

Kuwait Finance House



## KFH LOCAL REAL ESTATE REPORT

First Quarter 2008 - Kuwait

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الأمان والإطمئنان





**KFH** LOCAL  
REAL ESTATE REPORT  
1st Quarter 2008

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Valued Reader,

KFH is so delighted to present to you the new edition of KFH Report on the local real estate market during 1Q 2008 capturing the recent developments of the local real estate market together with the key qualitative and quantitative indices which highlight the local real estate market activity.

Given the importance of the real estate sector as a key driver for the economic growth and development, the Report serves as a means to disseminate knowledge and raise awareness on the real estate and investment developments in the manner that guides investors and decision takers to take prudent and sound decisions based on the data included in the Report.

This 1Q 2008, the 5<sup>th</sup> in the series issued by KFH, really enhances our ambitions for addressing the challenges which are facing the real estate sector in the State of Kuwait and reinforces KFH's participation in the social and economic responsibility; namely, in the real estate sector.

The importance of KFH Report on the local real estate market is not limited to enhance efficiency of the real estate services provided by KFH; rather, it is primarily intended to maximize the amount of data on this real estate sector so as to increase the level of awareness by the public, and thus provide premium services to our valued clients. In addition, we wholeheartedly look forward that this Report will give a momentum for the development and growth of the local real estate market.



**Emad A. Al-Thaqeb**

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## Introduction

The promulgation of Laws No. 8 and 9 of 2008 preventing shareholding companies from buying, selling, placing lien on, and issuing letters of assignment on properties has adversely influenced the dealing transactions of the local real estate sector in general and lowered the prices of untraded real estate properties.

The indeliberate law has not distinguished companies engaged in speculation transactions from other Islamic banks and investment institutions that operate in accordance with Islamic Shareea'h, bearing in mind that the Islamic finance instruments are based firstly on the acquisition and possession of a real estate and secondly on the reselling (Murabaha) or leasing of such a real estate to a client to get a profit margin from the selling transaction according to Law No. 30 of 2003 subject to which Islamic banks are operating to allow such banks buy and sell real estates for financing purposes.

Worthy of notice is that all price and trading indices of the local real estate market demonstrated a noticeable growth during 2005 - 2007 due to the abundance of liquidity caused by the increased oil prices, capital inflows to the real estate market driven by the great fluctuations in the stock markets, scarcity of lands designated for private housing as stipulated under the Executive Note of Law No. 8 setting forth that the available area designated for private housing ranges between 3 - 4% of the total area of Kuwait, the poor supply of residential plots against the increased demand on such plots coupled with the unexpected and progressing hike in the prices of construction materials, and the increasing demand on housing and scarcity of supply and the growing flow of investments into the real estate sector which is viewed to be a safe environment for investment, in addition to other reasons including the tendency of a large portion of citizens to secure dwellings in proximity to the Capital, Kuwait City.

There was a variance in the prices of real estates in most of the regions throughout the last year due to the increased demand on real estates and inability of the Government to satisfy the residential requirements of citizens reflected by the high accumulated number of applications exceeding 60,000 applications, noting that the number is increasing as the majority of population is composed of young people who are in pursuit of convenient accommodation.

Laws 8 and 9 above included provisions that limit monopoly of the vacant lands designated for private housing and levy charges and fines in cases of violation. Yet, the two laws have brought about turmoil in trading and potential adverse consequences as the two laws share almost the same wording as quoted in Article No. 230 «All sole proprietorships may not, whether directly or indirectly, buy, sell, place lien on, issue a letter of assignment to a third party, give a power of attorney for disposition by a third party, or accept a power of attorney made by a third party for disposition of plots or houses designated for private housing purposes in any location or under any project. In addition, any proceeding for alienation of plots or houses designated for private housing purposes in contradiction with this clause shall be deemed null and void».

In fact, the two laws have caused a shock to several investors in the private housing market as a large group of investors and market makers have resorted to banks to get the necessary finance for building and reselling private houses for consumers who do not wish to go through the building process. As the buying and selling movement has come to a halt due to abstention of finance providers from giving finance driven by the lack of collateral and mortgage, investments of those investors may be crippled due to the absence of finance and inability of investors to dispose of their investments and sell them to the young people who are unable to get home finance under the law that brought about a state of imbalance in the market.

The law has stood a stumbling stone preventing young people from achieving a key priority; the dream to buy a lifetime family house that ensures stability for themselves and their relatives due to their inability to solely get a home finance even in the case of a price decrease, as they will have to be assisted by the finance providers to get the remaining value of land or home.

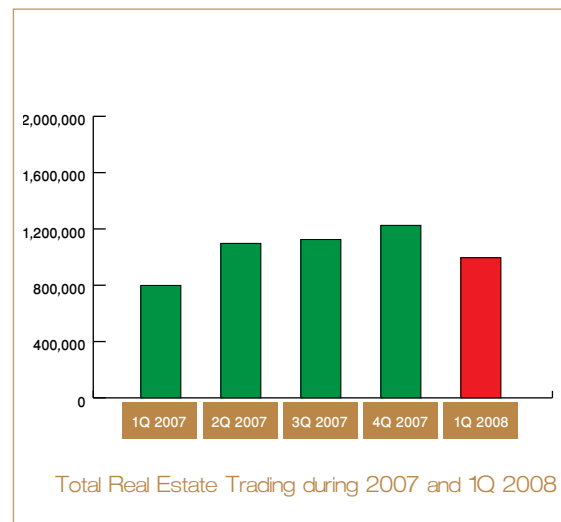
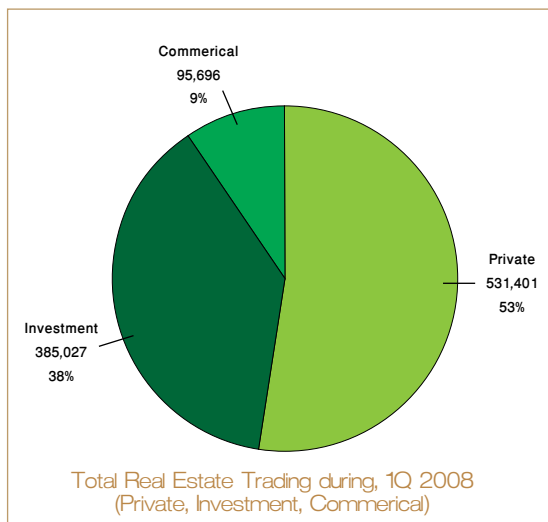
These indeliberate, imprudent decisions and laws will undoubtedly create capital outflows, as several neighboring countries are expressing their strong desire to receive such funds. In addition, investors have developed a sense of uncertainty about their real estate investments and a sense of fear that the saying «Even though a real estate may become sick, it never dies» may be changed to the saying «Indeliberate decisions may cause death to a real estate». What really aggravates the severity of such laws is the non-diversity of local investment fields and limitation on Kuwait Stock Exchange and real estate markets.



Challenges facing the real estate sector may not be addressed by these decisions and laws. Rather, a regular supply of houses and lands designated for private housing should be provided by the State in line with a well-established plan to avoid long-term queuing, as this will positively affect the supply and demand in the real estate market. Moreover, participation by private sector is a prerequisite to enable it to take over the responsibility of developing the residential lands in conjunction with the State in order to find real economical and cost-effective solutions that put an end to the continuous price increase, expedite construction, and ensure provision of residential welfare for citizens.

Critical to this is that subject to speculations are those plotted areas that lack both infrastructure and licenses for construction. Building is restricted in such areas pending for the long-term completion of infrastructure projects. Accelerated construction and development of such areas in accordance with a clear-cut plan is thus encouraged. Prices of certain areas have increased due to the severity of speculations caused by the issuance of decisions turning those residential areas to investment and commercial areas including Salmiya, Hawally, Kheitan, Farwaniya, Jleeb Al-Shouyoukh.

Whereas some people will opt for self financing or informal financing bringing about unnecessary problems, re-involvement of Islamic finance in the private housing, viewed to be a key reason for solving a large part of the housing problem, has become mandatory as it is well-versed in this regard and have benefited more than 30,000 households. In addition, Islamic Banking Law prohibits Islamic banks from the buying and selling for speculation purposes and allows them to provide residential real estate finance.





## 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 1Q 2008 have demonstrated a decrease of KD 219.652 million equal to 17.8% compared to KD 1.232 billion in the 4Q 2007.

## Real Estate Private Housing Transactions:

The real estate private housing transactions have accounted for 53% of the total real estate tradings amounting to KD 1.013 billion. Private housing transactions have recorded KD 531.401 million during the 1Q 2008, with the private housing tradings dropped by 15.80% compared to 4Q 2007, as the number of private housing transactions is reduced to 2502 transactions in 1Q 2008 compared to 2659 transactions during 4Q 2007. Average transaction value is depreciated to KD 212,000 in 1Q 2008 compared to KD 238,000 during 4Q 2007, due to the decrease in the number of transactions by 6% coincided with the decreased prices of private houses in certain areas. March 2008 has recorded the highest trading rate accounting for 40% equal to KD 211.401 million of the total private housing tradings totaled KD 531.401 million during 1Q 2008. January 2008 ranked second recording KD 198.041 and accounted for 37%, and February 2008 came last with KD 121.452 million accounting for 23% of the total private housing tradings.

## Real Estate Investment Transactions:

Total real estate investment tradings have increased during 1Q 2008 to account for KD 385.027 million compared to KD 490.648 million during 4Q 2007 with a decrease of 21.5%. March 2008 came first in terms of the volume of tradings made during 1Q 2008 recording KD 173.192 million, January 2008 came second recording KD 127.752 million, and February came third recording KD 84.083 million.

This noticeable decrease in the real estate investment tradings is the typically adverse outcome of Laws Nos. 8 & 9 of 2008, as investors have demonstrated much appetite towards investment, commercial, and industrial real estates at the expense of residential real estates. This decrease is partly ascribed to the scarce supply of investment properties arising out of the ongoing movement in the investment market reflected by the low evacuation rates, high rentals, increased demand on certain areas, higher population growth rates, and the increased prices of construction materials and the subsequent increasing cost of buildings.



## Commercial Real Estate Transactions:

Total commercial real estate tradings have been reduced dramatically during 1Q 2008 due to scarcity of supply, as tradings have dropped by 11.7% recording KD 95.696 million compared to KD 108.427 million during 4Q 2007 making up 9% of the total tradings on account of the real estate private housing transactions which accounted for 53% and the real estate investment transactions which accounted for 38%. March 2008 came first achieving KD 46.176 million, January 2008 second with KD 30.040 million, and February 2008 third with KD 19.490 million and the average transaction valued KD 2.392 million during 1Q 2008 compared to KD 2.357 million in 4Q 2007. The increase in the average transaction is interpreted by the decreased number and high value of commercial transactions caused by the scarcity of the commercial real estates, their record prices, scarcity of supply in light of the stable economic conditions, the increased number of new investment companies, the emergence of new banks and foreign investment companies, the increased public and private expenditure on enterprises, and openness of the local commercial market to the international products that are in search for new markets for merchantability.

## Price Indices:

### First: Prices of Private Housing Lands:

Prices of private housing have been decreased during 1Q 2008 compared to the ruling prices of 4Q 2007. The 1Q 2008 is divided into two periods; the period that preceded the promulgation of the two Laws 8 & 9 of 2008 preventing the residential real estate tradings which was characterized by price stability, and the period that followed the promulgation of the said laws when prices decreased and tradings slowed down throughout all governorates.

It seems that the real estate market has been subject to a state of recession coupled with the mark down of prices and absence of tradings in response to the shock caused by the decision and is primarily experienced by speculators in private housing. Matters became worse when KFH and other Islamic banks ceased to finance and pledge residential real estates as collaterals due to a wrong interpretation of the provisions of Law which do not apply to Islamic banks which typically buy and sell real estates, noting that the finance provided by those banks are based on actual assets. While prices stabilized in certain areas, they declined sharply in other areas. Moreover, price indices showed a decrease in the prices of residential lands in the Governorate of Kuwait during 1Q 2008 as the price per each square meter was marked down to KD 739 equal to a slight decrease of 5%. This slight decrease reflects the price stability in certain areas such as Abdullah Al-Salem, Residential Shuwaikh, and Faiha', while prices decreased significantly at Al-Qadessiyah, Doa'yah, and Surrah.

## KFH Local Real Estate Report

However, it seems that the real estate market has absorbed the shock as some merchants and traders have exerted other endeavors to get credits from outside the banking sector either through self-financing or informal financing.

Some tradings made at the end of 1Q 2008 were transacted with the same prices in force prior to the promulgation of the relevant decisions; specially in certain areas like Nozha, Dhahia, and their surroundings which are deemed to be relatively stable given that they are known for their density of population and are fully urbanized. A price decrease is observed in areas that have been subject to speculation driven by the incompleteness of infrastructure and unlicensed construction by the State.

A proper solution shall focus on the quick completion of infrastructure projects, absorption of these areas to inhabitants who are wishing for construction, and the accelerated establishment of new areas and cities.

Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in the 1Q 2008
		From	To	From	To	
Abdullah Al-Salem	750	565,000	1,100,000	753	1467	1110
Shuwaikh Residential	1000	800,000	1,500,000	800	1500	1150
Al-Aidailia	750	450,000	800,000	600	1,067	833.3
Quortoba	500	280,000	385,000	560	770	665
Al-Faiha'	500	320,000	500,000	640	1000	820
Al-Shamiya	750	500,000	850,000	667	1133	900
Al-Surra	500	280,000	385,000	560	770	665
Al-Mansouriya	1000	450,000	800,000	450	800	625
Al-Qadesiya	750	365,000	585,000	487	780	633.3
Al-Dasma	750	365,000	475,000	487	633	560
Keifan	500	310,000	450,000	620	900	760
Keifan	750	400,000	680,000	533	907	720
Al-Nosha	1000	500,000	1,000,000	500	1000	750
Al-Nosha	750	450,000	800,000	600	1067	833
Al-Nosha	500	380,000	530,000	760	1060	910
Al-Yarmouk	500	320,000	420,000	640	840	740
Al-Yarmouk	750	450,000	600,000	600	800	700



Mubarak Al-Kabeer Governorate has registered KD 429 per each square meter in average during 1Q 2008 with a 14.6% decrease as compared to 4Q 2007. A significant price decrease has been witnessed in other areas such as Abo Fateera (East of Qareen) where price of each square meter is stabled at KD 293 with a 35.6% decrease as compared to 4Q 2007, followed by Al-Funaitees with a 34.7% decrease. This quick decrease in the prices of these areas is due to the successive price increases that exceeded 30% during the last year. These areas still lack the proper infrastructure and construction is not allowed due to the presence of residential lands in these areas and the increased demand driven by speculations. A decrease ranging between 8-11% is observed in the remaining areas in Mubarak Al-Kabeer, while prices stabled at the areas in close proximity to the sea.

Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Abo Al-Hasiniya (Internal Streets)	750	320,000	460,000	427	613	520
Abo Fateera (East of Quareen)	400	95,000	140,000	238	350	293.8
Sabah Al-Salem (Existing Government House)	400	120,000	170,000	300	425	362.5
Al-Adan (Gov. House)	400	85,000	115,000	213	288	250
Mubarak Al-Kabeer (Plots)	400	125,000	185,000	313	463	387.5
Al-Maseela (East of Quareen)	400	135,000	165,000	338	413	375
Funaitees (East of Quareen)	400	100,000	145,000	250	363	306.5
Al-Quareen (Gov. House)	400	85,000	115,000	213	288	250

## KFH Local Real Estate Report

Farwaniyah registered an average price rate of KD 331 per square meter with a 12% decrease. Most areas of Farwaniyah registered price decreases; namely, Al-Rabiyah which decreased by 17.3% followed by Sabah Al-Nasser and Omariyah by 16%. Price decreases in Ashbeeliyah ranged between 10-15%, with Kheitan registering the lowest price increase by 5% where the price rate averaged KD 320 per square meter compared to KD 333 during 4Q 2007 pending for a resolution for transferring both Kheitan and Jleeb Al-Shouyoukh into an investment area.

Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Al-Rabiya	500	150,000	185,000	300	370	335
Farwaniya	500	185,000	240,000	370	480	425
Khaitan (Non-common)	750	195,000	285,000	260	380	320
Jleeb Al-Shouyoukh	750	300,000	390,000	400	520	460
Al-Rehab (Existing House)	400	100,000	140,000	250	350	300
Al-Omariya	600	150,000	200,000	250	333	291.7
Sabah Al-Nasser	600	85,000	200,000	142	333	237.5
Al-Ardiya	750	170,000	220,000	227	293	260
Ashbeelia	500	165,000	230,000	330	460	395
Ashbeelia	400	130,000	200,000	325	500	412.5



In Al-Ahmadi Governorate, the price rate averaged KD 328 per square meter, and price decreases were observed in Aqeela, Residential Kheiran, Mangaf, and Jaber Al-Ali where decreases ranged between 12% - 30%. Price stability was reported in certain areas such as La'alei Kheiran where the price rate per square meter reached KD 225 for lands not overlooking the creek.

Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Hadeyya	750	165,000	240,000	220	320	270
Kheiran Residential Area	400	35,000	55,000	88	138	112.5
Sabahya, Plot No. 2	750	125,000	185,000	167	246.7	206.7
Al-Aqila	400	115,000	170,000	288	425	356.3
Fentas Agricultural Area	1000	200,000	310,000	200	310	255
Coastal Strip C over gulf	750	900,000	1,000,000	1,200	1,333	1,266.7
Coastal Strip over road	750	580,000	650,000	773	867	820
Coastal Strip, Internal	750	330,000	430,000	440	573	506.7
La'alei Al-Kheiran overlooking the sea	1000	210,000	240,000	210	240	225
Mangaf Residential	400	105,000	110,000	263	275	268.8
Mangaf Residential	500	115,000	130,000	230	260	245
Al-Wafra Residential (Existing House)	400	30,000	38,000	75	95	85
Jaber Al-Ali (Existing Gov. House)	400	100,000	120,000	250	300	275
Jaber Al-Ali (Plots)	400	120,000	160,000	300	400	350
Al-Dhuhr (Existing House)	278	58,000	78,000	209	280.6	244.6
Al-Fahaheel (Al-Badawiyah and its suburbs)	600	125,000	235,000	208	391.7	300

## KFH Local Real Estate Report

A price rate per each square meter of land in Hawally has stabled at KD 646 with a 6.8% decrease in average. Bayan areas (Bayan, Jabriyah, Rumaithiyah, Salwa) have decreased by 15% compared to 4Q 2007, while the price rate per each square meter in the areas overlooking the coastal strip have stabled at KD 2,800 in average.

Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Al-Sha'b	400	200,000	285,000	500	713	606.3
Al-Jaberiya	750	220,000	340,000	293	453	373.3
Rumaithiya	750	210,000	330,000	280	440	360
Bayan	500	175,000	250,000	350	500	425
Salwa	750	210,000	300,000	280	400	340
Salwa	500	160,000	240,000	320	480	400
Hateen	400	185,000	250,000	463	625	543.8
Al-Zahra'	400	180,000	230,000	450	575	512.5
Al-Shuhada'	400	185,000	270,000	463	675	568.8
Mubarak Al-Abdullah	400	210,000	260,000	525	650	587.5
Al-Salam	400	185,000	250,000	463	625	543.8
Bayan, Plot No. 13	400	180,000	240,000	450	600	525
Bayan	750	210,000	340,000	280	453	366.7



Al-Jahra Governorate has registered an average price rate of KD 241 per square meter and lower demand on private housing, with the lowest decrease is reported at Al-Eiyoon and Al-Naeim registering 14%, and an 11% decrease is reported at Al-Qasr, Al-Jahara, and Al-Waha.

Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Al-Naem (Plots)	400	120,000	150,000	300	375	337.5
Al-Naem (Gov. House)	400	85,000	130,000	213	325	268.8
Al-Waha (Existing House)	300	70,000	80,000	233	267	250
Al-Qasr	750	100,000	125,000	133	167	150
Al-Qasr (Existing House)	600	100,000	140,000	167	233	200
Al-Oyoon (Gov. House)	400	85,000	130,000	213	325	268.8
Old Jahara	750	135,000	185,000	180	247	213.3

## Second: Prices of Investment Lands:

A relative price increase in investment properties is reported during 1Q 2008 compared to a relative stability in price increases during 4Q 2007. Investors have therefore switched towards the investment sector as an alternative choice for investment in private housing and the recession of this activity. Market makers also play a major role for reinvigorating the buying and selling transactions through employing their investments into establishing and constructing new investment units or speculation on the existing units.



## KFH Local Real Estate Report

Noteworthy is that a considerable price variance is observed between the different governorates, noting that Kuwait Governorate has recorded a price increase by 2% as an average price rate has registered KD 5250 per square meter in Dasman including the areas overlooking the sea where prices range from KD 5000 to KD 5500 per square meter based on the length of the facade and the total area of the building, as well as the internal areas whose rates range from KD 2800 to KD 3500. The increasing demand on such areas is due to the fact that certain investors believe that a resolution turning this investment area into office spaces is strongly expected.

Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Bneid Al-Gar (Overlooking the Sea)	1,000	2,850,000	3,300,000	2850	3300	3075
Bneid Al-Gar (Internal Streets)	1,000	950,000	1,350,000	950	1350	1150
Bneid Al-Gar (Independence Street)	1,000	1.350.000	1.700.000	1350	1700	1525
East Al-Mukwa'a (Built Area of 400%)	500	1,400,000	1,750,000	2800	3500	3150
East Al-Mukwa'a (Built Area of 240%)	250	350,000	450,000	1400	1800	1600
Dasman (400%)	1,000	3,500,000	6,500,000	3,500	6,500	5,000



Hawally Governorate has registered a 6.6% increase with the internal area of Hawally registering the highest price increase ranging from 8% to 20%. The price increase in Salmiyah has ranged from 4% to 5%, Sha'ab soared from 3% to 5%, and the areas overlooking the sea have stabilized at KD 3,075 per square meter.

Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Hawally (Muthanna St.)	750	750,000	880,000	1000	1,173	1086.5
Hawally (Quotaiba St.)	750	750,000	880,000	1000	1,173	1086.5
Hawally (Mosa Ibn Al-Nuseir St.)	1,000	850,000	960,000	850	960	905
Hawally (Cairo St.)	1,000	950,000	1,200,000	950	1200	1,075
Hawally (Al-Maghrib Al-Saree' St.)	1,000	900,000	950,000	900	950	925
Hawally (4 <sup>th</sup> Ring Road)	1,000	950,000	1,200,000	950	1200	1,075
Salmiya (Internal Streets)	500	500,000	600,000	1,000	1,200	1,100
Salmiya (Arab Gulf , Al-Beda', Al-Shab Sea Side)	1,000	2,650,000	3,500,000	2,650	3,500	3,075
Salmiya (Baghdad St.)	1,000	1,100,000	1,300,000	1,100	1,300	1,200
Salmiya (Qatar St.)	1,000	1,100,000	1,300,000	1,100	1,300	1,200
Salmiya (Hamad Al-Mubarak St.)	1,000	1,100,000	1,300,000	1,100	1,300	1,200

## KFH Local Real Estate Report

Farwaniya Governorate has recorded a price increase of 6.9% with an average price rate of KD 942.5 per square meter.

Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Farwaniya (Airport St.)	1,000	950,000	1,100,000	950	1,100	1,025
Farwaniya (Main Streets)	1,000	820,000	950,000	820	950	885
Farwaniya (Internal Streets)	1,000	720,000	850,000	720	850	785
Farwaniya (Internal Streets)	750	625,000	725,000	833	967	904.5
Khaitan (Airport St.)	750	750,000	850,000	1,000	1,133	1,066.5
Khaitan (Main St.)	750	680,000	780,000	907	1,040	973.5
Al-Rejjae (4 <sup>th</sup> Ring Road)	750	750,000	850,000	1,000	1,133	1,066.5
Al-Rejjae (5 <sup>th</sup> Ring Road)	750	725,000	825,000	967	1,100	1,033.5

### Third: Commercial Real Estate Properties:

Scarcity of supply and increasing demand on commercial lands; especially within the Kuwait City, have been pushing prices to increase so as to take advantage of the potential rise in the built area and the higher heights that may be as tall as one hundred storeies, given that the investors have been encouraged to expand their activities due to the noticeable economic growth and the higher consumer expenditure increasing the demand on the commercial areas in addition to the emergence of buying formulas and patterns making it necessary to increase the number of shopping centers and the quest for commercial buildings in areas outside the Kuwait City. In addition, Law No. 9 of 2008 has encouraged a tier of investors to direct their investments towards the commercial real estate.



Price rates of commercial real estates have been increasing remarkably during 1Q 2008 ranging from 7 % to 22 % according to each area as compared to 4Q 2007 when the average price rate per each square meter has reached KD 12,500 inside the Kuwait City. Trading rates inside the Kuwait City ranged from KD 5,500 to KD 12,250 per each square meter, due to the scarcity of this type of lands, the increased demand by local companies, and the emergence of foreign companies looking for high quality buildings as they tend to lease whole buildings immediately after the completion of such buildings; thus, pushing up price rates and rentals of real estates.

Area	% of Built Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
			From	To	From	To	
Kuwait City (A. Al-Jaber)	520%	500	5,000,000	6,000,000	10,000	12,000	11,000
Kuwait City (Mubarak Al-Kabeer)	620%	500	5,000,000	6,000,000	10,000	12,000	11,000
Kuwait City (Fahad Al-Salem)	620%	500	6,000,000	6,250,000	12,000	12,500	12,250
Kuwait City (Ali Al-Salem)	300%	500	3,000,000	3,500,000	6,000	7,000	6,500
Kuwait City (Ali Al-Salem)	520%	500	4,500,000	5,000,000	9,000	10,000	9,500
Kuwait City (Mubarkya Souk)	300%	500	2,500,000	3,000,000	5,000	6,000	5,500
Kuwait City (Gharabally)	300%	500	2,500,000	3,000,000	5,000	6,000	5,500
Al-Mustaqbal City (Free Zone)	50%-70%	1000	180,000	280,000	180	280	230
Jaber Al-Mubarak St.	520%	500	4,800,000	5,250,000	9,600	10,500	10,050

## KFH Local Real Estate Report

Al-Jahara has recorded a price increase by 15% compared to 4Q 2007, as the commercial and administrative areas have touched a noticeable trading and price increase approaching 24 % in 4Q 2007.

Area	% of Built Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
			From	To	From	To	
Al-Jahra (Marzouk Al-Meteb St.)	170%	1,000	2,700,000	3,300,000	2700	3300	3,000
Al-Jahra (Commercial & Administrative Center)	300%	875	3,200,000	3,500,000	3657	4000	3,829
Al-Jahara (Al-Qaisariat)	300%	225	450,000	560,000	2000	2489	2,244

Hawally Governorate has registered an increase rate equal to 14.5 %, with Ibn Khaldoun Street came first recording the highest price increase ranging between KD 3,250 to KD 4,100 in average.

Area	% of Built Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
			From	To	From	To	
Salmiya (Salem Al-Mubarak St.)	170%	1,000	5,000,000	5,600,000	5,000	5,600	5,300
Salmiya (Bahrain St.)	180%	500	1,650,000	1,750,000	3,300	3,500	3,400
Hawally (Tunisia St.)	170%	1,000	4,000,000	5,000,000	4,000	5,000	4,500
Hawally (Beirut St.)	170%	1,000	4,000,000	4,750,000	4,000	4,750	4,375
Hawally (Othman St.)	150%	1,000	3,500,000	4,000,000	3,500	4,000	3,750



Farwaniyah Governorate was among the governorates that registered a high price increase of 11%, and Gleeb Al-Shoyoukh located behind the NBK was among the areas that witnessed a considerable price increase where the price rate has reached KD 1,400 per square meter in average recording a 40% increase.

The ongoing price increase in Al-Menawer Street and Fire Station Street of Farwaniyah and Al-Dhajij, south of Kheitan, is noteworthy due to the increasing demand by certain companies, scarcity of vacant land at Old Al-Dhajij located behind the airport, and the increasing prices of these areas with the average price rate per each square meter reaching KD 1,000 to KD 1,100.

Area	% of Built Area	M <sup>2</sup>	Value in KD		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
			From	To	From	To	
Farwaniya (Menawer St.)	170%	1,000	5,000,000	5,500,000	5,000	5,500	5.250
Farwaniya (Fire Station St.)	170%	1,000	4,000,000	4,250,000	4,000	4,250	4,125
Kheitan	170%	1,000	3,500,000	4,000,000	3,500	4,000	3,750
Al-Dhajij (5000 m) South of Kheitan	250%	5,000	3,250,000	3,750,000	650	750	700

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

Industrial plots have recorded a remarkable price increase ranging between 6 - 25% during 1Q 2008 compared to 4Q 2007; namely, in Shuwaikh Industrial area and Al-Rai recording a high price increase that averaged 7.8%. The price increases in Amgharah at Al-Jahara and Al-Jahra Craftsman area approaching 25% in average is very surprising.

## Fifth: Prices of Farms and Pales:

Price rates of farms have stabled during 1Q 2008 as the average square meter ranged between KD3 to KD5 for Al-Wafra farms and KD 1.5 to KD 2 for Al-Abdally farms as compared to 4Q 2007 when the prices of pales set up on 2,500 m<sup>2</sup> have stabled between KD 65,000 to KD 80,000 for the built and equipped pale, between KD 40,000 to KD 45,000 for an unequipped pale set up on the same area of land, and between KD 35,000 to KD 40,000 for a built and equipped pale set up on 1,250 m<sup>2</sup> and KD 18,000 to KD 24,000 for an unequipped pale. Price rates of pales at Rajm Khashman have stabled between KD 30,000 to KD 42,000 and between KD 25,000 to KD 30,000 for a regularly equipped pale at Al-Ahmadi Equestrian.

## Sixth: Prices of Chalets:

With the advent of summer, prices of chalets have witnessed a price increase during 1Q 2008, and the chalets' prices are identified in the table below:

Area	Façade in Meter	Estimated Price per Plot		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Abdullah Port	15	180,000	220,000	12,000	14,667	13,333
Al-Dabaeiah	15	190,000	250,000	12,667	16,667	14,667
Al-Julaiah	15	280,000	320,000	18,667	21,333	20,000
Bneider	15	400,000	460,000	26,667	30,667	28,667
Al-Kheiran	15	250,000	300,000	16,667	20,000	18,333
Al-Nuwiseeb	15	250,000	300,000	16,667	20,000	18,333



## Seventh: Craftsman Plots:

Prices of the craftsman plots at Al-Areidiya have kept on increasing above the rates recognized during 4Q 2007 to reach 8.6% in 4Q 2007 so that prices have ranged between KD 400,000 to KD 480,000 for a plot of 250 m<sup>2</sup>. Preference of these plots is due to the fact that ownership is authenticated under title deeds unlike usufruct or leasing contracts, noting that work is underway to complete the infrastructure of these areas.

Area	M <sup>2</sup>	Estimated Price per Plot		Rate per M <sup>2</sup>		Average Rate in 1Q 2008
		From	To	From	To	
Abo Fateera Craftsman (Exhibitions)	1000	2,000,000	2,500,000	2,000	2,500	2,250
Abo Fateera Craftsman Area	1000	1,800,000	2,200,000	1,800	2,200	2,000
Al-Areidiyah Craftsman Area	250	400,000	480,000	1,600	1,920	1,760

## Eighth: Prices of Freehold Apartments:

Ongoing demand on freehold apartments has continued by certain tiers of the society, and finishing is ranged between ordinary and super deluxe. Average price rates for freehold apartments have increased during 1Q 2008 compared to 4Q 2007 to range between KD 380 to KD 650 per square meter of an apartment according to what has been set forth in the title deed. Demand on freehold apartments has noticeably increased in Al-Ahmadi Governorate due to the relatively decreased value of investment lands compared to the internal areas.

Worth noting is that the average price rate for each square meter of apartments directly viewing the sea (Arab Gulf St.,) has increased to range between KD 935 to KD 1,220 with the basement designated as a parking lot. It is not amazing that the price rate of each apartment increases 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, added to the other options available for the apartment such as (Swimming Pool, Safety and Security, 24/7 Maintenance, Real Estate Management,



Health Club, etc..). Finishing usually ranges between Deluxe and Super Deluxe, as Deluxe and Super Deluxe apartments are increasingly demanded by certain classes of the society for accommodation or re-leasing purposes.

In general, freehold apartments combine certain privileges such as the low total value, easy trading as compared to real estate lands and residential houses, rewarding income in case of leasing, and the high demand exercised by residents and expatriates as well. Freehold apartments are a point of attraction for newly-married young people, small investors, women in particular, and the old-aged people whose sons have married making the family house too narrow to suit this large number of family members. The issue of allowing freehold apartments to foreigners should be governed by special laws and regulations, given that several problems have arisen from the absence of such laws and regulations.

## Ninth: Occupancy Rates & Rentals:

Occupancy rates have been increasing at all types of real estate properties, ranging between 97-98%, and touched 100% for certain internal areas.

Average rental rate has ranged between KD 165 to KD 180 for an apartment with 1 b/r and a hall, KD 210 to KD 220 for an apartment with 2 b/r and a hall, KD 240 to KD 260 for an apartment with 2 b/r, a hall, 2 bathrooms, a maid room, and KD 325 to KD 350 for an apartment with 3 b/r and a hall, keeping in mind that rental rates vary according to the design and prime locations.

Average rental rate per each square meter in commercial ground floors is ranged between KD 25 to KD 35 and may reach KD 50 for prime locations. Average rental rate for each square meter in offices is ranged between KD 12 to KD 14 for the different areas in Kuwait and approaches KD 18 or above in Kuwait City according to the location and type of finishing. New type of smart offices has appeared; turn-key, furnished, and equipped with all technologies, options, and secretaries for use on short-term basis; especially by foreign companies that tend to rent such offices for intermittent intervals. Average rental rate per each square meter ranges between KD 16 to KD 18 and above.

As for the rental rates of industrial plots, average price rate for each square meter in ground floors has ranged between KD 5 to KD 12.5 in Shuwaikh Industrial area, bearing in mind that rates are location-specific. Al-Rai building area comes second with the average price rate reaching KD 12.5 for each square meter. Average price rate for each square meter in Industrial Fahaheel has ranged between KD 12 to KD 17.



## Average Trading of Rental Values of Investment properties in Governorates of Kuwait, 1Q 2008

Governorate	Area	1b/r, 1 h (48-50) m <sup>2</sup>	2 b/r, 1 hall & a bathroom (58-60) m <sup>2</sup>	2 b/r, 1 hall & 2 bathrooms (70-74) m <sup>2</sup>	2 b/r, 2 bathrooms & a maid room (80-85) m <sup>2</sup>	3 b/r, 1 h, maid room (100-110 m <sup>2</sup> )
Hawally	Salmiya	180	210-220	220-240	240-260	325-350
	Hawally	170-175	200-220	210-220	240-260	320-340
	Al-Jaberiya	170-180	210-220	220-240	240-250	340-350
	Al-Sha'b	200	225-250	260-280	280-320	350-380
	Al-Sha'b (Sea Side)	200-220	260	280-300	300-320	360-400
Capital	Sharq	220-225	250-260	280-300	300-340	350-400
	Qebila	220-225	240-250	260-300	280-320	340-350
	East Mukawwa	200-210	220-240	260-300	300-320	340-380
	Dasman	200-220	220-240	260-320	320-340	380-400
	Bneid Al-Gar	200	225-250	280-300	300-325	360-400
Farwaniya	Kheitan	170	200	210-220	240-250	280-300
	Farwaniya	170	200	210-220	240-250	280-300
	Al-Rejae	160	190-200	210-220	240	260-280
Al-Ahmadi	Al-Funaitees	160	180	200	220-225	250-275
	Al-Mahboula	160	180	200	220-226	250-275
	Abo-Halifa	160	180	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	160	180-200	200-220	230-240	250-275

## KFH Local Real Estate Report

### Average Trading of Rental Values of Commercial Real Estates in Governorates of Kuwait, 1Q 2008

Area	Basement (Average Rental Rate per each Square Meter)	Ground Floor (Average Rental Rate per each Square Meter)	Mezzanine (Average Rental Rate per each Square Meter)	Offices (Average Rental Rate per each Square Meter)
Salmiya	25 - 18	45 - 30	25 - 22	10 - 8
Hawally	20 - 16	35 - 25	22 - 18	9 - 8
Farwaniya	22 - 18	40	22	8.5
Kheitan	18 - 16	30 - 25	20 - 18	8.5 - 8
Al-Manqaf	14	25	15	--
Kuwait City	15	25	18	14 - 10

It should be noted that this Report monitors the general trends of the real estate market prices trading in the State of Kuwait. However, Evaluation & Studies Section, KFH, adopts the methodology that each real estate property should be subject to a separate evaluation study, a study of its individual characteristic, and identification of its rental value and returns.