

Kuwait Finance House

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

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بيت التمويل الكويتي
Kuwait Finance House
الأمان والإطمئنان



**KFH Local
Real Estate Report
First Quarter 2009 - Kuwait**

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Valued Reader,

KFH is delighted to present to you the new edition of KFH Local Real Estate Report on 1Q 2009, 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.

This Report comes at a time when Kuwaiti Government endeavors to lie down the foundations of the financial stability in the State of Kuwait reflected by the promulgation of the Financial Stabilization Law Decree No. 2 of 2009 and its Executive Procedures, which highlighted KFH's significant role in the Real Estate Sector and holding KFH as an approved valuator of real estate securities.

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 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 analyzing the local real estate performance, the Report will review 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 which are located in the low density population areas and are constructed by individuals or private sector enterprises and have different architectural designs made by multiple landlords, or the lands which 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.

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

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
- 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

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

Introduction

In 2008, Real Estate Sector was influenced by two consecutive shocks; 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, and prevented Islamic banks from financing the residential housing. The other shock was marked by the adverse consequences of the greatest global financial turmoil on the Real Estate Sector in September 2008 since World War II.

This, in fact, has exacerbated the Real Estate Sector dilemma either in relation to real estate prices which declined by 10% to 30% or more in certain areas, or in relation to the real estate trading which declined noticeably by 37% during 2008 as compared to 2007 and continued to decline by 5.8% during 1Q 2009 as compared to the past quarter.

Real Estate Sector prospered for five years and culminated in 2007 when tradings soared by 59% as compared to the preceding year. Afterwards, the banks and real estate companies have been greatly influenced by the adverse consequences of the global financial turmoil.

As the real estate trading declined, a decline in real estate prices is reported in the residential, investment, and commercial real estates in the majority of areas and governorates; furthermore, demand on real estates is slowed down, and a state of wait and see is reported on the back of the vague consequences of the global financial turmoil, the severest financial crunches reported by the global financial and money markets, and the lack of confidence in most markets including the Gulf and local markets which experienced an unprecedented decline.

Correlation between the building and construction sector and real estate trading is clearly obvious, given that dynamics of the construction sector are mainly derived from the increasing demand on residential, commercial, and office buildings. While this sector is labor-intensive, fears for discharging such labor are developed as certain companies have deliberately reduced costs through marking down their expansion, media, and marketing costs, not to mention the merger of a number of companies caused by the financial turmoil.

Moreover, the global financial turmoil has had a significant effect on the mode of trading and the rates of investment real estates in Kuwait. While a real estate may experience a state of recession but will never vanish, the global financial turmoil has adversely affected the real estate indices marked by a significant decline on the side of the real estate trading during 4Q 2008 and 1Q 2009 and a similar decline in prices on the back of the following:



- Devastating insolvency by investment and real estate companies and the selling of some real estates secured by banks against loans directed for the stock exchange which experienced great losses; making it most likely that these real estates will be offered 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, delayed presentation of proper solutions for regaining confidence in markets, and the increasing state of obscurity driving investors either to wait and see, or to develop fears amidst a state of vague investment decisions.
- However, some positive indicators are reported during 1Q 2009 such as:
 - The increasing demand by certain investors on moderate investment real estates who are looking for rewarding monthly returns, as the trading on such real estates is reported due to the declining prices 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 decreased prices of building materials especially cast steel and cement, which will reinvigorate the construction sector and increase supply; provided investors will regain trust following the abstention of many investors on the back of the increasing prices of building materials. Many vacant land owners are thus motivated to develop such vacant lands into profitable investments.

Much hope is pinned on the Financial Stability Law Decree which will help the Local Real Estate Sector, real estate companies, and local economy to survive the adverse impacts of the global financial turmoil, regain trust and security to the real estate market, encourage trading, and develop positive effects on other operating sectors. The Law Decree will also enhance the international rating agencies' outlook to the State of Kuwait and local economy. Furthermore, a set of monetary measures has been established to curb the adverse consequences of the crisis; the last of which is the interest rate cutoff to provide credit to productive sectors; chiefly, the building and construction sector.

If such prudent monetary policies are accompanied with exceptional financial policies through launching public real estate projects and funding infrastructure projects, real estate companies will carry on more investments and the real estate market will revive, given that the real estate sector is a key driver of markets due to its strong correlation with other economic sectors. It is, therefore, believed that when the Real Estate Sector is encouraged, growth and prosperity will replace the current state of deflation and recession.

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

Though KFH has recently secured a judgment by the First Instance Court after KFH has fallen under Laws No. 8 and 9 of 2008 and Law No. 30 of 2003 organizing the business of Islamic banks, the real estate finance has been postponed on the back of the appeal brought by the Government as the Lawsuit has been adjourned to 31 May 2009. Real estate finance will vigorously increase the demand on residential real estates and address the needs of a large tier of clients looking for private housings.

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 2009 have demonstrated a decrease of KD 28,839 million equal to 5.8% as compared to KD 496,431 million in 4Q 2008. Private housing trading and real estate investment trading declined by 12.4% and 24.2% respectively, while commercial real estate trading increased by 38%.

Private Housing Transactions:

Private housing transactions valued KD 171,670 million during 1Q 2009 and decreased by 12.4% as compared to 4Q 2008, as the number of private housing transactions was decreased to 738 transactions during 1Q 2009 as compared to 998 transactions during 4Q 2008. Average transaction value increased to KD 232,616 in 1Q 2009 compared to KD 196,534 in 4Q 2008, due to the decline in the number of transactions by 26.1% coincided with the declined prices of private houses in certain areas. March 2009 recorded the highest trading rate accounting for 48.8% equal to KD 83,876 million of the private housing tradings totaling KD 171.670 million during 1Q 2009. February ranked second recording KD 50.623 million accounting for 29.5%, and January came last with KD 37.131 million accounting for 21.6% of the total private housing tradings.

Real Estate Investment Transactions:

Total real estate investment trading slightly declined during 1Q 2009 to account for KD 143,658 million compared to KD 189,613 million during 4Q 2008 equal to 24.24% decrease. January 2009 came as a top volume leader in 1Q 2009 recording KD 78.891 million, March came second recording KD 37,430 million, and February came third recording KD 27,336 million.

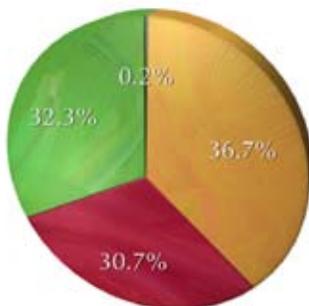
A noticeable decline in trading is reported during 1Q 2009 on the back of the adverse consequences of the global financial turmoil, since the lost confidence in the markets has brought about a significant decline in the levels of prices especially the prices of commercial and investment real estates effected by an anticipated state of recession and the disclosed indicators of the decreased sales turnover by commercial shops and retail industry.



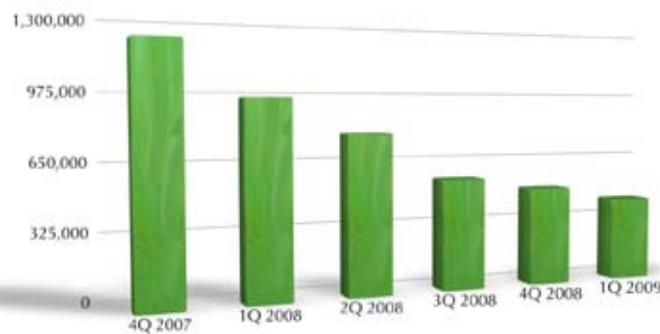
Real Estate Commercial Transactions:

Total commercial real estate tradings soared dramatically during 1Q 2009 due to the selling of some real estates owned by insolvent companies for paying off their debts; thus, increased the levels of trading in commercial real estates 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 especially in retail selling and food stuffs. 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 soared by 38.52% valuing KD 151,162 million as compared to 4Q 2008 valued KD 109.127 million accounting for 32.3% of the total trading on the account of the investment real estate transactions accounting for 30.7% and the private housing transactions accounting for 36.7%. January came as the first volume leader valuing KD 83.860 million, February the second registering KD 37.457 million, and March the third accounting for KD 29.845 million, and the average transaction valued KD 4,445 million during 1Q 2009 compared to KD 2,321 million in 4Q 2008.

- Warehouses & Industrial (1,100,000)
- Private (171,670,791)
- Investment (143,658,879)
- Commercial (151,162,708)



Total Real Estate Trading in 1Q 2009
(Private Housing, Investment, Commercial, Industrial Warehouses)



Total Real Estate Trading during 2007, 2008 and 1Q 2009

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

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 1Q 2009; an average decline by 7.3% in the Capital Governorate and a decline by not more than 5% in inward prime areas including: Abdullah Al-Salem, Shamiya, Yarmouk, Khalediya, Residential Shuwaikh, Faiha, Keifan, Mansouriya, and Sulaibikhat. A price decrease ranging between 8-12% is recorded in other areas like Rawdah, Qadessiya, and Dasma.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
		From	To	From	To		
Abdullah Al-Salem	750	540,000	950,000	720	1,267	993.3	Vacant Land
Shuwaikh Residential	1000	800,000	1,400,000	800	1400	1,100	Vacant Land
Al-Adailia	750	360,000	700,000	480	933	706.7	Vacant Land
Qurtoba	500	230,000	360,000	460	720	590	Vacant Land
Al-Faiha'	500	250,000	450,000	500	900	700	Vacant Land
Al-Shamiya	750	400,000	775,000	533	1,033	783.7	Vacant Land
Al-Surra	500	230,000	350,000	460	700	580	Vacant Land
Al-Mansouriya	1000	420,000	750,000	420	750	585	Vacant Land
Al-Qadessiya	750	280,000	500,000	373	667	520	Vacant Land
Al-Dasma	750	280,000	425,000	373	567	470	Vacant Land
Keifan	500	280,000	400,000	560	800	680	Vacant Land
Keifan	750	340,000	550,000	453	733	593.3	Vacant Land
Al-Nuzha	1000	480,000	950,000	480	950	715	Vacant Land
Al-Nuzha	750	400,000	750,000	533	1000	766.7	Vacant Land
Al-Nuzha	500	340,000	500,000	680	1000	840	Vacant Land
Al-Yarmouk	500	280,000	360,000	560	720	640	Vacant Land
Al-Yarmouk	750	340,000	550,000	453	733	593.3	Vacant Land



Mubarak Al-Kabeer Governorate has recorded an average KD 370 per square meter during the 1Q 2009 declining by 10.3% as compared to 4Q 2008.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
		From	To	From	To		
Abu Al-Hasiniya (Internal Streets)	750	300,000	375,000	400	500	450	Vacant Land
Mubarak Al-Kabeer (Plots)	400	120,000	175,000	300	433	368.8	Gov. House
Al-Maseela (East of Qurain)	400	115,000	160,000	288	400	343.8	Vacant Land
Funaitees (East of Qurain)	400	74,000	115,000	185	288	236.3	Vacant Land
Al-Qurain (Gov. House)	400	85,000	115,000	213	288	250	Gov. House

Farwaniya registered an average price rate of KD 265 per square meter during 1Q 2009 declining by 8.8% as compared to 4Q 2008.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
		From	To	From	To		
Al-Rabiya	500	115,000	175,000	230	350	290	Vacant Land
Farwaniya	500	135,000	170,000	270	340	305	Vacant Land
Jleeb Al-Shoyoukh	750	220,000	260,000	293	347	320	Vacant Land
Al-Rehab (Gov. House)	400	100,000	140,000	250	350	300	Gov. House
Ashbeelia	500	110,000	160,000	220	320	270	Vacant Land
Ashbeelia	400	95,000	145,000	238	363	300	Vacant Land

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

Al-Ahmadi Governorate has witnessed a noticeable price decrease by 10.4% with the average price per square meter recorded KD 280, as Hadiya, Wafrah, Jaber Al-Ali, Sabahiya, Fahaheel, and Reqqa have recorded price decreases ranging between 2 – 5% 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 1Q 2009	Description
		From	To	From	To		
Fintas Agricultural Area	1000	200,000	300,000	200	300	250	Vacant Land
Hadiya	750	140,000	200,000	187	267	227	Vacant Land
Coastal Strip along the sea	750	637,500	712,500	850	950	900	Vacant Land
Al-Manqaf	400	85,000	120,000	213	300	256	Vacant Land
Jaber Al-Ali	400	95,000	120,000	238	300	269	Existing House
Al-Dhuhr	278	56,000	78,000	201	280.6	241	Existing House
Al-Sabahiya	600	85,000	120,000	142	200	170.8	Existing House

Hawally Governorate has witnessed a significant price decrease during 1Q 2009 compared to 4Q 2008 as the price per square meter settled at KD 492 with an average decrease of 18.4%. A price decrease by 9.9% above the average rate is reported in some areas, such as Salwa, and a decrease ranging between 28-40% 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 1Q 2009	Description
		From	To	From	To		
Bayan	500	170,000	220,000	340	440	390	Vacant Land
Al-Jabriya	750	210,000	280,000	280	373	326.7	Vacant Land
Rumaithiya	750	190,000	270,000	253	360	306.7	Vacant Land
Rumaithiya (Al-Aqsa St.)	1000	380,000	460,000	380	460	420	Vacant Land
Salwa (Internal St.)	750	190,000	260,000	253	347	300	Vacant Land



A noticeable stability of prices is reported in Al-Jahra Governorate as the average price rate of each square meter of land has reached KD 234 due to the stable demand on some areas in Old Al-Jahra which declined by 3.2% and Al-Oyoun which declined by 2.4% in 4Q 2008, while prices of the remaining areas of the Governorate remained unchanged as compared to 4Q 2008.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
		From	To	From	To		
Al-Qasr	750	100,000	140,000	133	187	160	Vacant Land
Old Jahra	750	120,000	180,000	160	240	200	Vacant Land
Al-Oyoun	400	85,000	120,000	213	300	256.5	Existing House
Al-Waha	300	70,000	80,000	233	266.6	249.8	Existing House

Second: Prices of Investment Lands:

A significant price decrease is reported for investment lands during 1Q 2009 as compared to 4Q 2008 averaging 20.8%. While the ratio of decrease varied amongst governorates, the Capital Governorate has come first registering 33.7% as the average price per square meter is estimated at KD 1688. Dasman has registered the highest price decrease approaching 37%. Similarly, a high price decrease by 35% is reported for the areas overlooking the sea, and prices also decreased in Dasman and Sharq.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
		From	To	From	To		
Bneid Al-Gar (Overlooking the Sea)	1,000	1,600,000	2,100,000	1,600	2,100	1,850	Vacant Land
Bneid Al-Gar (Internal Streets)	1,000	680,000	900,000	680	900	790	Vacant Land
Bneid Al-Gar (Independence Street)	1,000	950,000	1,200,000	950	1,200	1,075	Vacant Land
East Al-Mukwa'a (Built Area of 400%)	500	850,000	1,000,000	1,700	2,000	1,850	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	1,800,000	4,000,000	1,800	4,000	2,900	Vacant Land

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

Hawally Governorate has witnessed a significant decrease by 19.7% during 1Q 2009 as compared to 4Q 2008. Salmiya has recorded a price decrease especially in certain inward areas which experienced a sharp decline in prices. In addition, a price decrease 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 1Q 2009	Description
		From	To	From	To		
Hawally (Muthanna St.)	750	520,000	600,000	693	800	746.5	Vacant Land
Hawally (Qutaiba St.)	750	540,000	680,000	720	907	813.5	Vacant Land
Hawally (Mosa Ibn Al-Nuseir St.)	1,000	600,000	770,000	600	770	685	Vacant Land
Hawally (Cairo St.)	1,000	750,000	850,000	750	850	800	Vacant Land
Hawally (Al-Maghrib Al-Saree' St.)	1,000	650,000	750,000	650	750	700	Vacant Land
Hawally (4 th Ring Road)	1,000	720,000	850,000	720	850	785	Vacant Land
Salmiya (Arab Gulf , Al-Beda', Al-Shaab Sea Side)	1,000	1,400,000	2,400,000	1,400	2,400	1,900	Vacant Land
Salmiya (Baghdad St.)	1,000	800,000	930,000	800	930	865	Vacant Land

A significant price decrease by 11.8% is reported in Farwaniya with the average price dropped to KD 671 per square meter.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
		From	To	From	To		
Farwaniya (Airport St.)	1,000	700,000	750,000	700	750	725	Vacant Land
Farwaniya (Main St.s)	1,000	550,000	650,000	550	650	600	Vacant Land
Farwaniya (Internal St.s)	1,000	450,000	580,000	450	580	515	Vacant Land
Farwaniya (Internal St.s)	750	415,000	500,000	553	667	600	Vacant Land
Khaitan (Airport St.)	750	540,000	610,000	720	813	766.5	Vacant Land
Khaitan (Main St.)	750	450,000	560,000	600	747	673.5	Vacant Land
Al-Reqae (4 th Ring Road)	750	560,000	650,000	747	867	807	Vacant Land
Al-Reqae (5 th Ring Road)	750	540,000	620,000	720	827	773.5	Vacant Land



Al-Ahmadi has experienced a noticeable decline in prices by 20% and prices declined also in other areas as compared to 4Q 2008. Similarly, a price decrease by 29% is reported in Al-Fintas area overlooking the sea, and prices of some internal streets are declined by 16%.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
		From	To	From	To		
Al-Fintas	750	375,000	525,000	500	700	600	Vacant Land
Fintas (Overlooking the sea)	1000	1,000,000	1,200,000	1,000	1,200	1,100	Vacant Land
Abu Halifa	750	360,000	520,000	480	693	586.5	Vacant Land
Al-Manqaf	750	360,000	520,000	480	693	586.5	Vacant Land
Al-Mahboula	500	270,000	340,000	540	680	610	Vacant Land
Fahaheel (Mecca St.)	500	310,000	380,000	620	760	690	Vacant Land

A price decrease is reported in Al-Jahra Governorate as compared to 4Q 2008, as the average price is settled at KD 535 per square meter of land declining by 18.1% as compared to 4Q 2008.

Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
		From	To	From	To		
Al-Jahra (Internal Streets)	1000	430,000	470,000	430	470	450	Vacant Land
Al-Jahra (Main Streets)	1000	550,000	560,000	550	560	555	Vacant Land

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

Third: Prices of Commercial Real Estate Properties:

Prices of commercial real estates kept on declining noticeably for the second consecutive quarter, creating a new phenomenon marked by the selling of some real estates owned by companies facing liquidity problems seeking to pay off their debts, and this has been elaborated by the increased trading of commercial real estates at a time when prices went down.

The decline in prices is reported in certain areas; namely, in the Capital Governorate which witnessed a price decrease by 22% during 1Q 2009 as compared to 4Q 2008. The highest price decrease is reported in Al-Soor street where the construction ratio is 300%, as the average price per square meter ranged from KD 3,500 to KD 4,000, followed by Ali Al-Salem ranging between KD 4,000 to KD 4,500 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		Rate per M ²		Average Rate in 1Q 2009	Description
			From	To	From	To		
Kuwait City (A. Al-Jaber St.)	520%	500	3,750,000	4,125,000	7,500	8,250	7,875	Vacant Land
Kuwait City (Mubarak Al-Kabeer St.)	620%	500	3,500,000	4,250,000	7,000	8,500	7,750	Vacant Land
Kuwait City (Fahad Al-Salem St.)	620%	500	4,000,000	4,250,000	8,000	8,500	8,250	Vacant Land
Kuwait City (Ali Al-Salem St.)	300%	500	2,000,000	2,250,000	4,000	4,500	4,250	Vacant Land
Kuwait City (Souk Mubarkiya St.)	300%	500	1,750,000	2,250,000	3,500	4,500	4,000	Vacant Land
Kuwait City (Gharabally St.)	300%	500	1,800,000	2,200,000	3,600	4,400	4,000	Vacant Land
Al-Mustaqbal City (Free Zone)	50-70%	1000	150,000	220,000	150	220	185	Vacant Land



A price decrease is reported in other areas of Al-Jahra Governorate as compared to 4Q 2008, as a noticeable trading is reported in Marzouk Al-Metaab Street with a decline by 29.8%

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009
			From	To	From	To	
Al-Jahra (Marzouk Al-Metaab St.)	170%	1,000	1,800,000	2,200,000	1,800	2,200	2,000
Al-Jahra (Business & Office Center)	300%	875	2,200,000	2,600,000	2,514	2,971	2,571
Al-Jahara (Al-Qaisariat)	300%	225	400,000	450,000	1,778	2,000	1,889

Hawally Governorate has registered a significant price decrease by 27%, with Al-Othman Street registered the highest decline as prices ranged between KD 1,750 to KD 2,250 in average.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
			From	To	From	To		
Salmiya (Salem Al-Mubarak St.)	170%	1,000	3,000,000	3,750,000	3,000	3,750	3,375	Vacant Land
Hawally (Tunisia St.)	170%	1,000	2,850,000	3,000,000	2,850	3,000	2,925	Vacant Land
Hawally (Beirut St.)	170%	1,000	2,750,000	3,000,000	2,750	3,000	2,875	Vacant Land
Hawally (Othman St.)	150%	1,000	1,750,000	2,250,000	1,750	2,250	2,000	Vacant Land

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

A 25.8% price decrease is reported in Farwaniya, and the highest price decrease is reported in Al-Ardiya; namely, in the warehouses located in the main streets, which declined by 40.7%, 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 1Q 2009	Description
			From	To	From	To		
Farwaniya (Menawer St.)	170%	1,000	2,500,000	3,500,000	2,500	3,500	3,000	Vacant Land
Farwaniya (Fire Station St.)	170%	1,000	2,250,000	2,750,000	2,250	2,750	2,500	Vacant Land
Khaitan	170%	1,000	2,400,000	3,000,000	2,400	3,000	2,700	Vacant Land
Al-Dhajib (South of Khaitan)	250%	5,000	1,750,000	2,750,000	350	550	450	Vacant Land
Al-Ardiya Warehouses (Main Streets)	80% Ground	1000	750,000	850,000	750	850	800	Vacant Land
	50% Mezanine	1000	1,200,000	1,500,000	1,200	1,500	1,350	

A decline in prices is also reported in Al-Ahmadi Governorate which declined by 21.6% especially at Al-Fintas; namely, the Business & Office Center.

Area	% of Built Area	M ²	Value in KD		Rate per M ²		Average Rate in 1Q 2009	Description
			From	To	From	To		
Al-Manqaf (Aziziya)	300%	750	750,000	900,000	1,000	1,200	1,100	Vacant Land
Fahaheel (Dabbous St.)	170%	750	2,100,000	2,250,000	2,800	3,000	2,900	Vacant Land
Fahaheel (Internal Streets)	170%	750	1,500,000	1,800,000	2,000	2,400	2,200	Vacant Land



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

Industrial plots recorded a remarkable price decrease in most governorates, as Abdullah Port (imported gravel warehousing) recorded the highest price decrease by 41.9%, Eastern Al-Ahmdai at Al-Ahmadi Governorate came second by 34.3%, and Mubarak Al-Kabeer came third by 26.2%. A 20% decline is reported in Farwaniya, while Industrial Shuwaikh and the Capital Governorate came last recording a decline by 15.8% during 1Q 2009 as compared to 4Q 2008.

Fifth: Prices of Farms and Pales:

Prices of farms declined during 1Q 2009 as compared to 4Q 2008 following the elapse of Winter when pales are usually used as resorts and rest houses by the majority of Kuwaiti families. Prices of pales ranged between 10% - 27%, and prices of pales in Kabad established on 2500 m² ranged between KD 45,000 to KD 60,000 for the built and equipped pale.

Area	Area in M ²	Value in KD		Price / Square Meter		Average Price in 1Q 2009
		From	To	From	To	
Al-Wafrah	50,000	120,000	230,000	2.400	4.600	3.500
Al-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
La'alea Khairan	1000	800,000	950,000	800	950	875

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

Sixth: Prices of Chalets:

Prices of chalets decreased during 1Q 2009 and ranging between 9% - 28% as compared to the 4Q 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 1Q 2009	Description
		From	To	From	To		
Abdullah Port	15	135,000	210,000	9,000	14,000	11,500	Vacant Land
Al-Dabaeah	15	157,500	217,500	10,500	14,500	12,500	Vacant Land
Al-Julaiah	15	225,000	300,000	15,000	20,000	17,500	Vacant Land
Bneider	15	300,000	375,000	20,000	25,000	22,500	Vacant Land
Al-Nuwiseeb	15	180,000	225,000	12,000	15,000	13,500	Vacant Land

Seventh: Prices of Freehold Apartments:

A steady demand on freehold apartments is reported in 1Q 2009 increasing the supply of apartments. Finishing is ranged between ordinary and super deluxe. Average price rates for freehold apartments settled in 1Q 2009 as compared to 4Q 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 is noticeably increased in Hawally and Farwaniya Governorates 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.) is settled to range between KD 900 to KD 1,200 with a basement designated as a parking lot. 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, 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, 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 people whose sons got married and thereby they don't need such roomy family house.

The issue of allowing freehold apartments by expatriates is not yet controlled by a specific law, in spite of the problems arising out of the absence of such a law.

Eighth: Occupancy Rates & Rentals:

Decreased occupancy rates are reported for all types of investment properties, ranging between 85%-90%, and touched 96% for certain internal areas.

Average rental rate has ranged between KD 160 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 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 square meter in commercial ground floors ranged between KD 10 to KD 25 and may range between KD 35 to KD 40 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 9 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 6.75 to KD 7.5 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 for intermittent intervals. The rental rate per square meter of such offices decreased to range between KD 11 to KD 12 and above.

A noticeable decline in the rental rates of industrial plots is reported in 1Q 2009 as compared to 4Q 2008, as the average price rate for each square meter in ground floors; exhibitions, ranged between KD 12 to KD 40 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.

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

Average Trading of Rental Values of Investment Properties in Governorates of Kuwait, 1Q 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	210-200	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, 1Q 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	15-20	25-35	16-20	8
Hawally	12.5-16.5	21-35	15-20	8
Farwaniya	16 - 20	35 - 40	20	7-8
Khaitan	16 - 20	25 - 35	20	7-8
Al-Manqaf	10-13 -	25	15	Aziziya
Fahaheel	15-12	25-35	16.6-20	7-8
Dhajej	2.5	"10"	5-6	-
Kuwait City	10	25-30	12	8

KFH Local Real Estate Report

First Quarter 2009 - Kuwait

Average Trading of Rental Values of Industrial Properties Throughout Kuwait, 1Q 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	3.5 - 4	12 - 40	3.5 - 8
Al Rai	3.5 - 4	12 - 20	3.5 - 8
Sabhan	3	* 4 - 6	3
Al-Ardiya	3	"6.5"	3 - 5
Ahmadi	2 - 4	8 - 14	3.5 - 5
Fahaheel	2.5 - 4	12 - 16	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.