

# Economic Insight

7 May 2025



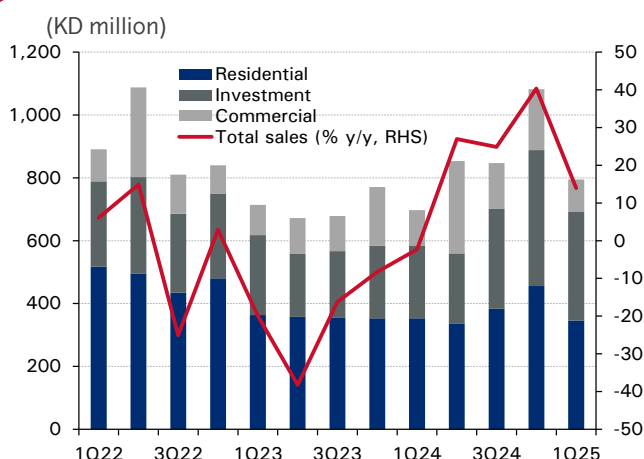
## Kuwait: Sales dip in Q1 25 following a strong end to last year

Real estate sales fell back in Q1 2025, albeit from strong levels at the end of last year and potentially affected by seasonal factors including the month of Ramadan and Al-Fitr holiday. Still, sales remained well above their levels in Q1 2024, supported by a solid performance in the investment segment. Meanwhile, the yearly decline in residential real estate prices slowed to its smallest since Q4 2023 hinting at signs of market stabilization, while investment segment prices edged higher. The overall market outlook for 2025 remains broadly positive, helped by the anticipated approval of the housing finance law, possible interest rate cuts, and with non-oil economic growth sustained at reasonable levels despite global economic headwinds.

### Real estate sales dip in Q1 2025 amid a seasonal lull

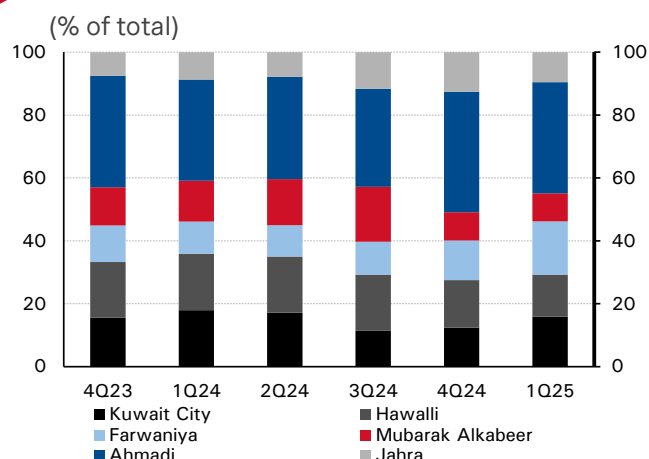
Property sales witnessed a broad-based quarterly slowdown in Q1 2025, softening from the strong levels recorded in Q4 2024 to KD795 million. (Chart 1.) The decline came across all segments, reflecting partly a normalization in activity from end-2024 levels and potentially the impact of seasonal factors, including the month of Ramadan and Eid Al-Fitr holiday, which traditionally see slower sales. The residential sector saw a marked drop in quarterly sales and transaction volumes, while investment (i.e. apartment) segment sales remained historically elevated. Still, despite the short-term moderation, overall sales remained higher on a yearly basis, underpinned especially by resilient performance in the investment sector.

**Chart 1: Real estate sales**



Source: Ministry of Justice (MoJ)

**Chart 2: Residential transactions by governorate**



Source: MoJ, NBK estimates

Residential sales growth declined by 24% q/q, marking the weakest growth since Q2 2024, to reach KD346 million, dropping from the two-year high seen in Q4 2024. However, on a yearly basis, residential sales dipped by only 2.0% despite the 11.7% rise in transactions, which could indicate a possible shift toward smaller or lower-value units in outer areas. Geographically, more than half of residential transactions were

in the governorates of Ahmadi and Al-Farwaniya, while activity in Kuwait City and Hawalli lagged behind, comprising just a third of total transactions. (Chart 2.)

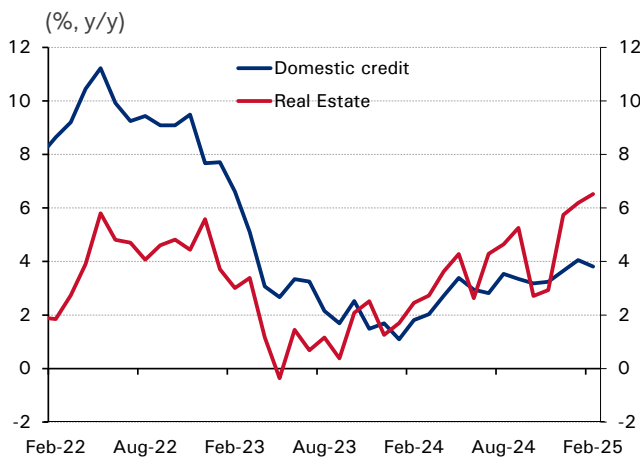
Investment sales have also echoed this decline, falling 20% q/q to KD345 million after surging to a six-year-high in Q4 2024. Nonetheless, the yearly growth metric paints a more optimistic picture, with investment sales rising 49%, buoyed by a near-30% surge in transactions. Sales in this segment remained above the quarterly average for the past three years, underscoring a sustained appetite for income-generating assets. Around 68% of investment sales were concentrated in the Al-Ahmadi and Hawalli governorates.

Meanwhile, commercial property sales saw their sharpest drop since Q1 2023, plummeting by 47% q/q to KD103 million. On a yearly basis, commercial sales contracted by 8.4%, even as transactions more than doubled, surging by 164% y/y. The discrepancy suggests a lower prevalence of large-scale deals, with fewer high-value transactions—such as two buildings in Al-Qibla totaling KD21.6 million and one in Hawalli valued at KD10.9 million—in the market. More generally however, we note the recent strong growth in bank credit to the real estate sector (up to 6.4% y/y in March), which may be a sign of a return in confidence across the property sector overall. (Chart 3.)

**Property prices show signs of stabilization**

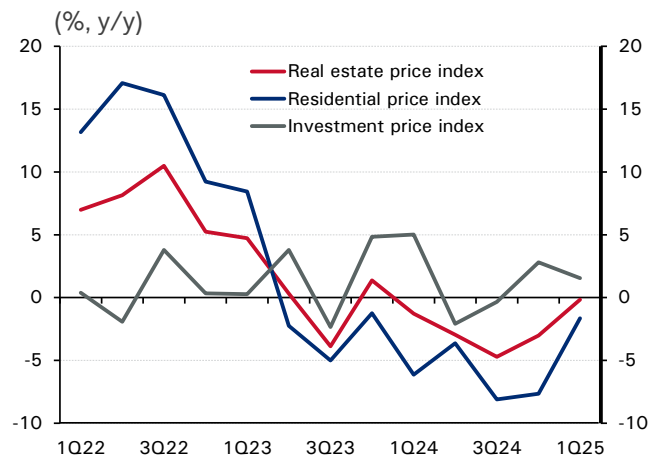
Our real estate price index rose for the second consecutive quarter, by 0.7% q/q, though easing from the 3.8% increase recorded in Q4 2024, on a slower rise in the residential and investment segments. On a yearly basis, the index saw a marginal decline of 0.2% y/y, signaling a broad stabilization following three consecutive quarters of steeper contractions in 2024. (Chart 4.) This softening marks an easing in a market correction that began in early 2023. The residential price index, however, remained in negative territory, falling by 1.7% y/y—its eighth straight quarterly decline—though at a slower pace than the -8.1% witnessed in Q3 2024. This suggests that the sharp downward pressure may be abating, potentially in anticipation of housing finance law reforms and potential interest rate cuts ahead. In contrast, investment prices rose by 1.6% y/y following a 2.8% increase in Q4 2024 and underscoring the relative resilience of this segment.

**Chart 3: Credit to real estate**



Source: Central Bank of Kuwait

**Chart 4: Real estate price index**



Source: MoJ, NBK estimates

**Government presses ahead with supply initiatives**

Plot distributions under the government’s housing program have been on hold since July 2024, amid pending legislative reforms, including the anticipated housing finance law and a comprehensive strategy to restructure plot and unit allocations. Despite this impasse, the government continues its efforts to address the rising number of housing applications, which reached 98.8k in October 2024, by accelerating residential

units' delivery and removing development bottlenecks. The Public Authority for Housing Welfare (PAHW) has signed four contracts to construct 6,455 homes under the affordable housing scheme, while work commenced in January 2025 on two previously signed contracts covering 3,345 units. Additionally, the PAHW has launched the "Real Estate Developer" model through a consultancy agreement to design three residential areas with a total of more than 5,000 units. In a parallel move, the Municipal Council has approved the reallocation of several labor city sites—about 2.4 million sqm each—in Al-Jahra, Al-Sabahiya, Al-Khiran, and Al-Mutlaa, transferring them to PAHW and the Ministry of Finance for future residential development. The authorities also announced the imminent resumption of plot distributions in South Saad Al-Abdullah, supported by KD262 million in infrastructure contracts awarded during Q1 2025, with project completion targeted between 2027-28. Moreover, large-scale plans are underway to launch three new residential zones in Nawaf Al-Ahmad, Khiran, and Al-Sabriyah, which together could accommodate up to 150,000 housing units. On the financing front, activity slowed with Kuwait Credit Bank (KCB) approved housing loans totaling KD37.3 million in Q1 2025, down sharply from KD110.6 million in Q4 2024. The decline is likely linked to the ongoing halt in plot distributions. Correspondingly, disbursed government plot loans fell 8.5% q/q, reversing the 14.6% increase recorded in Q4 2024.

**Table 1: Real estate sales**

	Quarterly Average		Quarterly Sales/ Transactions					Change in 1Q25, %	
	2023	2024	1Q24	2Q24	3Q24	4Q24	1Q25	q/q	y/y
<b>Sales (KD million)</b>	<b>709</b>	<b>870</b>	<b>697</b>	<b>853</b>	<b>847</b>	<b>1,082</b>	<b>795</b>	<b>-26.6</b>	<b>13.9</b>
Residential	357	382	353	337	384	456	346	-24.1	-2.0
Investment	224	301	232	223	317	433	345	-20.2	49.0
Commercial	127	186	112	294	146	193	103	-46.7	-8.4
<b>Number of transactions</b>	<b>1,074</b>	<b>1,210</b>	<b>1,065</b>	<b>1,009</b>	<b>1,250</b>	<b>1,515</b>	<b>1,270</b>	<b>-16.2</b>	<b>19.2</b>
Residential	760	875	784	712	895	1,107	876	-20.9	11.7
Investment	285	302	259	250	327	370	336	-9.2	29.7
Commercial	29	34	22	47	28	38	58	52.6	163.6
<b>Average transaction Value (KD '000)</b>	<b>659</b>	<b>723</b>	<b>655</b>	<b>846</b>	<b>678</b>	<b>714</b>	<b>626</b>	<b>-12.4</b>	<b>-4.5</b>
Residential property	471	441	450	473	429	412	395	-4.1	-12.3
Investment	788	982	895	893	970	1,169	1,028	-12.1	14.9
Commercial	4,970	5,416	5,110	6,246	5,219	5,088	1,775	-65.1	-65.3

Source: Ministry of Justice, NBK calculations

**Table 2: NBK real estate price index\***

	Weight (100=2019)	q/q					y/y				
		1Q24	2Q24	3Q24	4Q24	1Q25	1Q24	2Q24	3Q24	4Q24	1Q25
<b>RE price index</b>	<b>100.0</b>	<b>-2.1</b>	<b>-3.2</b>	<b>-1.4</b>	<b>3.8</b>	<b>0.7</b>	<b>-1.3</b>	<b>-3.0</b>	<b>-4.7</b>	<b>-3.0</b>	<b>-0.2</b>
Investment	45.5	2.3	-7.0	1.0	7.0	1.0	5.0	-2.1	-0.3	2.8	1.6
Residential	54.5	-5.7	0.0	-3.3	1.2	0.5	-6.1	-3.6	-8.1	-7.7	-1.7

Source: Ministry of Justice, NBK calculations

\* The NBK real estate price index is based on a dataset of real estate transactions available at the Ministry of Justice website. The index is calculated on a quarterly basis by type of real estate for all governorates. The methodology is based on a fixed-weight Laspeyres type with the base year 2019.

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