

Economic Insight

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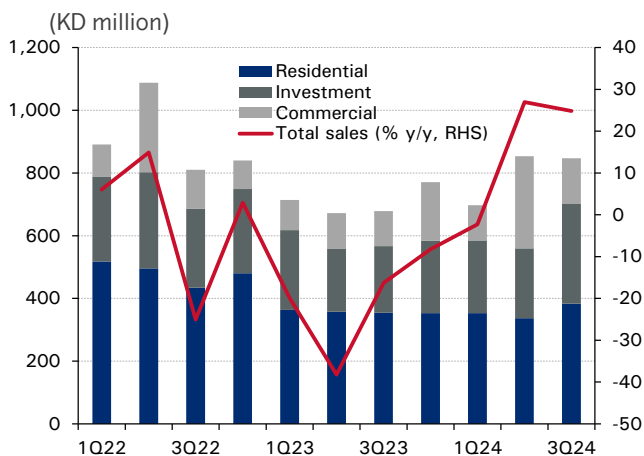
Kuwait: Residential property sales show signs of recovery in Q3 2024

Real estate sales were relatively stable in Q3 2024, amid a recovery in residential sales from weak levels of previous quarters and a surge in investment sales, outweighing a fall back in commercial activity. The overall trend points to gradually improving real estate market activity, with the outlook helped by the commencement of the monetary easing cycle in September. On the price front, residential prices continued their downward trend in Q3, for the sixth consecutive quarter, lowering the valuation gap with the investment segment and stimulating demand. Meanwhile, government plot distributions came to a complete halt during Q3 after Q2's strong performance, resulting in an increase in the backlog of housing applications to 97.7k.

Overall real estate sales in Q3 declined by a modest 0.8% q/q to KD847 million, following a strong showing in Q2. Activity was supported by strong residential and investment sector sales, with transaction volumes increasing despite the seasonal impact of the summer months (Chart 1). On the other hand, commercial sales, which surged in Q2 to a record level, fell sharply, though were still above the 2023 quarterly average.

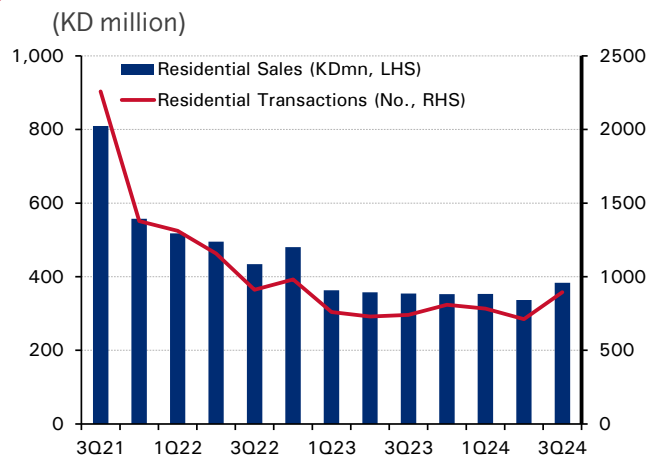
Residential sales in Q3, at KD384 million, were the strongest in almost two years, with the sector also posting the fastest quarterly (14% q/q) and annual (8.2% y/y) increase since 2021 (Chart 2). Transaction volumes were up by 26% q/q and 21% y/y, respectively, from the previous quarter's post-pandemic low. Around 40% of these transactions were logged in September, which saw the highest volume of activity in 16 months (42% y/y). Most residential sales were in the 'home' segment (65% of total), concentrated mainly in the Kuwait City, Hawalli and Al-Ahmadi governorates. On the other hand, around 90% of all land sales occurred in the Hawalli, Mubarak Al-Kabeer and Al-Ahmadi governorates.

Chart 1: Real estate sales



Source: Ministry of Justice (MoJ)

Chart 2: Residential sales



Source: MoJ

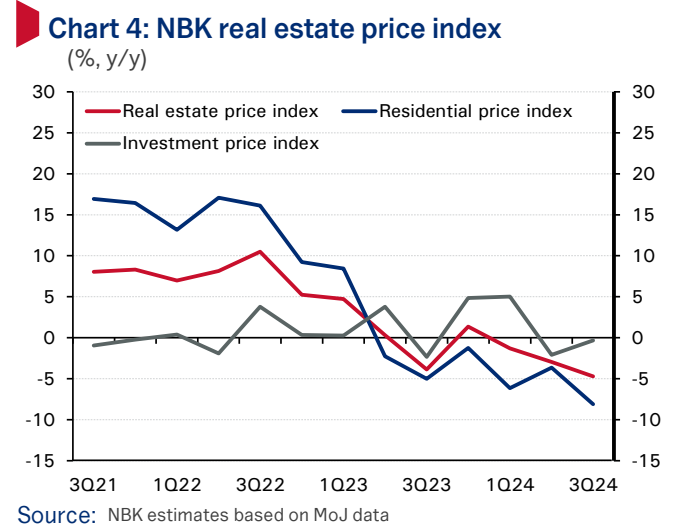
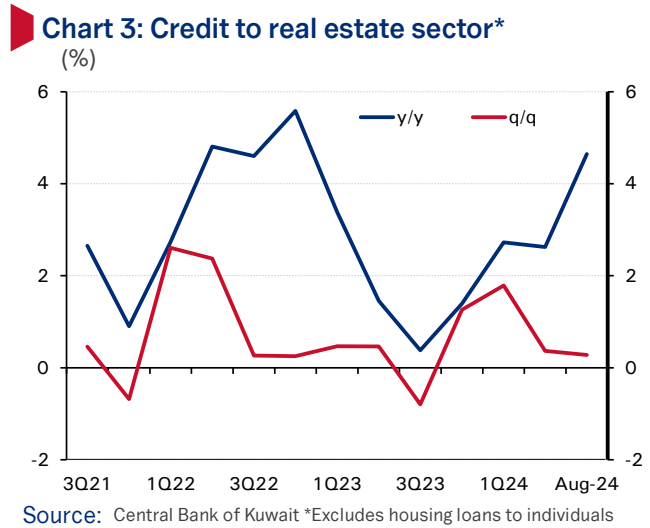
The uptick in demand could partly be explained by cyclical forces, but also falling residential valuations, a multi-quarter trend. Overall prices remain high, especially in the inner areas, and in terms of affordability, real estate prices in Kuwait City are still one of the least affordable among GCC peers.

Meanwhile, the investment segment logged sales of KD317 million (42% q/q; 49% y/y), a near-five-year high. Sales were concentrated (76%) in the inner, Kuwait City and Hawalli governorates. Underlying demand was supported by a continued rise in non-Kuwaiti residents (up 1.4% in H1 2024), though housing rents rose only 0.7% y/y during Q3 2024 based on the readings from the consumer price index.

In contrast, activity in the commercial segment declined by 50% q/q in Q3 to KD146 million. Sales in this sector are notoriously volatile, and the quarterly drop was magnified by Q2's record high sales. The value of commercial sector sales in Q3 2024 is still around 15% higher than last year's quarterly average. According to media reports, with borrowing costs high by recent standards, many commercial units were sold by real estate companies to settle debts with banks in Q2. The solid expansion in non-oil sector GDP in the first half of the year and the pickup in real estate credit growth during Q3 (4.6% y/y; 3.3% YTD in August) point to a strengthening outlook for the real estate sector, albeit moderately (Chart 3).

Residential prices remain on a downward trend

The overall NBK real estate price index, which is estimated based on sales transaction data provided by the Ministry of Justice (MoJ), saw a smaller decline of -1.4% q/q in Q3 2024 as it recovered from five consecutive quarterly falls (-3.2% q/q in Q2). The decline was largely linked to falls in residential sector prices (-3.3% q/q), while investment real estate prices rose by 1% q/q. On a year-on-year basis, the fall in real estate prices steepened to -4.7% from -3.0% in Q2 2024 on a sharper fall in the residential segment. The relatively lower prices may have spurred demand for homes over this period (Chart 4).



Outstanding housing applications increase amid a halt in distributions

The outstanding number of applications for government housing rose by 1.1% q/q in Q3 2024 to reach 97.7k. This increase came as the Public Authority of Housing and Welfare (PAHW) suspended plot distributions during the quarter, awaiting the approval of a new distribution strategy, according to local media outlets. However, PAHW efforts to complete the infrastructure works in South Sabah Al-Ahmad and South Sa'ad Al-Abdullah cities continue, with the authority signing three contracts worth KD262 million to develop the infrastructure works in the former (for 17,380 units in south Sabah Al-Ahmad city, of which 27% has been completed) and tendering three infrastructure contracts in the latter (for 23,551 units in South Sa'ad Al-Abdullah city, to be completed by 2027). These projects will help to reduce the number of

outstanding applications and ameliorate housing pressures over the long term. On the other hand, the volume of approved housing loans by the Kuwait Credit Bank, the public organization in charge of providing residents with residential loans, rose in Q3 2024 (31% q/q) due to the pickup in plot distributions over the previous quarters while the value of disbursed loans fell (-1.0% q/q) on lower government plot loans (-4%).

Table 1: Real estate sales

	Quarterly Average		Quarterly Sales/ Transactions					Change in 3Q24, %	
	2022	2023	3Q23	4Q23	1Q24	2Q24	3Q24	q/q	y/y
Sales (KD million)	907	709	678	771	697	853	847	-0.8	24.8
Residential	482	357	354	353	353	337	384	14.0	8.2
Investment	275	224	212	231	232	223	317	42.1	49.3
Commercial	151	127	111	187	112	294	146	-50.2	31.1
Number of transactions	1,473	1,074	1,045	1,137	1,065	1,009	1,250	23.9	19.6
Residential	1,091	760	740	810	784	712	895	25.7	20.9
Investment	342	285	254	300	259	250	327	30.8	28.7
Commercial	40	29	51	27	22	47	28	-40.4	-45.1
Average transaction Value (KD '000)	616	660	649	678	655	846	678	-19.9	4.4
Residential property	442	470	479	436	450	473	429	-9.3	-10.5
Investment	803	787	836	769	895	893	970	8.6	15.9
Commercial	3,745	4,348	2,185	6,929	5,110	6,246	5,219	-16.4	138.8

Source: Ministry of Justice, NBK calculations

Table 2: NBK real estate price index*

	Weight (100=2019)	q/q					y/y				
		3Q23	4Q23	1Q24	2Q24	3Q24	3Q23	4Q23	1Q24	2Q24	3Q24
RE price index	100	0.5	2.0	-2.1	-3.2	-1.4	-3.9	1.4	-1.3	-3.0	-4.7
Investment	45.5	-0.8	3.7	2.3	-7.0	1.0	-2.3	4.8	5.0	-2.1	-0.3
Residential	54.5	1.4	0.7	-5.7	0.0	-3.3	-5.0	-1.2	-6.1	-3.6	-8.1

Source: Ministry of Justice, NBK calculations

* The NBK real estate price index is based on a dataset of real estate transactions available at the Ministry of Justice website. The index is calculated on a quarterly basis by type of real estate for all governorates. The methodology is based on a fixed-weight Laspeyres type with the base year 2019.

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