

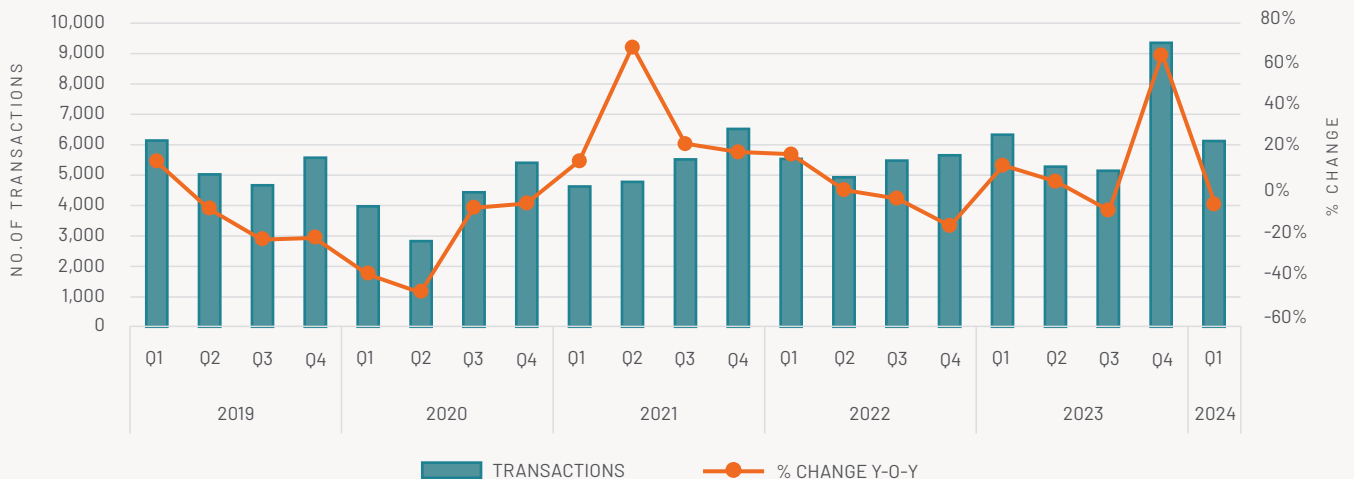
Bahrain Property Market



MACRO-ECONOMIC HIGHLIGHTS

- Bahrain recorded a GDP growth of 2.4% in 2023, a decline compared to 4.9% in 2022, owing to the effects of geo-political tensions, and recessionary pressures, according to the preliminary data released by the Information and eGovernment Authority (IGA). However, The the Ministry of Finance and National Economy projects an annual real GDP growth of 3.0% in 2024, driven primarily by the non-oil sector which is expected to grow by 3.8%.
- The non-oil sector plays a significant role in driving economic growth. The most significant contributors to GDP are Financial Corporations, which account for 17.8% of GDP, and the Manufacturing sector, which contributes 13.6% of GDP. Other important sectors include Government Services, Transportation and Communication, and the Construction sector.
- Inflation in Bahrain has significantly decreased. The previous year ended with an average Consumer Price Index (CPI) of 0.1%, suggesting very low inflationary pressures and creating a positive environment for consumer and business confidence. Despite the CPI being one of the lowest in the region, there is a possibility of a 1.4% price increase in the first quarter and an average increase of 2.0% throughout 2024.
- Based on the initial findings of the Foreign Direct Investment (FDI) survey conducted jointly by the Information and eGovernment Authority and the Central Bank of Bahrain, the total FDI inflows for 2023 amounted to BHD 2.6 billion, marking a substantial year-on-year growth of 147.8%. The sector of Financial and Insurance Services witnessed the most significant surge, with FDI inflows reaching BHD 2.7 billion.
- In the Agility Emerging Markets Logistics Index 2024, released by Agility, Bahrain secured the 16th position among 50 countries worldwide. This index evaluates the performance of countries based on four key aspects: Domestic Logistics Opportunities, International Logistics Opportunities, Business Fundamentals, and Digital Readiness. Furthermore, Bahrain has climbed 14 spots to rank 54th out of 184 countries in the 2024 Index of Economic Freedom, a report published by the Heritage Foundation.
- According to the latest data reported by the Survey and Land Registration Bureau (SLRB), the value of real estate trading decreased slightly by 1.2% YoY in 2023 to reach BHD 1.1Bn. However, the volume of real estate transactions grew by 24.1% YoY in 2023. Meanwhile, between January and March 2024, there were 6,124 sales transactions, representing a 3.0% drop in trading compared to the corresponding period in the previous year.

REAL ESTATE TRANSACTION TREND



RESIDENTIAL

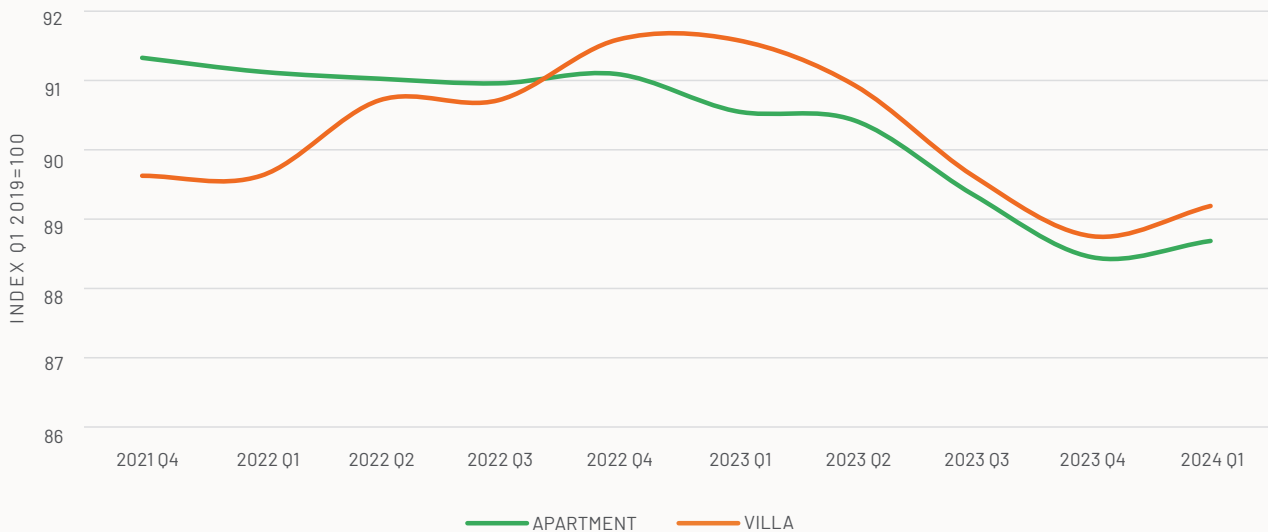
Sales Market

Despite facing challenges, Bahrain’s real estate sector continues to experience growth. This upward trend is fuelled by several factors, including government support, increased investor confidence, and a rising demand for real estate in the region. Home buyers are becoming more strategic in the market, primarily focusing on mid-range properties. The availability of more affordable housing options with improved amenities has shifted the market dynamics in favour of tenants. A notable trend is the increased demand for luxury waterfront properties, driven by Bahrain’s coastal location and flourishing high-end tourism industry. These properties appeal to discerning buyers seeking exclusivity and comfort.

On the supply side, a steady stream of projects is expected to be handed over in 2024. This continued increase in supply could further widen the gap between demand and supply. Some of the significant completions in Q1 2024 include Onyx Residences by Kooheji Development, Al Nasseem Phase 2 Villas by Diyar Al Muharraq, and Wadi Al Riffa by Bareeq Al Retaj, among others.

The capital values of residential units are influenced by the balance between supply and demand. With a significant amount of supply lined up, capital values could potentially see a marginal decline in the short term as new projects are completed. The capital values of apartments remained relatively stable, with a slight quarter-on-quarter growth of 0.3% in Q1, primarily due to the growth in high-end apartment units, now averaging at 832 BHD/sqm. Factors such as tighter liquidity conditions, lower loan-to-value ratios, and higher lending rates have affected the demand for premium developments, particularly villas. High-end villas saw a year-on-year dip of 4.5% in capital values, averaging at 583 BHD/sqm.

RESIDENTIAL SALE INDICES



SOURCE SAVILLS RESEARCH



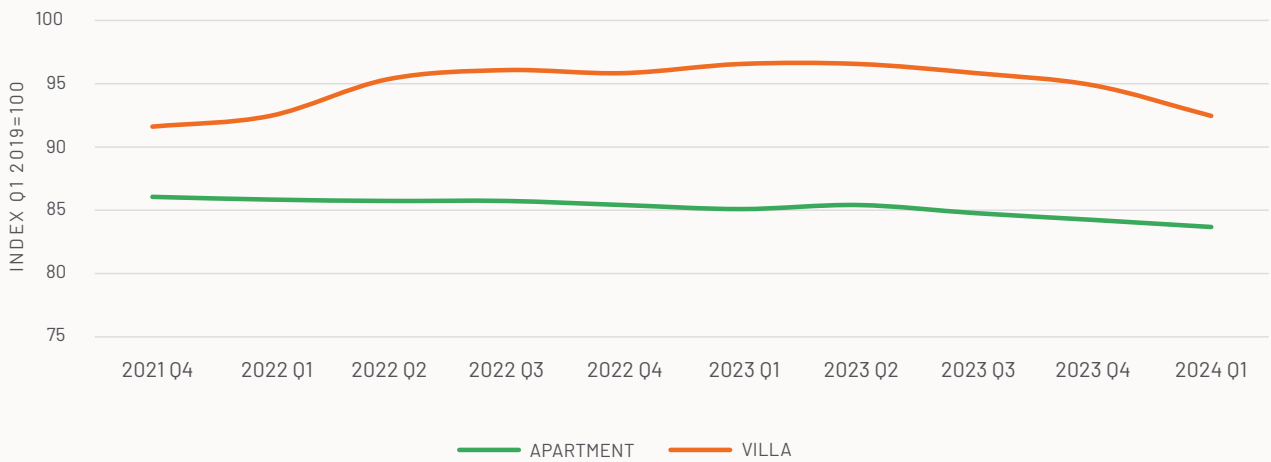
RESIDENTIAL

Rental Market

Overall rental values in the residential sector recorded marginal declines compared to Q4 2022. Rents across apartments were corrected by 1.3% and villas by 1.0% y-o-y. Across apartments, the biggest drop was observed for low-end properties, where quoted rents dropped by 5.6% y-o-y and are now estimated at BHD 425/month. Mid-end properties were corrected by 3.5% y-o-y and are now estimated at BHD 493/month. High-end properties on the other hand, saw a marginal annual increase and are now estimated at BHD 649/month.

Rental values on average dropped by 1.0% across villa developments. On average, rents in the low-end segment dropped by 3.1% y-o-y and are estimated at BHD 775/month. Rents across mid-end and high-end segments are now estimated at BHD 1,069/month and BHD 1,275/month respectively, having corrected by an average of 1.0% y-o-y.

RESIDENTIAL RENTAL INDICES



SOURCE SAVILLS RESEARCH



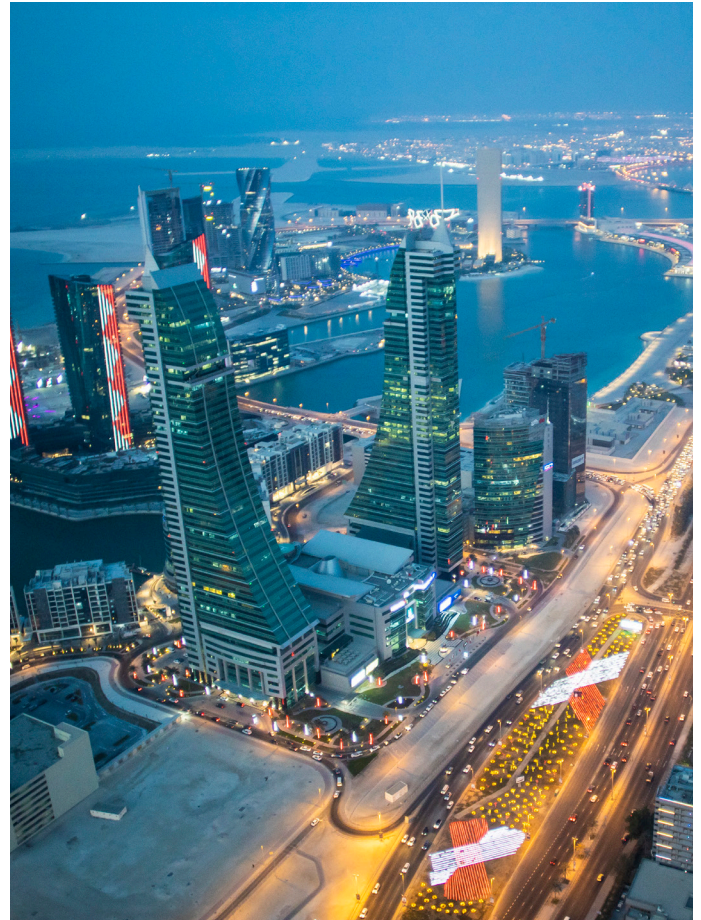
COMMERCIAL

Office Sales & Rental Market

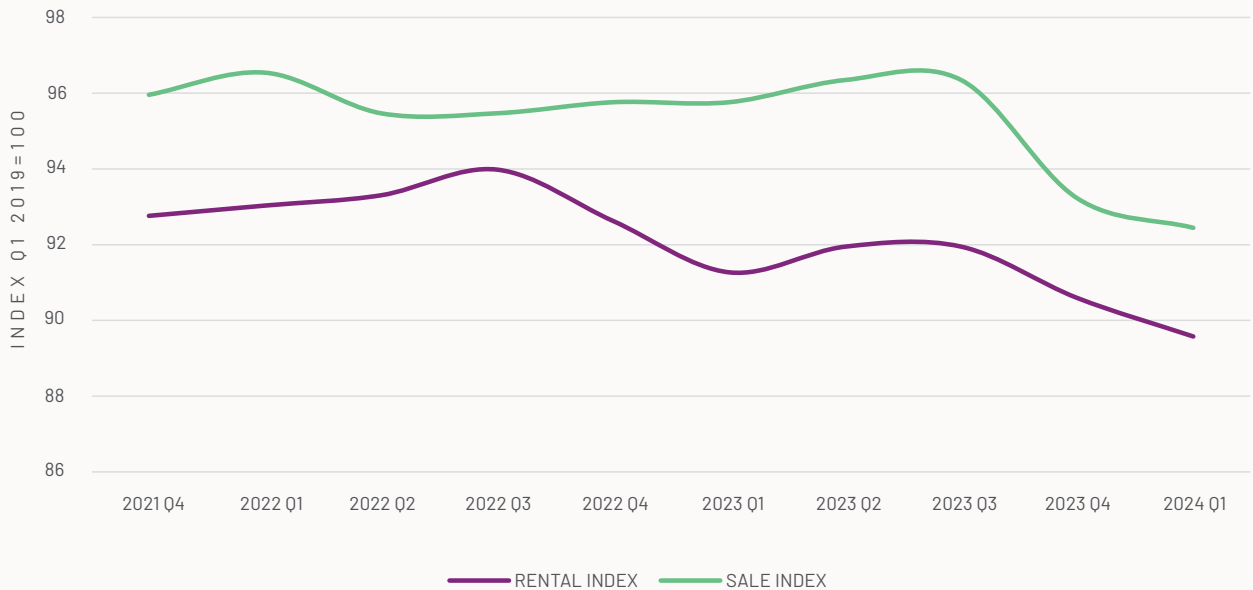
During the current review period, the office sector's activity was relatively quiet. The market's dynamism was primarily fuelled by businesses renewing their leases in high-quality Grade A properties. These businesses chose to continue operating from their existing locations. Rental rates for high-end offices now average at BHD 6.4 per sqm per month. This is slightly higher than mid-end offices at BHD 6.3 per sqm per month and significantly higher than low-end offices at BHD 4.1 per sqm per month. This has resulted in a year-on-year rental contraction of 1.8% overall.

In terms of capital values, the limited fluctuations in office rental prices have led to no significant changes. Despite the demand for spaces in quality assets, the capital values for Grade A properties have remained stable. This stability is due to an increase in supply, with quality completions like Sayacorp, Future Generation Reserve Tower, and Seef Boulevard expected in the near term. These additions to the market could further correct rentals, potentially leading to a capital value drop of 1-3%. In contrast, low-end properties in the Capital Governorate have experienced a 6.0% quarter-on-quarter drop in capital value.

On the demand side, financial services and government entities were the key space takers during Q1 2024. There has been a noticeable increase in demand for LEED-certified office spaces as well. This trend is expected to continue as companies strive to meet their Environmental, Social, and Governance (ESG) goals and requirements. Additionally, the demand for co-working spaces is on the rise, particularly from startup companies and businesses looking to downsize or right-size their operations.



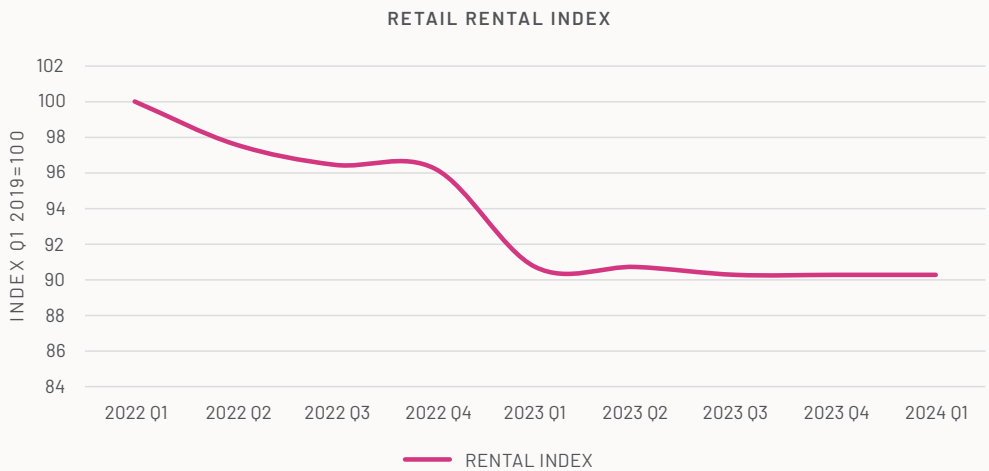
OFFICE RENTAL AND SALE INDICES



COMMERCIAL

Retail Rental Market

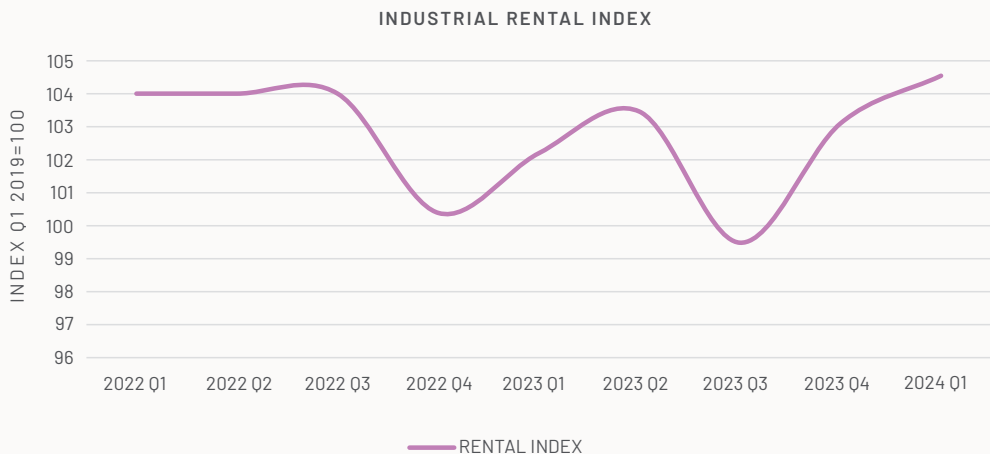
The retail and trade industries are experiencing a positive trend. For the fourth quarter in a row, rental rates have maintained stability. Due to the festive season, there was a surge in mall footfalls in the first quarter of 2024. The government’s efforts to draw tourists, including significant infrastructure investments and the organisation of events and festivals, could potentially enhance the retail sector in the foreseeable future. The mall and mixed-use development rentals remained stable and sits at BHD 12.3/sqm/ month and 7.9 BHD 12.3/sqm/ month, respectively. However, strip retail rentals have dropped by 1.0% y-o-y.



SOURCE SAVILLS RESEARCH

Industrial Rental Market

The manufacturing sector is the primary driver of demand in the industrial market, with an average space occupancy ranging from 1,500 sqm to 3,000 sqm. In terms of rentals, despite a year-on-year increase of 1.2%, average rental rates for large and medium-sized warehouses have remained steady.



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