

Real estate

# Kuwait: Real estate prices steady amid slow market activity

> Hiba Koraytem

Senior Economist

+965 2259 5363, hibakoraytem@nbk.com

The real estate market got off to a slow start in 2017, with a weak showing in February, though prices held their ground. An already weak market was not helped by a stock market rally since December 2016, which may have pushed some away from a weary real estate market. Still, February saw continued stabilization in prices across both the residential and the investment sectors.

February sales were unusually weak, remaining well below the average monthly sales for 2016. The value of sales decreased to KD 155 million, lagging last year's performance by 40%, on the back of a significant slowdown in the commercial and investment sectors. This was despite a slight pickup in transaction volumes, which rose by 3% year-on-year (y/y).

The residential sector saw somewhat more resilient activity, with sales hovering around the 2016 monthly average. February KD sales totaled KD 77.1 million on 227 transactions. KD sales and transactions were both slightly up at 1% and 3% y/y, respectively (Chart 2). Only a third of transactions involved land purchases, with a high concentration in Sabah Al-Ahmad Sea City, Fnaitees and Abu Ftaira. These three areas have been of interest to homebuyers for more than five years.

A surge in distributions of land plots by the government over the last two years might have exacerbated the slowdown in the residential sector. Although the rate of distribution is expected to slow to 4,770 plots during FY17/18, the Public Authority of Housing Welfare (PAHW) recently announced it plans to distribute 60,000 housing plots and units by 2019. While the bulk of these distributions are only on paper and applicants will not receive construction permits until road and infrastructure construction is completed, they can still have an impact on market activity. According to a development plan follow-up report for 4Q16, work on South Mutlaa (30,000 plots) is only 12% complete and West Abdallah Al-Mubarak (5,201 plots) is at 34% completion.

Residential real estate prices were steady, hinting to a possible residential market bottom. The NBK residential home price index stood at 152.4 point, up one point for the month. The index has been in the vicinity of 151-152 points for the seven months, though it is down 14.6% y/y. The residential land price index was flat in February at 182.1. This index, which is down 5.8% y/y, has remained relatively stable for ten months.

Despite the slow pickup in activity in the investment sector, KD sales remain weak on the back of dearth of big ticket investments. Sales totaled KD 54.9 million, down 18% for the month and remained down 40% for the year. Building sales (big ticket investments) constituted almost half of the sector's sales in February 2016, compared to only a quarter in February 2017. 119 sales transactions were recorded this February, an increase of 3% from a year ago and 10% above 2016 monthly average.

Investment building prices also appeared steady in February. The NBK investment building price index stood at 181.7 points, flat for the

Chart 1: Real estate sales

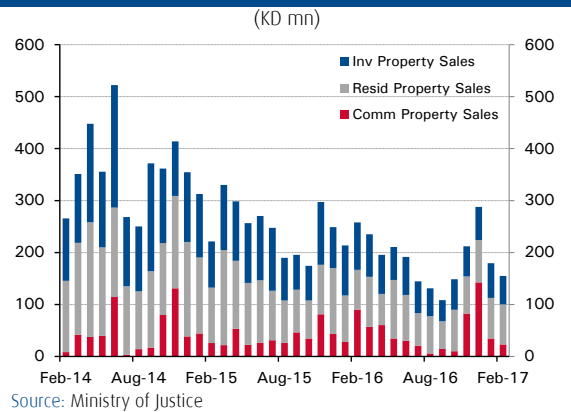


Chart 2: Residential real estate sales

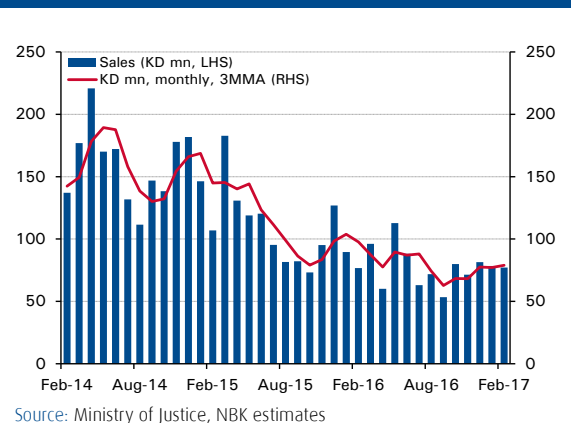
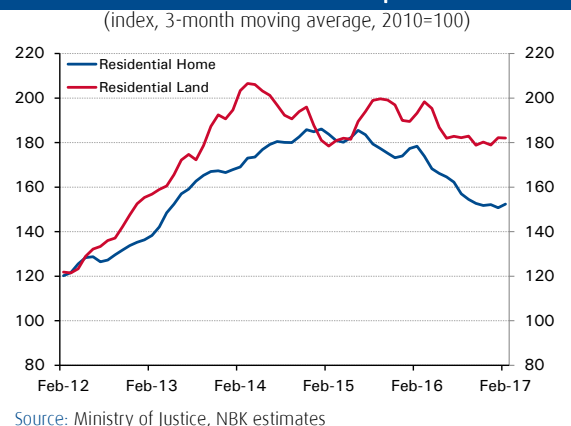


Chart 3: Residential real estate price indices



month. Though the index is down 16.7% y/y, it appears to have bottomed out as well; the index has hovered around similar levels for four months.

**Commercial land sales in Sabah Al-Ahmad Sea City dominated the commercial sector this February.** Only KD 23 million in sales was recorded during the month, a marked decrease from sales realized during the last two months of 2016. However, this was based on seven transactions, five of which were commercial plots in Sabah Al-Ahmad Sea City for a total of KD 17.1 million.

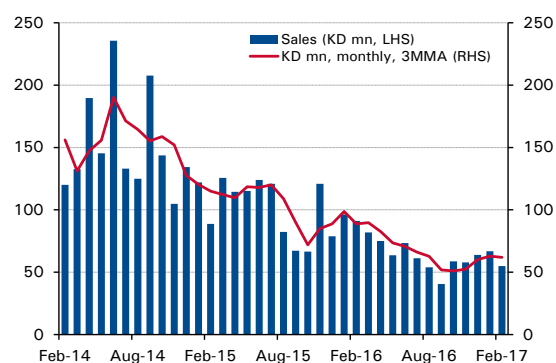
**Table 1: Real estate sales**

	Monthly average		2016		2017		February 2017	
	2015	2016	Dec	Jan	Feb	% m/m	% y/y	
<b>Sales (KD mn)</b>	<b>253.5</b>	<b>195</b>	<b>287.9</b>	<b>179.5</b>	<b>155.0</b>	<b>-13.6</b>	<b>-39.9</b>	
Residential property	113.4	79	81.5	78.4	77.1	-1.7	0.6	
Investment property	102.2	68	63.8	66.8	54.9	-17.8	-39.7	
Commercial property	37.9	48	142.6	34.3	23	-32.9	-74.5	
<b>Number of transactions</b>	<b>452</b>	<b>354</b>	<b>383</b>	<b>368</b>	<b>353</b>	<b>-4.1</b>	<b>3.5</b>	
Residential property	323	237	273	240	227	-5.4	2.7	
Investment property	120	108	98	115	119	3.5	12.3	
Commercial property	8	8	12	13	7	-46.2	-50.0	
<b>Transaction size (KD '000)</b>	<b>566</b>	<b>547</b>	<b>751.7</b>	<b>487.8</b>	<b>439.1</b>	<b>-10.0</b>	<b>-41.9</b>	
Residential property	352	332	298.5	326.7	339.6	4.0	-2.1	
Investment property	882	646	651.0	580.9	461.3	-20.6	-46.3	
Commercial property	5,185	5,204	11,883	2,638.5	3,285.7	24.5	-48.9	

Source: Ministry of Justice

Note: Our real estate indexes database comprises 65,000 transactions. Each index combines monthly average prices (per sqm when possible) in select, more active, areas of Kuwait; it is then adjusted for volatility. The indexes are based in 2010, i.e. 2010 price index equals 100. The indexes are not adjusted for seasonality nor for number of business days. They also do not cover the commercial sector.

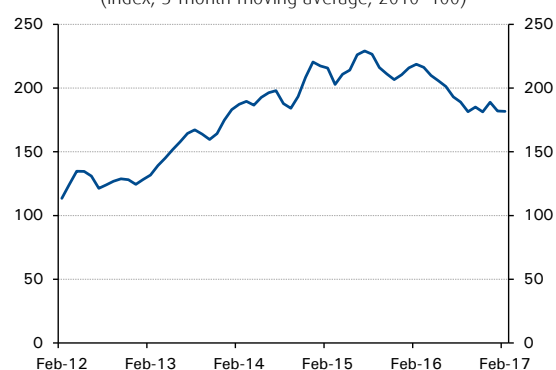
**Chart 4: Investment real estate sales**



Source: Ministry of Justice, NBK estimates

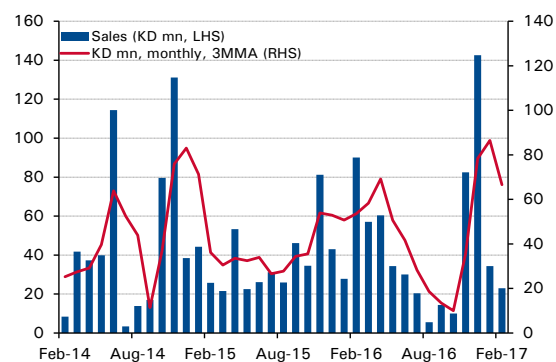
**Chart 5: Investment building price index**

(index, 3-month moving average, 2010=100)



Source: Ministry of Justice, NBK estimates

**Chart 6: Commercial real estate sales**



Source: Ministry of Justice

## Head Office

**Kuwait**  
National Bank of Kuwait SAKP  
Abdullah Al-Ahmed Street  
P.O. Box 95, Safat 13001  
Kuwait City, Kuwait  
Tel: +965 2242 2011  
Fax: +965 2259 5804  
Telex: 22043-22451 NATBANK  
[www.nbk.com](http://www.nbk.com)

## International Network

**Bahrain**  
National Bank of Kuwait SAKP  
Zain Branch  
Zain Tower, Building 401, Road 2806  
Seef Area 428, P. O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

National Bank of Kuwait SAKP  
Bahrain Head Office  
GB Corp Tower  
Block 346, Road 4626  
Building 1411  
P.O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

**United Arab Emirates**  
National Bank of Kuwait SAKP  
Dubai Branch  
Latifa Tower, Sheikh Zayed Road  
Next to Crown Plaza  
P.O.Box 9293, Dubai, U.A.E  
Tel: +971 4 3161600  
Fax: +971 4 3888588

National Bank of Kuwait SAKP  
Abu Dhabi Branch  
Sheikh Rashed Bin Saeed  
Al Maktoom, (Old Airport Road)  
P.O.Box 113567, Abu Dhabi, U.A.E  
Tel: +971 2 4199 555  
Fax: +971 2 2222 477

**Saudi Arabia**  
National Bank of Kuwait SAKP  
Jeddah Branch  
Al Khalidiah District,  
Al Mukmal Tower, Jeddah  
P.O Box: 15385 Jeddah 21444  
Kingdom of Saudi Arabia  
Tel: +966 2 603 6300  
Fax: +966 2 603 6318

**Jordan**  
National Bank of Kuwait SAKP  
Amman Branch  
Shareef Abdul Hamid Sharaf St  
P.O. Box 941297, Shmeisani,  
Amman 11194, Jordan  
Tel: +962 6 580 0400  
Fax: +962 6 580 0441

**Lebanon**  
National Bank of Kuwait  
(Lebanon) SAL  
BAC Building, Justinien Street, Sanayeh  
P.O. Box 11-5727, Riad El-Solh  
Beirut 1107 2200, Lebanon  
Tel: +961 1 759700  
Fax: +961 1 747866

**Iraq**  
Credit Bank of Iraq  
Street 9, Building 187  
Sadoon Street, District 102  
P.O. Box 3420, Baghdad, Iraq  
Tel: +964 1 7182198/7191944  
+964 1 7188406/7171673  
Fax: +964 1 7170156

**Egypt**  
National Bank of Kuwait - Egypt  
Plot 155, City Center, First Sector  
5th Settlement, New Cairo  
Egypt  
Tel: +20 2 26149300  
Fax: +20 2 26133978

**United States of America**  
National Bank of Kuwait SAKP  
New York Branch  
299 Park Avenue  
New York, NY 10171  
USA  
Tel: +1 212 303 9800  
Fax: +1 212 319 8269

**United Kingdom**  
National Bank of Kuwait  
(International) Plc  
Head Office  
13 George Street  
London W1U 3QJ  
UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7224 2101

National Bank of Kuwait  
(International) Plc  
Portman Square Branch  
7 Portman Square  
London W1H 6NA, UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7486 3877

**France**  
National Bank of Kuwait  
(International) Plc  
Paris Branch  
90 Avenue des Champs-Elysees  
75008 Paris  
France  
Tel: +33 1 5659 8600  
Fax: +33 1 5659 8623

**Singapore**  
National Bank of Kuwait SAKP  
Singapore Branch  
9 Raffles Place # 44-01  
Republic Plaza  
Singapore 048619  
Tel: +65 6222 5348  
Fax: +65 6224 5438

**China**  
National Bank of Kuwait SAKP  
Shanghai Representative Office  
Suite 1003, 10th Floor, Azia Center  
1233 Lujiazui Ring Road  
Shanghai 200120, China  
Tel: +86 21 6888 1092  
Fax: +86 21 5047 1011

## NBK Capital

**Kuwait**  
NBK Capital  
38th Floor, Arraya II Building, Block 6  
Shuhada'a street, Sharq  
PO Box 4950, Safat, 13050  
Kuwait  
Tel: +965 2224 6900  
Fax: +965 2224 6904 / 5

**United Arab Emirates**  
NBK Capital Limited - UAE  
Precinct Building 3, Office 404  
Dubai International Financial Center  
Sheikh Zayed Road  
P.O. Box 506506, Dubai  
UAE  
Tel: +971 4 365 2800  
Fax: +971 4 365 2805

## Associates

**Turkey**  
Turkish Bank  
Valikonagl CAD. 7  
Nisantasi, P.O. Box. 34371  
Istanbul, Turkey  
Tel: +90 212 373 6373  
Fax: +90 212 225 0353