

Kuwait Finance House

KFH LOCAL REAL ESTATE REPORT

Forth Quarter 2008 - Kuwait

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Kuwait Finance House
الأمان والإطمئنان



KFH LOCAL
REAL ESTATE REPORT
4th Quarter 2008

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Valued Reader,

KFH is so delighted to present to you the new edition of KFH Local Real Estate Report during 4Q 2008, which includes a broad analysis to certain aspects of the real estate market in the State of Kuwait as it reviews the major qualitative and quantitative developments and activities on a regular basis.

In fact, KFH seeks to achieve two main goals; first: to collect and identify all official data and price indices on the local real estate business, present these data in an illustrative manner, prepare the real estate performance indicators using a consolidated methodology, and publish these indicators on a regular and periodic basis. Second, to use these data for raising the awareness on the real estate and investment activities in the local market, encourage the developmental role of the local market in the economy, and to help clients and investors take sound, well-informed investment decisions.

In addition to analyzing the local real estate performance, the Report will shed light on the major economic developments related to the activity of this real estate market 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 take part in the local development.



Emad Abdullah Al-Thaqeb

AGM, Finance Sector - KFH



Terminology

Private Housing Building

The typical buildings designated for a single family located in the low density population areas, constructed by individuals or private sector enterprises, and have different architectural designs made by the multiple landlords, or the lands are distributed by the State under the Housing Welfare Schemes; and thus have unified or various architectural designs.

Investment Housing Building

A multiple residential units building (Apartments, Villas, Duplex, and Studios) used for freehold or renting purposes in all storeys.

Private School Building

A building designated for the provision of educational services for one or multiple educational stages.

Hotel and Motel Building

A building designated for short accommodation by guests for tourist and recreational purposes where general services are presented to guests.

Commercial Building

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

Industrial Building

A building designated for the industrial, warehousing, service, or craftsmanship purposes.

Residential Complexes inside and outside Kuwait City

A residential building incorporating multiple premises designated for investment housing. Such premises are typically composed of multiple residential units including apartments, villas, studios, and duplex units designated for renting or freehold use in all storeys, and may be designed as adjacent to or separate from each other, provided that the built area may not be less than 3,000 m². 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.

Coastal Strip Buildings

Buildings built by individuals on their own lands extended throughout the coastline.

Buildings for Horticulture Activities

Buildings designated for the cultivation, care, show, and sale of flora and flowers of different types, care of gardens and agricultural products, inventory of seeds and agricultural needs, and office spaces.

Private Chalets

Buildings or facilities established outside public order under leasing contracts for the lease of the State owned properties for recreational and entertainment purposes.

Private Hospitals

Premises designated for the provision of general or specialized medical services (outpatient clinics, operating theaters, laboratories, patient rooms and suits).

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
- Fathom = 182.88 = 1.8288
- Cubit = 51 cm = 0.51 m
- Span = 22.86 cm = 0.0229 m
- Light Year = approximately 9.46 trillion (9.46 × 10¹²) kilometers or 5.88 trillion (5.88 × 10¹²) miles¹
- 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

In 2008, the real estate upward trend was affected by a set of factors including the promulgation of Laws 8 and 9 of 2008 in late February which prevented all sole proprietorships from buying, selling, placing lien on, and issuing letters of assignment to third parties, prevented Islamic banks from financing the residential housing causing trades to decline, and made it difficult for several tiers of the society to acquire the proper housing; especially for mid-income people, if compared to the average land and real estate price rates, not to mention the adverse consequences of the sharpest financial global turmoil on the real estate sector in September 2008 since World War II.

Real estate trading declined noticeably during 2008, as the growth rate declined from 58.4% to -37% during 2008 amidst a decline in the price rates in certain regions and residential and investment real estates, while the price rates of commercial real estates varied up and down by each governorate.

Low demand on real estates and a state of wait and see were reported driven by the vague consequences of the global financial turmoil, the severest financial crunches of the global financial and money markets, the lack of confidence in most markets including the Gulf and local markets which experienced an unprecedented decline.

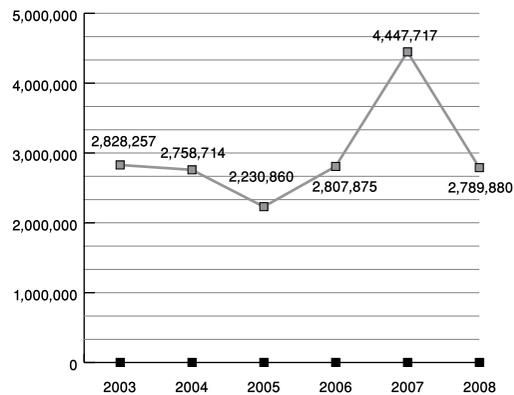
Total Monthly Real Estate Tradings During 2003-2008

Description	2003	2004	2005	2006	2007	2008
January	206,831	293,390	172,438	160,034	231,878	356,582
February	136,625	185,770	153,320	128,457	224,767	225,891
March	209,554	346,664	213,045	164,103	364,247	374,795
April	284,711	292,374	213,462	254,944	440,997	274,054
May	177,478	378,818	248,166	247,278	376,762	195,951
June	298,536	196,488	248,527	223,212	372,606	320,408
July	277,172	203,014	180,852	329,070	669,454	220,302
August	246,372	180,926	194,504	126,250	223,007	116,656
September	278,418	149,568	101,220	237,989	311,059	208,809
October	254,468	167,298	156,856	249,142	385,984	150,908
November	211,562	138,093	177,083	289,741	484,582	200,238
December	246,530	226,311	171,344	397,655	362,374	145,286
Total	2,828,257	2,758,714	2,230,860	2,807,875	4,447,717	2,789,880

Source: Estate Registration & Authentication Dept. Ministry of Justice

KFH Local Real Estate Report

Total Monthly Real Estate Tradings During 2003-2008



Comparison between the Average Real Estate Rates (Vacant Lands) for 2007 & 2008

First: Investment Real Estate Properties:

Governorate	2007	2008	% of Variation
Kuwait City	2965.4	2707	-8.7%
Hawally	1160.3	1091.4	-5.94%
Farwaniya	881.5	762.09	-13.55%
Ahmadi	1044	944	-9.58%
Al-Jahra	683.5	653.3	-4.42%

Second: Private Housing Real Estate Properties:

Governorate	2007	2008	% of Variation
Hawally	695.5	603.1	-13.29%
Farwaniya	376.3	291.1	-22.64%
Mubarak Al-Kabeer	503.5	412.3	-18.11%
Kuwait City	742.4	704.9	-5%
Ahmadi	371.1	313	-15.6%
Al-Jahra	272	234.2	-13.8%



Third: Commercial Real Estate Properties:

Governorate	2007	2008	% of Variation
Kuwait City	7809	7937	1.6%
Hawally	3575	3693	3.3%
Farwaniya	2114	2052	-2.9%
Al-Jahra	2655	2881	8.5%
Ahmadi	2848	2291	-19.5%

Local Real Estate Sector witnessed significant developments over the last years, given that the cash liquidity boomed on the back of the global increase of oil prices and high oil revenues with most of that liquidity was pumped into the stock exchange and local real estate market; bringing about inflation in the prices of assets and driving investors to broaden their real estate investments; namely, the commercial real estate properties. As a result, an unprecedented urban renaissance was reported in Kuwait over the last three years and the Construction Sector soared from USD 1,172 billion in 2003 to USD 2,047 billion in 2008 with a growth rate equal to 74%.

Demand on real estate investment coincided with a parallel high increase in the demand on and prices of construction materials. However, a noticeable price decrease was reported in the price rates of construction materials affected by the adverse consequences of the financial crunch, ceased local and global projects, and abstention by investors from investing in real estates. In addition, a low demand on commercial and investment real estate properties; namely, the new real estates, was reported due to the reduced expenditure and payment by a number of investors; urging landlords to reduce prices in an attempt to increase the occupancy rates of their properties.

Nevertheless, real estate investment shall remain one of the most competitive and key investment channels due to the steady ROI which varies between 6 - 15% and the low real estate operation costs making the saying "Real Estate recesses, but never collapses totally" believable. That is why the majority of landlords still hold their properties, which are believed to be a safe and profitable source of income that maintains the value of those landlords' wealth.

It is clear that KSE and the Real Estate Market are interrelated, given that many traders relied on the returns from KSE to expand their real estate investments and increase their wealth backed by the strong performance reported by KSE in the last three years. On another front, KSE-listed real estate companies' stocks went down as the market capitalization of the Real Estate Sector declined from KD 4.060 billion to KD 2.592 billion decreasing by 36.1% as compared to 2007. In addition, KSE Index for the Real Estate Sector declined by 39.75% compared to the last year; a slight decline if compared to the total decline of the market by 36.93% during the same period.

The lost government role is still essential to this stage through increasing the public expenditure, offering more lands, and completing the infrastructure projects and supporting the real estate projects which are in progress through the establishment of a bailout fund that procures liquidity for a certain period of time pending for the recovery of the real estate report.

The historical court judgment issued on 21 December 2008 is expected to reinvigorate the real estate market; especially, the residential real estates. The judgment was issued after KFH and other Islamic banks were subject to the provisions of Laws 8 and 9 of 2008 backed by the fact that Islamic banks do have special business nature and are regulated by certain regulations, not to mention that the Islamic banks were excluded from Laws 8 and 9 of 2008 by the Islamic Banks Law No. 30 of 2003.

The judgment also cancels the Ministry of Justice's Resolution to discontinue procedures, and allows for the registration of the selling and mortgage of the private real estate housing; therefore permitting Shari'ah-compliant real estate finance, helping to ensure availability of private housing for Kuwaiti Nationals, and canceling the Ministry of Justice's Resolution to discontinue procedures.

The court judgment is issued in the proper time when all efforts shall be collaborated towards regaining confidence in our markets, maintaining the performance of the local economy, and reinforcing the private sector's ability to carry out investment and real estate activities, so that Kuwait shall not depend on a sole source of income; which is oil, given that the oil prices declined significantly affected by the global financial turmoil aggravated by recession in the West. Kuwait is, therefore, not away from this financial crunch and its consequences marked by the low demand on oil and the subsequent price decrease. Oil prices declined by more than 50% registering unprecedented decline since early 2007 affected by the sharp global recession, slowed down growth in advanced countries, increased exchange rate of US dollar, and the global financial turmoil despite the oil production cutoff decision taken by Organization of Petroleum Exporting Countries (OPEC). In line with the market developments, IMF forecasted that the world growth rate will go down and the expected oil price will decline from USD 100 to USD 50 per barrel in 2009.

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 4Q 2008 have demonstrated a decrease of KD 49,335 million equal to 8.3% as compared to KD 545,767 million in 3Q 2008.



Real Estate Private Housing Transactions

Unlike 3Q 2008, the real estate private housing transactions increased during 4Q 2008 accounting for 39.5% of the total real estate tradings totaling KD 496.431 million. Private housing transactions recorded KD 196,140 million during 4Q 2008 increasing by 6.2% as compared to the 3Q 2008, as the number of private housing transactions was increased to 998 transactions in 4Q 2008 as compared to 907 transactions during 3Q 2008. Average transaction value increased to KD 424,000 in 4Q 2008 compared to KD 234,000 during 3Q 2008, due to the increase in the number of transactions by 10% coincided with the decreased prices of private houses in certain areas. December 2008 recorded the highest trading rate accounting for 47% equal to KD 92,568 million of the total private housing tradings totaling KD 196.140 million during 4Q 2008. November 2008 ranked second recording KD 67.385 accounting for 34%, and October 2008 came last with KD 36.189 million accounting for 18% of the total private housing tradings.

Real Estate Investment Transactions

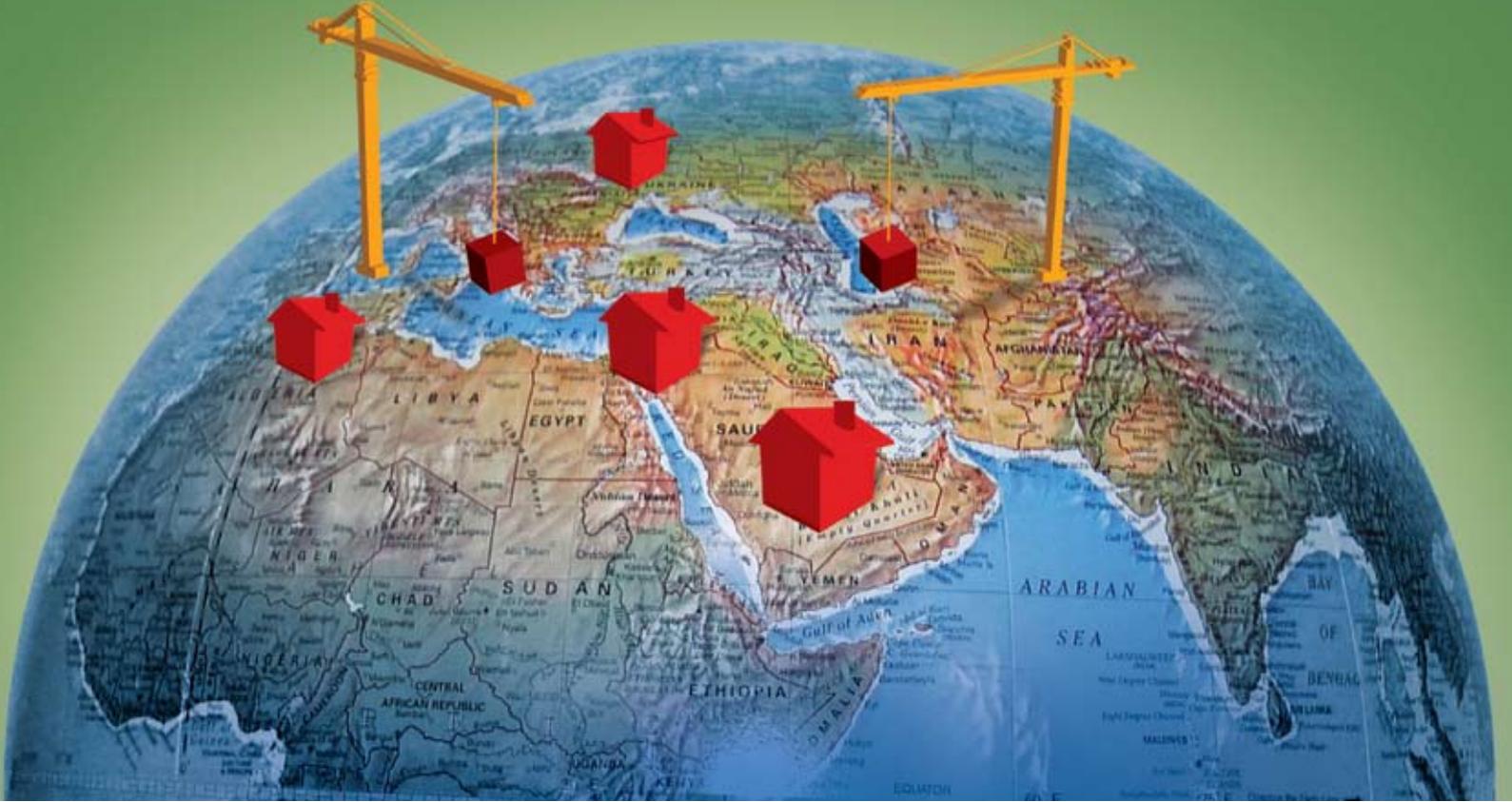
Total investment real estate trading slightly increased during 4Q 2008 to account for KD 189.613 million compared to KD 184.773 million during 3Q 2008 with a 2.6% increase. November 2008 came as a top volume leader in 4Q 2008 recording KD 84.873 million, October 2008 came second recording KD 73.874 million, and December came third recording KD 30,865 million.

A noticeable decline in investment trading was reported during 2H 2008 in anticipation for the amendment of Laws 8 and 9 and for fear of the consequences of the global financial turmoil, since the lost confidence in the markets had brought about a significant decline in the levels of prices, especially the prices of commercial and investment real estates effected by the disclosed indicators for the decreased sales turnover of commercial shops and retail industry in 4Q 2008 between 30% to 40% according to the estimates by certain traders in the local market.

Real Estate Commercial Transactions

Total commercial real estate tradings declined dramatically during 4Q 2008 due to the increased supply, low demand, and subsequent price decrease of 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 decreased local consumption especially in retail selling and food stuffs. A low demand on the new commercial real estates is also reported, driving some landlords to cut off the rental value. In addition, suspension of certain commercial real estate projects was also reported, as the value of trading declined by 35.7% valuing KD 109.127 million as compared to 3Q 2008 valued KD 169.633 accounting for 22% of the total trading on the account of the real estate transactions of private housing which accounted for 40% and investment transactions which accounted for 38%. November came as the first volume leader registering KD 47.978 million, October the second registering KD 40.047 million, and December the third registering KD 21.101 million, and the average transaction valued KD 2,321 million

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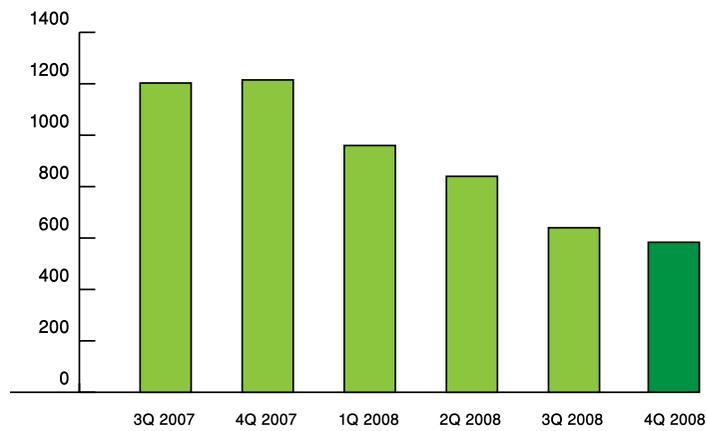
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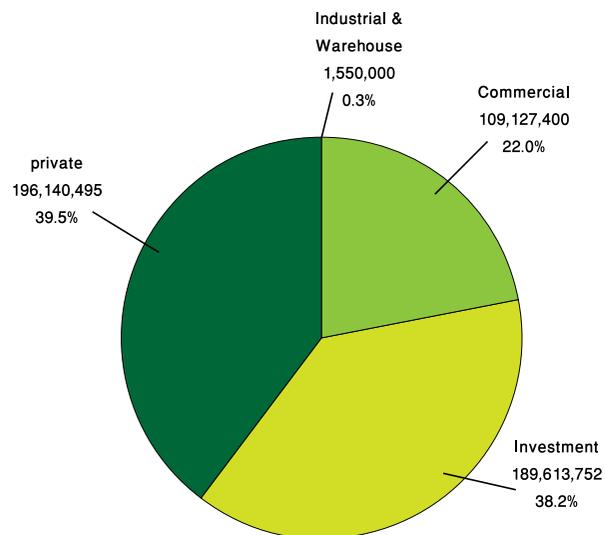




during 4Q 2008 compared to KD 3,029 million in 3Q 2008. Decline of the average transaction value is attributed to the increased number of transactions and the decreased prices reported in some regions.



Total Real Estate Trading during the fourquarter of 2008 and the 3rd and 4th quarters of 2007



Total Real Estate Trading during 3Q 2008 (Private, Investment, Commercial, Warehouses & Industrial)

KFH Local Real Estate Report

Price Indices

First: Prices of Private Housing Lands:

Market price indices monitored by KFH showed a decline in the prices of residential lands in the majority of Kuwait Governorates during 4Q 2008; an average decline by 3.4% in Governorate of Kuwait and a decline by not more than 2% in inward prime areas; including Abdullah Al-Salem, Shamiya, Yarmouk, Khaldiya, Residential Shuwaikh, Faiha', Keifan, Nozha, Mansouriya, and Sulaibikhat. A price decrease ranging between 3-6% is recorded in other areas like Roudah, Qadesiya, and Dasma.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Abdullah Al-Salem	750	560,000	1,020,000	747	1,360	1,053.3	Vacant Land
Shuwaikh Residential	1000	800,000	1,450,000	800	1,450	1,125	Vacant Land
Al-Adailia	750	400,000	750,000	533	1,000	766.7	Vacant Land
Qurtoba	500	250,000	360,000	500	720	610	Vacant Land
Al-Faiha'	500	300,000	460,000	600	920	760	Vacant Land
Al-Shamiya	750	500,000	800,000	667	1,067	866.7	Vacant Land
Al-Surra	500	250,000	350,000	500	700	600	Vacant Land
Al-Mansouriya	1000	450,000	800,000	450	800	625	Vacant Land
Al-Qadesiya	750	340,000	560,000	453	747	600	Vacant Land
Al-Dasma	750	340,000	460,000	453	613	533.3	Vacant Land
Keifan	500	280,000	420,000	560	840	700	Vacant Land
Keifan	750	380,000	600,000	507	800	653.3	Vacant Land
Al-Nozha	1000	500,000	950,000	500	950	725	Vacant Land
Al-Nozha	750	430,000	780,000	573	1,040	806.7	Vacant Land
Al-Nozha	500	360,000	520,000	720	1,040	880	Vacant Land
Al-Yarmouk	500	300,000	400,000	600	800	700	Vacant Land
Al-Yarmouk	750	400,000	600,000	533	800	666.7	Vacant Land



Mubarak Al-Kabeer Governorate has recorded an average KD 411 per square meter during the 4Q 2008 declining by 2.9% as compared to 3Q 2008.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Abo Al-Hasiniya (Internal Streets)	750	300,000	450,000	400	600	500	Vacant Land
Mubarak Al-Kabeer (Plots)	400	125,000	175,000	313	433	375	Gov. House
Al-Maseela (East of QuareenQurain)	400	115,000	160,000	288	400	343.8	Vacant Land
Funaites (East of Quareeain)	400	75,000	125,000	187	313	251	Vacant Land
Al-Quaraieen (Gov. House)	400	85,000	115,000	213	288	250	Gov. House

Farwaniyah registered an average price rate of KD 291 per square meter during 4Q 2008 declining by 7.3% as compared to 3Q 2008.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Al-Rabiya	500	120,000	180,000	240	360	300	Vacant Land
Farwaniya	500	150,000	200,000	300	400	350	Vacant Land
Jleeb Al-Shoyoukh	750	240,000	320,000	320	427	373.3	Vacant Land
Al-Rehab (Gov. House)	400	100,000	140,000	250	350	300	Gov. House
Ashbeelia	400	95,000	180,000	237.5	450	344	Vacant Land
Ashbeelia	500	110,000	200,000	220	400	310	Vacant Land

KFH Local Real Estate Report

Al-Ahmadi Governorate has witnessed a noticeable price decrease by 5.8% with the average price per square meter recorded KD 313, as Hadiya, Wafrah, Jaber Al-Ali, Sabahiya, Fahaheel, and Reqa have recorded price decreases ranging between 2 - 9% especially in Residential Manqaf, Agricultural Fintas, and Residential Kheiran, which still fall under speculation by certain individuals and companies operating in the real estate market.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Fintas Agricultural Area	1000	200,000	300,000	200	300	250	Vacant Land
Hadiya	750	140,000	220,000	178	293	240	Vacant Land
Coastal Strip along the sea	750	800,000	950,000	1,067	1,267	1,167	Vacant Land
Al-Manqaf	400	85,000	125,000	213	313	263	Vacant Land
Jaber Al-Ali	400	95,000	120,000	238	300	269	Existing House
Al-Sabahiya	600	85,000	120,000	142	200	170.8	Existing House
Al-Dhuhr	278	56,000	78,000	201	280.6	241	Existing House



Hawally Governorate has witnessed a significant price decrease during 4Q 2008 compared to 3Q 2008 as the price per square meter settled at KD 603 with an average decrease of 5.9%. A price decrease by 6.9% exceeding the average rate is reported in some areas such as Salwa, and a decrease ranging between 8 - 13% is reported in Al-Beda' area (Al-Ta'awun St., inward plots, and the coastal strip).

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Al-Shaab	400	200,000	280,000	500	700	600	Vacant Land
Al-Jabriya	750	240,000	340,000	320	453	386.7	Vacant Land
Rumaithiya	750	220,000	300,000	293	400	346.7	Vacant Land
Rumaithiya, Al-Aqsa St.	1000	500,000	550,000	500	550	525	Vacant Land
Salwa	750	200,000	300,000	267	400	333.3	Vacant Land

A slight price decrease is reported in Al-Jahra Governorate as the average price rate of each square meter of land has reached KD 234 equal to 1.2% due to the low demand on some areas in Old Jahra, which declined by 3.2% and Al-Oyoun which declined by 2.4%, while prices of the remaining areas of the Governorate remained unchanged as compared to 3Q 2008.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Al-Qasr	750	100,000	140,000	133	187	160	Vacant Land
Old Jhara	750	120,000	180,000	160	240	200	Vacant Land
Al-Naem (Gov. House)	400	90,000	120,000	225	300	262.5	Vacant Land

Second: Prices of Investment Lands:

A significant price increase is reported for investment lands during 2008 as compared to 2007 averaging 8.6%. While the ratio of decrease varied amongst governorates, Farwaniya Governorate has come first registering 13.5%.

In addition, a decline averaged 15.3% is reported during 4Q 2008 after a state of tranquility during 2Q and 3Q 2008, with a rise reported during 1Q as the Investment Real Estate is regarded as an alternative for investment in the Residential Real Estate which was discouraged significantly by laws 8 and 9.

The price decrease was driven by a set of factors; including suspension of some investments executed in the real estate by the Private Sector; especially, in the Construction Sector which witnessed a continuous increase in the prices of construction materials over the last period. Limited real estate finance has had a parallel impact on the investment activities notably in light of the increased finance ratio from 30 to 50% to address the high market risks and to help select high net worth clients.

Moreover, the global financial turmoil has had a significant effect on the mode of trading and the rates of investment real estates in Kuwait. Though a real estate may experience a state of recession but never collapses totally, the global financial turmoil has adversely affected the real estate indices marked by a significant increase on the side of the real estate trading during 4Q 2008 in spite of the reported price decrease.

- The selling of some real estates secured by banks for loans directed for the stock exchange which experienced great losses; making it most likely to offer these real estates for sale for repayment of the related debts. This has, in fact, increased the volume of investment real estate supply and pushed prices down.
- Aggravated effects of the financial crunch and delayed reaction towards regaining confidence in markets and the increasing obscurity; driving investors to wait and see from one side or to remain cautiously on the other side driven by the indefinite investment decisions in the real estate industry.
- The global financial turmoil has led to a global recession and reduced demand on the construction materials driving prices to go down and reinvigorating the construction market and increasing supply, on the condition of regaining confidence following the suspension made by many investors due to the increased prices of construction materials.
- CBK-approved procedures related to the investment real estate cutting off the interest rate and holding real estates as an instrument for the securing of debts to decrease the loaning cost and increase the demand on real estate loans pumped into the investment real estate sector.
- Real Estate Sector is expected to boom, following the dispersion of the financial crunch as financial inflows by investors are anticipated in order to avoid losses in the global markets and search for a more secure, safe, and profitable investment; namely, the real estate investment. In addition, Kuwait, amongst other countries, is qualified as a potential global growth center.



- The increasing demand on investment real estates showed by certain investors looking for rewarding monthly returns, motivated by the price decrease of investment real estates on one side and the cutoff interest rate on the other side with the aim to achieve a fixed monthly income and avoid past speculations on real estates or KSE.

The state of decline is extended to the majority of governorates as the Governorate of Kuwait registered a 11.7% decrease and the average price per square meter is estimated at KD 2,028. Dasman has registered the highest price decrease approaching 14%. Similarly, a high price decrease by 10% is reported for the areas overlooking the sea, while prices also decreased in Dasman and Sharq.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Bneid Al-Gar (Overlooking the Sea)	1,000	2,750,000	3,000,000	2,750	3,000	2,875	Vacant Land
Bneid Al-Gar (Internal Streets)	1,000	900,000	1,250,000	900	1,250	1,075	Vacant Land
Bneid Al-Gar (Independence Street)	1,000	1,300,000	1,500,000	1,300	1,500	1,400	Vacant Land
East Al-Mukwa'a (Built Area of 400%)	500	1,250,000	1,650,000	2,500	3,300	2,900	Vacant Land
East Al-Mukwa'a (Built Area of 240%)	250	300,000	425,000	1,200	1,700	1,450	Vacant Land
Dasman (400%)	1,000	3,500,000	5,500,000	3,500	5,500	4,500	Vacant Land

KFH Local Real Estate Report

Hawally Governorate has witnessed a significant decrease ranging between 9 to 14% during 4Q 2008 as compared to 3Q 2008. Salmiya has recorded a price decrease especially in certain inward areas which experienced a sharp decline in prices. In addition, a price increase is reported in other areas; such as Baghdad St., Al-Beda', and Abdul Kareem Khattabi St.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Hawally (Muthanna St.)	750	675,000	750,000	900	1,000	950	Vacant Land
Hawally (Qutaiba St.)	750	680,000	750,000	907	1,000	953.5	Vacant Land
Hawally (Mosa Ibn Al-Nuseir St.)	1,000	750,000	785,000	750	875	812.5	Vacant Land
Hawally (Cairo St.)	1,000	850,000	1,100,000	850	1,000	925	Vacant Land
Hawally (Al-Maghrib Al-Saree' St.)	1,000	750,000	900,000	750	900	825	Vacant Land
Hawally (4th Ring Road)	1,000	850,000	1,000,000	850	1,000	925	Vacant Land
Salmiya (Arab Gulf , Al-Beda', Al-Shaab Sea Side)	1,000	2,400,000	3,250,000	2,400	3,250	2,825	Vacant Land
Salmiya (Baghdad St.)	1,000	950	1,250,000	950	1,250	1,100	Vacant Land



A significant price decrease by 14.7% is reported in Farwaniya with the average price dropped to KD 762 per square meter.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Farwaniya (Airport St.)	1,000	750,000	900,000	750	900	825	Vacant Land
Farwaniya (Main Streets)	1,000	650,000	775,000	650	775	712.5	Vacant Land
Farwaniya (Internal Streets)	1,000	550,000	680,000	550	680	615	Vacant Land
Farwaniya (Internal Streets)	750	450,000	560,000	600	747	673.5	Vacant Land
Khaitan (Airport St.)	750	650,000	700,000	867	933	904.5	Vacant Land
Khaitan (Main St.)	750	500,000	600,000	667	800	733.5	Vacant Land
Al-Reqae (4th Ring Road)	750	650,000	720,000	867	960	913.5	Vacant Land
Al-Reqae (5th Ring Road)	750	625,000	700,000	833	933	883	Vacant Land

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Al-Ahmadi Governorate has experienced a high price decrease ranging between 11% to 14%, while prices remained unchanged in other areas as compared to 3Q 2008. A price decrease of 11% is reported in Al-Mahboula opposite to Fahaheel Highway, while a price decrease by 14% is reported in some internal streets.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Fintas	750	420,000	600,000	560	800	680	Vacant Land
Fintas overlooking the sea	1000	1,350,000	1,750,000	1350	1750	1550	Vacant Land
Abo Helifa	750	400,000	580,000	533	773	653	Vacant Land
Al-Manqaf	750	400,000	580,000	533	773	653	Vacant Land
Al-Mahboula	500	280,000	375,000	560	750	655	Vacant Land
Fahaheel, Mecca St.	500	350,000	440,000	700	880	790	Vacant Land

A price decrease is reported in Al-Jahra Governorate during 4Q 2008 as compared to 3Q 2008, as the average price is settled at KD 653 per square meter of land with a 10.8% growth rate as compared to 3Q 2008.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
		From	To	From	To		
Al-Jahra, Internal	1000	500,000	620,000	500	620	560	Vacant Land
Al-Jahra, Main Streets	1000	600,000	700,000	600	700	650	Vacant Land



Third: Commercial Real Estate Properties:

Unlike the last period, a noticeable price decrease of commercial real estates is reported in certain areas during 4Q 2008 especially in the Governorate of Kuwait as compared to 3Q 2008. The highest price decrease is reported in Fahad Al-Salem street with the average price per square meter ranged from KD 10,500 to KD 11,000, followed by Souk Al-Mubarkiyah Souk ranging between KD 4,500 to KD 6,000 per square meter. Prices of remaining streets are going down amazingly following the record prices reached by such streets over the last three years.

Area	% of Built Area	M ²	Value in KD		Value in KD		Average Rate in 4Q 2008	Description
			From	To	From	To		
Kuwait City (A. Al-Jaber St.)	520%	500	4,750,000	5,500,000	9,500	11,000	10,250	Vacant Land
Kuwait City (Mubarak Al-Kabeer St.)	620%	500	4,750,000	5,500,000	9,500	11,000	10,250	Vacant Land
Kuwait City (Fahad Al-Salem St.)	620%	500	5,250,000	5,500,000	10,500	11,000	10,750	Vacant Land
Kuwait City (Ali Al-Salem At.)	300%	500	2,750,000	3,250,000	5,500	6,500	6,000	Vacant Land
Kuwait City (Souk Mubarkiya)	300%	500	2,500,000	3,500,000	5,000	7,000	6,000	Vacant Land
Kuwait City (Gharabally St.)	300%	500	2,375,000	3,000,000	4,750	6,000	5,375	Vacant Land
Al-Mustaqbal City (Free Zone)	50-70%	1000	180,000	300,000	180	300	240	Vacant Land

A price decrease is reported in other areas of Al-Jahra Governorate as compared to 3Q 2008, as a noticeable trading is reported on the Business & Office Center area with a decline by 13.8%

Area	% of Built Area	M ²	Value in KD		Value in KD		Average Rate in 4Q 2008
			From	To	From	To	
Al-Jahra (Marzouk Al-Metaeab St.)	170%	1,000	2,700,000	3,000,000	2,700	3,000	2,850
Al-Jahra, Business & Office Center	300%	875	3,000,000	3,250,000	3,429	3,714	3,571
Al-Jahara (Al-Qaisariat)	300%	225	450,000	550,000	2,000	2,444	2,222

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Hawally Governorate has registered a significant price decrease by 10%, with Beirut Street registered the highest decline as priced ranged between KD 3,750 to KD 4,000 in average.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
			From	To	From	To		
Salmiya (Salem Al-Mubarak St.)	170%	1,000	4,500,000	5,000,000	4,500	5,000	4,750	Vacant Land
Hawally (Tunisia St.)	170%	1,000	3,750,000	4,200,000	3,750	4,200	3,975	Vacant Land
Hawally (Beirut St.)	170%	1,000	3,750,000	4,000,000	3,750	4,000	3,875	Vacant Land
Hawally (Othman St.)	150%	1,000	3,750,000	3,500,000	3,200	3,500	3,350	Vacant Land

A significant price decrease by 13.7% is reported in Farwaniyah, and the highest price decrease by 15.7% was reported in Menawer St., and a significant price decrease was reported in most commercial areas.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
			From	To	From	To		
Farwaniya (Menawer St.)	170%	1,000	3,800,000	4,500,000	3,800	4,500	4,150	Vacant Land
Farwaniya (Fire Station St.)	170%	1,000	3,250,000	3,750,000	3,250	3,750	3,500	Vacant Land
Khaitan	170%	1,000	3,000,000	3,750,000	3,000	3,750	3,375	Vacant Land
Al-Dhajij (5000 m) South of Khaitan	250%	5,000	3,000,000	3,250,000	600	650	625	Vacant Land
Al-Ardiya Warehouses (Main Streets)	80% Ground 50% Mezzanine	1,000	1,200,000	1,500,000	1,200	1,500	1,350	Vacant Land
	80% Ground							



Price decrease is reported in Al-Ahmadi Governorate too ranging between 7-9% especially at Al-Dabbous St. and other streets overlooking the sea.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 4Q 2008	Description
			From	To	From	To		
Al-Manqaf, Aziziya	300%	750	850,000	1,000,000	1,133	1,333	1,233	Vacant Land
Fahaheel, Dabbous St.	170%	750	2,500,000	2,820,000	3,333	3,760	3,547	Vacant Land
Fahaheel, Internal Streets	170%	750	2,000,000	2,250,000	2,667	3,000	2,833	Vacant Land
La'alea Kheiran	180%	1000	1,000,000	1,200,000	1,000	1,200	1,100	Vacant Land

Prices of Industrial Plots (Usufruct & Warehousing Contracts):

Industrial plots recorded a remarkable price decrease in most governorates, as Industrial Shuwaikh, internal streets, recorded the highest price decrease by 16.3% followed by Sultan Center St. at Fahaheel by 16%. A continued price decrease is reported in certain craftsmanship areas; such as Abo Fatirah recording 18.4% and Ardiya Craftsmanship recording 16%.

Prices of Farms and Pales:

Prices of farms remained unchanged during 4Q 2008 as compared to 3Q 2008, despite the advent of the winter season when pales are usually used as resorts and rest houses by the majority of Kuwaiti families. Prices of pales in Kabad established on 2500 m2 ranged between KD 65,000 to KD 80,000 for the built and equipped pale.

Sixth: Prices of Chalets:

Prices of chalets decreased during 4Q 2008 ranging between 1-5% as compared to the 3Q 2008, and 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 4Q 2008	Description
		From	To	From	To		
Abdullah Port	15	187,500	210,000	12,500	14,000	13,250	Vacant Land
Al-Dabaeyia	15	202,500	240,000	13,500	16,000	14,750	Vacant Land
Al-Julaiah	15	270,000	322,500	18,000	21,500	19,750	Vacant Land
Bneider	15	390,000	450,000	26,000	30,000	28,000	Vacant Land
Al-Nuwiseeb	15	247,500	277,500	16,500	18,500	17,500	Vacant Land

Seventh: Prices of Freehold Apartments:

A low demand and increased supply are reported on freehold apartments during 4Q 2008 and finishing is ranged between ordinary and super deluxe. Average price rates for freehold apartments increased during 4Q 2008 compared to 3Q 2008 to range 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 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 900 to KD 1,200 with a basement designated as a parking lot. It is not amazing 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, 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 is most often Deluxe or Super Deluxe, which is over-demanded by certain tiers of the society for accommodation or release 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, generation of rewarding income in case of leasing, in addition to the high demand exercised by residents and expatriates as well. Freehold apartments are a point of attraction for newly-married residents, small investors, women in particular, and the old-aged parents whose sons have married and thus they do not need such roomy family house.



The issue of allowing freehold apartments by expatriates still necessitates the promulgation of proper legislations, to provide proper solutions for the problems that have arisen out due to absence of such legislations.

Occupancy Rates & Rentals:

Decreased occupancy rates, by the same increased occupancy rates, are reported for all types of investment properties, ranging between 95-96%, and touched 100% for certain internal areas.

Average rental rate has ranged between KD 170 to KD 220 for apartments with 1 b/r and a hall, KD 180 to KD 260 for apartments with 2 b/r and a hall, KD 200 to KD 300 for apartments with 2 b/r, a hall, 2 bathrooms, a maid room, and 220 to KD 400 for apartments with 3 b/r and a hall, keeping in mind that rental rates vary according to the area, design, and finishing.

Average rental rate per square meter in commercial ground floors ranged between KD 10 to KD 35 and may reach KD 40 for prime locations. Average rental rate for each square meter in offices ranged between KD 8 to KD 10 for the different areas in Kuwait and approaches KD 12 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 7 on the back of a parallel significant decrease in the average prices of lands. 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 for intermittent intervals. The rental rate per square meter of such offices decreased to range between KD 14 to KD 16 and above.

No remarkable change in the rental rates of industrial plots is reported in 4Q 2008 compared to 3Q 2008. Average price rate for each square meter in ground floors; exhibitions, ranged between KD 12 to KD 50 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 12 to KD 20 for each square meter, while the average price rate for each square meter in Industrial Fahaheel declined to range between KD 12 to KD 17.

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Average Trading of Rental Values of Investment Properties in Governorates of Kuwait, 4Q 2008

	Area	1 b/r & 1 Hall (48-50 m2)	2 b/r, 1 hall & a bathroom (58-60) m2	2 b/r, 1 hall & 2 bathrooms (70-74) m2	2 b/r, 2 bathrooms & a maid room (80-85) m2	3 b/r, 1 h, maid room (100-110 m2)
Hawally	Salmiya	190	210-220	225-240	250-260	325-350
	Hawally	180	210-220	220-225	240-260	320-340
	Al-Jabriya	180-190	210-220	225-240	250-260	340-350
	Al-Shaab	200-210	225-250	260-280	280-320	350-380
	Al-Shaab (Sea Side)	220	260	280-300	300-320	360-400
Capital	Sharq	220-230	250-260	300	320-350	360-400
	Qibla	220-225	240-250	280-300	300-320	350-360
	East Mukawwa	200-210	230-240	260-300	300-320	340-380
	Dasman	220-230	240-250	320	340-350	380-420
	Bneid Al-Gar	200	240-250	300	320-340	400
Farwaniya	Khaitan	170-180	200	210-220	240-250	280-300
	Farwaniya	180	200	210-220	240-250	280-300
	Jleeb Al-Shoyoukh	180	200	220-230	-	-
	Al-Reqae	170	190-200	210-220	240	260-280
Al-Ahmadi	Al-Funaitees	170	180	200	220-225	250-275
	Al-Mahboula	170-180	180	200	220-226	250-275
	Abo Halifa	170-180	180	200	220-227	250-275
	Al-Manqaf	170-180	180	200	220-228	250-275
	Al-Fahaheel	180	180-200	200-210	220-240	260-280
Al-Jahra	Al-Jahra	170	200	220	240-250	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, 4Q of 2008

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	18-22	30-40	20-24	8-10
Hawally	16.5-20	25-35	20-22	8-9
Farwaniya	16-20	35-40	22	8-9
Khaitan	16-20	25-35	20	8-8.5
Al-Manqaf	16	25	18	Aziziyah
Fahaheel	16.5-18	30-35	18-20	7-8
Dhajej	2.5	10-12.5	5-6	-
Kuwait City	18	30	18-20	10.5-12

Average Trading of Rental Values of Industrial Properties Throughout Kuwait, 4Q of 2008

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)	Remarks
Shuwaikh Industrial	Average Rental Rate per Square Meter (Warehouses)	12-50	4-8	
Rai	3.5-4	12-20	4-8	
Sabhan	3-3.5	*4-6	3-3.5	* Basement, Ground Floor (Warehouses or Plants) and Mezzanine are of- fices.
Al-Ardiya	3-3.5	*8-10	3-5	* One Square Meter of the ground floor ranges between KD 5 to KD 6 in case it will be designated for warehousing purposes
Ahmadi	2-4	8-15	3.5-5	
Fahaheel	2.5-4	12-17	3-5	

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.