

Real estate

Kuwait: Residential sales lift real estate sector in July

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The real estate sector continued to appear stable with activity improving in July despite the summer season. Real estate sales grew 11.8% year-on-year (y/y) in July to KD 161.5 million (Chart 1). Real estate transactions on the other hand have gained more traction since the beginning of this year, recording a 30% increase y/y, with support from the residential sector. Real estate prices across most sectors continued to hold steady, although they were still off by 5-10% y/y.

Residential sector sales grew 43.4% y/y in July to KD 90.3 million. (Chart 2.) The number of transactions in the sector was 268, a third of which were plots and the rest were predominantly homes. Though activity was roughly well distributed in a number of areas, more than 30 transactions took place in each of the Abu Ftaira and Sabah Al-Ahmad Sea City.

The improved momentum in the residential sector was reflected in the NBK residential price indices. The residential home index witnessed a healthy uptick for the first time in almost a year of stable performance. (Chart 3.) The residential land index stood at 163 points, down 11% y/y, hovering around 1H13 price levels. The increased supply of residential land, predominantly due to the healthy distribution of subsidized plots by the Public Authority for Housing Welfare (PAHW), may have exercised some downward pressure on land prices.

Investment sector activity remained anemic. The sector's sales totaled KD 57.5 million, down 6.0% y/y. The number of transactions picked up in July to 100 from June's 74, but remains slightly below 2016's monthly average of 108 transactions. Over 70% of the transactions were apartment sales, predominantly in Bnaid Al-Qar, Sabah Al-Salem, and Mahboula.

The NBK investment building price retreated slightly in July in tandem with the slowdown in the sector's activity. The index slipped slightly in July to 181.5 from 188.3 in June. (Chart 5.) The index is down 6.0% y/y, an improvement from the double-digit decline rates recorded the previous year.

The commercial sector recovered somewhat from its 2017 low, with sales amounting to KD 13.8 million in July. Four transactions were recorded in July, the largest being a commercial building in Farwaniya for KD 6.0 million. (Chart 6).

Chart 1: Real estate sales

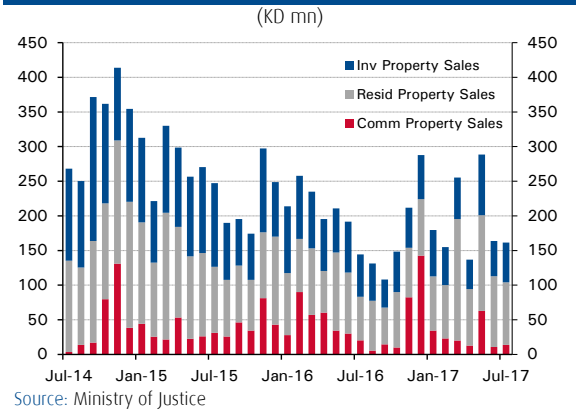


Chart 2: Residential real estate sales

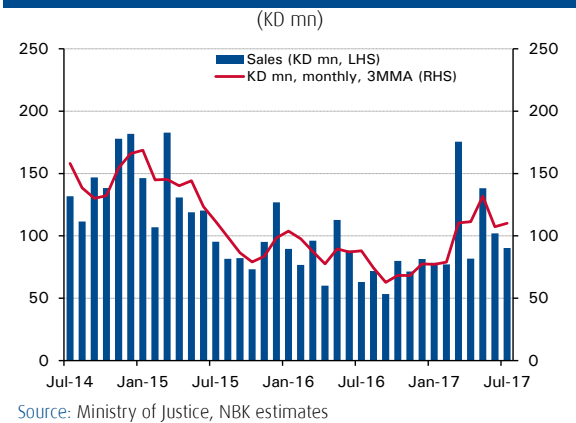


Chart 3: Residential real estate price indices

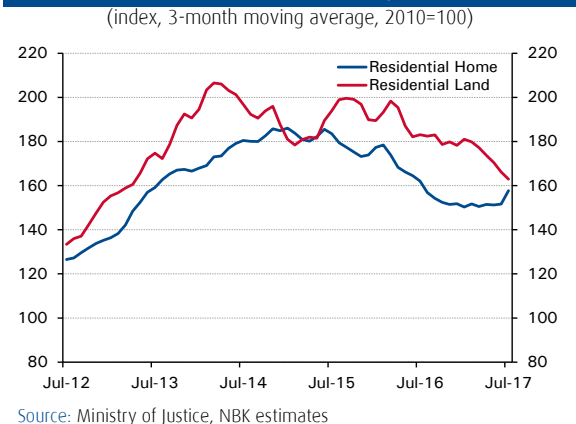
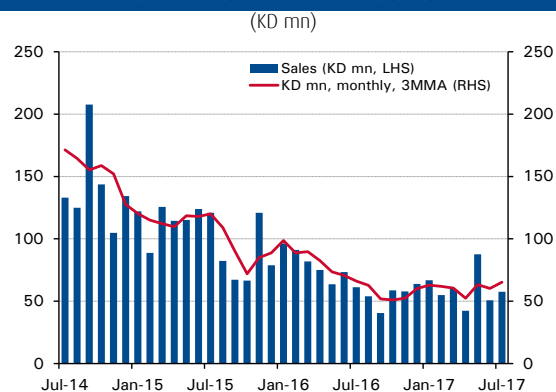


Table 1: Real estate sales

	Monthly average		2017		Jul 2017		
	2015	2016	May	June	July	% m/m	% y/y
Sales (KD mn)	253.5	194.7	288.7	163.6	161.5	-1.3	11.8
Residential property	113.4	78.7	138.2	102.0	90.3	-11.5	43.4
Investment property	102.2	68.1	87.7	50.8	57.5	13.2	-6.0
Commercial property	37.9	47.9	62.8	10.9	13.8	27.0	-32.4
Number of transactions	452	354	592	386	372	-3.6	29.6
Residential property	323	237	406	308	268	-13.0	36.7
Investment property	120	108	180	74	100	35.1	16.3
Commercial property	8	8	6	4	4	0.0	-20.0
Transaction size (KD '000)	566	547	487.6	423.9	434.2	2.4	-13.7
Residential property	352	332	340.3	331.2	336.8	1.7	4.9
Investment property	882	646	487.0	686.1	574.9	-16.2	-19.1
Commercial property	5,185	5,204	10,471	2,713	3,445	27.0	-15.5

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

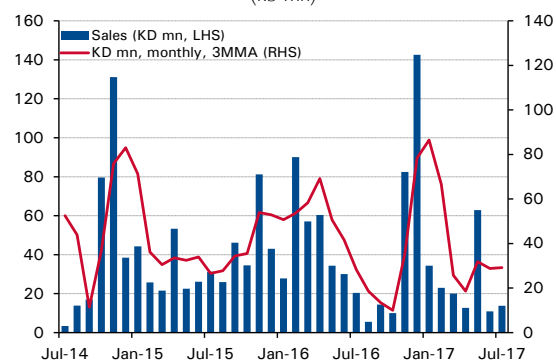
(index, 3-month moving average, 2010=100)



Source: Ministry of Justice, NBK estimates

Chart 6: Commercial real estate sales

(KD mn)



Source: Ministry of Justice, NBK estimates

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