



Kuwait Real Estate Report

H1 2024 Review and H2 2024 Outlook

August 2024

المركز
MARKAZ

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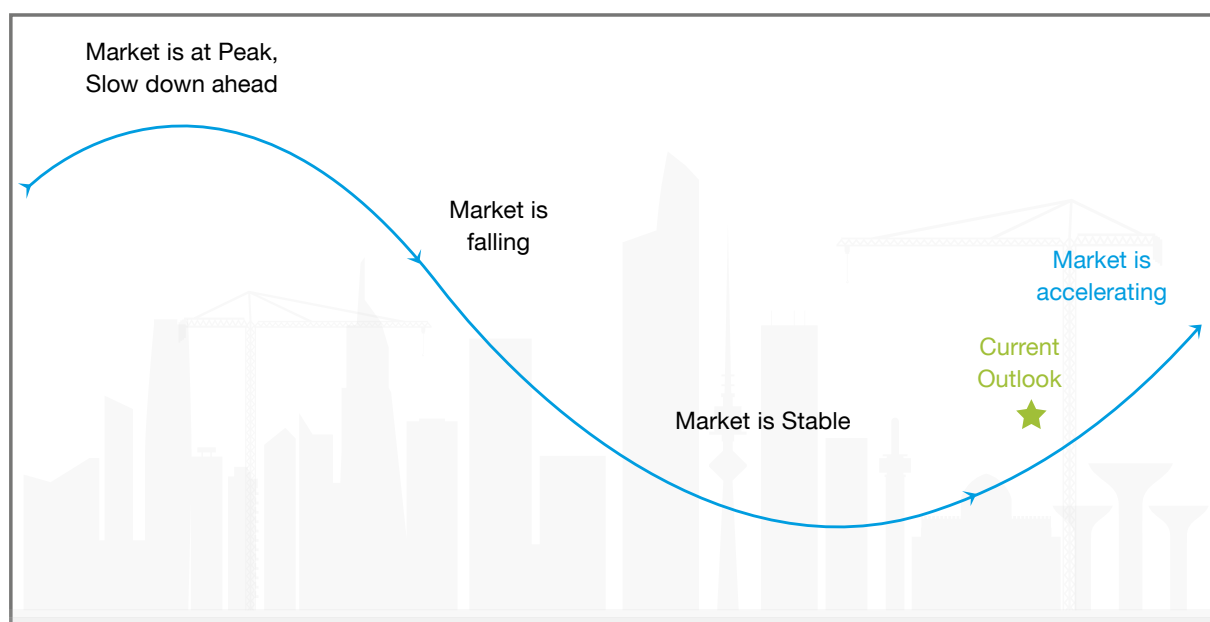
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1. Executive Summary

- Kuwait economy is expected to contract for the second consecutive year in 2024, with the real GDP shrinking by 1.4% y/y in 2024 following a -2.2% contraction in real GDP in 2023, as per IMF projections. Oil production cuts, high interest rate environment and geopolitical uncertainty are expected to weigh down on economic growth in 2024. The extension of OPEC+ oil production cuts through 2024 to support oil prices is likely to cause a degrowth of 4.3% y/y in oil GDP in 2024. However, non-oil GDP is expected to grow by 2.0% y/y in 2024, higher when compared to 0.8% y/y in 2023 supported by the pickup in projects activity and the anticipated acceleration in business reforms.
- The International Energy Agency (IEA) expects oil prices to average USD 88/bbl. in 2024, higher when compared to USD 82/bbl. in 2023 supported by the OPEC+ supply cuts and a recovery in oil demand. Kuwait will 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 announced additional 135,000 bpd oil supply cuts from January 2024 until Q2 2024 as a part of the 2.2 million bpd cuts from several OPEC+ countries. The market expects the 2.2 million bpd oil supply cut to extend into H2 2024. Kuwait economy is expected to rebound and record a positive GDP growth rate of 3.8% y/y in 2025 supported by the likely unwinding of OPEC+ oil production cuts.
- Kuwait's inflation (CPI) has remained stable and gradually moderated during January-April 2024 on the back of easing global inflation, softer consumer demand and monetary tightening by global Central banks. Inflation mildly eased to 3.17% y/y in April 2024 from 3.37% y/y in December 2023. The house rent component eased to 1.55% y/y in April 2024 compared to 2.57% y/y in December 2023, reflecting moderation in rents.
- The growth of credit to private sector has remained moderate at 2.7% y/y in April 2024, mildly higher than 1.7% at the end of 2023 but lower than 2022 levels owing to high interest rates and lower consumer demand. Household credit remained muted and grew 2.3% y/y as of April 2024 compared to 1.5% y/y growth in 2023, impacted by the tighter monetary policy. Business credit grew 1.4% y/y as of April 2024 and credit growth across businesses segments has diverged. Credit growth is expected to remain steady in H2 2024 on the back of interest rate cuts and strong uptick of project awards in 2023.




- The Central Bank of Kuwait's (CBK) policy rate stands at 4.25%, following its final rate hike of 25 bps in July 2023. The U.S. Fed is expected to cut interest rates in H2 2024 as inflation is gradually continuing to moderate towards the central bank target levels. As Kuwait's monetary policy broadly follows the U.S. Fed, CBK is expected to cut rates by 75 bps in the latter part of H2 2024. The interest rate cuts are expected to support real estate demand due to reduced borrowing costs.
- The real estate sector showed signs of recovery in Q1 2024, with rents and prices gradually picking up. Land prices of apartments (Istithmari segment) witnessed an y/y increase during Q4 2023 in all areas except Mahboula as investors consider real estate to be a safe haven. Land prices in the commercial sector recorded an increase across all governorates. Overall average rental rates for 3-bedroom and 60 sq m apartments have been stable and witnessed a rise in Q4 2023 as compared to Q4 2022 in all areas except for Khaitan and Mahboula. Average rental value for the office segment in the commercial sector had broadly been flat, with only Salmiya and Fahaheel recording a marginal increase.
- However, the volume and value of transactions declined as the pent-up demand post-pandemic continues to normalize. Real estate sales declined to KD 697 million in Q1 2024 recording a decline of 2.3% y/y from KD 714 million in Q1 2023. The total number of real estate transactions witnessed a dip of 1.8% y/y in Q4 2023 to 1,065. Private Housing (Residential) and Istithmari (Investment) segment sales witnessed a decline, while commercial segment sales edged up. Private Housing (Residential) sales declined by 2.8% y/y to KD 353 million in Q1 2024 owing to lower demand due to sluggish market sentiment and the slower pace of market reforms. Sales in the Istithmari (Investment) segment also declined by 8.9% y/y while number of transactions fell by 15.4% y/y in Q1 2024 due elevated interest rates and slower pace of growth in the expat population. Commercial sector sales surged by 16.9% y/y in Q1 2024 while the number of transactions rose by 15.8% y/y.
- Based on our assessment of various macroeconomic indicators, we believe that the Real Estate market in Kuwait would accelerate in H2 2024 with prospects of rebound in land prices and rentals amid the government reforms as indicated by Markaz Real estate Macro Index score of 3.5 out of 5.0.

Kuwait Real Estate Market Outlook









Source: Marmore Research

Kuwait Macro-Economic Views

Economic Factors	Our take	Our View
 Oil (Real) GDP Growth	Neutral	Oil GDP growth is expected to remain negative in 2024 owing to the extension of OPEC+ production supply cuts through 2024. The possibility of further deepening of the 135,000 bpd oil cuts beyond Q2 2024 present downside risks to oil GDP growth.
 Non-Oil (Real) GDP Growth	Neutral	Non-oil GDP growth rate is expected at 2.0% in 2024, up from 0.8% in 2023. Kuwait's non-oil sector would be supported by the projected interest rate cuts in H2 2024, increased investments following the pickup of projects activity and low-base effect.
 Fiscal Position ¹	Neutral	Fiscal deficit as % of GDP is expected to widen in 2024 to 10.5% as compared to 8.4% in 2023 due to fall in oil revenues.

¹ Excludes Investment Income and after transfer to FGF

	Investments	Moderate	Investments are expected to increase slightly to 21.4% of GDP in 2024 from 20.4% in 2023.
	Money Supply, M2	Moderate	Money supply (M2) is forecasted to grow by 3.9% y/y in 2024 compared to 1.0% in 2023 supported by likely interest rate cuts in H2 2024 and moderate inflation levels.
	Inflation	Moderate	Inflation in Kuwait has remained sticky and hovered between the range of 3.2%-3.8% in 2023. Inflation is expected to moderate and average at 3.2% in 2024 due to easing global food prices and monetary tightening by the central bank in 2022-23.. However, inflation is likely to fall below 3% in 2025.
	Interest Rate	Neutral	The Central Bank of Kuwait is expected to loosen its monetary policy and cut interest rates by 75 bps in the latter part of H2 2024, in line with U.S Fed.
	Population Growth	Neutral	Population growth is expected to be stable amid the approval of the draft expat quota bill. The resumption of family residence visas for skilled foreign nationals could support population growth.
	Job creation	Moderate	Job Creation is expected to remain moderate. However, job creation could improve if the 36 infrastructure projects approved in the 2024-2025 budget are awarded during the year.

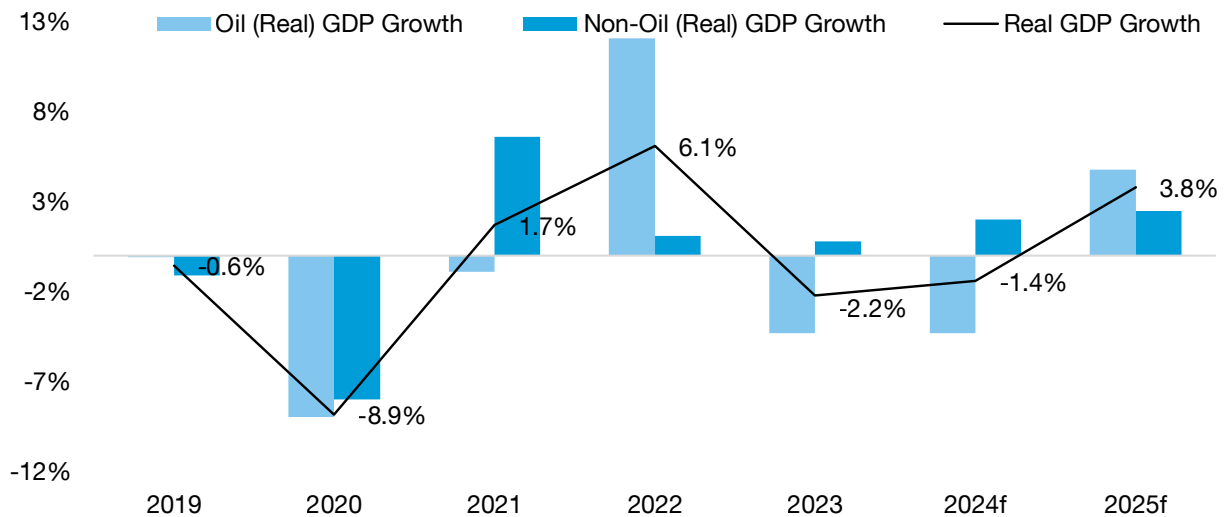
Source: Marmore Research

2. Kuwait: Macroeconomic Update

a. Negative oil GDP growth weighs down on economic expansion in 2024

According to the IMF, Kuwait's economy is expected to contract by 1.4% y/y in 2024, a slower pace compared to the 2.2% degrowth in 2023. The challenging global outlook from high interest rates, geopolitical uncertainty in the Middle East leading to disruption in shipping across the Red Sea and an unlikely reversal of oil production cuts in 2024 are expected to result in two continuous years of economic contraction. Kuwait's oil production cuts of 128,000 bpd until the end of 2024 coupled with Kuwait's additional voluntary production cuts of 135,000 bpd from January 2024 extended until Q2 2024 underpin the negative oil GDP growth of 4.3% y/y in 2024. The market expects Kuwait's additional voluntary oil cuts of 135,000 bpd, forming a part of the cumulative 2.2 million bpd cut from several OPEC+ members to further extend into H2 2024. However, the completion of the Al Zour refinery in May 2024 with increase in refining capacity to 615,000 bpd from 410,000 bpd and the likely reversal of the OPEC+ production cuts in 2025 favor a recovery of oil GDP growth in 2025, which is estimated at 4.8% y/y. Kuwait's non-oil sector is expected to grow at 2.0% y/y and partially offset the negative impact of oil GDP growth on the economic expansion. The rise in investment activity following the uptick in projects awards last year, interest rate cuts in H2 2024 and low-base effects are some factors behind the projected non-oil sector growth. The value of projects awarded in Kuwait amounted to USD 8.2 billion (KD 2.52 billion) in 2023, marking a significant growth of 300% y/y from USD 2.1 billion (KD 0.64 billion) awarded in 2022. The surge in project awards in Kuwait can be attributed primarily to infrastructure investments, particularly in the transportation and energy sectors. In the energy sector, the total value of projects awarded in 2023 reached USD 3 billion (KD 0.92 billion, compared to USD 246 million (KD 75.48 million) in 2022. Further, Kuwait has approved 36 infrastructure projects in its 2024-2025 budget with a combined value of around 428 million Kuwaiti dinars (USD 1.4 billion).

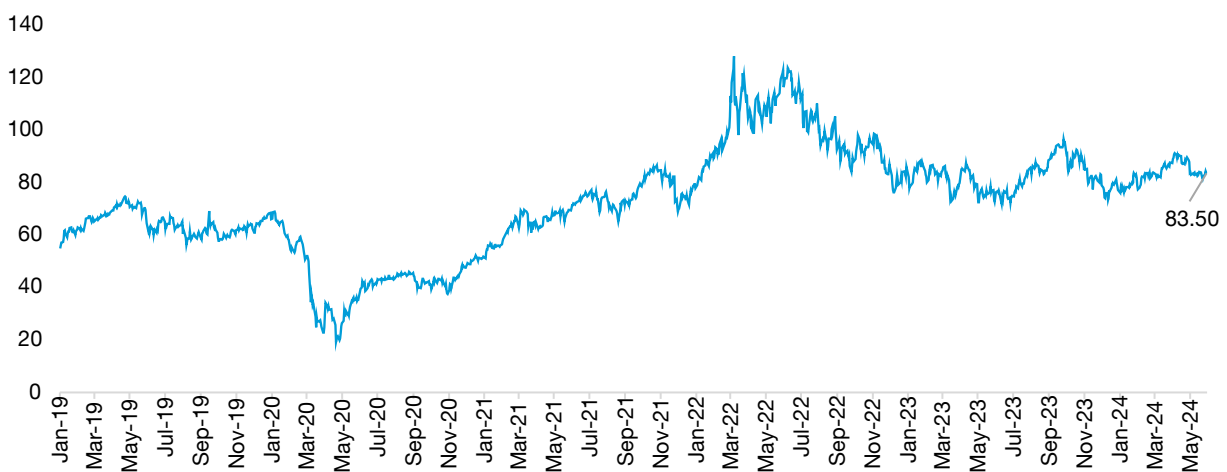
Annual Real GDP Growth (percentage change)



Source: IMF

Oil prices surged in Q1 2024 supported by the extension of voluntary oil production cuts of 2.2 million bpd by the OPEC+ members until Q2 2024 in addition to stronger-than-expected oil demand growth as the global economy remained resilient amid elevated interest rates. Tighter oil supply due to an escalation in geopolitical tensions in the Middle East further led to the resurgence in oil prices. The IEA expects oil demand to grow by 1.1 mb/d in 2024. The expectations of solid oil consumption this year coupled with OPEC+ supply management are anticipated to keep oil prices elevated in H2 2024. However, the increase in oil production from non-OPEC members and weak demand pose risks to the oil price outlook. EIA expects oil prices to average at USD 88/bbl. in 2024.

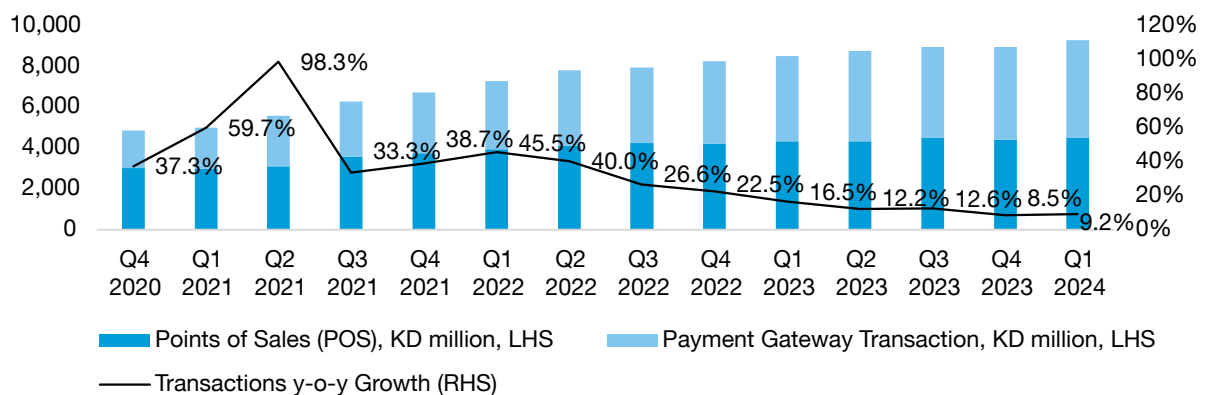
Brent Crude Oil Prices USD/bbl. (Jan 2019 – May 2024)



Source: Refinitiv; As of May 30th 2024

In Q1 2024, Point-of-sale (POS) transactions growth continued to ease to 4% y/y due to a reduction in consumer spending reflective of a higher interest rate environment and muted household credit takeoff. Growth in POS transactions peaked in Q2 2021 due to the post-pandemic effects. Sticky inflation levels, tighter monetary conditions, and moderating economic growth contributed to the softening of consumer spending since 2022. Payment Gateway transactions increased by 15% y/y in Q1 2024 due to a rise in e-commerce. However, softening inflation and interest rate cuts are expected to positively impact consumer spending in H2 2024.

Transactions in Kuwait (y/y growth)

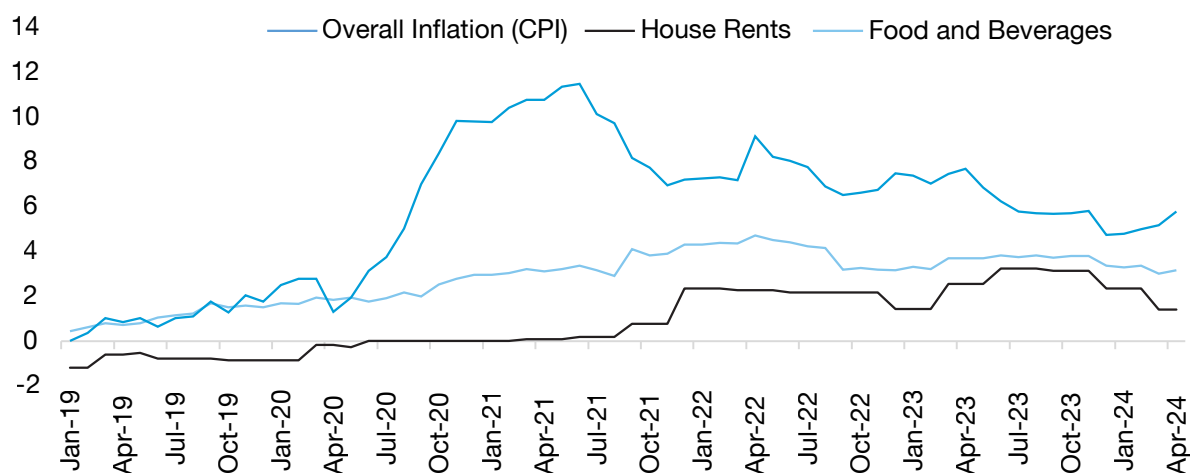


Source: Central Bank of Kuwait

b. Inflation remains range-bound

Inflation continued to gradually ease during January-April 2024 after staying sticky in the 3.2%-3.8% range during 2023. The softer consumer demand and tighter money policy caused the inflation levels to hold stable during the period. Consumer price inflation was 3.17% y/y in April 2024, compared to a 33-month low of 3.02% y/y in March 2024. Prices of Food and Beverages, which accounts 16.7% of CPI rose to 5.79% y/y in April, compared to 4.74% in December 2023 on the back of seasonal factors due to Ramadhan. Despite the rise in food inflation during January-April 2024, it has trended far below the 2023 levels, where it peaked at 7.68% in April 2023 due to high global food prices. Housing services inflation (the largest segment by weight) eased to 1.41% y/y in April 2024 compared to 2.35% y/y in December 2023. Prices in the house rent component of the housing segment eased to 1.55% y/y in April 2024 compared to 2.57% y/y in December 2023, reflecting moderation in rents. In April 2024, Kuwait's core inflation was recorded at 3.2% y/y with major segments such as clothing and household furnishings, the two largest contributors to core inflation's annual growth so far in 2024 remaining stable. Inflation is expected to remain moderate in H2 2024 and decelerate below 3% in 2025.

Consumer Price Index Inflation and Subcomponents (Jan 2015 - Apr 2024) in %



Source: Refinitiv

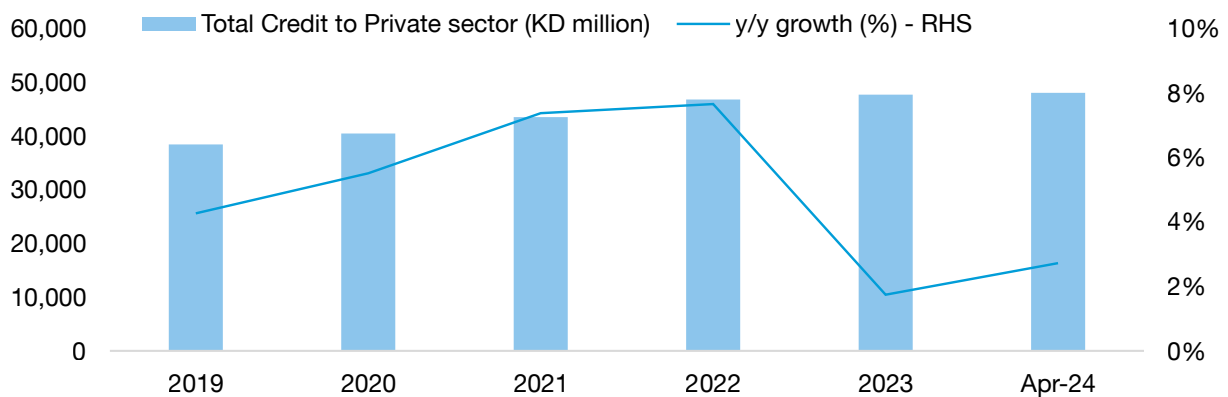
Components	Inflation, y/y % - April 2024	Weights
Overall	3.17	100%
Housing services	1.41	33.21%
Food & beverages	5.79	16.71%
Furnishing equipment household maint	3.74	11.43%
Clothing & footwear	5.95	8.03%
Transport	1.06	7.54%
Services & miscellaneous goods	4.66	5.84%
Education	0.8	4.19%
Communication	2.54	3.98%
Recreation & culture	2.69	3.85%
Restaurant & hotels	2.37	3.42%
Health	3.58	1.48%
Cigarettes and tobacco	0.22	0.33%
Total index less food	2.52	83.29%
Total index less housing	3.9	66.79%

Source: Kuwait Central Statistics Bureau

c. Credit growth likely to be positive

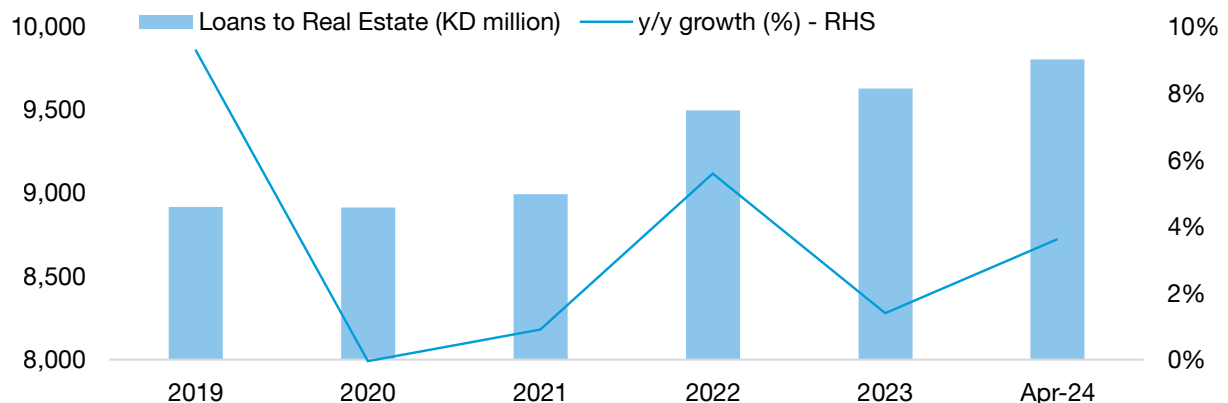
The growth of credit to the private sector continued to remain moderate in 2024 recording 2.7% y/y in April 2024 compared to 1.7% in 2023. The higher interest rate for a longer period, and reduced consumer demand weighed down on private credit growth. Household credit remained muted and grew 2.3% y/y as of April 2024 compared to 1.5% y/y growth in 2023, impacted by the tighter monetary policy. Business credit grew 1.4% y/y as of April 2024 and 1.5% on YTD basis, compared to 0.9% y/y in 2023. Credit growth across businesses segments has diverged. While construction and real estate segments grew by 16.7% y/y and 3.6% y/y respectively. Credit growth is likely to remain stable in H2 2024 with support from ongoing job gains for nationals, interest rate cuts and strong uptick of project awards in 2023.

Total Credit to Private Sector



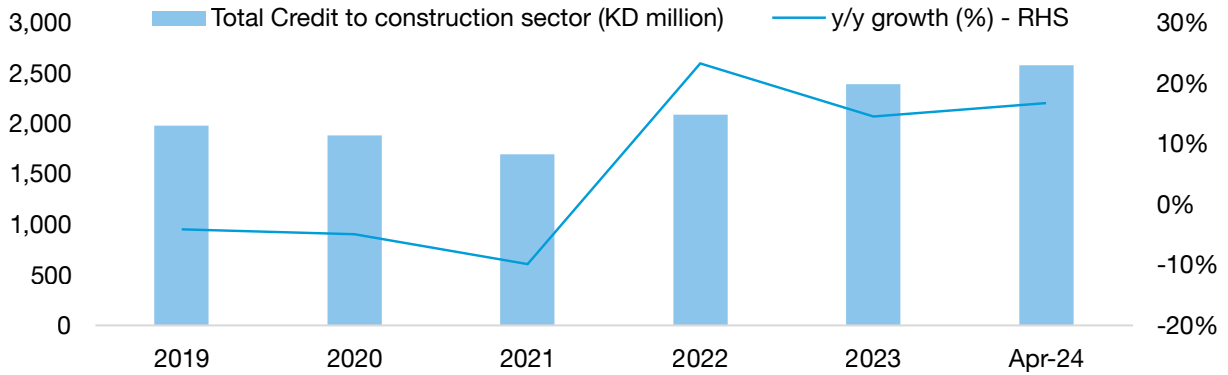
Source: Central Bank of Kuwait; Values are as of end of period

Loans to Real Estate Sector

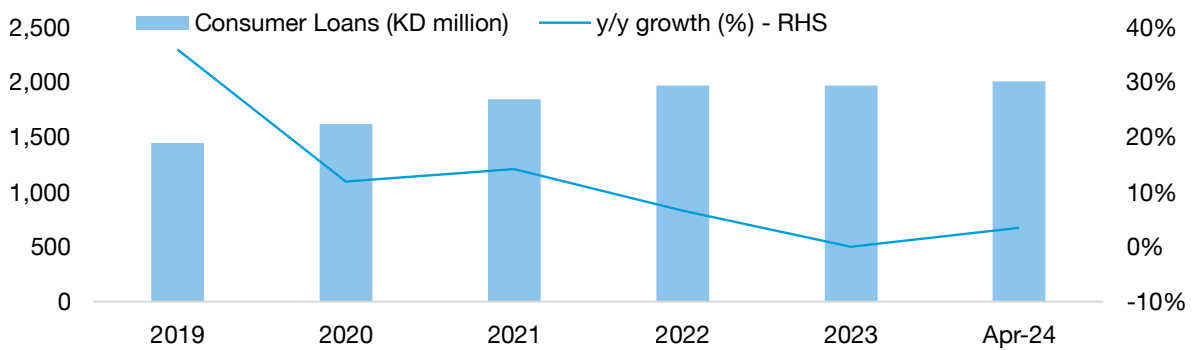


Source: Central Bank of Kuwait; Values are as of end of period

Loans to construction sector

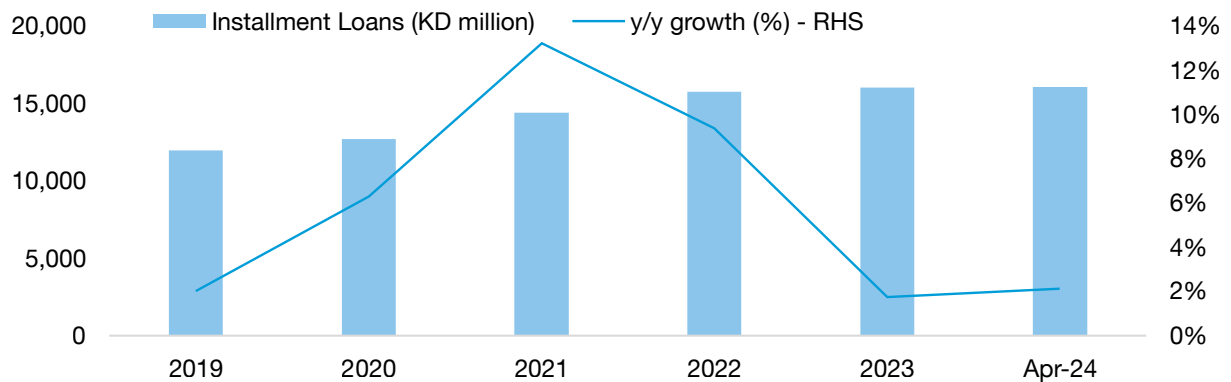


Consumer Loans



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

Installment Loans

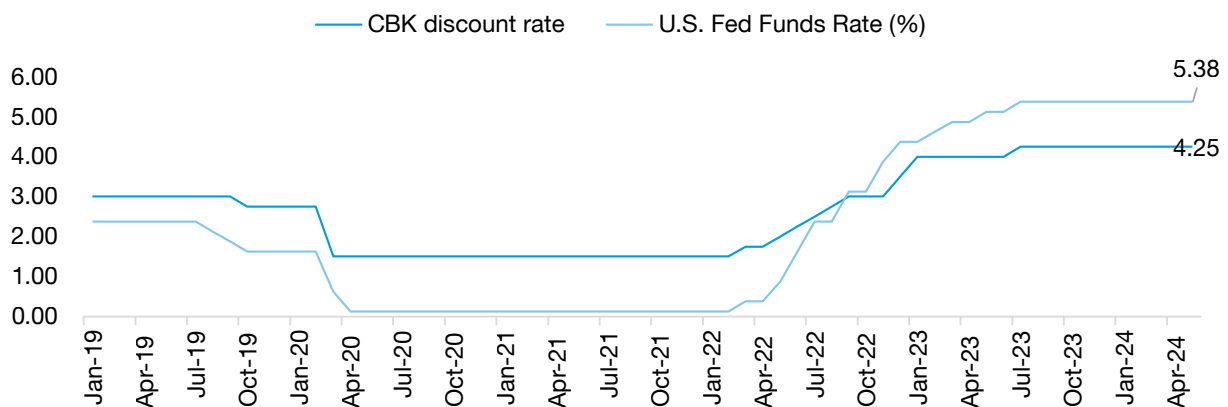


Source: Central Bank of Kuwait; Values are as of end of period

d. CBK expected to move towards an accommodative monetary policy in H2 2024

The Central Bank of Kuwait's (CBK) policy rate stands at 4.25%, following its final rate hike of 25 bps in July 2023. CBK increased interest rates by 275 bps over the recent tightening cycle that began in 2022, versus 525 bps of tightening by the U.S. Fed to combat the sticky inflation. As the Kuwaiti Dinar is pegged against a basket of currencies that includes the U.S. Dollar, there is more flexibility for Kuwait to deviate from the U.S. Fed policy. Global inflation marched towards the central bank targets in 2023, and in 2024, the disinflation is expected to continue. Following a string of eleven interest rate hikes, the U.S. Fed is expected to loosen its monetary policy from H2 2024 through 2025. As Kuwait's monetary policy broadly follows the U.S. Fed, CBK is expected to cut rates in the latter part of H2 2024.

Policy Rate Trajectory in Kuwait and U.S (Jan 2019-May 2024)

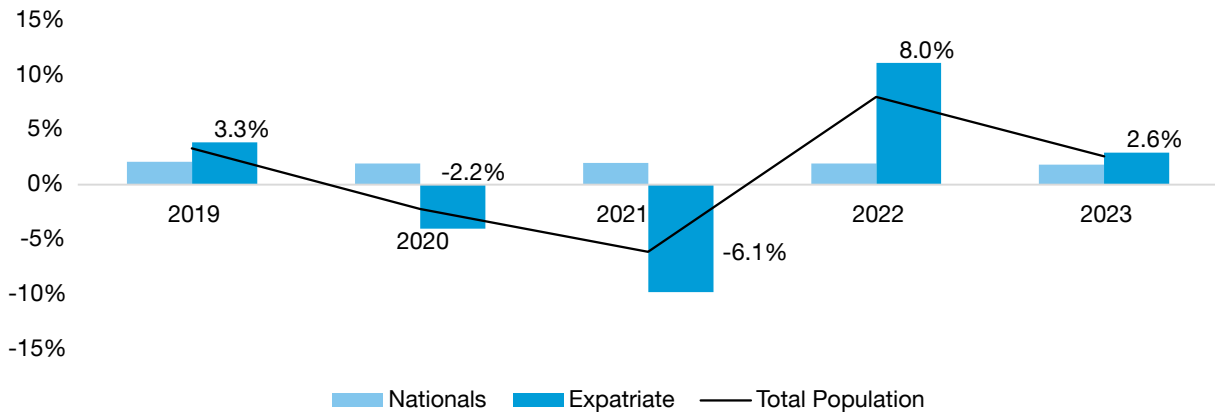


Source: Refinitiv

e. Population growth moderates from post-pandemic highs

Kuwait's population rose by 2.6% y/y in 2023 to 4.86 million, slowing down from peak growth rate of 8% in 2022 as the post-pandemic rebalancing effect fades. The population of Kuwaiti nationals grew at a stable rate of 1.8% to 1.54 million. The steadily falling birth rates weighs down on the national's population growth rate. The number of expatriates rose by 2.9% to 3.31 million, much slower than the 11.1% recorded in 2022. The expat population growth is moderating owing to the government plans to rebalance the population structure over time. However, the resumption of family visa issuance could increase the inflow of expatriates.

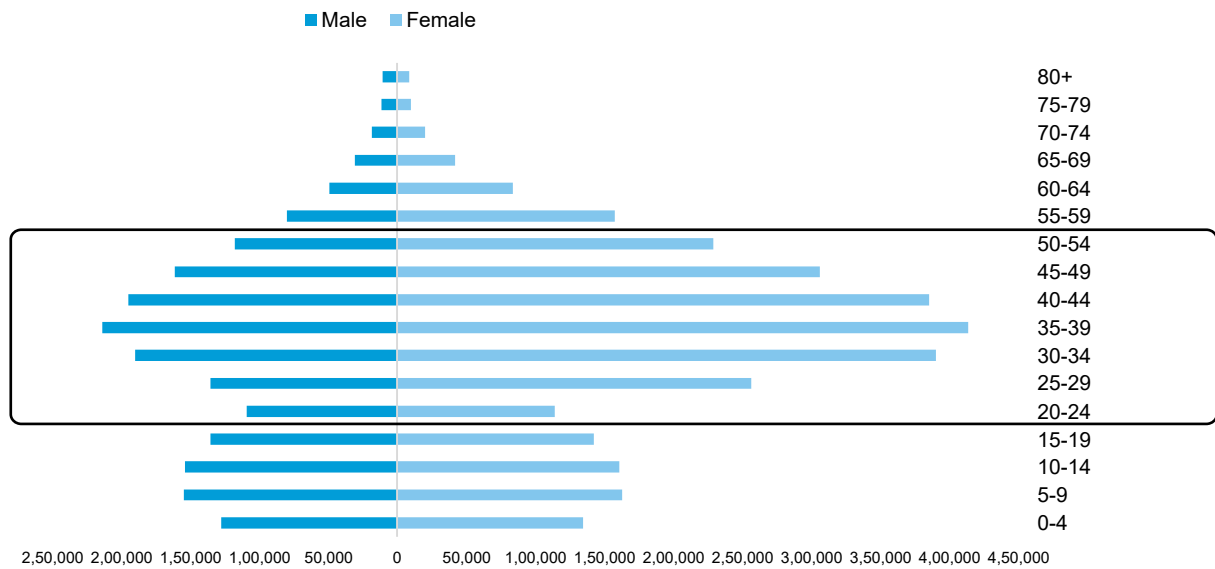
Kuwait Population Growth in percentage - y/y (2019-2023)



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

In 2023, Kuwait had a total population of 4.91 million people. With working age population of 15-64 years constituting 77% of the population in 2024 and the stable rate of national’s population growth rate, demand for real estate is expected to be strong. Given that the 28% of the population below 25 years will enter workforce in the coming years hold real estate demand stable in the long term.

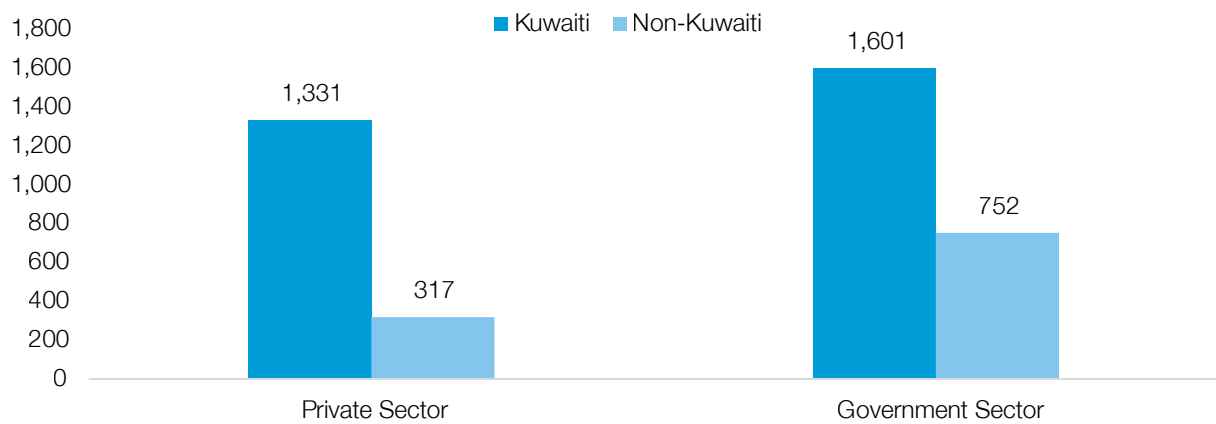
Kuwaiti Nationals - Population Pyramid 2023



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

The number of Kuwaitis employed rose by 3.3% to 470,000 in 2023. 17,000 net new jobs were added in the public sector owing to fall in the number of Kuwaitis employed in the private sector. Expatriate jobs rose by 5.4% y/y in 2023. The continued momentum in the projects activity in 2024 and the ease of family visa policies would aid the increase in job creation in the private sector. Kuwaiti workers are paid higher in both government and private sector, as compared to non-Kuwaitis. Amid government’s efforts to employ nationals in the public sector, the stable levels of salary and salary increments is expected to augment the real estate demand.

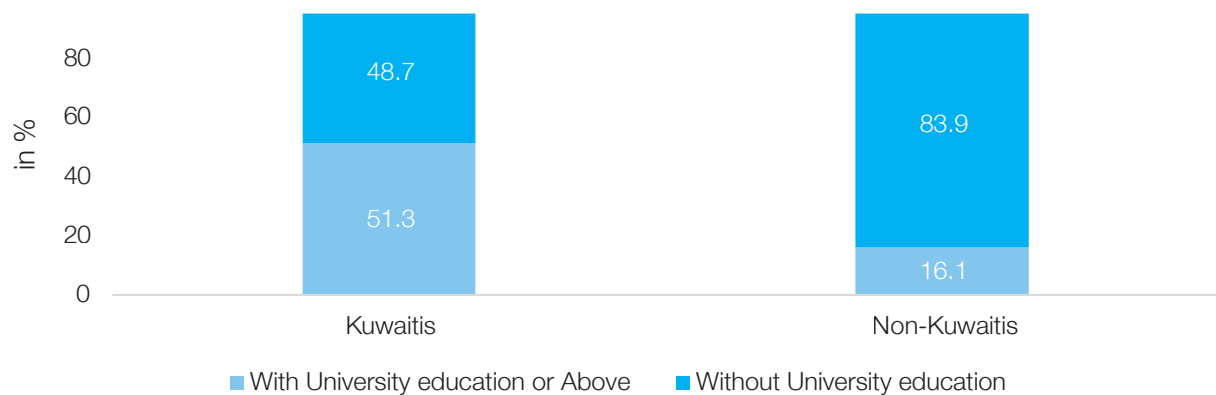
Average Monthly Salary in Kuwait – Sector wise (in KD)



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

The proportion of Kuwait nationals without university education or above stood at 48.7% of total Kuwaiti population. The same proportion among non-Kuwaitis stood at 83.9%. This is due to the presence of many unskilled low-end wage category workers.

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



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

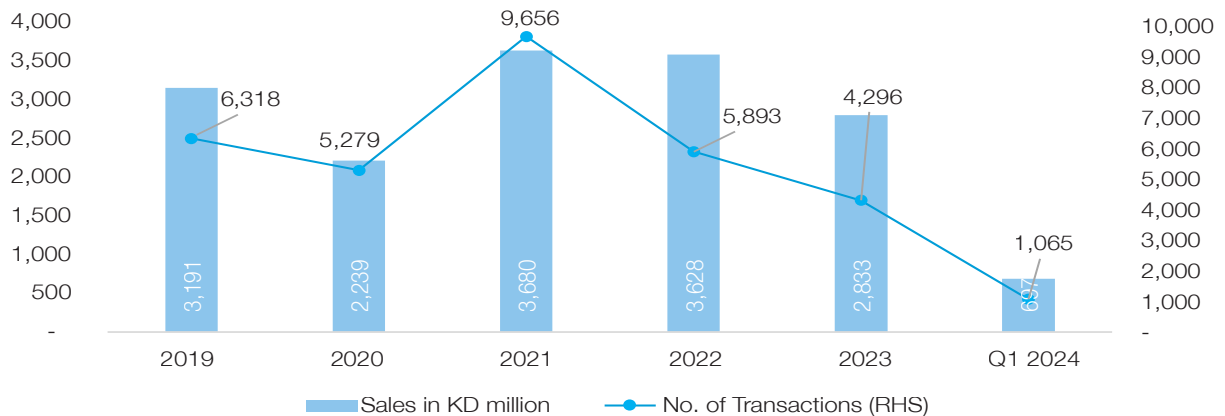
3. Real Estate Performance

a. Kuwait Real Estate Overview

The real estate sector showed signs of rebound in Q4 2023 as evidenced by the pickup in real estate prices and rental values. However, the value and number of transactions witnessed a decline in Q1 2024, continuing the normalizing trend since mid-2022 after the post-pandemic surge. Real estate sales declined to KD 697 million in Q1 2024 recording a decline of 2.3% y/y from KD 714 million in Q1 2023. Private Housing (Residential) and Istithmari (Investment) segments' sales witnessed a decline, while commercial segment sales edged up.

The National Assembly passed the 'empty land law' in November which aims to penalize owners for holding idle lands for a longer time and free up land for residential housing. Effective from January 2026, the law imposes an annual fee of KD10 per sq m exceeding the individual limit of 1,500 sq m of vacant residential land, with an increase of KD30 per sq m every year until it reaches KD100 per sq m. The law applies only to individuals who have acquired over 1,500 sq m of unbuilt land after its implementation. Individuals who currently own excess land will not be included in this law. This law could help improve the affordability of lands by disincentivizing land owners from excessive land hoarding. The empty land law coupled with the residential cities law, which aims to boost large-scale residential development and other key projects through private sector participation is expected to aid in efficient utilization of vacant lands for housing projects in the long term. The passage of the draft mortgage law through parliament is likely to foster demand by improving access to mortgage credit. The real estate legislative reforms together with interest rate cuts in H2 2024 bodes well for the real estate demand.

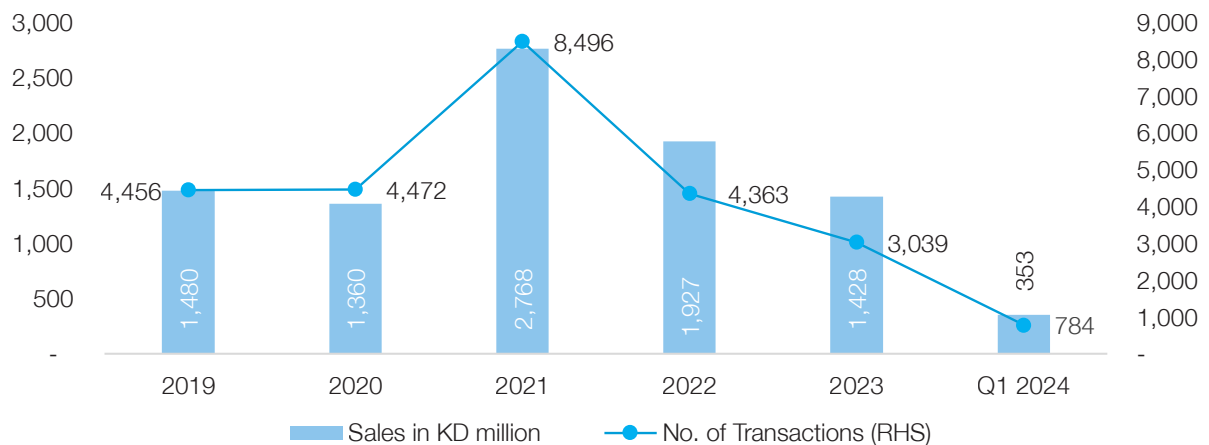
Overall Real Estate Transactions (2019- Q1 2024)



Source: Ministry of Justice

Private Housing (Residential) sales amounted to KD 353 million in Q1 2024, marking a decline of 2.8% y/y from KD 363 million in Q1 2023. However, the number of transactions increased by 3.2% y/y to 784. Lower demand levels due to sluggish market sentiment, lack of affordability and delayed buying decisions owing to higher yields on deposits caused the fall in residential segment sales.

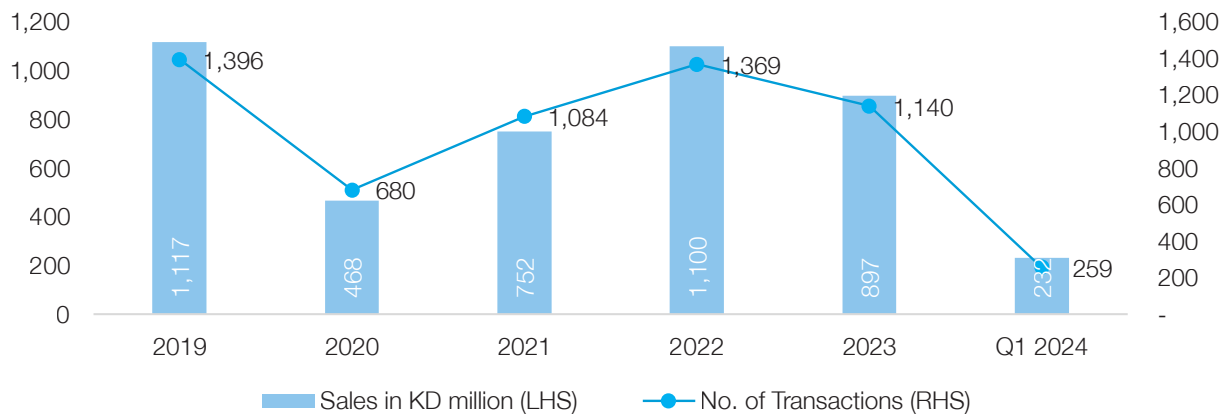
Private Housing (Residential) Real Estate Transactions (2019- Q1 2024)



Source: Ministry of Justice

Similar to the Private housing (residential) sector, sales in the Istithmari (Investment) segment, comprising of apartments and apartment buildings, also declined by 8.9% y/y reaching KD 232 million in Q1 2024. The number of transactions fell by 15.4% y/y to 259. The decline could be attributed to elevated interest rates and slower pace of growth in the expat population. However, the recent resumption of family visa issuance for expatriates could support demand in the segment.

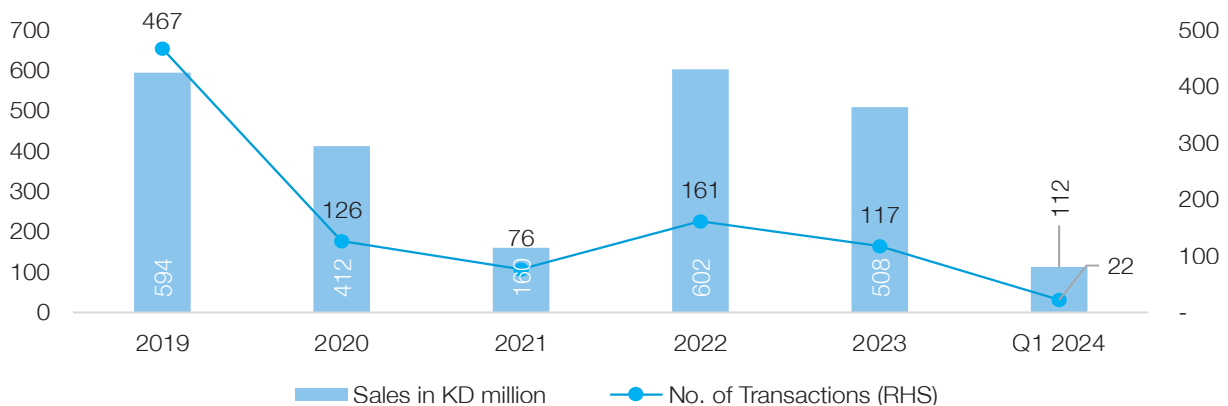
Istithmari (Investment) Real Estate Transactions (2019- Q1 2024)



Source: Ministry of Justice

Commercial sector sales surged by 16.9% y/y to KD 112 million in Q1 2024. The commercial sector sales in Q1 2023 were recorded at KD 96 million. The number of commercial segment transactions rose by 15.8% y/y in Q1 2024. Kuwait City and Hawalli governorates witnessed higher activity among the transactions during the period.

Commercial Real Estate Sales (2017- Q1 2024)



Source: Ministry of Justice

b. Land Prices, Rental Values and Cap rate

Land Prices

Land prices of apartments (Istithmari properties) witnessed an increase in all areas except Mahboula, where land value fell by 0.4% y/y in Q4 2023. Land prices in Bneid Al Gar (Sea Front) and Bneid Al Gar (Non-Sea Front) increased the most by 3.3% y/y each during the same period.

The land prices in the commercial segment recorded an increase in Q4 2023 compared to Q4 2022 across all governorates. Kuwait City's land prices witnessed the steepest increase by 21.4% while Hawali registered the lowest increase of 1.1% y/y during in Q4 2023.

Average Land Value/Sq.M. for Apartments (Istithmari Properties) (KD)

Apartments (Istithmari Properties)	Average land value/Sq. M. (KD)		
	Q4 2023	Q3 2023	Q4 2022
Dasman Gulf Rd	4,260	4,225	4,225
Dasman Inside Rd	2,425	2,375	2,375
Bneid Al Gar (Non-Sea Front)	1,900	1,880	1,840
Bneid Al Gar (Sea Front)	3,150	3,110	3,050
Shaab (Non-Sea Front)	1,747	1,727	1,727
Shaab (Sea Front)	3,200	3,150	3,150
Salmiya (Non-Sea Front)	1,660	1,660	1,660
Salmiya (Sea Front)	3,075	3,025	3,025
Hawalli	1,501	1,474	1,478
Farwaniya	1,434	1,424	1,424
Khaitan	1,353	1,345	1,345
Mahboula	1,173	1,178	1,178

Source: KFH Report

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

Commercial	Average land value/Sq. M. (KD)		
	Q4 2023	Q3 2023	Q4 2022
Kuwait City	8,330	6,863	6,863
Salmiya	3,525	3,459	3,475
Hawalli	3,425	3,375	3,388
Farwaniya	4,388	4,245	4,050
Khaitan	3,975	3,800	3,850
Fahaheel	3,792	3,767	3,725

Source: KFH Report

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

Industrial	Average land value/Sq. M. (KD)		
	Q4 2023	Q3 2023	Q4 2022
Shuwakh Industrial	1,523	1,559	1,575
Al Rai Industrial	1,348	1,375	1,390

Source: KFH Report

Rental Rates

Overall average rental rates for 3-bedroom apartments (Istithmari segment) have been stable and witnessed an increase in Q4 2023 as compared to Q4 2022 with all areas except for Khaitan and Mahboula, where the rates remained flat. Average rental value for 60 sq. m apartments exhibited a similar trend with rental value for all areas except for Mahboula and Khaitan seeing a similar slight rise. The average rental value for retail has mostly been flat with a slight decline in upper range values in some areas. Average rental value for the office segment in the commercial sector had broadly been flat, with only Salmiya and Fahaheel registering a marginal increase.

Average rent value of apartments (Istithmari properties) with 3-bedroom, hall and maid room – 100-110 sqm (KD)

Apartments (Istithmari Properties)	Average rent value – 3-bedroom, hall and maid room 100-110 sqm (KD)		
	Q4 2023	Q3 2023	Q4 2022
Dasman	425	425	410
Bneid Al Gar	420	420	415
Shaab	435	435	425
Salmiya	415	415	407.5
Hawalli	388	388	380
Farwaniya	383	383	380
Khaitan	380	380	380
Mahboula	325	325	325

Source: KFH Report, Markaz

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

Apartments (Istithmari properties)	Average rent value – 60 SQM apartments (KD)		
	Q4 2023	Q3 2023	Q4 2022
Dasman	315	315	300
Bneid Al Gar	310	310	305
Shaab	325	325	315
Salmiya	305	305	298
Hawalli	278	278	270
Farwaniya	273	273	270
Khaitan	270	270	270
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		
	Q4 2023	Q3 2023	Q4 2022	Q4 2023	Q3 2023	Q4 2022	Q4 2023	Q3 2023	Q4 2022
Kuwait City	11	11	11	20 - 38	20 - 38	20 - 38	12-13	9 - 11	12 - 13
Salmiya	10	10	10	18 - 38	18 - 38	18 - 39	11-12	8 - 9	11 - 12
Hawalli	9.5	9.5	9.5	17 - 35	17 - 35	17 - 37	10-11	7 - 8	10 - 11
Farwaniya	10.5	10.5	10.5	20 - 38	8 - 12	20 - 40	11-13	8 - 9	11 - 13
Khaitan	10	10	10	18 - 32	18 - 32	18 - 35	11-12	7 - 9	11 - 12
Fahaheel	10	10	NA	18 - 33	18 - 33	NA	11-12	8 - 9	NA

Source: KFH Report

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

Commercial - Office	Rental value/Sq. M.		
	Q4 2023	Q3 2023	Q4 2022
Kuwait City	9.5	9.5	9.5
Salmiya	8.3	8.3	8.25
Hawalli	7.5	7.5	7.5
Farwaniya	8.5	8.5	8.5
Khaitan	8	8	NA
Fahaheel	8.3	8.3	8.25

Source: KFH Report

Cap Rate

Cap rates for apartments (Istithmari segment) have mildly eased across localities in Q4 2023 as compared to Q4 2022 owing to the recovery in land prices. However, cap rates remained above 6.25% across major governorates such as Kuwait City. Rents across most areas witnessed mild rebound during the same period. In Q4 2023, cap rates of the commercial segment have been stable and recorded an increase during Q4 2022-Q4 2023, except for Salmiya and Hawali where cap rates declined.

Apartments (Istithmari Real estate) Capitalization Rate

Apartments (Istithmari real estate)	Gross Capitalization Rate (Gross Annual rental /Value of Property)		
	Q4 2023	Q3 2023	Q4 2022
Dasman (Gulf Rd)	7.03%	7.03%	6.88%
Bneid Al Gar (Non-Sea Front)	7.15%	7.15%	7.13%
Bneid Al Gar (Sea Front)	6.95%	6.95%	6.88%
Shaab (Non-Sea Front)	7.30%	7.30%	7.25%
Shaab (Sea Front)	7.00%	7.00%	6.90%
Salmiya (Non-Sea Front)	7.23%	7.23%	7.13%
Salmiya (Sea Front)	6.95%	6.95%	6.90%
Hawalli	7.59%	7.57%	7.38%
Farwaniya	7.55%	7.50%	7.38%
Khaitan	7.57%	7.50%	7.38%
Mahboula	7.55%	7.50%	7.43%

Source: KFH Report

Commercial Real Estate Capitalization Rate

Commercial	Gross Capitalization Rate (Gross Annual rental /Value of Property)		
	Q4 2023	Q3 2023	Q4 2022
Kuwait City	7.28%	7.30%	7.05%
Salmiya	7.63%	7.82%	7.82%
Hawalli	7.75%	7.88%	7.88%
Farwaniya	7.80%	7.93%	7.75%
Khaitan	8.00%	8.00%	7.88%
Fahaheel	8.15%	8.15%	7.94%

Source: KFH Report

4. Kuwait Real Estate – Major News/Laws

General Corporation for Housing Welfare announces tender to build & maintain 1,777 homes

Kuwait's General Corporation for Housing Welfare is expected to award the construction contract for its houses and public buildings and the associated infrastructure project by Q1 2024. The said project involves the construction, completion, and maintenance of 1,777 houses and public buildings and is slated for completion by Q1 2027. PAHW to announce tender to build & maintain 1,568 homes in Q2 2024

PAHW to announce tender to build & maintain 1,568 homes in Q2 2024

Kuwait's Public Authority for Housing Welfare (PAHW) is expected to award the main construction contract for its Residential Houses and Public Buildings project by the second quarter of 2024, changed from the previously expected first quarter 2024. The scope of work involves the construction of 1,568 homes and public buildings in the affordable housing project and supervision of tender work for 1,275 homes. The project, with an estimated value of USD 150 million, revised from the estimated value of USD130 million, is expected to be completed by the third quarter of 2026, revised from estimated completion of the first quarter of 2027.

PAHW to build new residential district in Al-Metlaa

Kuwait's Public Authority for Housing Welfare (PAHW) signed two contracts worth KWD 42.468mn (USD 140mn) for the construction of public buildings in the new residential district of Al-Metlaa. The facilities would include nurseries, stores, two schools and various shops. Several projects including a police station, postal office, medical centre, supermarket are underway with electric power having been connected to 109 buildings in the district.

Kuwait's 2024-2025 budget includes USD 1.4bln projects

Kuwait has approved 36 infrastructure projects in its 2024-2025 budget with a combined value of around 428 million Kuwaiti dinars (USD 1.4 billion). The budget includes 16 projects to support the private sector with a value of KWD72 million (USD 237.6 million). It also comprises 19 projects with a value of KWD 140 million (USD 462 million) besides projects under construction.



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 drive Real Estate markets

Economic Factors	Weight 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.
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	2019	2020	2021	2022	2023e	2024f	2025f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	-0.1%	-9.0%	-0.9%	12.1%	-4.3%	-4.3%	4.8%	Neutral	3
Non-Oil (Real) GDP Growth	-1.1%	-8.0%	6.6%	1.1%	0.8%	2.0%	2.5%	Neutral	3
Fiscal Position, % of GDP	15.9%	-31.5%	-6.5%	11.4%	-8.4%	-10.5%	-11.1%	Neutral	3
Investments (as % of GDP)	25.0%	30.8%	28.4%	19.4%	20.4%	21.4%	22.0%	Moderate	4
Money Supply, M2 (Y/y)	-1.2%	-7.3%	3.8%	6.5%	1.0%	3.9%	4.8%	Moderate	4
Inflation	1.1%	2.1%	3.4%	4.0%	3.6%	3.2%	2.7%	Moderate	4
Interest Rate	2.9%	1.7%	1.5%	2.4%	4.1%	4.1%	3.1%	Neutral	3
Yearly Population Growth	3.3%	-2.2%	-6.1%	8.0%	1.2%	2.5%	5.0%	Neutral	3
Jobs created (in '000s)	29	(140)	(111)	155	96	172	114	Moderate	4
								Overall Score	3.5

Source: IMF, CSB Kuwait, LMIS, Refinitiv, Marmore research; Note: Interest rates for 2024f and 2025f refer to estimated year end rates while interest rates for 2023 and earlier periods refers to monthly average rate.

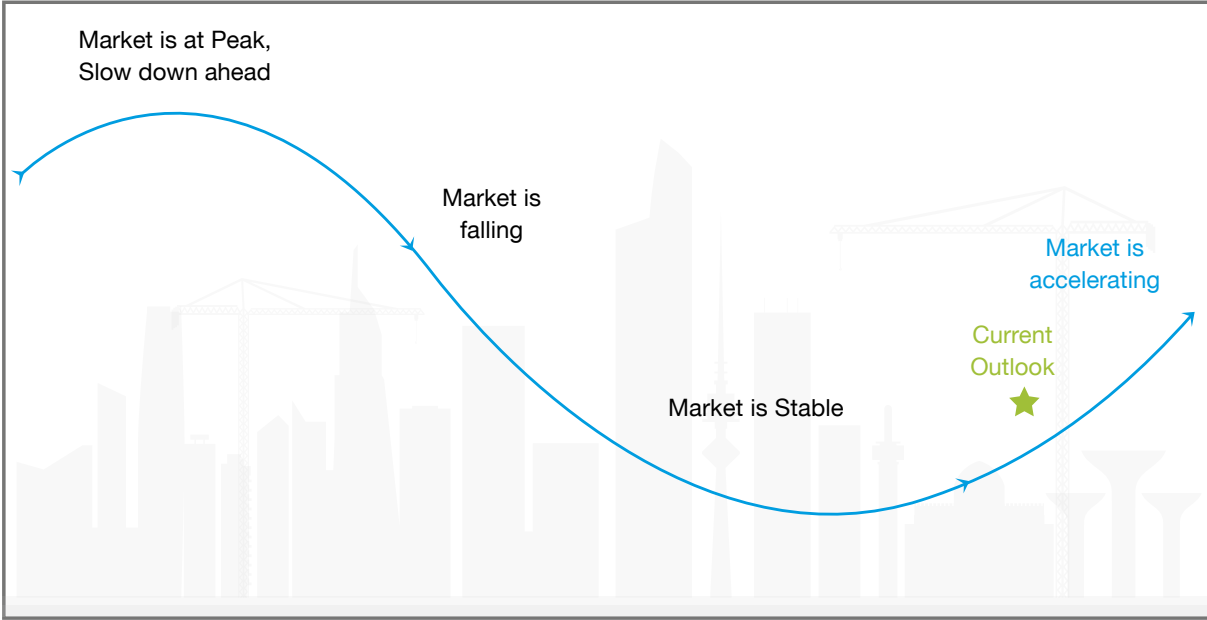
The state of the real estate market was categorized into four distinct phases as shown below.

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
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 (H2 2024 vs. H1 2024)

Economic Factors	H2 2024	H1 2024
Oil (Real) GDP Growth	3	3
Non-Oil (Real) GDP Growth	3	3
Fiscal Balance, % of GDP	3	3
Investments (as % of GDP)	4	3
Money Supply, M2 (y/y)	4	3
Inflation	4	3
Interest Rate	3	3
Yearly Population Growth	3	2
Jobs created (in '000s)	4	3
Total Score	3.5	2.9










Source: Marmore research

Conclusion

Oil production cuts, challenging macroeconomic conditions and geopolitical uncertainty in the Middle East are expected to weigh down on Kuwait's economic growth in 2024. However, interest rate cuts in H2 2024, pickup in projects activity, accelerated investments, and the recovery oil demand could improve the outlook for the real estate sector in the next twelve months. Kuwait's Real estate sector remained stable in Q4 2024, as evidence by steady prices and rents in 2024 so far, except for a mild moderation in the Private housing (residential) prices. However, the value of real estate sales witnessed a dip as the pent-up demand post-pandemic began to normalize. While the volume and value of transactions declined in the Private housing (residential) and Istithmari (Investment) segments, commercial segment sales edged up. Cap rates for the apartments (Istithmari segment) marginally eased owing to rebound in prices. Rental rates across most Investment and Commercial areas increased, which indicate further stability in Kuwait's real estate market.

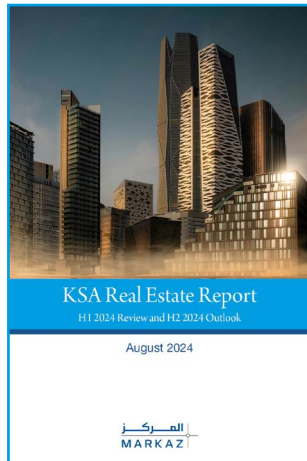
The recent uptick in the policy reforms has brightened prospects for further stability. The anti-monopoly of residential lands law passed by the National Assembly is expected to improve affordability by preventing excessive land hoarding by owners. The residential cities law aims to boost large-scale residential development and other key projects through private sector participation. These laws are likely to result in efficient utilization of residential land in the long term. The passage of the draft mortgage law could foster demand by improving accessibility to credit. Based on our assessment of various macroeconomic factors, we believe that the Real Estate sector in Kuwait would continue to accelerate in H2 2024 in terms of property prices and rents. Real estate market liquidity is expected to improve on the back of interest rate cuts 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 Balance	Neutral	3
 Investments	Moderate	4
 Money Supply, M2 (y/y)	Moderate	4
 Inflation	Moderate	4
 Interest Rate	Neutral	3
 Population growth	Neutral	3
 Jobs created	Moderate	4
Overall Score	Market is accelerating	3.5

Source: Marmore Research

What reports to expect soon?



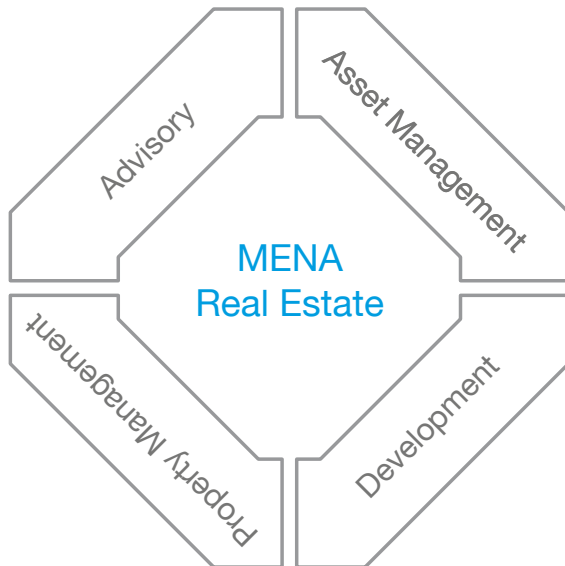
**KSA Real Estate Report H1 2024
Review and H2 2024 Outlook**



**UAE Real Estate Report H1 2024
Review and H2 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:

7.52%

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 - March 24)	171.21%
Capital Gain since Inception	29.35%
Income Distribution since Inception	142.8%
Total Return Annualized	6.44%
Average Annual Yield (Cash)	4.57%
Volatility (3 year)	2.36%

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: Ghazi Al Osaimi, 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
- The Total Return consists of the Capital Gain and the Dividend Yield after deducting all fees and expenses

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