

REAL ESTATE MARKET REVIEW

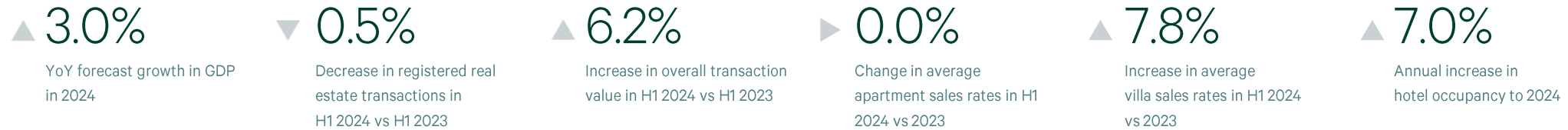
Bahrain Real Estate Market Review H1 2024

Bahrain's real estate transaction values record an overall increase, with mixed sectoral performances.

CBRE RESEARCH
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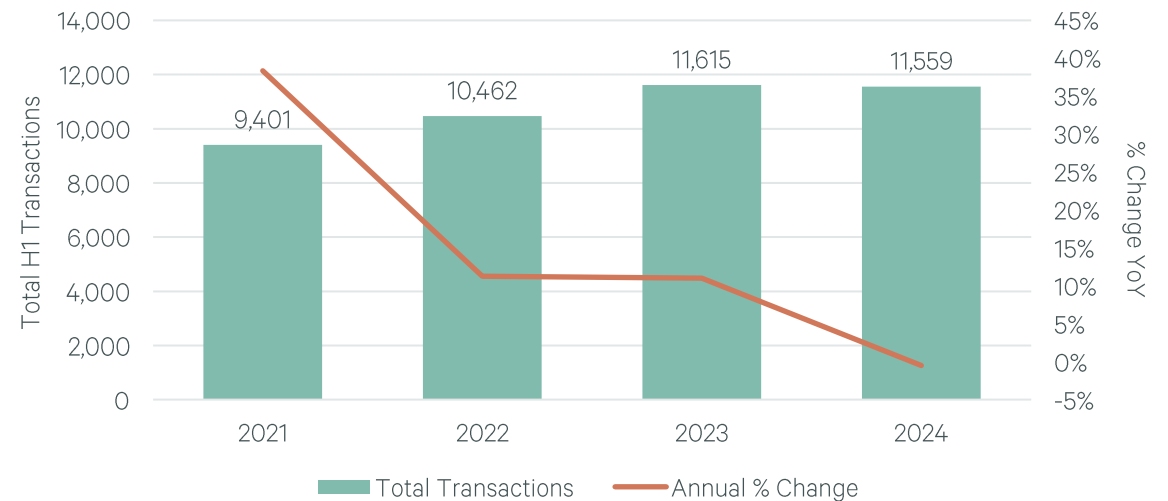
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Market Overview

- GDP growth in 2024 is expected to register at 3.0%, according to Oxford Economics, with growth of 3.0% forecast in both the oil and non-oil sectors, up from 2.4% in 2023. Inflation in Q1 2024 sat at 0.8% whereas for the full year the rate of inflation is expected to reach 1.8%, where inflation is expected to be predominantly driven by the food and drink sector.
- Bahrain’s Golden License scheme, introduced in April 2023, reportedly generated US\$2.4 billion worth of FDI in its first year across nine major projects. The projects span a variety of sectors, including a Data Centre facility, construction of a regional sub-marine cable, the first greenfield head office of NBK outside of Kuwait, the Bahrain Titanium facility, and the Bahrain Marina waterfront development.
- According to data from the Survey & Land Registration Bureau (SLRB), there were a total of 11,559 real estate transactions in H1 2024, with the highest number registered in March, at 2,086. The H1 2024 total is down 0.5% from H1 2023, when only 56 additional transactions were registered. The total value of H1 2024 transactions, however, amounted to approximately BD576,346,743, which is an increase of 6.2% compared to H1 2023, suggesting an average increase in individual transaction values.

FIGURE 1: Bahrain, H1 Real Estate Transactions, Annual



Source: CBRE Research / SLRB Data

Bahrain Residential

Sales rates of residential villas increased by 7.8% on a square metre basis in H1 2024 compared to 2023 rates (Figure 2), according to RERA’s transaction data. Apartment sales rates, however, remained consistent with 2023 figures, following a period of growth since 2021. In terms of quoted apartment rental rates, H1 saw some variability in terms of performance by number of bedrooms; however, all bedroom types saw a decrease in rates of between 2.5% to 4.1% (Figure 3). The average apartment sales rate recorded stood at BD694 per square metre in H1, across all locations and apartment types.

The villa market is driven predominantly by local demand, with citizens largely seeking affordable units. Whilst Bahraini Nationals have the flexibility to purchase across the Kingdom, for international buyers, mid- to high-end apartments in foreign investment zones represent the main offering. There is a substantial volume of apartment units available in both the primary and secondary markets. Additionally, there are upcoming projects in the pipeline across both segments.

Currently, we estimate tracked freehold apartment stock open to international investors, to total approximately 19,356 units, with a further estimated 1,361 units due to be introduced to the market by the end of 2024. A notable recent completion is Onyx in Bahrain Bay, adding over 700 units to total supply. Also upcoming, is the branded Four Seasons Private Residences in Bahrain Bay, offering 112 units connected by footbridge to the Four Seasons Hotel.

We anticipate that without a substantial increase in demand, the downward pressure will cause apartment rates to stagnate or result in more subdued absorption rates, ultimately leading to reduced sales rates. However, construction on one of Bahrain’s tallest residential projects, Golden Gate, resumed in H1 after approximately three years. The project comprises 746 apartments across two towers of 49 and 58 storeys respectively. Bahrain’s Batelco has announced that it will provide smart home solutions for the property, providing a differentiator for the development and following broader international trends in the residential sector.

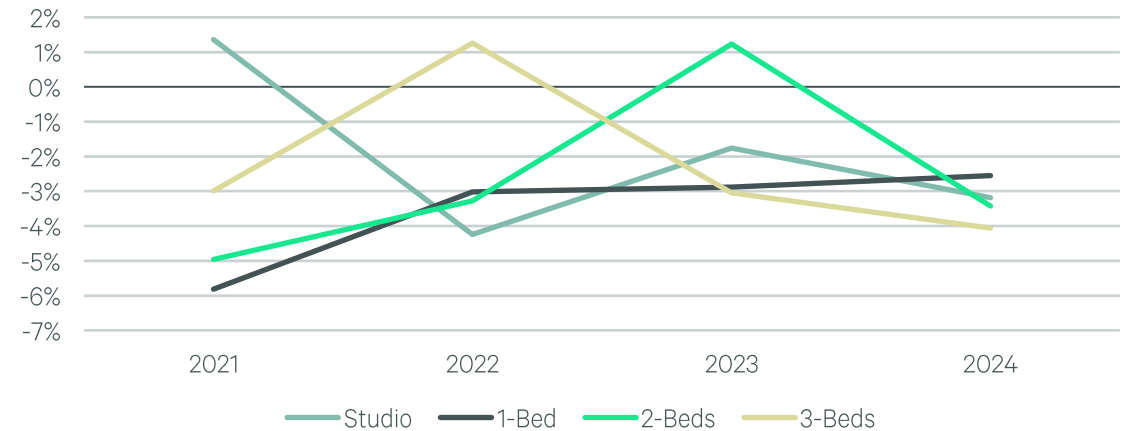
“Average recorded apartment sales rates were reported at BD694 per square metre in H1 2024 across all governorates and types.”

FIGURE 2: Bahrain, Residential Sales Rate Variation, YoY % Change



Source: CBRE Research/ RERA

FIGURE 3: Bahrain, Residential Apartment Rents Performance, % Change



Source: CBRE Research

Bahrain Retail

The retail market continues to see new openings, despite challenges in the sector. Most notably, Marassi Galleria launched in February 2024, adding approximately 116,000m² of GLA to the market. Despite this new addition, and the typically expected ramp-up period to stabilised occupancy, average retail occupancy across CBRE’s tracked properties only fell by 2.0 percentage points, to 68.9% (Figure 4). This follows a period of continuous, yet marginal, occupancy growth since H1 2022. While H1 2024, saw a significant boost in supply with the addition of Marassi Galleria, 2025 is set to be more muted at an anticipated 1.9% growth, in line with 2023.

High occupancy rates, however, were only recorded within a handful of properties; namely at Bahrain’s larger malls run by regional operators. The relative success of these malls could be seen as being at the detriment of other, smaller properties, that lack the demand drivers to be able to attract international occupiers and in turn footfall. This trend is expected to continue with the opening of the Avenues Phase 2 in 2025.

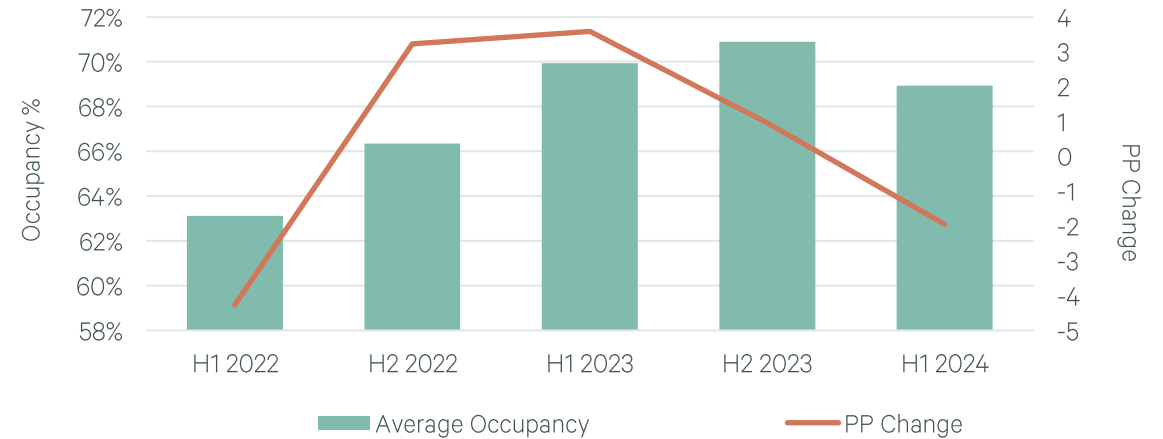
Monthly rental rates for in-line units at prime, market leading shopping centres average at BD21.500 per square metre. This rate, however, is not applicable across the market, with average rates across the board sitting at approximately BD11.500 for in-line units.

There is a trend towards a more innovative tenant mix in Bahrain’s competitive retail market, even within the leading malls, as operators adapt to consumer expectations of shopping experiences to provide more entertainment and experiential family activities. Examples of this include Atlantis: The Immersive Odyssey at City Centre, an interactive exhibition based on Greek Mythology, and Marassi’s Aquarium & Underwater Zoo.

“Average trading occupancy fell by 2%, with the addition of significant stock in H1, following a period of gradual improvement since 2022.”

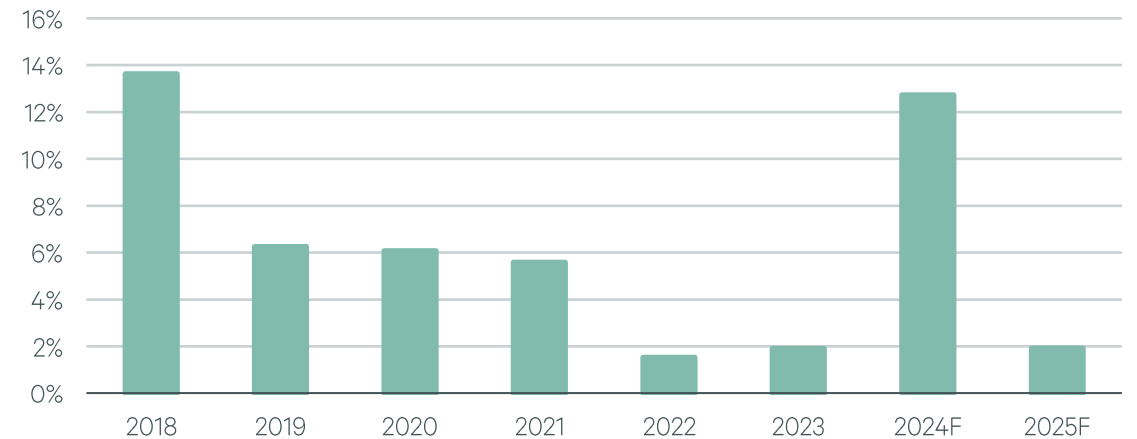


FIGURE 4: Bahrain, Retail Occupancy, 21 Major Shopping Centres



Source: CBRE Research/ Google Mobility Report

FIGURE 5: Bahrain, Annual Retail GLA Supply Growth %



Source: CBRE Research

Bahrain Office

Office rental rates in Bahrain continue to decline for both prime and non-prime properties. In H1 2024, average office rental rates declined by 2.9% compared to 2023 (Figure 6), in a trend that has been ongoing for over a decade due to excess supply levels outpacing demand in the market.

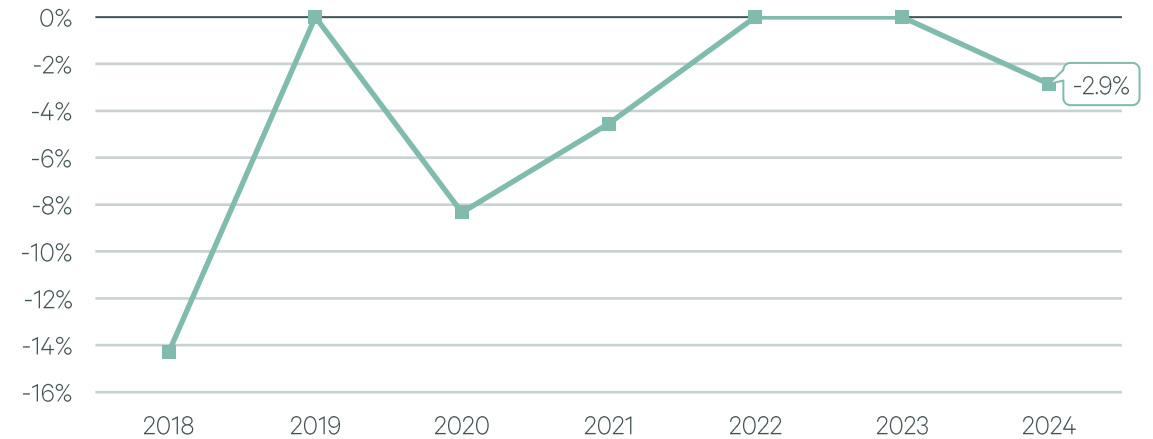
The continued increase in supply slowed after 2021, with no significant new openings in 2022 or 2023. In H1 2024, Sayacorp Tower completed in Bahrain Financial Harbour - this mixed-use development offers 10 floors of office accommodation, along with hospitality and food & beverage space. The Seef Boulevard mixed-use project is also due to complete this year, which will bring the total office supply to 1.38 million square metres of GLA by year-end 2024, an increase of 1.2% year-on-year. FGR Tower in Bahrain Bay, which is registered for LEED Certification, is expected to complete in 2025.

Newer office properties are tending to outperform more dated buildings, as they are more likely to meet modern occupier needs and international standards, while providing better facilities. There is an ongoing trend of flight to quality, with tenants benefiting from affordable rates in Prime and Grade A properties. The disparity in rents, between Grade A and Grade B space in Bahrain, is relatively negligible when compared to other business hubs in the region.

Landlords operating in this increasingly competitive market are driven to offer incentives to attract the limited pool of business occupiers requiring space. Leasing activity in the sector is predominantly led by relocating firms already established in Bahrain, with limited new market entrants seeking significant space. While there is some demand for shell & core space, we continue to record greater demand for CAT-A or CAT-B space, providing semi-fitted or turnkey solutions.

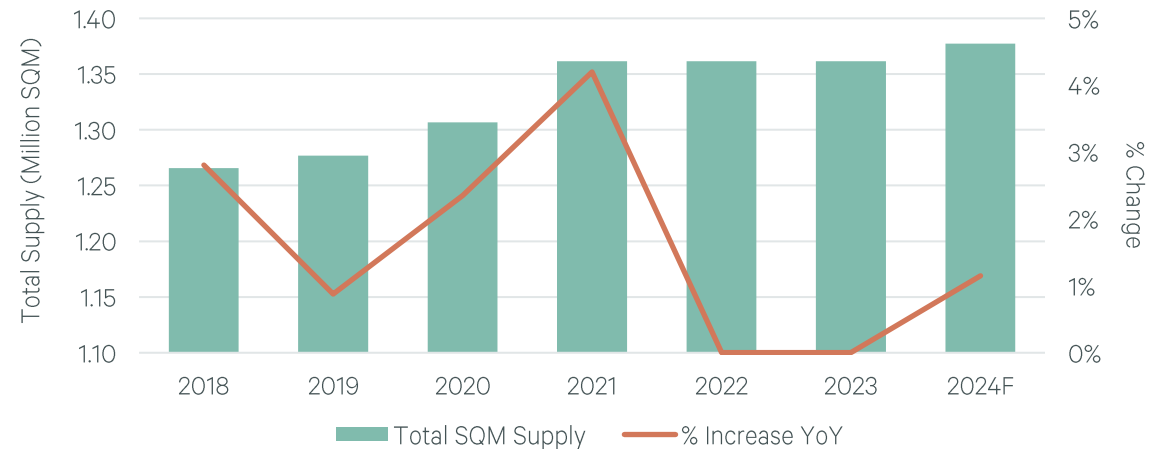
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New Prime or Grade A entries into the office market are aiming to meet international standards, such as LEED Certification. The additional space provides more challenges for established properties.
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FIGURE 6: Bahrain, Average Office Rental Rates, YoY % Change



Source: CBRE Research

FIGURE 7: Bahrain, Annual Office Supply Growth



Source: CBRE Research

Bahrain Hospitality

We continue to see growth in the number of international arrivals, where according to figures released by the BTEA, visitation has, in 2023, sat above pre-pandemic levels. Inbound tourism in 2023 totalled over 12.4 million passengers via land, air and sea, representing an increase of 24.7% year-on-year (Figure 8). The vast majority of arrivals continue to enter via the King Fahd Causeway from Saudi Arabia, amounting to 90.0% of the total and increasing 24.9% compared to 2022. Meanwhile, arrivals through the Bahrain International Airport increased 19.8%, whilst tourists via the seaport (i.e., cruises) increased 111.8% to reach the highest levels since 2019.

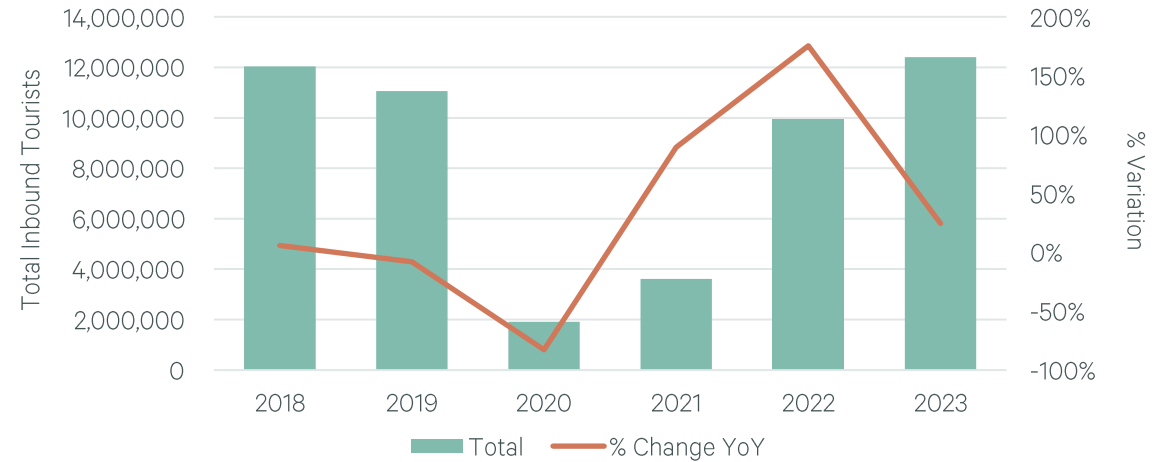
In line with this growth in visitation, hotel KPIs have improved in H1 2024. In the year-to-date to June, compared to the same period in 2023, average hotel occupancy rates in Bahrain have increased by 7.0% (Figure 9), or 3.6 percentage points, according to STR data. Additionally, average ADRs increased by 2.6% and average RevPARs increased by 9.8%.

May 2024 saw the opening of Conrad Bahrain Financial Harbour. The 98-key property includes one, two, and three-bedroom suites as well as four-bedroom penthouses with fully-equipped kitchens and private pools. The property is also home to the SushiSamba restaurant, which has presence in London, Singapore, Dubai and Las Vegas, among other global locations.

In March, Bahrain signed the Cruise Arabia Alliance with Dubai, Abu Dhabi and Oman to promote multi-country cruise holidays in the GCC, with the BTEA also participating in the Cruise Global 2024 convention. The 2023-24 cruise season witnessed 47 ships docking in Bahrain between October-April. MICE tourism is also a major focus for Bahrain, with the International Congress and Convention Association (ICCA) workshop held at Exhibition World Bahrain in January.

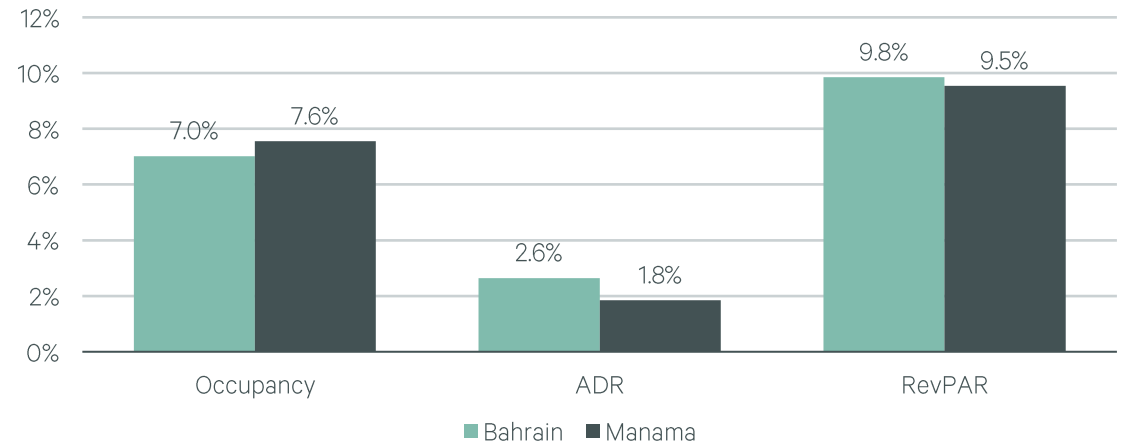
“The hospitality sector recorded improvement in key indicators in H1 2024, with occupancy levels increasing by 7% in Bahrain as a whole. With marginal increases in ADRs, RevPARs have seen a significant boost.”

FIGURE 8: Bahrain, Inbound Tourism Flows, Annual



Source: CBRE Research/ Information & eGovernment Authority

FIGURE 9: Bahrain, Hotel KPIs, H1 2024 Performance Variation vs. H1 2023



Source: CBRE Research/ STR Global

Contacts

Middle East

Heather Longden

Director - Advisory & Transactions
+973 3928 8221
heather.longden@cbre.com

Richard Botham

Senior Director & GM – Valuation & Advisory
+973 3960 5084
richard.botham@cbre.com

Taimur Khan

Regional Head of Research
+971 52 281 6953
taimur.khan@cbre.com

Ciaran Lynch

Director - Property Management
+973 3626 5699
ciaran.lynch@cbre.com

Samantha Schiffman

Senior Analyst
+973 3321 0546
samantha.schiffman@cbre.com

Sarah Al Attar

Regional Marketing Manager
+973 1655 6600
sarah.alattar@cbre.com

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