

Real estate

Kuwait: Real estate sales eased in Nov. but maintain improving trend

Total November real estate sales fell shy of KD 150 million following a strong performance in October; nevertheless, the price trend across all sectors still indicated stabilization. Real estate sales totaled KD 147.3 million in November across all sectors (Chart 1), on 301 transactions. The figure looks lackluster compared to the prior month's impressive KD 216.9 million. Meanwhile, the contraction in prices across the sectors moderated further in November, with the NBK investment building price index breaking into positive territory for the first time in a year and a half.

The residential sector remained buoyant, supporting overall sales activity in November. Sales totaled KD 83 million, up 16% year-on-year (y/y) (Chart 2). The number of transactions totaled 236, making up 78% of all real estate activity for the month. Land purchases made up 28% of the 67 transactions. Regionally, residential plot sales were in line with previous trends, with heavy activity in the Sabah Al-Ahmad coastal area, Funaitees, and Abu Ftaira.

Continued price stabilization in the residential sector reflects steady sales activity. The NBK residential home price index improved to 150.6 in November, up from October's 150.0. NBK's residential land price index dipped slightly to 175.5 from October's 175.9. The contraction from a year before eased in the home prices to just -0.6% y/y; while it widened slightly for residential land prices to -2.4% y/y, prices remain better than levels witnessed in the first half of 2017 (Chart 3).

Investment property sales slipped after a surge in activity in October. Sales in the sector fell 33.6% y/y to KD 38.5 million in November. The investment property sector continues to underperform; in the first eleven months of 2017, average monthly performance was KD 56.5 million, down 18% compared to the same period in 2016 (Chart 4). The outlook for the sector remains positive, however, as oil prices remain elevated and development project awards show positive momentum.

The NBK investment building index breaks into positive annual growth territory for the first time in over a year. The recovery in the index reflects strong gains in September and October; the index rose to 182 in November 2017, up 0.1% y/y (Chart 5). The index has been on a recovery trend since it bottomed in September 2017.

Commercial sector activity eased after a surge in October, falling below 2017's monthly average (to November) of KD 28 million. Five transactions took place in November, worth a combined KD 25.8 million. The volatile sector is down almost 70% y/y, but November 2016 had witnessed a surge in activity that was preceded but a period of quiet (Chart 6). The largest sale for November 2017 was a commercial building in Al-Qibla that sold for KD 17.6 million.

Chart 1: Real estate sales

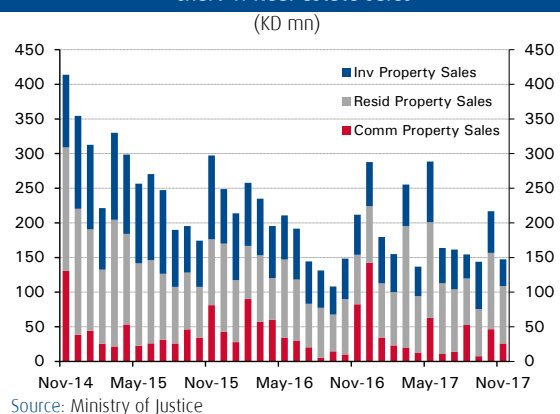


Chart 2: Residential real estate sales

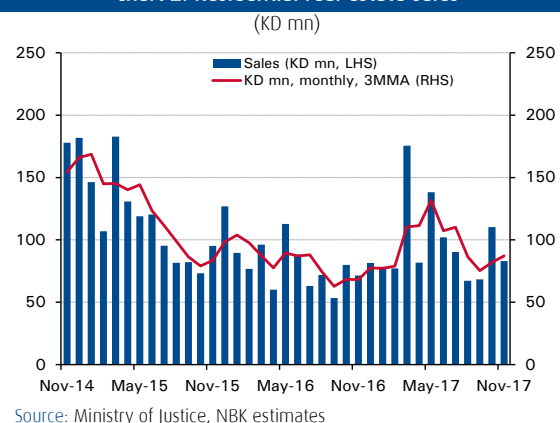


Chart 3: Residential real estate price indices

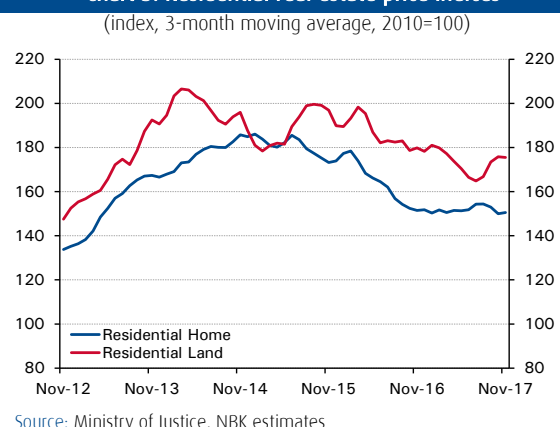
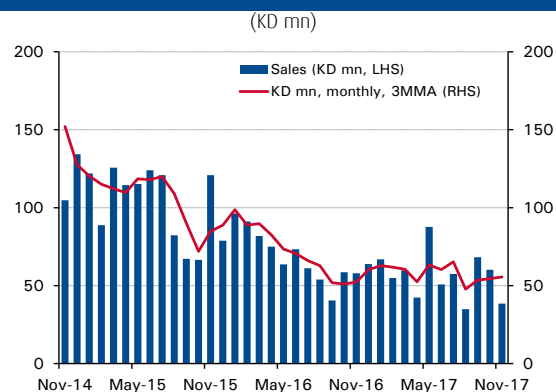


Table 1: Real estate sales

	Average		2017		Nov 2017		
	2015	2016	Sept	Oct	Nov	% m/m	% y/y
Sales (KD mn)	253.5	194.7	144.0	216.9	147.3	-32.1	-30.5
Residential property	113.4	78.7	68.3	110.3	83.0	-24.7	16.2
Investment property	102.2	68.1	68.2	60.1	38.5	-36.0	-33.6
Commercial property	37.9	47.9	7.5	46.5	25.8	-44.5	-68.7
Number of transactions	452	354	292	450	301	-33.1	-17.5
Residential property	323	237	207	357	236	-33.9	-3.3
Investment property	120	108	84	86	60	-30.2	-46.4
Commercial property	8	8	1	7	5	-28.6	-44.4
Transaction size (KD th)	566	547	493.0	482.0	489.3	1.5	-15.7
Residential property	352	332	329.8	308.9	351.6	13.8	20.2
Investment property	882	646	811.8	699.1	641.2	-8.3	24.0
Commercial property	5,185	5,204	7,500	6,644	5163.0	-22.3	-43.7

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

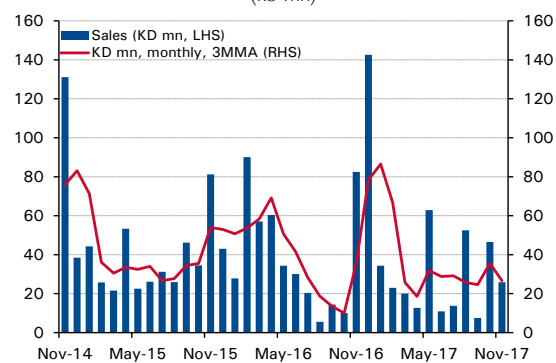
(index, 3-month moving average, 2010=100)



Source: Ministry of Justice, NBK estimates

Chart 6: Commercial real estate sales

(KD mn)



Source: Ministry of Justice, NBK estimates

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