

Real estate

Kuwait: Residential sector boosts the market; prices remain relatively stable

> Hiba Koraytem

Senior Economist

+965 2259 5363, hibakoraytem@nbk.com

The real estate market ended the first quarter on a positive note, with total sales breaching the KD 200 million mark in March amid continued price stability. Real estate sales totalled KD 590 million by the end of 1Q17, down 17% compared to the first quarter of last year despite a slight pickup in transaction volumes, which rose by 3% year-on-year (y/y). However, March alone saw sales up by 9% y/y to KD 255 million, supported by a jump in residential sales. The month saw continued stabilization in prices across both the residential and the investment sectors.

The residential sector was the main driver behind the pick-up in activity in March. Sales reached KD 175 million during the month, on 358 transactions. Of these, 185 were land sales with a heavy concentration in Abu Ftaira and Sabah Al-Ahmad Sea City. Interest in residential land has been low for the last two years, with 90 land sales per month on average in 2016 compared to 300 land sales in 2014 as speculative trading was dominating the market.

Residential real estate prices retreated slightly in March, but continued to show a stabilizing trend. The NBK residential home price index stood at 150.9 point, down 0.6% for the month. The index has been in the vicinity of 151-152 points for the seven months, though it is down 13.2% y/y. The NBK residential land price index retreated slightly in March to 178.1 points. This index was down 10.2% y/y, although it remained relatively stable for ten months.

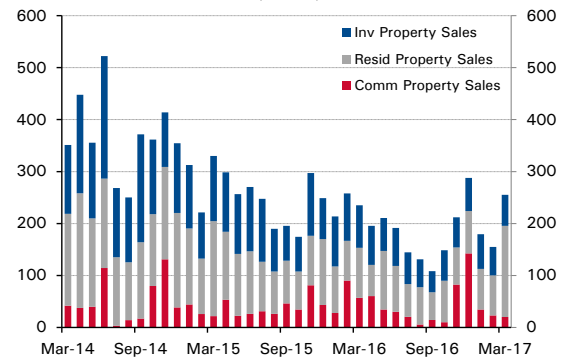
Investment sector activity softened in March. Sales came in at KD 60 million, down 27% y/y. (Chart 4) The number of transactions lagged as well, dropping by 30% from previous year. The number of less expensive single investment apartments continued to be the sector's main driver. The shift in the composition of the investment sales towards more single-apartments than buildings resulted in a 30% decline in quarterly KD sales from a year ago, while the number of transactions declined by 3% y/y in 1Q17.

Investment building prices were flat in March. The NBK investment building price index stood at 183.5 points, up 0.3 percentage point for the month. Though the index is down 15.1% y/y, it appears also to have bottomed out in tandem with prices in the residential sector; the index has hovered around similar levels for four months.

Commercial sector activity was weak during the first quarter of the year with only 25 transactions. Sales for the quarter totalled only KD 77 million, down 56% compared to 1Q16; some softness was expected as the commercial sector saw an exceptionally strong 2016. The sector recorded sales of KD 20 million in March, including a KD 8.3 million transaction for a building in Salmiya.

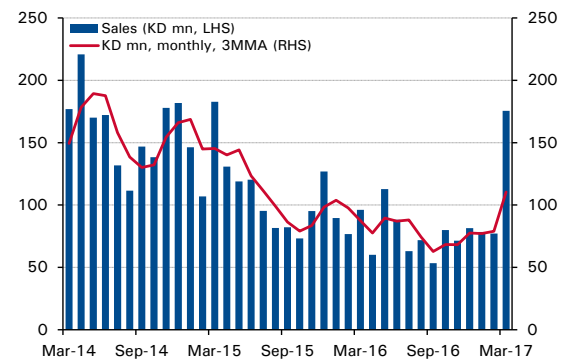
Chart 1: Real estate sales

(KD mn)



Source: Ministry of Justice

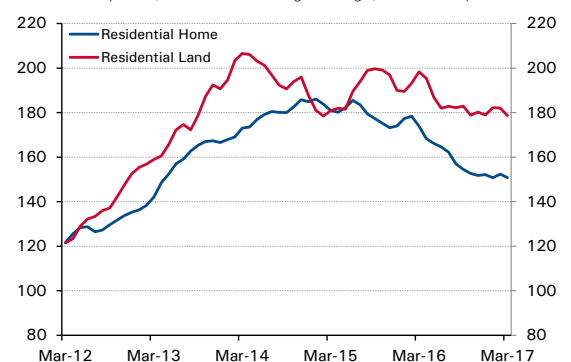
Chart 2: Residential real estate sales



Source: Ministry of Justice, NBK estimates

Chart 3: Residential real estate price indices

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



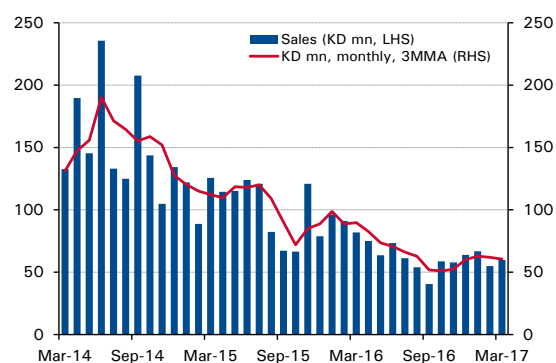
Source: Ministry of Justice, NBK estimates

Table 1: Real estate sales

	Monthly average		2017		March 2017		
	2015	2016	Jan	Feb	Mar	% m/m	% y/y
Sales (KD mn)	253.5	195	179.5	155.0	255.3	64.7	8.7
Residential property	113.4	79	78.4	77.1	175.5	127.6	82.6
Investment property	102.2	68	66.8	54.9	59.8	8.9	-26.9
Commercial property	37.9	48	34.3	23	20	-13.0	-65.0
Number of transactions	452	354	368	353	436	23.5	2.6
Residential property	323	237	240	227	358	57.7	16.6
Investment property	120	108	115	119	73	-38.7	-29.8
Commercial property	8	8	13	7	5	-28.6	-64.3
Transaction size (KD '000)	566	547	487.8	439.1	585.6	33.4	5.9
Residential property	352	332	326.7	339.6	490.2	44.3	56.6
Investment property	882	646	580.9	461.3	819.2	77.6	4.1
Commercial property	5,185	5,204	2638.5	3285.7	4000.0	21.7	-1.9

Source: Ministry of Justice

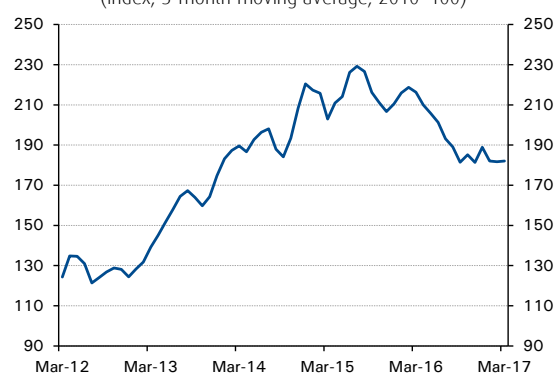
Note: Our real estate indexes database comprises 65,000 transactions. Each index combines monthly average prices (per sqm when possible) in select, more active, areas of Kuwait; it is then adjusted for volatility. The indexes are based in 2010, i.e. 2010 price index equals 100. The indexes are not adjusted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

Chart 4: Investment real estate sales


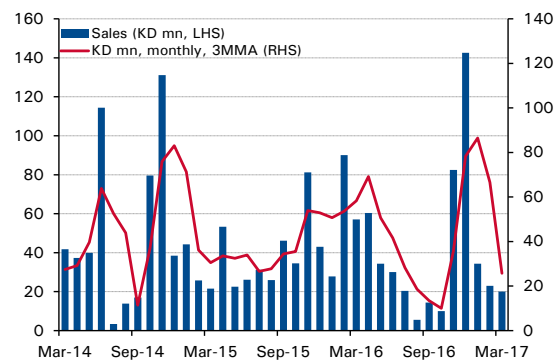
Source: Ministry of Justice, NBK estimates

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


Source: Ministry of Justice

Head Office

Kuwait
National Bank of Kuwait SAKP
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates
National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan
National Bank of Kuwait SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America
National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait
(International) Plc
Portman Square Branch
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

France
National Bank of Kuwait
(International) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait SAKP
Shanghai Representative Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait
NBK Capital
38th Floor, Arraya II Building, Block 6
Shuhada'a street, Sharq
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey
Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353