

Real estate

Kuwait: Real estate activity rose in 2017, though sectoral growth was uneven

Activity in the residential sector was strong while the investment and commercial sectors fell behind. Overall activity improved as the number of transactions rose 6.5% to 4,524. However, sales decreased again in 2017 but a slower rate (6.9%; to KD 2.2 billion) than in the past two years (Chart 7). While residential activity grew by 22%, sales in the investment and commercial sectors fell 19% and 37%, respectively. The real estate market benefited from some optimism during the year as oil prices improved. The year also saw a stable consumer sector which may have provided some impetus to the residential property market.

Real estate sales were up slightly in December, but compared unfavorably to strong figures reported a year ago. Sales rose to KD 171.4 million in December, but were down 40.5% year-on-year (y/y) mostly as the commercial sector posted much weaker numbers compared to the prior year (Chart 1).

Residential sector sales were stable in December 2017 as prices continued to improve. Though the number of transactions in the sector was down 10% y/y in December 2017 (to 246 from an average of 280 for the year), sales activity grew by 1% y/y in terms of value, to KD 82.3 million (Chart 2).

Prices increased in the residential real estate completed 2017, especially in the residential home sector. The NBK Residential Home price index posted positive annual growth for the first time in two years, rising 0.2% y/y to reach 152.2. The Residential Land Index declined 3.4% y/y, but compared to the 2017 overall, the pace of decline has eased. (Chart 3.)

Investment property sales were lackluster in December. Contracts in the month amounted to KD 39.1 million, down 39% y/y and marking the ninth month of negative annual growth in 2017. Transactions also slowed to 76, down 22% y/y. Two-thirds of the transactions were apartment units located predominantly in Mahboula and Bneid Al-Gar.

The investment sector prices improved in December, but declined compared to last year. The index reached 183.6 in December 2017 (Chart 5), rising 1.2% m/m, but remained down 3.4% y/y. The index appeared to stabilize in 2017, notwithstanding a temporary dip in the 3Q17 which was reversed in 4Q17.

Commercial sector activity picked up pace after a slow November, but was well below levels recorded during a period of strength a year ago. December saw just one commercial transaction; a building in Salmiya sold for KD 50 million (Chart 6). Sales were down 65% y/y.

Chart 1: Real estate sales

(KD mn)

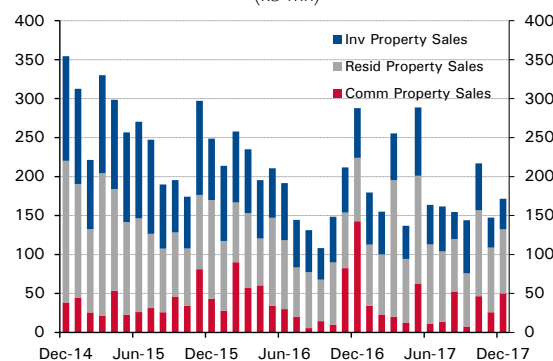


Chart 2: Residential real estate sales

(KD mn)

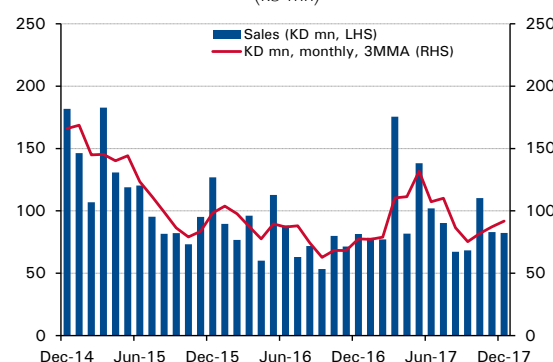


Chart 3: Residential real estate price indices

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

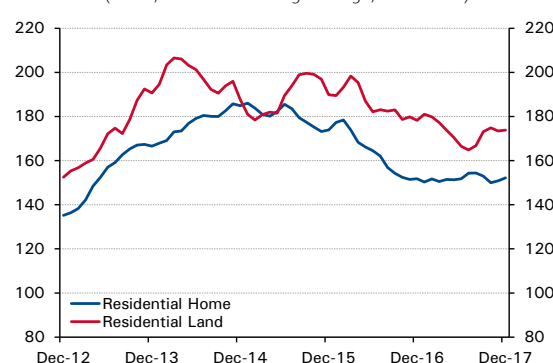
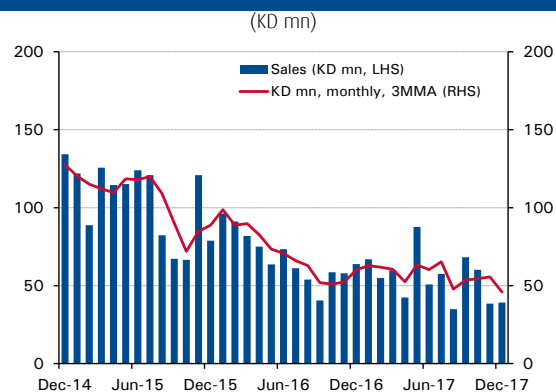


Table 1: Real estate sales

	Average		2017		Dec 2017		
	2015	2016	Oct	Nov	Dec	% m/m	% y/y
Sales (KD mn)	253.5	194.7	216.9	147.3	171.4	16.4	-40.5
Residential property	113.4	78.7	110.3	83.0	82.3	-0.8	1.0
Investment property	102.2	68.1	60.1	38.5	39.1	1.7	-38.7
Commercial property	37.9	47.9	46.5	25.8	50.0	93.7	-64.9
Number of transactions	452	354	450	301	323	7.3	-15.7
Residential property	323	237	357	236	246	4.2	-9.9
Investment property	120	108	86	60	76	26.7	-22.4
Commercial property	8	8	7	5	1	-80.0	-91.7
Transaction size (KD th)	566	547	482.0	489	531	1.5	-15.7
Residential property	352	332	309	352	335	13.8	20.2
Investment property	882	646	699	641	515	-8.3	24.0
Commercial property	5,185	5,204	6,644	5,163	50,000	-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

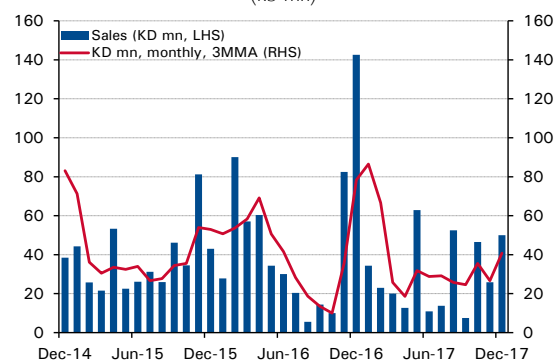
(index, 3-month moving average, 2010=100)



Source: Ministry of Justice, NBK estimates

Chart 6: Commercial real estate sales

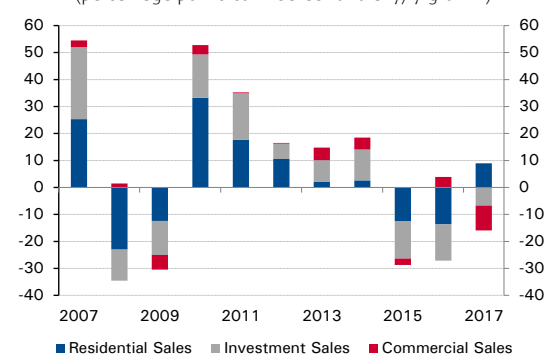
(KD mn)



Source: Ministry of Justice, NBK estimates

Chart 7: Contribution to real estate sales growth

(percentage points contributed to total y/y growth)



Source: Ministry of Justice, NBK estimates

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