**An Analysis of the (Residential) Real Estate Market in Kuwait**

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**Introduction**

Kuwait is listed among the top ten richest countries in the world, with a population of 4,298,897 million people. According to estimates the number of Kuwaiti citizens was about 1.24 million compared to the number of non-Kuwaiti residents which was at about 3 million in 2019; GDP per capita is 32,032.0 USD (estimated in World Bank data in 2019) (World Fact book,2019). Kuwait is ranked as the fourth richest country in the world per capita, the second in the GCC after Qatar. An analysis of the real estate market in Kuwait gives us an idea on how state control overland and private development and construction activity effects the economy and the process of fast modernization and urbanization. This will define the place of the country in the global markets. Opening a variety of exchange of views about land related issues in Kuwait (Parsa, et al., 2004)

This article highlights topics and issues that faces the government regarding real estate markets in Kuwait one of which is the issue of land availability. The reason why this subject attracted attention is: (A) the identification of a lack of available land for private sector is a serious matter, there for it was recommended to have an in-depth study of the land situation in Kuwait; and (B) distribution of land program became overwhelmed by a growing number of waitlists of qualified beneficiaries. Another issue that will be covered in this paper is the high value of lands in Kuwait whether it is among the private or the commercial sector.

**Background of the Study**

On 6th of December 1975 a new era began with the nationalization of Kuwait’s oil industry, the government of Kuwait understood the importance of planning and implementing urbanization, land development and construction, there for it secured housing units for Kuwaiti families. This was achieved through land distribution program. The following strategies and principle have been used in this process:

* Giving single-family houses to Kuwaiti couples;
* Distributing land according to the government’s urban plan (on the basis of long-term leases, with a very low fixed rent rates) for agriculture, industrial, services, retail and other activities; and
* Hold on to vacant lands in government ownership for the future, that includes public use (the word “public “is used broadly and it includes hospitals, public and private schools, mosques, car parking and garages, vegetable/meat/fish markets, shopping malls, etc.).

In the year of 1991, Kuwait real estate markets and the economy suffered badly from the Iraqi invasion. The government then started to use the (BOT) which refer to “Build-Operate-transfer”, private investors were involved in building real estate on public land for public use through public-private projects, this method is well-known internationally. Basically, the investors designs, finance, builds and operates an income-generating property or fee-generating facility, they then receive profit from the project with a life span of (20 to 25 years in Kuwait). After that all the improvement goes back to the government.

Over the years strategies and polices of the distribution and re-distribution of lands have been changed, because of different aspects one of which the Iraqi invasion of 1990. So, when looking at the current division of land between the government and the private sector, it is clear to see that this division is uneven. Government owns about 95% of the total land in Kuwait, most of which are non-urban lands that includes agriculture, all industrial, service and “public – use” in urban areas an example for these lands are the (parks, soccer field, mosques) , small portion lands used for commercial purposes and last we are not forgetting the vacant lands reserved for single-family housing. The other 5% of the total land is owned by the private sector, they owned the land used for multi-apartment buildings, some commercial activities and single-family houses built and that has nothing to do with the state housing program. Also, land occupied by fully paid houses from the program is considered among the private sector.

In Kuwait law, ownership of real estate is granted to Kuwaitis and Kuwaiti companies only, none-Kuwaitis investors cannot, as a rule, own a land or a real estate in the country (of course there are some exceptions for Arab or gulf cooperation council countries). There for investors from outside Kuwait are interested in a partnership or some kind of joint between them and Kuwaiti companies or citizen. Except for one location foreign investors are allowed or permitted to lease a land which is – the Free Trade Zone.

**The Industry Context (Opportunity Vs. Problem)**

It is not easy to determine the real beginning of the housing problem in Kuwait. Because this problem existed even before the emergence of oil, but difference – in their view – was the due to poor incomes at the time and the level of state and individuals and the lack of serious urban planning, this was to obtain adequate housing or private housing is a problem many people cannot handle. As for the oil community, the nature of the problem is strange, as income level has increased, even more than the need, as effective and thoughtful urban planning has emerged, but with this the problem of the need for housing has appeared in a steady and increasing manner to include the largest proportion of the population.

In 1993, the public authority for housing welfare, was known by Law No. 47 of 1993, was established. It is a public institution with independent budget under the supervision of the minister in charge of housing affairs, and it is specialized in the tasks of planning, designing, constructing and distributing of areas and housing units and its services.

The real estate market in Kuwait is the most controversial. The housing problem is considered in Kuwait, the real estate trade system itself, especially regarding allocation and liberation of lands, due to the obstruction of the government projects to distribute lands to citizens “land and loan” through equal distribution among citizens, and this is one of the few positive that the government does according to the history of housing requests without bias.

The delay in distributing land to citizens is due to the increase in real estate prices for merchant to benefit from, which leads some citizens to take loans from banks in order to buy a house according to what the merchant sets the prices without the government oversight, and if the government distribute the lands according to the lot and seniority, the merchants will use their influences perhaps by delaying the completion of the project according to the specific data, we have a lot of examples of this issue we can mention some like the (Mutlaa and Khaitan al-Janoubi project.). They would do that in order to benefit from the rents that have exhausted the pocket of citizens and have become one of the factors affecting their discomfort.

We believe that the municipal council is part of the problem in the lack of clear disclosure about determination of the lands that should be distributed according to the mechanism of the public Institution for housing, such as South Saad AL Abdullah area, Nawwaf Al-Ahmad City and many other staled projects. Therefore, the members of the municipal council, especially the elected ones, must push the wheel of handing over the allocated lands for housing without any more delays.

Another problem that faces the government in the housing distributing program, the canceling the housing file that happens when the applicant can cancel the offer and re-register in new application where they can delay the process of families that are waiting in line behind them.

**Objective of the study**

The objective of the study is to do an analysis of the Real Estate Market in Kuwait, this paper provides insights on the real estate market in Kuwait from both the demand and supply side. By looking at the overall structure of the real estate market in Kuwait, it identifies a number of market distortions and imbalances and discusses their likely implications for economy.

**Scope of the Study**

The scope of this study will be limited to only residential housing markets in Kuwait. According to the OECD, A building should be regarded as residential building when more than half of the floor area is used for dwelling purposes (The United Nations Economic for Europe (UNECE), 2000,83).

**A. Inclusions**

WE will discuss the governmental legal impact that strictly forbids foreigners to own homes and how that regulation impacted the development of the real estate sector. This will highly affect the growth of economy in general as a lot of foreign opportunity projects are being rejected and dismissed due to that legal regulation. Also, we will mention factors that contributes to the real-estate prices in Kuwait positively and negatively. For example, with economic growth and income growth of individuals which is considered as a positive indicator to a healthy quality of life where unemployment is low, and wages are high, real estates will need more money to be spend on. This increase can be reasonable to citizens and foreigners as they will not be affected by the prices inflate as much since the relation between wages and real-estate prices are positively correlating in this case. In addition, demographic and geographic factors that can also increase or decrease prices of real estate. For example, demographic impact on real estate prices is while population growth is increasing exponentially, the high demand on housing will boost up prices of rentals and purchases. Especially in Kuwait where population is considered dense with 240 per 𝑘𝑚2, for a small country this says a lot. This indicates negative impact on the real-estate prices, as its growing and growing more. This high demand will make the prices reach an extremely high level that it will affect Kuwaitis in buying residential properties and seek rentals making the rental prices even higher. Moreover, we will discuss the relationship of the country’s GDP on the real estate prices. The more the GDP of a country increase the higher the real estate prices inflates showing high correlation where real-estate prices mostly follow the pattern of GDP. However, it does not mirror GDP cycles at any point in time, but real-estate prices can also follow their own path. GDP can be used as an estimator of residential and commercial market progression.

**B. Exclusions**

In this paper we will exclude the effect of covid-19 on the real estate markets in Kuwait because this is a rare occurrence. Although it may have a huge effect, this will not be long lasting, because this covid-19 situation will end eventually.

We will exclude the commercial sector as it has a lot of varieties of issues, covering it up alongside with the residential sector will not give it a fair analysis specially with the period of time that is given to us.

Another thing that will be excluded from this essay is the real estate owned by the government because it is not subject to price change due to forces of demand and supply. The government acts like monopoly and there it is a price setter. The prices of government properties cannot be compared to those in the open market.

And last, we will not be covering the effect of taxation of real estate because there are no personal taxes in Kuwait, it is only applied for foreign corporation.

Part 2

Methodology

2.1 research design ( Abdullah )

2.2 Data collection ( afaf )

Part 4

4.1 Over view of the sector in Kuwait ( Mariam )

4.2 Contribution of the sector to the Kuwaiti economy ( entisar )

4.3 Drivers of growth in the sector ( me )

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