

Real estate

Kuwait: Seasonality dampened real estate activity in August, though prices held firm

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Real estate activity remained relatively stable in August. Seasonality pulled the monthly sales figure down slightly to KD 154.5 million. Sales across all sectors totaled KD 1.5 billion year-to-date (ytd), down 5.4% from the same period last year. The residential sector was particularly strong in 2017, compensating for the subdued activity in the investment and commercial sectors. Prices continue to stabilize, though they remain down 5%-10% year-on-year (y/y).

2017 witnessed the resurgence of investor interest in the residential sector, following weaker demand since end-2015. Year-to-date, sector sales improved by 23% y/y. Over the last eight months, 1,134 homes were sold at an average of 173 home per month, 24% higher than during the same period last year. Similarly, regained interest in residential land has been noticed in 2017, with 924 plots sold so far; however, it remains substantially lower than the 1,432 plots sold during the first 8 months of 2015.

Despite this improvement, August residential sector sales were soft, recording the lowest monthly sales in almost a year. Since the spike in May 2017, sales have trended down to reach KD 67.2 million in August, which was down by 6.4% y/y. 217 residential transactions were recorded in August, more than two thirds of which were homes, while the rest were plots. Home sale activity was prominent in the Ahmadi governorate, totaling 49 transactions, as well as in the Jahra governorate that numbered 34 in total.

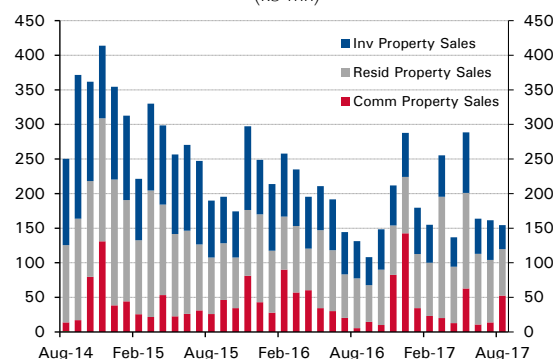
More robust demand this year continued to see the NBK residential price index firm up. This resulted in a stronger NBK residential home price index that reached 155.1 in August, the highest so far in 2017. The NBK residential land price index registered its first monthly increase in six months from 164.8 in July to 166.7 in August, easing its pace of decline to 8.6% y/y. (Chart 3).

Activity in the investment sector, which has not seen a similar improvement in 2017, was particularly weak in August, with sales at their lowest since 2010. Sector sales have been anemic since early 2016. August was no different, with sector sales of KD 34.8 million, down 35% y/y and transactions down 10.5% y/y. This trend has coincided with rising apartment vacancies. According to the Public Authority of Civil Information (PACI), the number of vacant apartments has risen since June 2015. Rental rates have also suffered, with the housing component in the CPI registering the first decline of 2.3% y/y in years through June 2017. The investment sector may continue to face some challenging months ahead as residents try to adjust to the utility price hike that went into effect on 22 August, albeit smaller than what was initially announced.

The slow activity in the sector and the rise in vacant apartments continue to exercise negative pressure on investment property prices. The NBK investment building price retreated to 179.3 in August down 5.1% y/y (Chart 5). The price index has settled at levels last seen at the end of 2013.

Chart 1: Real estate sales

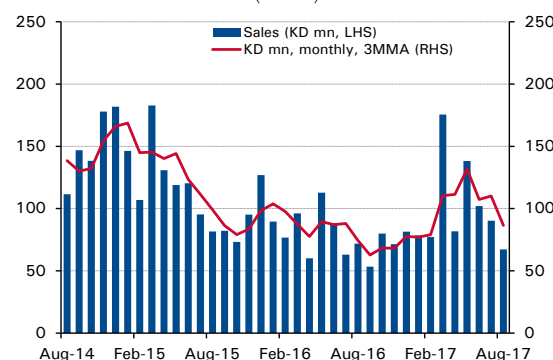
(KD mn)



Source: Ministry of Justice

Chart 2: Residential real estate sales

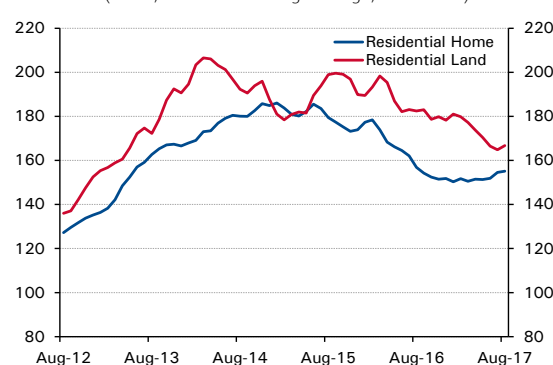
(KD mn)



Source: Ministry of Justice, NBK estimates

Chart 3: Residential real estate price indices

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



Source: Ministry of Justice, NBK estimates

Commercial property sales witnessed their best performance in August, relative to the preceding two months, and had lent support to the August real estate sector sales as a whole. Fifteen transactions took place in August, the largest being a commercial building in Khaitan for KD 15 million, followed by two buildings in Salmiya worth KD 11.7 million and KD 8.8 million, respectively. (Chart 6).

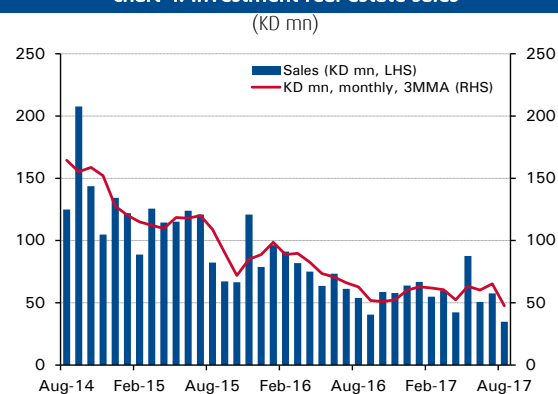
Table 1: Real estate sales

	Monthly average		2017		Aug 2017		
	2015	2016	June	July	August	% m/m	% y/y
Sales (KD mn)	253.5	194.7	163.6	161.5	154.5	-4.3	17.8
Residential property	113.4	78.7	102.0	90.3	67.2	-25.5	-6.4
Investment property	102.2	68.1	50.8	57.5	34.8	-39.4	-35.3
Commercial property	37.9	47.9	10.9	13.8	52.5	281.0	846.8
Number of transactions	452	354	386	372	300	-19.4	0.0
Residential property	323	237	308	268	217	-19.0	-1.4
Investment property	120	108	74	100	68	-32.0	-10.5
Commercial property	8	8	4	4	15	275.0	275.0
Transaction size (KD '000)	566	547	423.9	434.2	515.1	18.6	17.8
Residential property	352	332	331.2	336.8	309.7	-8.0	-5.1
Investment property	882	646	686.1	574.9	512.0	-10.9	-27.7
Commercial property	5,185	5,204	2712.5	3444.5	3499.9	1.6	152.5

Source: Ministry of Justice

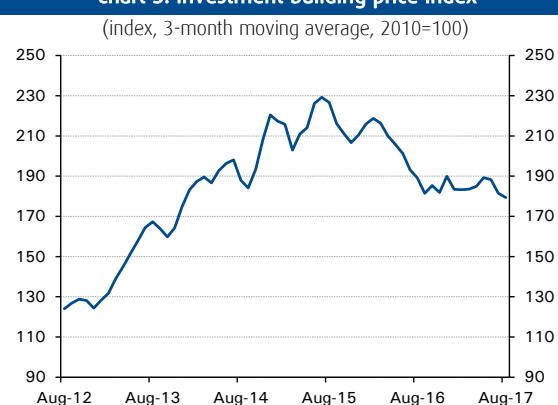
Note: Our real estate indexes database comprises 65,000 transactions. Each index combines monthly average prices (per sqm when possible) in select, more active, areas of Kuwait; it is then adjusted for volatility. The indexes are based in 2010, i.e. 2010 price index equals 100. The indexes are not adjusted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

Chart 4: Investment real estate sales



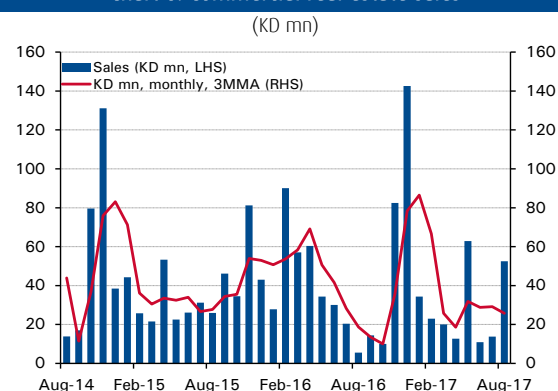
Source: Ministry of Justice, NBK estimates

Chart 5: Investment building price index



Source: Ministry of Justice, NBK estimates

Chart 6: Commercial real estate sales



Source: Ministry of Justice, NBK estimates

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