

Real estate

Kuwait: April logs lowest sales in eight months amid anemic commercial sales

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The real estate market softened in April following a surprisingly active month in March. Real estate sales totaled KD 137 million, down 30% y/y, as the investment and commercial sectors record anemic sales in April (Chart 1). The residential sector was more buoyant, rising 36% y/y supported by increased appetite for residential homes. Real estate prices across most sectors continued to hold, though residential land prices showed some weakness.

The residential sector continued to provide support for the real estate market in April. Sales reached KD 82 million during the month, on 288 transactions (Chart 2). KD sales have improved by 36% for the year, supported by a rise in transactions by 55% y/y. However, the sector struggled to retain traction as activity calmed down significantly from the previous month. March saw transactions soar to 358, the highest in almost two years.

Residential real estate prices retreated slightly in April, but continued to show a stabilizing trend. The NBK residential home price index stood at 150.8 point, up 0.2% for the month (Chart 3). The index has been stable and in the vicinity of 151-152 points for eight months, though it remains down 10.4% y/y. The NBK residential land price index retreated slightly in April to 172.2 points. This index was down 11.9% y/y.

Investment sector activity recorded the lowest sales in the last seven months. Sales came in at KD 42 million, down 43% y/y (Chart 4). The number of transactions lagged as well, dropping by 59% from the previous year. The rise in vacant apartments since the end of 2015 has exercised downward pressure on rents. However, easing rent inflation only became visible in the housing services component of the CPI in March 2017. Housing inflation, mostly comprised of housing rents, slowed from 6.4% y/y in 4Q16 to a three-year low of 4.3% y/y in 1Q17.

Investment building prices logged a slight gain for the month. The NBK investment building price index stood at 183.3 points, up 0.8% for the month (Chart 5). Though the index is down 12.7% y/y, it appears also to have bottomed out in tandem with prices in the residential sector; the index has hovered around similar levels for five months.

Commercial sector activity remains weak, recording only three transactions in April. The softness in the sector's sales and activity is expected as the commercial sector saw an exceptionally strong 2016. The sector recorded sales of KD 12.7 million in April, including a KD 6 million transaction for a building in Qibla (Chart 6).

Chart 1: Real estate sales

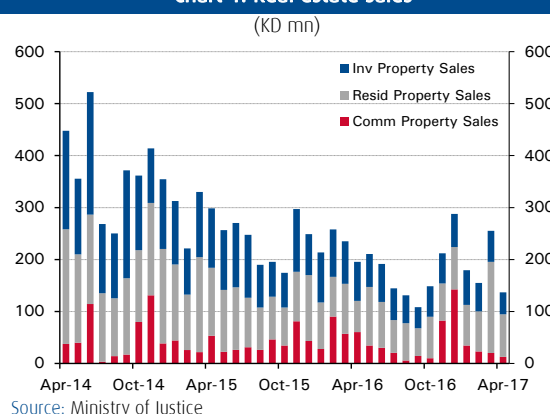


Chart 2: Residential real estate sales

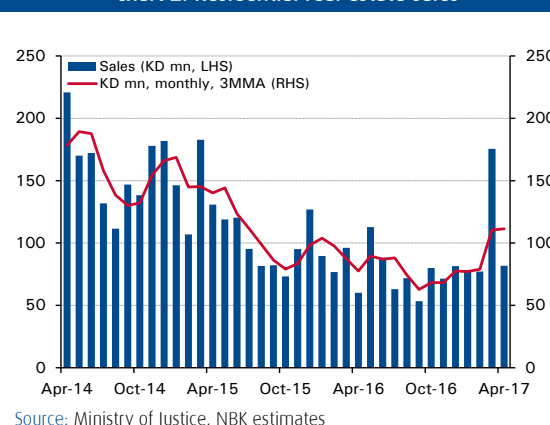


Chart 3: Residential real estate price indices

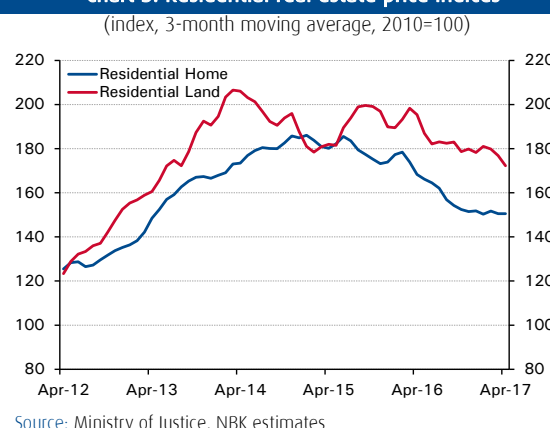


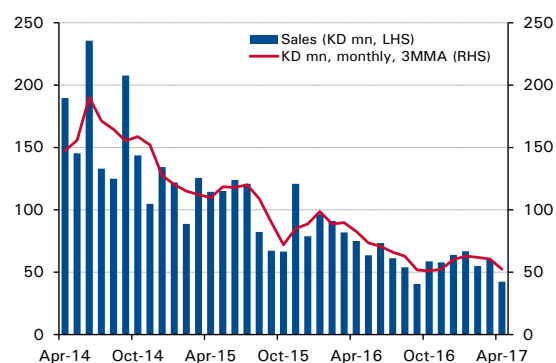
Table 1: Real estate sales

	Monthly average		2017		April 2017		
	2015	2016	Feb	Mar	Apr	% m/m	% y/y
Sales (KD mn)	253.5	195	155.0	255.3	136.8	-46.4	-30.0
Residential property	113.4	79	77.1	175.5	81.7	-53.5	36.1
Investment property	102.2	68	54.9	59.8	42.4	-29.1	-43.5
Commercial property	37.9	48	23	20	12.7	-36.4	-78.9
Number of transactions	452	354	353	436	351	-19.5	2.3
Residential property	323	237	227	358	288	-19.6	54.8
Investment property	120	108	119	73	60	-17.8	-58.9
Commercial property	8	8	7	5	3	-40.0	-72.7
Transaction size (KD '000)	566	547	439.1	585.6	389.7	-33.4	-31.6
Residential property	352	332	339.6	490.2	283.6	-42.1	-12.1
Investment property	882	646	461.3	819.2	706.3	-13.8	37.6
Commercial property	5,185	5,204	3285.7	4000.0	4240.0	6.0	-22.8

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.

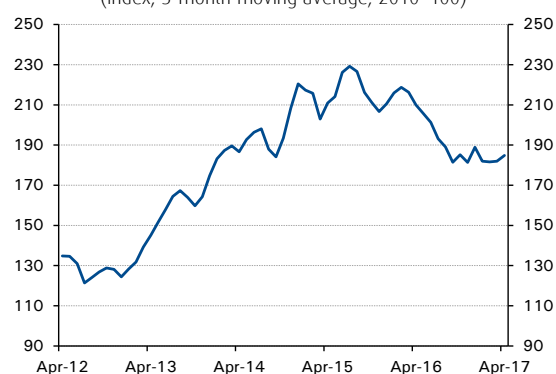
Chart 4: Investment real estate sales



Source: Ministry of Justice, NBK estimates

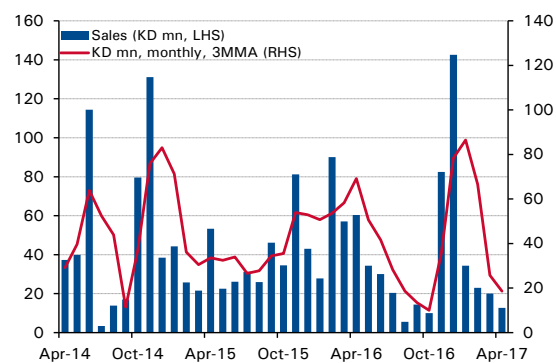
Chart 5: Investment building price index

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



Source: Ministry of Justice, NBK estimates

Chart 6: Commercial real estate sales



Source: Ministry of Justice

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