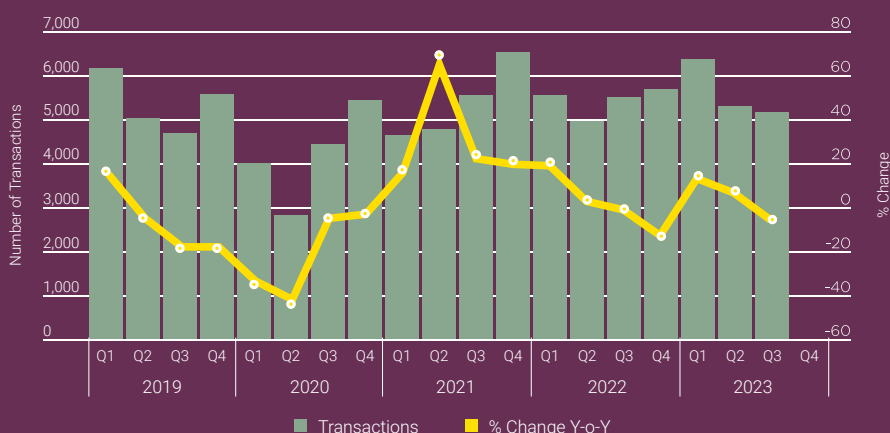


Bahrain Property Market

MACRO-ECONOMIC HIGHLIGHTS

- The restoration of diplomatic relations with Qatar in Q2 2023 is expected to open opportunities for prominent industries in Bahrain such as aluminum, construction and aims to spur bilateral cooperation, and increased trade and investment activity between the nations.

- The Kingdom of Bahrain has maintained its leading position among Arab countries as a free economy, according to the 2023 Economic Freedom of the World report published by the Fraser Institute.



- Bahrain recorded a GDP growth of 4.9% in 2022, the highest since 2013, aided by improvements in the non-oil sector. However, the effects of geo-political tensions, recessionary pressures, and a decline in oil prices may taper the GDP growth to 2.9% in 2023.
- As part of the Economic Recovery Plan (ERP) launched in 2021, strategic plans were launched such as the Industrial Sector Strategy (2022-2026) to bolster the sector's contribution to GDP, increase exports, etc. Further, as an addendum to the industrial sector strategy, a new incentive programme called 'Takamul' was announced in August 2023, to promote domestic manufacturers and retain valuable foreign reserves spent on imports. The programme awards a 10% preference certificate to industries that use 75% local materials for government contract auctions. This preferential treatment may significantly increase their chances of securing contracts compared to non-certified companies.
- The Tourism Sector Strategy which was also launched as part of the ERP has played an instrumental role in improving the tourism infrastructure and promoting Bahrain as a premier tourist destination. This initiative has already resulted in a surge in tourist arrivals to the country. Bahrain Tourism & Exhibitions Authority (BTEA), reported an increase of inbound tourists by 51% in H1 2023, reaching 5.9 million visitors, up from 3.9 million in H1 2022. Further, the country is investing more than USD 10 bn directly in tourism infrastructure projects, such as new hotels and museums, to provide strong support for tourism in Bahrain.
- The government introduced the Platinum Residency Programme following the Golden Visa residency program which is aligned with Bahrain's Economic Vision for 2030 to develop and diversify the economy. The platinum residency facilitates any foreign national with a golden visa, a good conduct certificate, and has lived in Bahrain for at least 15 years, to buy property mostly anywhere in Bahrain rather than in designated areas. Once the programme is open for application, the real estate market in Bahrain is likely to be positively impacted.
- According to Survey and Land Registration Bureau (SLRB) data, the number of real estate transactions dropped 6% y-o-y in Q3, however, the number of transactions in 2023 is anticipated to surpass 2022 transaction levels and has already achieved 78% of 2022 transaction numbers.



RESIDENTIAL

Sales Market

The market sentiment remained stable for the sector with inquiry levels and transactions being concentrated across the mid-end and high-end segment of properties. Among high-end properties, demand for waterfront projects is on the rise. This has led to a jump in occupier interest for a select number of mixed-use developments such as Bahrain Marina which is waterfront and offers convenience and privacy to their owners. During the current quarter, new waterfront projects were launched such as Al Naseem villas at southern island by Diyar Al Muharraq, Strata at Dilmunia by Bareeq Al Retaj.

However, apartment capital values in the residential market struggled to stabilise for a third consecutive quarter, with a marginal decline of 1.2% q-o-q in Q3. This contraction was exacerbated by the low-end apartment sector, where q-o-q values slipped by 4.3% and are now averaging BHD 443/sqm. The high and mid-end sub-sectors contracted to BHD 835/sqm and BHD 643/sqm, respectively. Similarly, villa capital values contracted by 1.4% over Q3, attributed by mid-end villas experiencing a dip of 3.3% q-o-q, leaving average values at BHD 583/sqm whereas high-end villa capital values remained stable q-o-q and stand at BHD 600/sqm per month. The capital value of residential units is affected by the supply-demand gap in the market, with a great deal of supply in the pipeline, the capital values might drop by another 1-3% as new completions hit the market.

Rental Market

Rental values remained largely stable across apartments and villas in the quarter, however, recorded a correction of 1% y-o-y. Low and mid-end apartment rental rates shrunk by 5.6% and 3.5% y-o-y respectively, whilst high-end apartment rentals rose nearly 1% over the same period. Average mid-end apartment rentals dropped below BD 500 /month for the first time since 2019 and currently average at BHD 496 monthly and the high-end apartment monthly rental rates average around BHD 653 /month over the quarter.

Rental values for villas experienced a marginal drop of 1% q-o-q, mainly attributed to the price moderation in mid-end villas recording average rentals of BHD 1,075 per month. Low and high-end villas remained stable over the same period, with average rents now at BHD 800 and BHD 1,288 /month, respectively. The supply/demand imbalance is impacting rents and values across the market.

Residential Sales Indices

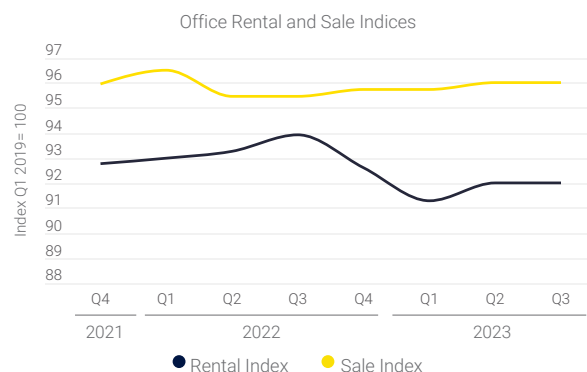


Residential Rental Indices



COMMERCIAL

Office Sales and Rental market



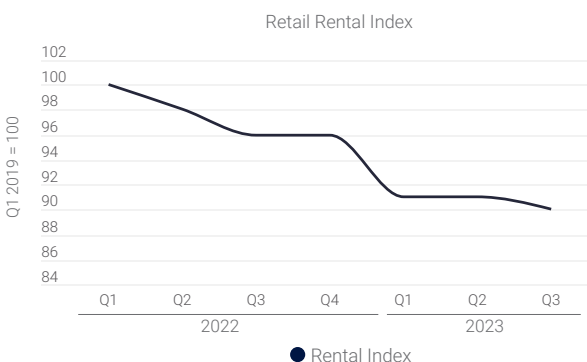
Stability in the office sector translated to no price movements over the last quarter in all office sub-sectors. High-end office rental rates now average at BHD 6.5/sqm /month compared to mid-end offices at BHD 6/sqm /month and low-end offices at BHD 4.3/sqm /month. Culminating in a y-o-y rental contraction of 2.1% overall.

Limited movements in office rental prices translated to no change in capital values. Albeit with capital values still outperforming y-o-y prices by 1%, which is driven by the mid-end office

sector. Mid-end properties in the Capital Governorate showed capital value increase y-o-y.

The major demand drivers in terms of inquiries are financial institutions and law firms and the average space take-up varies between 150 sqm to 300 sqm. Large companies are still downsizing as companies continue to offer hybrid working models since the pandemic. As a result the demand for co-working spaces is on the rise in the market as it offers scalability, flexibility in lease terms, etc., Recently the largest community-based co-working space was inaugurated in Seef Mall in partnership with Seef Properties.

Retail Rental Market

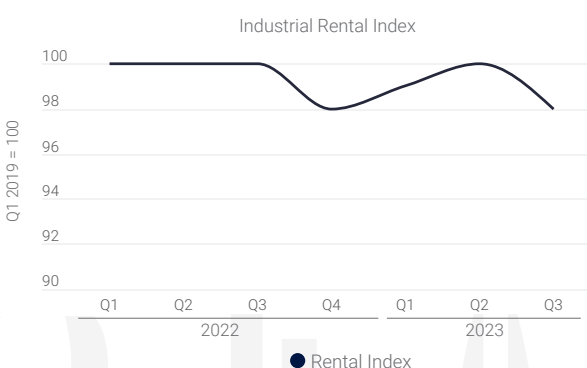


The retail rents remained stable when compared to the previous quarter. However, on an annual basis rents dropped by 6.4% y-o-y. The upcoming festive season and government initiatives to attract tourists through major infrastructure investments, events, and festivals might lead to the gradual improvement of the retail sector in the near term.

However, during the current quarter, rents across malls dropped the most, with average rents sitting nearly 11%

below where they were a year ago at BHD 12/sqm / month. Strip retail and mixed-use developments are approximately 5% y-o-y with average rates of BHD 9.9/sqm /month and BHD 7.1/sqm /month.

Industrial Rental Market



A contraction in rental prices for medium-sized warehouses of 2.7% over the past quarter resulted in the average price dropping to BHD 2.7/sqm/ month. Whereas large warehouses remained stable over the same period, the sub-sector pricing dropped 2.9% on a y-o-y comparison. The demand in the industrial market is led by the manufacturing sector, and the average space take-up varies from 1,500 sqm to 3,000 sqm.

SAVILLS TEAM

HASHIM KADHEM

Head of Professional Services
Bahrain
hashim.kadhem@savills.me
+973 3217 7033

MINAL MEHTA

Associate, Professional Services
Bahrain
minal.mehta@savills.me
+973 3361 2333

SWAPNIL PILLAI

Associate Director
Research, Middle East
swapnil.pillai@savills.me
+971 4 365 7700

CLADIA ANNA JOSE

Research Analyst
Dubai
cladia.jose@savills.me
+971 4 365 7700



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