

Real estate

Kuwait: Real estate activity picks up in October amid stable prices

Improvement in real estate activity continues apace as sales posted strong growth figures and prices remained relatively stable. Total real estate sales grew an impressive 46% year-on-year (y/y) in October, the highest monthly growth since June 2014, reaching KD 216.9 million, on revived activity in the commercial sector as well as strength from the residential sector sales. Total transactions picked up to 450 units in October, rising 23% compared to the same period last year. Prices remained on the recovery trend overall, except for the residential home price index that saw a return to early 2017 price levels.

The residential sector bolstered the real estate market once again in October, continuing the supportive role witnessed throughout 2017. Residential sales jumped 38% y/y in October to KD 110.3 million with a healthy 357 transactions (Chart 2). In the first ten months of this year, sales activity in the residential property market as a whole has grown by 25% compared to the same period last year. Residential homes made up over 60% of transactions. In residential land sales, there was strong activity in the Sabah Al-Ahmad coastal area with 31 plots sold, Abu Faira with 30 transactions, and Al-Funaitees with 24 plots.

Residential land prices continued their recovery after the slowdown in the first half of the year, while residential home prices softened slightly. The NBK residential home price index reached 150.2 in October, down 1.5% from a year ago. The NBK residential land price index picked up further to 176.7, down only 1.1% y/y (Chart 3). The price indices both show progress, given the pace of decline in both indices was more pronounced in the first half of the year.

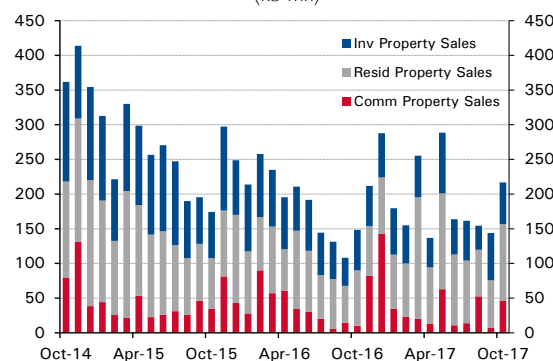
Investment property sales show pick up but are still lower than the prior year's monthly average. October sales reached KD 60.1 million, a better performance than the 3Q17 monthly average, but remained below the 2016 monthly average of KD 68 million (Chart 4). Investor interest may be coming back on improved expectations; oil prices have recovered and the government has shown it is committed to the development plan with project awards.

Higher sales in September and October helped reverse the drag on investment building prices. The NBK investment building price index recovered to 181.1 in October, down a mere 2.3% y/y (Chart 5). This is a vast improvement from the double digit declines—to the tune of 14% y/y on average—witnessed earlier this year and in late 2016.

Commercial sector activity bounced back quickly in October following a short lull in market activity. A total of 7 sales took place in the commercial sector, worth a combined KD 46.5 million, up from the previous month's KD 7.5 million (Chart 6). The largest transaction that took place was a KD 29.4 million commercial plot in Sharq.

Chart 1: Real estate sales

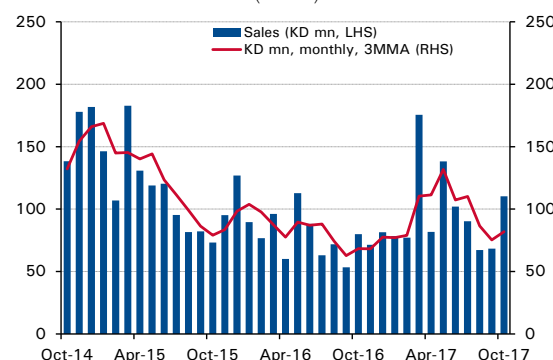
(KD mn)



Source: Ministry of Justice

Chart 2: Residential real estate sales

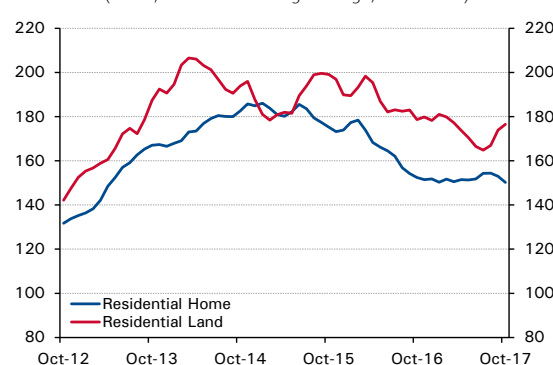
(KD mn)



Source: Ministry of Justice, NBK estimates

Chart 3: Residential real estate price indices

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



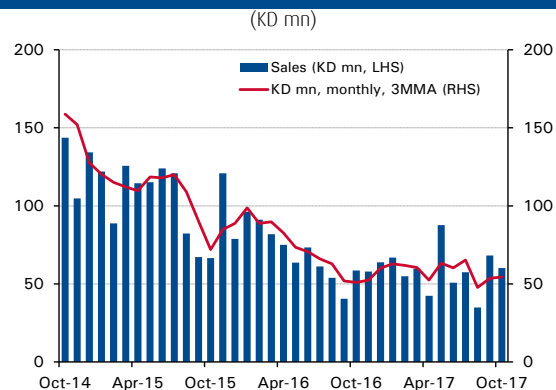
Source: Ministry of Justice, NBK estimates

Table 1: Real estate sales

Average	2017				Oct 2017		
	2015	2016	Aug	Sept	Oct	% m/m	% y/y
Sales (KD mn)	253.5	194.7	154.5	144.0	216.9	50.7	46.1
Residential property	113.4	78.7	67.2	68.3	110.3	61.5	38.0
Investment property	102.2	68.1	34.8	68.2	60.1	-11.8	2.6
Commercial property	37.9	47.9	52.5	7.5	46.5	520.1	365.1
Number of transactions	452	354	300	292	450	54.1	23.0
Residential property	323	237	217	207	357	72.5	40.6
Investment property	120	108	68	84	86	2.4	-18.9
Commercial property	8	8	15	1	7	600.0	16.7
Transaction size (KD th)	566	547	515.1	493.0	482.0	-2.2	18.8
Residential property	352	332	309.7	329.8	308.9	-6.3	-1.8
Investment property	882	646	512.0	811.8	699.1	-13.9	26.5
Commercial property	5,185	5,204	3,500	7,500	6,644	-11.4	298.7

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

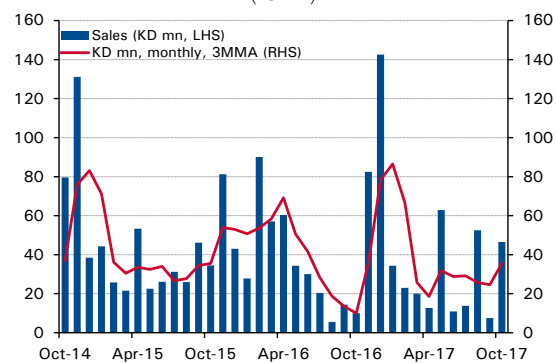
(index, 3-month moving average, 2010=100)



Source: Ministry of Justice, NBK estimates

Chart 6: Commercial real estate sales

(KD mn)



Source: Ministry of Justice, NBK estimates

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