



# Kuwait Real Estate Report

## H2 2023 Outlook

المركز  
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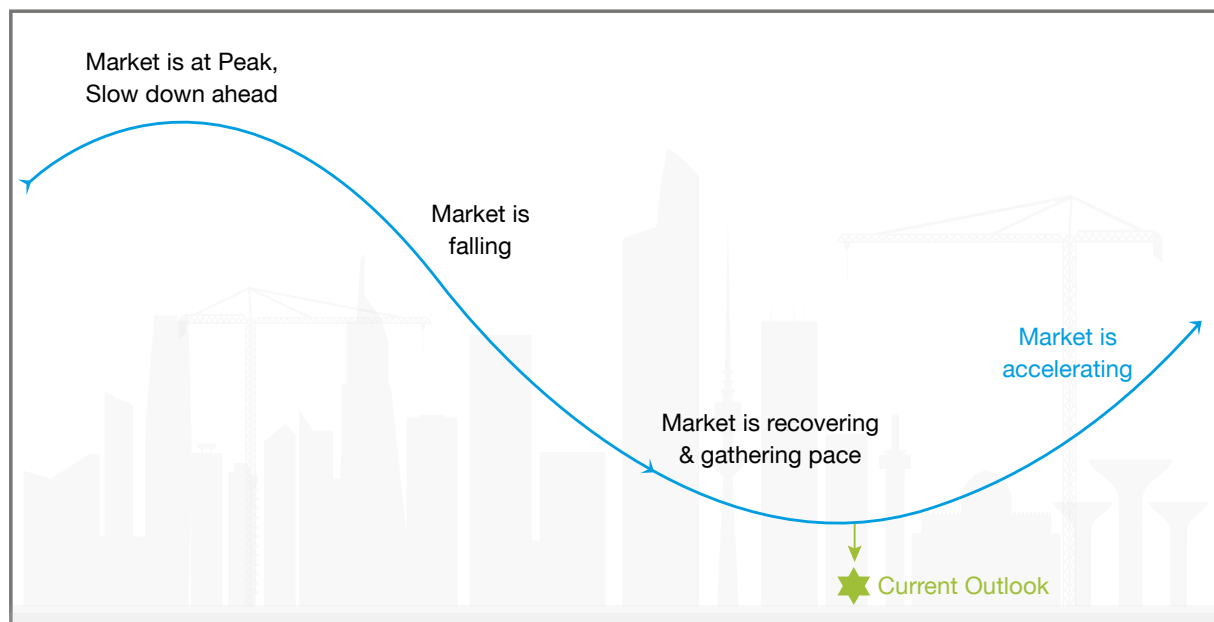
## 1. Executive Summary

- Kuwait's economic growth is expected to moderate in 2023 to 0.9% as compared to 8.2% in 2022 owing to lower output from the oil sector. Sluggish demand for oil due to an expected slowdown in global economic activity and supply cuts from OPEC+ are expected to lead to a slowdown in Kuwait's real oil GDP growth. Non-Oil GDP is expected to grow by 3.4% in 2023 supported by stimulus measures from the government and a recovery in employment levels of expatriates.
- The IMF forecasts oil prices to average at USD 73.13 per barrel in 2023, which is lower compared to the average oil price of USD 99/bbl. in 2022. Higher interest rates and fears of economic recession in advanced economies have led to lower oil demand, resulting in lower oil price forecasts for 2023.
- Kuwait's inflation eased in 2023 compared to the peak levels in 2022 but remains higher than pre-pandemic levels. Consumer Price Inflation (CPI) fell to 3.83% y/y in June 2023, from the highs of 4.71% y/y in April 2022. Prices of Food and Beverages, which accounts for 16.7% of CPI has softened from 9.13% y/y in April 2022 to 6.25% y/y in June 2023 owing to easing global food prices, given Kuwait's high reliance on food imports.
- Prices in the housing services component rose from 1.44% y/y at the end of 2022 to 3.23% y/y in June 2023, mainly driven by the housing rents which increased by 3.61% y/y in June 2023 up from 1.51% y/y at the end of 2022. Kuwait's Housing rental market is seeing a milder recovery since September 2021 with the increase in the expat population post-COVID, the key driver for rental market growth.
- Credit growth to the private sector has slowed, reaching 3.3% y/y in H1 2023 compared to 10.9% y/y growth in H2 2022. Credit growth has slowed down for both households and businesses. In H1 2023, household credit grew by 3.7% y/y, while business credit grew by 2.1% y/y. This is a significant decrease from the growth rates of 9.0% y/y and 6.9% y/y respectively in H2 2022. Credit to the Real Estate sector grew by 1.2% y/y in H1 2023 as compared to 5.4% y/y in H2 2022. The decline in credit growth to the private sector is largely due to higher interest rates.
- Major central banks across the world, including developed and emerging markets, have taken a hawkish approach to their policy rates to reach inflation targets. The U.S. Fed is expected to take a less aggressive stance in H2 2023 to measure the impact of its 500 basis points (bps) hike since March 2022, and gradually decrease its policy rates from 2024. As Kuwait's monetary policy broadly follows the U.S., further rate hikes by Fed could be followed by the Central Bank of Kuwait after









considering domestic inflation and economic growth. The possibility of a rate cut by the Central Bank of Kuwait in 2023 remains highly unlikely.

- Real estate sales in H1 2023 dropped to KD 1,564 million (USD 5.1 billion), compared to KD 1,979 million (USD 6.5 billion) in H1 2022. This decline was primarily due to reduced demand caused by high property prices in the residential sector and high interest rates acting as a deterrent to lending. Residential sales in H1 2023 dropped to KD 736 million (USD 2.4 billion), compared to KD 1,013 million (USD 3.3 billion) in H1 2022. The number of transactions also fell by 38% y/y in H1 2023. The Istithmari segment also declined by 21% y/y reaching KD 458 million (USD 1.5 billion) in H1 2023, owing to a slower than anticipated recovery in the rental markets. Commercial sector sales declined by 46% y/y in H1 2023 to KD 210 million (USD 684 million) as compared to KD 387 million (USD 1.3 billion) sales in H1 2022, indicating a weaker demand from the corporate segment.
- Based on our assessment of various macroeconomic indicators, we believe that the Real Estate market in Kuwait is at the early stage of recovery & gathering pace in H2 2023 as indicated by the Markaz Real Estate Macro Index score of 3.0 out of 5.0.

### Kuwait Real Estate Market Outlook




## Kuwait Macro-Economic Views

Economic Factors	Our take	Our View
 Oil (Real) GDP Growth	Subdued	Oil GDP growth is expected to shrink by 0.9% y/y for 2023 compared to 11.6% in 2022 owing to lower demand for oil due to an expected global economic slowdown.
 Non-Oil (Real) GDP Growth	Neutral	Non-oil GDP growth rate is expected to be 3.4% in 2023, which is a small decline as compared to 3.9% in 2022. Kuwait's non-oil sector is to be driven by financial stimulus from the government and partial recovery in employment levels of expats.
 Fiscal Position <sup>1</sup>	Moderate	Fiscal surplus as % of GDP is expected to moderate in 2023 to 7%, compared to 11.6% in 2022 owing to lower oil prices.
 Investments	Neutral	Investments are expected to increase by 19.7% of GDP in 2023 to fund projects part of Vision 2030. <sup>2</sup>
 Money Supply	Neutral	Money supply (M2) is forecasted to grow by 5.7% y/y in 2023 compared to 2.7% in 2022 caused by moderate inflation levels.
 Inflation, %	Neutral	Kuwait's average inflation is expected to decline in 2023 to 3.3% as compared to 3.9% in 2022 supported by globally easing food prices and elevated policy rates.
 Interest Rate	Neutral	Interest rates are expected to remain elevated at current levels of 4% in 2023 and decline to an average of 3.4% in 2024 due to phased rate cuts.
 Population Growth	Neutral	Population growth is expected to be stable, driven by the increase in expats after the removal of COVID-related restrictions. However, there is a downside risk of expat quotas, which could restrict the growth of the expat population.

<sup>1</sup> Includes Investment Income

<sup>2</sup> IMF, WEO April 2023

Economic Factors	Our take	Our View
 Job creation	Neutral	Job Creation is expected to remain subdued due to restrictions in hiring expats and the high current expenditure of the government.

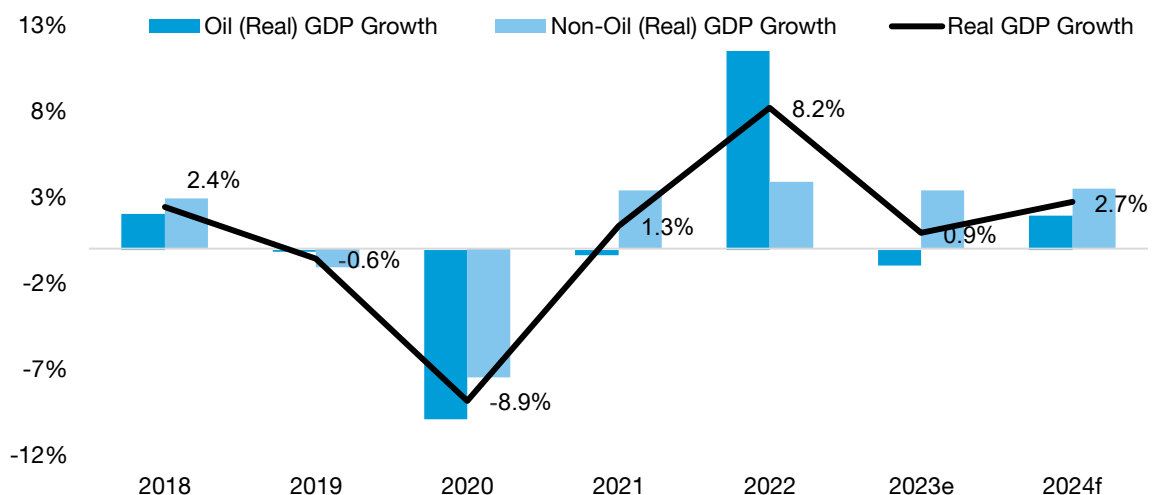
Source: Marmore Research

## 2. Kuwait: Macroeconomic Update

### a. Kuwait’s economic growth to moderate in 2023

Kuwait’s economic growth is expected to moderate in 2023 to 0.9%, down from 8.2% in 2022. This decline is primarily attributed to the decrease in oil GDP growth. The oil sector’s growth is expected to contract by 0.9% due to reduced external demand and oil production cuts under the OPEC+ agreement. However, Kuwait in the long run aims to increase its oil production capacity by 615,000 barrels per day with the Al-Zour refinery. The refinery is currently operating at two-thirds of its total capacity and is expected to be fully operational by the end of 2023. Despite the projected moderation in overall economic growth for 2023, Kuwait’s non-oil sector is expected to exhibit a growth rate of 3.4%, supported by financial stimulus measures and a partial recovery in expatriate employment.

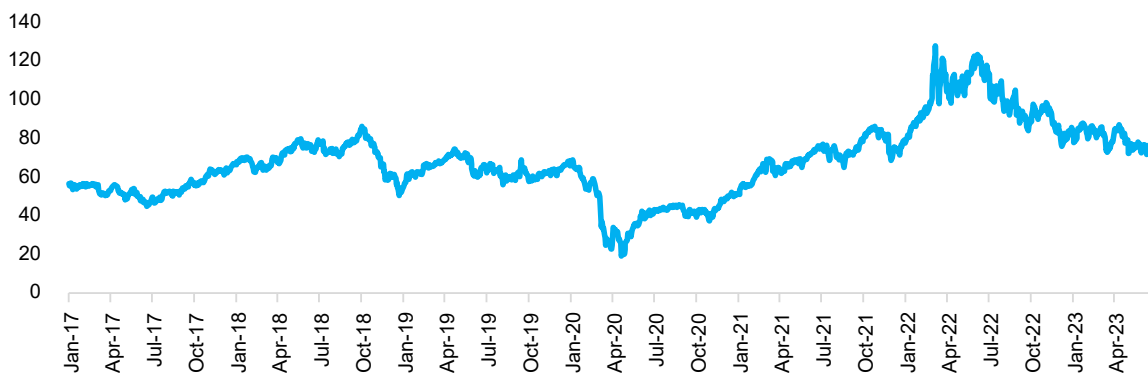
### Annual Real GDP Growth (percentage change)



Source: IMF

Oil prices experienced significant downward pressure in H1 2023 due to concerns about a global economic slowdown. This was driven by central bank interest rate hikes, persistent inflation, and bank failures in the United States and Europe. In an effort to counter the bearish sentiment and support prices, several OPEC+ members, including Kuwait, Saudi Arabia, and the UAE, announced additional voluntary production cuts, starting in May 2023, and lasting until the end of 2023. These cuts amount to a reduction in output of 128 thousand barrels per day for Kuwait, with a new production quota of 2.55 million barrels per day. IMF forecasts oil prices to average at USD 73.13/Barrel in 2023 as compared to USD 99/Barrel in 2022.

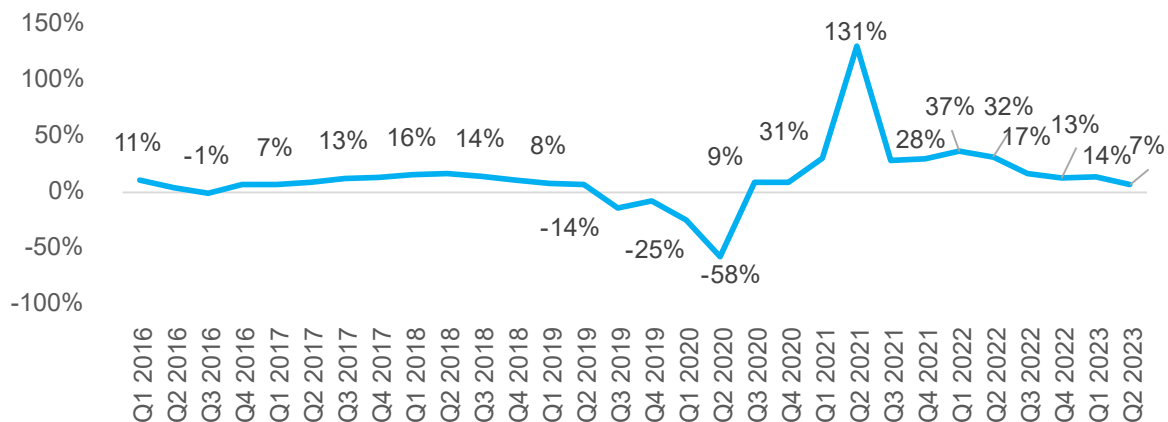
**Brent Crude Oil Prices USD/bbl. (Jan 2017 – Jun 2023)**



Source: Refinitiv

In Q2 2023, Point-of-sale (POS) transactions increased by 7% y/y. Although the growth has slowed from its peak of over 30% in early 2022, it is still strong when compared to levels before 2019. This slowdown in consumer spending compared to 2022 levels suggests a moderation in non-oil activity, amid elevated inflation, tighter monetary conditions, and softening global macroeconomic conditions.

**Point of Sales Transactions in Kuwait (y/y growth)**

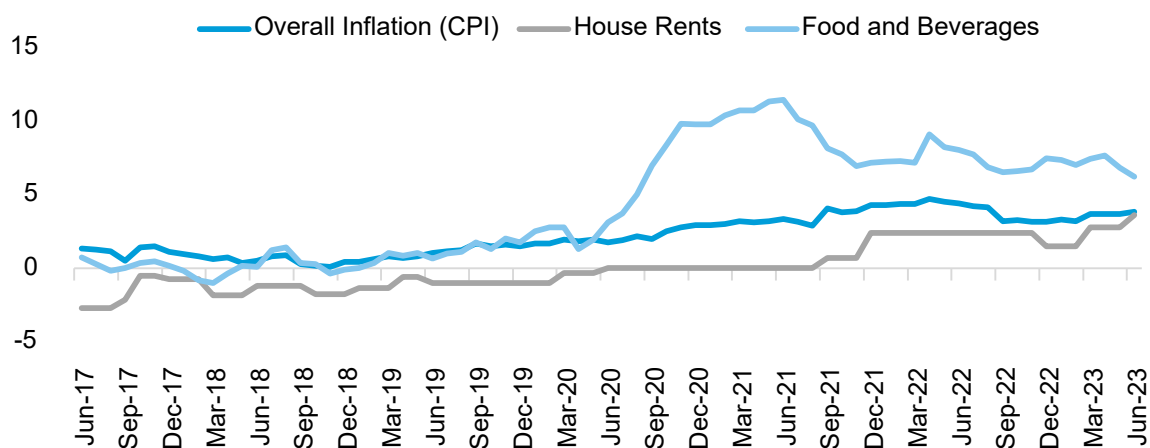


Source: Central Bank of Kuwait

## b. Inflation moderates mildly

Inflation (CPI) has declined from its peak level of 4.71% in April 2022 to 3.83% in June 2023. This is due to globally easing food prices and elevated policy rates. Prices of Food and Beverages, which accounts for 16.7% of CPI has softened from the highs of April 2022 from 9.13% to 6.25% in June 2023. The decline can be attributed to the easing of global food prices given Kuwait’s high reliance on food imports. Prices in the housing services component rose from 1.44% y/y at the end of 2022 to 3.23% y/y in June 2023, mainly driven by the housing rents which increased by 3.61% y/y in June 2023 up from 1.51% y/y at the end of 2022. Kuwait’s housing rental market is seeing a mild recovery since September 2021 with the recovery in the expat population, the key driver for rental market growth. However, in June 2023, core inflation (excluding the food and housing segment) experienced an increase of 3.30% y/y, primarily due to significant price increases in various subcomponents. The largest contributors to this rise were Clothing (6.8% y/y), Furnishings & household maintenance (2.4% y/y), Services & miscellaneous goods (4.3% y/y), and Transportation (3.6% y/y).

### Consumer Price Index Inflation and Subcomponents (Jun 2017 - Jun 2023) in %



Source: Refinitiv

## c. Stable credit growth levels

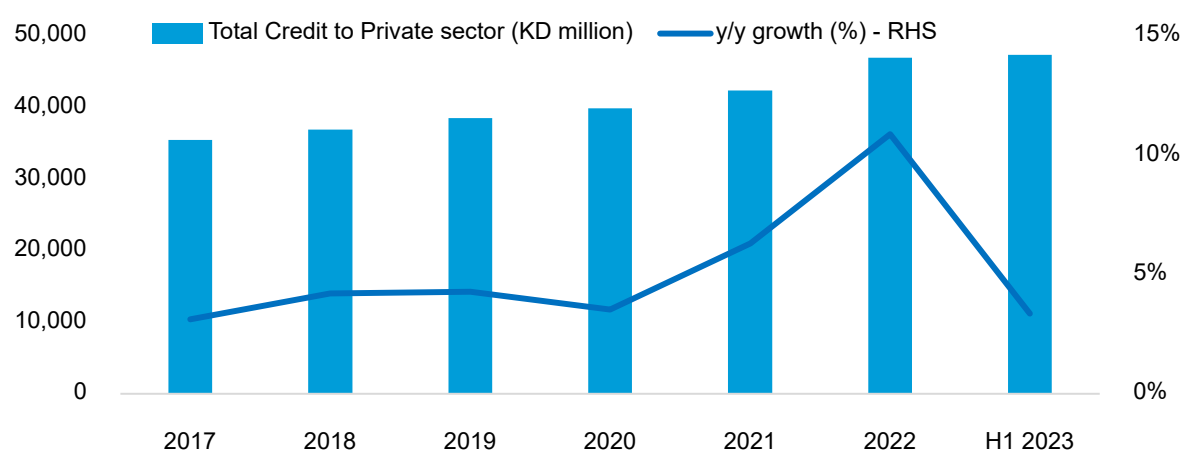
Credit growth to the private sector has slowed, reaching 3.3% y/y in H1 2023 compared to 10.9% y/y growth in H2 2022. This decline is in line with easing hydrocarbon production growth, a trend that is likely to continue in H2 2023 following the additional rounds of cuts announced by OPEC+. Higher Central Bank interest rates have deterred credit growth. Credit growth has slowed down for both households and businesses. In H1 2023, household credit grew by 3.7% y/y, while business credit grew by 2.1% y/y. This is a significant decrease from the growth



rates of 9.0% y/y and 6.9% y/y respectively in H2 2022. Consumer loans recorded a 2.4% y/y growth in H1 2023, a decline compared to 6.6% in H2 2022. Installment loans recorded a similar decline as consumer loans, which grew at 4.0% y/y in H1 2023 as compared to 9.4% y/y in H2 2022. The decline can be attributed to the return of consumption patterns to normal from Covid 19. Real Estate sector loan growth has declined by 1.2% y/y in H1 2023 as compared to a growth rate of 5.4% y/y in H2 2022 on the back of higher interest rates and decreased competition among banks in providing credit. OPEC+ supply cuts are expected to have a deeper impact on loan demand in 2023 by the hydrocarbon sector, which is a key driver of credit-fuelled investment in the country.

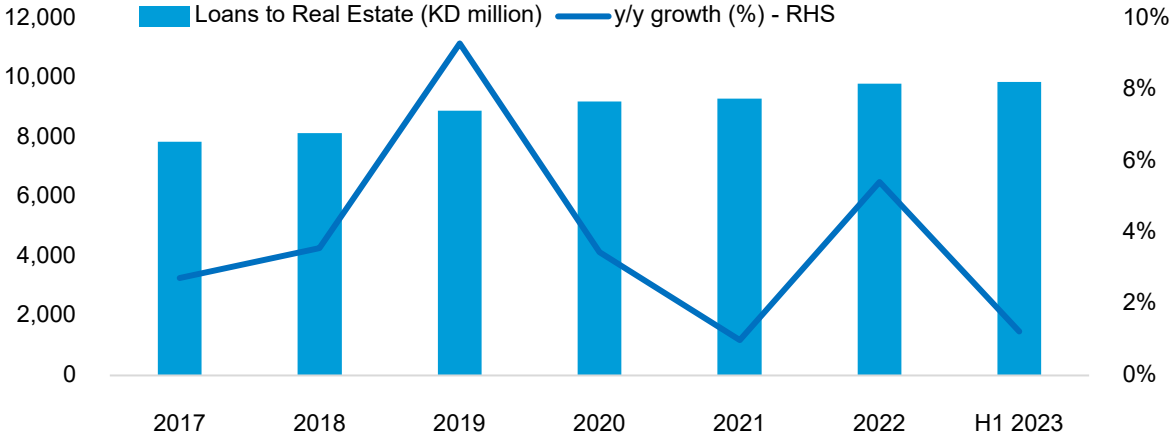
In 2021, the Central Bank of Kuwait (CBK) submitted a draft law on mortgage financing to the government. Under the proposed law, Mortgage financing can also be provided by local banks as compared to the current law where Kuwait Credit Bank (KCB) is the only entity for granting housing loans. The proposed law has revised the mortgage limit to KWD 140,000 where the government bears interest payment for KWD 70,000 and the remaining are to be borne by the borrower. The Current mortgage law has a KWD 70,000 interest-free mortgage from KCB. If approved, the law could reduce the burden on the government and increase the ease of access to funding. The new mortgage law along with measures to increase the supply of housing to the market will aid the growth of the private housing sector and increase the offtake of mortgages.

### Total Credit to Private Sector



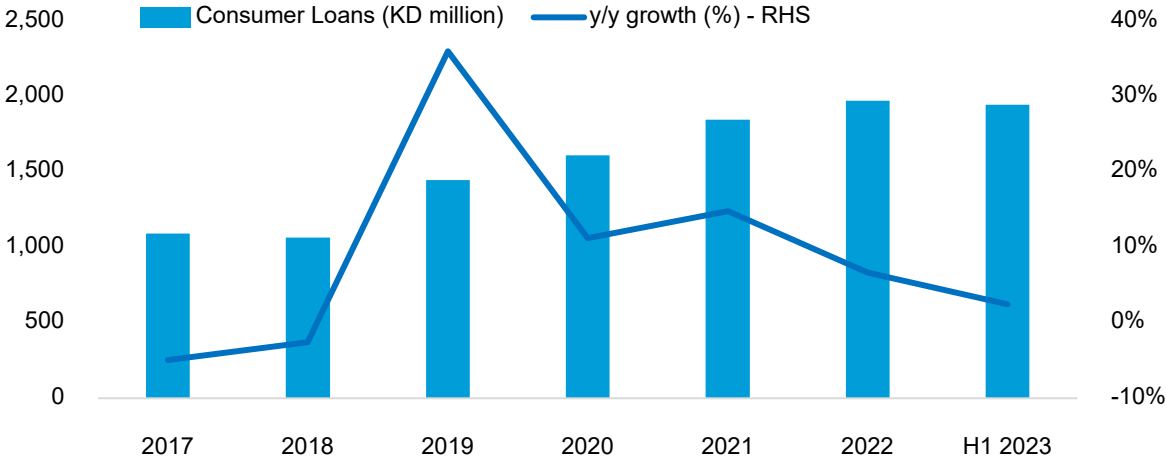
Source: Central Bank of Kuwait; Values are as of end of period

### Loans to Real Estate Sector



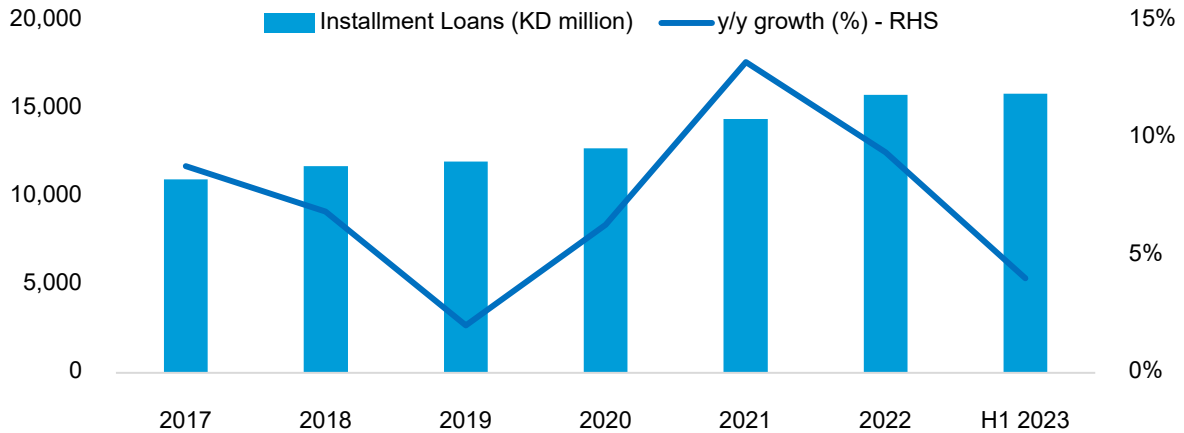
Note: Loans to real estate include private residential loans  
 Source: Central Bank of Kuwait; Values are as of end of period

### Consumer Loans



Source: Central Bank of Kuwait; Values are as of end of period

## Installment Loans

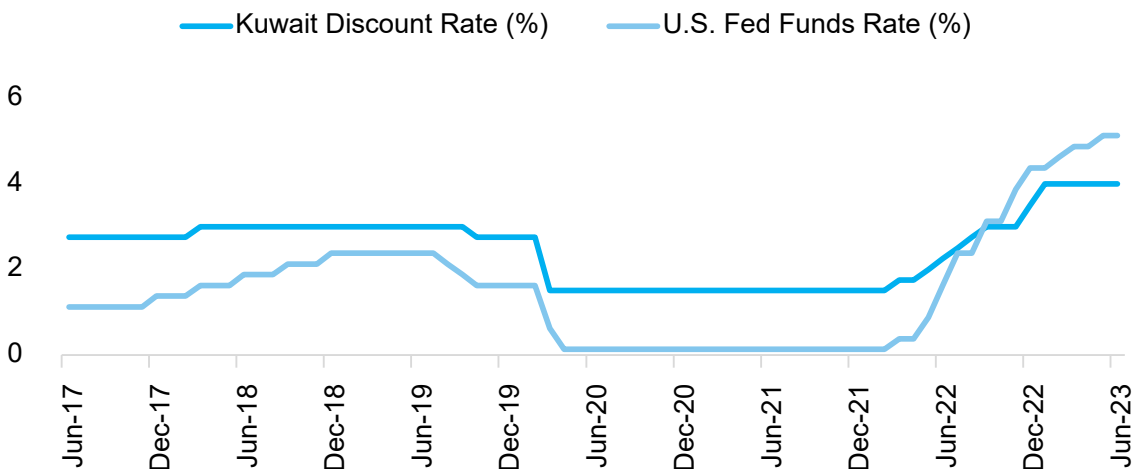


Source: Central Bank of Kuwait; Values are as of end of period

### d. High interest rates - a case of concern for the Real Estate sector

The Central Bank of Kuwait (CBK) traditionally follows the monetary policy of the US Fed, but not in synchronization. This is due to the Kuwaiti Dinar being pegged to a basket of currencies. CBK has held its policy rate at 4% since January 2023 being the only GCC Central Bank without any rate hikes from February to June 2023. Kuwait has had the leverage in deciding its monetary policy due to a decline in its domestic consumer inflation (CPI), a key metric for monetary tightening which dropped from 4.42% in June 2022 to 3.83% in June 2023. The U.S. Fed is expected to take a less aggressive stance in H2 2023 to measure the impact of its 500 basis points (bps) hike since March 2022, and gradually decrease its policy rates from 2024. As Kuwait's monetary policy broadly follows the U.S., further rate hikes by Fed could be followed by the Central Bank of Kuwait after considering domestic inflation and economic growth. The possibility of a rate cut by the Central Bank of Kuwait in 2023 remains highly unlikely.

## Policy Rate Trajectory in Kuwait and U.S (Jun 2017 - Jun 2023)



Source: Refinitiv

### e. High expat inflow supports overall population growth

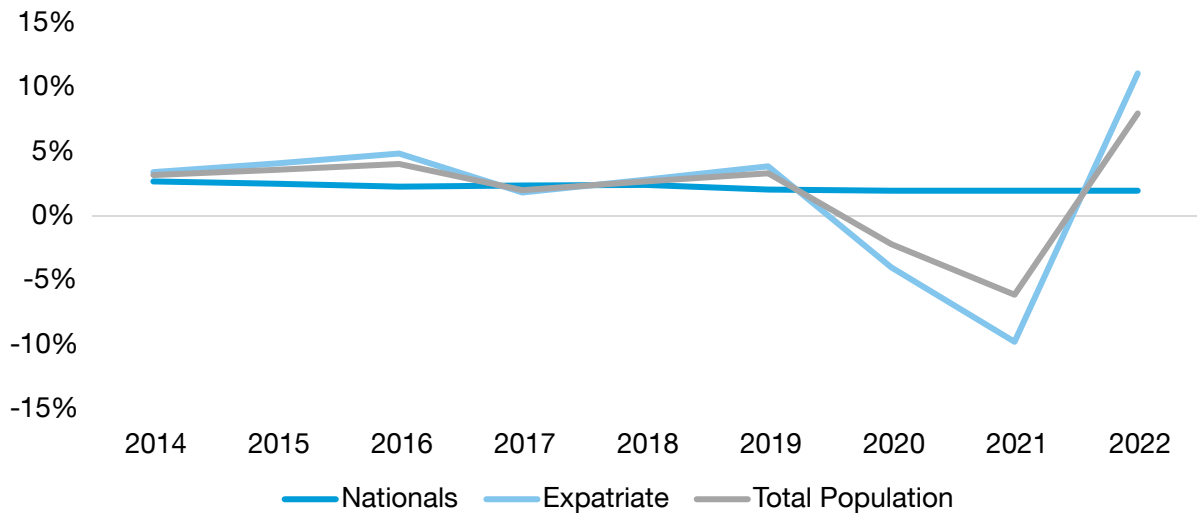
Kuwait's population recorded an 8% y/y increase in 2022, which is the highest in 17 years<sup>3</sup>. The increase in the overall population is mainly contributed by the increase in expat inflow, recording an 11.1% y/y change. The easing of Covid restrictions and resumption of economic activities has led to a substantial increase in the expat population. Kuwait's Ministry of Interior (MOI) suspended the issuance of family and visit visas to expats in August 2022, aiming to organize visa procedures through the development of a new regulatory framework. Following the suspension, the national minimum wage for a family/dependent visa was also increased from KD 500 to KD800, further limiting expat inflows. The suspension of family and visit visas for expats has exerted downward pressure on the real estate occupancy rates, particularly in the Istithmari segment, which reached 85.1% in 2022. It is widely anticipated that family visas will be reopened in the second half of 2023, leading to a slight increase in the occupancy rate to 85.5% in 2023 and 86% in 2024.<sup>4</sup> However, the expected occupancy rates remain below the pre-pandemic level of 89%. Kuwaiti officials submitted an advisory report to the government in April 2023<sup>5</sup> to introduce expat quotas. The quota is applied to each nationality to ensure that it does not exceed 25% of the number of Kuwaitis. The quota mainly aims to address the uneven spread of different nationalities in Kuwait. If applied, the quota could lead to a major restructuring of Kuwait's population leading to major changes in demand for housing and real estate. The population of Kuwaiti nationals has remained stable with a growth rate of 1.9% y/y in 2022.

<sup>3</sup> PACI

<sup>4</sup> Aayan Real Estate Company

<sup>5</sup> Arabian Business

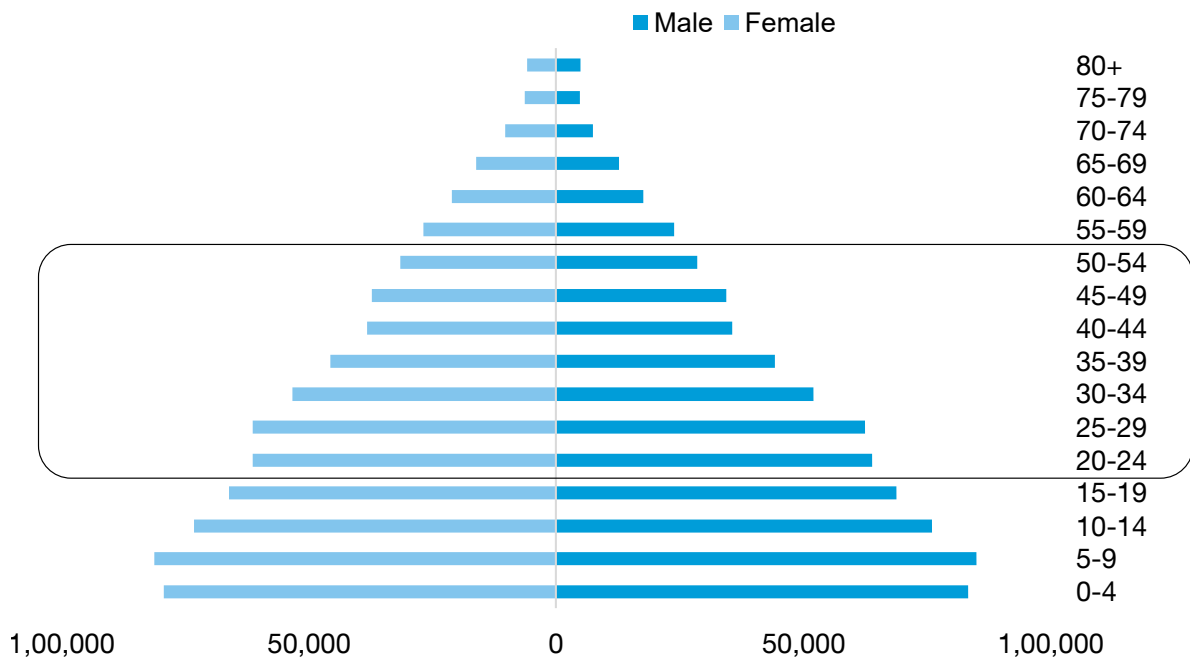
### Kuwait Population Growth in percentage - y/y (2014-2022)



Source:PACI; Values are as of end of period.

At the end of 2022, Kuwait had a total population of 4.7 million. Of these, 3.2 million were non-Kuwaitis, with 2.99 million people from 20 different nationalities. A largely young and working-class population could augur well for the real estate sector through increasing demand for rental spaces and ownership of properties.

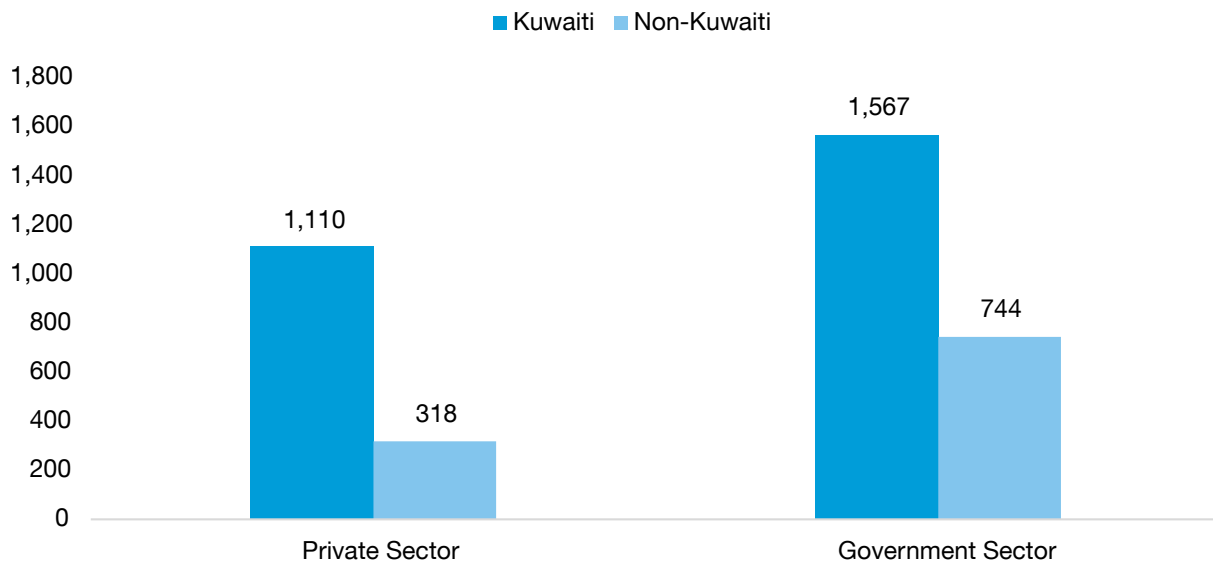
### Kuwaiti Nationals - Population Pyramid 2021



Source: Central Statistics Bureau; Values are as of end of period

Kuwaiti workers are paid higher in both government and private sector, as compared to non-Kuwaitis. Kuwaiti employees in the Government sector comprise 80% of the total workforce in 2022 totaling 366,238 as compared to 91,000 expats, most of whom work in service-oriented industries such as education and healthcare. High income and a high percentage of government jobs imply stable income.

### Average Monthly Salary in Kuwait – Sector wise (in KD)



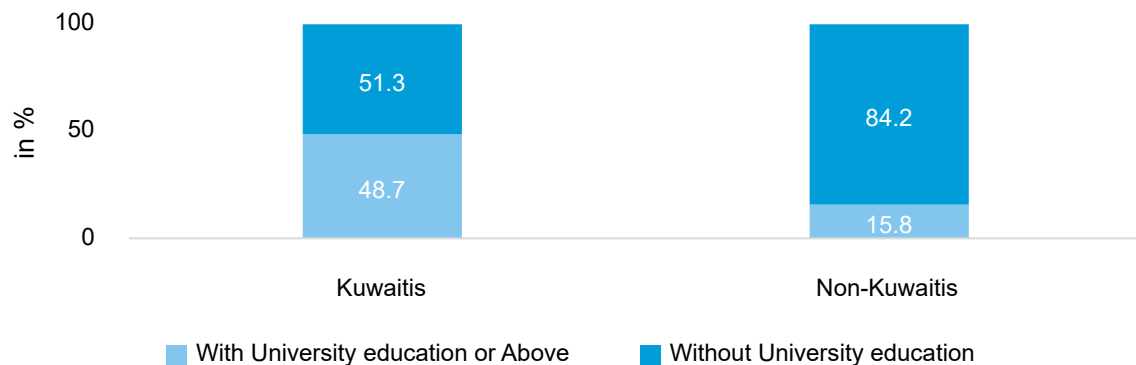
Source: Labour Market Information System - Kuwait, PACI; Note: Data as of December 2022

The proportion of Kuwait nationals without a university education or above stood at 51.3% of the total Kuwaiti population. The same proportion among non-Kuwaitis stood at 15.8%. This is due to the presence of many contracted unskilled workers.

The Real Estate Ownership **Law no 47 of 1979** which prohibits foreigners from owning land and **the commercial code (law no 68 of 1980)** which prohibits non-GCC foreigners from engaging in business unless they have a Kuwaiti partner holding a minimum 51% stake or operate through a Kuwaiti middleman has limited the growth potential of the Real estate sector as expats total 68% of the overall population. Kuwait's ministerial committee's proposal in May 2023 to allow expats to own residential properties could be an upside to the real estate sector. The proposal allows expats to own one residential apartment in an investment building in Kuwait at the discretion of the justice minister, provided they are permanent residents of Kuwait. The proposal is to be discussed by the newly formed government.

<sup>3</sup> SIASAT

## Break-up of Kuwaitis and Non-Kuwaitis by education level



Source: Labour Market Information System – Kuwait; Note: As of Dec 2022

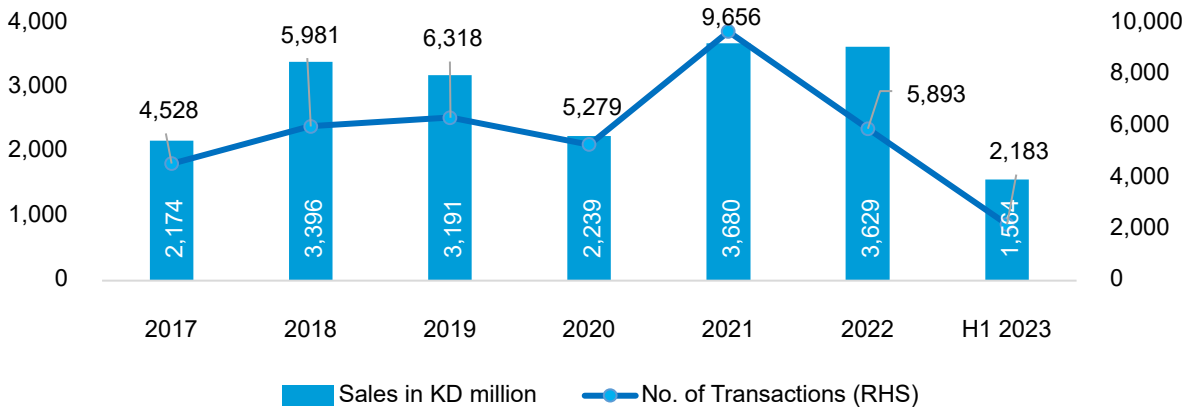
## 3. Real Estate Performance

### a. Kuwait Real Estate Overview

In the real estate sector, demand is slowing down as the surge in sales caused by the post-pandemic recovery fades away and activity returns to normal levels. Several factors have contributed to this slowdown, including high property prices, increasing borrowing costs, uncertainty surrounding macroeconomic conditions, and government policies related to utility subsidies and land distribution. Real estate sales in H1 2023 dropped to KD 1,564 million (USD 5.1 billion), compared to KD 1,979 million (USD 6.5 billion) in H1 2022. This decline was primarily due to reduced demand caused by high property prices in the residential sector. Seasonal factors like the holy month of Ramadan, which overlapped with the previous year's timeframe, also contributed to the decline in activity, as the volume of transactions was noticeably lower in H1 2023 (33% decrease y/y).

The Kuwait Credit Bank has requested an additional capital increase of KD 275 million (USD 896 million) to meet the ever-increasing backlog of outstanding applications. If approved, this could help speed up and stimulate activity in the sector. The long-awaited mortgage law, although not expected this year, would also boost activity and real estate lending once implemented. High construction costs and the current uncertain political environment are negatively impacting investor confidence. These factors, combined with concerns about a global recession, may continue to put pressure on the market outlook in H2 2023.

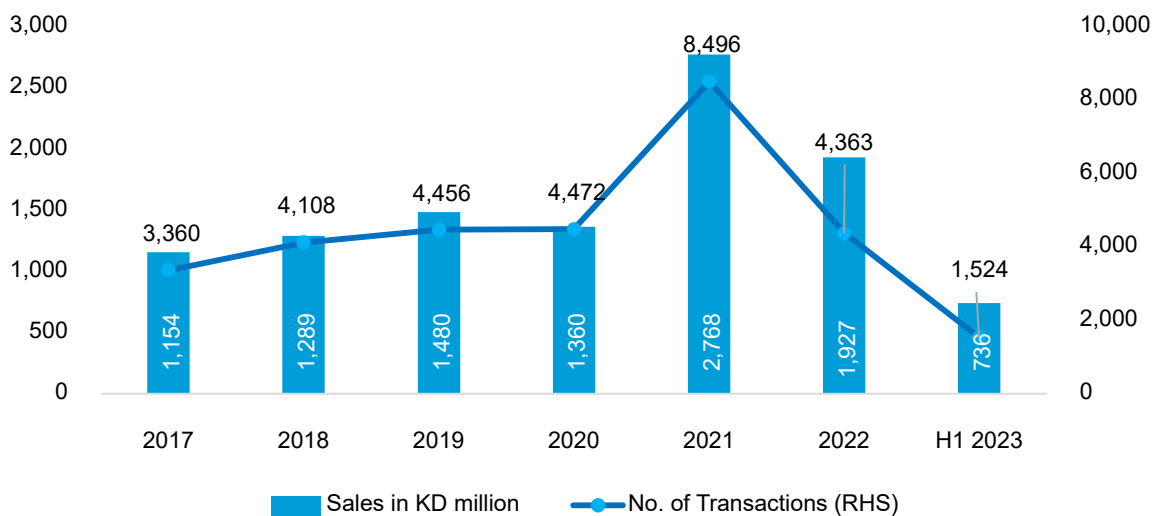
### Overall Real Estate Transactions (2017 – H1 2023)



Source: Ministry of Justice

Residential sales in H1 2023 dropped to KD 736 million (USD 2.4 billion), compared to KD 1,013 million (USD 3.3 billion) in H1 2022. The number of transactions also fell by 38% y/y in H1 2023. Sales of homes and plots in Hawalli and Al-Ahmadi governorates accounted for more than half of all residential sales in Kuwait. The decline in sales could be due to lower speculation in residential areas, higher returns on deposits, and a limited supply of units.

### Residential Real Estate Transactions (2017- H1 2023)

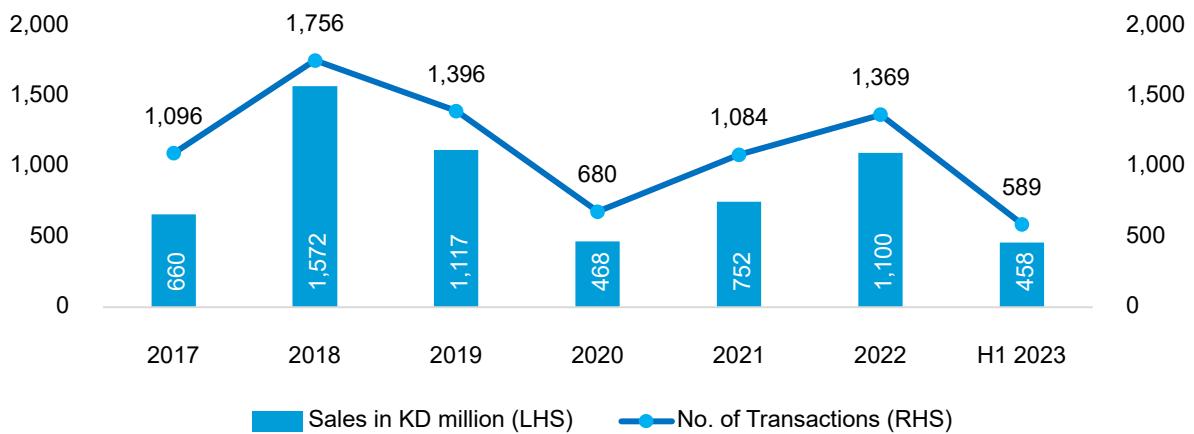


Source: Ministry of Justice



Similar to the residential sector, sales in the Istithmari segment, which includes apartments and apartment buildings, also declined by 21% y/y reaching KD 458 million (USD 1.5 billion) in H1 2023. The number of transactions also decreased by 13% y/y in H1 2023. This drop in sales could be attributed to the growing costs of borrowing and the slow recovery of the rental market, despite an increase in the number of expatriates in 2022, who traditionally play a significant role in the rental market. The sluggish recovery of rental markets can be affiliated with expats taking a cautious approach to spending, post the Covid -19 pandemic.

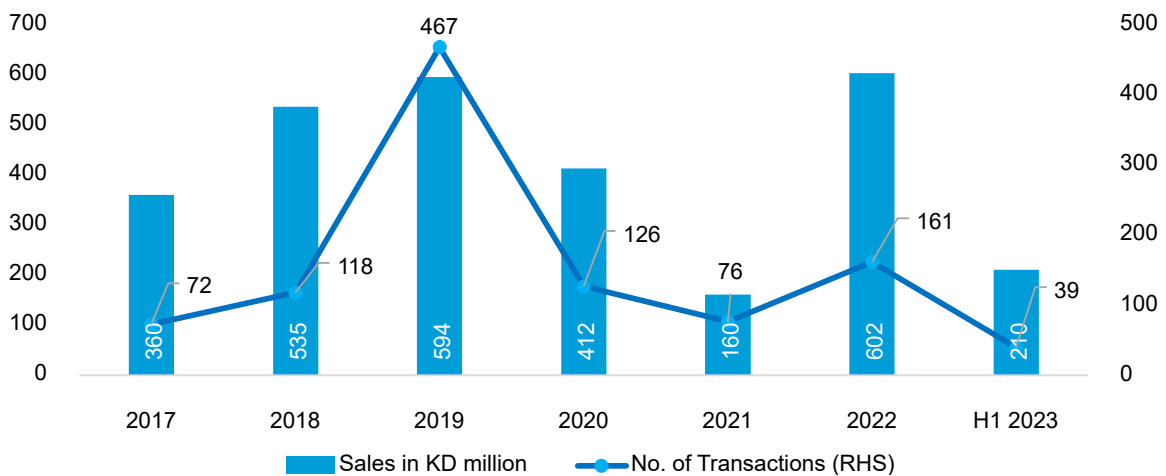
### Istithmari Real Estate Transactions (2017 - H1 2023)



Source: Ministry of Justice

Commercial sector sales declined by 46% y/y in H1 2023 to KD 210 million (USD 684 million) as compared to KD 387 million (USD 1.3 billion) sales in H1 2022, indicating a weaker demand from the corporate segment. Sales in Jibla-Kuwait City were concentrated, which helped to boost the value of commercial sales in Q1 2023. However, the number of transactions declined by 64% y/y in H1 2023.

### Commercial Real Estate Sales (2017- H1 2023)



Source: Ministry of Justice

## b. Land Prices, Rental Values and Cap rate

### Land Prices

Land prices of residential apartments across all areas have witnessed a rise except for Farwaniya, Khaitan, and Mahboula. Dasman (Gulf Road) recorded the highest value of KD 4,225 Sq. M. Mahboula has recorded the lowest value of KD 1,178 Sq. M.

The commercial segment has seen mixed price performance in Q1 2023 with the prices of Kuwait City, Salmiya, and Hawalli increasing y/y. Kuwait City being the most expensive place with a value close to KD 6,836 Sq. M., increased the most by 4.2% y/y in Q1 2023. This can be attributed to Kuwait City being a commercial hub. Hawalli is the most affordable place to buy commercial land with values close to KD 3,388 Sq. M.

### Average Land Value/Sq.M. for Residential Apartments (KD)

Residential Apartments	Average land value/Sq. M. (KD)	
	Q1 2023	Q1 2022
Dasman Gulf Rd	4,225	4,150
Dasman Inside Rd	2,375	2,350
Bneid Al Gar (Non-Sea Front)	1,838	1,738
Bneid Al Gar (Sea Front)	3,110	3,000
Shaab (Non-Sea Front)	1,727	1,650
Shaab (Sea Front)	3,150	3,100
Salmiya (Non-Sea Front)	1,662	1,646
Salmiya (Sea Front)	3,025	3,000
Hawalli	1,474	1,467
Farwaniya	1,424	1,450
Khaitan	1,345	1,345
Mahboula	1,178	1,178

Source: KFH Report

### Average Land Value/Sq.M. for Commercial Real Estate (KD)

Commercial	Average land value/Sq. M. (KD)	
	Q1 2023	Q1 2022
Kuwait City	6,863	6,583
Salmiya	3,475	3,392
Hawalli	3,388	3,325
Farwaniya	4,258	4,288
Khaitan	3,825	3,900
Fahaheel	3,767	3,817

Source: KFH Report

### Average Land Value/Sq.M. for Industrial Real Estate (KD)

Industrial	Average land value/Sq. M. (KD)	
	Q1 2023	Q1 2022
Shuwakh Industrial	1,575	1,544
Al Rai Industrial	1,390	1,363

Source: KFH Report

## Rental Rates

Overall Average rental rates for 3-bedroom apartments have broadly seen a decrease or remained at the same level in Q1 2023 as compared to Q1 2022 except for Shaab (Non-Sea Front), Mahboula, and Hawalli. Average Rental value for 60 sq. m apartments has seen a similar decline except for Shaab (Non-Sea Front), and Hawalli. Rents have been unchanged in Dasman, Bneid Al Gar (Non-Sea Front), and Mahboula. The average Rental value for the retail and office segment in the commercial sector had broadly seen a mild increase.

## Average rent value of apartment with 3 bedroom, hall and maid room (KD)

Residential Apartments	Average rent value – 3-bedroom, hall and maid room (KD)	
	Q1 2023	Q1 2022
Dasman	410	410
Bneid Al Gar	415	415
Shaab	425	420
Salmiya	403	410
Hawalli	380	380
Farwaniya	375	378
Khaitan	375	378
Mahboula	325	325

Source: KFH Report, Markaz

## Average rent value of apartment with 60 sqm apartments (KD)

Residential Apartments	Average rent value – 60 SQM apartments (KD)	
	Q3 2023	Q1 2023
Dasman	300	300
Bneid Al Gar (Non-Sea Front)	290	290
Shaab (Non-Sea Front)	300	290
Salmiya (Non-Sea Front)	270	290
Hawalli	270	260
Farwaniya	265	268
Khaitan	265	268
Mahboula	215	215

Source: KFH Report, Markaz

## Average rent value for retail segment in commercial real estate (KD)

Commercial - Retail	Rental value/Sq. M. (KD)					
	Basement		Ground Floor		Mezzanine	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Kuwait City	11	10.75	20 - 38	20 - 39	12 - 13	12 - 13
Salmiya	10	9.75	18 - 38	18 - 39	10 - 11	11 - 12
Hawalli	9.5	9	17 - 35	17 - 37	10 - 11	10 - 11
Farwaniya	10.5	10.5	20 - 38	20 - 41	11 - 13	11 - 13
Khaitan	10	9.75	18 - 32	18 - 38	11 - 12	11 - 12
Fahaheel	10	10	18 - 33	18 - 39	11 - 12	11 - 12

Source: KFH Report

## Average rent value for office segment in Commercial Real Estate (KD)

Commercial - Office	Rental value/Sq. M.	
	Q1 2023	Q1 2022
Kuwait City	10	9.5
Salmiya	8.5	8.25
Hawalli	7.5	7.5
Farwaniya	8.5	8.5
Khaitan	8	7.75
Fahaheel	8.5	8.25

Source: KFH Report

## Cap Rate

Cap rates for residential apartments have decreased across all localities in Q1 2023 as compared to Q1 2022. This decrease in cap rates across areas indicates an improvement in prices of the residential apartments. However, in Q1 2023, the Cap rates of the commercial segment have broadly increased y/y reaching a range of 7.00% to 8.13%.

## Residential Apartments Capitalization Rate

Residential Apartments	Gross Capitalization Rate (Gross Annual rental /Value of Property)	
	Q1 2023	Q1 2022
Dasman (Gulf Rd)	6.88%	7.13%
Bneid Al Gar (Non-Sea Front)	7.13%	7.63%
Bneid Al Gar (Sea Front)	6.88%	7.13%
Shaab (Non-Sea Front)	7.25%	7.88%
Shaab (Sea Front)	6.90%	7.00%
Salmiya (Non-Sea Front)	7.13%	7.63%
Salmiya (Sea Front)	6.90%	7.13%
Hawalli	7.51%	8.13%
Farwaniya	7.40%	8.01%
Khaitan	7.39%	8.07%
Mahboula	7.46%	8.00%

Source: KFH Report

## Commercial Real Estate Capitalization Rate

Residential Apartments	Gross Capitalization Rate (Gross Annual rental /Value of Property)	
	Q1 2023	Q1 2022
Kuwait City	7.10%	7.05%
Salmiya	7.82%	7.82%
Hawalli	7.92%	7.88%
Farwaniya	7.80%	7.75%
Khaitan	7.88%	7.88%
Fahaheel	8.07%	7.94%

Source: KFH Report

## 4. Kuwait Real Estate – Major News/Laws

### Projects worth USD 2.76 billion approved for 2023-2024

Kuwait has approved 110 projects worth USD 2.76 billion for the fiscal year 2023-2024. The construction sector was allotted a major share of the allocations worth USD 1.03 billion. 55 projects are to be executed in 2023, covering construction, services, and other sectors amounting to USD 871 million.<sup>7</sup>

### Kuwait announces plan to allow expat real estate investment

Kuwait's ministerial committee has submitted a proposal to the cabinet to allow non-Kuwaitis to own residential properties. Kuwait's investment property market is estimated at 13,000 buildings containing 320,000 apartments, and many of these buildings are mortgaged to banks. The move aims to diversify the economy and attract money by creating liquidity to free mortgages. The proposal allows expats to own one residential apartment in an investment building at the discretion of the Justice Minister, provided they are permanent and legal residents of Kuwait. The proposal is expected to be discussed following the formation of the new government.<sup>8</sup>

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<sup>7</sup> Zawya

<sup>8</sup> Arabian Business



## Kuwait to build USD 660 million fun city

Kuwait plans to build a fun city worth 200 million dinars in the coastal area of Doha, to attract tourists as part of its economic diversification strategy. The project includes an amusement park, sports courts, a hotel, water parks, shops and restaurants, and an electronic games center. The fun city is expected to attract 900,000 tourists by 2030. The government is expected to fund 65-75 million dinars of the project's infrastructure.<sup>9</sup>

## Mabaneer signs deal to develop KD 26 million mixed-use project

Real estate developer Mabaneer signed a mixed-use development project with Public Authority for Housing Welfare (PAHW) for the Sabah Al Ahmad Project (S3), coming up on a 40,121 sq. m area in the capital city. Mabaneer will fund, design and build services for the project as per the public-private (PPA) agreement. The project includes a hotel and a shopping mall with the theme of an old souq and is scheduled to be completed by 2026. The time period for the operations will run to 32 years.<sup>10</sup>

## PAHW implements infrastructure and public buildings projects

The Public Authority for Housing Welfare (PAHW) showed the implementation of 5 infrastructure projects and 79 public buildings in four residential areas. According to statistics, 79 public buildings are still under construction including 29 in Al- Mutla'a, 3 buildings in Al-Wafra expansion, 16 in the eastern Sabah Al-Ahmad residential area, and 31 buildings in the south of Abdullah Al-Mubarak.

PAHW mentioned the total number of existing housing applications was 91,114 and the actual completion rate of the two contracts for the East Sabah Al-Ahmad project was 35%, for the construction of 1,184 houses. In the Sabah Al-Ahmad Residential City, 93% of the 1,110 apartments were completed. "To Whom It May Concern" certificates for issuing building permits were provided to 17,797 plots in Al-Mutla'a, 3,207 plots in Abdullah Al-Mubarak, and 1,341 in Khaitan.<sup>11</sup>

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<sup>9</sup> Zawya

<sup>10</sup> Zawya

<sup>11</sup> Arab times



## 5. Markaz Real Estate Macro Index

‘Markaz Real Estate Macro Index’ helps investors in identifying the current state of the real estate market using a list of economic indicators such as Oil and non-Oil GDP growth, inflation, new jobs generated, etc. The past seven years’ data along with estimates for 2023 and forecasts for 2024 were considered and a qualitative rating (strong, moderate, neutral, weak & poor) was assigned considering the historical information and the current environment.



### Macro-Economic factors that matter

Economic Factors	Weight Assigned	Rationale
GDP Growth	25%	Real Estate could benefit from the rewards of strong economic growth opening up opportunities for the Commercial, Residential, and investor markets.
Fiscal Balance	10%	Governments support for economic expansion is key for any sector to grow. The fiscal deficit has narrowed as a % of GDP signaling the government’s ability to fund and build the economy. This could bode well for the Real Estate sector.

Investments	10%	Investments are a key indicator of market sentiment. Increased investments stand to influence the real estate markets through job, creation, and increased economic activity.
Money (M2) Supply Growth	10%	An increase in money supply indicates higher economic growth.
Inflation	15%	Real Estate traditionally is a natural hedge against inflation, as rents, land value, and prices increase at the time of inflation. Higher Inflation periods could give a positive outlook for Real Estate.
Interest Rate	10%	Interest rate fluctuations directly impact Real Estate investments. Higher interest rate translates to higher borrowing costs thereby reducing demand for home buyers.
Population Growth	10%	The increasing population indicates the need for more dwelling units eventually benefitting the Real Estate sector.
Jobs created	10%	The number of jobs created serves as a useful indicator of real estate demand.

Source: Marmore research

For each qualitative factor, a quantitative score was assigned with 'Strong' being assigned a top score of '5' and 'Poor' assigned a value of '1'. A weighted average score was computed based on the weights as provided in the below table.

### Kuwait Macro-Economic Factor Assessment

Economic Factors	2018	2019	2020	2021	2022	2023e	2024f	Qualitative	Quantitative Score
Oil (Real) GDP Growth	2.1%	-0.1%	-9.8%	-0.3%	11.6%	-0.9%	2.0%	Subdued	2
Non-Oil (Real) GDP Growth	2.9%	-1.1%	-7.5%	3.4%	3.9%	3.4%	3.5%	Neutral	3
Fiscal Balance, % of GDP	6.7%	2.0%	-11.4%	2.3%	11.6%	7.0%	4.2%	Moderate	4

Investments (as % of GDP)	25.3%	25.0%	24.6%	18.0%	18.2%	19.7%	19.2%	Neutral	3
Money Supply, M2 (Y/y)	4.1%	-1.2%	-7.3%	3.4%	2.7%	5.7%	5.5%	Neutral	3
Inflation	0.6%	1.1%	2.1%	3.5%	3.9%	3.3%	2.6%	Neutral	3
Interest Rate	3.0%	2.9%	1.7%	1.5%	2.4%	4.0%	3.4%	Neutral	3
Yearly Population Growth	4.1%	3.3%	-2.2%	-6.1%	8.0%	3.3%	1.7%	Neutral	3
Jobs created (in '000s)	70	29	(140)	(111)	33	20	25	Neutral	3
								<b>Overall Score</b>	<b>3.0</b>

Source: IMF, CSB Kuwait, LMIS, Refinitiv, Marmore research; Note: Interest rates for 2022E and 2023F refer to estimated year end rates and interest rate for earlier periods refers to average rate.

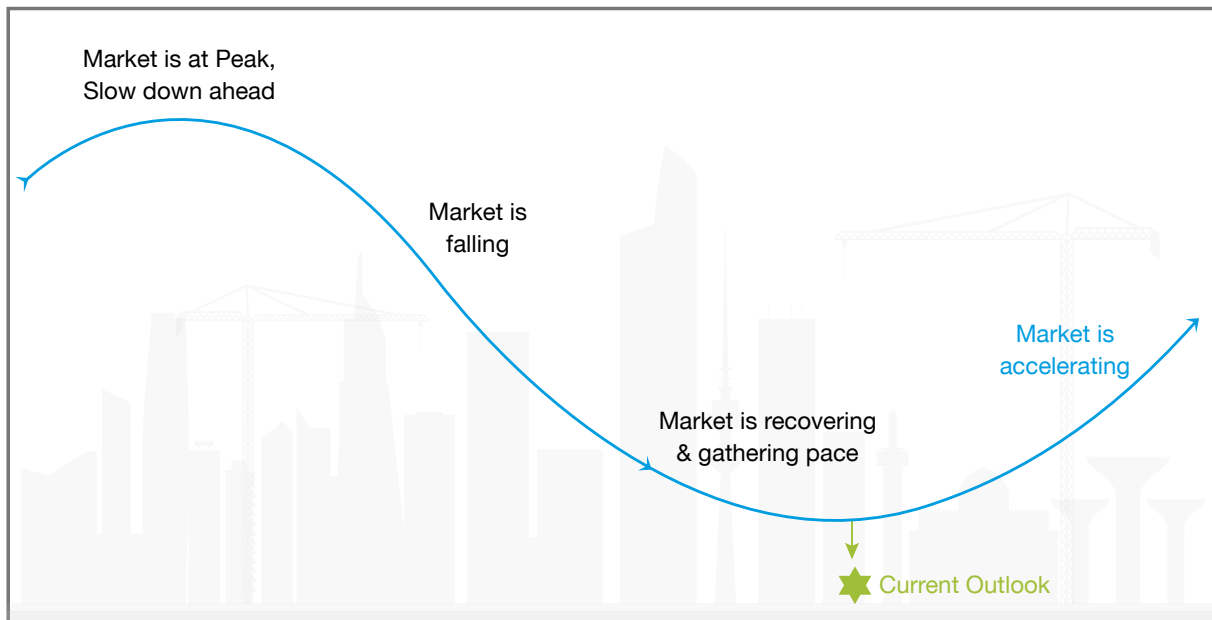
The state of real estate market was categorized into four distinct phases as shown below.

### Market Phases

From	To	Market Phase
4.3	5.0	Market is at peak, slowdown ahead
3.5	4.3	Market is accelerating
2.8	3.5	Market is recovering & gathering pace
Less than 2.8		Market is Falling

Source: Marmore Research

## Markaz Real Estate Outlook based on Macro Economic Indicators



Source: Marmore Research

### Kuwait Markaz Real Estate Macro Index Scores (H1 2023 vs. H2 2023)

Macro indicators	H1 2023	H2 2023
Oil (Real) GDP Growth	4	2
Non-Oil (Real) GDP Growth	4	3
Fiscal Balance, % of GDP	5	4
Investments (as % of GDP)	3	3
Money Supply, M2 (Y/y)	4	3
Inflation	3	3
Interest Rate	3	3
Yearly Population Growth	3	3
Jobs created (in '000s)	3	3
<b>Total Score</b>	<b>3.6</b>	<b>3.0</b>

Source: Marmore research

## Conclusion

Low oil prices, persistent inflation, sluggish credit growth, and elevated interest rates have weighed on Kuwait's economic growth, which is expected to remain muted in 2023. The real estate market in Kuwait experienced a slowdown in terms of transaction values and volumes in H1 2023 due to a number of factors, including high interest rates reducing demand, decreased purchasing power of citizens, and uncertainty surrounding macroeconomic conditions and government policies. The suspension of family and visit visas for expats has added further pressure to the real estate market since the second half of 2022, bringing down both real estate sales and prices from their peak levels witnessed in Q2 2022. However, Real Estate prices across Kuwait were either stable or slightly higher compared to the same period last year depending on the location. Sales of residential and commercial properties declined, while rental rates for both types of properties remained relatively flat. Cap rates for residential properties slightly decreased, while cap rates for commercial properties slightly increased.

The Kuwait Credit Bank (KCB) has requested urgent additional funding of KD 275 million from the government for Mutla's new suburbs (N1-4) project, which began in late April 2023. If approved, this capital increase could improve access to home financing and help reduce the backlog of housing applications. However, with a reported backlog of 90,915 applications as of March 2023 and 6-8 thousand new applications annually, significantly reducing this number poses a challenge. The implementation of the long-awaited mortgage law would further enhance real estate lending and activity once it is in effect. The rental market is expected to experience a stable recovery in the second half of 2023. This anticipation is based on the implementation of new visa regulations, which are expected to favor expat inflows and revive occupancy rates. Based on our assessment of various macroeconomic factors, we believe that the Real Estate sector in Kuwait the early stage of recovery & gathering pace in H2 2023.

## Summary – Kuwait Markaz Real Estate Macro Index

Macro indicators	Future Outlook (2023 & beyond)	Quantitative Score
 Oil Real GDP Growth	Subdued	2
 Non-Oil Real GDP Growth	Neutral	3
 Fiscal Balance	Moderate	4
 Investments	Neutral	3
 Money Supply, M2 (YoY)	Neutral	3
 Inflation	Neutral	3
 Interest Rate	Neutral	3
 Population growth	Neutral	3
 Jobs created	Neutral	3
<b>Overall Score</b>	<b>Market is recovering &amp; Gathering pace</b>	<b>3.0</b>

Source: Marmore Research

## What reports to expect soon?



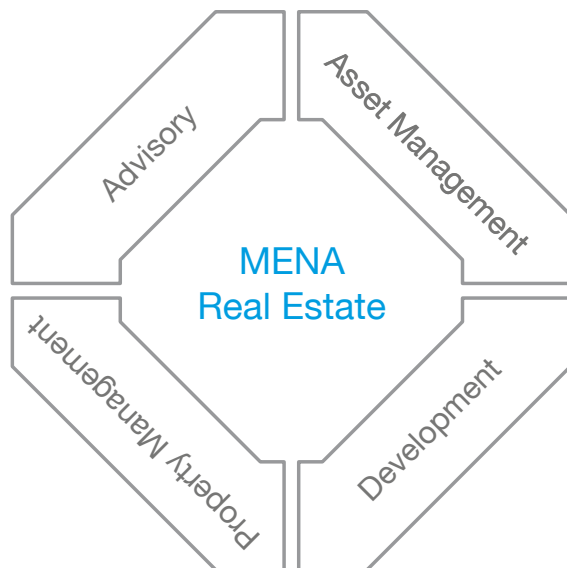
**KSA Real Estate Outlook H2 2022**



**UAE Real Estate Outlook H2 2022**

## Markaz Real Estate Capabilities: Management Team

With a team of 27 professionals, Markaz MENA Real Estate provides a fully integrated insights and services to managing real estate funds



### Team of 27

- Investment
- Project Management
- Financial Management
- Administration

### Kuwait HQ

- Riyadh KSA - 2006
- Khobar KSA - 2006
- Abu Dhabi - 2010
- Dubai - 2014

### Markaz provides great value through:

- Governance
- Experience
- On the ground presence
- Hands-On approach
- Developed Systems covering
  - Operations,
  - Maintenance,
  - Financial management, &
  - Administration
- Software Support



# Invest in Markaz Real Estate Fund

Total return annualized:

**7.51%**

Average annual distribution since inception:

**5.06%**

## Fund Performance

Total Return (Jan 03 - Dec 03)	17.80%
Total Return (Jan 03 - Dec 05)	40.20%
Total Return (Jan 06 - Dec 08)	32.10%
Total Return (Jan 09 - Dec 11)	4.60%
Total Return (Jan 12 - Dec 14)	21.10%
Total Return (Jan 15 - Dec 17)	2.10%
Total Return (Jan 18 - Dec 20)	2.70%
Total Return (Jan 03 - June 23)	163.13%
Capital Gain since Inception	26.07%
Income Distribution since Inception	137.06%
Total Return Annualized	6.37%
Average Annual Yield (Cash)	4.63%
Volatility (3 year)	2.74%

The Markaz Real Estate fund, established in 2002, is considered the first open-ended real-estate investment fund in Kuwait, and stands as a testament to Markaz's innovation in the financial services field. This is reflected through the ongoing development of unique investment tools that cater to investors' needs. Markaz Real Estate Fund is Sharia compliant and aims to achieve stable and recurring returns, through investing in income generation properties in Kuwait.

### Important info:

- Fund manager: Kuwait Financial Centre K.P.S.C. Kuwait City, Al Mirqab, Al Soor Street, Burj Alshaya, Floor 8, Tel: +965 2224 8000, P.O. Box 23444, Safat 13095, State of Kuwait
- Fund Executive Committee Members: Bassam Al-Othman, Milad Elia, Khaled Al-Mubarak, Abdullatif Al-Nusif
- To get a copy of the Fund's Articles of Association, the subscription form, and the financial statement of the fund, please visit our website: [www.markaz.com](http://www.markaz.com)
- The Total Return consists of the Capital Gain and the Dividend Yield after deducting all fees and expenses

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