



# Kuwait Real Estate Report 2023 Outlook

المركز  
MARKAZ

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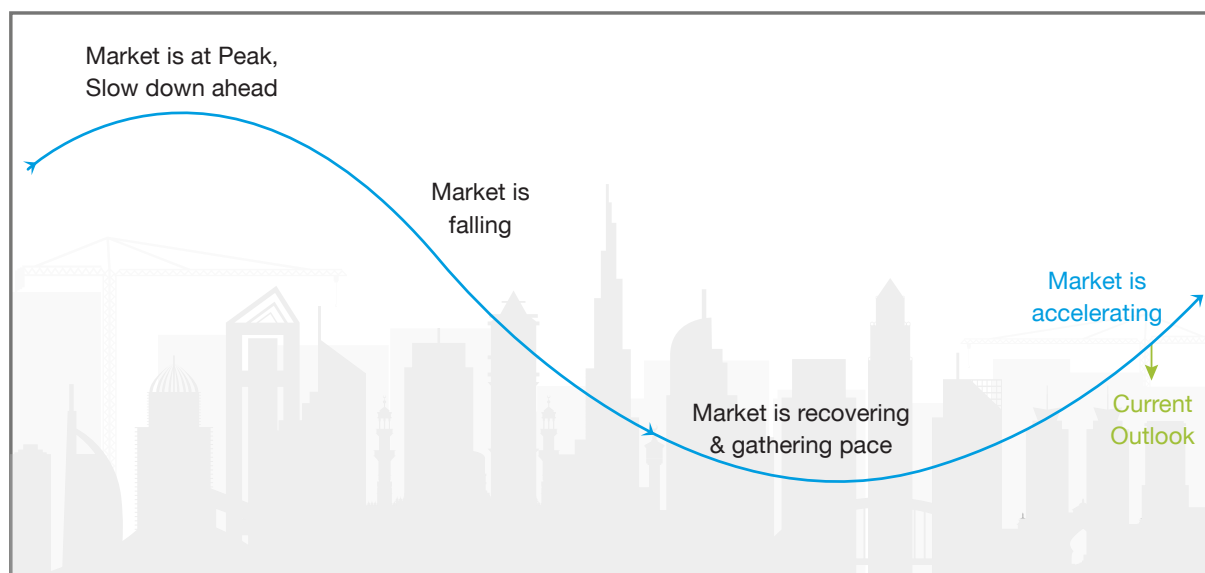
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## 1. Executive Summary

- Kuwait's real oil GDP growth rate is expected to be 2.0% in 2023, lower than 12.4% in 2022 owing to production cuts mandated by OPEC+ and expected decline in demand for oil on fears of a global recession. Non-oil economic activity is expected to grow at 3.4% in 2023.
- Oil prices have declined in Q3 2022 caused by recessionary fears and COVID-19 curbs in China. OPEC's intervention to cut oil production has ensured that oil prices have stayed range bound between USD80 per barrel to USD 120/barrel in Q3 2022. Oil prices are expected to be at USD 85.52/Barrel in 2023 as per IMF forecasts. Impending EU sanctions on Russia and any geopolitical tensions may lead to further increase in oil prices.
- With global supply chain disruptions easing, Kuwait's inflation has begun to slow down. Consumer Price Index (CPI) rate was 3.27% as of October 2022 in comparison with 4.71% in April 2022. Food and beverage, an important component of inflation due to Kuwait's high reliability on imports has softened to 6.63 % as of October 2022 compared to the highs of 9.13% in April.
- The overall credit growth has increased to 11.7% in Q3 2022 on y/y basis as compared to 4% in Q3 2021 on y/y basis. However, rise in interest rates and global recessionary pressures could be a headwind for the lending sector.
- Central Banks, particularly in the advanced economies have increased interest rates to combat inflation. Kuwait having its currency pegged to a basket of currencies including USD mainly, might have to at least partially follow the FED's rate hike cycles.
- Sales in the Real Estate Sector was stable in Q3 2022 supported by commercial and Istithmari segments compensating the decline in the private housing segment. Commercial sector sales was at KD 124mn (+241.6% y/y) and investment sector was at KD 252mn (+7.2% y/y). Residential sector registered sales of KD 434mn (-46.4% y/y)
- Based on our assessment of various macroeconomic indicators, we believe that the Real Estate market in Kuwait would moderately accelerate in H1 2023 as indicated by Markaz Real estate Macro Index score of 3.6 out of 5.0.

## Kuwait Real Estate Market Outlook







### Kuwait Macro-Economic Views

Economic Factors	Our take	Economic Factors
 Oil (Real) GDP Growth	Moderate	Oil GDP growth is expected at 2.0% in 2023 compared to 12.4% in 2022 due to recessionary fears and OPEC+'s production cuts. Supply tightening due to impending European embargo on oil might lead to further increase in prices.
 Non-Oil (Real) GDP Growth	Moderate	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.
 Fiscal Balance, % of GDP	Strong	Fiscal balance for 2023 is expected to be at 14.1% of GDP, supported by estimated oil price of about USD 85.5/Barrel. <sup>1</sup>
 Investments	Neutral	Investments are expected to increase in 2023 to 24.5% of GDP due to softening inflation and healthy fiscal balance. <sup>2</sup>
 Money Supply, M2 (YoY)	Moderate	Money supply is expected to decrease to 5.5% in 2023 as compared to 6% on 2022. Rate hikes could hamper liquidity even further.

<sup>1</sup> IMF, REO October 2022

<sup>2</sup> IMF, WEO October 2022

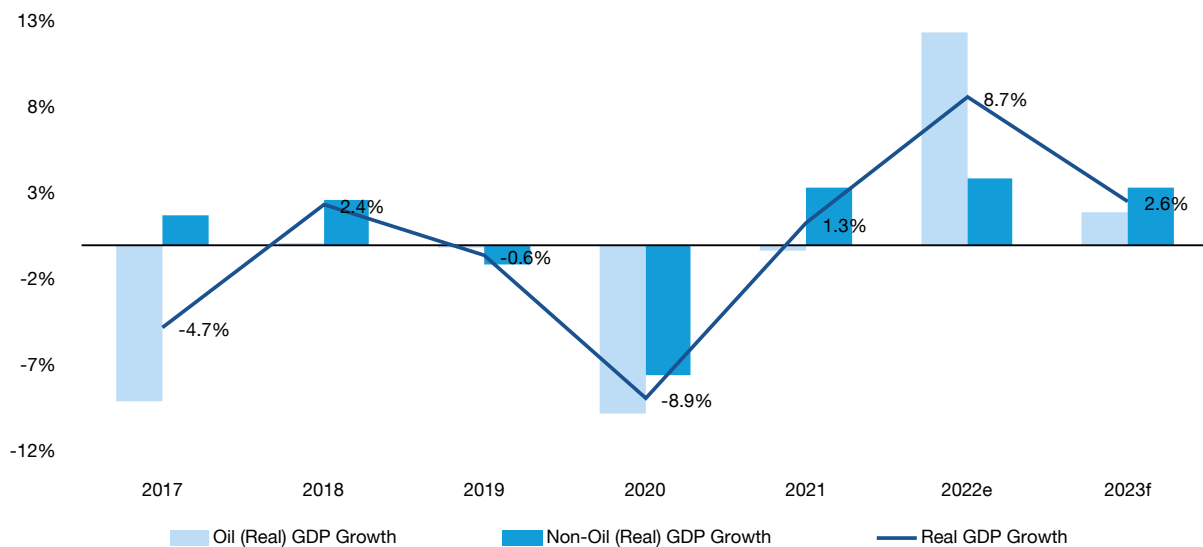
Economic Factors	Our take	Economic Factors
 Inflation, %	Neutral	Inflation is expected to slow down in 2023 to 2.4% as compared to 4.3% in 2022 owing to monetary tightening. Easing global price pressure will also assist softening of prices in Kuwait.
 Interest Rate, %	Neutral	Kuwait having its currency pegged to a basket of currencies including the USD is expected to follow suit with the FED. Interest rate hikes could hamper economic growth, liquidity and consumer spending.
 Yearly Population Growth	Neutral	Population growth is expected to be stable on the back of COVID restriction removals and a possible inflow of expats who comprise major proportion of the population.
 Job creation	Neutral	Job Creation is expected to remain positive caused by stable revenues from oil and non-oil sector

## 2. Kuwait: Macroeconomic Update

### a. Kuwait’s economy is poised for growth in 2023

Kuwait’s economy is poised for growth in 2023 but at a slower pace compared to 2022 owing to production cuts by OPEC and global recessionary fears that could lead to a lower oil GDP. IMF forecasts real GDP growth at 2.6% for 2023. Non-Oil (Real) GDP growth is expected to be 3.4% in 2023 as compared to 3.9% in 2022. The small decline in non-oil GDP is expected because of a possible decrease in domestic spending activities owing to higher interest rates.

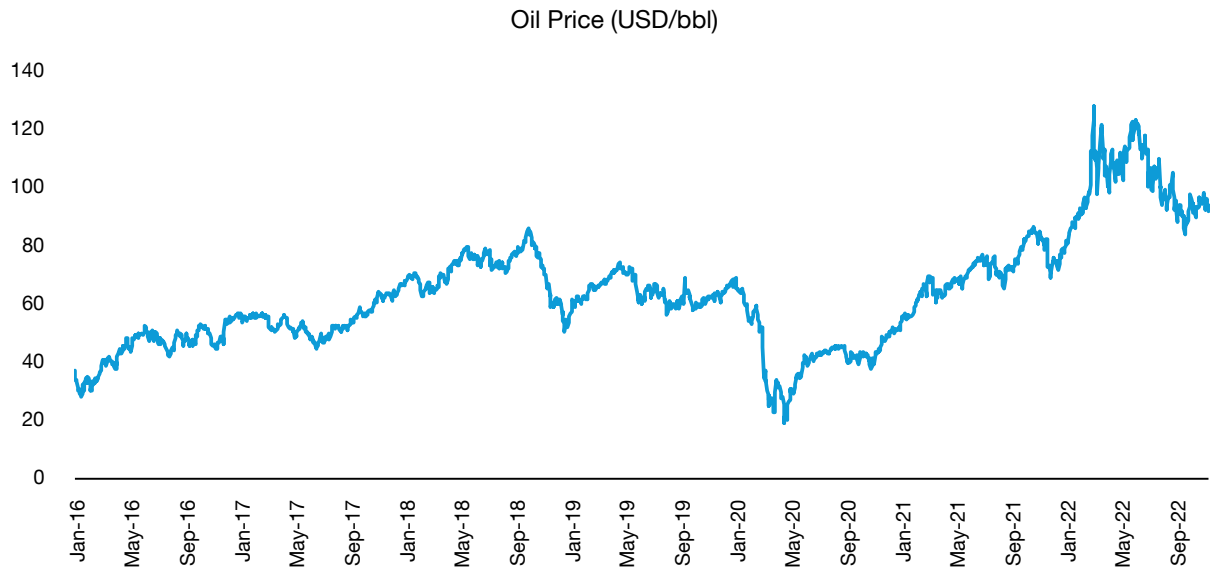
#### Economic Growth – Annual Real GDP Growth (percentage change)



Source: IMF

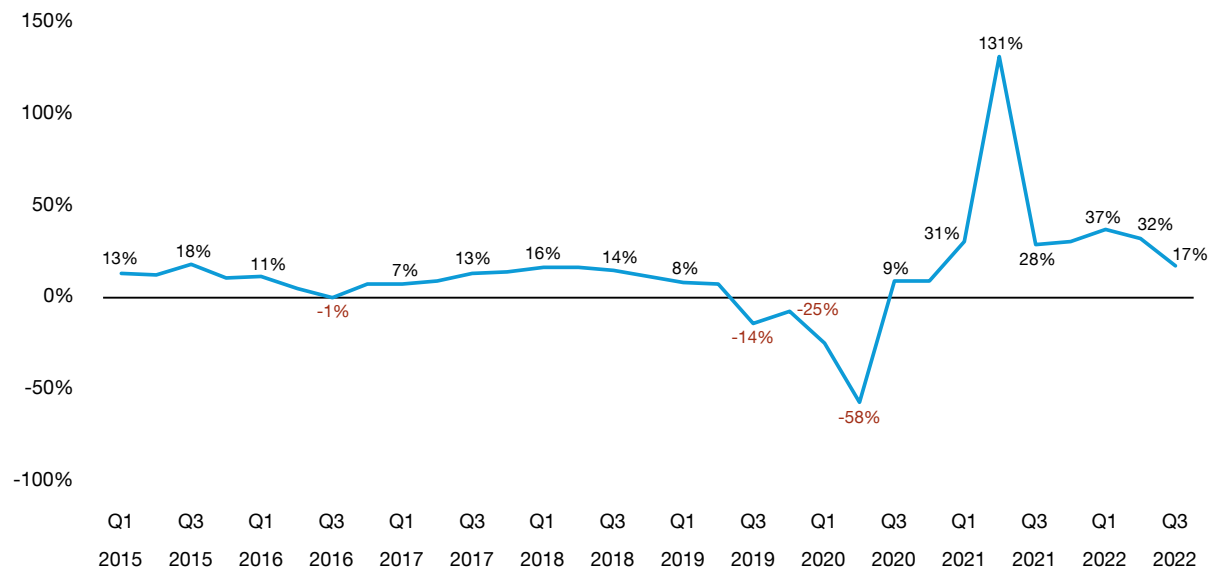
Oil prices have been on a downtrend in Q3 2022 caused by fears of recession and COVID-19 restrictions in China. However, OPEC’s decision to cut production has offered stability. Oil prices are expected to average at USD 85.5/Barrel in 2023 as compared to USD 98.2/Barrel in 2022 as per IMF forecasts. However, supply chain restrictions such as impending EU sanctions on Russian oil may lead to support oil prices in 2023.

### Brent Crude Oil Prices USD/bbl (Jan 2016 – Oct 2022)



Source: Refinitiv

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



Source: Central Bank of Kuwait

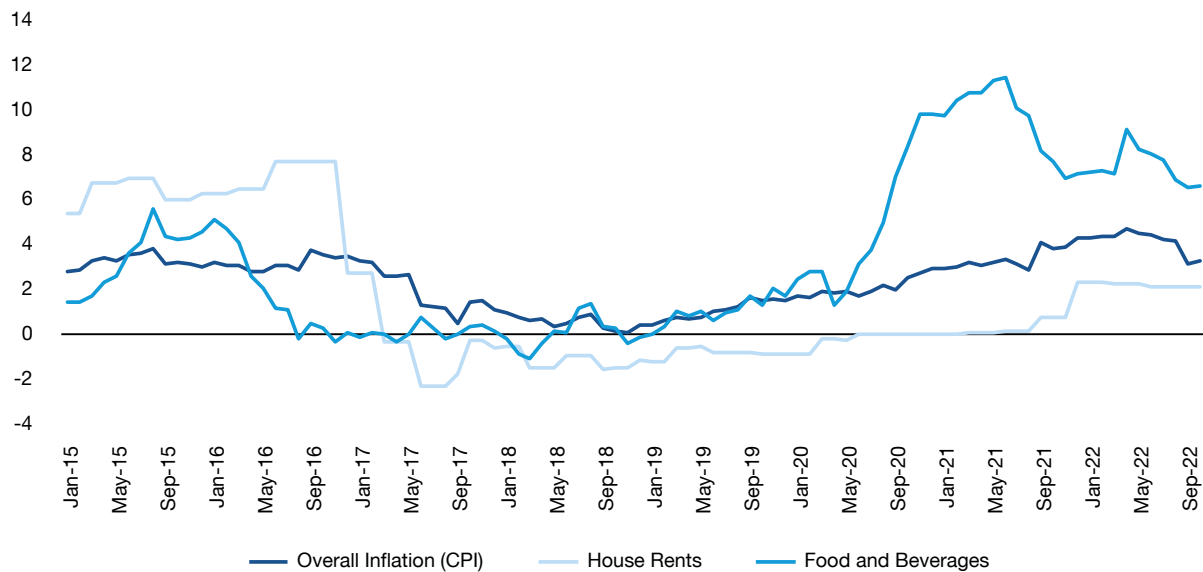
Point of sales transactions have witnessed growth of 17% in Q3 2022, albeit at a slower pace compared to recent quarters. Increase in point of sales transactions indicates positive consumer sentiment boding well for the Real Estate sector.

## b. Inflation on a downtrend

In line with the global trends, consumer price inflation (CPI) has been softening from a high of 4.71% in April 2022 to 3.27% in October 2022. This can be attributed to monetary tightening and easing pressure on the global supply chain.

Price increase in Food and Beverages, a key component of inflation, was 6.63% y/y in October 2022 as compared to of 9.13% y/y in April 2022. Inflation of the housing component has stagnated in 2022 ranging from 2.16% to 2.35%. The reason for stagnation can be associated to the high rental allowance subsidy provided by the Kuwaiti government, which amounted to an estimate KD 169.8 million annually as of December 2021.<sup>3</sup>

### Consumer Price Index Inflation and Subcomponents (Jan 2015 - Oct 2022) in %



Source: Refinitiv

## c. Credit growth on an uptrend

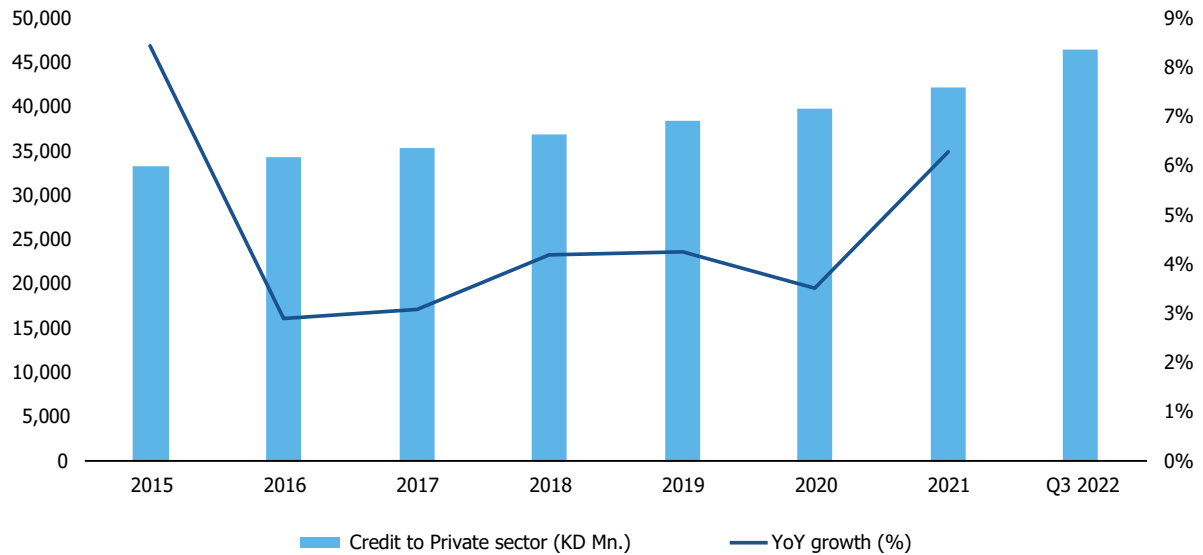
The overall credit growth in Kuwait as of Q3 2022 was at 11.7% y/y, a healthy improvement over the 4.3% y/y growth recorded as of Q3 2021. This is led by the increase in both consumer and business credit. Consumer and instalment loans grew by 9.1% y/y and 12.0% y/y respectively as of Q3 2022 as compared to a growth of about 11% y/y seen in both segments as of Q3 2021. Loans to Real Estate Sector grew at a slower rate, increasing by 1.4% y/y as of Q3 2022 as compared to 2.3% y/y growth as of Q3 2021.

<sup>3</sup>PHAI



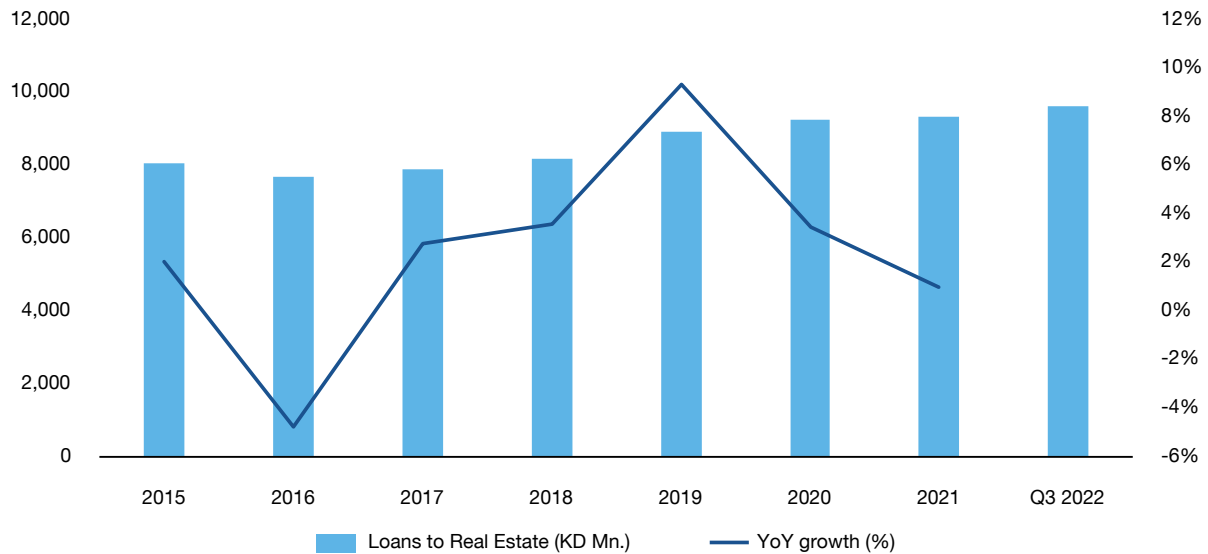
Credit growth could slow down in 2023 due to impending interest rates hikes. In 2022, U.S Fed has increased rates by 375 bps as of November and CBK has increased rates by 200 bps as of December 2022.<sup>4</sup> CBK might be forced to increase rates if the Fed continues to increase rates to contain inflationary pressures. This will increase cost of borrowing and reduce consumer spending.

### Total Credit to Private Sector



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

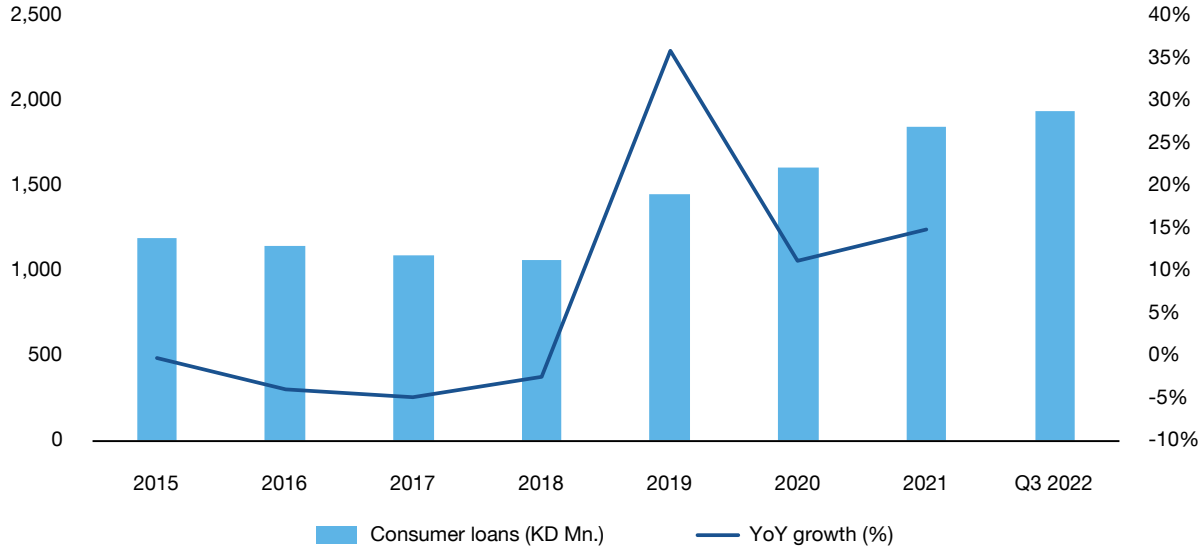
### Loans to Real Estate Sector



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

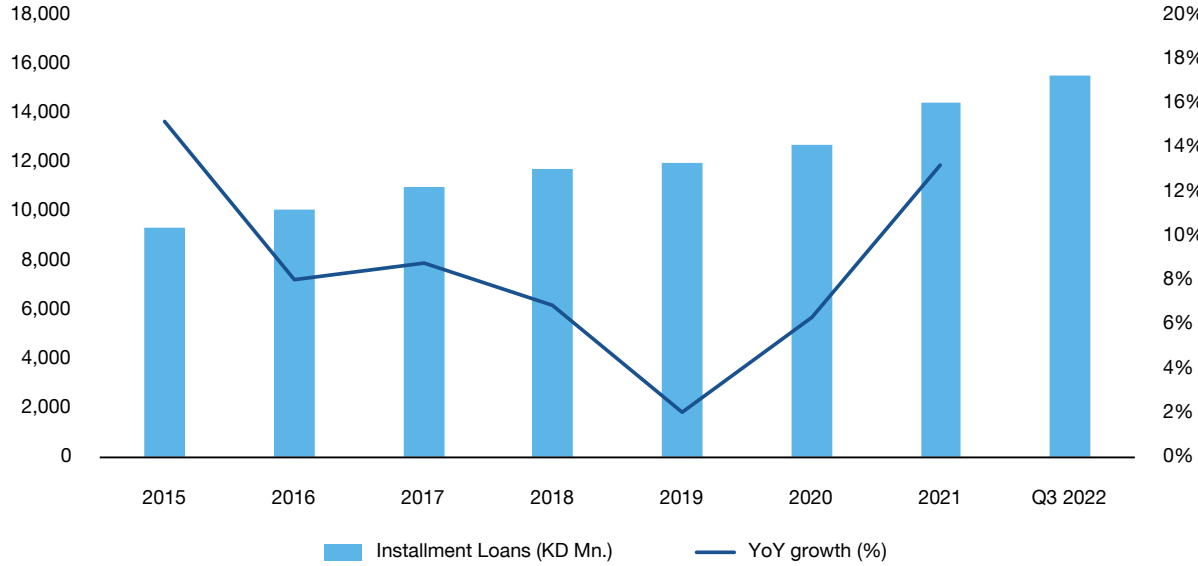
<sup>4</sup>CBK's rate increase is as of 9th December 2022

### Consumer Loans



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

### Installment Loans



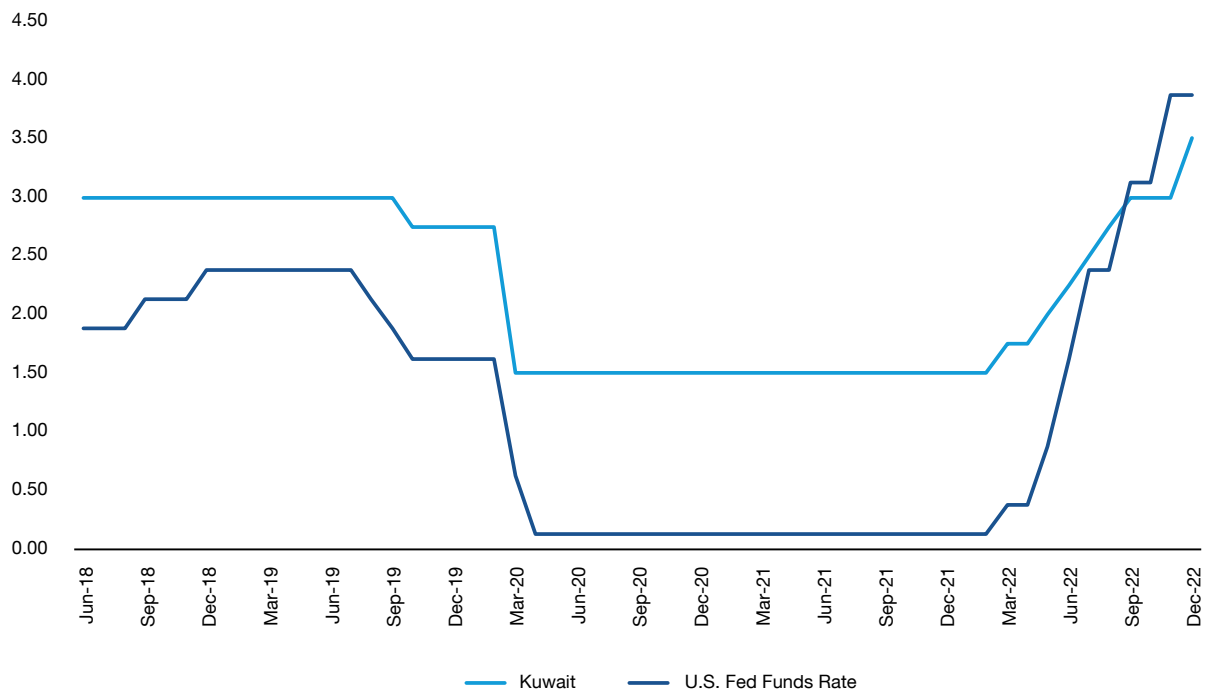
Source: Central Bank of Kuwait; Values are as of end of period

#### d. Rise in interest rates - a cause of concern for Real Estate Sector

The Kuwaiti Dinar is pegged to a basket of currencies including the USD. It is expected that the USD is a major constituent of the basket of currencies and hence the CBK traditionally follows the rate hike of cycles of The Fed, but not in synchronization. The Central bank of Kuwait held its policy rate at 3.5% in November 2022 after six consecutive rate hikes of 25 basis points. Kuwait was the only country in the GCC region to hold its rate after U.S Fed's rate hike of 75 bps in November 2022 whereas the other countries in the GCC region followed the Fed, hiking their rates by 75 basis points. In December 2022, Kuwait raised its interest rate by 50 basis points to 3.5%.<sup>5</sup>

While Kuwait has some leeway in deciding its policy rate and considers factors such as domestic inflation in addition to U.S Fed's rate hikes, further expected increase in policy rates by US Fed could force Kuwait to follow suit. This will lead to higher costs of borrowing thereby affecting the real estate demand.

#### Policy Rate Trajectory in Kuwait and U.S (June 2018-December 2022)



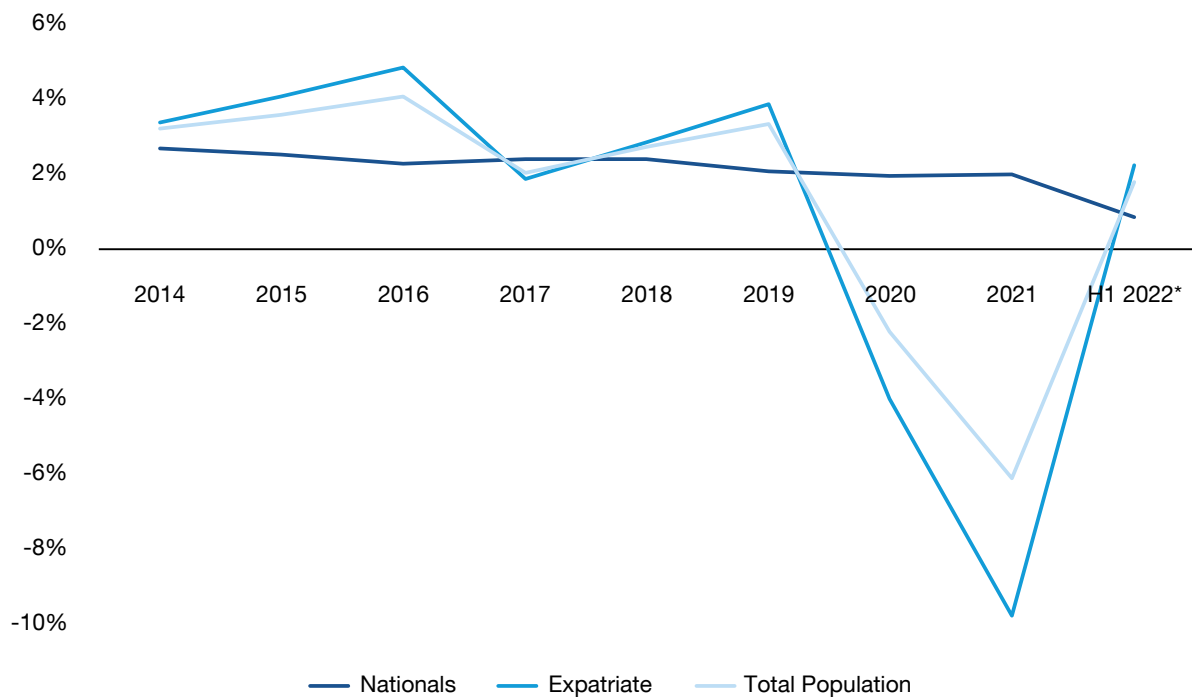
Source: Refinitiv

<sup>5</sup> As of December 9, 2022

### e. Overall population growth is expected to be stable led by Expat inflow

Expat population has seen an increase of 2.2% YTD in H1 2022 as compared to decline of 9.8% y/y in 2021. Comprising 66.4% of the total population, expats have a major share in the overall population of Kuwait. Existing proposals to increase maximum expat residency period to 5 years, extension of residency visa up to 15 years for foreign investors, offering of 10-year visas for people who own real estate and Ministry of Interior’s (MOI) decision in November 2022 to issue family visas for children could further encourage expatriates to migrate to Kuwait, if they are implemented.<sup>6</sup> Population of Kuwaiti nationals is estimated to have grown at 0.9% YTD in H1 2022 as compared to 2% y/y in 2021.

#### Kuwait Population Growth in percentage (2014-H1 2022)

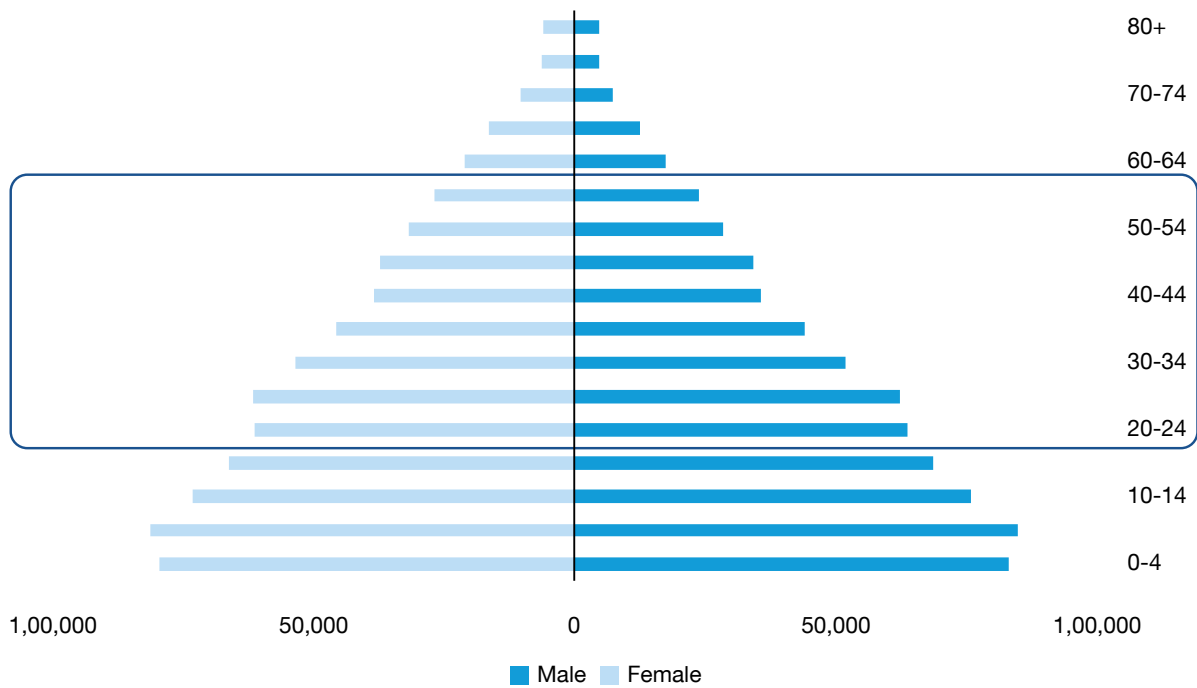


Source: PACI; Values are as of end of period; Growth numbers for H1 2022 are of increase in population as of June 2022 compared to December 2021

About 41.5% of the Kuwaiti population belong to the age category of 20-49 years. The demographics of the Kuwait with a largely young population is likely to be a positive for the housing sector.

<sup>6</sup>Zawya

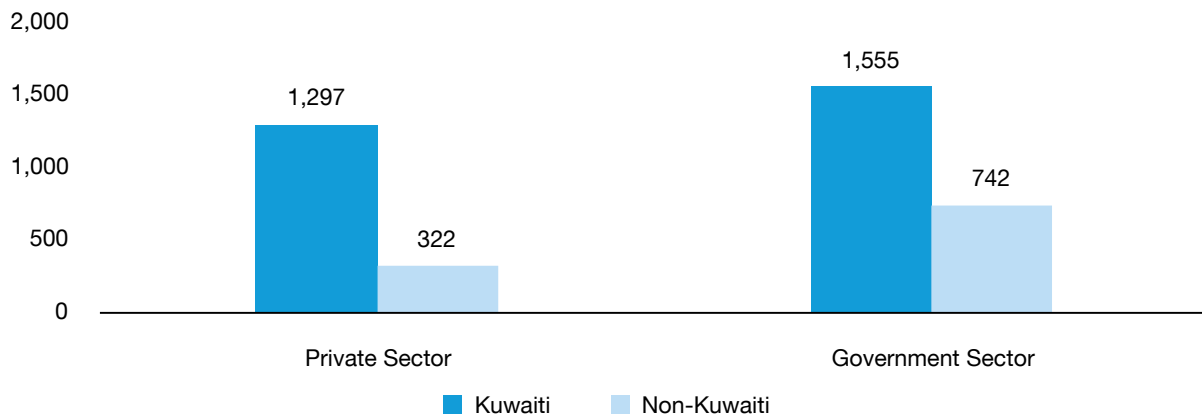
### Kuwaiti Nationals - Population Pyramid 2021



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

The Government sector provides higher income as compared to the private sector for both Kuwaiti and Non-Kuwaiti population. 80% of the employees in the Government sector are Kuwaiti's and 20% are non-Kuwaitis<sup>7</sup>. The private sector largely comprises of expat population. The variation in income of Kuwaiti and non-Kuwaiti population is mainly due to the presence of a large number of unskilled workers.

### Average Monthly Salary of in Kuwait (in KD)

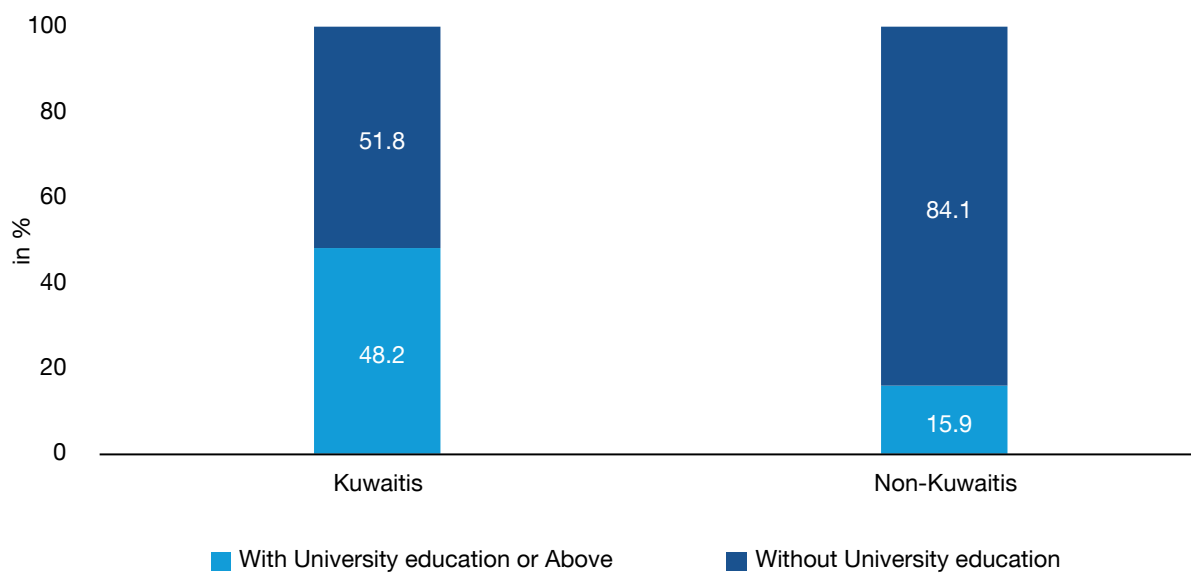


Source: Labour Market Information System - Kuwait, PACI; Note: Data as of June 2022

Kuwaiti population almost has an equal split of population with or without university education at 48.2% and 51.8 % respectively. There is a large disparity of with or without university education among the non-Kuwaiti population. This can be attributed to the presence of a high number of unskilled workers who have no formal education.

However, 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 agent is a downside for the Real Estate sector given expats comprise 66.4 % of the population.

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



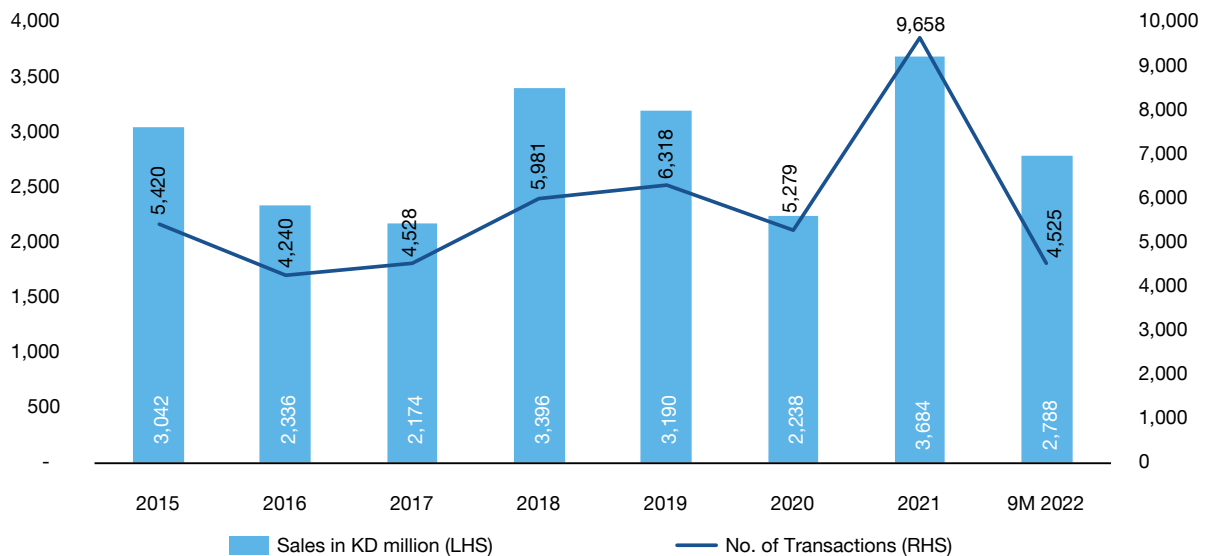
Source: Labour Market Information System – Kuwait; Note: As of Dec 2021

### 3. Real Estate Performance

#### a. Kuwait Real Estate Transactions

Real Estate sector transactions declined by 2.8% in Jan – Sep 2022 compared to the same time previous year in terms of sales. Commercial and Istithmari segments sales improved but the decline was predominant in the private housing segment. Overall transactions have declined from Jan-Sep 2022 on year on year basis mainly due to the weakness in the housing segment.

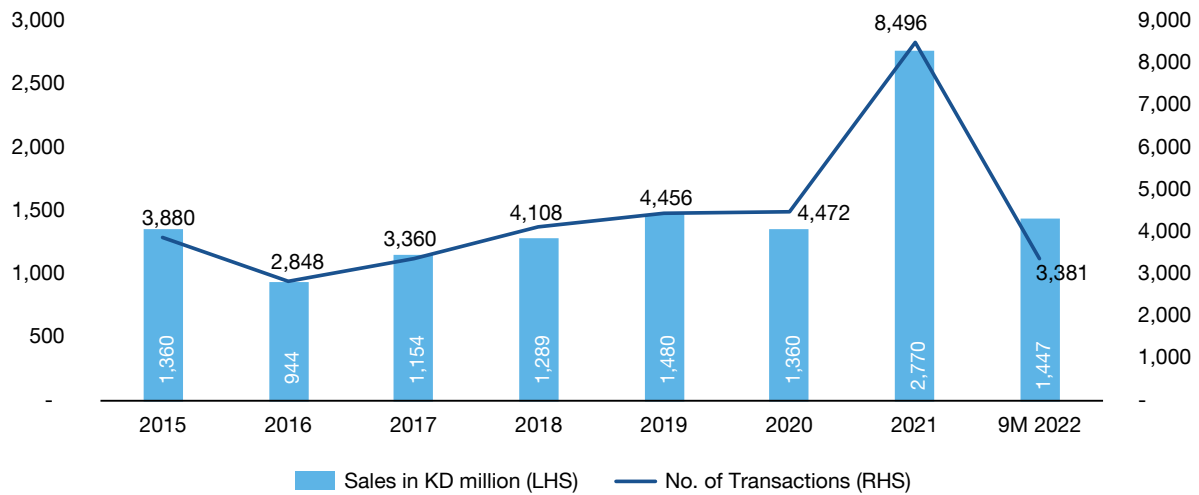
#### Overall Real Estate Transactions (2015-9M 2022)



Source: Ministry of Justice

Private housing sales declined by 34.6% y/y in Jan-Sep 2022. However, this comes in the backdrop of steep rise in transactions in 2021 driven by pent up demand after easing of COVID-19 restrictions and the current decline could be indicative of subsiding demand. Private housing sales in 2021 had also included second homes bought by the sea-side.

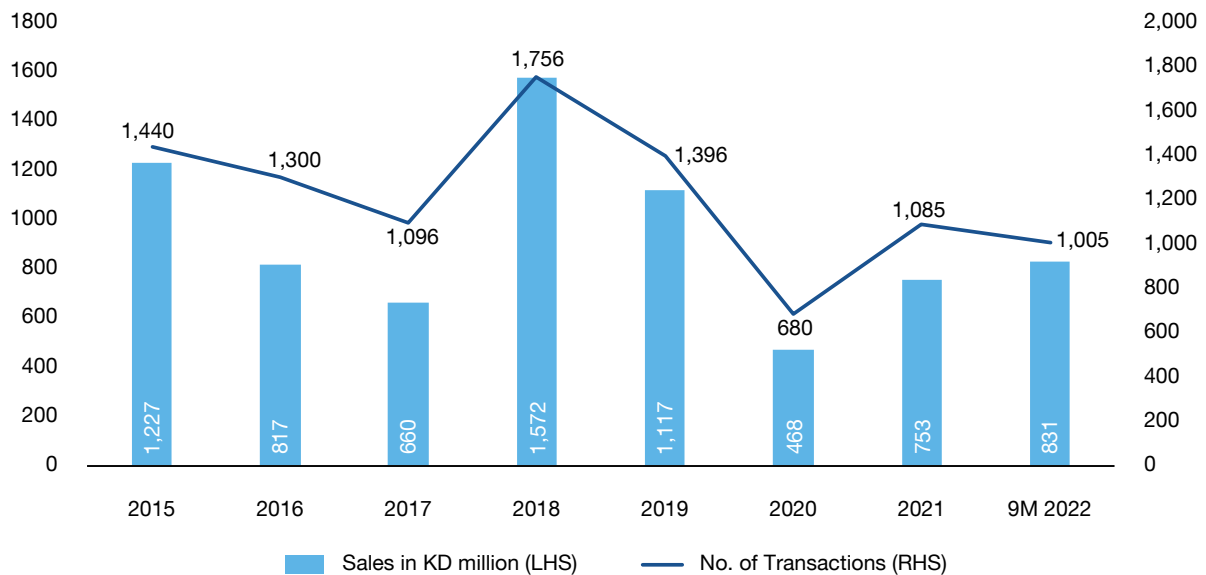
### Private Housing Real Estate Transactions (2015-9M 2022)



Source: Ministry of Justice

Sales in the Istithmari segment was up by 51.9% in Jan – Sep 2022 on y/y basis. However, the pace of improvement could be hampered by increasing interest rates and local sentiment affected by a weaker global economy.

### Istithmari Real Estate Transactions (2015-9M 2022)

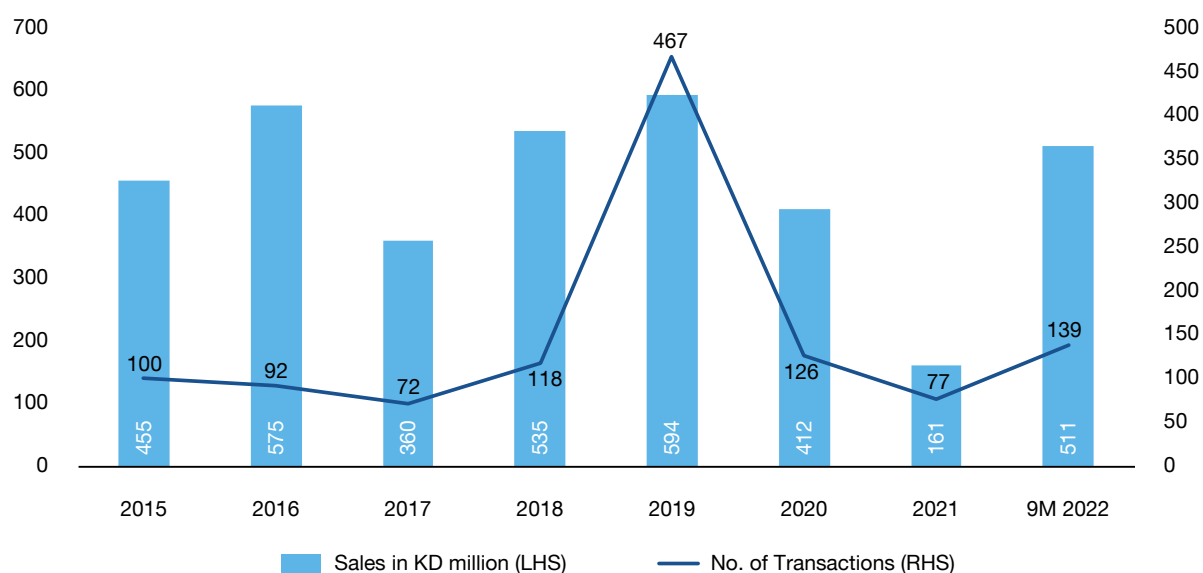


Source: Ministry of Justice

Commercial sector sales has increased by 241.6% in Q3 2022 as compared to the same time last year. This is an indication increasing demand from the corporate segment.



## Commercial Real Estate Sales (2015-9M 2022)



Source: Ministry of Justice

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

### Land Prices

Land price of residential apartments across all areas have witnessed a rise with Dasman (Gulf Road) recording the highest value of KD 4,150 Sq. M. Mahboula has recorded the lowest value of 1,178 KD Sq. M.

Commercial segment has seen a similar rise with Kuwait City being the most expensive place with values ranging from KD 6,125-8,125 Sq. M. This can be attributed to Kuwait City being a commercial hub. Hawalli is the most affordable place to buy commercial land with values ranging from KD 2,950-3,700 Sq. M.

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

Residential Apartments	Average land value/Sq. M. (KD)	
	Q2 2022	Q2 2021
Dasman Gulf Rd	4,150	4,115
Dasman Inside Rd	2,350	2,313
Bneid Al Gar (Non-Sea Front)	1,488	1,400
Bneid Al Gar (Sea Front)	3,000	2,890
Shaab (Non-Sea Front)	1,650	1,480
Shaab (Sea Front)	3,100	2,960

<b>Residential Apartments</b>	<b>Average land value/Sq. M. (KD)</b>	
	<b>Q2 2022</b>	<b>Q2 2021</b>
Salmiya (Non-Sea Front)	1,650	1,480
Salmiya (Sea Front)	3,000	2,890
Hawalli	1,467	1,363
Farwaniya	1,424	1,375
Khaitan	1,345	1,282
Mahboula	1,178	1,250

Source: KFH Report

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

<b>Commercial</b>	<b>Average land value/Sq. M. (KD)</b>	
	<b>Q2 2022</b>	<b>Q2 2021</b>
Kuwait City	6,125-8,125	5,750-7,625
Salmiya	3,000-3,875	2,825-3,650
Hawalli	2,950-3,700	2,850-3,600
Farwaniya	4,050-4,525	3,950-4,425
Khaitan	3,900	3,700
Fahaheel	3,100-4,400	3,025-4,200

Source: KFH Report

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

<b>Commercial</b>	<b>Average land value/Sq. M. (KD)</b>	
	<b>Q2 2022</b>	<b>Q2 2021</b>
Shuwakh Industrial	1,544	1,363
Al Rai Industrial	1,363	1,156

Source: KFH Report

## Rental Rates

Overall Average rental rates for 3-bedroom apartments have broadly seen an increase in Q2 2022 as compared to Q2 2021 except for Mahboula. Average Rental value for 60 sq. m apartments has seen a similar rise. This is supported by the inflow of expats into the region increasing demand for residential apartments.

Average Rental value for retail and office segment in commercial sector had broadly seen a mild decrease.

### 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)	
	Q2 2022	Q2 2021
Dasman	400-420	400-420
Bneid Al Gar	400-430	400-420
Shaab	400-440	400-410
Salmiya	400-420	380-395
Hawalli	370-390	365-375
Farwaniya	370-385	370-380
Khaitan	370-385	370-380
Mahboula	310-340	330-345

Source: KFH Report, Markaz

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

Residential Apartments	Average rent value – 60 SQM apartments (KD)	
	Q2 2022	Q2 2021
Dasman	290 - 310	290 – 310
Bneid Al Gar (Non-Sea Front)	290 – 320	290 – 310
Shaab (Non-Sea Front)	290 – 330	290 – 310
Salmiya (Non-Sea Front)	290 – 310	270 - 285
Hawalli	260 – 280	255 – 265
Farwaniya	260 – 275	260 – 270
Khaitan	260 – 275	260 – 270
Mahboula	200 - 230	220 - 235

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	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021
Kuwait City	10-11.5	11 – 12	20-39	20 - 40	12-13	13-14
Salmiya	9-10.5	10-11	18-39	18 - 40	11-12	12-13
Hawalli	8.5-9.5	9-10	17-37	17 - 38	10-11	11-12
Farwaniya	10-11	11-12	20-41	20 - 42	11-13	12-14
Khaitan	9-10.5	10-11	18-38	18 -40	11-12	12-14
Fahaheel	9-11	10-12	18-39	18 - 40	11-12	12-14

Source: KFH Report

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

Commercial - Office	Rental value/Sq. M.	
	Q2 2022	Q2 2021
Kuwait City	8.5-10.5	9-11
Salmiya	8.25	8.5
Hawalli	7.5	7.5
Farwaniya	8.5	8.5
Khaitan	7.75	6.5
Fahaheel	8.25	8.5

Source: KFH Report

## Cap Rate

Cap Rates have remained broadly stable for both apartments and commercial real estate segments. Positive economic outlook and inflation could support rent increases, leading to higher net operating income (NOI). Kuwait real estate market is in the accelerating stage. Hence valuations are currently low compared to historic levels with upside potential supported by a positive economic outlook. An increase in NOI and valuations could stabilize capitalization rates.

## Residential Apartments Capitalization Rate

Residential Apartments	Gross Capitalization Rate (Gross Annual rental /Value of Property)	
	Q2 2022	Q2 2021
Dasman (Gulf Rd)	7.13%	7.00%
Bneid Al Gar (Non-Sea Front)	7.63%	7.60%
Bneid Al Gar (Sea Front)	7.13%	7.00%
Shaab (Non-Sea Front)	7.88%	7.90%
Shaab (Sea Front)	7.00%	7.00%
Salmiya (Non-Sea Front)	7.63%	7.80%
Salmiya (Sea Front)	7.13%	7.00%
Hawalli	8.13%	8.10%
Farwaniya	7.88-8.13%	7.90-8.10%
Khaitan	7.88-8.25%	7.90-8.30%
Mahboula	7.50-8.38%	7.50-8.40%

Source: KFH Report

## Commercial Real Estate Capitalization Rate

Commercial	Gross Capitalization Rate (Gross Annual rental /Value of Property)	
	Q2 2022	Q2 2021
Kuwait City	6.5%-7.25%	6.75%-7.5%
Salmiya	7.75%-8.00%	7.75%-8%
Hawalli	7.88%	8%-8.25%
Farwaniya	7.75%	7.75%
Khaitan	7.88%	8.13%
Fahaheel	7.75%-8%	7.75%-8.25%

Source: KFH Report



# Invest in Markaz Real Estate Fund

**Total return  
annualized:**

**6.37%**

**Average annual  
distribution since  
inception:**

**5.06%**

## Fund Performance

Total Return (Jan 03-Dec 03)	17.80%
Total Return (Jan 03-Dec 05)	40.02%
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 – Dec 21)	151.49%
Capital Gain since Inception	23.83%
Income Distribution since Inception	127.66%
Total Return Annualized	6.37%
Average Annual Yield (Cash)	4.77%
Volatility (3 year)	2.21%

The Markaz Real Estate fund, established in 2003, 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. Universal Tower, Ahmad Al-Jaber Street, Sharq, Kuwait, 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

**Disclaimer:** This announcement has been prepared for promotional purposes and has been approved by Markaz. Investments in funds are subject to market risks. There can be no assurance or guarantee that the investment will produce any returns. Prospective Investors must therefore be aware of and understand that such investment carries a significant degree of risk of loss of their capital; and the dividend rate cannot be predicted or guaranteed. Past performance is not a reliable indicator of future performance. Before investing, prospective investors must carefully examine the Articles of Association and all Fund's related documents to be aware of the investment methods, including the merits and risks involved.

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

### Ministry of finance approves proposal of Jleeb Al-Shuyoukh development

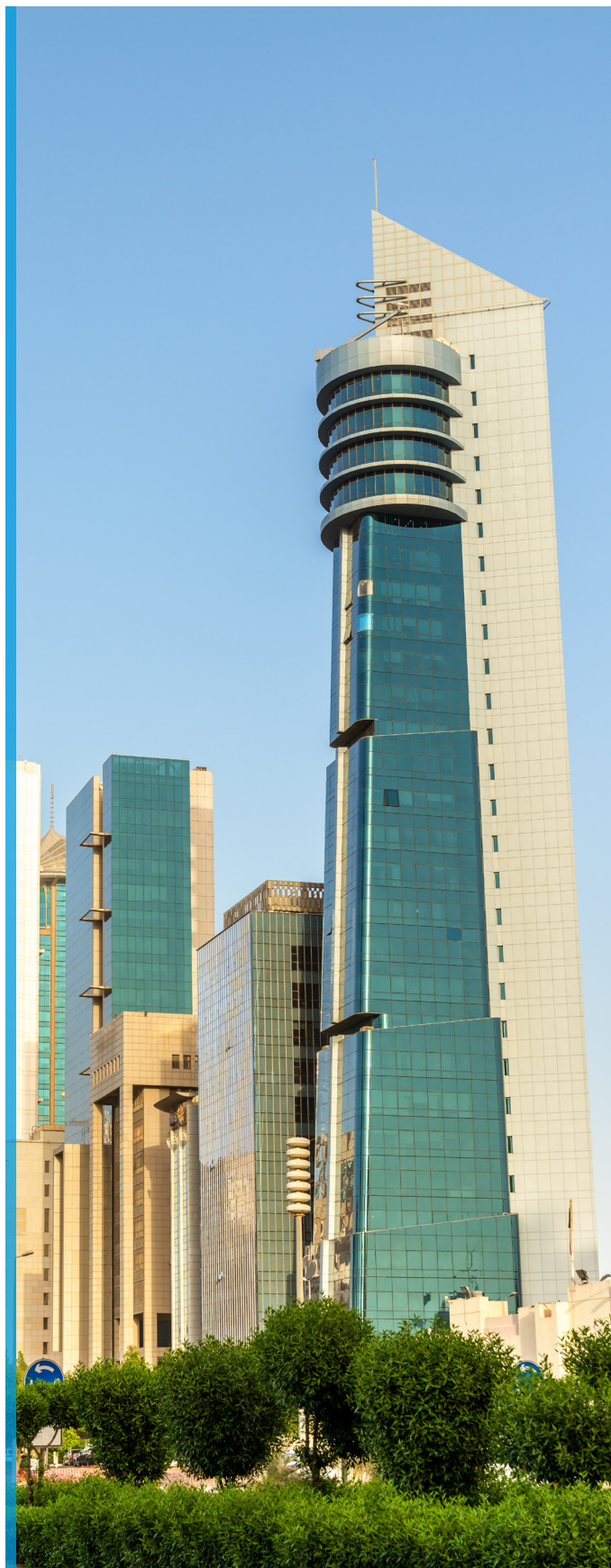
Ministry of finance approved The Kuwait municipality's proposal to resell plots of land in Jleeb Al-Shuyoukh area to replace it with advanced infrastructure and establish new buildings for commercial and residential purposes. The rehabilitation is said to cost an estimated 150 million Kuwaiti dinars.<sup>8</sup>

### Wafra Real Estate to invest in development of Failaka Island in Kuwait

The public institute for Social Security, represented by its real estate arm, Wafra Real Estate Company has plans to conduct a feasibility test for investment in Failaka Island for development of Marine tourist parks with facilities, including chalets, infrastructure projects.<sup>9</sup>

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<sup>89</sup>Al-Qabas daily



## Study to regulate expat's ownership of real estate

A government team has begun an executive study to prepare a proposal which allows non-Kuwaitis to own a residential flat in an investment building. The flat must be for private residence for the applicant or their family and should not exceed 350 sqm. The current law allows an Arab expat to own only one flat in Kuwait following approval by the Cabinet and a decree. . The news proposal aims to include all expats. The study says allowing expats to own property will bring investments into Kuwait as expats would invest in residential real estate instead of transferring remittances to their home country. Allowing expats to own a flat will also develop the mortgage market. As per the policy, only 1,000 flats will be sold to expats annually which is a small percentage of 400,000 flats in investment areas.



## 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 2022 and forecasts for 2023 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	Weightage	
	Assigned	Rationale
GDP Growth (Oil & Non-Oil)	25%	Real Estate could benefit the rewards of strong economic growth opening up opportunities for the Commercial, Residential and investor market.
Fiscal Balance	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.

Economic Factors	Weightage	
	Assigned	Rationale
Population Growth	10%	Increasing population indicates the need for more dwelling units eventually benefitting the Real Estate sector.
Jobs created	10%	Number of jobs created serves as a useful indicator for real estate demand.

Source: Marmore research

For each of the qualitative score, 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	2017	2018	2019	2020	2021	2022e	2023f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	-9.0%	2.1%	-0.1%	-9.8%	-0.3%	12.4%	2.0%	Moderate	4
Non-Oil (Real) GDP Growth	2.1%	2.9%	-1.1%	-7.5%	3.4%	3.9%	3.4%	Moderate	4
Fiscal Balance, % of GDP	2.4%	7.3%	2.9%	-12.9%	-0.4%	14.1%	14.1%	Strong	5
Investments (as % of GDP)	27.7%	25.3%	25.0%	25.2%	23.2%	21.5%	24.5%	Neutral	3
Money Supply, M2 (YoY)	3.5%	4.1%	-1.2%	3.8%	-0.8%	6.0%	5.5%	Moderate	4
Inflation	1.5%	0.6%	1.1%	2.1%	3.4%	4.3%	2.4%	Neutral	3
Interest Rate	2.7%	3.0%	2.9%	1.7%	1.5%	2.4%	3.3%	Neutral	3
Yearly Population Growth	3.5%	4.6%	1.0%	-2.9%	-2.7%	2.0%	2.0%	Neutral	3
Jobs created (in '000s)	69	70	29	(140)	(111)	33	29	Neutral	3
								<b>Overall Score</b>	<b>3.6</b>

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

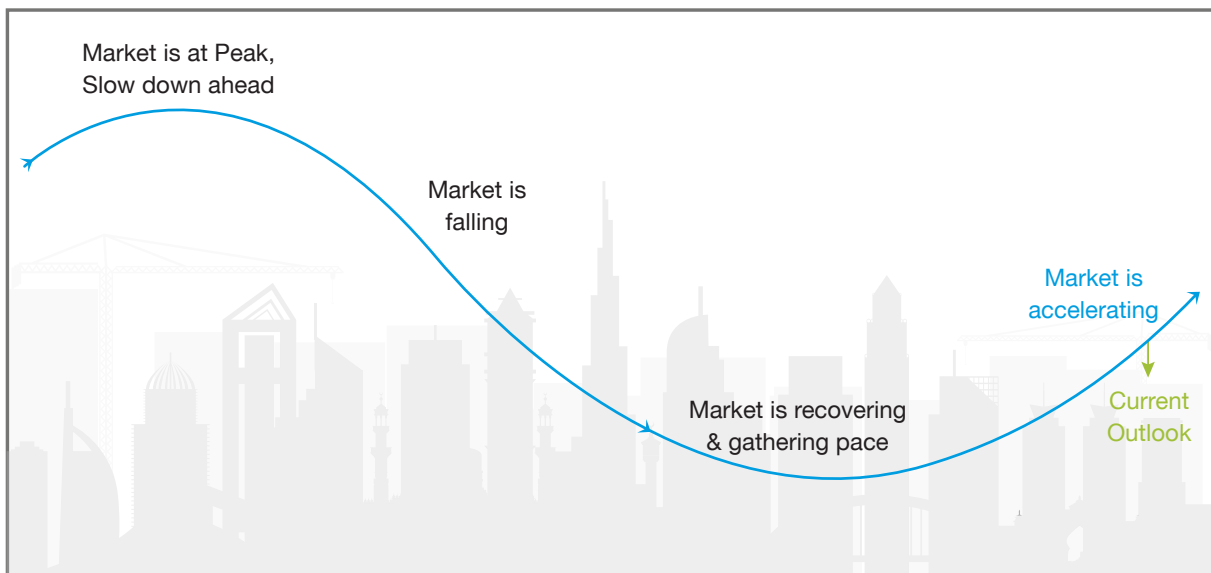
The state of real estate market was categorized into four distinct phases as shown below.

**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 2022 vs. H2 2022)

<b>Economic Factors</b>	<b>H1 2022</b>	<b>H2 2022</b>
Oil (Real) GDP Growth	5	4
Non-Oil (Real) GDP Growth	4	4
Fiscal Balance, % of GDP	5	5
Investments (as % of GDP)	3	3
Money Supply, M2 (YoY)	3	4
Inflation	3	3
Interest Rate	2	3
Yearly Population Growth	3	3
Jobs created (in '000s)	3	3
<b>Total Score</b>	<b>3.5</b>	<b>3.6</b>

Source: Marmore research

## Conclusion

Kuwait's economy is expected to grow in 2023 supported by higher oil revenue, better fiscal position and expansion in non-oil growth. Investments (as a % of GDP) are expected to be at 24.5% in 2023 as compared to 21.5% indicating positive market sentiment. Credit growth is at 11.7% y/y as of September 2022.

Kuwait's Real Estate sector has recovered from the lows caused by the pandemic. Overall Real Estate transactions have declined by 2.8% Jan-Sep 2022 weighed by decline in transactions in private housing segment even as commercial and Istithmari segments showed positive growth. Average Land prices have increased across most localities in Residential, Commercial and industrial units in Q2 2022. Average Rental rates have seen an uptick for residential apartments in Q2 2022 for most of the localities. However, the Average Rental Value for retail segment in commercial sector has seen a decrease. Capitalization rates have remained stable in Q2 2022 as compared to Q3 2021. Build operate transfer (BOT) projects such as the Sabah Al-Ahmed project (S3) and Entertainment City project provide opportunities for real estate investment.

Based on our assessment of various macroeconomic factors, we believe that the Real Estate sector in Kuwait would moderately accelerate in H1 2023. While economic growth supported by stable oil price levels, government spending and recovering private sector activity are positive indicators for the sector, rise in interest rates and concerns of global recession pose threats.

### Summary – Kuwait Markaz Real Estate Macro Index

Macro indicators	Future Outlook (2022 & beyond)	Quantitative Score
 Oil Real GDP Growth	Moderate	4
 Non-Oil Real GDP Growth	Moderate	4
 Fiscal Balance	Strong	5

Macro indicators	Future Outlook (2022 & beyond)	Quantitative Score
 Investments	Neutral	3
 Money Supply, M2 (YoY)	Neutral	4
 Inflation	Neutral	3
 Interest Rate	Neutral	3
 Population growth	Neutral	3
 Jobs created	Neutral	3
<b>Overall Score</b>	<b>Market is accelerating</b>	<b>3.6</b>

Source: Marmore Research

## What reports to expect soon?



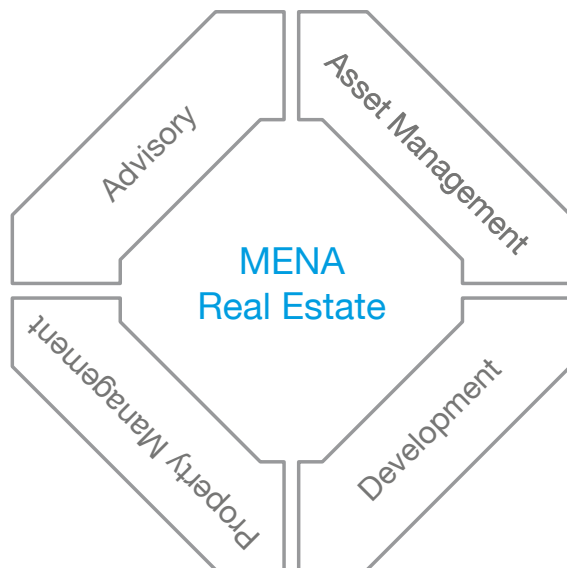
**KSA Real Estate Outlook 2023**



**UAE Real Estate Outlook 2023**

## 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

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