

## MACRO-ECONOMIC HIGHLIGHTS

- Bahrain's economy grew by 4.9% in 2022 on the back of strong growth across the non-oil sector, its fastest growth in over nine years. However, as per recent estimates from Oxford Economics, the GDP is likely to taper to 2.2% in 2023 on account of a drop in oil production and prices, and a slowdown in the non-oil sector.
- As part of the government's ongoing initiative towards diversifying the economy away from oil, a budget of BHD 1 billion was approved for projects to be undertaken during 2023 and 2024. Most of these projects are aimed at upgrading the current infrastructure and include the development of the Bahrain Metro, a sports city, the new National Assembly, the Muharraq Ring Road, and a revamped Salmaniya Medical Center. Along with these infrastructure updates, the Capital Trustees Board approved the development of the King Faisal Corniche at a budget of BHD 5 million. Once completed, the project will complement the expansion of The Avenues mall, which is anticipated to be completed in 2024.
- Whilst the country still has one of the highest debt-to-GDP ratios in the GCC, it has established itself as an important financial services and data centre hub in the region. As such, it remains a key hub for foreign investment; as per the Bahrain Economic Development Board, the country successfully attracted BHD 410 mn in direct investment during H1 2023.
- The country also ranked second in the Arab world on the Logistics Performance Index 2023 released by the World Bank.



## RESIDENTIAL

### Sales Market

The market sentiment prevalent at the start of the year has extended into Q2 2023. Demand for villas outstrips that for apartments and inquiry levels and transactions were concentrated across the mid-end segment. Despite the preference for villas, capital values have remained stable during the current quarter and are estimated at BHD 603/sqm, but on a y-o-y basis, values have increased by 2.3%. Interestingly, average capital values across high-end villa developments have dropped lower than the average values for the mid-segment for the first time. Capital values dropped by 1.2% q-o-q and are now estimated at BHD 600/sqm. The drop in average values can be attributed to a correction in pricing across villa developments in the Floating City.

Across apartments, values in the low-end segment have remained stable on a quarterly basis at BHD 465/sqm but have dropped by 4.1% on a yearly basis. Capital values across the mid-end and high-end segments have dropped marginally and are estimated at BHD 649 /sqm and BHD 844 /sqm, respectively.

### Rental Market

Rental values remain largely stable across apartments and villas in the latest quarter. Whilst on a quarterly comparison, values have recorded little change, when compared to Q2 2022, rental values have dropped by 2%-6% for low-end and mid-end apartments. Meanwhile, rental values across low-end villas have increased by 10.3%. As of Q2 2023, rental values for low-end and mid-end apartments are estimated at BHD 425/month and 503/month respectively. The values stood at BHD 800 /month and 1,088 / month across low-end and mid-end villas, respectively. Across the high-end segment, average rental values have remained stable at BHD 1,294 for villas, whilst rents across high-end apartments are estimated at BHD 655/month.

Residential Sales Indices



Residential Rental Indices



## OFFICE

### Sales and Rental Market

As a result of the continued movement of corporate occupiers to good quality Grade A developments, rental values have started to move upwards and have increased by 1.6% q-o-q across the high-end segment to an average value of BHD 6.5/sqm. Though rents across the mid-end segment have remained stable on a quarterly basis, on an annual comparison, they have increased by 9.1% and are estimated at BHD 6 / sqm. The annual increase in rents signifies

the lack of availability across good quality developments and sustained demand from corporate occupiers to lease space across such projects. Rental values across Grade C or low-end developments have not changed in Q2 2023, but they continue to remain on a downward trajectory.

Capital values remain stable across office developments compared to Q1 2023. Our agency team has noticed an uptick in requests for LEED-certified office space which we believe will be a trend that increases going forward as companies aim to meet their ESG requirements.

Building on the success of Savills residential and commercial real estate indices, the first in Bahrain, we have made two additions: retail and industrial rental prices. We have been tracking these markets quarterly and our basket of properties includes projects from various segments across the most popular geographies in Bahrain.

### Retail Rental Market

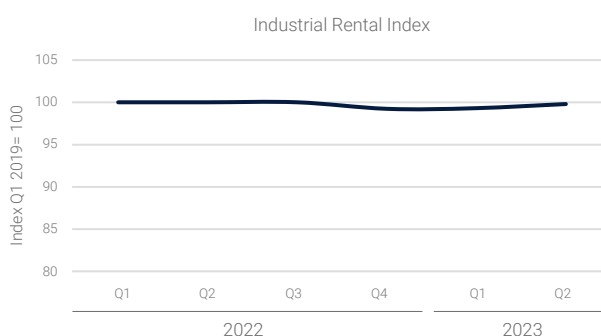
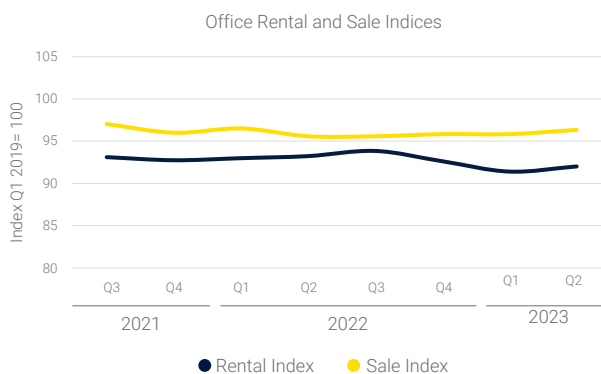
Against the backdrop of the retail sector's ongoing recovery from the effects of the Covid-19 pandemic in addition to a considerable supply/demand imbalance, retail rental rates have experienced significant downward pressure over the past year with prices declining by an average of 7% to BHD 10 / sqm.

Malls have experienced the largest correction with prices down 11% on a y-o-y basis, averaging BHD 12 / per sqm, compared to average mall rents of BHD 14 / sqm in 2022.

### Industrial Rental Market

The EDB has undertaken several measures to help diversify the Bahrain economy away from oil, and there has been a large push to attract industrial tenants and operators to the country. This has undoubtedly assisted in providing greater stability to rents in the industrial warehousing sector. Average monthly rents are currently BHD 2.8 / sqm for medium units whereas large units are currently achieving monthly rents of BHD 2.7 / sqm.

As great focus is placed on supply chain, food security and onshore activities, we expect the sector to further strengthen in the medium term. From its recent lows in Q2 2022, the rental index for the industrial sector has increased on account of a marginal increase in rental rates across Ras Zuwayed, and Sira for medium sized properties.



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