

Real estate

Kuwait: August real estate activity remains subdued

> Hiba Koraytem

Senior Economist

+965 2259 5363, hibakoraytem@nbk.com

The real estate market stayed soft in the summer, while residential land prices showed stability in the past three months. Overall sales across all sectors totaled KD 1.58 billion year-to-date (ytd), down 26% from the same period last year. Sales in the residential and investment sectors are down about one third from last year, while commercial activity is up for the year. August's price performance, as reflected in NBK's real estate price indices, continued to reflect an ongoing gradual correction that started in 2015, with some signs of slowing down.

The residential sector sees its first monthly pickup in activity since May 2016. The sector registered 220 transactions, up 12% for the month, while KD sales increased to KD 71.8 million, up by 14% month-on-month (m/m) (Chart 2). The residential sector continues to lag last year's transactions and KD sales, by 10% and 12% respectively.

Residential real estate prices hint at some stabilization in August.

The NBK residential home price index registered 156.5 points in August, retreating by 12.8% y/y and is down 3.4% for the month. The NBK residential home price index has been trending downward since the beginning of 2015, when it peaked at 186 points in January 2015. Similarly, the NBK residential land price index retreated in August; at 182.8 points, the index is off 8.1% y/y, but was unchanged for the second consecutive month. Land prices were the first to correct, back in 2014, and have shown some signs of stabilization recently.

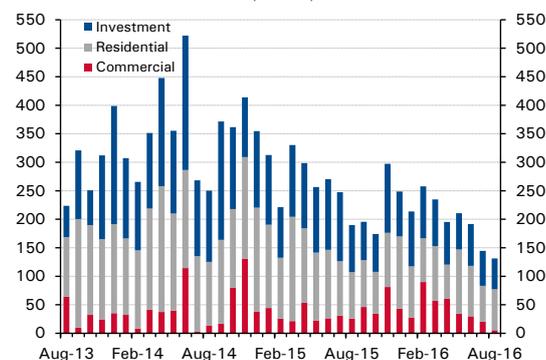
The latest data published by the Public Authority for Civil Information (PACI) for June 2016 shows that out of the 152,170 homes, 87% were used for residential purposes whereas 12% of total homes remained vacant. The number of vacant homes has been steadily declining since June 2004 from 25,773 to 18,275 in June 2016 in parallel with the rising price of residential properties, reflecting rising demand over that past period.

In tandem, government distribution of subsidized housing plots and built homes was relatively small in comparison with the growing backlog in the applications at the Public Authority for Housing Welfare (PAHW). Faced with more than a hundred thousand applications in the pipeline, the government tripled its annual housing distributions to over 15,000 units in 2015 from around 5,000 the previous year. In 2016, it plans to distribute more than 12,000. Expectation of an increase in vacant residential properties due to the increased supply of subsidized housing may have helped with the recent correction in residential property prices.

Seasonal lull in activity pulled investment sector sales to a 5-year low as apartment sales continued to carry the investment sector during the current environment. Sales for the investment sector totaled KD 54 million, 34% lower than August of last year with smaller single apartments (for investment) representing 57% of total transactions. The sector's activity remains weak with 76 transactions, half the transactions recorded in August of last year.

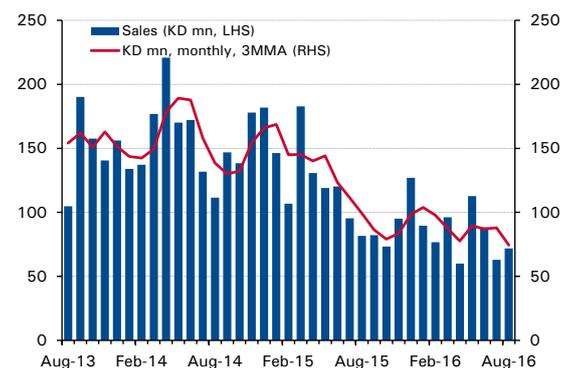
Chart 1: Real estate sales

(KD mn)



Source: Ministry of Justice

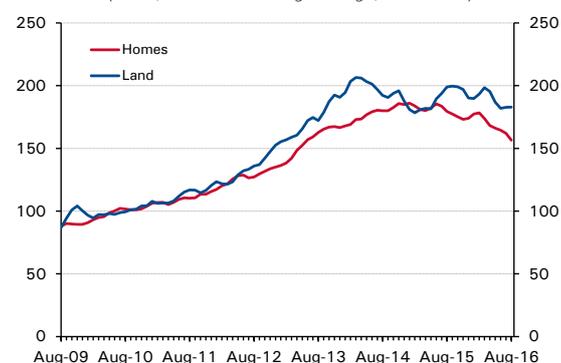
Chart 2: Residential real estate sales



Source: Ministry of Justice

Chart 3: Residential real estate price indices

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

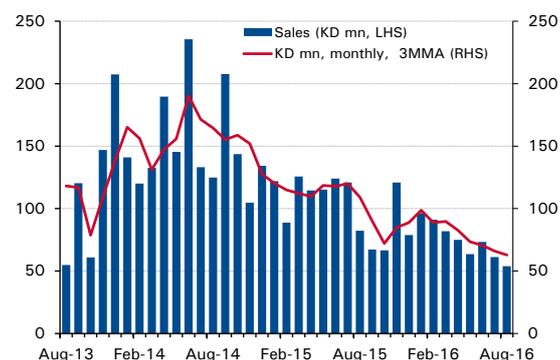


Source: Ministry of Justice, NBK estimates

The NBK investment-building price index maintained its level in August. Despite the subdued activity in the real estate market, exacerbated by summer seasonality, the NBK investment building price index remained in the vicinity of 190 points, down 1.7% on the month. After making slight price gains since the beginning of the year, the index remains below the 200-mark for the second consecutive month in August, and down 16.2% y/y. The correction of the price index seems steeper the last three months coming off from record high levels between June and August 2015 (i.e. basis effect) when the index averaged 227 points.

Commercial sector sales cooled further in August following an almost yearlong rally. Sales for the month totaled KD 5.5 million. This was on only four transactions; mainly three commercial plots in Sabah Al Ahmad Sea City amounting to KD 5.3 million.

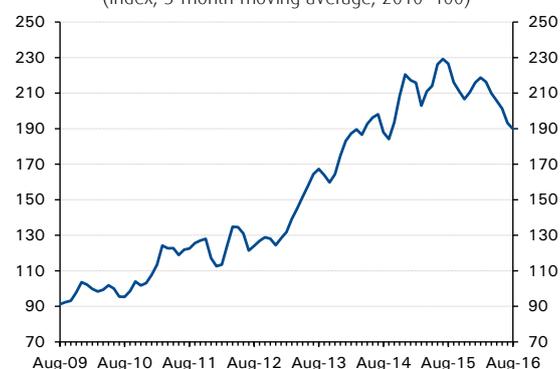
Chart 4: Investment real estate sales



Source: Ministry of Justice

Chart 5: Investment building price index

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



Source: Ministry of Justice, NBK estimates

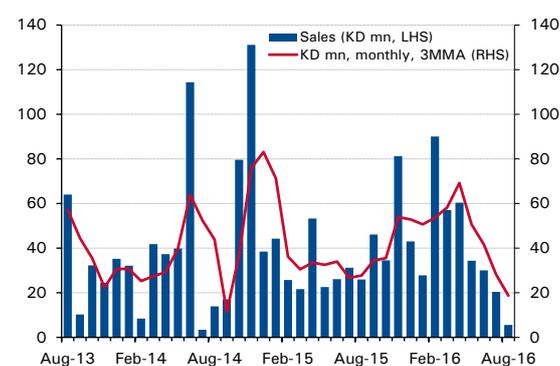
Table 1: Real estate sales

	Monthly average		2016			August 2016	
	2014	2015	June	July	August	% m/m	% y/y
Sales (KD mn)	355.8	253.5	191.5	144.5	131.2	-9.2	-30.9
Residential property	158.3	113.4	88.2	62.9	71.8	14.1	-12.0
Investment property	151.0	102.2	73.3	61.1	53.9	-11.9	-34.5
Commercial property	46.4	37.9	30.0	20.4	5.5	-72.8	-78.6
Number of transactions	635	452	370	287	300	4.5	-25.6
Residential property	484	323	266	196	220	12.2	-10.2
Investment property	143	120	99	86	76	-11.6	-49.3
Commercial property	8	8	5	5	4	-20.0	-50.0
Transaction size (KD '000)	557	566	518	503	437.3	-13.1	-7.1
Residential property	334	352	332	321	326.4	1.6	-2.1
Investment property	1,085	882	741	711	708.6	-0.3	29.2
Commercial property	4,937	5,185	6,002	4,077	1386.3	-66.0	-57.2

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 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 SAKP
(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 17170156

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