

Real estate

Kuwait: A slow start to the year for real estate, after a strong December

> Hiba Koraytem

Senior Economist

+965 2259 5363, hibakoraytem@nbk.com

Following a stellar performance in December, the real estate market softened in January, as monthly sales fell back below KD 200 million.

The value of sales decreased to KD 179.5 million, lagging last year's performance by 16%. This was despite a slight pickup in transaction volumes, which rose by 2% year-on-year (y/y). January's price performance, as reflected in NBK's real estate price indices, indicated further stabilization in the residential sector and convergence of trends across sectors.

Residential sector sales were steady, remaining close to the 2016 monthly average. January KD sales totaled KD 78.4 million on 240 transactions. KD sales and transactions were both down 13% and 4% y/y, respectively (Chart 2). A third of the transactions were land purchases, with a high concentration in Sabah Al-Ahmad Sea City, Funaitees and Abu Fatira.

The stability in the residential market's activity was reflected in the price performance. The NBK residential home price index stood at 151.4, almost flat for the month, but down by 12% y/y. The index has been in the vicinity of 151-152 points for the last four months. Meanwhile, the residential land price index inched slightly upward in January to 182.2, though it remains down 3.8% y/y. The index has been hovering around the same price level for the last seven months.

Investment sector sales continued to improve in January, though they remained frail compared to 2015 sales. Sales totaled KD 66.8 million, up 5% month-on-month (m/m), on 115 transactions. Although the sector's sales are gradually picking up from a low level of KD 40 million recorded last September, it remains down 31% y/y and 65% below the average sales recorded in 2015.

The investment building price index erased December's gain and reverted back to its level in early 2014. The more volatile NBK investment building price index shed six points this month to 182.6, down 15.5% y/y. After posting modest gains since the first quarter of 2016, the index has been on a downward trend during the last eleven months. The index has seen some basis effect, coming off record highs seen between June and August 2015.

Small ticket sales dominated activity in the commercial sector in January. Only KD 34.3 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 13 transactions; the largest two transactions were a commercial complex in Sabah Al-Ahmad Sea City for KD 6.4 million and a commercial plot in South Khaitan for KD 5.1 million.

Chart 1: Real estate sales

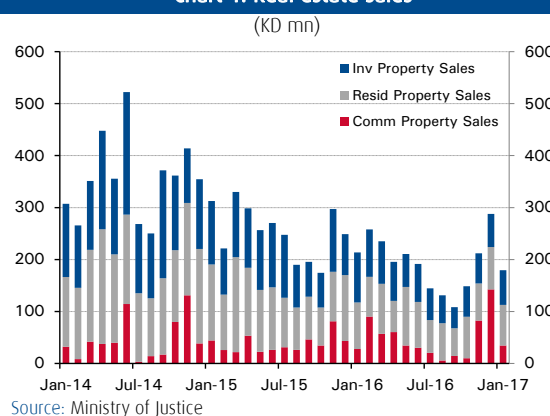


Chart 2: Residential real estate sales

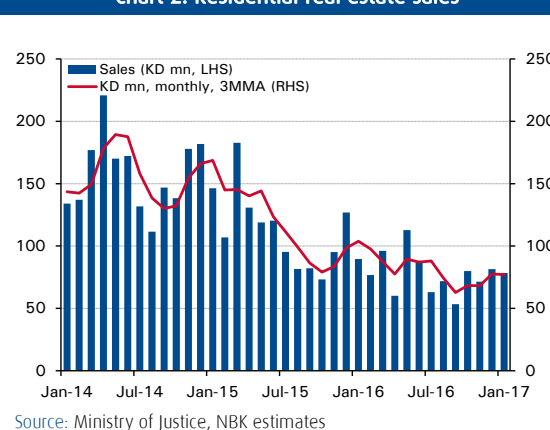


Chart 3: Residential real estate price indices

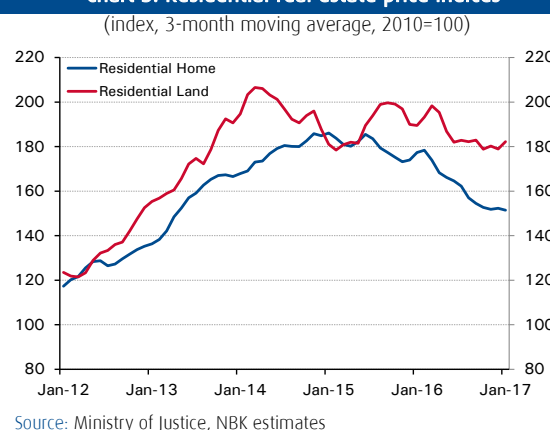


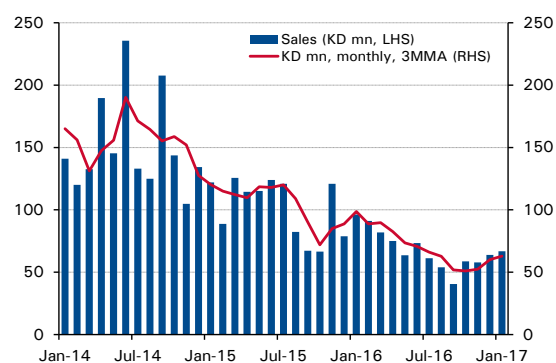
Table 1: Real estate sales

	Monthly average		2016		2017		January 2017	
	2015	2016	Nov	Dec	Jan	% m/m	% y/y	
Sales (KD mn)	253.5	195	211.8	287.9	179.5	-37.7	-16.0	
Residential property	113.4	79	71.4	81.5	78.4	-3.8	-12.5	
Investment property	102.2	68	57.9	63.8	66.8	4.7	-30.6	
Commercial property	37.9	48	82.5	142.6	34.3	-75.9	23.3	
Number of transactions	452	354	365	383	368	-3.9	2.2	
Residential property	323	237	244	273	240	-12.1	-4.0	
Investment property	120	108	112	98	115	17.3	9.5	
Commercial property	8	8	9	12	13	8.3	160.0	
Transaction size (KD '000)	566	547	580.3	751.7	487.8	-35.1	-17.8	
Residential property	352	332	292.6	298.5	326.7	9.4	-8.9	
Investment property	882	646	517.0	651.0	580.9	-10.8	-36.7	
Commercial property	5,185	5,204	9,166.7	11,883.3	2,638.5	-77.8	-52.6	

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

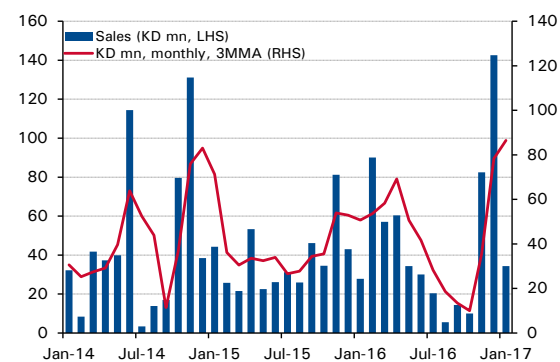
Chart 5: Investment building price index

(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

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