

Kuwait Finance House

KFH Local Real Estate Report

Second Quarter 2009 - Kuwait

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**KFH Local
Real Estate Report
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Valued Reader,

Kuwait Finance House (KFH) is very pleased to present to you its new issue of Local Real Estate Report on second Quarter 2009. This report aims at analysing some aspects and features of real estate in Kuwait by looking at the latest qualitative and quantitative developments and other activities on a regular basis.

This report comes at a time when KFH has been named the Best Mortgage Bank from the Banker Middle East Journal in appreciation of its remarkable role in this sector for over thirty years. KFH has been able to provide suitable housing for more than thirty thousand Kuwaiti families and its involvement in big projects within the mortgage sector in Kuwait and the Gulf region.

In fact, KFH aims at achieving two main objectives by releasing this report: First: To collect and monitor all official data and price indices on the local real estate sector, present these data in an illustrative manner, monitor the real estate key performance indicators using a consolidated methodology, and publish the said data on a regular and periodic basis.

Second: To use these data for raising awareness on real estate and investment in the local market, encourage the developmental role of the local market in the economy, and help clients and investors take sound, well-informed investment decisions.

In addition to the analysis of the local real estate performance, the report reviews the main economic developments within this sector, as well as the related governmental regulations.

We wholeheartedly hope that this report will be a key driver for developing the real estate and investment activities to contribute in the local development.



Emad Abdullah Al-Thaqeb
AGM, Finance Sector - KFH



Terminology

Private Housing Building:

These are model houses built in low-density population areas and are built by individuals or private sector enterprises on the basis of uniformed or different architectural designs tailored according to the needs of the owner. The plots of land are distributed by the State according to Social Housing Welfare programmes using a single uniformed design or different architectural designs.

Investment Housing Building:

A multiple residential units building (apartments, villas, duplex, studios) meant for renting or ownership.

Private School Building:

A building designated for offering educational services and can be for the purpose of one or multiple educational stages.

Hotel and Motel Building:

Buildings designated for temporary residence for tourism and recreation purposes, where a variety of services are offered to guests.

Commercial Building:

A building where the basement, ground, and mezzanine floors are allowed for use as shops, where it can be designed as a set of adjacent or separate shops with corridors on the commercial street or as spacious areas. However, repetitive storeys can be used as offices or for any other commercial business.

Industrial Building:

They are designated for the industrial, warehousing, service or craftsmanship purposes.

Residential Complexes inside and outside Kuwait City:

Residential buildings designed for investment Housing and composed of buildings of multiple residential units (apartments, villas, studios or duplex) designated for renting or freehold use in all storeys. A block can have all its buildings connected together or separated on condition that the plot of land on which a block is built cannot be less than 3000m². Vacant spaces designated for the range of vision and convenience of eyesight are included in the total area required for the construction of the complex.

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Coastal Strip Buildings:

Buildings built by individuals in their own land at the coastline.

Buildings for Horticulture Activities:

Buildings used for the cultivation and care of different kinds of agricultural transplant. They are also used for the display and sale of flora and flowers, care of gardens and agriculture products, storage of seeds and agricultural needs and office spaces.

Private Chalets:

Buildings or facilities built outside the public domain for the lease of the State owned properties for recreational and entertainment purposes.

Private Hospitals:

Buildings designated for specialized medical services (outpatient clinics, operating theaters, laboratories, patient rooms and suits). They can be either private or public.



Measurement Units:

Length

- Meter is the International Standard Unit for linear measure.
- 1M = 10 cm = 1000 millimeter)
- Yard = 3 feet = 0.9144 m.
- Foot = 12 inches = 30.48 cm = 0.3048 m
- Inch = 2.54 cm = 0.0254 m
- Km = 0.6214 mile = 1000 m
- Land Mile = 1.6093 Km = 1609.0 m
- Nautical Mile = 6080 feet = 1.853 km = 1853 m
- League = 3 Miles = 4.8281 Km = 4828 m
- Al Bou = 'approximately 2 m
- Fathom = 182.88 cm = 1.8288 m
- Cubit = 51 cm = 0.51 m
- Span = 22.86 cm = 0.0229 m
- Light Year = approximately 9500 billion kilometers
- 1 M = 1.0936 Yard = 3.2808 Feet = 39.37 Inches

Distance

- Square Meter is the International Standard Unit of distance.
- Hectare = 10 Donum = 2.471 Feddan = 10,000 m²
- Feddan / Acre = 4046.8 m²
- Donum = 1000 m²
- Square Meter = 10,764 square feet

Introduction

The major development in the local real estate market in the second quarter 2009 has been the promulgation of laws 8 and 9 of 2008 by the Appeal Court in late May 2009 that prevented all sole proprietorships from buying, selling, placing lien on, and issuing letters of assignment to third parties, and prevented Islamic banks from financing the residential housing. This was in light of financial regulations that comply with Islamic laws as mentioned in section 99 of the monetary law and Central Bank of Kuwait (CBK) and the regulation of the banking services amended by law 30 of 2003 with regards to Islamic banks. Thus, the Court ruled in favour of the appeal procedurally. However, it rejected the appeal on its substance.

This ruling augured well as it created optimism and relief. It also prophesises the return of financial channels for the development of private housing and the expansion of real estate transactions and investment in this sector. The people were positive about the possibility of moving to property ladder. It also sparked the sharp decline in prices of building materials going to its lowest as a result of the world financial crisis.

Despite the relative stability in the real estate during the second quarter 2009, there is still an element of caution from both the investors and buyers. But what is expected is the reenergising of activity and return of investor confidence. A marked increase was also noticed in demand for this quality of real estate and it brings good profits in contrast with low returns on banking savings due to the fact that most of the investors prefer to keep their cash rather than investing it in the financial sector which witnessed some activity in the last quarter, although it is still precarious, unstable and risky.

On the contrary, commercial housing witnessed a clear downturn and the transaction dropped by almost a half of their value as a result of the world financial crisis and its ramifications for decline in the overall business. Thus, the whole economy of the state witnessed a condition of depression and stagnation, while companies were bent on reducing their expenses and the inability of some of the commercial companies to continue their projects because of the shortage of finances and decline in demand.

In reality, the government is called upon to invest more aggressively in the real estate as it is the main catalyst of the economic activity at a time when some governments have established investment sectors, in order to invest in real estate with the aiming of boosting the latter. The Governments are embarking on this investment ventures in tandem with the private sector. Some reports suggest that Kuwait is the least investor in the region as its annual expenditure on this front is less than 5% while the annual expenditure growth of the Kingdom of Saudi Arabia during 2009/2010 is expected to reach



15%, Oman more than 10% and about 5-10% in Qatar, Bahrain and the United Arab Emirates. Here lies the importance of injecting government investment into developing infrastructure in Kuwait. The development of good infrastructure is a necessity for developing the country, which in turn energises the economy. In this way, both the public and private sectors will pick up in order to overcome the current financial crisis by implementing developmental projects in building roads, health care and other services. This is positively reflected on the energising of the real estate economy which suffers from a number of impediments:

- 1- lack of logistic regions
- 2- Need for developing roads and railways
- 3- Provision of basic infrastructure that will inevitably help the commercial sector internally and externally. This will allow Kuwait to become a focal point for international trade towards the North
- 4- Fulfilment of the commercial requirements in Kuwait in terms of projects, as Al-Sebya bridge, building hospitals, establishing universities and developing seaports and airports
- 5- Develop and modernise public transport services
- 6- Modernise basic infrastructure of communication services. This is a major aspect of activating a real economy as it entails increase in general investment and add more values to goods and services. This will open more horizons for competition and allow the government to encourage initiatives.

The existence of good infrastructure will have a good bearing on the coming generations, as it increases demand and activates the economy by impacting upon the private sector particularly in areas of industries and the creation of new ones. Consequently, the size of the industrial sector will be bigger and will contribute to the Gross Domestic Product and will create more confidence, optimism and momentum in the economy.

The injection of investment into the economy should go in parallel with providing a conducive environment for investment and cut back on thick layers of bureaucratic machine, allowing the private sector to take its rightful place in the housing and commercial activities.

KFH has also called for the need to embark on giant projects as Al-Sebya Bridge or development of east of Al-Qurain and other developmental projects which have a great economic turn-over for the country. KFH also emphasised the need for both the government and the private sector to exert concerted efforts in rejuvenating the economy and move it forward. This will happen through the issuance of laws that will give an incentive to the growth of the real estate sector and other governmental projects.

What makes us hopeful is the announcement of the main outline of the five Year plan to be concluded by the government and the declaration of authorities on the significance of government spending on a number of projects in the near future.

Real Estate Trading Indices:

On the side of the overall real estate market, the trading indices issued by the Real Estate Registration & Authentication Department at the Ministry of Justice during 2Q 2009 have demonstrated a decrease of KD 10.170 million equal to 2.31% as compared to KD 440.857 million in 1Q 2009. Private housing trading and real estate investment trading rose by 24.51%, while investment in real estate trading increased by 3.748% and commercial real estate trading declined by 45.92%.

Private Housing Transactions:

Private housing transactions valued KD 180,461 million during 2Q 2009 and increased by 24.516% as compared to 1Q 2009, as the number of private housing transactions reached 834 in 2Q in 2009 and the average transaction value increased to KD 216,380 thousand compared to KD 196,656 thousand in 1Q 2009, due to the increase in the number of transactions by 12% coincided with the increased prices of private houses in certain areas. April 2009 recorded trading rate accounting for 37.9% equal to KD 68,441 million of the private housing tradings totaling KD 173.414 million during 2Q 2009. June ranked second recording KD 62.771 million accounting for 37.7%, and the month of May ranked the last recording KD 49.248 million accounting for 27.2% of the total private housing tradings.

Real Estate Investment Transactions:

Total real estate investment trading increased during 2Q 2009 to account for KD 149,038 million compared to KD 143,658 million during 1Q 2009 equal to 3.74% increase. June had the highest share of transactions in 2Q 2009 recording KD 58.604 million. April 2009 came as the second in 2Q 2009 recording KD 53.128 million, while May came third recording KD 37,304 million.

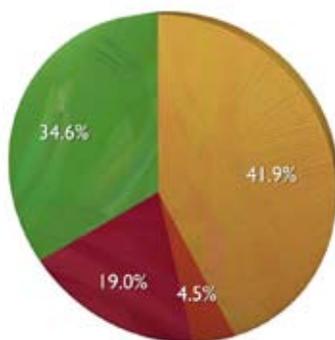
A noticeable increase in trading is reported during 2Q 2009 as a result of the degree of vitality in the global financial market and the investors' willingness to find promising real estate opportunities. The regain of confidence in the markets has brought about a significant boost in the economy and the prices of real estates, especially the prices of private housing and investment properties.



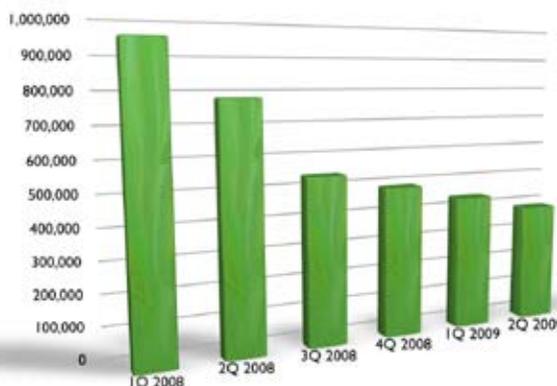
Real Estate Commercial Transactions:

Total commercial real estate tradings dropped remarkably during 2Q 2009 due to the inability of some companies to pay off their debts and shortage of cash to finance existing projects, despite the fact that the number of transactions and trading in commercial real estates has increased by 17% compared to 1Q 2009. This coincided with the decline in prices brought about by the abundant supply of and low demand on commercial real estates driven by the pessimism experienced by certain traders and tendency by some of them to close or offer to sell their commercial shops as a result of the decreased sales turnover and the shrunken local consumption. A low demand on the new commercial real estates offered for residency is also reported, driving some landlords to cut down the rental value. In addition, suspension of certain commercial real estate projects was also reported, as the value of trading declined by 45.92% valuing KD 81,743 million as compared to 1Q 2009 valued KD 151.162 million leading to a decline in overall transactions in trading in real estate accounting for 18.9% and the total trading on the account of the investment real estate transactions accounting for 34.6% and the private housing transactions accounting for 41.9%. The month of April came as the first volume leader valuing KD 163.204 million, June the second registering KD 152.825 million, and May the third accounting for KD 114.657 million, and the average transaction valued KD 363,449 million during 2Q 2009 compared to KD 394,679 million in 1Q 2009.

- Private (180,461,045)
- Warehouses & Industrial (19,444,600)
- Commercial (81,743,450)
- Investment (149,038,003)



Total Real Estate Trading in 2Q 2009
(Private Housing, Investment, Commercial, Industrial Warehouses)



Total Real Estate Trading during 2008 and 2Q 2009

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Price Indices:

First: Prices of Private Housing Lands:

Market price indices monitored by KFH showed a fluctuating increase in the prices of residential lands in the majority of Kuwait Governorates during 2Q 2009. The Mubarak Al-Kabir Governorate had an average increase of 4.3%, the Jahra Governorate an increase by 2.6%, and the Hawally and Farwaniya Governorate by 1.5% and other suburban regions as Abdullah Al-Salem, Shamiya, Yarmouk, Khaldiya, Residential Shuwaikh, Faiha, Keifan, Mansouriya and Sulaibikhat witnessed slight increase.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Abdullah Al-Salem	750	555,000	950,000	740	1,267	1003.3	Vacant Land
Shuwaikh Residential	1000	810,000	1,400,000	810	1400	1,105	Vacant Land
Adailia	750	360,000	700,000	480	933	706.7	Vacant Land
Qurtoba	500	235,000	360,000	470	720	595	Vacant Land
Faiha	500	260,000	450,000	520	900	710	Vacant Land
Shamiya	750	410,000	775,000	547	1,033	790	Vacant Land
Surra	500	235,000	350,000	470	700	585	Vacant Land
Mansouriya	1000	430,000	750,000	430	750	590	Vacant Land
Qadessiya	750	285,000	505,000	380	673	526.7	Vacant Land
Dasma	750	285,000	430,000	380	573	476.7	Vacant Land
Keifan	500	290,000	400,000	580	800	690	Vacant Land
Keifan	750	350,000	550,000	467	733	600	Vacant Land
Nuzha	1000	490,000	950,000	490	950	720	Vacant Land
Nuzha	750	410,000	750,000	547	1000	773.3	Vacant Land
Nuzha	500	350,000	500,000	700	1000	850	Vacant Land
Yarmouk	500	285,000	360,000	560	720	645	Vacant Land
Yarmouk	750	345,000	550,000	460	733	596.7	Vacant Land

Mubarak Al-Kabir Governorate has recorded an average KD 385.5 per square meter during the 2Q 2009 increasing by 4.3% as compared to 1Q 2009. Price increase was also noticed in Abu Al-Hasiniya, Funaitees, Abu Futaira and Al-Maseela.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Abu Al-Hasiniya (Internal Streets)	750	300,000	450,000	400	600	500	Vacant Land
Al-Maseela (East of Qurain)	400	120,000	170,000	300	425	362.5	Vacant Land
Funaitees (East of Qurain)	400	95,000	125,000	238	313	275	Vacant Land
Abu Futaira	400	90,000	120,000	225	300	262.5	
Mubarak Al-Kabir (plots)	400	120,000	175,000	300	433	368.8	Gov. House
Al-Qosour	400	85,000	115,000	213	288	250	Gov. House

Farwaniya Governorate registered an average price rate of KD 269.7 per square meter during 2Q 2009 increasing slightly by 1.6% as compared to 1Q 2009, with an increase ranging between 1% to 2.8%.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Al-Rabiya	500	120,000	175,000	240	350	295	Vacant Land
Farwaniya	500	140,000	170,000	280	340	310	Vacant Land
Jleeb Al-Shoyoukh	750	220,000	260,000	293	347	320	Vacant Land
Al-Rehab (Gov. House)	400	102,000	140,000	255	350	302.5	Gov. House
Ashbeelia	500	115,000	160,000	230	320	275	Vacant Land
Ashbeelia	400	100,000	145,000	250	363	306.3	Vacant Land
Andalus	500	95,000	160,000	190	320	255	Vacant Land
Kheitan	750	165,000	220,000	220	293	256.7	Vacant Land

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Ahmadi Governorate has witnessed stable price rate of KD 282.6 per square meter for plots on the coastline, Residential Khairan and Residential Wafra. Decline was more severe in the La'alea Kheiran (inward plots) by 28% while Al-Aqila Region witnessed an increase of 5.3%.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Fintas Agricultural Area	1000	205,000	300,000	205	300	252.5	Vacant Land
Hadiya	750	145,000	200,000	193	267	230	Vacant Land
Al-Aqila	400	100,000	140,000	250	350	300	Vacant Land
Fahaheel	600	105,000	220,000	175	366.7	270.8	Vacant Land
Fahaheel (Facing Industrial Area)	750	145,000	250,000	193	333.3	263.3	Vacant Land
Coastal Strip along the sea	750	640,000	712,500	850	950	900	Vacant Land
Al-Manqaf	400	90,000	120,000	225	300	262.5	Vacant Land
Jaber Al-Ali	400	100,000	120,000	250	300	275	Gov. House
Al-Dhuhr	278	65,000	78,000	234	280.6	257.2	Existing House
Al-Sabahiya	600	90,000	120,000	150	200	175	Existing House
La'alea Kheiran (Internal)	500	60,000	80,000	120	160	140	Vacant Land
La'alea Kheiran (Overlooking the sea)	1200	225,000	280,000	188	233	210	Vacant Land



Hawally Governorate has witnessed a noticeable stability in prices during 2Q 2009 compared to 1Q 2009 as the price per square meter is settled at KD 499.79 with an average increase of 1.5%. However, other areas as Al-Shaab, Jabriya, Bayan, Al-Salam, Hattain and Al-Zahra witnessed a price increase ranging between 1% to 3.8%.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Bayan	500	175,000	220,000	350	440	395	Vacant Land
Jabriya	750	220,000	280,000	293	373	333.3	Vacant Land
Jabriya	500	185,000	230,000	370	460	415	Vacant land
Rumaithiya	750	195,000	270,000	260	360	310	Vacant Land
Rumaithiya (Al-Aqsa St.)	1000	390,000	460,000	390	460	425	Vacant Land
Salwa (Internal St.)	750	195,000	260,000	260	347	303.3	Vacant Land
Salwa (Internal St.)	500	165,000	200,000	330	400	365	Vacant Land
Al-Zahra	400	165,000	210,000	413	525	468.8	Vacant Land

An increase of prices is reported in Jahra Governorate as the average price rate of each square meter of land has reached KD 240.3 with an average increase of 2.6%. Al-Qasr Governorate recorded a noticeable price increase by 12.5% and the Old Jahra an increase by 3.3%.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Al-Qasr	750	115,000	155,000	153	207	180	Vacant Land
Old Jahra	750	130,000	180,000	173	240	206.6	Vacant Land
Al-Oyouun	400	90,000	120,000	225	300	262.5	Existing House
Al-Waha	300	70,000	80,000	233	266.6	249.8	Existing House
Al-Naim	400	115,000	145,000	288	363	325	Existing House

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Second: Prices of Investment Lands:

The prices of investment lands during 2Q 2009 have been stable as compared to 1Q 2009 in most of the Governorates. The prices declined only in the Capital Governorate by -4.2% where the average price per square meter is estimated at KD 1719. Bneid Al-Gar Governorate registered the highest decline rated at 8.12%.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Bneid Al-Gar (Overlooking the Sea)	1,000	1,500,000	1,900,000	1,500	1,900	1,700	Vacant Land
Bneid Al-Gar (Independence Street)	1000	950,000	1,050,000	950	1050	1,000	Vacant Land
Bneid Al-Gar (Internal Streets)	1,000	700,000	850,000	700	850	775	Vacant Land
East Al-Mukwa'a (Built Area of 400%)	500	650,000	1,100,000	1,300	2,200	1,750	Vacant Land
East Al-Mukwa'a (Built Area of 240%)	250	250,000	300,000	1,000	1,200	1,100	Vacant Land
Dasman (400%)	1,000	1,850,000	3,500,000	1,850	3,500	2,675	Vacant Land

In Hawally Governorate the price has been steadily stable at KD 883.7 per square meter during 2Q 2009 as compared to 1Q 2009.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Hawally (Muthanna St.)	750	530,000	610,000	707	813	760	Vacant Land
Hawally (Qutaiba St.)	750	545,000	710,000	727	947	837	Vacant Land
Hawally (Mosa Ibn Al-Nuseir St.)	1,000	590,000	750,000	590	750	670	Vacant Land
Hawally (Cairo St.)	1,000	760,000	850,000	760	850	805	Vacant Land
Hawally (Al-Maghrib Al-Saree' St.)	1,000	660,000	750,000	660	750	705	Vacant Land
Hawally (4 th Ring Road)	1,000	735,000	850,000	735	850	792.5	Vacant Land
Hawally (Fahaheel St.)	1,000	735,000	860,000	735	860	797.5	Vacant Land
Salmiya (Arab Gulf , Al-Beda', Al-Shaab Sea Side)	1,000	1,420,000	2,400,000	1,420	2,400	1,910	Vacant Land
Salmiya (Baghdad St.)	1,000	805,000	935,000	805	935	870	Vacant Land



A noticeable stability of prices is reported in Farwaniya Governorate with the average of KD 876.1 per square meter.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Farwaniya (Airport St.)	1,000	715,000	755,000	715	755	735	Vacant Land
Farwaniya (Main Streets)	1,000	555,000	655,000	555	655	605	Vacant Land
Farwaniya (Internal Streets)	1,000	455,000	585,000	455	585	520	Vacant Land
Farwaniya (Internal Streets)	750	425,000	500,000	567	667	617	Vacant Land
Kheitan (Airport St.)	750	545,000	615,000	727	820	773.5	Vacant Land
Kheitan (Main St.)	750	455,000	565,000	607	753	680	Vacant Land
Al-Reqae (4 th Ring Road)	750	565,000	650,000	753	867	810	Vacant Land
Al-Reqae (5 th Ring Road)	750	545,000	625,000	727	833	780	Vacant Land

Ahmadi Governorate has experienced stability in prices at the average rate of KD 755.6 per square meter.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Fintas	750	380,000	525,000	507	700	603.5	Vacant Land
Fintas (Overlooking the sea)	1000	1,050,000	1,200,000	1,050	1,200	1,112.5	Vacant Land
Abu Halifa	750	365,000	520,000	487	693	590	Vacant Land
Abu Halifa (Overlooking the sea)	1000	960,000	1,150,000	950	1,150	1,055	Vacant Land
Al-Manqaf	750	365,000	525,000	487	700	593.5	Vacant Land
Al-Mahboula	500	275,000	340,000	550	680	615	Vacant Land
Al-Mahboula (Fahaheel St.)	1000	600,000	655,000	600	655	627.5	Vacant Land
Fahaheel (Mecca St.)	500	320,000	380,000	640	760	700	Vacant Land

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Jahra Governorate has reported a noticeable stability in prices compared to 1Q 2009. The average price is settled at KD 540 per square meter of land.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
		From	To	From	To		
Jahra (Internal Streets)	1000	450,000	470,000	450	470	460	Vacant Land
Jahra (Main Streets)	1000	555,000	560,000	555	560	557.5	Vacant Land
Jahra (Public)	500	280,000	325,000	560	650	605	Vacant Land

Third: Prices of Commercial Real Estate Properties:

Prices of commercial real estates kept on declining for the second quarter 2009 in the Governorates of Farwaniya, Jahra and Ahmadi at a rate ranging from 1% to 4%, while prices declined in the Capital Governorate by -8.4% particularly in areas of Ahmad Al-Jaber Street, Mubarak Al-Kabir and Streets of Ibn Al-walid, Abdullah Al-Mubarak and Al-Shuhada.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
			From	To	From	To		
Kuwait City (A. Al-Jaber St.)	520%	500	3,250,000	3,850,000	6,500	7,700	7,100	Vacant Land
Kuwait City (Mubarak Al-Kabir St.)	620%	500	3,250,000	3,750,000	6,500	7,500	7,000	Vacant Land
Kuwait City (Fahad Al-Salem St.)	620%	500	3,750,000	4,000,000	7,500	8,000	7,750	Vacant Land
Kuwait City (Ali Al-Salem St.)	300%	500	1,750,000	2,250,000	3,500	4,500	4,000	Vacant Land
Kuwait City (Mubarkiya Souk)	300%	500	1,500,000	2,100,000	3,000	4,200	3,600	Vacant Land
Kuwait City (Gharabally)	300%	500	1,500,000	2,150,000	3,000	4,300	3,650	Vacant Land
Al-Mustaqbal City (Free Zone)	50-70%	1000	150,000	200,000	150	200	175	Vacant Land



A price increase is reported in Jahra Governorate compared to 1Q 2009, as a noticeable trading is reported in Marzouk Al-Metaab Street.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009
			From	To	From	To	
Jahra (Marzouk Al-Metaab St.)	170%	1,000	1,850,000	2,500,000	1,850	2,500	2,175
Jahra (Business & Office Center)	300%	875	2,200,000	2,600,000	2,514	2,971	2,571
Jahara (Al-Qaisariat)	300%	225	393,750	438,750	1,750	1,950	1,850

A price decrease is reported in Hawally Governorate by -1.2% at the average price rate of KD 2,654 per square meter.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
			From	To	From	To		
Salmiya (Salim Al-Mubarak St.)	170%	1,000	3,000,000	3,750,000	3,000	3,750	3,375	Vacant Land
Hawally (Tunisia St.)	170%	1000	2,750,000	3,000,000	2,750	3,000	2,875	Vacant Land
Hawally (Beirut St.)	170%	1000	2,700,000	3,000,000	2,700	3,000	2,850	Vacant Land
Hawally (Othman St.)	150%	1000	1,700,000	2,250,000	1,700	2,250	1,975	Vacant Land
Hawally (Ibn Khaldoun St.)	170%	1000	2,200,000	2,500,000	2,200	2,500	2,350	Vacant Land

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Farwaniya Governorate witnessed a noticeable price decrease by 4.4%.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
			From	To	From	To		
Farwaniya (Menawer St.)	170%	1,000	2,500,000	3,300,000	2,500	3,300	2,900	Vacant Land
Farwaniya (Fire Station St.)	170%	1,000	2,000,000	2,850,000	2,000	2,850	2,425	Vacant Land
Kheitan	170%	1,000	2,000,000	2,850,000	2,000	2,850	2,425	Vacant Land
Al-Dhajib South of Kheitan	250%	5,000	1,650,000	2,650,000	330	530	430	Vacant Land
Al-Ardiya Warehouses (Main Streets)	80% Ground	1000	750,000	850,000	750	850	800	Vacant Land
	50% Mezzanine	1000	1,200,000	1,500,000	1,200	1,500	1,350	أرض فضاء

A slight decline in prices is also reported in Ahmadi Governorate by 1.2% and the average price rate is KD 2,071 per square meter.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 2Q 2009	Description
			From	To	From	To		
Al-Manqaf (Aziziya)	300%	750	712,500	862,500	950	1,150	1,050	Vacant Land
Fahaheel (Dabbous St.)	170%	750	2,062,500	2,212,500	2,750	2,950	2,850	Vacant Land
Fahaheel (Internal Streets)	170%	750	1,387,500	1,800,000	1,850	2,400	2,125	Vacant Land
Fintas (Administrative & Commercial)	180%	1000	1,450,000	1,950,000	1,450	1,950	1,700	Vacant Land
La'alea Khairan	180%	1000	800,000	1,200,000	800	1,200	1000	Vacant Land

Fourth: Prices of Industrial Plots (Usufruct & Warehousing Contracts):

Industrial plots recorded a remarkable price decrease in most governorates, as the Al-Rai Region in Farwaniya Governorate recorded the highest price decrease of -15.2%, followed by Industrial Shuwaikh in the Capital Governorate by -5.7%. The decrease in Ahmadi, Mubarak Al-Kabir and Jahra ranges between 0.5% and 1.6%.

Fifth: Prices of Farms and Pales:

Prices of farms were stable during 2Q 2009 as compared to 1Q 2009. Prices of pales in Kabad established on 2500 m² ranged between KD45,000 and 60,000 for the built and equipped pale.

Area	Area in M ²	Value in KD		Price / Square Meter		Average Price in 2Q 2009
		From	To	From	To	
Wafra	50,000	120,000	230,000	2,400	4,600	3,500
Abdaly	100,000	100,000	200,000	1,000	2,000	1,500
Al-Salaibiya (Farms)	1,000,000	2,800,000	3,500,000	2,800	3,500	3,150

Sixth: Prices of Chalets:

Prices of chalets decreased during 2Q 2009 and ranging between 3% and 8% as compared to the 1Q 2009. The chalets' prices are identified in the table below:

Area	Sea façade	Value in KD		Price of Sea Façade Per Meter		Average Meter Price of the Sea Façade during 1Q 2009	Description
		From	To	From	To		
Abdullah Port	15	120,000	210,000	8,000	14,000	11,000	Vacant Land
Al-Dabaeah	15	142,500	217,500	9,500	14,500	12,000	Vacant Land
Al-Julaiah	15	195,000	300,000	13,000	20,000	16,500	Vacant Land
Bneider	15	270,000	375,000	18,000	25,000	21,500	Vacant Land
Al-Nuwiseeb	15	157,000	225,000	10,500	15,000	12,750	Vacant Land

Seventh: Prices of Freehold Apartments:

A steady demand on freehold apartments is reported in 2Q 2009 increasing the supply of apartments. Finishing is ranged between ordinary and super deluxe. Average price rates for freehold apartments ranged between KD 350 to KD 650 per square meter of an apartment according to what has been set forth in the title deed. Demand on freehold apartments is noticeably increased in Ahmadi and Hawally for accommodation or reinvestment purposes.

It should be noted that the average price rate for each square meter of apartments directly viewing the sea (Arab Gulf St.,) declined ranging between KD 800 to KD 1,100 per square meter during 2Q 2009 as compared to 1Q 2009 where average price rates ranged between KD 900- 1200.

Houses overseeing the sea (Super Deluxe) are more costly and have many features:

- Free Car Parks
- Free or discounted satellite
- Free services and amenities like nursery, swimming pool and health gym
- Safety & security
- Free maintenance of the building during the period of agreement

It is not surprising that the price rate of each apartment rises according to the storey in which an apartment is located and the view of the apartment. In addition, the internal design of the apartment's utilities plays a major role in the way this apartment is marketed.

Generally, this product is highly regarded because of its low total value, easy trading as compared to real estate lands and residential houses and rewarding income in case of leasing, in addition to the high demand exercised by both residents and expatriates. Freehold apartments are a point of attraction for newly-married residents, small investors, women in particular, and the old-aged people whose sons got married and thereby they don't need such roomy family house, especially that the investment value in this type of apartments is much lesser than any other property. This type of housing requires a piece of legislation to allow foreigners to own a property. There are three ways for expatriates to own freehold apartments:

- Lease with the promise to own agreement after law issuance.
- A program by which the apartment remains in the ownership of the rental company, while giving tenants the freedom to sell, rent out or mortgage the apartment until the issue of the new law that allows residents and foreigners to own a property.
- A proxy agreement or irrevocable contract stating the rights of the attorney or successor through a real estate portfolio of any real estate company that manages such portfolios.
- Submitting a proposal to the Council of Ministers asking for an exemption.



Whereas conditions that govern the property services are controlled by the Landlord's Union that manages such affairs in cooperation with real estate companies owning those properties, in the absence of such a law.

It's agreed that giving expatriates the opportunity to own their own apartment will limit the number of single workers entering Kuwait and thus families will play an integral role in energizing the economy and not only the real estate sector.

Kuwait is new to allowing freehold apartments by expatriates and there is no specific law that supports the landlords' rights as found in other countries. Hence, a new law to set the regulating conditions and support the inception of Landlords' Union should be developed to avoid the problems facing owners and the freehold apartments.

Eighth: Occupancy Rates & Rentals:

Decreased occupancy rates are reported for all types of investment properties, ranging between 80%-90%, and touched 90% for certain internal areas.

Average rental rate has ranged between KD 160 to KD 220 for apartments with a bed room, a living room and a toilet, and KD 180-KD260 for an apartment with 2 b/r and a hall, and KD 220 to KD 350 for apartments with 2 b/r, a hall, 2 bathrooms, and a maid room and KD 250 to KD 400 for apartments with 3 b/r and a hall; while keeping in mind that rental rates vary according to the area, design, and finishing.

Average rental rate per each square meter in commercial ground floors ranged between KD 20 to KD 30 and may range between KD 30 to KD 35 for prime locations. Average rental rate for each square meter in offices ranged between KD 7 to KD 8 for the different areas in Kuwait and approaches KD 7.5 or above in Kuwait City according to the location and level of finishing. In addition, a price decrease in the average rental rate is reported in Fahaheel as it reached KD 6 on the back of a parallel significant decrease in the average prices of lands. New type of smart offices has appeared; turn-key, furnished, and equipped offices with all technologies, options, and secretaries for use on short-term basis; especially by foreign companies that tend to rent such offices on temporary basis. The rental rate per square meter of such offices decreased to range between KD7 to KD 8 and above.

A noticeable decline in the rental rates of industrial plots is reported in 2Q 2009 as compared to 1Q 2009, as the average price rate for each square meter in ground floors; exhibitions, is ranged between KD 10 to KD 35 in Industrial Shuwaikh, bearing in mind that rates are location-specific. Al-Rai Building area comes second with the average price rate ranging between KD 10 to KD 20 for each square meter, while the average price rate for each square meter in Industrial Fahaheel is declined to range between KD 12 to KD 16.

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Average Trading of Rental Values of Investment Properties in Governorates of Kuwait, 2Q 2009

Governorate	Area	1 b/r & 1 Hall (48-50 m ²)	2 b/r, 1 hall & a bathroom (58-60) m ²	2 b/r, 1 hall & 2 bathrooms (70-74) m ²	2 b/r, 2 bathrooms & a maid room (80-85) m ²	3 b/r, 1 h, maid room (100-110 m ²)
Hawally	Salmiya	180	200-210	220-240	250-260	320-350
	Hawally	170	210-220	220-225	240-260	320-340
	Al-Jabriya	180	210-220	220-240	250-260	320-340
	Al-Shaab	200	225-240	260-280	260-300	340-380
	Al-Shaab (Sea Side)	220	240	280-300	300-320	360-400
Capital	Sharq	200-220	250-260	300	320-350	360-400
	Qibla	220	240-250	280-300	300-320	350-360
	East Mukawwa	200	230-240	260-300	300-320	340-380
	Dasman	220	240-250	320	340-350	380-420
	Bneid Al-Gar	200	240-250	300	320-340	400
Farwaniya	Khaitan	165	190-200	210-220	220-240	260-300
	Farwaniya	165	200	210-220	225-240	260-300
	Jleeb Al-Shoyoukh	170	200	220-230	-	-
	Al-Reqae	165	190-200	210-220	240	260-280
Al-Ahmadi	Al-Fintas	160	180	190-200	220-225	250-275
	Al-Mahboula	160	180	190-200	220-226	250-275
	Abu Halifa	160	180	190-200	220-227	250-275
	Al-Manqaf	160	180	200	220-228	250-275
	Al-Fahaheel	170	180-200	200-210	220-240	260-280
Al-Jahra	Al-Jahra	165	190-200	220	225-240	260-280

* Rental values include properties with internal locations with new finishing.

* Rental rates are higher for apartments located at prime locations (Sea, Main Streets, Services available, etc...), apartments with high quality finishing, and apartments provided with a certain type of services included with the rental (Swimming Pool, Health Gym., Car Parks, Satellite & Internet, Security, etc.)..

* Rental values for investment housing, excluding the commercial activities (Saloon, female workshop, etc).

* Rental values referred to in the table do not include electricity (Electricity fees are the responsibility of a lessee not the landlord).



Average Trading of Rental Values of Commercial Properties Throughout Kuwait, 2Q 2009

Area	Basement (Average Rental Rate per Square Meter)	Ground (Average Rental Rate per Square Meter)	Mezzanine (Average Rental Rate per Square Meter)	Offices (Average Rental Rate per Square Meter)
Salmiya	15-18	20-30	12-15	7
Hawally	12-16	20-25	12-15	7
Farwaniya	20 - 16	40 - 35	20	7
Khaitan	20 - 16	35 - 25	20	6
Al-Manqaf	10-13	25	15	Aziziya
Fahaheel	12-15	25-35	14-18	6
Dhajej	2.5	"10"	5-6	-
Kuwait City	10	25-30	12	7-8

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Average Trading of Rental Values of Industrial Properties Throughout Kuwait, 2Q 2009

Area	Basement Average Rental Rate per Square Meter (Warehouses)	Ground Average Rental Rate per Square Meter (Exhibitions)	Mezzanine Average Rental Rate per Square Meter (Offices)
Shuwaikh Industrial	4 - 3.5	35 - 10	6 - 3
Al Rai	4 - 3.5	20 - 12	6 - 3
Sabhan	3	6 - 4 *	3
Al-Ardiya	3	"6.5"	5 - 3
Ahmadi	4 - 2	14 - 8	3-4
Fahaheel	4 - 2.5	16 - 12	5 - 3

It should be noted that this Report monitors the general trends of the local real estate market trading in the State of Kuwait. However, Evaluation & Studies Section at KFH believes that a separate valuation should be made for each real estate property and the respective rental value and returns should be determined to ensure the fair valuation for each property.