

Bahrain Property Market

MARKET HIGHLIGHTS

- Bahrain's economy grew by 4.9%, the highest recorded in over five years, whilst Foreign Direct Investments (FDI) grew by 5.8% y-o-y to reach BHD 13.3 bn in 2022.
- The Government has recently introduced a 'Golden Licence' scheme for foreign and local businesses. As part of the scheme, various incentives will be provided to investors, including prioritising the allocation of land for investments, and streamlined access to government services such as business licensing and building permit approval.
- The positive economic momentum was also reflected across the real estate sector. As per the Survey and Land Registration Bureau (SLRB), the value of real estate transactions increased by 17% y-o-y in Q1 2023 to BHD 243.1 million.
- The Kingdom of Bahrain ranked second in the Arab World and 34th globally in the World Bank's 2023 Logistics Performance Index.



RESIDENTIAL

Sales Market

Villa developments were the most preferred asset class throughout 2022 and this trend has continued into Q1 2023. Demand was concentrated across the mid-end segment and limited availability has led capital values to increase by 5.2% y-o-y. Rates are now estimated at BHD 603/sqm compared to BHD 573/sqm in Q1 2022.

A tighter liquidity condition owing to lower LTV ratios and higher lending rates has impacted demand for high-end/premium developments. As a result, high-end apartment values have dropped by 1.3% q-o-q, despite experiencing two consecutive quarters of growth. We expect this trend to continue as financing options become limited against the backdrop of tighter liquidity conditions.

Demand for lower-quality apartment developments remained tepid. Capital values remained stable during the quarter but on an annual comparison, are down by 4.1% in Q1 2023 and are estimated at BHD 465/sqm.

Rental Market

Demand for low-end and mid-end villas has remained strong as end-users limit their expenses owing to the current global economic landscape. Whilst there has not been any price growth across the low-end segment during the current quarter, the gradual increase in rents over the past few quarters has meant that prices are now 18.5% higher compared to Q1 2022 and are estimated at BHD 800/month. Rents across the mid-end segment have also increased by 1.2% and are currently estimated at BHD 1,090/month. Rental values across the high-end segment have remained stable and are estimated at BHD 1,300/month.

The apartment rental market continues to face downward pressure as the sector battles with the supply/demand imbalance. High-end apartment rentals remained largely stable on a y-o-y basis although low and mid-end apartment rental prices declined by 7.1% and 2.1%, respectively, over the same period. Low-end rental values now average BHD 430/month whereas mid-end apartments average BHD 500/month.

Residential Sales Indices



Residential Rental Indices



OFFICE

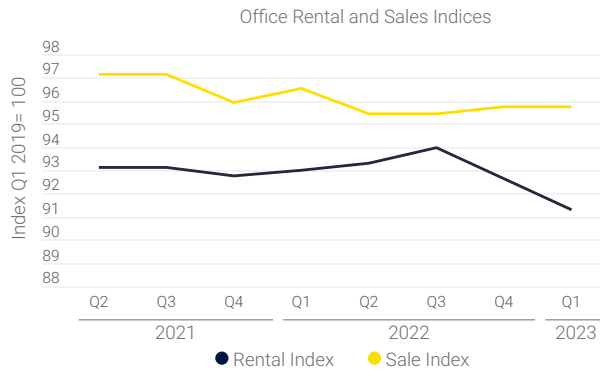
Sales and Rental Market

Demand for good quality office space remained stable across Bahrain. Enquiry levels were strong across mid-end and high-end properties. Due to the sustained demand levels, rental values across the mid-end segment have increased by 15% y-o-y; but on a quarterly comparison, they

continue to remain stable and are estimated at an average BHD 6/sqm/month. Across the high-end segment, rental values remained stable across 90% of the Grade A stock tracked by Savills, but on average, rents dropped by 1.5% on a quarterly comparison and 2.1% on an annual comparison and are estimated at an average BHD 6.4/sqm/month. Compliance with ESG requirements and the increased focus on employee well-being continue to be the prime demand drivers across the mid-end and high-end segments.

Rental values continued to decline across low-end office developments for the third consecutive quarter. Rental values are now 4.5% lower compared to Q1 2022 and are estimated at BHD 4.3/sqm/month.

The resurgence of the mid-end rental sector has translated to the sales market with mid-end capital values experiencing y-o-y growth of 4.6%. This is largely attributable to reduced available stock in the sub-sector. However, low and high-end capital values experienced no price change over the same period.



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