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The Edge Economic & Market Update

Kuwait Real Estate Market Insights
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Kuwait Real Estate

Kuwait's real estate sector is on the mend, with both sales and prices showing signs of recovery following a sluggish performance in 2023. In Q4 2024, real estate sales jumped by 28% QoQ, reaching KD 1.08 billion – the highest quarterly sales in the recent past.

Residential properties: Sales reached KD 456 million in Q4 2024, the strongest in two years. Transaction volumes have risen for two consecutive quarters, especially in more affordable areas (e.g. 38% of Q4 deals were in Al-Ahmadi governorate). After a period of softening, home prices showed a modest quarterly gain in Q4 as buyer sentiment improved. Nonetheless, residential sales in 2024 were still about 45% below their 2021 peak, reflecting the earlier cooldown from pandemic-era highs. High valuations and past speculative curbs (e.g. stricter power-of-attorney rules and upcoming taxes on idle land) have kept this segment's recovery more muted.

Investment properties: This segment has led the revival. Investment property sales jumped to KD 433 million in Q4 – highest level even before Covid pandemic– fueled by higher rental yields and demand for expatriate housing. Kuwait's tightening of overcrowding rules in mid-2024 (after a fire incident) created a shortage of low-cost rentals, benefiting landlords and boosting investor appetite. Higher demand drove investment property prices up ~2.8% y/y in Q4, despite that overall property prices were down 3% y/y.

Commercial properties: After a dip in Q3, the commercial sector regained momentum with KD 193 million in Q4 sales led by several large deals that drove the recovery, particularly big-ticket sales in Hawalli and Al-Ahmadi governorates. While Q4 commercial sales were below the record KD 294 million seen in Q2 2024, investor interest remains solid for quality assets. Strong demand for warehouses, offices, and retail space – supported by Kuwait's post-pandemic business recovery – has helped stabilize commercial property prices. However, this segment can be lumpy; a few major transactions (or lack thereof) swing the figures each quarter.

Prices: Kuwait's overall real estate prices fell by around 3% in 2024, after a slight 0.5% uptick in 2023. However, the prices began rising again in late 2024.

Kuwait Real Estate (Continued)

Government housing projects: The public sector is boosting efforts to address Kuwait's housing shortage. After distributing a record number of plots in 2021–22, the Public Authority for Housing Welfare (PAHW) paused new housing plot distributions in mid-2024 pending a new strategy and the passage of a Real Estate Finance Law. As a result, the waiting list of citizens for homes swelled to almost 100 thousands of applications by Oct 2024.

To tackle this, Kuwait has accelerated several mega-projects/initiatives:

New Cities: Construction is progressing on Al-Mutlaa City, South Saad Al-Abdullah, and South Sabah Al-Ahmad – three large "new city" developments that will provide tens of thousands of housing units. Key infrastructure contracts (roads, electrical substations, etc.) have been awarded.

"For Those Who Sold" housing: In May 2025, PAHW announced it is preparing to deliver homes in East Sabah Al-Ahmad by late 2025 under the "For Those Who Sold Their Home" program. Power infrastructure is being energized by Q4 2025, after which thousands of completed houses will be handed over to eligible citizens who previously gave up their subsidized homes.

Housing finance reforms: Kuwait is expected to approve a Real Estate Finance Law in 2025 aimed at boosting homeownership. Proposed measures include raising the ceilings on housing loans – local banks could lend up to KWD 130,000 (at 2% above CBK discount rate) over the government's credit bank would provide an additional KWD 70,000 interest-free. Additionally, loan tenors for commercial real estate may be extended from 15 to 25 years, and the debt-to-income limit for borrowers eased from 40% to 50%. These steps, alongside earlier residency law changes (offering 10–15 year residency permits for property owners and investors) and a draft law to allow greater foreign real estate ownership, could significantly stimulate demand in the residential and investment segments. On the flip side, a new "white land" tax on unused residential plots (effective January 2026) will pressure landowners to develop or sell, which could increase land supply and temper price rises.

Outlook: The real estate sector's outlook for 2025 is cautiously optimistic. Legislative reforms, if enacted, would be game-changers. The main risks are macroeconomic – if Kuwait's GDP growth disappoints or oil prices stay low, real estate sentiment may weaken again. On balance, however, Kuwait's real estate is in recovery mode in spring 2025.

Kuwait, GCC, and Global Insights

Executive Summary

Kuwait's economy is poised to exit a two-year oil-led downturn and grow again in 2025, yet the backdrop has become significantly more challenging with recent Global Events.
Oil-price shock: Kuwait Export Crude averaged about USD 73/bbl YTD, but the spot price plunged to USD 59.94/bbl on May 6, 2025 - its lowest since mid-2021. Should prices remain in the low-60s, the headline fiscal and current-account surpluses embedded in the IMF's December 2024 baseline would erode by 3-4 pp of GDP.
Domestic balance-sheet strength: General-government surpluses and the Future Generations Fund still provide a deep buffer, but the central-government budget is now expected to post a wider deficit near 10 % of GDP if oil averages below US $70 this year, increasing reliance on the new Public-Debt Law.

GCC recalibration. Early data for 2024/2025 show the region already recovering: UAE GDP up +4 %, Saudi non-oil activity +4 %, Qatar steady at 2 % range, while Oman and Bahrain hover around 2–3 %. With OPEC+ supply returning from Q2 2025, the bloc should average ~3 ½ % growth in 2025, but the oil-price dip trims revenue and could delay capex in the more oil-dependent states.

Global outlook softens further. The IMF's April 2025 WEO (World Economic Update) pegs world GDP growth at 3.3 % for 2024 and 2.8 % for 2025, citing higher real rates, renewed US-China trade frictions and slow European growth. Energy spot-price volatility and Red-Sea shipping disruptions also add downside risk.

Bottom line: Kuwait still enters 2025 with formidable buffers, but the sudden oil-price slide underscores the urgency of diversifying revenue, accelerating megaproject execution and deepening private-sector reforms. Region-wide, the GCC growth pulse is improving, yet fiscal space is tightening again—making coordination on spending efficiency and non-oil diversification an immediate priority.

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