent inspection by the National Audit Office revealed weak controls and inexistent audit trails on

energy performance certificates for properties and permits issued by the Planning Authority. The Long Term Renovation Strategy 2050 also noted that enforcement of the legislation is a key challenge impacting the improvement of the building energy performance. As a recommendation, updating the minimum requirements and supporting better enforcement would do well to enhance transparency and sustainability practices.

Beyond regulation, other driving forces are shaping the way we build and live. The principles of a circular economy are equally as important, involving the use of more sustainable building materials and the recycling of the more traditional materials like concrete and steel, since these often outlast a building's normal useful life.

Industry stakeholders stated that this is undoubtedly a current area of focus for the industry, but expressed significant concern that the investment they wish to include in new builds may increase real estate prices, which is an issue in the local context, given the recent property price increases over the past decade, which have placed significant pressure on first time buyers. Stakeholders commented that the price of land in certain location in Malta represents up to 40% of the total cost, while in jurisdictions which are not as densely populated as Malta, the cost of land represents between 15-20% of the final cost.

Stakeholders believe that green architecture is a fundamental pillar in Malta. Many commented that Local Plans are dated and while land costs

are relatively high in Malta and Gozo, we need to move away from the habit of using the full site to construct. Stakeholders expressed that it should become mandatory to create space in between builds, allowing architects to design buildings that create cross ventilation and fresh air movement, which is particularly relevant for a Mediterranean Island, as evidenced in our traditional Maltese architecture.

As mentioned by stakeholders, financial support to undertake energy efficiency measures is equally important. On the basis of conclusions emanating from the ex-ante assessment carried out in November 2018, titled “Assessing the potential use of financial instruments in the low carbon economy in Malta in 2014/2020 programming period”, it was found that, there exists a significant market gap in the provision of finance for Energy Efficiency (EE) and Renewable Energy (RE), assessed to amount to €98 million for the period 2018-2023.

To address this need, a new facility known as the Energy Efficiency and Renewable Energy (EERE) has been created to facilitate access to finance in cooperation with local financial intermediaries. The EERE has a total amount of €15 million, co-financed through the European Structural Investment Funds (ESIF) under OP I (€12 million) with the remaining tranche co-financed through local funds (€3 million). Ultimately, beneficiaries can benefit from both the guarantee and an interest rate subsidy when taking a loan under this facility to finance a host of energy efficiency measures. Malta Enterprise has also launched specific investment aid for energy efficiency projects, where SMEs can benefit from varying levels of aid intensity up to a maximum of €15 million per undertaking per investment

project. Under this scheme, projects need to be directly related to energy savings and achieve a minimum energy saving of 10%. These schemes evidence the need for finance to support more sustainable practices in the real estate sector.

Besides these, the EU budget will be providing key support for green initiatives. To this end, 30% of the programmes under the €2 trillion 2021-2027 Multiannual Financial Framework and NextGeneration EU are dedicated to supporting climate action, while 37% of the €723.8 billion Recovery and Resilience Facility (which will finance Member States’ national recovery programmes under NextGeneration EU) is allocated to climate action. In fact, Malta’s recovery and resilience plan introduces various reforms and investments as part of the green transition, with 53.8% of the plan dedicated to climate objectives, including a specific €60 million energy-efficiency programme for public and private buildings. The recommendation is that this EU funding is leveraged appropriately through grant schemes for the public and private sector.

The social aspect of real estate cannot be underplayed either. In a Maltese society where a fifth of the population are at risk of poverty or social exclusion (NSO 175/2021), the social aspects associated with investing in affordable housing cannot be overlooked. As Malta comes to grips with rising income inequality, the long-term trend of urbanisation and an ageing demographic, the reality of affordable housing is only set to become more challenging. Local issues like health and safety at the workplace, training and equal pay are key social topics that the industry will be under increased pressure to act on.



The benefits of greater transparency

A transparent real estate market is one where there is consistency, certainty and enforcement of rules and regulations, where corporate governance principles are observed and where property transactions take place in a fair and equitable manner.

Transparency in a business is crucial as it creates trust and safeguards the firm's reputation among investors, partners, customers and other stakeholders. Transparency within the real estate market leads to increases in business efficiency and competitiveness, as well as flexibility. These could, in turn, be beneficial both for individuals and entities, as well as for the economy as a whole. Through the use of proptech, real estate investors and users may be in a position to gather large amounts of data. Access to such data can increase efficiency and lead to improvements in the market, through more informed decisions. Developers and investors may be better able to decide what types of properties to build in order to suit market needs and demands. In a transparent market, new developments will be directed to what is needed avoiding an oversupply of certain real estate asset classes e.g. offices. This will also lead to a better environment and more appealing neighbourhoods.



Increased transparency in the industry will facilitate the achievement of the Government's macroeconomic goals, through increased productivity (and therefore, GDP growth) and continued foreign direct investment. Increased data will facilitate policy development and long-term real estate planning, as well as the viability of large scale infrastructure projects.

Transparency encourages improvement and growth in the real estate market due to accessibility of information on developments in both local and foreign markets. Furthermore, it encourages globalisation of real estate markets, as properties in different countries can be compared and benchmarked against each other. Increased disclosures and transparency tend to lead to better security, particularly in areas related to money laundering, ownership issues, corruption, and tax evasion.

It is evident that sustainability is garnering increased attention and that it will continue to do so in the future. As a result of the Taxonomy Regulation and the proposed CSRD, increased

reporting requirements and the creation of sustainability standards will increase not just the volume, but quality and consistency of disclosures companies make. Investors may therefore need to start justifying their real estate investments, particularly if these have an impact on their carbon footprint. As a result of this increased regulation and stakeholder pressure, companies including those involved in real estate will need to start embedding sustainability into their broader business strategy with a view to report on their performance and their plans to minimise any negative impacts going forward.

Transparency has become even more important in today's business world, in light of the heightened uncertainty and rapid change characterising the economic environment, owing as well to the repercussions of the COVID-19 pandemic and geopolitical conflicts. This has led to shifts in how we live and work and periods of greater consumer uncertainty, rising inflation and interest rates, as well as issues in supply chain distribution.



What's next?

Malta is the fifth most densely populated country in the world visited by c. 2.8 million tourists, pre COVID-19. These dynamics, together with the scarcity of land, make our local property market relatively unique.

The property market in Malta has just experienced a decade-long strong run, with significant year-on-year growth across the industry. This was the result of various underlying demand drivers, mainly the significant increase in our residing expat community which has resulted in various discussions about the affordability of local real estate. As a result, various initiatives have been rolled out to assist cohorts of the population. Furthermore, stakeholders expressed concern about the recent increase in commodities and raw materials, as a result of supply chain issues and the war in Ukraine.

Malta has scored within the Low Transparency category, ranking 62nd place, out of an aggregate of 94 countries, in this first round of the JLL GRETI in which it participated. Countries within the Low Transparency category generally include emerging economies. With marginal improvement, Malta could easily achieve a score lower than 3.5

(from the existing 3.64), allowing Malta to climb up the transparency ladder to classify within the Semi-Transparent rather than Low Transparency category.

As outlined in the previous section, Malta scored relatively well on a number of the 14 pillars underlying the Index, but relatively low on others, which has driven down the overall transparency index for Malta. The results of this first Index therefore prioritise the initiatives Malta should address moving forward to increase our transparency, focusing on digitalisation and publication of contracted market data for increased market confidence and incentivising more sustainable practices in real estate to encourage uptake.

We therefore believe we should utilise our first national JLL real estate transparency index score to set targets we wish to achieve over the next few years and take aspiration from other nations that have managed to improve their transparency rating over the years. For example, Luxembourg, Malta's small European counterpart, has also witnessed an improvement in its JLL GRETI ranking (albeit still within the Transparent tier), placing in the 25th place in 2022, in comparison

to the 32nd and 31st place in 2018 and 2020 respectively.

The United Kingdom, United States, France, Australia and Canada have consistently dominated the Highly Transparency category in the last three rounds of the JLL GRETI, albeit the second to fifth places being interchangeable among the four latter countries over the past six years. Although Malta's journey to rank within this tier may be long and winding, European counterparts such as Luxembourg, Hungary, Romania and Spain may prove an aspiration, particularly in light of the improvements registered within the Transparent category between 2018 and 2022. By focusing on certain action points that may be easily addressed in the short-term, with continued sustained efforts within the fields of sustainability and digitisation, there is scope for Malta to climb up a scale within the 2024 round of the JLL GRETI.

We are confident that the gradual improvement of our transparency within the real estate sector will enhance the level of trust and ensure sustainability of the industry moving forward.

Methodological Note



Results discussed in this report are based on the survey methodology of JLL's GRETI.

The JLL GRETI is based on a combination of quantitative market data and information gathered through a survey of the global business network of JLL across 94 countries and 156 city markets. For each market, 254 separate factors were used, both quantitative data points and survey questions, to derive a composite score for each market. Local JLL research teams, in consultation with their business leaders and real estate professionals active in each market, complete the survey.

In order to assist JLL in filling in the survey questions for Malta (given that they do not have a presence locally), we worked in conjunction with Archi+, a local body of architects, in order to reach out to a number of entities and individuals as respondents to the survey questions. Entities and individuals surveyed included real estate investors (namely privately- and publicly-owned entities heavily involved in real estate), architects, real estate agents, notaries, lawyers, contractors, and other individuals and professionals within this field. We also contacted a number of authorities and data collectors, such as the National Statistics Office, the Housing Authority

and the Central Bank of Malta in order to answer questions in relation to the availability of certain data.

Over a period of four weeks between early February and early March 2022, we divided JLL's survey questions into sub-surveys and sent them to these entities and individuals through Google Forms, depending on the questions included within the sub-surveys. Following collation of responses, we analysed the results in order to submit one overall reply per question to the survey. In this regard, the respondents' replies were anonymised. The survey was answered through JLL's electronic survey portal, with results being submitted in early March 2022.

The following is a replica of the Technical Note included in JLL's Global Real Estate Transparency Index 2022 report.

The Transparency Index

The JLL Global Real Estate Transparency Index is based on a combination of quantitative market data and information gathered through a survey of the global business network of JLL and LaSalle across 94 countries and 156 city markets. For each market we use 254 separate factors, both

quantitative datapoints and survey questions, to calculate the composite score. The survey data and quantitative measures complement each other. For instance, knowing the market coverage and length of a country's direct real estate index is only one half of the story; for a complete picture, we also gather qualitative data on whether investors actually trust and use the Index. Local research teams, in consultation with business leaders and real estate professionals active in each market, complete the survey. A table summarizing the factors behind the Index is at the end of this note.

In the 2022 Index we have continued to break general questions into more specific, granular components and to include new elements, moving from 210 constituent factors to 254. For example, we have expanded the list of alternative sectors covered from 12 to 15, to include: single-family rentals, age-restricted and retirement living, and film production and movie studio space. We have also revised the list of Sustainability topics covered, with new questions on building energy use and efficiency reporting; energy performance standards and benchmarks; building emissions databases and standards; and climate risk reporting. These changes allow us to drill deeper into where markets differ and to reduce

measurement error by making the overall scoring less reliant on any single factor.

Quantitative Factors

53 of the 254 scoring factors, accounting for 27% of the overall factor weighting, are quantitative. These quantitative factors, primarily added to the Index in 2012, include the number of years fundamentals' data series (like vacancy) have been available, the market coverage of property returns indices, and the free float of publicly-listed real estate securities markets. We score most of these quantitative factors on a continuous scale from 1 to 5, with 1.00 indicating very high transparency. For datapoints on performance measurement indicators, such as the market coverage of property returns indices, we have set the top score of 1 equal to the 90th percentile observation in 2012. The cut-off thresholds to qualify as a 'Highly Transparent' market have been fixed at their 2012 level, so that markets can improve to higher tiers over time. For datapoints on market fundamentals data, like the length of a market's office vacancy series, we have set the top score of 1 equal to a time series of 30 years or more, which we view as the 'gold standard'.

Researchers at JLL and LaSalle have collected detailed data on the available market fundamentals' time-series for each of five property types: office, retail, industrial, residential and hotels. We have included all available data series, not only those produced by JLL. For national surveys, the market fundamentals data is based on conditions in the top-scoring city of each country.

Data on property-level returns indices is from MSCI, NCREIF and other industry associations. Data on publicly-listed real estate comes from the European Public Real Estate Association (EPRA), Bloomberg, NAREIT and the LaSalle Investment Management Securities group. Fund-level index data is primarily from INREV, NCREIF, MSCI and ANREV.

Qualitative Survey Factors

The balance of the scoring factors, totaling 201 datapoints, are qualitative survey questions scored by local JLL and LaSalle teams. For each, local research teams are provided with a detailed rubric of five answer choices, ranging from 1 – most transparent – to 5 – opaque.

Based on where their market fits within that rubric of options, local experts assign a score. Respondents consult JLL's local accounting, finance, asset management and legal experts to inform their responses to questions in those topic areas.

Scores within each region are then reviewed by regional and then global coordinators to ensure objectivity and rigor. Global and regional reviewers interrogate country teams' responses and challenge teams to justify changes in question scores from prior updates. The review process, high level of detail provided in the answer choices, and improved question granularity reduce subjective bias in scoring, and all contributors strive for impartiality in their responses.

Compiling the Transparency Index

We group the 254 individual transparency measures into 14 topic areas, summarized in the table at the end of this note. These topic areas are grouped and weighted into six broad sub-indices:

- Performance Measurement – 25%
- Market Fundamentals – 16.5%
- Governance of Listed Vehicles – 10%
- Regulatory and Legal – 23.5%
- Transaction Process – 15%
- Sustainability – 10%

The Transparency Index scores range on a scale from 1 to 5. A country or market with a perfect 1.00 score has total real estate transparency; a country with a 5.00 score has total real estate opacity. Markets are then assigned to one of five transparency tiers. The thresholds for these tiers are based on Jenks' Natural Breaks classification. 2012 scores are used to fix the thresholds, so that markets can move between tiers as transparency changes over time, even if their relative position does not change. This algorithm finds the cut-offs that minimize within-group variance and maximize between-group differences. We create 10 groups using this method and then aggregate them into five tiers with the following thresholds:

- Tier 1: Highly Transparent
Total Composite Score: 1.00–1.97
- Tier 2: Transparent
Total Composite Score: 1.98–2.65
- Tier 3: Semi-Transparent
Total Composite Score: 2.66–3.50
- Tier 4: Low Transparency
Total Composite Score: 3.51–4.16
- Tier 5: Opaque
Total Composite Score: 4.17–5.00

Transparency Index Time Series

2022 marks the 12th edition of the JLL Global Real Estate Transparency Index. Since its inception in 1999, the Index has evolved and been refined to reflect the changing demands of cross-border investors and corporate occupiers. Factors added over time have been included historically where available. Where no historic data is available, we have extended back data from the edition in which a factor was added so that changes in the new factors do not drive movement in the historic scores. A brief history of recent additions to the Index includes:

2008: New questions were added to embrace the perspective of corporate occupiers relating to occupier service charges and facilities management. Questions concerning debt financing and the frequency and credibility of property valuations were also included.

2010: The existing questions regarding debt financing were substantially revised to more appropriately reflect the key issues of debt transparency relating to the availability of information on commercial real estate debt and the role of bank regulators in monitoring commercial real estate lending. There were also revisions to questions on the transaction process covering pre-sale information and the bidding and negotiating process.

2012: Major additions were made to incorporate a greater number of quantitative measures of investment performance and market fundamentals. In each of these two areas, general questions were divided into many different granular questions to better capture nuanced differences between markets. In all, 50 new factors were added by decomposing general questions into more detailed questions.

2014: We continued to decompose general questions into more specific ones, resulting in the addition of 32 new factors. These additions were spread across categories, as shown in the table below. For example, rather than asking a single general question on tax fairness as we did in 2012, we included four questions on tax in 2014 covering the consistency of enforcement and predictability of tax rates for both domestic investors and foreign investors.

2016: We added 18 new factors that captured the proportional market coverage of disaggregated databases on leasing, buildings and transactions, one example being Real Capital Analytics. We included coverage of alternative property sectors (such as student accommodation and self-storage). We also enhanced our debt questions to make them quantitative (based on the start year of data time series) and to cover LTV and margin data.

2018: New questions were included to capture the extent of investor activity and data on alternative property sectors, resulting in 31 new factors being added. To reflect the growing importance of property ownership transparency, we incorporated questions on beneficial ownership disclosure and anti-money laundering (AML) regulations. Questions on city-level direct performance indices, availability of fund indices by investment style (for example, core versus higher-return), publicly available appraisal assumptions, and the alignment of local property measurement conventions with global standards were also added. The 2018 GRETl also marked the first time the Real Estate Environmental Sustainability Transparency Index, comprised of seven questions, was incorporated within the main survey results as a sub-index.

2020: We increased the number of alternative property sectors covered from 8 to 12, leading to 16 new factors being added. We enhanced our coverage of aggregated data series by including questions on net effective rental value series for the core sectors. Reflecting the greater importance of a broad range of sustainability issues across all aspects of the built environment, we added questions on health and wellness certification systems, climate-resilient building codes and net zero carbon building frameworks.

2022: Responding to the growing focus on sustainability for investors, corporates and governments, we have enhanced our coverage with new questions on building energy use and efficiency reporting; energy performance standards; building emissions tracking and benchmarks; and climate risk reporting. We have also deepened our coverage of aggregated data series by including questions on the number and quality of data providers, frequency of data updates, availability of information on rent collection rates and office re-entry levels. We have also increased the number of alternative property sectors covered from 12 to 15.



Factor Comparison	Number of Factors 2012	Number of Factors 2014	Number of Factors 2016	Number of Factors 2018	Number of Factors 2020	Number of Factors 2022
Direct Property Indices	5	6	6	9	9	12
Listed Real Estate Securities Indices	5	6	6	6	6	6
Unlisted Fund Indices	2	3	3	5	5	5
Valuations	2	4	4	5	5	5
Market Fundamentals Data	47	47	68	94	110	151
Financial Disclosure	2	4	4	5	5	5
Corporate Governance	2	3	4	4	4	4
Regulation	6	13	13	13	13	13
Land and Property Registration	3	7	7	9	9	9
Eminent Domain	2	3	3	3	3	3
Debt Regulations	2	7	8	8	8	8
Sales Transactions	3	5	5	9	9	9
Occupier Services	2	6	7	9	9	11
Sustainability	0	0	0	7	13	13

Source: JLL GRETI , 2022

Performance Measurement	Direct Property Indices	Reliability of the Index and Extent to which it is Used as a Benchmark of Performance		
		Type of Index (Valuation Based vs. Notional)		
		Length of National Direct Property Level Returns Index Time Series		
		Size of National Institutional Invested Real Estate Market		
		Market Coverage of Direct Property Index		
		Length of City-Level Direct Property Returns Index Time Series		
	Listed Real Estate Securities Indices	City-Level Private Real Estate Index Publication Frequency		
		Size of City Institutional Invested Real Estate Market		
		Dominant Type of Listed RE Securities (i.e. long term holders of real estate vs. homebuilders and conglomerates)		
		Use of Listed Real Estate Securities Data on the real estate market		
		Years Since the First Commercial Real Estate Company was Listed		
		Value of Public Real Estate Companies as % of GDP		
	Private Real Estate Fund Indices	Existence of a Domestic Listed Real Estate Index and Its Use as a Benchmark		
		Existence of an International Listed Real Estate Index and Its Use as a Benchmark		
		Length of Public Real Estate Index Time Series		
		Existence of a Domestic Fund Index and Its Use as a Benchmark		
Valuations	Existence of International Fund Index and Its Use as a Benchmark			
	Length of Unlisted Fund Index Time Series			
	Existence of Unlisted Fund Indices for Distinct Investment Styles (i.e. core vs. higher-return)			
	Independence and Quality of Third-Party Appraisals			
	Use of Market-based Appraisal Approaches			
	Competition in the Market for Valuation Services			
Market Fundamentals	Market Fundamentals Data	Frequency of Third Party Real Estate Appraisals		
		Availability of Appraisal Assumptions		
		Existence and Length of Time Series on Property Rents (Office, Retail, Industrial, and Residential)		
		Existence and Length of Time Series on Net Effective Rents (Office, Retail, Industrial, and Residential)		
		Existence and Length of Time Series on Take-up/Absorption (Office, Retail, Industrial, and Residential)		
		Existence and Length of Time Series on Vacancy (Office, Retail, Industrial, and Residential)		
		Existence and Length of Time Series on Yields/Cap Rates (Office, Retail, Industrial, Residential, and Hotels)		
		Existence and Length of Time Series on Capital Values (Office, Retail, Industrial, Residential, and Hotels)		
		Existence and Length of Time Series on Investment Volumes (Office, Retail, Industrial, Residential, and Hotels)		
		Existence and Length of Time Series on Revenue per Available Room for Hotels		
		Depth of Data Providers for Time Series Data (Office, Retail, Industrial, Residential, and Hotels)		
		Frequency of Publication of Time Series Data (Office, Retail, Industrial, Residential, and Hotels)		
		Availability of Data on Rent Collection Rates (Office, Retail, Industrial and Residential)		
		Availability of Data on Office Re-Entry / Physical Occupancy		
		Existence and Geographical Coverage of a Database of Individual Buildings (Office, Retail, Industrial, Residential, Hotels)		
		Existence and Geographical Coverage of a Database of Leases (Office, Retail, Industrial, Residential, Hotels)		
		Existence and Geographical Coverage of a Database of Property Transactions (Office, Retail, Industrial, Residential, Hotels)		
		Existence and Geographical Coverage of a Database of Rental Deal Terms (Office, Retail, Industrial, Residential, Hotels)		
		Proportional Coverage of Databases on Individual Buildings (Office, Retail, Industrial, Residential, Hotels)		
		Proportional Coverage of Databases of Leases (Office, Retail, Industrial, Residential, Hotels)		
		Proportional Coverage of Databases of Property Transactions (Office, Retail, Industrial, Residential, Hotels)		
		Proportional Coverage of Databases of Rental Deal Terms (Office, Retail, Industrial, Residential, Hotels)		
		Institutional Investment Market for Alternatives (Parking, S. Housing, Self-Storage, Medical Offices, Hospitals, Life Sciences, Data Centres, Cold Storage, School Fac., Student Accom., Co-living, Serviced Apart's, Single-Family Rentals, Age-Restricted Living, Film Studio Space)		
		Existence and Coverage of Databases for Alternatives (Parking, S. Housing, Self-Storage, Medical Offices, Hospitals, Life Sciences, Data Centres, Cold Storage, School Fac., Student Accom., Co-living, Serviced Apart's, Single-Family Rentals, Age-Restricted Living, Film Studio Space)		
		Governance of Listed Vehicles	Financial Disclosure	Stringency of Accounting Standards
				Level of Detail in Financial Statements
			Corporate Governance	Frequency of Financial Statements
				Data Disclosure by Listed Vehicles
		Availability of Financial Reports in English		
		Manager Compensation and Incentives		
		Use of Outside Directors and International Corporate Governance Best Practice		
		Alignment of Interests / Shareholder Power		
		Free Float Share of the Public Real Estate Market		

Source: JLL GRETI, 2022

Regulatory and Legal	Regulation	Extent to which the Tax Code is Consistently Applied for Domestic Investors
		Extent to which Real Estate Tax Rates are Predictable for Domestic Investors
		Extent to which the Tax Code is Consistently Applied for Foreign Investors
		Extent to which Real Estate Tax Rates are Predictable for Foreign Investors
		Existence of Land Use Rules and Zoning
		Predictability of Changes in Land Use and Zoning
		Enforcement of Land Use Rules and Zoning
		Existence of Building Codes and Safety Standards for Buildings
		Enforcement of Building Codes and Safety Standards for Buildings
		Simplicity of Key Regulations in Contract Law
	Efficiency of the Legal Process	
	Level of Contract Enforceability for Domestic Investors	
	Level of Contract Enforceability for Foreign Investors	
Land and Property Registration	Existence of Land Registry	
	Accessibility of Land Registry Records to Public	
	Accuracy of Land Registry Records	
	Completeness of Land Registry Records on Ownership	
	Completeness of Public Records on Transaction Prices	
	Completeness of Public Records on Liens and Easements	
	Existence of Property Beneficial Ownership Records	
Accessibility of Beneficial Ownership Records to Public		
Eminent Domain / Compulsory Purchase	Enforcement of Beneficial Ownership Disclosure Legislation	
	Notice Period Given for Compulsory Purchase	
	Fairness of Compensation to Owners in Compulsory Purchase	
Real Estate Debt Information	Ability to Challenge Compulsory Purchase in Court of Law	
	Existence and Length of Time Series on Commercial Real Estate Debt Outstanding	
	Existence and Length of Time Series on Maturities and Originations of Real Estate Loans	
	Existence and Length of Time Series of Delinquency and Default Rates of Commercial Real Estate Loans	
	Availability of Data on Loan-to-Value Ratios for Commercial Real Estate Loans	
	Availability of Data on Margin Rates for Commercial Real Estate Loans	
	Requirements for Lenders to Monitor Cash-Flows and Collateral Value of Property with Loan Facilities	
	Requirements for Lenders to Carry Out Real Estate Appraisals	
	Penalties for Non-Compliance with Requirements	
	Quality and Availability of Pre-Sale Information	
Transaction Process	Sales Transactions	Fairness of the Bidding Process
		Confidentiality of the Bidding Process
		Professional and Ethical Standards of Property Agents
		Enforcement of Professional and Ethical Standards of Property Agents
		Existence of Anti-Money Laundering Regulations
	Occupier Services	Enforcement of Anti-Money Laundering Regulations
		Availability of Professional Third-Party Facilities and Project Management Companies
		Providers of Property Management Services Known to Occupiers
		Service Expectations for Property Management Clear to Occupiers
		Alignment of Occupier and Property Manager Interests
Sustainability	Sustainability	Frequency of Service Charge Reconciliation
		Accuracy and Level of Detail in Service Charge Reports
		Ability for Tenants to Audit Landlord's Accounts and Challenge Discrepancies
		Quality and Clarity of Corporate Procurement and Tendering Process
		Consistency of Property Measurement Standards
		Existence of Green Building Financial Performance Index
		Existence and Accessibility of Building Energy Reporting Databases
		Existence and Accessibility of Building Energy Benchmarks
		Existence of Resilient Building Standards
		Existence and Stringency of Minimum Energy Efficiency Standards for New Buildings
Existence and Stringency of Minimum Energy Efficiency Standards for Existing Buildings		
Existence and Accessibility of Building Energy GHG Emissions Databases		
Existence and Stringency of Minimum GHG Emissions Standards for New Buildings		
Existence and Stringency of Minimum GHG Emissions Standards for Existing Buildings		
Existence of Coverage of Green Building Certifications		
Requirements for Climate Risk Reporting		
Existence of Climate Resilient Building Codes and Standards		
Existence and Coverage of Health and Wellness Building Certifications		
Existence and Use of Green Lease Framework		

How can PwC help?

PwC Malta's Real Estate team has considerable experience in, and an in-depth understanding of the local real estate industry and market, enabling us to offer a wide range of best-in-class services. Leveraging on multidisciplinary skillsets, digital tools, and a global reach, our team stands ready to help you unlock and create value through a wide service offering.

Valuation Services

The real estate team has considerable experience in conducting appraisals of real estate asset types in accordance with European valuation standards, including office blocks, retail malls, residential properties, as well as mixed-use commercial and residential blocks. We assist clients in preparing and reviewing valuations of real estate assets for the purposes of financial reporting, investment analysis and appraisal, divisions and mergers, and transactions, amongst others.

Real Estate Market Studies

The real estate team assists a number of investors in mapping out the demand and supply

of real estate in specific locations by asset class, prior to embarking on a real estate development or project. In doing so, the team gathers data from a number of industry leading bodies and governmental agencies, with the primary aim of sharing value-adding insights for investors, particularly by identifying potential gaps between demand and supply and causes thereof.

Feasibility Studies

The specialised team at PwC considers a project's relevant factors, including economic, technical, legal, and scheduling considerations. PwC provides a vast experience by assessing a real estate project's costs and return on investment, enabling investors to assess whether undertaking a real estate project is feasible or otherwise.



Financing

The team assists clients in raising finance for real estate projects, both individually and as part of a larger transaction. Services offered include the preparation, review or due diligence of financial projections, as well as the preparation of investor presentations and information memoranda. Means of financing may include the raising of equity and bond issues, bank finance, as well as alternative financing instruments and fund concepts (including sale and leaseback, REITs, etc.).

Sustainability

PwC takes into consideration the potential of the real estate industry in reaching climate and environmental sustainability targets. In a world of rapid urbanisation, the real estate industry lies at the centre of an unprecedented level of growth and activity. In this regard, environmental, social, and governance (ESG) criteria are being devoted increased attention by investors.

Research, Data Collection and Surveying

The research experts at PwC help organisations by providing them with quality research within the field of real estate, which is crucial for making sound investment decisions. PwC focuses on helping clients achieve their goals through fast data processing, selecting relevant information and presenting that information in a clear and effective way.

PwC also has considerable experience in collating data through surveys and presenting the findings in reports and thought leadership material, such as PwC's Real Estate Survey.

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