

Bahrain Property Market

MARKET HIGHLIGHTS

- Government revenues increased by 52%, achieving a budget surplus of BD33 million during H1 2022 on the back of higher oil revenues.
- The latest Business Confidence Environment Survey also indicated that 91% of investors expect Bahrain's investment climate to remain stable over the coming quarters.
- As a sign of economic recovery, the tourism sector has witnessed a strong rebound in demand with tourism revenues increasing by 562% driven by a 38% q-o-q increase in the number of visitors that arrived in Bahrain, according to the Information and e-Government Authority.
- As per Oxford Economics, the surge in Brent crude oil prices and the introduction of 10% VAT have raised fiscal revenues and will lead to a budget surplus of 3.4% of GDP in 2022. This will help reduce government debt substantially to 81% of GDP this year from 100% of GDP in 2020.



RESIDENTIAL

Capital Values

Demand for residential projects has remained largely stable during Q3 2022. However, we expect capital values to marginally decline going forward as demand deteriorates on the back of rapidly changing debt markets, both globally and locally, which is impacting lending rates. This coupled with an oversupply in certain pockets of the residential market is likely to negatively impact capital values as developers continue to offer discounts and extended payment plans to entice buyers in a competitive market. During the third quarter, villa developments remained the asset type of choice, resulting in an average 1.2% y-o-y increase in prices, largely driven by the increase in demand across the mid-end segment. Average capital values across villa development during Q3 2022 are now estimated to be BHD 600 / sqm.

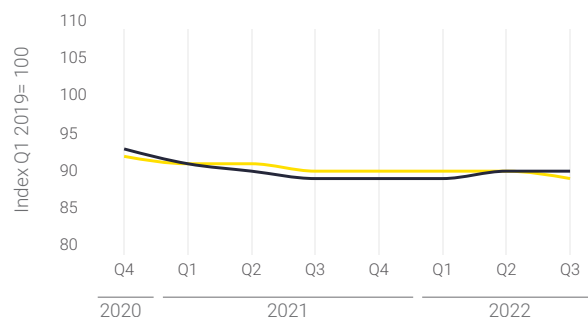
Higher vacancy levels across apartment developments amid limited demand has led to a 1.1% y-o-y decrease in average capital values. The biggest decline has been recorded across the low-end segment, close to a 4.1% correction in prices. As a result, average apartment values now stand at BHD 754 / sqm during Q3 2022.

Rental Values

Similar to capital values, rents across villa developments have increased by 2.9% on a y-o-y basis, however, the rental growth has evidently slowed down on a q-o-q basis. Demand during Q3 2022 saw an increase on the back of a rise in inquiries as schools restarted, and the arrival of new residents across Bahrain looking for villas across locations such as Saar, Hamala and Jasra. This has increased rental prices in the low-end villa market, with a q-o-q increase of 10.3%. Several compounds have witnessed strong demand, resulting in near full occupancy, while older stock lacking amenities and poor maintenance continues to struggle.

Apartment rental values demonstrated continued price stability with no movement for the fourth consecutive quarter. High-end apartments have regained ground in pricing from last year, with y-o-y prices now at parity. Whilst there haven't been any q-o-q price movements in the low-end residential sub-sector, it still experienced a 3.6% y-o-y dip as tenants availed the attractive pricing in the mid-market.

Residential Sales Indices



Residential Rental Indices



COMMERCIAL

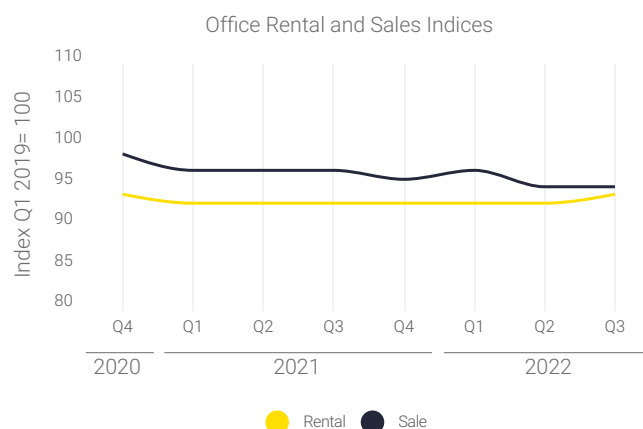
Capital and Rental Values

Office spatial requirements are still hot on the agenda with occupiers. We previously commented that we were aware of several occupiers in a 'wait and see' pattern. However, we have recently noted several occupiers are actively analysing their office needs.

Demand for good-quality Grade A offices continues to remain strong with some notable office transactions being secured at Bahrain World Trade Center.

The steady demand levels have

led to stability in rental values during Q3 2022, estimated at BHD 6.5 / sqm. However, across Grade B developments, rental values continued to grow due to an increase in demand, partly due to the limited availability across Grade A assets. Rental values are currently estimated at BHD 6 / sqm. On the other hand, demand across Grade C developments remain limited and rents remained stable during the third quarter at an estimated BHD 4.5 / sqm.



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