

Real estate

Kuwait: Real estate activity showing traction; prices stabilizing

Activity in the real estate market is gaining traction with a pickup in sales and stabilizing prices. Real estate sales posted healthy 20% year-on-year (y/y) growth in 3Q17, the first positive growth since 4Q14, despite the seasonality that customarily reigns over the quarter. The positive pickup in activity also translated into further stabilization in real estate prices, with indices hovering around their 12-month average. Comparable stabilization is seen in other GCC real estate price indices despite slight divergence in trends.

The residential sector remained supportive of the real estate market throughout the first three quarters of the year. Residential sales reached KD 226 million in 3Q17, up 20% y/y. Year-to-date (ytd) sales tallied up to KD 879 million over 2,519 transactions. As for the month of September, sector sales were up 28% y/y with transactions improving by 36% y/y. Renewed interest in the sector was not channeled through a specific type of properties; both home and plot sales advanced, rising by 26% and 21%, respectively ytd.

Strong third quarter activity helped support residential prices further. The NBK residential home price index reached 153.1 in September, flat from a year ago. The NBK residential land price index soared to 172.8 in September, up 4% for the month, though it remains down 5.5% y/y. Although residential prices are down around 17% from their peaks, their annual pace of decline has come down from double-digit to less than 5%, suggesting the end of the price correction. (Chart 3).

Investment properties' activity remains off, not in line with the spur in the residential sector, as other markets seem more appealing to investors. 3Q17 sales reached KD 160.5 million, down to a third of what was recorded in 3Q14. The exceptional performance of Kuwait's stock market this year may have deterred investors from investing in real estate. With stocks generating double-digit growth so far this year, the investment sector, plagued by increased vacant apartments, lower housing inflation (i.e. rents) and higher utility bills, was not able to generate comparable returns.

The persistently slow activity in the sector continues to exercise negative pressure on investment property prices. The NBK investment building price index retreated to 171.1 in September, down 5.7% y/y (Chart 5). The price index has settled at levels last seen at the end of 2013. The index is off by 25% from its peak in July 2015.

The commercial sector witnessed a healthy third quarter. 20 commercial properties were sold during the quarter for a total value of KD 74 million. This quarter's transactions were predominantly commercial buildings and offices. Ytd, the sector is 30% short on sales and 20% on transactions (Chart 6).

Regional real estate residential price indices are exhibiting similar signs of stabilization despite the divergence in trends caused by the heterogeneous macroeconomic and geopolitical outlooks of each of the GCC countries. Abu Dhabi prices appear among the most stable in the

Chart 1: Real estate sales

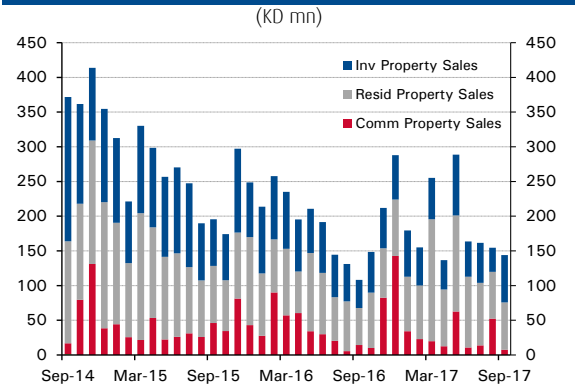


Chart 2: Residential real estate sales

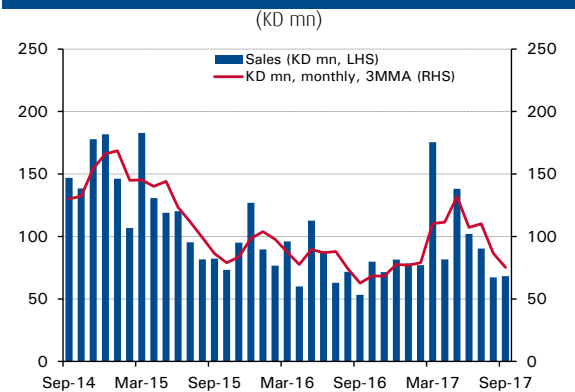
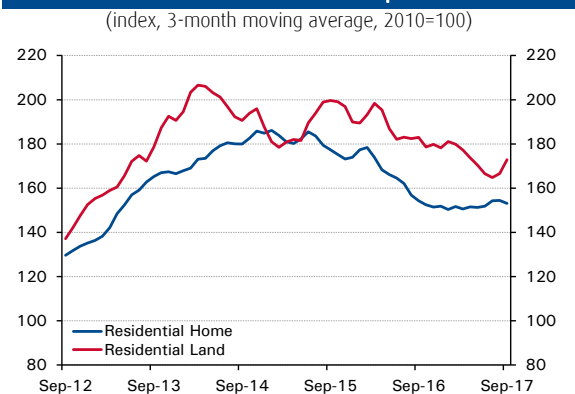


Chart 3: Residential real estate price indices



region, with prices advancing 5.4% y/y in June 2017. Qatar prices on the other hand were the last to correct, with the residential index down 5.5% y/y in June. KSA recently launched real estate quarterly indices, which reveal a downward trend since 2016; as of June the general residential index is down 7.9% y/y.

Table 1: Real estate sales

	Average		2017		Sep 2017		
	2015	2016	Jul	Aug	Sep	% m/m	% y/y
Sales (KD mn)	253.5	194.7	161.5	154.5	144.0	-6.8	33.0
Residential property	113.4	78.7	90.3	67.2	68.3	1.6	28.1
Investment property	102.2	68.1	57.5	34.8	68.2	95.8	68.4
Commercial property	37.9	47.9	13.8	52.5	7.5	-85.7	-47.9
Number of transactions	452	354	372	300	292	-2.7	14.1
Residential property	323	237	268	217	207	-4.6	36.2
Investment property	120	108	100	68	84	23.5	-15.2
Commercial property	8	8	4	15	1	-93.3	-80.0
Transaction size (KD)	566	547	434.2	515.1	493.0	-4.3	16.6
Residential property	352	332	336.8	309.7	329.8	6.5	-6.0
Investment property	882	646	574.9	512.0	811.8	58.5	98.4
Commercial property	5,185	5,204	3,444	3,500	7,500	114.3	160.4

Source: Ministry of Justice

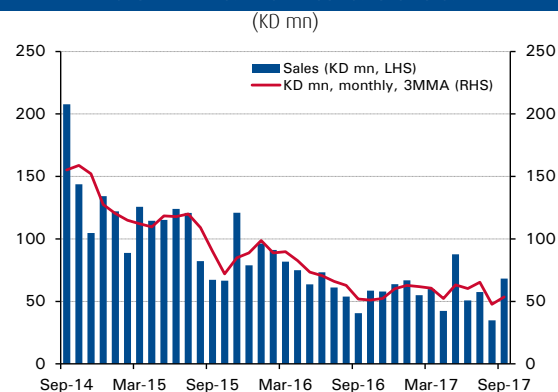
Note: Our real estate indexes database comprises 65,000 transactions. Each index combines monthly average prices (per sqm when possible) in select, more active, areas of Kuwait; it is then adjusted for volatility. The indexes are based in 2010, i.e. 2010 price index equals 100. The indexes are not adjusted for seasonality nor for number of business days. They also do not cover the commercial sector.

Table 2: Regional residential real estate price indices

	Annual average		2017	
	2015	2016	Jun	% y/y
Abu Dhabi (2010 = 100)	111.9	111.8	118.2	5.4
Dubai (2010 = 100)	154.6	147.9	147.9	-0.7
Qatar (2010 = 100)	285.5	290.5	280.9	-5.5
Saudi Arabia (2014 = 100)	98.9	93.8	87.8	-8.0

Source: BIS, national sources

Chart 4: Investment real estate sales



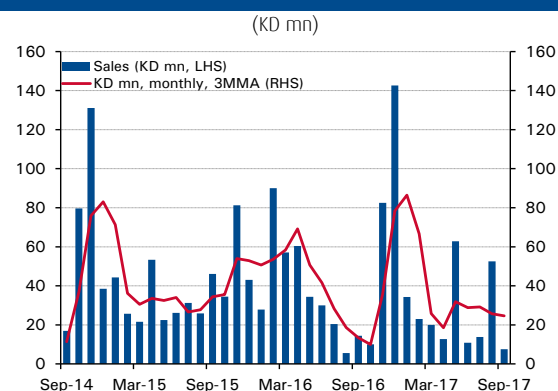
Source: Ministry of Justice, NBK estimates

Chart 5: Investment building price index



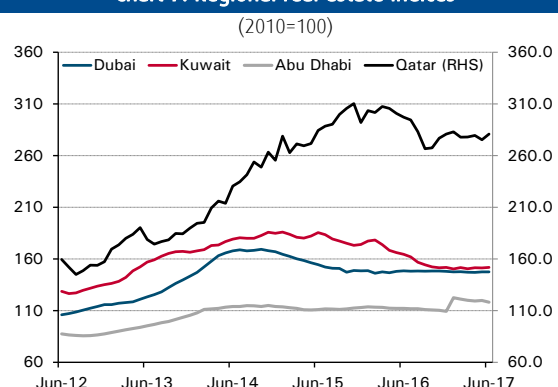
Source: Ministry of Justice, NBK estimates

Chart 6: Commercial real estate sales



Source: Ministry of Justice, NBK estimates

Chart 7: Regional real estate indices



Source: Bank of International Settlement, National sources

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