



# Kuwait Real Estate Report

H2 2023 Review and H1 2024 Outlook

February 2024

المركز  
MARKAZ

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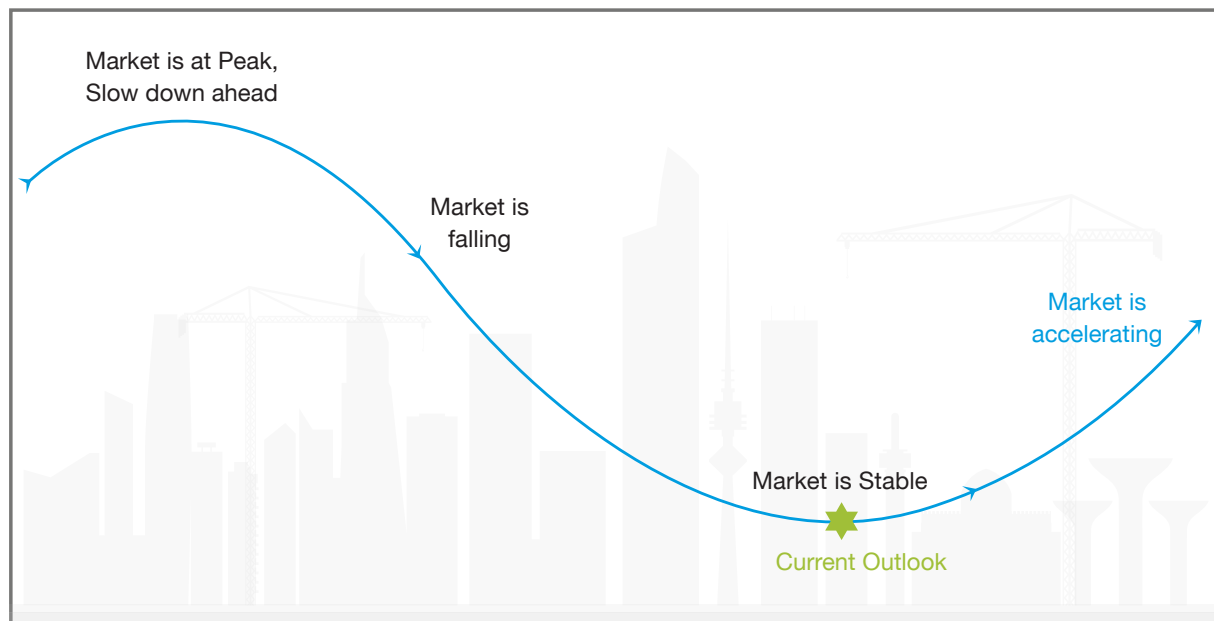
## 1. Executive Summary

- Kuwait's economic growth is expected to be positive in 2024 at 3.6% y/y, up from -0.6% y/y in 2023. Possible reversal or moderation of production cuts driven by a recovery in demand from China and other markets is expected to support Kuwait's growth. However, an extended slowdown in demand recovery could lead to the extension production cuts, posing a downside risk to oil GDP outlook. Kuwait's non-oil sector is expected to exhibit a growth rate of 3.5%, supported by likely stabilization of interest rates and recent pick up in projects activity, consumer spending and recovery in expatriate employment.
- IMF forecasts oil prices to average at USD 79.92/barrel in 2024 as compared to USD 80.49/barrel in 2023 as OPEC+ is expected to maintain production in line with demand, which would ensure stability in prices. Kuwait has announced its plan to continue its voluntary oil output reduction by 128,000 bpd until the end of 2024 in line with OPEC+ extension of oil output cuts to end of 2024.
- Kuwait's Inflation (CPI) has remained stable in H2 2023 on the back of easing of food prices globally and tighter monetary policy. Prices of Food and Beverages, which accounts 16.7% of CPI has softened from 6.25% in June 2023 to 5.71% in October 2023 as global food prices continued to decline given Kuwait's high reliance of food imports.
- Prices in the housing services component rose from 1.44% y/y at the end of 2022 to 3.13% y/y in October 2023, mainly driven by the housing rents which increased by 3.4% y/y in October 2023 up from 1.51% y/y at the end of 2022.
- The growth of credit to private sector has slowed down significantly in 2023 reaching 2.5% y/y in October 2023 compared to 9.1% y/y growth in October 2022 amid high interest rate environment and decline in oil production in line with OPEC+ cuts. Household credit grew by 2.6% y/y as of October 2023 with 7.1% y/y decline in residential loans capping gains. Business credit grew by 1.4% y/y in October 2023 supported by construction and real estate segments. Credit growth in upcoming months could gain support from likely peaking of interest rates in the current cycle, continued momentum in project activity that has seen a pickup in recent months and ongoing job gains for citizens. However, elevated interest rates and extension of oil production cuts to end of 2024 could cap credit growth.
- The Central Bank of Kuwait (CBK) has increased rates by 25 bps in July 2023, bringing its discount rate to 4.25%. Until October 2023, while the U.S Fed had increased rates by 100 bps with a terminal interest rate target between 5.25-5.5%. CBK has increased rates by 75 bps amid relatively lower inflation levels and









its intent to support economic growth. While the U.S Fed has paused interest rate hikes since July 2023, it has indicated that rates are likely in the second half of 2024. CBK is expected to initiate rate cuts in line with the U.S. Fed.

- Real estate sector was stable in 9M 2023. While prices and rents held steady, there was a decline in value of transactions as the pent-up demand post-pandemic began to normalize. In addition, increasing borrowing costs and slow pace of reforms has weighed on activity in the sector. Residential sales declined by 26% in 9M 2023, with sales amounting to KD 1.1 billion (USD 3.6 billion). The number of transactions also fell by 34% y/y during 9M 2023. Demand in the segment has remained muted amid high house prices and borrowing costs. Istithmari segment, which includes apartments and apartment buildings, also declined by 20% y/y reaching KD 831 million (USD 2.7 billion) in 9M 2023. The number of transactions also declined by 16% y/y in the backdrop of high interest rate environment and uncertainty over demand from expatriates amid slowdown in rate of increase of expat population. Commercial sector sales declined by 37% y/y in 9M 2023, weighed by higher borrowing costs and muted investor sentiment.
- Based on our assessment of various macroeconomic indicators, we believe that the Real Estate market in Kuwait would continue to be stable in 2024 amid promising prospects for pick up activity during later part of the year as indicated by Markaz Real estate Macro Index score of 2.9 out of 5.0.


## Kuwait Real Estate Market Outlook



## Kuwait Macro-Economic Views

Economic Factors	Our take	Our View
 Oil (Real) GDP Growth	Neutral	Oil GDP growth is expected to grow by 3.3% y/y for 2024 after a dip in 2023, supported by a gradual recovery in demand is expected during the second half of 2024.
 Non-Oil (Real) GDP Growth	Neutral	Non-oil GDP growth rate is expected to be 3.5% in 2024, which is a small decline as compared to 3.8% in 2023. Kuwait's non-oil sector would be supported by likely stabilization of interest rates, recent pick up in projects activity and recovery in expatriate employment amid fading of fiscal impulse.
 Fiscal Position <sup>1</sup>	Neutral	Fiscal surplus as % of GDP is expected to moderate in 2024 to 9.5% as compared to 14% in 2023 owing to expansionary budget.
 Investments	Neutral	Investments are expected to increase slightly at 12.7% of GDP in 2024 from 12.6% in 2023.
 Money Supply	Neutral	Money supply (M2) is forecasted to grow by 5.7% y/y in 2024 compared to 5.7% in 2023 amid likely stable rates and inflation levels.
 Inflation, %	Neutral	Kuwait's average inflation is expected to decline in 2024 to 3.1% as compared to 3.4% in 2024 supported by globally easing food prices and elevated policy rates.
 Interest Rate	Subdued	Interest rates are expected to remain elevated at current levels of 4% in H1 2024 amid sticky inflation, with a possible pivot in H2 2024 depending on the easing of inflation below Central Bank targets.
 Population Growth	Neutral	Population growth is expected to be stable, driven by the increase in expats after the removal of COVID-related restrictions and pick up in projects activity. While expat quota presents downside risk, resumption of family visas could be a supportive development.

<sup>1</sup> Includes Investment Income

Economic Factors	Our take	Our View
 Job creation	Neutral	Job Creation is expected to remain neutral. While draft law on restriction of expat hiring in public sector is a downside risk, government plans to hire nationals could be positive for the sector. Restriction on family visas, suspension of entry and work visas for some nationals could also impact rate of job creation.

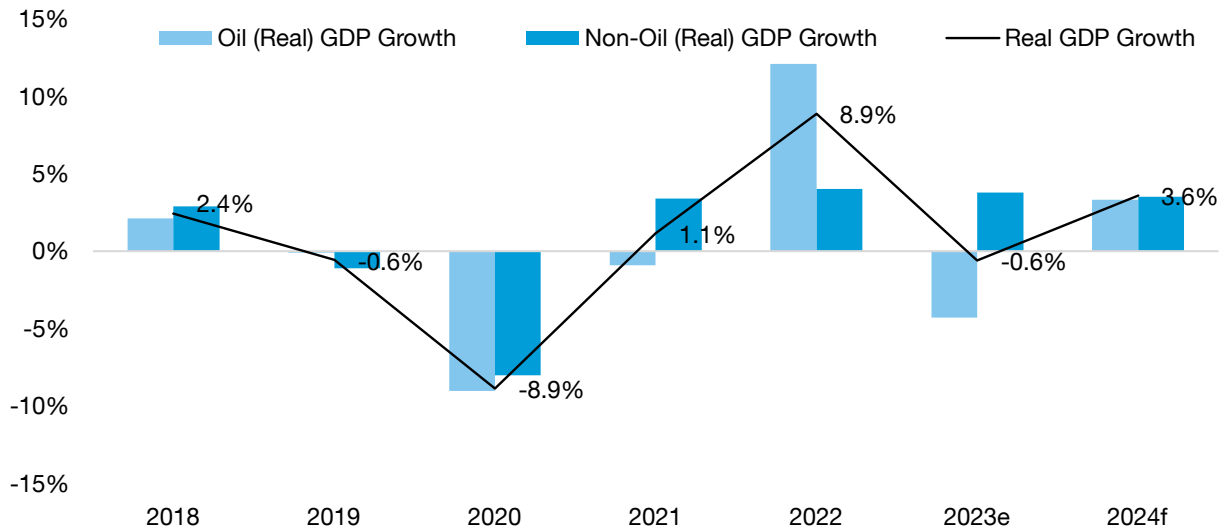
Source: Marmore Research

## 2. Kuwait: Macroeconomic Update

### a. Kuwait’s economic growth is expected to pick up in 2024

Kuwait’s economic growth is expected to be positive in 2024 at 3.6%, up from -0.6% in 2023. While the decline in 2023 had been due to decrease in oil GDP on the back of OPEC+ production cuts, positive growth is estimated for 2024 on the back of possible reversal of production cuts and demand for oil due to improvement in China’s economy. However, OPEC+’s current stance of extending production cuts until the end of 2024, possible deepening of production cuts poses downside risk to oil GDP outlook. Kuwait plans to increase its oil output in the long term and has announced a strategy to raise overall oil production capacity to 4 million barrels a day (bpd) by 2035 and to 3.2 million bpd by 2025/2026 from the current 2.9 million bpd. Kuwait’s non-oil sector is expected to exhibit a growth rate of 3.5%, supported by likely stabilization of interest rates and recent pick up in projects activity, consumer spending and on-going recovery in expatriate employment that is inching closer to pre-pandemic levels amid fading of fiscal impulse.

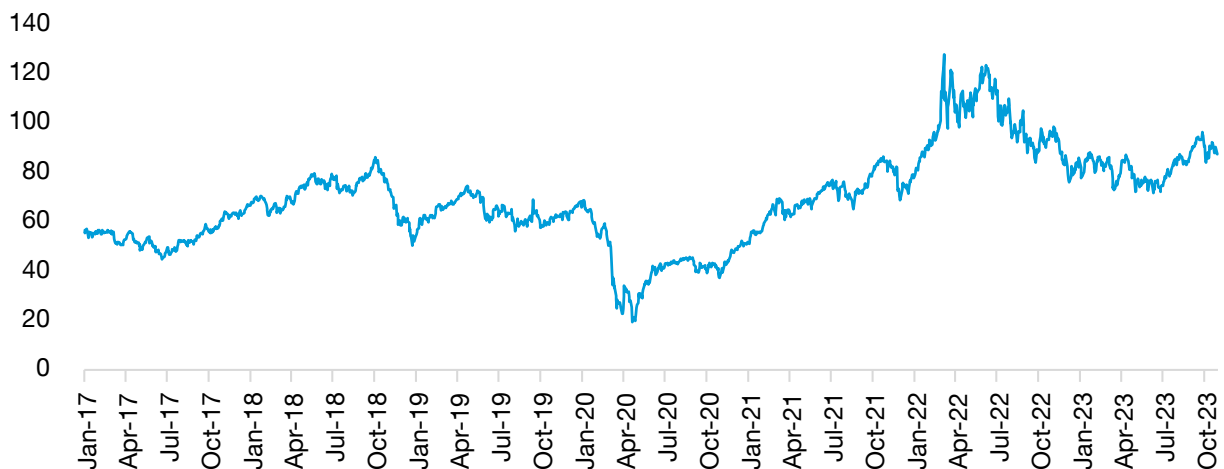
### Annual Real GDP Growth (percentage change)



Source: IMF

Oil prices recovered in H2 2023 as tighter supply on account of production cuts by OPEC+ and voluntary cuts by Saudi Arabia and Russia, possibility of deeper OPEC cut and resurgence in Chinese consumption. Kuwait has announced its plan to continue its voluntary oil output reduction by 128,000 bpd until the end of 2024 in line with OPEC+ extension of oil output cuts to end of 2024. IMF forecasts oil prices to average at USD 79.92/barrel in 2024 as compared to USD 80.49/barrel in 2023

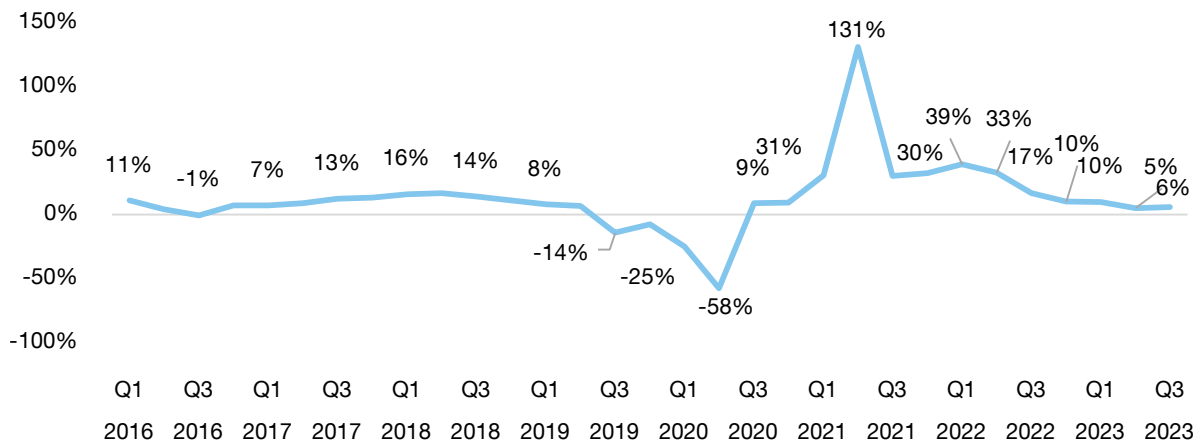
### Brent Crude Oil Prices USD/bbl. (Jan 2017 – Oct 2023)



Source: Refinitiv

In Q3 2023, Point-of-sale (POS) transactions growth slowed to 6% y/y due to reduction in consumer spending. This slowdown in consumer spending growth from the 17% recorded in Q3 2022, comes amid high inflation levels, tighter monetary conditions, and softening global economic growth. Payment Gateway transactions increased by 20.3% y/y in Q3 2023 due to an increase in e-commerce activities.

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

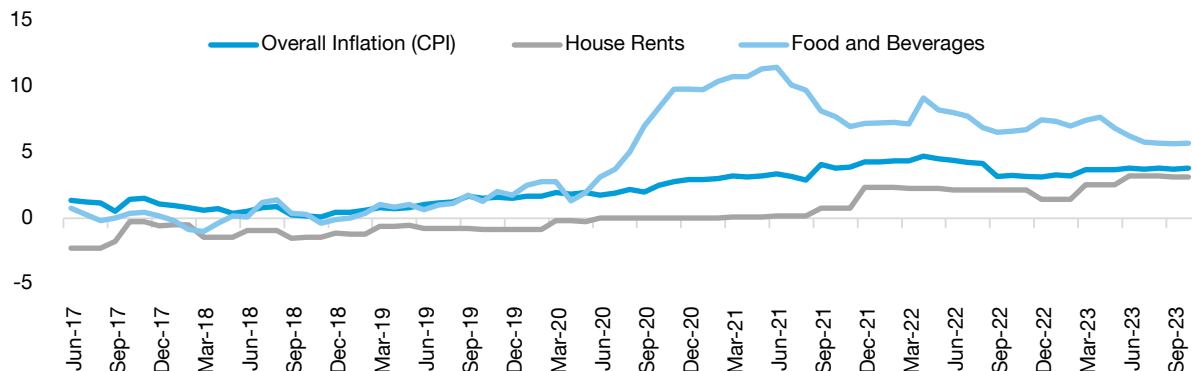


Source: Central Bank of Kuwait

### b. Inflation stable in H2 2023

Inflation (CPI) has remained stable in H2 2023 on the back of easing of food prices globally and tighter monetary policy. Prices of Food and Beverages, which accounts 16.7% of CPI has softened from 6.25% in June 2023 to 5.71% in October 2023 as global food prices continued to decline given Kuwait’s high reliance of food imports. Prices in the housing services component, rose from 1.44% y/y at the end of 2022 to 3.13% y/y in October 2023, mainly driven by the housing rents which increased by 3.4% y/y in October 2023 up from 1.51% y/y at the end of 2022. Rents of apartments have been stable during the past year. Rents of houses for Kuwaitis are have risen due to the limitation of supply. However, in October 2023 core inflation (excluding food and housing segment) experienced an increase of 4.14% y/y, primarily due to significant price increases in various subcomponents. The largest contributors to this rise were Clothing (6.98% y/y), services and miscellaneous goods (4.23%), restaurant and hotels (3.54% y/y), transport (3.03% y/y), and communication (3.06% y/y).

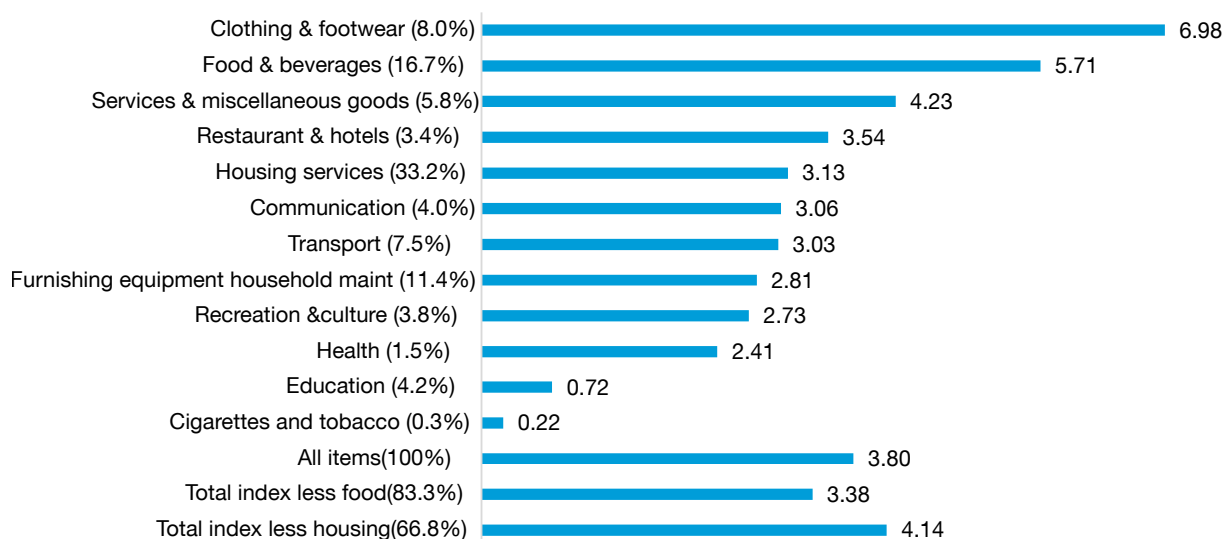
### Consumer Price Index Inflation and Subcomponents (Jan 2015 - Oct 2023) in %



Source: Refinitiv



## Inflation (y/y %) as of October 2023

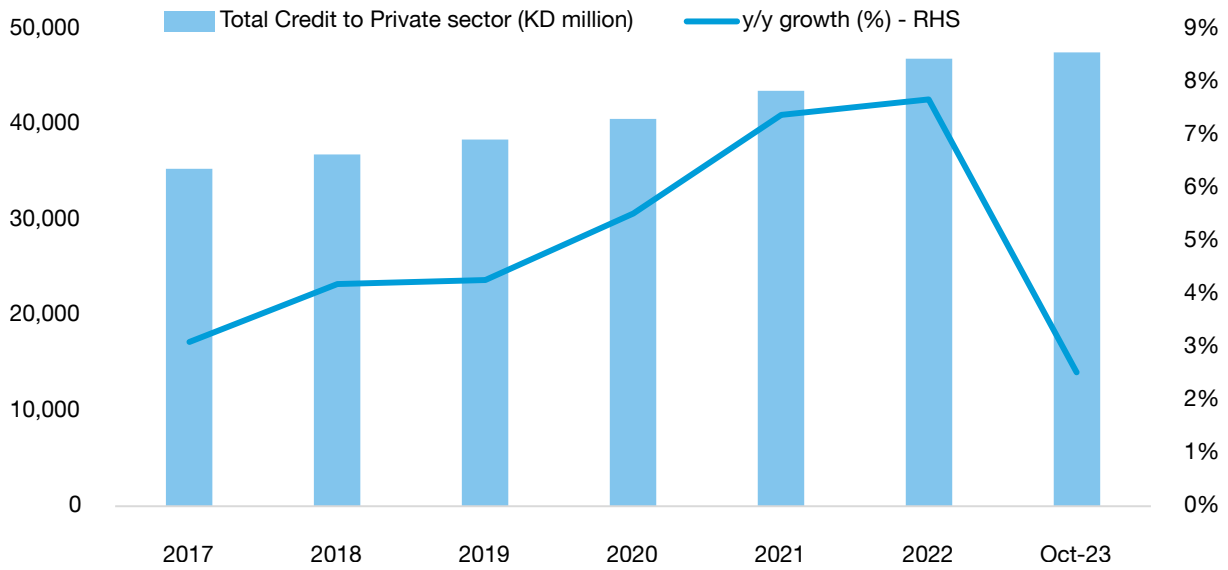


Source: Kuwait Central Statistics Bureau; Note: Percentages in braces indicate segment's weight in the index

### c. Credit growth likely to be positive

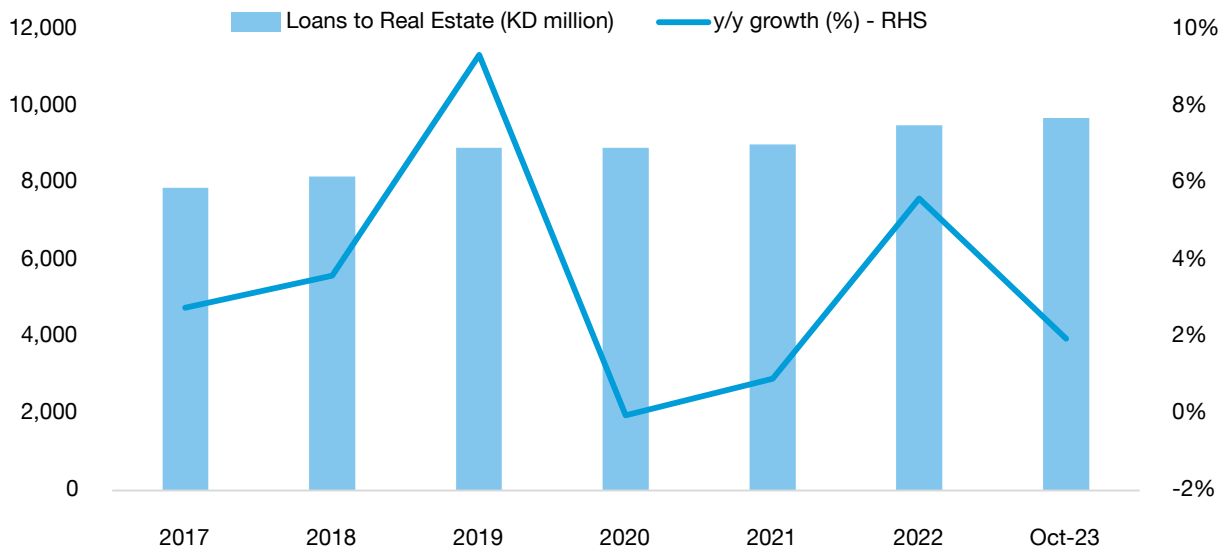
The growth of credit to private sector has slowed down significantly in 2023 reaching 2.5% y/y in October 2023 compared to 9.1% y/y growth in October 2022 amid high interest rate environment and decline in oil production in line with OPEC+ cuts. Household credit grew by 2.6% y/y as of October 2023 compared to 10.5% in October 2022, with 7.1% y/y decline in residential loans capping gains. Business credit grew by 1.4% y/y in October 2023 compared to 7.3% y/y in October 2022. Credit growth across businesses segments has diverged. While construction and real estate segments grew by 22.7% y/y and 1.9% y/y respectively, industry declined by 5.2% and crude oil and gas by 8.4% y/y. On YTD basis, as of October 2023, overall credit has grown by 1.4% and domestic and business credit have both grown by 1.6% each. Credit growth in upcoming months could gain support from likely peaking of interest rates in the current cycle, continued momentum in project activity that has seen a pickup in recent months and ongoing job gains for citizens. However, elevated interest rates and extension of oil production cuts to end of 2024 could cap credit growth.

### Total Credit to Private Sector



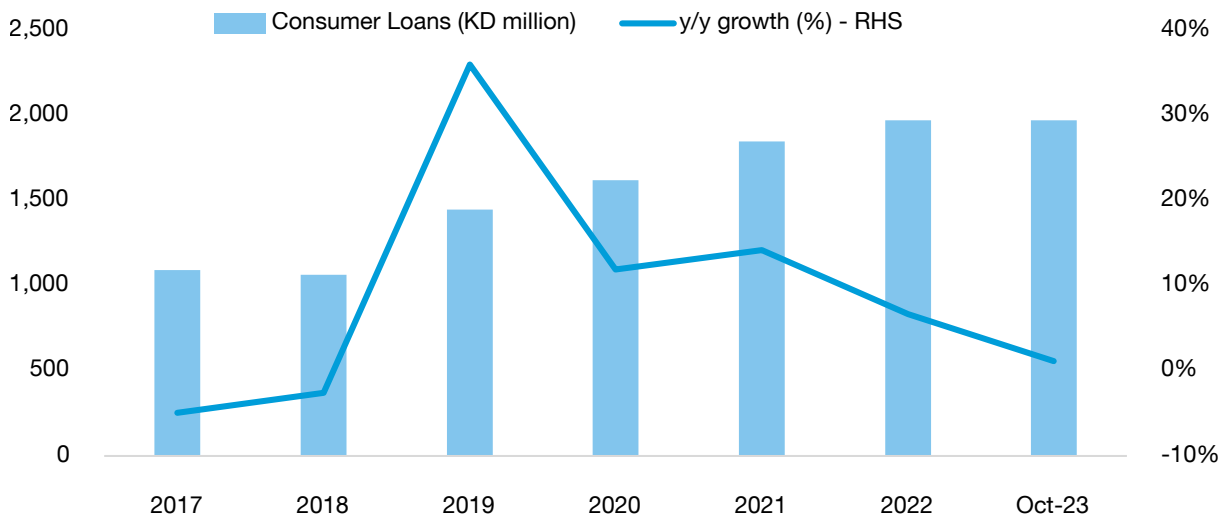
Source: Central Bank of Kuwait; Values are as of end of period

### Loans to Real Estate Sector



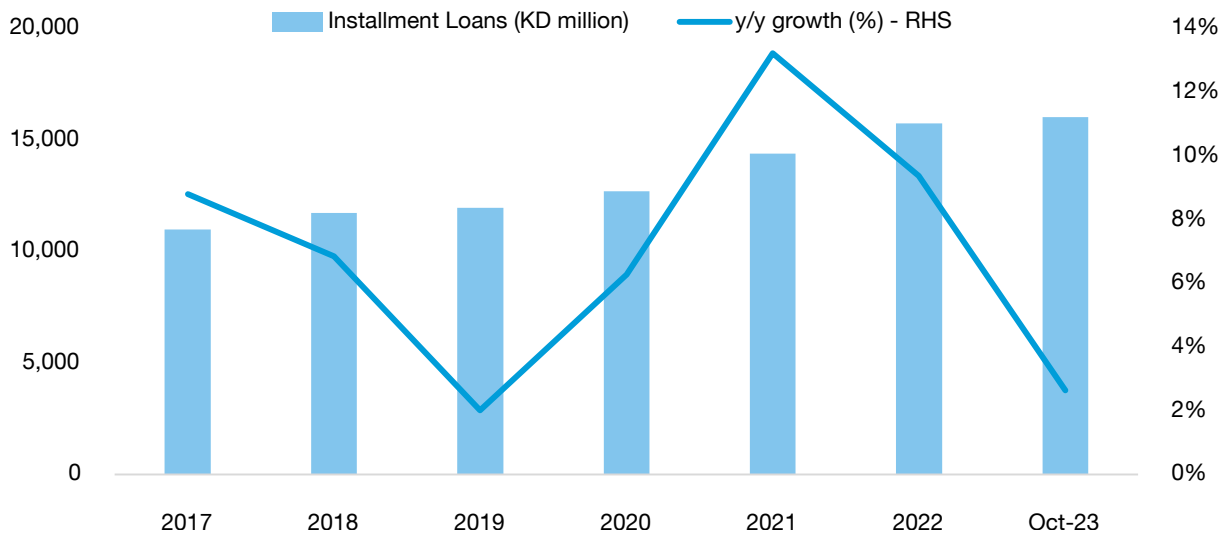
Source: Central Bank of Kuwait; Values are as of end of period

### Consumer Loans



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

### Installment Loans

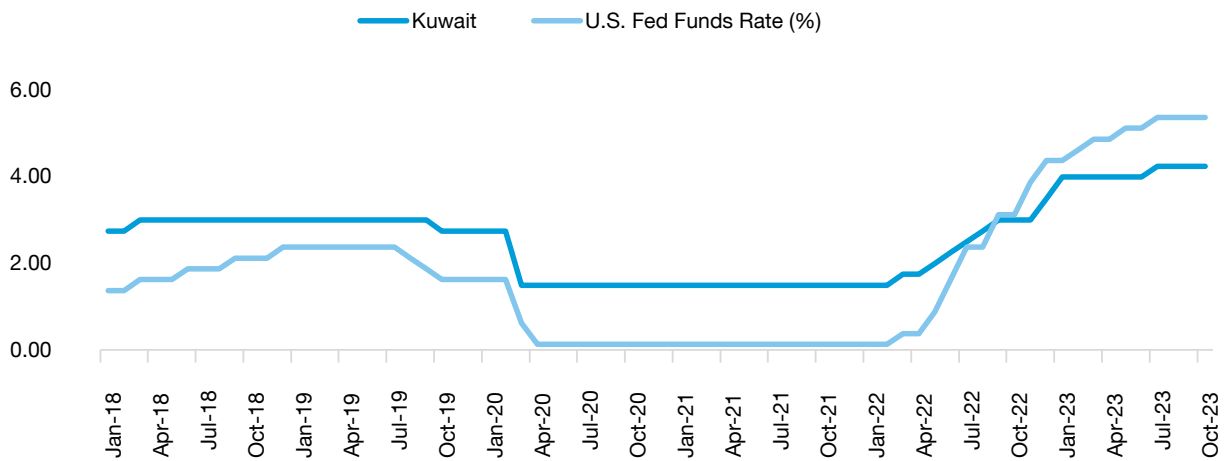


Source: Central Bank of Kuwait; Values are as of end of period

#### d. Possible ending of current tightening cycle could be a silver lining

The Central Bank of Kuwait (CBK) has increased rates by 25 bps in July 2023, bringing its discount rate to 4.25%. The central bank 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. Until October 2023, while the U.S Fed has increased rates by 100 bps, CBK has increased rates by 75 bps amid relatively lower inflation levels and its intent to support economic growth. While the U.S Fed has paused interest rate hikes since July 2023, it has indicated that rates are likely to be lower in the second half of 2024. As Kuwait’s monetary policy broadly follows the U.S., CBK is expected to initiate rate cuts in line with the U.S. Fed.

#### Policy Rate Trajectory in Kuwait and U.S (June 2018-October 2023)

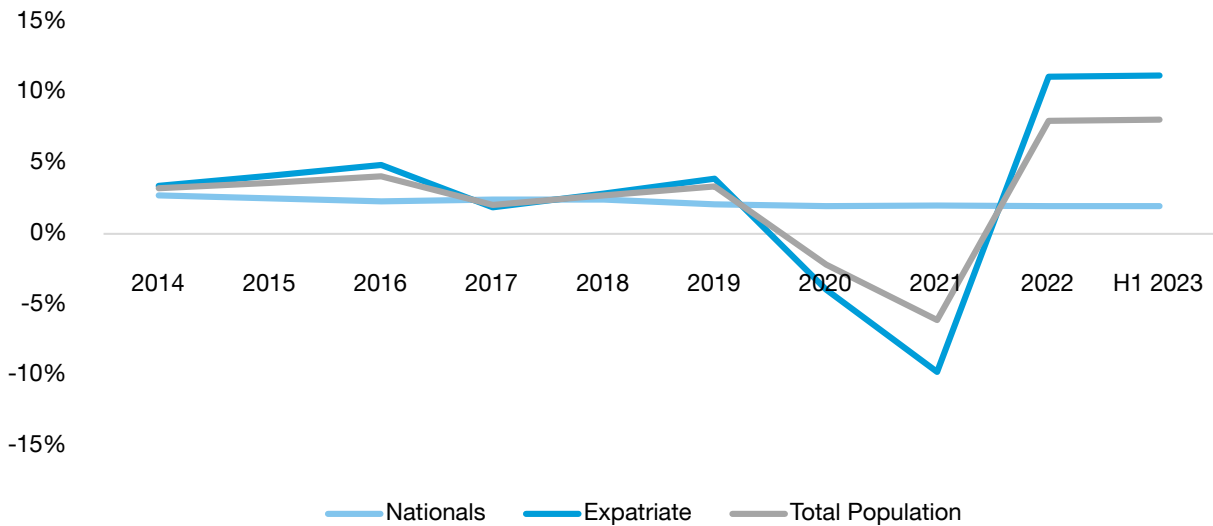


Source: Refinitiv

#### e. Expat inflow supports overall population growth

Kuwait’s population recorded an 8% y/y increase in H1 2023, highest since 2005 and like the growth rate in H2 2022. Expat population continued to increase, marking a 11.1% y/y rise, supported by resumption of economic activity, particularly projects activity. Expat population is almost back to its pre-pandemic peak. Population of Kuwaiti nationals has remained stable with a growth rate of 1.9% y/y in H1 2023.

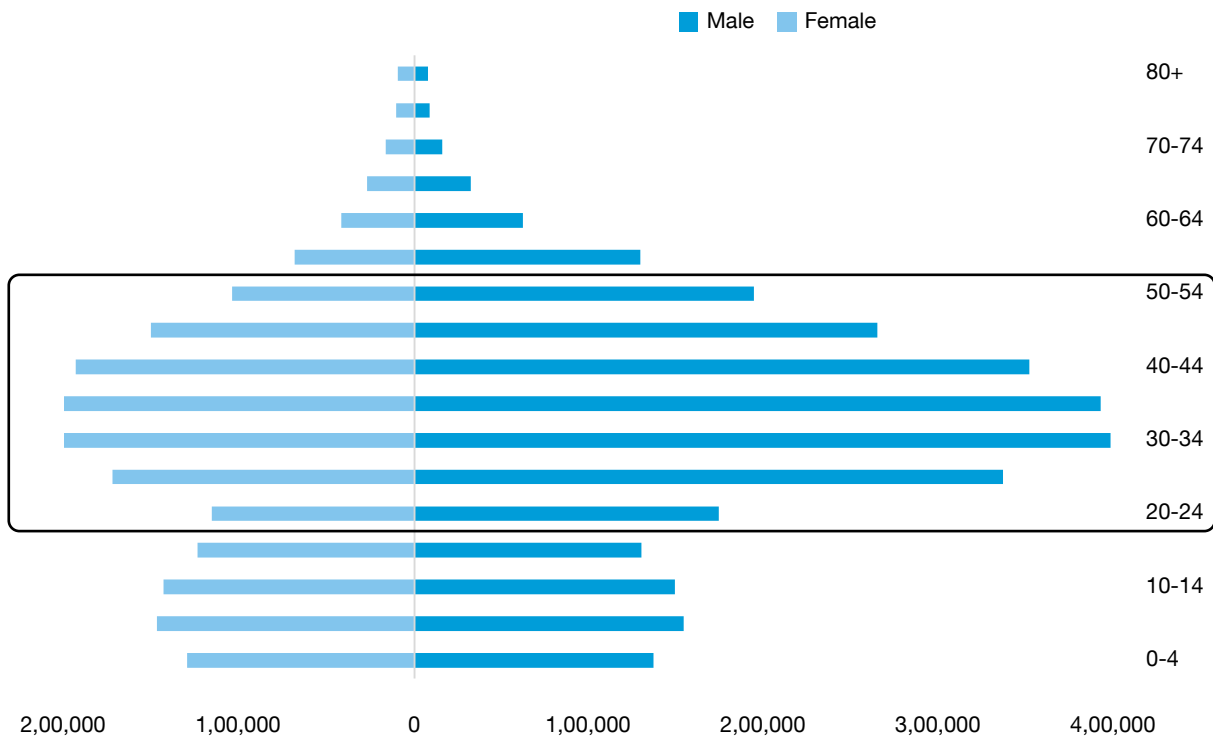
### Kuwait Population Growth in percentage - y/y (2014- H1 2023)



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

As of June 2023, Kuwait had a total population of 4.8 million people. Of these, 3.293 million were non-Kuwaitis. With working-age population making up 62.7% of the total population, demand for real estate is set to be strong.

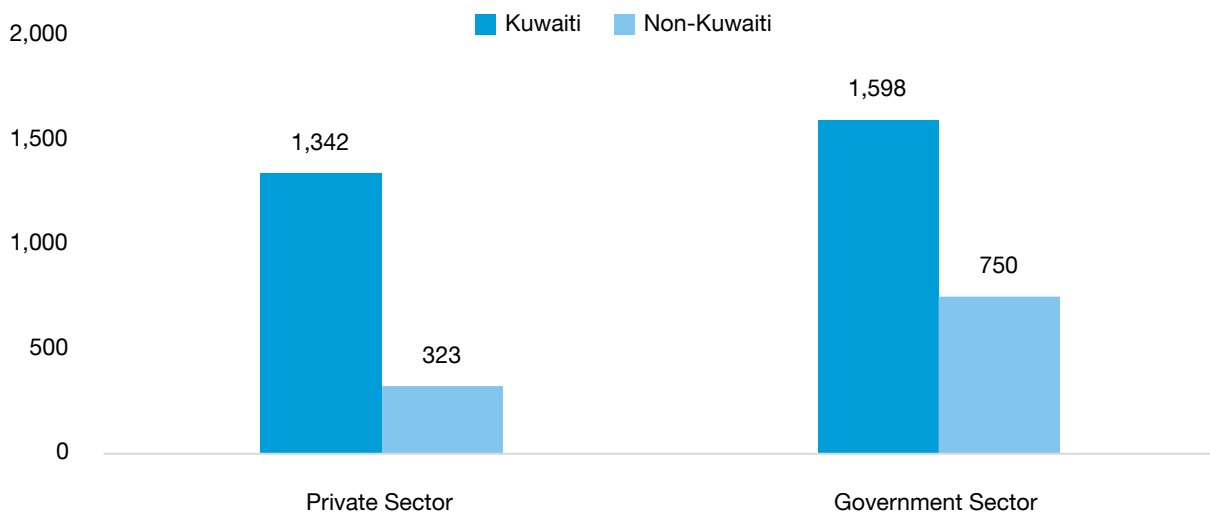
### Kuwaiti Nationals - Population Pyramid H1 2023



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. The number of employed Kuwaiti citizens increased by 2.9 percent y/y to 462K by the end of H1 2023. In budget FY23/24, the government has announced its plan to hire around 20K Kuwaiti nationals during the year, furthering the uptrend in public sector employment. This bodes well for real estate demand by aiding in higher and stable levels of income for citizens. A draft law on restricting expat hiring in government jobs has been submitted in the National Assembly. It proposes stopping the appointment of expats in government jobs unless there are no Kuwaitis to occupy the post and calls for a total ban on the appointment of non-Kuwaiti employees through recruitment agencies.

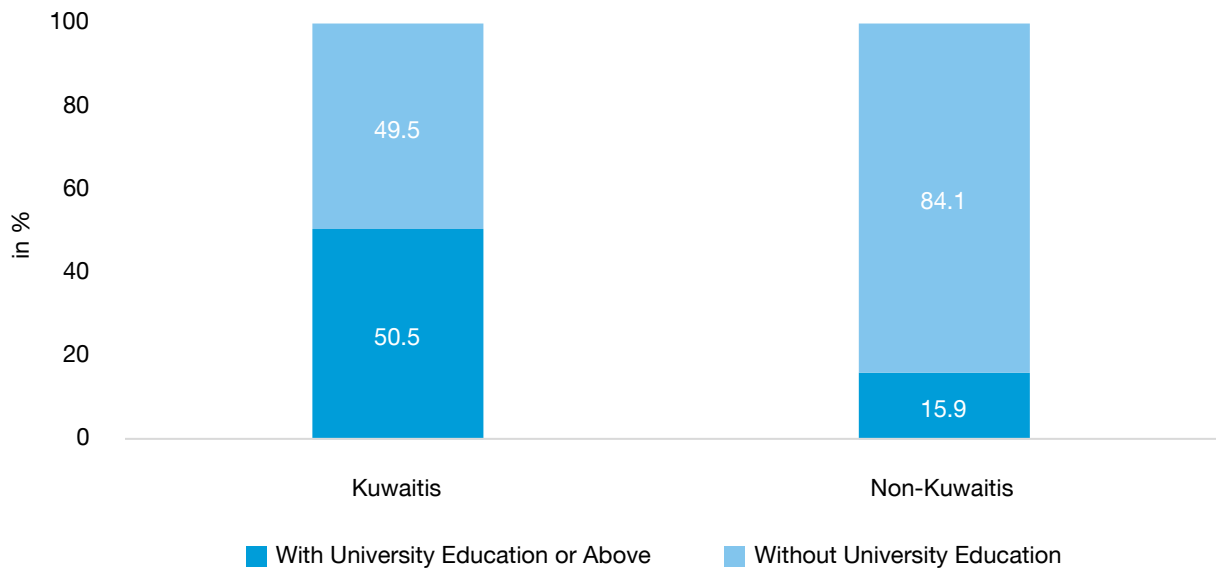
### Average Monthly Salary in Kuwait – Sector wise (in KD)



Source: Labour Market Information System - Kuwait, PACI; Note: Data as of June 2023

The proportion of Kuwait nationals without university education or above stood at 49.5% of total Kuwaiti population. The same proportion among non-Kuwaitis stood at 84.1%. This is due to the presence of many unskilled contract workers.

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



Source: Labour Market Information System – Kuwait; Note: As of H1 2023

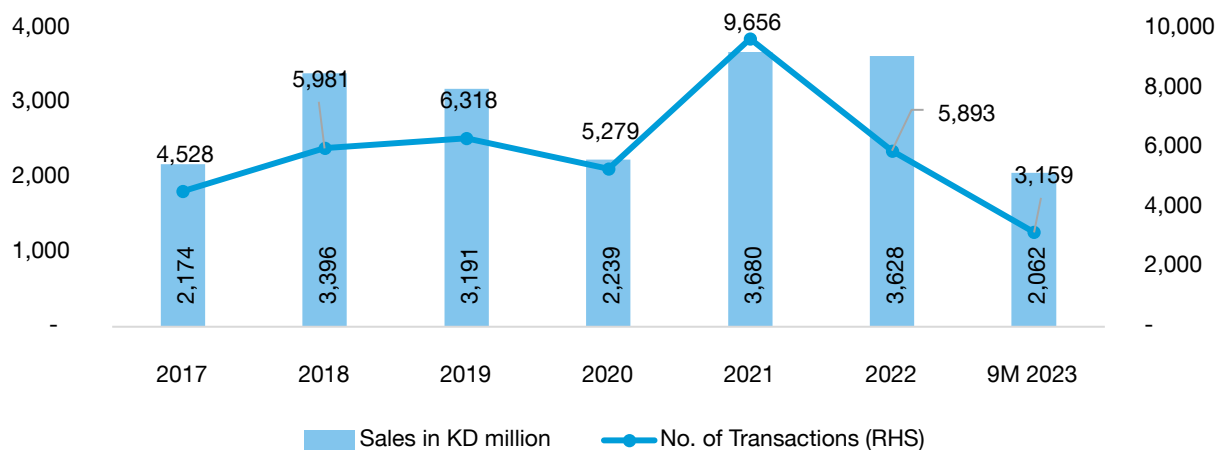
### 3. Real Estate Performance

#### a. Kuwait Real Estate Overview

The real estate sector was stable in 9M 2023 as reflected by the prices and rental values. However, value of transactions had seen a decline as the post-pandemic surge began to normalize. In addition, increasing borrowing costs, pace of reforms weighed on activity in the sector. Real estate sales in 9M 2023 dropped to KD 2,062 million (USD 6.7 billion), marking a 26% y/y decline from KD 2,788 million (USD 9.1 billion). The decline has been observed across all segments.

The National Assembly's approval of Housing Development Law and amendment to the Housing and Real Estate Affairs Law have been positive developments in the policy space. These laws would allow private sector players including foreign investors to be involved in the development of cities and residential areas and aim to prevent monopoly over plots. Combined with factors such as possible peaking of interest rate tightening cycle, they might have a positive impact on real estate in H1 2024.

#### Overall Real Estate Transactions (2015-9M 2023)

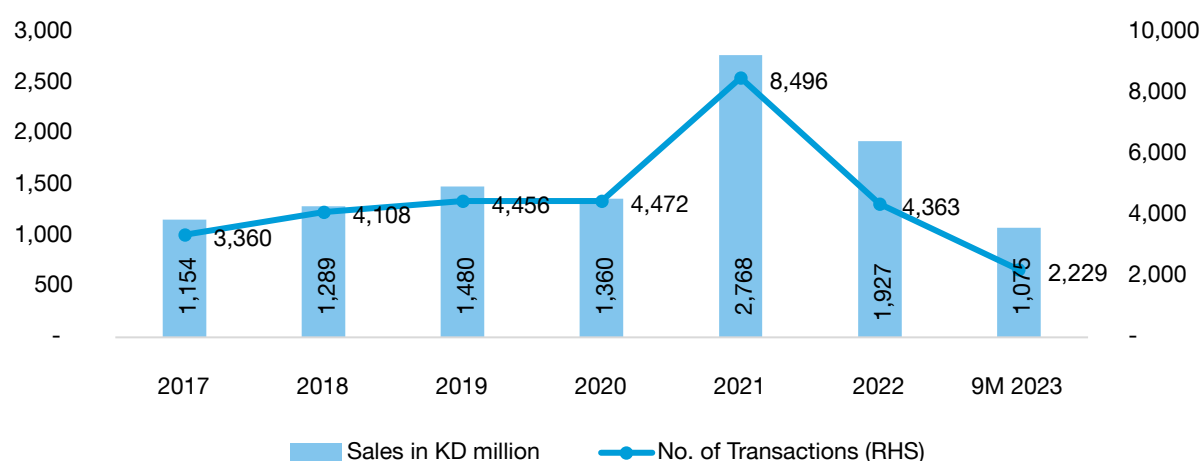


Source: Ministry of Justice

Residential sales declined by 26% in 9M 2023, with sales amounting to KD 1.1 billion (USD 3.6 billion). Sales in 9M 2022 stood at KD 1.4 billion (USD 4.7 billion). The number of transactions also fell by 34% y/y. Demand in the segment has remained muted amid high house prices and borrowing costs. Distributions of housing units in South Saad AlAbdullah city, completion of South Sabah Al-Ahmad Residential City project, announcement of tender for construction of homes in Al Nayeem area by PAHW have been some developments in the supply side.



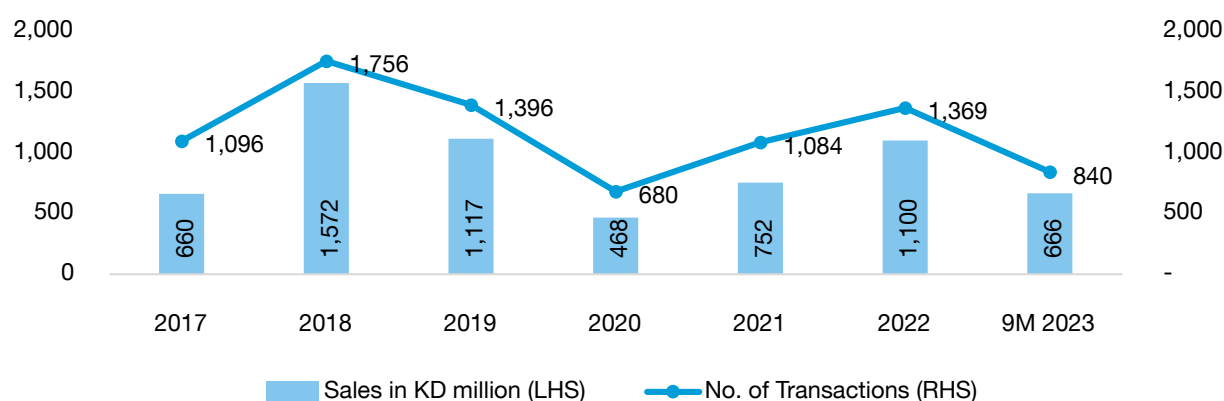
## Residential Real Estate Transactions (2017- 9M 2023)



Source: Ministry of Justice

Similar to the residential sector, sales in the Istithmari segment, which includes apartments and apartment buildings, also declined by 20% y/y reaching KD 666 million (USD 2.2 billion) in 9M 2023. Sales in 9M 2022 stood at KD 831 million (USD 2.7 billion). The number of transactions also declined by 16% y/y in the backdrop of high interest rate environment and uncertainty over demand from expatriates amid slowdown in rate of increase of expat population. However, the continued increase in expat population in H1 2023 could boost investor sentiment in the segment.

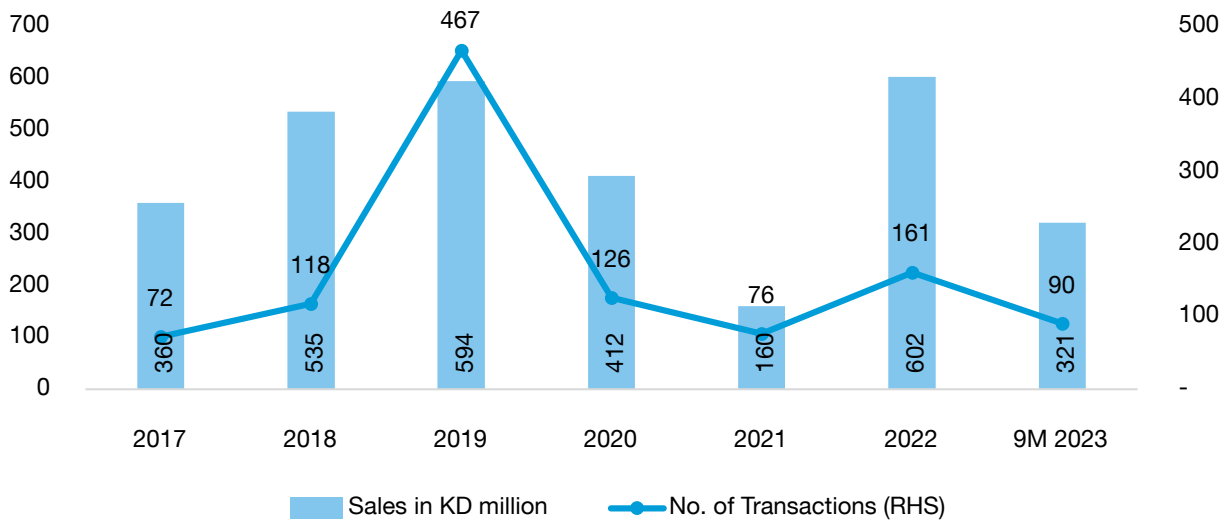
## Istithmari Real Estate Transactions (2017- 9M 2023)



Source: Ministry of Justice

Commercial sector sales declined by 37% y/y in 9M 2023 to KD 321 million as compared to KD 511 million in 9M 2022, owing to higher borrowing costs. Persistent inflation in developed economies has reduced the visibility of when the global economic recovery would come into effect. Due to the uncertainty, the demand recovery for oil has remained muddled, leading to negative investor sentiment. The number of transactions declined by 35% y/y in 9M 2023. Among the transactions that took place in 9M 2023, Sabah Al-Ahmad coastline area and Kuwait City have seen higher activity.

### Commercial Real Estate Sales (2017- 9M 2023)



Source: Ministry of Justice

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

#### Land Prices

Land price of residential apartments has remained stable with all areas seeing a slight increase, except for Farwaniya, Khaitan and Mahboula, which have remained flat. Shaab (Non-Sea Front) has registered the steepest increase in percentage terms at 4.7% over the period Q2 2022-Q2 2023. Bneid Al Gar (Sea Front) has rose the most in absolute terms by KD 110 over the same period.

The commercial segment has also been stable with most areas seeing a marginal decline but for Salmiya which rose by 2.0% y/y. While Kuwait City’s land value declined by 1.1% y/y, Khaitan registered the highest decline among the areas considered at 2.6% y/y.

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

Residential Apartments	Average land value/Sq. M. (KD)		
	Q3 2023	Q2 2023	Q2 2022
Dasman Gulf Rd	4,225	4,225	4,150
Dasman Inside Rd	2,375	2,375	2,350
Bneid Al Gar (Non-Sea Front)	1,880	1,880	1,800
Bneid Al Gar (Sea Front)	3,110	3,110	3,000
Shaab (Non-Sea Front)	1,727	1,727	1,650
Shaab (Sea Front)	3,150	3,150	3,100
Salmiya (Non-Sea Front)	1,660	1,660	1,646
Salmiya (Sea Front)	3,025	3,025	3,000
Hawalli	1,474	1,474	1,467
Farwaniya	1,424	1,424	1,424
Khaitan	1,345	1,345	1,345
Mahboula	1,178	1,178	1,178

Source: KFH Report

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

Commercial	Average land value/Sq. M. (KD)		
	Q3 2023	Q2 2023	Q2 2022
Kuwait City	6,863	6,863	6,942
Salmiya	3,459	3,459	3,392
Hawalli	3,375	3,375	3,393
Farwaniya	4,245	4,245	4,288
Khaitan	3,800	3,800	3,900
Fahaheel	3,767	3,767	3,817

Source: KFH Report

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

Industrial	Average land value/Sq. M. (KD)		
	Q3 2023	Q2 2023	Q2 2022
Shuwakh Industrial	1,559	1,575	1,554
Al Rai Industrial	1,375	1,342	1,363

Source: KFH Report

### Rental Rates

Overall average rental rates for 3-bedroom apartments have been stable in Q2 2023 as compared to Q2 2022 with all areas except for Bneid Al Gar and Mahboula seeing a small increase. Average rental value for 60 sq. m apartments has seen a similar slight increase except for Mahboula, where rents have been flat. The average rental value for retail has mostly been flat with slight decline in upper range values in some areas. Average rental value for office segment in 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)		
	Q3 2023	Q2 2023	Q2 2022
Dasman	425	425	410
Bneid Al Gar	420	415	415
Shaab	435	435	420
Salmiya	415	415	410
Hawalli	388	388	380
Farwaniya	383	383	378
Khaitan	380	380	378
Mahboula	325	315	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	Q2 2023	Q2 2022
Dasman	315	315	300
Bneid Al Gar	310	310	305
Shaab	325	325	310
Salmiya	305	305	300
Hawalli	278	278	270
Farwaniya	273	273	268
Khaitan	270	270	268
Mahboula	215	215	215

Source: KFH Report, Markaz; Note: Hawalli and Farwaniya value has been rounded off

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

Commercial - Retail	Rental value/Sq. M. (KD)								
	Basement		Ground Floor			Mezzanine			
	Q3 2023	Q2 2023	Q2 2022	Q3 2023	Q2 2023	Q2 2022	Q3 2023	Q2 2023	Q2 2022
Kuwait City	11	11	10.75	20 - 38	20 - 38	20 - 39	9 - 11	12 - 13	12 - 13
Salmiya	10	10	9.75	18 - 38	18 - 38	18 - 39	8 - 9	11 - 12	11 - 12
Hawalli	9.5	9.5	9	17 - 35	17 - 35	17 - 37	7 - 8	10 - 11	10 - 11
Farwaniya	10.5	10.5	10.5	8 - 12	20 - 38	20 - 41	8 - 9	11 - 13	11 - 13
Khaitan	10	10	9.75	18 - 32	18 - 32	18 - 38	7 - 9	11 - 12	11 - 12
Fahaheel	10	10	10	18 - 33	18 - 33	18 - 39	8 - 9	11 - 12	11 - 12

Source: KFH Report

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

Commercial - Office	Rental value/Sq. M.		
	Q3 2023	Q2 2023	Q2 2022
Kuwait City	9.5	10	9.5
Salmiya	8.3	8.5	8.25
Hawalli	7.5	7.5	7.5
Farwaniya	8.5	8.5	8.5
Khaitan	8	8	7.75
Fahaheel	8.3	8.5	8.25

Source: KFH Report

## Cap Rate

Cap rates for residential apartments have decreased across all localities in Q2 2023 as compared to Q2 2022. Rents across most residential areas have increased during the same period, indicating a gradual increase in the value of real estate. In Q2 2023, Cap rates of the commercial segment have seen a very marginal increase year-on-year with the values ranging from 7.10% to 8.07%.

## Residential Apartments Capitalization Rate

Residential Apartments	Gross Capitalization Rate (Gross Annual rental /Value of Property)		
	Q3 2023	Q2 2023	Q2 2022
Dasman (Gulf Rd)	7.03%	6.98%	7.13%
Bneid Al Gar (Non-Sea Front)	7.15%	7.13%	7.63%
Bneid Al Gar (Sea Front)	6.95%	6.88%	7.13%
Shaab (Non-Sea Front)	7.30%	7.25%	7.88%
Shaab (Sea Front)	7.00%	6.95%	7.00%
Salmiya (Non-Sea Front)	7.23%	7.18%	7.63%
Salmiya (Sea Front)	6.95%	6.90%	7.13%
Hawalli	7.57%	7.51%	8.13%
Farwaniya	7.50%	7.40%	8.01%
Khaitan	7.50%	7.39%	8.07%
Mahboula	7.50%	7.50%	8.00%

Source: KFH Report

## Commercial Real Estate Capitalization Rate

Residential Apartments	Gross Capitalization Rate (Gross Annual rental /Value of Property)		
	Q3 2023	Q2 2023	Q2 2022
Kuwait City	7.30%	7.10%	7.05%
Salmiya	7.82%	7.82%	7.82%
Hawalli	7.88%	7.92%	7.88%
Farwaniya	7.93%	7.80%	7.75%
Khaitan	8.00%	7.88%	7.88%
Fahaheel	8.15%	8.07%	7.94%

Source: KFH Report

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

### Kuwait ranks 75<sup>th</sup> in Global Real Estate Investment Return Index

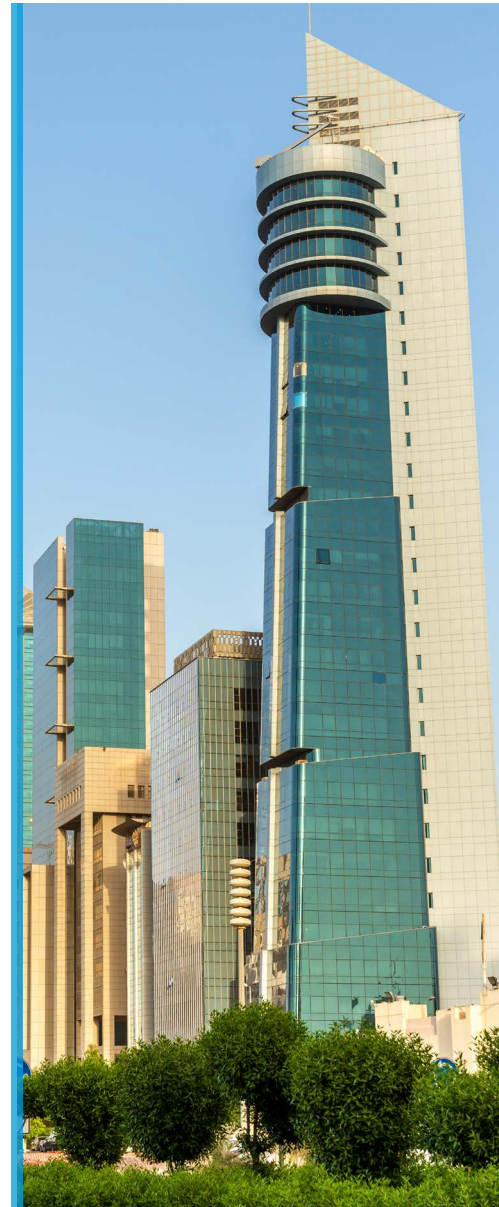
While Kuwait real estate market is the most expensive among Gulf countries, in terms of return on real estate investment, it ranks 75<sup>th</sup> among 103 countries. Globally, the United Arab Emirates has secured the top position in the index. Saudi Arabia ranks at 9<sup>th</sup> position while Qatar and Oman both rank 11<sup>th</sup> position. The Nomad Return on Real Estate Index evaluates real estate markets in 103 countries, encompassing both developed and developing markets, to gauge the true value of international real estate. It utilizes a percentage-based approach to measure the performance of each market based on five key factors: price-to-income ratio (25%), net rental income (37.5%), ability to afford loans (12.5%), purchase cost, real estate and subsequent sale (12.5%), and tax on rental income (12.5%).

### Assembly passes law to speed up building homes for citizens

Kuwait's National Assembly unanimously approved a law that allows the government to establish companies with the participation of Kuwaiti and foreign private sectors, specialized in establishing cities and residential areas. This would also allow strategic foreign investors to participate without the need for a local agent. The law focuses on preparing the infrastructure for mega projects in three cities to accommodate 100,000 housing units and guarantees the completion of all services.

### Assembly approves bill on amending the Housing and Real Estate Affairs Law

Kuwait's National Assembly has unanimously approved the bill on amending the Housing and Real Estate Affairs Law. The bill is aimed at preventing monopoly of





land and undeveloped plots; and to regulate the process of the property owner's authorization for another individual or a company to carry out sale, rental, and mortgage procedures on his behalf. The amendment aims to prevent traders from engaging in feudal practices to control real estate prices, especially in private residential areas.

### Parliament approves law against monopolizing vacant lands

National Assembly approved a law which penalizes the practice of keeping lands idle for a prolonged period (more than two years). The new law imposes a fine of KD10/sqm meter exceeding 1,500 sqm for unbuilt private housing plots, while increasing the fine annually by KD30/sqm until it reaches KD100/sqm with the due date set after one year of implementation.

### PAHW announces tender to build & maintain 1,568 homes

Public Authority for Housing Welfare (PAHW) has announced tender for the establishment, completion and maintenance of 1,568 homes in Al-Nayeem area, in addition to public buildings, asphalt surface layer work etc. The tender would include model A for a total of 833 houses, and model B for 735 houses, in addition to two primary schools, a mosque, road lightning network etc.

### PAHW readies 1,110 residential apartments for distribution in Sabah Al-Ahmad

The Public Authority for Housing Welfare has announced the completion of groundwork, and the initiation of the main road contract works and infrastructure service networks in the South Sabah Al-Ahmad Residential City project. This indicates the completion of constructing 1,110 residential apartments in the Sabah Al-Ahmad Residential City.

### Kuwait cabinet's directive to establish a new residential city in the North

Kuwaiti Cabinet has issued directives to the Public Authority for Housing Welfare (PAHW) to initiate the necessary preparations for the construction of a residential city in the northern region. The directive falls within the framework of Kuwaiti Chinese agreements, particularly in the areas of building residential cities, electricity, and water.

### Kuwait's 4Sale Launches Matterport-Based Property Viewer

Kuwait's largest online classifieds platform, 4Sale, has launched an immersive reality-focused real estate platform 4Sale Realty. It aims to add a new dimension to its national realty market by leveraging Matterport-based 3D tours. This can showcase listed properties in a fully immersive viewing format to guide prospective buyers around volumetrically-captured properties.

# 5. Markaz Real Estate Macro Index

'Markaz Real Estate Macro Index' helps investors in identifying the current state of 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 the rewards of strong economic growth opening up opportunities for the Commercial, Residential and investor market.
Fiscal Position	10%	Governments support to economic expansion is key for any sector to grow. Fiscal deficit has narrowed as a % of GDP signaling 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%	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%	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 for 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 Take	Quantitative Score
Oil (Real) GDP Growth	2.1%	-0.1%	-9.0%	-0.9%	12.1%	-4.3%	3.3%	Neutral	3
Non-Oil (Real) GDP Growth	2.9%	-1.1%	-8.0%	3.4%	4.0%	3.8%	3.5%	Neutral	3
Fiscal Position, % of GDP	6.5%	2.2%	-11.7%	-0.3%	19.1%	14.0%	9.5%	Neutral	3

Investments (as % of GDP)	25.3%	25.0%	30.8%	26.9%	13.0%	12.6%	12.7%	Neutral	3
Money Supply, M2 (Y/y)	4.1%	-1.2%	-7.3%	3.4%	6.1%	5.7%	5.7%	Neutral	3
Inflation	0.6%	1.1%	2.1%	3.4%	4.0%	3.4%	3.1%	Neutral	3
Interest Rate	3.0%	2.9%	1.7%	1.5%	2.4%	4.1%	4.1%	Subdued	2
Yearly Population Growth	4.1%	3.3%	-2.2%	-6.1%	8.0%	4.6%	2.0%	Neutral	3
Jobs created (in '000s)	70	29	(140)	(111)	155	312	35	Neutral	3
								<b>Overall Score</b>	<b>2.9</b>

Source: IMF, CSB Kuwait, LMIS, Refinitiv, Marmore research; Note: Interest rates for 2024f refer to estimated year end rates and interest rates for 2023 and earlier periods refers to average rate. Though oil GDP is estimated to be positive in 2024, that hinges on possible reversal of production cuts.

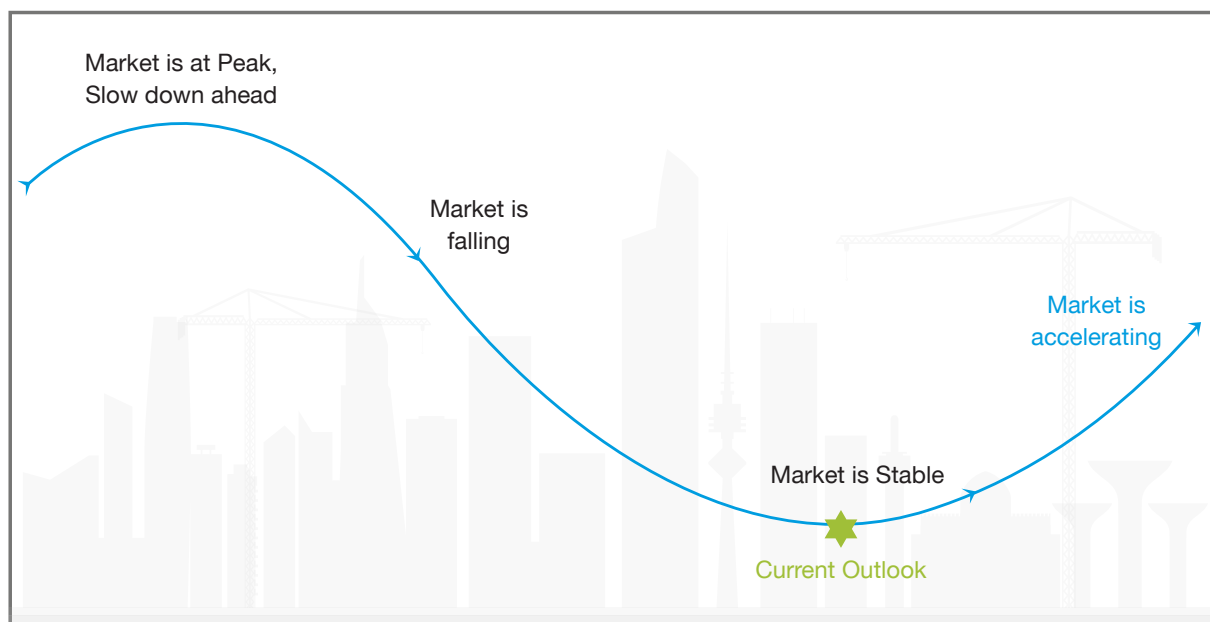
The state of the real estate market was categorized into four distinct phases as shown below.

### 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 Stable
<b>Less than 2.8</b>		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 (H2 2023 vs. H1 2024)

Macro indicators	H1 2024	H2 2023
Oil (Real) GDP Growth	3	2
Non-Oil (Real) GDP Growth	3	3
Fiscal Position, % of GDP	3	3
Investments (as % of GDP)	3	3
Money Supply, M2 (Y/y)	3	3
Inflation	3	3
Interest Rate	3	2
Yearly Population Growth	2	3
Jobs created (in '000s)	3	3
<b>Total Score</b>	<b>2.9</b>	<b>2.8</b>







Source: Marmore research

## Conclusion

Oil production cuts, sticky inflation, sluggish credit growth and elevated interest rates have weighed on Kuwait's economic growth in 2023. Improvement in oil prices in H2 2023, possible reversal of production cuts, likely ending of the current interest rate tightening cycle, recent pick up in projects activity offer cause for optimism in H1 2024. However, extension of production cuts and the delay of a pivot in interest rates present downside risks to the recovery of Kuwait's economic growth. Real Estate prices and rents held steady in 9M 2023, with a decline in value of transactions as the pent-up demand post-pandemic began to normalize. Both value and number of transactions declined across segments amid high borrowing costs. Cap rates for residentialstithmari properties marginally decreased in addition to an uptick in rentals across most Residentialstithmari and Commercial areas, pointing towards further stability in Kuwait's real estate market and the possibility of growth in the upcoming quarters in line with the broader economic recovery.

The National Assembly's approval of Housing Development Law and amendment to the Housing and Real Estate Affairs Law have been positive developments in the policy space. The momentum in policy front offers hope for the implementation of the long-awaited mortgage law, which would further enhance real estate lending and activity once it is in effect. Based on our assessment of various macroeconomic factors, we believe that the Real Estate sector in Kuwait would continue to be stable in 2024 in terms of property prices and rents. Real estate market liquidity as indicated by the value of transaction could improve in the event of easing of interest rates in H2 2024.

## Summary – Kuwait Markaz Real Estate Macro Index

Macro indicators	Future Outlook (2024 & beyond)	Quantitative Score
 Oil Real GDP Growth	Neutral	3
 Non-Oil Real GDP Growth	Neutral	3
 Fiscal Position	Neutral	3
 Investments	Neutral	3
 Money Supply, M2 (Y/y)	Neutral	3
 Inflation	Neutral	3
 Interest Rate	Subdued	2
 Population growth	Neutral	3
 Jobs created	Neutral	3
<b>Overall Score</b>	<b>Market is Stable</b>	<b>2.9</b>

Source: Marmore Research

## What reports to expect soon?



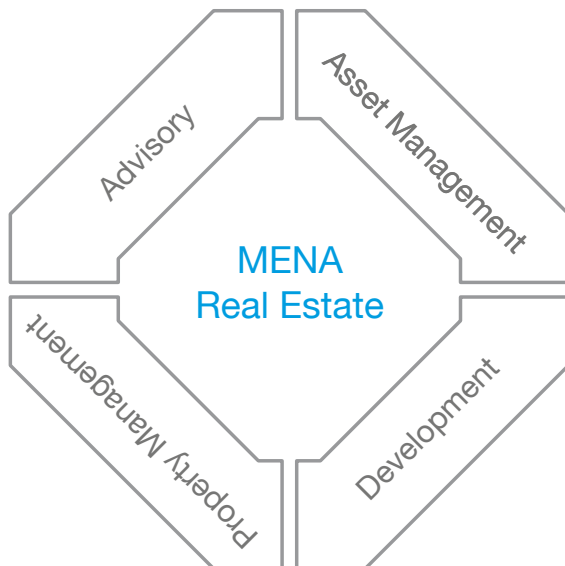
**KSA Real Estate Report  
H2 2023 Review and H1 2024 Outlook**



**UAE Real Estate Report  
H2 2023 Review and H1 2024 Outlook**

## 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

The internal rate of return:

**7.48%**

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 - Sep 23)	164.54%
Capital Gain since Inception	25.67%
Income Distribution since Inception	139.68%
Total Return Annualized	6.33%
Average Annual Yield (Cash)	4.58%
Volatility (3 year)	1.66%

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
- 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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